Mid-Week Market Sanity Check

February 5, 2014
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• All Materials presented are for training purposes only. Traders should paper trade any new method prior to risk of personal capital.
Line Up

- Market Check
- Questions from BAMM Meeting
- Keltner Channels
- Stock Review
Secondary Active Trend Trading Indicators

The Active Trend Trading System has Two levels of indicators to aid in timing both entries and exits

- **Primary Indicators include**
  - Price Action—This is King!
  - Moving Averages—8 ema, 20 sma, 50 sma, 100 sma & 200 sma
    (On weekly chart the only the 8 ema (approx the 50 day), 20 and 40 sma
  - Candlestick Reversal Patterns
  - Trend Lines & Price Level Support and Resistance Zones
  - Pattern Breakouts

- **Secondary Indicators include:**
  - Slow Stochastics (80, 20, 5, 3 setting on TOS Charts)
  - Keltner Channels (20 sma, 2 ATR settins on TOS Charts)
  - Momentum (12 setting on TOS Charts)
Keltner Channels

- Originally developed by Chester Keltner in the late 1950’s and early 1960’s
- Refined by Linda Raschke in the 1980’s
- A Volatility-based envelope set above and below an exponential moving average (some use SMA) which captures approximately 80-90% of price movement
- A Trend Following indicator used to identify reversals with channel breakouts and channel direction
- Works on all timeframes (intraday, daily, weekly, monthly)
Keltner Channels vs. Bollinger Bands

- Keltner Channels are smoother than Bollinger Bands because the width of the B Bands are based on standard deviations while **K Channels are based on Average True Range (ATR)**.

- Many believe the K Channels are more sensitive because they use the exponential moving average, however some traders do use a simple moving average with the K Channels.

- The smooth appearance makes K Channels well suited for trend following and trend identification.
Keltner Channels vs. Bollinger Bands

![Graph showing Keltner Channels and Bollinger Bands for SPY (S&P 500 SPDRs) NYSE. The graph displays historical data from 8-Oct-2010 to the current date. The Keltner Channels are represented by blue lines, and the Bollinger Bands are represented by pink lines. The graph includes daily closing prices with high (Hi), low (Lo), and closing (Cl) values.]
Keltner Channels: How to use them

There is an excellent tutorial at:


This tutorial provides the basics on how to use K Channels for trade timing. However remember K Channels are still a secondary indicator. As always, **Price is King!**
Keltner Channels: How to use them

Uptrend
Keltner Channels: How to use them

Downtrend
Keltner Channels: How to use them

Sideways Trend
Next Time

- Questions On K Channels
- Stochastics