

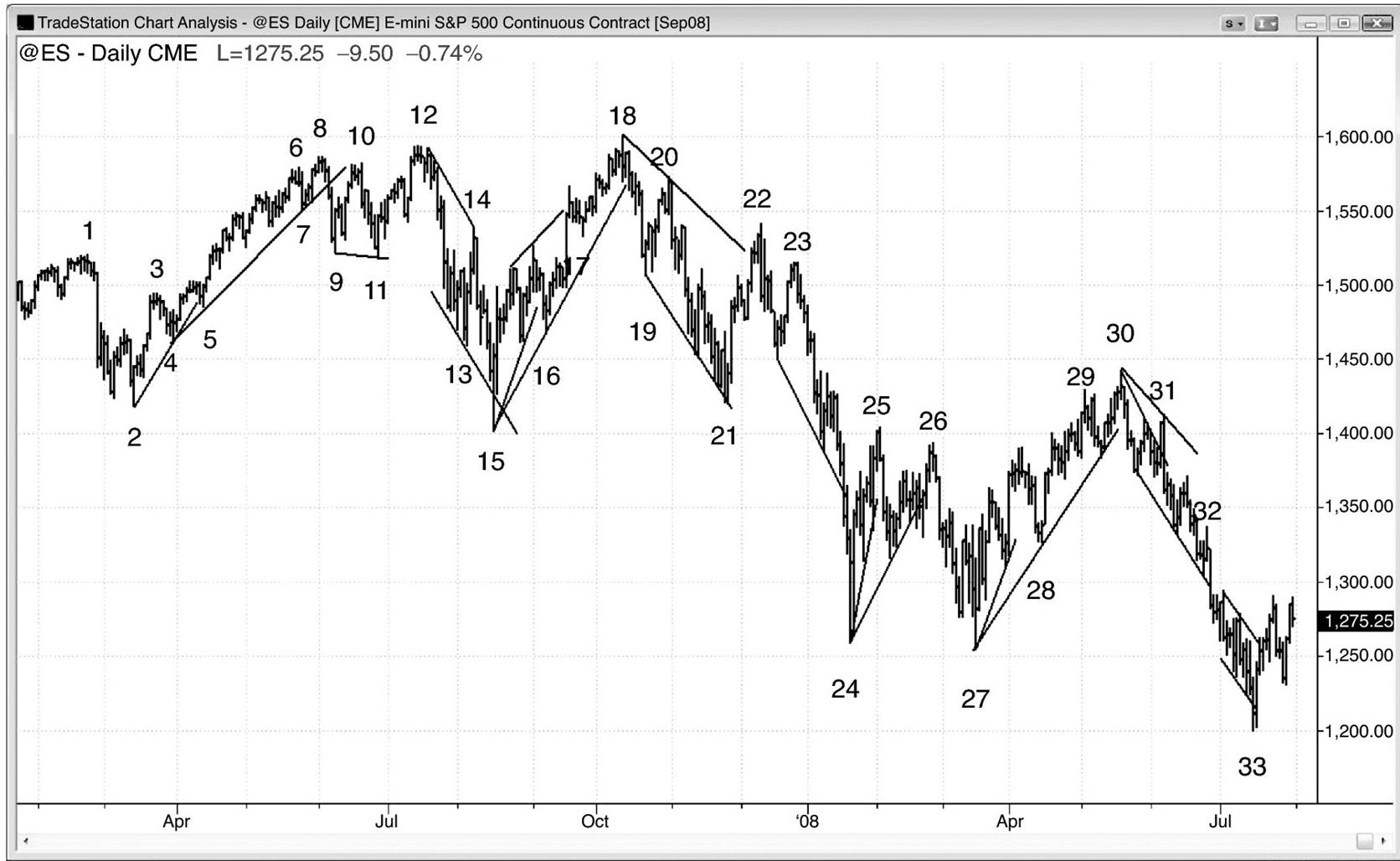


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**FIGURE PI.1** Dow Jones Industrials Monthly Chart

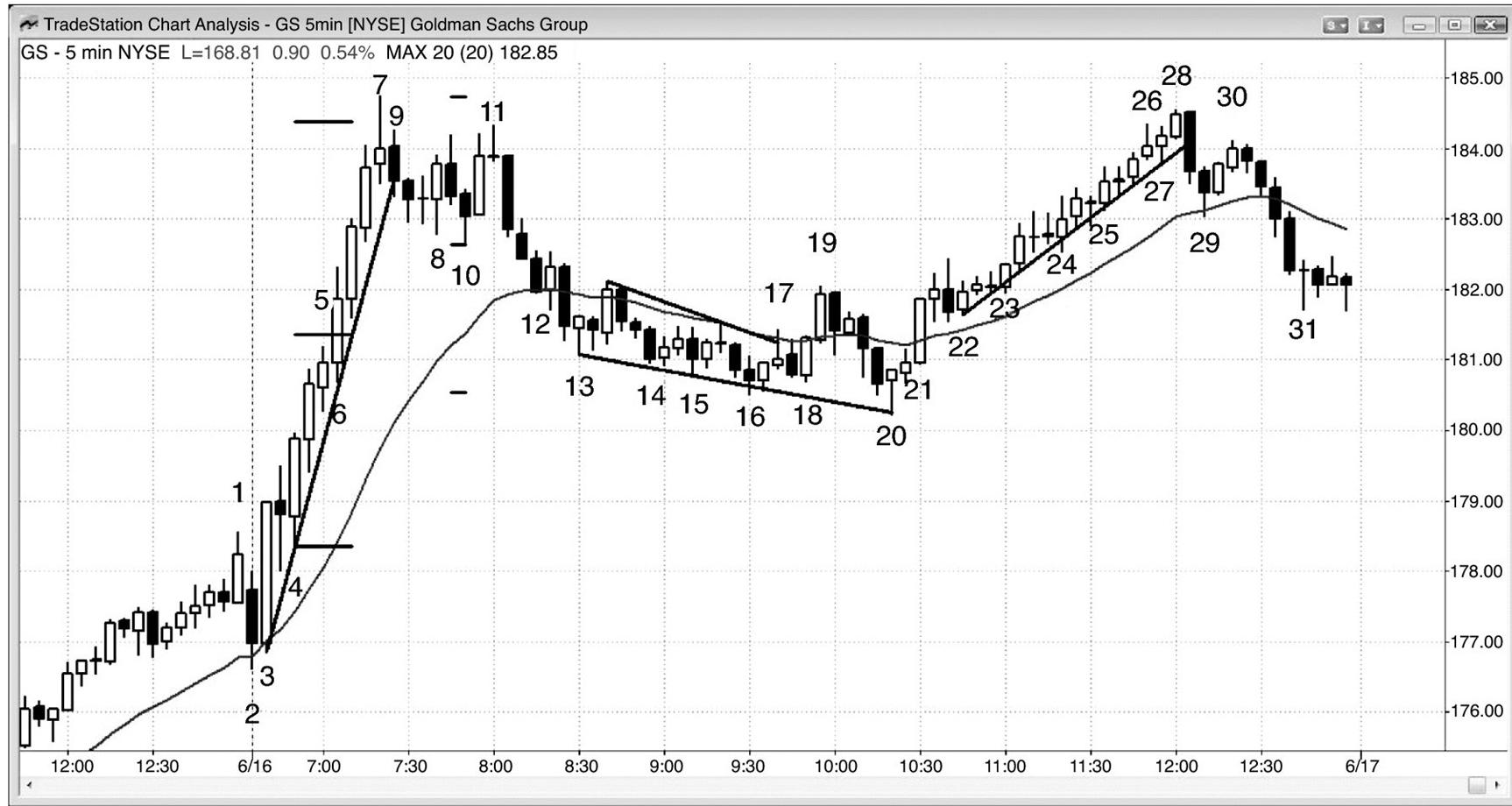


**FIGURE PI.2** Market Leaders Often Lead the S&P



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**FIGURE PI.3** Reversals in the Daily Emini

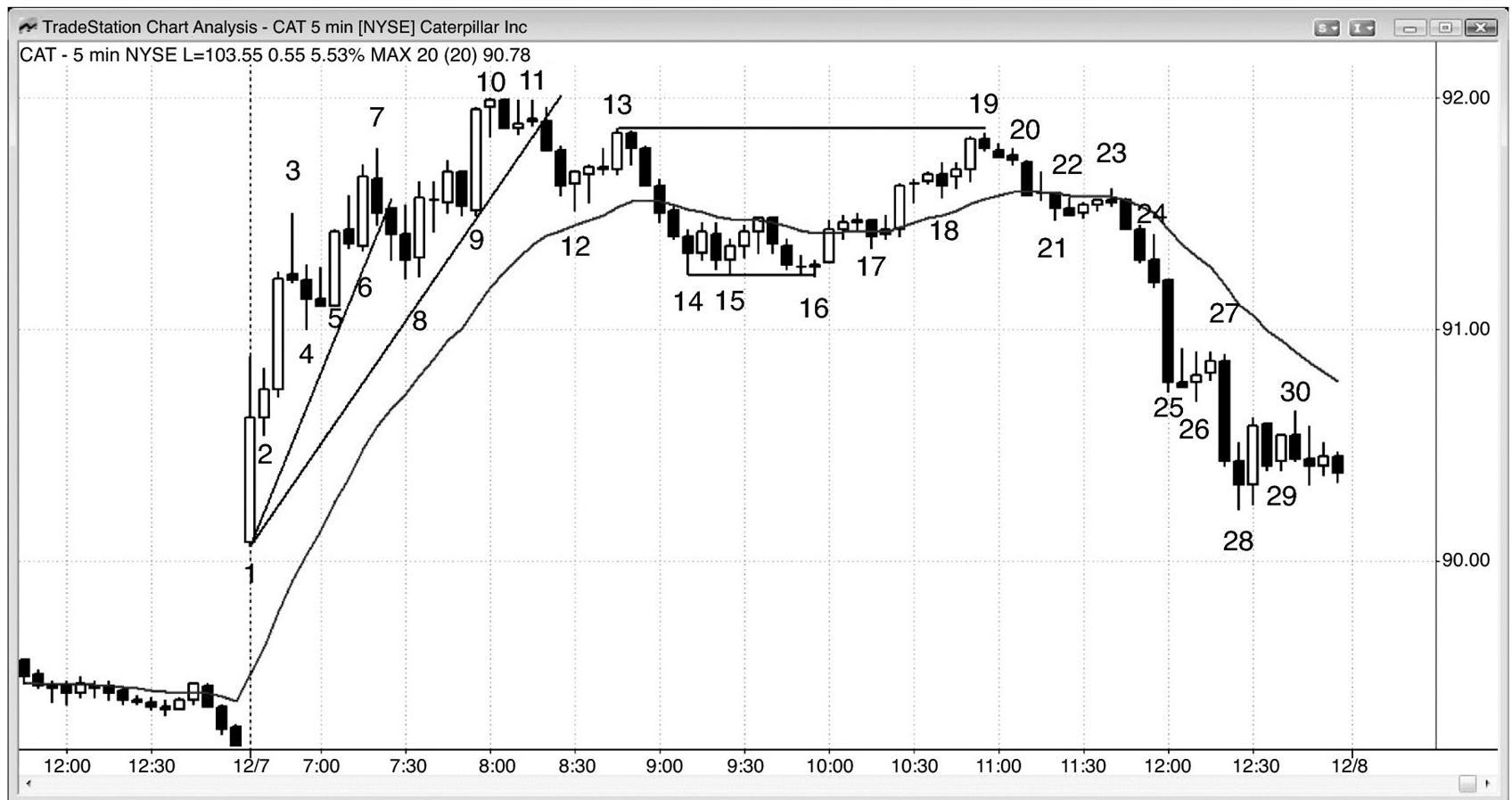


**FIGURE PI.4** Consecutive Buy Climaxes and Deep Corrections



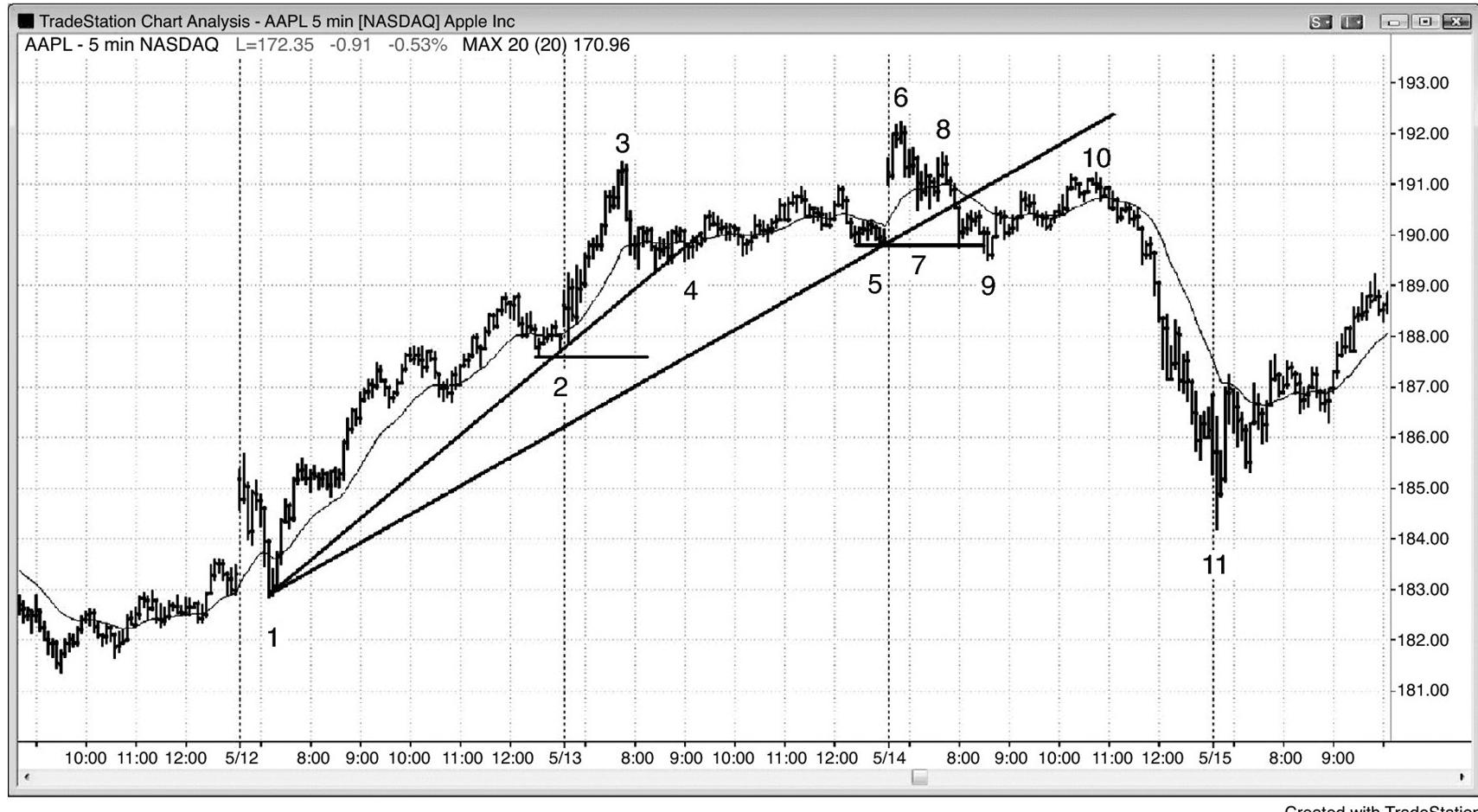
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**FIGURE PI.5** Uncertainty as a Major Trend Reversal Sets Up



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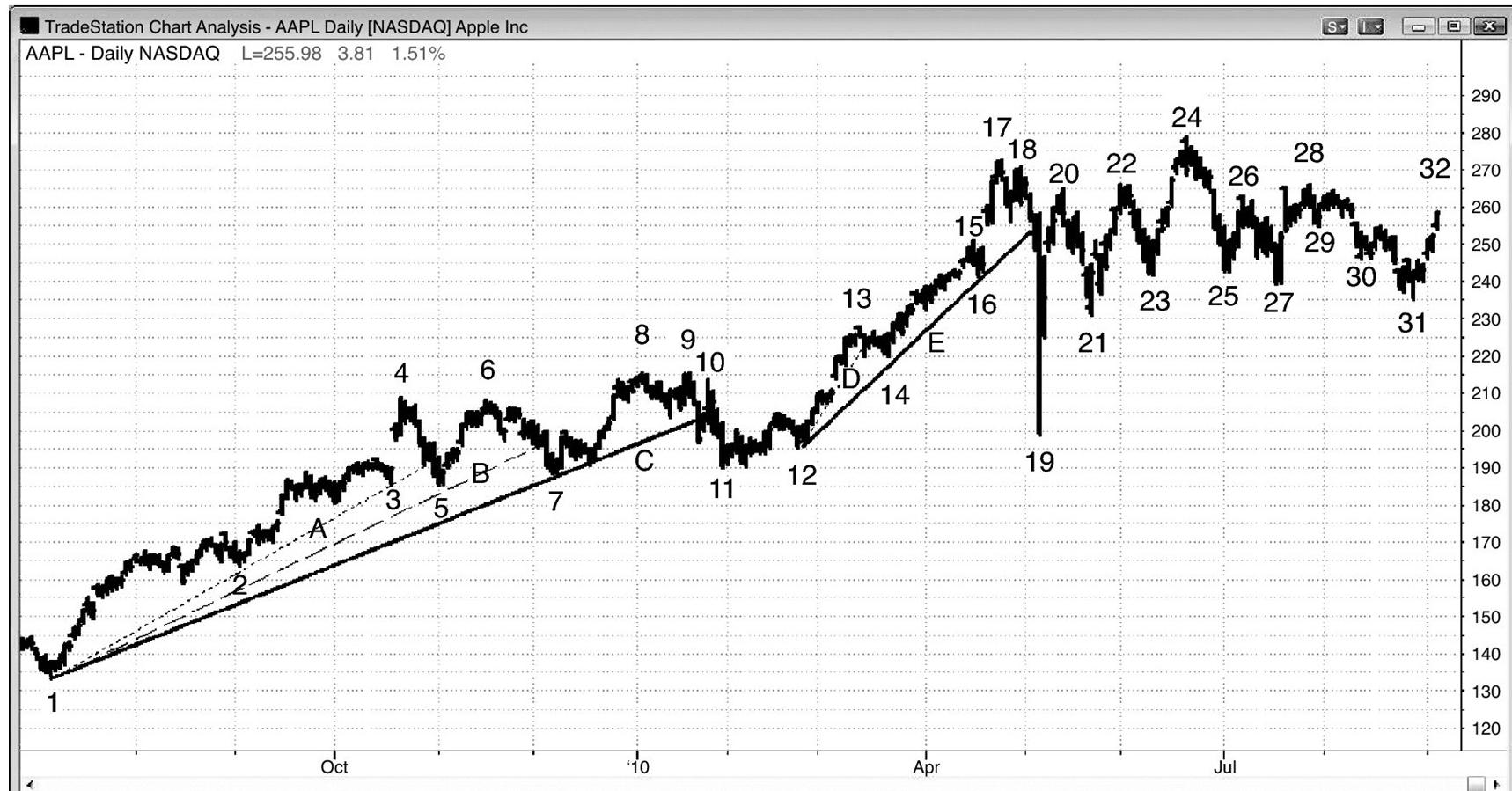
**FIGURE 1.1** Trading a Major Reversal



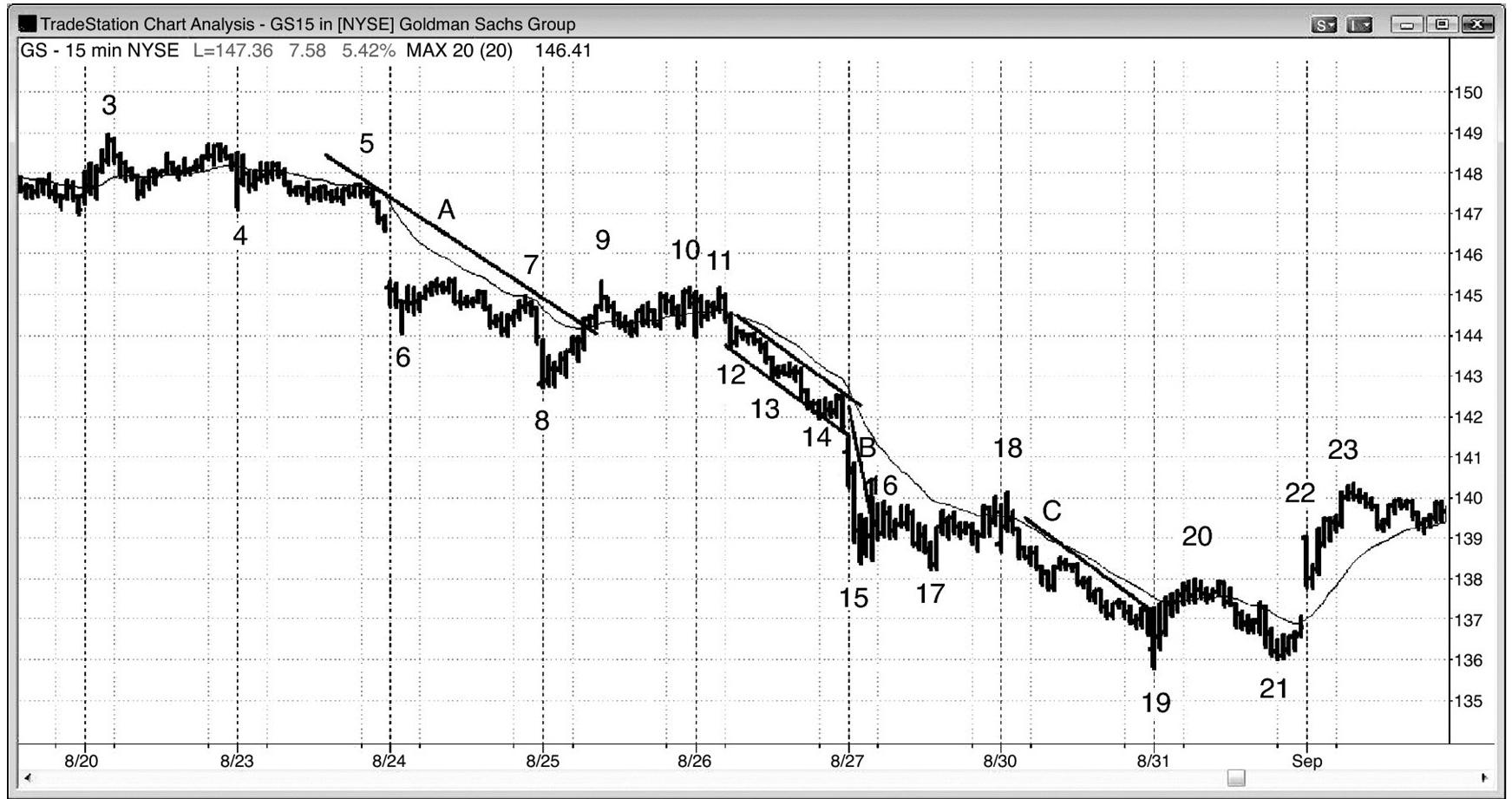
**FIGURE 3.1** A Higher High Followed by a Lower High



**FIGURE 3.2** A Lower Low Followed by a Higher Low



**FIGURE 3.3** A Trend Line Break Alone Does Not Make a Reversal



**FIGURE 3.4** If a Test Is Too Strong, Wait



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**FIGURE 3.5** Don't Look for Reversals on Smaller Time Frame Charts



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**FIGURE 3.6** Smaller Time Frames Are for With-Trend Trading Only



**FIGURE 3.7** Smaller Time Frame Reversals Are Losers



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**FIGURE 3.8** Micro Double Bottoms and Tops



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**FIGURE 4.1 Late Acceleration Can Be Exhaustion**



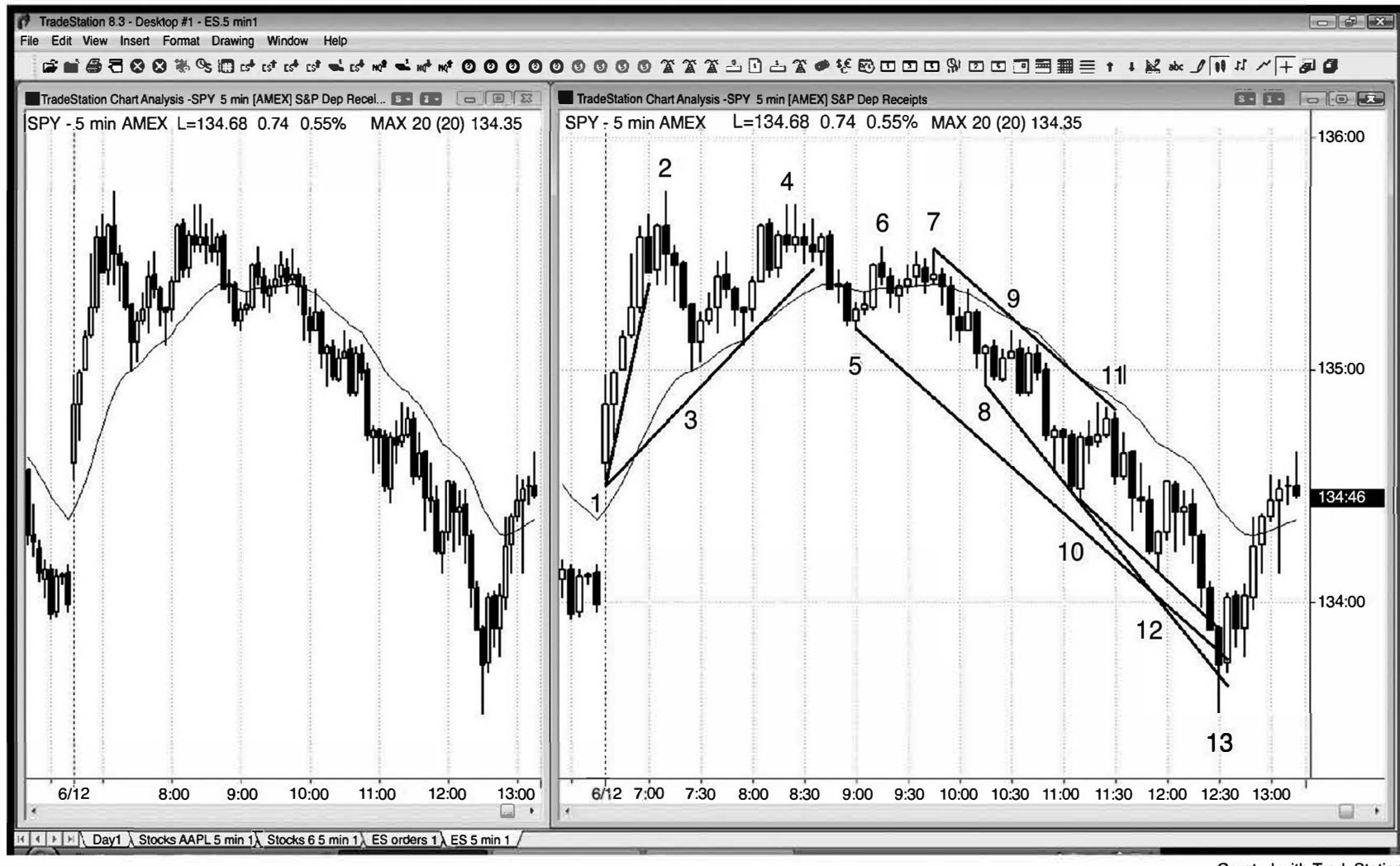
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**FIGURE 4.2** Spike Up but Channel Down



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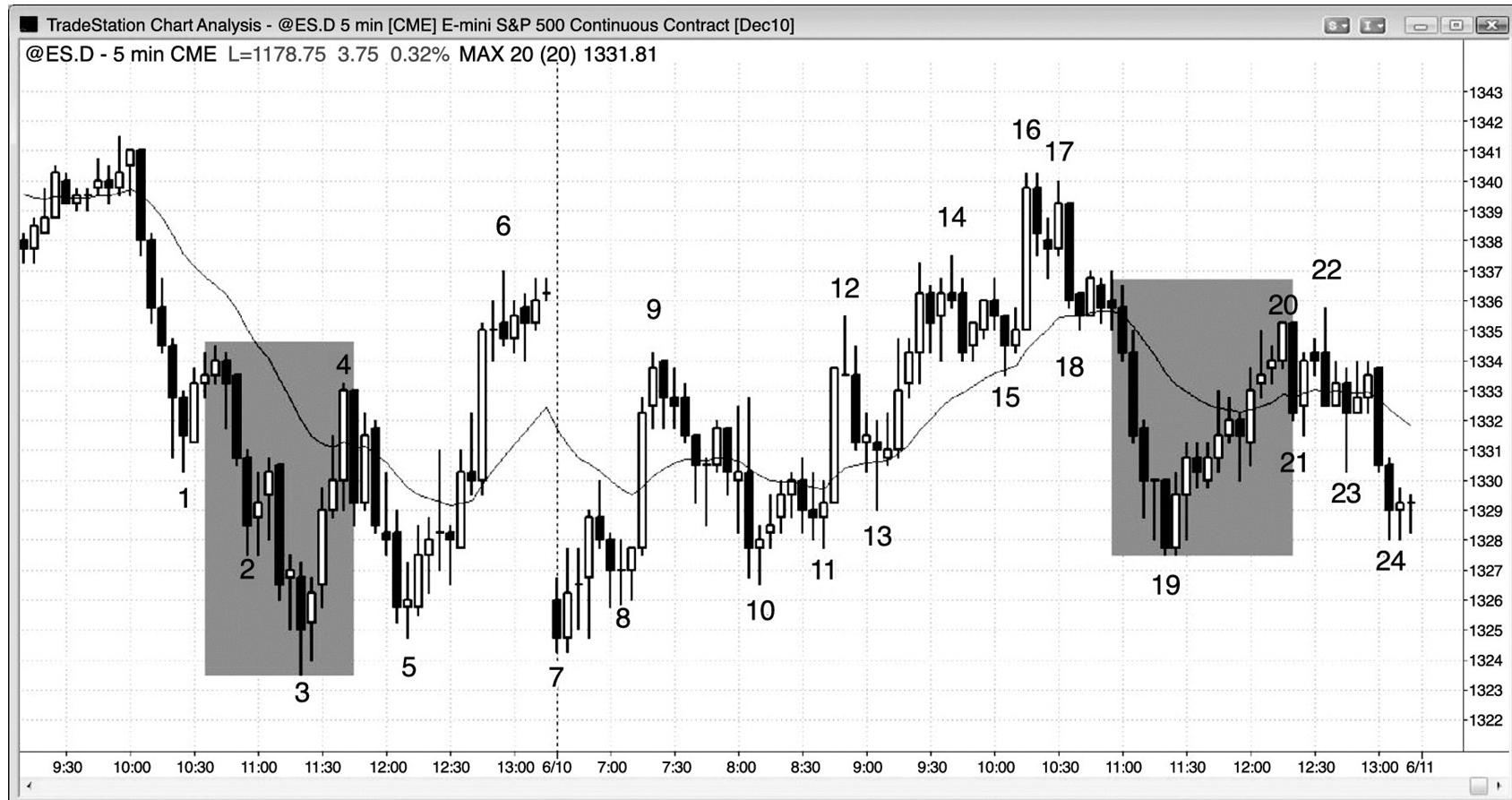
**FIGURE 4.3** Spike Up and Down in One Bar



**FIGURE 4.4** After a Climax, the Channel Direction Can Be Unclear for a While

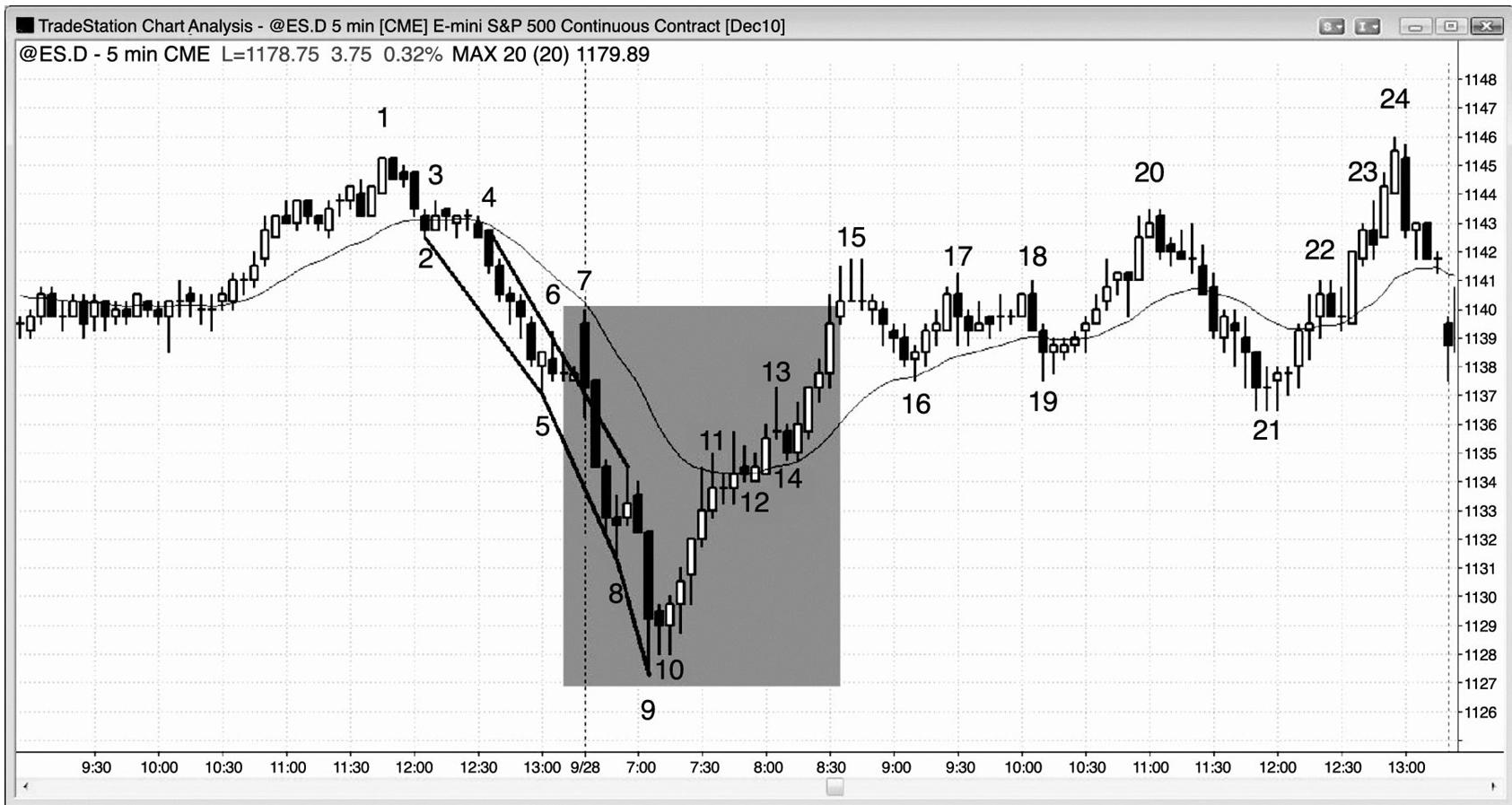


**FIGURE 4.5** Opposite Trend Bars Create a Climactic Reversal

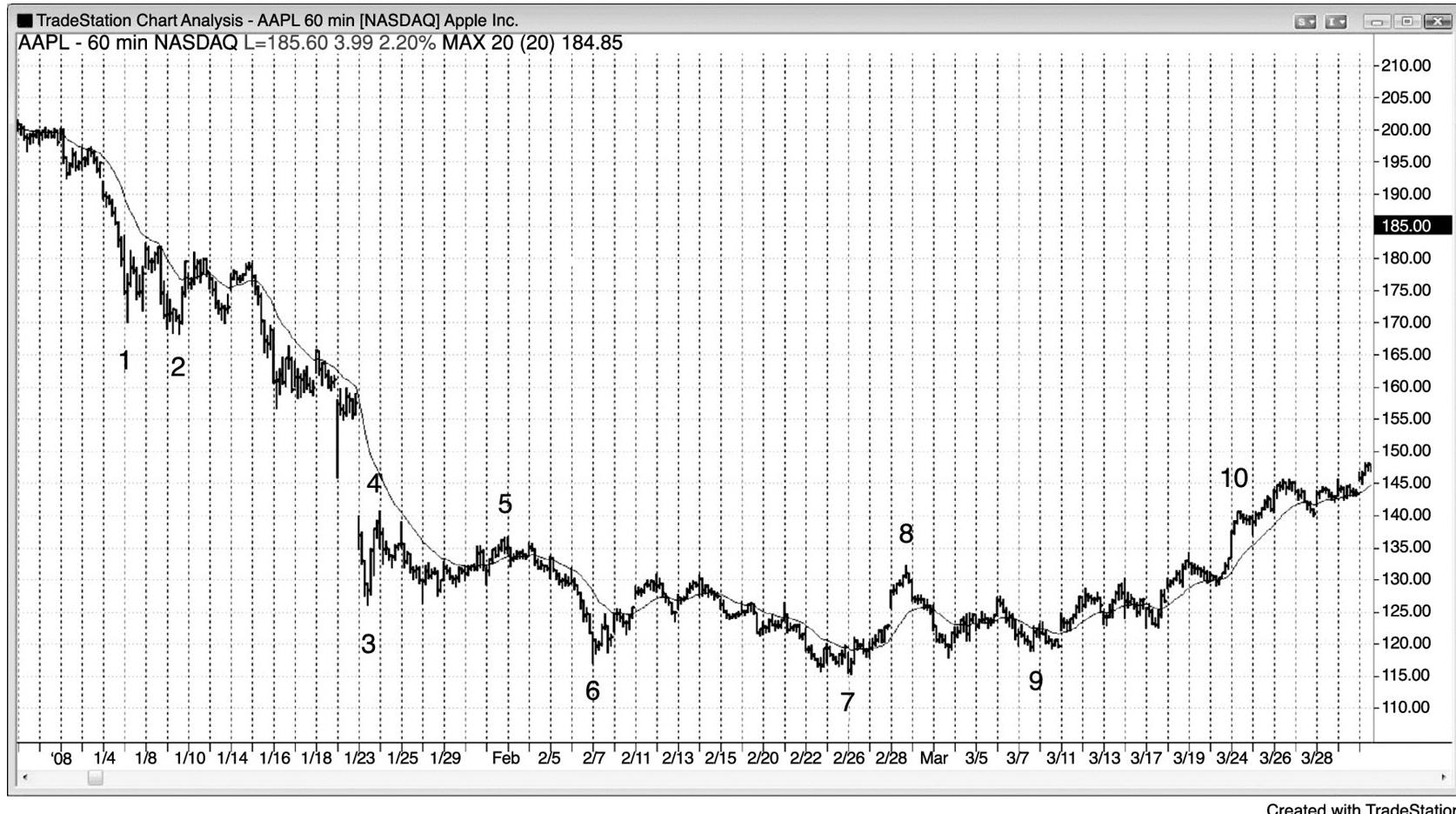


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**FIGURE 4.6 V Tops and Bottoms Are Rare**



**FIGURE 4.7 V Bottoms Are Rare but Strong**



**FIGURE 4.8** Spike Pullbacks Are More Common Than Spike Reversals



**FIGURE 4.9** Spike Pullbacks Usually Don't Get Tested

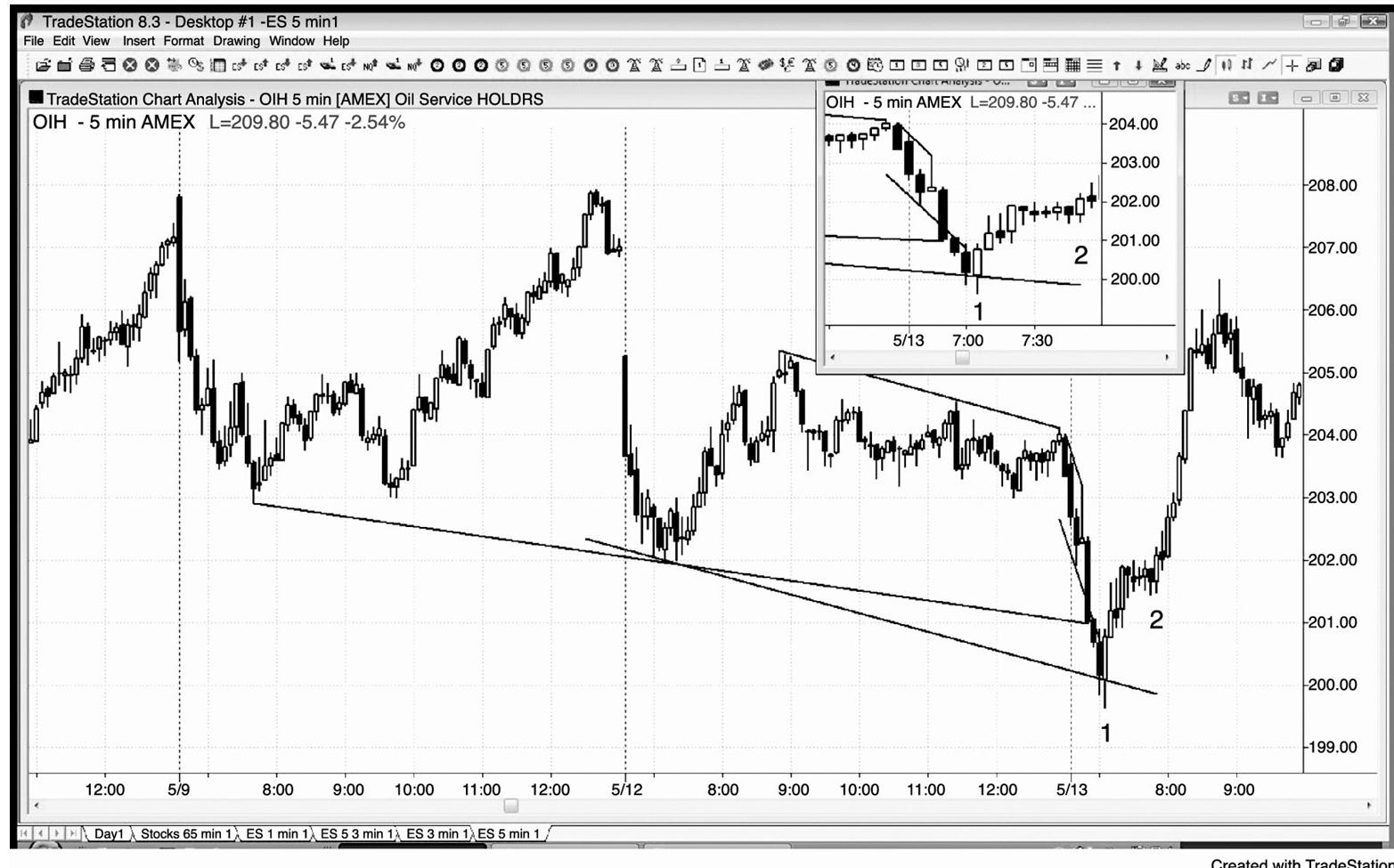


**FIGURE 4.10 Test of a Bull Spike**



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**FIGURE 4.11** Inverted V Top



**FIGURE 4.12** Climactic Reversal with More Reasons to Reverse



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**FIGURE 4.13** Don't Buy Tests of a Bear Trend Channel Line



**FIGURE 4.14** Increased Slope Usually Means Climactic Emotion



**FIGURE 4.15** Reversals Need Momentum



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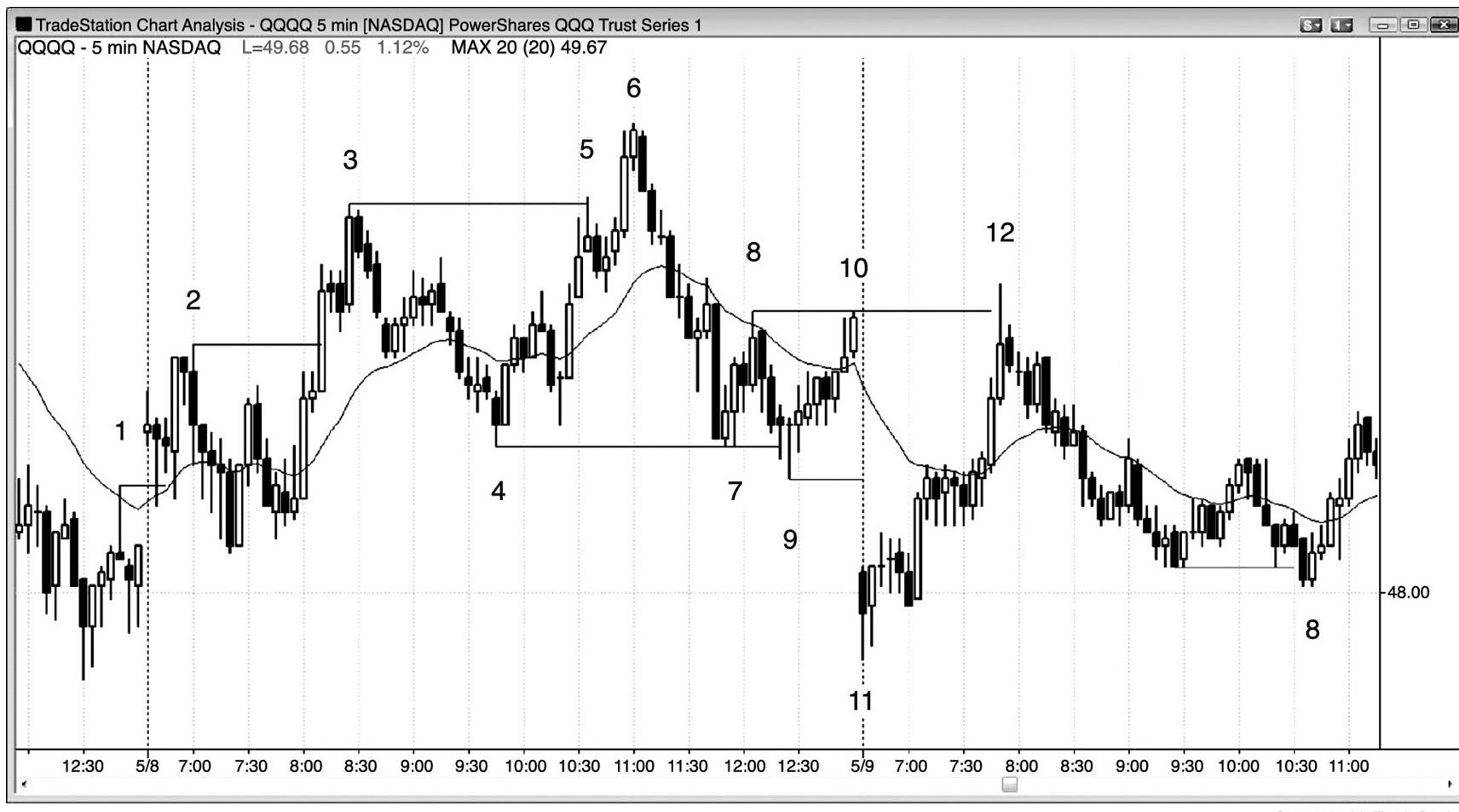
**FIGURE 4.16** Too Many Trend Channel Lines



**FIGURE 4.17 Volume at Reversals Is Not Particularly Helpful**



**FIGURE 5.1** Wedge Top



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**FIGURE 5.2** First-Hour Wedge



**FIGURE 5.3 Shrinking Stairs**



**FIGURE 5.4** Wedge Lower High



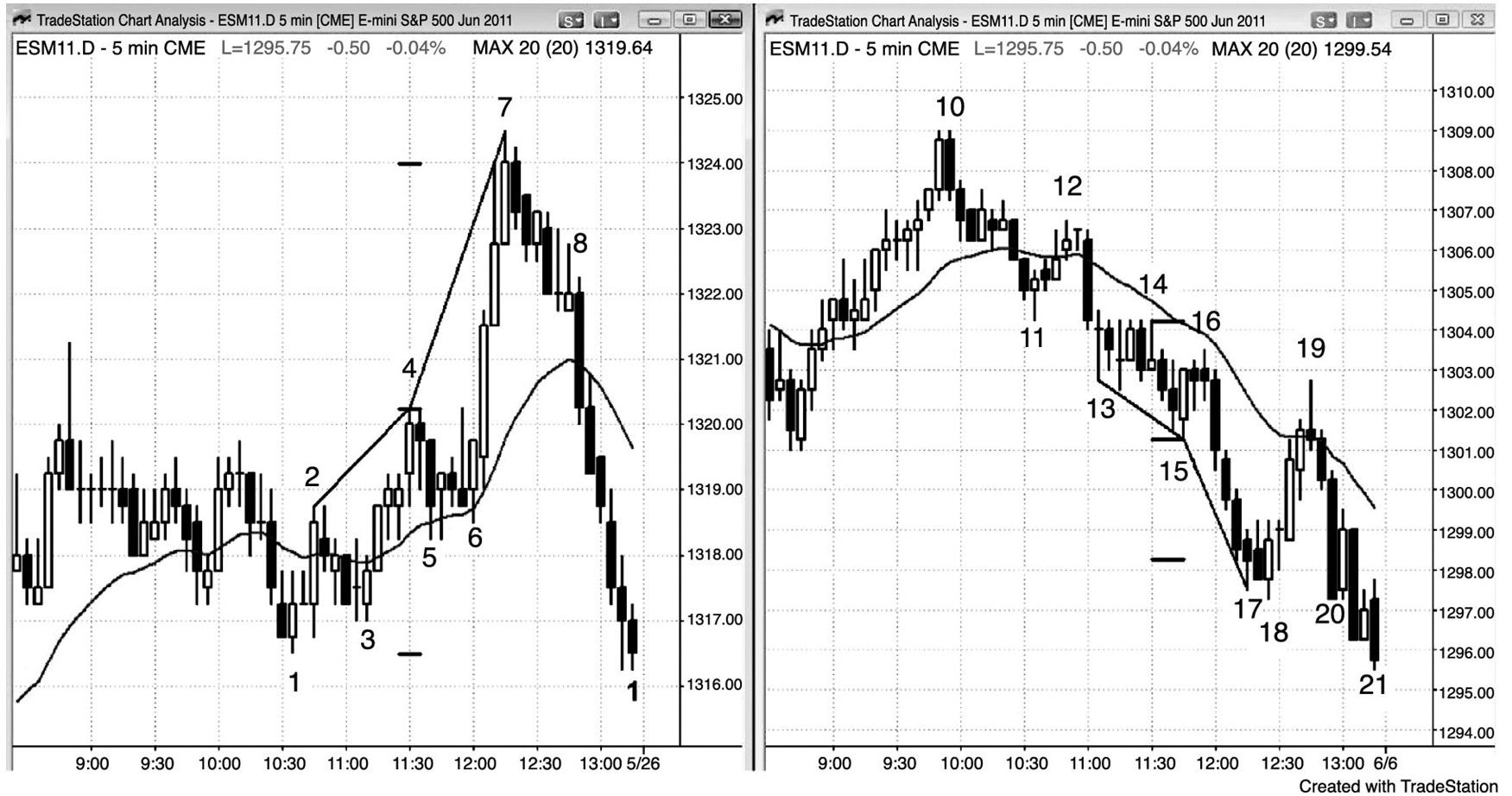
**FIGURE 5.5** Wedge Lower High in the Dow



**FIGURE 5.6** Reversal Just Shy of Trend Channel Line



**FIGURE 5.7 Parabolic Wedge**



**FIGURE 5.8 Bull and Bear Parabolic Wedges**



**FIGURE 5.9 Failed Wedge**



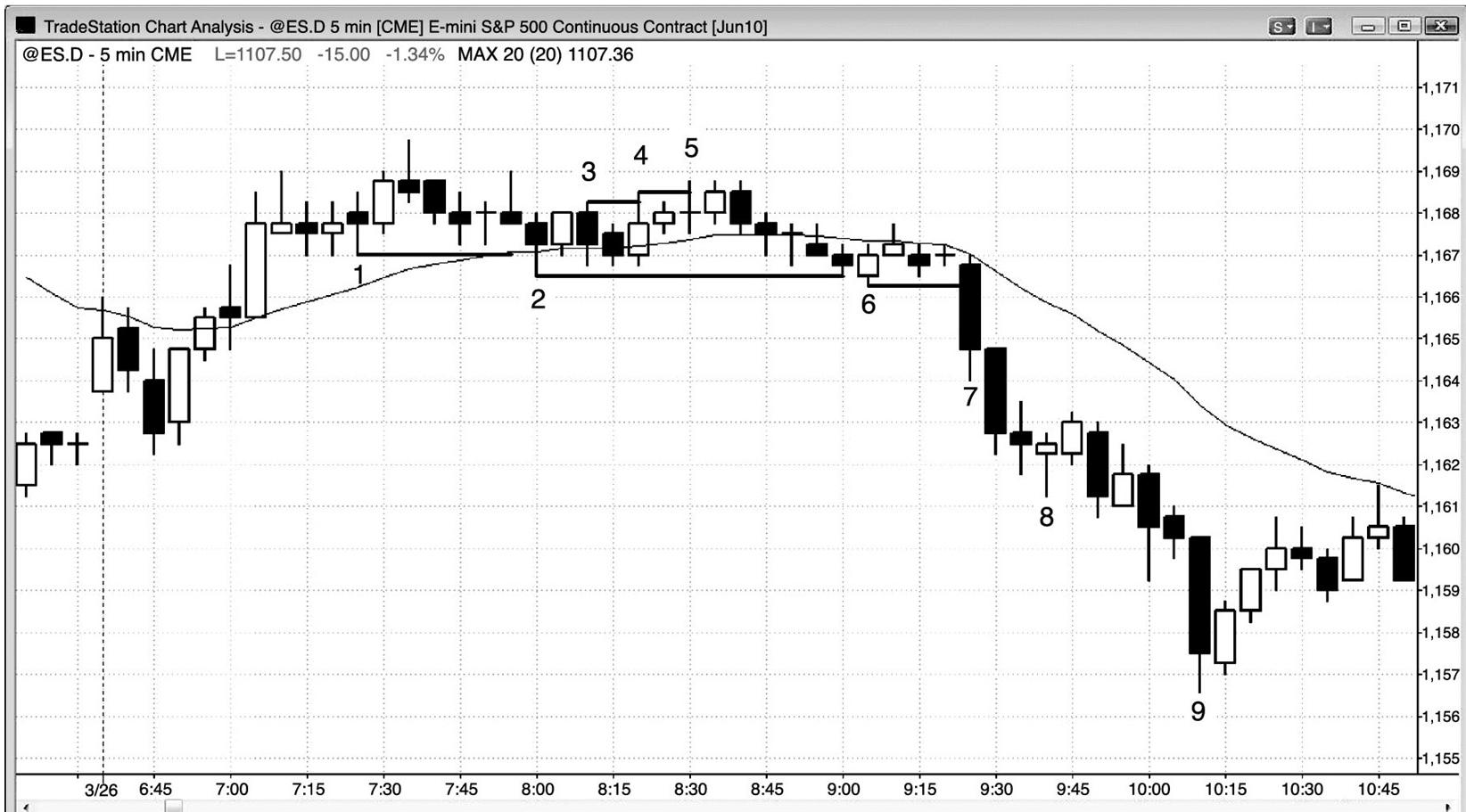
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**FIGURE 5.10** Wedge That Is Too Tight



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**FIGURE 5.11** Wedge but Tight Channel

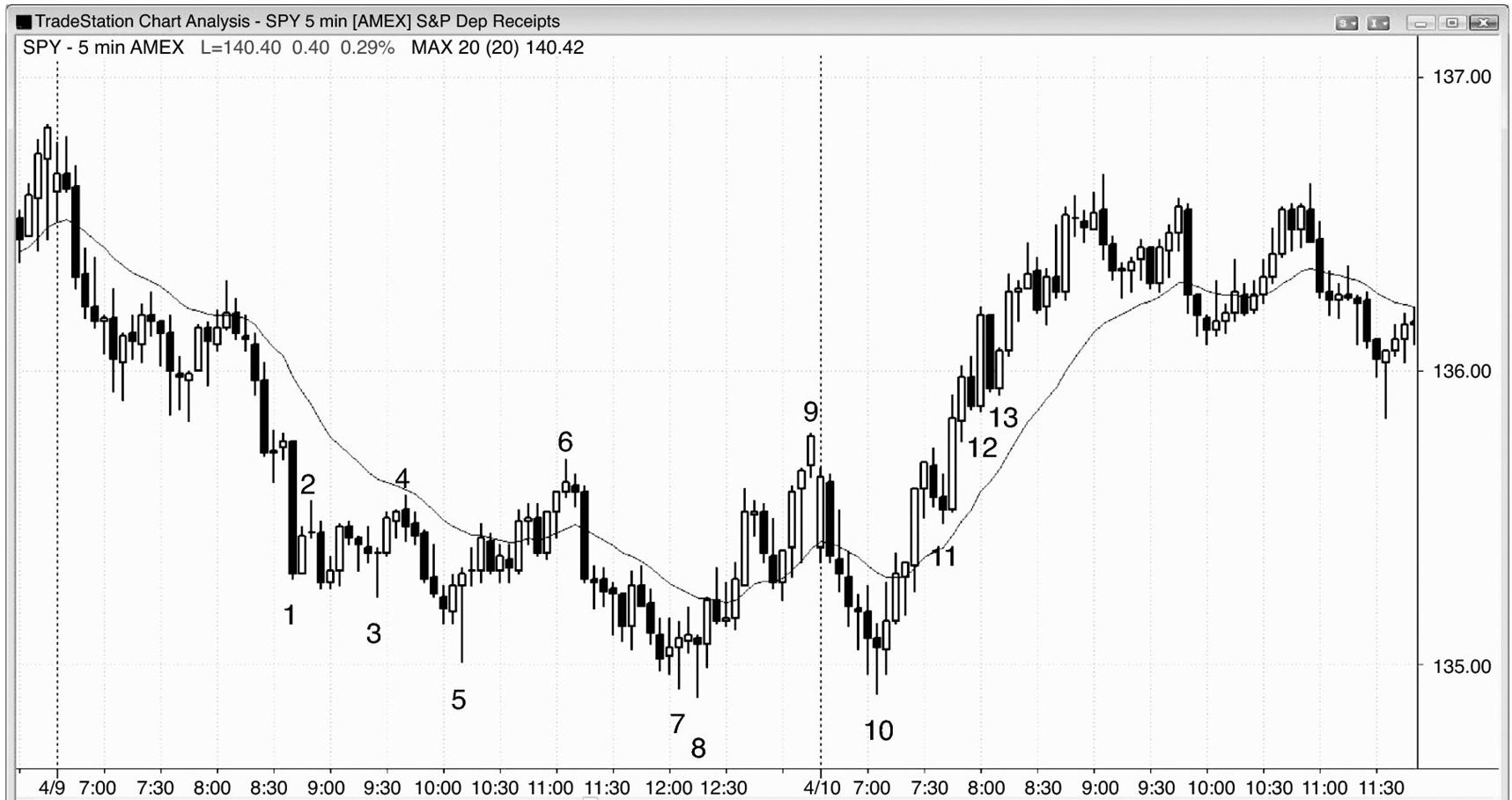


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**FIGURE 5.12** Successive One-Tick Breakouts

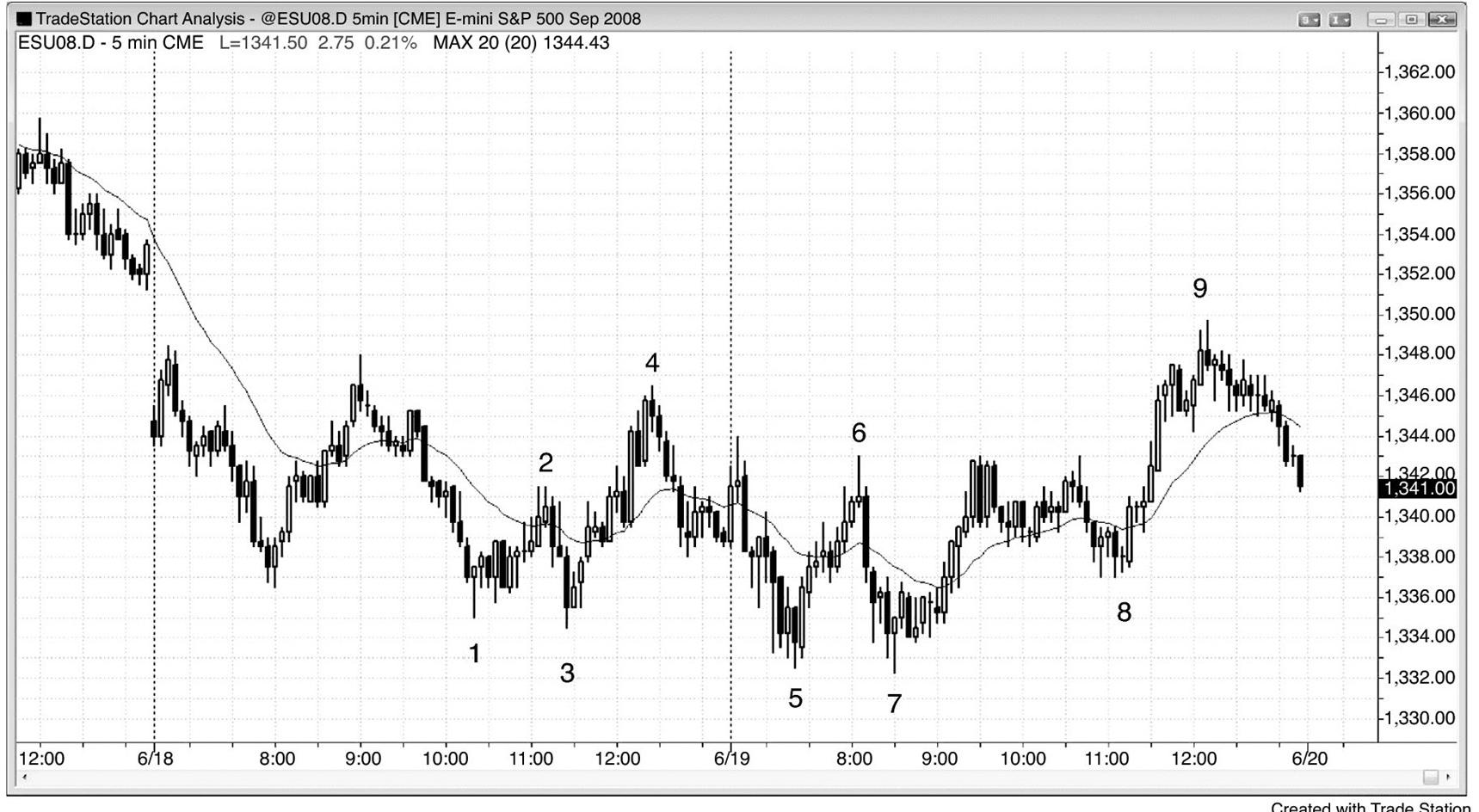


**FIGURE 6.1** Expanding Triangle Bottom in the Emini



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**FIGURE 6.2** Expanding Triangle Bottom Reversal



**FIGURE 6.3** Second Entry in Expanding Triangle Reversal



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**FIGURE 7.1 Final Flag Reversal**



**FIGURE 7.2** Tight Trading Range as a Final Flag

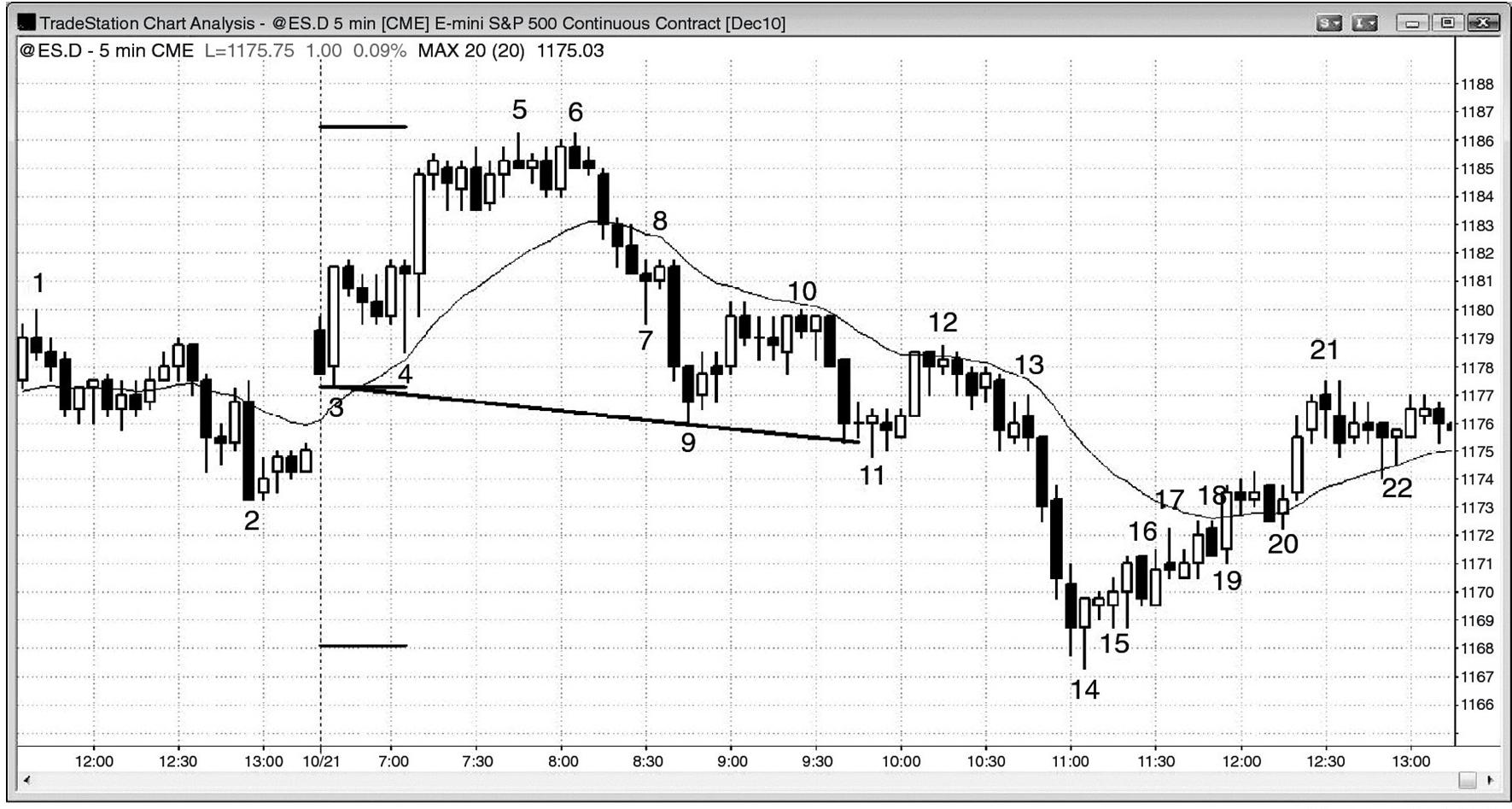


**FIGURE 7.3** Triangle as a Final Flag

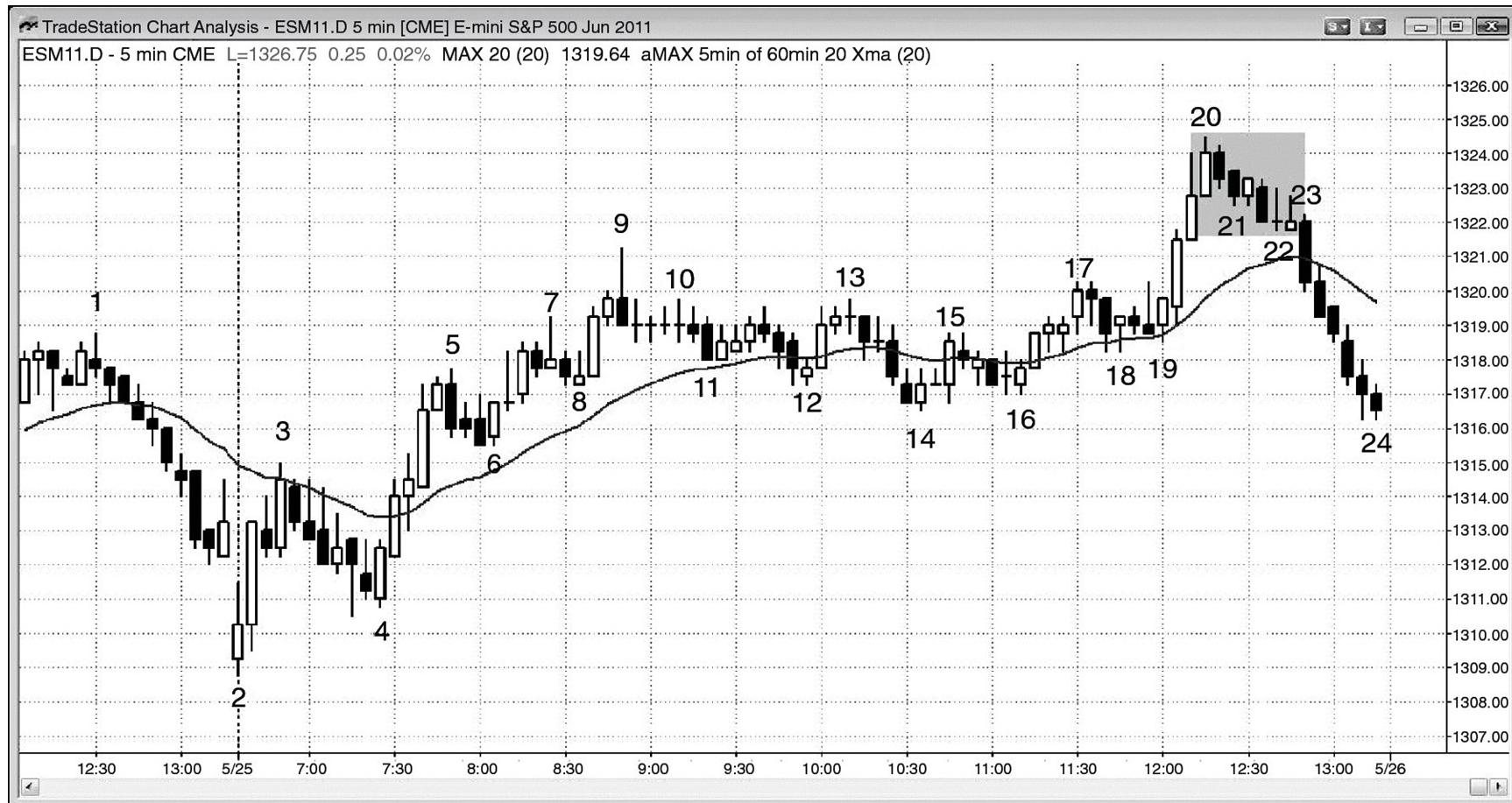


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**FIGURE 7.4** Final Flag, Then a Lower High



**FIGURE 7.5** Final Flags Sometimes Reverse without First Breaking Out



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**FIGURE 7.6** Bear Breakout of a Bull Final Flag

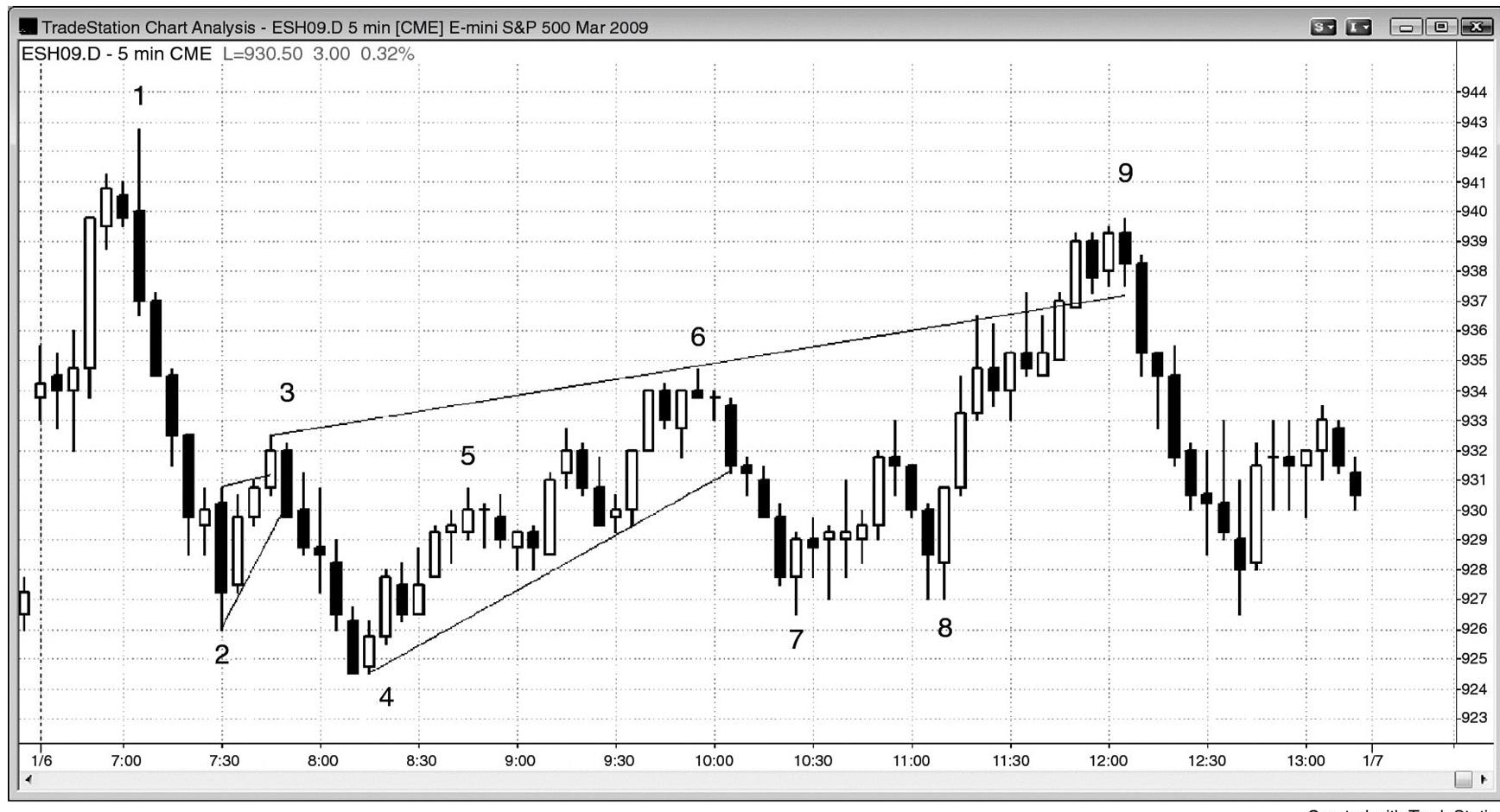


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**FIGURE 7.7 Small Final Flag and Big Reversal**

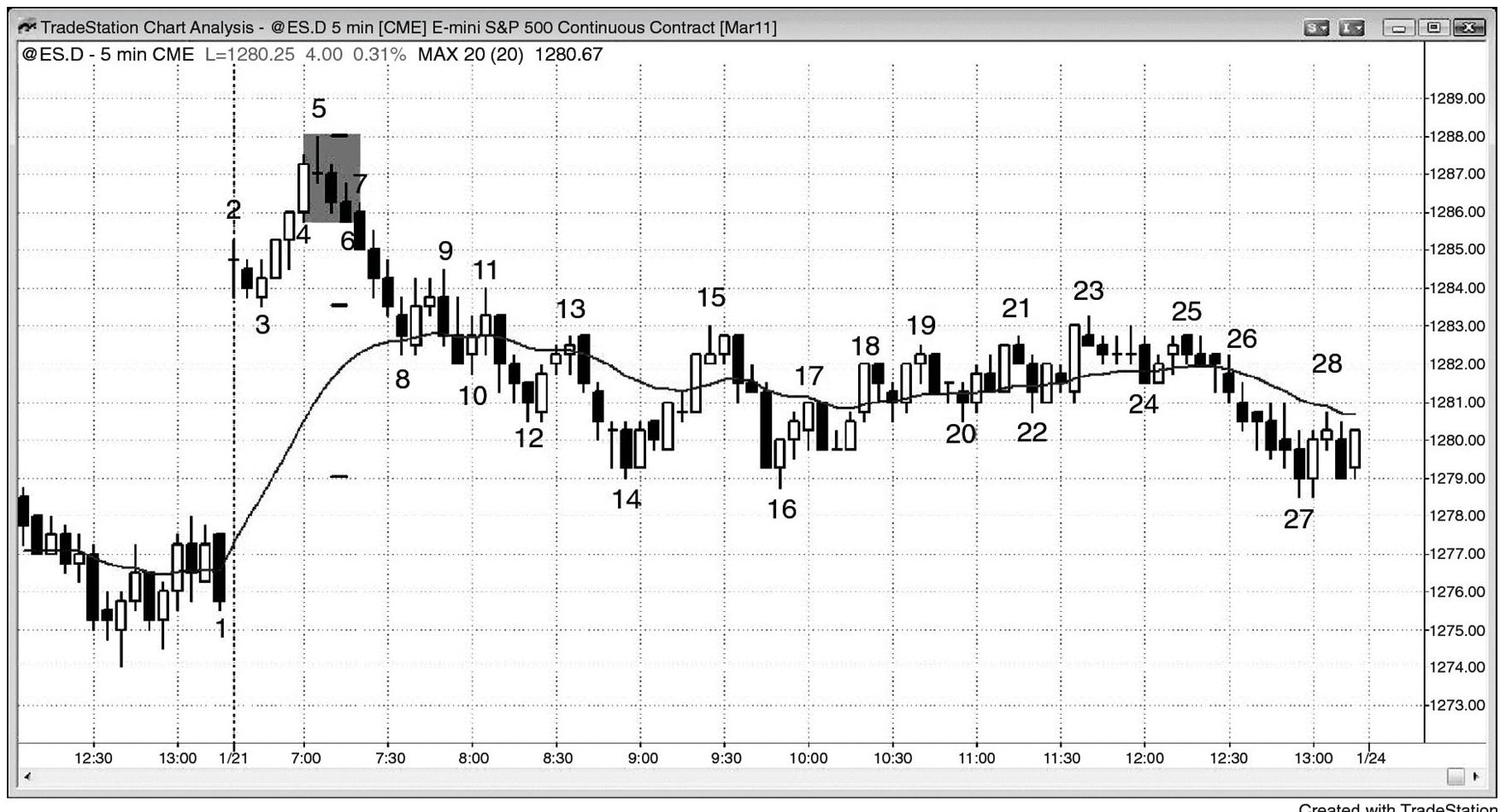


**FIGURE 7.8 Two-Bar Final Flag**



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**FIGURE 7.9** Small Final Flags Commonly Evolve into Larger Final Flags



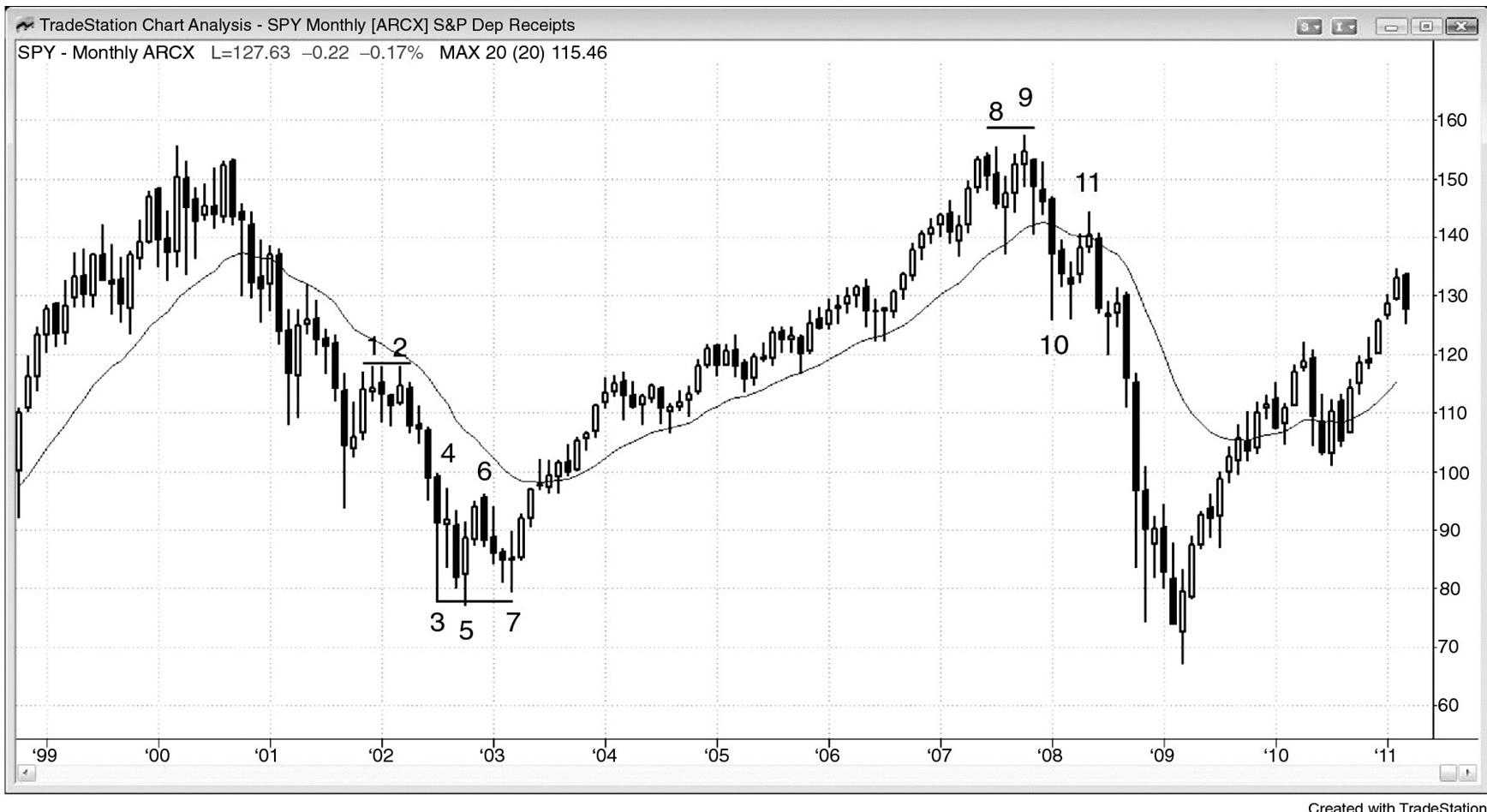
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**FIGURE 7.10** Final Flags Do Not Have to Break Out in the With-Trend Direction



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**FIGURE 7.11** Small Final Flags after Climaxes

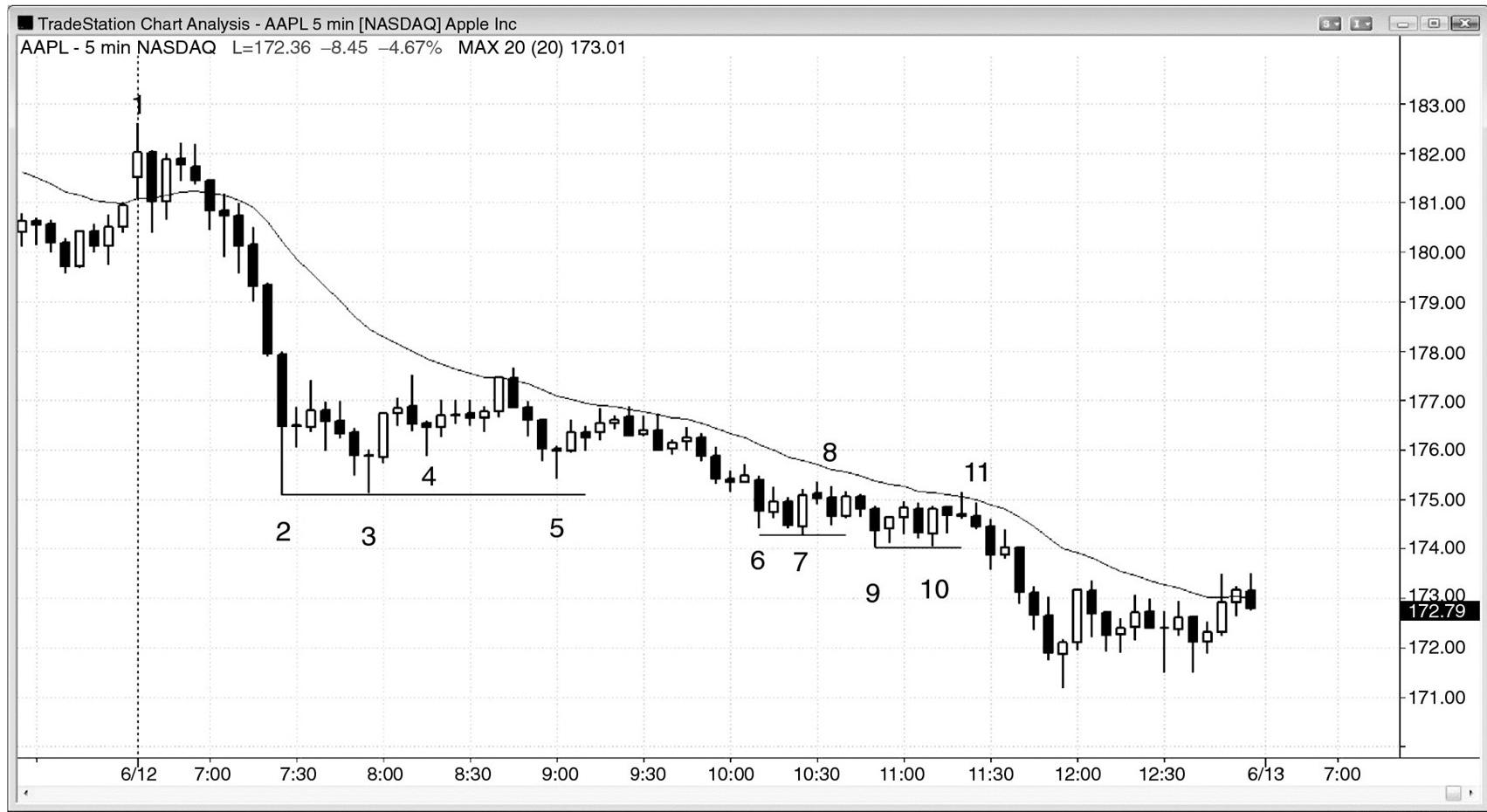


**FIGURE 8.1** Double Bottom Pullback in the Monthly SPY



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**FIGURE 8.2** Bear Flag as a Double Bottom Pullback

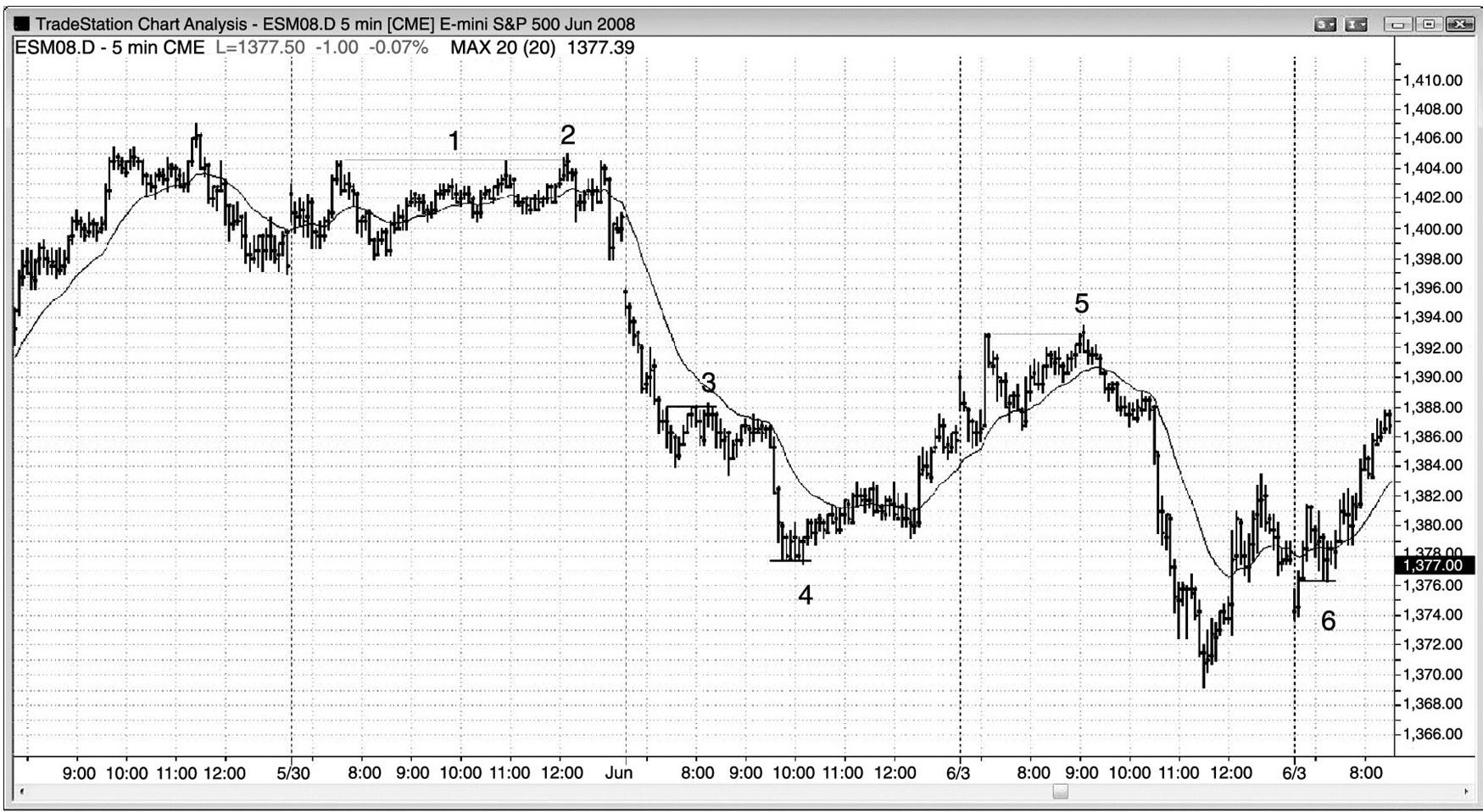


**FIGURE 8.3** Weak Double Bottom Pullback



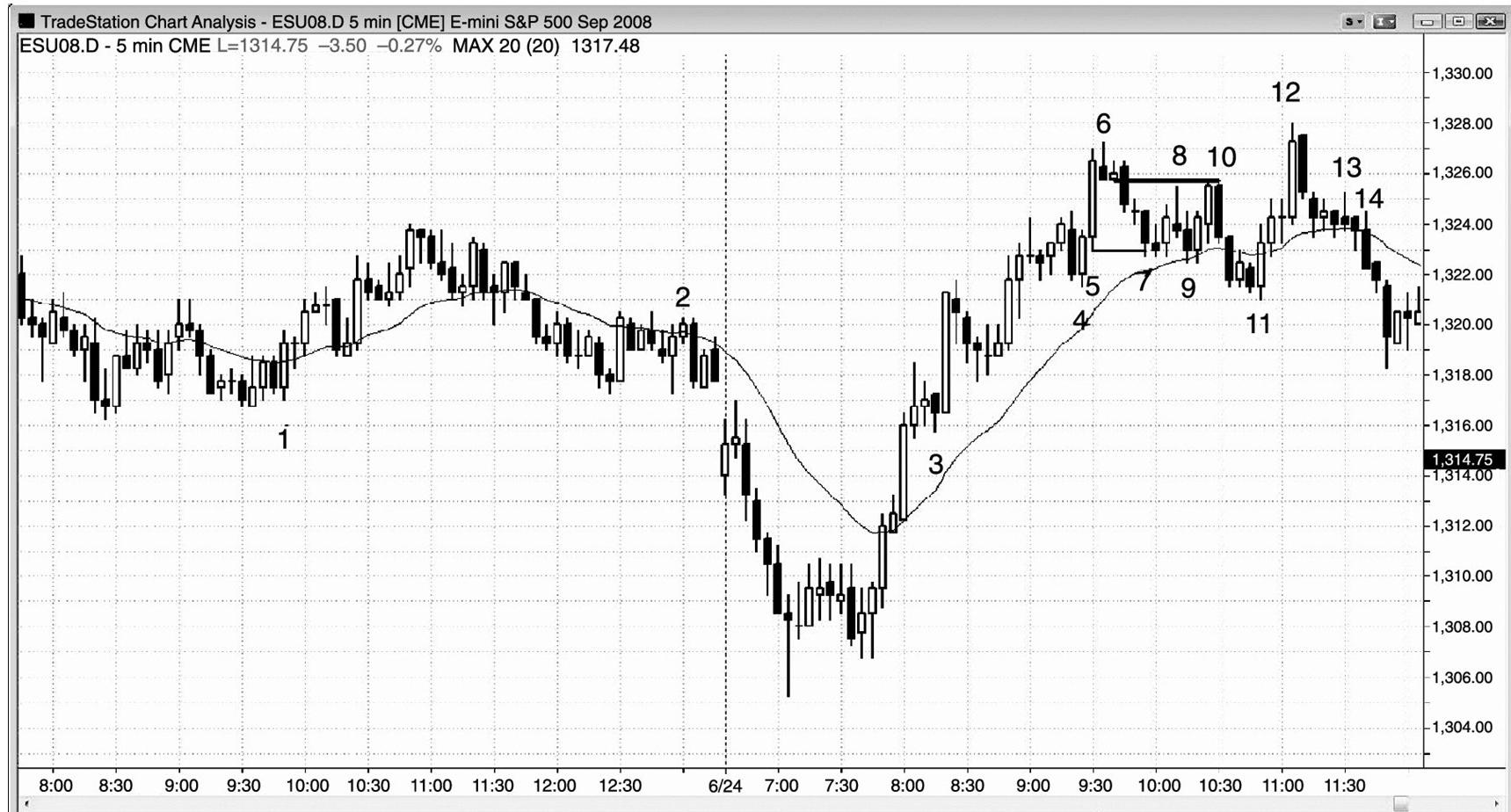
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**FIGURE 8.4** Double Bottom and Top Pullbacks



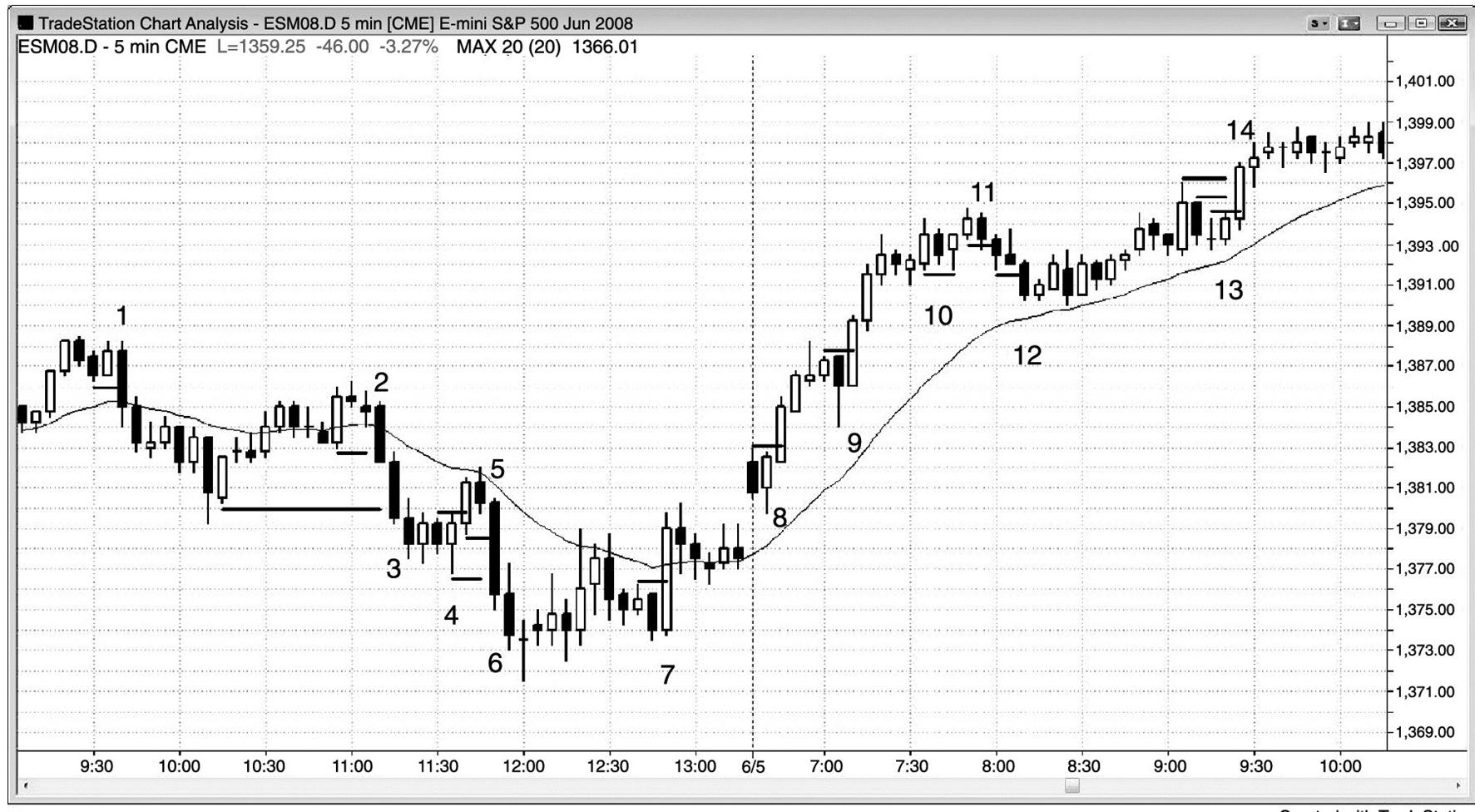
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**FIGURE 9.1 Small False Breakouts**



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**FIGURE 9.2** One-Tick Traps in the Emini



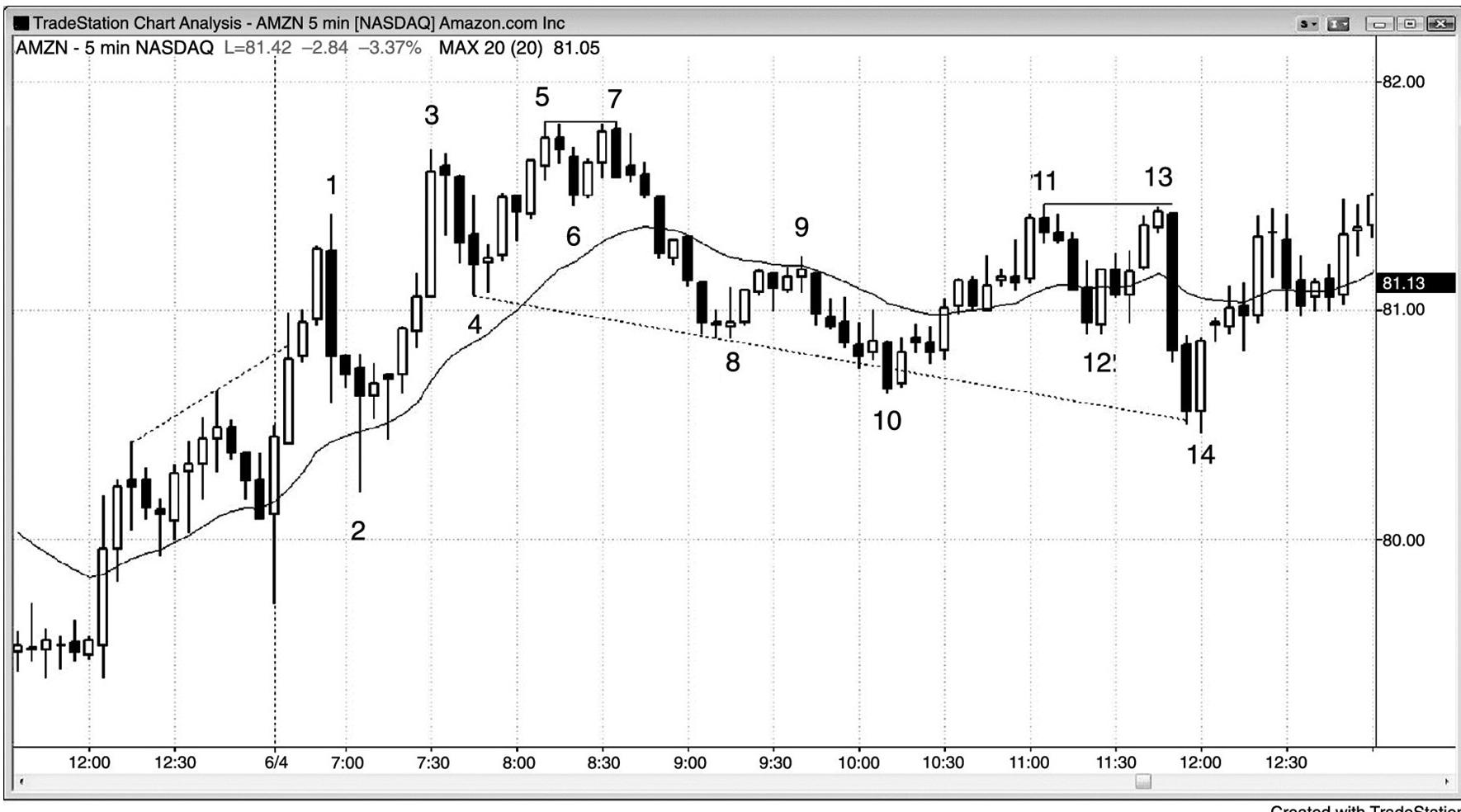
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**FIGURE 9.3** Breakouts beyond Signal and Entry Bar Protective Stops

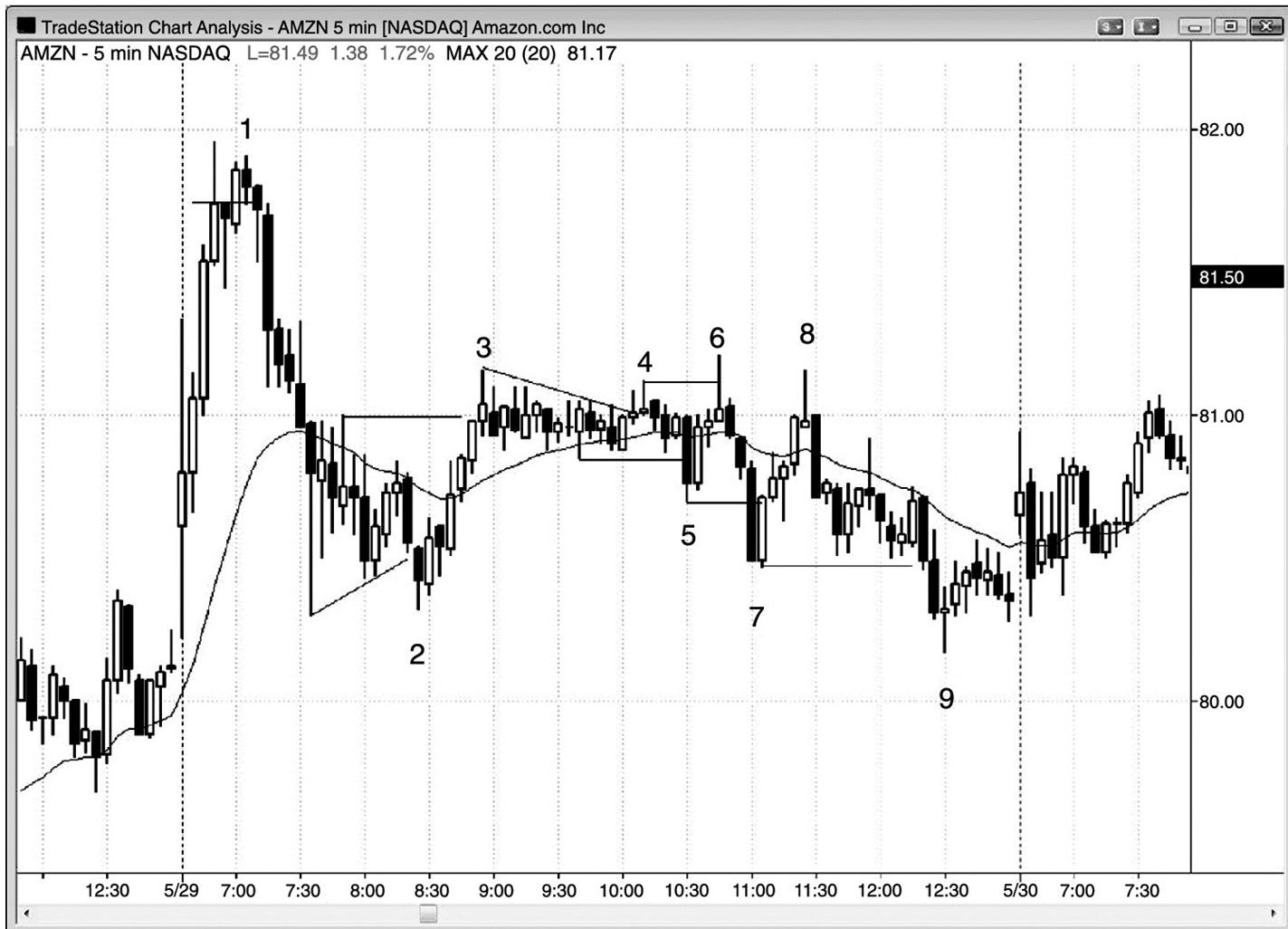


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**FIGURE 9.4 Failed Profit Targets**



**FIGURE 9.5** Trading Range Breakouts Usually Fail



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**FIGURE 9.6** Failed Breakouts in AMZN



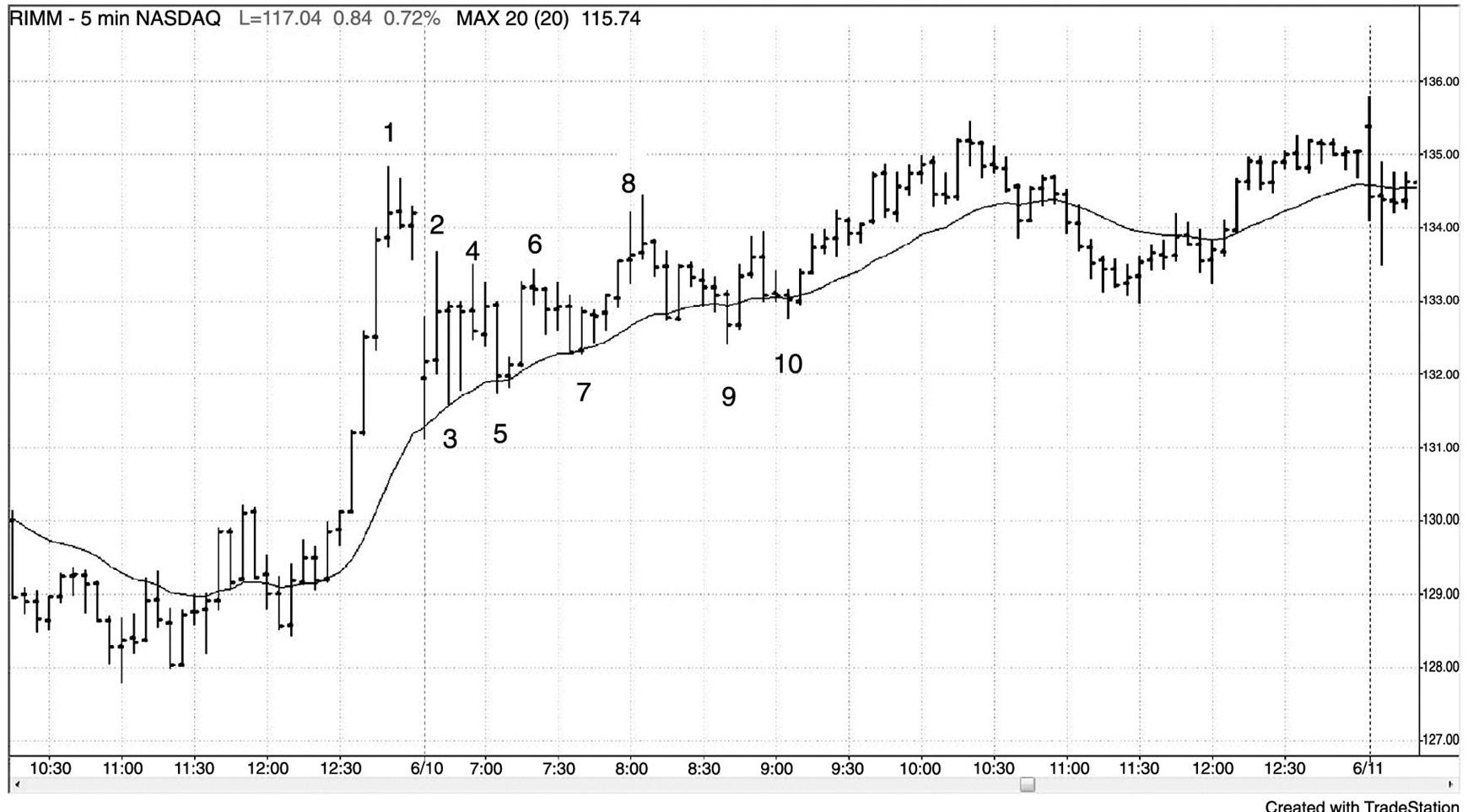
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**FIGURE 9.7** Trading Range Breakouts Usually Fail



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**FIGURE 9.8** Trapping Traders out of Good Trades



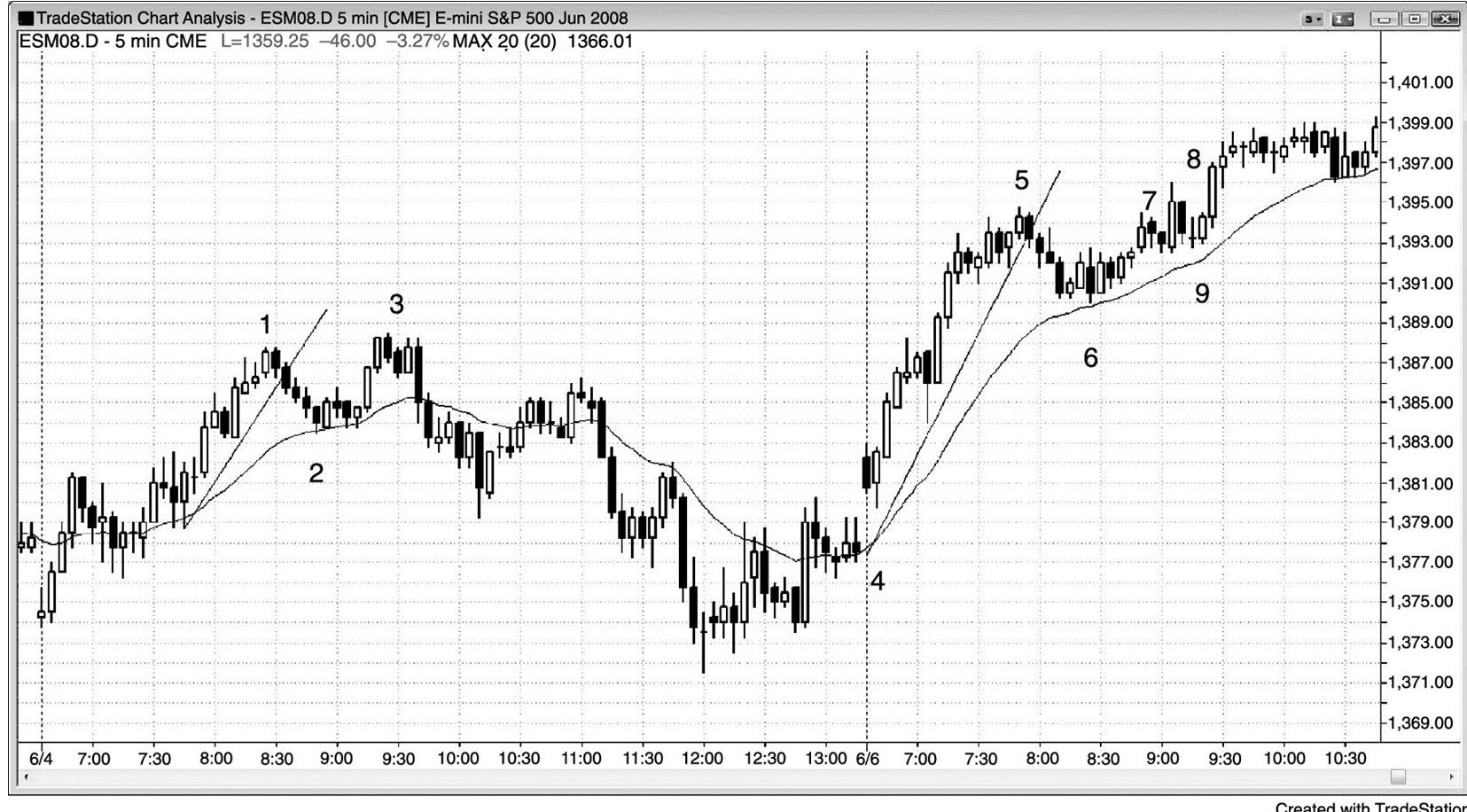
**FIGURE 9.9 Double Tops and Bottoms in the First Hour**



**FIGURE 9.10 Failed Double Bottom Bull Flag**



**FIGURE 9.11** Most Head and Shoulders Patterns Fail



**FIGURE 9.12** Two-Legged Test of Trend Extreme



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**FIGURE 9.13 Five-Tick Failure**



**FIGURE 9.14** Failed Signals in QQQ



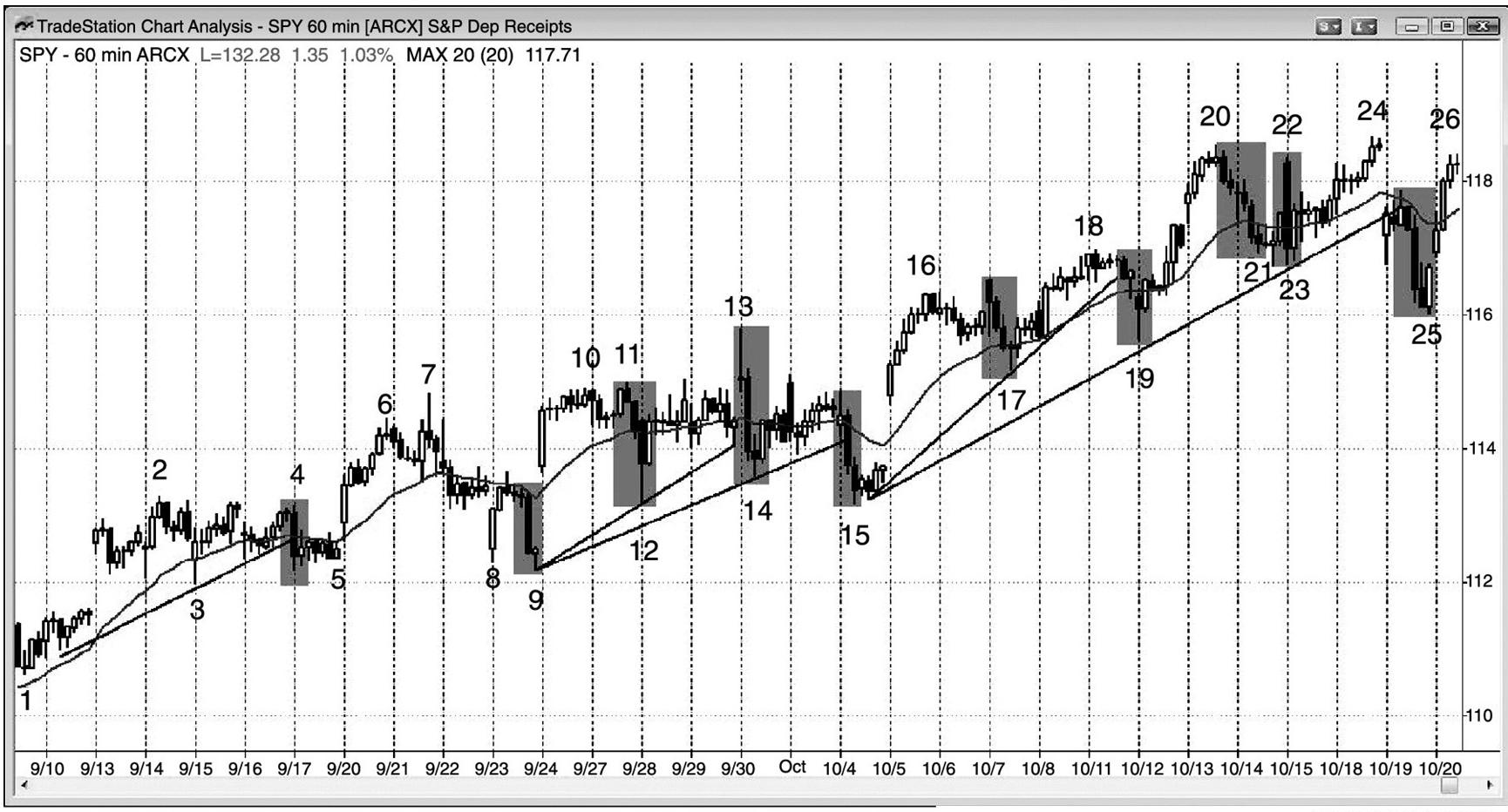
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**FIGURE 9.15** Switch to a Smaller Target

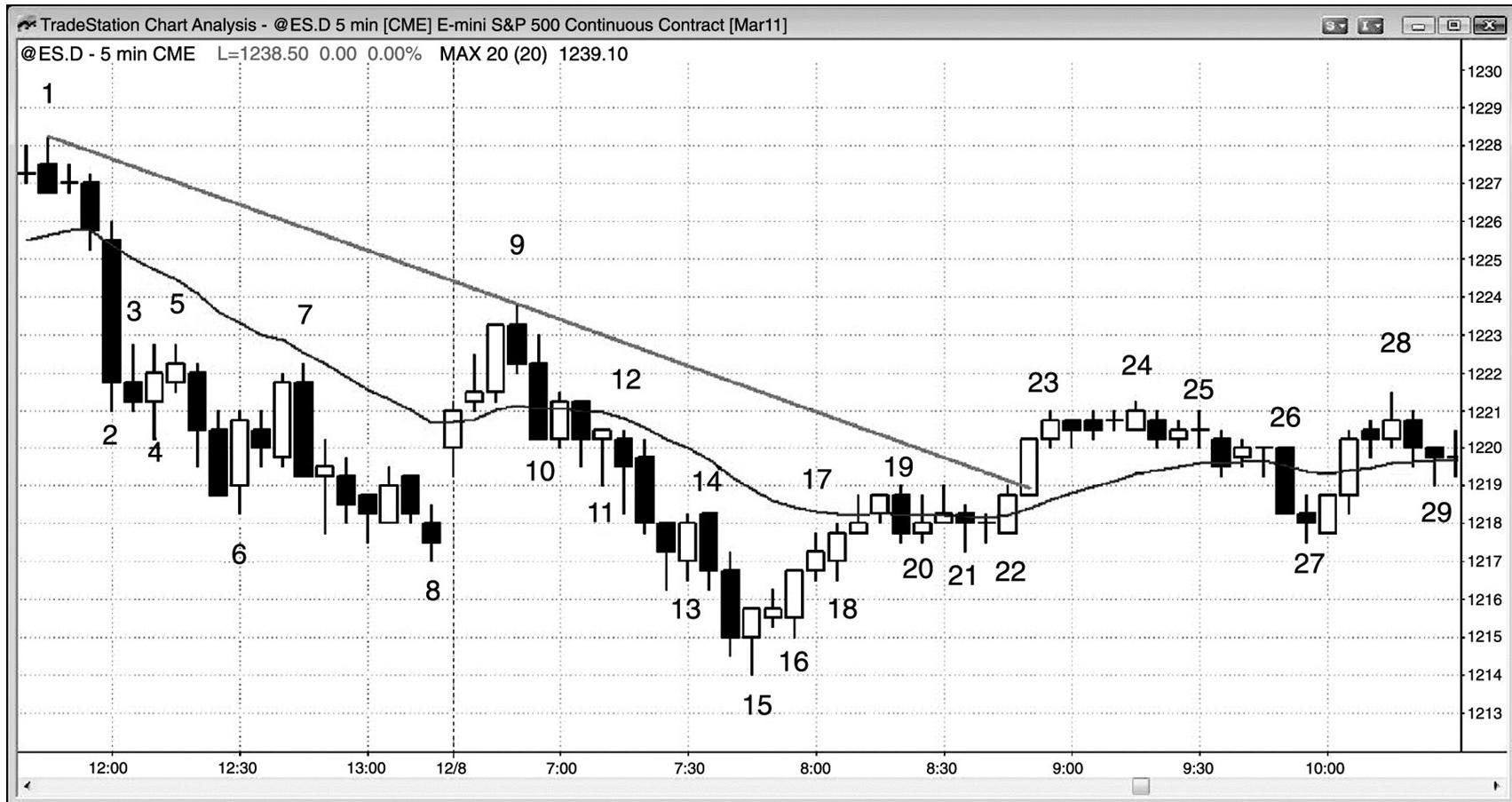


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**FIGURE 9.16** A Bear Spike Can Be a Buying Opportunity

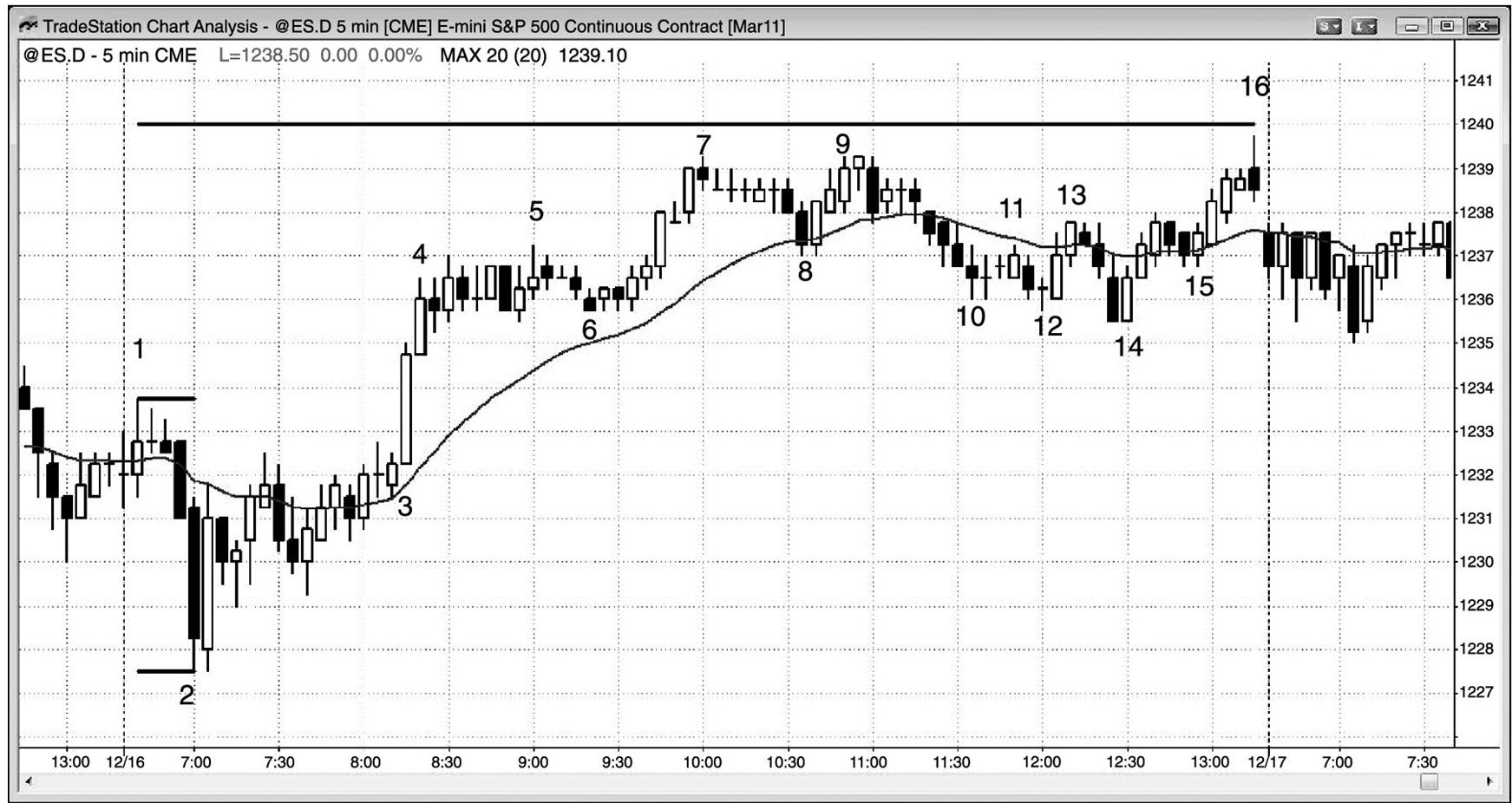


**FIGURE 9.17** Most Trend Reversal Attempts Fail



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**FIGURE 9.18** Failures Can Sometimes Be a Sign of Strength



**FIGURE 9.19 Just Missing a Target and Then Reaching It**



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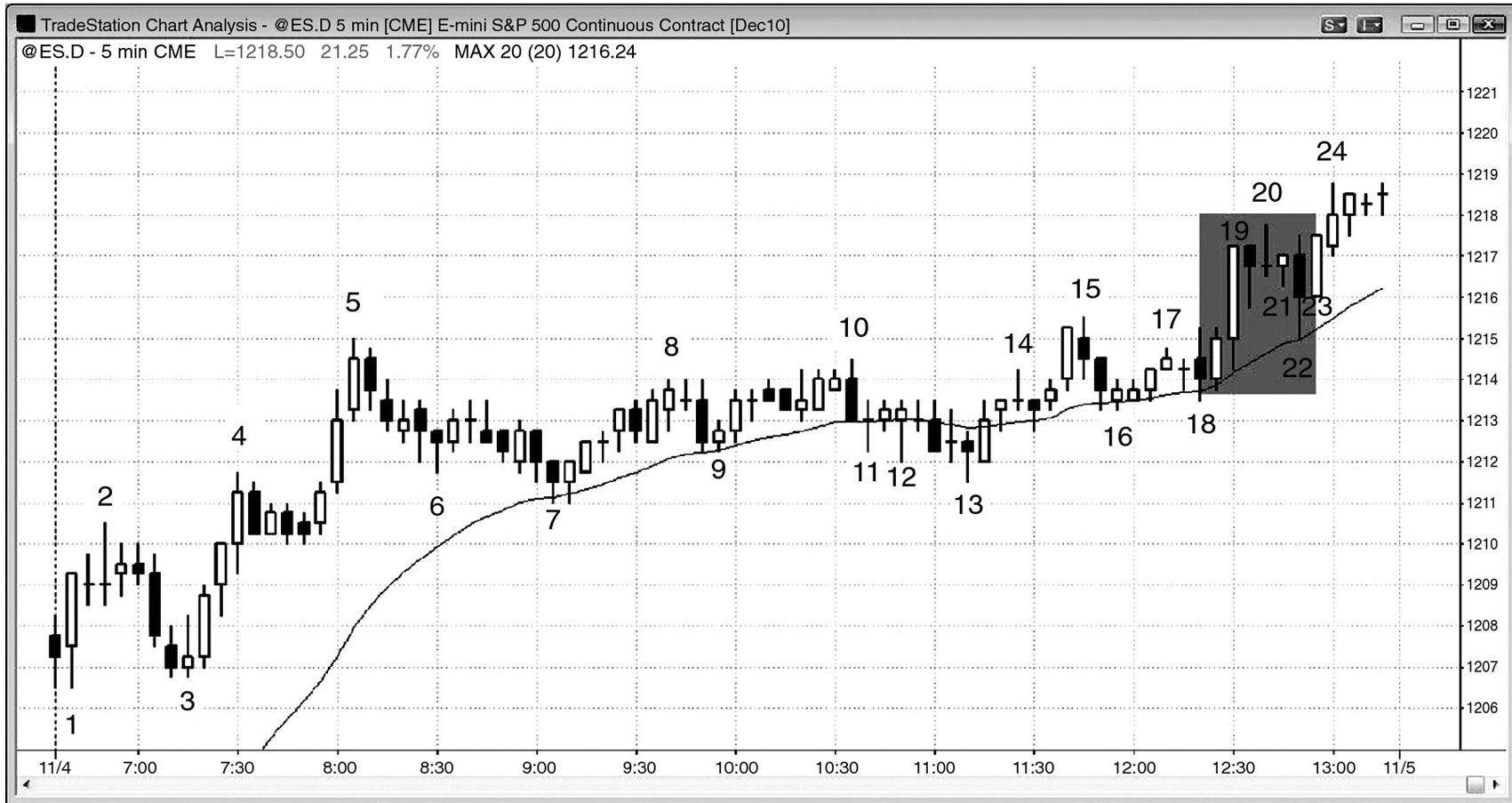
**FIGURE 10.1 Huge Volume Reversal**



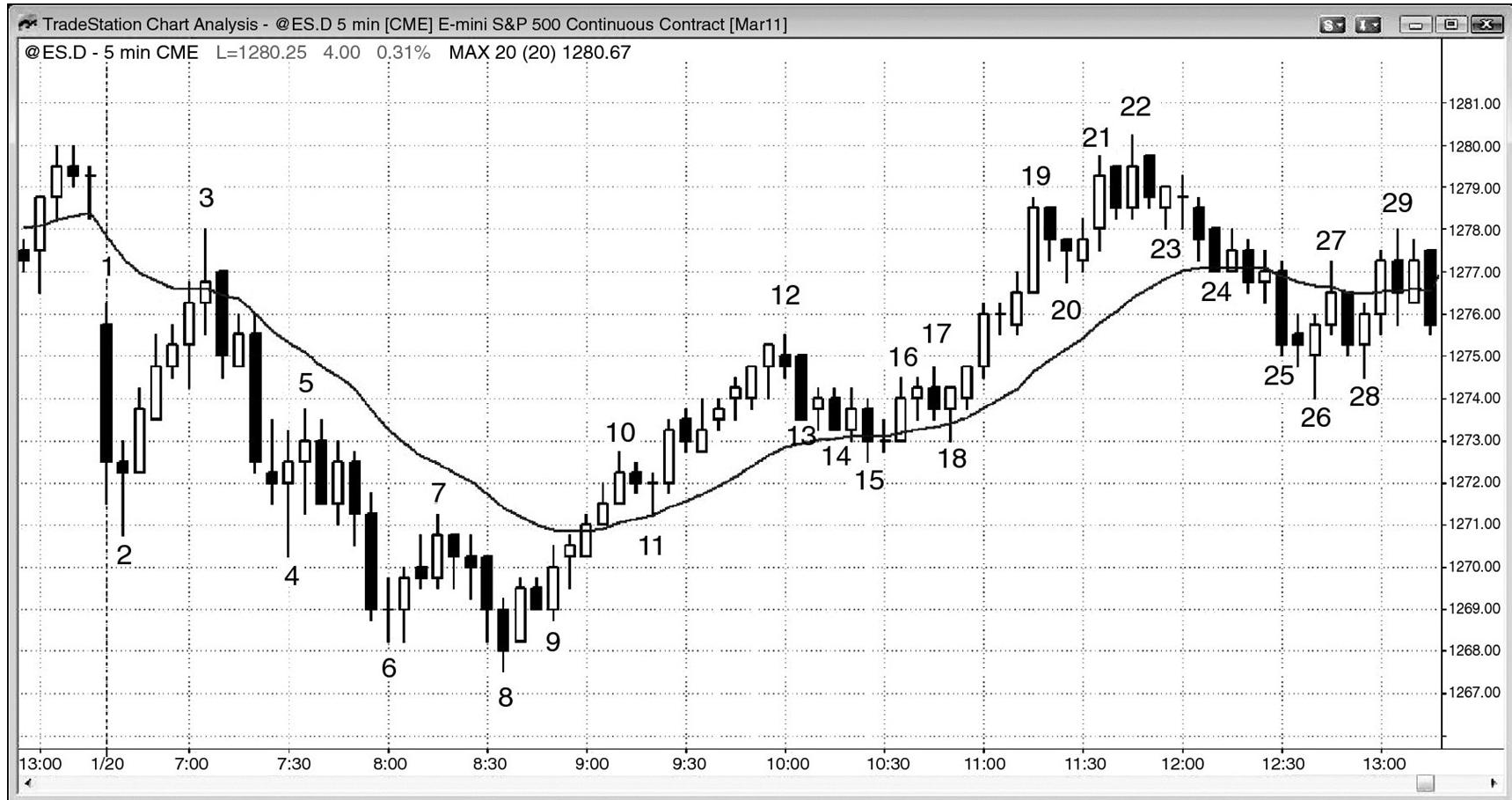
**FIGURE 10.2** Huge Volume without a Reversal



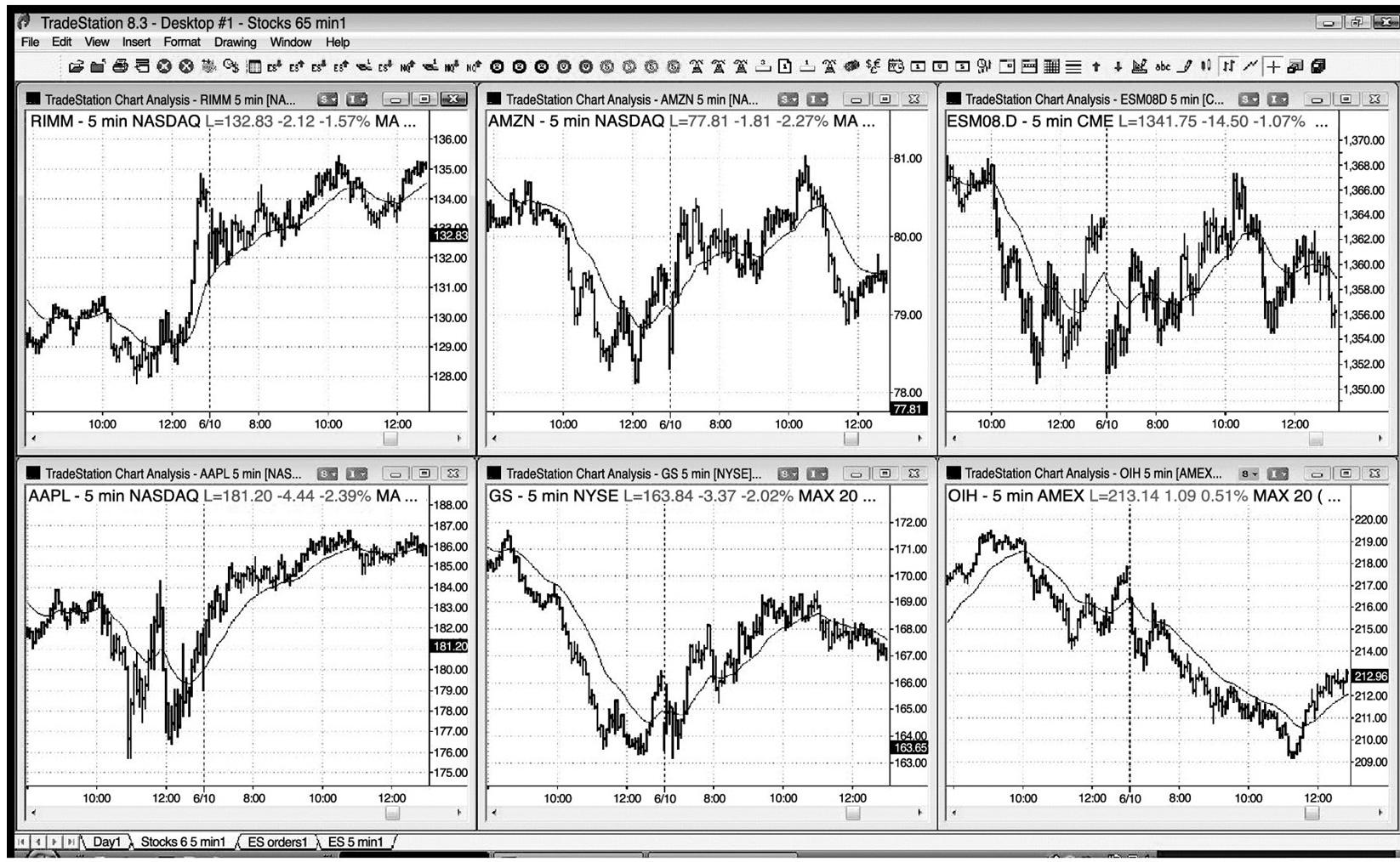
**FIGURE 11.1** Risk Managers Contribute to Trends into the Close



**FIGURE 11.2 Trends into the Close Can Be Scary**



**FIGURE 11.3** Midday Reversal



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**FIGURE 13.1** Swing Trading with Bar Charts

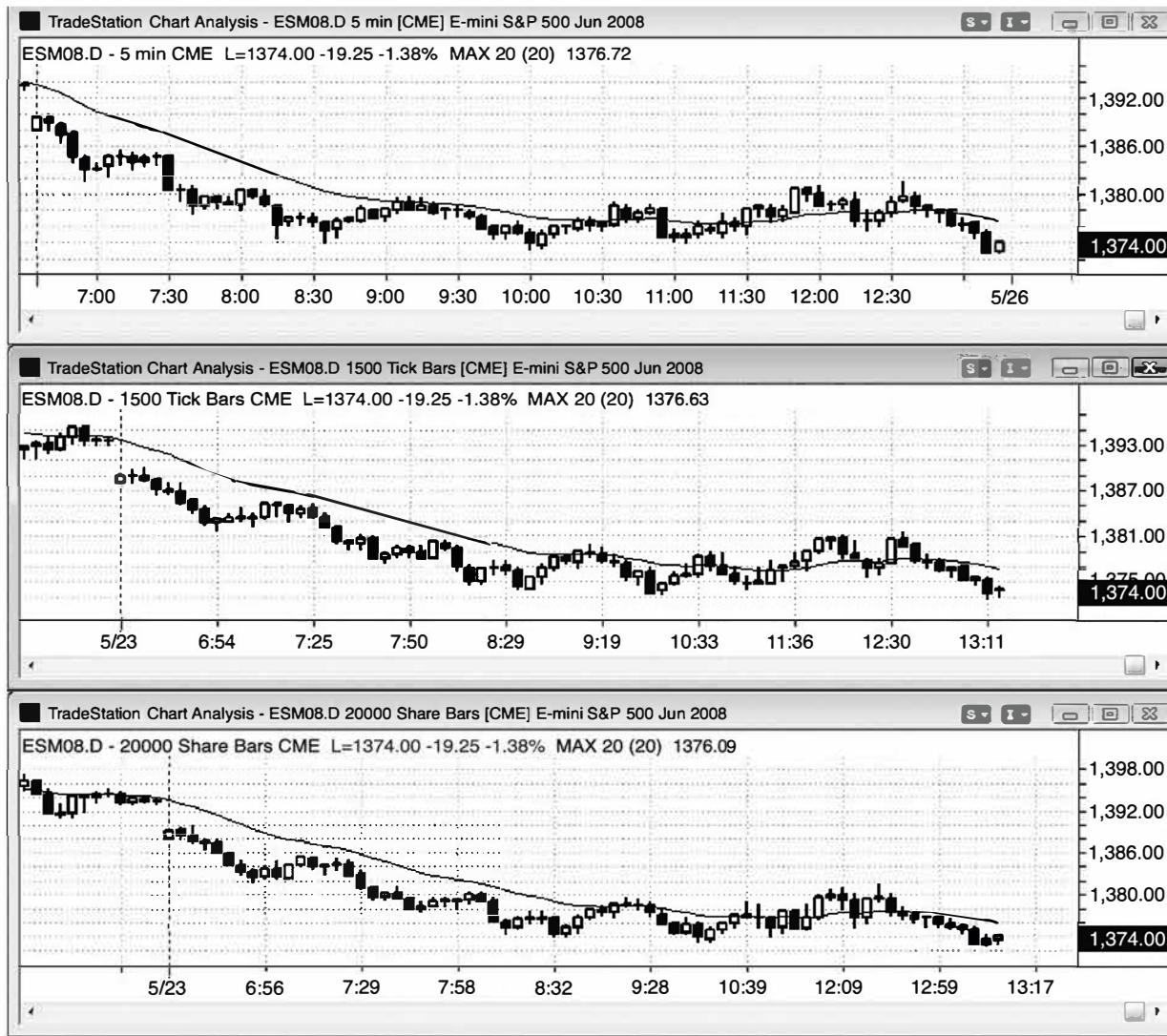


**FIGURE 13.2** Pullbacks on 1 Minute Chart



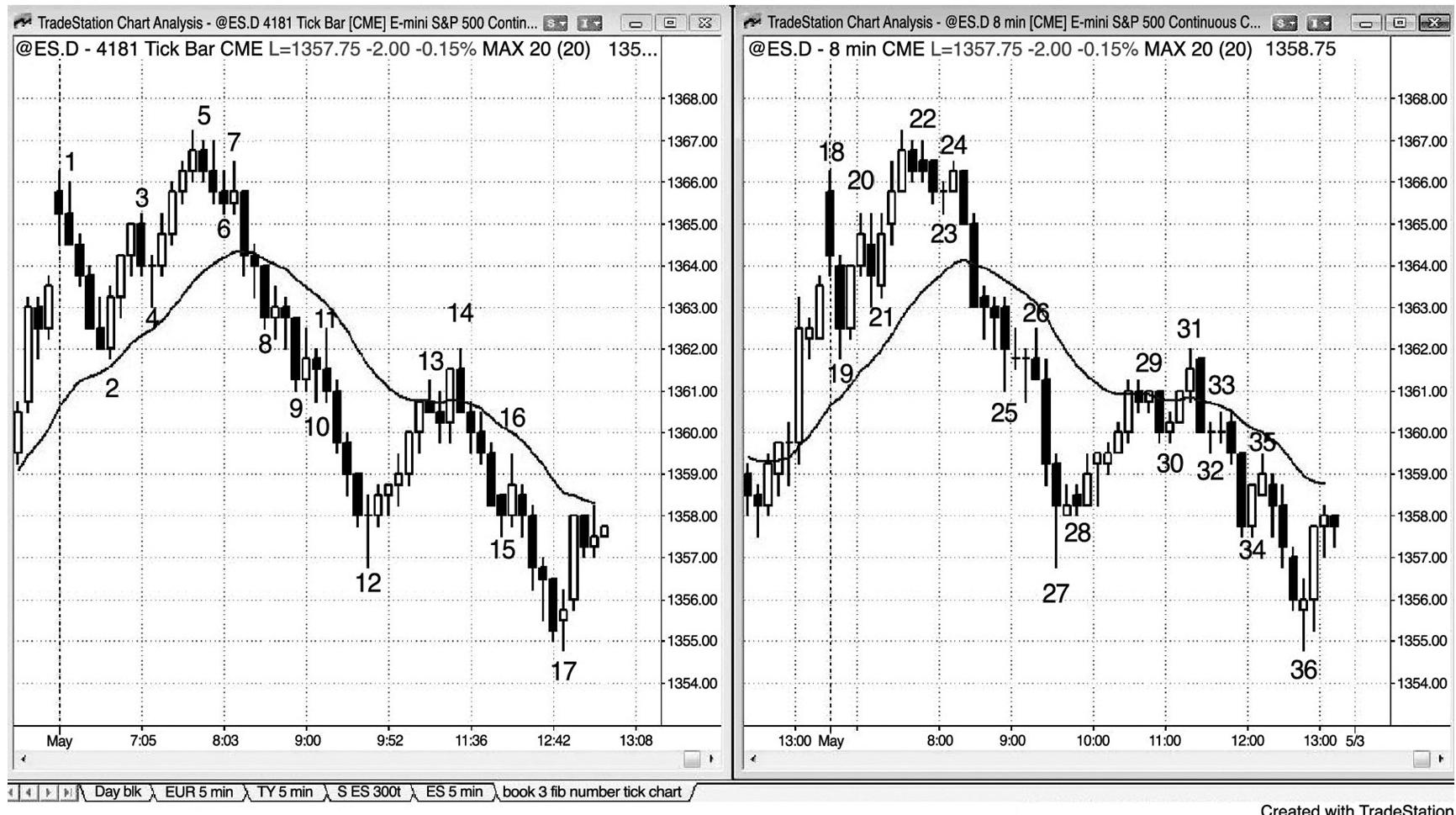
Created with TradeStation

**FIGURE 13.3** Moving Average Pullbacks on 1 Minute Chart

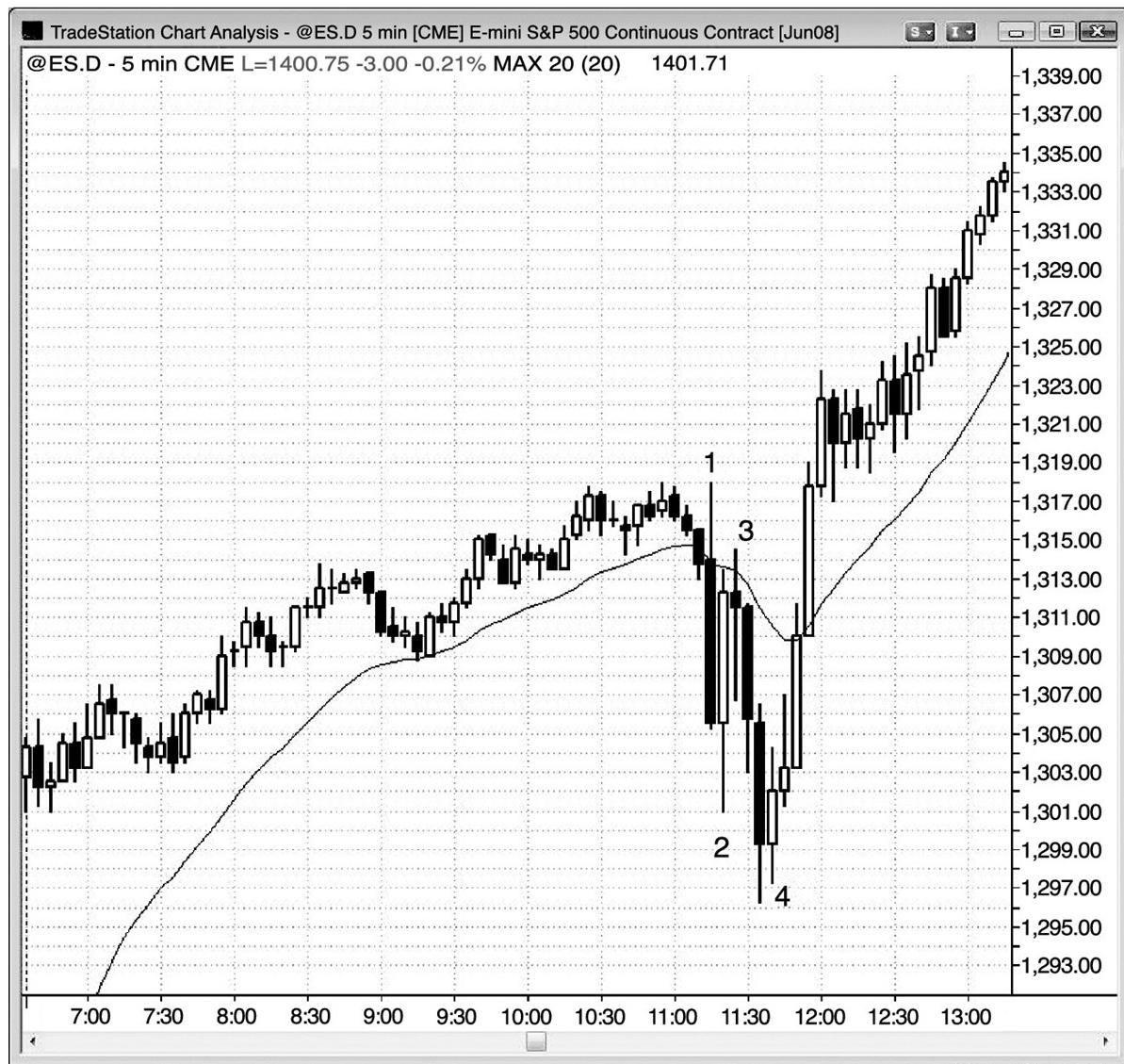


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**FIGURE 13.4** Volume and Tick Charts Have More Bars in the First Hour or So

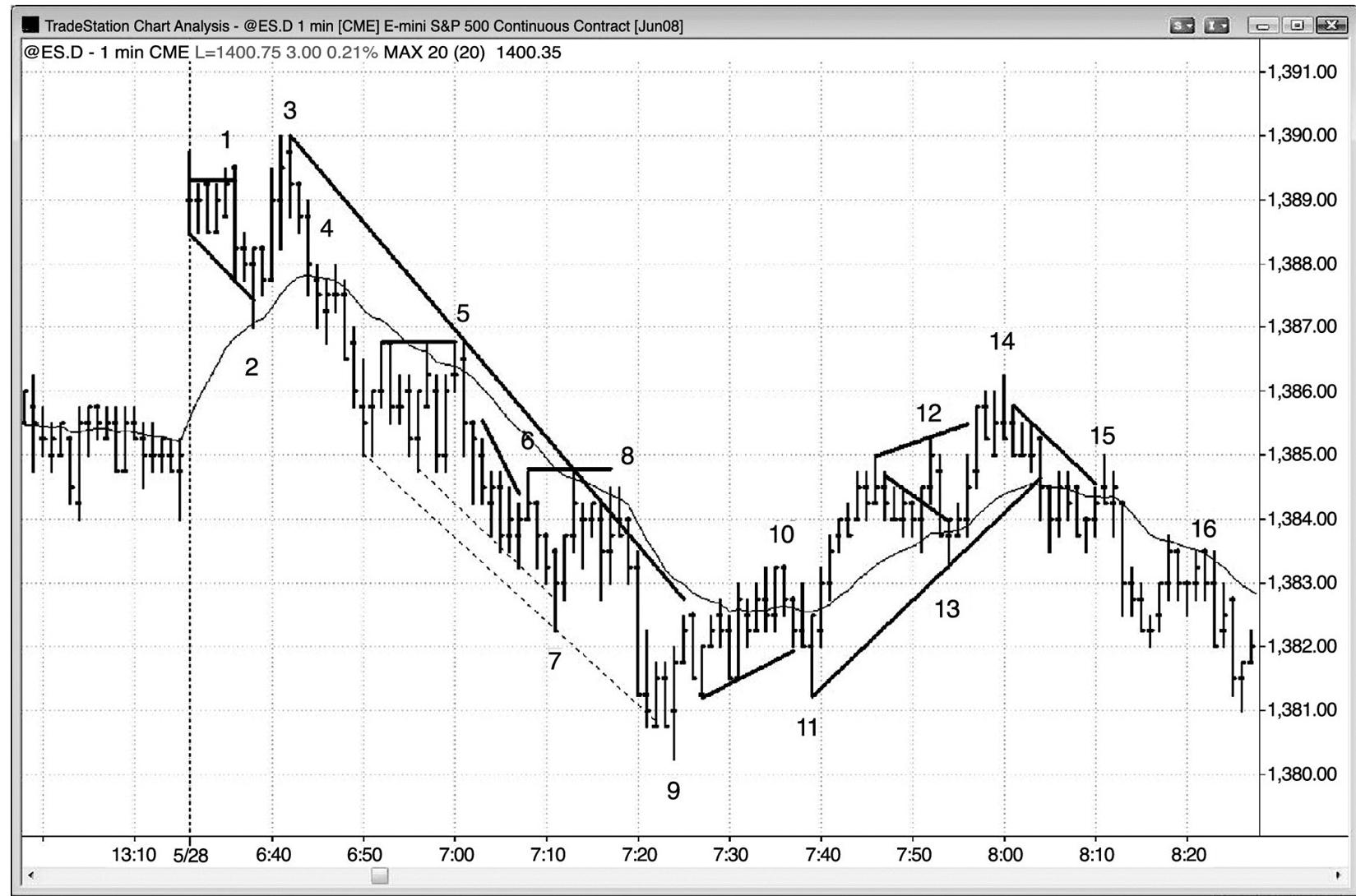


**FIGURE 13.5** Price Action Works on Any Time Frame and Any Type of Chart



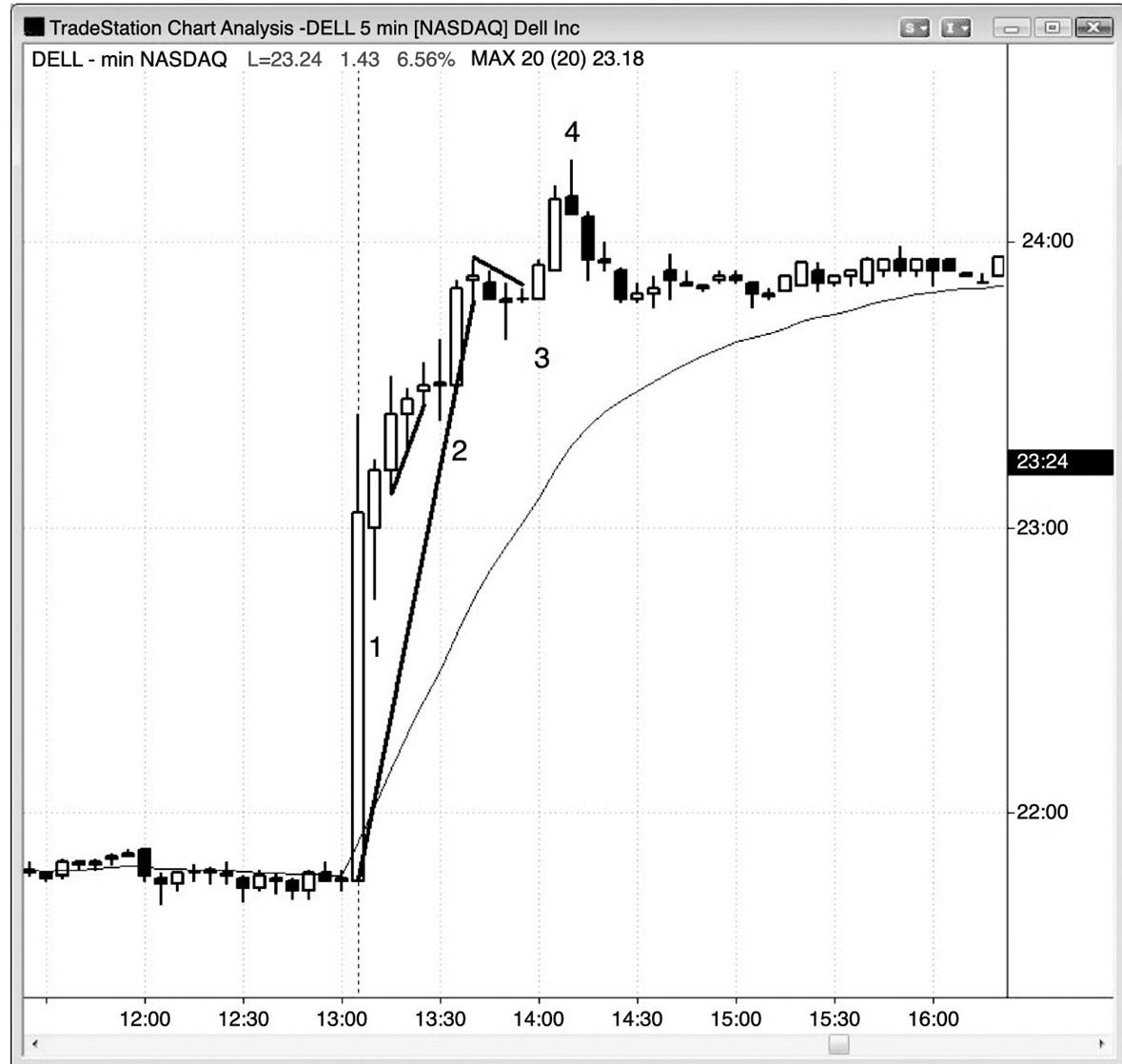
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**FIGURE 13.6** Big Bars and Reversals during a Report



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**FIGURE 13.7** Scalps in First Hour on 1 Minute Chart

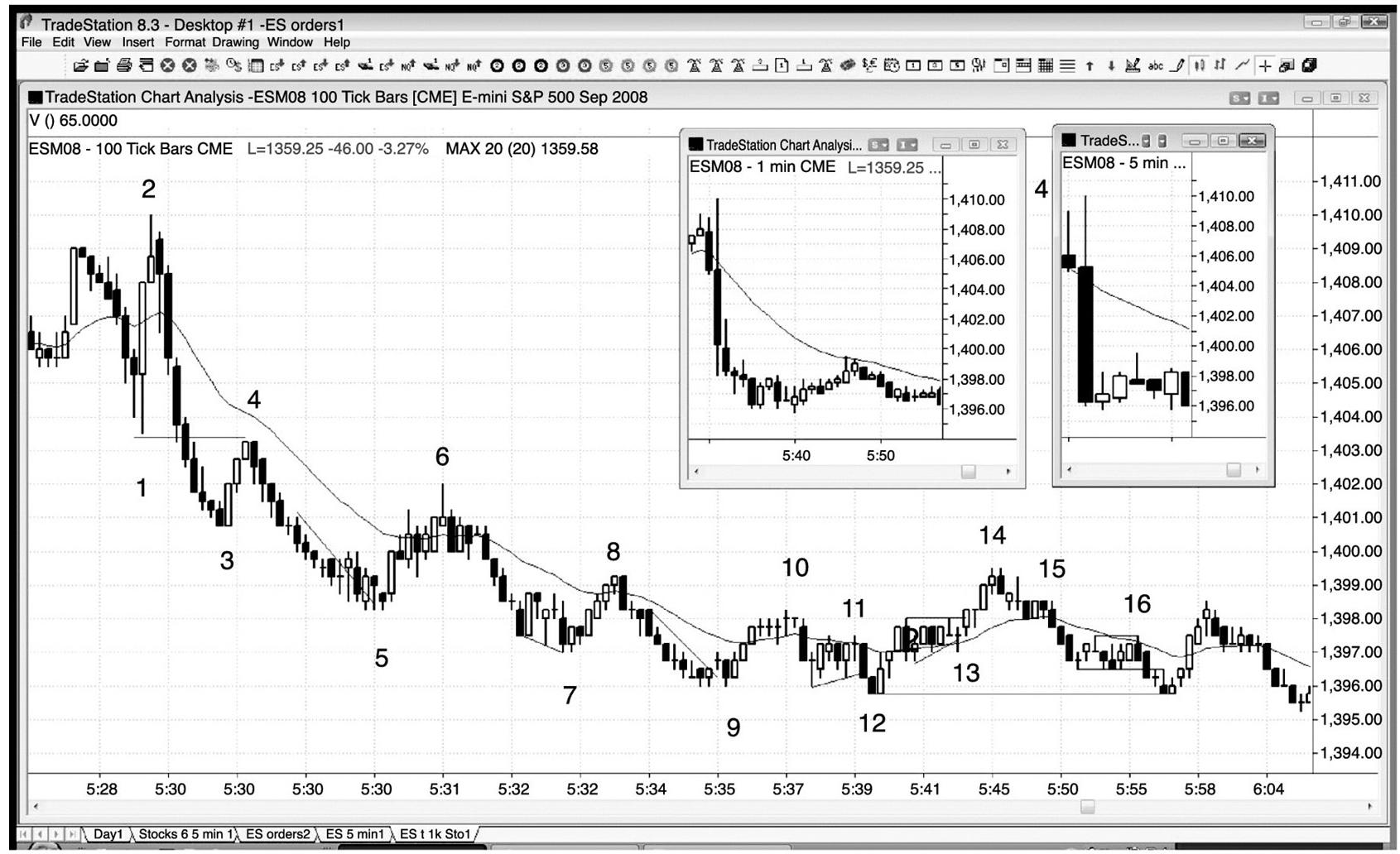


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**FIGURE 14.1** Trading after the Close



**FIGURE 14.2** Trading the Premarket



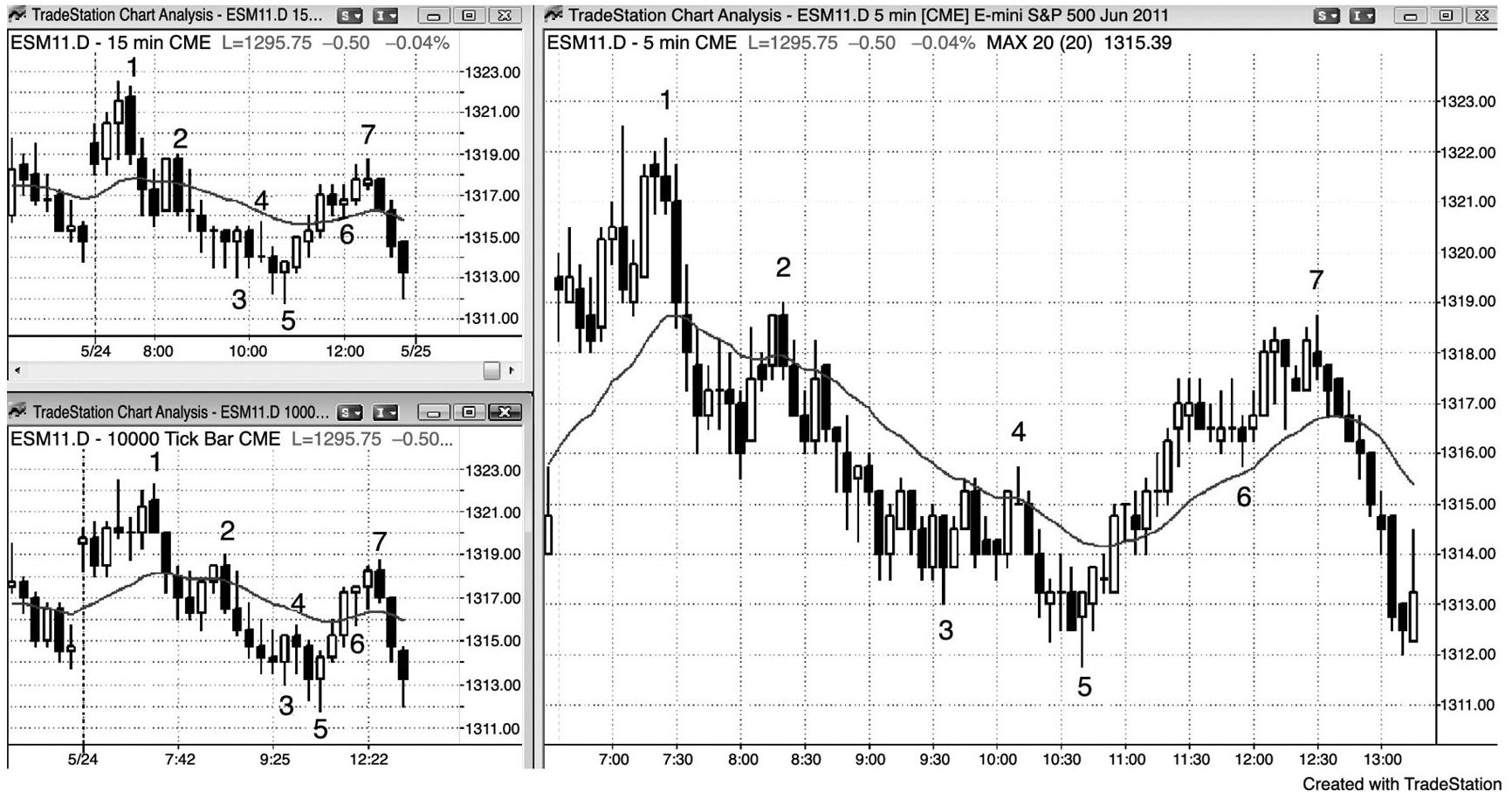
**FIGURE 14.3** Tick Charts Have More Bars in a Fast Market



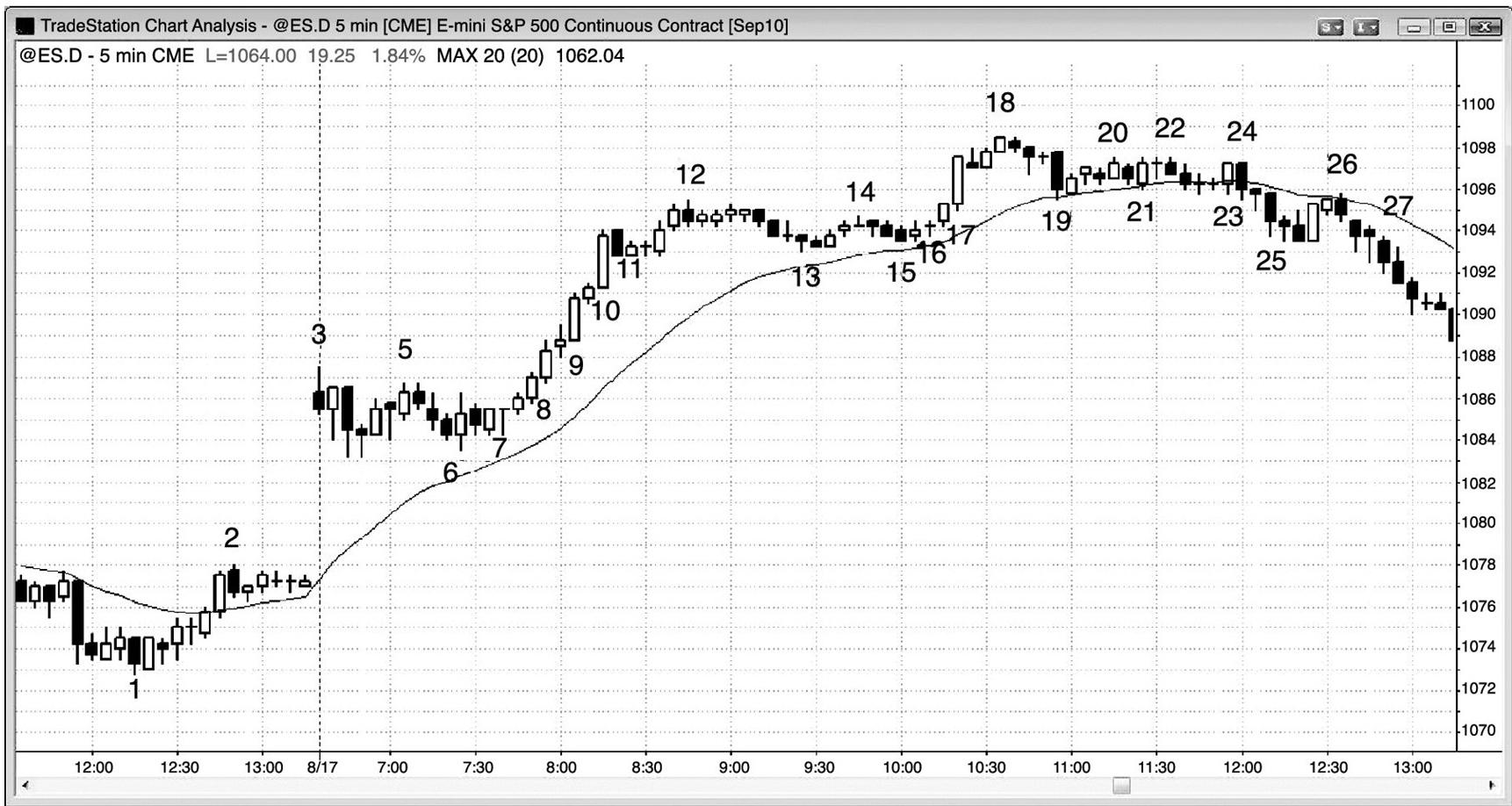
**FIGURE 14.4** The Globex and Day Session Often Have Different Setups



**FIGURE 15.1** Always-In Swing Trading

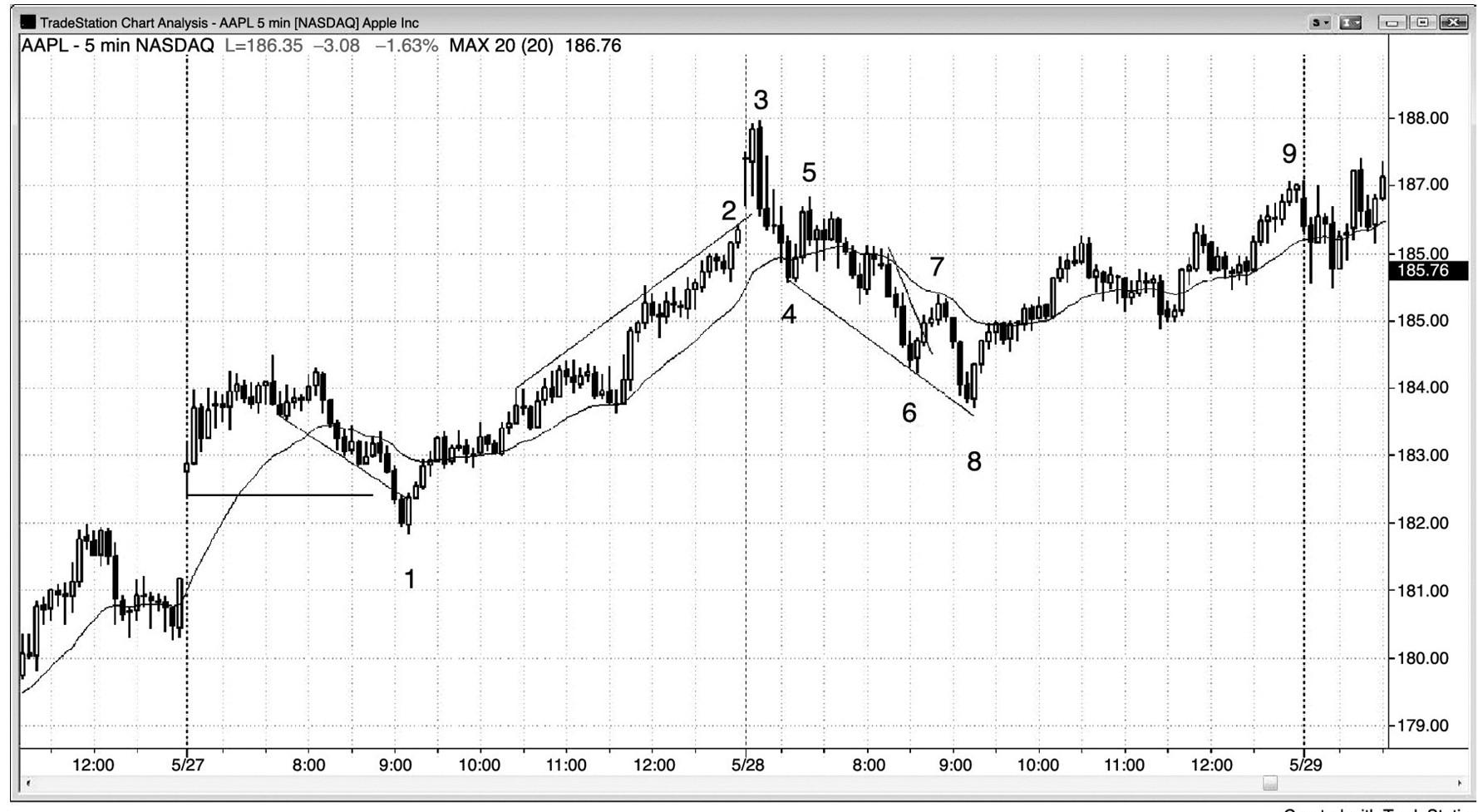


**FIGURE 15.2 Higher Time Frame Charts**



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**FIGURE 15.3 Gap Up, Then Pullback**

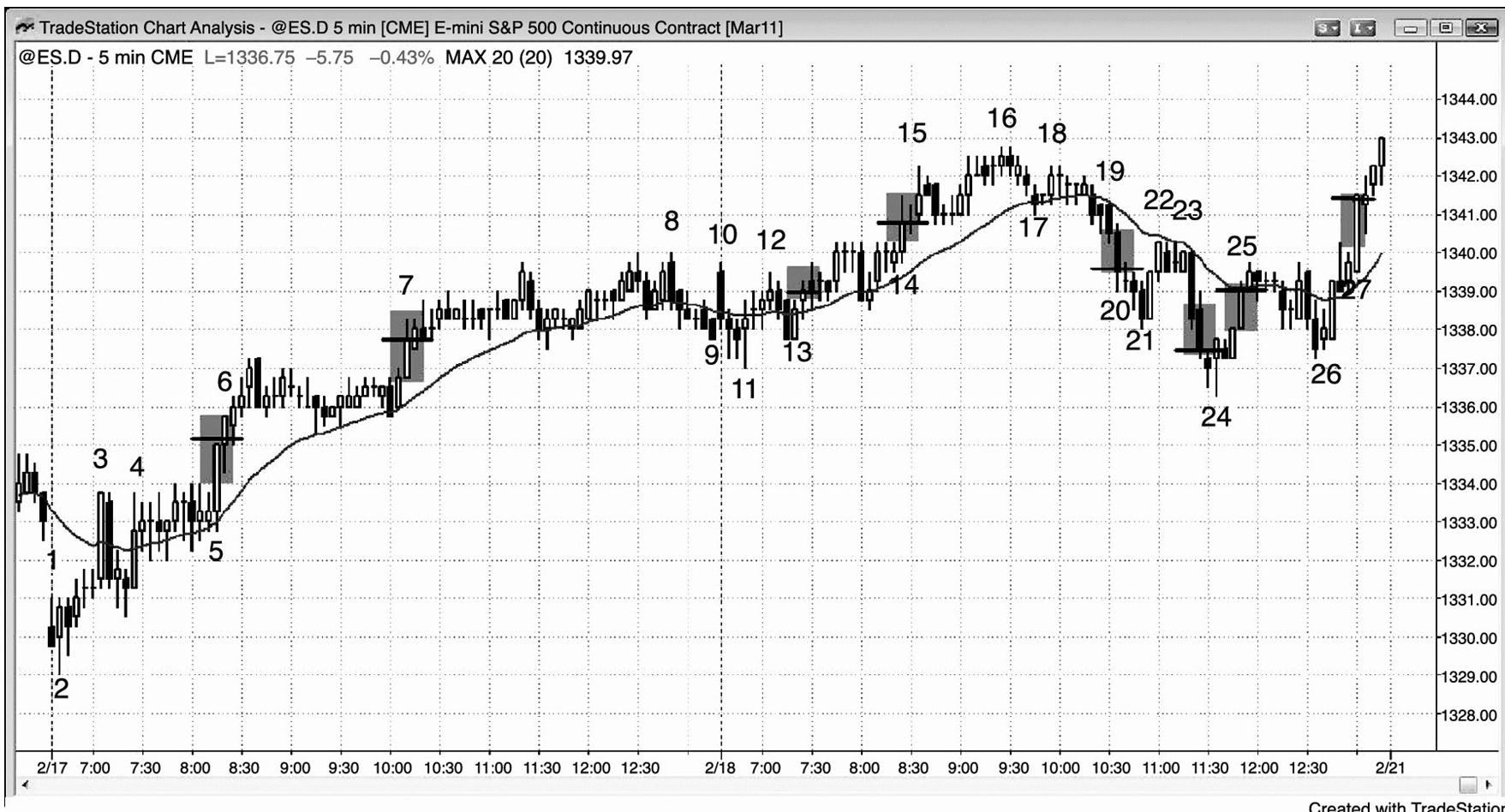


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**FIGURE 15.4** Look for Early Swing Setups



**FIGURE 15.5** Follow-Through Is Often Likely



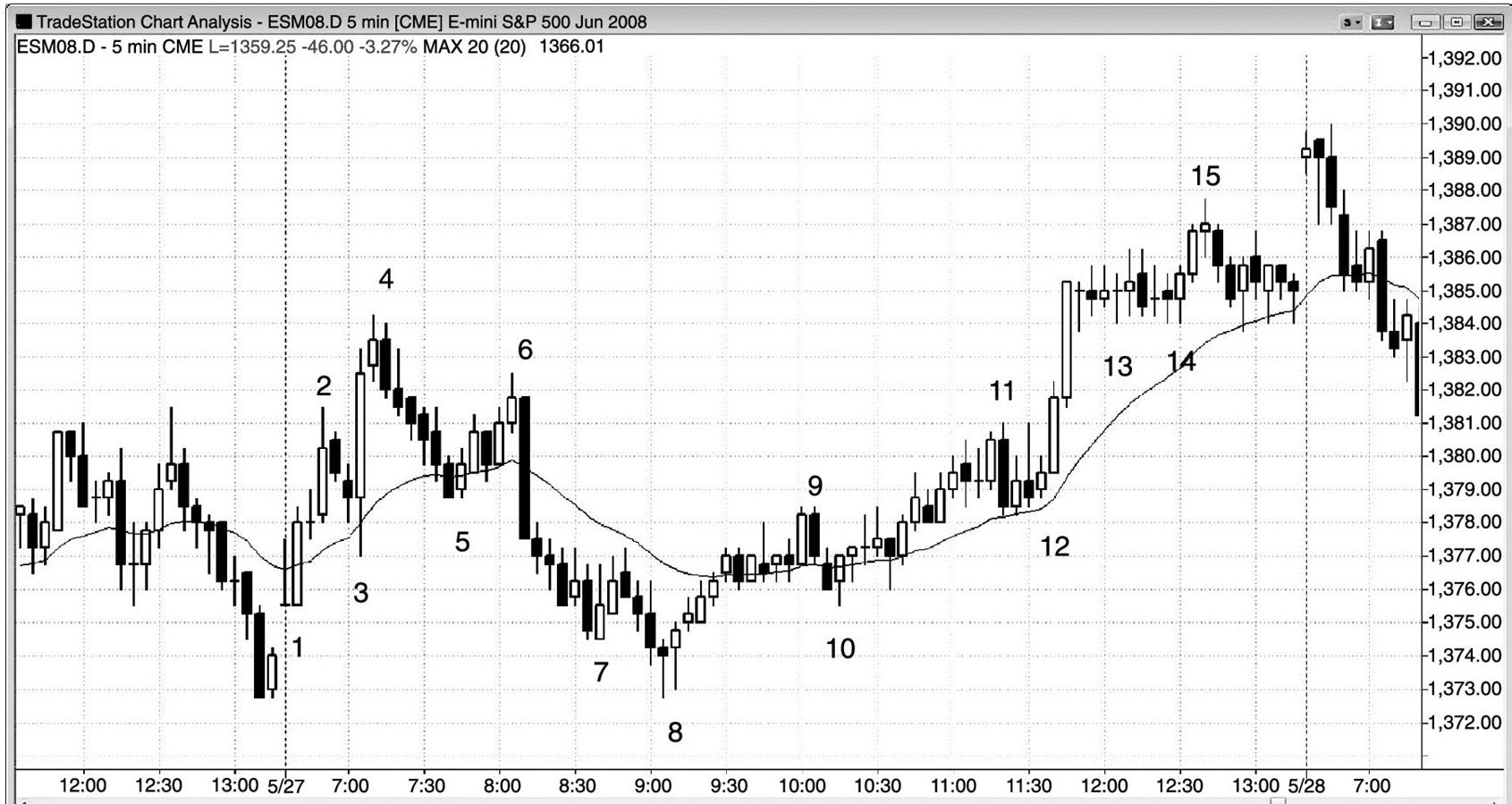
**FIGURE 15.6** Always-In Setups



**FIGURE 16.1 Extreme Scalping**



**FIGURE PIII.1 Failed Early Reversal**



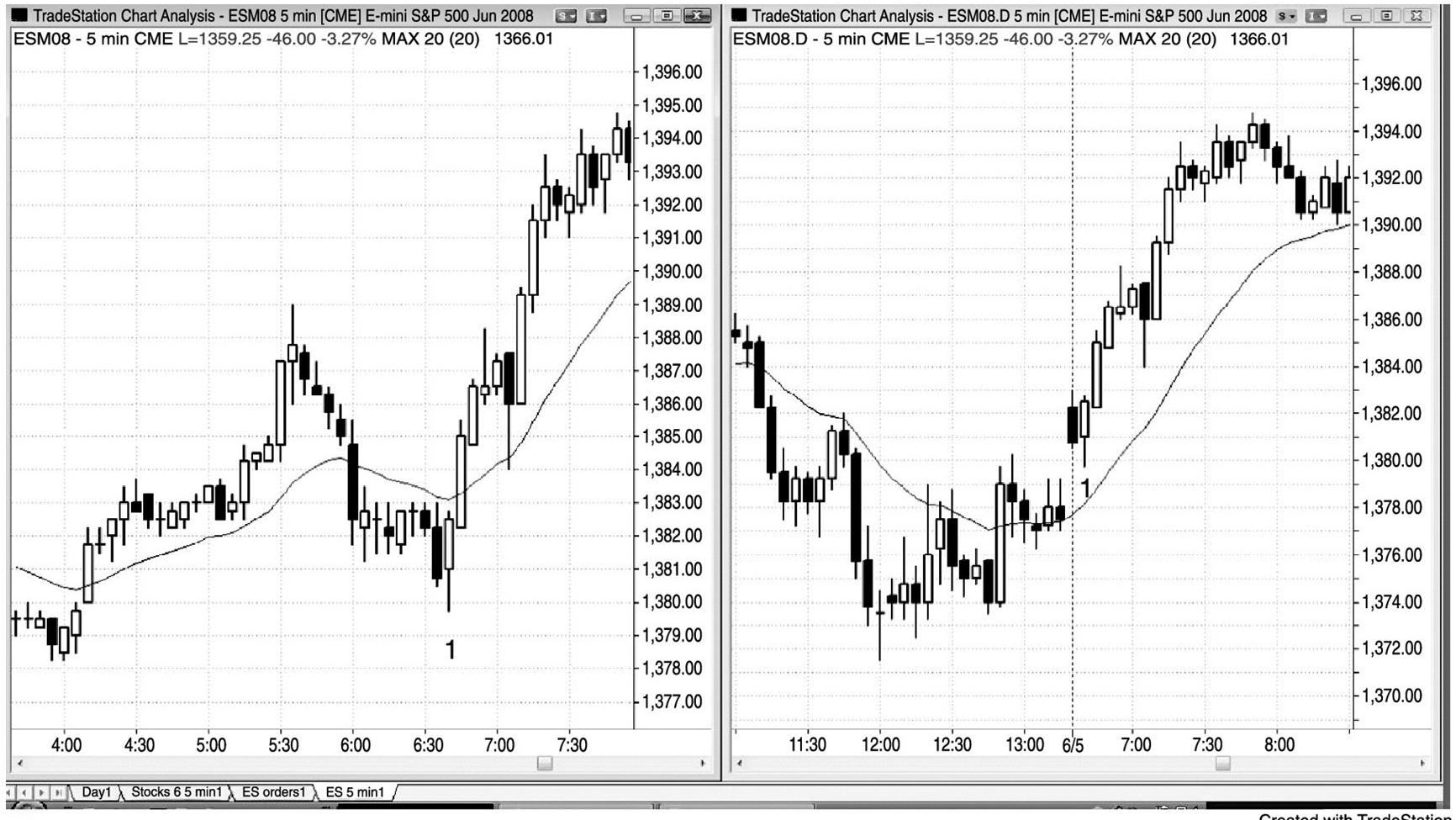
**FIGURE PIII.2** The First Few Bars Can Set the Tone



**FIGURE PIII.3** Don't Scalp Stocks with Small Ranges



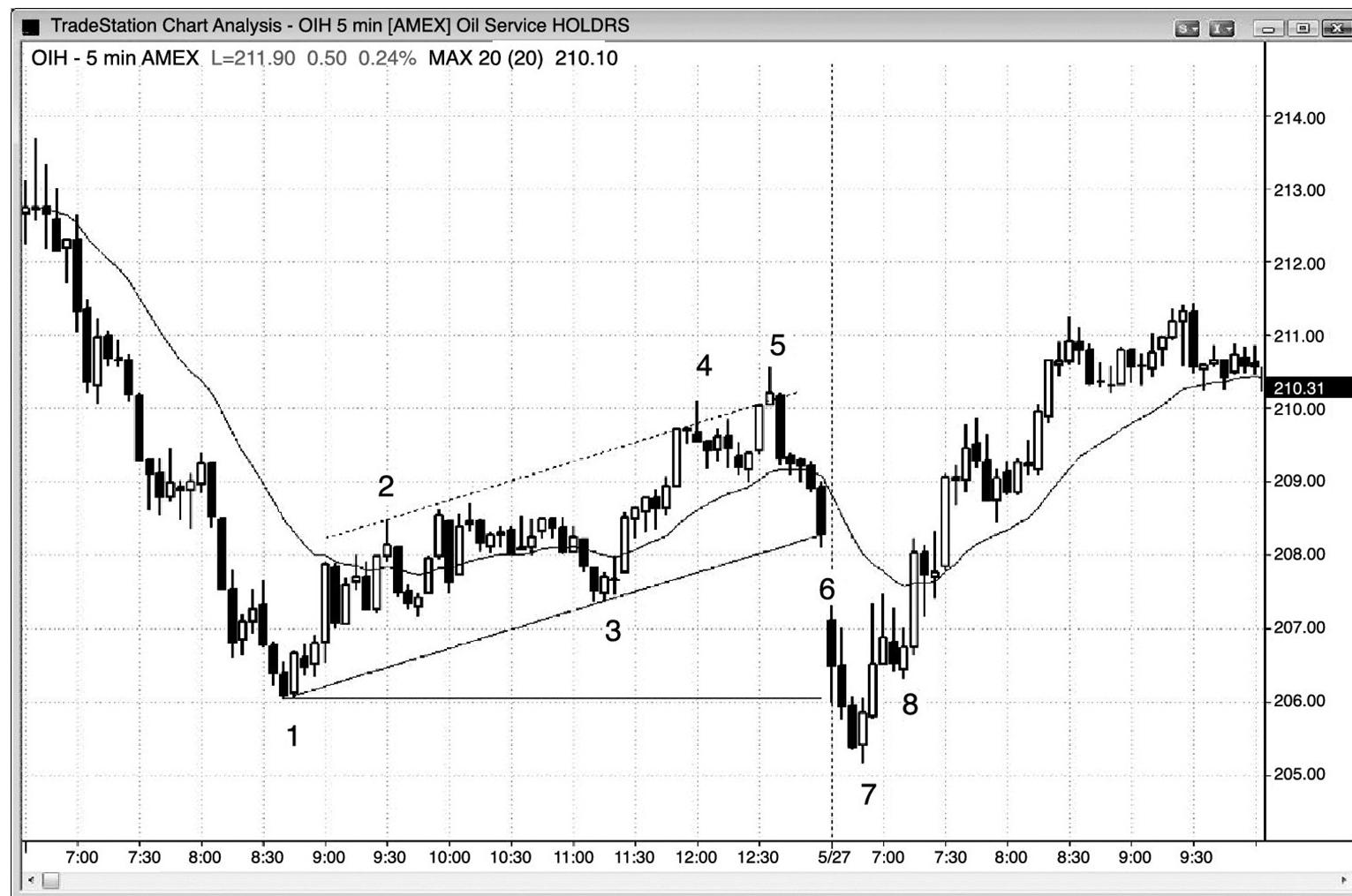
**FIGURE PIII.4** Early Barbwire Often Leads to a Trading Range Day



**FIGURE 17.1** The Globex and Day Session Usually Give Related Signals

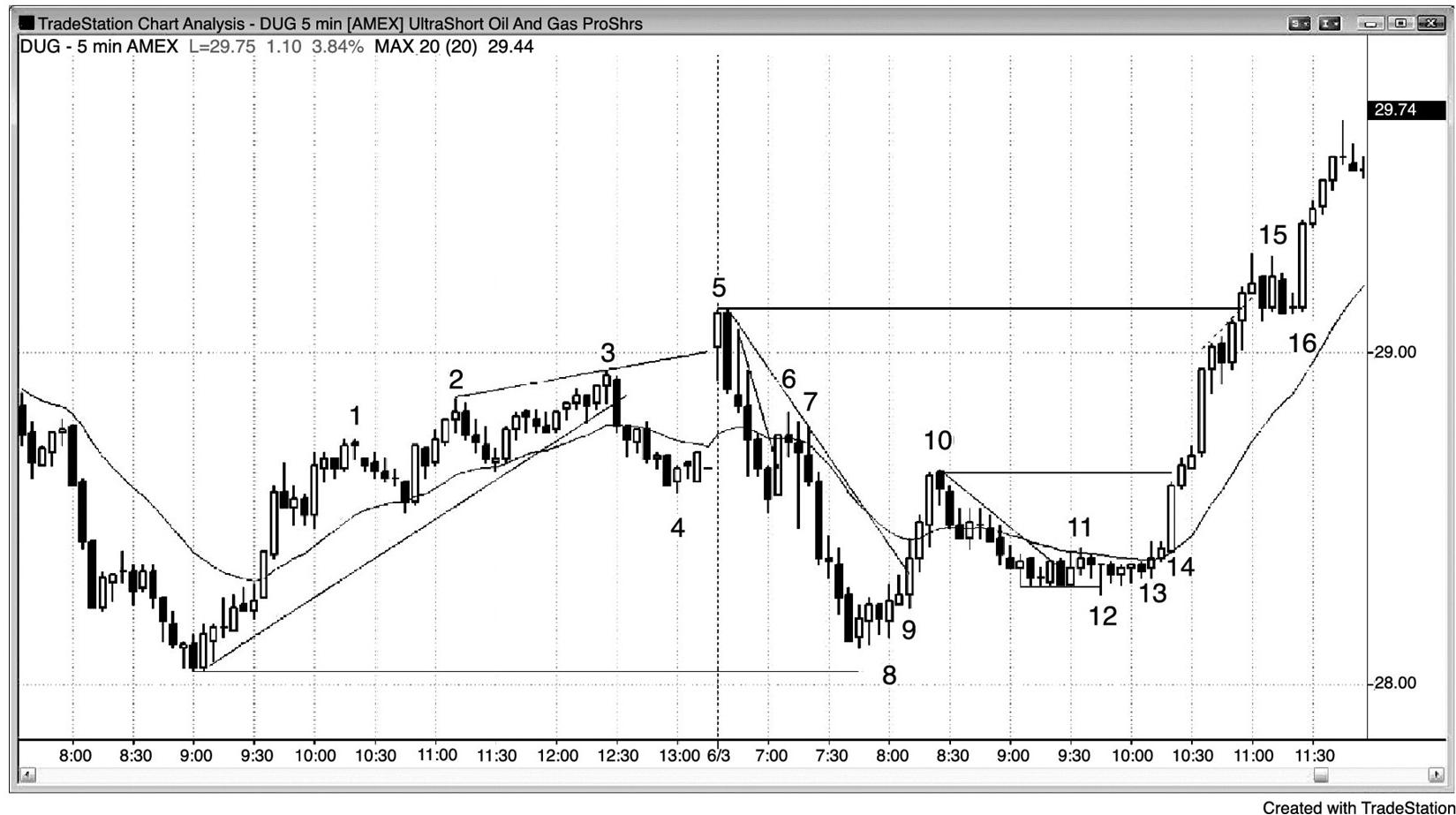


**FIGURE 17.2** The Moving Average Is Different on the Globex

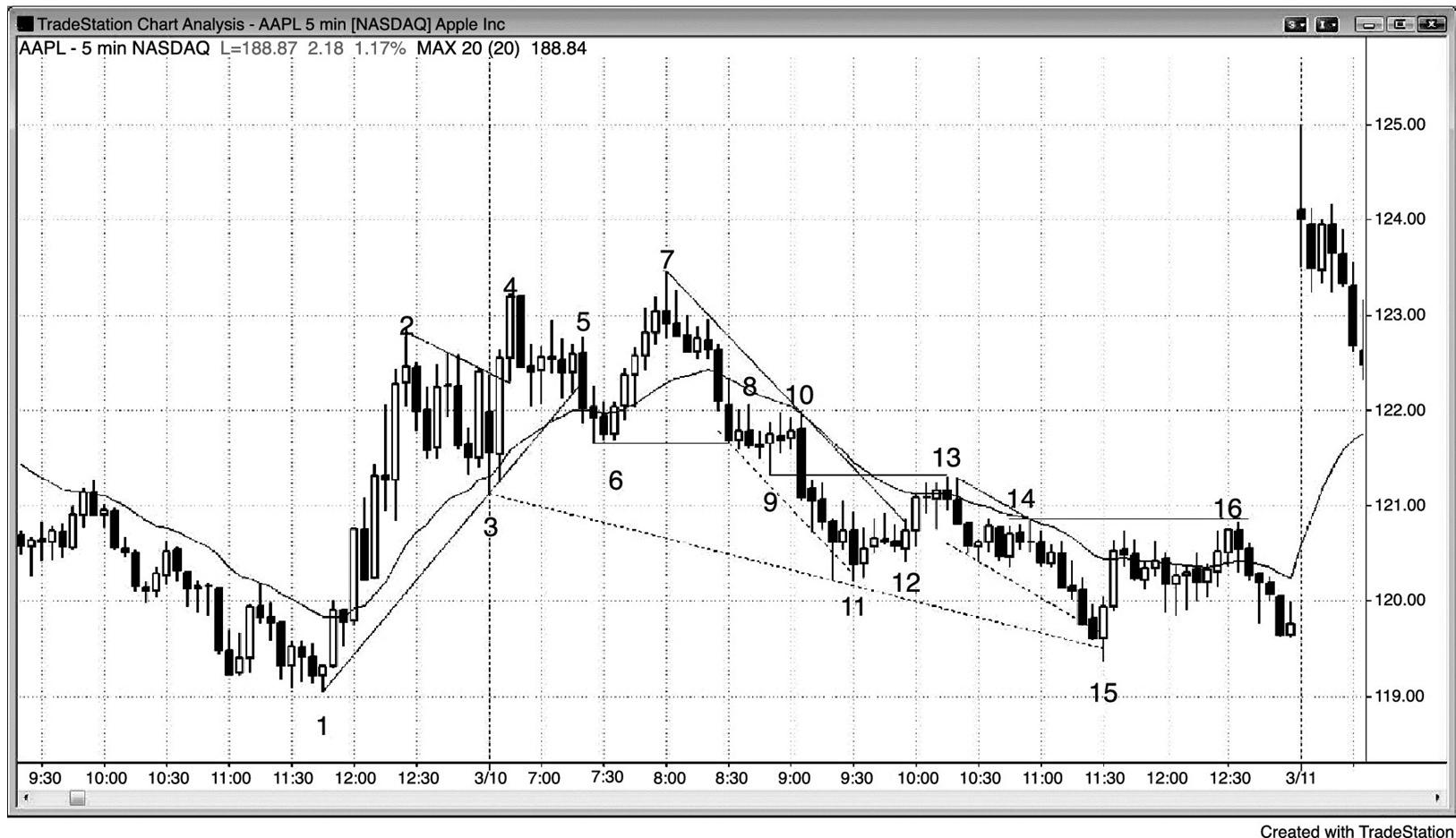


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**FIGURE 18.1** A Bull Channel Is a Bear Flag



**FIGURE 18.2 Failed Breakout Early in the Day**



**FIGURE 18.3** First-Hour Double Top



**FIGURE 18.4** Breakout from Yesterday's Pattern



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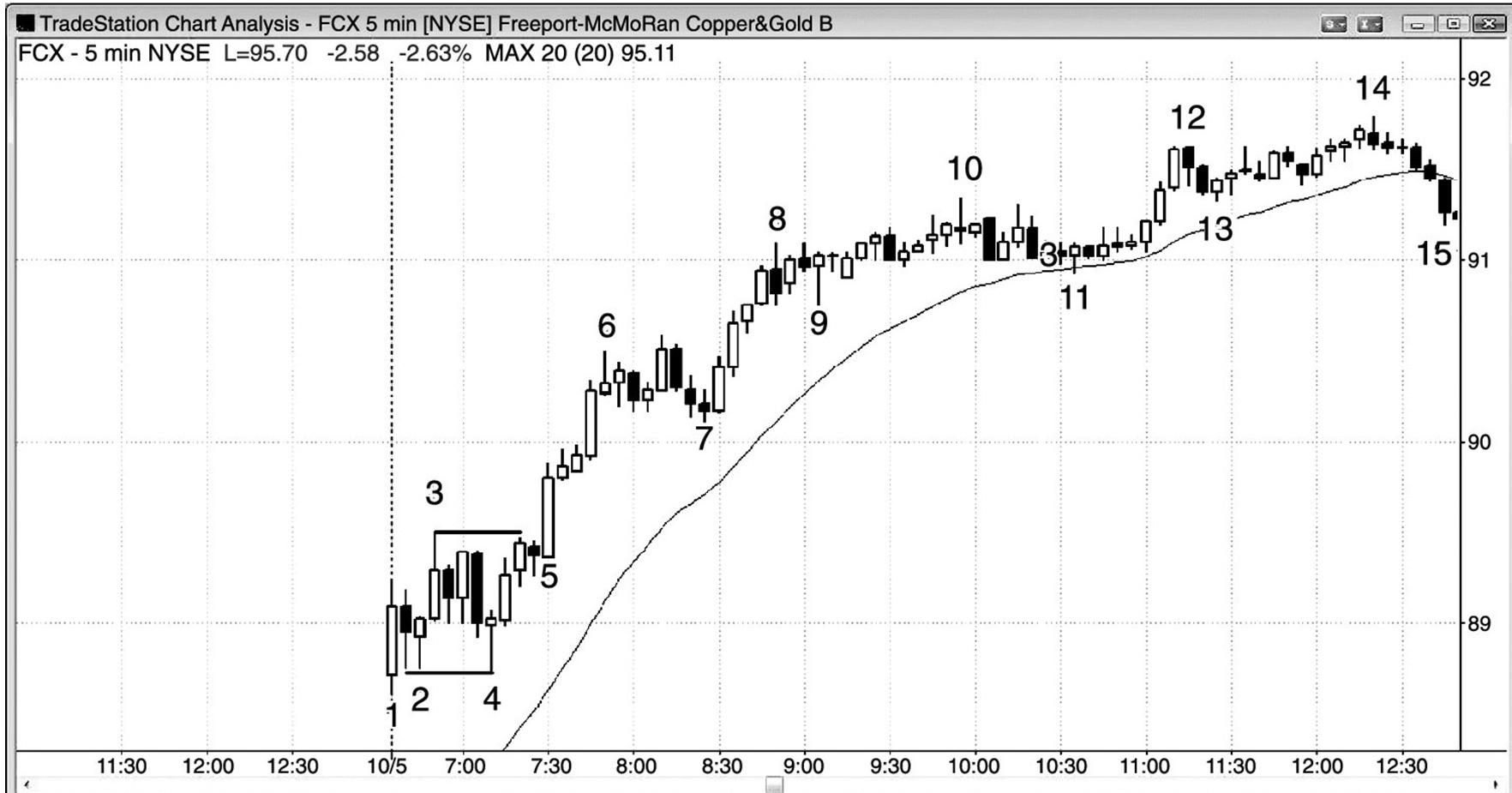
**FIGURE 18.5 A Bear Channel Is a Bull Flag**



**FIGURE 18.6** Yesterday's Patterns Are Important



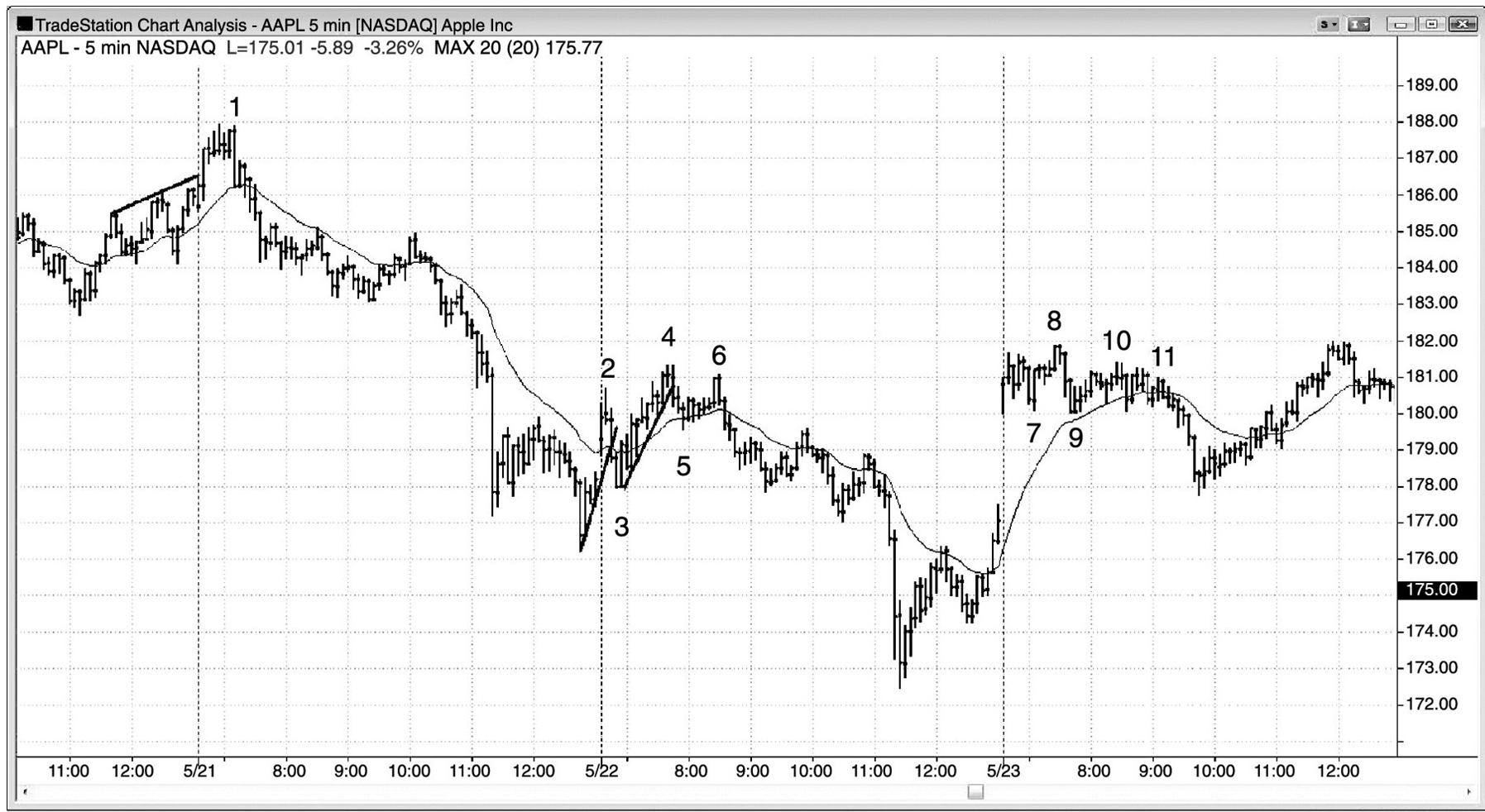
**FIGURE 19.1** Measured Move after Breakout of Small Opening Range



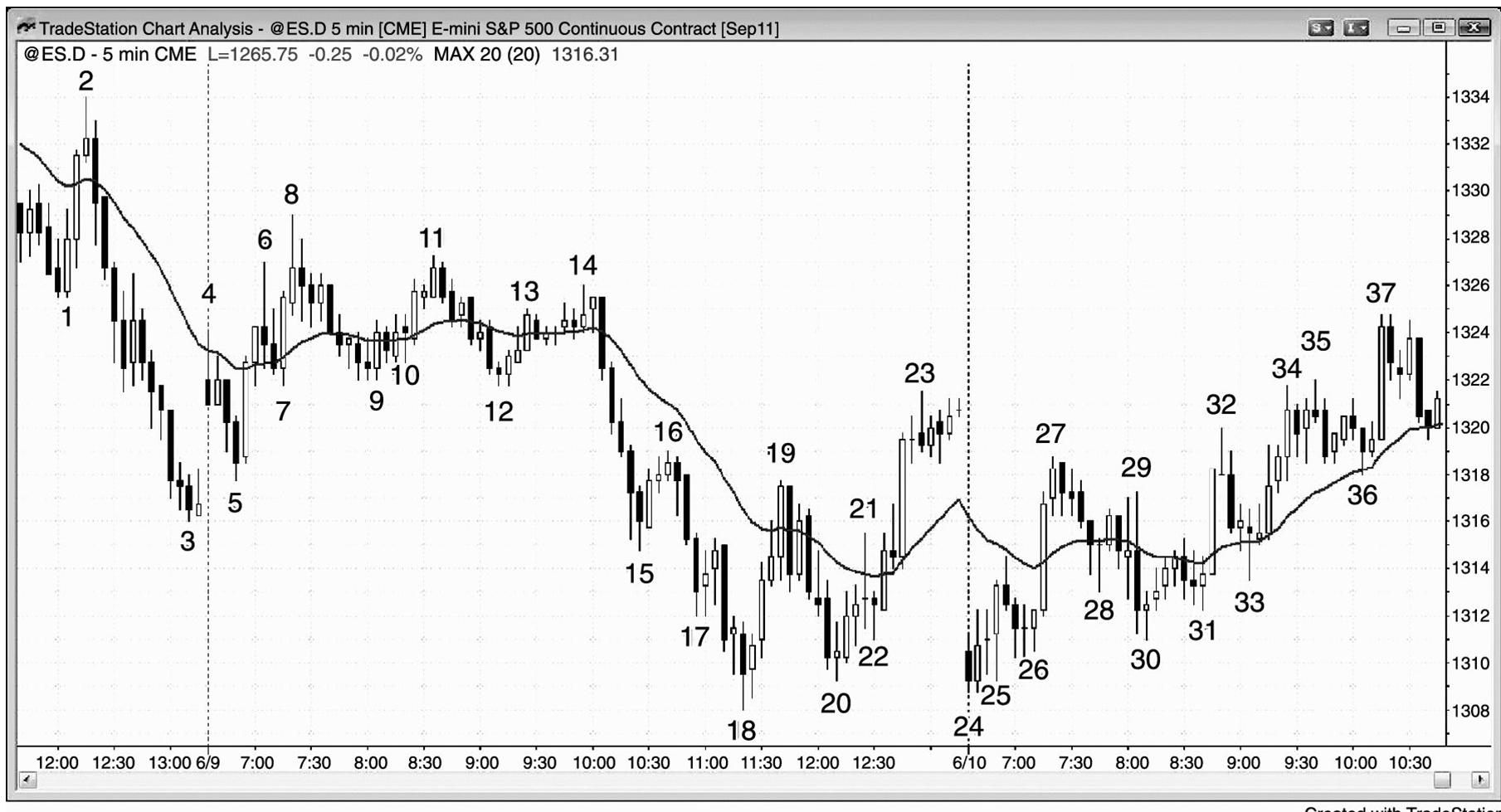
**FIGURE 19.2** The Size of the Opening Range Is Important



**FIGURE 19.3 Breakout Pullbacks on the Open**



**FIGURE 19.4** Early Failed Breakouts

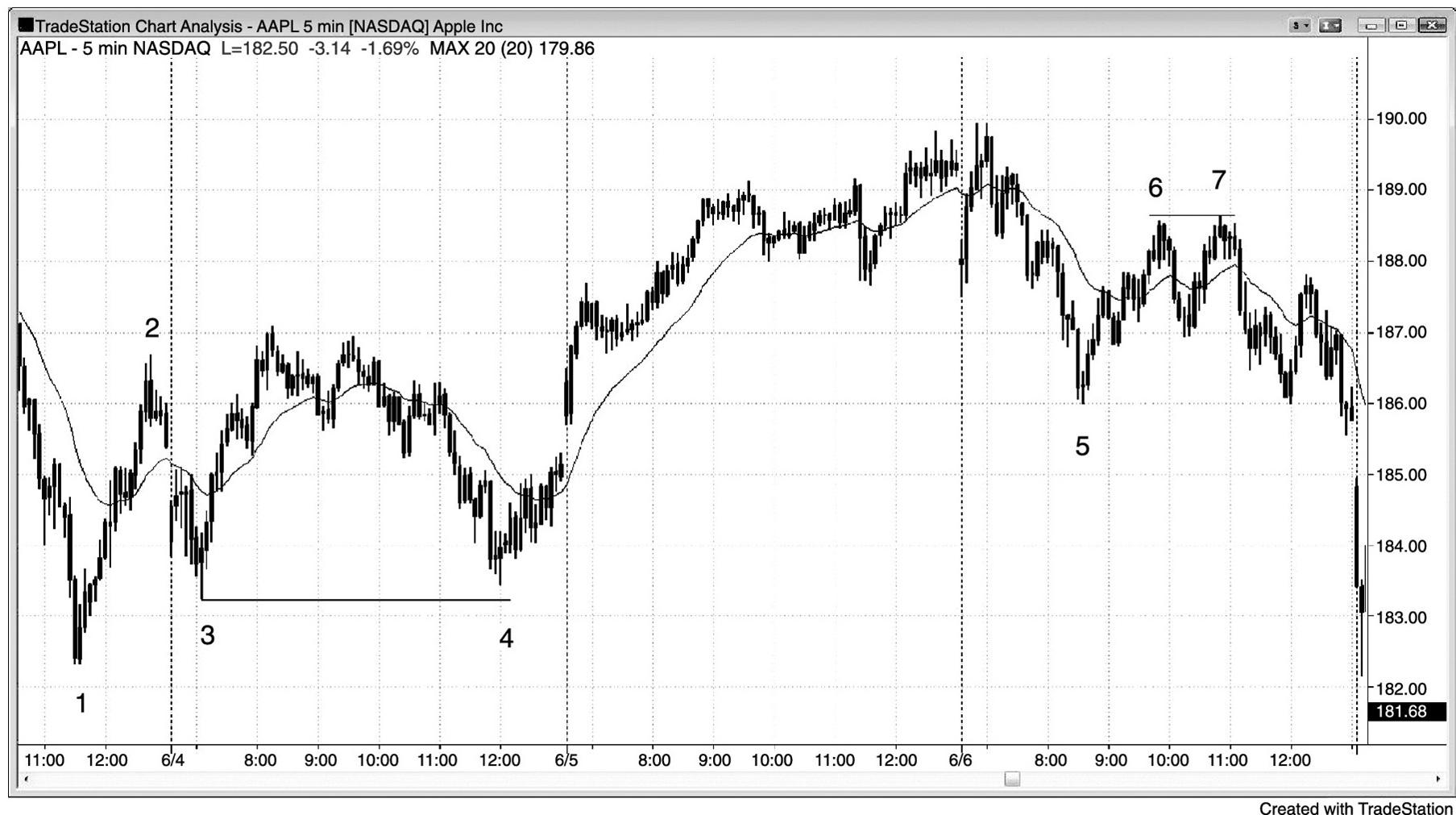


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**FIGURE 19.5 Both a Gap Down and a Gap Up Can Lead to an Opening Rally**



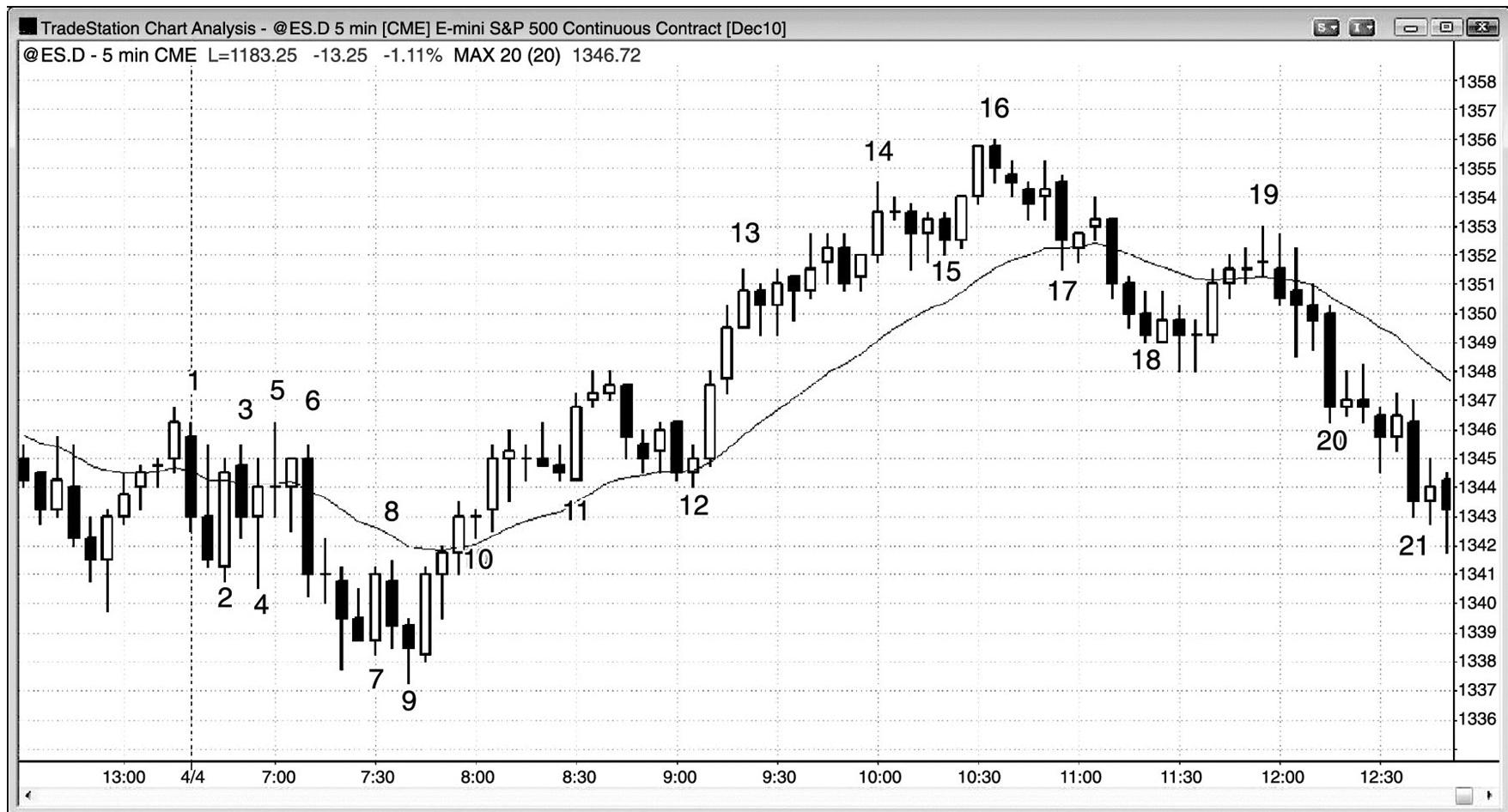
**FIGURE 19.6** Two-Legged Pullback after Gap Opening



**FIGURE 19.7 Double Bottom and Top Flags**

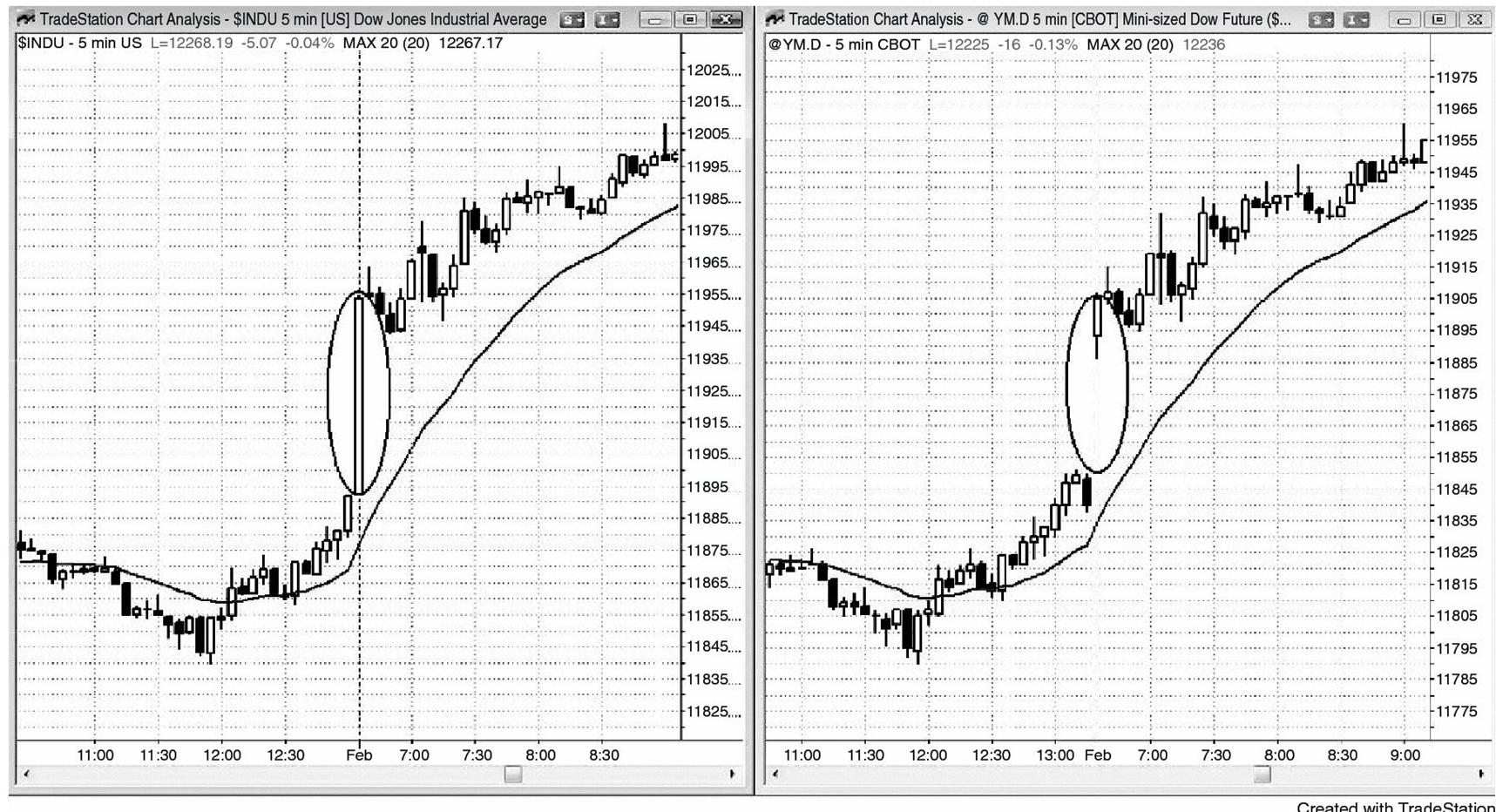


**FIGURE 19.8** Two Failed Attempts and Then a Reversal

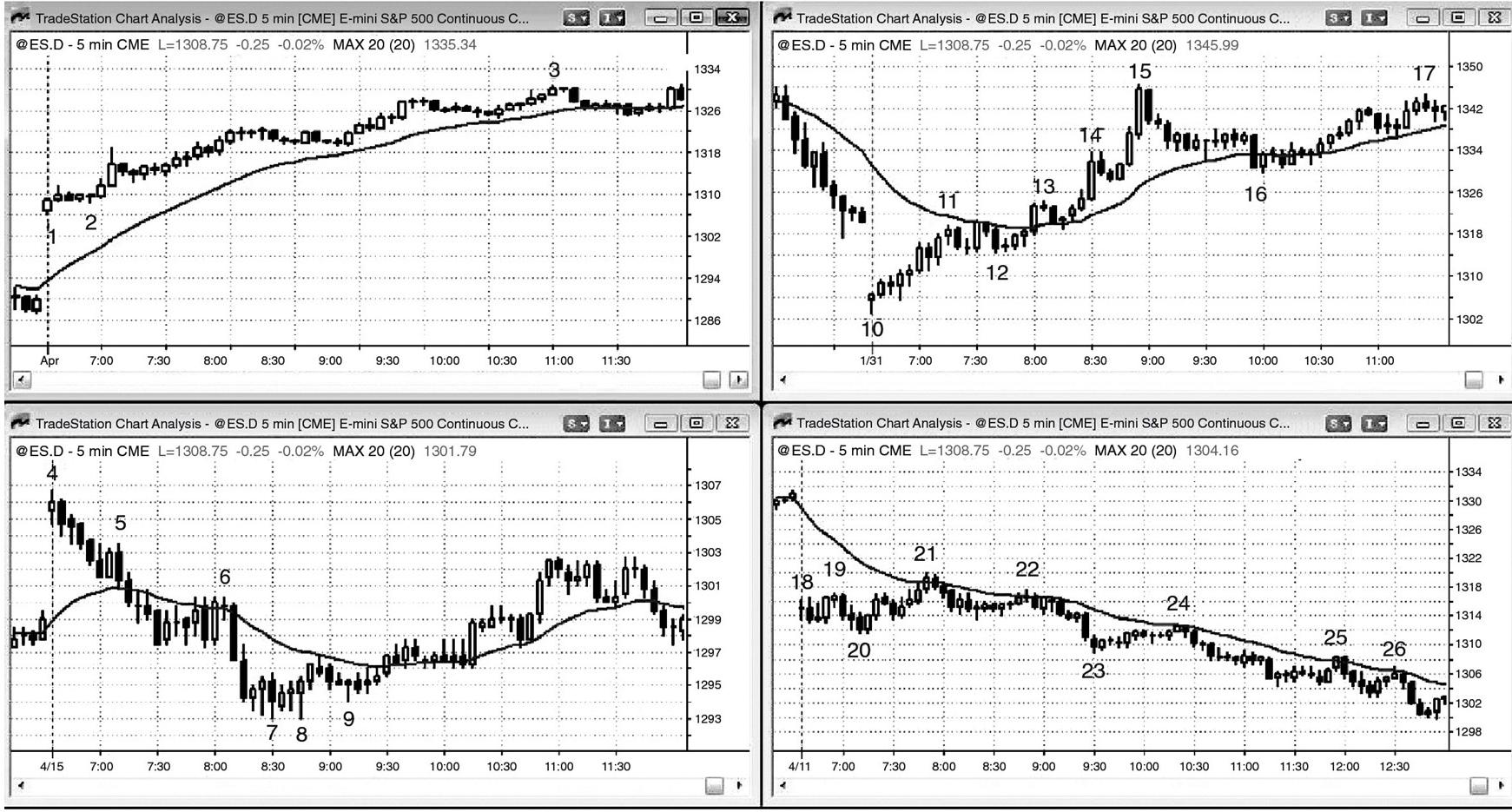


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**FIGURE 19.9** Barbwire on the Open



**FIGURE 20.1 A Gap Is Just a Spike**

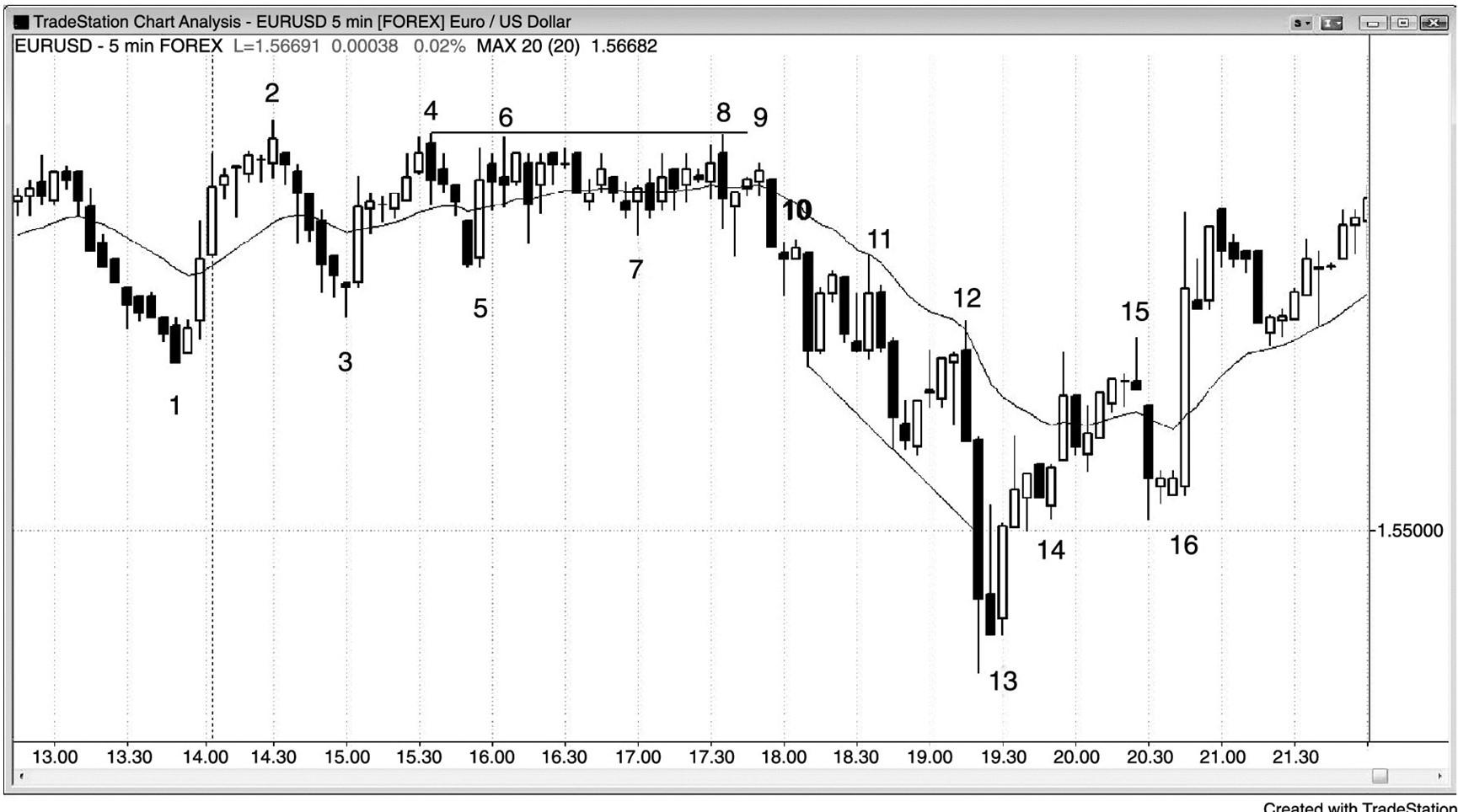


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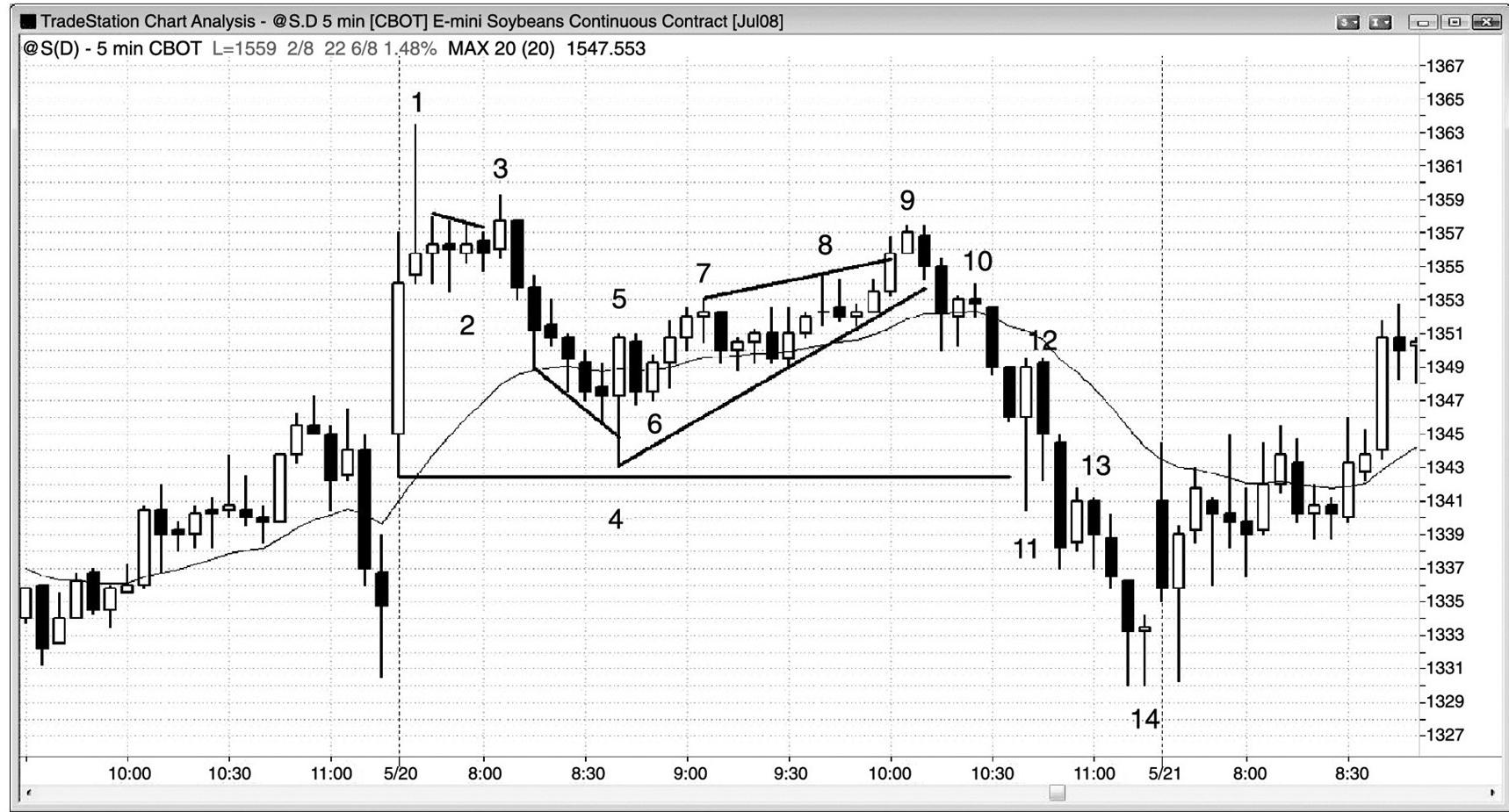
**FIGURE 20.2 A Gap Can Lead to a Trend Up or Down**



**FIGURE 21.1 T-Note 10,000-Share Chart**

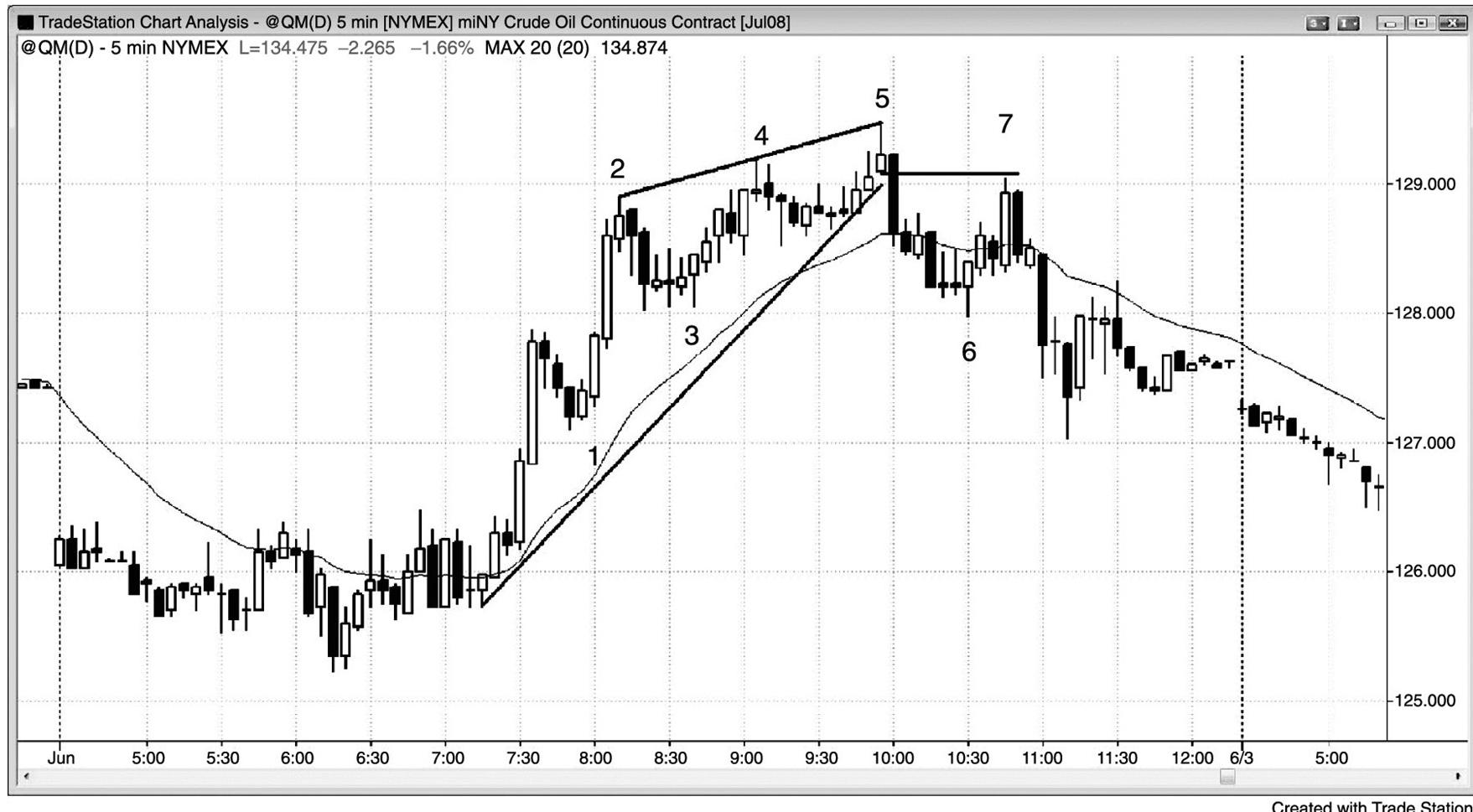


**FIGURE 21.2 Strong Open in the EUR/USD**



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**FIGURE 21.3** Soybeans Buy Climax on the Open

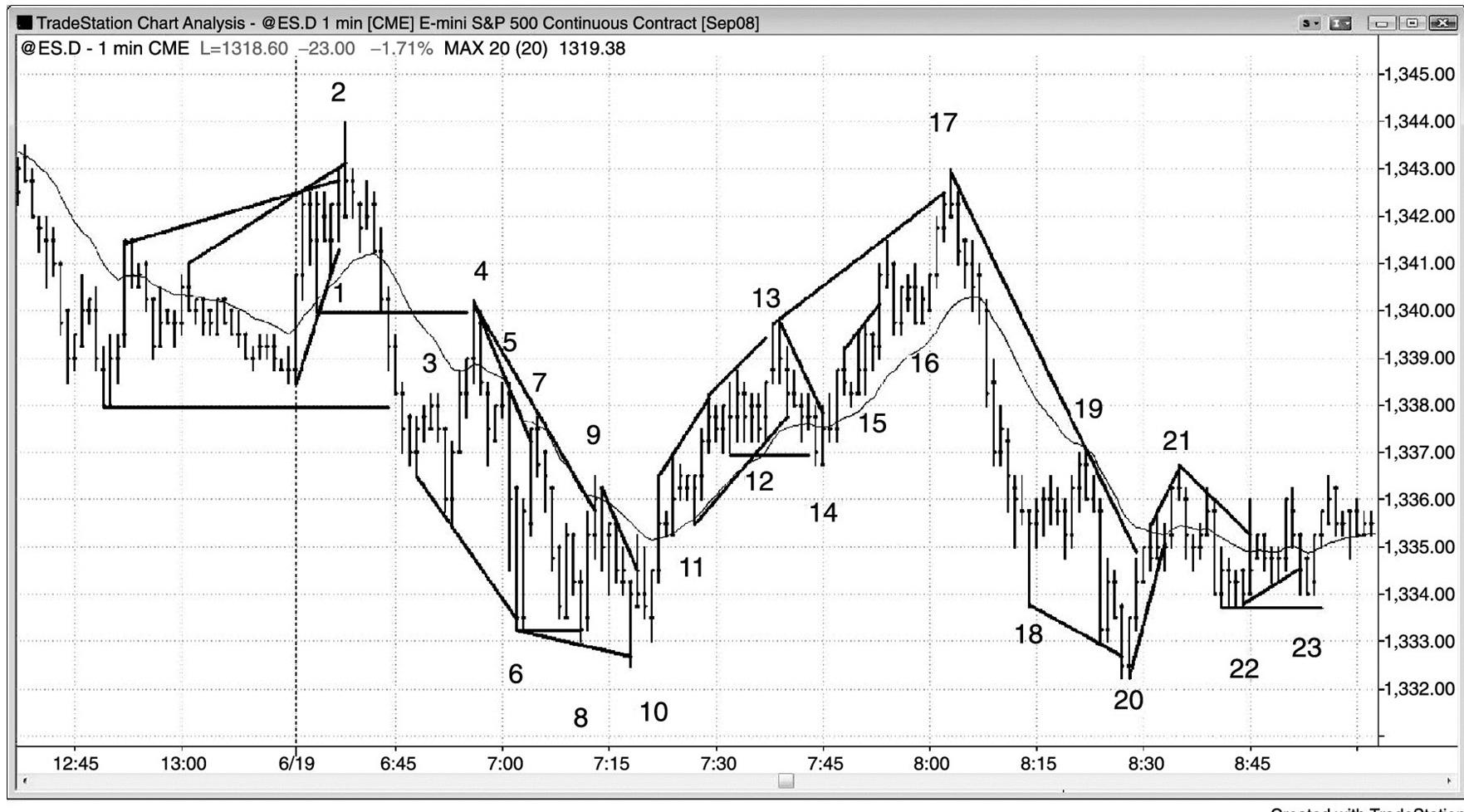


**FIGURE 21.4** Crude Oil Wedge Top



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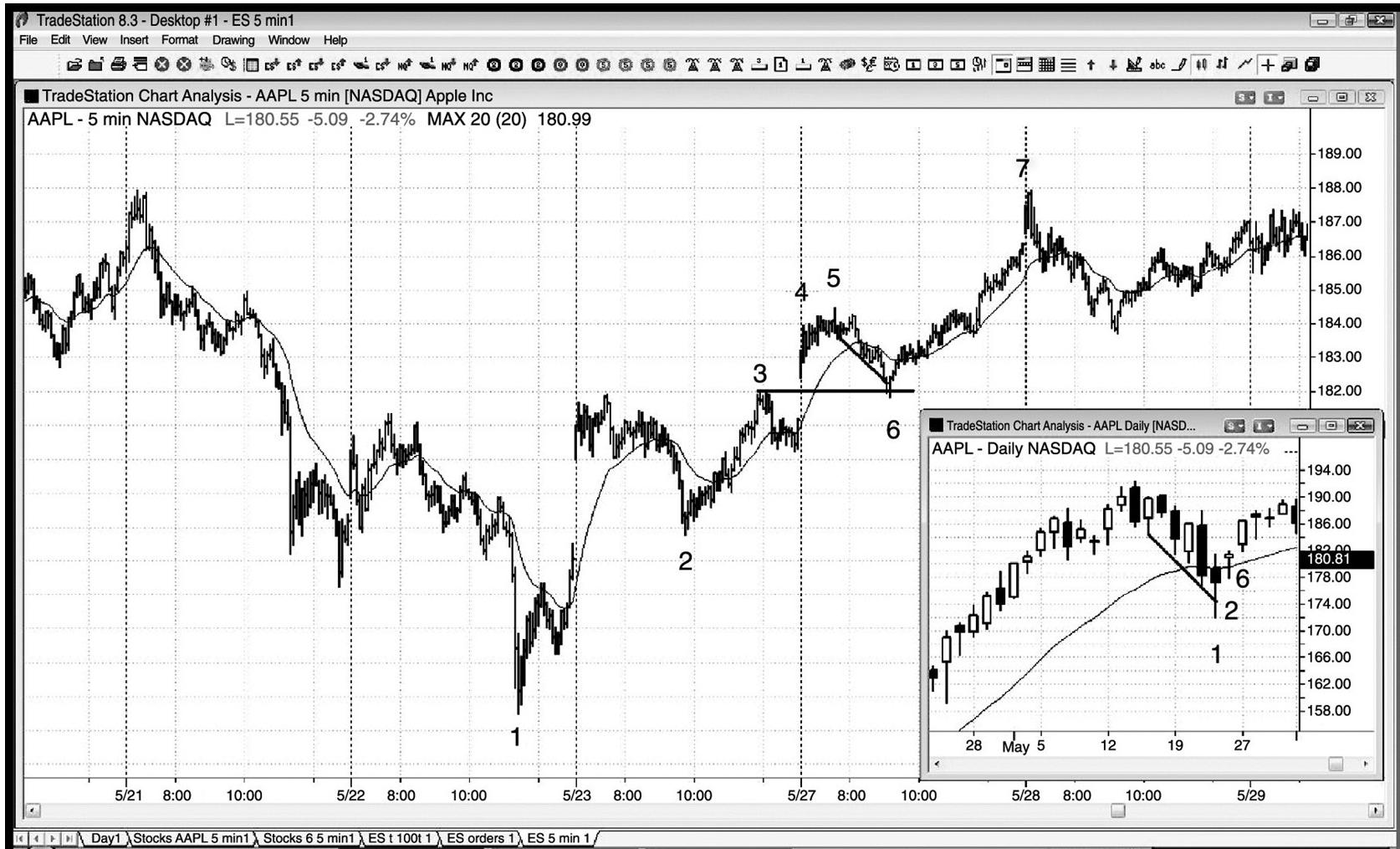
**FIGURE 21.5** Scalps on a 1 Minute Chart



**FIGURE 21.6** Scalps on the Open on a 1 Minute Chart

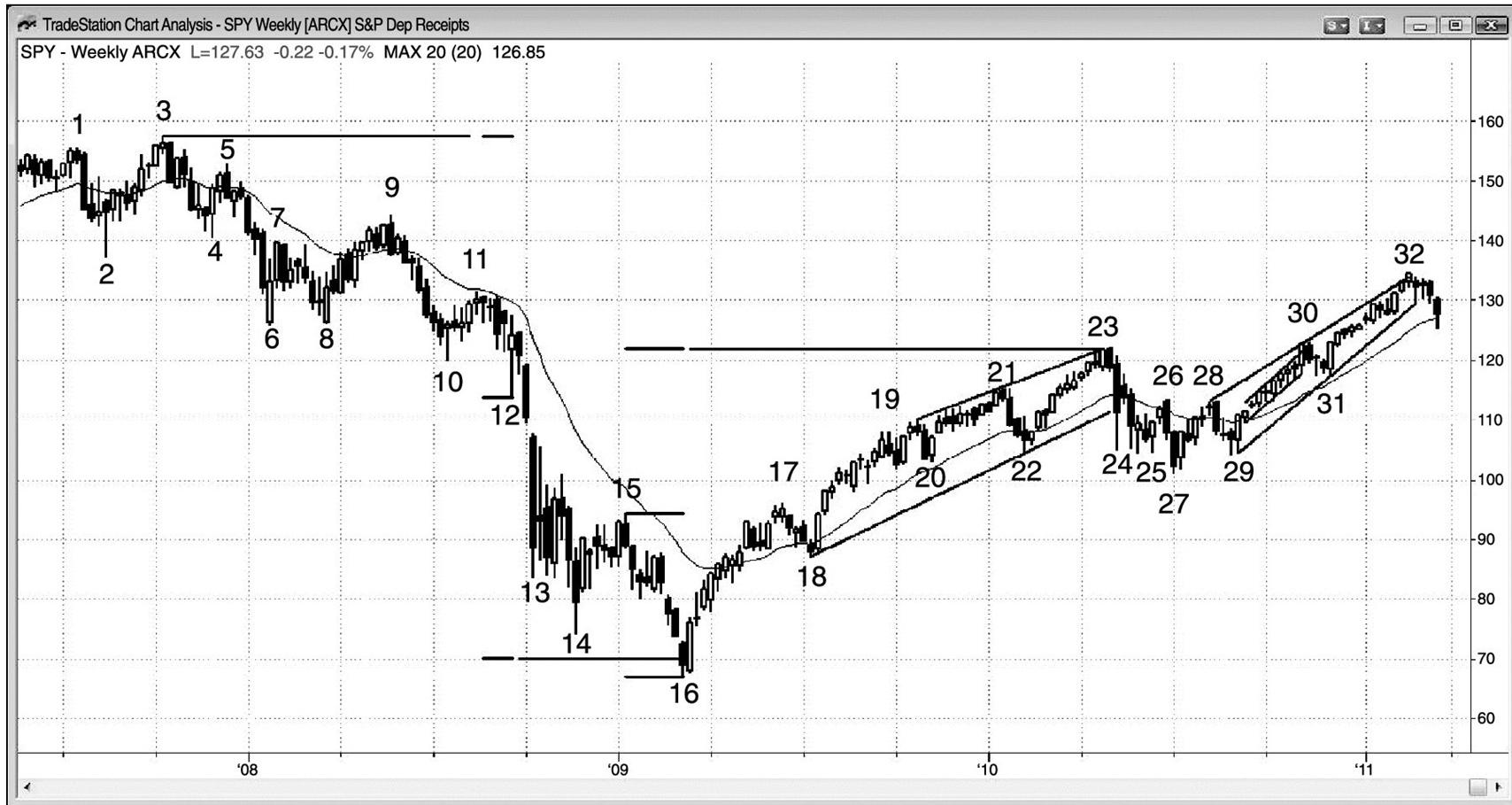


**FIGURE 22.1** Price Action Has Not Changed over Time



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**FIGURE 22.2 Gap Pullbacks**



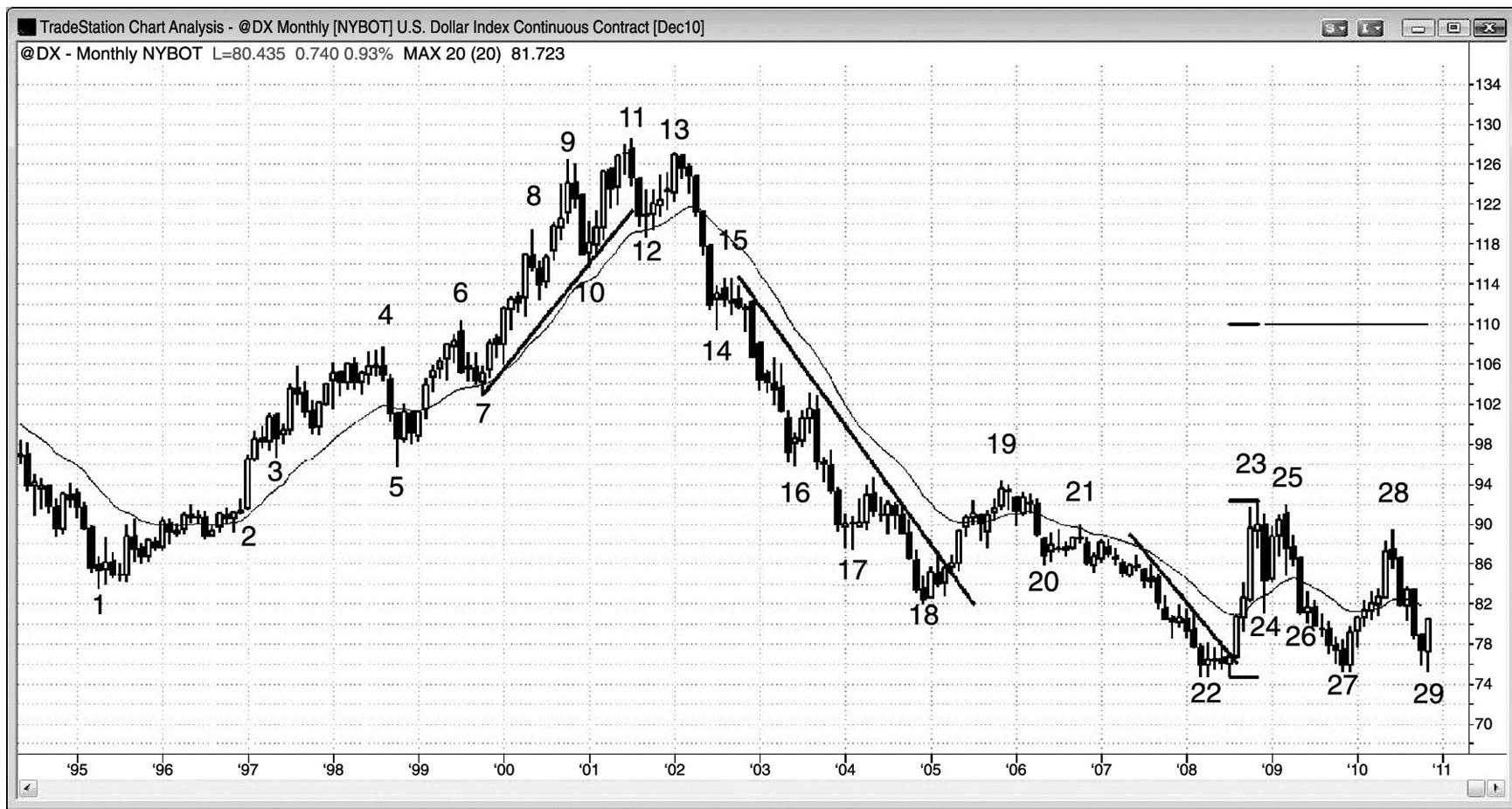
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**FIGURE 22.3** The Weekly SPY



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**FIGURE 22.4** Monthly Gold Wedge Channel



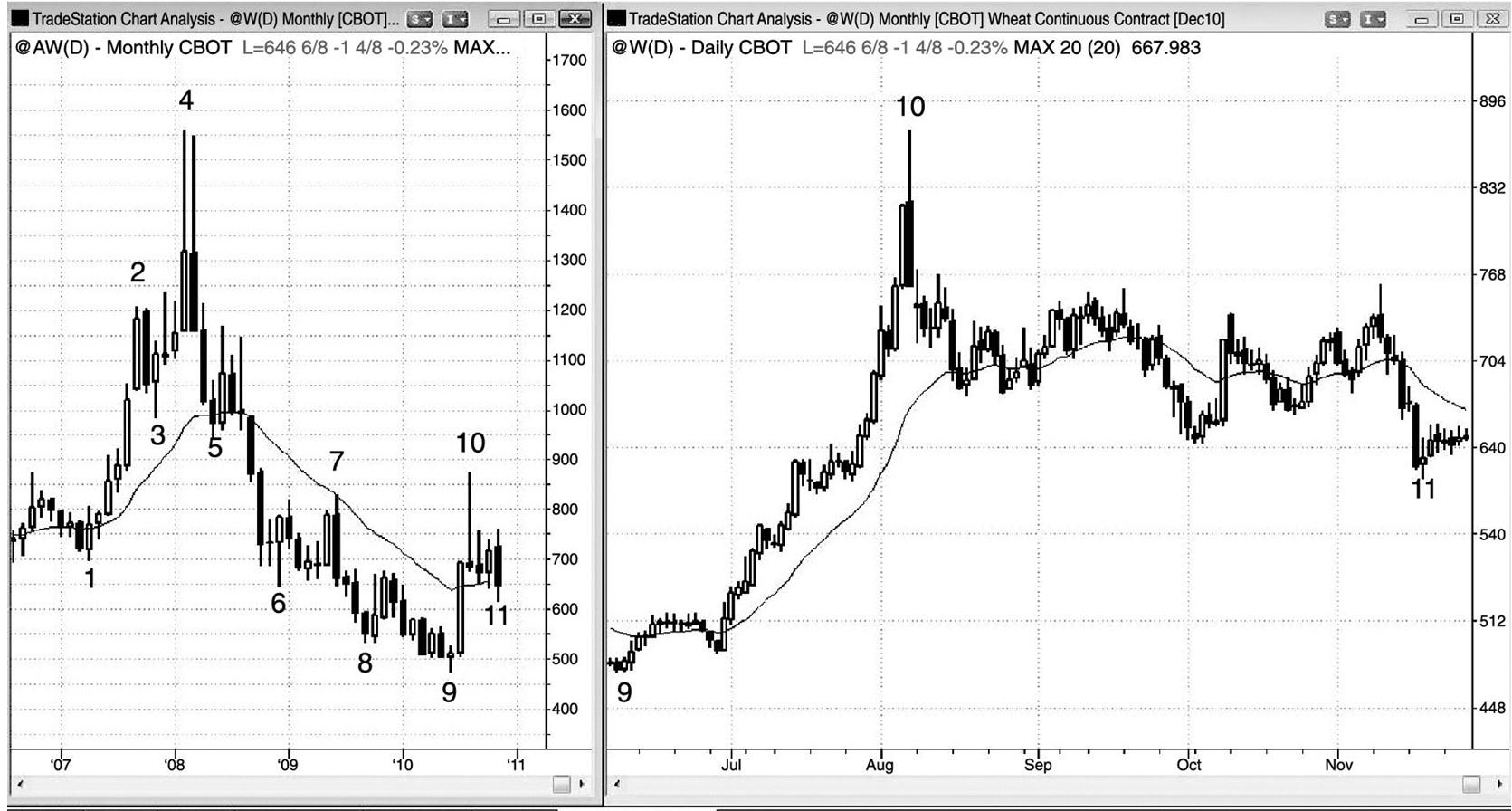
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**FIGURE 22.5** Monthly Dollar Index Futures



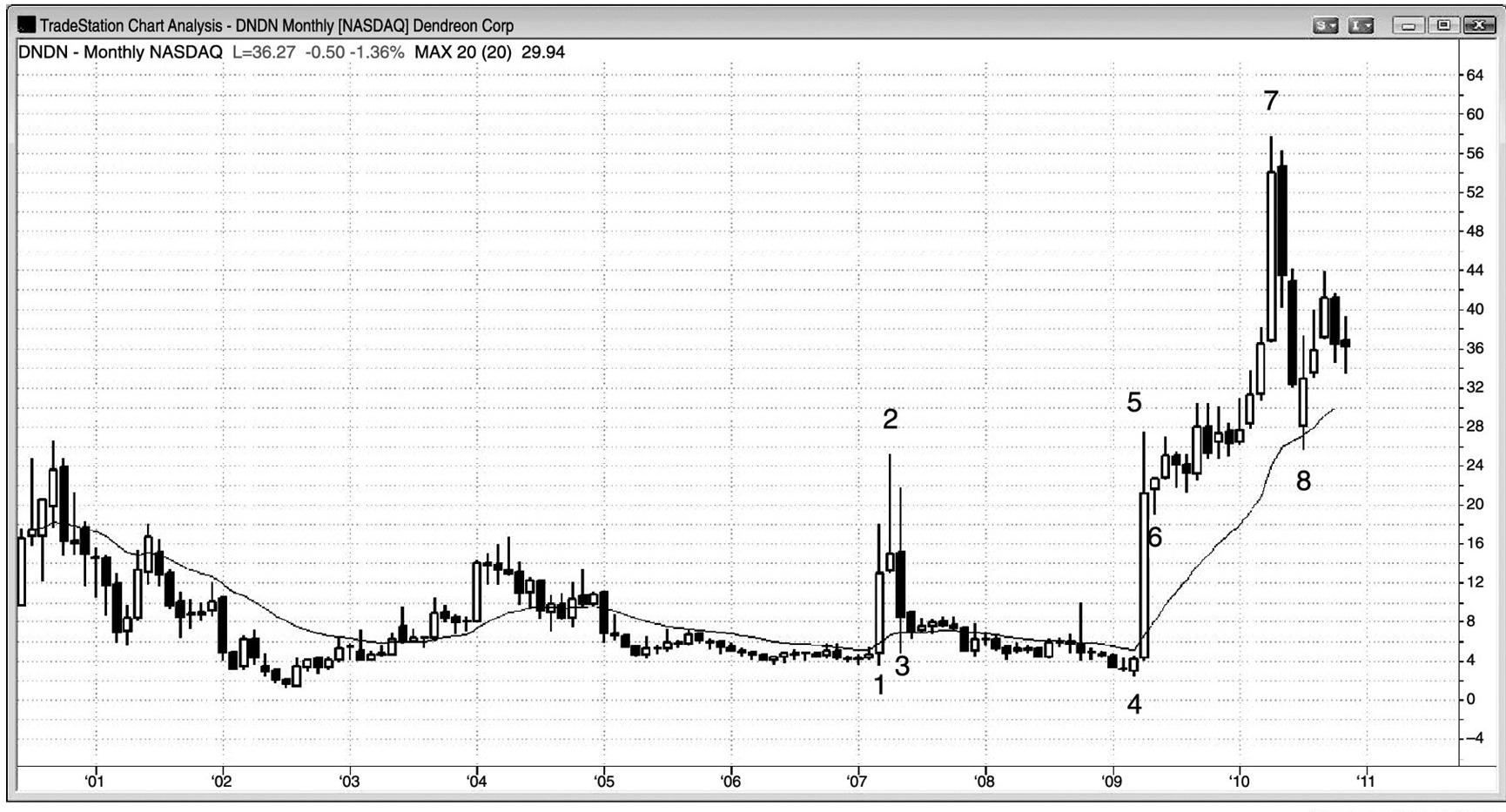
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**FIGURE 22.6** Round Numbers Can Be Support and Resistance



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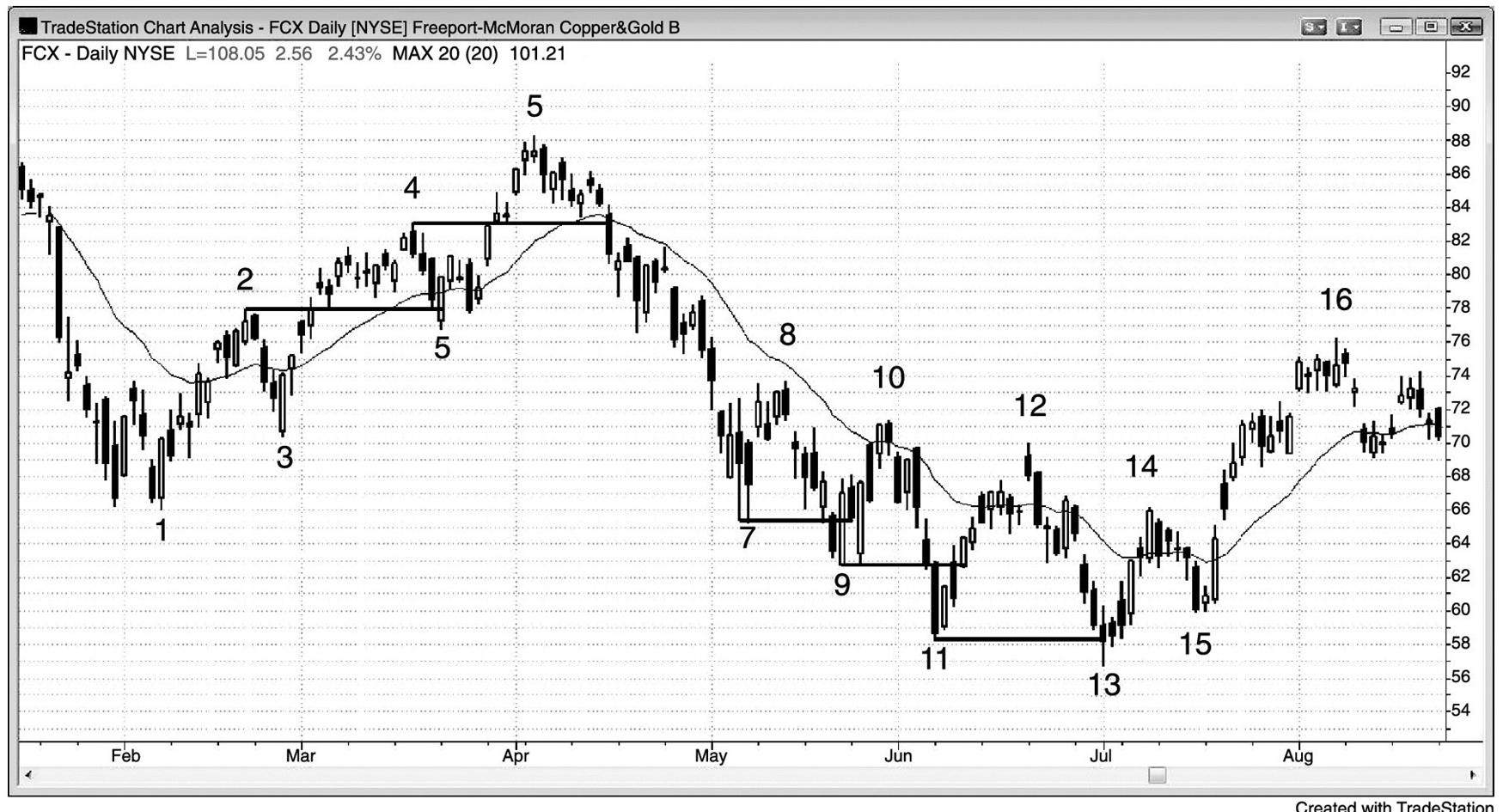
**FIGURE 22.7** The Daily and Monthly Charts Can Be in Opposite Trends



**FIGURE 22.8 News Can Move a Stock**



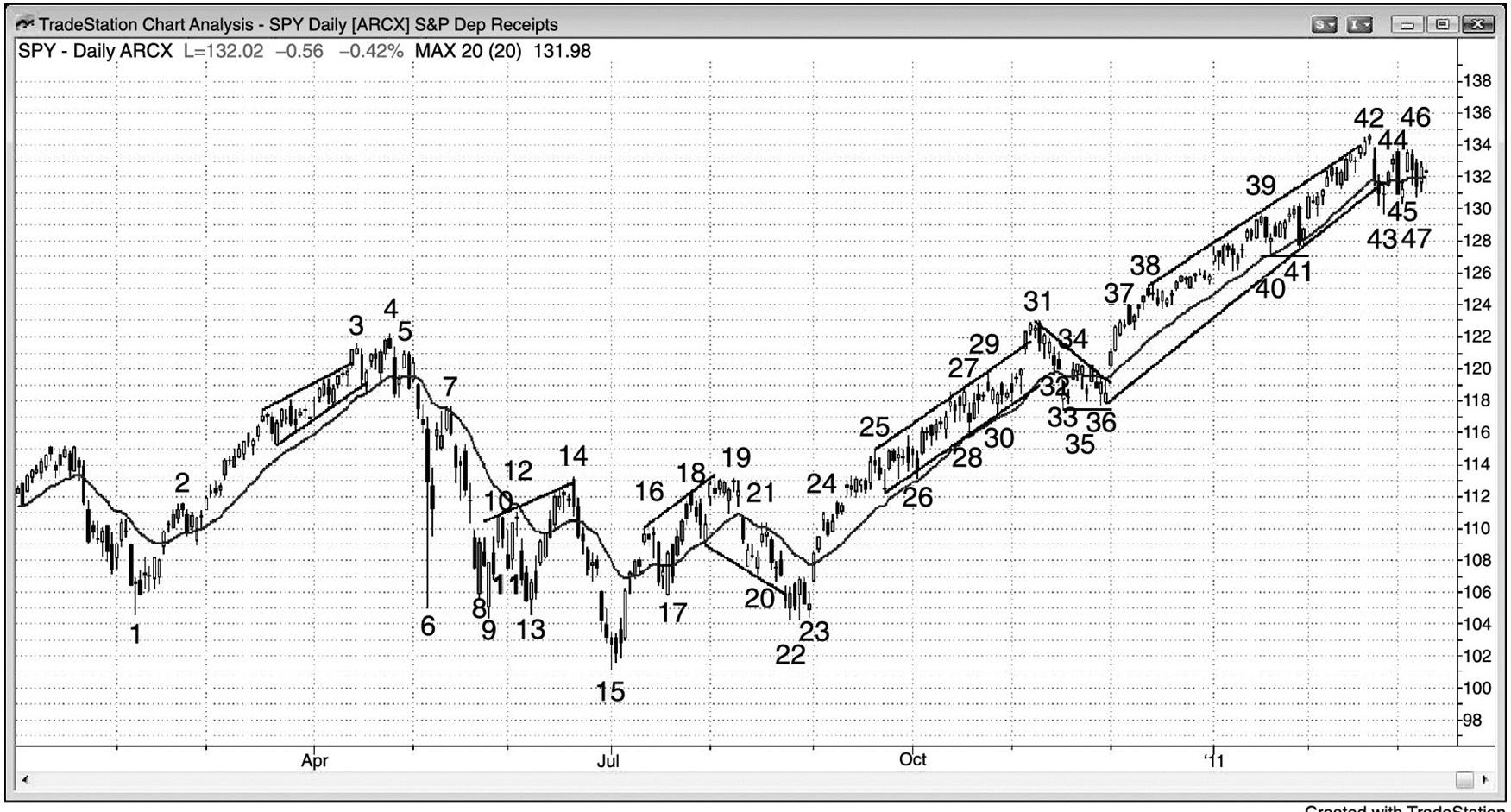
**FIGURE 23.1** Buy Calls during Bull Spikes



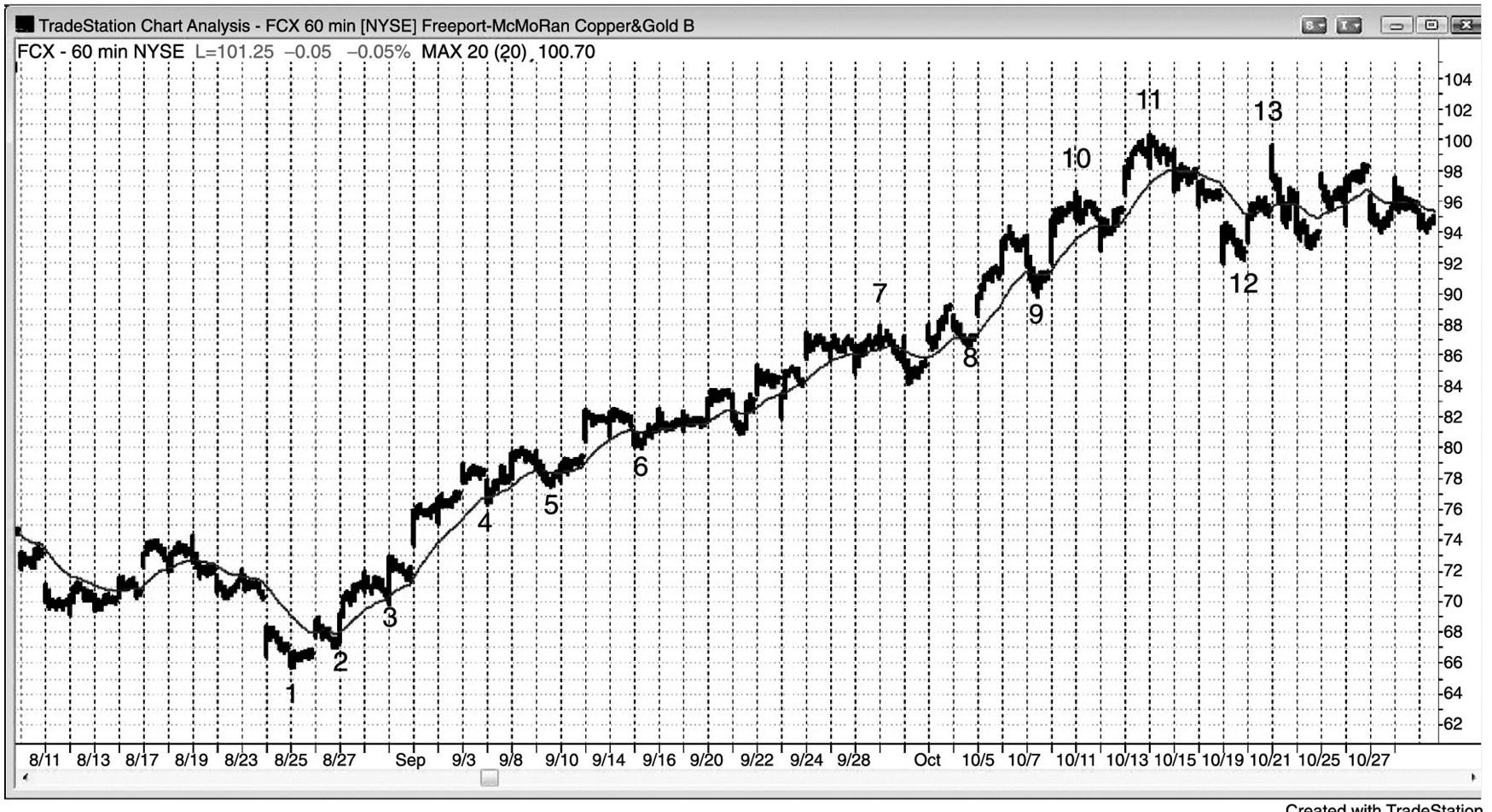
**FIGURE 23.2** Fade Stair Breakouts with Options



**FIGURE 23.3** Fade Trading Range Extremes with Options



**FIGURE 23.4** The SPY Is a Good Market for Options



**FIGURE 23.5 Buy Calls on Pullbacks to the Moving Average in a Bull Trend**



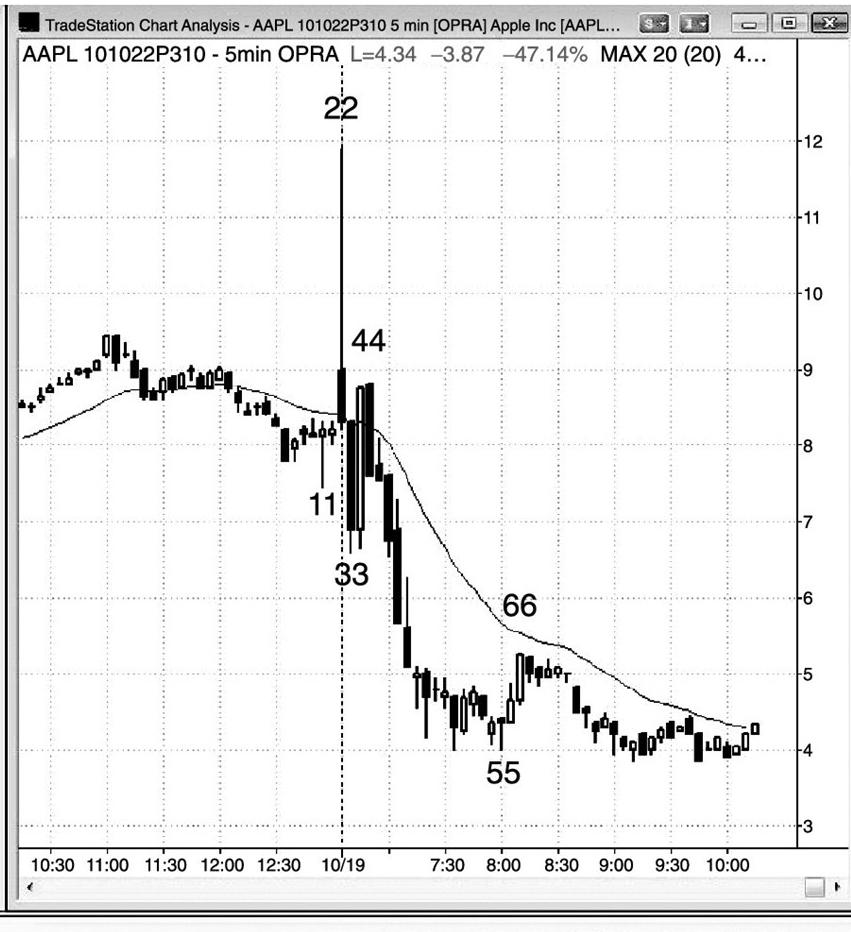
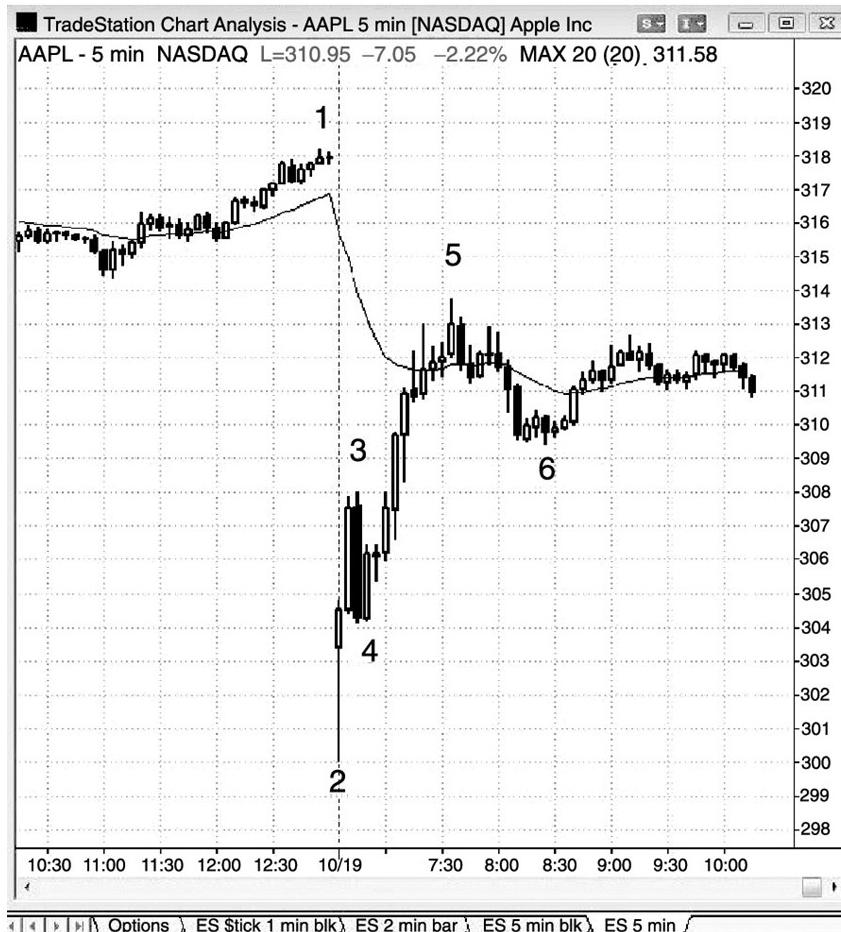
**FIGURE 23.6** Buying Calls for a Day Trade



**FIGURE 23.7 Day Trade Runaway Trends with Options**

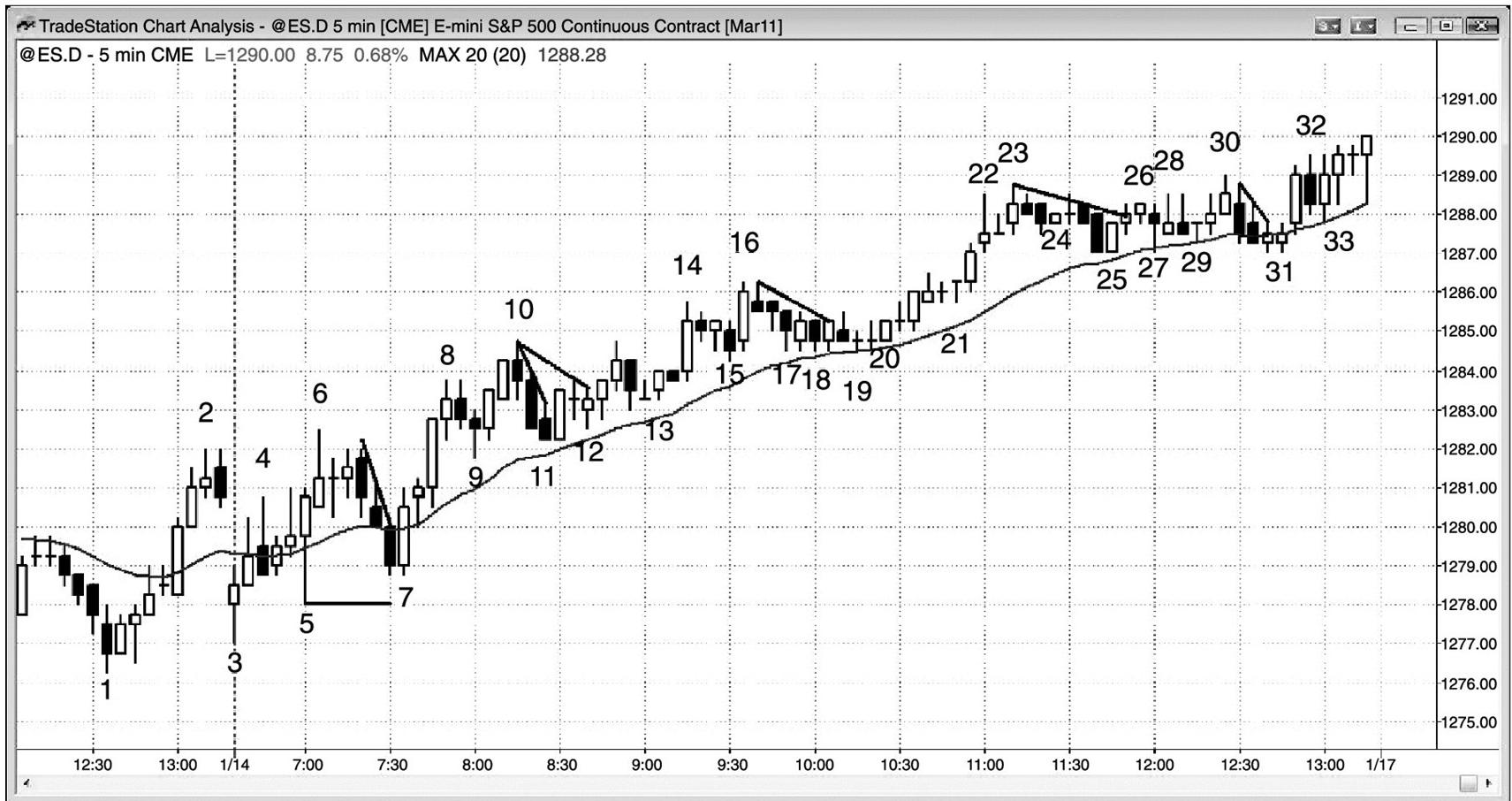


**FIGURE 23.8** In Volatile Intraday Moves, Consider Options

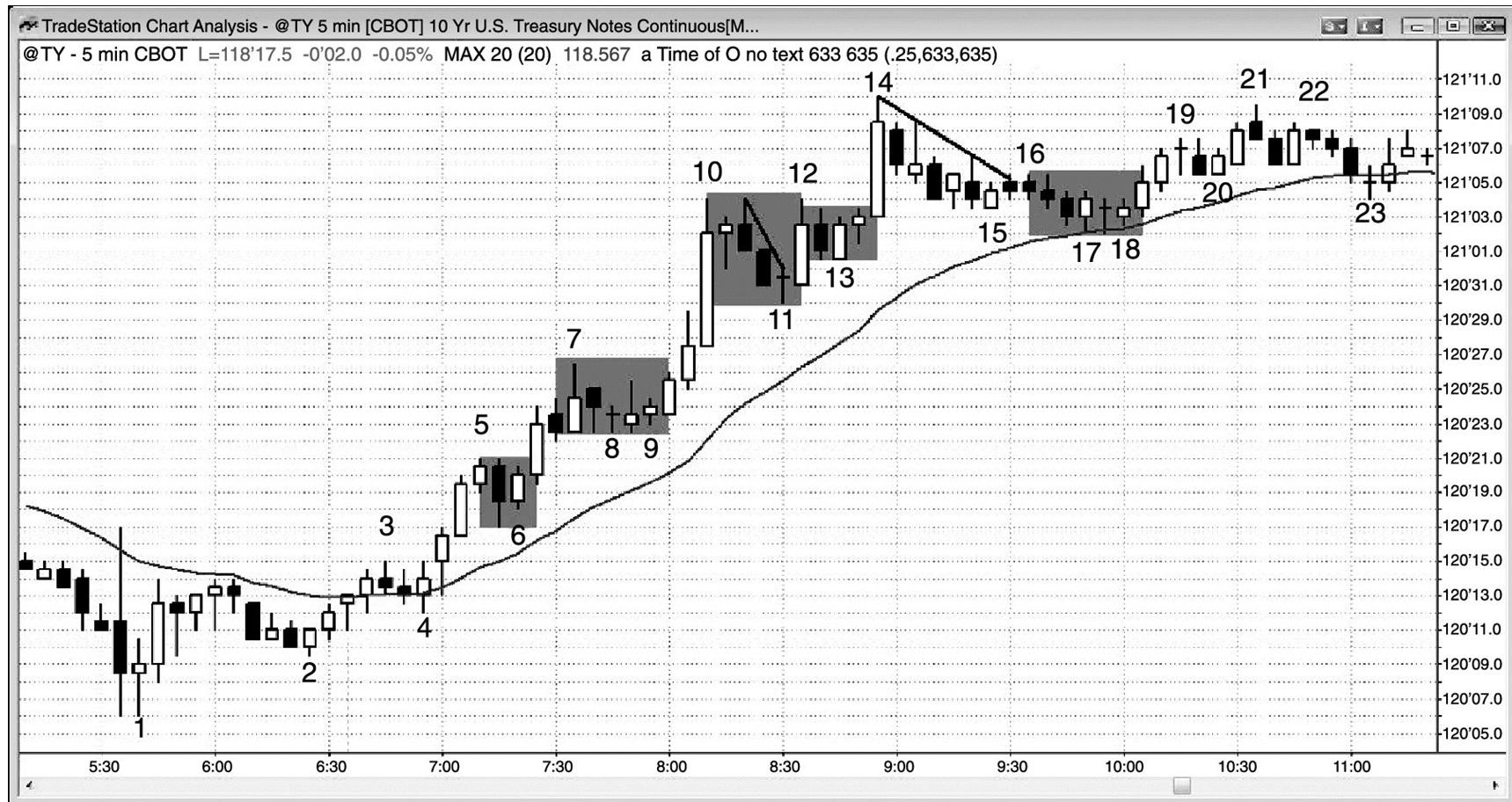


**FIGURE 23.9 AAPL Dropped on Earnings but Puts Did Not Rise**

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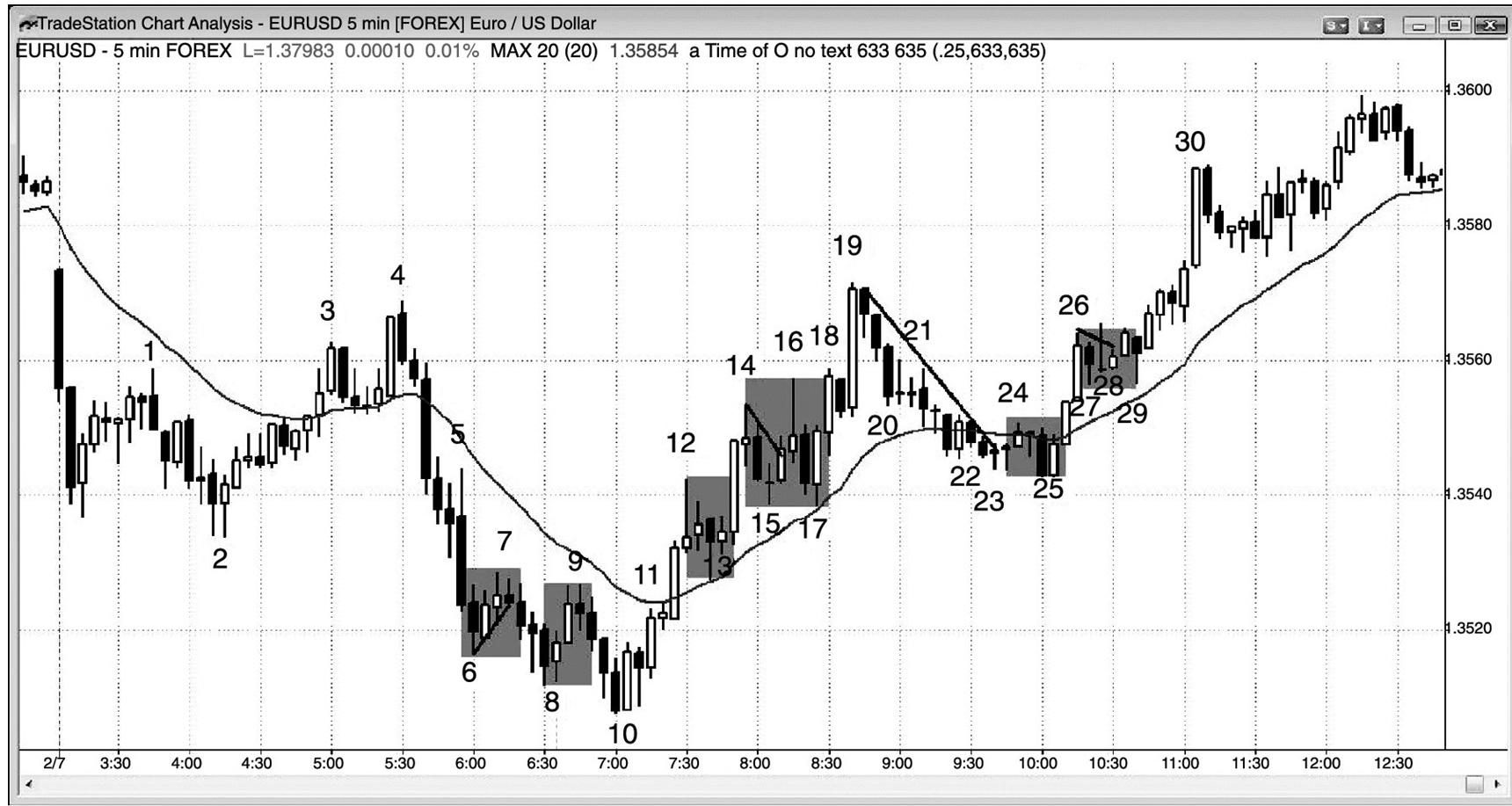


**FIGURE 24.1** Best Trades in a Strong Bull Trend

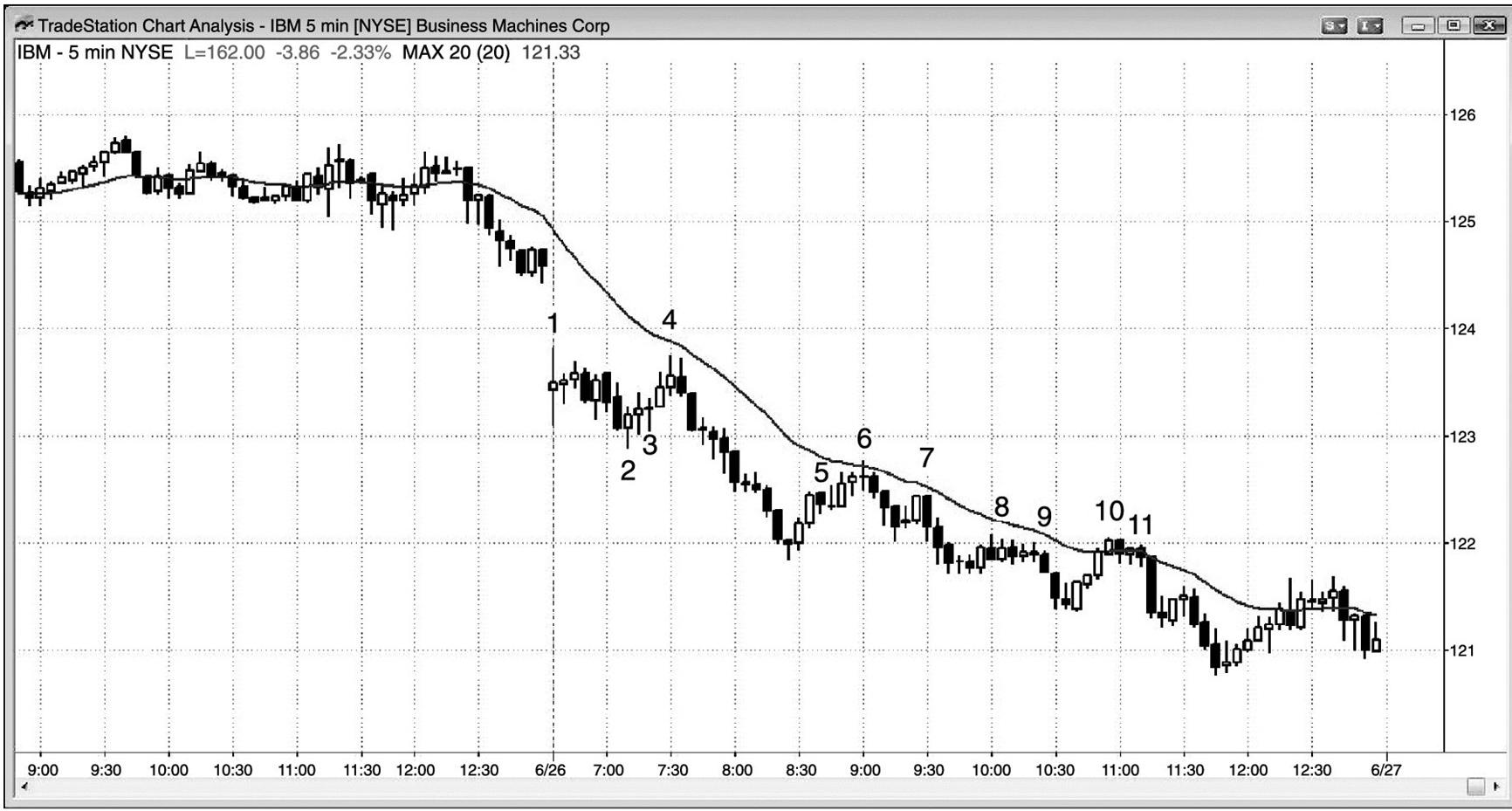


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**FIGURE 24.2** Best Trades in the 10-Year U.S. Treasury Note Futures



**FIGURE 24.3** Best Trades on a EUR/USD Chart



**FIGURE 24.4** Best Trades in IBM



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**FIGURE 24.5 Best Trades in USO**



**FIGURE 24.6** Best Trades in the UltraShort S&P 500 ProShares (SDS)

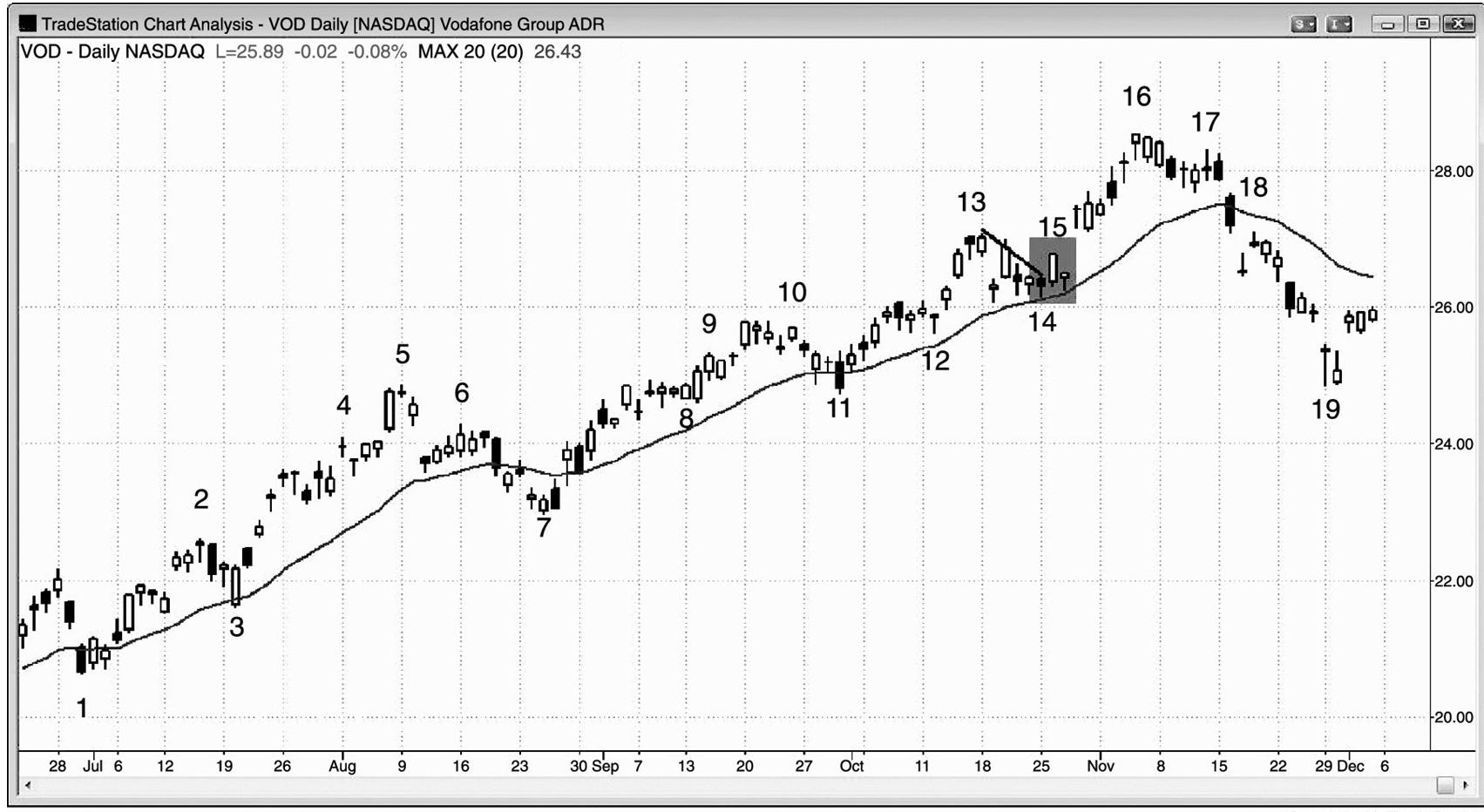


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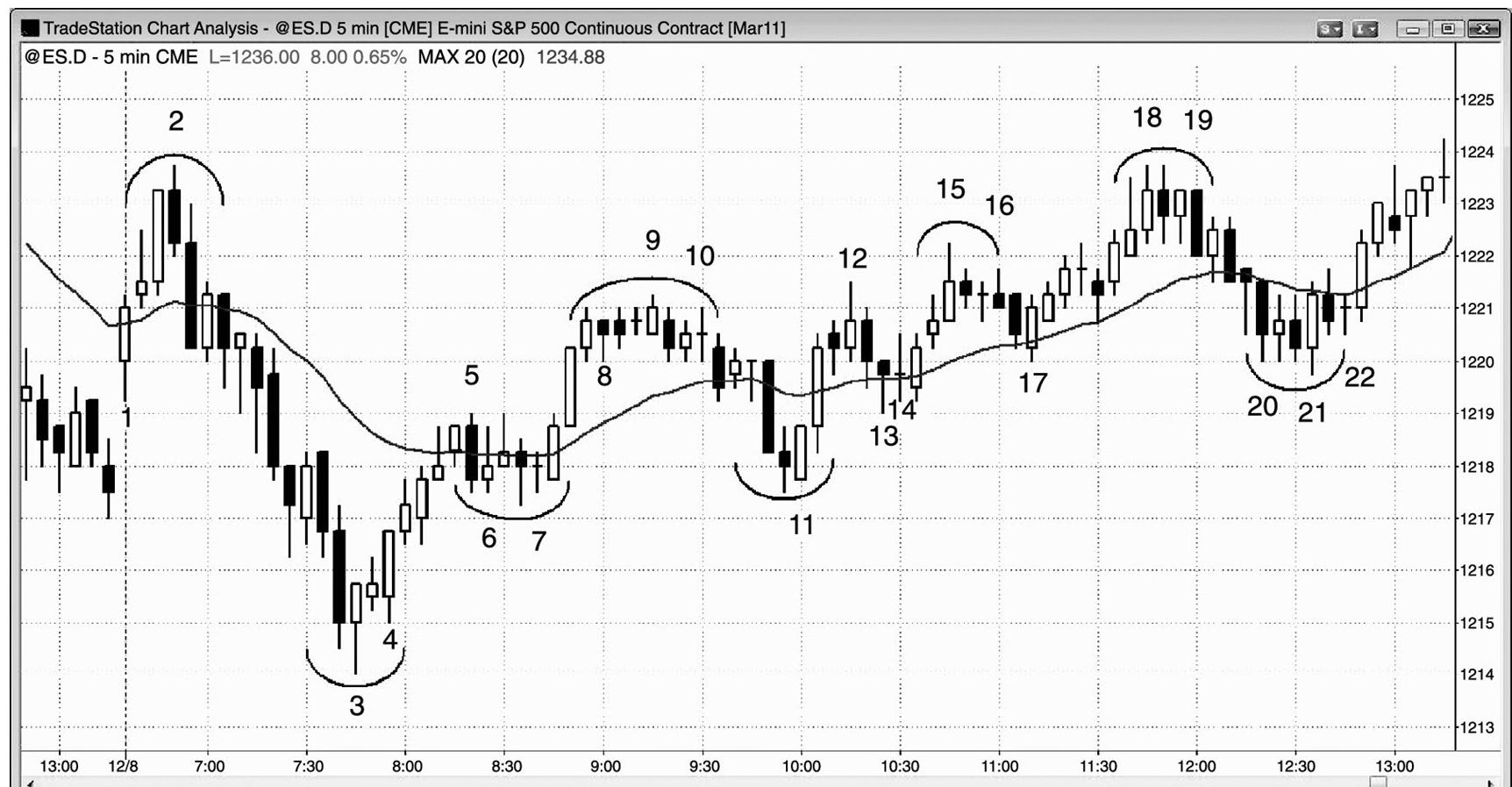
**FIGURE 24.7** Best Trades in an AAPL Bear Trend



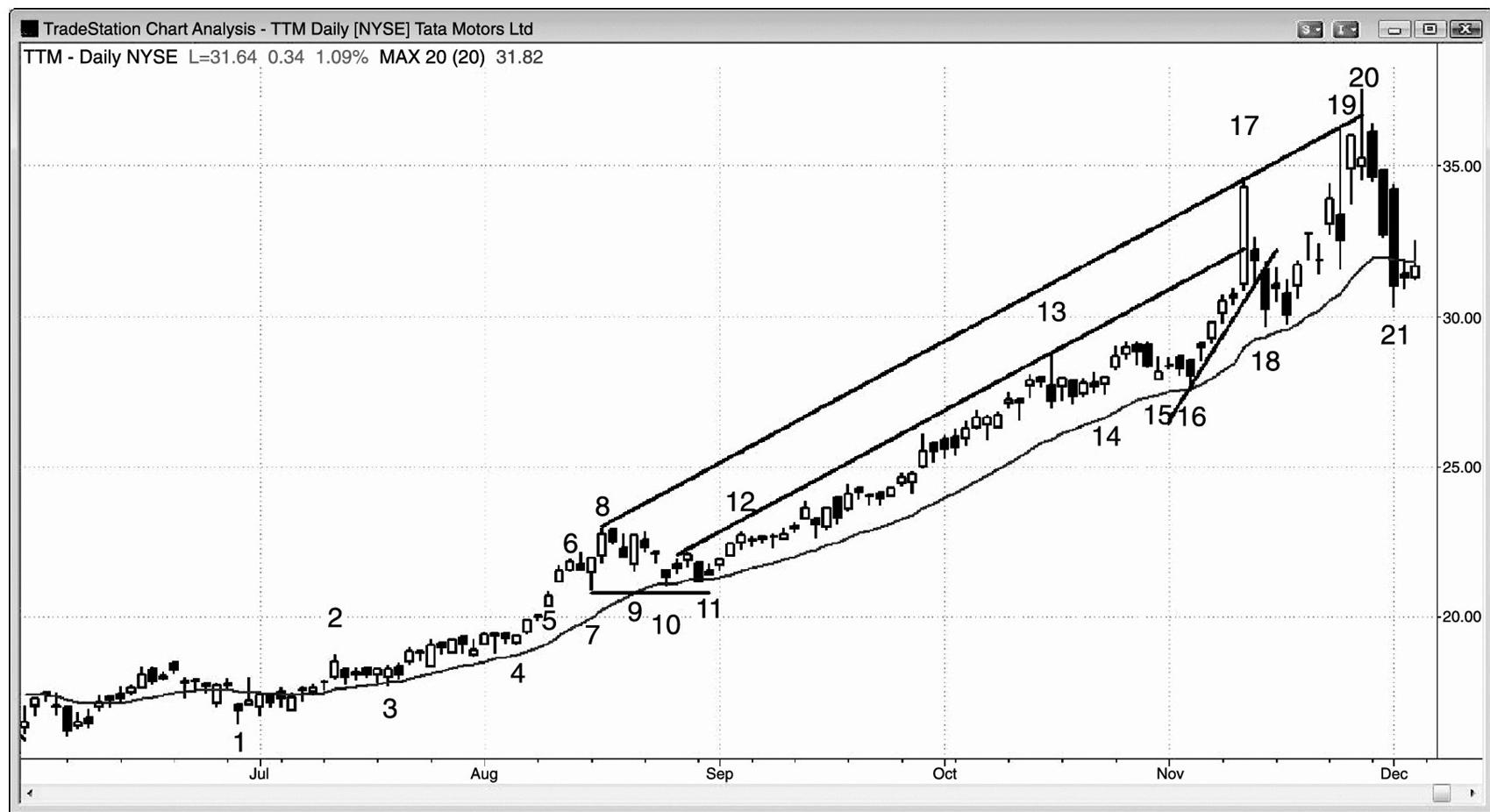
**FIGURE 24.8** Best Trades in a Strong GS Bear Trend



**FIGURE 24.9** Best Trades on the Daily Chart of VOD



**FIGURE 24.10** Look to Buy Low, Sell High Most of the Time



**FIGURE 24.11** The Reward Should Always Be at Least as Large as the Risk



**FIGURE 24.12 Best Trades in SOLF**

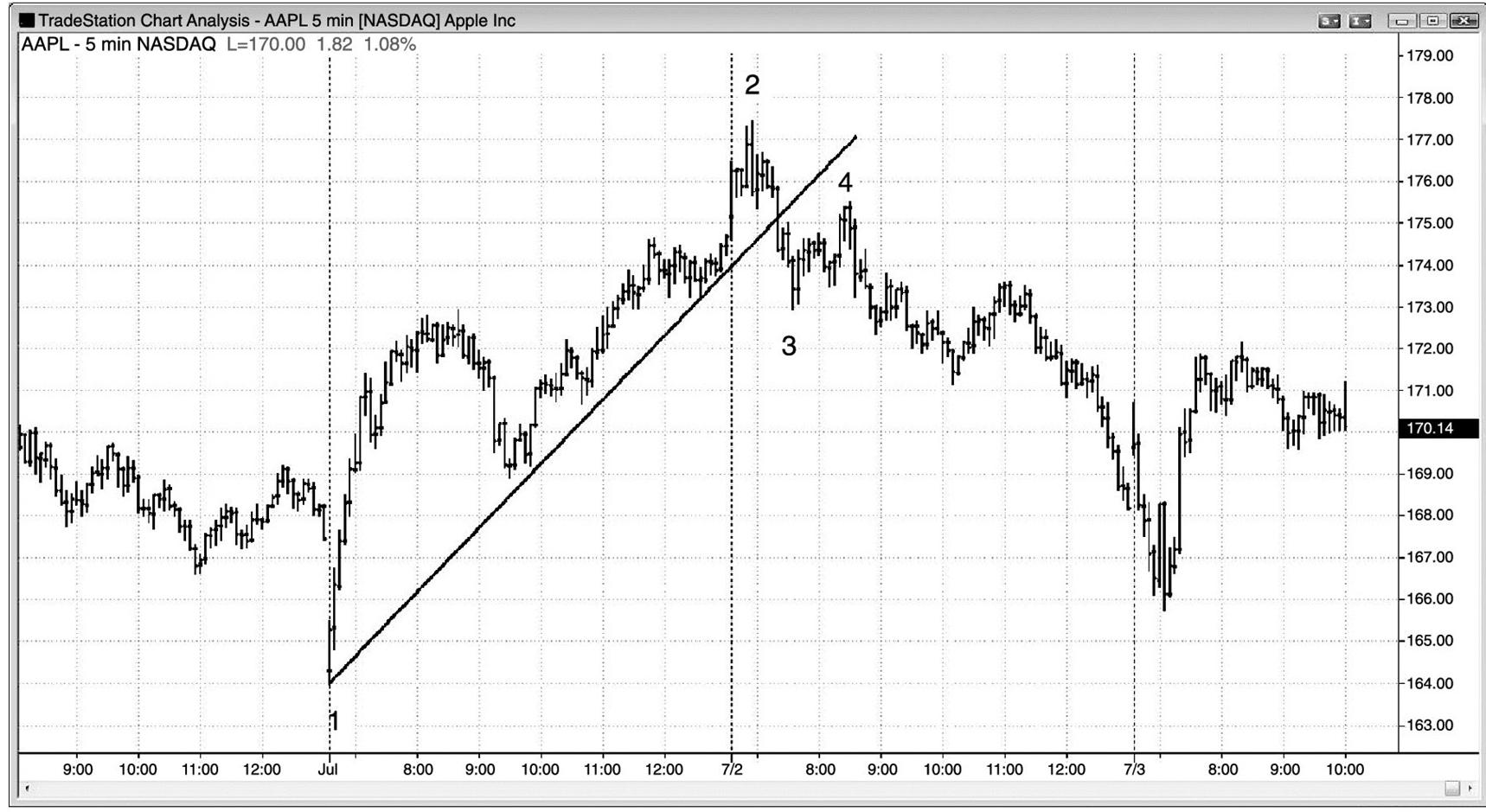


**FIGURE 24.13** Best Trades in CX



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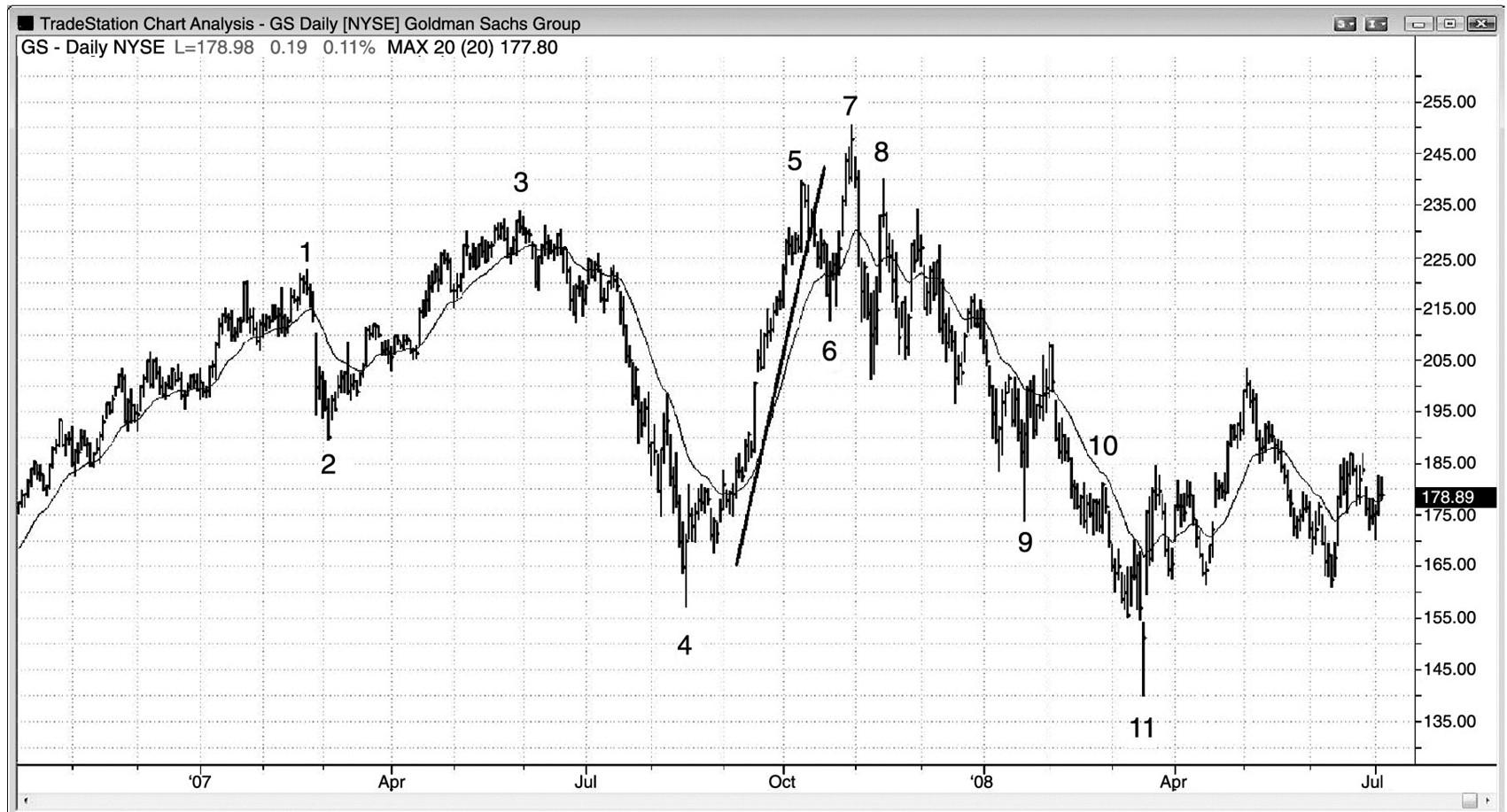
**FIGURE 24.14** Best Trades in GOOG



**FIGURE 24.15 A Lower High in AAPL**

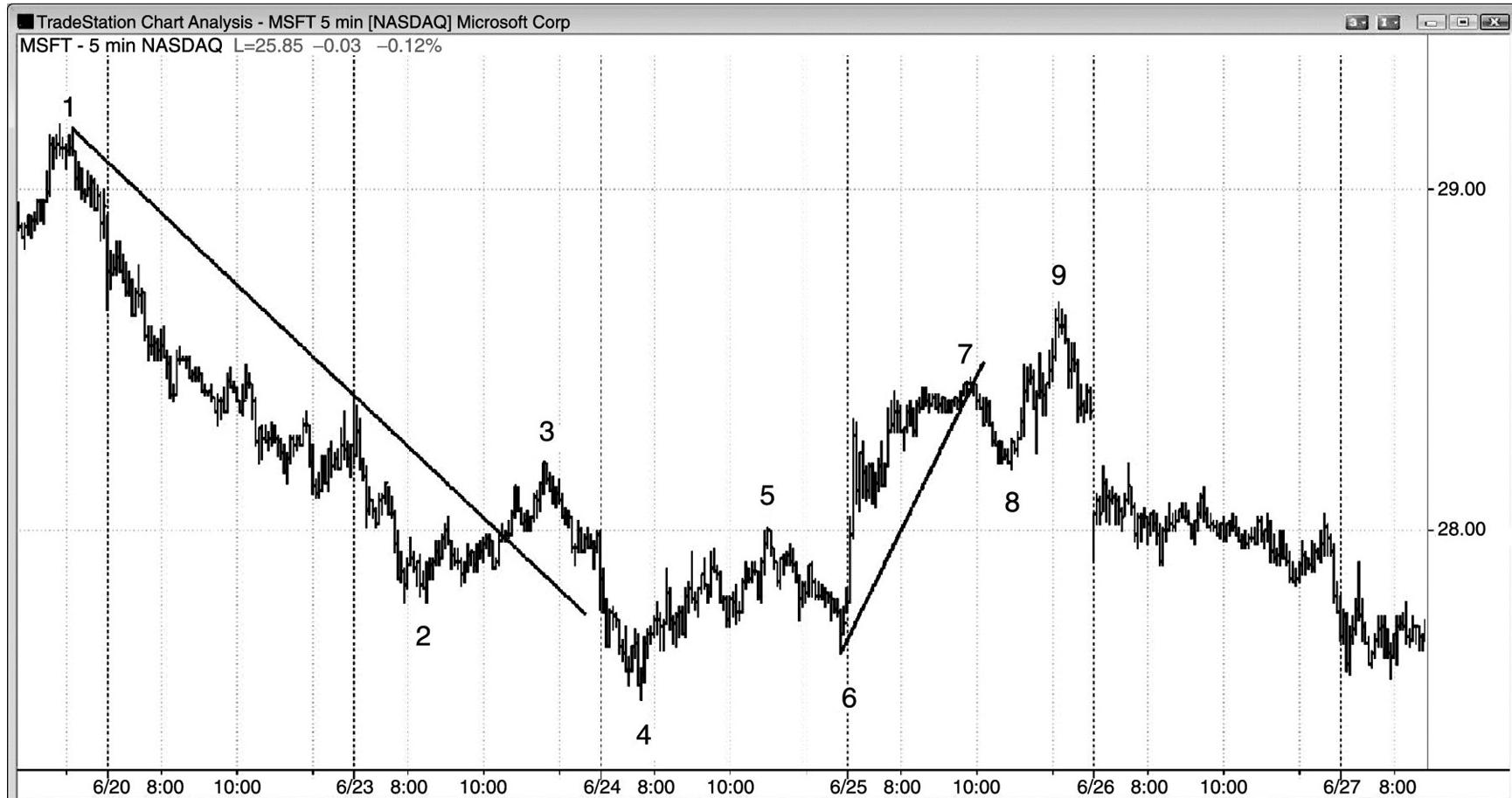


**FIGURE 24.16** Best Trades in AMZN



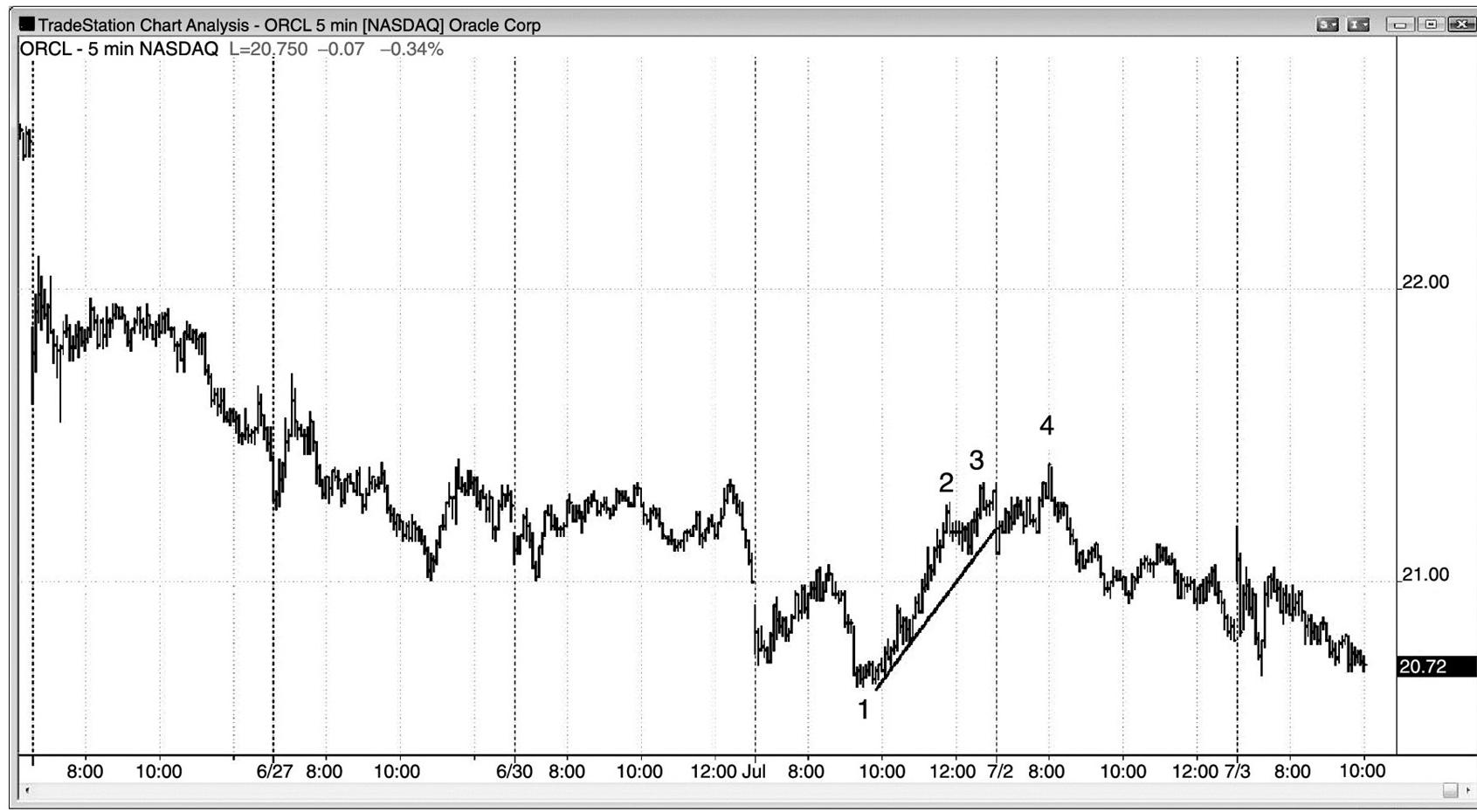
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**FIGURE 24.17** Best Trades on Daily Chart of GS

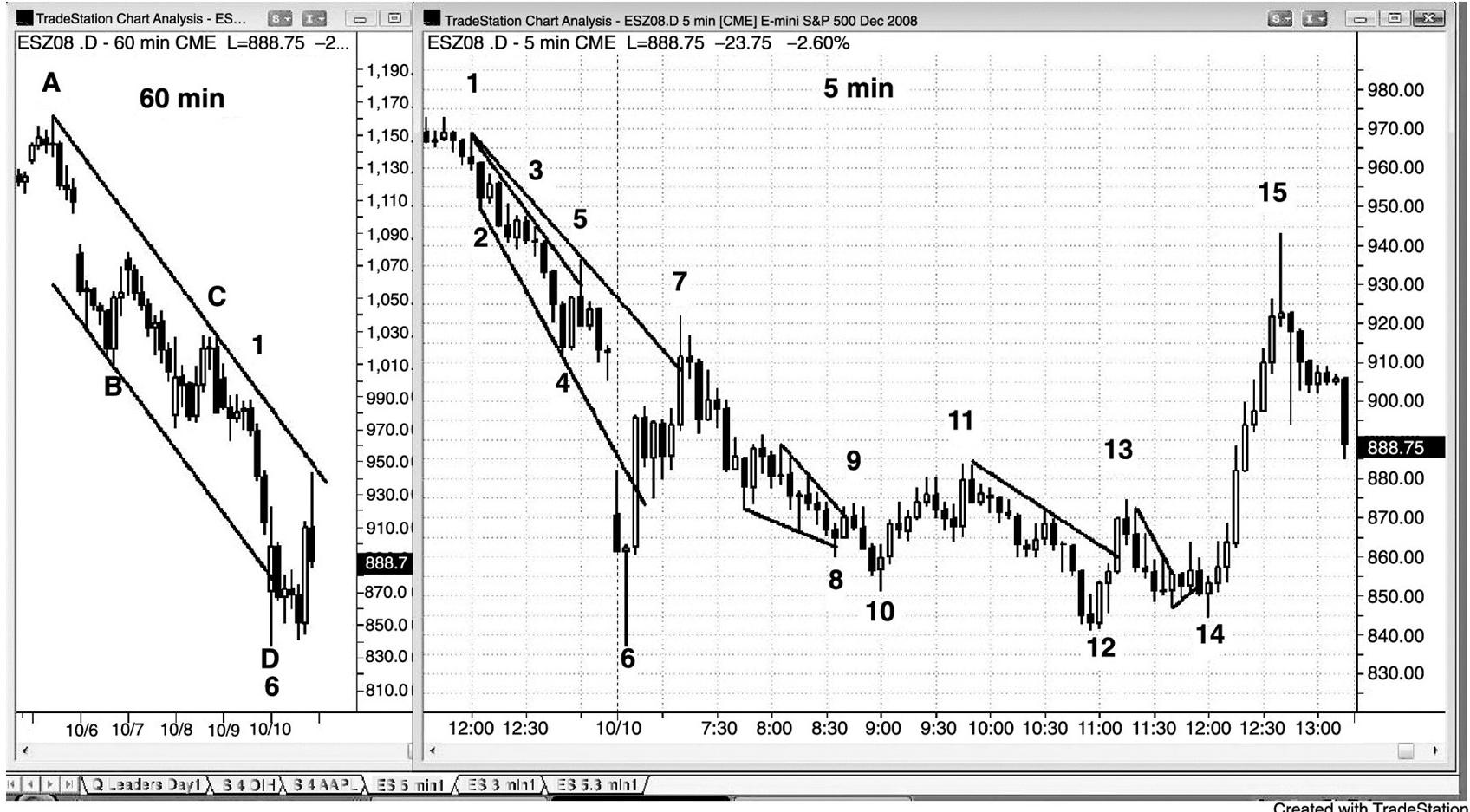


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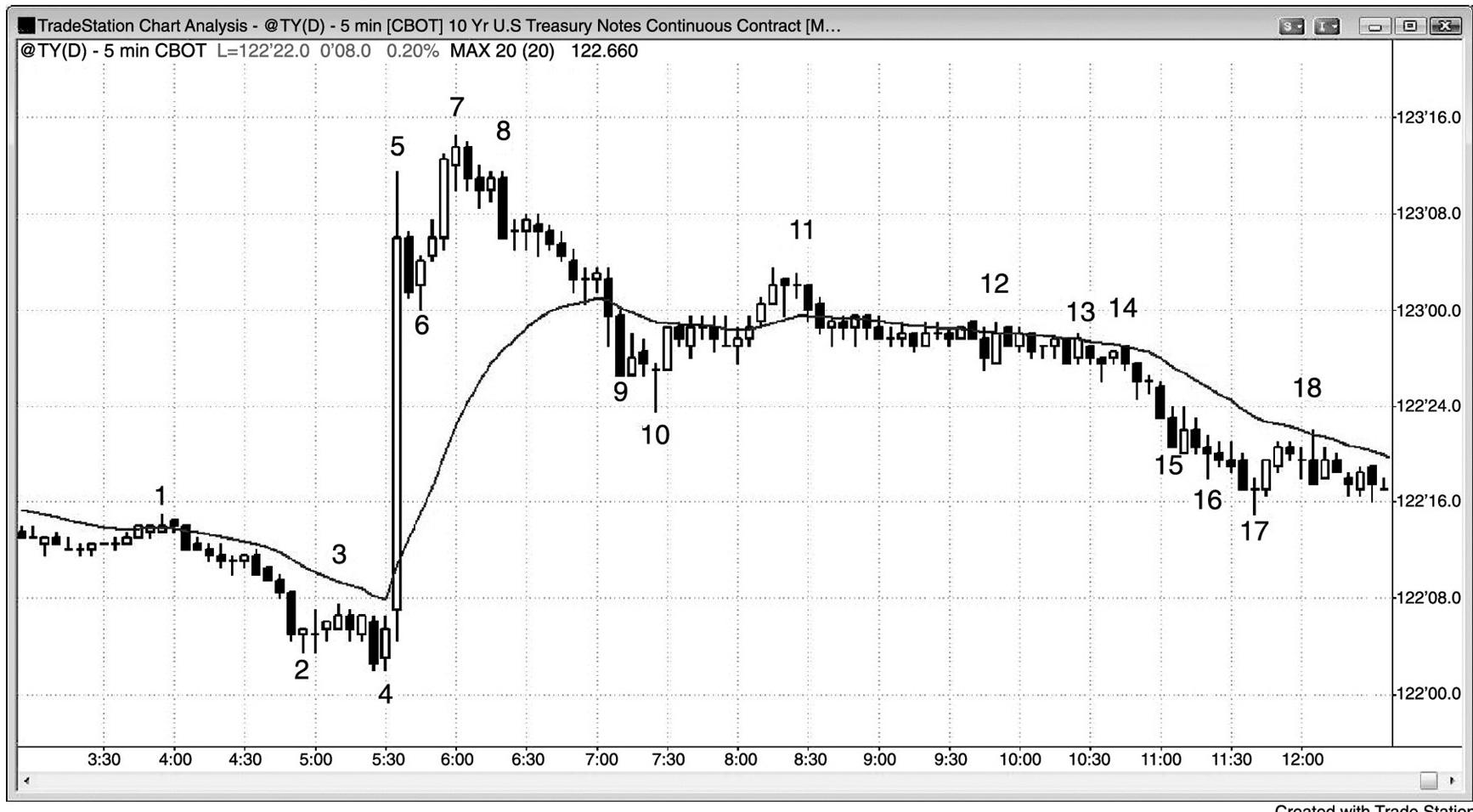
**FIGURE 24.18** Best Trades in MSFT



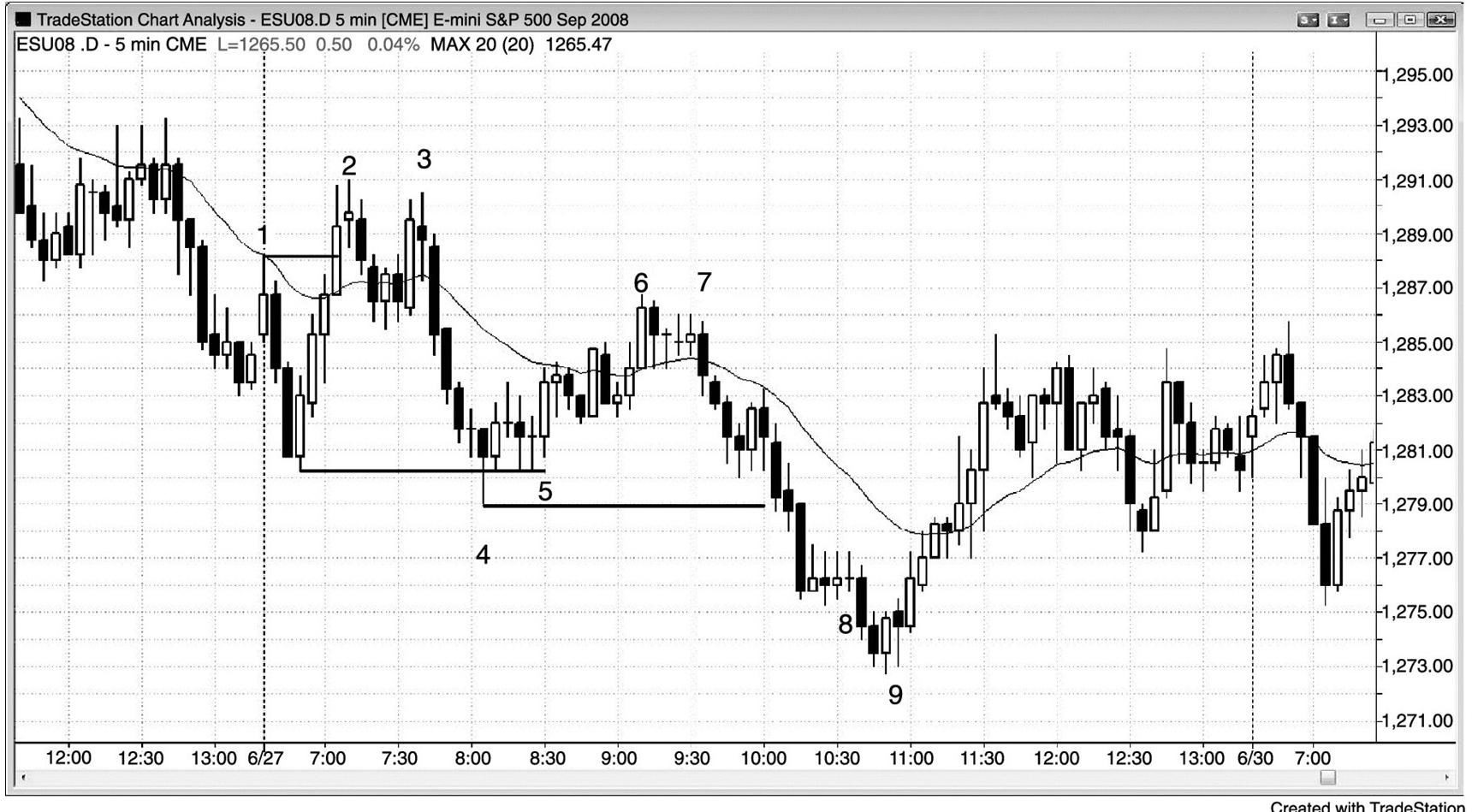
**FIGURE 24.19 Best Trades in ORCL**



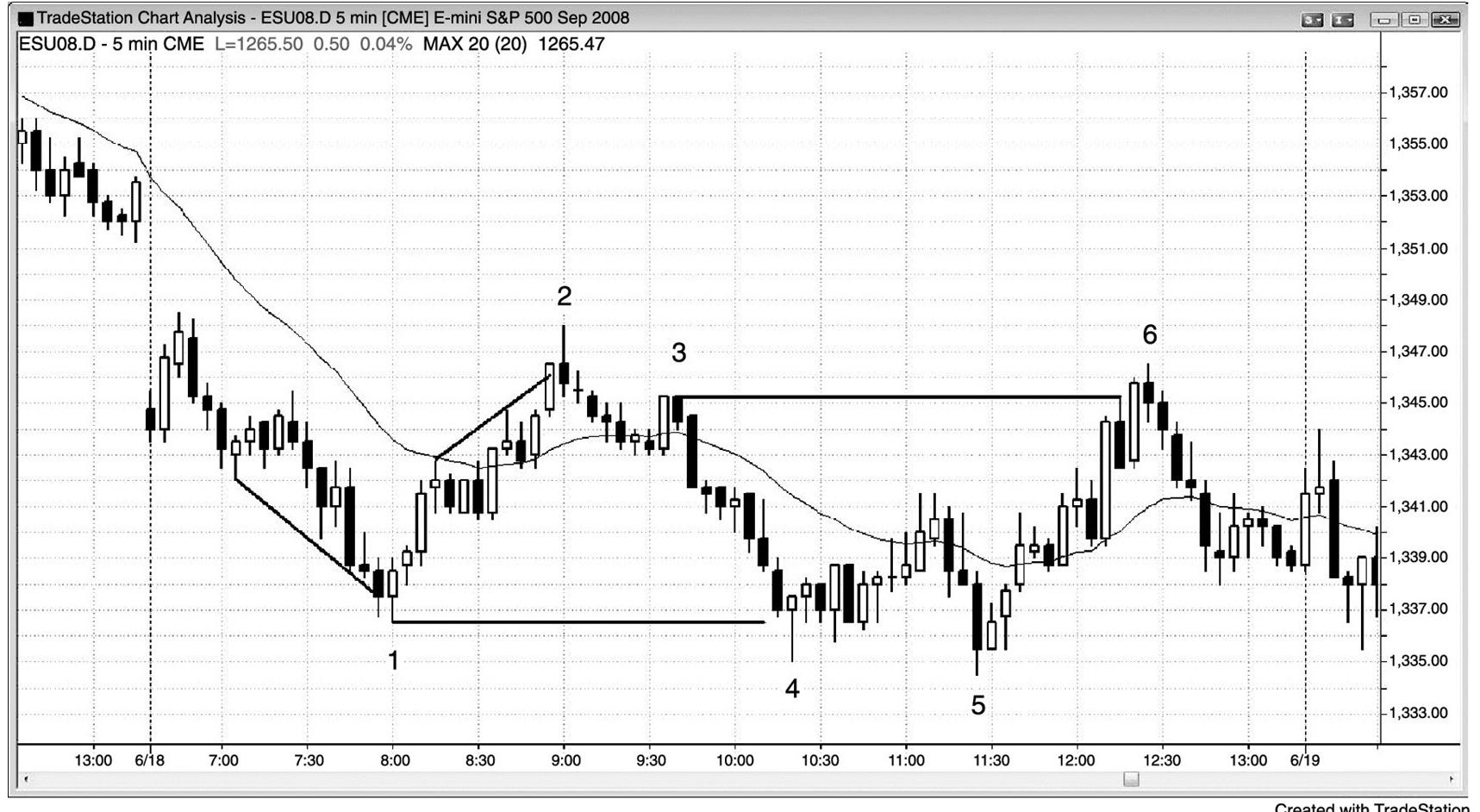
**FIGURE 24.20 Emini Opening Reversal**



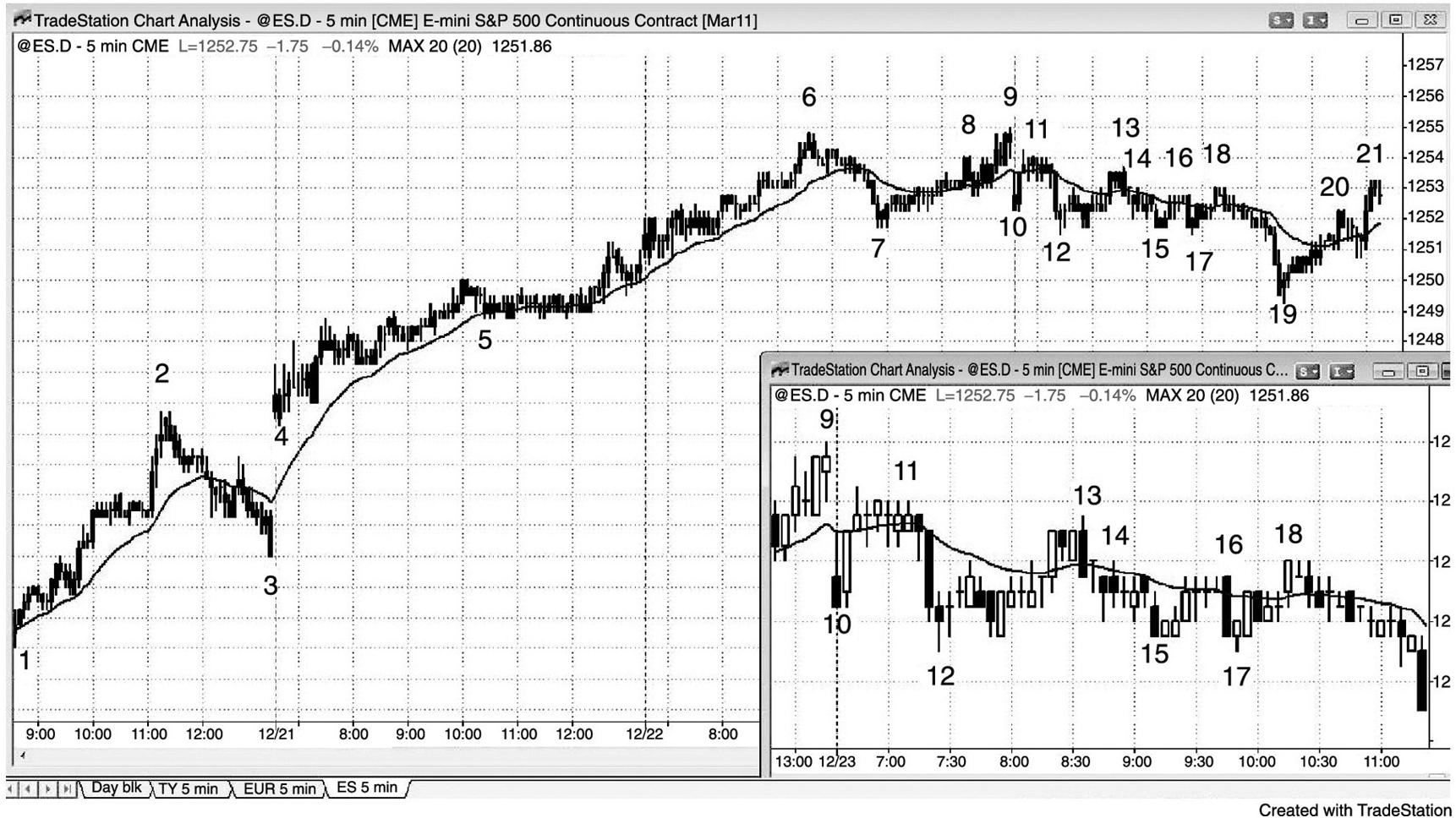
**FIGURE 24.21** Treasury Note Final Flag



**FIGURE 24.22** Best Trades in the Emini with Two-Sided Trading



**FIGURE 24.23** Several Best Trades in the Emini with No Clear Trend



**FIGURE 24.24** With a 50 Percent Chance of Success, the Reward Must Be Twice as Large as the Risk