

# How to Mine Energy Coils for Trading Opportunities in the Bond & Notes Markets

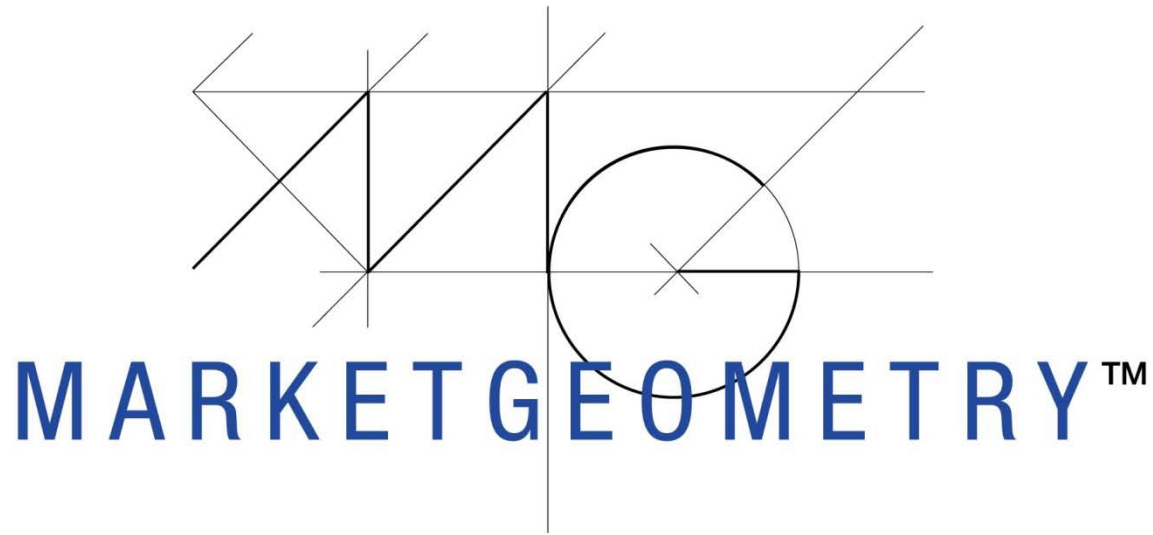


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Blackthorne Capital, Inc.

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Past performance does not guarantee future results.

This is one persons experience, your experience may differ.

Results are not guaranteed, individual experiences may vary.

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In volatile market conditions, substantial losses may occur.

In volatile market conditions, orders may not be filled as placed.

### ***Leverage***

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This webcast is dedicated to my two early mentors:

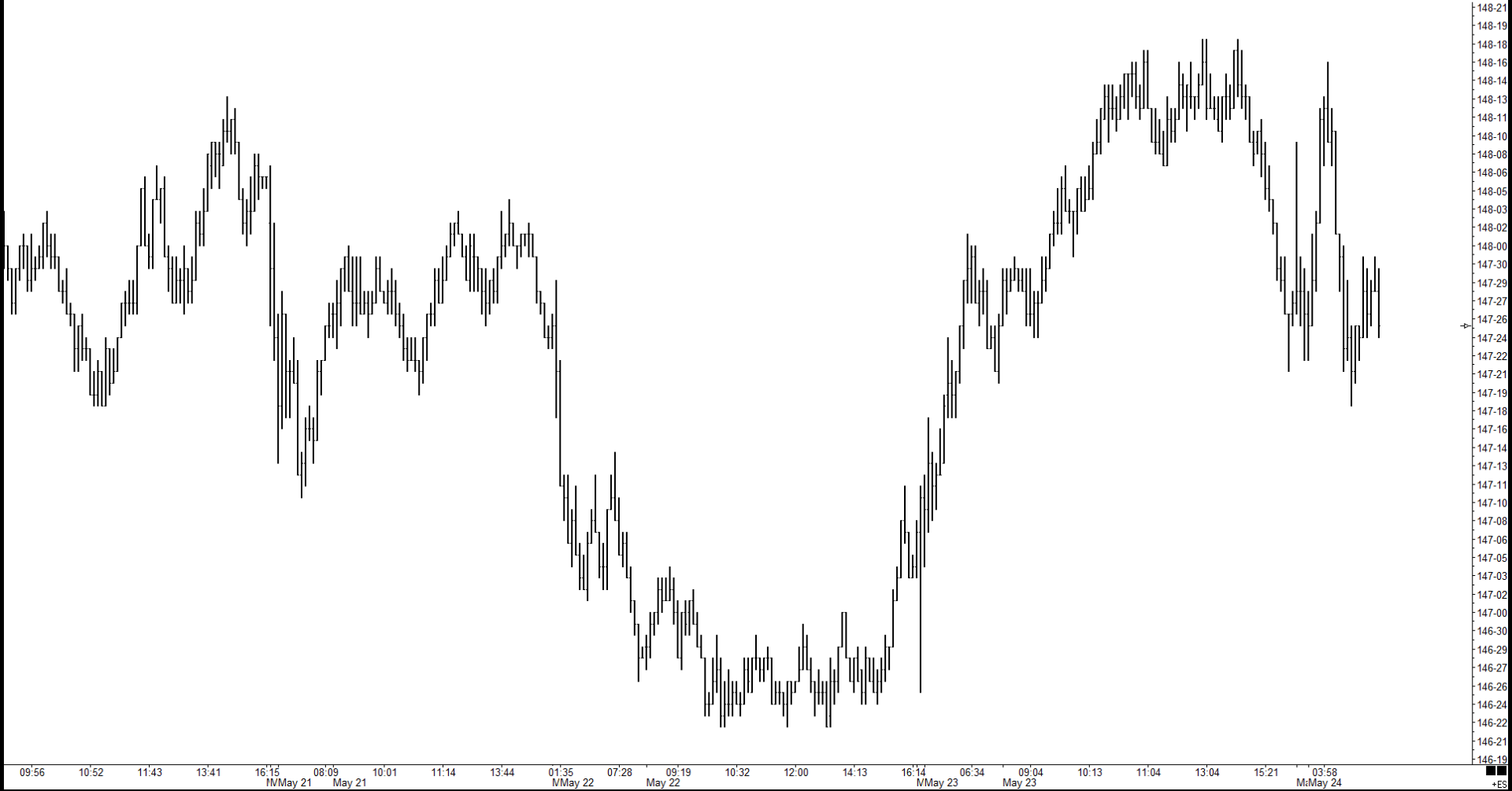
Dr. Alan Andrews, a Newtonian Physicist that developed Action/Reaction Lines and the Median Line in the mid-1920's.

And Amos Hostetter, the best 'Campaign Trader' in the last 300 years. He was the master of risk reward and money management.

# **Let's start with a CBOT Bond Futures chart.**

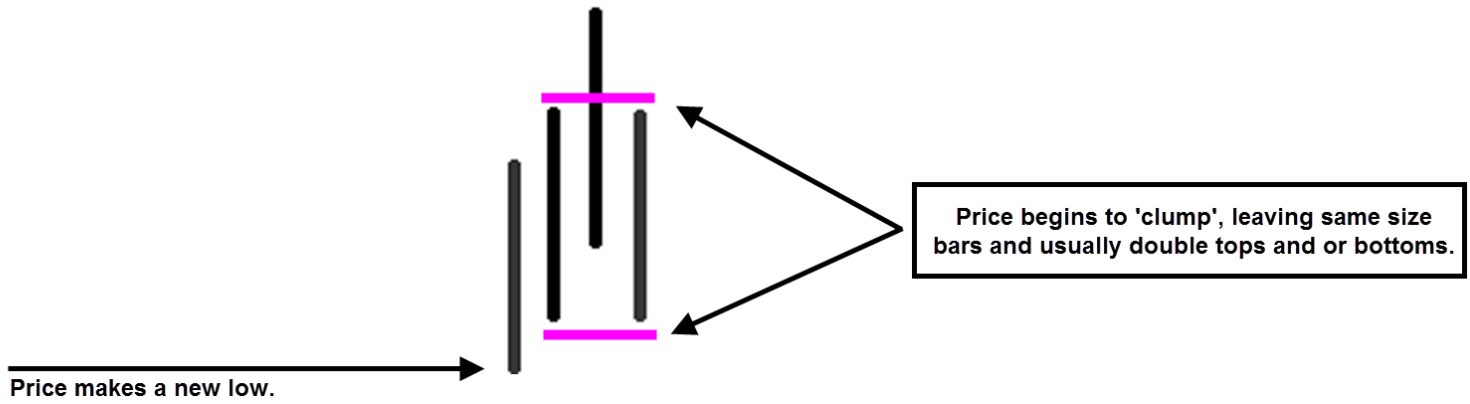
**These are all Tick Based charts. It takes 'Time' out of the bars and makes the overnight sessions much more readable.**

08:10:24 147-25 147-30 147-24 147-28 5,018 1444 148-18 05-24-12 21%



09:56 10:52 11:43 13:41 16:15 08:09 10:01 11:14 13:44 01:35 07:28 09:19 10:32 12:00 14:13 16:14 06:34 09:04 10:13 11:04 13:04 15:21 03:58  
N/May 21 May 21 N/May 22 May 22 N/May 23 May 23 MtMay 24  
+ES

**Let me diagram my favorite way to trade Bond futures. I developed this idea in 1999 after 18 months of research and it continues to work well for me. It relies on the concept that when Price forms tight Energy Coils or trading ranges, Price is restoring its spent Energy. Once it has restored its Energy, it breaks out of the Energy Coil and makes a nice run. By combining this concept and rigid Money Management rules, I developed this concept, the Corner Trade, for trading Bonds.**

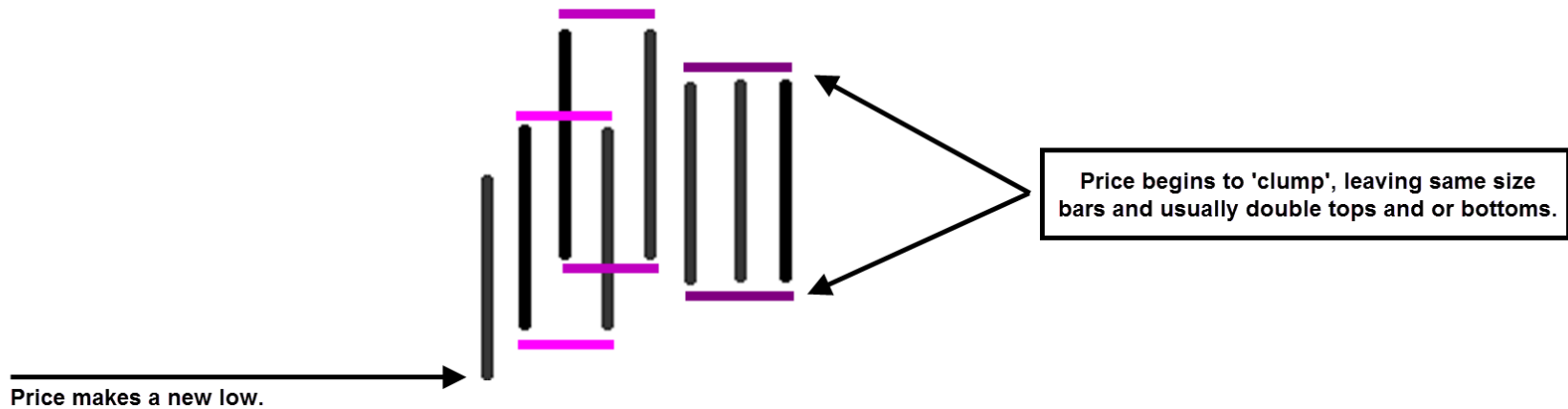


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Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.

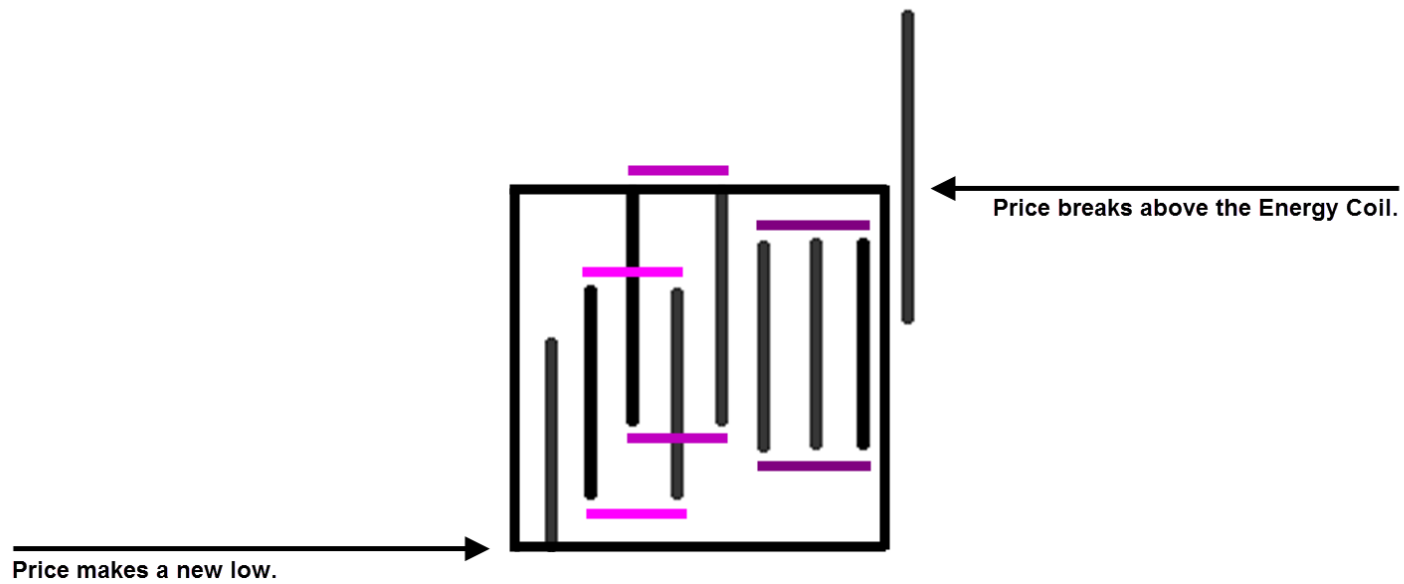


When Price forms these tight ranges, it is literally resting, restoring its Energy. I often refer to these formations as 'Energy Coils'. I like to see at least five smaller than average bars in these tight ranges - That tells me Price has restored a good deal of Energy.



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Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.



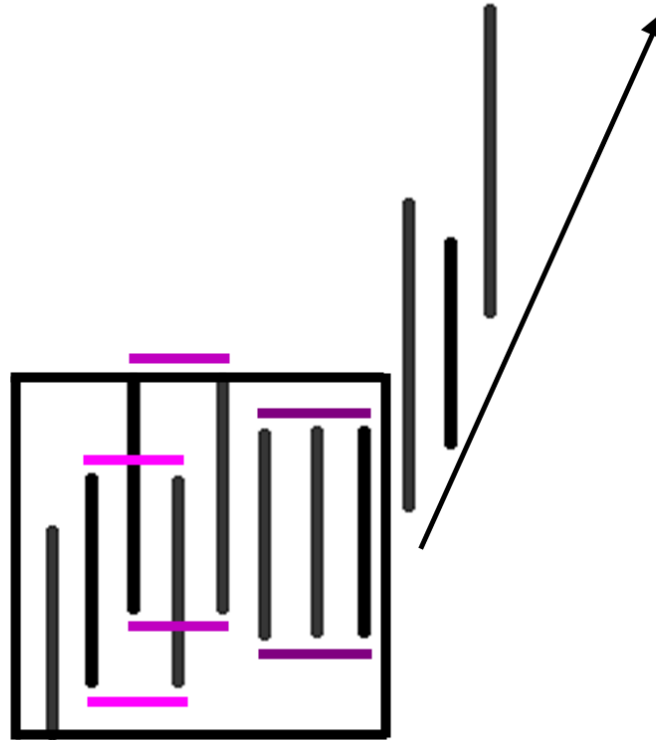
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Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.

This is Price expending the Energy it stored while it was in the tight range or 'Energy Coil'.

After restoring its Energy, Price breaks out of the Energy Coil to the Up Side.

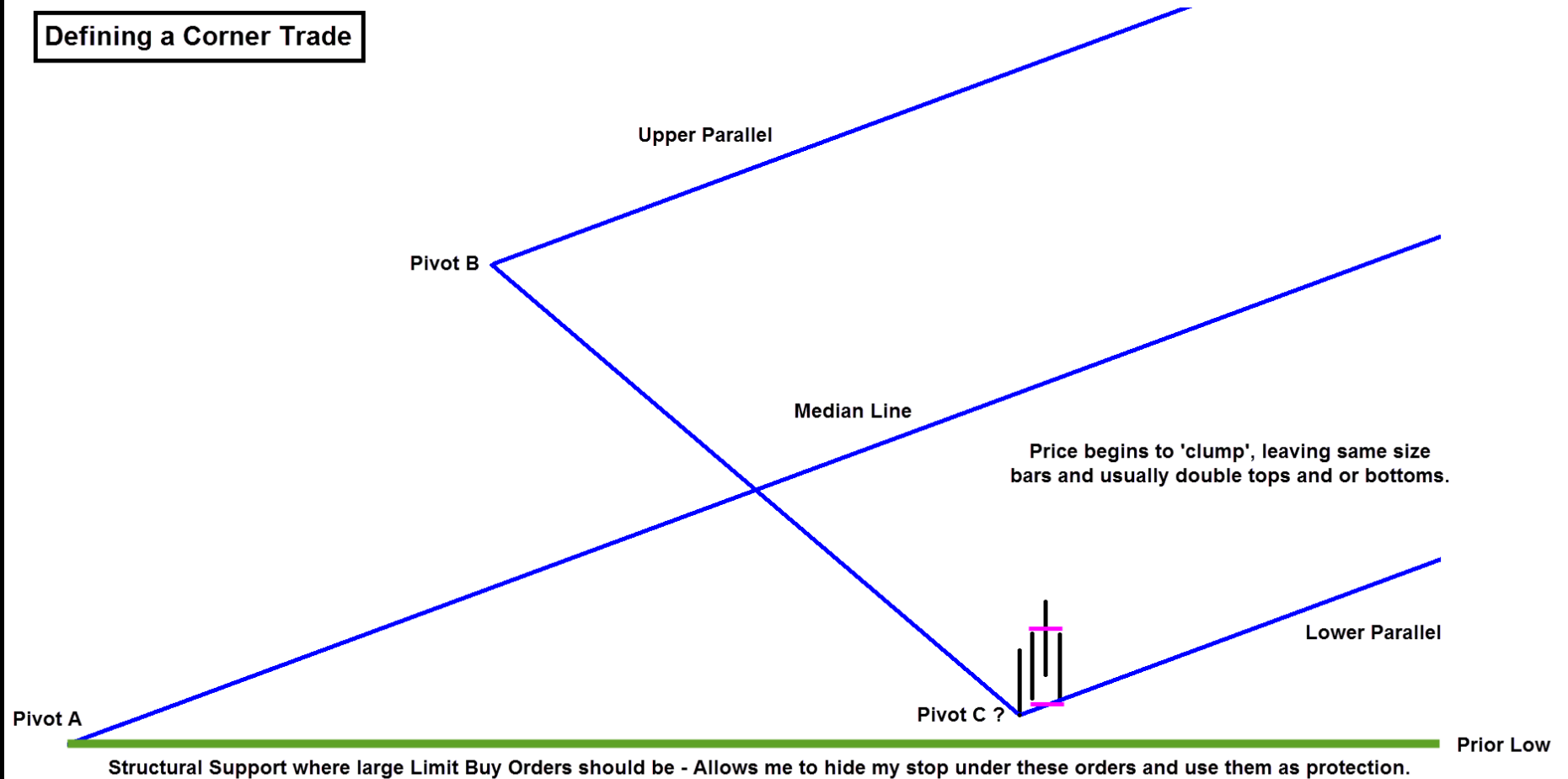
Price makes a new low.



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Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.

# Defining a Corner Trade



# Defining a Corner Trade

Upper Parallel

Pivot B

Median Line

If Price is clumping after five bars, I begin looking for an entry with an acceptable structure based stop loss.

Lower Parallel

Pivot A

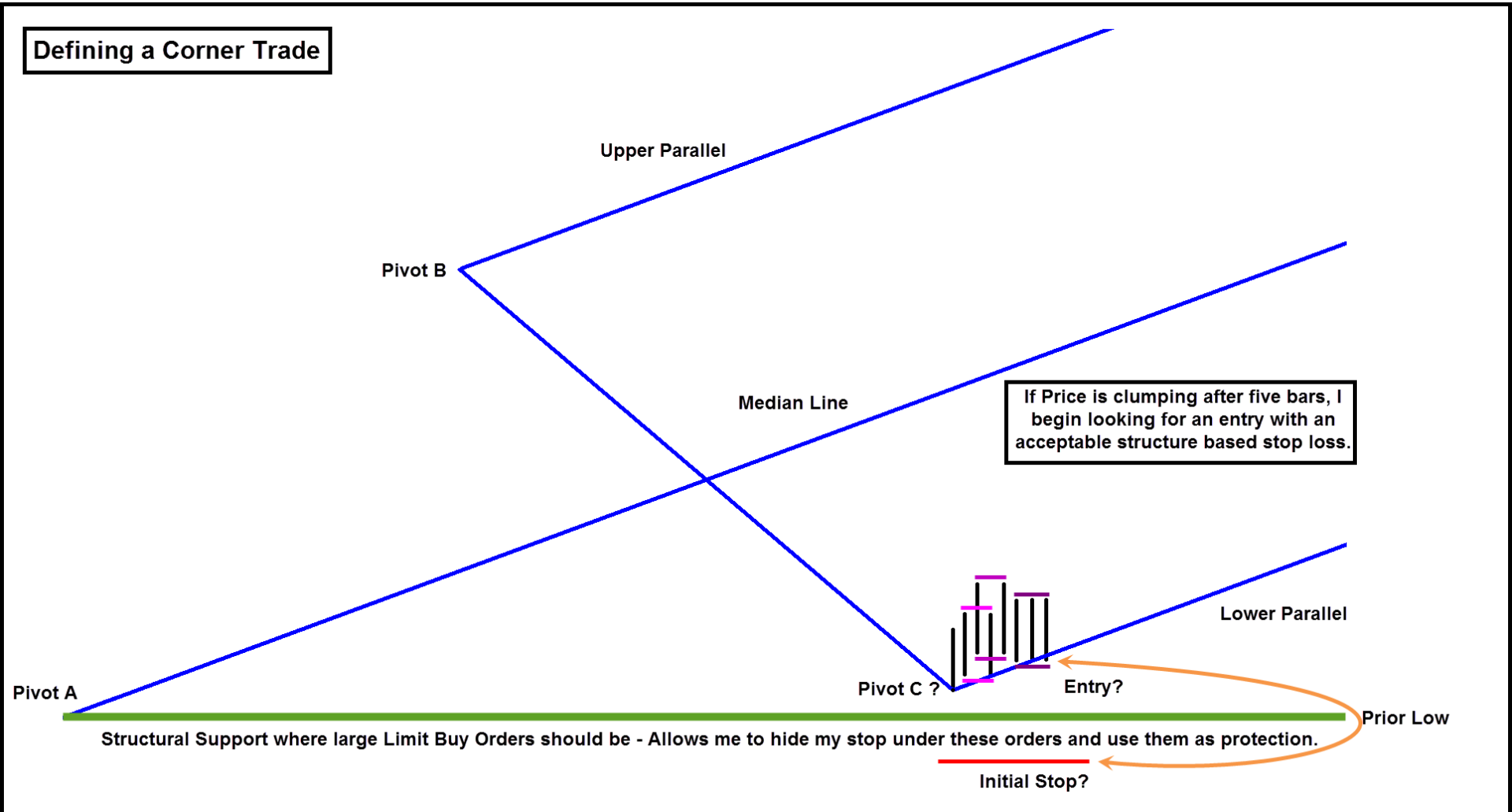
Pivot C ?

Entry?

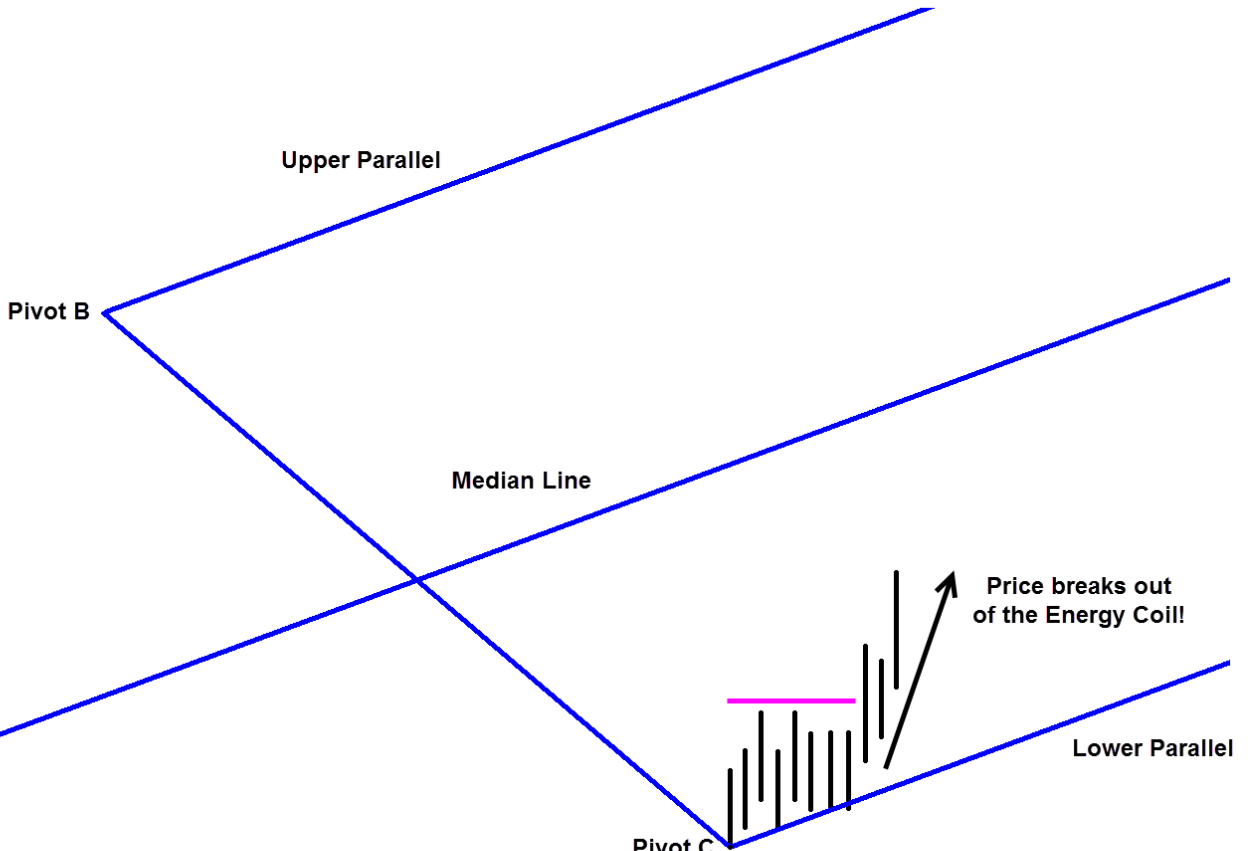
Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.

Prior Low

Initial Stop?



# Defining a Corner Trade



Structural Support where large Limit Buy Orders should be - Allows me to hide my stop under these orders and use them as protection.

Prior Low

**Now let's use a tick based CBOT Bond futures chart from a recent session and see if we can find a potential Corner Trade in the Bond futures.**



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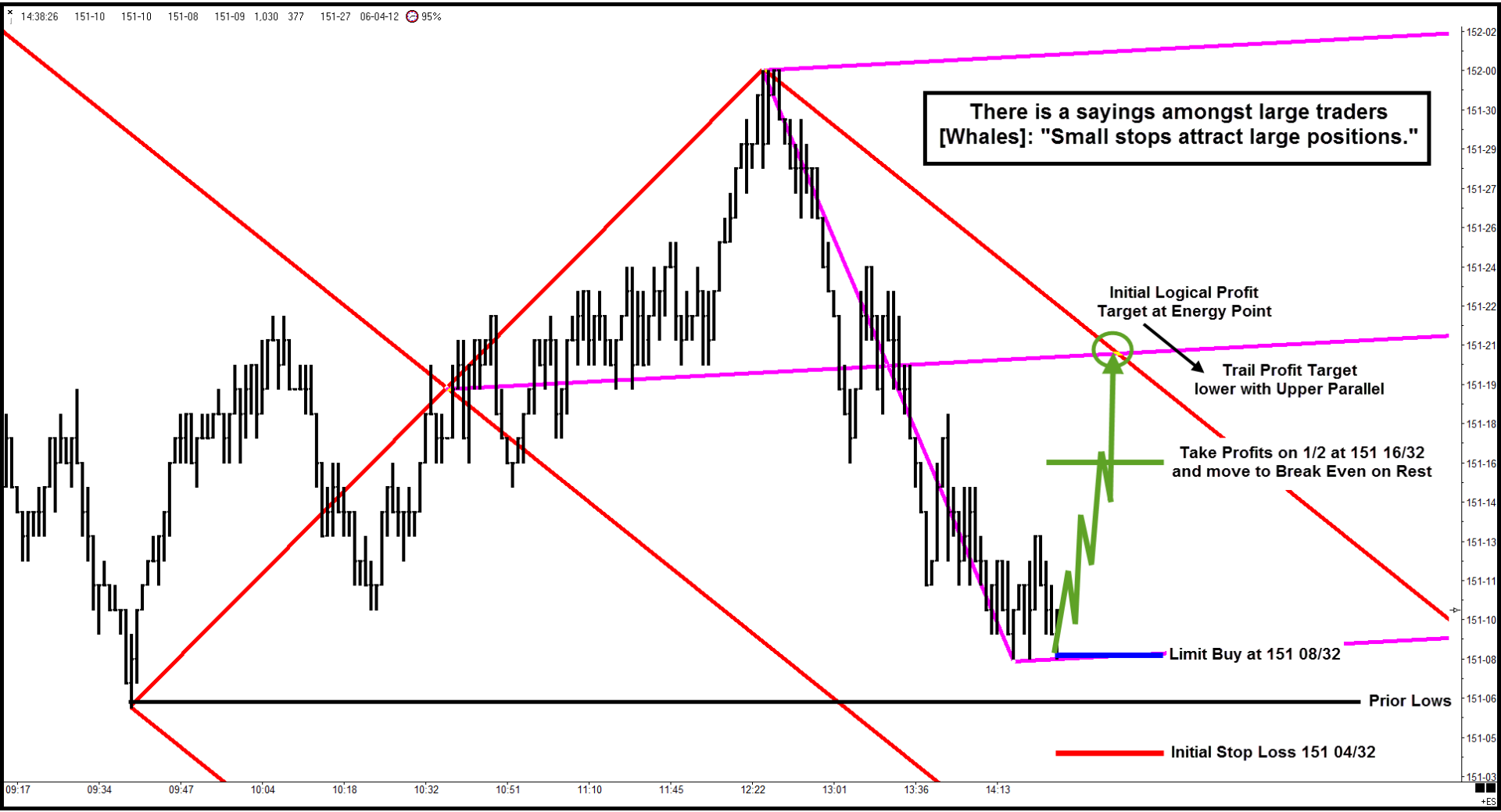












There is a sayings amongst large traders [Whales]: "Small stops attract large positions."

Initial Logical Profit Target at Energy Point

Trail Profit Target lower with Upper Parallel

Take Profits on 1/2 at 151 16/32 and move to Break Even on Rest

Limit Buy at 151 08/32

Initial Stop Loss 151 04/32

Prior Lows

14:38:26 151-10 151-10 151-08 151-09 1.030 377 151-27 06-04-12 95%

09:17 09:34 09:47 10:04 10:18 10:32 10:51 11:10 11:45 12:22 13:01 13:36 14:13 151-03 151-05 151-06 151-08 151-10 151-11 151-13 151-14 151-16 151-18 151-19 151-21 151-22 151-24 151-26 151-27 151-29 151-30 152-00 152-02

14.43.07 151-09 151-09 151-08 151-09 1,210 377 152-02 06-04-12 30%



I am long at a potential 'C' Pivot on a Bond Corner setup - My one concern is the time. I did not plan to hold this trade overnight.

Initial Logical Profit Target at Energy Point

Trail Profit Target lower with Upper Parallel

Take Profits on 1/2 at 151 16/32 and move to Break Even on Rest

Long at 151 08/32

Initial Stop Loss 151 04/32

Prior Lows

■ +ES

It's all trade management now...

I have taken 8 ticks profits on 1/2 the position and moved the stop profit order on the balance to the Upper Parallel at 151 20/32.



Profit Target on balance is at 151 20/32, at the Upper Parallel

Sold 1/2 at 151 16/32, the Stop Profit order on the rest is now at Break Even

Long at 151 08/32 Working Break Even Stop on balance

Initial Stop Loss at 151 04/32 Cancelled

Prior Lows



This trade was managed exactly as I planned.

I made 8 ticks on 1/2 the position and 11 ticks on the second half. I rolled forward just under 10 ticks on the entire position - Which is roughly two stops worth of profits.



Initial Stop Loss at 151 04/32 Cancelled

Long at 151 08/32  
Break Even Stop Cancelled

Sold first 1/2 at 151 16/32

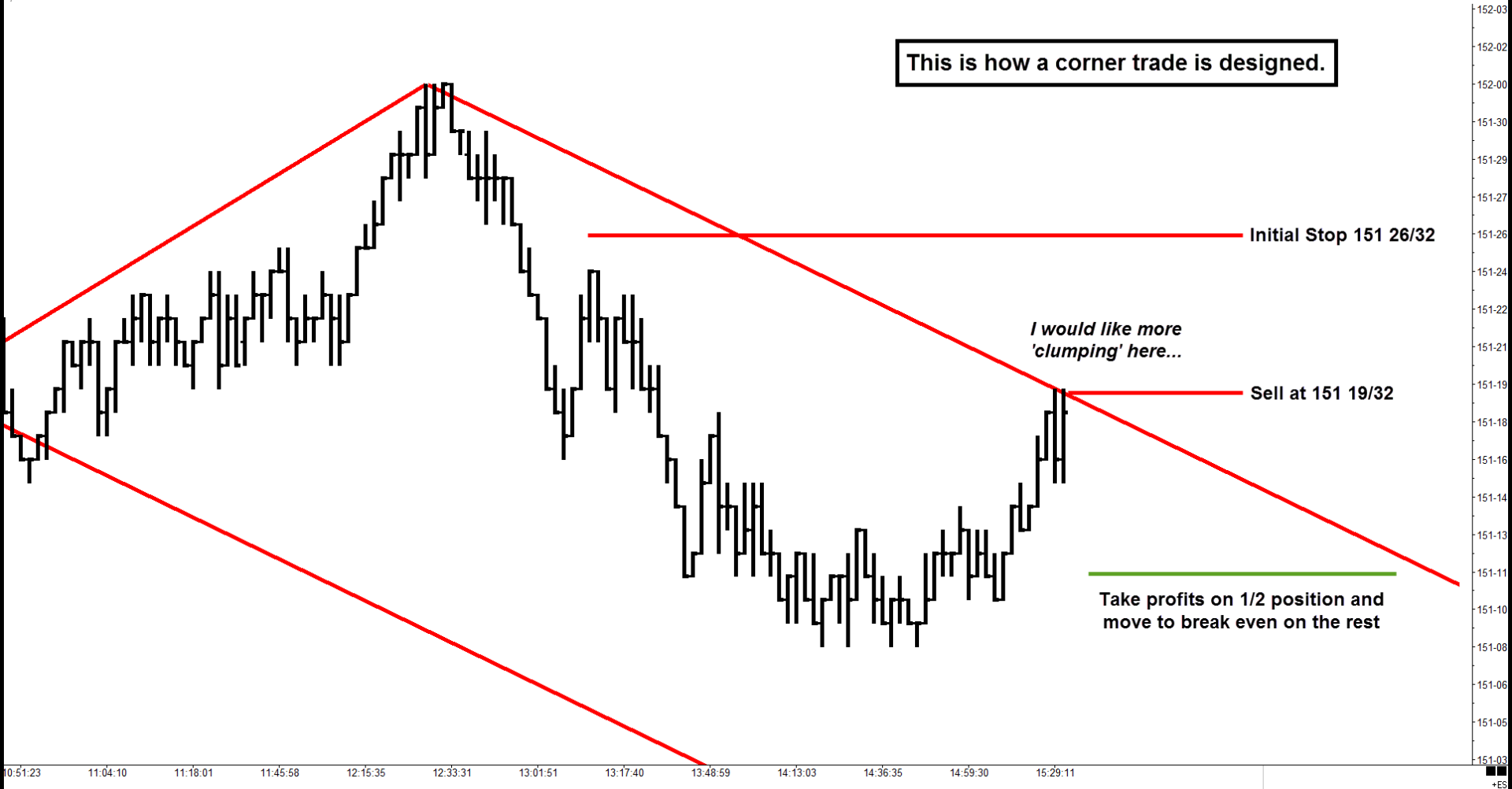
Profit Target met on balance at 151 19/32

**Now that we know the concepts involved in a Corner Trade, let's see if we can spot another. Remember, we are looking for tight Energy Coils that are forming where Price should reverse direction – Support or Resistance based on Market Structure and or Median Lines.**





This is how a corner trade is designed.



Initial Stop 151 26/32

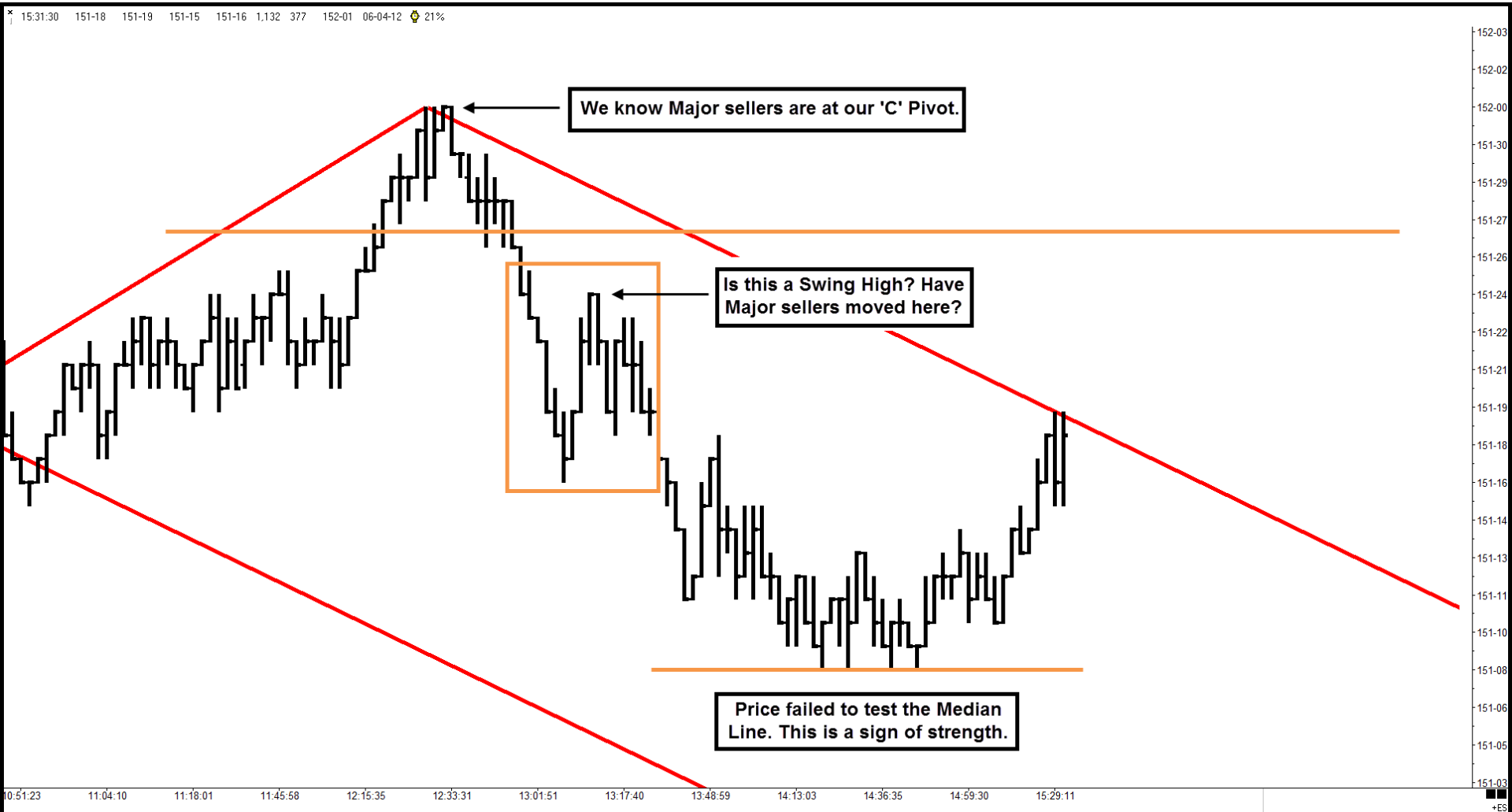
*I would like more 'clumping' here...*

Sell at 151 19/32

Take profits on 1/2 position and move to break even on the rest





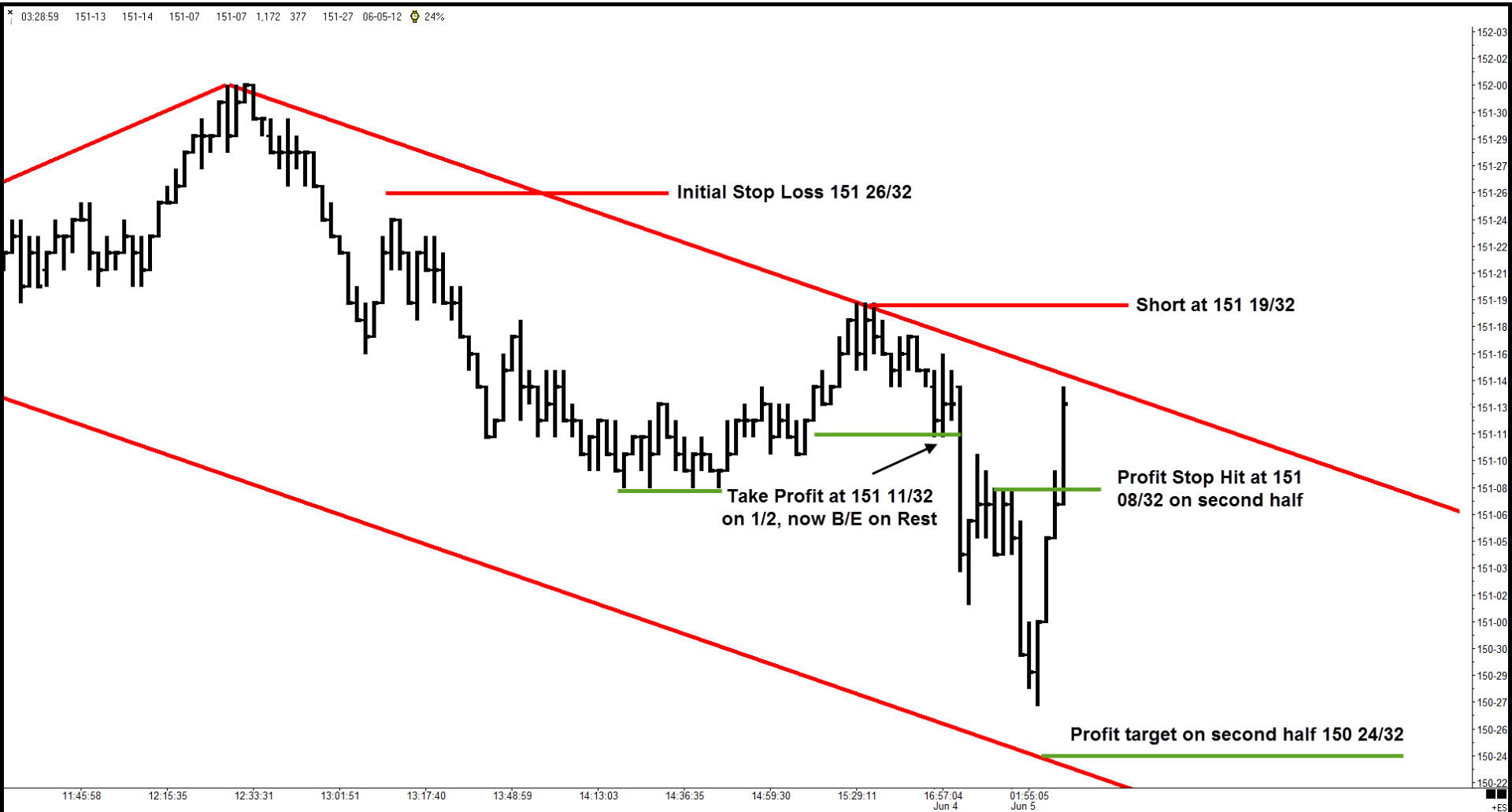


We know Major sellers are at our 'C' Pivot.

Is this a Swing High? Have Major sellers moved here?

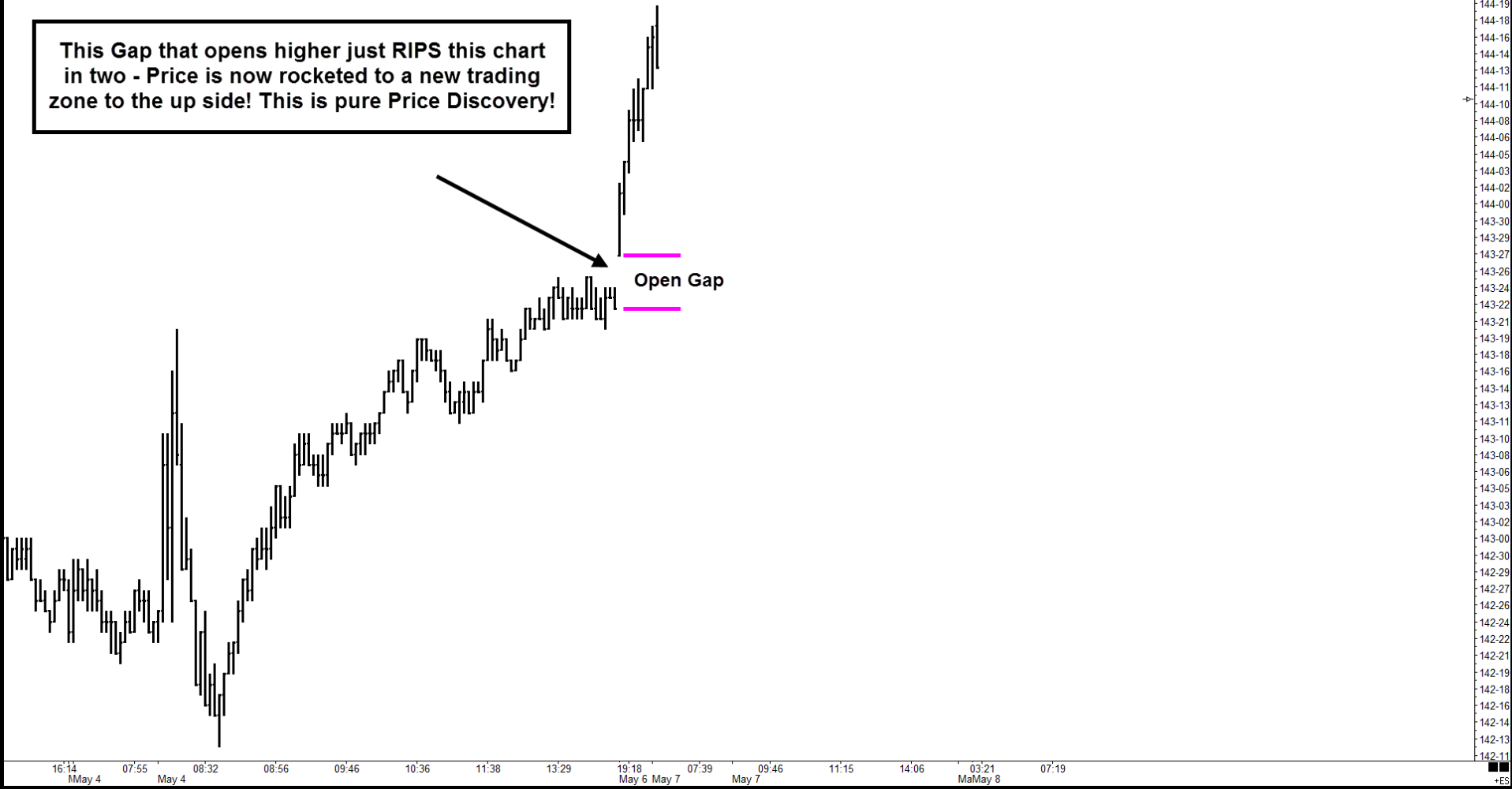
Price failed to test the Median Line. This is a sign of strength.





**Let's look at one more Corner Trade in the Bond futures. This one is based on much more advanced and complex Market Structure.**

**This Gap that opens higher just RIPS this chart in two - Price is now rocketed to a new trading zone to the up side! This is pure Price Discovery!**



Open Gap

16:14 May 4 07:55 May 4 08:32 08:56 09:46 10:36 11:38 13:29 19:18 May 6 May 7 07:39 09:46 11:15 14:06 03:21 MaMay 8 07:19

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Price gets over extended...

We know from our studies that when Price goes vertical, it will expend all its stored Energy and then generally retraces the vertical run equally fast. Think of it as a rocket shot into space that comes back to earth after failing to leave the Earth's gravity...

and then it has to return to balance.

Tight Energy Coil

Open Gap

These Multi-Pivot Lines describe probable support.

Logical target before it slows down on its descent? It may fill the Open Gap, and if it does, look for it to test the prior tight Energy Coil that held the Energy to Gap Price Higher.

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Tight  
Energy Coil

Key Multi-Pivot Lines were tested and large buy orders [Whales] appeared.

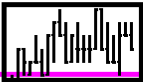
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Tight Energy Coil



Is this clumping and should I be looking for a Corner Trade in this area?

Tight Energy Coil appears: Multiple Tops and Bottoms in a tight range

Key Multi-Pivot Lines were tested and large buy orders [Whales] appeared.

16:14 May 4 07:55 May 4 08:32 May 4 08:56 May 4 09:46 May 4 10:36 May 4 11:38 May 4 13:29 May 6 19:18 May 6 07:39 May 7 09:46 May 7 11:15 May 7 14:06 May 7 03:21 MaMay 8 07:19 May 8

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■ ES





Looking at the Handle, Price cuts right through the Gap area and there are multiple touches along it.

Pivot B

Pivot C

Pivot A

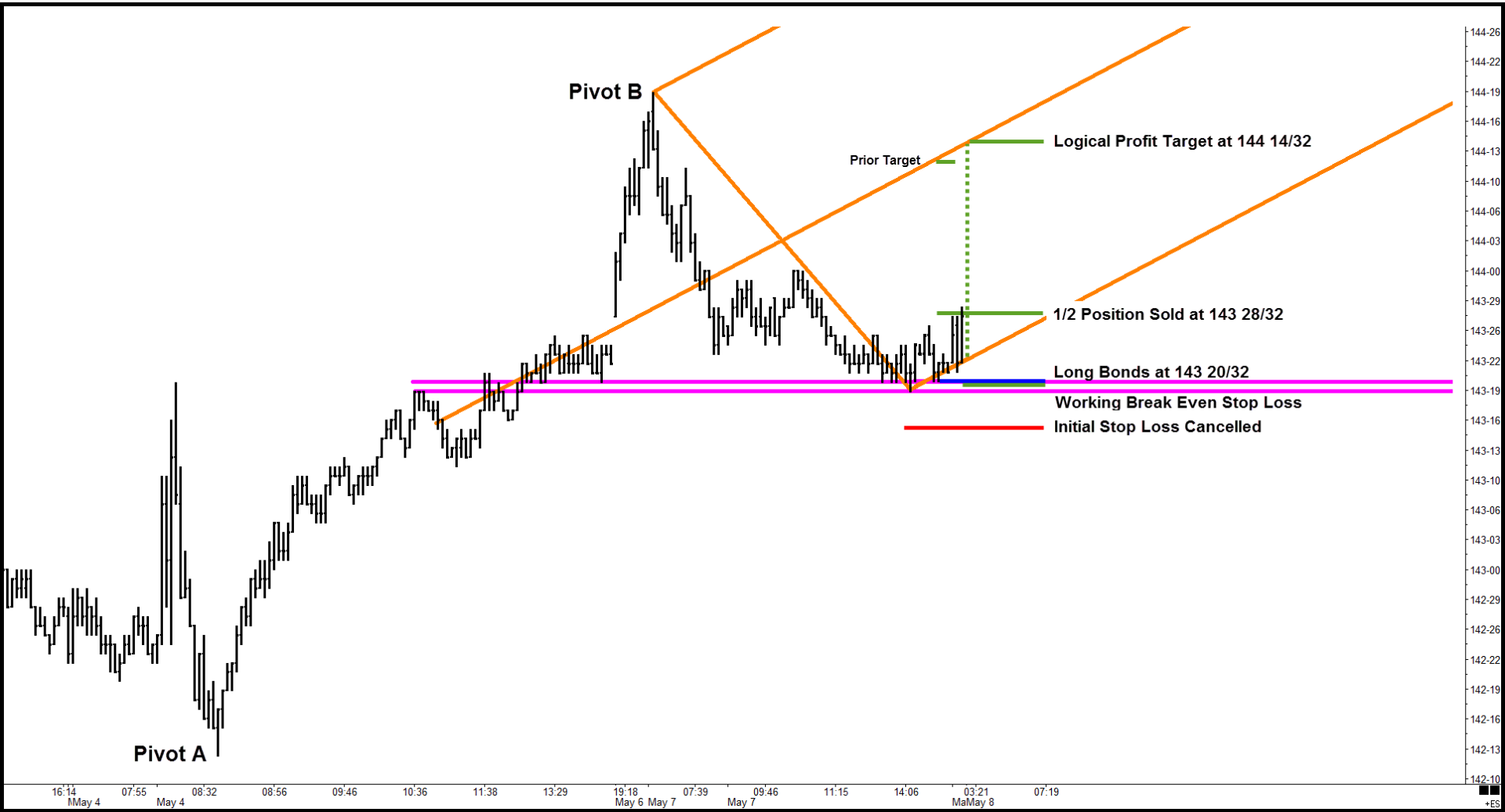
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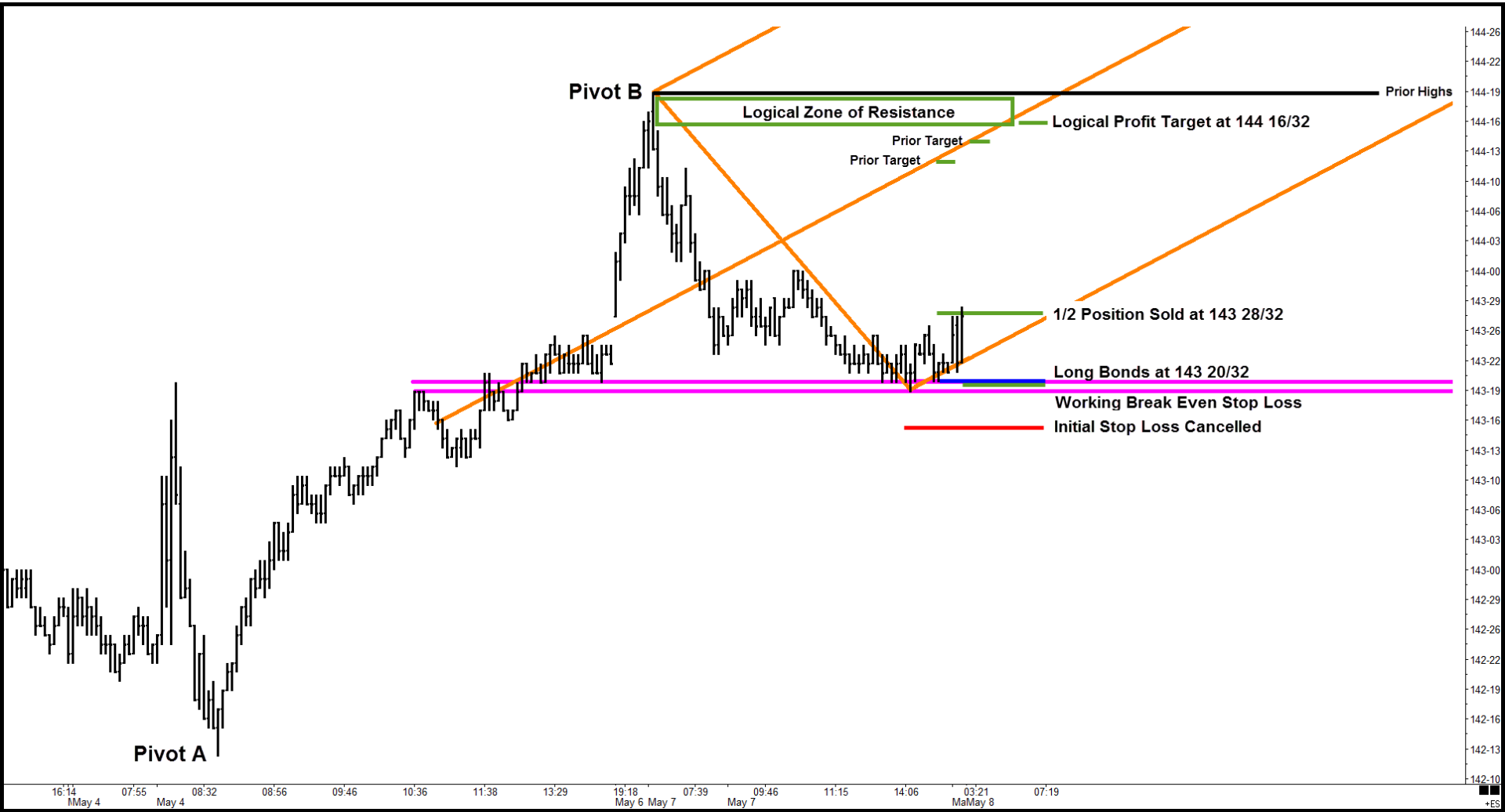
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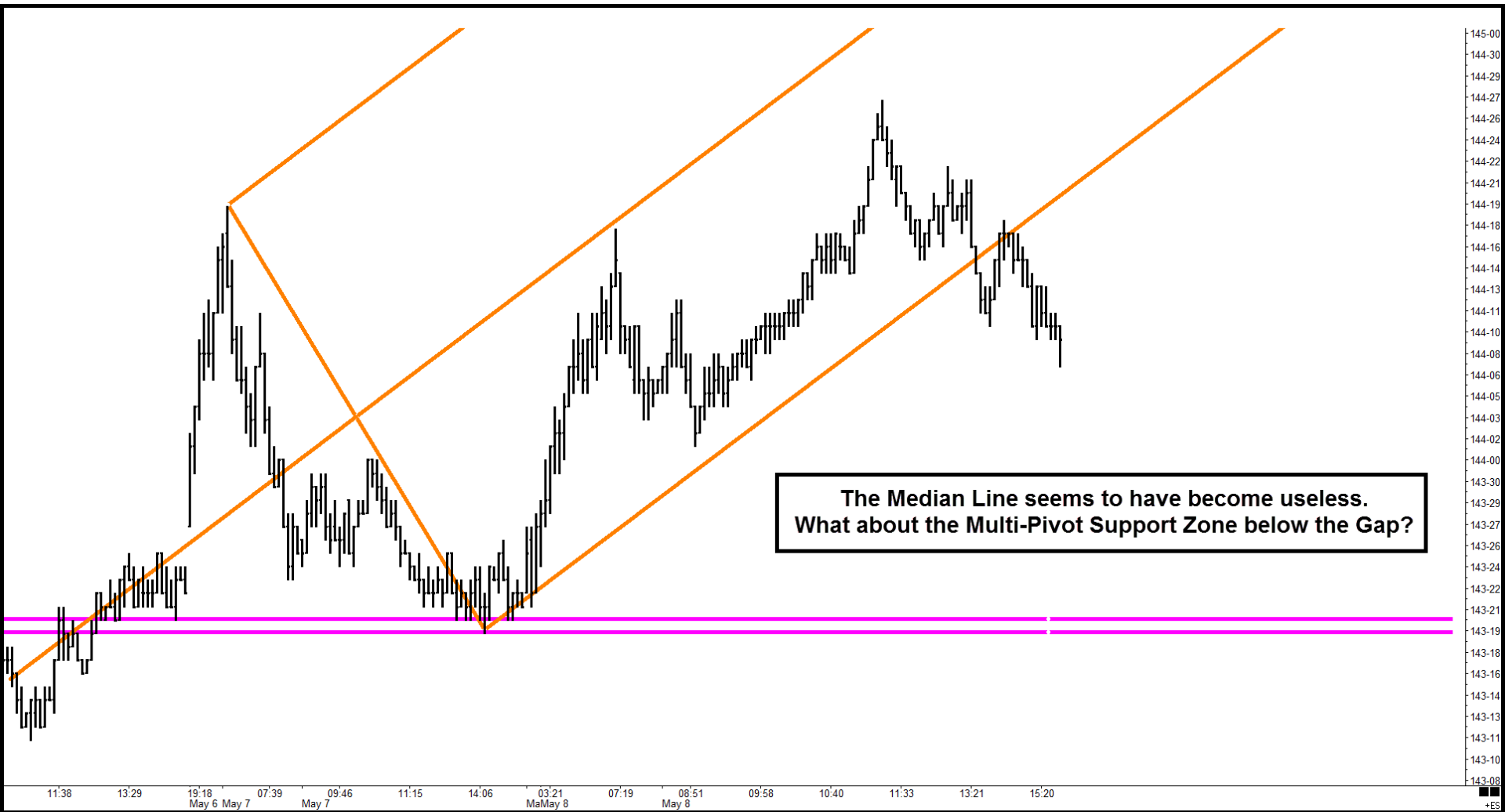


**Hang on! We're going to go into extremely advanced Market Structure and see if we can 'Mine' a trade in the Bond futures.**

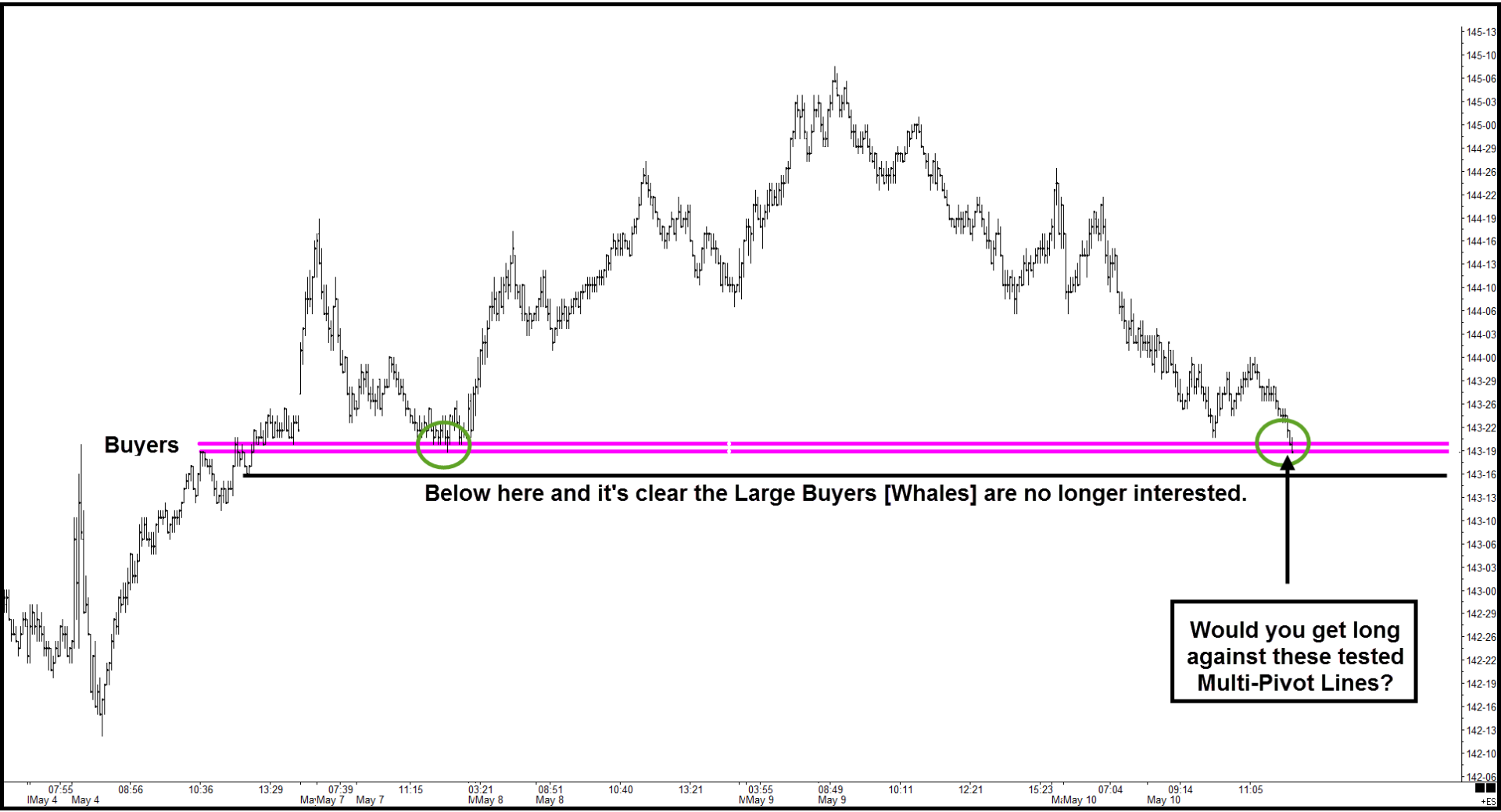
Is this Median Line finished now?



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Buyers

Below here and it's clear the Large Buyers [Whales] are no longer interested.

Would you get long against these tested Multi-Pivot Lines?



**Buyers**

**Below here and it's clear the Large Buyers [Whales] are no longer interested.**

**And so it begins again...**

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1May 4 May 4 MaMay 7 May 7 MMay 8 May 8 MMay 9 May 9 MMay 10 May 10  
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**Buyers**

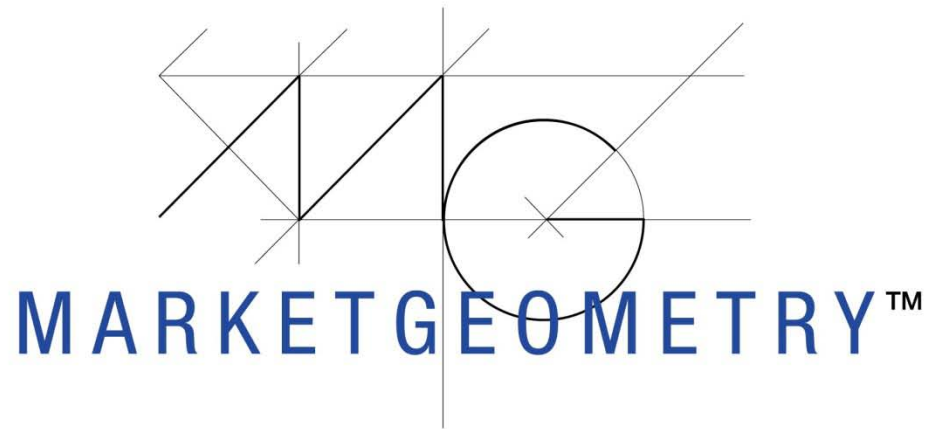
**Line of Force**

**Below here and it's clear the Large Buyers [Whales] are no longer interested.**

**If you can identify Market Structure and then identify where the Large Buyers and Sellers have likely left orders, it is much easier to read the Language of Price and trade the markets.**

10:36 13:29 07:39 11:15 03:21 08:51 10:40 13:21 03:55 08:49 10:11 12:21 15:23 07:04 09:14 11:05 13:04 16:14 MayMay 11

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**Thank You for taking the time to attend this session. Questions?**

***"Master your tools, master yourself."***

®Timothy Morge

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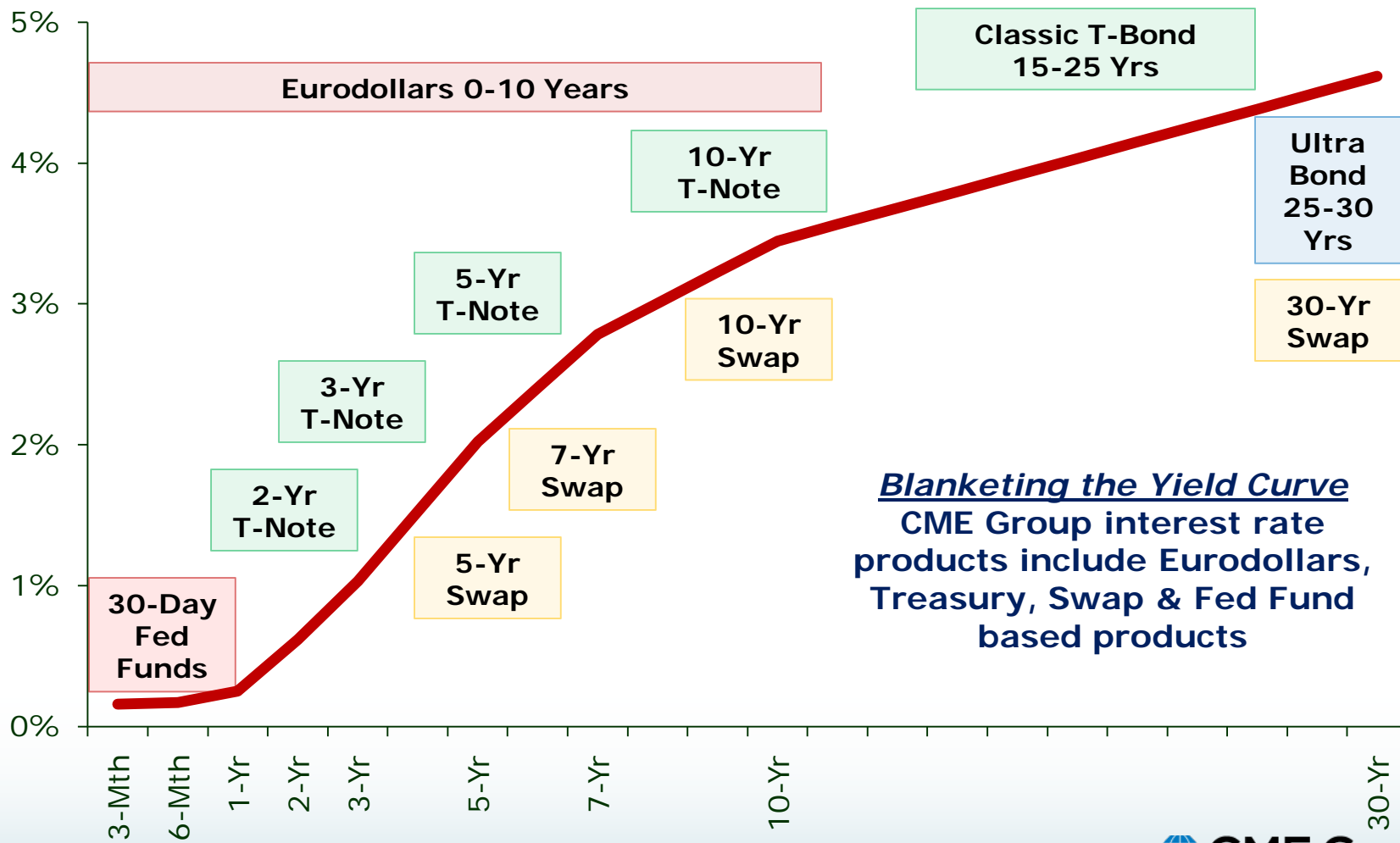
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