

Follow me

1. Follow me.

Even in the very short term, you would better trade in the same direction as the intermediate and longer term trends.

2. Be smart.

Buy down movements if the trend is up. Sell in rallies if there is downtrend. Watch daily and weekly charts. In day trading mode, let the longer range chart determine the trend, and then use the shorter term chart for pinpointing your trades.

3. Consider Fibonacci but be careful.

Trends are not going in straight lines. During a pullback, therefore, in an uptrend, initial buy points are in the 35-38% (apprx. one-third) retracement area. Next stop is a fifty percent (a half) retracement of a prior trend. The maximum retracement is usually two-thirds. But be ready to get in and get out in the attempts to catch the pullback. Trends are come to the end in the end of the day.

4. Follow moving averages.

Moving averages are the pictures of trends. Sometimes they are clear, sometimes not – especially when different MAs stand behind each other. When my favorite combination 9- and 18-period averages goes nowhere, usually it's time to rest. Since moving average lines are trend-following indicators, they work best when the trend is ongoing.

### 5. Learn Divergences and other turn signals.

Track envelopes, ATR lines and indicators' trends. Indicator divergences often warn of market turns. These tools work best in sprawling and powerful market movements.

### 6. Know the Warning Signs.

Indicators are: PO; The Moving Average Convergence Divergence (MACD) indicator (developed by Gerald Appel); and MACD histogram which plots the difference between the two lines and gives even earlier warnings of trend changes. It's called a «histogram» because vertical bars are used to show the difference between the two lines on the chart.

### 7. Know the Volume Signs and Chart Patterns.

Include volume in your sphere of interest. Volume precedes price. It's important to ensure that heavier volume is taking place in the direction of the prevailing trend. Rising any of Volume indicators like OBV or MFI is often a warning that the trend is confirmed. Track chart patterns you are familiar with. There is trader's psychology that is always behind.