



# How to use Nat's Inflection points

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## Read me first

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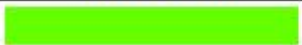





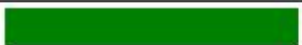


There are no guarantees of any kind, explicit or implied, and using these methods may not give you the same results.

There is always a risk of loss when you trade futures contracts and you need to learn how to manage those risks before you begin.

## Part 1. Nat's Weekly Market Preview

### Trend indicator

#### TREND DIRECTION

	Short Term	Intermediate-Term	Long Term
<b>S&amp;P 500</b>			
	weak	strong	strong
<b>Oil</b>			
	weak	Less strong	Less strong
<b>Gold</b>			
	Strong	Neutral	strong

- The trend chart shows the price in three time-frames for each of the commodities we trade: Gold, Oil and the S&P500 index of large-cap stocks on the New York Stock Exchange.
- The colors indicate the direction, the intensity indicates the strength of the trend. A pale green is a weak short-term uptrend in the S&P 500; A deep red is a strong downtrend in Gold.
- The trend is your friend. Even day traders should pay attention to the longer term trends.

## Weekly market preview: Momentum signals

- The momentum trend direction is based on short-term and long-term “exponential moving averages” (ema’s) crossing.
- The long-term signal is based on the monthly ema’s; the intermediate-term signal on weekly ema’s; the short-term signal on daily ema’s.
- The fast ema is usually 20 periods; the slow ema is usually 40 or 50 periods.
- The signal is given when they cross. When the fast ema moves above the slow ema the trend is bullish and the signal is a buy. When the fast ema crosses below the slow ema the trend is bearish and the signal is a sell.





## The PMO (price momentum oscillator) crossover signals

This indicator generates Buy or Sell signals when it crosses up or down through its 10-day moving average line. The duration can be short or very long. It alerts traders to possible trading opportunities. Works best when price is near support or resistance, and the PMO is very overbought or oversold.

## Slow Stochastic Oscillator

The Stochastic Oscillator makes it easy to identify overbought and oversold levels. It will always fluctuate between zero and 100. Traditional settings use 80 as the overbought territory and 20 as the oversold territory.





## Previous day open, high, low and closing price.

Most of the time today's trading will pick up where yesterday's left off. The previous range can reference support and resistance levels and break-out points.

## Floor pivot numbers

We don't use these numbers in our program but they indicate levels where other traders are identifying support and resistance points. Price movement may stop temporarily at these levels. They may be places where rallies (or declines) may stall. Our numbers sometimes overlap them.

## Inflection numbers

These are our auto trading levels, the levels that are likely to invite algo trading programs to enter the market in force.

### 2. OIL (CL, SWTIC) (time from 6pm Globex market open to following day 2:30pm)

#### a. PREVIOUS DAY (SCLH17)

Open	High	Low	Closing
53.15	54.13	52.90	53.86

#### b. PIVOTS

	Daily	Weekly	Monthly	Yearly
R3	56.09	58.89	61.91	91.79
R2	54.86	55.98	57.42	73.17
R1	54.36	54.92	55.12	63.44
PPT	53.63	53.07	52.93	44.82
S1	53.13	52.01	50.63	35.09
S2	52.40	50.16	48.44	16.47
S3	51.17	47.25	43.95	11.61

#### c. INFLECTION POINTS

	Daily	Weekly
2 <sup>nd</sup> Short level	55.20	56.15-56.35
1 <sup>st</sup> Short level	54.35	55.65-55.55
Key # (control line)	53.50	53.50-53.70
1 <sup>st</sup> Buy level	52.45	51.80-51.50
2 <sup>nd</sup> Buy level	51.85	50.50-50.70





## Inflection points

- “Inflection points” are prices where Nat expects something significant to occur in the market:
- At the Buy levels a new rally may begin; at the Sell level an existing rally may end. The market stops moving in one direction and starts moving in the other.
- The Key line (or control/sentiment line) reflects market emotion. It is not the same as the floor pivot line.
- If the price moves from below to above, it shows buying excitement; when price falls from above to below, traders are expecting declines.
- Computerized trading programs also follow these levels, so that the dips are often bought above the key line or rallies sold below it.

### c. INFLECTION POINTS

Gold for Feb. 16, 2017

	Daily	Weekly
2 <sup>nd</sup> Short level	1248.50-1250.50	1270.50-1272.50
1 <sup>st</sup> Short level	1240.50-1243.00	1255.50-1257.10
Key # (control line)	1231.50-1228.50	1228.30-1229.30
1 <sup>st</sup> Buy level	1219.50-1218.00	1205.50-1207.50
2 <sup>nd</sup> Buy level	1210.20-1208.50	1195.30-1198.50

- For day session traders monitoring real-time prices, when the price approaches the Short sell level you should exit long positions and not enter new longs. You can also enter short positions with appropriate stops. When the market approaches the Buy level exit existing short positions – take profits. Do not open new short positions. You can open new long positions with appropriate stops.
- We post new inflection points each day. It is not good idea to continue using old inflection points when new ones are available. That usually means you exit existing positions at the end of the day session and enter new orders overnight or at the beginning of the next day session.

## Part 2: Trading strategies

### 1. Enter trades at the Buy or Sell level and exit at the Key line.

This is the simplest method. The direction of the trade is clear, and the target is clear. The only question is where to place stops.

Trades are typically placed using limit orders for the entry and the exit, and a stop to protect against a strong move in the wrong direction.

Here's an example. (This is a gold trade from Feb. 13, 2016. You can find the original in the archives for that date).

#### Nat's inflection points:

Sell level: \$1244.50-\$1243.30  
 Keyline: \$1228.50-\$1229.50  
 Buy level: \$1220.50-\$1223.50

The order was placed early Sunday evening as a 'bracket order':

Buy 1 GCJ17 @\$1221 limit. If that order is executed, sell 1 GCJ17 @ \$1227.50 limit or sell 1 at \$1217 stop. Order cancels order.

Gross profit: \$650



Note that there was no need to monitor the prices while the trade was live. Traders can place the order and ignore the market until the close the next day.



## Trading strategies

### 2. Enter trades at the key line and exit at the Buy or Sell level.

This is the reverse of the trade on the previous slide. Instead of trading from the top or bottom of the range to the middle, we are trading from the middle to the top or bottom.

A couple of things to note:

- This is the same chart as the previous slide, but with the Keyline extended back to the beginning of the overnight session. It shows the outcome for both trades.
- To get this trade 'right' you have to make a decision about the direction of the price will take at the key line. In general we tend to assume the previous trend will continue, but that is a judgement call.
- Remember movement across the keyline reflects a change in sentiment. When it is decisively broken (as in this chart) expect it to continue. Pauses may reflect hitting support or resistance from the floor trader's pivots.



Trades from the Keyline to the Buy/Sell level occur about twice as often as trades from the Buy/Sell to the inflection point.

## Preliminary results

The preliminary results were crazy good, but cooled down a bit later. Here's an example.

The chart at right (the gold trade on Feb. 10) is fairly typical: the method consistently gives relatively safe entries and relatively profitable exits, with modest drawdowns, and tends to catch decisive swing trades early.

All of the results and a discussion of each day's trades are posted at [www.natusus.com](http://www.natusus.com). Everyone can see the past trades; paid subscribers can see the trades for the coming day.

The inflection points are usually posted before 10 p.m. EST and refer to the Globex session that evening and the day session the following day. For example the Feb. 17 trades start around 9:00 pm (EST) on Feb. 16, and end at 2:30p Feb. 17.

This chart shows the overnight and day session in 30-minute bars. [Here's a link to the post](#)





## Outcomes so far\*

	ES	Gold	Oil	Overall
Total Trades	8	17	11	36
# winners	1	11	6	18
# losers	7	6	5	18
Average win	\$550	\$473.36	\$458.33	\$472.61
Average loss	\$132.14	\$269.83	\$286	\$220.80
Largest winner	\$550	\$1020	\$830	\$1020
Largest loser	\$275	\$353	\$510	\$510
P/L	(\$375)	\$3,588	\$1,320	\$4,533

\*See the notes on the next page. Outcomes are updated weekly.



## Notes

- Period covered is Jan. 31 to Feb. 17, 2017, about 12 trading days, starting with the end of our January sale. These are the actual results of live trades placed in a segregated simulation account using the inflection points in Nat's daily workbooks.
- The results are very preliminary, for a very short period, but consistent with the Beta trial we ran for six months in 2016.
- These are "overnight" trades only: orders placed in the Globex market, typically before midnight EST, and left in place until stops or target orders are activated, or until the close of the day session. These are essentially 'set-it-and-forget-it' swing trades.
- Outcomes do not include results from real-time updates in Nat's trade room. Traders monitoring prices live can adjust their positions intra-day.
- The win/loss ratio is about 1:1 but the size of winners/losers is about 2:1. The system averages about three trades per day, but the average is decreasing as we gain more experience.
- There is a separate set of inflection numbers for each of the futures markets we trade.
- We trade the nearby futures contracts of each market
- Our trading day starts with the opening of the Globex session about 6 pm Eastern time, and continues to the close of the day session the following day.
- Each day the inflection numbers are revised, and you need to decide if you want to hold existing positions after the day close.
- The Inflection levels are posted in the evening and refer to the trading that night and the following day.
- This is not a mechanical trading system. You have to manually input trades and make judgments about where to place stops and which direction to trade at inflection points<sup>1</sup>. It isn't hard work, but it is work.
- Your mileage may vary. Generally results improve as you gain confidence and experience.

<sup>1</sup> We're thinking about setting up an autotrader system if there is enough interest.



## Additional discussion

- **There are differences between trades that start at the Keyline and trade to the buy or sell level** and trades that start at the buy/sell level and trade back toward the middle:
  - ‘Keyline’ trades are more frequent (occur about twice as often) are typically more profitable, and more likely to be stopped out. But they require judgements about the direction of the trade.
  - ‘Buy/sell level’ trades are easier to manage and safer (i.e. are stopped out less frequently) but return smaller profits.
  - The decision to trade or avoid ‘keyline’ trades is essentially a risk/reward calculation. How much risk are you willing to accept and is your account large enough to accommodate it
- Oil and gold are more active overnight; the ES often has significant price movement overnight on low volume and changes direction after the day session opens.
- **You need an effective system to manage orders.** We place 6-8 orders a night (most expire **without** being executed). It is easy to make mistakes and all the mistakes will cost you money. You need a systematic routine to reduce errors.

**Some members “fade” Nat’s inflection points** by placing entry and exits inside her inflection points. They try to take a piece out of the middle, rather than waiting for the full trade to be completed.

There’s nothing wrong with this and sometimes it is a good move. But it tends to make your stops wider.

If Nat’s buy level for gold is \$1217-\$1220, and you ‘fade’ the call and place a buy order at \$1222, your stop should still be below her bottom price – say around \$1216. That means your stop is \$600.

**Stops reduce your profits**, and the tighter your stops the more frequent the losses. But they will protect you from occasional catastrophic losses. Think of them as insurance against a “black swan” event.

There’s no magic formula for setting stops. Generally, stops based on the chart (above or below established resistance levels, for example) are better than using a fixed dollar amount. But no matter how you do it, you will get stopped out of some trades that would otherwise be profitable. Just part of the business.

Include both a stop and an exit target with every trade you place. Even though it will cost you money.



## Why does this work?

### Short answer: math and psychology.

Nat's methods give you a statistical edge on each trade: your winning trades are bigger than your losers. Even if you only win half the time — the same odds as flipping a coin — you will still be profitable.

A statistic edge only works over a long series. For a small number of trades it is easy to run into 'streaks' — four winning days in a row, for example — that convince you that you're some kind of trading genius.

Cool it, kiddo. Eventually the pendulum swings back; until it does, you have to be persistent, consistent and patient.

### That's math. Now psychology.

Many traders hate to leave a trade open if they can't watch the market. But in our experience most retail traders would get better results if they just left it alone. They tend to exit good trades too soon and stay in bad trades too long.

Nat's overnight swing trading methods are expressly designed to encourage you to place your trades and leave them alone. She helps you follow the most important rule in trading — cut your losers short, and let your winners run — by keeping your sticky little fingers away from the mouse.