

Trend Trading

a high probability approach

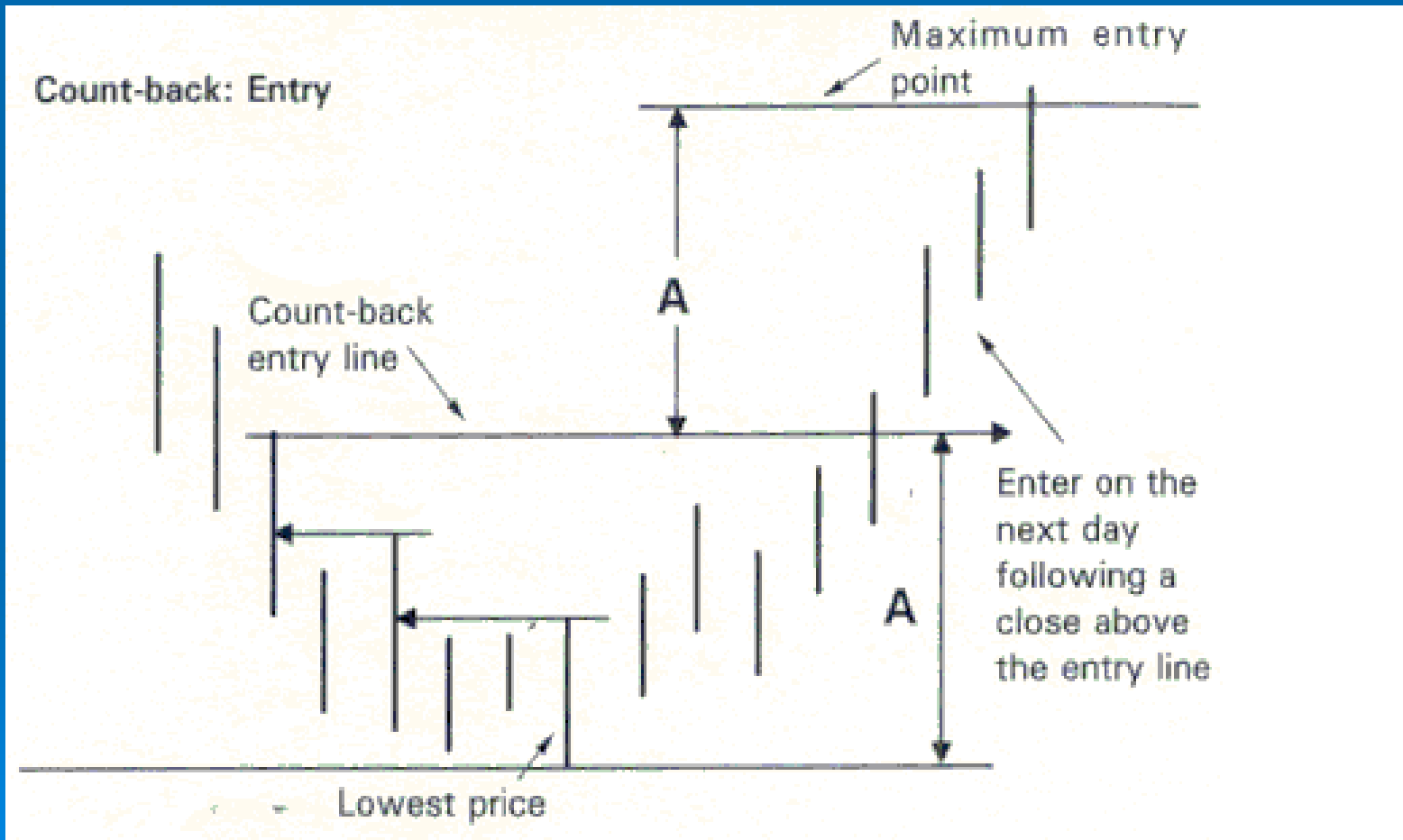
The 3 day Count back line

Module 4



The objectives for a Count back line Entry

- To enter early in the start of an uptrend
- To allow pyramiding
- To establish entry target
- To set an initial stop loss
- To set a maximum 'no chase' entry price





Count Back Line **ENTRY** Rules

- Use latest Pivot point low as start point
- Ignore lower highs as you count back
- Draw entry line @ 3 highs up
- Include high of start point and gaps
- Enter day after closes above 3 day CBL

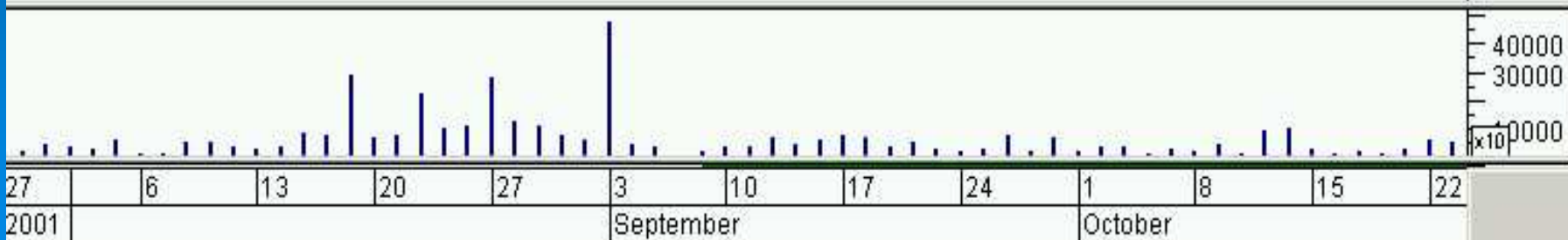
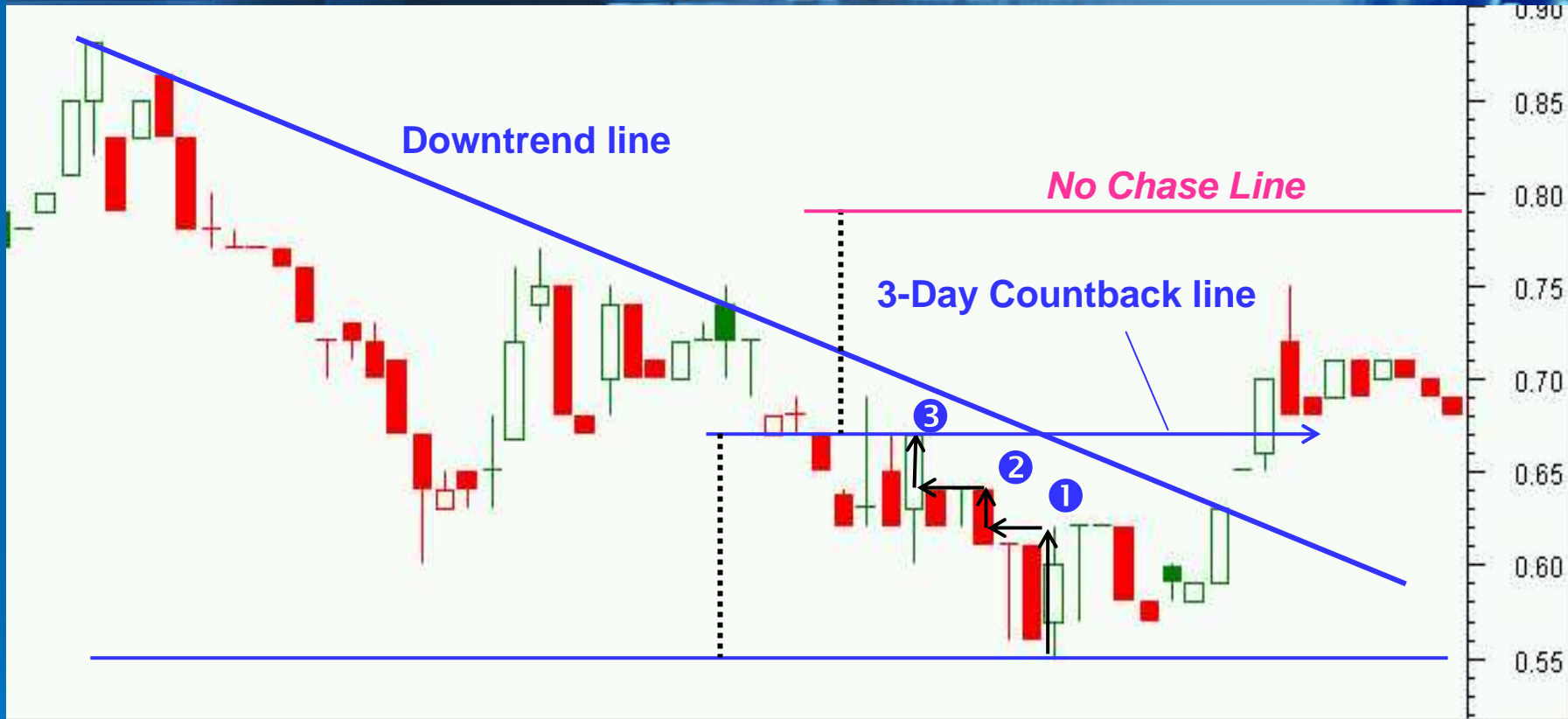


Count Back Line **ENTRY** Rules Continued

- Best results: above downtrend line
- No chasing above no chase line
- Set stop loss: 3 day Count back from recent peak after pivot low
- Parcel sizing based on stop loss: max 2% portfolio risk

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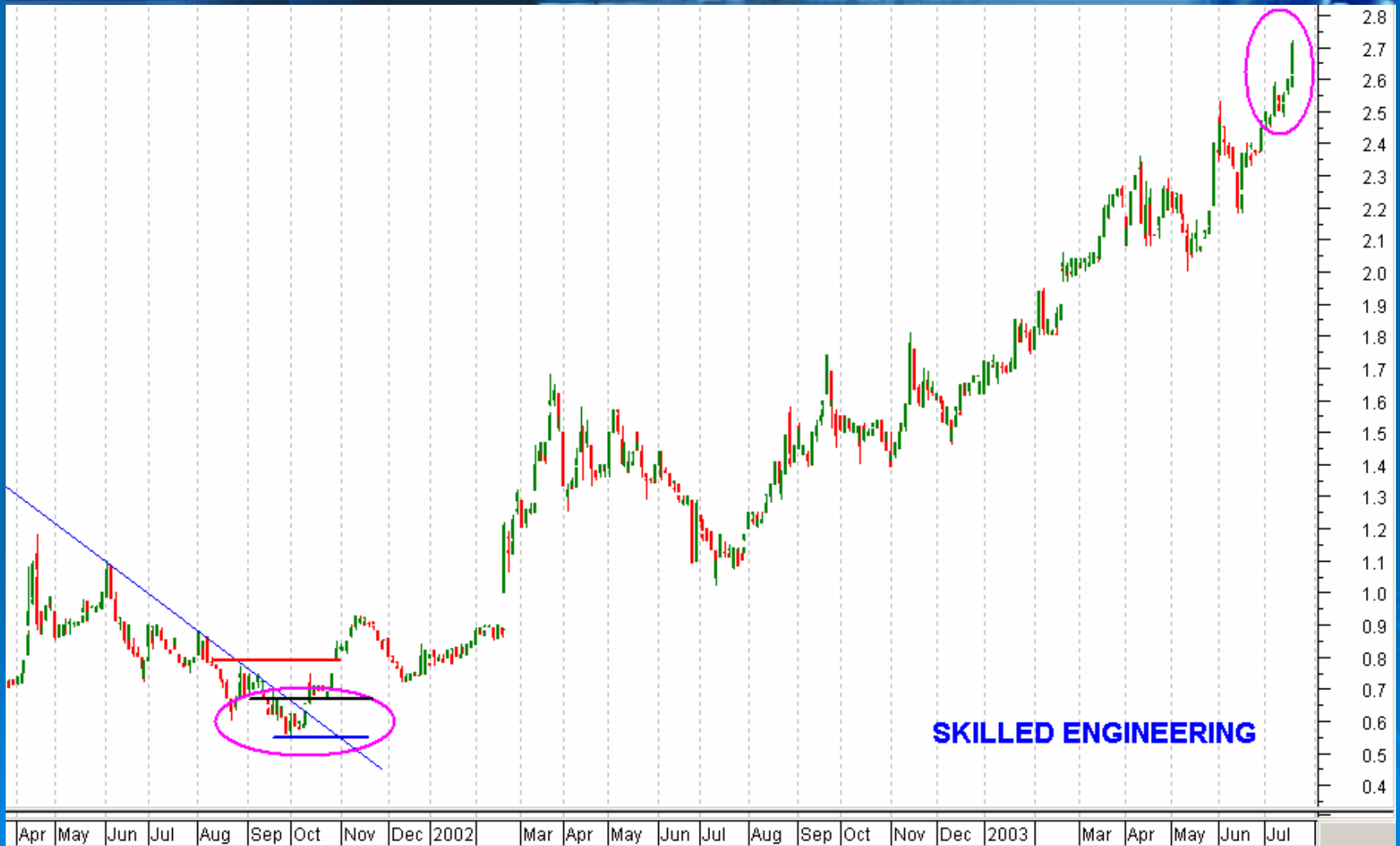
For Active Stock Market Traders



27	6	13	20	27	3	10	17	24	1	8	15	22
2001					September				October			

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SKILLED ENGINEERING

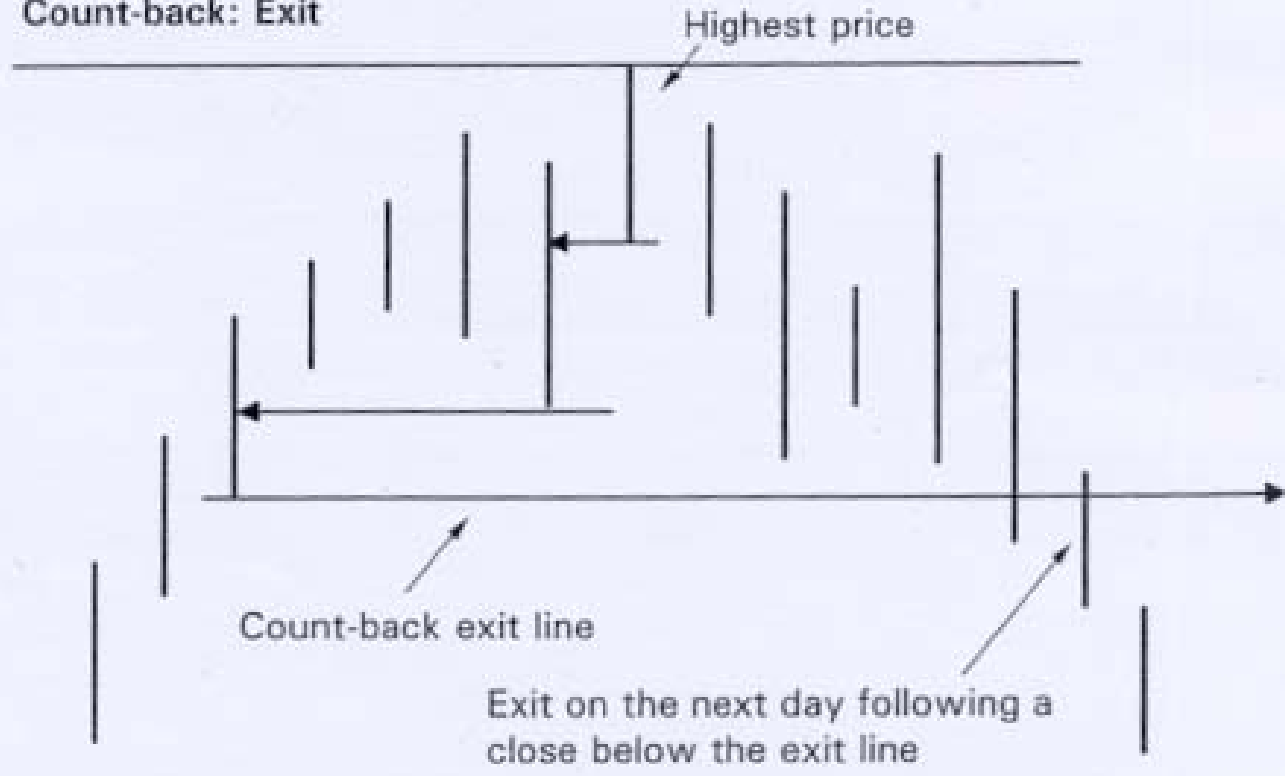


Objectives of a Count Back Line **EXIT**

- To lock in profits with a trailing stop loss
- To allow room for the share to move
- To exit close to the top of an uptrend



Count-back: Exit





Count Back Line **EXIT** Rules

- Use latest peak high as start point
- Ignore higher lows as you count back
- Draw CBL stop loss line @ 3 lows down
- Include low of start point and gaps
- Ratchet up CBL as share reaches higher peaks



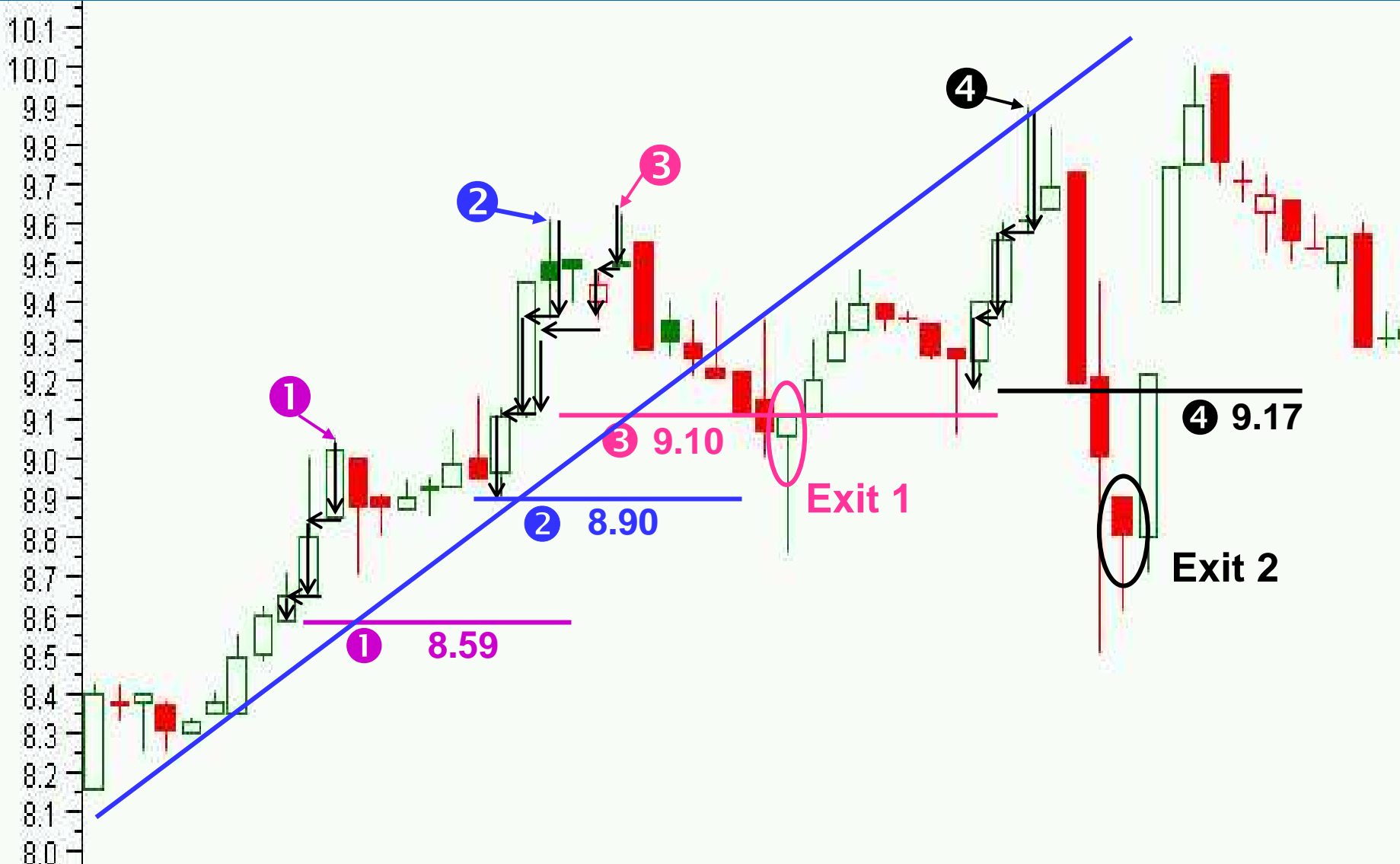
Count Back Line **EXIT** Rules Continued

- If 2 peaks at same price, use the one that gives highest CBL
- Exit day after closes below 3 day CBL
- Beware of selling near trend line support
- But definite exit confirmation if closes below trend line and 3 day CBL



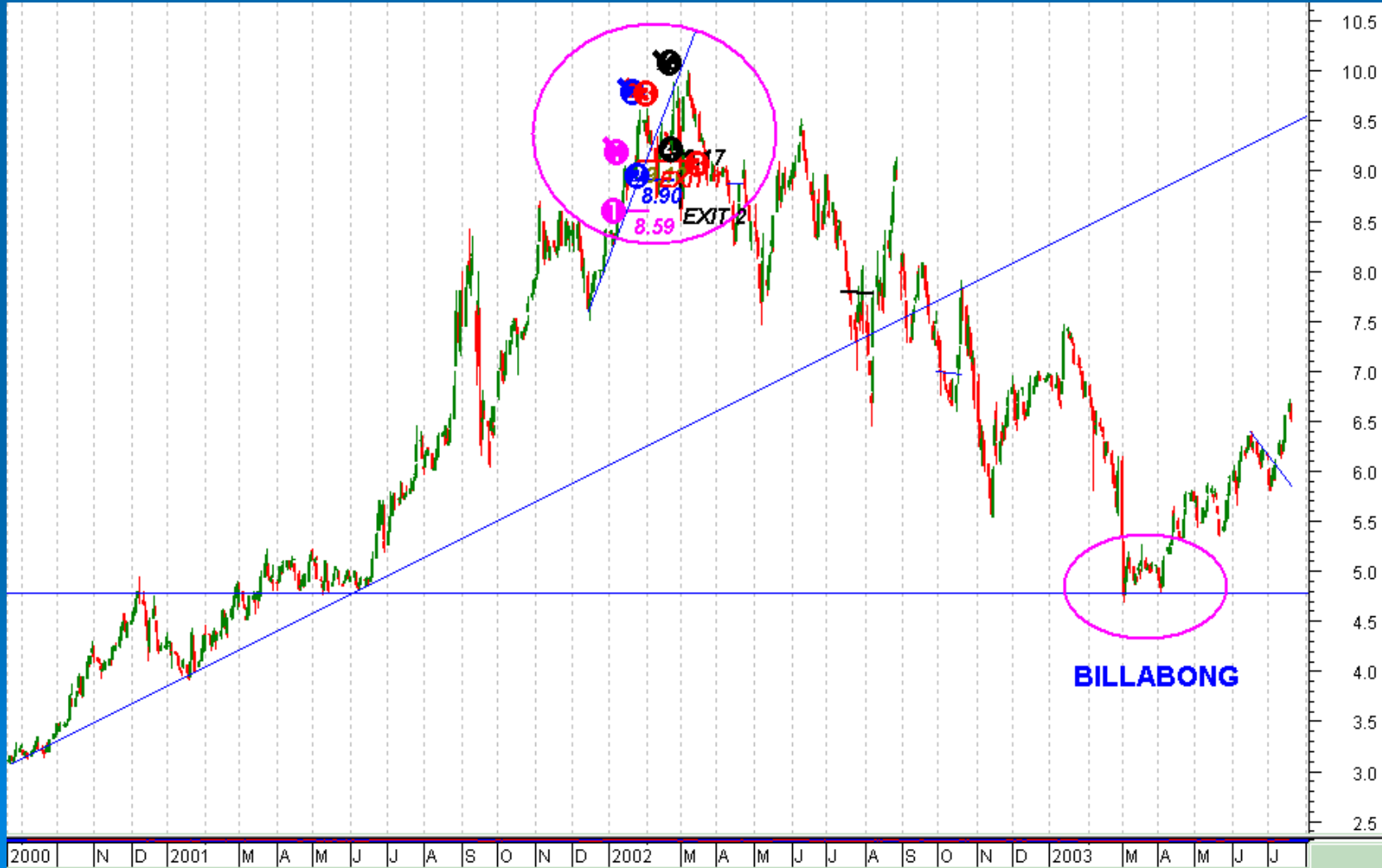
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BILLABONG



“ I usually stress that this is not a stand alone tool, ie

- I apply it after a trend line break and after a GMMA confirmation.**
- I use it as a stop loss in a long trend after a trend line break and after the GMMA indicates the break is for real.”**

Daryl Guppy 21 July 03