Hello Traders! Before I get started let me just say that trading without a good methodology is like jumping out of an airplane without a parachute , possible, but not very smart. The reality is that the end result would not be very pretty. Remember, the futures market is not a living breathing thing and it is not against you, however, it will take you to the woodshed if you do not use proper timing and money management. The market does not care who is on the winning or losing side of a trade. It has no opinion nor does it cherry pick it's winners or losers. It provides us with liquidity to be on a level playing field. Everyone has the same equal chance of making money in the markets. The difference is that most traders fail due to the emotional aspect of the business and they lack the knowledge of the correct trading plan to trade with the institutional traders not against them. This requires timing and it requires leading not lagging indicators to have the edge. The futures markets can take your emotions on a daily ride if you do not have a planned out strategy and if you use lagging indicators. You must be a systematic trader by keeping your emotions in check and by trading your daily plan by sticking to your trading rules. Traders don't plan to fail but fail to plan. Everyone knows this but very few apply this. Successful traders always trade what the chart is telling them not what their emotions are trying to convince them to do. I have trained hundreds of traders and the consistent traders that are here today and not gone tomorrow all have one common trait, they trade the plan and they do not deviate from that plan. This will require you to ALWAYS have your hard stop and targets in before you place before the trade. This will allow you to concentrate on the setup and at the same time control your risk on every trade. I have seen many traders fail by using mental stops because they will keep adjusting the stop as the trade goes against them because their emotional being is afraid of loss and they must be right on every trade or they try and rationalize another support or resistance just above or below their stop levels. Another trait that I have seen where traders continue to fail or wash out of the markets is averaging down. This will only compound your problem and add additional risk that should have been avoided. If you cannot pick the area or price that you want to short or go long then that trader should not subject themselves to that much risk. Averaging down is only for the novice trader that has no clue of price action and major support and resistance levels. You would be better off just flipping a coin. The third and last common mistake is that traders continue to counter trend trade the markets. Most traders are so afraid to short low and cover lower or buy high and cover higher. This is the trap that the big institutional traders have designed for the public and the reason 90% lose in the futures markets. The key is to trade retracements with trend with the institutional traders. That being said, the trend is your friend unless it's about to end. This is where I have designed my JayCluster dot that will automatically plot indicating a huge possible trend reversal. For example, yesterday March 31, 2011 my JayCluster dot called the high on the Crude Oil market in my live trading room indicating of a possible hard trend reversal. The dot called the high and the market plummeted over 80 ticks. The same trend reversal called the high on the Euro market in the same session. My plan requires you to buy or sell retracements with trend until my JayCluster Dot plots for a possible major trend reversal. Many traders use the dot for a major top/bottom entry, or a time to stop taking retracements with the current trend and a place to scale/bail on their current position if opposite of my reversal JayCluster dot. Remember, the kiss method. Keep it simple.

The following is going to be right to the point. When trading the futures markets you cannot allow yourself to have any subjectivity or you will be visiting the woodshed. Trading is like building a house, if you do not have a foundation then the house will eventually crumble. I will show you the tools that can build a solid foundation and that will put you on a level playing field with the institutions and hedge funds. It is your job to get your emotions in check and trade what you are seeing not what you are thinking. Remember, your trading opponents that you are trading against are not going to just give you the ticks. You are not against the public. The public consistently loses 90% of the time. This creates 90% opportunity for the traders that trade the areas or levels of these institutions. I have done all the hard work for you and have created a trading plan in the Crude Oil and Euro market. I provide leading not lagging indicators in my live room that allow you to have the EDGE or advantage over your trading opponents. This edge with my leading indicators, methodology and proper money money management will allow the trader to consistently achieve his or her trading goals.

<u>Methodology:</u>

1. **ESTABLISH TREND** or chop market using my 5 minute chart by concentrating on the slope of my magenta moving average and current price relative to my market profile dots.
2. If the trend is down then look for areas above the current price where my indicators overlap each other at or near the same price levels. This is called **CONFLUENCE**. The minimum confluence level must be at least 2x confluence. This means that at least two of my indicators overlap each other. The more confluence you have the stronger the trade. If the trend is up then look for my indicators that overlap each other below the current price.
3. You must have a **FULL RETRACEMENT** into those confluence levels. If the market is trending down and 2 or more indicators overlap above the current price then keep an eye on my bottom indicator on my 233 tick. I call this my divergence indicator and it will turn white when a full retracement has taken place. A great retracement would be an average of 30 ticks on the Euro and a great deep retracement would be 50-60 ticks on Crude Oil. Crude Oil has several opportunities with smaller retracements into confluence as long as it has divergence.
4. **DIVERGENCE** must be present at the full retracement when the confluence levels have been reached in the direction of trend. When the indicator at the bottom of my 233tick turns white, it not only indicates a full retracement, it also is used as a pivot reference to show divergence. In other words if I'm looking to short the retracement into a confluence area the bar must have turned white then I use that as a pivot point to look for lower highs on the indicator for shorting or higher lows from the lowest low pivot white bar when buying into confluence. I have added the 89 tick divergence for Crude Oil. It MUST have divergence on either the 233 or 89tick before entering.

5. **ENTRY/EXIT** will be right on the confluence number. If you wait for confirmation on the Crude Oil market , it will stop you almost every time. The Euro should have a hard 10 tick stop and Crude Oil can be a hard 15 tick stop. Target 1 should be at 10 ticks where your dome automatically takes half of your position and the rest can be placed automatically breakeven so you can let your final runner run into the next major market profile, institutional level or major rolling pivot. We call this a free trade in the room and is an excellent money management technique. Also, a rule of thumb that I have is to take 75% off when my second set of symmetry dots have been hit. Another technique that I have taught my traders is to using the 89tick moving average to adjust your original stop. In other words, lets say you took Crude short with a hard 15 tick stop. Once you close below that white ma(wicks dont count) you then can adjust your stop 2 ticks above that recent swing high. This will bring your average stop to around 7 ticks. Not bad considering Oil moves 20-60 tick swings.
6. **JAY CLUSTER DOT** is a possible major trend reversal. If the trader sees the Jay dot pop on the 5 minute chart it indicates that all retracement trading with recent trend should be stopped and a possible trend reversal trade is in play. Hard stops can be place immediately in case the dot fails or a filter can be used to enter after the dot pops. Also, if you are long contracts and a sell dot pops, the trader should hedge and sell most or all of the position. Once you have some screen time with the dot you will notice that it is very very powerful and can be used as a major leading indicator for possible huge price reversals. Bottom line, where can you go and get a dot that calls the high/low for the morning or evening session? Even with the dots that get run through, the Jay Cluster still gives a clear advantage over your trading opponents. Those using a filter or even a hard small stop can minimize risk and increase return when the dot pops. I'm in current development of an auto strategy that will trade these dot for the Ninja Trader Platform automatically. The Jay Cluster dot works on all markets.
7. **TOD**-Time of day trading will help you trade with volume. The two best time slots for both the Euro and Crude Oil are from 2am-5am and 8am-11am est. Crude Oil also has some great opportunities right before it closes from 1:45-2:30pm est. The point is that the Euro really slows down in volume after 11am est. Consistent volume is from 2am-11am daily. Pick a time slot and be consistent. Most traders elect to trade the 8-11am volume session. My system picks up plenty of opportunities in just that 3 hour 8-11am time frame.

In summary, this is my trading methodology that I have developed over the last 20 years. This allows my live members in the room to have the edge over their trading opponents. The following charts will breakdown this method so you can visually see how to use my leading indicators.

MOVING AVERAGES/MARKET PROFILE FOR TREND DIRECTION

When you first log into the trading room you must establish if the market is in a chop or trend. Remember, the method is to buy and sell retracements with trend. If prices are below all three ma's and the magenta ma is angled down then that is a down trending market. The more spread between the white ma and magenta indicates strength of the trend. In this type of market you would short retracements into confluence indicator areas with divergence. This should be the first chart that you look at to determine if the market is trending or is in a chop market. A chop market is when the moving averages are close together and the magenta ma is horizontal. This indicates range and both long and shorts should be taken where a trend market only a short or long bias until the trend changes. Trend changes will occur when prices are not below all three ma's and new market profile dots appear.Typically, this will start from being below all ma's to closing inside the white ma for the first time in the last few hours. Once you add in market profile you have a clear picture of trend direction or chop market. This will clearly show the bias to trade the retracement plan.

The next chart shows when market profile is added to the 5 minute chart. Market profile consist of three dots on the 5 minute chart.

1. High Value Area(HVA)-Red dots
2. Control Point-Blue dots
3. Low Value Area(LVA)-Green dots

These levels update based on both price and volume on longer term charts but projected on my 5 minute chart allowing for updated major support and resistance. These levels should be used as support/resistance on retracement trading. Once below the LVA or above HVA indicates a hard trending market with no resistance above HVA and no support below LVA until prices get back inside of market profile again. This gives the trader an advantage of knowing when a major trend is in place because if below all ma's and all market profile dots then the shorts are in control and zero buys should be taken. Only short retracements in confluence areas with divergence. Opposite for buys.

Remember, the ma's and market profile will tell you the bias. The magenta is the most important. Lets look at the confluence indicators for the retracements.


@CL - 5 min
107.00
106.50
106.00
105.50
105.00
104.50
104.00
MAJOR DOWN TREND BELOW
ALL THREE MA'S AND BELOW
LOW VALUE AREA (GREEN DOTS)
MAJOR DOWNTREND
8:30
8:40
8:50
9:00
9:10
9:20
9:30
9:40
9:50
10:00
10:10
10:20
10:30
10:40
10:50
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Once trend direction has been established, confluence levels must be looked at to find areas where indicators overlap to create major support/resistance on a retracement. If the market was in a downtrend on the 5 minute chart then the strategy would be to sell retracements into these major confluence levels. The following are the major confluence indicators that create major support/resistance throughout the day. Moving averages are standard for confluence.

1. Rolling Pivots-(show above) These levels are put on the 5 minute, 233 tick and 89 tick. The tick charts will show different levels due to smaller swings.
2. Institutional Levels- These levels will be shown on the far right beside the 5 minute chart and also will be on the 5 minute and 233 tick to show major support/resistance.
3. Market Profile Dots-shown above on the 5 minute trend chart. The market profile dots are only on the 5 minute chart.

I call these three the BIG THREE because they mean the most on support/resistance.

4. Symmetry Dots-These dots are updated as support/resistance and are very leading. They are only on the 233tick and 89 tick chart and are excellent for finding confluence overtop of the BIG THREE. Use these indicators to look for confluence for the retracement short or long.
5. Hedge Fund Level-Red dash(Resistance) Green Dash-Support Only on 5 minute


MAJOR INSTIUTIONAL LEVELS
107.80
107.60
107.40
107.20
107.00
106.80
106.65
106.60
106.40
8:00
10:00
12:00
14:00
16:00
18:00
20:00
22:00
3/27
2:00
4:00
6:00
8:00
10:00
12:00
14:00
16:00
18:00
20:00
22:00
3/28


TradeStation Chart Analysis - @CL 5 min [NYMEX] Crude Oil Continuous Contract [May12]
@CL - 5 min
MARKET PROFILE USING BOTH PRICE AND VOLUME
FOR CONFLUENCE
107.40
107.30
107.20
107.10
107.00
106.90
106.80
106.70
106.60
106.50
106.40
106.30
11:30
12:00
12:30
13:00
13:30
14:00
14:30
15:00
15:30
16:00
16:30
17:00
18:00

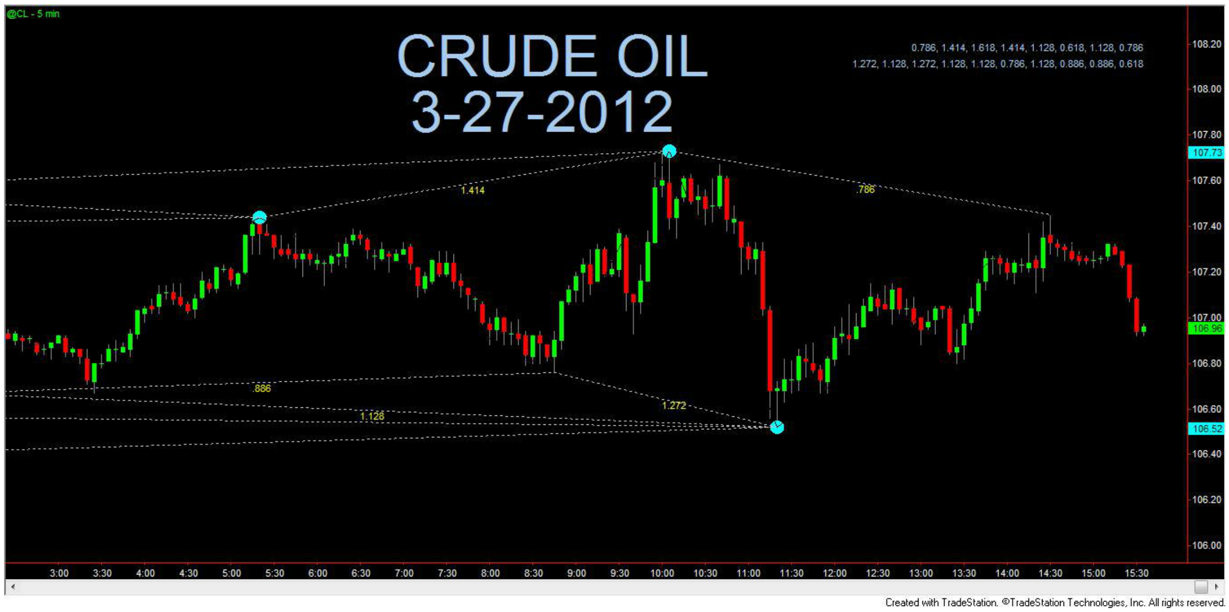

@CL - 233 Tick Bar V=0
SYMMETRY DOTS
THESE ARE GREAT WHEN THEY OVERLAP
ANOTHER LEADING INDICATOR ON A
RETRACEMENT. GREAT FOR CONFLUENCE
104.40
104.20
104.00
103.80
103.60
103.40
103.20
102.99
102.80
102.60
102.40
14:07
14:10
14:11
14:12
14:13
14:16
14:17
14:19
14:20
14:21
14:24
14:26
14:28

As you can see these leading indicators alone are very powerful support/resistance. When you combine them for confluence you have several leading indicators that conflu at a certain price point or area on a retracement with overall trend direction. In other words, let the market counter trend trade itself against the 5 minute trend into these confluence areas then look for divergence when these confluence areas are reached to enter. Now the trading plan is coming together. We use the 5 minute magenta ma angle for trend bias coupled with the white ma for spread and strength of trend when prices are above or below all ma's then we use market profile to assist us in knowing when the strong trends are in play above or below HVA(red dots on 5min) and LVA(green dots on 5min). Once in a hard trend up or down then simply keep to that bias and look for retracements into confluence where my indicators overlap and divergence is met when these levels are hit. If the magenta is flat on the 5 minute then simply buy and sell retracements both on the long and short side with confluence and divergence due to the chop.

DIVERGENCE WITH A FULL RETRACEMENT INDICATOR

In order of importance will be trend/chop bias, confluence levels to look for retracements with that bias and finally divergence at those key confluence levels on the retracement. You MUST have divergence either on the 233tick or 89 tick on a retracement trade into these confluence levels. This will tip you off about the supply and demand at that level.

Notice the chart below. 2x confluence with triple divergence. Remember, this is the minimum confluence that you must have. It can be no less than 2x confluence for the stronger trades. Divergence must be present. It's a must to use the 89 tick with Crude Oil with the 233tick for divergence. You will see trades that have 3x, 4x, 5x confluence where my indicators overlap that are really strong retracement trades. Oil Traders cannot wait for confirmation on the retracement into confluence. The number should be bought or sold with the hard stop and targets. If you wait on Oil it will move away from you to quick and more stops will occur. Remember, do the check down first. Trend, confluence areas against that trend for possible entries then divergence once the retracement has occured. I help you spot these in my live trading room.



These are my Jay Cluster Dots. These dots automatically come up at extreme levels in the markets when my filters indicate a high probability of a major reversal in the markets. They can catch the market turning points with great precision. This past Friday morning March 30th, my dot called the high before the big plunge. The Euro did not disappoint with my dot calling the Euro high. This dot give you several key pieces of information.

1. Possible major reversal to play the dot for the major move. Filters can be used to do this or just a hard stop.
2. If long or short and the dot pops one should scale the position opposite the dot 75% off or possible exit all. If the market has been in a hard up trend and the sell dot comes up on the 5 minute chart then the trader should stop buying pull backs or retracements.
3. If the dot holds and reverses then that could possibly be a session high or low and the trader could find the first retracement into confluence with that reversal trend.

This JayCluster is some of the best work I have done over the past 20 years. How many indicators do you know that call the highs and lows sometimes to the tick in the session? We must realize that all dots will drift higher or lower sometimes and this is where our filters come in or the hard stop when the dot pops. The key is that my 5 minute chart does not produce a lot of dots and when they pop my members have seen some 100 tick movers. This information is very powerful information in the markets.

Currently I have the dot on the 5 minute chart with the Euro and Crude Oil. I will be adding it to my smaller time frame chart for added trades in the trading room. Additionally, I am currently working on an indicator/auto trade that will work on all markets. This will work with Ninja trader. It will produce the buy/sell dot on ALL markets and ALL time frames. See the chart below.

Key Points:

**Log in and look at the 5 minute chart for trend/chop market. This is established with the angle of the magenta ma. If prices are below all ma's and also below LVA or above HVA then the market is in a hard trend and retracement trading will be real strong for that session. If the magenta ma is flat or horizontal then the trader wants to buy the lows and sell the highs into confluence with divergence because the market is in a range/chop. If trending hard then stick to that bias and buy or sell retracements into confluence with divergence with the trend only. Also, I do show an additional trend chart using a 2min chart on the dollar, Euro and Crude. The best way to use this when the market is trending hard and you are looking for a retracement up/down to my atr(average true range dots) for a continuation of trend. These are purple for shorts and light blue for buys. The red and green dots are momentum dots and can be used with the color trend after a retracement in the market. In other words if the trend is all red and the market jumps back up on Crude 20-30 ticks and the bars are still red then once on confluence on the retracement into 2x or more indicators wait for momentum red sell dot to pop you in the trade. The green momentum dot would be the opposite after the retracement into confluence. This is an additional chart that is not needed, however, some members have been finding it very useful after the market retraces into confluences then the momentum dots gets it rolling from that confluence area.

If you are a trial then I would only concentrate on 1 market. If you are looking to see a lot of setups in the room then just watch Crude Oil. It typically will have 6-10 plus trades just in the morning session alone. The Euro you will have a couple of shots at it in the am with confluence on a retracement. Remember, Euro traders I have the dollar to help. Dollar buyers=Euro sellers. Dollar sellers equal Euro Buyers. Best is the 30 tick retrace on the Euro in the am.

I'll see you in the room. Many Ticks to all.   Jay

*Risk Disclosure / Risk Disclaimer:

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