Kwik*POP TRADING MANUAL

The matrix below shows which indicators allow users to modify variables. We suggest that you use the default settings until you are thoroughly familiar with the use and function of each indicator.

Kwik*POP Variables

Indicator	Inputs	Style	Color	Scaling
KPA900				
KPAutostop				
KPEbands	length			
KPLinRegChannel	length			
KPMDot				
KPMeanSwingLine				
KPMedium				
KPMidRange				
KPnewUpDown				
KPPivot2Color	text			
KPPivots				
KPPush2				
KPScoreCardColor				
KPSnapBack	length			
KPTrend2				
KPTiggerLine				
KPTriggerLineVMA				
KPVMD				
KPVS	length			

Yellow Boxes denote user defined variables available

STYLE = Plot type and thickness

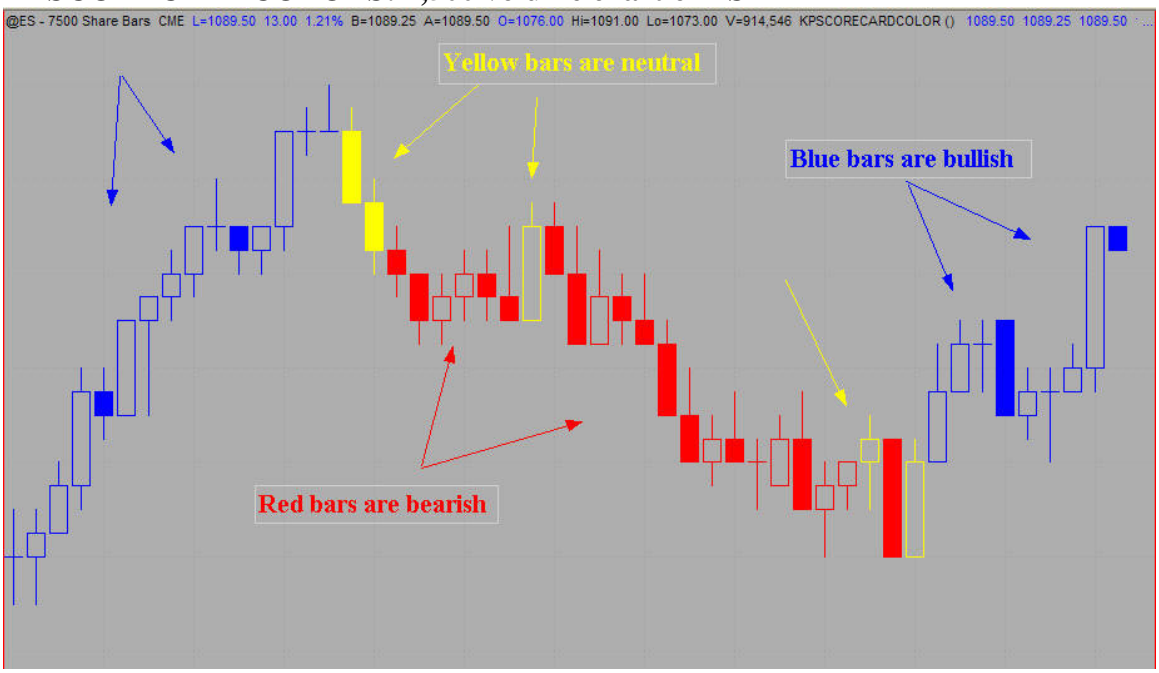
SCALING= Sub graph placement

.

Kwik*POP Indicators

CREATE A 7,500 VOLUME CHART OF ES AND ADD EACH OF THESE INDICATORS

KPSCORECARDCOLORS: 7,500 volume chart of ES



This indicator is called Score Card because it ranks or 'scores' the profile of 9 custom indicator settings. A perfect score on the BUY side would be a +9 reading. A perfect score on the SELL side would be a –9. Whenever 5 or more (score of +5 or greater) align in a positive manner the price bars turn **BLUE. Blue price bars are BULLISH** and prices will usually trade higher.
Whenever 5 or more (score of -5 or greater) align in a negative manner the price bars turn **RED. Red price bars are BEARISH** and prices will usually trade lower.

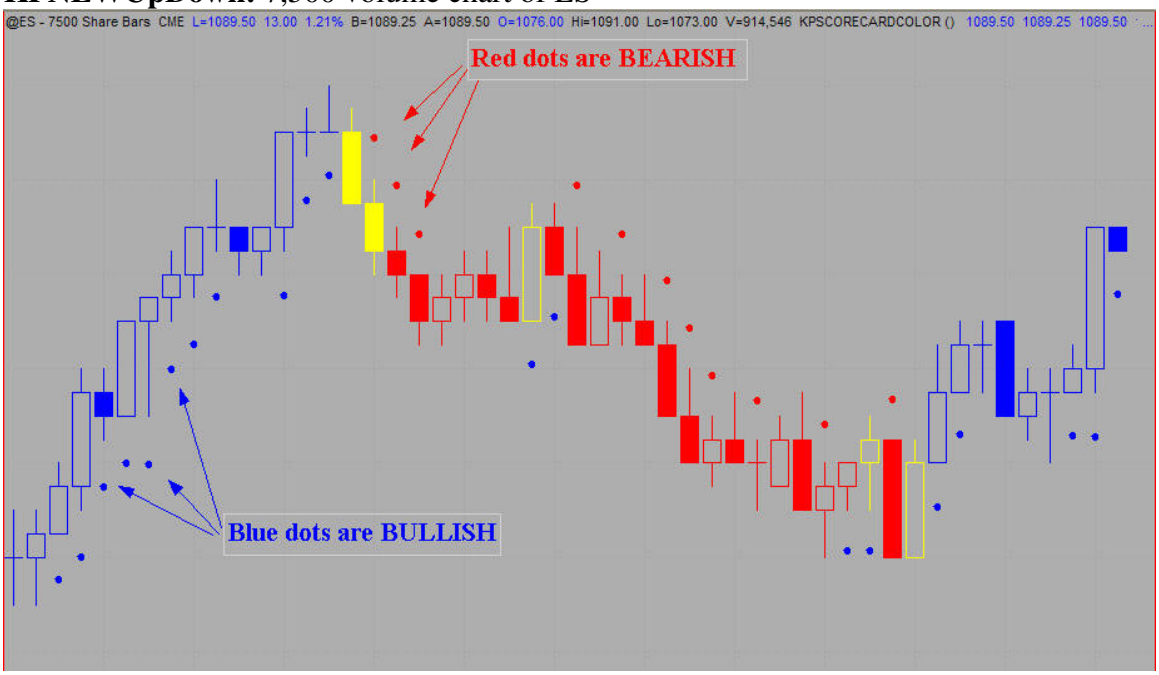
When the score is above –5 but less than +5 we get YELLOW price bars which is a neutral condition vis-à-vis momentum. We have 3 types of momentum reads in Kwik*POP. Short, intermediate and longer term. KP SCORECARD measures intermediate term momentum and this indicator is our most important indicator.

Summary; A score of +5 or greater creates Blue (bullish) price bars. A score of –5 or worse creates Red (bearish) price bars and a score of >-5 and <+5 is neutral with yellow price bars.

In the Black Box Builder you can reference the scoring values in your testing. For example, you may want to only take buy signals when ScoreCard has a score of +7 or greater. Or, if you are looking for early entries in an uptrend you may want to buy on a yellow candlestick with a value of +3 or more. KPSCORECARD colors is used as a TRIGGER in the Black Box Builder. By adjusting the scorecard values you can define when you want that TRIGGER to kick in on a trading strategy.

NOTES

KPNEWUpDown: 7,500 volume chart of ES



Our shortest momentum measure is the NewUpDown dots that appear on the price bars. This is a modification of the Welles Wilder Parabolic SAR. We changed the formula and added some smoothing constants to 'tone it down'. It is not an indicator that can be used as a TRIGGER but it is an excellent FILTER.

It's quite easy to read, RED DOTS are short term BEARISH and BLUE DOTS are short term BULLISH. Typically, we'll see the dots change color on a yellow price bar. Depending on the profile of other indicators this color change can be a good heads up on a cycle change.

It is important that you understand our definition of cycles, which is different than the typical definition. The market can only move in one of two directions; UP (buying cycle) or DOWN (selling cycle). Therefore, the market is in one of two states at all times … a BUYING CYCLE (blue price bars) or a SELLING CYCLE (red price bars). On a 7,500 volume chart we may have yellow price bars but if you go down to a much smaller interval you'll see either red or blue price bars.

Therefore, the red or blue dots on the chart are telling you what is happening on a much smaller interval. Red dots suggest that a smaller interval is in a sell cycle. Blue dots suggest a buying cycle on a smaller interval. That's why we say these dots are a measure of short term momentum whereas SCORECARD colors is a measure of intermediate term momentum.

In the Black Box Builder KPNEWUpDown can be used as a FILTER on a TRIGGER condition. There are no user defined variables on this indicator.

NOTES

KPAUTOSTOP: 7,500 volume chart of ES

KPAUTOSTOP is a momentum oscillator scaled to price. Many assume that it is some type of moving average, but when you examine it carefully you'll notice it doesn't plot like a moving average. It tends to loop around and lag price sometimes, then accelerate towards price very quickly at other times. It's a momentum oscillator.

KPAUTOSTOP is the critical LINE IN THE SAND that segregates the Bulls from the Bears. You will NEVER see a blue price bar closing below Autostop and you'll never see a red price bar closing above Autostop. That's a constant that you need to remember.

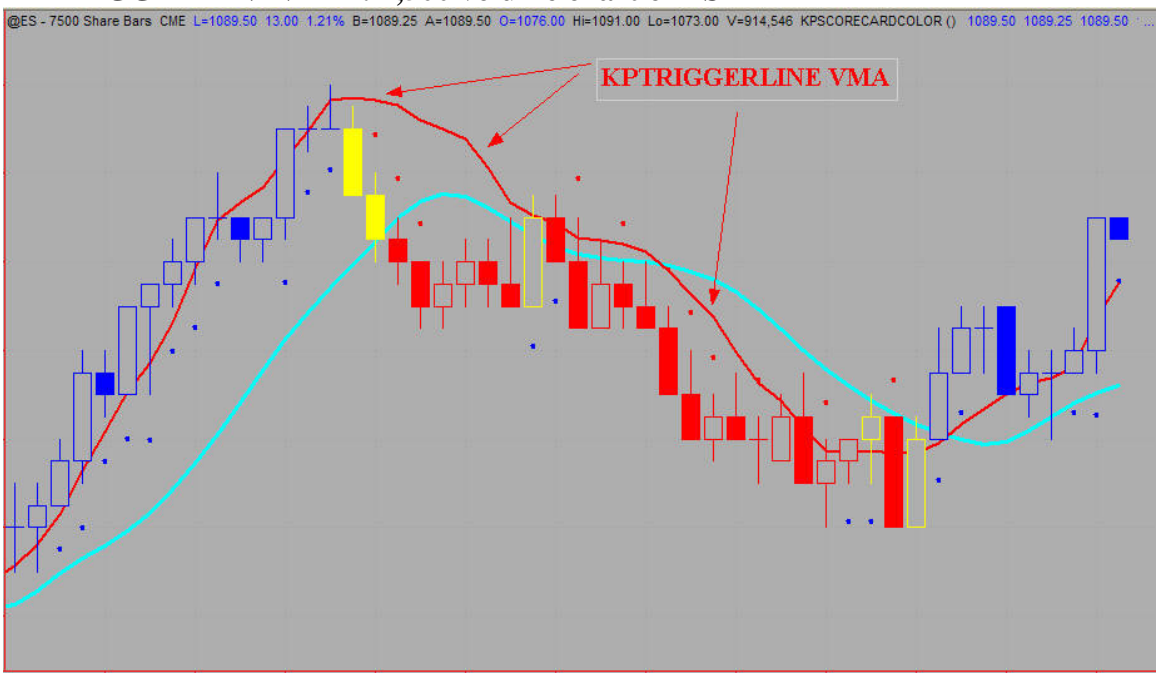
Red bars below AUTOSTOP, is a SELL CYCLE. Blue bars above AUTOSTOP, is a BUY CYCLE. All trading opportunities occur when price bars CROSS AUTOSTOP and CHANGE COLOR. KPAUTOSTOP is one of the components used in SCORECARD COLORS. These are important facts to note when using KPAUTOSTOP in designing your trading strategy.

This is an excellent FILTER on other TRIGGERS, or it can be used as an Alternate TRIGGER as well. In the next section we'll discuss TRIGGERS and ALTERNATE TRIGGERS. The important thin to remember is this; RED price bars below AUTOSTOP is a SELLING CYCLE and Blue price bars above AUTOSTOP is a BUYING CYCLE.

As we've mentioned several times earlier, the market is always in one of two states, either a Buying Cycle or a Selling Cycle. When the price bars cross AUTOSTOP and change colors (Red or Blue) the cycle has definitively changed. That is a constant, or theme that does not change and therefore a valuable consideration in designing your trading strategy. More on that in section 2

NOTES

KPTRIGGERLINEVMA : 7,500 volume chart of ES



KPTRIGGERLINE is a short term momentum oscillator scaled to price. It is a rather volatile oscillator that shows momentum acceleration up or down. This oscillator was weighted with a component based upon volatility derived from Tushar Chandes work. He called the volatility weighted moving average a variable moving average (V.M.A.). Thus TRIGGERLINE VMA is a volatility weighted moving average of KP Triggerline.

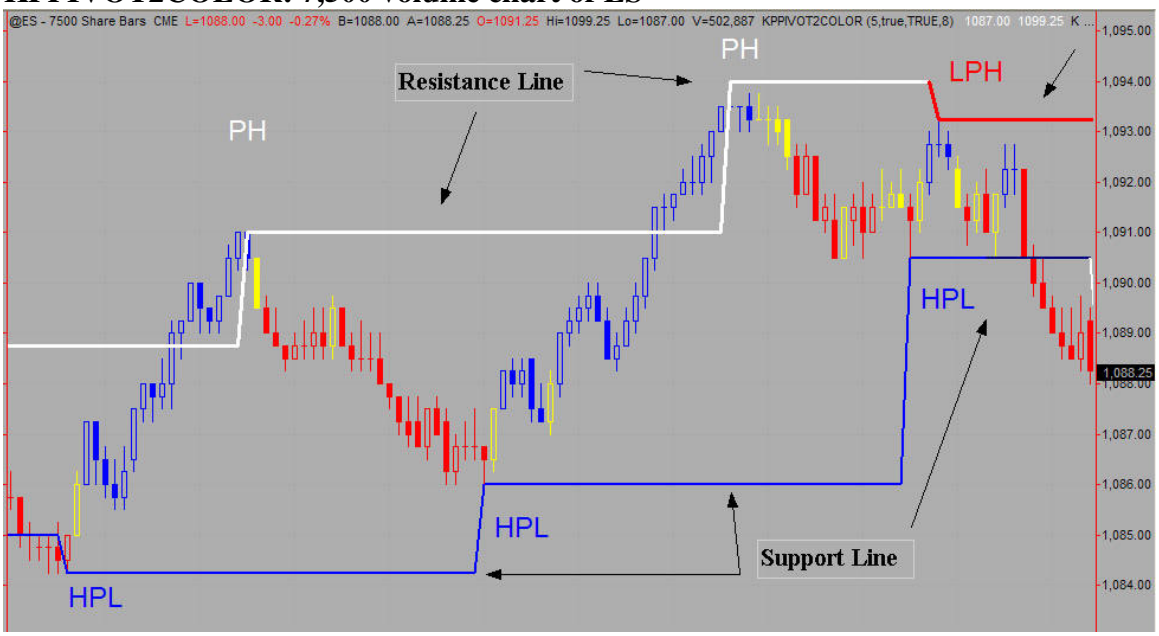
Because it is a variable moving average of a momentum oscillator it has some interesting characteristics and is employed in our trading strategy as both an offset line for an open position and as a tone indicator, defining the bullish or bearish tone of the market. In another section of this manual we'll discuss various ways of using this in a trading strategy.

One thing you should observe immediately is the fact that prices on a 7500 volume chart of ES will cross KPTRIGGERLINEVMA on a reversal before they cross KPAUTOSTOP. In other words, when upside momentum begins to deteriorate on a rally the price bars will close below KPTRIGGERLINEVMA long before they close below KPAUTOSTOP. Look at the rally on the left side of the chart above. Notice how the price bars closed above the red line all the way until right before the top. They closed below the red line. Then prices popped up once and rolled over into a sell cycle.

Now notice the selling cycle with red bars. Prices closed below the red line all the way down. Then right before the low prices closed above the red line, rolled down one last time and then reversed back up into a buying cycle again. The first warning sign that tells you a buying cycle is nearing a termination point is when the price bars start closing below the red line. The first warning sign you get that tells you a selling cycle is nearing an end is when the price bars close back above the red line.
More on this in another section.

NOTES

KPPIVOT2COLOR: 7,500 volume chart of ES



KPPIVOT2COLOR is an indicator that plots dynamic SUPPORT and RESISTANCE lines on your price chart. There are two colors for the Support/Resistance lines.

The resistance line turns WHITE whenever a new PIVOT HIGH (PH text above the resistance line) occurs. The support line turns BLUE whenever a Higher Pivot Low (HPL text below the support line) occurs. An uptrend is higher Pivot highs and higher Pivot lows. In an uptrend where the market is making a series of higher highs and higher lows the resistance line is WHITE and the support line is BLUE.

In a downtrend the resistance line is RED and the support line in WHITE. The resistance line turns RED whenever a Lower Pivot High (LPH text above the resistance line) occurs. A downtrend is lower Pivot highs and lower Pivot lows. In a downtrend where the market is making a series of lower highs and lower lows the resistance line is RED and the support line is WHITE.

The Support/Resistance lines and text markers automatically adjust when the price bars change from RED to BLUE or BLUE to RED and Kpa900 crosses KPAUTOSTOP. These dynamic support/resistance lines are a critical component in our trading strategies as we always look to buy higher pivot lows (HPL) and short lower pivot highs (LPH). This strategy means we will always be buyers in an uptrend and short sellers in a downtrend.

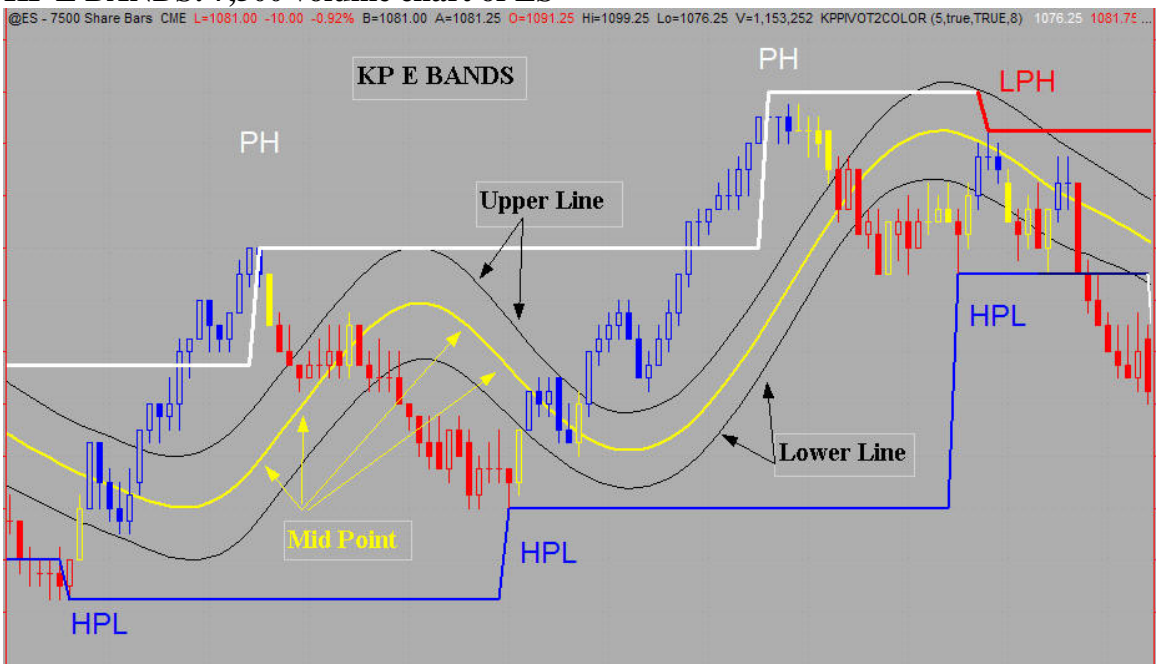
There are some user defined variables that you can adjust on this indicator which we will discuss in another section. There is another indicator related to this that plots as a ribbon in a sub graph underneath the price bars. KPPIVOT2TREND is based upon the same concept and can also be plotted on your charts.

Study the diagram above and we'll discuss uses in another section.

NOTES

Under Inputs User can adjust the distance of the TEXT plot in TextOffsetTicks. User can also elect not to display the text by setting Show Text to FALSE

KP E BANDS: 7,500 volume chart of ES



KP E BANDS are a standard error price envelope. Statistical analysis of price action reveals some interesting themes for traders. The E Bands represent a price level where the market is in balance. A simple definition of a balance area would be called fair value wherein the buyers and sellers agree, at least temporarily, that the market is priced correctly.

Naturally, emotions run high as fear and greed dominate traders decisions, so price tends to move above and below fair value as volatility increases. In a low volatility environment prices tend to hug the E Bands. Heightened volatility pushes prices well above or below the E BANDS. Consider the yellow line, which is the midpoint of the E Bands, as the mean. Prices always revert to the mean. Study how prices stutter every time they hit the yellow line. Then as emotions build again prices tend to 'Break Out' on either side of the bands. After a move up, or down, they always come back to that yellow line.

Whenever a buying cycle terminates the first target back down is the yellow line. Whenever a selling cycle terminates the first target back up is the yellow line. Once prices have tagged the yellow line again, a new round of buying or selling unfolds.

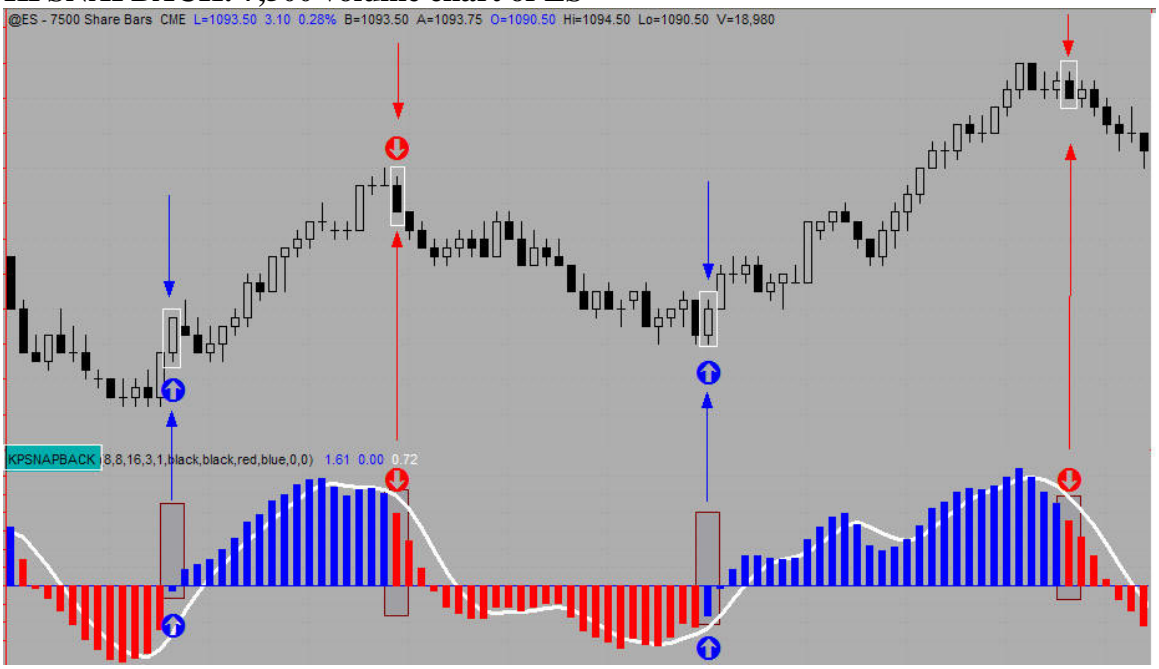
This pattern repeats continually all day long. As traders using technical analysis for trading decisions we are looking for patterns that repeat continually, patterns that we can quantify in terms of profit and loss. There are some interesting patterns based upon the E Bands, which we will discuss in another section of this manual. The E Bands have user defined variables which you can adjust and the E Bands can be used in the Black Box Builder as a Filter or Alternate Trigger when designing trading strategies.

More on that later.

NOTES

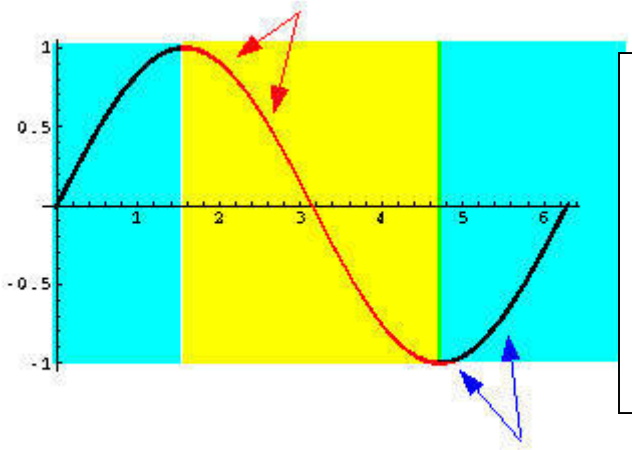
Under Inputs The default settings are LENGTH: **30** SMOOTHING: **20** It is recommended that you use default settings on all charts until you've experimented with different settings for awhile.

KPSNAPBACK: 7,500 volume chart of ES



KPSNAPBACK is another indicator based upon KPTRIGGERLINE. It is a momentum oscillator that cannot be scaled to price so it is plotted in a sub graph beneath the price bars. The oscillator resembles a Sine wave and has two colors RED and BLUE.

This indicator has user defined variables that you can adjust, but we suggest using our default settings. On the chart above I've marked arrows and rectangles where SNAPBACK shows upside momentum acceleration and downside momentum acceleration. You can follow the price action from those points. As you can see SNAPBACK also filters out a lot of the noise from short term bounces on the individual candlesticks.



The slope of KPSNAPBACK resembles that of a Sine Wave. As a buying cycle tops out and begins to reverse we see a change in the slope of the vertical bars on Snapback.

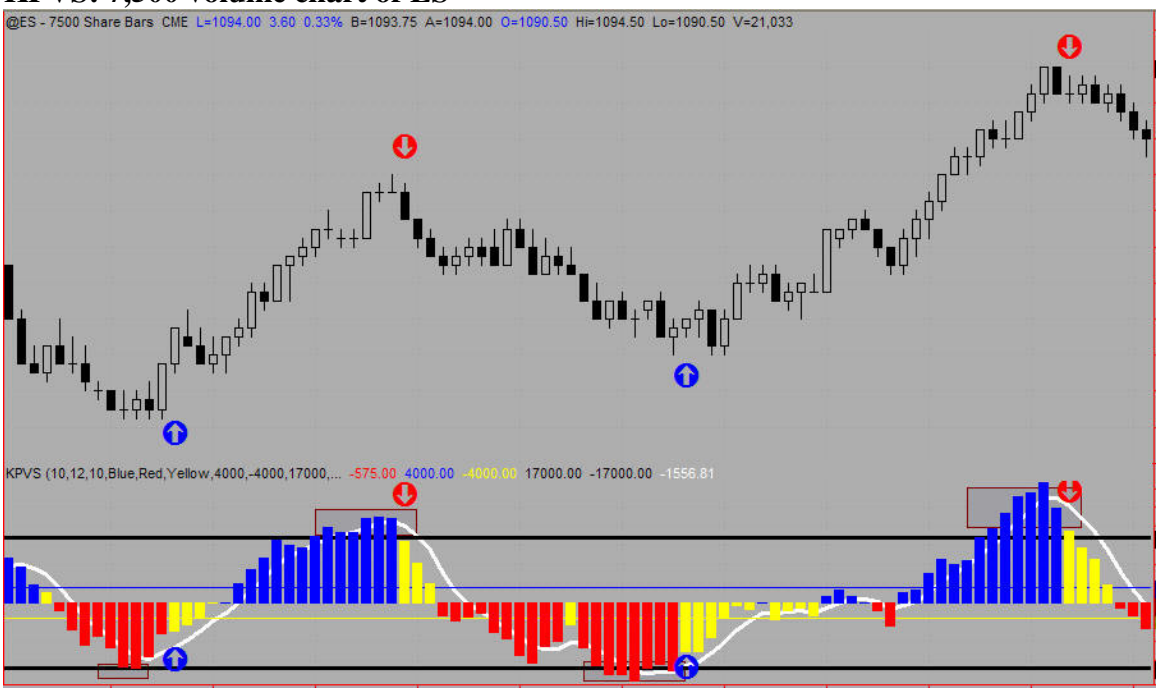
Same thing when a selling cycle starts to reverse.

We'll have a further discussion of SNAPBACK in the next few sections.

NOTES

Under Inputs: LenDPO 8, Len1 8, Len2 16, Len3 3. Use default settings initially.

KPVS: 7,500 volume chart of ES



KPVS is our VOLUME SURGE indicator. This is a rather unique indicator in that it is not tied to price. It looks solely at the changes between up volume and down volume as defined by a custom algorithm. It compares those differences on the current price bars to values going back as far as 20 price bars earlier and uses the differences between the shorter ratio and a longer ratio to plot the vertical bars and color them.

Conceptually, this gives us a pure volume momentum reading, which confirms the relative strength or weakness in any price swing up or down. In essence, it is a way to determine whether buyers or sellers have control of the market. This indicator has user defined variables but it is a little complicated so we suggest you use the default settings provide on the templates.

One of the best features of this oscillator is in it's ability to define an OVERBOUGHT or OVERSOLD reversal pattern. On the chart above there are two black horizontal lines on KPVS. These are placed at 17,000 and –17,000 for the 7,500 ES volume chart that we use. 17,000 or greater on KPVS is overbought and –17,000 or lower is oversold.

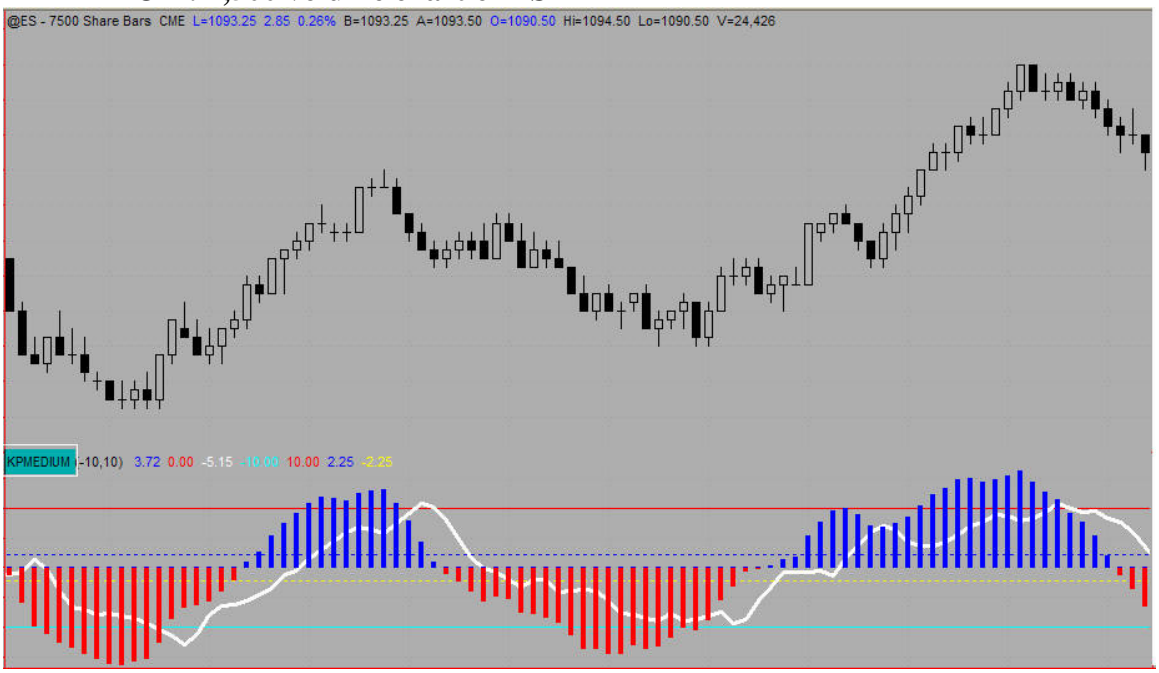
Whenever KPVS hits or exceeds 17,000 and then the bars turn yellow we get an overbought reversal back down. Whenever KPVS hits –17,000 or lower and then the bars turn yellow we get an oversold bounce back up again. When you match that with KPSNAPBACK you get some terrific countertrend trading opportunities based upon a volume reversal tied in with a price momentum reversal.

KPVS can be used as a FILTER or Alternate TRIGGER in the Black Box Builder. We'll discuss KPVS further on in this manual.

NOTES

Under Inputs VR length 12, VRMA length 12, VS length 10. UpMax 17,000. DownMax –17,000

KPMEDIUM: 7,500 volume chart of ES



THIS INDICATOR IS OPTIONAL

KPMEDIUM is a price momentum oscillator placed in a sub graph underneath the price bars since it cannot be scaled to price. ***It looks at the midpoint of each price bar as the true price***. The highs and lows on a price bar are assumed to be noise, although it compares the midpoint of each current price bar to the high and low of the prior price bars as a reference on short term strength. It uses the Fibonacci sequence for comparative values looking back 3,5,8,13,21 and 34 bars for ratios.

It takes a significant move to get this indicator to change colors from Blue to Red. There are three plots on this indicator; Medium Up which is the Blue vertical bars, Medium Down which is the Red vertical bars and Medium MA which is a moving average of the core indicator plotted as a white line on that graph.

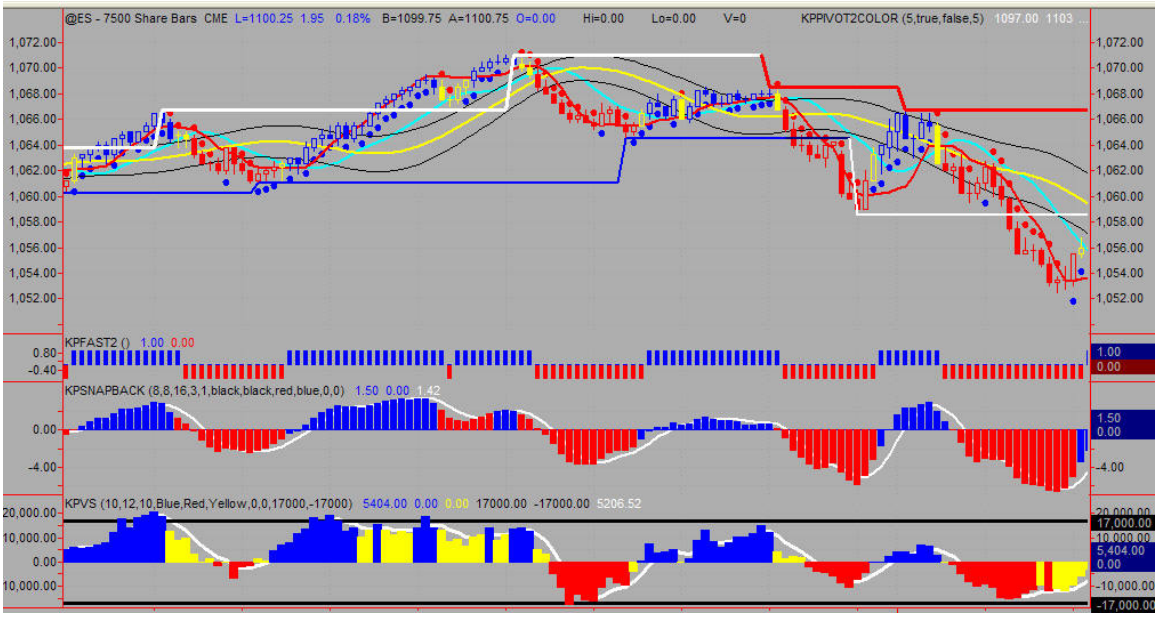
KPMEDIUM is a tool designed to keep you in a trade as long as possible. By using the midpoint of price bars as the critical reference it also attempts to filter out the confusing noise associated with individual price bars bouncing around erratically every so often. In a, 'normal' market environment, values of greater than +10 or lower than –10 represent overbought/oversold levels where price reversals tend to start from.

Although KPMEDIUM has no user defined variables, it can be used as a FILTER against other TRIGGERS on trade set ups.

There are a number of other Kwik*POP indicators in our tool box, but we've identified the most critical tools that we use for assessing trade patterns that offer reliable probabilities of success when trading the ES mini futures contract intra-day. We'll explore the use of these indicators and share trading ideas in another section of this manual.

NOTES

THE WHOLE PICTURE



This is the standard mix of Kwik*POP custom indicators we use on a 7,500 volume chart of the ES. These indicators are included on the Workspace and Templates for all platforms on our installer page. Just to be safe, make sure these indicators are on that chart.

ON THE PRICE BARS: subgraph 1

1) KP Scorecard Colors
2) KPAUTOSTOP
3) KPTRIGGERLINEVMA
4) KPPIVOT2COLOR: Settings: (show text TRUE) Trend Change Ticks 2
5) KP E BANDS: Settings: LinRegLength 30 ..Smoothing Length 20
6) KPNEWUPDOWN

IN SUBGRAPH 2 UNDER THE PRICE BARS

1) KPFAST2 : Scaled to Right Axis

IN SUBGRAPH 3 UNDER THE PRICE BARS

1) KPSNAPBACK: Settings 8,8,16,3

IN SUBGRAPH 4 UNDER THE PRICE BARS

1) KPVS: Settings 10,12,10

You can add KPMEDIUM and other indicators to this chart if you desire. Discussions on trading concepts will reference the indicators listed above.

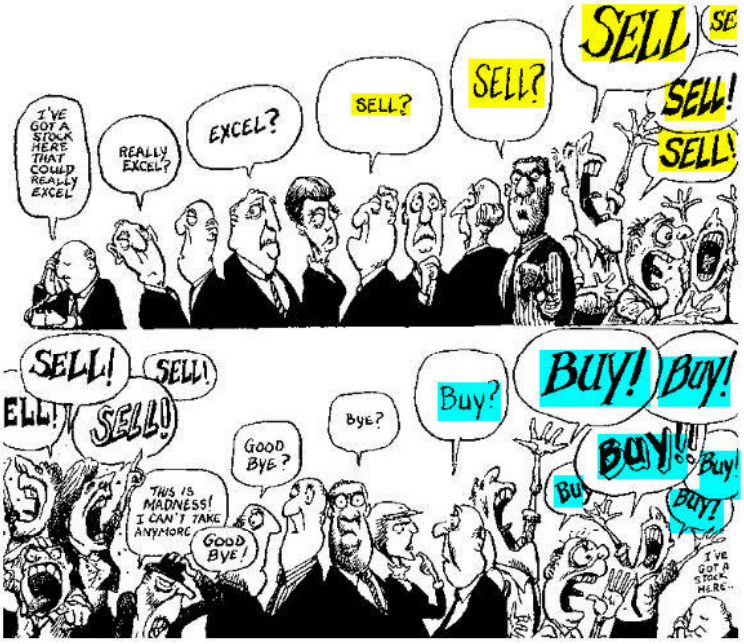
NOTES

QUESTIONS ON Kwik*POP INDICATORS (Whole Picture Chart)

1) On the Kwik*POP indicator chart of the ES what is the name of the aqua colored line?
2) What scorecard value is needed for a BLUE price bar?
3) What two indicators must cross for the support/resistance lines to adjust?
4) What does HPL mean when it prints on the chart?
5) Which Kwik*POP oscillator examines ratio's of Up volume and Down Volume?
6) What are the little Red and Blue dots on the price bars?
7) What is the yellow line on the price bars?
8) Which oscillator assumes the midpoint of the price bar is the true price?
9) What is the RED line on the price bars?
10) What indicator plots the SUPPORT/RESISTANCE lines on the chart?

HOW THE MARKET REALLY WORKS

The first impression newer traders get of the market is that of a chaotic, savage jungle where prices whipsaw violently, back and forth for no rhyme or reason.



Over the longer term, economic fundamentals direct prices up or down. But, from point A to point B the market seems to meander in a random fashion as fear and greed kick in on every news event or economic update.

In section 2 we'll discuss some market realities and explore the concept of momentum based trading tied to specific patterns that repeat continually in all markets.

You'll discover that as you bore down beneath the surface carnage there is a remarkable rhythmic pulse driving prices up and down. As you dig deeper you begin to see distinct patterns that appear continually in all time frames.

Those patterns are the language of the markets. They communicate the level of fear or greed present at all times. Those patterns tell you when the market is likely to go UP, or DOWN. Learning those patterns is the key to your success as a trader. You need to understand the markets language and rhythm before you can succeed as a full time professional trader.

TWO STATES OF REALITY

The first market truth is this; The market is always in one of two states, a BUYING CYCLE, prices advancing higher, or a SELLING CYCLE, prices declining lower. Some will challenge that statement and reference a sideways price channel where prices move up and down in a horizontal channel. The statement

is still valid because within that sideways channel prices are moving up (BUYING CYCLE) and down (SELLING CYCLE) in a very narrow range.

Think about that statement for a moment. The market can only go one of two ways, UP or DOWN. The length of each move up, or down, is another issue. Before you go any further you must accept and embrace that most obvious reality about the markets. If it's not moving higher then it's starting to move lower. If it's not moving lower then it's starting to move higher. That makes life much easier .. eh?

The second market truth is this; Prices never go straight up or straight down continuously. Prices always rotate between a selling cycle and a buying cycle. Even during Black Monday in 1987, an event described as a market meltdown, prices rotated back and forth between selling cycles and buying cycles in a steep intraday downtrend. The swings up and down were wildly exaggerated, especially to the downside, but there were buying cycles in between each steep decline.

The third market truth is this; There is always another trade. Every time the market rotates from a buying cycle to a selling cycle there is a trading opportunity for an aggressive trader. Never, ever assume you've missed the only good trade because "There is always another trade". Don't let your emotions (Fear and Greed) create problems.

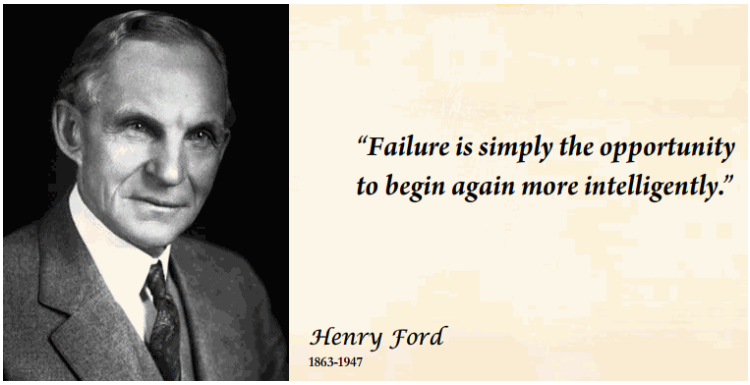
RECAP:

1) **The market is always in either a buying cycle or a selling cycle …AT ALL TIMES**
2) **Prices never go straight up or straight down continuously. Prices always rotate between a selling cycle and a buying cycle.**
3) **There is always another trade.**

Trading involves patience, discipline and the ability to anticipate the markets next move. You are your biggest enemy at all times because fear and greed will cause you to make foolish mistakes.

Mr. Market will do everything in his power to get your emotions to flare up. He knows that when you get emotional you'll make mistakes and HE'LL GET YOUR MONEY!

You need to operate like a computer, cold, dispassionate and logical. That's not easy to do when there is real, hard earned money on the line for every trade you take. Accept the fact that you'll never be as calm and logical as Mr. Spock, but practice emulating him.



With practice and patience and by continually reviewing the mistakes you make you'll slowly get control of your emotions and that is the first step you need to take towards becoming a successful trader. Those three market truths will help you get control of your emotions and we'll refer to them throughout this manual.

Many experienced traders reading this page will consider those comments no more than trite drivel, but ask yourself why you are reading this manual. You wouldn't be here unless you are seeking something to help improve your trading .. right? Too many experienced traders have made their reality so complex that they can no longer see the forest for the trees. We are going to start with the basics and build a solid foundation as we move forward. Accept those three market truisms and build your trading strategy within that reality.

TARGETING TRADES USING MOMENTUM BASED INDICATORS

There are literally hundreds of technical trading tools on the market, so many that it gets pretty confusing for a new trader attempting to determine which tools will help the most. Not understanding the purpose and application of a set of technical indicators reduces them to nothing more than some wiggly lines on a chart. We've discovered that many small traders have way too many technical indicators and, worse yet, they don't know how to use any of them properly.

Before investing in any indicator based software you need to understand the purpose of the indicators and the various techniques for using them properly. "What are they designed to identify?"

At the risk of stirring up more confusion we'll share with you the unique method that **Kwik*POP** indicators use to identify each turning point intra-day on the ES futures market.

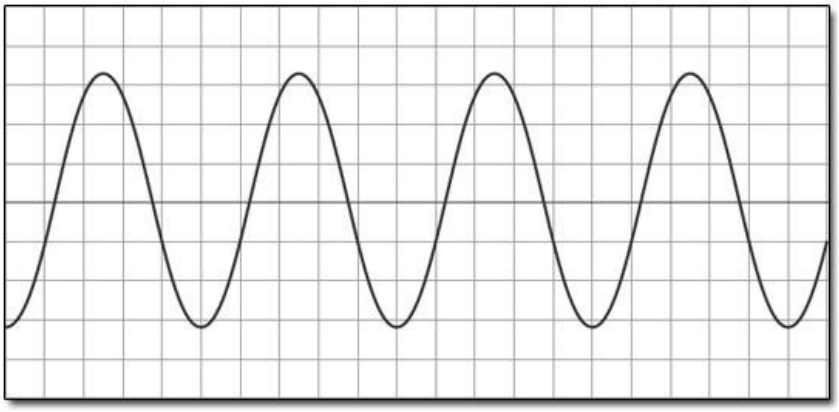
Price action is ultimately based upon two emotions …FEAR and GREED. Those two dominant emotions are derived from changing perceptions of reality, as each new tidbit of economic news creates a knee-jerk reaction from market players. In short, the news changes perceptions of reality and that triggers Fear and Greed, which are normal human emotions when confronted with risk and opportunity.

Many veteran traders truly believe the market is a living entity. It vibrates with energy from prices moving up and down in a rhythmic pulsing motion, based upon the fear and greed of its participants, similar to a heart pumping blood through a living body.

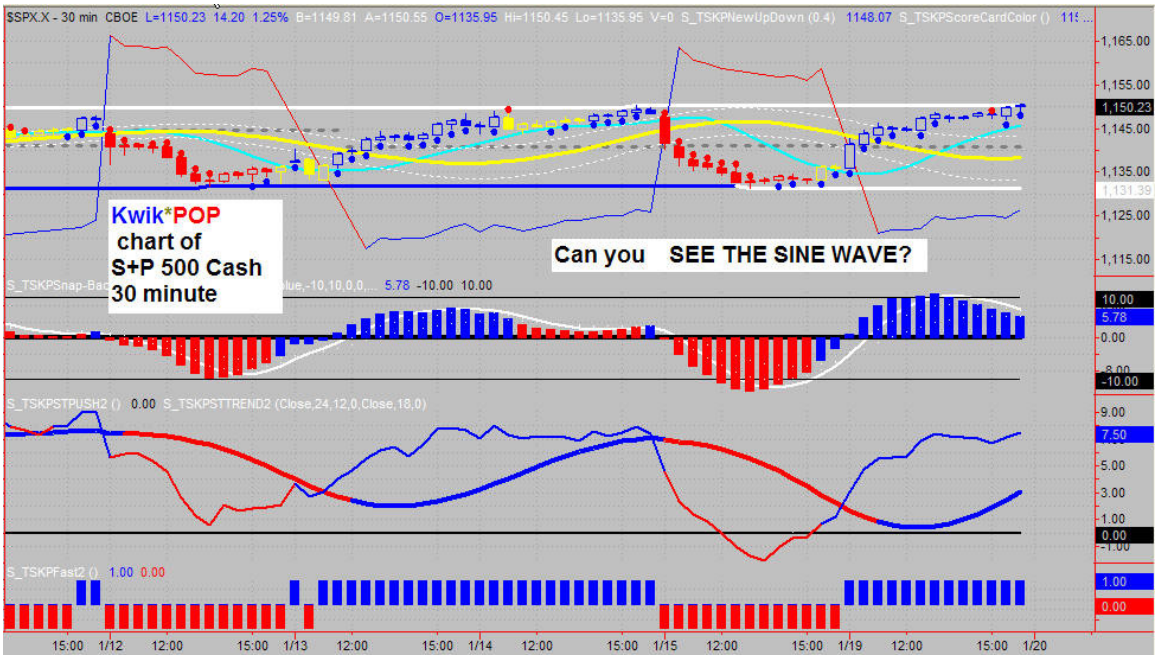
Obviously, the person that develops a reliable metric to quantify human emotion will make a 'bazillion' dollars predicting the markets turning points in the future. In short, they will have the ultimate crystal ball.

The rhythmic price action of the markets has attracted many scientists and various 'eggheads' with experience in fluid dynamics and harmonics. They, like all other flies caught in the markets web, believe that there is a mathematical solution defining human behavior and once the code is developed they will be able to 'predict', with great accuracy, which way the market will move next.

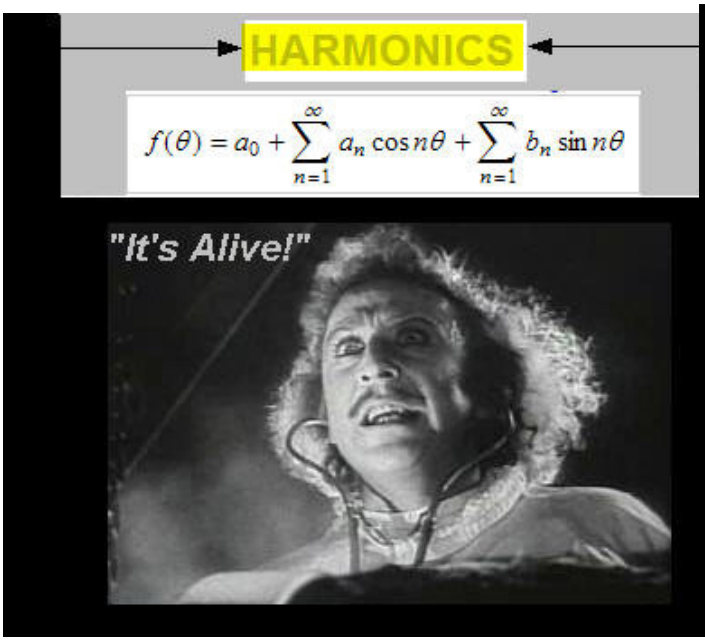
It's easy to see why an expert in harmonics would find the stock markets intriguing.
Study this SINE WAVE for a moment.



Now, look at a 30 minute candlestick chart of the S+P 500 Cash index SPX below. Notice the symmetry of each cycle and compare that to the sine wave above.



'There are all sorts of resonances around us, in the world, in our culture, and in our technology. A tidal resonance causes the 55 foot tides in the Bay of Fundy. Mechanical and acoustical resonances and their control are at the center of practically every musical instrument that ever existed. Even our voices and speech are based on controlling the resonances in our throat and mouth. Technology is also a heavy user of resonance. All clocks, radios, televisions, and gps navigating systems use electronic resonators at their very core. Doctors use magnetic resonance imaging or MRI to sense the resonances in atomic nuclei to map the insides of their patients. In spite of the great diversity of resonators, they all share many common properties.'(science author)

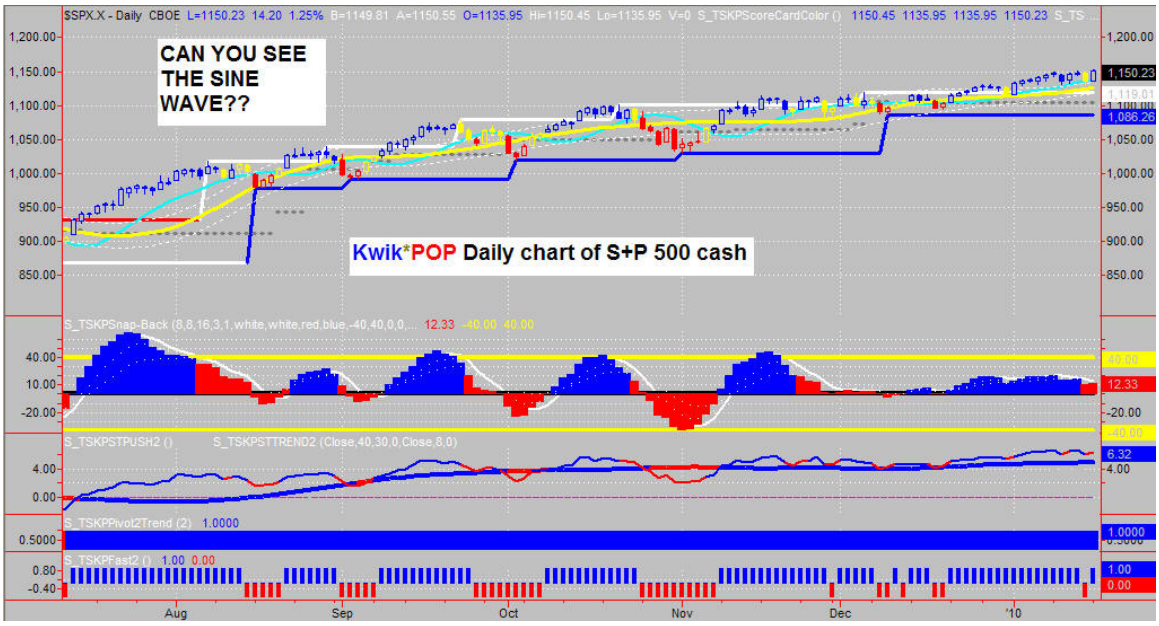


The markets are no exception. There is a distinct, rhythmic pulse, or pattern that appears in every bull market or bear market.

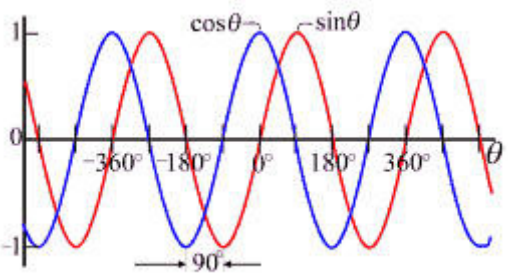
These harmonic patterns appear on all time frames in all markets.

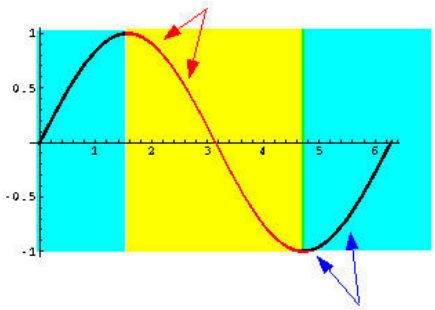
Study the daily chart of the SPX below.

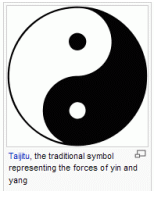
The 'BIG DOGS', like Goldman Sachs, no doubt have many 'mad scientists' locked up in 'contractual' laboratories developing the next trading Frankenstein keyed to market harmonics.



Don't worry. This is not a discussion on sinusoids and Fourier analysis. That stuff gets really deep and is well beyond my limited intellectual capacity. What I'm trying to impress upon you is the reality of natural harmonic patterns present in all markets in all time frames. Stated simply, markets never go straight up or straight down. They move up or down on impulse waves of varying frequency. The amplitude of each wave is a function of volatility (the fear quotient). Low volatility produces a shallow cycle and higher volatility produces larger cycles.







If we define each half cycle as an **up move** and a **down move** in the market, we have identified a trading pattern that will allow short term traders a way to use price and volume momentum at each turning point to score gains on a natural reoccurring pattern in all markets.

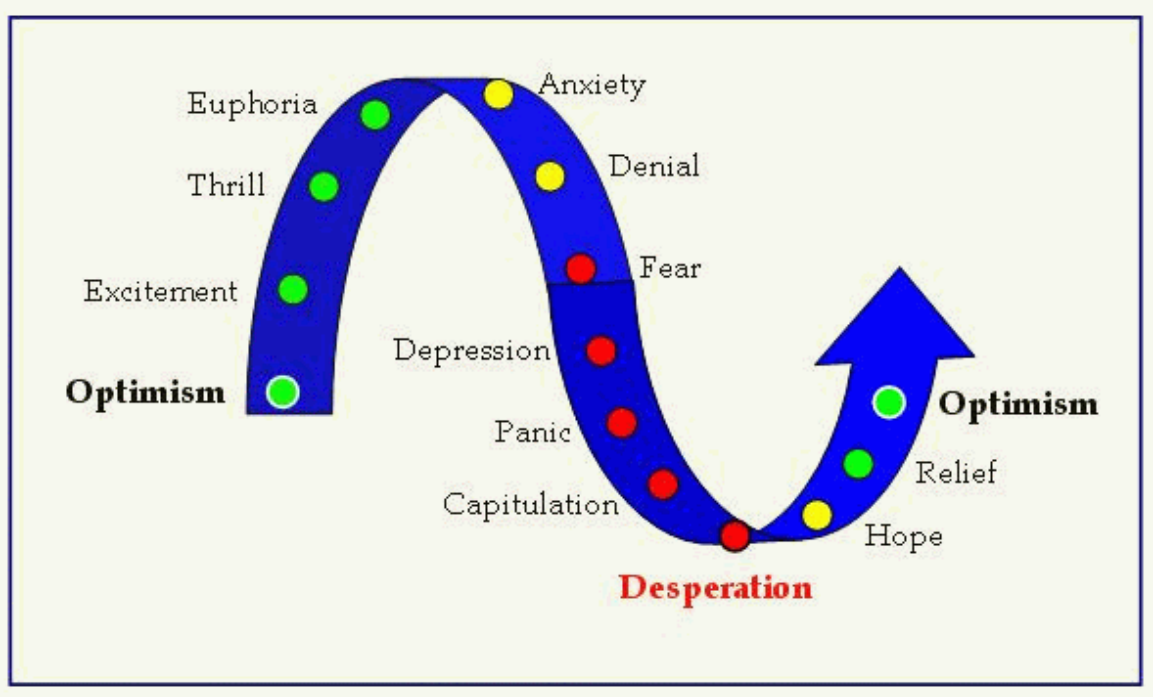
In essence, when an UP CYCLE is exhausted, a down cycle will commence. If a trader is aware that a down cycle is beginning an opportunity to short the market is present.

Conversely, when a down cycle is completed an up cycle will commence. This creates a buying opportunity for a focused trader.

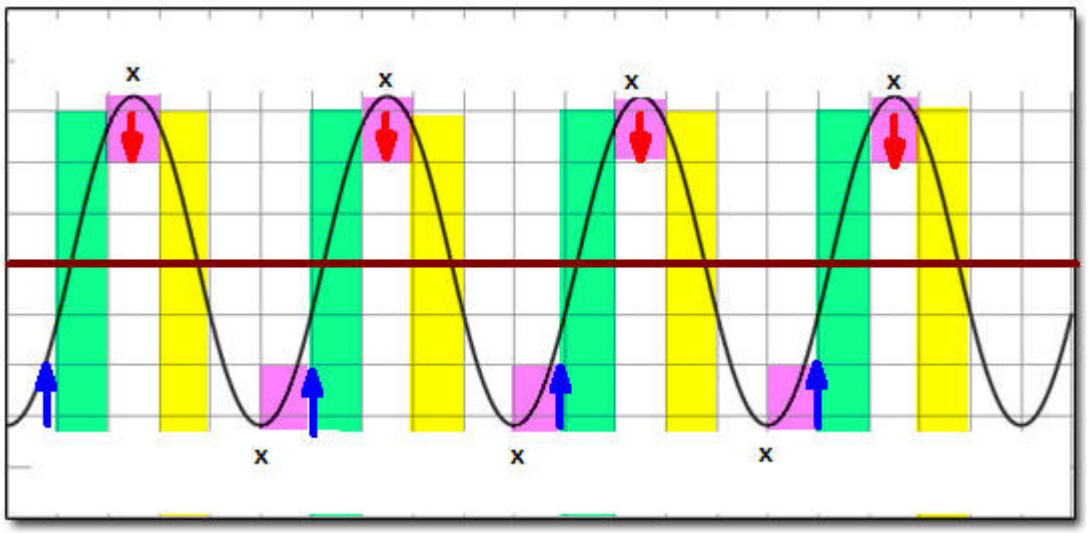
After you have studied enough patterns on a price chart you'll begin accept and understand market harmonics, the natural rhythm beneath the surface.

The next challenge is in objectively identifying the peaks and troughs in order to target the buys and short trades. You need a dramatic clue that alerts you to a change in the slope of the wave, something that confirms the completion of each half cycle.

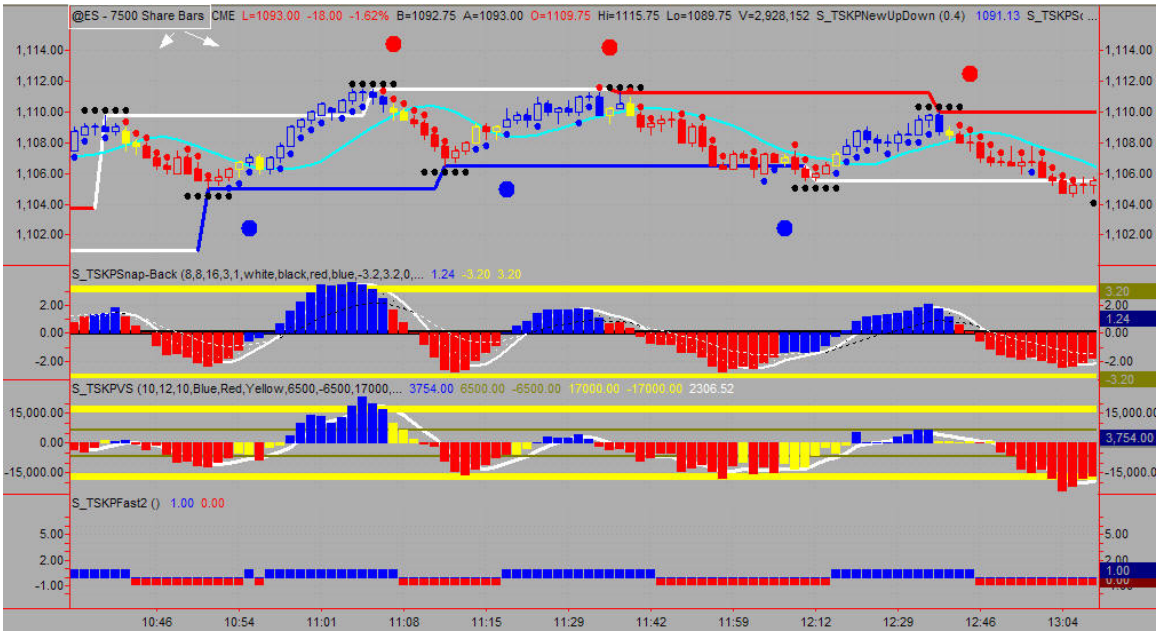
That's where price momentum and volume momentum come into play as tools that confirm the completion of each up move and down move.



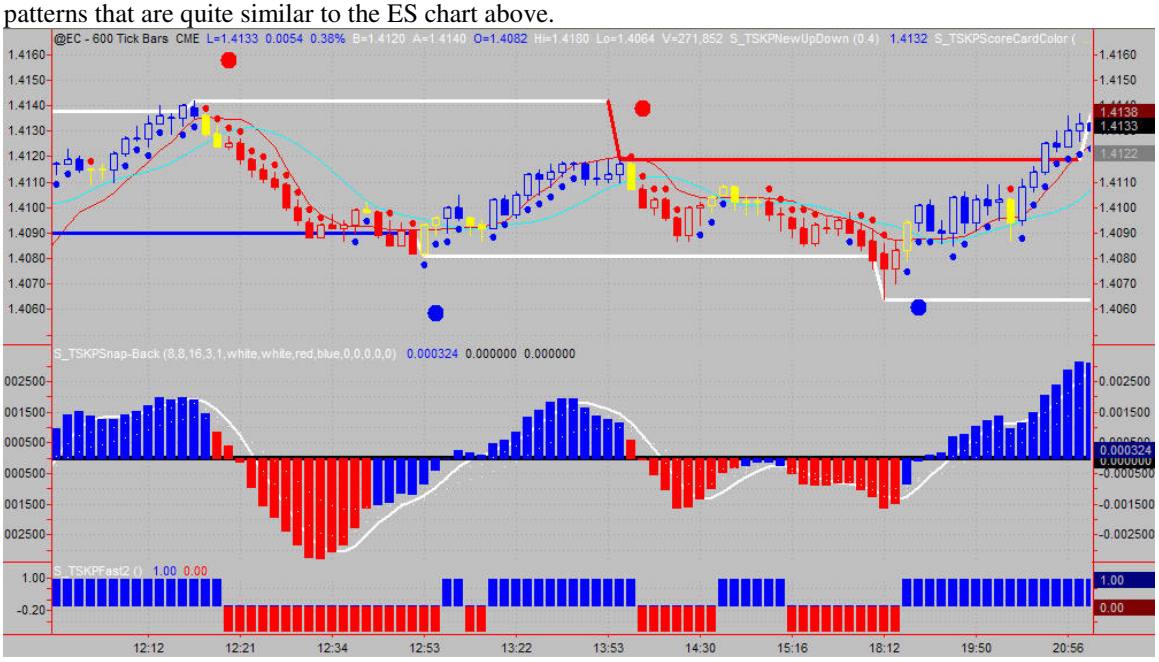
A trading opportunity sets up whenever an up cycle or down cycle has completed. The tricky part is in determining when momentum is starting to accelerate in the opposite direction. A trader that can identify these critical turning points can capitalize on each momentum reversal by taking the appropriate long or short position just as the momentum wave is beginning to accelerate.



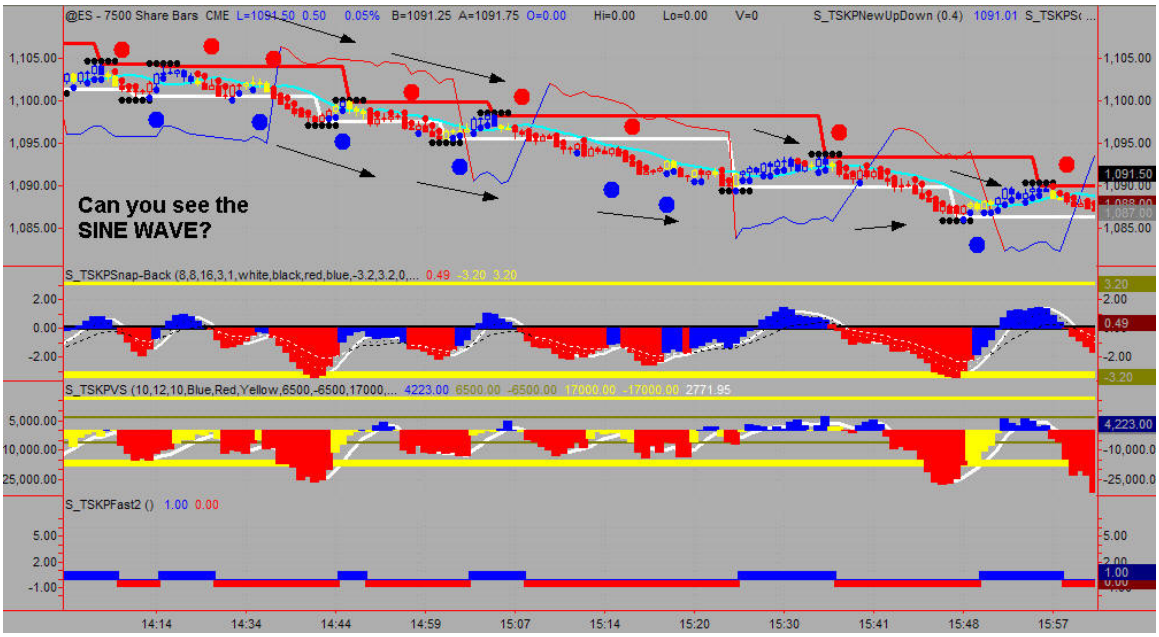
The purpose of the Kwik*POP indicators is to objectively identify each short term turning point in the market by amplifying a price and volume momentum reversal. Compare the sine wave chart above to the **Kwik*POP** 7,500 volume chart of the ES below.



As mentioned earlier, these sine wave patterns appear in all markets and all time frames. Isolating these patterns in various markets provides multiple trading opportunities for a well capitalized private trader. Study the 600 tick chart of the EURO CURRENCY FUTURES contract below. Notice the harmonic patterns that are quite similar to the ES chart above.

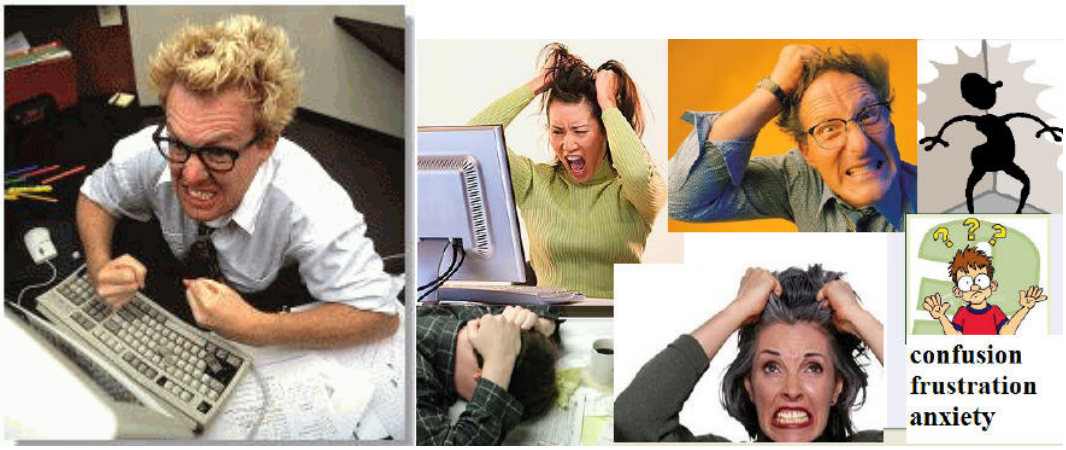


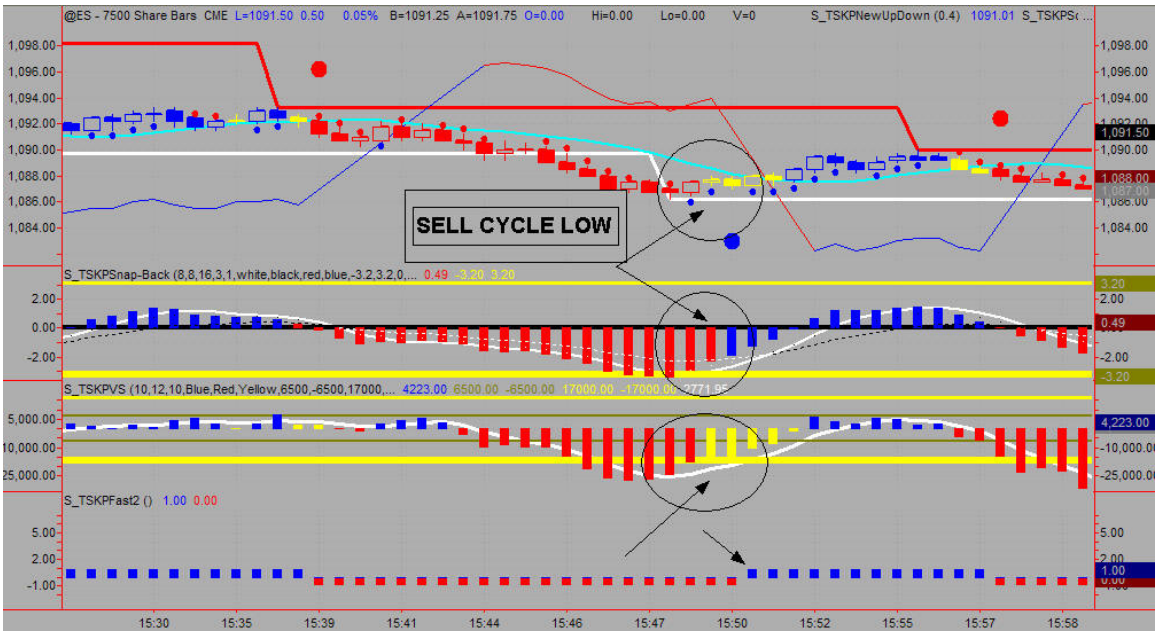
The **Kwik*POP** indicators use a combination of custom indicators based upon price momentum and volume momentum to isolate the turning points and confirm a shift in momentum. The charts above show a sideways market. Once a trend up or down commences we still get the harmonic waves only the slope of the chart is different. Look at a downtrend on our 7,500 volume chart of the ES below.



The market dropped 18 points lower, a very big move, but it didn't go straight down. It cycled back and forth at a downward angle. This harmonic pattern is typical of all downtrends and all up trends. A newer trader needs to develop the discipline to patiently wait until an up cycle is completed before taking a short position in a downward trending market. That last comment sounds simple and logical but quite frankly many newer traders have a habit of getting short at the end of a selling cycle and getting stopped out on the bounce back up.

It may have happened to you. You miss the optimum entry point to go short. Then, you watch prices go lower and lower and lower. You start getting upset and watch prices go lower and even lower. It looks like the big crash and you are going to miss the whole thing. In a mood of frustration, greed and panic you say 'Screw it. I'm getting short here so I don't miss anymore of the collapse!" You plunge in, right at the cycle low, prices reverse and rally back up against your position, you get stopped out for a big loss and then … THE MARKET TURNS BACK DOWN AGAIN!





Our indicators are designed to alert you when a cycle low or cycle high is forming. A certain pattern sets up and the price candlesticks change color as well as the momentum oscillators. In our on-line chat room we teach you to look for a specific pattern that confirms a cycle reversal. This momentum pattern appears at all reversal points and once you learn it … you'll always 'know when to hold em' and know when to fold em'.

Let me demonstrate a typical cycle reversal on a NinjaTrader chart using **Kwik*POP** . We'll look at a downtrend and examine the end of an up cycle followed by the beginning of a down cycle. Then we'll look at the end of a down cycle followed by an up cycle. I won't review all of the indicator readings in this review but you'll get the idea from what we examine together. First take a moment to study this 7,500 volume chart of the ES using NinjaTrader and **Kwik*POP**.

This was a downtrend and you can clearly identify both selling cycles and buying cycles at a glance simply by looking at the color of the candlesticks.

This was a downtrend and you can clearly identify both selling cycles and buying cycles at a glance simply by looking at the color of the candlesticks.

There is a rather consistent pattern that forms whenever a BUY cycle or a SELL cycle expires and the market begins to reverse.

Red candlesticks are bearish and represent a sell cycle. You'll notice that even if the close is higher than the open on a candlestick it remains red as long as the selling cycle persists. The color of the candlestick is based upon price and volume momentum. As long as the price/volume momentum remains negative the candlesticks remain red.

Blue candlesticks are bullish and represent a buy cycle. Thus we have two easy to identify cycles … RED candlesticks are a sell (down) cycle and BLUE candlesticks are a buy (up) cycle. Yellow candlesticks are a neutral or transition color. They warn us that momentum strength is decaying and a potential reversal is building. Think of yellow candlesticks as a yellow light at an intersection.

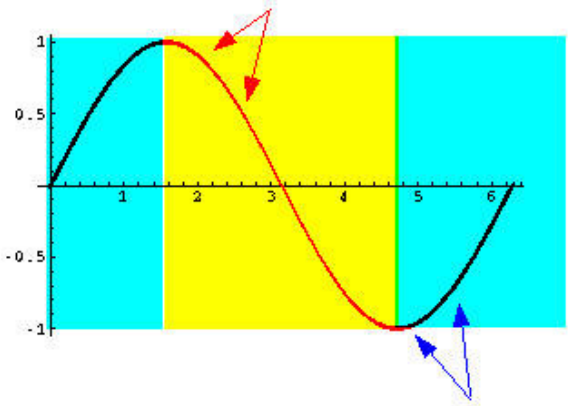
Next, study the background color of the chart area with the candlesticks. When the background is BLUE that's bullish. When the background color is TAN that's bearish. We painted the background color to be certain that you don't lose site of the current cycle. If you are short and the background color turns blue …well, you had better cover your short position or you'll take a hit.

Study that aqua blue line on the candlesticks for a moment. That is a price oscillator scaled to price so we can place it right on the candlesticks. We call it KPAUTOSTOP. It's our LINE IN THE SAND. All cycle changes start with a close above or below that line and a color change on the candlesticks.

Notice the first black arrow on the left side of the chart. The candlesticks had been **BLUE** with little blue dots underneath. Then, the color changed to **YELLOW** (think of a yellow light at an intersection). Upside momentum was beginning to break down. That does not mean the half cycle is completed, but it's a warning that the bulls are taking profits and scaling back.

The confirmation of a half cycle change is when the YELLOW candlestick, with a red dot above it, CLOSED BELOW KPAUTOSTOP (that aqua blue line on the candlesticks). Remember that I mentioned that KPAUTOSTOP was our line in the sand. If prices close below AUTOSTOP and the colors change then

the up cycle is over. The first red candlestick below KPAUTOSTOP confirms the new down cycle. Also notice the change in the background color of the chart.



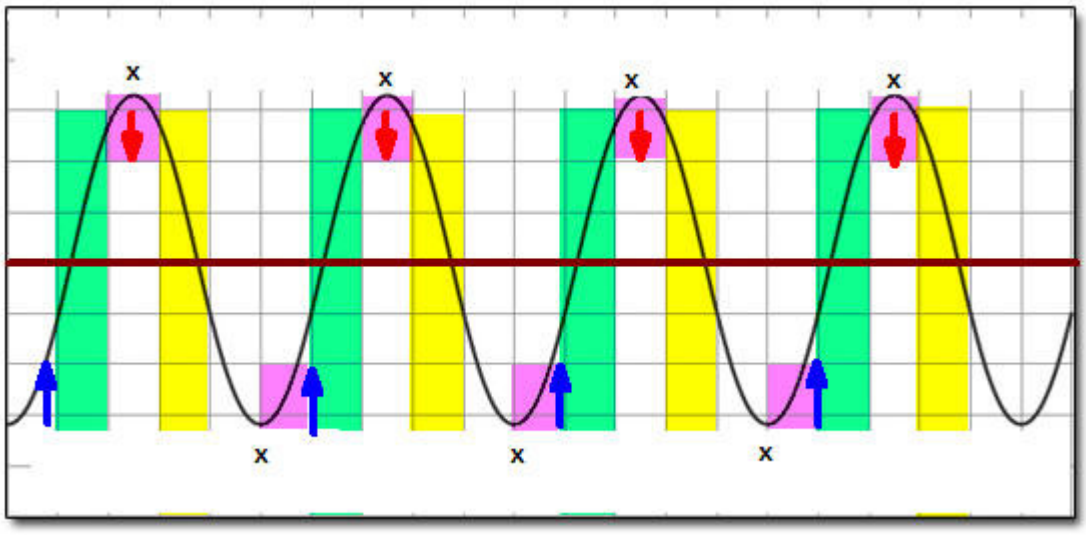
Remember that there are only two ways for the market to go .. UP or DOWN.
Once an UP CYCLE is completed, the market will then move back DOWN. The sequence described above happens at all turning points.

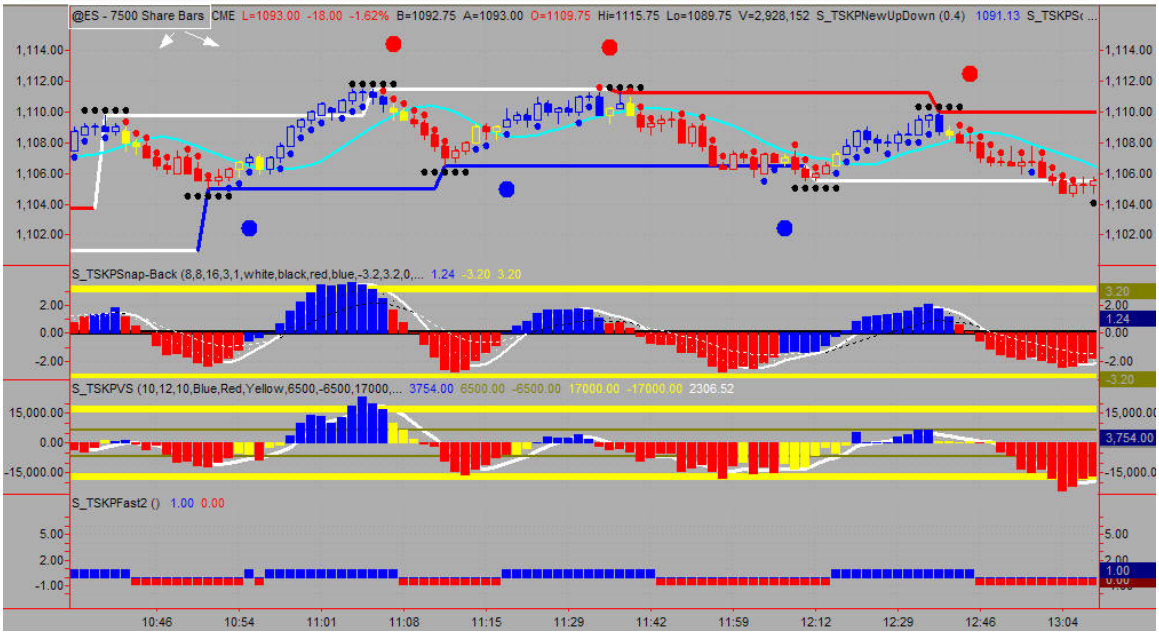
It happens many times every day in the ES futures market

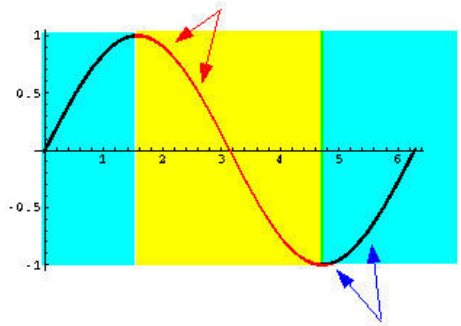
Let's look at the second black arrow highlighting the end of a down cycle. The pattern is just the opposite. Notice the first YELLOW candlestick that closed back above KPAUTOSTOP. That signaled the end of the SELL CYCLE. Again, a color change from red to yellow, and a close back above that aqua blue line. Notice the change in the background color of the chart?

Arrow 2 shows the beginning of an UP CYCLE after the termination of a DOWN CYCLE. Now study the third black arrow. Again, an UP CYCLE expires when the candlesticks change color and close below KPAUTOSTOP. Arrow 3 shows where the next DOWN CYCLE commenced.

Study the pattern on arrow 4 and arrow 5. **ARE YOU SEEING SIMILAR PATTERNS HERE?** THESE PATTERNS REPEAT ALL DAY LONG 5 DAYS A WEEK! The **Kwik*POP** indicators are designed to target each cycle change from UP to DOWN.





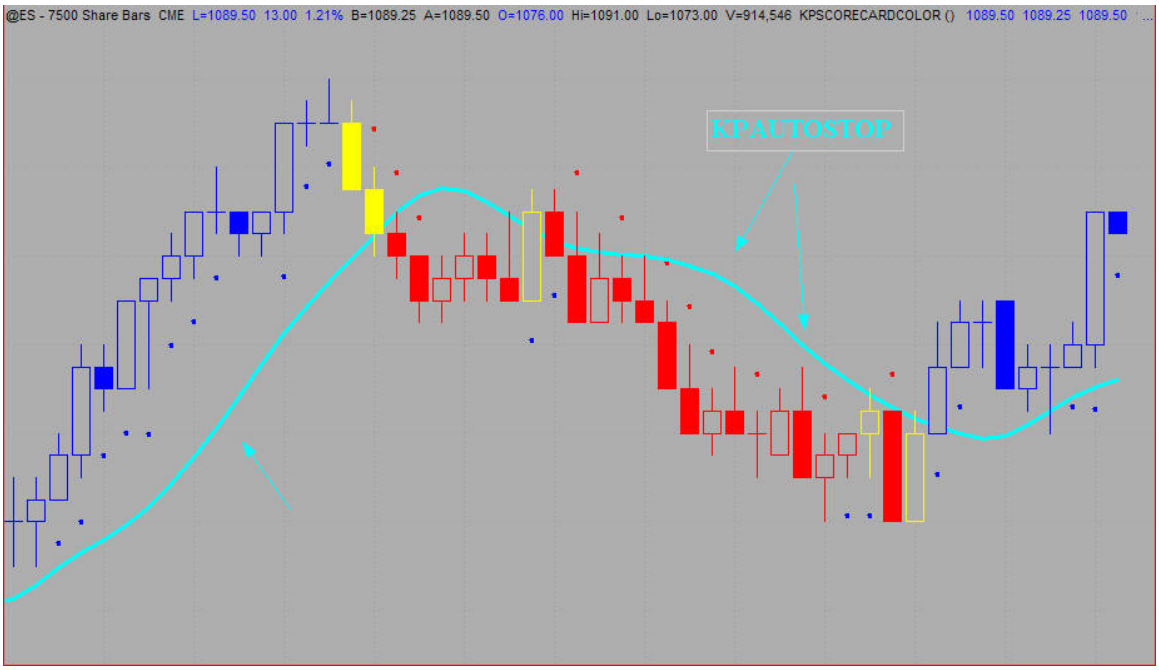


The **Kwik*POP** indicators are tied to market harmonics by using short term price momentum and volume moment algorithms that and are designed to accentuate the beginning and termination of each cycle in the market. Over the next several pages we'll examine the key indicators used to determine a cycle change.

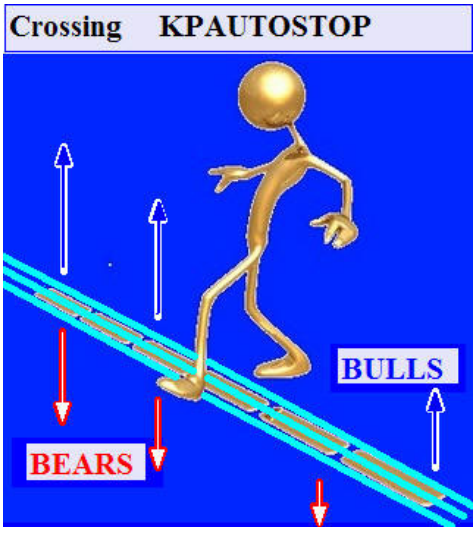
Please become familiar with the Kwik*POP indicators referenced in section 1 as we'll be referring to them frequently over the next few sections of this manual.

ALL ABOUT KPAUTOSTOP

In case you've not picked up on this yet, there is a uniform color scheme with the Kwik*POP indicators. The color **BLUE** represents a BULLISH environment. The color **RED** represents a BEARISH environment and yellow is a neutral condition. When things are **BLUE** we are in a BUYING CYCLE. When things are **RED** we are in a SELLING CYCLE. Study the 7,500 Volume Chart of ES below.



The aqua blue line on the candlesticks above is KPAUTOSTOP. KPAUTOSTOP is the line in the sand, the fifty yard line. On the upper side of that line the candlesticks are blue and the bulls have control of the market. On the lower side of that line the candlesticks are red and the bears have control of the market.



You will never see a red candlestick close above KPAUTOSTOP. Whenever candlesticks close ABOVE KPAUTOSTOP they will always be **BLUE** or yellow.

You'll never see a blue candlestick close below KPAUTOSTOP. Whenever candlesticks close BELOW KPAUTOSTOP they will always be **RED** or yellow.

KPAUTOSTOP segregates the BULLS from the BEARS. Whenever the price bars start crossing KPAUTOSTOP a CYCLE CHANGE is forming. Remember from our earlier discussion, there are only two states for the market … a BUYING CYCLE and a SELLING CYCLE.

A BUYING CYCLE commences on the first **BLUE** price bar to close above KPAUTOSTOP. A SELLING CYCLE begins with the first **RED** candlestick to close below KPAUTOSTOP. Please review those last few statements over again very thoroughly.

Every cycle change (buy cycle-sell cycle) occurs when the price bars cross KPAUTOSTOP and change colors from **RED** to **BLUE** or vice-versa. Every trading opportunity we target occurs on a cycle change and every cycle change occurs when the price bars cross KPAUTOSTOP and change color from BLUE to

RED or vice-versa. Think this whole concept through for a few moments. Earlier, we mentioned that in order to be a successful trader you must anticipate the markets next move. Well, the market only has two moves … UP or DOWN. Prices are either going to cross **above** KPAUTOSTOP and go into a buying cycle or cross **below** KPAUTOSTOP and go into a selling cycle. That makes life easier for us …eh?

Whenever the price bars start crossing KPAUTOSTOP a cycle change may be forming. If the price bars cross KPAUTOSTOP and close above or below, and the colors change from Blue to Red or vice-versa the CYCLE has changed. Once the price bars change color from RED to BLUE, or BLUE to RED a cycle change is confirmed. All trades occur on a cycle change!

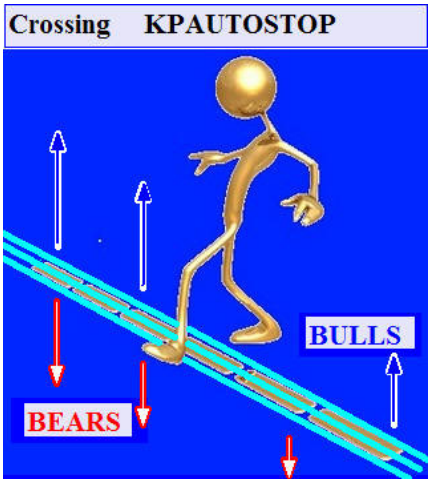
All trades that we target occur on a cycle change, all cycle changes occur when the price bars cross and close above, or below, KPAUTOSTOP. If we put two and two together here we can ANTICIPATE the markets next move when the price bars start to cross through KPAUTOSTOP. Think about that for a moment. The most important line on the price bars is KPAUTOSTOP. The first thing you look at on the 7,500 volume chart of ES in that **AQUA BLUE** line KPAUTOSTOP. If the price bars are blue, above KPAUTOSTOP we are in a buying cycle. If the price bars are red, below KPAUTOSTOP we are in a selling cycle.

ANTICIPATING A TRADE SET UP

Whenever you first look at the 7,500 volume chart of ES ask yourself these questions.

1) Where are the candlesticks relative to KPAUTOSTOP?
2) Are we currently in a selling cycle (red price bars below KPAUTOSTOP) or a buying cycle (blue price bars above KPAUTOSTOP) ?
3) Are the price bars starting to move closer to that line and possibly getting ready to cross KPAUTOSTOP?

Always study the relationship between the price bars and KPAUTOSTOP. Every trade we target occurs when the market goes from a selling cycle to a buying cycle or from a buying cycle to a selling cycle. Every cycle change occurs when the price bars reverse direction and **close** above or below KPAUTOSTOP.



I realize that I'm beating a dead horse here, but this is the most critical aspect of our trading strategy … anticipating a cycle change.
On a BUY set up we want to step into the trade just as upside momentum is really beginning to accelerate.

On a SELL set up, again, we want to hit the button right when downside momentum is beginning to aggressively accelerate.

By watching where prices are, relative to KPAUTOSTOP, we can anticipate a cycle change and get prepared for a trading opportunity. Anticipating the markets next move and getting prepared in advance of that happening is a critical imperative required of a successful, consistently profitable trader.

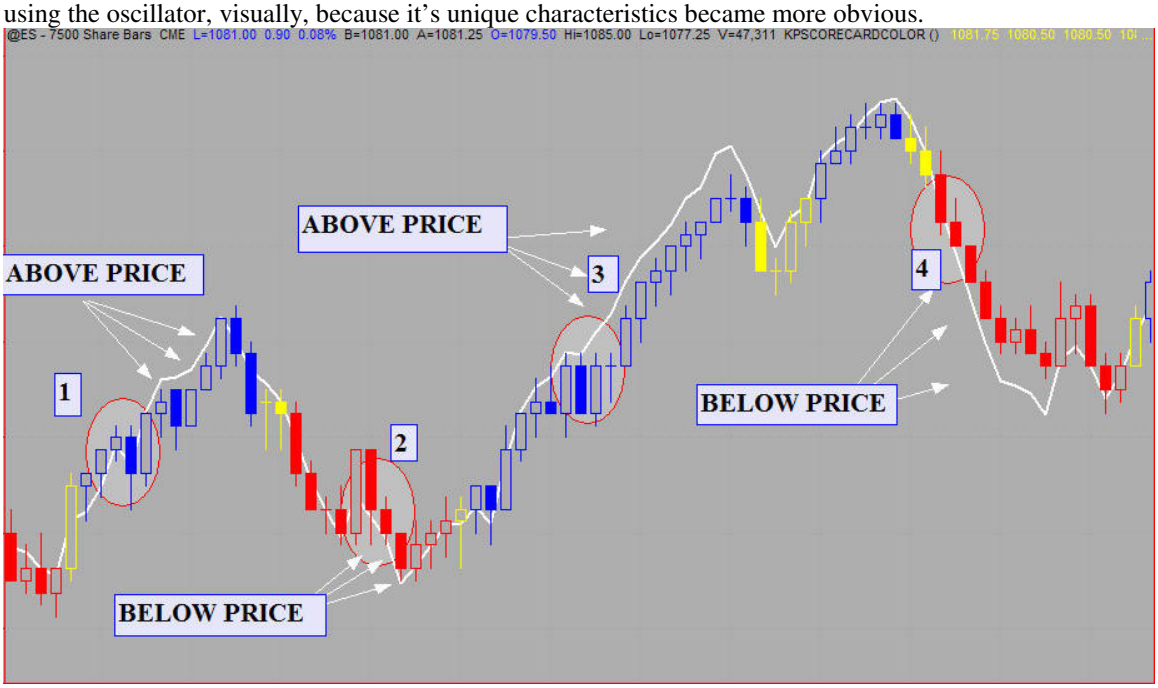
We'll talk about filtering out trades, trend trades, counter trend trades and so forth later on. For right now, you need to focus on how every cycle change sets up. Pay very close attention to KPAUTOSTOP on the 7.500 volume chart at all times.

As mentioned earlier, it is the line in the sand between the bulls and bears. It tells us when the mood of the market is changing. It tells us when fear is overcoming greed or vice-versa. When price bars start crossing KPAUTOSTOP a tradable opportunity is setting up and we must be prepared to capitalize on the short-term cycle change.

ALL ABOUT KPSNAPBACK

In order to understand KPSNAPBACK we must have a brief discussion on another indicator called KPTRIGGERLINE since SNAPBACK is derived from TRIGGERLINE. Triggerline is one of the very first Kwik*POP indicators. It was designed as a tool to monitor the velocity of price moves up, or down.

In it's original form it was scaled to 100 and plotted in a sub graph underneath the price bars like all momentum oscillators. It was rather volatile and whipped around pretty fast. One night, after over sampling an excellent single malt scotch I changed a few variables and managed to scale TRIGGERLINE the same as price. That allowed me to plot the oscillator right on the price bars. That was a dramatic improvement in using the oscillator, visually, because it's unique characteristics became more obvious.



The midpoint of a price bar is the HIGH + the LOW divided by 2. Whenever the TRIGGERLINE is above the midpoint of the price bar that shows upside momentum acceleration. Below the midpoint of the price bar shows downside momentum acceleration. With SCORECARDCOLORS, when the TRIGGERLINE gets at or below the midpoint of the price bars the price bars are usually red, or ready to turn red. As the TRIGGERLINE moves back above the midpoint of the price bars, the price bars turn blue or will turn blue shortly.

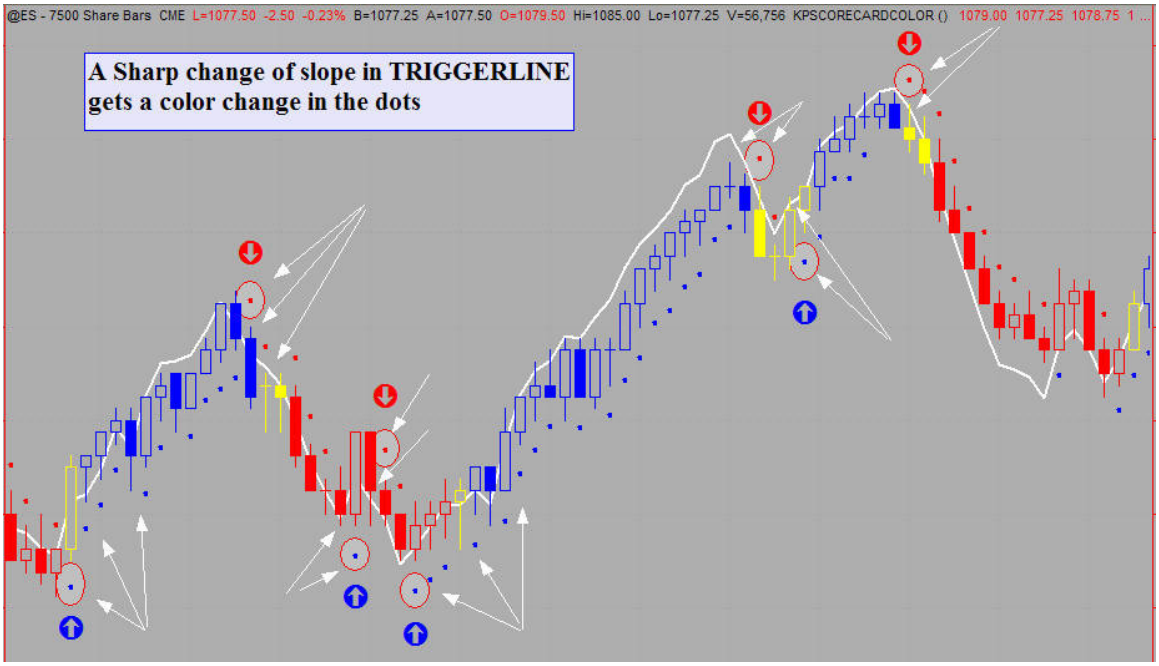
So, TRIGGERLINE above the midpoint is **bullish** and below the midpoint is **bearish**. Here is where it gets interesting. As the velocity of each move accelerates TRIGGERLINE actually moves out ahead of the price bars. Notice the circle on the price bars at point **1**. TRIGGERLINE actually jumped out ABOVE the price bars as though it was pulling the bars up. Notice point **3** which is even more dramatic. THAT'S MAXIMUM UPSIDE ACCELERATION.

Now notice point **4**. TRIGGERLINE actually jumped below the price bars and seems to pull the price bars lower. By plotting TRIGGERLINE right on the price bars we get an interesting profile of how a momentum oscillator works. Unfortunately, TRIGGERLINE is one of those indicators that requires close observational attention and it can distract you at times, or even worse … fake you out.

In the heat of battle we don't have a lot of time to analyze things. We must see a clean ,distinct pattern and respond to that in a relatively short period of time in order to gain an edge on the market. Triggerline moves around very quickly, so we needed a way to 'smoooth' it out.

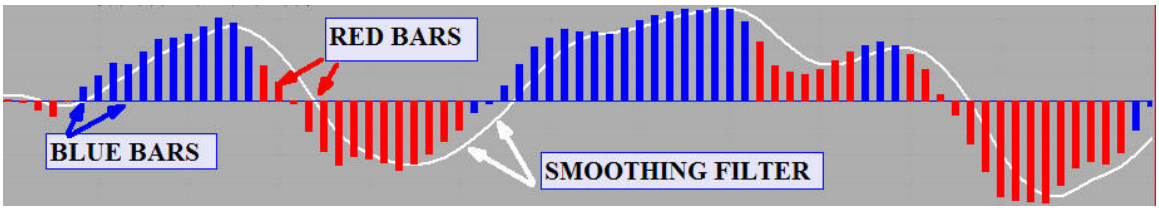
INDICATOR SYNERGY

In Section 1 we briefly touched upon KPNEWUpDown dots, those red and blue dots that appear on the price bars. That indicator uses an entirely different algorithm than KPTRIGGERLINE, yet it mimics the movement of TRIGGERLINE. It's not precise, but close enough to be used as a proxy for a **sharp** change in the slope of TRIGGERLINE. Study the chart below. Notice the change of slope in TRIGGERLINE and the dot colors.



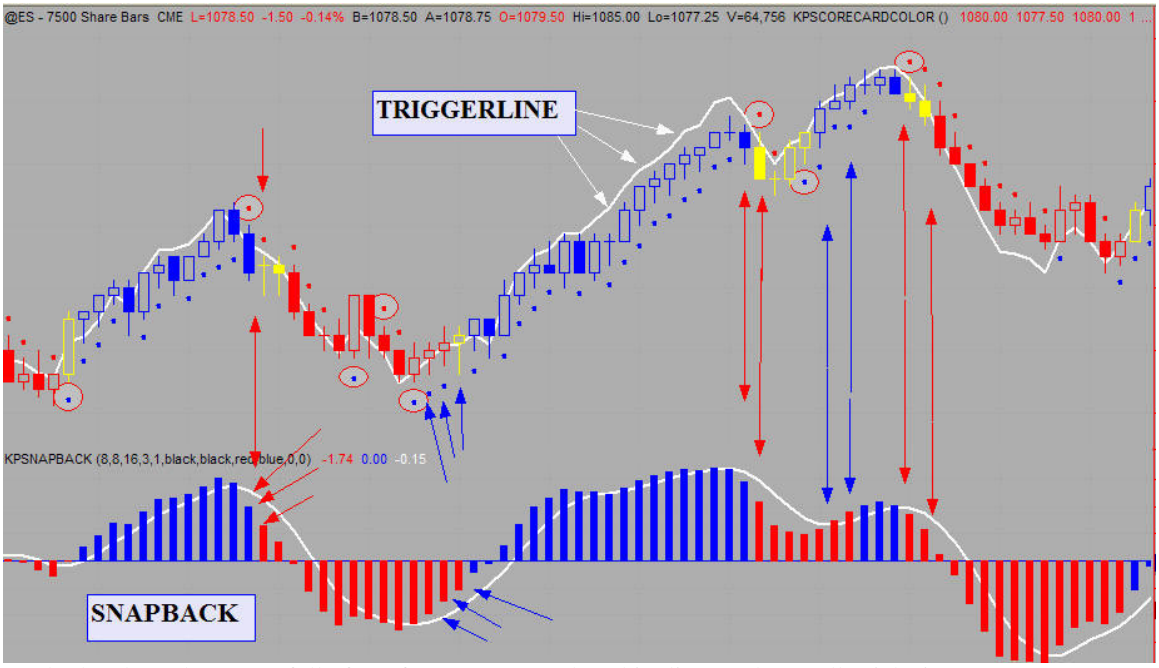
Notice that when TRIGGERLINE makes a hard right angle turn, up or down, the dots change color. Again, the dots will miss some of the turns in TRIGGERLINE but they pick off most of the major turns. That's important because when two indicators that are looking at totally different things align in the same direction something of interest is happening. When TRIGGERLINE moves out ahead of the price bars something significant is unfolding.

KPTRIGGERLINE and KPNEWUpDown dots can flip back and forth rather quickly so we need a way to smooth them out. That's what KPSNAPBACK is all about. It is derived from KPTRIGGERLINE and allows us to monitor momentum acceleration, based upon TRIGGERLINE, and smooth out some of the random noise in the market.



There is a zero line and two colors for SNAPBACK, red and blue. Obviously, BLUE is a bullish condition and RED is a bearish condition. The white line is a weighted average of SNAPBACK. The white line is there to AMPLIFY the change in the slope of SNAPBACK.

PLEASE NOTE: The change in the slope of the oscillator is more significant than the color of the oscillator. Many people assume that the oscillator must be BLUE for a buy or RED for a sell. Don't worry about the colors. On a buy set up **IS SNAPBACK ABOVE THE WHITE LINE?** That's the most important consideration. On a sell set up **IS SNAPBACK BELOW THE WHITE LINE?** The relationship of the vertical bars to the white line is the definition of momentum acceleration up or down. Above the white line is bullish momentum acceleration and below the white line is bearish momentum acceleration.



Study the chart above carefully for a few moments. The white line on the candlesticks is KPTRIGGERLINE. The red and blue dots are KPNEWUpDown. There is a pattern on every price reversal you must observe, study, ponder and learn to respond to when it occurs.

Whenever TRIGGERLINE makes a sharp right angle turn, up or down, the dots change color and the SLOPE of Snapback changes. When the turn is strong enough Snapback either drops below it's white line or goes above its white line. Study the vertical bars on Snapback whenever they go above or below it's white line. Now notice the color of the dots and the change in the slope of TRIGGERLINE.

On every reversal in price (significant reversal) the dots change color and Snapback crosses its white line. Please remember that the color of Snapbacks vertical bars are not as important as whether the vertical bars are above or below it's white line. We don't need to plot TRIGGERLINE on our chart as the change in slope of Snapback and the change in the color of the dots tell us when TRIGGERLINE has made a sharp right angle turn.

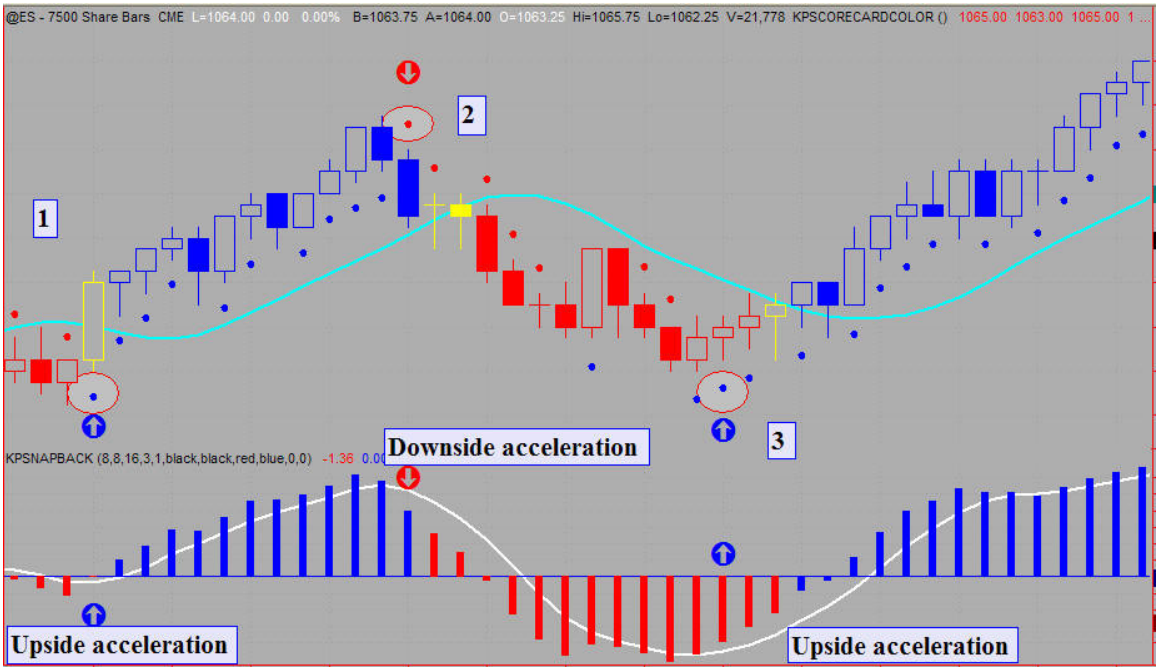
The price bars bounce up and down quite frequently and many times they can intimidate you or spook you out of a good trade. The high and low of each price bar is market noise. **The midpoint of the price bar is the true price.** Whenever a significant reversal in price develops it takes more than one price bar to turn the oscillators from bullish to bearish and vice-versa. Don't get mesmerized by the individual price bars moving up and down.

The oscillators are designed to smooth out random price action and alert you when a significant reversal is setting up. Whenever a significant reversal in price is setting up we start to see familiar patterns on the oscillators. Learn those patterns and you are prepared for a cycle change well before it happens.

Please remember that technical analysis is really all about pattern recognition. We are observing patterns that repeat continually in all markets and all time frames. By observing these patterns time and time again we are able to quantify the efficacy of the patterns in terms of points gained or lost on a trade based upon a particular pattern. The Kwik*POP indicators are designed to amplify certain patterns that tend to produce better than average results in the context of a win/loss ratio over any 300 trades.

300 events, or patterns, is the lowest sampling increment from a statistical analysis perspective and you should be prepared to use 1,500 events or more when designing your own methods on the Black Box

Builder. Based upon the frequency of patterns on a 7,500 volume chart of the ES your test results should encompass a minimum of 6 months worth of tick data. Anything less than that, will not produce reliable results.



Please study the chart above for a few moments. TRIGGERLINE is not on that chart. The AQUA blue line on the candlesticks is KPAUTOSTOP. The NEWUpDown dots have been circled where they matched a significant change in the slope of Snapback. What is a significant change in the slope of Snapback? Whenever the vertical bars cross the white line up or down.

Grab a piece of paper and a pencil because we are going to start constructing a spreadsheet, or checklist of things that are important whenever a significant price reversal is imminent. When observing patterns on a Kwik*POP chart we are always going to look from top to bottom. Many times we'll get plenty of advance warning on a cycle change. Other times we must react quickly and our decision to respond quickly will be based upon the prevailing trend. We'll touch on trends later on in this document. There are three set ups on the chart above labeled 1,2 and 3.

When the DOTS change color and Snapback crosses the white line we have an event. At point **1** the dots change from red to blue on that yellow candlestick. Notice how Snapback moved above its white line. THAT'S A MATCH! The color change on the dots was matched with a distinct change in the slope of Snapback (it crossed its white line). THAT IS A SIGNIFICANT EVENT.

Now lets study point **2** for a moment. Notice the red dot above the blue candlestick. When that red dot appeared Snapback dropped below its white line. That's a match. A match is a SIGNIFICANT EVENT!

Let's study point **3**. When the blue dots appeared Snapback moved above its white line. THAT'S A MATCH! Whenever the DOTS change color and Snapback crosses its white line we have a MOMENTUM REVERSAL BUILDING STEAM. At point **1** momentum was accelerating to the **UPSIDE**. At point **2** momentum was accelerating to the DOWNSIDE. At point **3** momentum was accelerating to the UPSIDE again.

Looking from top to bottom whenever we notice a change in the color of the dots, a change in the slope of Snapback and then, when the price bars cross AUTOSTOP and change colors, we have a CYCLE CHANGE. These are patterns you want to look for at all times, as they are a call to action. We will either initiate a new position or offset a position whenever a SIGNIFICANT MOMENTUM REVERSAL

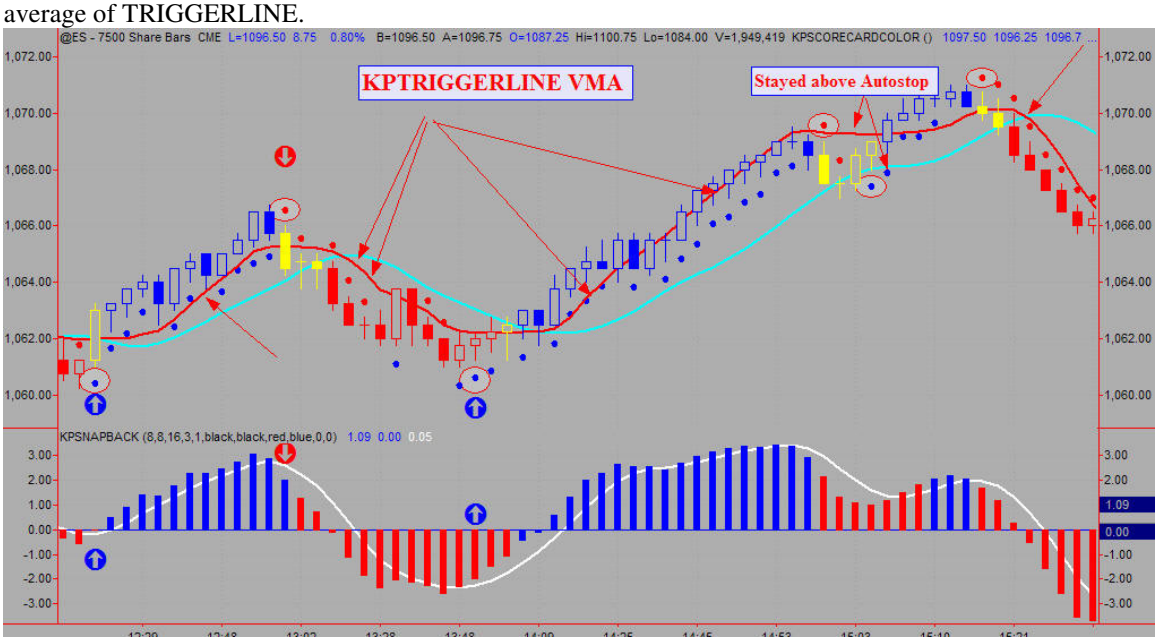
OCCURS. We are momentum traders. Whenever there is a significant shift in momentum there is a trading opportunity at hand. When a momentum reversal occurs with a reliable price chart pattern we'll take action. The relationship between NEWUpDown dots, KPSNAPBACK and KPAUTOSTOP exposes a critical pattern on every cycle change. On your checklist these are the areas of concern.

1) Where are the price bars relative to AUTOSTOP? Above it or below it?
2) Are the price bars yellow and approaching AUTOSTOP?
3) Have the dots on the price bars changed color?
4) Has SNAPBACK crossed its white line when the dots changed color?

Whenever the price bars cross AUTOSTOP and change color a CYCLE CHANGE is occurring. When the dots change color and SNAPBACK crosses its white line a momentum reversal is occurring. When a cycle change is occurring we want **MO**re **MO**mentum. We want **MOMO**! We want a STRONG MOMENTUM profile to support every cycle change if we are going to risk money on a trade. When we talk about MOMO we are referring to a combination of momentum reads above and beyond the dots and snapback.

ALL ABOUT TRIGGERLINEVMA

On the chart below, that red line is TIGGERLINEVMA. As mentioned earlier, that is a variable moving average of TRIGGERLINE.



TriggerlineVMA has two purposes;

1) As a timing tool for offsetting a trade or confirming entry on a trade.
2) As a Tone indicator defining short term strength up or down.

TIMING: By smoothing Triggerline with a variable moving average we get an interesting plot when matched against the price bars. As the velocity of an up move increases, the price bars pop above VMA and stay above VMA until the upside momentum begins to abate. As long as the price bars continue to CLOSE at or above TriggerlineVMA you stay long as that's when maximum upside velocity is achieved as measured by TRIGGERLINE.

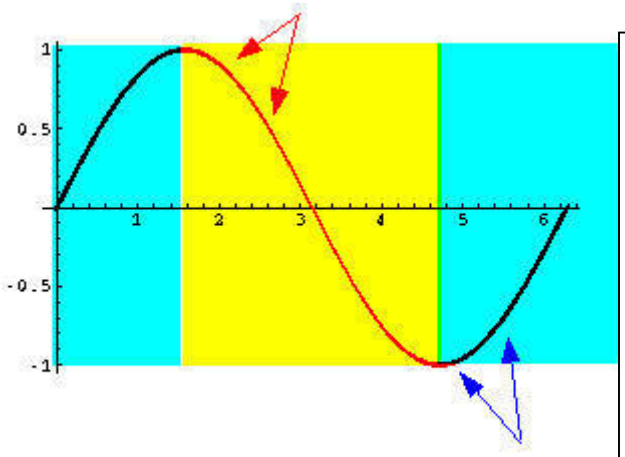
As upside momentum begins to weaken, the price bars close below VMA and the slope of Snapback begins to reverse. If the price bars close back below VMA and change colors, you are advised to take profits a.s.a.p.. Study the two up moves on that chart. Whenever you see a close back below VMA and you can see a gap between the vertical bars of Snapback and its white line a momentum reversal is building.

Now study the down move on that chart. Same rules apply. Stay short as long as the price bars stay below VMA. If the price bars CLOSE back above VMA and you see a gap between Snapback and it's white line an upside momentum reversal is unfolding and you should cover all short positions.

TONE: TRIGGERLINEVMA is also used to define relative strength UP or DOWN by crossing AUTOSTOP. Whenever TRIGGERLINEVMA crosses up above AUTOSTOP there is short term strength UP. Whenever TRIGGERLINEVMA crosses below AUTOSTOP there is short term weakness present.

Notice that second up move again. At one point the price bars closed well below TRIGGERLINEVMA, changed color to yellow and Snapback dropped well below its white line. Yet, TRIGGERLINEVMA stayed WELL ABOVE Autostop. When that happens it tells you that the move is strong and there is more to go. You can re-enter a long position as prices come back up to TRIGGERLINEVMA.

It is important to remember that TRIGGERLINEVMA and SNAPBACK are both tied to TRIGGERLINE and are used as a way to smooth out and translate the movement of Triggerline in an easy to understand pattern..



In our discussion thus far, we've examined five critical Kwik*POP indicators; Scorecard colors, NewUpDown dots, Autostop, Snapback and Triggerline VMA.

Those five indicators provide a lot of valuable information on short term momentum conditions present in the market.

Those five indicators are the ones you need to study and understand like the back of your hand.

To be brutally honest, those are really the only indicators you need. We know that there are only two cycles for the market; a buying cycle or a selling cycle. We know that every cycle change occurs when the price bars cross Autostop and change color from Red to Blue or vice-versa.

There is a synergistic link between these five indicators and at all turning points in market cycles a similar pattern sets up between the dots, VMA, snapback and Autostop, warning you of an imminent cycle change. Each cycle change is a call to action to either initiate a new trade, or offset and existing trade.

Please take some time to go back and review the discussion on these five indicators as they are at the core of every trading opportunity that is presented to us.

Before we discuss some of the other indicators you need to review what we've discussed already. Let's see how much of this information you've retained thus far.

TEST

1) In order for the market to move into a confirmed SELLING CYCLE what must happen on the 7,500 volume chart?

2) TRUE or FALSE a blue candlestick can close below Autostop.

3) Of all KP indicators on the 7,500 volume chart, which one is a measure of very short term momentum?

4) When TRIGGERLINEVMA is above AUTOSTOP is that bearish?

5) What indicator is SNAPBACK tied to?

6) What colors are KPVS?

7) What are the values for KPFAST2?

8) What indicator plots the SUPPORT/RESISTANCE lines on the chart?

9) What does HPL mean?

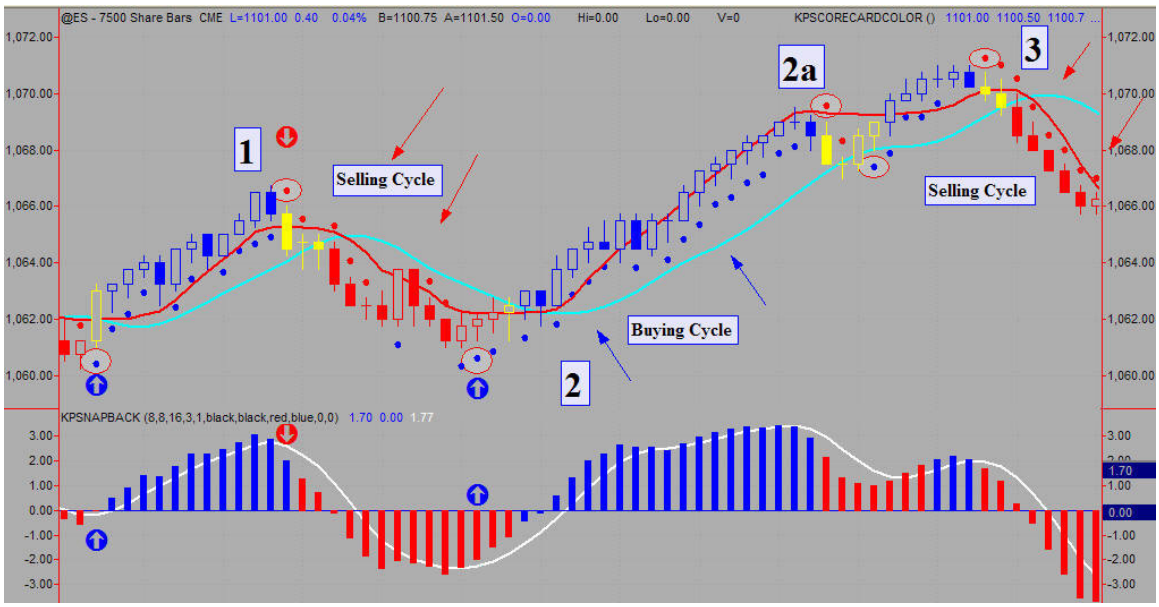
10) What oscillator is the line in the sand between the bulls and the bears?

11) Finish this statement "There is always …….!"

12) What are the five core indicators on the 7,500 volume chart?

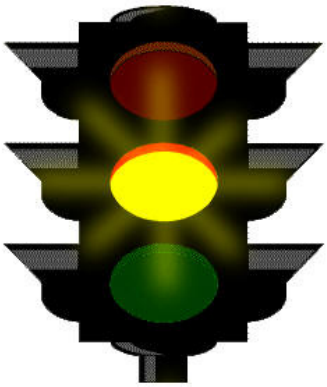
Please go back and review all material until you are able to answer all 12 questions.

Good judgment comes from experience, and a lot of that comes from bad judgment.
Will Rogers



Let's examine the conditions (patterns) that set up a each cycle change. The first thing we look at is the price bars and their distance from AutoStop. Then we look at the color of the dots and the color of the price bars as they approach AutoStop. Notice that as the price bars approached point 1 they were BLUE, they had BLUE dots underneath and they were above Autostop and TriggerlineVMA. As the momentum started to reverse;

1) dots changed color
2) Price bars closed below TriggerlineVMA
3) Price bars changed color
4) Snapback dropped below it's white line



Those are the classic symptoms of a cycle change. Think of that pattern as a YELLOW LIGHT AT AN INTERSECTION. It's a warning sign that flashes when a cycle change is imminent. If you are long and that pattern flashes you better take some steps to save your profits as a cycle change may occur.

When the price bars closed below Autostop and turned red the cycle change was complete. The Buy cycle was over and the Sell cycle was under motion. Please remember that a sell cycle does not start until a RED candlestick closes below Autostop.
Notice point 2A above. We got the warning sign, but the price bars did not close below Autostop and turn RED.

Look at point 3. Same pattern and this time we got a cycle change.

Why did we not get a cycle change at point 2A? What was different on that warning pattern?
At point 1 and 3 notice that Autostop and TriggerlineVMA were starting to converge as the yellow candlesticks started touching Autostop. At point 2A TriggerlineVMA was way above Autostop and going sideways.
That's a subtle difference and quite frankly, from a trading standpoint you should always take profits on a long position when the dots turn red and the candlesticks start closing below TriggerlineVMA. That will allow you to save more profits before the cycle changes. If you hold a long position until a red candlestick appears you'll give up way too much profit.

Lets examine point 2 on that chart where we went from a selling cycle back into a buying cycle. Same type of pattern. The dots changed color as the candlesticks came back up to Autostop. As prices crossed Autostop we got a color change confirming a cycle change. Once a BLUE candlestick CLOSED above Autostop the selling cycle was over and the buying cycle was underway. Remember that blue candlesticks

above Autostop is a buying cycle and red candlesticks below Autostop is a selling cycle. As the cycle begins to reverse we always get the WARNING PATTERN which is;

SELL CYCLE SET UP

1) dots changed color
2) Price bars closed below TriggerlineVMA
3) Price bars changed color
4) Snapback dropped below it's white line

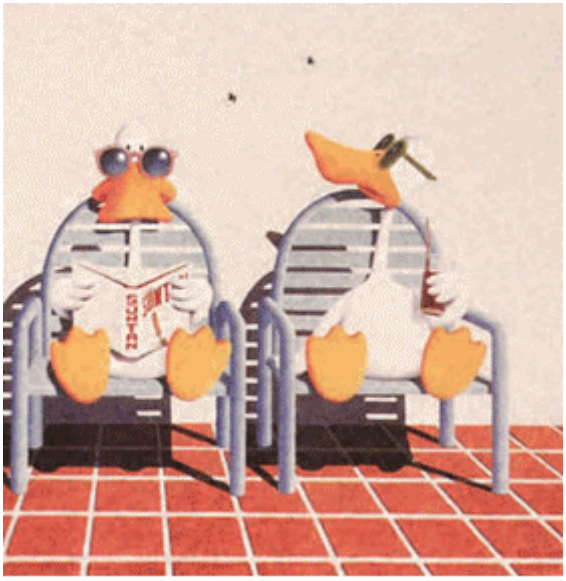
Once the price bars close below Autostop and turn RED the selling cycle is in motion

BUY CYCLE SET UP

1) dots changed color
2) Price bars closed above TriggerlineVMA
3) Price bars changed color
4)Snapback popped above it's white line

Once the price bars close above Autostop and turn BLUE the buying cycle is in motion

The WARNING SIGNS OF A CYCLE CHANGE are patterns you need to study, patterns you need to train your eye to look for, patterns that will make a HUGE difference on the bottom line every month. If you know a cycle change is forming you are prepared to respond properly from a tactical perspective.



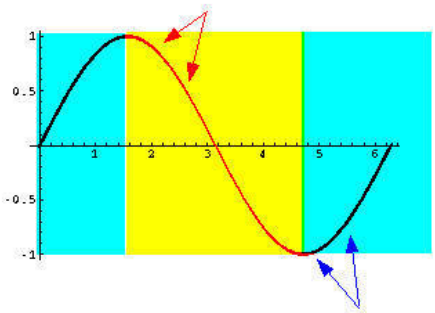
Although these patterns will never be exactly identical, they will be similar enough that you'll eventually get that sense of déjà vu on every cycle change.
The 3 patterns on the chart above are pretty much what you'll see on every cycle change.

Make a spreadsheet, or checklist of what to look for so you are prepared.

Trading is very similar to driving a car. Many things are happening all around you but you learn to focus on the 'CRITICAL' things.

One of the 'CRITICAL' things for a trader is being aware of a potential cycle change. Small traders are fair game for the big traders and the big dogs are always setting traps to crush the little traders and take their money.

Whenever they set a trap … ***they leave a footprint*** in the market. We can detect that footprint when the WARNING SIGNS OF A CYCLE CHANGE appear on our charts. You must learn those patterns and respect them … otherwise you are a sitting duck.

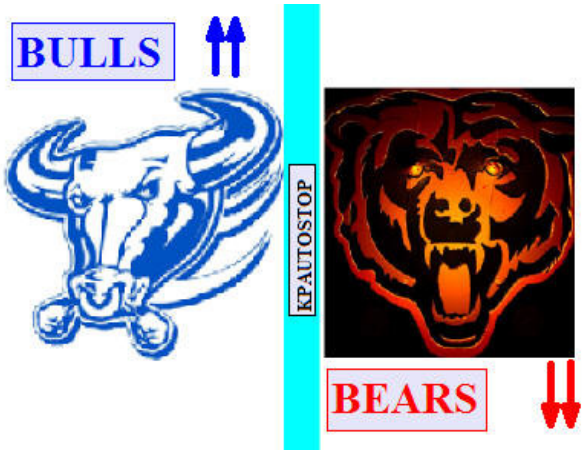


There are essentially two types of trading styles.
Predictive methodologies such as Elliott Wave, Fibonacci analysis and Market Profile attempt to predetermine where a cycle change will occur based upon a wide variety of metrics.

Reactive methodologies, such as Kwik*POP, respond to physical changes in the price patterns when they occur by looking for repetitive patterns, or 'footprints' that typically appear at every turning point in the cycle.

It is important that you understand the difference between these methods. With Kwik*POP, we are not looking to target a cycle HIGH or cycle LOW in price. We are trading momentum and we only initiate a trade when there are visible signs of momentum acceleration. We exit a trade when there are visible signs of momentum decay. The WARNING SIGNS OF A CYCLE CHANGE are used to offset an existing position and prepare to take another position in the market as the momentum on the new cycle begins to accelerate.

Once a price nadir or apex has been achieved momentum begins to accelerate in the opposite direction as the new cycle kicks in. That momentum shift represents a trading opportunity in the direction of the new cycle. If a price cycle HIGH occurs at a Fibonacci level, Point of control or Wave count level .. that's great, but we don't respond until we see a shift in momentum. We always let the market show us that a new cycle is unfolding and momentum has begun to accelerate. Think of a surfer trying to catch the wave as it crests and rolls into the beach. We are trying to catch the momentum wave as it approaches maximum acceleration.



Start thinking for a few moments about how this puzzle is being put together in a logical format. The market has two cycles. In essence there are only two teams in this league … the BULLS and the BEARS.

Autostop is the line in the sand segregating the bulls from the bears.

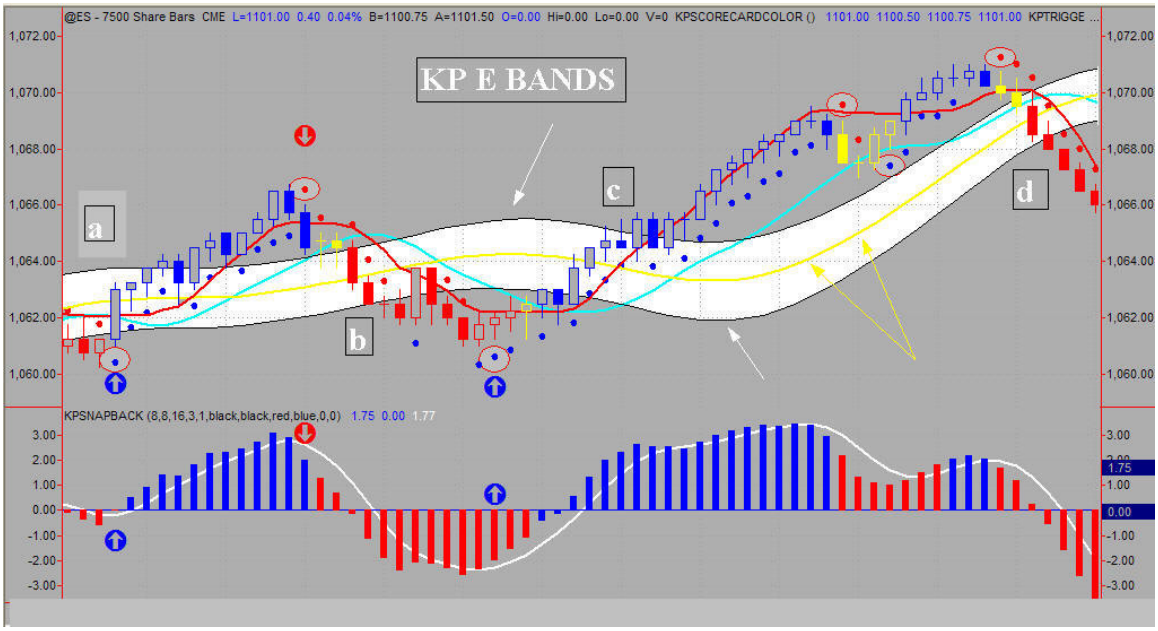
Before prices cross Autostop we can see a pattern that warns of an imminent reversal.

When prices cross Autostop and change color we know which team has control.

We are fair weather friends in that we bet on whichever team has control of the market at certain points in time. We go with the flow in that we only trade when we can see signs of momentum strength up, or down. We don't know why prices are rallying or in decline and it really doesn't matter to us. All we need to know is who is in control of the market and how strong is the momentum reading? Once prices cross Autostop and change color to BLUE or RED we have a cycle change and that is a call to action to either offset an existing position in the market or to initiate a new position in the market.

THAT'S OUR ENTIRE GAME PLAN AND THAT'S WHAT WE DO ALL DAY.

ALL ABOUT KP E BANDS



I've painted the E BANDS to accentuate them. In NinjaTrader and SierraCharts you can color the center of the EBANDS but you can't do that in TradeStation. The EBANDS are a representation of 'Fair Value'. I realize that's a rather nebulous term but if you smoothed out all of the wild swings up and down the true price for the market at each 30 minute interval is around the middle of the EBANDS.

Prices always roll back towards the yellow line, which is the midpoint of the EBANDS. We call that yellow line the 'mean'. We are dealing in an extremely volatile and emotional arena so prices tend to overshoot the mean many times, but eventually come back to touch the yellow line again. Prices ALWAYS come back to the mean. (Remember…prices never go straight up or straight down).

There are three lines on our EBANDS, the upper, lower and midpoint (the mean). In many ways price is like a drunken driver trying to keep his car in the middle of the road. The drunker the driver, the more exaggerated the swerves above and below the EBANDS become. When the driver only has a mild buzz he can keep his car closer to the middle of the road. When he is really blitzed .. well, you get a chart like the one above.

Let's consider the drivers intoxication level as the ***volatility*** in the market. In an environment where volatility is increasing, the swings back and forth across the mean become quite exaggerated. In a low volatility environment prices have a great deal of difficulty getting through the EBANDS. Short term volatility tends to increase as the market changes from an up trend to a downtrend or vice-versa. As volatility increases the price swings above and below EBANDS become more pronounced.

The upper and lower sides of the EBANDS act like soft support and resistance. As prices come through the mean, heading higher, the upper EBAND acts as minor resistance. If prices manage to 'Breakout' above the upper side of the EBANDS they then tend to move 5 to 10 ticks higher. On the downside it's the same. Here's the rule to follow; On the upside, if prices close above the upper EBANDS and prices continue to close above KPTRIGGERLINEVMA, no red dots appear and Snapback is still accelerating up (above its white line) odds favor a continued move higher.

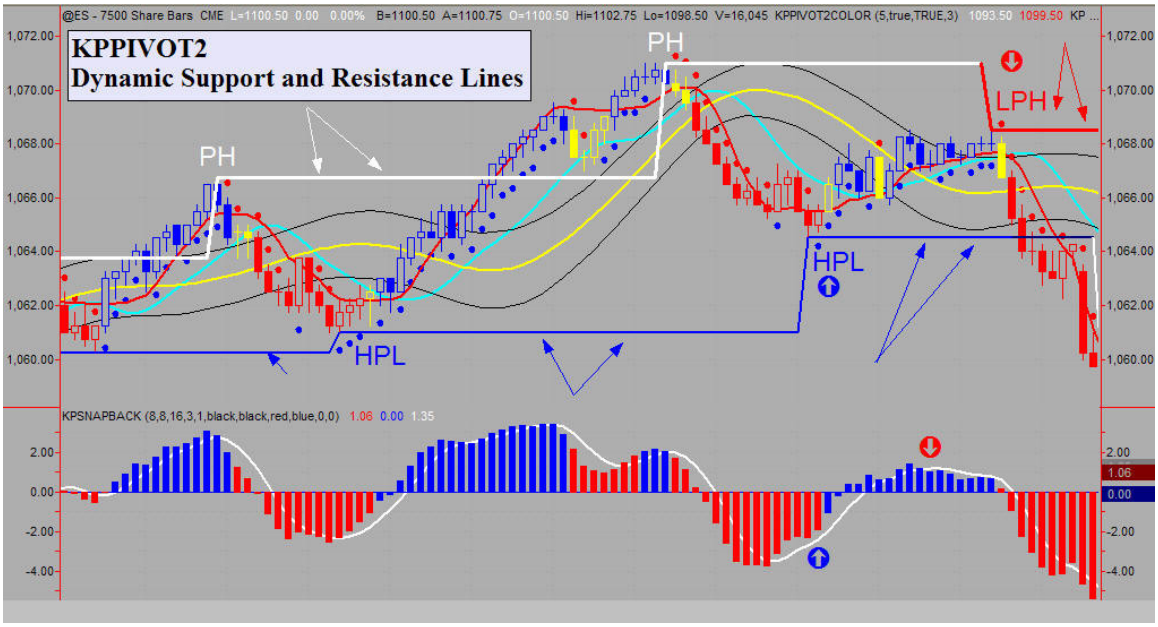
On the downside (prices coming down through the EBANDS) we look for the same, but opposite pattern where the lower side of the EBANDS act as potential support. Study point **a** and **d** on the chart above. At point **a** the prices stayed blue, stayed above VMA, dots were blue, snapback stayed above it's white line and prices broke out another 8 ticks higher. At point **d** we had a downside move. Prices broke below the lower side of the EBANDS, price bars stayed red, stayed below VMA, dots stayed red and Snapback stayed

below its white line. Prices moved 8 ticks lower. Points **b** and **c** were a little trickier. The market almost stalled out at both those points as the dots changed color at point **b** and we got a close below VMA at point d. Volatility was running on the high side and the market followed through on the breakouts.

In terms of linear price movement, the EBANDS give us a visual milestone that helps define the strength of moves up and down. A 'breakout' above or below the EBANDS is a sign of strength. Also, the EBANDS give us moving support and resistance barriers. We call these 'soft' support and resistance bands because in higher volatility environments prices can break through them relatively easy. When the market is trending up, or down, volatility tends to diminish slightly and the EBANDS act like a barrier on any counter move against the prevailing trend.

Many traders want to initiate a position in a trend and hold on against any counter trend moves against the trend. In a lower volatility trend, the EBANDS will contain any counter trend moves against the trend acting as soft support or resistance. If a counter trend move manages to 'breakout' outside the EBANDS a trader is advised to abandon any remaining positions as that usually means the trend is changing.

ALL ABOUT KP PIVOT 2 COLOR



As mentioned in an earlier section KPPIVOT2COLOR plots dynamic support and resistance lines on the charts. These lines are what we refer to as 'HARD' support and resistance lines as compared to the 'soft' support/resistance lines on the EBANDS. These lines adjust and change colors automatically throughout the trading session. The reason we call these our 'Hard' support/resistance lines is that it takes a considerable reversal in price and momentum for these lines to change.

The price bars can flitter around up and down but these lines won't adjust until a certain sequence of events takes place. Their construction is tied into KPSCORECARDCOLORS. Prices must reverse a certain distance and the colors on the price bar must change from red to blue or vice-versa before these lines will adjust. Once they adjust to a new price inflection point they go horizontal on the chart until a new inflection point appears. The color of the lines define the short term trend.

In an UP trend the Support line is BLUE and the resistance line is WHITE. IN a DOWN trend the Resistance line is RED and the Support line is WHITE. Whenever a new PIVOT HIGH has formed the letters PH appear above the Resistance line. Whenever a new PIVOT LOW has formed the letters PL appear below the Support line. Whenever a HIGHER PIVOT LOW forms the letters HPL appear on the

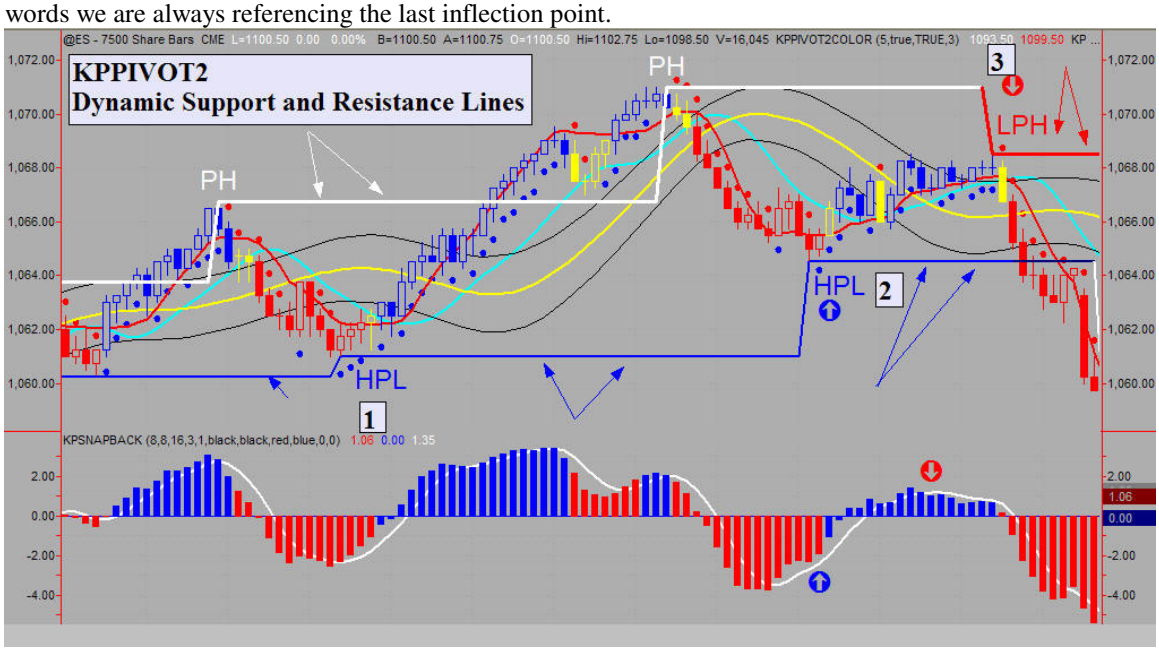
Support line. Whenever a new LOWER PIVOT HIGH forms the letters LPH appear above the resistance line. Study this brief summary for a moment.

1) Up trend… Resistance line is White, Support Line is BLUE
2) Down trend.… Resistance line is RED, support line is White.
3) PH=Pivot High, PL=PIVOT LOW
4) HPL=Higher Pivot Low , LPH=Lower Pivot High

We've all heard the expression 'The Trend Is Your Friend'. It really is and here is why. If the consensus of opinion is bullish then the market tends to move higher in a series of stair steps. Remember that the market never goes straight up, it always cycles back and forth between a buying cycle and a selling cycle. But, in an Up trend the buying cycles tend to be longer and stronger. The pullbacks tend to be relatively shallow in comparison.

If you take only the buys in an Up trend your win ratio tends to be higher and the gains per trade are higher. Fighting the trend is more challenging and until the trend expires it can quite expensive trying to fight the herd. The same principal applies to a Down trend where the declines are longer and stronger than the countertrend bounces back up.

In an UP trend HPL prints in BLUE as a Higher Pivot Low forms. What do we mean by a Higher Pivot Low? Each inflection point, where the candlesticks change from blue to red or vice-versa is what we call a PIVOT POINT. This is not to be confused with a Floor Pivot or anything of that nature. These are actual momentum reversal points that occur all day long in real time. If the current low bounce point is higher than the previous low bounce point we say it is a HIGHER PIVOT LOW. In other words we are always referencing the last inflection point.



Notice points 1 and 2 on that chart. The cycle reversed back to a buying cycle at those points as the price bars turned blue again. When that happens, the pivot markers go horizontal from the lowest red bar before the cycle reversed and if that PIVOT LOW is higher than the prior PIVOT LOW then HPL prints and the Support line turns blue.

The Support line remains blue and stays blue as long as prices don't close back below the support line. When prices rally up above the Resistance line and then turn back down again PH prints above the Resistance line letting you know that a new PIVOT HIGH has formed. In other words, the new PIVOT HIGH (PH) is higher than the previous PIVOT HIGH.

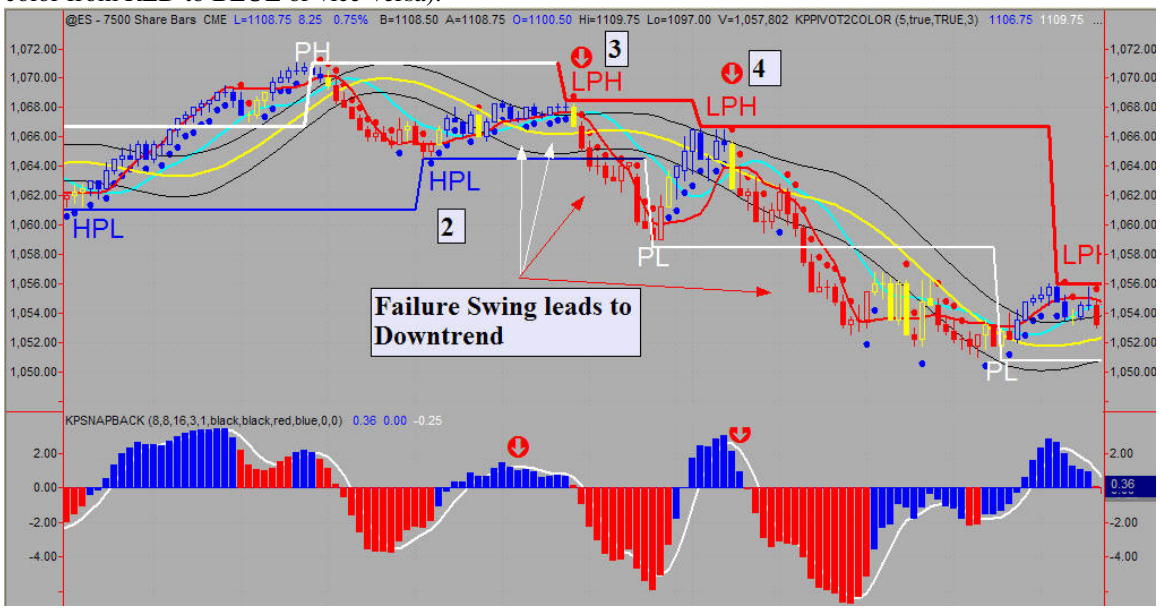
What is an UP TREND? A series of higher highs and higher lows. In Kwik*POP terms an UP TREND has a WHITE RESISTANCE line and a BLUE SUPPORT LINE. And .. we see PH and HPL print on our charts. From a strategic vantage we BUY on an HPL. Please make a note of that. HPL means we are in an Up trend and the preferred strategy in an Up Trend is to BUY THE LOWS. The pivot lines and HPL confirm when the cycle has changed and a HIGHER PIVOT LOW has formed. When you see HPL print on your chart YOU BUY.

All trends end at some point. An Up trend is completed (Finished, Kaput, Over) whenever prices close below the support line. Study point 3 for a moment. As soon as the red candlestick CLOSED below the support line the up trend was over. When the candlesticks close below the support line prices are making LOWER LOWS .. right? Prices are LOWER than the most recent pivot low. You can't have an up trend (higher highs and HIGHER LOWS) if prices are making lower lows can you?

Those pivot markers provide a wealth of strategic information and are also a timing tool. Let's summarize an Up trend profile;

1) Up trend… Resistance line is White, Support Line is BLUE.
2) On your chart you see …PH on new Pivot Highs, and HPL on Higher Pivot Low
3) When HPL prints … YOU BUY

Please remember that the pivot markers do not appear until the cycle changes (candlesticks change color from RED to BLUE or vice-versa).

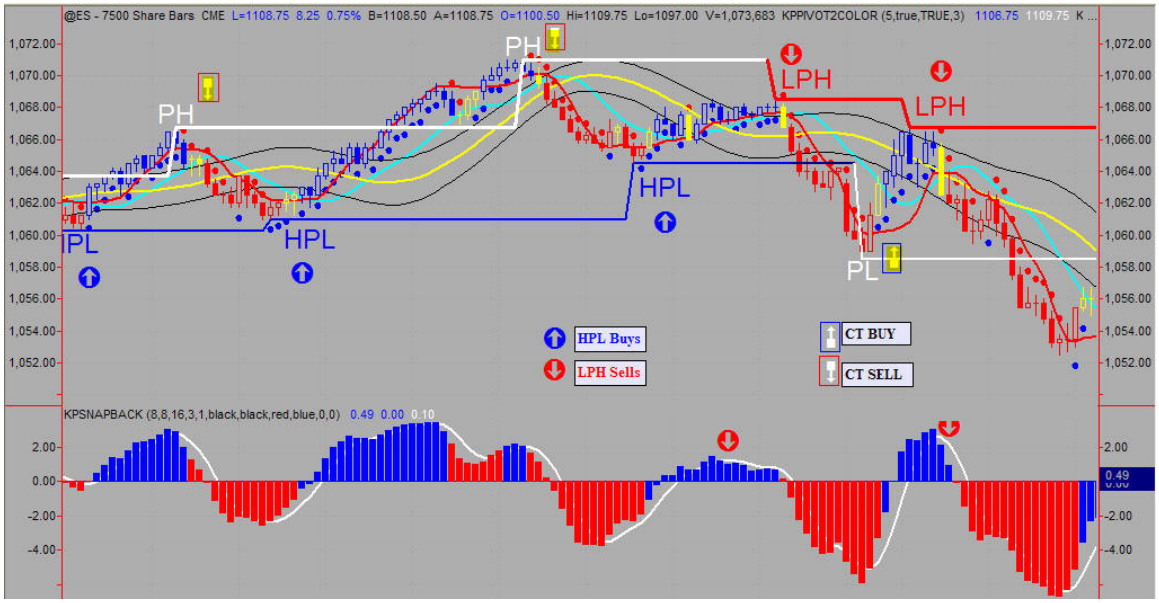


Study point 2 and point 3 on that chart above. Point 2 was a HPL buy, but it FAILED to make it up to the resistance line at 1071. It rolled over and turned down. This is what we call a FAILURE SWING. In an up trend each new buying cycle forms a momentum surge that takes prices up to and beyond the resistance line, making a new PH. If the upside momentum fizzles out half way there and prices turn back into a selling cycle (red candlesticks) before making a new PH we call it a FAILURE SWING and it usually means a trend reversal is setting up. The new downtrend is confirmed once prices close below the support line.

Point 3 was a FAILURE SWING and it led to a new DOWNTREND. Now here is what is significant on that failure swing. Notice that once the cycle changed back into a selling cycle (red candlesticks) the Resistance line turned down, turned red, went horizontal at the highest blue bar and LPH printed on the chart. We SELL SHORT when LPH prints. In other words we got an LPH SELL SIGNAL off that failure swing. A Downtrend profile is the opposite of an Up trend.

1) Resistance line is RED, Support line is WHITE
2) On your chart you see LPH on lower highs and PL on new low pivots.
3) When LPH prints YOU SELL SHORT

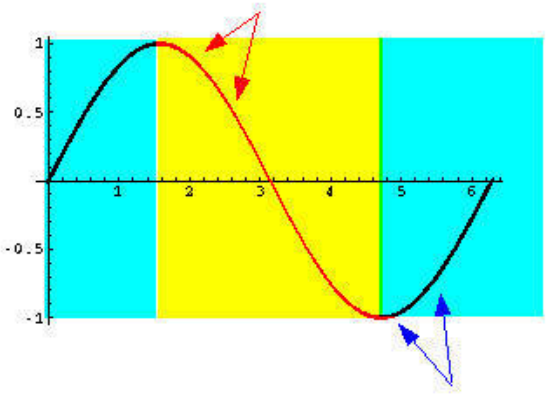
On the charts we've observed in this section there were several trades. They are marked on the chart below as TREND TRADES or Counter TREND TRADES.



As mentioned earlier, in a high volatility environment the pivot swings are more exaggerated and that allows an aggressive, seasoned trader to take counter trend trades. We do not recommend counter trend trading for newer traders as the risks are greater, most times, than the trend trades.

Trend trades (trades with the prevailing short term trend) are LPH and HPL signals. On the chart above the blue and red arrows mark the trend trades. The small white arrows are counter trend trades. We'll examine every trade on this chart after we add in our last two indicators KPFAST2 and KPVS.

Every day the ES futures market gyrates up and down in a seemingly random pattern but, upon closer examination, there is a structure and rhythm to the markets movement.



As the market cycles back and forth from buyers to sellers a trend unfolds.

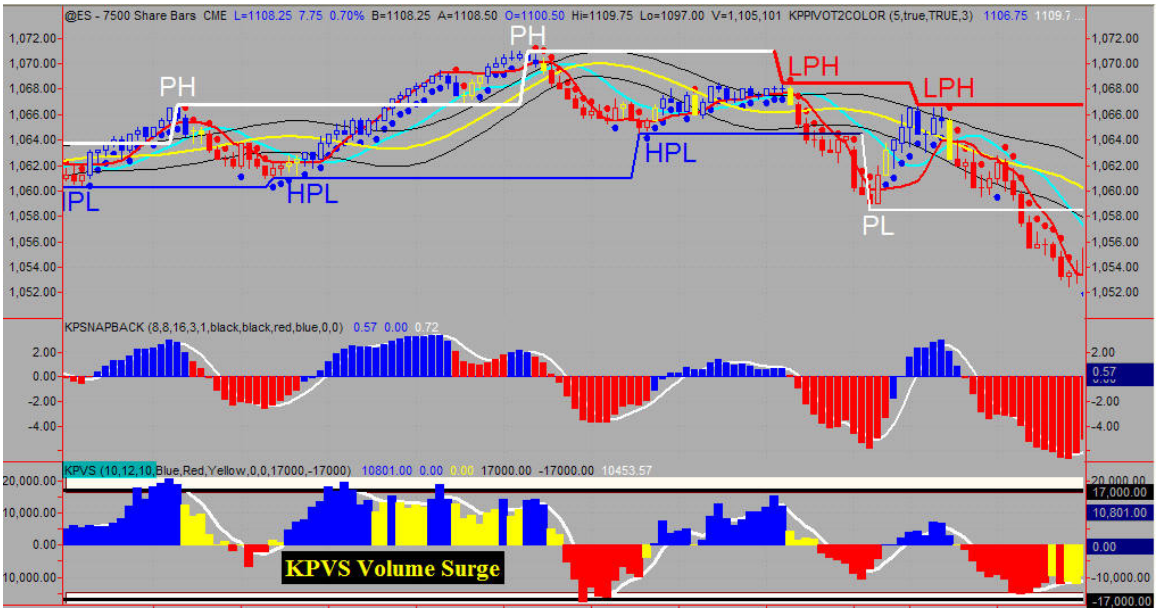
Eventually, as sentiment changes and demand dissipates an Up trend terminates and a new Down trend begins.

On the chart above you can see both an Up trend and a Downtrend.
Regardless of which way the market is trending the SINE wave pattern we discussed earlier always prevails as the market rotates back and forth between buying cycles and selling cycles.

Like we've mentioned many, many times "The market never goes straight up or straight down." At each termination point in a cycle a similar pattern sets up on our charts warning us of an imminent cycle reversal. Every cycle change is a call to action as it represents a tradable opportunity.

ALL ABOUT KPVS

KPVS



KPVS is a rather unique indicator in that it does not consider price in it's final calculation. It is based completely on algorithms defining volume conditions derived from bid/offer, tick and contracts traded. We are using a 7,500 volume chart. That means that a new candlestick cannot form until 7,500 contracts have traded. There is no time correlation on volume charts. A new candlestick may form in 10 seconds or as long as 3 minutes, it all depends on trading activity.

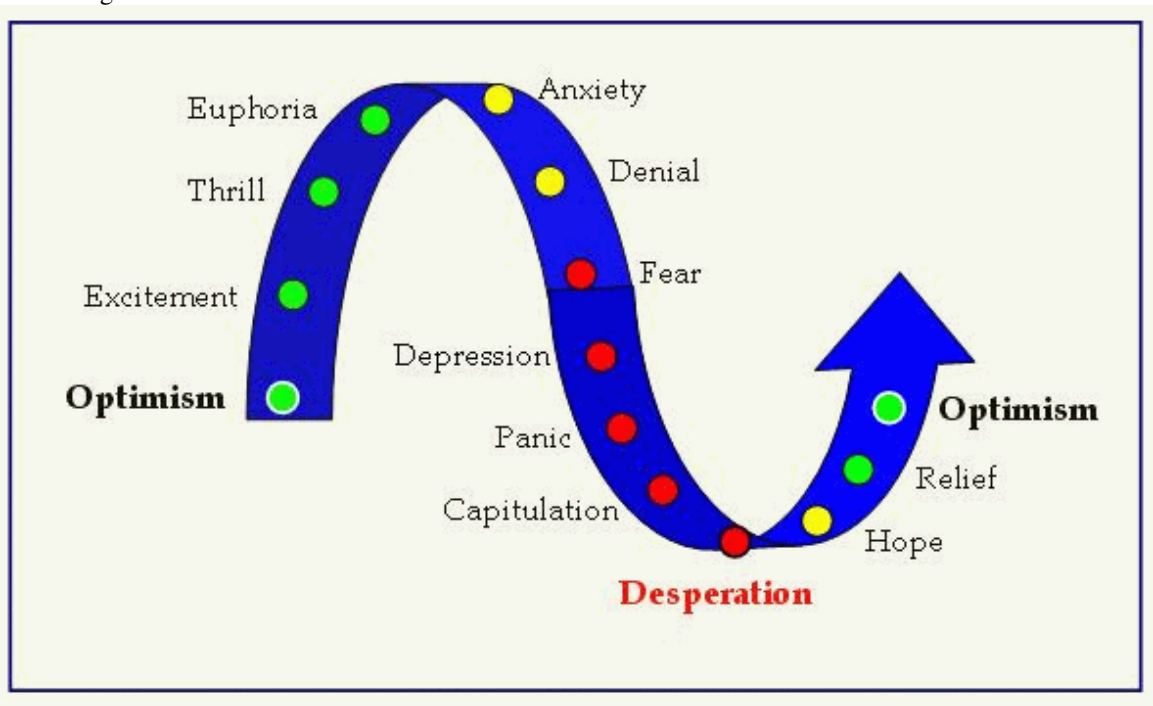
Although each candlestick requires 7,500 contracts to be traded the volume can be segregated into UP volume and DOWN volume on each candlestick. A candlestick may have 4,000 in up volume and 3,500 in down volume or 2,500 in up volume and 5,000 in down volume. By smoothing the data and comparing various look back ratios we come up with an oscillator that displays positive or negative volume and it shows volume acceleration in one direction or another.

As with all Kwik*POP indicators the color scheme is rather easy to follow; BLUE is bullish, RED is bearish and YELLOW is neutral. This oscillator is used to confirm the strength of any move up or down based upon price momentum. In an UP move the slope of KPVS should be positive, turning up above its white line as the ratio of buyers to sellers starts to change in favor of the buyers. As the move to the upside attracts more and more buyers willing to pay higher and higher prices KPVS turns blue showing upside STRENGTH.
On the downside we get just the opposite as the ratio of buyers to sellers favors the sellers. KPVS drops below its white and turns red as selling pressure intensifies.

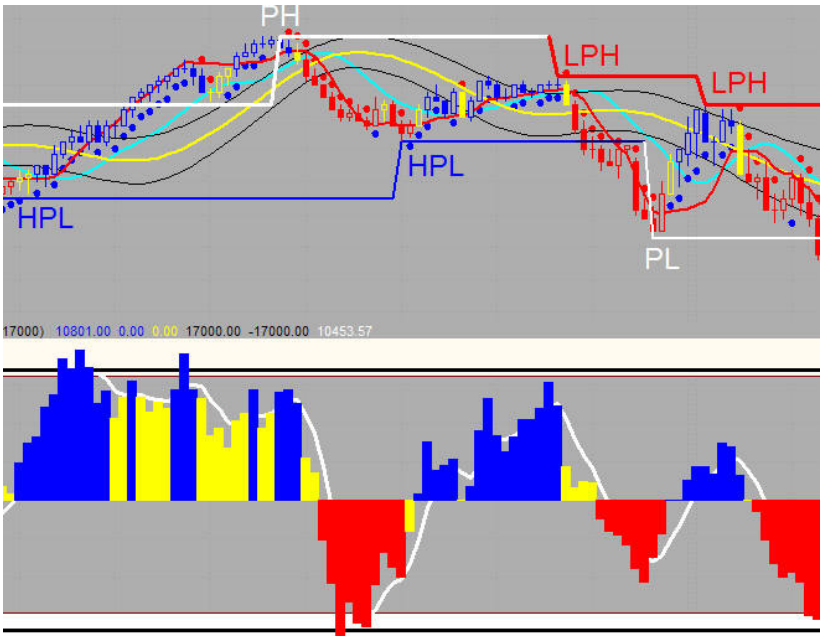
A logical question comes up frequently when discussing volume on futures contracts. How can you say there are more buyers than sellers when in order for a trade to be recorded every buyer must be matched to a seller to complete the 'futures' contract? We use the term more buyers than sellers, or more sellers than buyers to simplify the structural context of what is happening. In the futures market there is practically unlimited supply available. You can offer contracts for sale at any price above the market and if there is a willing buyer ready to pay your asking price … bang, we get a contract trading at your price.

If you think that last statement through for a moment you begin to realize that volume in the futures market relates more to demand. Sellers continue to offer supply at higher and higher prices until demand dissipates. As the buyers start to lose enthusiasm they are no longer willing to pay the highest offered price just to get in. In fact, they are backing off waiting for lower prices. When that happens the sellers start lowering their asking price in pursuit of a willing buyer. As prices start turning back down more and more

buyers back off and sit idle. That forces the sellers to aggressively lower their asking price. As prices continue to slide those that were willing buyers earlier get nervous and turn into sellers as well. That's like throwing gasoline on a fire as panic grips the market temporarily. Bids are hit on the way down but the offers swamp available bids as prices continue to tumble. At a certain price the buyers appetite perks up and there is a noticeable change in the bid/ask ratio. Prices start clawing back up as higher offers are getting hit. Then more and more willing buyers start charging back in to get some cheap prices and the cycle starts all over again.



This pattern plays out many times in the market every day, 5 days a week, 20 days a month.



Over and over the cycles repeat. The Kwik*POP indicators amplify these patterns.

KPVS is our VOLUME SURGE indicator and it gives us a meaningful measure of the level of demand present in the market at any point in time.

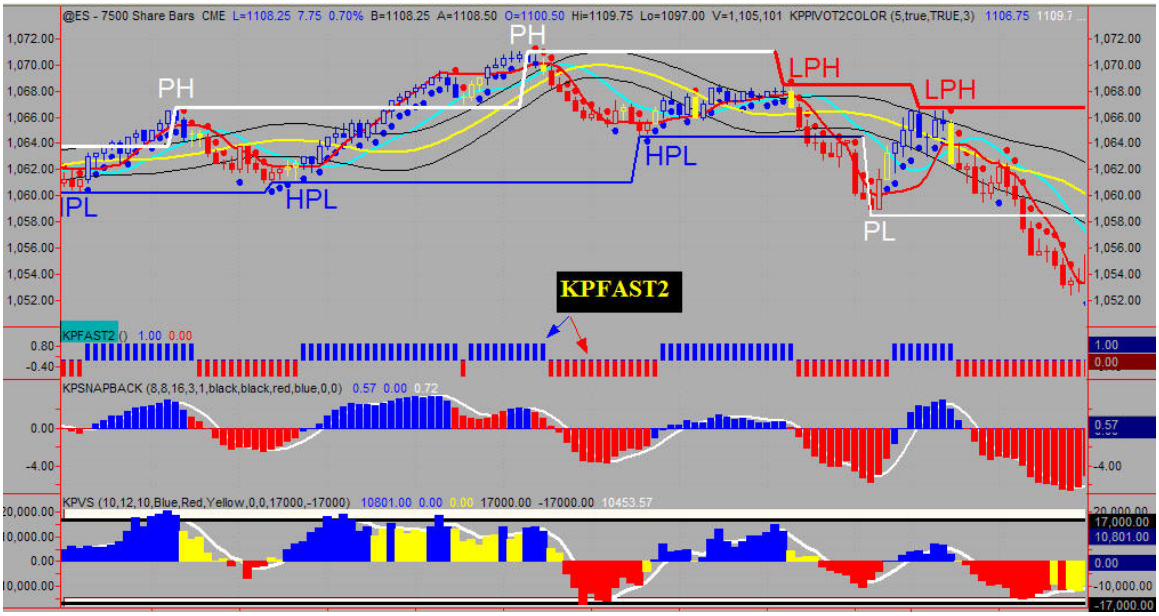
As a new buying cycle begins we should see buying enthusiasm on KPVS as the vertical bars move above the white line and eventually turn blue.

When the bears grab hold of the market KPVS should plunge well below its white

line, eventually turning red as panic grips the market temporarily. As mentioned earlier, KPVS is a great tool for defining the strength of moves up or down and it's also a great overbought/oversold barometer. We'll discuss readings on KPVS as we examine the trades on those charts later on.

ALL ABOUT KPFAST2

KPFAST2



KPFAST2 is a binary oscillator with only two values, positive (blue +1) or negative (red –1). This indicator examines the midpoint of each price bar in relation to the high, low and midpoint of price bars x periods earlier. The theme is that the midpoint is the true price and the high and low of each bar is noise. By measuring the ratio between the current midpoint to the highs and lows of previous bars we can define acceleration up or down and eliminate a lot of the noise and fake outs attributable to the range of the last 5 price bars.

Because of its reliance on a smoothed midpoint and no scaling, Fast2 doesn't flutter back and forth frequently. It tends to stay locked in one direction or the other until a significant reversal develops. Think of FAST2 as a tone indicator. It tells us whether short term momentum is bullish or bearish. It's a terrific tool for confirmation on a cycle shift because once it changes colors, most of the time that's the final shoe to drop confirming a momentum reversal.

Many newer people to Kwik*POP feel that we have too many oscillators and it's a bit of overkill. You can add or delete as many indicators as you desire, but leave the 5 core indicators on your chart. All of these indicators look at price momentum and volume momentum from a different angle. When a diverse group of oscillators all turn blue at the same time or they all turn red at the same time we have mosaic of readings forming a composite pattern of STRENGTH UP or STRENGTH DOWN.

As traders we want to BUY on strength and we want to SELL on strength. We are not looking to out guess the market and we don't have enough capital to fight the charging herd. We always ***Go with the Flow***. When we can detect momentum strength up, or down, the odds are fairly good that we can plunge into the pool of sharks and come back out in one piece with some profit for our efforts.

We are going to walk through some trades on the charts above, but first it's time for another quiz just to be certain we're all on the same page. Before going any further please take this test and answer all questions.

TEST

1) Finish this sentence .. “The market never goes ……”

2) List the 5 core indicators.

3) Which indicator only looks at Up/DOWN volume?

4) Does Snapback have a yellow color?

5) What are the plot values for FAST2?

6) Which indicator gives an overbought reading at a value of 17,000?

7) What are the four warning signs that a buying cycle is ending?

8) What indicator segregates the Bulls from the Bears?

9) What indicator has a line called ‘The Mean’?

10) What side of its white line should Snapback be on for a BUY set up?

11) What are the 4 warning signs that a sell cycle is ending?

12) When does an Up trend officially end?

13) What action do you take when HPL appears on your chart?

14) What color is the Resistance line in a Down trend?

15) Which indicator plots the Support/Resistance lines?

16) At what point does a BUYING CYCLE begin?

17) When TRIGGERLINEVMA goes above AUTOSTOP what does that tell us?

18) What two indicators reference the midpoint of the price bars in their calculations?

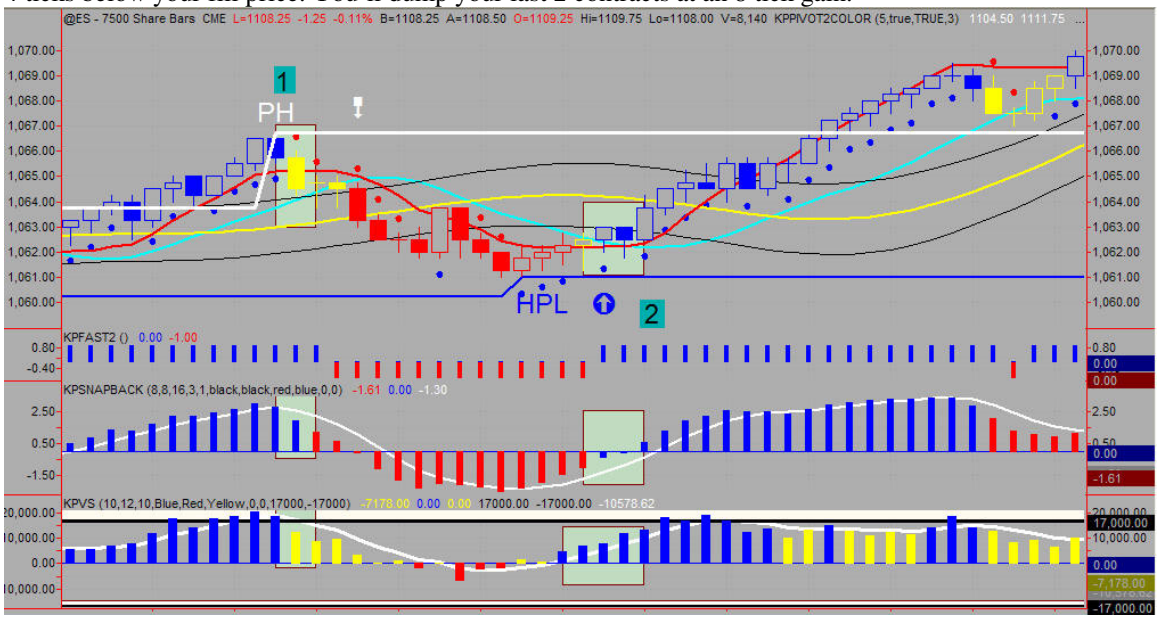
19) What should you do when LPH appears on your chart?

20) Did you leave your car keys on the kitchen counter? ☺

Before going any further please answer all of these questions. If you are stumped just go back and review the material once again. In order to use Kwik*POP effectively you must know the basics on the critical indicators.
The colors and schematic on the chart are designed to amplify critical turning points in the market. Each indicator flashes a certain pattern whenever a cycle reversal develops and when these various indicator patterns align in the same direction we have a tradable opportunity. Looking for PATTERN ALIGNMENT is your only job as a trader using Kwik*POP.

Learning the patterns on each of the indicators discussed thus far gets you 80% of the way to the goal line. Don’t short change yourself. If you can’t answer those questions go back and review the material again.

We'll go over some trade management ideas later on in this manual, but for now let's operate on this basis. On every trade you buy (or short) 5 contracts. You initial trailing stop loss is 10 ticks (2.5 points) away from your fill. You automatically take off 3 contracts at a 4 tick gain leaving net long or short 2 contracts. Once prices go 4 ticks in your favor your trailing stop on your remaining runners goes up to 4 ticks below your fill price. You'll dump your last 2 contracts at an 8 tick gain.



Point 1 was an aggressive counter trend short trade. Why was it counter trend? The market was in an up trend. How do I know it was in an UPTREND? Look at the color of the SUPPORT and RESISTANCE lines. (Read All About Pivot 2 color).
A yellow candlestick closed below TRIGGERLINEVMA. A red dot appeared above that yellow candlestick. Snapback dropped below its white line. WHAT ARE THE 4 WARNING SIGNS for the beginning of a SELL CYCLE?
QUESTION: Why would you even consider a counter trend short trade? Notice that KPVS got above 17,000 (that black line) and then dropped back down below its white line and turned yellow. When KPVS goes above 17,000 the market is overbought and the reaction back down is usually 2-3 handles lower from the trigger bar.

A more conservative trader would pass. An aggressive, well capitalized trader would take the shot because of the overbought reading on KPVS. As prices came through Autostop the candlestick started turning red. Snapback was below its white line, KPVS was below its white line (momo heading down with price) and FAST2 turned red.

THE RISK ON THE TRADE… Counter trend and a possible reversal at or below the mean as that's where a lot of higher lows set up from. Based on entry fill and offset the trade worked.

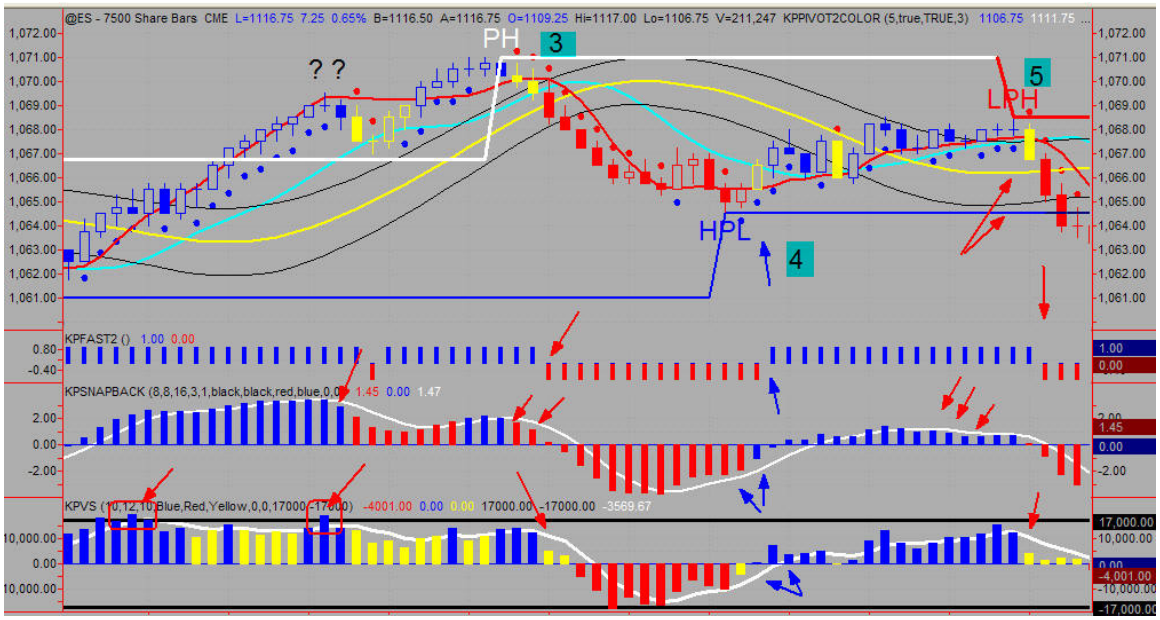
Trade number 2 was a standard HIGHER LOW trade that all Kwik*POP users must learn to take. Whenever the market is in an Up trend we are expecting a HIGHER LOW (HPL) Buy Signal to form after any pullback from the current PIVOT HIGH (PH). Depending on volatility, there are two areas where a higher low typically forms in an Up Trend. In a strong rally the pullbacks off a new PH are usually rather shallow and the HPL forms inside the E BANDS between the MEAN and the lower side of the E BANDS.

With greater volatility, prices may punch below the lower E BAND. In that instance we look for a HPL to form about 6-8 ticks below the lower E BAND. Please make a note of that. On any cycle change off a new PH in an Up trend, we look for a HPL to form either in the lower middle side of the E BANDS or 6-8 ticks below the lower E BAND.

HOW DO WE KNOW WHEN A HIGHER PIVOT LOW IS FORMING?
What are the 4 signs of an imminent cycle change? At point 2 the market was about 8 ticks below the lower E BAND. The dots started turning blue. Price bars closed above TRIGGERLINEVMA. Price bars changed color and approached the line in the sand. Snapback was above its white line and heading up to the zero line. Also, notice that KPVS was turning up as well.

Once prices crossed Autostop Fast2 turned blue, the price bars turned blue and HPL appeared on the chart. What do we do when HPL appears on the chart? WE BUY!! Notice on the blue candlesticks that formed FAST2 was blue, Snapback was blue and accelerating upwards with price, KPVS was blue and accelerating upwards with price. Everything in the kitchen sink was flashing BUY.

SET UPS 3,4 and 5



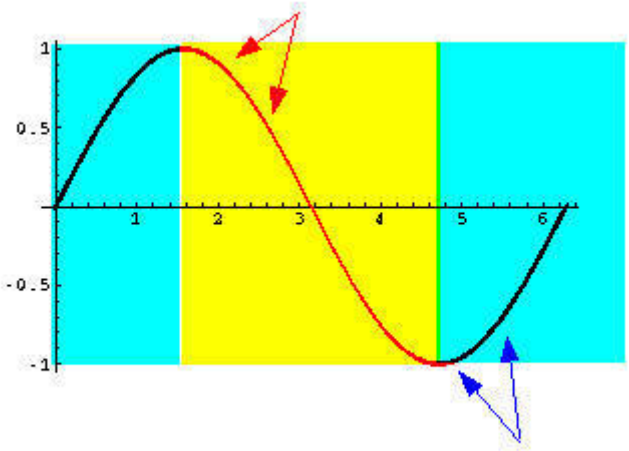
From the Higher Low HPL Buy signal at point 2 the market blasted off and rallied nearly 10 handles higher. As we mentioned earlier, the reason for trading with the trend is that the moves, in the direction of the trend, are usually stronger and tend to last longer.

Set Up 3 was a counter trend short trade, but this one had greater odds of success than the previous counter trend trade at point 1. Here's why. Study KPVS on that big rally. Early on it went above 17,000 and rolled back down. The market hardly budged and instead spurted higher again. On that second wave up KPVS again went above 17,000 and turned down. At that point (where the ? ? are) we had all of the symptoms for a selling cycle to kick in. Close below VMA, red dots, color change on the price bars Snapback started to drop below its white line. Prices drifted below AUTOSTOP but WE DIDN'T GET A RED CANDLESTICK. In fact, prices reversed back up and pressed even higher.

This is what happens when the bulls go crazy and the market gets EXTREMELY overbought. As prices rallied up to 1071 notice the bearish divergence on Snapback and KPVS. Prices were making higher highs but our momentum oscillators were making lower highs. That's known as bearish divergence between momentum and price. That usually means when the market finally pulls back off a new PH the pullback will be quite strong. The rubber band gets really stretched out and finally snaps back in the opposite direction. These type of counter trend trades have much better odds at producing consistent gains.

As prices rolled back down off the 1071 area we once again get our 4 warning signs of a cycle change. Dots turned red, price bars closed below VMA, price bars changed colors and Snapback dropped below its white line. This time, as prices began crossing AUTOSTOP the candlestick started turning

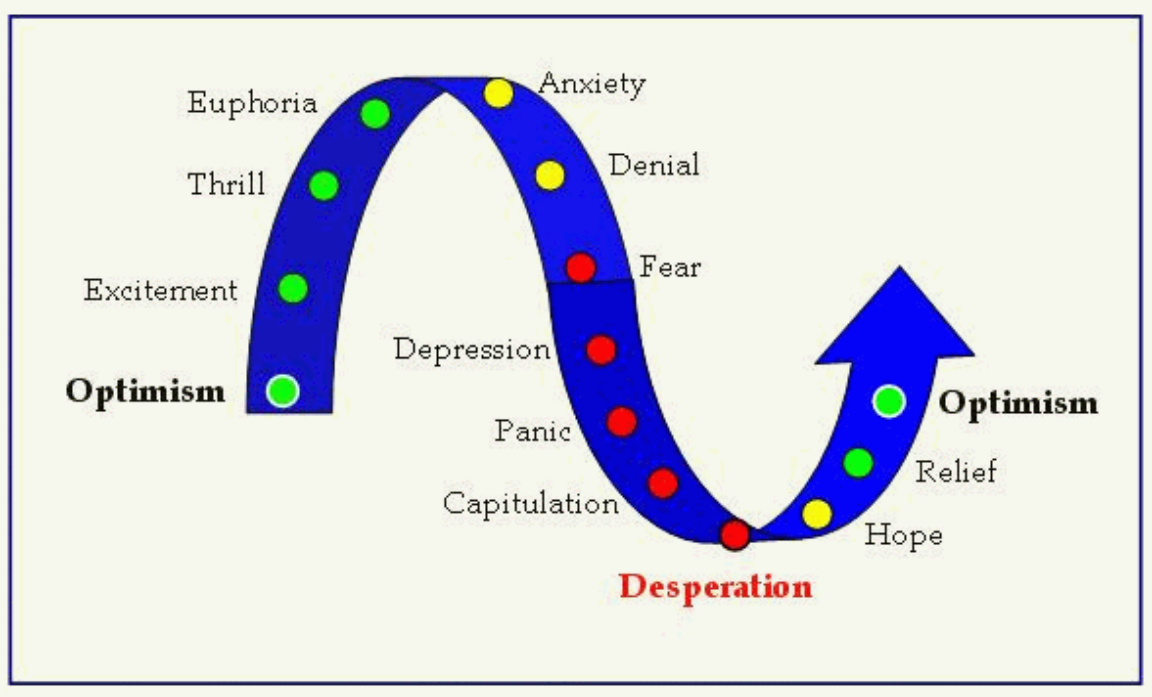
red and that was the ALL SYSTEMS GO signal to get short. The red bar that triggered the trade actually closed below the MEAN. That was the first hurdle to get through. Notice that by then FAST2 was red and Snapback and KPVS were both BELOW THEIR WHITE LINES and heading down with price. That's very important. Whenever we take a trade we want momentum with us. When we go SHORT we want Snapback and KPVS to be below their white lines. Don't worry about the color of the vertical bars on Snapback and KPVS. Your real concern and critical question is this.
ARE THEY ON THE CORRECT SIDE OF THEIR LINES FOR THIS TRADE?



Remember that it's the change in slope (direction) of those oscillators that is our critical concern . In other words is momentum building in the proper direction on this trade?

Think back to the discussion on SINE waves. As the candlesticks start turning red Snapback and KPVS should be starting to accelerate to the downside with prices. The white line on those oscillators is a visual way to amplify the change in slope.

Whenever we take a SHORT trade we want Snapback and KPVS to be below their white lines.
Whenever we take a buy we want Snapback and KPVS to be above their white lines. We are momentum traders trying to catch a momentum wave. We used the analogy of a surfer trying to catch the right wave. We are trying to catch a momentum wave that occurs as everybody realizes that the market is turning down on a short trade. As longs sell out and new shorts enter in, bids and offers go down and momentum accelerates to the downside.

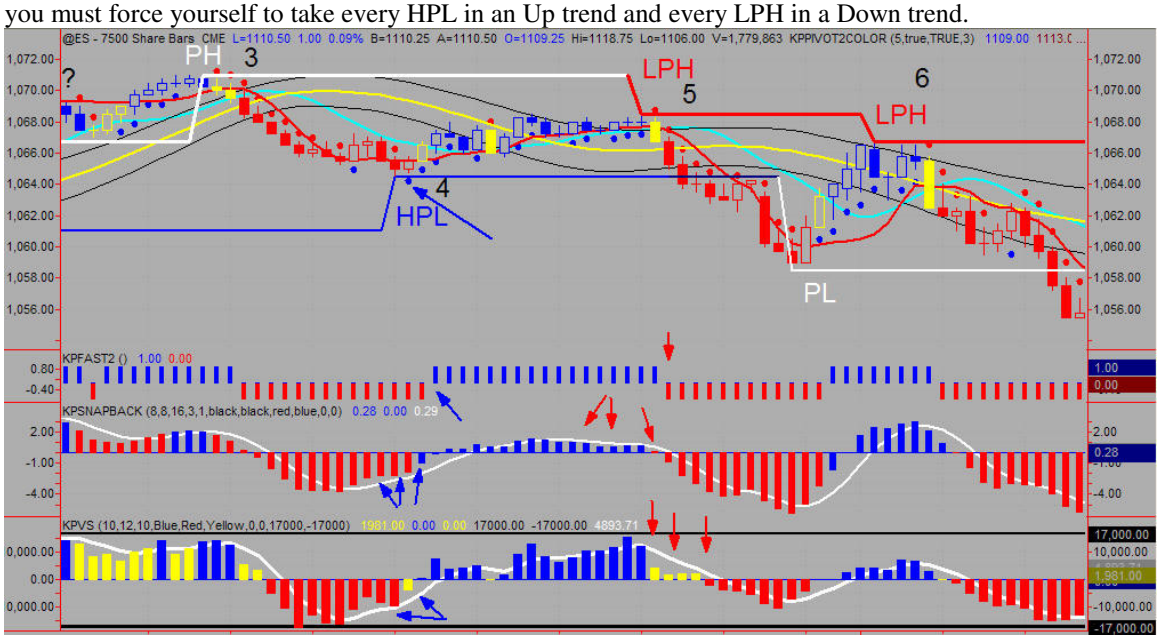


OK, so that counter trend short trade worked. Next question. What was the first warning sign that the selling pressure was getting weaker and the market was getting short term oversold?

Study KPVS on that short trade. Notice how it got down to –17,000 and then started turning back up again? When that happened look at the price bars. Notice that a candlestick closed back above TRIGGERLINEVMA and the dot changed to blue? The candlestick stayed red but Snapback moved back above its white line. Had that candlestick turned yellow you would have had to abandon the trade right there. It didn't turn yellow, but shortly thereafter we did get a candlestick back above TRIGGERLINEVMA and that one was yellow… and it had a blue dot on it … and Snapback was way above its white line and accelerating higher.

Now look at KPVS. It actually got above its white line, got above 0 and turned blue. CYCLE CHANGE IMMINENT!! That's when you must cover your runners on the short trade and get ready for a BUY SIGNAL. Remember, the support line is still blue and the resistance line is still white. We are still in an Up trend and we always expect a higher low buy signal to form in an Up trend whenever prices fall back down off a new PH.

Set up 4 was quite ugly and the trade eventually bombed out. Hey, there are going to be losing trades and in order to succeed as a trader you need to learn to accept a losing trade and move on. In an Up trend, on average, for every 4 HPL signals, 3 of them will work for a minimum of 4 ticks or more. Those are pretty strong odds and as traders we are essentially, PLAYING THE ODDS. That means you must force yourself to take every HPL in an Up trend and every LPH in a Down trend.



Here is the only caveat on set up 4. On the way down off the last PH prices smashed well below the lower E BAND. When prices first poked below the lower E BAND the lower E BAND was at roughly 1068. 50. Prices dropped all the way down to 1064.50 before heading back up again. Whenever prices drop 16 tics or more below the lower E BAND the move back up is usually very sloppy and the odds of success drop down to about 60%.

YOU MUST STILL TAKE THE HPL BUY. Those are still good odds and you never know if the market might explode higher in another buying frenzy. We got our warning of a cycle change as the dots turned blue, a close above VMA with a yellow candlestick and Snapback was above its white line heading up. Prices crossed AUTOSTOP on a blue candlestick and we HIT THE BUTTON. This trade got ugly right off the bat and notice that yellow candlestick with a red dot that appeared a few bars after the trade was initiated. The momentum pattern was positive but the price action was horrible.

Whenever we take a buy, there are two hurdles that prices must get through. First, they must breakout above the upper E BAND. Then, they must breakout above the white resistance line. On this trade prices could not cleanly breakout above the upper E BAND. Notice how long they struggled to get free of the E BANDS. Prices were caught in the glue of the E BANDS and that's when some subtle

warning signs began to appear. Notice how TRIGGERLINEVMA started to blend in with AUTOSTOP. That's not good. TRIGGERLINE VMA should always pull away from AUTOSTOP on an up move. Count the number of blue candlesticks that kept tapping on the upper E BAND, but could not break free with any strength. That's not a good sign because time and price are components many traders use to determine when to cut bait. This rally was feeble and taking way too long to breakout.

Now look at Snapback. Notice how it started to drop below its white line. That's not good . Like that old Creedence Clearwater song .. "I see a bad moon arising." The bears struck quickly and killed off any remaining bulls on that yellow candlestick with a red dot. That candlestick closed below VMA and below AUTOSTOP in one devastating swoop. As that happened KPVS and KPSNAPBCK dropped well below their white lines heading down. That candlestick told you to ABANDON SHIP NOW!!

Set Up 5. The toughest thing for a trader to do is to take a loss on one trade and go right back in on another trade. That'll take some experience before you have the courage to do that. Fortunately, there are only two ways for the market to move UP or DOWN. ***If it ain't going UP then is gotta be going down!*** That makes our decision easier. The market failed to break out above the E BANDS, much less the resistance line. Instead it turned back down. Pay close attention to what printed on the chart when that red candlestick appeared.

LPH

What do we do when LPH prints on our chart? We GO SHORT!! Look at the color of FAST2 and Snapback when that red candlestick appeared. Was SnapBack below its white line? Was KPVS below its white line? This is the normal profile on a Lower High Sell Signal, LPH.

FORCE YOURSELF TO TAKE LPH TRADES.

On a short trade there are 2 targets that prices must break through. The first target is the lower side of the E BANDS. The second target is the Support line. The second red candlestick smashed through both of those lines with conviction and prices dropped 6 handles lower (24 ticks). If you quit after getting knocked out of the earlier buy signal you gave up a chance to recoup your loss and turn a very nice profit on the short trade.

TREND CHANGE

Once prices **closed** below the support line the Up trend was over. When prices close below the support line, prices are making a LOWER LOW. We always reference the support/resistance lines in terms of trend definition. An Up trend ends when prices close below the support line. After all, you can't have an up trend (higher highs and higher lows) if prices are making lower lows… right? In a downtrend the declines tend to be longer and stronger than the counter rallies back up. Therefore, in a downtrend we favor the short trades.

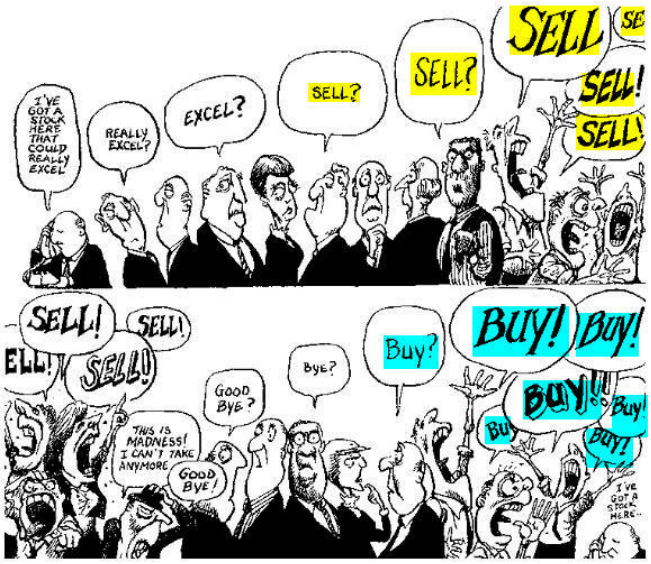
Notice the bounce back up leading to set up 6. Prices came back into the E BANDS and got hung up in the glue again. In a Down trend we are expecting each counter trend rally back up to fail and result in another lower high sell signal (LPH). Remember that a Downtrend is a series of Lower Highs and Lower Lows. A Downtrend remains in force until prices close back above our Resistance line.

Set Up 6. WE ARE ANTICIPATING A SELL SIGNAL TO FORM SO WE ARE PREPARED TO ACT IMMEDIATELY. Note that the same pattern appeared on that yellow candlestick. It closed below TRIGGERLINE VMA and closed below AUTOSTOP. It had a RED dot on it. Snapback dropped below its white line. KPVS dropped below its white line. KPFAST2 even turned red on that yellow candlestick. AND .. MOST IMPORTANTLY, IT WAS A LOWER HIGH SELL SIGNAL ONCE THE CANDLESTICK TURNED RED (LPH). On all sell signals there are two targets that price must get through.

1) the lower E BANDS.
2) the Support line.

Set Up 6, the second short trade, smashed through both targets and dropped all the way down to 1055.75.

Please go back and review all 6 set ups again and make notes on the structure of the indicators at each turning point. The market was in an Up trend initially and then things started to change..



We had a FAILURE SWING on set up 4. Prices broke below the Support line, which started a new Downtrend.

These patterns repeat all day long in the futures market as fear and greed motivate the players to buy and sell.

Each cycle change represents a potential trading opportunity. Each cycle change has a similar set of conditions, or readings, on our indicator grid. First we get a warning and then a sell cycle unfolds. Then, we get another warning and a buy cycle unfolds.

Back and forth all day long. This is the rhythm of the market every day regardless if it's an up day or a down day.

REVIEW OF IMPORTANT ELEMENTS AND CONCEPTS.

TRENDS:
An up trend, higher highs and higher lows, remains in force until prices close below the **Blue** support line.
A downtrend, lower lows and lower highs, remains in force until prices close above the **Red** resistance line.

Up trend profile
Resistance line is White, Support Line is **BLUE**.
On your chart you see …PH on new Pivot Highs, and **HPL** on Higher Pivot Low
When **HPL** prints … YOU BUY

Downtrend profile
Support line is white, Resistance line is **RED**
On your chart you see … PL on new Pivot Lows and **LPH** on Lower Pivot High
When **LPH** prints … YOU SELL SHORT

Buy Signal Barriers
Depending on where the pattern sets up, there are two areas of resistance that you must watch closely as prices advance. The first level is the upper E Band. If the candlesticks change color in that area be prepared for a reversal. A close of 3 ticks above the upper E Band usually signals a push higher. Most times, if prices get above the upper E Band they'll run another 6 to 8 ticks higher. Once prices breakout above the upper E Band the next target is the resistance line. Once again, at that level be on guard for any momentum breakdown.

Sell Signal Barriers
Depending on where the pattern sets up, there are two areas of support that you must watch closely as prices decline. The first level is the lower E Band. If the candlesticks change color in that area be prepared for a reversal. A close of 3 ticks below the lower E Band usually signals a push lower. Most times, if prices get below the lower E Band they'll run another 6 to 8 ticks lower. Once prices breakout below the lower E Band the next target is the support line. Once again, at that level be on guard for any momentum breakdown.

Cycle Reversal Warnings

Always be on guard for a cycle change. Just when you think the market will keep going higher … it usually reverses. Remember … markets never go straight up or straight down, they cycle back and forth in a sine wave pattern, rotating from a buying cycle to a selling cycle and back to a buying cycle. Look for the patterns warning of a cycle change at all times.

SELL CYCLE SET UP

1)dots changed color (red)
2)Price bars closed below TriggerlineVMA
3)Price bars changed color (yellow or red)
4)Snapback dropped below it's white line
Once the price bars close below Autostop and turn RED the selling cycle is in motion

BUY CYCLE SET UP

1)dots changed color (blue)
2)Price bars closed above TriggerlineVMA
3)Price bars changed color (yellow or blue)
4)Snapback popped above it's white line
Once the price bars close above Autostop and turn BLUE the buying cycle is in motion

A **Sell Cycle** begins on the first red candlestick that closes below KPAUTOSTOP
A **Buy Cycle** begins on the first blue candlestick that closes above KPAUTOSTOP

Momentum Confirmation

Before you take a BUY SIGNAL be certain KPSNAPBACK is above its white line. It can be red or blue as long as its above its white line and accelerating upwards with price.

Before you take a SELL SIGNAL be certain KPSNAPBACK is below its white line. It can be red or blue as long as it's below its white line and accelerating downwards with price.

NEVER TAKE A TRADE WHEN SNAPBACK IS ON THE WRONG SIDE OF ITS WHITE LINE.

Additional confirmation of signal strength is confirmed when KPVS also moves on the correct side of its white line as a cycle reversal kicks in.

When KPFAST2 turns blue and KPSNAPBACK turns blue and KPVS turns blue we have complete momentum alignment reflecting upside acceleration at maximum levels.

When KPFAST2 turns red and KPSNAPBACK turns red and KPVS turns red we have complete momentum alignment reflecting downside acceleration at maximum levels.

Using Kwik*POP with predictive trading methodologies such as Market Profile, Elliott Wave and Fibonacci analysis.

Let's assume a buying cycle has commenced and you are long off an HPL set up. You bought at 1075 and prices are now at 1078. At 1080 we have MP's Point of Control threshold, an R1 floor pivot, a multi time frame Fibonacci resistance number and we are in a wave 5 rally on a 30 minute chart.

Should you automatically sell out at 1080 and put in an order to go short at that price??

NO! NO! NO!.
Many times prices can blow right through what appears to be a solid resistance or support level. You stay long and start watching for the warning signs that we always get at the termination of a buying cycle. Start watching KPSnapback to see if it drops below its white line. Look at KPVS. Has it gone above 17,000 and

turned back down below its white line as we approach the 1080 area? Do you see any red dots? Have the candlesticks closed below KPTRIGGERLINEVMA yet? Have the candlesticks changed color? Stay long and look for the warning signs. If they appear and you believe that this 1080 level is a major barrier that may stop the rally and trigger a downtrend … then get out of your long positions and get ready to sell short on the first red candlestick that forms.

In other words, let the market prove to you that there is not enough ammo left to blast through that barrier. Once the evidence on your chart supports an imminent reversal … then respond.

THREE TIERS ON Kwik*POP MOMENTUM READINGS

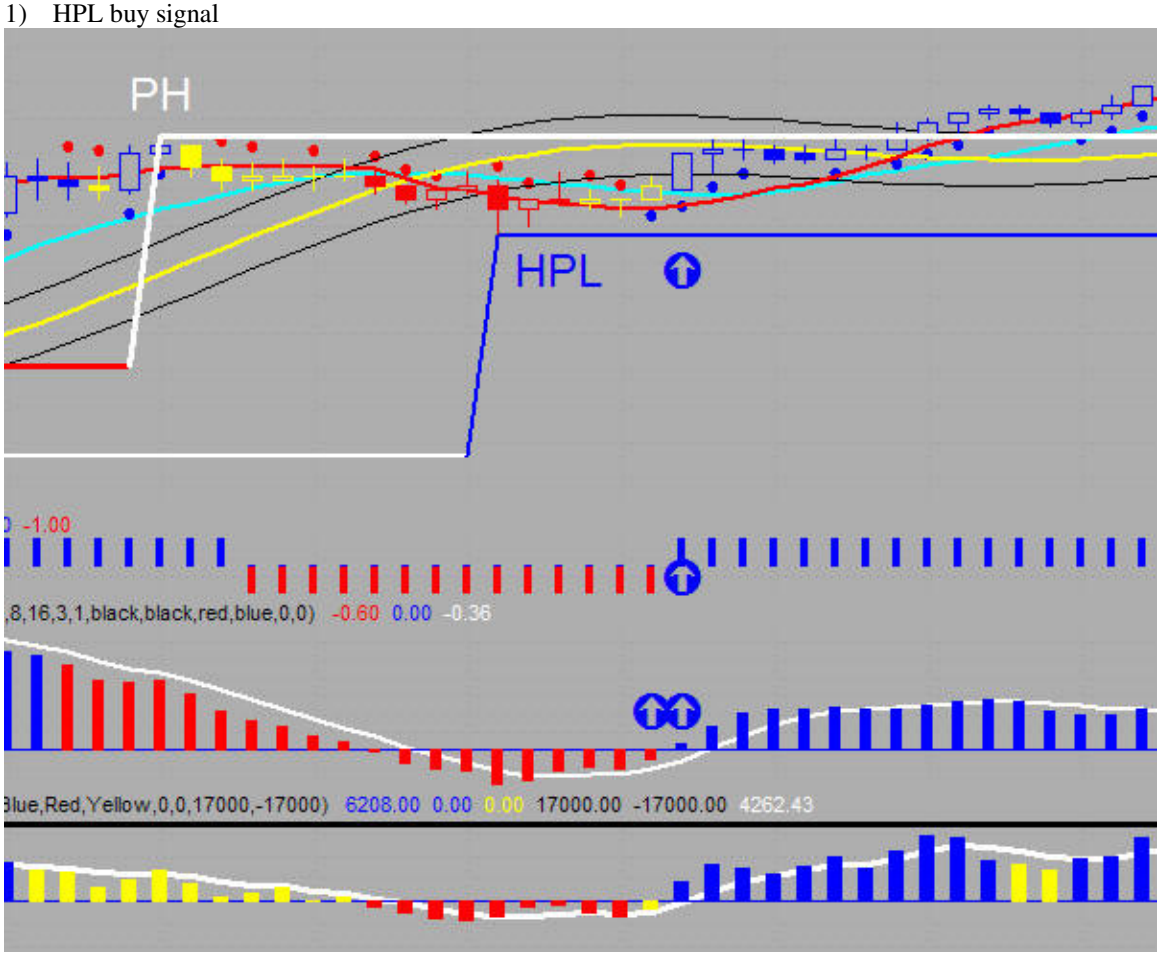
Short Term Momentum Reading … the red and blue dots (KPNEWUpDown)
Intermediate Term Momentum Reading … KPSCORECARDCOLORS
Long Term Momentum Readings … Fast2, Snapback, KPVS, KPMEDIUM

When everything turns blue or red we have maximum momentum alignment. Please note that we do NOT need to have maximum alignment to take a trade. We are trying to catch the wave as it is cresting in order to get filled at the point where momentum begins to move into full throttle.

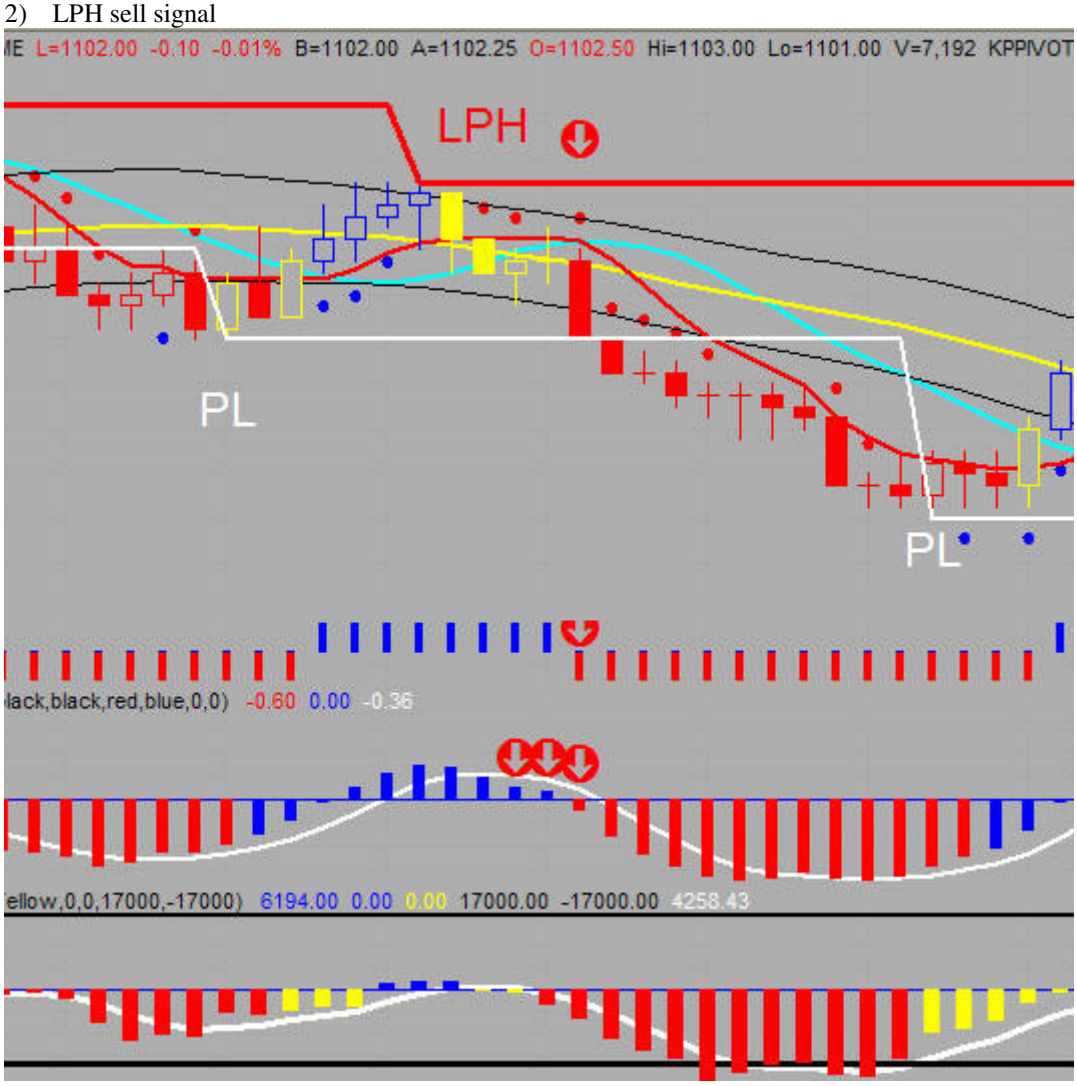
FOUR BASIC PATTERNS YOU NEED TO LEARN

When using the 7,500 volume chart there are 4 basic patterns that you will see 85% of the time every day.

1) HPL buy signal



2) LPH sell signal



3) V spike continuation pattern
4) Inverted V spike continuation pattern

Patterns 3 and 4 are a little more risky than an HPL or LPH signal, but they appear quite frequently in strong rallies or declines. They offer an opportunity to get into a strong move if you missed the beginning, or an opportunity to add to an existing position as the market follows through.

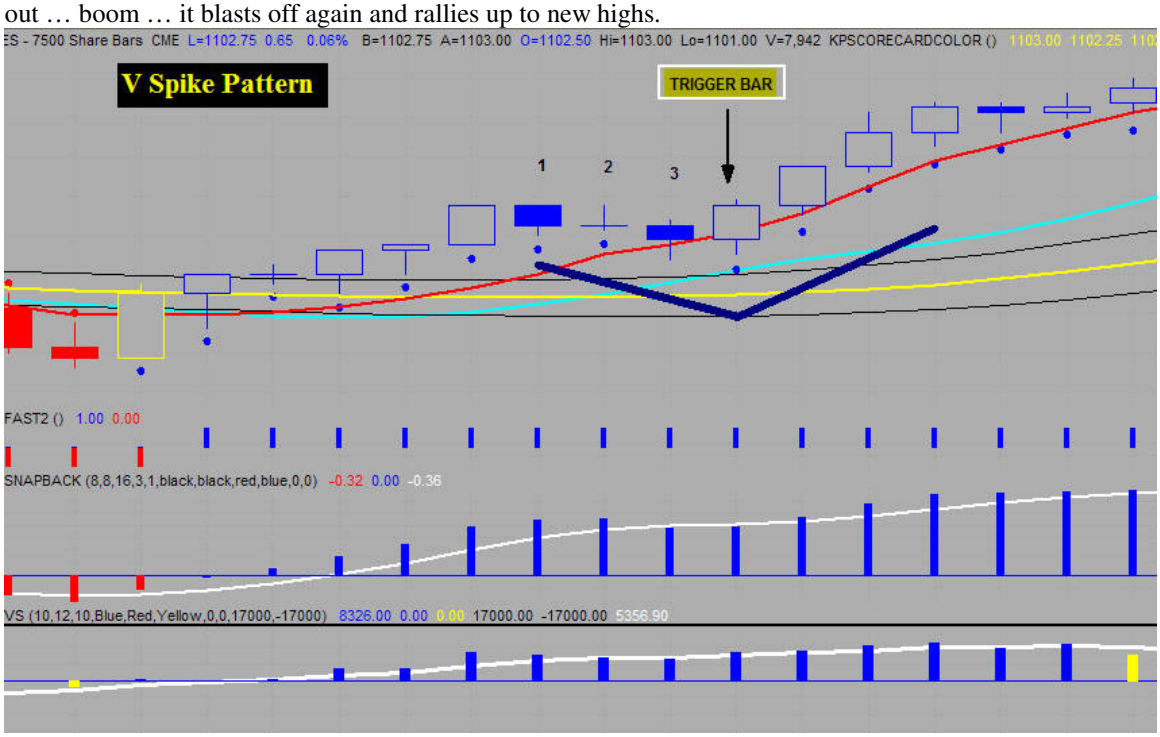
V spike patterns have two components … the SET UP and the TRIGGER. Without the proper set up there can be no trigger. The TRIGGER is the condition that tells you to hit the button and take the trade. We'll examine a V spike continuation pattern in a buying cycle first. Initially, some people get confused on the definition for the set ups on these patterns, or they read things into them that are not part of the set up.

Whether it's a V or inverted V our initial focus is always on the **HIGH** of the candlestick. We don't care about the low until we have a proper set up. So, PLEASE MAKE A NOTE ON THAT. During the set up phase all we care about is the high of the candlesticks. The lows mean nothing to us.

THE SET UP

You are long, we are in a buying cycle, price bars are blue, dots are blue and all oscillators are blue. It looks like "You're going straight to the moon Alice!" Then something weird happens. It's like a vacuum develops in the market. Momentum is bullish, but the price bars start stalling out. It's like

prices have run into a brick wall and can go no higher. Your warning bells go off as this might be a cycle reversal forming. Then prices start to drift lower and just when you think the market has stalled out … boom … it blasts off again and rallies up to new highs.



Study that V spike for a moment. There is a set up pattern that prepares you to buy on that TRIGGER BAR.

1) We are in a buying cycle. Everything is blue
2) We get a minimum of 2 EQUAL or LOWER HIGHS in succession. Study bars 1 and 2. Bar 1 was an equal high to the previous bar. Bar 2 was an equal high to bar 1. That's 2 EQUAL or LOWER HIGHS IN SUCCESSION. Bar 3 was a lower high. We could get one equal high and one lower high or we could get 2 lower highs but, they must occur one right after another. Notice I've not mentioned anything about the low of those candlesticks.

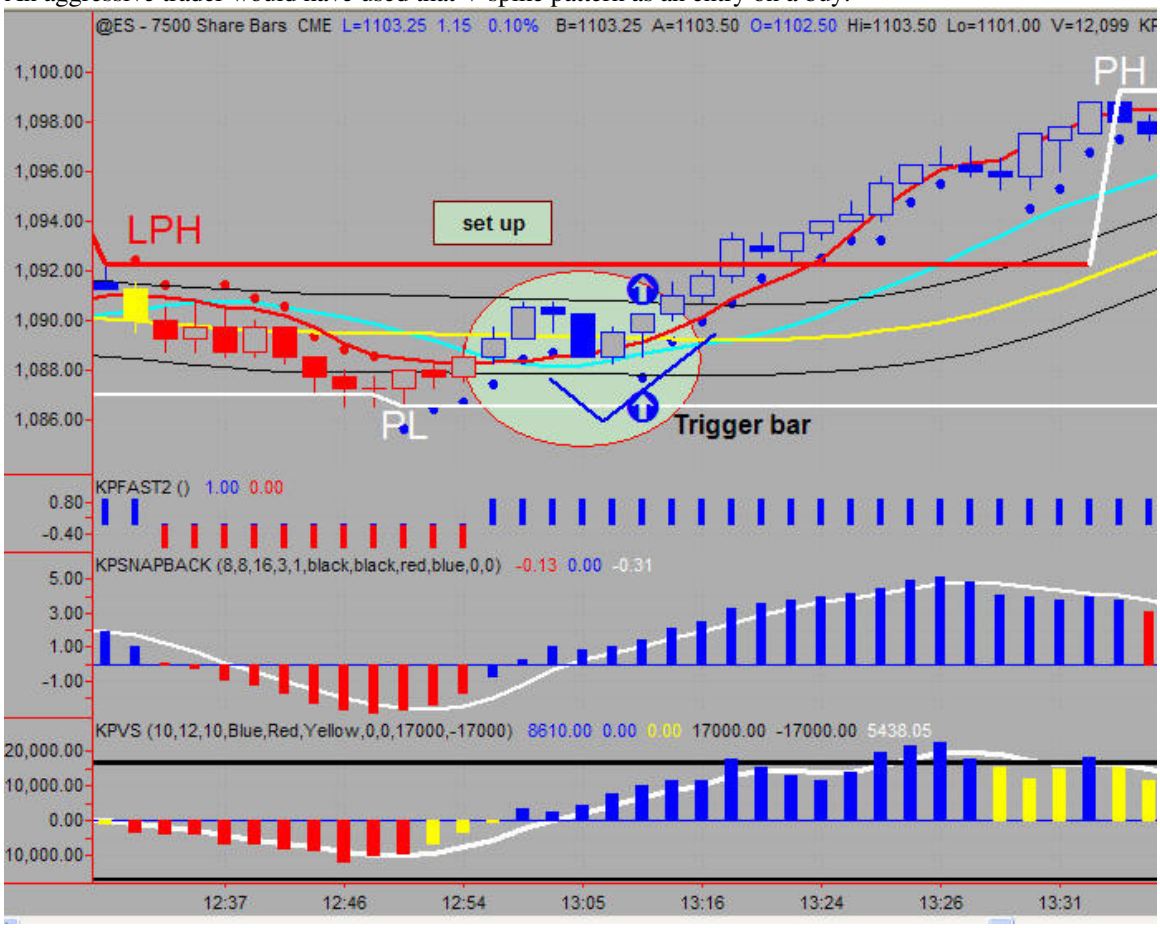
That's the set up for a V spike buy signal. Two or more, EQUAL or LOWER highs in succession. Once we have a valid set up in place we are now waiting for a TRIGGER bar. The TRIGGER BAR, after a valid set up, is the first open blue candlestick that CLOSES ABOVE THE HIGH OF THE BAR PRECEDING IT.

Please note that the TRIGGER BAR must be an open blue candlestick (closed higher than it opened) and it must close above the HIGH of the bar preceding it. Study that pattern carefully for a few minutes.

This pattern is especially prevalent on oversold counter trend rallies back up off a new PL. Prices come up to the upper E BAND, start rolling back down and then BANG, a V spike breakout propels them through the upper E BAND and they rally another 8 ticks higher. This pattern is a good one to use on an aggressive counter trend buy because the pattern shows resolve on the part of the bulls as more willing buyers pile on and press bids higher.

Study the chart below for a moment. Prices moved back up the upper side of the E BANDS off a new low, which is where a failure on the bounce usually sets up. Prices started to roll back down, but MoMo was still very bullish. A V spike pattern unfolded and prices broke out above the upper E BANDS and rallied all the way up past the resistance line starting a new Up trend. It was a very impressive counter trend move back up and the V spike confirmed the strength of that rally.

An aggressive trader would have used that V spike pattern as an entry on a buy.

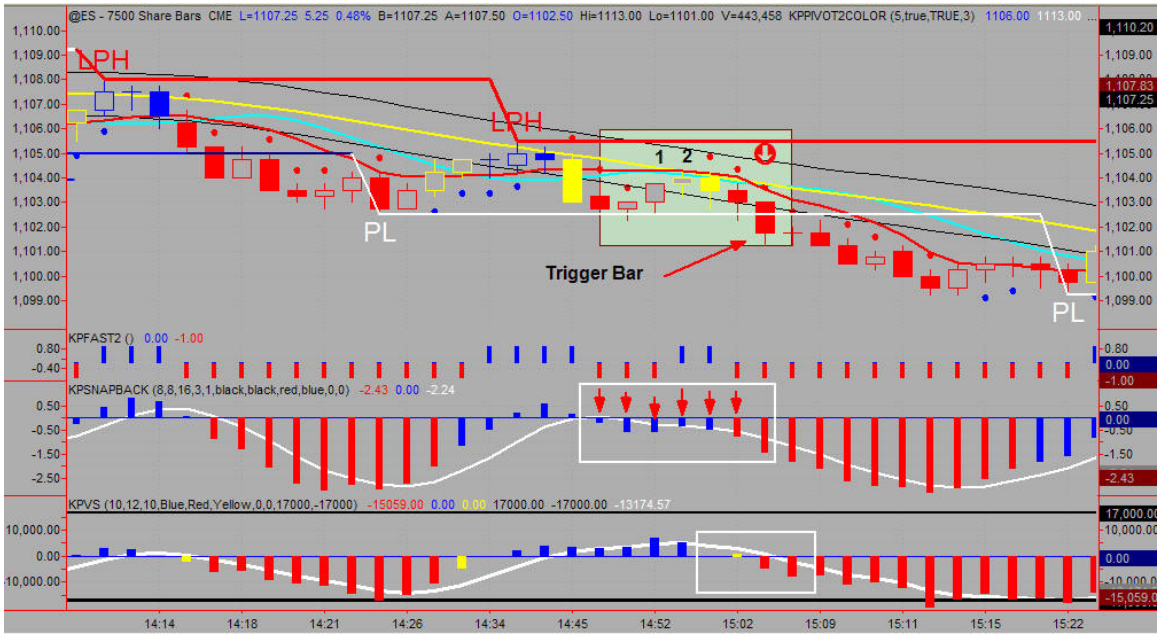


Notice the SET UP. Everything was bullish. Two or more equal or lower highs in succession. Now notice the TRIGGER BAR. The first open blue candlestick that closed above the high of the candlestick preceding it after we got a valid set up. The V spike continuation pattern shows bullish strength and many times, on a counter trend bounce, you'll be able to buy on that strength … if you know what to look for!

The Inverted V spike is … the opposite of a V spike. Many times an inverted V spike can be a little scary, as we'll sometimes get a shift in some of the indicators. We'll examine one of those 'challenging' trades on the chart below. This is a good chart example to use because it points out the significance of the support line and why it can be a dangerous area when you are short.

This inverted V spike was in the direction of the prevailing trend. We had a LPH short signal that set up right on the support line. The indicator profile on the LPH was not totally aligned as KPVS still had a positive skew when the red candlestick appeared. We don't need to have total alignment, but KPVS should be dropping below its white line on a short set up. If you jumped the gun on this trade, you took some serious heat as the market almost reversed back the other way.

As mentioned earlier, there are 2 barriers on a short trade that prices must break through. The first is the lower side of the E Bands and the second is the SUPPORT line. When the LPH red candlestick appeared, prices had already broken below the lower E Bands. That was one down and now the only obstacle remaining was the support line. Prices probed the support line and then turned back up the other way. The candlesticks actually turned to yellow. As long as the yellow candlesticks don't close above TRIGGERLINEVMA or AUTOSTOP, we can hang in there. There were not blue dots on the yellow candlesticks. A scary short trade nonetheless.



OK. Here is the set up we look for on an inverted V spike.

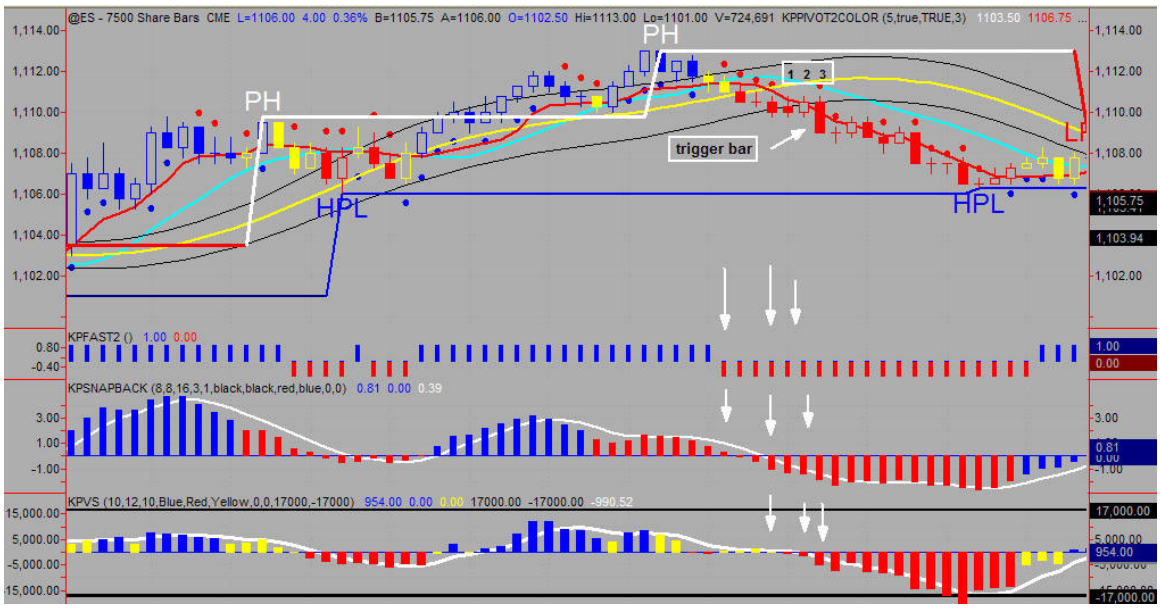
1) We're moving down and then the candlesticks make 2 or more EQUAL or HIGHER HIGHS. In other words the candlesticks are moving against the trend. Notice candlesticks 1 and 2 on the chart above. We had 2 or more equal or higher highs in succession. As long as the candlesticks don't close above triggerlinevma or autostop we're still in play. Notice that snapback was still on the right side of its white line and we didn't get any blue dots on those candlesticks. Came damn close to getting a cycle reversal on that one. Like I said, a scary set up if you were already short on that first red candlestick off the LPH.
2) Once we have a valid set up in place (2 or more equal or higher highs) the first solid red candlestick that closes below the LOW of the bar preceding it is the TRIGGER BAR. NOTE: the trigger bar must be a solid red candlestick (closes lower than it opens) The TRIGGER BAR says GO SHORT NOW!

Notice that on the trigger bar we got total momentum alignment as KFAST2, KPSNAPBACK and KVS all turned red and down. The trigger bar reaffirmed the resolve of the sellers and prices dropped another 14 ticks lower.

Let's be certain you understand the differences on the set ups for a V and inverted V spike. On a V spike the play **is bullish**. We are watching the HIGH of the candlesticks. We are looking for 2 or more equal or **LOWER** highs. On the inverted V spike, the play **is bearish**. We are also watching the HIGH of the candlesticks, but we are looking for 2 or more equal or **HIGHER** highs.

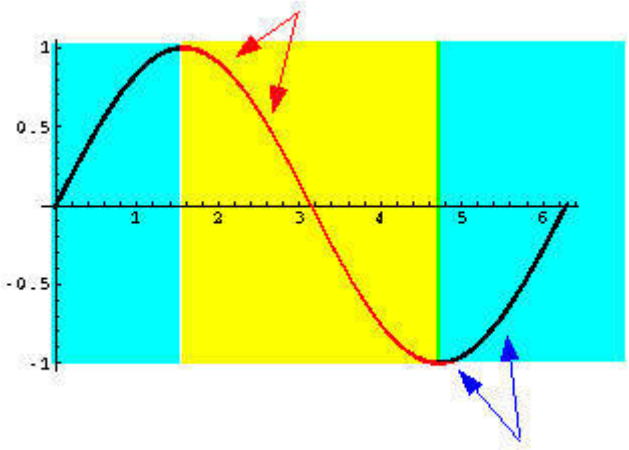
The high of the candlesticks are the reference points on both set ups. The **V pattern** gives us LOWER HIGHS and the **inverted V** pattern gives us HIGHER HIGHS. The trigger bar in both patterns shows continued resolve to move further in the earlier direction and that's why we call them CONTINUATION PATTERNS.

People ask "Why do you reference EQUAL highs"? Let me show you an example of a counter trend trade using an inverted V spike with equal highs. Remember earlier that we mentioned that if prices roll back off a new pivot high they usually turn back up again from inside the E Bands. We also stated that if the roll back manages to break below the lower E Band prices could tumble another 6 to 8 ticks lower. Let's put two and two together here. If we get an inverted V spike on the lower E Band there is reasonable odds that prices will tumble another 6-8 ticks lower. Study the next chart for a moment and look at the indicator reading as the inverted V spike unfolded.



Notice that as prices moved down to the lower E Band TRIGGERLINEVMA was well below AUTOSTOP. Do you remember our discussion on what that implied? This was an inverted V spike where we got 2 or more EQUAL highs in succession. Then, a rather dramatic TRIGGER BAR. As mentioned the MoMo profile on that trigger bar was very bearish and totally aligned.

All counter trend trades have greater than average risk. But, if we get a strong momentum reading off an inverted V spike after prices break below the lower E Band like that the odds of success improve considerably. The other factor in deciding to take that trade was the distance above the support line. There are two barriers on any short trade, the lower E Band and the SUPPORT line. Clearing the E Band on that inverted V spike, left plenty of room before we hit the support line.



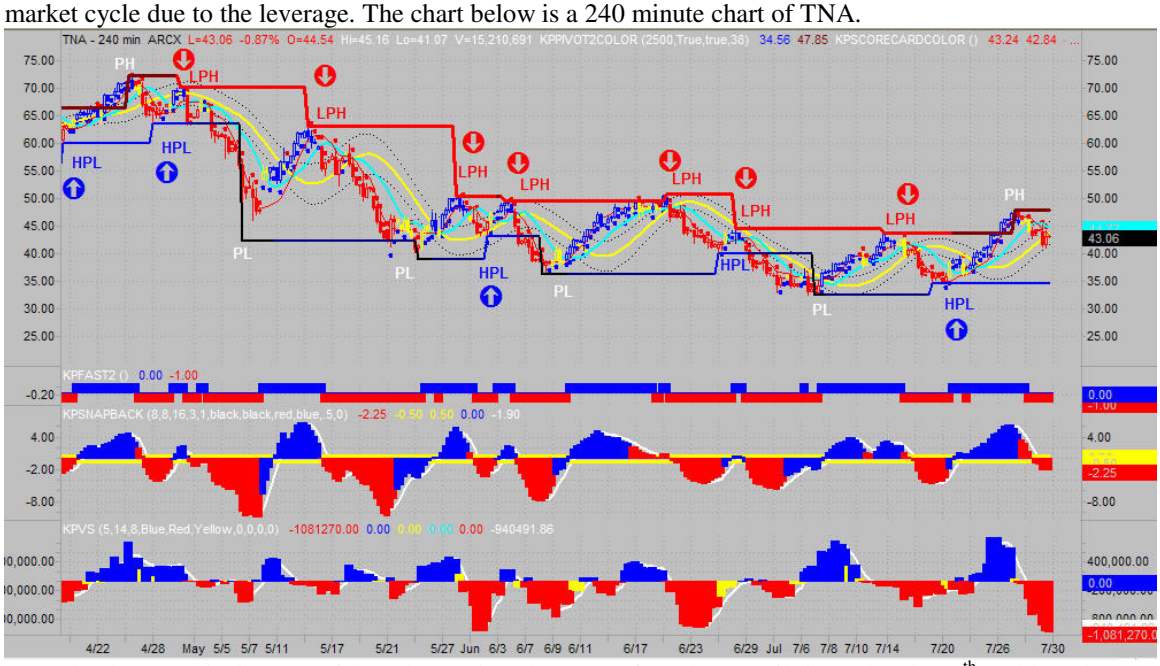
Before moving on any further please go back and review the last 20 pages of material again. We've piled on a whole lot of information and it's very important that you become familiar with the indicators and learn the four basic patterns.

As we've mentioned numerous times, a certain chain of patterns occur at every turning point from one cycle to another. The momentum oscillators help define where we are in a cycle vis-à-vis strength.
As long as Snapback and KPVS are below their white lines, there is more to go on the downside.

As long as Snapback and KPVS are above their white lines there is more to go on the upside. When momentum acceleration begins to deteriorate we are rapidly approaching a cycle reversal. If you are prepared for a cycle reversal you are able to execute the appropriate trading strategy.

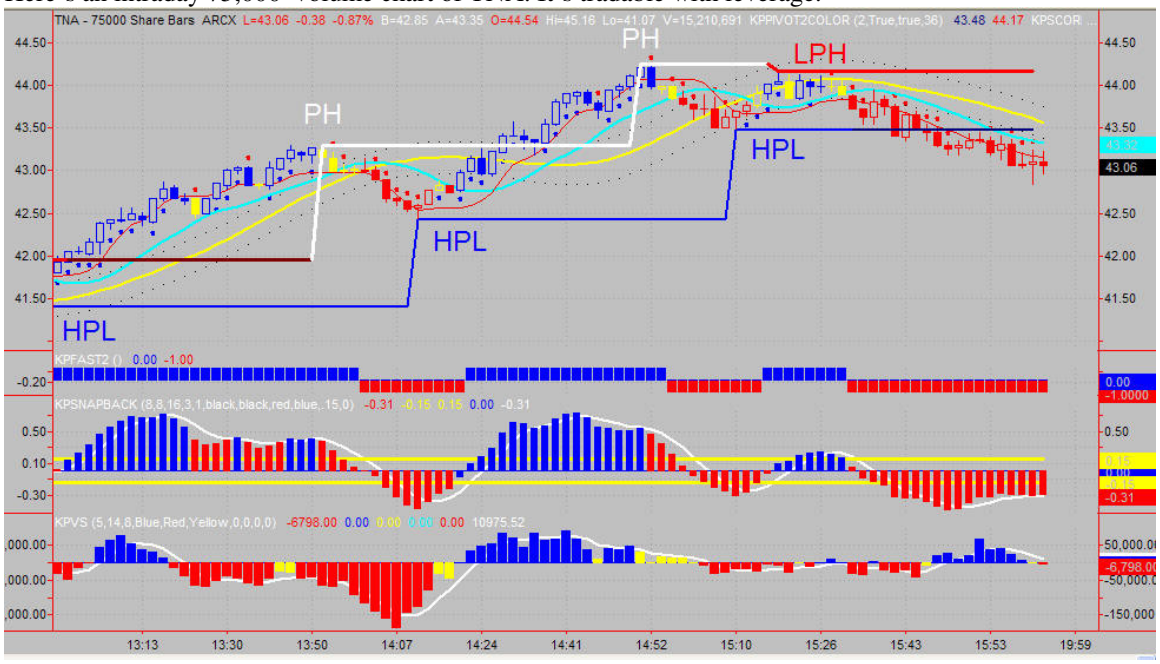
YES… THERE WILL BE ANOTHER TEST SHORTLY!

People often ask us if these indicators can be used to trade stocks. The answer is YES! Let me show you one of my favorite ETF's. TNA is a leveraged long position on the Russell 2000 Small Cap Index. I like this ETF for swing trading a 4 to 10 day cycle, because it moves rather vigorously with each market cycle due to the leverage. The chart below is a 240 minute chart of TNA.



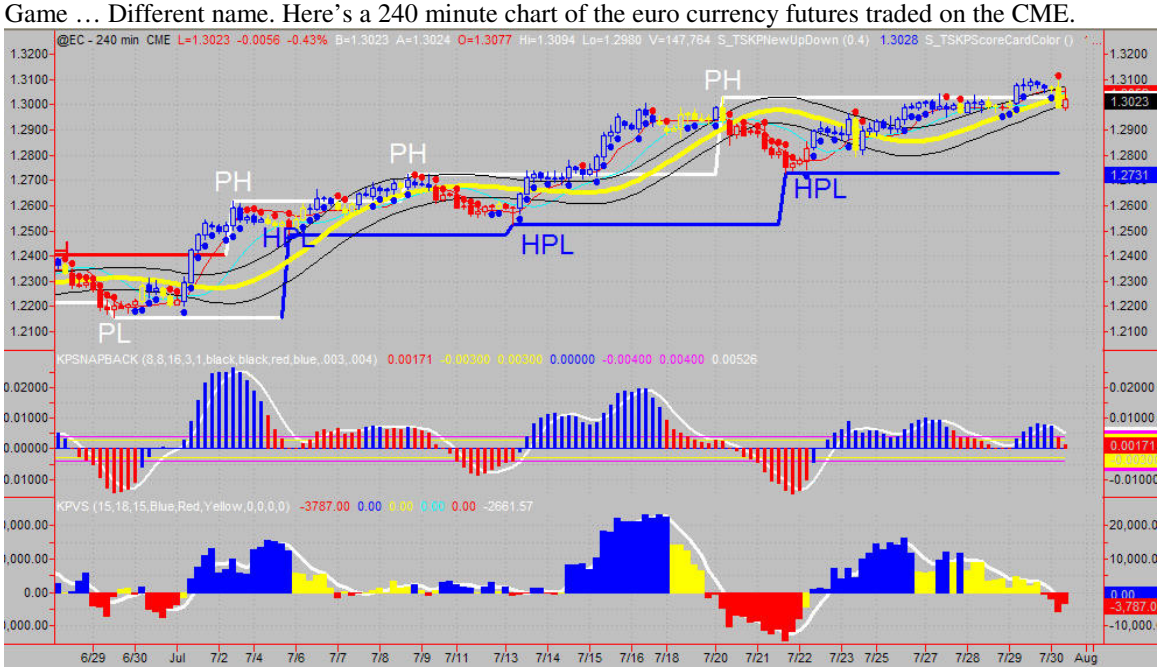
Note the dates on the bottom of that chart. That chart goes from late April through July 30th. Although it looks just like a 7,500 volume chart of the ES, it's actually a 240 minute chart of TNA. Each cycle swing (buying cycle to selling cycle) lasts between 4 to 10 days. This is a great security for swing trading … if you don't mind holding a position overnight in these crazy markets. Try options on this one for extra leverage.

Here's an intraday 75,000 volume chart of TNA. It's tradable with leverage.

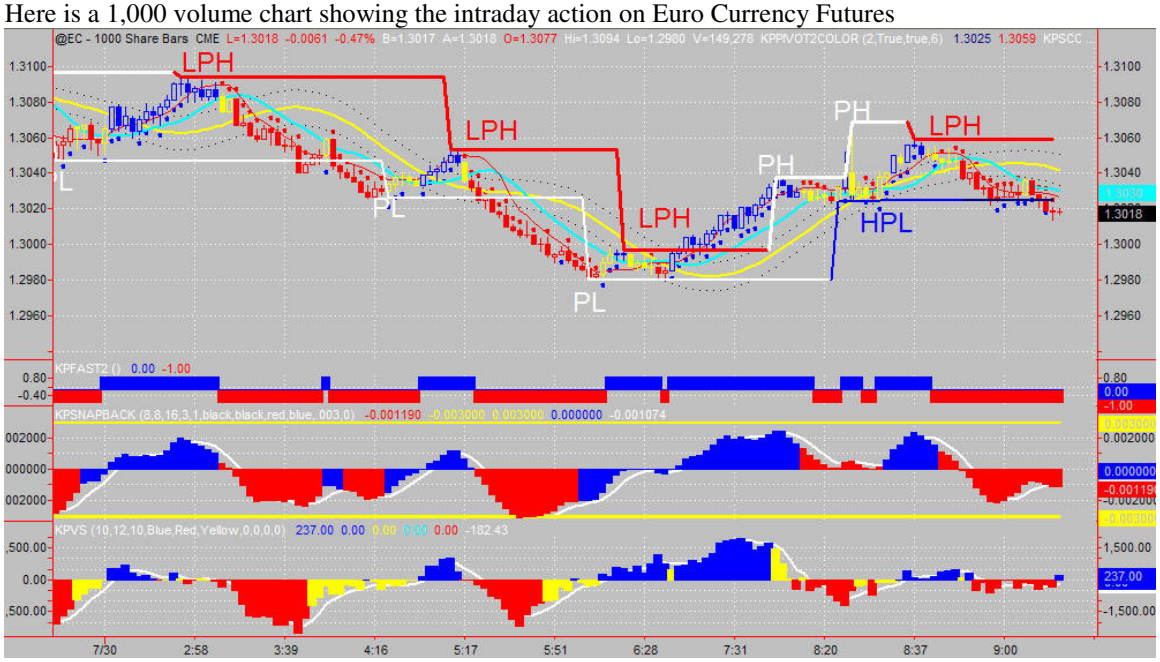


Doesn't that look familiar? Quite frankly, the charts look no different than the 7,500 volume chart of the ES. That's because all markets move the same way.

Once you get the patterns figured out on the ES you can trade any security on any time frame using the same indicators. SAME GAME … DIFFERENT NAME! What about the Currency markets? Same Game … Different name. Here's a 240 minute chart of the euro currency futures traded on the CME.



Here is a 1,000 volume chart showing the intraday action on Euro Currency Futures



These charts and patterns all look the same as the 7,500 volume chart of the ES. The set ups, patterns and trading style are the same. SAME GAME … DIFFERENT NAME. All markets display the same cycles and rhythmic patterns as the ES futures. That means the same indicators and trading methods can be used to trade a wide range of securities in multiple time frames.

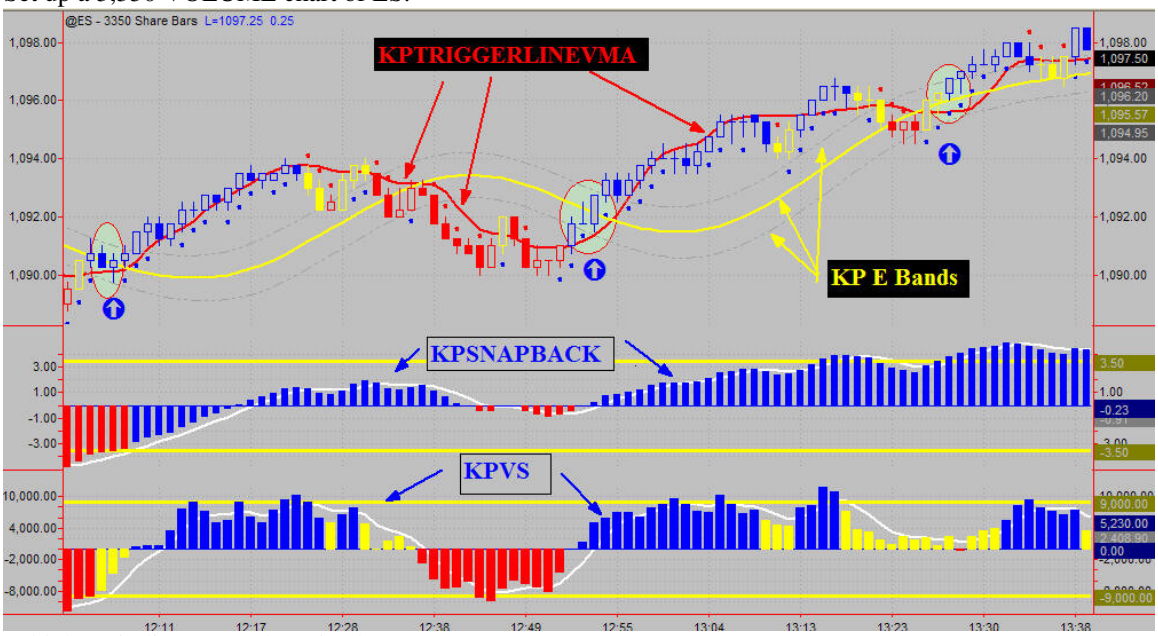
You can use the Kwik*POP Black Box Builder to design strategies on stocks, currencies and other exchange traded instruments.

More on that later.

FILTERS

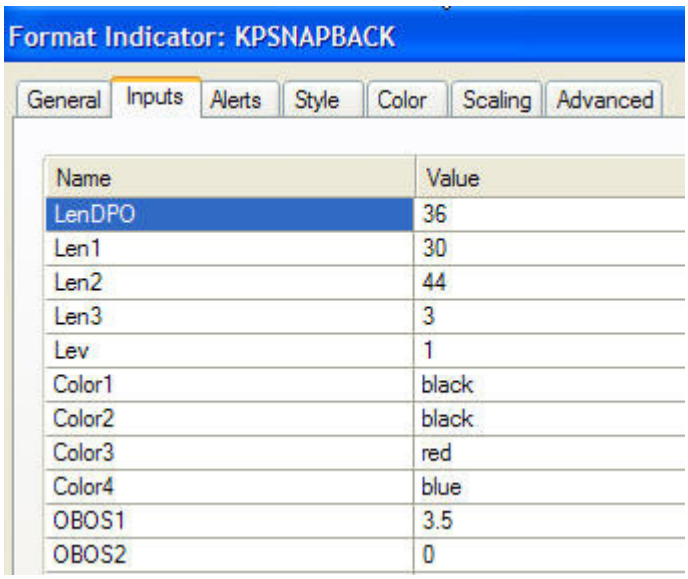
Using a 3,350 volume chart of ES

We've discussed patterns and strategies on a 7,500 volume chart of ES and now we'll explore a shorter intra day interval that can improve timing on entries and offsets on the 7,500 volume chart.
Set up a 3,350 VOLUME chart of ES.



Add these indicators to the price bars.

1) KPSCORECARDCOLOR
2) KPNewUpDown Dots
3) KPTRIGGERLINEVMA
4) KP EBANDS (default settings of length 30 and smoothing 20)
5) KPSNAPBACK
6) KPVS

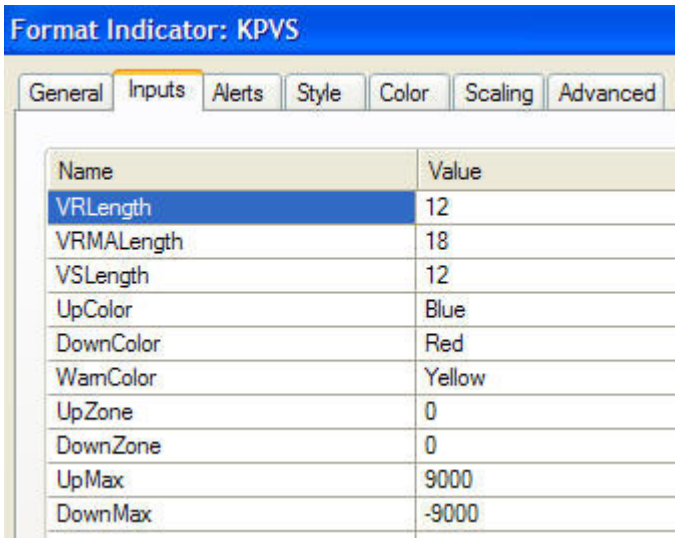


We'll need to adjust the settings on KPSNAPBACK and KPVS. Here are the settings on **SNAPBACK.**

This is the TradeStation version of KP under FORMAT INDICATORS.

In NinjaTrader and Sierra charts you would go into the parameters box and change the settings to the values you see displayed here.

Notice that we are using an Overbought/Oversold value of 3.5 under OBOS1.
OBOS2 allows you to add another plot above and below the zero line if you wish.



KPVS also has dual user defined settings for an overbought oversold line plot.

In this example we are using the UpMax and DownMax for our overbought/oversold levels.

You can add additional lines by placing values in the UpZone and DownZone boxes.

For example; When the vertical bars drop back down below 4,000 after being above that level, or when the vertical bars move up above –4,000 after being below that level, a potential reversal is building.

PURPOSE OF USING A 3,350 VOLUME CHART IN TANDEM WITH A 7,500 VOLUME CHART

In theory, a reversal should always start at the smallest interval first and expand outward to each successively larger interval as the move builds. A 3,350 volume chart is slightly less than half of a 7,500 volume chart. Whenever a pattern is setting up on our 7,500 chart we should see it start to form on the 3,350 first.

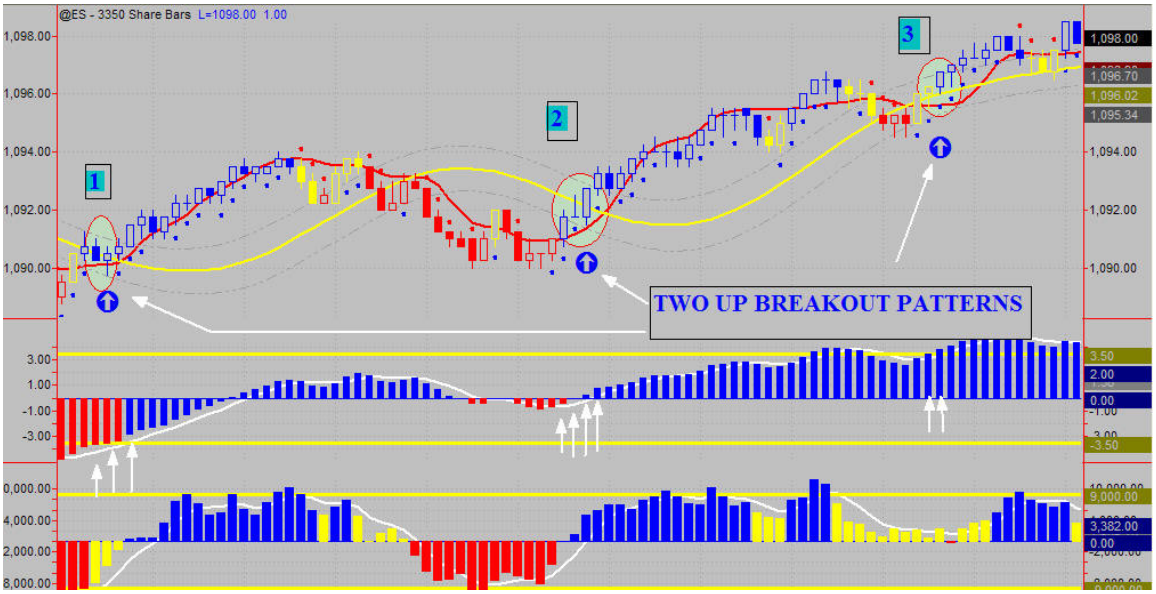
SPECIAL NOTE: The 7,500 volume chart of the ES is your primary chart. That's the one we base all trade decisions on. To filter, or confirm viable set ups on the 7,500 chart we can use other charts such as the 3,350 chart. ALWAYS USE THE 7,500 VOLUME CHART AS YOUR PRIMARY TRADING CHART.

Let's define a breakout BUY SIGNAL on the 3,350 volume chart. We call this pattern a TWO UP BREAKOUT BUY. The reason we call it a TWO UP pattern is because the candlesticks must cross TWO LINES. Please remember that. A TWO UP BREAKOUT PATTERN means the candlesticks have crossed above TWO LINES.

You are probably wondering what those TWO LINES are by now. They are the MEAN (middle of the E Bands) and TRIGGERLINEVMA. For a valid TWO UP BREAKOUT BUY SIGNAL to occur a certain sequence of events must unfold on the 3,350 volume chart.

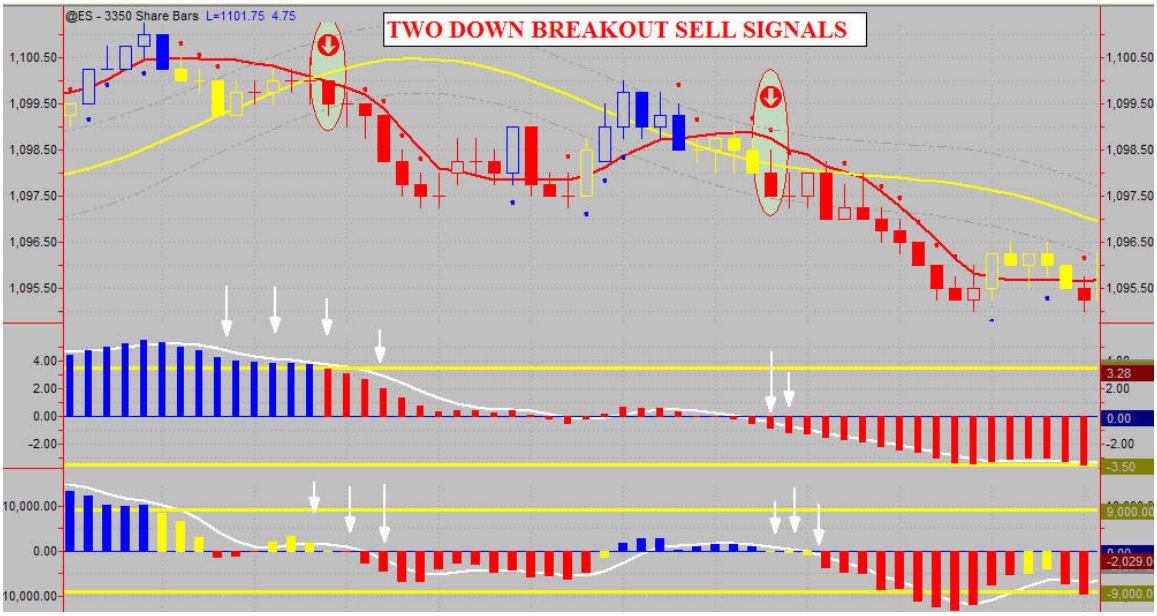
1) prices must be bouncing back up from a selling cycle (red bars)
2) Blue Dots must appear underneath the candlesticks
3) The first OPEN BLUE CANDLESTICK (closes higher than it opened) that CLOSES above both TRIGGERLINEVMA and the MEAN is the TRIGGER BAR for the trade.
4)

Read those three steps over again. Most importantly is the reversal from a selling cycle back to a buying cycle. As upside momentum begins to rapidly accelerate we get a BREAKOUT above those two critical lines. The Blue candlestick must CLOSE above both lines, not just one. In other words, it must cross TWO LINES in order to be a TWO UP breakout pattern. Study the chart below. There are three TWO UP BREAKOUT BUY SIGNALS on that chart. Study the set up as the blue bars broke out above the TWO LINES.



Study all 3 BUY SIGNALS. The first OPEN, BLUE CANDLESTICK to CLOSE above both lines is the TRIGGER BAR. Notice that each signal evolved from a selling cycle that reversed back into a buying cycle. Notice how SNAPBACK and KPVS were both above their white lines and accelerating upwards with prices.

A TWO DOWN BREAKOUT SELL SIGNAL is just the opposite.



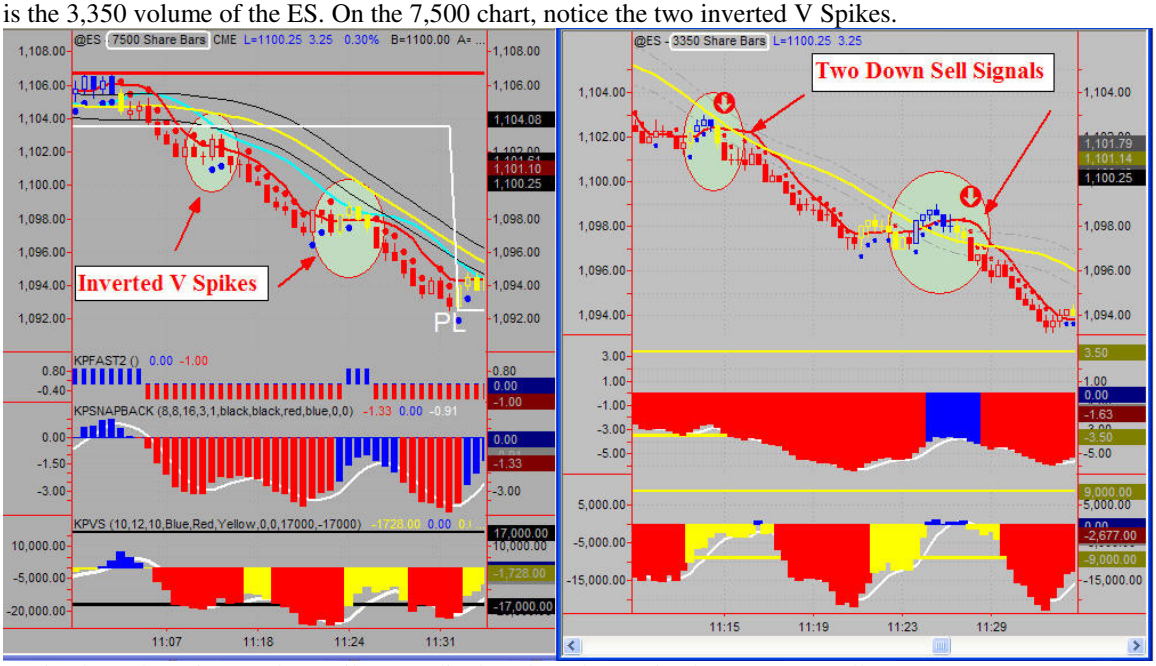
1) prices must be rolling back down from a buying cycle (blue bars)
2) Red Dots must appear above the candlesticks
3) The first SOLID RED CANDLESTICK (closes lower than it opened) that CLOSES below both TRIGGERLINEVMA and the MEAN is the TRIGGER BAR for the trade.

As prices start rolling back down from a buying cycle we start looking for the familiar pattern that sets up heading into a selling cycle.

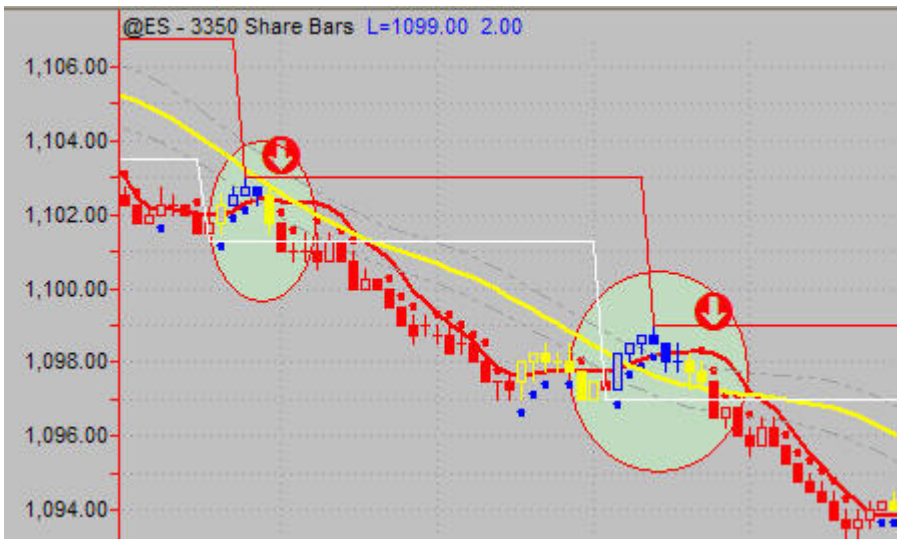
SPECIAL NOTE: The two down or two up patterns are only for the 3,350 volume chart. We don't use that pattern on the 7,500 volume chart. Be certain you don't confuse the two because many, many

times we'll take a trade on the 7,500 chart well away from the MEAN. A trade may set up on the 7,500 chart that is well below the MEAN, but on the 3350 chart prices are crossing the MEAN. That's because of the difference in the intervals.

The TWO UP and TWO DOWN signals are used as confirmation or for an early entry when a pattern sets up on the 7,500 chart. They are especially helpful for targeting V and inverted V spikes. There are two charts below. The one on the left is our primary trading chart, the 7,500 volume of ES. The one on the right is the 3,350 volume of the ES. On the 7,500 chart, notice the two inverted V Spikes.



Notice how those inverted V Spikes are displayed on the 3,350 chart. Two excellent TWO DOWN BREAKOUT SELL SIGNALS. The 3,350 chart not only confirmed the price action on the 7,500 chart, but it also gave you more confidence in taking the trade.



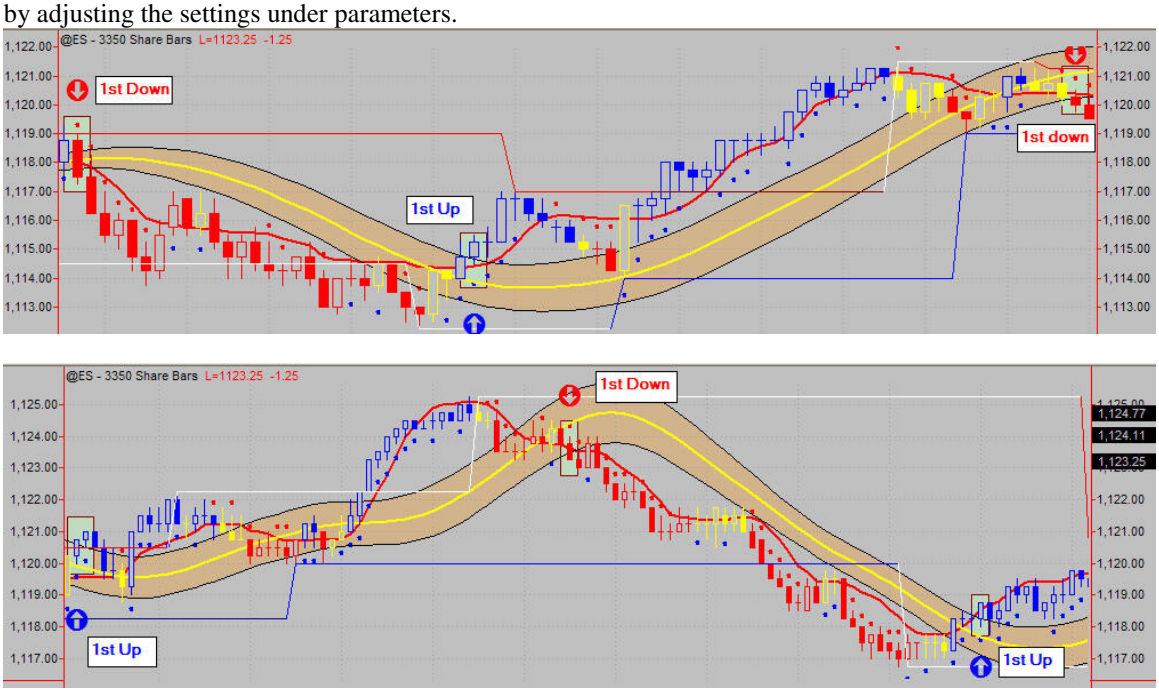
In our chat room, and in the MY TRADES ROOM, we run the 7,500 and 3,350 volume charts side by side because the 3,350 chart picks up subtle little price points that don't show up on the 7,500 chart.

You can add KPPIVOT2COLOR on the 3,350 chart and you get additional support and resistance lines that do not appear on the 7,500 chart. Here's that 3,350 chart above with KPPIVOT2 on it. Notice the support lines on the 3,350 chart that don't show up on the 7,500 chart. It makes the TWO DOWN BREAKOUT SELL SIGNALS more dramatic and gives you additional reference points on a trade.

WIDE STOPS USING 3350 E BANDS

The E BANDS offer an interesting, dynamic reference point since they are a smoothed component of a standard deviation calculation. They are intrinsically linked to price but respond very different from a moving average. The upper and lower sides of the E Band are barriers that act as soft support or resistance. If those barriers are breached it shows strength in the price action. IN a way, they can be used as break out bands and can also be used as a dynamic trailing stop.

Study the two charts of the 3350 E Bands below. I've colored in the middle of the E Bands by hand since this is a TradeStation chart. On NinjaTrader and Sierra Charts you can automatically have them colored in by adjusting the settings under parameters.



I've highlighted the first candlestick to close above the upper E BAND and the first candlestick to close below the lower E BAND. Although the candlesticks can change color back and forth many times on the way down or up it takes a lot of PUNCH for prices to reverse in the opposite direction and CLOSE through the E BANDS. That's because we're using a linear regression length of 30 and a smoothing variable of 20.

In an earlier section we discussed the E Bands and stated that at some point prices always come back to the mean (middle of the E Bands). We didn't say that if prices come back to the mean they would automatically cross the opposite side of the E Bands. Many times they don't cross back in the opposite direction. The E Bands are like GLUE. In an Up move, many times prices will roll back down into the E Bands, won't close below the lower E Band, and turn back up again.

Study the 1st Up arrow on that second chart, the one on the far left. Prices punched above the UPPER E Band, rolled back down, all the way to the lower E Band, ***BUT DIDN'T CLOSE BELOW THE LOWER E BAND***. Then prices spiked back up again, breaking out above the upper E Band a second time. Again, a second time they rolled back down. This time they came very close to breaking below the lower E BAND, ***BUT THEY DIDN'T CLOSE BELOW THE LOWER E BAND.***

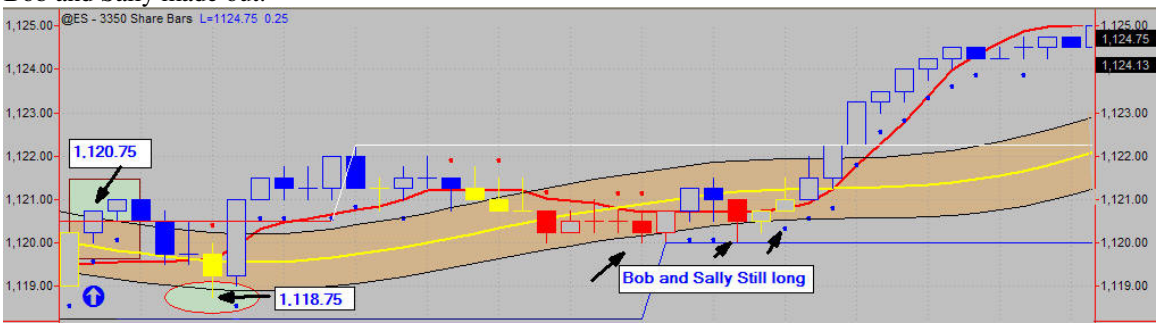
Prices spiked back up once again and this time they really blasted off. Finally, on the pullback off that last rally prices CLOSED below the lower E BAND and that capped it. Notice how the E BANDS had also moved up on that rally so that when the red candlestick finally closed below the lower E BAND the exit was still tow handles higher than the entry. Think about that for a moment. How can that phenomenon be used in a trading strategy?

There are all kinds of trade management strategies that can be designed around the amount of capital you commit to a trade (intra-day margin), the leverage on your total capital base (% risk), your personal risk tolerance and your personal style of trading. Most people prefer to use what is termed a 'hard' stop loss. That's an actual price point where a stop or stop limit order is placed automatically once they are filled on a position. Once that stop is entered it is now a target.

Can you react to a threat quickly, or do you need a hard stop to make sure you don't screw up? If you can react quickly, then you should use a 12 tick trailing stop and get out at the first sign of a breakdown, well before your stop is hit. If you are slow n the trigger finger then you should use a tighter stop. Let's compare the use of a hard stop versus reacting to confirmation of a failed trade.

Let's say you use a hard stop of 8 ticks from your fill. Let's say Bob and Sally use a 12 tick hard stop as an airbag safety measure and try to scramble out before their 12 tick stop is hit. Now Bob and Sally need something definitive to tell them it's time to panic out of a trade, while you just let prices hit your 8 tick stop if the trade bombs out.

Bob and Sally decided that they'll stay in the trade until there is a close outside the E Bands in the opposite direction of their position. If they are long, they stay long until there is a close below the lower E Band and then they scramble out of the trade. Let's examine that second chart and see how you made out and how Bob and Sally made out.

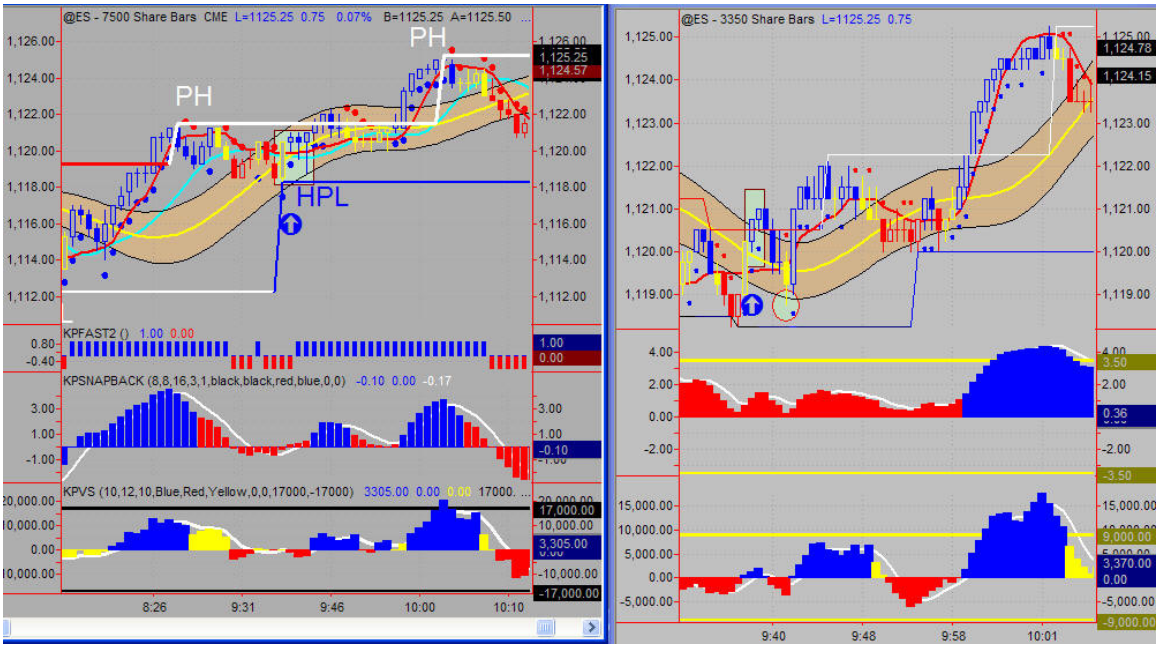


You, and Bob and Sally bought at 1,120.75. You used an 8 tick Hard stop. You got stopped out on that yellow candlestick that touched 1,118.75 for an 8 tick loss. Bob and Sally were still long because there was no close below the lower E Band. A little later prices rolled back down to the lower E Band and nearly closed below it. Notice how the E Band had moved up so that the lower E Band was at 1,120.50. That's important so please make a note of that. Bob and Sally's loss would have been much smaller than 8 ticks had prices closed below the lower E Band on that second roll back. Still, prices didn't close below the lower E Band, so Bob and Sally stayed long. Then prices rallied up to 1,125 and Bob and Sally were happy while you were upset.

I AM **NOT** TELLING YOU TO USE THIS EXAMPLE FOR A TRADING STRATEGY! I am trying to get you to focus on the relationship between price and the E Bands. That trade was a very, very ugly HPL buy signal that set up right after the open. The shot below shows both the 7,500 and 3,350 charts on that set up. When looking at the 7,500 chart you don't notice the long tail on one blue candlestick that dipped down to 1,118.50. That long tail was a killer for those using an 8 tick trailing stop. You can see the damage on the 3350 chart and you felt the damage if you had a 'hard' 8 tick stop below your fill.

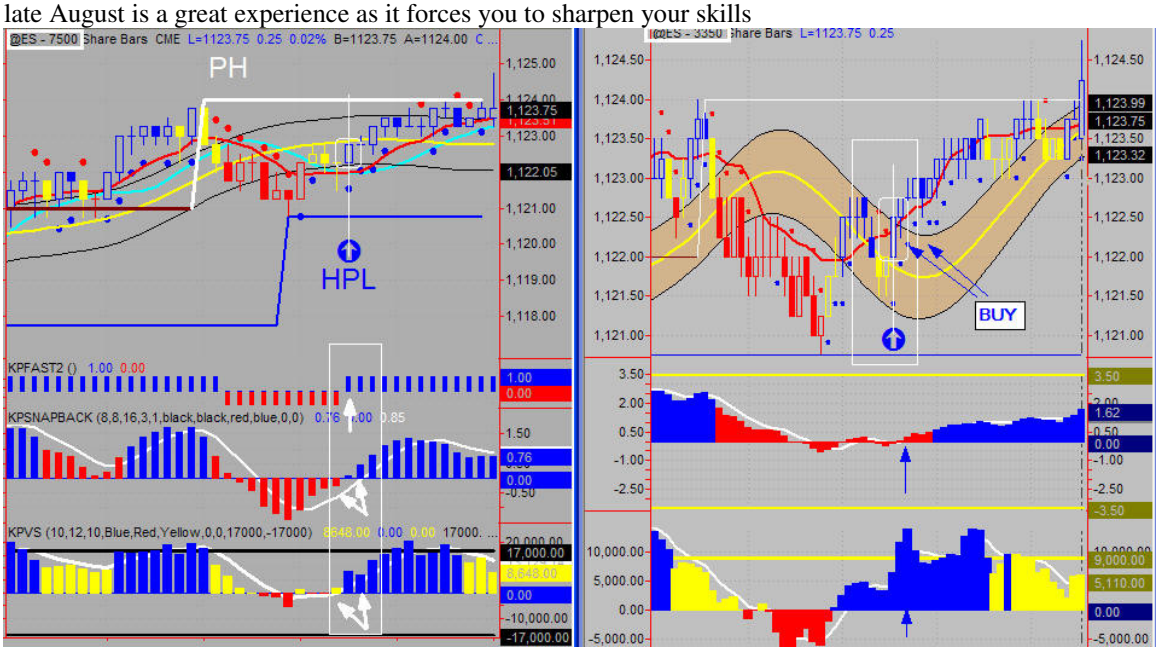
On the chart below, look at the E Bands on the 7500 chart. Notice how prices flopped around but never closed below the lower E Band until after the rally up to the 1,125.00 area. Using the E Bands as your bailout on runners is a good strategy if you want to use a wider trailing stop. We'll discuss that a little later.

For right now, we're throwing out ideas for you to examine as you start designing your own custom trading strategy. By observing the interaction between price and the Kwik*POP indicators you'll start noticing patterns and set ups that can be tested out with the Black Box Builder.



When examining the E Bands you'll start to notice the changes in distance between the upper and lower E Band at each turning point. On the 3,350 volume chart the bands expand out to about 9 ticks and contract to approximately 3-4 ticks. In a high volatility environment the E Bands on the 3,350 volume chart can be as wide as 12 ticks. Those values can be used in a trading strategy or for designing your own black box system. For now, consider the 3,350 chart as a filter and confirming tool for set ups on the 7,500 volume chart. Whenever we see a cycle change setting up on the 7,500 chart look for a TWO UP or TWO DOWN pattern on the 3350 chart as confirmation of momentum strength up or down.

The chart above and the chart below are very sloppy, choppy summertime markets. The markets tend to be much more volatile at other times of the year and the trading is **definitely easier in higher volatility environments.** But, in order to trade for a living you need to be able to be consistently profitable in all market conditions. Trading in low volume choppy markets during the summer months of late June through late August is a great experience as it forces you to sharpen your skills



Let's examine another trading set up and we'll use a slightly different money management strategy. The chart on the left is the 7,500 volume chart, our primary chart. The chart on the right is our 3,350 confirming/timing chart. A higher low pivot BUY is confirmed with the first blue candlestick on our 7,500 as that selling cycle terminates. Once that blue candlestick prints on the 7,500 volume chart we should see a CONFIRMING TWO UP on the 3,350.

Notice the rectangle on both charts. We got the blue candlestick on the 7,500 chart and as that was happening we got our TWO UP BUY SIGNAL on the 3,350 chart as well. **THAT'S A GO!**

LET'S REVIEW THE SET UP AND EXAMINE WHY WE FAVORED THE BUY SIDE

Let's examine the conditions on the 7,500 volume chart as the HPL formed. Prices had dropped below the lower E BAND on the selling cycle after a new PH had formed and our MoMo read (Snapback and VS) were supporting the move down. Then, suddenly, prices spiked back up again. On our 7,500 chart that price spike back up produced an open red candlestick (closed higher than it opened) and that red candlestick had a blue dot underneath it (short term momentum was accelerating back up again).

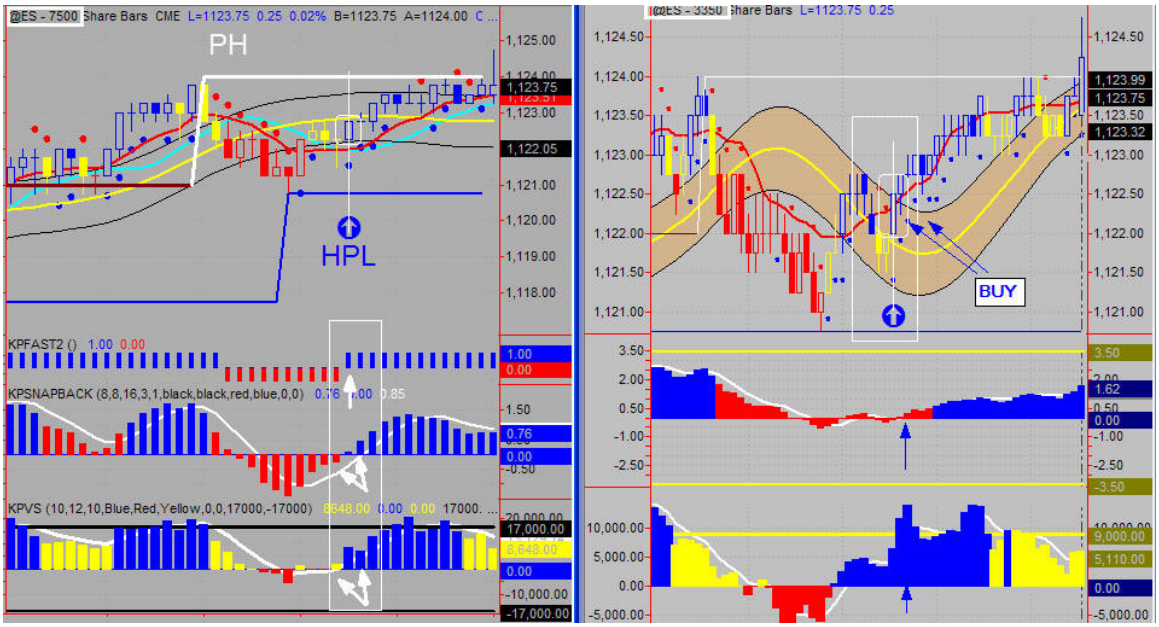
OUR BIAS WAS BULLISH BASED ON THE FIRST NEW PH
Study that PH (pivot high) on the 7,500 chart for a moment. Prior to that PH, the resistance line was red. When the resistance line is RED, we are in a downtrend. Prices had turned back up and then 'BROKE OUT' above the resistance line. Obviously, the prior downtrend was over once prices closed above the resistance line. Granted, it was a very sloppy, choppy(summertime) move, but prices rallied up and made a FIRST NEW PIVOT HIGH (PH). We have a rule that goes along with THE FIRST NEW PIVOT HIGH (PH) THAT TERMINATES A DOWNTREND.

Please make a note of this rule because 80% of the time it is accurate. It's so reliable we'll state it in biblical terms; THE FIRST NEW PIVOT HIGH (That terminates a downtrend) BEGETS THE FIRST NEW HIGHER PIVOT LOW (HPL). Please grab a piece of paper and right that down.
THE FIRST NEW PIVOT HIGH (That terminates a downtrend) BEGETS THE FIRST NEW HIGHER PIVOT LOW (HPL). That is a very important statement you need to remember because the first new PH off a downtrend is the start of a new up trend. An up trend is higher highs and higher lows. 80% of the time once a new PH forms off a downtrend (that new PH terminates the downtrend) a HIGHER PIVOT LOW forms shortly after. We BUY a HPL! 80% of the time is damn good odds.

SO! Whenever you see the first new PH form off a downtrend there is an 80% probability that a HIGHER PIVOT LOW will form and a new UP TREND will be in motion. This information (RULE) is important because it changes your strategic assessment of what the market will most likely do next. In an UP TREND we want to BUY THE DIPS. Whenever the market pulls back and a HPL forms in an up trend we BUY THE HPL. With this insight in mind, your strategy changed after that PH formed on the 7,500 volume chart. You were now looking to BUY the next higher low that formed. That means you must patiently wait out the selling cycle a get ready to BUY THE HPL.

WHY? The odds of success on taking a BUY SIGNAL in a new up trend are 50% greater than the odds of taking a short trade in a new up trend. The momentum has shifted in favor of the buyers when the first new PH forms off a downtrend. ***WE PLAY THE ODDS***. Understanding that the first new PH has an 80% probability of producing a HPL buy signal means we don't try to short the selling cycle that formed off the new PH. We wait patiently for a HPL signal to set up. Again, ***THE FIRST NEW PIVOT HIGH (That terminates a downtrend) BEGETS THE FIRST NEW HIGHER PIVOT LOW (HPL).*** Please write that down.

OK, we've sized up the situation off that new PH and we are looking for signs that a HPL will form giving us a buy signal. Prices had dropped below the lower E BAND on the selling cycle after a new PH had formed and our MoMo read (Snapback and VS) were supporting the move down. Then, suddenly, prices spiked back up again. On our 7,500 chart that price spike back up produced an open red candlestick (closed higher than it opened) and that red candlestick had a blue dot underneath it (short term momentum was accelerating back up again).



Even more significant was the fact that the red open candlestick with the blue dot actually pulled Snapback back up to its white line. That red candlestick closed above TriggerlineVMA. The next candlestick was a yellow (color change) candlestick with a blue dot underneath. That told us a buying cycle was imminent. Snapback was now well above its white line, accelerating up with price and KPVS had also moved back above its white line.

Although our 3350 flashed a TWO UP BUY, we had no blue candlestick forming on our 7,500 chart … so we wait. Shortly thereafter a blue candlestick started to form and we got a second TWO UP BUY SIGNAL confirming the buy cycle. That was a GO! Whenever a blue candlestick starts forming on a higher low set up we should also get a confirming two up buy signal on our 3,350 chart.

WHAT DO YOU MEAN A BLUE CANDLESTICK STARTED FORMING ON THE 7,500?

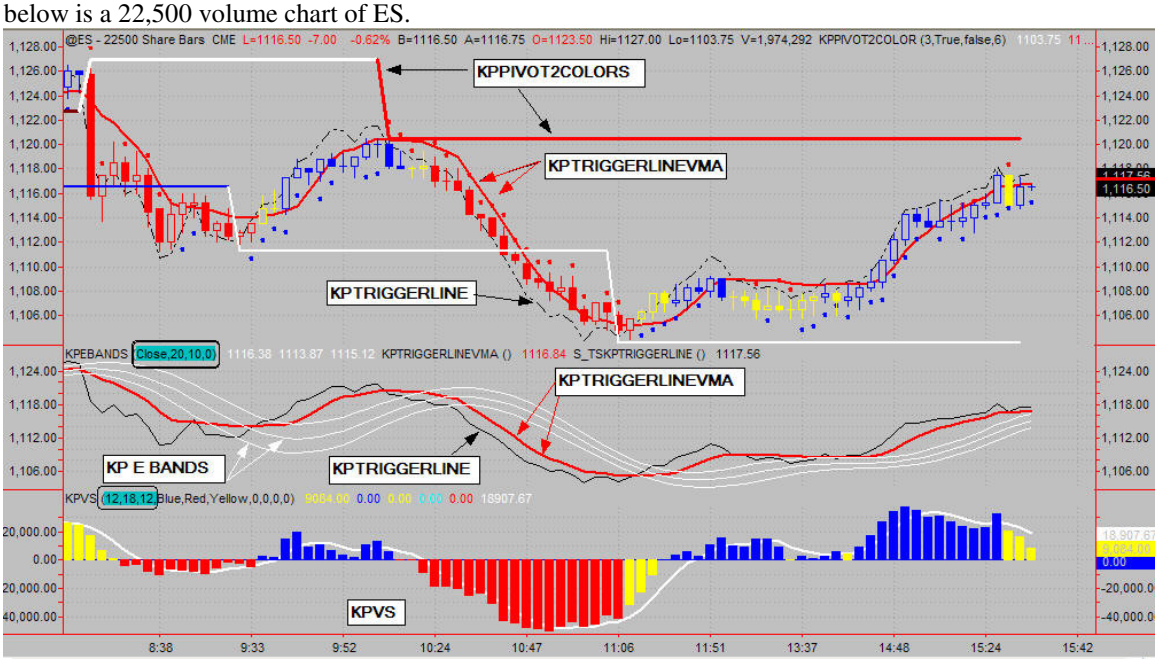
The scorecard colors are set to update INTRA-BAR. As the value achieves a score of +5 or greater the candlestick starts turning blue even before the candlestick has completed. THAT'S IMPORTANT TO KNOW. Why? Well, if the candlestick on the 7,500 chart starts to flicker blue and we get a TWO UP BREAKOUT BUY SIGNAL on our 3350 chart during that candlestick forming on the 7,500, the 3350 breakout pattern is telling us that there is a 90% probability that the 7500 candlestick will close as a blue candlestick and we'll have a confirmed buying cycle(HPL) which we can buy.

Think of it this way. If you are looking for a buying cycle to form, you are watching for the first blue candlestick to appear on the 7,500 volume chart. A candlestick starts out and it's yellow. As prices move higher the candlestick turns blue. Then prices fall back and the candlestick turns yellow again. This is all happening while the candlestick is still forming. Obviously, at the higher end of the range the candlestick is blue and it's yellow at the lower end of it's range. Using the logic of Mr. Spock, we know if prices go higher the candlestick will be blue. Therefore, A BUY STOP one tick above the current high of the candlestick will get us long on a blue candlestick …IF IT ACTUALLY CLOSES BLUE. The TWO UP pattern on the 3350 volume chart, while the blue candlestick on the 7500 chart is still forming says the odds are 90% in favor of that candlestick ending up blue.

WE BUY ON THE TWO UP BREAKOUT PATTERN on the 3350 volume chart and we are filled as the 7500 candlestick closes and turns blue. Please don't forget the other supporting evidence…snapback was accelerating up aggressively as the 7500 candlestick was starting to turn blue and KPVS was also blue and

above its white line. In other words, we had compelling evidence suggesting the odds were quite good that we'd get a blue candlestick once it closed. Empirical analysis sounds complicated, quite boring and subjective. But didn't we just go through a checklist of conditions that normally appear when a selling cycle ends and a buying cycle begins? Didn't we make a logical assumption based upon empirical observations over hundreds of set ups? When the conditions line up the same way, over and over again, the outcome becomes obvious.

OK. We've examined the 3,350 chart, a shorter interval, as a filter for our primary chart, the 7,500 volume chart of ES. Let's go the other way and look at the 'BIG' picture with a larger volume chart. The chart below is a 22,500 volume chart of ES.



Here are the indicators on that chart.

1) Scorecard colors
2) KPPIVOT2COLORS Text is set to FALSE
3) KPTRIGGERLINE (black dashed line on the candlesticks)
4) KPTRIGGERLINEVMA (Red line on candlesticks)
5) KP E BANDS in sub graph 2. Settings: Length 20 smoothing 10
6) KPTRIGGERLINE in sub graph 2 (Black line)
7) KPTRIGGERLINEVMA in sub graph 2 (Redline)
8) KPVS in sub graph 3 Settings: 12,18,12

The 22,500 volume chart of ES is not a timing chart. It's used to give us a 'bias' to the market, bullish or bearish. It tells us the tone, or strength of moves up or down. The indicators on that chart are positioned to tell us when we have maximum buying pressure or maximum selling pressure. This reading can help us determine when to hold on to a position longer in hopes of squeezing out more juice from a trade.

Remember, our 7,500 volume chart is the **primary chart**. We use the 3,350 and 22,500 charts as filters that give us better insight on how the market is moving at various price levels. We'll examine the profile of a strong rally and a strong decline on the 22,500 and create a checklist that is quite easy to use. We are now talking about using 3 charts in tandem and for those of you that are challenged looking at more than one chart … don't worry. We only glance at the 3350 and 22,500 when we see a pattern setting up on our 7,500 chart. You really need two monitors to do this properly.

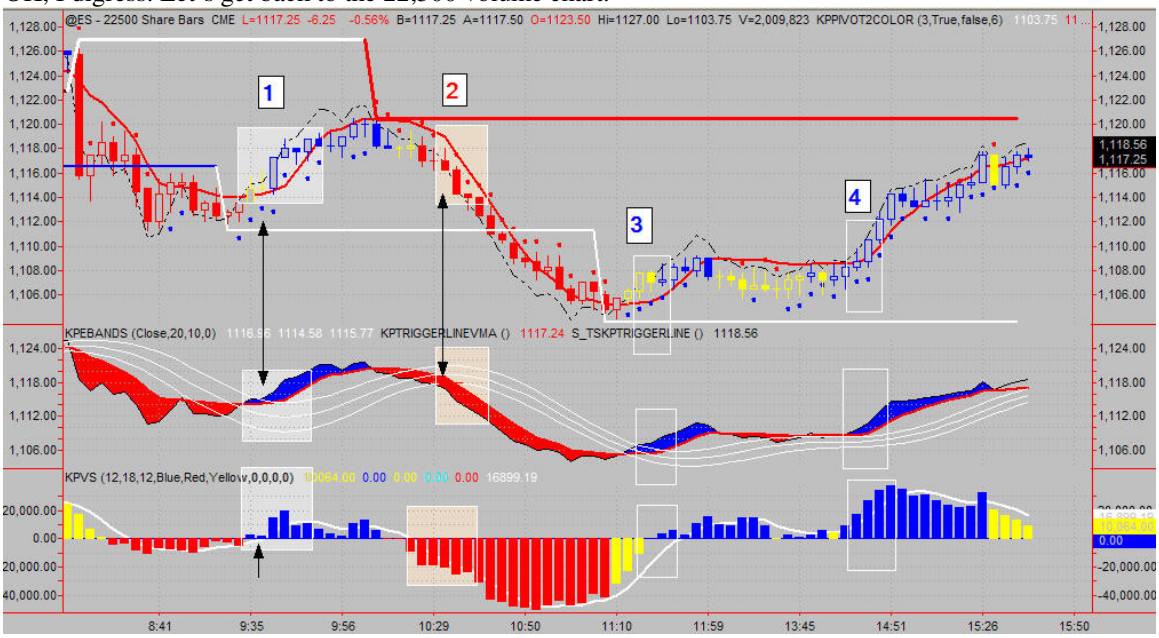
I recently had a discussion with a gentleman who was upset about using three charts because, on his laptop, the charts were all crunched up. When I opined that he should get a midrange desktop computer with dual 22" monitors he got rather upset with that suggestion and stated "I'm not going to waste that kind of money

on day trading!" That's where our conversation halted as I told him he was not ready for prime time and ended our conversation. Trading is a business, a very challenging business and in order to make your business profitable you need the best tools you can afford.

Today, for a mere $450.00 you can get a computer with 25 times more horsepower and intelligence than a top of the line computer that cost $1,800.00 just four years ago. Today, you can buy 22" flat screen monitors for a mere $189.00 apiece. Those monitors were nearly $500.00 each five years ago. Today, for a mere $800.00 you can have a fantastic trading station and I submit that anybody that is unwilling to step up to that level on their equipment is not committed to becoming a successful trader.

We've been licensing Kwik*POP for 11 years now and over that time we've met some interesting characters. There are a large number of suckers out there that have been convinced that they can take a mere $3,500.00 in trading capital and turn that into $50,000.00 in 45 days trading futures or forex currencies. Those people are foolish gamblers that are looking to be punished and in the futures and forex arena they get rolled and mugged very, very quickly.
If you take a long hard look in the mirror and realize that you are a gambler then don't waste your money trying to learn how to trade. Fly out to Las Vegas. Stay in a swanky hotel. Get lots' of booze and spend 3 days gambling your brains out. After you've piddled away 4 or 5 thousand dollars return back home to your mundane 9-5 existence. That will be more fun than getting slapped around in the futures or forex market until you get a margin call. At least in 'Vegas' they provide free drinks to gamblers.

OK, I digress. Let's get back to the 22,500 volume chart.



On this chart I've marked points 1 through 4. Each of these points had a STRONG reading Let's create our simple check list for these conditions. We'll start with point 1 STRONG UP.
On the candlesticks;

1) Triggerline is above the middle of the candlestick
2) Triggerline is above TriggerlineVMA
3) Candlesticks are closing above TriggerlineVMA

OK, that's easy to see, but we need to filter those conditions so we'll go to sub graph 2

4) Triggerline is above triggerlineVMA
5) Triggerline is above the upper E Band

The last ingredient is KPVS in sub graph 3

6) KPVS must be blue

Those 6 conditions are easy to read, just look from top to bottom on that chart. Look at points 3 and 4. Same conditions. Whenever you see that type of positive alignment on the 22,500 chart it suggests (doesn't guarantee) that prices will probably press higher. Study that chart carefully in light of those 6 conditions.

Let's look at sellside pressure.

1) Triggerline is below the middle of the candlestick
2) Triggerline is below TriggerlineVMA
3) Candlesticks are closing below TriggerlineVMA

OK, that's easy to see, but we need to filter those conditions so we'll go to sub graph 2

4) Triggerline is below triggerlineVMA
5) Triggerline is below the upper E Band

The last ingredient is KPVS in sub graph 3

6) KPVS must be red

Obviously, the sellside conditions of strength are the opposite of buying strength. Study point 2 and go through the checklist.

Now look at that chart between 11:59 and 14:30. Notice how Triggerline was below TriggerlineVMA and the price bars were closing below TriggerlineVMA. Was that a strong sell? **NO!** Was Triggerline below the midpoint of the price bars? NO! Look at sub graph 2. Triggerline was well above the lower E Band. Look at KPVS … was it red? **NO**! During that time we had no serious selling pressure as prices gently drifted lower to sideways. We had a lot of yellow candlesticks, but study the dots on those candlesticks. At first they were red. Then, after awhile they all started turning blue. Prices started drifting back up towards triggerlineVMA on the candlestick chart. During that time in sub graph 2 triggerline stayed well above the lower E Band and in sub graph 3 KPVS stayed blue.

Although prices had fallen back after 11:59 AM there was still no selling pressure and, in fact, there was a modest bullish bias as Triggerline refused to drop below the middle of the price bars. Notice how it constantly stayed at or above the high of the candlesticks. That modest bullish bias really strengthened as prices closed back above triggerlineVMA. Study point 4. THAT'S A STRONG MOVE! Go through your checklist at point 4 on that chart. Again, THAT'S A STRONG MOVE!

After looking at that 22,500 chart a good number of you will say "Well shoot, what do I need all of the other charts for, I can just use that one chart!" Trust me, that would be a mistake. When the market turns from down to up or up to down on a 22,500 chart the swing can be 5 handles or more. For a trader with a small account those types of swings could crush you, especially if you're overleveraged. The chart above was on a day where we had a 20 point range, down 20 and back up 16. Volatile days like that are great on a 22,500 chart, but during the low volume, low volatility summer months, those days are the exception to the norm. Typically, during the summer, the average daily range is 10-12 handles. By the way a 'HANDLE' is one full index point (4 ticks).

The **7,500** chart is your primary chart. That is the one that gives us reliable HPL and LPH signals. That's the chart that allows us to objectively define the short term trends intra-day. The 3,350 chart is a great tool for timing and confirming set ups on the 7,500 chart. It also provides valuable support and resistance levels that don't appear on larger interval charts such as the 7,500 or 22,500 charts.
The 22,500 chart is our 'BIAS' or market tone chart. We use that to determine when we should hold on for a larger gain once we are in a trade. At least once a day there is a really strong move up, or down. The 7,500 chart and the 3,350 chart get us on the right side of the move. The 22,500 chart tells us whether we should hold on for more. It tells us how strong the move up, or down is and that's valuable information when used properly.

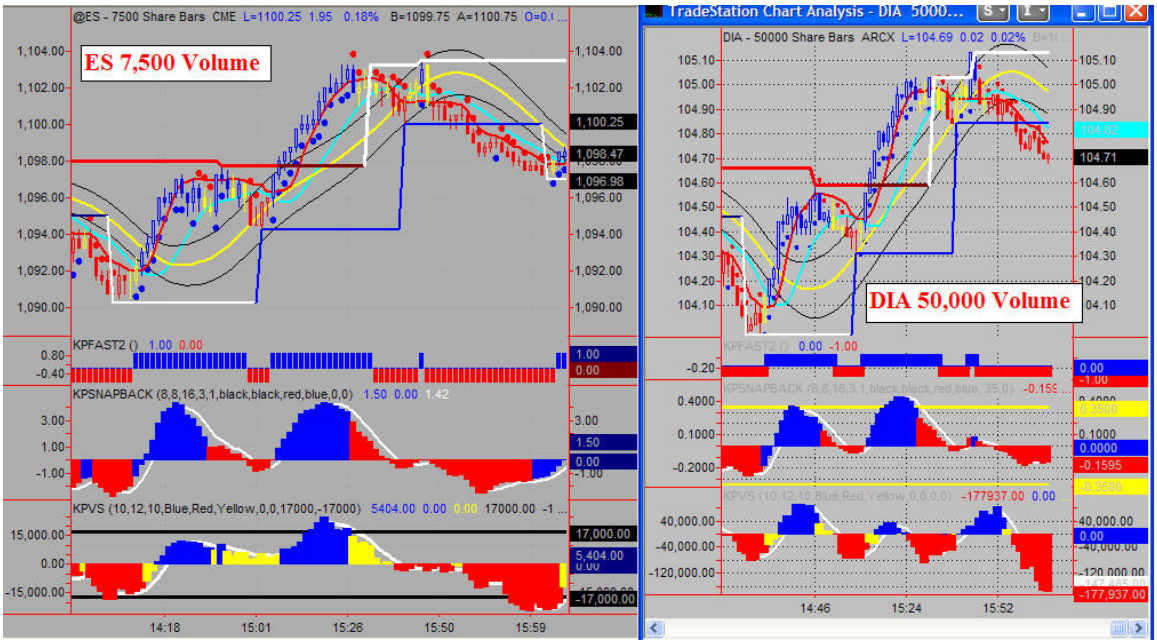
Each Kwik*POP customer needs to become familiar with and comfortable using these three charts for trading the ES mini futures. Obviously, you'll need enough computer screen real estate to show these three charts so we urge all traders to have at least two monitors. Don't scrimp on the equipment. If you are going to succeed you need every advantage and being able to watch these three charts in real time will give you a dramatic edge on the market.

ADDITIONAL FILTERS AND CONFIRMATION TOOLS

I don't want to beat a dead horse to death, but you really need to have the 7,500 … 3,350 … 22,500 charts on your screen at all times when trading the ES. You need to learn how to read those three charts at every turning point from one cycle to another. If you are unwilling or unable to commit to learning how to read those three charts then you are not serious about learning to trade for a living.

Assuming that you have some screen space on your monitors we'll share some other helpful tools designed to improve the bottom line. Another filter we like to use is a 50,000 volume chart of the ETF called DIA (Diamonds). That's an ETF of the Dow Jones Industrial Average DJIA.
The Dow is a price weighted index of the biggest blue chip stocks. A **price-weighted index** is a stock market index where each constituent makes up a fraction of the index that is proportional to its price. For a stock market index this implies that stocks are included in proportions based on their quoted prices. A stock trading at $100 will thus be making up 10 times more of the total index compared to a stock trading at $10. It only takes one or two high priced stocks to push the Dow around due to the weighting calculation.

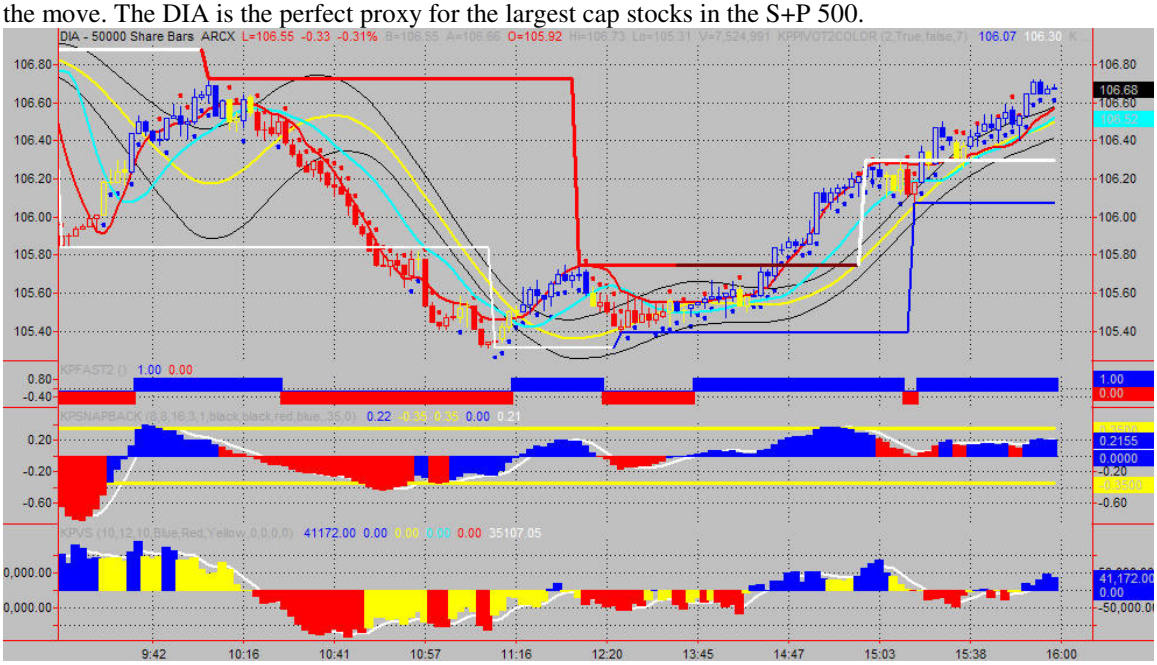
Most of those Dow stocks are also in the S+P500 which is a capitalization weighted index. The weighting component on the S+P 500 favors the large caps over those with lesser capitalization. The index has traditionally been market-value weighted; that is, movements in the prices of stocks with higher market capitalizations (the *share price* times the *number of shares outstanding*) have a greater effect on the index than companies with smaller market caps.
In other words the largest cap components of the S+P 500 index tend to pull the index up and down most of the time. Since most large cap Dow stocks are part of the S+P 500 and their cap weighting is greater than lesser cap stocks in the index, logic dictates that most times, the Dow and S+P 500 should move in tandem.



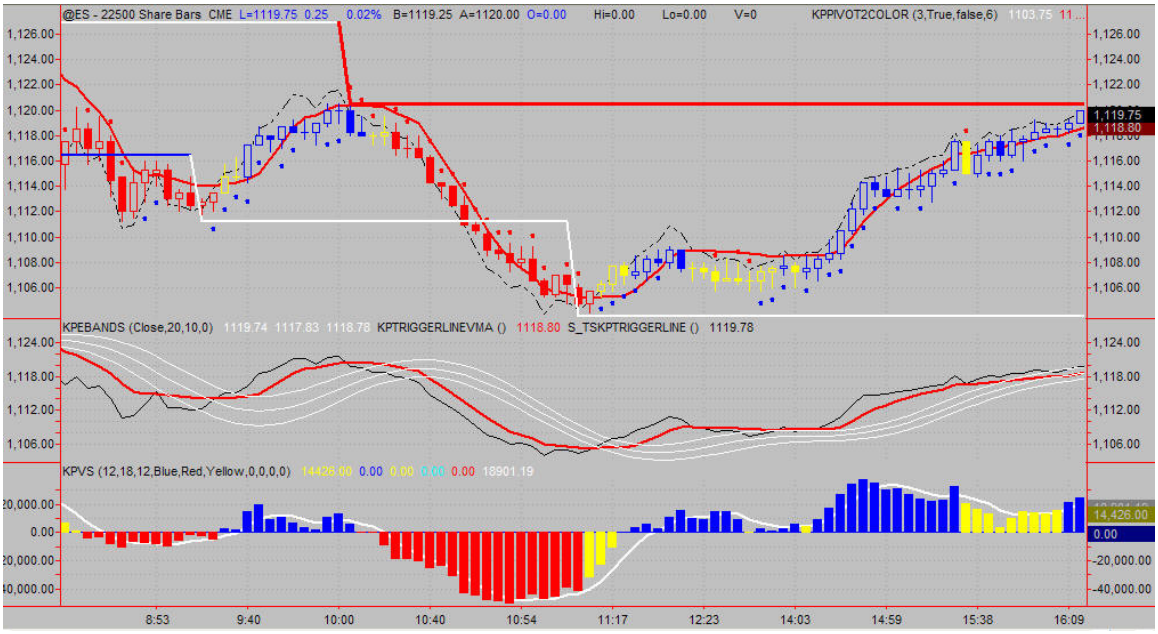
The chart on the left is our ES 7,500 Volume chart. The chart on the right is a 50,000 Volume chart of DIA (Diamonds ETF). Notice that the patterns are the same for the same time frame. Normally, these two charts move in tandem. Periodically, we'll see the S+P 500 trying to go down while the DIA is moving higher. Or, the S+P 500 is trying to go higher while the DIA is moving lower.

85% of the time when there is a divergence between these two indices, the DOW (DIA ETF) WINS OUT. In other words, the S+P 500 futures ultimately move in the same direction as the DIA 85% of the time. Therefore, the DIA is a great filter for the ES. Whenever there is a divergence between these two charts favor the direction of the DIA and 85% of the time you'll be correct. In essence the ES can't move higher

or lower to any significant degree without the largest cap components of the S+P 500 index participating in the move. The DIA is the perfect proxy for the largest cap stocks in the S+P 500.



To create this chart simply create a 50,000 volume chart of the DIA. Then create a template of all the indicators and settings on your 7,500 volume chart of ES. Apply that template to your DIA chart. That was easy ..eh? Study the price action and times at the bottom of that chart. Compare them to this 22,500 volume chart of the ES.



If you study these two charts carefully you'll notice that the DIA actually pulled the ES back up off the lows and turned the tide in favor of the bulls. Notice how the DIA turned up at 13:45 and that lifted the ES higher. Then, when prices broke out above resistance the ES blasted off like a rocket.

We always get the same question … why not use Dow futures instead of the DIA ETF? Due to the contract size Dow mini futures are not used as much by the big dogs, institutional traders and hedge funds. Dow futures are thin (less liquid) and are used primarily by smaller retail traders. The DIA (ETF) is a basket of stocks that is a great proxy for the DOW. There is good liquidity and many hedge funds use this instrument

in their arbitrage strategies as well as for hedging and position building. There is a tight correlation between the ES and DIA. By the way, for those stock jockeys out there reading this manual the 50,000 volume DIA is a great stock (ETF) to trade, intra-day, with the Kwik*POP indicators configured as shown above. Unfortunately, you can't get any serious leverage through most clearing firms. 50% margin doesn't give you much leverage on a security trading over $100.00.

Compare that to the leverage on an ES futures contract. At a futures price of 1,110.00 the contract is worth $277,500.00. You can margin one contract, intra-day, for as little as $500.00. In other words, you can control a $277,500.00 security for a mere $500.00. THAT'S LEVERAGE!! Unfortunately, leverage is a two edged sword. When you are right on the trade it works for you. But, when you are wrong it can crush you. Hey, you already know that … eh? Let's compare the difference in leverage.

A $1.00 move in the DIA equates to approximately a 10 handle move in the ES (40 ticks). Each tick on the ES is worth $12.50. A 40 tick move is equal to $500.00 per contract. On Friday August 6th 2010, if you bought 1,000 shares of DIA at 105.60 and sold them at 106.60 you made $1,000.00 in profit. In order to buy 1,000 shares of DIA on margin you needed at least $52,800.00 in your account as margin. Therefore, your total profit, before commission is 1.9% of your capital base of $52,800.

At maximum leverage with $52,800.0 margin you could, theoretically, buy 100 ES contracts. If you bought 100 ES contracts at 108.50 and sold them at 119.50 you made 44 ticks per contract. Each tick is worth $12.50 so you made $550.00 per contract. You bought and sold 100 contracts so, 100 X $550.00 per contract is $55,000.00. For the same money you could make $1,000.00 buying 1,000 shares of DIA or, buying 100 ES contracts you could make $55,000.00. Hmmm! Which game is more exciting?

You should never use that kind of leverage when trading futures, but the example above shows you the potential gains of leveraging your capital in ES futures versus buying stocks. Even if you only bought 20 contracts at 108.50 and sold them at 119.50 you still made over 1000% more than buying the DIA on leverage. FOR SERIOUS TRADERS FUTURES IS THE ONLY GAME IN TOWN TO PLAY.

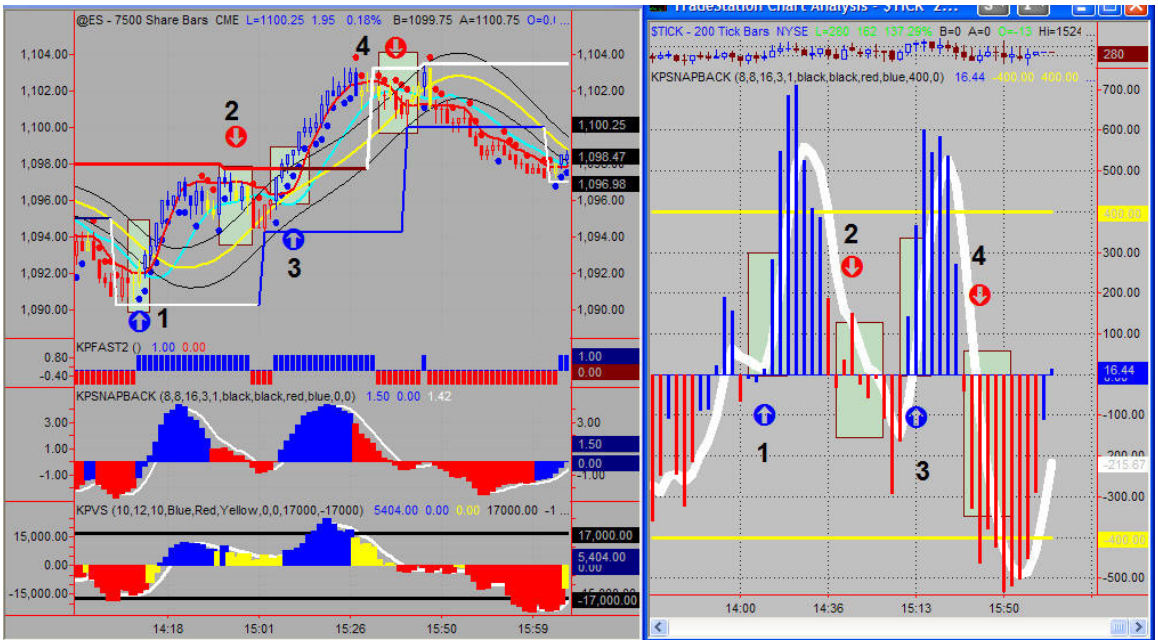
Once again, I digress. Let's get back to other filters we can use for trading the ES. Another excellent confirming indicator is $TICK. This is the net difference between stocks that up tick in price and those that down tick in price on the NYSE Composite Index.

The **NYSE Composite** (NYSE: NYA) is a stock market index covering all common stock listed on the New York Stock Exchange, including American Depositary Receipts, Real Estate Investment Trusts, tracking stocks, and foreign listings. Over 2,000 stocks are covered in the index, of which over 1,600 are from United States corporations and over 360 are foreign listings; however foreign companies are very prevalent among the largest companies in the index: of the 100 companies in the index having the largest market capitalization (and thus the largest impact on the index), more than half (55) are non-U.S. issues. This includes corporations in each of the ten industries listed in the Industry Classification Benchmark. It uses free-float market cap weighting. It is … THE BIG BOARD.

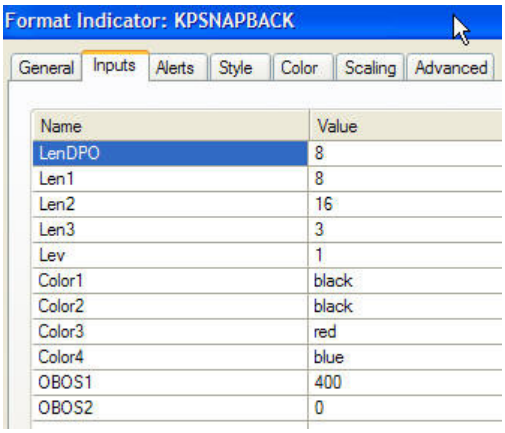
We don't use $Tick in the conventional way because most translations are too subjective. We've created a 200 tick chart of $Tick. **Yes, better pour another scotch for this explanation.** Each 200 value changes in $Tick creates one bar. We then put KPSNAPBACK on that chart and focus on the change in slope of Snapback as opposed to the values of $Tick.

That makes it much easier to translate as we're more concerned with momentum than with the absolute values of $Tick. In theory, if we have a sustainable rally, or decline, the NYSE with a base of over 2,000 issues should be participating in the move. If the ES futures are going down, but NYSE is heading up … we have a conflict and usually the ES has gotten out of touch with the rest of the market temporarily.

When all markets are headed in the same direction we have a pretty strong move in motion. Most times you'll notice a reversal in Snapback on $Tick before we get a reversal on the ES which makes it a good warning barometer of a cycle change. Study points 1,2,3 and 4 on the charts below.



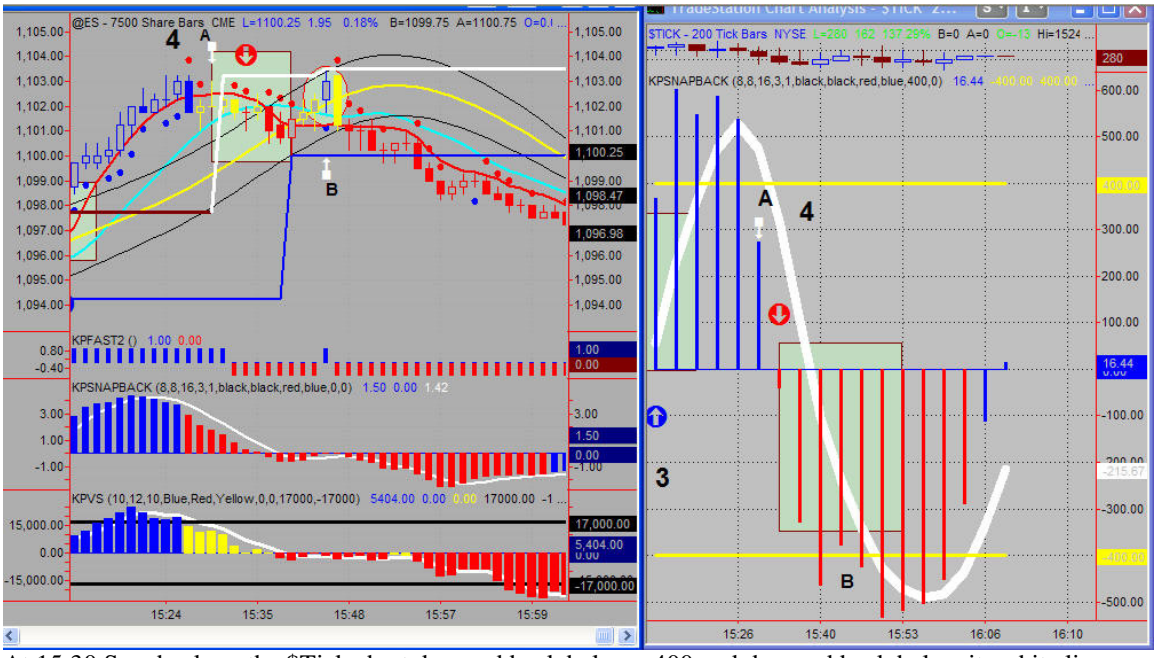
By using SNAPBACK as our proxy for readings on $Tick we can merely look at the slope of Snapback relative to it's white line to determine if the BIG BOARD is participating in moves on the ES. You'll notice two yellow horizontal yellow lines on Snapback of $Tick. Those are Overbought/Oversold levels and they are very reliable. Whenever Snapback on $Tick gets well above 400 or well below –400 we tend to get a reversal on the ES shortly thereafter.



Create a 200 tick chart of $TICK. Apply KPSNAPBACK to that chart using the default settings which are listed in the box to the left.

You don't need to get real complicated on your interpretation of this chart. In essence Snapback should be moving in the same direction as the ES.
When it starts to diverge from the ES get focused. When it goes above 400 or below –400 GET REAL FOCUSED!

Let me show you an example of how $Tick can save your bacon at times. Study the chart below. At 15:16 PM Snapback on $Tick spiked well above +400 giving an OVERBOUGHT warning. ES prices kept moving higher. At 15:21 KPVS on the ES 7,500 chart spiked above +17,000 giving another severe OVERBOUGHT warning. We are getting extremely overbought and the reversal back down could be pretty strong.



At 15:30 Snapback on the $Tick chart dropped back below +400 and dropped back below its white line showing downside momentum acceleration. As that happened, the candlesticks on the 7,500 ES chart dropped below KPTRIGGERLINEVMA, changed color to yellow and a red dot appeared above the candlestick. (Point A with white arrows on both charts).

These are the classic signs of a cycle reversal on the ES 7,500 chart. Remember, the market is now sharply overbought and an aggressive trader might consider a counter trend short trade in this type of set up. At 15:33 Snapback on the $Tick chart drops below 0 and turns red. There is some serious selling pressure on the NYSE (See Red Arrow). At the same time a red DOJI appears on the 7,500 volume chart of ES. The down cycle has started. Prices on the ES chart drift down from 1101.75 down to 1100.25 (6 ticks lower). At that point it looks like a good downswing is in motion. Then suddenly, at point B on the ES chart, prices reverse and head back up flashing a higher low HPL buy signal.

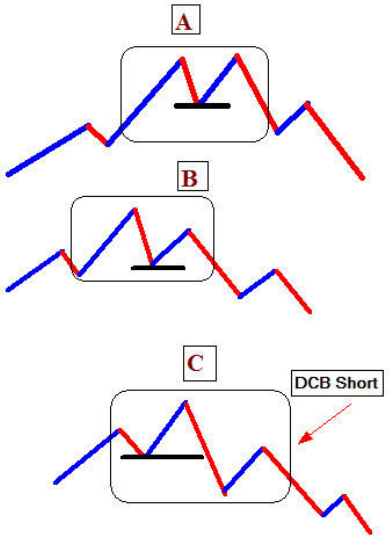
Snapback on $Tick did not budge to confirm the upswing. Something was out of whack because Snapback on $Tick did not even cross back above its white line … **WARNING**. There was no confirmation from Snapback on $Tick. Within minutes, the ES reversed back down again and plunged straight down about 16 ticks lower, Using Snapback as a filter kept you from getting whipsawed.

DO WE NEED A LOT OF FILTERS?

Not really. The standard HPL and LPH signals have an exceptionally high win ratio if you execute at the very beginning of the set ups. Filters are a way to improve performance and are better used when attempting counter trend trades. For example, on the ES chart above, had you bought the 'Fake Out' buy signal at point B, yes you would have been stopped out for a loss. But, had you taken the buy signals and sell signals all day long you'd be well enough ahead so that the loss would not have turned you negative for the day. More importantly, if you listened to our corny saying … 'If it ain't going higher .. then it's going lower' You would have reversed and gone short on the first red candlestick that closed back below TRIGGERLINEVMA and AUTOSTOP. That short trade recouped the losses and turned a nice profit as well.

Next we'll talk about M tops and W bottoms. Please go back and review the material before going forward.

M TOPS



SYMMETRICAL:
Double Top Failure Swing

LAZY M
Lower High Failure Swing

WEAK M
Prices break support before the right side of M appears

Most UP Trends end with one of the three patterns shown here.

It is important to remember that an UP Trend has not terminated until prices close below support (the most recent HPL)

Sell signals off patterns A and B are technically countertrend trades until support is broken

We suggest that you print out this page and keep it handy until you are able to easily identify these patterns on a 7,500 volume chart.

The Dead Cat Bounce Short occurs off the WEAK M pattern

When examining the 7500 volume chart you'll discover that most Up trends end with one of the three patterns above. Patterns A and B (above) can be construed as Head and Shoulder patterns, but we lump them together in our definitions as M tops because we are only concerned with the right side of the patterns as that's where the LPH sell signals kick in.

It is important to remember than a downtrend does not begin until prices close below the most recent HPL. We will get LPH sell signals on patterns A and B before a downtrend has been confirmed. Please remember that short trades off patterns A and B are technically countertrend trades, as prices have not closed below support yet, confirming a new downtrend. In an earlier discussion we mentioned two targets on a LPH sell signal, the lower E Band and the SUPPORT LINE.

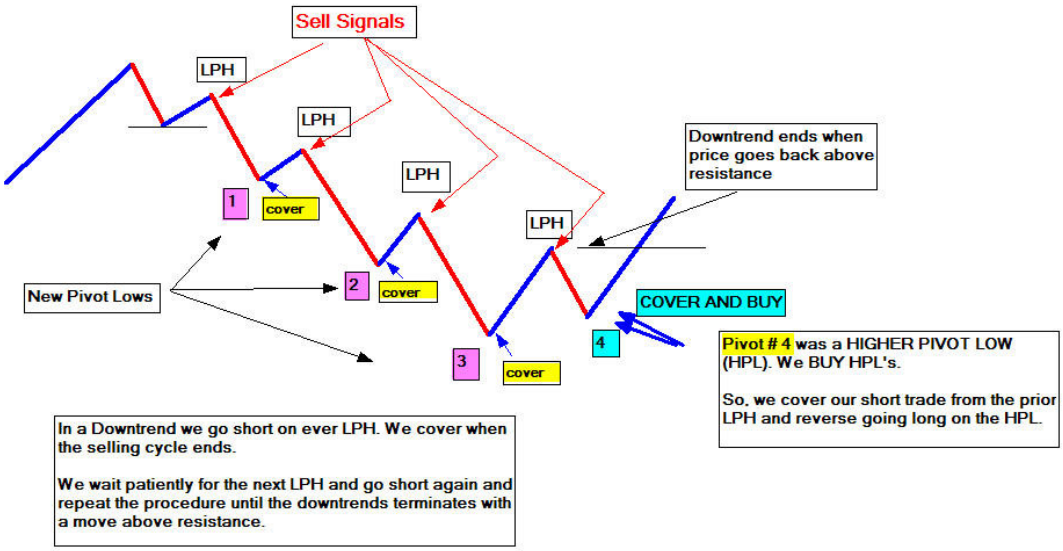
The Support line is the most significant target on a short trade as it can thwart a new downtrend from unfolding. For this reason you always want to attempt to get short on an LPH sell signal off patterns A and B at least 3-4 ticks above the support line. Getting short above the support line gives us some wiggle room to get out of the trade if support holds and the bulls hit again against our short position. If you get short right on the support line and prices turn back up against you … well you're pretty much screwed at that point and you'll take a bigger loss than normal because there was no margin for error on the entry.

Only one of two things can happen as prices approach the support line off an M Top pattern such as pattern A or B. Either prices will punch below support and keep going down, or they'll reverse back up against your short position. By having a little wiggle room (3-4 ticks) you can get out of your short position at a breakeven many times if support holds and the market reverses back up.

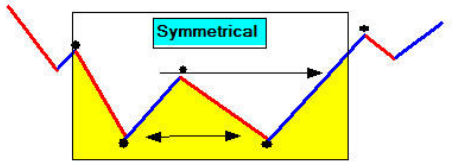
Pattern C is pretty much a no-brainer because prices already broke support and the ensuing bounce back up is the Dead Cat Bounce off a new low. On pattern C we already know that the new trend down has started and that short trade (LPH) off the DCB has an extremely high probability of success.

In a normal market with out any horrific news events, downtrends tend to have between 2- 4 new pivot lows before an up trend takes hold again. The first two moves are the strongest most times. Wave 3 is less dramatic and many times if there is a wave 4 it's a coin toss. If you think about our methodology for a

moment, you realize that we are essentially trend traders because we always go short on an LPH signal and a downtrend is a series of LPH's. We are attempting to get short as the new down wave (selling cycle) commences and then as we get a warning that the selling cycle is about to end, we cover our short positions and move to the sidelines, waiting for the buying cycle to expire and another LPH to set up.

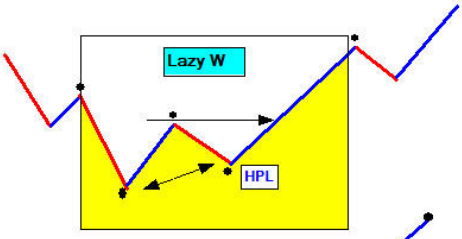


A W bottom is just the opposite of an M top. Most downtrend terminate on a W pattern such as the ones below.



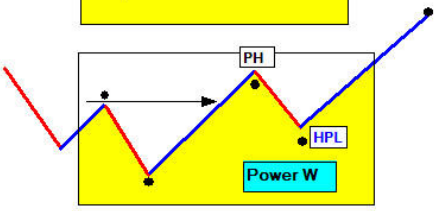
Classic DOUBLE BOTTOM pattern where prices fail to break below the most recent PL and reverse direction back up.

Once prices close above resistance a new Up trend is in motion



It's a LAZY W because the right side of the W couldn't even make it down to the prior pivot low.

It makes a HPL and we BUY HPL's. Most times a HPL leads to a new Pivot High and new Up trend



A POWER W is a strong bullish pattern. Prices come off a new PL and rally back up smashing above resistance.

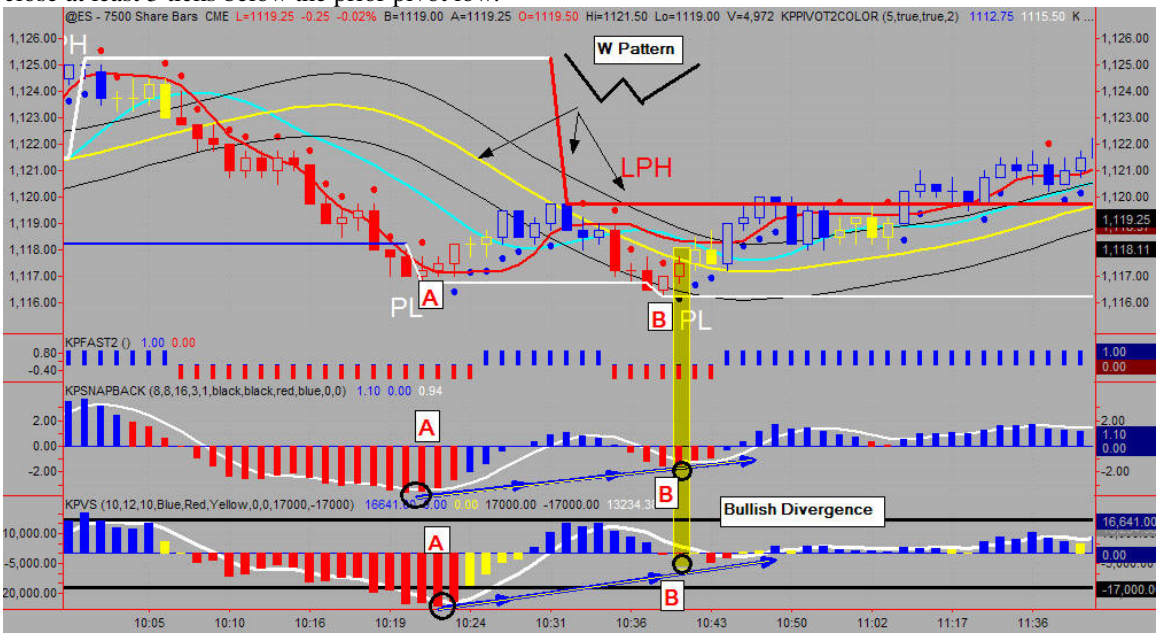
The pullback off the new high fails to go down to the old PL and turns up on a HPL.

We BUY HPL's and this is a very reliable pattern.

Once again make a special note that a downtrend does not end until prices close above our resistance line. On the first two W patterns above (Symmetrical and Lazy W) the downtrend did not end until prices closed above the middle of the W pattern which is where our Resistance line is usually located. On the bottom W pattern (Power W) the trend had already changed to an Up trend when prices got above the middle of the W first, before rolling back down and forming a HPL.

It is important that you realize when a new trend begins because that's when the volatility is greatest and greater volatility allows us to catch a greater profit on each cycle change. Eventually, as a trend get a little long in the tooth we start to see warning signs of an eventual trend change. One warning sign that an extended trend is slowly reaching a turning point is defined as range compression.

Examining changes in the range of each pivot swing is more of an art form and can be a little subjective. An easier way to identify range compression is to look for a distinct divergence between momentum and price. Let's examine a W bottom pattern. Technically, this was a symmetrical W because prices did not close at least 3 ticks below the prior pivot low.



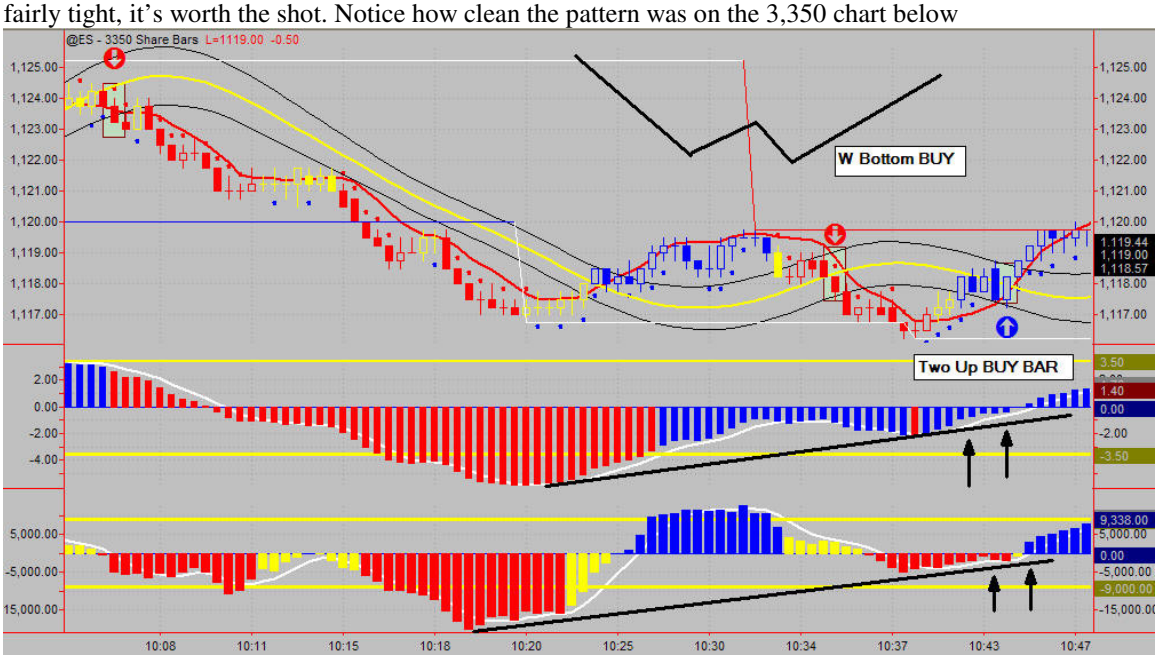
At point A price and momentum made a significant low. In fact, KPVS dropped well below –17,000. Go back and review what that type of reading on KPVS warns of. Prices bounced back up to the middle of the E Bands and turned back down again. Although prices probed below the support line they couldn't stay down there and we got an open red candlestick with a blue dot underneath it coming back up to the middle of the E Bands. At that point, if you glanced down at the oscillators KPSNAPBACK and KPVS you notice some rather dramatic bullish divergence.

The term divergence refers to the different patterns on the momentum indicators as compared to the price pattern. At point B the momentum oscillators were forming a HIGHER LOW. A HIGHER LOW is bullish because an Up trend is Higher lows and Higher highs. Price was making a lower low (bearish pattern) while momentum was making a higher low (bullish pattern). This is known as BULLISH DIVERGENCE between momentum and price. Momentum was suggesting and Up trend (higher lows) while price was still suggesting a downtrend (lower lows). The reason we got a higher low on our momentum reading was due to RANGE COMPRESSION.

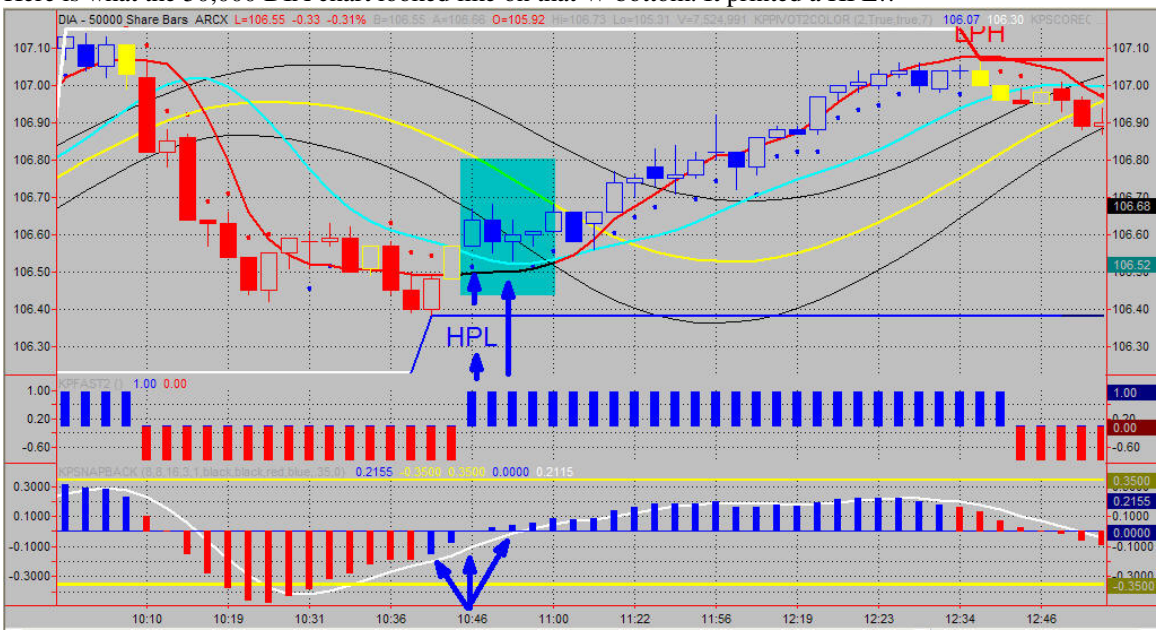
Most times (85% of the time) price follows the momentum pattern. When momentum starts making Higher Lows, price eventually makes Higher Lows. Many W bottom patterns will be accompanied by BULLISH DIVERGENCE. When a pattern like this sets up AFTER KPVS has dropped below –17,000 on our 7,500 chart, the odds are pretty good that we'll get a trend change. Even though HPL didn't print because prices made a lower low, an aggressive trader would have taken the buy looking for a breakout above resistance.

On our 3,350 chart we get a much more dramatic picture of the momentum reversal off that W bottom on the 7,500 chart. Remember our discussion about using the lower E Band on the 3,350 chart as a reference for our trailing stop on a buy signal? Well, when you study that 3,350chart below you'll see that the trailing stop (first close below the lower E Band) would have been fairly tight. Taking a buy before an up trend has

actually been confirmed is a little aggressive, but when there is compelling evidence and if your stop is fairly tight, it's worth the shot. Notice how clean the pattern was on the 3,350 chart below



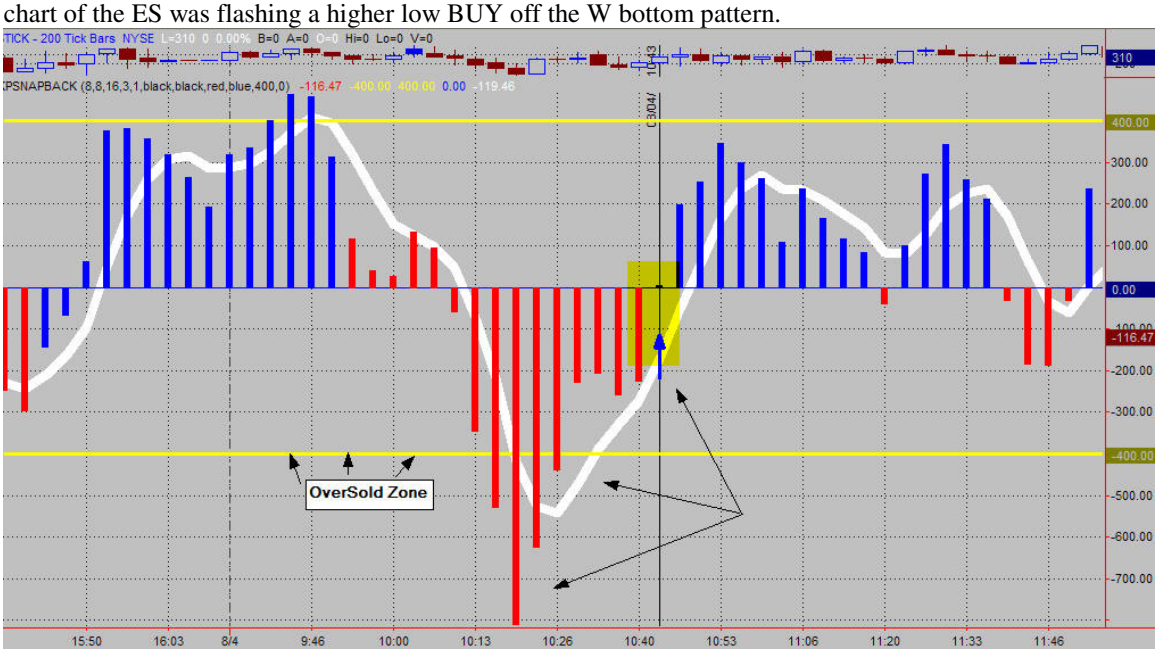
Here is what the 50,000 DIA chart looked like on that W bottom. It printed a HPL!!



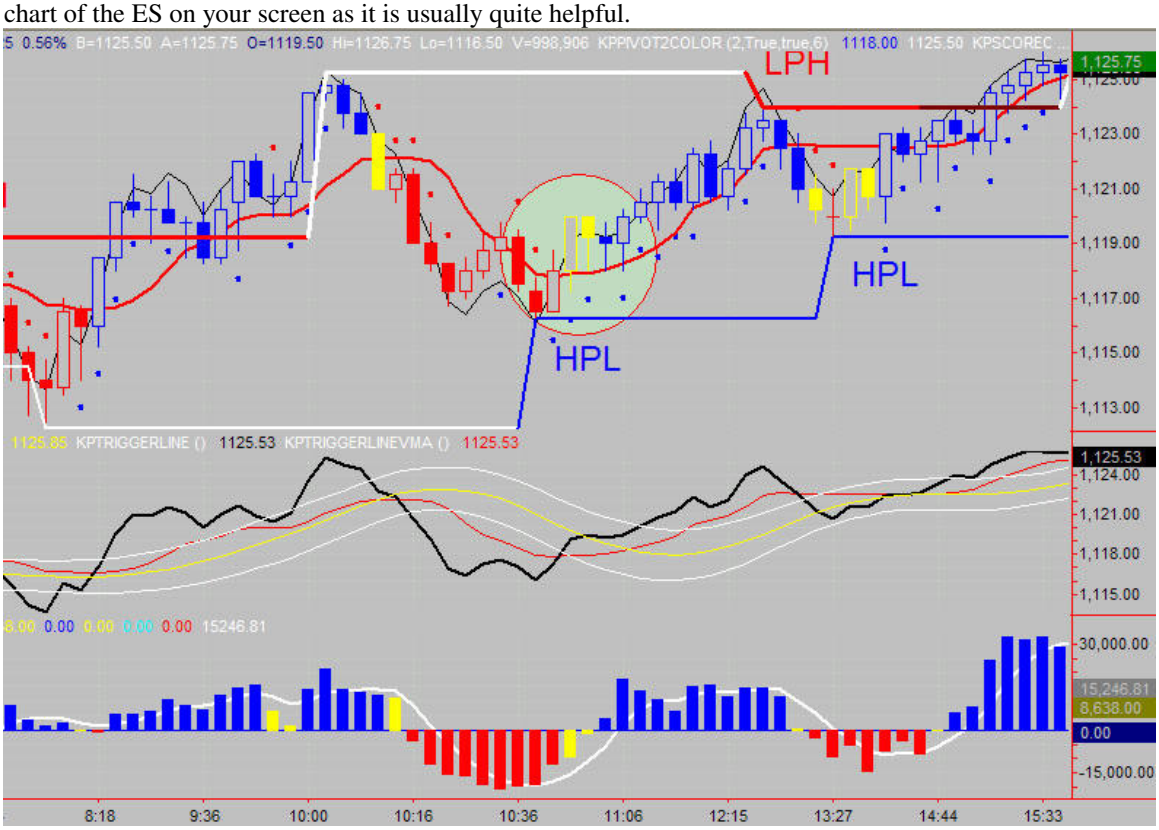
If you have two monitors you can use the filters we mentioned earlier. As discussed, the DIA is a good confirming indicator. It flashed a Higher Low buy as the W pattern was unfolding on our 7,500 chart.

We also discussed using the 200 tick chart of $Tick as a filter. We want to see if things are responding the same way on the NYSE. Remember on our discussion about using KPSnapback on $TICK we had two extreme values for Snapback .. +400 and –400. Whenever Snapback, on $TICK goes below –400 (sharply oversold) and turns back up above it's white line and then crosses 0 and turns blue … we have confirmation that there is aggressive buying taking place on the Big Board as well.

The chart below is for the same time frame. The vertical line marks the 10:43 AM time period. Notice how Snapback on $Tick went well below –400 then turned back up and went above 0 just as our 7,500 volume chart of the ES was flashing a higher low BUY off the W bottom pattern.



We also talked about using the 22,500 volume chart as a filter on certain trade set ups. The 22,500 volume chart of ES and the 50,000 volume chart of the DIA track one another pretty closely … most of the time. If you can't get stock data to run the 50,000 Volume DIA chart, then you had better have the 22,500 volume chart of the ES on your screen as it is usually quite helpful.



PUTTING THE PUZZLE TOGETHER.

1) The 7,500 volume chart is our primary chart for intra-day trading on the ES.
2) We are focused on the markets two cycles, a **buying cycle** and a **selling cycle**.
3) We are always looking for signs that one cycle is ending and another cycle is beginning.
4) Each new cycle represents a trading opportunity.
5) A specific pattern repeats when one cycle is ending and another is forming. That pattern is an alert to take action on a cycle change.
6) We have discovered that once the market starts trending, the moves in the direction of the trend are stronger and last longer.
7) We want to favor trend trades.
8) We use KPPIVOT2COLOR to define two components in a trend HPL (Up Trend) and LPH (Down Trend)
9) We BUY a HPL and go SHORT on a LPH
10) An Up trend usually ends with one of three M Top patterns.
11) An Up trend is not over until prices make a LOWER LOW by closing below our support line. That starts a Down Trend.
12) In a Downtrend (Lower lows and Lower highs) we take the short trades (LPH) at the beginning of each new selling cycle and cover our short positions at the end of the selling cycle when a pivot low forms (PL).
13) A Down trend usually ends with one of three W Bottom patterns.
14) A Downtrend is not over until prices make a HIGHER HIGH by closing above our resistance line. That starts a new Up Trend
15) In an Up Trend (Higher Highs and Higher Lows) we take the BUYS on a HPL at the beginning of each new buying cycle and sell out of our long position as the buying cycle terminates.

In the beginning, while using a trade simulator, you must always take a HPL or LPH trade. Force yourself to take those trades whenever HPL or LPH prints on your 7,500 chart. In an earlier section we were demonstrating a failed buy signal and we commented that 'You must force yourself to take LPH signals'. **LPH** signals usually lead to a downtrend if they occur in an Uptrend. Go back to page **48** in the manual and study that chart. Study it carefully. Can you see a LAZY M PATTERN on that chart? Go to page **53** and that is a close up of the LAZY M that occurred at pivot # 5. That was a SHORT SIGNAL (**LPH**).

Remember what this is all about. We are looking for patterns that repeat continually and we use our momentum indicators to determine the strength of the pattern. There are only six patterns that you are looking for every day and almost every day we get all 6. Those patterns are LPH, HPL, V and inverted V spikes and M TOPS and W BOTTOMS.

LOOK FOR THOSE 6 PATTENS. LEARN THOSE 6 PATTERNS. YOUR NUMBERS WILL IMPROVE DRAMATICALLY.

USING STOP LOSS ORDERS.

Let's have a brief discussion on using a trailing stop loss order. In these volatile markets we need to have a protective strategy to prevent a financial calamity if the markets suddenly go haywire. That is the purpose of a stop loss order.

IMHO, stops are the worst tool possible and in most cases they cause greater losses than they prevent. That's because newer traders don't use them properly. First let's understand what a stop loss order is. It is the equivalent to the Airbag on your cars steering wheel. It is an emergency tool to prevent you from getting KILLED!

Many newer traders have this cavalier attitude that the trade either makes a profit or the stop is hit for a loss. Life is simple, you either win or you lose and your stop defines your maximum bet on the event.

Doesn't that attitude sound more like a tourist at the craps table in Las Vegas?

Can you imagine driving your car with that attitude?

"I'm just going to drive due west until I see the oceans beach or I hit a tree. When the airbag explodes I'll know I've hit a tree, or a cow or some large obstacle."

Your stop loss is your AIRBAG safety devise. The only time your stop should be hit is in an extreme emergency situation where there was not time to get out sooner. Never, never let your stop get hit if you can get out sooner. You don't park your car at the grocery store by running into the side of the building and letting the airbag explode .. do you? Well, maybe if you're a retiree down here in southern Florida.

Every discussion on stop loss placement bogs down on gambling theory and statistical logic.
The short version is that if you risk more per transaction than you can make per transaction you'll go broke over time.

This assumes that the odds are a 50/50 coin toss. If you are trying to make $50.00 you can't risk more than $50.00 in order to stay in the game.

If you were betting heads or tails on a coin toss those rules would apply. If you were cutting the deck for a high card win those rules would apply.

Or, if this was 1974 and you were trading soybeans through a broker and had no way of tracking prices intra-day those rules would apply. Do you remember back then, in the dark ages of the commodities markets when you had to call your orders into a broker and he called down to the trading pit and had a runner carry the order into the pit to be executed? That could take anywhere from 3 to 5 minutes and then it might take your broker another twenty minutes to call you back with your fill.

There was no electronic price delivery mechanism that allowed you to track prices intra-day. You had to trust your broker who also charged you $50.00 per round turn just to execute the trade. Many times your broker would call you back, tell you your fill price and also tell you that you were already stopped out. How did you know the order was even placed. He could have simply thrown it in a bucket and told

you that you lost. Have you ever heard the term 'Bucket Shop'? For a small retail trader back then it truly was a jungle and you were on the menu everyday. Everybody knew you were the meal.

Today we enjoy tremendous advantages over the dark ages back then. This is the electronic era and trades are executed in milliseconds.

Point, click and YOU OWN IT BABY!

Everything is electronic, seamless and very, very fast. Place a market order and notice how fast you're filled. It's virtually instantaneous. Speed of execution has radically changed the market dynamic and changed theories on stop loss placement.

Knowing that you can get in, or out of the market in one second changes your thought process regarding trade management and allows you much greater flexibility. You can scale in and out of trades, add positions or cut down your size and generally mold your trade around the current price action.

You are now literally in the trading pit and you can observe the bid/ ask ladder, watch prices change second by second and automatically adjust your profit targets and risk levels all day long. POINT, CLICK AND IT'S DONE.

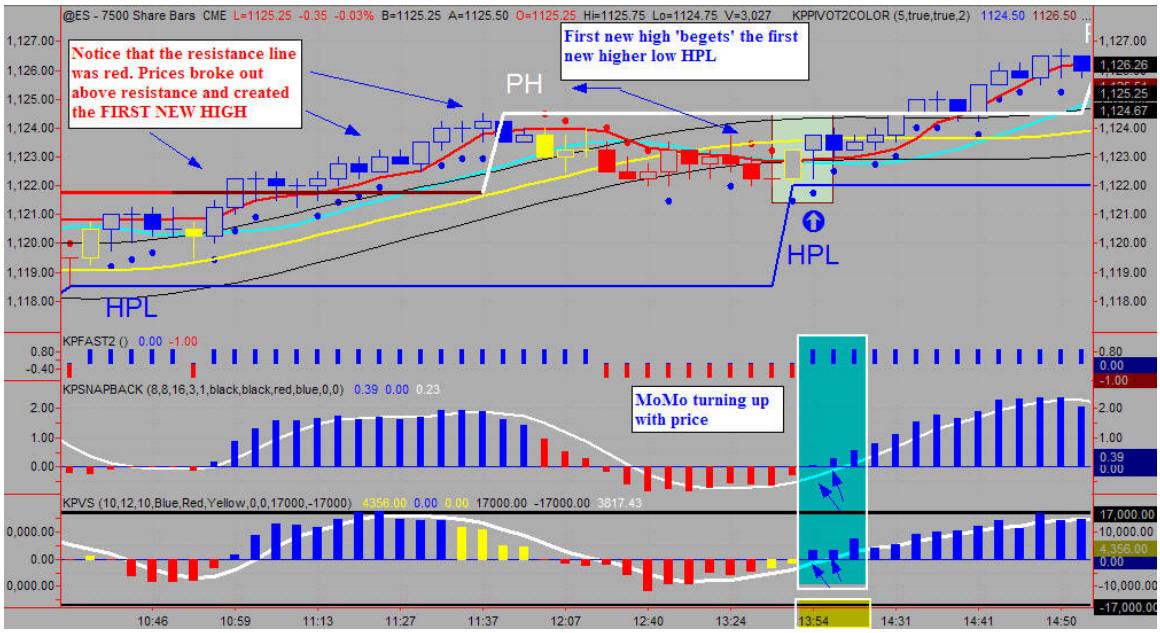
This is not your Daddy's market anymore and the old rules are no longer relevant. Risk management is a function of trading proficiency. The efficacy of your trading methodology determines the level of exposure on each trade and that requires a solid understanding of when a trade is working and when it isn't working. If you notice the signs that a cycle is starting to change … does it make any sense to just sit there and let your stop get hit? Of course not! You respond to the obvious changes and take corrective actions to make certain the airbag doesn't blow up in your face.

Everything we've discussed over the last 90 pages is designed to alert you to an imminent cycle change, to allow you to objectively define a short term price trend and to provide extremely visual milestone markers on your chart that alert to a trading opportunity. Let's use those same milestone markers as our guide on trailing stops. First we'll use a 'hard stop' of 10 ticks. Whenever we buy or go short an automatic 10 tick stop loss order is placed. That's our airbag, it's only there to prevent a financial disaster. We never, NEVER want that airbag to explode on us.

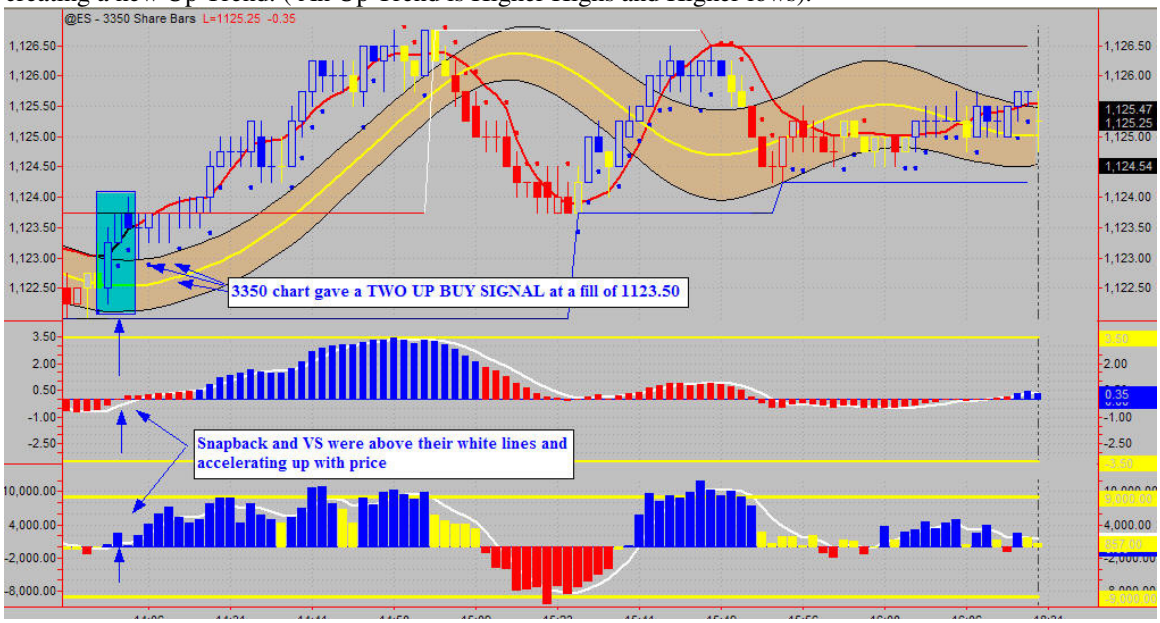
If we buy the ES at 1123.50 our automatic stop loss is 2.5 points (10 ticks) lower at 1121.00. That's a very wide stop and our intention is to abandon the trade, long before the stop is hit, if the cycle reverses before we hit our profit objective. We are timing our entry as momentum starts to accelerate higher. The wide trailing stop is there in case a news report comes out and the market turns on us like a mad dog.

Since we have over $15,000.00 in our trading account we are buying 5 contracts. That's aggressive leverage but our win ratio is 74% if we hit the trade as momentum is just starting to accelerate.
Our strategy is to buy (sell) 5 contracts. We offset 3 contracts at 4 ticks for a realized gain of $150.00. We offset the last two contracts at 8 ticks for a realized gain of $200.00. Total gain on a successful trade is $350.00.

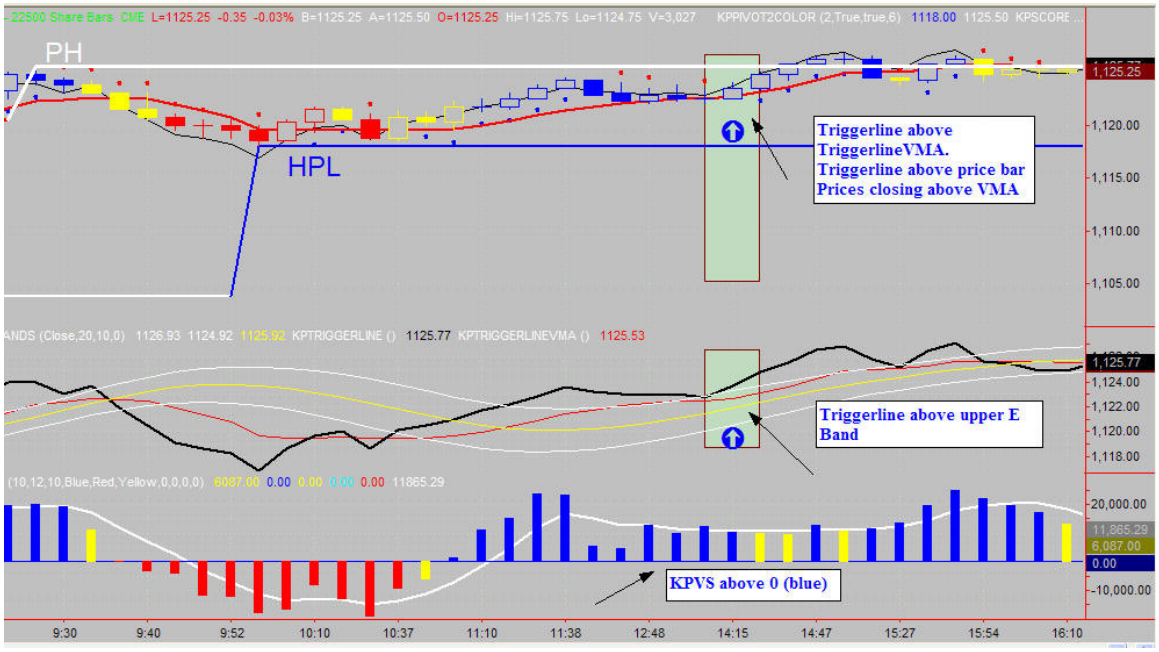
On this particular trade the market is in an up trend and that improves our odds of success dramatically, at least for our initial 4 tick target. Below is a screenshot of the 7,500 volume chart from 08/09/10.



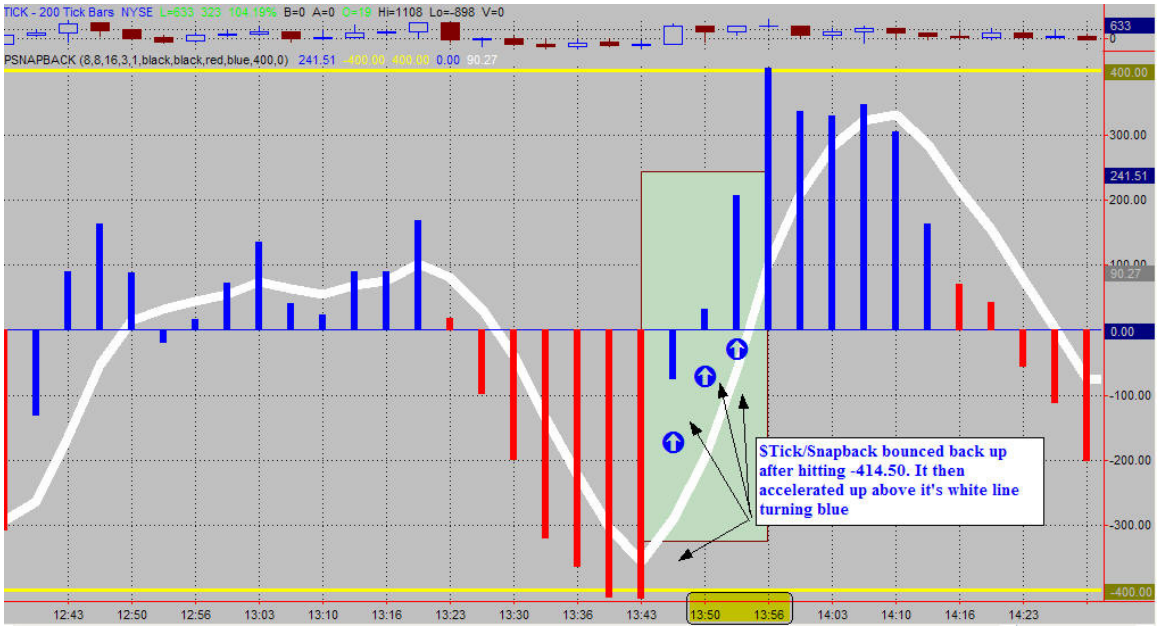
Study the 7,500 chart carefully for a moment. The notations on that chart refer to rules we've stated earlier. Earlier, prices came up on a HPL BUY signal. They rallied up and BROKE OUT ABOVE OUR RESISTANCE LINE. The resistance line was red. Whenever prices close above a **RED RESISTANCE LINE** we are making a new HIGH. When the first PH prints off a RED RESISTANCE LINE we never take a short trade as the trend and momentum have now shifted up creating a new Up Trend. (An Up Trend is Higher Highs and Higher lows).



Our 3,350 chart confirmed the trade with a TWO UP BUY SIGNAL. More significantly, the open blue candlesticks broke out above the upper E Band and KPTRIGGERLINEVMA was also above the E BANDS.



The 22,500 chart supported the trade as it still had a bullish bias, Triggerline was on the top of the candlesticks and above TriggerlineVMA. Candlesticks were blue and closing above TriggerlineVMA. In sub graph 2 Triggerline was above TriggerlineVMA but more importantly, it was above the Upper E Band.



As the 7,500 volume chart was setting up for that buy notice the screen shot above of Snapback on $Tick. We discussed the oversold values at –400 or lower. Snapback hit –414.00 then leaped back up sharply and turned positive at 13:50 PM. This tells us that there is buying on the Big Board and that was supportive of the buy signal setting up on our 7,500 chart. So, our primary chart (7,500 volume chart of ES) was flashing buy signal and all of our filters supported the trade.

Your 5 long positions were filled at 1123.75. Prices moved up to 1124.75 and 3 positions were closed out for a realized gain of $150.00. Prices moved higher and the last two positions were taken off at 1125.75 for another $200.00 gain of 8 ticks on the two runners. Let's go back and examine the trailing stop loss on this trade and do a little math.

When we put a trade on, the amount of margin required for that trade is the basis for our profit and loss ratio. The intra-day margin for one contract is $750.00 with another $750.00 in reserve. For 5 contracts we used $3,750.00 in margin. I suppose you could say, in poker terms, that was our ante. Our profit on the trade ($350.00) is a 9.3% gain on the margin used.

Let's look at the potential downside on that trade. Our AIRBAG stop was 10 ticks ($125.00 per contract) below our fill price. In a worst case scenario if our stop was hit we'd lose $625.00 or 16% of our $3,750.00 margin for the trade. That's $2.00 of loss for every $1.00 of gain. At a glance that ratio seems destined for ruin using gaming theory. But gaming theory gets a little more complex when you plug in variables that improve the odds. In our circumstances, the win ratio on the First new HPL is near 75% if entered at the beginning of the move. That means for every 10 trades 7.5 of them work.

The second critical consideration is our mental alertness and our ability to exit a losing trade before our stop is hit. Although we're using a 10 tick trailing stop for emergency landings, it is our intention to never give up more than 5 ticks on a losing trade. If we can limit our loss to 5 ticks per contract on a losing trade then the numbers start working out in our favor.

WINNING TRADES @ 75% win ratio hitting both profit targets.
7.5 trades at $350.00 per trade = $2,625.00
LOSING TRADES @ 5 ticks ($125.00 per contract)
2.5 at $312.50 = $781.25

On 10 trades we have gains of $2,625.00 and losses of $781.25 for a net of $1843.75. In a typical month there will be 100 trades, which is an average of 5 trades per day. That means theoretically, we should be able to pull out $18,437.50 trading five contracts per signal using the trade management strategy above.

Will you hit those numbers? Maybe, and maybe NOT! Are those numbers guaranteed? Of course not!. Are those numbers achievable? Yes, definitely. Can you make more than that? Yes, by modifying your trading strategy. Can you lose all of your money? YES, DEFINITELY! This is a high risk business where only the most focused, disciplined traders succeed. Dreamers and gamblers are the profits for the serious players. Their mistakes are what the real players feed on.

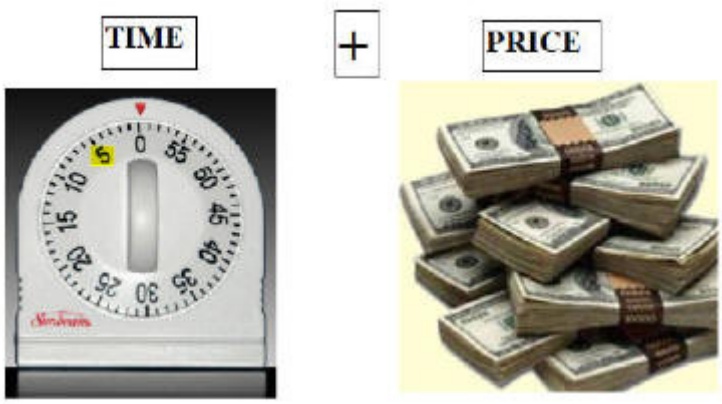
Those numbers are the benchmark that you should use in defining your trading performance. The key to this strategy is limiting your losses to 5 ticks. REMEMBER … THERE WILL BE LOSING TRADES. If you are unable, emotionally or psychologically, to accept a losing trade then you will fail as a trader.
At a certain point in a losing trade you must accept the obvious reality on your screen and 'CUT BAIT' before your stop is hit.

So, we talked about a 10 tick stop loss but, we're only willing to lose 5 ticks on a bad trade. How is that possible unless we change our AIRBAG stop to 5 ticks?

We leave our AIRBAG STOP at 10 ticks and we manage the trade using our indicators. We look for any visible threat to our position using our primary chart and our filters. At the first sign of danger we cut bait.
When you look at a 3,350 volume chart you'll see some things that don't initially appear on the 7,500 volume chart. Let's examine some of those things that represent a threat to your market position and we'll define that point where you must take action to protect your capital.

TIME and PRICE

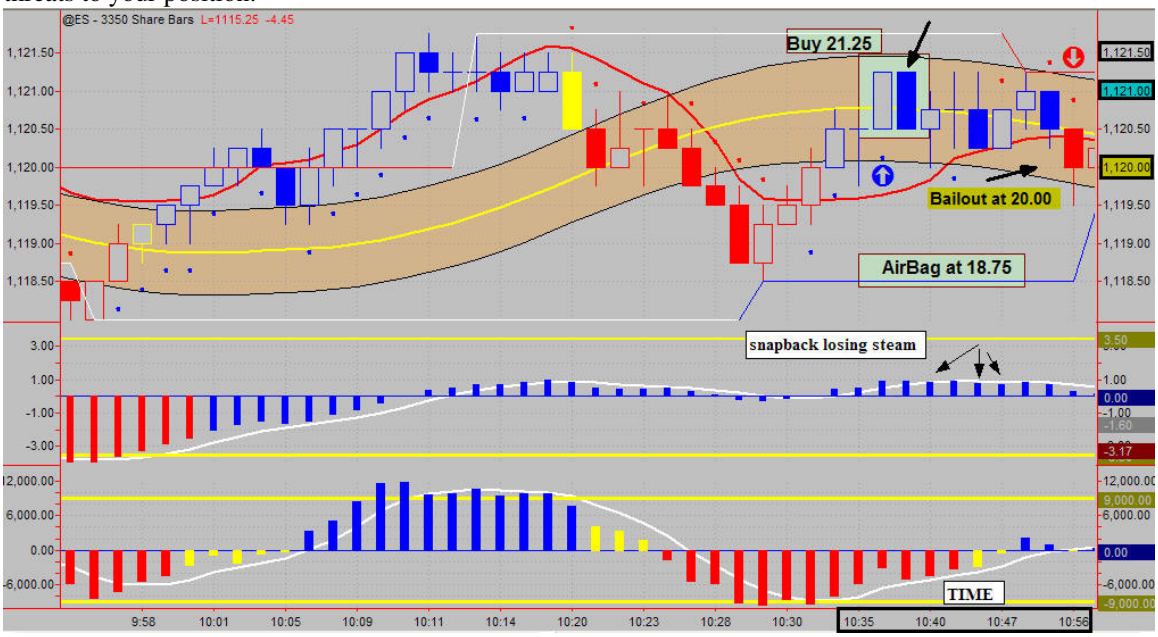
There are two components we deal with intra-day, Time and Price. If prices don't move vertically, up or down within a reasonably short time frame, something is usually wrong and players start cutting bait or reversing their positions. When you put a trade on, we are attempting to catch a momentum surge. That surge should deliver 4 ticks or more in a relatively short period of time.



For example; on a buy signal (TWO UP BUY OFF THE 3,350 CHART) prices typically advance 4 ticks or more in 4 to 5 minutes from the trigger bar. (First open blue candlestick that closes above TriggerlineVMA and the middle of the E Bands).

4 ticks in 4 minutes. That's the **EGG TIMER** rule. You can actually buy an egg timer and put it on your desk. Once you get filled on a trade set the timer for **4 minutes**.

If the market has not hit your first profit target of 4 ticks in 4 minutes … YOU GET EXTREMELY FOCUSED BECAUSE SOMETHING IS NOT RIGHT. Now, just because the market has not produced a 4 tick gain in 4 minutes doesn't mean you automatically abandon the trade. Sometimes the market can take 10 minutes to move 4 ticks but, after four minutes in a trade, without a 4 tick gain … you start looking for threats to your position.



Study this 3,350 volume chart for a moment or two. This is what a failed trade looks like. Pay attention to the time at the bottom of the chart and think in terms of price movement and time in the trade. On the TWO UP trigger bar the trade was executed at 21.25 on the next candlestick beside the blue up arrow. Actually, the fill was better than 21.25 but we'll use the high of the trigger bar as our reference.

The trade was filled at 10.36 AM. That's when the EGG TIMER starts the count down. The AIRBAG STOP is automatically placed 10 ticks below the fill price at 18.75. The clock is now ticking .. tick, tick, **tick**, **tick.** As soon as you were filled prices rolled back down against your position … ***"That's not Good!"*** Prices drifted back up to your fill price of 21.25, but fell back down again. ***"That's not Good!"***

You're now 5 minutes into the trade and things are not working out as planned and prices are rolling back down again. 3 minutes later prices again move up to 21.25 and again they retreat back down. 8 minutes in the trade and not even 1 tick of gain. Even worse, as you look down at Snapback it's dropping below it's white line. ***"That's not Good!"*** Prices have attempted to move above 21.25 four times now and every time they drop back down. ***"That's not Good!"*** 12 minutes have passed by and now your mood has soured. Something is not right with this trade.

At 10:54 a candlestick heads down and crosses below TriggerlineVMA. It's turning red, but you need to wait until it closes to be certain it stays red. THEN, IT CLOSED BELOW TRIGGERLINEVMA AND STAYED **RED**. That's a cycle change on the 3,350 … a SELLING CYCLE! You're long and a selling cycle has started on our shortest interval chart. If it gets worse prices could drop down lower and hit your stop. THAT'S YOUR EARLY BAILOUT. If you are long … and … you've not hit your first profit target of 4 ticks … you bail out on the first red candlestick that appears on our 3,350 chart. That will usually get you out with a loss of 5 ticks .. OR LESS!

On our trading strategy, the first target of 4 ticks is critical from a risk management perspective. If we buy 5 contracts and take 3 off at 4 ticks we've locked in a gain of $150.00 or 12 ticks. We are still long 2 contracts. We adjust our trailing stop on our two runners to 4 ticks below our fill price. If prices rolled over and fell 8 ticks (2 handles) lower from our first target and we were stopped out on the runners we've still covered commission and made some lunch money for our efforts.

On the trade above, the market failed to give us 4 ticks initially and that leaves us totally exposed. We must abandon the trade at the first threat to our position. A red candlestick on the 3,350 chart, when we are long, is a dangerous threat to our capital base. We need to keep our losses down to 5 ticks or less for the numbers to work out for us over the long term. When you are long … and you've not been able to cut down your position with a 4 tick gain .. and a red candlestick appears on the 3,350 chart .. ABANDON SHIP!!

Naturally, when you are short the opposite applies. If a blue candlestick appears on the 3,350 chart before you get 4 ticks on your short trade … ABANDON SHIP!!

So here is a trade strategy you can employ. When you buy, automatically have a limit order 4 ticks above your fill price for 2/3rds of your position. Your initial trailing stop is 10 ticks below your price.
Once the 4 tick target has been locked in and you've cut your position size down, pull your remaining stops up to 4 ticks below your initial fill price. At that point you have a free trade.

Our second target is 8 ticks, on our two remaining runners. The critical part of this strategy is to make certain that your initial 10 tick trailing stop .. IS NEVER HIT.

This particular strategy is only a suggestion, there are many more creative strategies that you can backtest with the Black Box Builder. Consider using multiple contracts and also try an all in all out approach for a realistic fixed target per trade. There are unlimited trading strategies, but you must first get the basic concept down and understand how to read all indicators used in your Black Box Tester strategies. Your goal is to achieve a win ratio between 68% and 78% on single contract trades. Then, you start adding contracts and designing a more comprehensive trading strategy around your win ratio.

Surprisingly, a win ratio of only 60% can produce substantial gains every month with a well designed trade management strategy. MORE ON THAT LATER.

COUNTER TREND TRADES … CATCHING A MoMo WAVE

The reason we favor 'Trend Trades' is because the outcome is more predictable. We know the average length of most typical pivot swings in a trend up, or down. We know that by trading with the trend we can be late on the trade and still make money as we are trading with the majority of traders and the pressure is in the direction of the prevailing trend.

In fact, with most 'Trend Trades' we don't need complete alignment on our oscillators and filters. That's the neat part about trend trades. The pressure of the trend pushes prices even before all of our oscillators give us the strongest alignment profile. That means, if we are trading in the direction of the trend, we can get in early, even before all indicators tell it's time to hit the button. That's the power of trading with the trend, the trend is more forgiving and gives us more flexibility.

When attempting a trade against the trend we are taking much greater risk in pursuit of similar profits. We are, in essence, hoping the countertrend trade will actually reverse the prevailing trend. We are hoping to catch a significant inflection point and be a big hero as the trend reverses.
Before we discuss considerations for a counter trend trade I must first warn you regarding Mr. Markets sentiment about counter trend traders. He loves them! They are the best suckers on the board and they are sooo easy to take money from most times.

You see, most counter trend traders think they know where the low price, or high price is in a move. It could be a floor pivot, a Market Profile level, a Fibonacci cluster or an educated guess from chart patterns. These people are so arrogant that they actually place limit orders at their preferred reversal price. Mr. Market loves those fools because he can crush them in a wink of an eye. He might give them a tick or two just to make it fun, but then, as they hold on for more, he totally destroys them as punishment for their arrogance at attempting to 'divine' the future.

Here is a simple rule to follow on counter tend trades; ***YOU DON'T WANT TO BE THE ONLY ONE FADING THE TREND***. Read that last statement over again … very carefully. Don't ever think you can pick the TOP or BOTTOM of a move. Don't even try to buy at the lowest price or short sell at the highest price. That's no different than flipping a coin and those are not good odds.

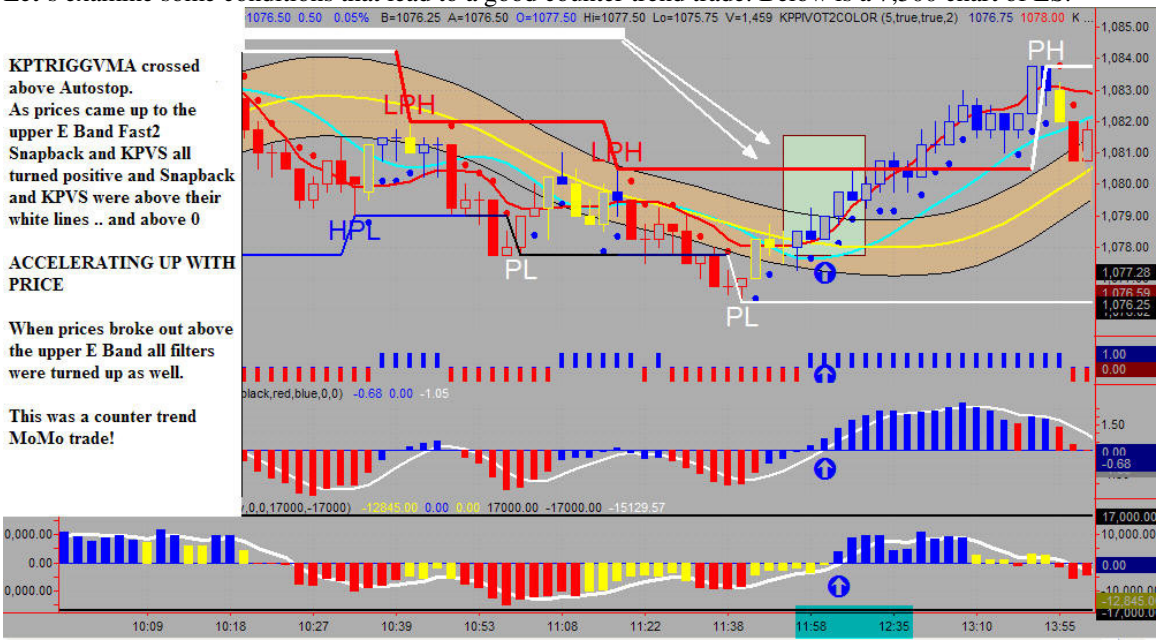
Remember, we are business owners deploying our capital ONLY when the odds of success are much better than a 50-50 coin toss.

If you want to roll the dice then book a weekend in Las Vegas, Reno or Atlantic City. Have fun, gamble your brains out and then come back to your trading business to recoup your gambling losses!

Obviously, when you review the charts in the evening you notice certain counter trend trades that really pay out big returns. That's always the temptation for counter trend trades … ***the big score***. When you examine counter trend trades that work … you start to notice some similar momentum patterns**. Read that last sentence over again, and again.** It implies that you do some serious homework on counter trend trades.

Why is it that some counter trend trades work really good and others completely bomb out? Is there a pattern to this that can help determine when we have a viable counter trend set up? HOMEWORK …STUDY THE CHARTS …EXAMINE ALL CONDITIONS ON WINNING TRADES…HOMEWORK! Obviously, we can't stress that enough. If you take the time to study the charts … every night … you'll see similar patterns that appear on counter trend trades that work.

Let's examine some conditions that lead to a good counter trend trade. Below is a 7,500 chart of ES.



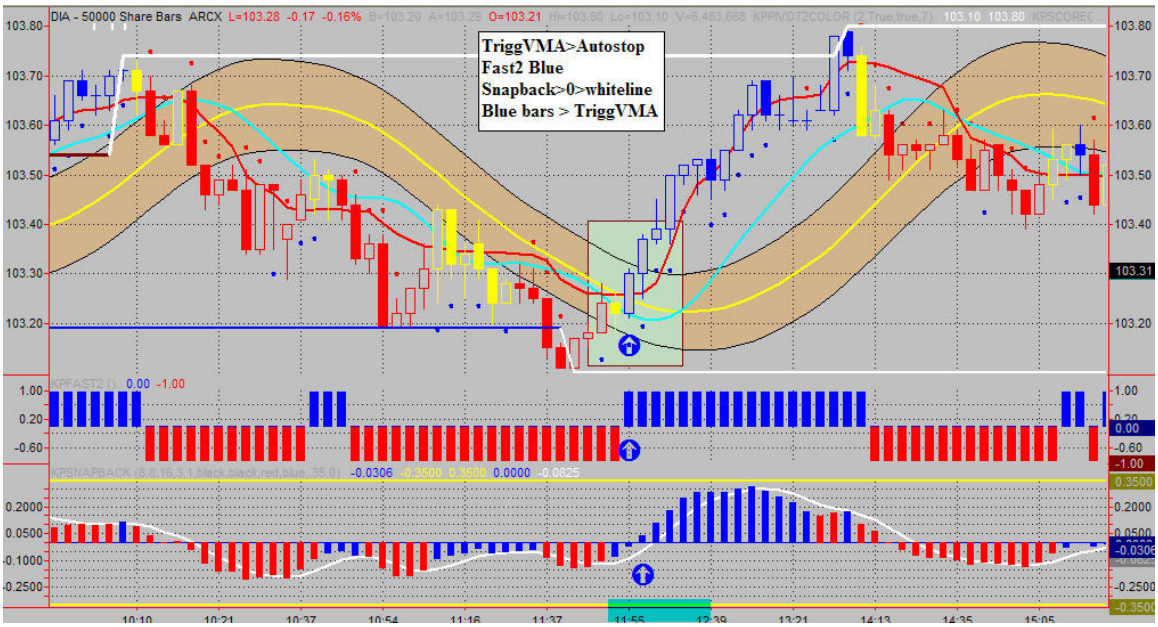
Counter trend trades are pure momentum trades. Think of them as a ***tsunami***, a huge momentum wave on multiple time frames that breaks the trend. In order for us to consider a counter trend trade we must first see the strongest momentum profile possible.

1) Blue candlesticks busting outside the upper E Band . Notice how the earlier rally attempt failed in the middle of the E Bands.
2) Blue candlesticks closing above TriggerlineVMA
3) TriggerlineVMA above Autostop
4) Fast2 is Blue
5) Snapback is **a**) Blue, and **b**) above it's white line and **c**) **ABOVE 0**
6) KPVS is **a**) Blue, and **b**) above it's white line and **c**) **ABOVE 0**

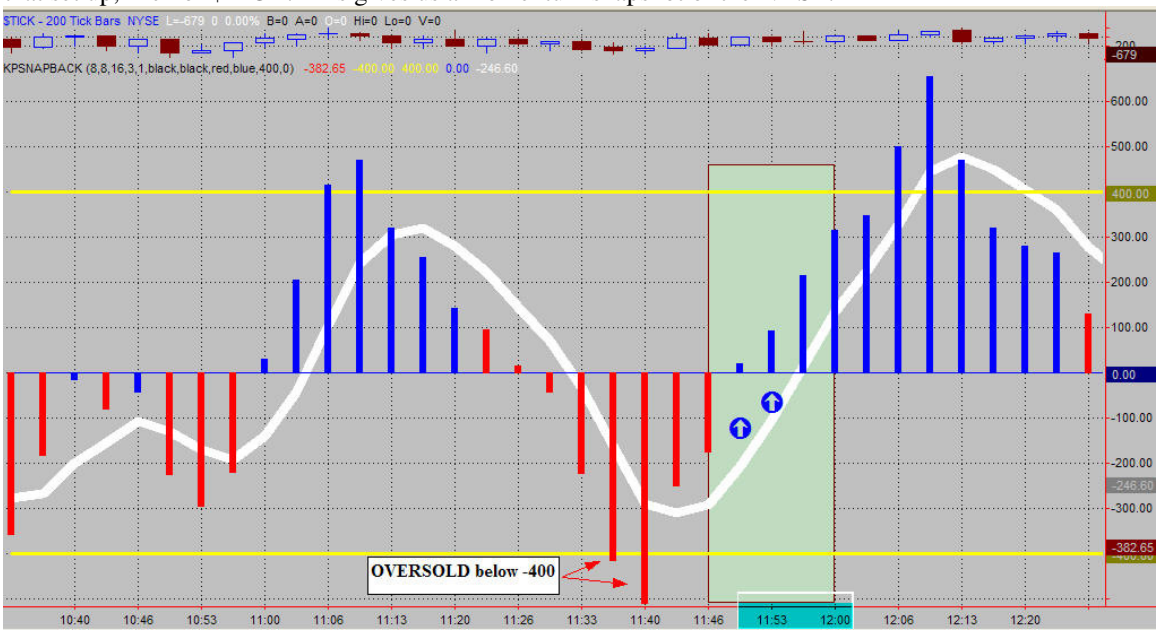
That's just the 7,500 chart. For a counter trend trade we need even more evidence than that.

On our 3,350 volume chart the candlesticks must be BLUE, we must have a TWO UP BUY SIGNAL and the candlesticks must be closing ABOVE the upper E Bands

We also want the DOW to show upside strength as those blue chips are embedded in the S+P 500. So, on our 50,000 volume Diamonds (ETF) chart we want FAST2 to be blue and the candlesticks to be blue as well.



Study that Diamonds chart carefully. Candlesticks turned Blue as did Fast2. Let's look at 1 more filter on that set up, Tick of $TICK. This gives us a momentum snapshot of the NYSE.

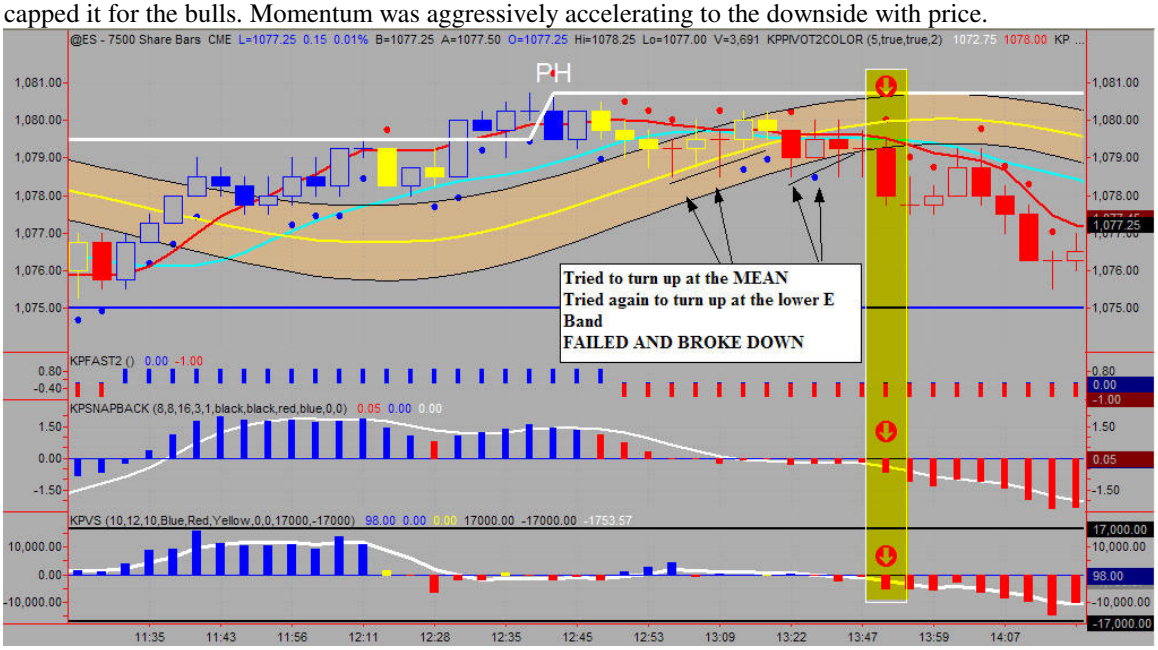


Notice how Snapback, after being oversold, below –400, spiked back up, went blue and went above 0. When you go back and examine that set up by looking at all four charts above you'll see a strong MoMo confirmation right across the board. A preponderance of evidence suggesting that prices would continue moving higher. The strength on the up move on the 7,500 chart was one thing, but when you see the same strength on all of our filters that normally suggests a sustained move. In other words, the odds were better than 50/50 that prices would continue to advance higher, at least 4 ticks higher and maybe more.

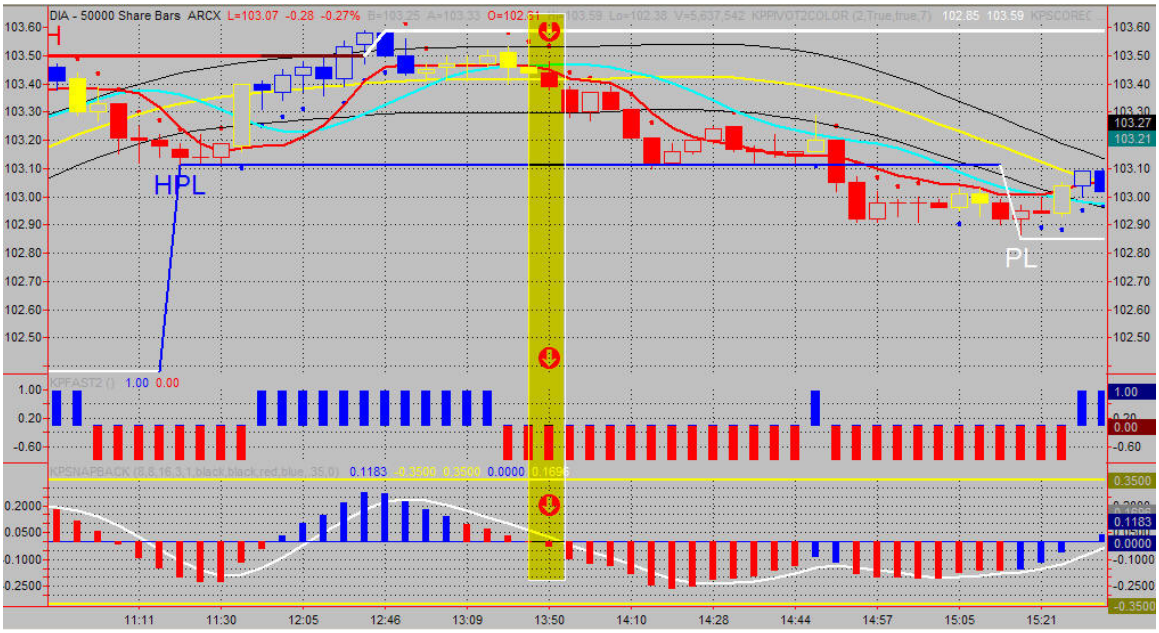
Go back and look at that 7,500 chart again. Remember, that in a downtrend, any bounce back up is normally contained by the upper E Band. Notice the two earlier swings back up failed to get outside the E

Bands. This time prices came up and broke out above the upper E Band as momentum was accelerating at warp speed. In addition, all filters supported the breakout.

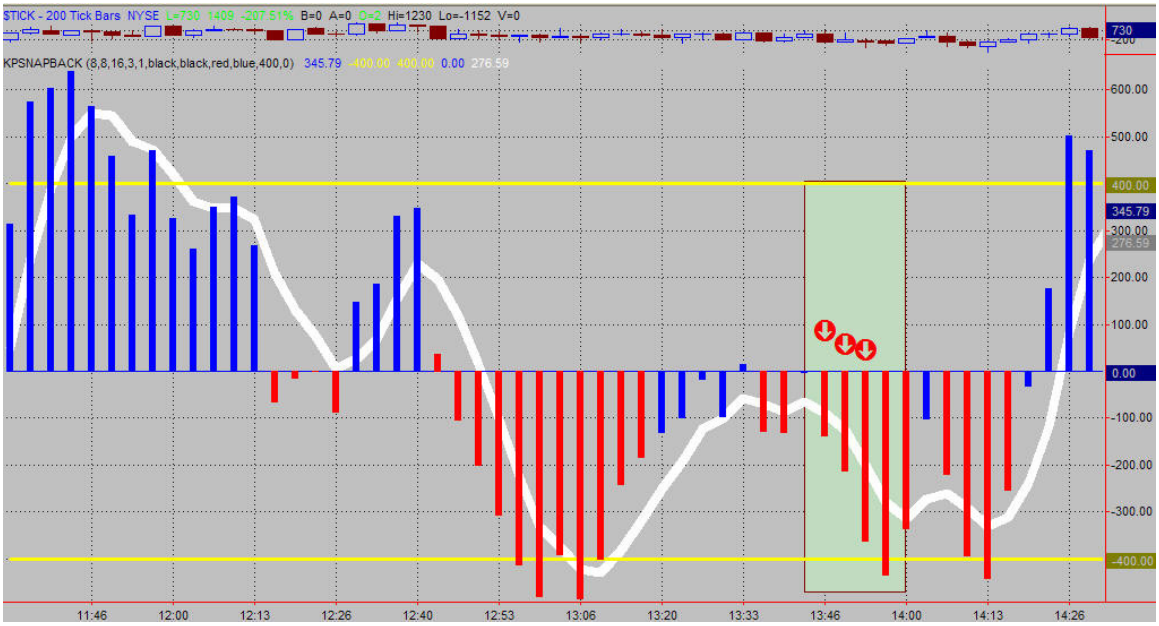
Let's look at a counter trend sell signal. Essentially, the same conditions, in reverse. Here's the ES 7,500 chart first. Notice how prices rolled back down off a PH and came back the middle of the E Bands. That's where we'd expect a new higher low to start forming. Prices tried to turn back up but there was no positive MoMo. Snapback was below its white line and below 0. Prices then dropped down to the next level of soft support our lower E Band. Again, they tried to turn back up and again … no positive MoMo. Then we got a 'THUMP', that big long solid red candlestick that closed well below the lower E Band. That pretty much capped it for the bulls. Momentum was aggressively accelerating to the downside with price.



Notice the momentum profile on that big red candlestick. TriggVMA crossing Autostop, Fast2 red, Snapback below 0, below it's white line and red and KPVS below 0, below it's white line and red as well. Let's look at the Diamonds chart.



A strong down picture there as well. Let's take a look at $Tick to see if it's supporting this breakdown.



Again, we have compelling evidence that prices will move lower and the odds of that happening are greater than 50/50 when all markets are moving lower in unison.

A CONFUSING ISSUE

You'll notice in our discussion of counter trend trades I've suggested that Snapback and KPVS need to be above or below 0 and have the right color and so forth in order to get the strongest momentum profile. Please make a note: **THAT'S ONLY FOR COUNTER TREND TRADES!** On a counter trend trade we need the strongest MoMo picture possible and we need to see it on multiple securities, not just the ES.

As mentioned earlier, when we are trading with the trend we don't need absolutely perfect alignment because …THE TREND IS OUR FRIEND. Yes, I had to slip that in there, almost gagged myself when I typed it, but it's so true. We can take 'TREND TRADES' with a much weaker momentum profile because the trend is pushing prices in one direction and we're trading in the same direction. We can have a rather sloppy momentum read and still make money based on the strength of the trend.

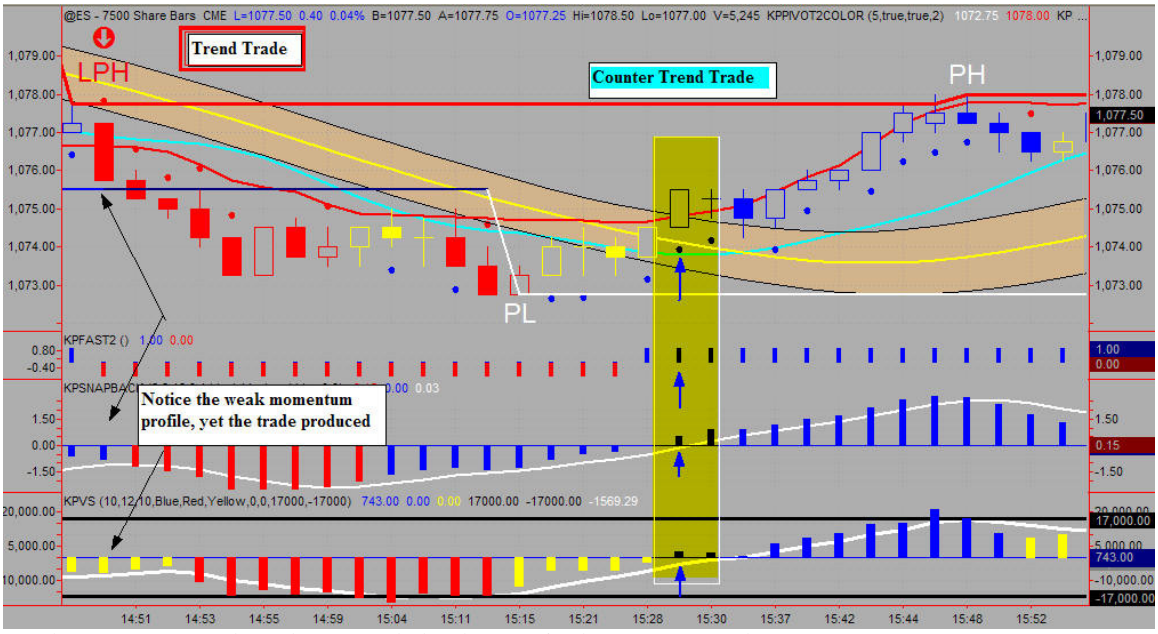
With a trend trade Snapback only needs to be above it's white line and accelerating up on a buy signal or below it's white line and accelerating down on a sell signal. It doesn't need to be above/below 0 and the correct color. It needs to be moving in the direction of the trend only. That gives you some aggressive, early entry points which we'll discuss shortly. The same rules apply to KPVS. As long as we're trading on the right side of the prevailing trend we can take trades with a less than stellar momentum profile and still make good money.

BUT … when we are taking a trade AGAINST THE TREND … we had better be absolutely certain we have the strongest momentum profile possible.
On the 7,500 chart below we'll compare the results of a trend trade and a counter trend trade based upon the momentum profile at each set up.

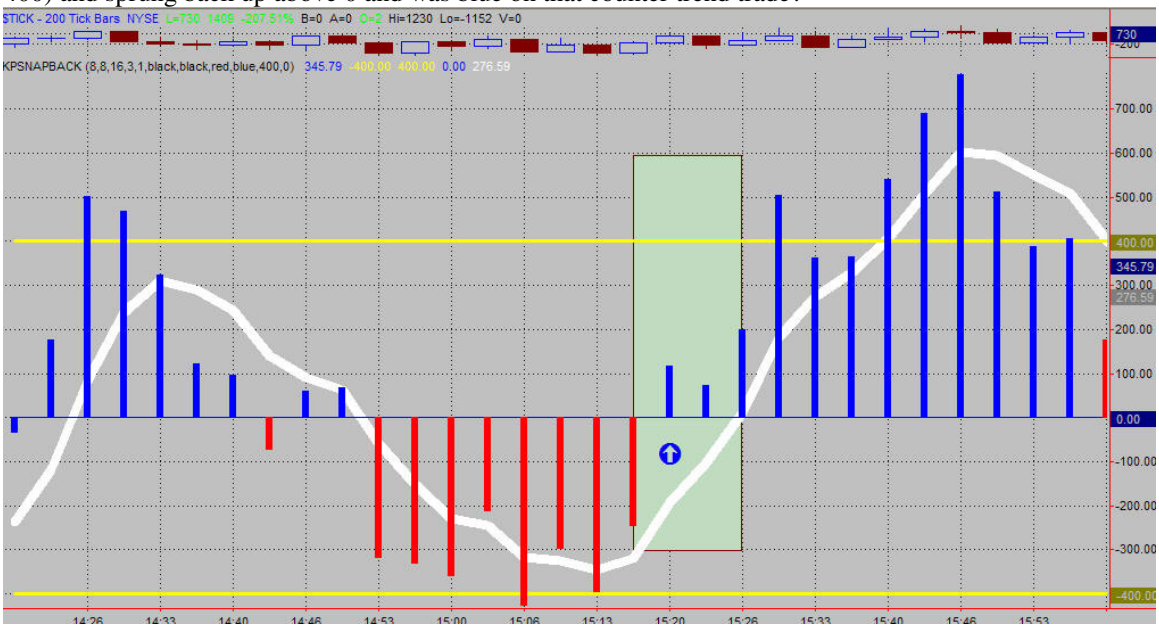
A TALE OF TWO CITIES

On the left side of that chart is a LPH SELL SIGNAL in down trend. At a glace, you know it's a DOWN TREND because our resistance line is RED and there was a lower pivot high set up. Now notice the sloppy momentum profile as the trade unfolded. Snapback was not strong, KPVS was not strong … BUT THE TREND WAS DOWN and the strength of the trend pushed prices two handles (8 ticks) lower from that big red candlestick.
Again, trading with the trend allows us to step in on a momentum profile that is less than pristine. Why step in early? Well, you make more money because you're trading with the trend. By waiting for an absolutely

perfect set up on that short trade you gave up an extra 3 ticks on your fill and in a shallow move like that, 3 ticks is a lot. See how THE TREND IS YOUR FRIEND?

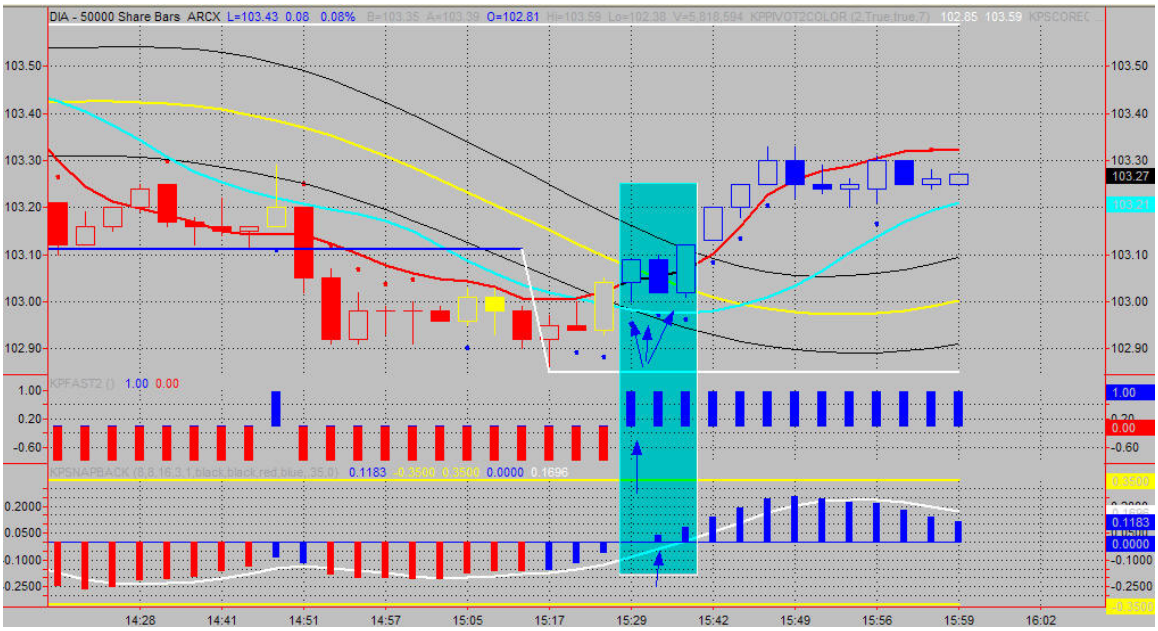


On the Counter Trend Trade we needed to be certain there was enough 'COUNTER TREND MOMENTUM' to push prices back up again. Notice how snapback on $Tick reversed from oversold (-400) and sprung back up above 0 and was blue on that counter trend trade?

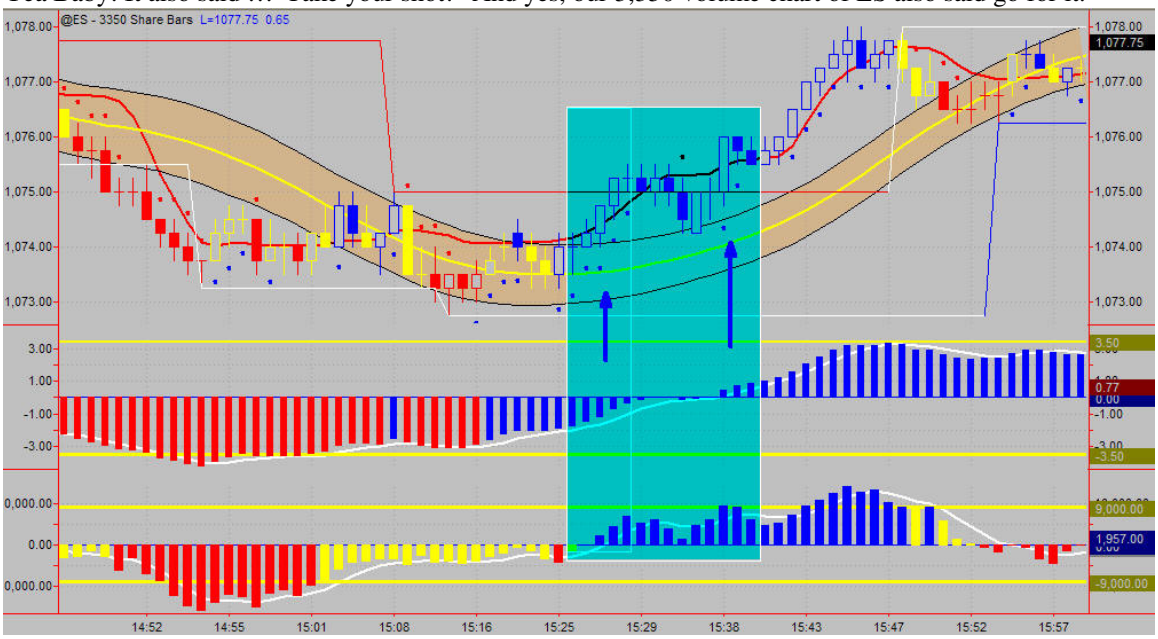


You'll see that pattern many, many times and it tells us there is buying on the Big Board as well. On a trend trade we can be a little more aggressive and we don't need everything in the kitchen sink to support the trade as the trend works for us.

BUT .. on a counter trend trade we want the charts to 'SCREAM AT US' before we take a risky counter trend trade. Let's see what the Diamonds chart looked like on that counter trend trade. Did it support what we were seeing on the $Tick chart and on the 7,500 ES chart?



Yea Baby! It also said …"Take your shot!" And yes, our 3,350 volume chart of ES also said go for it.



Whenever we take a trade … we need a rational reason to take the trade. In a defined trend .., that's our reason, we're trading with the prevailing trend.

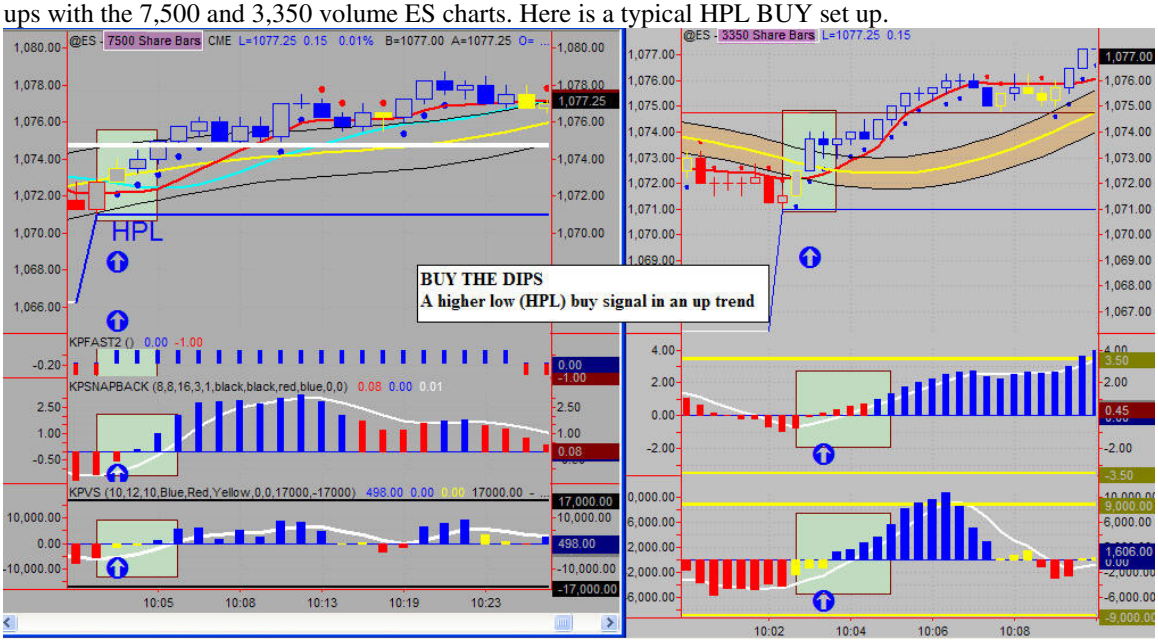
In an up trend we BUY the DIPS. What's a dip? It's the HPL! WE BUY A HPL!

In a down trend we sell the counter rallies. What's a counter rally? It's the LPH. WE SHORT A LPH!

When we take a counter trend trade it's based purely on MoMo. When we get a dramatic momentum profile … against the trend … and we see it on multiple securities and different markets … we take a shot. Counter trend trades tend to be riskier, but they also tend to produce larger gains … if they can reverse the prevailing trend. No pain .. no gain.

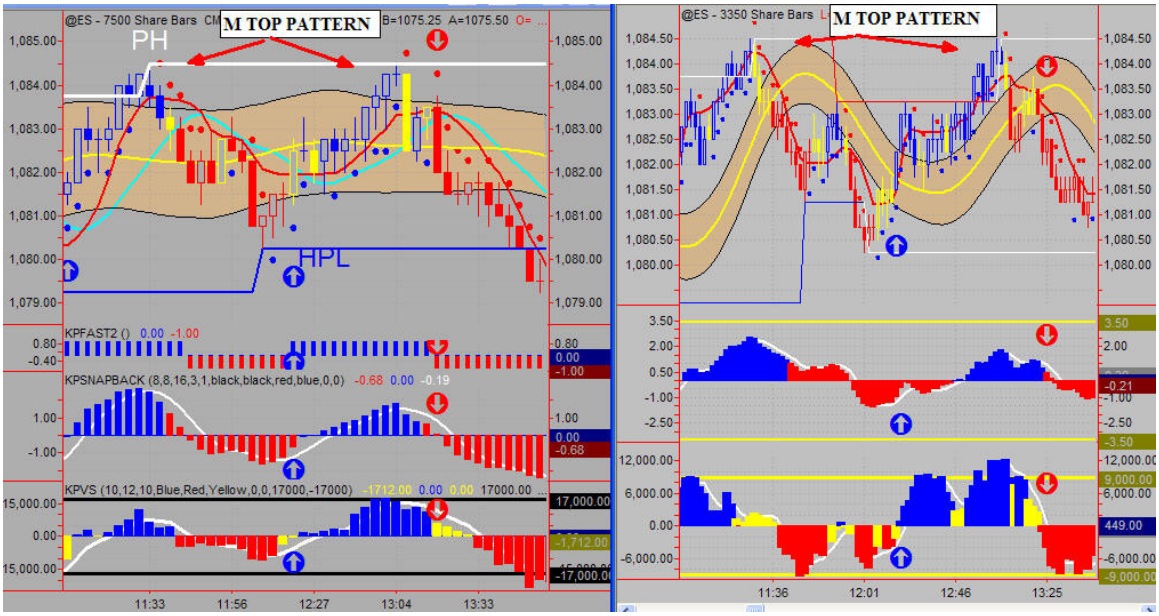
The 7,500 Volume ES chart is our primary chart, the one we base all trading decisions on. The 3,350 volume ES, the 22,500 volume ES, the 50,000 volume Diamonds chart and the 200 tick of $Tick charts are our filters. On trend trades all we need is the 7,500 ad 3,350 volume charts of the ES. For counter trend

trades we need ALL OF OUR FILTERS IN ALIGNMENT. Let's look at some typical TREND TRADE set ups with the 7,500 and 3,350 volume ES charts. Here is a typical HPL BUY set up.



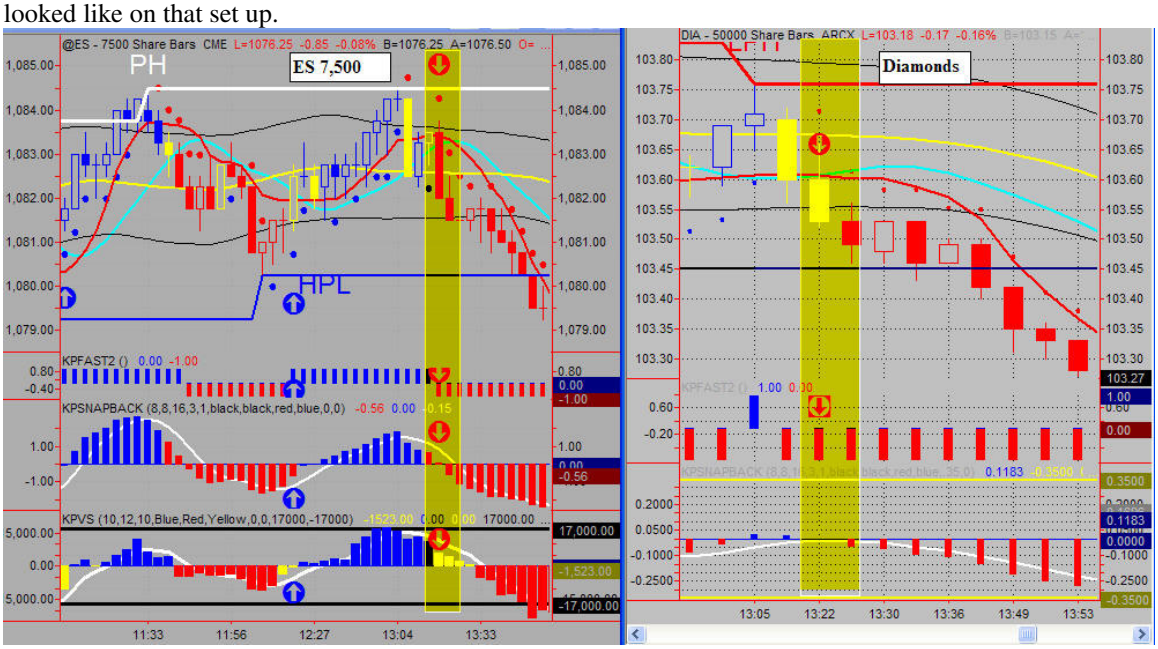
When trading with the prevailing trend we do not need maximum strength on our momentum oscillators to enter the trade early. On the 7,500 chart, Snapback was above its white line but still red. It was accelerating up with price and we had a TWO UP BREAK OUT BUY signal on our 3,350 chart signaling a strong reversal in MoMo on that HPL. The buy was at the completion of the yellow candlestick and beginning of the blue candlestick on the 7,500 chart. WHY? Because the 3,350 confirmed the rally with a TWO UP BREAKOUT BUY on the yellow candlestick on the 7,500 chart.

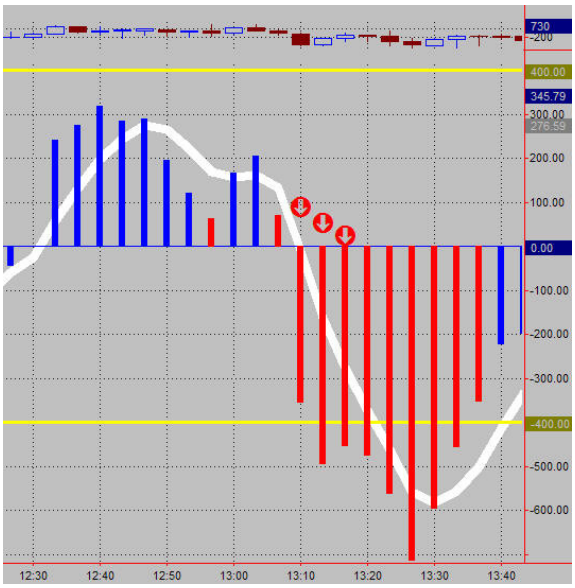
Notice that TriggerlineVMA was not above Autostop on that early entry set up. Because the trend was UP … we don't need the strongest signal to take the trade. The trend momentum works in our favor.



The chart above has two trades. A HPL BUY SIGNAL at 12:20 PM and an M TOP failure swing (Double Top) SELL SIGNAL at 13:20 PM. Please remember that an M TOP SELL SIGNAL is essentially a counter trend trade as the market is still in an up trend. Until prices CLOSE below the support line on our 7,500 volume chart we still have an up trend. Once prices CLOSE below support the new down trend is

confirmed. On M TOPS you should use your filters like any counter trend trade. Here's what the Diamonds looked like on that set up.



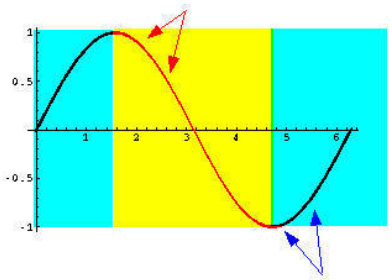


Was $TICK positioned the right way on this trade? Yes. Whenever we look at an M TOP or a W Bottom we are taking a minor counter trend trade. I say minor because there is usually other evidence supporting the reversal and potential trend change.

If the peripheral evidence from our filters is strong enough then there are better than 50/50 odds that a trend change will develop off a W Bottom or an M Top.

Not to beat a dead horse to death, but, with TREND TRADES we can be aggressive and the MoMo profile can be sloppy but the trend will push profits our way.

With counter trend trades we need to see MAXIMUM MoMo strength on multiple time frames with multiple securities before we are ready to commit money to the trade.



It is important that you understand that the Kwik*POP indicators are not designed to predict the HIGH or LOW of a momentum swing. We leave the crystal ball stuff like that up to the wizards of Wall Street and the hucksters on the internet.

That means with Kwik*POP you'll never sell at the exact high or low of a move. Our mission is to take the 'meat' out of the move. That's the middle part between the high and low of each pivot swing.

Kwik*POP indicators can be used in tandem with other, predictive, market trading methodologies such as Elliot Wave, Fibonacci sequence, Market Profile, Gann Angles, Floor pivots etc.,etc. In fact, we have a good number of long term Kwik*POP users that are relatively good in some of the disciplines mentioned

above and they use the Kwik*POP momentum profile to confirm their assumptions about a reversal point in the market. Look at that M Top pattern again on the last few charts above.

Let's assume that your Fibo/Gann/MP/Wave and/ or floor pivot analysis suggested a top should form in the 1085-1086 area. The market tested 1084.50 twice. On the second attempt at 1085 it turned down giving us an M Top SELL signal. That M TOP sell signal was supported by our filters and showed a strong momentum reversal off the 1084.50 level on the second attempt to break out. Now a purist, one who normally gets butchered on most trades, would wait for a move up above 1085.00 before doing anything.

But those traders that are successful are also … very practical. 1084.50 –1085.50, hey, it's a price range and when they saw the M TOP form close to their preferred numbers, and it was confirmed by our filters on the Diamonds and $Tick … They'd of shorted the crap out of the market on the first red candlestick that formed on the 7,500 volume chart. That was confirmation that the price level (price range) they had targeted was indeed, a reversal point. In other words, they were using Kwik*POP to confirm their assumptions based upon other metrics. An M TOP at a key resistance level is a very reliable sell signal.

Our mission with the Kwik*POP indicators is to get on the correct side of the current momentum swing. **We are not looking to pick off the exact high or low of a move**. We are looking to step into a move when there is a strong momentum push up, or down. We use our trend definition analysis on the 7,500 chart to filter out lower probability trades.

For example; in an UP TREND we favor the buy side and look to target the HPL set ups (buy the dips), placing the odds of success on those trades in our favor by trading with the trend. Trading against the trend usually doesn't play out too well unless we get a sharp MoMo reversal and a breakout below the E Bands.

In a DOWN TREND we favor the LPH sell signals. Each time the market pops back up (off a new PL) above the surf for a little air, we sell it again expecting a new, even lower PL on the next wave down. We never worry about the exact highs or lows of a move because there is more than enough profit to be made by stepping into a trade as the momentum is really starting to accelerate up, or down. Like a surfer, we are targeting that sweet spot where the big wave begins to curl. That's when we hop on for the ride.

When trading the ES, everyday, we get between 5 to 8, really good trading set ups. We know that the market can only travel in one of two directions … UP or DOWN. Each move up, or down offers us a trading opportunity. Because of the frequency of trades every day our motto is quite simple … Be patient because THERE IS ALWAYS ANOTHER TRADE. If we miss a good wave we simply wait patiently for the next one to form.

We are always looking for certain patterns that repeat. Patterns that we see many, many times every week in the ES market. Patterns that we study, dissect and quantify in terms of profit performance. If you observe a similar pattern and market structure 300 times and notice that 225 times the pattern produces a gain of between 4 to 12 ticks of profit with proper trade execution, you have a reliable statistical profile on that pattern. In other words, you know the odds of success on that pattern.

As business owners (traders) we only play set ups with the best odds of success. We only deploy our capital when we have a definite edge. For some reason most newbies assume the term 'traders' implies gamblers, speculators, high risk, high rollers. That could not be further from the truth. The 25% of all players in this game that consistently make big money from trading are business professionals, risk managers that have learned how to leverage their capital on opportunities that offer much better than a 50/50 chance of success.

They don't roll the dice or take extremely risky trades. They are students of the market and they are constantly studying price action before and after the close. They consistently seek out above average opportunities with reliable parameters based upon their research and observations. They repeat the process over and over, every day, like an assembly line that cranks out products.

That's the real way to tap into the **$$ BIG MONEY MACHINE $$**

WAYNE HARRISON PRESIDENT ***TS LEASING GROUP INC.***

RICHARD RASCHDORF VICE PRESIDENT ***TS LEASING GROUP INC.***

May the MOMENTUM be with you