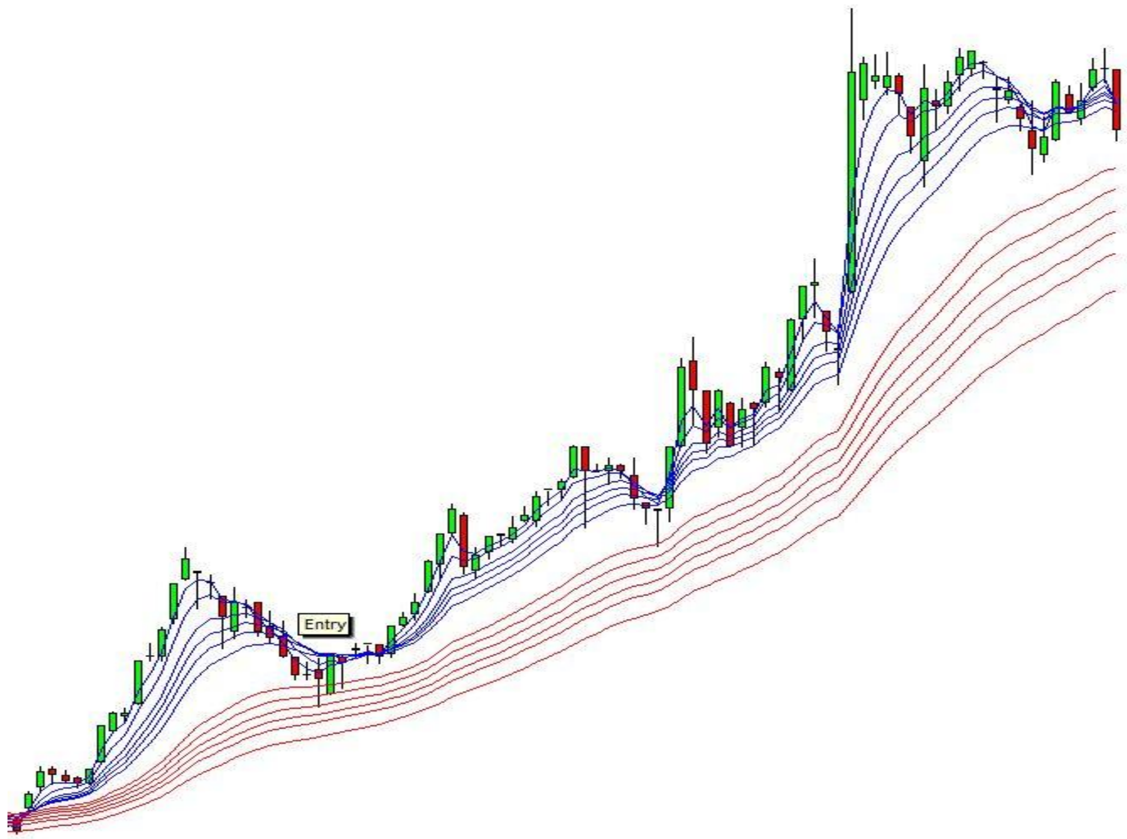
<u>REMEMBER TRADING BASICS</u>
By Daryl Guppy

The basic elements of trading remain unchanged. The objective in each method is to identify the point where the balance of probabilities shift in your favour. There are four key methods.

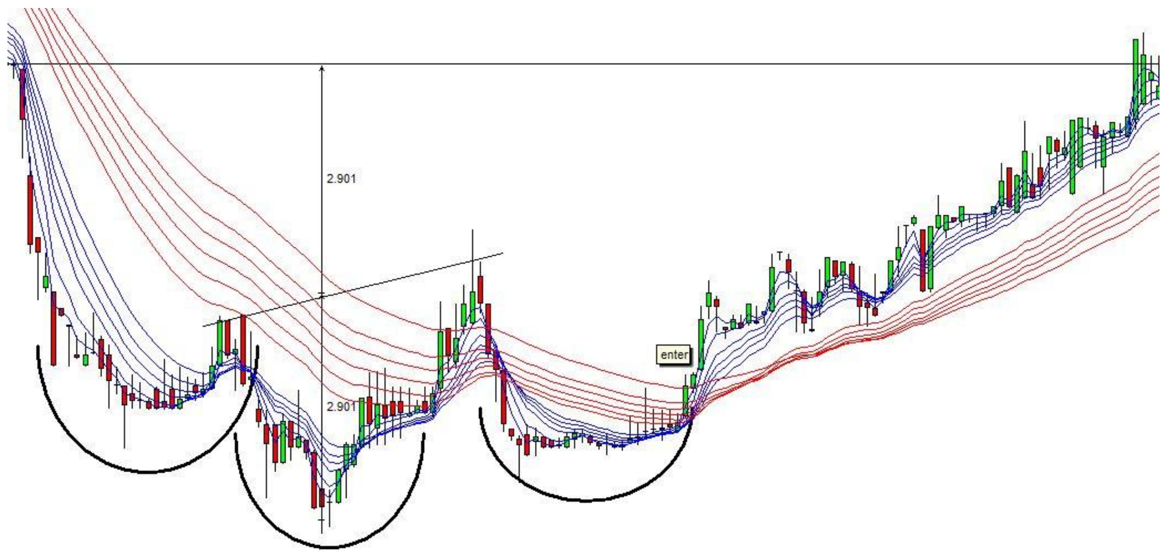
The first trading method is to join an established trend at a point of temporary trend weakness. This is trend rebound trading. It used to be one of the safest methods, but an increase in trend volatility means more caution is required in applying this methods.



The second method is breakout trading. The objective here is to identify the end of a downtrend and the beginning of a new uptrend – or vice versa. Traders want to enter a close to the point of trend change as possible. This has traditionally been seen as higher risk trading because in many ways   you are betting against the prevailing trend.

The third method is range bound trading where traders look for rally and retreat behaviour within the confines of support and resistance levels. These can be sideways trading bands or sloping trading channels. This trading is made more profitable with trade execution using a CFD derivative.

The fourth method is chart pattern based trading. These are trades based on reliable high probability chart patterns that provide price targets calculated using a defined price move. These are low risk, high reward trades but they are less common that in the past.



It’s tempting to make trading more complicated than it needs to be. We may use more sophisticated methods to identify the entry and exit points, but at heart, these are the three mainstay trade opportunities that are the bread butter of trading.