

## Trend Day Finder - Help

"Professor Seyhun studied stock market returns and risk for all months from 1926 through 1993, and for all trading days from 1963 through 1993. The index gained at an average annual rate of 11.83%, for a cumulative return on \$1.00 of \$23.30 over 31 years. If the best 90 trading days, or 1.2% of the 7,802 trading days, are set aside, the annual return tumbles to 3.28% and the cumulative gain falls to \$1.10."

- University of Michigan finance professor H. Nejat Seyhun for Towneley Capital Management

"A trend day occurs when there is an expansion in the daily trading range and the open and close are near opposite extremes." – Linda Bradford Raschke, professional trader

Trend days open, have little adverse movement, then move strongly and close near the opposite extreme of the day's trading range. They can have 3 or more times the open-close point range of non-trend day bars with much less adverse movement. In candlestick terms, they have long, real bodies and short tails.

### **TDF MAIN REPORT – QUESTIONS TO CONSIDER:**

(TDF is a research tool and idea generator. It locates and analyzes Trend Days. Its purpose is to provide a trading 'edge'. It is not a trading system.)

#### SUMMARY

How many trend days are there in a given period?

What is the average open-close range of a trend day vs. a non-trend day?

How do up trend days compare to down trend days in frequency, O-C range, etc.?

#### GAP

Is there a relationship between gaps and trend days?

If so, is the relationship stronger for up gaps or down gaps?

Do trend days continue in the direction of the gap or are they more likely to reverse direction?

#### BY YEAR

How do the trend day count and O-C range sizes vary over different years?

Are up trend days more likely than down?

Are trend days increasing, decreasing or remaining about the same?

#### MONTH OF YEAR

How do the number of trend days vary by month?

Are up trend days more likely in certain months? Ditto for down?

#### DAY OF WEEK

How do the number of trend days vary by day of the week?

Are up trend days more likely in on certain days? Ditto for down?

#### NR4 and ID (see definitions below)

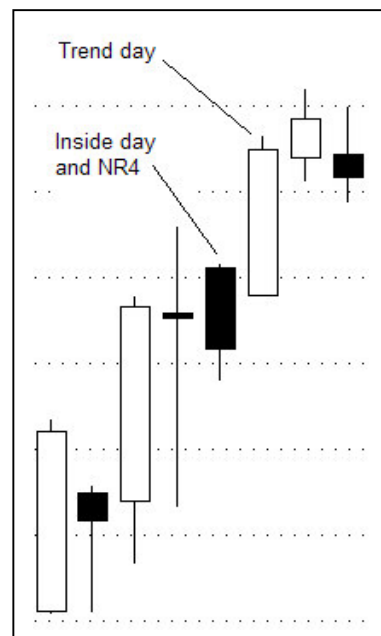
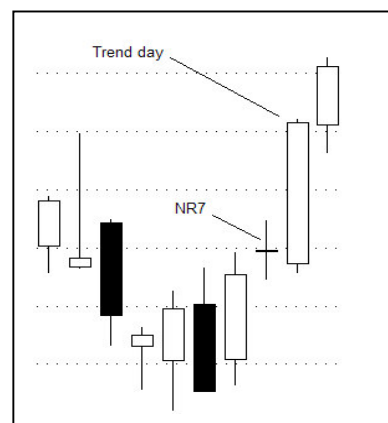
Do NR4 and ID often precede trend days?

Do they precede up trend days more than down trend days?

#### NR7 (see definitions below)

Do NR7s often precede trend days?

Do they precede up trend days more than down trend days?



#### Suggestions for best use of TDF:

- Start by running many or all years of data for a particular security. This will give a good history and provide statistics that may be more generally valid for drawing conclusions.
- Then, make a shorter run of the last 3, 4 or 5 years to see what is happening more recently with trend days.

#### Suggestions for systematic traders:

- Study the summary and detailed reports and generate some trading ideas.
- Backtest the ideas in Tradestation, Amitrader, Metastock, etc.

#### Suggestions for discretionary traders:

- Using the detailed 'List of Trend Days' with your charting program
- Locate the trend days. Look for patterns.
- What occurs with regularity before Trend Days?
- Do NR4, NR7, ID, RSI, MACD or Stochastics provide any clue to Trend Days?

#### Suggestions for day traders:

- Bring up intraday charts of Trend Days using 1, 3, 5, 10 or 15 minute bars.
- What happens in the 1<sup>st</sup> hour or so?
- How do Trend Days open vs. non-Trend Days?
- Can you tell when a Trend Day is in progress?

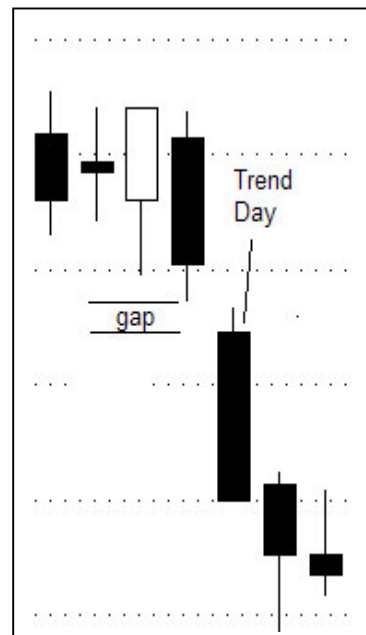
#### Further Study:

##### Books

"Street Smarts" by Laurence A. Connors and Linda Bradford Raschke, Chapter 19.  
"Day Trading with Short-term Price Patterns and Opening Range Breakout"  
by Tony Crabel

##### Website

<http://www.traderslog.com/capturing-trend-days.htm>



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#### DEFINITIONS

Open & Close within X% of day's high & low: Example: if open/close are within 15% of high/low, then 70% of the bar's range will occur between the open/close. This is desirable as a trade placed at or near the open (in the correct direction) and closed at the end of the day, will have minimum adverse movement and a large potential profit. This is the 1<sup>st</sup> criteria for trend days.

Top X% of bars with largest O-C range: Example: the largest 20% will include those bars with the largest open to close range and exclude the other 80% with smaller open-close ranges. This is the 2<sup>nd</sup> criteria for trend days.

NR4: (narrowest range 4) are daily bars that have the smallest high-to-low range within the last 4 bars. They can indicate congestion and that a breakout may follow. TDF checks whether the bar prior to the trend day is a NR4 day.

ID: (inside days) are bars where the high-to-low range is completely contained within the prior bar. TDF checks whether the bar prior to the trend day is an ID.

NR7: (narrowest range 7) are daily bars that have the smallest high-to-low range within the last 7 bars. They can indicate congestion and that a breakout may follow. They are stronger signals than NR4s. TDF checks whether the bar prior to the trend day is a NR7 day.

Gap: a day is a gap day if today's open is above yesterday's high or below yesterday's low. Gaps indicate an order imbalance and are considered significant. Sometimes the market will continue in the direction of the gap, while often the market will reverse, "filling" in the gap.

O-C/O-C Range: the points between the day's open and close. When positive, it is an up day, when negative, a down day. Open and close prices are important because they can actually be traded vs. high and low which are not possible to trade because their time of day cannot be known in advance.