Inside-Day Trade Entry Set-Ups Follow-Up

Robert Miner, Dynamic Traders Group, Inc.

Almost two years ago I included a trade tutorial on inside-day trade set-ups. Because the inside-day trade-entry set-up is such a reliable trading strategy with minimum capital exposure, I though it would be instructive to include another tutorial on this set-up with recent examples.

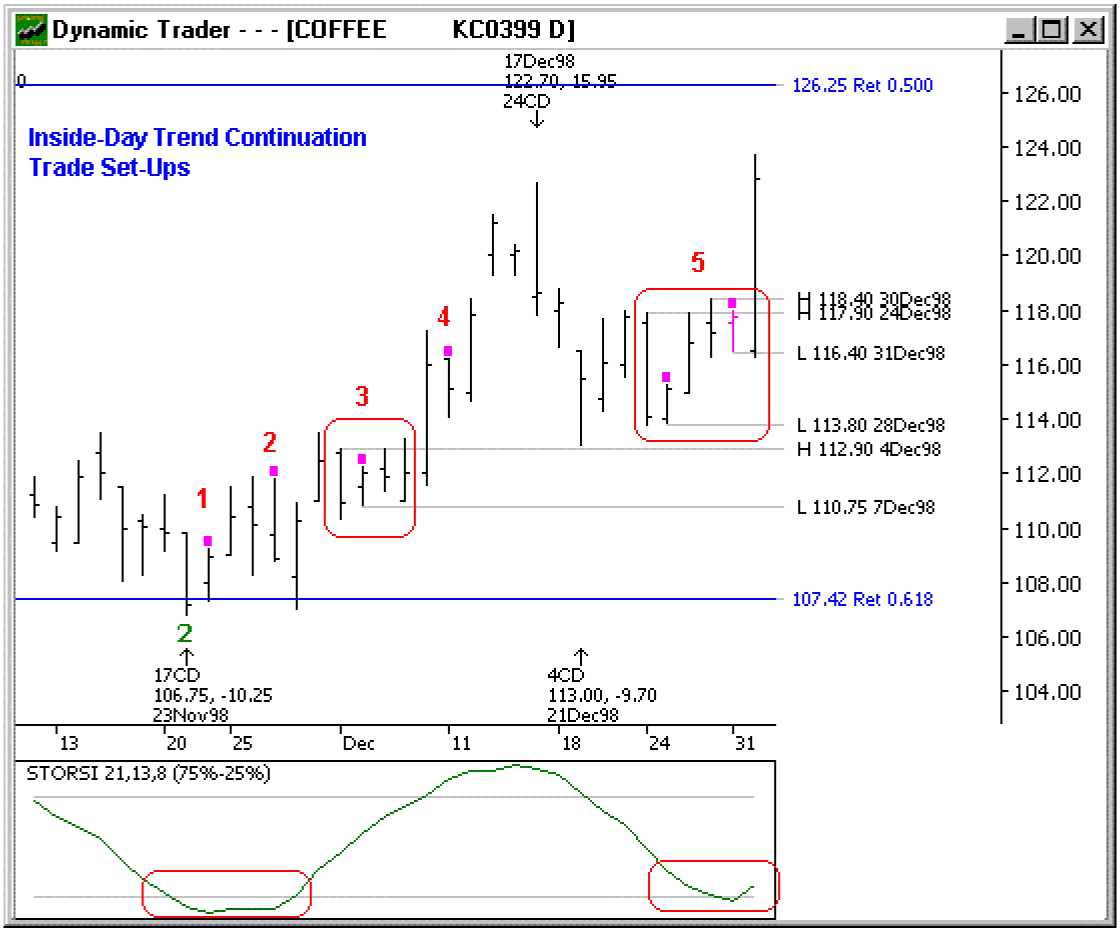
In *Dynamic Trading*, I teach that trade entry strategies and the initial protective stop-loss position should be completely objective. Once the trader has completed his or her analysis and made the decision what is the trend reversal targets or current trend direction, the entry triggers become automatic. The inside-day entry strategy is one of the automatic trade entry and initial protective stop-loss strategies.

Inside-Day Trade Entry Rules

1. Identify the trend direction. Trades should only be initiated in the direction of the main trend.
2. Identify an inside-day.
3. For a bull trend, place a buy-stop to enter a long position one tick above the high of the day prior to the inside-day.
4. Place the initial protective sell-stop one tick below the low of the inside-day.

There are two main elements of the inside-day entry strategy. The first is the trader must have an opinion of the trend direction. The *Dynamic Trading* approach will alert the trader to the high probability trend direction. Secondly, the specific entry price and initial protective stop-loss is completely objective. The trader does not make an entry and stop-loss decision. The market either provides the set-up or it doesn't.

Let's take a look at some recent examples of how the inside-day strategy has been put to use. The chart below is March coffee. The *Dynamic Trader* software will identify inside-day set-ups. The small red squares above the bars are inside-days identified by DT. The inside-day set-ups circled at 3 and 5 were identified in the Dynamic Trader Weekly Report and resulted in specific trade recommendations.



The inside-day at #1 was made just after coffee made a retracement to the 61.8% retracement. Let's assume the pattern and time position of coffee at that low did not clearly indicate a corrective low was complete so we would not consider that inside-day set-up for a long position. Another inside-day was made just a few days later at #2. The market declined below the low that preceded the #2 inside-day which voided the entry strategy.

A few day's later on Dec. 7, coffee made another inside-day. Coffee was now definitely in a position to consider a low-risk long trade. The recent corrective low had been made at the 61.8% retracement and coffee had since rallied above the first minor high since the low. The 21-13-8 StoRSI was also advancing out of the "buy-zone." All factors were now in place to consider a long position.

What would be the inside-day entry and initial protective stop-loss trade instructions? Buy coffee on a 12.95 stop (one tick above the high of the day before the inside-day). If filled, place the initial protective sell-stop at 110.70 (one tick below the low of the inside-day). The buy-stop was elected two days later on Dec. 9 and coffee continued to rally. The DT Weekly report identified this high probability long position. The long-position was eventually stopped out by the trailing protective stop-loss with a $2344 profit. Another inside-day set-up was made at point #4.

By late Dec., coffee had made another corrective decline once again to near the 61.8% retracement zone. The StocRSI (the best indicator to identify the termination of a correction) was again in the "buy-zone." On Dec. 28, coffee made an inside-day which was identified in the Dec. 29 update to the DT Weekly Report. What would the inside-day entry and stop-loss strategy be?

Buy on a stop at 117.95 (one tick above the high prior to the inside-day). Place the initial protective sell-stop at 113.75 (one tick below the inside-day). The buy order was elected two days later on Dec. 30. Two trading days later the market has rallied strongly placing the long positions in a very profitable position.

On Dec. 31, coffee made another inside-day providing another low-risk/low capital exposure set-up for a potential long trade. The sharp rally on Monday, Jan. 4 provided the signal to advance the protective sell-stop on the long position to 116.35, to no lower than one tick below the Dec. 30 inside-day low. Only time will tell whether the long positions taken with Dec. 30 or Jan. 4 will be profitable. The important factor is that we identified a trade opportunity with an objective entry and initial stop loss strategy.

An important key to any entry technique is that the trigger to enter and the initial protective stop-loss be objective and automatic once the trading decision has been made. This is accomplished with the inside-day. The entry price is defined by the market action and no decision is made as to where to place the initial protective stop-loss. If the trade is unsuccessful, the loss is minimal. Any trader who incorporates the inside-day trade-entry set-up and initial stop-loss strategy into his or her trading plan will find it a very valuable addition.

The Dynamic Trading Book includes more instruction on Inside-Day Trade Entry Strategies.