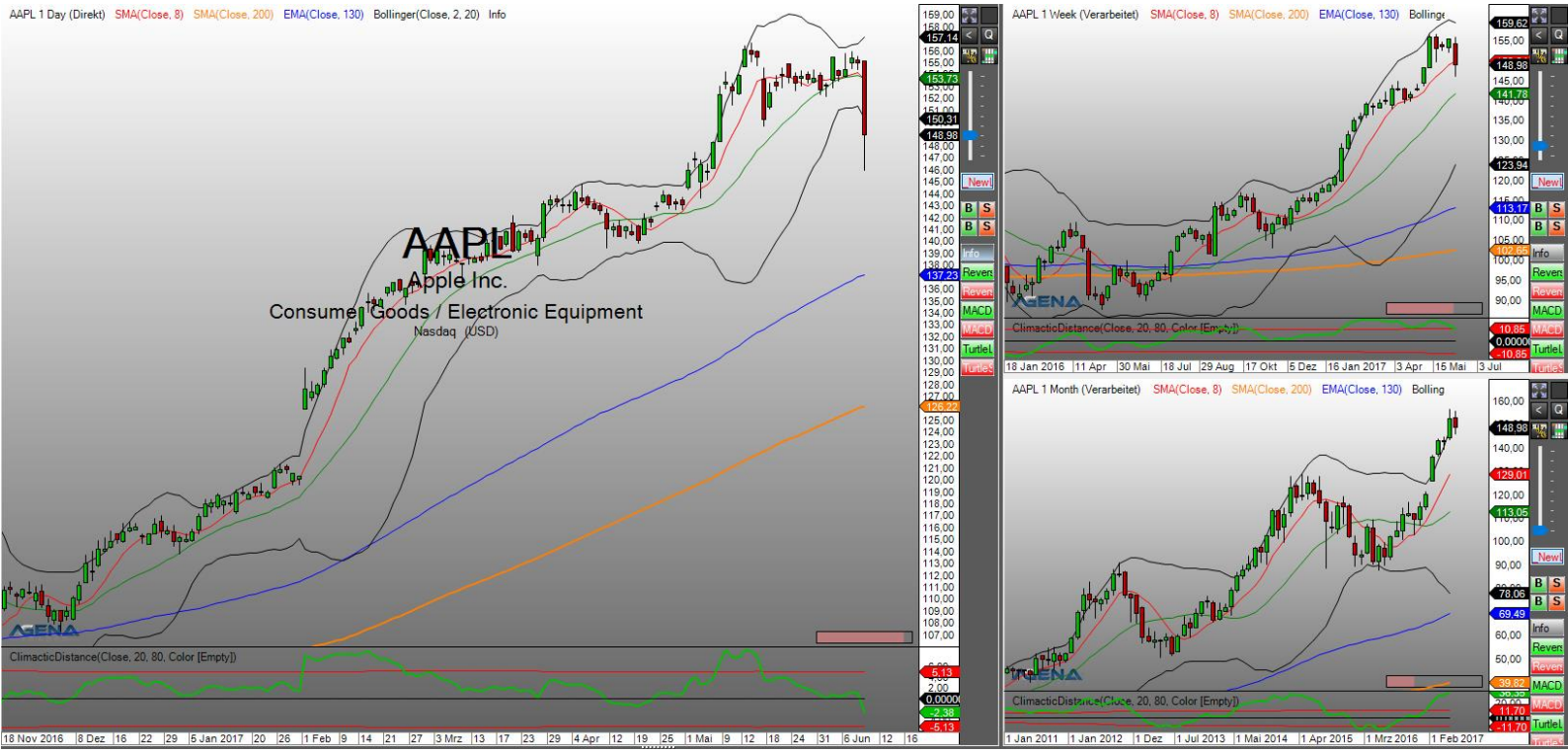
LOCATION POINT® TRADING

The map of trading

Gilbert Kreuzthaler
CEO & Founder
www.AgenaTrader.com

LocationPoint Trading
-The Full Concept-



A small reading tip

The document is structured in such a way that on the previous page is the visual representation of what is described in detail on the following page. You should therefore choose a view that always shows 2 pages.

Who is my opponent

- 70 – 80% automated
- The ones with more money in their pockets
- Hierarchical structure
  - Analyst, senior, junior

- Training programs
- Enormous sums in
  - Education
  - Automation
  - Multilevel quants

As traders, we frequently make the mistake of concentrating too much on the chart, of seeing this chart as the opponent in front of us and of trying exclusively to predict the chart. We also often hear that you need to beat the market in order to be successful on the stock exchange. But in all of this, many people forget who the market actually is. Dow Theory, for example, is very interested in the question "Who is buying after me" – and it is a good start, at least, to be asking ourselves this question.

But what is much more important is the circumstance of how the market is behaving, in order to actually position yourself for a possible purchase situation, and the question of how to interpret this situation to make a correct buy/sell decision.

The bad news is that the market i.e. the charts are controlled, namely by the people who have the most money in their pockets and who usually belong to investment banks, hedge funds or similar institutions.

In addition to this, you need to know that today, the largest proportion of trading is fully or at least semi-automated. Approx. 80% of the trades in the various markets are heavily supported by technology, whereby Goldman Sachs, Morgan Stanley and friends have all the money in the world to create technological advantages for themselves. Investment banks, hedge funds and so on invest large sums in staff and technologies. For one thing, discretionary trading is carried out by traders who have a long, expensive education under their belt in order to be allowed to trade tickets worth far more than just spending money that are worthy of the expression "institutional".

Here, training programs lasting several months are offered to whip the junior traders into shape. As a rule, trading departments are structured with a multi-level hierarchy – which means that analysts provide the big picture. Senior traders find the trading opportunities and the junior traders are there to place the tickets as cheaply as possible with minimum disruption to the market, but do not make any trading decisions as to which values should be traded – at the most they decide how the specifications of the analysts and seniors should be implemented.

But these institutions invest enormous amounts in servers and platform technologies in order to be better, faster and more profitable than the competition. They rent the best data centers so as to be just a tick closer to the stock exchange. And full automatism is a big topic in the institutions. They hire the best and most expensive people to be found in the industry to program quants and algorithms in order to access the information needed for a trade even more rapidly. These fully automatic systems are also structured with a multi-level hierarchy and often make use of several layers, where for example the uppermost layer attends to market phases so as to use strategies on symbols. The next layer is often where the risk management takes place, where strategies that are going well are traded with greater risk, and for strategies that are going badly, the risks are reduced or the strategy is suspended altogether.

Only in the lowest layer does that which in retail trading is described as a "strategy" usually happen, and in this lowest layer is where the actual set of rules of the respective strategy is located. When you consider this in detail, you understand that full automatism means more than just buying the next trading Holy Grail for 300 euros in the next algorithm store you come across and wanting to get rich with that.

As a retail trader, here you invariably lose out – this is the bad news.

The good news is that these "big boys" seem to look for similar situations, in the course of which they leave traces behind, and you can attach yourself to these traces as long as you recognize them. And it is precisely this fact that LocationPoint Trading makes use of.

Why does one lose?

- Inexperience
- " Actionism"
- Over-leveraging
- High error rate
- Over-trading
- Wanting to always be " right

- To sum up:
  - Lack of concept
  - It is always one's own fault
  - Or the Black Swan attacks.

Why does one frequently lose as a trader?

It is not without reason that years of training are required to become an institutional trader in an investment bank or for a hedge fund.

This type of training is, in fact, not even primarily about interpreting the markets and making trading decisions. The training is usually about how to read the respective market based on a given trading decision made by a senior in such a way as to push a big ticket into the market in small instalments, without moving the market in the direction that will make the trade more expensive in the process.

Only little by little does one eventually achieve the freedom of choice to be allowed to make trading decisions independently, or to even be allowed to act as a senior trader.

In institutional trading, nothing is left to chance. But until this point is reached, many months, even years can pass.

As a retail trader, on the other hand, you enter the market and are immediately the analyst, senior, and junior trader in one from the get-go. This means you assume a position for which others have put in years of hard work just to prove that they are mature enough to make decisions on their own.

Trading is training – and only those who have trained the most and who are in a position to implement their training in the daily trading race will come away as winners.

The reasons for loss are commonly:

Inexperience: a high diving athlete who has never dived from a 10-meter board will put his life in danger if he tries to win the high dive.

"Actionism": diving into water from just any point without first having checked whether the water is deep enough for the dive – at some point, this will end badly, and sooner rather than later.

Over-leveraging: in the competition, diving right from the 10-metre board even if the water is deep enough will lead to landing right at the bottom of the leaderboard or severely injuring yourself as you attempt that triple pirouette to win the competition.

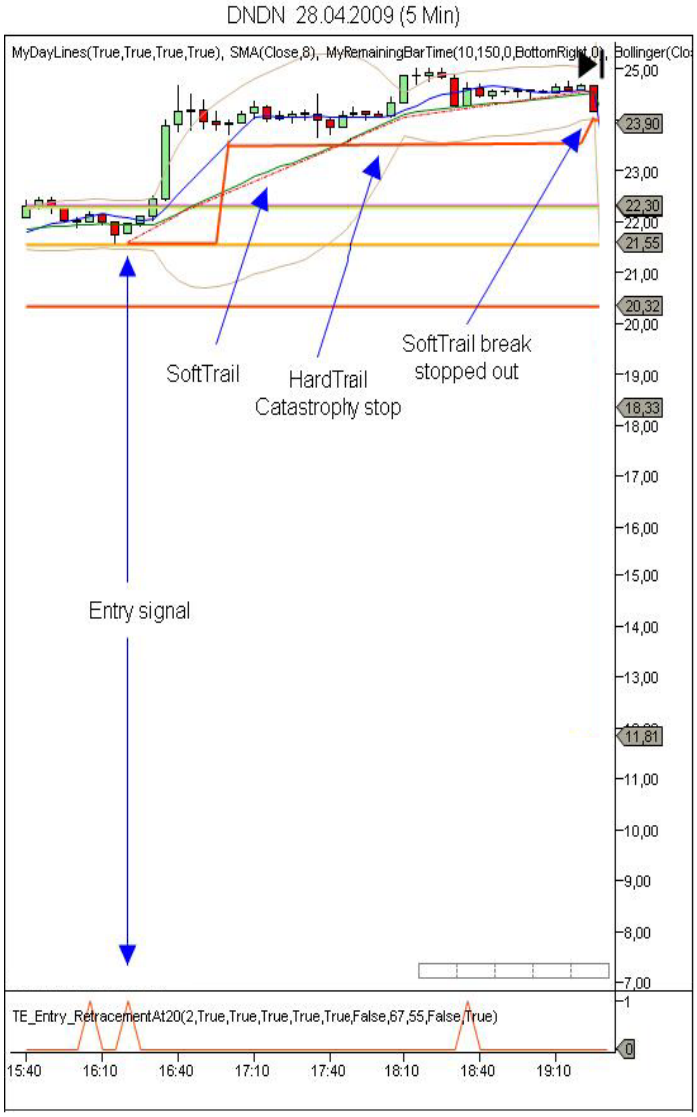
Over-trading: jumping into every puddle you see will do more harm than good.

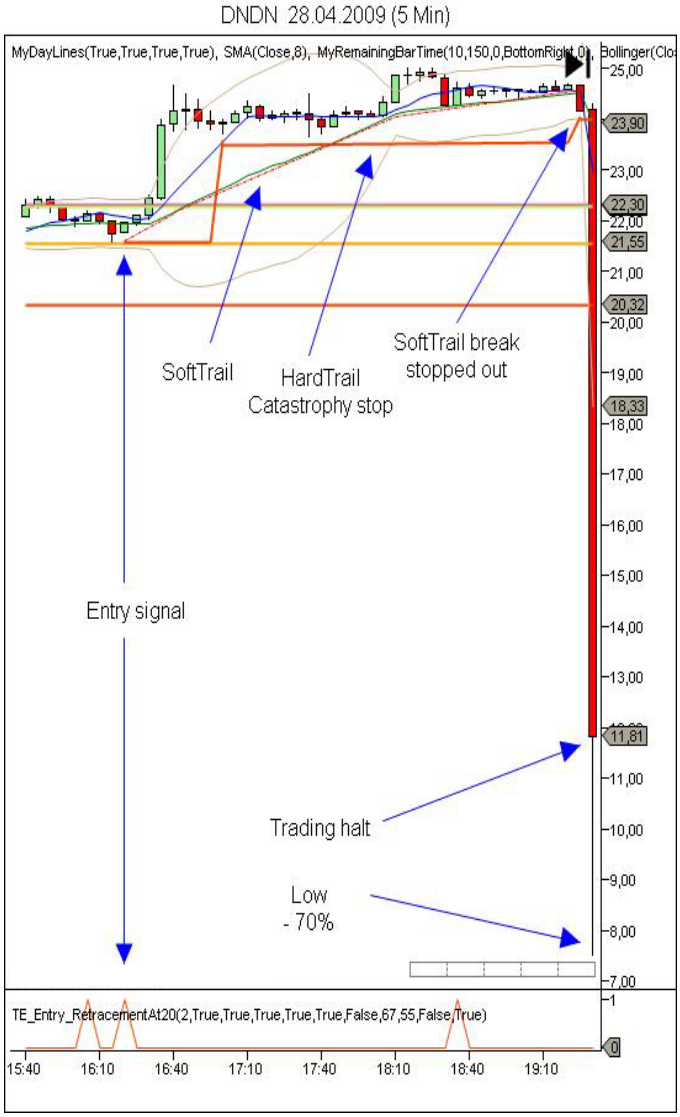
Wanting to always be "right": if, after the fourth belly flop, you still believe you can make it without changing anything, you won't be jumping much more either.

To sum it up, the biggest cause of losing in trading is quite simply the lack of concept, and you are absolutely responsible if you are losing in the long term – even if you do not want to admit this to yourself and try to push the blame onto the market etc.

But what may also happen is that you have traded well for years and continually make nice profits, but at some point are bitten by the "Black Swan".

The Black Swan





The Black Swan:

In the images you can see a market in which I was active myself and that I experienced live, watching as accounts were destroyed en masse in our prop trading live room.

Based on a tip by one of the senior traders in the prop room, the stock DNDN was brought to the attention of many traders in the live room. In this prop room, I had adopted an original form of LocationPoint Trading and had understood even back then that the market shows reactions time and again at certain points in the chart – mainly at certain moving averages.

In image 1) you see the entry signal that signaled an entry, which in today's LocationPoint Trading is similar to a Trampoline setup, and a stop was entered into the trade at approx. 22 USD.

The market reacted very nicely to this candle formation in the 5-minute chart, and I was soon easily able to make the trade risk-free and secure it very tightly in the market. The market then ran cleanly sideways and continued to develop further into the profit at the 20 LocationPoint line. At some point, the soft stop was broken, the hard stop was trailed behind and the trade was stopped out with the next candle at approx. 23.92 USD (image 2).

I was just about to celebrate the profits when quite a clamor suddenly started up in the live room. When I looked at the monitor, I saw DNDN suddenly began a crazy downwards plunge that ended at 7.50 USD within a minute.

Many of the prop traders had not secured themselves with a stop, since 'of course you like to give the market a little room to breathe so that you aren't stopped out unfavorably'. The stipulated stop policy was regarded as a virtual policy by many traders.

In the time it took these people to understand that more was going on here than just a brief exaggeration, the market was really blowing up.

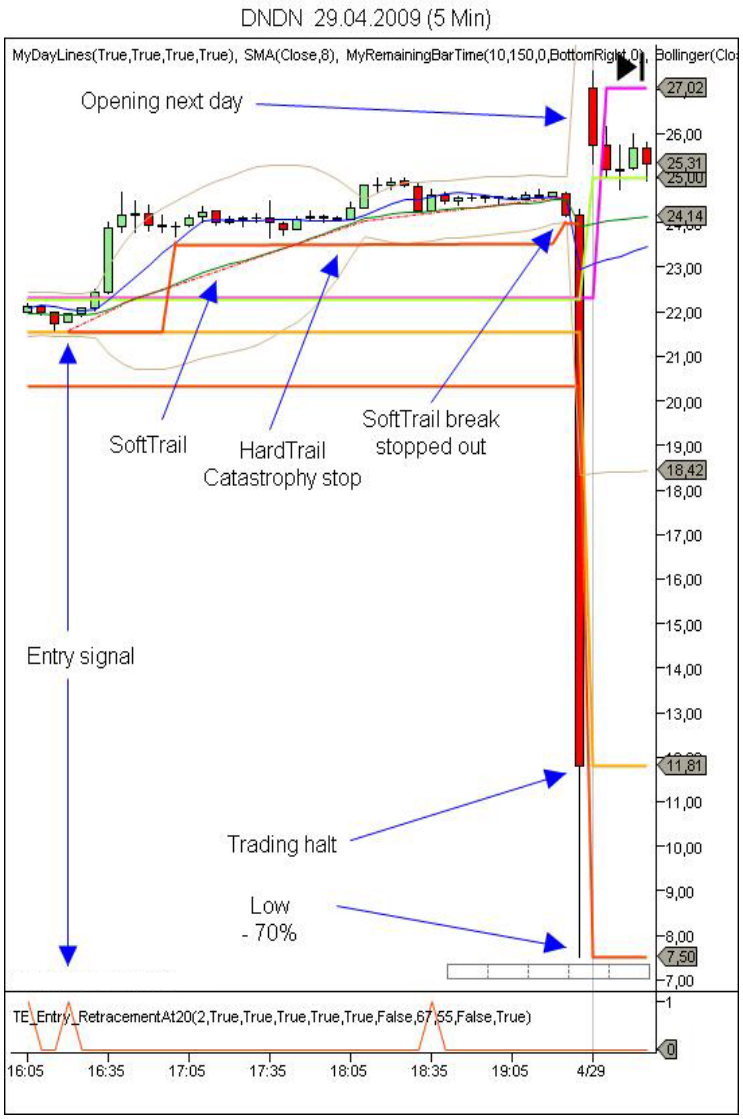
The traders who managed to close the trade using a market order were not taken out for a long time, and in the chat, hope, fear and ranting could be heard because people could not exit the trade. Many of these orders were only filled at 11 – 8 USD. It was reported that the slippage was up to 2 USD in parts.

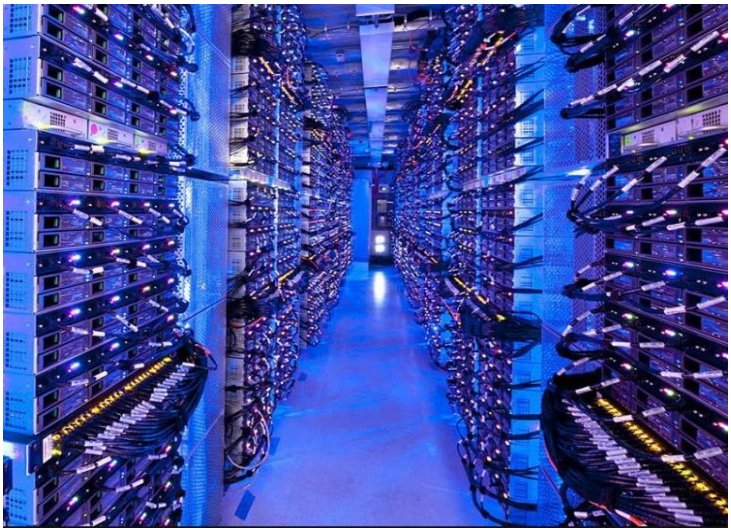
Since on this day, DNDN was named a stock 'in play' by the seniors in the prop room, to make matters worse, several people were in the market with such over-leveraging that this race to the bottom meant a complete account crash. Many others destroyed a large portion of their account.

Many of these people had been – according to my observations – profitable for a long time prior to this, and often had more success with their method of trading without a stop than many people who had meticulously stuck to their stop policy, but after this crash they were destroyed or heavily hit.

Something like this can go well for a long time, but at some point, an unforeseeable situation arrives for which one is completely unprepared, and one destroys years of account-building work at one blow.

The Black Swan





The Black Swan

Afterwards, it was reported that several quants/algos (most likely from big institutional investors) went crazy and caused this price plunge.

The completely irrational thing about this whole story was that the next day, the market opened higher (at ~27 USD) than the highest price from the previous day. This means that the "big money" straightened out the "error" overnight using small volume. In this case, the lucky ones were those whose accounts were not empty and who hadn't flown out at some point around 8 USD – 10 USD, since they were suddenly – after a sleepless night – able to celebrate an unexpected profit.

Within these next 5 to 10 years, however, it is safe to assume that you will come across a similar situation as the one that occurred in DNDN, and that you will find yourself in quite an unlucky position. You can only confront such situations with a clear stop policy and diversification of your trades – so get prepared.

And let's not forget the famous Swiss Franc crash a few years ago, which similarly signified the death of many an account. Since one goal of every trader is to be able to make a living from the stock exchange, it becomes necessary to still be trading in 5 to 10 years – as demonstrated by the big, well-known traders – wealth on the stock exchange does not come overnight, but it can definitely disappear overnight.

Why am I telling you this? The LocationPoint trading offers you the best possible protection from incidents like this. In particular, stop management, long-short balance, and especially diversification are a large component of this trading style.

Why does one win?

- A system that works - for the individual
- Mental strength: yes - but…
- Discipline
- Risk/ loss management
- Profit management
- Account management
- Above-average technical support
- To sum up: systematic security

It is not the next trade that is important – the most important trade is the trade exactly 5 years from today!

Why does one win

One can only win in the long-term with a system that works for oneself personally. Trading from the gut may well work for certain people – after they have acquired this gut feeling throughout years of experience – but as a general principle, it does not work for trading beginners or semi-professionals.

You will shortly find out that LocationPoint trading provides you with the ideal conditions for a working, comprehensible trading system.

Time and again, mental strength is touted as a factor for success. This is absolutely true – mental equilibrium gives you power and strength in trading. But power and strength are only achieved when you can also record some successes. And successes can only be achieved when you have a trading style that actually allows for success, bringing us right back to the beginning statement once more.

You can place the most successful athlete with the best mental strength in front of a trading computer, and he will fall to pieces mentally. Or in a phase of losses, you could also go to one of the happiness-inducing stock market coaches and get yourself straightened out mentally.

But what good does that do if you suffer another loss during the next trade?

Mental strength – yes. But only after finding your trading style that enables you to be mentally strong.

Naturally, concepts such as discipline, risk/loss management, profit management, account management and so on are factors that also play a role in succeeding.

Thanks to the clear guidelines in LocationPoint trading, you are simply reminded again and again to abide by these factors.

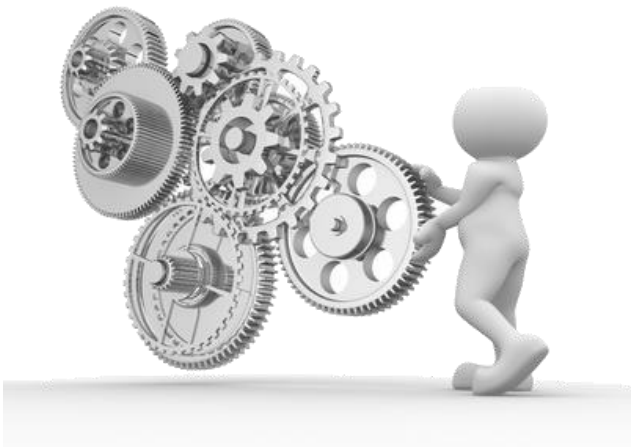
But what should also not be forgotten here is the above-average technical support that a trader needs in order to be in the right market at the right time. AgenaTrader as a trading platform with which it is possible to scan many hundreds of values, together with the LocationPoint package that shows you the precise point in time at which markets have the potential to go in a certain direction, ensure that you have a huge technical advantage in the market.

In conclusion: you attain security using systematics and technology, thereby giving you a far higher chance of being successful in the markets.

And once more, briefly, on winning and losing: It is not the next trade that is important – the most important trade is the trade you make exactly 5 years from today.

Systematics – what does this mean?

- Consistent factors
- Entry systematics (signals) are not enough
  - What can you do with the best signal if you don't know how to manage it?
- Exit systematics are much more important
  - Where do I end a trade
    - in profit
    - in loss
- The ability to read markets is indispensable
  - … but how?



Systematics – what does this mean?

All systematics build upon the fact that actions and decisions happen based on a clearly defined starting situation, and can then be managed in a duplicable manner.

What frequently happens is that only entry systematics are addressed, but this is simply too little. There are many different signal systems that very often have their specific purpose. But what can you do with the nicest entry signals if you don't know how to manage them in a running market?

The exit systematics are much more important regarding where to end a trade when you

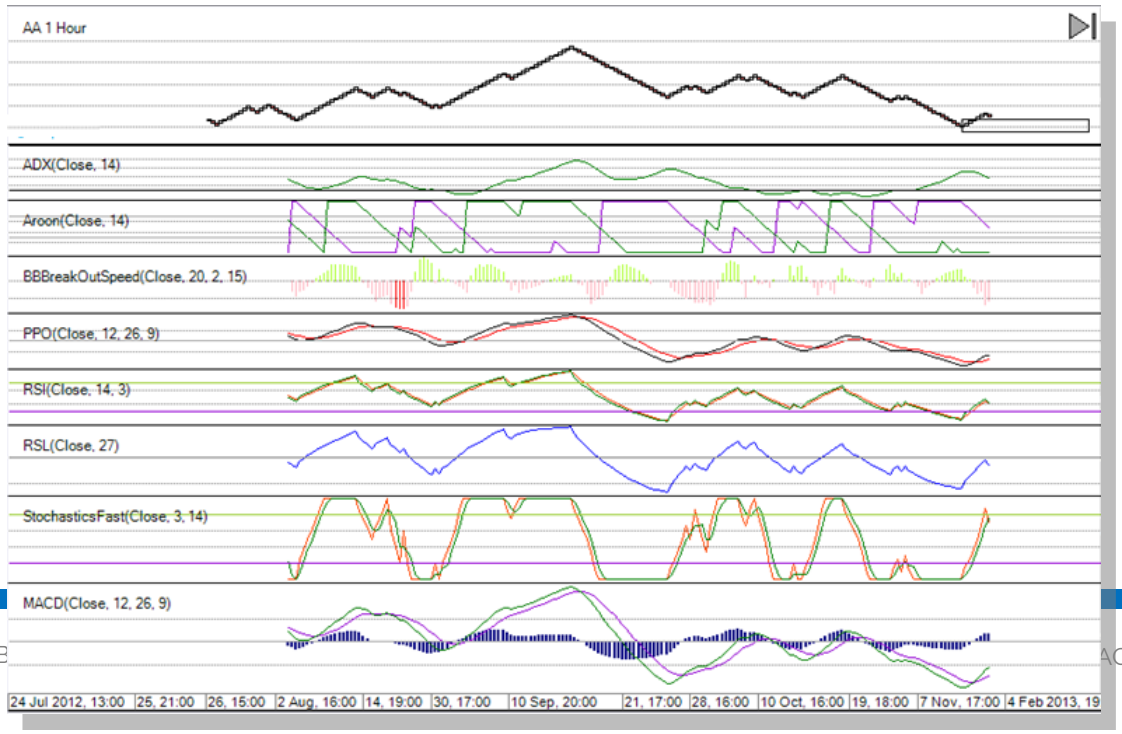
- are in a loss
- but also when you are in a win with the trade.

This is why it is essential to be able to read the market in order to sense how the markets might be about to move.

Only – how do you do this? And this is where LocationPoint trading, with the previously mentioned moving averages and so on, comes into play. If you can interpret the behavior of the markets according to these lines, you have an easier time understanding where markets are ignoring a retracement or where it makes sense to exit a trade because you are facing obstacles from superior timeframes or the like.

Indicators
- The labyrinth of chart derivatives
-

- Indicators and oscillators are mathematical variations of the market
- " Non-time based" charts additionally dilute market development
- You lose sight of what is essential – consequence:
    - Loss of reality of market development
    - Inability to read the market
    - You should look at what everyone else can see
        - Current market
        - Timeframes -> later
- Indicators are the worst form of interpreting the markets – but there is no better one.



Indicators – the labyrinth of chart derivatives.

Many traders focus a great deal of their attention on the behavior of various indicators. In doing so, they often forget that these indicators are just mathematical variations of the markets.

Frequently, in combination with these indicators, traders then also use so-called non-time-based charts such as tick charts, volume, range, Renkos and so on. In trading, however, it is important to ensure that you are using tools that are also used by people who embody the "big money", so as to be able to follow the tracks of this big money.

Now of course there is a vast number of different indicators – AgenaTrader alone offers over 150 indicators. In addition to this, there are then also 7 different non-time-based charts.

All these indicators/chart types have an endless number of settings characteristics. Now, if the big money does indeed use an RSI, stochastics, MACD or whatever, it would be interesting to find out in which combination these indicators are used, and what the settings look like for this

- Is it an RSI14, 20, 25?
- Is it most efficiently employed with an MACD (20,8)
- or in fact as an MACD (25, 4)? For the tick chart, does one use the 10, 40, 56 or 300 tick settings – which indicator goes best with this?
- If this combination works for a certain value, does it also behave in the same way for other symbols…?

Before we go any further – time-based charts are well known by every trader.

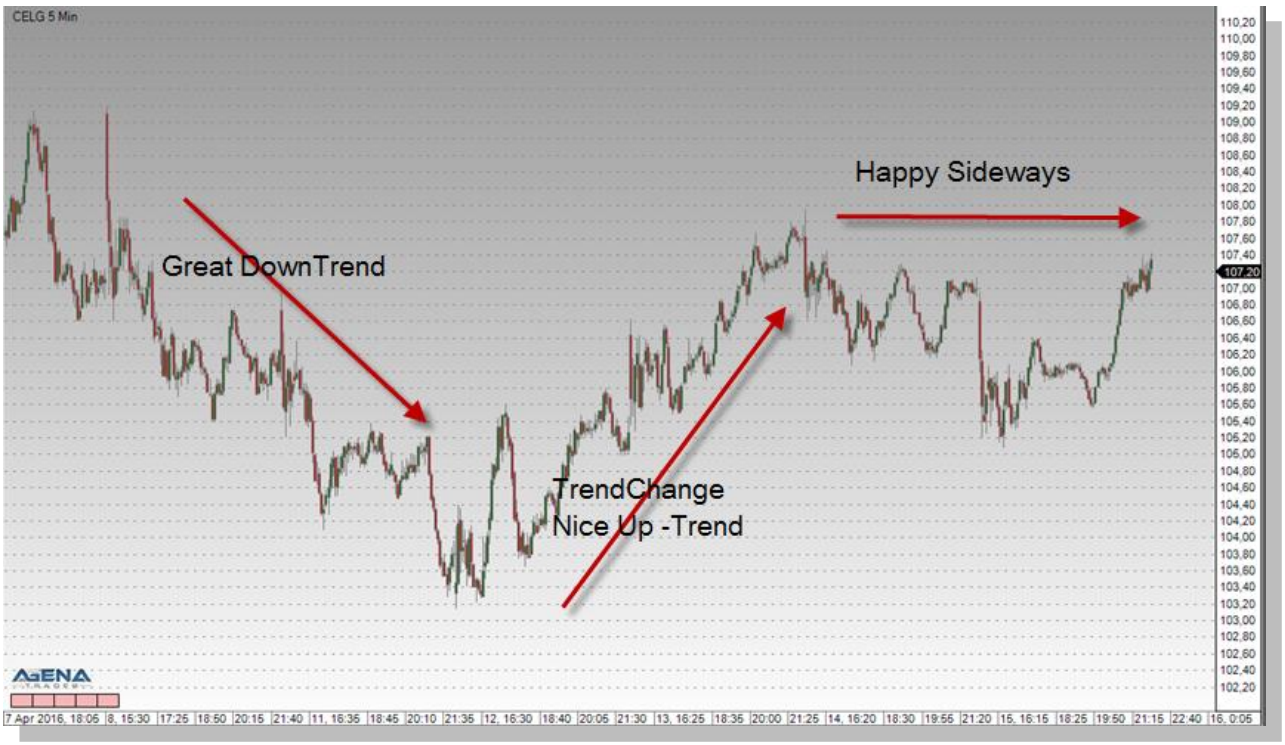
5 minutes, 15 minutes, 1 hour – everybody is familiar with this from their watches. This is why it is pretty obvious that the big money might direct its focus this way too.

If one relies too much on alterations in the markets, what may happen is that one runs the risk of losing sight of what is important, of no longer being able to interpret the actual market development and of therefore building up an inability to read the markets.

Yet on the other hand, indicators are the best and only way of analyzing markets based on their status using software technology. But indicators should never be used for making purchase decisions. Indicators should be used exclusively for confirming market reactions that one has previously read in the chart, or taken into account as a secondary decision-making tool.

And it is precisely this circumstance that LocationPoint trading makes the most of.

The empty chart
– the wasteland –



The empty chart – the wasteland.

It's fascinating attempting to read a chart without any aids. And Dow Theory is heavily based on this circumstance. For me personally, I have to admit that this type of trading made it extremely difficult for me to visualize the market. But this is what makes every individual so unique – each mind has its own thoughts and emotions.

Although I always recognized the trends, it was only ever once they were already over. I read many books, completed many training courses (Dow Theory, Elliott Waves, Ross Hook, Bollinger strategies), but I always failed when it came to myself, because these techniques simply did not fit my mindset and my individual mental characteristics as a trader.

But this also shows that no matter how well someone internalizes a trading style, if it does not fit the trader's psyche, that person will not be successful with this style.

So when it comes to decisions in the empty chart, you have to be a very experienced trader in order to analyze the markets purely based on their movements. I have great respect for any Dow Theory-oriented trader who trades the empty chart just according to its movements.

Since the Dow Theory package, the very first version of which was originally created in our company, this has changed drastically, since there is now strong technical support for this trading style, too.

For me as a LocationPoint trader, knowledge of how trends are constructed, of movements, corrections and so on represents indispensable know-how without which one cannot survive in the markets. But I was lacking the ascertainment for trading decisions, and made use of the Dow Theory knowledge in order to confirm signals in this way.

Due to my personal risk aversion, I searched for my own trading style and found it in the form of LocationPoint trading.

What now – which tools should I use?

- Moving averages
- Deviations
- Support and resistance areas
- Specific timeframes
- Candle formations/ retracements
- Indicators or markers in the chart that are derived directly from the chart

So which tools should I use?

If one should not use indicators and the empty charts are not enough either, then what is one supposed to use?

As I briefly mentioned before, indicators are a legitimate tool for determining location, although this should not lead to any trading decisions – these should be made exclusively in response to how the markets react to these.

LocationPoint trading includes

- Moving averages – depict the average price of the last <n> closing prices.
- Deviations – average deviations of the market based on an average value in order to determine reversal potential.
- Support and resistance areas – how to recognize them based on historically relevant high and low points in the chart.
- Very specific timeframes – that are derived from the real scaling of the clock or the calendar.
- Candle formation/candle retracements – reversal formations

However, these are technical aids that are derived directly from the chart and therefore do not represent a distortion or falsification of the chart.

LocationPoint indicators

- SMA8
- SMA20
- Bollinger Outside Bands
- EMA 130
- SMA 200
- Climactic Distance
- Support/ Resistance Area

LocationPoint indicators

In LocationPoint trading, we use the following indicators. To help you recognize the various lines at the first glance, these are also distinguished from one another using different colors.

- SMA8 – red line
- SMA20 – green line
- SMA200 – orange line
    - https://goo.gl/PoeLjQ
- Bollinger Outside Bands – grey
    - https://goo.gl/SiBpav
- EMA130 – black
    - https://goo.gl/2tR7Kq
- Climactic Distance indicator
    - https://goo.gl/mCm4Z4
- Support/Resistance Areas
    - https://goo.gl/CcXCkJ

But as I have already mentioned several times, it is not the behavior of the indicator that is most important, but the behavior of the market in reaction to the respective indicator.

The ClimacticDistance indicator, in particular, is worth mentioning here:

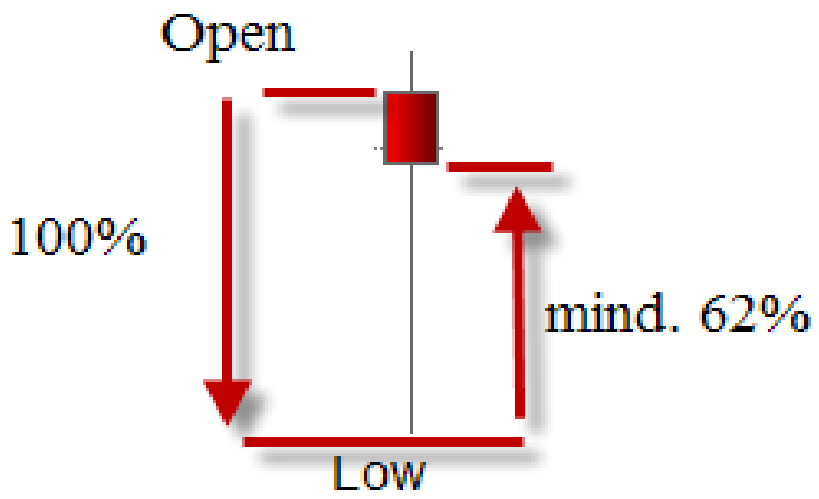
The ClimacticDistance indicator was developed by me. This indicator is implemented in the LocationPoint trading system. It calculates the average (median) price of the current and historical candles with a distance to the simple moving average (SMA) of the last 20 periods. In addition, it also measures the average price deviation within the last 80 periods. If the average (median) price exceeds the highest or lowest price deviation, the market is deemed climactic (culminating). If you come across a LocationPoint in a climactic circumstance and if the market reacts, this – may – provide the trading decision for a reversal trade.

Calculation

Middle black line: SMA 20 moving green line: average (median) price red upper and lower line: average price deviation of the last 80 periods.

The retracement
- How does the market react? -

- What is important is the 'open' in comparison to the current price
- The movement must retreat at least 62% into itself
- What is actually going on behind the scenes?



The retracement – how does the market react.

Retracement is understood to mean that a market moves in one direction, and then moves back closer to the original position once more within a certain period of time.

What is crucial with a retracement is always the opening price (open) in comparison to the current price. A retracement is valid whenever the price enters into a movement and then withdraws from this movement by more than 62% – starting from the opening price (see image).

The interpretation of such market behavior, i.e. of what is going on behind the scenes, can be explained in the following way – whereby we can think back to the introductory analysis 'Who is my opponent'.

Let's assume that the candle in the image is an hourly candle. A candle like this does not form on a whim; there is usually a lot of money behind this in order to make a candle have a certain appearance.

If a market is now sold off in a certain direction, e.g. in the short direction, and the 'market' manages to propel the instrument into a reversal of more than 62% of this movement, then it is only the big money that is capable of this – and not the small money. This means that here, our opponent becomes active. Considering that nothing is left to chance in the markets, in many cases, one can assume that a candle formation has formed because the big money flexed its muscle.

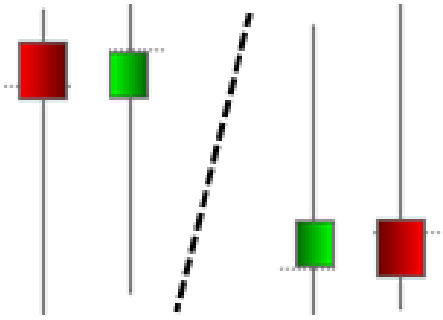
When big money has an influence, we should at least prick our ears up. If, in addition, this behavior occurs at points that, from a historical point of view, trigger similar behavior again and again and if we recognize these points, we have an advantage over other traders and can make the most of it for our trading.

As to just how far it can go, this is a different matter – more on this later.

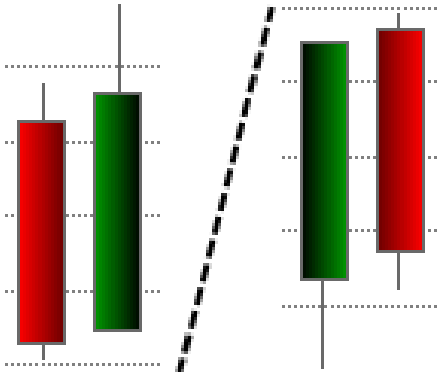
And this is precisely where LP trading comes in.

Types of retracement

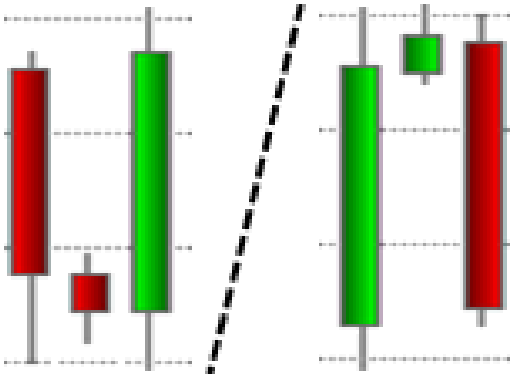
Single bar retracement



Double bar retracement



Triple bar retracement



Types of retracement:

We distinguish between the following retracements. As has already been determined, the retracement must amount to at least 62% of a candle formation.

Single bar retracement: this reversal behavior takes place in a candle, and we often refer to this as a reversal bar. On the left-hand side of the image, you can see 2 manifestations showing reversal behavior in the long direction.

1. The body of the first candle opened at a certain point,
2. was then pushed back in the short direction,
3. was then bought back into itself,
4. and closed below the opening price.

The withdrawal amounts to more than 62%. Since the closing price is located below the opening price, the body is red.

The next candle fulfils requirements 1 – 3 of the description above. Only when it comes to the 4th criterion does this candle differ, namely that the closing price is located above the opening price of the candle.

In this case, the 62% was exceeded by far and the retracement is actually above 100%, hence the green body. A green single bar retracement naturally has greater significance than a red reversal candle, since obviously much more volume has been pumped into this reversal.

Double bar retracement:

1. A long DBR consists of 2 candles, in which
2. the downward candle must have a solid body,
3. the upward candle also has a solid body,
4. and, in turn, more than 62% of the downward movement offsets the lows of both candles.

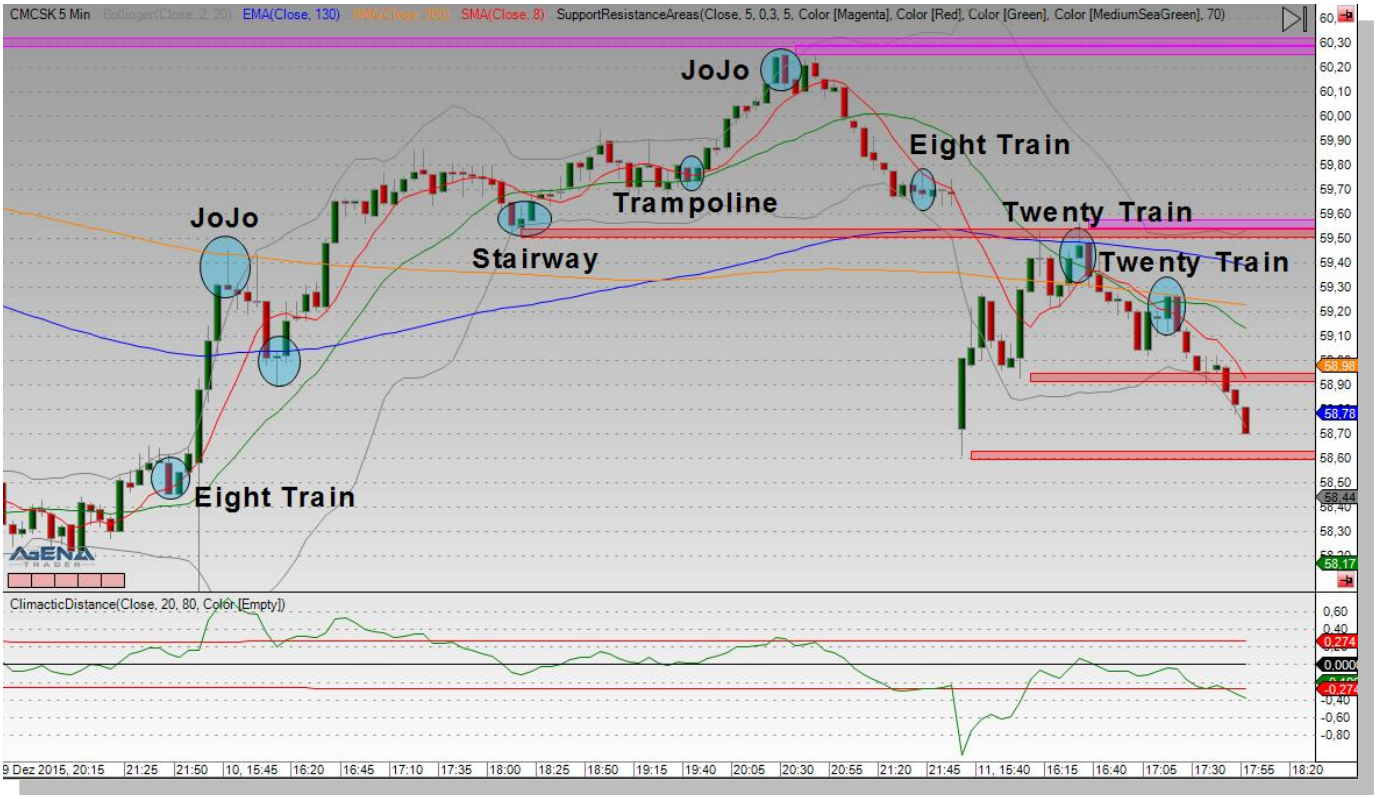
A short DBR is based on the opposite set of rules.

Triple bar retracement:

1. A long DBR consists of 3 candles, in which
2. the 1st downward candle must have a solid body
3. a so-called narrow bar must have formed in the middle
4. the upward candle also has a solid body
5. and, again, more than 62% of the downward movement offsets the lows of both candles.

A triple bar retracement is a rather rare candle formation, but is characterized by the fact that in the middle narrow bar, tension is built up for a while and the market then decides on a direction. TBRs frequently trigger striking behavior in the direction of the 3rd candle.

LocationPoint signals



LocationPoint signals

In LocationPoint trading, one refers to the following setups

- EightTrain
- TwentyTrain
- Stairway
- Trampoline
- YoYo
- WipeOut

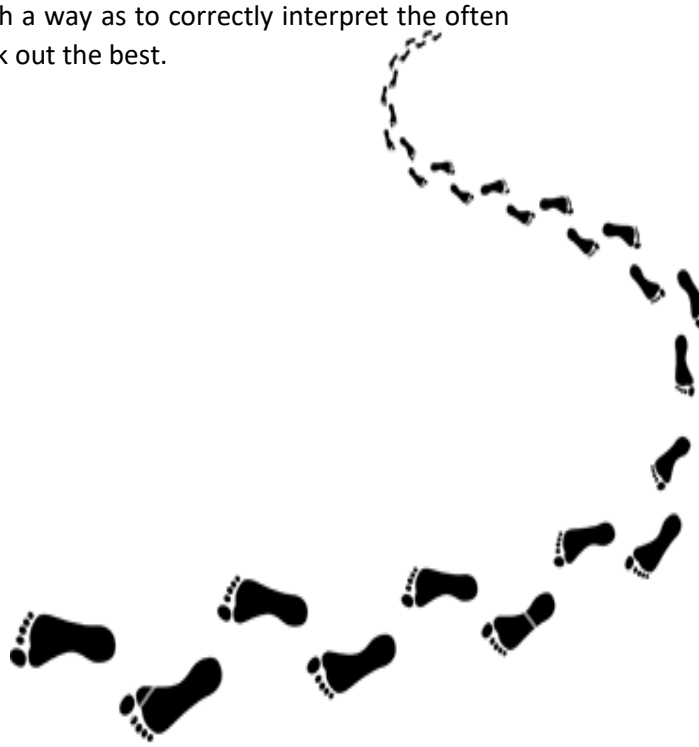
The individual signals will be explained in more detail below.

It should be noted that the excerpt used for the image is a completely random chart used as an example. When you look for LocationPoint signals in various charts, you will see that such behavior occurs at many different points.

In the image, all these signals can be seen several times within a small section of the chart. This means that these are candle retracements that occur again and again at the above-mentioned lines.

This chart is not an exception, but rather the rule. However, not every retracement at the LocationPoint lines makes sense, but must instead be thoroughly analyzed according to how and where it occurs.

The big challenge is being able to read the markets in such a way as to correctly interpret the often substantial number of basic signals in order to find and pick out the best.



LocationPoint behavior

- All markets/ asset classes/ timeframes behave in a similar way
- Market movers position themselves at prominent points
- Only visible in undistorted charts
- The reaction of the market at the LPs is important
- At/ around the LocationPoints, orders are often located in the opposite direction of the last movement
- Recognition of the footprints left by the big boys/ smart money

LocationPoint behavior

One can assume that the behavior in all markets and asset classes works in a similar way. There are certain timeframes in which the retracements work time and again – more on this later.

The LocationPoints are, in principle, applicable in all liquid markets:

- Forex
- Stocks
- Futures
- And naturally also for CFDs – but here only starting in timeframes of 15 min and upwards.

Cryptocurrencies are simply still too illiquid to be able to work cleanly according to these rules.

But what exactly does it mean if replicable behavior occurs again and again at these lines? We have already covered notes talking about the big money leaving traces behind. And it is precisely these retracements that represent these traces. Since retracements often occur at these lines and since only the big money (market movers) are the ones that move the markets, it seems that it is not just me who, as the original observer of this trading style – I am purposefully not saying inventor – recognizes this behavior and acts accordingly, but that I am just making use of the set of rules that is implemented in this manner by the people with plenty of money in their pockets.

Thus it is not the LocationPoint lines that output signals; only the behavior of the markets at the LocationPoints alone is important.

The retracements i.e. the reactions do not always take place exactly at these lines; instead, what usually happens is that the LP is first broken through and then the closing price closes above (long)/below (short) the LP.

But what can definitely be observed in any event is that in these lines, orders are frequently located in the opposite direction of the last movement, thereby causing the market to at least reaction – even if just slightly. Following these small reactions, erroneous signals often occur.

In a nutshell, easily understandable footprints of the big boys/smart money very often arise at these lines – and if you recognize these in time, you are sitting in the same boat as the big money.

LocationPoint timeframes

Intraday:

- 1min,
- 5min,
- 15min,
- 30min,
- 1h,
- (4h)

EOD:

- day,
- week,
- month

LocationPoints – timeframes

There are very specific timeframes at which the reactions of the LocationPoint lines are comprehensible.

Intraday: 1min, 5min, 15min, 30min, 1hr and 4 hours.

It should be mentioned here that the 4 hours can only reliably be applied in the 24-hour markets. This means: in the Forex markets and in the index futures such as, for example, the NQ, ES, YM and so on.

When you look at these timeframes and compare them to the scaling on your wristwatch, you will ascertain that this is the 'real scaling' of the actual dial.

The much-used 10 minutes are actually 2*5 minutes – they thus represent an artificial scaling, which is why the whole game doesn't really work here… and if it does, then only by chance.

NonTimeBased charts such as tick charts, range bars, Renkos, Kagis and so on cannot be used either. The gaze of the big money seems to be directed at the above-mentioned timeframes.

EndOfDay: here, the set of rules applies for the well-known daily, weekly and monthly charts, i.e. the real scaling options in the calendar.

The higher the timeframe, the more elegantly the LocationPoints work!!

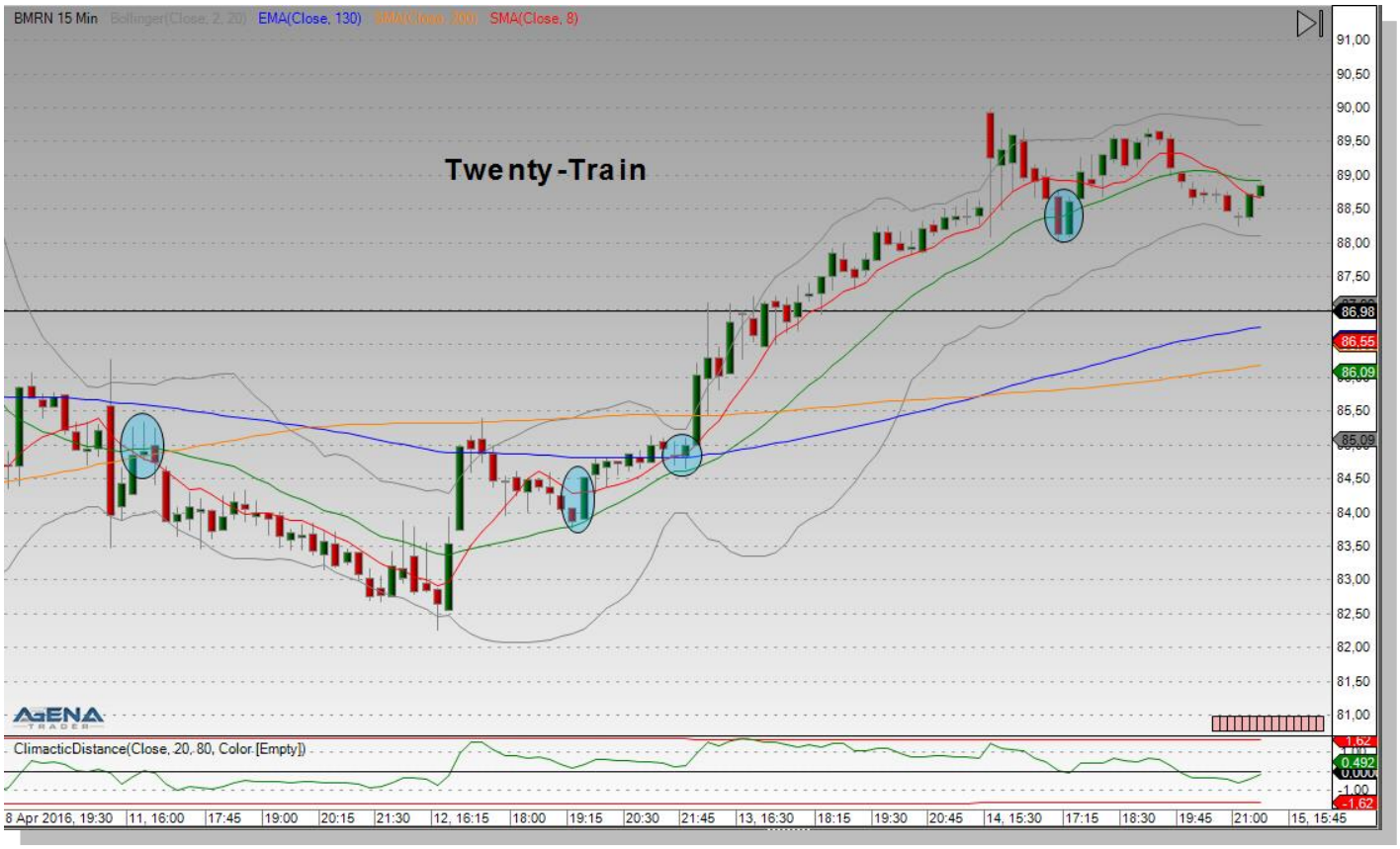
And it is precisely for this reason – the fact that the behavior can be used at such high timeframes – that LP trading is applicable not just for intraday traders, but also in fact for swing traders and even long-term investors.

I also found it surprising that the timeframes are still retained as a relic from the primitive beginnings of trading. But my conclusion is that a timeframe of 5min or 1h or 1 day, for example, is a common term for everyone and is evident.

If one now uses a tick chart, one can enter a scaling of 1 tick up to 1,000 or even 10,000 ticks. So what is the right number of ticks according to which markets are moved?

Signal: Twenty Train – trend-following

- Gentle correction after a movement
- Retracement at the SMA20
  - (Point 3, small trend)
- No wide-range bars



TwentyTrain

The TwentyTrain gets its name from the fact that here, we are looking for a reaction at the SMA 20.

The prerequisite for this is the market has completed a movement that goes back to the SMA 20 in a 'gentle' correction, and that a retracement follows this. An additional rule – which is, however, not reliable – says that a correction should consist of 5-8 candles. However, this is just a soft rule, but it does usually mean that the correction will be 'smooth'.

But no wide-range bars (more than 3 ATRs) should be present in the correction.

Signal: Eight Train – trend-following

- Short correction following a usually fast movement
- Retracement at the SMA8
  - (Point 3, smallest trend)
- No mid-range bars

EightTrain

The EightTrain makes use of a similar concept to that of the 20Train.

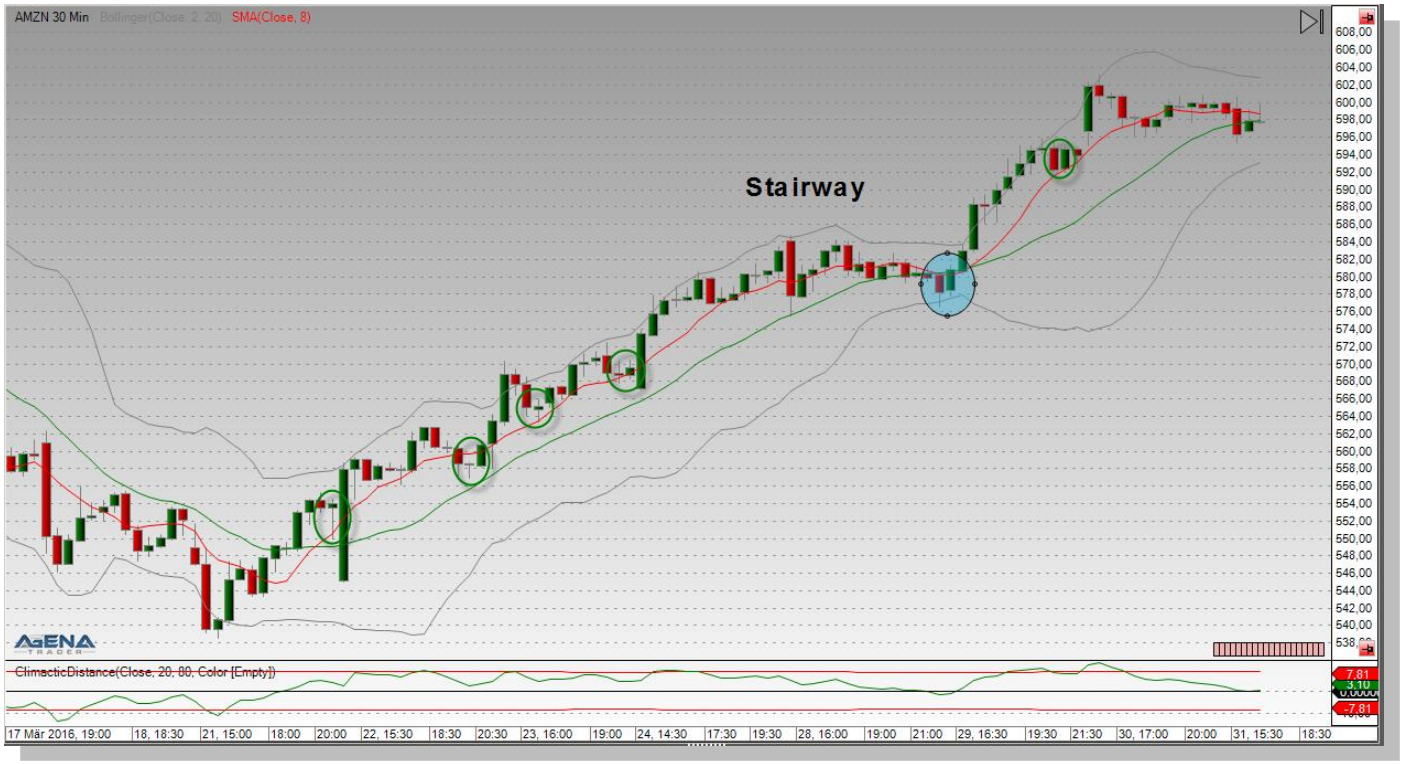
The market has a long or short movement, runs to the SMA8 in a correction and forms a retracement there in the direction of the movement.

The rule of thumb says that the market can have 1-3 candles in the correction.

There may not be any mid-range bars (more than 1.8 ATRs) in the correction.

Signal: StairWay – trend-following

- Gentle correction after multiple Eight or Twenty Trains
- Correction to the outermost Bollinger with subsequent retracement
- Point 3 small or medium trend



Stairway

A stairway can occur in 2 different forms.

1) As a trend-confirming signal
2) As a reversal-confirming signal if a trend reversal is developing.

With the Stairway, the market appears to form a shape similar to a staircase, hence the name. In this case, the stairway is always the outside Bollinger Band where the market forms a retracement.

1) As a trend-confirming signal

As can be seen in the image, the market formed a trend above the SMA8/SMA20. This then frequently turns into an extended correction that leads all the way to the oncoming Bollinger Band. At this point, it is very common for retracements to form, which then provide the trend with more strength to continue.

2) As a reversal-confirming signal if a trend reversal is developing.

Similar to the trend-confirming signal, the trend-reversing signal also comes from an outside Bollinger. As can be observed in the image, the market formed a downward movement. In our case, the market got stuck at the 130th and 200th LP line. In this case, the market then moved sideways.

The Bollinger band has already turned in the opposite direction, and is contracting. The first encounter with the Bollinger band frequently leads to trend-reversing retracements that can sometimes have very strong effects.

The well-known W and M formations are also formed in a similar way in the charts: https://www.investoo.com/w-bottom-m-tops-strategy/

Sideways trend breakout trading
- what people do wrong -

- How to find a sideways movement
- Where the right entry/ stop is located
- Over 70% are fake breakouts

Sideways trend breakout trading – what people do wrong.

The breakout from out of a sideways trend is a common method of trading. If one recognizes a sideways phase with one's bare eyes, one is often tempted to speculate that the market will breakout sideways.

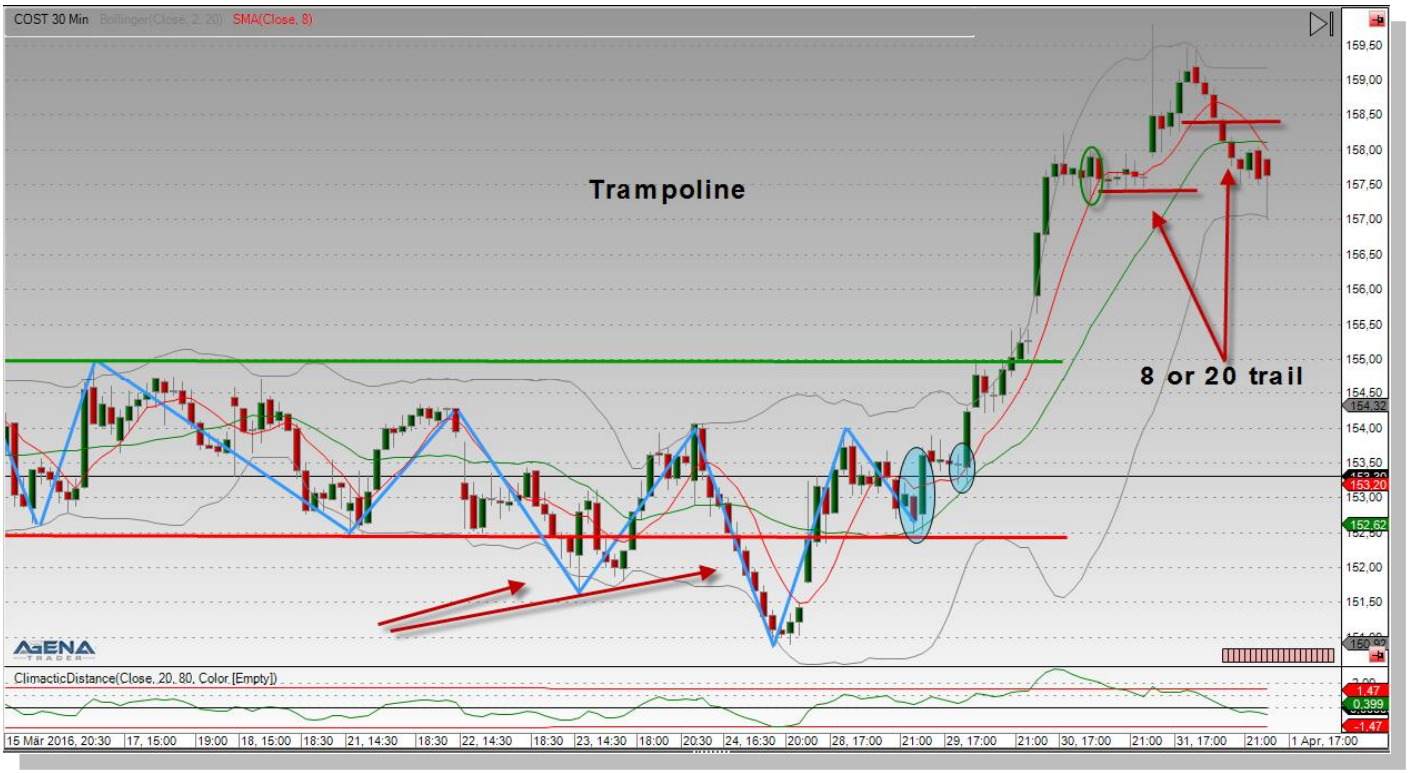
This means that one positions oneself at the upper end of the sideways phase with a long order, and at the lower end with a short order. The stop loss is always the opposing order.

The thing is, this type of trading is risky, since you don't know whether the upper/lower end of a sideways movement is really the final range. In addition, it should be noted that from a statistical point of view, 70% of the breakouts are so-called fake breakouts.

The smart money is familiar with these trading characteristics, which is why one can expect that at these points is where the orders of the sideways phase traders will also be located, with the possibility of getting advantageous orders.

Signal: Trampoline sideways trend breakout trading - how to do it right -

- Multiple SMA 20 CrissCross
- Short correction to the SMA 20
- Retracement at the SMA 20 -> this completes point 2 trading.



Trampoline

When you look at the previous image, obviously you also see that the market forms CrissCrosses around the SMA20. The market is undecided; it goes up a little and then back down, in this way forming its upper and lower range limits.

At some point, the market moves through this outer limit. If that is where the entry order is located, you are in the trade. Frequently, the market then turns back in the opposite direction.

In our case, you can see that the market breaks the range in a downward movement and then draws back. If you have not been stopped here, you might get the idea that the renewed break of this breakout could have been the confirmation of the breakout, and perhaps even increases the position, which ultimately ends in an even bigger loss.

But the Trampoline setup is based on the fact that the market swings around the SMA20. At a certain point, it then only corrects until the SMA20 and forms a retracement there. This is the first point where we can expect the market to also break out in the direction of the retracement.

In this particular case in the image, a confirming signal then arises, which then only serves to further highlight that here, there is a high probability that the breakout will occur.

Such tension in a sideways phase can very often result in extremely fast breakout phases.

However, this signal cannot be depicted technically and this is why it is explained, but is not to be found in the package.

Signal: Yoyo - countertrend

- The novice trap
- Market is climactic
- Retracement at a LP

  - of the same timeframe

  - and one superior timeframe
- Most secure
  - Yoyo in the current timeframe
  - Superior timeframe at trend-following LP

Yoyo countertrend reversal

We all know how a yoyo works. You throw the yoyo away from you, and at the end of the string, the whirligig catches itself and comes back around. The Yoyo signal is built on the same principle.

The prerequisite is that the market has covered a certain length of a movement since the last reversal, and/or that the market is also still climactic.

If in this context a retracement appears at the SMA200 or at the EMA130 of the same or a superior timeframe, then in principle, the criteria for the signal is in place.

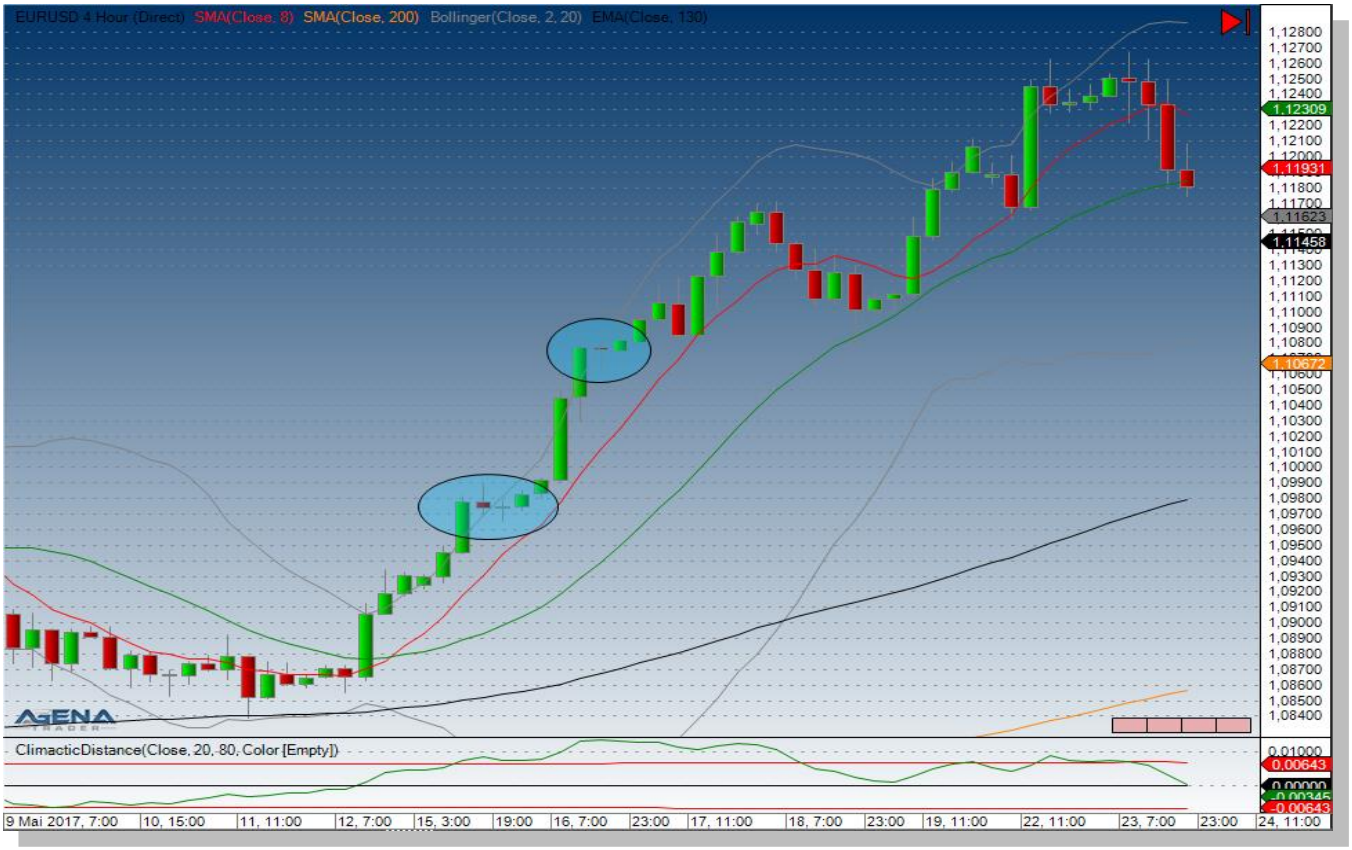
If these lines are also running in the same direction as the trend, obviously this has a reinforcing effect.

In the image you can see a Yoyo that is not lined up with one of these lines (except a resistance area) in the same timeframe (5 min), but in the 15-min area, we have the SMA 200, and in the 30-min timeframe, the EMA130 also joins in.

Here, we also talk about a LocationPoint cluster, since several LocationPoints meet in one spot. Naturally, here you absolutely have an intensified effect of the signal.

Signal: Red/GreenBar Wipeout

- The hardcore entry
- One or two narrow bars form in a very fast movement
- Market does not return to the SMA 8
- Entry if the high of the RedNarrow bar is exceeded



Red/GreenBar Wipeout

The signal for the hardcore traders.

The Red/GreenBar Wipeout is an option for entering a market that is moving very quickly. And there's a reason people advise against jumping on a 'moving train'.

But even the ICE stops at intermediate stations in which it rests for a while and where, if you are there on time, you can also get on.

In LocationPoint Trading, we make use of narrow bars that serve as intermediate stations.

If a market forms several clean solid bars, i.e. with a solid body and short top and bottom tails, that are moving in one direction, and if these bars are followed by one or two narrow bars that are facing the opposite direction of the previous bars, so for example if we see 2 or 3 green solid bars and then one/two red narrow bars, then the completion of the narrow bar represents a signal.

In these narrow bars, tension forms, since after a phase of euphoria, it suddenly comes to a standstill. But here, there is usually a lot of volume, in contrast to the range of the candle, which then very often unloads the tension in the original direction and rapidly moves on.

An entry becomes available – in the long scenario – right above the high of the narrow bar.

Due to the narrowness of the entry, one can trade this signal with a very large order size (see "The Holy Grail 1 – order sizing) and then flatten it very quickly afterwards.

Stops / exits

- Those who preach "no stops" do not understand how markets move.
- Wishing them luck with the next crash…

Stops/exits

Placing stops is always a huge challenge. Where do you place the stop so that you are not fished out by the market, make a painful loss and then a few ticks later, the market turns and goes exactly in the trade direction and would have ended with a great profit after all – I think all of us are familiar with this scenario.

Something like this leads to people no longer placing any stops and simply going without them altogether.

But there are even 'professional traders' who actually preach this, most likely due to the reason that they are unable to interpret the markets according to their behavior and do not recognize the stop markers.

We wish them luck with the next flash crash. The black swan story provides a great description of trading without a stop loss.

In LocationPoint trading, we talk about 3 kinds of stops

- InitialStop
- HardStop
- SoftStop

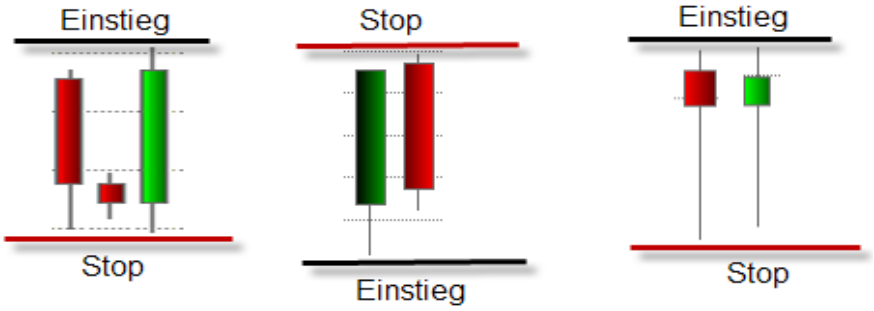
A very important component, however, is the BreakEven stop, which you can use to make a trade risk-free.

Initial Stop

- Indicator trading

- Dow Theory
  - Point 2 trading
  - Correction trading

- LocationPoint trading



Initial Stop

The InitialStop is the stop that is initially placed when the respective setup is placed into the market. The risk is calculated from the distance between the entry and the stop, whereby the risk parameters are taken from the AT++ Manager.

To start with, the InitialStop also leads the physical stop order.

Indicator Trading

If you limit yourself too greatly to just indicator trading and do not take real market movements into consideration, you run the risk of obtaining a distorted image of the markets. You don't have any chart-related signals, and enter the market 'somewhere' in the chart. In such a case, you are usually only left with the option of just placing the stop loss 'somewhere' too.

Things like a 10 or 15, etc. … tick stop are often used here, since people usually don't have an idea of where to place it and this is why a statistical value is used. Since the markets – as becomes evident in LocationPoint trading – do not stop at 10 or 15 ticks, the stop ends up just lying somewhere lost by the wayside. This means you are now subject to 2 elements of randomness. The randomness of the entry – which, generally speaking, can still be explained with a 50:50 chance.

However, the randomness of a stop that is not located where the big money is looking completely destroys the 50:50 chance.

Dow Theory

If you place a stop according to Dow Theory rules, you at least start off with a clear stop policy. However, it does come with the disadvantage that the stop is usually very far away. This, in turn, has negative effects on the risk and profit management i.e. on the break-even trading. But more on this later in the chapter 'The Holy Grail – the order sizing'.

LocationPoint trading

LocationPoint trading has crystal clear, very aggressive stop management.

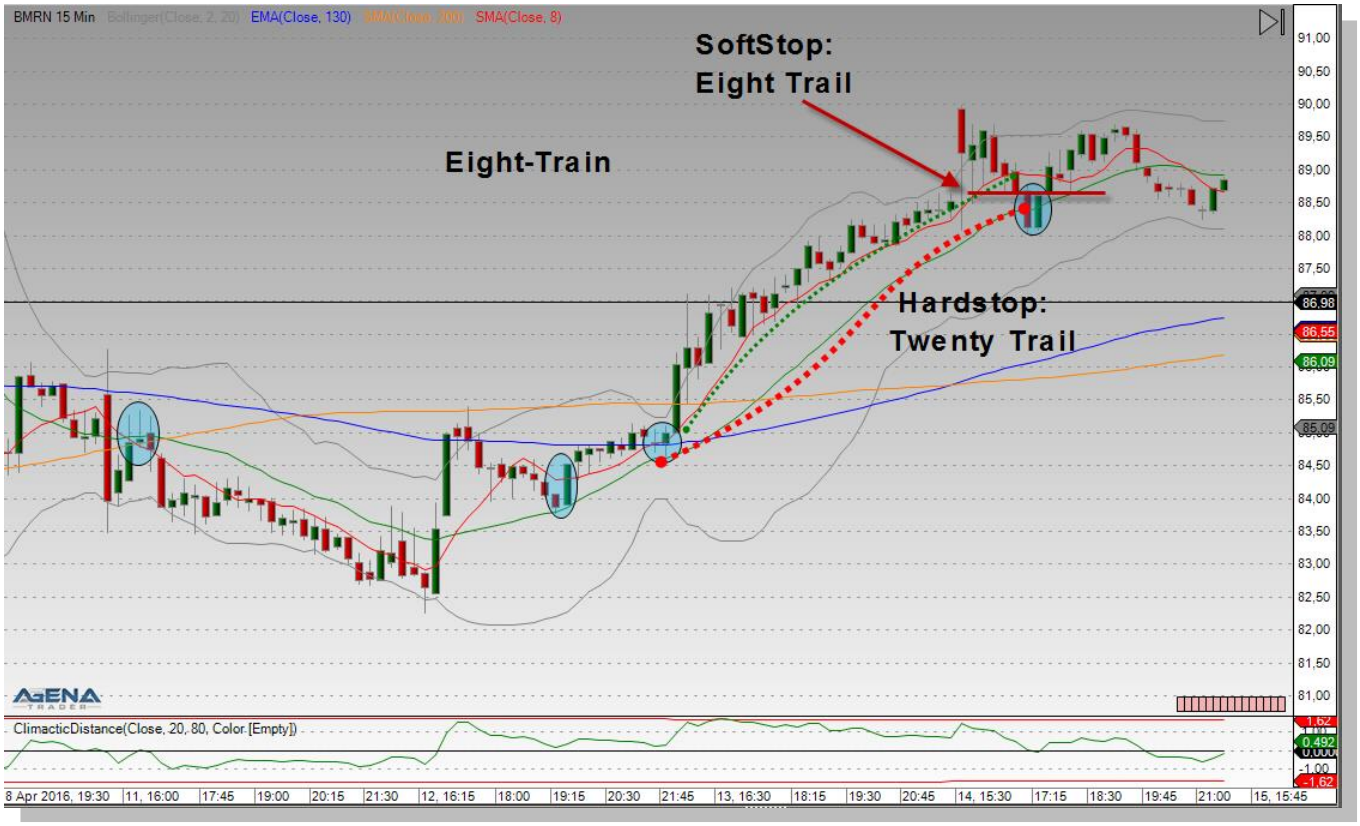
The long entry is always made above the highest point of the candle retracement plus 0.1 – 0.2 ATRs distance.

The stop loss for a long position is initially located right below the lowest price of the candle retracement minus 0.1 – 0.2 ATRs distance.

The reason for this is: if a signal is not confirmed by the market, then the signal was of no value and it makes no sense to remain in the trade.

Trailing stops: Eight Train

- SoftStop – SMA8 (EightTrail)
- HardStop – SMA20 (TwentyTrail) / PivotFast



Trailing stops: Eight Train

For an EightTrain, one should proceed as follows.

InitialStop: BarByBar

SoftStop: The entry is made based on a retracement at the SMA8 line, which is why this moving average is also used as a soft stop line above the EightTrail, since one assumes that for the near future, the market will largely remain above the SMA8.

HardStop: The HardStop, as we know, is mainly supposed to function as a catastrophe stop. This is why we can let the stop run at the SMA20 or as a pivot fast. These are usually markers in the chart that are far enough away from the market, since an EightTrain is usually a medium-speed movement that does not run back to the SMA20 so quickly and, in the ideal case, forms only small corrections that do not cause the PivotFast stop to react.

Interpretation:

As can be seen in the chart, the SMA8 was touched or broken through several times on the way up. If the SMA was used as a hard stop, we would have been stopped out relatively early. The soft stop is designed to not be triggered during such situations.

As the hard stop, the SMA20 was used, and you can see that this trade would have been stopped out precisely at the 20 line.

Trailing stops: Twenty Train

- SoftStop
  - SMA20 (TwentyTrail)
  - SMA8 (EightTrail) after lane change

- HardStop – PivotFast

TrailingStop: TwentyTrain

InitialStop: BarByBar

SoftStop: The entry is made at the SMA20, which is why the SoftStop should also be placed at the SMA20.

HardStop: PivotFast. The pivot fast is a stop that reacts to more strongly characterized corrections than in the EightTrain. Normally, these are corrections that lead back to the SMA20, and as soon as the market forms a continuation from out of the SMA20 in the direction of the trend once more, the PivotFast trails behind.

Interpretation:

As a soft stop, the TwentyTrail runs along the SMA20. At the end of the trend, the correction broke through the soft stop with the closing price. This was the point at which the hard stop trailed behind with the physical order and secured the position. But the position was not stopped out, since the market formed a retracement at the SMA20. Only during the next break of the SoftStop with the trailing of the hard stop was this trade then stopped out.

Lane change:

The lane change is to be understood as follows:

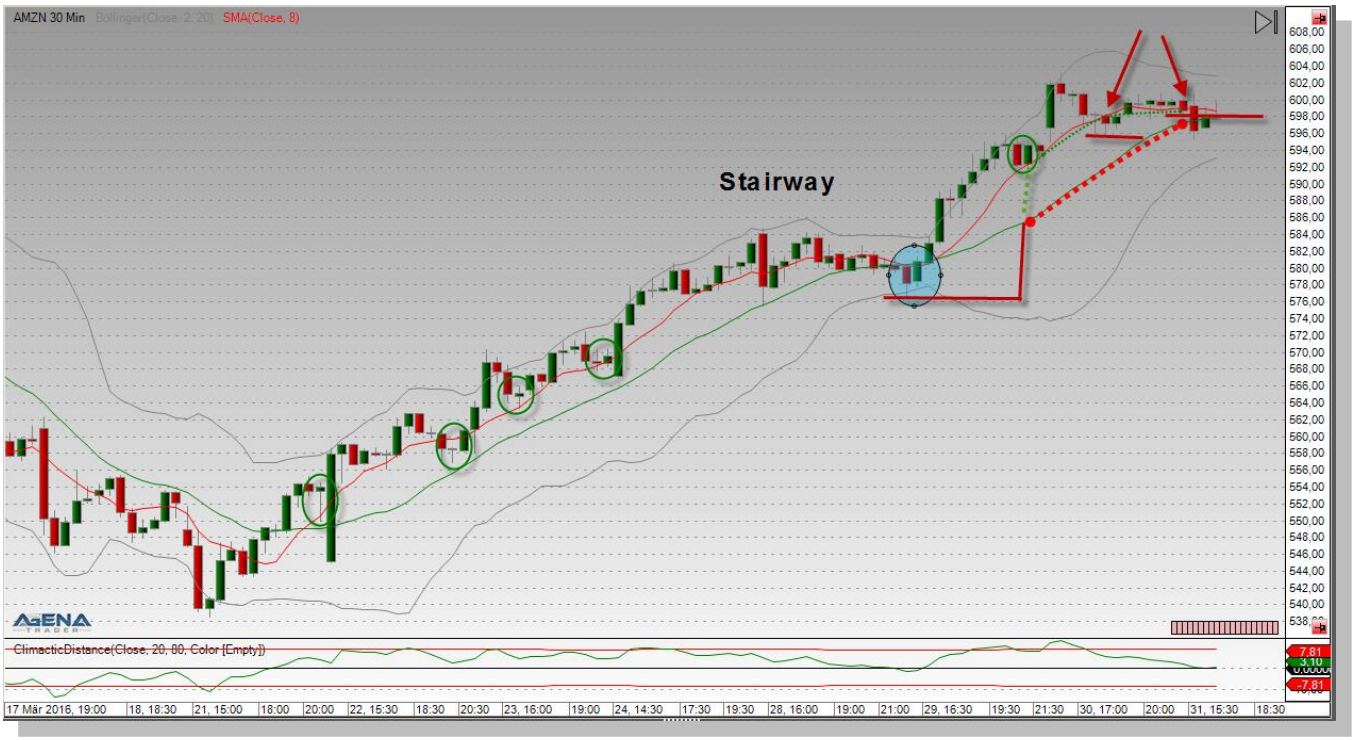
The trade was started at the SMA20. After a certain time, however, it transitioned to an EightTrain, since its further progression continued along the SMA8.

If this is the case and you see 2 retracements at the SMA8, you can assume that the market is picking up speed, and you can consider using the EightTrail (SMA8) as a soft trail. There is no set of rules for this; it is left up to the trader's judgement.

Trailing stops: Stairway/ Yoyo

- SoftStop
  - Pivot Fast
  - EightTrail/ TwentyTrail after lane change

- HardStop – PivotFast/ TwentyTrail after lane change



TrailingStops: StairWay/Yoyo

InitialStop: BarByBar

HardStop: PivotFast

SoftStop: PivotFast/TwentyTrail

Interpretation – long signal:

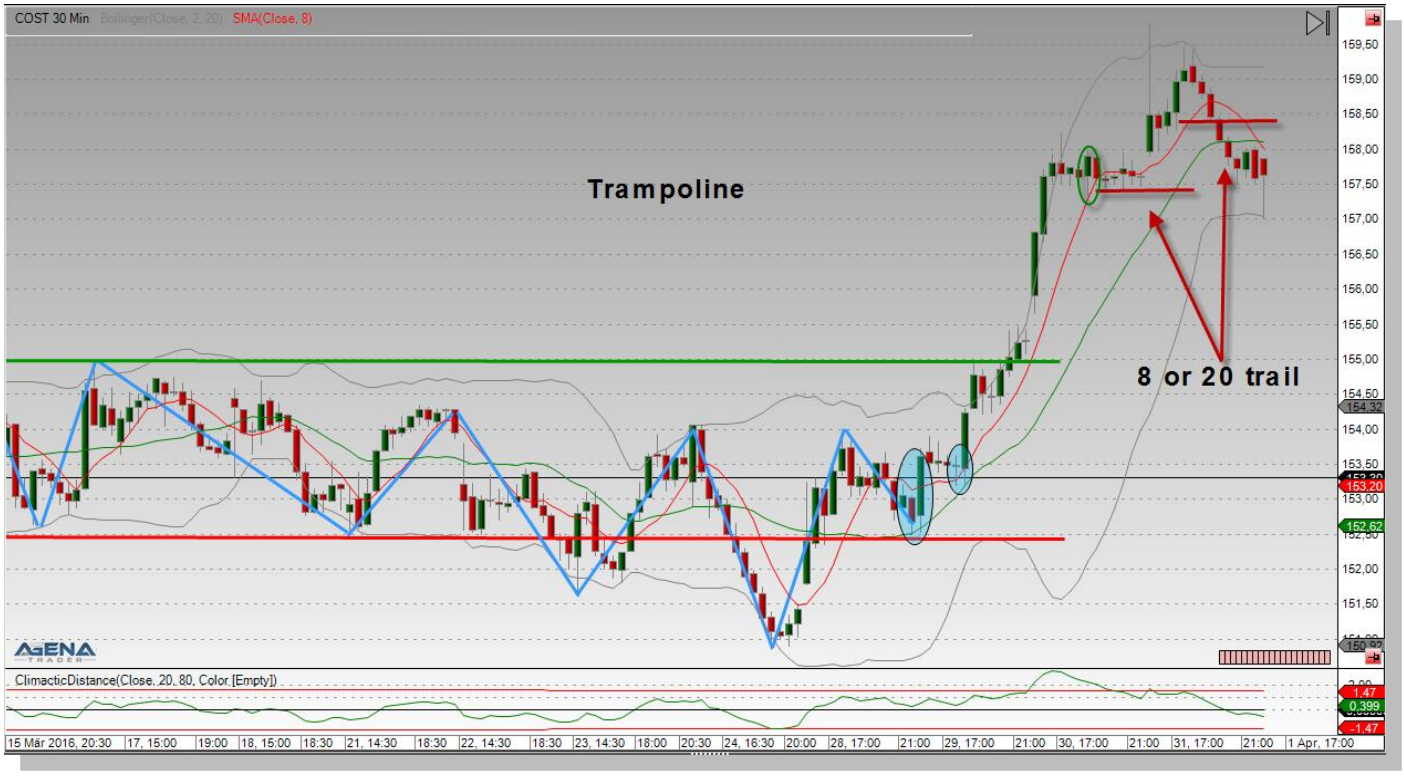
With the countertrend signals, i.e. with the Stairway, when long signals occur, the market is, in most cases, located beneath the trend-following LP lines. In many cases, these lines act as an obstacle, since the market forms at least an opposing reaction. If you are too close to the market, what may occur is that you get stopped out in this phase, but that the market then later turns in the right direction. This is why the hard and soft stop should be chosen such that they stay put in the beginning, and only later start trailing.

Even the TwentyTrain is designed so that it does not immediately start ticking at the 20 line, but instead is calculated from the initial stop, and approaches the 20 line in a parabola, depending on the market behavior. If the market clearly closes above the SMA20, the TwentyTrail draws closer to the SMA20, where it then continues to trail.

Trailing stops: Trampoline

- SoftStop
  - SMA20 (TwentyTrail)
  - SMA8 (EightTrail) after lane change

- HardStop – PivotFast



TrailingStop - Trampoline.

InitialStop: BarByBar

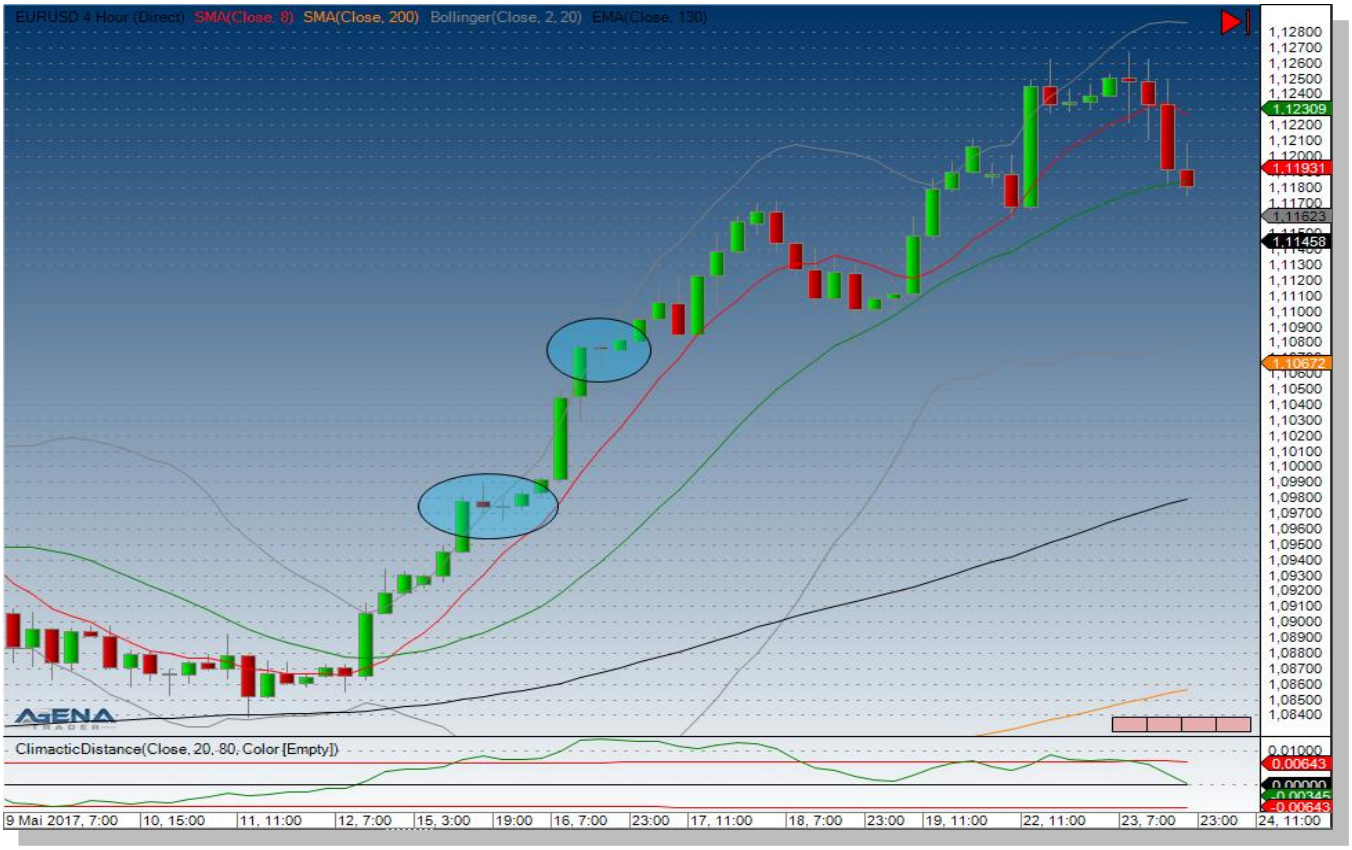
SoftStop: The entry takes place at the SMA20, which is why the soft stop should also be placed at the SMA20.

HardStop: PivotFast

Interpretation: Same set of rules as for the TwentyTrain.

Trailing stops: WipeOut

- SoftStop
  - BarByBar
- HardStop
  - BarByBar
  - SMA8 (EightTrail)



TrailingStop Red/GreenBar Wipeout.

Initial Stop: BarByBar – right behind the Wipeout bar

SoftStop: BarByBar

HardStop: BarByBar – but can also be the SMA8 in order to give the market some room to breathe.

Interpretation:

Since you enter the market in a high-speed phase, you have to be extremely aggressive with the stops here. This means you at least have the SoftStop trail behind as a BarByBar stop.

If you have the soft stop as a BarByBar, you can potentially have the hard stop trailing as an EightTrail.

If you take the BarByBar as a hard stop, you do not need the soft stop.

BreakEven stop

- LP trading makes it possible to remove yourself from risk extremely quickly.
- After the market has removed itself 1 or 2 solid bars from the entry

BreakEven stop

Here, one of the biggest advantages of LocationPoint trading becomes very clear – what is more relaxed than having a trade where it is no longer possible to lose anything, but only to profit.

Since you have such a tight entry in the form of a CandleRange, this also comes with the huge advantage that you have a very easy time placing the stop on break even.

If the market moves away from the entry by one to two solid bars, you have the possibility of placing the InitialStop just above the entry and thereby removing yourself from the risk.

If you are stopped out, you can simply see it as if you had never been there.

The diversification and the fact that the next signal is right around the corner means this is smoothed right back out.

Multi-timeframe support
-Entries-

- Get entry confirmations from superior timeframes
- Make sure that superior timeframes are not climactic.

Multi-timeframe support – entries

LocationPoint trading is a form of trading that never just deals with the timeframe in which the trade is to be placed. This trading style is always about looking at higher timeframes in order to determine the market situation and thereby draw conclusions regarding the subordinate timeframe.

1) Specifically, this means that in principle, one has to consider that the idea should come from the superior timeframe in order to then trade a signal in the lower timeframe.

   So let's say for example that a market is drawing near to a LocationPoint line in 1H, or is already there. Ideally, this signal is also confirmed by a further superior timeframe.

   Then, you wait to see whether you now get a retracement – ideally also at a LocationPoint – in the lower timeframe. Here, we speak of LocationPoint clustering, that is to say several LPs of various timeframes meet at pretty much exactly the same point.

2) Or, on the other hand, you get a signal in the timeframe in which you usually place the trades. At this point in time, it is absolutely necessary to check the higher timeframes so as to determine whether these higher timeframes are providing support or resistance.

   Very frequently, after a retracement has occurred in the right place, the markets pick up speed considerably. If you wait too long to place the setup because you first want to check the superior timeframes to see whether the market situation is also right there, what could happen is that the market already starts moving in the direction and you therefore lose the tightest entry. Ultimately, this can become very expensive if you calculate it in terms of lost profits – more on this in the order sizing of the Holy Grail.

   It is legitimate, therefore, to immediately trade a signal you've got your eye on and only then take a look at the superior timeframes afterwards. If at this point, however, you determine that the market situation in the higher timeframes opposes the entry, you shouldn't hesitate to either close the trade by hand or place the stop at break-even regardless of the previously described break-even stop rule.

   What is required here is to be strict with yourself, and one of the most difficult things for traders is to revise a decision that has already been taken.

Multi-timeframe support
-target search -

- Search for targets in higher timeframes
- Also keep an eye out for LocationPoint clusters.

Multi-timeframe support – targets

Just as with the entries, the targets from the LocationPoints are also derived from the actual and the superior timeframes.

Here again, we have a similar set of rules. When you enter a trade, you try to determine LocationPoints from higher timeframes. Ideally, in turn, you also find LocationPoint clusters where you can place your targets.

The same applies to targets, since in accordance with LP theory and practice, the markets like to turn at the LPs.

But what is also striking is that the LP lines often have a magnetic effect that really attracts the prices, and that the markets then often move in an extremely climactic manner, only to then rapidly turn at the LP lines, where a lot of book profits are then lost.

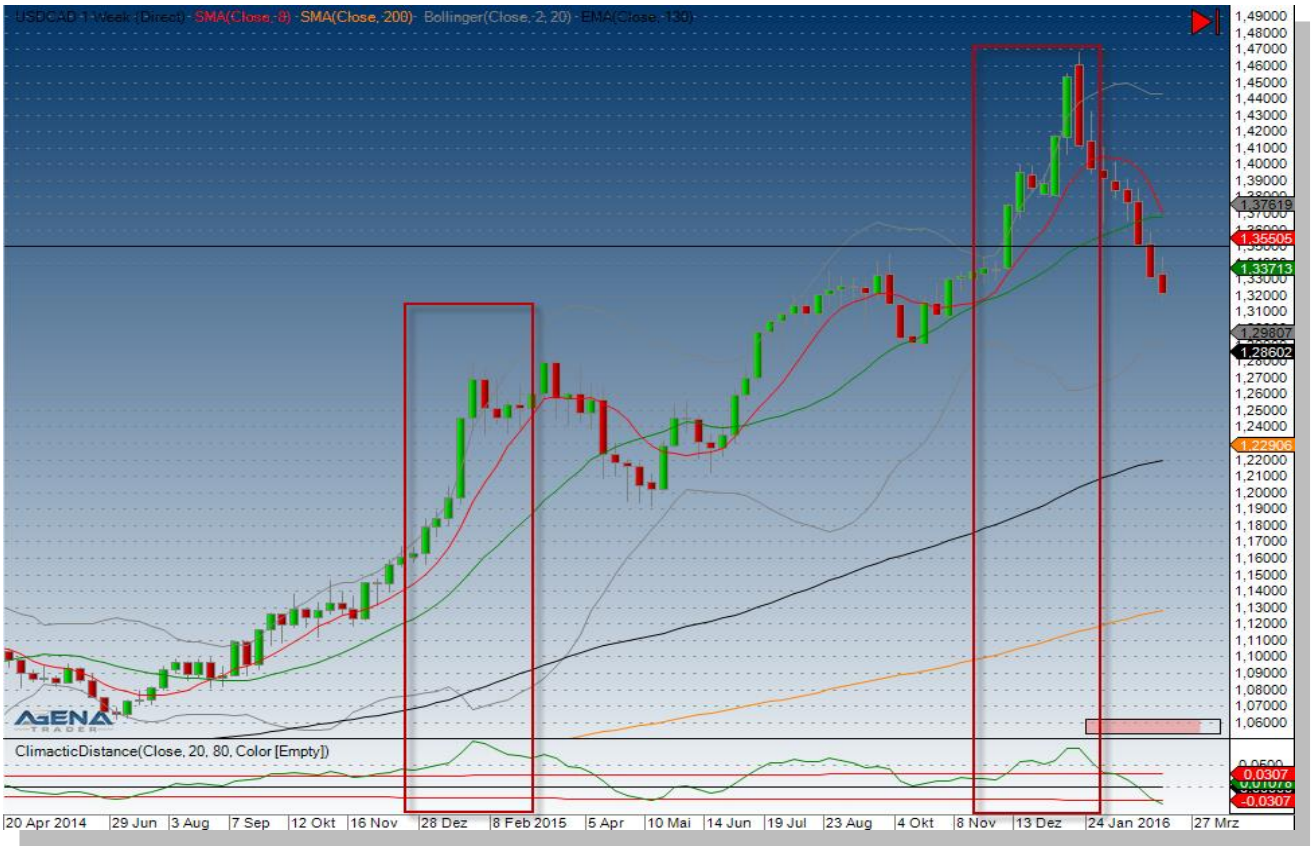
Since the markets are able to turn there, naturally this is an ideal point to close a position or at least reduce it.

Obviously, it makes sense to implement several targets if various LP lines might be obstructive to the trade but you are not sure whether an LP line can be broken through anyway.

As is evident in the third image, in such a case it is then often worth having the stop trail BarByBar in a high-speed phase such as this. If the target is not quite reached, you at least ensure that the bounce from the climactic area does not take you too far back, causing you to lose too many profits.

Manual exit

- Marathon: the finish line
- Wide range bars
  - In a persistent movement
  - Or trend
- Reliable sign that a trend/ movement is falling apart



Manual exit

LP trading is subject to a set of rules that does not really allow for any ifs or buts. Once you have decided on a stop, you are supposed to let the systematic rules work for you and allow the trades to run into the prepared targets or stops by themselves.

But there is an exception, namely when the market starts to gallop. Let's compare a trend to a marathon. Ideally, a professional marathon runner keeps up his tempo from the start to the end of the marathon, always running at the same pace so as not to be completely burnt out at the end of the race and end up staggering across the finish line.

If the marathon runner still has enough energy reserves at the end of the run, he increases his speed before the finish line in order to overtake his burnt-out competitors, to then run towards the end with what is truly the last of his strength, where he then usually collapses.

A similar thing happens with the trend, where one can frequently observe the market suddenly taking off after a longer phase of a smooth trend movement, speeding up and running in an extremely climactic manner. What one is really supposed to do is let the strategy run and ideally not look or intervene in order to avoid making emotional, erroneous interpretations, which with LP trading can often end in cutting the trade off too early.

If you notice that a market is heating up after a trend phase, you should wait for the first correction candle or wait for the market to have such a strong 'intra-period' reaction that a 62% retracement is exceeded. At this point in time, it makes sense to put the stop extremely close to the market or even to go ahead and click on the close button, because this can often be equated to the finish line of the marathon.

The Holy Grail nr. 1
- order sizing -

- Wide stops necessitate adjusted order sizes
- Require a lot of effort in order to generate a reasonable chance-to-risk ratio

Holy grail

As I have already mentioned, LocationPoint trading is an aggressive style of trading. In reality, at this point in time, one might think that aggressiveness means being tense and nervous. But precisely the opposite is the case.

The aggressiveness actually introduces a certain calm to trading, since one is only aggressive in the sense of making the trade risk-free as quickly as possible, in order to then sit back and relax as you watch while it is stopped out without loss, or makes a profit without risking a cent.

Below we can see 3 images of how to enter into trades.

1. Very often, historical relative highs are used to speculate that when this high is taken, the market will continue in this direction.

   But this type of trading needs wide stop management, since the stop has to be placed at the lower end of the last correction. If you now assume that, for a healthy chance-to-risk ratio, a target should receive the factor 2 based on the distance between the entry and the stop, this would mean that trade would have an entry at 40.23 and a stop at 39.85, with an order size of 400 units, to make a profit of ~260 euros with a risk of around 130 euros (factor 2).

   In order to achieve the 40.99 of the target, it will take quite some time and we can assume that the market may not even make it there, or only with very strong corrections, where, for example, you would never be able to use the LP stop policy.

The Holy Grail nr. 1
- order sizing -

- Confirmations of signals improve the signal
- And the chance-to-risk ratio considerably … but

Holy Grail

2. But if you decide to enter earlier at the less heavily pronounced relative high at 40.01 just to reconfirm the signal that had previously formed, then you already decrease the distance between the entry and the stop enormously. But with strict risk/money management, here the order size is driven up high and we go up to as much as 1000 units of this stock.

   The stop is still located at 39.85, and the risk is similarly located around ~130 euros. But the target has been drawn much closer to the current market and is even located near to where we would have previously entered the market in the first place. Due to the increased order size, however, the amount, which should now be taken as profit at 40.31, has not been decreased and is still located at ~260 euros.

   This means you shrink the distance between the entry and the stop, thereby receiving a larger order size and also enabling you to generate the same amount with a much shorter movement.

The Holy Grail nr. 1
- order sizing -

- The narrow entry gives the real boost
- The path to the target becomes extremely short
- Every stock that you don't get is a lost stock

Holy Grail

3. But now, at the retracement, you enter the market very tightly and, as is common in LP trading, place the entry above the high of the formation (39.93), and put the stop at the low of the formation at 39.85. What now happens is that the order size is increased to 2500.

   The risk amount is still ~130 euros, yet the target has now moved to 40.05 and once again makes it possible to generate a profit amount of ~260 euros.

   On the one hand, the fact that you can now trail the BreakEven stop behind extremely quickly makes it possible to get out of the risk, and on the other hand, the probability that the target can be reached is many times higher than in example 2, and especially when compared to example 1.

   But if the next LocationPoint is supposed to be at 40.99, and thus the real LP target should be there, then please calculate how much R you can generate in contrast to the 2R from example 1 – here we are talking about 17R.

Intraday shake-outs
- lunch break pitfall -

- During US lunch breaks, low volume prevails
- Sideways movements often form
- Ideal time for shake-outs

Intraday lunchtime shake-outs:

These so-called shake-outs take place exclusively in the stock markets.

During the US lunch breaks, we all know there is often a lull in the movements and the volume. Here, in turn, the smart money is frequently called to action to shake the markets up a little.

And we circle back around once again to the topic of sideways breakout fakes.

Since the markets are more easily influenced during in this time of day in which there is lower turnover, one has to be more careful with the well-known sideways phase breakout trading.

Because the volume is often lacking, the markets often calm down and move to the side – low volume also means being able to move the markets better with small volume. This is frequently taken advantage of in order to push the market in one direction, pick up the cheap orders there and then turn the market in the opposite direction.

It's not an absolutely crucial part of trading, but it can help with a decision from time to time.

Intraday reversal times

- Individual markets are often turned at certain times of day
- Eastern Time: 10AM, 11AM, 2PM, 3:30PM

Intraday reversal times:

Again, in the stock markets it is possible to observe that at certain times of day, certain markets exhibit similar market behavior or turn at these points.

The light blue coloration shows the so-called reversal times. These reversal times come about due to the fact that replicable events occur here daily.

Here we are referring to Eastern Standard Time – i.e. New York time.

9:30 is when the market opens.

10:00 – 10:10: for many – especially institutional traders, the rule is not to buy stocks or options before 10am. The reason is that between 9:30 and 10:00, the overnight orders are processed and the market is usually very volatile but unpredictable. By 10:00, the situation has usually calmed down and one goes about one's daily business on the stock exchange. This is the start of the strategic trading that is subject to the usual rules that result during the day. This frequently means that the markets are reversed between 10:00 and 10:10.

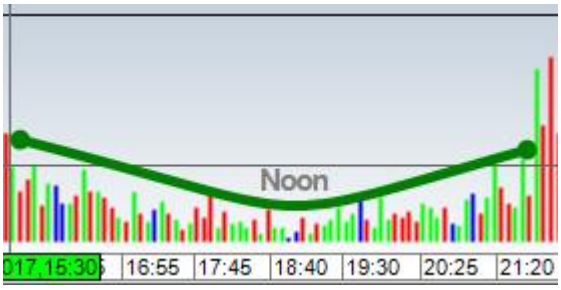
11:00 – 11:10: around 11:00 is when morning trading ends for many traders, they prepare for the lunch break, close/reduce positions in order to avoid having high risk in the lunch break when they're not at their desk.

14:00 – 14:15: during this time, people come back from their lunch break, return from the market meetings and so on, and then pick the volume back up. Based on conclusions made in the lunch break, the markets are often also reversed here.

15:30: not infrequently, this is where people start flattening the positions that were traded throughout the day, so for long positions, sell orders are placed, and vice versa in order to be out of the market by the end of trading.

Below you can see a typical stock volume profile in 5 minutes, where you can already see:

- how high the volume is at the start of tradinig
- how the volume is successively reduced as the lunch break draws near
- reaches its low point shortly before 13:00 EST (19:00 MET)
- to then rise back up once more after the lunch break.
- It then reaches its highest flatten volume at the end of the day.



We wish you good trading and much success!

Gilbert Kreuzthaler

CEO & Founder

www.AgenaTrader.com