



Trading Live Online Trading Tips

Sideways Consolidations can mean trend in progress

In Chapter 10 of *Trade What You See – How to Profit from Pattern Recognition*, by Larry Pesavento and Leslie Joufflas, Wiley & Sons, 2007, trends are discussed.

There will be times when you will be in a trade that is countertrend to the trend and it is important to recognize signs that can help you to manage the trade. In the chart #1 below there was a 1.27 extension pattern.

SP Emini - Sideways Consolidation



The first chart is a 5 minute bar chart and the second chart is a 400 tick chart and gives a closer view to price action, notice on the first chart that the sideways consolidation is not seen; this is why I like to also look at tick charts. The blue lines show the price moving sideways instead of down for the correction to the swing up. This is usually a strong bullish sign if prices are moving up and a bearish sign if prices are moving down.

The trade was exited in the area of the sideways consolidation which made the trade a small losing trade rather than letting the market take out the full initial stop.

When trading swings, from time to time you will find yourself in a trade going opposite of a trend, the best thing to do is manage the trade defensively and exit as gracefully as possible.

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