Boot Camp Overview

While working on complex computer analysis of Options Trading in 1990, Dr. Vance Cast noticed his grade school age daughters could easily pick winning trades and recognize winning trading patterns. He then used his daughters and developed trading games for them to compete with each other. His daughters easily picked more winning trades simply by recognizing simple Price Action Trading Patterns.

Dr. Cast spent the last two decades continuing to develop and refine his simple, “Think in Crayon”, Delta 123 type trades that allow for easy entry into winning trades.

This means anyone can learn to enter winning trades very quickly with one simple trade strategy.

My mission is to transfer over 20 years of successful trading expertise to you in less than four weeks.

You will learn life long, life changing skills.
You will learn how to maximize your trades while limiting your risk.
You will learn how to be a successful Day Trader.

Features and tools of the Boot Camp include:

- Complex concepts made easy to understand
- More than 40 video lessons with downloadable PDF notes
- Delta Trading Group Software developed by Dr. Cast generates clear trading signals
- Learn to trade during live market sessions with your own private trade simulator
- 5 — Days a week Live Action trading sessions (10:00 a.m.—12:00 p.m.) EST
- Mentoring by Dr. Vance Cast
- Group support in the Chat Room
- Archived live trading sessions for download and replay at your convenience
- Learning module quizzes to test and confirm your understanding of the material

The Boot Camp and Live Trading Sessions with Dr. Vance Cast will give you all the tools, training, and support you will need to become a successful trader and turn the stock market into your own personal ATM.

“The delicate balance of mentoring someone is not creating them in your own image, but giving them the opportunity to create themselves.”

– Steven Spielberg
Building a Track Record

As your mentor, my highest priority is to prevent you from losing your money. So we train together every day using my “real money” in a real S&P E-Mini trading session. While you are learning, we equip you with a simulator so you can learn to trade and begin developing good trading habits.

One of the first steps to becoming a successful trader is learning patience and discipline as you build a successful Track Record. Just like an award-winning athlete practices so they can perform better, you will need to practice and experience multiple scenarios in a simulated environment so that when you start trading “live”, with your real money, you will be prepared and disciplined and will not be controlled by your emotions through fear and greed.

Your mission is to learn the “Delta 123 Turnaround Trade with the Trend” and practice it consistently by building your track record on the simulator before putting your money at risk.

- Impatience will only harm you.
- You are going to trade live how you practiced on the simulator.
- You have to practice in a simulated environment to build the “good habits” that will make you a successful day trader.
- Learning lessons during live trading is costly. If you learn while you are trading live, you will develop bad habits when you experience fear and greed.
- It is harder to unlearn bad habits than it is to learn good habits.
- You don’t know what you don’t know until you experience it. So experience the quarks and nuances of trading in simulation before you put your money at risk.
- Your psychology will change when you trade live because of the stress of working with “real money” if you haven’t built a successful track record and learned patience and discipline.

- People who do well in day trading, follow instructions, stick to the rules and practice!
- As a beginning trader, stick to the Delta 123 Turnaround Trade.
- Build your track record with a net 5—10 points each week trading only 1 contract.
- Do not do any advanced Day Trading techniques like trailing stops or dollar cost averaging until you are successful and consistent with a track record in the simulator.
- Each week that you are successful trading 1 contract gaining 5—10 points you can add another contract. So you need to have 5 weeks of successful live trading before you begin trading 5 contracts.

Athletes practice what they do to ensure their success when it really counts. Practice doesn’t make perfect… Perfect practice makes perfect.

“Victorious warriors win first and then go to war, while defeated warriors go to war first and then seek to win.”

– Sun Tzu
Live Action Trading

The Delta Trading Group (DTG) uses Adobe Connect for LIVE online sessions. Dr. Vance Cast is the host of the meeting and Group Members and visitors view his live Ensign screens. To participate in the live trading sessions, all you need is a computer with speakers and an Internet connection.

To Link to Live Trading Room or Click on the label “CLICK HERE”: https://tradingroom.adobeconnect.com/sp500etradef

Attend Live Trading Sessions Monday — Friday
10:00 a.m.—12:00 p.m. EST
Login: your email address
Password: public password will be provided to you (changes time to time)

- The room is open before 10:00 a.m. EST, you can log-in early, watch the live charts and chat with Delta Group Members. There will not be any sound until the moderator comes on at 10:00 a.m.
- If you are logged in more than once you will have a number in front of your name and may hear an echo. Simply close all your meeting windows and log in again.
- Visitors are invited to two meetings and will have a three digit extension (i.e. 777, 222) in front of their name, this is the extension that you can call to connect with your DTG representative who can answer any questions regarding membership, costs, and how to join.
- If you want to ask a question, type it in the Chat window, often other DTG members will answer your question in the chat sooner than the moderator can.
- There are usually 150 — 200 people in each live trading session.

Troubleshooting Tips & Tools:
- Adobe room appears to freeze: Quit Adobe Connect and log back in, you may need to close other applications that may be limiting your computer’s resources.
- Sound is cutting in and out: This is a connection speed issue. Try using a wired Internet connection.
- Sound has an echo: Most likely you are logged in more than once. Close browser and re-connect.
- Adobe Connect will not load: You may need to try another browser or install the latest version of Flash.
- You can’t get the file download: This is usually because of pop-up blockers.
- Asked to change password: Use the public password and when prompted to create new password, just type in the same public password.

Call Tech Support (888) 788-1788 X4 Monday—Friday (opens 9:30 a.m. EST)
Log in early and if you have a problem logging in because of password access contact the call center

When we keep track of trades we talk about points. Each dollar movement in the price of the stock is 1 point. Each contract is $50. So if we gain +4 points on 1 contract the net gain = $200.

5 contracts (4 point gain) = $1,000

As a courtesy to others, DTG members usually do not talk about how many contracts they are trading as it can be awkward to others.
Computer Hardware Setup

It's very important to get the right tools for the right job. You just can't day trade without a good computer, a good screen and a good operating environment that is comfortable and free from distraction.

In setting up your operating environment you will determine what is comfortable for you. Some people operate off of one computer screen, some operate off of two or three screens. Some people watch the webinar on a laptop and do their trading on a PC with one or two screens attached.

If you want to run your own charts through Ensign, you may want to setup your environment with one screen dedicated to your Ensign charts. Some traders set up their environment with one screen to watch a 3- minute chart. The important thing is to tailor your setup to accommodate your unique day trading needs and preferences.

After you set up your environment you will setup TransACT or your brokerage account and then set up Ensign so you can customize screens and have access to playbacks. There are separate videos and PDF instructions on how to setup these accounts in the boot camp as well as the information in the New Members Welcome Packet.

**Computer:**
- Many traders purchase a laptop dedicated to trading.
- If purchasing a new computer make sure to discuss your environment setup with your sales associate. Some laptops are designed with higher speed processors and can accommodate multiple monitors.
- You might also consider a backup laptop or computer in case of power failure.

**Internet:**
- You should have a high-speed Internet connection to receive streaming, real-time information (quotes, charts, transaction information, etc.)
- If you plan to trade in free Wi-Fi areas like coffee houses and other public places, you may want to wipe all personal or confidential information your laptop.

**Monitors:**
- For the most part, one or two screens will suffice deep into your trading career.
- 21" Monitors are ideal for displaying charts and graphs, if using different sized monitors, use the smaller screens to display trading ladders.
- Adjust your screen resolution and brightness to prevent eye strain.

Setup your trading environment for optimal functionality. Experiment with different configurations while you are still learning in simulation mode. When you start trading live, you want to be comfortable and established in your environment.

- Set-up a brokerage account with TransAct.Futures.
- Setup Data Feed with Ensign.
- Review video lessons on set up and reference data in the New Member Packet.

"Before anything else, preparation is the key to success"

— Alexander Graham Bell
Why Exclusively Trade the S&P

After 20 years of day trading experience in all markets, Dr. Vance has identified the ideal trading platform that can be highly profitable utilizing simple techniques. Delta Trading Group specializes in trading the S&P 500 E-Mini which is a Futures Product based on the S&P 500. Delta Day Traders specialize in only one product and therefore do not need to memorize or learn complex trading theories that can take years to learn at a college or university.

S&P 500 E-Mini Futures
1. Easy Technique — holds to basic trading fundamentals and follows auction theory.
2. Support Network — the Delta Trading Group has a great support network. We trade daily with trading lessons and mentoring by Dr. Cast. Members support each other during the sessions in the chat rooms and meet-up groups are forming in major cities across the country.
3. S&P E-Mini features and fundamentals include:
   - **Liquidity** - easy to sell out of position.
   - **Volume** - is the amount of a security that were traded during a given period of time.
   - **Volatility** - is a measure for variation of price of a financial instrument over time.
4. Easy to Understand.

The E-Minis make ideal beginner trading instruments for a variety of reasons including volume, liquidity, and volatility. Dr. V’s Day trading Academy and Delta Trading Group provide necessary network of like-minded people. Dr. V’s Delta 123 Turnaround trade is very simple and follows auction theory well.

Learn the Delta 123 Turnaround Trade with the trend.

“Take up one idea. Make that one idea your life – think of it, dream of it, live on that idea. Let the brain, muscles, nerves, every part of your body, be full of that idea, and just leave every other idea alone. This is the way to success”

– Swami Vivekananda
Price Action Trading

Over the past two decades Dr. Vance Cast has identified and developed a trading system that allows traders to avoid the years of education typically required at colleges and universities to understand the complexities of Day Trading. His system is easy to understand and is based on Price Action Trading of the S&P E-Mini Futures market.

Three Types of Analysis:

1. Fundamental Analysis — evaluates the overall condition of a company, its products, services, the value of their stock, etc. Also known as quantitative analysis it requires research and expertise in evaluating economic factors and the financial aspects of a company or financial market.

2. Technical Analysis — evaluates the history of the price and timeline of a stock or investment instrument. Investors and Traders use charts to graph out historical price.

3. Public Sentiment — is how people feel about a stock or financial market. It is said that the Public Sentiment trumps everything.

Price Action Trading is based on the price overtime and price movement of a stock or financial instrument. It is strictly Technical Analysis and therefore a trader does not have to do any research or try to measure Public Sentiment.

The S&P 500 is comprised of 500 companies and is used to measure public sentiment. There are 500 stocks in the portfolio. When people want to see how the economy is doing they look to the S&P 500. If the S&P is up they think the economy looks good. If the S&P is down they think things are going bad. We trade the S&P E-Mini Futures. Like the S&P 500, the E-Mini measures public sentiment.

By using Price Action Trading to trade the S&P E-Mini futures, we can use simple technical analysis. And because the S&P E-Mini already gauges public sentiment, we do not need to do any fundamental analysis or factor in public sentiment because it is all inclusive in the price.

The benefit of trading the S&P E-Mini in the futures market is that we can use Price Action Trading. So if you understand how an auction works and how price action works within an auction, then you can very easily trade and be very profitable without the cumbersome overhead that a lot of people use to complicate their trading.

Dr. Vance has spent 20 years removing the complexity in trading so traders can get down to the fundamentals. Your goal is to watch the price action and learn how the price action works in an auction environment.

“Price is what you pay. Value is what you get”

– Warren Buffet
Auction Theory & Indecision

Dr. Vance Cast hold his Ph.D in Organization and Management and has an expertise in Risk Homeostatic Theory. From his years of trading experience, Dr. Cast has developed the Delta 123 trade. One of the bedrock principles of the trade is “there are always indecision symbols associated with every price change.” Understanding how Price Action works in Auction theory is the key to entering a profitable trade.

What is Auction Theory:

In an auction you have two participants, the auctioneer who is asking for a price and the bidders who are determining if the item is worth the price being asked. As the price is supported by the bidders, the price of the item goes up and continues to go up until the bidders no longer want to pay the price for the item. Before the price reaches a point where it is rejected, the auctioneer will see signs of indecision. This is his indication that the item has reached its highest value, the bidding slows down and the item is sold.

In the marketplace each completed trade is negotiated between a buyer and a seller. There are participants who are asking for a certain price, and there are participants who are bidding for a certain price. When the participants come to an agreement the sale is made.

The price range is determined by the askers and the bidders. When the price is supported by the marketplace the price will go up until it is rejected and then the price will decrease to the point that the buyers support it again. Before every price change there are signs of indecision where the askers and bidders are haggling over the price.

As a day trader of E-Mini futures we make money both ways: when the price is going up and when the prices is going down. Understanding auction theory will help you to recognize indecision symbols that indicate a price change or the end of a trend.

Before every price change there is a symbol of indecision.

Not every indecision symbol indicates price change, but before every price change there are signals of indecision. As you become experienced you will learn to recognize them. It is our job to watch the price and watch for indecision symbols and recognize price changes.

If you understand auctions and the behavior of price action within the auction setting, then you have the foundation to be a successful trader.

It is our goal to recognize the end of short-term trend by recognizing indecision signals and symbols in the market.

“One of the funny things about the stock market is that every time one person buys, another sells, and both think they are astute”

– William Feather
Bulls & Bears

When you are dealing with the futures market you are either buying or selling a contract. When you buy a contract first you later sell the contract to complete your trade. With futures contracts, you don’t have to buy before you can sell. You can place a sell order on a contract and then later buy back to complete the trade.

There are two Types of Markets:

1. Bull Market — Buy (Long) If someone is expecting the price to increase over a given period of time, then we refer to it as a bull market. When you buy a contract you are set to go Long, or take the long position. That means that you are going to buy a contract and then sell the contract.

2. Bear Market — Sell (Short) If someone is expecting the price to decrease over a given period of time, then we refer to it as a bear market. When you sell a contract you are set to go Short, or take the short position. This means that you are going to sell a contract and then buy the contract.

There is a “beginning trader” mis-understanding that you have to own a stock before you can sell it. Because we are trading a futures contract in an auction setting, you can place a sell order (go short on the stock) and then buy back the stock to complete the order.

There is a common saying, “Bulls climb stairs while Bears fall out of windows.” This expression means that often a Bull market will stair step its way up while in a Bear Market the price will suddenly drop. Therefore the price action can move quicker in a Bear Market.

You can be profitable in both Bull or Bear markets if you follow the Delta 123 rules. Make sure to only trade when the market is trending. If the trend is flat or you can’t tell if it is trending… then it usually isn’t.

In this lesson you learned that a bull market refers to a market where the price action is on the rise and a bear market is one where the price action is declining or going down. Make it your goal to study the Price Action and identify when the bull is reaching the top of the stairs and be prepared for the bear to fall out the window.

*There is no training, classroom or otherwise, that can prepare for trading the last third of a move, whether it’s the end of a bull market or the end of a bear market.*

— Paul Tudor Jones
Installing TransAct

TransAct Futures is a brokerage firm that Delta Trading Group members use. They provide the data feed for the live action trading and the tools needed for placing trades. Because of the unique DTG teaching environment, Dr. Vance Cast has established special arrangements for members of Delta Trading Group.

**TransAct Futures:**
1. Provides the **Data Feed**
2. Provides the **Brokerage Account**
3. Provides the **Trading Ladder** (software) that allows us to place a trade

**TransAct Demo account** is **free for 30 days.** This will allow you to practice and learn for 30 days. After 30 days you must either fund your account or fund a simulator learning account (with a nominal monthly fee) so that you can continue to learn with a trading ladder and live data feeds.

TransAct Simulator Mode—iOnce you have funded your TransAct account, you do not have to start trading live. you can continue to practice and learn how to trade in SIMULATOR mode.

The difference between Demo, Sim and Live—Demo accounts are good for 30 days, Sim mode keeps track of trades but does not effect the money in your brokerage account. Live trading utilizes the money in your brokerage account and the balance of your account will be effected by your winning and losing trades.

The **TransAct Futures web site** is:  http://transactfutures.com

NOTE: When you open your brokerage account consider how you will fund the account. The name on the brokerage account must match the name on the bank account that is funding it. For example if you open up a Personal trading account (in just your name) you can not fund it from a Joint Account. If you open the account as a personal account, you can not fund it from a business account.

By using **TransAct** to trade the S&P E-Mini futures, you will have the advantage of trading on the same platform that the Delta Trading Academy is using, maximizing your learning experience and achieving success on your trades.

After watching the videos on how to download TransACT, watch the video on how to trade with TransACT.
TransAct Ladder — Making A Trade

The trading platform is often called a trading ladder because the prices are arranged like the rungs on a ladder.

Trading Fundamentals:

1. **Number of contracts**: Selecting an appropriate number of contracts is very important. Too many contracts may result in running out of daily limits or the amount of money the brokerage account will allow you to trade.
2. **Quick Click**: This is a very useful feature when placing a trade, but you may want to dis-engage it until you are ready to make a trade to limit accidental clicks on your trading ladder.
3. **Buy/Sell Buttons**: When placing a trade, make sure to click “Buy” if you are going Long, and to click “Sell” if you are going Short.
4. **Experiment with buttons in Demo or Simulator mode.**
5. **Find your style**: Like any other software package there are many ways of doing the same actions differently. Experiment and find what works the best for you.
6. **Practice, practice, practice.**

Do not start trading live until you have successfully placed trades in Demo or Simulated mode. If you have questions about what some of the buttons do, or the disadvantages to using buttons like reverse and flatten, ask the other DTG members in chat.

The benefit of practicing trades and building a track record in Demo or Sim Mode will be translated into a better understanding of the trading environment and will help you develop good trading habits prior to going live.

Make it your goal to become comfortable executing trades on your trading ladder. Do not rush in to premature live trading. The more experience you have executing the Delta 1-2-3, G4S3 trade and following the rules, the more successful you will be controlling your behavior when you go live.
Stops & Limits

From decades of trading experience, Dr. Vance Cast has developed a system that minimizes losses while maximizing gains. Based on the 60/40 premise that 60% of the time (if you stick to the rules) you should win a trade 40% of the time you will lose a trade, Dr. Vance Cast developed the G4/S3 methodology of trading.

A Simple Bracket Order:
1. Stop Loss — Is the price you are requesting to exit the trade. This is the point you stop from losing any more money. In the G4/S3 Trade you are limiting your lost to 3 points per contract. Because the trading ladder utilizes quarter points you will need to enter 12 (4 X 3 = 12).
2. Profit — Is the price you will also exit the trade with a gain of 4 points. This is also the Limit on your trading ladder (DOM). Your simple bracket should be set for 16 (4 X 4 = 16).
3. Brackets — Select Simple Bracket from the drop down menu.
4. Auto — Check the box so the ladder automatically places your stop and limits.

A Limit Order: Sets the maximum or minimum you are willing to enter a trade, buy or sells the price you are requesting to exit the trade.

The STOPS and LIMITS are on your computer only. When the market reaches your stop or limit price, your computer sends an order. If your trading ladder freezes for any reason: power outage, loss of Internet connection, low connectivity/download rate (around 1MB or less ), then your computer is NOT able to send a stop order to TransAct and you are vulnerable without limits or stops and you will not automatically exit out of your live trade.

If this happens, you must exit out of your TransAct trading platform and reopen it signing in again. This resets the frozen ladder but you may still be in a trade. The Flatten Button with close all trades. You may need to call TransAct and tell them to manually exit you from your trade.

Make a habit of hitting the Flatten Button when you close out each trading session. It will close any open orders.

Never execute a trade without a stop in place as you will be unprotected from losses. As you develop the habit of staying committed to your G4/S3 trade you will become a stronger trader and able to avoid the negative behaviors caused by fear and greed.

As a beginning trader you will practice using the simple bracket order and learn to successfully execute the G4/S3 trade. Although you will be tempted, do not move your stops.

“The Number one reason for losing a trade is setting your stops too close.”

– Dr. Vance Cast
Candlestick Basics

Candlesticks are the items that illuminate our trading charts. Japanese were the first to use candlesticks on trading charts and that is why you will often find Japanese names or terms associated with the elements.

What Candlesticks are used for?
Candlestick represents a time frame. On a 5-minute chart each candlestick represents a 5 minute time frame. On the 3-minute chart each candlestick represents a 3 minute period of time. On a daily chart, each candlestick represents each trading day. The candlestick does not tell the sequence of pricing events. Therefore, it is important to watch candlestick developed over time.

Candlestick gives four pieces of information for a given time frame:
1. Opening Price
2. Closing Price
3. High
4. Low

There are three main parts to a candlestick:

Upper Shadow (also called leg or wick): The vertical line between the candle body and the highest price action of that time frame.

Real Body: The difference between the open and close; colored portion of the candlestick (blue or green). If the close is lower than the open the real body is blue. The real body is green if the close is higher than the open.

Lower Shadow (also called leg or wick): The vertical line between the candle body and the lowest price action of that time frame.

Candlestick Shapes

There are five main candlestick shapes. In the Delta 1-2-3 Trade we are really only concerned with 2 of them.

1. Doji - is formed when the opening price and the closing price are equal. The Doji is a powerful candlestick formation, signifying indecision in the market.
2. Marubozu – is a candlestick with no or very little shadow.
3. Pin Bar - is a short-bodied candlestick with an elongated wick that 'sticks out' from the candlestick body. This is also a powerful clue for price action traders of potential reversals in the market.
4. Regular candlestick – is a candlestick with a body, and upper and lowers shadows.
5. Spinning top – is a candlestick with a short body found in the middle of two long wicks.
In the Delta 1-2-3 Trade we mainly utilize the Doji and Pin Bar as signs of indecision in the marketplace. Understanding the candlestick shapes and how they illuminate the chart will help you become a better day trader.

In your simulator experiment with 5-minute and 3-minute charts. Identify each of the candlestick shapes and see which time frame you are more comfortable trading in. Some people will have both charts displayed on the monitor. However, it is not encouraged you trade off of both charts. Doctor Vance recommends being consistent an either trading off the 5 minute chart or the 3 minute chart.

“Candlesticks are the items that illuminate our trading charts.”

– Doctor Vance Cast
Doji and Pin Bars

The lesson on the Doji and Pin Bars is combined because they basically represent the same thing and it is the most important concept in the Delta 1-2-3 trade. The Doji and the Pin Bar represent indecision in the marketplace. In other words, the market doesn't know if it wants to go up or down so it ends up at the same price (Doji), or nearly the same price (Pin Bar).

A Doji is a candlestick that has no real body color. It looks like a cross and is formed when the opening price and the closing price are the same price. A Pin Bar look like a Doji but there is a little bit of a price difference.

What is important is the length of the wick (also called the leg or shadow) The longer the wick of the Doji in one direction the more significant of a price rejection just took place and the more significant the indecision is in the marketplace.

**Doji Candlestick Patterns:**

- Common
- Star
- Long Wicked
- Dragonfly
- Gravestone

**Pin Bar Candlestick Patterns:**

- Hammer/Inverted Hammer
- Shooting Star
- Hanging Man

**Indecision represents the end of a short-term trend**

The stronger the price rejection the more likely that there will be a price movement in the opposite direction. However, just because you have a Doji or Pin Bar, doesn't necessary mean that the price will change.

On the chart there will be a colored line beneath the Doji or Pin Bar indicating the direction of the price rejection, if the price is rejected in an upward movement the line beneath the candlestick will be green. If the price is rejected in a downward movement the line above the candlestick will be blue.

**These Candlestick Patterns signal a trend reversal**

1. **Hammer Candlesticks** - This pattern is formed when a price moves significantly lower after the open, but the price is rejected. The resulting Pin Bar looks like a square lollipop with a long stick. After the rejection, we would be looking for the price to go up.

2. **Shooting Star Candlesticks** - This pattern forms when the price moves significantly higher after the open and then is rejected. The resulting Pin Bar looks like an upside-down lollipop. After the rejection, we would be looking for the price to go down.
Doji and Pin Bars cont.

**These candlestick patterns are often misinterpreted as reversals**

3. **Inverted Hammer candlesticks** - This pattern forms when a price moves significantly lower after the open, but the price is rejected up. We will expect that the price will continue down. This is not the pattern that we will utilized during our basic Delta123 trade. If the price is going down and we had a rejection of the price going up, we would ignore this signal.

4. **Hanging Man candlesticks** - This pattern forms when a price moves significantly higher after the open, but then the price was tested down and rejected, therefore we will expect the price to go up. This pattern also does not make sense.

When we see the Inverted Hammer and Hanging Man patterns we ignore them and do not take trades based on these patterns because we are looking for a trend change. In both of these patterns, the price rejection does not indicate a directional change.

Just because there is a Doji or Pin Bar it doesn’t necessarily mean that the trend will change, however before every price change you will see signs of indecision often displayed as either a Doji or Pin Bar.

Doji and Pin Bars are valuable tools when it comes to price action trading as they can indicate indecision and possible directional changes. By identifying indecision symbols and trend change patterns, you can maximize trade potential by getting in at the beginning of a trend change.

Make it your goal to review playbacks and practice identifying the Doji and Pin Bar patterns. Observe price action changes and reversals.

“Change is the law of life. And those who look only to the past or present are certain to miss the future.”

— John F. Kennedy
Double Bars

Double Bars are one of the two most important markers of indecision in price action trading. The reason the double Bar is so important is because it mimics the Doji.

Candlestick Patterns:
Candlestick patterns are made up of one or more candlesticks and can be blended together to form one candlestick that will indicate market indecision.

1. **Double Bars** are formed by two consecutive candle sticks that mirrored each in opposite directions. Just like a Doji, when the opening and the closing price are equal, the Double Bar forms over two time frames. A Blue Double Bar is formed when the last movement is down (bearish); a Green Double Bar is formed when the last movement is up (bullish).

On our trading charts we look for Green Double Bar with a green ball on the same candlestick, or Blue Double Bar with a Blue Ball on the same candlestick. On our charts the Double Bar will appear with a DB below the candlestick.

2. **Tweezer Pattern** takes place over an additional timeframe. The key difference between a Tweezer and a Double Bar is in the timing of these two formations. This pattern is formed by two mirror-imaged bars with an action in between them. The example depicts a green bar moving up followed by a Doji and a Blue Bar moving down. So a Tweezer pattern takes place over additional timeframes (three or four time frames).

3. **Candlestick Patterns Blending**— if you combine the blue and the green bars and they cancel each other, you come up with a giant Doji. Look at a series of bars and allow the colors to cancel them out to see how much indecision you have in the marketplace.

In the Delta 123 trade we consider Double Bars and Tweezers just as important as Dojis and Pin Bars. They are symbols of indecision and as you will recall, before every price action change there is a signal of indecision.

Successful Delta traders look for indecision signals to identify the end of a trend change and execute trades at the beginning of a trend for maximum profitability.

It can take several weeks to learn how to identify candlestick patterns. On our charts the easiest way to identify Double Bars is by looking for the DB. Learn to identify these valuable indecision symbols.

“I've never been able to plan my life. I just lurch from indecision to indecision.”

– Alan Rickman
Delta 123 Turnaround Trade

Doctor Vance Cast has spent many years developing the Delta 123 Trade. It is often called the Delta 123 Turnaround with the Trend trade because it utilizes the Turnaround signal as the indicator that there is a possible short term trend change.

What makes a good trade?
A good trade is Risk Adverse — the key to being successful in business is to manage risk.

What are the pitfalls of trading?
Typically traders use advanced signals to get in on trades while a trend is trending. The problem is they don’t know when a trend is going to end. It is impossible to know when a trend is going to end or when it is going to turn around on you. We do know one thing for sure and that is we have the best advantage if we get in on the trend as early as possible.

How do you get in on the beginning of a trend?
First you have to identify when the trend is going to end and we do that with the Auction Indecision Symbols.

Next you want to confirm the end of a trend and the beginning of a new price direction with a turnaround signal. The blue and green balls give us permission to trade. If you see a blue ball you sell and if you see a green ball you buy.

In Summary: The Auction Indecision Symbol tells you when a trend is ending and the Turnaround signal gives you confirmation that a new price direction or new trend is beginning. Together those two symbols represent the trade signal and give us permission to get into a trade.

The first two trade signals you use the most are the Doji / Pin Bar and Double Bar. The Pivot Point and the Turning Point are used less frequently because they are not as solid as of a turnaround signal but they do indicate when new decisions are being made.

Keep in mind that the Delta 123 Trade is with the trend. Make sure the turnaround signal matches the trend line color (a 90-minute EMA).
Determining the direction of the trend is the first item and the most important item in Step 3—managing the trade with risk money management principles.

a. **Is the signal after a pullback or retracement?** Prices usually do not just shoot straight up, they typically stair-step. You want to see a good pull back or “discount” on the price before entering a trade. The ideal retracement should be no less than 30% - 50%. A decent pull back usually provides a good target profit and a nice “non-cloudy stop”. To understand more about retracements watch the Retracement Concepts video (module 3.3)

b. **Is there is enough headroom?** Headroom is a price difference before the price fell back from its peak. The more headroom you have, typically the better profit you can get from a given trade. If there is too much headroom it could be a reversal. To understand more about headroom watch the Headroom video (module 2.4)

c. **Will the stop be in the clouds?** Price has a tendency to meander around and move back to where it was previously. With a G4S3 trade you set the target profit at + 4 points and a stop-loss of -3 points.

“Stops in the Clouds” means that (should the price move in the opposite direction of your trade – 3 it will fall in the previous price action zone. In order to determine if your stops are in the clouds, look to the left of the chart and count either up or down three in the opposite direction. If the stop is in the clouds there is a higher risk of being stopped out on your trade before it will go for a gain of +4. If your stop lands in the clouds, you might want to reevaluate your trade.

A good trade is risk-adverse. The key to successful trading is to manage your risk. The Delta 1-2-3 Turnaround Trade with the Trend, will help avoid the pitfalls of day trading.

Doctor V breaks down day trading complex concepts into simple terms. Delta 123 Turnaround with the trend trade consists of two main steps: 1. Indecision symbols will signal the end of the trend, followed by the step # 2, the turnaround signal that will indicate a trend reversal. Make sure the turnaround signal is with the trend and keep in mind the steps for managing your risk.

“To understand how to win, one should understand how to lose.”

– Doctor Vance Cast
DELTA 123 TURN AROUND (D123T) WITH TREND (90min EMA)

Three Elements make the Trade, like the three corners of the delta.

STEP 1. Auction Indecision Symbol that alerts trader to change in price direction (Doji, Pin Bar, Double Bar, Pivot Point, and Turning Point).

Auction Indecision Symbols

- Doji / Pinbar
- Double Bar
- Pivot Point
- Turning Point

STEP 2. Turnaround Signal (A ball that represents a change in power between the buyer and seller gives permission for trade)

Turnaround Signal (Permission to Trade)

- Down / Short / Sell
- Up / Long / Buy


- Direction of Trend
- Make trade after a pullback (Retracement - 30% - 50%)
- Note the headroom for the trade
  - Cloudy Stop?
  - Room for Target Profit?)

EMA Blue Longterm Down
EMA Gold Shortterm Down

EMA Green Longterm Up
EMA Gold Shortterm Up
Risk vs. Reward

Many People will tell you that you must take a lot of Risk in order to obtain a lot of Reward. We have been conditioned in our lives to think ‘The more Risk, the more Reward’. That simply is not true and it is not where we want to be. The Delta 123 Trade is specifically designed for **Low Risk & High Reward**.

**Risk Vs Reward:**

Day trading is a business, therefore you have to apply common business principles to your business. Like in any business, it is not the money that you make that will provide a profit, it is the money that you save. If your costs exceed your income, then you will lose money in the long run. Risk/reward mathematics consists of three components:

1. Probability of winning the trade that you are entering.
2. The amount of money that you stand to gain.
3. The amount of money you are willing to risk for that gain (losses).

Make sure that your gains are higher than your losses. The reason traders are not successful in the long run is because they will lose more money on their losing trades than they will win on their winning trades. The Delta 123 Trade, with its G4S3 has a Gain of 4 points and a risk of 3 points and is designed to put us in a position of Low Risk and High Reward.

These three scenarios describe different combination of the risk/reward components: probability, gain, and loss.

**Risk & Reward Math**

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<th>Trades</th>
<th>Gain</th>
<th>Loss</th>
<th>Risk</th>
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Your ability to apply the Risk vs Reward mathematics will determine your ability to be successful with a business of day trading. The Delta 123 Trade is successful and average or 60% of the time. You should learn to be comfortable with the 40% loss ration, as it is part of the equation. If you are trying to win every

*"The biggest risk is not taking any risk… In a world that changing really quickly, the only strategy that is guaranteed to fail is not taking risks."*

– Mark Zuckerberg
Simple Trends

Identifying if the market is trending up or down is one of the key elements to the Delta 1-2-3 trade. As a beginning Trader you need to KEEP IT SIMPLE. In this lesson you will learn about the two types of trend Lines: Long-term Moving Averages and Short-term Moving Averages. These lines represent the average price over a period of time. The Short term ‘EMA’ has less lag and is therefore more sensitive to recent prices and recent price changes. The ‘EMA’ Trend Lines are easy to spot because they are plotted on the chart and represented by different color lines.

Short-term or a 20-minute exponential moving average (EMA) is represented by a gold color line on our charts (#1 on the picture). If it has arrows – it is moving up, if it is smooth– then it is moving down. The moving average is a function of the price. Therefore, if the price is above the MA, it pulls the MA up. If the price below the MA, it pulls the MA down.

Long-term moving average or a 90-minute exponential moving average (EMA) represented by two colors: blue and green. If the 90-minute average is trending up it is represented by a green color line with arrows pointing up (#2 on the picture), if the 90-minute EMA is trending down – it is represented by a blue color line (#3 on the picture).

As you are building your track record with Delta 123 Turnaround trade always look for a long-term EMA. A rising long-term moving average (green line) reflects an uptrend. A falling long-term moving average (blue line) reflects a downtrend.

It is important to keep in mind that your price is not effected by the EMA. The moving average is a function of the price. The moving average also is not 100% accurate, but only has 10-15% variance. For more advanced traders there are other ways of identifying trends: You can use peaks and valleys to help you determine the trend. It is an uptrend when the price is making a series of higher highs (HH) and higher lows (HL). It is a downtrend when the price is making a series of lower highs (LH) and lower lows (LL). However, as a beginner day trader keep it simple. Follow the 90-minute EMA color lines to determine the direction of the trend.

As a beginner you will look to the Long-term EMA. The trend is your friend and it is best to trade in the direction of the trend. Think in Color: if the long-term EMA is blue- the trend is DOWN, if the long-term EMA is green - the trend is UP.

“The moving average is a function of the price.”

– Doctor Vance Cast
Headroom

Headroom is very important because it is the pocket where your money is made. It is not an exact science and you will get a feel for how much money is actually in play.

What is Headroom?

The headroom is the difference between the entry price and the precedent that has been set by a recent price. For example, if the price has been up 4 points from your entry point, then there is a 4-point headroom. In our G4/S3 trade we want to make sure to have at least 2 points of headroom to take the trade and make it profitable.

The headroom is often determined by the amount of retracements before the trade continues in the opposite direction. The strength of the retracement will also determine how much headroom you will have. The amount of headroom is subjective and is calculated by eye from your entry point and not where it began to turn around.

Look at the headroom in the relationship to the retracement. Typically the stronger the retracement the more room for profit. Be careful about taking trades with there isn’t at least 2 points of profit or during market all time high levels as there is not a precedent for the price going up enough to gain G4.

Practice on the simulator and become skilled at identifying how much headroom you should have. For G4S3 trade you should have at least two points headroom.

“Corporation: An ingenious device for obtaining profit without individual responsibility.”

– Ambrose Bierce
Ticker Rollover

E-Mini S&P 500, often abbreviated as “E-mini” and designated by the commodity ticker symbol ES, is a futures contract traded on the Chicago Mercantile Exchange’s Globex electronic trading platform. Every three months future contracts expire and we need to update our trading ladder with the new symbol.

E-mini S&P 500 ticker consists of several components:

2. Letter represents the expiration month of the contract. There are four different contracts each year. The ticker symbols begin with March quarterly cycle and each month is represented by a single letter. The contract months are March (H), June (M), September (U) and December (Z).
3. Year – expiration year last digit: 2014

Make sure you are using correct symbols on a given month. For example, a symbol ESZ4 tells us that the quarterly contract will expire during December 2014. Therefore, we will have a new ticker symbol (ESH5) to use during the month of December after the quarterly “roll over” date. Once the roll over commences, you will need to add the new ticker symbol to your TransAct trading ladder and delete the old symbols. Your Brokerage, TransAct, shall notify you of the roll over date. If you are using Ensign Charts, make sure to update the ticker symbols there as well.

Often when futures contracts are ready to roll over there is more volatility in the price action due to brokers shuffling money around. Discuss with other traders in the chat room their experiences with price action and be ready to take advantage and ride the range of change.

Make sure you are using the correct ticker symbols.

“Greed is the inventor of injustice as well as the current enforcer.”

– Julian Casablancas
Intermediate Trending

One of Dr. Cast’s favorite questions to ask traders is “what are the two things the market can do?” Most new traders usually answer, “the market either goes up or it goes down.” and although that is true, the answer that Doc is looking for is a little more broad and stated in this video.

What are the two things the market can do?

1. Consolidates — When the market is trading within a temporary price range. Consolidation ranges can be small or large. Delta Traders typically do not want to trade during consolidation.

2. Trends—If the price action is not in consolidation… it is trending and generally you can determine the direction of the trend by looking at the 90 minute EMA.

Trades during consolidation are risky because the direction of the price action is harder to gauge. There are advanced techniques for trading during consolidation that you will learn in the advanced classes. Beginning traders should not trade during consolidation as the Delta 1-2-3 trade requires for there to be a clear trend.

Observe when price enters into consolidation and recognize that the advantage is taken away from you and you start incurring more risk. Trading during consolidation is time consuming and you will experience more heartaches.

Learn how to identify consolidations and look for breakouts. Respect the consolidation. Remember that we are dealing with an auction and consolidation is the “comfort zone” of the buyers and sellers. The breakout will determine if there is a continuance of the trend or a reversal. There are techniques for trading in and out of consolidation that you will learn in the advanced classes.

“You don’t concentrate on risks, you concentrate on results. No risk is too great to prevent the necessary job from getting done.”

— Chuck Yeager
Gambler Mentality

A gambling mentality and stock market trading can be a disastrous combination. New traders and experienced traders can get caught up in the “Gambler Mentality” without realizing it unless they learn to recognize the signs and symptoms. Avoiding such behavior is a big key to successful trading. Wilson Mizner said, “Gambling is the sure way of getting nothing for something.”

When is it a good time to leave a Casino?
If you are winning, then you want to continue wining and stay longer to make more money. If you are losing, you want to stay and try to make up your losses. What if you broke even? Again, you would want stay and continue to gamble. There is never a good time to leave the casino.

Stock market traders may find themselves in a similar scenario and end up doing the same thing.

In day trading, knowing when to get into a trade is important but it is only a small piece of the equation. The important part of a successful trade is knowing when to get out of the trade. If you have a gambler mentality, there is never a good time to get out of the trade.

Gambler mentality will affect you financially and psychologically:
1. In order to be successful you must have a positive attitude and be confident in your position. You want to enter a trade with confidence and commitment. Don’t make trades when you are not willing to risk your S3. When you exit trades before waiting it out to get your G4, you develop a habit of breaking your commitments.

2. The Gambler mentality will destroy you. If you find yourself losing trades, you begin losing your confidence and doubting if the system works. You start deviating from the system and making up new rules. You stray from the basics and develop more bad habits as a losing trader.

It is important for a day trader to admit that the battleground is not the market, but within themselves? You need to learn to control your behavior and stay committed in your trading. The Delta123 Turnaround Trade has a 60-70% probability of success. Even if the trade does not work out, continue to build your track record and build confidence.

Don’t get caught in a gambler’s mentality. Follow the rules, build your track record, and stay committed in your trades.

“The market is made by the mind of man, and all the fluctuations of the market and all the various stocks should be studied as if they were the result of one man’s operations.”

– Richard Wyckoff
Retracement Concepts

Our Delta 123 Turnaround with the Trend is our basic trade and identifying the trend is a major component of the trade.

A Retracement is a temporary price reversal that takes place within a larger trend.

A Trend Reversal is a pull back in price that changes the long term trend. In our Delta 123 trade it is based on the 90-minute EMA.

Retracement Or Reversal: That is the question???
As a rule of thumb, we look for a retracement between 30-50%. That is usually a good indicator that it is a retracement.

Often retracements that exceed 50% become trend reversals. Losing traders enter trades thinking they are retracements and end up getting stopped out by the time they can identify the pull back as a trend reversal.

The market never moves in a straight line. It goes up, it pulls back, and it goes up again. Time after time the process repeats itself.

Always before a retracement, there is a sign of indecision (Doji Pin Bar, Double Bar, a Pivot Point or a Turning Point.)

Fibonacci Retracements
The mathematician Fibonacci identified classic patterns that occur in nature and we can see the patterns in everything around us... including the stock market. They are excellent tools for calculating the scope of a retracement. The classic Fibonacci Retracements happen at 38.2%, 50%, and 61.8%.

By accurately identifying the market movement as a retracement or price reversal you can limit your losses and preserve your gains. It will help you identify good trades and keep you from entering bad trades.

Learn to be patient with pull backs and retracements. Overtime as you watch the price action you will begin identifying patterns. Make it your goal to get in on trades only after a retracement or “discount on the price”.

“When it is obvious that the goals cannot be reached, don’t adjust the goals, adjust the action steps.”

– Confucius
Fibonacci Basics

Fibonacci levels are a popular way to identify retracements. On our charts we use Larry Pesavento’s Fibonacci levels for retracements.

**Fibonacci Basics:**
Fibonacci analysis is based on a series of numbers developed by Italian mathematician Leonardo Pisano (also known as Leonardo Pisano or Fibonacci) in the 12th century.

By definition, the first two numbers in the Fibonacci sequence are 1 and 1, or 0 and 1, depending on the chosen starting point of the sequence, and each subsequent number is the sum of the previous two. 1, 1, 2, 3, 5, 8, 13, 21, 34

The sequence appears in biological settings, such as branching in trees, the arrangement of leaves on a stem, the fruit sprouts of a pineapple, the flowering of an artichoke, and the arrangement of a pine cone.

**Fibonacci sequence (FiBs)** helps identifying whether the trade is a retracement or a reversal. The sequences appear at 38.2%, 50%, and 61.8%. In our technical analysis we look for candlestick patterns to develop at the 38.2% area. If you do not see any signs of a reversal, then it may go down to the 50% area.

Look for a reversal there. If the retracement goes beyond Fibonacci level, it might be a signal of reversal. What if we have the candlestick patterns developed at 65%? As the 5-minute candlestick develops your actual entry point will be higher, around 30-50%.

For the most part, price retracements hang around the 38.2%, 50.0% and 61.8% Fib level before continuing the overall trend. If the price passes these levels, it may signal a trend reversal. As you have figured out by now, nothing is certain, but paying attention to the “Fibs” is a good way to get a heads-up on the action.

Develop an eye for gauging retracements. As you have already learned identifying pull back levels is the key to entering winning trades.
Fear & Greed

The emotions in trading that have a negative impact on results are greed and fear. The image below depicts the emotional roller coaster when the greed drives people to buy at the top of the market, and fear of losing drives them to sell at the bottom of the market. And the up and down cycle continues.

Fear of losing leads to further losing. This behavior ultimately turns a profitable strategy into a losing one, because the trader reduces the amount of winning trades and/or reduces the profit overall because of fear of losing.

Greed is the fear of not attaining something that you want to attain. Greed results in trying to take too much profit and ends up with less. When a trader experiences greed, it means they try to go for too much profit and deviate from their strategy.

What do we do about Fear and Greed?

There is a saying in psychology: “What you resist persists.” If you are consciously trying to get rid of fear and greed, then there is a higher chance you fall for it. Acknowledge that you have fear and greed, but curtail your behavior.

When you engage in behaviors that support your initial commitment, then you have positive feelings about your outcomes, thus less fear and less greed. The more positive the outcomes become, the better you can engage in positive behaviors.

You can’t control your emotions, but you can control your behavior as a result of those emotions. Focus on positive behavior. Develop discipline to stay committed to your trade and keep to the G4S3 strategy.

“Be fearful when others are greedy and be greedy when others are fearful.”

– Warren Buffett
Turnaround Signal

Often during our live trading sessions, Dr. Vance Cast will turn off all the trade indicators including the balls and trend lines. He does this because with practice the 123 Turnaround Signal is an easy price action pattern to spot, and he wants us to develop our ability to identify the turnaround patterns even without a blue or green ball.

Three Components of the Delta 123 Trade:

1. **Auction indecision signals**—Doji/Pinbar, Double Bars, Pivot Point, and Turning Point identify the end of a trend.

2. **Turnaround Signal** — Green/Blue Balls are the 123 reversal signals identifying that a new short term trend is developing in the opposite decision.

3. **Trend** direction of the 90-minute EMA.

Where do the Blue and Green Balls come from?
The balls typically occur after a classic 123 Candlestick Pattern. In this fundamental pattern there are three candlesticks.

**Blue Turnaround** (Short Position) is developed by two UP candlesticks, followed by a DOWN candlestick. The wick on the middle candlestick is higher than the first and the third bars. This is how a Blue Ball is developed and it indicates the beginning of a short term reversal in the down direction.

**Green Turnaround** (Long position) has two DOWN candlesticks followed by an UP candlestick. The wick on the middle candlestick is lower than the first and the third bars. This is how a Green Ball is developed and it indicates the beginning of the short term reversal in the up direction.

Because identifying the classic 123 Turnaround Signal can be difficult to spot, Dr. Cast has programmed the signal to appear in our charts as Green Balls and Blue Balls. These signals give us permission to make a trade.

Not every ball indicates that there is a Delta 123 Trade. Learn to identify The 123 Turnaround Signals and follow the rules to evaluate Pullback, Headroom and Cloudy Stops before making a trade.

“Reverse every natural instinct and do the opposite of what you are inclined to do, and you will probably come very close to having a perfect golf swing.”

— Ben Hogan
Risk Management Paradigm

The Dice Analogy is one of Doctor Vance Cast’s favorite analogies to teach Risk Management and the paradigm shift needed to become a successful trader. He says it is the Secret of Day Trading Professionals.

**Dice Game Analogy**

When playing a dice game with a 6 sided piece, the following odds apply:

- The odds of rolling a 6 is 1/6 or (.16667)
- The odds of rolling anything other than a 6 is 5/6 or (.83333)
- The odds of rolling either a 6 or a 1 is 2/6, or (.33333)
- The odds of rolling anything other than a 6 or a 1 is 4/6, or (.66667)

**Scenario #1** — Would you take this bet?

- If you roll a 6 you will receive $1.00
- If you roll anything else you lose $1.00

Obviously the answer is “no”. This is a crazy bet. If you roll 100 times the odds say:

- You would win $16.66 (we arrived at this number by multiplying 100 X .16667)
- You would lose $83.55
- Your net loss would be $66.67… not so good for you

**Scenario #2** — Would you take this bet?

Keep in mind the odds of winning a roll are the same, but the payout has changed

- If you roll a 6 you will receive $9.00
- If you roll anything else you lose $1.00

In this case, your obvious answer is “yes” because for every 100 rolls:

- You would win $150 (we arrived at this number by multiplying $9 X 100 X .16667)
- You would lose $83.33
- Your net gain would be $66.67… very nice returns on the odds

**But Wait!** — Introduce another variable

1. Let’s say you only have $5.00 in your pocket
2. You haven’t eaten for days

Now would you risk your $5 in dinner money for the possible gains?

The fact is that you can’t afford to roll enough times for the 1 in 6 odds to even out. So it may be wise to not bet until your bank roll can afford the balancing odds. In statistics will call that balance the “normal distribution. It is described as a bell curve.

With the additional variable of reduced capital (increased risk) we evaluate the scenario through the eyes of risk and determine the risk outweighs the reward.
**Scenario #3** — We increase the odds of winning but we reduce the payout

- If you roll a 6 or a 1 you will receive $4.50
- If you roll anything else you lose $1.25

Before you determine your answer… Keep in mind risk and reward. If you roll 100 times the odds say:

- You will win $150 (we arrived at this number by multiplying 100 X .33333)
- You will lose $83.33 (1.25 X 100 X .66667)

Wow! So it turns out that the amount of money you would win is both scenario #2 and #3 are the same. But which scenario is better? The answer isn’t obvious until you apply the Secret of risk management.

All too often day traders see scenarios that look the same because they are looking from the perspective of “what can I win” rather that from the perspective of “what can I lose.”

The answer is: If you have unlimited funds and given unlimited rolls, each of the scenarios are exactly the same. However keep in mind that scenario 2 will potentially have many more losers in a row before the odds even out to what they are supposed to be.

Scenario 3 you have less potential to have as many losers in a row than scenario 2. Therefore, it is much more affordable and the risk of losing your bank roll is substantially reduced.

The purpose for the dice analogy is to illustrate the thought process that needs to occur to be a successful day trader. In this analogy you evaluate risk vs. reward and the element of risk that your pocket can afford.

The dice game is just one example to illustrate how a defensive perspective is needed to understand risk management. In real live day trading you need a good money management methodology and a mentor to show you all the application of risk management and how to be successful.

To be a winning day trader you must learn to think defensively. The average day trader needs to understand how many losses they can endure before winning trades can win out.

“The losing trader asks ‘what can I win’… the winning trader asks ‘what can I lose’.”

– Larry Pesavento
Cloudy Stops

A big part of the Delta 123 money management section is evaluating “is the stop in the clouds?” This is because there is more risk involved in taking trades with Cloudy Stops. Because of the way price action moves in an auction setting, you have a higher probability of getting stopped out before you gain 4 points.

Stops in the Clouds
After a ball appears with the trend, consider where your entry point could be for the trade. In the case of a Green Ball with the trend, count down 3 points for an S3 trade. Look back to the left and see if the stop lands within the recent price action.

If so, then the stop is “in the clouds”.

Cloudy Stop Options:
1. Stay out of the trade
2. Move your stop in the negative direction from the clouds- possibly trade G4/S4/G4S5 trade. But this introduces the risk of losing more money.
3. Downgrade the trade from a 60/40 and risk less money

Keep your stops out of the clouds, as it ads risk. Know where your stops are going to land BEFORE you make the trade.

Practice Situational Awareness. Avoid trades where the stops are in the clouds as you have a higher probability of getting stopped out.

“Risk comes from not knowing what you’re doing.”

– Warren Buffet
Trailing Stops

Dr. Vance Cast talks about trailing stops in the Boot Camp because sometimes during the Live Action Trading Sessions he will move his stop or you will hear about other traders trailing their stops, however… he does not recommend beginning traders to start moving their stops until they have successfully mastered the Delta 123 G4/S3 trade.

**Trailing Stop** is when you move your stop as the price moves up or down. This is done to protect against a loss if the price action moves quickly in the other direction.

For example if you place a G4S3 Buy trade and the price moves in your direction up 2 points, a trader could move their stop up to 1/2 a point above their entry price to guarantee (should the price move in the other direction) they would have 1/2 point profit.

Traders using large quantities of contracts often trail their stops as a risk management technique. For example 20 contracts guaranteed 1/2 point is still $500 profit as opposed to a potential $3,000 loss on a G4/S3 trade.

Trailing stops is an advanced trading technique. We move our stops not to protect gains but to protect against large losses. Beginning traders do not understand the difference between the two. Don’t start moving your stops until you do understand the difference and why it is important to trade from a risk management position.

A losing trader asks, “how much an I make?” A winning trader asks, “how much can I lose?” The number one reason for losing a trade is setting your stop too close.

Practice trailing stops in SIM mode only after several weeks or several months of developing a track record trading the G4/S3 or the G2/S2 trades. You will notice that you will get stopped out more often and will limit your profitability if you had just stayed in for your G4 or G2.

“If you are not willing to risk the unusual, you will have to settle for the ordinary.”

– Jim Rohn
Controlling Emotions

Day Trading can be an emotional rollercoaster. When you lose a trade, you can become upset and very negative. You can take the loss personally… especially in your wallet. When you win a trade you become elated, not just because you succeeded but because you feel like you have taken control over your environment. You have mastered the market.

1. It’s not your environment that gives you the good or bad emotions, it’s how you think about it
2. Any kind of circumstance can be viewed any way you want
3. A negative thing can actually have a positive result
4. Taking things and internalizing them because you feel like you don’t have control over them can turn a possible good emotion into a negative emotion

Don’t try to control your emotions just acknowledge that your emotions are just the way you chose to react to a certain stimulus in your environment.

Don’t try to change your emotions, just allow your emotions to change themselves over a course of time as you learn to control your behavior and your reaction to that emotion.

Anytime you have emotion and you have a negative reaction to the emotion you will build more negative emotions around that type of event.

You can’t control losing some trades but you can control how you react to losing a trade. If you have a negative reaction to the negative emotion you will make poor trading decisions and reinforce a losing trader mentality.

Don’t internalize a bad trade. Don’t ask yourself why a trade went bad. Don’t start looking for other variables or things that you think may effect the market. You don’t want to get in the habit of looking for reasons why a trade failed. You only want to look to see if you stuck to the rules.

The DTG rules are statistically based and give you a 60/40 advantage in trading. Acknowledge that you may lose 40% of your trades, but because of the G4S3 strategy, even when losing 40% you should still maintain a net positive result.

Become more consistent and more mature in the way you react to whatever is happening in the market place or whatever the outcome is of your trade. Keep your commitments in trading. So rather than trying to control your emotions, learn to control your behavior. Don’t follow-up bad trades with bad decisions.

“There is nothing either good or bad, but thinking makes it so.”

– William Shakespear
Developing Your Own Trading Style

When you look at a baseball team there are 9 players on the field and everyone one of those players is playing the same game. They all learn the same fundamentals of the game and do the same exercises to be fit and play the game, but each of them plays a different position. The position they play is determined by their individual strengths and abilities.

Just like the players in the game of baseball, each trader has their unique strengths, abilities and opportunities.

How to Develop Your Trading Style

1. Make sure you develop the basic trade fundamentals.
2. Learn the discipline of staying in your G4S3 trade
3. Develop good risk management and money management skills
4. Don’t over analyze your trades
5. Don’t over analyze your position
6. Don’t chase trades
7. Don’t be afraid to develop your own style
8. Develop your own feel and way of looking at a trade
9. Develop your own way of entering and exiting a trade
10. Don’t take things too literal, just follow the rules

With practice and over time, you will develop your own way of trading. You will evaluate your likes and dislikes and develop a trading plan that works with your schedule and unique style of trading. You may become an early morning trader, or an opening bell trader. You may like afternoon trading or overnight trading with the European markets.

Remember to practice in Sim mode while developing your style and experimenting with different trading opportunities. Do not practice with LIVE money.

Talk with other successful traders about their trading style; the hours they trade, how the enter and exit their trades and more. Experiment and practice their techniques in SIM mode to see if they work well with your preferences.

Like the field of medicine, some people become general practitioners while others become brain surgeons. As you continue to strengthen and condition your trading fundamentals in the Delta 123 trade you will discover and developed your unique trading style.

“It’s good to keep in mind that prominence is always a mix of hard work, eloquence in your practice, good timing and fortuitous social relations. Everything can’t be personalized.”

– Barbara Kruger
Retraining Your Trading Brain

Dr. Vance Casts likes to use the YouTube Video “The Backwards Brain Bicycle” to illustrate how learning to day trade is a lot like learning to ride a backwards bicycle. As we get older our brains become less malleable because we have ingrained our biases into our neural pathways. Through continual reinforcement, we have programmed our brains to look at things in a certain way and we have developed patterns of behavior as a result of those perceptions.

Every time you perform a behavior you are reinforcing the cognition and paradigm behind it. Like a stream, the more water that travels down the path of the stream, the deeper and stronger the channel becomes. These deep neural pathways can become impossible to alter. The only solution is to create a new channel, and retrain your trading brain.

Lessons from the video

1. Knowledge is not understanding—knowing the trading rules does not automatically translate into understanding and following the rules.
2. Once you have a rigid thinking in your brain you can’t change that… even if you want to.
3. The only way to retrain your brain is to create new neural pathways and learn a new thought process.
4. Children can learn things faster than adults because their thinking is not as ridged—like learning a language the best time to learn is as a child.
5. Truth is truth no matter how you look at things.
6. You can not free your brain from a bias, you can only retrain that bias.

Tools for Retraining

1. The more face-time (practice) you devote to developing discipline—the faster and stronger you will develop the neural pathways to execute the Delta 123 trade. Develop your track record!
2. People mistakenly think they can try a trick or add a technique to bypass acquiring discipline
3. Maintain realistic expectations, just like it took Dustin 9 months to relearn how to ride the bike, it usually takes 1 year for traders to adopt the paradigm shift and view things from a new trading angle.
4. Accept the fact that you will make mistakes while you are retraining your brain, don’t get frustrated with yourself. If you try to cheat the process by “taking the easy way out” or try to turn your trading into a “get rich quick scheme” you will only delay the process to becoming a successful trader.
5. Don’t create more rules for yourself or try to adopt special tricks like crossing your arms to learn to ride the backwards bicycle.
6. Keep reinforcing your thought paradigm through proper behavior… stay committed to your G4/S3 trades and don’t enter a trade unless you are prepared to stay committed.
7. Don’t strengthen and develop bad neural pathways by reinforcing them with bad habits. It will only create more work for you to have to overcome in the future.

Traders freak out when they switch from Sim Trading to trading live money because they haven’t successfully reprogrammed their mind to overcome the emotions associated with dealing with real money. Traders who haven’t retrained their brain often succumb to fear and greed.

Learning Price Action Trading is like learning a new language. As adults because our neural pathways are so strongly etched by our native language, we learn new languages through translating the words into our native language, while children can learn languages through application and experience. Think like a child.

“You can not solve a discipline problem with a technical answer or procedure”

   – Dr. Vance Cast

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Masters Class - Retraining Your Trading Brain