5 Tips

* Tip #1: Use ADX to Trade Power Trends
* Tip #2: Use RSI (50/50 Strategy) for Timing the Trade
* Tip #3: Use Dual Timeframes to Gain an Edge
* Tip #4: Trade in Sync with the Market (Market Timing)
* Tip #5: Take Profits as the Trend Rises
Disclaimer

The information in this lecture is for educational purposes. No particular stocks, options, futures, mutual funds, or exchange traded funds are being recommended. Consult professional investment advice prior to implementing an investment program. Past results are not necessarily indicative of future results. Do not invest with money you cannot afford to lose. Investing involves potential risks. It should not be assumed that methods taught will not result in losses.
Get Winning Stocks Now!

Join an exciting community of investors learning professional, trend-following strategies to build wealth with stocks. Members benefit from daily emails with stock picks, including instructions on when to buy and when to sell. Trading has never been this easy!

Members gain access to educational resources, including articles, tutorials, and videos. They can also participate in the trader’s forum, where like-minded investors share ideas, strategies, and methods. Why trade like a novice when you can trade like a pro?

Join today, and start profiting tomorrow!

JOIN TODAY!

FEATURED RESOURCES

Are Your Stock Picks Computer Generated?
TradeLikeAPro is unlike many other stock picking services that list or rank their picks according to a computer-generated program. TradeLikeAPro does use computer screening and scanning formulae in or

Does the 50/50 strategy only apply to stocks, or can you use it to trade options?
by Charles B. Schaap

Does the 50/50 strategy only apply to stocks, or can you use it to trade options? I mainly trade
Over a 7 ½ month period (15 May to 31 December 2013)

- ProSelect Portfolio gained +61%
  - Realized Gains +43%
  - Unrealized Gains +18%
- Win/Loss Ratio: 3.25/1
TIP #1
Use ADX to Trade Power Trends
* Average Directional Movement Index (ADX) was developed by J. Welles Wilder
* ADX is derived from two related indicators, the Positive Directional Movement Indicator (+DMI) and the Negative Directional Movement Indicator (-DMI).
* Default periods for ADX and DMI is 14

**ADXcellence—Power Trend Strategies, 2006 (Schaap)**
* ADXcellence settings: DMI 13, ADX 8
ADX and Trend Strength

* ADX is Nondirectional
* ADX measures trend strength
  * **ADX ≥ 50**: Very Strong (Power Trend)
  * ADX 25-50: Strong Trend
  * ADX 15-25: Weak or No Trend
  * **ADX ≤ 15**: No trend (Prebreakout)
**ADXcellence Settings**

DMIs 13 Period Avg

**ADX 8 Period Avg of DMI 13**
TIP #2
Use RSI for Timing the Entry
Relative Strength Index (RSI)

  - Momentum oscillator developed by J. Welles Wilder
  - Moving average of up closes (price change) vs down closes (price change)
  - Default period is 14

- *The 50/50 Strategy* (Technical Analysis of Stocks & Commodities, March 2004) (Schaap)
  - RSI with 20 Period setting
  - Trend Indicator
A Rising daily 50 EMA represents institutional buying
Price periodically retraces to the daily 50 EMA
If institutional investors support a stock at the 50 EMA “area,” the trend is likely to continue
Buy near the 50 EMA when the price/volume pattern turns bullish
Stop loss: Sell a stock that violates the 50 EMA on a bearish price/volume pattern
Default RSI = 14 periods
Used as overbought/oversold indicator

- Overbought
  - 100
  - 70
- Oversold
  - 30
  - 0
ProTrend Methodology
(50/50 Strategy)

 Zone of Price Strength

 Zone of Price Weakness
Two Main Criteria

- Price is above a “rising” 50 EMA
- RSI 20 is above the “50” level
Price crosses and closes above the 50 EMA

RSI crosses above the 50 level (or is already above the 50 level)

Supportive price/volume pattern

Price closes above a Resistance Line
TIP #3
Use Dual Timeframes to Gain an Edge
Dual Timeframes

- Dual Timeframes represents one of the major edges in trading
- The Lower timeframe leads the Higher Timeframe
- Buy when the higher timeframe trend is STRONG and the lower timeframe is “temporarily” WEAK
- 50/50 Strategy uses weekly/daily charts
  - Weekly for the bigger picture trend
  - Daily for timing the entry and risk management
Weekly/Daily Relationships

- Weekly 10 moving average = Daily 50 moving average
- Weekly 50 moving average = Daily 250 moving average
- Weekly RSI 4 = Daily RSI 20
TIP #4
Trade in Sync with the Market
Trade in the direction of the institutional money flows (volume)
Different trade setups work in different market conditions.
More likely to get stopped out if market conditions are not supportive
Assess market conditions before entering a trade
  Correction:
    Leads to the best setups (risk/reward)
    Wait for correction to end before buying
  Market Trending Up: Consolidating, Retracing, Breaking to new highs?
Daily Nasdaq Composite
Market Direction determines portfolio positioning

* 10 January 2014 Email: “WARNING OF POTENTIAL MARKET CORRECTION”
  * Take profits, cut losers, limit buys
* 27 January 2014 Email: “Market in Correction”
  * No new buys, tighten stops
TIP #5
Take Profits as the Trend Rises
Set Targets and Capture Profits

* Trends move in cycles
  * Uptrend segment usually has 3 upswings
  * Intermediate-term retracement will give back profits
* Stocks commonly rise 15-25% before entering a retracement
* Capture “partial” profits at specific targets as price rises and momentum weakens
* Can hold a partial position to let profits run or add shares back in at the next buy signal
Facebook (FB) / 5 December 2013

Facebook (FB) is a well known social networking company that allows users to connect, communicate, and share images on customers' mobile devices and computers. FB made a strong move up in July and was featured in the Trading Tip of the Week email in September. The stock started a pullback in late October, and price reached the 50 EMA in early November.

FB has spent the last two weeks trading around the 50 EMA. On Wednesday, the stock put in a strong 4% advance, closing well above the 50 EMA. Price also closed above the descending resistance line (solid black). Volume as stronger than Tuesday's volume. RSI, however, is still weak at 45 (arrow). The next hurdle is the last swing high (upper dotted line). By then, RSI should be above 50 to provide a buy alert. On 50/50 strategies, price must close above the 50 EMA "and" RSI must be above the 50 level. Also, look for volume to be greater than average.

Stock: Facebook (FB)

Sector/Industry: Technology/Internet Information

Timeframe: Daily

Setup: Low Riser

Price trigger: $49.60

Stop loss: $46.25

1st target: $54.75

2nd target: $60.00

**************************
1. Listed
2. Triggered
3. 1st Target +12.05%
4. 2nd Target +23.36%
5. Stopped out +41.80%
+23% Gain
SOLD: 2nd Target
1st Target
Triggered 28 May
Picks are 10% of the winning equation
Trade management is 90%
PICKS:
* UBNT
* QIHU
* GOMO (IPO)
IPO 2011, makes radios, antennas and network mgmt tools
Qtrly Sales % chg 85%, 3 Yr Sales growth 34%, Qtry EPS change 140%
IPO 2011, Chinese provider of internet security, browsers, online games
EPS%Qtrly 158%, 3 Yr Sales Growth rate 127%
IPO 2013, internet products and applications, focus android smartphones
Qtrly Sales % change 85%, 3 Yr Sales Growth rate 96%
Thank You!

Website: TradeLikeAPro.com
Email: help@tradelikeapro.com