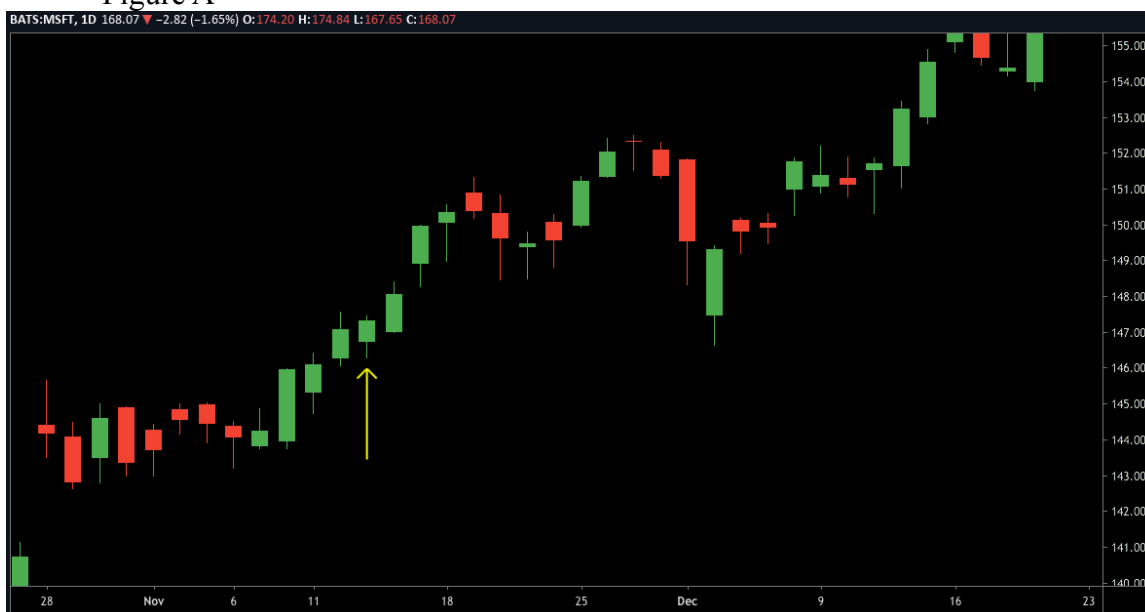


Inside Day Set up

Trading an inside day set can be a very high probability set up with a defined buy price point as well as a defined stop. This set up can work for any experience level, as well as work for trading stock alone, or trading stock options. The best part of an inside day set up is that the consolidated price action tends to lead to a large, quick movement in price, leading to a very quick and large profit.

An inside day is defined by the price range of a given day is inside the range of the prior day. There is no new daily low, as well as no new daily high. In Figure A – the Candle with the arrow pointing to it is within the prior days range.

Figure A -



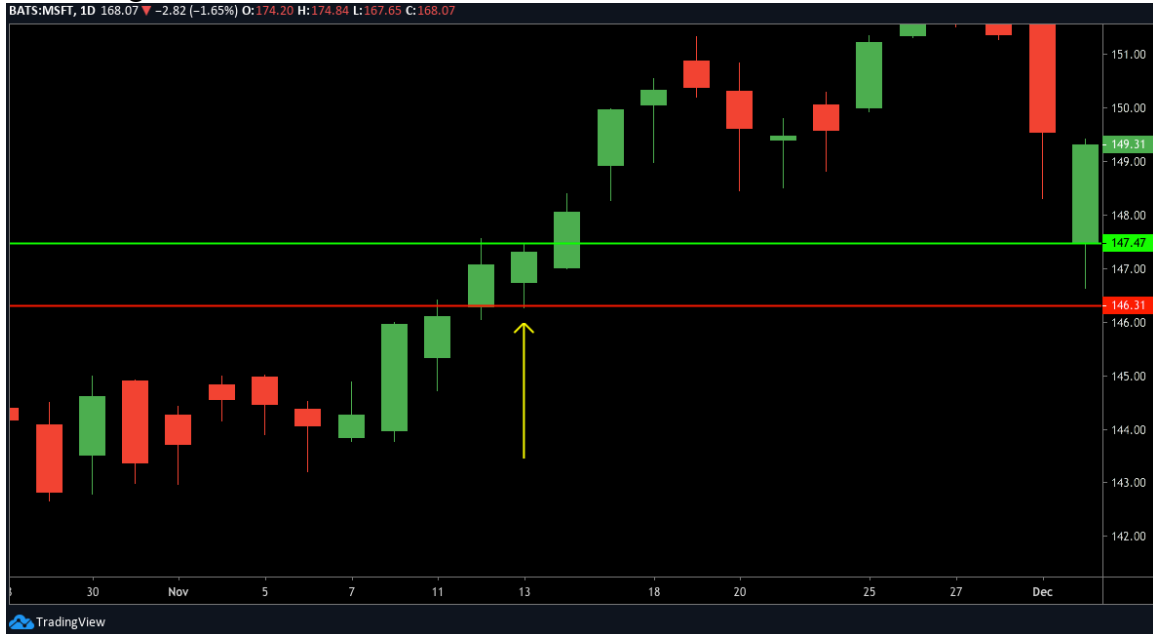
Once an Inside Day forms, you can take the trade in one of two ways (See Figure B)

To take the trade Long – wait for a simple break over the inside days high (Green Line) Use the Red line as a stop loss.

To Take the trade Short – Wait for a simple break over the inside days Low (Red Line) Use the Green Line as a stop loss.

In Figure B – You can see this trade gave almost a 4 Point move within 4 days. Profits of course can be taken anytime in a trade like this. If you a swing trader, you could have held this trade for 4 days. On day 5, a daily low was taken out, which would be a good place to stop this trade.

Figure B -



Inside day patterns work extremely well for day trading. If you are looking to make a longer term investment or trade, you can change time frames. Inside weeks or inside months can also lead to huge breakouts over a longer period of time. By taking a trade with more time, you can average out some of the day to day price fluctuations the market can serve up, and focus on your target price.

Inside Week Patterns work exactly the same way. As you can see in figure C – you would approach this trade by going long over the green line, or going short over the red line. You use the opposite line as a stop. This trade would have started with the break of the green line – and you could swing as long each weekly candle did not take out a prior weeks low.

Figure C -



In figure C – the trade looks pretty easy, giant green candle, followed by another green candle the next week – a \$14 point move. Figure D shows the same trade – but in a lower time frame (daily view) the white box symbolizes the same weekly candle that broke out of the inside range. As you can see, the original breakout didn't happen for 2 days. The following 2 days were red. The next week started with two huge green candles. No reason to cut this trade by looking day to day. Weekly candles are king

Figure D -



In closing, the inside candle pattern is a very easy to execute trade, that can lead to a large profit in a quick amount of time. It is very important to study the same chart on multiple time frames, but always trade your style. Inside candle patterns work on all time frames, and can be very effective in managing a day trade on a 15 minute, 30 minutes, or 60 minute chart.