

Before The Close - Daytrading Secrets

Double Tops and Bottoms

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By Lundy Stafford Hill



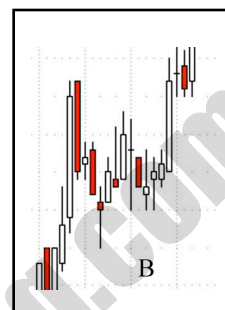
Spotting pivot points in your trading is important. One of the strongest indicators of a chart pivot point is the Double Top or Bottom. These show up on Daily and Intraday charts.

Key Pivot Points Usually Have a Test

A market will seldom make a "V" reversal. Usually the market will go back and test the top or bottom. This test forms the double top or bottom.

Added significance is given to the pivot point if it coincides with an existing chart point such as yesterday's high or low. I suggest marking yesterday's high, low and close on the intraday S&P charts. This gives a reference to today's price action.

The market rallies up through yesterday's close. This is a sign of strength. The SPs then congest and form another double bottom at point "B" right around yesterday's close. Buy the break above the high make between the two bottoms.



Note the wide range, high close bar which broke up to trigger us long. This is a strong show of strength. Your buy stop should be placed in anticipation of the continuation of the move. If not, you did not get a second chance to get in.

Back on Chart 1, we see a double top at point "C" centered on yesterday's high. This could be a strong sign of a major top for the day. Sell short on break below the pivot between the tops. Again, we see wide range bars with extreme closes trigger us short. This is a good sign for our newly established short position.

The S&P 500 market quickly breaks down thru yesterday's close and double bottom at "B." It continues down and breaks through the low of the day and the double bottom at point "A." This is shown at point "D" on chart 1.

The wide range down bars hint at more weakness to come. An additional short could be taken here.

Lundy Stafford Hill is son of this magazine's founder, John R. Hill. He is president of Staffordtrading.com. He can be reached at 800-270-1362 or lundish@aol.com.



CHART 1. Strong market turning points can sometimes take the form of a double top or double bottom. A, B and C show double tops / bottoms. Point D shows a break of a previous double bottom.

Chart 1 above shows 3 double top / bottom pivot points and a break of a double bottom. At "A" we see a double bottom where both bottoms are at the same price. Added strength (support) is given to this bottom since it is centered around yesterday's low. The buy point would be a break above the high point made between the two bottoms.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.

You can lose money trading.