

VERSION 1.6
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ES 5 MINUTE COMPLETE STRATEGY RISK & STOP MANAGEMENT PLAN

HOW TO PLACE STOPS

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TRADING EVERYDAY

ES 5 MINUTE COMPLETE STRATEGY RISK & STOP MANAGEMENT PLAN

DEVELOP A STOP MANAGEMENT PLAN

MISSION AND GOALS

Create good high quality trade setups from the ES 5 Minute Strategy and find simple Price Action Stops that provide good 2+ points or high percentage of break-even trades.

The key to consistently generating profits is not having too tight of an initial stop and giving the trades room to move.

Requirements: Best results are obtained when used in conjunction with the Market Cycle Framework.

Recommendation: Use the *normal trading hours (often referred to as the PIT Session)* only for setting the conditions of Prior Day Highs and Prior Day's Lows. This is similar to using the SPY or @ES versus the continuous contract (i.e.,) ESU16.

Automation: If you are going to start programming these rules to automate entries & stops, **you must incorporate ON BAR CLOSE conditions** for strategy. *Intra-bar conditions can cause significant losses for traders who don't understand the distinct differences.*

Overnight price action can and will convolute the actual Market Cycle conditions of trending and non-trending price action.

Comments: Trailing stops will often accelerate too fast and move past swing pivots related to price action and the natural pullbacks of price action (suggestion from Elliot wave theory) will often exceed 100% of the previous 2 -3 bar pivot construct causing immediate stops to be triggered.

Note: *Consider learning how to use stops based on where the 5-minute bar closes at and not if it crosses a certain point. Most back testing systems use a bar crosses calculation for triggering stops.*

QUESTIONS FOR ASPIRING TRADERS

	Questions
1	What timeframe are you trading the ES E-mini Futures?
2	Are you trying to trade during Pre-Market?
3	Are you trying to trade during After-Hours?
4	How many contracts are you trying to trade with?
5	Are you using an ALL-IN position size approach or are you SCALING-IN?
6	Do you know how to use an Opening Range Strategy?

FINANCIAL GOALS FOR TRADING THE ES E-MINI FUTURES

	Capital
1	Do you have a Daily Target for profits or Losses?
2	What is your typical win/loss ratio for a series of 10 trades?

	Capital
3	Are you compounding your trading capital or extracting some of it periodically?
4	How much are you paying yourself for trading on a weekly basis?
5	Do you have consecutive losing trades rules?

QUESTIONS TO NARROW DOWN YOUR STOP MANAGEMENT PLAN

	Questions
1	Are you using a Reward to Risk approach for setting stops?
2	Are you using a Dollar or Percentage based trailing stop?
3	Do you know how to use the Average True Range for stops?
4	Do you know how to use Break-Even Stop Only strategy?
5	Do you know how to use the Market Cycle / Elliot Wave framework for trending and non-trending conditions?
6	Do you know how to trade all variations of FLAG patterns? Pennants? Wedges?
7	Do you know how to trade Double-Bottoms & Double-Tops? Head-and-Shoulders patterns?
8	Do you know how to identify 2-3 bar swing pivots?

MARKET CYCLE – PHASE 2 & 4 CONDITIONS

PHASE 2 – UPTRENDS WITH HIGHER HIGHS & HIGHER LOWS

	Price Action crosses above the Prior Days High
1	Pre-determine the Average-True-Range so we can see if STOPS will be too tight .
2	Check after-hours price action for a flag pattern
3	If immediately after the Opening Bell Price Action crosses above the Prior Day High, then
4	either place your initial stop below the Opening Bell, (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
5	Below Prior 5-minute bar Low (<i>weak</i> - often will be a tight stop and trades frequently stopped out) or
6	Below Prior 5-minute bar 2 bars ago (<i>better</i> - giving it more room)
7	Below last 2-3 Bar Swing pivot low (<i>best</i> – as long as not too big)
8	Strongly consider using Break-Even Stop strategy and leave it (<i>allows you to capture bigger profits > 2+ points</i>)
9	If price action crosses prior day high mid-day, then you have to consider if volume is low compared to the morning session and if you are in early stage of UPTREND then give stop room

	Price Action crosses above the Prior Days High
10	otherwise if you are in latter stage of UPTREND (multiple flag patterns have already occurred) then strongly consider tight stop!
11	Note: When markets are in a strong uptrend, you should see Higher Highs and Higher Lows over multiple days and higher Opening Bells over multiple Days.

PHASE 4 – DOWNTRENDS WITH LOWER HIGHS & LOWER LOWS

	Price Action crosses below the Prior Days Low
1	Pre-determine the Average-True-Range so we can see if STOPS will be too tight .
2	Check after-hours price action for a flag pattern
3	If immediately after the Opening Bell Price Action crosses below the Prior Day Low, then
4	either place your initial stop above the Opening Bell, (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
5	Above Prior 5-minute bar HIGH (<i>weak</i> - often will be a tight stop and trades frequently stopped out) or
6	Above Prior 5-minute bar 2 bars ago (<i>better</i> - giving it more room)
7	Above last 2-3 Bar Swing pivot High (<i>best</i> – as long as not too big)
8	Strongly consider using Break-Even Stop strategy and leave it (<i>allows you to capture bigger profits > 2+ points</i>)
9	If price action crosses prior day LOW mid-day, then you have to consider if volume is low compared to the morning session and if you are in early stage of DOWNTREND then give stop room
10	otherwise if you are in latter stage of DOWNTREND (multiple flag patterns have already occurred) then strongly consider tight stop!
11	Note: When markets are in a strong downtrend, you should see Lower Highs and Lower Lows over multiple days and Lower Opening Bells over multiple Days.

MARKET CYCLE – PHASE 1 & 3

	When Price Action is not breaking above/below prior Day Highs or Lows, most traders should learn to SOH – Sit on Hands
1	Typically, the Average True Range will have decreased and making it tougher to place stops that don't get hit frequently.
2	However, if you want to continue to trade the ES 5 Minute Strategy, then we immediately reduce our targets to 1 point and
3	Make sure you are NOT countertrend trading ...because markets are about to transition to new phase

	When Price Action is not breaking above/below prior Day Highs or Lows, most traders should learn to SOH – Sit on Hands
4	When Price Action crosses and closes above the Opening Bell and the 20 MA > 200 MA
5	we place our STOP below the prior 5 Minute Bar, (<i>weak</i> - often will be a tight stop and trades frequently stopped out) or
6	below the Opening Bell (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
7	or below the 20MA (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
8	below last 2-3 Bar Swing pivot High (<i>best</i> – as long as not too big)
9	When Price Action crosses and closes below the Opening Bell and the 20 MA < 200 MA
10	we place our STOP above the prior 5 Minute Bar, (<i>weak</i> - often will be a tight stop and trades frequently stopped out) or
11	above the Opening Bell (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
12	or above the 20MA (<i>weak</i> - often will be a tight stop and trades frequently stopped out)
13	above last 2-3 Bar Swing pivot low (<i>best</i> – as long as not too big)
14	Note: When markets are in consolidating, you should see price action fluctuating back-and-forth over multiple days. Lots of inside prior days' price action.