

PINETRADER

The Official Handbook

Technical Analysis · Trading Strategies · PineTrader Dashboard
Version 2.0 · 2026 · Dashboard v6.19

For Beginners and Experienced Traders

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Part I: Introduction to Trading

1.1 What Is Trading?

Trading is the buying and selling of financial instruments — stocks, ETFs, commodities, cryptocurrencies or currencies — with the goal of profiting from price movements. Unlike classical investing, which targets long-term wealth accumulation, traders use shorter time windows ranging from a few minutes to several weeks.

Trading is not gambling — it is a craft that can be learned. Anyone who understands the fundamentals of technical analysis, applies risk management consistently, and follows a clear process can trade profitably over the long term.

Info
Trading vs. Investing at a glance:
Investing: Long-term (years/decades), buy & hold, fundamentally driven
Trading: Short- to medium-term (days to weeks), active buying/selling, technically driven
Swing Trading: Weeks to months — ideal for working professionals

1.2 The Main Markets at a Glance

Market	Key Characteristics
Stocks (individual equities)	High liquidity, fundamental drivers, dividends, earnings
Stock ETFs	Diversification, low cost, ideal for beginners
Cryptocurrencies	24/7 trading, extreme volatility, high risk/reward ratio
Forex	Largest market in the world, leverage products, tight spreads
Commodities	Gold, oil, silver — hedging, seasonal patterns
Futures & Options	Leverage, hedging, complex — for advanced traders

1.3 Timeframes

Every trading decision should be made in the context of the right timeframe. The PineTrader is optimised for daily charts — the professional standard for swing trading.

Timeframe	Holding Period	Best Suited For
1-Min / 5-Min	Seconds to minutes	Scalpers, full-time traders

Timeframe	Holding Period	Best Suited For
15-Min / 1-Hour	Hours	Day traders, active traders
4-Hour	Days	Short-term swing traders
Daily (D1) [RECOMMENDED]	Days to weeks	Swing traders, working professionals
Weekly (W1)	Weeks to months	Position traders, investors
Monthly (M1)	Months to years	Long-term investors

1.4 Realistic Expectations

Risk Warning

Important Warning: Most retail traders lose money. Studies show that approximately 70-80% of active traders experience losses over the long term.

Root causes: No risk management, emotional decisions, oversized positions, no strategy.

This handbook shows the professional approach to joining the profitable 20%.

Realistic annual returns for professional traders:

Level	Realistic Annual Return
Beginner (Year 1-2)	0 - 15% (learning phase, capital preservation is key)
Intermediate (Year 2-4)	15 - 40% (consistent strategy)
Professional trader	30 - 80% (with risk management)
Top traders (exceptions)	80%+ (rare, high drawdowns)

Part II: Technical Analysis — The Foundation

2.1 What Is Technical Analysis?

Technical analysis (TA) is the art of forecasting future price movements using historical price and volume data. It rests on three core principles:

1. Price discounts everything — all available information (news, fundamentals, emotions) is already reflected in the current price.
2. Prices move in trends — uptrends, downtrends and sideways phases repeat themselves.
3. History repeats itself — human psychology is constant, so patterns recur.

2.2 Reading Candlestick Charts

Each candle represents one period (e.g. one day) and displays four key data points: open, high, low and close price.

Candle Type	Meaning
Green / White candle (bullish)	Close > Open — buyers were in control
Red / Black candle (bearish)	Close < Open — sellers were in control
Long body	Strong move, clear direction
Small body (spinning top)	Indecision, balance of power
Doji (open = close)	Strong indecision, possible reversal
Long lower wick	Sellers were pushed back — bullish
Long upper wick	Buyers were pushed back — bearish

2.2.1 Key Candlestick Patterns

Pattern	Signal & Context
Hammer	Long lower wick at a low — bullish reversal after downtrend
Shooting Star	Long upper wick at a high — bearish reversal after uptrend
Bullish Engulfing	Large green candle engulfs previous red — strong buy signal
Bearish Engulfing	Large red candle engulfs previous green — strong sell signal
Morning Star (3 candles)	Red + Doji + large green — bottom reversal

Pattern	Signal & Context
Evening Star (3 candles)	Green + Doji + large red — top reversal
Dragonfly Doji	Only lower wick — strong bullish reversal signal
Gravestone Doji	Only upper wick — strong bearish reversal signal

Tip

Pro Tip: Single candlestick patterns carry more weight when volume is above average and the preceding trend is clear. A reversal candle at the 52-week low with high volume is a powerful signal.

2.3 Trend and Trendlines

A trend is the overarching directional movement of a market. Identifying the correct trend is the most important task for any trader.

2.3.1 Trend Structure (Dow Theory)

Trend Type	Definition
Uptrend	Series of Higher Highs (HH) and Higher Lows (HL)
Downtrend	Series of Lower Highs (LH) and Lower Lows (LL)
Sideways trend	Price moves within a range without clear direction

2.3.2 Moving Averages

Moving averages smooth the price curve and help identify the overarching trend. The PineTrader uses three decisive MAs:

Moving Average	Role in PineTrader
SMA 200 (orange)	Trend filter — price above: Bull Market; below: Bear Market
SMA 50 (blue)	Medium-term trend, frequently acts as support/resistance
EMA 21 (teal)	Short-term trend, reacts quickly to new prices

The golden trend structure (EMA Stack Bull): $EMA\ 21 > SMA\ 50 > SMA\ 200$ — all three stacked in this order — signals the strongest bullish context.

Important

Important: NEVER buy against the overarching trend. When the price is below the SMA 200, buy signals carry significantly higher risk. The PineTrader automatically issues warning signals in this scenario.

2.4 Support and Resistance

Support and resistance zones are price areas where buyers (support) or sellers (resistance) have historically taken control. They arise from psychology — many traders react to the same price levels.

2.4.1 Types of Support and Resistance

- Horizontal levels: Previous highs and lows, round numbers (e.g. 100, 500, 1,000)
- Moving averages: SMA 200, SMA 50, EMA 21 — dynamic support/resistance
- Pivot points: Weekly highs and lows, calculated as $(H+L+C)/3$
- Fibonacci levels: 38.2%, 50%, 61.8% retracements
- Trendlines: Lines connecting successive lows or highs

Tip

Support often becomes resistance after a break, and vice versa. This 'polarity switch' principle is one of the most reliable concepts in technical analysis.

2.5 Volume — The Most Important Confirming Signal

Volume shows how many units were traded in a period. It is the only indicator that provides direct insight into actual market participant activity.

Volume Signal	Meaning
Price rises + volume rises	Strong trend — institutional buyers active
Price rises + volume falls	Weak move — warning sign, possible reversal
Price falls + high volume	Possible bottom formation (climax selling)
Price falls + low volume	Healthy correction within an uptrend
Dry-Up (extremely low volume)	Seller exhaustion — possible bottom
Climax volume (>2x average)	Important turning point — accumulation or distribution

2.5.1 On-Balance Volume (OBV)

OBV is a cumulative volume indicator: on up days volume is added, on down days it is subtracted. A rising OBV while price falls reveals hidden institutional buying (bullish divergence) — one of the strongest early warning signals available.

2.6 Technical Indicators in Detail

2.6.1 RSI — Relative Strength Index

The RSI measures the speed and magnitude of price movements on a scale of 0 to 100. Developed by J. Welles Wilder, it is one of the most widely used indicators in the world.

RSI Value	Interpretation
< 30	Oversold — possible buying opportunity (never a standalone signal!)
30 - 45	Weak, bearish territory
45 - 55	Neutral / transition zone
55 - 70	Strong, bullish territory — ideal buy zone within an uptrend
> 70	Overbought — caution, potential correction ahead

RSI Divergences

Divergences between the RSI and price are the most valuable signals this indicator produces:

- Bullish divergence: Price makes a new low, RSI makes a higher low → Buy signal
- Bearish divergence: Price makes a new high, RSI makes a lower high → Sell signal
- Hidden bullish divergence: Price makes a higher low, RSI makes a lower low → Trend continuation signal

Tip

The PineTrader detects RSI divergences automatically and labels them 'Bull Div' or 'Bear Div'. Combined RSI+MACD divergences are the most reliable signals in the entire system.

2.6.2 MACD — Moving Average Convergence Divergence

The MACD consists of three components and reveals trend direction, momentum and potential reversal points:

- MACD line: Difference between the 12-EMA and 26-EMA
- Signal line: 9-EMA of the MACD line
- Histogram: Difference between MACD and signal — shows acceleration

MACD Signal	Interpretation
MACD crosses signal from below	Bullish buy signal

MACD Signal	Interpretation
MACD crosses signal from above	Bearish sell signal
Histogram above zero and rising	Bullish momentum accelerating
Histogram falling despite uptrend	Momentum waning — caution
MACD divergence (like RSI)	Very strong reversal signal

2.6.3 ADX — Average Directional Index

The ADX measures trend strength — not direction. It is indispensable for distinguishing genuine trends from random price noise.

ADX Value	Meaning
< 15	No trend — trading in this phase is very risky
15 - 20	Weak trend, caution advised
20 - 25	Moderate trend — trading possible
25 - 40	Strong trend — ideal trend-following phase
> 40	Very strong trend — often near exhaustion

2.6.4 Stochastic RSI, CCI and Williams %R

These three oscillators measure oversold/overbought conditions and complement the RSI:

Indicator	Key Feature
Stochastic RSI (StochRSI)	More sensitive than RSI; bull cross below 25 = strong buy signal
CCI (Commodity Channel Index)	Excellent for extreme recognition; CCI < -100 = oversold
Williams %R	Fast; well-suited for short-term reversal points

Info

The PineTrader uses the MAX value of StochRSI, CCI and WPR — not a simple sum. This scores only the strongest single signal, avoiding false amplification from overlapping indicators.

2.6.5 Bollinger Bands

Bollinger Bands consist of a middle SMA 20 and two bands at two standard deviations. They reveal volatility and potential price extremes:

- Wide bands: High volatility — breakouts possible

- Narrow bands (squeeze): Low volatility — an explosive move is building
- Price touches lower band: Potentially oversold
- Price touches upper band: Potentially overbought (normal behaviour in a strong trend)

2.6.6 VIX — Volatility Index

The VIX (CBOE Volatility Index) measures expected S&P 500 volatility over the next 30 days. It is often called the 'Fear Index':

VIX Level	Market Sentiment
< 15	Low fear, complacency — caution
15 - 20	Normal level
20 - 30	Elevated uncertainty
30 - 40	High fear — anti-cyclical buying opportunities possible
> 40	Extreme panic — historically the best buying periods

Part III: Chart Patterns and Formations

3.1 Trend Continuation Patterns

These patterns form as pauses within an existing trend and signal its continuation:

3.1.1 Bull Flag and Bear Flag

A flag formation consists of a steep impulse segment (flagpole) followed by a mild counter-move in a tight channel (flag). The breakout from the flag should be accompanied by elevated volume.

- Bull flag: In an uptrend, strong advance + brief downward consolidation
- Bear flag: In a downtrend, strong decline + brief upward consolidation
- Price target: Flagpole length projected from the breakout point

3.1.2 Triangle Formations

Triangle Type	Meaning
Ascending triangle	Flat upper boundary + rising lows = bullish pattern
Descending triangle	Falling highs + flat lower boundary = bearish pattern
Symmetrical triangle	Converging lines = breakout possible in either direction

3.1.3 Cup and Handle

One of the most reliable bullish formations, popularised by William O'Neil:

- Cup: U-shaped base formation over several weeks/months
- Handle: Brief consolidation in the right portion of the cup (max. 50% of the cup depth)
- Breakout: Above the cup rim resistance with elevated volume

3.2 Reversal Patterns

3.2.1 Head and Shoulders

The classic reversal formation — marks the end of an uptrend:

- Left shoulder: First high followed by a pullback
- Head: Higher high followed by a pullback to the neckline
- Right shoulder: Lower high (similar to the left shoulder)
- Breakout: Break of the neckline on volume — strong sell signal

- Inverse H&S: Mirror image = bullish bottom reversal

3.2.2 Double Top and Double Bottom

Formation	Recognition & Signal
Double Top (M-Top)	Two similar highs with a low in between; break of the midline = Sell
Double Bottom (W-Bottom)	Two similar lows with a high in between; break of the midline = Buy

3.2.3 Wedge Formations

Wedge Type	Meaning
Falling Wedge	Converging lines sloping downward = BULLISH (reversal or continuation)
Rising Wedge	Converging lines sloping upward = BEARISH (warning signal)

3.3 Fibonacci Analysis

Fibonacci numbers appear in nature and in markets. Traders use Fibonacci retracements to identify potential reversal and support zones following a trend impulse move.

3.3.1 The Key Fibonacci Levels

Fibonacci Level	Meaning
23.6%	Shallow correction — trend very strong
38.2%	Moderate correction — first support zone
50.0%	Psychologically important — midpoint correction
61.8% (Golden Ratio)	The most important zone — most frequent reversal point
Golden Pocket (50-61.8%)	Combination zone — highest reversal probability
78.6%	Deep correction — still within the trend

Tip

The PineTrader automatically displays the Golden Pocket zone (50-61.8%) as a green box on the chart. This zone is statistically the most likely reversal point after an impulse move.

Part IV: Elliott Wave Theory

4.1 Core Principles

The Elliott Wave Theory, developed by Ralph Nelson Elliott in the 1930s, describes how markets move in predictable wave patterns — driven by the collective psychology of market participants.

4.1.1 The 5-3 Wave Model

A complete market cycle consists of eight waves:

- Impulse waves (1-5): Five waves in the direction of the trend
 - Wave 1: First advance — often unnoticed
 - Wave 2: Correction (max. 100% of Wave 1)
 - Wave 3: The strongest and longest wave — must never be the shortest
 - Wave 4: Correction (must not enter the price territory of Wave 1)
 - Wave 5: Final advance — often with declining momentum
- Corrective waves (A-B-C): Three waves against the trend
 - Wave A: First decline after the impulse
 - Wave B: Brief recovery (retracement)
 - Wave C: Final decline — often reaching the Golden Pocket

Wave	Ideal Trading Strategy
Wave 1	Early entry — risky, for experienced traders only
Wave 2 (correction)	Ideal entry point — use the Golden Pocket
Wave 3	Best risk/reward — strongest and most predictable
Wave 4 (correction)	Entry for Wave 5 — Fibonacci 23.6% to 38.2%
Wave 5	Last entry — caution, RSI divergence often visible
Waves A/B/C (correction)	Short opportunity or wait for completion

4.2 Elliott Wave in the PineTrader

The PineTrader automatically identifies the current wave phase and displays:

- Current wave number (1-5, A-B-C)
- Confidence percentage (0-100%) — below 40% = uncertain count
- Golden Pocket zone for the ideal entry

- Price targets for the next wave (e.g. W3 at 1.618x the Wave 1 length)

Info

Confidence Decay: The PineTrader 'forgets' a wave position when no confirming pivot appears for an extended period. This prevents stale wave counts from remaining active.

Part V: Smart Money Concepts (SMC)

5.1 What Are Smart Money Concepts?

Smart Money Concepts is a modern approach to technical analysis that studies the behaviour of institutional market participants — banks, hedge funds and market makers. The goal: understand where 'big money' buys and sells, and trade alongside them — not against them.

5.2 Fair Value Gaps (FVG)

A Fair Value Gap forms when an explosive price move leaves a 'gap' in order flow — a price area crossed so rapidly that almost no orders were executed. These zones act as magnets; price frequently returns to fill them.

FVG Type	Formation & Signal
Bullish FVG (green)	Low[1] > High[2] — gap to the upside — potential buy zone
Bearish FVG (red)	High[1] < Low[2] — gap to the downside — potential sell zone

5.3 Order Blocks (OB)

Order blocks are price zones where institutional traders have built large positions. They appear as the last bullish or bearish candle before a strong impulse:

- Bullish order block: Last bearish candle before a strong upward impulse — becomes a support zone
- Bearish order block: Last bullish candle before a strong downward impulse — becomes a resistance zone

5.4 Liquidity Sweeps

'Liquidity' refers to clusters of stop-loss orders and pending limit orders. Market makers and large institutions use this liquidity to fill their own large positions. A liquidity sweep (also called a stop hunt or liquidity grab) is a brief price move beyond a significant level that clears the orders waiting there before price reverses in the true direction.

- Bull sweep: Brief break below a low, then fast recovery — bullish signal
- Bear sweep: Brief break above a high, then fast reversal — bearish signal

Tip

Combination setup: FVG + Order Block + Liquidity Sweep in the same zone = very high reversal

probability. The PineTrader recognises and counts these confluence points automatically.

5.5 Premium and Discount Zones

The premium/discount concept divides the price range between the last swing high and swing low into three areas:

Zone	Meaning & Strategy
Premium Zone (>75% of range)	Price is 'expensive' — sell or go short here
Equilibrium (50%)	Fair value — neutral
Discount Zone (<25% of range)	Price is 'cheap' — buy here

Part VI: The Strategies — and What the Measurements Showed

6.1 Why this chapter is different

Parts I through V describe generally accepted craft: candles, trends, indicators, waves, smart money concepts. This chapter is of a different kind. Every one of the six entry strategies in the indicator was measured against historical data, and the results changed the tool — two strategies no longer produce a buy signal at all.

The tests cover 827 instruments; after removing crypto, commodities and bond yields, 761 stocks remain. On weekly data the history reaches back about eight and a half years and includes the 2020 crash and the 2022 bear market. Everything was then repeated on a second, independent universe of 453 US mid-caps and European stocks.

The question that matters

Not “did the stock rise?” — in a rising market almost everything rises. The question is whether the signal picked a better moment than chance. Every signal is therefore compared against a control group made up of every single bar of the same instrument. A blind purchase returned roughly 2.7 percent over twelve weeks. That is the bar to clear. Sampling is non-overlapping: a class is only counted again once the full measurement horizon has passed. Without that rule neighbouring measurements would overlap by more than ninety percent and make any conclusion worthless.

6.2 Anti-Cyclic — the strategy with evidence

Anti-Cyclic buys deeply oversold instruments after a broken trend: RSI below 30, no uptrend, normal volatility, a close in the upper half of the bar. It is the only strategy that beat a random entry in the same instrument in every single run.

- Weekly data, twelve-week hold: around 5.0 percent against 2.7 percent for the control group
- Practically identical on the second universe — the finding does not depend on one watchlist
- About 70 percent of trades end in profit
- Roughly 124 signals per year across 761 stocks — the strategy is selective

The most important caveat

About thirty percent of all anti-cyclic signals fell in the year 2020 and returned 32 to 38 percent there. Excluding that single year leaves an edge of roughly 2.2 percentage points over twelve weeks. Both numbers are true and both belong in the picture: at its core this is a panic buyer. Its large edge appears when an entire market sells off and then recovers. In calm phases the edge is small but real.

A second tier for more candidates

Since v6.17 a second tier covers RSI between 30 and 38. Excluding 2020 it delivers 1.8 percentage points of edge against 2.2 for the tighter version — while producing four times as many signals. Because the edge per trade is smaller, the dashboard suggests half the position size there.

6.3 Dip Buy — daily charts only

Dip Buy buys the pullback inside an intact uptrend. The decisive question was which moving average the pullback has to reach. Measured, the SMA50 beat the EMA21 in five out of five runs — the shallower pullback to the EMA21 happens constantly and separates nothing.

- Slightly better than a random entry on daily and intraday data
- Consistently negative on weekly and monthly data
- The dashboard therefore blocks the buy signal on those timeframes automatically

6.4 Breakout and TrendFollow — visible but not tradable

Both strategies were measured across several horizons and in several versions. Breakout trailed a random entry in the same instrument by 5.2 percentage points after 60 bars, with only a quarter of stocks positive. Two attempted repairs — waiting for the retest and requiring a tight base — performed worse than the original.

TrendFollow was tested in three versions. Removing its restrictive filters produced five to seven times as many signals and the result stayed negative, so the problem was the strategy rather than the filters. A later measurement using the versions found in the literature — twelve-month momentum, 52-week highs, the Faber crossover — confirmed the picture: no trend-following entry buys at better moments than chance.

Both strategies remain visible in the dashboard. A breakout in progress is useful context for judging an instrument. It simply should not be bought, which is why the grade band reads WATCH rather than BUY.

What trend following actually does

One finding was positive: holding momentum stocks and selling on a close below the SMA200 halves the deepest point of each trade from about 15 to 7 percent while keeping 87 percent of the return. Trend following does not improve the entry; it limits the damage. For that purpose the position type in the dashboard can be set to “Trend (SMA200 exit)”.

6.5 SMC Reversal and Mean Reversion — not assessable

Both produced only 29 to 55 signals across two years. That is too few for a verdict — and explicitly not a verdict against them. A deliberately loosened SMC version generated 2,273 signals and lost the edge entirely, which suggests the strict filters are the active ingredient. A funnel analysis confirmed it: the broad intermediate stages, with 1,500 to 2,900 signals, are negative.

Both stay on watch. When a signal does appear it is rare and well filtered — defensible as a small addition, but without a data foundation.

6.6 The ratings — quality, not return

The ladder runs from A++ to C. It measures setup quality and risk, not expected return. Across seven runs higher grades did not produce higher forward returns; on some horizons B+ outperformed A++.

Excluding the year 2020 a more nuanced picture appears: A+ and A++ sit about 0.9 percentage points above a random entry while the middle grades sit slightly below. Within every grade, purchases inside the golden pocket did better than those outside it — for A+ and A++ by 1.55 against 0.84 percentage points. That is why the zone remains a requirement for those two grades even though, averaged across all grades, it adds nothing. In practice: the rating filters, protects and sizes. The strategies decide the moment.

6.7 Exits — holding beats almost everything

Exits were simulated separately: each position was carried bar by bar until its rule triggered. Four exit rules against nine entry classes over four horizons, roughly 24,000 simulated trades.

- Holding to the end of the horizon won 22 of 24 measurable comparisons
- A trailing stop from 1.5 R was worse than a plain stop in four out of four runs
- An exit below the SMA50 closed an anti-cyclic position after one bar on average
- A three percent target lifted the hit rate to 94 percent and still left only a seventh of the return
- Only for anti-cyclic on daily data is a 2 ATR stop worthwhile — same return per bar with capital freed sooner

The reason is structural: an anti-cyclic entry happens in weakness by definition. A rule that sells on weakness therefore closes the position almost immediately. This is why the dashboard's exit engine defaults to "Stop & targets only".

Part VII: Risk Management — The Key to Long-Term Success

7.1 Why Risk Management Matters More Than Strategy

The best strategy in the world can ruin a trader who ignores risk management. Conversely, a trader with a mediocre strategy can be consistently profitable with disciplined risk management applied every single trade.

Info

The 1% Rule: Never risk more than 1-2% of your total capital on a single trade. On a GBP/EUR 10,000 account that means a maximum loss per trade of GBP/EUR 100-200.

7.2 Stop-Loss — Your Safety Net

A stop-loss is a pre-defined price level at which the position is automatically closed if breached. It is NOT optional.

7.2.1 Stop-Loss Placement

Stop-Loss Method	Application
Below swing low	Classic — below the last low (+ ATR buffer)
ATR-based	Stop = Entry - (ATR x Factor), e.g. 2x ATR
Below moving average	Stop below SMA 50 or EMA 21
Below order block	Stop below the bullish order block

Stop-Loss Method	Application
Closing stop	Stop only triggers if the daily close is below the level

Important

The PineTrader automatically displays the optimal stop-loss based on the swing low plus an ATR buffer. The 'SL Quality' check warns when the stop is too tight (spike risk) or sits on a round number (common stop-hunt zone).

7.3 Position Sizing — Getting the Size Right

Position sizing determines how many shares/units you buy — based on your risk amount and the distance to the stop-loss.

7.3.1 The Formula

Position size (units) = Risk capital per trade / (Entry price – Stop-loss price)

Example: Account EUR 10,000, risk 1% = EUR 100. Stock at EUR 50, stop-loss at EUR 47 (distance EUR 3). Position size = $100 / 3 = 33$ shares.

7.3.2 Half Kelly Criterion

The PineTrader uses the half Kelly criterion for optimal position sizing:

- Kelly formula: $f^* = (p \cdot b - (1-p)) / b$
- p = historical win rate (%), b = average win/loss ratio
- Half Kelly: Safety buffer against overestimating your own parameters

7.4 Risk/Reward Ratio (R/R)

The R/R ratio describes the relationship between potential profit and potential loss. Professional traders target a minimum of 1:2 — ideally 1:3 or better.

R/R Ratio	Meaning (at 50% win rate)
1:1	Not profitable after costs
1:2	Profitable — at 50% win rate generates 50% overall return
1:3	Very good — still profitable at 40% win rate
1:5 or better	Excellent — profitable even at 25% win rate

7.5 Portfolio Risk Management

Not only the individual trade must be controlled — total portfolio risk is decisive:

- Maximum total risk: Never more than 6% of the account in open positions
- Mind correlations: Multiple tech stocks is not true diversification
- Position limit: Maximum 10-15 open positions simultaneously
- Sector limit: Maximum 30-40% of portfolio in a single sector

7.6 Take Profit — Locking In Gains

The PineTrader uses three take-profit levels for professional position management:

Take-Profit Level	Action
TP1 (1x risk)	Close 50% of position — move stop to break-even
TP2 (2x risk)	Close a further 25-30% — trail the stop
TP3 (3x risk)	Hold the remainder — let it run as far as possible

Part VIII: The PineTrader Dashboard — Complete Guide

8.1 Setup in five minutes

Once the indicator is on the chart every engine runs with sensible defaults. Three things are still worth setting:

- Account size and risk per trade under “Quick Start” — the suggested share count depends on them
- Holding horizon to match how long you intend to hold; it scales stop, targets and exit patience together
- The position slots under “My Position” as soon as you hold something

Recommended settings

Setting	Value	Reason
Holding horizon	Months	matches the measured holding period
Exit engine	Stop & targets only	soft exits closed positions after about one bar
Trailing stop	off	worse than a plain stop in four out of four runs
Anti max RSI	30	better than 38 in five out of five runs
Anti min score	0	the hurdle cost 60 percent of signals with no gain in return
Dip Buy pullback level	SMA50	better than EMA21 in five out of five runs
Breakout · TrendFollow	detect on, allow buy off	measured negative

8.2 Detecting and buying are two different things

Every strategy has two switches. “detect” controls whether a setup is recognised and displayed; “allow buy” controls whether it may trigger a buy signal. All six strategies are set to detect, two of them to buy. The grade band shows BUY or WATCH accordingly, followed by the strategy tag.

Tag	Strategy	Buy signal
AC	Anti-Cyclic	yes
AC2	Anti-Cyclic tier 2	yes, half position
DIP	Dip Buy	daily and intraday charts only
BO	Breakout	no
TF	TrendFollow	no
SR	SMC Reversal	no
MR	Mean Reversion	no

8.3 The grade band

The large cell on the left always shows the grade from A++ to C. Next to it stands the recommended action plus the strategy tag — for example “HOLD · TF” or “BUY · ANTI-CYCLIC”. Decisions are ranked EXIT before REDUCE before BUY before HOLD before WAIT, so two contradictory statements never appear at once.

When a buy is blocked

BUY BLOCKED means the protection layer intervened. It checks every entry for distribution, stretched volatility, risk score, extreme valuation and bearish probability, and states the reason in plain words. This matters: the measured edge of the strategies exists only in the trades that pass this filter. A blocked signal should be skipped, not overruled.

8.4 The rows of the table

The panel reads from top to bottom: first the decision, then the reasoning, then the detail.

Row	What it shows
Score	composite score from 28 components, plus its change
Action	the recommended action with a short reason
Next Move	estimated probability of up, sideways and down
Trend	direction from the moving-average stack, strength from ADX
Regime	market phase including the VIX reading
Volume	ratio to the 50-bar average, climax detection
Buy/Sell Pressure	accumulation and distribution days, net balance
Distribution	warning level for sustained institutional selling
Divergence	RSI and MACD divergences including their age
Momentum	state and turning point of the momentum indicators
Momentum 12-1	twelve-month return excluding the last month
RSI / ADX	raw values with interpretation
RS vs Market	relative strength against the matching benchmark
Chance · Risk	opportunity and risk points with a verdict
Market Structure	fair value gaps, order blocks, structure breaks
Entry Zone	position relative to the calculated entry zone
Position	P&L, stop, targets and share count of the entered position

8.5 Entering positions

There are three slots. Each has a ticker field and a row for entry price, stop and share count. The ticker is optional for a single position, but as soon as any ticker is filled in, all positions require one. That prevents a position from appearing on the wrong chart.

Each slot also has a “Type” field. “Hold by time” is the rule for anti-cyclic and dip entries: the position is held for the chosen horizon and exits on weakness do not apply. “Trend (SMA200 exit)” sells on a close below the SMA200 — the one trend-following rule that measured well. If an entered position does not appear, switch on “Setup hints for positions”. The row then states the reason in plain words: missing ticker, wrong symbol, or an entry price outside the plausible range.

8.6 Alerts

Ten alert conditions are available: grade changes, action changes, structure breaks, distribution warnings, a flip in buy/sell pressure, golden cross and death cross, anti-cyclic watch, and a warning ahead of the estimated earnings date. For weekly charts a single alert on the action, triggered at bar close, is enough. More alerts produce more noise, not more information.

8.7 The screener as a companion

The dashboard evaluates one instrument. To search a whole watchlist there is the PineTrader Screener, which outputs the same calculations as columns. The most useful filters:

Purpose	Filter
Buy candidates	Buy_Signal equals 1
Anti-Cyclic only	Strategy_Num equals 1, Dist_Score at most 5
All active setups	Strategy_Num at least 1
Quality list	Rating_Num at least 3, Dist_Score at most 3

The Buy_Source column reveals where a signal came from: 1 for anti-cyclic, 4 for dip buy, 9 for a rating of A or better, and minus 1 for a trigger the protection layer blocked.

Part IX: The Daily Trading Process

9.1 The Professional Trading Workflow

Professional trading is a process, not gambling. A clear, daily workflow prevents emotional decisions and ensures consistency.

9.1.1 Morning Routine (15-30 minutes)

4. Check market context: How did the leading index (DAX, S&P 500) close over the last few days?
5. Check VIX level: High fear (> 25) = cautious; low fear (< 15) = normal context
6. Apply PineTrader to watchlist: Which stocks show an A or A+ rating?
7. Review SMC zones: Is price near an FVG or order block?
8. Check prepared setups: Are watchlist candidates approaching an entry?

9.1.2 Trade Decision Checklist

Tip

Print this checklist and tick every box before entering a trade. No tick = no trade.

Checklist Item	Check
Overarching trend: Price above SMA 200?	
PineTrader rating: A or better?	
Score ≥ 15 points?	
MTF: At least one higher timeframe bullish?	
ADX ≥ 20 (trend present)?	
No extreme risk signal (Risk < 8)?	
Stop-loss defined and placed?	
Position size calculated (max. 1-2% risk)?	
Total portfolio risk below limit ($< 6\%$)?	
No major news/earnings in the next 24 hours?	

9.1.3 Position Management

An open trade needs daily but not excessive attention:

- Review the position once a day (after the market close)
- Trail the stop-loss once TP1 is reached
- Monitor the distribution score (> 4 = stay alert)
- Do not panic-sell on small pullbacks

9.2 Common Beginner Mistakes

Risk Warning

The 10 most common mistakes (and how to avoid them):

1. No stop-loss: Losses become 'investments'. Fix: Always set the stop BEFORE entry.
2. Oversized positions: One loss wipes out weeks of gains. Fix: Max. 1-2% risk.
3. Taking profits too early, letting losses run: The opposite of professional trading.
4. Too many simultaneous trades: Focus is lost. Fix: Max. 5-8 positions for beginners.
5. Trading against the trend: 'It must go up now.' The trend is your friend.
6. Mixing fundamental and technical analysis: Use each method on its own terms.
7. Following news and social media: Buy on analysis, not hype.

8. Buying too early into corrections: Wait for confirmation (HL formation, volume).

9. No trade journal: A trading journal is mandatory.

10. Emotional trading after losses: Take a break after 3 losing trades in a row.

9.3 The Trading Journal

A trading journal is the most important tool for improvement. Record for every trade:

Journal Entry	Example
Symbol & Date	NVDA, 15 March 2025
Entry price & size	USD 850, 50 shares
Stop-loss & take profit	SL: USD 820, TP: USD 920
PineTrader rating at entry	A, Score 21.5
Rationale (strategy)	Trend following, EMA stack, Wave 3 confirmed
Result & reason	+ USD 1,400, TP2 hit, position closed
Learning point	Reduced too much at TP1; TP2 still came through.

Part X: Market Psychology and Trading Mindset

10.1 The Market Emotion Cycle

Markets are traded by people, and people are emotional. Understanding the typical emotion cycle helps you trade against the crowd at the right moments.

The cycle: Optimism → Excitement → Euphoria (market top) → Anxiety → Despair → Panic → Capitulation (market bottom) → Depression → Hope → Relief → Optimism (new cycle)

Info

Professional traders buy during the capitulation/depression phase (extreme oversold = Anti-Cyclic signal) and sell during the euphoria phase (overbought, high distribution score, premium zone).

10.2 Cognitive Biases

Bias	Impact & Countermeasure
Confirmation Bias	Only noticing information that confirms your existing view. Countermeasure: always examine the opposing thesis.
Loss Aversion	Losses feel roughly 2x stronger than equivalent gains. Leads to holding losers too long.
FOMO (Fear of Missing Out)	Buying breakouts that have already run too far. Countermeasure: strict entry rules.
Overconfidence	Increasing risk after a winning streak. Leads to arrogance and large losses.
Anchoring	Becoming too attached to a prior purchase price. Countermeasure: assess price objectively.

10.3 Developing a Winning Mindset

- Accept losses as learning costs — every professional trader loses regularly
- Prioritise process over outcome — a good process produces good results over time
- Use patience as a weapon — wait for the best setups, don't trade every move
- Notice emotions without following them — the emotion is information, not a decision
- Trade rule-based — your system (PineTrader) makes the decisions, not your gut

Glossary of Key Trading Terms

Term	Definition
ADX	Average Directional Index — measures trend strength (not direction), 0-100
Anti-Cyclic	Trading strategy: buying during extreme oversold conditions against the crowd
ATR	Average True Range — measures average daily price range
Backtest	Testing a strategy on historical data
Bear Market	Downtrend with > 20% loss from the high
Breakout	Price break above a key resistance level with elevated volume
Bull Market	Uptrend; price above SMA 200, positive market structure
CCI	Commodity Channel Index — oversold/overbought oscillator
Confluence	Alignment of multiple signals at the same price point
Distribution	Professional selling after an upward move
Divergence	Discrepancy between price and indicator — reversal signal
Doji	Candle with equal open and close = indecision
EMA	Exponential Moving Average — weights recent data more heavily
Elliott Wave	Theory of wave-based market movements (5+3 waves)
Fibonacci	Mathematical ratios for retracement zones (38.2%, 61.8%)
FVG	Fair Value Gap — price gap left by an explosive move
Golden Pocket	Fibonacci zone 50-61.8% — most frequent reversal point
HH/HL	Higher High / Higher Low — criteria for an uptrend
Kelly Criterion	Formula for optimal position sizing based on win rate

Term	Definition
Liquidity Sweep	Brief breakout beyond a level to clear stop orders before reversing
MACD	Moving Average Convergence Divergence — momentum indicator
MTF	Multi-Timeframe — analysing multiple timeframes simultaneously
OBV	On-Balance Volume — cumulative volume indicator
Order Block	Price zone with institutional order clusters
Pivot	Significant high or low as a reference point
Premium Zone	Price area above 75% of the swing range — 'expensive'
R/R	Risk/Reward — ratio of profit potential to loss risk
RSI	Relative Strength Index — oversold/overbought indicator (0-100)
RS Rating	Relative strength vs. benchmark (1-99); > 80 = market leader
SMA	Simple Moving Average — plain arithmetic average
SMC	Smart Money Concepts — institutional trading framework
Swing Trading	Holding period days to weeks — core strategy with PineTrader
VIX	Volatility Index — the market's 'fear gauge'
VWAP	Volume Weighted Average Price

Conclusion and Next Steps

Your Path to Becoming a Successful Trader

You now have the theoretical foundation to use the PineTrader professionally. The next step is practice — because trading is a craft mastered through repetition.

Recommended Learning Path for Beginners

9. Month 1: Observe only — follow PineTrader signals without risking real money
10. Months 2-3: Paper trading — simulate trades, keep a journal, refine the process
11. Months 3-6: Real trading with micro positions (max. 0.5% risk per trade)
12. Months 6-12: Standard position sizes (1% risk), refine the strategy
13. Year 2+: Full system, Kelly sizing, portfolio management

Tip

The three most important rules summarised:

1. Capital preservation over capital growth: Never lose so much that you have to stop.
2. Focus on A-grade setups: Be selective. A few high-quality trades beat many mediocre ones.
3. Trust the system: The PineTrader is your objective analyst. Follow the signals, not your emotions.

Good luck and good trading!

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