Supercharge Your Trading System
By Roger Felton, Felton Trading Systems

Think of your charts as your "eyes" into the market and the bar type(s) we use can be thought of as our "glasses". Just as we wouldn't use binoculars to read the newspaper or a magnifying glass to observe the moon, the bar type we choose can make a huge difference in the depth and clarity of our understanding of what a market is doing…or about to do.

Here's is a simple way to "supercharge" your current system and adopt some powerful new tools to make your trading easier and more accurate.

As traders, we're all familiar with tick, volume, range and time-based charts among others. I've used these in years past and many traders still do. Now I'd like to show you a modified bar type that in many ways is far superior and, in the opinion of many traders, has made nearly every other bar type obsolete.

To fully appreciate the unique characteristics that these bars provide, let's look at a normal day in the Natural Gas (NG) futures market on a 15-minute chart. The day, instrument or timeframe we choose would not matter. This data covers the total market activity on December 9 &10, 2015.

Here we see the typical periods of sleepy pre-market price action followed by steep rapid price movement bounded by market chop. Time-based bar charts (and many others) are infested with erratic noise that's very difficult to effectively filter.

Now let's look at the same market covering the same two-day time period. Only this time we will be using our modified bars called the FT Supreme Renko OHLC. Since we introduced them several years ago, similar versions are now appearing among several system vendors and platform providers due to their superior characteristics and ability to self-filter market noise.
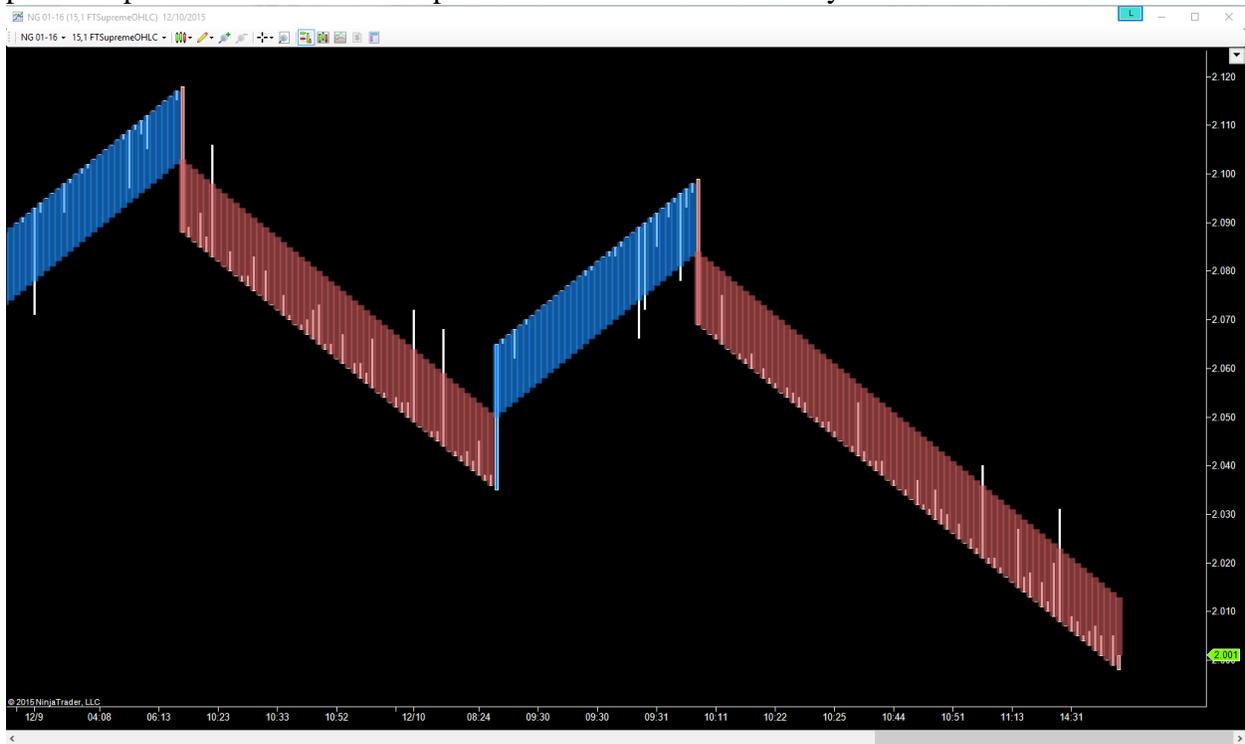
It's hard to believe it's the same instrument and time period. Now traders are free to focus on the high potential entries and exits these bars produce with such accurate directional assessment.

Above is a 15,1 FT Renko Supreme. That means that the red and blue bars (after the 1st turn bar) are exactly 15 ticks tall and the step size, or difference between the close of one bar and the close of the next is 1 tick. The possible combinations of bar and step numbers are limitless and a chart can be tailor made to suit any traders personality, trading style and account size.

One of the first things I noticed when we first built these bars many years ago was how much better most common indicators behaved when applied to them. Most surprising was the ability to create entirely new and unique signals that were far superior to most found on other bar types. Some of these signals are shown by the red and green arrows and magenta labels.

Above we have one of my favorite trade setups using a 10,5 Felton Trading Renko Supreme chart of the Russell 2000 (TF). The bar size is 10 ticks and the step size (difference between the close of one bar and the close of the next bar of the same color) is 5 ticks.

Any trader familiar with divergence signals will recognize the double top (for shorts) and double bottom (for longs) in price paired with an oscillator of your choosing. Being a counter trend signal, many traders find it difficult to know which divergence signals to take and which to avoid. Using these bars, simply look for the divergence signals, long or short, that have a significantly "stretched" first leg of the W or M formations highlighted by the orange lines in the above charts.

Our SignalPro software warns us visually and audibly as it identifies the precise bar to enter a "stretched divergence" signal and can be "trained" to only find these high potential elongated formations. They rarely fail to produce excellent profit potential. Now many traders are not yet masters of trade management techniques but want to make good consistent profits as quickly as possible. These traders can simply enter a limit order on the entry bar (with the arrow and label) at its clearly marked (future) closing price and then "let the market come to you". Place your stop at the tip of the entry bar's shadow. Your high potential target will be 50% of the distance of the 1st leg of the W or M.

This is a high potential trade that can be easily mastered in a short time with limited practice. The biggest advantage is the trader knows the exact price to enter, the exact placement of the stop and the target is clearly identified to the tick. When a trader knows these 3 things (and is consistently correct), then long-term success can be within the grasp of any disciplined trader.

A SPECIAL OFFER TO LEARN MUCH MORE

Traders who would like to vastly extend their knowledge about this versatile bar type and the numerous accurate signals they produce are invited register for our one week, no obligation trial in our live market trading room and get personalized one-on-one training from me, Roger Felton, whenever you need all at no charge whatsoever. See the amazing things that can be done with just 2 contracts per trade! Simply go to our website www.feltontrading.com and click on the Free Trial button.

ABOUT THE AUTHOR

Roger Felton is President of Felton Trading, but better known as a professional trader and tireless personal mentor to any trader needing help. He teaches a powerful and accurate system that is unlike anything traders have ever seen and he has created precision-coded software that crunches the data and gives traders everything they need to make consistently smart trading decisions. Roger teaches with clarity and patience. He communicates his boundless market knowledge in a manner that makes learning not only simple, but fun, too.