

Pressure Cooker Trade ©

3/30/20

Introduction: The “Pressure Cooker Trade” © is a setup developed by the WBHQ team and the students in the Emini Think Tank. The goal of the setup is to identify areas of pressure building up based on my “Strategy Based System” (a rules based system that functions around 4 key words: Identify, Enter, Manage & Exit) and looking for a breakout of the rectangle

Identify

- We trade YM, NQ, ES, RTY, CL & GC
- Emini not micro
- Time of day (entry)
 - Premarket (Excluding 8:30am Est news) 7am to 9:15am
 - Lunch time = 11:30am to 1:30pm ish
 - Overnight Session 8pm to 2am Est
- Our primary timeframe is 5 min, secondary is 1min (tweak the entry)
- We are looking for areas of pressure building (compression)
- Draw a rectangle around the sideways movement
- Height of the box
 - Min Rectangle Height (YM) 13 to a max of 34
 - We need to identify ATR differently for each position
 - Do not modify the original rectangle height after 8 bars

Symbol	Min # Of Ticks	Max # Of Ticks			
YM	13	34			
ES					
NQ					
RTY					
CL					
GC					

Enter

- Minimum number of candles
 - 2 touches of the specific breakout line
 - # of candles
 - 1 to 4 bars “NO TRADE”
 - 5 to 7 Aggressive
 - 8 to 12 Moderate
 - 13 to 21 Conservative
 - 22 plus Too Many
- The trade entry is the breakout
- If breakout is missed look for a retest of the 8ema on the 1min candle before entering
- If trade is in the direction of the BIAS take 2 contracts
- Test 3 contracts in breakout is in direction of BIAS and hold the last one as a runner

- If trade is against BIAS take 1 contract and exit at Fibot

Management

- Targets
 - Use stacking of the rectangles for targets (like I use on channels)
 - Fibot for our 1st target
- If trade is in the direction of the BIAS take 2 contracts
 - Exit 1 contract at Fibot
 - Exit 2nd contract at 100% move
- If trade is against BIAS take 1 contract and exit at Fibot
- If breakout is
 - with the BIAS and within 3 closing candles the Fibot is not hit, exit the trade
 - Against BIAS and within 2 closing candles the Fibot is not hit, exit the trade

Exits

- (To Start Testing) 50% of our target (ex 20tick target, 10 tick stop) on 1st exit
- 2nd exit is 100% of the rectangle
- Consideration
 - 2nd exit, use a trailing stop (same stop size as 1st exit)
 - Make the trailing stop 5 ticks less than the 1st target (to not break even on 2nd exit)

Notes

- Rectangles that start off filling entire box height is required; the end of the box is better if the price action focuses on support or resistance for a breakout in that direction
- Breakout is best in the direction of the 8 & 21 EMA's
- Volume to be used, but how (set up on TS with histogram)
- 8 & 21 ema's pinching (need to calculate automatically)
- Use 8 & 21ema's like Bollinger bands, look for pinching at the end of the rectangle, and spreading out upon breakout. This gives us a confluence in the setup.

Possible After The Trade Setup:

- Is there a second trade to be taken (after the pressure cooker trade is over)
- Taking 1st breakout (and it works) Do we take future breaks (Like fib 4 step)
- Will this system work for stocks (YES!!!!!!!!!!!!!!!)
- Break Rectangle, scale out 1st half at Fibot, 2nd halt 100% of stacking (2nd rectangle) look for reverse trade in opposite direction (Rebound Trade)
- Trade over, retest center line and bounces (kiss goodbye)