

GLOBEX EXTENSIONS INTO THE DAY SESSION

The overnight Globex session begins at 3:45 CST and trades until 8:15 CST the following morning, Sunday through Friday with most of the activity and volume occurring in the last hours of the session before the day session begins. Many traders use the Globex session's high and low as support and resistance levels for the day session. In addition, trendlines and channels from the Globex can become very important in the early going of the day session.

Many software packages allow the trader to plot different securities in the same window. We do this with the Globex and day session, and then draw trendlines and channels on the Globex market as appropriate and extend them to the right. This makes available these trendlines and channels to the day session price action.

Often, the day session price action will interact with these constructs just as if they were drawn within the same session. Additionally classical chart patterns that develop late in the Globex session often form part of a pattern that is completed shortly after the opening of the day session. In our example, the pattern that developed was a double-top during the Globex system that developed into a triple-top during the early day session. Refer to the accompanying chart. Notice where the Globex session ends and the day session begins.

The Globex and day sessions have been plotted in the same window. The Globex price action has been defined by the channel represented by the two parallel lines at the top of the chart. Price made a double-top in the Globex, shown by Top 1 and Top 2. When the day session began, price immediately broke the channel to the downside and moved down; price action subsequently made a third push up, labeled as Top 3. This push up carried almost to the bottom of the up channel and represented a 50% retracement of the previous move down. This is a classical reversal signal and was an excellent point to short the market. Price moved down 8.00 points in 15 minutes before forming a consolidation zone.

By extending trendlines and channels from the Globex into the day session and observing classical price patterns, traders can make better informed and earlier decisions about trade entry. Entering early, especially under some volatility setups, allows one to hold a position longer – thereby increasing profits. This technique gives the trader much more information about price action than observing these markets in separate windows.

