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CANDLESTICK AND PIVOT POINT TRADING TRIGGERS

SECOND EDITION

SETUPS FOR **STOCK, FOREX,**
AND **FUTURES MARKETS**

JOHN L. PERSON

WILEY

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Published by John Wiley & Sons, Inc., Hoboken, New Jersey.

Published simultaneously in Canada.

Library of Congress Cataloging-in-Publication Data:

Names: Person, John L., author.

Title: Candlestick and pivot point trading triggers : setups for stock, forex, and futures markets / John L. Person.

Description: Second edition. | Hoboken, New Jersey : Wiley, [2021] | Includes index.

Identifiers: LCCN 2020026820 (print) | LCCN 2020026821 (ebook) | ISBN 9781119295532 (paperback) | ISBN 9781119295587 (adobe pdf) | ISBN 9781119295570 (epub) | ISBN 9781119295594 (obook)

Subjects: LCSH: Stocks. | Investment analysis. | Futures. | Options (Finance)

Classification: LCC HG4661 .P477 2020 (print) | LCC HG4661 (ebook) | DDC 332.64—dc23

LC record available at https://lccn.loc.gov/2020026820

LC ebook record available at https://lccn.loc.gov/2020026821

Cover Design: Wiley

Cover Images: Financial diagram with candlestick chart © Ai825/Shutterstock, Wave with shadow © Andrei Tarchyshnik/Shutterstock, Blue abstract background © winui/Shutterstock

Acknowledgments

To my wife Mary, who not only encouraged me to rewrite this book, but reminded me every step of the way to finish. In the process of writing this book I lost my mother unexpectedly, who was looking forward to seeing this finished project. Mom, we miss you, the book was finished. Completing this book while trading in these markets, which was the most incredible period of volatility in my lifetime, was through the grace of God. I hope I did not wear out my prayers.

> *"God grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom to know the difference."*

Amen

About the Author

John Person is an internationally recognized specialist in investments, trading, and financial management. He is an active fund manager and principal founder of J. Person Asset Management, LLC, and is an elected member of The American Association of Professional Technical Analysts (AAPTA). He is a 40-year industry veteran trader and is the former Founder and President of First National Futures Group, a futures brokerage firm. He has created several proprietary indicators and trading strategies found on multiple trading platforms including TD Ameritrade/Thinkorswim, Bloomberg Terminals, TradeStation Trade Navigator, and HGSI platforms. John is the author of several books that target trading stocks, ETFs, and futures.

Introduction

Wow how time flies! The first edition was published in 2005 and here it is May 21st, 2020, in the midst of a global pandemic that caused a historic market sell-off, recovery for some stocks, and new all-time highs for others like Walmart, Microsoft, Amazon, and PayPal. The incredible part is I am using the same tactics to trade the markets with the methodology and trading tools in this book with amazing success in my managed fund and for the traders in our live trade room and Weekly Stock advisory service.

To all the individual traders looking to learn how to invest and trade wisely and to all those who are looking for new ideas and who have been around looking to learn a more positive approach, I say that after reading this material, you will find a great approach to trading and will learn the importance of, or at least will expand your knowledge of how to develop your personalized mechanical trading system from the methods provided in these pages. There is no doubt this method will stand the test of time because it has stood the test of time for the most amazing trading environment in the last 200 years—the decades between 2006 and 2020!

You will specifically learn what methods and parameters to use with time-tested material. This second edition brings some awesome new developments in trading tools that have been modernized, like a volume indicator, a Relative Strength tool, and a modified breadth indicator, which we can apply to the indexes we mainly trade: the S&P 500 ($SPY), the NASDAQ 100 ($QQQ), and The Russell 2000 ($IWM).

THINGS CHANGE

Times have changed, as have price values of stocks and raw commodities. Markets and access to trading changed, and products we trade, besides the commodity markets, include other hard assets (e.g., housing and real estate).

Things changed since the first edition was written, from President Bush to President Obama and now to President Trump. We have had a significant change in monetary policies, with global interest rates at negative to zero returns. Gold has risen not because of fears of inflationary pressures, rather because the Federal Reserve (Fed) lowered rates. In turn, the US dollar fell as the interest rate differentials narrowed in the United States against foreign central banks. All are the reverse of when the first edition was written.

THE CONUNDRUM

One favorite word among economists in 2005 was *conundrum*, which was used by then chairman of the Federal Reserve, Alan Greenspan. This was the term he used to describe the event of Treasury yields declining while the Fed was raising interest rates.

Fast forward to 2020 and we have historic low yields and the highest price printed in 30-year Treasury bonds ever.

HISTORY SHOULD REPEAT ITSELF

Often it is said that history repeats itself. I believe this to be true…to a degree. Not all market crashes or rallies are led by the same sectors or reasons. The crash in 1987 lasted four days and was blamed in part on a currency crunch in Asia. Then in 1998 we had Long-Term Capital

Management, 2001 was the “tech wreck,” and 2008 was due to a housing bubble. Then the 2020 meltdown was caused by a global shutdown due to Covid-19. I do believe now more than ever global economies and the world move in cycles. Based on the climb that bonds and equities made in 2016–2020, the market's price behavior or intermarket relationships were not behaving in a traditional way. At least not compared to when the first edition was printed in 2006. One main reason can be summed up in two words: quantitative easing. Based on a rise in stocks, bonds should have moved lower; the great rotation out of treasuries into equities never happened. History should have repeated itself, but it did not; or if it does, it will be a delayed reaction.

Due to this keen observation, there was one solid piece of advice I was constantly giving to people through our trading room or in my newsletter advisory service. It was, “Trade the markets independently of each other.” One reason for this advice was this: Not much was making sense at times in the traditional way. Let's face it, when crude oil and energies stocks plunge, it is deflationary and should have a positive effect for consumers. But when OPEC decided to go to “war” with Russia at the March 2020 meeting, this was an event that had no playbook. Saudi Arabia decided to cut prices and boost production. The question is: what ripple effect will it have on the world banks that may have loans out to small drilling and production companies? This led to a first time ever event: the day before expiration, Crude Oil May futures contracts traded at negative $37.00 per barrel.

It is still not known what lasting impact the Coronavirus will have on commerce. My predictions are that it will be short-lived, at least by the time this book is in print.