

The Plateau Trade (PT)

as used and understood by “JoAnne”

The Spirit of the trade:

The PT, as stated by others is a “momentum reversal”.

To me this means, at the very least, a PT requires 2 things:

1. Something to define an initial momentum direction
2. Something to define the stalling and/or turn

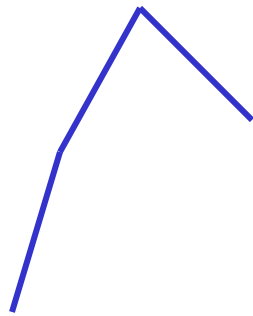
Anything more is not necessary, and anything less is not sufficient.

Morphing of PT patterns

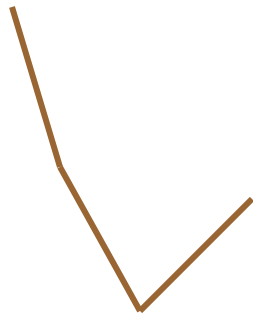


- These are all valid PT patterns to go short. All of these could be inverted to get PT patterns to go long.
- Note the evolution from a flat top to a pointy top. Nothing special about either. The spirit of the PT is still there: The momentum was one way, and then it reversed.
- This bottom one is just the special case of the rest where the 2nd CCI bar is flat.

Minimum Requirements for the PT



2 CCI bars up defines the momentum (up).
1 CCI bar down confirms the PT to go short



2 CCI bars down defines the momentum (down).
1 CCI bar up confirms the PT to go long.

Bottom Line:

1. If you do not have 2 consecutive CCI bars in one direction, you have not established momentum
2. If the 3rd CCI bar does not turn against the momentum, you do not have a confirmed PT. Also, if the 3rd bar is “flat”, then just wait for another bar.

Two Types of PT's

1. **With the Trend (wt-PT)**

- Going **LONG** with a **GREEN** CCI
- Going **SHORT** with a **RED** CCI

2. **Counter Trend (ct-PT)**

- Going **SHORT** with a **GREEN** CCI
- Going **LONG** with a **RED** CCI

Entering the PT:

1. The wt-PT : I go in at bar close
2. The ct-PT : I use Gruesome's Nuance*** (GN).

Exiting the PT:

There is no profit target, nor strict exit criteria for the PT.

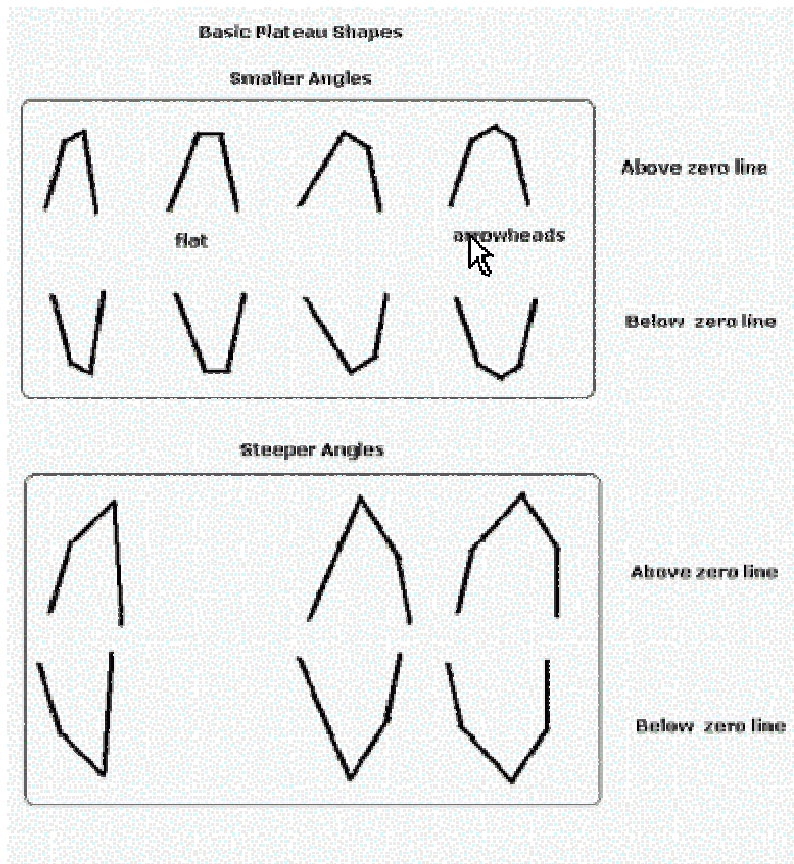
Exit using whatever method works for you.

Set initial stops as per whatever system works for you.

*****Gruesome's Nuance (GN) simply means I use a stop-limit order to enter, using a price that is 1 tick beyond the extreme of the confirmation price bar, in the direction of the trade.**

The Beauty of My View of the PT

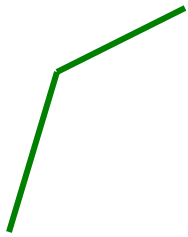
My definition simplifies the prior definitions/examples.



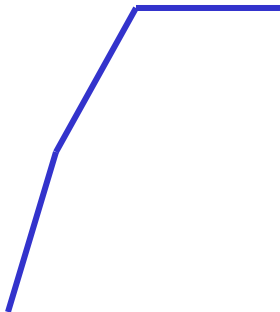
There are several problems w/this picture:

- It suggests that the “u” shaped ones can only occur below the Zero Line (ZL). This is not true, in my experience. Likewise, the “n” shaped ones do not only occur above the ZL.
- “Flat”, “Arrow-Head” and “Steeper Angles” are all subjective. My definition removes this, for the most part.
- The momentum has not only stalled, but already reversed in the right-most 8 of these examples, hence you are a bar late, and have lost much of the advantage of the CCI and are joining with the masses (i.e, too late).

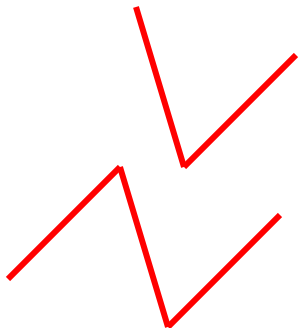
NOT-VALID PT's



No confirmation bar. Momentum has not moved against the up-trend.



No confirmation bar. CCI just flat, and has not moved “against” the momentum



Insufficient momentum defined. You need 2 consecutive CCI bars up or down to define the initial momentum. Trading this as a “PT” will churn (large) losses while the market goes sideways.

The Achilles Heel of the PT

Trading the PT, you will get a lot of signals. It's a reality of trading, that, if you get too many signals, your churn losses can eliminate a lot of your hard-earned profits, and you get signal overlap. To address this, many have come up with ways of filtering the many PT signals you get. These ideas include, but are not limited to:

1. Combining the PT with the LSMA color/direction
2. Combining the PT with the 34ema
3. Combining the PT with the LSMA crossing of the 34ema
4. Combining the PT with Candle analysis of price bars
5. Trading only specific times of the day
6. Taking only PT's that close inside/outside the +/- 100 lines
7. Combining PT with HFE – or ignoring if HFE was “too extreme”
8. Combining multiple time frames
9. Taking only ct-PTs or only wt-PTs, not both.

BOTTOM LINE: Do your homework. Find out what (if any) of the above work for you.