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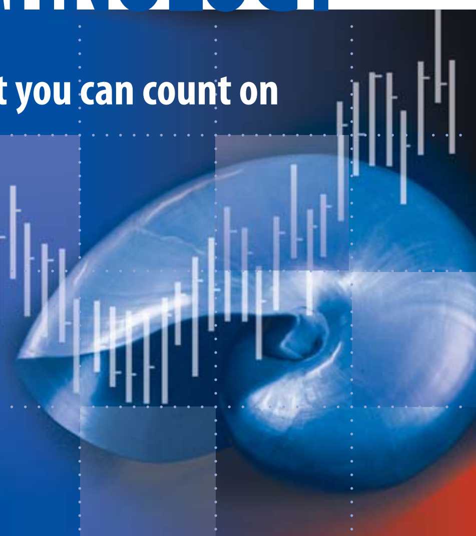
SOFTWARE SERVICES

TOMORROW'S TRADING TECHNOLOGY

100% automated Fibonacci support and resistance levels that you can count on every single trading day in an instant.



T-3 Fibs
ProTrader

Learning the T-3 Fibs ProTrader

By John Novak

Knowledge is power. Until you have the ability fully understand what your advantages are when looking at a chart you are to some extent powerless.

A powerless trader or maybe a lesser empowered trader will make mistakes that will cost him or her their account, their sanity and may jeopardize any future chances of success.

The purpose of this exercise is to speed up the process or journey that will be your education. Education is the path that you must take in order to graduate or (reading the market correctly and ultimately to trade the market profitably). The textbook that you will read will be the charts and your indicators, the context in which you interpret the indicators will build your trading rules and the manner in which you act upon those rules will be your trading plan.

First let's break down the indicators and some of the basic principle that we teach you in the 101 class and in the individual indicator videos. This is the first step of building your knowledge so that you have a base from which to build trading rules.

Learning the individual indicators

- Fibonacci areas will dictate the major tops and bottoms from which trades will occur and exits will be taken. Learn what goes into the Fibonacci confluence areas creation by reading the PDF "How the T-3 Fibs ProTrader Works" on the trading page on our website.

- Macd BB lines (key educational concepts covered in video and user guide and 101 classes daily)
    - Strong moves defined as extended moves outside of the bollinger bands with spacing and sharp angle.
    - Strong moves only valid from Fibonacci areas of support or resistance
    - Strong moves to be ignored in strong rending markets. This is defined by the first Macd bb move from a Fibonacci area which DOES NOT reverse the market's overall trend, broken Macd bb divergence at key Fibonacci areas, or strong moves which do not originate at key Fibonacci areas.

- Trigger Lines (key educational concepts covered in video and user guide and 101 classes daily)
    - Learn to recognize strong moves with momentum on the trigger lines
    - Learn to recognize a weakening condition when price trades inside the trigger lines

    - Learn to recognize when a trigger line may cross after multiple closes on the opposite side of the trigger trend.
    - Learn when you can use Large trigger lines as areas from which to trade.

- Trend Bands (key educational concepts covered in video and user guide and 101 classes daily)
    - Learn the mid band and what it is used for
        - Trend Trades
        - A strong trend is not reversed until mid band changes colors
        - Helps to determine trend direction
        - How to spot an over-run due to a larger timeframe chart and when it can be used and when it can be ignored.
    - Learn when you apply the outer bands as an area
        - Potential profit targets
        - Areas for bounce or reversal

- Retracement Divergence between price and Macd BB lines (key educational concepts covered in video and user guide and 101 classes daily)
    - To find divergence you must have a disparity between a retracement in price as a percentage and the retracement in the Macd BB lines as a percentage. Typically you will need at least a 38% retracement in price before this is applicable.

    - When can you use a divergence?
        - -Only on moves that originate from a Fibonacci area of support or resistance
    - When must you ignore a divergence?
        - Strong trending market defined by the first Macd BB divergence from a Fibonacci area that does not reverse the market's direction of the overall trend.
        - Broken Macd BB Divergence at a key Fibonacci area
        - A divergence that is NOT at a key Fibonacci area
        - Divergences that are not between major swings in the market and major swings in the macd bb lines. (small swings may cause short term reversal but major divergence swings may cause trend changing reversals.

Trade Rules

Now that we have built a foundation from which to work with each of the individual indicators we can now apply our trading rules. Remember that how we interpret the indicators will help us dictate our trading rules. So we want to recognize when and where the market and our indicators align to give us an advantage.

Let's start with Trend Trades and discuss the different nuances in the Macd BB lines that you will see when confronted with a trend trade and how each of those is going to effect the setup and when and where you get in.

1. Trend Trade #1 (TT#1)-The Macd BB Trend is in the direction of your upcoming trade on the 576-tick chart, sometimes referred to as the Bollinger Band Trend Trade.
2. Trend Trade #2 (TT#2)-The Macd BB lines trend has changed trend by crossing outer Bollinger band on macd bb lines but is very far above or below the zero line.
3. Trend Trade #3 (TT#3)-The Macd BB lines have changed trend and are making an aggressive move towards the zero line on the macd bb lines. This may have slight over-run of zero line and still be ok to take the trade. Think of the zero line as an "area" not an exact price.

First we will look at the trend trade that is with the Macd BB Trend. This trade provides a significant advantage to a trader when the trade is taken at the area. (We will call this TT #1) when referring to it in the hotcomm rooms.

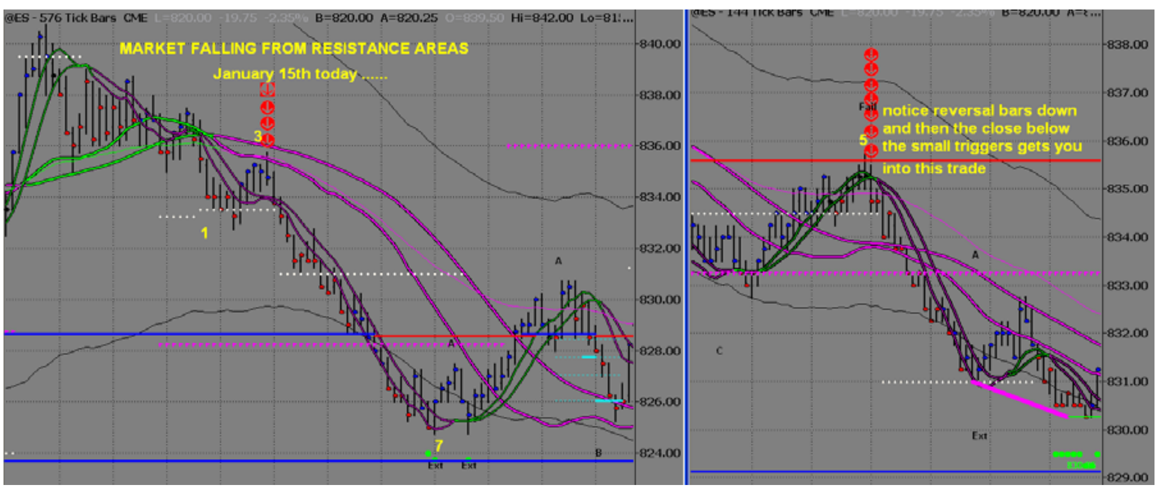
First we will go through a mental progression of what we are looking at and what we see and what we anticipate out of each component of this trade. I have labeled the chart accordingly.

On the following chart we had multiple timeframe resistance from the 1 & 5 minute and 2304 chart (there is no resistance on the 576 chart so major areas of Fibonacci need to be monitored from other timeframes if not present on the 576)


@ES - 576 Tick Bars CME L=820.00 -19.75 -2.35% B=820.00 A=820.25 O=839.50
MARKET FALLING FROM RESISTANCE AREAS
January 15th today ......
3
1
A
7
Ext
Ext
T-3 MACD BB Lines (green,red) 0.52
4
2
6
7
7:58
8:26
8:32
8:35
8:40
8:44
8:47
8:49
8:53

The following number corresponds to the progression of the setup.

1. You see that your market is going down from multiple timeframes of resistance and has broken through the mid band
2. You then look at your macd bb lines to make check the strength of them and you will see that at point #2 they are strong to the downside and also below your zero line.
3. You must then retrace back to the “area” which is your mid band and large trigger lines
4. As you pull back to your area you must then gauge the strength of your macd bb lines. In this case they are defined as “weak” because the spacing between the DOTS themselves is small and they do not have enough power to even get back to the Bollinger band which is the top black line coming down.
5. You now have the PERFECT AREA for the potential short with a VERY WEAK macd bb line condition. The fact that you have Large Triggers wide and spread in your trade direction also makes this trade area better. YOU MUST use this knowledge to make the most money for the least amount of risk. In this case you WILL use your lower timeframe chart for entry. Once in to the trade your stop is to be placed just above the pivot high on the 144-tick chart. A bonus on this trade setup is that you ALSO have a Fibonacci resistance on your 144-tick chart, which is not needed, but it is helpful. The actual entry on the 144-tick chart will be made with a **<u>close</u>** below the small triggers on the 144-tick chart AT the 576 area.



6. You will then look to the continued strength of your macd bb lines to reach your initial target of the outer band and key Fibonacci area at 828.50
7. You will see that after not exiting at your first Fibonacci target due to the macd bb lines being outside the Bollinger band your next Fibonacci target from your 1 & 5 minute charts (not shown) was reached. When reaching that target your macd bb lines lose momentum and your price bars start to close above your small triggers netting you almost 8.5 points in profit potential.
8. Next we will look at the most common mistake that traders make when looking at this specific trend trade, which is waiting until the close below the small triggers

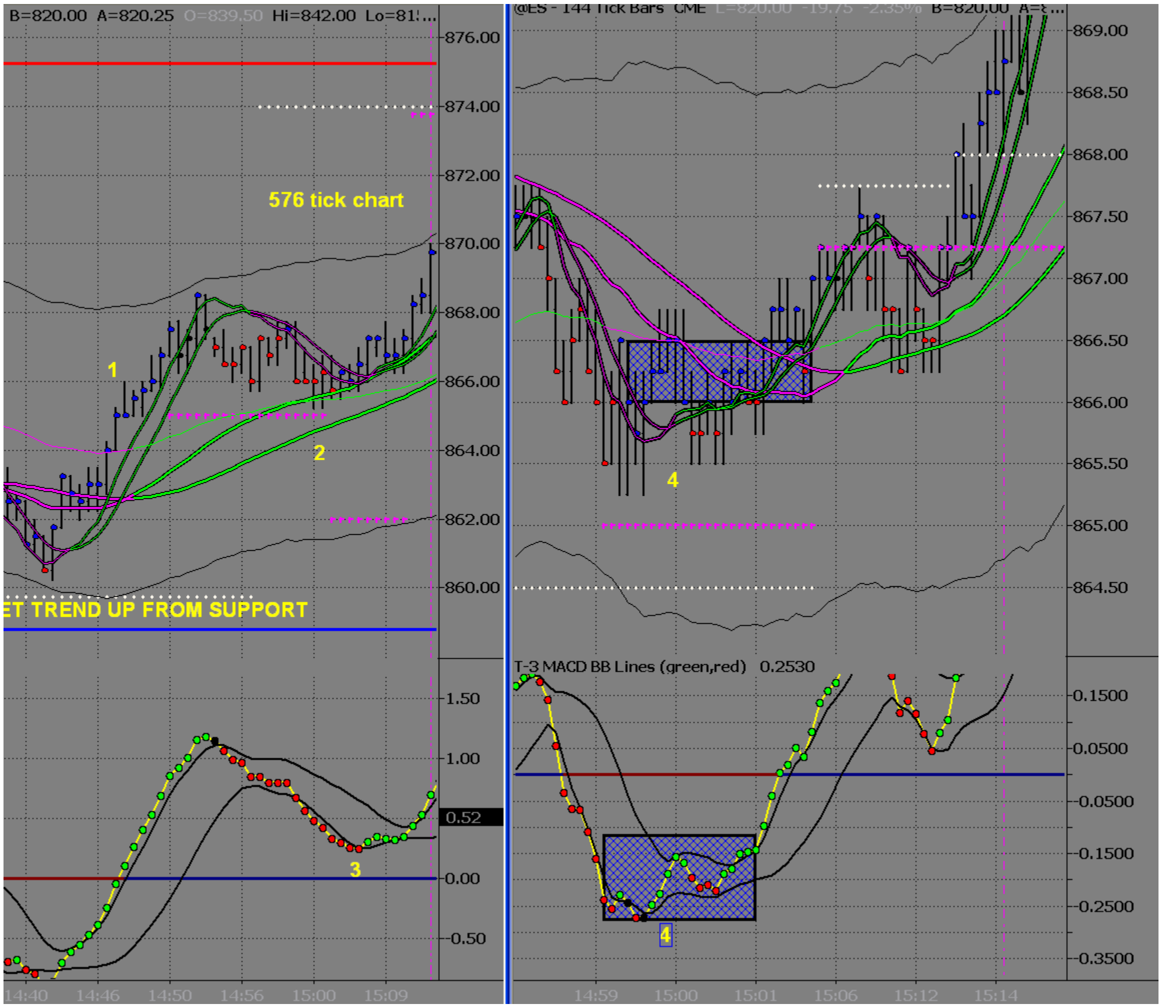
on the 576 chart. This will increase your risk and reduce your reward potential dramatically.

So to finish this trade setup thoughts, knowing where the "best" areas are is essential. Knowing the strength of the macd bb lines during the retracement is essential and getting in as quickly as possible at the most profitable area will make you a better trader.

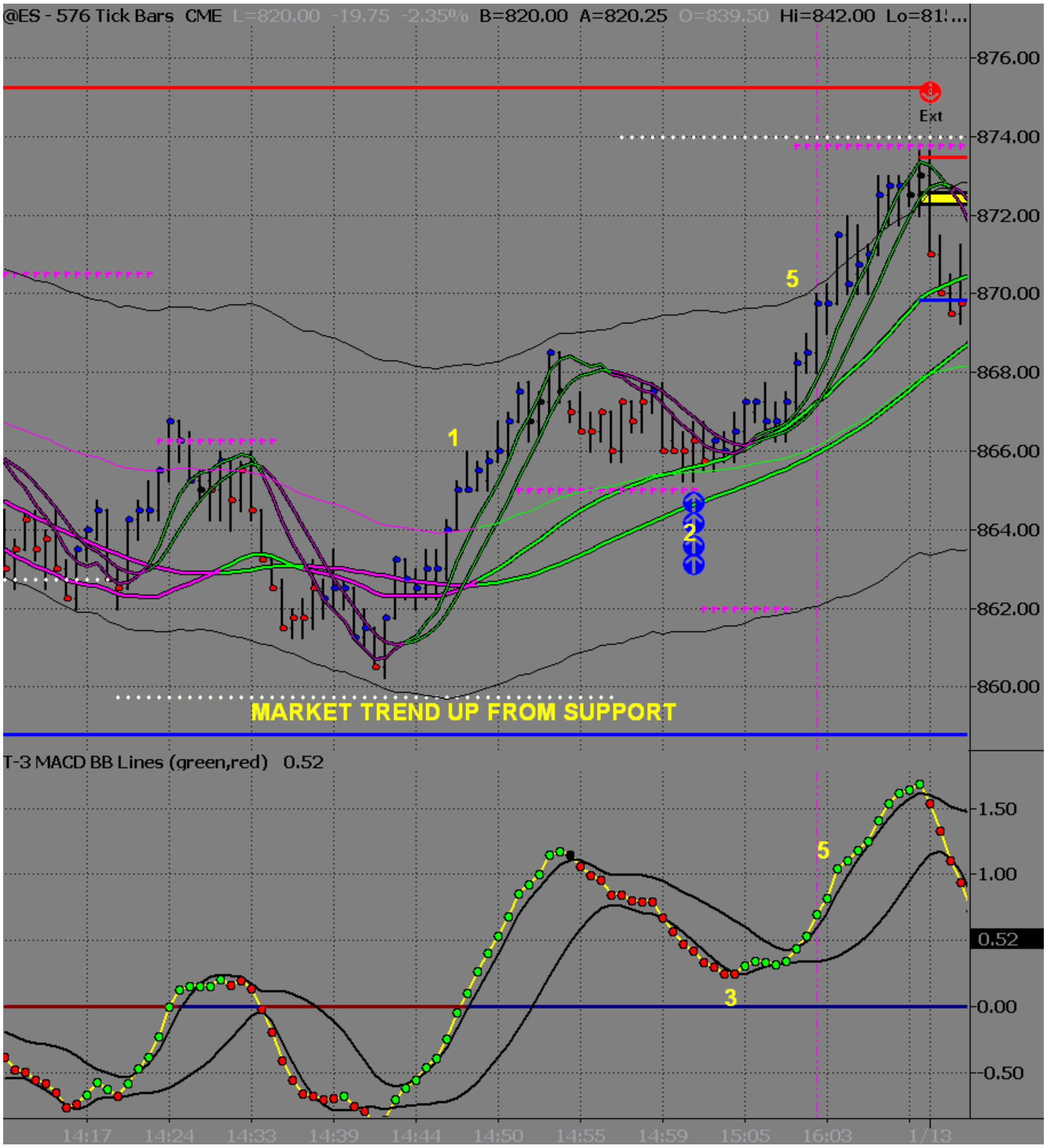
The second type of trend trade that I would like to discuss is when you have the area of mid band and or large triggers that are crossed in your direction and have the Macd BB lines unable to reach the zero line. (We will call this TT #2 in the hotcomm rooms). The major difference between TT#1 and TT#2 is that TT#2 macd bb lines did change trend whereas in TT#1 the macd bb lines where unable to change the macd bb trend.

1. You will see that the market is trending up from Fibonacci Support areas and the Macd BB lines are strong to the upside and well above the zero line.
2. You “reach” the area of the mid band and the Large Triggers which are wide and spread out to the upside
3. As you reach your area you notice that your macd bb lines are in a trend down but do not have enough strength to reach the zero line. You also notice that the “SPACE” between the dots has diminished and the macd bb lines are losing some momentum to the downside giving you further indication that this area may hold.
4. With this area that is anticipated to hold you will also use your 144-tick chart to help you fine-tune your entry to reduce risk and maximize profit. Notice that the macd bb lines on the 144 starts up and your small triggers on the 144 start to roll. This is the .50 window that you are looking at for your entry. 866.00-866.25 being an “optimal” fill. This would put your risk at 1-1.25 points for a minimum of 4 points potential to the outer band.

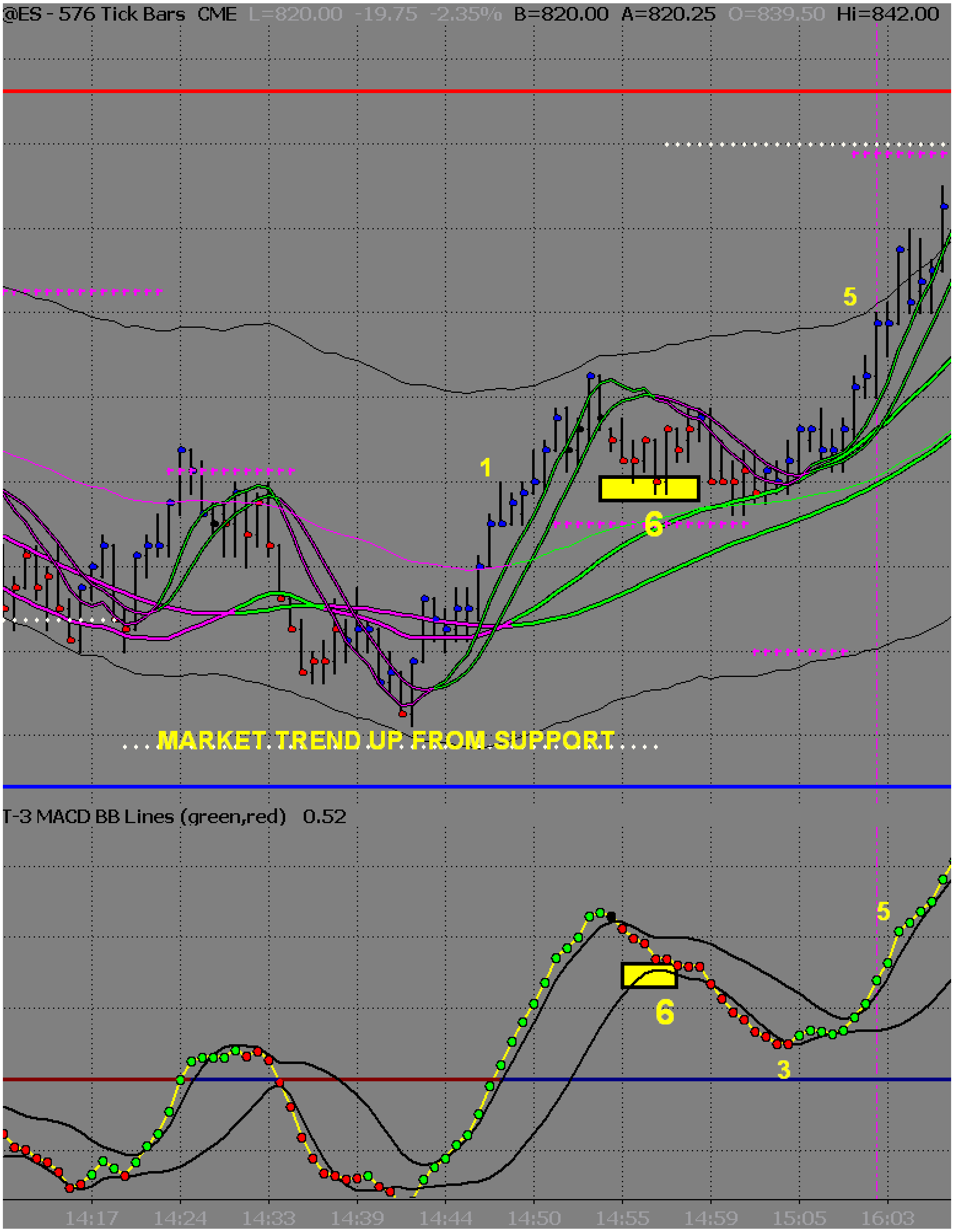
* So the trick to a TT#2 entry is to wait for some rolling of the 144-tick chart and recognizing that you cannot just take the first close beyond small triggers on the 144 as you can on a TT#1.



5. You will then again use your macd bb lines to help guide you to the next target area, which ends up being around the 873.50 area and ultimately exiting after the close below the trigger lines on your 576 tick chart.

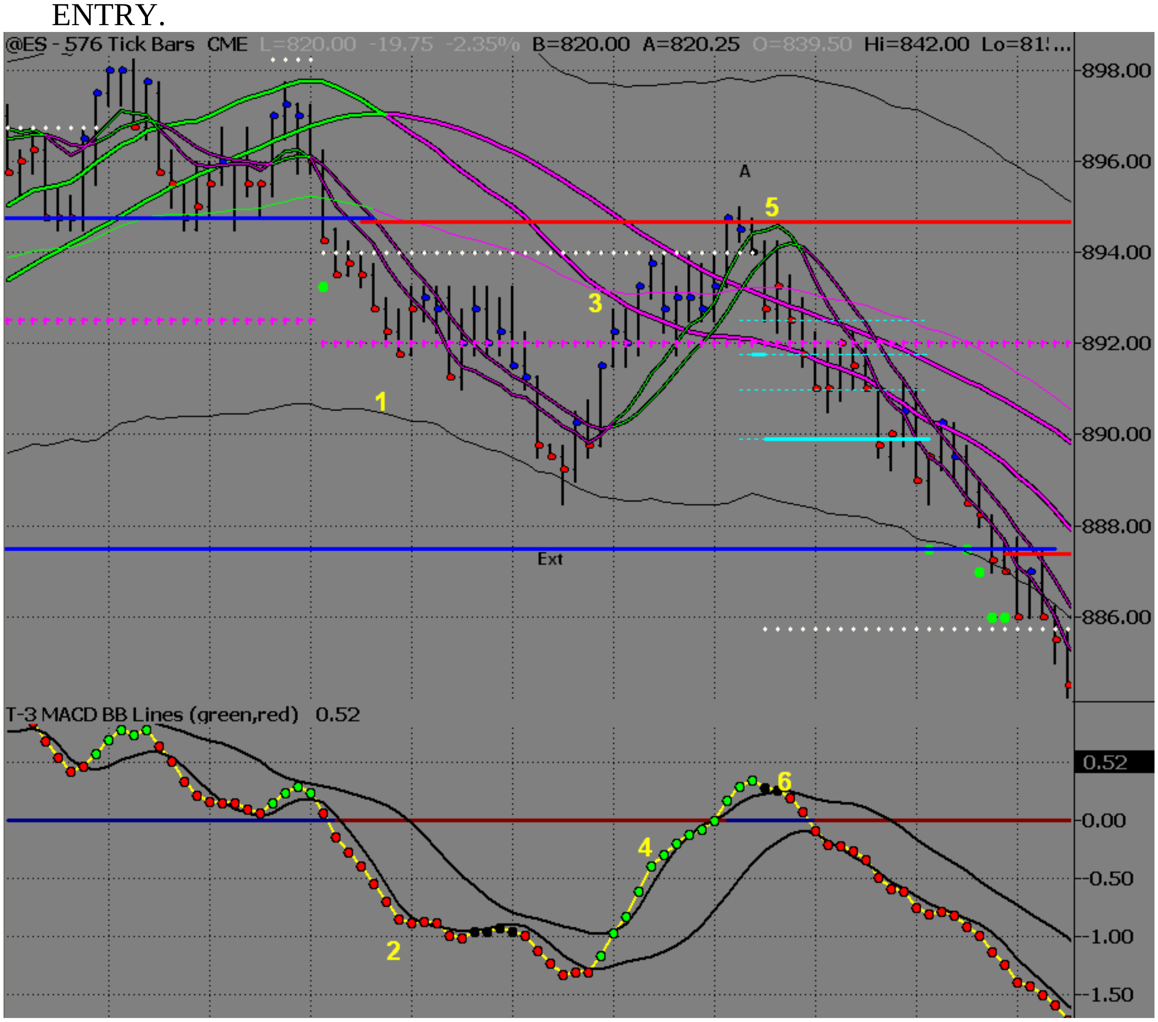

@ES - 576 Tick Bars CME L=820.00 -19.75 -2.35% B=820.00 A=820.25 O=839.50 Hi=842.00 Lo=81!...
Ext
1
2
5
MARKET TREND UP FROM SUPPORT
T-3 MACD BB Lines (green,red) 0.52
3
5
876.00
874.00
872.00
870.00
868.00
866.00
864.00
862.00
860.00
1.50
1.00
0.52
0.00
-0.50
14:17
14:24
14:33
14:39
14:44
14:50
14:55
14:59
15:05
16:03
1/13

6. Where most traders will get into trouble with this type of trade is not waiting for the areas to get reached before analyzing the macd bb lines. Usually this is a result of impatience and manufacturing a trade in your head from the lower Bollinger Bands of the macd bb lines.

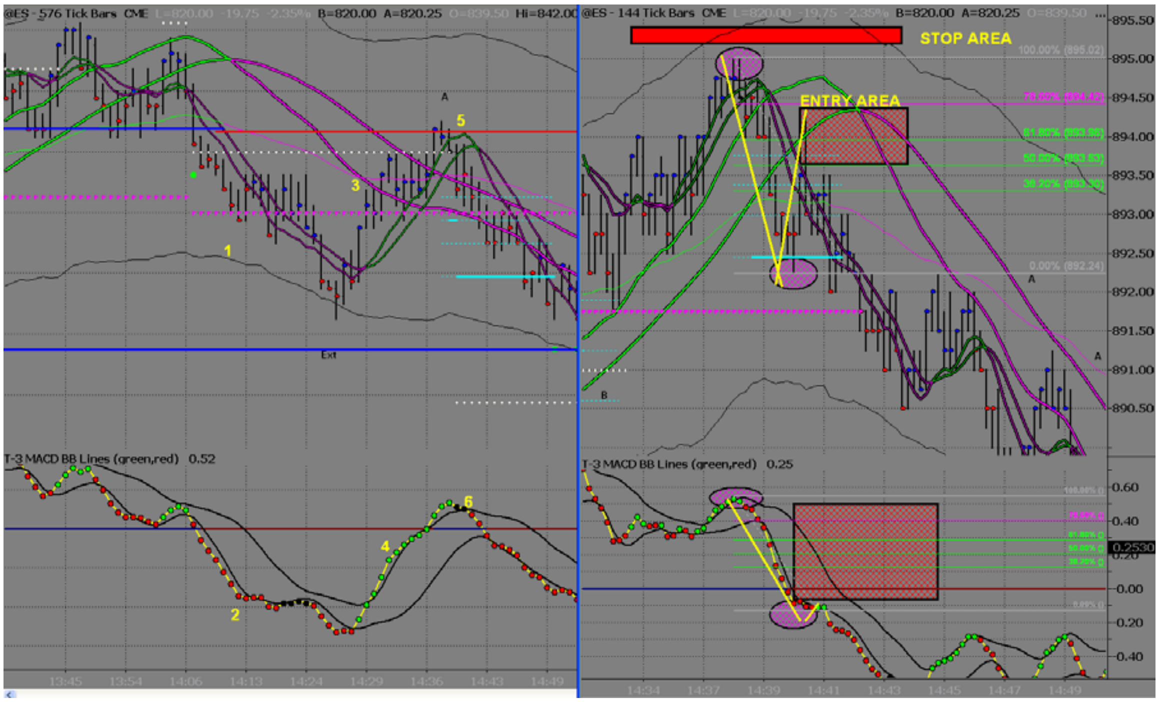


Probably one of the tougher trend trades is when you have macd bb lines that are strong into and maybe slightly exceeding the zero line. (TT#3 in rooms).
When you run into this situation it is vital to pay attention to your large trigger line angle and spacing and your key Fibonacci support or resistances. You may have a Trend Trade #1 or #2 along the way with an exit based on the small trigger lines against you. This will preserve capital if the #1 or #2 trade doesn't move in your favor quickly through the small trigger lines.

1. You will see that the market has made a strong move through your Fibonacci support and turned it into resistance.
2. Your macd bb lines have made a strong move through the zero line.
3. You start to pull back to your "area" for a potential sell
4. You notice that the macd bb lines are moving with momentum outside the Bollinger band towards the zero line. This tells you that you must wait for higher areas.
5. You will notice you have reached your HIGHEST area, which is the Fibonacci resistance. The fact that your large triggers are still very wide and pointing straight down will allow you to still take a shot at this short.
6. You must WAIT for the market to turn and the macd bb lines to turn PRIOR TO ENTRY.

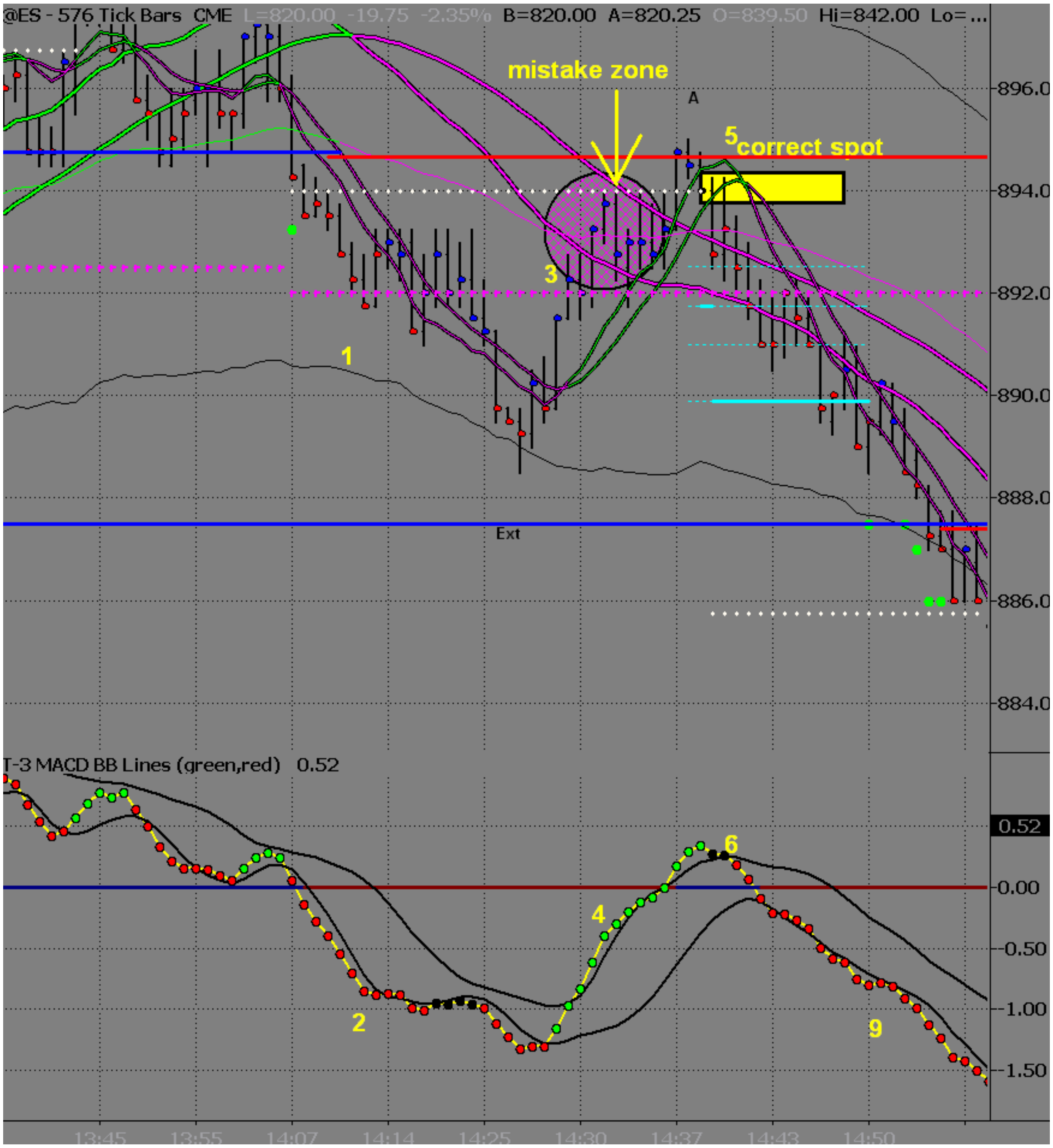


7. With the strength and momentum that took you to the highest levels you will expect a bounce after the first close below the small triggers on the 576. This bounce may be as little at 38% or as much as 100%. You will enter as close to the top as you can when you pull back towards the 576 small trigger lines.
8. I have marked up what is the 144-tick chart at this “pullback” to the trigger line area. If you will notice the market almost makes a 78% retracement. At the same time the macd bb lines on the 144-tick chart make almost no retracement. The 894.00 area is your least amount of risk (approx. 1.5 points) and most amount of reward.



9. Again you will use the macd bb lines to judge the strength of the market and your likelihood of reaching your initial targets. The reward potential on this trend trade to the 576 outer bands and Fibonacci area was almost 7 points giving you over a 4:1 risk reward ratio initially.
10. Ultimately this trade loses momentum after bouncing off of the 884.50 price giving you the actual potential of almost 8-9 points.

The common mistake with this trade is made when newer traders try to sell the area without waiting for the momentum to slow down. This will result in a stop out of your trade and may keep you from taking the proper trade once momentum has slowed.

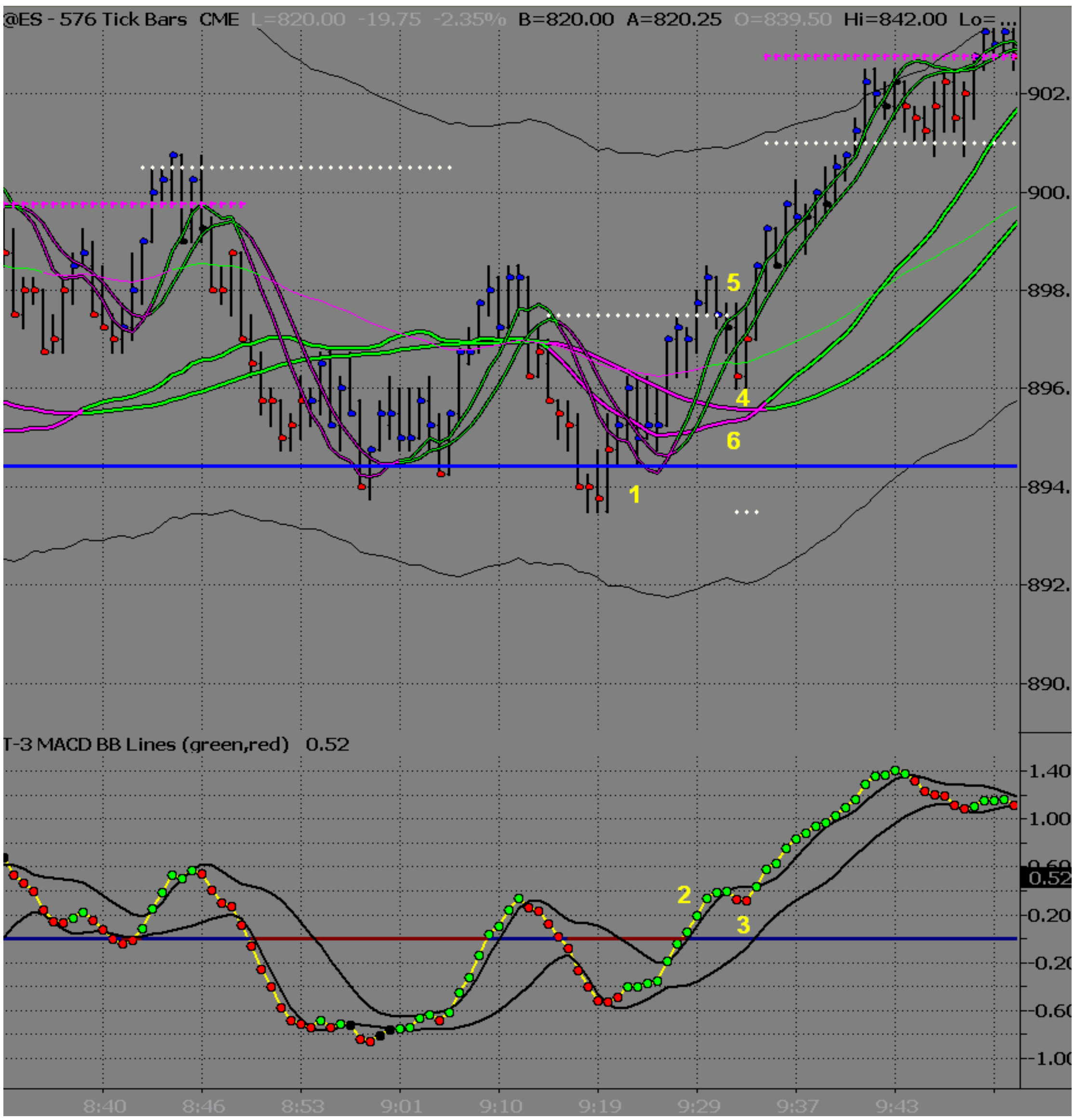


One more nuance that gets discussed a lot of the time is "broken divergence". This is nothing more than a STRONG TRENDING MARKET. In all cases of a strong trending market you must still adhere to the rules for the macd bb lines as discussed above. In this example you will see that we are CLEARLY in a strong down trend and we are WELL ABOVE our large trigger lines that have rolled to the upside. Because of the prior strong trend and broken divergence, you will see that ONLY after the macd bb lines roll do you get an opportunity for a trend trade short.

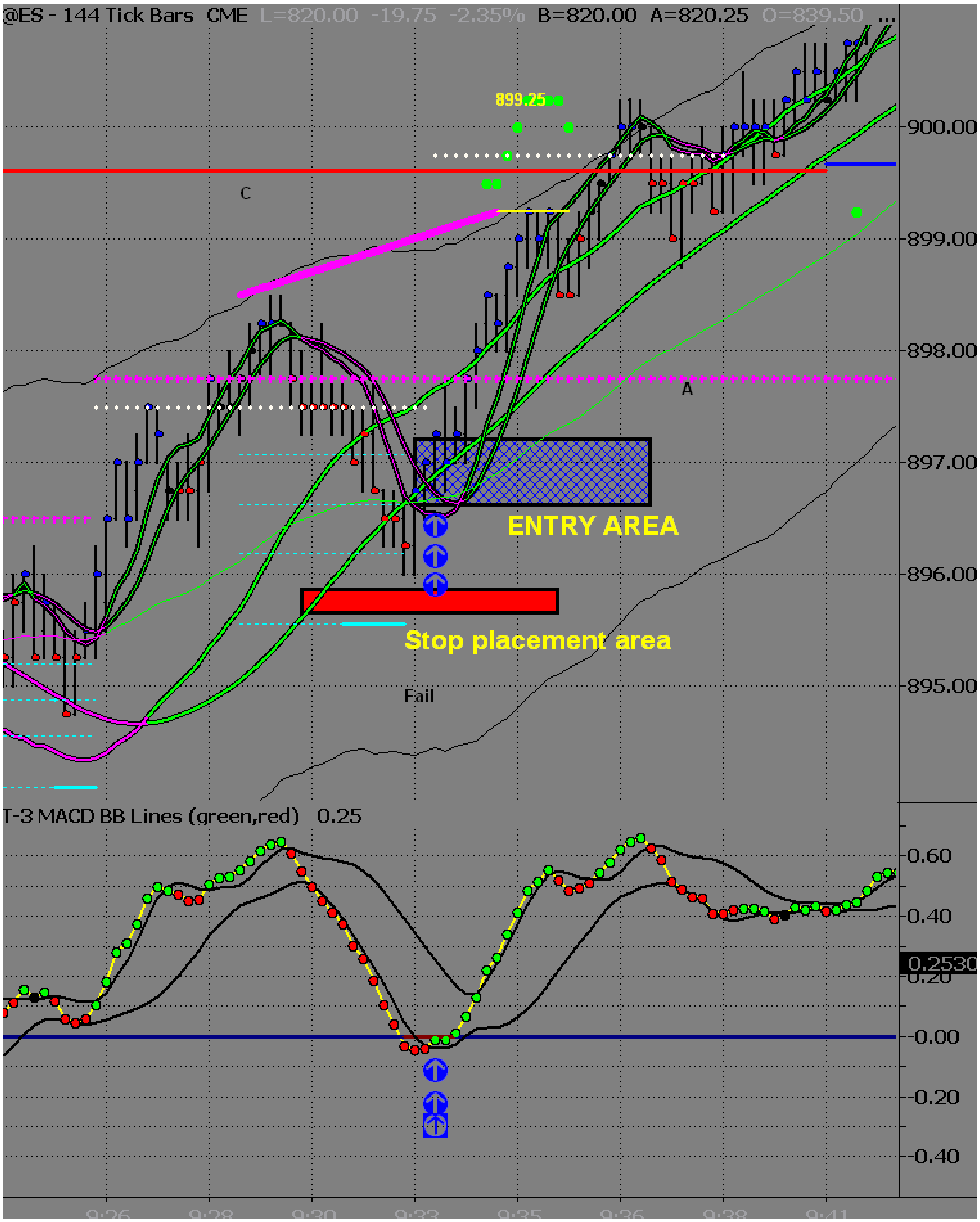
The second trend trade short happens after a strong move down on the macd bb lines and a weak retracement to the top Bollinger band of the macd bb lines which you will hear referred to as a Bollinger band trend trade.

Now let's discuss Fib Momentum Trades. First you must recognize conditions that must be present per the rules in order to take these types of trades and second you must know when you have a higher expectation of winning these trades.

1. This trade MUST be started when coming from a Fibonacci area. As you can see here we have a blue line of support.
2. Your macd bb lines must make a strong move off of the support line
3. During your retracement in price you MUST have a strong retracement divergence.
4. The pullback will generally be to a fib line, mid band or the large triggers and in some cases small triggers. They key will be repetition in historical marking of these trades.
5. During the pullback it is very important that the small trigger lines do not roll back over and lose all momentum. Some turning is acceptable but not much.

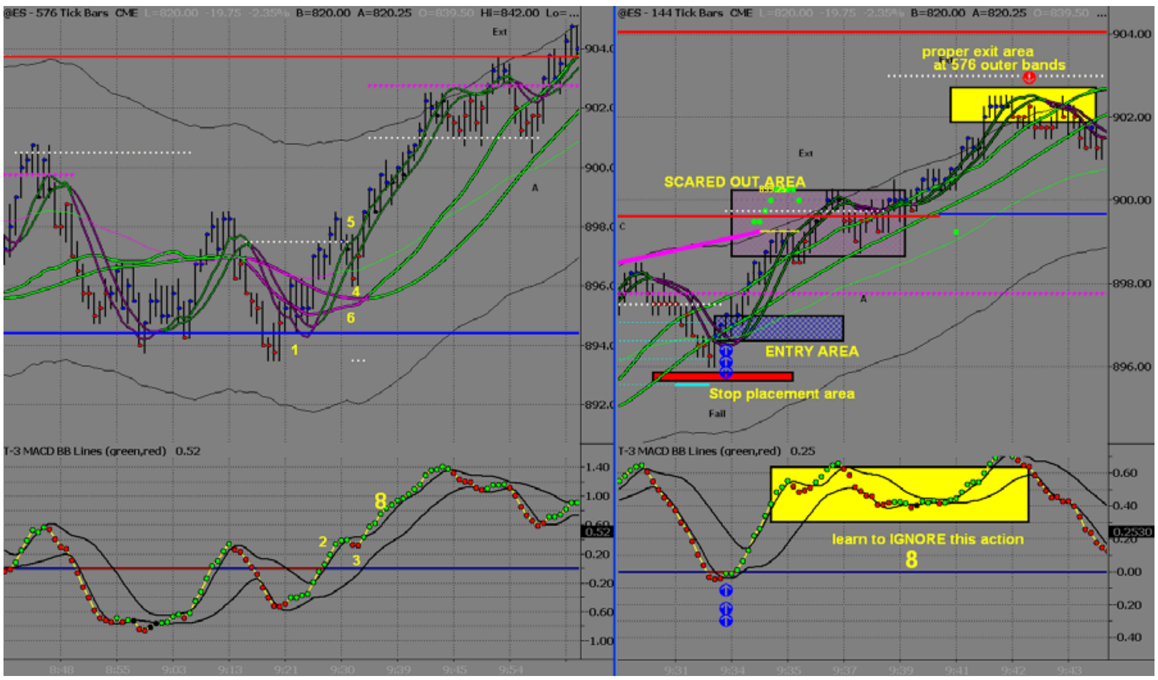


6. Once you have reached the pullback area you may then use the 144-tick chart to help you fine tune your entry by using close above small triggers and a loss of momentum on your macd bb lines.
7. Notice that this 144-tick entry area for the fib momentum trade on the 576 looks very much like a trend trade as discussed earlier and the same rules can be applied.



The common mistake that most traders will make once they have gotten into this trade is they will lose site of the strength of the macd bb lines on the larger chart and focus on the 144-tick chart and allow it to scare them out of the trade prior to reaching the higher timeframe targets.

8. Notice the macd bb line strength on the 576, this will allow you to remain in your trade all the way to the target area of the outer band or Fibonacci area. The result of using your indicators on the larger charts dictate your entry and exit points in this case would have given you the potential of at least 3 more points. If you add this to your totals on a consistent basis you will have used the software to it's fullest potential.



Fib Momentum trades that do not have the large triggers favoring the trade by pinching or rolling are taken by many more experienced users of the T-3. Per the rules this trade fits but is generally not recommended for new traders to the T-3 and should only be done with experience.

I will show you one such trade. Typically these trades will be taken by more experienced users if there is a higher timeframe reason why this setup will work in combination with ZERO MACD BB LINE RETRACEMENT during the pullback. Also the small triggers will never slow down during this price pullback as well. AGAIN… not for novice traders, the more experience you have marking up historical charts and seeing when this will work and when it will not is key in your success on this type of setup.

The last thing I would like to cover is the process of marking up your historical charts. I have said in the room that you should mark up at least 1000 historical trades prior to even thinking about using a simulator like Ninja Trader or the Tradestation Matrix.

The main reason this is important is to build experience. Screen time and experience when you ONLY watch this hotcomm room and today's charts is VERY SLOW and not the most effective use of your time. Let's face it, you only get one day of education when you are in here listening.

To maximize your screen time and shorten your learning curve marking up historical trades is a must.

There are few steps you want to take when learning the T-3.

1. Attend the 101 and 202 sessions and review all study materials including videos.
2. Spent a couple of days in the Pro's room so you can see how others are using their charts and posting what they are doing.
3. Make sure you spend time in a group or private session with an educator to make sure you are marking up your charts properly. If you mark up 1000 of the wrong trades you are not any closer to success than when you started.
4. **At first you can mark up charts by "cheating" and seeing the next wave of price action. This is vital to make sure you are doing the correct trades.**
5. Then you will do a "bar by bar" analysis with yourself. Starting the chart at the beginning of the day and slowly moving it forward one bar at a time and marking your trades as you see them happen.
6. It is very important that you ask questions. Shyness or the fear of looking silly should not stop you from your ultimate goal of being a successful trader. We are here to help all you must do is ask.
7. Once you have properly marked up at least 1000 trades and are able to prove to yourself that you can see the market "semi-live" on a bar by bar basis, and then you are ready to take your knowledge to the market.
8. This is when you will simulate the live market and build your confidence and expose any weaknesses you have in reading the indicators.
9. Again if you are not doing well on simulator then you need to ask questions, schedule a group or private session and know what you should be doing.
10. Once you have successfully simulated at least 250 trades with a winning % above 50% and can consistently make points every week in the market you are then finally ready to start trading one contract.
11. Start with one no matter what your account size. Let your winnings work and only add contracts with winnings from the market.

This is a lot of work, and will take some time, maybe as much as 6 months, to make the kind of living from trading that you desire. Everything worthwhile takes work. Hard work makes things good and more hard work makes something that is good – GREAT!

Mark and Post your Charts

- When first learning the software, visual feedback is very important to make sure you are interpreting the indicators correctly. This will be important when posting charts in the room and working with the educational department. When you have completed your education this will be an invaluable tool for self-analysis after the trading day.

- How to properly mark your charts for maximum effectiveness.

  - All reasons for trade setups and exits should be written in a yellow box. This will help you to determine, with the help of the educational department, if your reasons for a particular setup are correct. If you enter a trend trade #1 then mark it as such. If the rules are not met for a trend trade #1 then we will be able to quickly help you recognize your mistakes. If you do not label what you “see” then it will make your job difficult and our job impossible.

  - All entries should be marked with 3 arrows on the bar you entered or would have entered on. All exits should be marked with 1 arrow on the bar you exited or would have exited on.

  - After your marking of the trade is complete or the day is complete you will then go back and mark “the best” entry and exit with a magenta circle. This is done after the heat of battle so you can study the potential for any changes you may want to make in your entries and exits and how to recognize more clearly the “most profitable” trading situations.

  - During your initial stages of learning you will not only mark up today’s action but you will go back in time and pick one chart timeframe (preferably higher timeframe) and mark up at least 5 historical days worth of trade setups. You may do more if you wish but any less would not be as beneficial while you are learning to read the indicators.

  - Save all charts as a GIF or PNG files in a dedicated folder on your hard drive. You may use any screen capturing program you wish. We recommend SnagIt.com as a great program. Do not store them as BMP files as they have a large file size and are not easily uploaded and needlessly waste hard drive space.

  - During the trading day post your charts in the NexGen Pro’s room for instant feedback from the educator running the room during the trading day. If you do not post your charts you will not get the full educational benefit you need during your learning process. You should by rule of thumb post at least 2-4 charts daily in the Pro’s room.

- Making sure your trade setups and interpretation of the software are correct is vital for achieving the highest level of success. NexGen is committed to your success and we ask that you have the same level of commitment when marking and posting your charts.

The next step once you have learned your indicators and learned the rules and are comfortable in marking up your charts will be to “cheat” and mark up a few days worth of historical trades. IT IS VITAL YOU DO THIS FIRST STEP and get the feedback from the educators that you are interpreting the indicators and the rules correctly.

To do this, pull up a full day or several hours worth of chart action. Mark up the trades that you see labeling them according to the rules. We will do some examples of this for you. (I will insert those examples from the video that we do live here when we are done.)

Once you have achieved mastery in your recognition of the trade setups then you must go to the next step, which is a bar by bar analysis.

We will now cover how to do a bar by bar analysis and set up the indicators so you cannot cheat your efforts.

Here is a list of what you need to do in order to make your indicators not give you any advanced warning.

Setup T-3 Indicators for Bar by Bar Chart Work

- Turning off Indicators: Right click a blank area of the chart (workspace). Select the 2nd option (Format Analysis Techniques). Select T-3 Fibs ProTrader, select Format on the top right. Go to the Inputs tab.
  Plot_ABC – false
  Plot_ABCPaintBar – false
  Plot_ABCRtr – false
  Plot_DivergenceShowMe – false
  Plot_MacdBbCrossShowMe – false

- Use the Background Dragging tool in Tradestation between the price action on the right axis. Left click between the price and drag cursor up/down to scale your charts to your liking. I recommend a 2pt range between numbers. When finished with the Background Dragging tool, left click the small arrow next to the button and select the 2nd option (disable and maintain current scale range). This will save your changes and your charts will remain as you’ve chosen.

- To the left of the background dragging tool there is a button with arrows facing away from each other and one with arrows facing towards each other. These buttons are used to increase and decrease spacing between the price bars. When using these, watch the price action at the far right of the screen as though it were live market. You want to be able to see only that price bar and the close. You don’t want to give away any future information such as a trigger line turning or the close of the next price bar.