

TREND TRADING WITHOUT INDICATORS

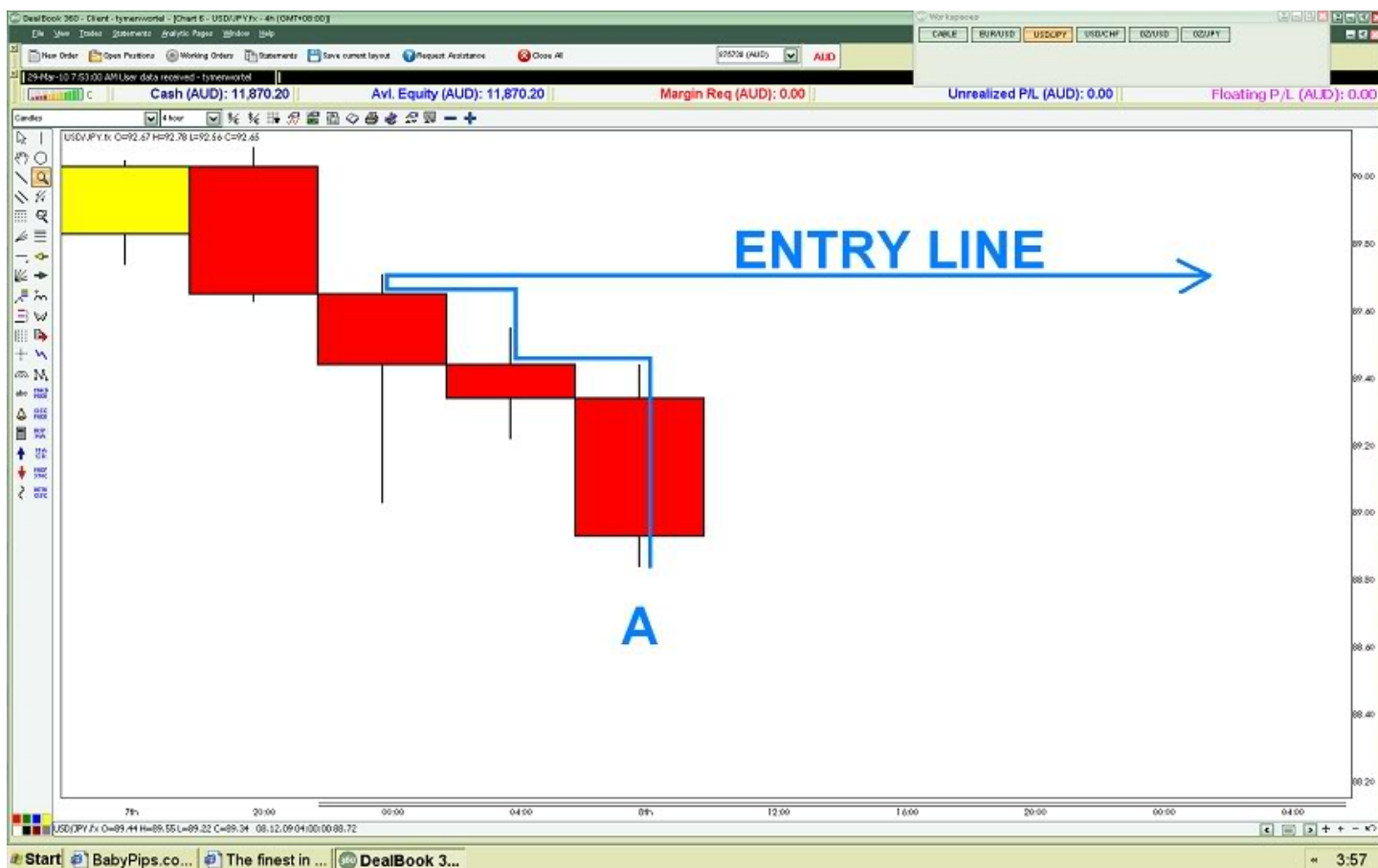
THE COUNT BACK LINE

In this topic I will introduce the backbone of our naked trading system.

The count back line is a procedure by which we get to enter at a certain point after the most extreme candle. It is impossible without hindsight to see the top or bottom candle of a trend, but with this approach, we actually do spot that candle and set an entry from it.

So how does it work? 🤖🤖

I will need to show quite a number of pictures, beginning on the next page:



Here we have a downtrend and the lowest candle is chosen (the last candle in the trend). By lowest candle, I mean the low of the candle. In downtrends, we always consider the low of the candle when drawing a count back line (CBL).

A line is drawn to the top of the candle, then left till it hits the next candle, up to top again, left, then top. (3 candles are involved).

The final line is extended to the right and becomes our LONG ENTRY line for when the trend goes up again. 😊

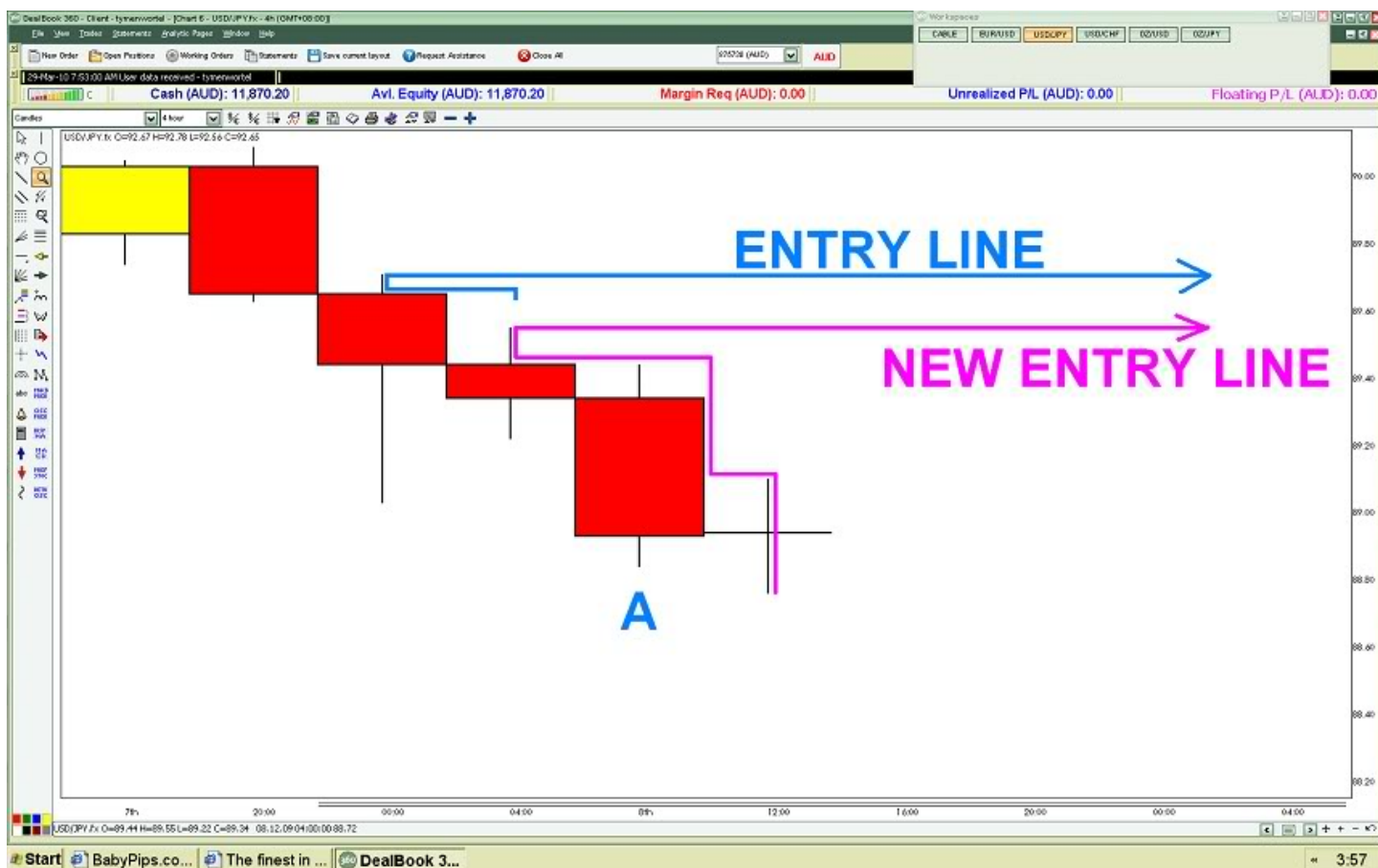
So the rule is.....

top, left, top, left, top.

We now wait for the next candle to develop and finish.

It is a doji candle - that does not matter.

It is lower than the last so we do the following >>>



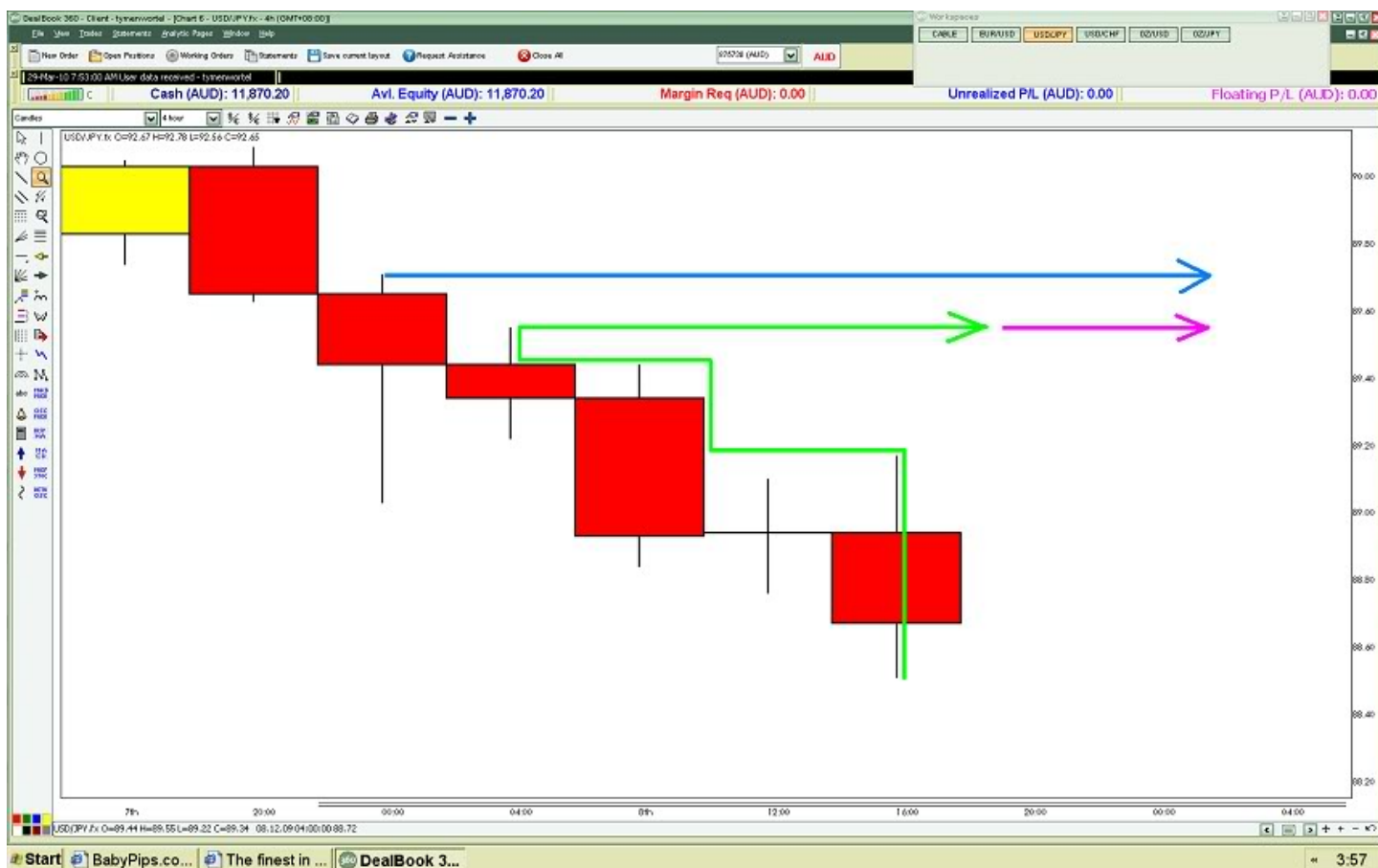
Same procedure as before.....

top, left, **top**, left, **top**.

We then extend the line to the right and it becomes a new lower LONG ENTRY line.

We now continue by waiting for the next candle.

Again it is lower so we again set up the count back line >>>



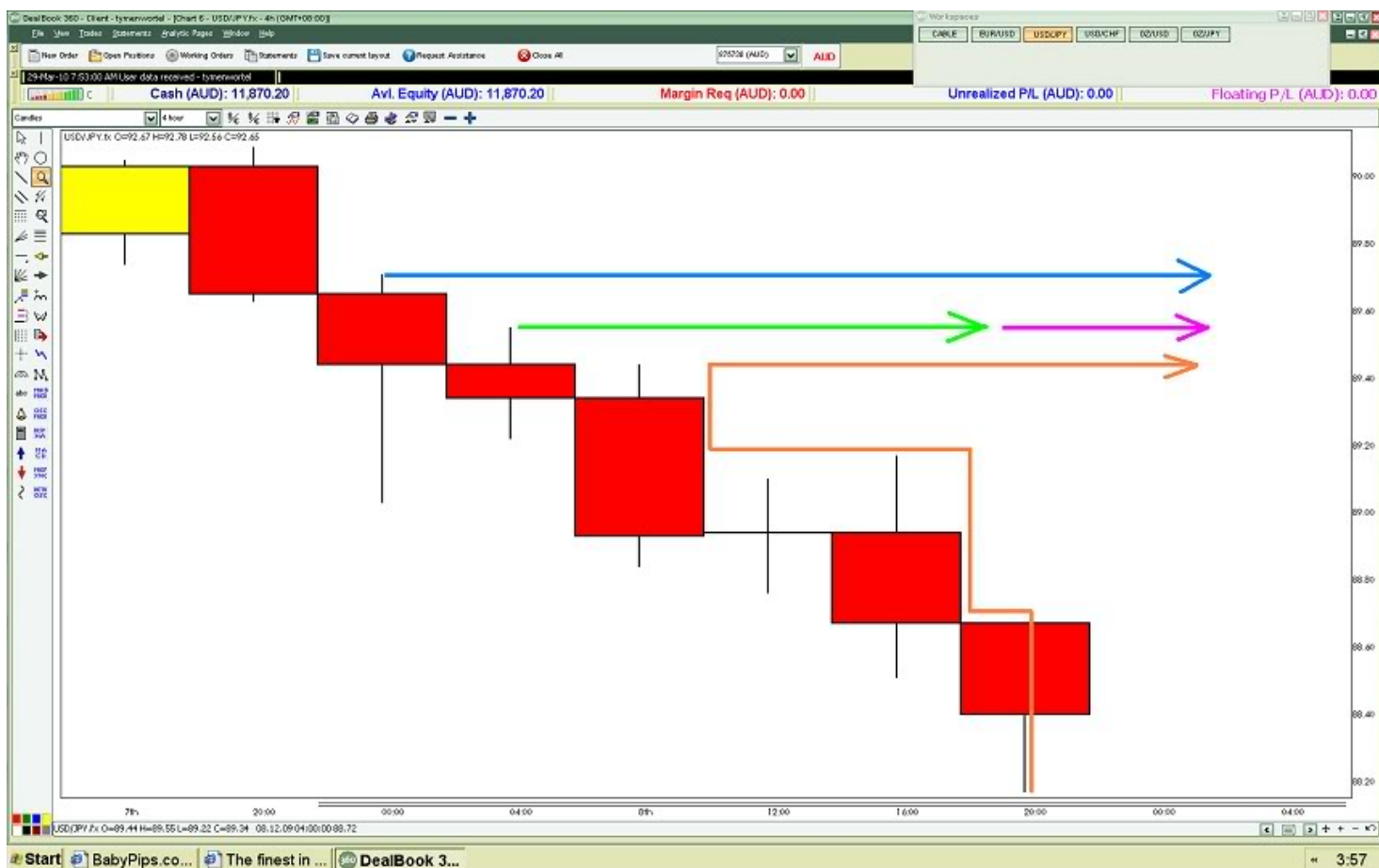
top, left, **top**, left, **top** - extend right.

We end up with the same entry line as before.

With a downtrend the LONG ENTRY line will go down, we never raise it.

We wait for the next candle to finish.

It is lower again, so we draw a new count back line >>>>



The entry is in a new position.

The next 2 candles are not lower than the candle B from which we drew our last count back line (CBL) >>>

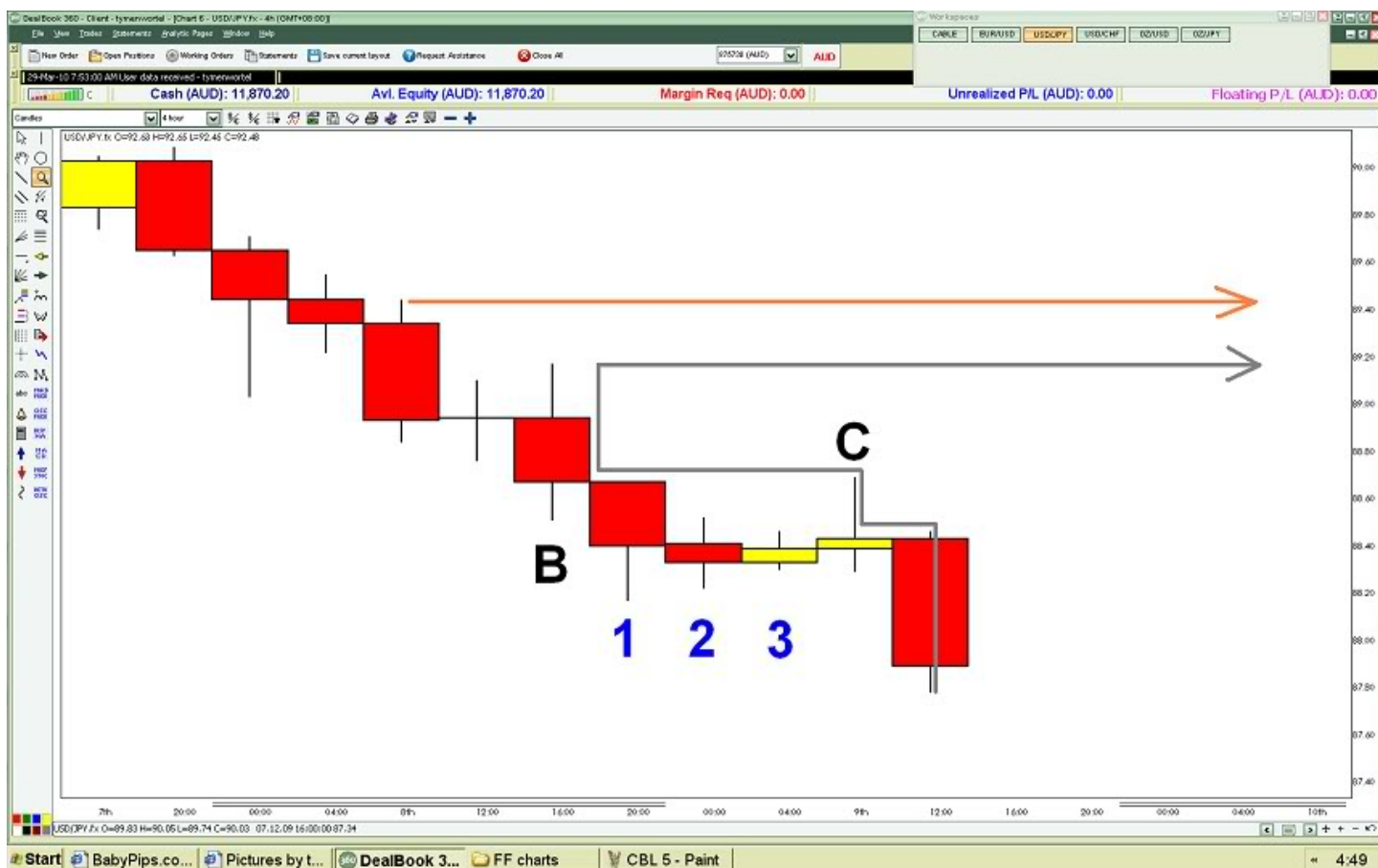


We do not draw count back lines from these 2 candles because they are not lower.

By lower, I mean the low of the candle.
This is the point in question.

We have to wait for a long red candle before we get a lower low.

From here we draw the CBL >>>



Note some important points.....

The CBL skips across candles 1, 2, 3 because they have highs that are not as high as candle C. If the candles would have the same high as candle C, then we would still skip across the top.

We then hit the side wall of candle B.

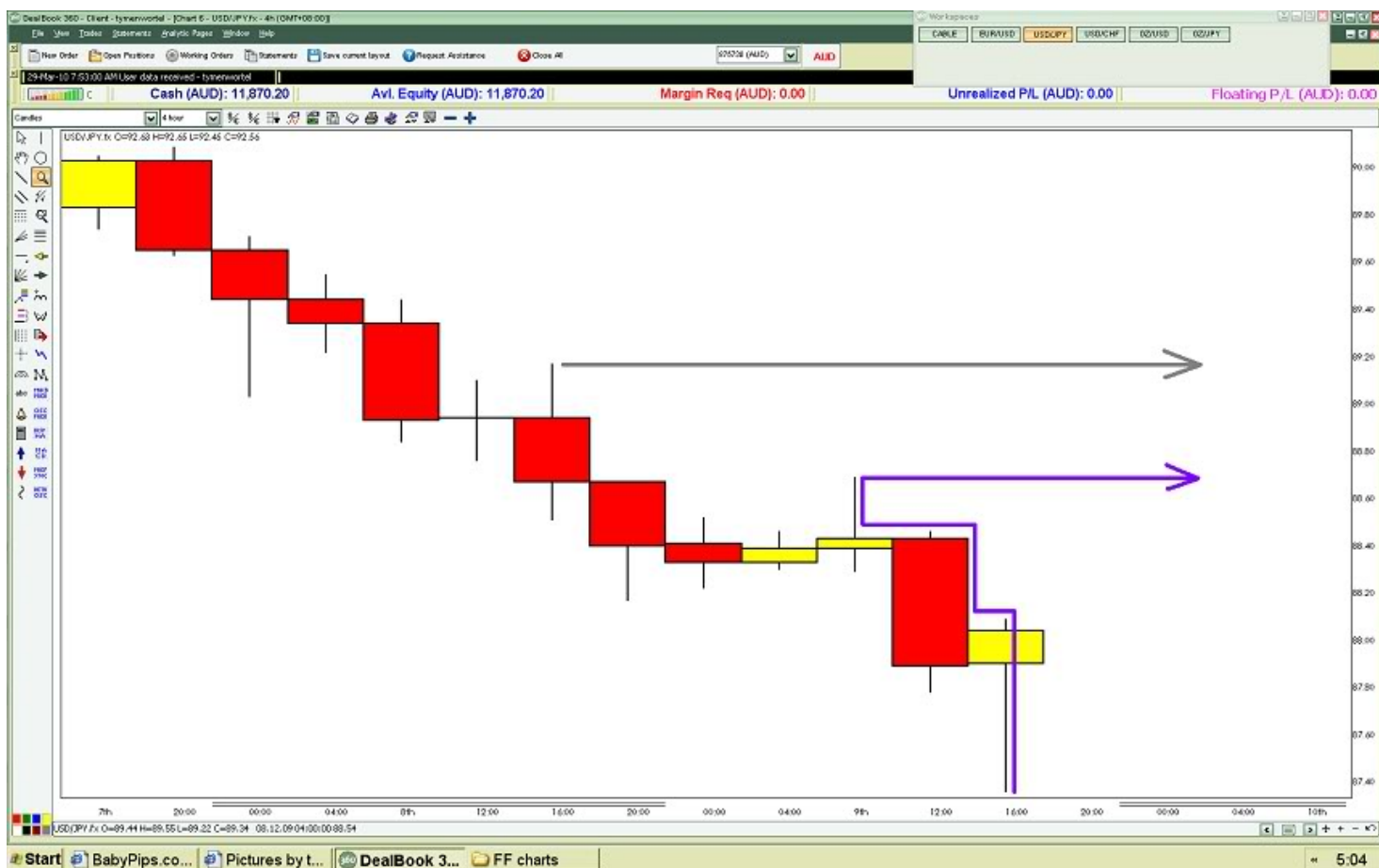
Note that candle 1 does not have an upper wick - its high is also its open.
The high/open of candle 1 is not as high as candle C - hence we skip across the top.

We end up with a new LONG ENTRY line.
Sooner or later, the trend is going to change to an uptrend.

The price action will then hit our LONG ENTRY line and we will enter long.

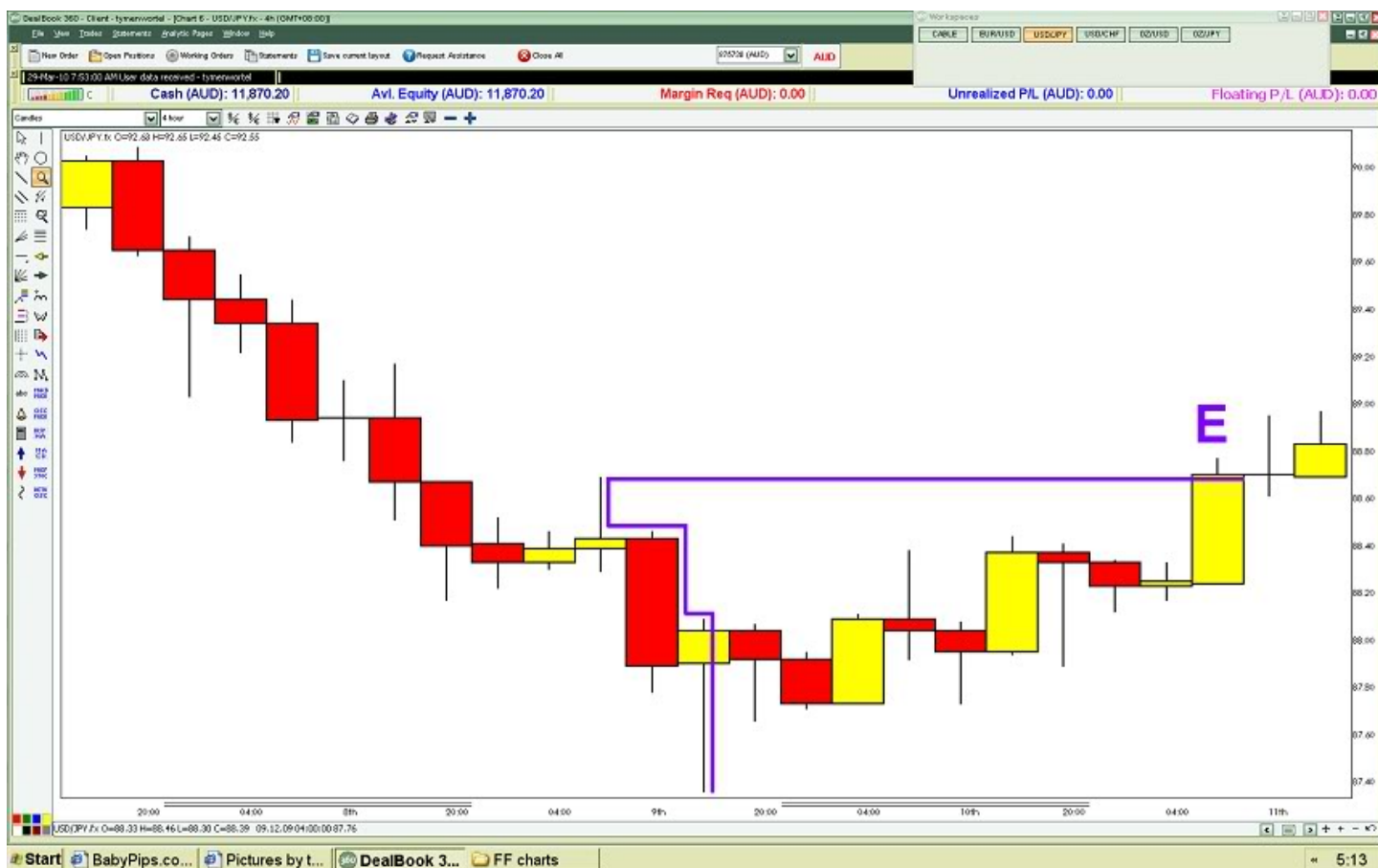
We now have an even lower candle - the yellow candle.
The lower wick (low) is way down.

We draw the CBL >>>



As the trend goes down, our long entry price is dropping steadily.

The next candles are different >>>



Here the price action is starting to reverse to becoming an uptrend.

Our CBL entry (**LONG ENTRY**) has hit a yellow (up) candle and hence we enter LONG at that point.

OK then but that does not look very exciting. 🙄

The price is hardly going up.

Are we really going to make a profit? 🤔

Well, on the next page we have our answer 🏆🏆🏆>>>



The LONG ENTRY CBL is shown and the price action has really shot up since then!! 🇺🇸

Important:

Note the position of the stop loss. It is easily figured - it is at the point of the lowest low.

So now we know how to draw and set a count back line. 😊

It can be done on any timeframe.

The above candles were taken from a 4 hour chart.

The count back line will become the major tool for our entries.

At this point we can use the SR lines as exit points.

Remember we use a 2 contract strategy for money management.

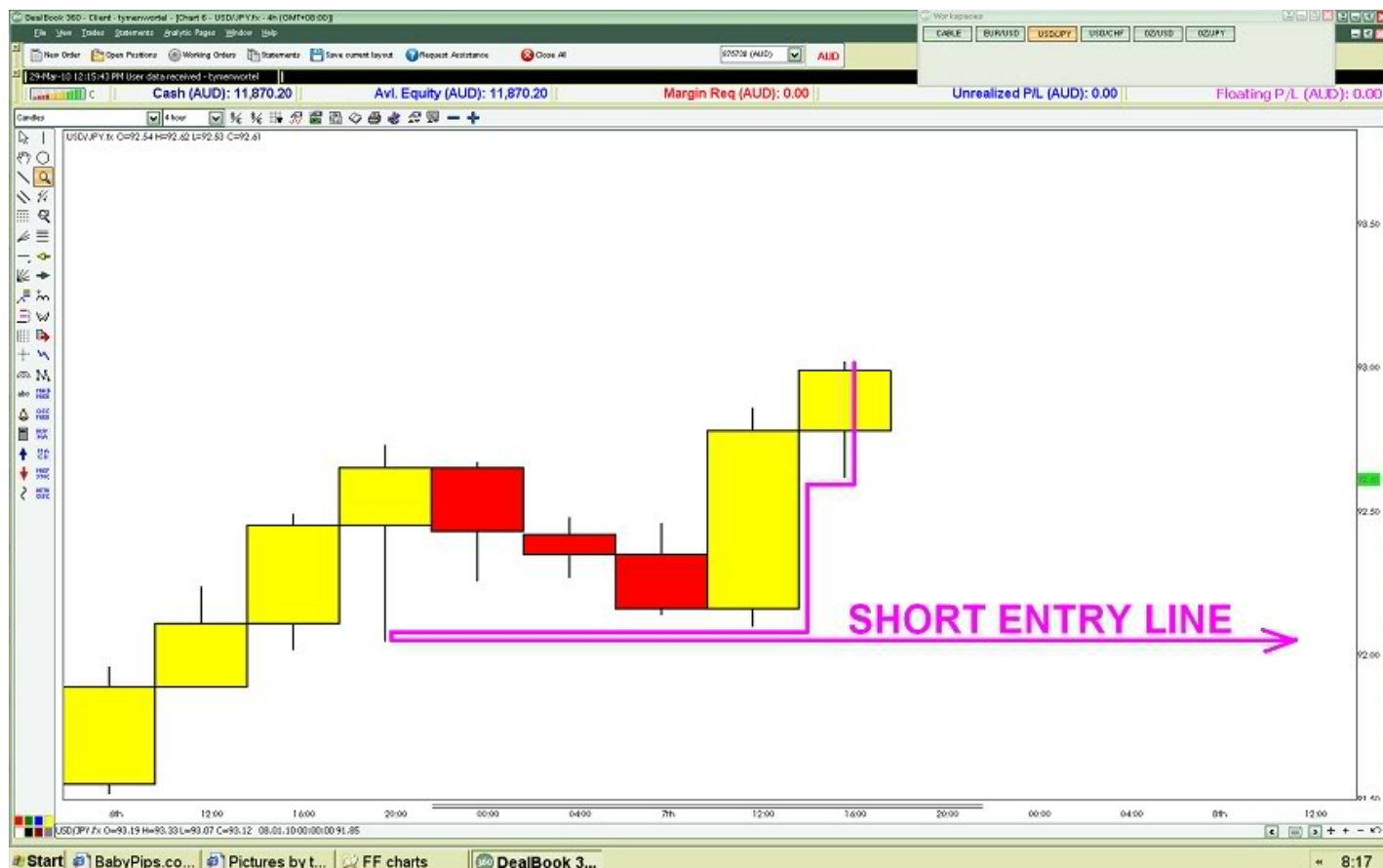
Therefore, we have 2 exits - one at an early SR line and one at a later SR line.

I have shown you how to draw a count back line when the trend is down and we are looking for an entry into a reversal, that is, an uptrend.

I must now show you how to draw a count back line for an uptrend when we are looking to enter into a downtrend (confusing, but the diagrams will make it clear).

Uptrend Example

OK, now I show you the same operation for an uptrend:



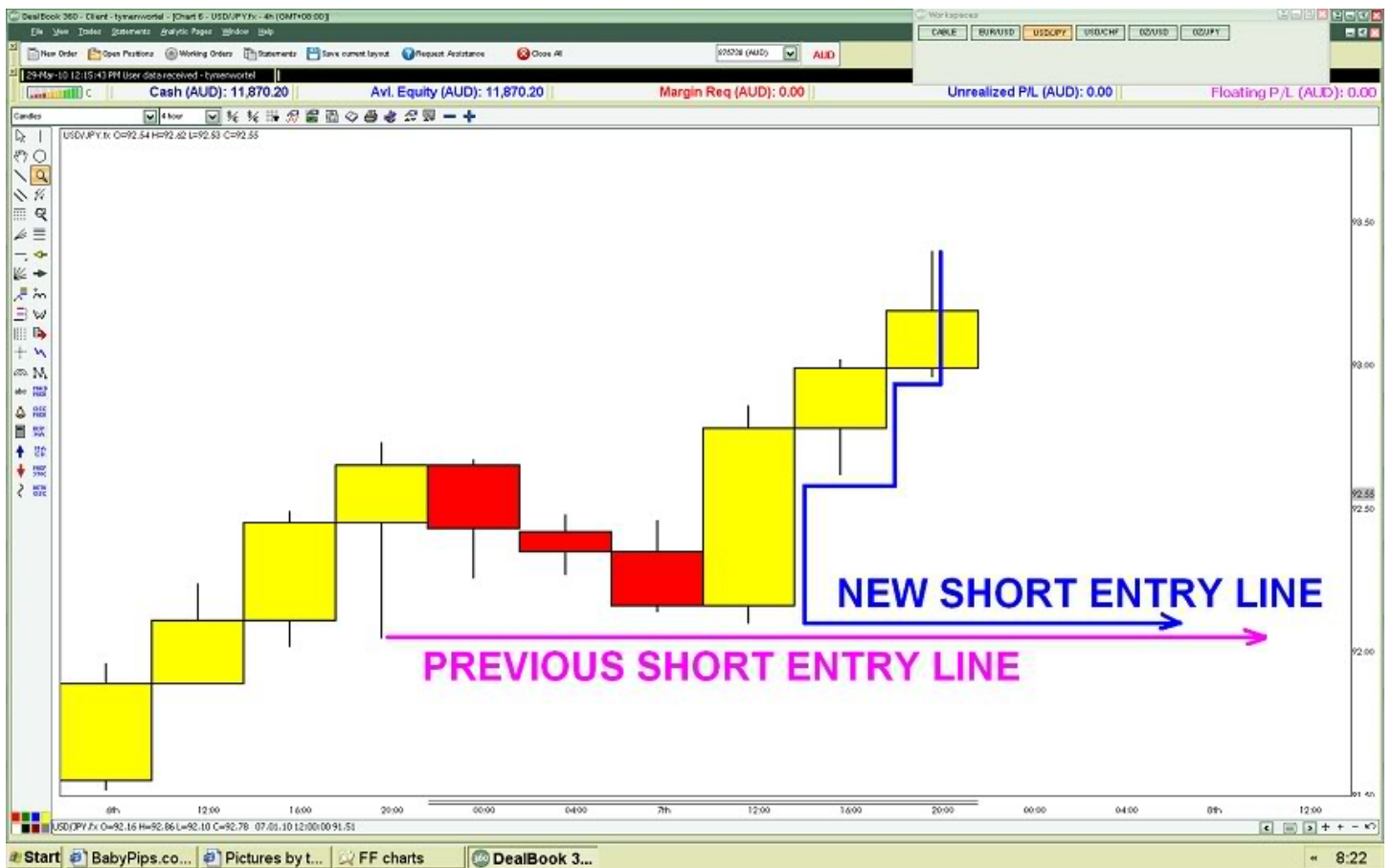
The trend is up this time and we look for the highest high.

From there we draw the CBL.

It goes..... **bottom**, left, **bottom**, left, **bottom**.

As before, we then extend the line to become our SHORT ENTRY line.

We continue by seeing that the next candle has a higher high >>>

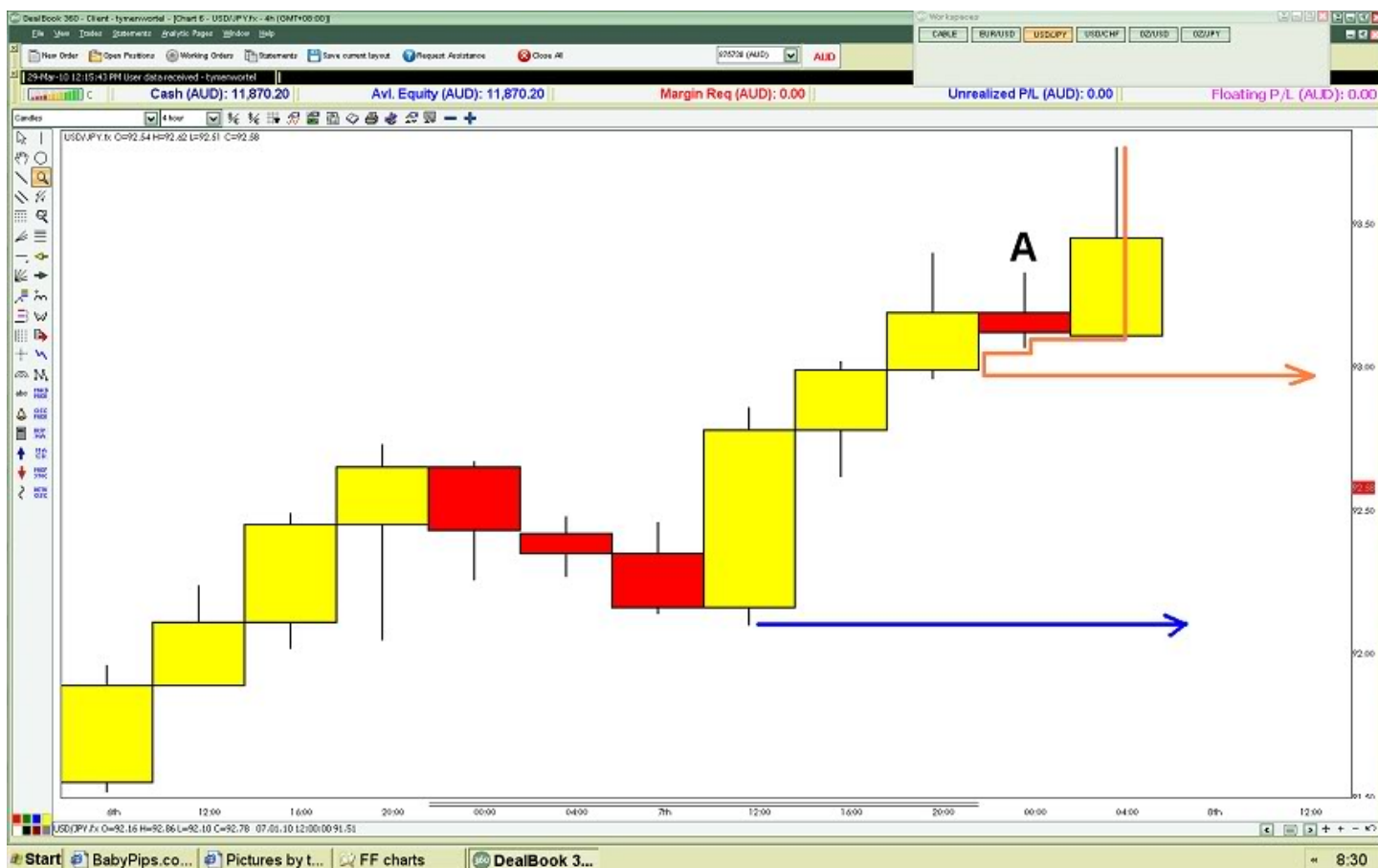


The same procedure as before - **bottom**, left, **bottom**, left, **bottom**.
 Extend to the right to give new SHORT ENTRY line.



We forget about candle A because it does not have a higher high.
 But the next yellow candle does.

Again, the CBL >>>



The short entry line is much higher now, giving a better short entry.

This is also the last of the higher high candles.
After this one, the trend started downwards.

Now to look at the whole picture >>>



The stop loss is placed at the highest point.

The count back line came from this point as in the previous chart.

The SHORT ENTRY line is shown.

It crosses the lower wick of a red candle - we enter here.

The rest of the trade is a roller coaster ride downwards!!

Complete Operation Using Trend Lines for Exits

Here is a complete operation using the SR lines and the count back line for entry:



Explanation.

The SR lines from a daily chart are drawn and I have made them easy to see by using different color bands between the SR lines. There are 5 SR lines in all with the bands in between being (from top) yellow, green, yellow, blue, orange.

A downtrend is shown, starting with a high candle that was the top of a previous uptrend (not shown on the chart). The high candle also touches one of the SR lines. These lines mark turning points so that is not surprising.

So there was an uptrend (off the chart) - it hit the SR line and reversed into the downtrend that you see on the chart. The high candle also has the stop loss drawn alongside it. (red dashed line).

From that high candle, we draw a count back line to give us a SHORT ENTRY line. (blue line). Check for yourself that I have drawn the count back line correctly. 😊

The Trade

We enter the trade with 2 contracts by entering SHORT at the CBL. As the trade progresses, we hit the first SR line (green/light yellow). Our first take profit (TP1) should really be about the same as the stop loss (SL) so this point is not enough pips.

We let the trade run.

Our 2nd SR line (yellow/blue) is better.

Here we can exit our first contract for a profit.

The 2nd contract exit is up to you - we have 2 choices.

The first choice (blue/grey), if you are conservative.

The second choice (blue/orange) if you are daring.

Remember, the price action could turn on you anytime, so it a really daring move to go to the second choice (blue/orange).