



Inside Days

Inside days can be very profitable if traded correctly. First of all it is necessary to identify an inside day.

At the close of the market you are following take a note of the high and low for that day (day two). For it to qualify for an inside day the high must be lower than the high of the previous day (day one) and the low of the day must be higher than that of the previous day.

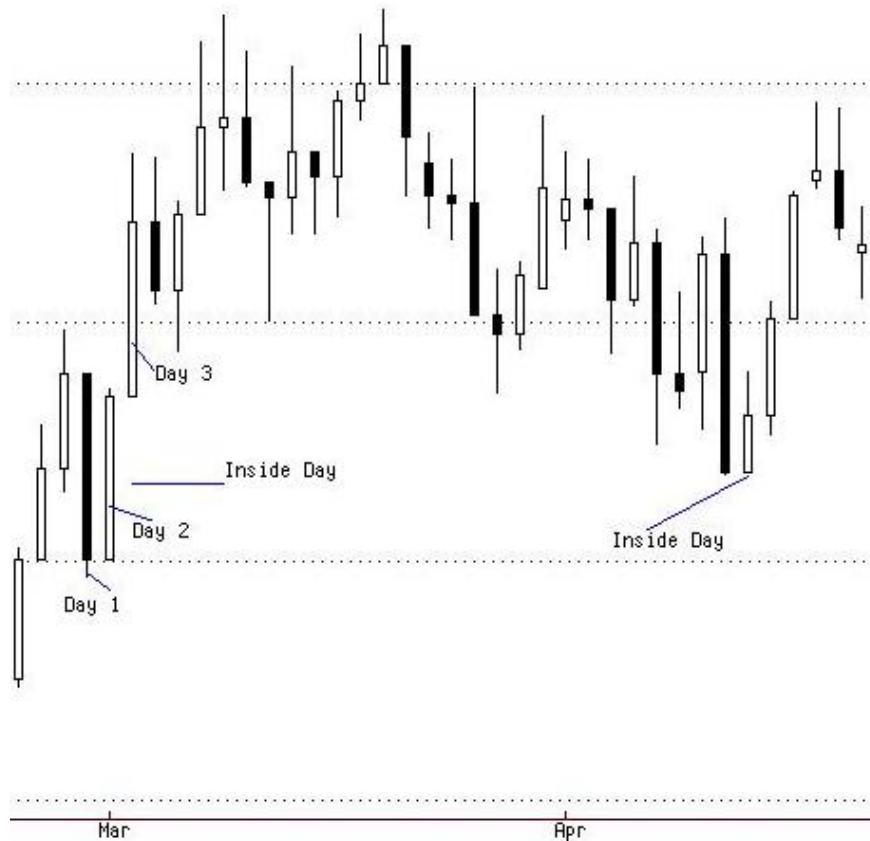
In other words the bar (day 2) must be inside that of the previous day (day one). This is the set up. I like to trade this in two ways.

The first method is to place a buy order a few ticks above the high of day 2 and a sell order below the low of day 2. Once your orders have been placed it doesn't matter which direction the market goes you will have a position.

You can place your stop loss order in one of two ways. You can use a dollar amount or if the inside day (day 2) is not too large you can place a stop loss a few ticks above the high of the inside day. If you are taken short or a stop loss a few ticks below the low of the inside day if you are taken long.

I like this trade to work on day 3 only. If it has not worked on day 3 I cancel the trade. It may still work after day 3 but in my research it tends to make the most gains if it works in day 3.

The second method is to first identify an inside day on a daily chart and then trade it intraday. If you are trading intraday you can monitor price action at the low or the high of day 2 and either enter the market as the high or low of day 2 is taken or enter on the first rally or dip as the case may be on a smaller time frame.



Good Trading

Best Regards
Mark McRae

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