ADVANCED VERSION

The School Run

ADVANCED VERSION

Tom Hougaard is the author of this document.

As the creator of the strategies mentioned within this document, he asserts the moral right to be recognised as the architect of the material, including at this time the

1. **School Run Strategy**
2. **500 Calendar Day Cycle Strategy**
3. **Advanced School Run Strategy**

He asks that this free material is not distributed outside the channels associated with Tom Hougaard, namely his

1. **TraderTom Resource Channel**
2. **TraderTom Day Trading Channel**
3. **TraderTom Swing Trading Channel**
4. **www.tradertom.com**

Thank you.

Tom Hougaard

Copenhagen April 5th, 2023

ADVANCED SCHOOL RUN STRATEGY

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INTRODUCTION

This has not been an easy piece of research to undertake. The School Run Strategy was simple, compared to the Advanced School Run Strategy. Perhaps there is something poetic about it. It is after all called the "**Advanced**" School Run Strategy.

What makes this "Advanced", as the name suggests? Is it advanced in the sense that it is difficult to understand? Is it advanced because you need a special piece of software for its application? Is it advanced in any respect that excludes a certain group of people?

The answer is no.

It is advanced because it is difficult to trade consistently! The "advanced" in the title is an acknowledgment to its efficacy, and also to the absolute devotion needed to its effective implementation. And yet, it is so simple that anybody can trade it, but the majority probably will not.

I admit that I am becoming more and more disillusioned, not with my work as a trader, but with my role as an educator. I am about to publish something, which has taken months of my time to produce, and I will go ahead and do so, in spite of protests in my camp.

I have seen my Resource Channel being ripped off and the material sent to other Telegram channels within minutes of making the channel public.

I know I am doing the right thing from my philosophical vantage point. I think this file is of importance to you. It is important because it may take away some of your trading struggles. However, sadly, it may ADD to your trading struggles, and the risk I run is that you blame me for it.

I urge you to keep an open mind and read the material, and perhaps ask yourself how this fits in with your temper. I am a firm believer that we can't trade a method which our subconscious doesn't agree with. There has to be an alignment between your conscious awareness and your subconscious beliefs for a trading method to work for you. My absolute belief is that if we sit down at our trading desks, without a firm plan in place, we are going to lose our money over time.

This strategy does not replace the School Run Strategy. You may want to read the School Run file first and decide if you want to stay with the standard School Run Strategy. You may read this file and then decide you want the added "urgency", but with the risk of adding to your trade frequency. Whatever you decide to do, I hope it will help you to move forward in a meaningful way. Before we dive into the specifics, I would like to talk to you about you and your mind.

YOU HAVE TO THINK

The reason I argued above that it is in our interest to execute a specific plan is because of our minds. Most private traders will have a good grasp on technical analysis, but they do not have a good grasp on their own minds.

This means that as the trading day wears on, they will migrate from the intention of "trading what they see" to "trading how they feel".

Larry Pesavento, a man who has had a significant influence on my trading career, published a book called "Trade What You See". Implied in the title is that we should trade what we see, and not what we think.

From a philosophical viewpoint it is practically impossible to see without thinking. Right now, I am looking at the rim of my screen, at the word "Samsung". I am not thinking anything because the word Samsung doesn't entice any kind of feeling or emotion.

However, I am not being asked to make a financial decision based on the word Samsung either. I am not being asked to evaluate. I am simply observing. I can remain passive – merely looking without feeling or thinking.

While it is a nice thought to be able to fantasize about having the same neutrality and objectivity about the markets, and the data that the market is sending to our brains, it is entire impossible.

Why is it impossible? Assuming you are observing the markets with the viewpoint of placing a trade, you will need a structure in place to evaluate the dataset being presented to you. You only see what you have trained your eyes to see. The data only makes sense once it has been processed through an algorithm of sort, in this case a mental algorithm.

You HAVE TO decide whether you want to be a buyer or a seller or do nothing. It means you have to think or the very least process the data. You have to think to decide. If you can cut the "thinking" down to as little as possible, while you are trading, you are going to be in a better position to make money. It is a bold claim, which essentially circles around the argument between discretionary and mechanical trading rules.

It might be that the decision is made so quick, you don’t even think that you thought about it. We can call that a “reflex”. A reflex is a learned behaviour, aimed at reducing the speed of execution, thus saving us valuable decision time.

You don’t put your hand of the hot stove, and then wonder if the painful sensation you are feeling will last. Your survival mind immediately retracts the hand from the stove, as an act of reflex, to survive.

The human brain is primed for survival. The “Negativity Bias” has kept us alive through the evolution of our species. If we walked the savannah, and we heard a rustle in the bushes, we ran away.

If you think the scenario through statistically, it makes sense. If it was a tiger, intent on eating us, we survived. If it was a member of the opposite sex, we may have lost an opportunity to pass on our DNA, but at least we survived.

The School Run was developed as a tool to navigate the Dax index on a 15-minute chart, with as little thinking as possible. It has held up well, and until now has only presented me with one really bad day (where I was taken long and short and then long again).

The Advanced School Run has been developed with the same ethos in mind. However, it operates on a smaller time scale and with smaller time scales comes higher trade frequency.

I will refer to the Negativity Bias again. The scenario described above, with the rustle in the bush, is interesting because we see it play itself out in the small details of our lives. Our minds gravitate towards the negative. We post a picture of our boyfriend/girlfriend on a social media outlet, perhaps you and your loved one sipping a drink in an exotic location, with the sun setting in the horizon, portraying love and romance and altogether great vibrations.

And then the comments from in. Your parents write “ahh, lovely”, and your friends a are chipping in “oh, you look so happy”. You get the gist. And you scan through the list of comments, and you stop in your tracks, when you see a post saying “Wow, someone has been hitting the cream cakes”.

Such is the power of our minds, that the idyllic moment has been spoiled by one comment out of many. Humans can literally find the poisoned needle in a haystack full of compliments, and then focus on that instead of everything else.

In my experience the opposite happens in trading. We gravitate towards the positive, and we tend to ignore the negative. We develop a trading model, and we test it. We tend to focus on the examples where the strategy works, and we gloss over the examples where it does not work.

It is an incredibly complex topic to discuss. We want the positive, but our eyes and minds seek out the negative in the interactions with others. When we are alone, as we are, when we are testing, we have no external input, and we tend not to focus on the negative.

In my documentation for the School Run and now the Advanced School Run, I have been careful to select a “stretch of time”, which represents both volatile and calm periods in the market, and more importantly, I have documented each day in sequence. Nothing has been skipped.

I moved away from trading to illustrate how our minds gravitate towards the negative, even though when left unchecked, we close down the negative finding faculty of our minds. In other words, when we engage with the world, we put much more emphasis on the negative than on the positive, and when we are alone without input, we tend to gloss over the negative.

Unfortunately, that will not produce the results we so desire. You may wonder if this is a gossip column or a trading paper. Let me get us back on track, not that we weren’t on track before, but allow me to connect the dots. I want to introduce David Rodriguez from FXCM into your life.

DAVID RODRIGUEZ & FXCM

I don't actually know David personally, but if I did, I would greet him with the greatest compliment I am capable of and say thank you. Because of him and his team, I was able to gain a much greater understanding of the "human condition", and how it pertains to risk taking.

David and his team analysed 43 million FX trades, executed by 25,000 private traders over a period of 15 months, predominantly in the major FX pairs.

They found the following statistics to be of interest:

1. **The majority of the 43 million trades have a profitable outcome.**

2. **The ability to pick winning trades surpass 60% (better than random).**

3. **Most traders still ended with negative accounts.**

There are many FX pairs one can trade, but the "majors" represent more than 95% of the FX volume globally, with the EURO DOLLAR being the most traded FX pair. David and his team found this statistically significant evidence.

1. **The Euro Dollar trades were closed out with a 61% success rate.**

2. **The 61 out of 100 trades made on average 48 pips.**

3. **The 39 out of 100 trades lost on average 83 pips.**

Allow me to grab the calculator for you:

61 * 48 = **2,928 pips made**

39 * 83 = **3,237 pips lost**

The above was in Euro Dollar. The Sterling Dollar was not much different. Here traders made 59% winning trades, but on average losing 83 pips on the losers and winning 43 pips on the winners.

My brother has spent a lifetime working for one of the biggest companies in the world, as a "problem solver". His job was to go through complex data set and find a solution. His first advice to me is always the same. If you don't understand the problem, you can't provide a solution.

What do you do, if you understand the problem, but there is not a whole lot you can do to solve the problem, because it goes against your human nature? What is the solution if YOU are the problem? Is there a trading approach for people like that?

Yes!

I addressed this issue in a talk in London at the IX Show in April 2023. I argued that as traders we don't have to be experts at every single aspect of the trading day. I pointed out that my own ability to intensely focus was limited to a few hours at the beginning of the trading day, and again later in the trading day, after I had had an opportunity to step away from the screen.

I call it awareness and accountability.

AWARENESS AND ACCOUNTABILITY

One benefit of running a large trading community is that you are exposed to a diverse segment of the population, and you see up close and personal how people address their challenges in life.

I am fully convinced that every person is able to elevate their lives with the right kind of training. The problem is often not the quality of the training but the frequency of the training.

Daniel Kahneman, who I mentioned earlier, won the Nobel price for his work on behavioural economics. How do we make decisions? What factors influence us when we make decisions.

You may have come across his work. He will say that a pencil and a pad cost £1,10, and the pen cost £1 more than the pad. How much did each item cost?

If your impulsive answer is 10 pence and £1, well then, he argues that you are an intuitive thinker, and while the amount is correct, but £1 is not £1 more than 10 pence. The correct answer is 5 pence and £1.05.

When I was confronted with this question, my immediate though was 10 pence and a pound. However, immediately my logical brain objected by stating that £1 is not one pound more than 10 pence.

If you think I have strayed from the topic, you are mistaken. I am on point. When you are faced with the markets, making decisions whilst the market is interacting with you is difficult.

We have our intuitive mind, and we have our concentration mind. You are able to drive in busy traffic while conversing with whoever is in the car, but you are unlikely to be able to talk to them, if you are faced with a tricky navigation such as having to join a busy lane by crossing another busy lane.

I argue that the very things that Daniel Kahneman highlights as quirks in the human psyche are things that can be trained out of us, but only if we become aware of our habitual patterns. This requires an awareness of ourselves, which is a rarity, and an accountability which is perhaps even rarer.

We know we have to run profits. We know we have to cut losses. There is practically not a trading book written, in the history of trading books, that doesn't admonish this one crucial piece of advice. It has become a cliché, and the problem with cliches is that they are ignored if they are overused. "Run Your Profits" is definitely overused.

What all the books about trading fail to provide is the understanding why we do what we do. You can't say "it is human nature", and then leave it at that. You might think that you have "explained" the problem, but you really haven't. You haven't explained why humans "fail to run when they should run" and "run when they should stand their ground". You have an argument with your mother-in-law, and your partner says, "that is just the way she is".

No, it isn't. There is ALWAYS a deeper meaning behind. No one just says something or does something. There is always a belief system behind it.

Every so often I get comments sent to me like this one. It perfectly illustrates the challenges of the trading journey, with its many layers of requirements, be it technical expertise, personal awareness, fiscal accountability, and perspective of time on the journey.

Them: Rough day, heh?

Tom: Is it? I try not to ascribe sentiment to a trading day. It is just another day.

Them: Oh. Ok. Well, I have lost today. I am not blaming you though.

Tom: Why would you blame me?

Them: Well, I am following you, and you have lost.

Tom: Did I ask you to follow me? Did I hold a gun to your head and say, "take this trade motherfucker, or I will blow your brains out".

Them: Ha ha, no you didn't but…

Tom: So, the word you are using – "blame" is the operative word, and you are subconsciously blaming me. You just don't acknowledge it.

"but"…. People want someone to blame if they can avoid blaming themselves. I said "people", but in truth, it is only a certain set of people. There are many like me who will hold themselves extremely accountable and never point their fingers at other people. The latter group is the group that flushes out their weaknesses and works on improving their game long after everyone else have gone to bed or left for the pub.

Let's continue.

I often pull out my "I have worked on a trading floor" cliché. It too has become a worn statement, old and tired and used too often. But…. I have seen things, and yes, it went a long way in providing context to why traders were doing what they were doing.

THE COMPLEXITY OF YOU

It enabled me to understand how pain avoidance was a crucial component of the decision-making process. However, did it provide a solution? It did for me, and I was able to put that solution on paper, convince a publisher to take a chance on me and my book Best Loser Wins, and the rest is history, as they say.

But it really isn't. The story is much more complex, and if I or anybody else is going to stand a chance in creating change in humans, beyond just in the field of trading (which is much needed – when you are faced with a 90% failure rate), then we need to provide much better models for understanding our behaviour and how to navigate away from our natural evolutionary inherited tendencies.

What separates humans from other animals is our ability to reason, and to comprehend complex ideas, and to create solutions based on the external stimuli. We are also able to imagine.

Yet whenever we are in a moment of crisis, our natural instinct takes over. Our primitive "default network" takes over, and we are now running our emotions, our feelings, and our decision making from a mental state resembling a pre-historic "fight or flight" mode.

Are we destined to live a life of "repeat"? No, of course we are not. Take a look around and observe the world around you? We learn and we improve – although at times something just becomes sociable and economical accepted, such as driving on the left or right side of the road, or the keyboard we use.

Look at the keyboard you are typing on. It is the standardised "qwerty" format. There is an almost infinite number of ways the keyboard could be organised. We just settled on the "qwerty", but the victory could just as easily have gone to Dvorak, or Colemak, or even Workman.

As much as the doctrine of the "majority wins" in our choices of say a keyboard, we don't have to accept anything when it comes to our own behaviour. We mostly do, but we do not have to.

Daniel Kahneman gave a simple illustration of mans idiosyncratic approach to risk, a topic which is relevant to people like you and I. He argued that losses are felt stronger than gains.

In a simple coin-flip demonstration, with a monetary reward attached to it, he demonstrated that humans tend to opt for an "absolutely certain" reward rather than a larger statistically “absolutely certain reward”, but which had the risk of making nothing attached to it.

In the same vein Kahneman also argued that if you turned the same experiment on its head, but now with the difference that you had the choice between an absolute certain loss, or a proportionally higher loss, but with the possibility of losing nothing, you would tend to gravitate towards the option that could see you lose nothing, but you may risk losing even more than you would under the “certainty” option.

In other words, people on average became risk averse when trying to avoid losing a certain reward. However, people became risk embracing when faced with a certain loss, or its alternative. The alternative is essentially “double or quits”.

This would explain why David Rodriguez and his team at FXCM witnessed clients let profits run to an average of 48 pips, and their losses to an average of 83 pips. I observed the same on the trading floor.

Our clients were quick to take their profits, because the risk of experiencing pain by seeing the profits disappear was stronger than the uncertain future of more profits.

And when the market moved against them, they were quick to decide not to take their loss, because the existing pain of losing was overridden by the emotion and sensation of hope – hope that the market would turn back in their favour.

This duality of “pain” and “hope” was expressed in my book as follows: Traders without the right emphasis and training will experience “hope” when more seasoned traders will experience “fear” – fear of losing more.

And the same group of traders will experience “fear” – fear of losing their profits – while more seasoned traders will experience “hope” – the hope of making more profits.

I am attempting to make an assertion at this point. Humans are adaptive, and our ability to adapt to changing environments has enabled us to survive and prosper, where others did not.

My argument is based on this assertion that IF I train an individual to understand the dynamics behind say Daniel Kahneman’s questions, he will adapt the next time he is asked, and he will answer in a manner that is consistent across all scenarios.

I argue we can achieve the same outcome in trading. I argue that by following some necessary steps we can achieve greatness in trading.

Step 1

We need a strategy that resonates with us.

Step 2

We need a plan for the time we want to trade. If you predominately trade the US open, then focus your training on the US open and that alone.

Step 3

Execute flawlessly at a trading size that does not cause fear. Whenever I reverse engineer a problem that a trader has, it boils down to the fear of losing.

I will write about these steps in more depth at another point. I want to turn to the rules of the Advanced School Run shortly. Before I do, I invite you to consider if it is helping you being in my channel, or if it is hindering you. Am I helping you with your struggles, or am I merely making your journey easier?

Is it good that I am taking away your struggles? Would you take away the struggle of say a child learning to walk? Would you not deprive the youngling of the experience of learning to walk? Would you not deprive the child the progressive realisation of a worthy goal – the goal of learning to walk?

Our friend, Lennie, has argued that I give away too much. He might be right. He might just be damn right. However, if all a baby ever saw was other babies and adults crawling, would he or she ever be inspired to reach higher?

Is the act of sharing information not then a steppingstone for others to elevate their own game? I believe it is. By sharing we are giving permission for others to elevate and surpass our own achievements. I approach it without ego, hoping and expecting that you will equal and surpass me.

Trading evokes feelings of desire, of fear, of pain, emotions which sets us apart from other animals. A lion does not feel regret. A giraffe does not experience disappointment. This is a “human story”, feeling and making associations to the past and the future.

What are your thoughts about trading? Do you want it, even if I gave it to you? Is Lennie right in his assessment? Is the act of giving in this Telegram channel holding you back from your own development? Are you blaming me instead of yourself, when

I lose? Are you seeking others to join in your pain, further disassociating your own responsibility?

What do you need to make a living trading? I am about to show you the advanced version of the School Run Strategy. Do you need 10 DAX points a day to make your dreams come true? Do you need 20? Do you need 5 points?

If I can offer my services at a low-paid job, say stacking shelves in a supermarket, and I work 40 hours a week, at say $10 an hour, I am earning $400 a week. It is a worthwhile job. It is a vitally important function in the supply chain, ensuring people are able to buy food.

It is also a mundane job, as many jobs, even important jobs are. A driver of an underground train is transporting millions of people to and from work every year. Without him or her, our journey to our place of work would become complicated if not practically impossible.

Trading is also a mundane job, but it has the potential to significantly increase your earnings, if you are good at it. The “good at it” falls into two categories, which is where most people get lost. Most people think you just need to be good at one thing, but that is not the case.

If you are good at it, it is because you have an approach to buying and selling, and the approach is one that suits your temper. However, maybe Lennie is right. Maybe my temper is not your temper. Otherwise, should not all of you be happy here in the Telegram channel?

I know that not all people are happy. There is only one reason why someone is unhappy in a place where a trader, on the balance of probabilities will make money before their eyes. It is that it doesn’t conform to their expectations. Maybe the latency is being blamed. Maybe the duration of trades is too long or too short. Maybe the trading is too aggressive, or perhaps not aggressive enough. Maybe the instruments traded are the wrong ones.

Whatever the reason, the reasons are entirely subjective. You can’t quantify a reason as right or wrong, if it belongs to a stranger. You feel what you feel, and your feeling is yours alone. It is yours to own. It is your responsibility.

By posting the Advanced School Run Strategy, I accept that some will have the mental fortitude to make this work, and they will potentially never have to work in the conventional sense again. Others will not because they will not accept the non-linear environment that trading provides.

Should that hold me back? If you're asking me what to do, the answer is always the same. You share. If you think about the very nature of the evolution of humans, of our lives, from the very beginning of the first cell dividing into two cells, the purpose of life has always been to pass on what was learned. There never was a higher purpose than the purpose of passing on knowledge. Unfortunately, that doesn’t mean that knowledge has always been welcomed or appreciated. Nevertheless, it must be passed on.

Have you given thought to how many points a day you need to make a great living from trading? Maybe it is a progressive journey? Maybe you need 25 points right now, because your stake size is smaller. Maybe in time your requirements will reduce because you are able to trade with a bigger stake size.

I hope you will remember what I wrote about trading earlier. It requires more than a strategy to be successful. It requires an ability to see past pain and hope and align yourself with what the market will give you. At times she will be generous. At times she will be stingy. She has no feelings about you. As I wrote in my book Best Loser Wins, she dictates the music, and people like you and I must learn to dance to her tune.

THE ADVANCED SCHOOL RUN

What is the Advanced School Run? Before I can answer that question, I have to answer what the School Run is. The School Run Strategy is an entry method in the German Dax index, based on a 15min time frame.

I have published the research in a paper called the School Run Strategy, which you can find in my TraderTom Resource Channel.

Now that you have an idea what the School Run Strategy is, I want to turn my attention to the Advanced School Strategy, and what it is.

The School Run Strategy uses the 2nd 15min bar in the DAX index. The Advanced School Run Strategy looks at the 4th 5min bar and the 5th min bar, and the two of them together.

Overall, whether I use the 4th bar or the 5th bar, or I combine them, the following holds true:

1. It is based on a single 5-minute candle structure.
2. It is a stand-alone strategy to the standard School Run Strategy.
3. It frequently has a significantly tighter stop loss than SRS.
4. It **always** comes with a stop loss.
5. It **never** comes with a target.

Let me break down the thinking process one by one. I will start with the thoughts about the **4th 5min bar. This is my primary candle, which I use. It has a higher priority than the 5th candle.**

The German Dax Index is based on the 40 biggest shares traded in Germany. The index starts trading at 9am local time in Frankfurt Germany. You need to adjust your "time perspective", depending on where you are trading from geographically.

I have a researcher who is based in Leicestershire in the United Kingdom, and I have a researcher who is based in Stockholm in Sweden. When they send me charts, guided by instructions, the "timeline" at the bottom of the chart will show different times.

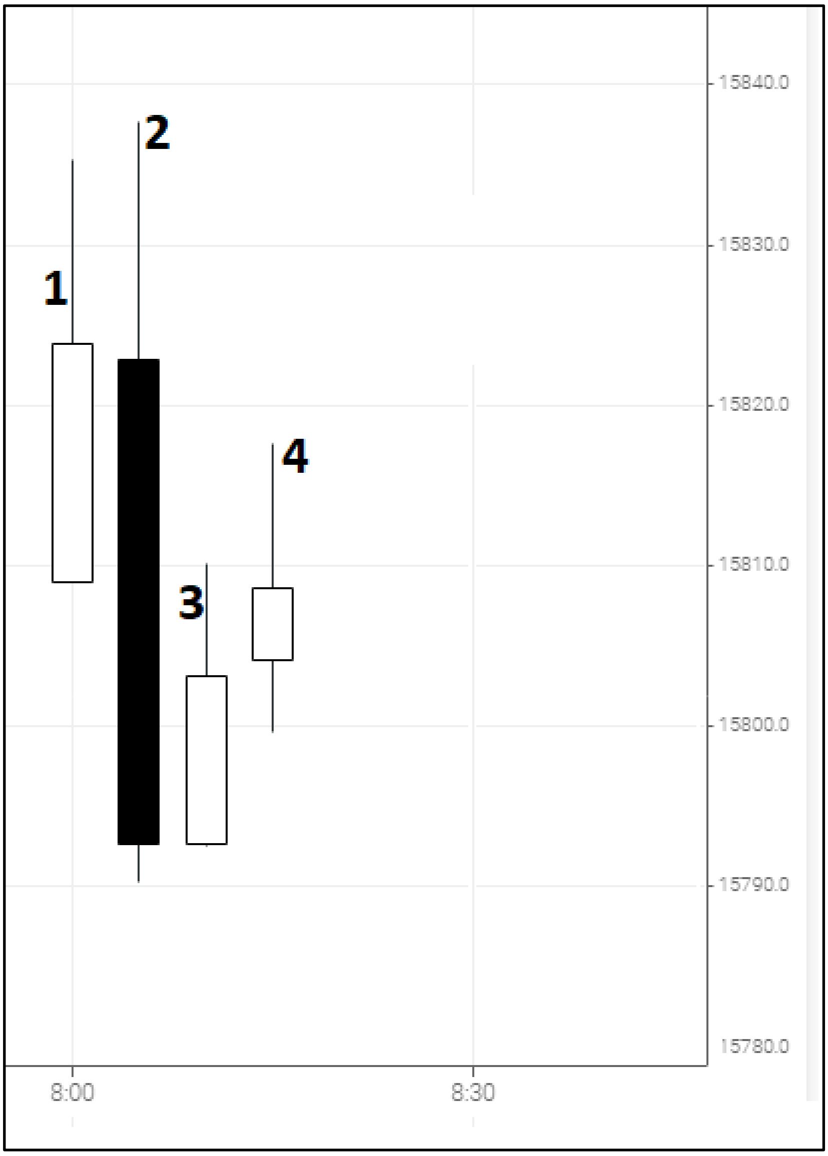
Do not let that confuse you. Just make sure you understand what comes next, then it doesn't matter where on God's green earth you are trading from.

The Specifics

The "open" is the open in Frankfurt. This is the official open for shares at Deutsche Börse Group - https://www.deutsche-boerse.com. Locally it opens at 9am. If you are in Scandinavia, this is also 9am. If you are in the UK, it is 8am. If you are New York, it is 3am (bless you – and please check for summer/wintertime).

I observe the 5-min chart. Remember that the School Run Strategy is based on a 15min chart, but the Advanced School Run Strategy is based on a 5min chart.

The candle that is of importance to me is the 4th candle from the open.



To make 100% sure you understand which candle I am referring to, I have supplied a 5min chart, where each candle is labelled with a number.

Candle no 1

The first 5min candle of the hour from “the full hour” until 5 minutes past the hour

Candle no 2

The second 5min candle of the hour, from 5 minutes past the hour until 10 minutes past the hour.

Candle no 3

The third 5min candle of the hour, from 10 minutes past the hour until 15 minutes past the hour.

Candle no 4

The fourth 5min candle of the hour, from 15 minutes past the hour until 20 minutes past the hour. This is the candle I am interested in for now. This is the candle I am waiting to complete. Once it is complete, I have the setup levels for the Advanced School Run Strategy.

I will now ask you to turn to the next pages, where I have gone through the last month of the DAX index on the 5-minute chart, highlighting the importance of the 4^{th} 5-minute bar.

At some point in the charts below you will see me begin to talk about the use of the 5^{th} Candle. That often happens when the bars prior are overlapping with large spikes up and down, but closing in the middle of the range.

The 4th candle has a range from 15,625 high to 15,610 low. When trading the Advanced School Run Strategy (now called ASRS), I will look to buy above the high of this bar or sell short below the low of this bar. I will use 2 points as my "buffer", meaning that if the high is 15,625, my buy order is 15,627. If the low of the range of the 4th bar is 15,610, I will sell short the DAX index at 15,608.

My stop loss will always be the same place as my other order. If I am filled on a long order at 15,627, then my stop loss will be the same place as where my sell short order will be – in this case 15,608. My risk is 19 points.


ASRS BAR 15,625-15,610
15,570
8:00
8:30
9:00
9:30

The example above worked out well. I am now working my way through an entire month, day by day, with no days omitted. The 4th candle below has a range from 15,558 high to 15,534 low. I will have a buy order at 15,560, and I will have a sell short order at 15,532.

This strategy does not operate with a target.

THE 5TH BAR

The 4th candle has a range from 15,720 high to 15,698 low. There is not a whole lot else to say. You may already now begin to consider the 5th bar as well as the 4th bar. For now, just be mindful of the 5th bar.

The 4th candle has a range from 15,686 high to 15,671 low. Some traders will use 1 point above the high for a buy order and 1 point below the low for the sell order. I use 2 points in the DAX. What concerns me about this day is the size of the range of the 5min bar in question. It suggests a low volatility environment.

On this day I would be a buyer at 15,688 and a seller at 15,669. I get filled on the short side. I have no meaningful opportunity to move stop loss. I get stopped out and I get filled on the long side. The loss of the short position is on this day amply covered by the profit of the long position.

SUMMARY SO FAR

So far, we have witnessed 4 trading days, of which 3 of them went very well, and the 4th one requiring a short position, which lost, and then flipping to the long side, which worked out very well.

What have we learned so far? We have learned that the 4th bar is essentially a breakout bar, and I place buy orders above, and sell orders below. I use 2 points as a buffer, but this is entirely up to you.

However, lets stay for a moment with the last chart, the one of the previous page. In a situation where the range of the 4th bar is as small as it is, it might be an idea to consider waiting for the next bar to complete, which is the 5th bar.

Now we are getting to a tricky example. I like them, because if you can handle the tricky days, you can handle the easy days. The 4th candle has a range from 15,744 high and 15,726 low.

The long side triggers first. At best you have 6-8 points profit. Then the market reverses. You are stopped out, either on the whole or you moved stop loss a little. Now you are short from 15,724. Market goes 15,712. You are happy. Then it reverses hard. What do you do? To my mind – you do nothing. Stop yourself out. Take the small profit, or the breakeven or loss in a good spirit and wait for another day. We are playing for homeostasis 😊, i.e., it is just one of those days!!!

I think the only thing worth talking about on this chart is if you would have taken the short side later in the morning. The signal comes after 2 hours of active trading. Truthfully, I have not looked into the validity of the ASRS bar after two hours of active trading in the DAX index.

The 4th candle has a range from 15,869 high to 15,856 low. The bar range is uncharacteristically small – just 13 points. That is a cause for concern. The next bar actually goes below by 1.15. If you used a 2-point leveller, you may have been filled, if you used a broker with a wider spread. I trade with a broker that in the DAX has a 0.9-point spread. Just be mindful of the spread of the broker you trade with. Otherwise, this is a good trade. Perhaps when the 4th bar's range is so small, we wait for the 5th bar to complete. Would you have taken the short side? Well, it is still within the first 2 hours of trading and as such it should be traded, according to my research.

I love a good challenge. The 4th bar, the ASRS bar, has a range of 15,839 to 15,825. If you use a 2-point buffer, you would have been filled on the long side at 15,841. You would also have been filled on the short side, and you would have made back the loss, at a minimum. There are 25 points on the short side at best. The long side would have lost 16.

Would you have taken the long side again? I attempt to get my work done in the first 2 hours of trading, and then return when the US markets open.

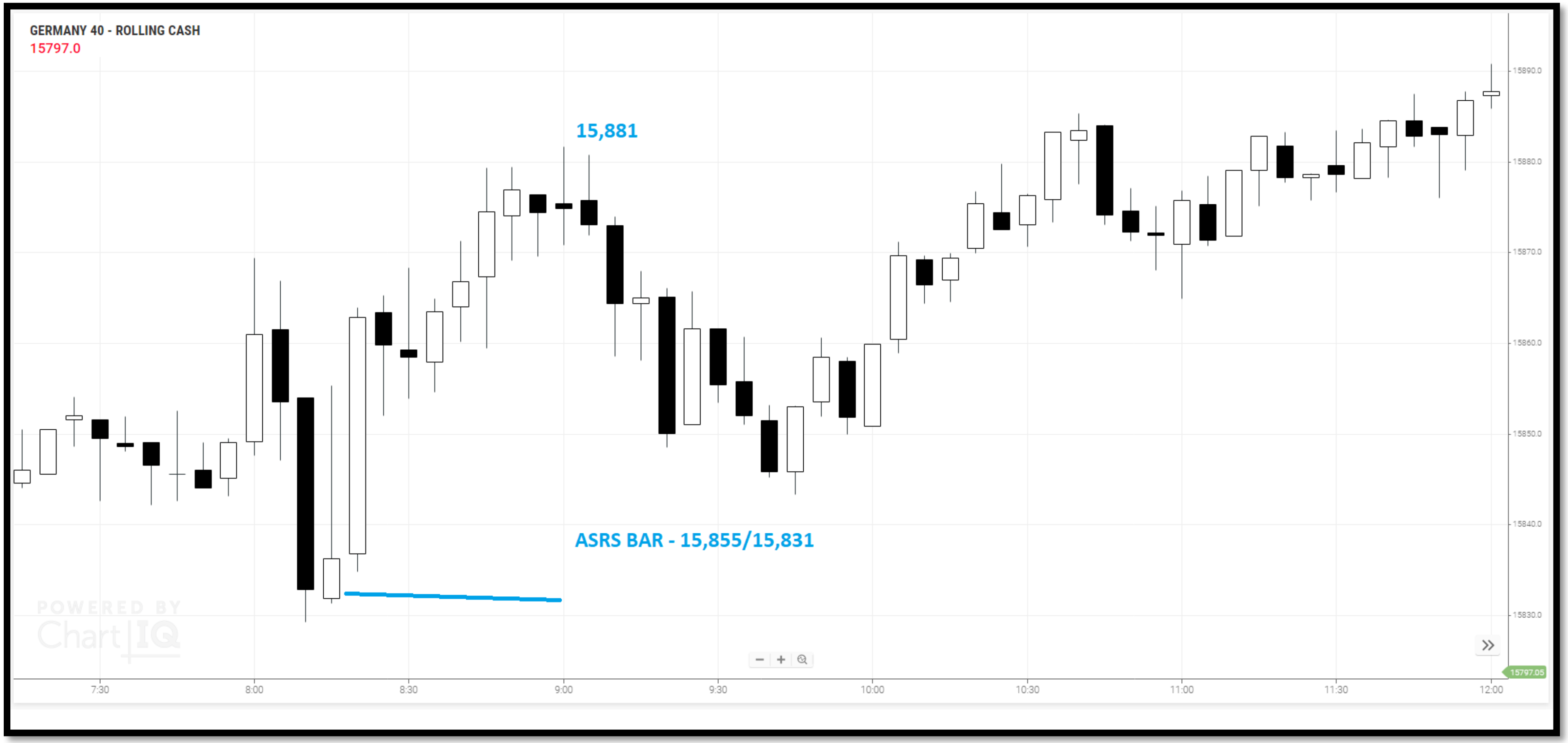
Here is another tricky morning with lots of overlap bars and long wicks. The ASRS bar is ranging from 15,858 to 15,841. Market goes 15,832, and it also goes 15,866. You would have been filled on the short side, and if you had not moved stop loss, you would have lost 21 points. If you took the long side, you would have lost 21 more, and perhaps gone short again?

My point from this important chart is to limit yourself to a set of rules that resonate with you. Ask yourself how many times you will enter on the ASRS. We set those rules before the market opens and we live by them, irrespective of what the market pushes our way, and we never engage in wishful after-the-fact thinking.

After the previous chart it is nice to show this one. Big profits. No sweat.

Again, straight forward entry!

I have nothing to add. This reminds me of the "pin bar" setup I developed, which I was then told that Market Wizard Linda B Raschke had developed before me. Fair play. She is the wizard.



The 4th candle has a range from 15,550 high to 15,526 low. It means that the DAX index is in buy mode above 15,552 and in a short mode below 15,524. Here is an example where the market looks promising and then nothing happens.

I don’t remember what I did on this day, but I imagine I moved my stop loss to breakeven, and then got stopped out for zero.

No comments needed, I think.

UHH nasty. The range of the ASRS bar is 15,768 high to 15,736 low. The index triggers a short signal below 15,736, but the market only goes to 15,727 and then reverses.

There is research to be done on matters like this. Should the short position be terminated after two white bars. Either way, the stop loss takes care of business, and the 15,768 high is breached. The market rallies 50 points.

I would lose on short and make back on long.

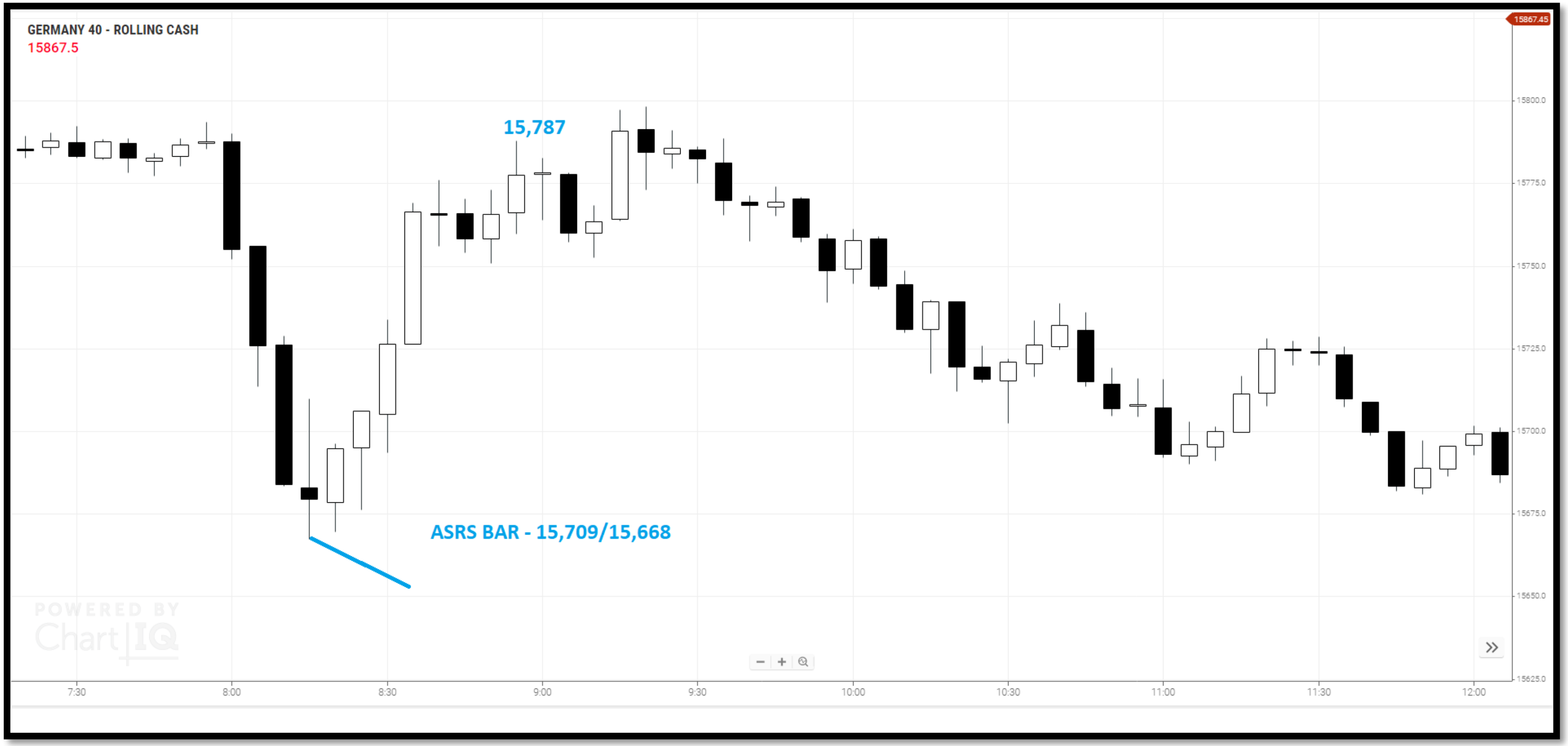
Some days are easy, like this one, and some are like the previous day.

Easy day.

GERMANY 40 - ROLLING CASH
15853.0
ASRS BAR - 15,989/15,957
15,842
POWERED BY
ChartIQ
7:00
7:30
8:00
8:30
9:00
9:30
10:00
10:30
11:00
11:30

The range of the 4th bar, the ASRS bar, is significant. The trade triggers and for all intents and purposes, it will be a profitable trade, or at least a breakeven trade, but it is tricky when the market quickly adjusts, and it happens just as you are about to enter.

It is a straightforward buy signal. It works well.

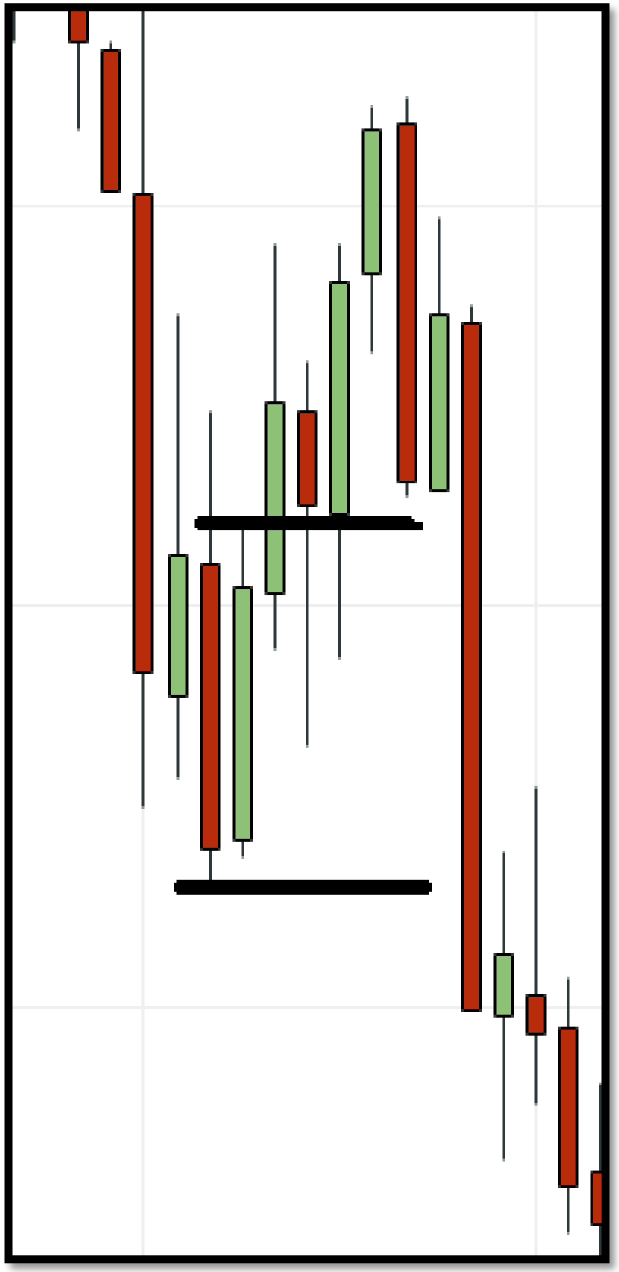


This is a day where your abilities to follow a method is tested. The market signals long, and there are 23 points on the table. Then the market reverses. It triggers short. There are 50 points on the table.

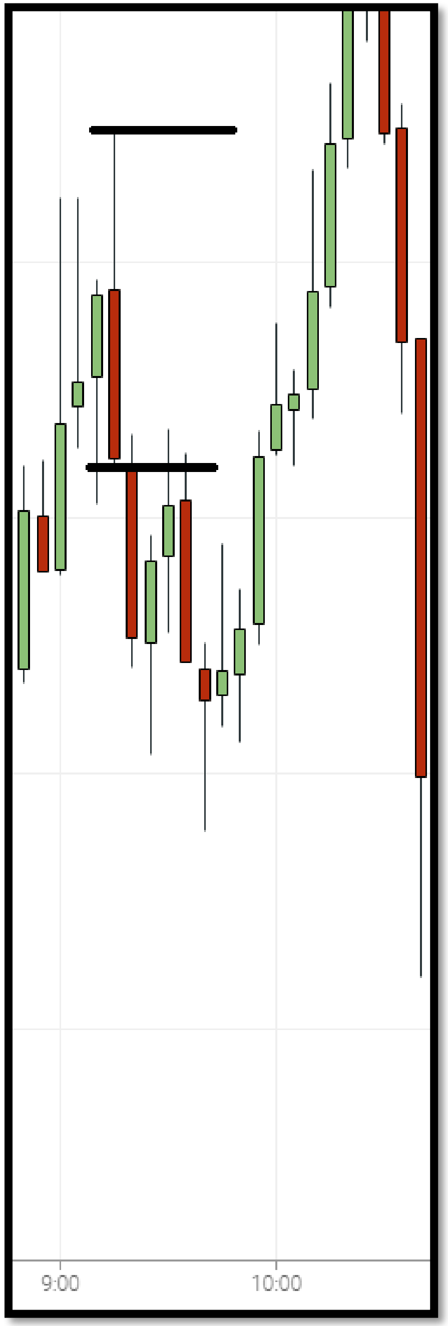
First there was a long signal at 15,819. The market went 15,844. Then the market signals a short at 15,797, and the market goes 15,744.

Now the charts changes colour, as I am relying on the charts of my kind helpers. On this example I am near certain that the long order is triggered and stopped out. The short side catches the downside well.

It is harder to see on these charts, so I have posted the same chart on the following page, in extreme closeup. The setup worked well on the long side, and if you flipped short as well, you would have had an opportunity to profit from it there too.



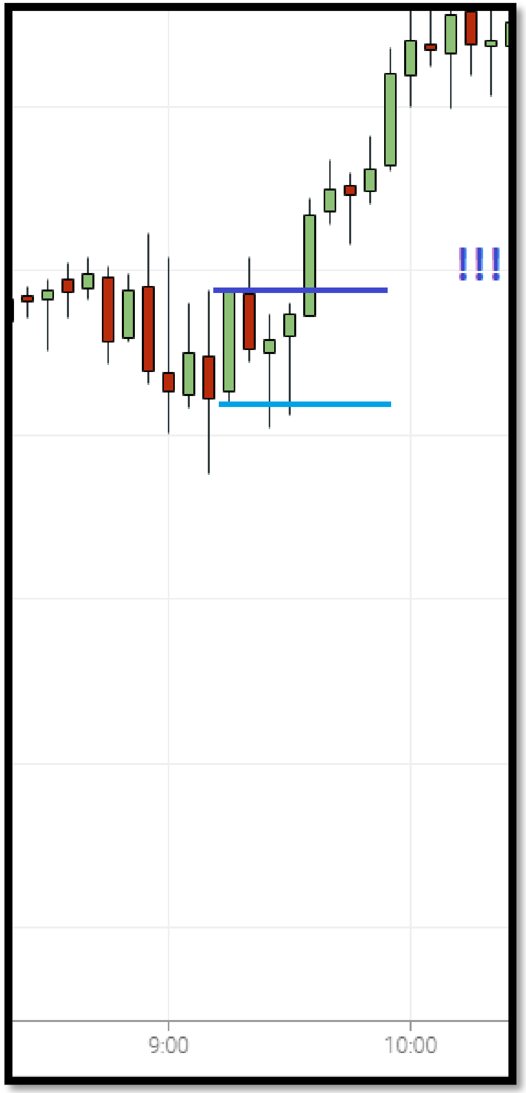
As above, I have posted the chart in extreme closeup on the next page.


9:00
10:00

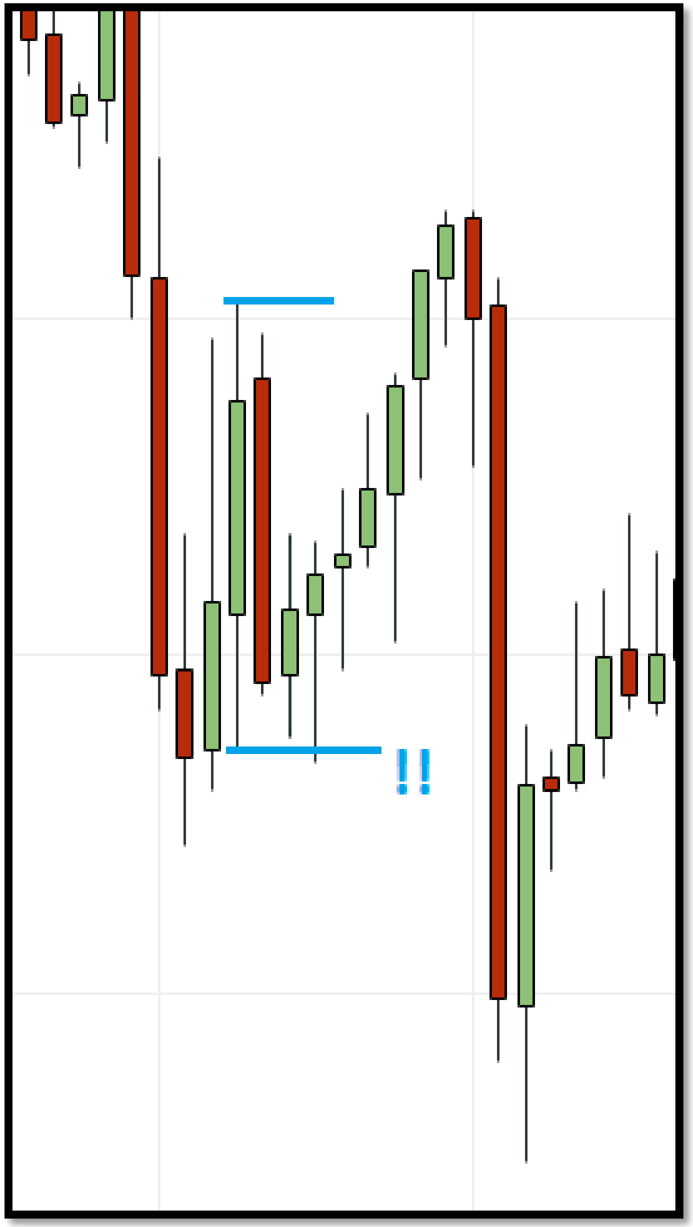
No comments needed.

This is DAX on the 2nd of December 2022. It is really difficult to see what is going on. The bars are tight and small in range, and there is a REAL possibility that the long order and the short order is both filled and stopped out. The importance of examples like this can't be underestimated. When you have such a tight range, with bars overlapping, you may need to consult with the 5th bar before placing order.

Here is the same chart in extreme closeup. This day is tricky to comment on. I don’t have the data to comment on how much the subsequent bars go above and below the signal bar.

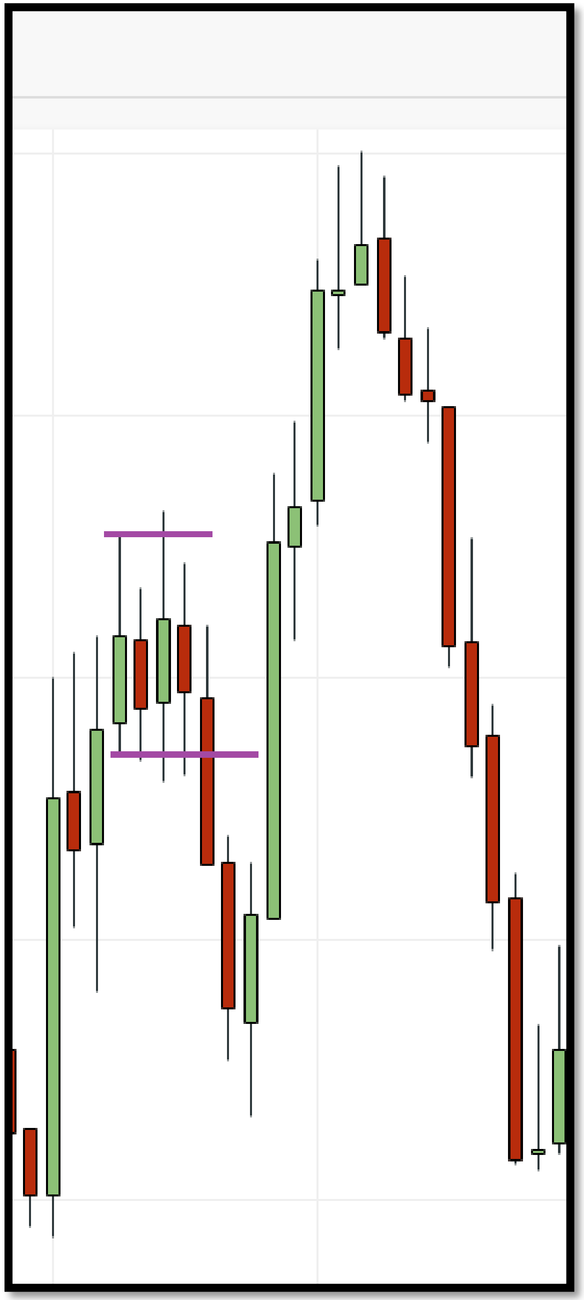


Here is another tricky setup.

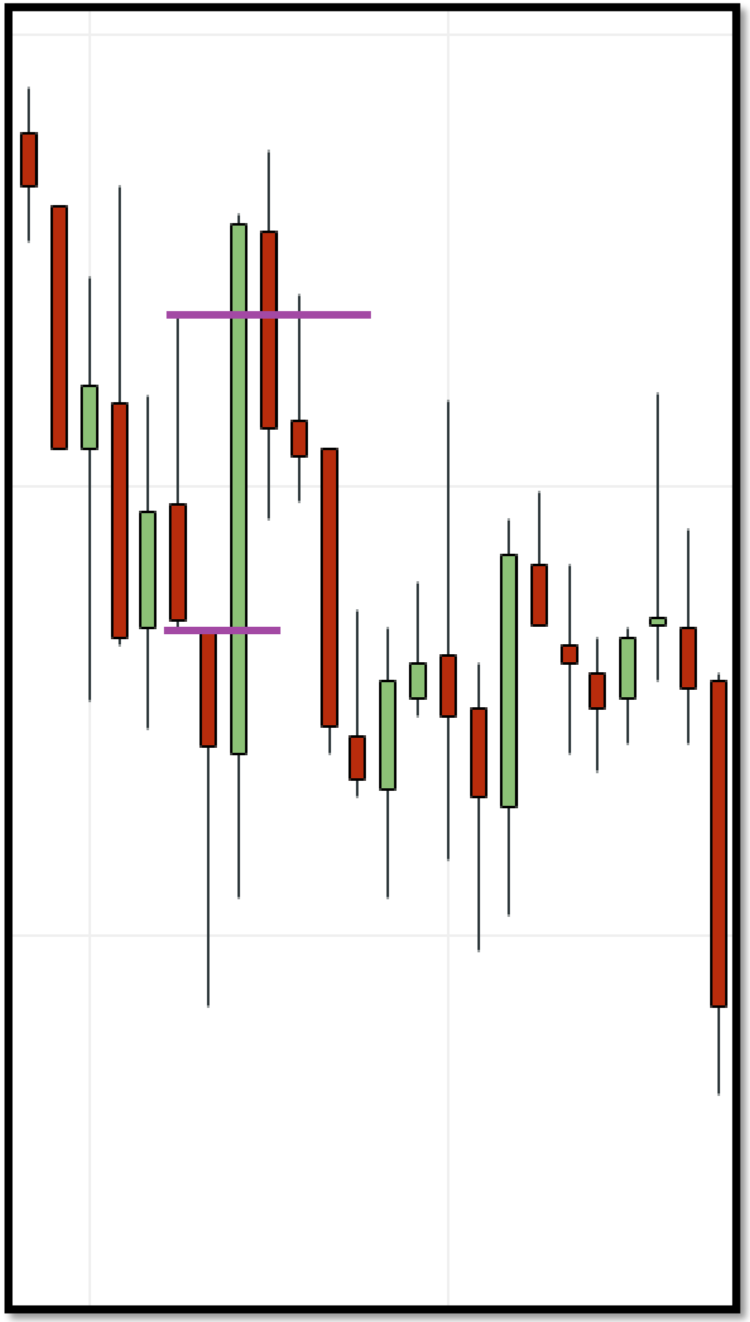


Good entry opportunity.

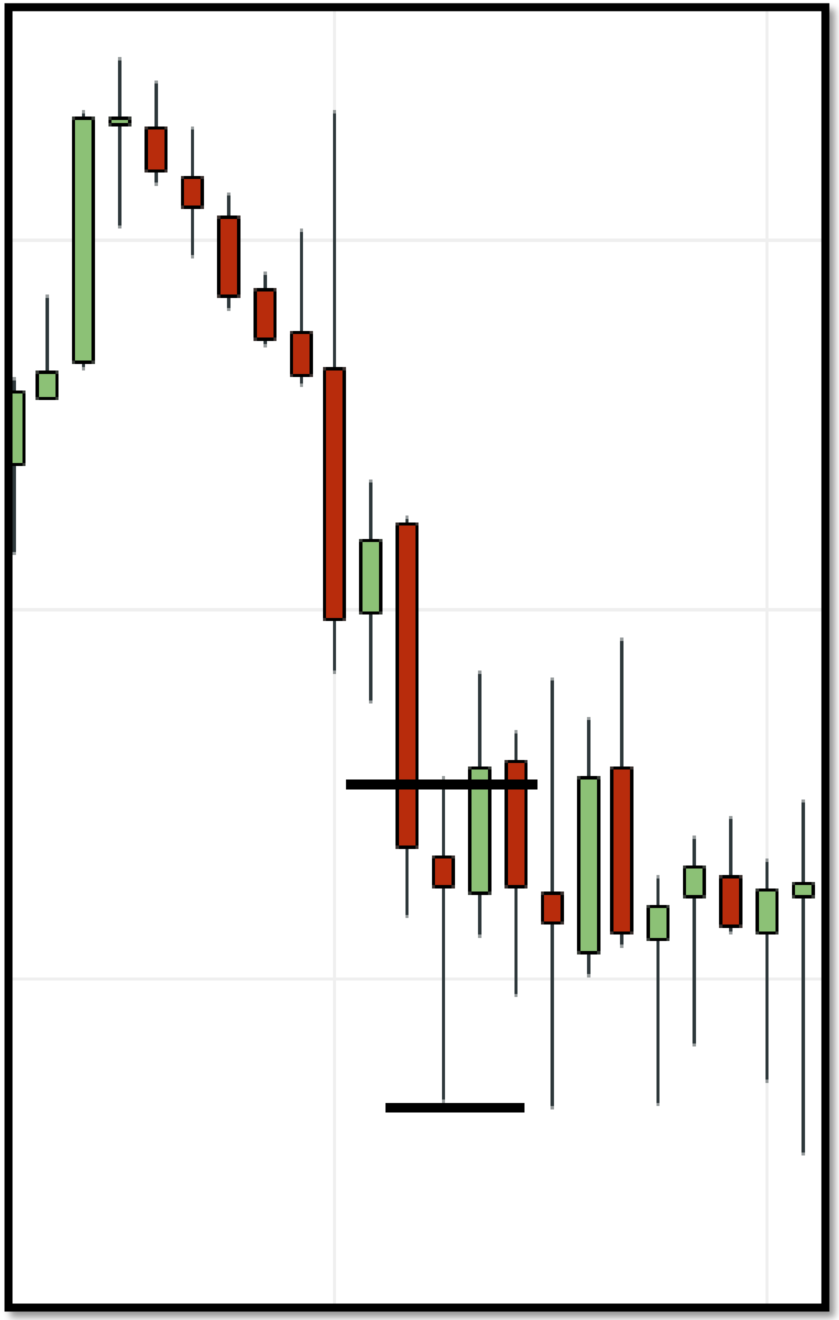
I can't make bad trades disappear, but I have consulted with another chart package, and I do not think you are filled on the small pushes above the 4th bar. This is the 7th of December 2022, if you want to investigate yourself.



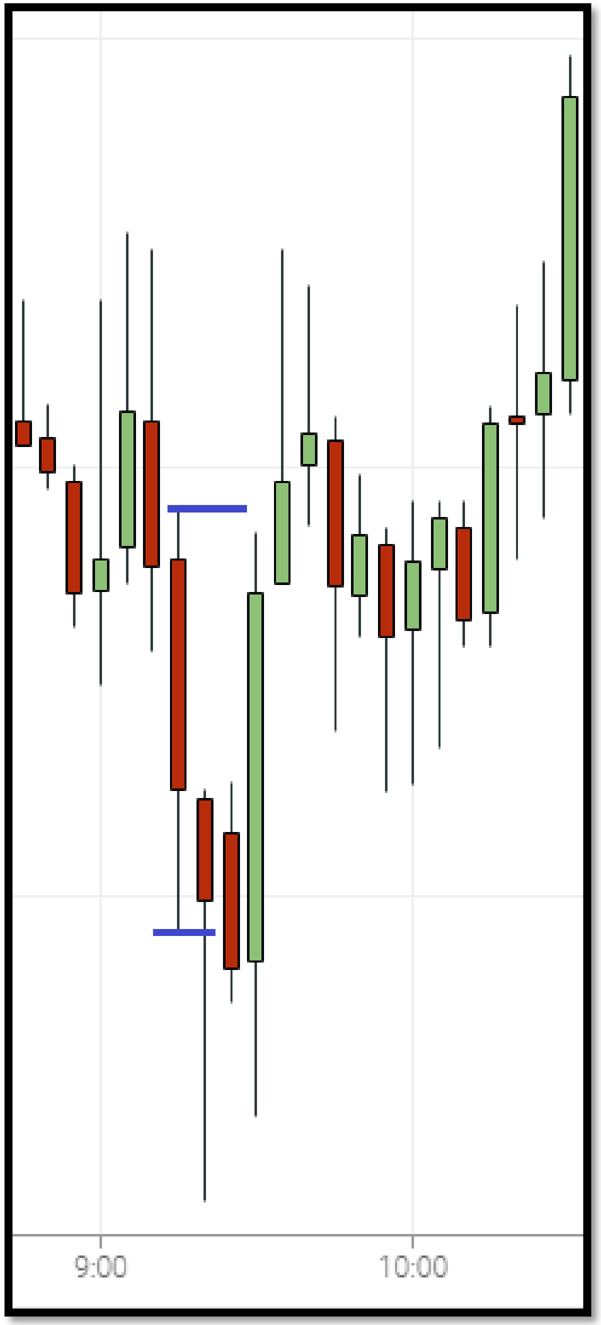
This is a short-lived short trade, which does bring into question how quick we move stop loss down to breakeven. Here the DAX falls 20 points after the entry, only to post a colossally bullish candle, and take us long, only to then fall away lower again.



I have consulted with another chart package and 1 hour into the trading session the short order triggers, and the stop loss on the long, AND THEN the DAX rallies. Hmm!!!



You would have lost on the short trade and made on the long trade, but you really needed patience on the long trade, after being filled. You have to wait an hour before the DAX rallies 70 points.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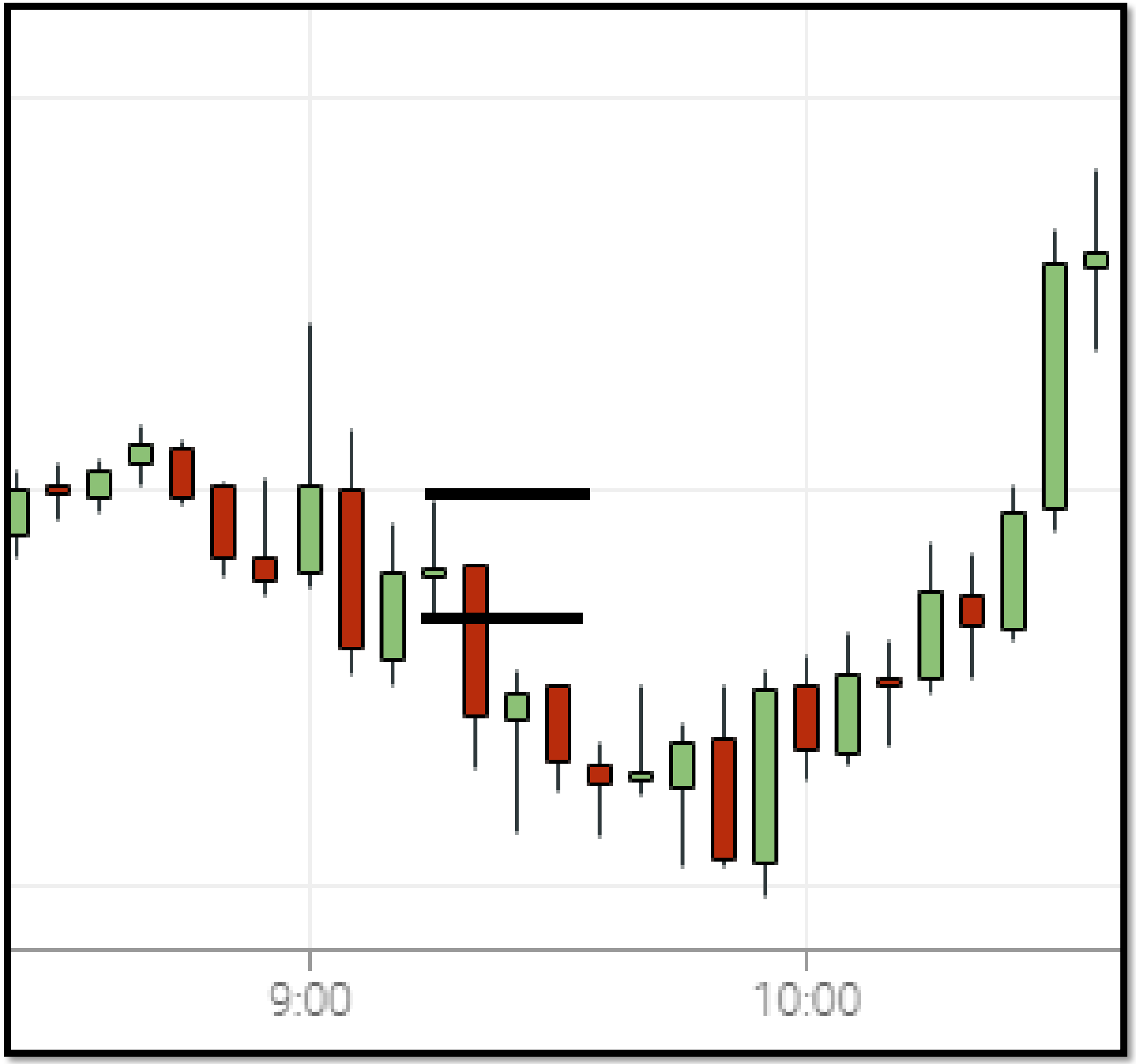
10:00

The closeup on the next page provides better visual.


9:00
10:00

The closeup on the next page provides better visual.

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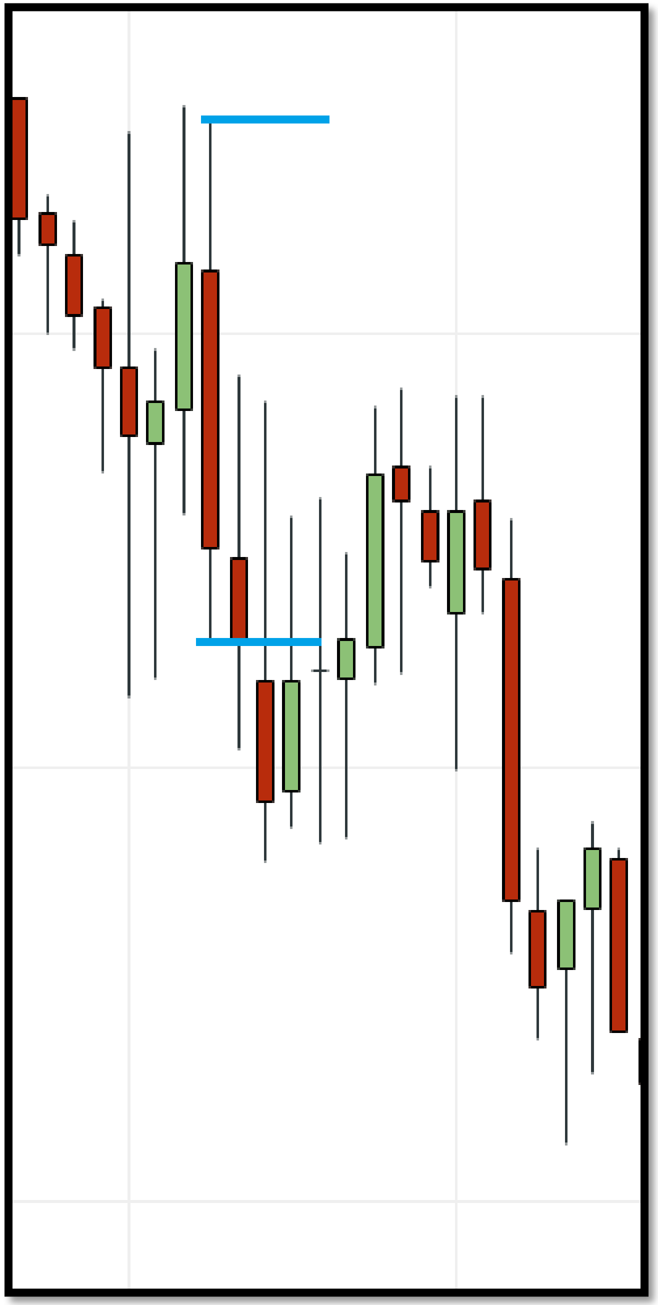

The closeup on the next page provides better visual.

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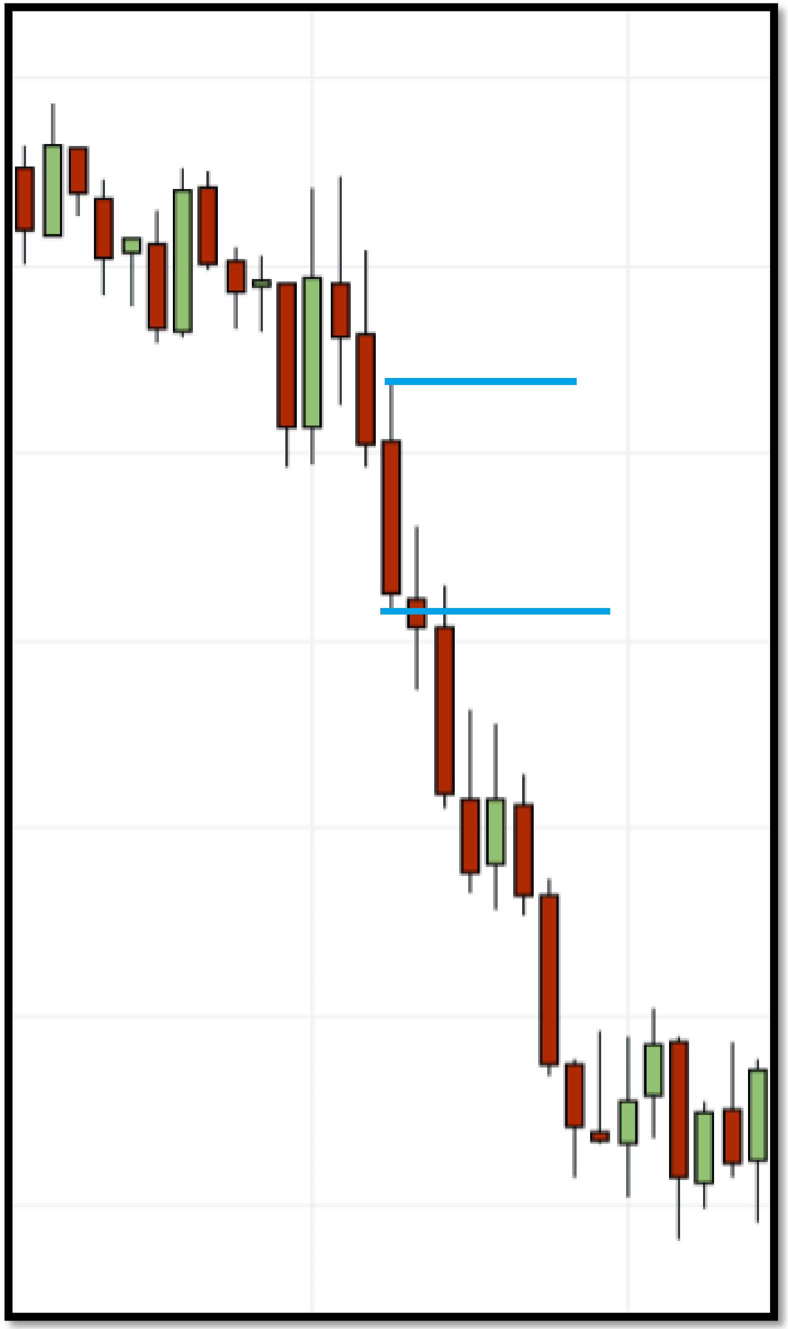

This is an unpleasant example of a spike up and down.

The visual on the next page provides a better view of what happened.

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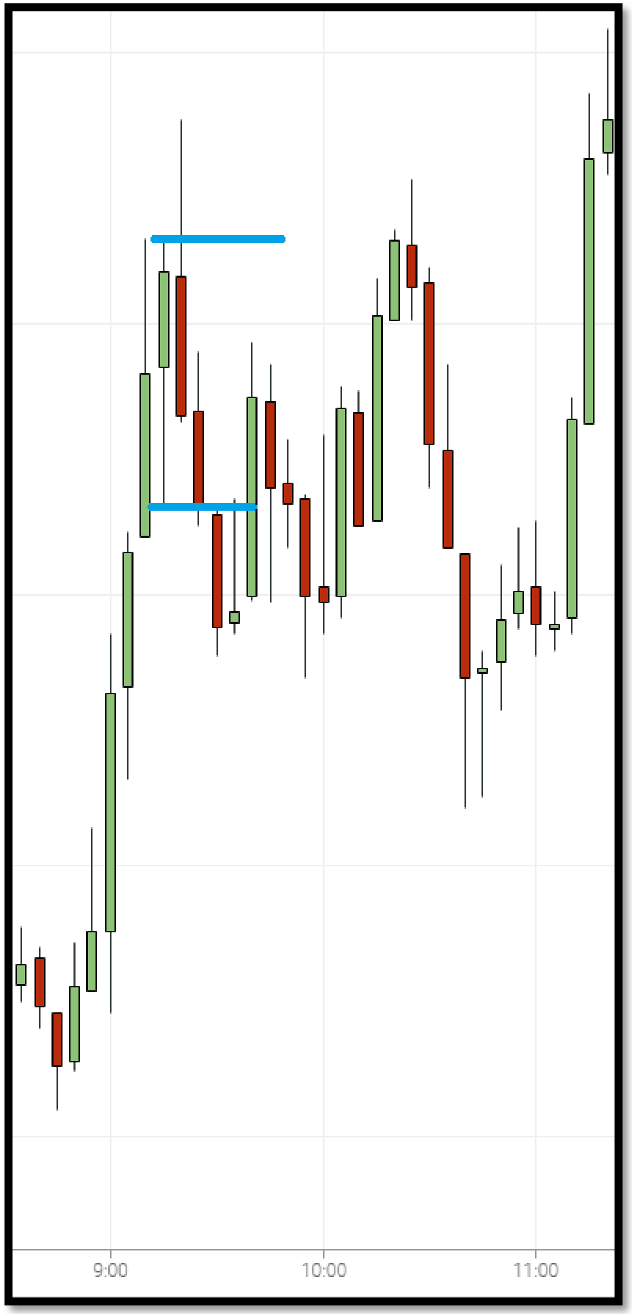
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I don’t think a better visual is needed here.

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I don’t think a better visual is needed here.

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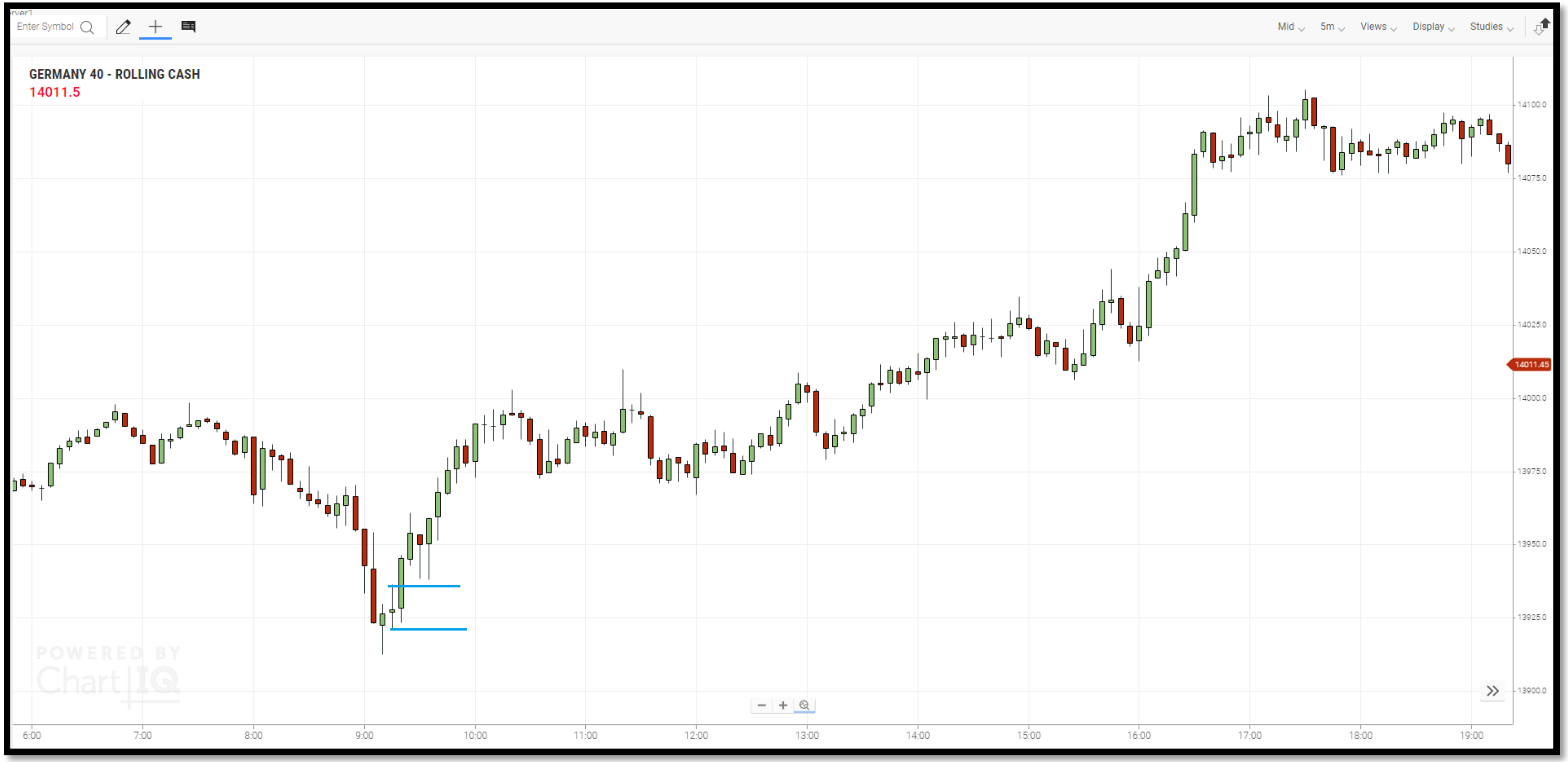

The visual on the next page provides a better view of what happened.

This is a great example of what a horror can look like, and then witness DAX fall 250 points!

You are taken short, I think, and then long.

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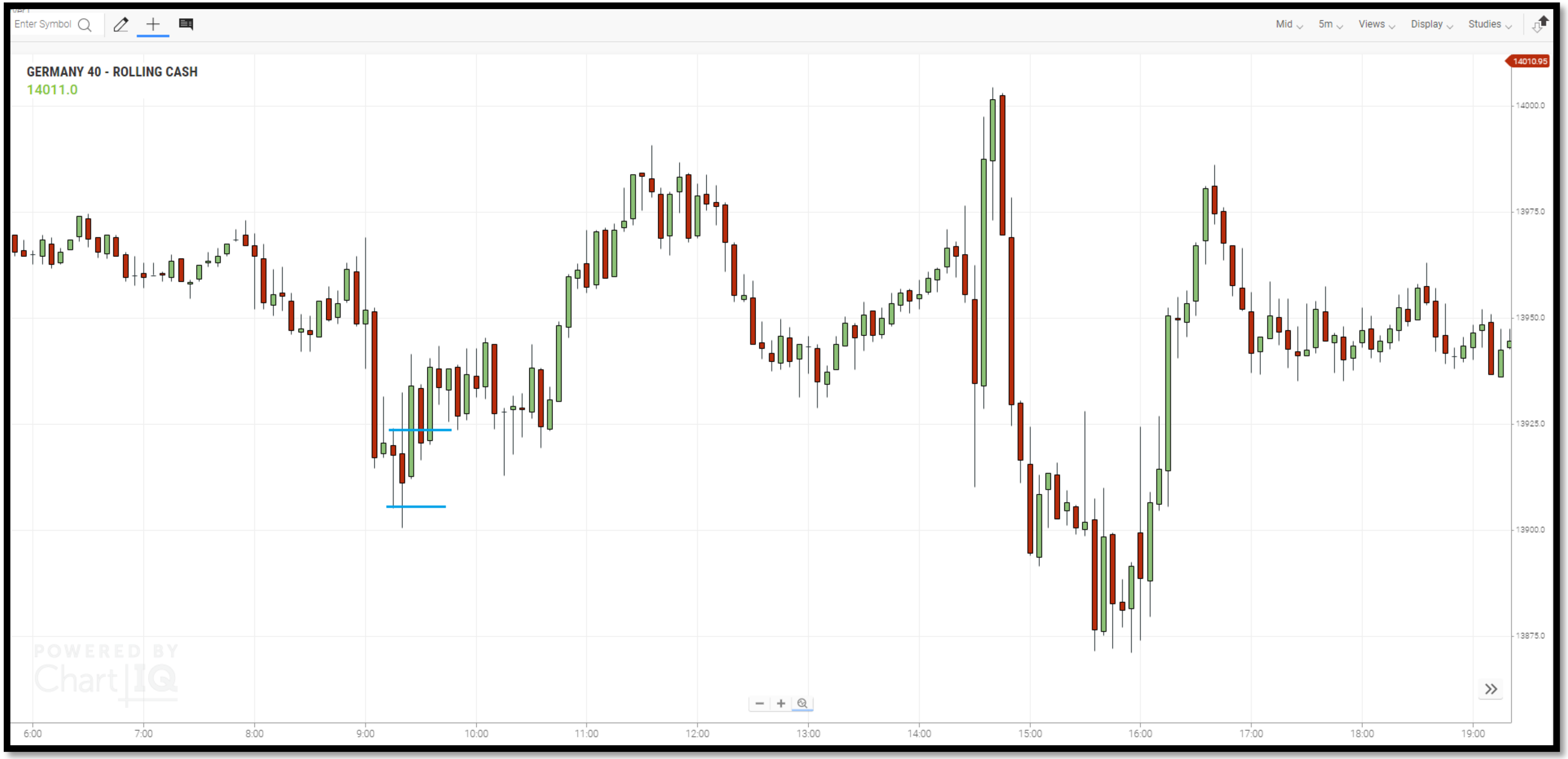

You are taken long and then short.

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Nothing to comment on.

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You are taken short and then long.

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The visual on the next page provides a better image of what happened.

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The visual on the next page provides a better image of what happened.

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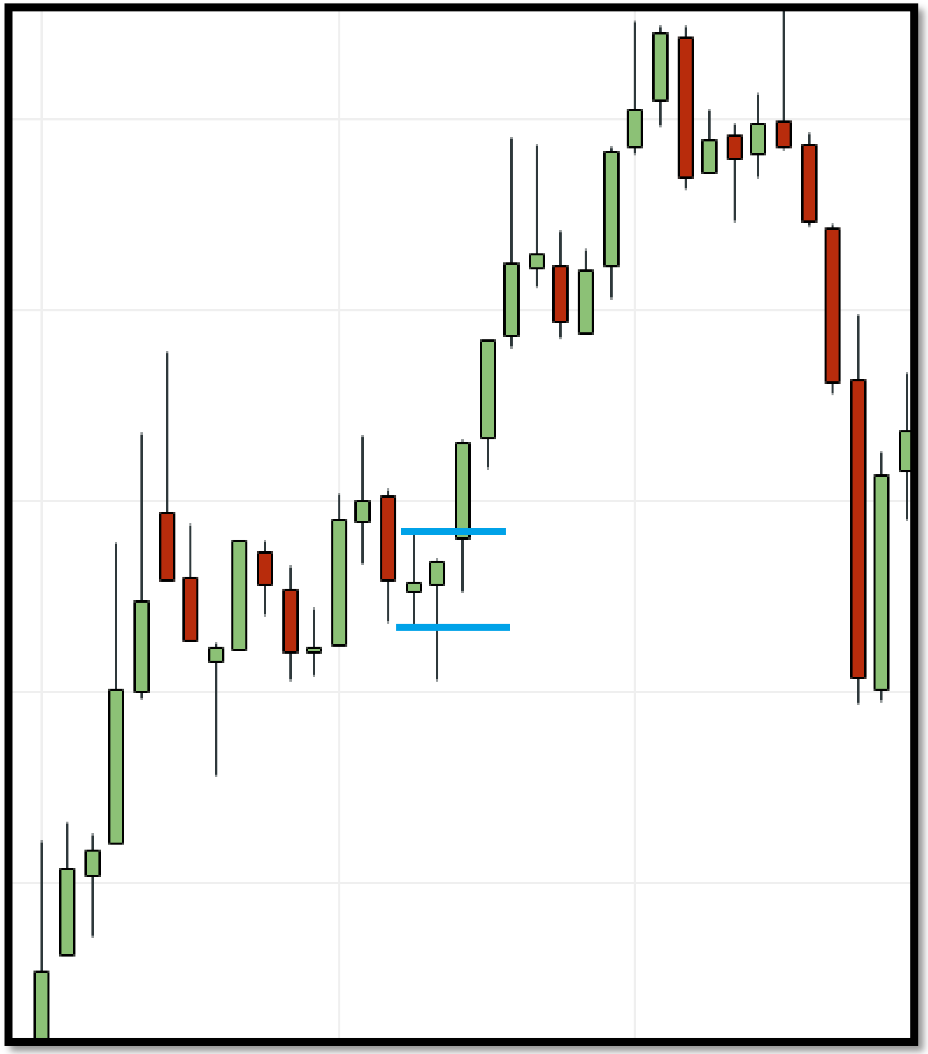

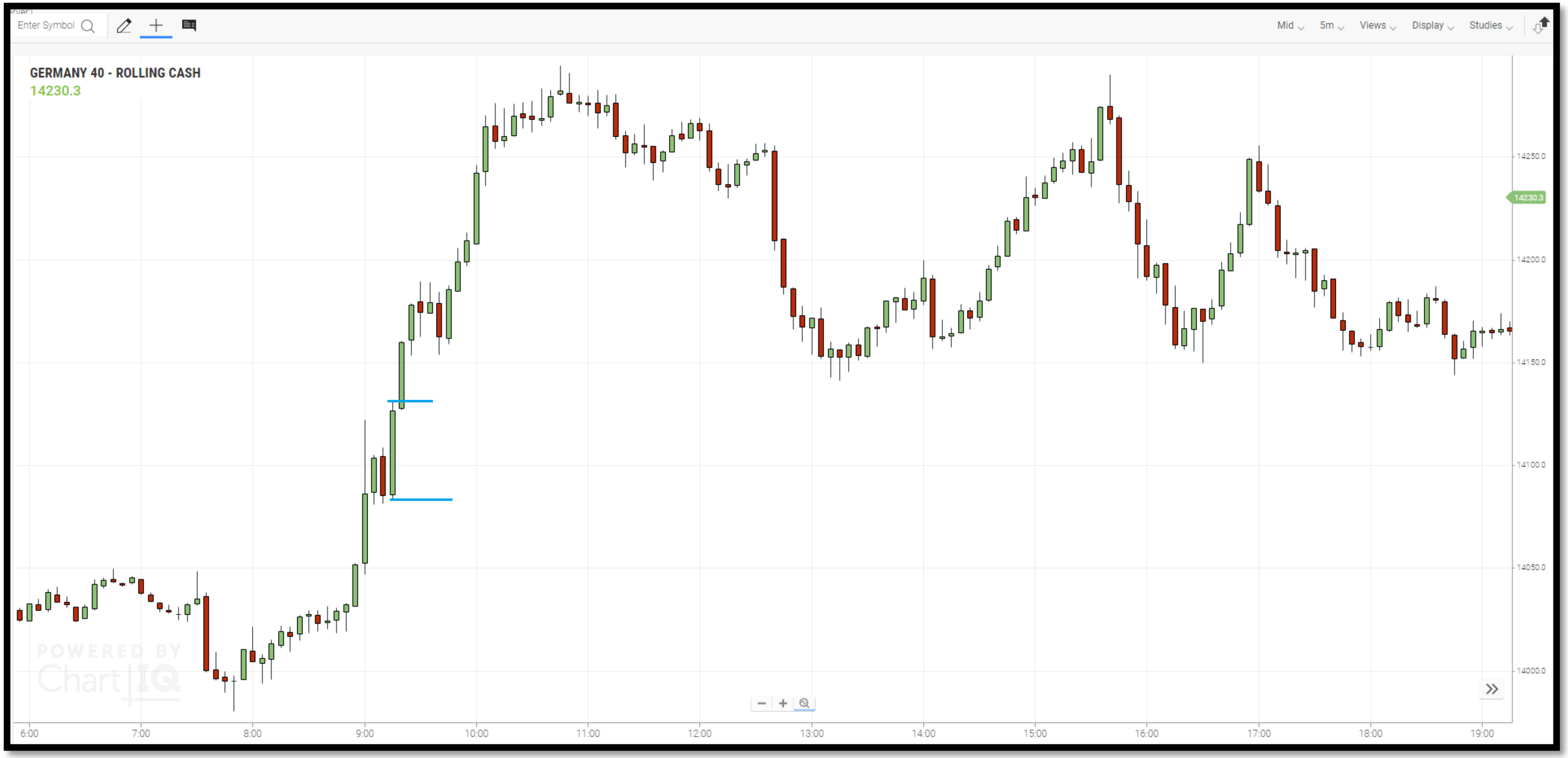
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Views
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Studies
GERMANY 40 - ROLLING CASH
14230.3
14250.0
14230.3
14200.0
14150.0
14100.0
14050.0
14000.0
POWERED BY
ChartIQ
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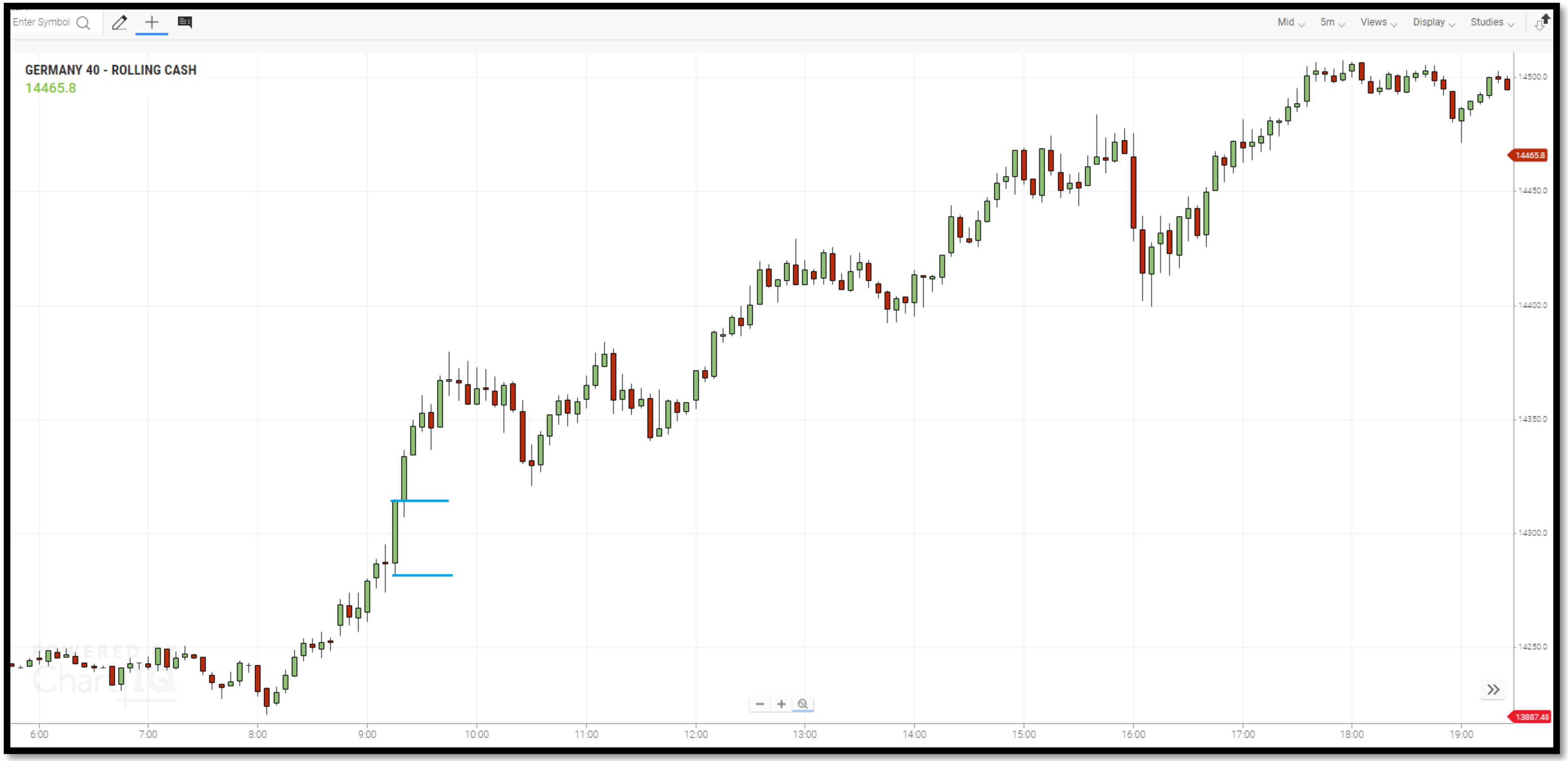
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14300.0
14250.0
13887.48
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Oh wow. This needs to be reviewed in a large format.

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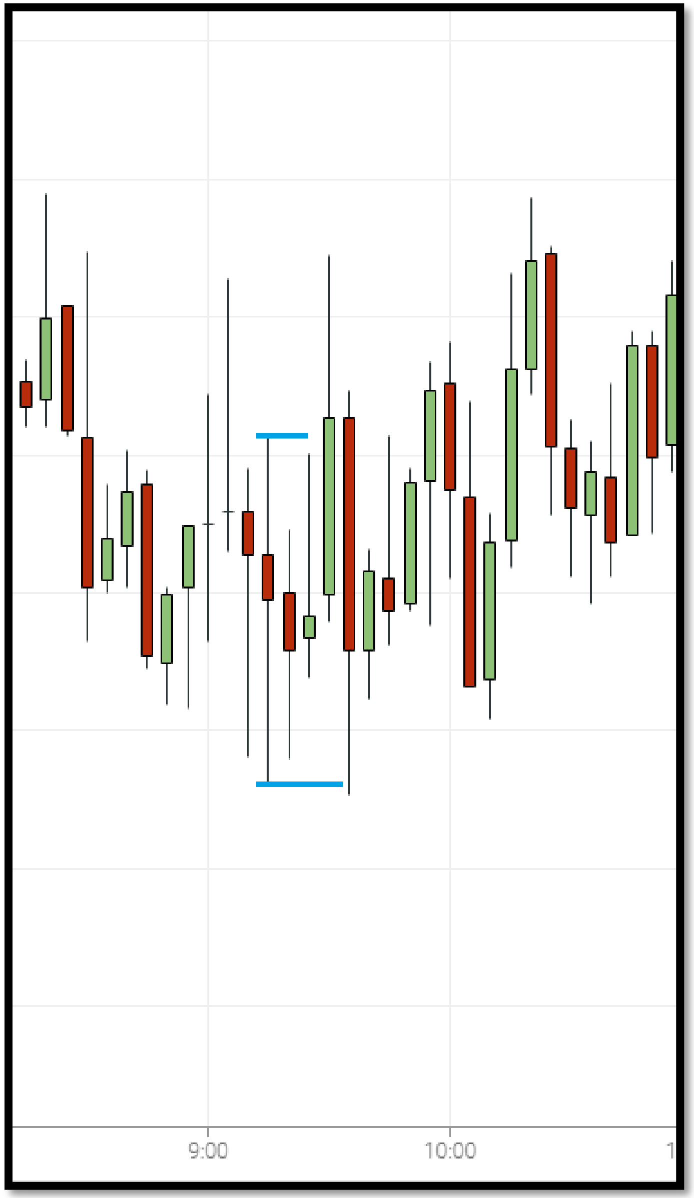

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Studies
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POWERED BY
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Studies
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14800.0
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14750.0
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14700.0
14675.0
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POWERED BY
ChartIQ

This needs to be reviewed in a large format.

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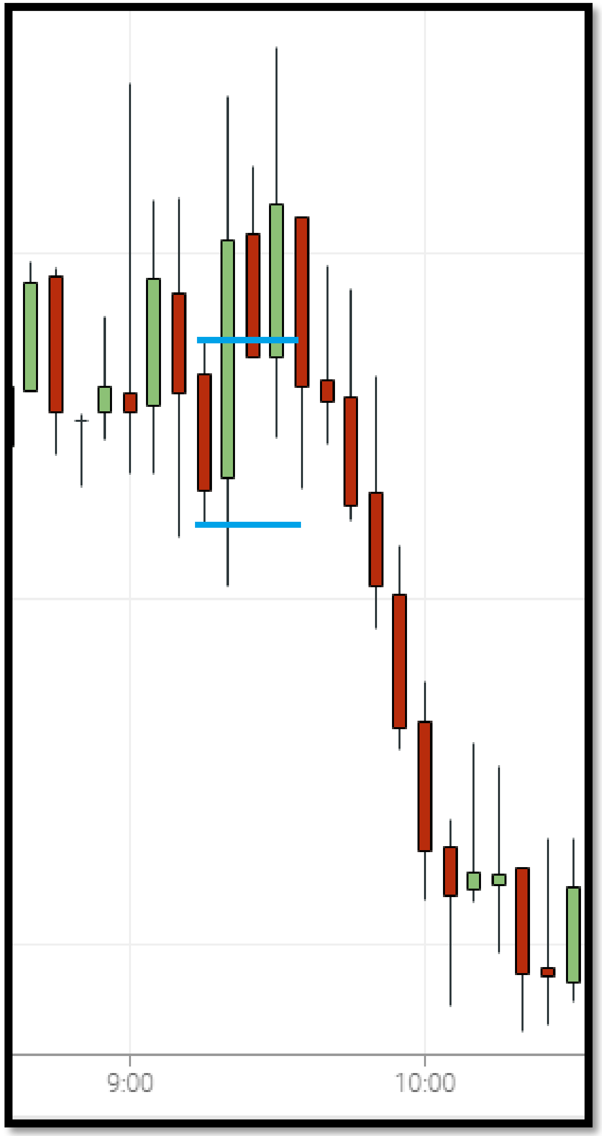
This is most certainly the most troublesome chart yet. The range is narrow too, and with overlapping bars. If you evoked the rule of the 5th bar, you should have managed this situation and you would profited from it.




GERMANY 40 - ROLLING CASH
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Studies
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14975.0
14950.0
14925.0
14900.0
14875.0
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14825.0
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14771.12
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Studies
GERMANY 40 - ROLLING CASH
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The 5th bar rule may have been called into play.

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With the overlapping bars, maybe the 5th bar would have been a better choice of entry.

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Studies
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15237.3
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15200.0
15175.0
15150.0
15125.0
15100.0
14694.88
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Views
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Studies
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15200.0
15190.0
15180.0
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ChartIQ

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Mid
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Views
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Studies
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14950.0
14925.0
14139.84
POWERED BY
ChartIQ
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This one requires a zoom into the details.

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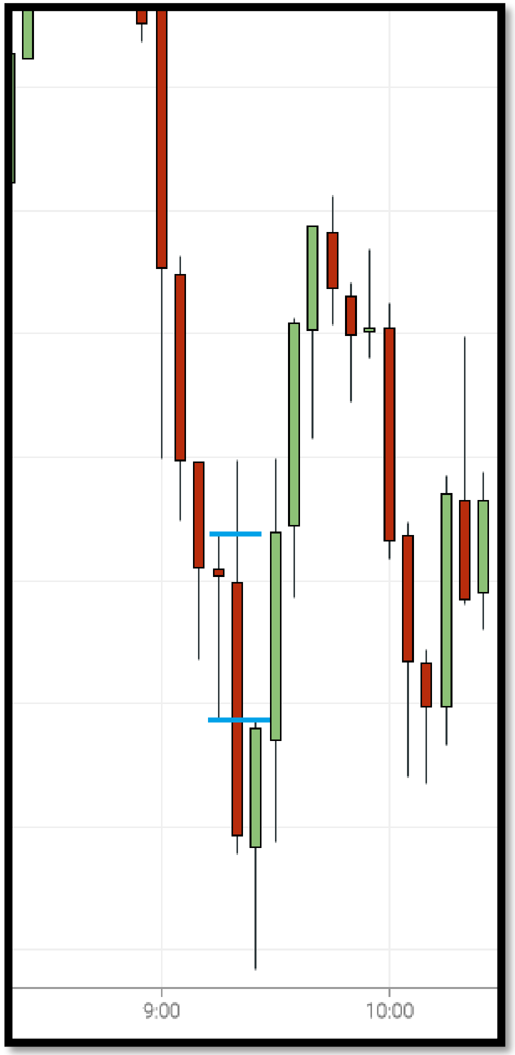
The way I see the chart it would get me long, stop me out, get me short, stop me out, maybe at breakeven, and then take me long again. It is great to have examples like this to lean on for the tricky days. Expect them and then everything else will be a breeze.



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Tricky. Look at the zoom.

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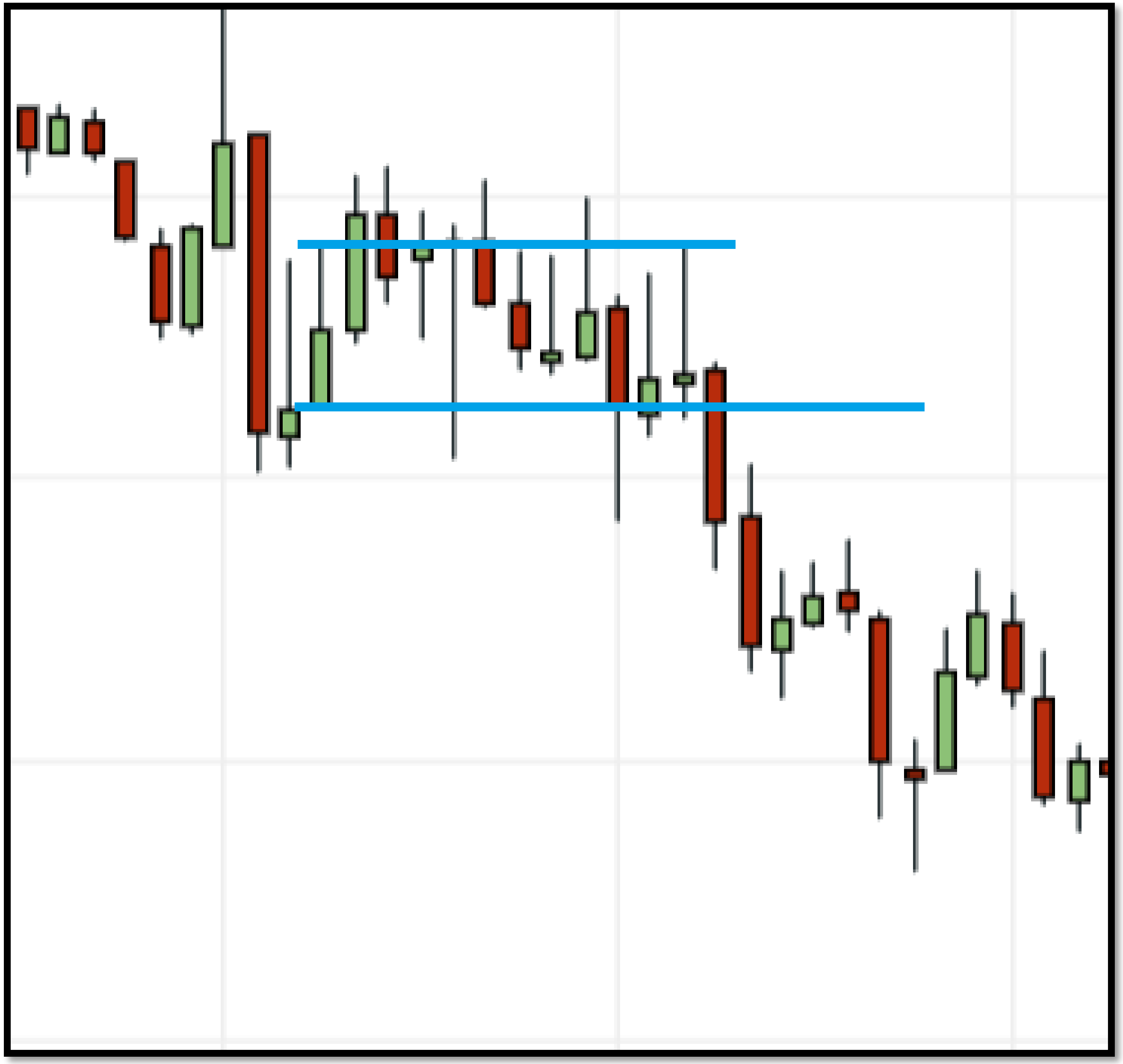


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Studies
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POWERED BY ChartIQ
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Views
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Views
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Studies
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Views
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Studies
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ChartIQ

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Views
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Studies
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CONCLUSION

I am handing over the document to you now. I have traded this strategy ever since I completed the research for the School Run Strategy. It works, but it is not easy to trade. You have to be so ready to accept losses quickly.

You could just stick to the School Run Strategy, and you might be just as happy. Or . . maybe you are like me – always pushing the boundaries, never settling, never really happy unless we are exploring the limits.

Until next time.

Tom Hougaard

Copenhagen 8th May 2023