

Ciao! Allow me to briefly introduce myself. My name is Dave Landry. I have been trading for over 18 years. In 1995, I decided to become a full time trader and founded Sensitive Trading, LLC. Since then, I have advised hedge funds, written 2 books on swing trading, and have written numerous articles for a variety of publications and websites. I've also made several television appearances. During this entire time, I have traded my own account and private accounts. Doing business as Sensitive Trading, LLC: I am registered CTA and owner of www.davelandry.com where I publish daily commentary and a trading service. I am also a member of the American Association of Professional Technical Analysts.

I look forward to writing articles for <http://www.tradingprofessionale.it/> and consider it an honor to be here.

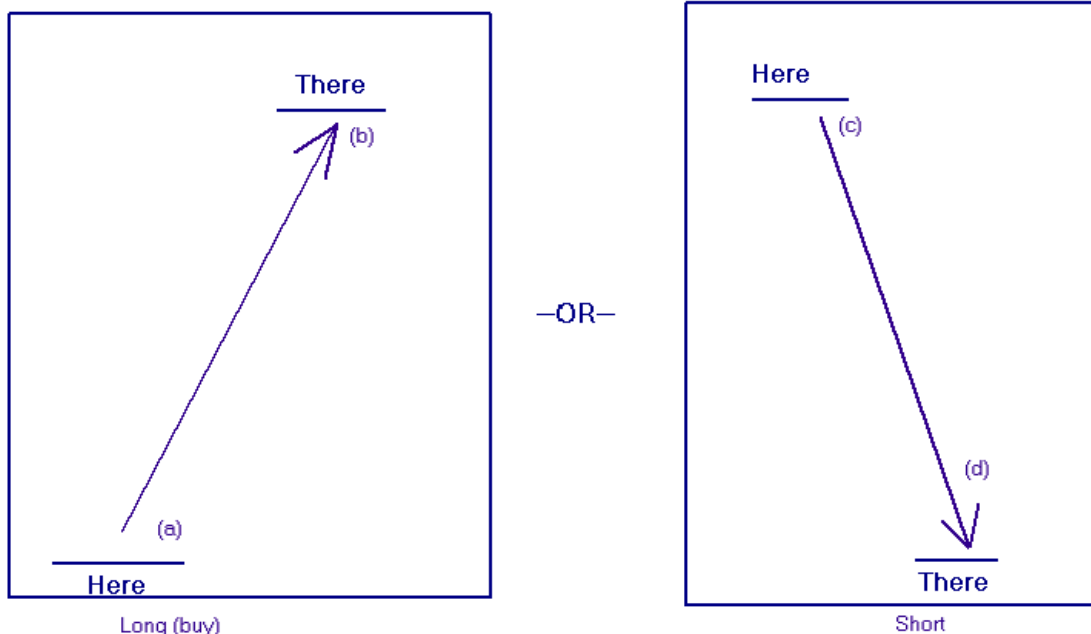
In this forum, I plan on covering numerous topics on trading. This will include ongoing market analysis, patterns I've developed, classical technical analysis, money management, nuances of trend trading, applying discretion, and trader's psychology. Initially, I will focus on the markets I personally trade the most: U.S. Stocks and Forex. However, I believe that markets are markets and patterns are patterns. Therefore, the concepts should lend themselves well to the Italian (and other!) markets. Eventually, I do plan to (and look forward to!) covering your market.

Let's get started. I'm known as a momentum based swing trader. Although my focus is shorter-term, I will actually stay with positions as long as they move in my favor. My goal on each and every trade is to capture a short-term gain and to then hold on to a portion of the position for a longer-term gain. I like to view myself as an intermediate-term trader with better entries---to get it right over both the short *and* long term. I will expand on this approach over the next few weeks.

This week I'd going to focus on the three phases of trends and why I think you should trade trends.

Why Trade Trends?

Referring to figure 1: If you buy a market (a), in order to profit, you have to sell it at a higher level (b). If you were to sell short a market (c), in order to profit, you would have to buy it back (cover) at a lower level(d). Notice from (a) to (b) is a trend and from (c) to (d) is a trend. Therefore, even those who do not consider themselves trend traders are actually trend traders-at least for the time they are actually in the market.



My point is, if you *have* to be a trend follower for the time you are in a market, why not just focus on being a trend trader all the time?

Recognizing Trend

Notice that in figure 1 I drew an arrow from (a) to (b) and (c) to (d). I usually go to great lengths to explain how to recognize trend. When I speak, I usually spend a lot of time explaining my “trend qualifiers” which include gaps/laps, wide range bars, higher highs (or lower lows for downtrends), the slope of moving averages, and moving average “daylight.” However, in its simplest form, you should be able to quickly draw an arrow on a chart to determine trend. If you can’t, they’re probably isn’t a trend. Referring to figure 2, whenever you analyze a market make sure you keep this picture in mind. If the market is an *obvious* uptrend, then consider buying it.* If it is in an *obvious* downtrend, then consider shorting it.* And, if it’s going sideways, then leave it alone!

*See my notes under “Trading Trends” below though!

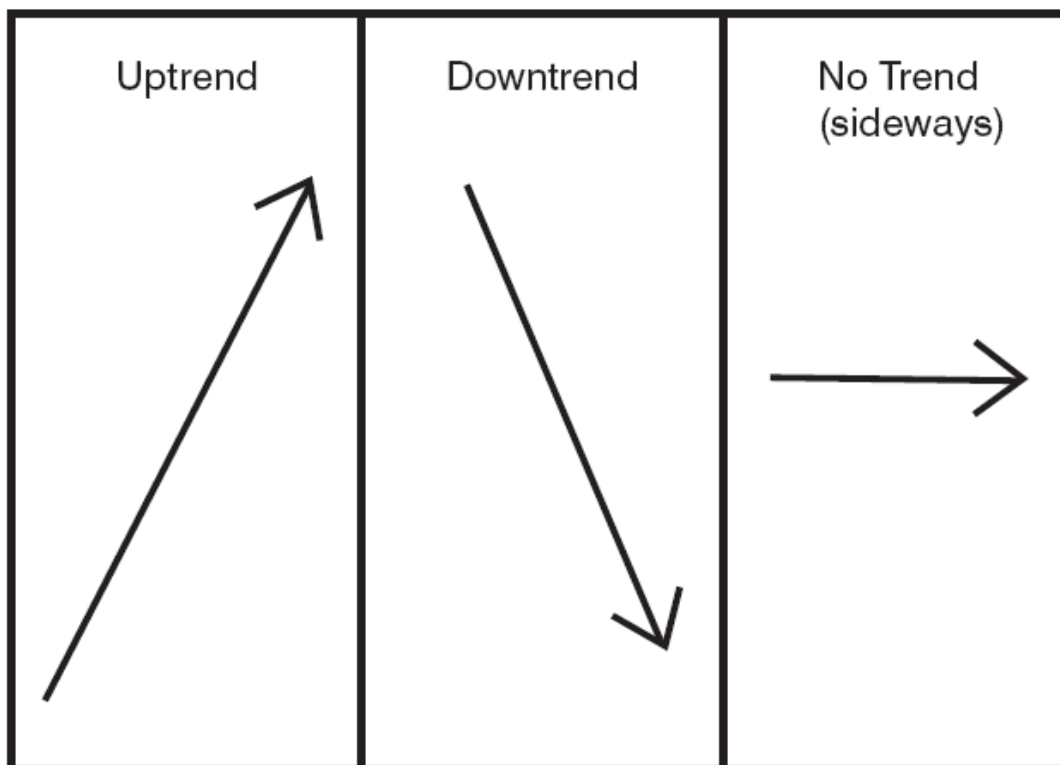


Figure 2

The phases of trend

I view trending markets as being in one of three phases. 1) trend resumption---A market that is resuming a prior trend after a brief correction. 2) trend acceleration--A market that is accelerating after a brief correction. and 3) trend transition—A market that is reversing a prior trend and beginning a new trend after a brief correction. These are illustrated in figures 3,4, and 5 below.

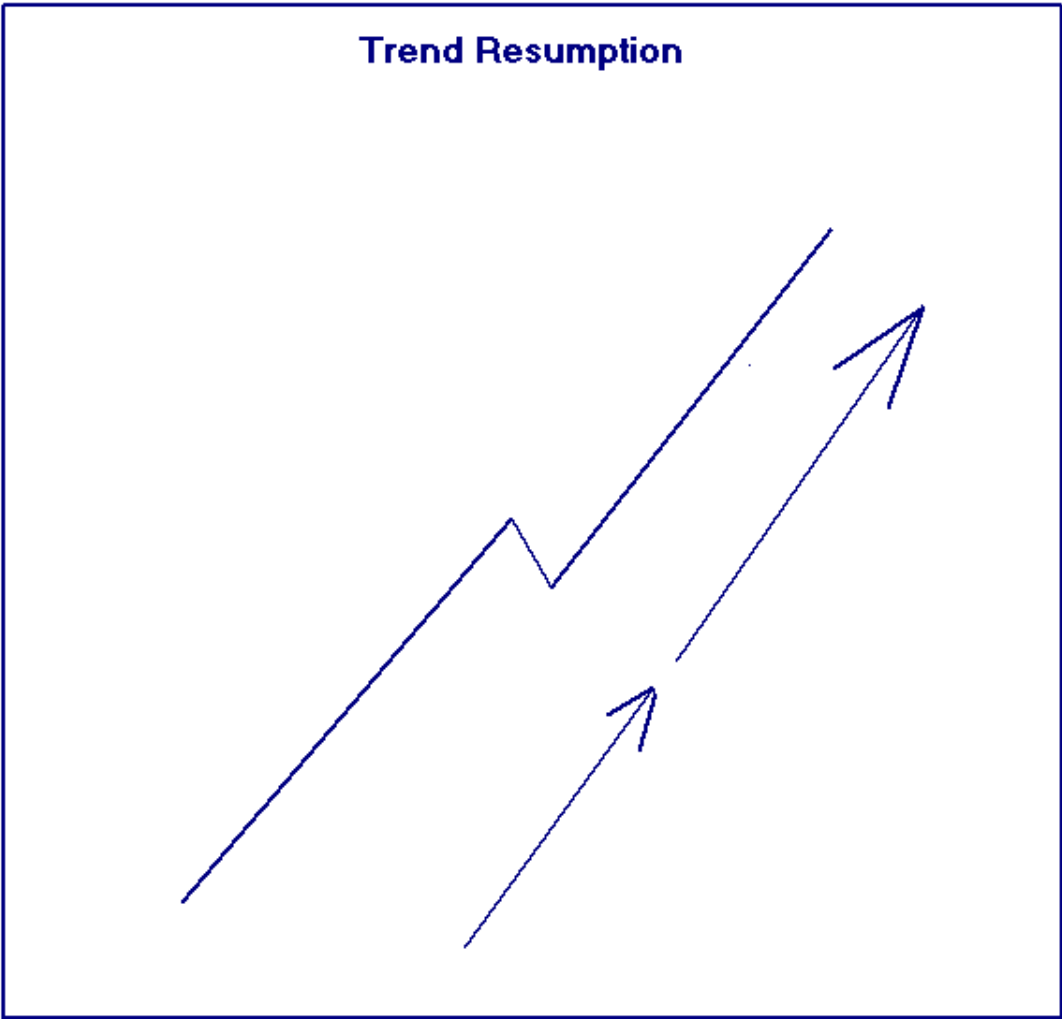


Figure 3

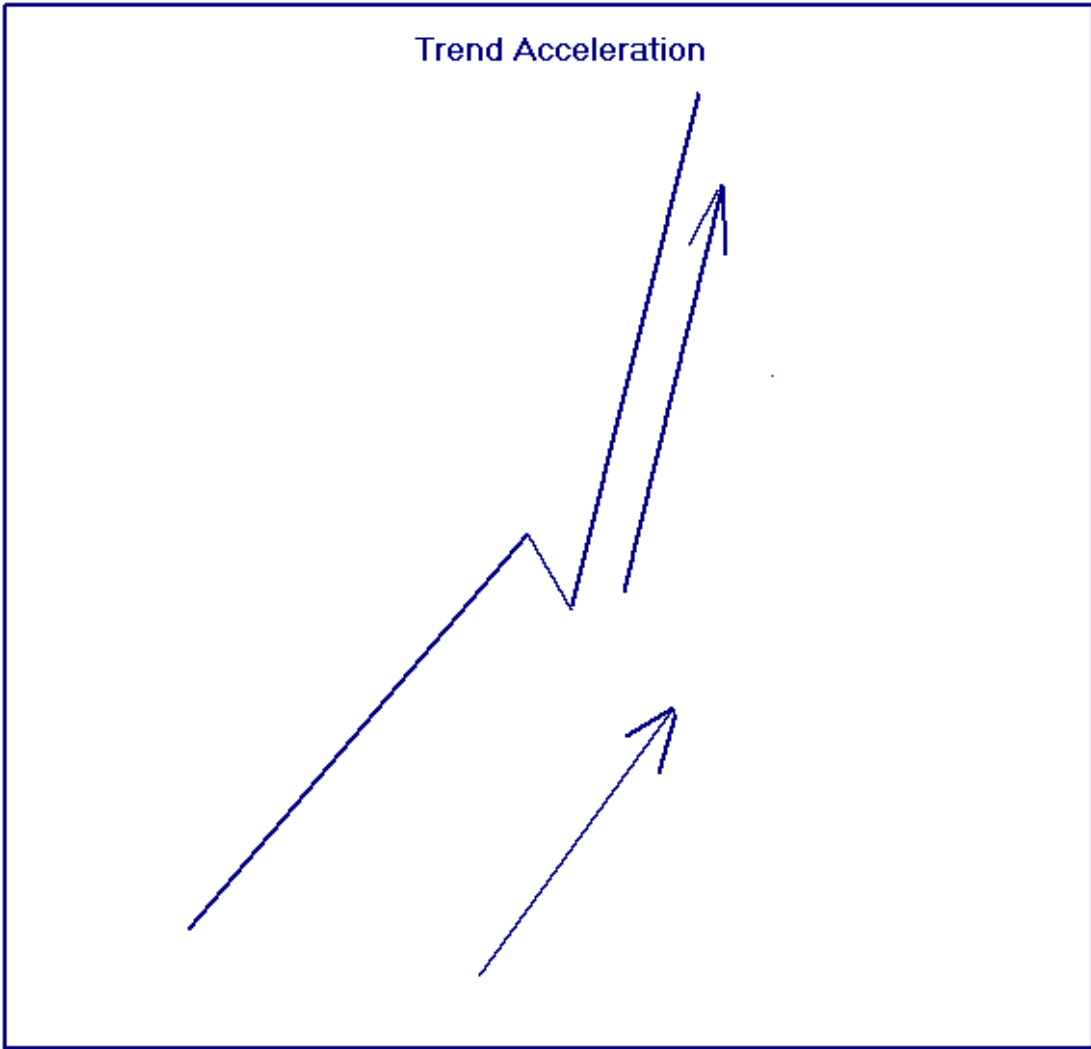


Figure 4

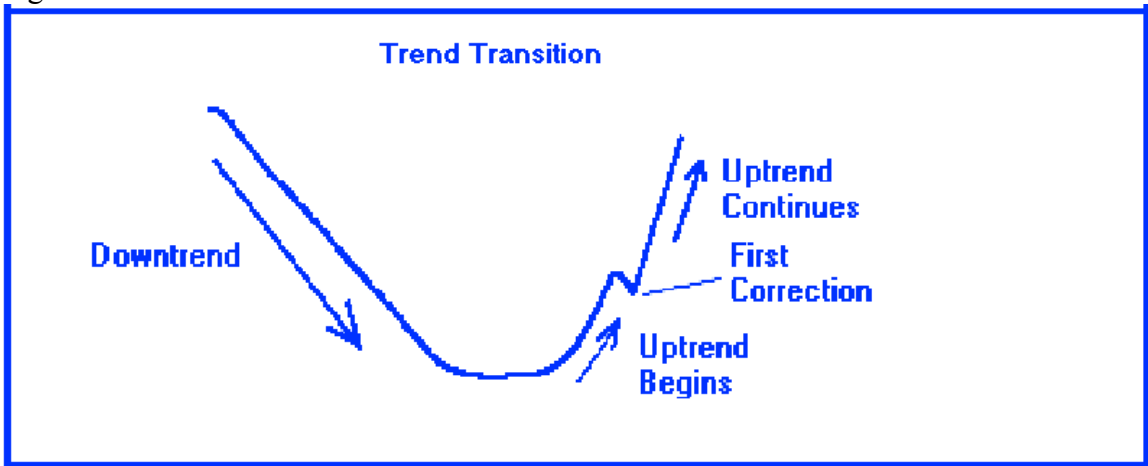


Figure 5

Notice that with trend resumption, the “new” trend continues with a similar slope to the prior trend. With trend acceleration, the slope of the trend increases. And finally, with trend transition, the prior trend ends and a new trend emerges.

Trend resumption patterns occur when markets are in a longer-term orderly uptrend. These markets usually have shallow corrections before continuing higher. They are most common in longer-term bull markets. Trading resumption patterns can be very profitable and reliable provided the overall market remains in a longer-term trend.

Acceleration patterns occur in euphoric or “panicky” markets where the demand exceeds supply. This is caused as shorts scramble to cover and those who have missed the majority of the move finally give in and buy at any price. Acceleration moves occur are usually indicative that a market is forming a bubble. These trends are NOT sustainable longer-term but can lead to wonderful short-to-intermediate-term gains. However, they can be very dangerous to trade since you never know when the bubble will burst.

Trend resumption occurs as a market’s trend comes to an end and a new trend emerges. They can be extremely profitable since the chance exists to enter a new trend early. However, they can be less reliable than trading an established trend since the prior longer-term trend may resume. In other words, what at first appears to be a transition (change in trend), may in fact just be a correction in a longer-term trend.

Trading Trends

Keep in mind that just because a market is trending it doesn’t mean that you should just blindly buy it (or sell it short). Trending markets are prone to correct. And, you never know if what initially appears to be a correction, may in fact be the end of a trend. Therefore, it’s much wiser to wait for the correction to occur and then look to enter if (and only if!) the prior trend begins to re-assert itself. In other words, wait for a pullback.

All of my patterns are based on identifying trend (or change in trend) and then looking to enter them on a pullback. Next week I’ll explain how to enter trends (or trend transitions) on pullbacks.

Ciao!
Dave

For more information:

Email me directly at dave@davelandry.com My Italiano is not very good but I am getting a little better each day. See my website www.davelandry.com where I publish articles, daily market commentary, have a weekly webcasts, and a have a daily trading service.