

## Trend Continuation Trade Entry Strategies - Part 2

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Many traders seem to only focus on initiating a trade at the trend reversal and are at a loss how to enter a trade once the trend is underway. There are a number of low risk/low capital exposure trend-continuation trading strategies that may be employed. Last month's Traders Education page described the Narrow Range/Inside Bar trade set-ups. Outside-day trade set-ups are equally effective. While they occur relatively infrequently, they have a very high probability of resulting in a profitable trade.

Study this tutorial and the examples and then examine a wide variety of charts to identify the outside-day set-up condition. You will discover for yourself how often the outside-day trade set-up would have been successful. It is more important to be concerned with the high probability of success of trades than with the frequency of trades.

It will help for you to print this tutorial as there is a good bit of commentary that refers to one of the charts. By printing the tutorial you will not have to keep scrolling from the commentary to the chart references.

### Outside-Day Trade Set-Ups

An *outside-day* is a period of range expansion. A market usually continues in the direction of the close of an outside-day. The outside-day entry set-up requires the market to be monitored during the day.

#### Outside-Day Trade Set-Up Entry Rules

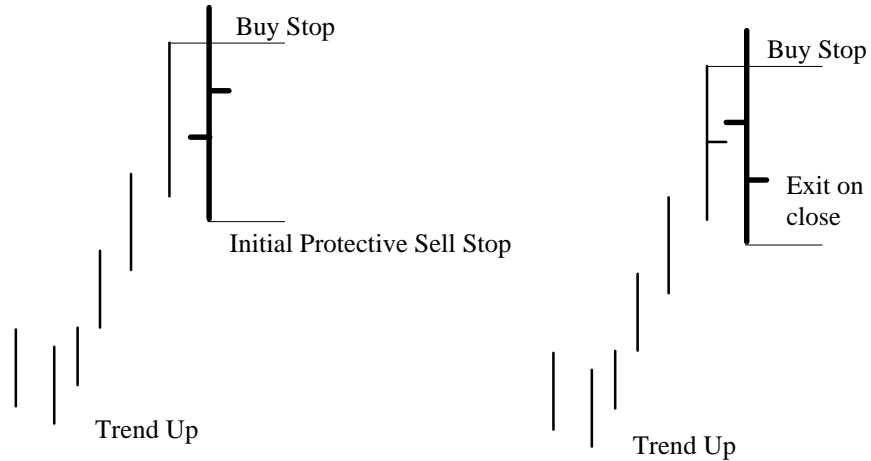
1. Only enter in the direction of the trend.
2. For a buy set-up, if the market exceeds the low of the prior day without having first exceeded the high of the prior day, buy one tick above the high of the prior day.
3. Place the initial protective sell-stop one tick below the low of the entry day up to the time the trade is entered.
4. Exit the position on the close if the close is below the current day's open and prior day's close. The failure of the close to be in the anticipated trend direction is a negative signal and reason to exit the trade.

**Outside-Day Entry Set-Up**

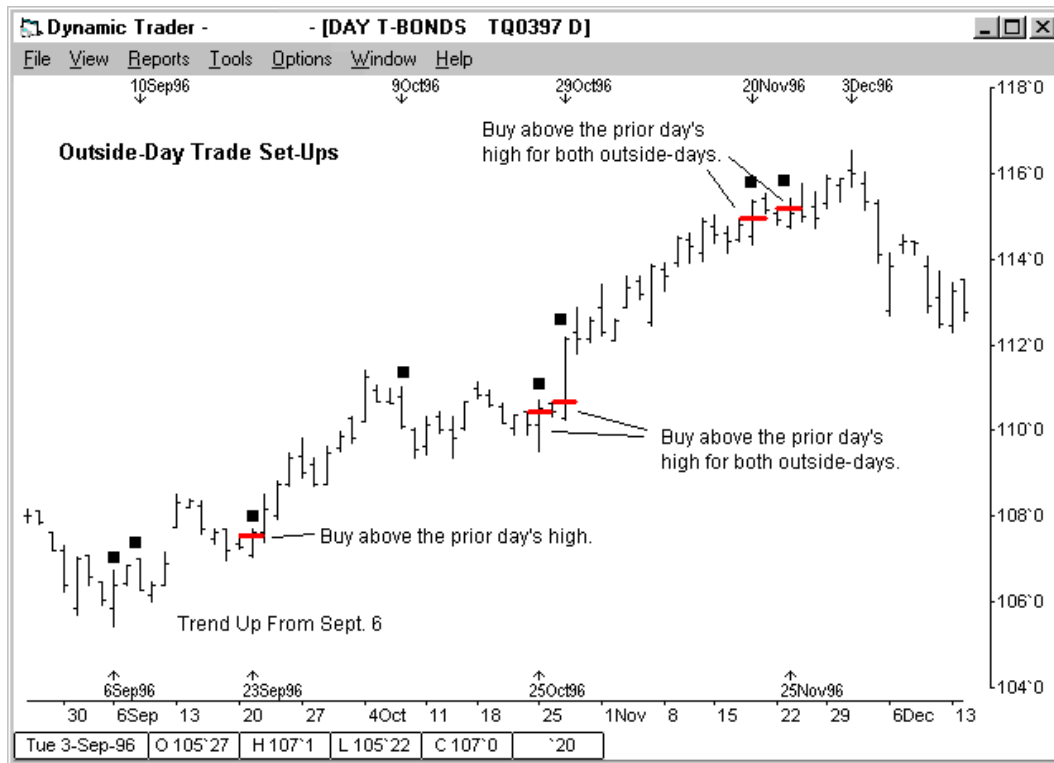
If the market has first exceeded the prior day's low, buy the break above the prior day's high.

Place the protective sell stop one tick below the low of the entry day.

Exit the trade on the close if the close is below the current day's open and the prior day's close.



The next page shows the outside-day set-ups made in bonds for a four month period.



### Trend Up - Only Consider Long Trade Entries

Sept. 6 was an outside-reversal-day which began the bull trend.

**Sept. 10:** Since the trend is up, only set-ups for long trades are considered. This outside-day did not meet the conditions for a long entry.

**Sept. 23:** Perfect outside-day entry set-up. Bonds opened below the prior day's low. Place a buy-stop one tick above the prior day's high. The buy-stop was elected later in the day and the close was above the current day's open and prior day's close. The protective sell-stop is placed one tick below the low of the outside-day. Bonds continued straight up.

**Oct. 9:** The set-up conditions for a long position were not made.

**Oct. 25 and 29:** These were both ideal outside-day trade set-ups for long positions. A buy was elected each of these days one tick above the high of the previous day.

**Nov. 20 and 25:** Both these days were also perfect outside-day trade set-ups for long positions. The protective sell-stops below the lows of the outside-days were not elected.

Of the seven outside-days during the Sept. 6 low - Dec. 3 high bull trend (9/6 reversal day not counted), five met the conditions for a long trade

entry. Not one of the five was stopped out. The trend continued up in each case.

### **Outside Day Plus One**

Each of the days above that made the outside-day trade entries also could have been entered on the day following the outside-day with the *OSD+1* entry strategy. The capital exposure would have been slightly higher for each of these entries as the buy price was slightly higher.

### **Do Your Homework**

The outside-day trade set-up is easy to identify. The entry price and initial protective sell-stop are completely objective. Do your homework by studying past charts in order to identify the set-up conditions as well as entry and stop-loss price. A little time mastering this simple technique will pay big rewards.

### **The Dynamic Trader Software Identifies Short-Term Trade Set-Ups**

The *Outside-Day* strategy is just one of many short-term trade strategies that identifies unique, high-probability and low-capital exposure trade set-ups. The *Dynamic Trader* software includes many of these set-ups as part of its *DT Trade Scanner* routine. The *DT Trade Scanner* routines scans any portfolio of markets each day and identifies these unique trade set-ups and the trigger price for trade entry.

Check out the [Dynamic Trader Software Example](#) page on our web site for more information regarding the *DT Trade Scanner* and short-term trade opportunities.

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