

FIRST STRIKE **TRADE** **ALERTS**

WENDY KIRKLAND
LESLIE KIRKLAND JACKSON

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Embrace the Mindset of *Knowing* You Will Be Successful

Quintessential means representing the most perfect, typical, or consistent example of something. That is what *Quintessential* *QQQ* and *First Strike Trade Alerts* option trading strategy is all about. Zeroing in on the perfect patterns, the perfect strategy, applied to the perfect equities in the perfect time frame, by the perfect trader. Who is you!

Before we jump into the trading strategy, I want to share some personal realizations. This is something I discovered a while back, and I *know* my life is proof of this discovery. One day, I was poor, and the next, I was in the money. Another day, I was lonely, the next, I had friends. Low, then flying. Lost, then home. Sick, then healthy. My entire life is proof.

It is so clear that the only thing that ever really changed is my thinking. I think of all the time I save when I no longer look for what is wrong with me, when I *know* everything is truly perfect in this moment. I tell myself, keep *knowing* everything will work out, and experience an awesome day. *Know* that each moment is a positive step along a divinely created, life-evolving path.

The point of sharing this is that learning to trade and all the details that need to be absorbed can feel overwhelming, but this process is truly unique. You can read through the information, and only absorb a portion of the details, and then when you scan the information again, another level settles into place and before you know it, a detailed puzzle has been created and you see and understand the “whole” trading concept.

I feel like I hear you saying, “Yea, yea, but this is all overwhelming. I am coming from zero understanding.” I totally understand. Over the years, I have talked with 1,000s of potential traders, who started this learning process from a level of zero knowledge and sometimes a level of fear.

For the moment, step up and stand behind those feelings. You are aware they are there, but just observe without getting involved and take the first step toward studying and then another step. You will be surprised how negative beliefs and doubts will then just float away when you don’t add your energy to them, and your level of understanding will expand.

Perfect understanding and a perfect life unfold naturally. This is the time to fully move into the potential of every possibility by being aware and *knowing* what speaks to you, what tells you its story, so you can understand, apply, and open the infinite possibilities of focusing that *knowing* energy into creating and achieving your trading goals. You’ve got this!

Fear propels you to take a step. That is what it is supposed to do, it isn’t supposed to hold you back.

Knowing can be the answer or perhaps the solution for many things, but, sometimes, it isn't obvious right away. I have had times where life felt like it was falling apart, but truly, the pieces fell into place. It brought me to the place I needed to be for the next steps, the next chapter. It is helpful to be reminded that there is no problem or situation that we won't one day be truly grateful for. Remember and "know" this fact and everything can then be looked at as a blessing. LOL, say, I am truly blessed beyond belief, except it is more than that, I "know" I am blessed!

Option Trading the First Strike Trade Alerts Book

In addition to this book that you are reading, you have access to the *Quintessential QQQ* book with this program. The *Quintessential QQQ* shares all the information that you need to understand option trading, then uses P3 and P3.5 patterns to decide when to open a trade and trade those patterns. The book totally focuses on the QQQ ETF equity and how to trade it. Everything that you will learn in that book can be applied to any equity. This *First Strike Trade Alerts* book adds other important, strong index equities that have lots of volume and trading activity.

This book, the overall strategy, focuses on QQQs, SPY and IWM. It could also be applied to DIA, which is based on the Dow, but, because of current price and activity, DIA has less volume than the other indices, so I don't focus much energy on it. This book zeroes in on QQQ, SPY and IWM.

If you are an experienced option trader, you may be able to just zero in on this book and briefly scan the *Quintessential QQQ* book, touching on any aspect or indicator that is new to you. For new traders, I suggest that you start your learning process by reading the *Quintessential QQQ* book, which covers important details about option trading, chart patterns, and applying that information to trading the P3/P3.5 patterns.

Select the path that fits your knowledge and past trading experience.

Changes in the Market Since Quintessential QQQ Book was Written

Of course, the most obvious change, adjustment and modification is the price of equities. Back when the QQQ book was written the price of the QQQs was \$65. Today, as I typed the price of the QQQs, it is \$356. SPY and IWM's value have also multiplied numerous times over the years.

The process of trading options hasn't changed, but the value of the equities is much higher. Another change is in the popularity of option trading. This popularity has brought about additional option expiration dates. For a good while, there have been weekly, monthly and LEAP (yearly) expirations, and now multiple weekly expirations have been added. There are daily expirations because day-trading has become popular. We will discuss this further as we proceed. The important aspect is that the popularity of option trading has increased so much that the availability expirations have multiplied. The QQQs, SPY and IWM have Monday,

Wednesday, and Friday expirations every week and SPY and the QQQs, which are the most popular equities, have added expirations for the other days of the week for the next two current weeks. This provides lots of time and premium choices for options, and we will discuss the appropriate selection process as we proceed.

Time Frame Charts

In this strategy program, we are applying various time frame charts to QQQs, SPY and IWM. Depending on pattern confirmations on those charts and the premium cost, you will decide which equity to trade, the time frame chart, the amount of time it will take for the pattern to unfold, and the option premium cost of the appropriate expiration. You will have trade choices of weekly, daily, 60-, 30- and 10-minute chart expirations and, of course, the premiums of those time choices vary per equity. Not every trade and time selection will be right for every trader, or perhaps not right as you begin this trading process but will be perfect a year from now as your trading account grows.

So, let's begin here. I will post all the time frame charts within this service for the QQQ so that you can begin to see the variations in the amount of time that it takes for the P3/P3.5 patterns to unfold and play out.

I am starting this with the assumption that you have either read the *Option Trading the Quintessential QQQs* book or you are familiar with the P3/P3.5 indicator chart patterns. My goal is to share the patterns and their stages on current charts. The patterns are the same and flow through the same stages no matter what time frame chart you are looking at, and it doesn't matter if it is a new chart or an old chart. The stages of the patterns are the same.

Life Cycle of an Option

Let me explain. Think of the bullish (P3) patterns and bearish (P3.5) as flowing through life cycles. The P3 pattern goes through a life cycle that passes through conception, birth, infant, toddler, teenage and adult. The adult stage of one pattern conceives the opposite pattern. When that opposite pattern is born, the other pattern ends. The new birth then moves through its life cycle. Back and forth, the patterns flow- P3 to P3.5 to P3 to P3.5.

Okay, so if one pattern were to fail and end before it moves into the adult stage where it can conceive the opposite pattern, then the previous adult pattern becomes an adult again, so it can conceive the opposite pattern again (the one that failed).

I feel the need to stress this over and over. Almost every trader of the stock market believes and states that nothing in the market is 100%. They are certain that the market acts on the whim of traders, and nothing is certain and definitely not 100%.

Sure, trading varies. Buying and selling happens based on news, earnings, politics, world events, etc., but that said, on EVERY chart a P3 pattern flows into a P3.5 pattern, flowing

through its life cycle stages, and if EVER a pattern fails, it will go back into the previous pattern's "adult" stage 100% of the time.

Since I discovered the P3 patterns, perhaps, nearly 15 years ago and looking at 100s of charts a day, I have never found or seen a chart that wasn't in a P3 or P3.5 pattern, flowing through their life cycle stages.

These events happen *without exception* on every time frame chart. There isn't much in the stock market that can be said to happen without fail, so this is why I want to stress the patterns and their stages. This is the charting cycle I want you to become familiar with because these patterns will be on every time frame chart of every equity.

As we start this process, let me list the life cycle stages that will be on the charts:

- 1) Conception
- 2) Birth
- 3) Infant
- 4) Toddler
- 5) Teen
- 6) Adult (Adults always conceive the opposite pattern)
- 7) End (the end of one pattern is the birth of the opposite pattern)
- 8) Add-on Adult stage (if a pattern ends or fails before it becomes an adult, the previous or opposite pattern becomes an adult again. 100% of the time.)

Since we are applying these patterns and their life cycle stages to QQQ, SPY, and IWM on various time frame charts, I will start by posting current charts of the QQQs, covering all the time frames, starting with a weekly chart, and going down the time chain.

On each chart, I will list the life cycle stages, using the numbers listed above. To start, I will note full life cycles and after, a few charts, when I figure you have grasped the information, I will just list the current life cycle stages. An added point to this information is that you will see there are times that you could have a couple trades open on the same equity, trading a couple of the 5 various time frame charts.

Chart Examples

The first chart is a weekly chart of the QQQs. Note if you entered at stage #4 or, perhaps, and again at stage #6, a trade could have remained open for as long as 7 months on the P3 pattern stage #4 and slightly less on the stage #6 trade.



Figure 1 - Courtesy of Stockcharts.com

There is a note on the chart stating that if the PPO crosses up, the P3.5 pattern will end, and it will then go back into a P3 stage #8 strength stage. If the PPO crosses up, stage #8 is a 100% guarantee.

The next chart is a daily chart of the QQQs.

On the left side of the chart, there were several P3.5 patterns that started or were conceived and then born, but they failed when then ADX never rose or the -DI never crossed up and it then they failed.



Figure 2 - Courtesy of Stockcharts.com

Note how on each chart, the patterns take less and less time to play out. On this 30-minute chart, the main P3 pattern played out over 7 days and truly, that is a long time for a 30-minute chart. A more normal trade period might be 3 days.

Seven days is a more normal trade period for a daily or 60-minute chart.



Figure 4 - Courtesy of Stockcharts.com

The next chart is a 10-minute chart, and often trades are day-trades if the pattern starts early in the day. If it starts later in the day, then it is often held just overnight.



Figure 5 - Courtesy of Stockcharts.com

The trade from November 8th continued to flow into November 9th, overnight. The pattern started after 12:00 pm ET. All the rest of the trades would have been day-trades which could

have been traded if it was being traded within a cash account and not a small margin account which is restricted to 3 day-trades in 5 days.

All of the charts above related to the QQQs in various time frames. This service and the focus of this book involves QQQ, SPY and IWM. I will do a mixture of charts for SPY and IWM. This hopefully will leave you with the understanding that the P3/P3.5 patterns unfold in the same way no matter which equity or time frame chart you are looking at. The major difference is the length of time it takes for the patterns to unfold.

The main step to take is to learn the P3/P3.5 patterns and the life cycle stages that they flow through, knowing if ever a pattern fails, the adult stage of the previous pattern will reform. The reformation of that stage of pattern then reconceives the pattern that failed. When it is born, the adult stage of that opposite pattern that conceived it ends, and the new pattern begins its life cycle stages.

Again, I will start with weekly charts and will step down in time frames so that you can see that the charts and patterns go through the stages of the P3 and P3.5 patterns seen on previous charts.



Figure 6 - Courtesy of Stockcharts.com

The daily chart



Figure 7 - Courtesy of Stockcharts.com

The 60-minute chart

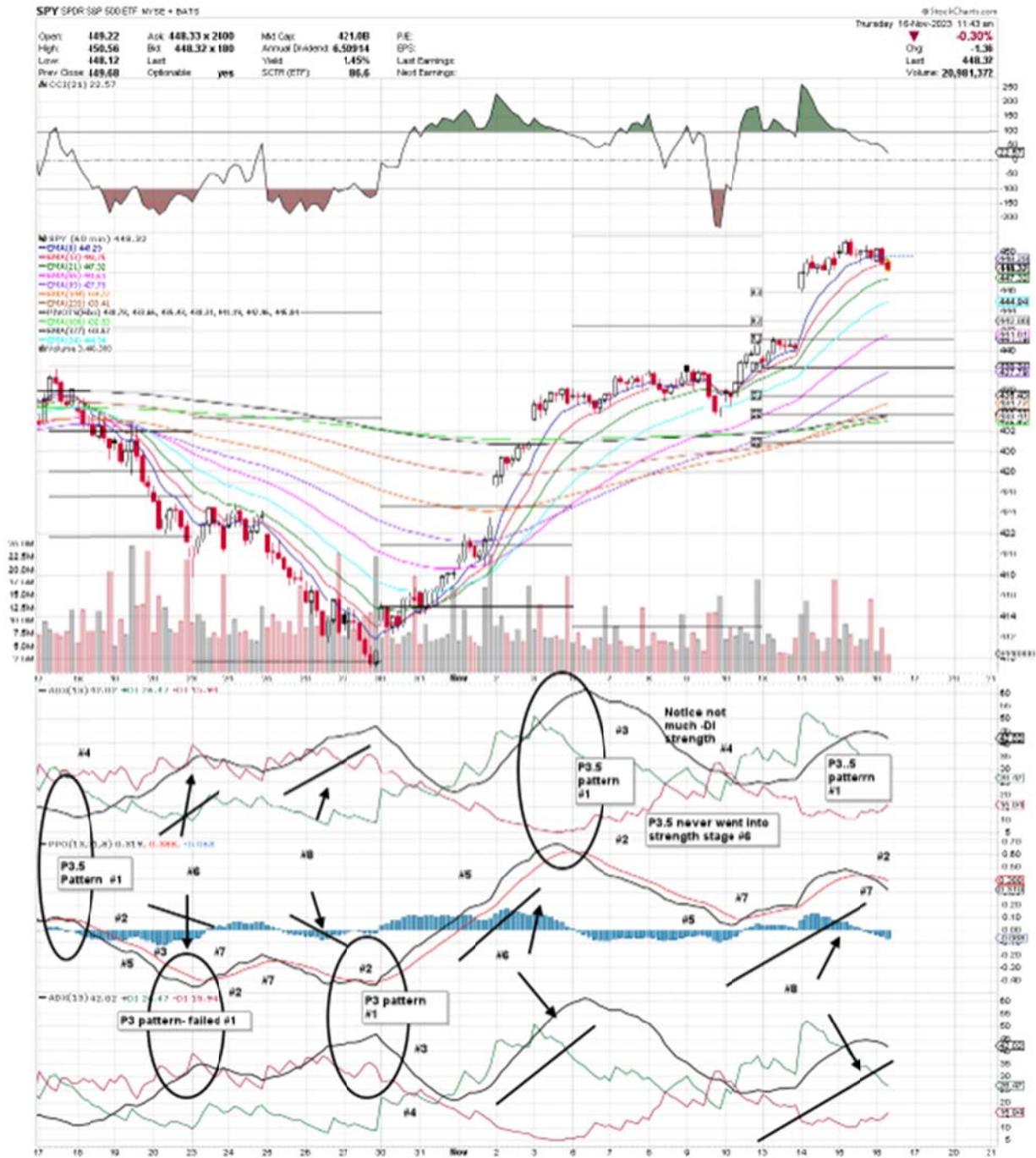


Figure 8 - Courtesy of Stockcharts.com

The 30-minute chart



Figure 9 - Courtesy of Stockcharts.com

Which Time Frame Charts Fit Your Account and the Time You Have to Devote?

Now that you have looked at the five-time frame charts within the program, which fits with the time you can devote to trading? There will be some traders who because they work another job will say, "Weekly charts suit me best." Other will take the middle lane and zero in on Daily or maybe 60-minute. Then, there are traders who wish to be more actively involved, and they will enjoy trading 30 and 10-minute.

Again, I want to stress that a 10-minute trade is not for everyone. You need to be able to watch the chart, but also there is a good chance it will be a day-trade. Unless you have a cash account that has no day-trade restrictions, do not day-trade in a margin account. To day-trade in a margin account, you will have to focus on having less than 3 trades in a 5-day period or you will have to have \$25,000 in your account, plus trading funds. If you don't follow this rule, your account will be frozen for 90 days.

Within the *First Strike Trade Alerts*, we will follow the no more than 3 day-trade rule, but if you happen to day-trade a different symbol beyond what is in this program, it will count as one of the 3 day-trades allowed. Be conscious and careful.

If you subscribe to the trade alert program, it will send notifications about trade patterns that are forming, but you are the decision-maker as to whether the potential period of the chart pattern, length of the possible trade, and premium is right for you. As an example, a weekly chart pattern where the trade might be held for 3-4 months might have a premium that is too large for your account.

Let's look at an example. The QQQs price is about \$385, so if I look at the premium of the 385 strike out to February, which is 3 months from now, the premium is 16.20 or \$1,620 for one contract. That premium is not right for every trader. A good general rule is to invest no more than 10% of your account balance into any one trade. This would suggest that you have a \$16,000-20,000 account balance. If you don't have that high a balance now, then wait and don't trade weekly chart patterns until you do have sufficient funds. Perhaps, focus on daily, 60-, and 30-minute time frame chart trades.

If on the other hand, you have only a small balance (\$500) in a cash account, perhaps you spend a couple hours a day, day-trading, where you invest in 10-minute charts, placing \$100 in one trade a day. The trades play out in a couple hours. You can also set profit target sell orders and trailing stops to sell if it drops. The trade will close while you are away.

Your trading goal in watching all five time frame charts is to be able to participate in trades that fit what is going on in the market. If the market is volatile with lots of swings, perhaps you zero in on shorter patterns on 30- and 10-minute charts. If the market is in a solid trend, up or

down, you stretch to trade daily and weekly chart patterns. The idea is to trade what the market hands out.

Let's Discuss Trades

QQQ on the chart below has just confirmed a P3 pattern by having a +DI cross (stage 4 and it has moved above the ADX line). This is an entry signal. You make a choice to enter a trade.

The next chart is dated November 17 and shows the QQQs have advanced. The pattern has not yet ended. The current premium is \$26.20 or \$2,620 for the contract. That is a gain of 150%.

Price has been stuck at the R1 resistance line. You could have chosen to close on Friday and take profit (126% gain) or watch to see if it will pop above R1 and move higher, which it did on Monday, November 11. If it starts to pullback, you will lose some of the profit and could then choose to close. As you can see, the strength stage continues.

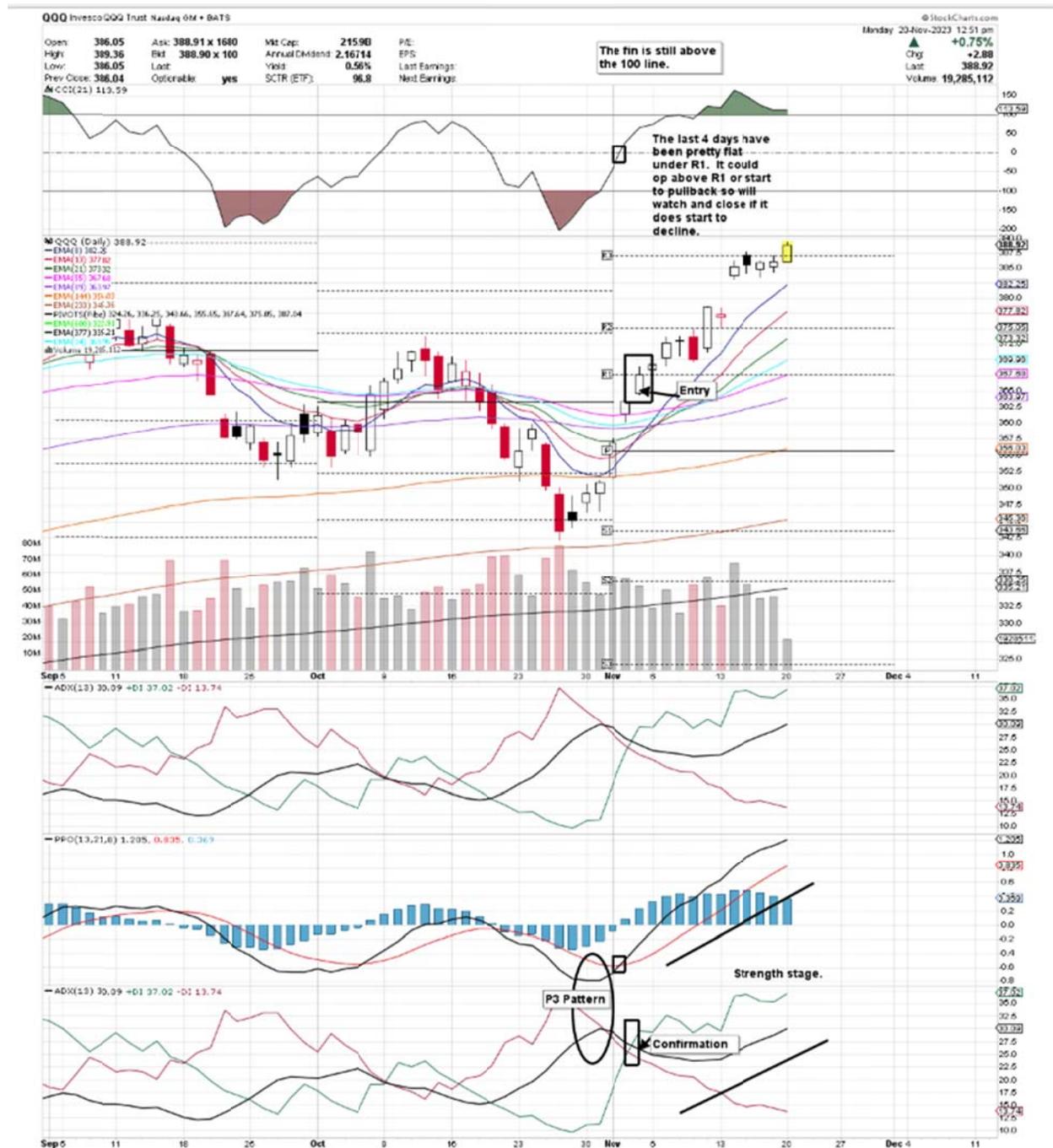


Figure 12 - Courtesy of Stockcharts.com

Let's look at a 60-, 30- and 10-minute trades on various equities and then we will wrap this up.



Figure 13 - Courtesy of Stockcharts.com

You decide to enter a trade late in the day on November 1, when at the end of the day, price rises above the pivot point. You select the November 17 expiration date, feeling its move will happen within a couple days. You feel a November expiration date is plenty of time. The premium for the 165 strike is 4.22 or \$422. You decide to close on the 3rd when there is a

sizeable red candle at the end of the day, the bid premium is 14.30 or \$1,430 for the contract. This is a gain of \$1,008 over three days.



Figure 14 - Courtesy of Stockcharts.com

Two days in a row of gapping up is unusual, and you note that price rose above the 377 EMA and seemed to be losing traction. These details help to support your exit, as well as it being a Friday, which means there are two days of time expiration which will decrease the bid as time passes.

The next trade is SPY 30-minute chart pattern.



Figure 15 - Courtesy of Stockcharts.com

As you can see on the 27th, a P3 pattern formed, and on the 30th, the +DI crossed over the -DI, which is a confirmed entry. Waiting until the +DI rises above the ADX line is further confirmation. You decide to enter the trade after lunch at about 1:00 ET. The premium for the 165 strike for the November 24 expiration is 3.12 or \$312 per contract, and you buy 2 for \$624.



Figure 16 - Courtesy of Stockcharts.com

You decide to close the trade on November 3, when PPO strength stage ends with a PPO cross down. The bid premium is now 11.57 or \$1,157 per contract or \$2,314 or a profit of \$1,690 or 231%. Not bad for 5 days.

Okay, we will look at a 10-minute QQQ chart. This very well could be a day-trade, so you will either make sure it is day-trade that can be done in a small margin account, or you will trade it in a cash account, so you don't break or go over the three day-trade rule of three day-trades in five days.



Figure 17 - Courtesy of Stockcharts.com

You enter this trade knowing it is likely to be a day-trade, but you decide on tomorrow's expiration date, giving it an extra day, and you buy the at-the-money 387 strike for 2.36, or \$236, and you buy 3 contracts for \$708.

You sell close to the end of the day for 4.62 or \$1,386 for the 3 contracts. That is a profit of 96% in one day. Well done. The extra day was a safe-guard and didn't need to be used.

A Day-Trading Strategy

Day-trading has become very popular, and more and more expiration dates are being added so traders can buy today's expiration date most days.

I want to share some additional information on this strategy and yet is not part of any service that I offer. This is a self-sustained strategy.

Let's use the same chart pattern shown above, and instead of buying the strike that is at-the-money, let's select a strike that is well out-of-the-money and that has lots of open interest and volume.

Using the chart above, price is near 386, so let's select the 391 strike that has 28,200 open interest with today's expiration. The premium is .11. Each contract would be \$11, and you decide to buy 10 contracts for \$110 total. Toward the end of the day, expiration is going to happen in an hour or so, and the bid premium is 1.51. You close the trade having earned 1.40 per share or \$140 per contract, and you have 10 contracts or \$1,400. That is a gain of 1,272%.

Many traders' day-trade in this way from a cash account, but it isn't for everyone. You need to be present at the computer and focus on the trade, staying aware of the indicator patterns. Many traders who day-trade in this way, focus on the strength stage when the ADX starts to head up.

Be sure you select a strike price that has lots of volume, you don't want to be one of a few traders in a trade that can then be manipulated. You also want to be very aware of what is happening in the overall market, the equity's sector, and with the equity.

Not every trade is going to bring in 1272% gain. Goodness, if you make 30-50% in a day, how wonderful is that!

Practice by virtual or paper trading! Become an expert before you jump in using real money.

Wrapping the Strategy Up

The P3 and P3.5 patterns you have learned can be applied to any time frame, and it is very important to focus and trade the appropriate time frame chart that suits the amount of time and attention you can devote to trading. You will also want to make sure the investment required for the trade suits the balance in your account. Each trade should be no more than 10-15% of your account balance.

Read the books! Study the patterns and stages! Practice! Become an expert.

I firmly believe we draw to ourselves what we expect. I didn't always feel this way, but once I realized and intentionally changed feelings and expectations, my life changed to become awesome, truly amazing. If you need a positive attitude or life expectation change, take a look at *Knowing is Seeing!* by Wendy Kirkland on Amazon, it will help.

The wisest thing you can do every moment of the day is to be on your own side. Be your own best friend. *Know* you are an awesome human being, and follow your own positive guidance, which then creates spectacular results. Wow, look at you!