

TV-Trades.com



How to Trail Stops and Manage Risk

Introduction to Trailing Stops

Trailing a stop to maximize profit potential is more than just deciding ahead of time how much to move your stop on every opportunity. Many traders have observed how Michael trails his stop while trading and may wonder about the methodology behind it. Although it may seem random at times, there is a structured approach based on market conditions.

Understanding TV-Trades Entry Points

The **TV-Trades Entry points** are highly accurate, allowing traders to predict expected trade outcomes based on market conditions. This accuracy is key in determining whether the **risk/reward** is worth it and plays a role in the different methods of trailing stops.

With the latest **Optimized TV-Trades Trigger** and **TV-Trades Indicator Labels**, traders can immediately see market follow-through on any timeframe. If a **4-tick range bar** (Pic 1) is providing only **3 or fewer ticks** in past trades, it may be beneficial to switch to a different timeframe to optimize the risk/reward scenario (Pic 2).



pic1



pic2

Choosing the Right Market Conditions

Before deciding how to trail stops, traders must determine whether the market is **choppy or trending**:

- **Trending markets:** Prices move consistently in one direction.
- **Choppy markets:** Prices fluctuate within a range with unpredictable movements.

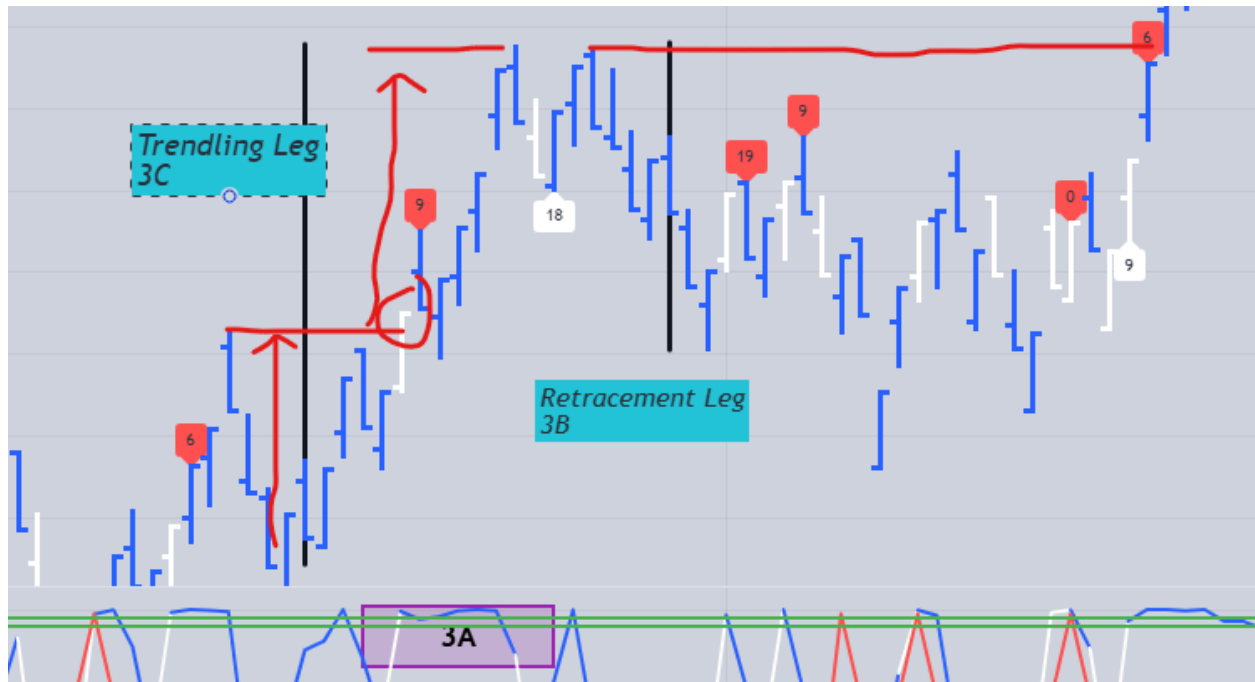
TV-Trades works effectively in both market types! However, the method of trailing stops differs.

Trailing Stops in Trending Markets

In a trending market, the **TV-Trades Trigger** often encounters 'flat spots' before the countertrend phase (Pic 3a). The target of the counter trend trade should be **half the length of the trend leg**, meaning traders should employ a **break-even** strategy and expect only **50% retracement** of the trend leg (Pic 3b).

How to Trail Stops in a Trend:

1. **Set a break-even stop** after initial movement.
2. Once the trade reaches **50% of the trend length**, adjust the stop closer to price to secure profits (Pic 3c).
3. Incrementally adjust the stop as price moves:
 - If the expected **leg length is 12 ticks**, trail as follows:
 - **BE +4**, then **move to +8**, then **+10** once price reaches the 12th tick.
 - If price **breaks the 12th tick**, consider loosening the trail to allow for a full **100% retracement**.



Pic 3

For trend-length moves (e.g., 24 ticks), traders should:

- Move to break-even first.
- Allow price to reach the **prior swing high** before locking in most profits.
- If price breaks through resistance, look for the **initial leg to repeat** and hit the target.(Pic 3C)

Trailing Stops in Choppy Markets

For years, traders avoided **choppy markets** because they led to frequent stop-outs. However, the **Optimized TV-Trades Trigger** enables traders to capitalize on chop rather than avoid it.

Three Types of Chop:

1. **Bugle Chop:** Characterized by higher highs and lower lows (Pic 4.). Hard to predict retracements and difficult to discern target so use tight stops.



Pic 4

2. **Triangle Chop:** Movements become progressively smaller (Pic 5). Examine risk/reward before entering a trade because it gets tighter and tighter.

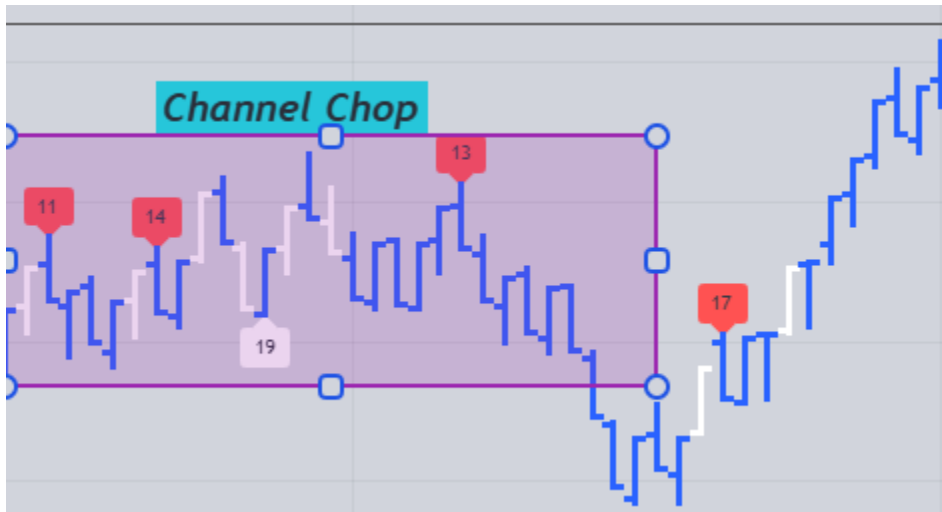


Pic 5

3. **Channel Chop:** The best chop to trade! Prices remain within a clear range, making it easier to set stops. (Pic 6.)

How to Trade Channel Chop:

- **Set stops to break-even quickly.**
- **Place targets at the top or bottom of the channel.**
- Continue trading within the channel until the market trends again.



Pic 6.

Final Thoughts on Stop Management

Trailing stops may appear fluid or random, but they follow a structured approach based on market conditions. If you find yourself **hoping** for a price move instead of **planning** for it, step away and reassess. Trading requires **a structured plan**—not guesswork.

If you use **TV-Trades** or other trading methods like **TIQ**, you have an **edge**. Your success depends on how effectively you **employ that edge**. With the new **TV-Trades Indicator Labels**, you can monitor market movement in real-time and make informed decisions every moment you are trading.

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