EminiJunkie.com
Your ES Day Trading Mentor

Day Trading Plan
Key Time, Price and Patterns

Version 2.0 – February 2013

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You are responsible for all the risks and financial resources you use and for the chosen trading system. You should not engage in trading unless you fully understand the nature of the transactions you are entering into and the extent of your exposure to loss. If you do not fully understand these risks you must seek independent advice from your financial adviser. All trading strategies are used at your own risk. This software should not be relied upon as advice or construed as providing recommendations of any kind. It is your responsibility to confirm and decide which trades to make. Trade only with risk capital; that is, trade with money that, if lost, will not adversely impact your lifestyle and your ability to meet your financial obligations.

MEMBERS ONLY FORUM

As of this writing, we have a Member's Only Forum that can be accessed by applying on your first visit... Simply enter your user name, email and choose a password. Once you have completed the process please allow up to 24 hours for approval. I encourage you to use this Forum to ask questions of each other and of me. The Forum has many many hours of free training videos and sample chart templates that can be downloaded for multiple platforms. I will try and answer as many questions as possible in both the Member's Only Forum and Live Trading Room.

We are in the process of switching content over from the live forum to the member's section of the main website. Depending on when you accessing this trading plan we may have already move the content from the forum. Please look around in the member's area of our site and become familiar with all the training available online.

TRADING SESSIONS

I break the ES futures market down into 6 major trading sessions each day based on New York Time.

Pre-Market	8:30AM	-	9:30AM
Session 1	9:30AM	-	11:30AM
Dead Zone	11:30AM	-	1:15PM
Session 2	1:15PM	-	3:00PM
End of Day	3:00PM	-	4:15PM
After Hours	4:30PM	-	8:30AM

As Emini Junkies, we focus our Trading Plan on trading Sessions 1 and Sessions 2. Trades can be taken in the other sessions, but offer a lower probability of success. It is my experience that the best time to trade both our Basic Trading Plan and the KIS Trading Plan is from after the morning news announcements until the end of the first session (8:30-11:30AM EST). If you are not comfortable trading during the Pre-Market, you can wait until after the open. During the Pre-Market and After Hours our Market Internals (^TICK, ^UVol-^DVol, and ^ADVN-^DECL) do not chart which takes away part of our market feel making these sessions more dangerous. The Dead Zone typically has less volume and tends to chop back and forth. The End of Day session has extreme volume and volatility making it more dangerous as well. In our live trading room we focus on Session 1 as our primary trading time. Although Session 2 is historically profitable, it has a tendency to average about 1/2 the profit factor of the morning session. I feel your time is better spent with laser sharp focus trading the morning only. Please note: If you are trading the KIS System focus on taking trades in the direction of the KIS Tool EJ Bias from 8:30-11:30 EST,

KEY REVERSAL TIMES

There are 6 major reversal times on the ES. Although there is no guarantee that the market will reverse at these times of day often you will get some counter trend price action. These times serve as a heads up of what might happen and no trades should be taken based on these times alone, but these times should be factored in to your awareness when initiating a trade based on our rules. Our Inside the Edge Training is a more in-depth look at reversal levels and volume rotation and should be studied only after completion of the Basic Trading Plan and KIS Trading Plan.

9:55AM - 10:15AM

This is the first reversal time and most significant. This is the period after most pre-market orders have cleared from the open and price is trying to establish its 1st hours trading range. Look for a gap fill during this reversal time period. During the 10:45AM-10:50 time-frame institutional investors are looking to see which way the market is going to move throughout Session 1. If we are trending after 10:50AM look for a continuation of the trend into the next reversal period. If at 10:50 our price action is ranging, look for the range to hold until the next reversal period.

11:15AM - 11:30AM

This is the second reversal time and marks 2 very important periods. This time is where traders of Session 1 tend to take profits prior to the lunch time Dead Zone and it is also is a point where the prevailing trend is resisted. Often you will see a counter trend movement start or potentially a trend reversal.

12:10PM - 12:15PM

This is the third reversal period and is not as important as the previous 2 reversal time-frames. This is a reversal which usually happens during the lunch time Dead Zone and often has less volume. This move is usually directionless and the price action could go either way or consolidate.

1:15PM - 1:30PM

This is the fourth reversal period and marks the beginning of Session 2. Often during this period we would expect a retest of prior tops or bottoms and sets the stage for price action movement into the next reversal time frame.

2:25PM - 2:35PM

This is the fifth reversal period and marks the time when most all traders are back from lunch. If we have been in a counter trend movement from the day's session, this is the time frame when we would expect a resumption of trend.

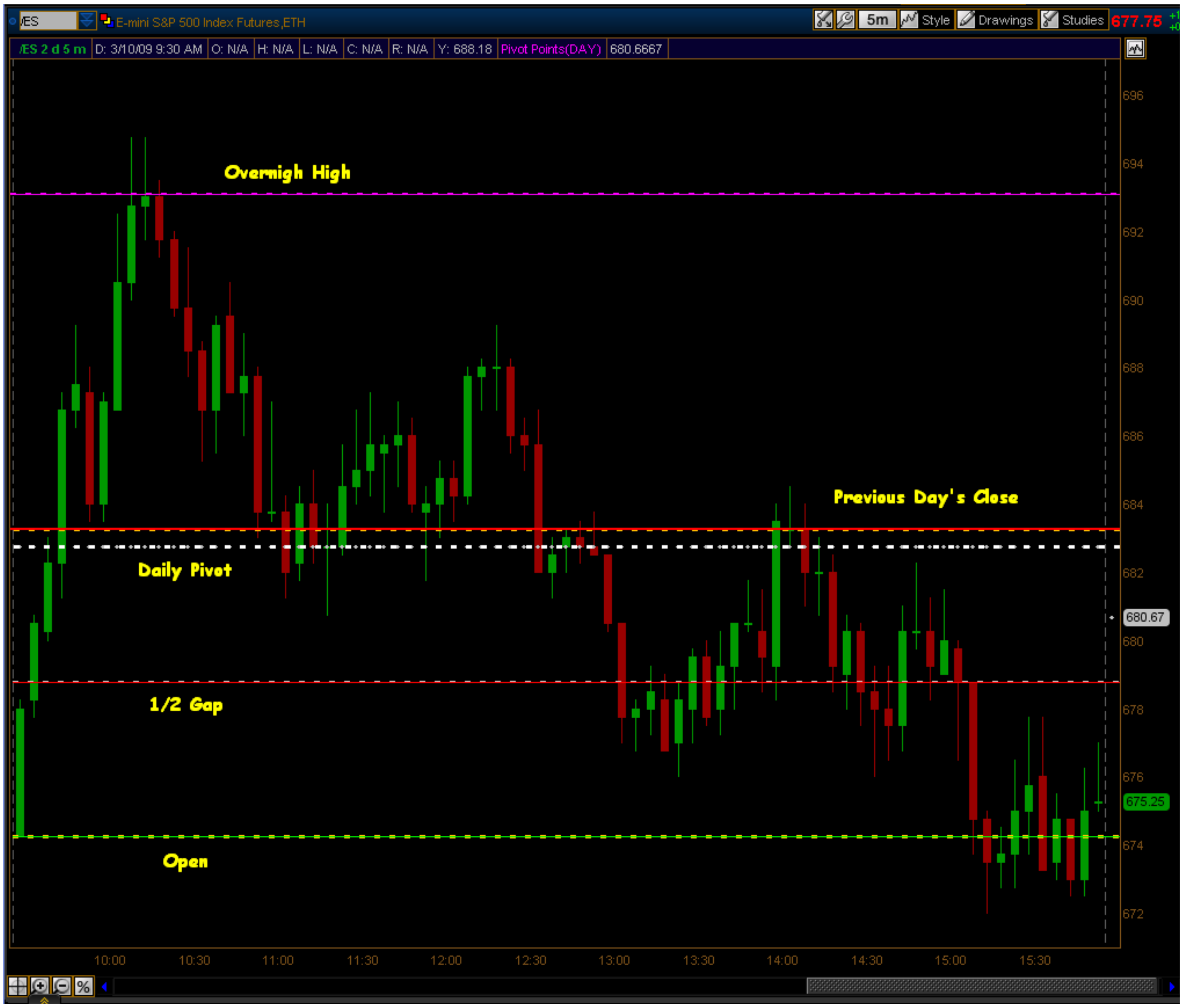
3:25PM - 3:30PM

This is the sixth and final reversal period. The market gets several conflicting indications during this period as daily profits are being taken and margin calls start to hit the market. Trading during the last 1/2 hour of the day gets very confusing and should be avoided.

KEY PRICE LEVELS

There is a saying that goes "price action discounts everything" and nowhere in the markets is this more self evident than when trading ES futures. Although price is king there are several key price levels that act as common support and resistance. There are 10 levels I track daily, the previous day's high, the previous day's low, the overnight high, the overnight low, the previous day's 4PM close (Gap), the daily pivot based on the 4PM close, the open, the 1/2 way point between the open and the previous day's close (1/2 Gap), the daily high, and the daily low.

The above chart is a 15 minute candle chart showing the 24 hour data with the key price levels identified. Notice how price action reacts to these levels during the trading day. My Pivots is a good site to verify most future contracts key price levels.



This chart is a 5 minute candle chart showing the trading hour's only data of the previous chart. In this zoomed in view you can see how the price reacts to the previously defined levels throughout the day. Take notice how these price points act as "zones" of support and resistance multiple times. Although every day is different we see these areas repeat over and over when trading the ES.

KEY PRICE PATTERNS

There are several price patterns that repeat themselves over and over on all time-frames when trading the ES. My intent with this section is to identify the 8 key patterns I stay cognizant of while trading. The profit targets discussed are independent of our individual trade target objective but nonetheless are important.

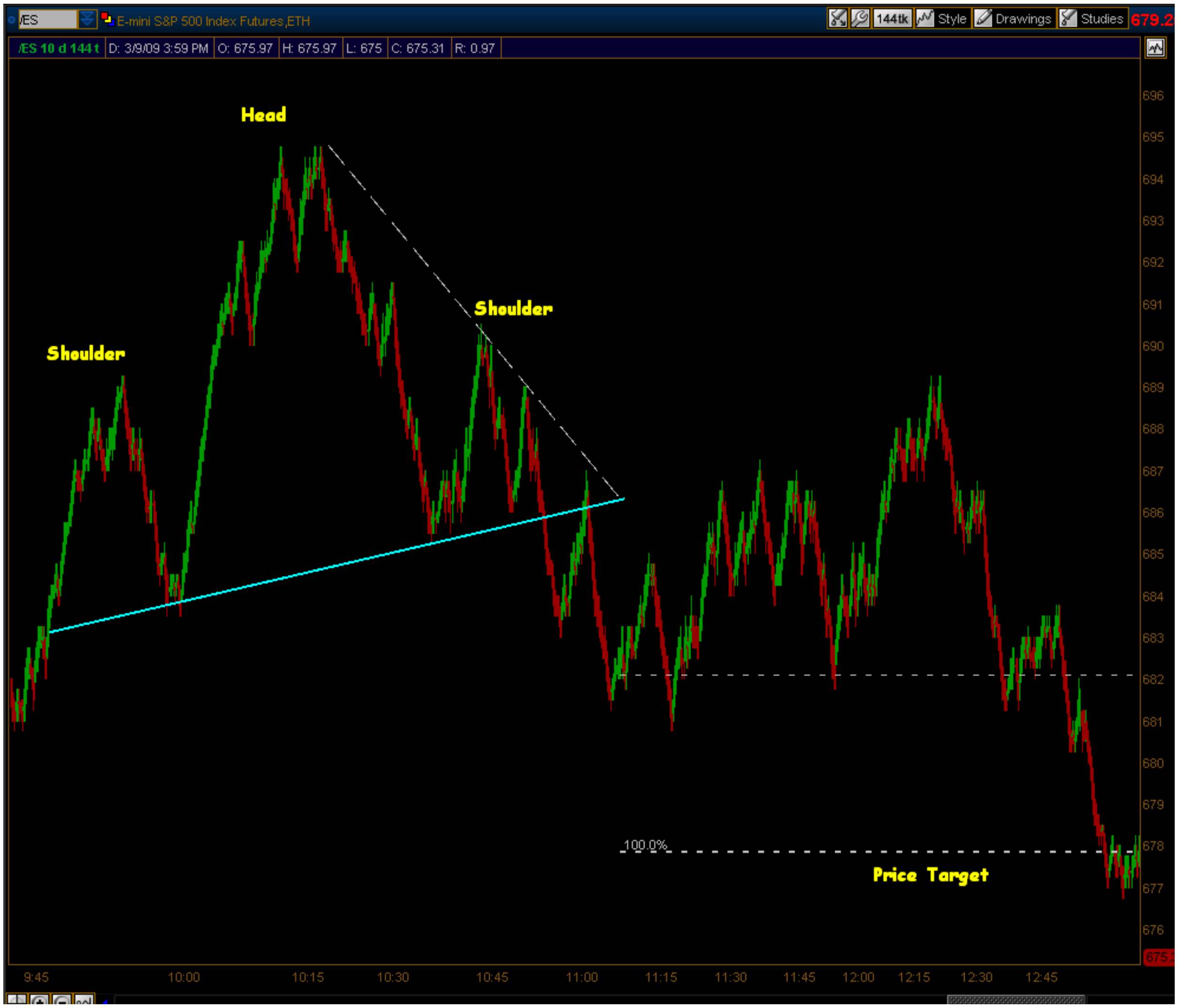
DOUBLE TOP

Double Tops – Double tops are considered bearish and are formed when price makes a new high pulls back to its key support level and then buyers push the market up towards the previous high. This "M" pattern creates a neckline at its base. Once price action trades down below the neckline we should expect the market to follow through to the downside a distance equal the distance between the tops and the neckline or a 100% extension down.

DOUBLE BOTTOM

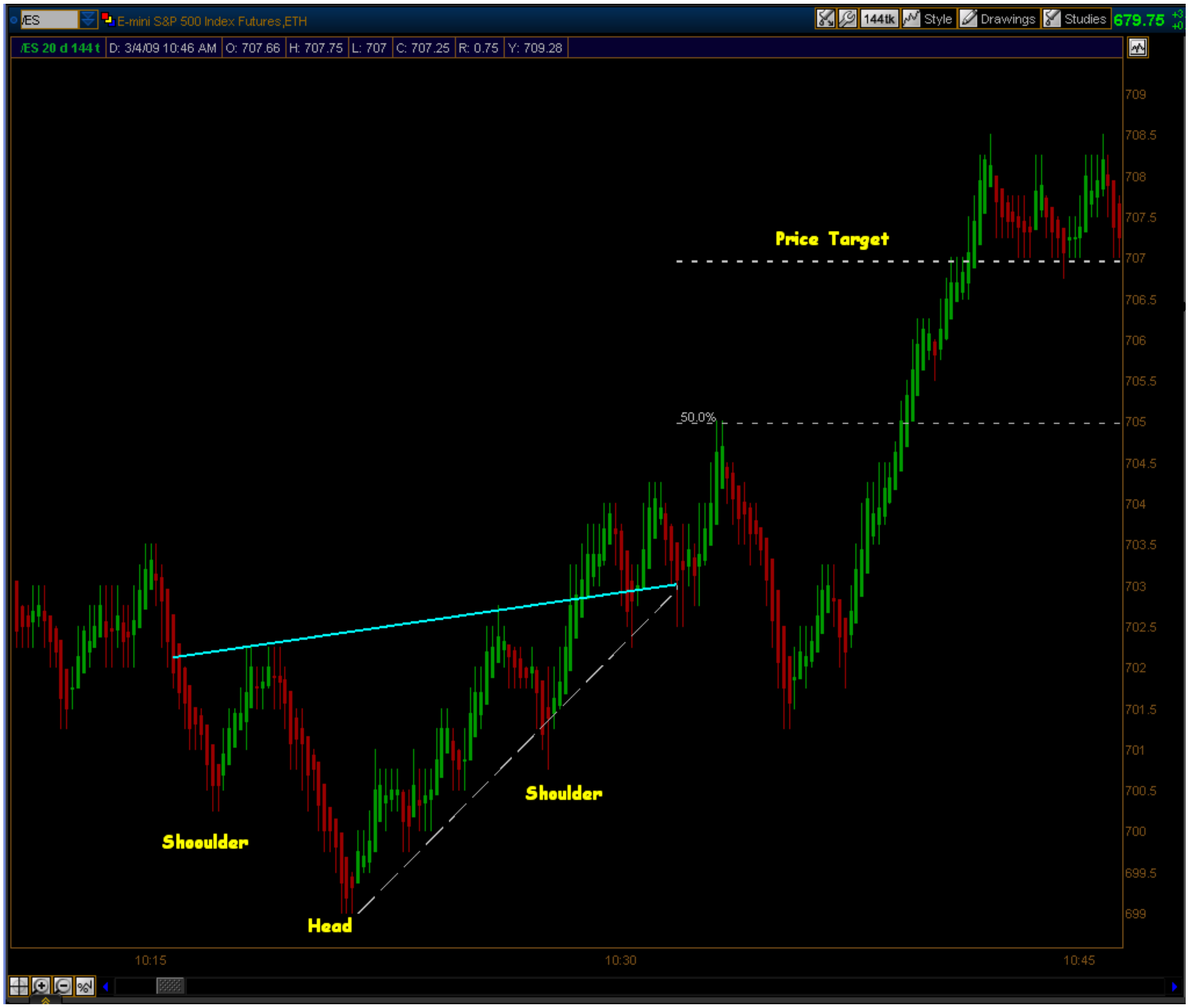
Double Bottoms - Double bottoms are considered bullish and are formed when price makes a new low pushes up to its key resistance level and then sellers push the market back down towards the previous low. This "W" pattern creates a neckline at its top. Once price trades up above the neckline we should expect the market to follow through to the upside a distance equal the distance between the bottoms and the neckline or a 100% extension up.

HEAD & SHOULDER



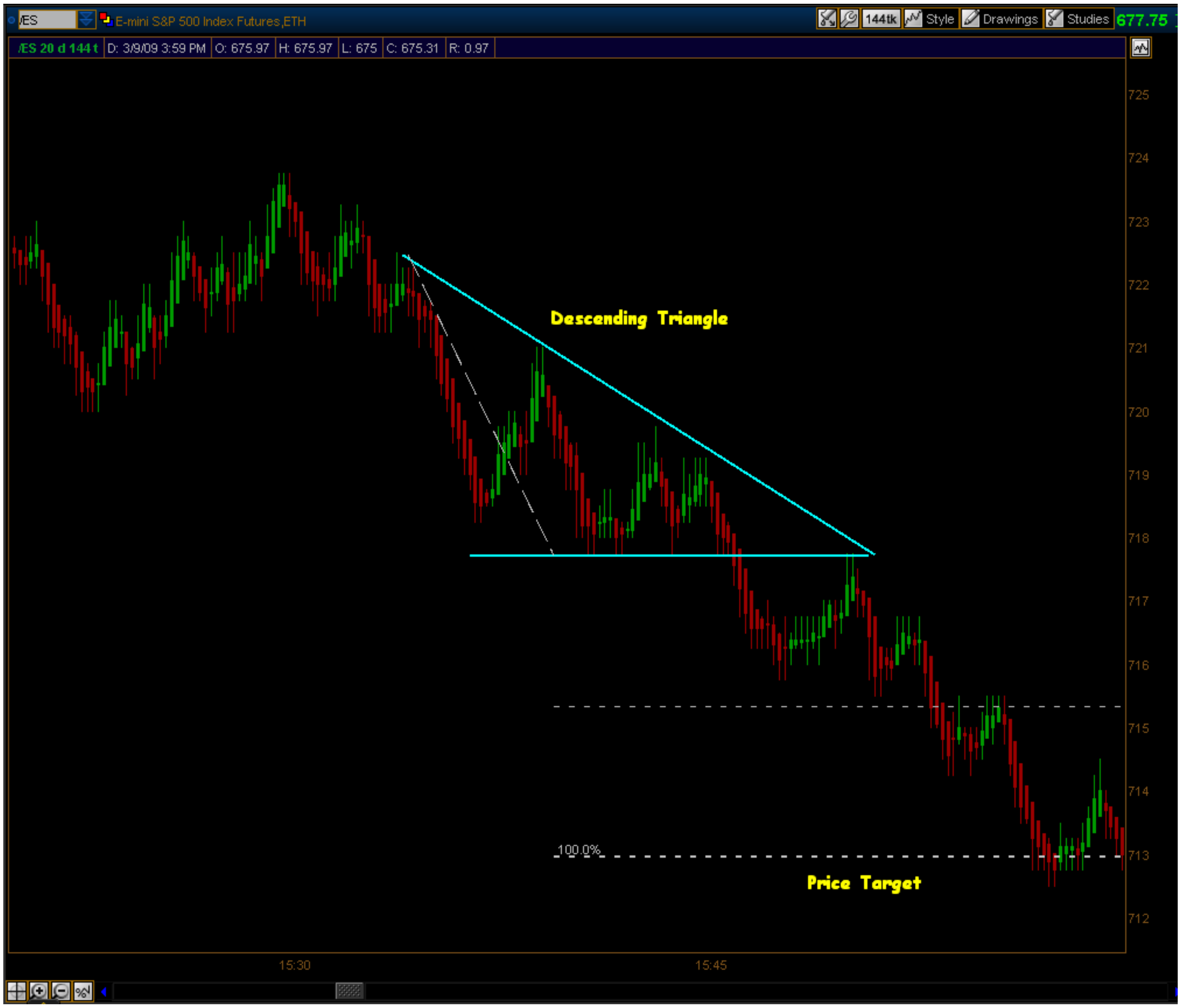
Head & Shoulders – The head & shoulders are considered bearish and the pattern is similar to a triple top, but the middle peak extends above the high of the first peak (left shoulder). Then the markets trades up off the neckline again to make a lower high (right shoulder) approximately the same height as the left shoulder. Note the neckline does not have to be perfectly horizontal. Once price action trades down below the neckline we should expect the market to follow through to the downside a distance equal the distance between the top of the head and the neckline or a 100% extension down.

INVERTED HEAD & SHOULDER



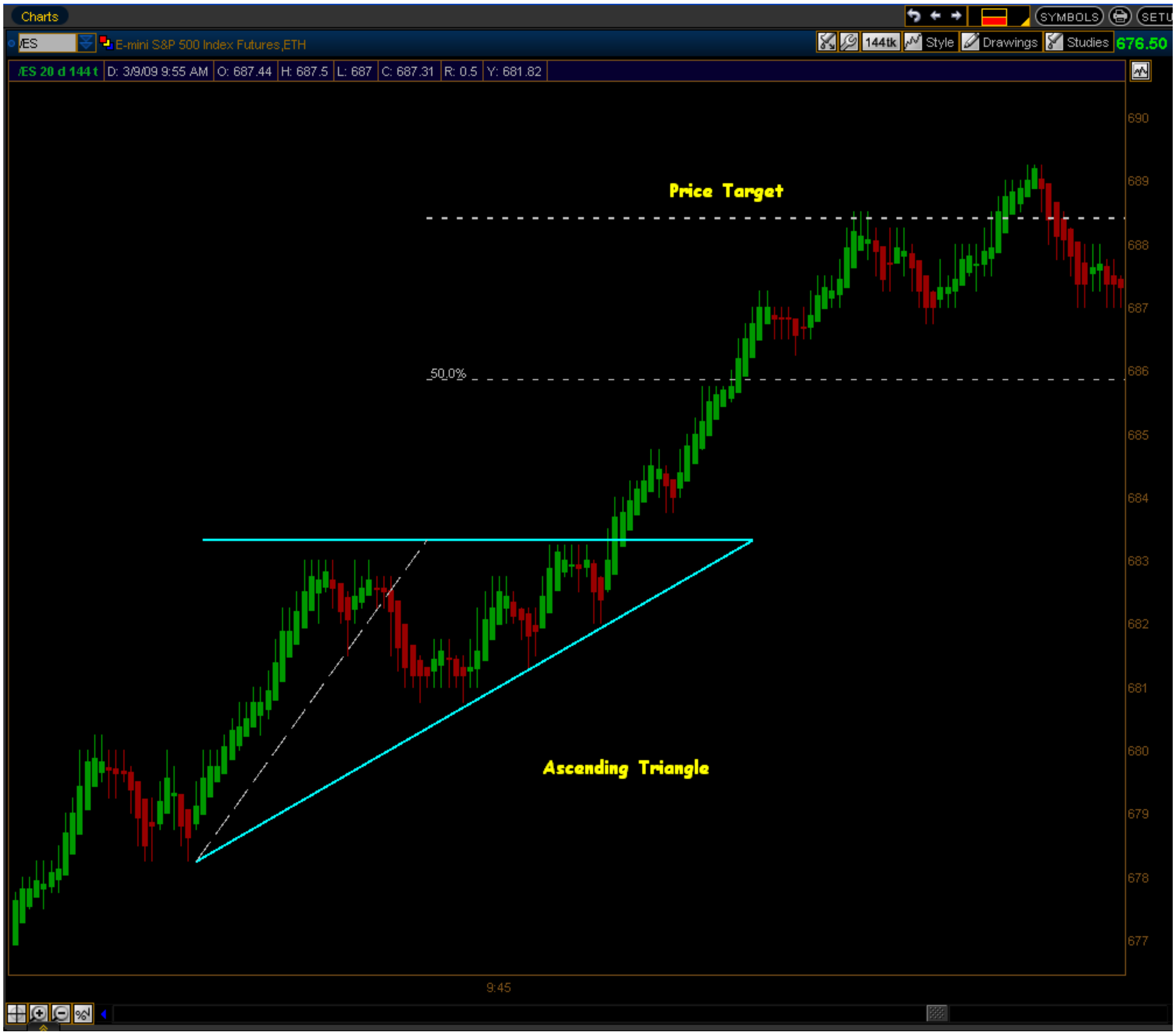
Inverted Head & Shoulders – The inverted head & shoulders are considered bullish and the pattern is similar to a triple bottom, but the middle peak extends below the low of the first trough (left shoulder). Then the markets trades down off the neckline again to make a higher low (right shoulder) approximately the same height as the left shoulder. Note the neckline does not have to be perfectly horizontal. Once price action trades up above the neckline we should expect the market to follow through to the upside a distance equal the distance between the bottom of the head and the neckline or a 100% extension up.

DESCENDING TRIANGLE



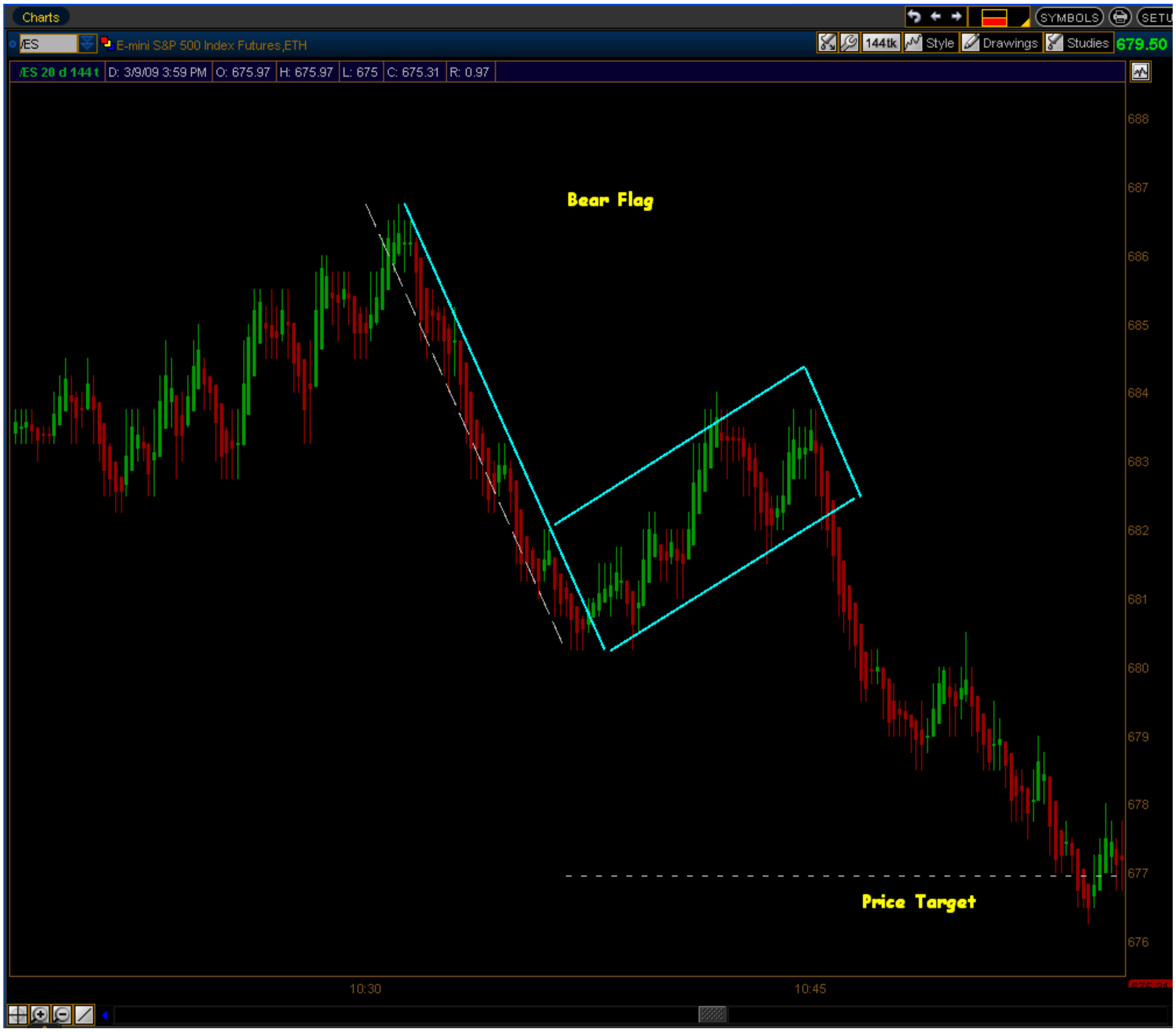
Descending Triangle - Descending triangles are considered bearish. The bottom part of the triangle appears flat while the top is making lower highs. We often see this pattern when markets are coming off their tops. After the market makes its high, it starts to lose its steam and forms lower high each time. Once price action trades down below the bottom of the triangle we should expect the market to follow through to the downside a distance equal the distance between the top of the initial swing down and the bottom of the triangle or a 100% extension down.

ASCENDING TRIANGLE



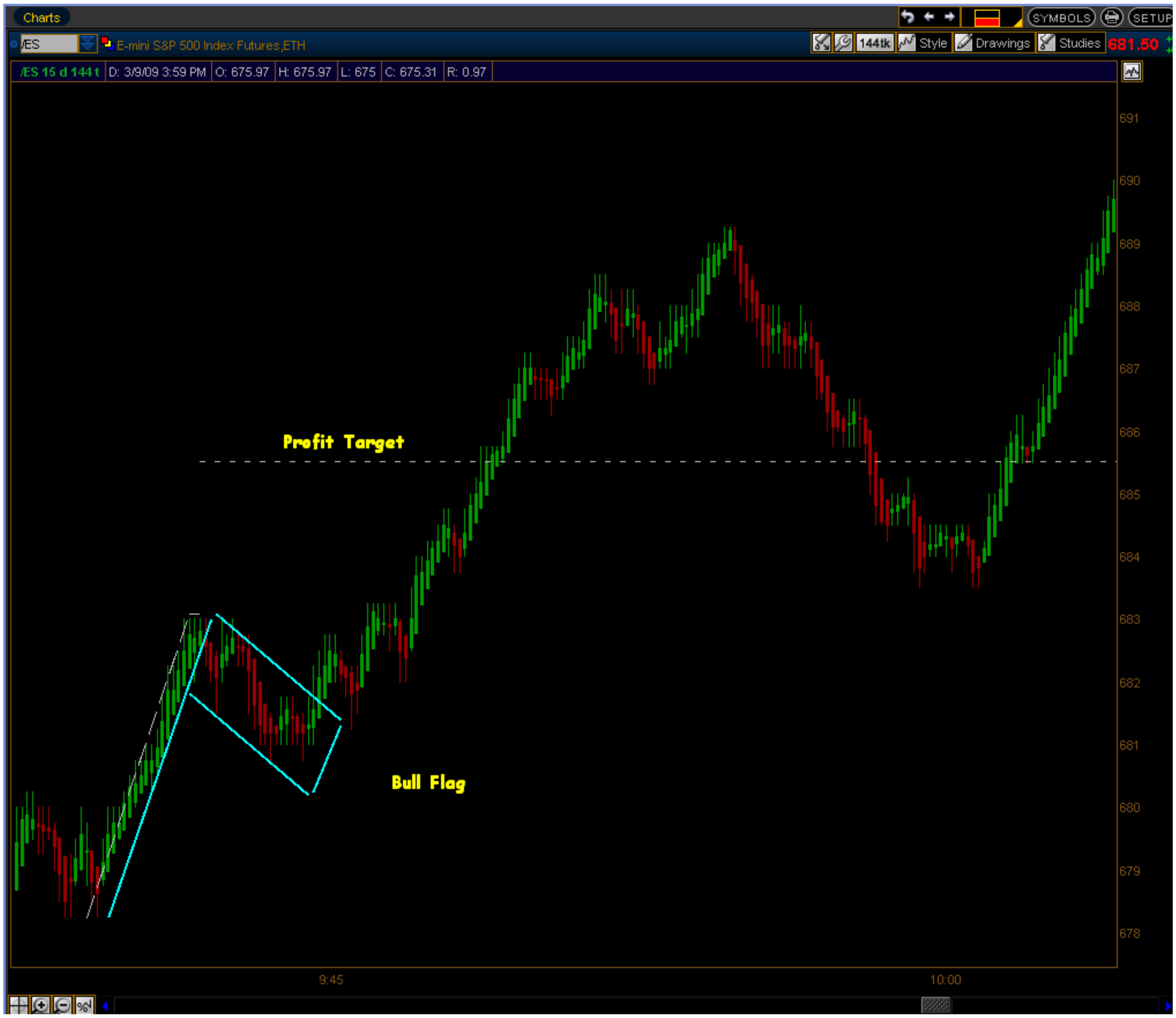
Ascending Triangle - Ascending triangles are considered bullish. The top part of the triangle appears flat while the bottom is making higher lows. We often see this pattern when markets are coming off their bottoms. After the market makes its low, it starts to lose its downward pressure and forms higher lows each time. Once price action trades up above the top of the triangle we should expect the market to follow through to the upside a distance equal the distance between the bottom of the initial swing up and the top of the triangle or a 100% extension up.

<u>BEAR FLAG</u>



<u>Bear Flag</u> – Bear flags are considered bearish and are formed during a pull back prior to a continuation move to the downside. Ideally a flag will pull back (retrace) 50% of its original swing's (pole) length. Once the uptrend line on the flag is broken to the downside we should expect the entire move down (from high to low) to be the same length as the original pole. On a 50% retrace this would equal a 50% extension to the downside off the original poles length.

BULL FLAG

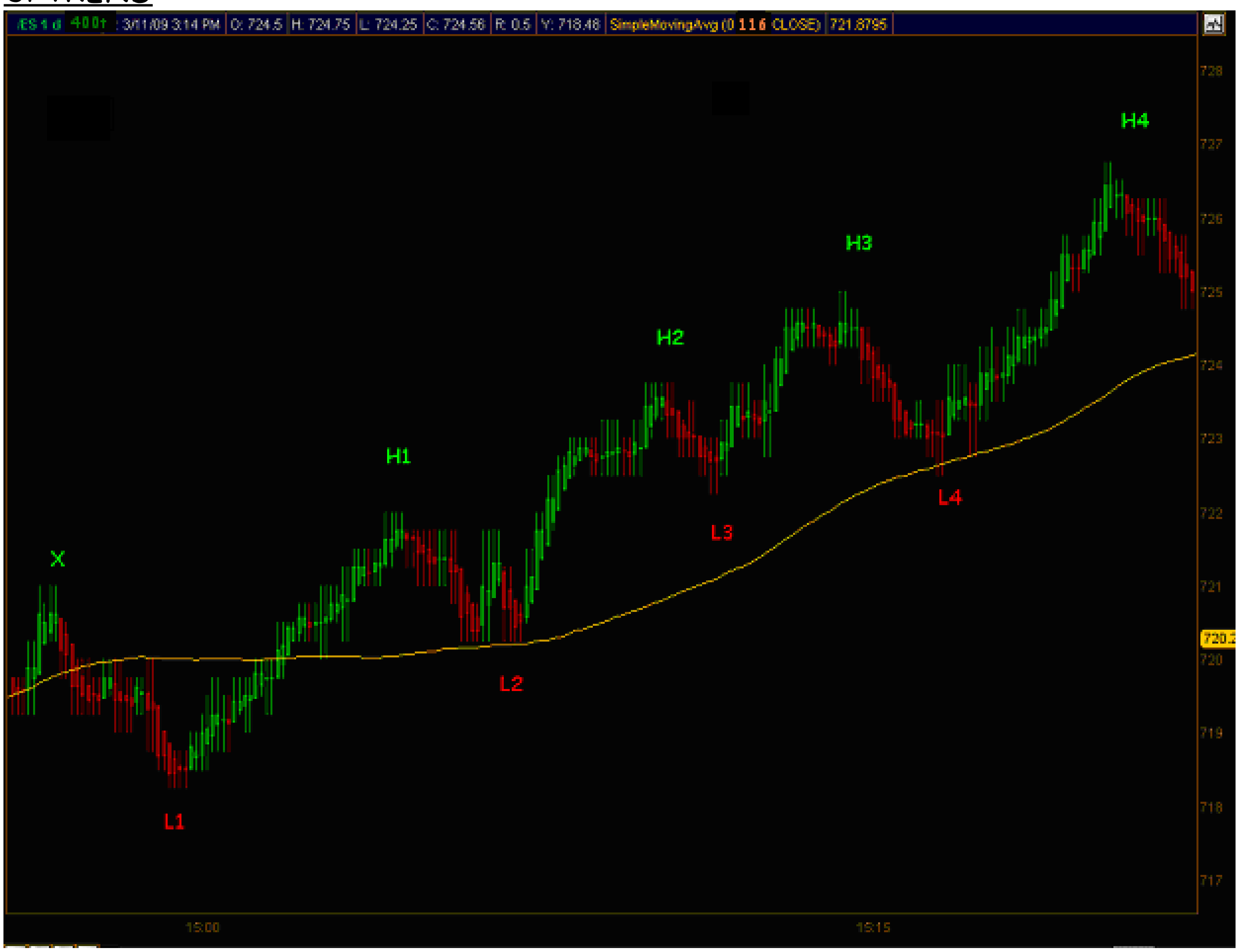


Bull Flag – Bull flags are considered bullish and are formed during a pull back prior to a continuation move to the upside. Ideally a flag will pull back (retrace) 50% of its original swing's (pole) length. Once the downtrend line on the flag is broken to the upside we should expect the entire move up (from low to high) to be the same length as the original pole. On a 50% retrace this would equal a 50% extension to the upside off the original poles length.

SWING HIGHS / SWING LOWS

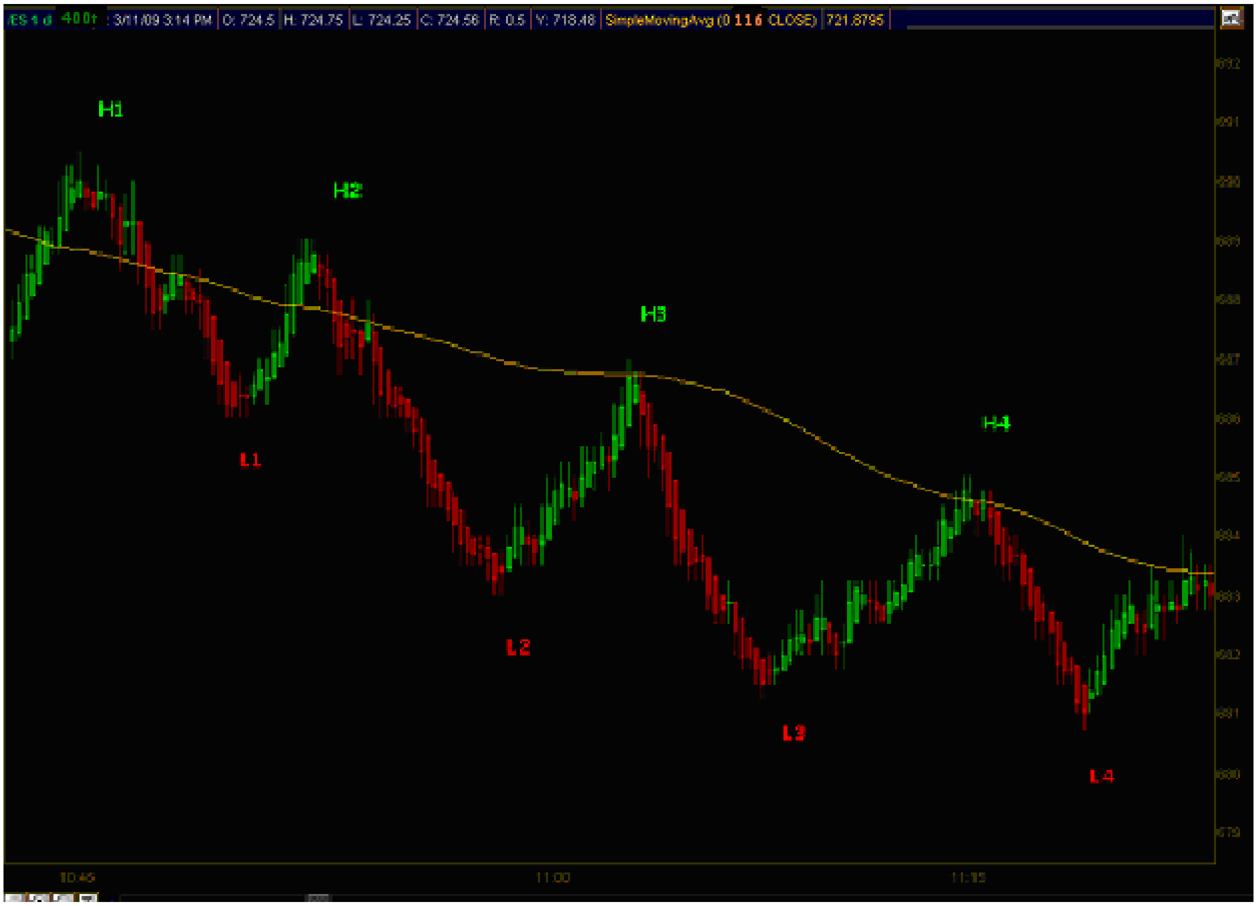
One of the keys to understanding price action is to accurately be able to determine market direction. The way we define direction is by association of swing highs and swing lows to one another in relation to our 116 period SMA(Gold Line) on our 400t.

<u>UPTREND</u>



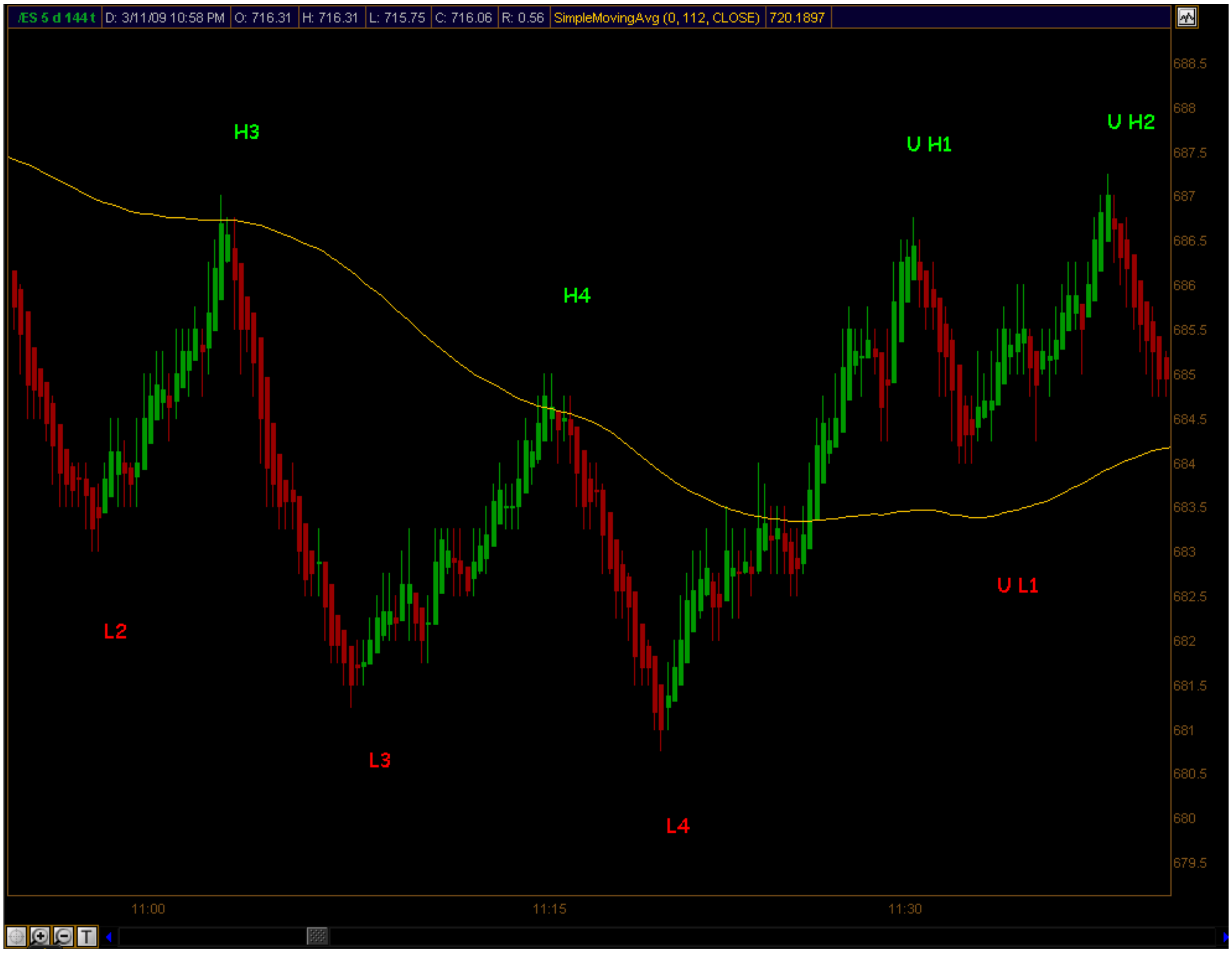
Notice on our 400 tick chart how the positive slope of the 116 SMA (gold line) corresponds with the series of higher highs and higher lows in this uptrend. We call the movement between L1 and H1 as Swing 1 and the movement between H1 and L2 as Retrace 1. When price moves above X, L1 becomes our most recent active low. L2 does not become our most recent active low until price creates a new high above the high at H1. Once we retrace off H2, L3 does not become our most recent active low until price creates a new high above the high at H2 etc. We will remain in an uptrend until which time our most recent active low is penetrated to the downside and we can not establish a higher high. Once we establish a series of lower highs and lower lows with a negative slope on the 116 SMA (gold Line) we then have a trend reversal. In the above graph H1, H2, H3 and H4 are all swing highs while L1, L2, L3 and L4 are swing lows.

<u>DOWNTREND</u>



Notice on our 400 tick chart how the negative slope of the 116 SMA (gold line) corresponds with the series of lower highs and lower lows in this downtrend. We call the movement between H1 and L1 as Swing 1 and the movement between L1 and H2 as Retrace 1. When price moves below L1, H2 becomes our most recent active high. H3 does not become our most recent active high until price creates a new low below the low at L2. Once we retrace off L3, H4 does not become our most recent active high until price creates a new low below the low at L3 etc. We will remain in a downtrend until which time our most recent active high is penetrated to the upside and we can not establish a lower low. Once we establish a series of higher highs and higher lows with a positive slope on the 116 SMA (gold Line) we then have a trend reversal. In the above graph H1, H2, H3 and H4 are all swing highs while L1, L2, L3 and L4 are swing lows.

<u>TREND CHANGE</u>



In the previous example of a downtrend we stated that we would remain in a downtrend until which time our most recent active high is penetrated to the upside and we can not establish a lower low. Once we establish a series of higher highs and higher lows with a positive slope on the 116 SMA (gold Line) we then have a trend reversal. In the above graph notice how price action takes out the most recent active high at H4 when price starts trading above our 116 SMA (gold line) on its way up to UH1. UL1 becomes the most recent active low as price trades above UH1. We now officially have a trend reversal. We will remain in an uptrend until which time our most recent active low is penetrated to the downside and we can not establish a higher high. Once we establish a series of lower highs and lower lows with a negative slope on the 116 SMA (gold Line) we then will again have another trend reversal to the downside. This concept of higher highs / higher lows and lower highs / lower lows applies to all time-frames on all markets. The 116 SMA is specific to the 400 tick chart of the ES.