

Aggressive Day Trading Strategy for Futures

By Markus Heitkoetter

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 AGGRESSIVE 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

- Initial stop loss is placed at the value of the green confirmation line.
- At the close of EACH 15 minute bar, the stop loss is adjusted to reflect the value of the green line.
- No profit objective with the Aggressive Strategy as the stop loss will eventually get you out of the trade for a profit once the green line crosses the price bar.

Goals

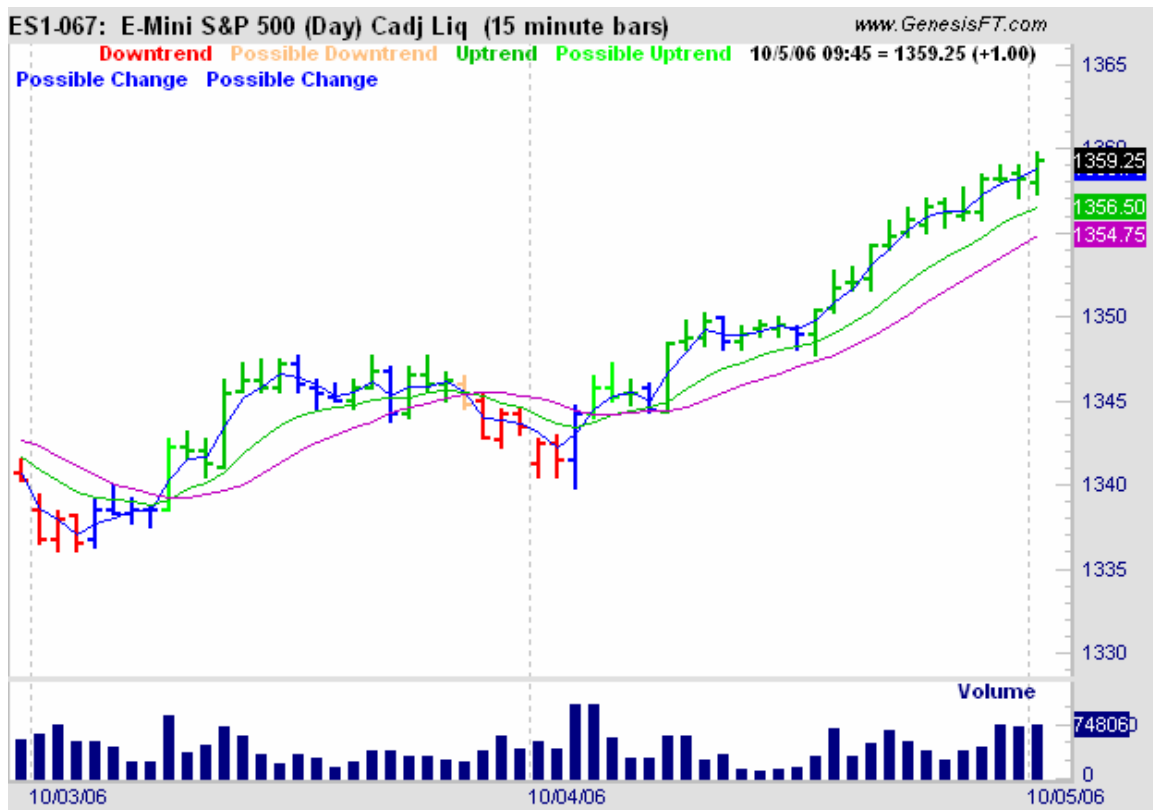
- To take advantage of longer day trend when price is trending significantly.

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.

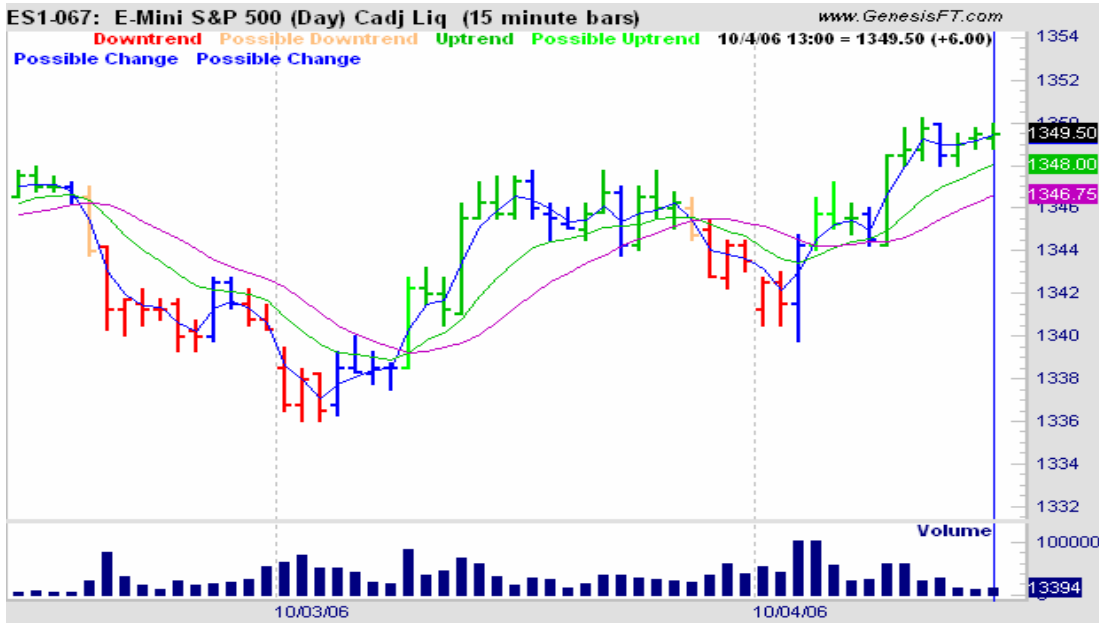
Example

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

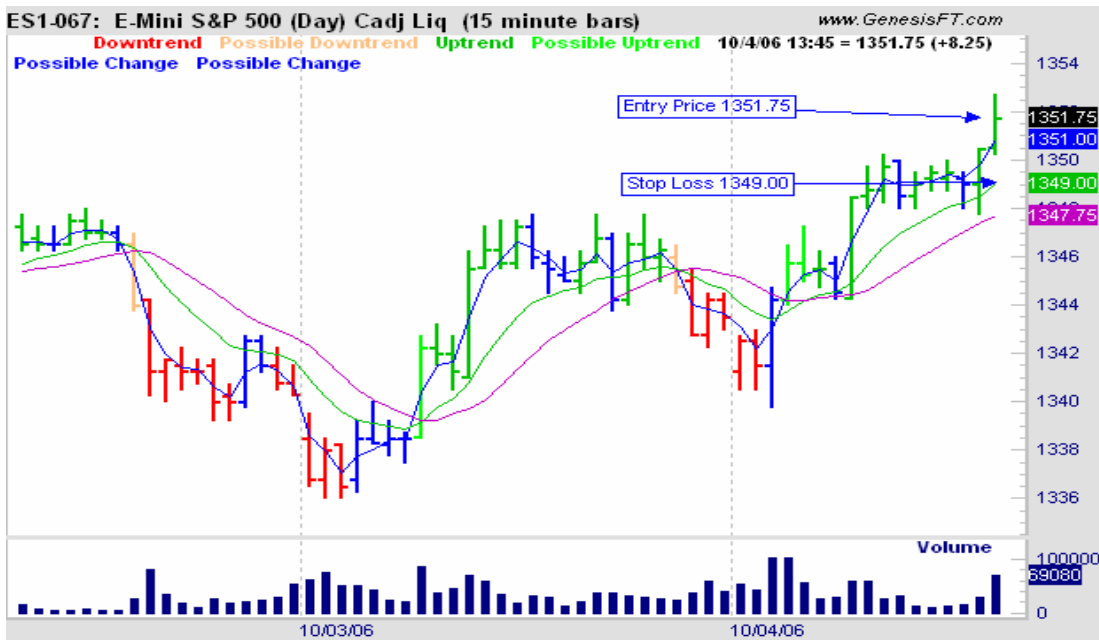


We will trade an aggressive (green line) trading strategy on October 4th, 2006. The dotted vertical line in the middle of the above picture shows the beginning of the day.

Although this strategy can be used in the morning or afternoon session, this example will illustrate an afternoon aggressive trading strategy on October 4th, 2006 to take advantage of a longer trend following the lunch hour. Using our Aggressive Green Line Strategy in the afternoon we look for an opportunity to develop after 12:00 PM CST.



The blue vertical line shows us activity at 12:00 PM CST. We have a green uptrend bar but volume is low and does not support a directional trade. To take an afternoon trade we want to see volume pick up to at least 15000 contracts traded in a 15 minute period to give us nice liquidity and for volume to be significantly higher than the previous lunch hour's trading activity to ensure that traders are back on the floor confirming a directional trend. (NOTE: Our entry is the same for our Medium Aggressive strategy...our entries will remain the same when identifying a trending opportunity)



Since we have to wait until the bar finishes, we enter **with a market order** as soon as the bar is complete:

BUY 1 ES contract at the MARKET.

We receive our fill at 1351.75.

The goal of the Aggressive Green Line Strategy is to take advantage of a trending market that could potentially move beyond our 3 point objectives using the Conservative and Medium Aggressive methods. Since our goal with the Aggressive Green Line Strategy is to remain in a trade on nice trending days, we DO NOT have a profit objective. As a trader we ALWAYS need to minimize our risk so we will place our stop loss at the value of the green confirmation line. In this situation our stop loss is 2 ¾ points away from our entry.

The chart on the previous page shows our current orders:

- We went **LONG** at 1351.75
- We place a **stop loss** at 1349.00:
SELL 1 ES contract at 1349.00 STOP



We now adjust our stop loss to reflect the value of the green confirmation line at the completion of each 15 minute bar. We will adjust our stop loss EVERY 15 minutes.

As long as the price has not moved below the green line (our stop loss) then we remain in the trade.

In this example, price remains above the green line until the end of the day and we are not stopped out of the position.



Since we are day trading futures, we enter a market order at 3:00 PM CST to close the position at the end of the day.

SELL 1 ES contract at the MARKET.

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

In this example our Medium Aggressive Strategy could have been used for a 3 point profit (\$150), but by using the Aggressive Green Line Strategy we stayed in the trade and ended up with a 6 ½ point (\$325) profit on a nice trending day.