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## **PYRAMIDING WITH THE TREND**

By Jim Robinson  
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We're short 1 contract from a few days after the top

This is a good place to add a contract as this market is in a strong downtrend mode

## **HOW TO TELL A STRONG TREND**

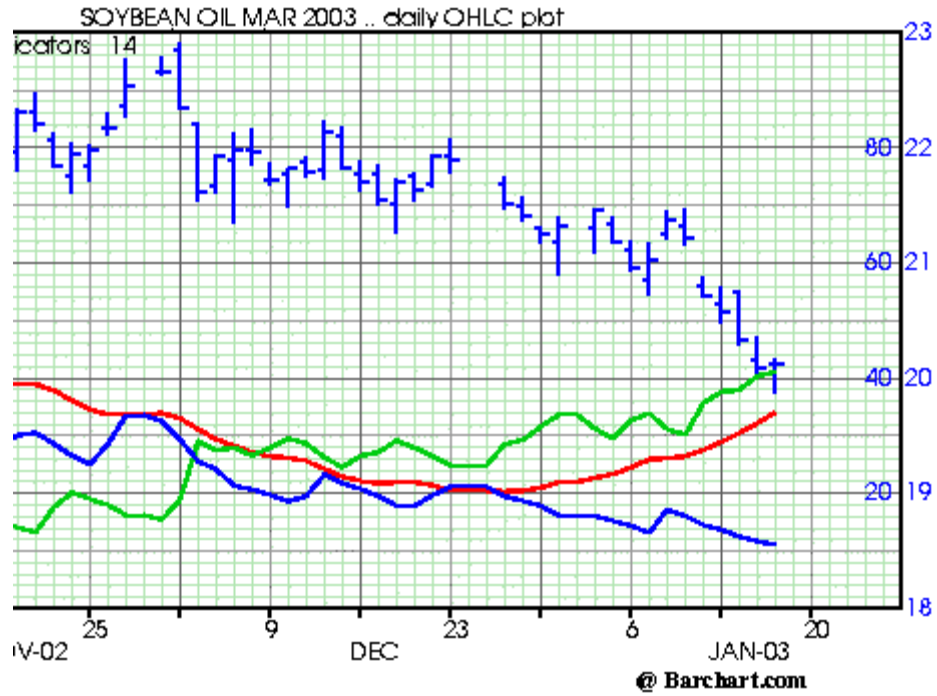
Bean Oil is in a strong downtrend mode

The Directional Movement indicator shows this clearly

The green line ( minus line ) has moved much higher than the blue ( plus line ).

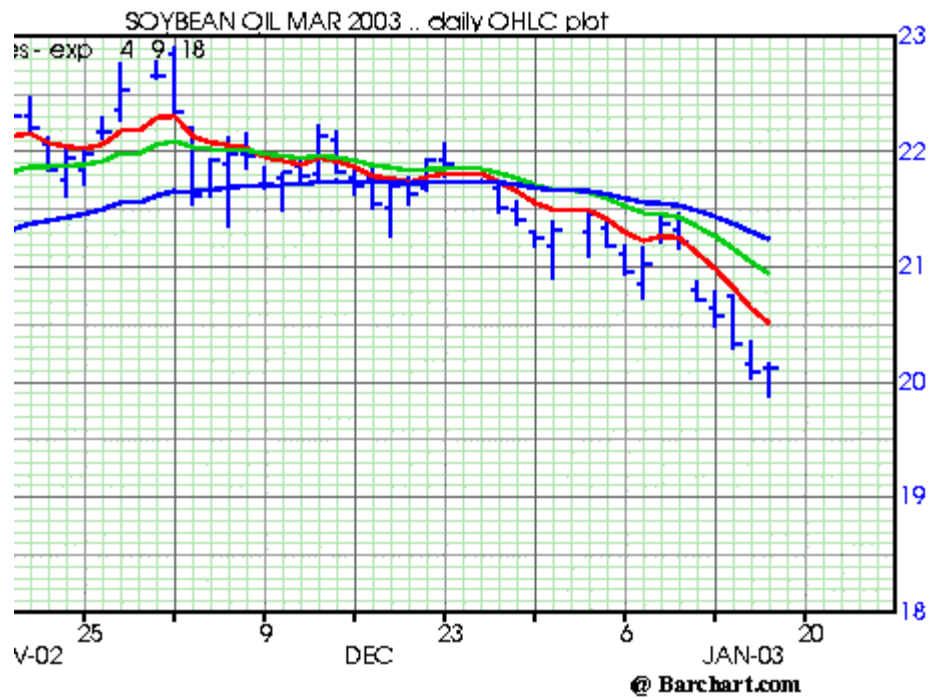
The red ADX line is trending higher.(The ADX doesn't tell direction of trend, but the strength of the trend, a move above 30 is considered a strong ADX trend).

The ADX indicator is at 34.00 right now



4-9-18 EXPONENTIAL MOVING AVERAGES SHOW TREND

The 4-9-18 exponential moving averages are also showing a strong downtrend.



## **THE ENTRY POINT**

The range on 1/15/03 was

Open - 20.15

High - 20.37

Low - 20.03

close - 20.09

The range on 1/16/03 was

Open - 20.13

High - 20.18

Low - 19.87

Close - 20.12

Today's action 1/16/03 Bean Oil made a new low and a higher close. This is a small pivot higher in a strong downtrend and a trading opportunity. If today's low is taken out that is a point to sell for a continuation of the downtrend

## **A FEW MORE DAYS RALLY**

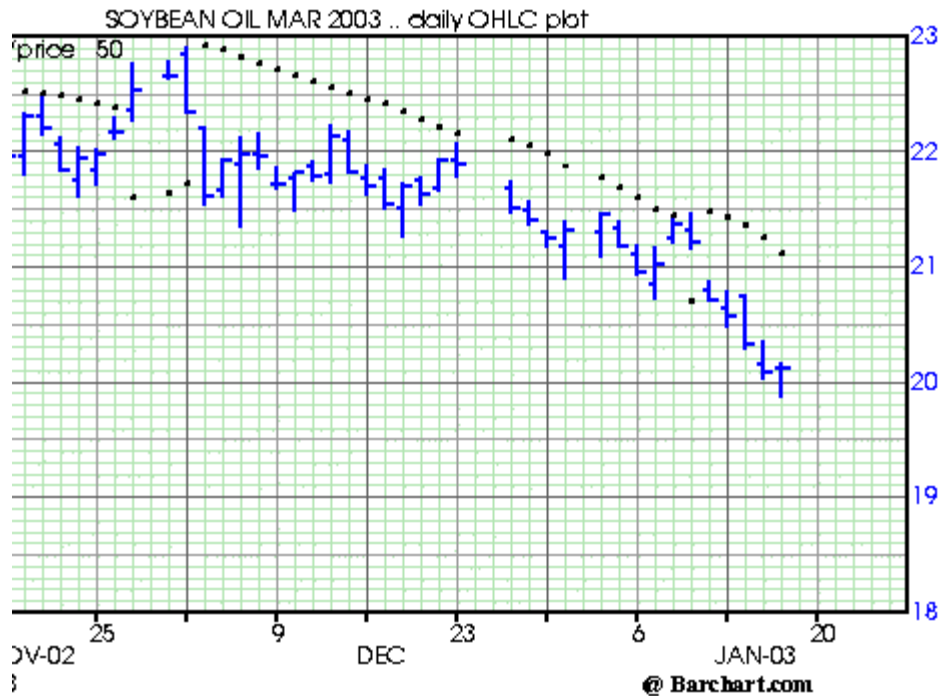
The 1/16/03 low could be taken out the next trading day - 1/17/03 - or also what happens a lot is that the market will rally higher for a few days without trading below the minor pivot low just left behind. This would form a small bear flag on the chart.

However it plays out the point to go short is the 1/16/03 low at just below 19.87. 19.85 would be a good place to short this market as this would take out the low by just a little bit

## **THE PARABOLIC TRAILING STOP**

The parabolic indicator is a good indicator to use when you enter this trade

The parabolic stop is just above 21.00 right now and will move closer day by day.



## OTHER PLACES FOR STOPS IF WRONG

Other stops to use would be a 3 or 4 day high because in strong trends the market will not take out the high of 3 to 4 days ago.

Also if the market rallied for a few days and made a bear flag then if it takes out the 1/16/03 low, the bear flag price high is good to use as the stop.

This is a low risk high profit potential trade. We will be using this a lot in 2003 in the daily commodity newsletter.

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Good Trading

Best Regards

Mark McRae

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