

TraCop-1% Strategy

Manual Trading Strategy on Multiple Time Frames

2010 January 10

TraCop-1%.pdf is in process and the original will be reworked continuously.

TraCop-1% is a manual trading strategy and analyze multiple timeframes before making a entry order in the forexmarket. TraCop is one of the few systems that can trade really well during both: ranging and trading markets. It will use the main rule: if the market is not trending, always treat it as a ranging market. **TraCop-1%** stays for **Trading System** and **Coping** it around **1%** of its origin account deposit.

Indicators

- GannHiLo (Variable "Lookback" 5),
- EMA 9, 20 (55, 120, 200),
- ADX (14),
- PivotsD_v4,
- Denmark:trend_new/Mouteki-Line,
- Dynamic_Breakoutaily_Range_v10 (Variable "Risk_tp_Reward_ratio" 3.0).

Indicators & Template see "TraCop-1%.zip" attachment there:

<http://www.forexfactory.com/showthread.php?t=212160>

Timeframes:

All

10 sec., 30 sec., M1, M5, M15, M30, H1, H4, Daily, Weekly, Monthly

Currencies:

All

Major & Minor Currencies.

Anything traded online that respects technicals – commodities, Forex, Indexes, Shares, etc.

TraCop-1% strategy can used as a basic strategy, a simple strategy, a complex strategy or as an advanced strategy. Every trader has unique trading individuality, e.g. Trading habits, profit goals, time and risk limits, etc. That's why some trading set-ups and rules work for one trader may not be suitable for another trader, even though both pursue the same goal-making profit. So you have to work out which part of TraCop-1% Strategy is with you. I recommend the advanced strategy due to the fact that has a stronglogical and theoretical base, are not overloaded with indicators and often compose a core for trading systems used and created from me as an advances traders if I may so express myself based on my individual trading habits.

Lets begin with introduction.

Part 1

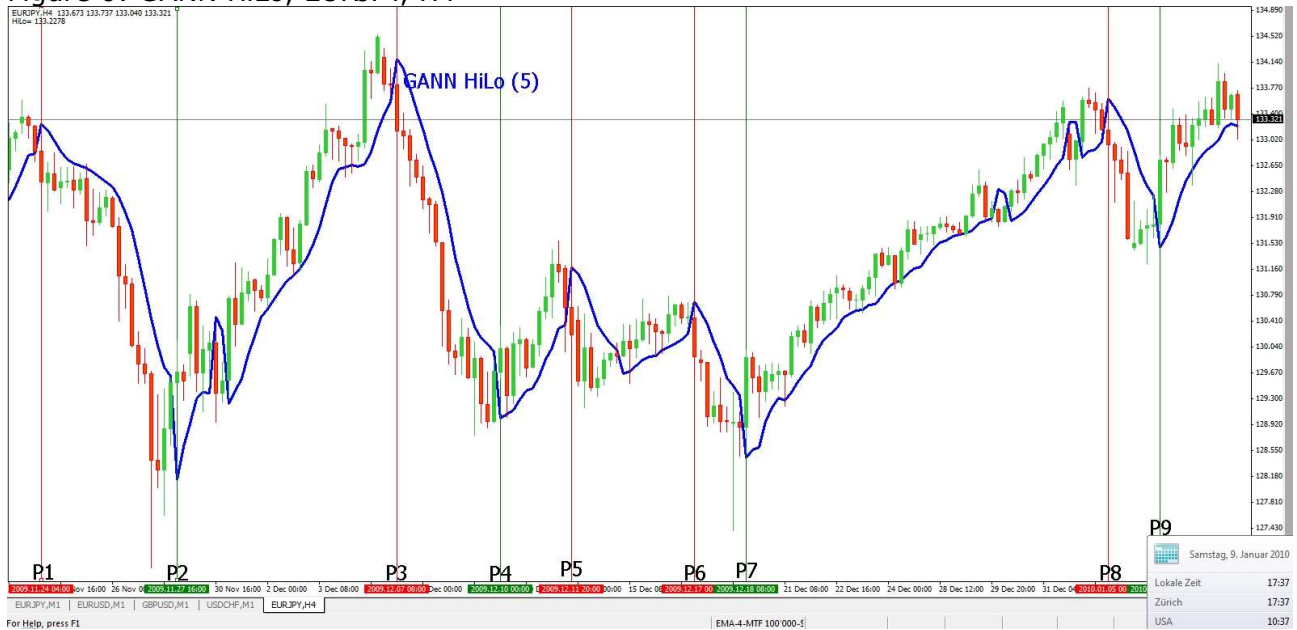
TraCop-1% - Basic strategy

(cover the basics of strategy based trading)

Gann HiLo Activator:

This trend following indicator helps to find entries and exit points. It allows to enter in the market quite early and stay out in the trade longer. You can use it with any timeframes whereas on lower timeframes (e.g. 30 sec., M1, M5) might be there'll coming up more whipsaws or may be the spread will kill you. Other traders recommended to use GANN Hilo (5) only on M30 or higher.

Figure 0: GANN HiLo, EURJPY, H4



I prefer to use GANN HiLo in M1, M5 just the same with monitoring the more global trend on M15, H1 at the same time. If you have a set of rules or a trading system that require some improvement on entries and exits, GANN HiLo Activator could be the right tool.

Trading rules:

Entry for uptrend: when the price is above GANN HiLo after the current price bar has been fully formed and closed. So enter Long with the „new“ price bar (second candle).

Opposite for downtrend: when the price is below GANN HiLo enter Short.

Protective stop is placed at the moment of entry and is adjusted to the most recent swing high/low.

Exit:

Profits are going to be taken next way:

Option 1 – use the EMA9/20 crossover as exit point or when bar closes on the other side of GANNHiLo..

Option 2 – using a trailing stop for an uptrend a trailing stop is activated for the first time when EMA 9/20 crossover confirm the entry point (to serve as a rule: 1 – 3 bars later). A trailing stop is placed below the previous bar's lowest price and is moved with each new price bar on the second higher time frame (if you trade H4 monitor Daily whereas with M5 trading, take M15 - if you trade M15 take M30).

This strategy allows to accurate pin-point good entries with sound money management – risks/protective stops are very tight and potential profits are high.

Current trading strategy can be improved when it comes to defining the best exits. For example, once in trade may almost try applying Fibonacci studying to the most recent swings. This way they can predict short-term retracements and make sure they will not be pulled out the trade early and will continue pursuing profit targets at Fibonacci extension levels. I prefer to monitor e.g. Supply and Resistance Levels on higher Timeframes and Fibonacci but most of all I'll respect my own cognitive behavioral aspects if I find wins are now enough and a more critical essence are coming up about the actual future market movements any more. So I can wait for the next chance to make a winning trade more. This is one of my Coping Style in Forex Trading, may be a highly personal one.

Advantages: Trading with GANNHiLo is an easy setup and doesn't require any calculations or other studies. From the graph GANN HiLo take short to indicate immediate rise and fall of price, so rather reflects the current situation on the market whereby GANNHiLo also looks interesting for scalping.

Note: In a sideways market where on M1 chart 1-7 pips wins might be favored to trade where you'll monitor on M5 only a cluster of indifferent candles. So GannHiLo is good enough for scalping with higher lots at M1 timeframe, whereas it might not be much to look at M5. (> see Figure 2 and 3)

Figure 1: GANN HiLo, EURUSD, M1



Label:

Red vertical Line: Enter Long

Green vertical Line: Enter Short

Figure 2: GANN HiLo, EURUSD, M5



Exponential Moving Average Crossover:

Trading systems based on fast moving averages are quite easy to follow. Let's take a look at this simple system.

Currency Pair: any

Time frame: any

Indicators: EMA9, EMA 20, EMA55

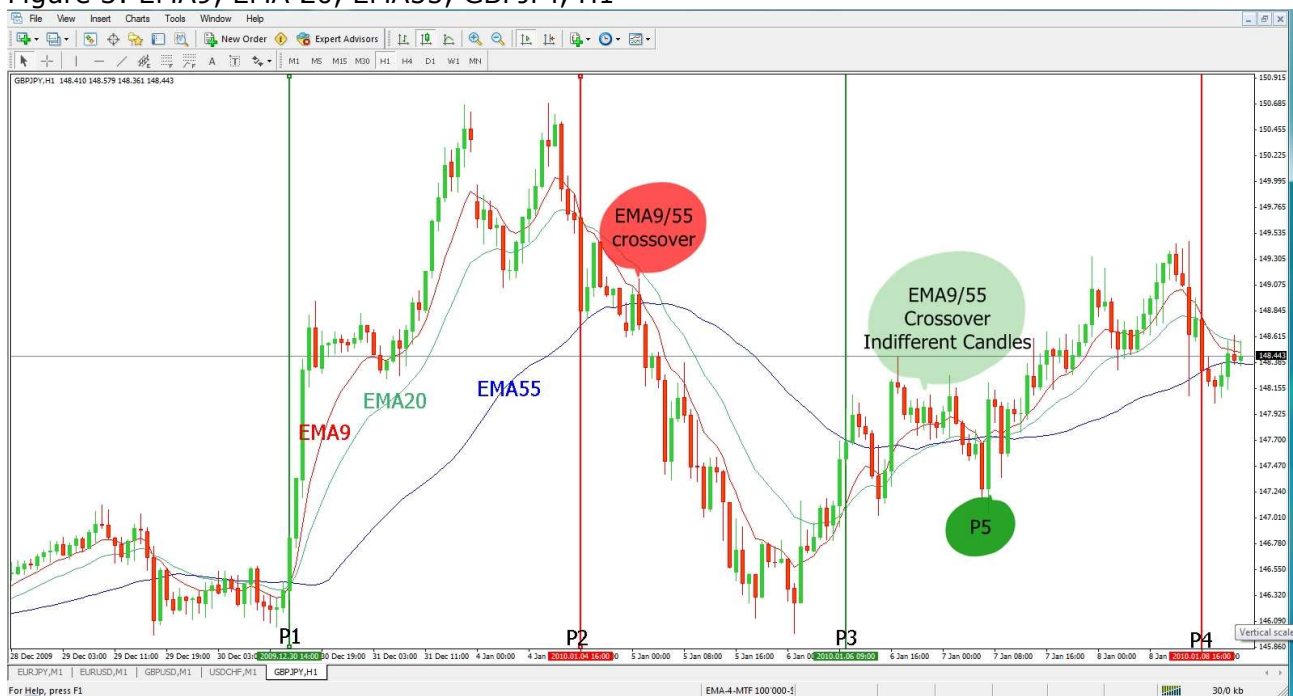
Entry rules: When EMA9 goes through EMA20, Buy/Sell in the direction of EMA9 once it clearly makes it upside/downside EMA20. Just wait for the current price bar to close on the other side of EMA20. This waiting helps to avoid false signals.

Exit rules:

Option 1: Exit when EMA9 crosses EMA20 again in counterpart direction.

Option 2: Exit when EMA9 returns and touches EMA55 until the current price bar has been closed on the opposite side of EMA55.

Figure 3: EMA9, EMA 20, EMA55, GBPJPY, H1



Preferred Trades: P1 (Enter Long), P2 (Enter Short), P3 (Enter Long), P4 (Enter Short)

P5 (it isn't a EMA9/20 crossover so rest in your trade, due to the fact that green candle closes over EMA9, EMA20 and EMA55 and the indifferent candles before shows that market don't know where to go on. Monitor M5/M15 when trading H1. Chapter 4 „Advanced strategies“ discuss the entry and exit orders in detail.

Advantages: EMA-Crossover is easy to use and gives excellent results when the market is trending, during price break-outs and big price movements. Exponential moving averages reflects the current market situation.

Disadvantages: On lower timeframes (30 sec., M1, M5) you have to watch it all the time and it can change its signals any time (which might be good for scalping trading) beyond that you have to switch on higher timeframes to get more the global view.

Discussion

EMA stands for Exponential Moving Average. It is a fast moving average, where more weight is given to the latest data. Ideally a **stop loss** should be placed above/below the previous swing high (downtrend)/low (uptrend). If it appears to be too far, then traders should use a fixed stop which would be individual for each case and will depend on a money management and trading approach chosen by a trader.

You'll hear sometimes: „EMAs, like all fast moving average indicators are follow-up indicators, say lagging-indicators, which means they don't predict future market directions“, ...if indeed such a thing is possible. I think this kind of discussion is a great misapprehension, a deceit or a misclassification. Why? Very simple. Show me one real leading indicator and you will become a millionaire!.

Explanatory note:

I like EMA for the simple reason that exponential moving averages reflect the current market situation and in conjunction with the multiple-time-frame idea, GANN HiLo and ADX it is a huge opportunity unless it'll give really strong arguments for a particular trade. EMA9, EMA20, EMA 55, EMA120 and EMA200 works for my trading style awfully good where I have often to switch between the timeframes for making my short- and long term analysis. You can tell when the **market** starts moving **sideways**¹ by looking at EMAs. As the inclination disappears, a flat almost horizontal EMA pattern starts to emerge. While the market is trading sideways it doesn't make any new highs or new lows. You will be able to draw simple channel lines and watch the market trading inside that channel. A breakout of the channel will re-establish a trending market mode. Yes, of course I will give the EMA Indicator a grade up like „magna cum laude“.

New traders need to learn the basics of trading well and practice a lot on demo accounts before going real. If it is about adding a fifth moving average, then simply add another indicator and change settings to whatever value you need. Regarding the best setups, there are many of them. The best way to know which setup will be working for you is to test it. EMA should be applied to Close. Experimenting with indicators can be fun!

Profit

How do you get the profit? You'll be able to withdraw your profits after you close your open trading position. To close a position you can use Exit rules described above. In addition, I would suggest drawing **Pivot Points** and add **Fibonacci extension levels**. Pivots and Fibonacci will help to mark potential profit targets. You may then either exit at those levels once you are in profit or tighten a stop loss and allow a trade to run further till EMA crosses back (as described in the exit rules above). By trading with M15 or H1 set the time frame chart to 5 minutes to see clearly the exit points. It works!

Kindest regards

Forexcube

¹ By sideways moving market we mean the market that doesn't make any new highs or lows and is simply flowing in between certain price values. In this case traders can draw lines to define the corridor in which the price has stuck and watch it breaking out of that corridor.

Chapter follows:

Part 2

TraCop-1% - Simple Strategy (simple to use, easy to try out)

Part 3

TraCop-1% - Complex Strategy (have many different conditions and rules, often use more than three-four indicators, need more time to get accustomed with).

Part 4

TraCop-1% - Advanced Strategy (TraCop-Strategy has a strong logical and theoretical base, are not overloaded with indicators and often compose a core for trading systems used and created by me an advanced trader based on my individual trading habits).
