Disclaimer

The information in this book is for educational purposes only. Leveraged trading carries a high level of risk and is not suitable for all market participants. The leverage associated with trading can result in losses which may exceed your initial investment. Consider your objectives and level of experience carefully before trading. If necessary seek advice from a financial advisor. Never trade with funds you cannot afford to lose.

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Introduction

Let's start with a quote from my previous book.

"Trading is one of the most mentally difficult jobs you could possibly imagine."

Learning how to trade takes you on a difficult path of self-discovery. Intraday and short-term trading requires the highest skill and self-discipline out of all styles of trading. As a short-term trader, you will typically be using a smaller stop loss to enter your trades. This means that your entry techniques and timing have to be within some pretty tight statistical norms of the instrument you're trading in order to get a moderately high risk/reward – which is how you keep the numbers on your side.

Patience… A Lot Of It

Intraday trading isn't about executing a million trades per day. Even as a short term trader, there is little reason to trade more than 4-5 trades per day MAXIMUM. In a typical trading day, there are rarely more than 3-4 price reversals over the entire 3 active sessions (London, New York & Tokyo session). And these price reversals have a set time of day when they happen **as a norm.**

Norms. Market Stalkers trade the NORMS. Events that happen almost every day. One of the reasons why people fail is due to one of the following reasons:

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1. Overtrading
2. Lack of knowledge about the markets
3. Not running a thorough journal
4. Not reviewing their trades, looking for behavioural patterns
5. Inconsistency in position sizes
6. Not placing a stop loss – I won't even get into this one
7. Not tracking pattern of price movements during the trading day
8. Chasing trending days only

Trending days. Unidirectional trending days are not the NORM. They happen only about 30% of the time when a longer sample data is observed. In this book, I will explain how I manage to capture intraday swings (most of the time the profits will be anywhere between 30-75 pips per trade) using my proprietary concept of Q Points which I then combine with pure price action and Market Profile confluences to obtain my entries. I will also give you a piece of statistical data that you can use as the first line of defense when looking for mispriced opportunities intraday. Because that is what we're doing – looking for under/overvalued instruments based on the available information derived from previous price movements, using statistical norms, ie mean reversions to either distribution curves or median averages.

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Chameleon, the ambush predator

In this second book I will mention once again that we won't be chasing price, not even with the style of short-term trades. I chose the chameleon as our company mascot because chameleons are sweet, non-aggressive creatures and yet they are true ambush predators. They don't chase their prey, they sit and wait for the prey to go by and then they pounce. Chameleons embody pure patience and discipline. And that's the kind of trader that you should strive to become.

So who am I? And why would I be qualified to write a book on intraday trading?

These days I am in charge of a small privately held managed fund in London, UK. I also serve as a managing director of Blahtech Limited, which is the company behind the Market Stalkers movement and website. Another one of our specialisations is creation of innovative trading algorithms as well as investment banking applications, but we also operate as a prop trading syndicate – we have an elite group of talented traders who learned my Market Stalkers method after being mentored by me. Most of the traders I trained already had a marginal profitability before they came to me for mentoring. The MS method is my way of trading that slowly developed over 8 years of my own professional career as an independent prop trader. And because my method is based on a couple of bank flow practices, it works well when combined with any strategy that you might already be using.

> *“In this book I will mention once again, that we won't be chasing price, not even with the style of short-term trades.*

Finally, I will say that this book assumes solid knowledge of candlestick patterns. I will not be explaining what constitutes a "bullish engulfing" pattern. If you don't know what an engulfing pattern means or what it looks like, this book isn't for you. Yet.

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Q Points

Let's begin by explaining the basic concept of swing extremes.

If a price moves from A-B and then starts to retrace (imagine that all you can see is the current established low and an established high), where would you consider the best price for entering WITH the obvious trend?

I see loads of people doing silly breakout trades on a 4 pip stop, complaining that their trading isn't going so well. I am not surprised by this outcome if you keep buying tops and selling bottoms! Please get the thought of breakout trades out of your mind and out of your trading strategies. No professional trader makes a great living doing breakout trades.

If we have a price that's moved from A to B, a low to a high – it's likely going up. This is a vast simplification of what makes up a trend but bear with me for a moment. If you know that something is going up, which area represents the most obvious misvalued buying opportunity? Bottom third or a bottom quartile, right?

Q Points stand for "Quartile Points". When you have a swing from A to B and the price starts retracing, divide the A-B move into four equal quartile areas. The bottom quartile becomes your best probability "buy low zone" and the top quartile becomes your "sell high" zone. I frequently use Q Points as a directional indicator, rather than looking at an entire trend, unless the trend is ridiculously strong such as S&P500 circa 2009-2015. In which case as a general trading plan you'd look to buy rallies when opportunities come up. However the bull run in S&P500 was due to an aggressive Quantitative Easing

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program, which is a fundamental reason to include only long trades as a general strategy in your trading plan for the instrument in question.

Safest types of trades are those that go with the trend **from a pullback into a Q Point**. *Not from the middles*.

Using Q Points in your trading will immediately put you in a position to buy low and sell high, improving chances of getting a fairly decent risk/reward on your trades. When it comes to risk/reward ratio, you must aim to get about 3x your initial risk you used per trade.

> *"Q Point stands for "Quartile Points" If you divide a swing into four equal areas, you get high probability "buy low" and "sell high" zones.*

Anyways – Q Points - Let's put this concept on a chart to make it easier.

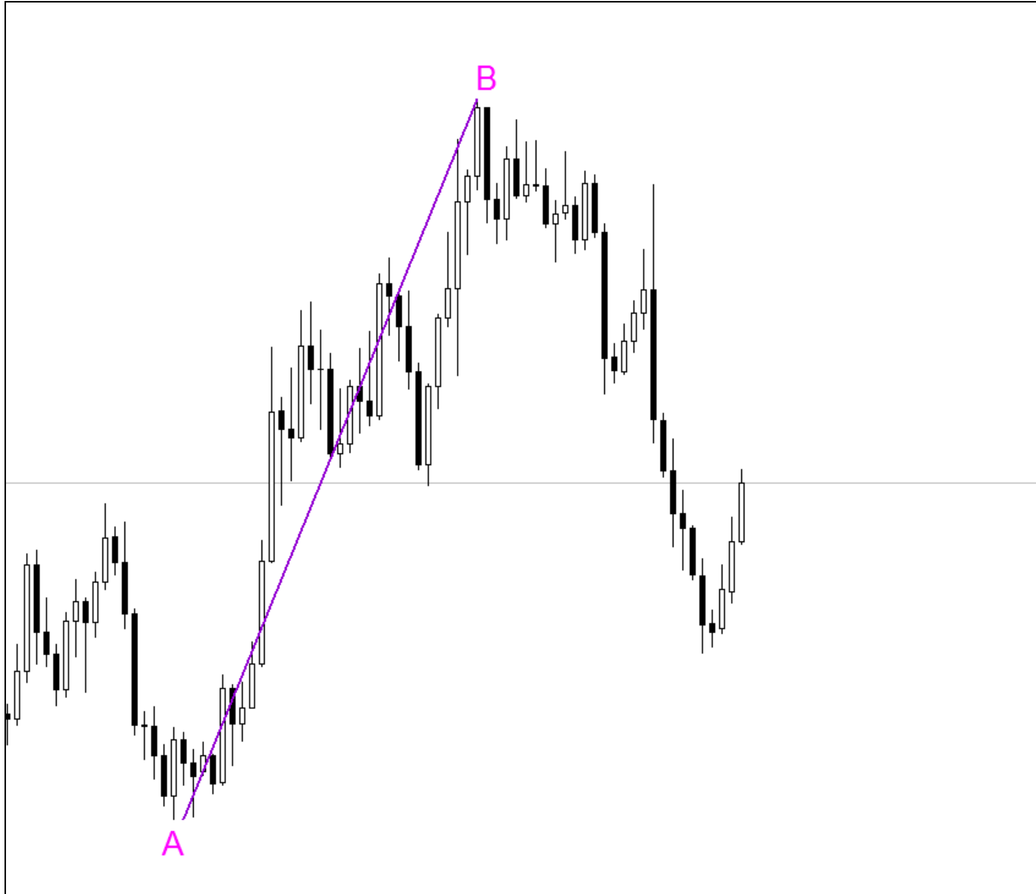

Figure 1. Price established a low and a high

Once we have the low and the high, when the price retraces back to the Quartile (in this case a lower Q Point, QLo for short) divide the A-B into four equal areas, like this:

Figure 2. Divide the swing into four equal areas

Then you have bottom and top quartiles as your **ONLY** Zones of Interest

to either buy low or sell high.

NO MIDDLES. I repeat - NO MIDDLES!!!

I typically base ALL my trading plan decisions on a larger time frame Q Point using 4 Hour or Daily charts, regardless of trade duration (intraday or swing). The only difference will be the stop loss size.

In fact, when I look at the chart with my Q Points already there, I have a distinction between several directional indicators:

Q Point created – **this means a Q Point is fresh and virginal.** *Should I get a PRICE ACTION REJECTION from a QHi/QLo (or even from the inside of the entire QHi/QLo zone) I typically increase my position size by 0.25%.*

Q point rejected - **there's a rejection price action pattern at the Q Point** *This chart has an engulfing candle that came all the way back to the virgin Q Point and then proceeded to leave the newly created zone by creating a price action pattern known as engulfing.*

Once a Q Point has been rejected via an engulfing pattern, I consider that as my future direction - not the trend itself. Likewise, once an opposing Q Point has been reached, ***the trend is irrelevant***. The risk is then to the *opposing side.* Going "with the trend" at a swing extreme is akin to trader suicide. Even if the opposing Q Point eventually gets broken due to some new information that comes into the market, it's extremely difficult to find a trade with the right stop loss size that could survive the breakout at a swing extreme.

If you wish to hold the trade "through" the opposing Q Point break, I would expect my traders to position themselves from a much lower/higher Q Point zone and then sit on the trade in a swing over a few days.

Figure 3. Bottom Q Point: QLo | Top Q Point: QHi

Let’s go back to the middles of swings and trend definitions for a minute.
I want to quickly point out that a lot of people seem to think buying the middle is the way to “go with the trend”. Yes… A retail way to go with the trend. Traders must think wholesale – we want the cheapest price available for the highest profit margin. Middles of curves won’t give you that. For the same reason, when I start explaining distribution curves sometime later in this book, we will not be doing any trading in the middle of distribution curves aka Value Areas.

> *“Don’t trade the Middles. Buying the middle is not how you trade “with the trend” – professional traders want the wholesale price: cheapest price for the highest profit margin*

Now that we’ve established what constitutes the bare basics of a good trade location in a systematic way that can be applied to any chart, let’s focus on WHEN to trade.

- End of Chapter 1 -

Active Sessions

As an intraday trader, even if you're trading the forex market, there are still 3 (three) active sessions in any 24 hour period when electronic trading is officially happening. These are the times when there is most movement. You should get acquainted with these times thoroughly. I teach these Daytrading Timezones in my Online Video Courses starting from Level II in the Pro Development Series.

Depending on which instrument you're trading, some instruments will be most active during New York and Wall Street hours – such as S&P500 and commodities. Most forex pairs are very active during Wall Street too.

When it comes to the London session, it's usually pretty quiet for commodities so I typically trade forex in the morning and then I turn to commodities and equity indices for my afternoon session.

Finally we have the Asian session. I myself prefer to use Tokyo for my benchmark during Asia, although there are two more exchanges that open earlier: Sydney exchange and Hong Kong exchange. However my experience and my observations come from typical behaviours during the Tokyo session, which behaves in a similar way to Wall Street and Nymex – there's frequently a "head fake" move in the first hour to hour and a half before the **real move** takes place.

If you intend to trade EURUSD, as a norm EURUSD doesn't trade much during Asia. But if you wish to trade something like AUD or NZD then obviously these will be quite active during the overnight session. Use common sense for picking your times when to trade particular instruments.

As a rule of thumb, most volume comes through in the first couple of hours of trading. In my "Professional Development" online video

courses on MarketStalkers.co.uk I extensively teach **when** to expect reversals during a typical trading day. I won't be going into this topic here, because this book is more about using distribution curves and average ranges to enter trades, rather than going into the nitty-gritty of entry techniques that I've used successfully for almost 9 years and I continue to use to this day as a private fund manager.

When it comes to the three sessions – London, Wall Street and Tokyo – each session is governed by slightly different players who create the distribution curves in different places. Therefore, when you're trying to determine most likely sentiment and direction for today based on the ***previously created*** distribution curve, we will only be comparing the open to open – looking at where London traded at the open yesterday and then comparing to where London opened today. This information in most cases will give you the most likely intraday direction. But more on that later.

Back to the active sessions.

One of the simplest ways to find the intraday swing extreme has little to do with actual swings, but more to do with statistical norms. This is where Average Daily Range comes in. Such a simple statistical norm but oh so powerful.

Markets actually love and rely on norms and mean averages. In the normal markets, the mean averages are respected regardless of the trend. When I say "normal" markets I mean markets that weave up and down over the course of the day, doing the "cat and mouse" chase that different sessions like to do. This is an observed behaviour that you, as an intraday trader, have to learn to expect at certain times of day. There is no other way to come by this information, but to observe objectively what the price does and to journal these…………

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