

# What Is The STRAT?

The STRAT is a price action based trading method developed by Rob Smith after spending 20 years as a floor trader on the Chicago Stock Exchange.

The STRAT methodology is based on universal principles of price action, to which all price must adhere. It focuses on what is shown to be true by using multiple timeframes for quantitative analysis following the aggregation of price over time, divided among different participation groups. The STRAT uses candlestick price charts, which are often used by traders to determine possible price movement based on past patterns.

## The Three Scenarios – 1s, 2s, 3s

Trading with The STRAT is NOT about predicting what will happen next to the price, it is about REACTING to price action, and having a plan to do so. From one candlestick to the next there are only THREE POSSIBLE SCENARIOS.

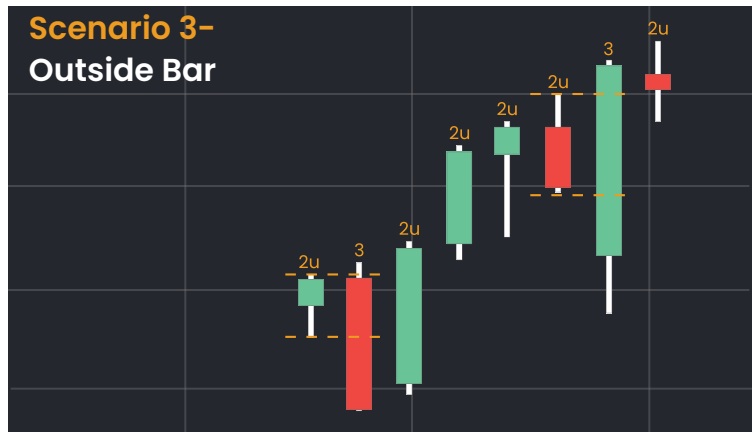
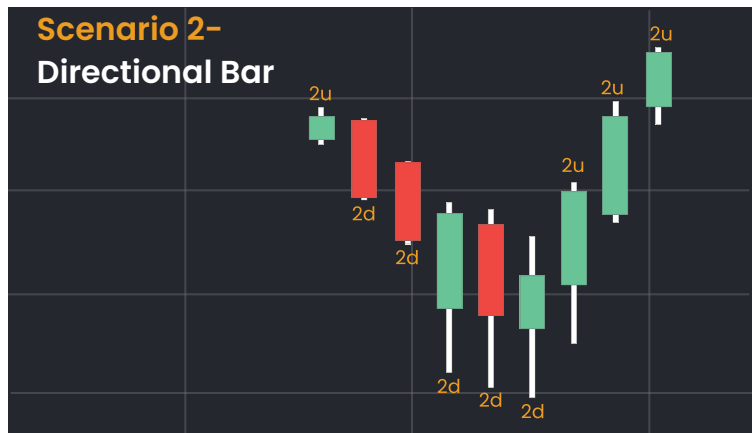
**INSIDE BAR** is a candle which doesn't take out the previous bar high AND low.

**DIRECTIONAL BAR** is a candle which takes out the previous bar high OR low, not both.

**OUTSIDE BAR** is a candle which takes out BOTH the previous bar high AND low.

Because there are only three scenarios it narrows the possibilities on what can happen, which increases your chances of being profitable if you understand what they are.

When using The STRAT, it's important to visualize each of the three different candlestick possibilities and create a plan of action. Having a plan before taking a trade is 90% of the work, the other 10% is execution.



# Time Frame Continuity

Whether you're a long term investor, swing trader or day trader, understanding how to analyze multiple time frames is a core principle of The STRAT.

In our Live Rooms, you'll see The STRAT leaders looking at the same security over four different charts, usually montly, weekly, daily and hourly. **Traders want to identify stocks that are moving in the same direction on all of these time frames.** Long term investors will look at longer time frames, day traders will watch the shorter ones. Each time frame shows different opportunities to apply the three scenarios and find the signals to get in on a trade.



## Reversals & Continuations

When trading with The STRAT, the goal is to enter on **reversals** and add on **continuations**.

Entering on a **reversal** allows you to go against other traders with losing positions in order to be on the winning side of the trade.

Once you're in a reversal, if you're in a winning trade you want to add on **continuations** and take profit into strength. Once price reverses against you, exit your position with no hesitation.

When something triggers for an entry, the winners will work right away. It is important to cut any losing positions fast and keep your losers small. Everyone has losers, but it's important to minimize them by cutting them fast. As a trader, it's your job to manage risk. Make sure your reward always outweighs your risk by **compounding your winners** and **cutting your losers**.

Ready to take a deeper dive into The STRAT? Register on the site and take advantage of our Live Rooms, courses, videos and other free resources.

