

## Anatomy of a Day Trade

By Robert McHugh, Ph.D.  
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We thought we'd share with you the nuts and bolts of a day trade we conducted for our **Platinum Subscribers** Thursday, March 3rd, and Friday March 4th, 2011. First of all, not all trades are alike, and past performance is no guarantee of future performance. But this trade, which we show progressions for in this article, was a classic. On March 3rd, we noticed that the huge upside rally (200 points in the Industrials) had been largely on the rumor that a positive jobs report was likely to come out the next day, Friday March 4th. The rise took prices to a very short-term overbought condition. Further, it was possible to count the rise as a completed wave {c} rally wave of an {a} up, {b} down, {c} up move. So, we felt the odds were decent that a decline would be coming Friday near the open. Thus we wanted a short position in place before Friday's open, but needed to take that short position right before the close Thursday, so that we would catch the rally near its peak.

We entered an open put options position in the QQQQ's, which follow the NDX, at 3:55 PM EST Thursday, just before the close. We grabbed a March 31st expiration, strike price 58, a level just a hair out of the money, but close enough to being at the market so that any decline Friday would give us maximum price gains, and keep us near the money since we were using a high risk March 31st expiration. Our purchase price was 1.04 per options share, or \$104 per contract. We bought 15 contracts for \$1,560. We placed a tight stop loss at 0.90 immediately after opening the position late Thursday, limiting risk to \$200.





Prices fell to our projected downside target around 12:20 pm EST Friday, so we happily took our profit, a 30.7 percent return in one trading day. The drop was fast, and came earlier than the time projection allowed, but within the time window the box suggested for c-down. We chose not to be pigs by hoping for more downside since the Full Stochastics had already reached oversold levels and our minimum target was hit.

Prices then remained around those downside levels throughout the time period the box projected for wave c-down, allowing subscribers plenty of time to react to our notice that we sold. Interestingly, once wave c's time/price projection was exhausted, around 2:45 pm EST, prices then began a late day rally. The projection boxes worked perfectly.

Not all day trades are this clean, but this was one for the textbook.

We were being conservative by assuming the decline was an a-down, b-up, c-down move, as it is possible that the decline was impulsive and part of a larger five wave decline. But for day trading purposes, we wanted to plan for a smaller decline than what in fact may have been transpiring, and not chance that we misplay the trade.

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***John 6: 35, 38, 40***

Robert McHugh Ph.D. is President and CEO of Main Line Investors, Inc., a registered investment advisor in the Commonwealth of Pennsylvania, and can be reached at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com). The statements, opinions, buy and sell signals, and analyses presented in this newsletter are provided as a general information and education service only. Opinions, estimates, buy and sell signals, and probabilities expressed herein constitute the judgment of the author as of the date indicated and are subject to change without notice. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Neither Main Line Investors, Inc. nor Robert D. McHugh, Jr., Ph.D. Editor shall be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Copyright 2011, Main Line Investors, Inc. All Rights Reserved.