



THE SECRET OF



FLASH BANG TRADING

by traderfinds.com

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The Secret of Flash Bang Trading by TraderFinds.com

A Short-Term Trading Method Triggered by a Long-Forgotten Indicator

I am a business owner who also trades on the side. I just wanted to share this method with anybody who might have an interest

In the following pages, you'll see some examples of short-term strategies that exist in the context of short time frames. These are trades that can be over and done within a matter of a few minutes.

If you have held positions for weeks and months and have found yourself jumping the gun, i.e. exiting prematurely, the information in this manual might make a difference.

Section 1.0: The Entire Universe Inside An Ant Farm

The markets have self-similarity. So that allows you to see opportunities patterns in minute charts that you might see over yearly charts.

This method uses stochastics in order to get into powerful short-term trends. I try to avoid sideways markets. So you need that trend.

Here his how I use Stochastics:

Yes, I know that Stochastics was created by George Lane...in the 1950s LOL. But in my experience, it works well for short term trade.

- 1) I trade intraday and look for trending stocks with good volume so I can get in and out easily.
- 2) I avoid flat markets.
- 3) I use Stochastics crossovers to trigger entries into trends. It wouldn't surprise me if other trend-following oscillators works also. But I stick with Stochastics like it's a good luck charm.

- 4) I don't use Stochastics as overbought or oversold indicator. Rather, the crossover as a signal to jump into a trade.
- 5) If you want to use this method on longer term charts, you can try it, but I like my trading day to be over everyday. My business gives me enough to think about it.

Note: This report uses shows some older charts. However, the manner in which I trade remains the same today.

While the above information is relevant to understanding the basic idea of how the stochastic lines are derived and displayed on a chart, the most important

1. **Are the stochastics in an overbought/oversold condition**
2. **Is the thicker line (%K) on the verge of crossing above or below the thinner line (%D), which will indicate an imminent change in price direction.**

Here's a Series of Examples of How Not to Trade Using Stochastics

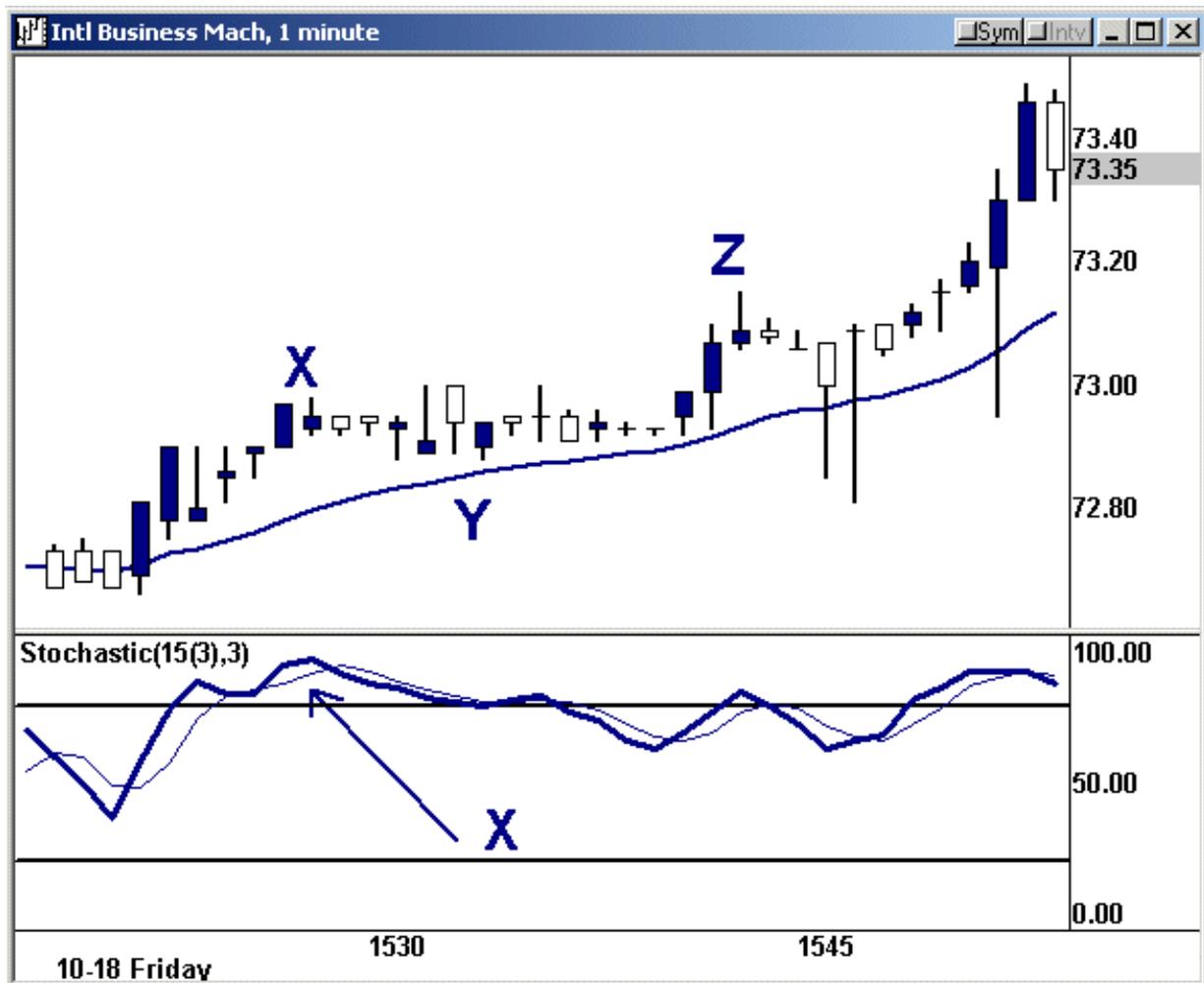


Chart 1

We are trend followers. We don't guess or try to predict movements. So if there is a oversold or overbought condition, but an obvious trend has not started yet, we continue to stand on the sidelines.

Therefore, in cases where there is an oversold or overbought condition, we still need to see the beginnings of a reversal move before entering a position.

Referring back to the chart above, as you can see, if you had taken the signal and went short, you would have been rewarded with nothing but misery.

You can see that the trend continued higher and no real reversal occurred

Overbought and oversold conditions are merely the beginnings of a set-up. So do not jump the gun.

The chart below illustrates the overbought area by a horizontal line (Point A) and an oversold area (Point B).



Chart 2

While some books will show cherry-pick after cherry-pick, what happens in real life is that you have to keep watch and waiting for the setup to account.

If you become accustomed to this state of mind, you might very well grasp the concept that you're waiting and not necessarily trading much of the time.

Now take a look at the chart below. It is an hourly chart of **IBM** with an obviously sub-optimal setup.

You can see the overbought areas denoted by **1** and **2**, which indicate that if you entered a long position at that time, the setup was nowhere near-optimal. The price action that follows shortly after is lower.



Chart 3

The next chart is also of **IBM**. This time the stock is in a high momentum downtrend. The moving average confirms that.

As you can see, there are no setups quite yet. That shows you that if you were looking to establish a short position in the area of **1** or **2** you will notice that the stochastics are in an oversold condition. These trades would have immediately gone against you.

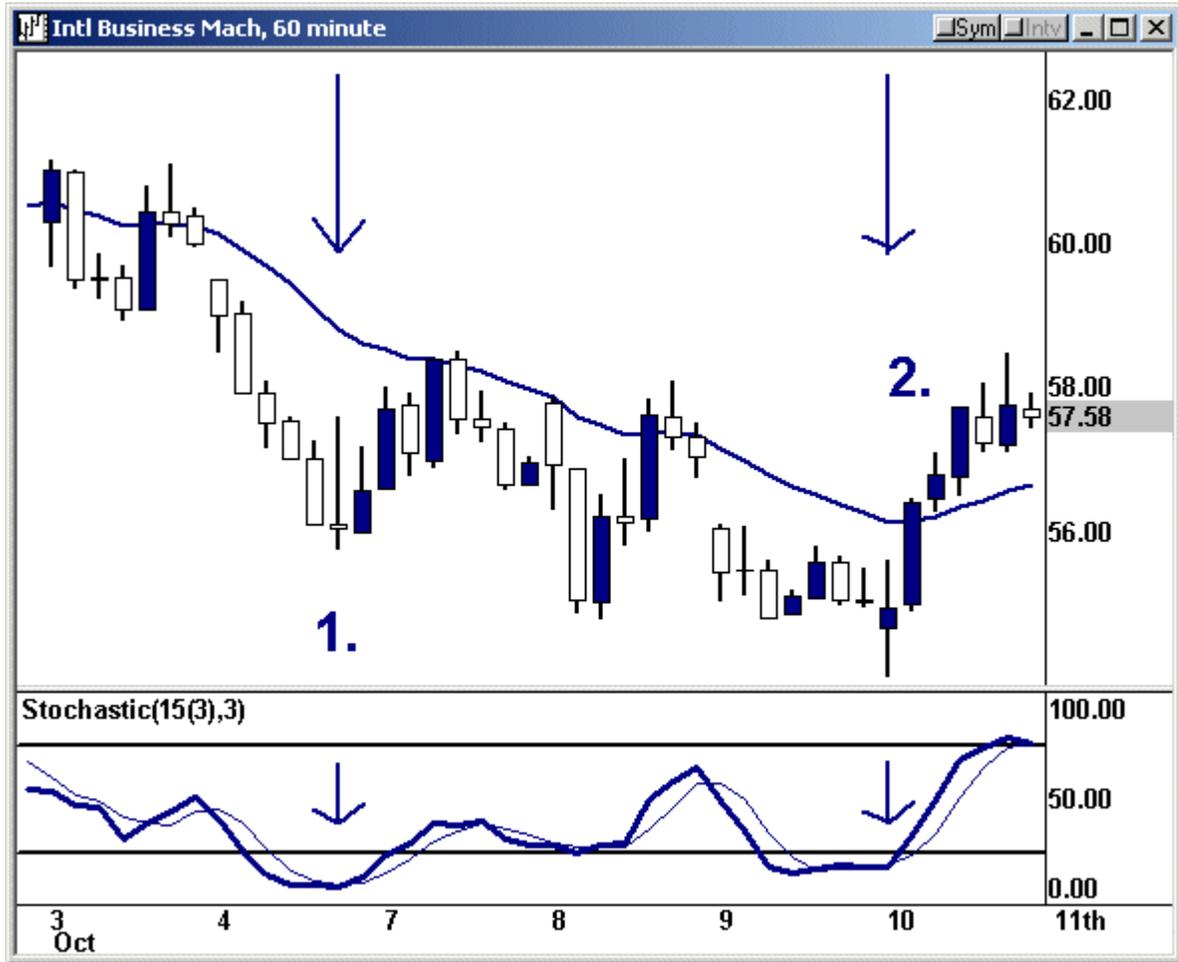


Chart 4

Look at the chart below. This is a chart of Wal-Mart using 5-minute bars. If you pretend that the down arrow wasn't there, you should be able to still recognize that you should not be thinking about going short.

And since the stock is in a powerful up move, you won't want to get into a short position.



Chart 5

Do you now understand what I am trying to do? Many books out there will show you a series of perfect cherry charts lulling you into the belief system that there are perfect setup all over the place. However, it is more the opposite that is true. The market is trying to lull you into losing trades.

If you maintain the opposite PROVE IT TO ME mindset that you might have to wait for the good setups to take shape, THAT is the beginning of your ascent to becoming a decent trader.

Use stochastics to:

1. Avoid low probability trades
2. Assist in identifying potential high probability trades

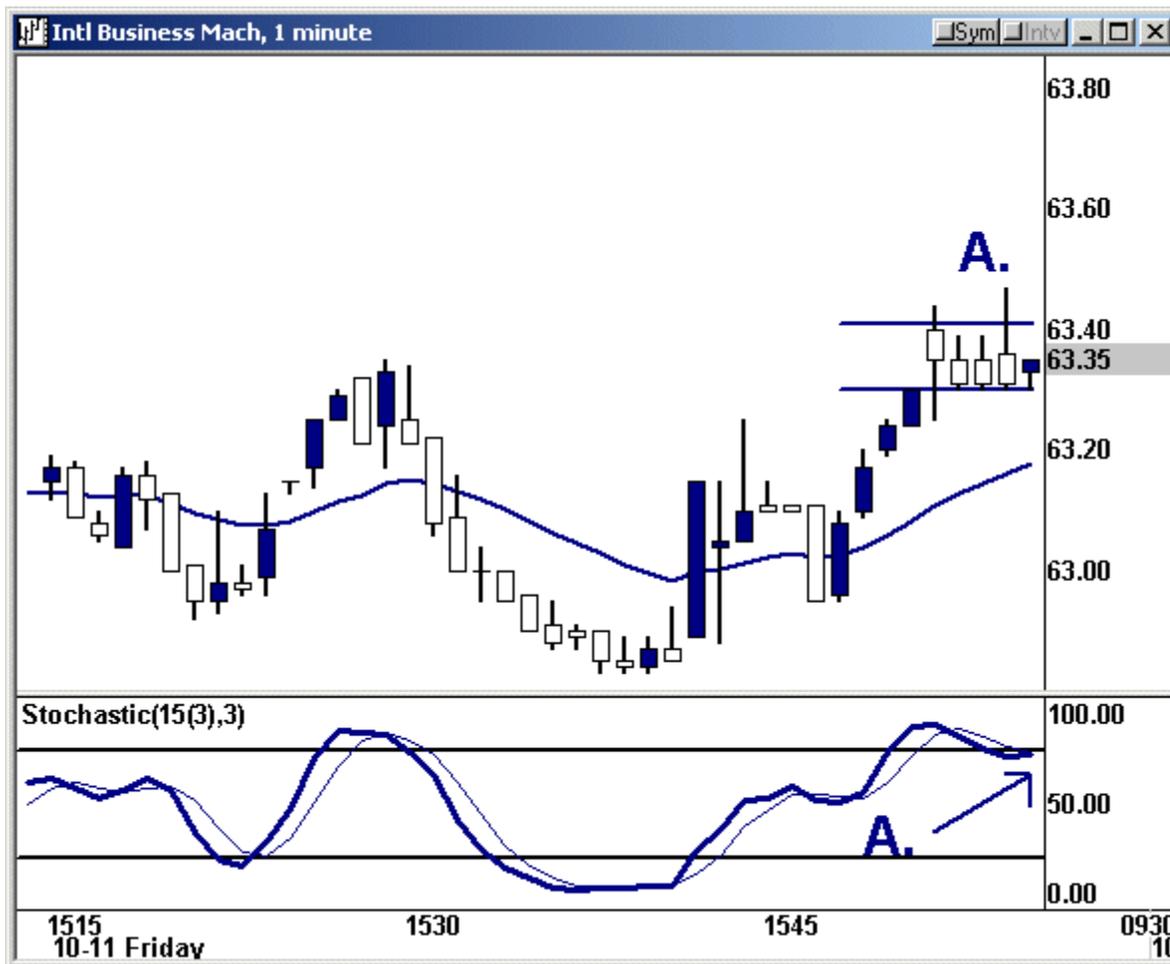


Chart 6

Now, let's take a look at situations in which there is a legitimate setup that is taking shape. Here is a 1-minute chart.

In this chart, I see a potential long entry point at **Point A**. While the stochastics are in an overbought state, the trend is up.

More importantly, the stochastics have begun to pull-back and the price bars are consolidating. This is an **indication** that maybe -- a long-term trade is setting up.



Chart 7

As we allow the price action to unfold, the stochastics are showing us the possibility that the trend will soon resume to the upside.

For that to be confirmed, we need to see the thinner line cross above the thicker line.



Chart 8

At point A, the thicker line cross the thinner line, suggesting that we enter long.

My Thoughts On How to Get the Most Out of the Above Material:

1. Keep in mind that the strategies I use are for short-term intraday trading. If you try to use this methodology for longer term charts you're on your own.
2. Study the examples given.
3. Spend a few months printing out recent charts that illustrate both the RIGHT and WAY way of implementing this method
4. Always keep in mind that the mental side of trading is what trips people up. I cannot help you with that.