

The Hybrid Trading Method (HTM)

HTM embodies a set of entry and exit rules that combine the benefits of analytical software with a mechanical trading system. It offers low risk and helps to remove the guesswork from trading. HTM is both powerful and easy to use. The trading method uses both the back-testable mechanical buy/sell signals of eASCTrendTS (TS), and the classic indicator, eASCTrend2 (T2), to enable subscribers to trade any market with any interval charts.

To apply HTM, simply click the "HTM" icon in the toolbar while you have the chart open.

Entry Rules of HTM

C.A.R.E.

Consolidation, **A**greement, **R**etracement, and then **E**nter.

Consolidation

It is recommended that traders be more aggressive in taking trades at the end of market consolidation. For advanced tips on how to identify consolidation, see 3 T's on the next page.

Agreement

TS indicates the beginning of a trend with a large dot and uses the color of the bar to indicate the current market direction (blue is up, red is down and green is neutral). T2 indicates the direction forecast as well as the key supports and resistances (cyan/light blue dots are up, magenta/pink dots are down).

Therefore, an Agreement between TS and T2 is most important in determining an entry point; it signals a long position when the bars are blue and dots are cyan/light blue or a short position when the bars are red and dots are magenta/pink.

Retracement

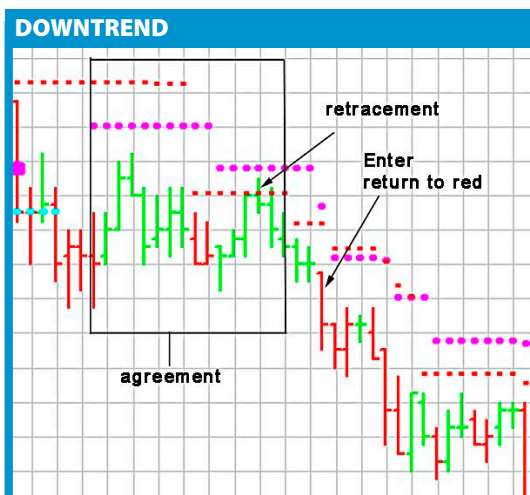
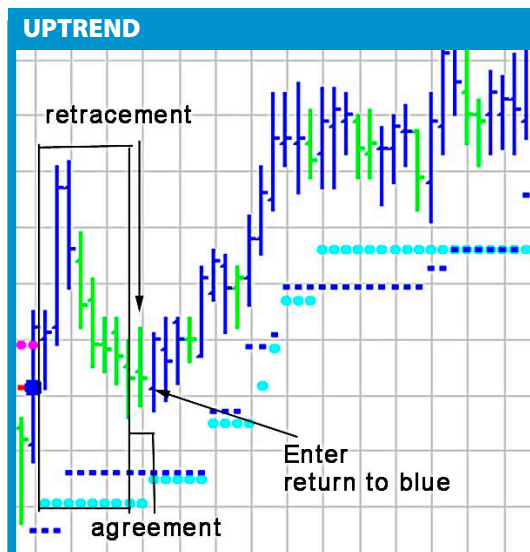
Retracement is a short reversal of the prevailing trend. When the market price retraces back close to T2, it offers a low risk entry point since T2 will be the initial stop loss.

This step is optional but recommended since it gives traders the opportunity to enter at a sweet spot.

Enter

When in an uptrend, enter the market with a reappearance of a small blue bar that is still in agreement with a cyan dot. When in a downtrend, enter the market with a reappearance of a small red bar that is still in agreement with a magenta dot.

Avoid entering the market when the bar is green. In most cases, an HTM window will pop up to alert traders of these optimal entry points.



Exit Rules of HTM



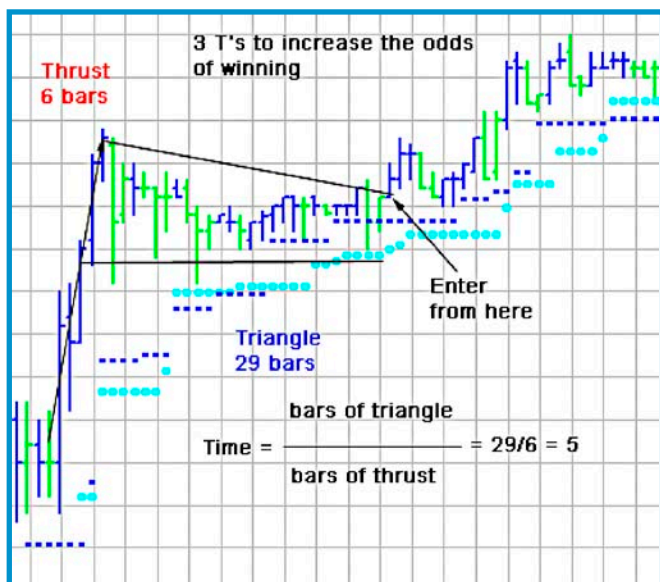
Stops

Stop values are mechanically set by the program tick by tick (you can see the values when you have an "info" window open); however, it is up to the trader to place the stop orders.

- (a) Use T2 as initial stop.
- (b) Use T2 as trailing stops in a trend to reduce risk and protect profit.
- (c) If the market starts to consolidate and slow down, use the tightest stop, T13, to protect profits. If the market breaks through after a low period, then revert back to T2 for stop placement.

Advanced Tips

Execute A.R.E. signals after the 3 T's to increase the odds of successful trades



Note: no trade set-ups will be identical to this illustration, but the idea here is to be aggressive near the end of a consolidation.

Thrust is a significant market price movement. It is important to be conservative near the end of a thrust since it could lead up to the beginning of a consolidation.

Triangle shape of the consolidation points towards the end of consolidation. The triangle will come down to several consecutive bars with the same lows and highs. Watch for the breakout and become more aggressive at this point.

Time Unit is the ratio of triangle time to thrust time (number of bars of the consolidation triangle divided by the number of bars of thrust.) As the time unit becomes larger, be more aggressive in responding to a breakout.

| Relative Time Unit | Guidelines for applying time unit to trading |
|--------------------|---|
| 1 | Trading is not recommended unless traders can identify the trend with the traditional trend definition of higher highs and higher lows for an up trend and lower lows and lower highs for a downtrend. In this case, they always wait for retracement to find a low risk entry point. |
| 2 | Trade with caution. Traders need to see the end of consolidation and a breakout as well as retracement. |
| 3 | Trade aggressively. Traders need to see a breakout. Retracement is optional. |
| 4 or more | Trade very aggressively. Traders can take every TS/T2 agreement without the need to wait for retracement. |



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