SUCCEED AT MARKET EXTREMES WITH THE TICK

The NYSE Tick Index (Tick) is an indicator that helps gain an edge and improve trade entries and exits.

Use the Tick to trade index futures such as the E-mini S&P or index-based securities like the SPDR S&P 500 (SPY).

The Tick is an extremely useful tool for intraday traders and is one of four market internals (Tick, Breadth, Advance/Decline Line, and Trin). The Tick gives us the relationship of stocks up ticking versus down ticking at their last traded price.

BY TIM RACETTE

For example, if there are 3,000 stocks trading on the NYSE, 1,500 trading higher from their last price and 500 trading lower than their last price the Tick will read +1000. (The other 1,000 stocks could be unchanged from their last price.)

When using the Tick, we are looking for extremes to enter or exit a trade. Tick readings of +1000 or -1000 are considered very strong, as we stay between |1000| most of the time.

Basic rules:

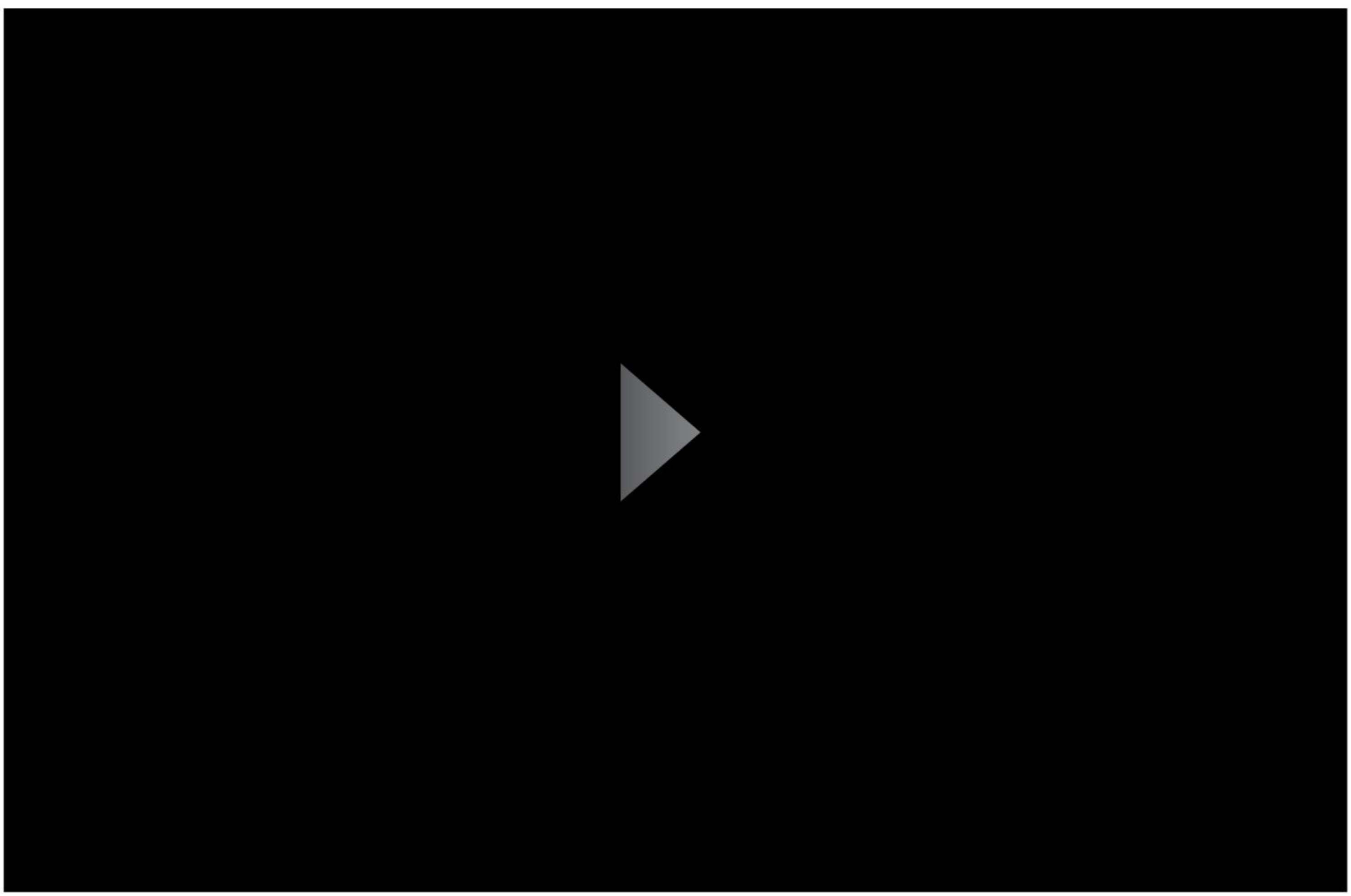
- Tick readings within |400| indicate chop, ignore them.
- Don't buy high ticks; don't sell low ticks.
- A +1000 or -1000 reading on the Tick can be used as an exit signal.
- The Tick is unreliable in the first 30 minutes after the NYSE open.

Traditional indicators, such as a stochastic or MACD, lag price action. The NYSE Tick is instantaneous, based off data at that very moment.

USING TICK

Using the Tick in conjunction with pivot points, Fibonacci retracements or any other intraday trading method can improve the efficiency of your trading system dramatically. The edge occurs in signaling the most likely point for a reversal, or temporary pause in momentum.

When integrating the Tick with your strategy, you should see a reduction in the number of



Tim Racette explains more in his video.

full stop-outs you have, because buying in a low tick and selling in a high tick is considered a low-risk entry point. Use the Tick as a filter for your current setups to eliminate some of the false moves.

A HIGH/LOW TICK & PRICE

If the market makes a new high tick and a new high price at the exact same time, this could indicate the high of the day. This point makes for a low-risk shorting opportunity. If the market makes a new low tick and a new low price at the exact same time, this could indicate the low of the day. This point makes for a low-risk buying opportunity.

TICK DIVERGES FROM PRICE

If the market makes a new high price after the high tick of the day, we could continue to make new highs until a new high tick is reached. If we have a strong breadth reading of +2000 and we make new highs in price after the high tick of the day, then low ticks make for great long entries.

If the market makes a new low price after the low tick of the day, we could continue to make new lows until a new low tick is reached. If we have a weak breadth reading of -2000 and we continue to make new lows in price after the low tick of the day, then high ticks make for great short entries.

BOTTOM LINE

Use the NYSE Tick Index to improve your trade entries and exits by identifying the extremes and relationship between the high/low prices. The Tick is a great addition to any intraday trading system, allowing you to move in and out the markets like the professionals.

Tim Racette is a full-time trader and the founder of EminiMind.com.