

Core Trading for a Living



With

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Tools and Tactics for the Master Day Trader*

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Introduction

The Major Time Shift

Fact # 1

20 years ago, the typical investor looked to hold a stock position for 4 1/2 years, on average.

Fact # 2

Today, the typical investor looks to hold a stock position for 4 1/2 months.

Pristine Theories

Theory # 1

We believe, the investor's average holding period for any stock will drop to 4 1/2 weeks....

inside of 2 years!!

Theory # 2

Long-term Investing, commonly referred to as the “buy-and-hold” approach, is becoming less effective by year!

The Dynamics of Change

What has led to this dramatic change?

- I) 25 Year Decline in Commission Rates
- II) Worldwide Collapse in Interest Rates
- III) Phenomenal Technological Advancements
- IV) New Order Handling Rules
- V) The Advent of the Internet
- VI) A More Sophisticated Public

Fundamental vs. Technical

Fact # 1

*20 years ago,
fundamental
analysis was
considered the
only proper way
to make market
decisions*

Fact # 2

*“Today, the
‘purely’
fundamental
analyst is
virtually extinct.”*

*– Mark Douglas, author of
The Disciplined Trader and Trading In
The Zone*

What has led to this dramatic shift?

- I) Money!
- II) Markets are not mathematically logical and/or rational
- III) The hopes and fears of people move stocks
- IV) Under extreme stress and glee, people react the same way.
- V) Charts are the foot prints of these actions and reactions
- VI) In other words: **Charts Don't Lie!**

The Building Blocks

Foundation

Four Styles of Trading

Types of Trading

Four Styles of Trading: Core; Swing; Guerilla; Micro

Which fall into....

Two Broad Trading Categories: Wealth; Income



Two Broad Trading Categories

Wealth Trading Styles

Core Trading

- Weekly Charts
- Weeks to Months

Swing Trading

- Daily Charts
- Days to Weeks

Income Trading Styles

Guerilla Trading™

- 60 Min & 30 Min
- Hours to Days

Micro Trading

- 5 Min & 15-Min
- Minutes to Hours

The Pristine Philosophy

Pristine Tip:

The Pristine Trading Philosophy calls for a trader to have **1)** a *Wealth Building* trade and **2)** an *Income Producing* trade on....

At All Times!

Core Trading Defined

What is Core Trading?

- 1) A style of market play that typically covers a holding period of several weeks to several months.
- 2) There are two forms of Core Trading: Macro; Micro
- 3) This style of trading has become the new form of investing.
- 4) The Core Trader uses weekly charts to make entries and exits.
- 5) Core Trading is best used on key stocks and indices.
- 6) Core Trading is the key to capturing substantially bigger gains than the swing and/or day trader is accustomed to.
- 7) Core Trading is style of trading that can be practiced by ALL!!

Core Trading vs. Investing

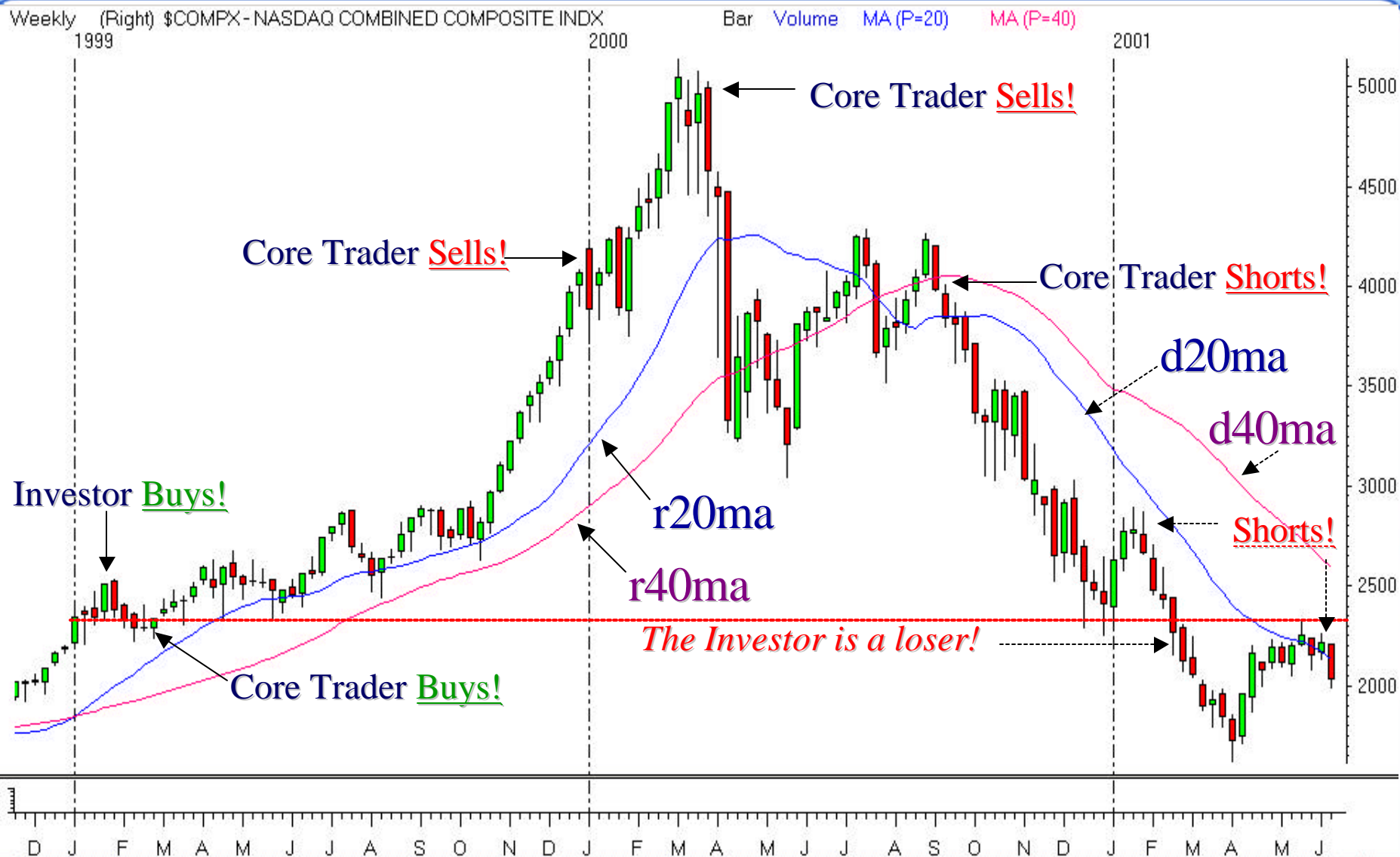


Chart Courtesy of MasterTrader.com

Macro vs. Micro Core Trading

Weekly (Right) \$COMPX - NASDAQ COMBINED COMPOSITE INDX
1999 2000

Macro Core Trader **Sells!**

Key Point: The Macro Core Trader looks to ride the entire (macro) move, while ignoring the temporary weekly set backs.



Weekly (Right) \$COMPX - NASDAQ COMBINED COMPOSITE INDX
1999 2000

Micro Core Trader **Sells!**

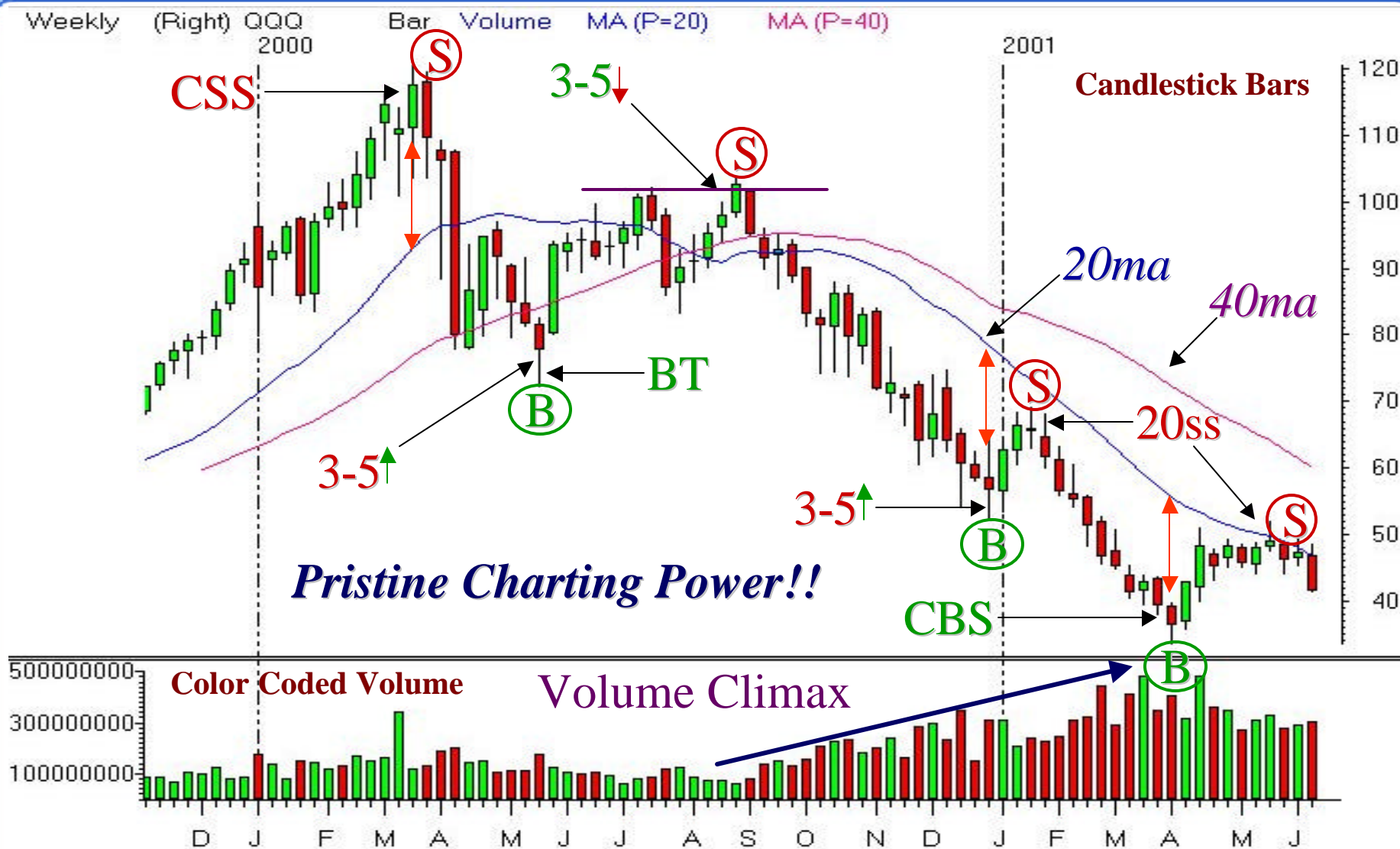
Key Point: The Micro Core Trader only looks to ride one color, primarily. This is the “no pain” approach.

Micro Core Trader **Sells!**



Charts Courtesy of MasterTrader.com

Core Trading Chart (QQQ)



Pristine Charting Power!!

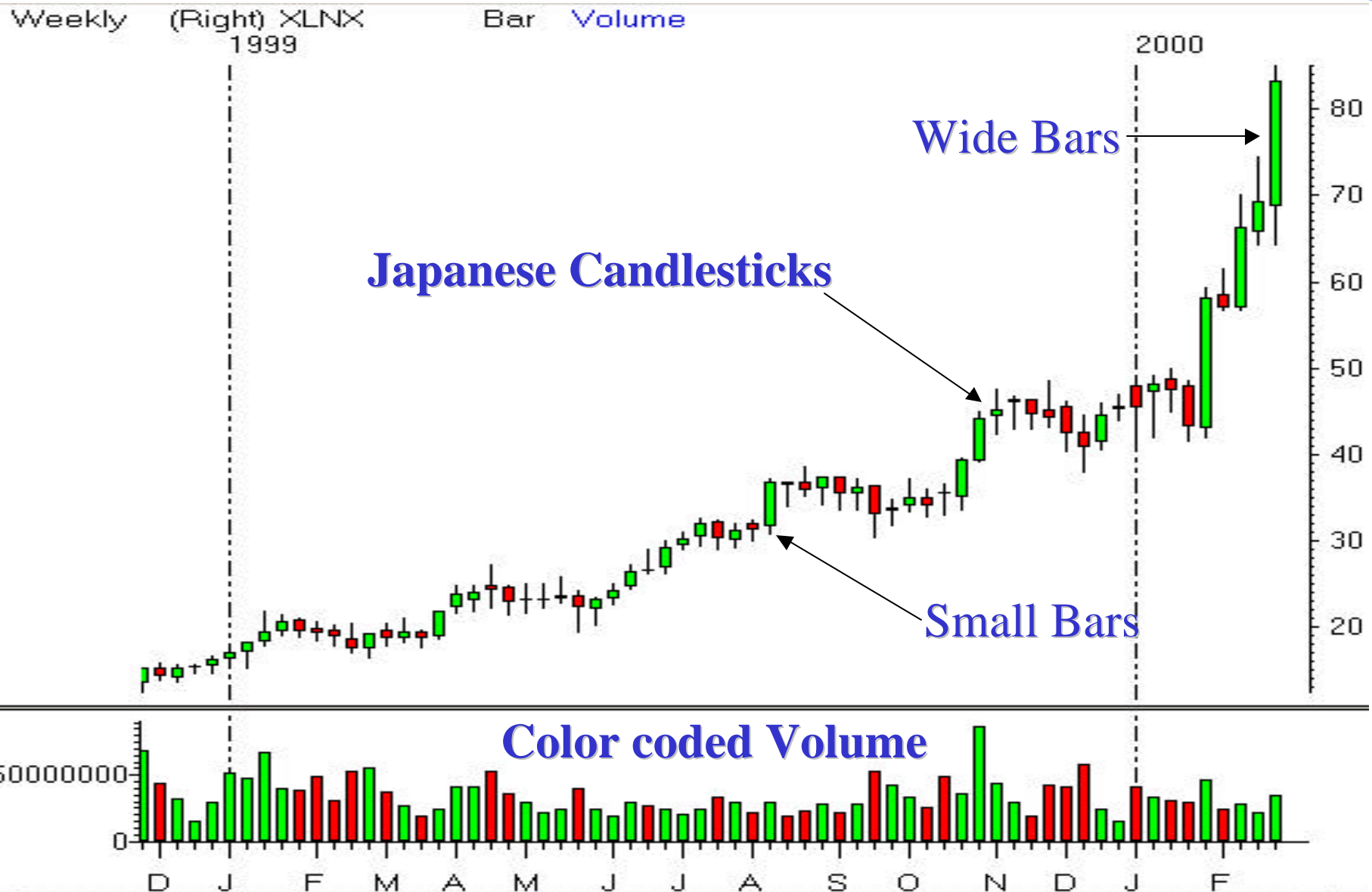
Chart Courtesy of MasterTrader.com

Tools of the Core Trade

Charting Tools: *Weekly charts displayed in Japanese Candlestick form.*

Technical Tools: *Color coded volume; 20 & 40 period 'simple' moving averages.*

Weekly Chart with Volume



Core Trading Tools

Weekly (Right) XLNX 1999

Bar Volume

MA (P=20)

MA (P=40)

2000

The Only Tools You Need!

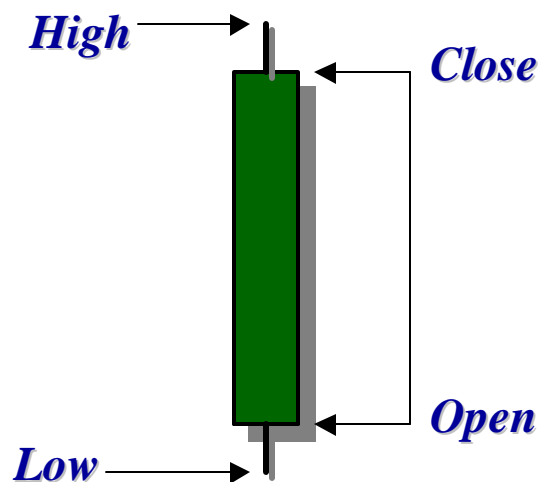
- 1) Weekly Chart
- 2) Colored Volume
- 3) 20sma
- 4) 40sma

Japanese Candlesticks

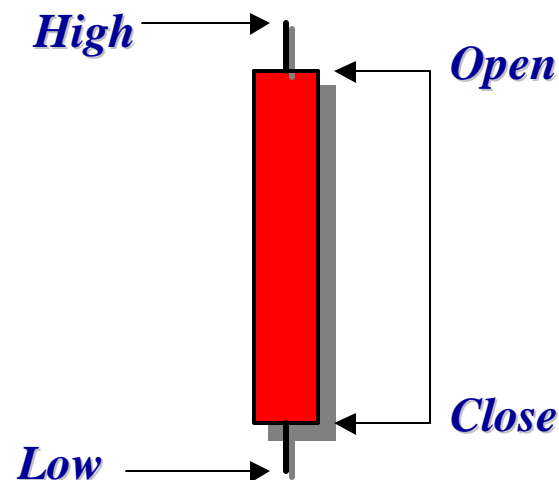


The Weekly Battle

Determining Who Won The Battle



Bulls Win



Bears Win

An Important Statistical Fact

Pristine Tip:

Bulls and Bears cannot consistently win more than 5 battles in a row. Each side typically surrenders to the other after 3 to 5 battles won.

However...

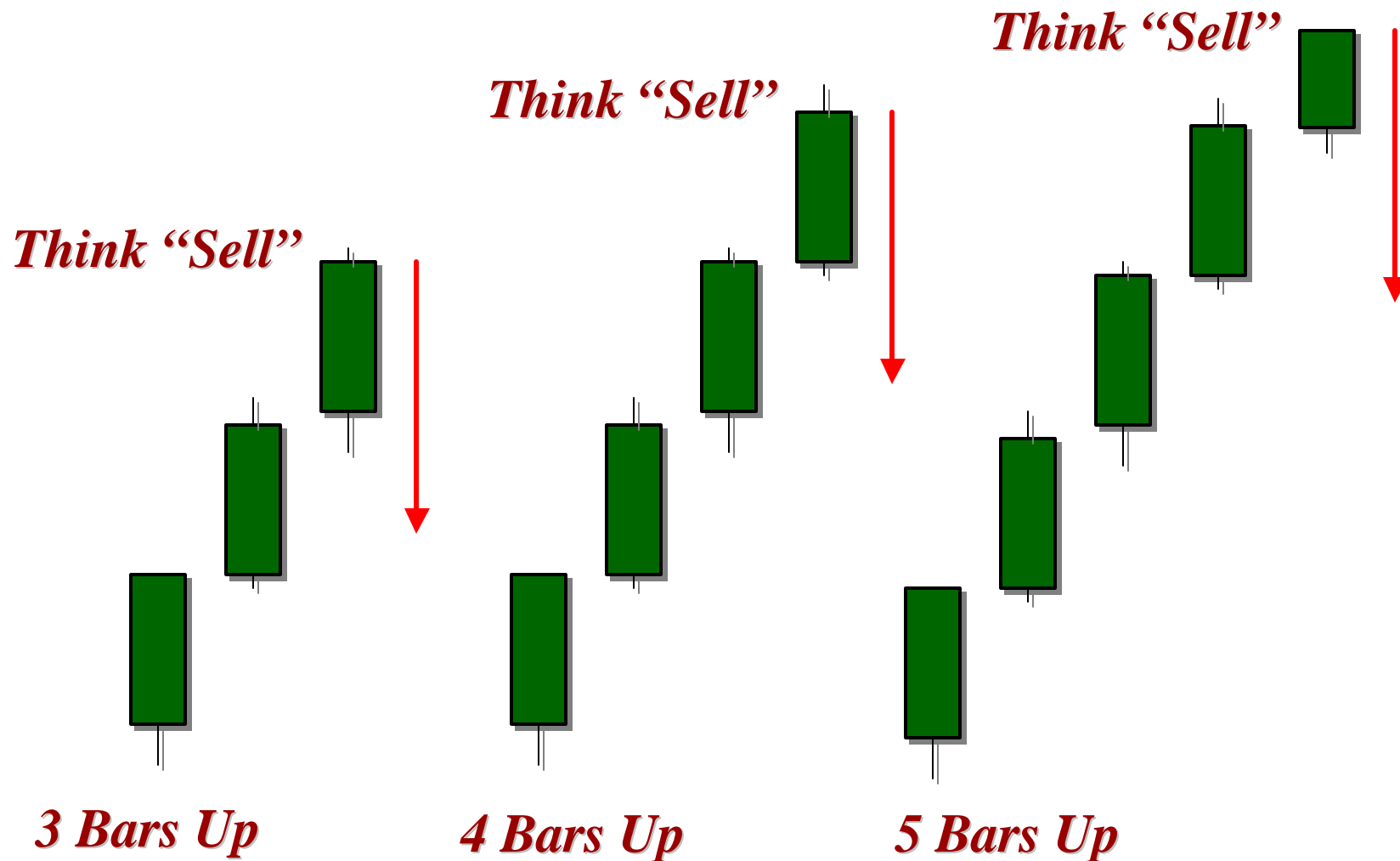
If the Bulls or Bears win significantly more than 5 battles in a row, a catastrophic loss will be the price paid for such an abnormal winning streak.

3 Key Pristine Events

The Key Events

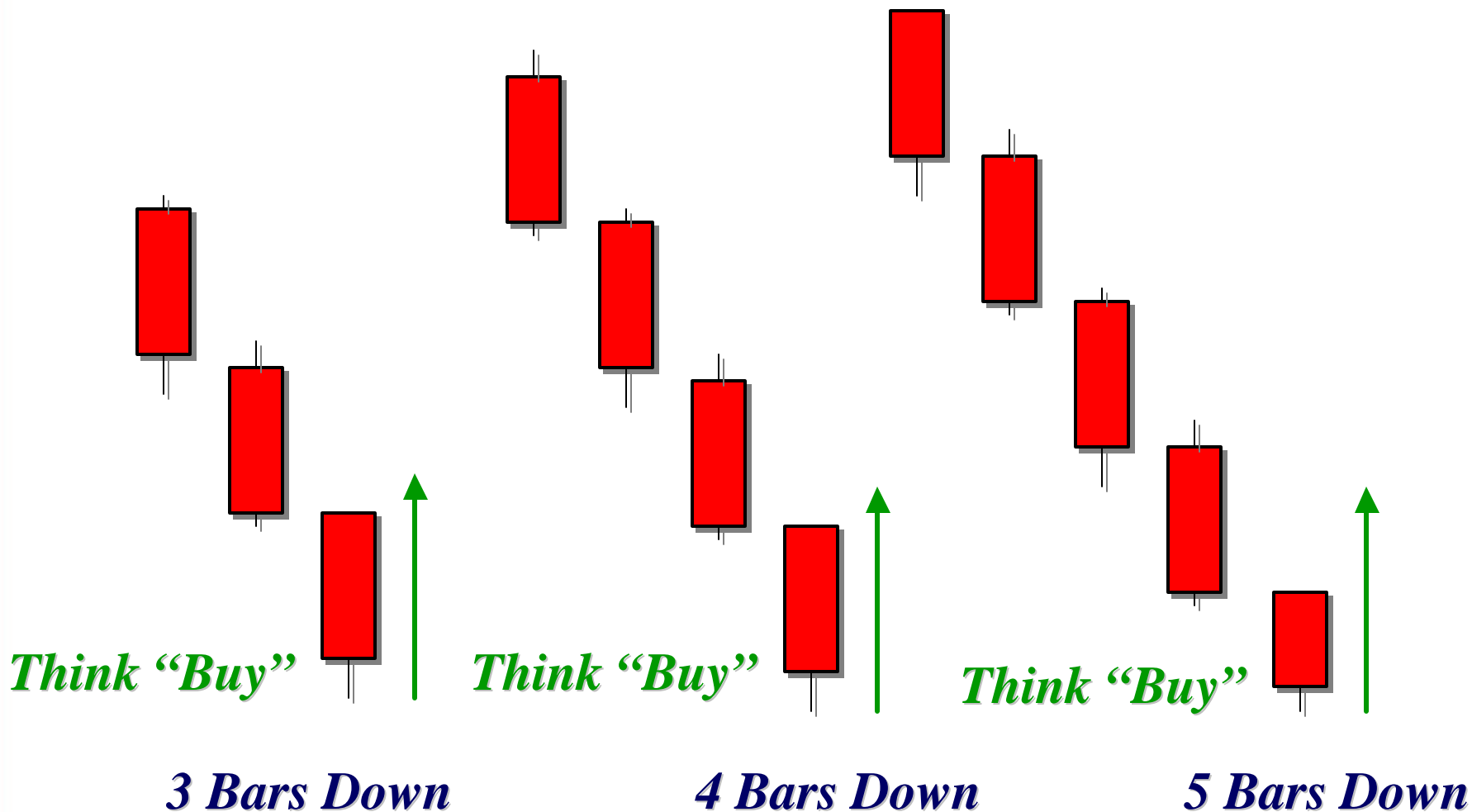
3 to 5 Bar Rallies

Pictures of Greed



3 to 5 Bar Rallies

Pictures of Pain



Count Your Way to Profits

Weekly (Right) INTU

Bar Volume

MA (P=20)

MA

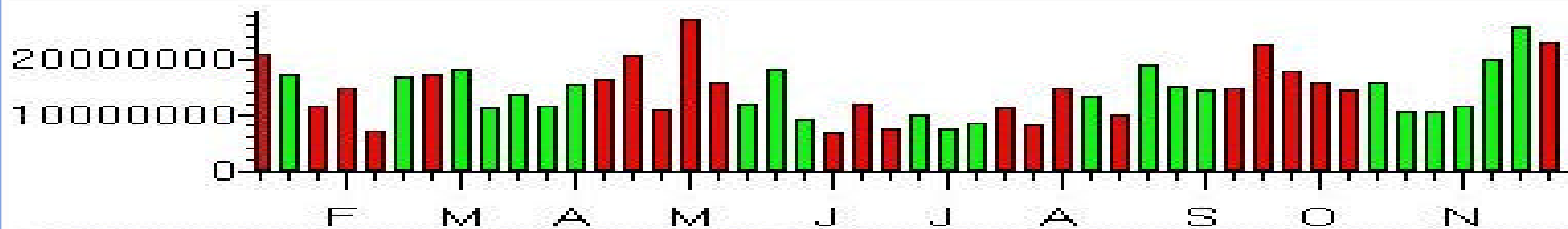


Chart Courtesy of MasterTrader.com

Count Your Way to Profits

Weekly (Right) INKT

Bar Volume

MA (P=20)

MA

5 Green Bars

3 Red Bars

4 Red Bars

3 Red Bars

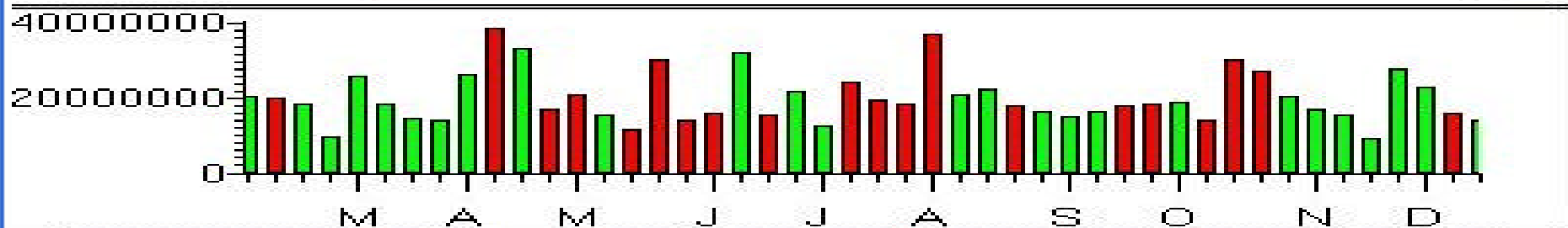
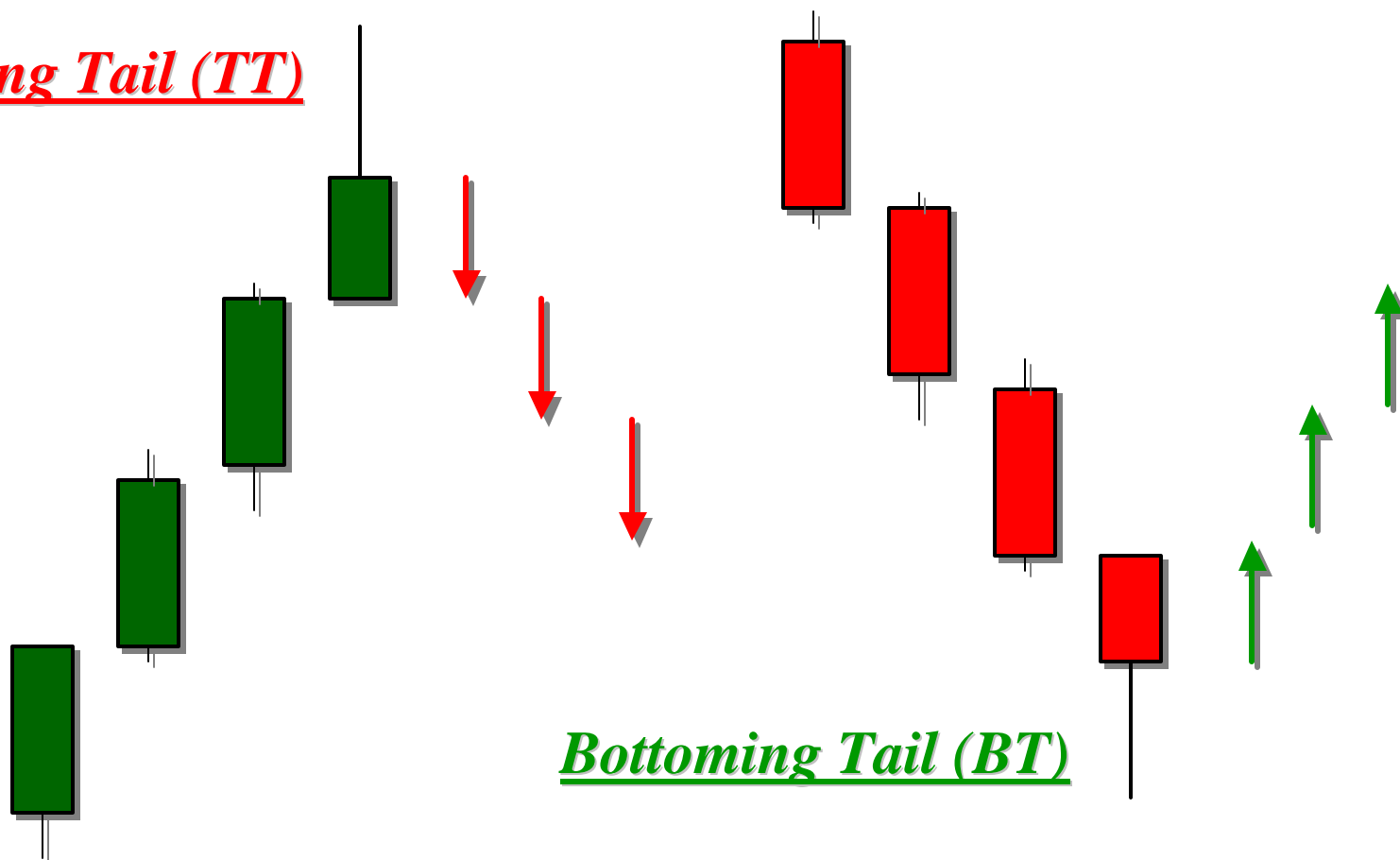


Chart Courtesy of MasterTrader.com

Bull & Bear Tails

Bottoming & Topping Tails

Topping Tail (TT)



Topping Tail Play I

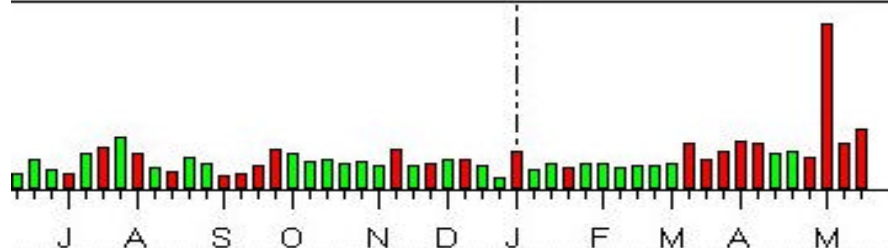
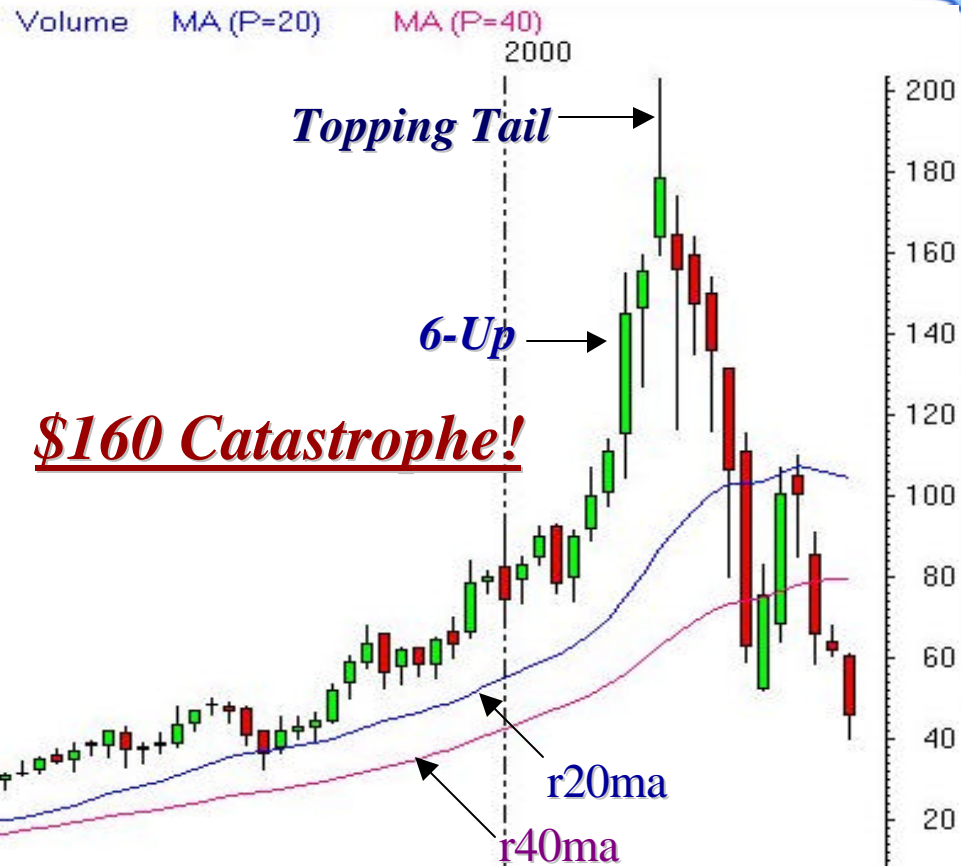
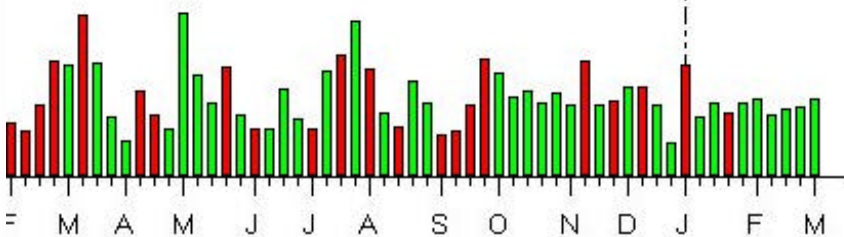


Chart Courtesy of MasterTrader.com

Bottoming Tail I

Weekly (Right) AMZN 1998 Bar Volume MA (P=20) MA (P=40) 1999

- 1) 6 Down Bars in a row
- 2) Bottoming Tail

It's Party Time!



Weekly (Right) AMZN 1998 Bar Volume MA (P=20) MA (P=40) 1999

110% Party!

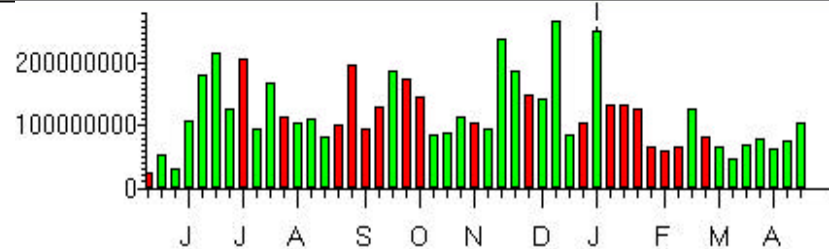
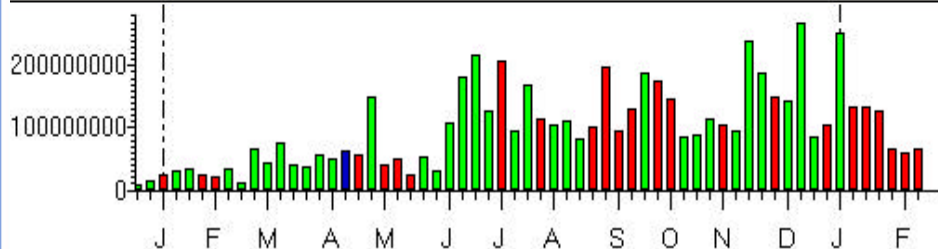
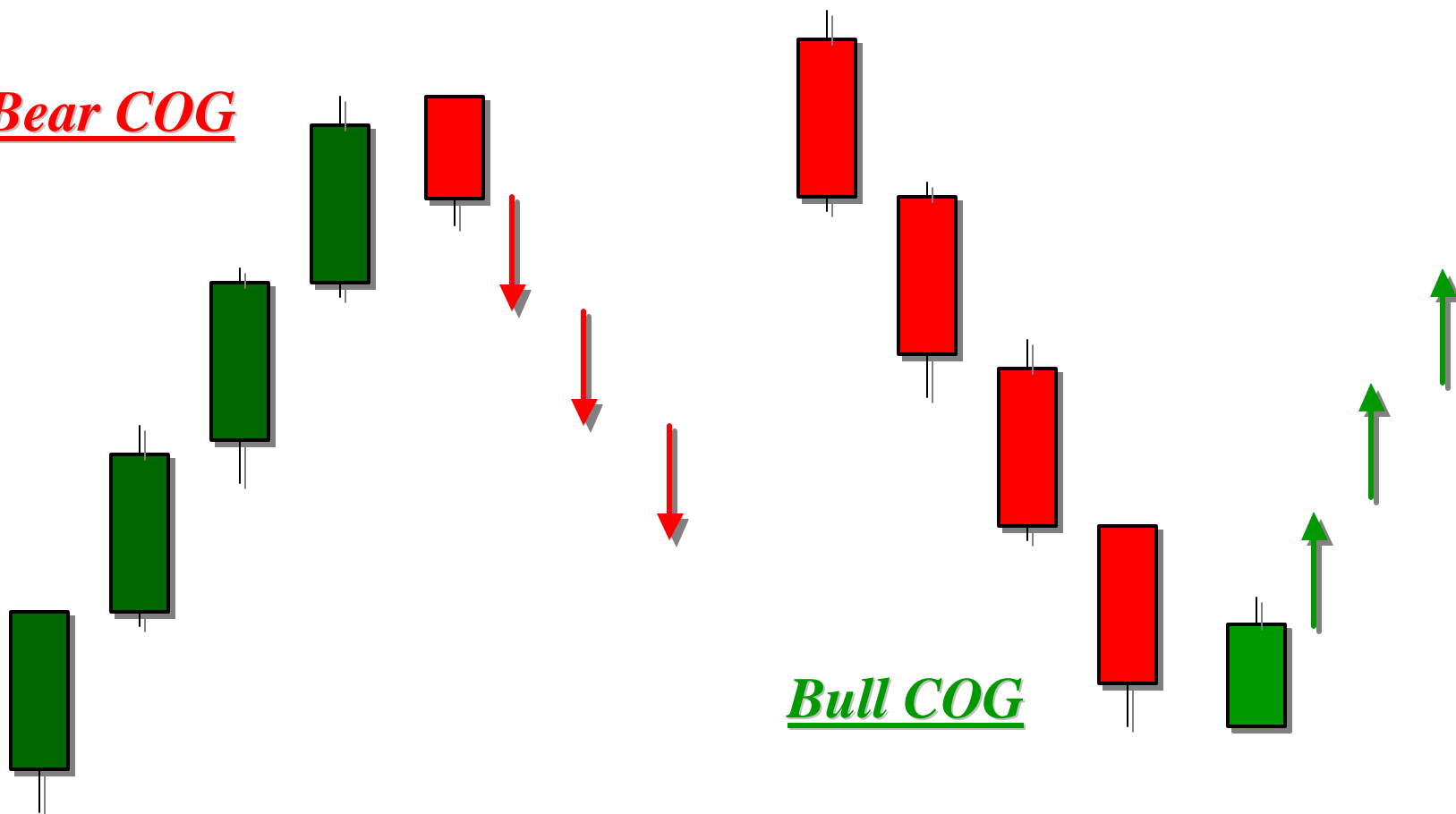


Chart Courtesy of MasterTrader.com

Bull & Bear COG

Changing of the Guard (COG)

Bear COG



Bull COG

Bear Changing of the Guard™

Weekly (Right) ARBA - ARIBA INC 1999

Bar

Volume

Weekly (Right) ARBA - ARIBA INC 1999

Bar

Volume

M

Topping Tail

Bear COG™

5-Up

- 1) 5 Up Bars in a row
- 2) Bear COG™
- 3) Topping Tail (TT)

The Party is Over!

r40ma

Topping Tail

Bear COG™

5-Up

\$120 Catastrophe

r40ma

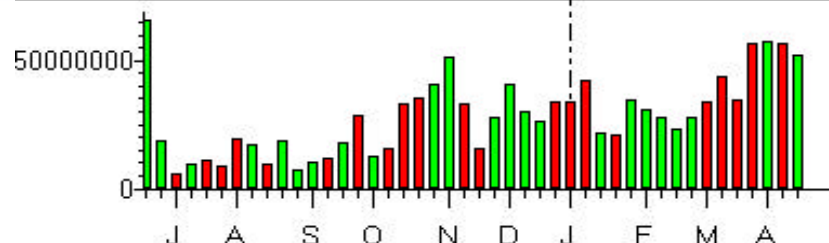
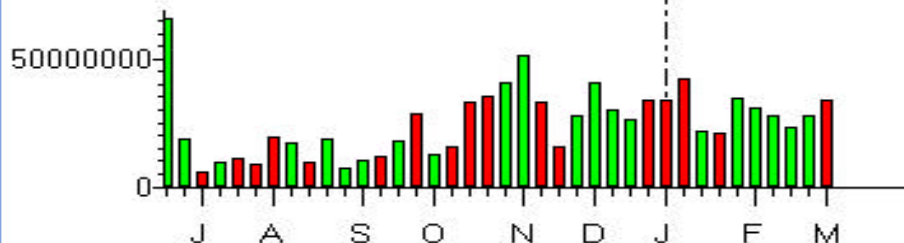


Chart Courtesy of MasterTrader.com

Changing of the Guard™ Plays

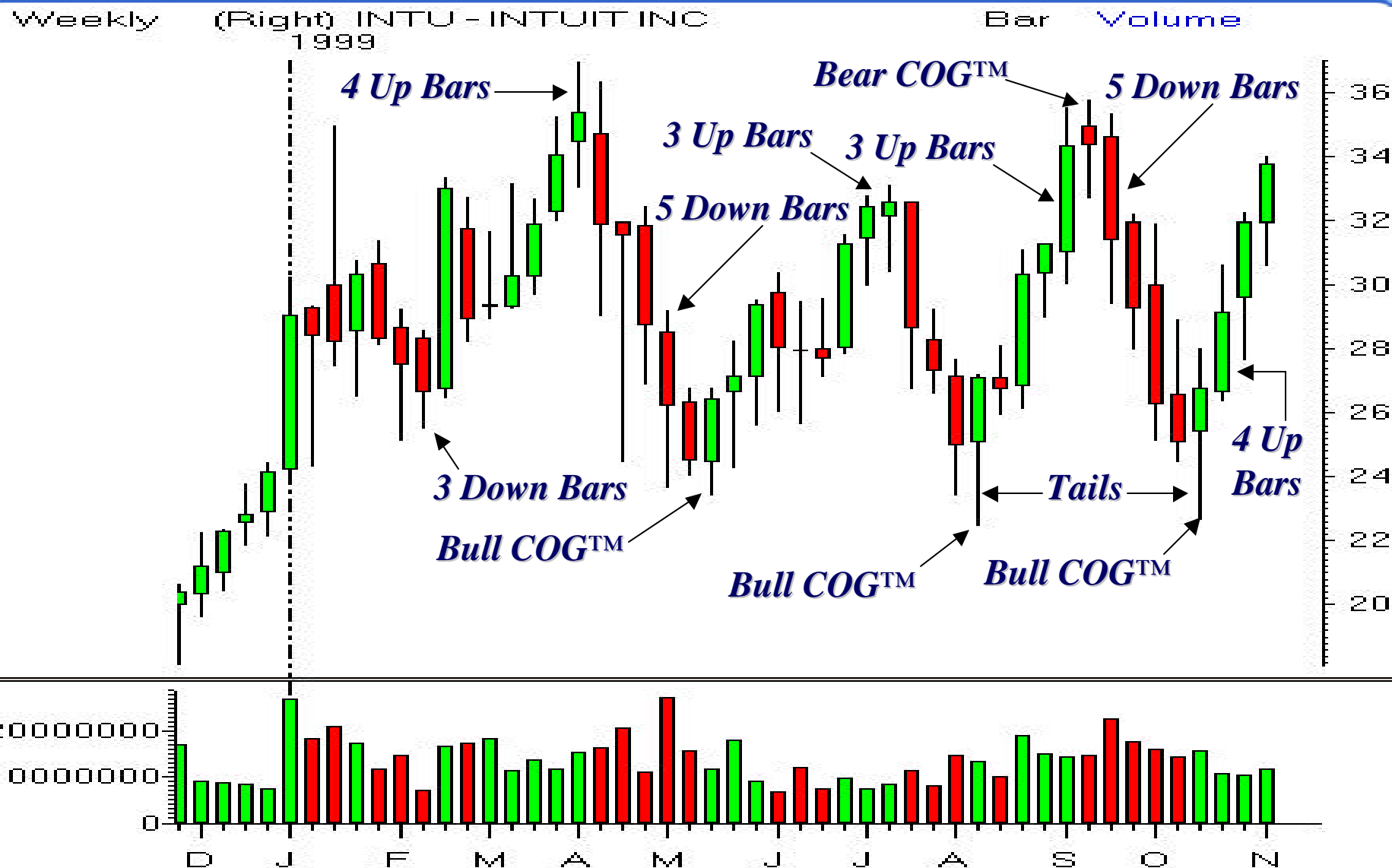


Chart Courtesy of MasterTrader.com

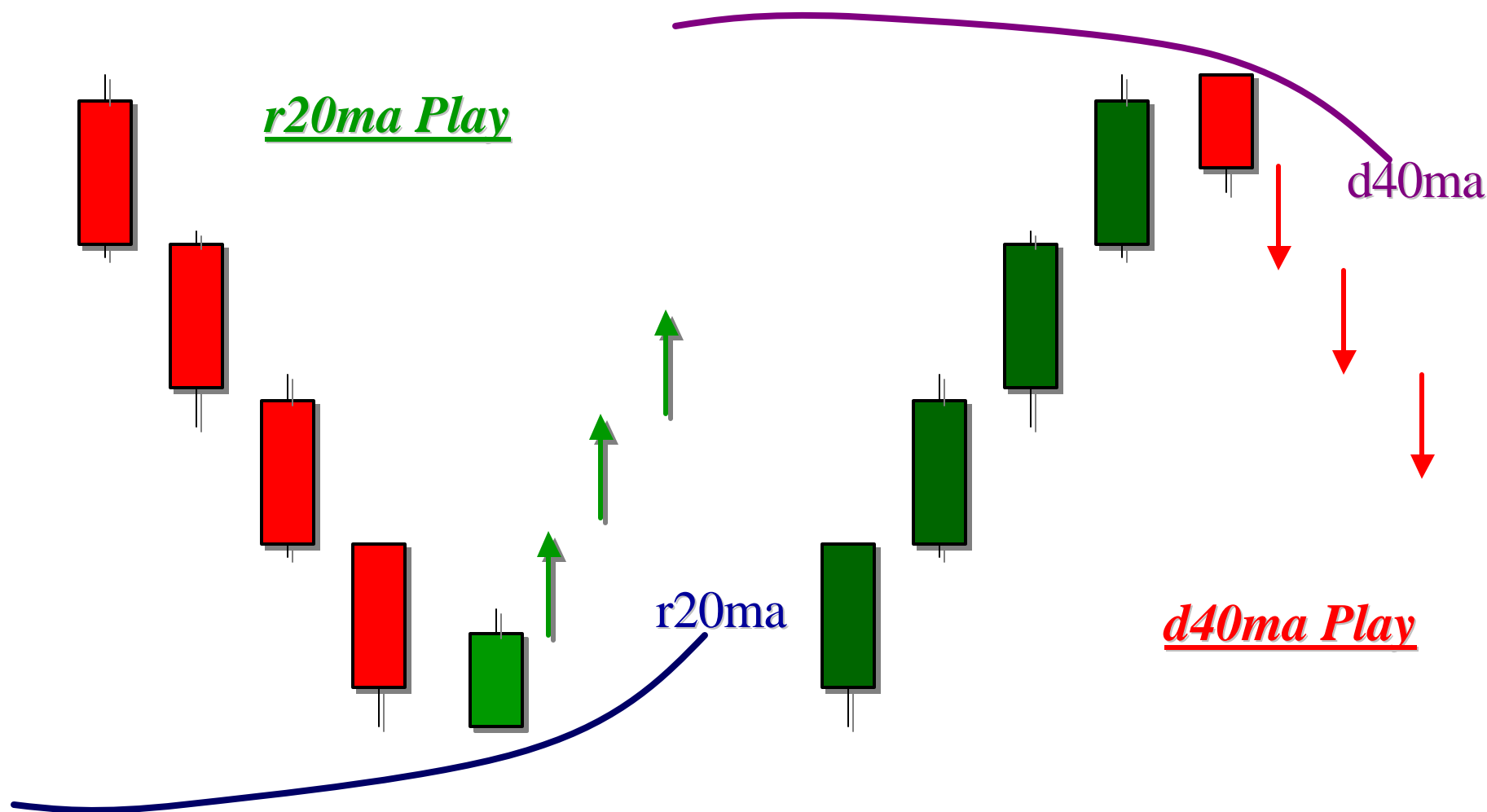


Pristine Core Trading Strategies

The Strategies

Mighty 20ma Plays

The Powerful 20ma Play



20 MA Play I

Weekly (Right) ALTR

Bar

Volume

MA (P=20)

MA (P=40)

2000

1) Rising 20 MA (r20ma) +

2) Rising 40 MA (r40ma) +

3) $r20ma > r40ma =$

Stock Will Rally Off r20ma

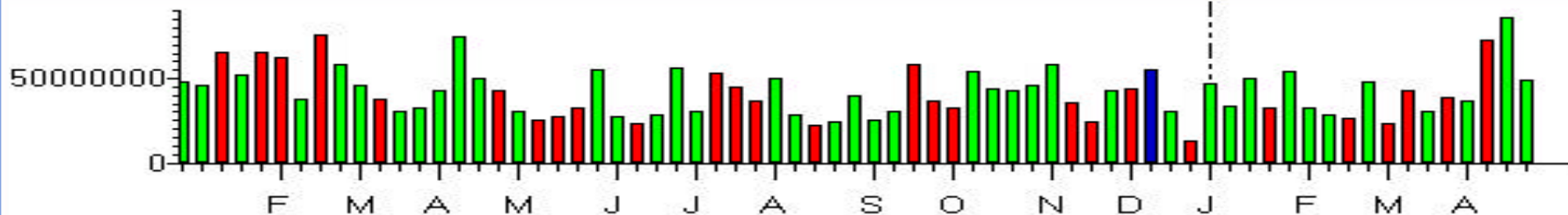
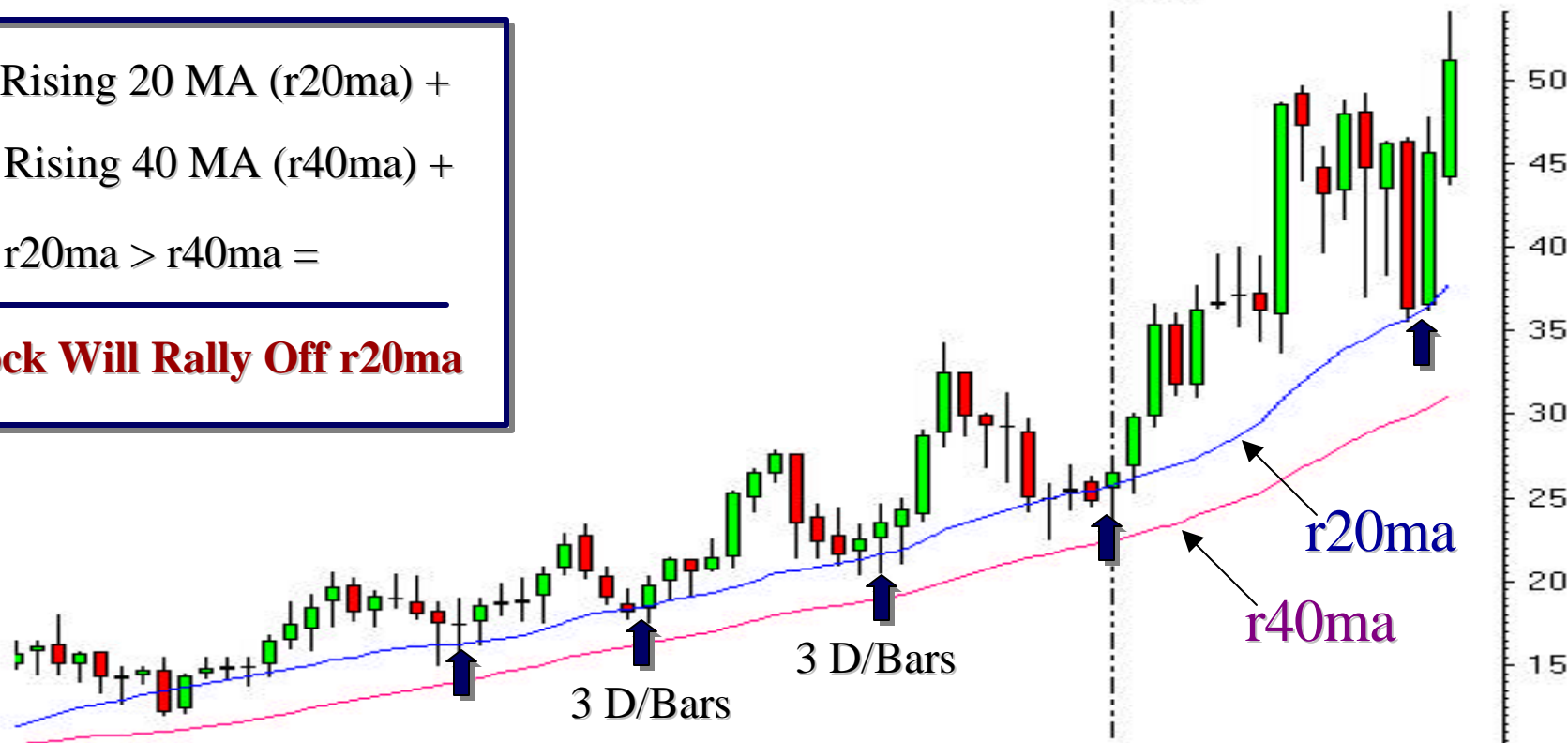


Chart Courtesy of MasterTrader.com

20 MA Play II

Weekly (Right) XLNX
1999

Bar

Volume

MA (P=20)

MA (P=40)

2000

- 1) Rising 20 MA (r20ma) +
- 2) Rising 40 MA (r40ma) +
- 3) $r20ma > r40ma =$

Stock Will Rally Off r20ma

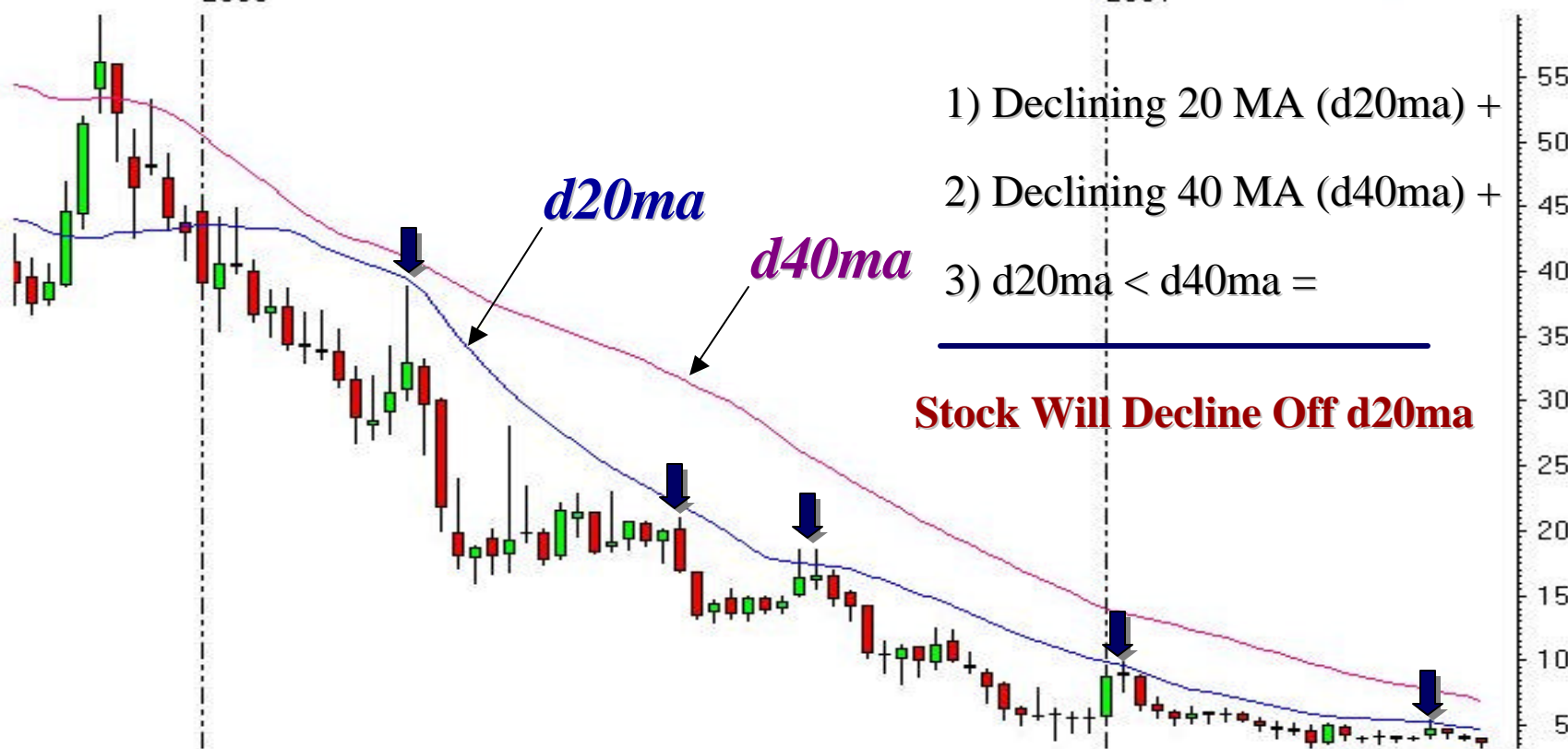


Chart Courtesy of MasterTrader.com

20 MA Play III

Weekly (Right) ATHM - AT HOME CORP CLA 2000

Bar Volume MA (P=20) 2001 MA (P=40)



- 1) Declining 20 MA (d20ma) +
- 2) Declining 40 MA (d40ma) +
- 3) d20ma < d40ma =

Stock Will Decline Off d20ma

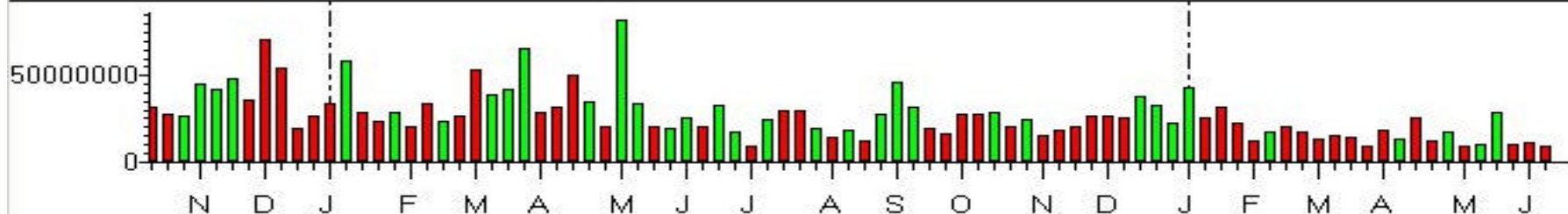


Chart Courtesy of MasterTrader.com

20 MA Play IV

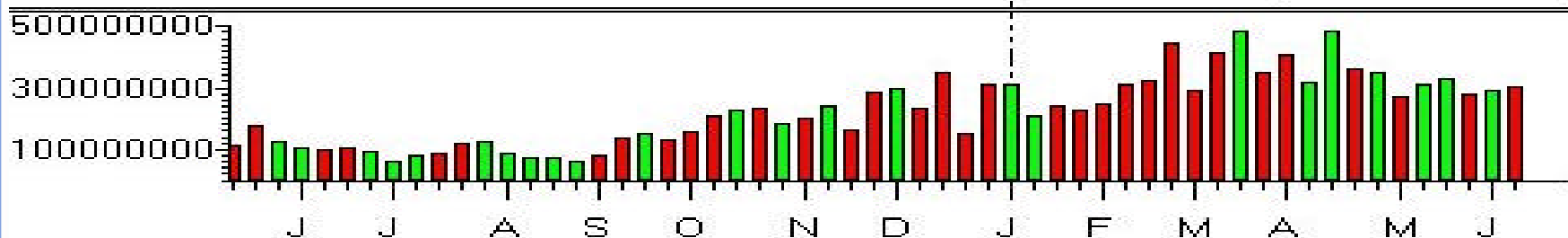
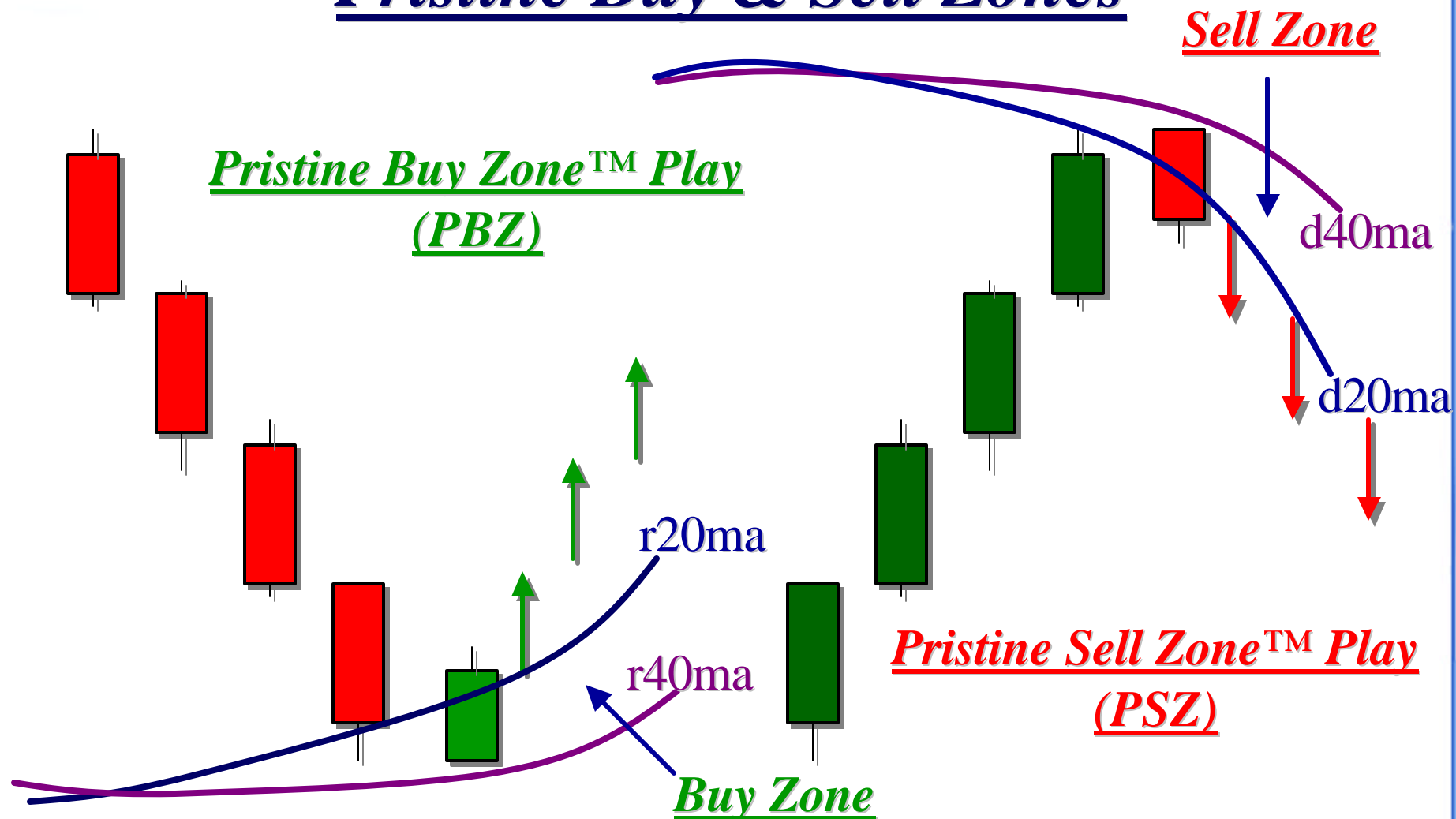


Chart Courtesy of MasterTrader.com

Pristine Buy & Sell Zones™

Pristine Buy & Sell Zones



Pristine Buy Zone™ Play I



Chart Courtesy of MasterTrader.com

Pristine Buy Zone™ Play II

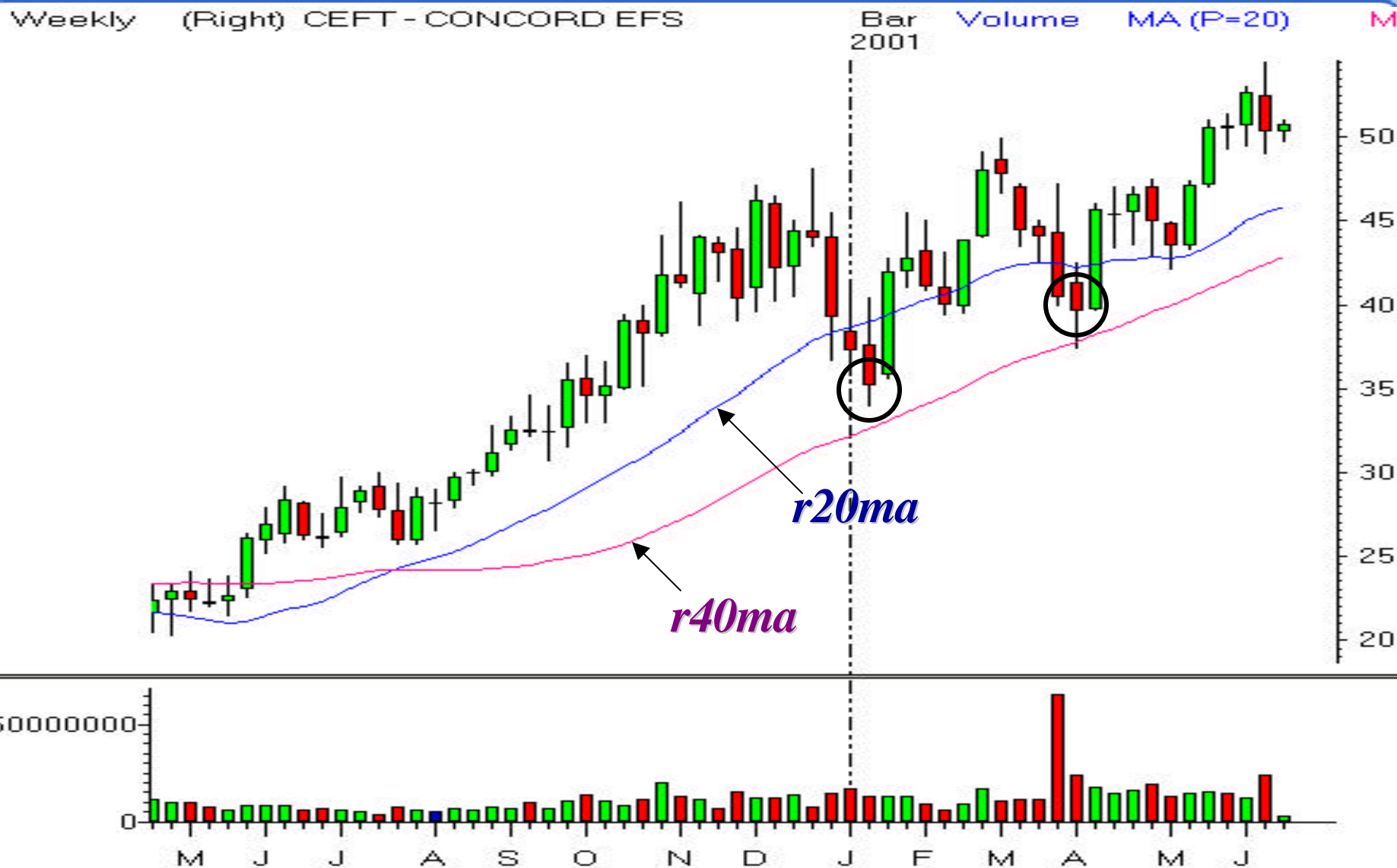


Chart Courtesy of MasterTrader.com

Pristine Sell Zone™ Play I



Chart Courtesy of MasterTrader.com

Pristine Sell Zone™ Play II

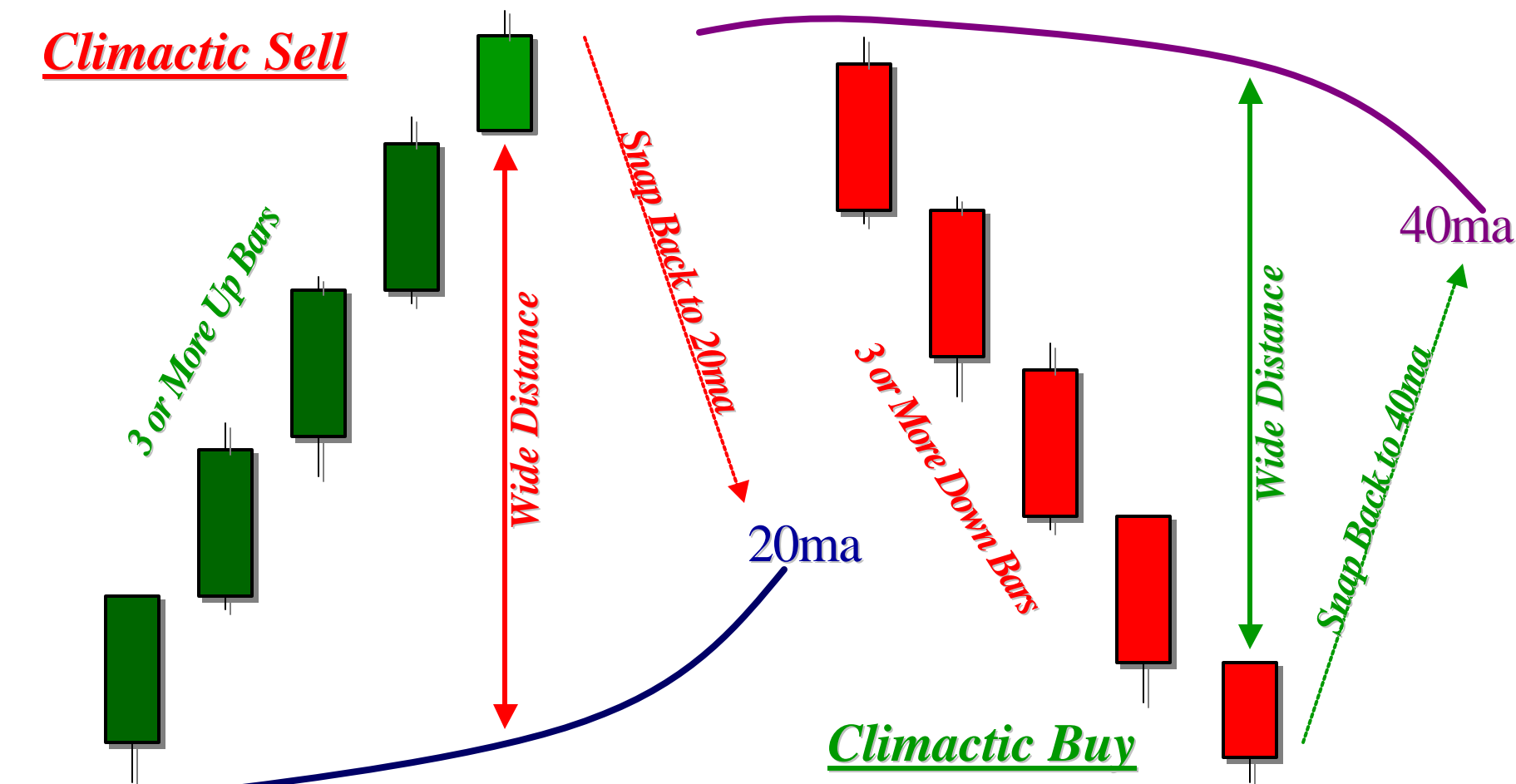


Chart Courtesy of MasterTrader.com

Climactic Buy & Sell Set-up

Climactic Buy & Sell Set-ups

Climactic Sell



Climactic Sell Set-up I

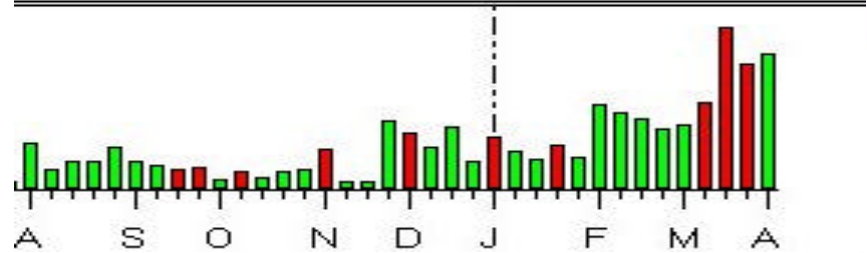
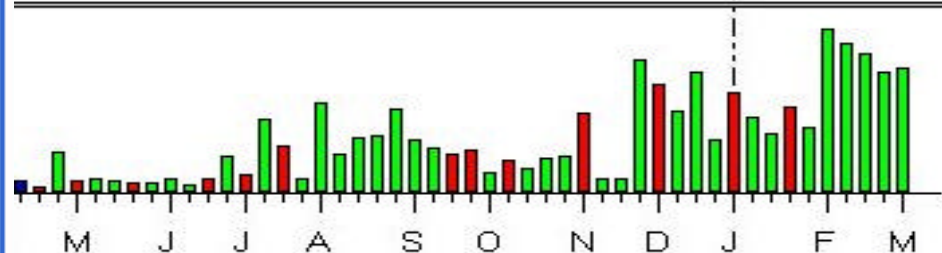
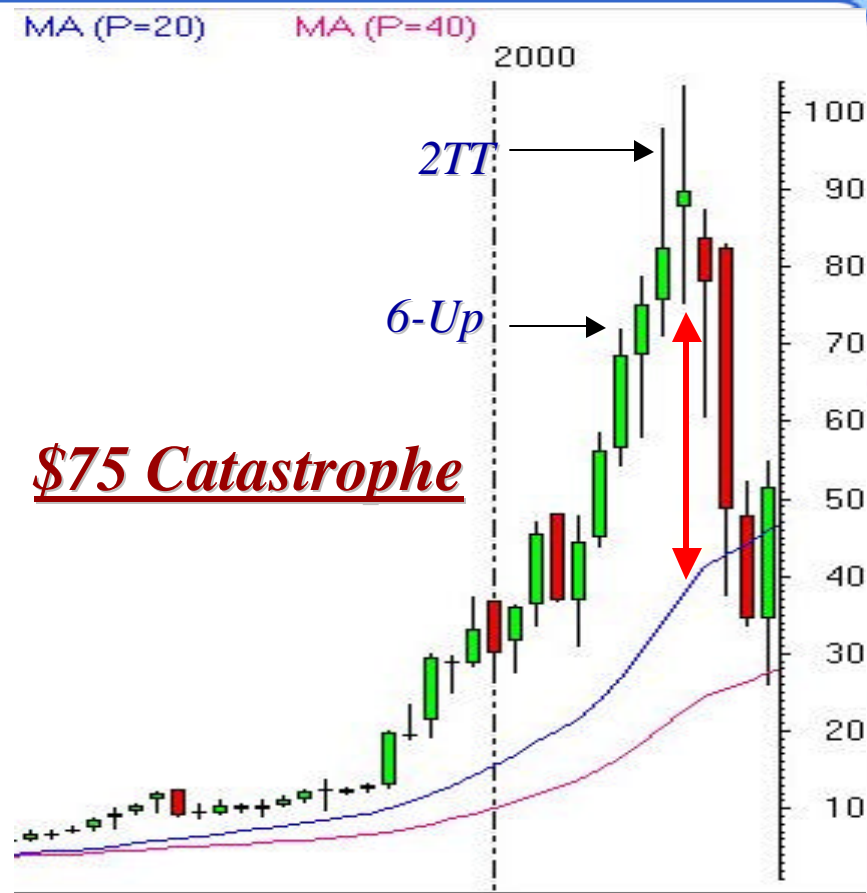


Chart Courtesy of MasterTrader.com

Climactic Sell Set-up II

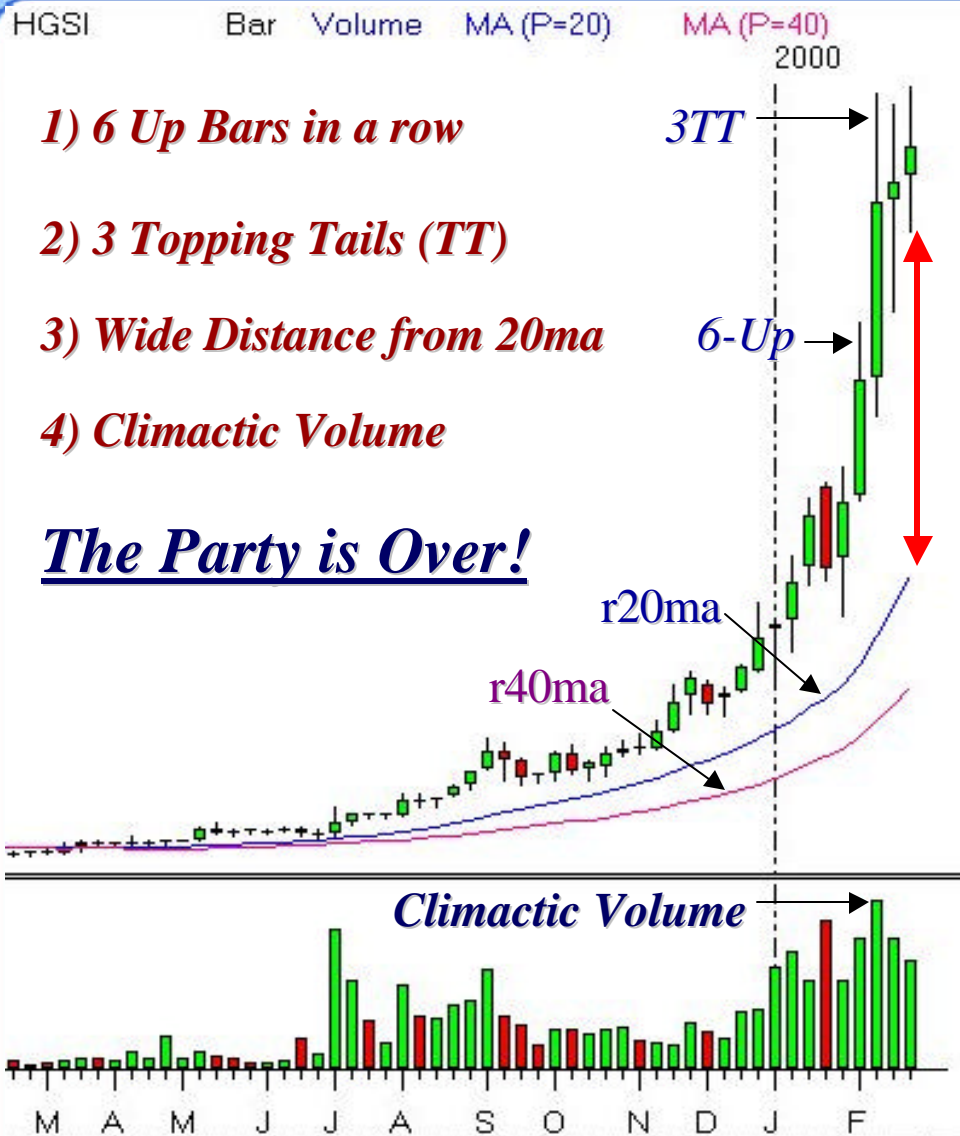


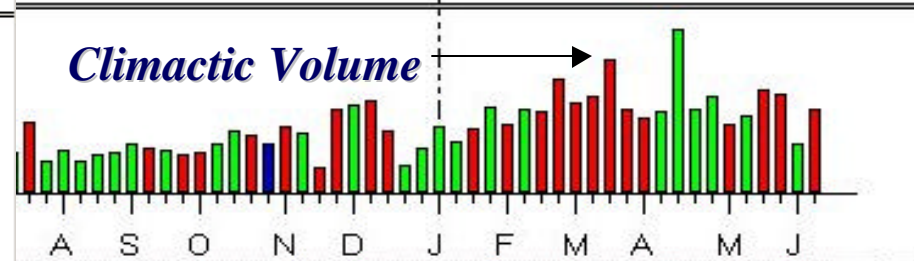
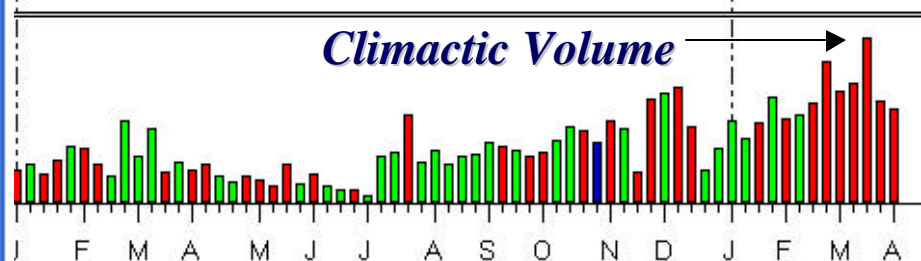
Chart Courtesy of MasterTrader.com

Climactic Sell Set-up III

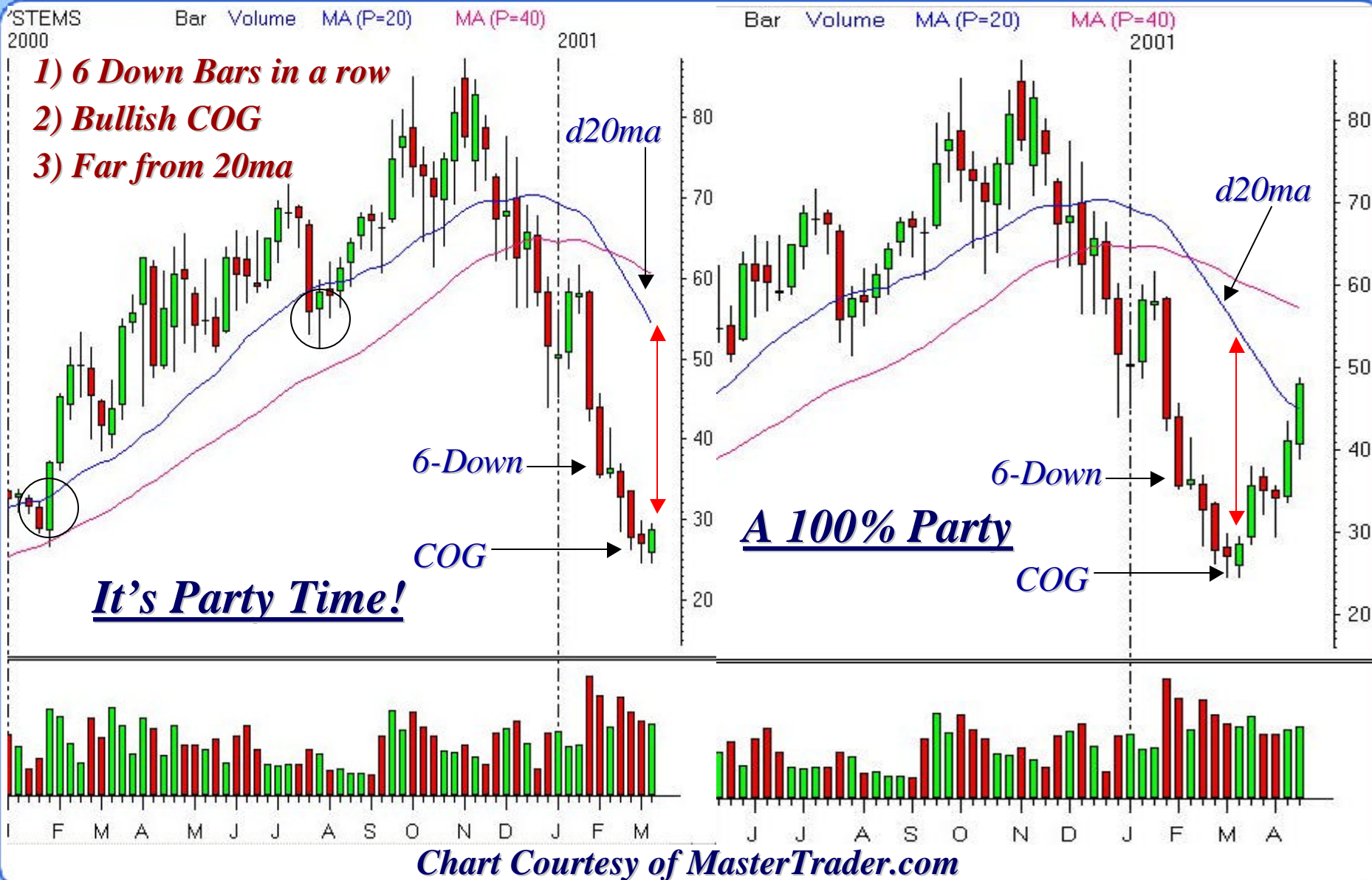


Chart Courtesy of MasterTrader.com

Climactic Buy Set-up I



Climactic Buy Set-up II



Climactic Buy Set-up III



Chart Courtesy of MasterTrader.com

Core Trading Summary

Core Trading Combinations

3 to 5 Bar Buy/Sell Set-ups

Can happen with:

1) Topping/Bottoming Tails

or

2) Bull/Bear COG Set-ups

*Powerful Core
Trading
Combinations*

These Combinations can happen:

1) At or Near the 20ma

or

2) In the Buy/Sell Zones

or

3) Far from the 20ma

Location

Tools & Tactics – A Must Read

A Japanese proverb says, “If you wish to know the road, inquire of those who have traveled it.” The authors of Tools and Tactics for the Master Trader clearly know the road. Their unique insights, trading tactics and powerful tools, so enjoyably presented, make this a book that belongs on every trader’s shelf.

Steve Nison, CMT - Author of Japanese Candlestick Charting Techniques

