HOW TO USE CONTRADICTORY TRAILING STOPS

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We use the countback line to set the stop loss for EQT and it raises an interesting question. We show the CBL line calculated from the second highest high on the chart. Two things about this.

First, calculated from this point there was a close below the CBL line. We did not exit. The plan is to exit on the next day at the best possible price. The next day saw a rapid rebound and this was in the context of a strong GMMA trend. We kept the trade open.

Second, the CBL calculated from the new highest high sets a CBL that is lower than the CBL calculated from the previous high. In this situation we always sue the higher CBL stop loss. The stop loss is never lowered in a rising trend.

The GMMA shows strong support for the trend continuation. The count back line stop loss to manage this trade.

This EQT example has two confirming patterns and each pattern can be used to verify the conclusions of the other pattern.

The first pattern is the inverted head and shoulder pattern.

The distance between the head and the neckline is measured and gives an upside target near $18.90. The second pattern is the pattern of support and resistance. This has a strong consolidation band between $14.00 and $14.50. Above this is a resistance level near $15.70. The next resistance level is near $18.90. This is where the gap-down started and this upper level is often a future target for the trend recovery.

In this chart two separate methods verify the $18.90 target level. The trade method is straightforward and aggressive. For case study purposes we take an entry near $15.05 as the breakout develops above the consolidation band. The stop loss is a close below $14.50. This buys 1,329 shares for a cost of $20,000 and puts 730.90 at risk or 0.73% of total trading capital.

Here's the marked to market update on the case study trade performance.

Stock code	**EQT**
Total investment pool money in account	100,000
Your investment risk for this trade	2,000
Average entry price	**15.05**
Stop loss	**14.50**
Cost of trade	**20,000.00**
Number of shares buy	**1,329**
Loss if sell at stop loss	730.90
Risk % of total investment pool money	0.73%
Planned Profit exit price	**16.99**
Profit	**2,578.07**
Trade profit %	12.89%

The target is $18.85, just below the pattern calculation target. This level is used as it increases the probability the trade will be executed at this level. Price will probably reach $18.90, but the danger is that just few shares might change hands at this level. By setting the advance sell at $18.85 we are guaranteed the full trade exit will be achieved if the price reaches the $18.90 pattern target level.