



*"Traders
Helping
Traders"*

Woodies CCI Club

BASIC PATTERNS AND TERMINOLOGY

A Desktop Reference

2012.07

V2.3

By James O'Connell

THERE IS RISK OF LOSS IN TRADING FUTURES

Disclaimer

This document is for educational purposes and is intended to describe how Woodies CCI system is used. Nothing written is to be taken as advice, please consult with your broker or financial advisor before placing any trade.

CFTC RULE 4.41 Hypothetical or simulated performance results have certain inherent limitations unlike actual performance record: simulated results do not represent actual trading. Also, since the trades have not actually been executed, the results may have under- or overcompensated of the impact, if any, of certain market factors, such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. No presentation is being made that any account will or is likely to achieve profits or losses similar to those predicted or shown.

Notice

Anyone selling or copying this document or changing any information printed within is liable for legal action. This document is copyright protected.

THERE IS A RISK OF LOSS IN TRADING FUTURES

Acknowledgements

We hope that after reading this text, you will get the basic idea of Woodies CCI system, an ability to recognize his entry and corresponding exit patterns. This will also serve as a reference for all of the vocabulary used in Woodie's community of traders, so you will be able to ask questions in the trading room <http://www.woodiescciclub.com>

Woodie's goal is "Traders Helping Traders". It is my hope that this text will do just that.

Jim O'Connell

I would like to thank Jim O'Connell for reworking this document. This was badly needed, as the original required to be updated. Jim spent many hours of hard work putting together the correct information and the CCI documentation so that traders worldwide would have something to help them in their trading careers and learning the CCI. Jim has surpassed "Traders Helping Traders". This is excellent work, I hope that all who read this and learn the CCI will be successful and thank Jim!

Jim, WELL DONE and thank you!

Ken Wood aka "Woodie"

Table of Contents

Disclaimer	2
Acknowledgements	3
Table of Contents	4
Who is this Document For?	5
Getting Started	6
Range Bar Update	7
<i>Woodies CCI Charts</i>	
CCI Value Lines and Intro to the LSMA	9
Introducing the Sidewinder and Chop Zone Indicators	10
Zero Line Explained	11
The CCI	12
Woodies CCI Trend Defined	13
Learning the CCI Patterns – <i>Are you Ready?</i>	15
<i>Woodies CCI Patterns</i>	
CCI Patterns – <i>Trend Continuation</i>	16
Zero Line Reject	17
Trend Line Break	20
The Tony Trade	21
The GB100	22
CCI Patterns – <i>Trade Entry</i>	23
CCI Entry Execution	24
Money Management - <i>IPS</i>	25
Money Management – <i>Trade Exits - Statistics</i>	26
Money Management - <i>Statistics</i>	27
CCI Patterns – <i>Trend Changing</i>	28
The Famir Trade	29
The Vegas Trade	30
The Ghost Trade	31
Educational Resources	32
Woodies CCI CD - <i>Home Study Course</i>	34
Woodies Book – <i>Trade the Patterns</i>	34

PLEASE NOTE: ALL EXAMPLE CHARTS SHOWN ARE BASED ON MINUTE BARS

Who is this document for?

“If you are new to Woodies CCI Club, I welcome you. I’d like to share a new and revolutionary way of trading the Stocks, Options and the Futures Market.

In this document the methods explained here are directed towards Daytraders who depend upon speed in their order execution and also look to avoid the “market noise” associated with watching the candlesticks that can trip up Daytraders.

However, Woodies CCI is not limited to just Daytrading but is used by Position Traders and Swing Traders alike in all different markets.”

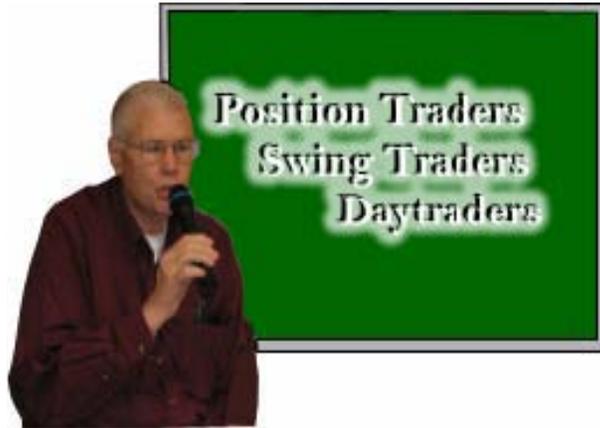
Woodie

Position Traders, Swing Traders, Daytraders, whether stocks, options or futures, I personally invite you to attend one of our Trade-A-Longs.

We teach Woodie's method of using the CCI to all styles of traders at our on-going Trade-A-Longs in the United States and around the world.

Join thousands of other traders who are successfully using the Woodies CCI. Visit our website at www.woodiescciclub.com to get details of our next Trade-A-Long.

Additionally, I would also like to mention we have “Live Training and Education” every day in our Woodies CCI Chat Room.



Seminars are broadcast from time to time with special guests, these do have a small cover charge to cover ancillary costs. New Traders (Newbies) Night is always free.

From your home computer you can join us and chat with other traders around the world. View live charts of the markets, hear and ask questions about Woodies CCI with live moderators. We have truly created an atmosphere of “Traders Helping Traders”. Visit the website for details.

Getting Started

Many have asked me “what is the best way to learn the CCI?” My answer is to start with one pattern, one time frame, one indicator and one set up. I have found too many trying to learn all the patterns at once. All that does is cause confusion and frustration.

Remember “KEEP IT SIMPLE.” Take one pattern at a time, learn it, follow it, until you can recognize it on any chart and that will hasten the learning curve. Markets will be there tomorrow, next week next month. Do it right the first time and you’ll see it will get you up to speed faster. You must be diligent and apply yourself if you are going to succeed.

As you move through this document, you will begin to learn the CCI patterns, but don’t be alarmed if you need more help. We have a “Trading University” designed to continue your education. I will talk more about our University later in this document.



Your Charts

Over the years we have built many wonderful relationships with vendors and brokers. At Woodies CCI Club, you will notice we are vendor and broker neutral. However, I would like to point out there are certain vendors and brokers who go the extra mile to see that Woodies CCI Club accomplishes our vision.

Range Bars: The New Frontier of Trading

I introduced range bars to Woodies CCI Club in 2007, it is an exciting development in trading technique which I have carefully appraised and tested. This trading model, for use with Woodies CCI Club charts, can give traders the opportunity of improving their success rate. The basic setup we have been using is still absolutely worthwhile for trading purposes and, if you are happy with your trading and find it to be successful, there is no need to change but I do feel traders should assess range bars as another approach to profitable trading and I do believe that it is the way forward.

Range bars

Traders will no longer have to depend upon timing as range bars are not predicated on time. Each range bar has the same price increment and each bar closes either at the high or the low, regardless of where it opened.

There is no variation in the interpretation of the original CCI patterns and nothing has altered with the entry patterns in the minute charts, all you have to be able to do is add and subtract the range bar values you are working with, i.e. add or subtract 25 for the YM, 15 on the Russell and so on. Exit signals remain identical, and range bars are particularly good for the aggressive type trader as they can pick and choose their entry more easily as they will know where the range bar will start. I do feel that the range bars show the market more clearly and they do eliminate the mind games that can create chaos with your brain, causing loss of focus and bad trading decisions.

Range Bar Values

<i>YM</i>	<i>25</i>
<i>TF(Russel)</i>	<i>15</i>
<i>Gold</i>	<i>15</i>
<i>Dax</i>	<i>10</i>
<i>QM</i>	<i>20</i>
<i>Euro Futures</i>	<i>15</i>
<i>ES</i>	<i>12</i>
<i>NQ</i>	<i>21</i>
<i>Crude</i>	<i>20</i>
<i>Beans</i>	<i>15</i>
<i>6B (EST)</i>	<i>15</i>

Range bar values

So, on both Gold and the Russell each individual range bar is made up of 15 price increments, 25 price increments per range bar on the YM and 10 price increments on the Dax and so on with the other markets referred to. Every bar is equal in actual size and I have trialled and traded each one myself to ensure that they are the optimum price increments that should be employed in each market. As always, though, I advocate that you do your own stats on this and test them for yourselves to figure out the number that works best for you personally.

Range Bars - Contd

There are many advantages to be reaped from trading with range bars because all the patterns are precisely identical to those used in the conventional CCI trading system, but offer the added benefits of the elimination of market “noise” and evening-out of the charts because each bar is of the same size. Traders can also utilize the Money Management model they have been using along with favoured indicators with no need to change setups.

Buy and sell stops can be placed earlier as the time issues have been removed, and pattern triggers stay exactly the same as the standard CCI trading practices with trends recognized without difficulty.

Woodie has found that the psychological mind games that play havoc with trader's dealings are reduced. Traders may make a smaller number of trades, but they will be more successful and profitable than before when using the time-bar method.

Among other tangible improvements offered with the application of range bars include CCI angles being more easily recognizable; the Turbo warning is clearer; and traders will be aware of where the top and bottom of each range bar is so buy/sell orders can be entered at an earlier time.

There are some minor differences whilst dealing with range bars as opposed to the regular CCI system: the Sidewinder settings should be altered from 60 to 30 and, if the Chop Zone Indicator is blue for sometime followed by one or two other colors returning to blue, a ZLR can be taken which will give leeway for long trades.

Due to the nature of range bars we sometimes see patterns that trigger opposite of the trade (going long based on a bar that closes on the bottom and vice versa). Woodie suggests using a smaller stop on these to account for the difference in momentum on entry. Woodie recommends doing stats to determine if they should be in your plan and what stop should be used.

By the way, Woodie's Pivots are not affected by range bars and things like the LMSA stay the same.

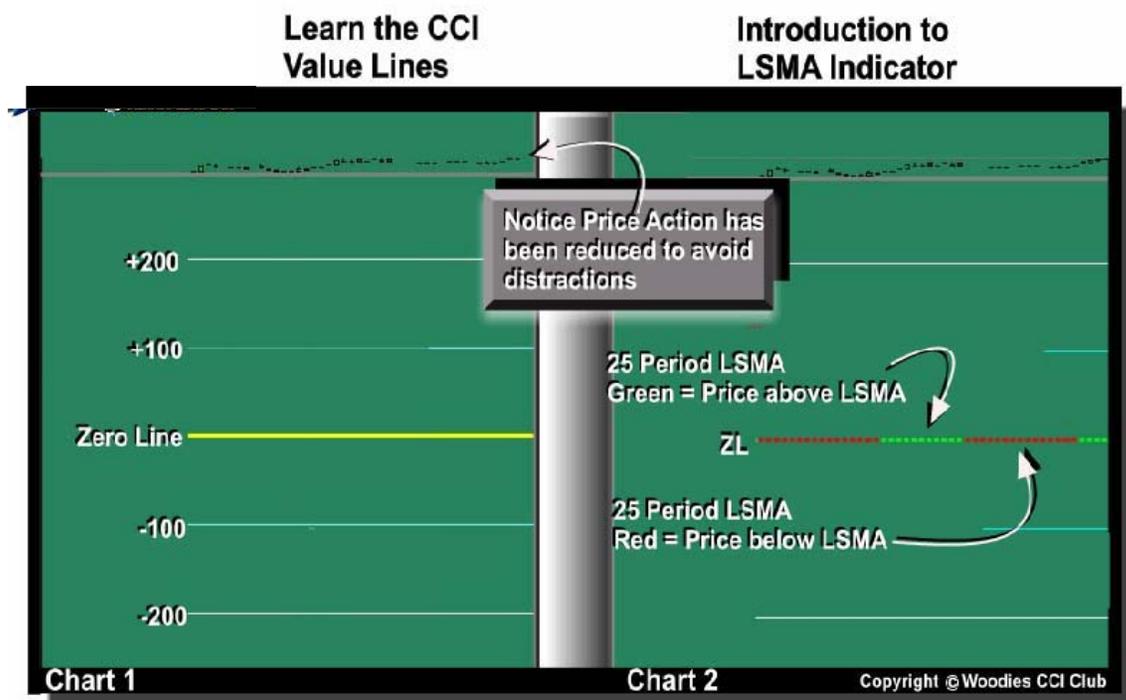
WORDS OF ADVICE

When learning Woodie's CCI system, Woodie recommends that you trade with the trend and that you do not trade “Trend-Changing” patterns until you have learned to trade the trend patterns.

CCI Value Lines and Intro to the LSMA

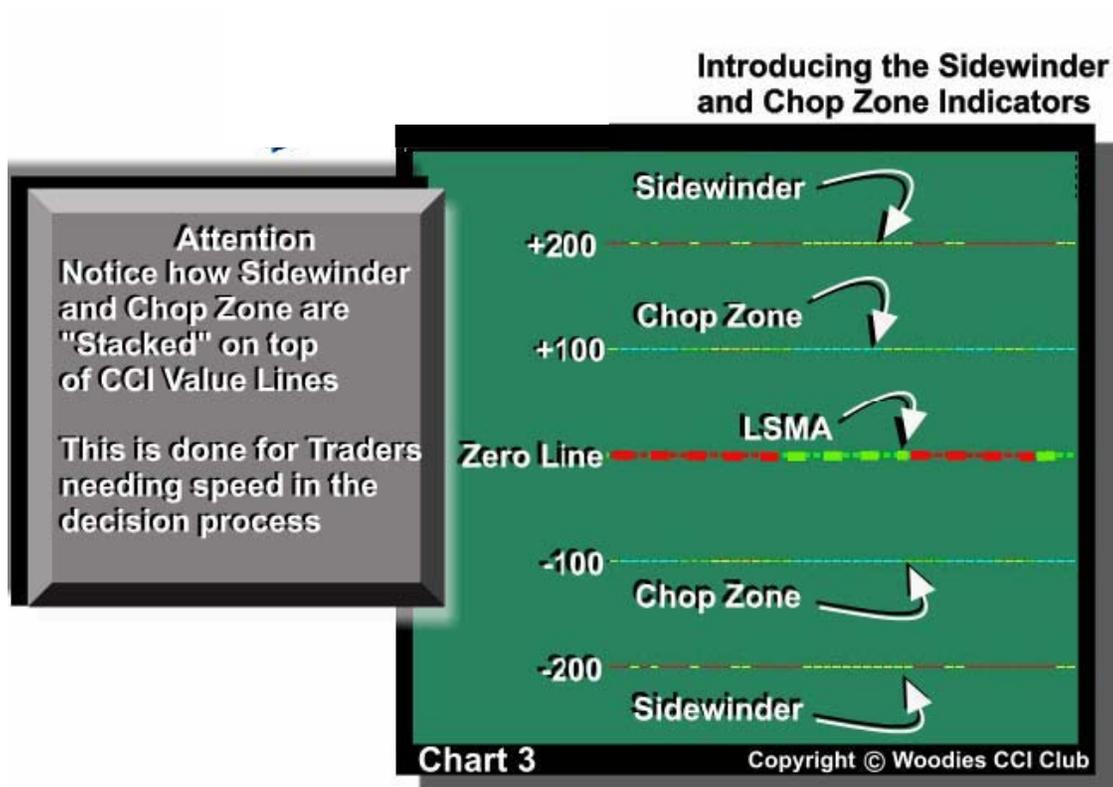
Chart 1 below shows a single yellow horizontal line. This is called the Zero Line (ZL). It has a special meaning in the calculation of the CCI. You may think of it as the equilibrium of momentum over a given period. All of Woodies CCI system trade patterns are defined around the zero line. The chart shows four other lines. The light blue are the 100/-100 lines and the white are the 200/-200 lines.

Chart 2 shows the ZL as a series of red and green segments. These segments reflect the 25 period Least Squares Moving Average (LSMA). When the segments on the ZL are green, this means that the market price is higher than the LSMA. When red, the market price is below the LSMA. This is also called the moving linear regression curve. The LSMA will be used in trade confirmation of patterns and exiting positions. It is not important to understand how the LSMA is calculated.



Introducing the Sidewinder and Chop Zone Indicators

Chart 3 shows the location of the new revolutionary indicators that Woodie has developed to be used with the system. Plotted on top of the 100 lines is the Chop Zone Indicator (CZI) and plotted on top of the 200 lines the Sidewinder Indicator (SI). Both indicators are designed to allow traders to react to the sense of sight. Both these indicators are used only for the Zero Line Reject trade.



The **Chop Zone** indicator shows market direction. Blue shows up market and brown shows down market. Multiple colors show market in a sideways mode.

The **Sidewinder** displays in three colors red, yellow and green. The red shows a flat or non-trending market, the yellow shows a trending market and the green shows a strong trending market.

The use of the CZI and the SI will be discussed in the use of the CCI Pattern called a "Zero Line Reject," and show you what a setup looks like.

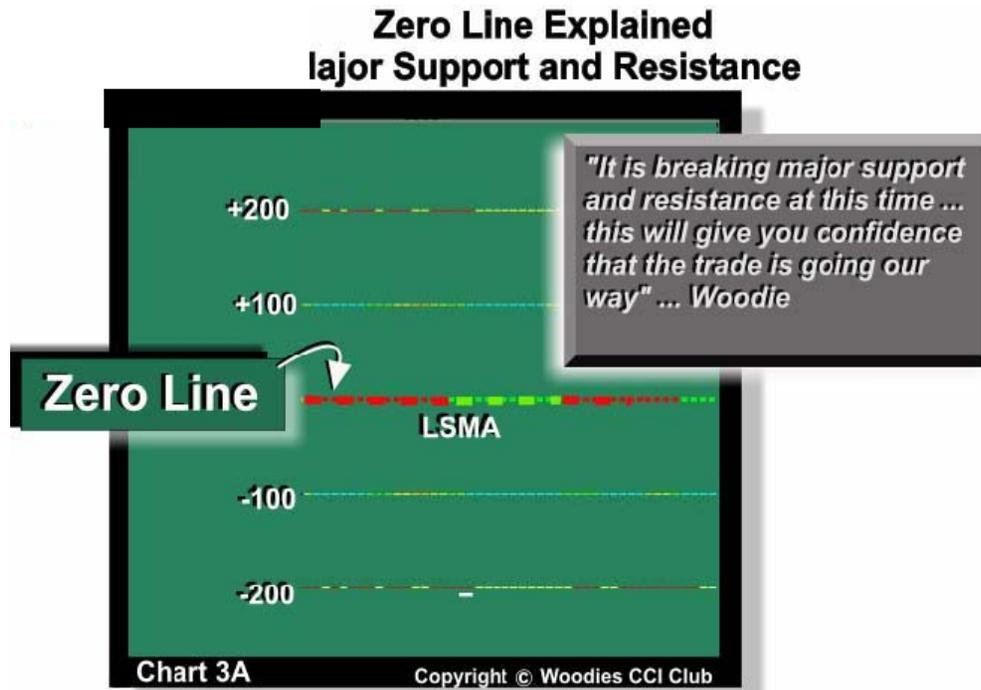
Zero Line Explained

Zero Line: It is the major support and resistance at this moment in time.

"At this moment in time" means that it does not represent a forward-looking projection of where the support and resistance will be in moments from now, but where support and resistance is now.

This line will be tested and crossed several times throughout the trading day.

Attention is necessary when the CCI crosses the ZL. These are important events during the trading day.



So up until this point you have been shown the CCI Value Lines. The importance of the zero line along with three indicators we will be using in conjunction with the CCI.

The three indicators are:

- 1) The Sidewinder Indicator (SI)
- 2) The Chop Zone Indicator (CZI)
- 3) The Least Squares Moving Average Indicator (LSMA)

Question #1: Do you remember the abbreviations we have used for our indicators?

Question #2: What is the abbreviation we use for the Zero Line?

Question #3: Can you name the indicators stacked on the 100, the 200, and the Zero Lines?

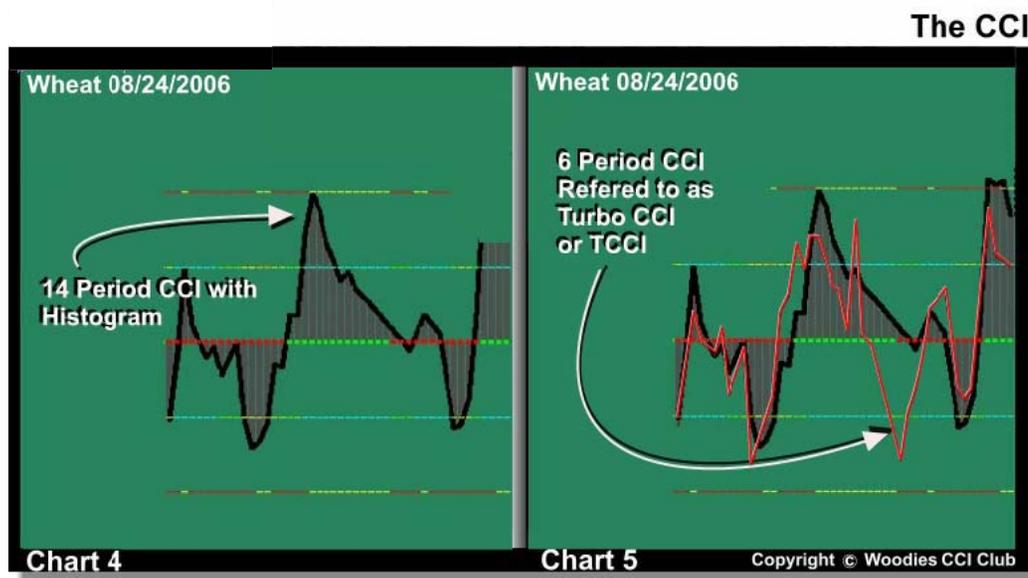
The CCI

“Don Lambert developed the CCI back in the 1980’s but he developed it not for trading, but to test the computer. Being a mathematician, Don used the CCI to test computers. Not limited to computers, Don did write an article on how he thought the CCI could be used to trade the markets. Today, 99 percent of the information found on the CCI is the way Don Lambert originally designed it. We have enjoyed Don’s contributions and have had Don as our guest at our Trade-A-Longs.”

Woodie

Chart 4 On the left shows the CCI line. It will always be the heavy black line on Woodies CCI Charts. This will be presented as a histogram. The vertical gray lines will be called **histogram bars**. It is not necessary to understand the calculation of the CCI line. The CCI settings are 14 periods for all charts up to 60 minutes, 60 minutes and above a setting of 20 is used.

Chart 5 Shows the addition of a **RED** line. Woodie only uses two CCI indicators to trade with. One is the CCI 14 period, shown in **BLACK**, and called **CCI**. The other is the CCI 6 period, shown in **RED** and called **Turbo CCI** or **TCCI**. TCCI is used in the drawing of trendlines. TCCI can be used as a **warning** that a pattern might be occurring, or, in multiple contract trades, used in taking off part of the position.



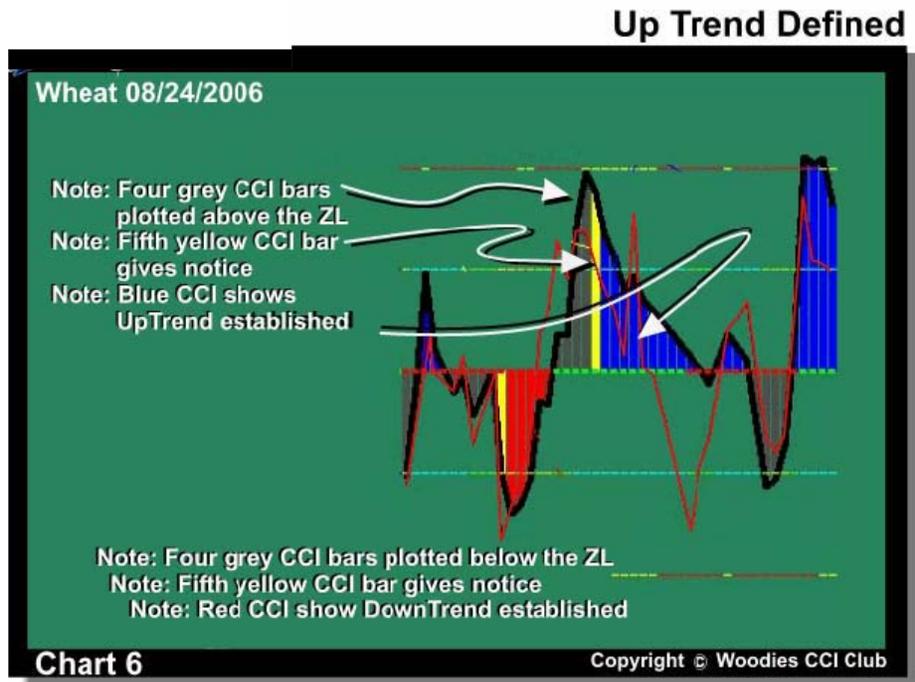
For those who care to explore the definition and calculation of the CCI, more information can be found at our Trading University at: <http://woodiescciclub.com/forum/index.php>. You'll need to signup and go through the steps of creating a user account. Then you'll have full access to the forum of our free "Trading University". A more detailed explanation of the Trading University is found in the closing remarks at the end of this document.

Woodies CCI Trend Defined

Woodies CCI Trend (trend): A trend is established any time the CCI (black line) is either over or below the zero line (ZL) for six or more consecutive histogram bars. Remember "Consecutive" is the key word. If the CCI trades on the other side of the ZL, this does not negate the trend. If above, trend is up, if below, trend is down. The word trend is used in bold print throughout this text when referring to Woodie's definition.

- Defines the **trend** using the CCI indicator only
- Does not use price bars to define **trend**
- Does not use any moving average to define **trend**
- Does not use a larger time frame to define **trend**
- Uses the same chart to define **trend** as to spot a CCI pattern for the market
- Each market will have its own **trend**.
- You do not need any other charts, markets or indicators to see and define the **trend**.

Chart 6 shows the addition of red, blue and yellow histogram bars. The yellow histogram bars show the establishment of a trend, while the blue bars show an uptrend, the red bars a downtrend. The yellow histogram is a warning that the next bar could establish a trend.

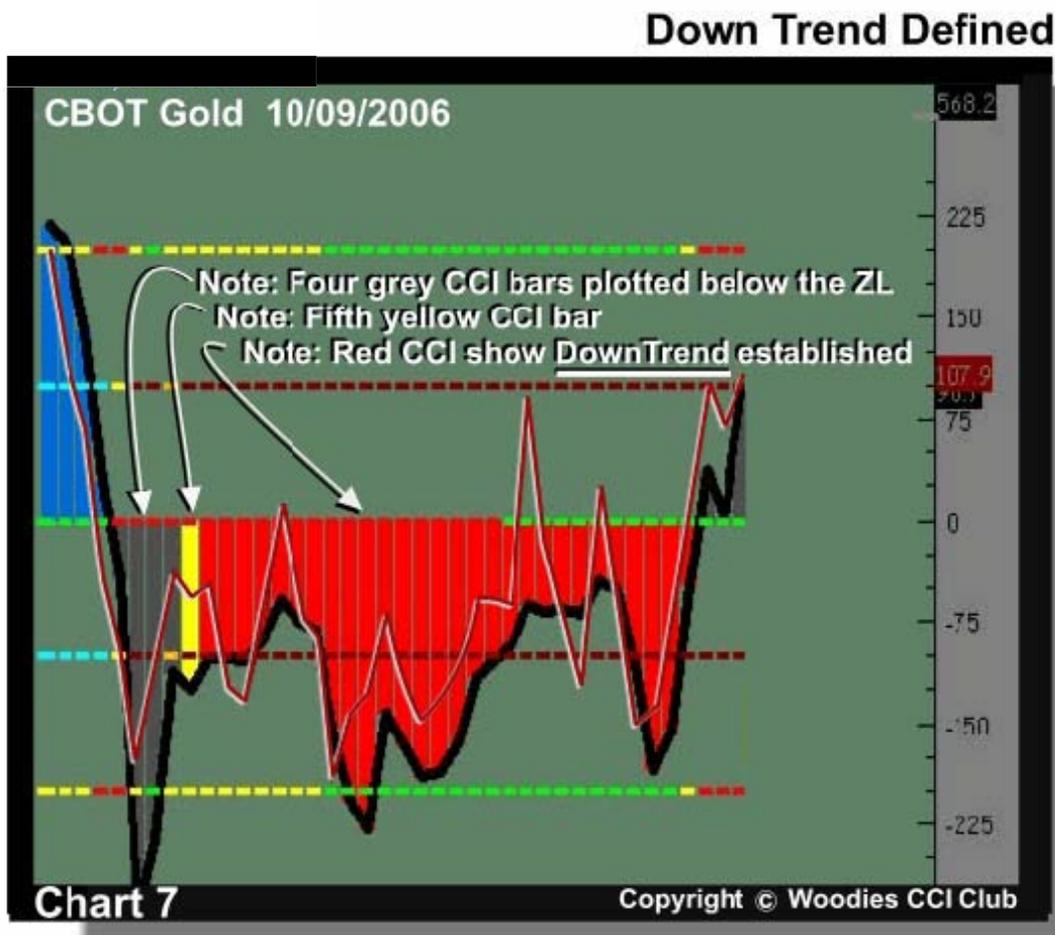


WORDS OF ADVICE ON TRADING THE TREND

When learning Woodie's CCI system, Woodie recommends that you trade with the trend and that you do not trade "Trend-Changing" patterns until you have learned to trade the trend patterns first.

Woodies CCI Trend Defined - Contd

In **Chart 7**, we see that, after the yellow bar, we have a down trend. This is shown by subsequent red histogram bars. It is still in a down-trend when the CCI has printed above the ZL for one or two CCI bars. (six maximum) In this example here we would be looking for shorts. But be warned that the more bars that register opposite the trend established, the more we should stay on the side line until the trend is redefined.



True/False #4: When the CCI crossed the zero line the trend automatically changes.

True/False #5: Only when the LSMA is in agreement with the CCI bar color do we have an “established trend”

True/False #6: The CCI trend is established without looking at price action.

Learning the CCI Patterns



“Ok, are you ready to learn the CCI patterns? Yes?... I’ll bet.

But before we dive into each CCI Pattern, I feel we need to set guidelines on our expectations. I’ll also offer some ideas that can help you move through the learning curve to become a successful trader.”

Woodie

It is well understood that classroom learning is a must, often referred to as *explicit* learning. However, as with any profession, you must practice the actual skill, this would be considered *implicit* learning. To help understand what I’m saying, “how would a musician sound if he never practiced his instrument, or an athlete who never practiced the actual skill he or she competes in?” This aspect of your learning must not be over looked.



Step One – Explicit Learning:

As you are reading this document, you must become very familiar with each aspect as explained, however, this is not the end of your learning curve as a trader. We are just beginning.

One of the tools I ask you to use is the “Woodies CCI Trading University” As of this date; there are over 7,000 entries in the forum of our Woodies CCI Trading University. There you will find in-depth answers to questions that I am not able to cover in this document. The forum is divided into several

topics associated with trading. You’ll be able to grasp various aspects of each pattern as explained by experienced traders. Also in our “Conference Room”_ hosted by www.talkslive.com, we have on-going seminars broadcast on a regular basis given by fellow traders along with special guests. These seminars can be attended with a payment of a small charge which covers the costs. This is a tremendous benefit and I hope you take advantage of this opportunity to learn.

Step Two – Implicit Learning:

Practice makes perfect? Yes, you have heard it before. Practicing your skills with a live moderator in our “Conference Room”_ is the way to go! Hosted by www.talkslive.com

The live moderator will be broadcasting their live charts, but you’ll need your own charts to follow along



CCI Patterns – Trend Continuation

Let us now look to CCI trade patterns that are *trend-following*. Trade patterns that are in agreement with the established trend or *Trend Continuation Patterns*.

For the new trader, these four patterns should be all that you look for and learn to trade. It is highly recommended to first practice trading on a demo platform. This will help you recognize patterns and get some “screen time” and refine your trading skills. When trading on a demo, treat it with the serious goal of trading your own money successfully.

1) Zero-line Reject (ZLR)

2) Trend Line Break (TLB)

3) Tony Trade (TT)

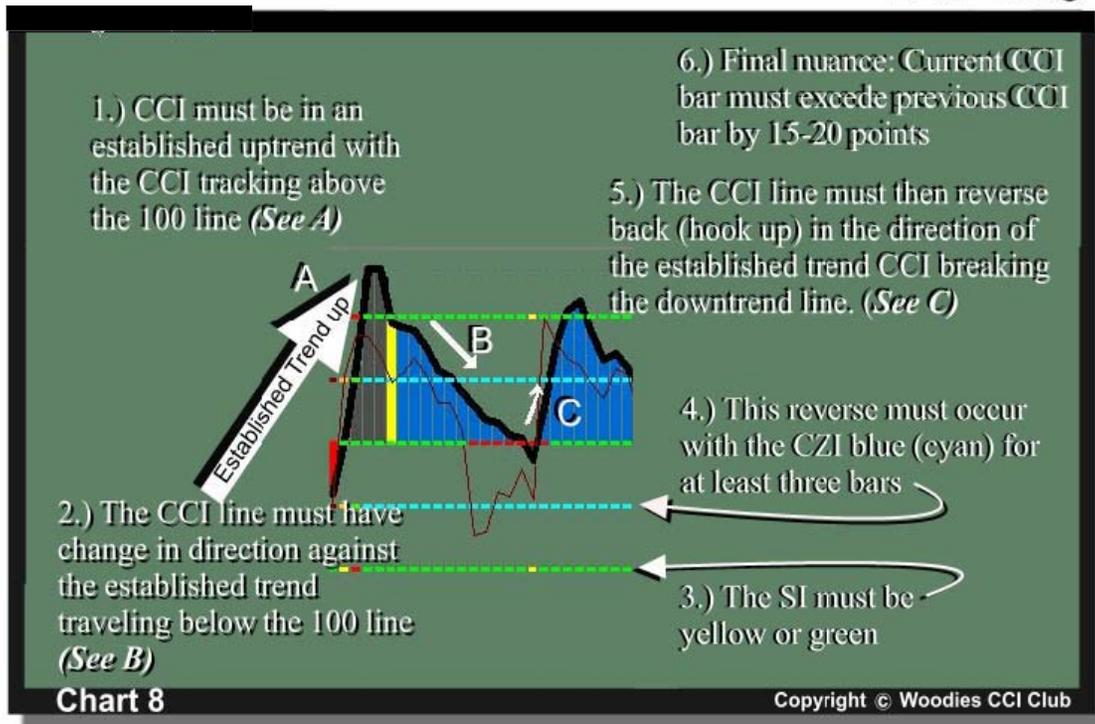
4) GB100 (GB)



Zero Line Reject – Learning Nuances

1. To start the setup the CCI establishes a **trend** with correct color, blue in this example, and reaches at least to the +100 line. The CCI must have 6 bars above/below zero line, as discussed prior, for a valid trend. (see A)
**Note: Short-ZLR, the CCI must reach -100 to start the setup*
2. Then CCI line travels back down in a direction opposite of the established **trend**, towards, or just through, the **ZL**. (see B)
Note: In Step 2 above, to be considered a **ZLR, the movement back or against the established trend, to the **ZL** should at least go back down inside the +100 level then reverse back to **trend** direction.*
3. Then, in a subsequent bar, the CCI line reverses direction and heads back up with the established trend (see C)

ZLR - Long



Zero Line Reject – ZLR Long

Chart 9 shows same ZLR in Chart 8 to the upside, this time you can see the price bars to compare entry.

*Note: Technical Analysis with trend lines on price action is "typically" slower than the CCI. As a study, do chart comparison and see how the CCI is usually one bar ahead of Trend Lines drawn on Price Action.

"I always wait until it crosses back over the zero line...it really hasn't rejected it until it crosses back over."
Woodie

- *The Trend is established up. (see A)*
*Note the blue histogram bars after the yellow histogram bar
- CCI then moves downwards towards the ZL. (see B)
- The CCI then turns back up in agreement with the established trend. (see C)
- In addition, the CCI is blue (cyan) and the SI is green or yellow confirming a ZLR
- Final nuance/rule: the CCI points for a valid setup. You want 15 to 20 difference between previous and CCI entry bar. In the example below, the current CCI bar is +35 and previous CCI was -8, this make a 43 point difference in CCI points.

If all these conditions are met a Buy is warranted.



WORDS OF ADVICE – DON'T CHASE THE TRADE

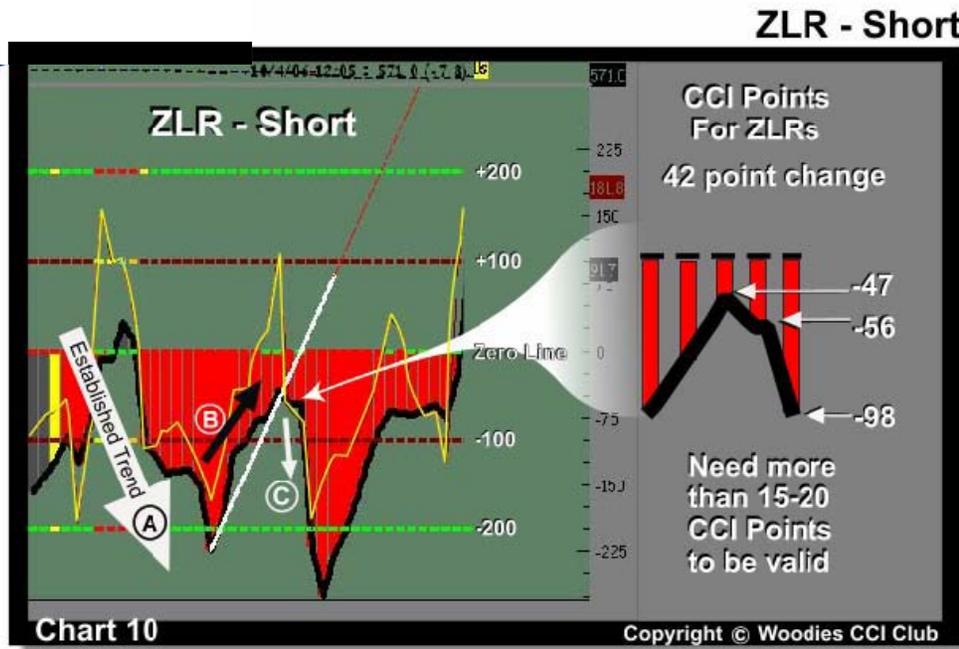
While waiting for the setup; if the CCI bar closes in excess of 120 CCI points don't chase the trade. Later we will discuss taking a trade before the CCI signal bar close, and we will have a full discourse on how to execute the Woodies CCI Trading System later on.

The important thing now is to recognize the pattern. Note in this example the CCI actually cross under the ZL. What is the minimum to qualify? ... To be a valid ZLR-Long in this example, the CCI only had to descend below the +100 line, then reverse back up to be considered a ZLR.

Zero Line Reject – ZLR Short

Chart 10 shows a ZLR to the downside. For a short trade:

- CCI must be in established downtrend with the CCI tracking below the -100 line (see A)
- The CCI line must have change in direction against the establish trend travelling above the -100 line(see B)
- This reverse must occur with the CZI brown for at least three bars (blue color for longs)
- The SI must be yellow or green
- The CCI line must then reverse back (hook down) in the direction of the establish trend CCI breaking the uptrend line. (see C)
- The CCI must be 15 to 20 CCI points greater than previous CCI bar. See the example on the right. We have -47 down to -56 only 9 CCI Points, then the CCI moves on down to -98 giving us a -42 point difference, so this would be a Valid ZLR.



Question #7: Can you list all eight nuances or aspects of the ZLR?

True/False #8: You are about to enter a short ZLR and the CCI bar has travelled to the -130, you should go ahead and take the short.

True/False #9: For a valid short ZLR you can have multi-colors of yellow and green on SW but not multi-color on the CZI.

Question #10: How shallow can a ZLR be and still be valid?

Question #11: How deep can a ZLR go and still be valid?

Question #12: How did we determine that a down-trend was established in the example above?

Trend Line Break (TLB)

This is the second of the **trend** agreement trade patterns. Although this pattern is called the Trend Line Break pattern, please try to put out of your mind any knowledge you have with regard to price chart patterns and their trading techniques. This pattern can be either **trend** agreement or **countertrend**. We will look at this pattern when the **trend** is in agreement. The trend line must originate from a peak/valley above/below the 100/-100 line, and it is preferred if the peak/valley is above/below the 200/-220 line. This pattern is usually a confirmation of a ZLR. But it does not necessarily have to confirm a ZLR, it stands on its own as a trade signal. When more than one of Woodie's patterns is in agreement, the signal has a higher probability of success. TCCI can be used in construction of trend lines but CCI is preferred. When the CCI line crosses the trend line a trade is signalled.

*"I always wait until it crosses back over the zero line...it really hasn't rejected it until it crosses back over."
Woodie*

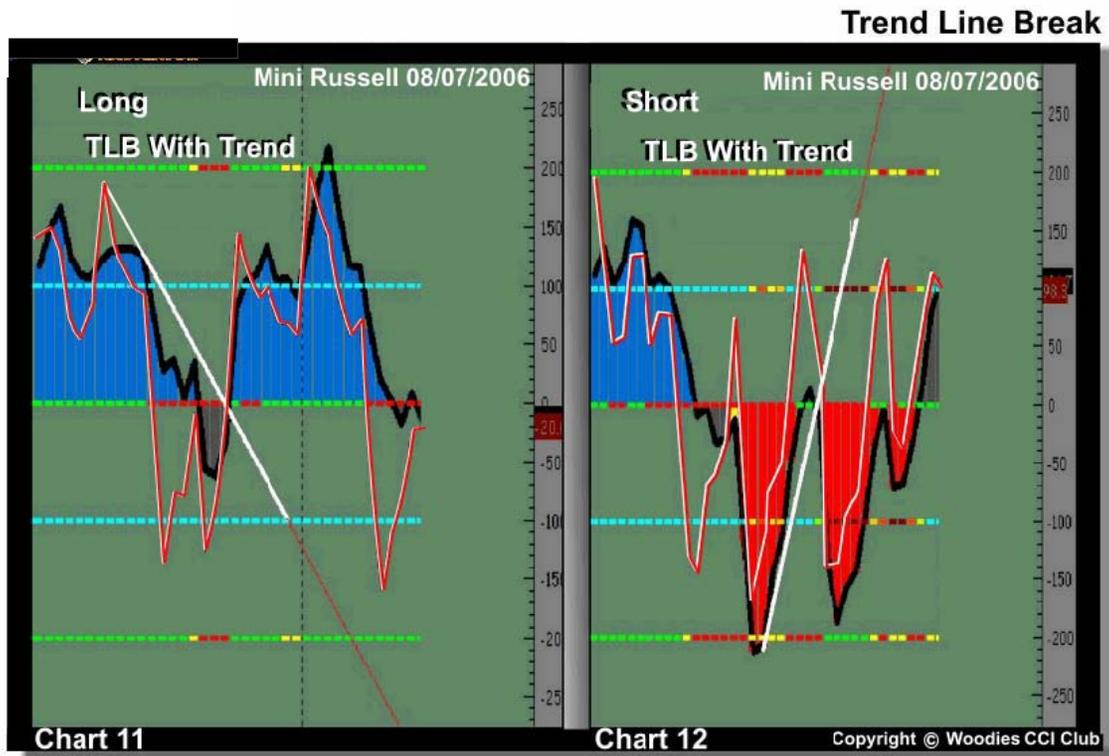


Chart 11 shows a TLB uptrend. The trade signal is the crossing of the yellow line by the CCI line. A white trend line is also drawn on this chart using the TCCI in its construction. This is acceptable and usually draws a sharper line.

In Chart 12, the trend is down. The more peaks or bumps the stronger the signal. Note in both charts that we had a ZLR trade first. The TLB usually gives confirmation to the ZLR.

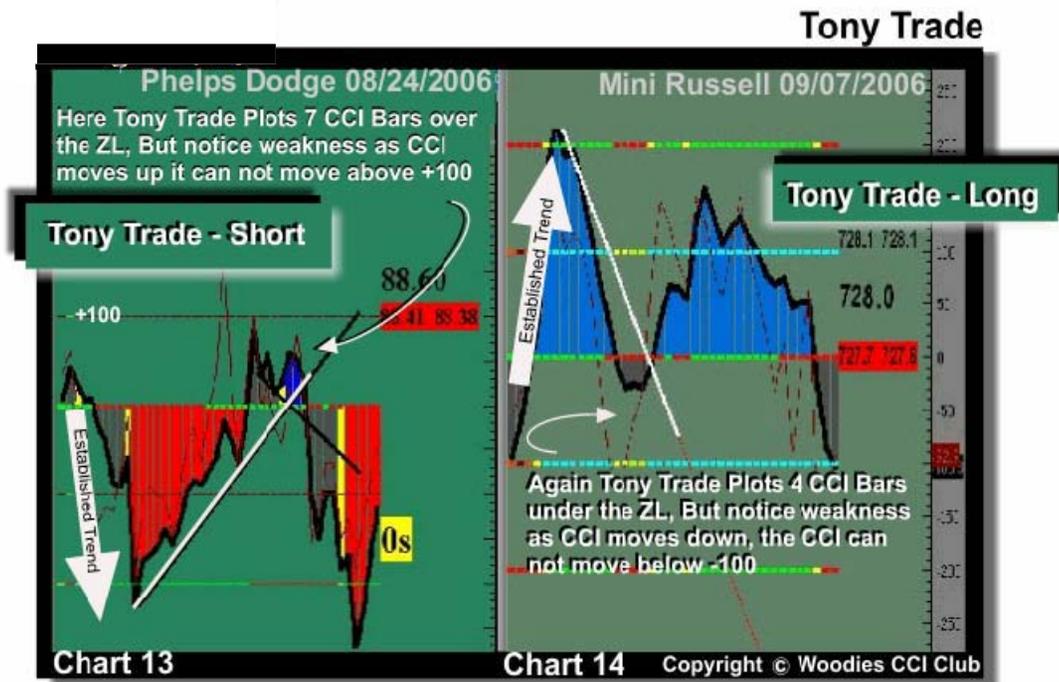
Tony Trade (TT)



The third trend agreement trade pattern is the Tony Trade. This pattern is named after Tony Holden aka TONYUK in the chat room.

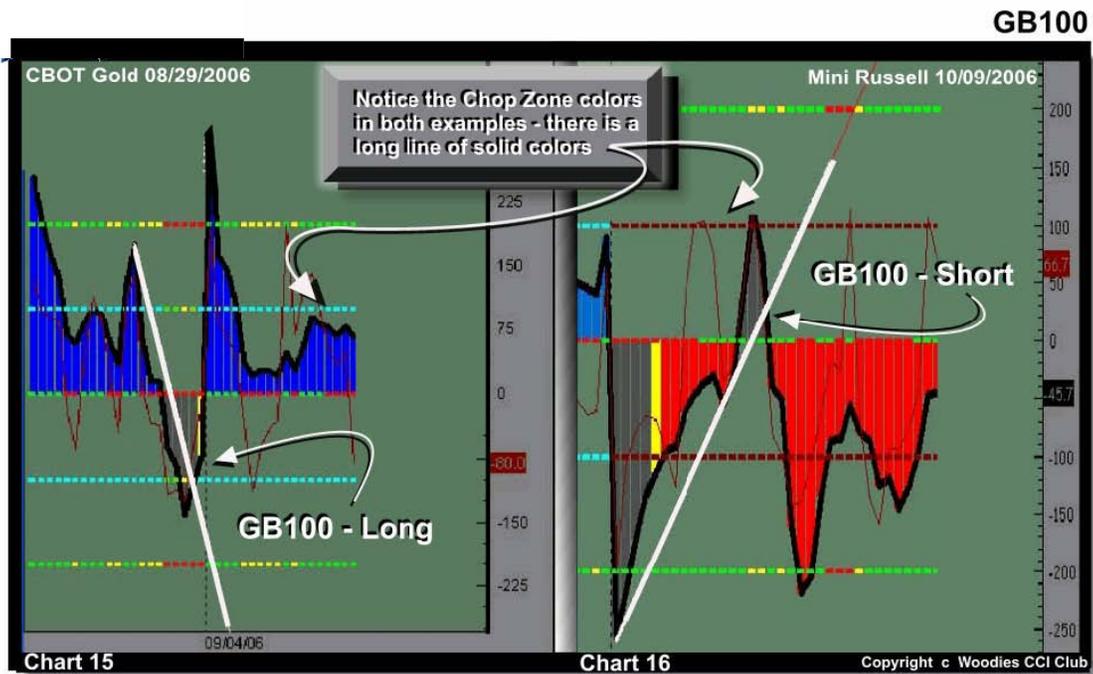
“Tony handles all the chat rooms and forums as well as my website and all my technical issues at our Trade-A-Longs. He puts in many hours to help other traders”
Woodie

What makes this pattern so special is that the CCI is a momentum indicator and this pattern shows that perfectly. The pattern is formed by first having a trend and then crossing the ZL for 4 Bars minimum being printed. We can have up to 9 Bars printed and what we look for is not one of those Bars to get to the 100/-100 line. This shows a very weak momentum move up or down that the CCI cannot even get to the 100/-100 line. We then look for a pattern to trade or a **Trend Line Break** in the direction of the prior trend. The trigger for this trade is the crossing of the ZL after a TLB or a pattern trigger. A trader can be aggressive with this trade, as it's with the **trend** and the lack of momentum to establish a new **trend**. Expect the movement after the pattern trigger to be crossing the ZL to be aggressive. However, the Tony Trade no longer need trend line break to be valid.



GB100 (GB)

The GB100 trade is a ZLR that just went too far on the CCI, and goes passed the 100 lines then back to the original trend. You must have a **Trend Line Break** and the pattern must be triggered before 6 bars are printed. The main nuance must be a long line of blue/brown on chop zone indicator. This will show that any moving average will have a good slope up/down. The trigger is crossing the 100 line and trend line break. The SI does not have to be in agreement. However the GB100 no longer needs a trend line break to be valid and you can have up to two bars of chop on the GB100 before a return to the correct color.



True/False #13:The GB100 is a **Trend Changing** pattern

True/False #14:TLB has to be used with other CCI signals

True/False #15:Because Woodies CCI Trading University is free; it does not require a password or user name

True/False #16:TLB can also be used as a signal for trades with the established trend or against the established trend

CCI Patterns – Trade Entry

“There are patterns one should learn to recognize when first learning Woodie’s CCI. These are the patterns which agree with the CCI trend as defined earlier. There are some successful traders who use only these basic patterns. Once again, it is advisable to obtain a demo platform to watch patterns develop (remember implicit learning?) You will, after a time, be able to anticipate these patterns. After you get comfortable identifying patterns and watching them set up, it is time to learn the rules of trading Woodie’s CCI”

Woodie

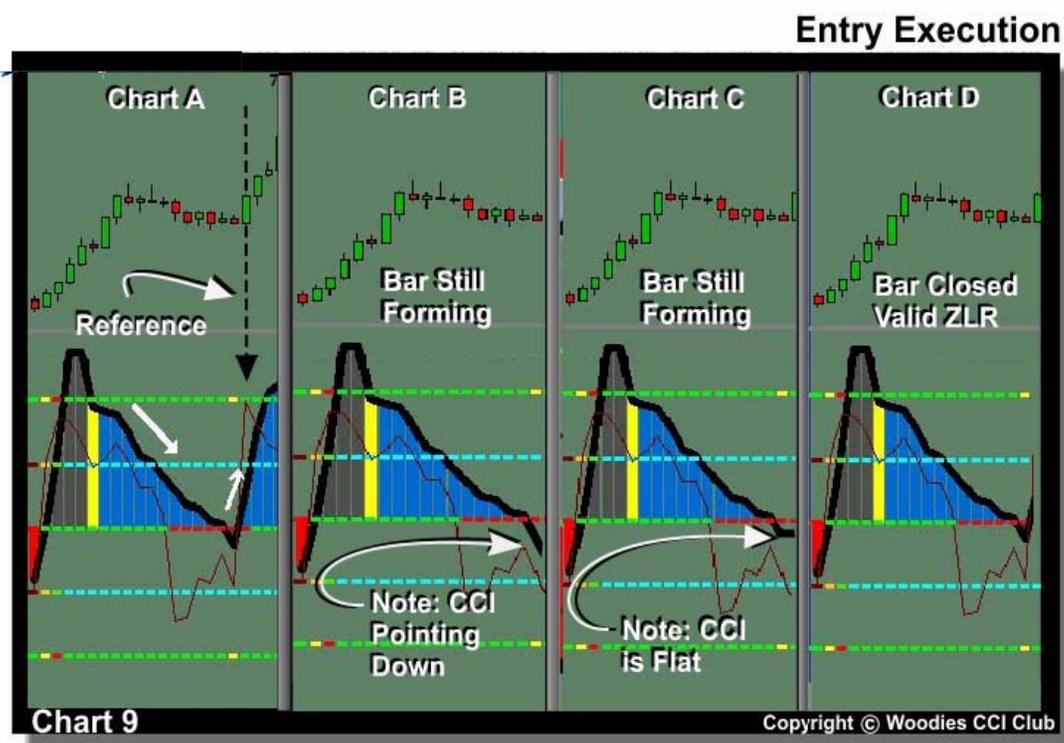
Notice the bar where the CCI reversed back to trend is the entry signal (2nd white arrow - see C). Here, you would Buy at the market. (*Long Position – see Long Entry arrow below*) In regards to the entry, note that the two arrows (see D) points out that the TCCI turned back to trend two CCI bars before the CCI and crossed the ZL. This is a good warning that a ZLR is going to happen. The TCCI has a strong tendency to lead the CCI.



The exit would be the CCI bar that reversed back towards the ZL. Notice the TCCI gave a heads up warning of the possible CCI exit was coming. See yellow vertical lines and compare to the TCCI's location. Notice when TCCI hooked into the CCI. (*Rules for exiting trades in Money Management Section*)

CCI – Entry Execution

See the reference bar in Chart A, it shows the bar has been completed. With most charting software that updates with each tick, the charts will assume that every second is the close of a bar. So during the bar formation the signal could be given, and then taken away as price fluctuates.



Your screen could show all these patterns based on the last price before the bar closes. Chart A and Chart D show the ZLR pattern, but Chart B and Chart C do not. This is one of the wiggle room parts of this system. What to do?

Here are Three Choices

Entry Choice #1: Conservative

Wait until the bar closes to enter? This is the easiest to execute.

Entry Choice #2: Conservative to Aggressive

Woodie would like the beginner to enter market, if with 20 seconds left in the bar, a valid CCI pattern presents itself.

Entry Choice #3: Very Aggressive

Enter trade as soon as bar indicates a signal during price bar formation. This obviously is for experienced traders.

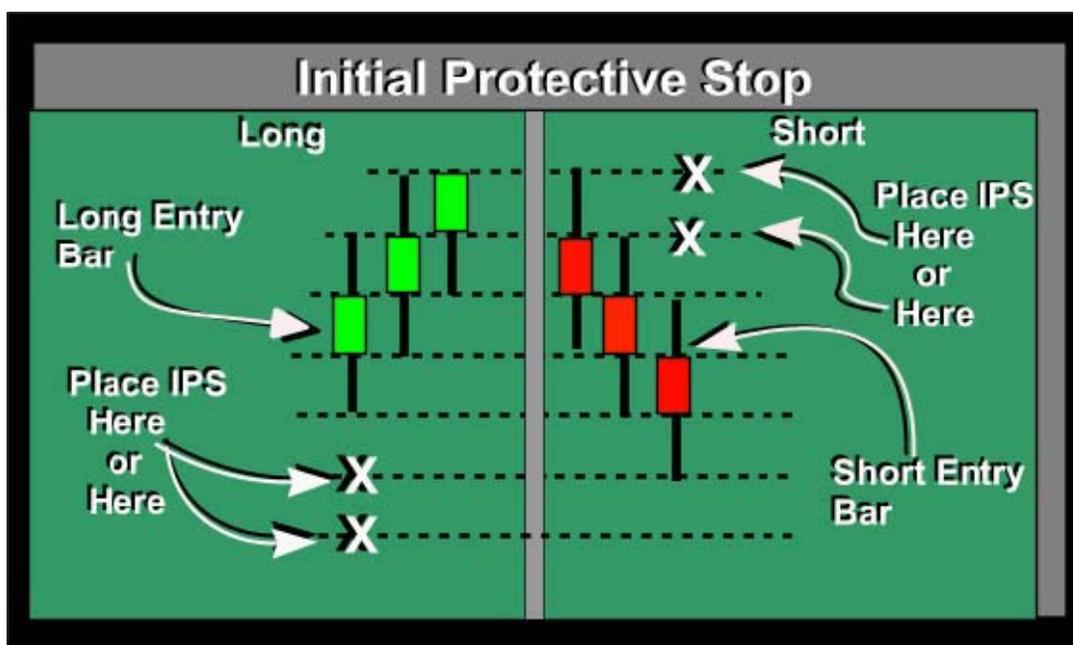
Your **implicit** learned skills are put to the test here. Be fair to yourself and allow yourself time to grow and improve your skills. You are strongly urged to see Choice #2. Besides the ZLR pattern, the three other trade patterns will show CCI crossing the line break, and then not. They all have the same timing issue.

Money Management – Initial Protective Stop

I would like to start by saying Money Management skills for a trader is of paramount importance.

To do this subject justice, there would need to be considerable time discussing the various aspects of your Money Management. Our "Trading University" has devoted a tremendous amount of work in the discipline of Money Management. My goal here is to point you in the right direction and give some guidelines to follow. Over the last 30 years, I have tested many Money Management techniques. The following Money Management techniques that I share with you are currently what I use.

"I'd recommend placing your Initial Protective Stop at one or two ticks above or below the entry bar"
Woodie



When initiating any trade on any pattern, a protective stop should be placed. For the beginner, it is strongly recommended to use a price stop. (Note: This is the first time the word 'price' has been used)

As you practice on different markets, you are going to find some markets exhibit different characteristics or behavior and may require different strategies for your Initial Protective Stop.

The commodities Gold and Lumber are examples of markets where different strategies may be needed. To gain insight on what to do, will require you to keep statistics on the various markets you plan to trade and track how successful your strategy is.

WORDS OF ADVICE

"Remember if you can't be successful on paper trading (practicing) it will not work with real money....."

Money Management – Trade Exits

“The next aspect of managing your trade is how you handle the exit of the trade. I have listed 9 ways to exit a trade. While the CCI patterns are excellent for getting into a valid trade, the CCI can also be your guide in managing your trade exit. By using the CCI traders can avoid the whipsaw action often associated with watching candlesticks.”

Woodie

Your next step is to take time to develop one or more of the strategies I've listed below. In addition, I want you to visit our Trading University and get a more in-depth picture of how we manage our trades. Traders understand they must draw upon their skills in a variety of "Market Conditions" presented to us each and every day.

Each of the exits here deserves an in-depth explanation; however it would develop into an extended subject that is better served in our Trading University Forum. Also if you are interested in seeing the above trading management techniques done live, I ask that you find time to participate in our Live Trading sessions in our **Conference Room**. You will have the opportunity to see other traders managing their trade and how the CCI exits are used in real time for learning purposes.

9 Rules for Exiting Trades using Woodies CCI

- 1. CCI Trend Line Breaks**
- 2. CCI crossing back through the 100 lines**
- 3. TCCI hooking or going flat, not moving, or no progress**
- 4. CCI hook from extremes**
- 5. Profit target hit**
- 6. CCI forming a flat top formation**
- 7. Crossing a Horizontal Trend Line**
- 8. When the LSMA disagrees with the trade**
- 9. CCI crossing the zero line (ZL)**

Money Management – Statistics

“Statistics” is the collection, organization and interpretation of data and is *the starting point* and a third vital aspect of your Money Management.

To properly appreciate a market you should record statistics so you can understand how the chosen market works in detail.

Once you have investigated the pattern you feel you want to use with the exits you want to make you should then build up a spread sheet of entry, stops, exits, drawdown, color of LSMA, TCCI, etc that occur with that pattern in the market you are following and study, in depth, why a trade won or lost.

To start you should learn the basic concepts below. As you progress, you will build on what you learn here.

Percent Profitability

Total winning trades divided by total trades taken.

Avg. Size of your Winning Trades

Total dollar amount of the winners divided by the number of winning trades.
(Do the same to find average size of losing trades)

Win-Loss Ratio

Average Winner divided by Average Loser.

WORDS OF ADVICE

If your average gains are less than your average losses, perhaps you should stick to the day job...

CCI Patterns - Trend Changing

Let us now look at CCI trade patterns that are trend-changing. These patterns indicate the possibility of a change in trend direction and are recommended for use by those who have some experience in trading. Newcomers should keep to trend continuation patterns until they feel very confident!

- 1) *Famir Trade*
- 2) *Vegas Trade*
- 3) *Ghost Trade*



Famir Trade

The Famir pattern could be considered a ZLR pattern which immediately fails on the next or subsequent bar(s).

As with the ZLR pattern, Famir has the most success within the 50/-50 boundary of the ZL. It is a hard trade for beginners, not in seeing the pattern, but living with and feeling the trade internally. This is because the beginner has just suffered a loss on an executed ZLR and now has to reverse his position. This predicament can be further frustrating if the Famir trade pattern then fails, leaving the newcomer with a sense of total loss.

That being said, the Famir trade pattern is very successful and popular among Woodie's system followers. Here, the LSMA comes into play. If the LSMA is in agreement with the Famir, it gives more confidence to the trade. The LSMA shows agreement-buy color; red for going lower and green for going higher.

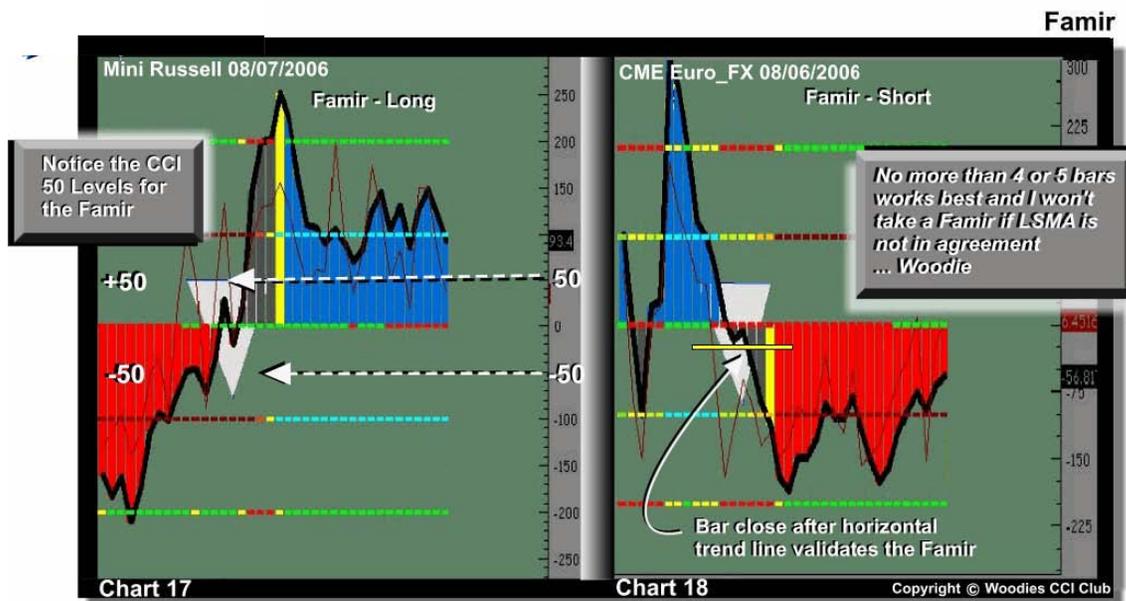
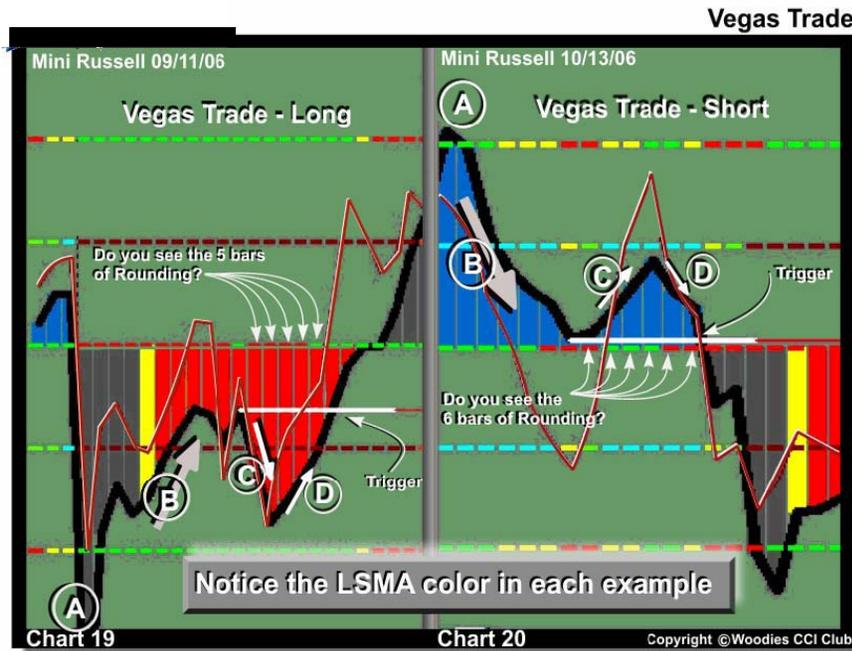


Chart 17 shows a Famir - Long to the upside. Note that the LSMA is red during the ZLR. When the Famir pattern occurs, the LSMA is green, in agreement with the patterns trade signal. Note also that the creation of the Famir took more than one bar.

Chart 18 shows a Famir - Short right at the ZL, with a one bar failure. The LSMA is red and in agreement with the Famir -Short trade signal.

Vegas Trade

The Vegas Trade (VT) is another TREND-CHANGING pattern and has some important fundamentals as listed below.



Key Elements of the Vegas Trade

1. The CCI Line must have extended to or past the 200/-200 line (gone to extremes) in agreement with the trend (*see A*).
2. It then should reverse back towards the ZL (*see B*).
3. After retracing back towards the zero line, the CCDI forms a swing high/low, and then forms a rounding/sideways action with a minimum of 3 bars or maximum of 10 bars. This is where the battle of the bulls and bears takes place, mostly "*Johnny Come Lately*" traders that missed the initial move and want to jump in. The Rounding can look like a cup, it also can appear as peaks and valleys, but for a clear example we show the rounding as a cup. The inability to push it down/up makes the professional traders buy/sell into the swing high/low is the trigger, and CCI traders are with them (*see C*).
4. The pattern becomes valid as the CCI line turns back again towards the ZL and triggers through the horizontal line (*see D*). Notice the rounding looks like a cup under the **VT-Long**, or a dome above the **VT-Short**. (Minimum of 3 to 10 time-bars).
5. Additionally the LSMA is in agreement with the trade.

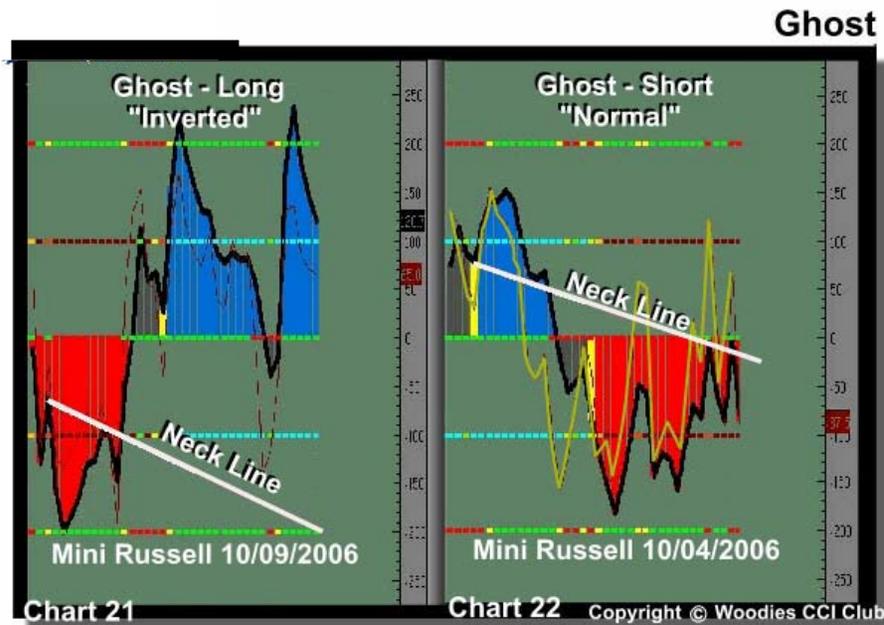
Ghost Trade

The Ghost trade is a **TREND CHANGING** trade which derives its name from the pattern created. It includes three peaks of the CCI which are in agreement with the **trend**. For a beginner, it is necessary that the middle peak be larger than the first and the third. To Edwards and Magee fans, this pattern looks like a head and shoulders, but is not limited to all of their rules.

You gotta love a Ghost!

Woodie

After the first and second peaks/valleys, valleys/peaks were created. These valleys/peaks are where the CCI line reverses back to **trend**. We draw a line break from the valleys/peaks and extend this line into the future. When this line is violated, coming off the third peak/valley, a counter-**trend** trade is signaled. It should be noted that the line-break (neckline if you prefer) can be horizontal or slant towards or away from the **ZL**. Woodie believes that the line slanting towards the **ZL** is favored, but all work well.



*Remember a Ghost is
a Ghost is a Ghost!*

Woodie

Mittens Ghost

Along with the regular Ghost pattern, Woodie also has another form of the Ghost, which is dedicated to one of his beloved cats "Mittens". The Mittens Ghost pattern shows both "arms"

Woodies Educational Resources

Dear Trader

Listed here is a brief explanation of educational areas that are provided for you at Woodies CCI Club.

I would ask you to explore the website, it has so much to offer, and learn all you can about your chosen patterns.

Remember “you plan your trade and trade your plan!”

Our website has a calendar that will help with finding out about upcoming events: <http://woodiescciclub.com/calendar>

If you would like to continue to sharpen and improve your trading skills, do take a look at my book “Trade the Patterns” and also the Home Study Course which is available on DVD.



Happy Trading!

Woodie

***“Trade the
dam’d
patterns!”***

Woodies Educational Resources



Our Trading University

The amount of information in the University is staggering, and the quality of information cannot be overstated. The University is free but will still need to sign up and you will need a user account and password to enter.

Chat Rooms

Inside our Chat Rooms there are a multitude of activities powered by www.talkslive.com our website and chat room provider.



Live Moderating

On a daily basis there are *Live Moderators* who are trading in realtime and discussing what they see. Their *Live Charts* are also broadcast. Keep in mind they are for educational purposes only and are not for trade signals.

Seminars and Workshops and Webinars

We often have seminars and workshops hosted in our chat rooms, featuring Woodie along with members of the Woodies CCI Club. Topics include Stocks, Options, Futures, Money Management, CCI Pattern reviews, "Newbies" (beginners) Q&A....the list is quite extensive.

Some of the seminars have a small cover charge to help with ancillary costs but the Newbies Nights are free. Webinars are broadcast to provide more presentations from other experts.

Special Guests

On a regular basis we have Special Guests who are experts in their fields. Often we record their presentations and these are made available on the main website.

Trade-A-Longs

These unique trading retreats are designed for any trader of an advanced instructor to help them gain knowledge of the markets and how to trade them.



Virtual Trade-A-Longs are exciting two-day live trading events held online on a regular basis.

From time to time Woodie also travels to various cities for expos and conferences and takes the opportunity to mentor individual students from the CCI Club. For more details

www.woodiescciclub.com/mentoring

Woodies Educational Resources

DVD

NEWLY RELEASED

Woodies CCI Club
"Traders Helping Traders"

WOODIES CCI DVD HOME STUDY COURSE

AFTER HIGH DEMAND FROM WCCI TRADEALONG ATTENDEES & OTHER TRADERS AROUND THE WORLD, WOODIE HAS NOW RELEASED THE OFFICIAL WOODIES CCI DVD HOME STUDY COURSE. A COMPLETE 6 DVD SET WITH OVER 6 HOURS OF WOODIE EXPLAINING WOODIES & CCI TRADE SETUPS AND THE PSYCHOLOGY BEHIND THEM.

SPECIAL BONUS #1
WOODIE INTRODUCES AND DEMONSTRATES THE HANG-SENG FUTURES MARKET WITH A SAMPLE OF EACH TYPE OF CCI PATTERN.

SPECIAL BONUS #2
40 MINUTES OF ONE-ON-ONE Q&A WITH WOODIE HIMSELF. WOODIE OPENS UP ON THE MOST INTERESTING AND ASKED ABOUT TRADING TOPICS.

VISIT WWW.WOODIESCCI CLUB.COM FOR VIDEO SAMPLES

KEY POINTS:

- 100% AUTHENTIC, GENUINE & STRAIGHT FROM THE SOURCE
- PROFESSIONALLY PRODUCED, FILMED & EDITED IN HD
- WOODIES & CCI PATTERNS TAUGHT IN DETAIL WITH PROFESSIONAL SLIDES AND 41 REPLAYS ALL NARRATED BY WOODIE HIMSELF

This Home Study Course is available and details can be found on www.woodiesccidvds.com

WOODIE'S BOOK


Available from
www.woodiescciclub.com
/book



Trade the
PATTERNS
The Revolutionary Way of
Trading the CCI

KEN "Woodie" WOOD

"Trade the Patterns: The Revolutionary Way of Trading the CCI." Woodie's book describes his new, previously unwritten technical analysis method. For 50-plus years people have been using the same indicators, with most having frustrating results. This book shows you exciting ways to trade all markets with the CCI. Traders across the globe use this method. This is not the holy grail, but something traders should consider as a way to help their own trading.