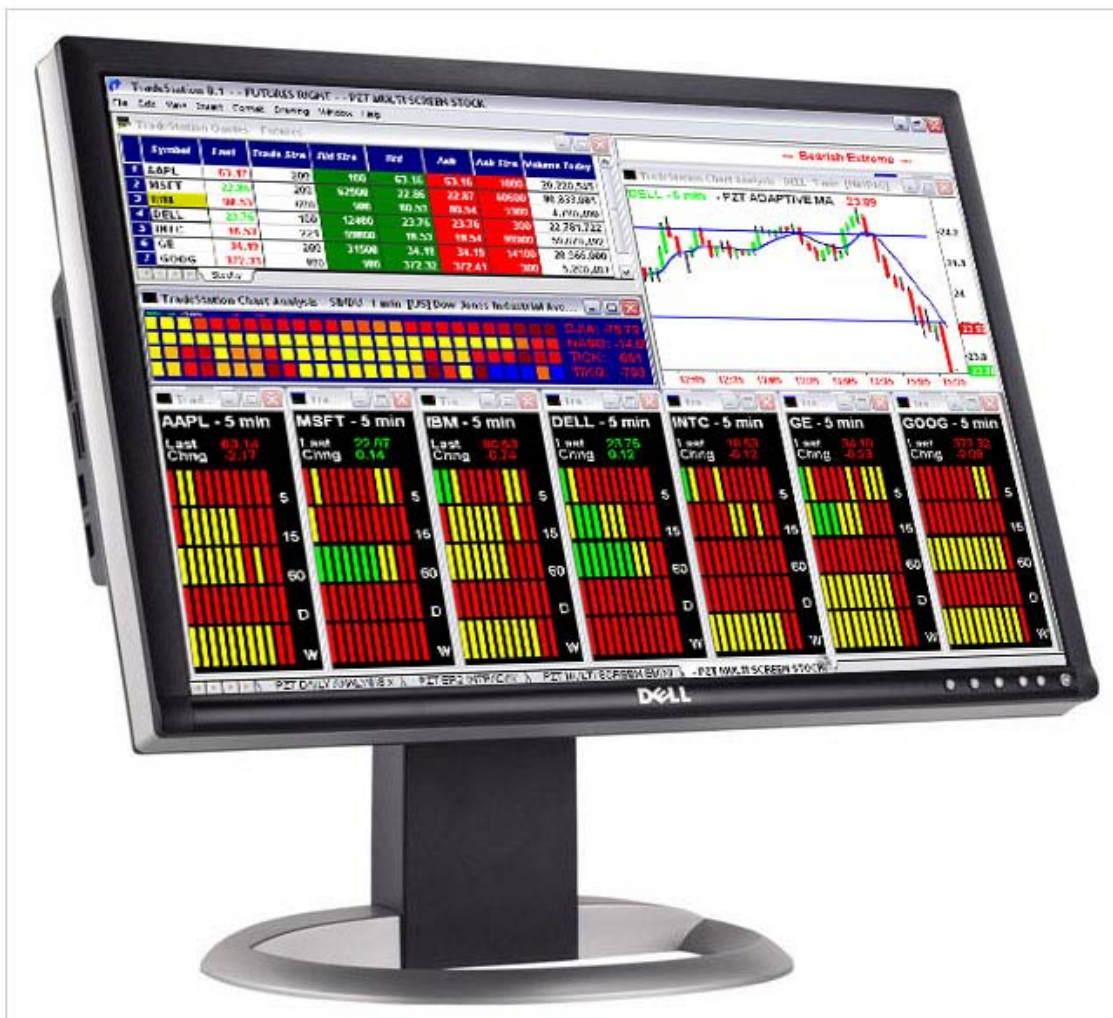


Trading with the Intraday Multi-View Indicator Suite

PowerZone Trading, LLC indicators can provide detailed information about the conditions of the intraday market that may be used to spot unique trading opportunities. While it is unrealistic that one indicator can provide all of the information that a trader needs to make consistent buy and sell decisions, the right combination of indicators can really stack the odds in your favor. That is the goal of the PowerZone Trading indicator suites; to provide a collection of fast reacting indicators that help traders spot powerful intraday price moves.

The intent of this document is to help traders get started using this set of high performance intraday indicators. I would like to emphasize that the following guidelines are only suggestions on how these indicators may be used to enhance your trading. There are many other innovative and powerful applications for these indicators. I would also mention that traders should verify the research presented in this document before spending money trading this (or any) system. Please refer to the disclaimer at the end of this document.

THIS DOCUMENT IS NOT MEANT TO SERVE AS TRADING ADVICE.



Trade Entries



Figure 1 – The IMV workspace that will be used as a trade example.

Step 1 – Establish Market Strength and Direction

An overall view of the markets can be quickly seen with the PZT MARKET STRENGTH indicator, which displays squares representing the relative change in the Dow and Nasdaq composite as well as the short-term Tick indices for both of these markets. To establish a feel for the direction of the market and avoid taking positions against the market, the relative change bars in the NASD and DJIA can be used. Figure 2 shows that while both the DJIA and NASDAQ are down, it is not a significant market move, since both of these appear in yellow. In this case, traders may look for moves in either direction since a strong trend has not yet been established. It is not recommended to trade against these two indices. In other words, if either (or both) of these were bright red, such as the DJIA in figure 3, a long position would not be advised.

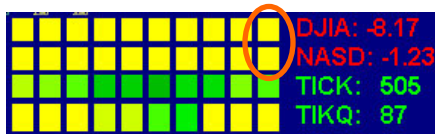


Figure 2 – Yellow color bars for the Dow and Nas show a fairly neutral market where either long or short positions could be established.

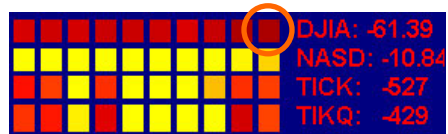


Figure 3 – The red color bar for the Dow shows potential weakness in the market that may not favor a long position.

Step 2 – Identify Trading Opportunities

One of the most powerful features of the IMV Suite is the use of MULTI CHARTS. MULTI CHARTS allow traders to view many different charts within one compact workspace. Figure 4 shows 35 individual stock charts that represent five individual timeframes for each of the 7 symbols. This allows a very fast analysis of the intraday markets and allows for a relative strength comparison between symbols and timeframes. The phase interval for all of these charts is set to the default of 21.

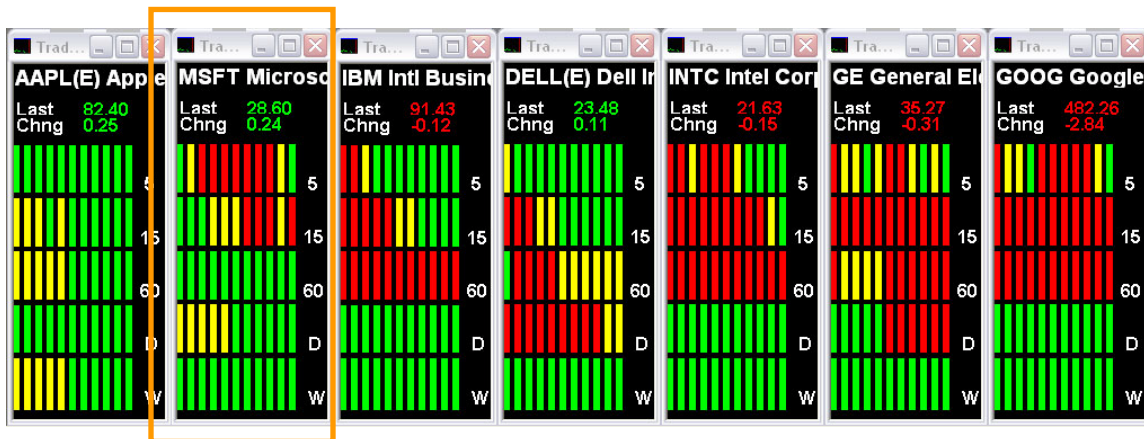


Figure 4 – 7 charts with 5 intervals each (35 charts total) can be analyzed. MSFT shows the greatest trading potential for a long position.

Using this concept of multiple time frames, symbols that show consistency in the larger intervals (weekly, daily or 60 minute) often make strong intraday moves in the same direction (long in this case). A quick glance at 9:45 shows that AAPL (Apple Computer) and MSFT (Microsoft Corporation) are both showing consistent green bars on the 60 (60-minute), D (daily) and W (weekly) intervals. While AAPL is green in all timeframes, MSFT may have the best trading potential since it has not yet turned green on the shorter 15-minute interval. This represents a price pullback from a longer-term uptrend and provides the setup that we are looking for. It is not necessary for *all* of the longer timeframes to be in agreement as many shorter-term traders may only consider the 60-minute and daily bars for this type of analysis.

Step 3 – Using a Pivot Entry Trigger

Once the setup occurs, traders may look to the actual 5-minute chart for a breakout from a PZT PIVOTS level (in the direction of the longer term intervals). In the case of MSFT, the PZT PIVOTS level (or PP) of 28.36 is the closest resistance level and, if price penetrates this level, may lead to a much larger move. Placing a stop order to buy at one or two ticks (or cents) above this level (28.37 for instance) provides the trigger for this setup.



Figure 5 –A 5-minute MSFT chart showing the red PP line as a possible pivot trigger.

Step 4 – Initial Stop Loss and Profit Target Placement

Once a position has been entered, there are many methods of managing the trade. It is highly recommended to place a protective stop loss order in the market immediately, in case the trade goes against you. Determining this level depends entirely on personal risk tolerance, margin requirements and overall trading methodology. In our example, a level that may be useful is the prior PZT PIVOTS level of S1, 28.24 in our case. Setting a stop order for one or two ticks below S1 at 28.23 will allow for quite a bit of price fluctuation.

Consequently, an initial profit target for all or part of the position could be set for the next highest PZT PIVOTS level. Since this level may not display as a horizontal line on the price chart, we can use the Analysis Commentary feature to display all of the current PZT PIVOTS levels. As we can see from Figure 6, the next highest PZT PIVOTS level can be found at R1 where price reaches 28.56. A limit order for one or two ticks below this level at 28.55 can be entered. Please note, when using both a protective stop and limit order simultaneously, a bracket or OCO (one cancels other) order should be used since one of these will need to be canceled once the other gets filled. Otherwise, an active order will remain in the market and could open an unwanted position.



Figure 6 –PZT PIVOTS levels may be used to set initial stop loss and profit targets once a position has been opened. An analysis commentary window shows all of the PZT PIVOTS levels for the day.

Step 5 – Applying Dynamic Trade Exits

Dynamic trade exits allow traders to close a trade if there is strong market momentum in the opposite direction. There are two methods that adapt to the conditions of the market and allow traders to determine a reasonable point to close out a position (when to cut and run). In many cases, this can help traders determine when to take profits early or when to take a small loss before it turns into a larger one.

The first method involves the PZT TEXT ALERTS indicator to identify a strong change in the direction of the short-term indices. While this tool will alert traders to a variety of conditions, a “HIGH-TICK ALERT” in a direction opposite to a trade can provide a strong reason to close the position, especially for traders that use smaller timeframes (such as 5-minute) as their primary trading chart. High tick alerts are generated when the NYSE TICK index gets above

600 or below –600, and the Nasdaq Tick index moves above 300 or below –300, in the same direction. Using the previous trade example, if we are in a long position and see a BEARISH HIGH-TICK ALERT such as in Figure 7, a trader may want to put in an order to immediately sell at market. Keep in mind that this does not guarantee that the symbol will change direction, and traders using larger timeframes may choose not to use this form of dynamic exit.

A black rectangular box with a thin white border containing the text “--- Bearish High-Tick Alert ---” in red.

Figure 7 – This PZT TEXT ALERT screen with a red Bearish High-Tick Alert may signal traders to immediately close their long positions.

The next method of dynamic trade exits utilizes the VSTOPS indicator on the main chart to provide a definitive stop level based on market volatility. The dotted VSTOPS levels serve as a reference point for possible stop placement, and steps up throughout the course of a positive trade. When the trade moves back and penetrates a stop level, a blue dot (or bar) is generated signaling the crossing point. Since these stops are determined one bar in advance, traders could enter these into the market as stop orders well before price reaches the predetermined stop point.

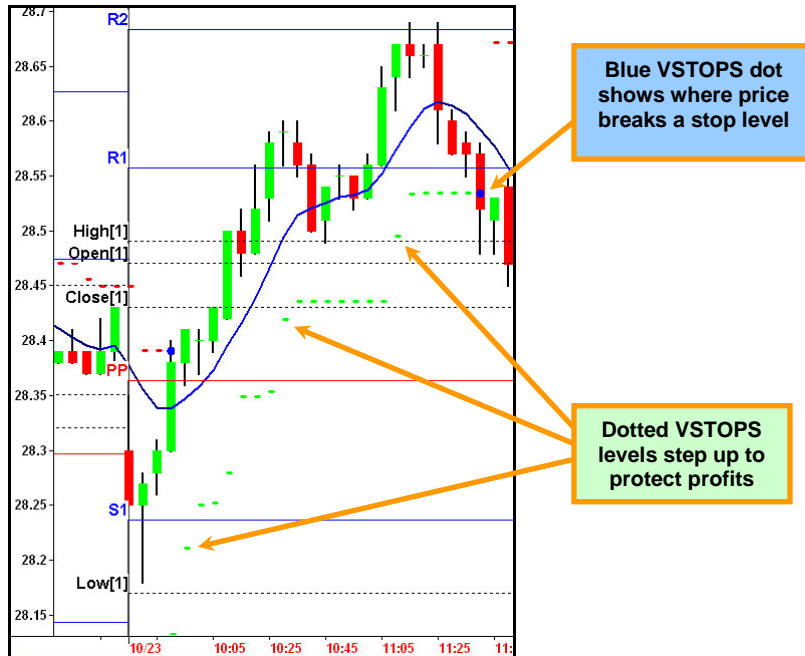


Figure 8 –VSTOPS provides a dynamic method of stop placement and once price breaks below this level, the trade should be closed.

Advanced Trade Management

As traders become more comfortable trading with these indicators, more advanced trade management tactics may be employed. One such method involves opening a position and then dividing this position into thirds. This will allow a gradual scaling out of the position while protecting profits along the way. Using the same entry example as above, we will again set the initial stop loss level just below the PZT PIVOTS level of S1 (28.24). The next steps in using this trade management system are detailed on the following page.

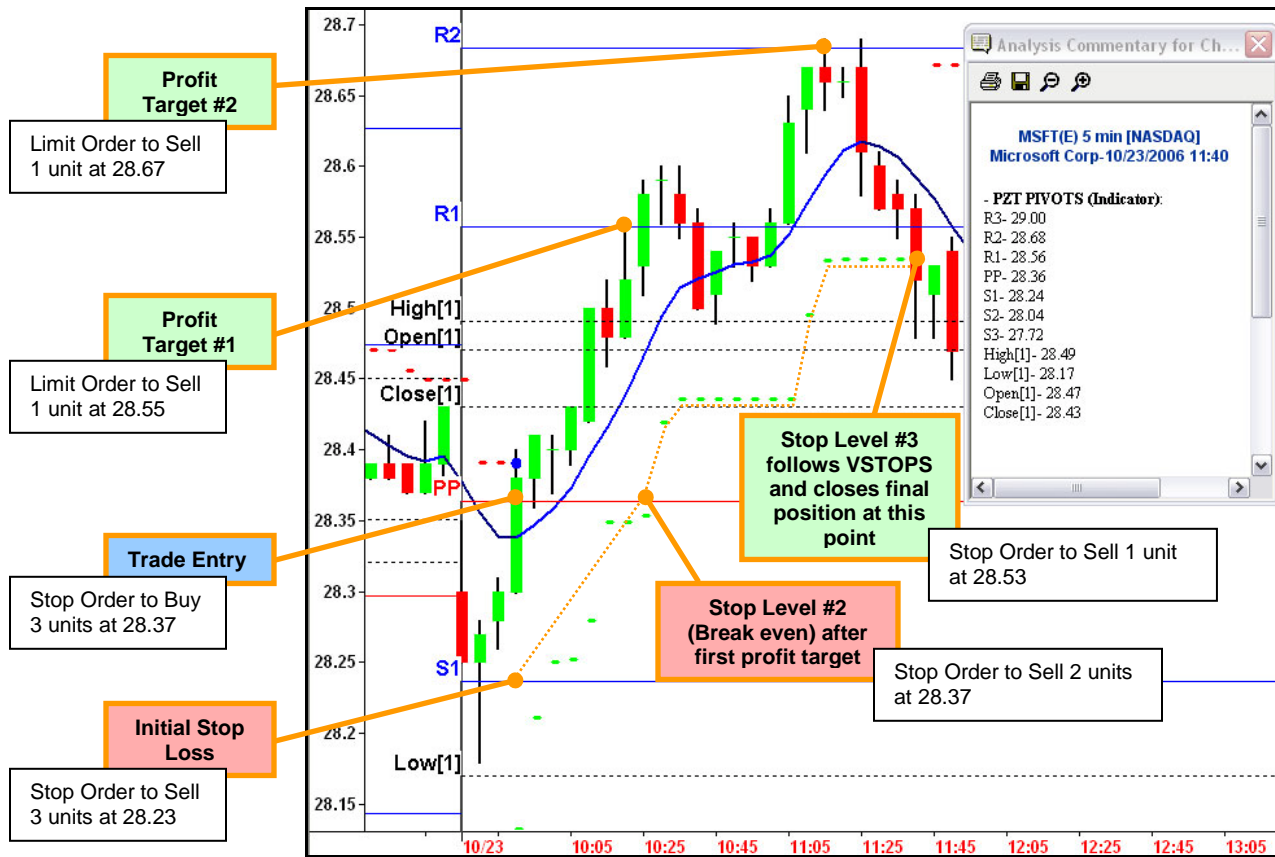


Figure 9 –This 5-minute chart of MSFT illustrates the possibilities of advanced trade management using three separate exits.

The initial trade management for each third is as follows:

1. The first third will be set for the first highest PZT PIVOTS level (R1).
2. The second third will be set for the next highest PZT PIVOTS level (R2).
3. The remaining third will use the VSTOPS level to follow the move and will close out as price falls back and penetrates the current VSTOP level (forming a blue dot).

Once the initial orders have been placed, there are three possible outcomes:

1. We reach our initial stop loss and close the trade for a loss.
2. We reach a dynamic stop level (using PZT TEXT ALERTS or VSTOPS) and close out the position.
3. We reach our first profit target at R1, in which case we have some work to do...

Once the trade has moved in our direction and we have taken our first profit target, we take the following actions:

1. Cancel the initial stop loss order at S1 and put a new stop order for the remaining two thirds at a breakeven level (the price at which the trade was initiated or PP). At this point, the trade is a winner, even with two thirds of the position remaining.
2. If the VSTOPS level is greater than breakeven (closer to the current price, meaning more profitable), change the stop level of the remaining two thirds to the VSTOP level. The PZT TEXT ALERTS should still be monitored for a dynamic exit.

3. Once the second profit target has been reached, the remaining third can be managed using the VSTOPS level and closely monitoring the PZT TEXT ALERTS for signs of weakness.

Tips for using IMV Indicators

- Use the included workspaces as a starting point for developing individual preferences.
- Double right click on any chart to enlarge it to full screen. Double right click a second time to return to the original workspace formatting.
- Single right click while the cursor is over an indicator and select “format” to quickly change the inputs on that indicator.
- Set pointer tracking to “workspace” [*Drawing Menu – Pointer Tracking – Workspace*] to allow the cursor to automatically go to the same spot on all charts within in a workspace.
- In each intraday workspace, charts may be “linked” to the quote screen by left clicking on the colored tab on the top right edge of the window and choosing a symbol link color. This allows all charts to change to the highlighted instrument in the quote window.
- Recommended articles on using intraday indicators:
 - Jean Folger and Lee Leibfarth [November 2010]. “Volatility Indicators: Techniques for Profiting from the Market’s Moves. *Marketplace Books*.
 - Jean Folger and Lee Leibfarth [October 2007]. “Make Money Trading: How to Build a Winning Trading Business,” *Marketplace Books*.
 - Lee Leibfarth [January 2006]. “Charting for Day Traders,” *Futures Magazine*.
 - Lee Leibfarth [January 2006]. “Developing Your Own Indicators,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [March 2006]. “The Automated Daytrader,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [August 2006]. “Intraday Market Forecasting,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [August 2006]. “Day Trading with Support and Resistance,” *Trader’s Journal*.
 - Jean Folger [September 2006]. “Trading as a Business,” *Futures Magazine*.
 - Lee Leibfarth [September 2006]. “Trading with and Adaptive Price Zone,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [October 2006]. “Forecasting Techniques,” *Active Trader*.
 - Lee Leibfarth [November 2006]. “Measuring Risk,” *Technical Analysis of Stocks & Commodities*.
 - Jean Folger [December 2006]. “Day Trading Then and Now,” *Futures Magazine*.
 - Lee Leibfarth [February 2007]. “Tuning Intraday Strategies,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [July 2007]. “Intraday Hybrid Strategy,” *Active Trader*.
 - Lee Leibfarth [September 2007]. “Sharpening a Countertrend Strategy,” *Active Trader*.
 - Lee Leibfarth [February 2008]. “Fibonacci Pivot Points,” *Futures & Options Trader*.
 - Lee Leibfarth [August 2008]. “Premier Stochastic Oscillator,” *Technical Analysis of Stocks & Commodities*.
 - Lee Leibfarth [August 2008]. “Improving the Three-bar Pullback Pattern,” *Futures & Options Trader*.
 - Lee Leibfarth [March 2009]. “Using Probability as a Guide,” *Futures & Options Trader*.



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