

Naked Time Part 1

There is a beauty in naked. Actually, I prefer to use the word "nude". To me, naked is awkward like someone walking in on you bent over pulling your undies up or your toddler running into the family room of relatives when he's feeling the freedom of being "nakie" whereas artists draw or sculpt nudes. Just a quark. But to the back to the point. The beauty that a chart devoid of squiggly lines can tell more about where and when price is going than any fancy optimized, no lag, oscillator has always been an attraction for me. My first foray into trading and chart analysis was on paper charts with a straight edge and pencil. I guess you could say I was born into the trading world naked.

Now that I've run the full gamut of squiggly line indicators, I've come back to the blank chart with just a pencil and straight edge. However, I've added the compass, protractor, and the most important tool which is the clock. All virtually of course. In this series I will show how using simple trend lines and support/resistance as trading tools can be greatly enhanced with using time.

For the example a daily chart of the British Pound/Yen (GBPJPY) will be used. In the first chart, I had reason to believe that the the long run up was coming close to an end. There was a significant lower low and price was in a consolidating pattern. The typical play for most naked traders would be to buy or sell a breakout from consolidation. But there are risks in buying the first breakout such as head fakes and pattern failures IE the famous Ross Hook. Or price might continue to create more consolidation in the form of a head and shoulders pattern. So my first play is to **wait** for price to break consolidation and tip its hand on what will happen next.



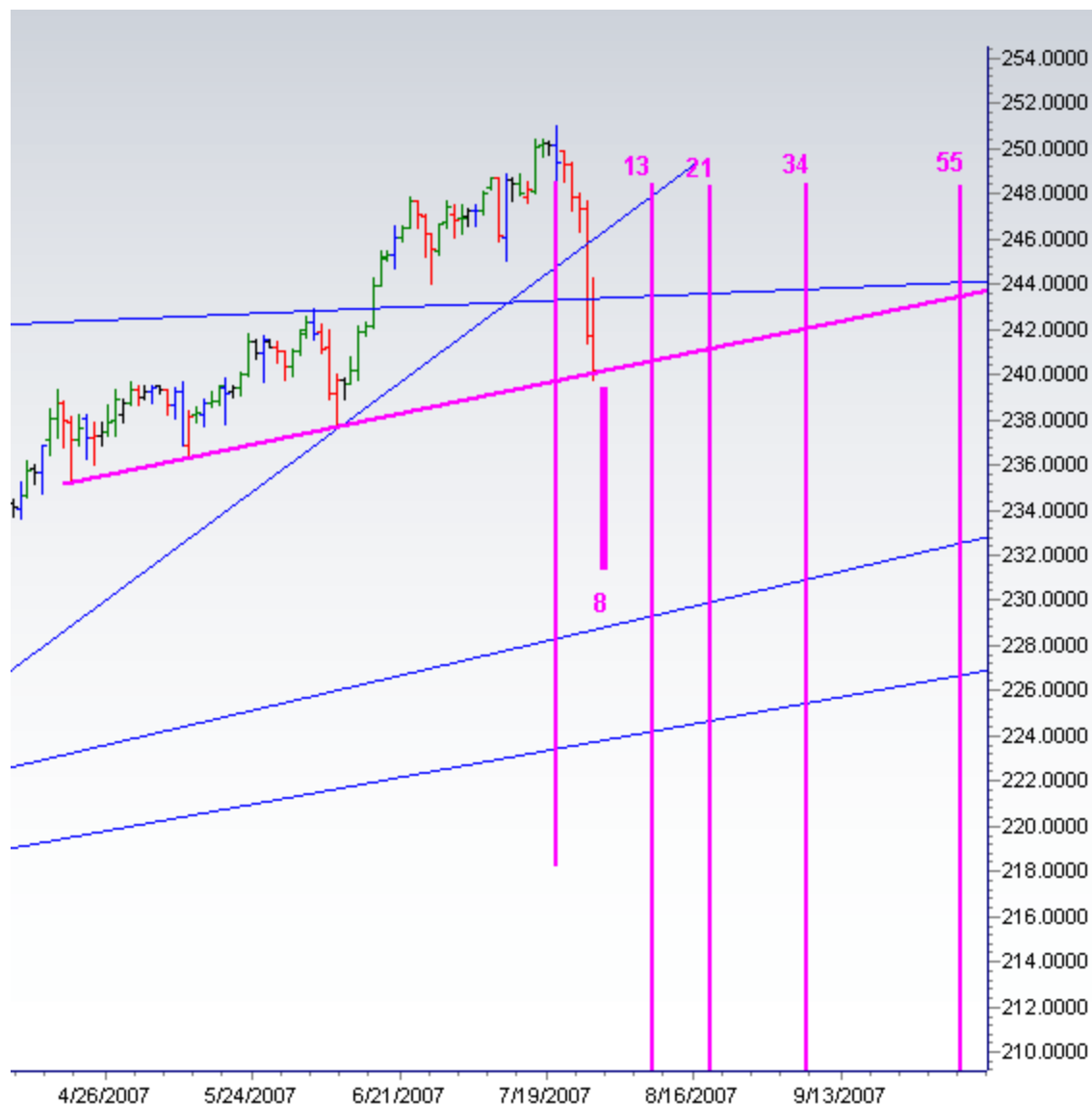
The next chart shows that price did break out of consolidation making a new high and then falling back to where a new trend line can be drawn. There are two significant hints we can take from this breakout. 1) Price has made a significant swing high and 2) price has closed below the consolidation trend line. Had price bounced off of that line upward then there's a chance that the upward trend will continue. (For reasons beyond the scope of this article, and as stated earlier, I had reason to believe the end of trend was near.)

By using the swing high as the start of the stop watch, I then counted off the Fibonacci sequence and marked those divisions of time. I normally start at 8 thus 8, 13, 21, 34,

55, 89, and 144. 1,2,3 and most of the time 5 are too short of a time range for my style and for confirmation. Confirmation is price and time meeting at support resistance. The trigger is to wait for at least 1 bar to close and sometimes 2-3 bars depending on what can be discerned from the patterns on the chart and price action.

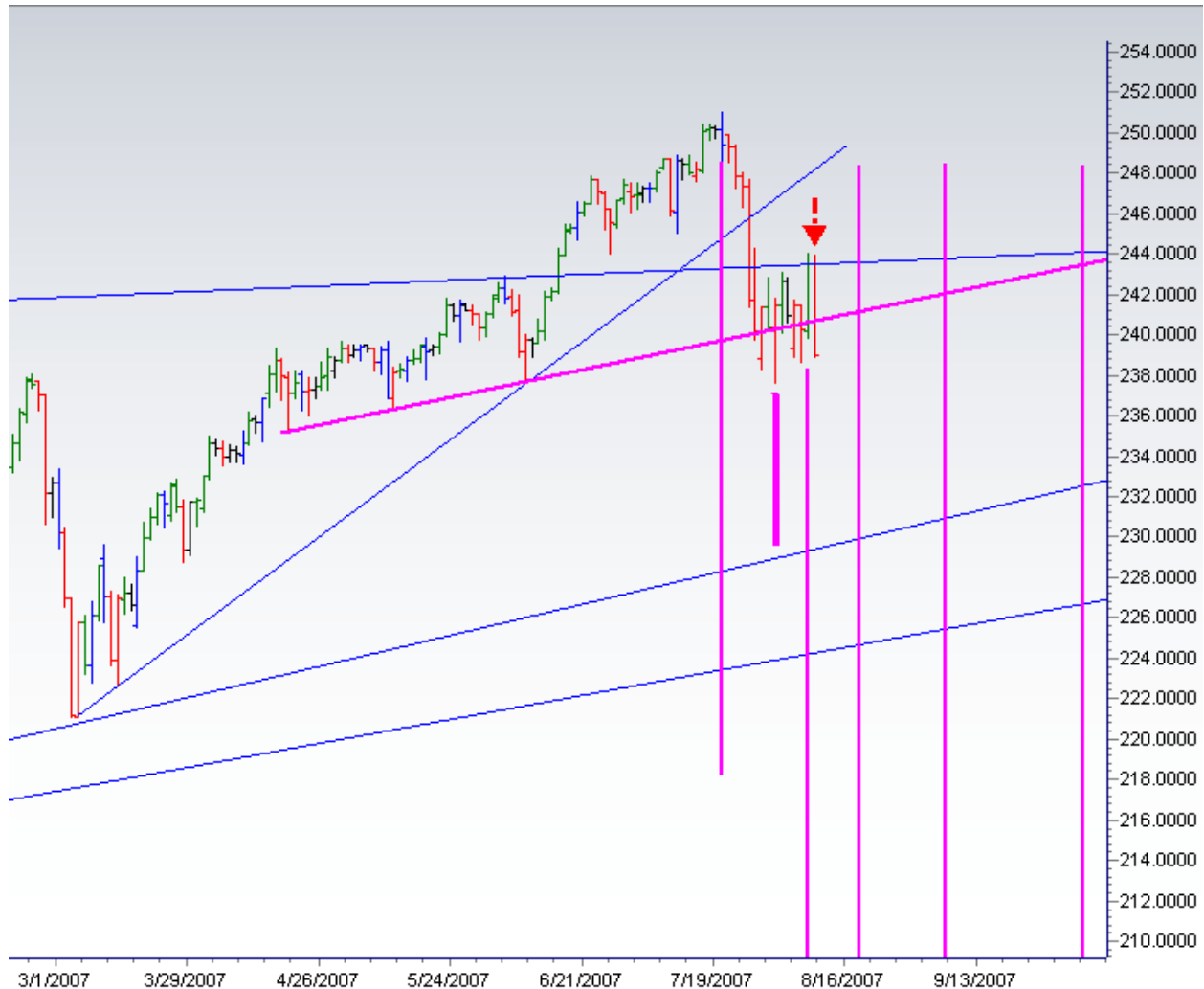


One of the tell tale signs between price and time is price making a nice run straight to the time marker. With 8 being a few bars away, a move up is a good possibility. But the plan is to trade the overall reversal in the downward direction. So a rise at 8 back up to the original trend line around 13 bars will be the entry target. The naked only trader might be looking for price to continue to free fall once it breaks the magenta trend line. But experience with trading these marks of time has me comfortably waiting for price to react at 8. Note that I said react and not reverse. Marks of time can be reversals, but they can also be pauses and accelerations. And of course there are those times when they mean nothing at all. Clear as mud. But the trading plan is clear as crystal. Time + Support/Resistance or no trade.

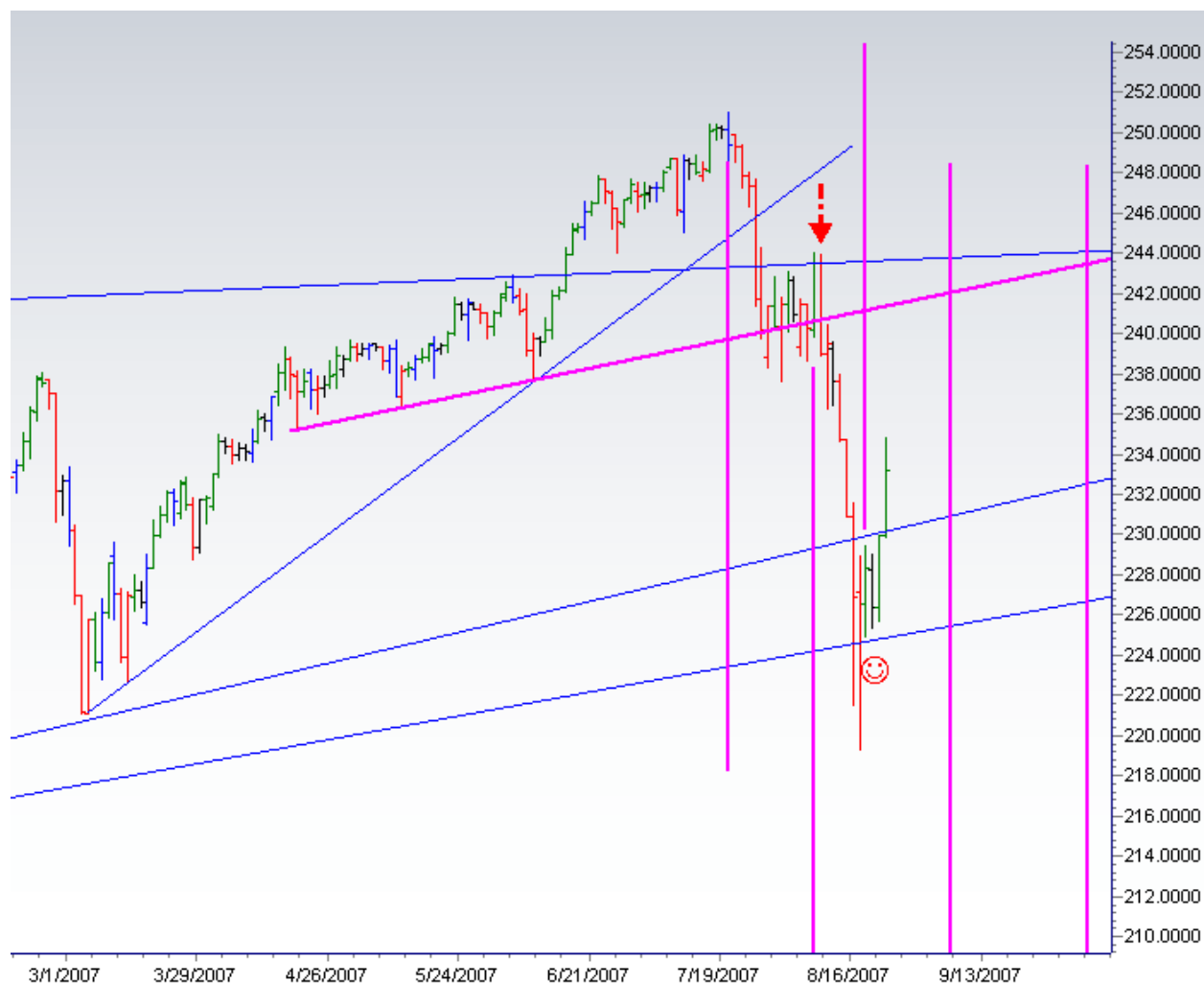


Sure enough, price reacted at 8 and went up slightly and then into consolidation. As mention before, the best setup is price with a clear run up or down into a time marker so the mark at 13 is a bit dubious. Since price reached up and touched the trend line right at time it's worth a shot. If price continues to consolidate, the trade can be closed for a small gain/loss or held on until time point 21. If price rises into 21, it's another trigger to short or possibly add on. If price falls into 21, an existing trade will be baby sat in case that is a reversal point. If no trades are open, price rising into point 34 will be the next

entry for a short if there are no signs that price is going to continue with the previous multi week upward trend. The profit target area is the two trend lines below between 226 and 230 with a keen eye on the time marker at 21.



Player hits black jack! Price dropped like a rock with spike lows below our target area and bar closes around 228 right in the bulls eye of the price target area and of course right on time at bar 21. This is a good spot to get out based on some other things that will be shown in the next installment.



In hindsight, I can spot a couple of trend line breaks that weren't drawn that would have given good entries at a higher price and probably at a time marker from a previous swing high/low. But this trade is a good example of how adding an element of time can provide a WHEN to go along with the WHERE of naked trading. Part 2 of this series will show the next trade using the new low as the swing point for the marking of time. For more examples of time, Gann, and geometric techniques, be sure to check out my blog at <http://4xcycletrader.blogspot.com/>. I also keep a trading journal here at beginnertrader.com. <http://beginnertrader.com/forum2/viewtopic.php?id=938>

