

# ***Index Futures Trading for Maximum Performance***

***The Likos Letter***

**'Top Down' Methodology Combining  
TA with Floor Traders Tactics**

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***The Likos Seminar Series***



# ***Introduction to*** ***The Likos Letter***

- ***The ALERT!*** an Educational trade advisory
- ***The Levels ALERT!*** a Professional Key Technical Trading Levels Service
- ***The Likos Seminars*** - programs teaching *tried & proven* success techniques

***[www.thelikosletter.com](http://www.thelikosletter.com)***



# **Introduction to *FireTraders*** ***LIVE* Audio Trade Radio**

A Live Trade Radio Program Featuring a multi-dimensional, multi-analyst, multi-market trading platform in both Equities and Futures play. Real-Time calls with daily picks with the Floor Traders Pivot Series, Value Areas, and Breakouts/Breakdown Levels in Front Month Futures Indices & QQQ's.

**[www.firetraders.com](http://www.firetraders.com)**

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# ***Off the Floor vs. On the Floor Trading Techniques***

- Off the Floor Techniques historically rely on *conventional* TA.
- On the Floor Techniques historically rely on mechanical means.

(be familiar with both!)



# Consensus is the Key to My 'Top Down' Approach

- Consensus defined = *having overall 'Top-Down' agreement for the purpose of insuring we stay in the highest-probability curve (HPC) for our trade actions.*
- There are varying degrees of *Consensus*
- Ideally we want the *high-degree* of consensus (or *secondary-support*)



# ***First a Few Assumptions regarding technical basics***

- Are familiar with ‘foundational technical analysis’?
- Multi-Time Frame Support & Resistance
- Including Conventional Flat S&R,
- Sloping Trend lines,
- Technical MA’s & ‘Specials’



## ***Support & Resistance Ratings***

Conventional Flat Support & Resistance is the most common and easily identifiable S&R. Their degree of strength is what's important after identifying their levels.

Rating S&R strength is not difficult, but can be time consuming and relying on an outside service for this maybe helpful.



# ***TLL Top Down Trade Preparations***

- *The Likos Letter* ‘Top Down’ Trade Analysis is the Key to Consecutive Success
- Consists of a (2) Step Process
- Step #1 is After Market Analysis



## ***After Market Trade Preparation***

- End of Day Chart Preparation
- Use Intermediate (15') Intraday Chart and post the sessions High, Low & Settlement
- Major Key Levels recommended also



# After Market Trade Preparation End of Day Chart Setup





# ***Pre-Market Trade Preparation***

- Step #2 in *The Likos Letter* ‘Top Down’ Trade Analysis is;
- Pre-Market Analysis
- The Confirming/Verification Process



# ***Pre-Market Trade Preparation***

- Pre-Market Chart Preparation
- Complete Intermediate (15') Intraday Chart you started yesterday by posting the Pivot Series, Value Areas and Breakout/Breakdowns



# Pre-Market Trade Preparation Final Chart Setup

Example of "Levels" posted to the ES Futures 15' Chart





## ***Special Note - Key Levels***

I can't over emphasize the importance of utilizing the Key Technical Support & Resistance Levels in trading the Index Futures (or any other market). You can find them yourself or use a service like *The Likos Levels ALERT!* Finding & Evaluating Key S&R Levels is a skill that can be mastered... *in time*. Many traders that attempt to do on their own quickly master the easiest conventional flat S&R Levels, but miss many of the important other technicals and specials that are just as important for the complete *read* of the market. The Key Technical Levels are the daily Roadmap to the market, their proper use is critical to *high-probability trading* and the attainment of Maximum Performance, but the unproductive time a trader takes to root them out on a daily basis is best left up to one of the many service providers.



# ***Pre Market Trade Preparation***

- Pre-Market Foreign Markets Evaluation
- Pre-Market Summary Evaluation



# ***Pre Market Trade Preparation***

## ***Final***

- Pre-Market Futures Evaluation
- Pre-Market Bond Evaluation
- Pre-Market General & Sector Bias Evaluation
- Evaluate Opening Bias & Directional Play using *The Likos Letter* 'Pivot Play' Rule



# ***Top Down Trade Preparation*** ***Summary***

- ‘Top Down’ Futures Trading...a (2) Step Process:
- #1 After Market process & #2 Pre-Market Process  
(Both conducted to determine *bias* and *right-side* play)
- Intermediate Chart Preparation with Key Levels
- Final Directional Bias determination with  
Directional Trade Decision using *The Likos Letter*  
‘Pivot-Play’ Rule



# Floor Traders Tools

Floor Traders techniques (*on-the-floor* or *in-the-pit* techniques) differ from *off-the-floor* techniques. Floor traders don't have the luxury of multi-monitor computer systems with multiple software applications and real-time Internet access the way *off-the-floor* traders do.

Floor Traders rely, on a number of *mechanical* techniques they *bring to the pit* with them which identify '*off-the-board*'.

The best Floor Traders hit the pit in the morning knowing: **1<sup>st</sup>** which side of the market they will *initially* be trading and, **2<sup>nd</sup>** they'll have a list of numbers written on a small card. Those 'floor numbers' of:

**Floor Traders Pivot Series, Value Area**, a small list of proprietary

**Key Levels** , and a place for the **Opening Range** numbers.



# ***Floor Traders Tools***

## ***The Floor Traders Pivot Series***

The Floor Traders Pivot Series represent the heart of *intraday* Support & Resistance play.

They should be played *in combination* with other market variables I will introduce in the Off-the-Floor Traders Tools in the next section.



# Floor Traders Tools

## The Value Area & 80% Rule

- Value Area *defined* - is where 70% of the session's *play* took place. That is, the *heart* of where active 2-sided trades took place.
- Therefore the **Value Area** is where trade has previously been *in-balance*. This fact is important. We plot the **Value Area Range** (in bold) directly on our *primary futures index charts* to denote where these important *intraday Key Levels* are located. (ES, NQ & YM)
- **The 80% Rule States**, Using a 30' chart, **IF** the market opens (or closes out of) the Value Area and then *gets* back into the Value Area for 2 *consecutive* bars the **80% rule states** there is a *high-probability* that the market will continue to *fill* the Value Area Range.
- **Like any other guideline we don't blindly follow the mechanics of the Rule.**

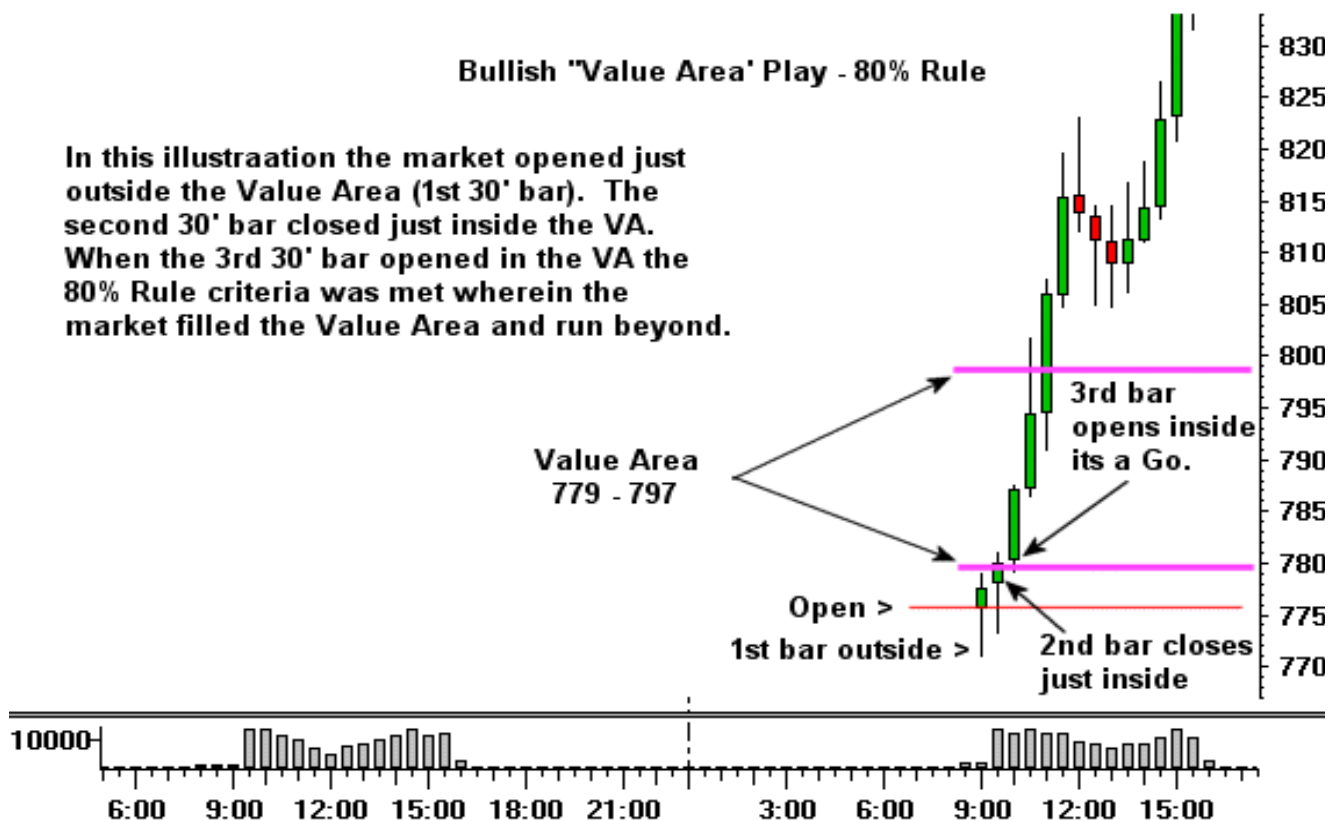


# Floor Traders Tools The Bullish 80% Rule

Intraday 30' Chart ES S&P Mini

Bullish "Value Area" Play - 80% Rule

In this illustration the market opened just outside the Value Area (1st 30' bar). The second 30' bar closed just inside the VA. When the 3rd 30' bar opened in the VA the 80% Rule criteria was met wherein the market filled the Value Area and run beyond.

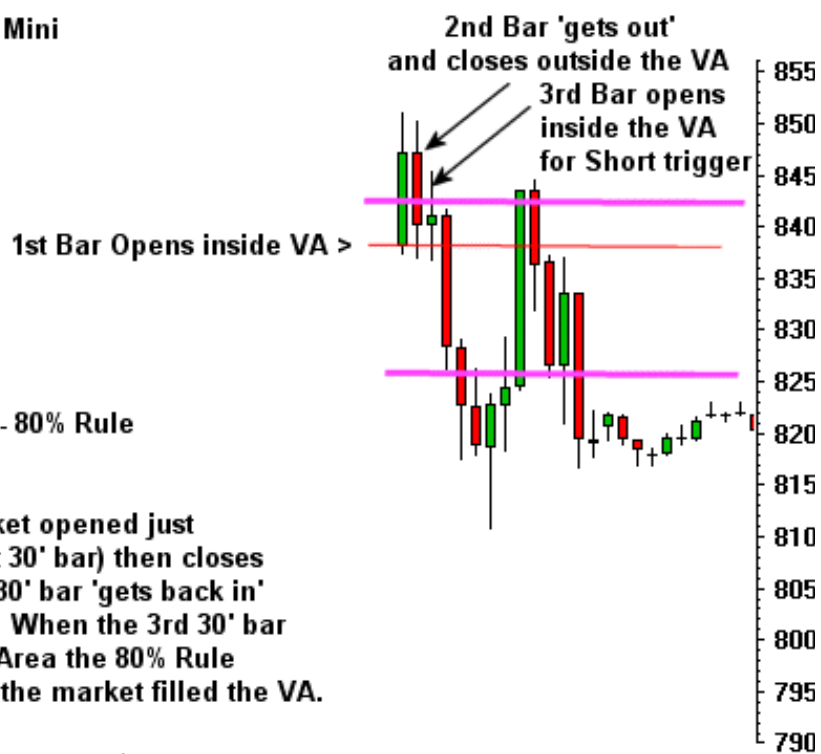




# Floor Traders Tools

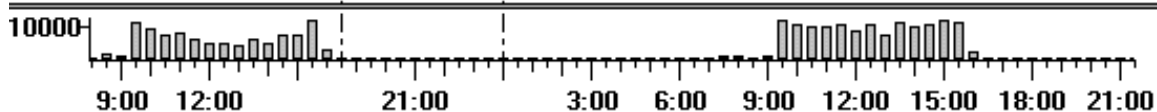
## The Bearish 80% Rule

Intraday 30' Chart ES S&P Mini



Bearish 'Value Area' Play - 80% Rule

In this illustration the market opened just inside the Value Area (1st 30' bar) then closes outside the VA. The 2nd 30' bar 'gets back in' and closes inside the VA. When the 3rd 30' bar opened inside the Value Area the 80% Rule criteria was met wherein the market filled the VA.





# ***Floor Traders Tools*** ***80% Rule Summary***

- The 80% Rule is a very powerful tool not only for Index Futures Traders to Play, but to help **ALL** traders better judge the near-term *directional probabilities* of the broad market.

For instance, lets say you just *targeted* an **upside play** in a market with an **upside bias**, either Futures (or Equities) that had met all *The Likos Letter* 'TOP-Down' Analysis and you had evaluated it as a *high-probability* trade. Would you not feel a little more confident if the **80% Rule** had been triggered **long** in the broad market futures? Of course you would, and that information alone may have an implication on the size of your play and exit strategy!



# **Floor Traders Tools**

## **80% Rule Summary**

What if you *targeted* a **downside play** with a **neutral market bias** that didn't quite have all the secondary support you'd like it to have to qualify for the fullest consensus play, but the play just edged inside the *high-probability* trade criteria. You then noted the **80% Rule** triggering **long** in the broad market. That information alone would keep you out of a potential losing position.

The implications in this powerful directional setup are incredible. I highly suggest you plot the Value Area on both your 15' and 30' Charts and monitor frequently throughout the day.



# **Floor Traders Tools**

## **Opening Range**

- **The Opening Range** - is the *range of play* that cures the accumulated pre-market orders before the regular day-session can start.
- We now use the range of the initial 2-minute bar as a *good-approximation* of the *opening range* for our trading purposes.



## ***Floor Traders Tools*** ***Opening Range Play***

- We have a chance at this high probability trade when the market *opens outside the value area*.
- The play works best when the open isn't *too far* outside the value and when the value area *isn't too wide*.

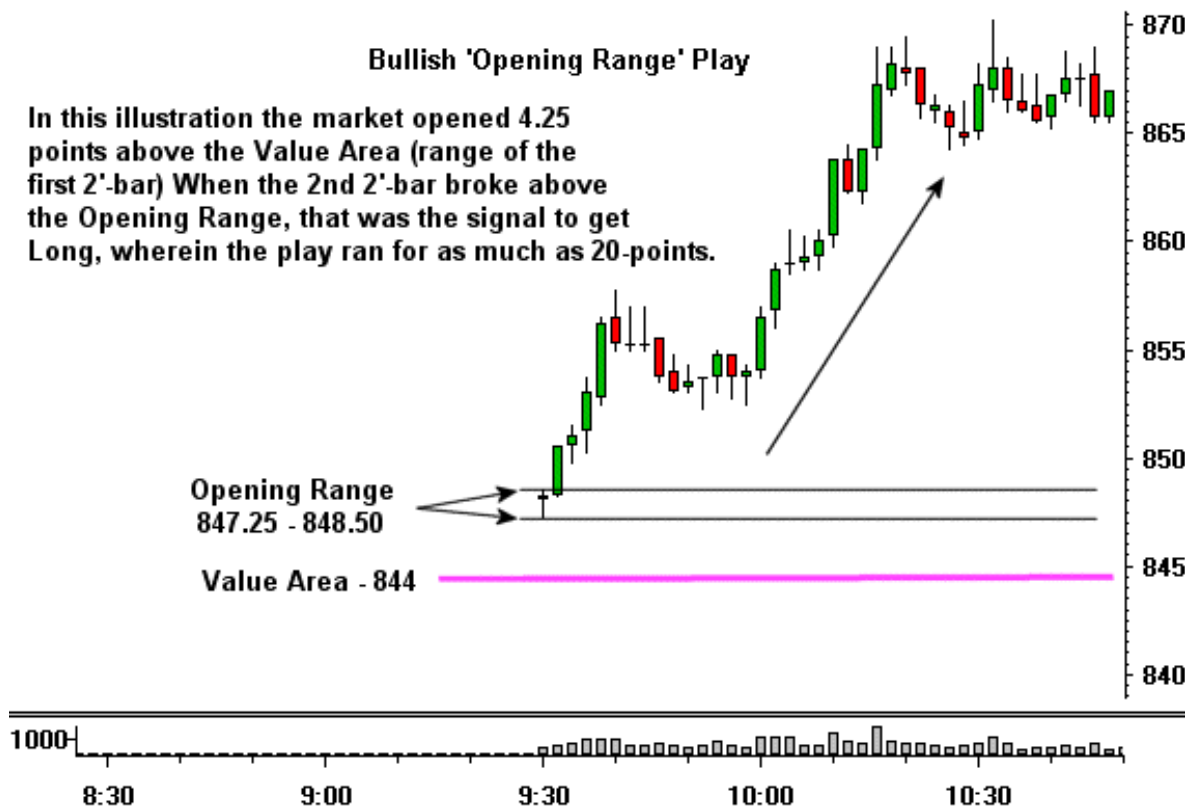


# Floor Traders Tools The Bullish Opening Range Play

Intraday 2' Chart ESP2 S&P Mini

## Bullish 'Opening Range' Play

In this illustration the market opened 4.25 points above the Value Area (range of the first 2'-bar) When the 2nd 2'-bar broke above the Opening Range, that was the signal to get Long, wherein the play ran for as much as 20-points.



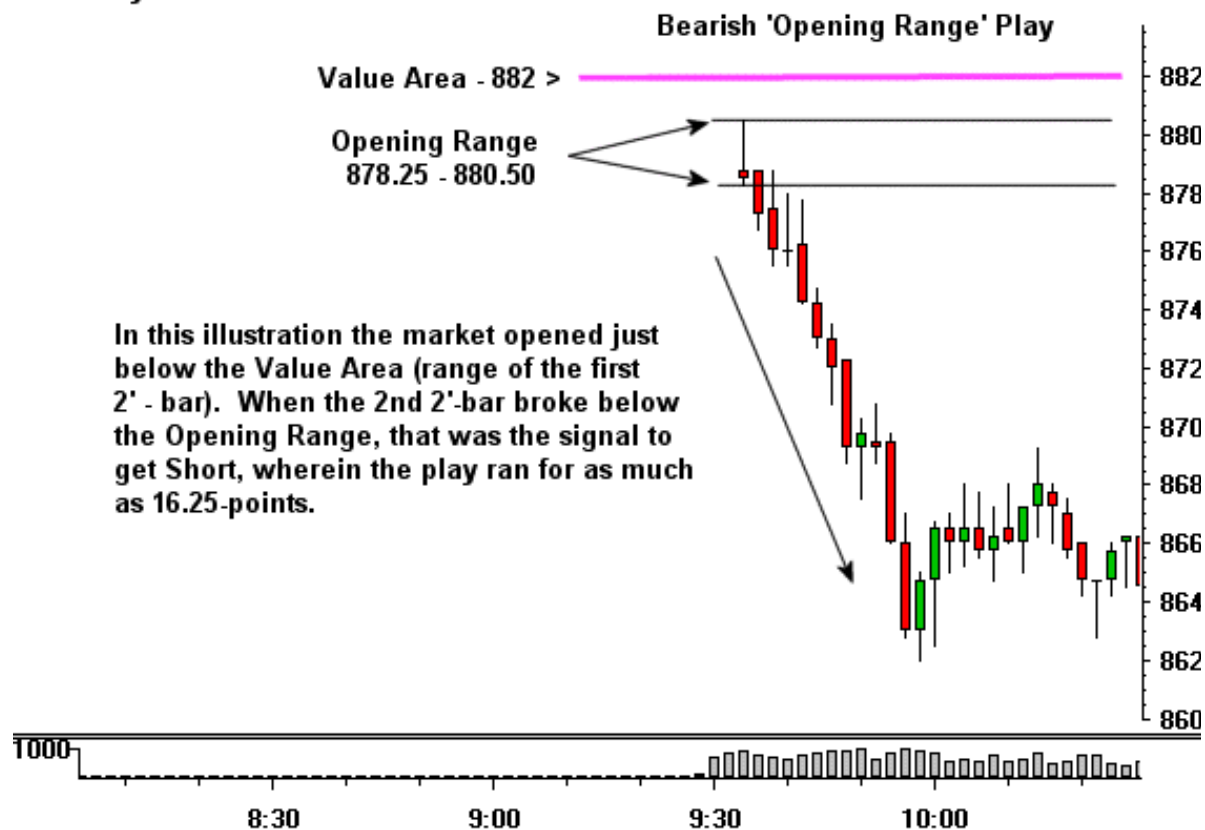


# Floor Traders Tools

## The Bearish

### Opening Range Play

Intraday 2' Chart ESP2 S&P Mini





# *Floor Traders Tools*

## *Opening Range Play Summary*

- Opening Range Plays are *aggressive* Early Session momentum plays.
- Therefore maintain tight Stops



## ***Off-the-Floor Traders Tools***

- ***Off-the-Floor*** traders have the luxury of having multi-monitor hardware setups where they can monitor *real-time* changes in the *technical tools* chartists subscribe to.
- **Individual Tools; Price Patterns, S&R, MA's, Oscillators, TICK & TRIN, Cash Indices, 'Generals', Sentiments, etc.**



## ***Off-the-Floor Traders Tools***

- Price Pattern is the Start
- Combinations of ‘Secondary Support’ (consensus) qualifies the potential play as in the HPC.



# **Off-the-Floor Traders Tools**

## **Price Patterns**

- Price Patterns are normally our First Alert to a potential trade opportunity.
- Novice traders work off Patterns alone
- Astute traders trade off Pattern *setup* at
- Key Levels with strong *secondary support*  
(i. e.: directional indicators & market internals)
- That's what keep us in the 'HPC' !



# *Off-the-Floor Traders Tools*

## *Key Levels*

- Key Levels are those identifiable areas of Support and Resistance
- Ideally **Long** setups at strong Support with
- **Short** setups at strong Resistance



# **Off-the-Floor Traders Tools**

## **Secondary Support**

### **(Consensus)**

- After targeting a potential trade with a Pattern at a Key Level:
- We need to evaluate setup to see if it is in the HPC (meets our *high-probability* standard)
- We do this through a combination of TA, Floor Traders Tools & ‘Market Internals’



# *Off-the-Floor Traders Tools*

## *Market Internals*

- Market Internals are Key to TLL ‘Top Down’ approach to Maximum Performance in Futures  
Primary:
  - ‘Generals’,
  - Market Moving Sectors,
  - Cash Indices, & Tick/Trin
- Secondary:
  - Bonds, Notes, \$ & Sentiments



# ***The Likos 'Top Down' Trade Summary***

- 1. Preparation: After & Before Market
- 2. Intermediate Chart Preparation
- 3. Find Potential Chart Pattern for Play
- 4. Qualify Trade Setup
- 5. Use Secondary Support & Market Internals
- 6. Execute Decisively



## ***Notes: Trade / Capital Management***

- Index Futures are Highly Leveraged, so maintain *absolute* Stop criteria/discipline
- Trade your technicals NOT your emotions
- Move your Stop after initial profit booked
- Entry is 98% of Trade,
- Get out if you get slipped badly
- NEVER take a loser home



## *Putting it ALL Together*

- Beginners get a ‘Simulator’
- Find a Mentor (Consider **FireTraders**)
- Prepare and Evaluate All trades Daily