

[The Struggling Trader's Guide to Avoiding Chop](#)

Here are three pieces of trading advice to consider adding to your trading methodology to support you in assessing the timing of entries and exits. They can be of great assistance to the struggling trader.

These should be seen as a complement to other decision criteria that you use for determining entry and exit based on price.

Multiple Time Frames

Many traders watch the market they are trading in a variety of time frames - each time frame providing different information. For example a short term trader might watch the market with a 3 minute chart, a 13 minute chart, a 30 or 60 minute chart, and use a 1 minute chart for detailed entry.

A useful technique to avoid entering a trade when the market is about to chop is to identify the prevailing trend in each time frame and only enter a trade if the trend is in the same direction on the short and medium term time frames. In this way the trend direction of each time frame is supporting and enhancing the other. When the trends are different (i.e. one long and one short) it indicates that the market is in transition and that chop is likely to ensue.

Here's how to do it:

Add two exponential moving average lines to each chart. A fast EMA such as 23 (mark the line red) and a slower EMA like a 50 (mark the line blue). When the red line is above the blue the trend is long, and when its below the trend is short.

In the example above of 1,3,13 and 30 minute charts only enter if the 3 and 13 minute trends are in the same direction.

Cycles

My favorite way of determining the best times to enter a trade is using cycles. Walter Bressert has done great work in pioneering, researching and developing indicators that can be used effectively to trade with cycles, and so has Roy Kelly.

I won't go into lengthy detail about cycles here - you can read more about them at our site - let me just give you the basics and if you are interested you can take it further.

The market trades in measurable cycles. These cycles often correlate with the ups and downs of price. Cycle highs and lows very often match closely with over bought and oversold levels. By watching the cycles over time, you can see very easily how when a cycle reaches its high point and turns down or reaches its low point and turns up, its a time of high energy in the market. If you combine this information with your knowledge of the direction of the trend, then you have some very tradeable information.

In particular when the trend on the short and medium term charts (for whatever time period you are trading - e.g. 3 and 13 minute for a short term trader) are in the same direction and the cycles for both the short an medium term charts are turning in that direction you can usually count on a safe and profitable trade. Of course it goes without saying that you need to use appropriate money management and choose your precise entry point using basic support and resistance entry techniques.

Harmonics

Here's another source of timing information for the market - a controversial one! A lot of traders laugh at using astrology as a timing tool for the market. And as far as I'm concerned that's great! Its so accurate that I'm happy to have the edge!

The markets are influenced by people and their minds. To be extremely simplistic, the market goes up when people are confident and optimistic and down when people are concerned. Astrology measures the effect of the movements of the universe on people- and therefore has the ability to measure the impact of changes in the universe on the markets.

As the various planets move through the universe they come into alignment with each other at different points in time. These points can be translated into both price levels and specific moments in time. For example, a financial astrologer looking at the S&P 500 can tell the exact time that two planets that will affect the market will aspect each other and at what price.

Again, you are very welcome to laugh and say "what a load of old garbage"!! However, if you are even in the slightest bit interested - even if its to disprove it - you may want to check it out further. Try googling "Trading Astrology".

Armed with this time and price information you can combine it with basic technical trading techniques, to find high probability entry points.

I don't advocate using any of these techniques in isolation. Having a strong understanding of technical analysis and price movement is essential. Nevertheless, in combination with price movement they provide a very valuable source of information - for entry, for exit - and of great importance to the struggling trader, for knowing when not to trade.

About the Author

Mo Christensen is one of the editors of the successful trading blog tradingadviceblog.com. The site specializes in high quality [trading advice](#) for new and struggling traders. See the original article in context at http://tradingadviceblog.com/trading_methods/struggling-traders-guide-to-avoiding-chop

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