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My Personal Trading and Investment Thoughts

Intra-Day Trading with TC2000

I have the luxury of having multiple monitors (6 in total) and multiple trading software packages (TC2000, Ninja Trader & Trading View) to assist me with my trading activities. Each of these software packages has reasons why I continue to use/depend on them, but in this educational PDF, I am going to concentrate on TC2000 and how I utilize their charting package to help me intra-day trade.

As mentioned, I am going to focus on intra-day trading for this PDF, but the same principles apply in how I look at longer-dated trade set-ups as well – I will, however, write a separate PDF to discuss longer-dated setups using TC2000 at another time.

I am writing this PDF on February 11, 2018, which is the Sunday following a very wild week on Wall Street … the intra-day moves were huge during four of the five-days last week. I'm not sure how all traders liked this type of action, but since I had zero longer-dated trades on the books, I was able to focus entirely on the intra-day action.

Let's get right into it then … I will start by showing my standard intra-day chart set-up, using the 3-min time frame, which is the primary time frame I utilize to monitor the action during the day.

QQQ – 3-Minute Chart

February 9, 2018

All of the charts in this PDF can be enlarged by pressing “Ctrl” on your keyboard and clicking on the chart you want to enlarge at the same time … I will quickly run through how I have the indicators set-up on my standard intra-day chart.

1. 20 Exponential Moving Average

This is pretty standard for most traders … using an exponential moving average gives a quicker moving average than a simple MA would, and most traders find that more useful when trading intra-day. Using the 20-period versus another level/value like say the 8-EMA is entirely up to each trader’s preference – I like using the 20 period EMA as a level that trending prices will frequently check back to, as well as using it as an overall bull/bear indicator for price (when price is above the 20EMA, it can be called in a bullish position, and conversely, when price is below the 20EMA, I consider price to be in a bearish position).

The 20-EMA is shown as a dashed orange line on my charts.

2. 20 EMA Signal Line

I utilize a solid pink-colored line as a "signal line" for the 20-EMA. In essence, having this signal line allows me to see more easily when the direction of the 20EMA is possibly changing. The signal line is calculated using an 8-SMA of the 20-EMA. Again, there is no secret to what MA a trader can utilize in creating this signal line, and the 8-SMA is just a level that I find works for me in how I like to trade intra-day.

3. ATRs

Traders are not able to create their own scripts for the TC2000 charting software … as such, I cannot create an "ATR" (Average True Range) indicator that would work exactly as I have done so in both Trading View and in Ninja Trader. The closest pre-made indicator available in TC2000 that closely resembles my ATR indicator is the "Volatility Stop" indicator.

Basically, the Volatility Stop indicator in TC2000 is only different in how it calculates the ATR/Volatility Stop level when price moves slowly towards the Stop level. The ATR level I prefer to utilize will not change the ATR level when price slowly moves towards the ATR – it remains fixed until it is either broken on a closing candle basis or when a new low/high is made in the opposite direction. The difference is a fine point, and for the most part, the ATRs are quite similar between TC2000 and my other charting software.

I didn't raise this fine point of how the ATR is calculated to confuse readers, but I thought I should point out that subtle difference.

Back to describing the actual indicator – the ATR level is basically a trading level that follows price as it goes about its business. It basically acts as a visual bull/bear indicator for price, and in that way, it also can act as an early warning signal for when price makes a change in direction.

I utilize a true trading range of 21 periods along with a 3.0 multiplier for my ATR/Volatility Stop indicator … again, no secret recipe here, just my preference based on my own experiences.

4. Volume Weighted-Average Price ("VWAP")

The VWAP is something available on all charting software packages I believe … it is a pretty standard staple for most traders' chart setups, but yet a very important one as many algorithm trading systems are written to buy/sell a stock/security when price strikes these levels during the trading day. Therefore, traders need to be aware of this level.

5. Inside Candles

I was able to create a chart symbol (a white dot) to be painted above any price candle that can be classified as an "inside candle". Basically, that is defined as any candle that is totally inside the high and low of the prior candle – as long as the high/low of this new candle does not exceed the comparable levels of the prior candle it will be identified with a white dot.

Inside candles are often "consolidation" candles that happen during trend-type moves or towards the end or exhaustion of a long in the tooth trend. There is a whole strategy of how to utilize inside candles for entries and managing the risk of a trade entry, and I have a separate PDF written specifically on that topic. I credit Rob Smith of T3 Live for really heightening my knowledge and awareness of the "inside candle" concepts.

6. Directional Indicators

Directional indicators (DI- and DI+) are the key items in the ADX or Average Directional Index … you can Google these topics if you need to know more about these very common indicators. I find these indicators great for timing entries and monitoring the strength of intra-day trends. I have a white-dotted line plotted at the 25 level on this indicator's panel. I use that 25 level as a signal for when price is moving strongly and when it is not moving strongly (i.e., chopping).

7. Relative Strength vs the SPY ETF

Followers of mine know how much I value relative performance of a stock vs. indexes such as the SPY ETF. I have a 20EMA and 20EMA signal line also plotted alongside this indicator to help me gauge inflection points that I want to pay attention to.

8. Rate of Change for the 20EMA of Price

On my Trading View and Ninja Trader platforms, I have an indicator which measures the spread between a faster moving average (i.e., the 20EMA) and a slower or longer moving average (i.e., the 50 EMA). This indicator, which I call the MA Spread Indicator, is handy as a warning signal for when price is about to pause or even begin a change in trend direction.

Since I can't create a similar type indicator for TC2000, I have created a similar looking indicator by taking a Rate of Change of the 20EMA (using an 8-period ROC) and applying a 13EMA signal line for it. It is not identical to my MA Spread Indicator, but it more or less gives me the same type of information that I am looking for.

Ok … that is a basic description of my standard intra-day chart – I focus on 1, 3, 5 and 10-min charts for trading intra-day, but the 3-min chart is the time frame that I try and use to help point me in the correct direction when searching out trades. Let's look at the price action from Friday to better show how I utilize the different time frames and the indicators on each chart. As mentioned, I have 6-monitors, so I have the advantage at quickly/easily looking at more than one time frame or at more than one security with a quick glance – that can be a big advantage, but it is not something every trader needs worry about … traders with fewer monitors will just have to be more adept at flipping charts quickly than I have to be.

Pre-Opening of the Regular Cash Session

I occasionally do trading in futures before the regular cash session starts, but I generally will not trade individual stocks before the regular opening. This PDF will focus on the regular cash session trading.

The pre-market is important for all traders, however, as it will give you a sense of what "may" happen, during the morning trading session. This past Friday, the market was continuing with its wild swings up and down, but as the regular market session actually opened, the market was gapping higher. These gaps are often just the market orders placed by less sophisticated retail traders that are often driven to place opening market orders based on headlines and emotions. I try to link up the 3-min and 1-min charts of a security before I am willing to make my opening trade.

Here are zoomed in charts for the 3-min and 1-mint QQQ ETF (I often trade the NASDAQ futures, so the QQQ is something that I watch on TC2000).

QQQ – 3min & 1min Charts

February 9, 2018 (#1)

Again, the market gapped higher at the open of the regular trading session … this flipped the 1min and 3min ATRs from the position of resistance to one of support. To be honest, I have a set of price action that I like to see after an ATR is broken before I consider it as "confirming" that ATR break officially. This is especially true when the market has been exhibiting wild swings back and forth.

Having said that, traders have to respect that Friday could just as easily been a "gap-and-go" day that saw price go more or less straight higher all day … if you are able to have no pre-conceived notion of what price "has to do", then you will be better off in the long-run. As mentioned, all I really try to do is to see some type of confirmation where the 1min and 3min charts are telling me the similar story of where price wants to go during the morning session.

The above chart identifies the similar time period inside of the red rectangular areas … let's look a little closer to the first real period where it looked to me like the 1min and 3min price action was getting in sync.

QQQ – 3min & 1min Charts

February 9, 2018 (#2)

As we pushed into the end of the all-important end to the first ½ of trading, the market was continuing to trade inside its opening 15min range, but it had been able to stay in a more bullish stance than bearish. Let's look at what the charts were telling us when the 1min and 3min charts were first starting to sync-up.

I circled in white the first spot on the charts where I think price was getting in-sync … you could argue for a different point in time, but to me, this area was the first real time where price on the 3min chart was separating itself from the MA's, and therefore, the first real sign of strength (or weakness) since the regular trading session had opened. When you looked at the 1min chart, at this same time period, you can see that price had recently broken above the 1min ATR resistance level, and therefore flipped the ATR condition on both charts back to positive/bullish once again. All that was really needed now to encourage traders to enter a long trade, was confirmation of that 1min ATR break and confirming signals on the various chart indicators that I like to follow. Let’s see what the indicators were telling us here.

Point #2 – this is the 3min Directional Indicators …. You can see that these indicators were basically overlapping each other here showing a consolidation-like formation – that is not generally what I want to see before I enter a trade. A consolidation can lead to an expansion phase move in either direction, so I generally like to see a more definitive look to the Directional Indicators before I enter a trade (you will see what I mean later in this PDF).

Point #3 – the 3min R/S indicator was not really giving me any clue that this was a low-risk entry point. Up until this point in time, R/S was on the bullish side of the MA’s but, it was swinging wildly back and forth, so you could actually say that this could have been the top of a push in price more than you could argue that this was a consolidation leading to a bigger bull move.

You will notice that I’m really talking here only about looking for a bullish trade set-up … that is on purpose because the 3min ATR is in a position of support. While you can make money shorting a stock/ETF that has the 3min ATR in a position of support, you will learn after using these indicators for a while, that the bigger more profitable trades are ones that have the 3min ATR in-sync with the direction you are trying to trade. So early on Friday, the best possible trade to look for was to the upside … it may not have felt that way with all the negativity, but think about how many traders would have had to chase the market higher if we did indeed start to gap-and-go higher. Back to the chart indicators …

Point #4 … The 3min MA ROC indicator was bullish but extended – to me that begged patience to see if a lower risk bull entry could be forthcoming for traders.

Point #5 … as mentioned, price had just broken above the 1min ATR and was consolidating sideways at this point. A good habit for traders when looking for “confirmation” is to look at the high price of the actual first push through the 1min ATR – once price pulls back and then takes out the high of that first push, you have a pretty good idea that the bulls are in charge. Note that in this case, no break of the first pushes' high ever occurred.

Point #6 … the 1min Directional Indicator actually was not yet showing the kind of strength that would indicate further sustained buying pressure. The DI+ was actually making a lower high as price moved up to test that first push higher's high – that is a negative divergence signal that should have made traders a little leery about trying a long right here.

Point #7 … the 1min R/S indicator looked good here as it was making a higher high, but it was extended on a short-term perspective.

Point #8 … th3 1min MA ROC indicator here was actually flashing a negative sign here as price tried to confirm the ATR break. By that I mean the MA ROC was actually curling below its signal line. That is definitely not what I look for when I am trying to look for a good odds entry to a long trade (again, readers will see what a good looking setup looks like later in this PDF).

So despite price and the ATR positons getting in sync on the 1min and 3min charts, there was no real confirmation of a higher-than-average odds of a winning trade setup here at this point in time. Let's go to the next point where things start to line up …

QQQ – 3min & 1min Charts

February 9, 2018 (#3)

As we pushed into the end of the first hour of regular-session trading, price was still above the 3min ATR and therefore in a bullish position. Price had been most recently below the MA's, so that would have to be called slightly bearish and a partial offsetting factor in contrast to the 3min ATR bullish position. Price had though pushed back up into the MA's, and experienced traders will often be watching these types of moves back into the MA's to see if price will fail, or whether or not it has enough buying support to get back into a more bullish position above the MA's. Let's look at the indicators …

Point #1 … as mentioned, price was above the 3min ATR, but only back into the MA's so the next little while could possibly flip the chart one way or another here soon.

Point #2 … the 3min Directional Indicators were not bullish and the red DI- had stayed well above the green DI+ the last several bars.

Point #3 … the R/S indicator was continuing its back and forth motion, so it was not really helping us find a lower-risk entry point as of yet.

Point #4 … the MA ROC was actually at an important point here. It was beginning to curl higher, but if the strength in price could not sustain here, a likely roll lower was going to occur, and because of the position of the last cross-over, traders would have been looking at a key "lower 2nd cross-over" where short/bear trade entries are often their juiciest.

Point #5 … the 1min price chart was actually back on the bullish side of the MA's and had just broken above ATR resistance once again. Traders need some follow through to get more proof of the market being bullish enough to get a half-decent trade in the QQQ or the NQ futures.

Point #6 … the 1min Directional indicators were bullish but needed a better looking 3min chart to encourage a long entry.

Point #7, the 1min R/S was bullish looking, but the choppy 3min R/S was not encouraging us to believe anything more than choppy price action here so far.

Point #8 … the 1min MA ROC was in a bullish position, but readers will see where this indicator often is when higher-winning odds trade setups occur.

QQQ – 3min & 1min Charts

February 9, 2018 (#4)

The push into the end of the first hour saw price make a short-term high and then roll lower enough to break the 3min ATR support level. We now had the 3min chart below the MA's and below ATR resistance. Traders should now have been wondering if the strong push lower in the market earlier in the week were going to reassert themselves here again on Friday.

If that was going to be the case, the best bearish entry would have been when price made its first attempt at a bounce that would eventually fail into the resistance of the ATR and/or the MA's. I circled that area in white and labeled it as point #1 on the 3min chart and #5 on the 1min chart.

All traders have a choice to make when entering a given trade … that choice is about the amount of confirmation/information they require before they are willing to enter a trade. I have learned that the best entry points for me intra-day are when I get confirmation of a with-trend 3min chart move on the smaller time frame 1min chart. By that I mean, I would be willing to short the QQQ here now that price was below the MA's, below the ATRs, if we get a bearish confirmation of price on the 1-min chart indicators. Let me show you what I mean.

Point #1 … again, the 3min chart saw price pushing back into the MA's after breaking below the ATR support level. If price was going to make a bigger move lower here next, the lowest risk entry location would be somewhere around these MA resistance levels. The question is where and when do you make the short entry.

Traders wanting to short moves higher into the MA's often learn the hard way that price will often have no intention at stopping at the MA's on these types of bounces and that price will head straight back up to the bullish side of the charts. These are expensive, but often necessary parts to a trader's education.

I have learned the hard way to not guess at what price wants to do … I have taught myself to wait for a bearish signal/confirmation on the 1min chart as the best location/time to enter a bearish setup like the one we are examining here.

Point #5 … so price pushed up into the 3min chart's MA's and actually touched the VWAP (blue dashed line). This is where you should short it right?? Not yet, if you want a higher odds for a winning trade. The sideways price action on the 1min chart could have actually just been a bull-flag consolidation move that preceded another push higher. No, a wise and richer trader would wait for confirmation of weakness on the 1min chart to play a bigger push lower on the 3min chart out of resistance.

Point 7 and Point 8 give traders those signals to enter short … Point #7 on the 1min chart is where the R/S indicator is crossing below its MA and MA Signal Line – I have learned with experience that that cross-over in this type of setup is a nice confirmation signal to take.

Point #8 … the 1min MA ROC also is giving a nice bearish cross-over which in conjunction with the R/S cross-over, should have been more than enough "proof" that price was likely to head lower.

QQQ – 3min & 1min Charts

February 9, 2018 (#5)

So if you took that bearish trade set-up, it will depend on each trader in how they manage that trade in terms of a target and stop. Because of the huge moves we had been seeing in the market last week, many traders would have been encouraged to try and hang on to short trades early on Friday to see if we were going to see a nice move lower. In those cases, I would suggest using the 3min ATR resistance level as your moving stop.

Since price was still on the bearish side of the MA's, traders should/could have been looking at the next push higher into the MA's as another chance to get a possible higher-odds trade entry short. I have identified the relevant time periods on the chart above with the red rectangle and the white circles.

Point #1 … again, price was below the ATR resistance level and below the MA's. The push higher back into the MA's led to price appearing to "fail" once again. On the 1min chart, I have circled the point where price had pushed back below the 1min MA's (note that price was also below the 1min ATRs as well). The 1min chart indicators at this point were also in-sync with making another short trade here at this point.

Stops again here should have been trailers only as who knows on a Friday, price will push as traders possibly decide to try to take off risk before the start of the weekend.

QQQ – 3min & 1min Charts

February 9, 2018 (#6)

So price is now clearly trending lower … how do you manage trades and look for add-ons? Well, I would suggest that you need to keep your eye on the 3min chart as your key for when to take your trades off and to the 1min chart when looking for spots to add-on to your shorts.

The market was trending strongly enough to not even let the 3min chart bounce back to the MA's on the next bounce (Point #1) … traders wanting to be aggressive will often need to look for pushes into the MA's on the 1min or 2min charts to get lower risk entry areas for continuation trades. The less strength shown on bounces, the more power the trend move lower will have.

Point #2 on the 1min chart also shows price failing to get above those MA's … trading off of failures against the 1min MA's is aggressive, but a perfectly acceptable way to enter trades on strong trend moves.

All good things come to an end and at 1 pm, price touched (and broke) the 3min ATR resistance level and should have therefore taken traders out of their short trades. That level was $152.02 vs the original trade entry zone around $154.70ish. A nice trade using a low-risk entry mechanism if you were disciplined enough to follow a logical ATR/MA system like the one I just described above.

So, what next? The market was moving strongly enough in both directions at times last week, that traders should have been looking for the next lower-risk trade entry.

QQQ – 3min & 1min Charts

February 9, 2018 (#7)

The push off of the LOD at just before 1 pm eastern led to a strong push through the 3min ATR resistance level … traders should have respected the strength of that ATR break and been watching for the next bullish setup if one was even going to appear.

Traders should have been watching for confirmation of the ATR break and the possible change in trend that a break like that would possibly be suggesting. Typically I like to see breaks of ATRs be followed by sideways consolidation around the ATR break price level. That, however, typically only happens in bigger trends in the direction of that bigger move. Since this was possibly going to mark a change in the bigger trend, traders should rarely expect to see price confirm a change in trend with a small sideways consolidation.

On Friday, price did, in fact, make what you will often see at the end of bigger trends … by that I mean, price will often make a controlled move back to test the LOD and often make a new minor lower low to take out the stops of those knife catchers that were so desperately trying to bottom tick the bottom for the day.

The safer spot to look for the first lower-risk long trade for the day was actually when price pushed above the 3min MA's which was also above the 1min ATR resistance level. All of the indicators were giving nice bullish confirmation that should have been enough to encourage traders to try and see where a short-squeeze could take this market to. Using the 3min ATR in this type of situation as your stop level would make perfect sense.

QQQ – 3min & 1min Charts

February 9, 2018 (#8)

So again, traders should have been open to taking a bullish trade setup even though the market last week was overall weak … counter-trend bounces can be powerful squeezes and never assume a move can't happen – trust your chart indicators and trade price as much as possible.

If you had taken the reversal trade off of the new minor low, you could have used the 3min ATR support level as your stop. The push into the 2:30 pm high could have been a perfect time to take profits to see if the margin calls that often happen during the last 90 minutes would be enough to swap the ATR back into a position of resistance. Managing trades is an individual thing, and I think taking profits on bounces on a day like Friday make a lot of sense when facing possible weakness due to margin calls and the upcoming de-risking into a weekend.

Taking profits is not the same as getting bearish here into the close after the 2:30 pm pivot high … traders are best to respect the ATR indicators and wait for a break if/when it happens. Then look for a failure when price is bouncing to take a trade lower. Don't make the same mistake of many traders that assume that price "has to go lower" because everything has been weak/bearish the last several days.

At around 2:30 pm, price was well extended above the 3min ATR support level … a bigger consolidation pattern if that is what was going to happen, made perfect sense. I have seen this so many times I was expecting to see it again here on Friday afternoon. Typically price will consolidate after an early-afternoon showing of strength … that inflates the bears in the crowd and gets weak-handed longs out of the market. Once a traditional consolidation pattern like a simple ABC correction is complete, price is able to squeeze higher into the close.

You can see on chart #8 that price moved right into the 3min ATR but did not break it on a closing candle basis. If traders were using the ATR level as a hard stop, they would have been stopped out just as the consolidation pattern was completing … I have had that happened to me too many times to mention. I have learned to take profits earlier than this and to actually look for a spot to re-enter – hopefully, that would be at a lower price than where I would have taken complete or at least majority of the profits on the earlier bullish trade.

I circle the area where traders would have been facing a lower-risk entry long into the close … the earlier you decide to enter a trade setup, the bigger the risk that you did not wait long enough to make sure odds were in your favor. If the charts are still in the "undecided" zone, you may be trading still with "hope" and not an abundance of evidence on your side.

The white circled areas would not have provided maximum profits for traders trying to get long into the closing squeeze, but it did mark zones where price had moved above the MA's on both the 1min and 3min charts, both of the chart's ATR resistance levels, and at points where both chart's indicators were supporting the continuation of bigger bullish moves.

That should be enough for this PDF … trading is always an emotional battle, but if you try and make it as much of a science as possible by having a system of rules to follow, you will find yourself ending up on the profitable side of trades more times than not.

Cheers … Leaf_West