

The Hybrid Trading Method (HTM)

HTM embodies a set of entry and exit rules, combining the benefits of analytical software with a mechanical trading system. It offers low risks and helps to remove guess work during trading. HTM is both powerful and easy to use.

This trading method uses both the back-testable mechanical buy/sell signals, eASCTrend TS (TS), and the classic indicator, eASCTrend 2 (T2), to trade any market with any interval charts. All you have to do is click the "HTM" icon once you have a chart open.

Entry Rules of HTM

C.A.R.E. Consolidation, Agreement, Retracement, and then Enter.

Consolidation

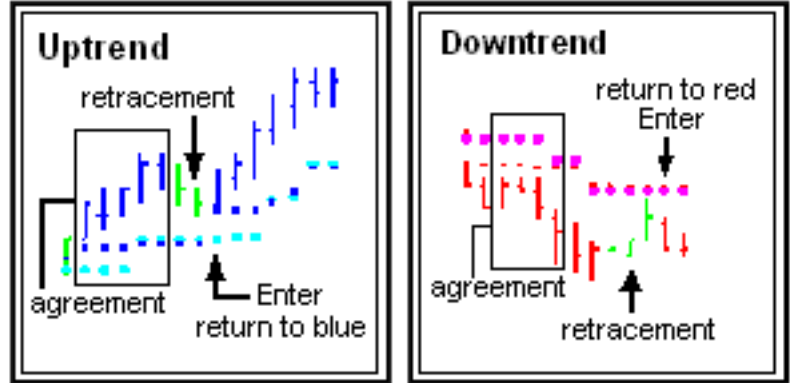
It is recommended that traders be more aggressive in taking trades at the end of market consolidation. For advanced tips on how to identify consolidation, see rules T.T.T. on the next page.

Agreement

TS indicates the beginning of a trend. The color of the bar(part of TS) indicates a *current* price moving direction(blue is up, red is down and green is neutral).

T2 indicates the direction *forecast* as well as the key supports and resistances(cyan/light blue dots are up, magenta/pink dots are down).

Therefore, an Agreement between TS and T2 is most important in determining an entry point; it signals a long position when the bars are blue and dots are cyan/light blue or a short position when the bars are red and dots are magenta.



Retracement

Retracement is a short reversal of the prevailing trend. When the market price retraces back close to T2, it offers a low risk entry point since T2 will be the initial stop loss. This step is optional but recommended since traders have the opportunity to enter at a sweet spot.

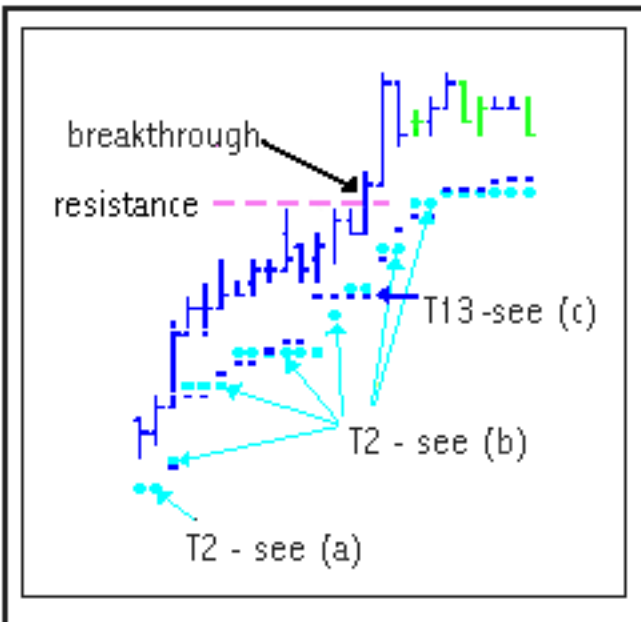
Enter

When in an uptrend, enter the market with a reappearance of a small blue bar that is still in agreement with a cyan dot. When in a downtrend, enter the market with a reappearance of a small red bar that is still in agreement with a magenta dot.

Avoid entering the market when the bar is green.

In most cases, an HTM window will pop up to alert traders of these optimal entry points.

Exit Rules of HTM



Stops

Stop values are mechanically set by the program tick by tick (you can see the values when you have an "info" window open); however, it is up to the trader to place the stop orders.

(a) Use T2 as initial stop.

(b) Use T2 as trailing stops in a trend movement to reduce risk and protect profit.

(c) If the market starts to consolidate or slow down, use the tighter of the stops, T13, to protect profits. If the market breaks through after a slow period, then revert back to T2.

Advanced tips: Execute A.R.E. signals after the 3 T's to increase the odds of successful trades



$$\text{Time} = \frac{\text{bars of triangle}}{\text{bars of thrust}} = \frac{38}{9} \approx 4$$

Note: no setting will be identical to this illustration, but the idea here is to be aggressive near the end of a consolidation.

Thrust is a significant market price movement. It is important to be conservative near the end of a thrust since it could lead up to the beginning of a consolidation.

Triangle shape of the consolidation points towards the end of consolidation. The triangle will come down to several consecutive bars with the same lows and highs. Watch for the break out and become more aggressive at this point.

Time Unit is the ratio of triangle time vs. thrust time (number of bars of the consolidation triangle divided by the number of bars of thrust.) As the time unit becomes larger, be more aggressive in responding to a break out.

Relative Time Unit	Guidelines
1	Trading is not recommended unless traders can identify the trend with the traditional trend definition of higher highs and higher lows for an up trend and lower lows and lower highs for a downtrend. In this case, they always wait for retracement to find a low risk entry point.
2	Trading with caution. Traders need to see the end of consolidation and breakout as well as retracement.
3	Aggressive trading. Traders need to see a breakout. Retracement is optional.
4 or more	Very aggressive trading. Traders can take every TS/T2 agreement without the need to wait for retracement.



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