

# Increase Profits Using Broadening Formations

Presented by Dede

Power of 3 Trading



**Objectives:** This presentation is designed to educate day traders on the use of broadening formations to gain an edge on the market. It does not detail the Strat methodologies.

## What We Will Discuss:

- Candlestick patterns
- Broadening Formations vs. Pivot Points
- Drawing Broadening Formations on multiple timeframes
  - Gap continuation – TSLA, Mar 28, 2022
  - Gap reversal – NVDA, Feb 24, 2022
  - Continuation – ROKU, Mar 28, 2022
  - Reversal – UPST Mar 1, 2022
- Day trading setups and intraday strategies using CCI



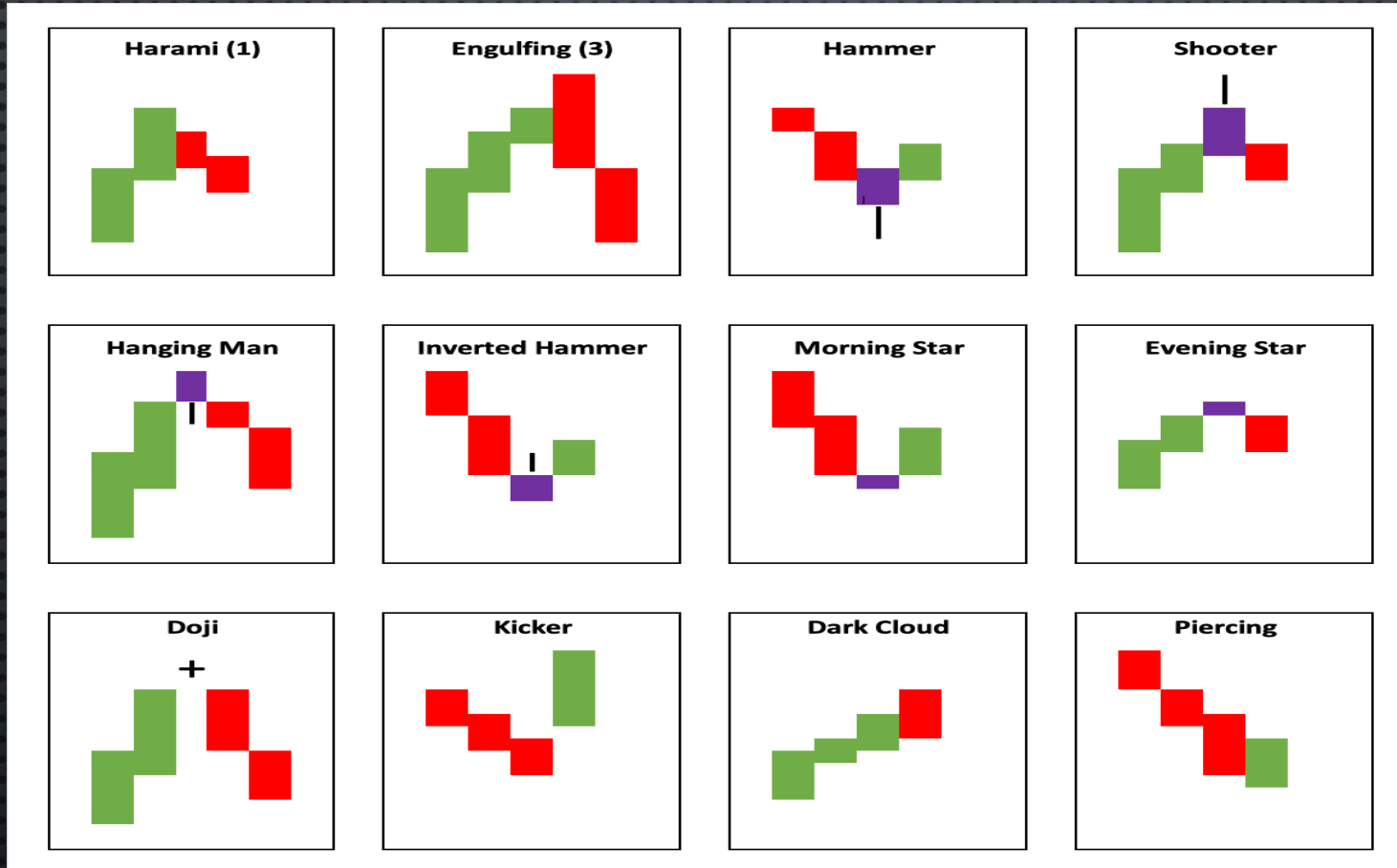
# Candlestick Patterns

Steve Nison, Father of Japanese candlesticks refined a series of reversal and continuation patterns to help traders profit in any market. Rob Smith simplified candlestick patterns using 1, 2, 3 and coined the methodology “theStrat”. 1 is an inside bar or harami, 3 is an outside bar or engulfing and everything else is a 2. Below is a list of major reversal patterns defined by Mr. Nison.

Major Reversal Patterns	
Harami (1 - Inside Bar)	Engulfing (3 – Outside Bar)
Hammer (2)	Shooter (2)
Hanging Man (2)	Inverted Hammer (2)
Morning Star (2)	Evening Star (2)
Doji (2)	Kicker (2)
Dark Cloud Cover (2)	Piercing (2)



# Reversal Signals



Candlestick patterns alone do not tell the whole story.

How far price action will move, is based on a series of historical highs and lows (Broadening Formations).



# Broadening Formations (BF) vs Pivot Points

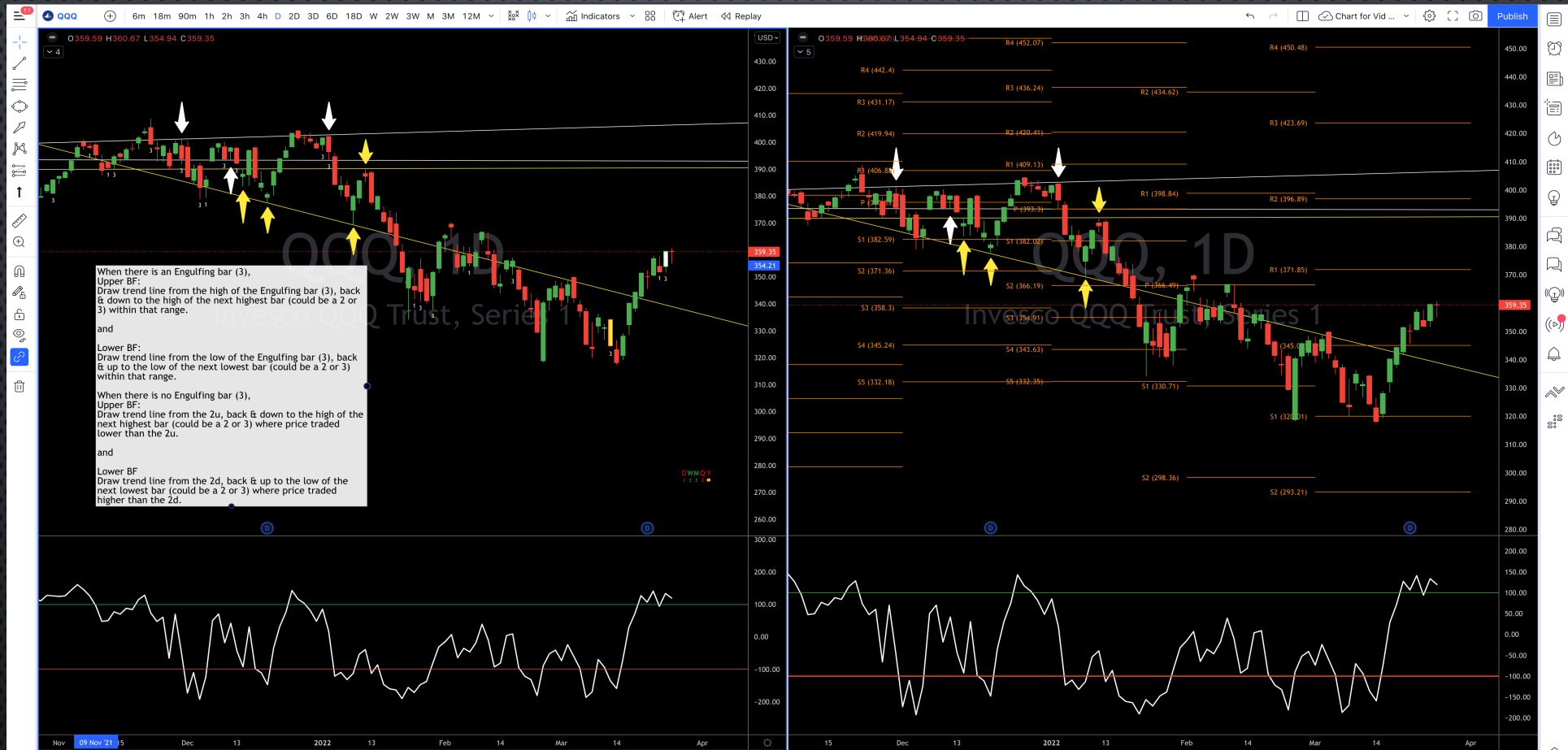
A ***broadening formation*** is a price chart pattern identified by technical analysts. It is characterized by increasing price volatility and diagrammed as two diverging trend lines, one rising and one falling. It usually occurs after a significant rise, or fall, in the action of security prices. It is identified on a chart by a series of higher pivot highs and lower pivot lows.

A ***pivot*** is a significant price level known in advance which traders view as important and may make trading decisions around that level. As a technical indicator, a pivot price is similar to a resistance or support level. If the pivot level is exceeded, the price is expected to continue in that direction. Or the price could reverse at or near that level.\*

\*Source: Investopedia



# Broadening Formations vs. Pivot Points





# Drawing Broadening Formations

When there is an Engulfing bar (3),

Upper BF:

Draw trend line from the high of the Engulfing bar (3), back & down to the high of the next highest bar (could be a 2 or 3) within that range.

and

Lower BF:

Draw trend line from the low of the Engulfing bar (3), back & up to the low of the next lowest bar (could be a 2 or 3) within that range.

When there is no Engulfing bar (3),

Upper BF:

Draw trend line from the 2u, back & down to the high of the next highest bar (could be a 2 or 3) where price traded lower than the 2u.

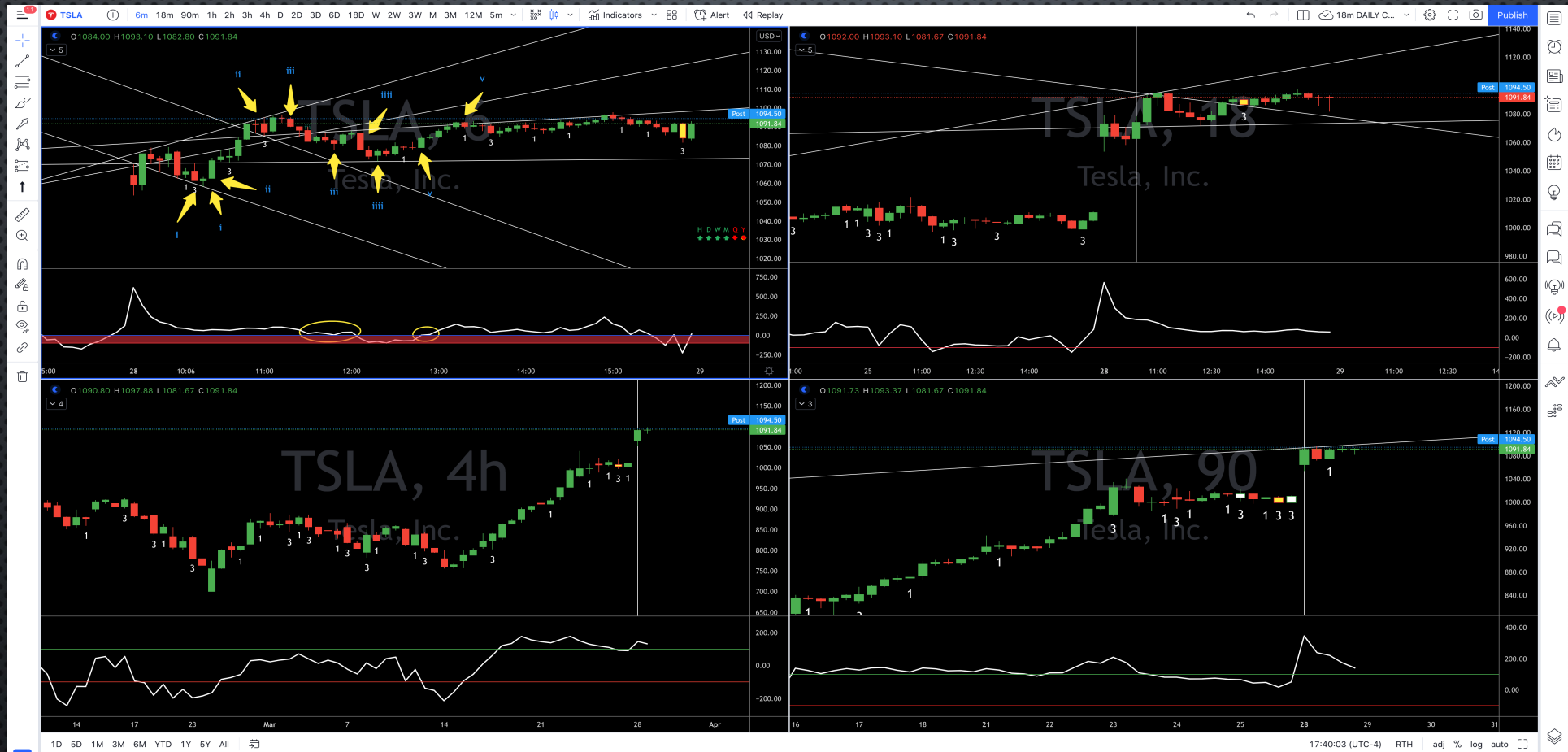
and

Lower BF

Draw trend line from the 2d, back & up to the low of the next lowest bar (could be a 2 or 3) where price traded higher than the 2d.



# Broadening Formations (TSLA)





# Plan Your Day (Get Money not Stress)

1. Get a pulse on the market (headline news).
2. Narrow your day trading list to the number of stocks you can realistically manage.
3. Draw broadening formations (BF) on the Daily, 60, and 15 min charts (18-90-4hr).
4. Wait until :45 past the hour (1<sup>st</sup> 15m close) unless you have mastered trading the open
5. If price action hits the BF in the first 15 mins DO NOT TRADE, wait for a triangle on the 15m chart.
6. Draw intraday trend lines where ever there's an outside bar (3) and trade in the direction of the 60m
7. Use CCI to gauge market volatility and potential reversals. If CCI is trending between +/- 100 on the 15m volatility is low.



# QUESTIONS?

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