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STARC Bands

In this lesson we are going to look at a trading method using "STARC" bands. I have been experimenting with these bands for a few weeks now and I think they have some real potential as a trading method.

Who Is The Worlds Richest Investor?

Warren Edward Buffett, chairman of Berkshire Hathaway, is the world's richest investor, estimated to be worth \$28 billion. He started playing the stock market with one of his sisters when he was 11, with the encouragement of his father Howard Buffett, a local stockbroker. Buffett started his own investment company in 1956.

Source: Guinness World Records

Finding entry and exit points using some form of bands around price have been used for trading for many years. I like starc bands because they are based on the Average True Range (ATR), as opposed to a simple average. The name "starc" is derived from the inventor Manning Stoller Average Range Channel (STARC).

Stoller originally used a 15 period ATR that is double or subtracted from a 5 or 6 period moving average.

The upper band is known as $\text{starc} +$ and the lower and is known as $\text{starc} -$. Regardless of how you use these bands they are well worth watching, if for no other reason than to stop you entering the market at the wrong place.

It is uncommon for price to exceed the starc bands. Therefore, when it does, it is a warning signal. You would not enter any short position when the price has closed below or is close the lower starc band. It would also not be wise to consider entering any long positions when the price has closed above or is close to the upper band. Have a look at the first chart.



Now as my long term subscribers know - I always like to look for different uses for indicators and this is no exception. I like to have the ATR set at 21 and the MA set at 13. I also like to add a 13 period moving average as the center line. This results in more instances where price actually passes through the bands.

If you mess around with the bands for any length of time, you will notice that when there is a close above or very close to the upper band after it has been in a downtrend then the price tends to stay in that direction (up) until there is a close below or near the lower band. Look at the next chart:



As you can see from the chart above there is usually a fair period of time between the setup changing from long to short. This gives us a trading opportunity. Here is what I have been working with: Once the chart set's up with a penetration of one of the bands, watch for the retracement for an entry.



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The last chart, is a trade. The set up was when the red candle closed below the lower starc band. Next, we need to wait for a retracement. The actual retracement formed a little bear flag (sloping rectangle), which allowed us to draw some trend lines. The entry can be made in one of two ways. As price makes its way back to the center line, you could follow the low of each candle with an entry order or you can enter on a breach of the lower bear flag trend line.

As it happened, the breach of the trend line and the low of the candle happened at almost the same time. Once entered, you can place a stop loss above the peak or high of the entry bar. This only leaves a target. Once in the trade I like to use the center line as stop loss. If we have a close above the center line, then it is time to exit. You could also measure the distance between the two lines of the bear flag and project it down. The only reason I didn't use that method on this particular trade was that a flag projection down would have taken me past the most recent low, which was past support. If the bear flag projection down had been higher than the most resent support then I would have used that method as a target. Play around with starc bands. I am sure that they will help you in your trading.

Economic Calendar Terms

Retail Sales

Relevance: This is an important release. (5) Scale Of 1-5

Source: The Census Bureau of the Department of Commerce.

Scheduled Release Time: Normally around 13th of the month at 8:30 ET .

This release measures the total receipts of retail stores. This particular indictor is always widely followed as a good indictor of consumer spending patterns. A change plus or minus in the Retails Sales is often a result of the components of the report changing in price as opposed to actual changes in consumer spending habits.

Traders' Glossary

Bull

Someone who expects the market to rise. Trades from the long side.

Bull Market

A market in which prices are rising. A succession of higher peaks and higher valleys.

Day Order

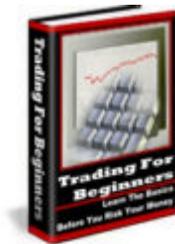
An order that is placed during the day that is good only for that day trading session. If the order can not be filled then the order is automatically canceled.

Open Order

An order placed with you broker which remains in place until it is executed or canceled.

Spread

The difference in price between the bid (buy) and offer (sell.)



This lesson is part of the "Traders Secret Library" which you can see at <http://www.tradingforbeginners.com>

Good Trading

Best Regards
Mark McRae

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