

The Dow Trade

What is the Dow Trade?

I conceived of the Dow Trade around the beginning of February 2011. The benefits of this type of trade became clear to me as I began to narrow down on momentum in the market. As you go through this information, I trust that you will get a clear picture as well. I don't plan to be verbose in this ebook. The idea is to provide you with the details as well as reference points to understand what it is you are actually doing. This is not a theory of what should work, it is in actuality what **does** work. Included with the information here are the charts and days of the actual trades when the beginning for the idea of this book began forming. There were a possible 30 trading days. In that time 28 trades were taken with a total of 993 pips. One loss accounted for -30 pips. The total increase in the account balance was 153%, if traded as I trade which will be explained below. These were not risky trades to my way of thinking. The trades are presented in the Appendix and in chart form. A trader learning this method can easily run through the trades and see the entries and exits as well as other information deemed relevant to the particular trades.

This eBook is written in an outline form. The reason is so that as things change and develop I can edit and revise particular parts and reference them so that they are easy for you, The Dow Trader to find. In addition, when you have questions you can also easily reference them.

I hope that you enjoy this book. It is for the trader who wants to become successful at trading with the added benefit of not sitting in front of the computer all day, or night. In particular, if you are retired or semi-retired and you are looking for a way to trade without doing it all day long, this method may suit you as well.

Let's get started!

1. The Dow trade in a nutshell – What is the Dow Trade in a nutshell?

- a. A point of predictable momentum - What does this mean? It means that we can locate points during the day where momentum will exist on a fairly predictable basis. If we know that, then we can look for indicators prior to that point where we can predict the direction that momentum will take. The Dow Opening at the time of the NYSE is one such place where we can expect momentum to occur. **Other places could be located and a similar process could be duplicated.** As of yet, we have not done this but the principles here could be duplicated by others for those points.
- b. 20 minutes to 2 hours (seldom longer) – One of the main objectives is to trade for a period of time and be out of the market. The idea of sitting in front of the computer for hours at a time waiting for the perfect trade or, trading trade after trade seems a waste of the traders time and creates a methodology of burnout. We set our goals before the trade as to our financial expectation and position size. When we reach our goal we are free to exit, take the rest of the day off and come back the next day refreshed to take another swing at the market. In this way we hope to increase our trading efficiency and enjoy our lives at the same time.
- c. Little or zero drawdown – A key aspect of trading momentum is to create a trading situation where we have little drawdown. In the best scenario we have zero drawdown, in my particular scenario I allow a 3% maximum drawdown but with the freedom to extend that based on circumstances. If we trade with small or no drawdown:
 - i. We are trading when it is less likely, because of volume, for a broker or market maker to affect our trades
 - ii. We can increase our position size as we are less concerned about drawdown
- d. Income trade – Because of 1.a and 1.b we can income trade. Income trading is all about speculation, not about investing. Speculation is

risky and traders should be aware of this. My personal goals are to make a 1% increase at the time of the trade with a 10 pip gain. 2% increase with a 20 pip gain, 3% with 30. In this way I can easily know where I am in the trade. The 30 days of trading that were performed with this ebook increased the trade account more than 1 ½ times.

Trading on a consistent basis throughout the year leads to the potential to trade for sizeable income depending on the account size.

- e. Predicting momentum – The success of trading the Dow Trade at the Dow Open is the traders ability to “read” certain signs that occur prior to and around the open. As the trader increases in their skill they will be able to understand what is happening in the market with a great deal of reliability.
- f. Repeating information – Month after month the markets come back to essentially the same data that is dispensed at the time of the Dow Open. As the trader becomes more and more accustom to how the markets react to this data, they will become better and better at predicting and then transferring this prediction into action on one of several currency pairs.
- g. Based on Momentum First, then the Signal – The key factor in trading at the time of the Dow is that the trader is looking for a momentum direction first. Once this direction is determined and the time of the entry is determined, the trader then locates an RSI Reversal signal located on The RSI Paint Indicator.
- h. The RSI Reversal and the RSI Indicator – RSI Reversals are statistically successful at the point of momentum. They provide precise entry and small to zero drawdown locations.