

Tipu's

DOW SCALPER

TRADE YOUR WAY TO FINANCIAL FREEDOM



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Second Stage Trading

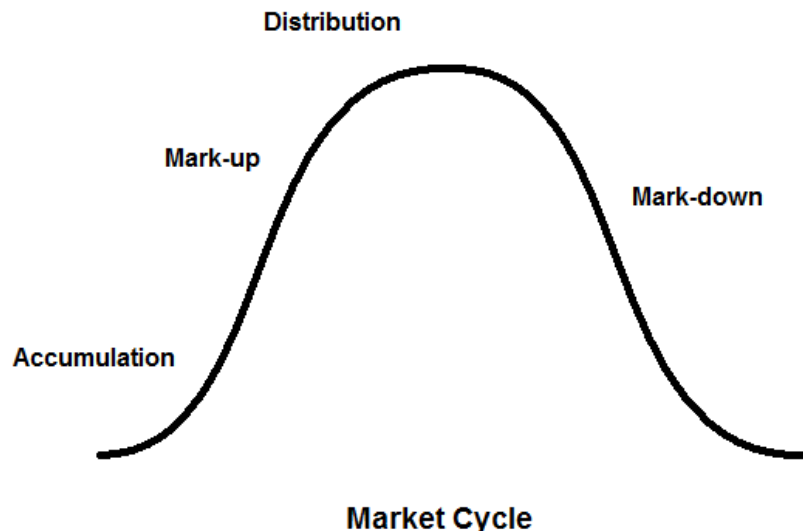
In the previous three modules we covered;

1. Price Action
2. Market Cycles
3. Support & Resistance
4. Reading Candlestick Charts
5. Important Candle Patterns
6. Trend Momentum Trade (First Stage)

In this module you will learn how to trade the second stage of the cycle.

Spotting Reversals In The Market (Stage 2: Trading the Retracement)

In the previous module we learnt how to trade the accumulation and the markup phase, now we will cover the distribution and the mark down phase.

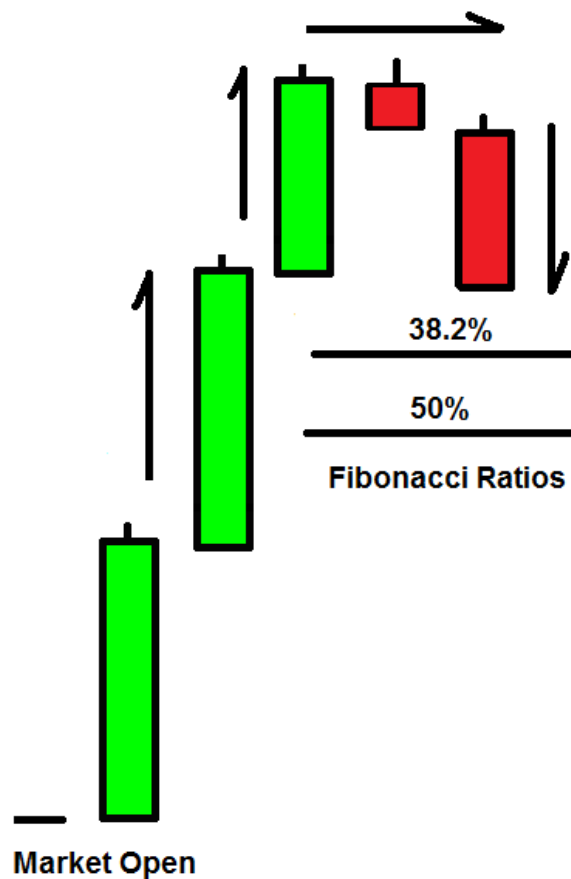


As previously mentioned, the Dow Emini Index market on the 1 minute timeframe has tendency to develop and trade in a strong trend right after the open.

Once this trend burns out and the market hits distribution phase, this gives us another opportunity to trade and make money.

Basically, in order to trade a retracement we are looking for a trend in either direction up or down, then we look for signs of slowing down of the momentum.

REVERSALS & RETRACEMENTS



The stage 2 of the market cycle generally tends to stop at fibonacci ratios, which is why we identify these fib levels as profit target areas.

There is no real magic to fibonacci except for the fact that most people are looking at these ratios to take an entry in the direction of the trend.

We do not take this type of entry, simply because more times than not the market will fail to continue in the direction of the trend and hence moving into stage 3 which will be explained in the next module.

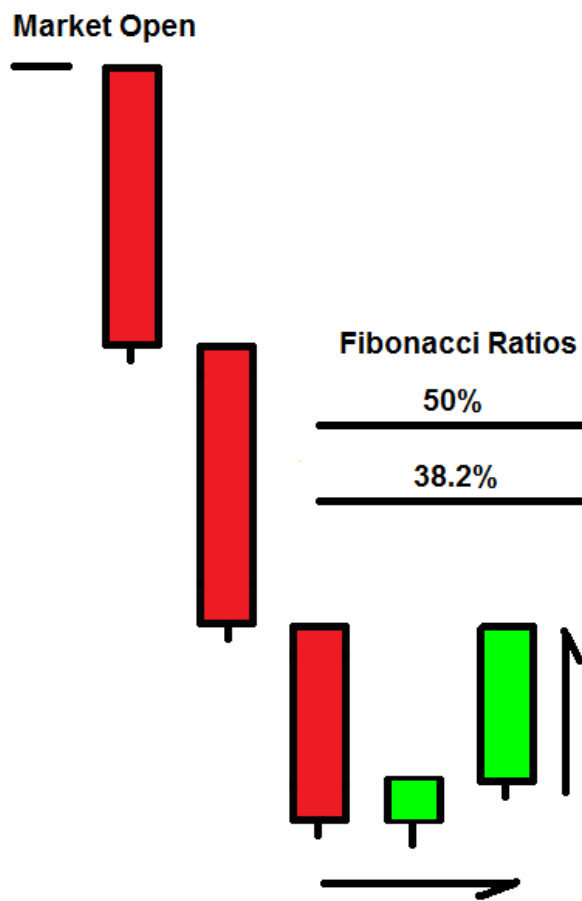
The Fibonacci Ratios for your profit taking are the 38.2% and the 50% level.

Now, these are not fixed targets, you will need to adjust your profit target according to the pace of the market something that you will learn with experience of applying these techniques.

Here's another example of a trend reversal in a down trending market, the weakness of the momentum is identified with market reading, the size of the candles getting smaller, with an appearance of a doji or a hammer pattern displaying extreme weakness in the market.

Once we get our entry, we are simply looking at fibonacci ratios to take our profit.

Remember, once you train your eyes you don't even need to plot the Fibonacci indicator to see these levels.



Video 4: Spotting Reversals/Retracements In A Trend

This video shows how to spot a retracement or a reversal in trend. Watch the video carefully, these are very important concepts to understand for your trading.

Press the play button to start the player

[Advance to Module 5](#)

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