

1-2-3 Introduction:

By: Mark Crisp©

<http://www.stressfreetrading.com>

Thank you for purchasing the 1-2-3 Trading Signal. This is, without doubt, one of the very best chart set up patterns you will ever see. Once you train your eyes you will see them all over the place. At the beginning of a new trend. At the end of a retracement. Within a trading range. Within rising or falling trend.

Like any other pattern they are NOT 100% successful. But out of every other pattern I have ever come across in my trading career this is by far the most accurate and most profitable. If you want to become an expert in one chart pattern set up, this is it!

Whilst these patterns are 95% objective when you become an expert in spotting them you may start to introduce a slight subjective analysis into this pattern. But for the sake of this introduction report I am only going to discuss a perfect, 100% objective 1-2-3 patterns.

On with the report. This is what I am going to explain to you:

- 1) What exactly is a 1-2-3 pattern?
- 2) Which charts and time frames do they exist?
- 3) The entry “trick”
- 4) The exit
- 5) Conclusion
- 6) Products

You will find this report quite small, compared to my other writings. My goal here is to define the 1-2-3 patterns and how to trade from it. It is not my intention to pad the report out and charge double the price.

How does it fit in with my other works? I really like to keep my eyes on the 1-2-3 patterns in very oversold/overbought markets. Especially on the stock indices and the futures markets. AND whilst this method IS VERY profitable trading the liquid, big cap stocks, my stock trading approach is much more suited to the methods described in my Momentum Stock Trading Manual. (<http://www.stressfreetrading.com>). If you are a pure stock trader, then use the 1-2-3 to determine trend changes on the major indices and keep your eye open to spot them on the stocks you are following (and buy M.S.T.S ☺) If you are a futures trader as well then I would seriously consider not only looking for 1-2-3 patterns as to major moves but adopting this into a complete trading system. Also, for a slightly different approach take a look at my commodity web site: <http://www.profitsincommodities.com>

On with the 1-2-3 pattern and how to profit from them.

DISCLAIMER:

Mark Crisp and stressfreetrading.com accepts no liability for any losses incurred whilst trading my ideas. The risk of loss exists and you must accept total responsibility for them.

Trading stocks and futures carries with it a high degree of risk and only those who have risk capital to trade should be trading in these markets.

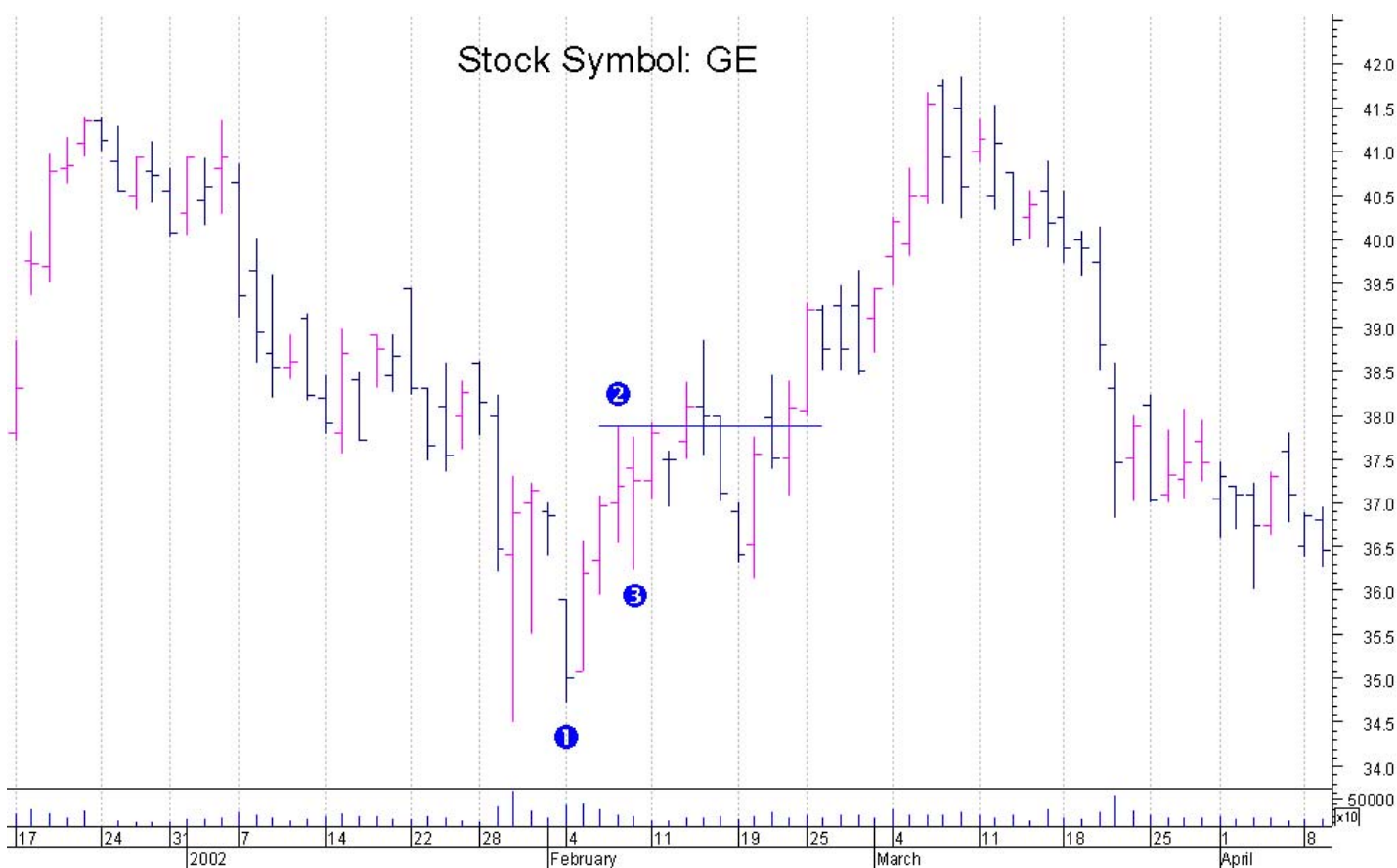
No part of this book, or any information given out, displayed on any of my web sites, is specific trading advice.

Chapter 1:

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What is a 1-2-3 Pattern?

Good question. A 1-2-3 is simply best explained by looking at some charts. It's really simple when I throw up a few charts and take it from there. Here are some recent stock charts.



Above is simply a daily bar chart of the stock of the big blue chip US stock General Electric. Stock symbol GE.

Clearly marked is the 1-2-3 pattern that evolved in February. Simply put it is a 1-2-3 buy pattern.

It's a bottom, a correction, a retest that does not go beyond the original bottom, and then a rebound beyond the correction. Phew.... That was a mouthful. But it is VERY simple when you look at the chart.

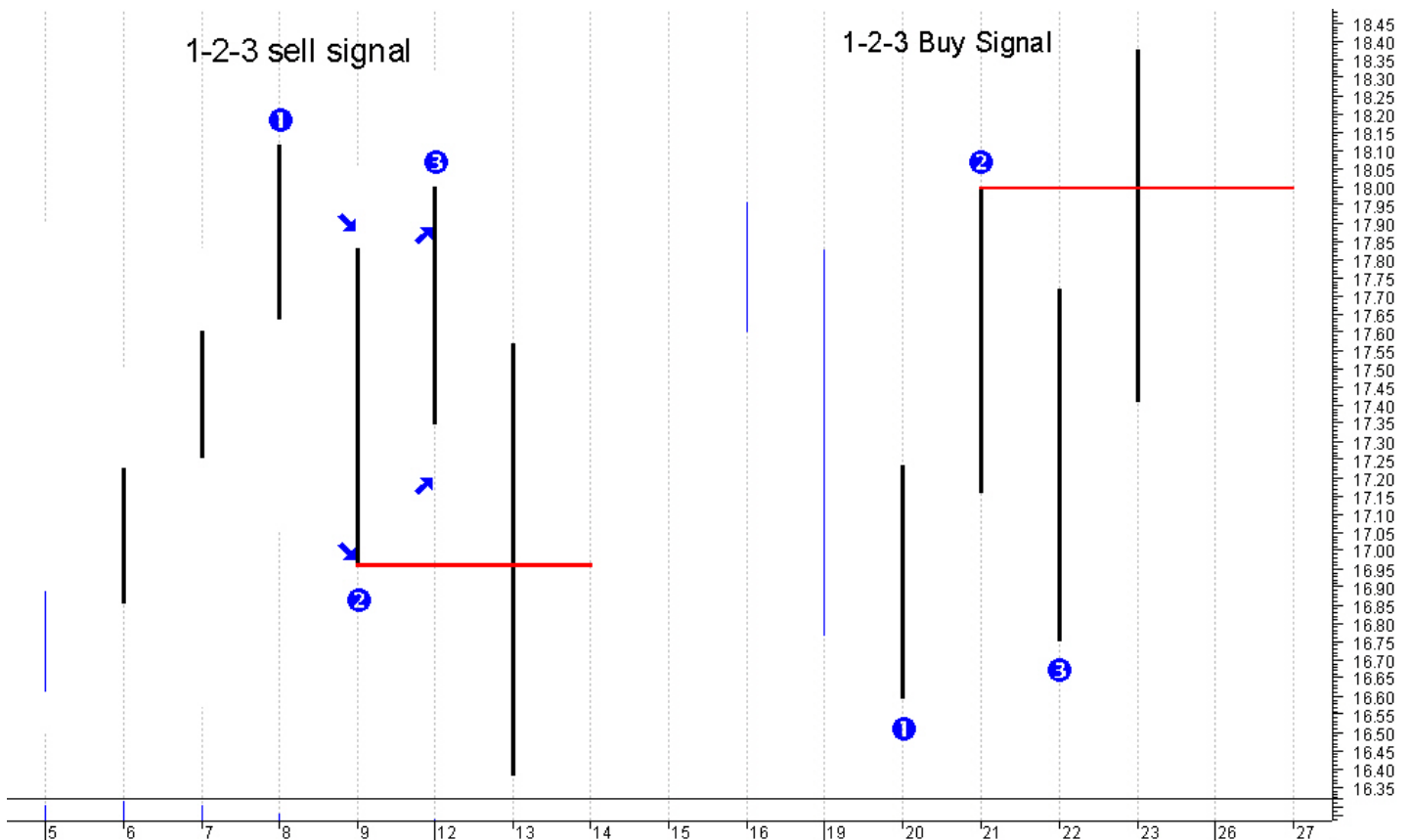
Point 1: This is the bottom.

Point 2: This is the correction

Point 3: This is the retest the DOES NOT GO BEYOND point 1. If it does then all bets are off. The pattern does not exist. Scratch it off and move on.

Once you have a valid 1-2-3 pattern then place your buy order in at the ***breakout** of the number two point on the pattern.

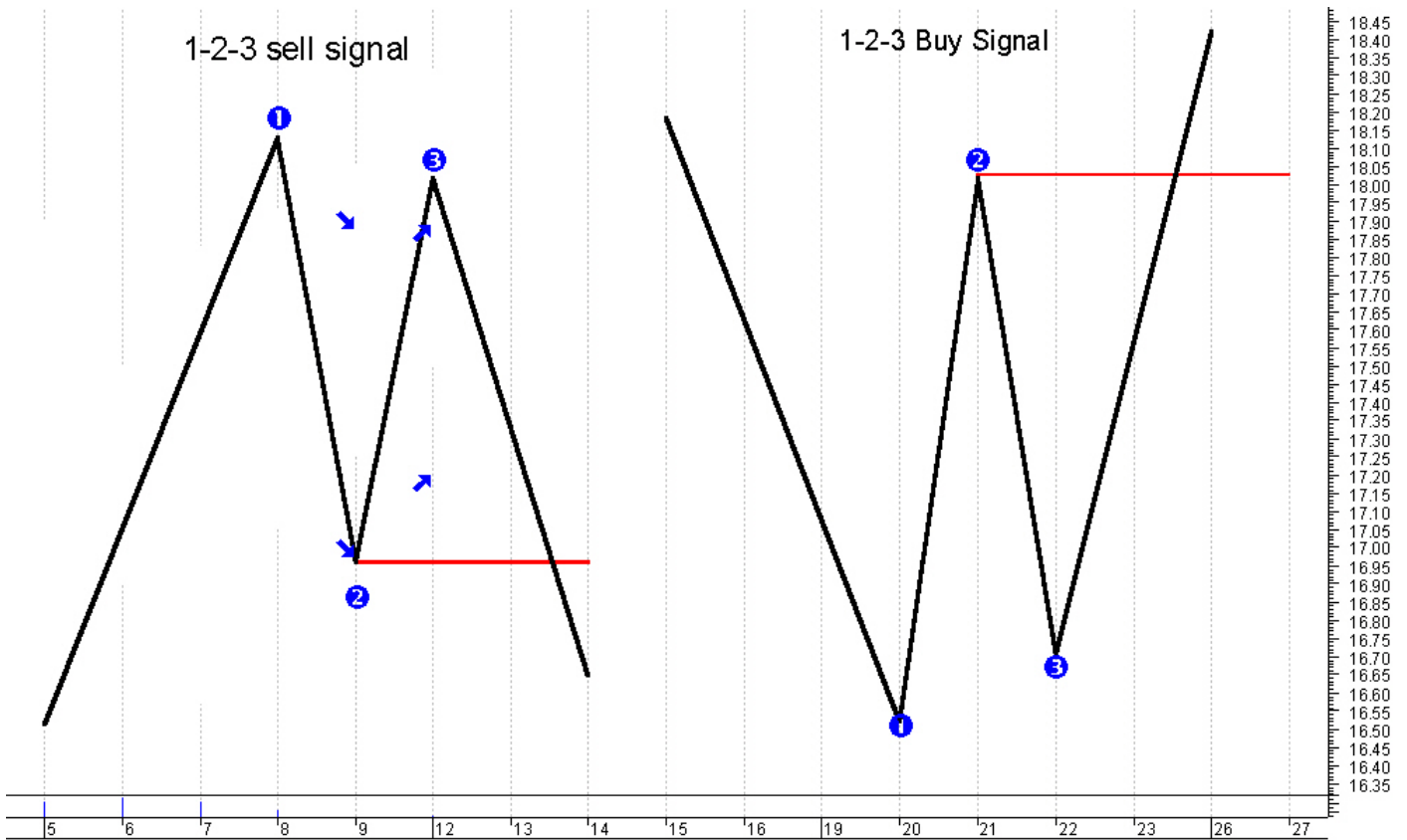
Honestly, it is a **VERY SIMPLE** pattern that always give lots of opportunity and a great risk/reward ratio. Once you grasp the fundamental basics and practice you will see them all over the place.



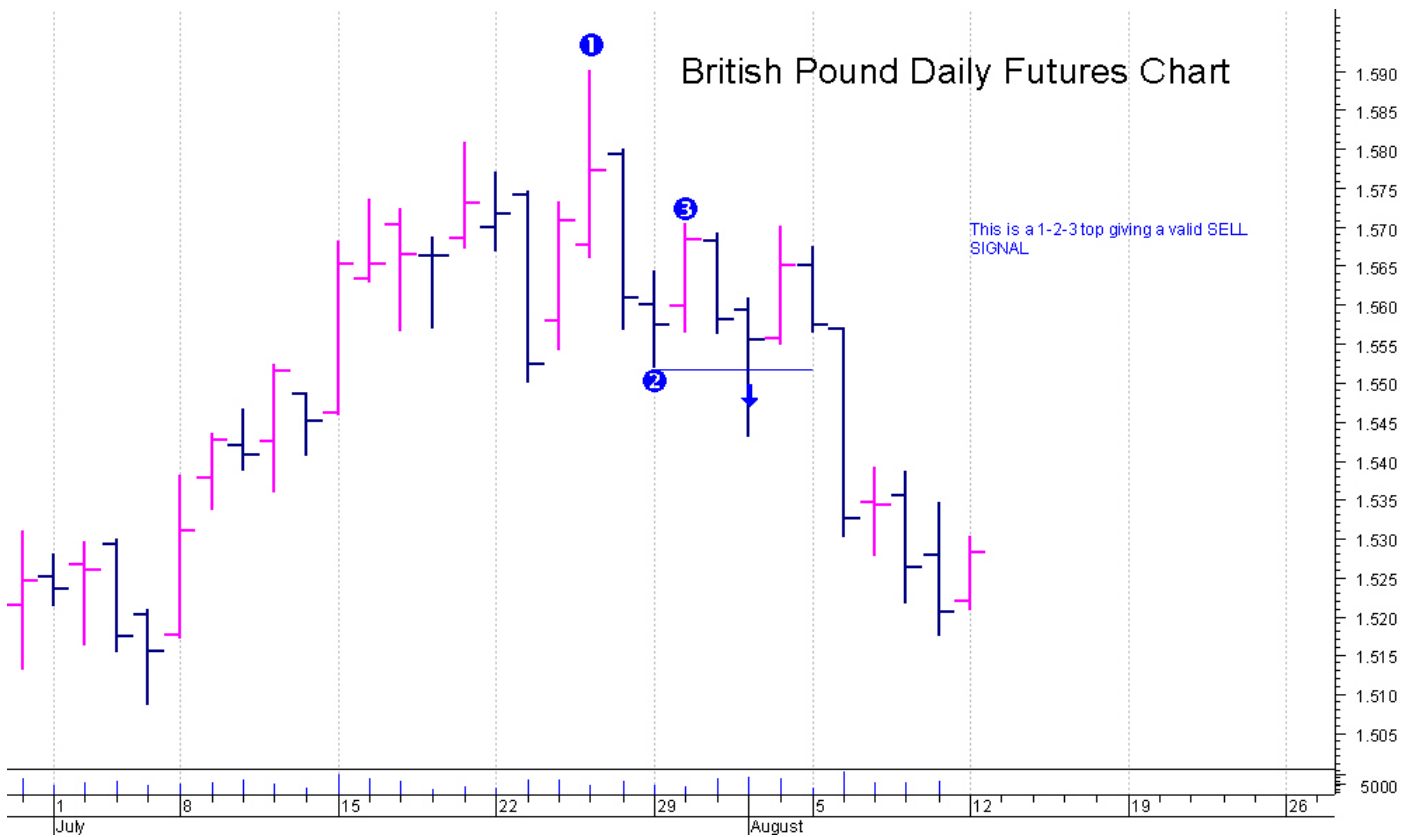
Here is an exercise to perform now.

- Get a blank piece of paper and a pen/pencil.
- Starting at the top left hand corner draw a diagonal line to the center of the page.
- Where you stop mark this with a **BIG NUMBER 1**.
- Now from this point draw another diagonal line towards the top right hand corner but only go about half way up.
- Mark this point with a **BIG NUMBER 2**.
- Draw a diagonal line from the number 2 point, parallel to the first line, down towards the bottom right hand corner. **BUT DO NOT GO ANYWHERE NEAR AS FAR DOWN AS YOUR NUMBER ONE POINT**. This line should be your shortest one. Make it about half the length of your number 2 line.
- Mark this point with a **BIG NUMBER 3**.
- Now you have a zig-zag pattern, marked clearly as a 1-2-3. Now draw a flat, horizontal line right on top of the number two point. On top of this line write: **BUY HERE!**
- Now imagine this is a stock you have been observing and it has formed a 1-2-3 bottom. **IF THAT HORIZONTAL LINE** across the number two is taken out then you have a valid buy.
- For a 1-2-3 topping formation that gives a valid sell signal simply reverse the whole procedure.
- Practice, practice and practice some more until the pattern is firmly fixed in your mind. It takes a little time and effort to grasp the pattern but it is like riding a bike, when you get it right, you will never have to learn it again.

(This is how your drawing should have looked)



Let us have a look at a few more examples.



Now knowing what you do about the 1-2-3 signal can you spot how many valid 1-2-3 buy and sell signals are present on this daily bar chart of General Electric? (there are twelve) It may be difficult for you to spot them on this shrunken down version... that is not the most important point. The point is I wanted to show you how amazingly consistent this pattern is.

Have a look.



OK. That's chapter one completed. Practice drawing 1-2-3's and looking for them on your favourite stocks and futures markets. They happen all the time and are about 70% accurate in the price prediction. Let's look at different charts and time frames with 1-2-3 signals.

* This is not 100% true. I'll explain why in chapter four

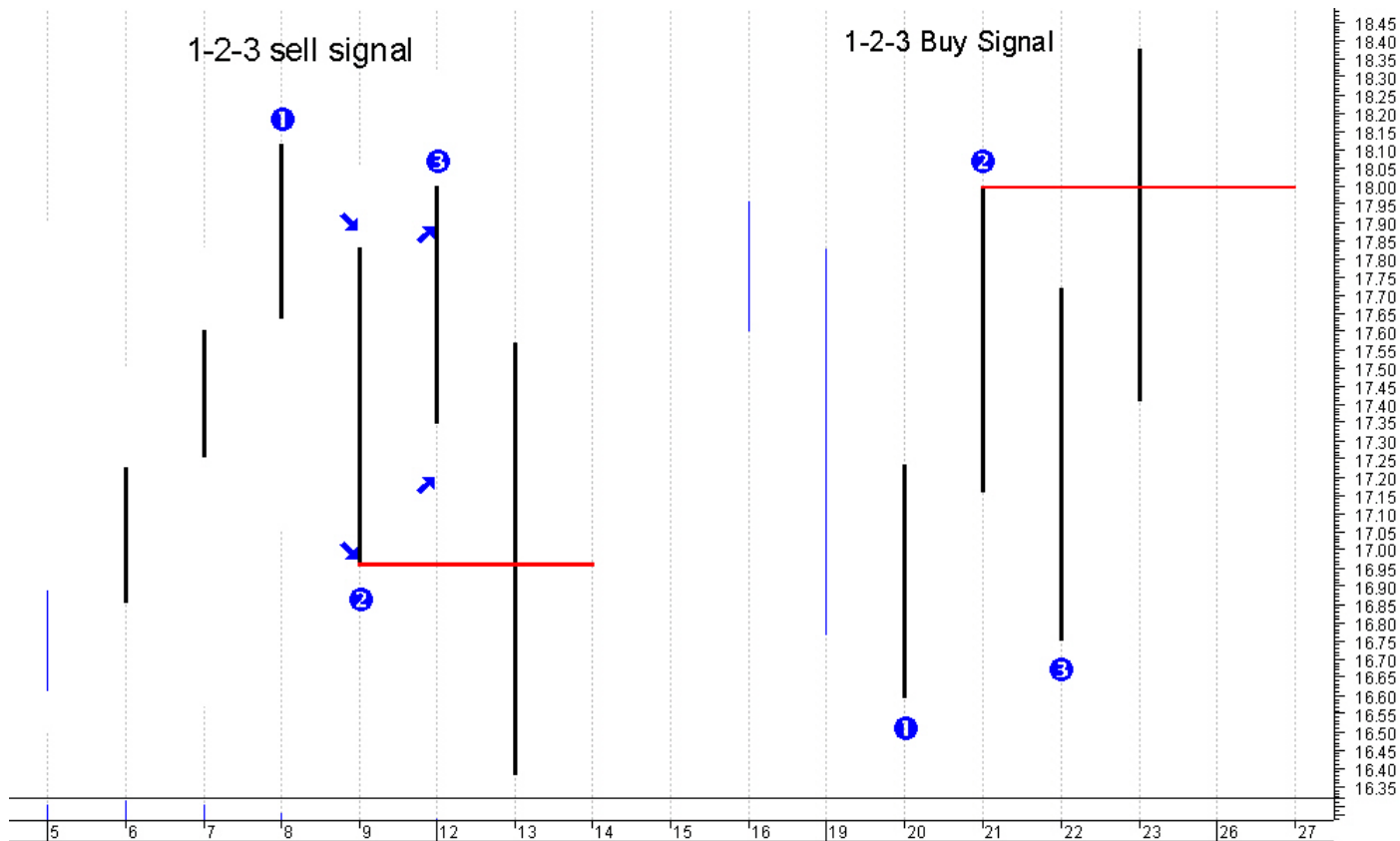
Chapter 2:

The 1-2-3 Trading System

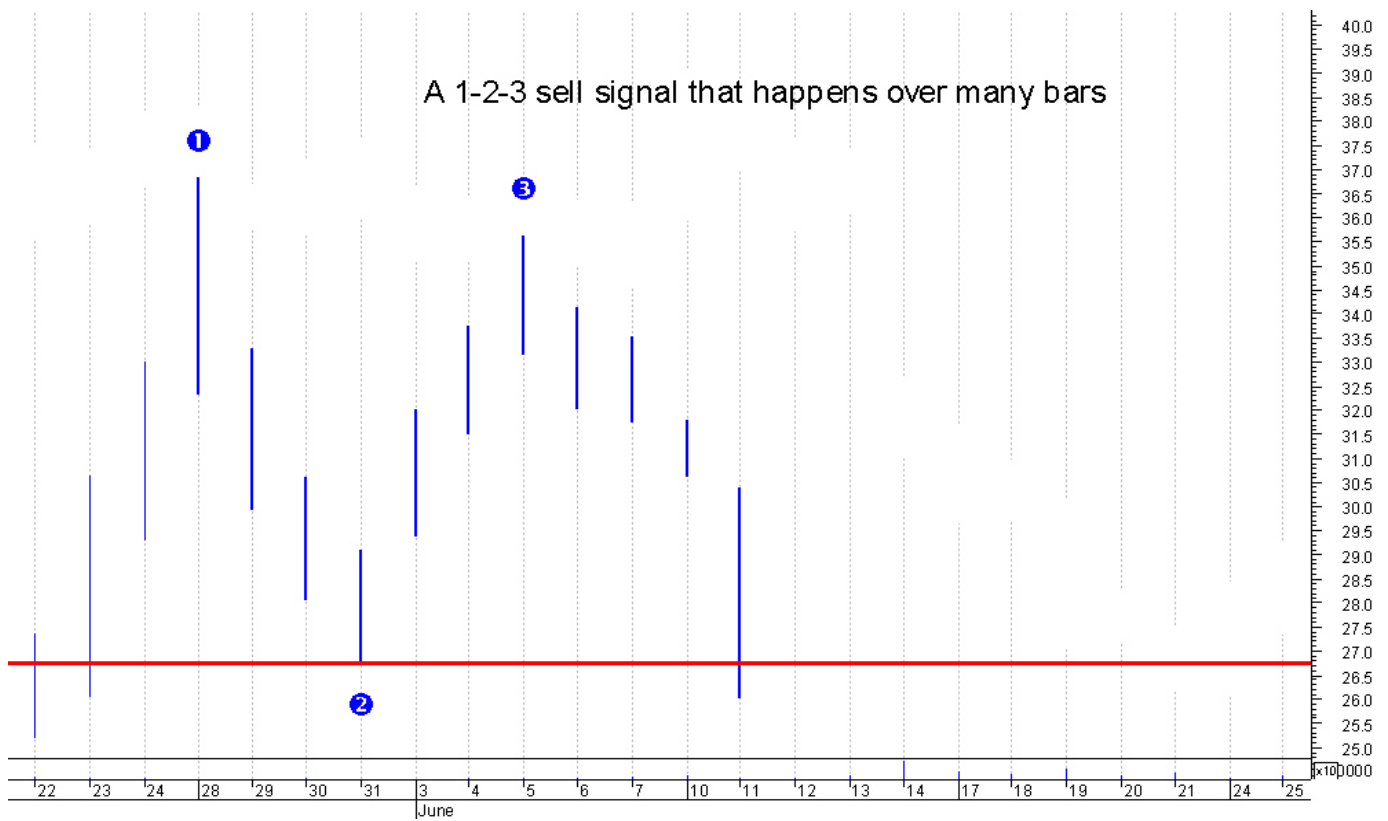
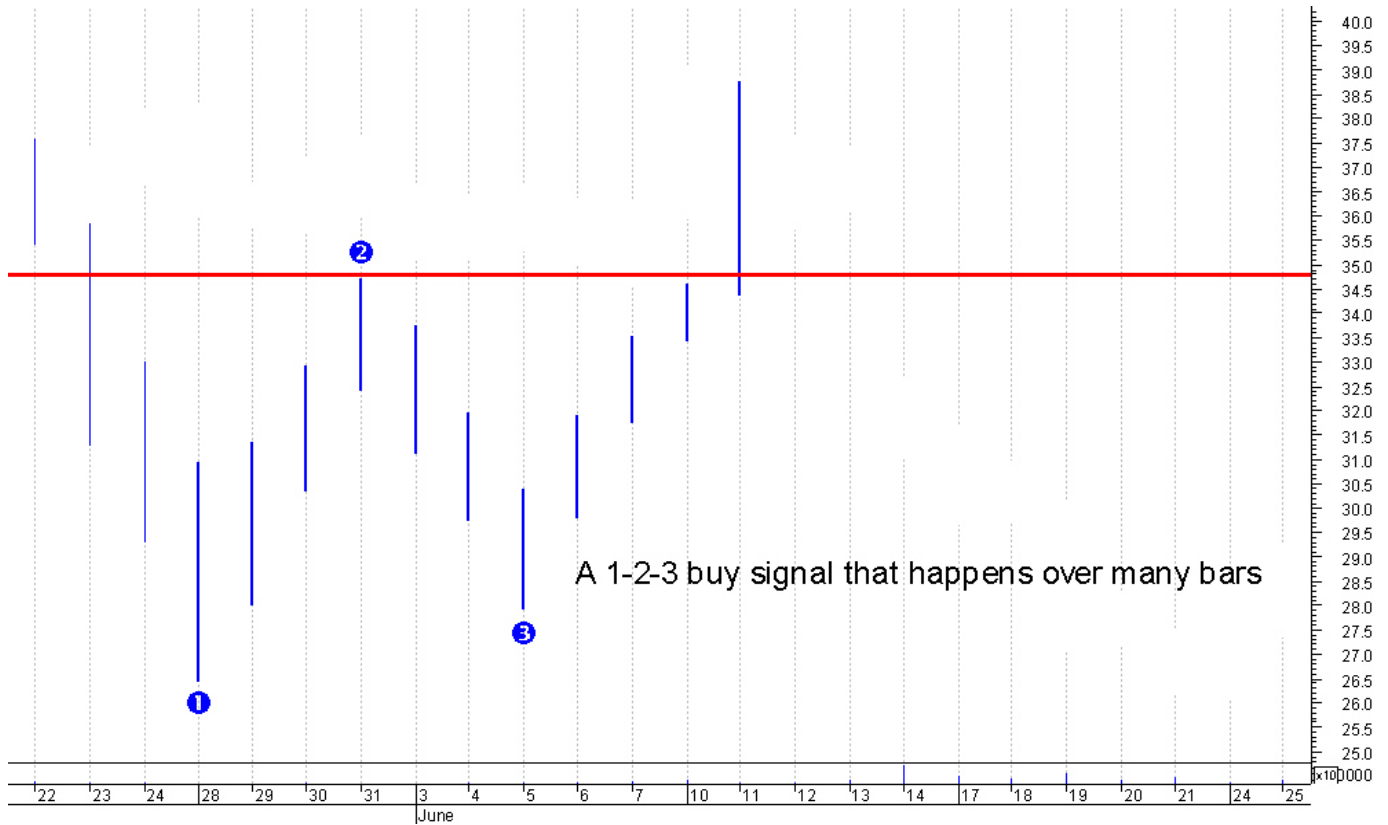
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What Charts/Time Frames Do 1-2-3 Signals Exist In?

OK to quickly recap this is what a valid 1-2-3 signal looks like on a bar chart. This is a PERFECTLY FORMED 1-2-3 signal. But as we all know we do not live in a perfect world, especially when it comes to looking at stock charts.



So there is absolutely nothing wrong with 1-2-3 formations forming over several bars as opposed to the one bar corrections above. Let us have a look.



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