

P3 TARGET TRADE ALERTS



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P3 Target Trade Alert

Call and Put Trades - Various Time Frame Charts

By

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Are you Ready?

I am not sure what the title of this book will end up being as I begin to write it, but I know the strategies it will cover, and I know the financial benefits, the life-changing prosperity, it can bring when implemented with a high-performance mindset.

When I say “performance” and place meaning on that word, I realize it is a fluid word with multiple definitions based on our objectives and feelings toward the effort involved. For some people, the word “performance”, or increasing their level of performance, can mean they feel satisfied or fulfilled with the reward versus the required effort to achieve that goal. For others, it is a feeling of joy derived from accomplishment. For others, it centers around winning or succeeding, and, of course, achieving financial success runs high on the list.

Another element is wanting performance to achieve consistent long-term success.

My objective, in addition to covering all the details relating to this trading strategy, is a desire to touch on all the aspects of helping achieve high-performance in your trading and personal life.

Are you ready to take the next step toward prosperity? This is the start. Choose to make this your year.

We are going to cover the What, Why, and How.

Sometimes we need something to happen or something new to come into our life that makes us want to change. Ask yourself, voice it aloud, “Will this be a prosperous, high-performance year for me?”

This is a decision we need to make every morning when we wake up. It is (or should be) a conscious choice.

Some people go through life reacting to everything that comes their way – dodging, darting, ducking – in the easiest, least burdensome, or habitual direction, or in what they think will be the most beneficial or least hurtful direction.

Because people are reacting in this way, they are not experiencing advancement or a forward direction of a high-performance life.

This dodge, dart and duck reaction can also happen in trading the stock market if we don’t prepare and choose differently, but I am going to save this discussion for when we move into specifics on trading options.

Achieving high performance is not something a person has by nature or genealogy or luck. It is a conscious choice. And that is what I want you to choose today.

So, let me ask, what does high performance mean to you in your personal, as well as your trading, life?

Does it mean starting a new business? Is it learning about option trading? Trying a new trading strategy? Filling or spanning a gap in your life? Bringing in more joy. Asking for help? Achieving financial independence?

I encourage you to do it, make that choice – go, push, expand, leap, jump, progress. Face your fears or hesitations. Don't avoid change. Embrace it.

Today, make a conscious decision to take the steps toward living a prosperous life. Bring about something different. Bring change. Let the restlessness in you that desires more push you to take the step to stretch and try something new to bring about change.

You can approach a bridge from either of two directions. In the same way, new things come about in two ways – they either come about from within (something that rises from within you that desires change or growth like a fire in the belly) or it comes from without, forcing you to make a choice out of necessity or offering a new opportunity.

Today, I hope it comes from both directions. I hope you have that fire for change and that the option strategy provides that opportunity for change.

It is important to remember that it is your thoughts and feelings “together” that create what you draw into your life, and you cannot separate them. Also, remember that it's your feelings that are summing up your overall frequency and telling you what you are creating in this moment. Your energy is the magnetic pull.

So, how are you feeling right now? Could you feel better? Well then, do what it takes right now to feel better. It is your choice. Move in the direction of what you want in your life.

If something extraordinary is going to happen, make it a conscious decision. Amazing things happen when you have more mornings where you make a conscious choice to live a prosperous life. So, let's get started.

If this train of thinking is new to you, I'd like to suggest a non-trading book that will bring positive change to your life. It is available on Amazon - *Knowing is Seeing!* by Wendy Kirkland.

What is the P3 Target Trade Alert Trading Method?

As we will cover in greater detail throughout the book, the P3 Target Trade Alert Trading Method focuses on what I call “Squeeze” patterns. A Squeeze in option trading shows an area on a price chart where there is a forming that brings about change (from up to down or down to up). Because option trading benefits from the moves of the market, a Squeeze can offer evidence that something important has happened to the

fundamentals or the mindset of the traders who are participating in this market's move and upcoming change. In most cases within the P3 strategy, the option is often purchased after the pattern confirms, verifies direction, and starts its move, benefiting the trader with the price moves that happened as it then flows through its life cycle. These price swings offer the potential for profiting from big price moves.

These price moves can happen for a variety of reasons. Perhaps, a news event is expected, an upcoming earnings report, a company being purchased or drug approval, announcement of a new product or promotion, CEO change, an overall market shift, or a sector rotation brings about excitement. Any general market anticipation can bring about the formation and flow into a new pattern.

What we will cover in this book is how to identify a P3 pattern as it forms and flows through its life-cycle stages and how to capitalize on these moves. Let me briefly explain the path we are going to take to accomplish this.

Our first step will be to cover what an option is and how to use options as a vehicle to ride equity price moves up and down as the equity swings between being overbought and oversold, which is the natural order or flow of the stocks and the market as a whole.

Price charts are key to being able to anticipate price moves and then see them when they actually happen. To use charts to garner pre-move information, we are going to cover how to add a variety of indicators to the chart and then learn how to read or interpret the information they give. These indicators create P3 patterns or pictures that flow through stages - P3 (long- when price is apt to go up) and P3.5 (short- when price is apt to go down). We will cover these patterns and their stages, so that you will easily recognize where price is as it moves through the life cycle that can then bring about a confirmed entry and then a flow through its stages, earning a profit.

These P3 patterns can be applied to various time-frame charts so what you are learning is very flexible trade information. To zero our sight in on a P3 trade, we are going to use a new (early) pattern formation on a variety of charts (weekly, daily, 60-, 30-, and 10-minute charts), and then watch for confirmations (a stage further along in the life cycle) on the trade's time frame chart. If or when the entry confirmation takes place, it usually flows through the life-cycle stages. If the pattern ever fails before it becomes an adult, then you know 100% what will happen next. It will, 100% of the time, move back into the previous pattern's adult stage. This will be explained further as we proceed.

After the entry confirmation occurs, we follow the pattern and will close the trade before it moves into a natural stage after a big adult move, when it is likely to pullback and flow through the stages of the opposite pattern. Our goal is to enter a trade at the pattern confirmation and exit afterwards before it gives back any of its gains. Confirmed in and out, capturing profits and then moving on to the next P3 candidate.

Once you know what to look for, you will be on your way toward the high performance you know you are capable of!

Let's get started!

Option Trading

I will briefly skim over the definition of an option and how it functions within the overall market, but if equity options and trading them is brand new to you, I suggest before you continue reading through this entire manual that you pause at the end of this section, and you read the option trading basics book. Once you understand the principles surrounding options, opening a trading account, and virtual, or practice trading, then return to this strategy book to build on that foundation by adding the details of the P3 Target Trade Alert Trading Method.

You don't have to be an expert in the financial field to trade options, but it helps to demystify the terms used, so let's start with the option itself.

What is an option?

In its simplest definition, an option is a choice. In the financial world, options give the option owner the right to buy or the right to sell the underlying asset at a pre-determined price during a pre-set time period. As the owner of the option, you have the choice of actually buying, selling, or doing nothing! You pay someone for these rights or choices.

Each option contract is based upon the price movement of 100 shares of the underlying asset. If you own 2 contracts, you control 200 shares of the underlying asset.

Since an option contract is not something that you will be able to physically hold in your hand to look at and study, allow me to explain how they work by telling you a story that will help you understand their value.

Calls and Puts

There are two types of options - Calls and Puts. This first story example will relate to a Call option.

Let's say you are interested in refurbishing and flipping homes, and you have a friend who wants to sell her house for \$150,000. You know the neighborhood and like the fact that it is well-established and can be reached from two major highways, which makes the area desirable. However, you don't have \$150,000 to purchase the house as an investment, so you offer another proposal. "If you'll give me a piece of paper saying I can purchase your house for \$150,000 any time over the next twelve months," you say to your friend, "I will give you an extra \$2,000." Your friend agrees to your proposal because it's not important that she sells today. In essence, you have bought a Call option based on your expectation that the property will appreciate in value.

Six months later, a shopping center is under construction a half-mile away, making the properties in the area in hot demand. Now the house has gone up in price to \$160,000.

You hold up your paper – the option -- and wave it in front of interested buyers. “I’ll sell you this paper for \$4,000. It states that you can purchase this \$160,000 house for only \$150,000.”

A young couple takes you up on your offer, and the trade is made. Here’s what happened.

- Your friend receives the \$150,000 she wanted for her house, plus the \$2,000 you paid for the option to purchase her property for a total of \$152,000.
- The young couple purchases the house valued at \$160,000 for \$150,000, plus the \$4,000 they paid you for the paper option. They pay a total of \$154,000, a savings to them of \$6,000.
- You received \$4,000 for the option (paper) you purchased for \$2,000 six months ago, so you made a \$2,000 profit (100%) on your \$2,000 investment.

One major difference from our story and how a real Call option works is if, after a period of time, you decide you are no longer interested in buying the property, you can sell the option for the time value that is left. If our story had a different ending and the property had not appreciated in value in six months, and if you had sold the option back to your friend (the issuer), it would still have half its time value (6 months) remaining. Your friend will be able to sell that option to purchase his house within the next six months to another option buyer. Therefore, rather than lose your total investment, you will receive a portion of your investment back when you sell the option to close your position.

This story illustrates in a concrete manner the crux of trading options. In our story, you see the house, the owner, and the buyer. They are tangible to you. In the world of stocks, it’s all like pieces of paper, and truthfully, it is even less concrete because most traders handle their trades over the internet, so you never actually hold that piece of paper. However, the principle is the same. *You control enough of a great stock, index, or ETF to make a great deal of money with essentially only a down payment.*

Most of us can’t go out and simply plunk down \$150,000 to invest in an *underlying instrument* or *asset*, like a second house or a block of stocks. But we can benefit from the leverage of controlling the *underlying* asset with a fraction of the house or stock cost by using options.

Earlier I mentioned there were two types of options – Calls and Puts. We have looked at an example of Call options to be used when you expect the underlying asset to go up in value, so let’s take a moment to tell a story. Puts are purchased when you expect the underlying asset to go down in value.

Traders sometimes have trouble making sense of Puts because they go contrary to what we have been taught. Who in their right mind will pay for something they expect to go down in value? Puts are considered a short position because they benefit from a decline in the security’s price.

In this story, let's say you and your neighbor Fred are in your front yard discussing the new golf store opening in the shopping center about a half mile away. You both agree that the new store will be convenient, attract other quality stores, and add value to your already appreciating properties. While you're talking, a real estate agent walks up to you. He explains that he's selling pieces of paper that guarantee that if you decide to sell your home any time over the next year, he will pay you \$150,000 for the house, no more, no less, but the \$150,000 is guaranteed. This guarantee will cost \$2,000.

Fred isn't impressed. "Why the heck would I consider paying \$2,000 to let you buy my property for \$150,000? It's worth that now, and it's been appreciating 10% every year for several years. With the new golf store coming in, who knows? By the time that contract runs out, my house will be worth \$160,000 or more."

On the other hand, you take a minute to mull over the agent's offer, which he has explained is a transferable contract, meaning that it can be sold to someone else under the same terms. As it happens, you've been thinking about moving closer to your work, but haven't found a new house yet. You know your house might go up in value before you actually want to sell, but the guarantee feels like insurance. You tell the agent to get the paperwork ready while you get your checkbook. So, you pay the real estate agent \$2,000 for the paper guarantee (Put option).

Two months later, you find the perfect house across town, and quickly find a buyer willing to pay \$155,000 for your old house. Of course, you now feel a little foolish for purchasing the contract to sell at the lower fixed price. Nevertheless, you hang on to the contract rather than sell it for the remaining time value.

Six months later, still four months before the contract is due to expire, an article in your local newspaper reports that many years ago, toxic waste material was buried beneath the ground in your old neighborhood. This news has an immediate effect on the housing market in your town. Within days, you learn that the house you recently sold is now worth only \$75,000. At that point, you remember the paper that you hold, guaranteeing a price of \$150,000.

You entertain the thought of going to your neighbor Fred, but he heckled you so badly when you purchased the contract in the first place that you go to the young family who purchased your home. "I'm sorry this happened," you say, "but there was no way of knowing about this toxic waste. But I have this paper and I'm willing to sell it to you for \$4,000. The paper says that a particular real estate agent is obligated to purchase the house for \$150,000."

No doubt, the young family is ecstatic. They will be out from under the poor investment at a loss of only \$9,000 – the extra \$5,000 they paid you for the house, plus the \$4,000 for the paper guarantee.

You're happy to have sold the house and the paper. In the eight months since you purchased that contract, you doubled the \$2,000 you paid for it, so you have 100% profit.

In our story, I point out that no one could have anticipated the toxic waste catastrophe, but that would not be entirely true with a Put purchase. You purchase Puts with the same care and consideration that you put into your Call option choices. You are drawn to a security by its chart (I will go over examples), and then you do your homework. You know its earnings history, its next earnings date, what sector it trades in, and whether or not that sector is gaining or losing strength.

To tell my story, I made it sound as if you are actively involved in finding a buyer for your contract (option), and that is not the case with trading option contracts. Selling option contracts, if there is open interest, is part of the option contract itself. It happens within seconds if the price is agreed upon. You set the price at the time that you push the button to sell-to-close the position. All this will be explained in more detail as we proceed, I just want to clear up the impression that you might need to become a salesperson searching for a customer to sell your option to. This is not the case.

The transaction is arranged behind the scenes at the exchange and usually happens within seconds at the agreed upon price.

Trading Options: What to Expect

With careful candidate consideration, you can achieve significant short-term profits on funds you invest in the options market. Your profits are made by purchasing option contracts (Calls and Puts) with the express intention of selling the contract after the underlying, stock, ETF, or index has moved in price, either up as with Calls, or down as with Puts, and you sell well before the option's expiration date. When you purchase an unripe avocado from the produce market, you know the avocado still has a while before it must be eaten. In terms of options, the idea is to sell the avocado before it becomes fully black, soft, and ready to expire.

By incorporating this line of thought, you never exercise your option to buy the underlying equity. Your goal is to hold the option long enough for the price of the underlying asset to increase in the case of a Call option and decrease in price in the case of a Put option. You don't intend to exercise the option, but someone will want to, *and that's its value*. In most cases within this strategy, the option is often purchased, held as it goes through its life cycle stages and then sold.

To make even clearer the principle of options, let's convert our house selling story into a Call stock transaction. To make this clearer still, let's compare this option purchase to a stock purchase.

Option contracts control 100 shares of the underlying asset, so for this example let's use Nike (NKE). You'll buy 100 shares of stock, and then you will buy one option contract and make a comparison.

Note: An option premium is the amount you pay to control the underlying stock when you purchase an option. This option premium increases in a magnified way in relation to the stock price. As the stock price goes up, our option also increases in value, and then you sell your option back, well before the expiration date. In that way, you trade the options but never actually buy or sell the underlying stock or asset.

If Nike's (NKE) stock price is \$105 per share, one hundred shares of stock would cost \$10,500. If next month, the stock price goes up \$2, and you sell the stock, you have a profit of \$200 on your one hundred shares. Your profit is 1.9% over your original investment.

However, if you buy a Call option on those same one hundred shares of NKE stock, you will pay approximately \$225 or \$2.25 per share. (This is a good estimate, but actual option premiums vary greatly). The \$225 investment controls all one hundred shares of the stock for the duration of your option (until the expiration date). If Nike's price goes up \$2, your option may go up half that amount, \$1. (This too varies according to the Delta of the underlying option, which I promise I will discuss). This \$1 increase, or \$100 profit, is 44% of the initial price you paid for the option. Using the leverage of options, you've made 44% profit on the same underlying instrument (NKE stock) that only realized a 1.9% profit when the actual stock was sold.

- 100 shares @ \$105 = \$10,500
- \$2 increase x 100 shares = \$200
- New Value = \$10,700
- Gain 1.9%

Or

- 1 Option Contract on 100 Shares @ \$2.25 per share = \$225
- \$1 increase in option price x 100 shares = \$100
- New Value = \$325
- Gain = 44%

Let's take this example one step further. If you were to invest the same amount in each trade (\$10,500 in both stock and option trade), you would have been able to purchase 46 option contracts and would have earned \$4,600 profit versus \$100.

You can see, options provide traders with leverage benefits. As seen in our example, you can begin trading with a small amount of money and can turn a high percentage of profit.

As your confidence increases, you can earn even greater profits. With careful, precise trading, a \$200 profit can become \$400, \$400 can become \$800, and before long a trading account will increase, showing compounded profit.

When It Comes to Trading, What Is a Squeeze Pattern?

An equity's price is tracked on a chart, often using what is called a candlestick to depict the price movement over a given period of time. Charts can be set at various time frames, where each candle represents the price movement over a specific amount of time. A daily chart, each chart candle reflects a day's price movement. A 60-minute chart, each candle reflects price movement over an hour. Thirty-minute shows 30-minute moves and 10-minute reflects 10-minute moves.

Lots of things can bring about price moves the next day, such as an earnings report coming out after the stock market has closed for the day. If the earnings were significantly higher than expected, many investors might place buy orders for the next day. This could result in the price opening higher than the previous day's closing price. If the trading that day continues to trade above that point, the candle will reflect that move on the chart.

Significant moves offer evidence that something important has happened to the fundamentals or the mindset of the traders who are participating in this market's move. Before we get into the different time frame charts and how to trade them, here is a chart showing weekly candles so you will know what we are talking about. Each candle reflects or is comprised of a composite of price moves over 5-days.



Figure 1 - Courtesy of Stockcharts.com

The chart above shows a bullish rise since October 2023 where price moved up and continued to the current candle on far right. During this rise, there were 3 red candles where price was negative over those 5 days, but you can see that price overall was bullish and rose in value.

As you can see, a trader who entered a call trade between October 2023 and February 2024, price would have increased over 100 points, or 100 dollars over that period. The P3 Target Trade Alert program is designed to help traders zero in and anticipate what will happen next and anticipate those price moves. Patterns don't always last 4-5 months, but the general point is to learn to evaluate a chart and remain in a trade for the period of time it is rising for a Call trade or dropping for a Put trade. This is what the patterns will help to show you.

The patterns you are going to learn about go through a life cycle and those patterns flow through the same stages no matter what time frame chart you are looking at. Learn the stages and you will see them on every chart.

Chart Elements

In this section, I will cover all of the chart elements and indicators needed for the P3 Target Trade Alert strategy. These details will help us to set up our chart template. From there, we will go over and discuss specific patterns, option selection requirements, and the needed triggers to enter a trade.

So, what charting service should you use? Most brokers offer charting services on their websites. There are also a number of free chart sites online. For years, I have used Stockcharts.com. It offers a free version, but the free version doesn't allow enough indicators for this strategy. The basic paid version is about \$15 a month. I feel charts are my most important tool, so, for me, the charge is justified. You will have to decide what chart provider best suits you.

Let's start with the Exponential Moving Averages, but before we jump in with both feet, I'd like you to consider that you bring everything about you - your past experiences, your likes and dislikes, your mood and feelings about yourself, as well as your belief system - with you as you tackle new things, including trading and testing a new strategy.

This said, it is important to make sure that you don't sabotage yourself with your thoughts before you even get started. Many traders place unnecessary stumbling blocks in their own path by stating and believing false stories about themselves - I am too old to learn anything new, too young, not educated enough, not enough time, too stressed, too busy, poor health, etc.

Rather than take the easy way or the familiar way, let this be the day that you make a conscious decision to tackle an old belief, or perhaps explore something brand new. Maybe you know it will make you a little stressed, a little worried today, or it won't be popular. However, today you are making a conscious decision to choose to be

courageous as you tackle this thing you have avoided; you are going to go for it. You are going to put yourself out there more than you did yesterday or last week. You are going to stretch.

You just need to concern yourself with today. Tomorrow will take care of itself.

Today, believe in your abilities to live a gigantic, amazing performance life. Take it slow but know you can do it!

Fibonacci EMAs

Before I jump into Exponential Moving Averages (EMAs), let me take a half step back to tell you another story. A number of years ago, a Forex-trading friend mentioned Fibonacci and the Golden Triangle. (I will go over more about this concept as we proceed, but for a minute go with me as I tell this short story.) I had no idea what he was talking about, so I looked it up and researched the subject. I have told this story numerous times, but I think it is important. One, I want to give my old friend credit, but also to share the universal connection within this science of numbers.

Fibonacci lines and number sequences go by dozens of names - the golden angle, golden triangle, divine proportion, golden mean, and many more. The name that caught my attention was the Divine Proportion. I consider myself to be a spiritual person. I try to walk the talk by demonstrating my spiritual beliefs in my daily actions, so here was a finger hold for me – a small way to connect and cast a spiritual hue over Wall Street and over my trading as well. Why not? It's my choice, my conscious choice. I get to choose what I want to add importance to, so it reflects in my life.

Therefore, I have my friend Aaron to thank for leading and giving me the Fibonacci sequence of numbers that I use on my stock charts for this strategy. It combines a practical, yet spiritual element to my trading that lifts it up to a high-performance level.

The first step is to appreciate the stock market for what it is - one vehicle among many that can bring about financial prosperity. But for now, let me explain the significance of these numbers, and then I'll explain how these numbers are applied to the P3 Target Trade Alert chart.

The Divine Proportion – Fibonacci Principle

Before I get too far along with chart reading, discussing our trading patterns and covering the rules of our option trades, I want to further discuss the new tool I just mentioned. Most traders have at least a basic understanding of a chart to track an equity's price movement. The various strategies that we will cover use a handful of different chart indicators, but one consistent element is Exponential Moving Averages (EMAS) that will be applied to every chart in this strategy. So, let me explain the history of this special trading tool and how I leverage the Divine Proportion.

The first record of the Divine Proportion numbers dates back to 200 BC. Yet, in the West, they first appeared in 1202 when they were introduced by Leonardo of Pisa, known as Fibonacci. Leonardo puzzled over the reproduction of a pair of rabbits, which seems to have nothing to do with the stock market, yet it brought about this special number sequence. Leonardo pondered the end “family” result of this pair of rabbits and this simple (or not so simple) multiplication concept introduced a numerical relationship that seems to show up everywhere. I am simplifying here, but as amazing as it may seem, the Universe seems to function by this very sequence of numbers.

These numbers relate to our strands of DNA. It is found in nature in the veins and numbers of leaves on a stem, petals on a flower, tree branches, insect body joints and legs, human physical anatomy, and, in very general terms, in the proportions of the human body. Broadly speaking, the distance between the forehead, nose and chin, the shoulder, elbow and wrist, or the hip, knee and ankle all function around Fibonacci numbers. Macro or micro—bones in the hand and our feet. The number ratios are found in seashells, spirals of galaxies, the harmony of music, the artistic eye, genealogy of a bee, the makeup of chemical elements, and the behavior of light and atoms. (This is a quick capsulation. Research for yourself.)

Anyway, if in the great scheme of things, the sequence of numbers relates to the movement and formation of all material things, including brain waves, then it stands to reason that this numerical relationship and sequence of numbers might apply to something as ambiguous as the stock market... and traders’ reaction to the market. Why not? Elliott waves, which is another well-recognized and accepted chart reading principle of counting up and down waves in the market, is based on Fibonacci numbers as well.

We see harmony expressed by emotions, feelings, and characteristics present within ourselves. This harmony is viewed within nature as the Divine Proportion. Simply stated, given three parts of an organism or natural occurrence, the ratio of the largest piece to the middle-size piece is the same as the ratio of the middle-size piece to the smaller piece. Simple enough, right? Don’t jump ship. This is going to make sense in a second.

This sequence of numbers is easy enough to figure out. Fibonacci numbers begin with zero (0). Easy math. 0 plus 1 is 1. Now we are going to start adding the number back to itself. 1 plus 1 is 2. 1 plus 2 is 3. 2 plus 3 is 5. 3 plus 5 is 8. 5 plus 8 is 13. 8 plus 13 is 21, and so on, on into infinity. (The ratio between 5 and 3 is the same ratio between 3 and 2... on up the line of numbers. Each set of numbers has the same exact ratio between them and in relationship to their sum, the whole—the Divine Proportion).

0, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233 ... on into infinity... and beyond.

Most traders are familiar with moving averages. Every trading guru or instructor has their favorite combination. Back when I started trading, I used 9, 15, 50 and 200-EMAs. But now for this strategy, I use a special set of EMAs. I use Fibonacci numbers. Further

into this manual, I will show you how to set up these EMAs on a stock chart, but right now I want to express my amazement at how often these numbers are not only close as support and resistance levels (I will explain this, too, if it is a new concept), but they nail these points to the penny. It is crazy accurate.

I have selected a few Fibonacci numbers that I want to use as EMAs. I also applied to our other indicators – 2, 13, 21, 55, 89, 144, 233, 377, and 610 for this strategy. When you place them on a chart they look like colored ribbons. For those who are not familiar with the purpose of exponential moving averages (EMAs) or moving averages (MAs), we will discuss that next.

Exponential Moving Averages (EMAs)

There are numerous types of support and resistance, and we will discuss several of these as we proceed. One type of support and resistance lies with moving averages. When we create a chart, we have the choice of where to set either Simple Moving Average (SMAs) or Exponential Moving Averages (EMAs). For our purposes in this book, we will be using just some of the special Fibonacci numbered lines - 2, 13, 21, 55, 89, 144, 233, 377, and 610 exponential moving averages.

I will add this note here for clarification. If you use Stockcharts.com as your charting service, they only go up to 600-EMA on their service, but 600 is close enough to a 610-EMA for our chart reading.

You will be amazed at how often these EMA lines absolutely nail the exact area of price movement. If you have been trading for any period of time, you will have heard many traders use 20-, 50-, 100-, and 200-EMAs. Notice that the 21, 55, 144 and 233 are not far off from these numbers. I feel the Fib EMAs fine-tune or tweak the common EMAs.

In the left-hand corner of a chart, the notation will tell you which type of moving averages (either SMA or EMAs) are used and the price that moving average reached.

If an equity is trading above any of the exponential moving averages (EMAs) that are incorporated within the chart, watch what happens when the price reaches the support of the EMA. Likewise, if it is trading below, watch what happens when it reaches the resistance of the EMA. You will notice that the lines act as floors where the price goes no further, ceilings where the price goes no higher, and general areas where the price rests for a period of time.

As you become more familiar with the EMAs, you will notice that the 2-, 13-, and 21-EMAs work as a short-term unit; the 55-EMA might be considered a very important independent indicator, and the 89-, 144-, 233-, 377-, and 610-EMAs work as a long-term unit.

Let's apply these Fib EMAs as the first addition to our strategy chart.

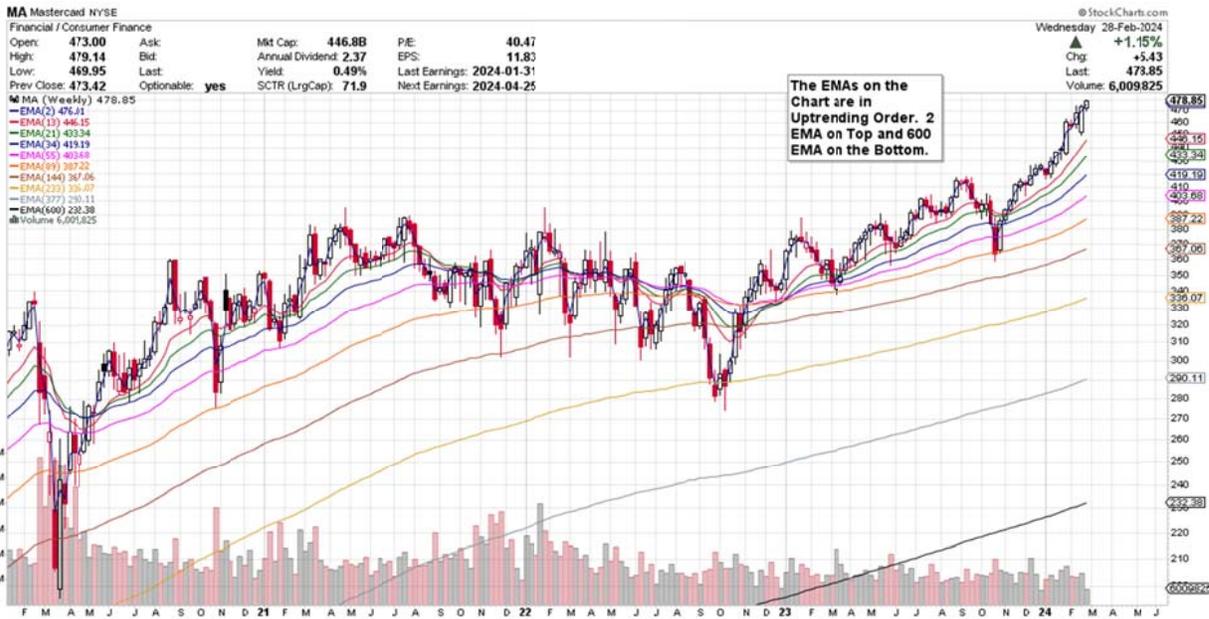


Figure 2 - Courtesy of Stockcharts.com

The chart above is a Weekly chart for Mastercard (MA). Take note of how the 2-, 13-, and 21-EMAs move in tandem as the short-term unit I mentioned earlier. A cross above and below each other is significant, and we will delve into this further as we proceed, but for the moment, look at the bigger picture of when the 2-, 13-, and 21-EMAs cross the 55-EMA (pink), and then when they cross the larger-time frame unit of the 89, 144, 233, 377 and 600. These crosses above and below the large time frame unit of EMAs signify major trend changes. A cross above the 600-EMA can be a milestone. In the case of MA's chart, the 600-EMA is barely visible even, so its influence is out of the picture at this time.

Our two most informative EMA lines on a day in and day out basis will be the 2- and 13-EMA. Notice that the 2-EMA closely follows the price of the candlesticks. It runs through the middle of them. At times, it is hard to even see.

Notice, too, how often either 2-EMA or a candlestick itself touches and respects the strength of the 13-EMA where it can't move through it, either up or down. An actual cross will be significant to our trading. The crosses happen regularly, but not every day.

I also mentioned that the 55-EMA could work as an independent indicator. I think of it as a line in the sand. Notice there was the period throughout 2022 where it created a level of resistance (a ceiling). Price was not able to break up through it. It climbed to touch this line several times but could go no higher.

When the EMAs are lined up in down-trending order like they were in February 2022, you can be sure that the price will go lower until the EMAs start to curl and cross each other on the way up in November 2022. As long as they are in up-trending order like they were December 2022, you can trust that the overall direction will be up until the short-term unit of EMAs cross over each other and start heading downward.

We will study these special Fib EMAs as we look at more charts, but for now, get acquainted with the patterns they create, the way they line up, their numbers, and colors. I truly love them. They are a daily reminder that we should expect the unexpected, and I should expect it to be amazing.

Let's continue with the chart elements that are superimposed over the candlestick portion of the chart, and then we will add the indicators. Next, we will look at Fibonacci Pivot Points.

Pivot Points

Using the Fib EMAs, traders can spot other areas of support and resistance. An easy way to think of support and resistance is as floors and ceilings. The floor is called support, and the ceiling is called resistance. The support level reflects the supply of this stock, and resistance reflects demand. You can easily think and remember this by thinking about gravity and the support needed to hold things up. Resistance is a barrier that prevents or inhibits something from going higher. (We'll discuss other types of support and resistance lines as we proceed).

Support and resistance are two important principles involved in understanding chart analysis, and subsequently profitable trading.

- Support is a price level to which prices tend to descend but not break through.
- Resistance is a price level to which prices tend to ascend but not pass through.

The key word here is "tend". These imagined lines of floors and ceilings hold through most price movement, whether it is a weekly, daily, or intraday chart like the 60-, 30- or 10-minute charts. We will be primarily using these time frame charts in this strategy. It takes something out of the ordinary to happen to break through the support and resistance lines on the longer time frame charts. These could include reporting earnings growth or a large loss, a major lawsuit against the company, an overall stock market reversal, FDA refused drug approval, or the end of an extended up/down trend.

Support and resistance lines gain strength as the time frame lengthens. For example, support and resistance lines in a 10-minute chart might hold for a few hours to a day at most; a 30-minute chart might hold for a day or two; in a 60-minute chart, they might remain unbreakable for a number of days; a daily chart's lines might be steadfast for a week or two and weekly chart level may well be a number of weeks.

You can spot areas of support and resistance without any fancy formulas. They are the tops of peaks, the low point of troughs, and any time there are several candlesticks that consolidate at one particular price level.

By watching for levels of support and resistance, you can find natural trade entry and exit points that go beyond the patterns we are going to focus on in this strategy. They also provide logical exit points. You could consider purchasing an option when a stock

starts to come up off the support floor. You then watch closely, being ready to sell as the stock's price comes close to the ceiling resistance before your option's expiration date.

While it's possible that the stock might break through resistance to then go higher, you will stand ready to sell in case the stock doesn't have the thrust-power to do so. In other words, you'll be ready to sell once the stock hits resistance, thus likely to descend back toward support.

This is a very basic explanation, and we will delve deeper into support and resistance. On the chart below, notice the areas where candlesticks collect along a line in one area.



Figure 3 - Courtesy of Stockcharts.com

Beyond visibly being able to see support and resistance areas, Pivot Points are a way to add specific lines of support and resistance to a chart based on past support and resistance areas. Stockcharts.com has a chart overlay that figures and draws Pivot Points on the chart, but if you use a charting site that does not offer this overlay, there are ways to manually determine these amounts and levels. For Fibonacci Pivot Points at Stockcharts.com, you add an "F" under parameters. Fibonacci Pivot Points are closely related to Standard Pivots, the main difference is that they calculate a third level. Fibonacci R2 and S2 match Standard Pivot Points R1 and S1.

Pivot Points are determined by utilizing the previous day's open, high, low and close information. Online, there are a variety of different calculators where you insert that information, and it does the calibrations for you. One such site on the web at the moment is <http://www.pivotpointcalculator.com/>. It is principally designed for Forex trading, but it works for option trading just as well.

On the calculator, you insert the open, high, low and close details of the equity you are interested in charting, and then note when the price hits those numbers and the amounts act as areas of support and resistance.

In the support and resistance section, I discussed visually seeing areas where traders bought (demand) and sold (supply) at certain price levels. These areas can be visually seen as peaks and troughs where an equity's price stopped and bounced or was repelled from going further.

By applying the Pivot Point overlay, you are now also turning those areas into prices as well as lines. On a chart, you will notice these areas from the top down are marked R3 (Resistance 3), R2 (Resistance 2), R1 (Resistance 1), P (Pivot Point) and S1 (Support 1), S2 (Support 2), and S3 (Support 3).

The Pivot Point can be a turning point, but it is also used as a reference point. If the equity's price is trading above the Pivot Point, it is said to be bullish. If it is trading below the Pivot Point, it is said to be bearish. The support and resistance lines respond to price in the same way as discussed earlier, meaning as ceilings and floors.

On the chart that follows, notice that not only are the current week's Pivot Points marked, but also the Pivot Point areas from the previous week's. These lines are not as vital, but past price action affects current price based on market sentiment.

As an added point, notice on February 20 how price moved up on the open. It then gapped up over R2 on the 21st, which supplied support on the 22nd. On the 23rd, it rose to R3. On the 26th, the price started dropping and continued until it dropped through the pivot point and down to S2. The Pivot Points act as floors and ceilings.

Again, notice as the EMAs cross down, they periodically rise to test the overhead resistance and when it can't continue upwards, it drops to the next level. This process repeats.



Figure 4 - Courtesy of Stockcharts.com

Notice on KO's chart, price swung up and down on the 9th and 20th of February, and then on the 20th, it popped above the Pivot Point. The point is to see how the EMAs and Pivot Points act as support and resistance and share information. Once the price makes it through the resistance or support levels, it then drops back to test support, or rises to test the resistance area. On the chart above, the 2-EMA broke through the Pivot on the 26th and continued down to test the S2 several times on March 1.

The Pivot Points play a big role in the P3 strategy as other indicators are added, their importance will become evident.

Average Directional Index (ADX)

Okay here we go, hang on to the railings! The Average Directional Index (ADX) determines the strength of a trend, whether it's trending up or down or trading sideways. As an oscillator, the ADX fluctuates between 0 and 100, but readings above 60 are relatively rare. Low readings, below 20, indicate a weak trend and high readings, above 40, indicate a strong trend.

Studying the ADX, you'll note that the ADX indicator does not rate the trend as bullish or bearish, but merely assesses the strength of the current trend. In other words, a reading of 40 can indicate a strong downtrend as well as a strong uptrend.

To determine in which direction the trend is flowing, or to indicate a change in direction, two other lines are added to the graph. Usually two different colors, green for bullish and red for bearish, they represent respectively a Positive Directional Indicator (+DI) or Negative Directional Indicator (-DI).

As these green and red lines cross each other and the ADX trend line, we are able to determine not only the strength of the trend, but in which direction it will head before it fully takes place.

- When the green +DI crosses upward over the red -DI and/or the black ADX trend strength line, we can expect the trend will be up.
- When the green +DI line crosses downward and the red -DI moves upward and crosses over the black ADX trend strength line, we can expect the trend to fall.
- On occasion, it happens that the DI lines will touch each other prior to crossing, and they will act as resistance and will bounce off each other, resuming the previous trend direction.
- There are other times that the DI lines braid as they swim up and down, struggling to be the dominant direction. When this happens, the price most often goes flat and trades in a tight range.

The ADX is special enough that it will be added twice to our chart. The full chart set up will be covered before long. We have two more indicators to cover, and then we will create our chart template. As these indicators are applied to our charts, their movement and the information they impart will become crystal clear. Hang in there. These indicators are going to create a picture that you will be able to spot as it is forming.

Again, the default is 14 periods, and I am going to tweak this to 13, which is one of our Fibonacci numbers.



Figure 5 - Courtesy of Stockcharts.com

I will post the chart again without all of the text boxes, so you can get a better view of the information and how the different indicators work together. Notice that the DI lines foretell a change in direction before the actual change, but on occasion, they can braid, and the price goes flat because the two directions are battling it out like during February 12-20.



Figure 6 - Courtesy of Stockcharts.com

This might seem like a lot of information to absorb. Take it slow. Before you know it, your eyes will be circling around the chart in quick motions, gathering the information that your mind's eye will absorb and analyze instantly. Then, it will slow and zero in on the important portions.

In the same way that your eye and mind work together to look at a Monet painting, your eyes swirl over the details, putting them together to take in the whole picture. It is only when your eyes settle on the small details of a ripple of water that the small dots and minute nuances become evident. This analyzing ability comes rather quickly when you spend just a little time looking at charts. One day they seem to be foreign and confused, and, within a short time, they become old friends that comfortably share their story. Hang in there. It will happen!

Okay, the PPO indicator is next, and then the ATR, and we are done with the elements of our chart. From there, we will tie all the pieces together.

Price Percentage Oscillator (PPO)

I present this oscillator as one of the main components of the P3 patterns for the P3 Target Trade Alert strategy. For traders who are familiar with the MACD and prefer to use that indicator instead of the PPO, they are welcome to do so. I prefer the PPO. The

PPO is similar to the MACD, but uses a more complex, but more reliable formula; it's based on the percentage difference between two moving averages over a given period of time. It uses two lines, one thicker and one thinner, to display its information, as well as a series of blocks located beneath the lines called the histogram.

The PPO is an indicator that either confirms or contradicts the signals given by the special Divine Proportion Exponential Moving Averages that we have inserted into our charts. As a momentum indicator, it's one of the simplest and most reliable indicators available.

The PPO is a lagging indicator, meaning it uses information based on a stock's past performance. This lagging indicator turns into a momentum oscillator and functions by tracking the amount of difference between the short-term moving averages and a longer-term moving average, often the 12-day MA and the 26-day MA. The results form a line that oscillates above and below "zero," without any upper or lower limits. This equation is represented by a thick line. The other time period is included as a reference point, seen as a thinner line.

- If the PPO is positive and rising, then the gap between the lines and the referenced time periods widens.
- When the thicker line moves up, positive (bullish) momentum is building for that underlying stock or index.
- When the thicker line moves downward, then the negative gap widens, so we see negative price (bearish) momentum.
- When the thicker line crosses upward over the thinner line, we see that as a signal to buy. This buy signal will often confirm other buy signals depicted on the chart.
- But, when the thicker line crosses the thinner line in a downward slope, we see a signal to sell, depending on the option's expiration time frame.

You'll see two graphs within the PPO chart. One is formed by moving averages and the other is a histogram, which notes what has transpired previously on a shorter trigger exponential moving average (EMA).

The histogram is the bar chart along the bottom of the PPO graph. The size of the bars fluctuates above and below the "zero" line. These bars are another way of expressing the relationship between the PPO equation and an equation using a 9-day exponential moving average.

- If the shorter moving average (the thicker, dark line) is above the longer moving average (the thinner, lighter colored line), the PPO histogram will be above the "zero" line, or positive.
- If the shorter moving average is below the longer moving average, the PPO histogram will be below the "zero" line, or negative.
- The PPO histogram compares the PPO number equation with the 9-day EMA. If the value of the PPO is greater than the 9-day EMA, the histogram will be above "zero," or positive.

- If the value is less than the 9-EMA, the histogram will be below the “zero,” or negative.



Figure 7 - Courtesy of Stockcharts.com

Signals in the histogram to watch for:

- 1) Positive divergence that precedes a Bullish Moving Average crossover on the PPO. A positive divergence (ever higher lows) in the histogram indicates that the PPO is strengthening and could be on the verge of a crossover.
- 2) Negative divergence (ever lower highs) that precedes a Bearish Moving Average crossover. A negative divergence in the histogram indicates that the PPO is weakening in momentum.
- 3) Broadly speaking, a widening Gap between the lines indicates strengthening momentum and a shrinking Gap indicates weakening momentum. Usually, a change in the histogram precedes any change in the PPO.

- 4) The main signal generated is a divergence on the histogram followed by a moving average crossover.
- 5) Keep in mind that a centerline crossover on the histogram represents a moving average crossover for the PPO.

The size of the histogram bars and the shape they create give visual clues, representing the expected movement of the moving averages. In a previous section, I discussed divergence and will point out slant divergence (up or down) and peak and trough divergence as seen on charts.

If you are feeling overwhelmed, just let this basic indicator information settle in. We will get into the specifics and how to use the information when we apply the indicators to actual trade set-ups. Once you begin to absorb the basic information, you can come back and reread the specifics. It is all part of the detail layering process.

The drawbacks, or downside, to PPO's histogram is that it is a second derivative, based on the PPO's equation of the price action of the underlying stock or index. The further removed an indicator is from the underlying price action, the greater chance of a false signal.

Because the histogram was designed to anticipate PPO's signals, the temptation exists to paddle beyond the wave, getting in too soon. But, by acting only on time frame chart signals that are in agreement with the next time frame up, we are assured of trading with the longer trend and not against it. You will see this in action as we proceed. But, please understand, the histogram signals need to be taken in as part of a whole evaluation. Don't be tempted to plunge in with just the histogram information.

We are going to tweak the default numbers to 13, 21, 8 (Fib numbers).



Figure 8 - Courtesy of Stockcharts.com

As mentioned earlier, the histogram blocks within the PPO are a leading aspect of the indicator. They can give an early warning when the price is getting tired from the current move and is getting ready to flatten out to rest or change directions.

Study each indicator to see which one gave the first hint that a change was forming. Then, which one happened next? Which one followed? How about the PPO and the EMAs? The 6 EMAs crossed down and through on the 26th, so they were in down-trending order in one quick burst.

Now that we have the PPO in place, we are going to add another ADX indicator. Yes, we want two of them, one above the PPO and one below. This will be explained further. But for now, just know that the line-up of indicators is an important element to the P3 Target strategy, allowing us to ride a wave up and down.



Figure 9 - Courtesy of Stockcharts.com

The last indicator is the Average True Range (ATR).

Average True Range (ATR)

I mentioned the Average True Range indicator earlier as a means to discover the average price movement of an underlying equity. The concept starts with True Range (TR), which is defined as the greatest of the following over a period of 14 days:

- Current High less the current Low
- Current High less the previous Close (absolute value)
- Current Low less the previous Close (absolute value)

Typically, the Average True Range (ATR) is based on 14 periods and can be calculated on an intraday, daily, weekly, or monthly basis.

For this strategy, the ATR will be based on daily data. Because there must be a beginning, the first TR value in a series is simply the High minus the Low, and the first 14-day ATR is the average of the daily TR value for the last 14 days. (We again will tweak this to the other indicators by changing to 13-day period.)

We will be using a variety of charts for our trading strategy, but the ATR information you will be using to qualify candidates will be an equity's daily price movement. The point of this indicator is that it is going to help us select equities to focus on that have consistent daily big moves. Two percent or higher per day.

Baidu (BIDU) ATR often runs almost \$3.70, whereas Dollar Tree's (DLTR) ATR measures just over \$1.95. We will often be investing in a variety of time frame charts, so having a higher than 2% Average True Range means that the equity's price movement is apt to fulfill your price goal more quickly than an equity that swings back and forth in penny movements.

On the chart below, notice it is a daily chart set up with the chart indicators we've discussed. The ATR indicator has been added. It reflects that the daily ATR for Boeing (BA) is \$5. A two percent move in price would be approximately \$4, so BA would be a good candidate for our trades since it moves on average \$5. In this study and strategy development process, I have discovered that a 2-4% move in price equates to double in an option's premium. So, this is our goal; we want to trade equities with large, quick moves, weaving in and out of trades.



Figure 10 - Courtesy of Stockcharts.com

Now you can keep the ATR on your chart for convenience, but the information you are going to use from it is when you change the time frame to a daily setting, not your everyday chart analysis setting of either weekly or intraday charts. Beyond this, there are times when the ATR range has increased to such a high point that it indicates a bearish environment is brewing (brought on by erratic price swings), but aside from the daily information as to price movement, the other indicators give us what we need to know on the intraday chart moves. If you chose to remove the ATR from the intraday

charts that we will be looking at, and then add it to the daily chart to see if an equity qualifies, it is well and good. That decision remains your preference.

Use the ATR indicator on a daily chart to look for equities that consistently move 2%, or to create a list of equities to focus on and that fit the other criteria, and you will have developed a list of premium equities upon which to trade.

In another minute, we are going to tackle two patterns, one bullish and one bearish. These patterns use the indicators we have lined up on the chart. I want you to come to a point where you recognize the formation and stages of these patterns. They hold so much information and will be involved in the trade patterns we will be using to open new trades. There will also be two stages within the P3 Squeeze (long) and the P3.5 Squeeze (short) patterns used for shorter, quick entries and exits.

Before I jump into the Squeeze pattern information, I will do a screen print of the under portion of the chart at Stockcharts.com so that you can see the indicators and changes in parameters or periods.

Chart Set-up

The chart below is a screenshot of the lower portion of the chart at Stockcharts.com.

Not every charting service will use exactly the same procedures, but this will give you the guidelines needed to set up your charts in the right order and with the needed time periods. All the indicators below have had their parameters changed to tie back to Fibonacci numbers.

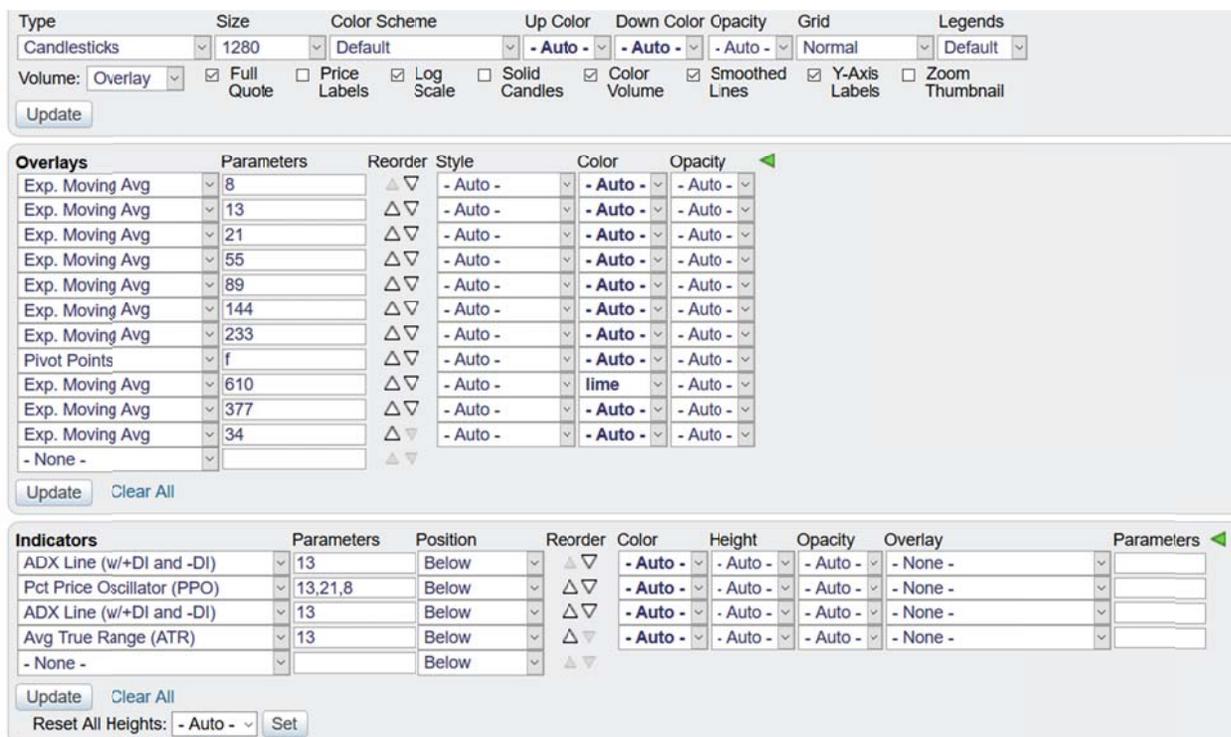


Figure 11 - Courtesy of Stockcharts.com

Starting from the top, you'll see that I added the special EMAs (8, 13, 21, 34, 55, 89, 144, 233, 377, and 600 EMAs) and changed each number to be the Fib numbers in order in the Overlay section. (I switched 377 and 34 to a lower portion because I liked the colors better- that is the artist in me.) Each EMA line will now be a separate color. I love the pink 55 EMA line. It reminds me of the color of the cover of my first book. Traders call it the "pink book". In this section, I also added the Pivot Point overlay.

I have inserted each indicator in the order we discussed them. I placed the ADX indicator in the line-up twice with the PPO in between. Followed by the ATR, which we will only use information from a daily chart setting. Each of the indicators has had their default numbers change to Fib numbers.

So, there you have it. This is our chart set-up. Hopefully you can place these chart overlays and indicators on your current chart service or at your broker. If not, then the small monthly fee charged by Stockcharts.com can be deducted as a business expense that will be offset by your gains. I find it well worth the expense. I have nothing to do with Stockcharts.com, but I consider it to be one of those "can't do without" tools in my trading arsenal.

How This Strategy Came About

In 2010, I wrote a book titled *Option Trading in Your Spare Time* with my friend Virginia McCullough. In it, I wrote down all the needed details and elements to learn and trade options. I taught Virginia how to trade. I would email her a section or chapter, and then

she would come back with questions. I would rewrite the section until each unit clearly covered the points I was trying to make and that she fully understood.

Within *Option Trading in Your Spare Time*, I briefly mentioned a pattern that I had discovered that shows when an equity is going to have an explosive move. This pattern is an anomaly since it is created by unrelated chart indicators. It has become known as the P3 Squeeze pattern.

I think it was my artistic nature that drew me to it and allowed me to recognize this unusual chart phenomenon in the first place, and then it was readers who asked for more information and a trading strategy based on the Squeeze that encouraged me to spend the next four years analyzing and viewing this pattern from every angle.

The end result has been several strategy books that focused on the Squeeze pattern. It took another few years for the development of the P3.5 Squeeze pattern (short), which then created a well-rounded strategy where other traders and I could trade both sides of the market, up and down price moves. We will cover both of these chart patterns thoroughly, but the P3 Target Trade Alert strategy has taken these unique patterns even further, with tighter confirmation signals for entry and exits on a variety of time frame charts developed for long as well as quick, accurate trades.

Sometimes, we will trade only one or two of the stages that these patterns go through. In essence, we will be zeroing in on the exact moment of the explosive move, and then we will exit the trade rather than hang on for the next leg either up or down. This is capitalizing on the strength stage.

The specific details of the strategy start with the P3-P3.5 patterns as the base, but the nuances evolved were fine-tuned to include exponential moving averages and specific areas of the pattern. Boundaries were stretched to include Fibonacci Exponential Moving Averages (Fib EMAs) and Pivot Points that have become value tools within the P3 Target Trade strategy.

During 2014 through much of 2016, trading became a challenge and at times, it was frustrating. Not only did the indices go through extended periods of consolidation, but at times, volatility initiated daily triple digit swings in the DOW index. Some days these swings not only changed directions daily but also intraday. I recall one particular day that the DOW swung back and forth more than 1200 points within a single day.

The following 8 years have had extended periods up and down, this said, the popularity of option has grown tremendously. Back in 2016, there were only monthly expiration options. Now, particularly, on the ETFs of the indices and other popular stocks, there are weekly and daily expiring options.

Major swings create unique trading opportunities as we try to capture the big moves. It was during this period that the specifics of the P3 Target Trade Alert trading strategy

were cemented into place to form a strategy that brought forth successful trades with awesome returns.

I realized that I needed to look for a pattern when I realized that, often the huge moves came on the open of the market. I as a trader would get excited, enter a trade, and then, after the first 30 minutes, price would switch directions. Then, it might change directions several more times throughout the day.

It didn't take long for me to decide that I needed to find a way to capitalize on the move that happened over various time frames. Swings were obvious on 10- and 30-minute charts but had little effect on weekly and daily chart patterns.

The end result is the P3 Target Trade strategy, zeroing in on a variety of time frame charts and a new high-performance mindset. Every morning before the market opens, I affirm that this will be a prosperous year for me!

Mindset is Everything

Early in my life, I came to understand that wealth is an inside job ... what does that mean? At 28 years old, I had two children and was earning \$4,000 per year, and I owed \$6,500. I didn't think we would ever get caught up, let alone get ahead. This was my mindset. As I grew older and our family also grew, I still earned little more than what was needed to manage week to week. I knew with certainty it would be a struggle, but somehow, I would skim by. **And I proved myself right every week.**

My life needed to change.

The universe shook things up. After a devastating flood and losing our livelihood of 25 years, I began to read, study and apply the teachings in *Think and Grow Rich* by Napoleon Hill – and my life changed so quickly and dramatically.

Truthfully, this happened well into my life when I was about 56 years old, a time in life when it was harder to bounce back. Within a very short period of time, I went from earning barely enough to more than I needed to experience my fondest dreams. This was my first realization that wealth is truly an inside job. What was inside of ME mattered. If I want MORE, all I have to do is expand my awareness and change my mental expectations (expect the unexpected and expect the end result to be great) – and the same is true for you.

In option trading, we discuss long and short-term strategies. In life, there are different definitions.

Avoidance as a short-term strategy can offer immediate relief. As a long-term strategy, avoidance guarantees suffering.

It is time to go for it! Face the areas you have been avoiding and push through. It may cause some momentary discomfort, but it will be gone in a flash. Then, you can look at yourself anew and see a person who is striving for high-performance, a person who is making a conscious decision every day to have a life of prosperity.

P3 and P3.5 Patterns

P3 Squeeze Pattern

I am going to point out two different patterns that will be visible on daily charts. (Actually, they are visible on any time frame chart). Let's start with the P3 Squeeze pattern that will be used for Call trades. Some of you may be familiar with this pattern, so this section will act as a review. Then, we will discuss the pattern that will be used to initiate Put trades.

We have our chart set-up established, so now I want to draw your attention to a pattern that often forms. I will annotate a chart where I circle the pattern - the Squeeze Pattern – this picture on the chart is as close to a guarantee as you can find in the stock market.

It's interesting. The PPO indicator and the ADX indicator have no connection to each other. They are separate indicators, yet, when they are set up as you have done with the PPO on top of the ADX, a pattern is formed. When this picture is created, the stock will ALWAYS go up. Oh, there are times when it takes a few days, and other times when the price pops up like a kid on a trampoline, and then drops back down for a short period, but in the end, it always comes back up.

I will list a few charts so that you can see the accuracy in what I am showing you. Also, I will point out on a chart or two what happens when this pattern fails after it gets started. When it does fail, the pattern forms again, tightens, and then pops up with even more gusto, like a geyser that has built up steam.

There are times when the lines of the PPO and ADX Squeeze together so tightly they almost touch, and other times there is a larger bit of space between them. The indicators create their patterns separately, yet together they tell a story about the equity's past and its future. The P3 Squeeze picture is created when a stock has not just dropped, but dropped drastically. The PPO black line reflects this extreme drop, and the ADX black line reflects the strength behind the drop. The pattern combination of these two indicators draws this unique picture that guarantees upward movement.

After we look at this pattern picture on a few charts, I will show you the second pattern for Puts, the P3.5. Then, we'll address what you need to look for on the other indicators that will pinpoint exactly when to enter a trade. We'll also review an option chain so that you can see how to select the option you want to purchase once you've located a stock that has drawn the picture of an equity that is getting ready to explode.

On the chart below, notice the circle drawn over an area on both the PPO and ADX indicator. Once you study this area, look up on the candlestick portion of the chart and see the uptrend that happens after this picture is formed.

Both the P3 Squeeze and the P3.5 pattern go through specific stages. We will cover those stages after you look at a few charts to get the basics.



Figure 12 - Courtesy of Stockcharts.com



Figure 13 - Courtesy of Stockcharts.com



Figure 14 - Courtesy of Stockcharts.com



Figure 15 - Courtesy of Stockcharts.com



Figure 16 - Courtesy of Stockcharts.com

These were all daily charts. The pattern as it unfolds is the same in every time frame chart. You have seen that sometimes the lines come very close together, and other times there is more white space between the lines. As we proceed, I will cover all the indicator details and what part they play in the unfolding process as the price goes up.

Let's look at a few 30-minute P3 chart patterns. Then, we will look at the other indicators and how they give signals and confirmations.

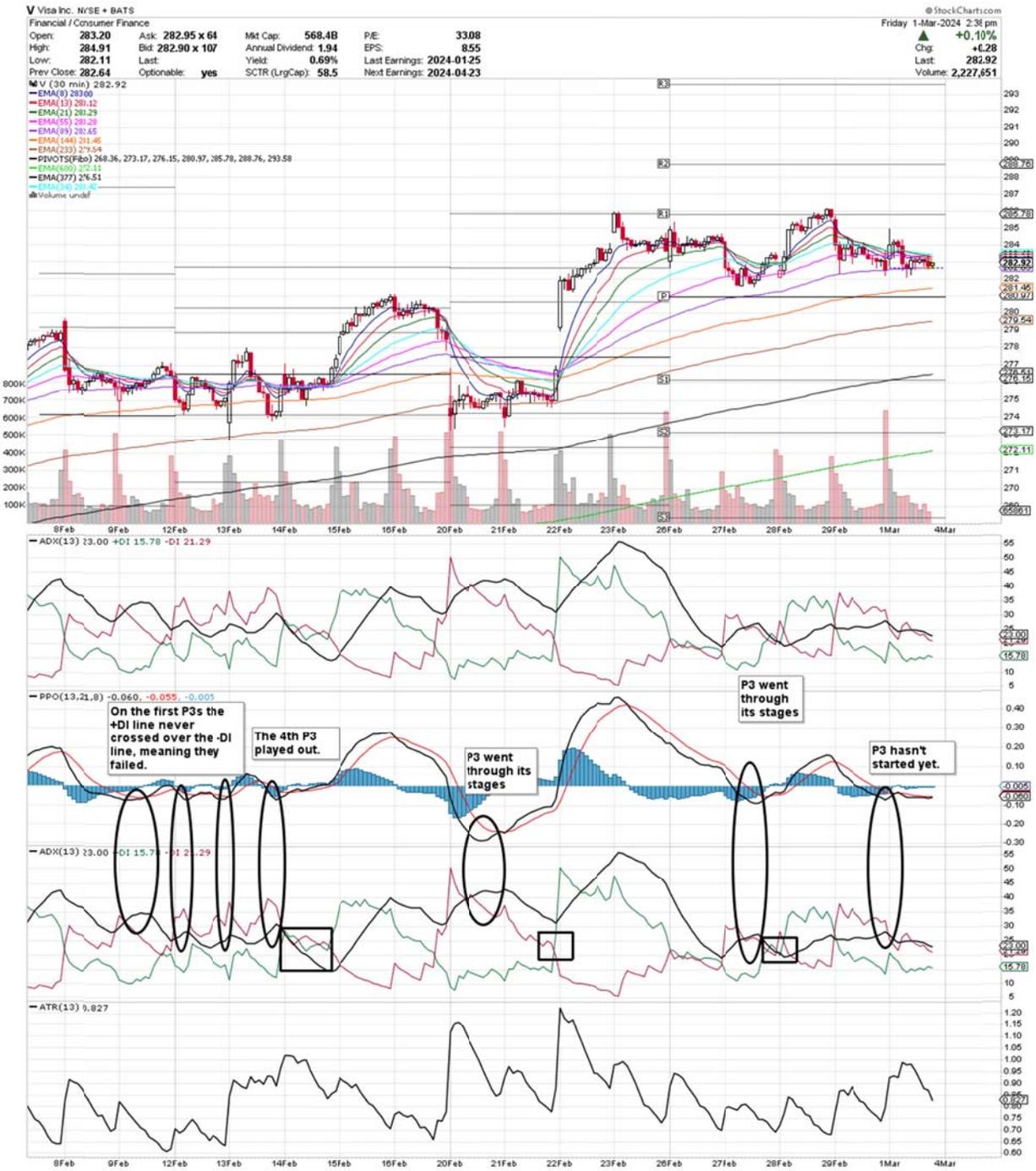


Figure 17 - Courtesy of Stockcharts.com



Figure 18 - Courtesy of Stockcharts.com



Figure 19 - Courtesy of Stockcharts.com

I'm sure the point has been made with the charts listed above. Any time the PPO and ADX line come together to form a Squeeze or pinch pattern on the chart, the equity's price goes up when the lines eventually push away from each other. Sometimes, the movement lasts for a few hours, dailys or weeks depending on the time frame chart.

Some traders enjoy being in and out of trades within a day or two, and others like to be in for a week or two and still others like months. This preference will help you decide on your favorite time frame chart. Others enjoy a variety.

Confirming indicators are going to help us determine which of the Squeeze patterns are going to develop into profitable trades.

Time is very relevant. With 10-minute charts, the patterns form more quickly, and there are often more of them because they pick up the smaller moves. This is one of the reasons we use them only periodically as traders can be limited on the number of day-trades within a 5 day period. We will discuss this further as we proceed. To use 10-minute time frames, you have to be a quick, decisive trader, who can enter and exit without a great deal of thought or reservation.

The P3 Target Trade Alert Method will be explained fully, and you'll see how the patterns play on various time frame charts.

If there is a Squeeze pattern on three time frames, then, as the 10-minute chart pattern unfolds, it prompts the 30-minute to do the same, and, as the 30-minute unfolds, it triggers the 60-minute chart to kick into gear. Even though you may not be trading the higher time frame, you can use its information to know the Squeeze on the 30-minute chart is on sound footing and is apt to go through all its stages and hit your profit target.

If on the other hand, the 60-minute chart doesn't have a Squeeze pattern forming like the 30-minute chart, you might use this information to determine that the pattern formed on the 30-minute chart will likely be short-lived or fail and perhaps drop further before it is ready to unfold into an explosive move upward.

Please skim through the charts above again and note the Squeezes that had profitable moves and those that didn't. Note where the Squeeze was only a shallow advance, and also note that all of the patterns, as they begin to go up some amount, are when the +DI line crosses up, and that the real move carries it upward.

It doesn't matter if the underlying equity is a major index, an ETF, or a stock, the Squeeze pattern reacts the same.

Let's put all the P3 Squeeze pieces together before we move on to the P3.5 Put pattern. By then, maybe you will understand my terms and references for what is taking place, making it easier to apply the terminology to the P3.5 Put Squeeze.

This is a description of what has been taking place on the charts, so you will more easily recognize the actions. During this learning process, it might be helpful to write these stages down on a sticky note as a cheat sheet. You will soon have the stages memorized and will easily recognize the stages.

Stages of P3 Squeeze:

1. The PPO and ADX black (thick) lines come close together to form the Squeeze pattern.
2. The PPO line crosses up over its signal line, and the ADX black (thick) line pushes away from the PPO line as if it is repulsed by it.
3. As the Squeeze continues to unfold, the PPO and ADX lines will move further and further away from each other.
4. It is only when the +DI line turns up and eventually crosses over the –DI line that the price will “really” move upwards. The PPO line cross can only take the price so far. If the +DI falters and doesn’t continue by taking control, the Squeeze is likely to fail and reSqueeze because the price will go flat or head back down. A PPO cross down over the signal line can be a stop or exit for the trade. Exit quickly and losses will be cut short.

If, after stage 7, the +DI is still strong, it may have a PPO cross down, pause and rest before another leg up. We will discuss the exceptions to the PPO cross down sell rule.

You can always reenter when you are given the confirmation signals again.

5. Quite often, as the PPO line is moving upward, it will weaken for a period of time, drop back and test the PPO signal line. The signal line will then act as a trampoline, and the PPO line will bounce up from there. There are times that it will do this twice during the climb up. I call this a “wobble”. The lines/direction are weak as if on wobbly legs and can fall before picking itself up again to proceed. In actuality, these are tests of support.

Wobbles can be used at times for second entries if you missed a trade entry or if you want to add to a trade.

See note under 8 regarding a PPO cross down and add-on Sweet Spot stage.

6. While the PPO line advances upward and the +DI line has crossed up and over the –DI line, the ADX Strength line will turn up to support the new uptrend. I call this the Sweet Spot or strength stage; it is also called the adult stage of the Squeeze pattern.

In this stage of the pattern, the PPO and ADX thick lines run parallel to each other. They almost look like railroad tracks. As long as the lines remain in this formation, the price will continue up.

7. The last stage and exit is when the PPO and ADX line turn and start heading down or the PPO rolls over the signal line. This is a final signal to exit.
8. During strong uptrends, P3 patterns can create what I call add-on Sweet Spot legs. The PPO would cross down for a shallow rest period and then, before enough weakness set in to create a new P3 pattern, the PPO would cross back up, and it would go into another Sweet Spot stage. On occasion, this could happen 3 or 4 or more times.

The pattern moves through a life cycle - conception, birth, infant, toddler, teenager, adult, end, and sometimes an add-on adult stage.

Eventually, the trend will get too tired to continue, go through the P3.5 pattern stages and a deep enough drop will happen that creates a new P3 pattern.

On the next few charts, I will annotate the chart with numbers that tie in to the descriptions above so that you begin to recognize each stage.

The first chart is for Advance Micro Devices (AMD). It's a weekly chart and is a great example of a Squeeze pattern that played out for months, then added a Sweet Spot leg. There were also two other P3 patterns that failed before flowing through all their stages. The first one failed and then re-Squeezed.

After the pattern went through all 7 stages, it then added another Sweet Spot leg, and it is still solidly in that strength stage pattern. As mentioned earlier, this is an event that happens during periods of strong uptrends. This can be seen on this chart by the strength of the +DI line. It remained high and above the -DI line for weeks.



Figure 20 - Courtesy of Stockcharts.com

In October 2022, the new Squeeze started to unfold and went through all of the stages mentioned earlier.

Really study this chart; it is a great example no matter what time frame you are looking at. It is a classic image of all the P3 Squeeze stages.

- 1) The PPO and ADX lines come close together.
- 2) PPO lines cross and ADX line pushes away from PPO.
- 3) The lines move further away.
- 4) +DI crosses -DI line and then the ADX line itself.
- 5) PPO line wobbles- maybe once, maybe twice. If PPO fails and crosses back down, this is a stop exit unless the strength of the +DI suggests that it is just a wobble that went a little too far and will bounce back up.
- 6) PPO and ADX move into the Sweet Spot - railroad tracks where lines run parallel.
- 7) Time to exit with PPO rollover. If +DI remains really strong, it is possible that the PPO crossover is a deep rest period and will move back into stage 8. (On the chart above, the -DI barely crossed up for only a short time and then the +DI took over again.)
- 8) Add-on Sweet Spot leg

I cannot stress strongly enough how important the +DI is to this P3 pattern. It truly reflects the direction of the trend and whether the price has a chance of moving up into a new uptrend, or if it will drop back enough to form a new P3 pattern to then break out again.

Let's study another example.

Notice on KO's chart below, the first and third P3 pattern failed. The 2nd, 4th, and 5th played out going through all the stages. This chart is a daily chart, where each candle is created by the movement over one day.

It often works out that successful wobbles, ones that hold the signal line or even if the PPO breaks through but builds no bearish strength in the -DI/ADX rising, will then initiate the Sweet Spot stage (or a second/third sweet area of strength like we saw on the previous chart for AMD.)

It makes sense when you think about it. This could be an area where after a rise, traders take profit, then it pulls back a little with the selling, and then, when support holds, it takes off again. This back-and-forth movement is natural in the market, and it is cool when you can recognize it taking place on a chart. Because you know it is part of the natural order of how the pattern plays out, when it does happen, it doesn't scare you. You expect it when it happens, recognize it for what it is, and make a decision to either take and preserve profit if you have it, or hold through the test of support and anticipate the next bounce up.

I will get into the specifics of exact entry and exits as we proceed, but for now, I want you to focus on the stages of the pattern. As I mentioned before, the P3 Squeeze pattern reacts the same no matter what time frame it is seen in. The difference is the time it takes for it to unfold and whether it is going to stop at stage 7 (PPO cross down after a Sweet Spot stage) or whether it will pause to rest and then bounce for another leg up (stage 8).

The strength of the +DI line can be a clue as to whether the drop of PPO is just temporary or signals the end of the pattern.



Figure 21 - Courtesy of Stockcharts.com

The next chart is for Visa (V). It is an example of three patterns that flowed through the P3 stages taking various lengths of time. The 3rd pattern lasted for months and had 2 add-on strength stage patterns form.

Every Squeeze pattern must go through the unfolding process, end up in the Sweet Spot, and conclude by a PPO cross back down. There are times that a stock will make it through stage 5 where the PPO and ADX lines have spread apart, and the PPO wobbles, and then the Squeeze fails and re-Squeezes. You know this has happened if the PPO crosses down through the signal line before the ADX strength line has headed up into the Sweet Spot where the PPO and ADX line run parallel to each other. It did

now happen on Visa's chart, but there was a questionable pullback in late October where the PPO brakes weren't pushed quite hard enough and the PPO crossed down and then quickly went into a strength stage. This does not happen often. Usually the PPO lines just touch. In this case they crossed and quickly corrected.

Sometimes a Squeeze pattern will re-Squeeze several times, but, eventually, it will unfold completely. All Squeezes will finally go through all the stages, and this then ends that original Squeeze. At some point, another one will form.

Understanding this Squeeze process and the stages will help you analyze where the pattern is along the way. You will be able to spot if the Squeeze is weakening and likely to re-Squeeze or if it is showing strength and is apt to move through the stages #1- 7 and maybe even into a #8.

If the +DI seems to be regaining strength at the first wobble, this can be a second entry point. If the ADX line has headed up and is in the Sweet Spot, the next PPO wobble is quite likely to be the exit time or there will be a deeper wobble (pause) - a failing P3.5, and then a stage 8 pattern will take place when the PPO crosses up again, and another Sweet Spot stage will be added.

From here on out, as you spot a Squeeze on a chart, follow the stages, and analyze where it is in the unfolding process. Use your cheat sheet until you have the stages memorized. The more you do this, the faster you will train your eyes and mind to digest the information, recognize the stage and interpret its message.

As I mentioned, I made a little cheat sheet on a yellow sticky note, and I keep it near my computer with the stages numbered and a short description. This helps to keep me straight and is a quick reference.

On the chart below for Visa (V), note the second P3 Squeeze had a +DI cross first and then that cross faltered and swung back and forth. Finally, the +DI crossed up and for a short period the ADX rose creating a strength stage. If you got into this trade as the PPO first crossed for a short time, you would have gone through an anxious period as the DI lines crossed back and forth. Notice the PPO didn't have a strong cross until August 28th and soon after there was the strength stage.

Then there was another Squeeze in October that formed to solidly flow through the stages. In December and again in February, the PPO crossed down and ended the P3 pattern, and the P3.5 started to play out but failed both times. The -DI never crossed up to take charge, and then the PPO crossed up again, so the P3.5 patterns failed. When a pattern fails, the previous pattern goes back into the strength stage or stage #8 100% of the time.



Figure 22 - Courtesy of Stockcharts.com

Okay, let's move on. The three examples of the long P3 pattern are great examples of the stages of the patterns. They show how sometimes the pattern gets right down to business and flows steadily through the stages, and other times, it takes a while for the pattern to test a bottom, shake out the last of the sellers, and then to build up the strength to make the next run up.

Understanding the pattern stages and waiting for the entry confirmation helps to weed out the false starts. Using a PPO cross down against the direction of your trade if it happens soon after the pattern gets started is a good signal as to where to place a stop to exit a trade that has weakened. The pattern may pause and then get another running start and you can reenter, but it is better to have a stop in place as protection. Err on the side of caution.

Let's move on to the short P3.5 pattern and then we will tie the specific of the P3 Target Trade Alert strategy together.

P3.5 Put Squeeze Pattern

For the P3.5 adapted pattern for Puts, we will be using the PPO indicator and the ADX that is on top of the PPO. This is why we applied two ADXs with the PPO in the middle.

In some ways, the squeezing portion of the P3.5 pattern is not quite as obvious as the P3, but you can train your eyes to pick it out. More obvious is the P3.5's Sweet Spot. During this stage, the equity's price drop is a certainty.

On the Coca Cola's (KO) chart below, note that toward the left side, partially off the chart there was a P3.5 pattern that started off the chart and then another towards the middle. What is visible on the one on the left side is the stage 6 Sweet Spot.

The next full P3.5 is a pattern that unfolds and flows through all the stages. As mentioned earlier, it is more difficult to spot the beginning of a P3.5 pattern where the PPO and ADX come a little closer together. The first obvious sign is it happens after a P3 strength stage where the PPO and lower ADX line are running parallel like railroad tracks and then the PPO crosses down. Next is the -DI crossing up. Sometimes, there is an underside wobble on the PPO and, other times, it gets right down to business and drops quickly. When that happens, the ADX rises, and the pattern is that of the ADX and PPO pushing away from each other like this <. This is the Sweet Spot stage of the P3.5. It is the most obvious of the stages.

The pattern on July 24th went through all the stages. Sometimes drops seem to happen more quickly than upward moves.

The next P3.5 took 2.5 months to go through all the stages. It then conceived a P3 that went through its stages and added 2 stage 8's because the P3.5 patterns failed before they went into stage 6 and failed.

I will discuss it in more detail later but notice as you begin to learn the stages of the P3.5, that, as this pattern goes into the stage 6 Sweet Spot or adds on a stage 8 Sweet Spot stage, it is creating a new P3 pattern on the PPO and lower ADX. A P3 pattern ultimately flows into and creates a P3.5, and a P3.5 creates a P3.

Be patient with yourself. It will take a little bit of chart looking, but, before you know it, your eyes will instantly pick up the P3.5 patterns on the upper portion of the chart and will zero in on the P3 Squeezes on the lower side of the same chart. You will soon be able to look at any chart and instantly be able to tell what stage of P3 or P3.5 pattern it is in and will be able to anticipate what is likely to happen next.



Figure 23 - Courtesy of Stockcharts.com

There is a period on KO's chart between December and February where the -DI line tried to cross and stay up, but soon failed. The PPO switched directions several times with little areas where the ADX rose when the +DI crossed up. These are the add-on strength stages that happen when the P3.5 patterns failed.

For the P3.5 pattern to form, you must have the PPO cross down, -DI up, and a rising ADX line. Again, the Sweet Spot in the P3.5 pattern is the strongest and longest lasting of the stages. As long as you have these elements and the ADX is rising, price will continue to drop. Eventually, you will notice a new P3 pattern forming, and, if you continue to watch the strength of the -DI, you will be able to determine if there will likely be an add-on stage 8 Sweet Spot stage, or if the P3.5 is ending.

UAA Under Armour, Inc. NYSE

© StockCharts.com

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Open: 20.95	Ask:	P/E: 45.76	Options: yes	Friday 3-Mar-2017
High: 21.03	Ask Size:	EPS: 0.45	Annual Dividend: N/A	Chg: -1.62%
Low: 20.50	Bid:	Last Size:	Yield: N/A	Last: 20.59
Prev Close: 20.93	Bid Size:	WWAP: 20.64	SCTR (Large): 0.0	Volume: 5,197,213



Figure 24 - Courtesy of Stockcharts.com



Figure 25 - Courtesy of Stockcharts.com

On iRobot's (IRBT) chart below, I left off most of the annotations so that your eye could pick out the Sweet Spot patterns and the strength of the -DI. In this case, the first P3.5 started, and the ADX headed up on the 4th, but the PPO was hard to see. That P3 pattern started on the 12th and failed, and the P3.5 added a stage 8 add-on Sweet Spot stage in another leg down on the 17th. It did that again on the 22nd, the P3 started and failed on the 29th and the P3.5 went back into a stage #8 strength stage.



Figure 26 - Courtesy of Stockcharts.com

Perhaps, after looking at these charts, you have realized why the P3.5 pattern is harder to spot than the P3. The secret is in the ADX indicator. For the P3 and the creation of the Squeeze pattern, the PPO and ADX indicators are the reverse image of each other. One indicator goes up, and the other goes down. If the PPO is up, then ADX strength line is down. Or, if the PPO is down, the ADX is up. It is this reverse pattern that creates the P3.5 pattern, and, when the indicators run in the same direction, the Sweet Spot is formed, and this Sweet Spot conceives the new P3.5 pattern.

So how is the P3.5 different, making it tougher to spot? The ADX strength line placed above the PPO supports each other, making the pattern harder to see. If the PPO is up, so most often the ADX line is also up, running parallel, as both indicators reflect the movement of price going up or flat. As the price goes up, the PPO and ADX lines

follows the same path, it is when the uptrend starts to weaken that the P3.5 starts to form.

The PPO and ADX lines are relatively close, and the PPO line prepares to cross down over its signal line. Then, the -DI moves up to cross the +DI line, so that the trend will change to the downside. The PPO crosses its signal line. Soon afterwards, the PPO line and ADX line spread apart and push away from each other to create the P3.5 Sweet Spot. The P3.5 pattern, in a sense, is the complete reverse of the P3.

The beauty of it all is that one pattern flows into the other. This creates the wave that can be ridden up and down. As the P3.5 pattern unfolds and plays out, the chart starts to form the P3 Squeeze pattern. As the P3 Squeeze pattern forms and plays out, the P3.5 pattern is forming.

Let me make a list of the stages for the P3.5 so that you can again make a little cheat sheet.

We now have all the elements for our Squeeze patterns in place. Next will tie everything together in our P3 Target Trade Alert strategy.

Stages of P3.5 Put Pattern:

- 1) ADX and PPO come close together as they mimic each other.
- 2) -DI Rising
- 3) PPO crosses down and over its signal line.
- 4) -DI crosses +DI and eventually the ADX line.
- 5) PPO wobbles against the signal line.
- 6) The spread apart of PPO and ADX lines creates the Sweet Spot.
- 7) Exit - Rollover of ADX line and drop of -DI, or if the -DI remains strong, it could a deep pause, and a stage 8 will take place before eventually a stage 7 exit takes place.
- 8) Add-on Sweet Spot stage

Now you understand the stages of both the P3 Squeeze and the P3.5 Squeeze patterns. As the P3.5 forms and plays out, the P3 is forming. As the P3 unfolds and it is time to exit, the P3.5 is taking shape.

One pattern flows into and forms the other.

I will move on now, and we will delve into the strategy itself, tying in the other indicators as confirmations. I suggest during this learning process that you do a lot of chart gazing. Like walking the beach at night and looking skyward, the more often you are able to pick out and identify the Little Dipper and Orion's Belt, the easier it is to zero in and identify

those patterns no matter how cluttered the night sky. It is the same with the charts. The more you skim through charts and locate the patterns, the easier it is to spot them amongst all the other information on the chart.

I am and will be eternally grateful for the circumstances that brought these patterns to my attention. They have been at the root of changing my life for the better and living a prosperous, high-performance life.

P3 Target Trade Alert Trading Method

The premise of this strategy is to spot indicators that suggest that an equity is building up pressure and may soon create a new P3 or P3.5 pattern that will confirm with a DI cross in the trades direction and the DI line will soon cross over the ADX line to confirm the strength of the move.

We will be looking for patterns to form in the morning on open or perhaps, in the afternoon.

We want to look for specific stages of the P3 or P3.5 pattern on the charts. We are trading a variety of time frame charts - weekly, daily, 60-, 30- and sometimes 10-minute charts. We can only have 3 day-trades in 5 consecutive days, so we have to be careful and aware of how many day-trades we have traded.

As an example, you find a new P3 forming on a stock on a 30-minute chart. The Squeeze pattern is there, PPO has crossed up, and the +DI is heading up, but has not yet crossed the -DI line. If you were to be trading a 30-minute chart pattern, you would wait for the +DI to cross up over the ADX line as an entry confirmation. The 60-minute chart may also have a P3 pattern forming but the +DI has just started heading up but hasn't crossed the ADX line yet. It is supporting the 30-minute, but it hasn't yet been confirmed as a possible trade. If it does, we could consider it as a trade as well and could possibly choose to close the 30-minute trade as it starts to weaken a bit.

The patterns support each other. You can have several shorter time frame patterns within the longer time frame charts. A daily or weekly chart pattern can incorporate several 30- or 10-minute chart patterns within its overall pattern. You also want to evaluate the candlestick portion of the chart to see how much of a move is likely to happen based on support and resistance levels.

You will use this information and the premium from the option chain to determine if the likely move will be sufficient to result in a profitable trade. I will cover more about this in a few minutes. For now, let's concentrate on the strategy and the stages of the P3 patterns first.

The new P3 Squeeze entry is stage 4 after it crosses above the ADX line.

You could also have the pattern be in a stage 5 wobble on the chart when it starts showing the first sign of going into the stage 6 Sweet Spot stage. This is capitalizing and zeroing in on the strength stage.

Let's look at an example of a P3 Squeeze based on a 30-minute chart.



Figure 27 - Courtesy of Stockcharts.com



Figure 28 - Courtesy of Stockcharts.com

Let's look to see what happened when the market opened the next day.

As expected, the price brought a move over the ADX line on open and you decide to enter the trade. Price continues to rise throughout the day, running through most of the P3 stages. It is in the strength stage at the end of the day and showing some signs of weakening as the histogram blocks are tapering down and the PPO is flattening out.

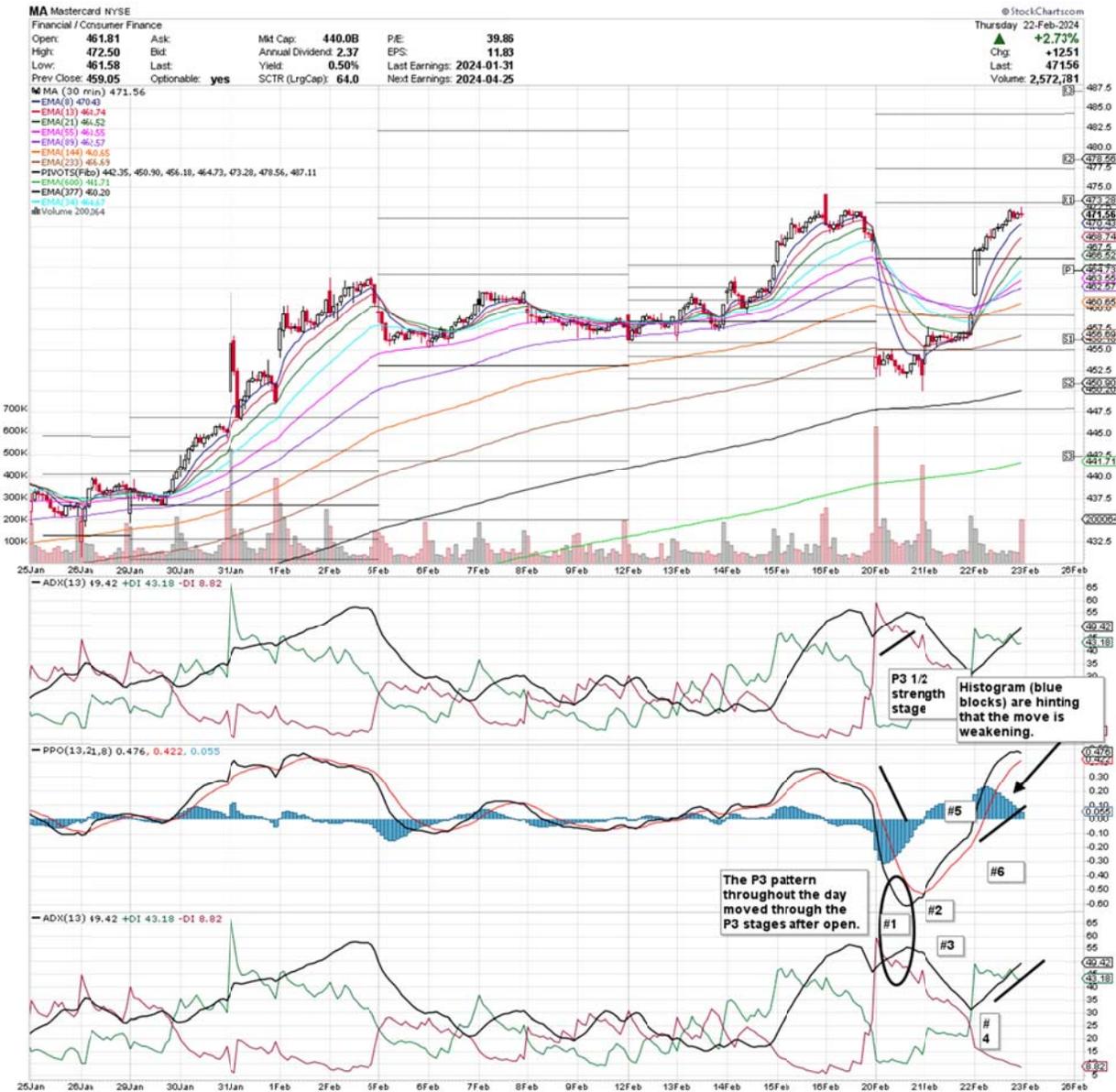


Figure 29 - Courtesy of Stockcharts.com

You could choose to close the trade as a day-trade and take profits that happened quickly throughout the day, or you could choose to see what happened on Friday, being ready to act quickly in the morning.

There is a gap up on open and after an hour, it starts to pullback. You see the histogram cross down over the zero line, and you decide to close the trade and take your profits. That cross down of the histogram is a sure sign that things are weakening, and you thankfully take profits and move on to your next trade.



Figure 30 - Courtesy of Stockcharts.com

Let's look at another chart set up.



Figure 31 - Courtesy of Stockcharts.com

Entry could have been on the 12th when the +DI moved above the ADX line. There was a wobble on the 29th, but the PPO did not cross down. On March 1st, the P3 pattern moved into the strength stage with a solid move up. This was a Friday and you decided to close the trade rather than hold through to Monday and lose two days of time value. The histogram has tapered down and is near the zero line and you thankfully take your profit and enjoy the weekend.

We will now step down from a 30-minute chart to a 10-minute, knowing that it will likely be a day trade. That is not always the case but often is.



Figure 32 - Courtesy of Stockcharts.com

As you can see, the P3 pattern formed on the morning of March 1st. It quickly started to flow through the stages. You could have entered at stage #4 when the +DI line crossed up above the ADX line. This happened quickly after the PPO crossed up. There were a couple wobbles (#5s), and the +DI struggled, but the PPO started up. Then shortly after 1:00, the ADX line headed up showing strength in the +DI line. Close to the end of the day, the PPO crossed down and it is time to sell.

Let's look at another 10-minute chart. Often on the short-term charts, a new pattern will confirm close to the end of the day. When this happens, it is an opportunity to avoid the trade being a day-trade. You open it late in the day one day and likely close the next morning.



Figure 33 - Courtesy of Stockcharts.com

On the XOM trade, the P3 pattern confirmed late on Thursday afternoon. You could have entered about 3:30 pm. The P3 pattern then played out the next morning, and you could have closed the trade for a profit as the +DI started to weaken about 11:45 am.

We'll look at one more long Call trade going back to a weekly time frame so that you can see the same P3 patterns play out on all the various time frame charts, you just need to allow and anticipate the appropriate amount of time for the trade to play out and go through the stages.



Figure 34 - Courtesy of Stockcharts.com

The P3 pattern confirms on the week of November 13th, and you enter the trade, selecting an option that is out four months to March 15, 2024.



Figure 35 - Courtesy of Stockcharts.com

This P3 trade still has about two weeks before expiration. That said, it is now showing the first signs of weakness. The +DI has dropped and crossed below the ADX. You waited for the cross up before entering and now it has crossed down. Likely, price has moved well above the strike price you selected to enter, so time-decay is no longer an issue, so you have a decision to make to either hold until closer to expiration or close the trade because you are seeing weakness starting. The PPO has not started dipping down toward its signal line, but the end of this week has created a small red candle. You decide to close and take profits, being thankful for a solid 3 months of price rising about \$50. Awesome trade!

Let's look at a P3.5 trades.

Again, let's start with a weekly chart. This weekly chart, instead of showing a new P3.5 pattern, is an example of the 100% rule. If ever a pattern fails, in this case it is the P3 pattern. It was conceived, born, and went through a couple quick stage 4s, where the +DI crossed up, but it struggled, and the -DI crossed up again, and then the PPO crossed down. The P3 failed. When a pattern fails, 100% of the time the previous pattern will go back into the strength stage. This is exactly what created this P3.5 strength stage pattern or a \$12 drop in price over 2 months.



Figure 36 - Courtesy of Stockcharts.com

Let's look at a full P3.5 pattern on a weekly chart.



Figure 37 - Courtesy of Stockcharts.com

On September 15th, the +DI crossed up over the signal line, and you consider an entry. Since weekly charts take longer to make pattern moves, you know price could drop more before the -DI crosses up and over the ADX line. You decide to enter at stage 4, but before it crosses the ADX line.



Figure 38 - Courtesy of Stockcharts.com

Price has been dropping for about 2 months and now things are feeling odd. There is not much selling volume which means there could be buying that is offsetting the candle formation. You can see the long wick two weeks ago and know that was bullish buying. You decide to close the trade. You have earned a nice profit, there is no benefit in being greedy.

Let's go out for two weeks and see what happens.



Figure 39 - Courtesy of Stockcharts.com

We'll look at a couple more Put trades on various time frame charts, and then we will cover the strategy guidelines.

The chart for AAL looks like it is weakening. The PPO has crossed down and looks to be forming a P3.5 pattern, but the -DI line hasn't crossed, so you look to the 10-minute chart to see if it is a stage ahead and if its -DI has crossed down.

The 10-minute chart not only had its -DI cross down, but it had the beginning stages of a P3.5 Sweet Spot forming.

You select the March Week1 47 strike Put for .43 per share, or \$43 per contract, and you buy 10 contracts for a total investment of \$430.



Figure 40 - Courtesy of Stockcharts.com

At the end of July, the -DI crossed up over the +DI. The PPO had crossed down the first week in July, but it took several weeks for the bearish -DI to cross up and over the +DI and get above the ADX line. This was a confirmation for entry.



Figure 41 - Courtesy of Stockcharts.com

Price does drop down and drifts lower for a couple months, which is a long time for a daily chart. The strength of the -DI allows you to hold throughout the days/weeks, but rather than risk holding longer during this brewing bullishness, you close the trade at the end of the day. The tapering bars on the PPO histogram suggests that more bullishness is likely to take place.

I'll post another chart so you can see how things played out.

As it turned out, after two days of a small amount of buying, the price dropped again. Because this drop meant the new P3 pattern failed, you could have considered another Put trade because you know 100% of the time when a pattern fails the previous pattern will go back into a strength stage, or you could walk away and say thank you for the

nice approximate \$13 drop, which would have been an awesome trade. Knowing that a failed pattern brings on a strength stage offers an extra trade opportunity.



Figure 42 - Courtesy of Stockcharts.com

Let's look at a 60-minute and 30-minute chart trade pattern and then we will move on.



Figure 43 - Courtesy of Stockcharts.com

The examples above demonstrate both Call and Put trades and the potential of locating and trading on charts that are setting up patterns that suggest they are creating new tradeable patterns.

From here, let's discuss specific guidelines that will add to the success of the P3 Target Trade Alert strategy.

P3 Target Trade Alert Book Method Guidelines

First Requirement

The first consideration will be open interest of at least 100. Open interest is the number of open contracts at the current moment, whether they are long or short positions. The reason for the 100 requirement is, if you purchase an option with open interest of less than 100, you may experience difficulty selling the option when you are ready if there aren't enough interested traders wanting to buy it from you.

Also, don't buy more than 10% of the open interest.

Therefore, if the open interest is 200, then don't buy more than 20 contracts. On the option chain that will feature both Call and Put options in a few pages, look to see how the open interest is listed for each particular option.

To fine tune this even further, make sure there is at least some amount of volume. "Some" is a rather ambiguous term, but since there is not set number requirement for volume, "some" will have to do. The point is that you want to see daily activity.

Volume is the number of contracts bought and sold for the day, while open interest is an accumulated total for all the contracts on that particular strike option.

If there is no volume on the strike price you are interested in, I suggest you check the historical information for that option. It may be that you are looking at a Call option chain when the market is heading down, so there might not be interested buyers, and this may explain the lack of volume. But then again, you might think at least one or two other traders would be interested if you are.

Even if there is 100 open interest, look at the historical information. You may find that all of the contracts are held by a market-maker, and there hasn't been any trader interest at all. (Below, I will post a chart of historical information to show you what it looks like when a market-maker is in control of all the option contracts.) If you find that all of the option contracts are being held in-house, I suggest you either find another strike that does have some legitimate volume or move on to another trade.

This is a general trading rule no matter what stock you are trading, and it is almost a moot point with the index ETFs because of the huge amount of open interest in most of the strike prices. But, on occasion and especially with the new weekly options, there can be strikes where there is not enough open interest or volume.

It also takes place on options that are deep out-of-the-money or very deep in-the-money, too deep for traders to be interested.

On Thursdays when new weekly options are created or born, there will be no open interest because it is the first day that they are being traded. The volume acquired during the first day of trade will become open interest tomorrow. So, on that first trading

day, rather than looking for open interest of 100, you would want to see volume of 100 or more before taking a position at that strike.

In most cases, as you can see on the chain below, there are thousands of open interest contracts, but the 100-open interest requirement is an aspect that you need to be aware of and to follow.

AMZN Option Chain

Expiration Dates: March 2024 | Option: Composite | Strategy: Calls & Puts | Moneyness: Near the Money | Type: All (Types)

Exp. Date	Calls						Puts						
	Last	Change	Bid	Ask	Volume	Open Int.	Strike	Last	Change	Bid	Ask	Volume	Open Int.
March 8, 2024													
Mar 8	16.30	-1.45 ▼	15.65	15.85	2	956	160.00	0.03	+0.01 ▲	0.02	0.03	901	3741
Mar 8	13.58	-2.42 ▼	13.15	13.35	1	516	162.50	0.04	+0.02 ▲	0.03	0.04	140	718
Mar 8	11.08	-2.18 ▼	10.65	10.85	27	2018	165.00	0.05	+0.02 ▲	0.05	0.06	1116	5387
Mar 8	8.58	-1.87 ▼	8.25	8.45	91	495	167.50	0.11	+0.05 ▲	0.10	0.11	653	3665
Mar 8	5.91	-1.88 ▼	5.90	6.05	59	3614	170.00	0.23	+0.10 ▲	0.24	0.25	1180	8932
Mar 8	4.20	-1.47 ▼	3.75	3.90	387	3500	172.50	0.63	+0.29 ▲	0.63	0.65	3330	6154
Mar 8	2.19	-1.41 ▼	2.14	2.18	2572	7663	175.00	1.48	+0.55 ▲	1.47	1.48	6472	7087
Mar 8	1.05	-0.93 ▼	1.04	1.06	8025	5831	177.50	2.84	+1.05 ▲	2.85	2.88	1884	4911
Mar 8	0.43	-0.56 ▼	0.43	0.44	7221	20936	180.00	4.50	+1.25 ▲	4.65	4.85	1079	3697
Mar 8	0.17	-0.24 ▼	0.16	0.17	1827	10915	182.50	6.62	+1.42 ▲	6.90	7.10	167	336
Mar 8	0.07	-0.12 ▼	0.06	0.07	3190	17228	185.00	9.05	+1.50 ▲	9.35	9.55	54	292

Figure 44 - Courtesy of Nasdaq.com

It is not likely that you would be purchasing an option that is so deep-in-the-money or out-of-the-money as the arrows point to on the chart above, but it shows the variety of volume depending on the specific strike prices.

Remember open interest is the accumulated number of open contracts, and volume is the current open contracts thus far for the trading day.

In a later section of this book, I will discuss the other aspects found on an option chain, but for now let's just study the open interest and volume mentioned in this requirement.

Second Requirement

The second consideration is option expiration. In the P3 Target Trade Alert stage, we usually purchase a week or two out, current monthly, a couple or few months out depending on the time frame chart that has formed the pattern. The reason for purchasing the varying time frame charts is to select the one that fits the time for the chart pattern to move through the stages. Select the expiration that fits the time frame chart you are using for your trade.

If you are trading a chart pattern based on a 10-minute chart and it is a Friday, you would purchase the next week's expiration because you would be likely selling on Monday, and the current weekly expiration would close today on Friday.

A new weekly option covers 7 trading days. As each trading day closes, the time value erodes on an escalating basis. There is less time loss on the first day of an option's life, if I can call it that, and more loss on the day before an expiration day.

An easy way to think of time erosion is to liken it to a 7-day use-by date on a gallon of milk. On the first day of the use-by time frame, you have 7 days to consume the milk. As each day passes, there is less time value, a shorter time to utilize the product. Until on the last couple days, you better drink quickly before it is poured down the drain.

In a similar way, a monthly expiration erodes much more quickly during the last three weeks before expiration than it did the prior month or two coming up to its current/front month expiration. I mention this because on occasion only monthlies are available.

In recent years, more and more expiration choices have become available. There are daily, weekly, monthly and Leaps (yearly) options available. It is important to select the amount of expiration time that suits the time frame chart you are using for the trade. You don't want to be in a trade based on a weekly chart that may take months to unfold and then have the expiration date be in 3 weeks.

The P3 Target Trade Alert strategy focuses on both upward and downward equity price movement. Quite often (but not always), a (short) Put trade, as opposed to a (long) Call trade, has a more rapid descent. It often takes more time for an equity to paddle up stream and less for the stream to thrust the equity down. You will want to select option expiration time frames that are appropriate for the type of trade. You don't want to cut the time on the trade too close. You want a extra expiration time to take full advantage of the move if there is a delay, or if the move lasts longer than expected.

Another overshadowing consideration is the environment of the stock market as a whole. Think of this as the mood of the market. Is it turbulent? High volatility, low volatility? Is it in a solid uptrend? Is it going into a correction? Is there a sector rotation taking place? The answer to any of these questions could influence the amount of time that it could take your trade to develop. It would be a shame to only plan for a one-week Call trade, while the indices are pulling back and selling off.

You have the opportunity to participate in a variety of pattern stages, so it pays to be aware of the trading-weather conditions.

Next, you will want to evaluate the indices as a whole, and particularly the one your equity is associated with. Is the NASDAQ moving in the same direction as your trade? Is the Dow or S&P trading against your trade direction?

The chart image below is a free chart from Stockcharts.com called a Perf-Chart, short for performance chart. I have selected the chart for the major indices and set it for the

last 30-day period. From here, it can determine which index is outperforming the others. This may influence your long-term trade decisions. On the chart below, the QQQs, which trades based on the NASDAQ index, is likely to outperform the other indices.

These perf-charts can be found at StockCharts.com, on their home page, under the Free Charts tab. You can adjust the time frame to reflect 200 days to 2 days. When you are trading short term, you will want the latest information 2-5 days, and daily or weekly charts, you would be looking at longer periods of time.



Figure 45 - Courtesy of Stockcharts.com

The overall objective of the P3 Target Trade Alert strategy is to get into a trade at the beginning of the move and exit quickly at the end of the move, before giving back any profits. Charts follow an ebb and flow rhythm, riding the waves up and down like a surfer.

As a general rule, you will want to sell your position before expiration and will want to exit at the end of the move or before the point where time decay is greater than the premium's daily gain.

Third Requirement

A third yet major consideration must be available funds. Since extra time or expirations that are further out will be available at an increased premium, you can only work with the funds you have on hand to invest. Don't be tempted to cut the expiration period short because of a shortage of funds! Find another strategy or trading timeframe to utilize, one that has a lower premium.

For our weekly option trades, set an average total investment for each trade \$600 - \$1,200. Decide on an amount that fits your trade account. This then is the total amount at risk for the trade. You can't lose more than \$600 to \$1,200, and you know the full amount that is at risk before you ever enter the trade.

The main reason for setting a \$600 to \$1,200 limit is that trading fees or commissions need to be taken into account when trading multiple contracts that are inexpensive.

One broker might charge \$12.95 for 1-10 contracts and \$1.25 for each contract thereafter. Other brokers may have slightly higher or lower commission fees.

Let's use the \$12.95 broker as an example. If you are considering purchasing options with a cost of .50 per contract, or \$50 for the 100 shares, and perhaps allocating \$600 - \$2,000 for the trade, you would be purchasing 12 - 40 contracts. The commission or trade fees would be \$15.45 - \$50.45 to get into the trade and \$15.45 - \$50.45 to close the trade. Not too bad and won't put a big dent in the trade's profits. In recent years, fees have been reduced and are getting to be more and more affordable. Of course, you can check a broker's fees before opening an account.

By limiting each trade to an average of \$600 to \$2,000, you are limiting the risk on each trade and also controlling the costs to place the trade.

This, too, brings up the importance of finding an online broker with reasonable fees. I will cover this again when I get into the section about opening a trading account.

Now that we have established the \$600 to \$2,000 guideline, let's fine-tune this even further. Premiums vary depending on many influencing factors. For this strategy (based on other guidelines to follow), target equities that offer \$0.50 premiums or higher. Most will be in the \$2.50-\$5.00 range, depending on the price of the equity.

The reason for this requirement is that it limits the number of contracts to approximately 10 to 40. 50 cents times 100 shares = \$50, \$50 divided into \$600 = 12 contracts or divided into \$2,000 is 40 contracts. Limiting the number of contracts to 10 to 40 helps control the brokerage fees. As explained earlier, if a trader is tempted to buy 100's of contracts based on a cheap premium, he may be hit by HUGE brokerage costs that more than wipe out the profit earned.

It is also advisable that, once you decide on an option trade investment total, stick with that total. Don't trade \$300 on one trade, \$450 on another, and \$600 when you feel flush. Come up with a trade amount that feels comfortable and maintain the trade range until you make a conscious choice to change to another amount as your trade investment amount.

Another account management suggestion is to limit active trades investment to about half of your account balance. The reason for this is to hold about half the account as protection against the worst of the worst happening.

Example, if you have a \$10,000 trade account. Perhaps you choose to invest \$1,000 in each trade, or 10% of your balance. You will continue trading this amount until you have added perhaps 50% to your balance (\$5,000 to \$15,000), and then you will consider increasing your trade investment amount to \$1,500. During the period of your \$1,000

trade investment, you only have 5 active trades at any one time so that only \$5,000 of your account is working on any given day.

If the worst happened and all five trades reached zero (nearly impossible), your account would remain intact, and you would have funds to continue trading.

Consistency is part of the plan and helps set in place certain expectations. You are re-thinking and sending out a message that you expect consistent returns on your trades as you follow your trade plan.

Fourth Requirement

The next option consideration is the strike price. The strike price we select should be first or second strike out-of-the-money, at- or in-the-money, and this will depend on the strategy you choose to trade.

- *In-the-money* (ITM) is the amount by which the price of the underlying exceeds the strike price. For example, if Nike's stock (NKE) price is \$100. You decide on a strike price of \$95. This option is \$5 *in-the-money*, which is the difference between the stock price and the strike price.
- *At-the-money* (ATM) is the amount when the price of the underlying matches the strike price, or nearly so. For example, if NKE's stock price is \$100.50. You decide on a strike price of \$100. This option is *at-the-money* since the strike price nearly matches the stock price. (Actually, it is .50 *in-the-money*, but the amount is so small, you'd say it is *at-the-money*).
- *Out-of-the-money* (OTM) is the amount by which the price of the underlying is below the strike price. For example, NKE's stock price is \$100. You decide on a strike price of \$110. This option is \$10 *out-of-the-money* since the stock price is below the strike price.

The agreed-upon price at which the option can be exercised is the strike price; therefore, that price is a factor in strike selection for the following reasons.

Let's say you want to purchase a Call option to buy NKE. Its current price is \$98 a share. You can agree to buy shares of NKE stock for \$105, or you can agree to buy NKE stock for \$95. If both options cost the same, which one would you choose to buy? The options with the \$95 exercise or strike price. That's a no-brainer.

Now let's assume NKE increases in value to \$110. If you had the right to buy the stock for \$95, you could "exercise" your right, purchase the stock for the strike price of \$95, and then sell it for the stock price of \$110, thus earning a profit of \$15 per share, or \$1,500 for your 100-share option contract.

Needless to say, you would not “exercise” your right to buy, if you owned the \$110 strike, option but the stock price was \$95. You would choose to do nothing because there would be no profit in it.

The example of actually buying and selling stock is used for illustration in our example. The process of buying and selling the stock happens silently behind the scenes at the broker. You are not involved in this process, and all you see is the end profit/loss result.

The fact that there would be a \$1,500 profit on the option with a \$95 exercise or strike price, and no profit on an option with an \$110 exercise or strike price illustrates how an option’s value increases or decreases, depending upon the agreed-upon price at which the stock can be purchased.

The \$15 per share you earned, if you exercised your option, is called the “intrinsic value” of the option. You want the intrinsic value to accrue quickly as the stock value increases for Calls or drops in the case of a Put option. Therefore, you want to buy your options out- or at-the-money for the P3 Target Trade Alert strategy.

For many of my strategies, I stress buying ITM strike options, but as the number of options available has now increased and are more active, the rules are different. We want to focus on gains that cause Gamma and Delta to jump in value. For the strategy covered in this book, I never recommend buying super deep out-of-the-money (OTM).

To determine the intrinsic value of the option, subtract the current price of the equity from the strike price.

Example: For a Put option -- \$65 strike price minus \$69 stock price equals \$4 intrinsic value. (This is the opposite of a Call option -- a \$72 strike Call option on a \$69 stock price, would be \$3 out-of-the-money (OTM).)

Another example: \$65 strike price Put option minus \$68 stock price equals - \$3 (negative \$3) or \$3 out-of-the-money (OTM). (For a Call option, the 65-strike price would be \$3 in-the-money (ITM) or intrinsic value.)

The equity’s price will have to drop \$3 before a \$65 strike Put will be at-the-money (ATM).

To take this pricing example one step further, let’s say the premium for the \$66 strike Put for our expiration month was \$3.00. If we deduct the \$2 intrinsic value from the premium, the balance is its time value. This time value dissipates each day as the expiration date nears. It is also replaced by additional intrinsic value if the equity’s price moves in the direction of your option position. As the equity’s price moves in the direction of your trade, so does your option’s intrinsic value.

To conclude our example, since the \$70 strike has no intrinsic value because it has a minus number, there is nothing to deduct from the premium. Therefore, the entire

amount of the premium is time value. If the equity's price moves in the direction of the trade and continues to do so, the option will eventually gain intrinsic value.

Fifth Requirement

Each strike price incorporates a Delta percentage number that is used in the calculation of its option premium. The deeper in-the-money, the higher the delta. Delta is one of the Greeks that play a part in option pricing.

You want avoid the lure of an inexpensive option that is too far out-of-the-money (OTM). First you assume you have found a great bargain, perhaps only \$0.30 per share, a total of \$30 per contract. You imagine getting 20 contracts for \$600. But then, you check the Delta, and find it is \$.16. For every dollar of the underlying asset's price move, you get \$0.16 cents. You can see at that rate, it will take a long time for an option to cover the spread cost between the bid and the ask and the brokerage fees, much less ever get to the point where you realize a profit.

Therefore, the 5th option requirement is to not only buy only one or two strikes out-of-the-money (OTM) or at-the-money option (ATM), but the option should have a Delta of .35 or better, preferably with a Delta of .39 to .65 for a monthly option. With that percentage or higher, you'll make \$0.39 to \$0.65 or more for every dollar move of the underlying asset and as price increases, the Delta will increase as well. Higher Deltas have higher premiums.

With weekly options, the increase in Deltas happens quickly. Monthly options increase a little slower. The Delta might be \$0.35 one day and after a move, it will be \$0.55 the next day, and \$0.80 the following day. As mentioned, monthly options increase as well, just a little slower.

I have found that the greatest leverage happens on the weekly option that is one strike out-of-the-money (OTM). Often this is the strike that would also be considered at-the-money (ATM). The Delta is large enough to give you a nice increase as the equity price moves, but it also brings the Delta up quickly, so that if your trade is working, the profits are compounded by Delta and the larger number of contracts that you were able to purchase.

The chart image below shows the Delta percentages for NKE March 15th option expiration that has 9 days until expiration. With the stock price at 98.57, the 98-strike price is .57 in-the-money (ITM) and could be considered in or at-the-money option. It has a delta of .57. The ask premium price of \$2.21 for the 98-strike Call will move up .57 cents (rounded down) for every dollar move up in the stock's price.

The 97.50 strike has \$1.07 intrinsic value and is even deeper in-the-money. Therefore, the Ask premium is higher than the 98 strike and so is the .61 Delta. The 97.50 strike Ask premium of \$2.47 will move up by .61 cents (rounded up) for every dollar move up in the stock's price.

The 99 strike is out-of-the-money by .43 cents; therefore, it has no intrinsic value. Its Delta is .46 and, as the stock's price moves up, so will the ask premium by .46 cents for every dollar move.

You will note the further out-of-the-money (OTM) that the strike is the cheaper the premium price and also the lower Delta.

Especially, when it comes to short-term trades, you'll want your option to gain quickly, to move .35 to .65 cents per dollar move in the stock's price rather than only .35 or less.

On the second chart below, you will find the Put option information. For Put options you expect the stock's price to go down or decrease. Therefore, the further out-of-the-money the strike is the more valuable. The ask premium of \$1.80 for the 98 strike Put has a lower Delta of .48 is less expensive than either the 99 or 100 strike.

Sometimes new traders have trouble understanding the concept of Puts or the essential difference between Calls and Puts.

Calls give the option trader the opportunity, but not the obligation, to buy the stock for the strike price and sell it for (hopefully) the stock's current higher price.

The example below is fictitious and not based on the option chain information below or on any specific stock, but instead are numbers that are easy to multiply and follow.

Example: you've bought the Call strike price of 70 for \$1.25 ask premium with a Delta of .66 and sell for an increased stock price of \$72, having increased in price by \$2. Now most traders seldom, if ever, actually take possession of the shares of stock. The buy and sell transaction happen behind the scenes at the brokerage, and you just receive the profits from the option transaction.

So, if you paid the \$1.25 ask premium (total investment of \$125 for the 100-share option contract) with a delta of .66, and the stock price increased \$2, the option would increase by \$1.32 (\$2 times .66). The ask would now be \$2.57 (\$1.25 + 1.32), and the bid price a little lower by the spread (cost of handling the transaction - let's use a .03 cent spread), so you could expect the bid or the amount you would receive when the option was sold to be about \$2.54 per share, or \$254 for the option contract of 100 shares.

Pretty good trade. You paid \$1.25 and received \$2.54 per share, or a gain of \$1.29 (103%) or \$129 for the 100-share contract.

Puts give the option trader the opportunity, but not the obligation, to buy the stock for the current stock price and sell it (hopefully) for the higher strike price.

The example below is fictitious and not based on the option chain information below or on any specific stock, but again the numbers were easy to multiply and follow.

Example: You've bought a Put strike price of 69 for \$1.15 ask premium (\$115 total investment per option contract) with a Delta of .56, and stock's price drops to \$67,

having decreased in price by \$2. Now, again, most traders seldom, if ever, actually take possession of the shares of stock. The brokers handle the option transaction.

So, now the stock's price is \$67, and you paid \$1.15 to sell at the strike price of 69. So, behind the scenes the broker will buy the stock for \$67 and will sell it for \$69. Your option had a Delta of .56, so your premium increased by \$1.12 (\$2 times .56). The ask would now be \$2.27 (\$1.15 + 1.12) and the bid a little lower by the spread (cost of handling the transaction - let's use .03 cents again), so you could expect the bid or the amount you would receive to be about \$2.23 per share, or \$111 profit for the option contract of 100 shares.

Another nice trade! You paid \$1.15 and received \$2.23 per share, or a gain of \$1.11 (97%) or \$111 for the 100-share contract.

Sym	Bid	Ask	Open _D	High _D	Low _D	Volume	Imp Vol	Delta	Price	% Change
Mar '24 C 94.00	5.15	5.25	5.40	5.40	5.40	1	38.6	0.90	5.40	-19%
Mar '24 C 95.00	4.30	4.45	4.50	4.75	4.20	56	29.5	0.84	4.20	-25%
Mar '24 C 96.00	3.55	3.65	3.75	3.75	3.75	1	34.5	0.77	3.75	-23%
Mar '24 C 97.00	2.89	2.93	3.05	3.20	2.78	14	29.1	0.67	2.78	-27%
Mar '24 C 97.50	2.57	2.61	2.79	2.79	2.58	12	30.7	0.62	2.58	-29%
Mar '24 C 98.00	2.27	2.31	2.44	2.58	2.23	65	29.6	0.57	2.23	-25%
Mar '24 C 99.00	1.75	1.78	1.94	2.00	1.66	387	30.2	0.46	1.77	-24%
Mar '24 C 100.00	1.31	1.34	1.65	1.65	1.24	294	29.2	0.36	1.29	-30%
Mar '24 C 101.00	0.95	0.97	1.18	1.18	0.90	128	29.0	0.27	0.94	-31%
Mar '24 C 102.00	0.67	0.70	0.93	0.93	0.64	271	28.8	0.19	0.67	-33%

Sym	Bid	Ask	Open _D	High _D	Low _D	Volume	Imp Vol	Delta	Price	% Change
Mar '24 P 94.00	0.52	0.55	0.38	0.45	0.38	21		-0.13	0.44	+57%
Mar '24 P 95.00	0.72	0.75	0.51	0.73	0.49	285		-0.20	0.73	+62%
Mar '24 P 96.00	1.00	1.01	0.70	0.91	0.70	52		-0.28	0.91	+75%
Mar '24 P 97.00	1.34	1.36	1.07	1.29	0.96	139	27.6	-0.38	1.29	+50%
Mar '24 P 97.50	1.55	1.57	1.15	1.47	1.11	499	27.0	-0.43	1.47	+44%
Mar '24 P 98.00	1.78	2.31	1.42	1.73	1.30	1.2K	27.3	-0.48	1.73	+49%
Mar '24 P 99.00	2.29	2.31	1.90	2.21	1.75	655	26.3	-0.59	2.21	+42%
Mar '24 P 100.00	2.89	2.93	2.30	2.87	2.23	435	26.3	-0.69	2.85	+42%
Mar '24 P 101.00	3.55	3.65	3.25	3.30	2.94	38	20.9	-0.77	3.30	+29%
Mar '24 P 102.00	4.30	4.40	3.68	3.79	3.60	12		-0.84	3.60	+19%

Figure 46 - Courtesy of TC2000

Sixth Requirement

The cost of purchasing an option is another consideration. The difference between the bid price and the ask price on an option chain listing is the amount that goes to the market-makers. You might think of it as a commission paid for handling the in and out transactions of the sale.

For example, if the bid is \$1.65 and the ask is \$1.68 at the time you purchase your option, you would most likely pay \$1.68 per share for the 100-share option, or \$168. If you wanted to exercise the option and the bid was \$2.45 and the ask was \$2.52, you would receive \$2.45 for each of your 100 share options, or \$245 per contract. The market-maker, or the person on the other buying/selling end of the transaction, receives the \$0.07 per share, or \$7, which is the difference between the bid and the ask, for the 100-share contract as their commission for handling the transaction.

This explains why, when you purchase an option contract, your account starts off with a deficit. You are down the amount of the spread.

With this in mind, you don't want to pay a fee that is too high. If the spread is greater than \$0.12 on monthly option or .06 for weekly options, don't purchase that particular option, or else place a limit purchase order for a price that is between the bid and the ask price, bringing the spread into the range or less. Market-makers will sometimes trim their commission if they are interested in taking part in the trade. Also, the various exchanges don't always maintain the same bid and ask premiums, so what seems to be a low commission for market-makers at one exchange might be within range at another exchange. The broker will check the various exchanges in their effort to fill your limit order. (We will discuss limit and market orders in an upcoming section.)

The exception to this is equities with prices over \$150. These equities demand higher premiums and have wider spreads. You have to approach these trades with caution, being well aware of the spread. Bookings Holding (BKNG) stock price is over \$3,433 per share. Its bid/ask spread is well over the range of .06 or even .12, which is logical for such a pricey stock. You just have to stay aware and know that your gains will have to make up that difference.

A trick that often works for bid/ask spreads that are too large and are divisible by 3, divide by 3 and subtract that amount from the ask premium, then insert that amount in your limit order. This trading secret then works even for .12 spread. Submit your limit order for \$0.08 instead of \$0.12. You do this by subtracting \$0.04 from the ask premium. Insert that amount into your limit order. The \$0.04 you save per share per contract is \$4 and is apt to pay a portion of the broker's trading fee for one side of the trade if you purchase several contracts.

For a .06 weekly spread, divide by 3, result (.02) and subtract that amount from the ask premium, or .04 and insert that amount in your limit order.

Weekly and monthly options for equities that have a high ATR and lots of open interest and volume seldom have a spread that is higher than a few pennies. The times when this amount increases is at the end of the day so market-makers can capture a little extra from those who are foolish enough to place trades overnight. The amount will also increase during times of market excitement or high volatility.

A second cost is the brokerage fee. This is what the broker charges to handle the trade. Each brokerage has a fee structure, and it is worth comparing these fees in relation to the bells and whistles you want from the broker. I seldom use the charts at my broker, so that is not an important feature for me, but I do want a quick, easy to use trading platform that is known for fast executions.

Speaking of brokerage costs - Every few months of trading, contact your broker (especially online brokers) and ask if you are getting their best deal. You can mention that you want to make sure you are paying a fee commensurate to other brokerage firms. Often you will find they will drop you from \$14.95 per side of a trade to \$12.95, then to \$9.95 the next time you call, etc. Eventually, you will hit a limit, but it still doesn't hurt to ask.

P3 Target Trade Requirement Recap

Let's recap the basic option considerations before we move on to study the charts and indicators.

Recap – Option Requirements – the first 6 aspects of the P3 Target Trade Alert strategy:

#1 - Strike Prices must have open interest of at least 100. And, don't buy more than 10% of the open contracts. Also, the strike should have some volume. If the volume is questionable, check the historical information on the option.

#2 – Buy the appropriate time frame option (current week, next week's, or front month) expiration for the equity's pattern that you are trading.

If your option has intrinsic money value at expiration, close the trade so it is not exercised where you need to actually purchase the equity. In these strategies, you are trading the options with no intent to purchase the underlying equity.

If the trade has no value at expiration, you can let it expire worthless and save the fee needed to close the trade. If it has no value, there is no need to close it.

#3 –Purchase weekly option premiums that are .50 or higher. Limit total trade investment to a consistent level of \$600 to \$2,000 per trade. The amount should fit your trade account and risk tolerance.

#4 – For this strategy, buy strikes that are one or two strike out-of-the-money or at-the-money Call or Put options, and purchase the number of contracts that fit your available funds, investing no more than 10% per trade.

Don't be tempted to buy beyond your means. This consideration ties in with Requirement 2 and 4. Also, don't be tempted to go cheap by buying way out-of-the-money strike price options. Cutting corners sets a trader up with a mindset of lack and the inevitability of facing unforeseen market eventualities.

#5 – Purchase options with a Delta of .35 or better (preferably between .35 and .65 for the highest returns on weekly options), and .45-.50 for monthly expirations.

#6 – Don't enter an option where the spread between the bid and ask is more than \$0.12 for Monthlys and .06 for Weeklys, or enter a limit option for premium less the amount needed to bring it in line with the requirement.

We have now covered the general requirements in selecting expirations and strike prices for Gap trades. Let's take one more look at pattern set-ups and you will be ready to practice trading once you have established a trade account.

P3 Target Trade Alert Pattern Set-Ups

As previously discussed, we will be using a variety of time frame charts- weekly, daily, 60, 30 and 10-minute charts. We will be striving to find and establish a chart list of equities that have high ATRs of +1.5%-2% move per day and that, in general, fit the requirements listed above.

An example would be an equity that has a daily ATR of 1.8% and that, under normal circumstances when you observe its option chain, had lots of open interest, well over 100 on the strikes at are at-the-money, and its bid/ask spread normally runs about .05. The Delta of the strike that is one out-of-the-money or at-the-money is usually around .45+.

Creating a list of these equities, makes it easy to run through them in the afternoon to look for trade set-ups where the chart confirms the pattern entry without being too far ahead and near an end of that pattern stages. Stage 4 as it confirms the pattern and moved above the ADX line is a perfect entry.

Look at charts, lots of them. As I mentioned early, every single chart you look at will be in one of the stages of either a P3 or P3.5 pattern. Once you begin to recognize the stages on the charts, step down a time frame and note its stage. Is it one or two stages ahead, confirming the same pattern? Or does the chart suggest that the higher time frame pattern is going to fail? Perhaps, the 60-minute is in a P3 wobble, showing a pullback, and the 30-minute is going into the first stages of the P3.5 pattern, suggesting that the 30-minute P3 pattern is going to fail and re-Squeeze. This is a signal the 60-minute chart is apt to soon fail and change directions.

Before long, you will soon be able to spot the pattern stages quickly, evaluate the next move and its potential as a new pattern stage forms, and a wobble holds and prepares for the next bounce.

It may be that option trading and chart patterns are concepts that, until recently, were totally foreign subjects to you. If you are willing to devote the time and energy to learn something new, you will soon absorb the information. You'll build up layers of information and understanding of patterns and, before you know it, what was once foreign will settle into a comfortable place and become a sound trading strategy. Take that step!

What If I Miss a Trade? Is There a Way to Trade It After-the-Fact?

In the previous section, I wanted you to concentrate on the P3 patterns and not the reason that the patterns formed.

Technically speaking, there are several reasons that changes or wobbles in patterns happen. Let's cover those reasons and how they tie back to the P3 patterns.

Let's briefly discuss gaps. A stock can gap up, and then it pulls back to close or fill the gap or at least a portion of it.

There is an old saying that the market abhors a vacuum, and *all gaps* will be *filled*. That means that price will drop or rise, bringing it back to the level from before the gap. I have found that 90% of gaps fill at least half way, if not all together.

As a generalization, let's say 3 things can happen.

1. The Gap will fill
2. The Gap will fill half way
3. Price continues to run in the gap's direction

Knowing that there are three possible scenarios, we need to have a plan to trade each of these. Before we develop those plans, let's define and develop each type of gap.

Common Gap

The Common Gap, or what is sometimes called a Trading Gap, trades within a range. It pops and drops, or drops and pops, which means it often gets filled to the level of the day before the gap. It is as if it builds up a burst of energy, gaps, hits resistance/support, can go no further, and then returns to its previous level.

The Common Gap often takes place when the P3 patterns are just starting and filling the gap can be during the period when the +DI is building the energy to cross or during wobble stage. The fill can either be full or halfway.

This Gap often happens during a consolidation period after a big drop, as the equity finds a bottom and then tests that area as it returns to the previous price level. Or it can happen after a rise when price consolidates at a top of a P3 pattern, pulls back at

resistance, and then tests that previous high area as it determines whether price has gone as high as it will go and is ready for a rest or if it will continue its upward trend. These tie into the P3 pattern getting started or into the P3.5 pattern as it decides whether it is its turn and time to end the P3 pattern or else becomes an add-on new P3 leg.

Breakaway Gap

A Breakaway Gap happens when price action is breaking out of its trading range or consolidation area.

To achieve this breakout, it usually requires enthusiasm like what is seen when a P3 or P3.5 pattern starts its Sweet Spot.

Volume should pick up significantly at the time of the gap which suggests the direction of the move has a chance of continuing in the breakout direction.

This type of gap is not as likely to be filled in the near future like the Common or Trading Gap.

A good confirmation of trade direction is that it can be associated with the strongest pattern stages, meaning the P3 or P3.5 Sweet Spot stage.

Runaway or Measuring Gap

The Runaway or Measuring Gap is caused by an increased interest in the equity. Often traders do not get in during the initial move (perhaps, the P3/P3.5 entry), and they jump in after a wobble test of the PPO indicator (stage 5). As price begins to move in a pattern direction again, it begins the Sweet Spot, or as the Sweet Spot builds steam after a pause.

News events also play into Runaway Gaps, and they should take place on rising volume. Like Breakaway Gaps, Runaway Gaps do not fill quickly. Often the Sweet Spot pattern will continue until it is complete.

The reason behind the term “Measuring Gap” is the theory that the gap happens in the middle or halfway through the move. You can think about this being midway through a P3 or P3.5 pattern.

Exhaustion Gap

Exhaustion Gaps happen near the end of a good P3/P3.5 Sweet Spot trend move. They can be a sign that the move is over.

They can seem extreme, identified by high volume and large price move. They can be confused with a Runaway Gap, but the extreme volume late in the game is a giveaway. This move usually happens after a Sweet Spot. As you watch the P3/P3.5 pattern develop and witness this Gap, you are likely to say, “Geez, what brought that on? I was thinking the pattern might be wrapping up.” Mostly like it is, and this is an Exhaustion Gap.

Exhaustion Gaps fill quickly as prices reverse their trend. These can be the best reversal trades as the gap fills and goes further in the new trend direction.

So, we have four types of gaps:

Common or Trading Gaps- often fills completely or halfway.

Breakaway Gap- often does not fill

Runaway or Measuring Gap – often does not fill quickly

Exhaustion Gap- usually fills the Gap fully and continues in the new trend direction

What Days Do These Big Moves Usually Happen?

Often Mondays were the best day for gap up as the market opened. Wednesday was the second-best day, nearly as good as Monday. The other days each produced gaps as they opened the trading day, but most were half as likely as Monday and Wednesday.

The days changed for Gaps down in the price at open. Fridays produced the most Gaps down. Friday gapped down 6 times more often than the other days of the week.

Tuesday was the second-best day but happened much less often than Friday.

It is weird, but the gaps days varied in years prior to 2017, but quite often Monday and Friday were toward the top.

Charts to Trade the P3/P3 .5 Patterns

Let's look at a few chart examples on various time frame charts- when to enter and exit. The most important aspect is to really zero in on the patterns and the information they are sharing. It is their life cycle and how their life plays out.



Figure 47 - Courtesy of Stockcharts.com

This is a trade with an entry the first week in March and purchased four months of trade time until expiration June 15th. The premium increased \$25 during that time. The P3 pattern flowed through all the P3 stages.



Figure 48 - Courtesy of Stockcharts.com

FDX's P3 daily pattern confirmed entry and flowed through all its stages. It was closed on December 15th, its expiration day. It dropped a couple of days later when it reported disappointing earnings. Price moved up about \$32. Awesome trade.



Figure 49 - Courtesy of Stockcharts.com

Price moved \$34 over 5 days. Wow! Nice trade. In on January 5th, and close on January 11th. Expiration February 16th, so it still had several weeks of time value along with premium gain.



Figure 50 - Courtesy of Stockcharts.com

Entry on Feb 21st when the +DI crossed above the ADX line. There was some indecision, but not a PPO cross down. The -DI crossed up and created a wobble, but no PPO cross down, which would have been an exit signal. Then the ADX headed up into the strength stage. This created a 3-day trade. The March 8th expiration date gave the chart 3 weeks to develop and play out. When it was closed, it still had a week plus of time value.



Figure 51 - Courtesy of Stockcharts.com

This resulted in a day-trade as 10-minute chart patterns often do (best traded in a cash account without restrictions as to how many in five trading days). The premium for the next week's expiration was .45 and in the one day, increased to .73 or 62%.

The pattern the next day added another strength stage leg, if it had been seen, a second day-trade on MO could have been entered, opened and closed within an hour.

Again, it is best to day-trade in a cash account versus a margin account which has limitations. Three day-trades in 5 days unless the account has trading funds above \$25,000.

Let's look at Put trade examples.



Figure 52 - Courtesy of Stockcharts.com



Figure 53 - Courtesy of Stockcharts.com



Figure 54 - Courtesy of Stockcharts.com



Figure 55 - Courtesy of Stockcharts.com



Figure 56 - Courtesy of Stockcharts.com

After-the-Fact Trade Strategy – Zero In On Strength Stage

This was briefly discussed earlier, and I would like to emphasize that under normal circumstances trades in the P3 Target Trade Alert strategy are entered at stage 4 when the DI line crossed above ADX line confirming direction.

During periods of time when the market is very volatile with lots of swings, you can choose to zero in on the strength stage of patterns, when price is really ready to get down to business. Sometimes the strength stage doesn't last too long but is a solid price move, so I want to stress that you need to be cautious of trading short-term charts

and day-trading. So read note below and then we will get back to a quick discussion of trading strength stages on the various charts.

PLEASE NOTE: Before we go any further, I need to state and issue a warning that, if you are trading 5-minute charts, the trade is apt to remain open only an hour or two at most. This means it will be a day-trade. Traders who have small margin accounts need to be aware of day-trading rules.

You can only have 3 day-trades in a 5-day period before the SEC decides that you are a pattern day-trader and need to have an account of \$25K in reserve at all times after your open trades. If you don't have \$25K in a margin account, they will freeze your account for 90 days.

There is one way around this, and that is to open a cash account versus margin. Cash accounts are not subject to the same day-trade restrictions. With a cash account, you can trade in and out with available funds. The funds from a trade closed today will be available for use tomorrow.

More on this is discussed in the Setting up a Brokerage Account below.

If you are going to trade this strategy using 5-minute charts, be sure you are set up with adequate funds, or have a cash account, since you may have several day-trades in a 3-day period.

Okay, now that I posted the warning about the number of day-trades, let's continue with the strategy.

During periods of volatility, the market and companies can experience lots of swings in price, up and down the same day or during the week and the result is that patterns start and fail. When this happens one more certain trade choice is to zero in on the strength stage. You can scroll through chart images and look for the ADX line to just start to turn up and then observe which DI line is on top (-DI or +DI). The -DI would be suggesting a put trade and +DI is a call trade.

Zeroing in on strength stages helps to eliminate trades that are more apt to fail during volatile periods of time. When this is your plan of action, you run through your list of charts and zero in on the equities that are starting the strength stage with a rising ADX. Is the +DI on top or the -DI? This tells what to zero in on Calls or Puts.

Let's look at a few charts and look for equities that have a rising ADX line.



Figure 57 - Courtesy of Stockcharts.com



Figure 58 - Courtesy of Stockcharts.com



Figure 59 - Courtesy of Stockcharts.com



Figure 60 - Courtesy of Stockcharts.com

Put trades:



Figure 61 - Courtesy of Stockcharts.com



Figure 62 - Courtesy of Stockcharts.com



Figure 63 - Courtesy of Stockcharts.com

Are the Requirements the Same for the After-the-Fact Strategy?

Because the strength stage trades are often held for a super short time, the guidelines do vary slightly. Below are the requirements, note the changes.

Strength Strategy Requirement Recap

Let's recap the basic option considerations for the after-the-fact Pop and Drop strategy.

Recap – Option Requirements:

#1 - Strike Prices must have open interest of at least 100. And, don't buy more than 10% of the open contracts. Also, the strike should have some volume. If the volume is questionable, check the historical information on the option.

#2 – Buy the appropriate time frame option (current week or front month) expiration for the equity's pattern that you are trading.

If your option has intrinsic money value at expiration, close the trade so it is not exercised where you need to actually purchase the equity. In these strategies, you are trading the options with no intent to purchase the underlying equity.

If the trade has no value at expiration, you can let it expire worthless and save the fee needed to close the trade. If it has no value, there is no need to close it.

#3 –Purchase option premiums that are .35 or higher. Limit total trade investment to a consistent level of \$600 to \$2,000 per trade. The amount should fit your trade account and risk tolerance.

#4 – For this strategy, buy strikes that are one or two strikes in-the-money Call or Put options, and purchase the number of contracts that fit your available funds, investing no more than 10% per trade.

Don't be tempted to buy beyond your means. This consideration ties in with Requirement 2 and 4. Also, don't be tempted to go cheap by buying way out-of-the-money strike price options. Cutting corners sets a trader up with a mindset of lack and the inevitability of facing unforeseen market eventualities.

#5 – Purchase options with a Delta of .45 or better (preferably between .50 and .55 for the highest returns on options), and .50 for monthly expirations.

#6 – Don't enter an option where the spread between the bid and ask is more than \$0.12 for Monthlys and .06 for Weeklys, or enter a limit option for premium less the amount needed to bring it in line with the requirement.

Now you have the requirements for two separate strategies. (The full P3 pattern entry at stage 4 above the ADX and the strength stage entry). The main difference in the strength stage strategy is to buy the strike that is closer to being in-the-money with a higher Delta.

Now let's look at setting up a brokerage account to trade these strategies.

Brokerage Accounts

Chances are if you are interested in weekly options, you already have a broker with whom you are dealing. Many traders, when trading options, want the convenience obtained by establishing an online brokerage account. Once you have the trade form filled in, and you push the "send" button, the trade is instantly filled if it is a market order, or when it hits the amount of a limit order.

There are several types of trading accounts.

Cash versus Margin Account

In the process of opening an online trading account, you will have the choice of opening a Cash or Margin. Many traders **Open a Cash Account**. The reason for this is the very restrictive day-trading SEC (Security Exchange Commission) regulations.

Regulations require that day traders with margin accounts (traders who are in and out of trades within the same day) maintain \$25,000 in their trading accounts at all times. If their account drops below that amount and more than three day trades are placed in a five-day period, they often will freeze the account for 90 days.

Not everyone has \$25,000 to leave sitting in an account to fulfill that requirement, and though the strategy does not often do daily round-trip trades (in and out in the same day), it does happen, especially if you trade the 10-minute charts or zero in on the strength stages. An example would be to close a trade soon after opening it if it headed in the opposite direction and hit your stop. The stress of tracking how many roundtrips you have made in the last five trading days can be eliminated if you open a Cash account. The SEC's restrictions of three round-trip trades in a five-day period applies to Margin accounts and not to Cash accounts.

There are no such rules for Cash accounts. You can move in and out of trades without any concern about SEC limitations. Place as many trades as you have money to buy. If you open and close a trade today, the proceeds from that trade will be available for use again tomorrow. It takes one day for the trade to be settled.

If you have the funds to place three trades today, and you close one today and the other two ride toward expiration. Let's say you close the second trade in two days and the last on the third day. You will have the funds from the first trade to use tomorrow for another

trade, the second trade's funds will be available on the third day, and the third trade will be available for use on the fourth day. This way funds and profits roll in and out of the account. You have no need to count round-trip trades (if you have the money to buy and a reason to close 10 round-trip trades a day, no problem). You can place as many trades as you have money to buy.

P3 Patterns Create a Unique Opportunity

As we conclude, P3 patterns offer a unique opportunity for option traders to benefit from market moves. The key is identifying the patterns before they happen in order to maximize your benefit from them using my extremely successful P3 and P3.5 chart patterns. The P3 Target Trade Alert Trading Method has taken these unique patterns even further than my other trade strategies with a variety of time frame charts within one service that have been developed for long and quick, accurate trades. Often, we will invest in only 3-5 equities at one time to be able to easily follow the stages that these patterns go through. In the strategy, we narrow our focus on the exact moment of a volatile move to enable you to exit the trade rather than hang on for a major change up or down of the P3/P3.5 patterns. This enables traders to capitalize on both up and down chart patterns. Big moves mean big gains. My P3 strategy will help you take the next step down your path to personal prosperity and the high-performance life you have dreamed about.

A Conscious Choice

Do you feel anxious? Are you wondering if you can do this? Can you actually trade options? Let that restlessness in you, that desire for more, push you to take the steps to try something new.

If something extraordinary is going to happen, make it a conscious choice. When extraordinary things happen, it is going to be because you have more mornings where you make a conscious choice to live a prosperous life.

Let's get started today. Read through this manual again and maybe even a third time. Layers of understanding will begin to build as it moves from being new information to that of being information that is reviewed for clarification.

Sometimes we get comfortable after experiencing a measure of success, so we quit pushing ourselves. This lack of pressure can become complacency, or you aren't challenging yourself anymore.

Strive to get to the place where you honor the struggle to move to new heights toward a high-performance mindset or a new uncertain place.

Option trading may be the cause of that uncertainty. Celebrate. Yes, it may cause you to struggle, but you will ultimately grow. Yay!

Or, if not option trading, it may be some other aspect of life drawing you to higher performance.

Many people don't realize that they avoid stretching or trying something new because they are afraid. Afraid of rejection. Afraid they will be disappointed. Afraid they won't be able to handle it or won't be capable enough. Perhaps, past failures loom overhead like black clouds, and they are afraid if they put all that work in, and then it doesn't go well, it will be one more failure.

The point is to engage the journey, take the first steps, and enjoy the process, even if it is a challenge.

You may put in more hours as you take these steps, which could mean you'll have less time for family and friends. Yet, you need to realize that in order to work this out, all you need is to ramp up your level of engagement. You want to be really present when you interact, rather than half listening while your attention is split while watching TV, checking Facebook, scanning emails, or other distractions.

To narrow down the levels of performance that are important to you, start with your feelings. What do you long for? Take some time to really evaluate and discover those desired feelings.

It has been recognized that, when you are achieving or expressing high performance, a beneficial feeling (satisfaction, fulfillment, accomplishment, winning, succeeding, financial success) is being generated. So, the goal is to learn how to create or generate that feeling, that connectedness, so, on a regular basis, you can achieve the desired results.

Let's reverse engineer this. Learn to get the emotions or feelings so that the results of high-performance become predictable and consistent. Feelings or emotions are the foundation of performance achievement.

These feelings can be generated by being present and invested in what is happening at the moment. Experience joy. Don't postpone it. Don't wait for it to come. Feel it now in each moment.

The moment can consist of family meals, conversation, company meetings, business exchanges, friends sharing life's details, learning something new, reverence, exercise, playing with the kids. Be engaged. Feel the joy. The satisfaction. The success.

Experience gratitude. Be grateful for everything. Gratitude will bring you more of what you appreciate.

Be positive. Love the challenge. It brings joy. Bring positive emotions rather than wait to take. Bring it!

Develop confidence. Know you have the confidence to achieve your goals despite obstacles. Believe in your abilities.

Be willing to learn, to be humble, put in the time, seek answers, ask questions. Know that you will figure it out. One feeds the other and raises your performance.

The journey is the payoff. Don't wait to get the reward. Joy and confidence are the reward. Enjoy it every day. Accept it. Be grateful.

Know that you deserve a prosperous life.