TRADING SECRET NO. 4

How to use multiple time frames to find trades with the highest probabilities of success

How we see the market move depends on which time frame we are viewing on the price chart. Here is an *essential technique* whether you are watching the market every minute or once a month. Figure 4.1is actually a chart of September '04 Treasury Bonds. But, there are no price bars, only Stochastics. The upper portion of the chart shows the Stochastics from a daily chart of T-Bonds. The lower right frame contains the Stochastics from a weekly chart. The lower left frame holds Stochastics from a monthly chart.

Notice that the fast-moving daily Stochastics has many up and down oscillations. The slower-moving weekly Stochastics has far fewer

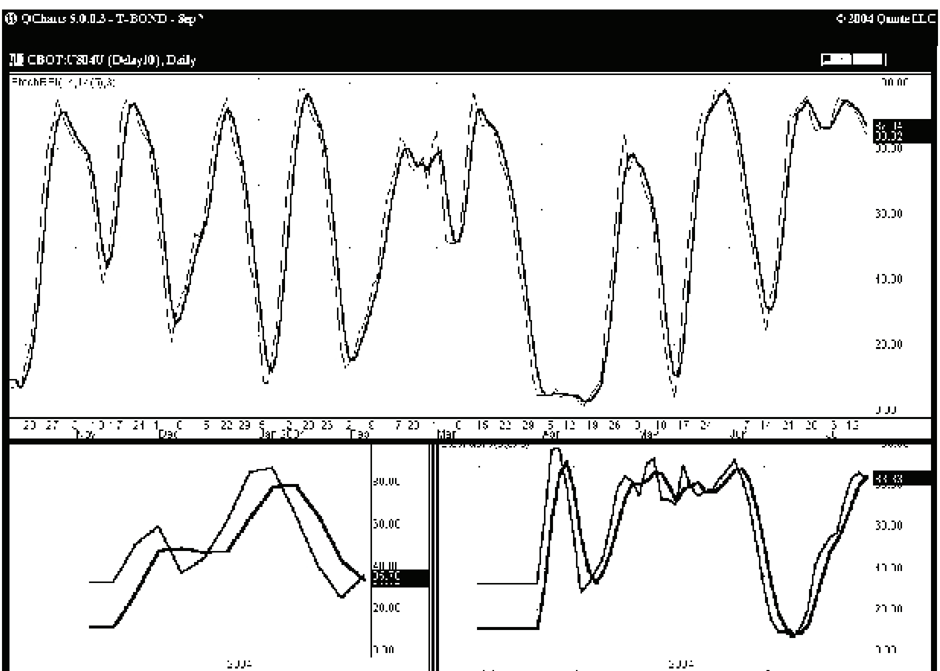


Fig.4.1 – Daily, Weekly and Monthly Stochastics

oscillations over the same time span. And, the monthly stochastics, which is the slowest of all, has even fewer still.

Remember how I told you earlier that Stochastics mimics the swing of the market? Well, that's true on *every* time frame.

THE OBJECT IS TO FIND THOSE POINTS IN TIME WHEN THE SWING IS MOVING IN THE <u>SAME DIRECTION</u> ON ALL THREE TIME FRAMES.

Figure 4.2 below is another view of the T-Bond Stochastics chart. You will see a solid vertical cursor line in each of the three frames. The line runs through March 26, 2004 on the daily frame. In the weekly and monthly frames the line is in the same relative position time-wise.

On the daily time frame, the cursor intersects the Stochastic lines around the middle of its 100-point scale. The Stochastic lines are moving down with THIN %K *below* **thick** %D. In other words, *the daily*

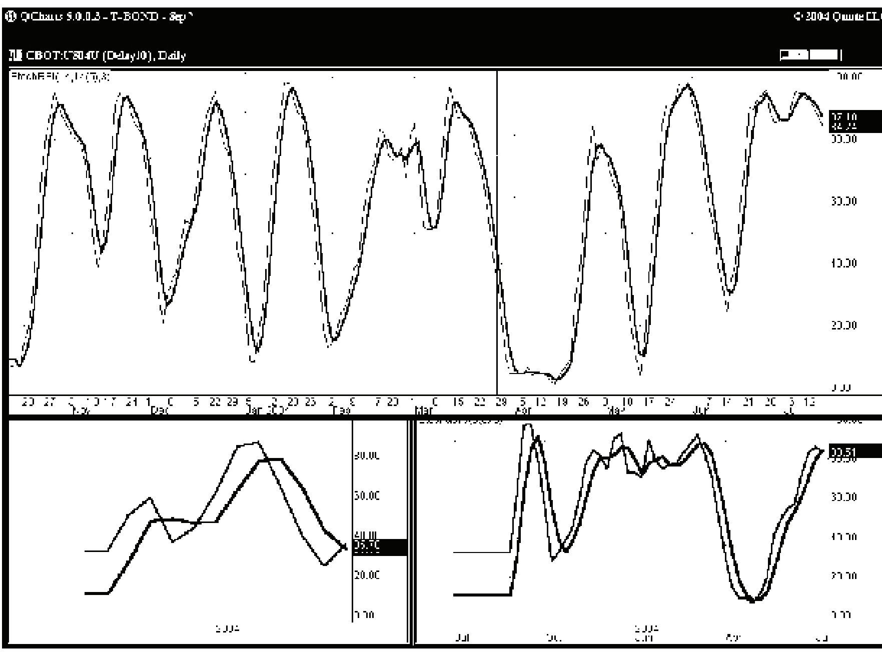


Fig. 4.2 – March 26, 2004

swing is down. On the weekly portion of the chart (lower right), the cursor crosses the Stochastic lines much higher on the scale. And again, we find THIN %K *below* **thick** %K. So, *the weekly swing is also down.*

Finally, on the monthly time frame (lower left), the cursor meets the Stochastic lines before THIN %K has actually crossed **thick** %K. *But,* we can see that %K has a definite *"bearish bend"* in the direction of %D. The upward monthly swing has halted, and *the downward monthly swing is about to begin.* Without even seeing the price bars, we have found *simultaneous* downward movement on the daily, weekly and monthly time frames. ***THIS <u>TRIPLE ALIGNMENT</u> OF THE PRICE ENERGY GIVES US THE HIGHEST POSSIBLE PROBABILITY OF CONTINUED MOVEMENT IN THE INDICATED DIRECTION.*** Now let's add the price bars, and see what's really happening.

On Friday, March 26th, the price broke below a short upsloping cluster of price bars. By itself, that downside breakout is *mildly* bearish. But, when combined with the ***TRIPLE ALIGNMENT,*** it's an *engraved invitation to a high probability short trade.*

Let's say we go short at the open on Monday, March 29th. We would have been filled around 112 '16. By the way, in T-Bonds that price means 112 and 16/32^{nds} basis points. Each point is worth $1,000. Each 1/32nd is worth $31.25. Observe how the Stochastics evolve as this trade unfolds. In the chart above, the cursor is now on April 22nd. Notice that the daily Stochastics is moving up with THIN %K *above* **thick**

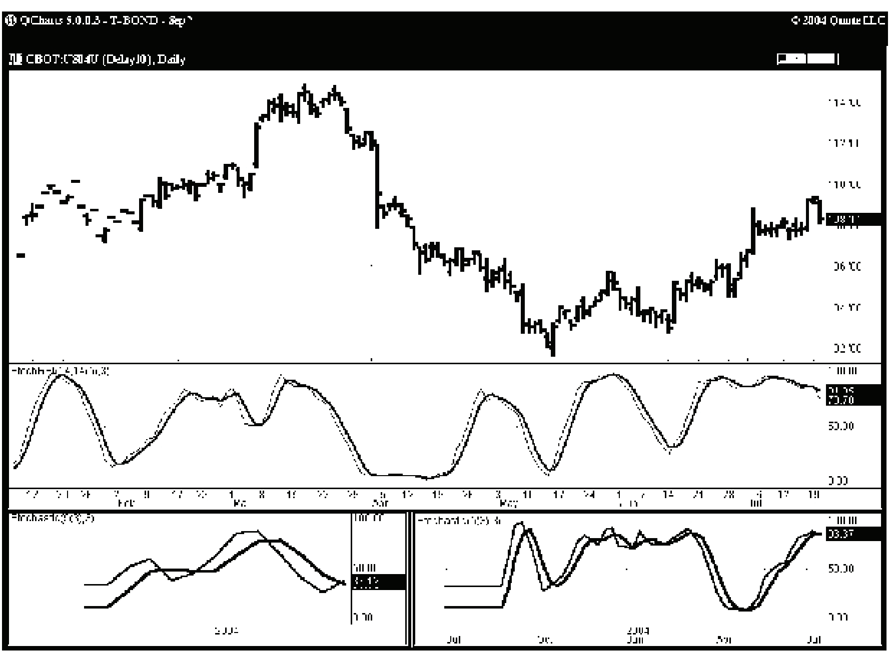


Fig. 4.3 – March 26, 2004 with price bars

%D. Without more, this daily bullish crossover would suggest that the downtrend is over. But notice that the weekly and monthly Stochastics are *both still showing bearish crossovers.* In other words, the score is ***2 to 1** in favor of the **BEARS.*** So although the daily Stochastics is rising, the price just edges sideways.

Now the cursor is on May 4th, two weeks later. We are back to a ***TRIPLE ALIGNMENT*** again. The score is ***3** to **0** in favor of the bears.* But notice, the weekly Stochastic (lower right) is very low on its scale, and *bending bullishly.* That means the price may drop a bit lower, but the downward energy is definitely waning.

Now it's May 14th. While the slow-moving monthly Stochastics is still solidly bearish, we can see *bullish crossovers on both the daily and weekly.* The score is now ***2** to 1 in favor of the **BULLS!*** It's time to tighten up our stop to protect profit.

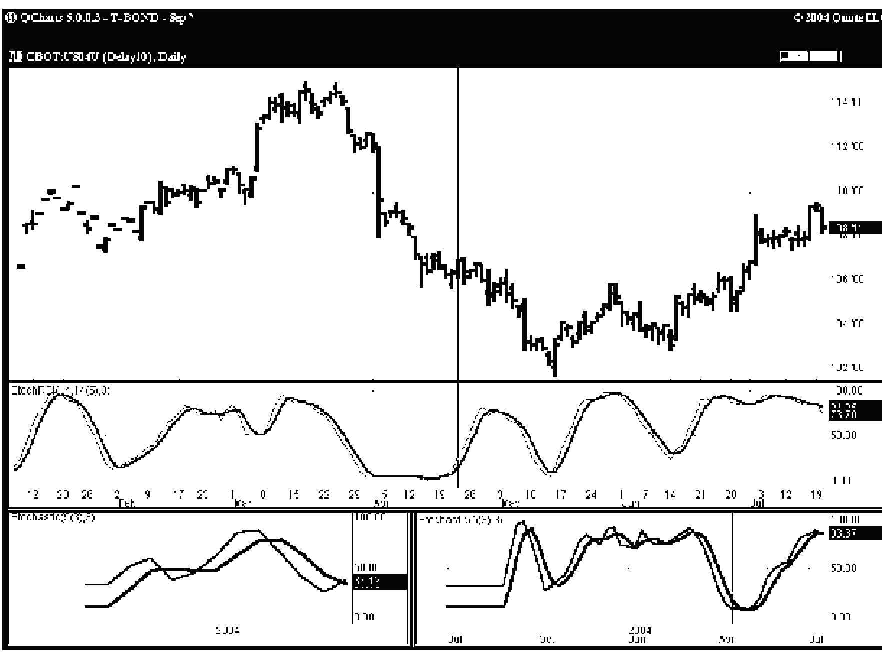
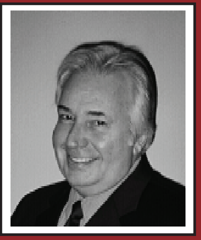


Fig. 4.4 – April 22, 2004

Using my Money Management Protocols, we would have been stopped out the next trading day, Monday May 17th, at about 103 '11. We were in this trade for less than two months, and our gross profit before transaction costs is over $9,100.00. Not bad.

Are you thinking that ***TRIPLE ALIGNMENTS*** only come along once in a Blue Moon? No way! They happen all the time. Check out these trades.



"Are you thinking that *TRIPLE ALIGNMENTS* only come along once in a Blue Moon? No way! They happen all the time."

Look at the Coffee chart below. The dotted lines mark bullish Stochastics crossovers on all three time frames. The score is **3** to **0** ***BULLS!*** And notice, all three crossovers are low on their respective scales indicating that there is plenty of room for the price to move higher.

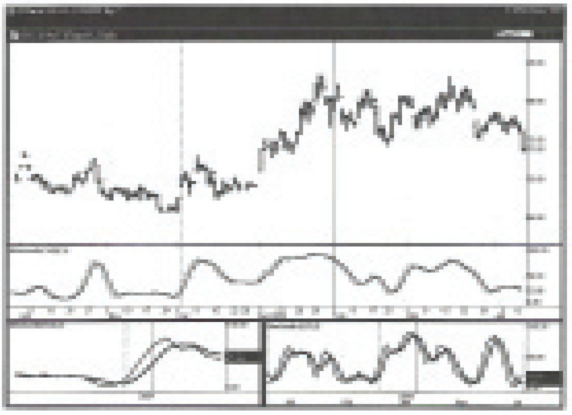


Fig. 4.5 – Coffee

Two months later, the vertical solid line marks bearish crossovers on the daily and weekly time frames. The score is now ***2*** to ***1 BEARS!*** Time to exit with a gross profit of over $3,000.00.

This simple technique is incredibly powerful. If you learn nothing else, learn this! In my powerful new **FORTUNE FORECASTER Trading Course,** created with beginners in mind, I will also show you:

- **Which time frame is the most critical to a successful trade.**
- **How to adapt this technique for day trading.**
- **A "check list" to guide you through your analysis of any market in just seconds.**
- **How to spot *TRIPLE ALIGNMENTS* when watching the markets only once a week.**
- **How to simultaneously view multiple time frames when using free charting web sites.**