

# Trader Education Tutorial

By Stephen Griffiths, Dynamic Traders Group, Inc.

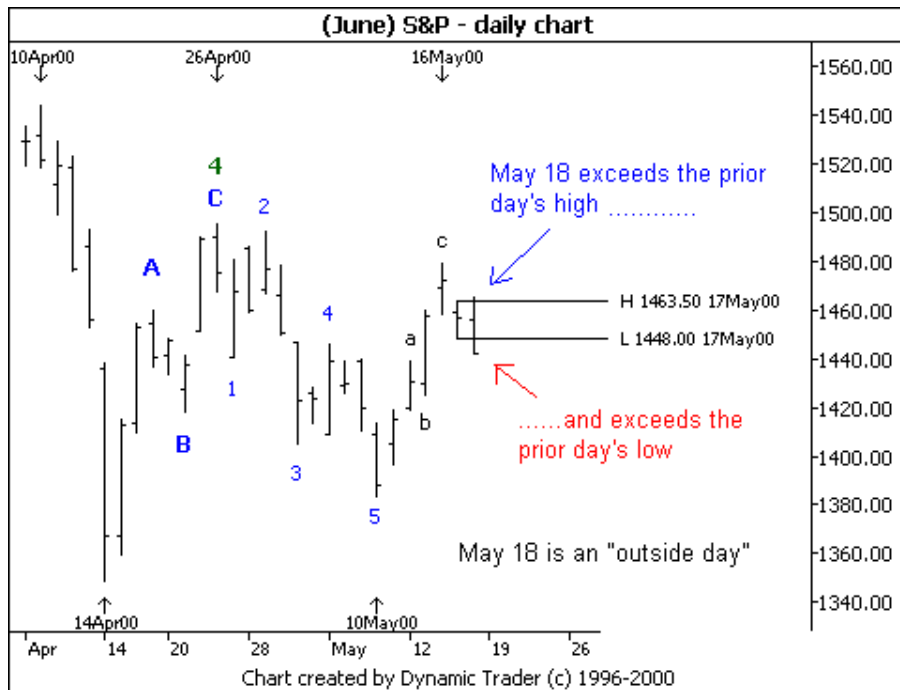
## Outside Day Trend Continuation Trade Entry Strategy

Trend-continuation trades are designed to enter a trade in the direction of a new trend once that trend is already established with an acceptable initial capital exposure. This week I would like to cover the second trend-continuation trade entry technique – the outside day.

An *outside day* is defined as a day where the high of the day is higher than the high of the prior day and the low of the day is lower than the low of the prior day. In other words, the day's trading range is *outside and completely engulfs* the price range of the prior day.

### DT Chart Trade Set-up Studies

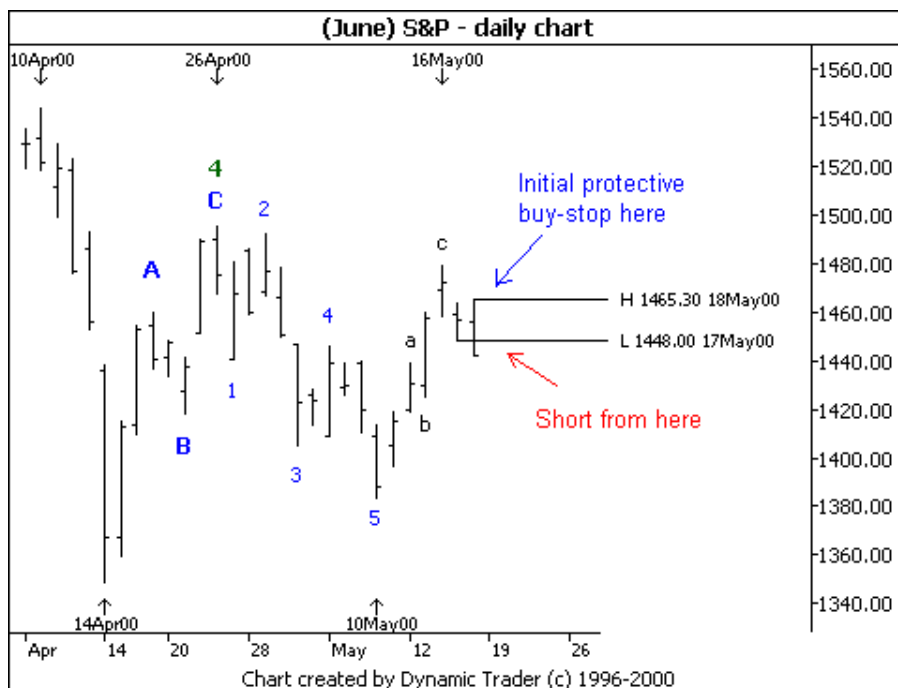
The S&P chart below shows an outside day on May 18, the last bar on the chart:



An outside day is a period of range expansion. A market usually continues in the direction of the close of the outside day. The outside day set-up requires that the market be monitored during the trading day.

### **Outside day trade entry conditions**

1. As this is a *trend continuation* set-up, we are looking to enter only *in the direction* of the main trade. Therefore we must already have an opinion of the direction of the main trade.
2. To enter a short position (reverse for a long position), the market must first exceed the prior day's high without first exceeding the low of the prior day. If these criteria are met, place an order to Sell, one tick under the low of the prior day.
3. If filled, the protective buy-stop (sell-stop for a long trade) is placed one tick above the high of the day of entry thus far.
4. Exit the position on the close of the entry day if the close is above the current day's open and the prior day's close (reverse for a long position). A failure to follow through is considered negative.



In this example, the trend is assumed to be down off the May 16 Wave C high, therefore only short trades should be considered. On May 18, the S&P *first exceeds* the prior day's high, therefore allowing a sell order to be placed one tick below the prior day's low of 1448. The S&P continued to decline, electing this sell order, so the protective buy-stop is placed one tick above the high of the day of entry of 1465.30

It is required that the trader first knows that the prior day's high (in this example) has been exceeded before the sell order can be placed. Access to market prices throughout the trading day is therefore required for this set-up.

This can be achieved via a real time quote system or a call to your Broker during market hours. Some Brokers will monitor the market for you and place the appropriate order once the prior day's extreme has been exceeded.

As with the inside day entry strategy discussed last week, the outside day can also be used as a trend reversal trade entry trigger.

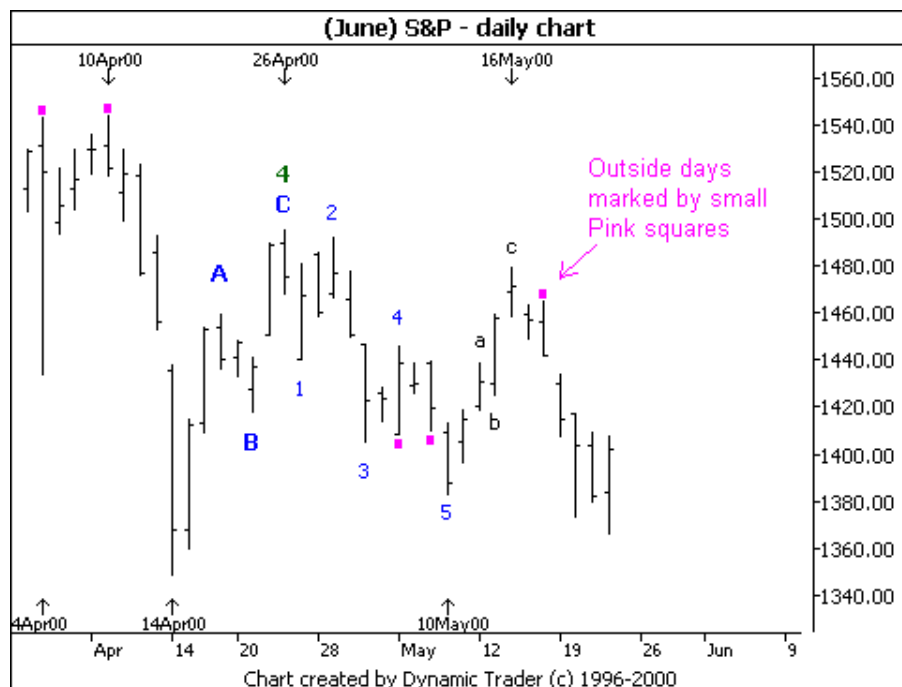
### Lesson Learned

An outside day is one of the *trend-continuation* entry strategies that can be used to enter a trade with an acceptable initial capital exposure, once a new trend is underway. There is a high-probability the trend will continue in the direction of the close of the outside day. The entry price and initial capital exposure are completely objective. Once you have an opinion of the direction of the trend, the outside-day trade-entry strategy is completely objective.

### Dynamic Trader Identifies Outside Day Set-ups

The Dynamic Trader software includes several routines that help the trader identify outside days very quickly and easily. The DT Trading Course that is included with the software program teaches in more detail the use of the outside day set-up.

Dynamic Trader's study scan will identify any outside day on a chart



Here we can see all the outside days are marked by a small pink squares above the outside day bar so they are easily identified by the user.

## DT Daily Trade Scanner

Outside-days may also be identified with Dynamic Trader's Daily Trade Scanner. The Daily Trade Scanner allows the trader to scan an entire portfolio for any of nineteen different set-ups, which will quickly alert the trader to a short list of the markets that have met the conditions of the set-ups. An outside day is one of the trade set-ups that can be included in the scan results.

Click column heading [Chart Name or Study] to sort on that column.

No.	Chart Name	Study	Close	Change	High/Buy Ref.	Low/Sell Ref.
1	S&P 500 INDEX SP0600 D	OSDTC	1442.00	-14.70		1441.50
2	DJIA INDEX (C DJ0600 D	OSDTC	10785	-25		10775

The S&P is one of the 2 outside day trend continuation trade set-ups found on May 18

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The screen shot above of the Daily Trade Scan shows the results for a scan looking for any outside-days on May 16 for all markets in a portfolio. The S&P made an outside day on May 16 and is one of the markets highlighted. This is one of the many unique features and routines found in the Dynamic Trader software program which allows traders to concentrate their time on analyzing the markets rather than searching through endless charts.

## Dynamic Trader Software Includes A Comprehensive Trading Course

The Dynamic Trader package includes a comprehensive trading course plus a subscription to the Dynamic Trader Report. It is the most complete and unique technical analysis software and trading course available to the public.