

# **1<sup>st</sup> Bar Positive**

This document is written and completed on the 1<sup>st</sup> of September 2024. I played a squash match yesterday. Mid-way through the match I sprained the sacroiliac joint and strained the glute Medius. Now I have the joy of looking forward to 6 weeks of rehabilitation. Talk about pain and discomfort.

I wanted to post this document earlier in the weekend, but for obvious reasons I was unable to. I am mindful it is late Sunday, but I hope you will take the time to read through it at some point. I think you will find it very useful.

In this document I am addressing the use of the technique I call 1<sup>st</sup> Bar Positive. This is normally reserved for the FTSE 100 index, but I decided to research August 2024 in the DAX, the Dow and the Nasdaq, testing for the same setup.

Nasdaq showed great promise, while the Dax showed absolutely no promise. Dow was so-so.

Let us get to it:

## **Strategies**

1. FTSE 1<sup>st</sup> Bar Positive (5min strategy)
2. DAX 1<sup>st</sup> Bar Positive (5min strategy)
3. Dow 1<sup>st</sup> Bar Positive (5min strategy)
4. Nasdaq 1<sup>st</sup> Bar Positive (5min strategy)

## FTSE 1<sup>st</sup> Bar Positive

There were 22 trading days in August 2024. The FTSE index had one holiday, which meant there were 21 trading days in the FTSE.

Out of those 21 trading days, there were 10 trading days where the following happened:

**The first 5min candle at the open of the market at 8am UK time (9am Central European Time) was positive. Later in the trading session, but before 4.30pm (when the underlying market closes), the LOW of the first candle was broken.**

There were two more days where the first bar was positive, but the low of that first candle, on those two days, were never exceeded. In other words, on those two days the low of the day was actually at the open of the day.

As a trader I relish research like this. Can you appreciate how prepared one feels, when you have thoroughly researched and tested a hypothesis, which then goes on to occur 10 out of 21 samples. That is practically 50% of all trading days where you know exactly what to do. That is the beauty of the sub-branch of technical analysis I have created, which I call Situational Analysis.

We are looking for a specific situation and once it happens, we know EXACTLY how to trade it. That is strength. That is empowerment.

Unlike my other strategies though, there is one weakness to First Bar Positive (1BP). I don't know when it will happen, or if it will happen. For example, School Run, which I will discuss later in this file, happens 99% of all trading days. The same can not be said for 1BP.

### What is 1BP?

If the first bar is positive, and the low of that first bar is broken later in the trading session, I sell short. I often place an order. My software will help me to place the order, or at least remind me that the setup is live.

My stop loss is usually above the most recent swing high. I don't not have a profit target. I will add to my winning trade if I feel momentum is strong to the downside.

Now, I would like to take you through how I traded this in August 2024, the month we have just concluded.

## FTSE 1<sup>st</sup> August 2024

I shorted the FTSE below 8375. I usually use 1 to 1.5 points below the low of the 1<sup>st</sup> bar. In this case my entry was 8374. My stop loss was above the high of the 2<sup>nd</sup> bar of the morning, which was at 8405. That is a much bigger stop loss than I normally use for the FTSE. I moved my stop loss down to 8380 when I was 10 points in profit. I didn't add. The low of the previous day was 8340. I took profit down there. I didn't add.



**2<sup>nd</sup> August 2024**

The FTSE broke the low of the first candle at 8216 around the time the US markets opened weaker. Unfortunately, the stop-loss I had in mind was HUGE. My entry was 8215, but my stop loss technically should have been 8280. I did not want to have that much risk. I traded half position size, and I place a stop loss above most recent swing high at 8250. I moved stop loss down when I was 14 points in profit. I didn't add. Exit was around 8168 after db.



**12<sup>th</sup> August 2024**

I shorted the FTSE at 8196. I placed stop loss at 8227. I sweated a lot. Then I was in profit and moved stop loss to breakeven. I got stopped out for zero.



**13<sup>th</sup> August 2024**

The first bar was positive. I placed order and was filled at 8227. My stop loss was 8247. The low of the previous day was 8193. It is not shown on this chart. I took profit at 8192. I added at 8215, when I could move stop loss on 1<sup>st</sup> entry to breakeven.



**14<sup>th</sup> August 2024**

I shorted the FTSE at 8272. I had stop loss at 8312. It was too big a stop loss, so I traded a 50% size. I quickly moved stop loss to 8295. When I had been in profit by 10 points, and the market turned, and I was now losing 10 points, I closed for a loss of 11 points. I didn't add. Had I done nothing, I would have been able to make max 30 points. The market went to 8244.



**19<sup>th</sup> august 2024**

I shorted the FTSE at 8285. I was stopped out at 8306. In hindsight I could have saved myself a few points by moving stop loss lower. However, I don't trade on hindsight, and had I used that approach on a couple of other trading days in August, I would have been stopped out before the position turned profitable.



**20<sup>th</sup> August 2024**

I shorted the FTSE 8333. I had a stop loss at 8348. It was a surprisingly small stop, compared to other days. That was a sign volatility was decreasing again. I shorted again at 08:45, just after the completion of a positive bar. I did that because the first positive bar (not the 8am bar) was immediately followed by more downward pressure. I added again on the next positive bar at 09:05/09:10. I moved stops down in line with profits. Low was 8274.



**21<sup>st</sup> August 2024**

I shorted the FTSE at 8276. My stop loss was 8291. I moved stop loss down to 8280 when the market went below 8270. I was shortly after stopped out. I left it alone after that.



**27<sup>th</sup> August 2024**

This was an interesting trade because normally First Bar Positive triggers soon after the open. Here it didn't trigger until a few hours into the session. I shorted the FTSE at 8351. My stop loss was 8370. I could have used a stop loss above the high of the most recent swing of 8386, but I opted for a stop above the high of the most recent positive candle during the sell-off. I added after the 10:50am candle (positive), and I closed at 8333 because gap filled.



I would like to show you why I think it is important to make a note on when markets close, as compared to the 24-hour charts that brokers provide. The trade from above – the 27<sup>th</sup> of August 2024 – is a classical case of the brokers charts not helping us as much as if we make a note of our own, on the closing prices from the stock exchanges around the world. I get mine from CNBC. Had I used my brokers own charts, it was not immediately obvious that the market might turn at this price level. This chart below is from E-signal, a charting package I pay for, and it ONLY shows prices traded within the official stock exchange trading hours.



The page on CNBC looks like this. It shows the DAX and the FTSE closes from the official trading hours.

The screenshot shows the CNBC homepage with a dark blue header. The header features the NBC peacock logo and the word "CNBC" in white. Below the logo is a navigation bar with five categories: MARKETS, BUSINESS, INVESTING, TECH, and POLITICS. To the left of the navigation bar is a menu icon consisting of three horizontal lines. Below the header, there is a section for currency selection with options: + | US ASIA EUR BONDS OIL GOLD FX CRYPTO PRE. The "EUR" option is underlined, indicating it is selected. Below this, two red boxes display market closing data. The first box is for the DAX index, showing a value of 18,906.92, a decrease of -5.65 (-0.03%), and the last update at 8/30/24 CEST. The second box is for the FTSE index, showing a value of 8,376.63, a decrease of -3.01 (-0.04%), and the last update at 8/30/24 BST.

Market	Close	Change	Change (%)	Last Update
DAX*	18,906.92	-5.65	-0.03%	LAST   8/30/24 CEST
FTSE*	8,376.63	-3.01	-0.04%	LAST   8/30/24 BST

So, while the DAX index and the FTSE index carries on trading across all CFD and forex brokers all over the world, after the underlying market closes at 17:30 CET, I know when the market opens again, what the real closing price is, and therefore I can monitor for gap fills.

**30<sup>th</sup> August 2024**

The last trading day of the month was a sideways slug party. I shorted the FTSE at 8398, and I had to wait for a while for the market to do anything. My stop loss was 8420. I was lucky because I would have been stopped out at breakeven, after the market broke lower. I was so focused on the US market that I forgot about my FTSE position. Very professional 😊. When market did begin to slide, I took profit around 8377, which was the previous day's close.



# FTSE 1<sup>st</sup> Bar Positive Result August 2024

There were 21 trading days in August, of which 10 of them had a positive 1<sup>st</sup> candle, which low was then later broken. There were one or two other 1<sup>st</sup> Bar Positive, but their lows were never broken on those days.

The results (not my results) what could max have been achieved are listed below:

DATE	STOP LOSS	MAX PROFIT	MY P&L
1 <sup>st</sup> August	32 points	40 points	34 points
2 <sup>nd</sup> August	36	59	47
12 <sup>th</sup> August	31	12	0
13 <sup>th</sup> August	20	28	35 + 23 = 58
14 <sup>th</sup> August	40	31	11 point lost 50%
19 <sup>th</sup> August	21	1	21 point lost
20 <sup>th</sup> August	15	60	39 + 25 + 10 = 74
21 <sup>st</sup> August	15	7	4 point lost
27 <sup>th</sup> August	18	22	18 + 9 = 27
30 <sup>th</sup> August	20	34	21

On a typical trading month, the FTSE index offered me 10 opportunities to trade a First Bar Positive, out of a total of 21 trading days. I had to use various size stop loss, and in one case I decided I didn't want to risk 40 points in full trading size, so I cut my trade size to 50%.

I had 3 clear losers, and I lost a total of 31 FTSE points. I had one breakeven trade. I had 6 winning trades. On the winning trades I added on 3 of them. In other words, the FTSE 1<sup>st</sup> Bar Positive had a **win rate of 60%**. It had a **loss rate of 30%** and one breakeven which makes up 10%.

I lost a total of 31 points on the losing trades, and I made (without adding) 194 FTSE points. With the “add on’s” (which does increase my risk), I made a total of 261 points. Overall, I had an initial risk of 248 points.

Trading is not a linear profession. I find that new traders want it to be because it helps them negotiate the element of fear and uncertainty. I have seen more than one new trader create fascinating Excel spreadsheets on what their trading will look like, and in particular their profits will look like, if they make X points a day.

I think the lesson of the pages above is the fact that the win ratio is not impressive. 60% is fine, but it is not a “head turner”. The initial risk is a lot as well, compared to the subsequent profits (248 initial risk vs 194 profit without adding) but with a well-researched strategy I have managed to turn seemingly poor odds into a very profitable month.

# DAX 1<sup>st</sup> Bar Positive Result August 2024

There were 22 trading days in August in the DAX index. I am only going to show you one of the charts I found. I will get to that in a moment.

Out of the 22 trading days in the DAX, there were 12 trading days where the first 5-minute candle at 09:00am Central European Time – when the DAX index opens – was positive.

Now listen to this: Out of those 12 trading days, there was **only two days** that produced a real tradeable result. The rest would turn into losing trades.

Over the next 5 pages I have shown you the two winners and then three losing trades. The losing trades are quite typical of how most of the DAX charts look like, when the 1<sup>st</sup> candle is positive.

My conclusion is that there is a reason why I have not traded the DAX like I trade the FTSE. They are two different indices, which are traded differently. The FTSE has a mind of its own, while the DAX index is much more aligned with the whims of the US markets.

I would add that when the first bar in the DAX is positive, it is far more likely that the 1<sup>st</sup> bar sets the tone for the Dax index, statistically speaking, while the FTSE seems to have the opposite tendency.

I will leave you to judge for yourself.

## DAX 1<sup>st</sup> August 2024

For full disclosure – I did not trade this. I do not use 1<sup>st</sup> Bar Positive in DAX. I am only showing you this because I wanted to illustrate the two positive trades that did occur during August using 1BP.



## DAX 5<sup>th</sup> August 2024

The 5<sup>th</sup> of August also produced a good 1BP in DAX. And that was it for the month.



DAX 19<sup>th</sup> August 2024

This is what the majority of DAX days looked like when they had a positive 1<sup>st</sup> 5min bar, where the low was exceeded. Most of the time it would linger around for a few bars and then move higher.



20<sup>th</sup> August 2024

Hmmm – 1<sup>st</sup> bar is positive. Then your stop is triggered. I do not see any statistical significance for trading 1BP in the DAX.



23<sup>rd</sup> August 2024

Hmmm – 1<sup>st</sup> bar is positive. Dax dips, and then reverses hard up again. I will leave it at that.



## Dow 1<sup>st</sup> Bar Positive

There were 22 trading days in August 2024. I didn't trade the Dow using the 1<sup>st</sup> Bar Positive, so any "results" you are seeing are theoretical. I did trade the Dow in August, but I used other techniques. For the purpose of this research paper, I am merely going through the month to investigate if 1<sup>st</sup> Bar Positive is something I should consider trading in the Dow index.

For example, the 1<sup>st</sup> of August was brilliant for the Dow index, but then again, it was brilliant for almost every index, because there was such a big trending move in every index. However, one day does not make a strategy.

I found there were 13 days in the Dow index, where the 1<sup>st</sup> candle was positive, and the low of that candle was later broken. There were more than 13 days where the first candle was positive, but on several days the opening 5min low did not get broken.

I will now go through the charts of the Dow Jones index, where the first candle at the open (at 09:30 New York Time/ at 15:30 Central European Time/at 14:30 UK time) was positive, and the market then later traded through the low of that first positive candle.

**1<sup>st</sup> August 2024**

The Dow opens with a positive candle. Then it trades through the low. The low is 40,961. The most recent high is 41,089. The Dow index then falls 850 points. That would have been a nice trade. I caught it using School Run, but that is a different strategy.



7<sup>th</sup> August 2024

Data is on chart.



13<sup>th</sup> August 2024

The Dow Jones index goes below the opening low, and then reverses back up again.



14<sup>th</sup> August 2024

Not a good trade!!



**15<sup>th</sup> August 2024**

The Dow Jones index goes below the opening low, and falls 150 points.



16<sup>th</sup> August 2024

The Dow Jones index goes below the opening low, and then reverses back up again.



21<sup>st</sup> August 2024

The Dow Jones index goes below the opening low, for about 60 points, then rallies hard, and then falls. I am certain I would have shorted it, moved stop loss to breakeven, and been stopped out for zero.



**22<sup>nd</sup> August 2024**

The Dow Jones index goes below the opening low, and trades down to 40,772. It was a tradeable move, but stop loss placement could be a headache to solve.



**23<sup>rd</sup> August 2024**

Judge for yourself....



**26<sup>th</sup> August 2024**

The Dow Jones index goes below the opening low. It is a small move lower.

W



**30<sup>th</sup> August 2024**

The Dow Jones index goes below the opening low. The market then goes into a long sideways range. Yes, the trade works out eventually, but I would have moved stop loss to breakeven.



## Dow 1<sup>st</sup> Bar Positive Conclusion

There were 22 trading days in August 2024. There were many days where the first 5min candle was positive, and the market did not trade below the low.

When it did trade below the low, the results were mixed. I have shown you 11 days. That is exactly 50% of the trading days in August.

Out of those 11 days I will conclude that:

- 4 out of 11 produced outstanding trades.
- 4 produced trades where I could at least move stop to breakeven and not lose.
- 3 days would without doubt cause me a loss.

We can compare these statistics to the one produced by the SRS and even ASRS. For now, I will leave the 1BP in the Dow index. Would I trade it? Yes, I think I would. I think however the Nasdaq might be a better index to trade 1BP in.

I will cover that next.

## Nasdaq 1<sup>st</sup> Bar Positive

Nasdaq is a different beast to the Dow index. It has far greater volatility. Creating good solid strategies in the Nasdaq is essential for me, because I know that when I get it right, I make money fast.

Over the month of August there were a total of 14 openings with a positive candle. Not all of them traded through the low of the candle on subsequent price action. 4 out of the 14 opening candles never had its low traded through later in the day.

That left me with 10 candles where the Nasdaq did trade through the low later. I would like to show you those.

**1<sup>st</sup> August 2024**

As I stated earlier, all indices trended on the 1<sup>st</sup> of August.



6<sup>th</sup> August 2024

It might not look like a lot, but it was a 100 point move lower, with a similar size stop loss.



7<sup>th</sup> August 2024

If I had shorted here, I would have had a stop loss above the high of the long breakdown candle. However, this chart has taught me the importance of moving the stop loss down as quickly as possible.



**9<sup>th</sup> August 2024**

I am reading my comments from the 7<sup>th</sup> of August again. To trade this approach requires a proactive money management approach with no regrets.



**12<sup>th</sup> August 2024**

It might not look like a lot, but it was a 100 point move lower, with a smaller stop loss.



**20<sup>th</sup> August 2024**

The opening low is 19,726. The break caused a move down to 19,651.



**22<sup>nd</sup> August 2024**

It takes 20 minutes but then Nasdaq produces a move of 400 points.



**26<sup>th</sup> August 2024**

Nasdaq produces at 250-point move.



27<sup>th</sup> August 2024

This is another 250-point move.



**28<sup>th</sup> August 2024**

The first candle is positive. Then a 100-point sell-off in Nasdaq, and then a big reversal.



## Nasdaq 1<sup>st</sup> Bar Positive - Conclusion

Nasdaq has a pretty decent track record for August on the 1<sup>st</sup> Bar Positive. I found 10 out of 22 days where the low was broken of the 1<sup>st</sup> 5min candle. I have summed them up as follows:

**1<sup>st</sup> of August trade was an awesome setup. It nailed a big move.**

**6<sup>th</sup> of August was ok. I could move stop loss to breakeven at least.**

**7<sup>th</sup> of August was awful. I would have lost.**

**9<sup>th</sup> of August was awful. I would have lost.**

**12<sup>th</sup> of August was great.**

**20th of August was great.**

**22<sup>nd</sup> of August was great.**

**26<sup>th</sup> of August was awesome.**

**27<sup>th</sup> of August was awesome.**

**28<sup>th</sup> of August was ok.**

That is two bad trades and 8 trads that are either awesome (big profits), or great (decent profits) or OK (at least move stop loss to breakeven).

Will I trade this in real-time? Yes, absolutely.

That concludes this research paper.

If you have questions, please email me on [hello@tradertom.com](mailto:hello@tradertom.com)

Thank you.

Tom Hougaard