

**TRADING EDUCATORS
WELCOMES YOU TO OUR**

TRADERS UNIVERSITY

PREREQUISITE FOR THIS MATERIAL

The prerequisite for this material is having studied “The Law of Charts.” **Study it thoroughly.** You must know about 1-2-3 formations, Ledges, Consolidations, and Ross hooks.

INTRODUCTION

In this presentation, we review and go into great depth concerning the Traders Trick Entry (TTE). The TTE is one of the most important concepts you will ever learn, and is at the heart of what we teach. Following the introduction and basics of the TTE, we will give you some examples of its use and explain why it is so important.

IN THIS PRESENTATION WE WANT TO DISCOVER:

- The different ways in which the TTE 'sets up.'
- When to use the TTE.
- What the TTE accomplishes for you.
- Some basics of how to trade the TTE.

THE TRADERS TRICK ENTRY

The Traders Trick is designed to beat the insiders at their own game, or at the very least to create a level playing field on which we can trade.

THE TRADERS TRICK ENTRY ctd.

When trading 1-2-3 and Ross hook formations, we want to get in ahead of the actual breakout of the #2 point or the point of the hook. If the breakout is real, the result will be significant profits. If the breakout is false, we will have at least covered our costs and taken some profit for our effort.



THE TRADERS TRICK ENTRY ctd.

Insiders will often engineer moves aimed at precisely those points where they realize orders are bunched. It is exactly that kind of engineering that makes the TTE possible.

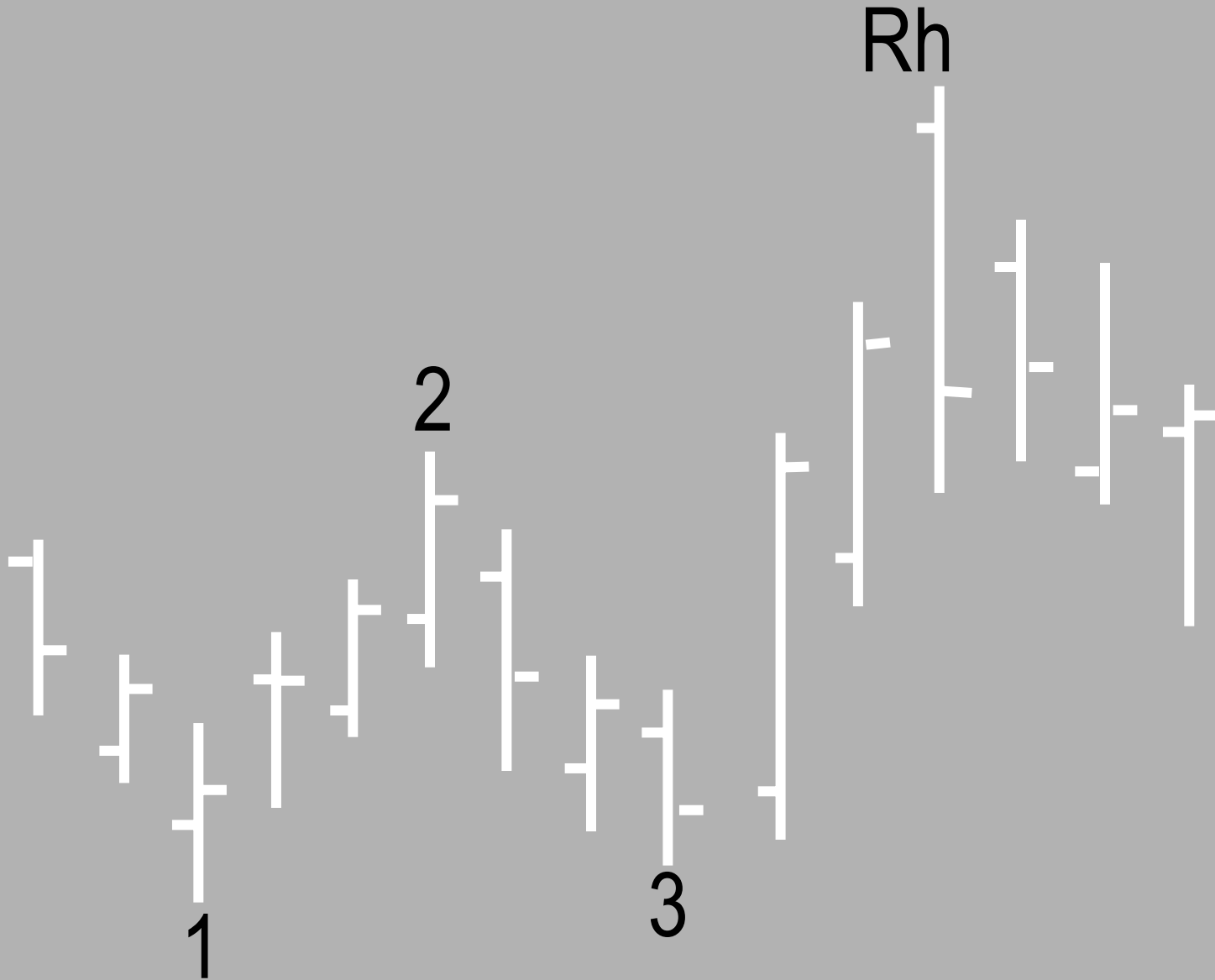


THE TRADERS TRICK ENTRY ctd.

For an insider to be able to stop us from shadowing his moves, he would have to sabotage himself. You'll see why shortly.

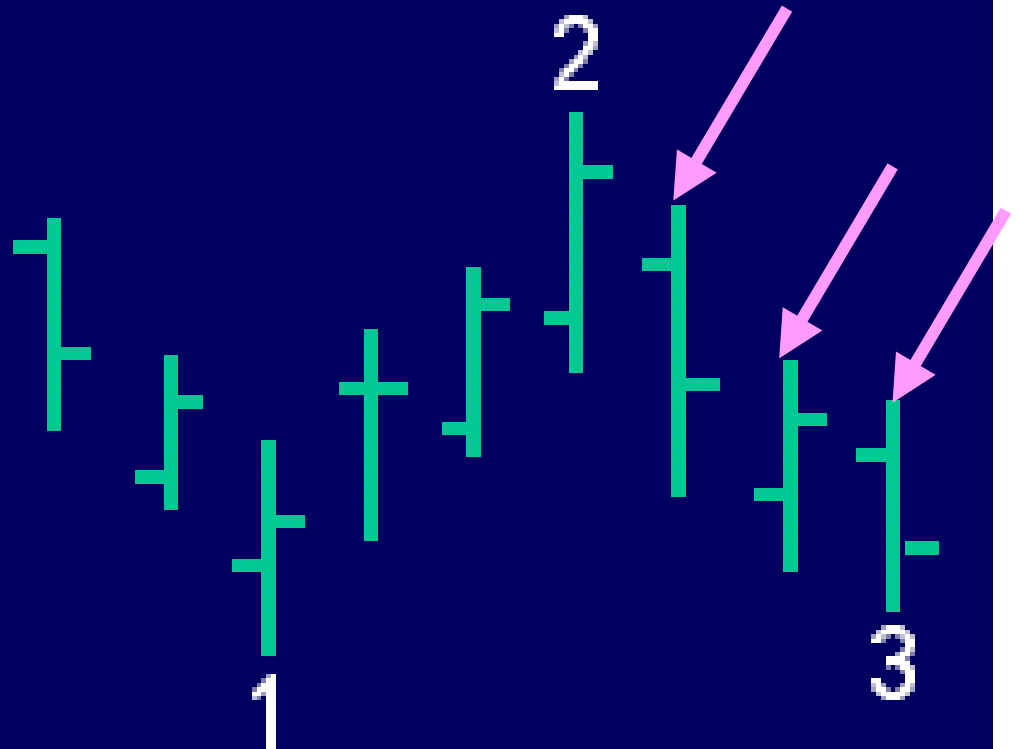
Let's begin our examination of the TTE.

THE TTE



THE TTE AND 1-2-3

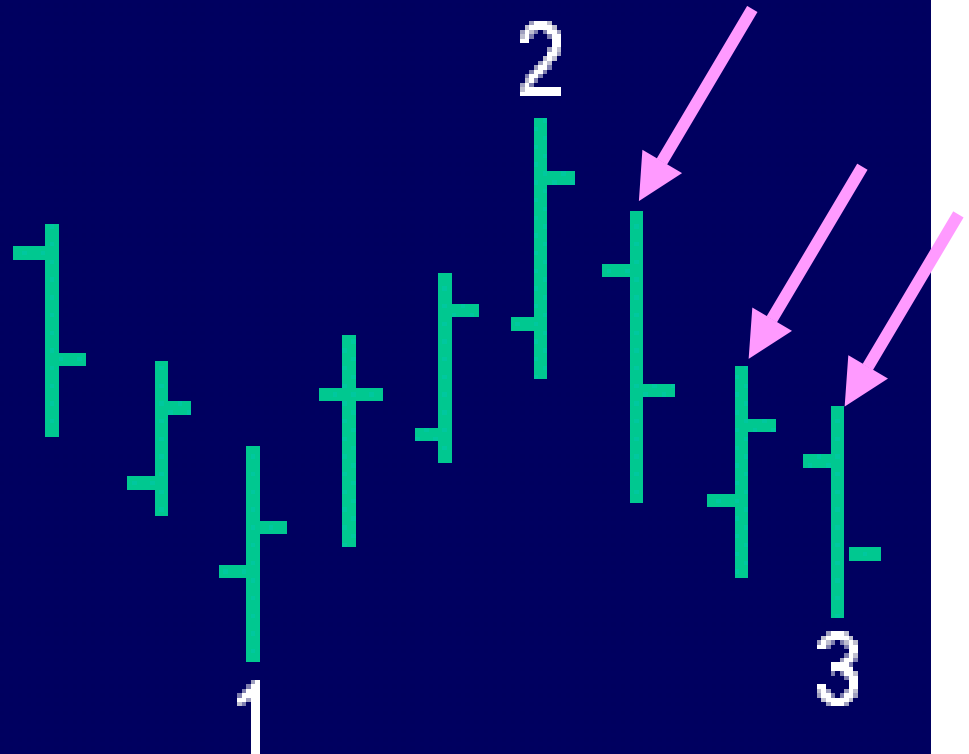
Once a #2 point is in place, we want to buy a violation of the high of any of the correcting bars that form subsequent to the #2 point.



THE TTE AND 1-2-3 ctd.

Correcting bars are the bars subsequent to the #2 point, and for TTE purposes are considered to be correcting as long as they make lower highs.

They don't need to make lower lows!

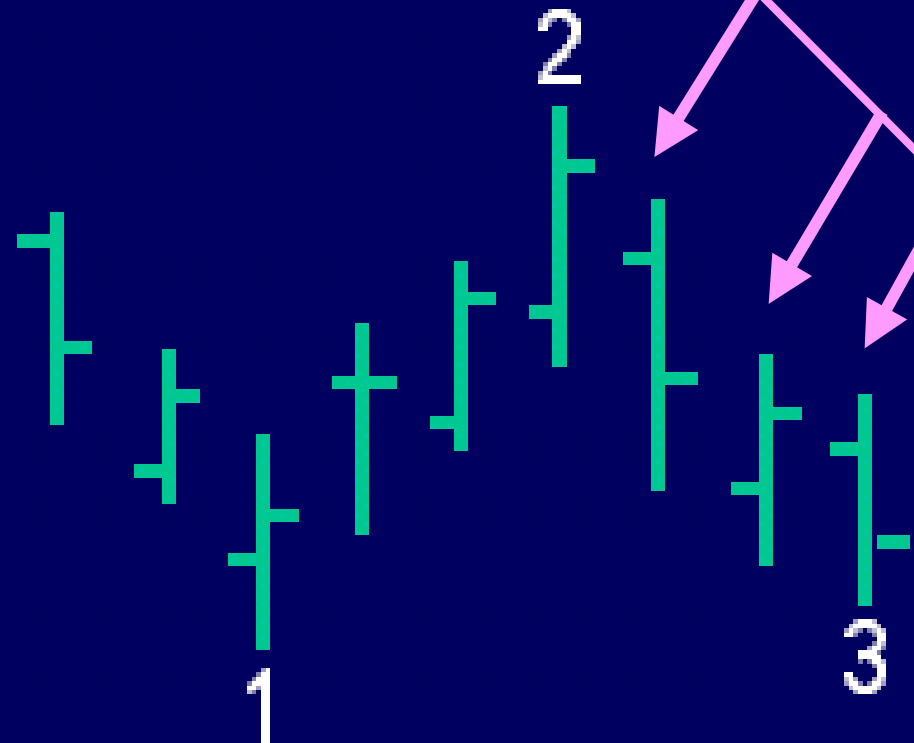


TTE AND 1-2-3 PROVISION #1

The following provision applies:

1. There must be sufficient room between our entry price and the #2 point for us to be able to cover costs and take at least some profit.

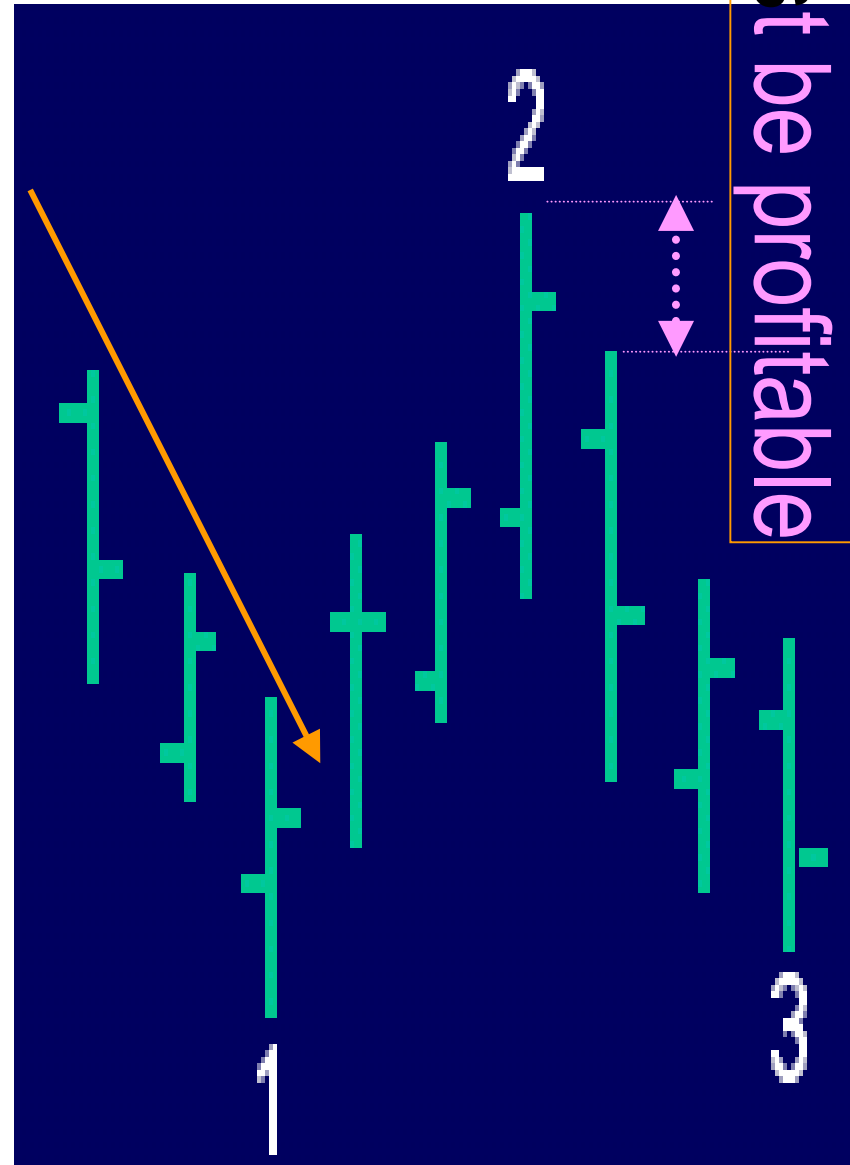
Possible entries



COMMENTS ON PROVISION #1

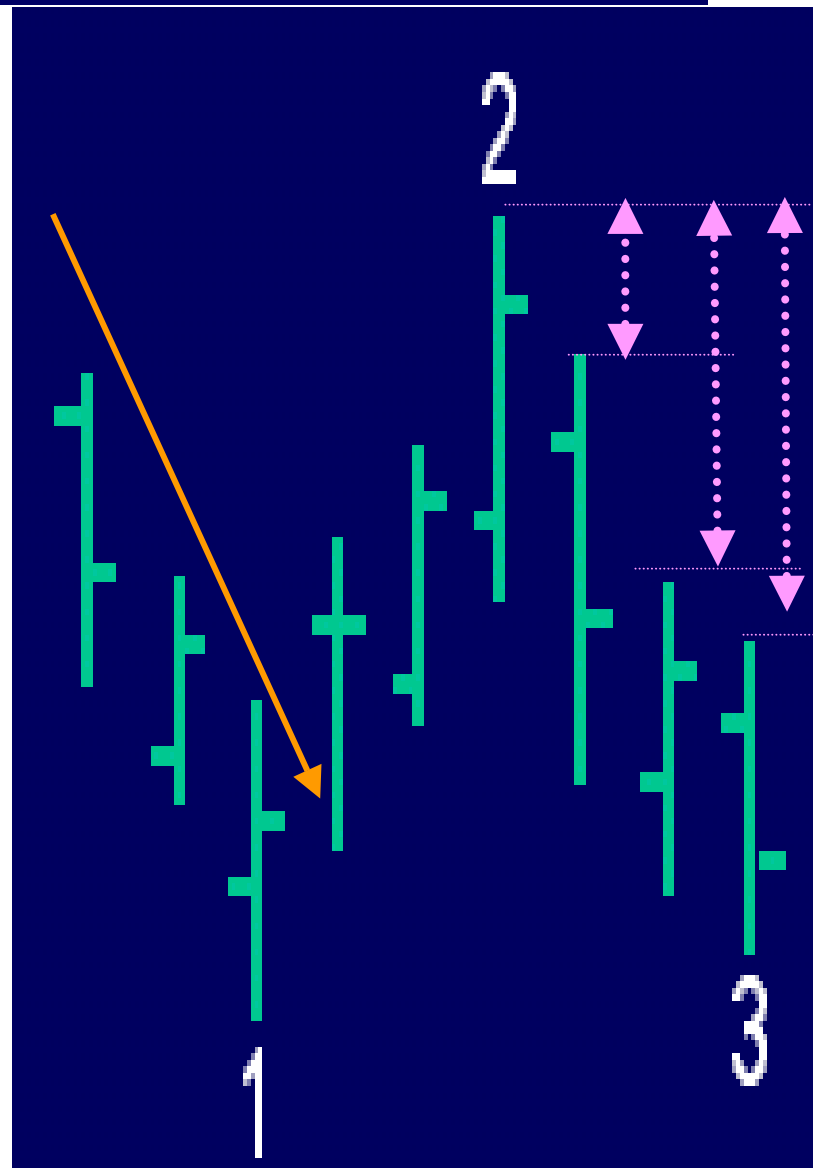
By insisting that there be enough room to cover costs and take some profit, we accomplish two things:

- 1. We get paid to trade.
- 2. If the breakout proves to be false, we will still have had a winning trade and have traded for free.



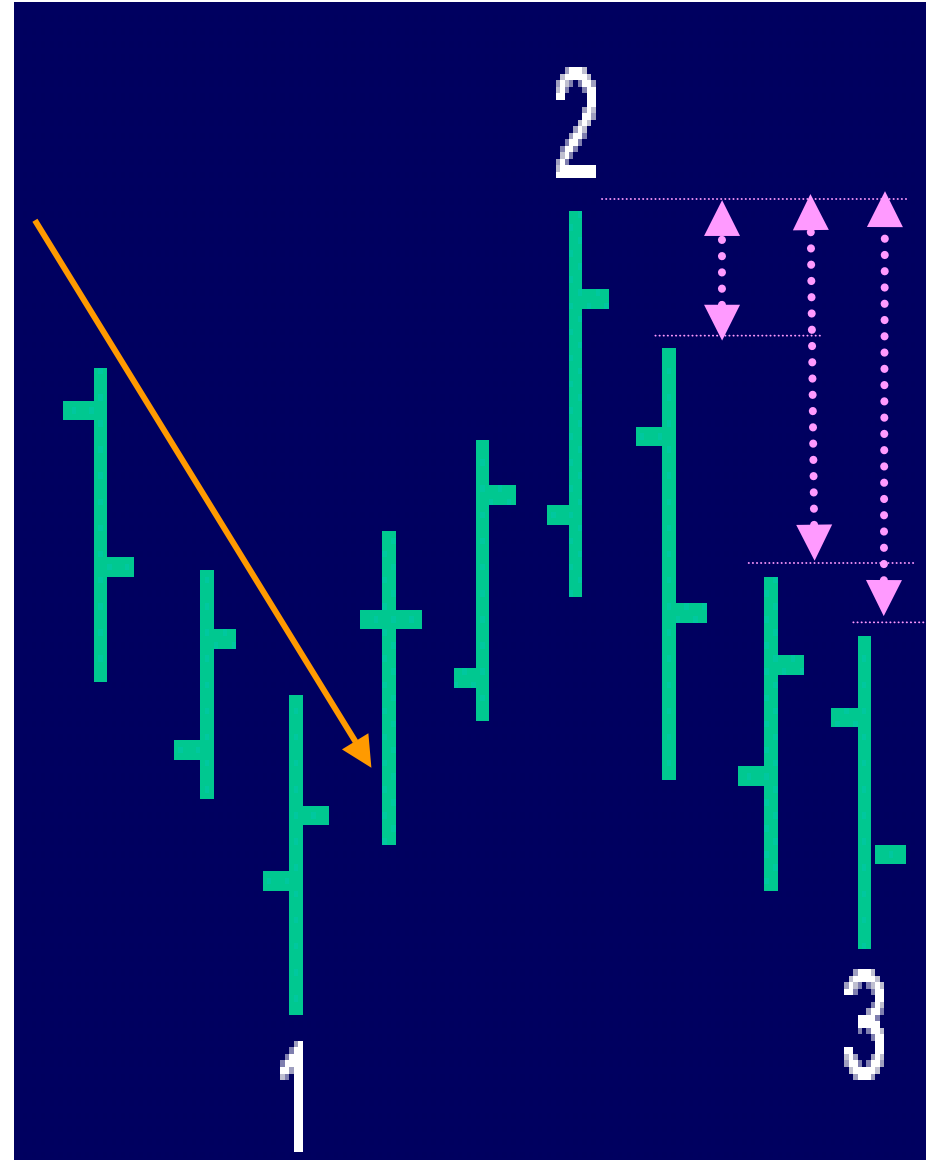
COMMENTS ON PROVISION #1 ctd.

The area between the first dashed line and the #2 point must allow enough room to cover costs and take a profit. If not, then the TTE may occur on any of the two subsequent price bars, if there are any subsequent bars.



COMMENTS ON PROVISION #1 ctd.

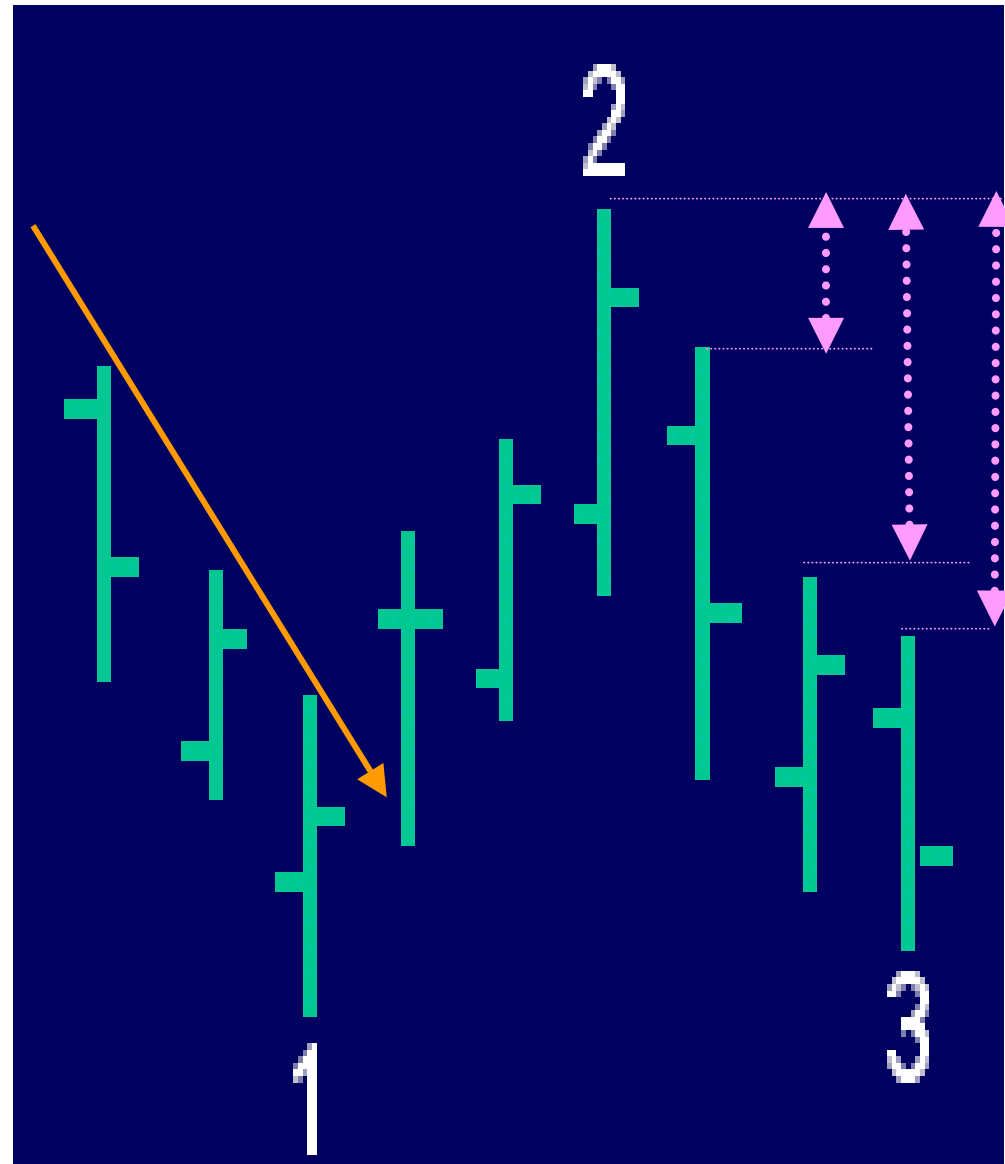
By covering costs and taking a profit prior to prices reaching #2, we in effect get a free trade. If prices go on well beyond #2, we make a very profitable trade. This assumes trading at least two contracts.



TTE AND 1-2-3 PROVISION #2

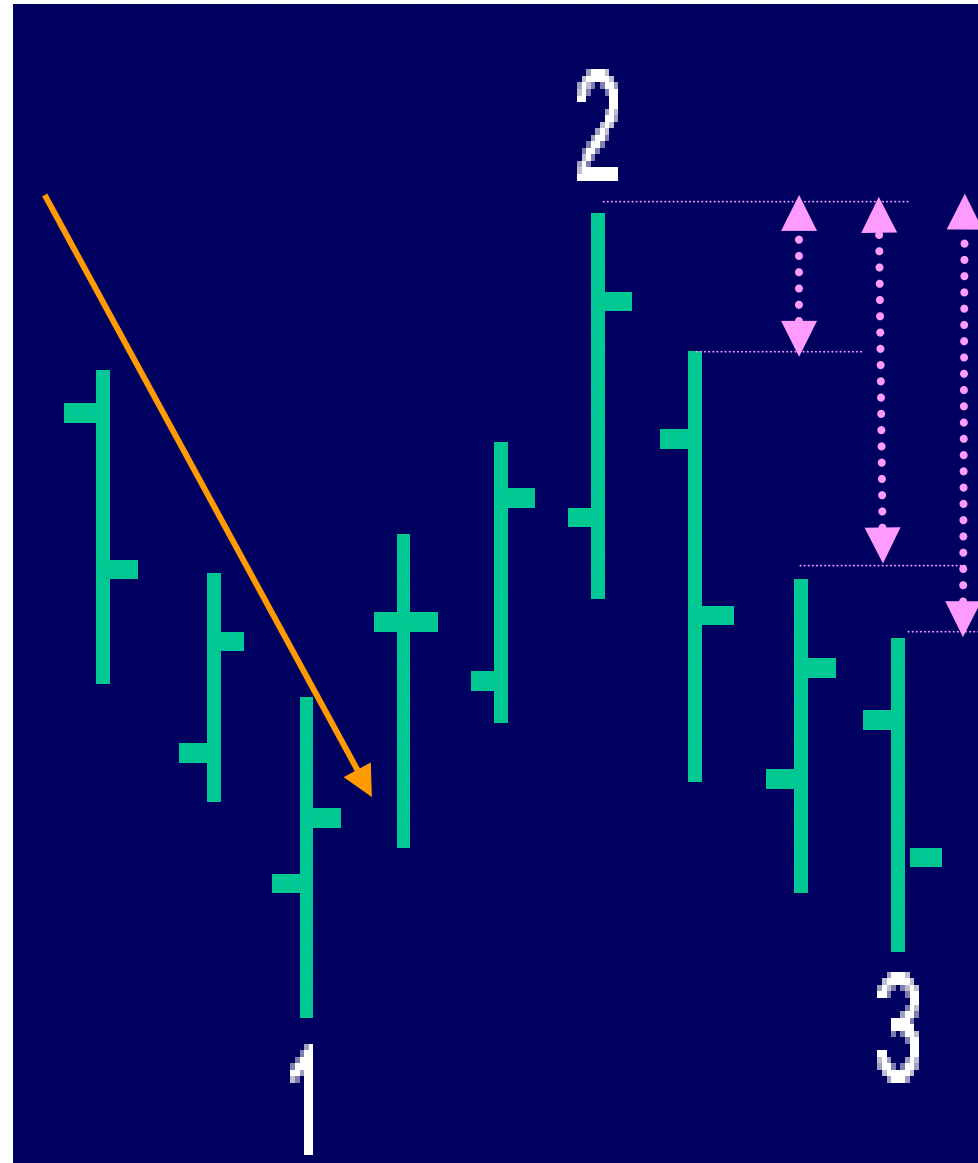
The following provision applies:

2. The 1-2-3 formation must not occur in consolidation. The 1-2-3 formation must occur at the end of a trend.



COMMENTS ON PROVISION #2

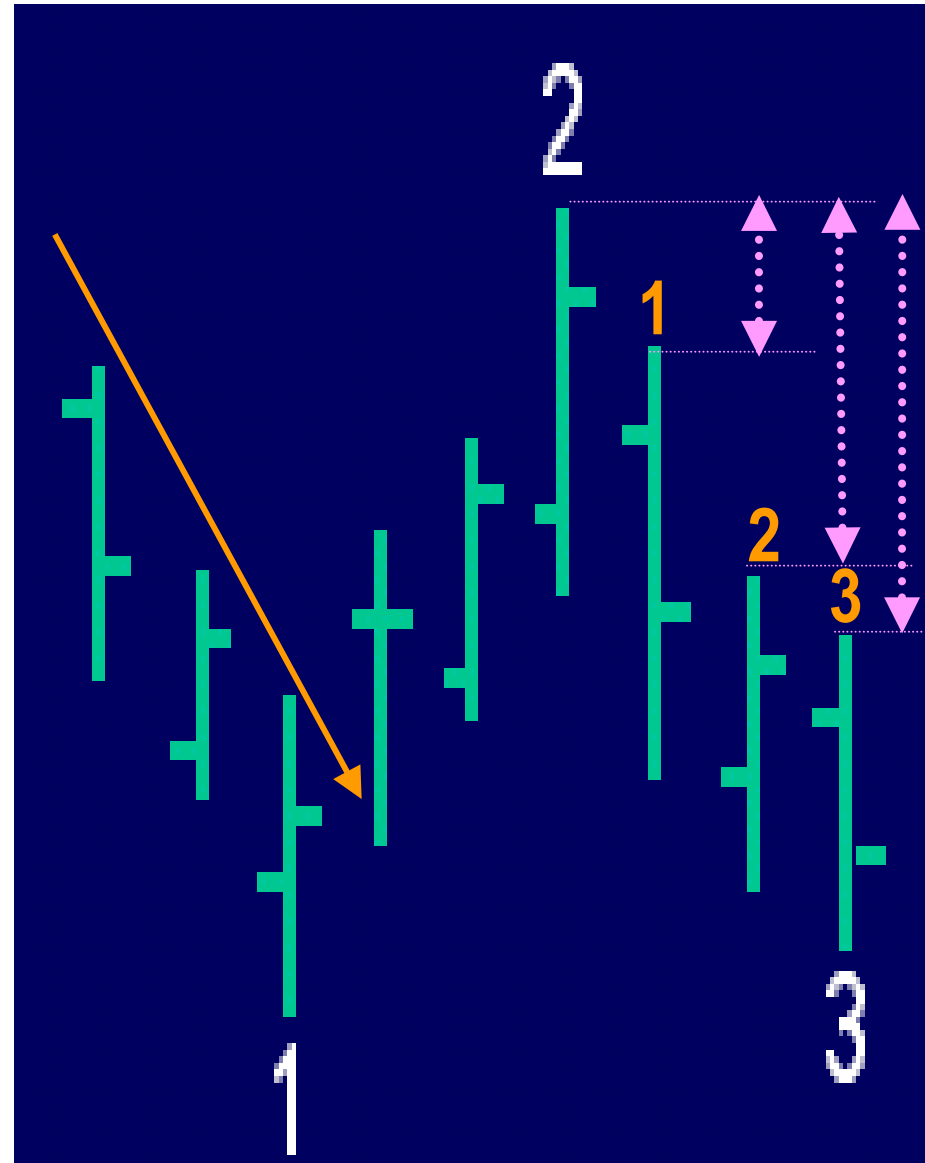
1-2-3 formations in consolidation areas are meaningless. Consolidation areas have them in both directions.



TTE AND 1-2-3 PROVISION #3

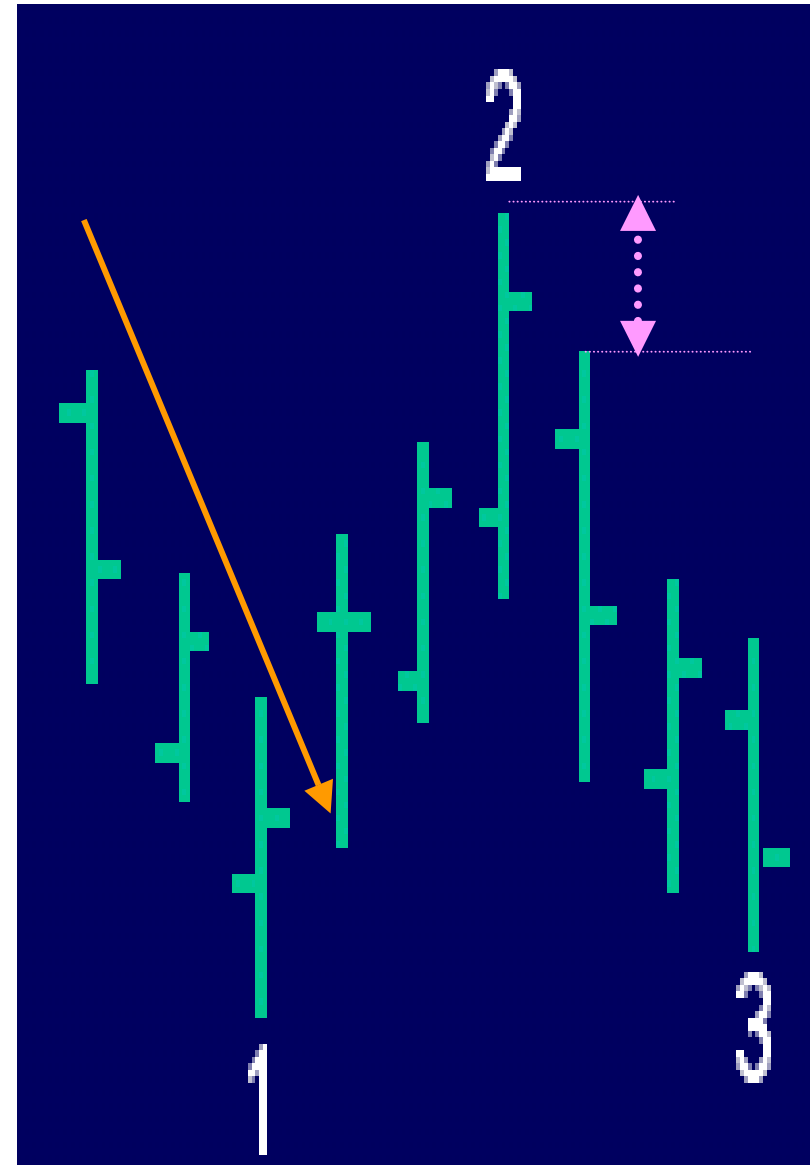
The following provision applies:

3. With only one exception, there cannot be more than 3 bars of correction prior to prices moving toward the #2 point.



COMMENTS ON PROVISION #3

A violation of the high of the first bar of correction gives the greatest percentage chance of the move continuing beyond the #2 point, but has the least likelihood of having room to cover costs and take a profit.



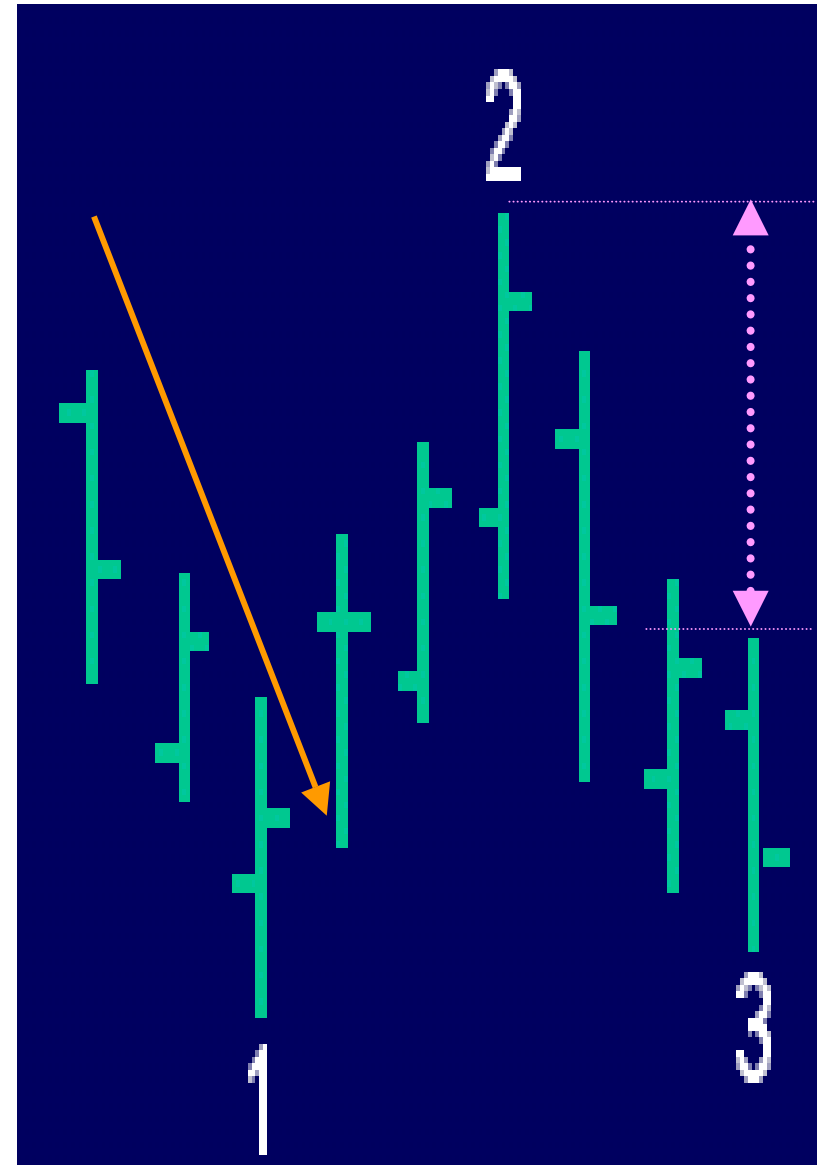
COMMENTS ON PROVISION #3 ctd.

A violation of the high of the second bar of correction gives a lower percentage chance of the move continuing beyond the #2 point, but has a greater likelihood of having room to cover costs and make a profit.



COMMENTS ON PROVISION #3 ctd.

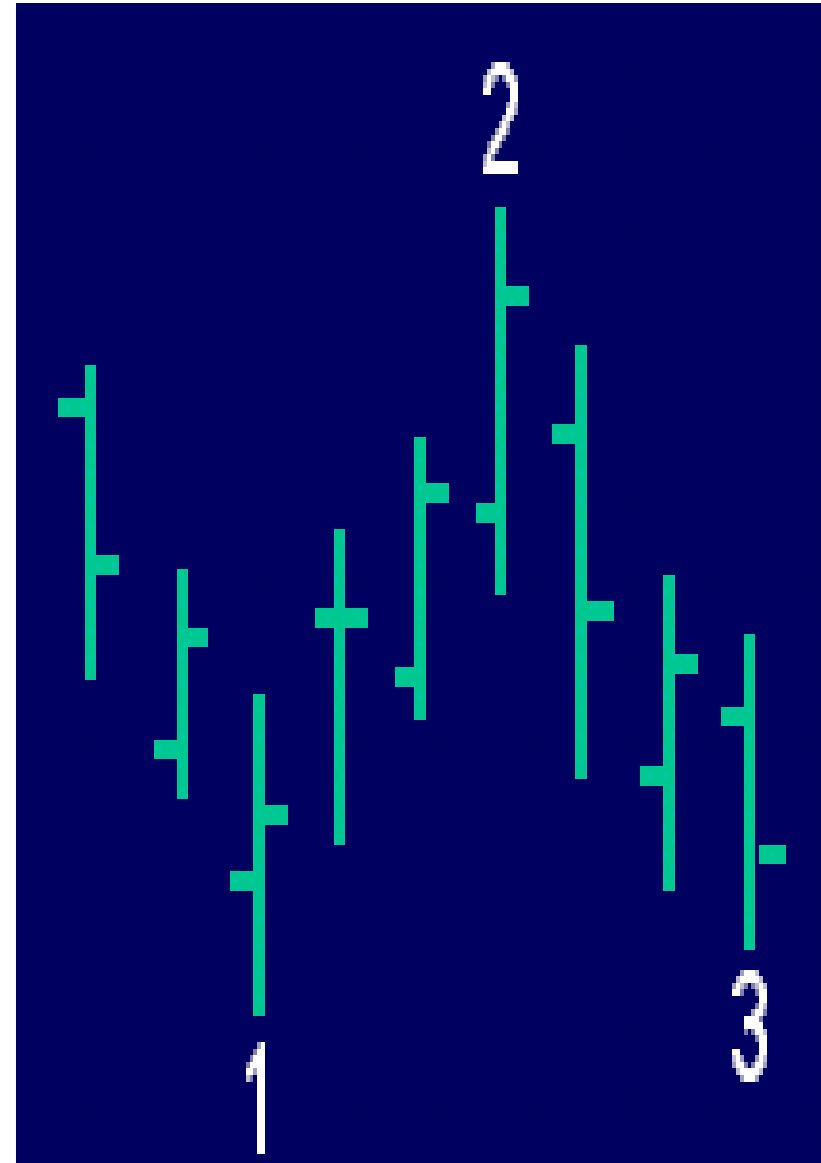
A violation of the high of the third bar of correction gives the lowest percentage chance of the move continuing beyond the #2 point, but has the greatest likelihood of having room to cover costs and take a profit.



COMMENTS ON PROVISION #3 ctd.

Beyond 3 bars of correction, the odds begin to favor consolidation, and so there is no reason to attempt the TTE.

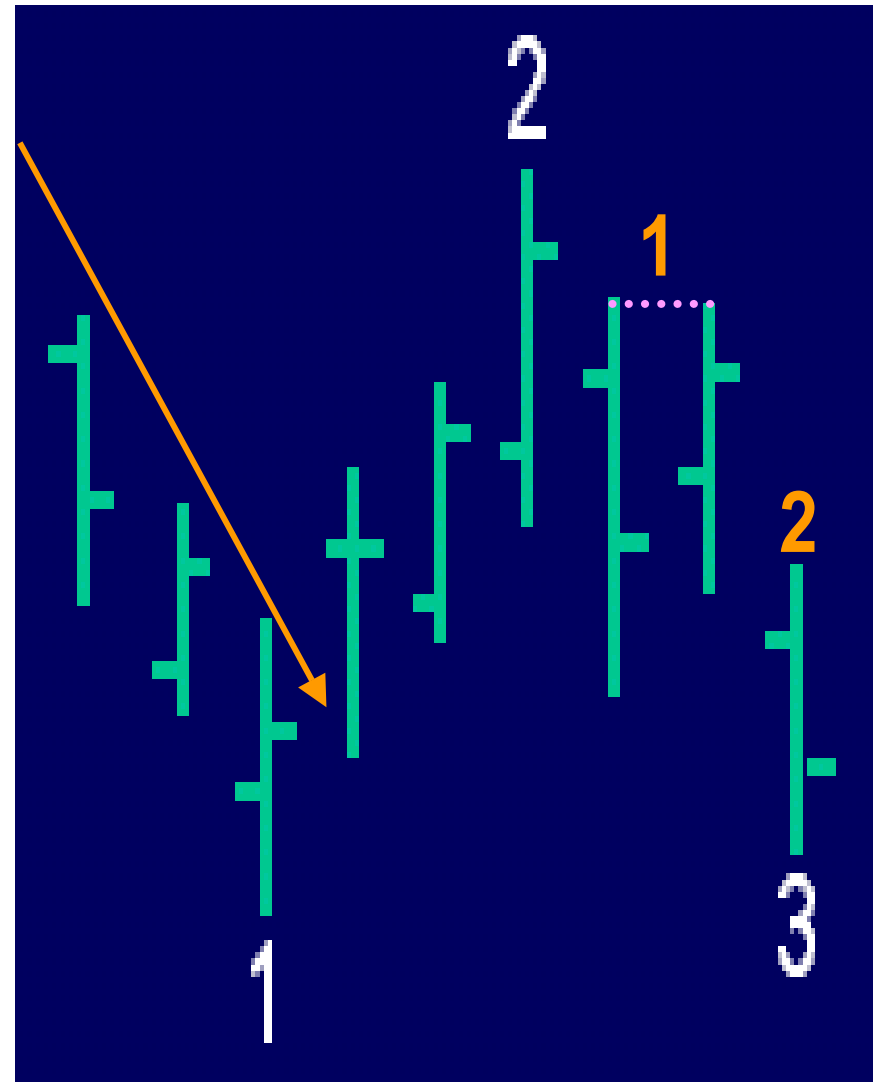
We said there is an exception to this rule. It begins on the next slide.



COMMENTS ON PROVISION #3 ctd.

The exception to the rule about 3 bars concerns double and triple highs (double and triple lows).

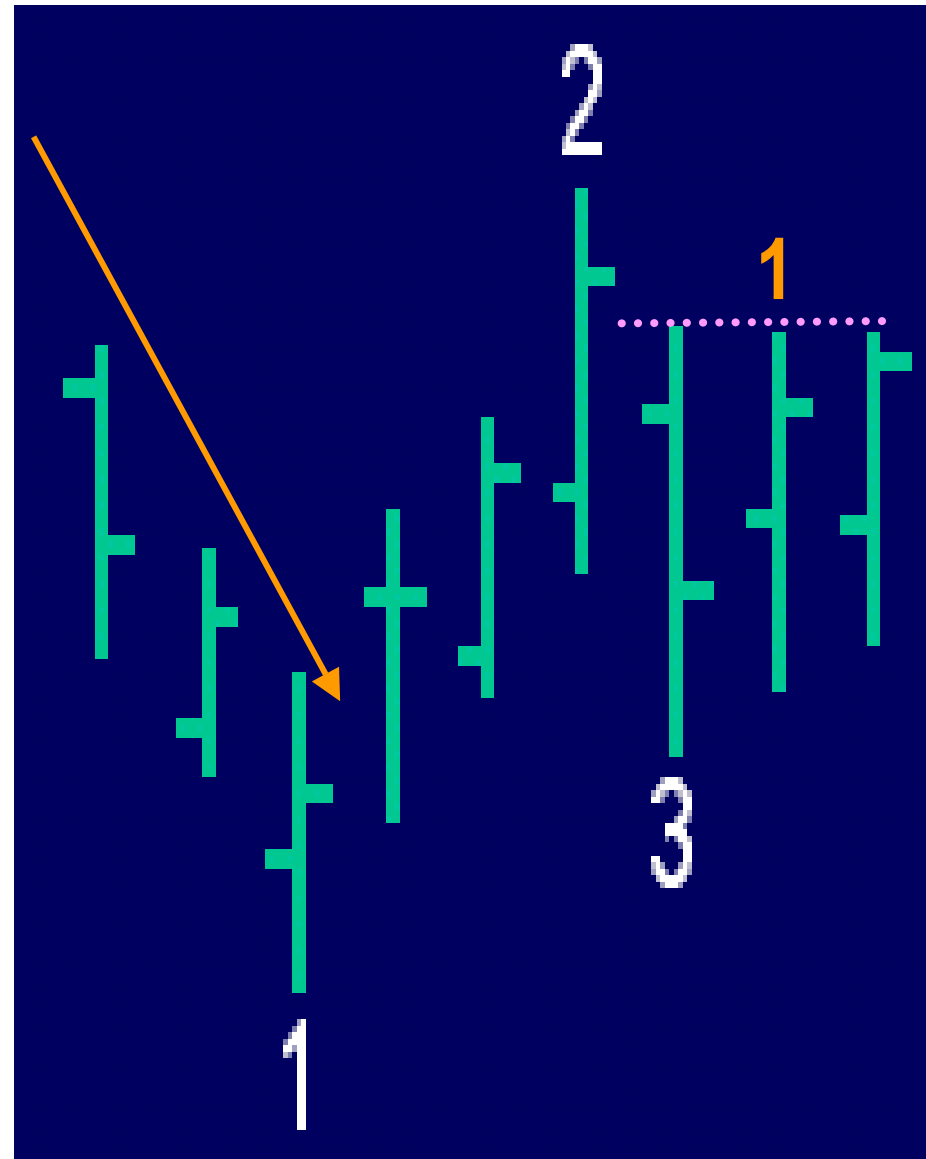
In the case of a double high (low) the *two* bars count as only *one* correcting bar.



COMMENTS ON PROVISION #3 ctd.

The exception to the rule about 3 bars concerns double and triple highs (double and triple lows).

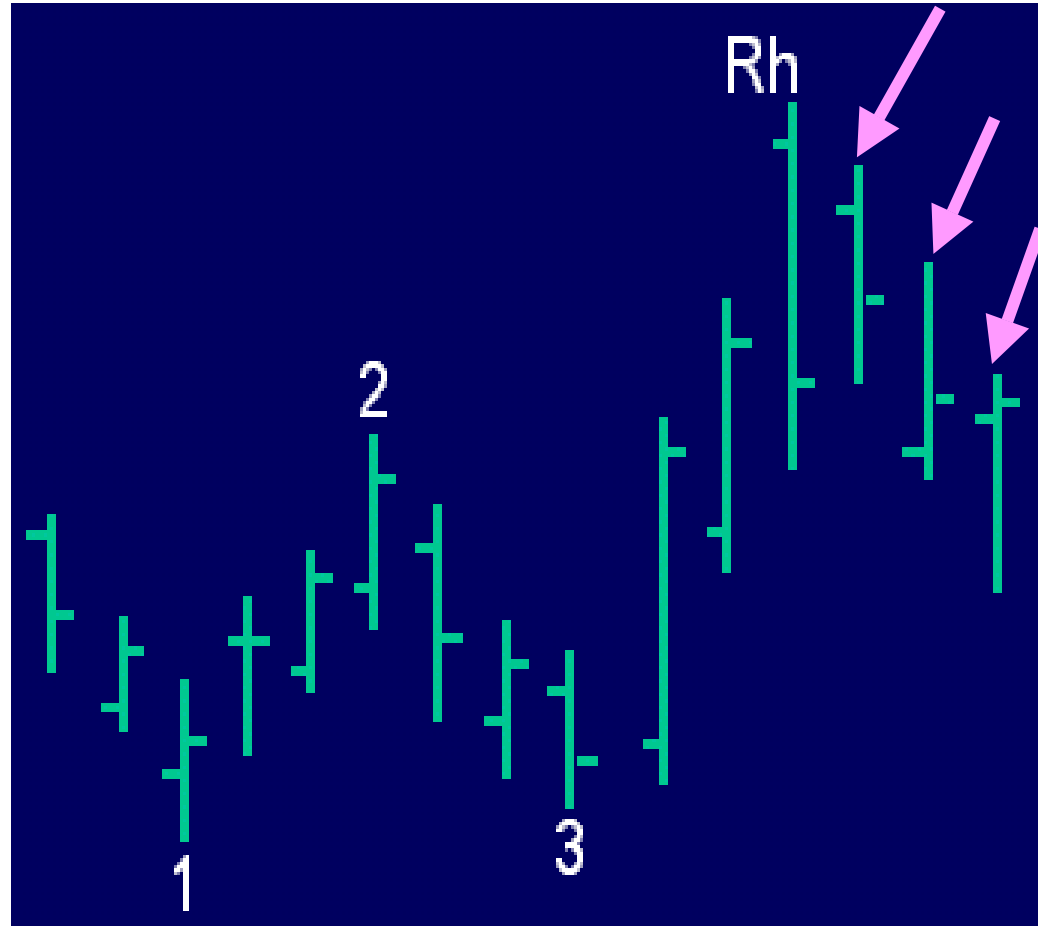
In the case of a triple high (low) the *three* bars count as only *one* correcting bar.



TTE AND ROSS HOOKS

HOOKS

- Once a Ross hook is in place, we want to buy a violation of the high of any of the correcting bars that form subsequent to the point of the hook (Rh).



TTE AND ROSS HOOKS ctd.

HOOKS

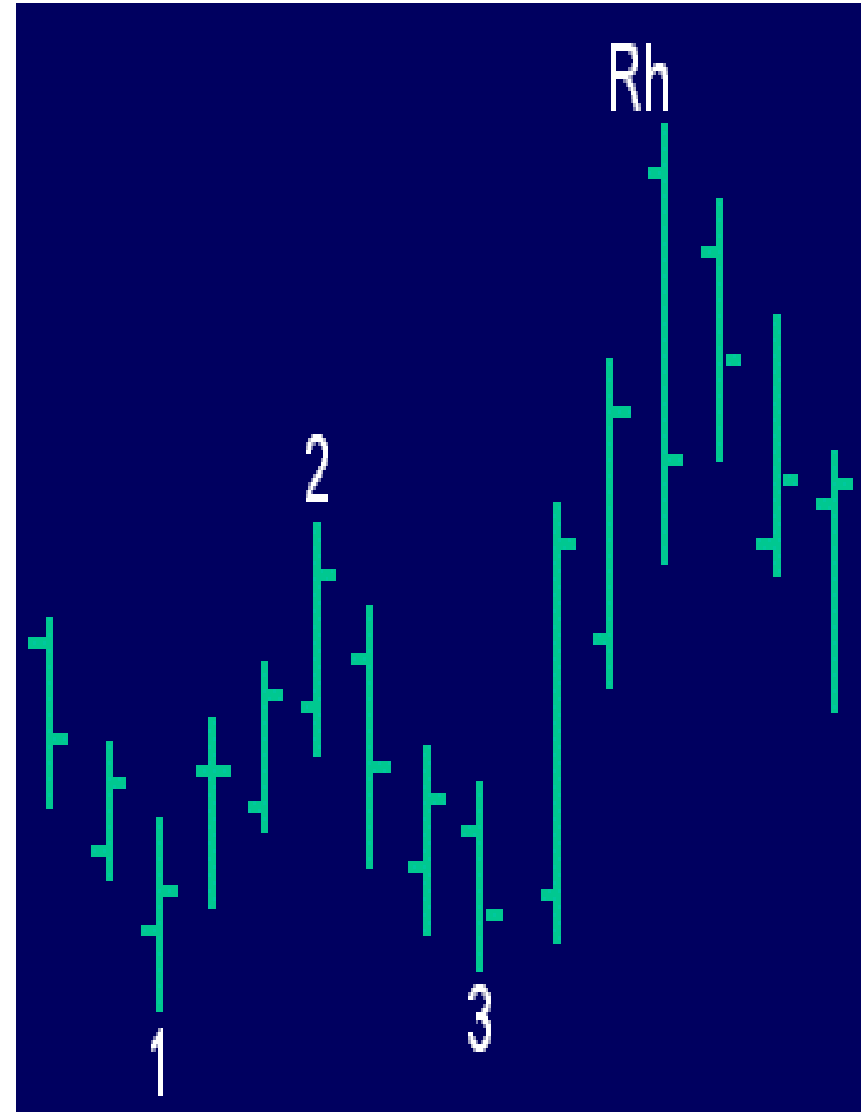
Correcting bars are the bars subsequent to the Rh point and are correcting as long as they make lower highs.



TTE AND ROSS HOOKS PROVISION #1

The following provision applies:

1. There must be sufficient room between our entry price and the Rh point for us to be able to cover costs and take at least some profit.



COMMENTS ON PROVISION #1

By insisting that there be enough room to cover costs and take some profit we accomplish two things:

- a. We get paid to trade.
- b. If the breakout proves to be false we will still have had a winning trade and a free trade as well.



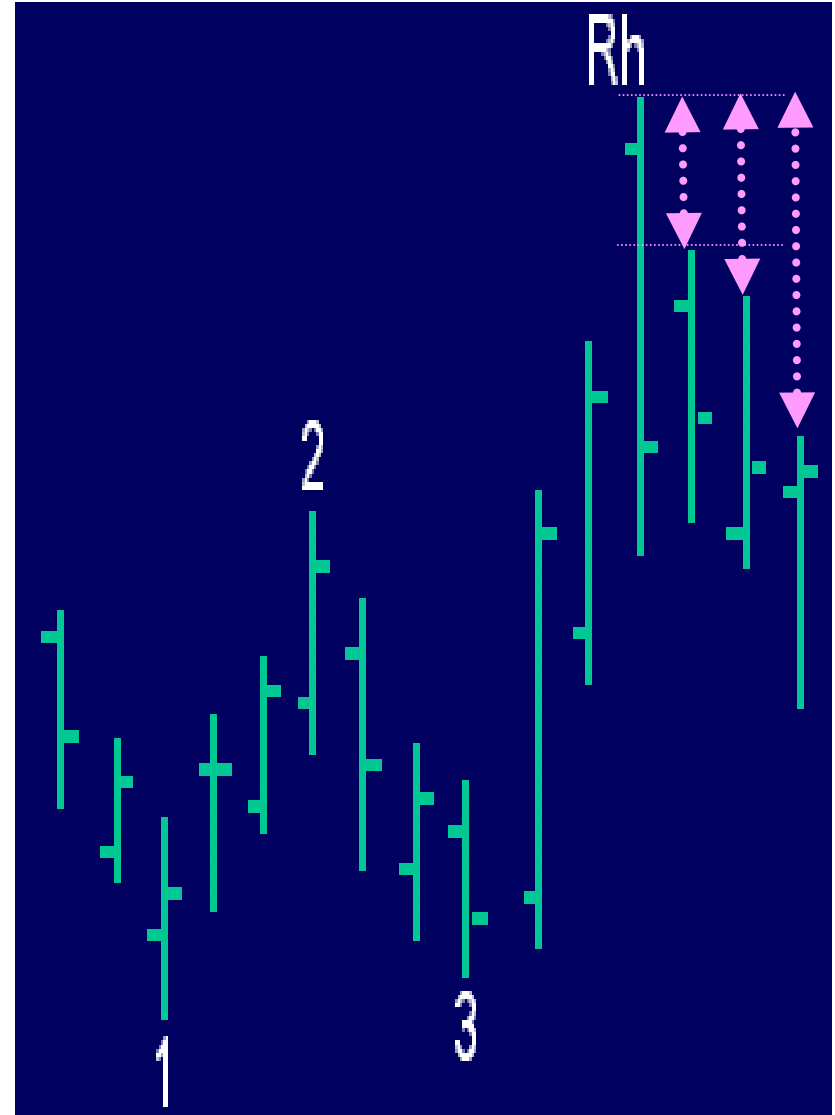
COMMENTS ON PROVISION #1 ctd.

The area between the first dashed line and the Rh point must allow enough room to cover costs and take a profit. If not, then the TTE may occur on any of the two subsequent price bars, if there are any subsequent bars.



COMMENTS ON PROVISION #1 ctd.

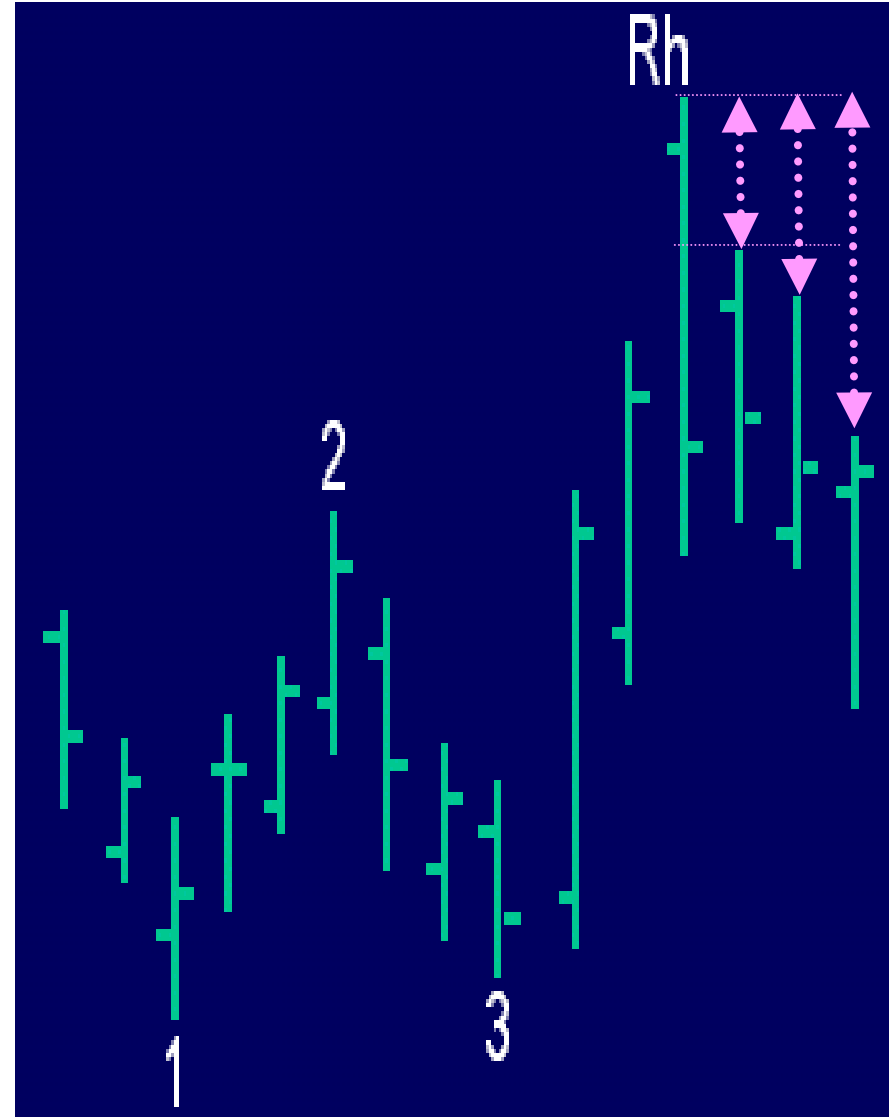
By covering costs and taking a profit prior to prices reaching R_h , we in effect get a free trade. If prices go on well beyond R_h , we make a very profitable trade. This assumes trading at least two contracts.



TTE AND RH PROVISION #2

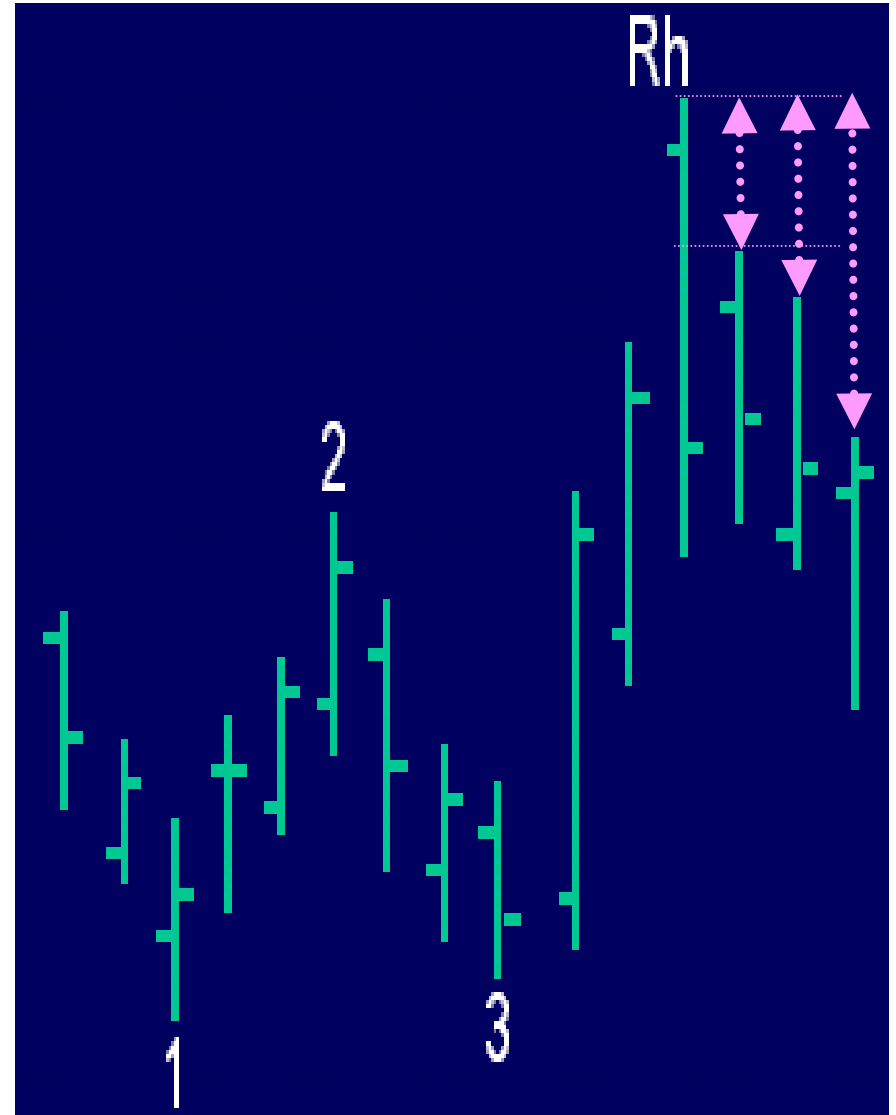
The following provision applies:

2. The Rh formation must occur subsequent to the violation of the #2 point of a 1-2-3 formation, a Consolidation, or a Ledge.



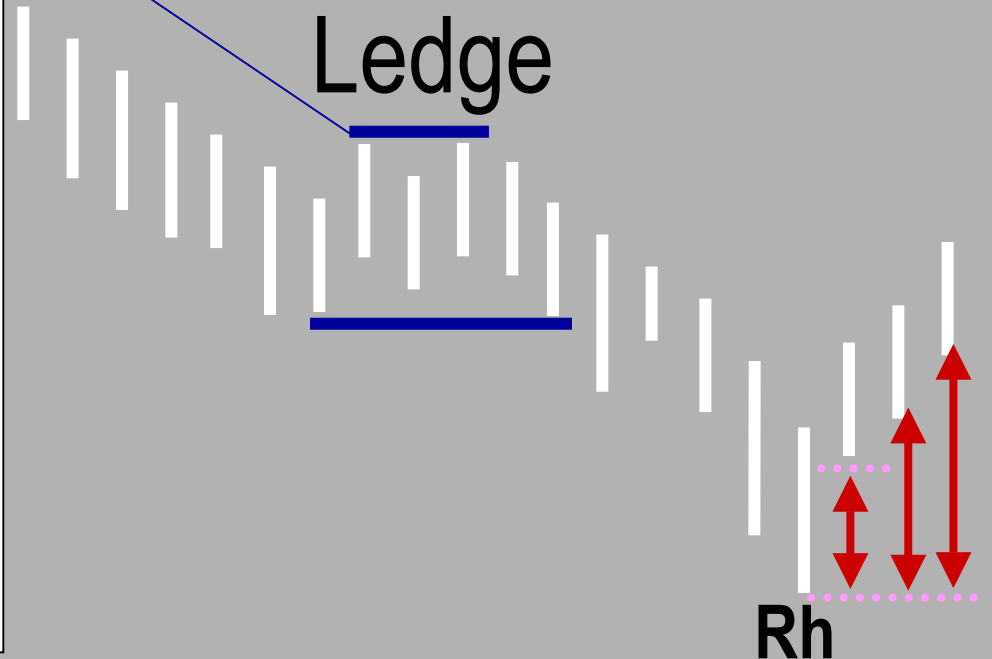
COMMENTS ON PROVISION #2

A violation of the #2 point of a 1-2-3 low (high) defines a trend. A subsequent violation of an Rh establishes a trend.



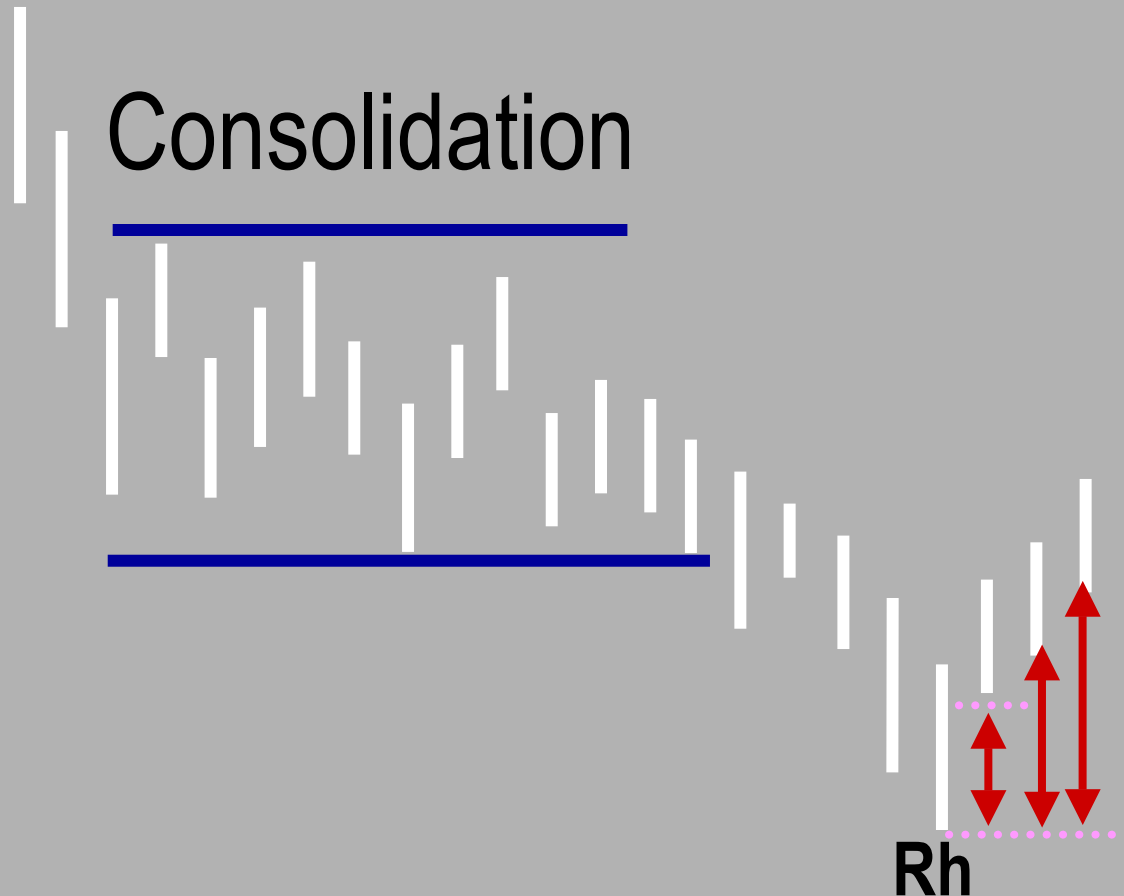
COMMENTS ON PROVISION 2 ctd.

A violation of a Ledge re-defines a trend, since a Ledge can occur only in an existing trend. A subsequent violation of an Rh re-establishes a trend.



COMMENTS ON PROVISION 2 ctd.

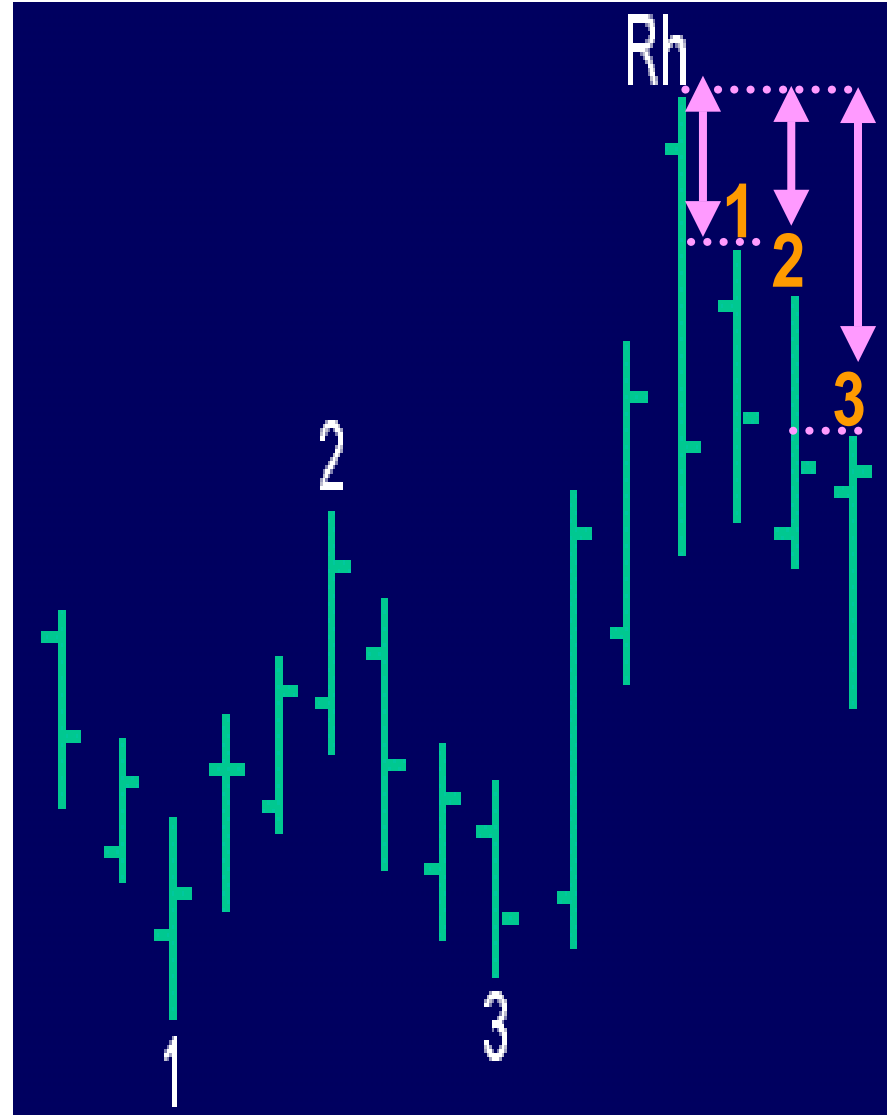
A violation of Consolidation defines a trend. A subsequent violation of an Rh establishes a trend.



TTE AND RH PROVISION #3

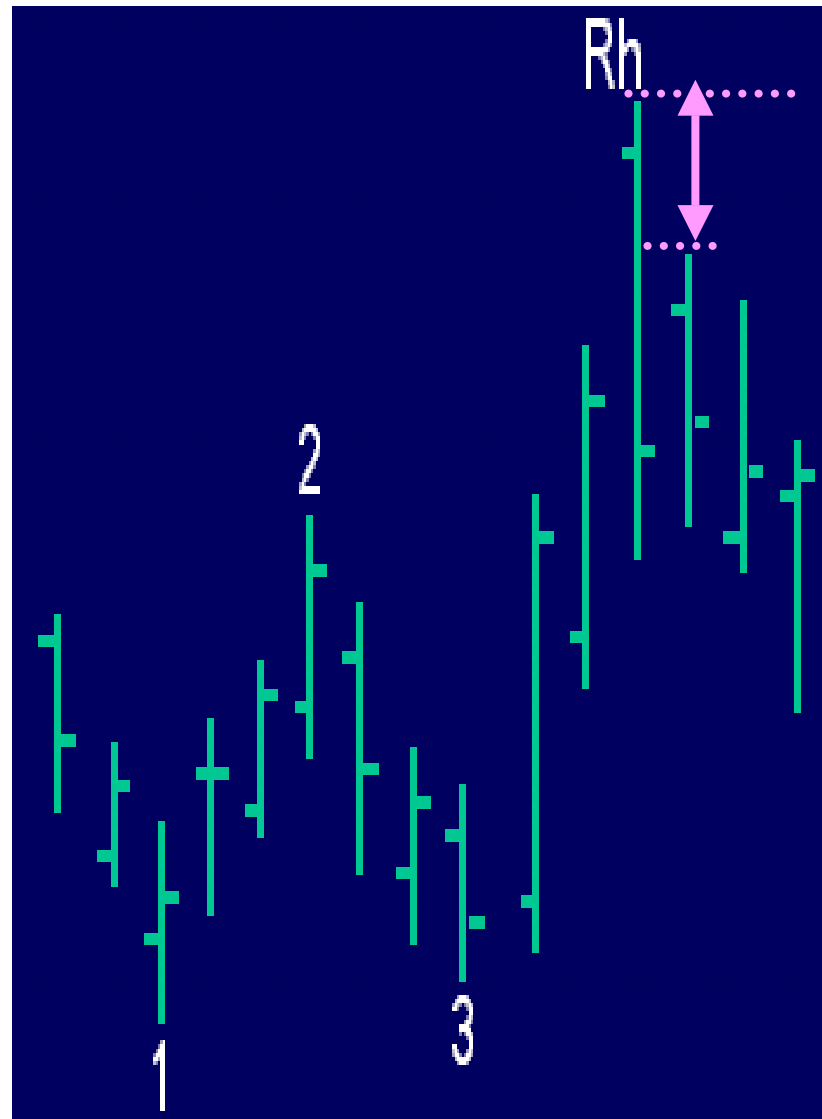
The following provision applies:

3. With only one exception, there cannot be more than 3 bars of correction prior to prices moving toward the Rh point.



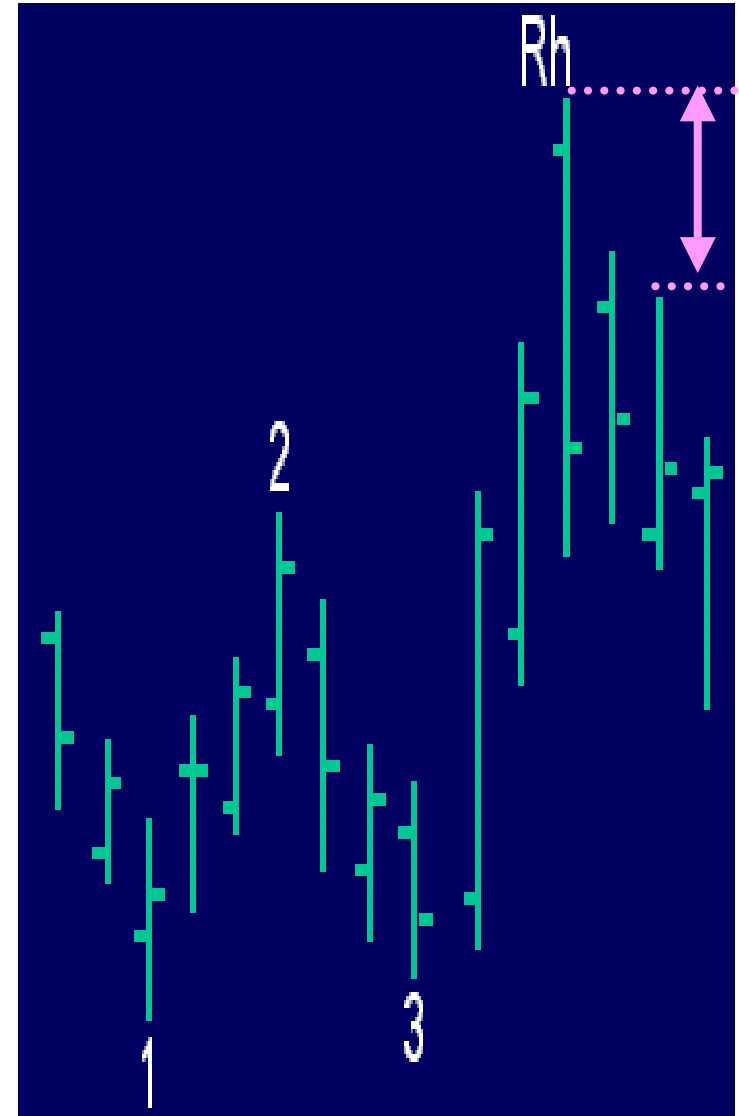
COMMENTS ON PROVISION #3

A violation of the high of the first bar of correction gives the greatest percentage chance of the move continuing beyond the Rh point, but has the least likelihood of having room to cover costs and take a profit.



COMMENTS ON PROVISION #3 ctd.

A violation of the high of the second bar of correction gives a lower percentage chance of the move continuing beyond the Rh point, but has a greater likelihood of having room to cover costs and take a profit.



COMMENTS ON PROVISION #3 ctd.

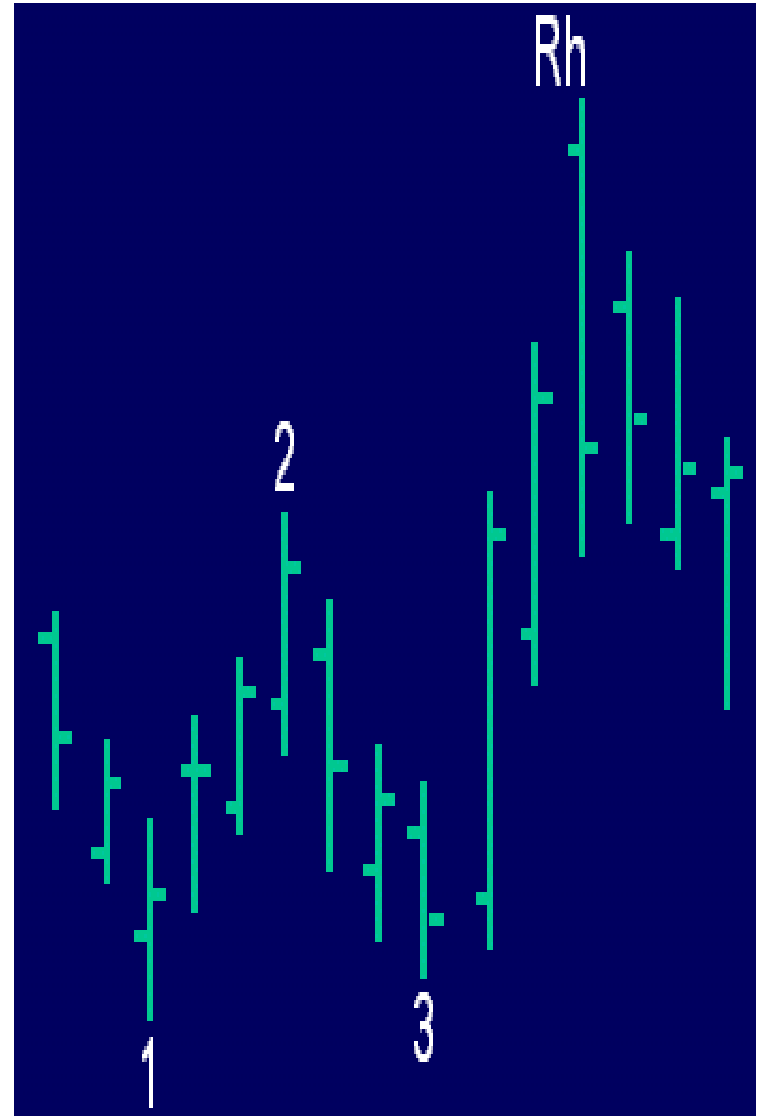
A violation of the high of the third bar of correction gives the lowest percentage chance of the move continuing beyond the Rh point, but has the greatest likelihood of having room to cover costs and take a profit.



COMMENTS ON PROVISION #3 ctd.

Beyond 3 bars of correction, the odds begin to favor consolidation, and so there is no reason to attempt the TTE.

We said there is an exception to this rule. It begins on the next slide.



COMMENTS ON PROVISION #3 ctd.

The exception to the rule about 3 bars concerns double and triple highs (double and triple lows).

In the case of a double high (low) the **two** bars count as only **one** correcting bar.



COMMENTS ON PROVISION #3 ctd.

The exception to the rule about 3 bars concerns double and triple highs (double and triple lows).

In the case of a triple high (low) the *three* bars count as only *one* correcting bar.



HOW TO TRADE THE TTE

Trading the TTE has very simple rules:

1. Be sure that the 1-2-3 formation is not occurring in a consolidation, and that the Rh is following a 1-2-3, Ledge, or Consolidation.



HOW TO TRADE THE TTE ctd.

Trading the TTE has very simple rules:

2. As soon as a #2 or Rh point is evident on the chart, prepare to enter an order 1 tick above (or below) the extreme of the correcting price bar.



HOW TO TRADE THE TTE ctd.

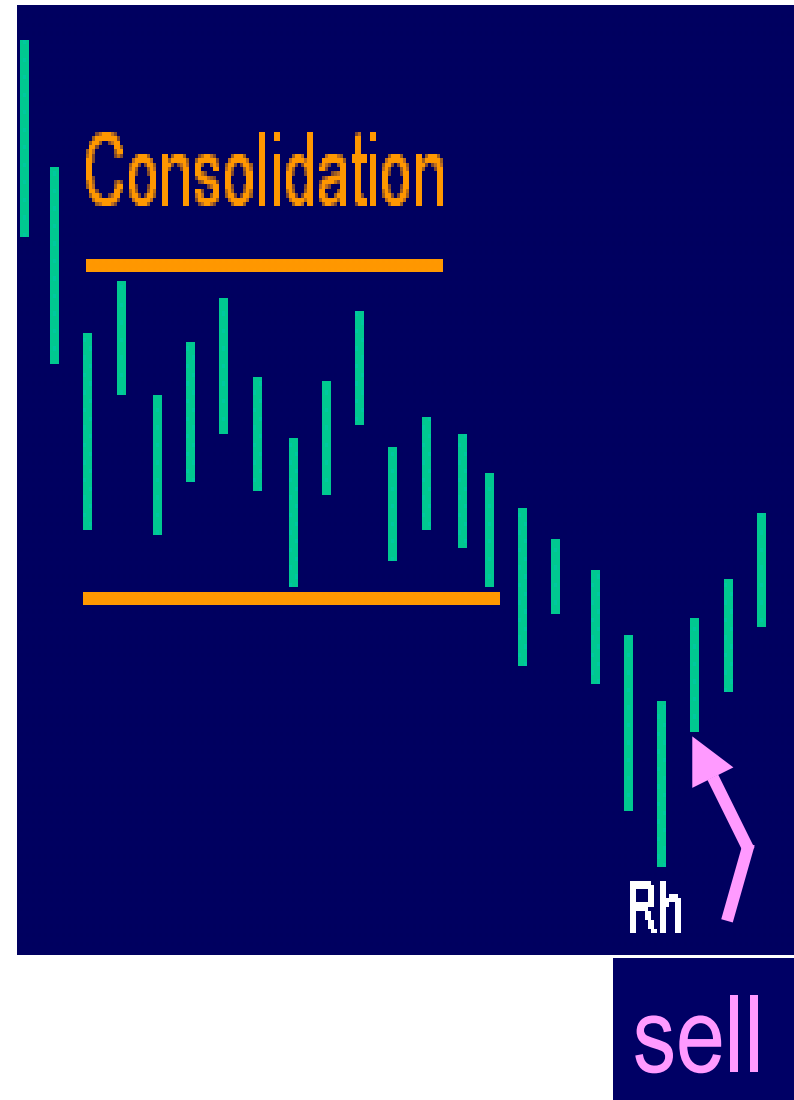
Trading the TTE has very simple rules:

3. As prices move away from the #2 or Rh points, move your entry stop to one tick beyond the extreme of the correcting bar.



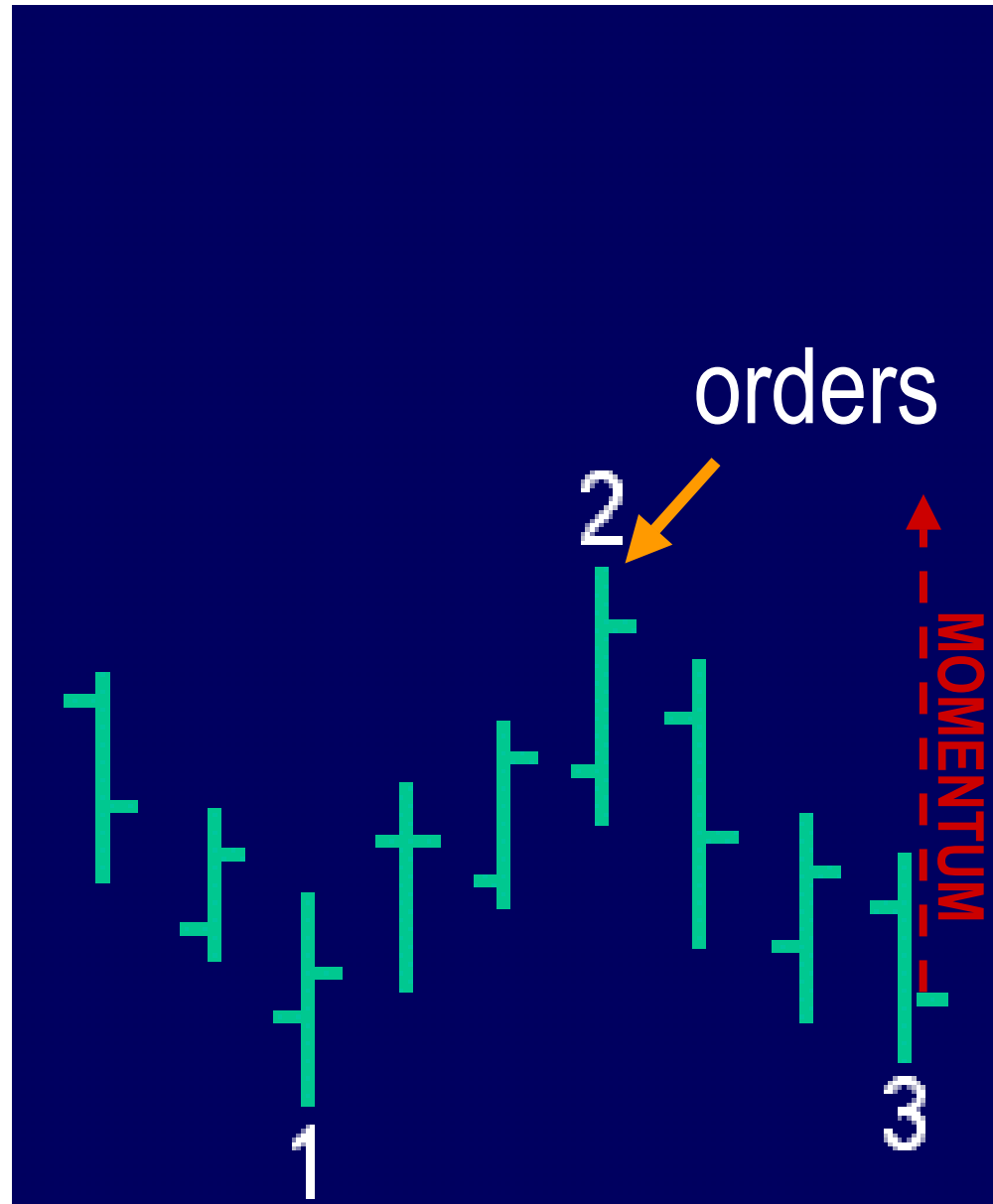
HOW TO TRADE THE TTE ctd.

Although we've shown you upward movement of prices for the most part, the same rules apply to downward movements of price from 1-2-3 highs, and downside breakouts of Ledges and Consolidations.



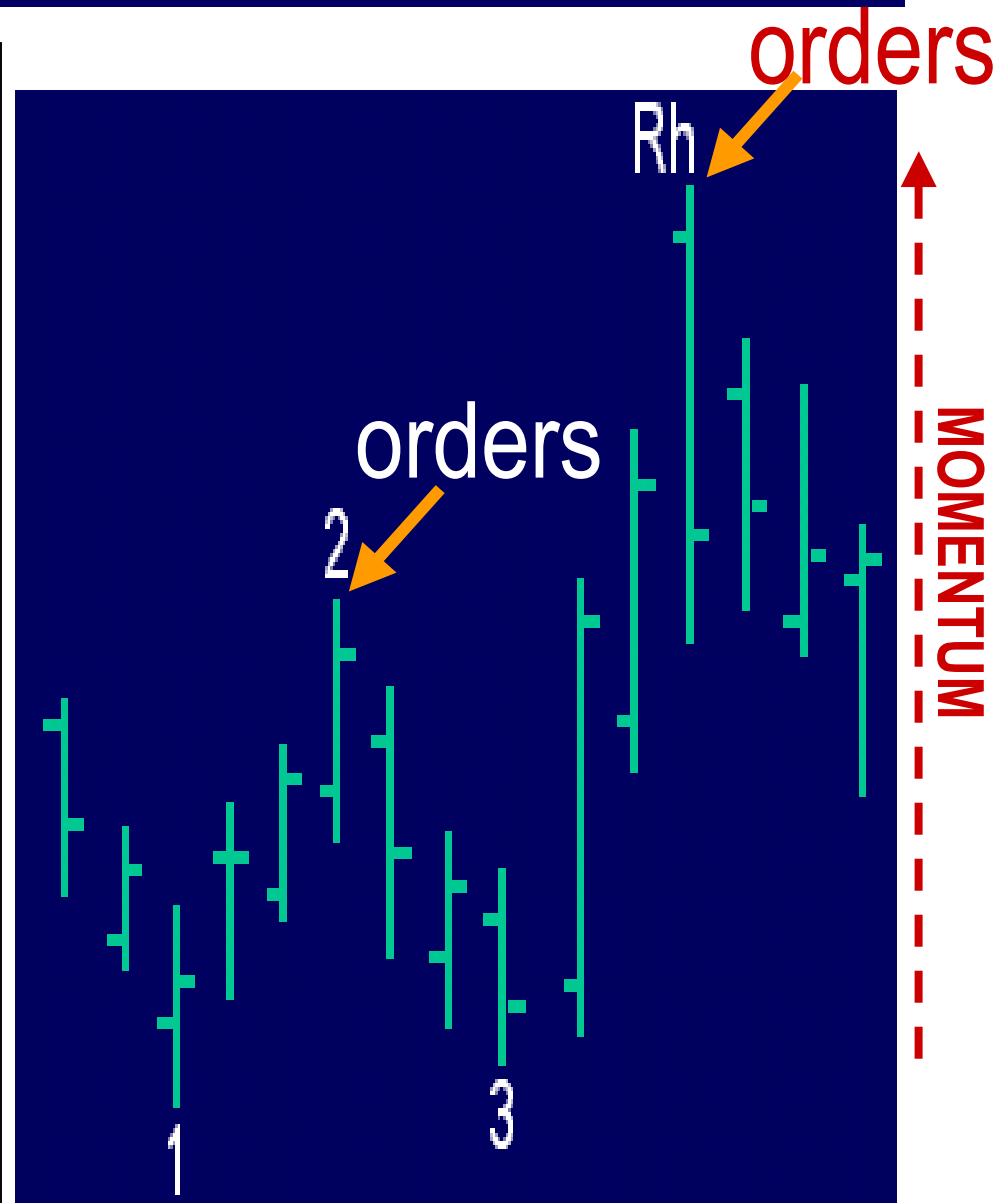
FINAL COMMENTS ON THE TTE

At the beginning of this lesson we said, “For a pro to be able to stop us from shadowing his moves, he would have to sabotage himself. You’ll see why shortly.”



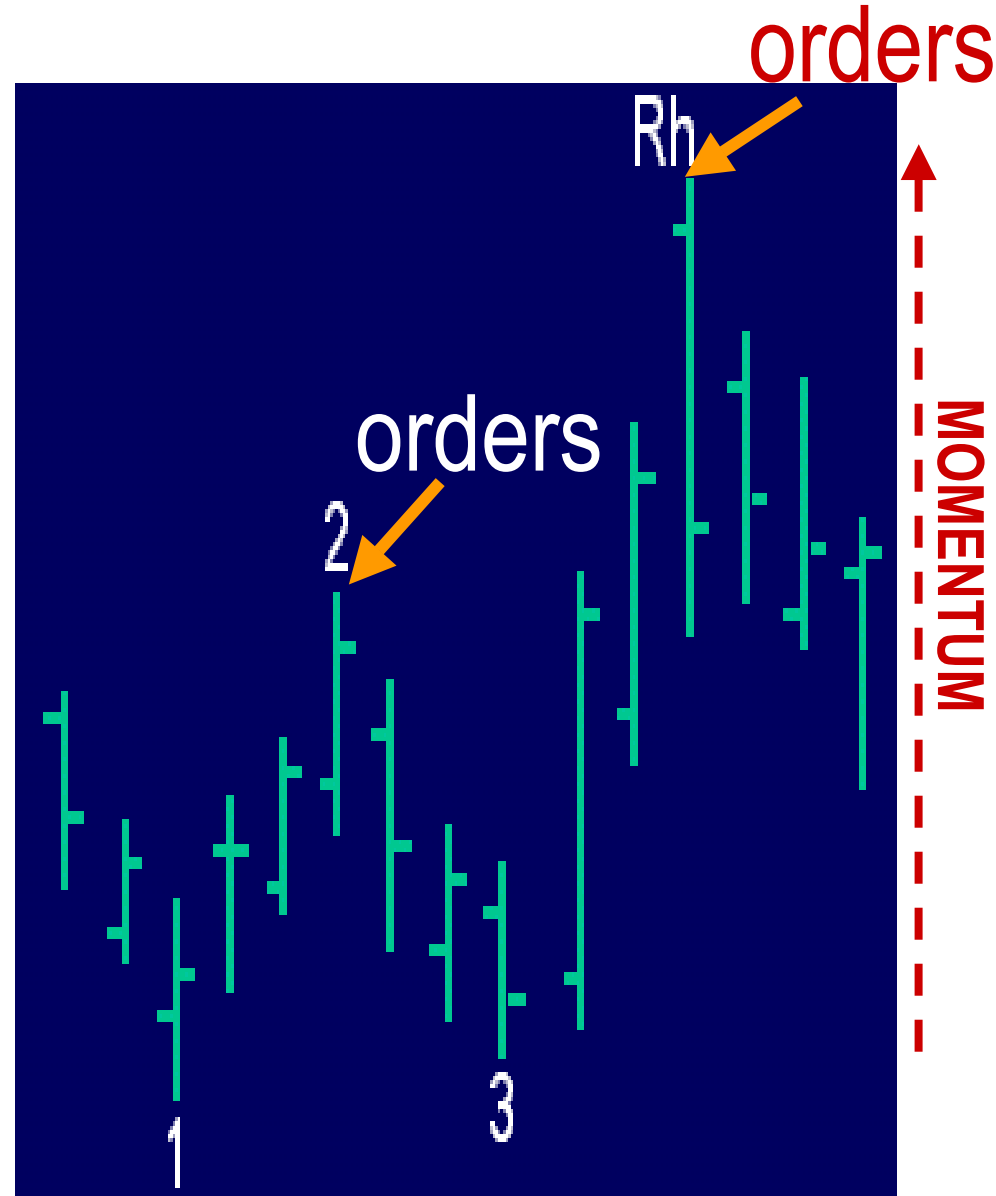
FINAL COMMENTS ON THE TTE ctd.

The fact is, for the market mover to be able to stop us, he must stop his own momentum as he moves prices towards the orders bunched above the # 2 point or the Rh. He's not likely to do that.



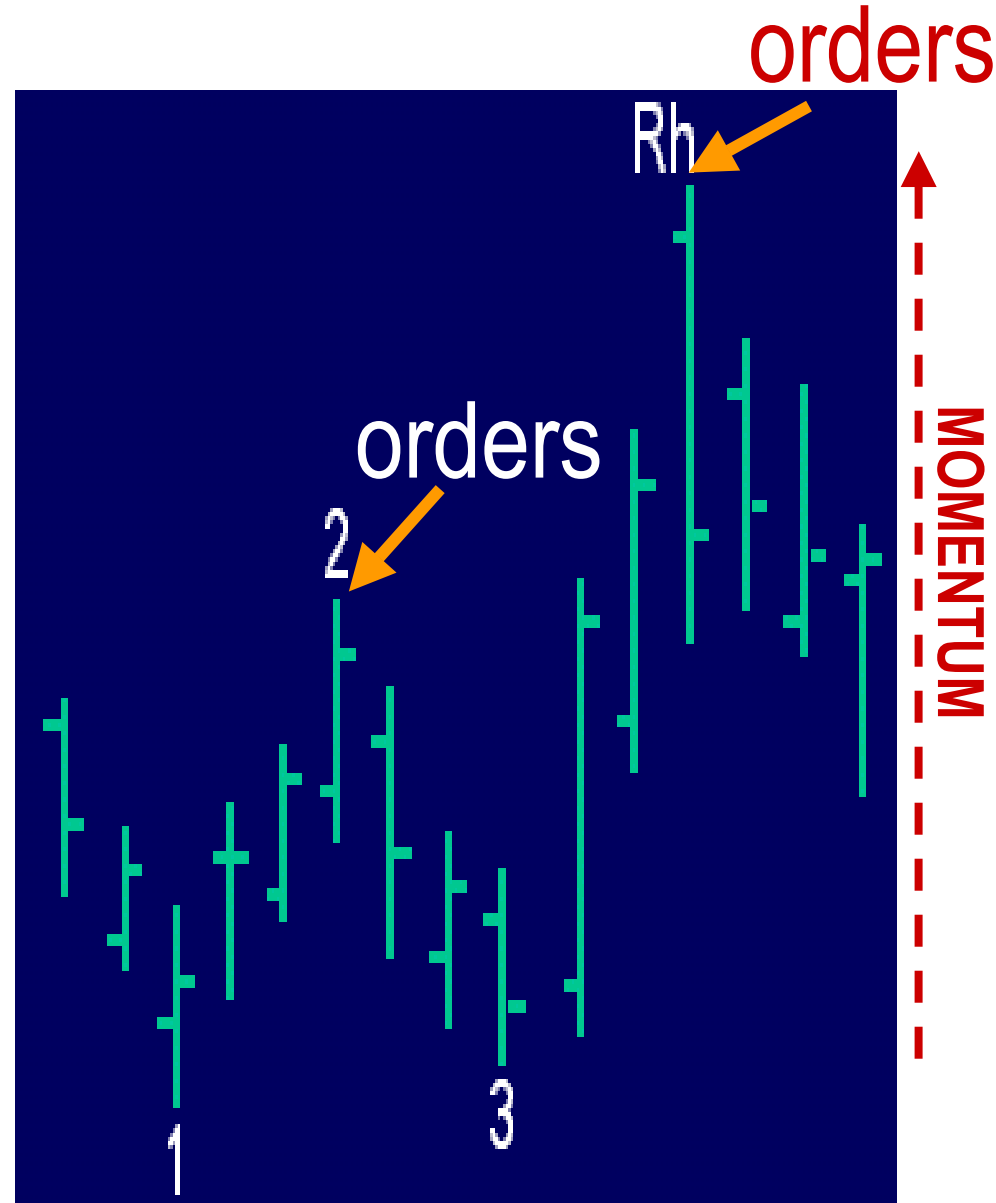
FINAL COMMENTS ON THE TTE ctd.

When trading the TTE we have an additional factor working in our favor, and that is the propensity of the Fibonacci traders to buy (or sell) .382, .500, and .618 retracements of price.



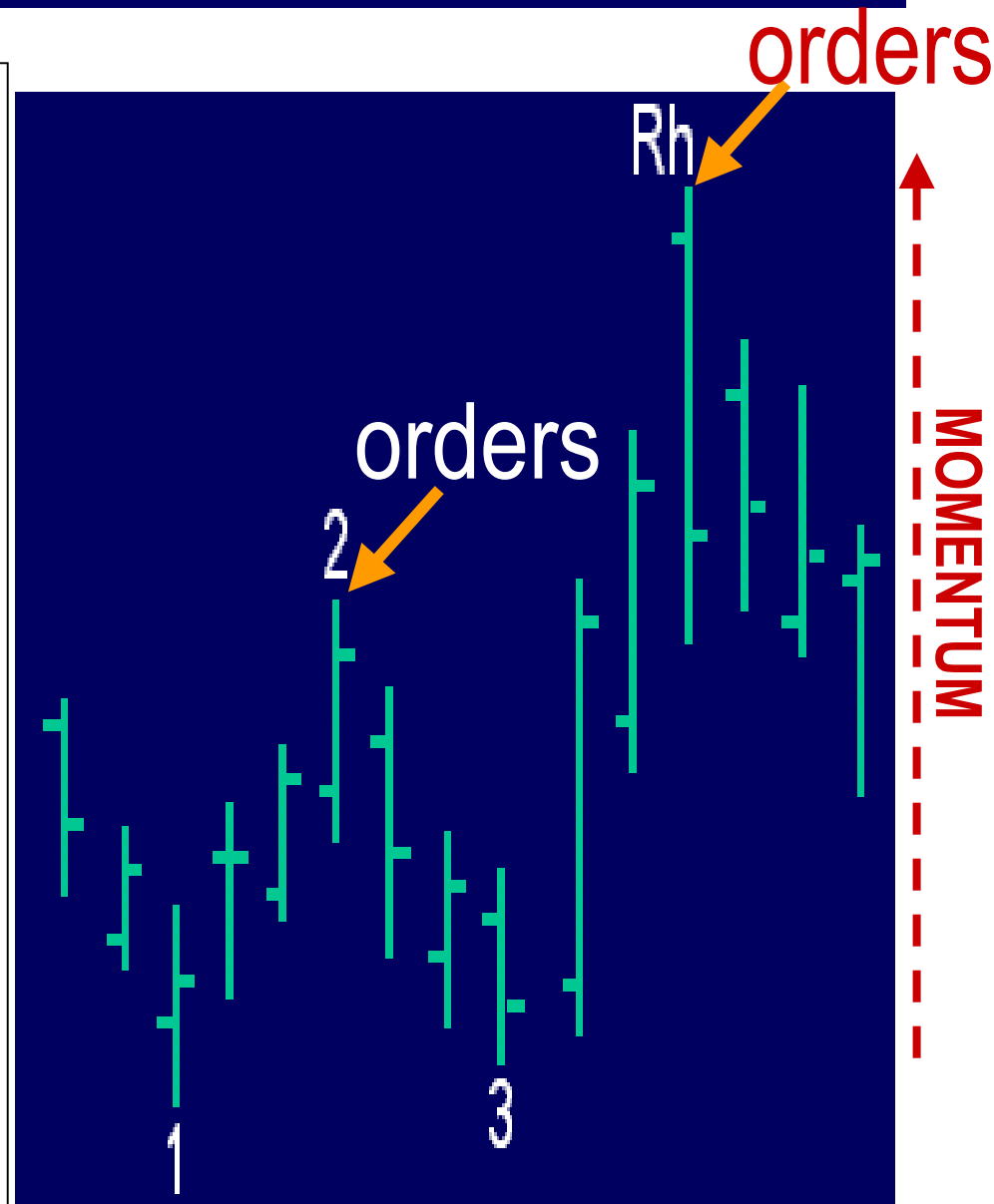
FINAL COMMENTS ON THE TTE ctd.

Not only do we gain momentum of price movement towards the #2 or Rh points from the market mover, but buying by the Fibonacci traders enhances that momentum. But we're not done yet.



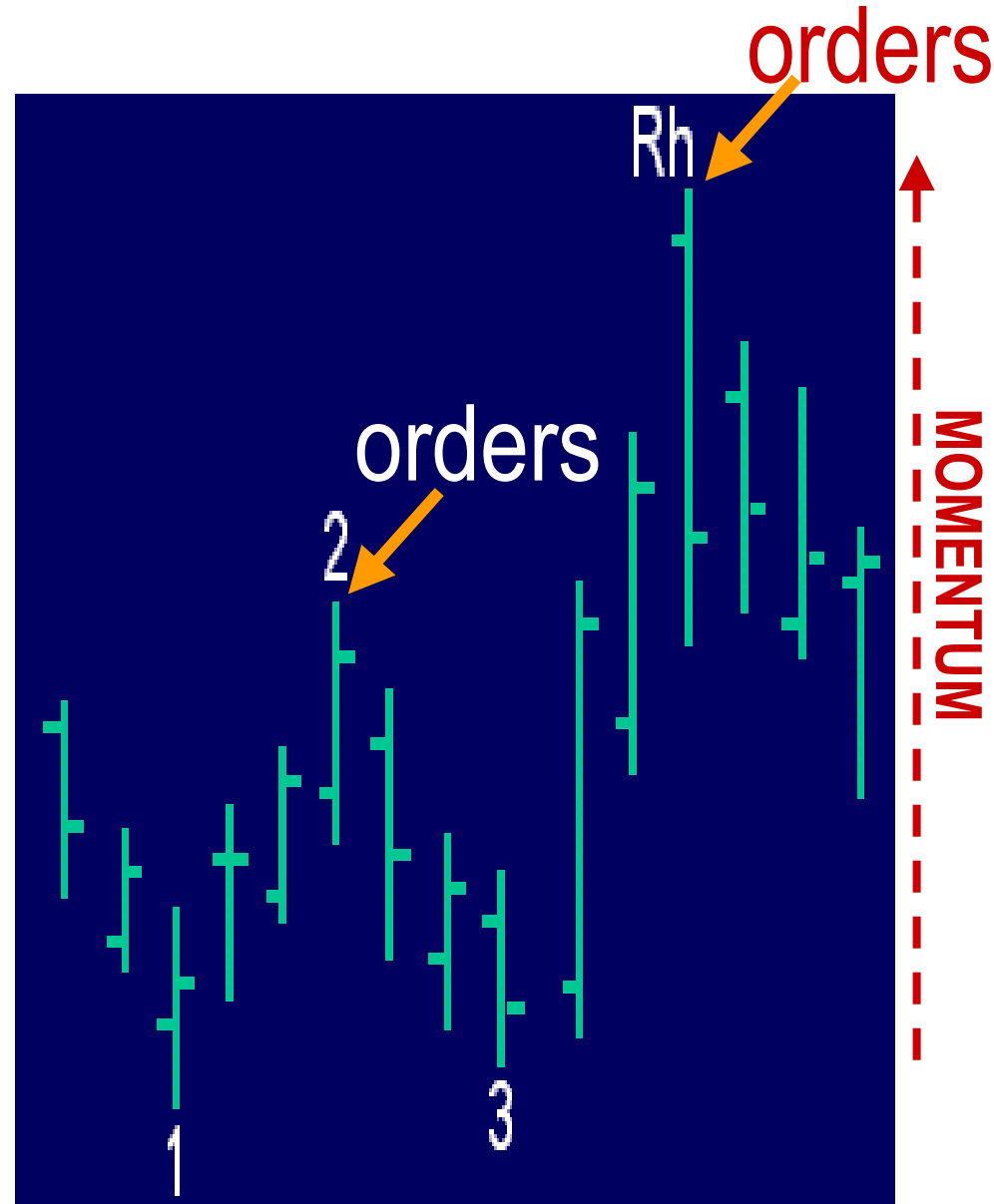
FINAL COMMENTS ON THE TTE ctd.

We also gain momentum from another group of retracement traders, the Gann traders. Gann traders tend to buy $1/3^{\text{rd}}$, $1/2$ and $2/3^{\text{rds}}$ price retracements.



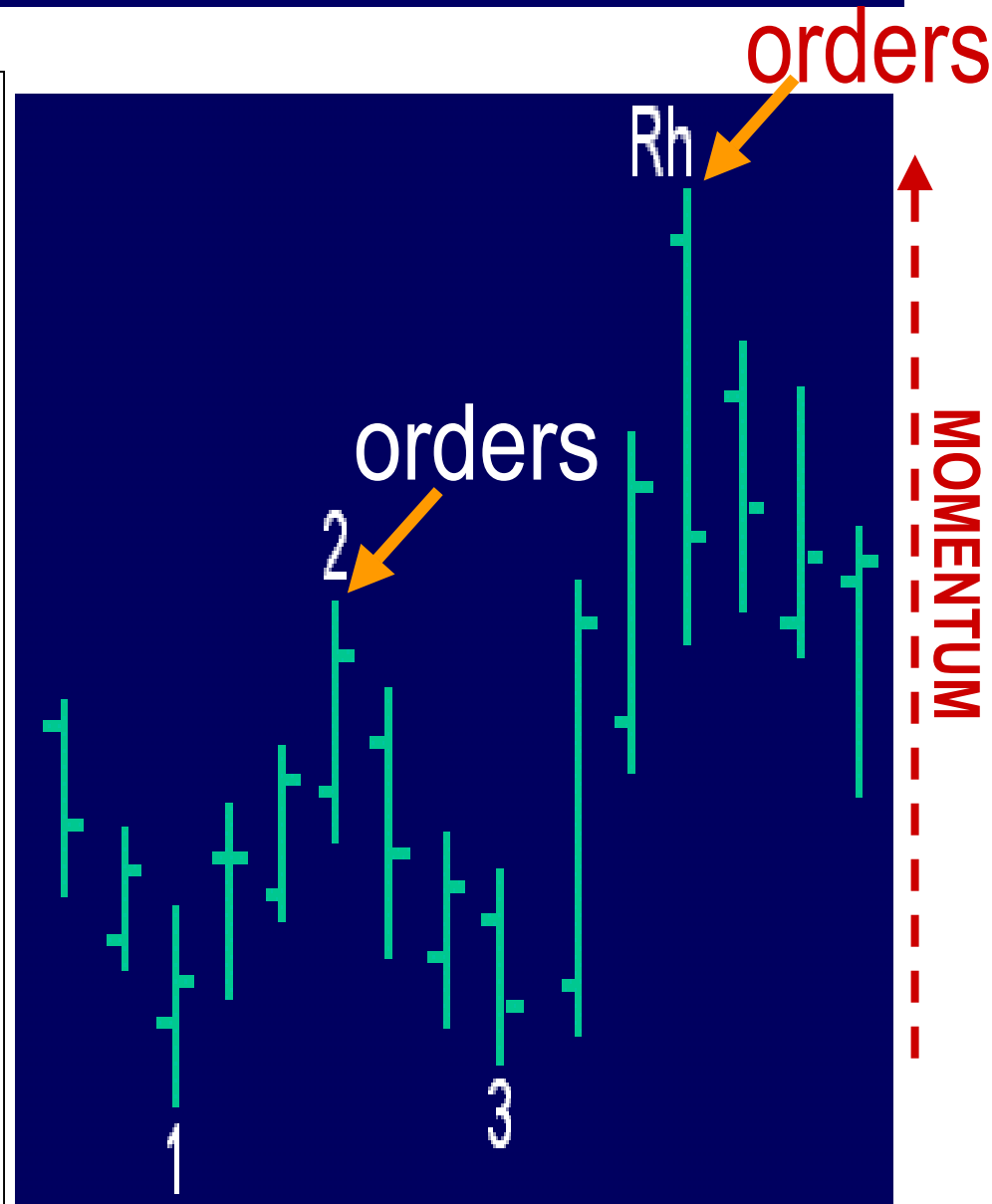
FINAL COMMENTS ON THE TTE ctd.

The Gann traders further increase the momentum generated by the market mover as he pushes prices towards the #2 and Rh points.



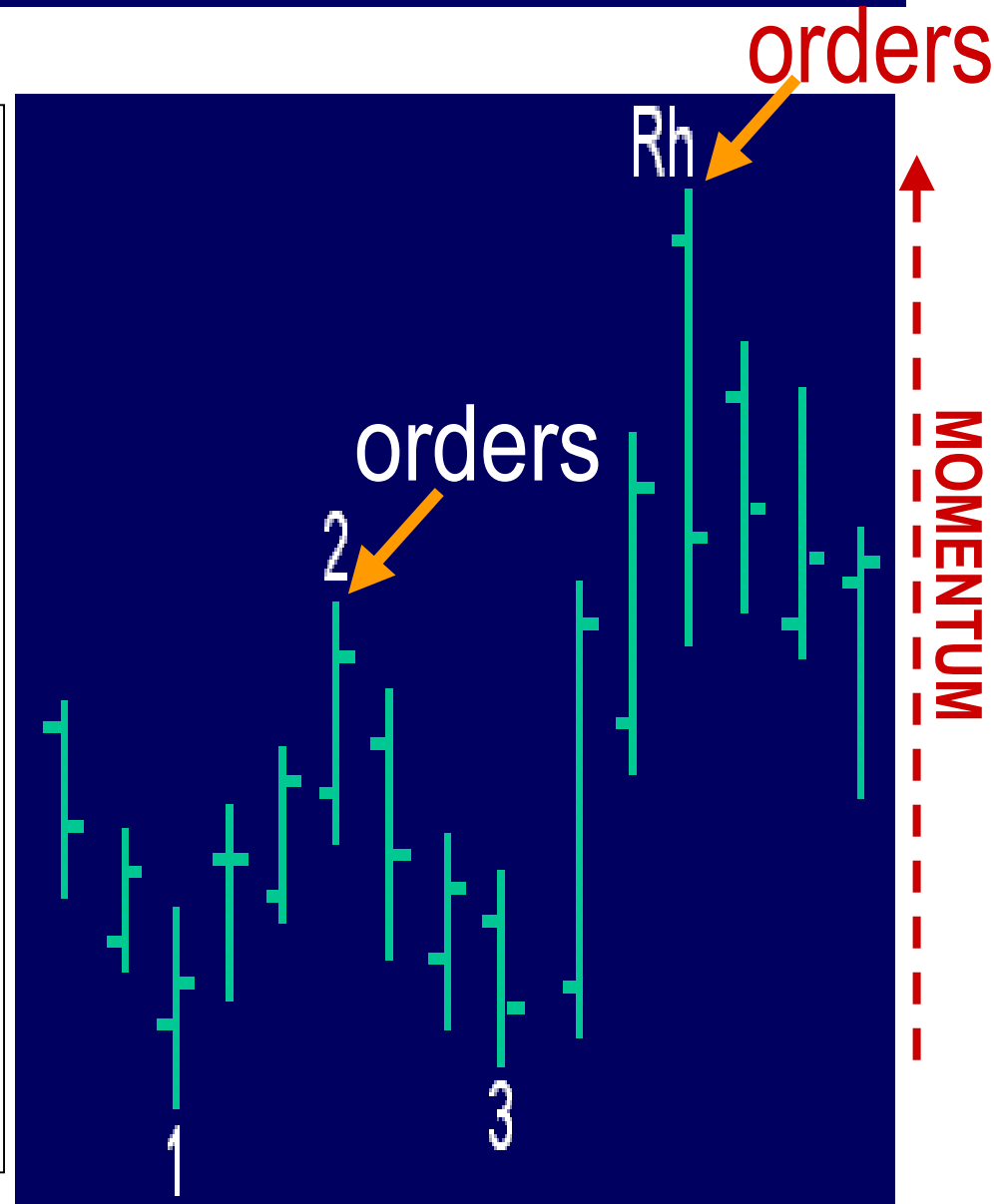
FINAL COMMENTS ON THE TTE ctd.

The TTE offers the possibility of using the momentum of others to cover costs and capture a slice of profits, as well as a free trade to the trader willing to use it to good effect.



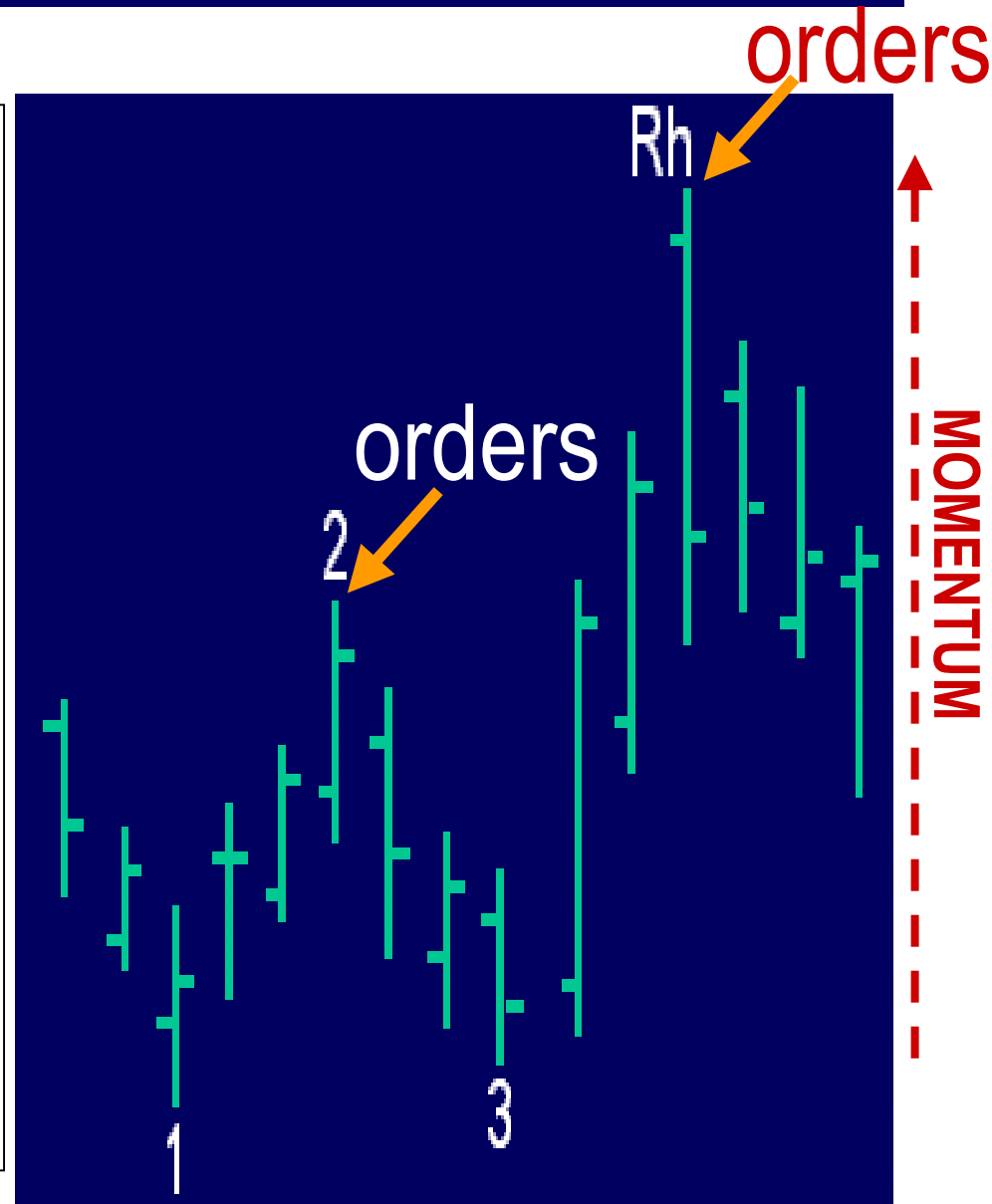
FINAL COMMENTS ON THE TTE ctd.

The TTE ahead of the breakout of a 1-2-3 formation and the TTE ahead of the breakout of a Rh have identical possibilities that prices will reach the breakout point.



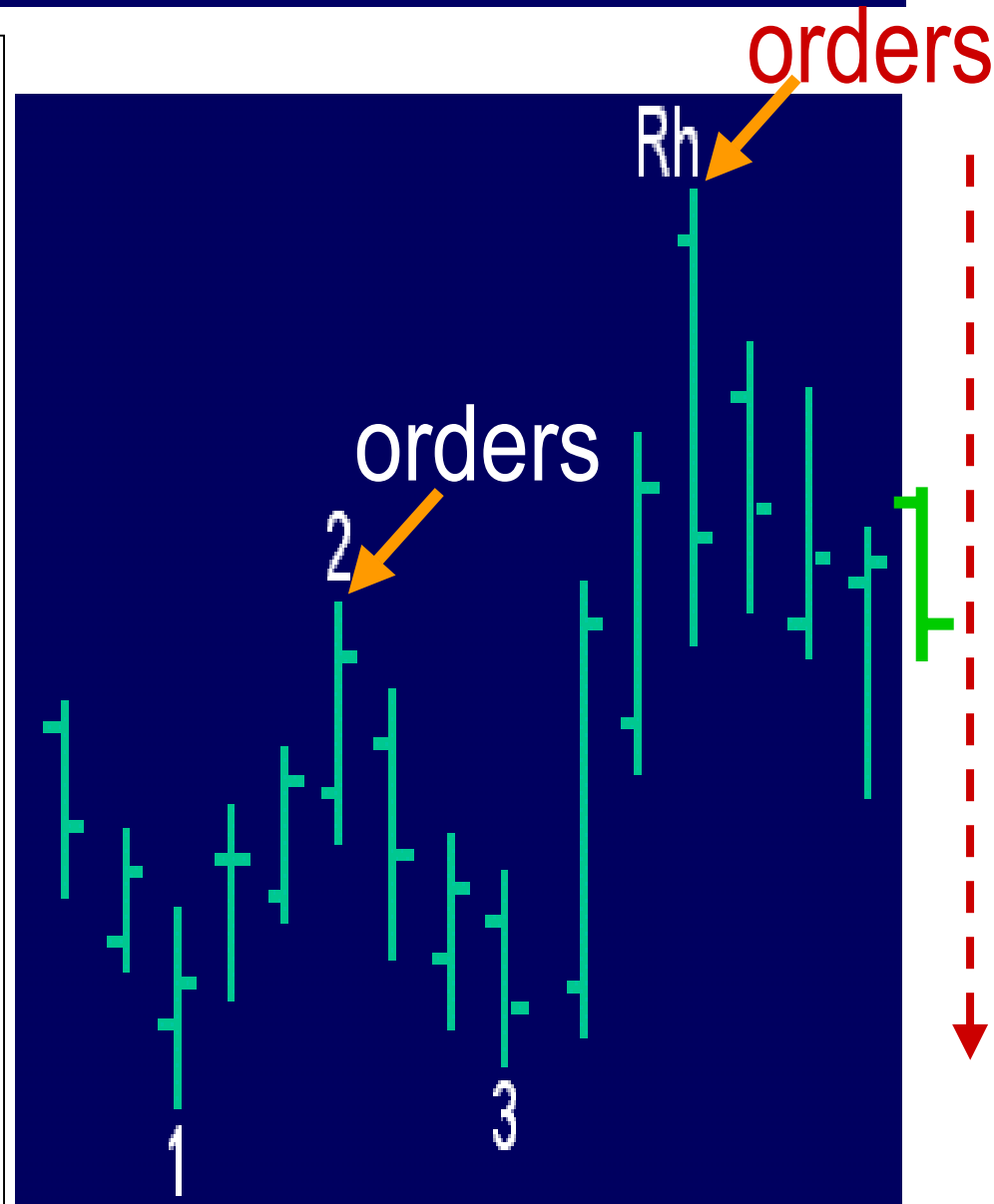
FINAL COMMENTS ON THE TTE ctd.

However, the probability for a trend to form is lower following a 1-2-3 formation once the breakout point is reached, than it is for a trend to continue after the point of a Rh is reached.



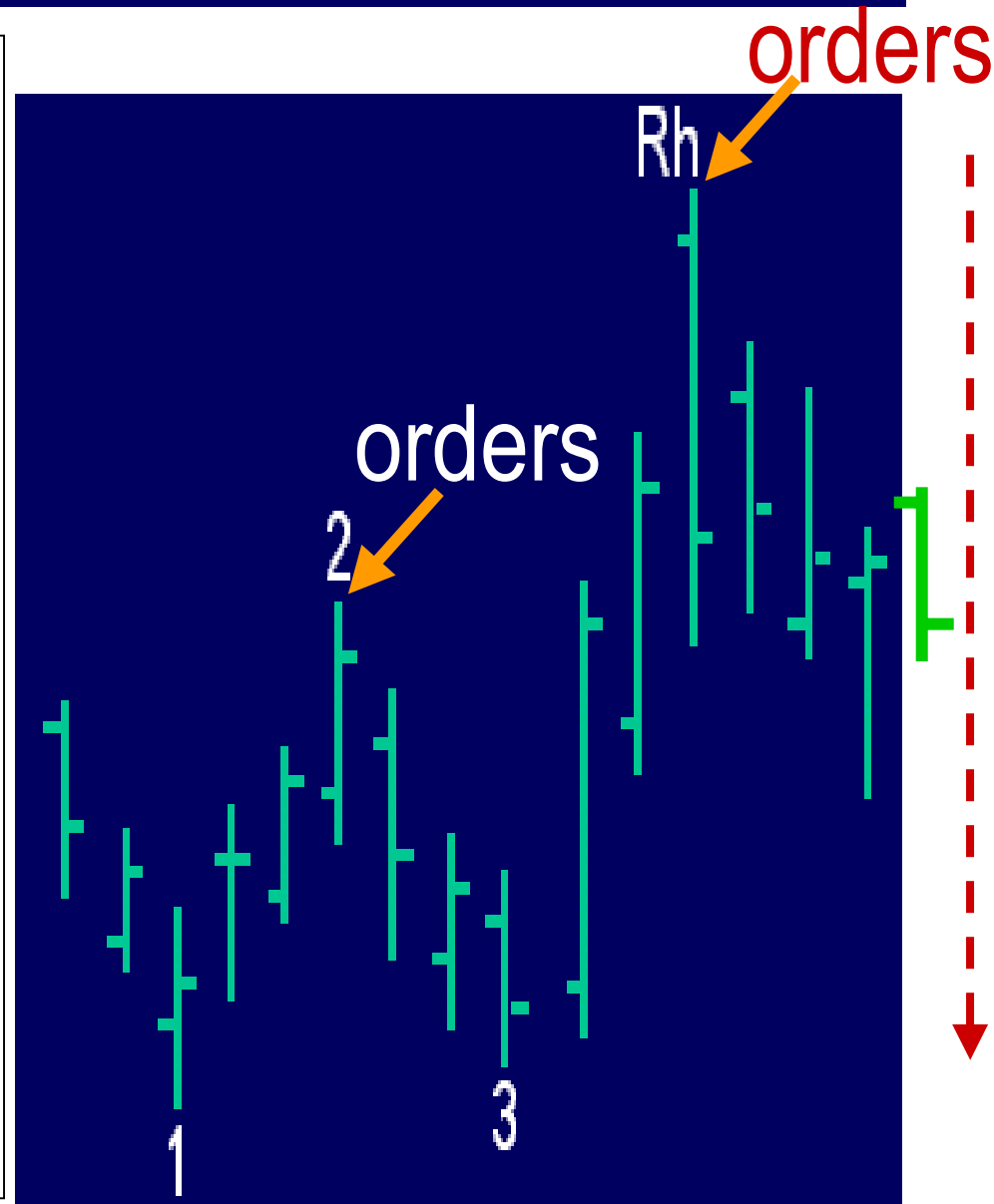
FINAL COMMENTS ON THE TTE ctd.

The third bar of a TTE ahead of a Rh always carries the danger that it could turn into a trend reversal. This is why a violation of the second correcting bar carries the best overall probability for success. Although it has a 5% less chance of reaching the point of the Rh, it also has a better chance of being able to cover costs and take a profit.



FINAL COMMENTS ON THE TTE ctd.

After the 3rd TTE bar, the probabilities begin to favor a consolidation which is why we don't attempt to enter on a TTE beyond a violation of the third bar.



END