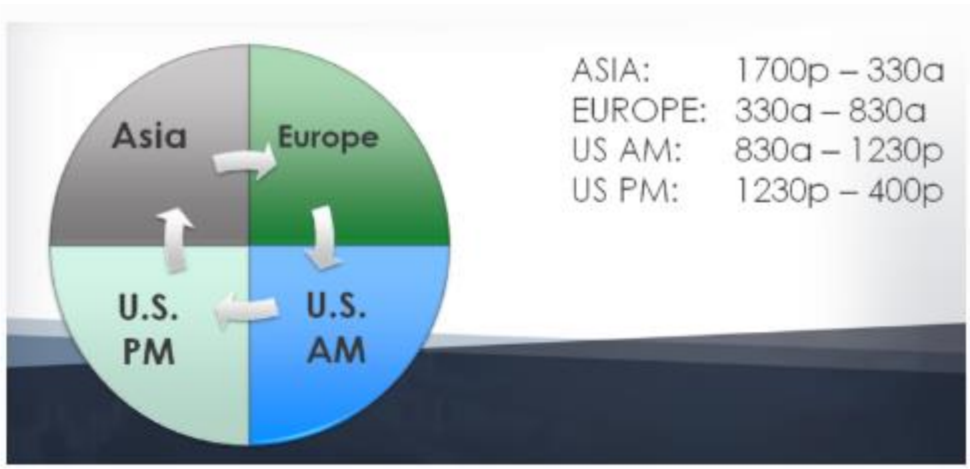
www.dtitrader.com

Orientation to DTI's Reference Bars

Our goal is to analyze the 24-hour market and to answer the question, long, short or out. We do so by breaking up the global trading day into four time segments: Asia, Europe, US morning and US afternoon. Reference the picture below.

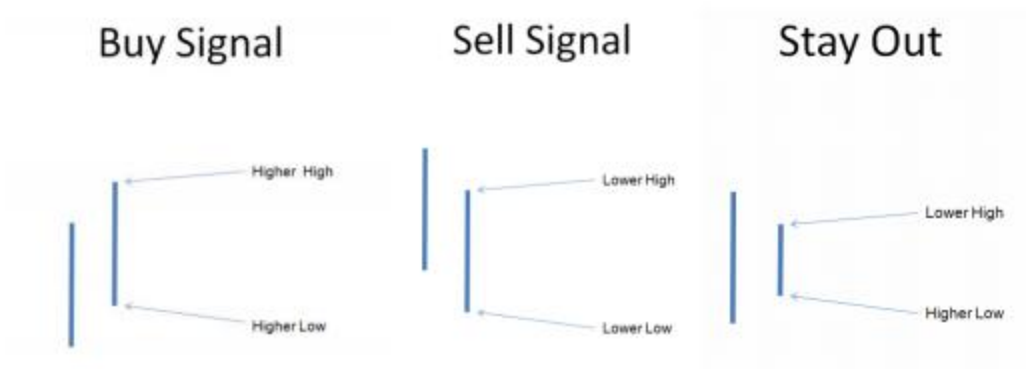


To keep everything in perspective, we track the 24-hour global market using our proprietary approach with DTI Reference Bars. A reference bar is simply a 30-minute candlestick or bar that appears colored in blue on our charts inside the RoadMap™ Software. On many occasions you will hear Tom mention the reference bars as "blue bars" … and in total, we use 4 blue bars to analyze and trade the 24- hour market. I've listed them below.

- Reference Bar 1 (RB1), occurring from 5:00 pm CT – 5:30 pm CT is used to analyze and trade Asia's market
- Reference Bar 2 (RB2), occurring from 3:30 am CT – 4:00 am CT is used to analyze and trade Europe's market
- Reference Bar 3 (RB3), occurring from 8:30 am CT – 9:00 am CT is used to analyze and trade the U.S. morning market hours
- Reference Bar 4 (RB4), occurring from 12:30 pm CT – 1:00 pm CT is used to analyze and trade the U.S. afternoon market hours

Simple Strategy for Short-term Trading

As another guideline for learning the DTI Method and the use of Reference Bars when trading during the day, I think it is fitting to go over the 3 main chart patterns you need to know to make money trading. These patterns generally tell you when to be long, short or stay out. Here's a picture to display these simple but very effective chart patterns.



Now let’s incorporate the Reference Bars with these 3 signals. Each Reference Bar maps out a 30-minute range. Note the high and low of that range. Using the simple patterns from above, we have a buy signal when the range of the Reference Bar is broken to the upside. If this occurs we then answer the question of where our stop goes. A simple strategy to use is if you enter a long trade off a higher high of the Reference Bar, your stop goes below the low of that same Reference Bar, as shown below

Please do not get caught up in exact numbers. You don’t have to enter the trade one tick above the RB range; all the same as you don’t need to sell out on a stop one tick below the RB range. There is nothing exact in trading. Our goal is to catch trends intraday, and the Reference Bars set us up to capture those trends.

Let’s look at a chart for more clarity. On the chart below of the Emini S&P futures, you will see 30 minute bars, with a few of them colored blue. The blue bars are the Reference Bars. Technically, those are candlesticks and not bars, but the candlesticks are easier to see. For the DTI Method, either will work. Our Reference Bar times occur at the beginning of each Time Segment. They are 5:00pm CT, 3:30am CT, 8:30am CT and 12:30pm CT. A break in either direction of the Reference Bar range is usually an indication that traders want the take the market in that direction. If the signal reverses, and then the other side of the Reference Bar is taken out, that is a strong reversal of trend signal.

You can't tell, but the candle at the far left is a 12:30pm Reference Bar. It signifies the beginning of our 4th Time Segment during the 24-hour market. I've labeled it RB4, and proceeded to label all other Reference Bars on this chart. At the beginning of this chart, sellers took control during the afternoon hours of the U.S. market. Once the futures market opens up again (the first RB1), sellers remain in control and the downtrend continues. Once Europe opens (RB2), more buyers step in, reversing the trend. At the U.S. cash open at 8:30am CT (RB3), we again get a reversal, this time the selling pressure from the end of the prior day regains focus. We then have yet another reversal when traders return from lunch (RB4) and finish the trading day with a rally. A very similar pattern occurs the next day.

These reversals are unmistakable, and our placement of Reference Bar times is no coincidence. The RB4 reversal is one of the strongest trades you will find, and our proprietary Reference Bars make this crystal clear. You won't find charts like this anywhere else but DTI's RoadMap™ Software.

Now let's go a step further with a concept from Tom Busby that allows him to get a jump start on finding the trend:

"What I like to do is take the high and low (range) of the current Reference Bar (RB) and find the midpoint of that range. I then compare the currently traded price to that midpoint to determine if the immediate trend is stronger or weaker. I'll continue to compare whatever the currently traded price is to that midpoint for the entire Time Segment, until the next Reference Bar forms, and then I'll start the process over again."

"As an example, if the ES opened up the cash market trading at 8:30am CT and then mapped out a 10-point range from 3350-3360 during the first 30 minutes of trading, the midpoint would be 3355. After the RB forms, as long as we are above the 3355 midpoint we are more bullish than bearish, and vice versa.

"Again the midpoint of each Reference Bar is important to tell us whether we are stronger or weaker, and because we know that trends can change around the key times of day of our RB's, we can use the midpoint to get an early indication of what kind of day (or Time Segment) we are going to have. Example: if we are bullish coming into the afternoon RB4 and the trend looks to be continuing after RB4 forms… then all of a sudden price reverses and falls below the midpoint of RB4, that's an early indication that something is wrong."

"Now, obviously if it breaks the low of the RB it's an even better trade to the downside, and the same is true for the opposite scenario. This is just a real simple technique I've been using for years and we're including it in the RB white paper so that everyone has a chance to understand entries and exits on different markets, and it works 24 hours around the clock. I observe it all the time in my head and it just occurred to me that I've never shared this knowledge in all the years I've been teaching."

That's it. Learn DTI's Reference Bar and learn Tom's method, the DTI Method and you will be a much more accurate trader.

Trade to Win!

The DTI Team

Diversified Trading Institute
1555 S University Blvd, Mobile, AL 36609
(251) 652-1555
(800) 745-7444

Article written by Jonathan Rowe

All insights are that of Tom Busby