# **Thinkorswim Strategies**

**BASIC Trading Guidelines: Never put more than 1% of your capital or trading account into a single trade,**

**The Early Morning Trade:**

1. Start about 6:30 am with daily 5 min. chart
2. Look for strong “up-trend” followed by strong “down-trend” before 7:00 am
3. Look for “double bottom” pattern
4. Place “Sell STP” at bottom of second candle stick and adjust upward as stock continues upward trend.

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**Heikin Ashi-MACD Trade:**

**Heiken Ashi Bars:**

* Bullish Bars - wick at top -> no wick at bottom
* Bearish Bars – wick at bottom -> no wick at top
* Indecision Bars – wick at top & wick at bottom

**MDACD (Moving Avg. Convergence Divergence) Indicator:**

* Powerful “momentum” indicator
* Helps determine overall direction of market (i.e. bullish or bearish divergence)
* Momentum indicators seek to determine speed of trend.
* Can indicate when **trends** are about to **end** or **start.**

**MACC Setting (default preferred):**

* Fast EMA: 12
* Slow EMA: 26
* MACD SMA: 9

**Buy vs. Sell Rules:**

1. Enter Long Position when MADC line crosses above “Signal” (magenta) line -> “Buy” signal
2. Enter Long Position when MADC line crosses below “Signal” (magenta)line -> “Sell” signal
3. **Use stop-loss**

**Rules for “Buy” Trade:**

1. Wait for MACD (blue) line to cross above Signal (magenta) line
2. Wait for Bullish Heiken Ashi bar (Doji) (i.e. wick at top, wick at bottom & small middle)
3. Wait for next Bullish bar with no wick at bottom -> “Buy” on next Bullish bar.

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**Rules for “Sell” Trade:**

1. Wait for MACD (magenta) line to cross below Signal (blue) line
2. Wait for Bearish Heiken Ashi bar (Doji) (i.e. wick at bottom, wick at top & small middle)
3. Wait for next Bearish bar with no wick at top -> “Sell” on next Bearish bar.

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**RSI-MACD-Stochastic Trade:**

**Stochastic Oscillator (Momentum Indicator):**

* When the market trending upward, prices will close near the highs.
* When the market trending downward, prices will close near the lows.
* Range 0 – 100
  + 80 or higher, considered overbought, indicating upcoming down trend
  + 20 or lower, considered oversold, indicating upcoming up trend
* K-Line (magenta) represents closing price
* D-Line (blue) represents moving average of K-Line
* Stochastic should be main entry signal
  + Buy Signal -> K-Line drops below 20
  + Sell Signal -> K-Line above 80
* Used alone it has low success rate

**RSI (Relative Strength Indicator):**

* Change settings to single 50 line
* Intended to chart historical strength or weakness of the market.
* Used for trend conformation.
* When the line crosses below 50, losses are greater than the gains -> Sell Signal
* When the line crosses above 50, gains are greater than the losses -> Buy Signal

**MADC (Moving Avg. Convergence Divergence):**

* Calculated by subtracting 26-day moving indicator from 12-day moving indicator in its price.
* Use crossovers for this strategy.
* Buy Signal -> MACD (red) line crosses above Signal (blue) line.
* Sell Signal -> MACD (red) line crosses below Signal (blue) line.
* Only works in trending markets (gives false signals).
* Only used as a third layer of confirmation.

**Entry for “Buy” Position:**

1. Stochastic -> both K & D lines are in oversold region (20 or lower).
2. RSI -> Confirm upward trend by making sure above middle (50) line.
3. MACD -> Make sure MACD (red) line crosses above Signal (blue) line.
4. Stochastic -> Ensure both lines have not hit overbought levels yet.
5. ”Buy” for long position.

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**Entry for “Sell” Position:**

1. Stochastic -> both K & D lines are in overbought region (80 or above).
2. RSI -> Confirm downward trend by making sure below middle (50) line.
3. MACD -> Make sure MACD (red) line crosses below Signal (blue) line.
4. Stochastic -> Ensure both lines have not hit oversold levels yet.
5. ”Sell” for short position.

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**Pre-market (9:00 am – 9:25 am) Scan :**

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