

Comprehensive Extraction: DayTraderRockStar (DTRS) Trading Methodology

This document details the technical trading strategies of John Kurisko, specifically focusing on the "High Probability Setup" (HPS) zones identified in the slide show.

1. Primary Trading Setups

The methodology is built around four core "Money Making Trades":

1. **Divergence (Long and Short):** Traded on 1m, 3m, 5m, 60m, and Daily timeframes.
2. **Triple Stochastic Flag (Long and Short):** Traded on 1m, 5m, and Daily timeframes.
3. **200 EMA Breakdown / Channel Line Bounce.**
4. **Oversold Stochastic Channel Line Bounce.**

2. Technical Indicator Specifications

The DTRS system relies heavily on specific Stochastic settings to identify momentum shifts and exhaustion.

Stochastic Settings

- **Divergence Detector:** 9, 3 (Fast Stochastic)
- **Fast Stochastic:** 14, 3
- **Medium Stochastic:** 40, 4
- **Slow Stochastic:** 60, 10, 10 (Full Stochastic)

Moving Averages & Trend Tools

- **20 EMA:** Primary trend/momentum filter.
- **200 EMA:** Significant institutional level for breakdowns/bounces.
- **Channel Lines:** Trend lines identifying the "tracks" in which price moves.

3. The Divergence Methodology

Divergence is considered the most consistent trade. It is broken down into specific "Stages" for execution.

Buy Side Divergence (Lower Low Entry)

- **Stage 1:** Price makes a low; Stochastic must be **under the 20 line**.
- **Stage 2:** Price makes a **lower low** (or double bottom). Simultaneously, the Stochastic must **hold above the 20 line** and turn up, creating a "Higher Low" on the indicator.
- **Confirmation:** * Preferred: 5m or 60m Stochastics moving up off oversold levels.
 - Candlestick: The lower low should ideally be capped with a reversal candle.
 - Context: Best when aligned with a lower channel line.

Sell Side Divergence (Higher High Entry)

- **Stage 1:** Price makes a high; Stochastic must be **over the 80 line**.
- **Stage 2:** Price makes a **higher high** (or double top). Simultaneously, the Stochastic must **hold below the 80 line** and turn down, creating a "Lower High" on the indicator.
- **Confirmation:** Preferred 5m/60m Stochastics moving down from overbought.

4. Triple Stochastic Flag Setup

This setup looks for a "coil" or "flag" behavior across multiple timeframe indicators.

- **Criteria:** When the fast (14,3), medium (40,4), and slow (60,10,10) stochastics align in a specific direction.
- **Bull Flag:** Fast stochastic pulls back to oversold while the slow stochastic remains pinned or trending upward.
- **Bear Flag:** Fast stochastic bounces to overbought while the slow stochastic remains pinned near the bottom.

5. Business Rules & Risk Management

Kurisko emphasizes a "Business Plan" approach to eliminate overthinking.

Core Trading Rules

- **2% Rule:** Never risk more than 2%–3% of account value on a single position.
- **Discipline:** If a divergence fails and stops you out, but a "Running Divergence" forms immediately after, it must be taken.
- **The 80 Rule:** When in doubt, exit long positions when the stochastic reaches the 80 (overbought) level.
- **Trend Dominance:** Divergence signals are often "defeated" by strong Bull/Bear flags; do not fight a strong flag.

Position Sizing Examples (Based on \$5,000 Capital)

- **ES Futures:** ~2 Contracts (assuming discount margin).
- **SPY Shares:** ~22 Shares (utilizing full capital).
- **SPY Options:** ~20 Contracts (approx. \$700 cost, keeping significant cash in reserve).

6. Glossary of HPS Terms

- **Quad Rotation:** A specific alignment of the four stochastic indicators transitioning from one side of the oscillator to the other.
- **X Marks the Spot:** The intersection of two proven trend lines.
- **Stochastic Coil:** When indicators compress before a volatile breakout.