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## Before The Close - Daytrading Secrets

# The Importance of 3 Wide Range Bars in Pointing the Direction of the Day.

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We have found the way to make money daytrading, not too mention keeping your sanity, is to limit your trading activity. You want to just try to capture the major move of the day. This prevents overtrading and keeps your slippage and commission cost down.

To capture the major move of the day you must first determine the trend direction of the day.

**Aggressive Buying or Selling Gives You a Big Clue**

When the "big boys" come into the market, they can be aggressive and make dramatic moves show up on the intraday bars. But, how do you tell from watching the price action where the aggressive buying or selling is taking place - Wide Range Bars.

You must look for successive(or near successive) wide range bars with closes towards the extreme of their ranges.


Three Wide Range Bars shown at A, C and D in this 10 minute bar chart point the direction of the day in the S&P 500

In the 10 minute chart shown, bars 3, 4 and 7 labeled "A" show aggressive buying coming into this market. This sends the market to significant new highs for the day. All of this is bullish and should point the overall direction of the day as up.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS**. You can lose money trading.

You could argue that bars 10, 11 and 12 at point "B" show aggressive selling (the opposite direction). While this might be true, this move is less dramatic than the upmove and does not make a new low for the day.

Confirmation is then given at "C" with three more Wide Range bars up. This market should be bought.

**Where Do You Enter The Trade?**

In both A and C, you could have placed a resting order to go long a few ticks above the low of the third Wide Range up bar. These bars are labeled "1" and "2". You would have been filled at a great price in both instances. Your stop loss could be below the low of the first of the three wide range bars.

The strength of this day's upmove is demonstrated by the fact that only once did the market show even two wide range bars down. If the market had three wide range bars down, you would be advised to come out of your long position.

The next day shows 3 wide range bars down this time at "D". You should enter a short a few ticks shy of the high of the third bar down - labeled "3".

Again, no move more than two wide range up bars went against you all day. You should have held this short position all day. Coming out on the close with a nice profit. Your second in two days. NICE!

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