

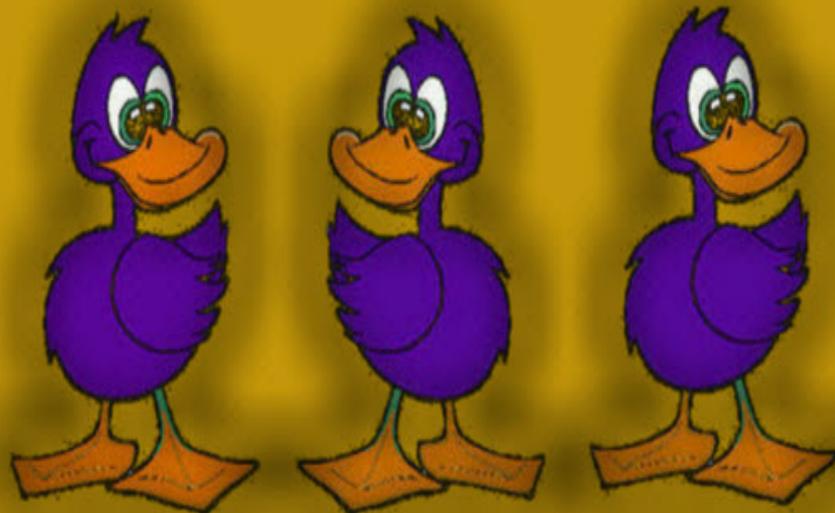
*“The most fundamentally and technically sound trading approach I have ever reviewed at System For Traders”*

**Jon McFarlane**



**Revised in 2012**

# **The 3 Ducks Trading System™**



**a simple approach that will improve your trading**

By Andy Perry *also known as* **Captain Currency**

“trading will never be Rocket Science!  
you won't need a high IQ in this business  
but what you will need is lots of common sense,  
discipline and patience and you can become a  
brilliant trader”

*Captain Currency*



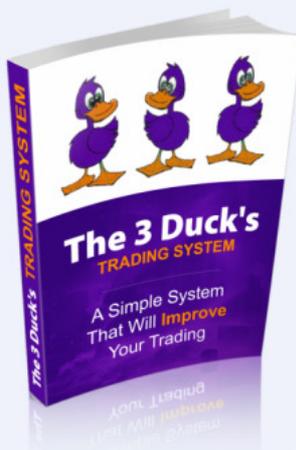
### About The Author

I started trading part time back in 1997. 4 years later in 2001 I felt I had progressed enough as a trader to be able to trade full time for a living.

Its 2012 now I have been successfully trading the currency market for a living for over a decade with the help of my 3 Ducks, a bit of common sense, discipline, patience and letting a few winning trades run along the way.

### My Goal

Is to freely share with you a simple but very effective approach that will help you trade with the wind at your back and become a brilliant trader.



### About The e-Book

I wrote the first version of this e-Book back in 2007. It's been downloaded thousands of times by traders all over the world.

The honest reviews and comments it has received from traders have been pretty good too. Hopefully you will enjoy and learn just as much from this e-Book as they did.

In this updated version, The 3 Ducks approach will stay the same because it is a sound logical approach and logic never goes out of fashion with the market. Spelling mistakes, hopefully better grammar and updated charts will bring this e-Book up to date for you to learn this approach and to enjoy the read.

“for the betterment of every new or experienced trader who wishes to trade part-time for a second income, full-time for a main income or even to have a ***dabble on a demo account***”

*Captain Currency*

## **Contents**

**My Edge - Putting The Odds in Your Favor**

**A Very Simple But Logical Approach**

**How To Get Started**

**Indicator and Charts**

**Step 1 - Your First Duck - Trend**

**Step 2 - Your Second Duck - Price**

**Step 3 - Your Third Duck - Entry**

**Did You Miss The Move?**

**Adding To Your Winning Positions**

**Running a Winning Trade**

**Cutting a Losing Trade**

**Potential Stop-Losses and Potential Profit Targets**

**Great Guidelines But Not To Be Automated**

**Performance**

“the ducks in the titles comes from the saying to have all your ducks lined up, an expression meaning to have everything in the correct order”

*Captain Currency*

## My Edge

I am a trend trader, always have been and always will be. The 3 Ducks is a trend following approach. Before you start trading it is very important that you know what type of a trader you are going to be in the market and more importantly know what your edge is in the market.

## Putting The Odds in Your Favor

My edge in the market is trading in the direction of the trend. I believe that in an up trend the price has a higher probability of going up at certain points and in a down trend the price has a higher probability of going down at certain point.

Step number one my first duck always makes sure that I am trading in the direction of the trend, trading in the direction of the higher probability, trading with the wind at my back.

## A Very Simple *But* Logical Approach

When you use The 3 Ducks you will simply be able to see if your Ducks favor buying or selling a currency pair. When you use The 3 Ducks it will help you logically look at your charts rather than emotionally. The 3 Ducks is an approach that you could be consistently following every day.

There are three ducks; your first duck will help you identify the direction of the trend, your second duck will help you see if the price is moving in the general direction of the main trend. Your third duck will help you identify a good entry point in the direction of the main trend.

This approach involves using three different timeframe, a four hour chart for your first duck; a one hour chart for your second duck and a 5 minute chart for you third duck.

Only one indicator is used, a 60 period simple moving average which is applied to all three timeframes.

“there is no shame in **keeping it simple**, what you gain is order, clarity, direction, purpose and consistency in your trading”

**Captain Currency**



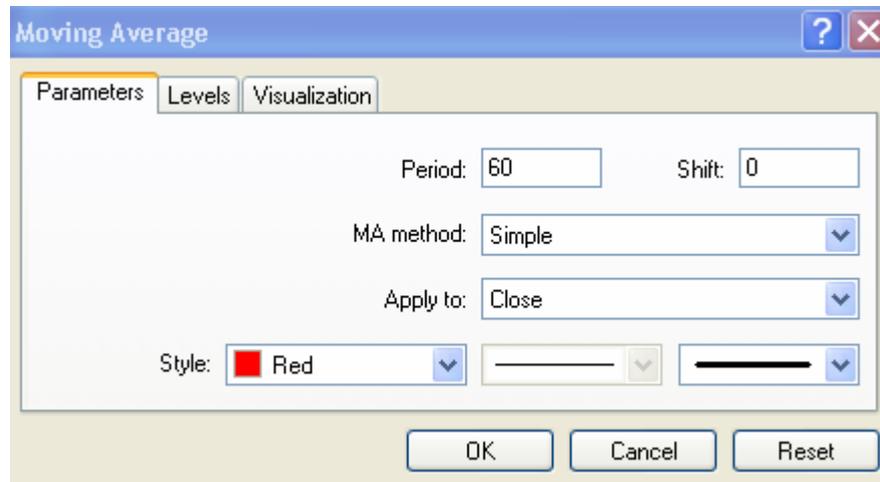
## No Trend, No Trade

This is a trend following approach, this approach can work best when applied to pairs that are currently trending.



## How To Get Started – Indicator – Charts

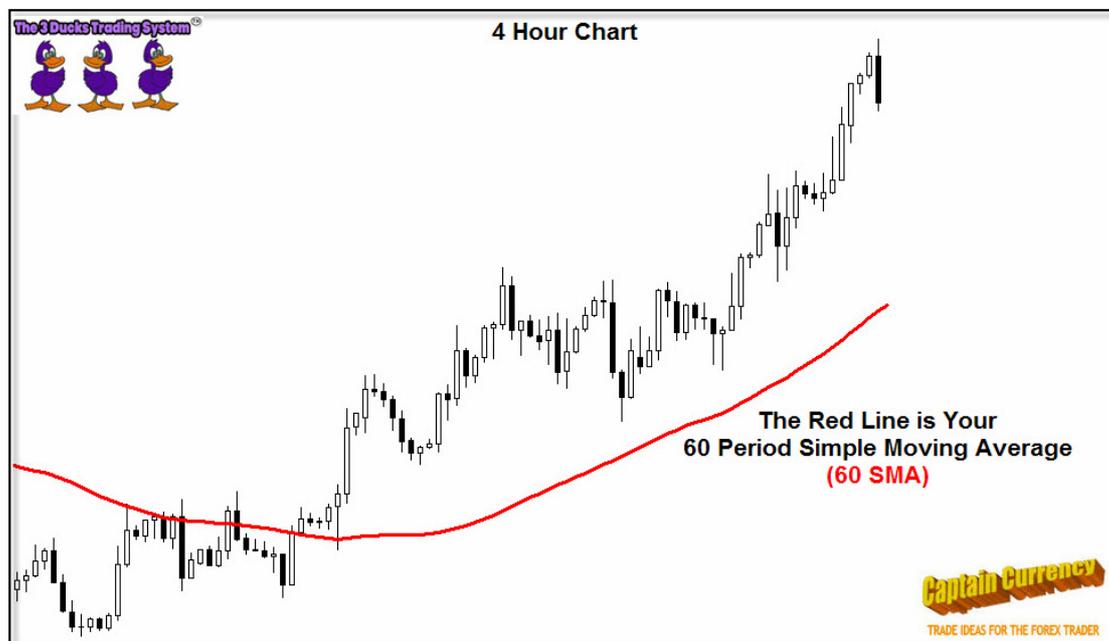
You can use most of the free charting packages to plot the 3 Ducks on, I use Metatrader4. You will need a 4 hour chart, a 1 hour chart and a 5 min chart for a currency pair. Open your 4 hour chart and apply a 60 period simple moving average (sma) indicator like below:



On the same currency pair you now need to do exactly the same thing for the 1 hour chart and the 5 min chart.

You should then have three time frames or three charts for that currency pair that have a 60 period SMA on each of them, something like this:

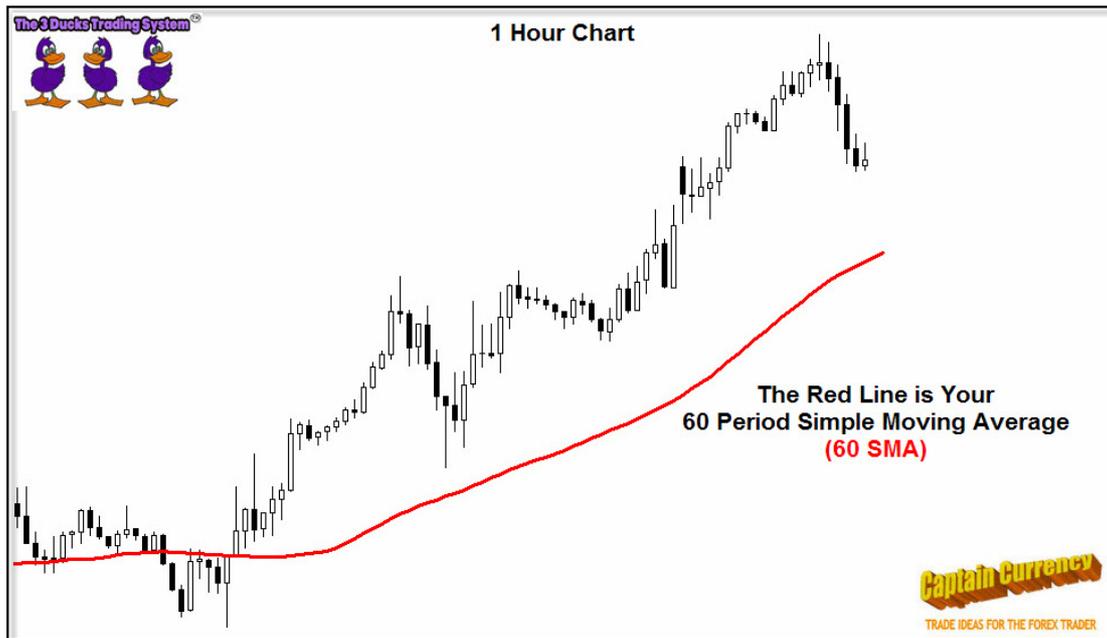
*(Charts are for demonstration purposes)*



“the 3 Ducks approach can be applied to any currency pair or indeed **any market** as the principals will be the same”

Captain Currency





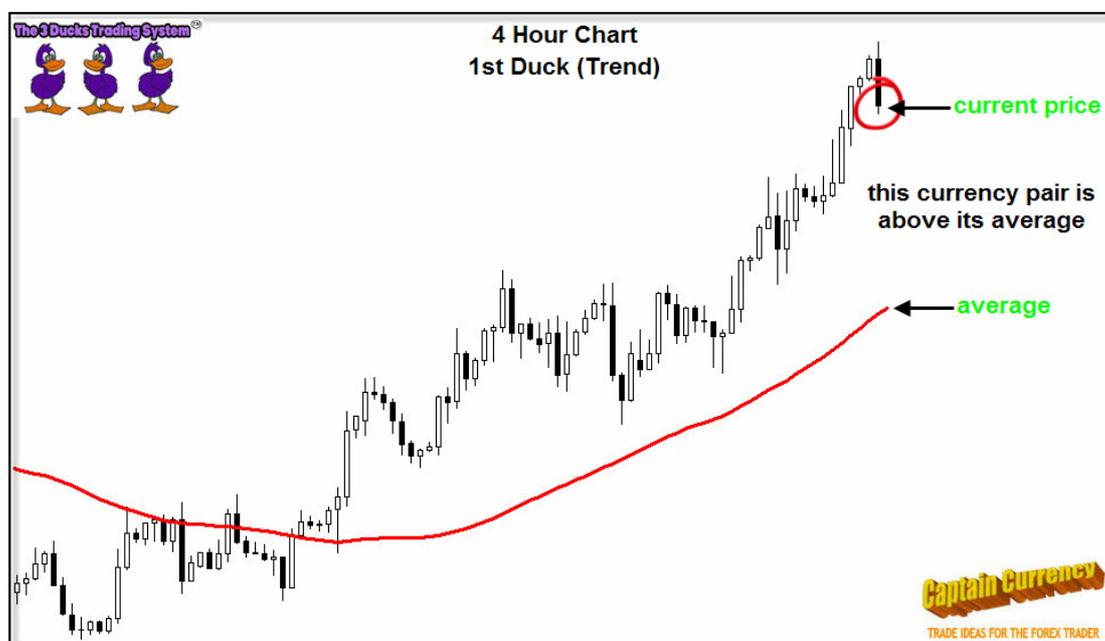
You have now set up three different time frames charts for that currency pair and you can have a look at each chart or time frame always starting with the highest time frame; the 4 hour chart and working you way down to the lower time frame; the 1 hour chart and finally the lowest time frame; the 5 min chart.

“this is a technical approach and I would be a technical trader, the only two bits of ***fundamental news*** I would take notice of are:  
Non Farm Payrolls &  
Interest Rate Decisions”



## Step 1 - Your First Duck - Trend

The 4 hour chart is your starting point, your first duck. If the current price is above the simple moving average on the 4 hour chart your first Ducks is telling you that this currency pair is above its average. That means your Ducks favor buying opportunities on this pair. You could now check your other two charts before you make a decision.



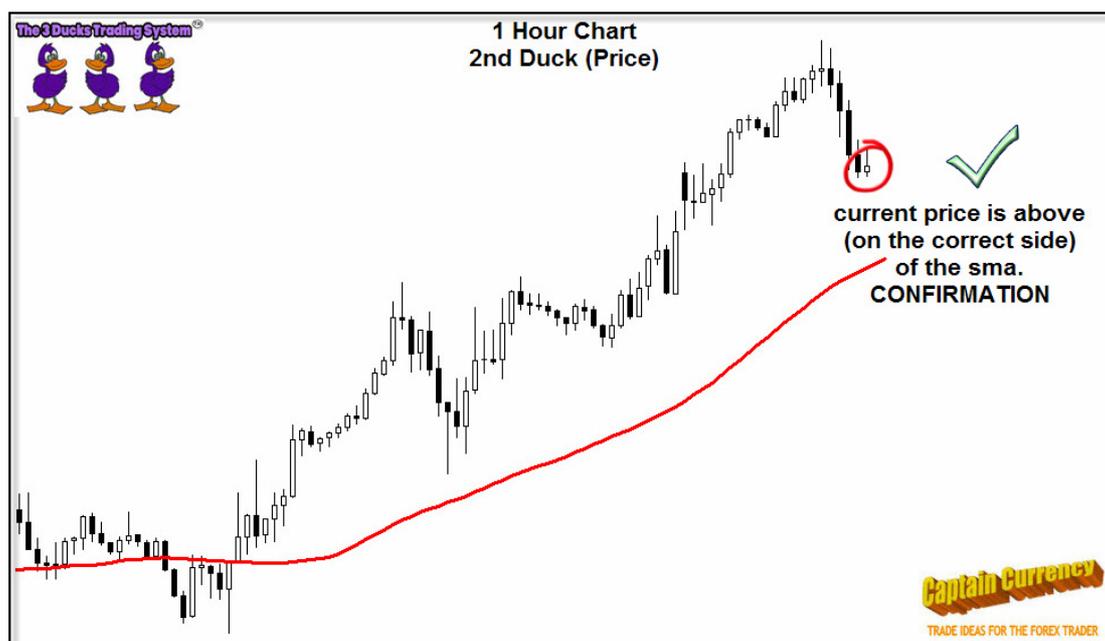
“market sentiment; is it bullish, bearish or even neutral?  
the 240 min chart is a good solid timeframe  
to decide if I favor buying, selling or sitting on my  
hands. the 240 min chart will also let me see  
if there is a change in sentiment  
**quicker than a daily chart**”

Captain Currency



## Step 2 - Your Second Duck - Price

The 1 hour chart, your second duck is used to confirm what the 4 hour chart is telling you. Your second duck will help you see if price has been moving in the general direction of the main 4 hour trend. If the current price is above the sma on the 4 hour chart, price will also need to be above the sma on the 1 hour chart for confirmation. If the current price is on the correct side of the sma your second Duck is telling you that price has been moving in the general direction of the main 4 hour trend. You could now move on to step three your third Ducks and check your 5 minute chart before you make a decision.



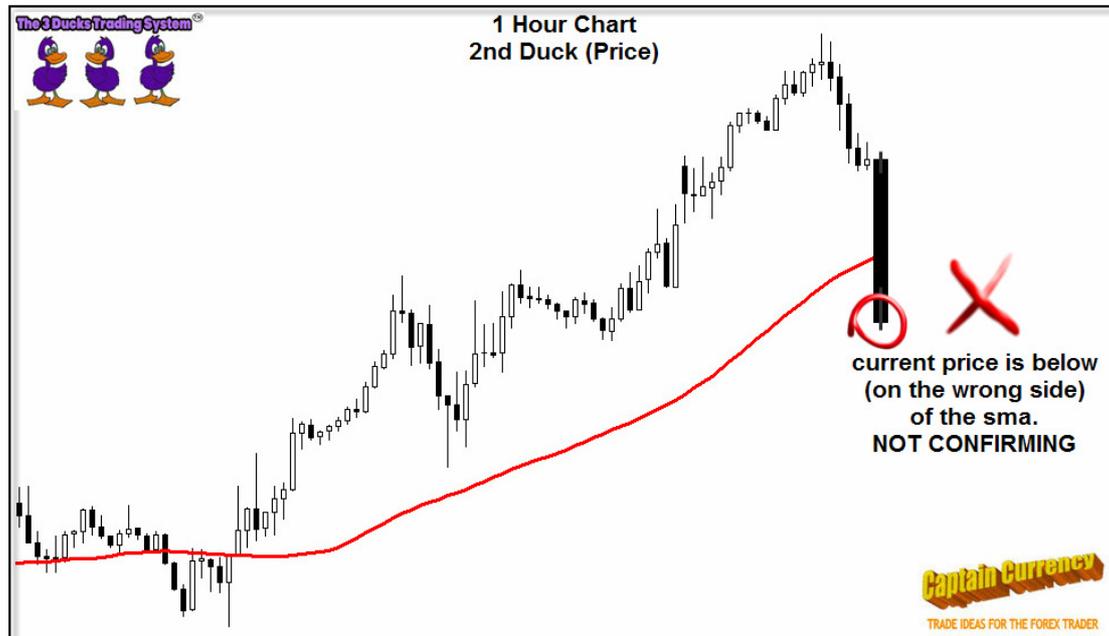
“the distance the price is or has been from the sma is ***not relevant*** as pullbacks and retracements will always be a natural part of the trend”

*Captain Currency*



## Not Confirming?

If the current price is above the 4 hour sma but below the sma on the 1 hour chart that would mean your Ducks are not currently lined up - Your second Duck is letting you know that the current price is not really moving in the direction of the main 4 hour trend. This means you would not move on to step three.



“good trading is really about making the **least amount of mistakes** rather than making the most amount of trades, some days your hands should never move from under your arse”

Captain Currency



### Time to Trade

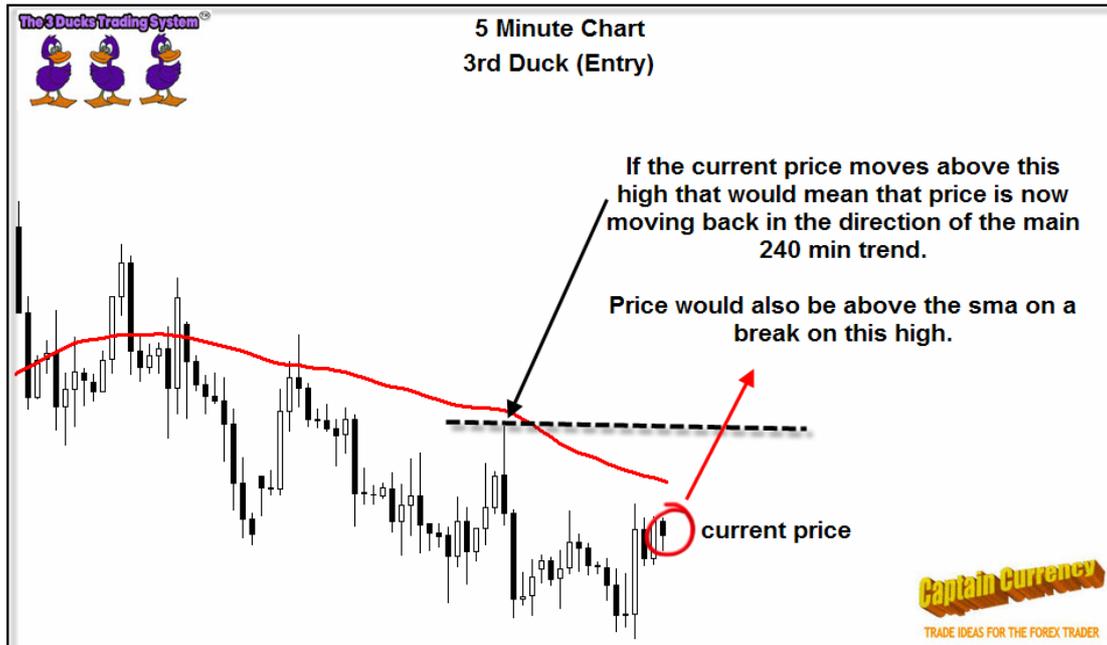
If you are an intraday trader this approach could work best during periods of market movement between the times of 7am - 4pm GMT.

If you are a swing or positional trader this probably won't apply.

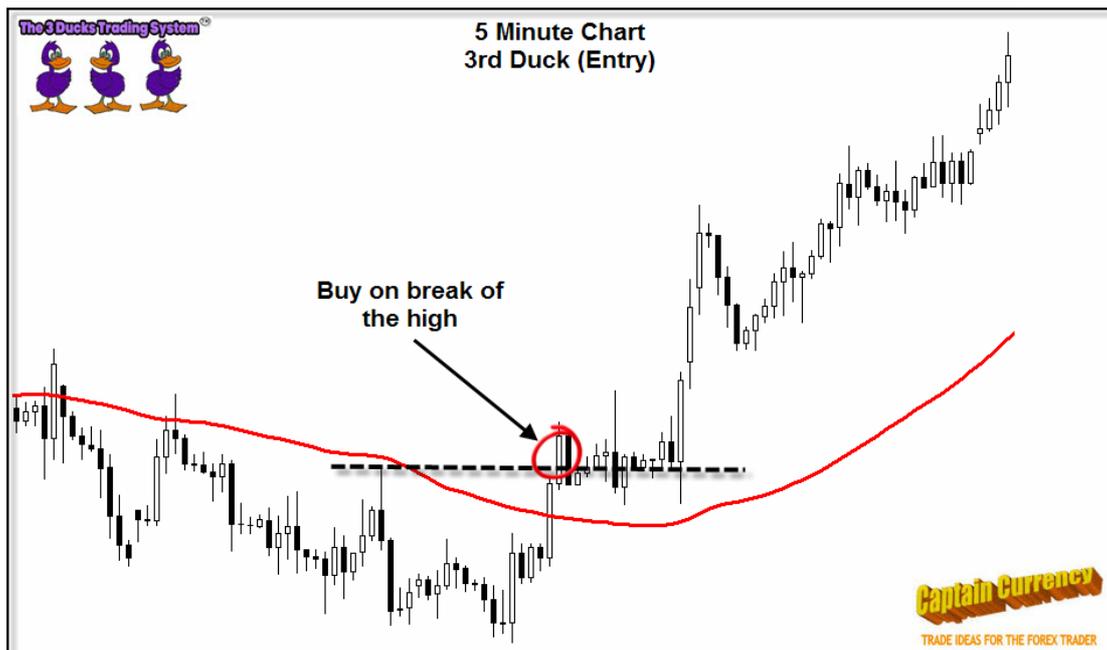


### Step 3 - Your Third Duck - Entry

The 5 min chart, your third duck is used for entries. Your third duck will help you identify an entry point back in the direction of the main 240 min trend, back in the direction of the higher probability. What you are looking for on the 5 min chart is for the current price to move above a high, price should also be above the sma when it does move above that high. At that point (on a break of the high) all your 3 Ducks have lined up and you could be buying above the high.

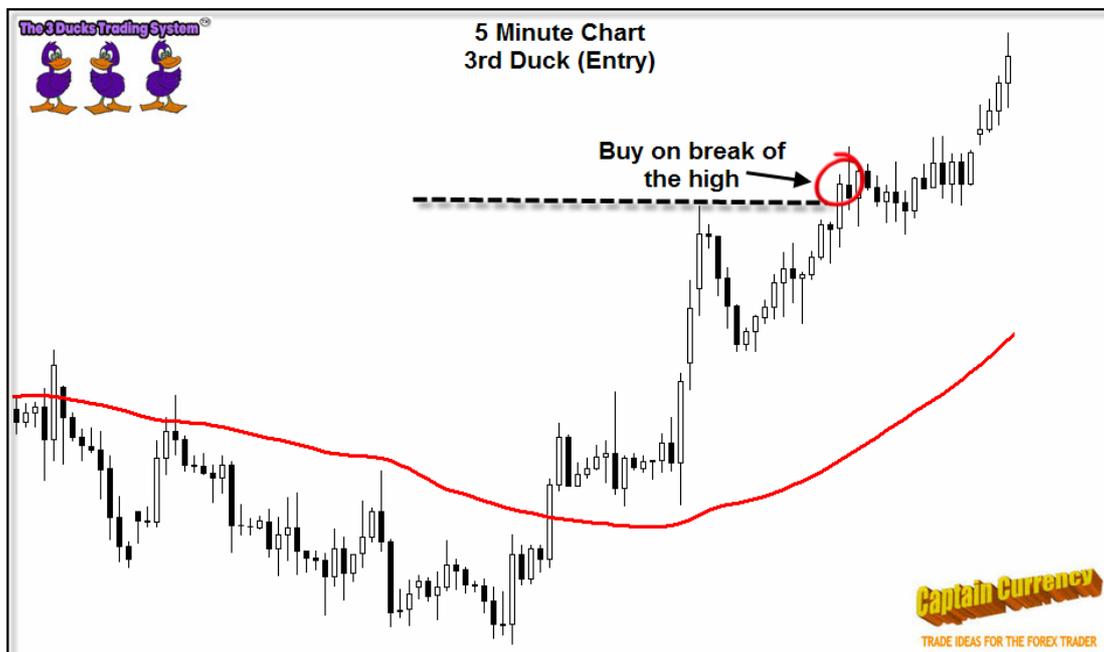
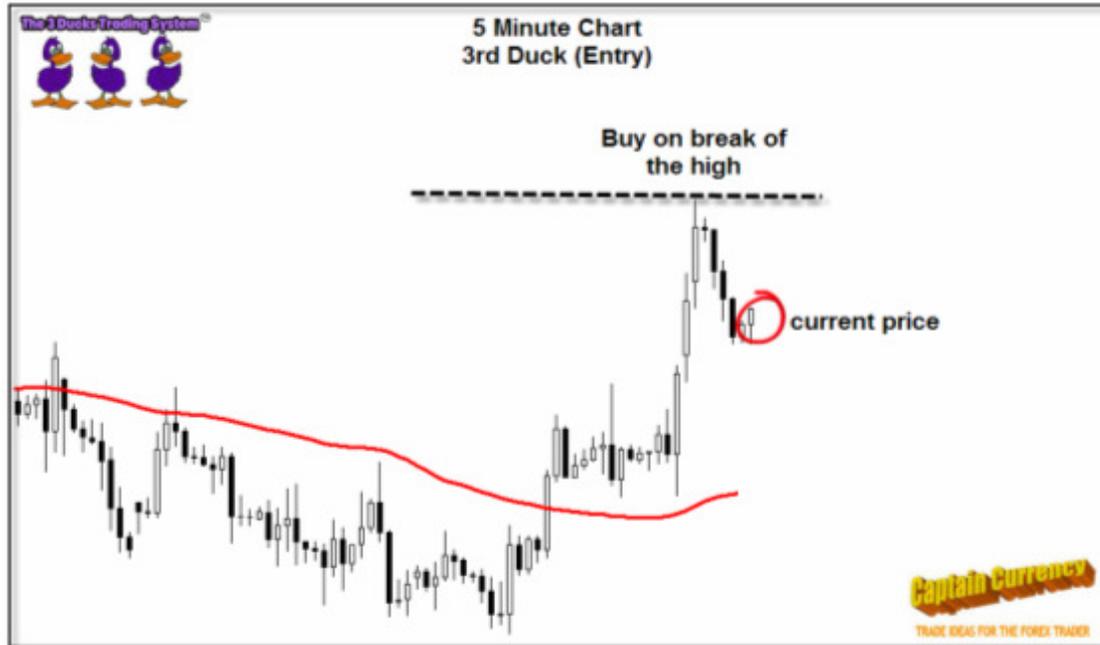


“ **Quick tip**  
when trying to identify a high, always start from the **right hand side** of the chart and work inwards ”



## Did You Miss The Move?

If the price had already moved above the high and sma you could still be looking to buy above another high. **Side Note** - catching the early part or start of these moves can be much more profitable for you.



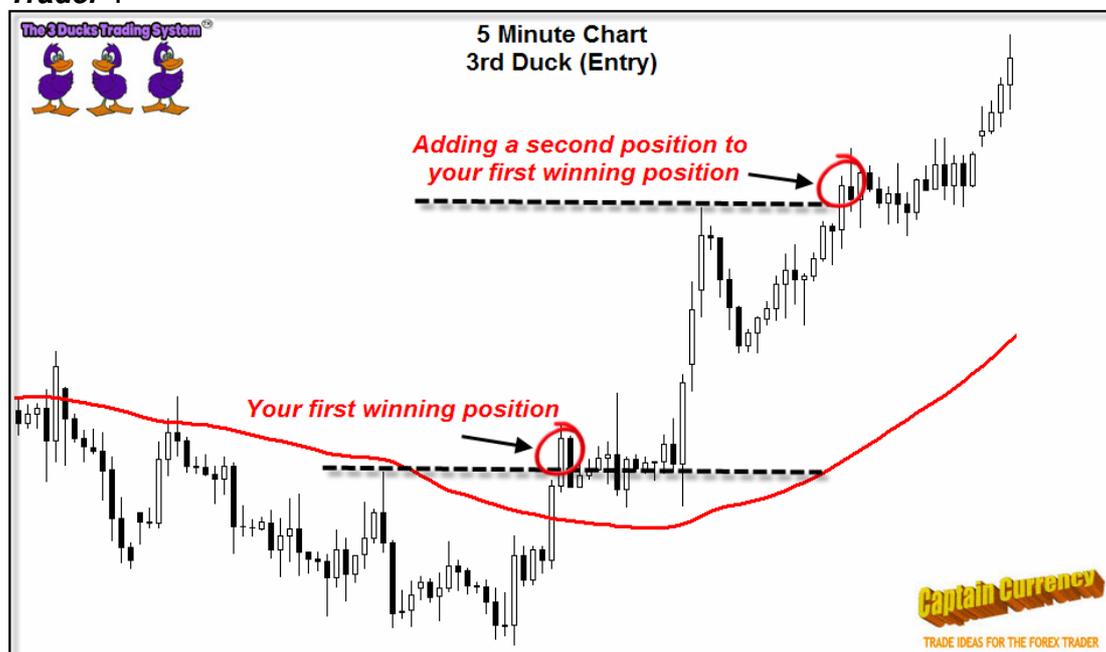
“the candle **does not** need to close above the high, trade price not candlesticks”

Captain Currency



## Adding To Your Winning Positions

There are potentially a few entry levels or highs on the chart and you could be adding a second position to your first winning position. Maybe move your stop-loss to breakeven on your first (previous) position before adding additional positions. If you can add to some of your winning positions you are reaching the Level of **“Brilliant Trader”**.



If you can add to some of your winning positions you are reaching the level of

**“Brilliant Trader”**

“ if it walks like a duck and **quacks like a duck**, it's probably a duck ... ”

Captain Currency



## Running a Winning Trade

When you look back on your monthly performance, your best months will be when you let some of your winning trades run.

### Example

Let's use the chart below and let's say I have already bought (first position) when the price broke above the high and sma on the chart below (when all my 3 Ducks lined up).

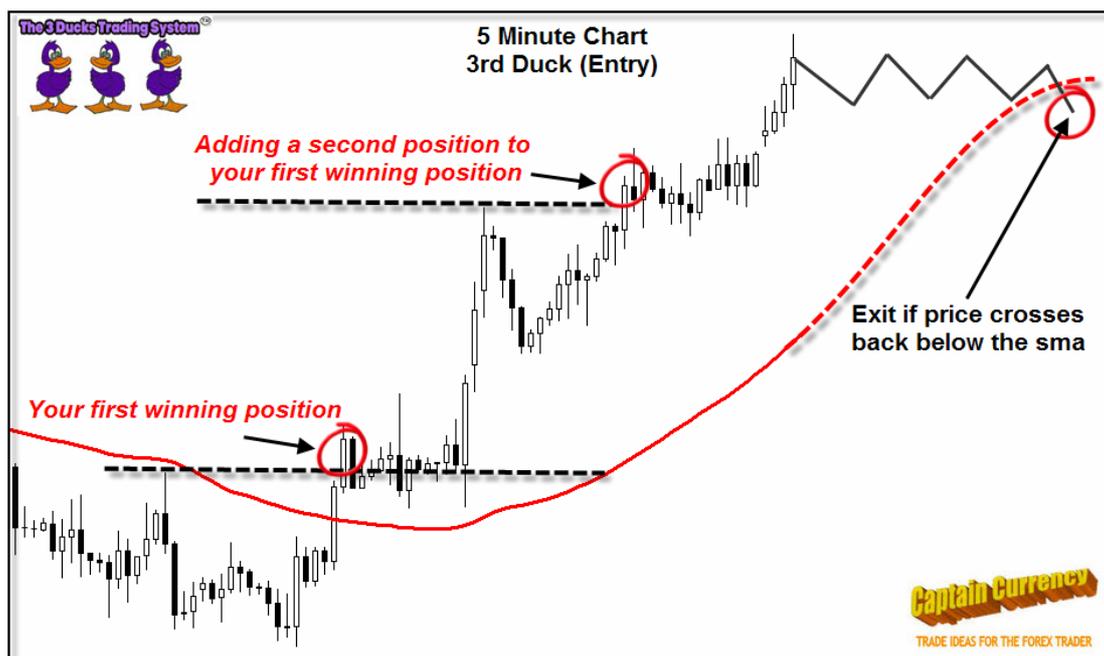
You can see the price has generally moved higher after my entry and stayed above the sma.

I could stay in this trade for as long as the current price remains above the 5 min sma.

I could exit this trade if the current price moves below the sma. This is a good example of how you can run your own winning trade.

### Side Note

If you are a swing or positional 3 Ducks trader you could hold your winning trade as long as the current price remains above the sma on the 1 hour or even 4 hour timeframe.



“acquire a taste for the occasional **big winning trade**, one sweet winning trade at +150 pips will wipe out five bitter losing trades at -30 pips each”

Captain Currency



## Cutting a Losing Trade

Most traders will get out of their winning trades too soon, but do they ever get out of the losing trades too soon?

### Example

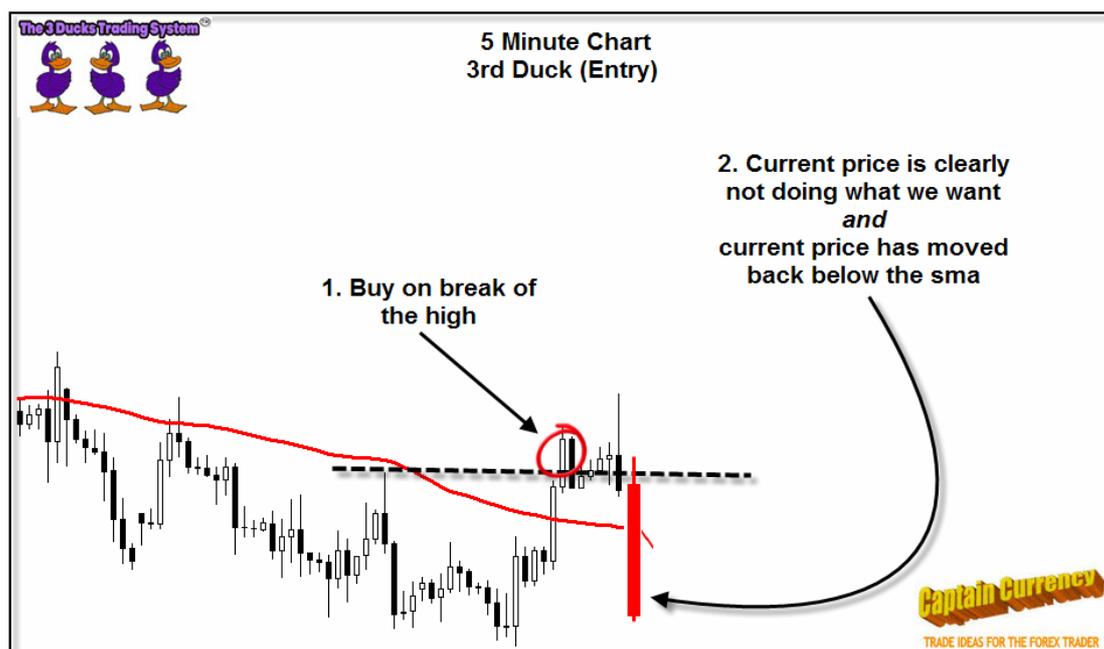
Lets use the chart below and lets say the current price is above the 4 hour sma and the 1 hour sma (two ducks are lined up) and lets say I have already bought when the price broke above the high and sma on the chart below (when all my 3 Ducks lined up).

I'm in this live trade now but the current price has dropped back below the sma on the 5 min chart by at least 10 pips, this mean that all my 3 ducks are no longer lined up.

Let's say my stop-loss is still in place and has not been hit. I really have two choices here;

1. I can leave this trade alone.
2. I can get out of this losing position now (early) and save some pips.

By cutting a losing trade early it means you are saving pips – after all, in the chart below your 3 Ducks are no longer lined.



“at the end of each week count how many mistakes you made, try and make fewer mistakes next week - *that's progress*”

Captain Currency



### Potential Stop-Losses and Potential Profit Targets

Again it worth letting you know that the 3 Ducks is a *discretionary approach* - it is 3 steps that will lets you logically observe trends, price and entries. Stop-losses and potential profit targets are going to be up to you, your choice.

“definition of **discretionary approach**;  
individual choice or judgement, rule based,  
non systematic”

**Captain Currency**

Every trader is different – some traders like to try and take small frequent bites out of a trend without risking too many of their pips on a stop-loss. Other traders prefer to take less frequent bigger chunks out of a trend while having a bigger cushion with their stop-loss size.

Some traders will use fixed stop-losses (a certain amount of pips) while others will use technical levels such as support and resistance or pivot points to put their stop-loss above or below.

Some traders will have fixed profit target, some traders will use technical levels for their profit targets and some traders will even leave their profit target open for a certain period of time.

Day traders could use technical levels from a 1 hour or 5 minute chart for their stop-losses and profit targets. A swing or position trader may prefer to use technical levels from the 4 hour or even daily chart.

Some traders will focus on having a positive risk versus reward ratio. Other traders will be less concerned about short term results and risk versus reward ratios and more focused on the longer term performance.

Some traders will manually exit a losing position like in the “Cutting a Losing Trade” Example on page 11.

Some traders will manually exit a winning position like in the “Running a Winning Trade” Example on page 10.

Make your own choices in this department and you will see what works best for you.

**Bonus 1** - the types of trades you will be taking with the 3 Ducks approach will be momentum trades in the direction of the 4 hour trend. Trading in the direction of the 4 hour trend or trading with the wind at your back can be very profitable.

**Bonus 2** - momentum trades don't really need massive stop-losses. The reason is, with a momentum trade what we would like to see is for price to break above the high or entry and for the price to gain momentum fairly quickly and to move in the direction of the main 4 hour trend.





### Jumping Ship

It's a bad idea to make changes to your approach just because of short term negative results. This seems to be a common error among some traders.

While they have a losing run they will panic or get emotionally involved and tinker or even jump ship with their approach in order to improve their result even though the approach is logically sound.

A good trader understands and accepts that their losses are a natural part of trading.

### Great Approach But Not To Be Automated

The 3 Ducks Trading System is a discretionary approach and not a mechanical system; it is a bit like the SatNav in a car.

The SatNav in my car tells me which direction to drive in, it does not control or drive the car for me, I do that bit.

The 3 Ducks Trading System is a sound logical approach to help you trade in the direction of trends, observe price action and buy and sell at levels that confirm strength.

The trader always needs to use their discretion and judgment, you should never attempt to automate this approach and just the same way as you would never let your SatNav drive your car for you.



**You should never blindly trade and risk money on a Mechanical System, EA's or Trading Robots.**

**Systems don't work 12 months of the year, they go through good and bad phases when currency pairs are "in tune" or "out of tune" with what that system is trying to do.**

**If you continue to blindly trade when the market conditions go "out of tune" with that system you will probably give back all of your previous profits.**

“the system failed is what the losing trader might say, but if **systems could speak** they might say something different .... the most important part of any trading system or approach is the trader”



## Performance

To be fair I believe every trader has to be responsible and put in a bit of work at the start in testing and creating their own performance. By doing this yourself you will really see what is profitable and what is working for you.

Average winners, average losers, ratios will differ from trader to trader because entries, stop losses, exits, risk, reward and how the trade is managed will be the choice of each trader.

How effective and profitable this approach is depends on your discretion, judgment, trade selection, discipline, patience, skills and your choices in the market.

“focus more on your progress than your performance as the second is the result of the first - most newbies will fall into the trap and focus on profits - if your focus is solely on profits or short term result you may suffer. progress is more important than performance at the start of any new venture”

*Captain Currency*

By just reading this e-book I'm sure you can see the logic of this approach and how it can be worked to give you a positive expectancy and profits.

If I gave this e-Book to a group of 100 traders, some would find a way to make it lose money and some would find a way to make it work for them.

You just need to decide which group you want to be in.

That's the end of this e-Book Duck Hunter. I hope you can use this approach and get one step closer to profitable trading.

Trade with the wind at your back,

Andy Perry,  
Captain Currency.



**Please don't e-mail me  
and ask for past results.**

Someone else's past results may not be that helpful to you because you still have to go through the discretionary process yourself. You now have a sound logical approach that can put the odds in your favor and allow you to become a profitable trader.

**GET MORE BANG FOR YOUR DUCK!**

WATCH, LISTEN, READ AND FOLLOW CAPTAIN CURRENCY



# WHAT OTHERS ARE SAYING ABOUT THE 3 DUCKS:

[View First Unread](#)

[LinkBack](#) [Thread Tools](#) [Search this Thread](#) [Rating: ☆☆☆☆☆](#)

SEP 18, 2007, 2:39PM

**Captain Currency**

Veteran Member



Member Since Sep 2007  
600 Posts



The 3 Duck's Trading System

Pma: (Elite Trader) Nice trading Captain! Your system cleaned up on the euro today!

Billbss: (Forex Factory)  
I picked up 98 pips on GBP/USD within the last 4 or 5 hours, with an initial 24 pip SL.

Trader1234: (Baby Pips) probably one of the best & simple tips to help stay with the market that I've read in awhile.. thanks Captain.

JTrader: (Trade2Win) This system is a simple example of how multi-timeframe confirmation can be used to ensure you are looking to trade in the right (trend) direction.

Dav: (Baby Pips) Just read your thread and tried your methodology, works pretty nice... well done.

Skyline: (Forex Factory)  
Made 100 pips yesterday on gu , today 107 on gj and 39 on gu for a total 6 wins and 1 loss (20 pips on gu today)

Pkffw: (Baby Pips) Hi Captain, Interesting system you have here. I like the simplicity.

Primajaya: (Forex TSD) always like simple methods, for me simple method work best and your's are simple too..

Droesparky: (Baby Pips) Hey CC nice system with very simple and straightforward logic. I think even I can follow it.

Bocajunior: (Baby Pips) Thanks for sharing this system. I like it's simplicity.

Tonymand: (Baby Pips) Very useful to have the trade charts Captain. If you are going to make this a regular feature I very much look forward to following along

Trader333: (Trade2Win) Thanks for sharing, I can see that this is a great little method you have

[AI](#) [Edit](#) [Reply](#) [Quote](#) [Pencil](#)

## IMPORTANT COPYRIGHT & LEGAL NOTICES

This e-Book is copyrighted and the material and images may not be copied, recorded, posted or linked on the web without the author's approval. The views in this book are my own, these are not trade recommendations. I do not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use or reliance on such information. © Copyrighted Andy Perry All Rights Reserved.