



OWN THE MARKET
PIVOTBOSS

SWING TRADE PRO

FOUNDATIONAL SWING TRADING CONCEPTS

with Frank Ochoa

COURSE AGENDA



PART I: FOUNDATIONAL SWING TRADING CONCEPTS

Four Market Phases
Understanding Value
Identifying Value Opportunities
Pivot-Based Moving Averages
Pivot Range Analysis
Volume-Weighted Average Price

PART II: SWING TRADING SETUPS AND ENTRY TECHNIQUES

The Importance of Trade Location
Pro-Style Entry Techniques
Intraday Entry Techniques
Indicator-Based Setups
Candlestick Setups
Range-Based Setups

PART III: TRADE AND RISK MANAGEMENT

Forecasting Accurate Targets
Scaling and Trailing Techniques
Defining Trade Risk
5 Rules of Risk Management
Proper Position Sizing
Defining Portfolio Risk



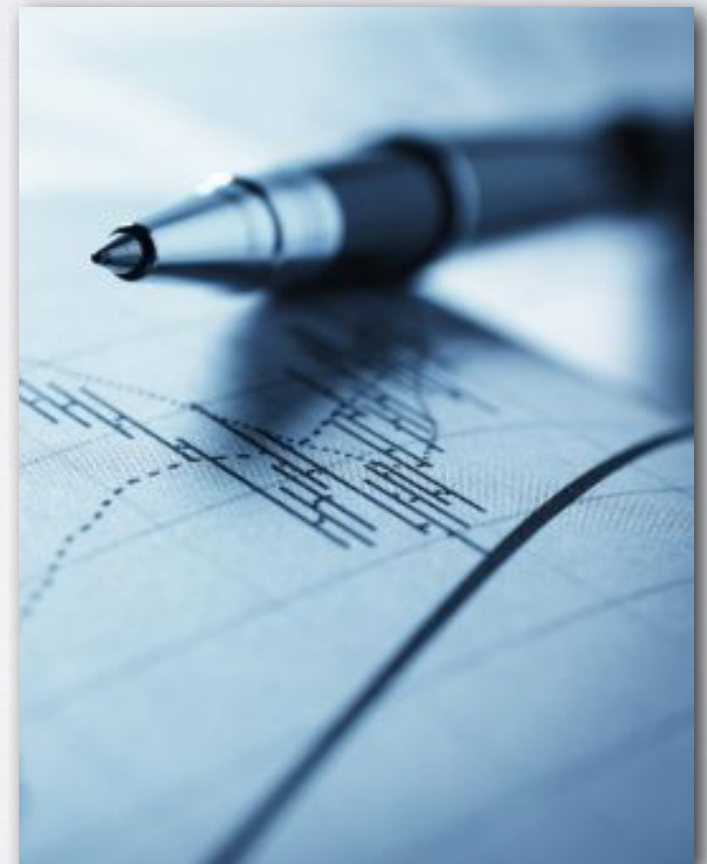
THE FOUR MARKET PHASES

THE PERSONALITY OF MARKETS THEORY



The Personality of Markets Theory (PMT) states that stocks tend to cycle through various personalities over time. Trade ONLY during the most favorable cycles, as these provide the best opportunities.

- A well-behaved personality is likely to remain well-behaved until it proves otherwise
- A volatile, un-structured personality is likely to remain as such, until it proves otherwise
- Instruments will gradually switch between phases over time



VOLATILE PERSONALITY



WELL-BEHAVED



FOUR MARKET PHASES



The Four Market Phases were pioneered by Richard D. Wyckoff and help to provide understanding of the various price cycles, which allows for better market timing.

FOUR MARKET PHASES:

1. ACCUMULATION

2. DISTRIBUTION

3. MARKUP

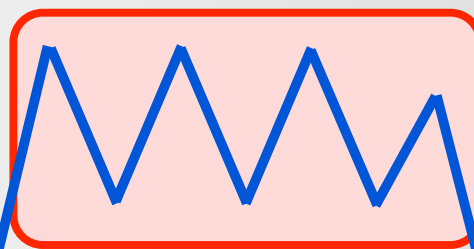
4. MARKDOWN

- Gives traders a “heads-up” on the potential upcoming market phase
- Allows you to anticipate, and prepare for, upcoming price movement
- Traders that can recognize market phases are able to identify the best profit-making opportunities
- Tailor your approach to the phase

FOUR MARKET PHASES



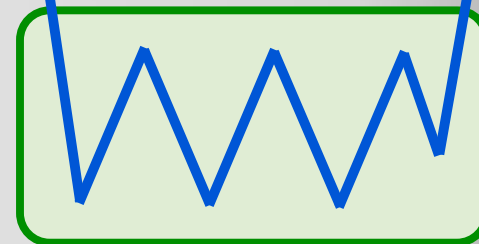
3. Distribution



Re-Distribution



4. Markdown

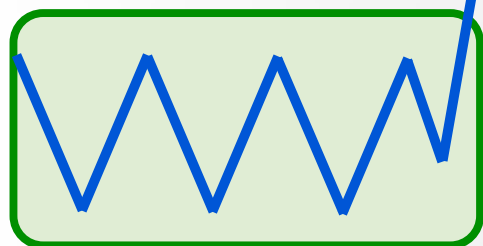


Accumulation

2. Markup



Re-Accumulation



1. Accumulation

FOUR MARKET PHASES



BEST TIMES TO TRADE



ACCUMULATION



The Accumulation phase occurs when institutional investors begin buying up substantial supply of a given stock, which creates compression, and usually leads to a Markup phase.

- Institutions buy large amounts of stock over long periods of time, so as not to drive up the price
- A large trading range, or base, develops as Institutions build their position
- Recognizing the Accumulation phase gives insight into future opportunity
- Wyckoff: believes this phase is the “force” behind the upcoming move

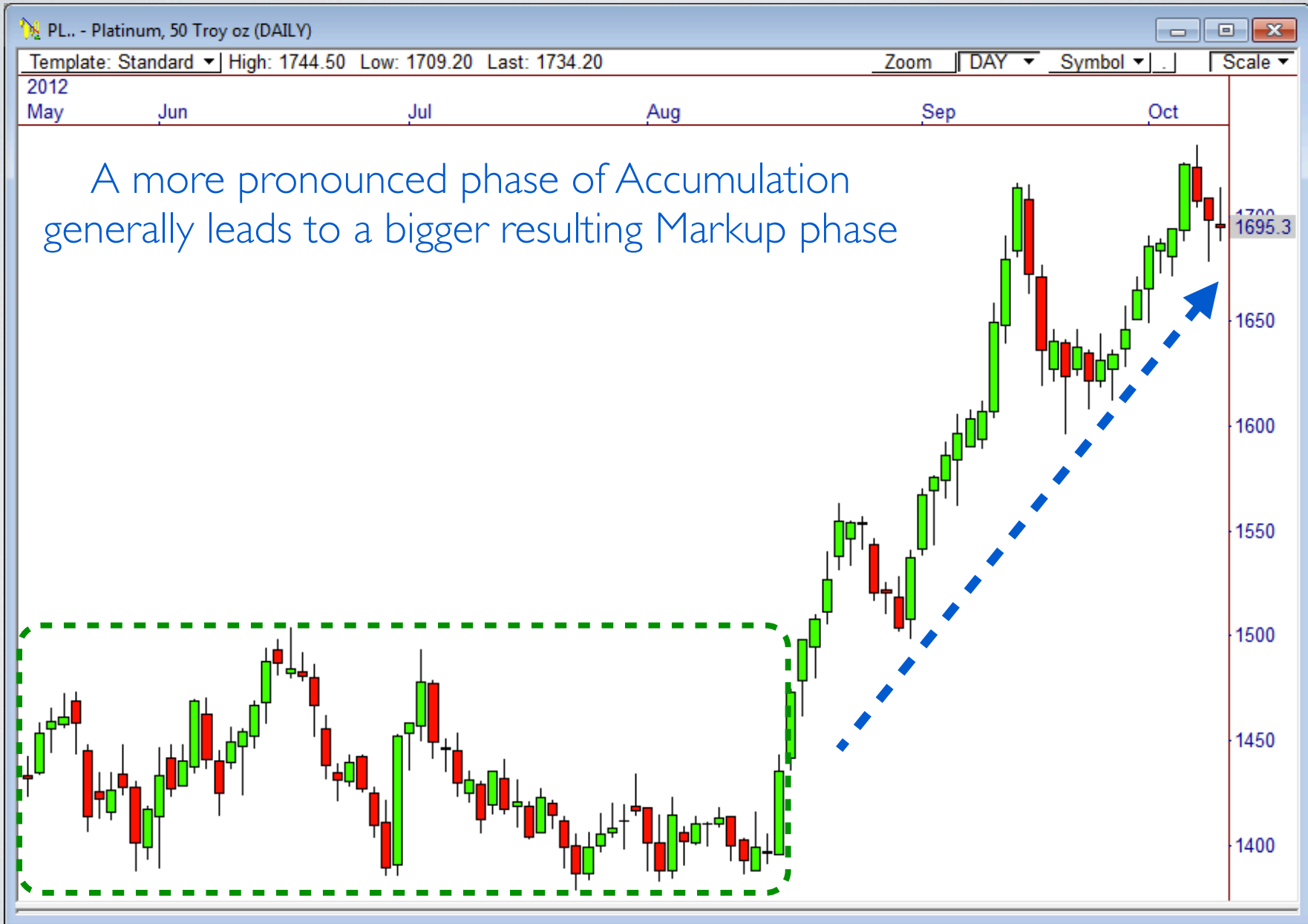
**Contraction
before
Expansion**



ACCUMULATION IS FUEL



CLASSIC ACCUMULATION



ACCUM/RE-ACCUM



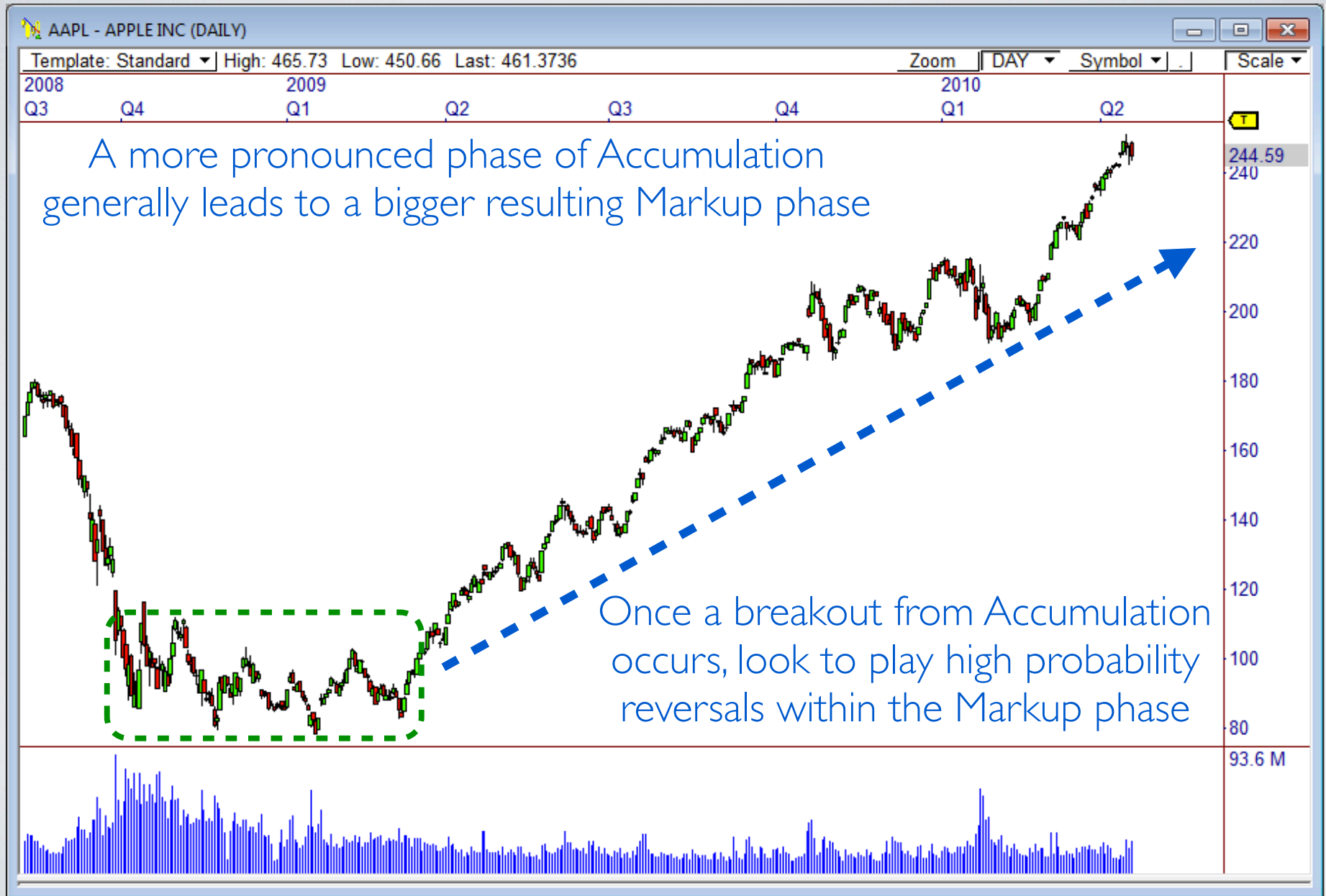
MARKUP

The Markup phase occurs after a period of Accumulation, and usually leads to a sustained, trending move. This phase provides the BEST opportunity for trading.

- Price breaks out of the Accumulation phase, and begins trending higher
- The big money bought during the Accum phase, now retail money joins in
- This is the most profitable time to buy, and also the “safest” time to buy
- Wyckoff: believes this phase is the direct result of the Accumulation phase



CLASSIC MARKUP



BEST TRADING OPPS



TRANSITION TO MARKUP



DISTRIBUTION

The Distribution phase occurs when institutional investors begin slowly liquidating (selling) their inventory of a given stock, thus creating compression, which typically precedes the Markdown phase.

- Institutions begin selling large amounts of stock over long periods of time, so as not to disturb price
- A large trading range develops, as Institutions liquidate their position
- Recognizing the Distribution phase gives insight into future opportunity
- Wyckoff: believes this phase is the “force” behind the upcoming move



DISTRIBUTION



DISTRIBUTION/RE-DIST



DISTRIBUTION



MARKDOWN



The Markdown phase occurs after a period of Distribution, and usually leads to a sustained, trending move. This phase provides the BEST opportunity for trading.

- Price breaks out of the Distribution phase, and begins trending lower
- The big money sold during the Distribution phase, now retail money joins in
- This is the most profitable time to sell short, and also the “safest” time to sell
- Wyckoff: believes this phase is the direct result of the Distribution phase



MARKDOWN



MARKDOWN



STP AXIOMS



Many of Wyckoff's basic tenets have become foundational standards of technical analysis, including the concepts of accumulation/distribution and the power of price and volume in determining price movement.

SWING TRADE PRO AXIOMS

1. The best price moves occur when there has been enough time to allow for a period of accumulation or distribution
2. Only trade during the Markup and Markdown phases
 - Buy pull-backs during the Markup phase (Discounts)
 - Sell pull-backs during the Markdown phase (Premiums)
3. Avoid trading during periods of Accumulation or Distribution



UNDERSTANDING VALUE

PROFESSIONALS UNDERSTAND VALUE



Professionals rely upon their ability to identify value opportunities, and exercise discipline to only trade when good value is present.

- Quickly and accurately determining value directly affects profitability
- Patience and discipline are the keys to consistently trading value opportunities
- Requiring good value for EVERY trade dramatically improves odds for success
- Trading value reduces risk and maximizes the potential gain



AUCTION MARKET THEORY



Auction Market Theory allows traders to make decisions based on market-generated data that is a reflection of supply vs demand.

- The market operates solely to facilitate trade
- Price is a tool used to advertise value
- Price auctions up to motivate sellers, and down to motivate buyers
- Price auctions higher until the last buyer has bought, and auctions lower until the last seller has sold
- When buyers/sellers find an agreeable price, they trade in large volume, thereby establishing “value”

VALUE BASICS



Pros assess value in order to identify when prices are at a discount or premium. Identifying value is the cornerstone to profitable trading.

- Price is used as a tool to advertise value
- Value is the dominant variable in markets; changes constantly
- Price is valued differently in each timeframe
- Historical value maintains significance into the future
- Demand drives value; change in value reveals demand
- Professionals look to buy undervalued opportunities (Discounts), and sell overvalued opportunities (Premiums)

DISCOUNTS & PREMIUMS OWN THE MARKET PIVOTBOSS

Traders become consistently profitable when they limit their trading to only buying discounts and only selling premiums.

DISCOUNTS

Any deduction from the nominal value

- 1. Cheaper than fair value*
- 2. Excess supply; decreased demand*
- 3. The goal is to always buy below fair market value*
- 4. Always buying below value
(Discount) offers the quickest path to consistent profitability*
- 5. Buy Discounts during Markups*
- 6. Cover short positions at Discounts during Markdowns*

PREMIUMS

Any sum above the nominal value

- 1. More expensive than fair value*
- 2. Low supply; increased demand*
- 3. The goal is to always sell above fair market value*
- 4. Always selling above value
(Premium) offers the quickest path to consistent profitability*
- 5. Short Premiums during Markdowns*
- 6. Liquidate long positions at Premiums during Markups*

5 SIMPLE VALUE RULES



The 5 Simple Value Rules help to train your mind to only trade during periods that offer the best odds for success.

5 SIMPLE VALUE RULES

1. Buy when price is undervalued (Discount)
2. Sell when price is overvalued (Premium)
3. Buy when prices are trending up (Markup)
4. Sell when prices are trending down (Markdown)
5. Avoid trading during periods of Accumulation or Distribution



IDENTIFYING VALUE OPPORTUNITIES

IDENTIFYING VALUE OPPORTUNITIES



The ability to quickly and accurately identify value opportunities will set you apart as a trader.

- Identifying value opportunities is both easy and difficult
- Once you master a few simple concepts, you'll be able to easily identify value in any chart
- When you're able to identify discounts and premiums, limit your trading to only these opportunities



TOOLS OF THE TRADE



Identifying value opportunities can be quite easy, especially when using the right tools in the right way.

PEMA

Pivot-Based Exponential Moving Averages visually reveal value opportunities during trending markets

- 1. Simple; accessible*
- 2. Multiple moving averages easily identify the trend, and its value opportunities*
- 3. "Stacked & sloped" offers the best way to use this method*

PIVOT RANGE

The Pivot Range reveals a value area each month, which is used to identify value opportunities

- 1. Simple, accessible*
- 2. Pivot range trend and width analysis can help identify great value and breakout opportunities*
- 3. "Buy dips, and sell rips" at the pivot range during trending markets*

VWAP

Volume-Weighted Average Price is a classic indicator that clearly reveals a real-time value line

- 1. Simple, semi-accessible*
- 2. VWAP offers a real-time view of value, and over/undervalued price levels are easily identified*
- 3. "Buy dips, and sell rips" at VWAP during a trending market*

IDENTIFYING VALUE



TOOLS OF THE TRADE



Template: PEMA Pull-Back | High: 90.93 Low: 89.36 Last: 90.90

2012

Jan Feb Mar Apr May Jun Jul

iPEMA3 (13, 34, 55)

During the Markup phase, every pull-back to the 1st and 2nd levels of the PEMAs offers great value opportunities

Accumulation

Premium

Discount

MAs are stacked & sloped, meaning they are all trending higher in unison

87.17

86

84

82

80

78

76

74

72

8.1 M

TOOLS OF THE TRADE



KMB - KIMBERLY CLARK CORP (DAILY)

Template: Pivot Range | High: 90.93 Low: 89.36 Last: 90.90

Zoom | DAY | Symbol | Scale

2012

Jan Feb Mar Apr May Jun Jul

iCentralPivotRange (0, 0)

During the Markup phase, every test at the Pivot Range is the market testing prior value; if buyers defend value, then another wave of strength occurs

Accumulation

Price finds support at the Pivot Range during a trending market

87.17

86

84

82

80

78

76

74

72

8.1 M

TOOLS OF THE TRADE



During the Markup phase, price will “test” VWAP to reaffirm direction, which usually welcomes responsive buyers that are eager to buy at a discount

Accumulation

Pull-backs to VWAP during a strong Markup phase offer great value opportunities



PIVOT-BASED MOVING AVERAGES

PEMA



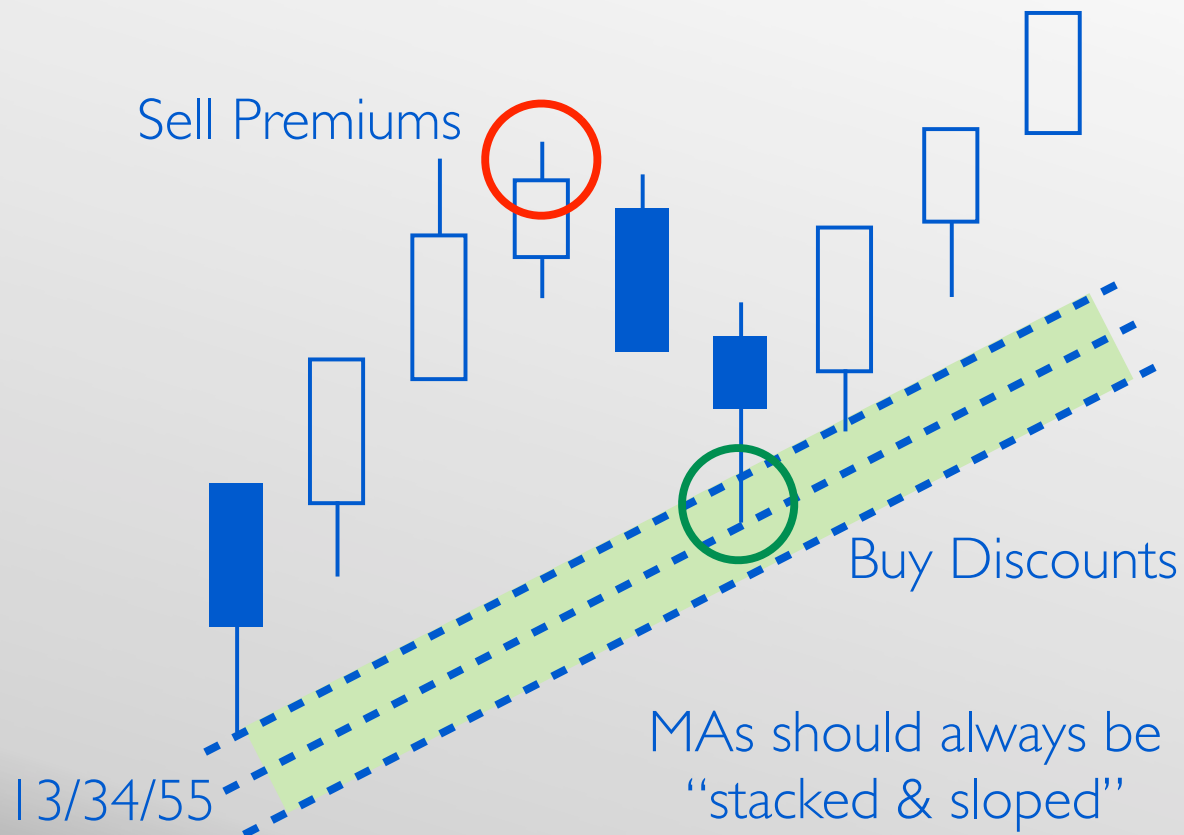
Pivot-Based Exponential Moving Averages (PEMA) provide an easy method for identifying value opportunities during trending markets.

PEMA

Pivot-Based Exponential Moving Averages visually reveal value opportunities during trending markets

- 1. Simple; accessible*
- 2. Multiple moving averages easily identify the trend, and its value opportunities*
- 3. "Stacked & sloped" offers the best way to use this method*

Buy and Sell pull-backs only within established Markup or Markdown phases



GETTING STARTED



Pivot-Based Exponential Moving Averages (PEMA) use the pivot point (or typical price) as the input, rather than the standard Close price. However, you can use any style or combination of inputs and moving averages to execute the same approach.

THE INPUT: PIVOT POINT

*The Pivot Point:
 $(H + L + C) / 3$*

- 1. Pivot-based EMA*
- 2. Standard Close*

MOVING AVERAGES

*Choose your preferred style
of moving average*

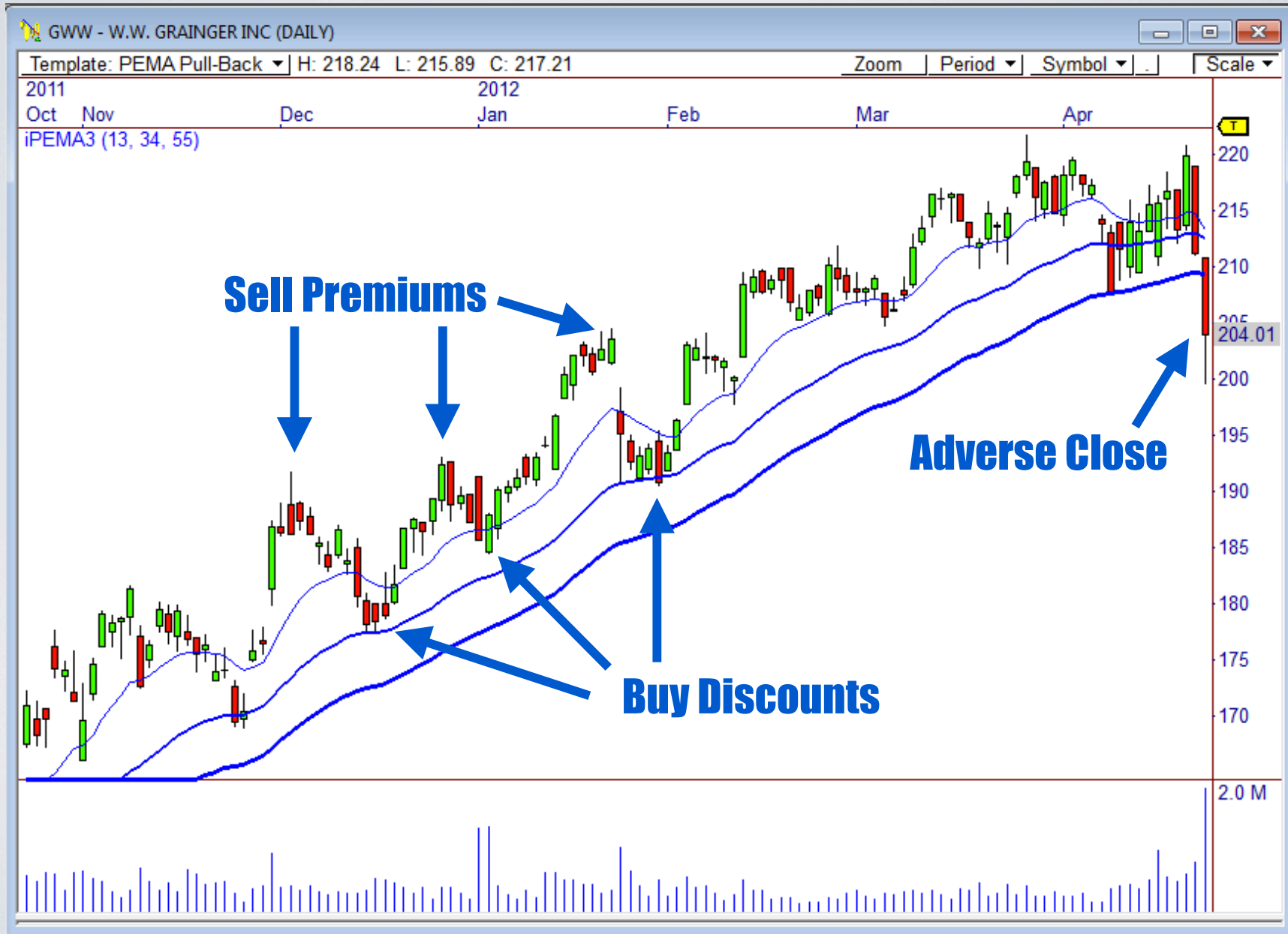
- 1. Exponential: faster*
- 2. Simple: classic*

TREND INTENSITY

*Adjust the moving averages
to the intensity of the trend*

- 1. High: 8/13/21*
- 2. Med: 13/21/34*
- 3. Low: 13/34/55*

PEMA ANALYSIS



PEMA ANALYSIS



PEMA ANALYSIS



PEMA ANALYSIS



PEMA ANALYSIS



PEMA ANALYSIS





PIVOT RANGE ANALYSIS

PIVOT RANGE ANALYSIS



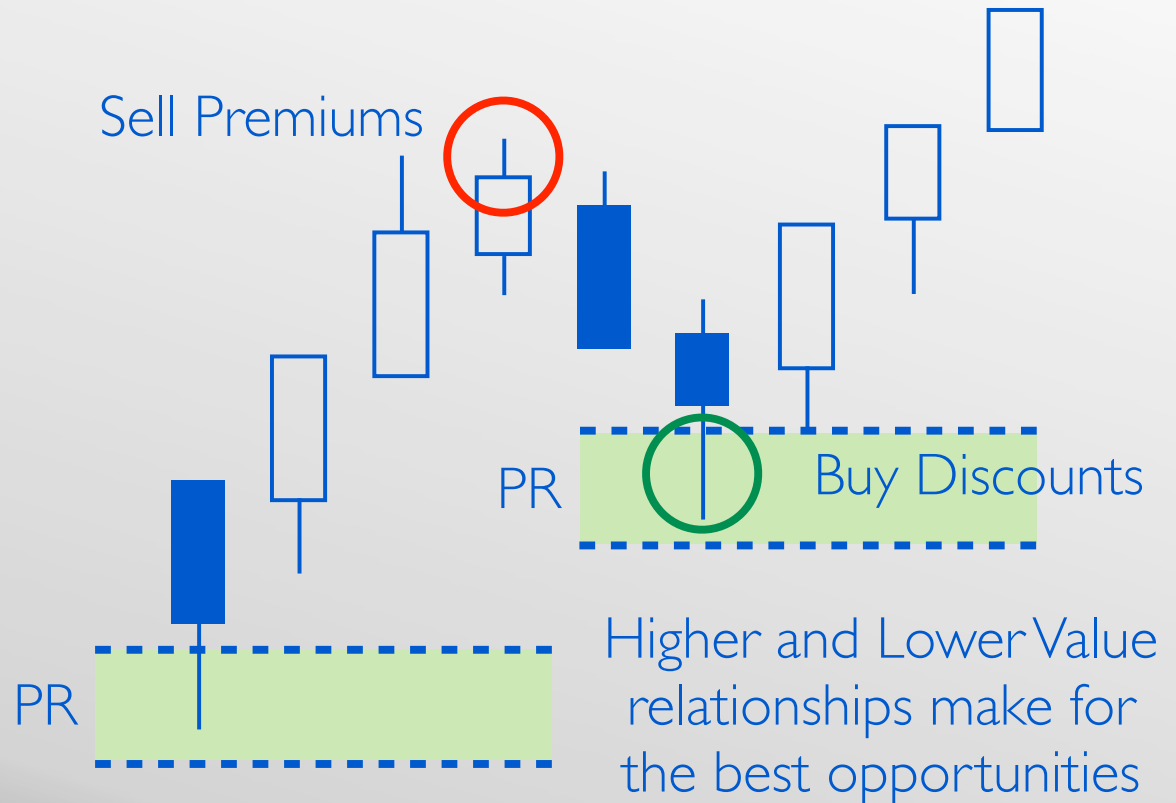
The Pivot Range is a multi-faceted indicator that reveals value areas in any chart and timeframe, making it easy to identify great bargains.

PIVOT RANGE

The Pivot Range reveals a value area each month, which is used to identify value opportunities

- 1. Simple, accessible*
- 2. Pivot range trend and width analysis can help identify great value and breakout opportunities*
- 3. "Buy dips, and sell rips" at the pivot range during trending markets*

Buy and Sell pull-backs only within established Markup or Markdown phases



GETTING STARTED



The Pivot Range is a simple indicator that can be easily calculated with a spreadsheet, but is not a commonly included indicator for most trading platforms. However, many traders have already written the code for this indicator for the most popular platforms.

THE PIVOT RANGE

The monthly Pivot Range uses the prior month's H/L/C as inputs

1. Pivot: $(H + L + C) / 3$
2. BC: $(H + L) / 2$
3. TC: $P + (P - BC)$

TYPES OF CALCULATIONS

The Pivot Range is flexible and can be calculated for many timeframes

1. Daily
2. Weekly
3. Monthly
4. Yearly

PIVOT-BASED ANALYSIS

The Pivot Range can be used in many types of analytical ways

1. Trend Analysis
2. Width Analysis
3. Relationships

PIVOT RANGE ANALYSIS



PIVOT RANGE ANALYSIS



PIVOT RANGE ANALYSIS



PIVOT RANGE ANALYSIS



PIVOT RANGE ANALYSIS



PIVOT RANGE ANALYSIS



Any pull-back, regardless of if it's at the Pivot Range, can be a value buy as long as price remains above the Pivot Range



VOLUME-WEIGHTED AVERAGE PRICE

VWAP



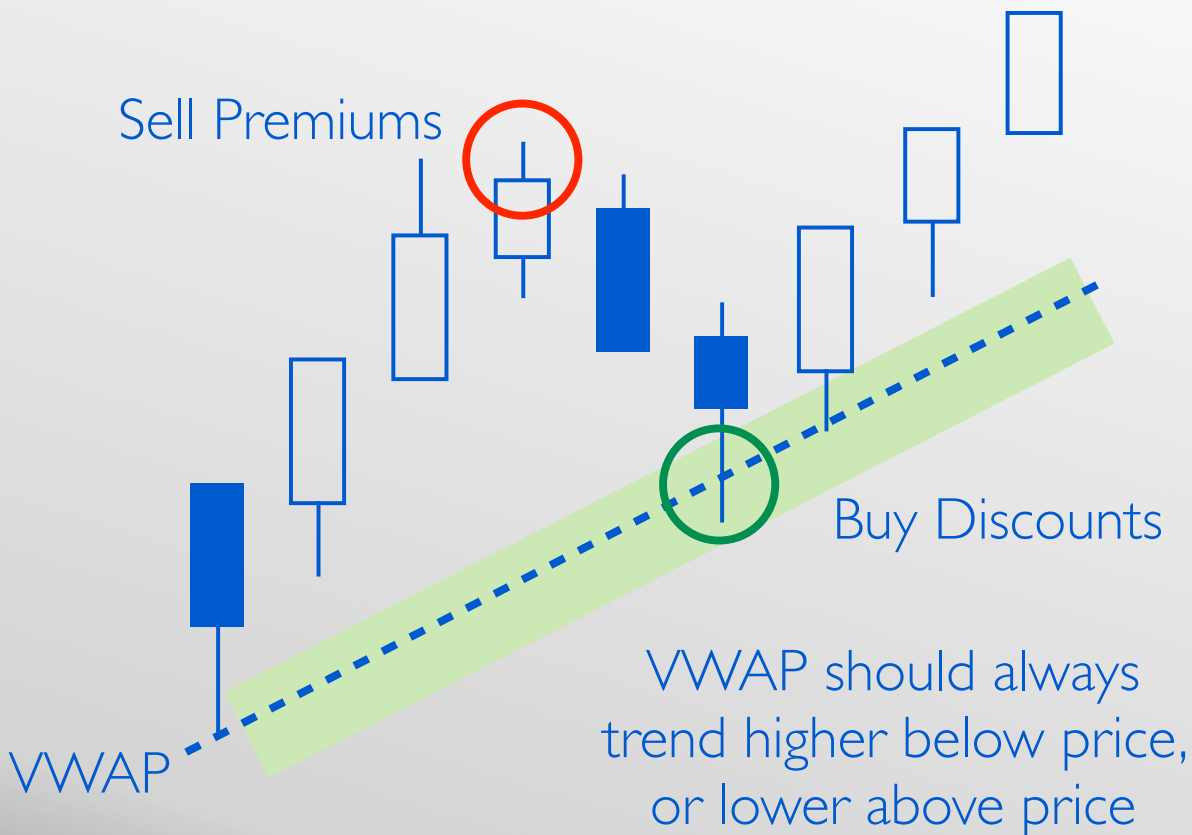
Volume-Weighted Average Price is a powerful indicator that illustrates where the average trader bought and sold, thus revealing fair value.

VWAP

Volume-Weighted Average Price is a classic indicator that clearly reveals a real-time value line

- 1. Simple, semi-accessible*
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- 3. "Buy dips, and sell rips" at VWAP during a trending market*

Buy and Sell pull-backs only within established Markup or Markdown phases



GETTING STARTED



Volume-Weighted Average Price (VWAP) is a powerful indicator that many high-level professionals use daily. This indicator is oftentimes a standard indicator for many trading platforms, but the ability to customize the indicator is not yet standardized and is less common.

VWAP CALCULATION

Calculates the ratio of the value traded to the total volume traded

$$P_{VWAP} = \frac{\sum_j P_j \cdot Q_j}{\sum_j Q_j}$$

TIMEFRAME FLEXIBILITY

The best VWAP indicators allow for customization of the period calculated

1. Daily
2. Weekly
3. Monthly
4. Quarterly

VWAP ANALYSIS

VWAP can be used in a variety of ways, but identifying value is tops

1. BULL: Buy at or Below
2. BEAR: Sell at or Above
3. NEUTRAL: Sell Above;
Buy Below

THE VWAP MATRIX



The VWAP Matrix illustrates the most common “thought process” used by professionals when determining trade ideas using VWAP.

VWAP MATRIX

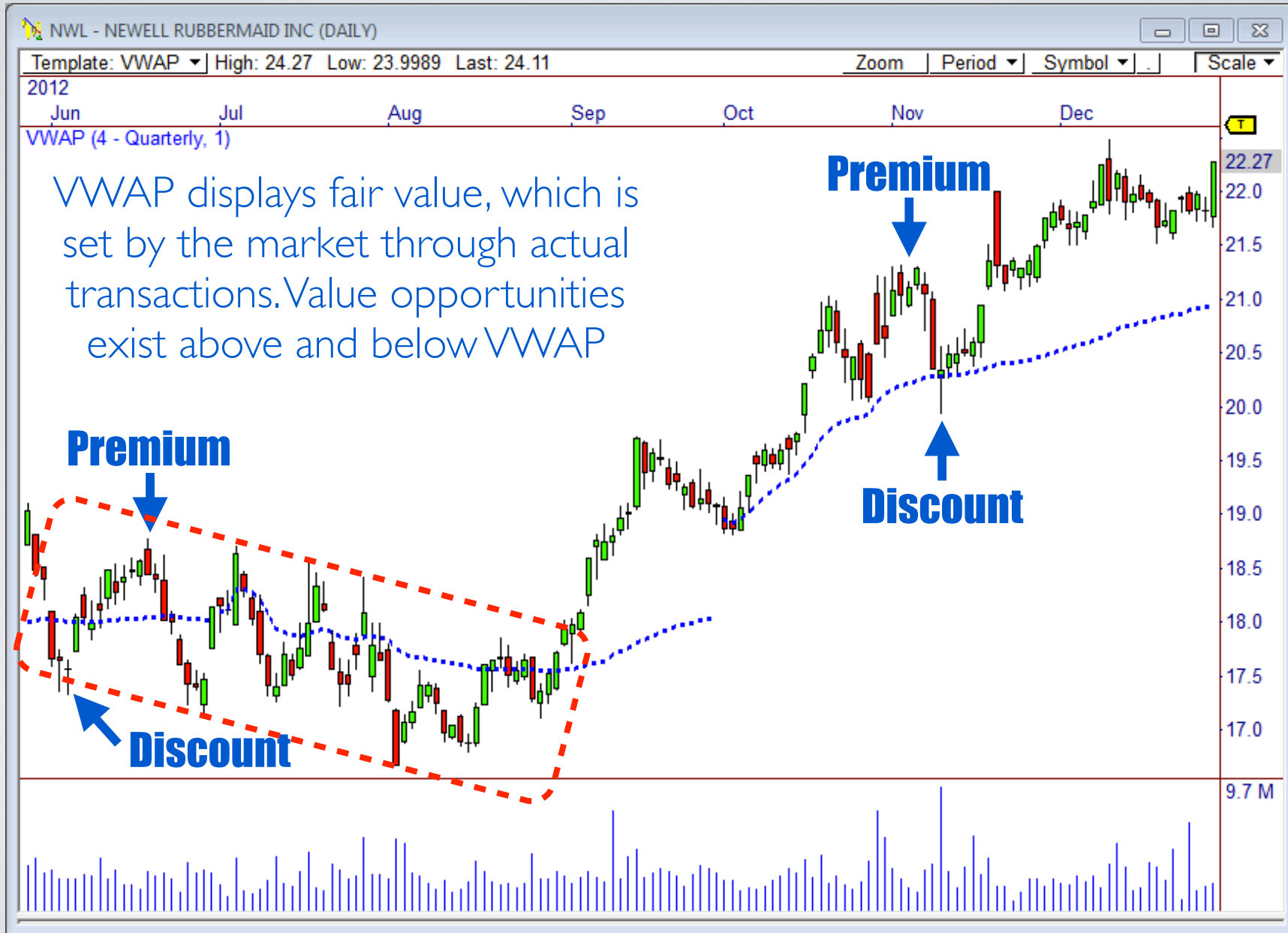
*The VWAP Matrix
“Calls to Action” & Results*

- 1. Action: Buy Below
Result: Profitable Trade*
- 2. Action: Sell Above
Result: Profitable Trade*
- 3. Action: Buy Above
Result: Aggressive Buying*
- 4. Action: Sell Below
Result: Aggressive Selling*

Following the standard “Rules” of the VWAP Matrix generally leads to profitable trading.



VWAP ANALYSIS



VWAP ANALYSIS



VWAP ANALYSIS



VWAP ANALYSIS



VWAP ANALYSIS



VWAP ANALYSIS

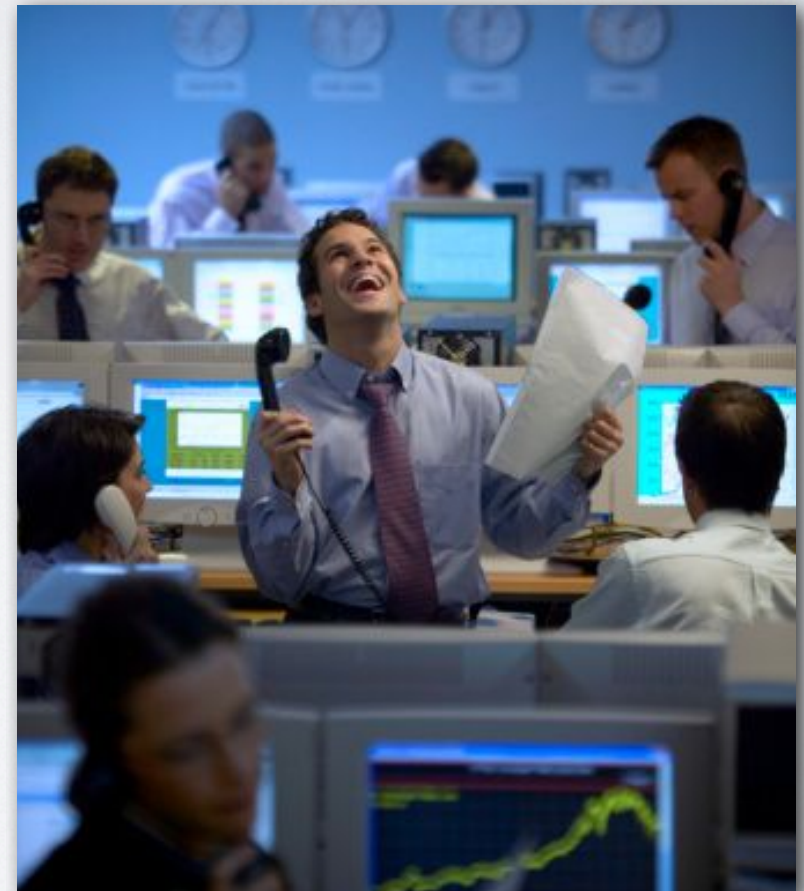


MOVING FORWARD



At its core, profitable trading is all about understanding market structure and value. The rest is technique and discipline.

- The Four Market Phases help you understand market structure
- Seek out phases of Accumulation and Distribution in order to trade during the subsequent Markups/Markdowns
- The concepts of Value, Discounts, and Premiums tell you when to buy & sell
- Limit your trading to opportunities that offer a path of least resistance





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