

EXPERT TRADING TIPS FOR ASCTREND®

Rev. 2.0

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Disclaimer

These tips are intended to be a “quick reference guide” for applying ASCTrend® to a variety of markets. The collection of tips is a product of the shared experiences of some successful traders using ASCTrend®. These tips are, however, not prescriptive approach to trading a specific market regardless of varies market condition. Testing the rules with paper trading is strongly suggested, especially for novice traders. We encourage you to discover your own trading strategies with ASCTrend®. AbleSys Corporation accepts no liability for the results that may arise from using the tips in this guide.

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Tips for Intra Day (Real-Time) Trading

A. Chart Set-Up

Set up a 30-Min chart as long term frame, (LTF), add ASCtrendSig and ASCtrend3 on the 30-Min chart. Set up a 5-Min chart as short term frame (STF), and add ASCtrend1, ASCtrend2, ASCtrend3 and ASCtrendSig on the 5-Min chart. Choose to get the ASCtrendSig signal on 5-Min chart at the close of the bar to make sure receive true signal. go to the 5-Min chart, click "Format", "Analysis technique", highlight ASCtrendSig, click "Format" button on the right side, click "Properties", choose not to check "Update every tick".

B. Identifying Buy Conditions

When ASCtrendSig on 30-Min Chart gives a big blue dot, this is a pre-condition to buy. In order to avoid side way market, it is the key to use the LTF to decide the direction . For example, 5-Min vs. 30-Min, ASCtrendSig on 30-Min chart does a much better job in identifying a decent trend than ASCtrendSig on 5-Min does. So use 30-Min ASCtrendSig to decide direction, but you don't want to wait till the close of 30-Min bars to get the signal, it will be too late by then. The key is to get the ASCtrendSig signals as early as possible. To do that, you need to set ASCtrendSig to "update every tick": go to the 30-Min chart, click "Format", "Analysis technique", highlight ASCtrendSig, click "Format" button on the right side, click "Properties", choose "Enable Alert" and choose "Update every tick".

C. Wait For a Pullbacks On 5-Min. Charts

At the early stage of a decent trend, pullback is common before the real move begins, so wait for a pullback on 5-Min chart, the pullback could be green or red bars on 5-Min chart.

D. Retrace Or Reversal?

Is the current pullback a retrace or reverse? That is the key in determining the entry. ASCtrend3 on a 30-Min chart can help to identify a retrace from reversal. After the 5-Min chart form a pivot low, go back to the 30-Min chart to see if the ASCtrend3 stop on 30-Min still exit or not. If ASCtrend3 30-Min stop disappeared, it is more likely that the market reversed, if it still exists, it's more likely a retrace. To test this phenomenon, open a 30-Min chart for S&P market with ASCtrend3, exam the early stage of the moves, you will find that ASCtrend3 does a good job in distinguishing a retrace from a reversal. What time frame is the best in distinguishing retrace from reversal for your market? A simple test can help. Change time frames on the 30-Min chart with historical data, look at the early stage of trends, to see ASCtrend3 on what time frame can best distinguish between retrace and reversal.

E. Pinpoint Entry

There are three ways to enter the market. You may choose one of those which fits your trading style.

- a. Enter at two ticks above the high of the pivot low bar of the 5-Min chart, use a limit order to enter the market. If your order can not be filled in the next move, cancel the order. This method is more conservative, you enter the market only the market start move toward the previous trend again after the retracement. The pivot low will be your stop which has to be relatively larger.
- b. Enter when the 5-Min ASCtrendSig gives a buy signal (Big blue dots) which in agree with the 30-Min direction.

- c. Enter at re-test of previous pivot level, near the previous low. This entry is more aggressive. However, you are taking a chance with much smaller stop, and you may get a better filling price.

F. Special Set Up For Easy Reference

30-Min ASCTrend3 stops can be shown on your 5-Min chart as immediate reference to help you distinguish between retrace of reversal. This will be very visual! The following procedure will help you to do just that.

a. Insert data 2

- Click “Insert”, “Price Data”, highlight the data to insert, click “Plot”.
- Click “Settings”, “Intra-day”, set “Days back” to “5”, set time frame to “30”.
- Click “Properties”, assign “Subgraph” to be “Hidden”; “Data number” to be “2”, then click “OK”.

b. Insert ASCTrend3 based on 30-Min hidden to the 5-Min chart

- Click “Insert”, “Analysis Techniques”.
- Click “Indicator”, highlight ASCTrend3, click “Format” button, then click “Plot”. “Formatting Indicator” window will show up.
- Click “style”, click “type”, change type from dot to cross, so it’s easy to identify that the crosses are 30-Min stops. You may change color of the dots too.
- Click “Properties”, check “Auto-detect” and “Update every tick”. Make sure to assign ASCTrend3 based on Data2 on the chart by select “Base study on” the data2.
- You must choose to display the indicator on subgraph “1” (the 5-Min chart) by select “Subgraph One”.
- Click “OK” to insert the indicator.
- The following statement will appear on your screen: “Would you like to move the study into the same subgraph as the price data on which it is scaled?” click “No”

G. Other Common Time Frame Combinations

The following combination of the time frames may prove useful to intra day users as well. Use 15-Min for long term frame with 3-Min for short term frame; Use 60-Min for long term frame with 5-Min for short term frame; Use daily bar for long term frame with 15-Min for short term frame. Some traders use several time frame for the long term frame, such as 15-Min, 20-Min, 25-Min and 30-Min on one workspace, any of these chart get a ASCTrendSig signal, that is a pre-condition to buy. If more than one chart ASCTrendSig triggered, it confirms the buy condition.

*Please see page 7 for **General Exit Rules**

Tips for Position Trading

- A. **Select Volatile Markets To Trade**
To trade stocks, it is very important to avoid thin markets. Only trade the volatile and large volume markets. Thin markets have the potential problem of not getting a good fill price when exiting.

- B. **Chart Set Up**
Set up a daily chart with all five indicators: ASCtrendSig, ASCtrend1, ASCtrend2 and ASCtrend3. Set up a weekly chart, and add : ASCtrend1, and ASCtrend3.

- C. **Identifying Buy Conditions**
If ASCtrendSig of daily chart gives a buy signal, this will be a buy setup. Set “Enable alert”, so that it will give a sound alert when it is triggered. To set “Enable alert”: go to the daily chart, click “**Format**”, “**Analysis Techniques...**”, highlight ASCtrendSig, click “**Format**” button, choose “**Properties**”, and then check “**Enable alert**”.

- D. **Confirm With Weekly Bars**
Enter a buy position only when two current weekly bars are blue. Because the current bar is not closed, it is subject to change, it is important to have at least one bar closed blue. There are “Dy” (daily) and “Wk” (weekly) icons at the Toolbar near the top. If there is a buy signal on the daily chart, simply click the “Wk” icon to change time frame to weekly chart. You may easily switch back and forth between “Dy” and “Wk” charts.

- E. **Avoid Entering Near The Resistant Line**
Avoid entering the market near the current high or long term Resistant Line, even when you get a buy signal from daily ASCtrendSig and confirmed by weekly chart.

- F. **Retrace or Reversal?**
When the market established an up trend and then pullback, it provides a good opportunity to add positions if the current pullback is a retrace. Is the current pullback a retrace or reverse? ASCtrend3 on weekly chart does very good job in identifying a retrace or reversal for many markets. After the daily chart form a pivot low, switch to the weekly chart to see if the pullback penetrate the ASCtrend3 stop or not. If the pullback penetrated the ASCtrend3 weekly stop, it’s more likely the market reversed, but if it didn’t, it’s more likely a retrace. To test this phenomenon, open a weekly chart, add ASCtrend3, exam the early stage of the moves, you will find that ASCtrend3 does a very good job in distinguish a retrace from a reversal.

Using Chart Scanner

Chart scanner is used to help you find the best candidates in the markets you monitor. This function name is changed to “Schedule Workspace Assistant” in TradeStation 2000i. It is used to do multi-market scan at the end-of-day.

A. Setup

1. Setup a new workspace named “**DailyScan**”. This workspace contains only one daily chart, it can be any symbol in your symbol portfolio. Insert **ASCTrendSig** to the chart. The **alert must be “Enable”** for the ASCTrendSig.
2. From TradeStation 2000i, click “**File**”, “**Schedule Workspace Assistant**” to run setup.
3. Click “**Add**” button, choose the workspace “**DailyScan**”. Highlight the workspace, then click “**Open**” to select the workspace.
4. Check box of “**Server Portfolio**”.
5. Check box of “**Scan for study alert**”.
6. **DO NOT** check “**Print windows**”.
7. **DO NOT** check “**Show while running**”.
8. **DO NOT** check “**Maximize calculation speed**”.
9. **DO NOT check “Print workspace assistant report after running”**.
10. Click “**Schedule**” tab, choose “**Daily**”, and check **Monday to Friday**. Check box of “**No end date**”.
11. You may run the this way of “ChartScanner” at any time after market close by click “**File**”, “**Run Workspace Assistant Now**”. **DO NOT run at real time!**
12. Scan results can be viewed from “**Tracking Center**” window. Open a Tracking Center window, from “**Format**”, “**Window**”, under “**General**” tab choose option “**Show Workspace Assistant Results**”.

B. ASCTrendSig Alerts

Apply ASCTrendSig to the charts and check “**enable alerts**” by click “**format**”, “**Properties**”. You must **save the Workspace** before **Schedule Workspace Assistant** can do the auto-scan.

C. Review Charts

After you have today’s scan list, you may print it out. Go to a daily chart with ASCTrend1, ASCTrend3 and ASCTrendSig added, click anywhere of the chart, then type the symbol name (the symbol name is not case sensitive), then press **Enter** key to show the daily chart for the symbol. You need review the daily chart and weekly chart to make your trading decisions. You may use Daily or Weekly icons to quickly switch the setting.

Note: ChartScanner is designed to be used at the end of trading days to scan daily or weekly data. ChartScanner should not be used for intra-day data. When ChartScanner runs, it closes down all active workspaces, temporarily disabling TS 2000i. In addition, the ChartScanner uses a great deal of your computer's processor power when it does its work. If ChartScanner were running during the real-time data collecting, it would interrupt the Omega platform, and causes gaps in your charts.

*Please see page 7 for General Exit Rules

Tips For Options Trading

Introduction

Option prices are determined by the underlying, strike price, expiration, volatility, dividends and interest rate. A trader can have hundreds of strategies to place option trades, but no matter what pricing model, volatility model or expiration date are used, traders need to pre-determine three key assumptions to initialize computer calculation for option strategy modeling. The three key assumptions are 1) **volatility**, how many percent for high volatility and how many percent for low volatility; 2) **target price**: what would be the best target price for the underlying by the expiration date; and 3) **market direction**, bullish, bearish, or sideways. Without inputting correct assumptions, no matter what models or strategies are used, “garbage in and will give garbage out.” Some “option experts” are saying that you could win regardless the market directions by trading “Delta Neutral” etc. This is not true. You might have Delta Neutral occasionally, but it is very difficult to keep Delta Neutral with day-by-day trading.

The best way to trade options is to know the market direction and simply BUY CALLS or BUY PUTS with the “at-the-money” near term options. ASCtrend® predicts the market direction with high accuracy and objectively.

Trading Tips

A. Select Volatile Markets To Trade

It is very important to avoid the thin markets, only trade the volatile and large volume markets. Thin markets have the potential problem of not getting the good fill price when exiting. Make sure the open interest is more than 2000 contracts and daily volume is at least 100 or more.

B. Chart Set Up

Set up a daily chart with all five indicators: ASCtrendSig, ASCtrend1, ASCtrend2 and ASCtrend3.

Set up a weekly chart, and add : ASCtrend1, and ASCtrend3.

C. Identify Buy Condition

If ASCtrendSig of daily chart gives a buy signal, this will be a buy setup.

Set “Enable alert”, so that it will give a sound alert when it is triggered. To set “Enable alert”: go to the daily chart, click “Format”, “Analysis Techniques...”, highlight ASCtrendSig, click “Format” button, choose “Properties”, and then check “Enable alert”.

D. Confirm With Weekly Bars

It is a time-proven rule to trade options with market direction indicated by ASCtrend®.

Buy “at-the-money” near term **calls** when the weekly bar shows two blues bars including the current bar and ASCtrend3 stops are BLUE. Don’t trade “cheap” far away “out-of-money” options. Use limit orders to enter or exit positions.

Buy “at-the-money” near term **puts** when the weekly bar shows two red bars including the current bar and ASCtrend3 stops are RED.

There are “Dy” (daily) and “Wk” (weekly) icons at the Toolbar near the top. If there is a buy signal on the daily chart, simply click the “Wk” icon to change time frame to weekly chart.

You may easily switch back and forth between “Dy” and “Wk” charts.

E. Double Check Your Orders

Option trading is much more complicated than equity trading. Check your orders a few times before placing the order: Symbol, Expiration month, Strike Price, Position (Buy to Open, Sell to Close, Sell to Open, Buy to Close, Calls, or Puts), Number of Contracts, and Limit Price.

F. Avoid Entering Near The Resistance Line

Avoid entering the market near the current high or long term Resistance Line, even when you get a buy signal from daily ASCTrendSig and confirmed by weekly chart.

General Exit Rules

A. Taking profit at major support/resistance line

Exit at major support resistant line. For intra-day trading, in the morning, yesterday's high, low, midpoint, and close could be today's major support or resistance line. In the afternoon, morning's high, low and midpoint could be support or resistance line. For position trading, weekly or monthly major support/resistance line will be good place to exit.

B. Exit half of the positions, let the other half run

You may take profit at support/resistant line for half of the positions, and let the other taking their chance. This method taking care of the losses first, and let the profit grow with no concerns. Normally, you can hold a good position much longer and more objectively.

C. Exit when the market turns side ways without profit

After entering the market, if the market goes sideways for 3-4 bars, and you hold a position with no profit or even a small loss, exit.