

Market Wizard Linda Raschke's Technical Trading Rules

1. Buy the first pullback after a new high. Sell the first rally after a new low.
2. Afternoon strength or weakness should have follow through the next day.
3. The best trading reversals occur in the morning, not the afternoon.
4. The larger the market gaps, the greater the odds of continuation and a trend.
5. The way the market trades around the previous day's high or low is a good indicator of the market's technical strength or weakness.
6. The previous day's high and low are two very important "pivot" points, for this was the definitive point where buyers or sellers came in the day before. Look for the market to either test and reverse off these points, or push through and show signs of continuation.
7. The last hour often tells the truth about how strong a trend truly is. "Smart" money shows their hand in the last hour, continuing to mark positions in their favor. As long as a market is having consecutive strong closes, look for up-trend to continue. The up trend is most likely to end when there is a morning rally first, followed by a weak close.
8. High volume on the close implies continuation the next morning in the direction of the last half-hour. In a strongly trending market, look for resumption of the trend in the last hour.
9. The first hour's range establishes the framework for the rest of the trading day.
10. A greater percentage of the day's range occurs in the first hour than was the case in the past, and thus it has become increasingly important to trade aggressively if there are early signs of a strong trend for the day.
11. There are four basic principles of price behavior which have held up over time. Confidence that a type of price action is a true principle is what allows a trader to develop a systematic approach. The following four principles can be modeled and quantified and hold true for all time frames, all markets. The majority of patterns or systems that have a demonstrable edge are based on one of these four enduring principles of price behavior. Charles Dow was one of the first to touch on them in his writings.
 - Principle One: A Trend Has a Higher Probability of Continuation than Reversal
 - Principle Two: Momentum Precedes Price
 - Principle Three: Trends End in a Climax
 - Principle Four: The Market Alternates between Range Expansion and Range Contraction!
12. In the world of money, which is a world shaped by human behavior, nobody has the foggiest notion of what will happen in the future. Mark that word – Nobody! Thus the

instead to what does happen.