



WARRIOR TRADING

CHAPTER 9: TECHNICAL TRADING STRATEGIES

Technical Trading Strategies

Today You Will Learn

The Basics of Buying Support & Selling Resistance

Continuation

“Opening Drive” Momentum

Vwap Pop, Vwap Crack, Vwap Fade, Vwap Bounce

Vwap Bounce

Contrarian Approach

Volume Bottoms

Volume Tops

Gap Fade

Buying Support & Selling Resistance

The majority of the time both support and resistance will NOT be a finite point, or in other words, it is never exact but rather a zone of close proximity

Contrary to popular belief, the multiple breaks and reclaims of the support/resistance level actually greatly contribute to the strength of the level

This is due to traders who have been forced to exit their current position to then reposition once the level has shown its validity; otherwise known as a fake-out or ***false break***

False Break



Buying Support & Selling Resistance

When these levels do work in a clearly nonrandom fashion, it is usually because many market participants are watching them, and they are obvious to everyone. Visible pivots (especially on higher time frames), levels that have been tested several times, extremes of large spikes, and the highs and lows of the previous day are examples of areas that may attract unusual attention and interest from market participants.

Pay close attention to past history of price action around a level. If it has been interacted with many times with less than perfect tests, it is reasonable to assume that future tests will also be inconsistent. Just consider this if trading the stock around that level in the future.

Continuation

Identifying a market where there is an established uptrend/downtrend and look to initiate a position utilizing pull backs to capture further legs of the move.

Often high probability trading opportunities due to its alignment with one of the fundamental market principles; distribution.

Important to remain extra patient with trend continuation due to the normally slow, controlled movements.

Remain vigilant as to when the trend breaks and becomes conclusively wrong which will result in closing the position and potentially switching sides.

Contrarian Approach

Counter trend trading strategy which involves the buying of support and selling of resistance, which occurs after a sharp, violent move in price.

Provides for extreme reversion moves due to what is referred to as the “herd mentality”

When the masses are leaning one way into a move that fails, the reversion move is often explosive as the trend traders exit positions.

Requires iron clad discipline to achieve consistency since this approach is often responsible for dramatic trading losses to those who are unable to properly manage a position.

Buying Support: Continuation



Buying Support: Continuation



Buying Support: Exiting Short Position



Buying Support: Exiting Short Position



Selling Resistance: Continuation



Selling Resistance: Continuation



Selling Resistance: Exiting Long Position



Selling Resistance: Exiting Long Position



Selling Resistance: Exiting Long Position



Opening Drive Momentum



Opening Drive Momentum



An Introduction to VWAP

VWAP: Volume Weighted Average Price

VWAP equals the total dollar amount at all trading periods divided by the total trading volume (number of shares traded) during the day

Widespread throughout industry to provide a true reflection of a security's average price over a specified period, normally 1 day

Benchmark used by Institutional Firms to evaluate execution quality

VWAP Importance

Institutional application allows retail traders to uncover otherwise hidden points of support/resistance

Greatly impacts ability to analyze markets successfully

Institutional transaction efficiency is determined by vwap, providing accurate performance metrics of their individual traders

If your career was dependent upon your trade performance relative to VWAP, would you be paying close attention?

VWAP Strategies

VWAP Pop: A bullish, long based trade

VWAP Bounce: A bullish, long based reversion & continuation trade

VWAP Crack: A bearish, short based trade

VWAP Fade: A bearish, short based reversion & continuation trade

VWAP Pop



VWAP Crack



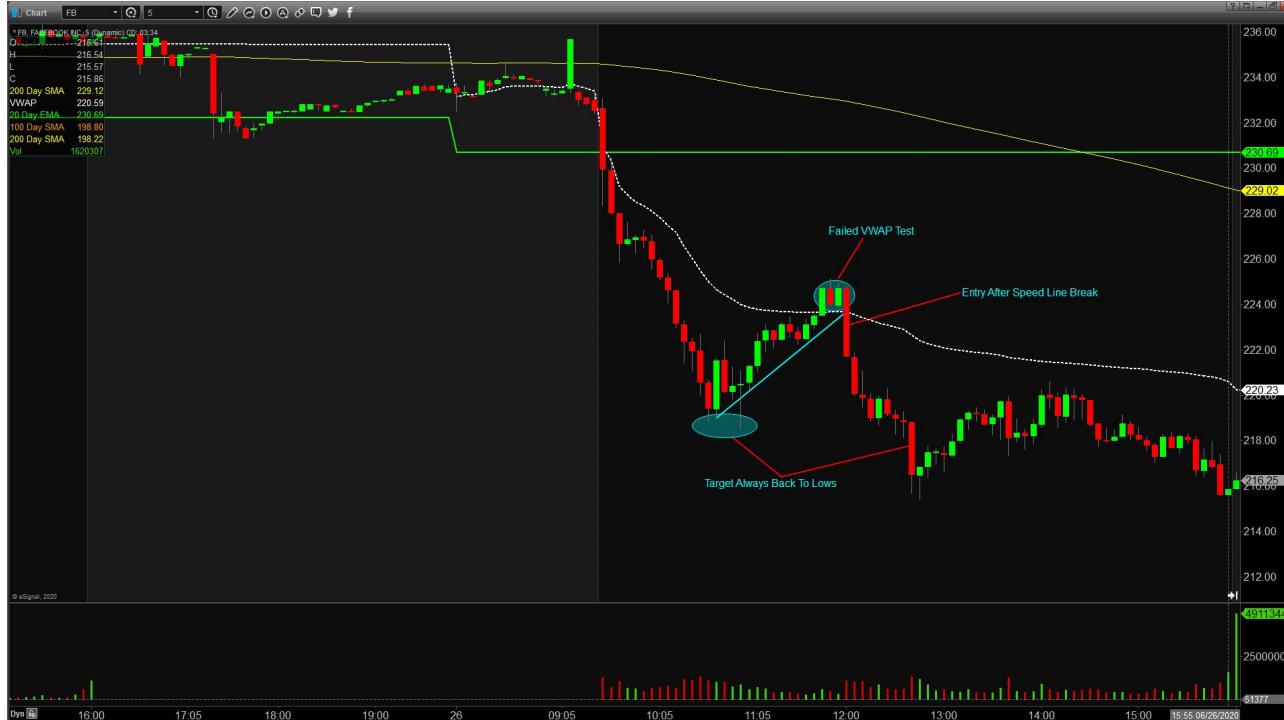
VWAP Crack



VWAP Fade



VWAP Fade



VWAP Bounce



VWAP Bounce



Volume Top & Bottoms

Volume Tops & Bottoms: Volume tops and bottoms are a contrarian based approach where exhaustion of an extreme move has occurred. These exhaustion situations are signaled primarily by an extreme extension move supported by a increased rate of volume. Volume precedes price!

Volume Bottom



Volume Top



Volume Top



Volume Top



Volume Top



Volume Top



Gap Fade

Gap Fade: A sharp move lower in price after a significant gap higher. In this approach, we are looking to exploit the large void in price created by the current overnight gap that has occurred. Gap fades are fueled by profit taking into a large move of price.

Gap Fade



Gap Fade



Gap Fade



Gap Fade



Gap Fade

