



Tactical Trading Training

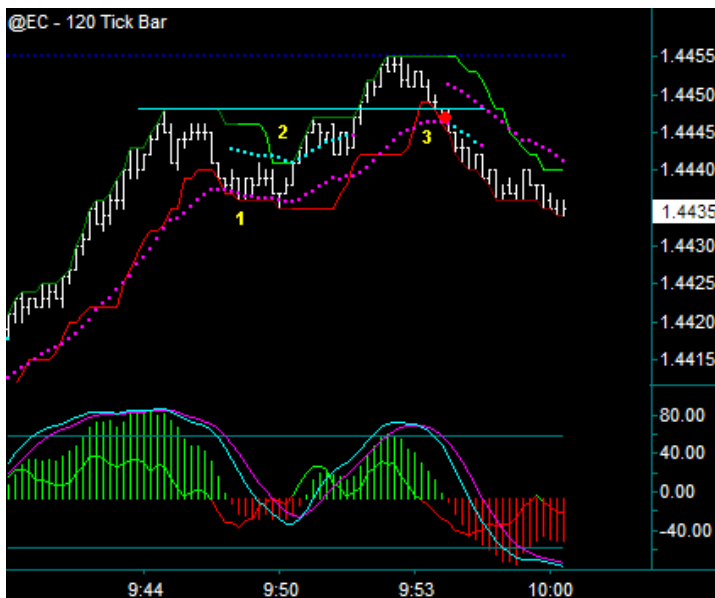
Initial Reverse2

In this training video, we are going to continue to talk about chart mode-swing reverse-initial reverse.

Continue to remember our objectives, where we will first discuss the basics that include concept line drawings and terminology definitions AND then we will go through charts and trades that focus on how the concepts were used for trading, and for differentiating between multiple potential trade setups.

However, although we will focus on something specific, this cannot be done in the absence of the rest of the method and all that is involved – that certainly would not be the way real trading works. For instance, consider a video on entry patterns – there would never be a way to do that without also discussing the initial reverse price.

So be sure that you are learning the specific focus of the video, but also be sure you understand how it fits and is used for core method.



As defined, the swing reverse is when the chart mode changes, and with this the direction of the next trade. The initial reverse is then the location where this occurs.

The combination of swing reverse-initial reverse is a primary method focus, as the initial reverse price is the best entry price that we can get.

As I mentioned previously, the swing reverse-initial reverse is not intended to be a signal for trade entry or for trade exit – an entry needs a trade setup AND an exit should be related to price –vs- an indicator reverse, which is what a chart mode change initially is.

When you look at this chart you can see left side directional strength is up and I am long from 14408 – consider the labels on the chart:

#1: By definition this is not a mode change – there has never been a dc dot shift. Regardless of whether the mode had actually changed, you would have a swing reverse only – no sell, and also no exit at this point.

Yes, there is diagonal breakout potential, but there is no trade setup. I see this as a constant trading issue, where someone looks at the diagonal breakout potential BUT gives little thought to the trade setup OR why price would move back through the diagonal.

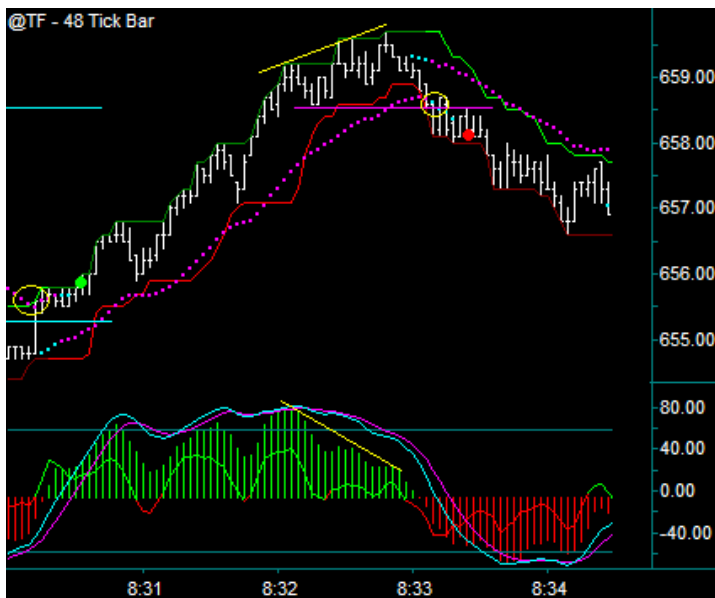
#2: Break1 swing reverse-directional resumption. This is not the shift line reject initial reverse combination trade entry that we have talked about – there is no resumption start point AND there is no continuation to any trade that would be done directly into the blue line high as a double top.

To use the terminology swing resumption in this case, merely refers to the chart mode changing back to that of the left side direction – it in no way refers to a resumption trade setup.

#3: This is a swing reverse initial reverse – you can see all chart mode change requirements: (1) mex cross (2) ttm reverse (3) dc dot shift.

Now what about a trade setup – can you see that there is a lot more going on here besides an initial reverse? For instance compare this to #1, and assume that there had been a dc dot shift, which is what caused the

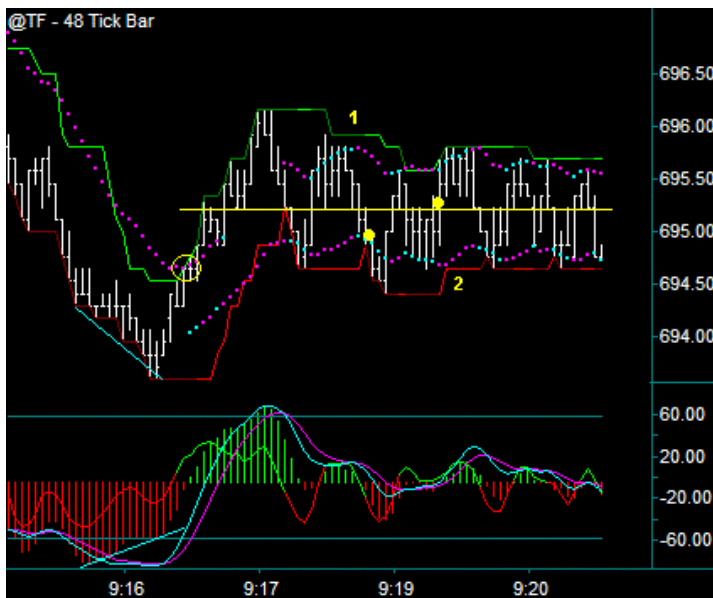
chart mode from reversing. There still would have been no trade for me to consider, or react to – it would have just been the initial reverse. However, in the case of #3, there is the floor number reject and the blue line initial reverse, with partial room to a price that I now know as a target, and then the left side diagonal if through – a lot more going on here besides an initial reverse.



This chart gives a good example of what is meant as the first trade available after the initial reverse. Even with the price component both trades would be break1 initial reverse, especially the buy where the yellow circle is the opening bar AND then the sell would be a right side pmd counter initial reverse.

After the yellow circle swing reverse-initial reverse, the first trade setup becomes what I call a pause-reject, the term should be visually obvious from the price break, the pause after the break, and then the breakout.

So this setup should be thought of as the initial reverse price reject-breakout – using the price component, but not trading it as a failure break. The buy has continuation through an overnight diagonal to the blue line, and the sell has the pmd start point and has breakout potential continuation back to the blue line price component from the sell.



The yellow circle is a pmd swing reverse-break1 initial reverse – remember that the consecutive bar means nothing AND the trade cannot be done regardless of the perceived diagonal breakout potential because the trade would be a break1 initial reverse directly into the yellow line resistance.

AND then the most irrelevant initial reverses and futile trading occurs, as the left side price becomes a pivot line, and the market goes into consolidation, with initial reverse straddling of the line – how many mode changes can you see after the swing high, I can see 9.

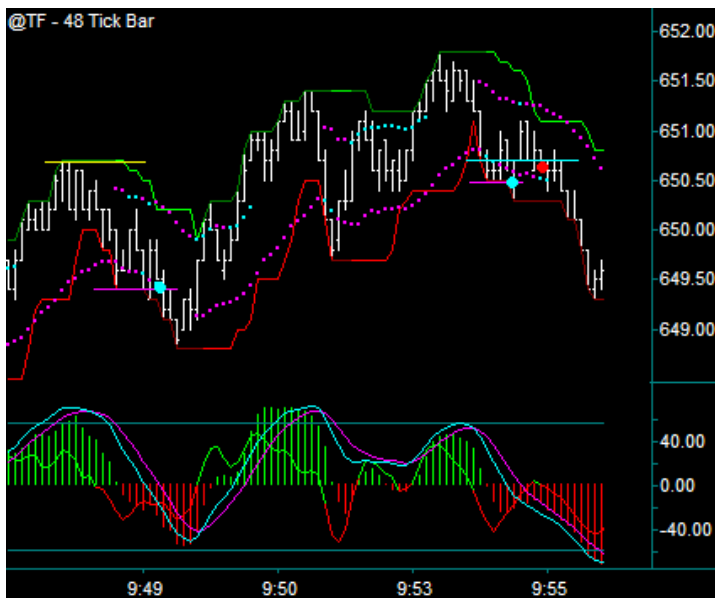
Let's talk about 2 of them at the yellow dots – these are trades that were posted in the chatroom. To begin with let's note that there is no trade setup other than a mode change-indicator reverse – the pivot line is meaningless as a price component with no other setup components besides the initial reverse.

Why were these trades done?

I am guessing that #1 is supposed to be a pivot trade to resume left side direction and an attempt to get back down to the pmd low for breakout potential - I actually understand trying this as I did it as well, although the entry was the previous bar 1 tick below the yellow line. Having said that, I was also short from 698.30 on what was a method base setup, and was trying to resume that trade –this is not a situation where the yellow dot was done as the first trade.

#2 I don't really understand, I suppose that the person was looking back to the beginning of the buy retrace high and trying to call that slope – this is not the case while inside of sideways overlapping consolidation.

So we could discuss this for a long time, but let's not lose focus here - what we can never do for this period is come up with any trade setup that is more than a consolidation pivot trade, certainly not consolidation base AND in that context swing reverse, initial reverse, and initial reverse price is meaningless for trading.



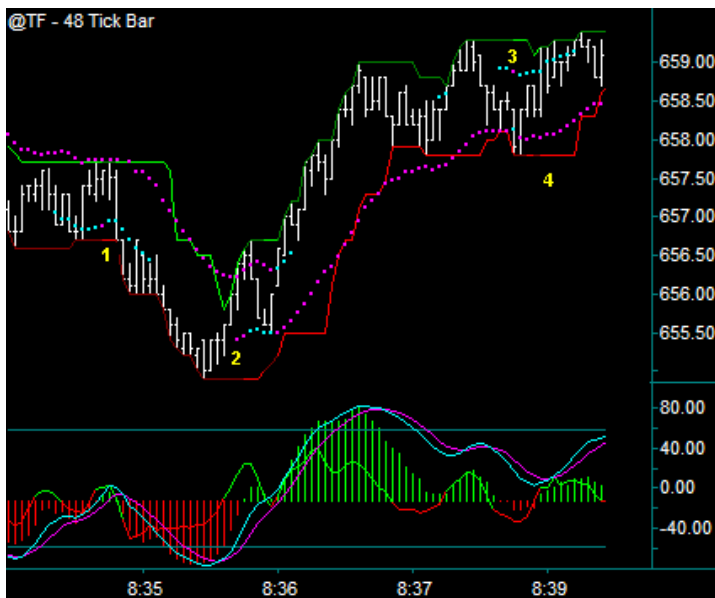
On this chart I want you to look at the 2 blue dots AND the purple lines, which would be the initial reverse price channel. Then I want you to look at the break of these lines and the consecutive overlapping bars – any trade done on the break of the purple line is an initial reverse channel breakout AND not a failure of the price.

Why is this important?

Consider the setup to begin with – there is no start point and no price component, simply an initial reverse channel breakout because left side slope for breakout potential is seen, thus making these right side indicator trades only.

And something that I am sure you recognize is how often the right side only indicator trade-channel breakout tends to retrace before going in your direction, if it does, making it all the harder to hold the trade.

Now compare the red dot sell to the blue dots and note the following: (1) how you have a price component for the setup (2) how you get a failure break entry after the initial reverse (3) how that then gets you into the left slope-breakout potential, and to your partial.



There are 4 apparent chart mode-swing reverses at the numbers labeled on the chart. I want to talk about these, especially in the context of the dots changing colors after the mode change AND whether that is another reverse –vs- the mode holding.

#1 you can see that you come into this period in sell mode BUT there is a mex cross, and then a dot shift to purple on the bottom with ttm reversing green – is this a reverse into buy mode?

This question becomes a text book example of labels and definition –vs- concepts used for trading, something that I understand can be quite confusing – I think this is because the typical focus is on the label instead of the concept.

Please understand something that is critical to trading, something that you have heard before, and without doubt will hear many more times – you are trading a method and not a system AND thus you have guidelines instead of rules. These guidelines are the definitions, which are then to be applied for trading decisions based on the method concepts, for instance you would price hold a directional trade at a resistance point –vs- entering a trade, or exiting a trade, only because of a mode change directly into that point. AND what is most critical in a discretionary situation – is that you can consistently make the same decisions, for the same reasons, and typically get the same outcome.

So technically, letter of the law, there is a chart mode change BUT considering directional strength and the continued channel reject where there would be no initial reverse. I would suggest that the mode holds, and what is most important under any circumstance is that even if that channel also broke by a tick, there was certainly no buy setup to trade OR exit either.

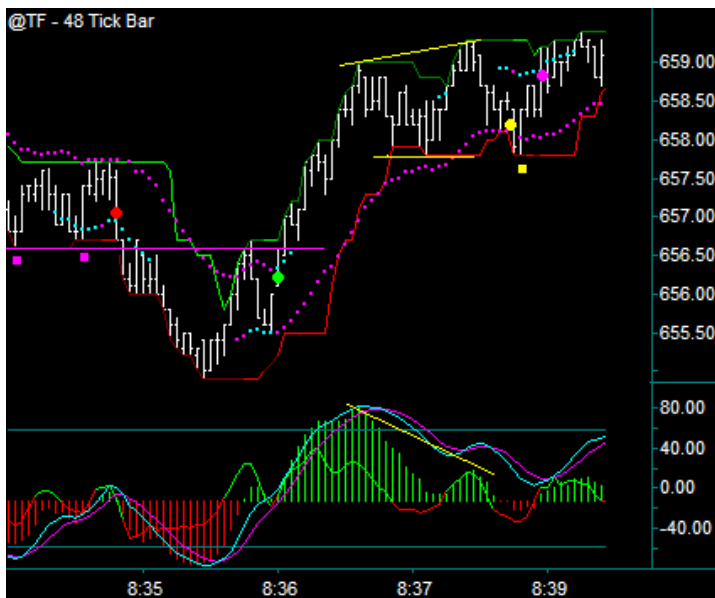
#2 has the issue, but should not be confusing. There is the dot shift to purple on the bottom to put the chart in buy mode after the mex cross and with the ttm reverse, which also an initial reverse BUT then you see that the bottom dots turn blue and back purple – are these 2 mode changes?

Definitely not – ttm never reverses and mex never crosses, the chart remains in buy mode.

#3 you can see the pmd swing reverse-initial reverse with diagonal breakout potential, I am guessing that could be a very tempting trade for many to take – however, what is more important to recognize is: (1) you have no sell setup because you see the shift line, and (2) as result you also have no exit.

#4 you can see the mode immediately change back to buy mode, with another dot shift, ttm reverse, mex cross combination BUT in the context of method, and the previous reverse directly at-into the shift line – I will suggest that the #2 buy mode has held.

So I don't want you to be confused, I want you to understand the definitions BUT be sure to further consider them in the context of trading method – where in terms of swing reverse you will know the direction of your next trade, but in the case of being able to price hold the trade without any new trade setup – the mode holds with the trade not being exited AND then the mode resumes again.



When we look at the chart marked with prices and possible trades, the chart for trade reading –vs- the chart mode definition gains clarity – again remember that the predominant concept behind chart mode is to understand that the chart-swing has reversed, and with that the direction of the next trade IF there is a trade setup.

Red dot: With directional strength down, and a left side short being trailed – the chart consolidates between the upper channel and the purple line which was a left side price. Additionally, you can see that while this is happening there is a double test of the upper channel, and a double test of the purple line at the 2 purple squares

Sell the double reject-triple break, resuming left side direction on the breakout – a trade that could be done as an addon because there was room to a partial.

Green dot: The swing reverses from the low and goes into buy mode, but regardless of anything you would see for breakout potential – you should never takes this break1 initial reverse for a trade AND at this point any open sell would also be held for a reject of the purple line.

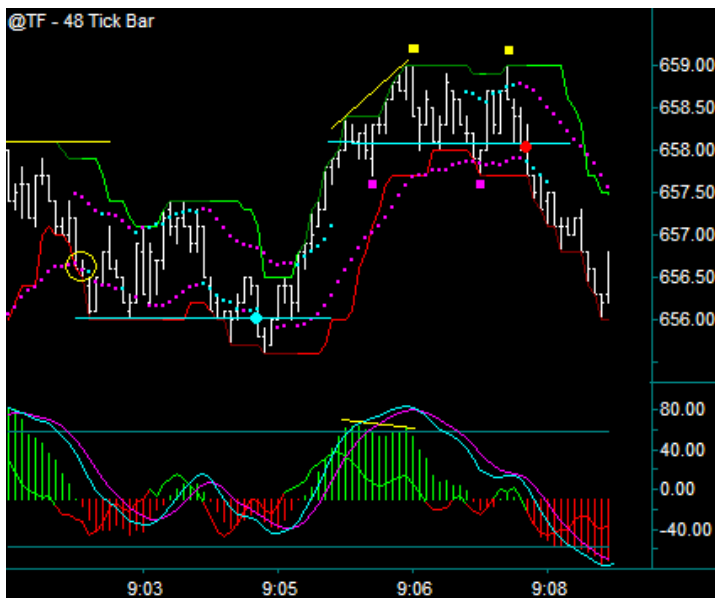
The purple line is hit, there is a retrace with mex flow up – buy the green dot on the high of the previous bar, timed with the ttmf hook [look closely – it’s there], as a failure break of the purple line price with room to the channel high which is partial room AND then through the previous left side diagonal for additional continuation.

NOTE: in this description there is nothing being said about the bottom dots going purple-blue-purple, it is irrelevant to the setup or mode – the chart has remained in buy mode.

Yellow dot – Purple dot: Here is a better look at the #3 and #4 mode reverse from the previous chart, where you see the pmd high swing reverse-initial reverse on the break1 of the bottom dots with the upper dot shift BUT that it is directly into the yellow line as shift line support – the trade is a can’t AND the green dot buy is price held.

Then there is the reject initial reverse at the purple dot, which again would be a break1 mode reverse, but I would rather think of this as mode resumption based on the shift line reject. A trade done would be into the

previous diagonal for breakout potential, but what is the setup? This is a reject initial reverse, with no price component AND 23 ticks late basis the green dot. I don't like this at all, and there is no way I can do this trade for an addon.



Yellow circle break1 swing reverse. No trade setup, and with the mode resumption back into buy, there is also no possible trade. I was left side long, and basis the diagonal breakout potential ended up going flat – there was no sell, and there was no buy resumption – there were no trade setups related to these mode changes.

The blue dot was done by someone in the chatroom – what is the setup? Well yes, the chart is in sell mode AND the entry was also a break2 with mex flow, so it is a trade that can be done – do note that this is a channel –vs- price component.

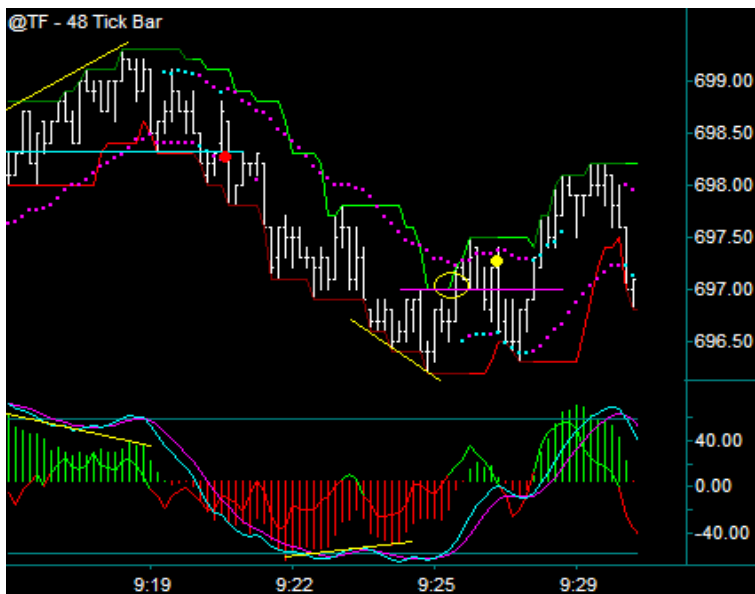
I didn't do the trade. It had that look of a horizontal channel breakout that frequently seems to re-test the area that they breakout from before breaking cleanly – then after this happens a decision can be made regarding a failure break through the 2 previous break points. This did not happen here, so no sell was ever done.

BUT talking about the blue dot is not the reason for this chart – I want to compare it to the red dot. We often talk about trade selection, and rate multiple trades in comparison to each other, this being based on all the setup components.

The red dot should appear so much clearer than the blue dot. If the blue dot went through without me then so be it, but if I missed doing the red dot, I would be real ticked off AND that would be the case even if it was a loser – I am always surprised when I see someone do the blue dot, and then not doing the red dot, which was the case during this chart period.

(1) Right side pmd high and then the double top (2) yellow-blue line price component (3) 2 purple squares price action test of the line (4) left side breakout potential (5) with continuation to the blue line which is expanded partial room.

Sell the red dot timed with the dot shift, as an initial reverse price-price action price failure breakout entry through the 2 purple squares – you are essentially looking at one of those selective base initial reverses. The red dot really has to be traded – it is the blue dot that can be missed. And in the event that the blue dot is done, you also do the red dot and you are a net winner on the pair of trades.



Another chatroom chart, and unfortunately there was a trade posted at the yellow dot, when there was no trade done at the red dot – the red dot is selective base, but I see no setup at all at the yellow dot.

Red dot: (1) pmd high (2) blue line is left side price AND the initial reverse price – you should see the dot shift to purple on top, and at the time mex had crossed, and ttm had reversed (3) diagonal breakout potential that is expanded partial width – these are the trades that we need.

Sell the red dot timed with the break2 with mex flow as a right side failure of the left side price AND the initial reverse price.

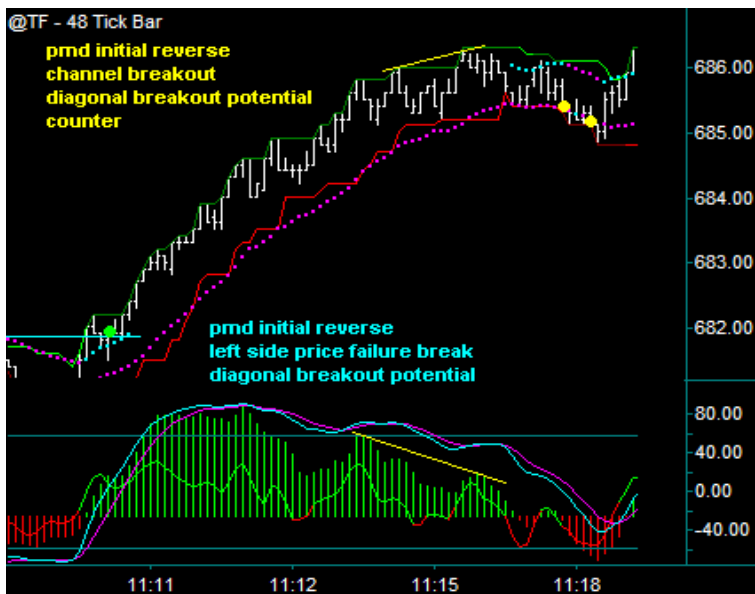
Do you see how clear this setup is as was the red dot on the previous chart – do you see how right side only the blue dot was on the previous chart, and how this yellow dot has no trade setup for entry?

There is diagonal breakout potential to the blue line, but again you are seeing a right side initial reverse on a break1 of the purple line – then you see the series of consecutive overlapping bars, and there just isn't any timing or reason to select the yellow dot.

This is another one of these right side initial reverses that appear to have diagonal breakout potential BUT never get into it as the retrace first, and with that retrace you are taken out of your trade – which is what happened on this chart, so the trade was a loss.

I think this will be a good focus for a video. Call this a breakout potential trap trade, where you are trying to enter on these right side only overlapping initial reverses AND then instead of any kind of failure and breakout, there is a retrace often making it so you can't stay in your trade.

Some things to consider: (1) the red dot is selective base – there should never be an issue with the yellow dot being the only trade (2) trades like the yellow dot are frequently done as result of not doing the red dot, and this is more from the fear of missing another trade than the setup, and (3) consecutive overlapping bars, especially of an initial reverse channel – are meaningless, and do not give a failure entry.



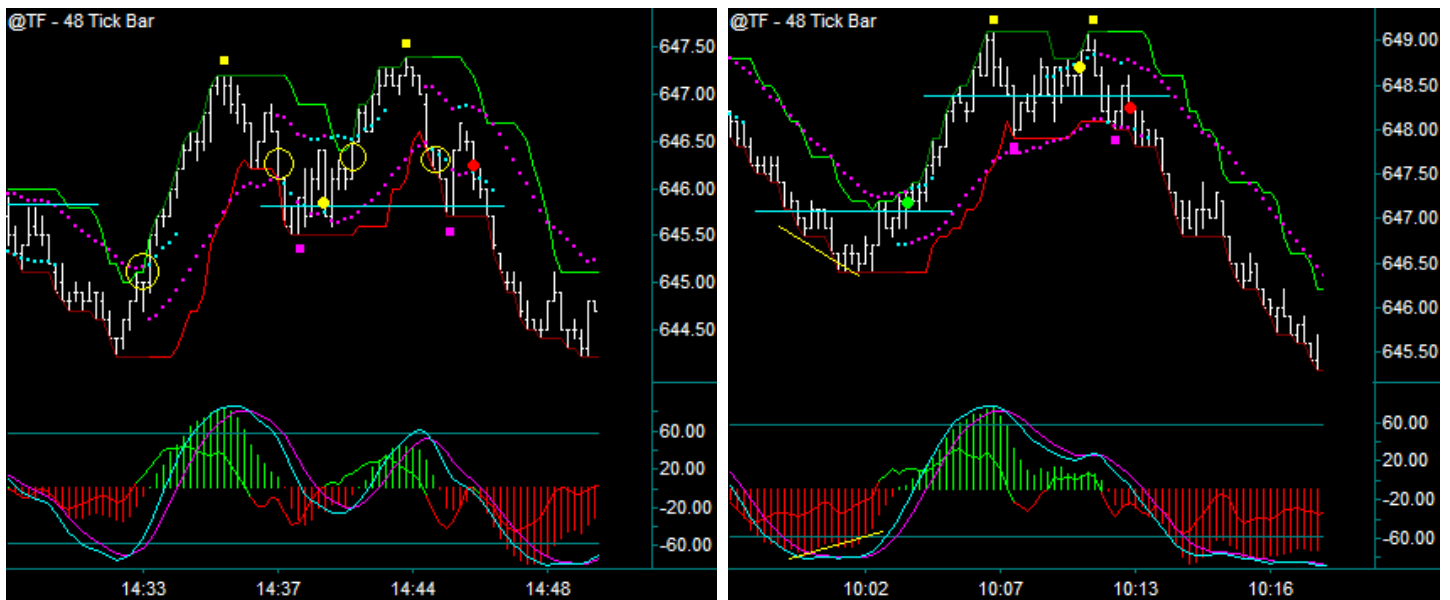
Here is another chart to compare mode change initial reverses on the basis of the first trade available – understand that what we are talking about is trade selection. AND isn't that what trading a method will always be about, making a decision after a swing reverse as to whether you have a trade setup that actually can continue?

Consider what you know for each of these swing reverses.

The green dot had (1) a break1 initial reverse, but it was also through a left side price (2) this came after a pmd low start point, and (3) there was diagonal breakout potential. In contrast the yellow dot has (1) a pmd initial reverse (2) had no price component (3) had diagonal breakout potential, but (4) was very counter coming after the high of the day and after a fast 4 point swing.

You can see that the mode doesn't change until yellow dot1 as that is where the dot shift was AND there is just no trade setup to trade an initial reverse, and there is nothing that changes at yellow dot2 and those 3 tiny consecutive bars.

Yes, the diagonal breakout potential is terrific, but why should this trade get into it on an initial reverse only – this is not a selective start point reject initial reverse AND then a failure break of a left side price, or even of the initial reverse price – that would be a trade setup I could try, but not what is available here.



We will conclude this video with these 2 charts, still focusing on swing reverse, along with trade selection – discussing a difficult chart and a relatively easy chart.

First compare yellow circle1 on the left chart with the green dot on the right chart. These are both swing reverse initial reverses synched with the dc dot shift – however there was never a buy setup on the left chart, where there was a good buy setup on the right chart. Both trades would have worked, but that is totally irrelevant because real time before this was known, there was only 1 trade setup.

The yellow circle is a break1 initial reverse only, that is also into the blue line as resistance – this time it broke through without giving any additional setup to enter, and I missed the entire swing.

On the green dot I had a pmd start point and a right side failure of a left side price for entry – there was diagonal breakout potential to the blue line which was more than partial width. This is a clear base setup – there is no issue seeing and entering the trade.

The result: a non-method winner was missed, but a selective base winner was traded. AND if the selective base setup was a loser instead, which is going to happen – this would be more than acceptable and have no influence on future or similar decisions.

For instance look at the left chart and yellow circle2, it is so typical to see someone miss yellow circle1 AND then as a result – sell yellow circle2 so another trade isn't missed. Although the trade would be a swing reverse-price channel initial reverse with left side breakout potential – there is no continuation because it is directly into the blue line as support.

AND then there is the yellow dot, which on 1 level is a break2 with mex flow of the blue line BUT on another level is an overlapping consecutive bar test of the blue line as support that rejects, giving an immediate loss to the trade if done.

Yellow circle3 is a resumption initial reverse, but I am not going to do this trade either – not on a break1 initial reverse only that is into a double top.

Yellow circle4 would be a double top break1 initial reverse – directly into the blue line as support AND another trade that can't be done.

I told you this was a difficult chart, I am guessing that you see multiple trades that you would have done – maybe any of them or all of them. Just keep in mind that no place do you have anything that could be considered a method setup, with the possible exception of the yellow dot, however this is another example of a prevalent problem that we keep seeing with regards to the consecutive overlapping bars under the initial reverse.

AND then finally there is the red dot, and a real method trade setup BUT after your yellow circle experiences, would you be willing to take another trade – you better, because it is a method setup. After the yellow circle4 reverse there is another hit of the blue line giving the 2 purple squares, then a retrace with mex flow down – sell the red dot as a failure break of the blue line with left side room after the break to the low which is more than partial width.

Note the entry location of the red dot, and how the trade is at the area of the initial reverse instead of a breakout of the blue line. With the 2 purple squares and the mex flow, I want to trade into the failure breakout instead of the actual breakout – I want those extra ticks of entry price AND I want to be closer to being able to get my partial.

When you look at the right chart, something should be immediately apparent – each swing reverse includes an initial reverse price component. As well, do you see how much cleaner the chart is to read compared to the left chart and having to go through the 3 yellow circles on the right – this definitely translates to easier chart reading AND a chart that I more want to trade.

We discussed the green dot in comparison to the left chart yellow circle1 – the trade being method base as a pmd swing reverse-price component failure break with diagonal breakout potential that is partial room.

Do note the yellow dot, and think of it as a catch-up trade OR a trading psychology trade, meaning that it was done completely as result of being flat, but ignoring that the blue line reject is counter momentum and directly into the double top – the trade is a can't just like yellow circle2 AND which would have also been a trading psychology trade based on missing yellow circle1.

The red dot is the clearest trade on either chart AND the best setup. IF you look closely you will actually see the same setup as the red dot on the left chart as a double top-left side price failure with continuation combination – BUT I sure think this is far easier to see.

Double top start point and initial reverse through the blue line which is left side price – sell the red dot as a failure break of the price AND is a channel triple bottom break of the 2 purple squares, with left side diagonal breakout potential that is well more than partial room, and that has additional breakout potential through the previous pmd low.

So this concludes this video on chart mode-swing reverse, and initial reverse BUT this certainly will not be the end of our training on this, considering that it is a part of every trade that will be done or discussed – it will be a large part of all method training.

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