The DRIP/GUSH Day Trading System *(Trend Following)*

Developed by Leo Q.

Strength: Capitalize on strong trending days and amplify profits. Option to semi-actively trade with a trail stop *(Ride the trend and get off the screen)*. Option to profit both directions by scalping.

Weakness: Sideways market days can often result in losses. Minimize losses by taking profits early and more often. Trades can often take hours to fully develop.

The Setup: Use strictly 5min candle charts for DRIP/GUSH/UWT/DWT/SPY/TVIX.

Configure your charts so SPY and TVIX are always visible and on top of each other, in perfect sync. Also have UWT or DWT chart always visible.

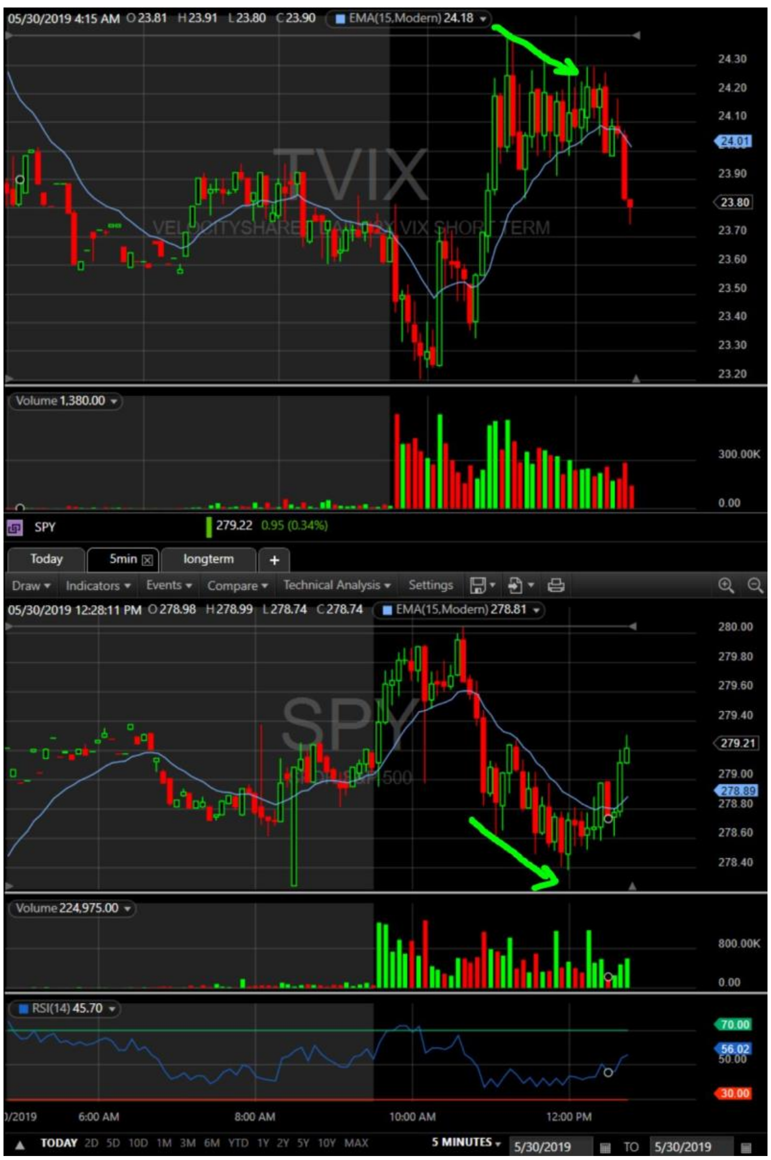

Fig.1

Above is a typical chart for DRIP/GUSH

1. Wait 30mins - 1hour after market open.
2. Check DRIP/GUSH direction for the day.
3. Check SPY direction for the day.
4. Check FTSE 100 (European market) if red/green for the day.
5. Trade with the trend.
6. Take **position #1** (half) after the first doji candle.
7. Set trailing stop loss of 3%.
8. Take **position #2** (half) for a full position after DRIP/GUSH stops making lows on the pullback.
9. Set trailing stop loss of 3%.
10. Take **position #3** (full) for a 2x position after a new high of day is made.
11. Set trailing stop loss 3%.
12. Watch SPY/TVIX and UWT/DWT for any obvious signs of reversal *(see Intraday Analysis)*.
13. a. Take profit as DRIP/GUSH makes new highs.

AND/OR

14. b. Take another **position (#4)** after a pullback of 2 red candles.
15. Set trailing stop loss of 3%.

If it takes > 1 hour to make new highs: *The "Plateau" Method*

1. DO NOT average down.
2. Sell all positions at previous resistance.
3. Take position on the **INVERSE ETF** once it overshoots above the previous resistance.
4. **Scalp** the inverse ETF for 0.5% - 2% profits.
5. Repeat scalping every time it reaches this level of resistance.

Intraday Analysis:

1. FTSE 100 and SPY are correlated. There is a 75% chance of FTSE 100 and SPY closing at the same color (red/green). Use this as an initial guide to SPY's strength and direction.

    a. Watch for a change in direction and/or color in FTSE 100. This can have a delayed reaction with SPY and signal a reversal.

2. SPY and GUSH are correlated. Their trend direction AFTER market open should agree. If not, then either one will eventually correct itself later in the day (reversal).

    a. Watch for huge spikes in SPY. GUSH/DRIP often mimics these spikes with a slight delay. This delay can be exploited for quick profits or used as confirmation to take new positions.

3. SPY and TVIX are inversely correlated. Their trend direction should (inversely) agree. If not, trust TVIX and anticipate a SPY reversal.

    a. See **Fig. 1** above. TVIX created lower highs, as SPY created lower lows. This signals a reversal.

4. GUSH and UWT are correlated. Their trend direction AFTER market open should agree. If not, this can signal a reversal in GUSH/DRIP direction.

    a. Watch for huge spikes in UWT/DWT. GUSH/DRIP often mimics these spikes with a slight delay. This delay can be exploited for quick profits or used as confirmation to take new positions.

5. If market is sideways, take profits early and more often.

Probability Study of DRIP/GUSH

This backtest study was done manually by yours truly over the data periods from 02/25/19 to 06/03/19 (about 3 months) using TradingView. The following are the 4 types of charts that DRIP/GUSH form:

Type 0

Type1

Type2

Type3

These are 5 minute charts of DRIP/GUSH applied with the ZigZag indicator configured at 3%. Each corner of the ZigZag indicator shows how many times a 3% Trailing Stop Loss will get triggered if placed at a trend following position.

Type 0 is the best case scenario where a trailing stop loss of 3% will not be triggered. This type of chart shows the strongest trend and leads to a *certain overall profit*.

Type 1 is a mid-day total reversal pattern where a trailing stop loss of 3% will be triggered once in the day. This type of chart would *likely lead to an overall loss* for the day using the trading system.

Type 2 is the most common "plateau" pattern where a trailing stop loss of 3% can be triggered twice in the day. This type of chart would *likely lead to an overall profit* for the day using the trading system.

Type 3 is the worst case scenario of sideways pattern where a trailing stop loss of 3% will be triggered at 3 times or greater in the day. This chart leads to an almost *certain overall loss.*

From 2/25/19 to 6/3/19 these types have occurred as many times as:

Type 0 = *21 times* (certain profit)
Type 1 = *16 times* (likely loss)
Type 2 = *23 times* (likely profit)
Type 3 = *9 times* (certain loss)

Total Days = 69

Total number of profitable days = 21 + 23 = 44

Total number of losing days = 16 + 9 = 25

Percent profitable days = 44/69 = 64%

Percent losing days = 25/69 = 36%

If we give **Type 0** and **Type 3** a heavier weight (x2) in this calculation because of the almost certainty of their outcome, the calculation is adjusted as follows:

Weighted Total Number of Days = 2(21) + 1(16) + 1(23) + 2(9) = 99

Weighted total number of profitable days = 2(21) + 1(23) = 65

Weighted total number of losing days = 2(9) + 1(16) = 41
Weighted percent profitable days = 65/99 = 66%

Weighted percent losing days = 41/99 = 34%

Win/Lose ratio = 2:1

If proper risk management is applied where losses on losing days are minimized, while the profits on winning days amplified, we can give winning days a heavier weight than the losing days. Let's use a conservative weight of *1.5* to winning days versus losing days.

Weighted reward/risk ratio = 2(1.5) : 1(1) = *at least* 3:1

This win/lose and reward/risk can be improved *even more* using intraday analysis!