

SONIC PMTFS

I spent a lot of time today on trying to determine the best way to maximize your trading efficiency and explain what I'm about to explain in the clearest most concise way.

Let us pretend for a moment that you never heard of the Rope and Thread Theory because I want to present it with a different perspective based on PMTFS and hopefully to use it to make your trading much more successful. I wouldn't invest the time if I didn't think this important and at first it may seem very confusing but I promise it will make your trading much better.

As a person who likes names, I've decide to call this modification SONIC PMTFS. SONIC is our 25 Stochastic Line Indicator, PMTFS is our M1,M5,M15,M30 (H1,H4,Daily) Stochastics. I'm calling it this because it will be much easier for me to write and refer to what I am talking about.

There is nothing new here, everything is based on everything I've always talked about. What I am doing is melding different perspectives of MTF Stochastics into a single chart. This is simply a modificatin to help you visualize what is going on in the markets and how we can take away the uncertainty in your trades.

Below is a layout of my charts and how I will refer to them.

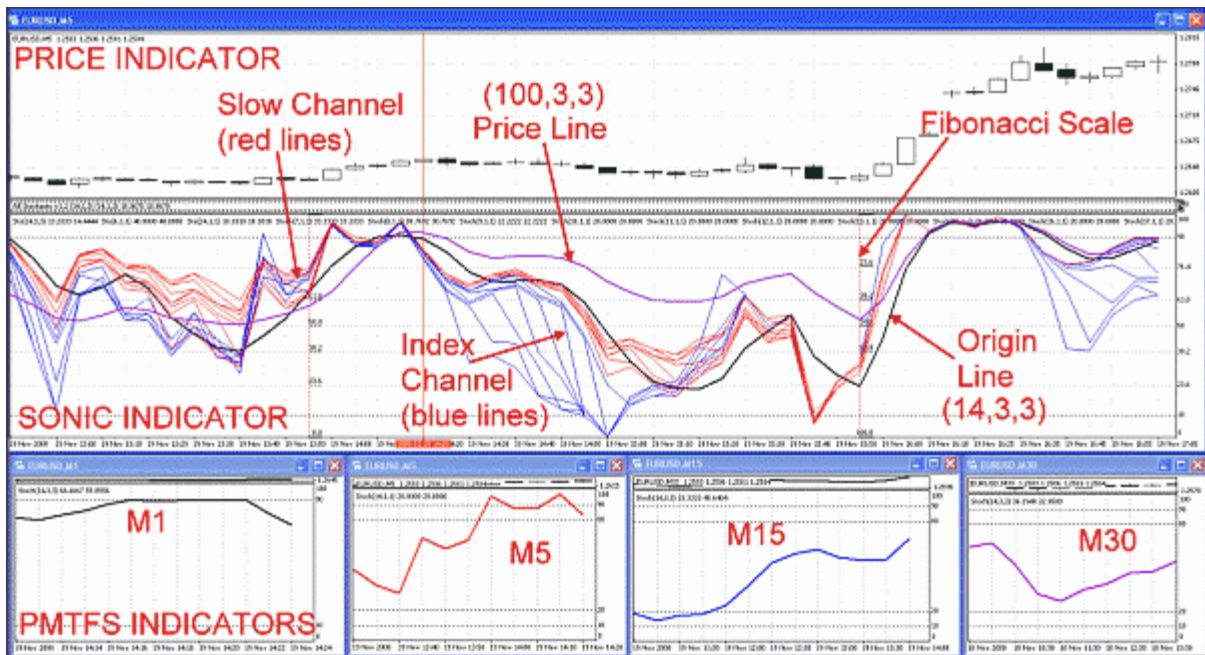
Price Indicator is simply M5 Price in candlesticks.

Sonic Indicator is our 25 Stochastic Line Indicator with a 0 to 100% range

PMTFS is our individual time frames %K Stochastics, I'm only using M1,M5,M15 and M30 for now.

I want to talk first about the Sonic Indicator because it has many special features built in. The 100,3,3 purple line is a very important tool. It represents our price scaled from 0% to 100%. When price is near 0% or 100% it is at its limit. Price will never go higher above 100% and never lower below 0%. Before price can go higher after reaching 100% it must drop first...for price to go lower after reaching 0% it must climb first.

You will also recall that price retracements and moves like to follow Fibonacci. Our 0 to 100% price scale is also a natural Fibonacci indicator. We actually need to add the 76.4% level on our Fib scale to make it universal up and down. I've added level lines on the Sonic Indicator at 23.6, 38.2, 50, 61.8 and 76.4 so you want to see the Fib in action. You can see clearly how before the steep price climb our price line hit the 50% Fib level and that our black (14,3,3) Origin Line hit the 23.6% Fib....ahhh very interesting isn't it.



The "Origin Line" is our 14,3,3 Stochastic. It is the "original", typical Stochastic line setting. More over you will see this Origin Line be the origin of many types of trades...it does so much it is impossible to explain in a few lines.

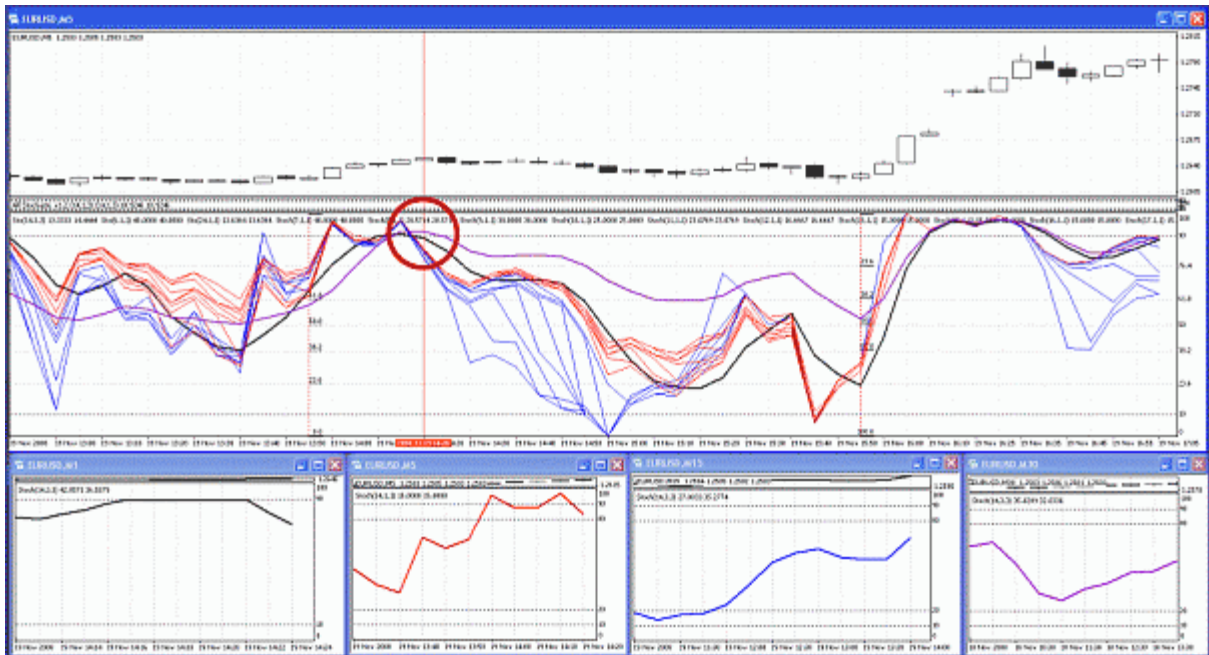
The blue lines are the 6,1,1; 7,1,1; 8,1,1 to 13,1,1 %K Stochastics. I call these the "Index Channel" because they lead every trade and provide us with our selection of trades to make based on their position. They work together as a group.

The red lines are the 15,1,1 to 24,1,1 %K Stochastics and they represent the "Slow Channel". These work together as a group also. These lines keep our Index Channel honest. In other words, our Index Channel may move away from our Slow Channel but always our Index Channel will return to our Slow Channel.

The Sonic Indicator is a "live" indicator. It is much easier to read live than static like this. You look at the chart below and your mind goes numb. You can trade the Sonic Indicator at any time, in open candles or at closed candles. We can use the Sonic indicator statically at the close of every candle as well...this is how we analyze it and many of the rules I tell you are derived. However, you will see that when it is moving live and with some practice it gives you plenty of signal of what is going on. Think of it like this, our candle price is moving up and down and as the price moves our Sonic indicator changes....we get a picture of what it will look at when the price is here....or what it will look like when the price is there before the candle closes....it is like seeing all the alternatives the candle presents us so we can make much better decisions.

You know PMTFS and believe me with the Sonic Indicator it will be much easier to figure out when to trade and where you are in a trade.

I promised a few post back I wouldn't get wordy on the theory....and here is more theory behind how this all works. So, that's it! I'm done with wordy theory. Now we'll get rolling visually.



Same chart but let's look at it as a trade.

Start with the PMTFS Indicators....

M1 hit 90 and crossed down below M5

M5 Short Trigger is hit (but not validated by M15)

M5 is above M15, M15 is above M30

For M30 to rise, M1, M5 and M15 must fall.

Now the Sonic Indicator.....

The vertical red line is where our PMTFS Indicators are.

Our Index and Slow Channel has converged and hit 100% about 5 mins earlier

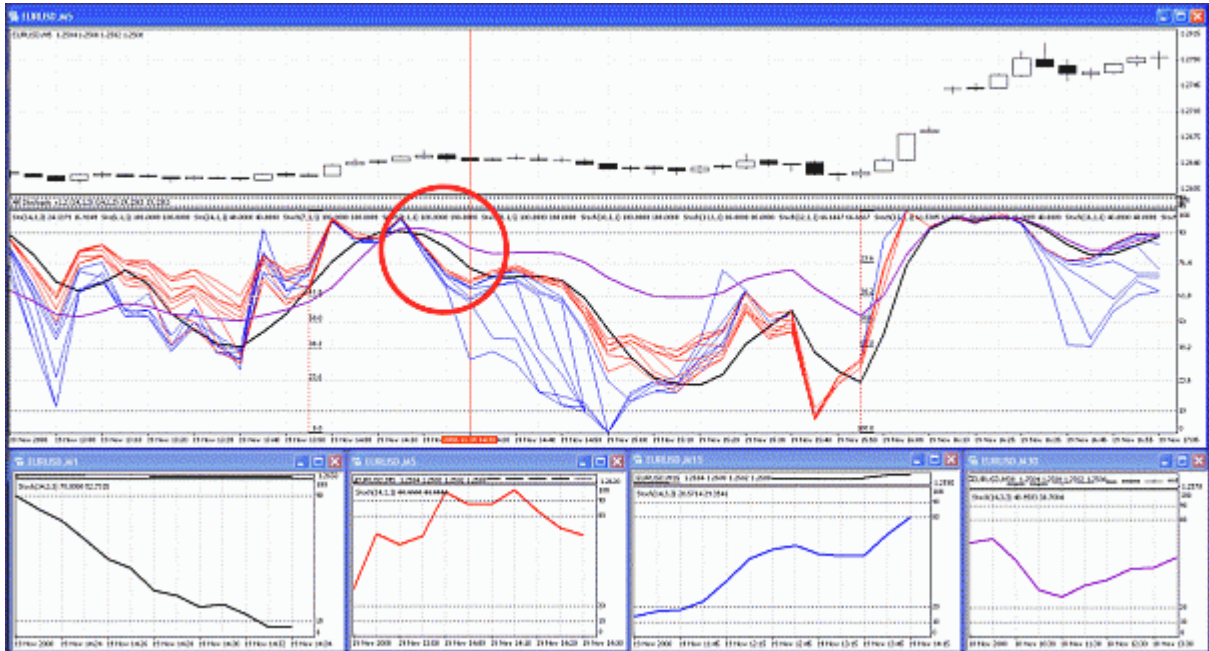
Our Price is at 92% and is past the peak made by our Index and Slow Channels

Our Index and Slow Channels have crossed DOWN past the Price and Origin Lines

There is separation in order from top down Price, Origin and Channels

This is a SHORT entry.

Our Origin Line has hit the first Fib line.....



M1 is below 10

M5 has crossed down below M15

M5 Short Trigger is still not valid

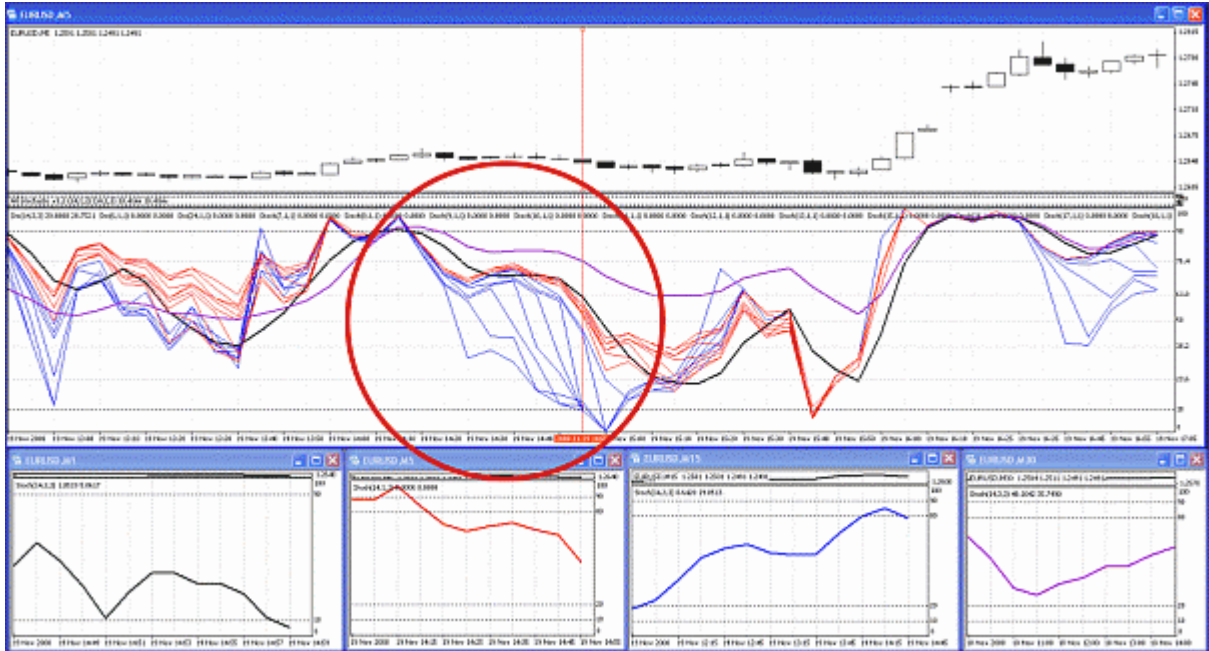
Our Sonic Indicator Price, Origin and Channels still maintain separation and proper order.

Our Index Channels are leading down.

Stay SHORT.

Price Line hits first Fib
Origin Line hits second Fib

Look where M1 is...below 10 again....see a pattern Fibs hit to M1 < 10 kinda interesting isn't it?



M5 still pointed down
M15 crossed 80 down (escalator start ?)

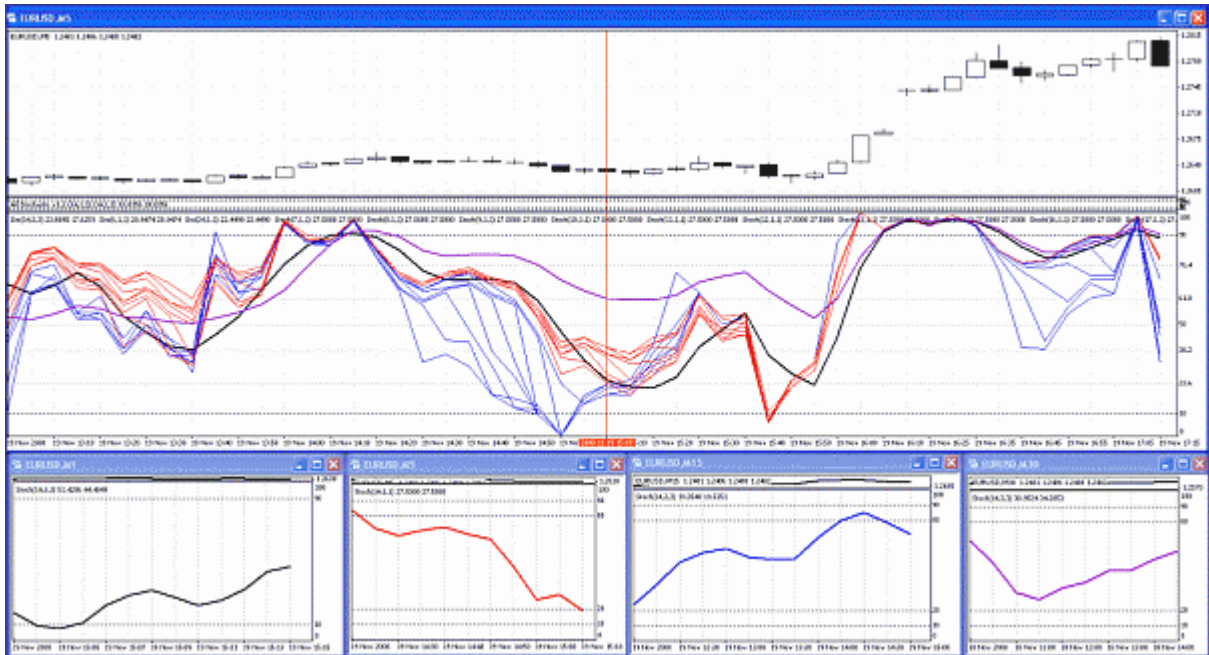
Sonic Index Channel down and converging at 10..leading the down..we expect the Index Channel (blue) to want to bounce up soon to our Slow Channel (red)
Price Line, Origin Line Channel Line still in down trend order.

Stay Short...hoping for oversold market.

Price Line hits 2nd Fib
Origin Line hits 5th Fib

M1 is climbing and crossed up past M5
M5 has crossed 20, we are not in an oversold market here
M15 is still headed down

Index Channel has bounced up starting to touch Slow Channel
Slow Channel has climbed over Origin Line
Origin Line is still below Price
Line

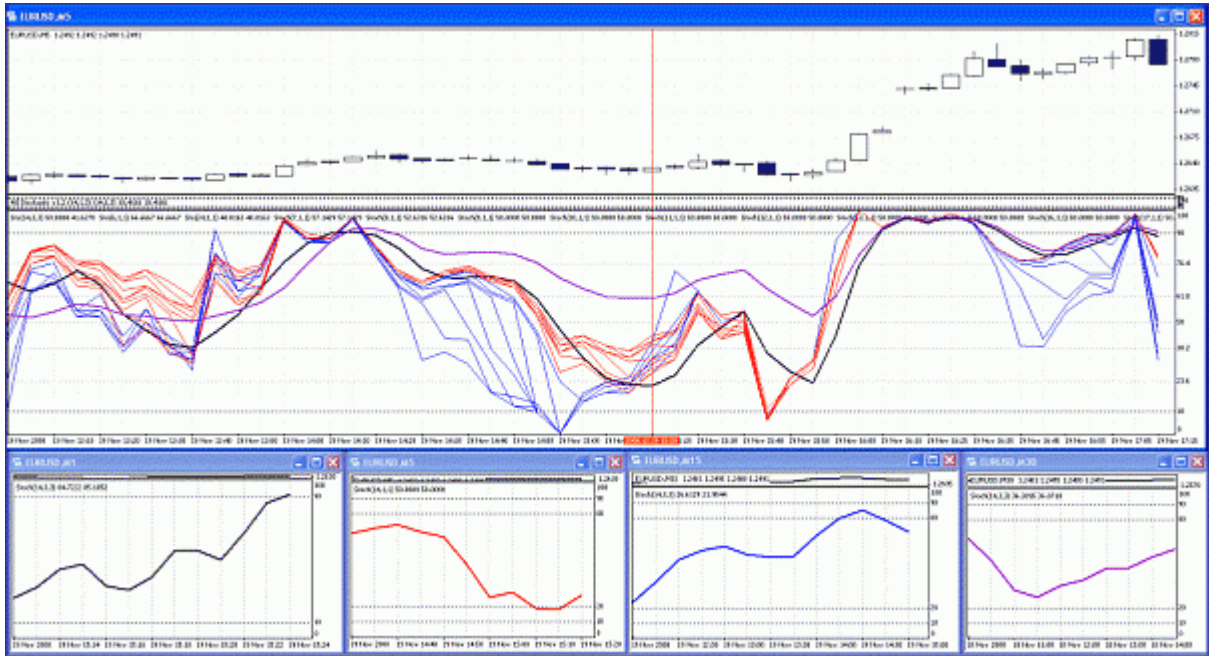


Options:

Wait for M1 to climb to top and see how M5 responds
See if Index Channel bounces down from Origin Line or crosses up
Exit Short

We have only warning signs that our Short may be near exhaustion here. A cautious move is to exit. We've made 15 PIPS, our Origin is getting pretty low, M1 is going to climb...we are likely just going to reduce our 15 PIPS if we stay in.
M5 could go oversold and M1 could climb and fall bringing M15 down. We have 15 PIPS to play with to see if we can make more. Move the S/L to breakeven and let's see what happens.

M1 is over 90 and M5 has moved up, this kills our oversold market.
 Our channels are moving up on the Sonic Indicator and an upward spread is forming
 between the channels and the Origin Line.
 Price Line is flat on 61.8 Fib



We have 15 PIPS in hand, time to exit. M1 can go over bought and draw up M5. Our Short is no longer supported. We don't have a valid Long M5 trigger , but this is too risky with only 15 PIPs in our pocket to ride.

Exit.

Here's a tricky one.

M1 has peaked below 10 and is climbing (above 20)

M5 has peaked below 10 and is climbing (above 20)

Sonic Indicator Channels are converged together and have climbed past Origin Line.
(we would only take this as a long signal with our PMTFS supporting a long).
Origin Line hit 23.6 FIB again. Be nicer if Price line hit 50 Fib..darn close.

We know convergence of channels on Sonic indicator will pull price up. We are past the bottom peak of the convergence.

Dangers are that Price Line and Origin Line are headed down still. However, we can ride at least M1 up and probably M5 up some degree. Our risk to lose pips is low, enter Long or wait for next candle.



M1 hasn't peaked and M5 is likely headed to cross 80 up. Good chance we get an over bought market here.

Sonci Indicator Channels have crossed Price Line.

Price Line has risen to 61.8 Fib

Origin Line has climbed past 38.2

Convergence in Channels

Separation narrowing between Price Line and Origin Line

Separation from Channels and Price Line

Index Channel leading up

This is a Long entry hoping for an overbought market. It is probably good for at least a 1 Fib ride..so we will re-asses when Price Line hits 76.4 or Origin Line hits 50 or 61.8.



M1 and M5 stayed well above 90 so why leave.
M15 is climbing

It isn't until our M1 dives below 80, our Channels on the Sonic Indicator cross down below the Price Line and Origin Line that we hit the exit button.

You can see a dip in the Channels across the Price and Origin Line about 10 mins earlier but M1 and M5 were still above 90...so we stick with our PMTFS.

This by the way is a SHORT entry as well. You can see it is early and we get some trouble ...but I'll demonstrate what happens on my next series.

Did you notice our charts read the news. That's 100+ pips.



Using the Fibs

Entering trades is fairly easy, exiting is far more the challenge.
One way to pick a trade apart is to play it one Fib level at a time.

The chart below is an example of this. Let's start with our entry.

Sonic Indicator:

Channels converged and went down through the Origin and Price Line.

Price Line is high, so if I am wrong the losses are minimal.

Our target is the first Fib (1) at 76.4%....this requires an 8% drop in the Price Line which is at 84%.

PMTFS Indicators:

M1 is below M5 and I am "anticipating" that M5 will cross M15 down. I look at it this way, with the Price Line at 84%, I have a 16% chance of failure and an 84% chance of success. I believe that to be true because of the positions of the stochastics, the Sonic Indicator and that a price fluctuation down to the 76.4% line is an inevitable outcome.

Our S/L is Price Line hitting 100%



We have hit our first Fib and suffered little in draw down through the process. Our S/L stays at 100%. Our target for the Price Line is the the next Fib level down at 61.8%.

We can estimate PIP value by looking at what price was the last time the Price line was at 61.8%...it gives us a rough guideline.

Looking at PMTFS:

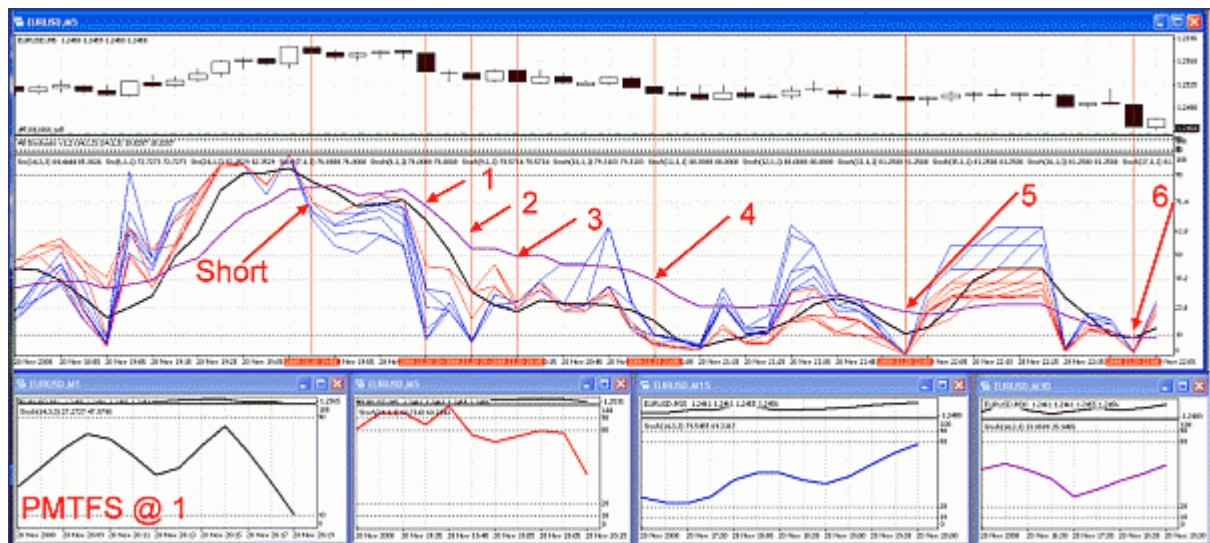
M1 is down at 10%..so it may peak and climb or stay oversold.

M5 has crossed M15..which we know is a good sign so we would anticipate the M1 may cycle up and then M5 and M15 will continue down. So short term we expect some retracement in price...what we don't want is a big retracement.

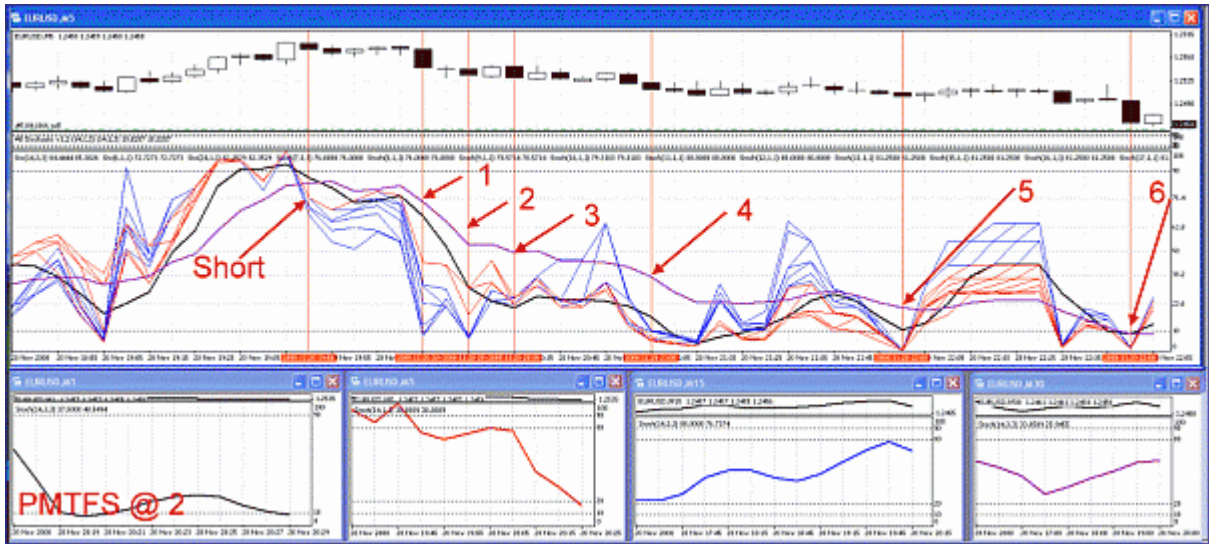
If we are wrong we will likely lose small PIPS. If we are right we will increase our PIPS.

Our Sonic Indicator is a little concerning because the Index Channel is in a typical position where we might think of entering a long scalp. However, our Slow Channel is quite low and converged. We are still in a good short indication here and nothing yet has indicated a reversal otherwise.

Again, we know from PMFTS that we expect M1 to climb and our Price Line may move up, but we are anticipating it will not move to our S/L.



We've now reached the 61.8% Fib (2) with out Price Line....actually we went way by it and are very close to the 50% Fib at candle close.
 Our S/L is now 76.4% for our Price Line.
 We might as well run to 50% Fib since we are so close or exit.
 We are in some dangerous looking up moves with both PMFTS and our Sonic.
 BUT...we have a valid PMFTS Short showing...see our M5 trigger way back there and our M15 pointed down. So, let's run to 50%...we are in profit anyways even if we get stopped....this could be an oversold market happening.



With Price Line reaching the 38.2% Fib (4) and our M5 showing a Long Trigger on the PMFTS, it really is a good idea to exit now.

If you want to target the 23.6% Fib, I would set my S/L at 44% (half way between 38.2 and 50) and if the Price Line rises to hit it we are done. In other words, if we continue short, it either goes straight down or we are out.

If we hit 23.6% (5)..than use the same tactic to target 10% or 0% and set the S/L at say 30% where if the Price Line hits that we are out.

PMFTS would tell us we still don't have a valid long yet, so why not try for the short...just be very tight about it.

IMPORTANT! We used PMFTS here to support our continued Short position. Do not simply rely on the Sonic indicator and play Fib to Fib...you'll surely lose. PMFTS has to support you and not counter you. You can "anticipate" what PMFTS will do if it is supportive of your trade...do not anticipate against your trade. If you are worried about your decision tighten your S/L against the Price Line...but not too tight.

