

# Trade Price Continuation Patterns

Thomas Barmann of NeverLossTrading [...click to watch our presentation.](#)

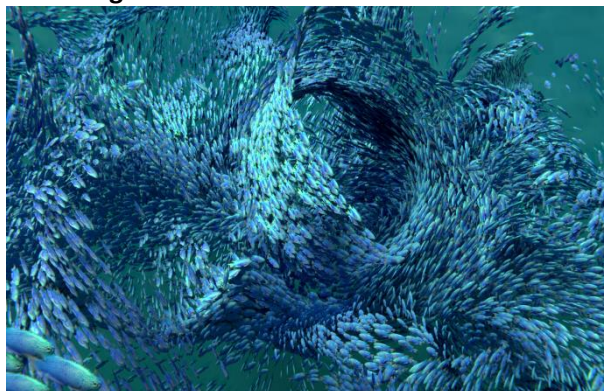
A trading system supports you in predicting the potential price move of an asset into the short- or longer-term future. There are pre-stages and continuation-stages of price moves that can be detected and portraited into the future by using mathematical equations. Financial markets are complex and thus, simple mathematical models, e.g. moving-average-based systems or those that are form-fitting the future development into a pre-defined-price-pattern (Elliott Wave), will only give you a random chance of being on the right side of the trade.

Nature is expressing itself in complex systems. Take a look at a school of fish how it produces a combining and releasing structure of constant movement.

**Combining Structure of a School of Fish**



**Releasing Structure of a School of Fish**



So far we found no mathematical algorithms to describe or predict the formation of a school of fish from an outside-in-perspective. If you are serious in understanding complex behaviors, you need to look at the basic inter-correlations of the individual system interactors (individual units interacting with each other), rather than the system itself.

**Example:** the crowd follows the leaders.

The financial markets represent a complex structure of interactors, where most, and in particular the transactions we want to focus on, take place in a market: A medium that allows buyers and sellers of a specific good or service to interact in order to facilitate an exchange. The price that individuals pay during the transaction is determined by supply and demand.

As a consequence, a change in supply or demand will trigger a price change, which is recordable and can be followed. This principle accounts for the transactions and price finding in the key financial markets: Stock Market, Commodities, Treasuries, and Currencies.

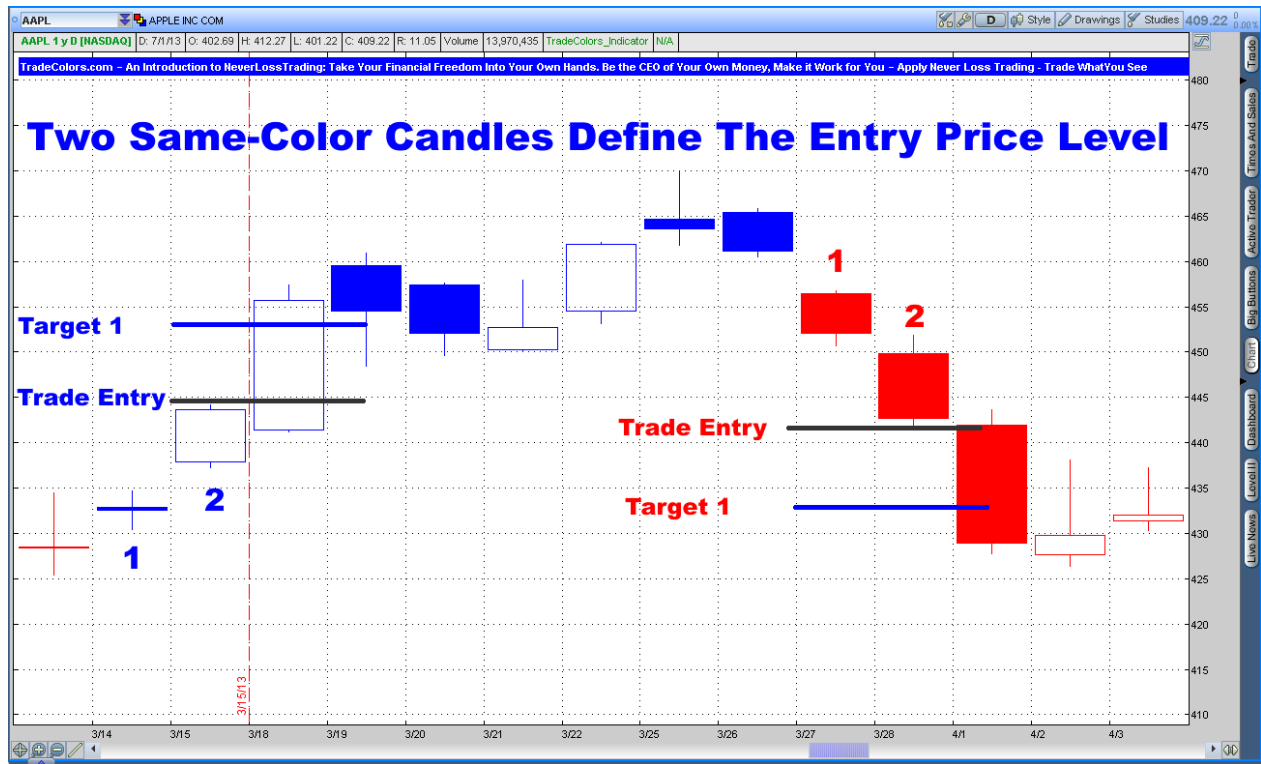
Following this principle, we found ways to identify changes in supply and demand that indicate setups, which lead with a high probability to a directional price move.

Today, we want to focus on our introductory system to algorithmic- or activity based trading: [TradeColors.com](http://TradeColors.com) and demonstrate how you can predict the future price move of an asset with

a high probability by following a price continuation pattern, portrait in an opposite candle color sequence of two-same-color-candles.

“Trading now is made for me, counting colors one-two-three”

### TradeColors.com Candle Color Sequence



With the help of an activity based algorithms, we paint the candles that belong to an **upside price move in blue** and the ones belonging to a **downside price move in red**.

Your long-term goal as a trader or investor is to enter directional price moves at key turning points; hence, we start entering a trade at the following conditions:

#### Short Entry:

After a blue candle or a sequence of blue candles, when two red candles are painted:

You enter a trade, when the low of the second red candle is surpassed.

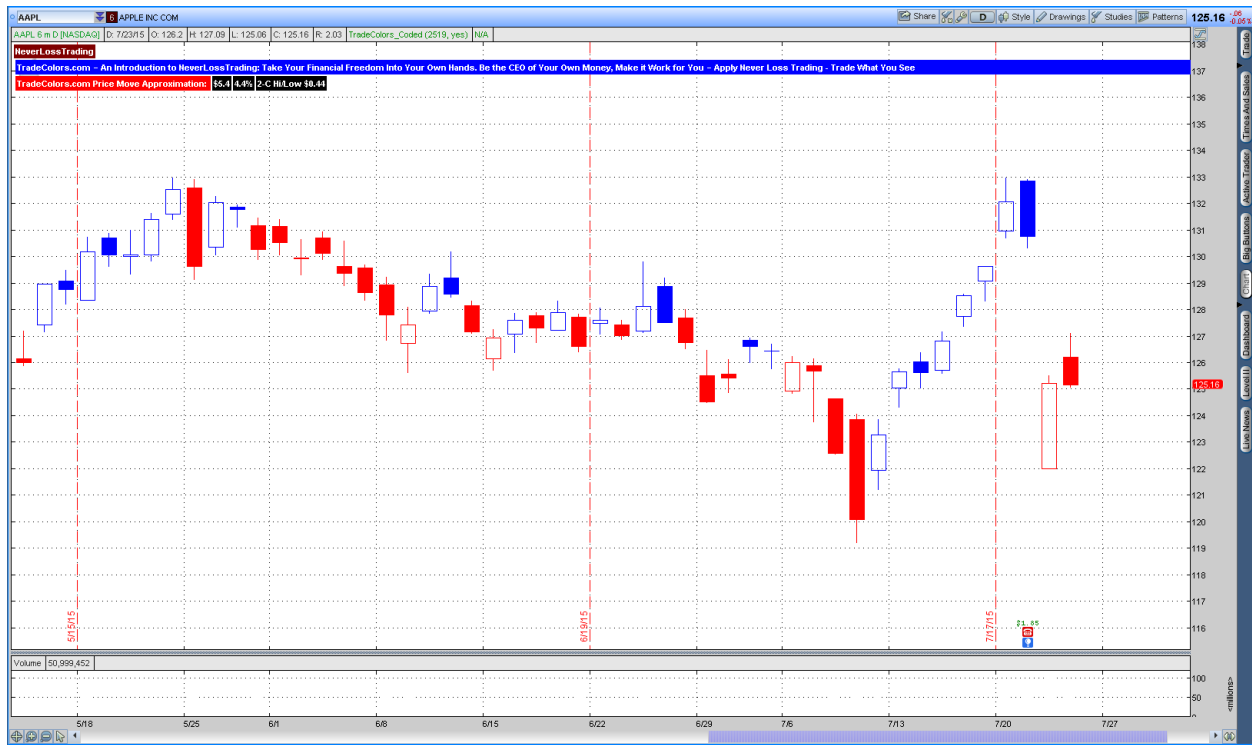
#### Long Entry:

After a red candle or a sequence of red candles, when two blue candles are painted:

You enter a trade, when the high of the second blue candle is surpassed.

In our first example, we take a popular stock: AAPL and see how it performed in its recent price development according to the **TradeColors.com** conditions.

## The most recent daily chart for AAPL looks as follows:



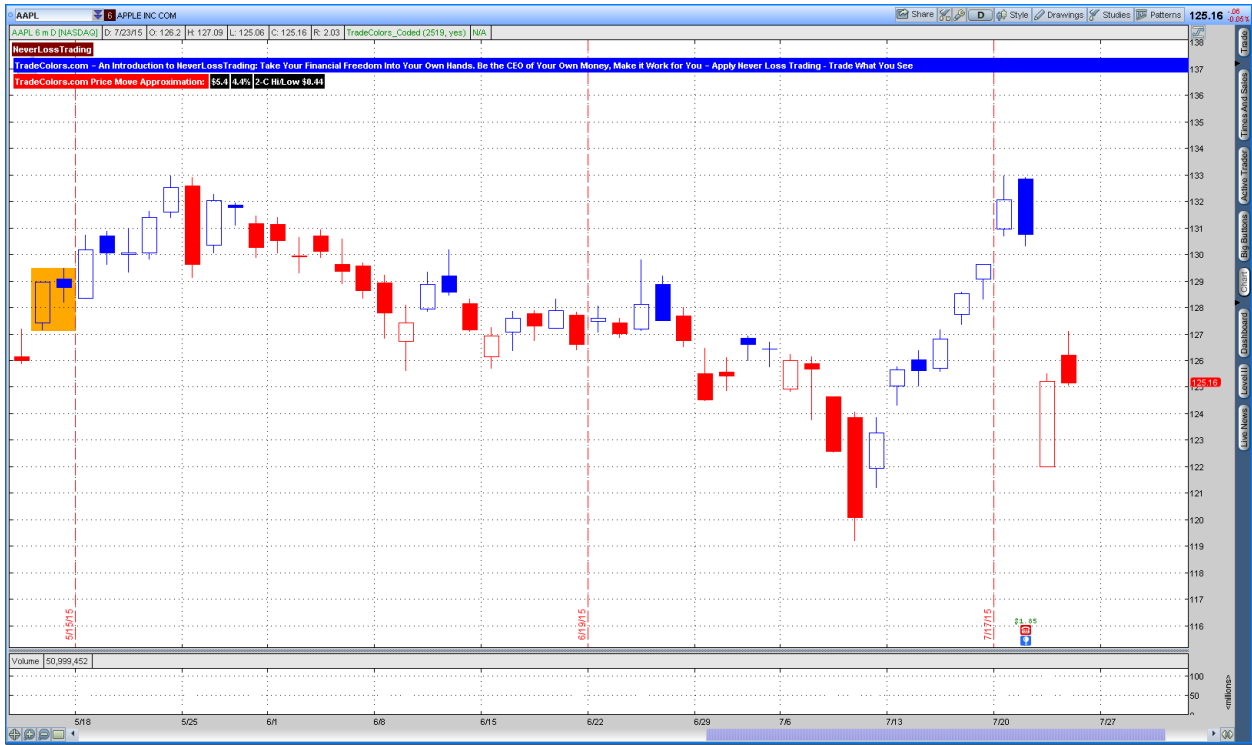
Let us investigate the above chart from the left to right, checking for setups that fulfill our trade entry rules:

- A new set of two-same-color-candles with the high of a blue sequence surpassed in the price development of next candle.
- A new set of a red-candle-color-sequence, where the low is surpassed in the price development of the next candle.

Background: When an institutional price move happens, market makers and other market participants recognize a change in supply or demand and react by confirming the direction – and we go with the price move - or by other institutions not buying or selling into the move and we stay out of a directional trade by not getting our trade entry condition confirmed.



# AAPL Daily Chart: First Confirmed Trade-Color-Sequence Highlighted in Orange



We found our first trade setup sequence on May 15<sup>th</sup>, 2015 (highlighted by the orange rectangle) and it was validated by the May 18<sup>th</sup> candle surpassing the high of the prior candle. From there, we move on and see:



May 27, May 28 another blue-candle-formation with an entry on the high; however the high was not surpassed in the next candle and the trade entry conditions were not fulfilled: No Trade.

Right after: A red candle sequence was formed and confirmed (second orange highlighted rectangle). We establish a short position.

In case you are trading from an IRA or another type of cash account, you would buy Puts at this instance to trade with a long position to the downside.

By teaching individually, we will share the NeverLossTrading concept for options with you, which includes a clear method of which strike price you buy and in case a trade goes wrong, how you can even repair your trade to not suffer the consequences of a high loss of premium.

Between 6/10 and 7/2/2015, AAPL produced multiple potential two candle setups; however, none of them got confirmed and thus no trading position was established.

Rather than being on the wrong side of a trade when asset prices start cycling or moving sideways, you are not receiving a trade confirmation and thus, you stay out at the sidelines until prices start to move again, which was the case on July 6 and 7 of 2015:

A read two-candle sequence was formed and confirmed.

Then right after, we got into a two blue candle sequence at July 10 and 13, confirmed on July 14, 2015: Check for the third and fourth orange rectangle, highlighting the confirmed trade setup by the price of the next candle surpassing the high of a blue- or the low of a red candle color sequence.

## AAPL Daily Chart



## Summary:

Following the [TradeColors.com](http://TradeColors.com) concept, we had four positive trades on AAPL in a period of two months and six potential trade setups that mostly would have resulted in a loss, which we were not dragged into by the trade entry conditions not being fulfilled.

This defines how to enter a trade; however a good trading system besides clearly rule based entries, provides you with clearly defined exit rules. [TradeColors.com](http://TradeColors.com) lets us differentiate:

**Target-1:** For the momentum based trader, exiting after a pre-defined price move.

**Target-2:** Expected maximum price move for the momentum- and trend trader.

**Trailing Stop:** Catching a longer-term price move by trailing the stop or adjustment level (not covered in this publication).

**Stop:** Exiting or adjusting the trade, when the price reaches a pre-defined price point.

In this article, we focus on momentum based trading: Let us go back in time, to the first trade on May 15<sup>th</sup> 2015: The top left corner of our trading chart contains a dashboard with the following information:

### TradeColors.com Dashboard or Price Move Approximator



The screenshot shows a dashboard with three data points: a red box containing 'TradeColors.com Price Move Approximation:', a black box with '\$2.11', a black box with '1.7%', and a black box with '2-C Hi/Low \$2.33'.

The first number represents the expected price move to target-1: \$2.11, which would give you a 1.7% return on cash.

Next, we take the target-2 price information from 2-C Hi/Low = \$2.33, which is an approximation for the maximum expected price move. The second target is defined by the difference of the absolute high – low of the two candle color sequence.

We highlight bot targets as blue dashed lines on the chart.

When you compare the two numbers, the expected- and maximum expected price move are very close to each other, which is usually not the case. You will see in the actual price development, why having this information was very crucial to harvest at the full potential of the price move and not getting stopped for a lower return in the duration of the move.

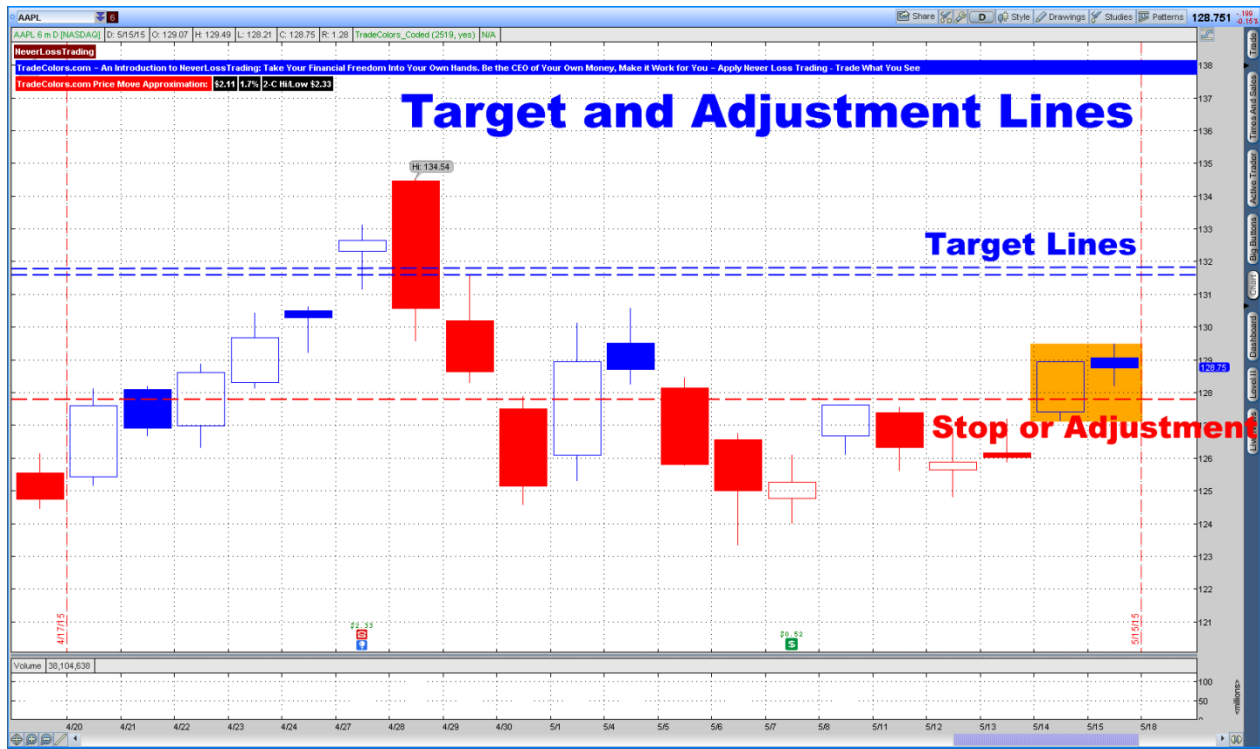
To give the price an adequate wiggle room to come to target, the stop or trade adjustment line is defined by subtracting 20% of the price move approximation from the low of the second blue candle.

Stop/Adjustment Calculation: Trade candle low (\$128.21) – 0.2 x \$2.11 = \$127.79

The stop or price-adjustment-level is put as a red dashed line on the chart.

A trading system shall deliver repetitive trade setups with defined entries, defined positive exits and defined stop- or trade adjustment levels. Let us check how things worked out:

## AAPL Price Target and Stop/Adjustment Level for the Trade



When signing up for our mentorship, you will receive computer programs to support you in getting all those calculations done in seconds. Before we go there, let us give you the details:

For the trade entry, we add 2% of the price move approximation (four cents) to the high of the trade initiation candle. Following this principle, allows you to auto-deliver your order as Buy-Stop-OCO, with no need for you to sit in front of your computer at market opening.

**Buy-Stop:**  $\$129.49 + 2\% \text{ of } \$2.11 = \$129.53$  (you only trade when the price reaches this level)

**Target-1:** \$130.60

**Stop/Adjustment:** \$127.79

**Reward:** 1.6% on cash.

**Risk:** 1.3% on cash; however, you can learn to reduce the risk drastically by applying trade adjustment methods.

In your 4-hours of individual training, we leave it up to you to decide if you want to learn to operate with trade adjustment methods or rather focus on exiting the trade at the stop. There are advantages and disadvantages to both ways of trading and we share the financial and time based models to give you the background for a sound decision making.

Making your life easy, we share the following model with you, where you just add the trade candle information.

## Trade Evaluation Model for *TradeColors.com* Setups

### TradeColors.com Odds Ratio and Position Sizing

Risky Trades: 1/2-Lot or not Trade; Usual Setups: 1-Lot; Favorable Setups: 2-Lots; Home Run Setups: 4-Lots.

#### Stock Trade Evaluation

Stock Symbol		<b>AAPL</b>	Input
Trade Direction		up	Select
Price Direction		In Price Containment Area	Select
Approximated Price Move	\$	2.11	Input
Trade Candle High	\$	129.49	Input
Trade Candle Low	\$	128.21	Input

Entry Price	\$	129.53	Calculated
Target-1 (no hindrance)	\$	131.60	Calculated
Stop or Adjustment Price	\$	127.79	Calculated

Price Move to Target	\$	2.07	Calculated
Price Move to Stop	\$	1.74	Calculated
Risk/Unit		1.3%	Calculated

#### Stock Trade Evaluation Results

Odds Evaluation	Cleared Risk Management
SPU Evaluation	Check Your Stop Placement: Seems Tight
Odds Ratio	1.8:1
Potential Lot Size	1-Lot; however, on lower returns

#### Lot Equation

Account Size	\$	70,000	Input
Assumed Active Positions to Hold		5	Input
Average Lot Size (calculated):	\$	14,000	Calculated
1-Lot; however, on lower returns of		108	Shares
Investment Amount:	\$	13,989	Calculated
Trade Reward at 108 Shares	\$	223	1.6%
Trade Risk at 108 Shares	\$	188	1.3%

#### Option Trade Evaluation

Stock Symbol		<b>AAPL</b>	Auto Selected from Stock Setup
Put or Call Option		Call	Auto Selected from Stock Setup
Time to Expiration (days)		35	Input
Delta (enter positive values)		0.38	Input
Price for the Option	\$	1.06	Calculated
Bid/Ask Spread	\$	0.02	Calculated

Critical Share Price Point (Stop)	\$	127.79	Calculated
Option Price at Target	\$	1.83	Calculated
Estimated Reward/Contract		72%	Calculated
Approximated Risk/Contract		78%	Calculated
Reward/Risk Ratio		0.9:1	Calculated

#### Option Trade Evaluation Results

Option Price Evaluation	Acceptable
Time Evaluation	Enough Time
Odds Ratio	1.4:1
Potential Lot Size	1-Lot

#### Lot Equation

Dedicated Option Budget	\$	10,000	Input
Assumed Active Positions to Hold		5	Input
Average Lot Size	\$	2,000	Calculated
1-Lot of AAPL equates to:		18	Contracts
Investment Amount	\$	1,908	Calculated
Trade Reward at 18 Contracts	\$	1,378	72.2%
Trade Risk at 18 Contracts	\$	1,479	77.5%

After you populated three entry fields, you are getting a feedback on the trade setup you picked, including a calculation for a potential positioning size in relation to your overall account holding: in this cases \$13,989 for stock trading or \$1,908, when trading with a Call options.

How did the trade pan out? **The following chart will show: The price for AAPL moved right to the approximated target-lines and then reversed.**

Why was did this happen?

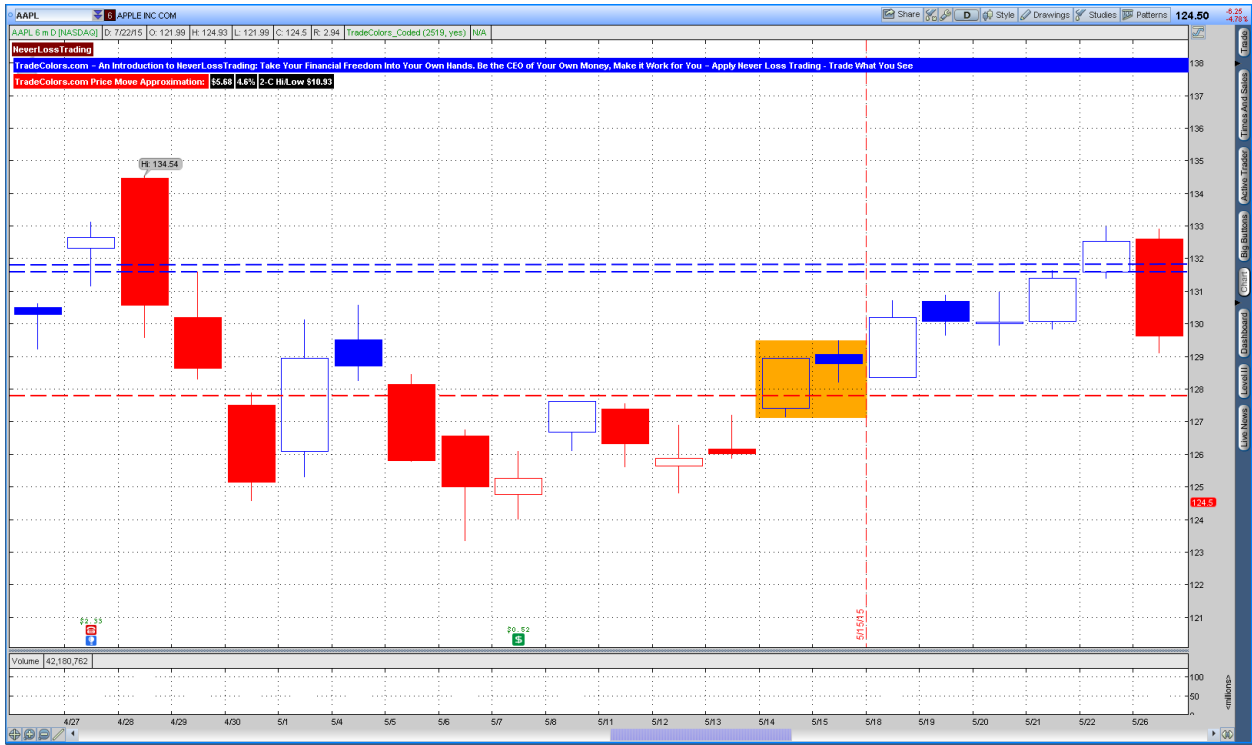
Institutional sell orders increased the supply side of the trade and prices dropped.

Key Findings:

- Directional price moves do not last forever.
- The momentum trading to target-1 has a higher probability for success.
- The method of trailing stops to target-2 was not explained yet.
- We choose our position size according to the reward/risk level by using the above model.
- Target-1 shall be reached in next 1-3 candles, which gives you another hint, for a time based exit, if your target is not reached after five same color candles.
- When you trade for shorter-term targets, you are in need for a trade finder: giving you stocks with the favored price setup.
- Similar models and concept are available for Futures and FOREX Trading.



# AAPL First Trade, May 18 – 21, 2015



How to stay engaged by finding similar trades?

We know your pain of finding high probability trade setups; hence, we are offering three solutions:

- A) Subscription to the referring [NLT Alert](#) (\$99 for the [TradeColors.com](#) Alert).
- B) Scans with [NLT Top-Line](#)
- C) Watch List Evaluation with [TradeColors.com](#)

The [TradeColors.com](#) watch list with indicators is the new addition, helping you to evaluate your preferred assets, highlighting potential trade setups: **Up-Sequence as +1 and Down Sequence: -1.**

Symbol	Priority	TradeColors	TradeColors Date	Last	Net Chng	%Chng	Volume	Open	High	Low	Close	Signal
FXALUSD	-1	0.0	0.0	7273	-0.069	-0.94%	45,544	7332	7341	7249	N/A	N/A
FXEUSD	-1	0.0	-1.0	1.5472	-0.035	-0.23%	15,597	1.5507	1.5518	1.5481	N/A	N/A
FXGUSD	-1	-1.0	0.0	7686	-0.001	-0.01%	9,128	7686	7678	7689	N/A	N/A
FXHUSD	-1	0.0	0.0	1.0940	-0.050	-4.53%	55,792	1.0991	1.1003	1.0938	N/A	N/A
FXIUSD	-1	0.0	0.0	0.008675	-0.00015	-0.19%	19,159	0.00874	0.008765	0.008665	N/A	N/A
FXJUSD	-1	0.0	0.0	1.0427	-0.032	-0.31%	4,577	1.0437	1.0454	1.0405	N/A	N/A
FXKUSD	-1	0.0	0.0	97.620	+0.394	+0.41%	8,206	97.300	97.660	97.245	N/A	N/A
FXLDUSD	-1	0.0	0.0	90.411	-1.809	-1.10%	1,420,000	91.134	91.169	90.251	102.531	89.231
FXLHUSD	-1	0.0	0.0	7.020	-0.066	-0.91%	516,850,000	7.052	7.067	7.036	94156	7268
FXLRGBP	-1	0.0	0.0	7070	-0.0104	-0.15%	1,020,000	7076	7091	7058	8064	6935
FXLRUSD	-1	0.0	0.0	1.0841	-0.046	-0.42%	125,970,000	1.0886	1.0896	1.0831	1.3444	1.0465
FXMUSD	-1	0.0	-1.0	1.5400	-0.032	-0.21%	7,833,160,000	1.5515	1.5522	1.5475	1.7000	1.4577
FXNDUSD	-1	0.0	0.0	1.3026	-0.011	-0.09%	2,470,000	1.3036	1.3047	1.3018	1.3050	1.0797
FXNDCHF	-1	0.0	0.0	9587	-0.005	-0.06%	340,000	9587	9611	9587	1.0232	8349
FXNDJPY	-1	0.0	0.0	123.96	+1.31	+0.11%	103,920,000	123.84	124.03	123.84	125.84	101.55

A simple click on the column allows you to filter assets, which triggered a two candle color sequence. The above table shows one daily and one 1-hour signal for the observed currencies: In the chosen Focus Currency list, the Canadian Dollar Future showed a one-hour short signal setup, pointed out by a -1 in the first column. On a daily basis, the pair GBP/USD and the future for the British Pound show a short signal.

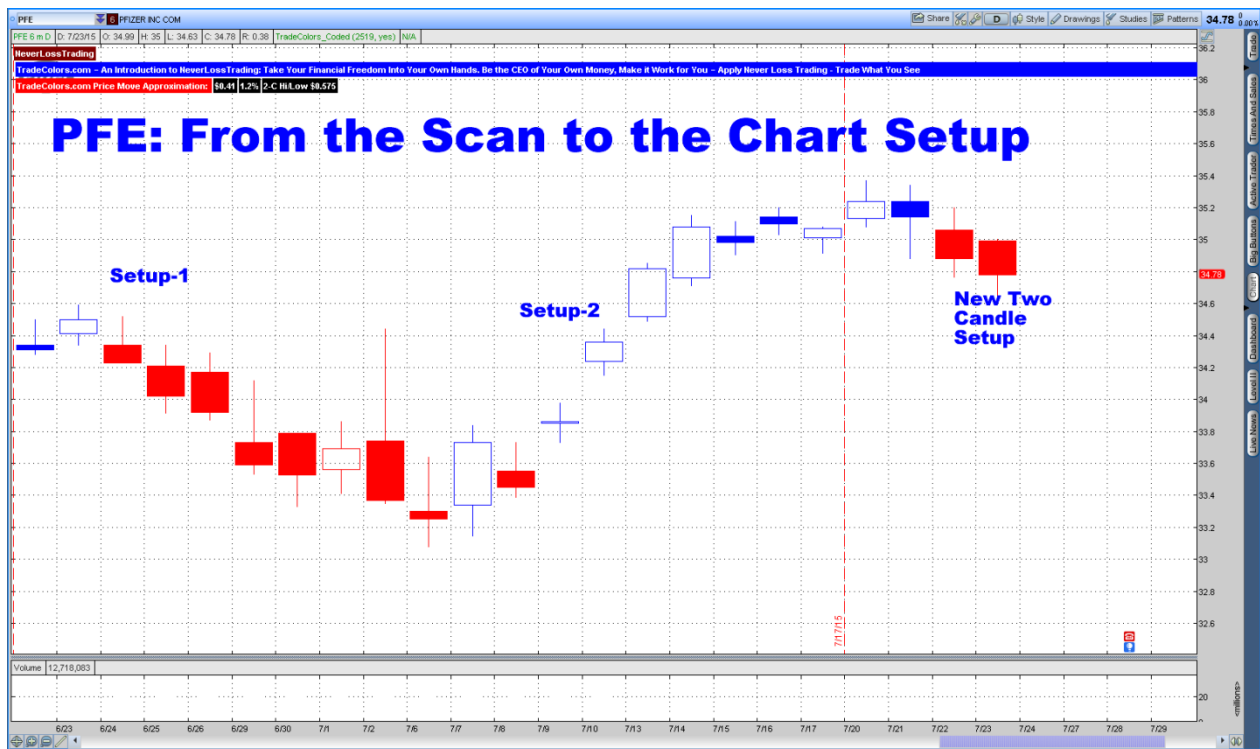
When you sign up with us, we program up to four individual time frames for you to filter for assets with our [TradeColors.com](http://www.TradeColors.com) candle sequence.

### Taking a look at a Focus Stock List

File Symbol	Industry	TradeColors	TradeColors Day	Last	Net Chng	%Change	Volume	Open	High	Low	Shares	52 Week
ABT	Health Care Equipmen...	0.0	1.0	51.20	0	0.00%	0	0	0	0	51.09	39.28
AMGN	Biotechnology	0.0	0.0	164.10	0	0.00%	439	0	0	0	173.60	121.00
APC	Oil, Gas & Consumabl...	0.0	0.0	72.54	0	0.00%	0	0	0	0	113.51	71.00
BMY	Pharmaceuticals	0.0	0.0	69.24	0	0.00%	0	0	0	0	70.54	47.645
CSCO	Communications Equi...	0.0	0.0	28.01	0	0.00%	17,526	0	0	0	30.31	22.49
FB	Internet Software & S...	0.0	0.0	95.44	0	0.00%	9,818	0	0	0	99.24	69.61
GOOGL	Biotechnology	0.0	0.0	117.66	0	0.00%	431	0	0	0	123.37	85.95
INTC	Semiconductors & Se...	0.0	0.0	28.595	0	0.00%	0	0	0	0	37.90	28.43
MSFT	Software	0.0	0.0	46.11	0	0.00%	100	0	0	0	50.045	40.12
ORCL	Software	0.0	0.0	39.00	0	0.00%	0	0	0	0	46.705	35.82
PFE	Pharmaceuticals	0.0	-1.0	34.78	0	0.00%	0	0	0	0	35.53	27.51
TTVTR	Internet Software & S...	0.0	0.0	36.19	0	0.00%	0	0	0	0	55.99	33.51
UNH	Health Care Providers...	0.0	0.0	119.33	0	0.00%	0	0	0	0	126.05	78.74
YHOO	Internet Software & S...	0.0	0.0	39.21	0	0.00%	2,631	0	0	0	52.62	33.88

ABT shows a daily long setup (1) and PFE a short setup (-1); no signals on the hourly chart.

### PFE Chart Setup taking from the Watch List Filter



The chart shows the current two-red-candle setup, which occurred right in front of earnings, giving the trade a higher risk to conclude. The prior two candle sequences worked out excellently and came to target-1: Setup-1 as a short and Setup-2 as a long trade.

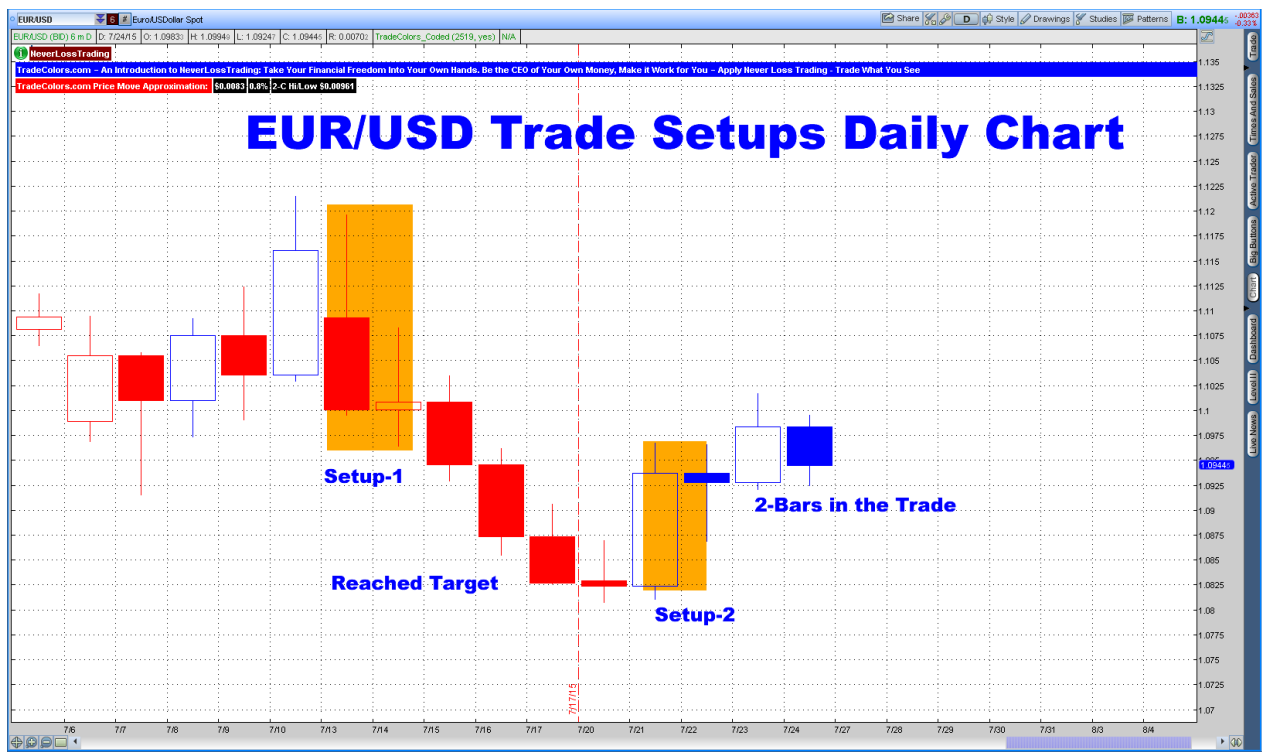
To demonstrate that the concept works for all asset classes and chart types, we are adding more examples.

For more information on [TradeColors.com](http://www.TradeColors.com) please see our website and download you brochure [http://www.neverlosstrading.com/TradeColors\\_Intro.html](http://www.neverlosstrading.com/TradeColors_Intro.html)

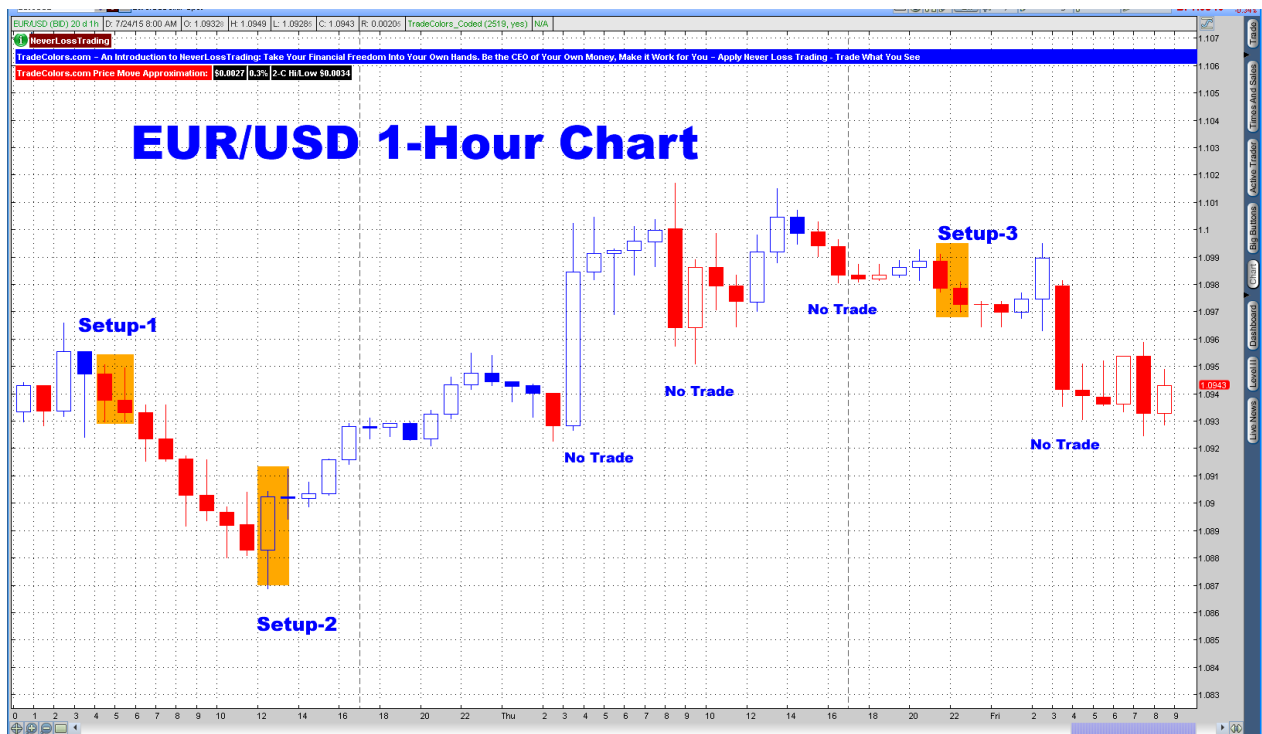
[TradeColors.com](http://www.TradeColors.com) is a one-on-one mentorship program with all indicators installed for you.

Additional examples, showing you the concept works for all asset classes and chart setups:

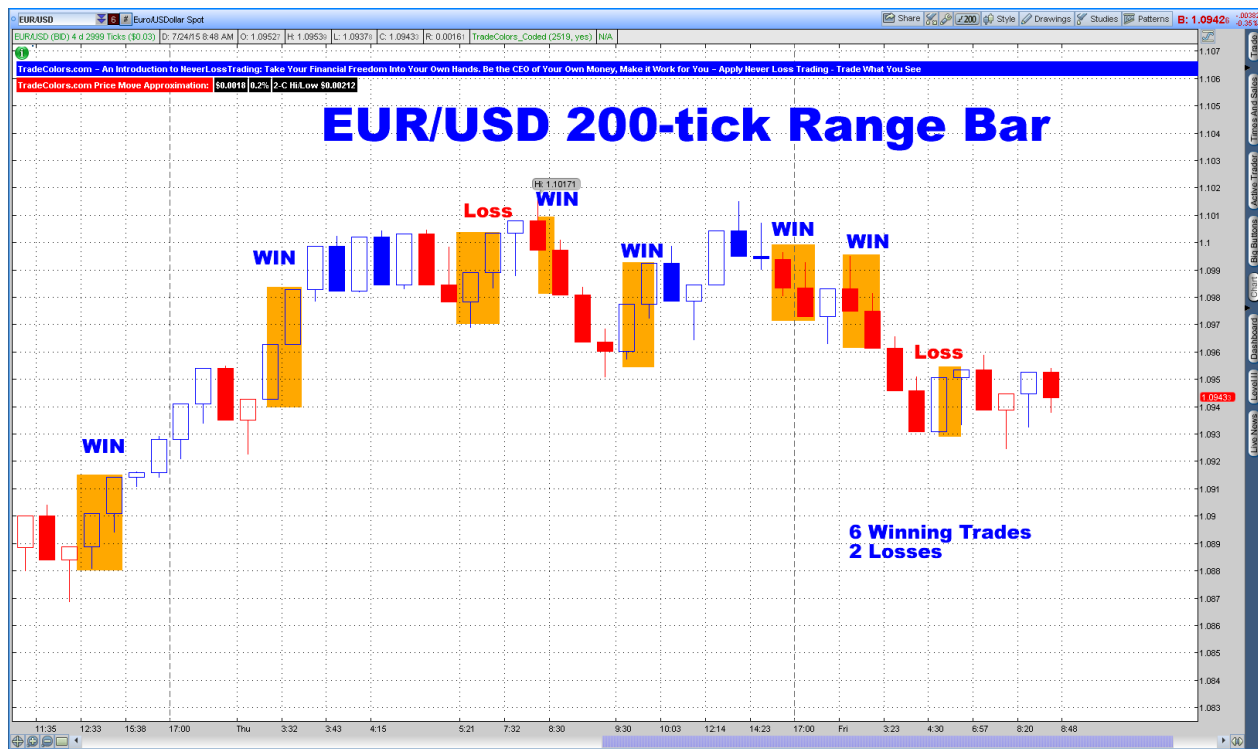
## EUR/USD Daily Chart



## EUR/USD on a 1-Hour Chart



## EUR/USD 1600-Tick Chart: Showing multiple trades in a very short period of time



You surely see the power of such system in helping you by making sound trading decisions.

In addition, [TradeColors.com](http://TradeColors.com) allows you to upgrade to NLT Top-Line or NLT HF, getting your paid tuition fully accounted and discounted from the sales price of the upgrade.

Bellow, a quick comparison of the two different systems:

<a href="http://TradeColors.com">TradeColors.com</a>	<i>Never Loss Trading</i>
Using One Indicator (Candle Color) 4-Hours of Training 1-Month Questions Answered Software Installed Watch List with Indicators Installed Position Sizing Model 45 Pages of Documentation 30-Days Free Alerts \$2,497 (onetime payment or PayPal program) Fully REFUNDABLE on Upgrades	About 20 Indicators (incl. Candle Color) 20 Hours of training 6 Month Mentorship (2 hours/month) Software Installed (5-7 hours) Watch Lists with multiple Indicators Market Scanners Position Sizing Model 180 – 300 Pages of Documentation 90-Days Free Alerts Avg. \$8,997 (onetime payment or PayPal)

Combined with the [TradeColors.com](http://TradeColors.com) comes a one-month free subscription to the NLT Continuation Pattern Alert = TradeColors.com Alert, where we spell out trade potentials for stocks, futures and FOREX pairs, helping you to find your preferred trade setups at ease. When

the 30-day-trial-period is over, you can sign up to the NLT Continuation Pattern Alerts = TradeColors.com alerts, on a month-to-month basis for a fee of \$99.

“Trading now is made for me, counting colors one-two-three”

“Take out the high or take out the low, this is the direction, I will go”

Do you feel, you can follow such rules?

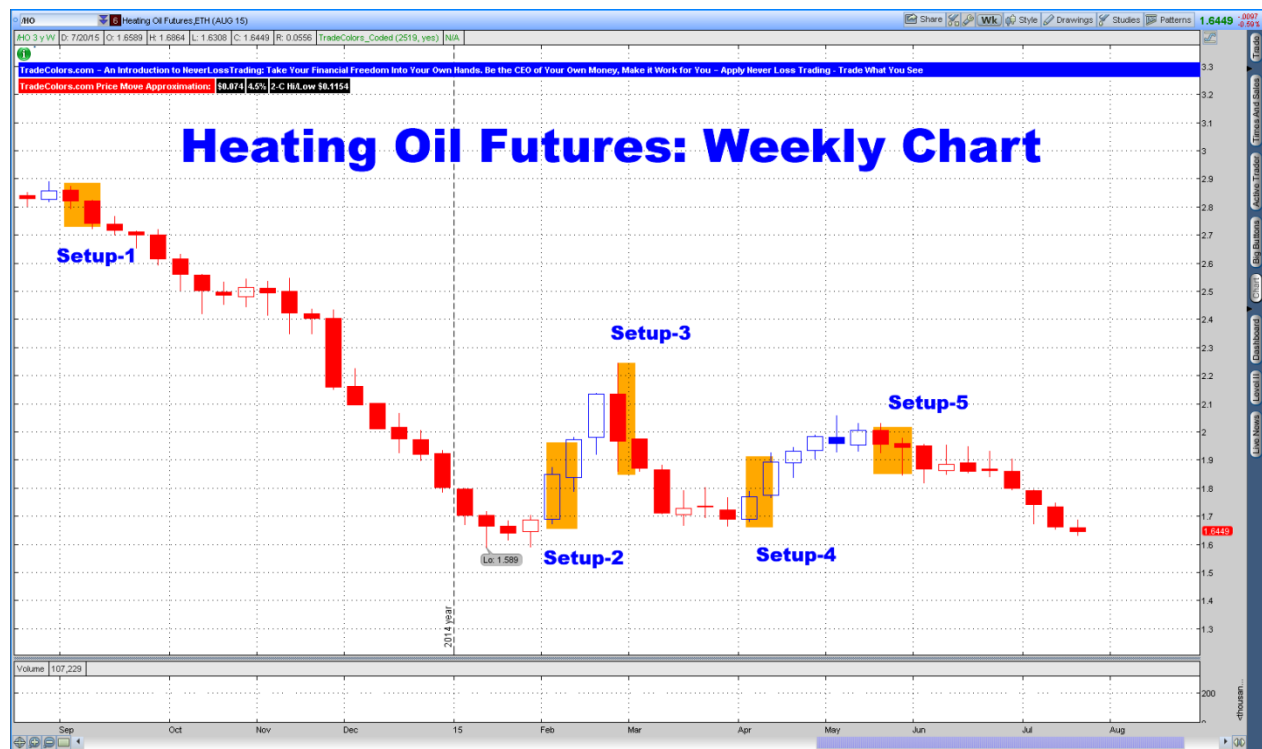
**Long: Buy at a Specified Price Level**, when the HIGH of the second blue color candle is surpassed by the price development of the next candle.

**Short: Sell at a Specified Price Level**, when the LOW of the second red color candle is surpassed by the price development of the next candle.

Before we close, let us do a little excursion into the commodities market, picking Heating Oil Futures: Do you think heating oil is positioned on a 10 minute time frame?

The answer is: NO, however, if you trade from a weekly chart, you have a good chance to pick the trend. This is why we teach one-on-one, focused on your wants and needs.

### Heating Oil Futures Weekly Chart



Hoping, you see the point, we want to make:

Knowledge is Power!

If you are already a [TradeColors.com](http://TradeColors.com) user and you want to add the new features: Watch List Indicators, Position Sizing Model, Price Move Approximator and an hour of training to your account, you can do so for a fee of \$497.

Sign up or schedule your personal consulting hour:

Call: +1 866 455 4520 or [contact@NeverLossTrading.com](mailto:contact@NeverLossTrading.com)

If you are not yet part of our trading tips and free webinars, [please sign up here](#) and we keep you up-to-date [...sign up here](#).

Watch our exciting online presentation Trading Price Continuation Patterns [...click here](#).

We are looking forward to hearing back from you,

Good trading,

Thomas Barmann

NeverLossTrading

A Division of Nobel Living, LLC

401 E. Las Olas Blvd. – Suite 1400

Fort Lauderdale, FL 33301

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