

Rockets – Momentum Break Out strategy





05-30-06 11:40 PM

When macd and sto are pointing toward a **rocket** and prv is fast I then start looking for a LOGICAL entry point. It has nothing to do with the current bar. It will usually be a sell stop under the hod/lod or above/below two or more bars indicating some s/r. Here are my **rocket** entry points for today. The middle two were small losers.

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"Rockets have brought down many a trader. LOL. They are momentum trades, breakouts, usually at or near the high or low of the day. Volume will help to keep you out of trouble but many rockets fail. In fact I think more fizzle than blast off so you must cut your losses quickly, or, with practice, get out flat.(wash trades). I suggest extensive paper trading before risking any money."

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There are certainly times that an entry is very low risk but it involves the ability to extract oneself quickly when necessary and knowing when to do so. When your right the gains are disproportionately large compared to the risk involved.

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took me a long time to realize the flaw in gunning to always be right. It is requirement to be right when you use targets, that's for sure. Otherwise the R:R thing doesn't apply. How much profit is in a rocket? As long as the rocket doesn't fail is the answer (ie. HOLD as long as it delivers profits)

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As usual you are right on the mark. Five minutes is a hell of a long time. LOL. I think traders, better than anyone, know how long five minutes can be. You must anticipate to trade rockets, imho. I use the Macd and Sto to tell me when a possible rocket is developing but I will be in way before the bar closes if everything looks right to me. What tells me its right? Years of watching that flapper on the five minute bar. After all that flapper is the dom, NOW for me. I suspect I am unconsciously noting the things which you are laying out here, volume, as always, being the prime mover.

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The beauty of the rocket is that you dont have to do a whole lot of thinking. I will often jump the gun a bit on entries but the stoch fastline crossover is a pretty good exit. Most people have a problem with hanging in there so it can help to ignore price and just watch your indicators once you are in. One good rocket will make up for several small losers.

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My present technique is just to use the macd as a flag. When it is approaching .4/-.4 at an angle I start looking for a pattern which will usually be a breakout of the hi/lo of the day with sufficient prv and this works well enough in those situations but there are many decent rockets that occur inside the daily range and it is my attempt to capture more of these that is the motive for these experiments.

04-17-06 08:09 PM

I was pretty sure when we took out the LOD that 1290 was going to be tested. If I am expecting a decent move I try not to exit until I get a higher low on the 5 min chart which finally came on the 2:25 bar. The last swing low almost always gets tested so I feel fairly safe as long as we are working off of a new low. I seldom exit on the longest volume bar as it almost always is not the high or low. The high/low will come later on less volume about 90% of the time. I do not use the Macd and Sto in a strict sense. I just use them for a general indication of whats going on.

General trading advice

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I truly believe you can take any classic "setup" out there and make money with it. Flags, ascending, descending triangles, head and shoulders, whatever. Just pick one and trade it until you work out the kinks. The emotional hangups are the ones that need to be worked through but if you keep changing what you are doing you are able to transfer the blame for failure to your current "system" instead of dealing with the real problem.

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10-16-05 03:39 PM

I hate to sound like a broken record by repeating these things but I am trying to save you guys a lot of time. There are a lot of things that work but hardly anybody makes it to profitability. Constant experimentation leads to constant losses and constant losses to a negative state of mind that is very hard to overcome. You are going to take a lot of losses whichever strategy you pick but how do you slow them down and eventually get them down to a manageable level unless you stick with one thing long enough for you to learn the nuances that come with every single strategy?

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11-01-05 09:04 PM

I do washes all the time. When your entries give you the opportunity to wash then you are doing something right. What I mean is if the trade goes immediately against you there is something wrong with your analysis of the situation. When almost every entry gives you a chance to wash you are getting down with the game.

02-18-06 09:41 PM

One of the many lessons I have learned about volume is that when it is high everybody is on equal footing. When it is low, the big players run the show.

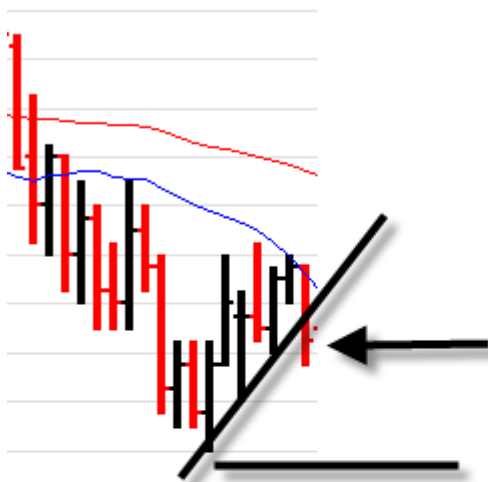
02-04-06 10:24 PM

Unless you become an exceptional trader a large percentage of your trades will be losers so you better get used to it. What size are your average wins? Your average losses need to be about half that size or smaller..

Flags

10-16-05 07:59 PM

Forget about everything for a minute and consider this classic pattern, the flag. This is probably the oldest setup in the book. You enter on the break of the trendline, your stop (oops) is above the pt. 3 and your target is the swing low. You can make a living doing this simple trade, the only caveat being that you are operating near the high or low of the day. If you are in the middle of the range it is much riskier. Trying to catch the top and bottom of moves comes later.



10-17-05 12:45 PM

It was not my intention to make it sound easy. You already know how tricky it can be. Once you enter you start seeing and feeling all sorts of things that weren't there before. However I do think most of the easy money is made around the highs and lows of the

day, when you're making new highs or lows or testing the highs and lows. You get a flag and then you get the test and it either breaks into new ground or fails. Taking the flag you are already in when the test arrives and can decide whether to lock in profits or try to ride the bo, a good position to be in. Trading in the middle of the daily range is best left to the experts.

