

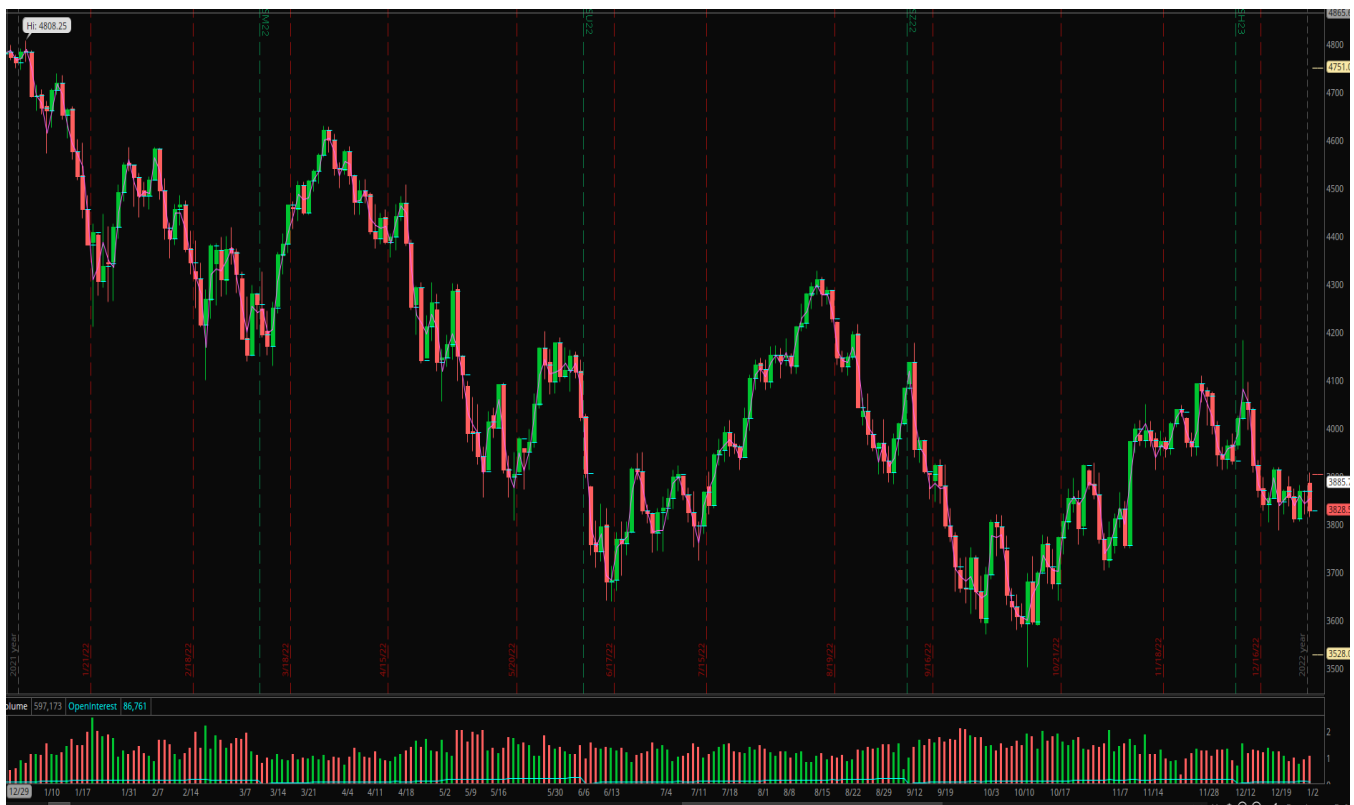
January 3rd, 2023 (+\$21) DRC

By disciplined_daytrader · January 3, 2023

TL;DR

On January 3rd, 2023, the author executed a trend continuation short trade, achieving a modest gain of 4 points despite the market's significant downward movement. The analysis highlights the challenges of trading in a ranging market and the missed opportunities for greater profits due to undercapitalization and lack of confidence. The post emphasizes the importance of recognizing market signals for optimal trading decisions.

1yr:1d



1d:2m



1st trade: Trend Continuation Short



-This trade was not bad. Pretty textbook trend continuation trade because I took the short right at a lower high and got my 4 points and dipped out of the market. Although this was a decent trade I was SEVERELY undercapitalized today. I really shouldve had a home run type of day but instead I was caught not trusting myself and not taking nearly enough clean opportunities that were right in front of my face. Lets find out why.

10d:30m



-The market has been stuck in this very large range for many days now. When we are stuck in a range within a macro bear market there are really only 2 scenarios that exist.

1. We break to the upside and find a new LOWER HIGH
2. We hit the top of the range and breakdown through the lower ends of the range.

-There is potential for a break above the range and continuation upwards but it will almost ALWAYS end up finding a new lower high for continuation to the downside. So, although I hate going long, if that did happen we should simply SOH and wait for the next lower high opportunity.

What went wrong?

-Today we had the second scenario happen. We hit the top of the range and we failed epicly to the downside. There were multiple 10+ point moves to the downside today and somehow I only ended up with 4 points. Personally I think that making 20 points on a day

like today is extremely possible given that the market moves about 70 points throughout the entire session.



Like I stated before. There are 2 scenarios in a ranging backside move. This is the second scenario and there was a very clean and clear indication that this would occur today. The first white arrow is the first sign that there are tons of sellers up at the top of this range. We selloff in the premarket and cleanly make a lower high setup. Once the market opens we have the second white arrow. That second white arrow showed us that the sellers above are too heavy and we cannot even attempt to break the premarket high and we fail very hard right at this level. It was also very accelerated. If you look above at the 2m chart you will see that the first red candles of the day right at this lower high were very high volume and very intense pressure. Once we confirmed that second lower high it was time to really start edging into a short but where do we take these trades?

1d:2m



- Every single area of significance should be taken with expectation to break to a new low. This is absolutely essential when trading trending days such as this one. You can see 3 white arrows and 3 red arrows. The red arrows are the best shorts of the day and the white are good but not ideal. You can see that the best shorts always come after a very clean lower high setup. The first red arrow comes right at previous day close as well as a previous low from the morning opening drive to the downside. The second red arrow is simply a replay of the first red arrow. We hit previous day close and immediately fail right at another previous lower low as well. This was a wild short that wouldve given 30+ points in just 1 single trade. The potential on days like this is out of this world. Lastly we have the third red arrow that sits right at the previous low of day and has one last green spike then a massive fail. As the day goes on there is usually only 2 really good opportunities on trending days. One of them is right at the open for a very outsized move and the 2nd one is usually mid day or before lunch time where we get that nice green push higher that ultimately just makes a lower high and fails epicly. This red trades are easy money whereas the white is not easy but still very profitable. Easy money is always where we need to be.

FAQ

What was the main trading strategy used?

The main strategy was a trend continuation short trade, executed at a lower high.

How much profit did the author make?

The author made a profit of 4 points from the trade.

What were the two scenarios discussed for a ranging market?

The two scenarios are either breaking to the upside and forming a new lower high or hitting the top of the range and breaking down.

What did the author identify as a missed opportunity?

The author felt they could have made 20 points on a day with significant market movement but were undercapitalized and hesitant.

What were the indicators for short trades?

The best short trades were identified after clear lower high setups, particularly at significant price levels like previous day close.