

Chapter 29

SOME INTRADAY FAVORITES

Intraday congestion areas are quite common and occur frequently. There are certain chart patterns that simply have to be recognized so that they can be traded. Some of our students swear by these patterns and trade them regularly.

Some of the best intraday trades we can make are shown in the formations that follow:



It wouldn't have made any difference as to the direction of the pop. It could have looked like this:



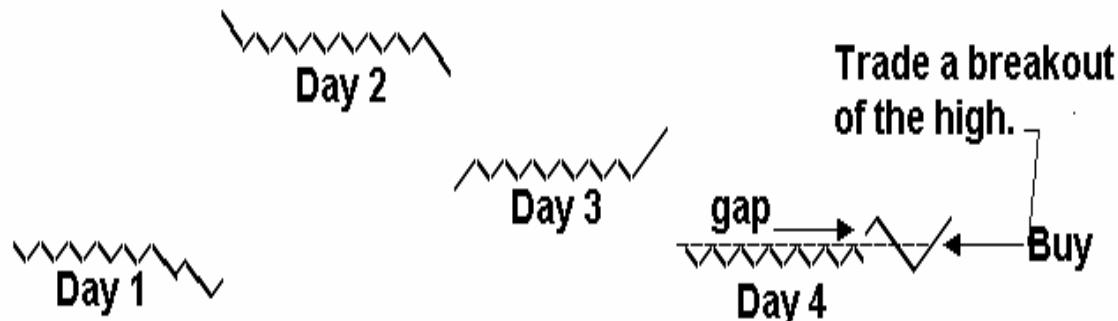
Note: The “sell” in the upper part of the chart is for a second time through.

What follows throughout the remainder of this chapter is a summary of the patterns with which we have enjoyed great success. You might want to memorize them, it will be time well spent on your part.

We would also refer you to Appendix C of this manual as well as TRADING THE ROSS HOOK, where you will find more in depth discussions about congestions.

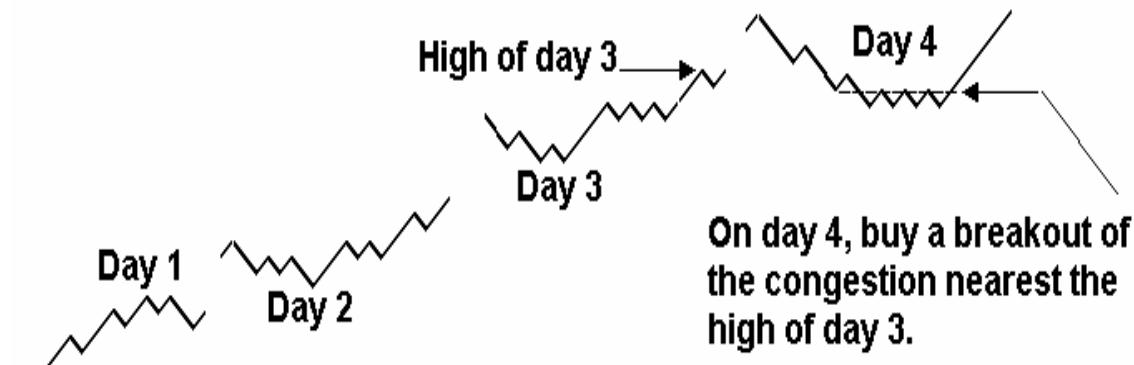
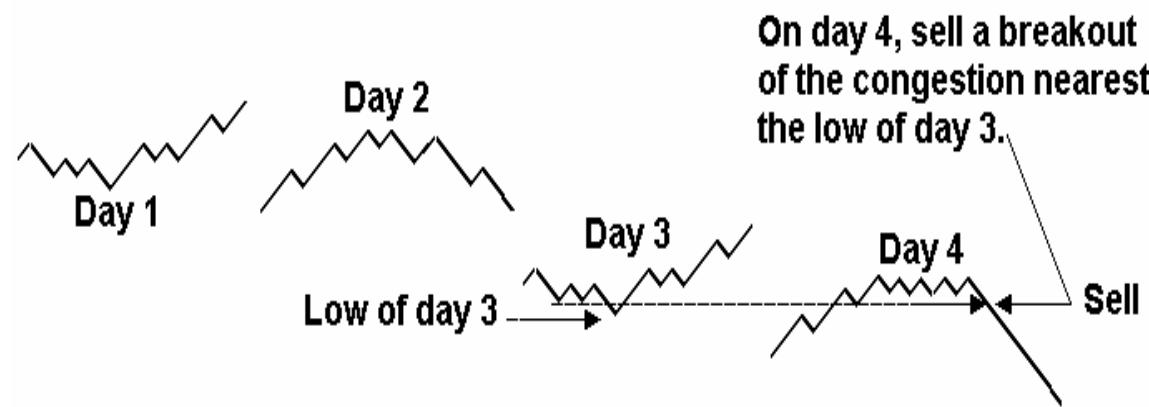


A gap, retrace through congestion, and then a breakout of the highs.



Note: On Day 4 prices traced back to the middle or through the prior congestion area.

The next chart shows a gap down from Day 3 to Day 4, a retracement through the congestion nearest the low of Day 3, and a breakout of the congestion formed on Day 4. You can sell a breakout of the congestion of Day 3. Or, an entry could be made on a breakout of the low of Day 3, following the breakout of the congestion nearest the low of Day 3.



With regard to the four days on the lower half of the chart, we see a gap, and a retracement to the highs of the congestion nearest the high of Day 3. We then see a congestion on Day 4, and a breakout of the congestion of Day 4, which is closer to the high of Day 3 than it is to the congestion of Day 3. Trade the breakout of the higher congestion if the two congestions are equal in size from top to bottom. Otherwise, trade the breakout of the tighter congestion.

Here's what to do when prices open at a new high above the highest high of the last three days:



**Gap open to a new high for the last three days;
No retracement to any prior congestion of the
last three days. DO NOT TRADE!**



**Gap open to a new high for the last three days;
Retracement to the middle or bottom of any prior
congestion of the last three days. OKAY TO
TRADE!**



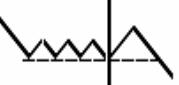
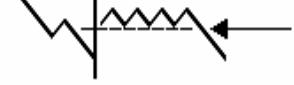
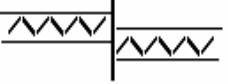
**Gap open to a new high for the last three days;
Retracement through the congestion of the last
three days with subsequent breakout back in the
direction of the gap opening. OKAY TO TRADE!**



**Gap open to a new high for the last three
days; Retracement to the middle, bottom,
or through any congestion of the past three
days. This followed by a congestion of
equal height today. TRADE A BREAKOUT
OF THE HIGHER OF THE TWO CONGESTIONS!**

Do the reverse of all those above when going short.

When a congestion area falls right at a previous high or low, there must be a retracement to at least the middle of the congestion before trading the breakout of the previous high or low. Note: The vertical lines on pictographs 3-6 below indicate day breaks.

- Buy a breakout of yesterday's congestion at the high.**
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- Sometimes the congestion nearest yesterday's high comes today.**
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- Often, there is no gap.**
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- We want a trade through the congestion area no matter which side it is on relative to today's open.**
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- Sell the breakout of the congestion and optionally sell a breakout of the low.**
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- If the congestions are equal from top to bottom, trade a breakout of the one nearest the extreme in the direction you wish to go.**
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- If the congestions are unequal from top to bottom, trade a breakout of the tightest one.**
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BASE ON BASE

When there are two congestions of approximately equal size from top to bottom, we want to trade a breakout of the higher one when going long, and a breakout of the lower one when going short. This will allow us to avoid trading into an overhead resistance or underlying support area. However, if there are sufficient ticks separating the two

congestion areas, it is okay to enter buy or sell orders with the anticipation of exiting when prices reach the second congestion area.