Market Maps

High Probability Trading Techniques

By Timothy Morge

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Market GeoMetrics We Draw. You Trade. *AutoForks RT*

**AutoForks** We Draw. You Trade. Support And Trading Forum

Autoforks Settings Example

Last Updated: May 24, 2005

May 24, 2005 Comments: When you first begin to use the Autoforks RT software program, it's easy to be overwhelmed with the number of pitchforks the program draws automatically. Let me try to give you a brief glimpse into how I used it in a recent trade and this can be a great way for you to discover just how easy it is to start using the software program successfully in your trading, whether you've never drawn a pitchfork before or been drawing them for years.

Now let me see if I can show you a step by step practical example of how I used it in setting up a successful

trade just this past week. Let's take a look at the Ensign Toolbar that always sits on top of your charts, which is where the buttons that you'll use to start and configure Autoforks are found:

Autoforks Start Button Is Here

Objects And Properties Button For "Spinning" And "Rocking"
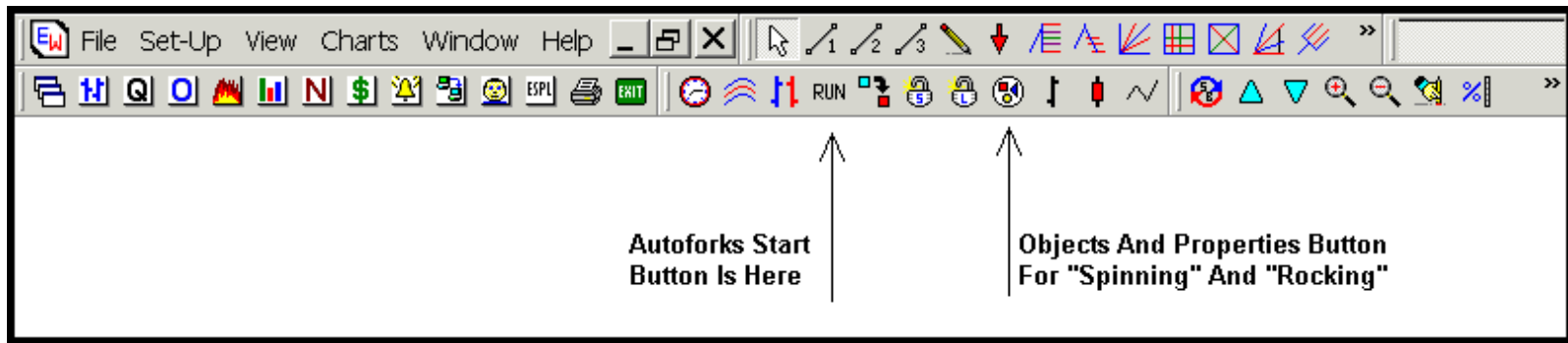
The first button you need to be aware of is the "Run" button, which is where you'll find the Autoforks RT indicator start button. Click on the Run button and you will see the AutoForks button listed there. By clicking on it, you automatically start a copy of the Autoforks indicator on the chart running in Ensign on the page you are working on. Remember: You CAN run more than one Autoforks indicator on any given chart, and you'll see why that's important a bit later.

Here's a fifteen minute chart of the E*Mini Russell futures [AB #F or AB M5] before I clicked on the Run button and the Autoforks button:
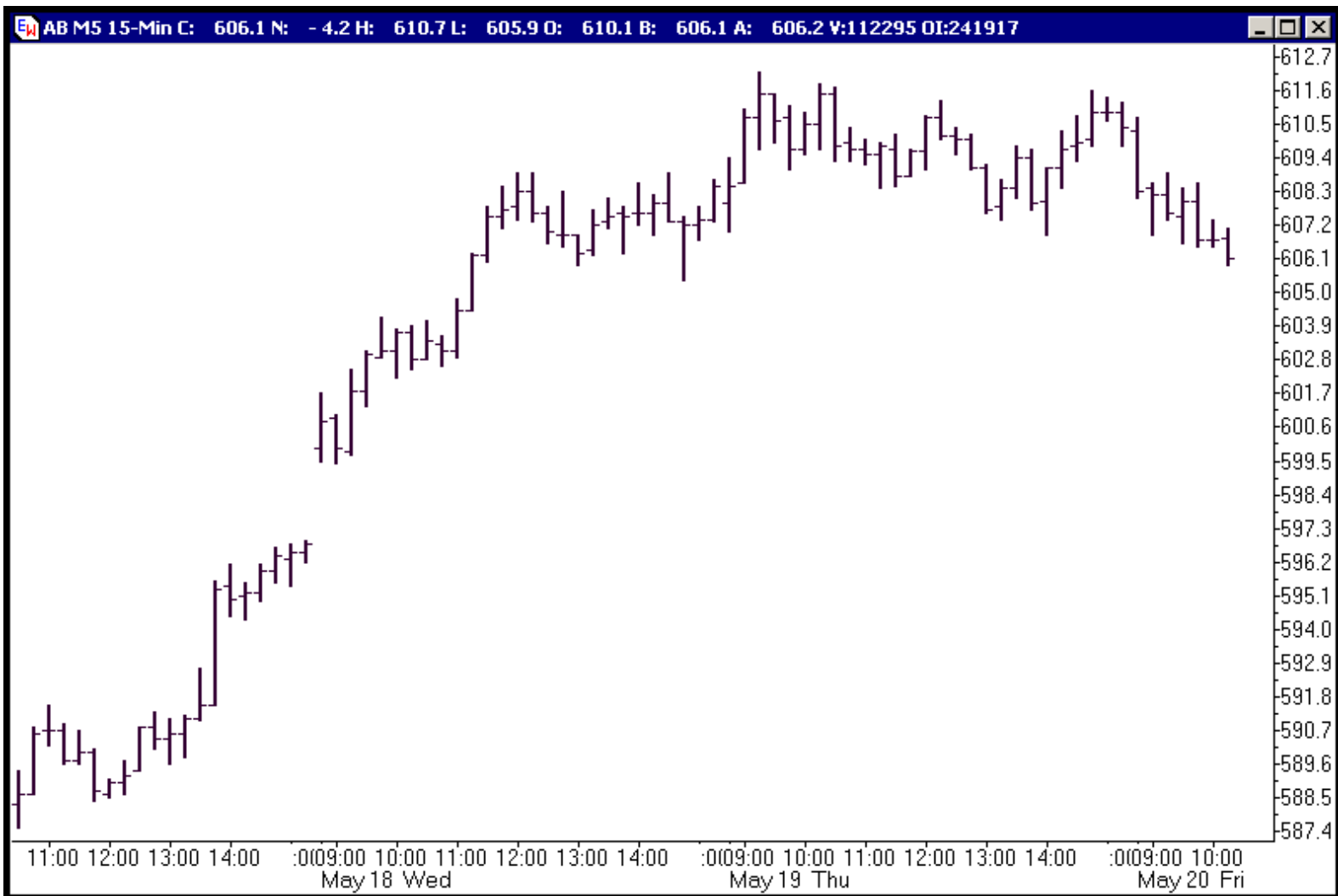
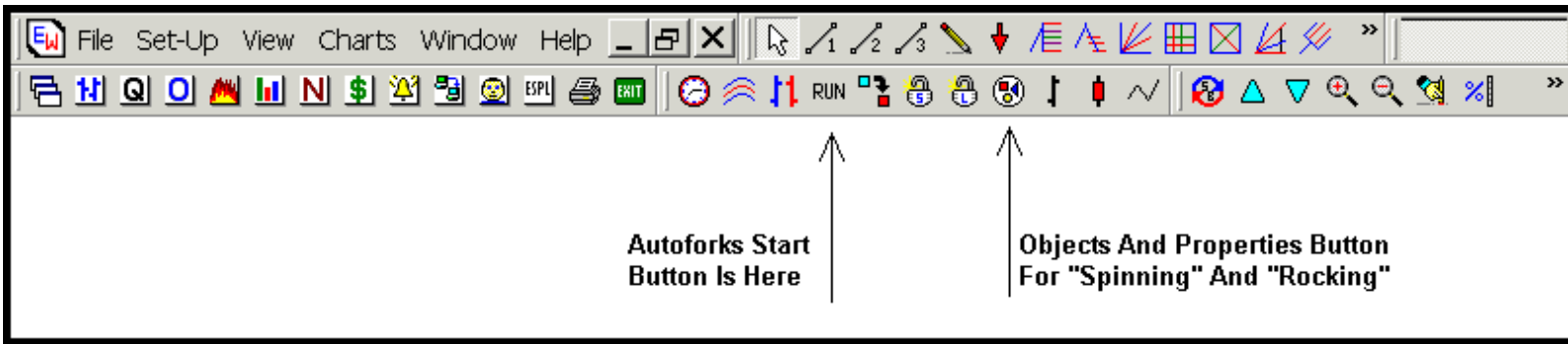Once I clicked on the Run button and then on the Autofork button, the chart changed to look like this:

So now I have a set of pitchforks that will update with the close of each fifteen minute bar. I don't have to draw them, they draw themselves. Is that a good thing? Yes and no. It's great that I don't have to draw them. That means I don't have to learn how to draw pitchforks or choose pivots. But if I simply leave the Autoforks RT program set on its default settings, sometimes I'll see pitchforks that are doing a great job showing me what I need to see. And sometimes, I'll see lots of pitchforks that update to new pitchforks, all day long, and see nothing that really helps me make any trading decisions.
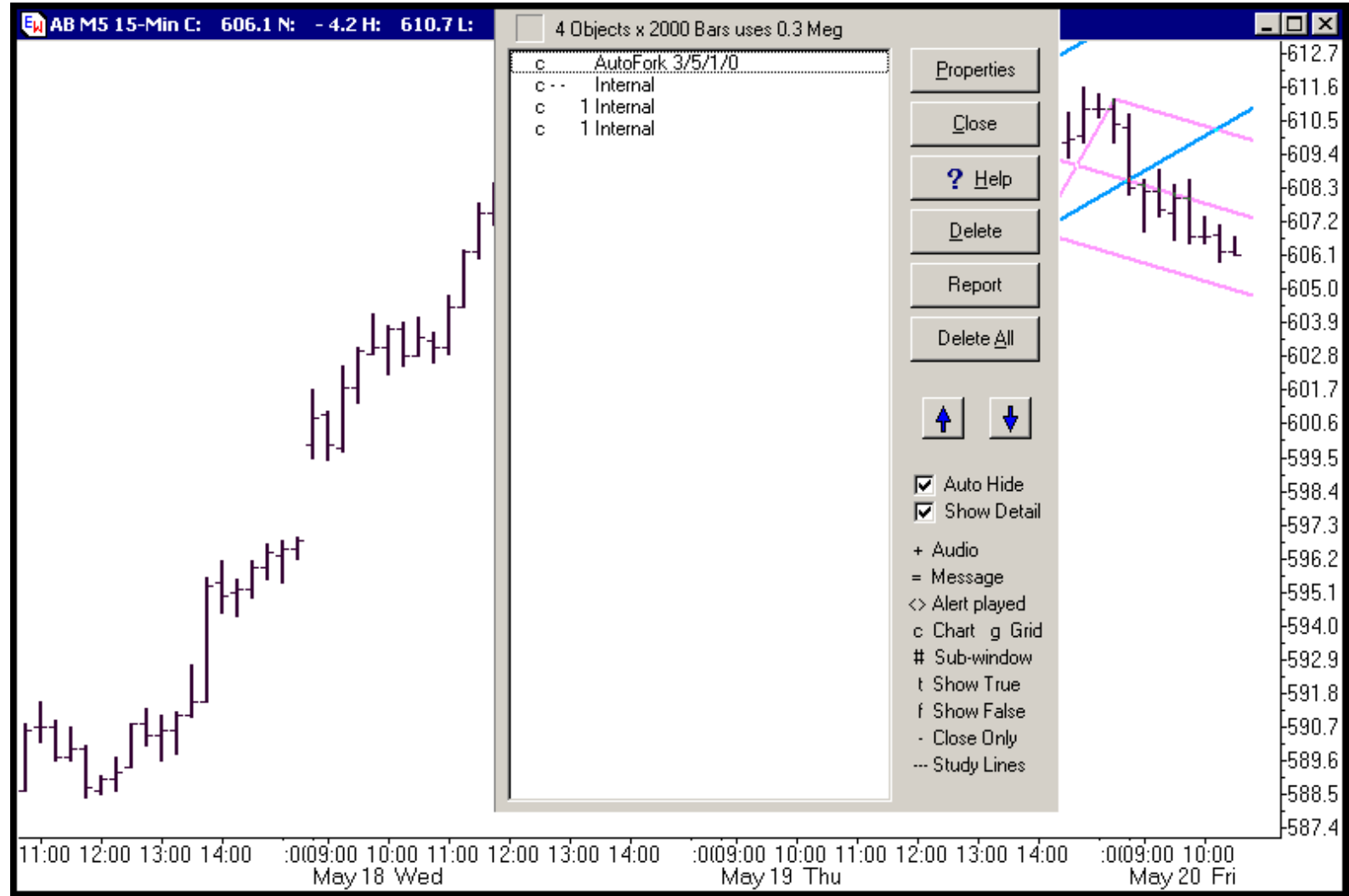
Does that mean Autoforks is a useless piece of software that just adds more noise for you to watch? If you use it incorrectly, that could be the outcome. Tools are only tools. If you try to hammer in a nail using a screw driver, you won't get very far. It's the wrong tool for the job. And even if you pick up the right tool for the job, you need to have an idea how to use it, or you'll just hit your fingers with the hammer over and over.

So now let me show you how to make Autoforks a much more useful piece of software that WILL make a difference in your trading:

Let's take the example from May 12, 2005 [the link to that trade description is a few paragraphs above] and see how I chose the pitchfork, using Autoforks RT, for that trade. Before the E*Mini Russell market opened, I opened Ensign, put up an E*Mini Russell chart and put the Autoforks RT indicator on that chart. Now remember what the buttons on the top of your Ensign screen look like:

Autoforks Start
Button Is Here

Objects And Properties Button
For "Spinning" And "Rocking"

Once I had Autoforks running, I clicked on the "Object" button and this screen appeared:

Then click on the "Properties" button and the following page will pop up:
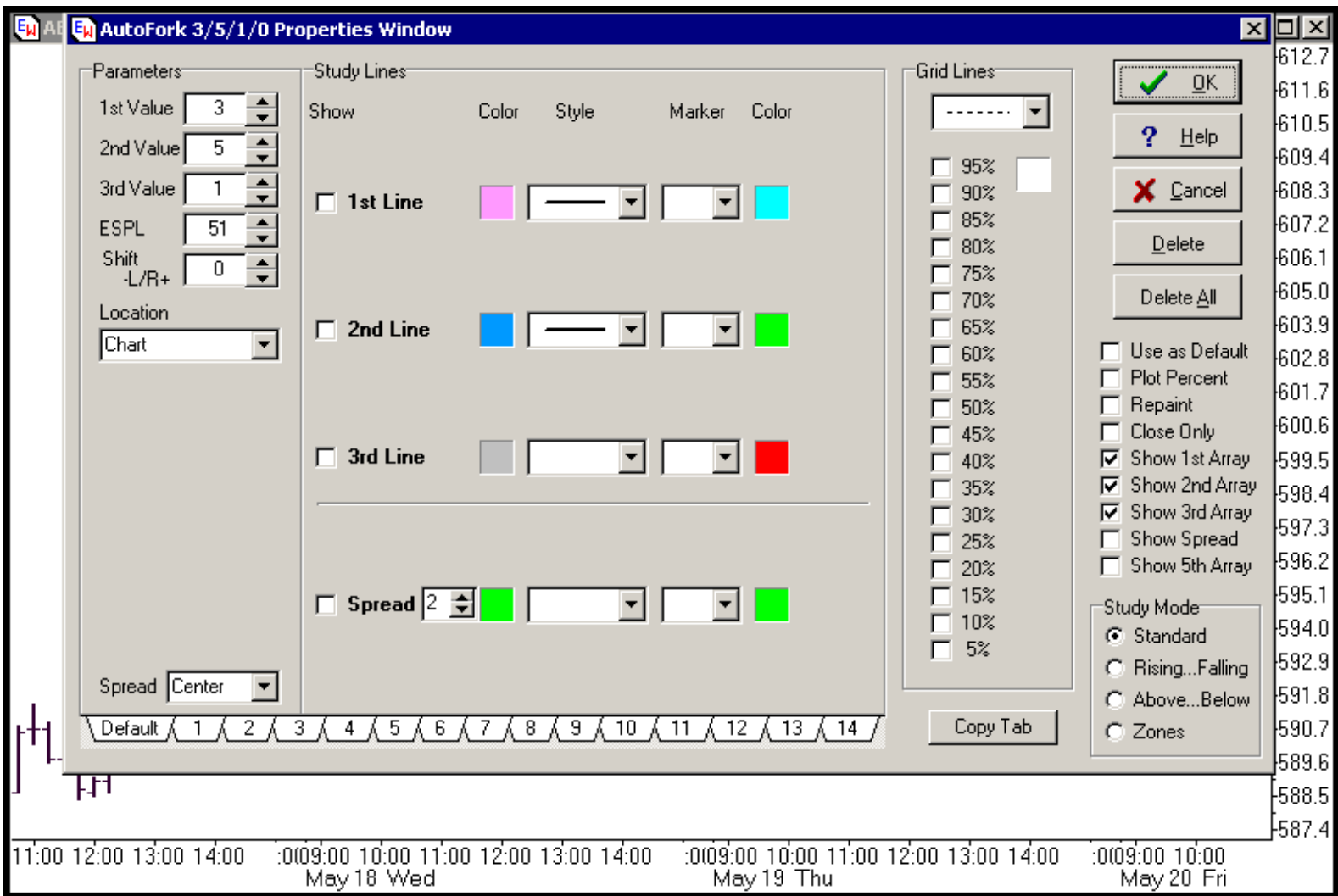
This is the control panel of the Autoforks RT indicator. You can change settings for everything from the number of pitchfor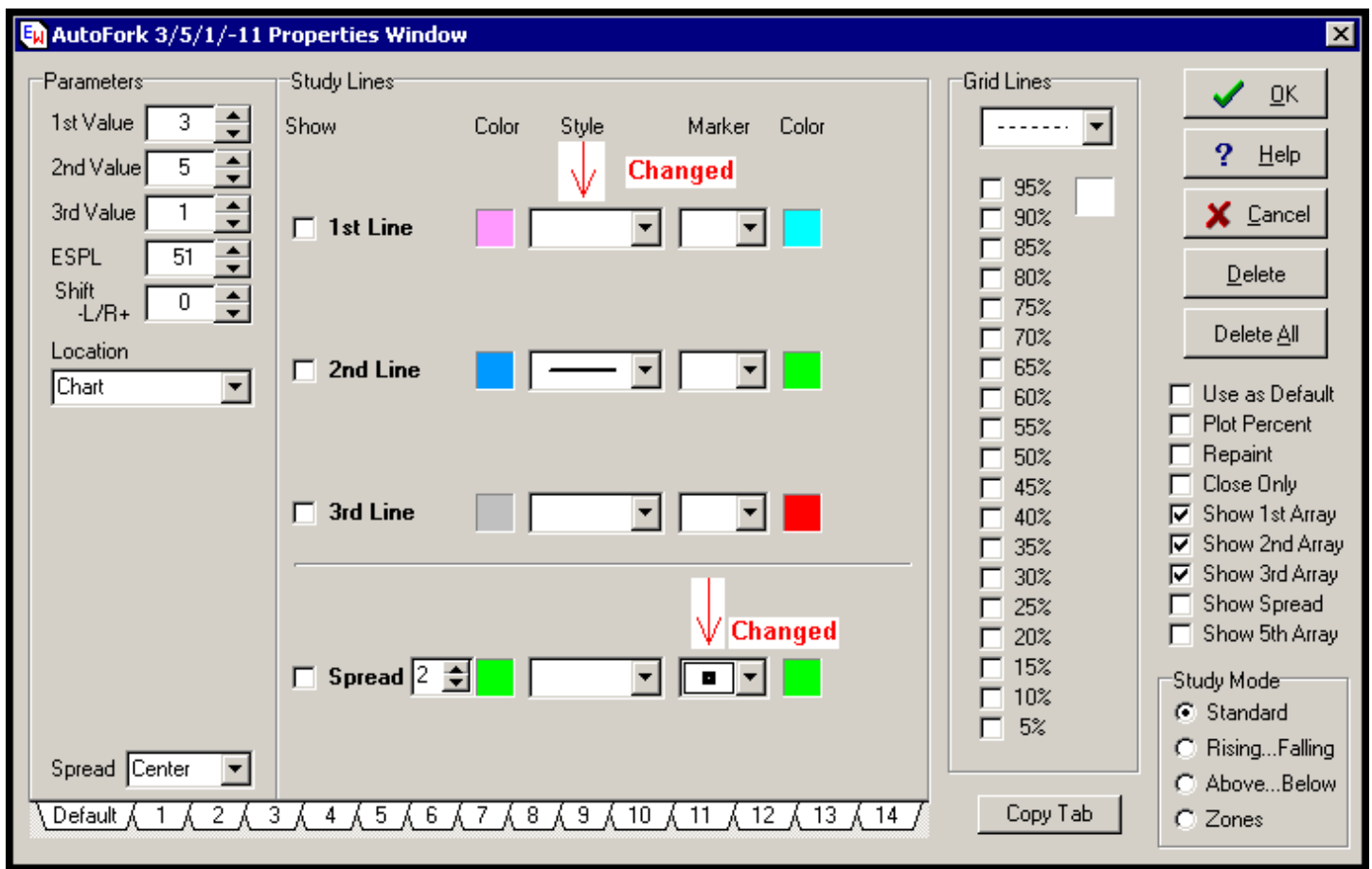ks shown on your chart, the color of the pitchforks, the thickness of the lines for each of the pitchforks drawn, how the program alerts you when price touches a Median Line or Upper or Lower Parallel, and much, much more [Read the instructions that came with the software and ask questions on the Market Maps Forum if you have more questions about settings!!!].

Before I do another thing, I turn off the first [pink] auto pitchfork by clicking on the second box to the right of the "1st Line" that has a black solid horizontal line shown in it and has the word "Style" above the box. Once I click on it, it brings up different line settings and if I scroll all the way to the top of this list of line types, there is a "blank" setting, which is simply all white with no line showing. When you choose this, it turns that pitchfork off.

Then I go to the last line on the control panel and I change the third box, furthest to the right after the variable "Spread," by clicking on the arrow there and finding a "marker" I like. I choose a square with a small hole in the center. By changing this box from blank [or white] to show this square marker, Autoforks RT will place a green square above or below me each pivot, making it easy for me to see what pivots Autoforks is "seeing" and "using." This will be important in a moment, when I show you how I "rock" through the shift settings, looking for a dominant pitchfork. The control panel now looks like this:

AutoFork 3/5/1/-11 Properties Window

Parameters
- 1st Value: 3
- 2nd Value: 5
- 3rd Value: 1
- ESPL: 51
- Shift -L/R+: 0
- Location: Chart

Study Lines

Show	Color	Style	Marker	Color
1st Line				
2nd Line				
3rd Line				

Changed ↓

Spread 2 | | | Changed ↓

Spread: Center

Grid Lines: - - - - - -
- 95%
- 90%
- 85%
- 80%
- 75%
- 70%
- 65%
- 60%
- 55%
- 50%
- 45%
- 40%
- 35%
- 30%
- 25%
- 20%
- 15%
- 10%
- 5%

Copy Tab

Default \ 1 \ 2 \ 3 \ 4 \ 5 \ 6 \ 7 \ 8 \ 9 \ 10 \ 11 \ 12 \ 13 \ 14

- ✔ OK
- ? Help
- ✗ Cancel
- Delete
- Delete All
- ☐ Use as Default
- ☐ Plot Percent
- ☐ Repaint
- ☐ Close Only
- ✔ Show 1st Array
- ✔ Show 2nd Array
- ✔ Show 3rd Array
- ☐ Show Spread
- ☐ Show 5th Array

Study Mode
- ● Standard
- ○ Rising...Falling
- ○ Above...Below
- ○ Zones

Why do I only want to look at one pitchfork at a time? I don't want to be overwhelmed with TOO much information. The FIRST thing I need to know, whether I am drawing the pitchforks by hand or whether I am letting the software draw them for me is this: Is there a dominant pitchfork already "in control" of this market? I am looking for ONE pitchfork that will give me the direction of this market and the likely areas where price will run out of energy. To do this, I don't need or want two or three pitchforks. I need ONE pitchfork that price has been tested and has done a good job showing the direction of price and the areas where price will likely run out of energy. Start out by finding this before the market opens and you will simplify your trading by 1000 percent!

So now I have Autoforks set up so that it will show me ONE pitchfork, not two or three. And it will also show me each pivot it detects, by marking them with a green square. I click on the box marked "OK" and the control panel closes. I can now double check that I am seeing just one automatically drawn pitchfork and pivots marked with green squares:

AB M5 15-Min C: 609.4 N: - 0.9 H: 610.7 L: 605.3 O: 610.1 B: 609.4 A: 609.6 V:112295 OI:241917

Once I double check that I am only seeing green squares at each pivot and only one blue pitchfork, which is the pitchfork controlled with the "2nd Line" blue box, I am ready to begin the pitchfork selection process [You could have used the "1st Line" by leaving it colored pink and changing the "2nd Line" and box to "white," but I chose to work with the second pitchfork that I marked blue. Either choice would be fine.

Now let's begin the selection process: Click on the "Objects" button on the Ensign toolbar and then click on the "Autofork 3/5/1/0" and then click on properties. Once again, you'll see the Autoforks Control Panel. Now click on the dark blue band on the top of the control panel and you can "drag it down or around" on top of your chart. You want to set it up so you can see a good amount of the chart you are going to trade, but you still need to see the settings on the far left of the Control Panel, because we're going to change them to look at different pitchforks. If you have more than one screen attached to your computer, you can make Ensign stretch to more than one screen and then put the entire chart on one screen and the Control Panel on another, which makes it very easy to see, but if you have only one screen, here's what you'll be looking at:

AB M5 15-Min C: 609.4 N: - 0.9 H: 610.7 L: 605.3 O: 610.1 B: 609.4 A: 609.6 V:112295 OI:241917

Parameters

|	
1st Value	3
2nd Value	5
3rd Value	1
ESPL	51
Shift -L/R+	0

Ok, you should be looking at a chart that also has a gray box near some corner that shows the "settings" boxes, just as the chart above has the settings boxes in the right bottom corner. Now I'm going to use those settings to "scroll through" potential pitchforks until I find the pitchfork that I think will show me the likely areas where price will run out of energy as the market unfolds today [Remember, this was on May 12th]. In Autoforks slang, when we scroll through the 1st or 2nd values, we call that "spinning" and when we scroll through the Shift -L/R+ setting, we call that "rocking." If you have a set of variables that you have used with some success, it's often easier to begin by using those settings and "rocking" through the possible shift variables, because it's very easy to "rock" through the shift variables. In the E*Mini Russells, I have had some recent success using "3" as the 1st variable and "5" as the second variable, so I am going to use those two settings and try "rocking" through the shift variable to see if I can identify a pitchfork I feel has the potential to be dominant after the open.

Now let's look at the actual charts that were made before the session opening on May 12, 2005 as I "rock" through the settings [note I have moved the control panel in the left hand corner and it now reflects the current settings]. Again, we're going to look at each chart as I change the shift settings and try to be aware if it has been useful in showing us where price is going [up trend, down trend, or trading range] and if it has been helpful showing areas where price was likely to run out of energy. So we're looking for Median Lines and Upper/Lower Median Lines that have been tested by price and have proved useful, as well as keeping an eye out for something that *might* look promising after the market opens. Here we go with shift setting "0":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625
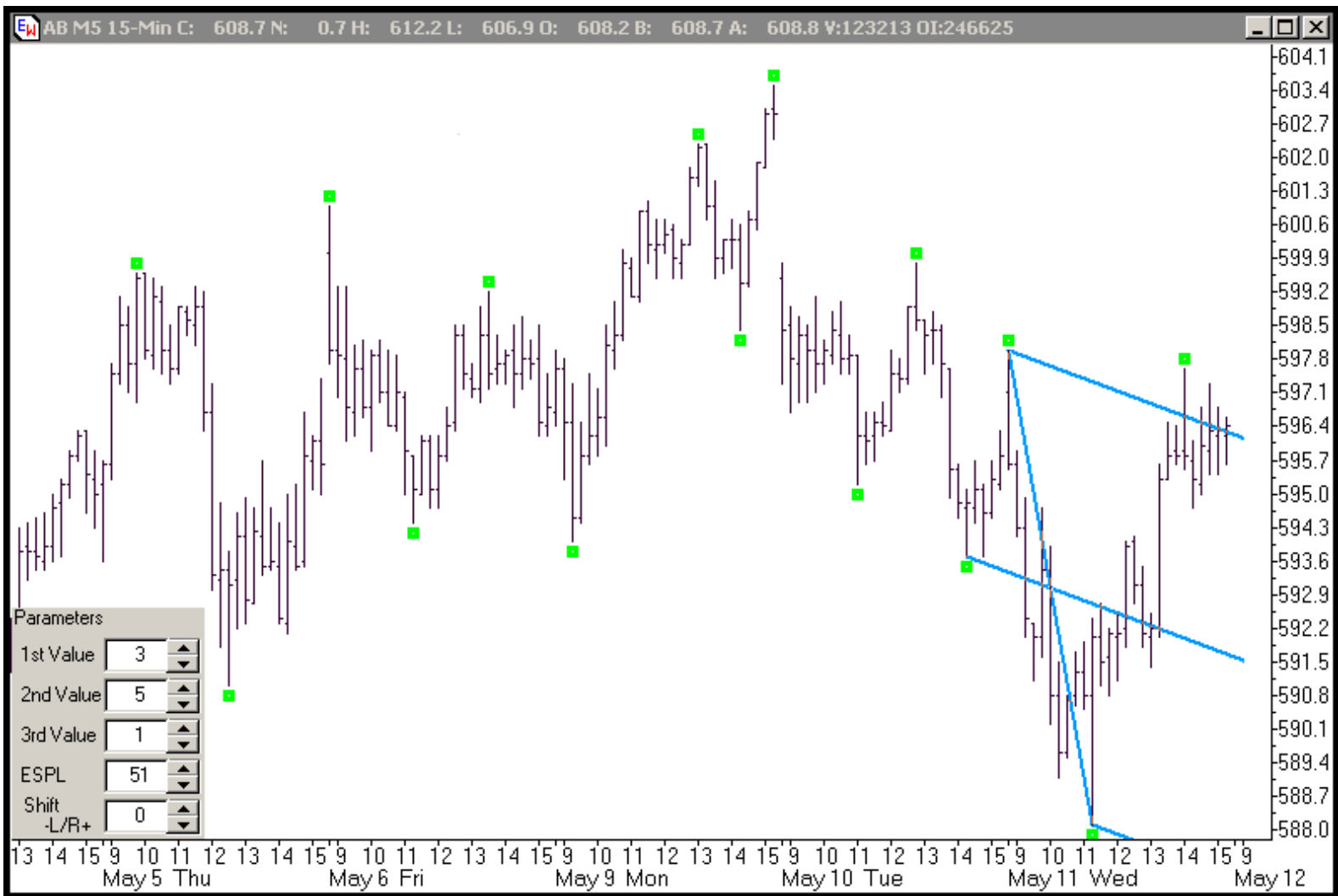
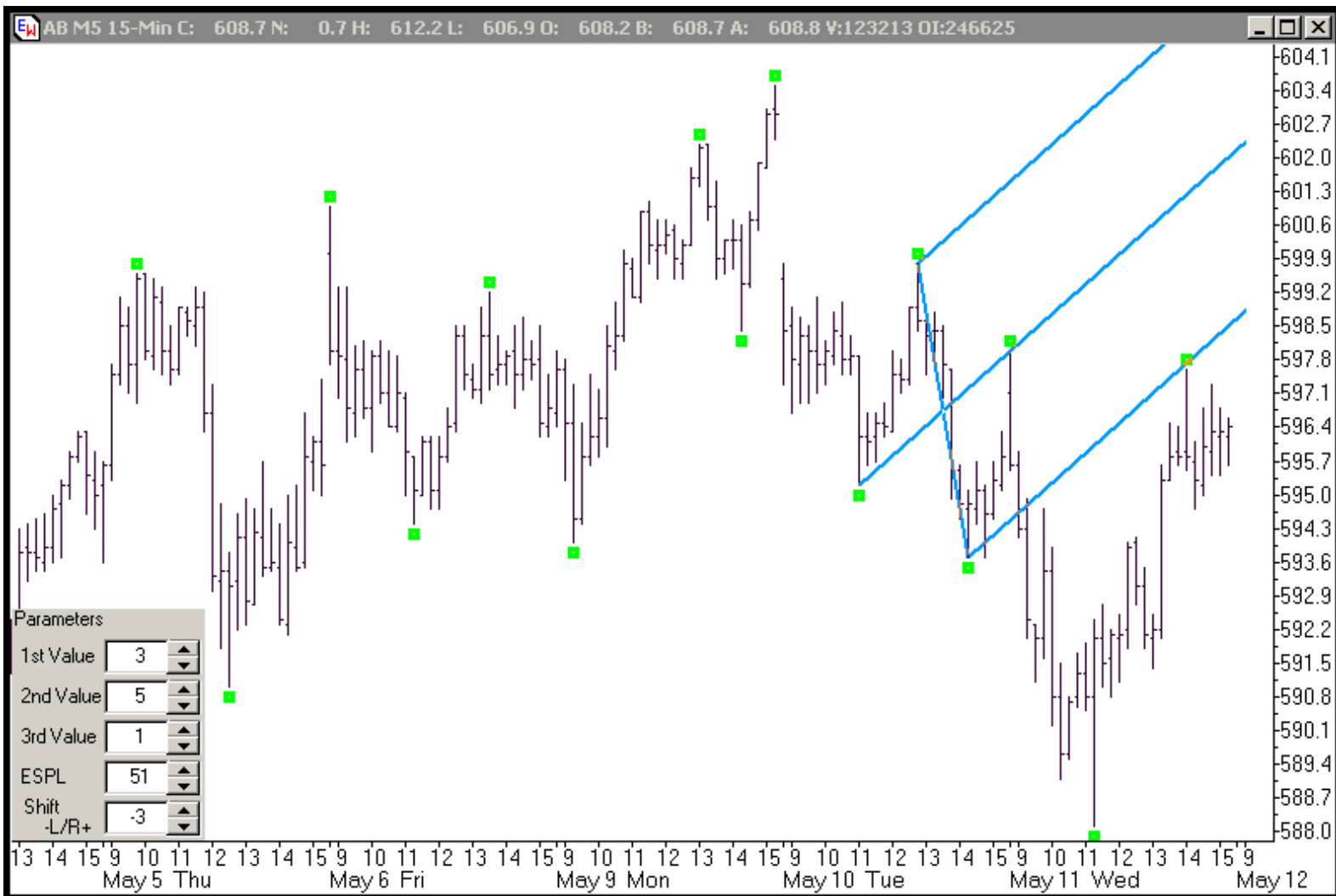Ok, this chart isn't bad. I don't know that it has been tested enough for me to feel comfortable trading off it, but depending on where price opens, we might want to keep this one in the back of our mind. If you had just let the autoforks program churn out pitchforks, one after the other, you would have seen this pitchfork pop up in the past few sessions yesterday [May 11, 2005]. Let's look at shift setting "-1":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625
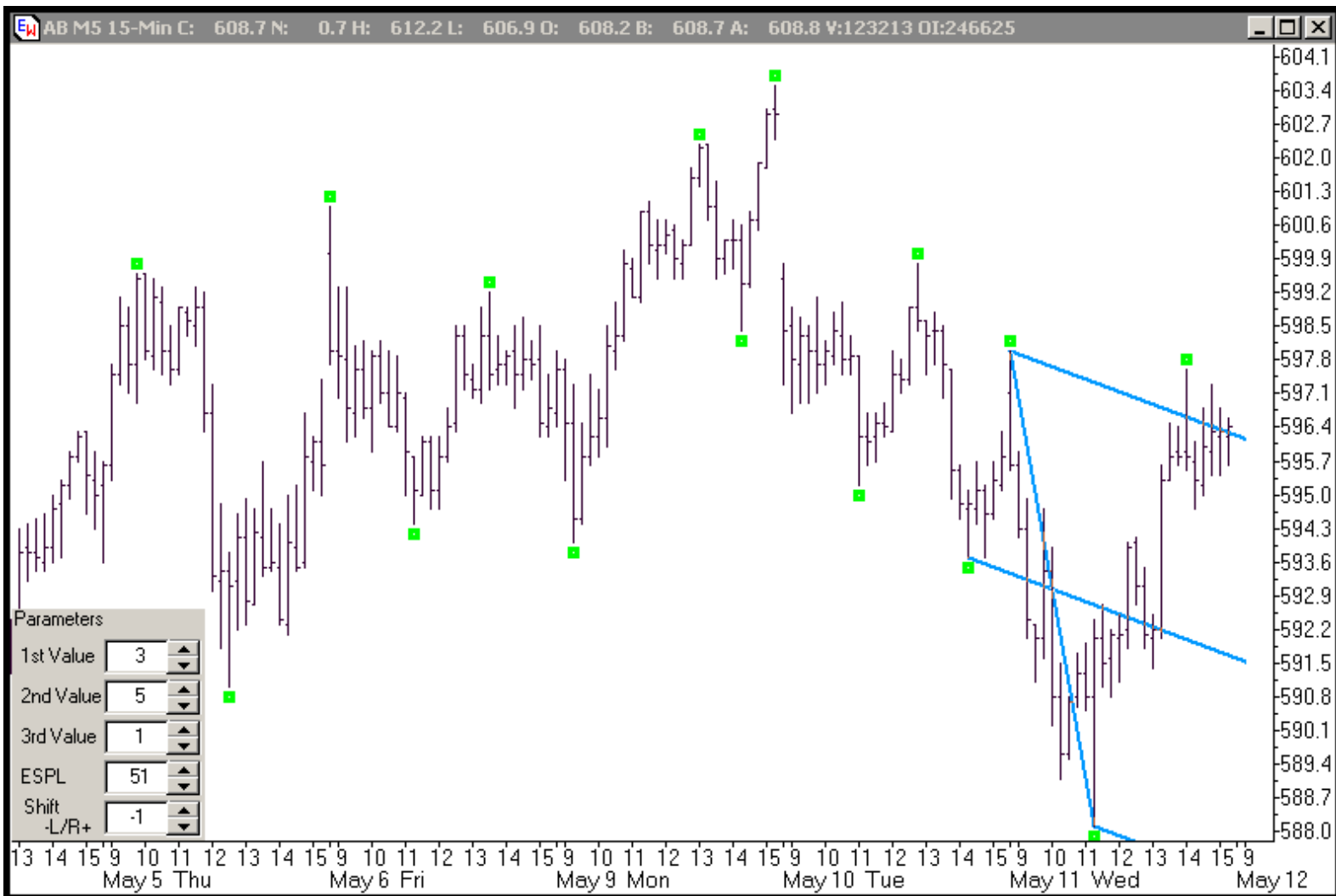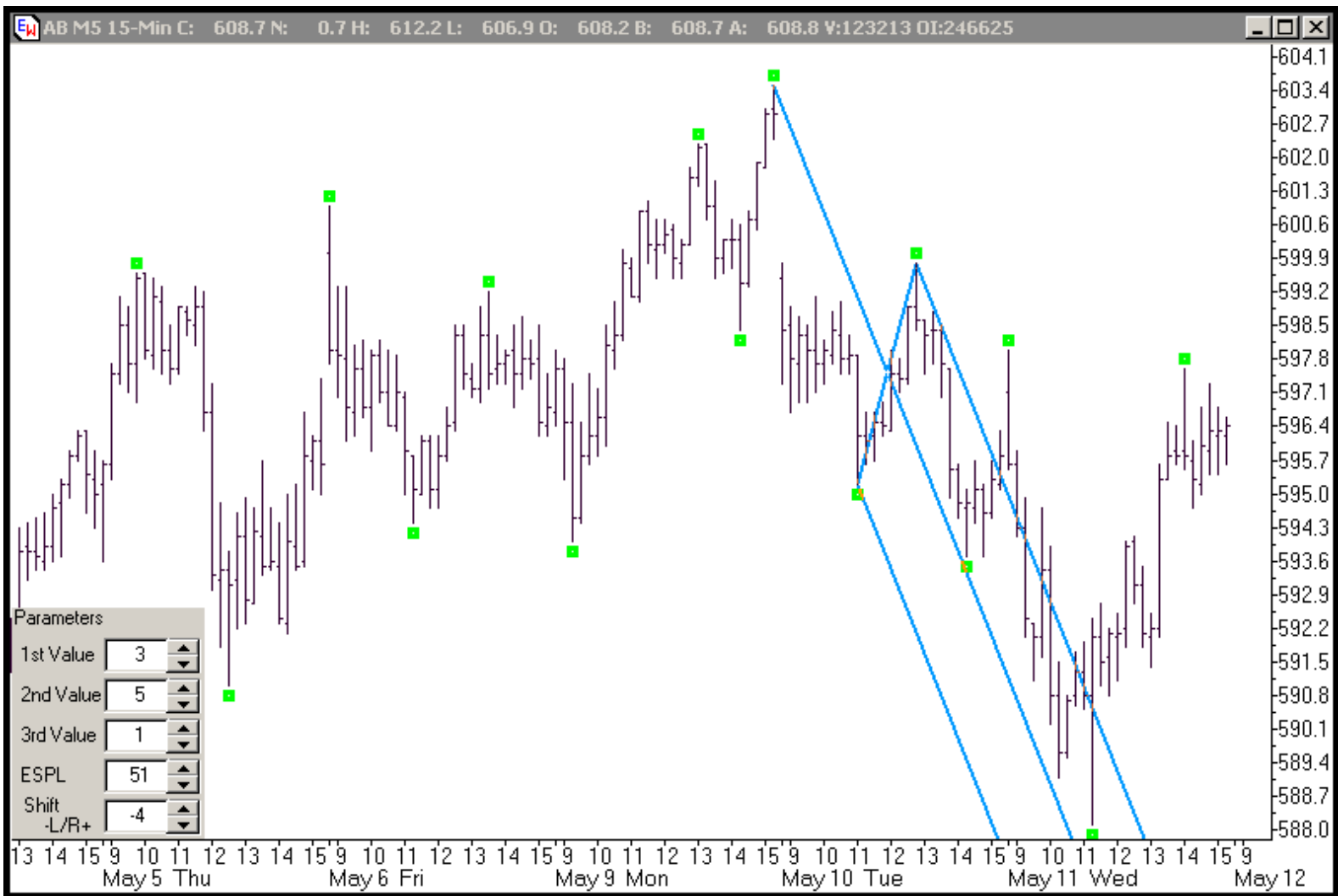
This pitchfork looks exactly like the prior pitchfork, and that's because it IS the same pitchfork. By setting the shift setting to "-1," you "freeze" the pitchfork, so that it will not change on the screen and the program will not change it until you go back into the control panel and change the shift value. So remember: IF you are watching the AutoForks RT program and letting it automatically generate pitchforks for you, if you suddenly see a pitchfork you like, simply click through to the control panel and change the shift value [which will be at "0" if Autoforks is automatically updating the pitchforks for you] and change it to "-1." Now let's look at shift setting "-2":

This pitchfork clearly will not help us today, because it had such a negative slope that price has "drifted" through it to the right and it is very unlikely price would trade low enough, fast enough, for this pitchfork to come into play.

Let me pause here for one moment and explain now exactly what the "shift" setting is doing: If you look carefully at each of these charts as I "rock" through them, you'll see that as I change the shift variable, Autoforks "shifts" the pivots being used either backward or forward in time. This means that if you change the shift value from "0" to "-2," instead of using the three current alternating pivots, Autoforks will use a set of alternating pivots one back from the current set. Why only one set, if we chose a "-2" shift value? Remember we use the "-1" shift value to freeze the current set of alternating pivots so they will no longer change, so a shift value of "-2" shifts the alternating pivots back one from the current set. Let's look at setting "-3":
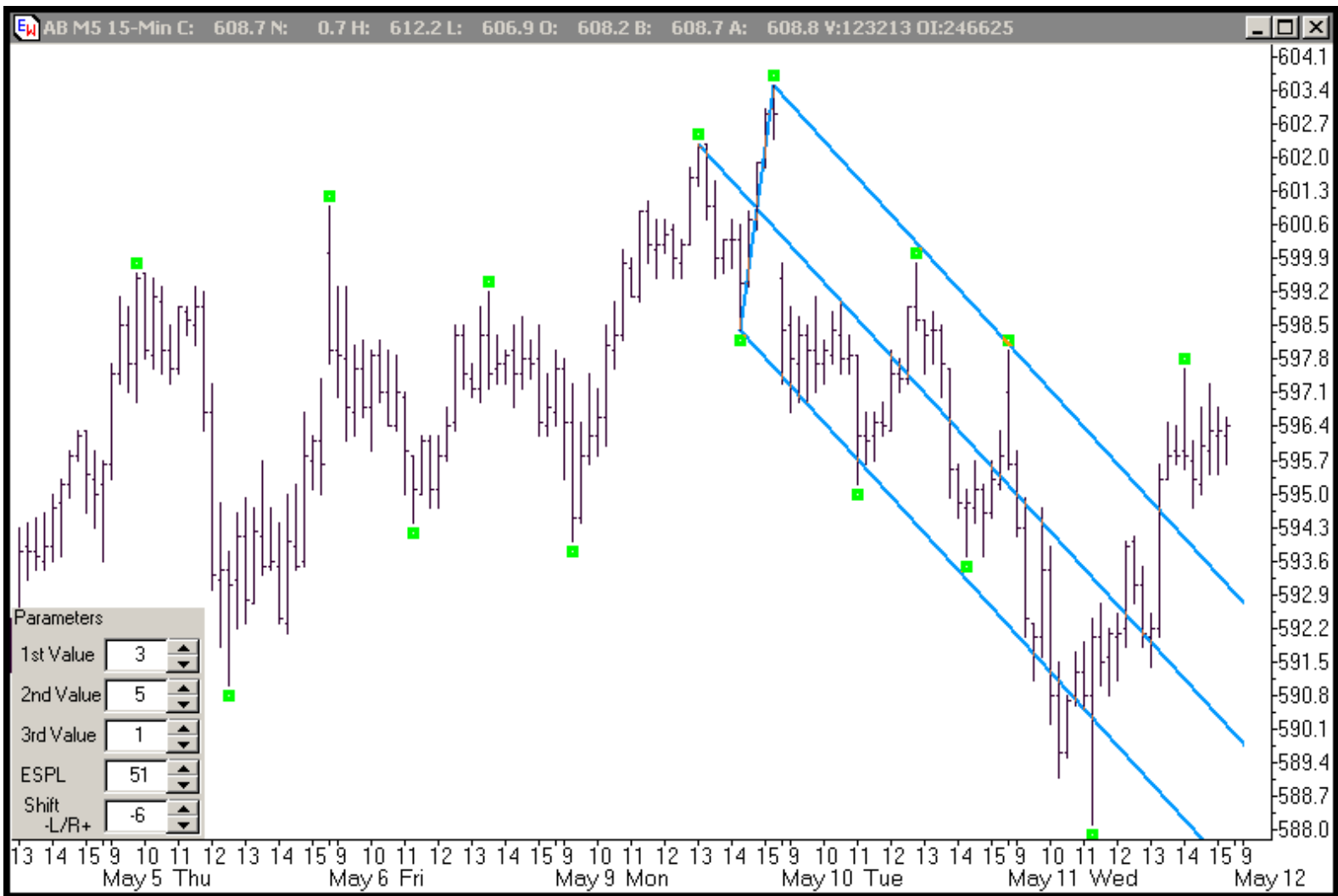
It seems like we're getting closer. This pitchfork's Median Line was tested once and price sold off hard after that test, zooming well through the Lower Median Line Parallel. Price did eventually climb back late in the day yesterday to re-test the up sloping blue Lower Median Line Parallel and then price consolidated below the Lower Median Line Parallel. Again, this is a pitchfork we may want to keep our eyes on, depending on where price opens. Selling a re-test of the up sloping blue Median Line Parallel that was zoomed might be an enticing trade set up. Let's look at setting "-4":

Not much promise here. The pitchfork was too steep and price drifted to the right of this pitchfork as the day went on yesterday, especially once price turned higher. It's highly unlikely this pitchfork will come into play tomorrow. Let's look at setting "-5":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625
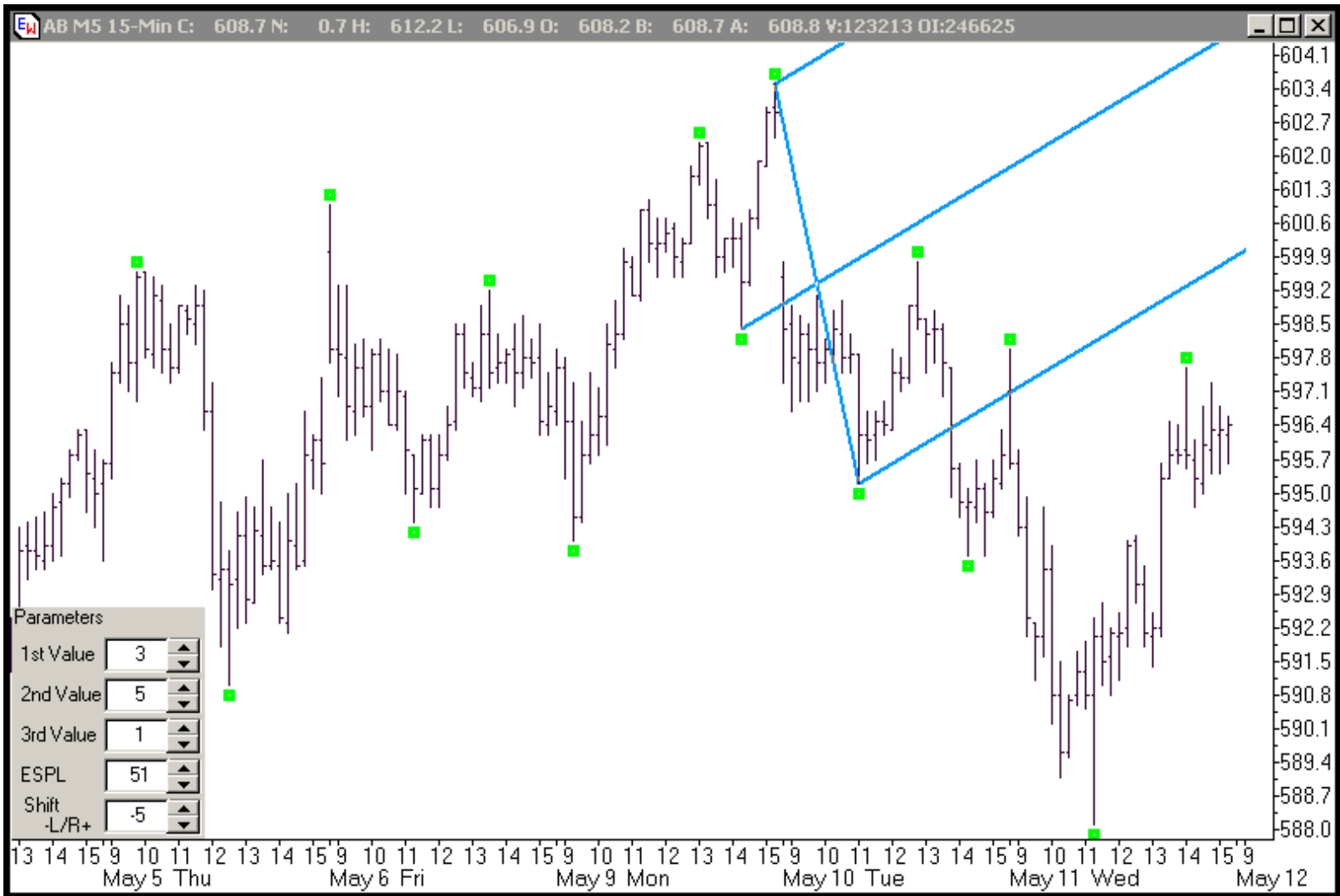
This pitchfork hasn't been tested by price and we've already seen a similar pitchfork that *has* been tested and will give us similar measurements if price trades to the upside, so I'm not going to pay much attention to this pitchfork. Let's take a look at setting "-6":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625

Parameters

|	
1st Value	3
2nd Value	5
3rd Value	1
ESPL	51
Shift -L/R+	-6

This pitchfork did a GREAT job describing most of the sell off yesterday and the Median Line and Upper/Lower Parallels were each tested several times. Price DID zoom above the Upper Median Line Parallel early yesterday afternoon, so if price opens quite a bit lower, we might keep this pitchfork in the back of our minds. That might set up an interesting area to try a long position IF the risk reward ratio is acceptable. Let's take a look at setting "-7":
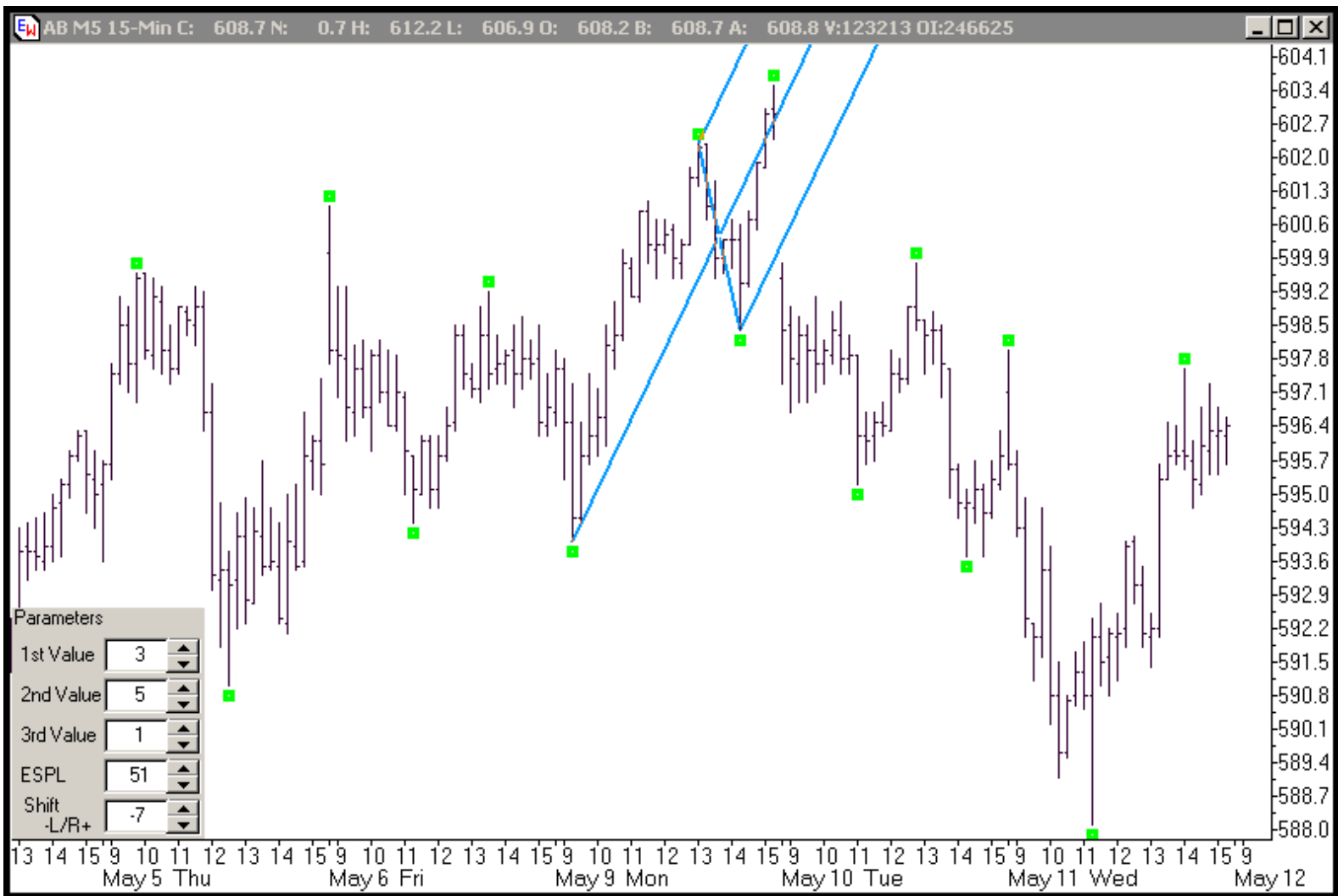
Nothing here. Two days ago, this pitchfork briefly caught part of the late day up move. But the slope of this pitchfork is too steep and price has moved too far to the right of this pitchfork for it to come into play. Let's take a look at setting "-8":
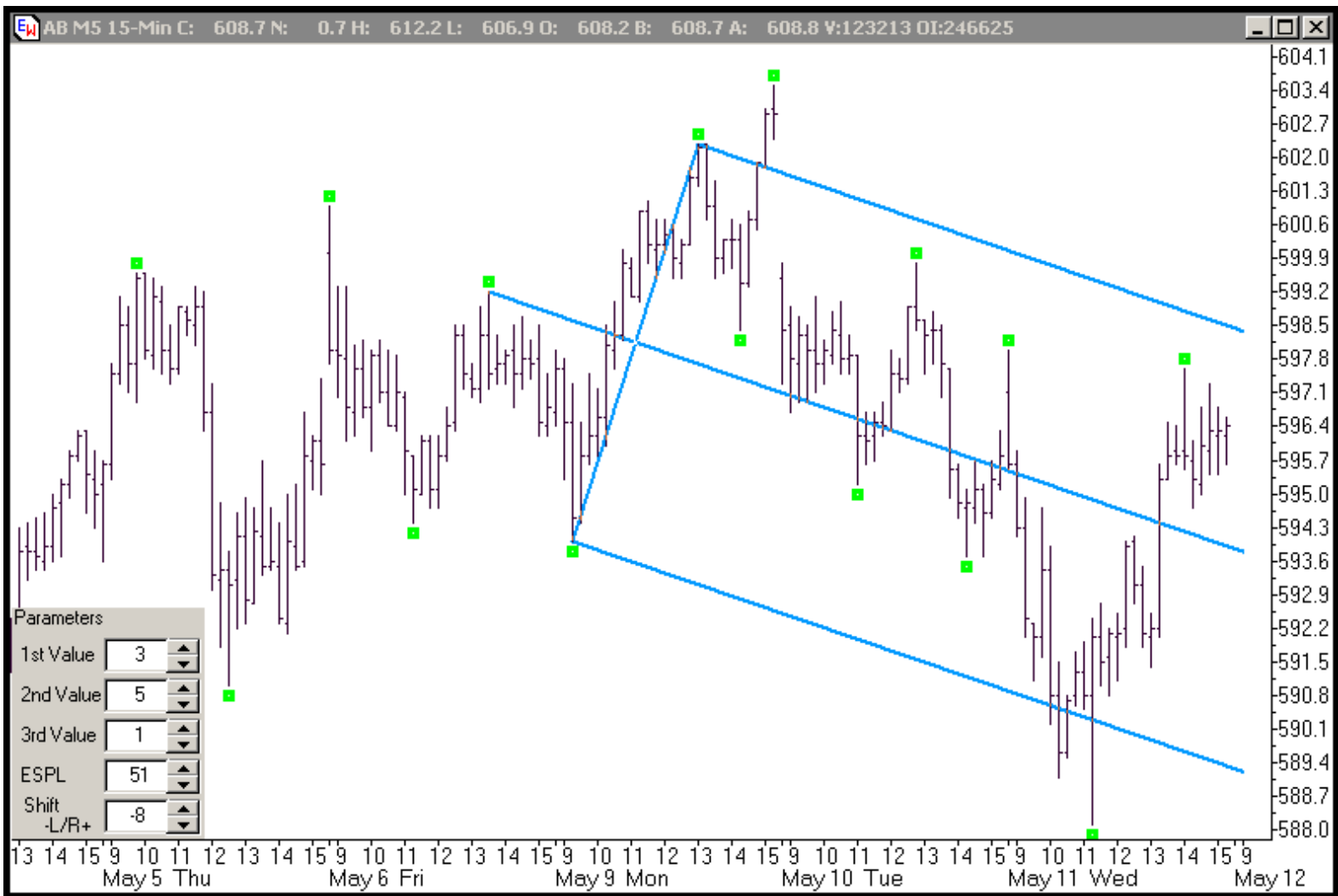
This pitchfork looks quite promising. The Upper Median Line Parallel, the Median Line and the Lower Median Line Parallel have all been tested. And while price briefly broke above and below this pitchfork, price really has been "kept in check" by this pitchfork. Of all the pitchforks I have seen in this series so far, this one looks the most interesting. I can envision a re-test of the down sloping Median Line as a potential area to get long or a test of the down sloping Upper Median Line Parallel as a potential area to try to get short, if the risk reward ratio looks good on the trade set up. I'll definitely keep my eye on this pitchfork. Let's take a look at setting "-9":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625
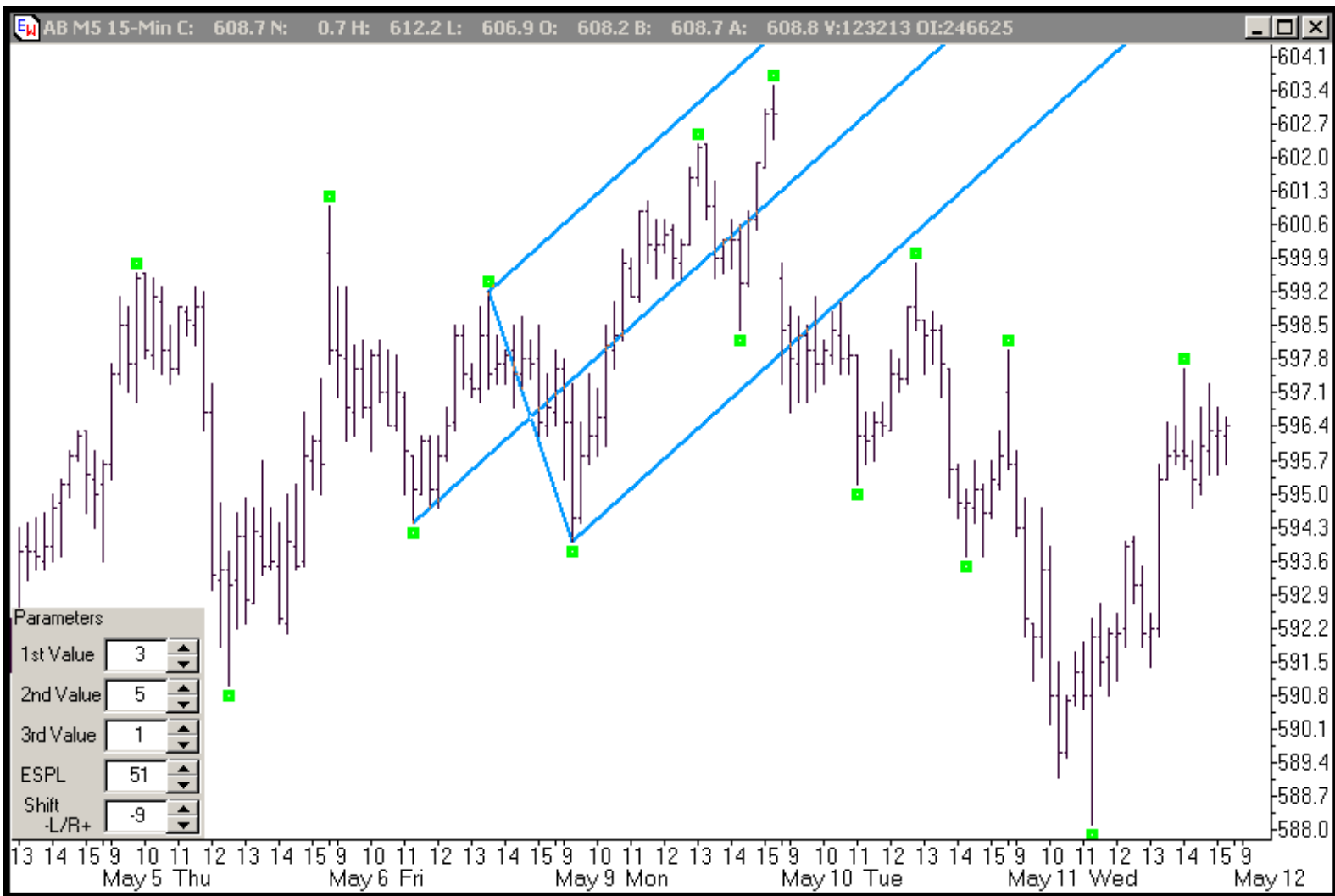
It's highly unlikely price will trade high enough, fast enough, to test this pitchfork. It's not worth looking at. Let's take a look at setting "-10":
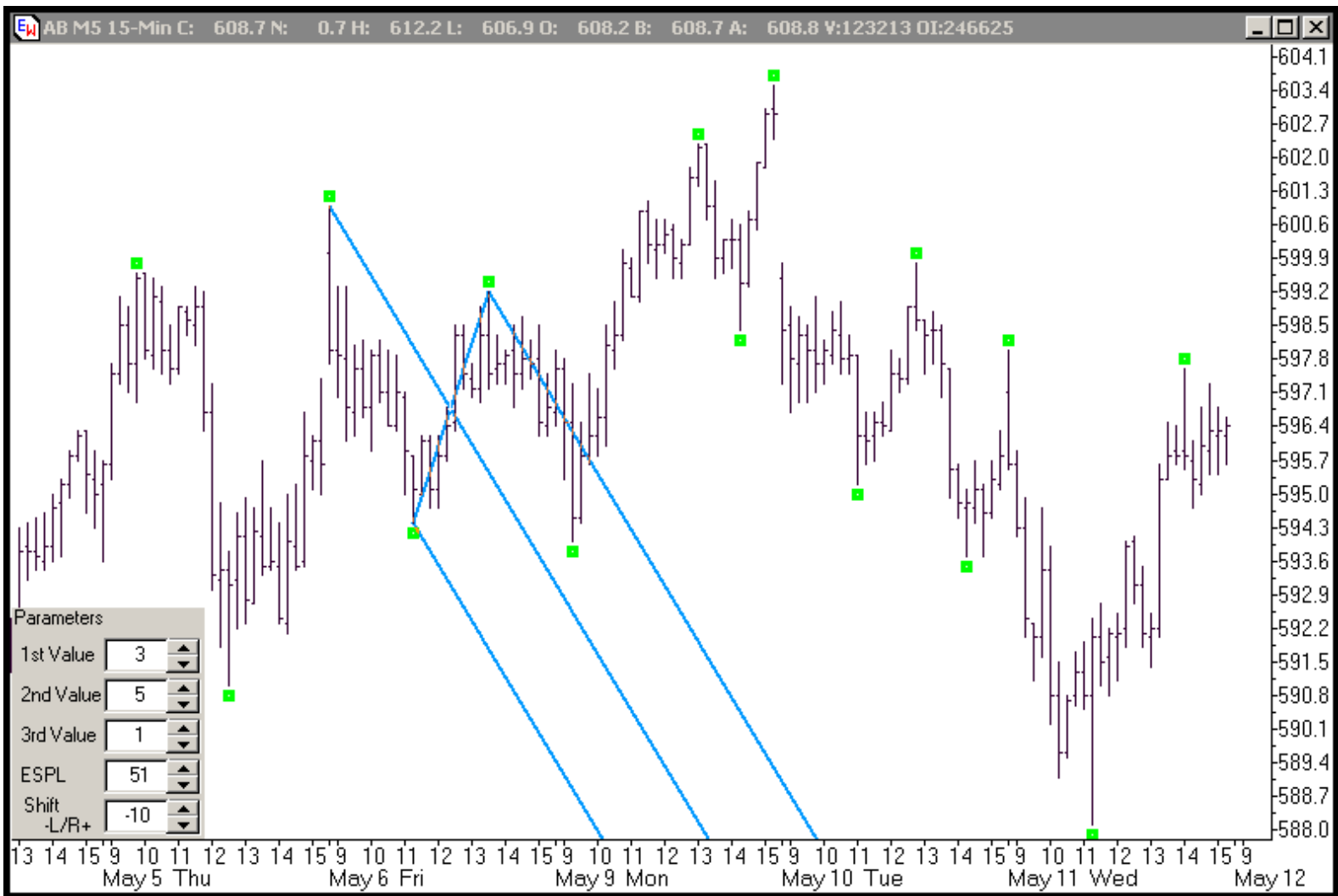
Price has clearly moved too far to the right for this pitchfork to have much chance of intersecting with price. There's nothing here. We may have shifted so far back in the prior pivot sets that we're not going to see any more useful pitchforks. Let's look at one more to see if it, too, is shifted too far away from current price to be useful. Let's take a look at setting "-11":

AB M5 15-Min C: 608.7 N: 0.7 H: 612.2 L: 606.9 O: 608.2 B: 608.7 A: 608.8 V:123213 OI:246625
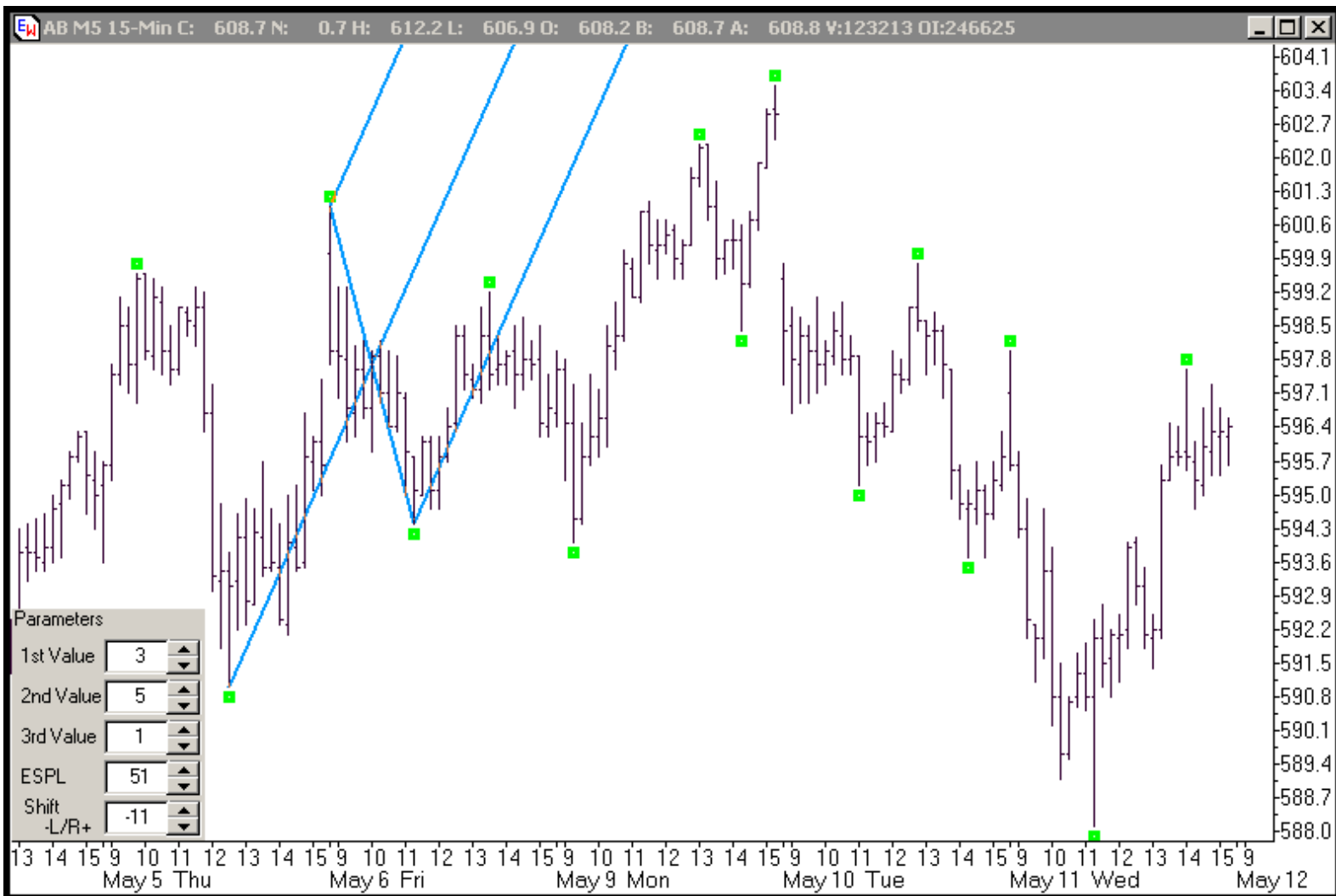
Again, this is not a pitchfork that will come into play in today's trading. We have shifted back so far in the alternating pivots that the pitchforks are no longer interacting with price. There's no point "rocking" back any further. For us to do further investigations into potential dominant pitchforks before the session opens, we'd need to look at the 1st and 2nd variables, one at a time, which we call "spinning." And by the way, when YOU are doing this with the software, you can simply hold down the arrow on the variable you are changing [1st or 2nd value if you are "spinning" or shift -L/R+ value if you are "rocking"] and it becomes a very quick exercise to look through 10,20,30 or even 40 possibilities. Simply keep track of the ones that look promising as you "spin" or "rock" through the variables.

The best setting I've seen, looking at this chart before the opening [of May 12, 2005] for a single pitchfork, is using the 1st variable set to "3" and the 2nd variable set to "5" with the shift value set to "-8," which also means the pitchfork will not change as price moves forward.

By the way, you don't have to turn off both pitchforks. I often use two pitchforks and then "spin" or "rock" through the settings to see what variables are working. But you can certainly focus on finding one pitchfork that is dominant before the opening and then use that one pitchfork throughout the trading day.

Another important thing to remember: If you want to see Autoforks draw additional pitchforks and still keep this "dominant" pitchfork locked onto your screen, you simply click on the Run button, click on the Autoforks Indicator button and a new indicator will be inserted, giving you up to three new pitchforks that are automatically drawn by the software, right on the same chart with the dominant pitchfork I just identified.

Now here's one last trick: After reviewing the variables I "rocked," there were two I thought that looked most promising: The best had a shift value of "-8" and the second best had a shift value of "-3." Both had 1st and second values of "3" and 5." Rather than choose which to look at before the open of the morning session, I simply put one on the chart with the settings of "3,5,-8 and then once the first pitchfork is on, I click back on the "run" button and add another Autoforks indicator and set it to the settings of "3,5,-3," which give me my two choices on the same chart, so I can see how they line up alongside each other. Once again, I am looking for en edge--confluence or a grouping of resistance or support that I can trade against. Here's the chart containing both of these choices on one chart, before the opening of the trading session on May 12:

You can see that there is some interesting confluence coming in above the market at the 598 1/2 area, where the pink up sloping Lower Median Line of my second choice intersects with the blue down sloping Upper Median Line of my first choice. Remember, because I have these set to "negative" shift values, these pitchforks will stay drawn unchanged UNTIL I change them. If I want Autoforks RT to draw new pitchforks that automatically update, I can add them as well by simply clicking on the run button and adding another Autoforks indictor and this time, leaving the shift setting set at zero. Now let's see how these two pitchforks, that I chose using the "rocking" technique, performed as the day session unfolded:

AB M5 15-Min C: 608.9 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917
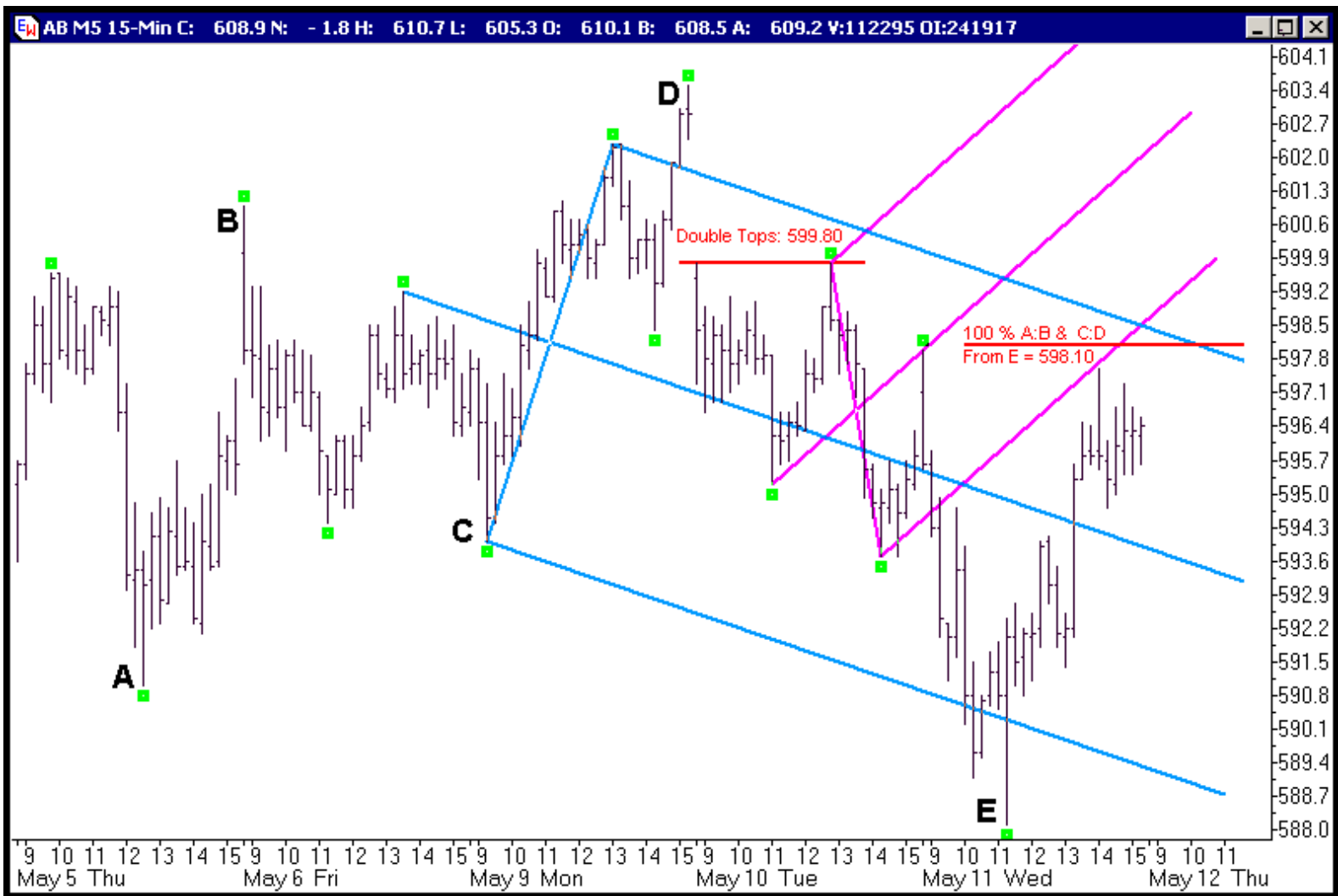
Before the opening, I was looking at the E*Mini Russell 15 minute chart, above, carefully. There is a *ton* of confluence forming overhead resistance between 598-600. The rally out of the hole yesterday may have put price in position to test the intersection of the blue down sloping Upper Median Line Parallel and the pink up sloping Lower Median Line Parallel. There are double tops at 599.80--Those are easy to identify. And then, if you measure the Directional Energy price spent in the last two up swings--that is, how far did price move in one direction, bottom to top, in the prior two upward moves--You'll see that in the first swing, price moved 10 E*Mini Russell points higher and in the second swing, price moved 9 1/2 E*Mini Russell points higher. By taking those two distances and adding them to the current low, at point E, you can see that if price uses the same amount of Directional Energy in this same move higher, this move should end somewhere between 597.60 and 598.10. Here's how I calculated the 100 Percent Directional Energy Measurements for the two prior up swings:

The low at A was 591.00

The high at B was 601.00

Subtracting the low at A from the high at B gives me the total directional Energy spent traveling from A to B, which was 10 E*Mini Russell Points

The low at C was 594.00

The high at D was 603.50

Subtracting the low at C from the high at D gives me the total directional Energy spent traveling from C to D, which was 9 1/2 E*Mini Russell Points.

The low at point E was 588.10, so if price expends 100 percent of the Energy moving higher from E as it did when it moved from A to B, it should run out of Energy at 598.10. And if it spends 100 percent of the Energy moving higher from E as it did when it moved from C to D, it should run out of Energy at 597.60. Now let's see how the market opens:
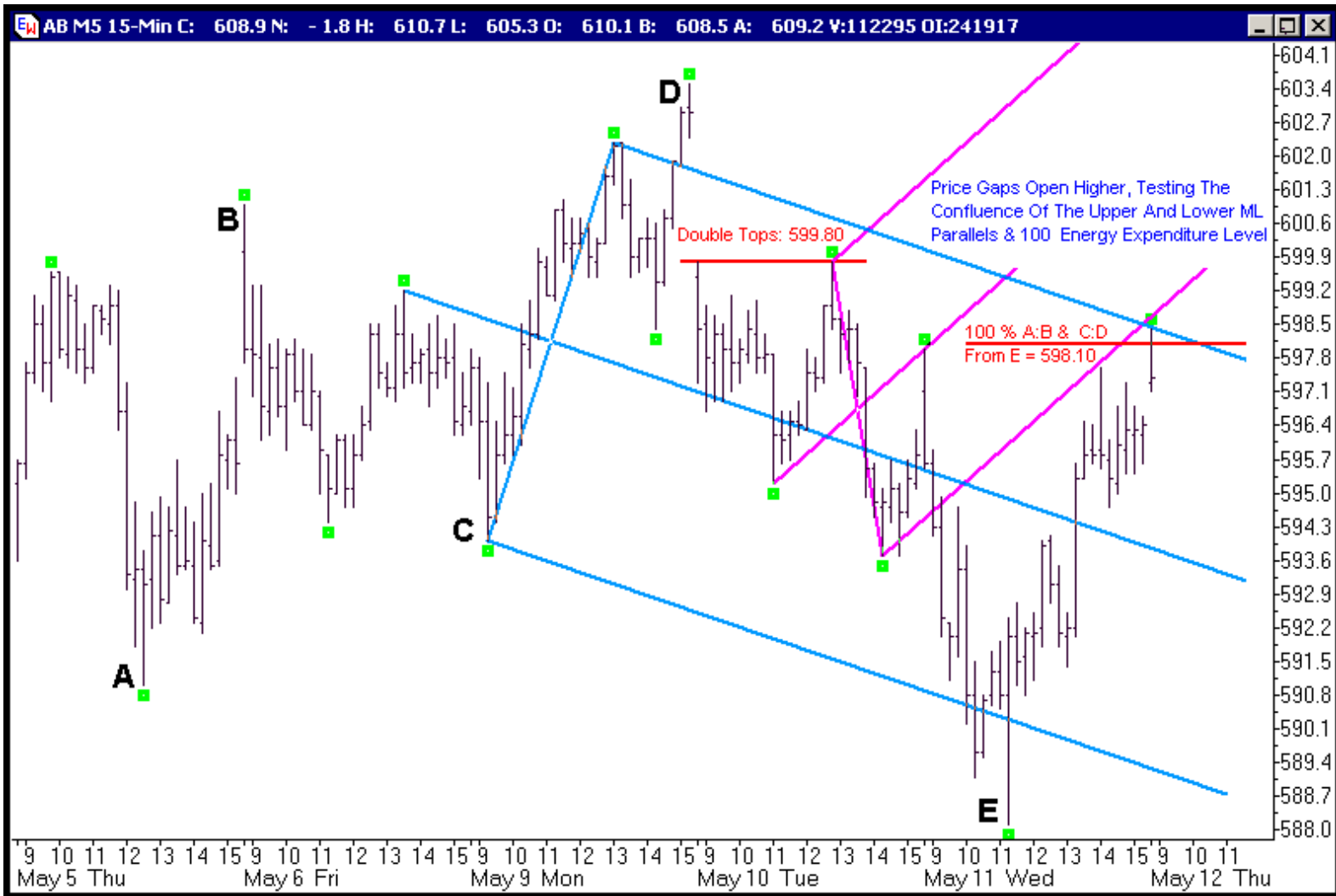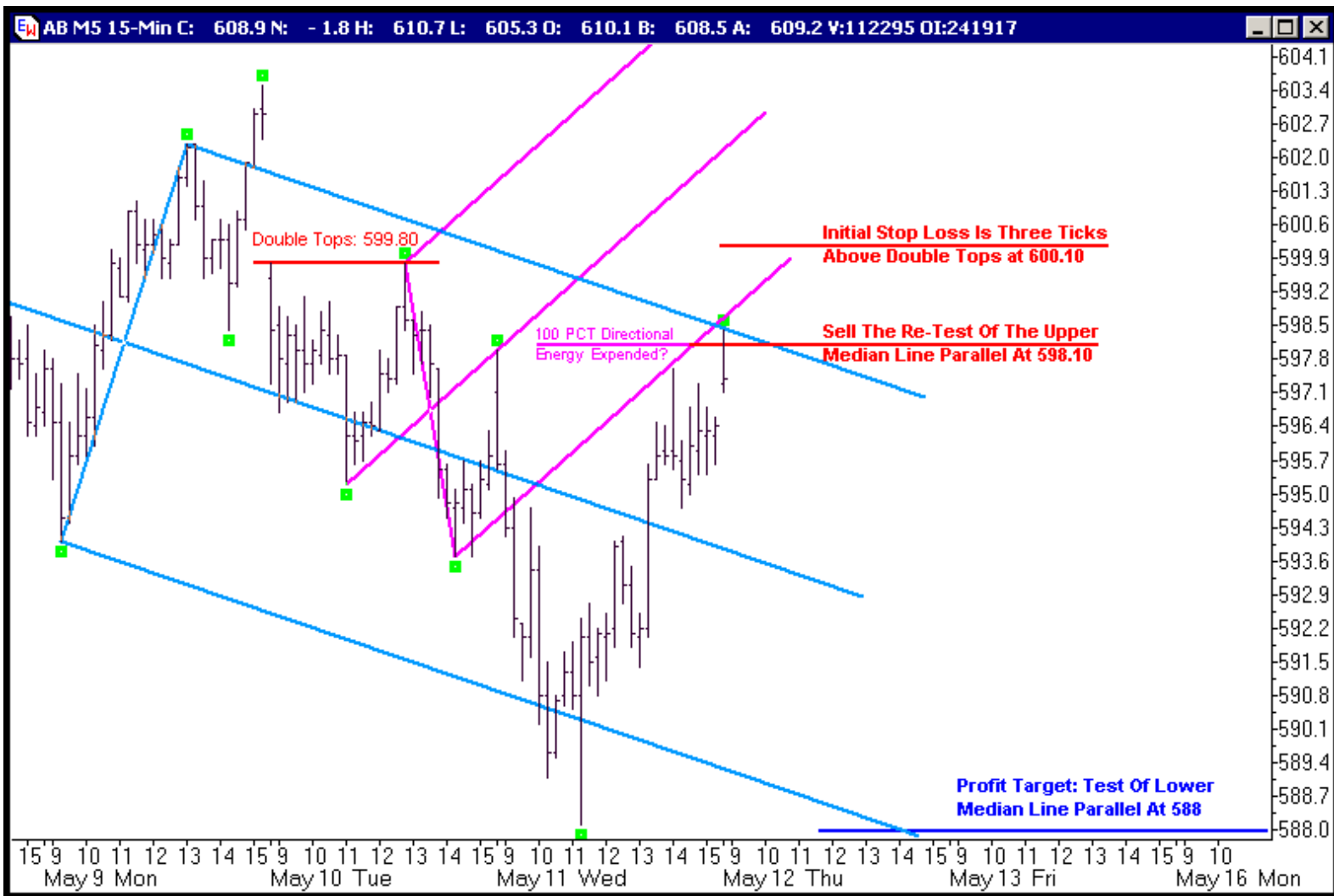

Price gaps open higher and then climbs higher, testing the intersection of the blue down sloping Upper Median Line Parallel and the pink up sloping Lower Median Line Parallel, climbing just above both the 100 Percent Directional Energy Projections in the process. Once price reaches this area of confluence, it sells off, closing about where it opened and in the lower third of its range.

Before someone asks the question, "Why didn't you just work an order to get short, before the market opened, at the area of confluence?"

The short answer is that with *that* much confluence, there's nothing wrong with working an order from the opening bell, as long as you also have a stop order in place and have identified a Logical Profit Target that gives you a solid risk reward ratio. However, I have seen over and over again in my testing of actual trades that by waiting to place my orders at a test of a Median Line or Upper/Lower Median Line until the first bar has tested and closed, I generally miss the losing trades where price hits the area and *zooms* through it, accelerating instead of stopping and reversing at the "most probable" line.

Now that I've seen how price reacted at the area of confluence and at the Upper Median Line Parallel, let me see if I can diagram a set of orders that will give me a solid risk reward ratio:

AB M5 15-Min C: 608.9 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Double Tops: 599.80

Initial Stop Loss Is Three Ticks
Above Double Tops at 600.10

100 PCT Directional
Energy Expended?

Sell The Re-Test Of The Upper
Median Line Parallel At 598.10

Profit Target: Test Of Lower
Median Line Parallel At 588

I want to get short at a re-test of the blue Upper Median Line Parallel, which is confluent with the 100 Percent Directional Energy Projections from A:B and C:D, so my limit sell order is at 598.10. My initial stop loss order will be three ticks above the 599.80 double tops at 600.10. And "eye balling" where price will intersect with the down sloping red Lower Median Line Parallel after a handful of bars, my profit target will be at 588. That gives me a risk reward ratio of just over 5, which is more than acceptable. I enter my limit sell order into the market and at the same time, I put my initial stop loss order in. Let's see what price does now:

AB M5 15-Min C: 608.9 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Double Tops: 599.80

Initial Stop Loss Is Three Ticks
Above Double Tops at 600.10

100 PCT Directional
Energy Expended?

Sell The Re-Test Of The Upper
Median Line Parallel At 598.10

← Mirror Bars?

Profit Target: Test Of Lower
Median Line Parallel At 588
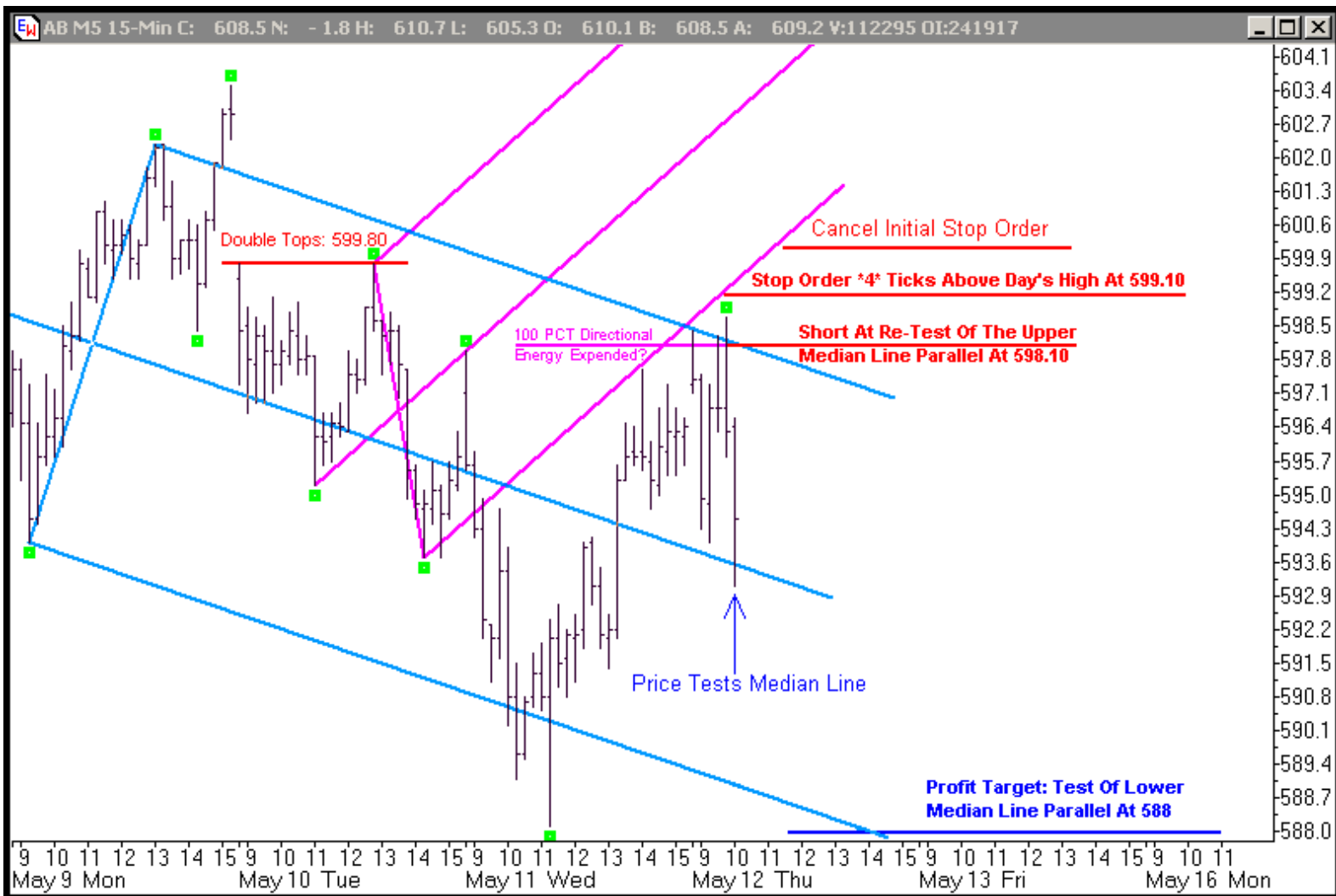
Price throws me a bit of a curve ball and spikes lower, closing near its lows and I wonder if I'll get a chance to get short near the confluence area! But the next bar is the exact opposite of the spike bar lower, a mirror bar, that spikes back up and closes near its high. The market is apparently as nervous as I am, but I have my plan and I'll go with the plan. Let's see what develops:

AB M5 15-Min C: 608.5 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917
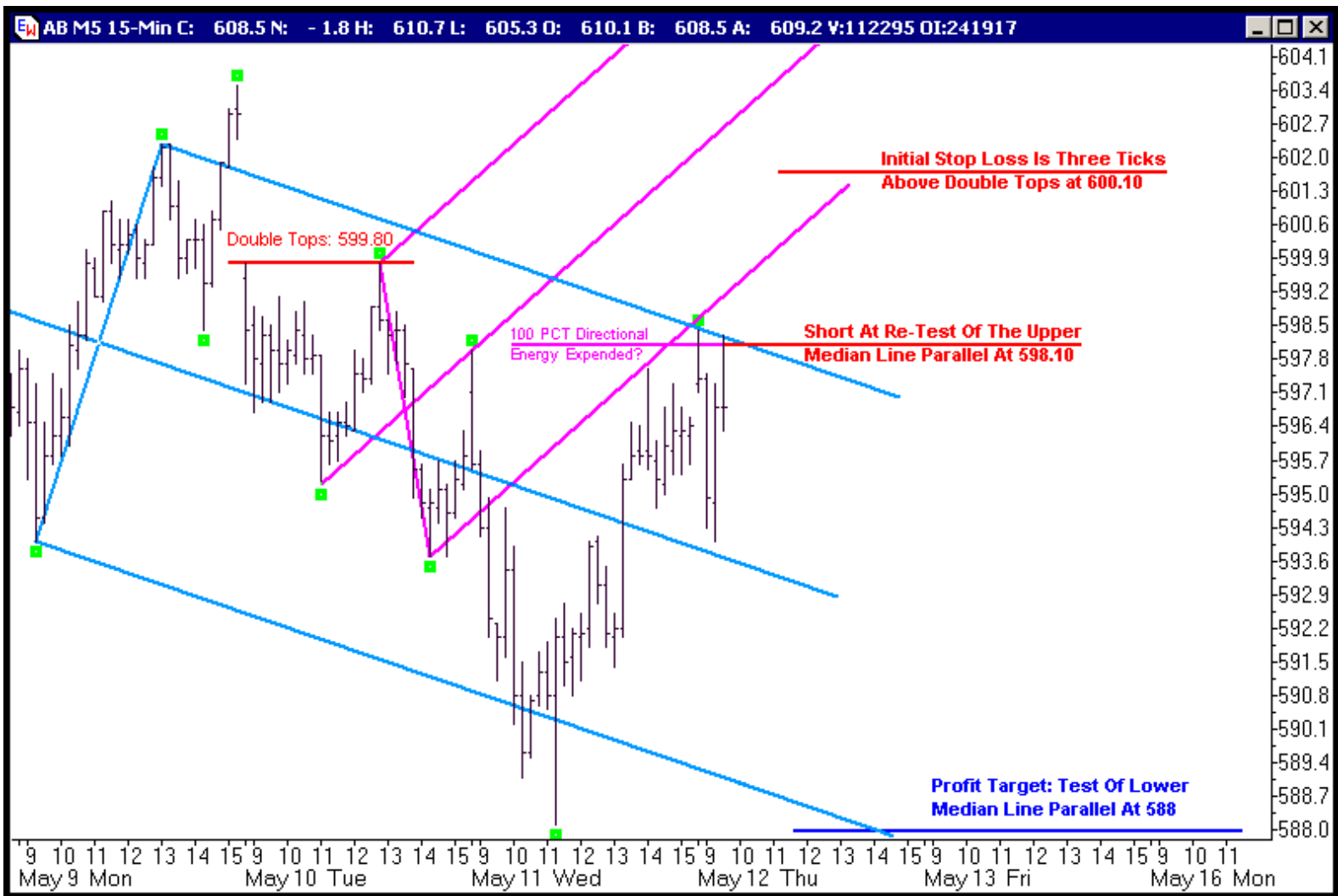
Price opens unchanged and then spikes higher, testing the blue Upper Median Line Parallel and in the process, getting me short at 598.10, but then as fast as it climbed higher, it turns back lower and closes near its lows. These are classic signs that price has has likely expended its Directional Energy at the 598 area. Once I get confirmation that my limit sell order at 598.10 was filled, I put in my profit order at 588.

AB M5 15-Min C: 608.5 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Initial Stop Loss Is Three Ticks
Above Double Tops at 600.10

Double Tops: 599.80

Initial Stop Loss Is Three Ticks
Above Double Tops at 600.10

100 PCT Directional
Energy Expended?

Short At Re-Test Of The Upper
Median Line Parallel At 598.10

Profit Target: Test Of Lower
Median Line Parallel At 588

Price actually tests the blue Upper Median Line Parallel again, and again, it turns back down hard off the area of confluence and the wide range bar closes near its low--in fact, this bar is an outside bar lower, because it had a higher high than the prior bar and a lower low than the prior bar and it closed lower than the prior bar. And that's generally a good sign if you are short. That's also the third fifteen minute bar that has tested the blue Upper Median Line Parallel and failed, so I'd like to see price make some progress to the down side soon, please...

AB M5 15-Min C: 608.5 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Double Tops: 599.80

Cancel Initial Stop Order

Stop Order *4* Ticks Above Day's High At 599.10

100 PCT Directional Energy Expended?

Short At Re-Test Of The Upper Median Line Parallel At 598.10

Price Tests Median Line

Profit Target: Test Of Lower Median Line Parallel At 588

Price makes more progress to the down side--finally! Price tests the blue down sloping Median Line, which is one of its "most probable" lines to the down side, so even though I am not using the Median Line as a profit target or even a partial profit target [though YOU could use the Median Line as an area to take profits or partial profits if the risk reward ratio works for you, or if you are scaling in and out of positions], the fact that price has now tested the Median Line makes me re-evaluate just where I am in my trading plan and how much risk I have "on the table."

Why? It's possible that price may have expended its down side energy at the test of the Median Line and if that's the case, do I still want to be working my initial stop loss order or can I snug it closer to the current price action without being caught up in the noise?

After a quick look at the chart, I decide to move my stop to *four* ticks above the 598.70 high of the day, to 599.10, because I want my stop loss order to be one tick above the even number 599. It may not matter, but it sometimes keep me in the market when floor traders are just running stops, so to me, it's worth the extra tick for peace of mind. I cancel and replace my stop loss order. Now let's see what price does:

AB M5 15-Min C: 608.5 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Double Tops: 599.80

Cancel Initial Stop Order

Stop Order *4* Ticks Above Day's High At 599.10

100 PCT Directional
Energy Expended?

Short At Re-Test Of The Upper
Median Line Parallel At 598.10

Energy
Coil

Profit Target: Test Of Lower
Median Line Parallel At 588

Price spends the next seven bars forming an erratic Energy Coil, but that isn't surprising with all the wide range bars we have seen today. Looking at the chart, I don't feel comfortable moving my stop order closer to the action yet, so I'll just have to wait for a better clue from price when it comes out of the Energy Coil:

AB M5 15-Min C: 608.5 N: - 1.8 H: 610.7 L: 605.3 O: 610.1 B: 608.5 A: 609.2 V:112295 OI:241917

Double Tops: 599.80

100 PCT Directional Energy Expended?

Cancel Initial Stop Order

Cancel Stop Order

Short At Re-Test Of The Upper Median Line Parallel At 598.10

Stop Profit 3 Ticks Above Energy Coil Hugh At 596.70

Energy Coil

Profit Target: Test Of Lower Median Line Parallel At 588

Price breaks below the Energy Coil by making a wide bar lower and price moves below the Median Line and also closes below it. Once this wide bar closes, I snug my stop loss order down to three ticks above the top of the 596.40 Energy Coil price just broke out of, which is also a swing high now. That makes my profit stop 596.70, so I am now playing with the market's money--always a good thing.

The next three bars are narrow range bars, which make me pay attention, because price is coiling again, or restoring energy. If I hadn't already moved my stop to just above the swing high, I'd be snugging it up after seeing these three narrow range bars form. The one saving grace of these three bars is that they all close below the blue down sloping Median Line. Since I've already snugged my stop order, there's nothing to do here but stay with the plan and watch for further clues from price:
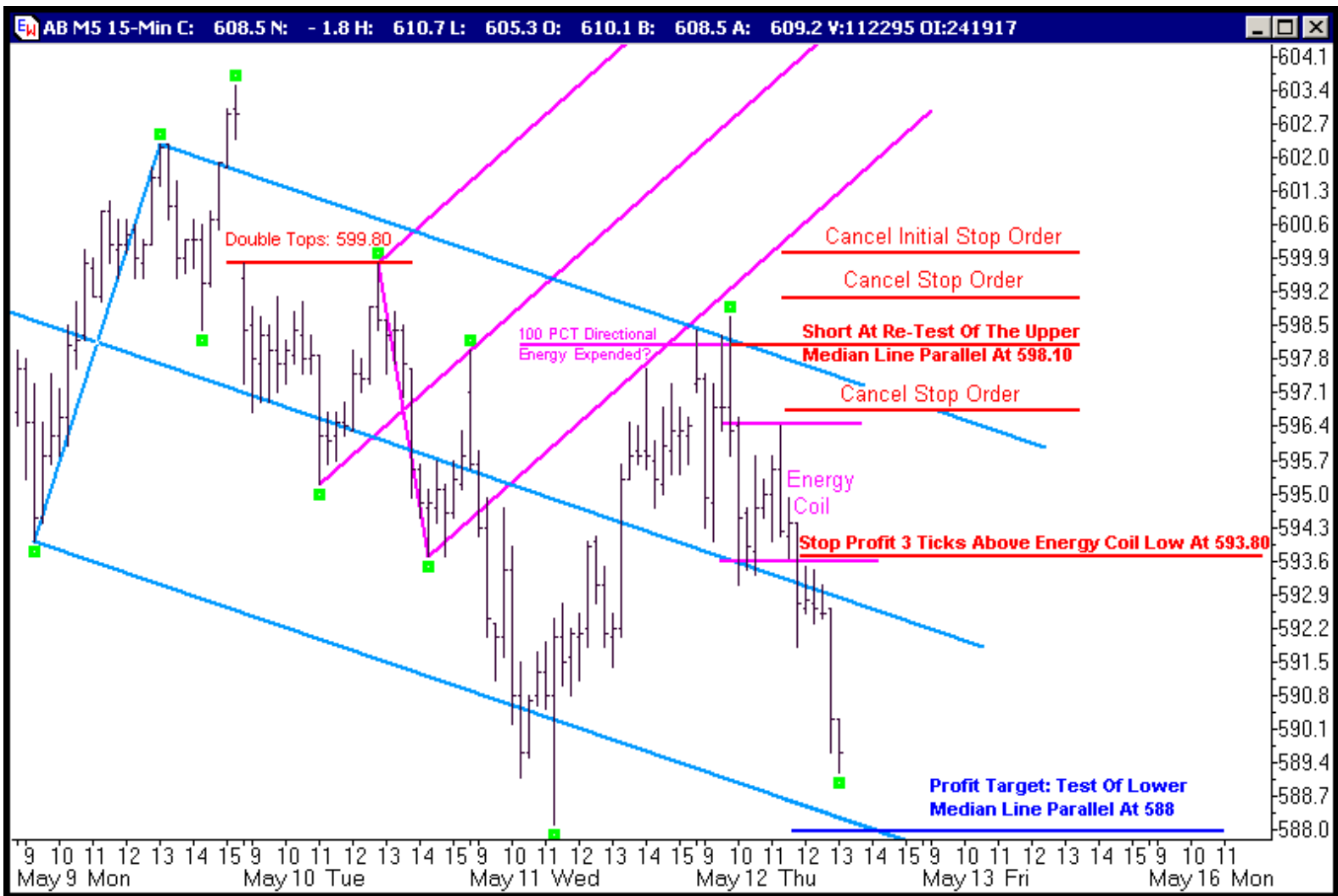
Price spikes lower with a wide range bar, making a new low for the day, and when this wide range lower bar closes, I snug my stop profit order again to three ticks above the 593.50 low of the Energy Coil, which is also an area well above the blue Median Line, to 593.80. If price has enough energy to get back above the bottom of the Energy Coil AND back above the blue down sloping Median Line, I'd prefer to get profit stopped out.

The next bar also makes a new low for the day but it is a narrow range bar. If I hadn't already just snugged my stop profit order closer to the action, I would do so now, because the narrow range tells me price may be running low on directional energy.

The next bar starts out making me uncomfortable, spiking higher, but then it spikes lower and closes lower on its lows. Remember, that makes it an outside bar lower, meaning the high was higher than prior bar's high and the low was lower than the prior bar's low and this bar closed lower than the prior bar. And remember that this type of bar generally bodes well for further down side action.

The next bar is also a wide range bar and it moves to and through the red down sloping Lower Median Line Parallel, filling me on my Profit Target at 588 as it does so. Once I confirm that I was filled on my profit order, I cancel my stop profit order.

This trade netted a nice $1010 per contract, which is a nice day's work. I liked the use of the prior two swings higher to measure the prior Directional Energy expended to the up side to confirm the re-test of the Upper Median Line Parallel as an area where price would likely run out of directional energy. *Act, don't Re-act!*

Timothy Morge is a Chicago-based money manager. He manages a private fund and trades stock indices, bond futures and currencies as a private speculator. Over the past thirty years, he has been immersed in price action as a floor trader on the CME (Chicago Mercantile Exchange), a cash FOREX trader, an institutional arbitrageur, a professional offshore fund manager, and private speculator. His web site, The MedianLine , gives insight to the tools he uses in his personal trading. His first book, **TRADING WITH MEDIAN LINES**, is a trading manual featuring the simple but profitable techniques he teaches. His newest

book, **MARKET MAPS: High Probability Trading Techniques**, featuring day-trading techniques, is due out this summer.

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