

How to trade our Weekend Research Analysis Forecast (WRAF)

What is the WRAF? The WRAF is our Weekly Research Analysis and Forecast!

At the start of each weekend once the markets have closed for 48 hours, we have time to begin our weekly research and analysis of the 3 dozen commodity futures instruments. Of the 36 instruments we can watch less than a dozen because of the sheer weight of so many. So, we have carefully organized out watch to the most active dozen. But, realistically, during the next week one trader can only expect to trade about a half dozen if you have a team of traders... 2 or 3 you could possibly trade a dozen but one trader is limited and may possibly trade only 2 to 4 instruments.

We call this limiting fact the Span of Influence. It's kind of like managing people. You can manage 1 person easily, probably over manage if the truth be told. Two are not do hard. Three people under one person's direct control is about optimum. When a Manager must tend to 4 or more, one or two of the staff gets left out and causes descension in the ranks. Descension is one of the "D" words that people need to be cognizant. There are a dozen happy "D" words. About half are sad. Descension is one of the sad words. We want none of that in trading.

So, let's establish our weekend research regimen: First, we get organized: What do we do first? We gather the charts with appropriate time frames:

Time Frames	Monthly	Weekly	Daily	
Yearly	Y			
Monthly	Y	Y		
Weekly	Y	Y		
Daily		Y		
8-Hour		Y	Y	
2-Hour			Y	
30-Minutes			Y	
15-Minutes				
4 types of research:	Annual,	Monthly,	Weekly,	Daily

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Next, let's select a few instruments to conduct weekly research for next week's trades. These are our primary watch which we generally take trades most weeks. Using our weekend research, we may enter as early as Sunday evening but as late as Tuesday midday depending on. Starting Sunday evening we look for sweet spots to enter.

6E	Euro Currency
CL	Crude Oil
GC	Gold
YM	Dow 30
ZS	Soybeans
ZB`	30 Year T-Bond

On Sunday, we generally do not enter at the open unless there is a major gap up or down which we want to ride the "gap fill" event. Normally on Sunday evening we await the completion of the 1st Swing of Day as evidenced from our 30-Minute chart where we apply the "Initial Balance Indicator." The IB indicator usually requires at least 2 hours and sometime 4hours.

We look for formation of "blue box range." Then, once the blue box has captured the first swing of the day from top to bottom of the blue box, we await price to break out above the box and close, which indicates bullish price to the upside, or, we await for price to slide out below the box to indicate sellers want control. We then buy the next candle after the close below.

Generally, we always trade a 3-lot meaning at least 3 contracts with 3 different stops one tick apart. Also 3 different targets at least 8 ticks apart. For Example:

Sample 3 Lot ATM (Number of Ticks):

Stops	6	7	8
Targets	8	12	18

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Once trade is entered, above stops and targets may be adjusted to conform to other indicators used in trading the instrument.

The first stop is very tight, about as tight as possible without risking an immediate stop out before the trade gets a chance to work. Six ticks is about it for Crude Oil. And six ticks is about right for first stop on other instruments too, except for larger tick sizes like ZB and KC: ZB = \$31.25, KC = \$18.25.

Ticks on typical instruments are 5 to 12.

An exercise that would be good is to look at NinjaTrader Margin Requirement PDF. https://ninjatrade.com/PDF/ninjatrade_futures_contract_details.pdf

Above PDF shows required NinjaTrader intraday margin and universal overnight.

Below BarChart Link shows Point and Tick Value for all commodity futures instruments traded by us.

https://ninjatrade.com/PDF/ninjatrade_futures_contract_details.pdf

Second and third stops are immediately next to one another just so there is separation for later adjustment tighter. **Never loosen stop!**

Weekly Research Analysis & Forecast:

Ok! The first item on Weekly Research is the Monthly chart:

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Remember, Brexit in driver's seat. Always remember that everything you need to know about a stock, future, currency or any tradeable instrument is already coded into candle patterns. But, always be mindful of any external influence, like, Trade War, Politics, Brexit, Weak/Strong Economy in one area of the world versus another. Keep scheduled economic news and abreast of business and world news.

CL Crude Oil Dec contract just prepared to deliver; now trading Jan Contract.

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As of Tuesday, November 19, 2019. Oil trades at \$1,000/point and \$10/tick.



CL Crude Oil Jan Contract as of CL has been bearish since 2014. Closely examine yearly chart to better understand why CL is bearish for many years. It is because of a worldwide over supply of crude oil of about 5% of production.

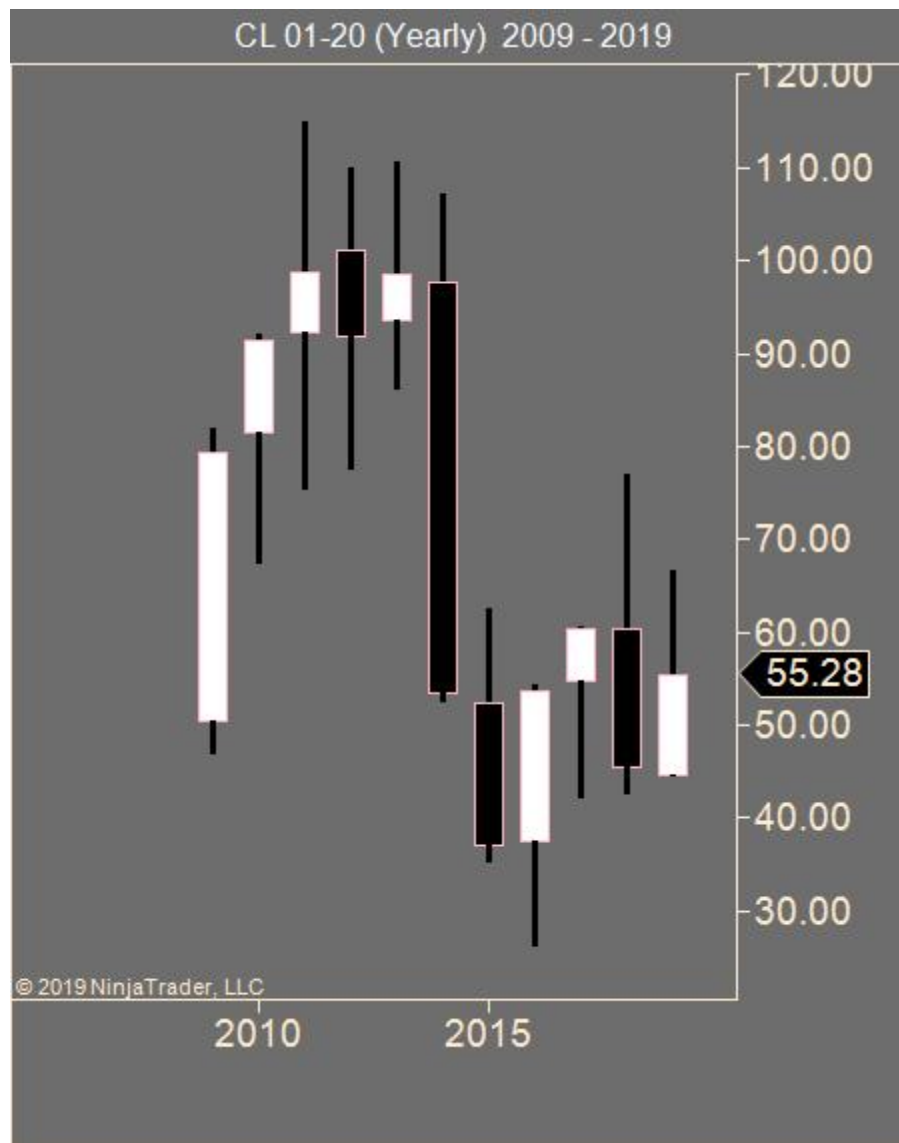
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Because of this condition, Saudi Arabia and Russia, the two largest exporters, have cut their production jointly. This has helped maintain price in the 50 to 60

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range for months. However, movement between the high of 60 and low of 50 is ample spread to enjoy an excellent trading environment.

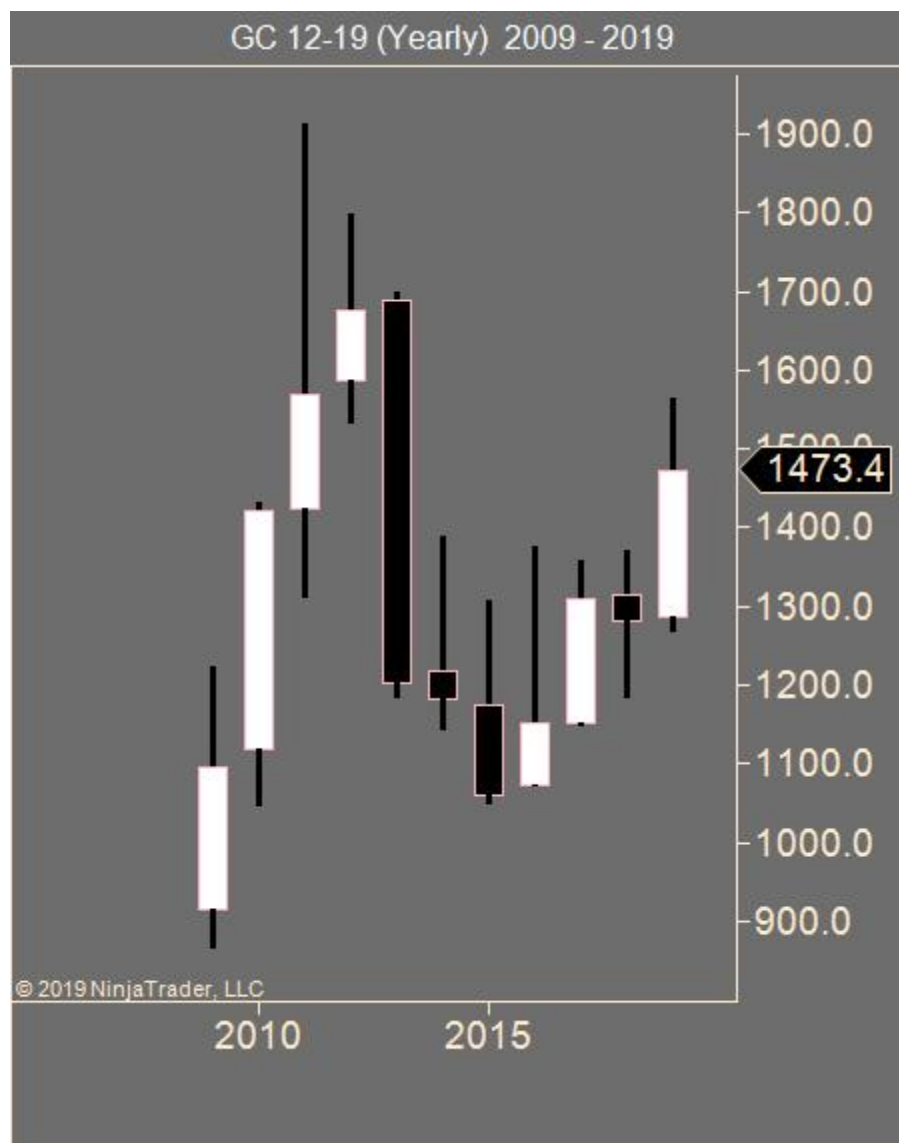


Yearly CL Chart Note: 2008 candle not present where price got up to near \$150.

GC Gold December Contract. Note: Gold turned bullish over past five months primarily due to China Trade Wars because Gold is defensive instrument that protects holdings in Index futures, all index futures. Now that deals with China

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going may be attractive to both parties going forward Gold has backed off its prior very strong push up. Gold trades at \$100/point and \$10/tick.

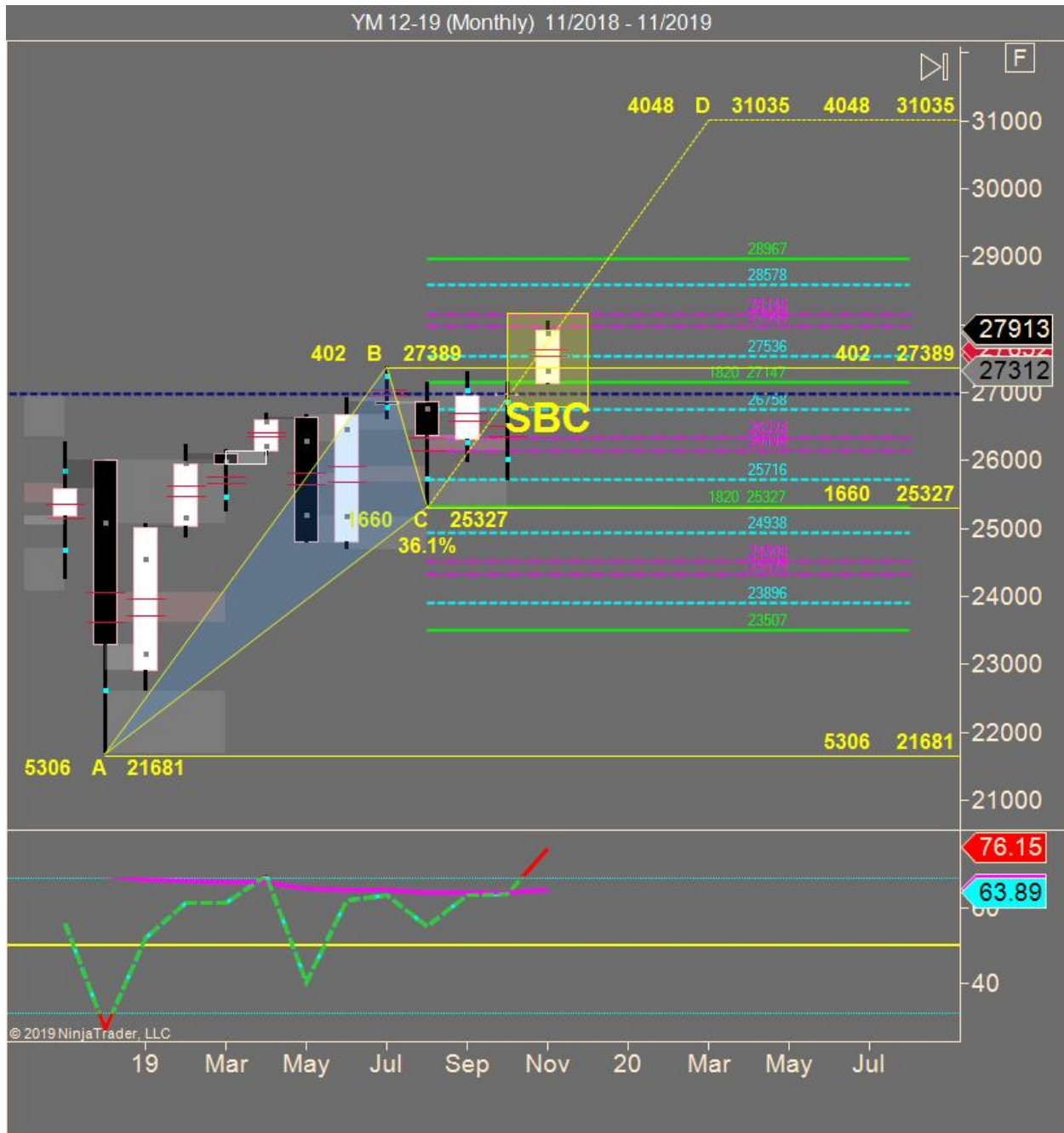


Above Monthly and Yearly charts indicate status of Gold. Both Monthly and Yearly charts indicate how bearish gold remains because it did not get near prior high that requires a close above to start calling Gold bullish overall. It's not bullish but keep an eye out to buy when U. S. or Western minded Europe is threatened by world events that may impact economy in either.

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YM Dow 30 Index Future bullish and has been since 2011. This strong uptrend began following financial calamity of 2008 just before Obama Administration took over required many changes that were taken in 2010 to 2011 mainly which enabled residence homeowners who were underwater to sell their homes to their lender short meaning for less than they owed.



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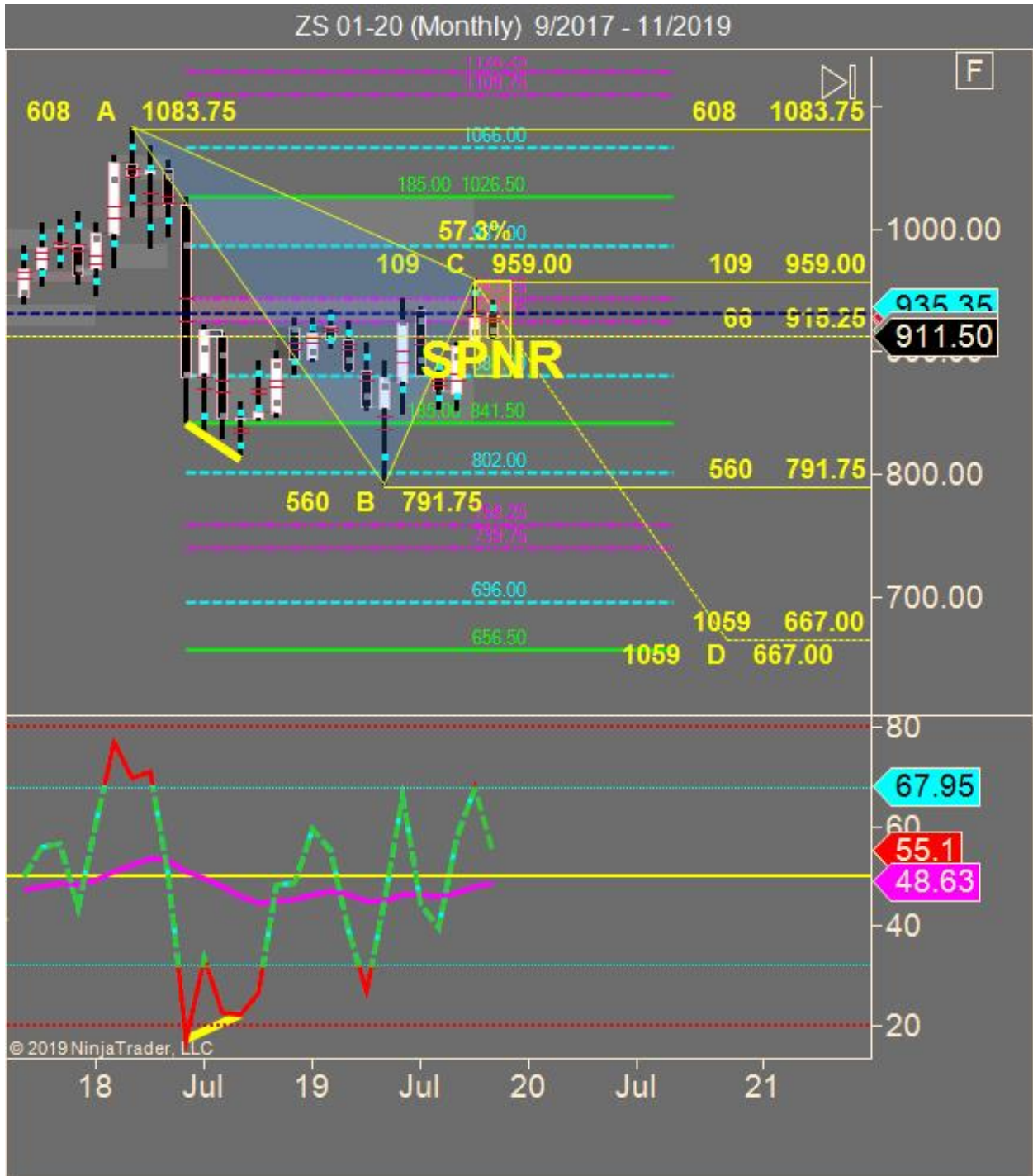
Therefore, the U.S. economy began to recover much faster, even with much lower employment than would have been required had the financial institutions taken all the homes from residence owners and sold them to investors like what happened in the crash of 1992/93 when the Resolution Trust Corporation of the Savings and Loans and banks helped protect.

ZS Soybeans 2019 January Contract

Soybeans reached a high of 1784 around July of 2012 and have made continuing declines every year since. They are now trading at about 911 but have been as low as 800 this year, 2019 March. We saw a high last month (October).



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ZB 30 Year T-Bond Dec 2019 Contract



The T-Bond has been in a general uptrend for the past year, since November 2019, a month before President Trump directly asked Mr. Powell, The Fed Chairman to help the U.S. economy by reducing instead of raising interest rates. The price of treasuries enjoys an inverse relation with interest rates.

The upshot of this relationship is that as treasury prices rise, interest rates decline! Rates have been declining for a year getting down where average Americans are able to obtain a 30 Year fixed rate mortgage on their personal residence (home).

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Ok, now let's examine the monthly charts disclosed in the past few pages. We have five sells and 3 buys:

Sell:

Euro
Oil
Gold
Beans

Buy:

YM Dow
ZB T-Bond

Now that we have identified 6 instruments to consider trades next week, if this were a weekend, we would prepare 120 Minute charts with the entry price, target and stop exits.

Timing our entries between Sunday evening after market has been open 2 to 4 hours is the crux. We want to enter at an optimum moment, not just a price. We need to watch the market trade for some time. We need to look back at prior week and determine what happened in prior week on multiple time frames, 120M, 480M, 30M, 15M. We need to do our own research, like what was offered by the advisory service. We need to audit the advisory service so we KNOW we will be doing the right thing. Otherwise, we should turn over our trading to an account manager or a CTA (certified trading advisor).

So, if we are trading for ourselves but using guidance from a source, we need to trust the source but, even if we trust the source, we need to enter on a setup. We need to **"know"** that the entry we are taking right now is an 80% probable winner.

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This “knowing” requires knowledge. We need information about the setups available to a trader. We need to know how to read the candles. If we do not possess this knowledge, perhaps we need a trading course or perhaps we need to turn over some funds to be traded by the “experts.” Or, perhaps we need to trade the setups provided by the service on our simulator. We enter suggested trades on the simulator and then watch them trade for a couple days. If they are winners, ride the wave. If they are losers, let them be taken out by preassigned stops. But gradually get into the game on a simulator or by trading prior day downloaded trade data so that familiarity with the process becomes second nature. The simulator is a technically pure experience on NinjaTrader. It as real as trading live. So, try it.

There are dozens of trading platforms. I am sure there are some great ones; however, after having tried at least a dozen I chose NinjaTrader in 2004 and have not been able to find a better one since but I have tried a few: Tradestation, Think or Swim, CQG, Interactive Brokers. There a few that I have not tried.

* Belongs with . . .

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This action enabled thousands of troubled homeowners to recover financially while lenders took it on the chin because they were viewed as complicit in the debacle!