Market Structure Trading Setups

Trade With the Pros

HIGH TIME FRAME ANALYSIS

Monthly and weekly charts

- Identify location, condition, and structure of the security.
- Location is where the current price is relative to condition and structure.
- Condition is the overall trend of the security.
- Structure is the phase of the trend.

Goal #1 - Trade when smaller time frame trend rejoins the long-term trend.

Goal #2 - Enter trades with a 3 to 1 reward-to-risk ratio or greater.

Goal #3 - Avoid entering trades with limited profit potential.

Daily chart

- Identify gaps, candlestick patterns, and long-term trend of the security.

240 Min / 60 Min chart

- Identify the trend and phase of the security.
- Trade setups occur when current trend and long-term trend are the same.
- Trend is defined by the market structure (impulse and corrective moves) and the price of the security relative to 200 and 50-period moving averages.
- If price is trending up, only enter long positions.
- If price is trending down, only enter short positions.
- If price is sideways trending, both long and short positions can be placed, but only near the extreme swing highs and lows.

Entry time frame: Based on style of trading entry time frame can vary.

- Time frame examples: 60/30/15/5/2
- Identify changing of the guard in the direction of trend.
- **Up trending market:** Wait for 3 to 5 red candles, then a green candle that trades above the wick of the lowest closing red candle.
- **Down trending market:** Wait for 3 to 5 green candles and a red candle that trades below the highest closing green candle.

Entry order types:

- Market order
- Stop limit order for break-out entry
- Limit order on retest

Profit Target #1

Exit part of the position at a profit near the previous swing high if long the position and swing low if short the position.

Profit Target #2

Exit part or all of the position at the opposing resistance level if long, and previous support level if short.

Support and resistance can be defined by key swing levels, candlestick patterns, or previous high time frame close price points.

Profit Target #3

Optional trade management strategy used for trades with greater than a 3 to 1 reward-to-risk ratio.

Option 1: Exit trade based on key levels and controlling swing points on a higher time frame chart.

Option 2: Exit trade by using a follow-up stop.

- **Long trades:** Raise stop market (stop loss) order as price moves higher and creates higher swing lows. Stop loss order is placed a few pennies below the most recent higher swing low.
- **Short trades:** Lower stop market (stop loss) order as price moves lower and creates lower swing highs. Stop loss order is placed a few pennies above the most recent lower swing high.

Set (Stop/Entry/Target) Order Entry Types

Long trades:

- Buy Market order to enter at current market price + Sell stop market for risk management + Sell limit orders (s) for profit target(s).
- Buy Limit order to enter at a price lower than current price + sell stop market order for risk management + sell limit orders(s) for profit target(s).
- Buy stop market order above current price (momentum break out entry) + Sell stop market for risk management + Sell limit orders (s) for profit target(s).

Short trades:

- Sell Market order to enter at current market price + Buy stop market order for risk management + Buy limit order(s) for profit target(s).
- Sell Limit order to enter at a price higher than current price + buy stop market order for risk management + buy limit order(s) for profit targets.
- Sell stop market order below current price (momentum breakout entry) + buy stop market order for risk management + buy limit order(s) for profit target(s).

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