

# **MTF Stochastic Trading** *by Bob Scheide (Forex Factory UN bobby2)*

## **Trading Success Plan**

- 1) ***Read the trading rules and guidelines.***
- 2) ***Follow the rules and guidelines ALL the time.***
- 4) ***Follow sound money-management All the time.***
- 5) ***Repeat 4 and 5 ALL the time.***

**TRADING GUIDELINES FOR THE ORIGINAL TEMPLATE** (Both stochastics are set at 11,3,3, the MTF stochastic inputs are set at Next Highest TF.)

1. Trade ONLY in the direction of the MTF stochastic. That is the green and red one.
2. There is a pink line at the 50 level on the stochastic. Above 50 means the trend is up. Below 50 means the trend is down.
3. There are no predictions. I don't know where price will go. The stochastics will tell us when to enter and when to exit. Do not assume anything.
4. Greed kills. Remember that. Don't be looking for every single pip in a trend. You'll be disappointed on a regular basis.
5. Price action takes more time to develop on higher time frames (H1, H4, D1, Weekly), so you'll wait longer periods of time for trade set-ups, but this will work on all time frames except the monthly. We don't have a yearly MTF stochastic.
6. The MTF Stochastic in Default Settings will change automatically to represent the next highest time-frame up from the current chart. If CTF = 1 min then MTF = 5 min. If CTF = H1 then MTF = H4, etc. If you want to see one specific time frame on the MTF Stochastic or more than one frame on your chart, or, for example you want to see an H1 Stochastic on M1, M5, M15, and M30, you can turn the automatic function off in the Inputs tab of the indicator's Properties window. Just change "True" to "False" and change the default zero in "Time Period" to 60, or whichever one you want to see.

**NOTE: MTF Stochastic v2.1, or it's alert version 2.2, do not repaint.** Got it? I repeat; **The MTF Stochastic indicators used to create the Original Template for this thread do not repaint.** All MTF indicators change signals until they complete the amount of time they are representing. If you are watching a 5 minute chart, and you have an MTF Stochastic set to represent the next higher time frame, with on MT is 15 minutes, you will see the MTF Stochastic point in different directions, shrink, and grow, until the time is finished to complete the duration of the price period it represents, in this case 15 minutes. When the 15 minute period is finished, the indicator prints a final, permanent line segment that will not change after the new 15 minute time period begins. It may be prudent to wait for for the MTF Stochastic indicator to complete its cycle (wait for a complete, permanent record), but part of a traders job is trade management. Market conditions may influence a trader to use their own discretion in interpreting the position and action of the indicator. A trader should always do what they feel is best for the trading account.

**ENTRIES** *(These Rules work best during higher volume trading periods)*

\***TRADING THE TREND:** The best entry possible is the beginning of the trend. This will be when the Multi Time Frame (MTF) Stochastic is crossing the 50 line for the first time. You want the Current Time Frame (CTF) stochastic, that is the time frame of the chart you are using to trade, to be going in the same direction as the MTF stoch at entry. They don't need to have the same slope or cross together. Generally the CTF stoch will cross first anyway. A more aggressive entry is the current TF stochastic crossing the 50 line ahead of the MTF stochastic.

## **AFTER ENTRY**

\*If the MTF stochastic doesn't change direction, or flat-out cross, and stays above or below the 50 line, don't worry about what the CTF stochastic is doing. If the CTF stoch "leaves the MTF stoch area, and the MTF stoch doesn't follow, its a pull-back / correction, and it will return to the MTF stochastic at some point. If you hang out with the MTF stochastic you will be amazed at how long sometimes you can let your winners run with more confidence. With practice this will become easier to do. At first it will seem to be going against you, so you exit, and what happens? It resumes the trend direction of your now cancelled trade.

## **Re-Entry, Late Entry, and Adding On to an existing, already-in-profit, position**

**(This type of entry has a higher probability of a break Even or small loss result than an initial entry. Pay attention to current market conditions.)**

It is not recommended to enter a position late on an existing signal. Wait for a pull-back. How do we tell the difference between a pull-back and a reversal? Glad you asked. Sometimes you will see the Current Time Frame (CTF) Stochastic drift away from the MTF Stochastic in a different direction so they are no longer in agreement. Usually it will be obvious by the amount of separation between the two stochs, but at times the CTF stoch may only move a little in the opposite direction. The distance the CTF stoch travels away from the MTF orbit isn't important. What is important is that we see the point where the CTF stoch begins to return to the MTF stoch. For this type of entry we are watching the Current Time Frame Stochastic and making sure the MTF Stochastic has not begun to follow it up or down. On a current Close of the current time frame price bar, and seeing the CTF stoch having crossed back towards the MTF stoch that has maintained its position during the pull-back, THAT is where we enter if we wish to enter late, re-enter after an earlier exit, or add to an existing, open, already-in-profit trade. In this case we do not have to wait for the MTF Stochastic to complete its designated time period cycle, but we should wait for a close of the current time framr price bar to determine if it has turned back. It is not recommended to take one of these types of signals late.

**(It is NOT recommended to add to a losing trade.)** After entering, we manage the trade the same as a regular entry.

**EXITS: (Suggested exits are according to stochastic signals. Of course traders can exit at their own discretion for valid reasons.S&R, Round No.s, etc)**

**EXIT #1:** The MTF stoch and the CTF stoch have both entered the 80 or 20 area and is looking to stay a while. Exit when the CTF stoch leaves that area while the MTF Stoch is starting to change direction at the same time. You don't need to wait for the MTF stochastic to be all the way out.

**EXIT #2:** The MTF stoch doesn't make it past the 80 or 20 level, and both stochastics have turned and / or crossed.

**EXIT #3:** The MTF stoch has crossed the 50 line in the other direction.