

Conservative Day Trading Strategy for Futures

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Please note:

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. PAST RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT.

Introduction

In the following examples we will use the **e-mini S&P** to illustrate our CONSERVATIVE day trading strategy. All trading strategies are based on **our ingenious template** (www.rockwelltrading.com):



The basic rules are:

- **Light Green Bar:** Potential Uptrend
- **Dark Green Bar:** Uptrend
- **Light Red Bar:** Possible Downtrend
- **Red Bar:** Downtrend
- **Blue Bar:** Possible change of direction from Uptrend to Downtrend or Downtrend to Uptrend.

Summary of the rules:

Preparation:

- Apply **Template No. 2** of the **ingenious template** (www.rockwelltrading.com) to a 15 min chart of the futures contract you want to trade

Entries

- Enter long at the close of a **dark green bar** if **all three confirmation lines** are pointing up.
- Enter short at the close of a **dark red bar** if **all three confirmation lines** are pointing down.

Exits

- Use a 2 point stop loss.
- Use a 3 point profit target.
- Exit the trade at the close of a **blue bar**.
- Exit at 11 AM CST if still in a trade.

Goals

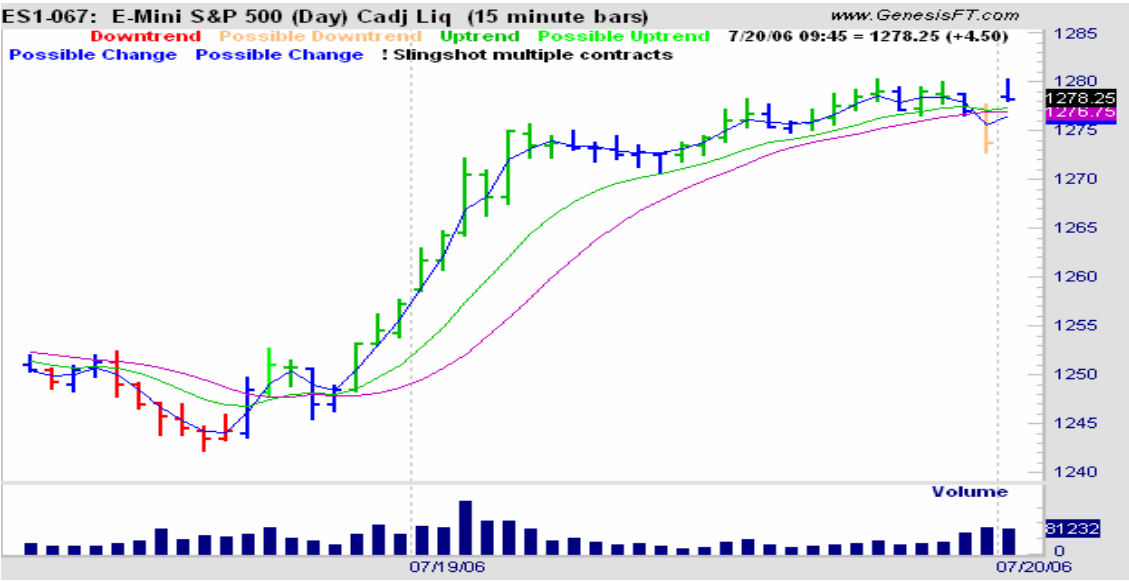
- To identify a trending opportunity in the first 2 hours of U.S. market trading.
- To take ONE high probability conservative directional trade.

PLEASE NOTE:

Although these strategies offer nice high probability opportunities to take advantage of directional moves in the market, the FULL POWER of our template is discussed in our coaching sessions. This includes additional filters and ways to use our Level III template to maximize your trading results.

Example

We apply **Template No 2** (see <http://www.rockwelltrading.com>) to the 15min chart of the e-mini S&P, which shows the colored bars and **confirmation lines**:



We will trade a conservative trading strategy on July 19, 2006. The dotted vertical line in the picture above shows the beginning of the day.

Here's what we saw at 8:45am CST on July 19th, 15 min after the markets opened:



The previous day ended with a **dark green bar**, indicating a possible uptrend. Today's first bar is a **dark green bar**, indicating a continued uptrend. Once this 15 minute bar completes and is confirmed by all three confirmation lines pointing up, our conservative trading strategy calls for a **long trade**.

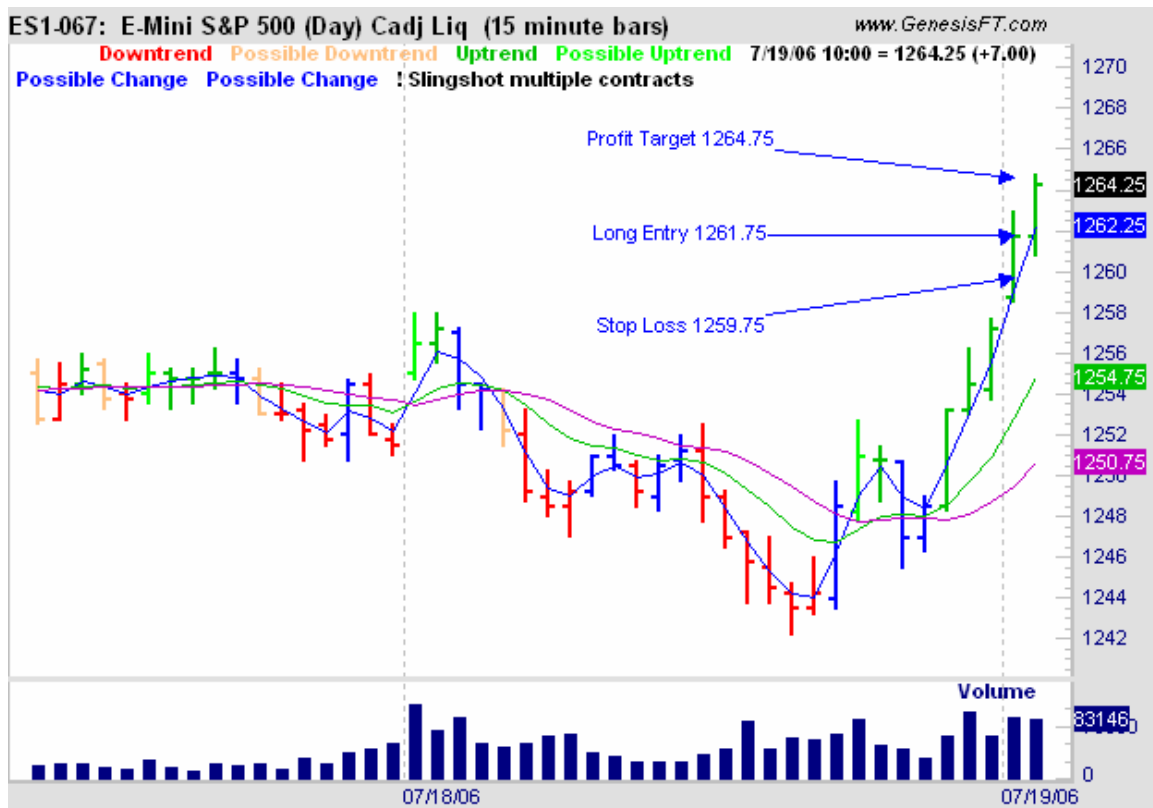
We enter **with a market order** as soon as the bar is complete:

BUY 1 contract ES at the MARKET.

We receive our fill at 1261.75.

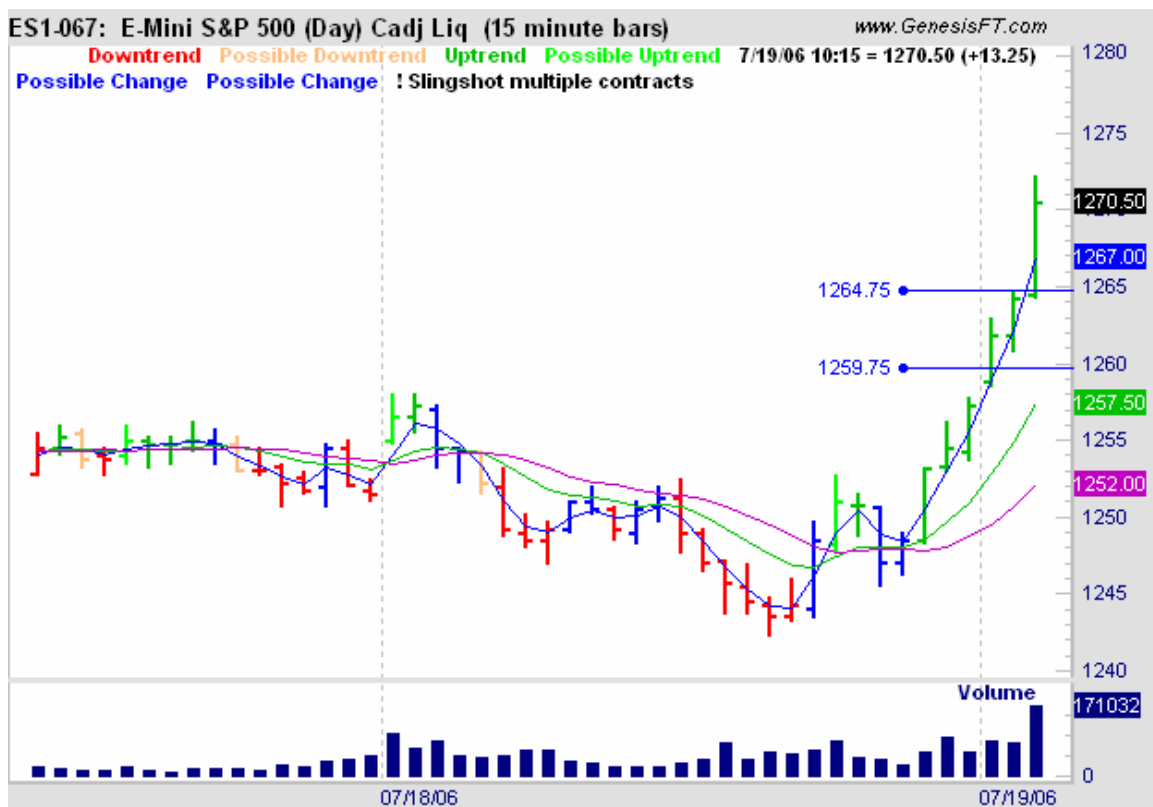
Our goal using the conservative strategy is to capture a nice conservative move in a directional trend. We set our **profit target at \$150 (=3 points)**. We will set our **stop loss at \$100 (=2 points)**.

By using a 2-point stop and a 3 point profit target we can easily compensate for a losing day with two winning days.



The chart on the previous page shows the following orders:

- We went **LONG** at 1261.75
- We place a **stop loss** at 1259.75:
SELL 1 ES contract at 1259.75 STOP
- We place a **profit target** at 1264.75:
SELL 1 ES contract at 1264.75 LIMIT



If our profit target of 1264.75 was not filled on the second 15 minute bar, you can see that the price moves easily past our profit target on the third bar and we make 3 points (= \$150) in profits.

As soon as our profit target gets filled, we **MUST** cancel our stop loss order at 1259.75. Otherwise that order would be filled if the market turns around and we would find ourselves in an unwanted position.