

**DayTrade**  **ToWin**.com

# “AT THE OPEN”

E-Course

***A Guide to Help You Day Trade More  
Consistently, Confidently and Profitably***

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The charts used in this book were created by using [www.ninjatrader.com](http://www.ninjatrader.com)

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## Foreword

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**Price action – when it comes to trading the markets, it’s a powerful tool.** How can we use price to tell us where price will be? How do we trade using opening price? How do we take overnight data and use it to our advantage?

Well, it’s easier said than done. There are many aspects to what happens in the market. We look for price patterns to substantiate our methods. Price goes up; price goes down – where should we get in? Where should we get out? Are we late? Are we early?

**Timing is the key to getting in and out profitably.** We have found that some – if not most – price action is random, but not all. If we could capitalize on trading correctly from the beginning of the day and use what happens in the first minutes of trading to know what price will do, or how price will react, do we then have a huge advantage over others? You bet!

The method is not difficult to calculate. The hard part is to understand why it works – and getting in and out profitably!

When we look at overnight data, what is meant by “overnight”? Where does it start? Where does it end? What are the highs and the lows, and how do we use them?

I’m going to show you some examples using NinjaTrader charting software, and hopefully by doing so, you will have a better understanding on how we **trade the open** and why we do it.

**Our philosophy is simple.** Let’s trade the morning and be done by noon. That’s with 2 to 4 points daily, if all our setups and triggers are hit. Afternoon trades do occur and are successful. The point is to trade for profit and be finished. No over-trading and no staring at the screen all day. Let’s make our money early and enjoy what life has to offer!

## Understanding the E-Mini Opening Price

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When I refer to the opening price or the **opening**, I want you to think **9:30 a.m. US/Eastern time**.

This is very important because the opening price “9:30 AM” is the time when price is so erratic... so unpredictable... that you would be *crazy* to trade during that time.

Think about how many people (and the *types* of people, organizations, banks, funds, hedgers, and so on) are placing orders. Orders are placed with brokers to Buy at the Open from the day before, and others have Sell at the Open orders as well.

These trades are put on for various reasons. Some are used to get out of a losing position or to get out of a winning position. Traders are entering positions for different reasons. Even mechanical trading systems are trading!

**Therefore, we can infer a few things about 9:30 AM EST opening:**

1. Price is uncontrollable and unpredictable due to the various traders and various organizations trading.
2. The reasons for trading the 9:30 AM EST opening are many, and they're totally irrational.
3. News may be questionable, but reports almost *never* come out at the open. Therefore, we cannot say that government reports have a push on the price action concerning the opening price fluctuations.
4. Certainly the agenda of price manipulation is unknown of certain authorities.

Now that we have a bit of understanding about the opening price and why people stay away from it (or why people trade, it more importantly), let's look at some charts that show this unpredictability in action.

**How many people, brokers and fellow traders have told you not to trade the open?** The reasons given are known: no one has a clue about what's going to happen. But doesn't the same hold true for any time period in the market after the open? For example, how do you know at 10:00 AM where price will go or be? You don't, of course!

Take a look at the following charts indicating Opening price action. The Opening Price 9:30 AM is unpredictable; it goes up, then goes down. Why did it go up? Why did it go down? I'm not here to claim that I know those answers, but I will tell you that we need to use this data to our advantage.

ES 12-08 12/16/2008 (10 Min)



Example 1



Example 2

## Defining E-Mini Overnight Data

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Overnight can be different things to different traders. For example, if you ask traders when overnight data begins and ends, you will surely get a few different answers. The truth is that all traders don't define overnight the same way.

**For our purposes and for our methods, we will use overnight data as beginning at midnight, when a new day begins: 12:00 AM EST**

This is not to be confused with after 5:15 PM EST. At 5:15 PM EST, the CME Globex closes until 6:00PM EST. Many traders and financial institutions label the trading time after 6:00 PM EST as Overnight Data, New Session Data, After-Market Data, or After Hours Trading and Globex. This is all true.

**We do not use this data. We only use overnight data and after-market data beginning at 12:00 AM EST.** So from now on, when I refer to **overnight session**, I'm referring to the data between 12:00 AM and 9:30 AM EST. The day session/pit session opens at 9:30 AM EST.

### **Here's why:**

Overnight data has very little volume compared to the **day session**. The day session begins promptly at 9:30 AM EST and ends at 5:15 PM EST. Most of the moves are intra-day and that is where most of the market makes its moves.

**We are in a world economy.** In this economy, we watch Asia, Europe and other financial instruments to determine how the U.S. economy will function. A meltdown in Germany will impact the markets in the United States. Asian markets in the past have recently become so strong that we in the U.S. are affected by what happens during their trading days, and vice versa.

Now that we know there is a relationship, let's understand that the world operates in different time zones. Our day session in the U.S. is the night session or overnight trading session in Europe and Asia. And conversely, the night session, (overnight data and after-hours session in the U.S. markets) is actually occurring during the peak, most volatile trading times of these other countries.

**So to sum it up:** while we sleep in the U.S., other countries and their financial instruments are moving the world. And we know that these moves affect the prices of the U.S. markets.

Knowing this information is helpful for traders in general. The At the Open Method does not use overnight data to calculate price. The exact times for the At the Open Method will be discussed later in this course.



Below are some examples (Examples 2, 3 and 4) of overnight sessions and what they look like on the chart. The left vertical line is the beginning of our overnight session and the right vertical bar is the beginning of the day session.



Example 3

ES 06-08 4/22/2008 (10 Min)



Example 4

ES 06-08 4/24/2008 (10 Min)



**Example 5**

Now that we understand how overnight data is defined, let's continue with the timeframe and chart setup.

## Timeframe and Chart Setup Guidelines

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- The timeframe you should set up on your charts is 5 or 10 minutes. Apart from any other methods we teach, the At The Open method is to be used with 5 and/or 10-minute charts. I much rather prefer the 5 minute time frame above all others.
- The instrument we are trading is the E-Mini S&P. Depending on your charting software, the E-Mini S&P can be found in your instrument data list and can be displayed in different formats. NinjaTrader displays the E-Mini as: ES 12-12 or 03-13, 06-13, 09-13, 12-13 – which represents E-Mini S&P December 2012 Contract. Other markets can be traded the same way such as the Euro or Gold!
- The settings should be 24 hours or Globex mixed with day session or continuous data. Trading charts and software differs from vendor to vendor, but all work the same. The charts should be set up like the ones you see in the examples, i.e. 24-hour continuous data for the contract month you are trading in. The charting platform really does not matter as long as 24 hour data is used.
- When using other markets with the At The Open method, the rules stay the same. The only change is the time that market officially opens for the day session in your time zone. Another alternative to use is the London open, or European open. The LIFFE exchange in London begins the European trading session. The ATO method can be traded on the London session open as well as the US session open. Price action should not change between the two sessions and the rules are followed exactly the same way when using different markets and different sessions.
- If you live in a different time zone other than US/Eastern time (opening price of 9:30 AM EST), then you would have to apply the time difference to the setup of your charts. For example, if you live in California, which is Pacific Time, you would calculate the market open not as 9:30 AM EST but at 6:30 AM Pacific Time which is your time zone. The E-Mini S&P would open for you at 6:30 AM coinciding with those of us on the East Coast at 9:30 AM. For our international clients living in Europe who plan on trading the E-Mini S&P, you would have to plot the opening price of 9:30 AM EST to your appropriate time zone, which would be in the afternoon, and possibly evening if you live in Australia or Asia.