Four Amazing Day Trading Set-Ups To Boost Your Trading

By Rob Mitchell

When trading in today’s markets it is not always clear what is going on. This is especially true if you organize your charts in a way that is random. What do I mean by random? Well, the more traders that trade on a certain chart, the more likely it is to be random- the bars will close at any random point in their range. Time based bars are the most prominent example, followed by Volume and Tick Bars. The fewer traders that trade on a given chart, the more meaningful (and less random) it will likely be. This is particularly true if the chart is based on directional volume; volume that is the actual pressure that moves the market.

So, it is crucial that you trade on bars that are best aligned with the way the market actually works. The bars in these example set-ups are called Ultimate Tick Bars (UTBs for short) and they do just this. Of course all these patterns in this article could possibly be traded on other types of price bars, they just will not be as easy to see.

To make the patterns here clearer and easier to understand, and to stack things more in your favor, we will define a simple trend concept. The examples below use a simple concept of trend to provide a context for our trading. Cycling with higher highs and lows is an uptrend and cycling with lower highs and lows is a downtrend. So we do not double our work here, the examples that are given for one side, i.e. going long, apply equally in the opposing direction (short). The charts below are also time timed in Pacific time. So the day ends at 1:15 in the afternoon. OK, with all that being said, we are ready to look at some patterns / set-ups! Let's go!
Set Up #1: The Encompassing Bar

In the chart below, we can see the bullish "Hammer" type bar that is overtaking the bar before it (the red bar). The Hammer closed at its high showing that the bulls were in control. When we find a pattern like this in a market that is cycling in the direction of the pattern (up in this case), things are stacked in our favor:

You can also see encompassing patterns at other points. Can you see them? Here (below) is a chart showing them (remember the best ones should be with your friend, the trend):
Set Up #2: The Tail Against the Trend

When we get tails against the trend, it tells us traders are trapped. These traders stop orders will provide fuel to the benefit of those who trade with the trend. The tail on the bars are our clue that the fuel is there. So we can take advantage of this by buying or selling into a NEW position at the point other traders are exiting an OLD position:

![Chart](image)

Note also that because our bars close at the high or low much of the time, they make what I call, "one bar trend analysis" possible.

Of the 45 bars in the session, roughly 30 of the bars closed at their high or low; or about 67% of the bars. This, of course is a statistical advantage and, it tells us something important. With these bars, we can determine the trend simply by looking at one bar. If we filter this with our definition of trend, (ie. higher highs and lows), we can see the bars close in the direction of the trend a very large percentage of the time. For example, starting at 7:56, we have an uptrend. From this point 18 bars (out of 32) closed at their high going with the trend 56% of the bars. If we look closer, we can see that only 7 bars closed against the trend. This means almost
80% of the bars were trend directional. This sort of thing is normal for UTBs.

Ok now that we got through that complicated stuff, what does it really mean? It means you can tell the trend much more easily by looking at your UT Bars than you can with other bars types. This, of course is a huge advantage in your trading. For a more complete statistical analysis of this phenomenon visit:
http://indicatorSMART.com/product/ultimate_tick_bars/
Set Up #3: The Range Expansion Bar

When you get a bar that is expanding in the direction of the trend with UT Bars, it very often means there is no resistance to movement in that direction. This, of course suggests continuation. UTBs have a pattern they often follow. Range expansion is followed by range contraction in the direction of the trend. When you are getting a lot of small bars, it usually means you are really trending with strength. The 2400 UTB chart we have been using shows this, but it can be seen in even better detail on a little faster chart. Let's first look at the 2400 UTB:

Above I have marked out the with trend expansion bars. Note they are often followed by range contraction trends.

Here are the same areas on the chart on a 1800 UTB so you can see the detail of this setup / pattern:
Expansion, followed by contraction with trend. This is the pattern you want to see.

Sometimes the trend will be reestablished without such an expansion as occurred at about 12:43. We would have caught this pattern because it encompassed (Set Up #1 above). This occurs largely because at this time of day (nearing the close), another group of traders is stepping in to place their end of day orders. Caution is often urged at these times of day where Other Time Frame (OTF) players are stepping in. OTF players are usually big money players like mutual funds and institutional traders. They are essentially saying on this day (in the charts above) that they are bullish on tomorrow. This, of course is good (patterning) to know.
Set Up #4: The Breakout Trade

Some of the best trading occurs trading breakouts. UTBs help us to see these areas on the charts that are coming out of congestion. Why? Because UTBs will not generate many bars in totally non-directional markets. For example. If there are 10,000 buy orders and 10,000 sell orders at about the same time. UTBs will not generate a single bar. Other types of bars will generate a lot of noise bars that will make interpretation of the market action much more difficult. When markets form clusters of price action and a UTB comes out of that region, it is usually meaningful, particularly if it is with trend:

Above we have covered some of the very best trade setups for intraday or day traders. UTBs are patent pending and are only available through IndicatorSmart.com. To learn more about UTBs visit IndicatorSmart.com where there are also various trading tools designed to work with UTBs. If you are very serious about advancing your trading skills and wish to learn more advanced patterning in a mentoring relationship, you will also want to
look at the Smart Patterns Tools and Trading Course or contact us at mailto:Support@IndicatorSmart.com

Once you have installed your bars, there are a few tips for using them as follows. First off, be sure to restart NinjaTrader following the bars being licensed. You will note when you create a new chart the bars will come up under Period Type as in the following image:

You will want to select the number of ticks next. In a market like the Emini S&Ps you will probably want a value from 1000 to as much as 4000 but 1800 is often near optimal. In the TF Futures about 65 to 125 is good. For Crude Oil 85-150 is often good. Experiment to find what works best for you.
You will also note there is a mode and a range input:

The range function on the bar enables you to cap the biggest range bar (in ticks) that will be accepted before forcing a new bar. For example, if I set this to 10, then any bar exceeding 10 ticks will trigger the start of a new bar. This will prevent large range bars from occurring. If the value is set to a high value, it will not trigger the function.

There are two modes on the bars. The default is 1. The difference is subtle but Mode 1 will create more bars especially in fast market conditions. In most cases this is the preferred setting but experimentation is always encouraged. In Mode 2, the bars are slightly less sensitive to data around the end of the bar in fast moving markets.