

CORE TRADING STRATEGY

“TRADING WITH THE TREND”

It's Not Rocket Science.....



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TREND BEHAVIOUR

FOR THE BULLS



- When an Institutional Trader See's Value in an instrument and buy's a sizeable amount of contracts or shares in that Instrument.
- Other Traders start to take note and after similar analysis start to Buy, which makes the price start to move up.
- As momentum grows and more traders don't want to be left out, the price starts to trend up higher.
- This Doesn't Last Forever as those, Human, Institutional Traders who got in early want to start taking profit at some stage.
- They have their Bonuses to think of after all...

TREND BEHAVIOUR

FOR THE BEARS



- When some of the early buyers start to take some of their positions off, to take profit....
- So do some other Institutional Traders, to cover any major Sell offs and to bank some profit.
- At a certain price point, those Traders that got in the HERD MOVE later on, find themselves at a price lower than their original entry.

A CRITICAL TIME IN TREND BEHAVIOUR

THE PULLBACK

- If those Traders in slight loss making positions still see strong growth potential in the Instrument.
- They Buy more contracts or shares at a lower price, thus lowering their average holding price.
- Other Traders see this Bullish Volume and see this pullback as an opportunity to get in the BULL HERD



TREND BEHAVIOUR

TREND FAILURE

- If those Traders in slight loss making positions START TO PANIC when selling volume increases.
- They Sell their positions to reduce risk and loss.
- Some of the early entry Traders see this High Bearish Volume continue and decide to close the rest of their positions and take remaining profit.
- Lots More Traders then Sell and Join the BEAR HERD

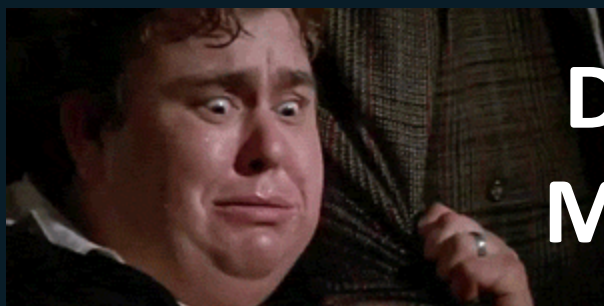




**WHAT IF WE COULD MEASURE
THIS BEHAVIOUR IN A CONSISTENT WAY?**



MEASURING A TREND



**Don't be Afraid I'm Going to
Mention Something Technical**

**We Can Use BASIC
Elliott Wave Rules & Observations
To Measure & Track a Trend Progress**

MEASURING A TREND

- Keep it Simple
- 3 Basic Elliott Wave Rules
- 3 Basic Observations of Behaviour for measuring a Trend with Elliott Waves
- Put it all together to Form a Simple and Repeatable Strategy to trade the 5th and Final Wave of a Trend.

WHY THE FIFTH WAVE?

**Because all the Rules & Observations
have been met during the trend**

TREND RULES!

CAUTION

DON'T BREAK

RULE 1

THE WAVE 2 MUST NOT RETRACE FURTHER THAN ORIGIN OF WAVE 1





TRADE THE FIFTH

RULE 2

**THE WAVE 3 CANNOT BE THE SHORTEST OF THE THREE
IMPULSE WAVES, 1, 3 & 5**

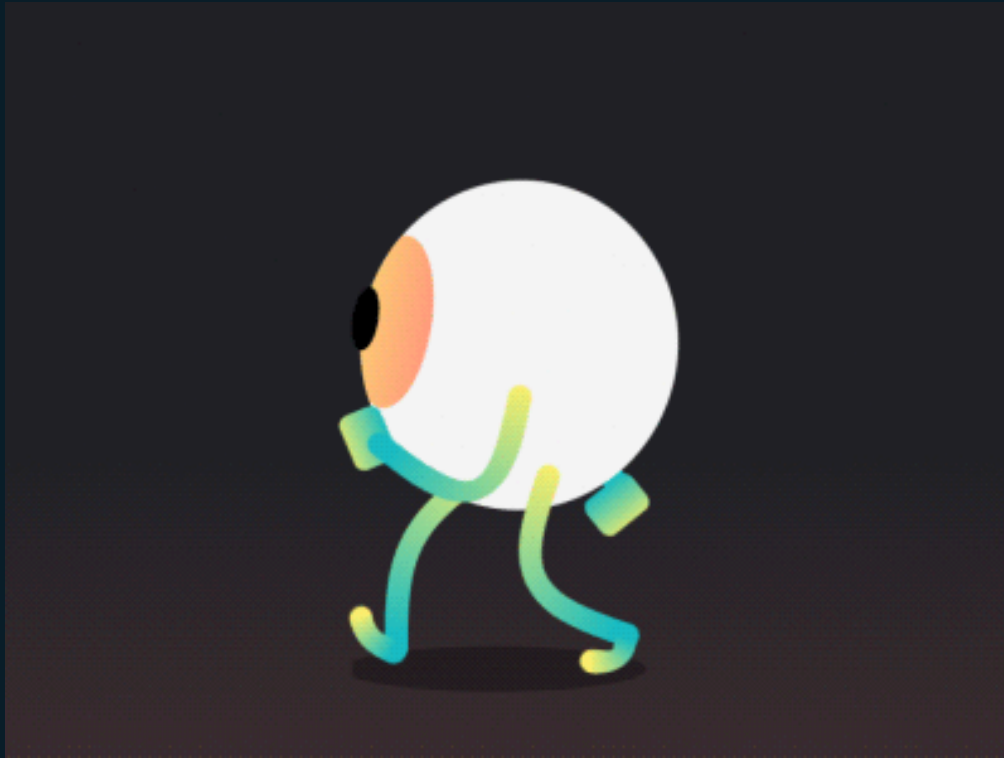


RULE 3

THE WAVE 4 MUST NOT PULL BACK BEYOND WAVE 1 EXTREME

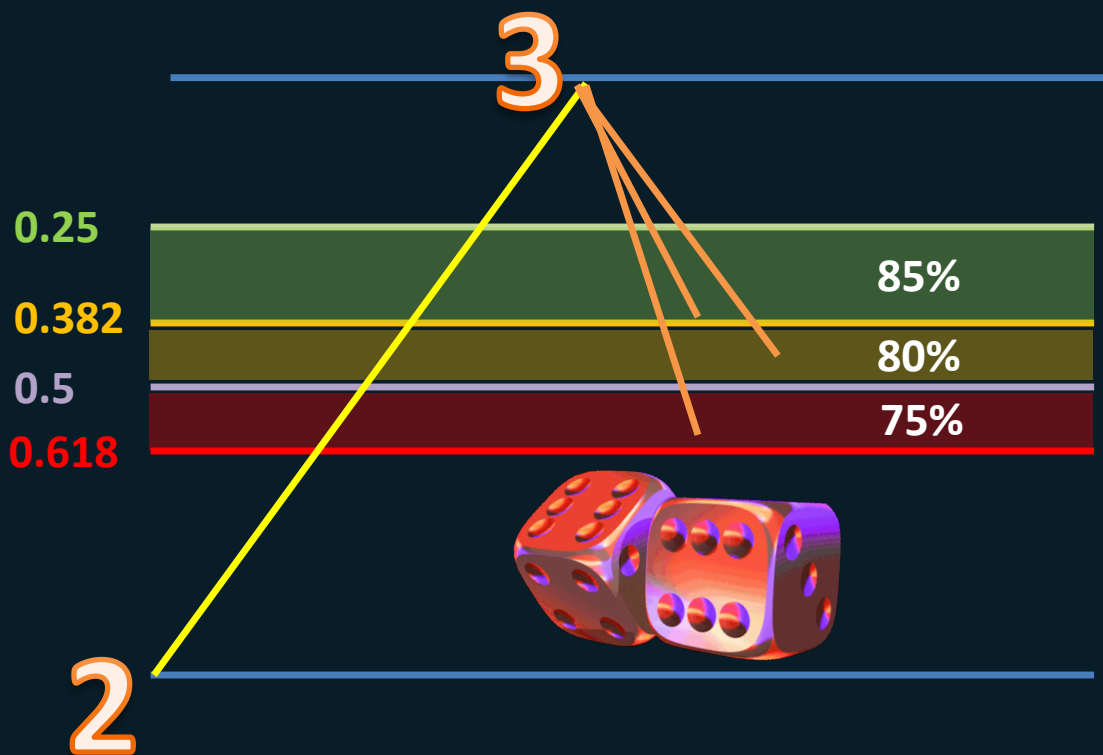


OBSERVATIONS!



OBSERVATION 1

WHEN SWING TRADING THE WAVE 4 PULLBACK HAS THREE ZONES THAT GIVE PROBABILITIES OF A NEW WAVE 5 HIGH BEING FORMED



OBSERVATION 2

**WHEN SWING TRADING THE WAVE FOUR PULLS BACK BETWEEN
90% & 140% OF THE HIGHEST POINT OF WAVE 3 ON A 5 – 35 OSCILLATOR**



OBSERVATION 3

**WHEN SWING TRADING THE WAVE FOUR PULLS BACK IN THE
OVERSOLD OR OVERBOUGHT ZONE AGAINST THE MAIN TREND
AND CROSSES TO RETURN TO MAIN TREND**



PUTTING IT ALL TOGETHER

**WE NOW HAVE A CHECKLIST TO FOLLOW WHEN SETTING UP
5TH WAVE MOVES LONG OR SHORT
ALL MUST BE TICKED TO GIVE GREEN LIGHT FOR ENTRY STRATEGY**



THE WAVE 2 MUST NOT RETRACE FURTHER THAN ORIGIN OF WAVE 1



THE WAVE 3 CANNOT BE THE SHORTEST



THE WAVE 4 MUST NOT PULL BACK BEYOND WAVE 1 EXTREME



WAVE 4 PULLBACK INTO EITHER OF THE 3 PROBABILITY ZONES



5/35 OCILLATOR PULLING BACK BETWEEN 90-140% ON WAVE 4



**STOCHASTIC PULLING BACK AGAINST MAIN TREND & CROSSING IN
OVERBOUGHT ZONE FOR SHORTS AND OVERSOLD ZONE FOR LONGS**

WHAT NEXT?



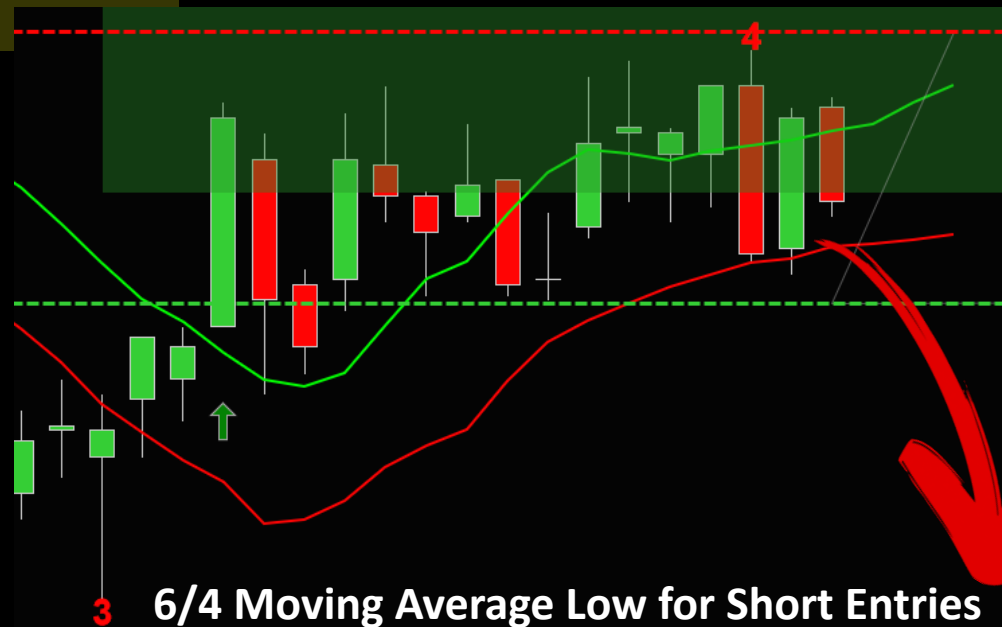
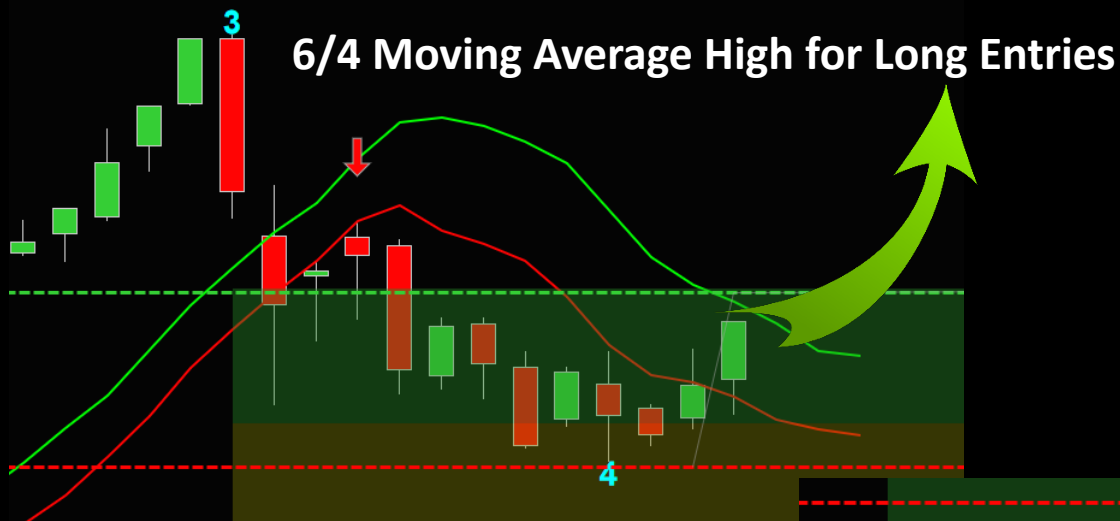
THE IMPORTANT PART

**WE NEED SIMPLE AND REPEATABLE
ENTRY STRATEGIES WITH A MINIMUM
RISK TO REWARD**



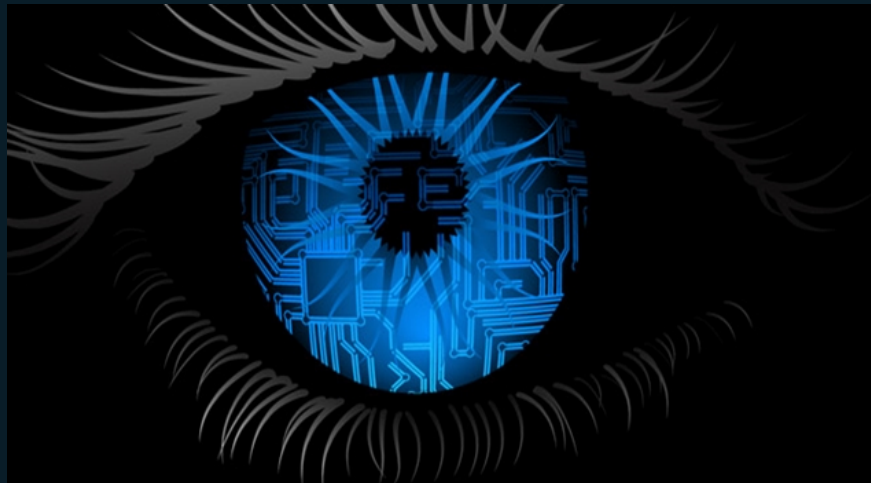
TRADE THE FIFTH

CONSERVATIVE ENTRY STRATEGY

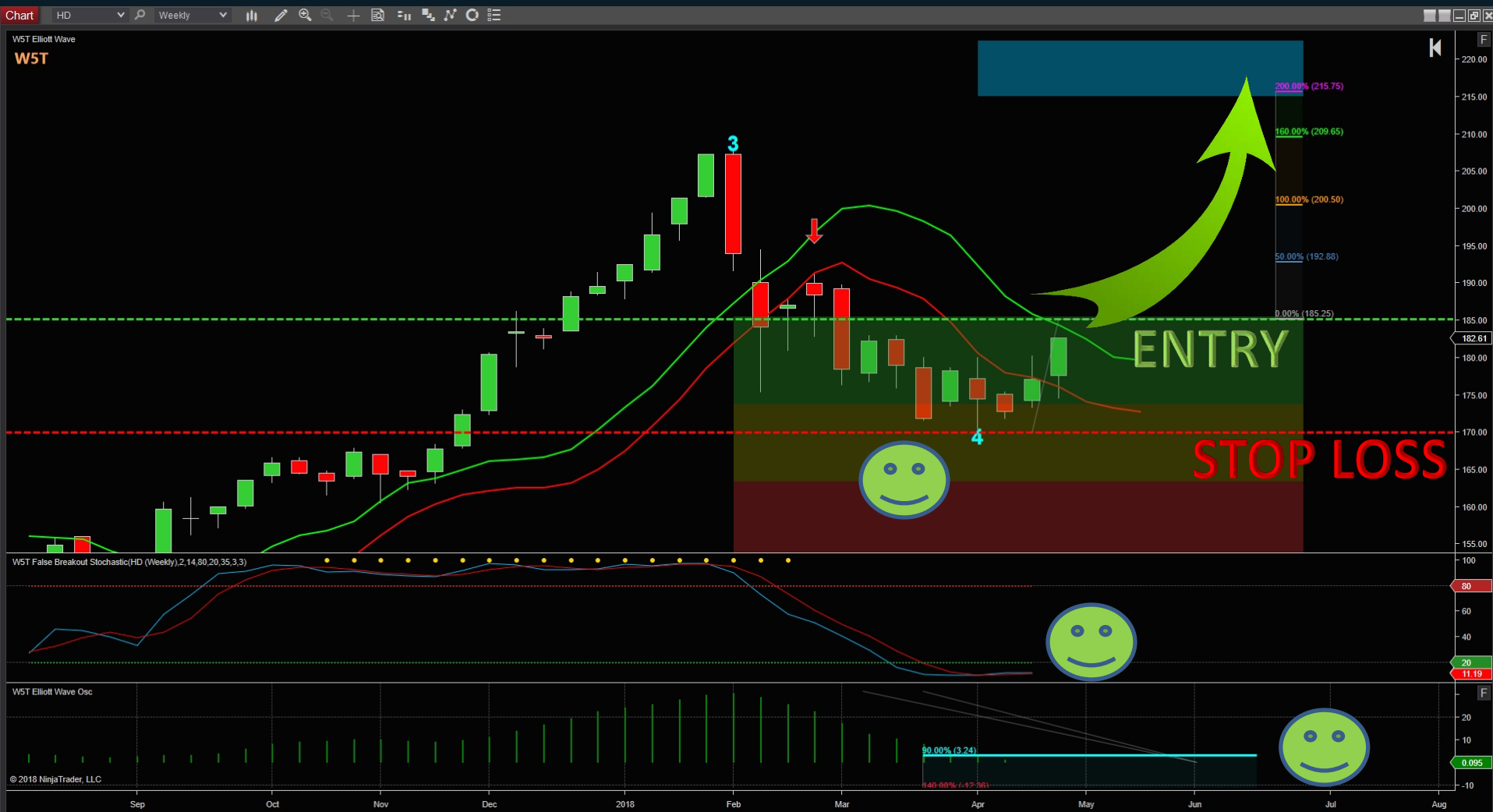


Final Ingredients

- **STOP LOSS SLIGHTLY BEYOND WAVE 4 PIVOT**
- **AUTOMATED TARGET ZONE PRINTED**
- **MINIMUM RISK TO REWARD OF 1:1.6**



SIMPLE 6/4 MA ENTRY LONG



RISK TO REWARD MIN 1:1.6



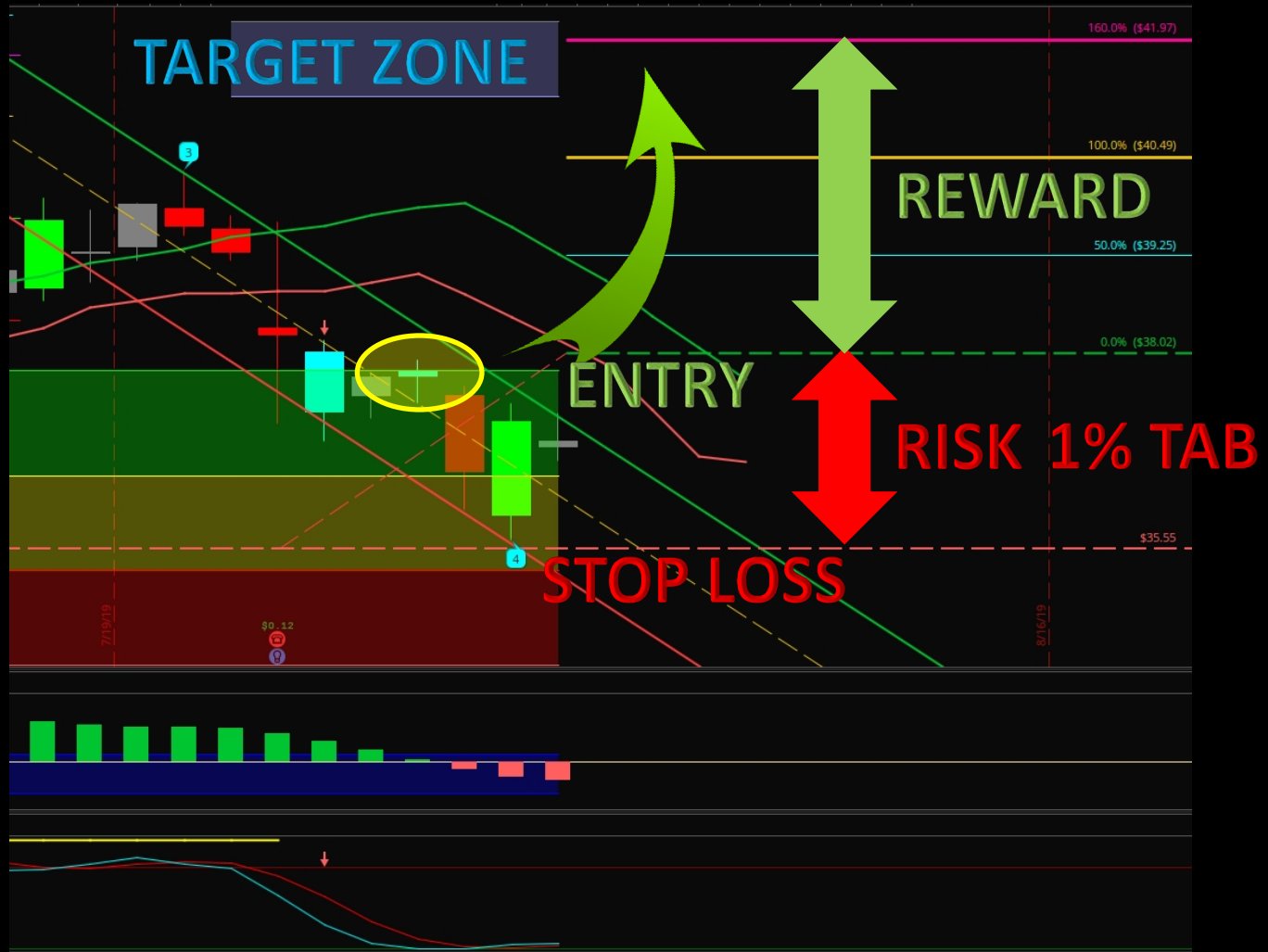
SIMPLE 6/4 MA ENTRY SHORT



RISK TO REWARD MIN 1:1.6



AGGRESSIVE ENTRY STRATEGY



STRATEGY IS NOW COMPLETE

**WITHOUT A MINIMUM OF 1:1.6 RISK TO REWARD
THE TRADE IS NO GOOD**



THE WAVE 2 MUST NOT RETRACE FURTHER THAN ORIGIN OF WAVE 1



THE WAVE 3 CANNOT BE THE SHORTEST



THE WAVE 4 MUST NOT PULL BACK BEYOND WAVE 1 EXTREME



WAVE 4 PULLBACK INTO EITHER OF THE 3 PROBABILITY ZONES



5/35 OCILLATOR PULLING BACK BETWEEN 90-140% ON WAVE 4



**STOCHASTIC PULLING BACK AGAINST MAIN TREND & CROSSING IN
OVERBOUGHT ZONE FOR SHORTS AND OVERSOLD ZONE FOR LONGS**



RISK TO REWARD GREATER THAN 1:1.6

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