

We had been able to encapsulate the "erratic chop pullback noise" into one simple horizontal line... make her a series of simple signal lines that will not whipsaw and create a straight forward superb timing definition of unparallel performance...

The next step will be showing you a lot of different examples on this and after that we will address the closing positions issues on stops and exits...

Also further in I will present the most "shurefoots" trades as the iconic vma rainbow setup and the super strength trend vma rainbow setup... I assume we have a long way yet to get there....

Should I add this is all research at this point, so feel free to interact...

Hope so far things can be understood, (sorry for my english) please feel free to make questions.. thanks Walter.

## Closing Positions

This includes :

- Stops
- Exits

I always consider this topic more individual, thought to really make a system we must actually include how are we going to close our trades...

but why more individual ? because believe it or not closing a position is where you can see the traders personality, you can see how much tolerance he has to certain type of risks, from his \$ amount on acct, his psyche and his character (patience, faith, optimism, etc)... its quiet subjective a traders profile in this arena... but anyway its good to have one good clear TECHNICAL criteria to stick too and trade by the rule...

I want to make clear that at this point this thread still is on a research process, which means I am still open to modifications...

What I will present here in terms of exit methods its what has until now pleased me the most... but by no means this can be the best way of exiting...

Remember that I am very biased to make \$20 per contract/ week on a consistent basis... so that really has some impact on my exit systems...

I think today Momentum has made some advances of how we can read an exit... its pure logic... the inverse movement has to be taken into acct here...

Now remember when we talked about expansion/contraction ? well if your trade will succeed, she actually needs expansion to happen... so contraction after that will be the sign that she is probably over...

Now let me give a word on RRR (Risk Reward Ratio )... this is the backbone of trading... it is the reason you can take relaxed stops... so the ideal trade is one that actually takes good profits...

Don't get me wrong when I say that I aim \$20 contract/week, this doesn't mean that I will limit my profit potential... its more of a business target that organizes my vision of my trading... so letting a winning trade keep running its not conditioned by my fixed target... yes it affects which trades I take, and which trades I simply don't take... I like more the "shurefoots" which we will talk later...

so I will take some coffee and continue on next post... cheers Walter.

So lets first talk about \_Exits ... that is from a successful trade...

I am more of a scalper minded... so I like to lock in some good profits when they are there...

Now taking an exit I am convinced its directly related to momentum conditions and here comes into play the traders discretionary reading of momentum and his experience in sensing this..

The first basic exit criteria is when the bar gets inside the rainbow crossing the black line... lets call that the "scalper exit"... its the most sensitive and fastest exit, normally leaving a lot of money on the table, but it can be usefull when we sense there is not much momentum in the market..

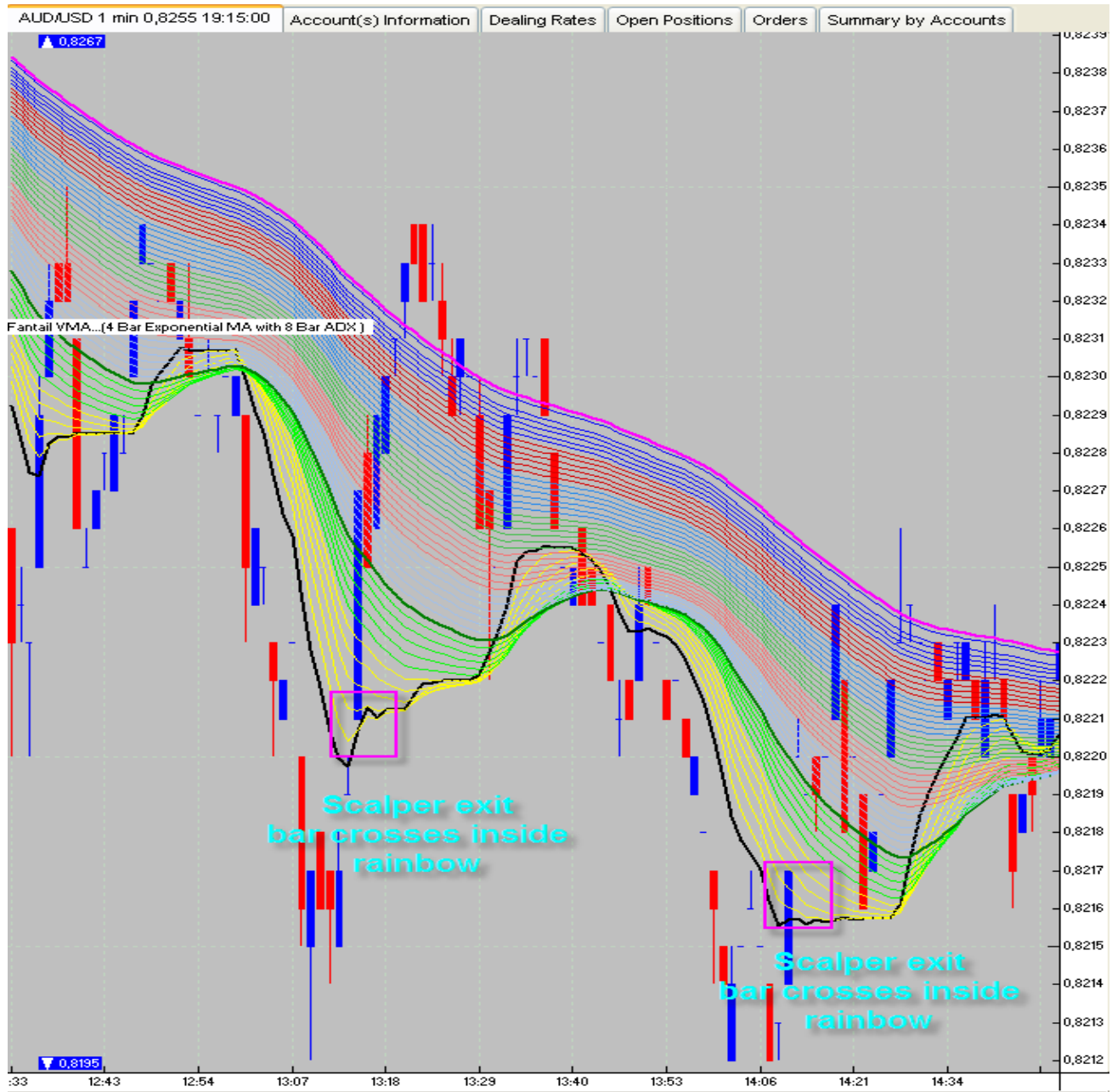
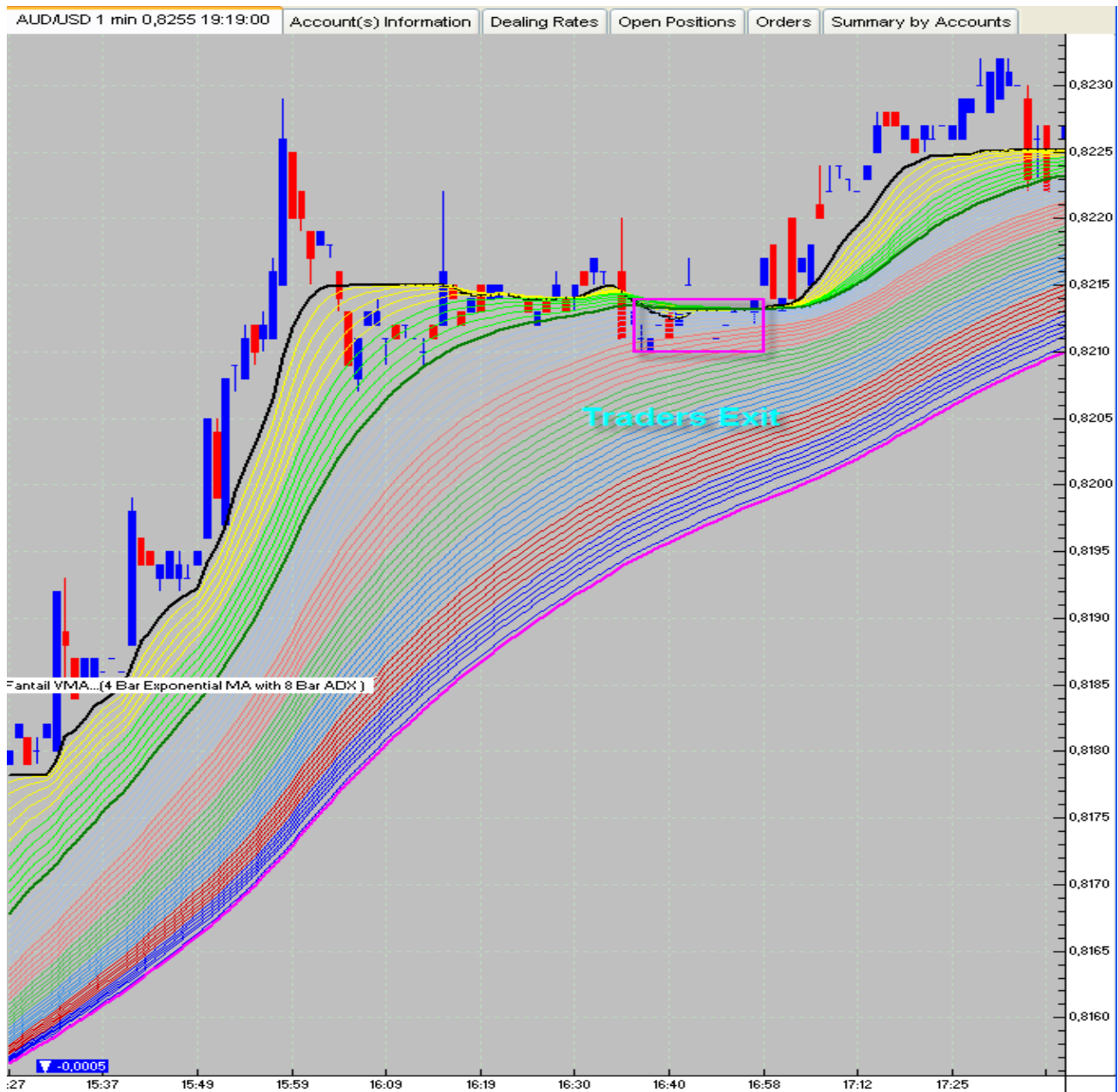


Fig: scalper exit.png

The second basic criteria is more of the "Traders Exit" ... in this case is the inverse action to our entry criteria as the black line crosses back the thick darkgreen line...



**Fig: traders exit.png**

in this case we stay inside much more, we have the expectation of having a big move... if we can sense momentum on the market, this is the best shot...

So both exits have to be discretionally used... depending on momentum conditions, if small momentum is perceived "scalper exit" its the most recommended, if strong momentum conditions are perceived it would be wise to use "traders exits"...

I know we can develop some intermediate alternatives... would be nice to hear what your creativity tells you on this manner...

So with that said we have two exit criterias to be used according to momentum conditions... remember that the rainbow on the 5 min chart gives us very clear hints on momentum as previously discussed... cheers Walter.

So now I have to talk about \_Stops ... and with that definition we basically would had covered the entire presentation of the classic structure of a trend trade...

Stops for me at least is the absence of the original argument for wich you opened a trade... in simple terms, you opened a trade because you had an argument, that argument disapeared, why should I still be on the trade ?

Staying because of hope, tolerance, balls... bla bla bla its not really intelligent if actually your argument clean disapeared...

If you get disappointed maybe its time to mature and understand that you have to love them, show them your apreciation and greatfullnes to stops, as they are responsible for your survival on this bussiness without them chaos and defeat is present... stops are our friends, and friends some times can give you some headaches... still your friends...

So let me give you an example of a stop criteria that for me makes sense... if crossing the black line to the darkgreen was my entry... the oposite cross its telling me that things just did not work.. so get out.

On this example I probably would not had taken this trade since I dont like the potential "exhaustion" as I already explained on previous post.. but lets say for example I went long on our Timing entry criteria...

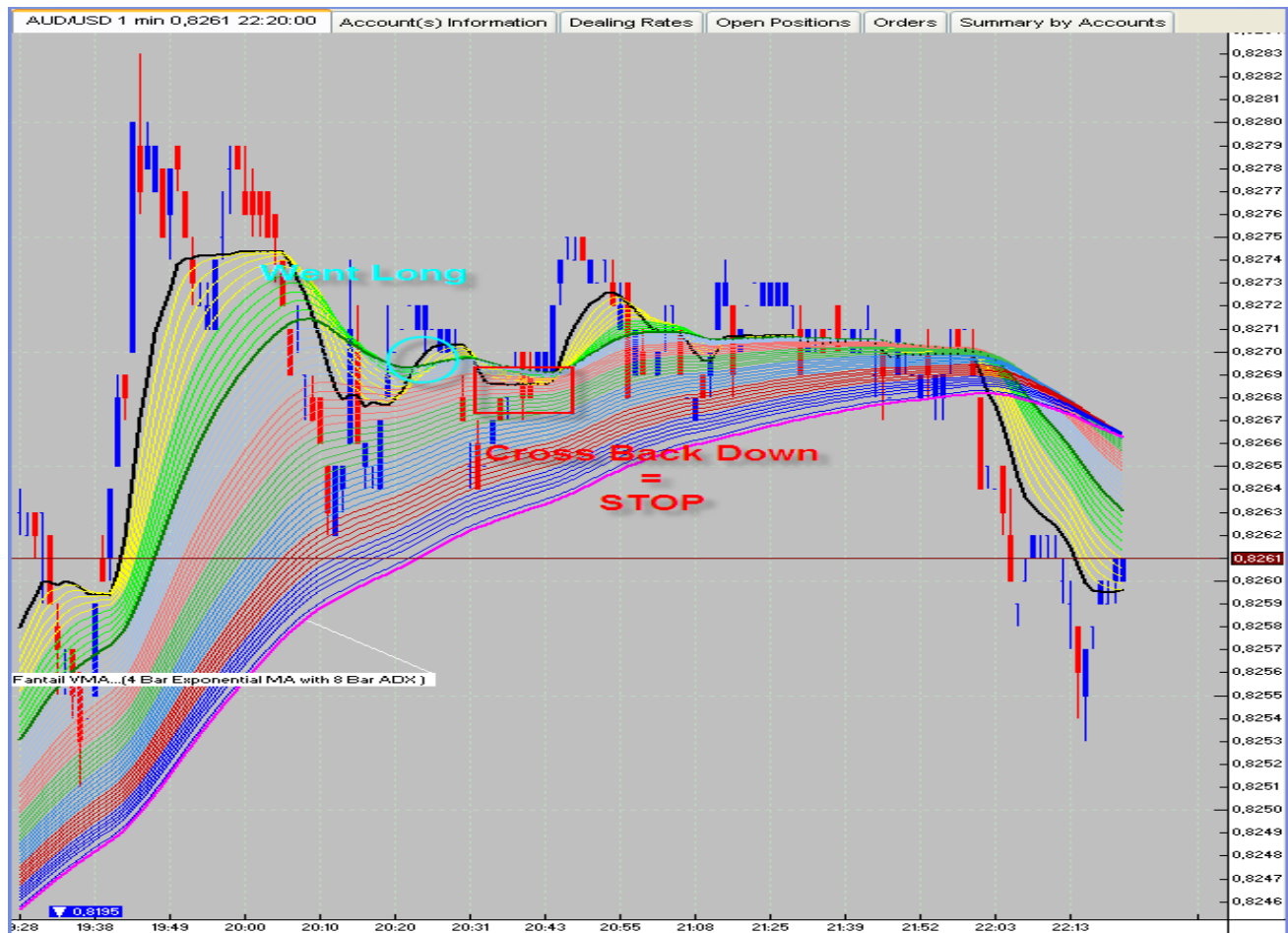


Fig: stop.png

well the oposite cross would tell us that the argument for wich I took the trade its not any more there, there are no more reasons to stay in the trade and your friend mr Stop keeps your equity protected from a real serious drawdown in the case you become stupid enough to stay inside...

So that would be in this case my stop definition... cheers Walter.

At this point of the thread we had covered this definitions from a "Trend Trade " :

To open position :

- Trend Definition
- Pullback Definition (dips and rallys)
- Timing Entry Definition

To Close Position :

- Stop Definition
- Exit Definition

We explained the simplicity and optimization we had been able to get thanks too the VMA rainbow... wich I consider it a very powerfull indicator...

Now this "trend trades" have some tricks in terms of selecting the ones with the most potential success... you DONT need to trade all the setups you see... its better to be selective and trade the best ones, the ones that offer more potential of success...

For example let me make you reason on how you can work so little every week (being selective ) and have a very decent lifestyle trading forex... if you make (like my target) \$20 per contract/week with 5000 contracts (low volume on forex) you can make 400k per month... not bad for any normal lifestyle... so why bothering trying to trade everything ? its much more smart to focus on the most classic trades... I call them the "surefoot" trades...

on the next post I start talking about the "surefoot" trend trades... cheers Walter.

So I step here into the "surefoot" trend trades...

Lets start by using plain logic... when do you have more probabilities of traveling more distance ? when you "start" traveling or when your journey its at half way or when its about to finish ? well sounds stupid question uhu ? the answer its simple... when you "start" traveling you have more probabilities of traveling more distance...

This is a plain true that some traders actually dont understand... why ? there can be lots of answers for that... maybe the most classic would be this :they dont know really on what stage of the journey they are situated... other they do know but greed its so bad they cant help it... BUT here statistics will play a great roll in favor of those that will only play from the start and not from old trends...

The temptation is great sometimes as the reasonig you may argue is, there is great amount of strength... this will keep going UP ;j I can make more \$\$\$\$ I will be so much richer if I keep trading on this magnificent super move... Walter says there is momentum ;j (he also warned about exhaustions)... so this game of compulsive proportions many times finishes playing against your most valuable interests...

Man in his human nature does that over and over again... he plays against himself, he is expert on that... will you let that natural aspect also play on your trading ?

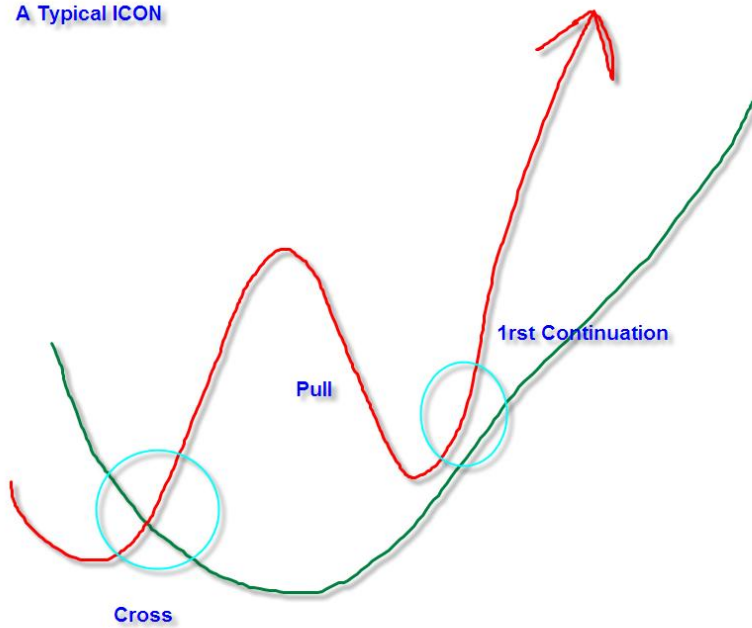
So I know we may difer on this opinion with some fellow traders.. but so far in my experience.. playing from the start of a move is more conservative than playing when she is quite possibly exhausted or already not that fresh...

For some of you who already had been following some other of my threads... you might be already familiar with my "Icon" trade pattern... well actually its not mine... its old as TA... I only just revisited and tried to show on diferent presentations, some threads that deal with it are this <http://www.traderslaboratory.com/for...us-1916-2.html> other from a scalper view <http://www.traderslaboratory.com/for...rade-2147.html> here I did use this classic pattern on diferent contexts...

Once again let me explain what an Icon is..

An Icon is the first continuation after a cross..

### A Typical ICON



**Fig: typical icon.png**

Very simple pattern that is present in all the fractal structure of the market... if we had to describe its formation we would say we have a 1st intention wave, take a little brake and resume on the same direction...

Now that we are talking about "trend trades" the icon is a form of trend trade... but the true edge of the Icon relies on the fact that he is situated on the beginning of a move... not on an old instance of a trend but on a prospect brand new move ahead...

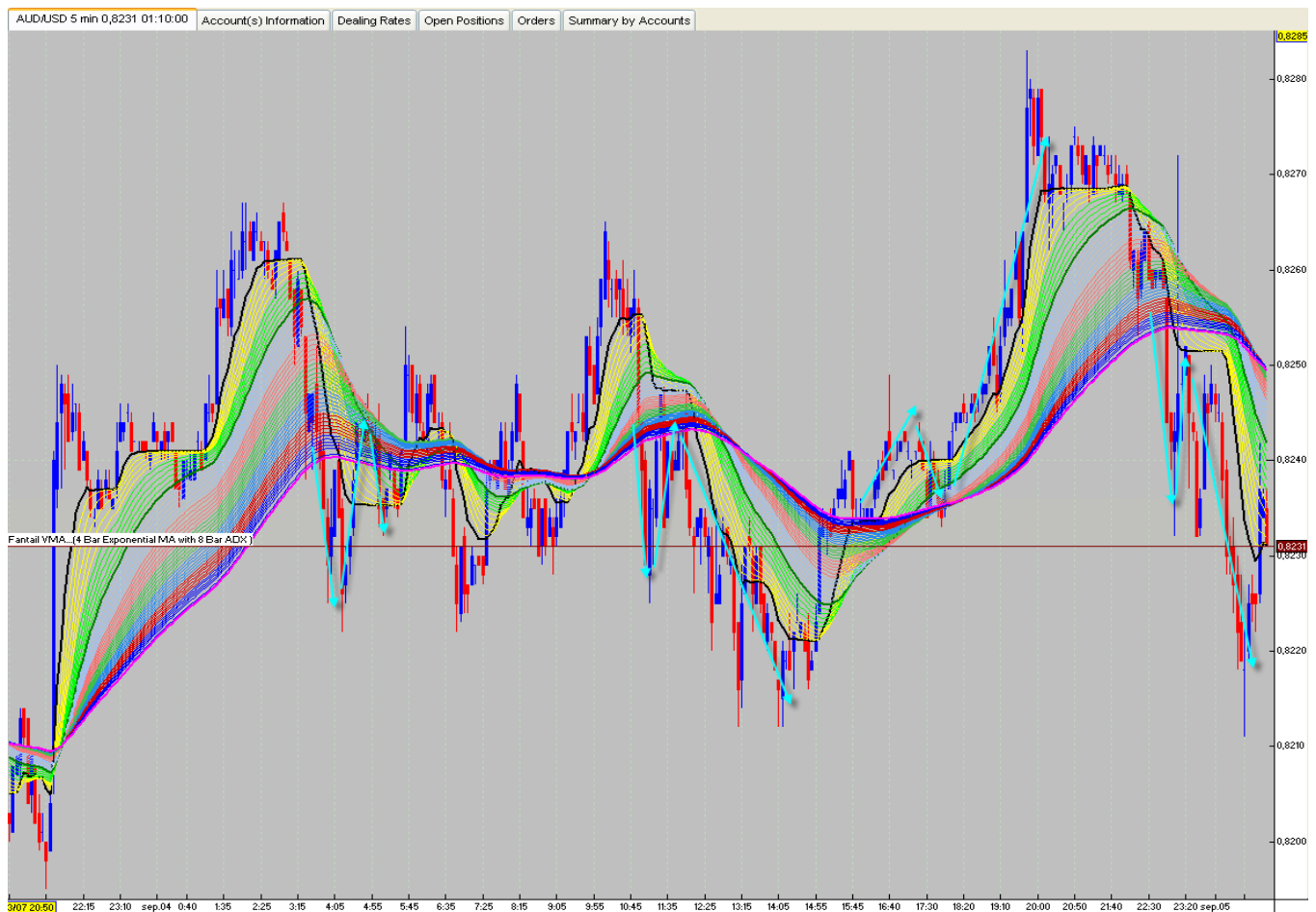
There is no guarantee that the move will develop, but you clearly know you are on the best spot if the move will actually do so... That's what the Icon can do for you... he can select the best places for our trades, we can become more selective as we take an "iconic trend trade"...

So let me expand on how to read this Icon on the context of our VMA rainbow:

Very simple, remember we are trading from a 5 minutes chart so we focus on that main time frame to find our "iconic trend trades"...

On the below chart you will notice some icons being formed around the VMA Rainbow...





**Fig: icons on vma-rainbow.png**

sometimes during the first intention move (cross) we still dont have the black line on the proper side of the magenta... but price action speaks for himself... he crosses with energy the magenta line, pullbacks to this rainbow and then he is ready to travel... he has the potential of an "entire" move...

You know how many icons from the vma rainbow you have per week ? by the dozens.... I want 20 bucks per week/contract... can you become enough disciplined just to take Icons ? well let me tell you they are "surefoot" trades because in the worst scenario you will get a very tight stop against a great potential on this trades... so that is the most "surefoot" trend trade on our aproach... taking the icon from the begining of a prospect move... cheers Walter.

At this point this thread has presented the basic structure of a trend trade with the first basic readings of the VMA rainbow with its particular edge...

Also we had presented the "surefoot" icon trend trade combined in the VMA rainbow aproach...

Like a sinfony we presented the "leitmotif" and will try to keep posted on it here on this thread...

On the other hand the sinfony can start showing its "Variations" this small tweaks that actually are optimizations from a core optimization...

Could this Hack the simplicity of the overall aproach ? it may do so... thats why any variation to this basic aproach I will deal with it on diferent new threads so we dont get any mambo here...

So basicly here I will keep adding examples of the above aproach presented, interactions on how we can optimize this core aproach are very welcome ;j and I think more brains in a network fashion work better than one... only that my paralel research on variations will be presented on new threads... so I can keep this work here more clean and clear... I dont want to diminish the value of the above presented on the process of showing potential variations...

The fact that we can optimize this doesn't mean that we don't have already something with its own value... so that's a small brief on how the future research process will be handled... cheers Walter.

At this point this thread has presented the basic structure of a trend trade with the first basic readings of the VMA rainbow with its particular edge...

Also we had presented the "surefoot" icon trend trade combined in the VMA rainbow approach...

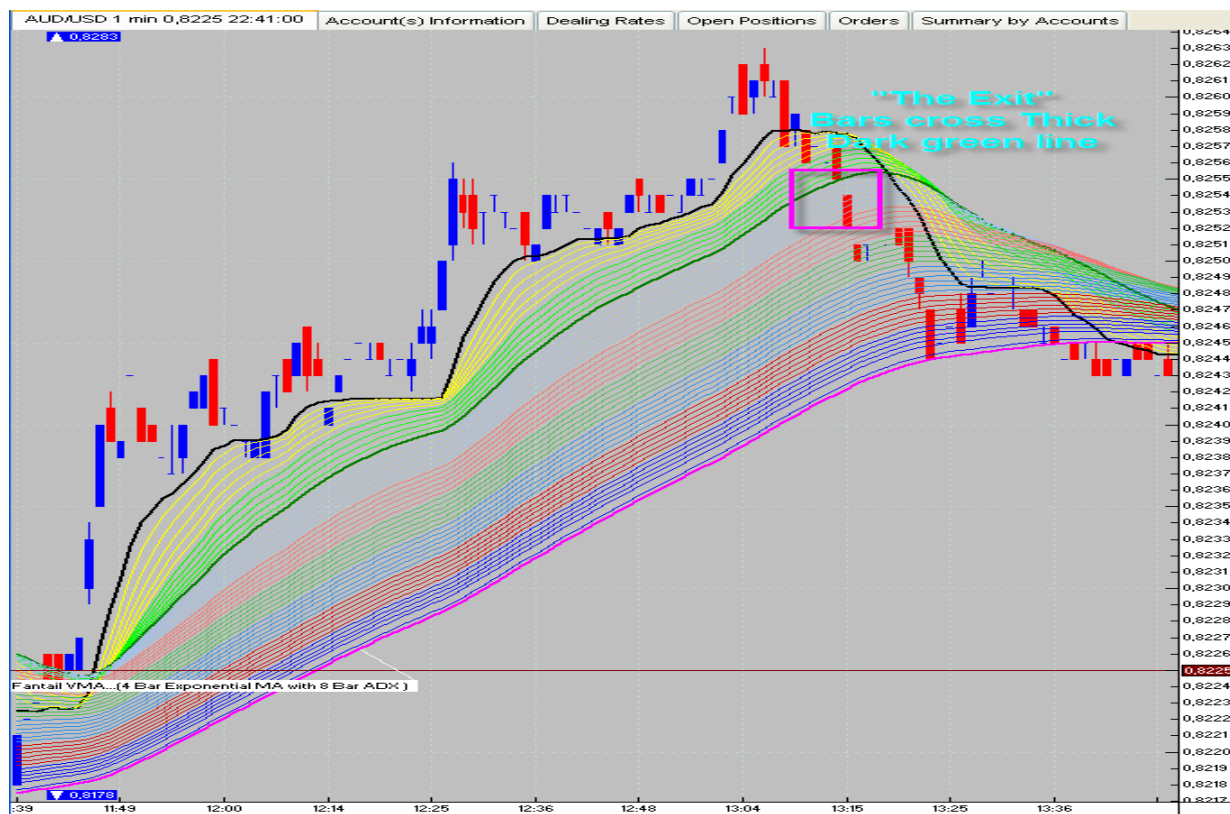
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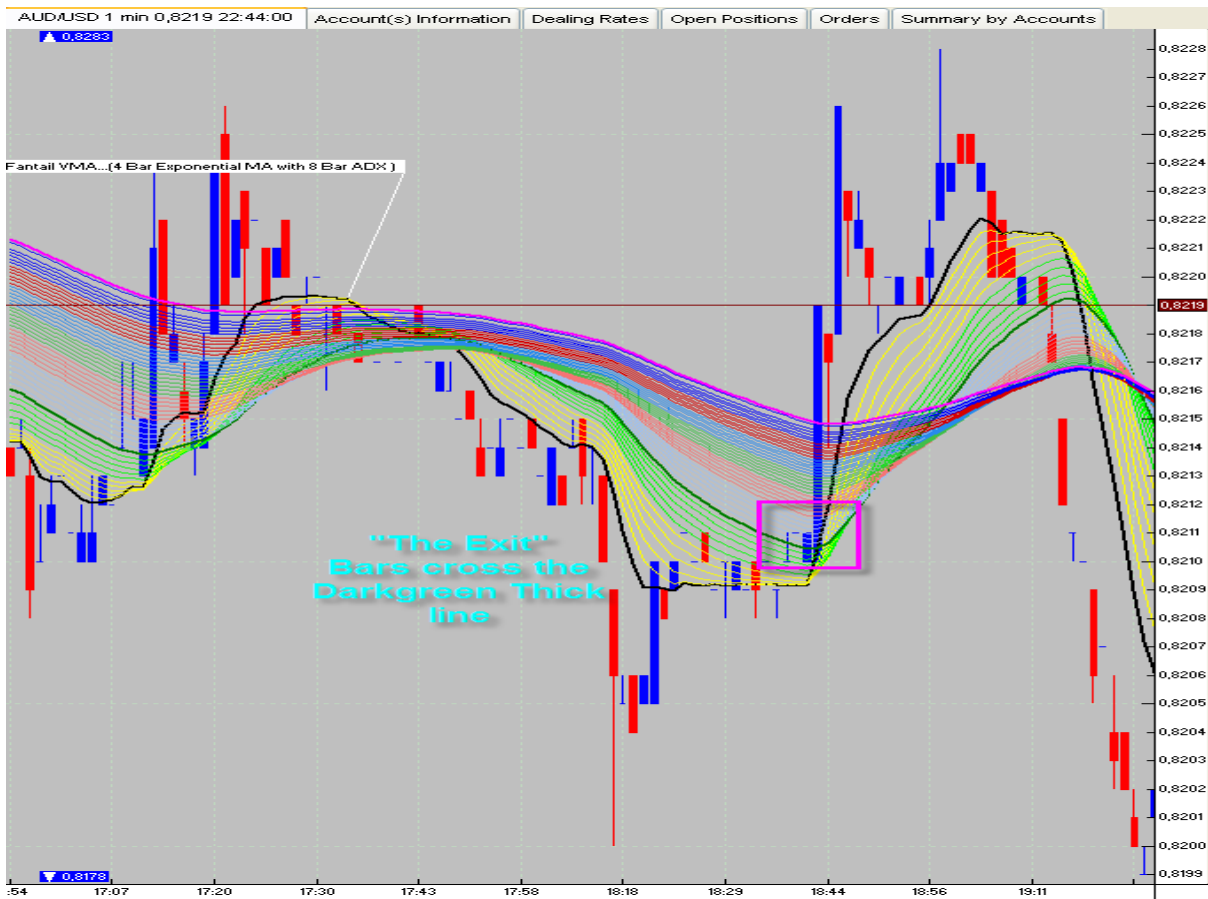
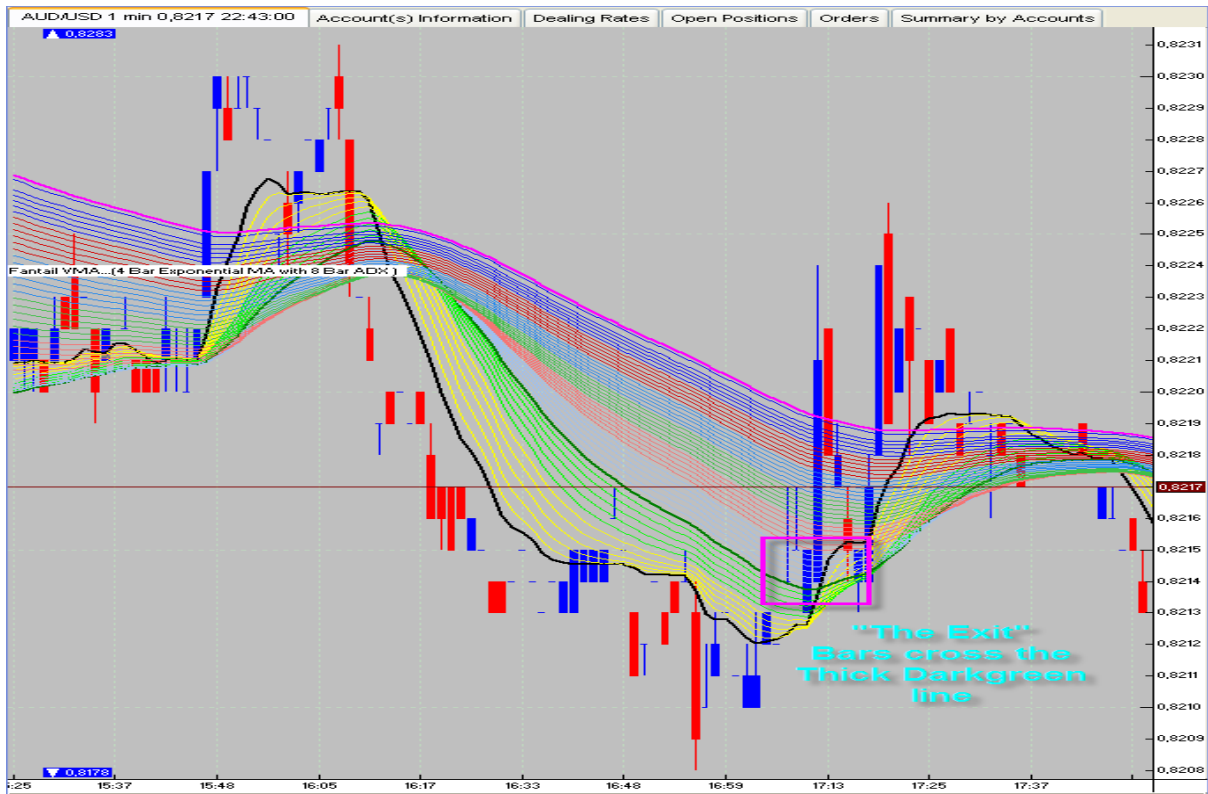
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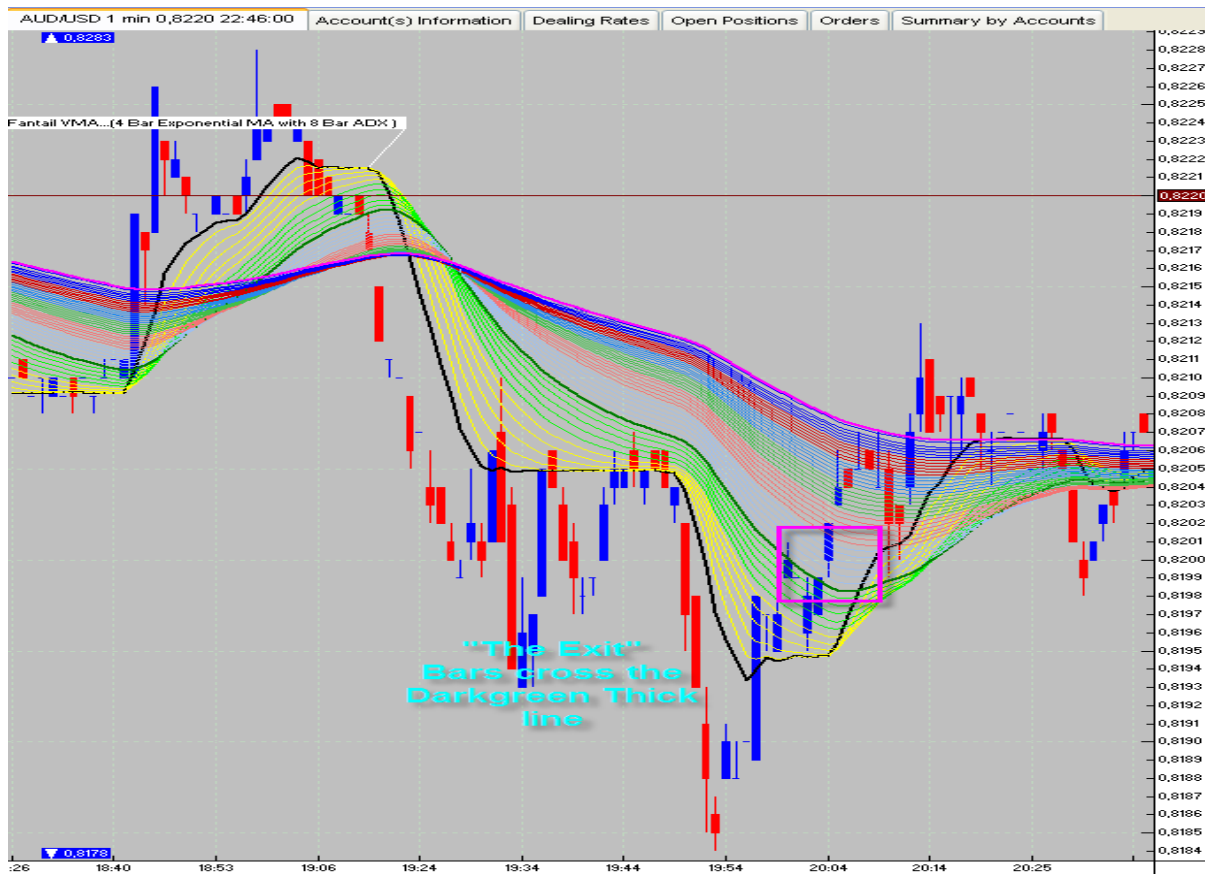
So basically here I will keep adding examples of the above approach presented, interactions on how we can optimize this core approach are very welcome ;)) and I think more brains in a network fashion work better than one... only that my parallel research on variations will be presented on new threads... so I can keep this work here more clean and clear... I don't want to diminish the value of the above presented on the process of showing potential variations...

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**Figs: exit 1 -4.png**

o this could be a more medium term exit that could promediate my previous two exits definitions into one... Should we call it "The Exit"

It would be the cross of the bars to the thick Darkgreen line...

these are the small tweaks I was talking about and NO I will just do it on this same thread...

PD: Please Remember that this is still an open reasearch process... ALL INPUTS ARE VERY WELCOME...

OK let me brief a little bit where I am and where I am heading at this point of this research...

I had been doing some parallel research of a scalping alternative using Vmar`s... but at this point I just dropped that alternative... lol..

I have decided that at this point I will only focus on the "surefoot" trade that I take from the 5 min chart... I will call this trade "VMAR Icon" Trade... so I will try not to mix other things but getting really focused on this approach...

I am so glad to see other people are combining vmar`s with their own methods, thats the real idea here... offcourse as usuall I will share my entire specific approach that you can take as much as you want for your trading, be it some aspects of vmar`s or be the whole thing...

So SO so so.... from now on my inputs in the thread will really be focusing into "VMAR Icon`s"...

I thought as I am getting more specific here I could share some diferent way of looking at the structure of the trade... this can organize the overall routine of the trader as he attempts to do a "VMAR Icon" trade...

Probably this will sound a little bit for newbies... but its nice to go into the basics as it organizes the entire process of this trade...

this was the original structure of our trend trade :

To open position :

- Trend Definition
- Pullback Definition (dips and rallies)
- Timing Entry Definition

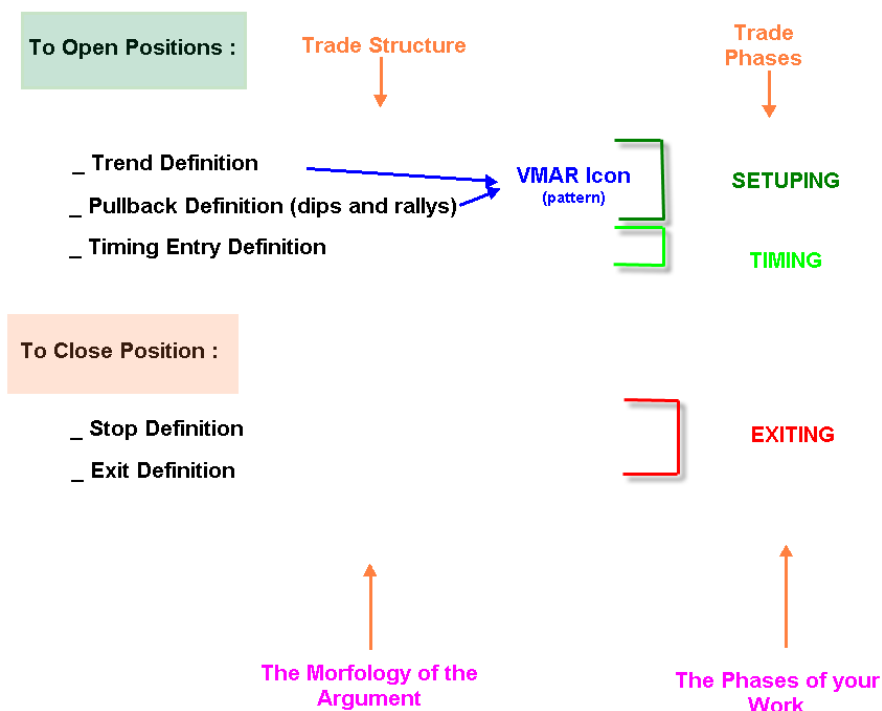
To Close Position :

- Stop Definition
- Exit Definition

Now a trader that trades "VMAR Icon`s" would have basically three stages of his trade : (this words are my invention, not conventional)

- SETUPING
- TIMING
- EXITING

this graph shows how the trend trade structure fits on this three stages that a trader will go thru:



**Fig: How you trade a vmr icon.png**

So notice how trend and pullback definitions are all discounted on the VMAR Icon Pattern... thats the SETUPING phase of a trade.. actually the first one on any trade...

The second phase is TIMING, when you have a setup in place you will fine tune your entry...

and Third and last, once inside the trade you are focused on EXITING being a stop loss or neutral trade or a successful winning trade...

this three phases are how the traders work are organized... very simple routine he goes thru... no confusion here... sounds a little stupid maybe.. but you know sometimes traders are thinking on timing when they still dont even have their setuping been correctly identified.. others had open a trade and are looking for new setups instead of monitoring correctly their exiting... so this is how a trade has to be managed in terms of FOCUS

First you are working for the SETUPING division of your trading company..

Second they re-assign you to the TIMING section, you dont have nothing to do with the setuping any more...

Third after you open your trade they send you to the fifth floor to the EXITING department where you will focus exclusive on closing your trade...

after that they will give you a brake... some coffe, maybe some relaxing and again the process starts on the SETUPING division once again...

Is your trading organized like this ?? Good ;); you can call yourself a trader, you still have a mambo on the entire process ??.. well maybe its time to organize it.. this is one way you can implement it..

On next post I show you the basic structural routine thru the charts and your trading platform as you trade a "VMAR Icon trade"... this structure will be used on my coming posts about this trade so we can talk on the same language here... cheers Walter.

So the routine of a VMAR Icon trade consists of three phases :

- SETUPING
- TIMING
- EXITING

here is a graph of how he FOCUS on the information related to each of this Phases...

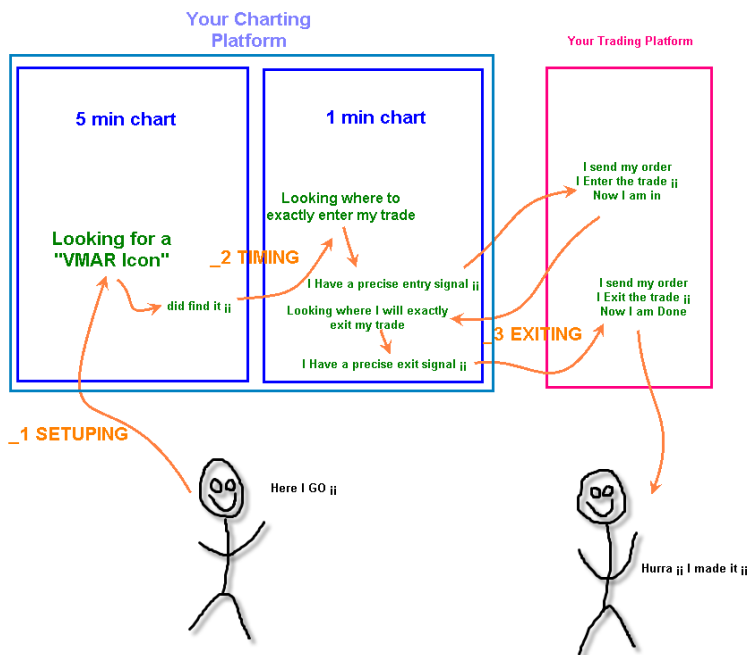


Fig:Trading process.png

So this simple information I give here aims to make you understand how important is to focus on each stage of a trade... for example on scalping futures its a must to have your brain trained to change from one stage to other so you can focus on each "specialty" as they unfold on a trade.. on futures scalping each of this stages takes sometimes seconds... for this forex approach you have more time and its more relaxed BUT you MUST be focused on the stage you are in...

I do this type of input as I will show you normally first the 5 min chart wich actually responded to a complete stage appart... then the 1 min shows how I focused on the next two stages of timing and exiting...

I will normally NOT LOOK at the 1 min chart until I get an order to start timing my trade from the 5 min chart...

So here is the Routine :

**1rst** : I am ONLY looking at the 5 min chart for a "VMAR Icon " setup... no mambos here only one chart (the 5 min chart)... once the setup is there I go to the

**2nd** phase of looking at the 1 min chart for timing my entry... at this point I forget about the 5 min chart.. he told me there was a prospect Icon, I beleive him... now I just focus on the 1 min to get in... I got modern timing technology thru vmr on 1 minute... and wow I get in... NOW I am ready to focus on my

**3rd** phase... I dont worry any more on timing as I am already inside, there is no object on looking for setups at this point.. I am just on the full enterprise of closing correctly my trade be it good or bad BUT correctly.... after X output I close it and my entire process is finished...

RELAX... think positive specially if the output was not the expected... cheer if you got a great one !!!... give yourself time to repair your fisical, emotional, psicological and spiritual fit before you start a bran new process...

This probably is a little out of topic on the thread but I thought I could share... cheers Walter.

So from this revisited structure of a "VMAR Icon" Trade let me go thru the definitions once again... I know it might sound like a broken record, but I want to make sure you really get it...

Our new trade structure will be :

- SETUPING
- TIMING
- EXITING

very simple one...

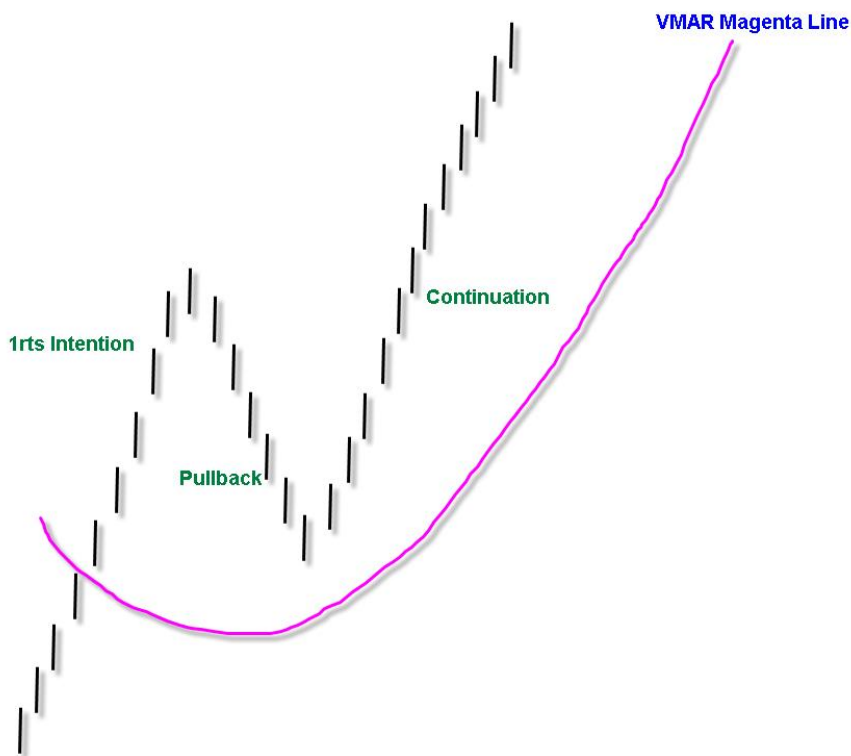
## SETUPING

On this Phase we start to look for a reason to get inside a trade...

that reason is simplified to a very clear pattern wich actually is the ICON..

the icon as we already explained is situated on a very competitive area of a prospect move... actually on the beginning of this move...

So to remember, this is how a VMAR Icon concept looks like :

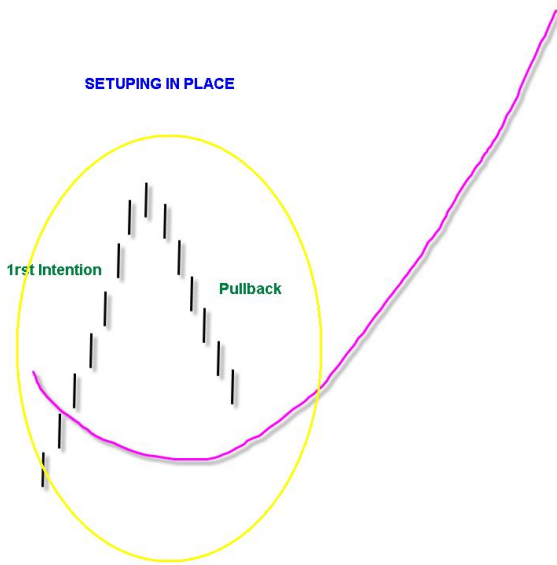


**Fig: vmar icon concept**

Now until Where on that Icon concept we can say we have a SETUPING ?

well on the graph below you can see that we consider a SETUPING being completly formed when we have a 1rst Intention and we also have a Pullback ... those two moves are conforming a setuping...

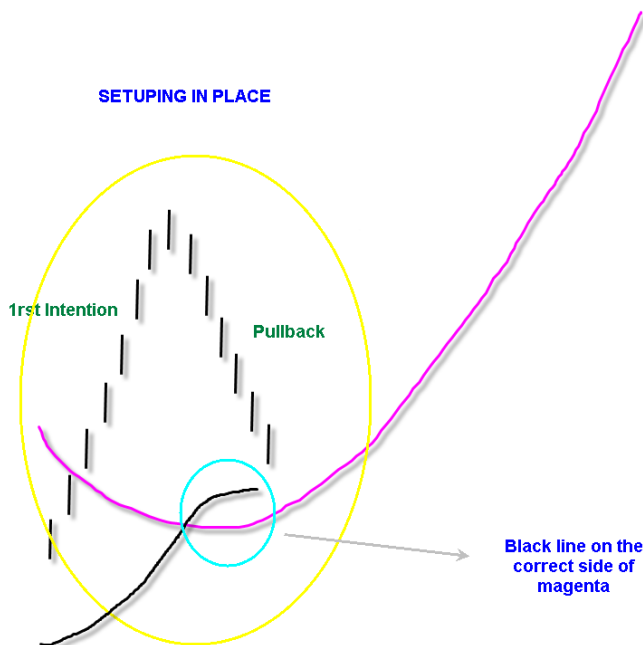




**Fig: setuping1.png**

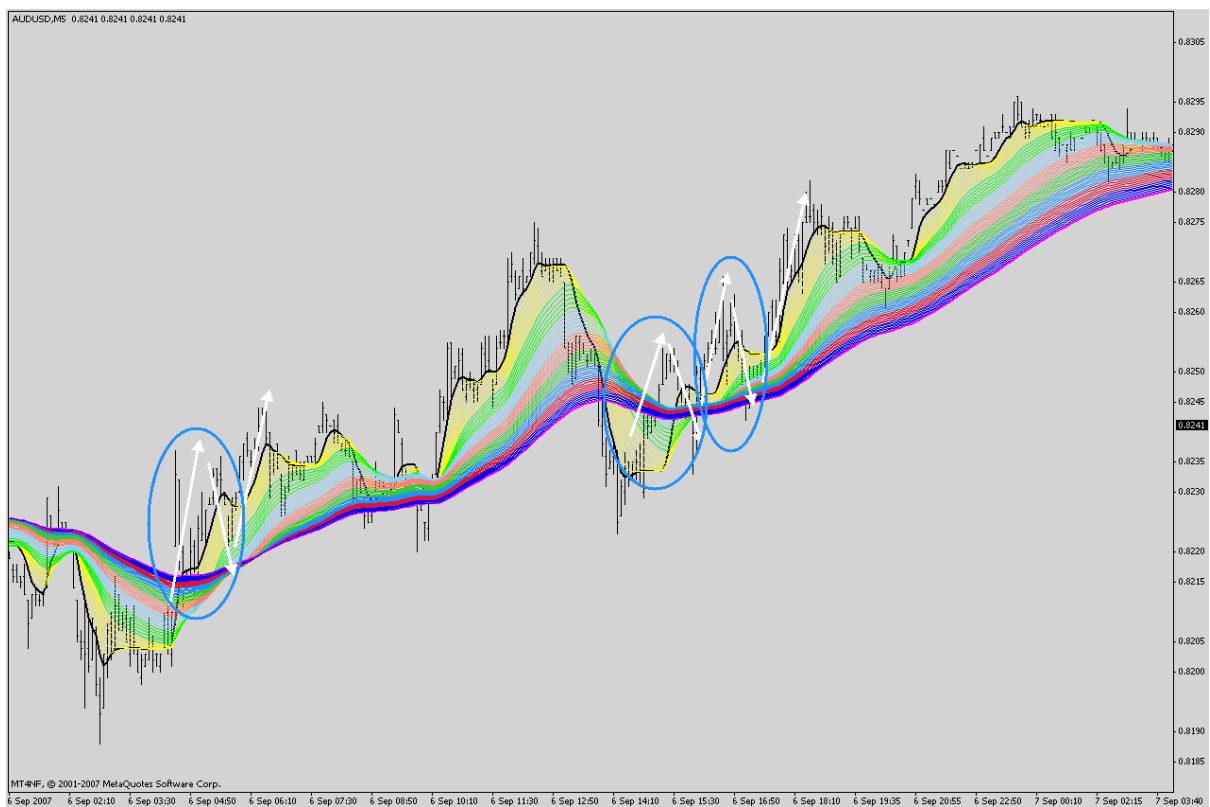
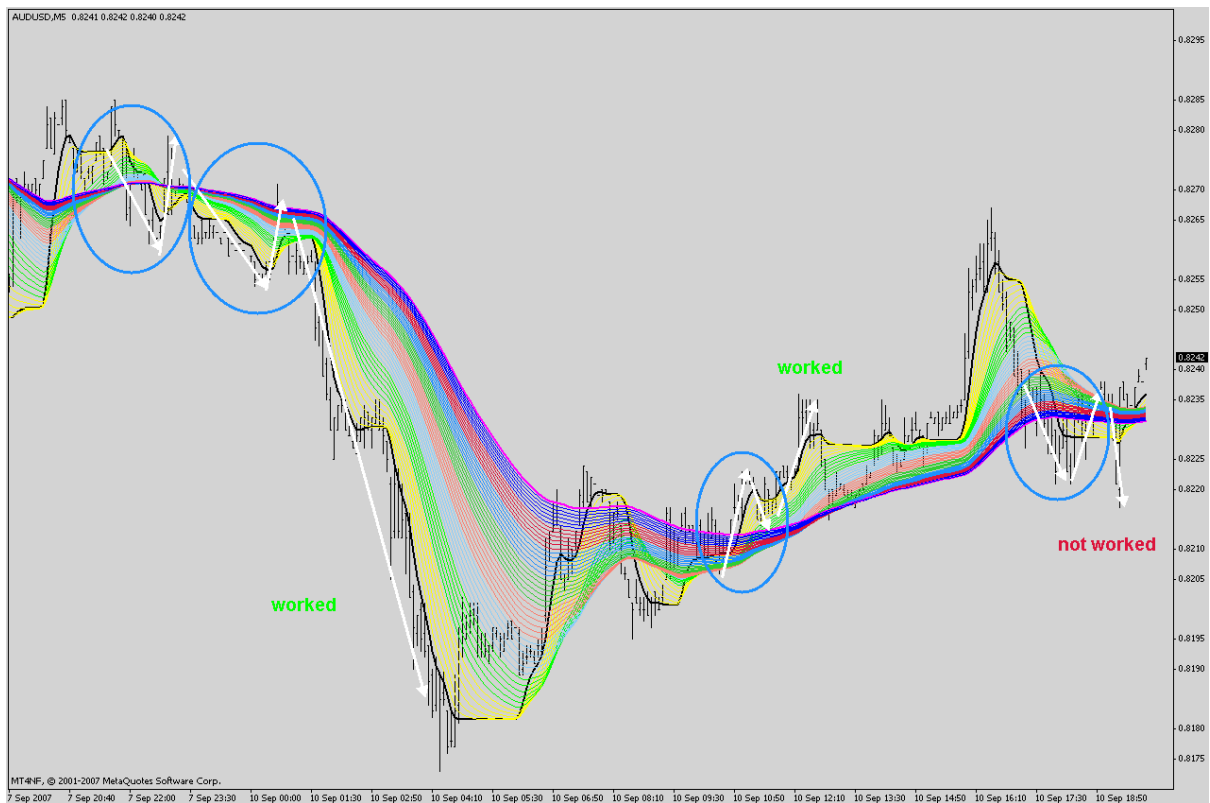
Now we have to also add here a vital condition which is the basic trend definition (black line above/below magenta line)...

Normally the 1st intention on the icon makes the bars cross the magenta line and you still don't have the black line on the correct side of the magenta line for basic trend definition... so we expect to see at least during the pullback this black line already on the right side of the magenta line...



**Fig: setuping2.png**

So in the above chart you got a very good SETUPING definition in front of you. On the next post I show you some real life examples... remember all this is on the 5 min chart. Here I attach some real life examples...



**Figs: ex-1, ex-2.png**

The blue circles are a SETUPING .... wich includes the two steps 1rst Intention and Pullback with the black line on the correct side of the magenta line... so thats the first phase of a "VMAR Icon" Trade... I believe its no brainer...

**Remark – summary**

Thanks for that walter. It's starting to make sense now. It's a great thread but your explanations are a little long-winded if you don't mind me saying so it's taking me a while to work out what this method is all about. Here I'll try to explain it as succinctly as possible:

- 1) Identify the trend using a 5 minute chart. If the black line is above the magenta line = up trend. If the black line is below the magenta line = down trend. Black line should be sloping, not horizontal.
  - 2) Expanding rainbow = strengthening trend. Contracting rainbow = weakening trend.
  - 3) Black line pauses after it crosses magenta line. If there is subsequent continuation = good trade may follow.
  - 4) Complete rainbow above magenta line = very strong up trend. Complete rainbow below magenta line = very strong down trend.
  - 5) If all the above are met and it looks perfect = possible trend exhaustion.
- 
- 6) Time entry using a 1 minute chart. Wait for pullback ("icon") then when black line crosses green line = enter trade. (Not sure what the relevance of the rainbow is here).
- 
- 7) Scalper exit when bar gets inside the rainbow crossing the black line or trader exit when black line crosses green line.

Is that a fair summary?

????

**Response from Walter:**

it would be... but there are some things that we must add here and is the fact that not all this readings are necessary focused into the setuping process... thats why the point 6 is more related to the management of an open trade and not the opening

Normally in the case of the icon you will anticipate all the momentum conditions to unfold somehow after you are in the trade, if they do, they will give you confidence to stay in the trade...

point 7 has also a new alternative on the 5 minute chart( bars crossing lime thick line) wich I believe is giving the RRR we needed...

also the laddering concept is laid out here but its not much used in relation to the icon trade... on the new paralel thread this concept may become more used... thanks notouch, I like to get really inside the intrinsic concepts... what I would like to know is if you grasped all the power behind the "horizontal effect" wich actually is the backbone of this method...

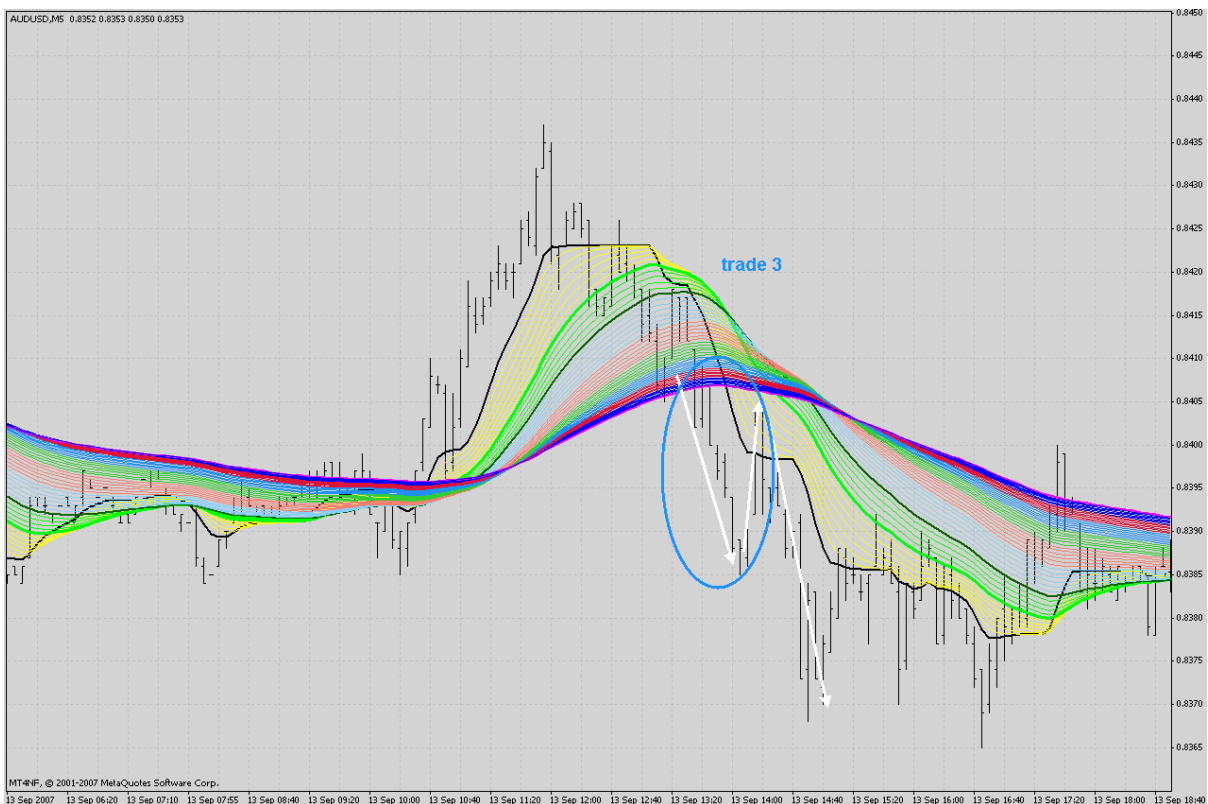
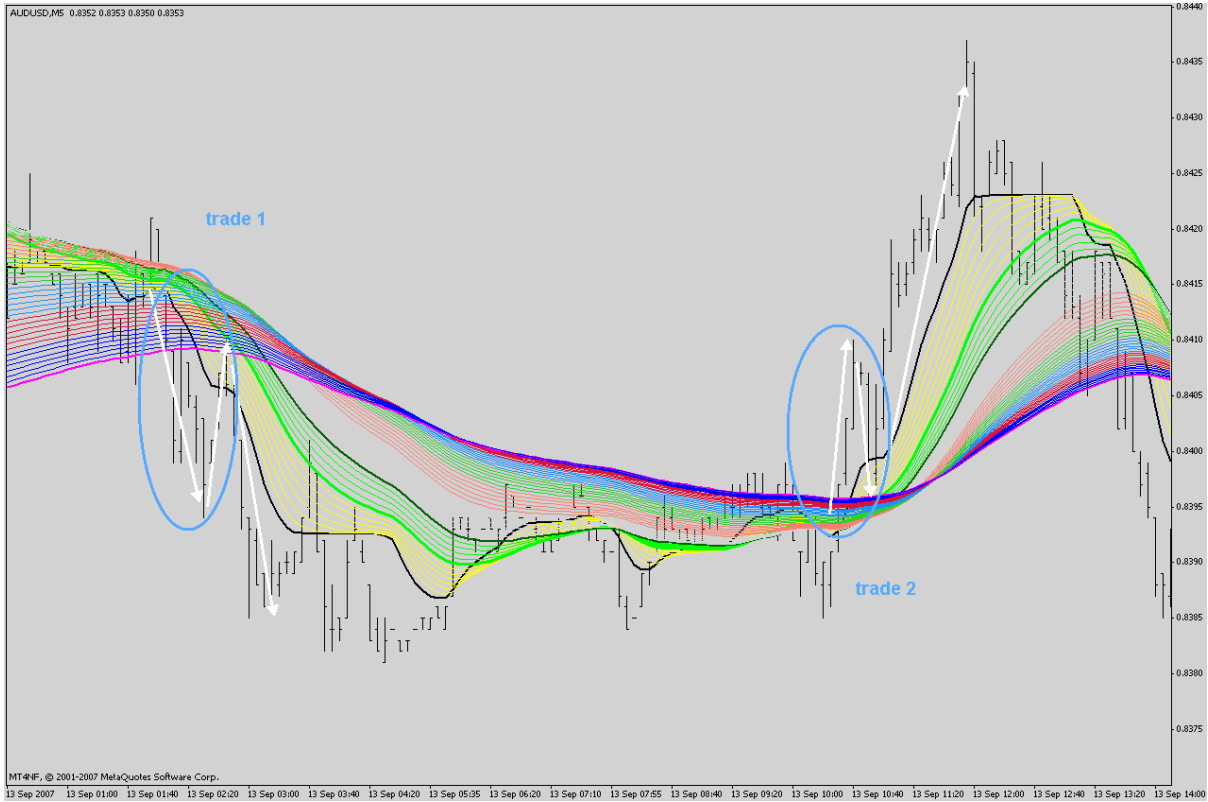
I would like to know your reading about that as I believe thats the real core edge on this thread... cheers Walter.

**(End of summary)**

**Hello dear fellow traders...**

here I come to recap on some "VMAR Icon" Trades we had... very very clear setups ;j still timing had some issues that will be gladly solved as the paralel research will give us some alternatives to time our entries even better with the vma...

on the 5 minutes our setuppings of 3 perfect icons :



**Figs: 5 min 1.png, 5min2.png**

if you start to train your eye on this icons setups... you will see how easy it is to spot them... they happen all the time ;)

NOW... in terms of timing I can still say we need more optimization... and I believe our paralel research on this thread will help us a lot <http://www.traderslaboratory.com/for...open-2440.html> as probably we will take the most from the "Horizontal Effect" thru "laddering"...

now let me share what happened today on our timing entry of this three trades:

Trade 1 did lag quite in the crossing of black line to darkgreen line...

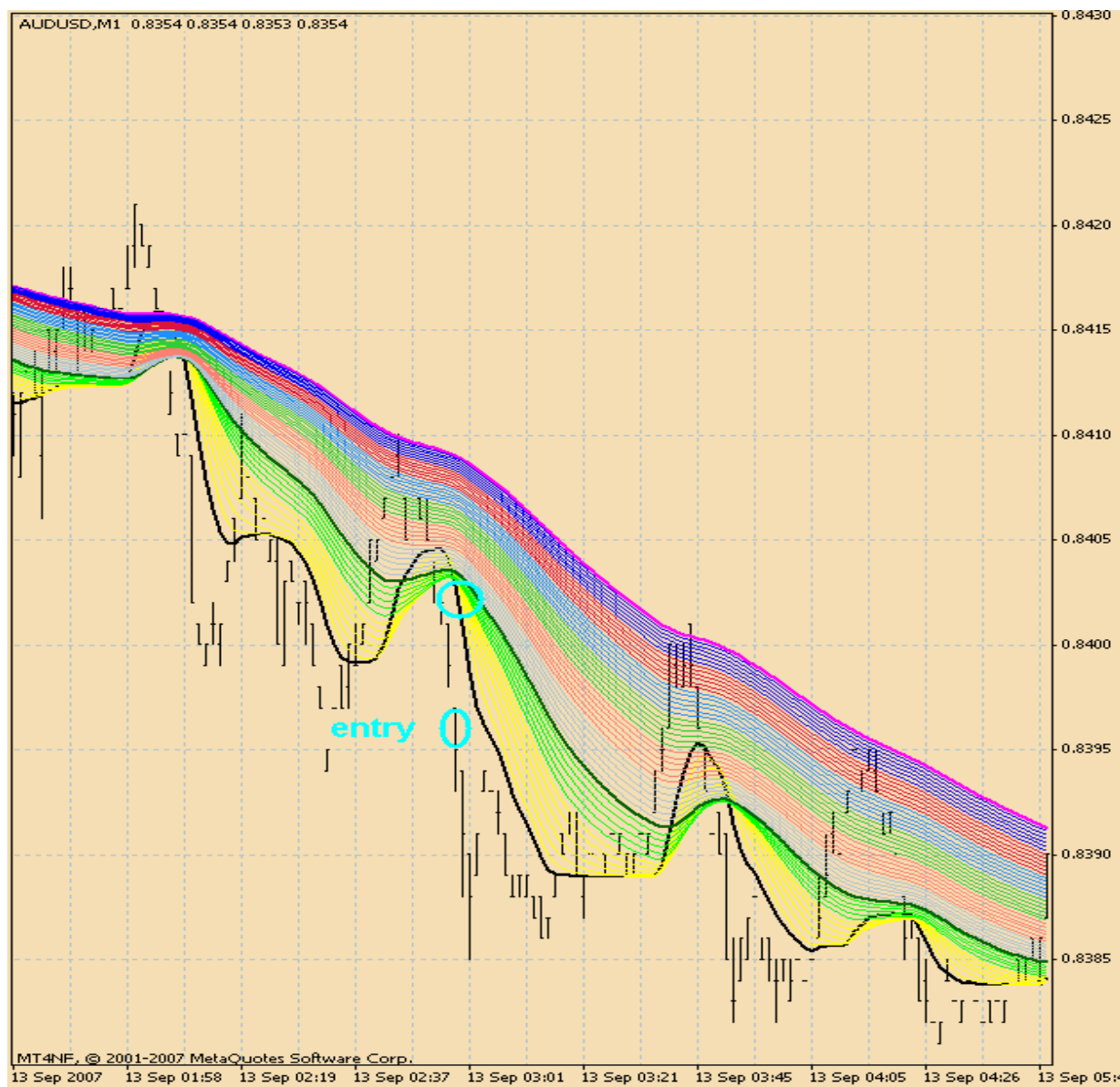


Fig: trade1.png

I expect to optimize this entries thru our paralel methods wich will lead much more into the entry...

Trade 2 is a funny case of no pullback from blackline below darkgreen... a pure horizontal effect.. once again this tells us that the paralel research on "laddering" will outperform our basic entry definition..

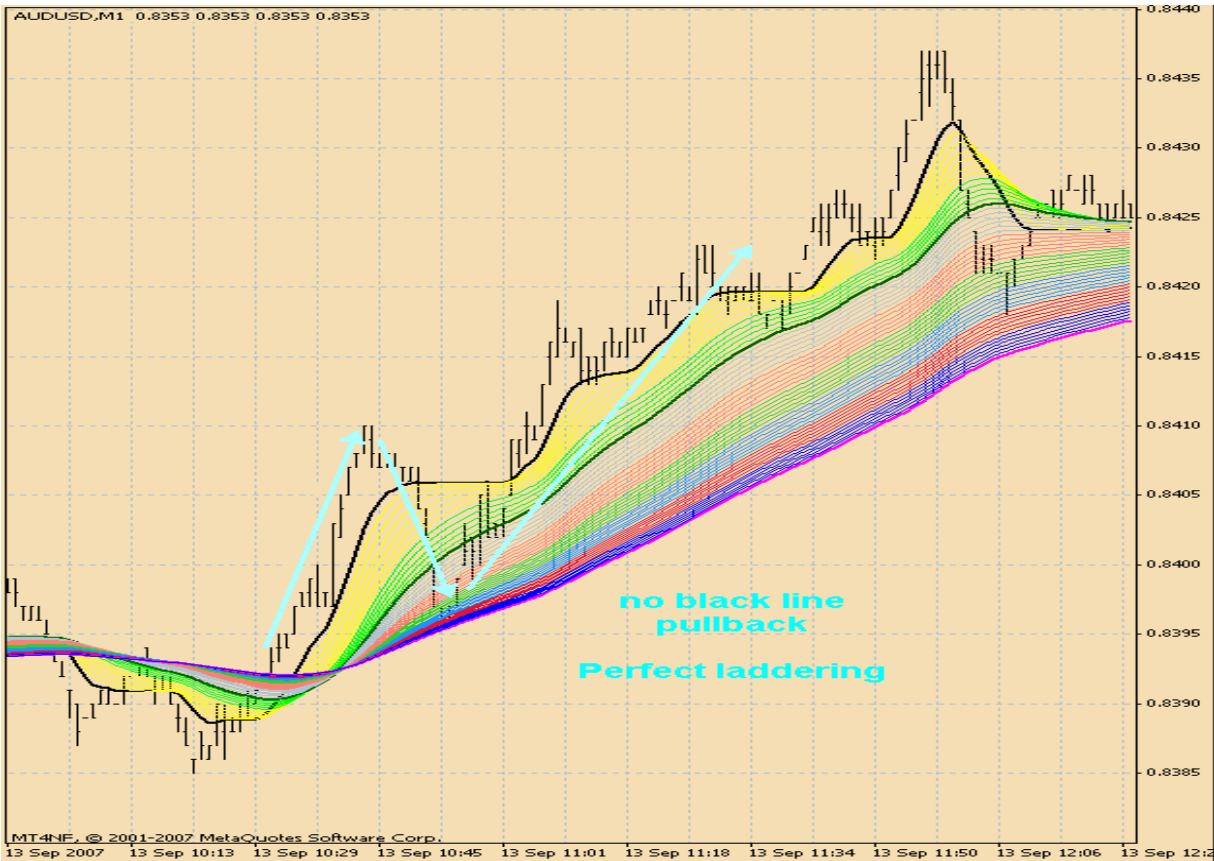


Fig:trade2.

png

Trade 3 similar situation to trade 1...

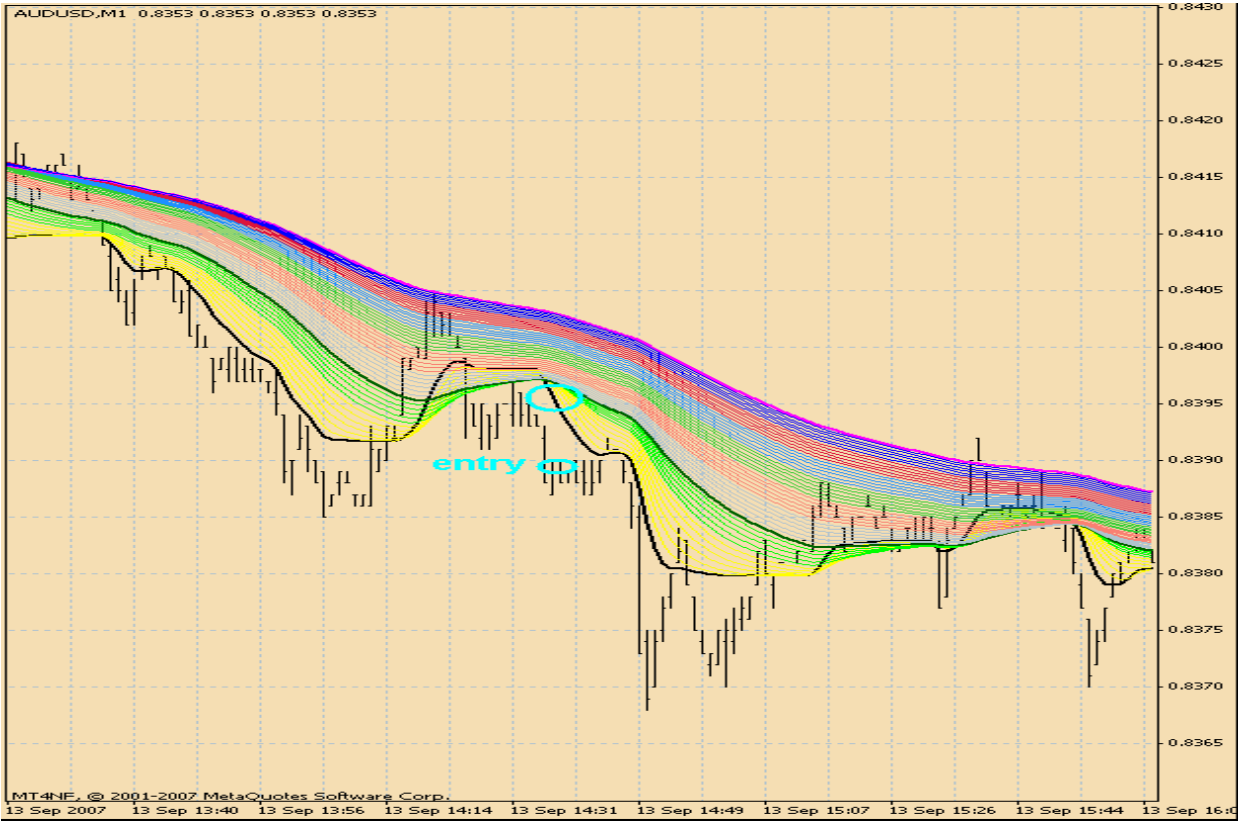


Fig: trade3.png



SO... all trades had been winners, easy to trade all.... timing is the issue on the lab... we want to optimize... it can be done.... just take a look what we are doing on the paralel thread on "laddering" and you will se how we will be able to take the most power edge from vma... cheers Walter.