DRC July 5th

By disciplined_daytrader · July 5, 2023

WOOOOOOOOOO GODDDD DAMN what a day to get top ticked. I am using 3x normal size because I am not paying apex any more money unless I get a payout so instead of having anormal -$70ish day I had a -$230 where I literally (to the tick) top ticked the whole move that was my original thesis. Had I gotten just a little tiny bit lucky on that I wouldve been up over $200 today on that trade being a winner alone. Its really not a "bad" day but if I look at just my 3 contract starter size I was down nearly 16 points on the day. Now that I see that instead of being lost in the huge size, its really a bad day all things considered. I was shorting wayyyy too early and I got unlucky with my stop being to the perfect tick. I think this is probably one of those days where I normally would be up pretty big if I didnt get super unlucky on my stop out level. I again broke one of my rules because I am trading an intraday reversal combined with a channel reversion and if you are doing that, guess what? your stop has to be at HOD or you will lose every fucking time. its impossible to trade a reversal strategy while having your stop be at an arbitrary level that makes no sense.

What is my strategy?

Reversal

- stop has to be at HOD/LOD
- Entry needs to be as close to HOD/LOD as possible so adding doesnt destroy average
- Target is a trailing stop above previous candle body high

Continuation

- prior resistance turned into support or vice versa
- entry is very tight risk with full size, as close to support/resistance as possible
- exit is break of new HOD/LOD with scale out rather than full out
- last exit is only <%20 of position and is a trailing stop

Futures Imbalance

- ALL futures must be going in 1 direction except 1 ticker

- Play the reversion, if its a reversal must be following rules of TR trading

Channel Reversion (mean reversion)

- We have a clean consolidation at the high of the 30m ES channel here and we broke down in premarket and pulled up to use that level as resistance for a continuation move lower. Target on this reversion style trade is anywhere near LOD or the mid channel if its very very nice

- 2m has a descending channel which is the first step of a mean reversion trade. The WTD 2m regression channel must be at least going in the direction of the prevailing reversion style. AKA if 30m is uptrending and at top of channel, 2m must be downtrending and at top of mid channel for reversion target of lower end of channel.

How should I have traded this?

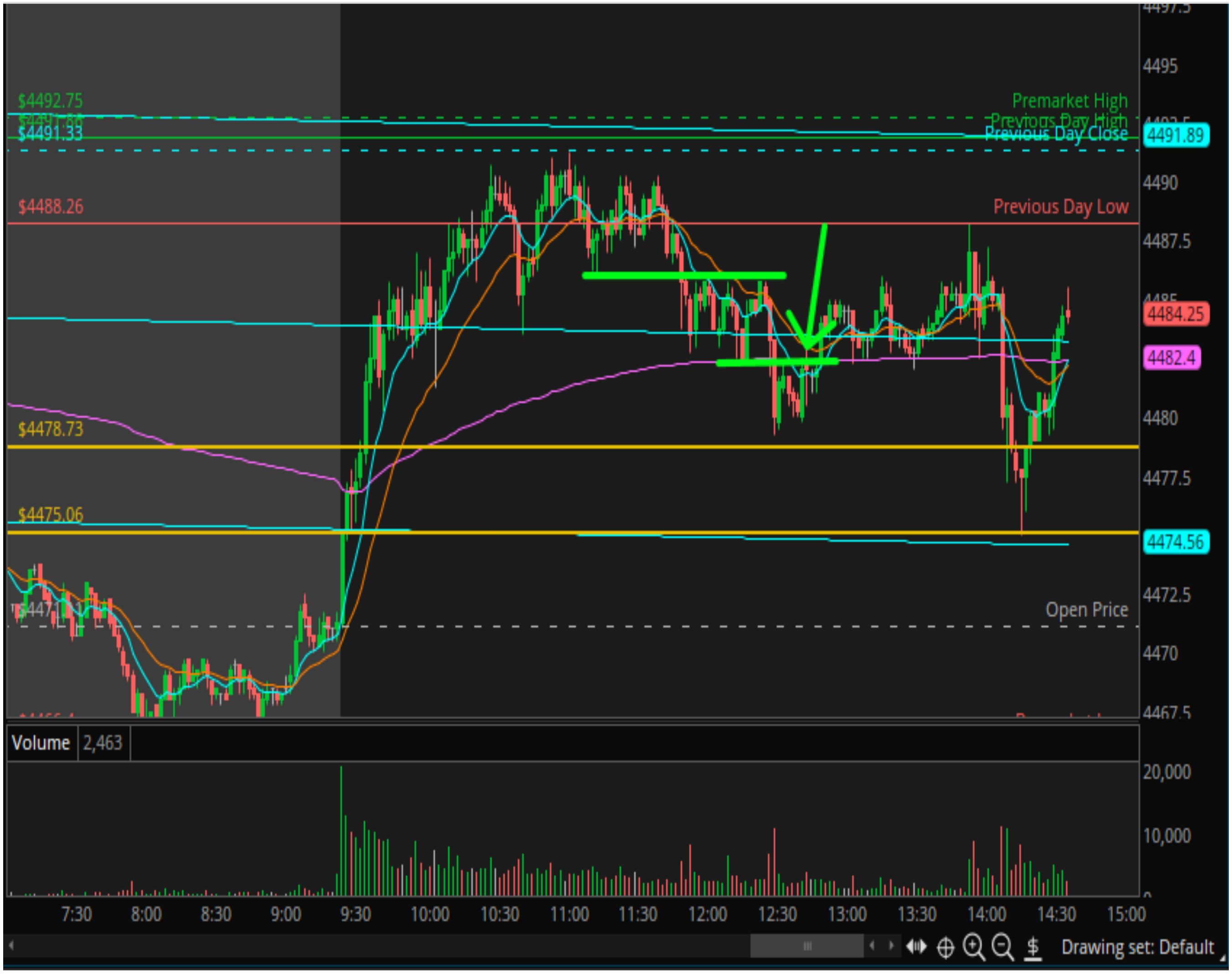
Market context: Firstly we must understand that in 2022 we had aggressive backsides and weak frontsides, 2023 is the opposite. If we have only grindy/supply style backsides then they will be very very very hard to catch. If they work sometimes its grindy and sometimes its supply. Both are different but both require a ton of patience because it takes nearly the entire session to know if you are right or not and even then its still a massive 4h uptrending move on all futures so its really just hardly worth it in the end.

- Once we broke the 2 key resistance levels from the premarket, it was time to wait to see how far we could move higher before finding supply. Remember, in 2023 market simply rotate to the upside until supply is found and then they have abrupt or way too grindy of a move back to the downside. Its very very very hard to trade to the short side so far this year.

- Once we have this drop here its time to look for a trade. Remember, what style trade is this? Its a reversal because intraday is moving in an uptrend. If it is a reversal where can we get in? **AS CLOSE TO HOD AS POSSIBLE**

- I should have gotten in as close to HOD as possible and placed my stop at 4492 which was the premarket high becuase if we are going to mean revert on 30m then the market should not be breaking above premarket high, PDC, and previous day high. Those levels were huge today and acted clearly as strong resistance.

- I should have added 2 more times on the lower highs but where should I have covered?



- This is how you cover a trend reversal pattern. You get in near HOD, add on the failures to move past the HOD, then trail the cover at key previous higher lows that we have broken down through. A clean backside will use these previous higher lows as resistance levels and break down massively from them.

- If I traded this exactly how I stated above then I would have about 9 contracts and would have risked about 135 to make 270. The R is not the best but I probbaly wouldve stopped out for breakeven if it came the whole way back up to HOD. Its really hard to know if its smarter to just take profits at 10 points and fuck off or if its best to trail the stop. I think trailing the stop is what will give me huge winners in the future but will make me sacrifice some profits in the now. Lets say for example this was a clean backside and we really broke down big the whole way to the bottom of the 2m descending channel which would confirm a mean reversion on the 30m, that would be about 15 points of profits which is $675.

What is the problem with how I traded this?

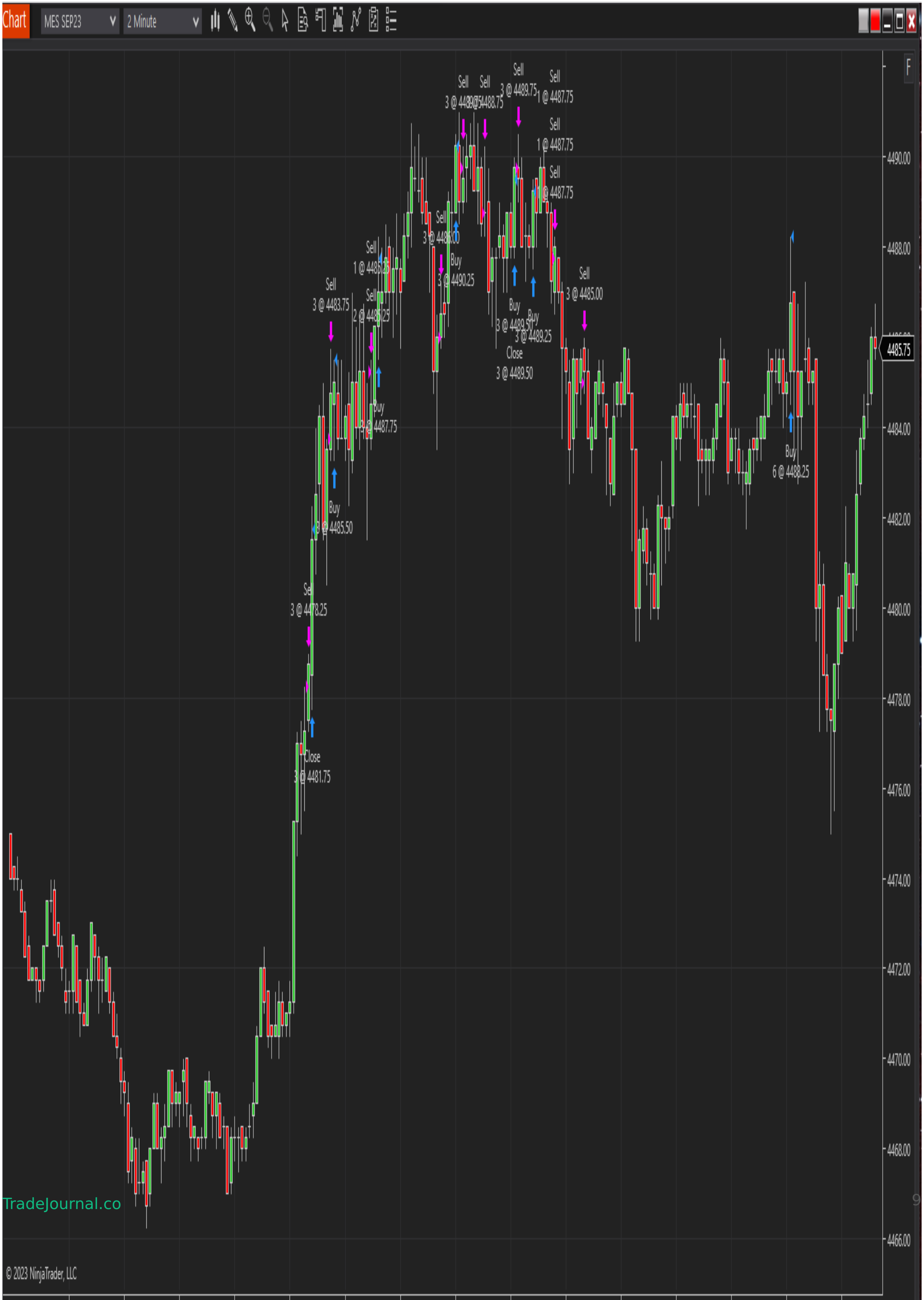
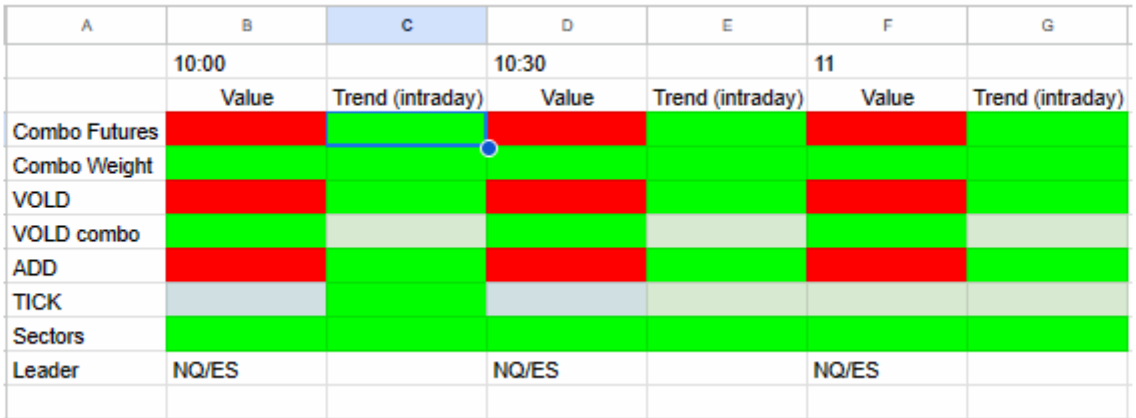


Chart
MES SEP23
2 Minute
Sell
3 @ 4483.75
Sell
1 @ 4485.25
Sell
2 @ 4485.25
Sell
3 @ 4478.25
Close
3 @ 4481.75
Buy
3 @ 4485.50
Buy
3 @ 4487.75
Buy
3 @ 4490.25
Sell
3 @ 4488.75
Sell
3 @ 4489.75
Sell
1 @ 4487.75
Sell
1 @ 4487.75
Sell
3 @ 4487.75
Buy
3 @ 4489.25
Close
3 @ 4489.50
Sell
3 @ 4485.00
Buy
6 @ 4488.25
4485.75
4490.00
4488.00
4484.00
4482.00
4480.00
4478.00
4476.00
4474.00
4472.00
4470.00
4468.00
4466.00
© 2023 NinjaTrader, LLC

1. I shorted the entire frontside and was down $150 before I could even get a clean backside move

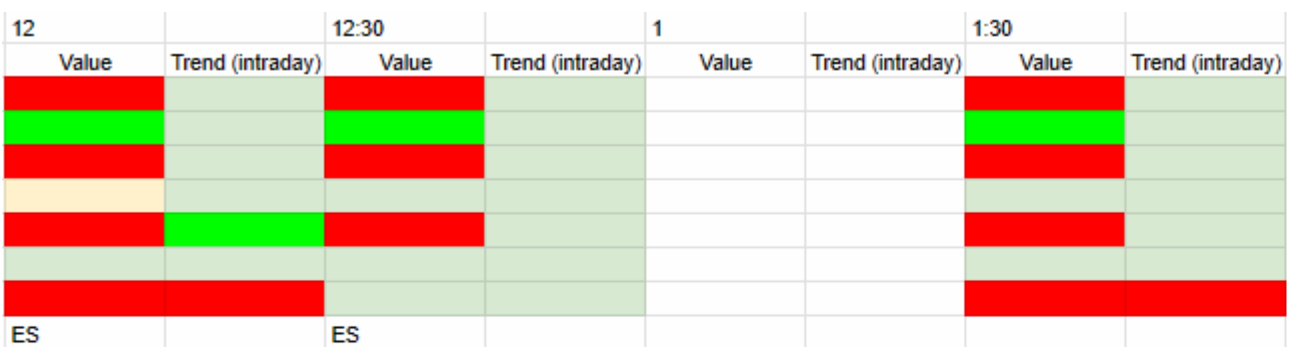
- How do I avoid the frontside shorting?

1. Do the excel spreadsheet and see how many variables are moving in the upwards direction, if its more than 50% then do not short under any circumstances

2. 

A	B	C	D	E	F	G
	10:00		10:30		11	
	Value	Trend (intraday)	Value	Trend (intraday)	Value	Trend (intraday)
Combo Futures						
Combo Weight						
VOLD						
VOLD combo						
ADD						
TICK						
Sectors						
Leader	NQ/ES		NQ/ES		NQ/ES	

- We have red values but nearly everything was trending the whole way up until about 12:00. Once things are no longer trending to the upside, that is when its okay to even attempt to fight the trend

3. 

12		12:30		1		1:30	
Value	Trend (intraday)	Value	Trend (intraday)	Value	Trend (intraday)	Value	Trend (intraday)
ES		ES					

- See how the trend is slowly going more and more neutral? this is when its okay to actually look for backside moves. Trend is identified by the 21 moving average. are we above or below.

- How do I maximize potential on the backside?

1. Wait for the confirmation of trend change from frontside to range on the overall market

    - Weight must be at least neutral

    - combo futures must also be at least neutral

2. Identify the playbook strategy before you enter the trade. if you cant identify the strategy then guess what? dont fucking trade it

    - Reversal or continuation? both have wildly different execution

    - Futures imbalance? still have to ID if its continuation or reversal on this playbook strategy. Continuation and Reversal are universal strategies that have very very very different execution styles. if you try to execute one while thinking its the opposite you will lose nearly every single time.