TRADE WHAT YOU SEE
NOT WHAT YOU EXPECT

http://www.forexfactory.com/showthread.php?t=121761

PREFACE

Thanking EO and Infinity for coming up with this information and then being willing to share it, just doesn't seem possible. How can you thank someone that has changed your life?

But the real thanks need to go to the dummies in the Cable Update thread, without the constant bickering EO would have never started this thread. Then the only way you could have gotten this information would be bit by bit through endless non-related posts on that thread – an impossibility I am sure.

Kenneth Lee

INTRODUCTION

How did this all get started? The way I understand the evolution of this strategy is as follows:

EO was a long term trader, trading mainly off the 4hr charts, using Dailies for areas as well. But as he traded he noticed that at times long term trading was leaving a lot of $$ on the table, even possibly costing him all his profits if he adhered to the rules of the longer term trades. Stops being large and profit targets set in stone. Set it and forget it.

So after a little while of this BS he was looking for some way to improve his trading and also maybe take some of the profits offered on an Intraday level. EO and Infinity were both members of the same thread and started working on the issue together. The result is what we have today – a complete trading strategy that can be applied during almost any market conditions that come up. If price is moving, there is an idea here to trade it.

Rest assured, these are profitable traders with many years of trading successfully behind them. This isn't newbies teaching newbies. I only hope I present the information in a fashion that is both acceptable, and a credit to the effort they had to put into developing it. The only reason I am doing this and not them is they have done their part. Also, they both have personal businesses to run.

I have been learning from them for a good while now and in looking back over my own information regarding this style of trading, I realised that some of my original ideas had placed importance in the wrong order, so I am re-organising my notes and making all the information flow in what I now see to be the right direction. Just like all trading ideas, if we aren't with the flow we have to fight the current. Just like going long in a downtrend is like pushing a tank uphill.

Also, here is my disclaimer: I am an idiot and have never had an original idea of my own. That being said, everything I post is a credit to others willing to share their knowledge. If you feel I have used your information incorrectly or it is copyrighted just let me know and I will make the adjustments needed. Any comments or disagreements are welcome in a professional manner. My greatest fear is that I provide the wrong information and someone loses money. That is the reason you never see my charts in real time. I trust my own trading as you should trust yours. The idea is to learn – not follow. That is why we are all here, to do our own thing, not work for the man anymore.

TABLE OF CONTENTS

- Chapter 1 -

WHERE TO START

Learning the Basics First

Everyone needs to have a basic understanding of trading to have any chance of succeeding. If you're a new trader with no experience at all you are lucky finding this thread – it is gold. I wish I had found it straight away...

But to really have a chance at trading, start at the beginning. Babypips (http://www.babypips.com) has a good school which will show you the basics regarding trading. Also, read the manual that your broker provides. This is real money, not a game and you don't need to be trying to figure out which combination of buttons you should push to get the twirling head kick (joke). You should be able to place your trades and know the difference in all your choices.

I would recommend reading "Trading In The Zone" by Mark Douglas. It will give you some insight as to why we do and don't do certain things. The threads on Babypips called Alternative Technical Templates 1 and 2 are a good read also, the thread is maintained by commercial traders. They agree with our thread here 100%. Higher time frame areas with lower time frame entries, but where they leave off, we begin. They don't actually show different types of entries available.

Try and trade at the same time each day, that way you can see any patterns that might be caused by the time of day. Have any computer issues sorted out. I do maintenance of my computer each weekend. Virus scans – defrag if necessary.....it is like any job, your tools need to be sharp, including your mind. Check as many negative feelings and emotions as you can at the door.

Setting Up Our Platforms

Your platform should be setup for ease of use. You don't want to be having to adjust everything every time you take a trade. If you do it will cost you trades.

Once you have decided your risk per trade, try and preset your order amount as a multiple of that amount. The more units, the easier it will be later to manage your trade. At least 4 and possibly even more. I like 6 to 8 myself, it gives me lots of options. Also, have your preset stop set to the worst you would allow, you can always move it after it is on, but if it is real close, you can get stopped on a spike quickly.

Place your entry buttons where they make sense and know them apart, buy and sell plus any different pairs you might trade. There is nothing worse than to enter a trade and then figure out what it was entered on.

If you set your order size in multiples it is also easy then to enter different trades with different amounts depending on how risky you see the trade.

Setting Up Our Charts

Here are the MA's applied to your different time frame charts. Now you have to REMEMBER these are used as floating support and resistance. Not Bob jumped over Jill so we fall down the hill. Just simple S/R lines. Make sure you notice EMA and SMA differences. It will become crystal clear how these MA's contribute to our trading once you apply them. You will be using them also as points to some of the areas you used to use fibs to locate.

We do take notice of which side of the main MA's price is on though. We can use them to see our price turning sooner. As price starts crossing over the smaller MA's we can see that we might be getting ready for a reversal in direction. We look for closes on the other side of the MA's to confirm a break like any S/R line.

The MA's are also what we use to manage our trades when trading towards the MA's, profit taking is done near or on them as you can readily tell price can and does bounce off them. So no need to give money away. Taking partial profits as we touch the different lines. If and when we break through a major MA like the 50 EMA 15min, we can start adding back to our trade when we get a retest of that area, because as you can see, the 50 EMA is normally the line of main concern for intraday trading.

15min:
5ema, 10ema, 21ema, 35sma, 50ema and 200sma

1hr:
10sma, 50sma, 62ema and 200sma

4hr:
5sma, 10sma, 50ema and 150ema

Daily:
5sma, 35sma and 50ema

- Chapter 2 -

GENERAL INFORMATION

Can We See The Future From The Past?

I would say the majority of traders believe we can. Why else would we pick S/R lines from previous Highs and Lows. Why would we use those lines to consider entry areas or profit taking and stop levels. If we have to place our trust in something, let it be this, that we believe price will react the same in the future as it has in the past at these same areas. But we will not blindly jump into the fray. We will let Price Action be our guide leading us safely into our trades, giving us the edge we deserve with our patience and skill at deciphering signals that are there for us all to see.

We must learn to see these signals and trust our eyes, so our minds aren't misled into seeing false signals. Many traders have entered trades only to look again not believing their eyes that what they thought they saw wasn't really there.

We need to be skilled craftsmen checking our marks before we waste precious resources, in our case $$$$.

Demo trading will help you gain those skills prior to risking anything. It is up to you to take advantage of that great benefit.

What Is Price Action Trading

I had googled the above statement. The search returned some good definitions. I even pasted on to a document, but on further thought deleted it. Nothing I read actually covered how I want to think about Price Action Trading. It is a very engulfing issue having many groups looking for certain items they think of as Price Action. Some even use it not realising they are, because in the broadest sense, any movement on a chart could be considered Price Action.

“The previous price area that current price responds to is Price Action”

Everyone uses Price Action in some form. S/R, Fib levels, Trendlines. You use it to place your stops and your profit areas. We base almost all our trading on what we think price is going to do at certain areas. It has done this here before so enter or never goes past here, stop the other side. So you can see the value of Price Action yet most of us are missing the true benefit of it. That is – Perfect Entries.

We trust it with our stops and when to take profits, but not when to enter.....Why?

You will argue “I do enter using S/R or trendlines”. But most of us wait for a candlestick pattern or an indicator to tell us when to trade. That is not Price Action, that is the result of Price Action.

A candlestick pattern is nothing more than another type of indicator formed by Price Action. The time frame of the chart determines the amount of lag of this indicator.

Most who post on the forums would agree. That is why they say look for areas on higher time frames, then look for entries on lower to gain your best entry with smallest stops.

The use of candlesticks is one of the best ways to see Price Action and use it, but it isn't the only way. We will be using candlestick patterns ourselves to enter trades as they are dependable, but when used with the knowledge of how and why they formed they can be awesome.

That is why longer term traders use bigger stops and larger gains, and intraday traders, smaller. The group that might be already using true Price Action the most would be the scalpers because their goal is to see a price movement before it happens and pounce on it. But the art of grabbing a few pips over and over while controlling losses is difficult to learn in itself.

So our goal here is going to be to enter as a scalper and profit like a position trader when we can, but the overall goal is to be consistent in our trades and always taking what is available. As we progress you will see the endless possibilities. Following are some charts showing different Price Action examples:

Diag. 1

Diag. 2

Today we had some good examples of Price Action and how we can use it.
Circled Area A is the high where we got our first Price Action line.
This is also a signal I used to enter a trade, not great but did anyway.
You can see as the trade progressed it really didn't go short much.

Price Action and Previous Price Action

What is the difference between Price Action (PA) and Previous Price Action (PPA)?

PA is the way price is acting right now, viewed on your 15min trading chart. PPA is the way price reacts at areas that PA has had an effect in the past. This can be hours or even days in the past. As you will start to see, almost everything you have learned and use to trade is a response to PA and PPA.

If you trade higher time frames, PA could be a 1hr chart and PPA a daily, it is all relative to how you trade.

The reason I have broken it into two categories is the same reason we look at our higher time frame charts, even if we trade the lower time charts. The power of PPA is stronger than the PA but combined, our choices become very clear as far as our trades are concerned.

I can safely say that most people use a 4hr chart to some degree to pick S/R lines or trendlines. This gives them areas to watch, to either enter or exit trades. Those lines are derived from using PPA and nothing more. It is the visual highs and lows you see on your chart, where price has turned back in the past. If price moves past what you can visually see on your 4hr chart we would then look to our daily chart for the same PPA.

What we are now trying to show you is that PA, as is almost every trading idea out there, is available on all time frame charts. So when we start approaching our PPA area or S/R line, we should then look to our lower time frame charts to start to see the details.

The PA should be used in conjunction with PPA for the best results, although PA can be used very successfully in a ranging market in times of consolidation.

If you noticed on Chart 1 there was a white line at 1.6551. This is a resistance line derived from PPA off my 4hr chart. So along with the PA that was in that area, we can see it was a very strong area of turning, giving us either many small trades or one larger trade. All the trades would have had tight stops, as one of the great advantages of using PA and PPA is that we have a defined area we are trading from. We are looking for it to turn back here, which it did, not sure how far it would go, but if it continued up we know when to get out. No guessing....which is the hardest thing for most.

Trading PA is extremely easy as you're already doing it. Almost every turning candlestick pattern is started by PA, just take a look back at your charts, it has to be so. It can not turn without it, but once you start to see the benefits and strengths of PPA and PA combined you might start to see sooner entries with smaller risk, allowing you to either risk a bit more or be willing to take more trades.

As with all our trading we look for a combination of signs to help confirm our trades to be more successful. So always try and find as many tools that coincide with the trade you're taking. I just don't want you to say wow I have PA and take every trade and then start losing. We are teaching a complete strategy here and it will take a bit of time for it all to come together.

You should also read and re-read each section until you know it. Also, look at your own charts to find the same things. But you should start to see, if you have been trading for any length of time, just a few of these ideas can make a huge difference in your trading results.

Is The View Better From Higher Up?

In an effort to make this a complete strategy I believe a discussion of the use of different time frame charts in our trading is in order. Almost every trading strategy I have seen shows the importance of looking at many different time frame charts to make your trading more successful. But still many times in reading forums and watching people trade, I see people taking trades at the worst possible places, trying to fight the flow of the market.

I don't believe that this is done on purpose, because when you mention it, they usually say oh man I see that now! So what we have to do is find a way to incorporate all the information into our thinking process of planning our trades. People use different things in the beginning to help them with that. EO provided a great form to let you have a place to write down the daily areas of interest. A checklist of everything you are looking at prior to trading could be made up by you. One of the most important items would be where price is in reference to the higher time frame charts.

The funny thing is, that the longer term chart traders are just as guilty in the reverse sometimes. They find the lower time frame charts to be just noise, to be ignored at most times. I, like many traders, find myself reading different forums and such and I have seen in the last few months some of the long term traders have really struggled with their strategies. Mainly because they make their choices off the higher time frame charts and have more or less a blind eye to the lower stuff. In a nice trending market that is fine, but with the ranging we have been in lately, it can be disaster. The same as a short term trader buying high or selling low, he has his signal to buy or sell but a glance at a higher time chart can clearly show it is at the top or bottom.

Think of trading as you would a hike in a densely wooded area. To get the general idea of direction or where you need to go, you would try to find a high spot with a clear view. This will give you the general direction to your next area of concern, but once you're back on the trail without much view of anything but the trees, it is better to focus on where you put your feet to keep from getting tripped up as we move along.

We will cover all these different areas and thoughts as we continue. We will pick the areas to watch for, then the different triggers to enter at top and bottom plus what to do in the middle between them. We will also look at ways to cover our butts from mistakes or changes in the market.

But remember you must use everything available to trade. Take a long look around on your higher time frame charts every once in a while, not forgetting that before any long term chart can change, the lower term changed a long time before. It is this use of all the information that will make you a great trader. People with tunnel vision rarely succeed at anything so make yourself look at everything until it becomes second nature. That is when it starts to get easy.

Intraday Trading Worksheet

M15

Consolidating w/ MA's flat?

If yes, go to ranging

Ranging? (I use the tops and bottoms of the wicks to define, 5 pip variance is good)

Top _________

Bottom ______

MA's angled? North (buy the dips) South (sell the rallies)

Define the channel

Channel Top ________

Channel Bottom ________

Has price gone more than 35pips past the price of the closed candle that last went through the 35ma and closed?

If yes, favor positions in the direction of the ma's targeting upper TF support/resistance areas looking for PA for a reversal. (If we're on top of the 35, favor longs, if we're below the 35, favor shorts).

Positions off the 5/10/21ma price in the direction of the ma's. Use your ma's for your SL.

When price moves across the 35ma and closes, look for counter trades from the closed candle's price to 35 pips above or below depending upon where price has come from, to counter back. For example, price closes bullish through the 35ma at 5960, shorts positions from 5960 -5995 with TIGHT SL, here we're talking SL around 6005. If you get taken out, look to buy in on a pullback targeting your upper TF support/resistance.

When price breaks it's range, I look for the price on the 15m candle to close above or below the range top or bottom to consider it broken. First time through usually will not be the break. If we get a confirmed break (close above or below the range), look for price to retest the top or bottom of the range and continue. This will usually be a quick test and on the following m15 candle. 10-15pip SL on the range play is usually good. Think of it as tennis. Back and forth until one side decides to spike the ball and drive price to our higher TF support/resistance.

H1

Level 1 resistance ________

Level 2 resistance ________

Level 1 support _________

Level 2 support _________

Is price ranging?

Define the range

Price on the h1 usually ranges near the end of the US Session going into the opening of the Asian Session.

Where's the most recent PA that has sent price to where it is now? Can we see an opportunity on our lower TF to get in on a pullback?

Has price closed above the 10ema? This supports long positions (go to your lower TF for buy in on pullback).

Has price closed below the 10ema? This supports short positions (go to your lower TF to sell a rally.

How is the current candle shaping up PA wise?

H4

Level 1 resistance ________

Level 2 resistance ________

Level 1 support _________

Level 2 support _________

Where's the most recent PA that has sent price to where it is now? Can we see an opportunity on our lower TF to get in on a pullback?

Has price closed above the 5/10? This support long positions (go to your lower TF for buy in on pullback).

Has price closed below the 5/10? This support short positions (go to your lower TF to sell a rally).

How is the current candle shaping up PA wise?

Day

Prior Days High ________ Prior Days Low _________

Level 1 resistance ________

Level 2 resistance ________

Level 1 support _________

Level 2 support _________

- Chapter 3 -

WHERE DO OUR AREAS COME FROM

This is the next part, before actually learning what to look for to enter trades. Where would the best place to enter be at? This will be no different if you are a long term trader or even a scalper, any and all traders should know where price has changed direction in the past. Even with that simple information you can have a better than 50% chance to make the correct entry.

S/R Lines From Our Higher Time Frames

There is nothing worse than entering a trade THEN looking at a higher time frame chart and realise you just went long at the top, just because you didn't take the time to locate and identify those areas beforehand and have it turn on you.

This isn't something you have to do even every day, I have areas on my chart that have been there for over a month. I only have to make changes when price moves away from the area already researched or price moves beyond my lines. I use Support and Resistance lines that have been located on a 4hr chart then put them on my 15min trading chart.

Actually, what I do is change my 15min to a 4hr then change it back when I am done. I usually do this over the weekend, that way I can take my time and not be distracted, and as long as price doesn't move out of my premarked chart they are good forever. I don't remove lines, only add. They will always be the same areas to look for once it moves away and comes back.

I personally only mark 4hr lines on my chart. Anything lower I can see on my 15min. Also, the 4hr are the main places where price reacts. Not everyone's lines will be the same, there is room for personal choices, some even mark bands that may be 20 pips or so wide. You just have to start picking them and noticing how price reacts at them and then you will learn if you need to change the way you're marking them. I know mine are an area, so they don't have to be perfect.

Is This Also Price Action

The places we get our S/R lines from are actually PPA, it is Previous Price Action, being either a top of a swing or bottom of a swing where price has turned around. We will show charts as to where we pick these lines from. I draw the lines myself. There is a lot of software for MT4, most do it for you and that is your choice, I personally like to do it myself and see where they are coming from. Plus, while you are drawing them you will see how many times it turned there and could label each line as to the fact. Turned x number of times here.

Also, we will notice any trendlines that may be of interest to use in the near future. We will need to look at those every day to see when price will hit them.

The Importance Of These Lines

The importance of these S/R areas is critical to our trading as they are the main reason we can get into some great trades at the right time, a top or bottom. Without the PPA of the lines we would not know for sure that this is possibly a very important area. Plus with these lines on our charts, we now have identified areas we are interested in so we can start looking for PA and PPA. This is what will get us into trades while others are waiting for some sign. We will be in the trade, have some profit locked away and our stops moved to protect ourselves before most have even entered.

We also use them as TP (Taking Profit) areas. You will see later that if we are in a trending market moving away from our MA's the S/R areas are where we would look to scale some profits out of our trades or possibly close, depending on PA. There is a lot to learn about taking profit you will see and should be the most abstract part of trading. It is the reason most have trouble gaining big profits. You will see that we are more interested in protecting any losses with a stop than we are closing a trade fully at one point.

Everything we will learn will be a little different than the mainstream but the possible gains to your trading I think will be very positive. It will make a good trader great and change a losing trader into a positive one, while removing most of the stress involved with trading by getting us into covered trades as fast as possible. It will take some time and patience but you are here to learn, there aren't any free rides.

Below you will find some charts showing how to pick S/R areas and trendlines, You should then practise on your own charts and take notice of how price reacts at your areas, because once we start showing entry triggers and signals you will be expected to know this part already. In this way, when someone says we are looking at this area so and so, you will know where it comes from and go to your chart and find it.

Diag. 3

Diag. 3 Description

Line 1; 1.6556

The line was drawn using the touches of A, B, C, D and E areas. Most from the bottom but one from the top. When I draw my lines I place them at an averaged area leaning towards the most turning points – in this case, the lines from the bottom. But as with all lines the wicks and bodies rarely match exactly. You should know by now, nothing in trading is exact it is all an area or zone.

Some traders will draw zones going off the close or the wicks of the candles in an area depending on their preference. I just know that it is an area and start looking for PA in those areas.

That is all the lines are for, an alert to let you know that you are near a place of interest. Then you can start looking for a turning signal or a continuation.

People do trade off the lines themselves and it is possible to be profitable that way. The problem comes when too much credit is given to the lines alone, then when the turn doesn't come, they aren't willing to take a small loss or they believe the zone is a bit bigger. As you can see, the Zone of line 1 upper wicks to lower wicks could be over 50 pips. This is way too large a stop for trading just off a line. Then if this line breaks through and you try the next line and it fails to turn there also, you could rack up some serious losses fast.

That actually happened Thursday for a lot of people and it always happens when we have those big moves. The reason is because most of the time when price is ranging, trading off the lines alone works. If they do get stopped on the first, the second will turn it. So when it doesn't work, they try area after area just compounding losses. The worst are those that add on to losing trades at each area. That is how accounts are margined out (closed).

Good thing we know better than to do all that crap.

WE KNOW ALL THE LINES ARE FOR IS TO ALERT US TO POSSIBILITIES

We then start looking for PA which will lead into a signal or trigger for a good entry without a lot of the risk involved in the above.

I have marked near Line 1 circled areas S1, S2 and S3. You should see immediately why I did. The major MA's on this time frame chart are acting as support for price holding it down. This is another thing we look for to take trades. The 50ema is holding it back in all cases. Being a 4hr chart we would then go to our lower time frame charts and could get some decent trades from these support areas. Again our MA's are used as support and resistance lines. So you can see we will have more opportunities for trades where others will have to wait which can cause them to take bad trades. We actually have more to guide us along the proper path.

Looking at S3 we can also see that price was ranging pretty close between the 50 and 150ema also that a flag pattern had formed. Then at Line 1 which also happened to be the 61.8% fib level it turned back. This all from the 4hr chart. We will start showing how much more information we will have to trade off once we zoom down to the lower time frame charts taking most of our trades off the 15min for the best entry possible. But for those that would rather trade higher time frame charts, you can also see that the MA's can be of value to you also. Maybe picking areas off the daily and weekly charts and taking the trades here on the 4hr.

Line 2 – 1.6387

It is pretty unexciting but you can see a lot of the turns did not actually hit the line. You could move your line or create a zone, I just always know its an area. Plus look at C, E and G. We again have help from our MA's helping to define the actual turning point. Again this is just to alert us to possibilities. But then how many items of confirmation do you usually look for before you consider a trade good enough to take? That is the question.

Looking at Circled area C, we are close to the line, we also touched the 50ema and we are at the 50% fib level 7 pips lower but very close for a 4hr chart. To me that is a lot of confirmation and all this without even looking at a smaller time frame chart yet.

So what is the point, you are saying. The point is that we are constantly reminding people to look at their higher time frame charts yet most don't. This should show you the value of that reasoning, because if I would take the trade off of what I see here alone, just how much more information will I get to confirm the trades using the lower time frame charts also?

Also, don't forget the value of your daily charts. Prior to this massive drop in the GBP/USD the daily printed a very bearish candle closing right below an MA. Although we are technical traders and the move was actually started by a UK politician mouthing off, its still a guide to notice. It is also very important to notice that lots of times the fundamentals do no more than cause the price to continue in the direction it is already going. That is why a lot of traders here will call it noise and if they are covered well will stay in their trades.

I hope you can take something away from this to help you see the bigger picture. As I have been saying, this is a complete strategy, not just look for one thing and do this or that. If you can keep up you will basically have something that should carry you through your entire trading career.

PS. Circle D was good PA from Circle C. All the same confirmations apply as we are trading off Circle C's action...just things to start noticing, but when trading PA alone, a VERY tight stop is required.

S/R Summary

As you can see, a lot of great information is available on the higher time frame charts. Don't forget to look at your daily charts also. The daily can give you a heads up on the day's direction. Always keep an eye on where the price is with regard to the MA's especially the larger value ones. Like almost all things in trading, the signals on higher time frame charts carry more value.

Same with the MA's on those charts, just take a look back on your charts you will see the PA at or near those lines. The best information you can gain from the higher time frames is the triggers off them and once all the time frames start to show the same direction or bias the risk of your trades becomes less and less. The best trades are entered with barely any or no drawdown. This will come with practise and the use of all the time frames and understanding the PA at critical areas.

Just like we see on that chart above, there are some trades available off the 4hr, but you have to remember that each 4hr candle is equal to 16 15min candles. So when we see the possibilities on this chart we still may have plenty of time to enter at a great level.

Someone has asked about what I consider tight stops. Although we shouldn't take trades straight off line touches, a lot of us do. So what stops would you use if you're actually taking trades off the touch of any lines? The best thing to do is wait for some PA to show up. Then place your stop above the limits of your PA line. I think a 15 pip stop is plenty in most cases using the PA for trades.

Like the area D on Line 2. You might ask how would you take this trade. The first indication is the close of the green candle lower than the top in Circle C then the next candle's open fails to go higher and turns back. This could be your entry signal, or better yet, you switch to your lower time frame charts for your entry. But even then your stop should be right above the highest point of Circle C or the resistance line above.

As you will start to see, the key to good stops are the best entries. Bad entries require bigger stops. Plus trades with more confirmation will need lesser stops. But as a general thought if you're just taking a risk on a bounce of a S/R line or trendline or major MA your stops should be tight above that line as there isn't any reason to risk a lot on a possible trade where you didn't wait for confirmation. If you are taking the same trade and have some PA to back up the trade, it doesn't mean your stop should be bigger, just your trade has a better chance to succeed.

We will cover stops better further on, I just wanted to add something here as I know some of you will be trying to take trades off any bit of information as we go. Just be careful to risk a small amount and use as tight a stop as you can.

- Chapter 4 -

ARE WE THERE YET?

It is always amazing to me how many people actually use different tools without ever trying to find out how they work or what they are actually showing us.

I pasted the definitions to MA's below from investopedia.com. They are very basic math formulae just average price values from the close of however many candles you set it to. 5Ema = 5 candles. The ema places a higher importance on the last candles to print.

One of the main things you should remember is the Moving part of the name. As price is moving towards the MA it is moving away because it is moving with price. The lower the value the faster it will move. For that reason, sometimes trying to trade a touch of a line can be like playing tag. Sometimes you will have to take the trade where the line was, not where it is. If you check your charts later you will see many places that the line now touches when it didn't when you were trading.

Also, as you see by the definitions on the MA's they are used in other indicators like the MACD to show the trend change. The 50ema is a powerful line, it normally is the difference between the direction you look for trades.

Another key point to remember is that the MA's and price are always trying to come together. You can also see that once the price and MA's converge the wicks cross the lines while the bodies may lay right on the line. This is because the MA uses the close price for its calculations not the low or high.

What Does Moving Average – MA Mean?

An indicator frequently used in technical analysis showing the average value of a security's price over a set period. Moving averages are generally used to measure momentum and define areas of possible support and resistance.

What Does Simple Moving Average – SMA Mean?

A simple, or arithmetic moving average that is calculated by adding the closing price of the security for a number of time periods and then dividing this total by the number of time periods. Short-term averages respond quickly to changes in the price of the underlying, while long-term averages are slow to react.

What Does Exponential Moving Average – EMA Mean?

A type of moving average that is similar to a simple moving average, except that more weight is given to the latest data. The exponential moving average is also known as “exponentially weighted moving average”.

Investopedia Explains Exponential Moving Average – EMA

This type of moving average reacts faster to recent price changes than a simple moving average. The 12 and 26 day EMAs are the most popular short-term averages and they are used to create indicators like the moving average convergence divergence (MACD) and the percentage price oscillator (PPO). In general the 50 and 200 day EMAs are used as signals of long-term trends.

Diag 4

More Information Before We Get To Signals

I know everyone wants to get on with it, and feels we have been dragging here, but I feel it is important to have a decent understanding of what we are doing or going to do.

Had a conversation with someone the other day and it reminded me of why I really like this strategy. I love to trade but I don't like sitting for hours waiting for a trade to appear. I was and still am a scalper. As was stated in the intro this is also what most would consider a lot of the entries in this strategy.

If you normally look at daily and 4hr charts, entries off the 15min would be scalping to you. Some say scalping is judged by the amount of profits taken. The less the more risky scalping. But the ideas here are to get into trades quicker than most and take some profit off normally before the others have entered and then a move to your original stop would be better than break even. Then as it moves further away you move your stop along with it always locking in profit.

That is not the thought I was having during this conversation. The person I was talking with disagreed with my entries, calling them scalping. Which I don't care, but he claimed to be a follower of this strategy. A lot of the information I will be presenting soon might rub some the wrong way then, because the BEST entries of any of those to come are pure scalping entries with few signals. My trading is scalping, I admit I don't let profits run, but this is something I'm working on. But my entries are gold. I even tell guys when I take a trade that this may be the top or bottom and a lot of times it is. I take my 10 or 15 they get 100+ LOL. But that is a personal issue having nothing to do with the entries. I have been averaging 100+ pips a day scalping, so I am happy.

What I want to get across to you is that there are as many ways to trade as there are ways to cook eggs. You wouldn't complain about a person because they like poached eggs and you don't. So keep this in mind and if someone is willing to share information do as I always do. Thank them profusely then take away what you can use and discard the rest. But never ever complain about someone willing to offer help even if you feel it won't.

Why This Matters

I do not want anyone to trust what I say, that is the herd mentality. We do not trade in a group we are as alone as a person can be. If you take signals from other people you will have no control over your trades. They made the choices for you. If you should join or start a group to trade with you, you are doing nothing but sharing ideas, the choice to enter or not enter is yours alone.

To this respect as far as the information I am presenting here, my greatest hope is that you are going to your own charts and proving or disproving any of the facts here. I know in my heart that everything shown is a sound approach to trading and with proper management it is superior to most. The use of a very few tools and blank charts allowing the trader to actually SEE PA is the key.

Knowing when you should take small gains or hold for more, is a skill that will come also. You will know when it is a counter trend trade but still allowing you to scalp a few pips. Sometimes in a ranging market that may be all that is available. Plus a lot of the superior traders of this strategy use more than one account to let them keep their long term trades running while still scalping opposite the trend.

So keep an open mind, then confirm or dispell the information for yourselves. This may not be for everyone, but I really believe no matter how or what you trade, the information already presented and the stuff to come is invaluable to all types of trading. As a scalper it has shown me so many places to take trades it is almost too many to take them all. But using the higher time frame charts it is almost foolproof signals, it is easy to see where the long term trades are entered. Now my own goal is to combine both styles into one. This is what and why EO and Infinity came up with this stuff. To allow us to profit from any market conditions. During the summer months the position traders had trouble with the ranging market. EO and Infinity were still raking in the pips.

So enough of this, just do your part and learn. Just reading something one time isn't learning, study it. Go back and see it for yourself. Find out why and when trades fail. It is so sad that many have trouble when you have the chance to go back in time on your charts and see what does and doesn't work.

Basic Signal Information 101A

Again it is always a funny thing when people are putting their hard earned money on the line that they don't read or try and understand the tools they are using to make more. This time we are talking about the candlestick signals we use. There are not that many really. You might have to study 12 pages to study them all. Not much to ask to keep you from losing money.

1. The market is characterised by a prevailing downtrend.
2. The market is characterised by a prevailing uptrend.

Those 2 statements are the first criteria to the majority of the signals we use. Because we are normally trying for early entries our signals are the one candle type with confirmations from our other sources, but failure by most people to know if they are seeing these signals in an uptrend or downtrend is the failure of a lot of trades. If you're not sure it is probably not at the right spot yet.

We will show you where to look for the right turning areas. We will also show you when it does turn but for only small scalping gains. But if you want one thought on where to look, always look to your higher time frame charts. If price is moving away from the MA's and you are approaching or at a S/R or trendline on your higher time frame charts and you get a signal, that is a good indication of a turning point.

If the MA's and the price are together these signals aren't very good. It would be better to trade off the MA's or wait for a move and a retest of the MA's. Now when I say together, I am not saying price has just arrived and touched the major MA's. I am talking about as in the start of most sessions, the price and MA's come together and have been that way for some hours.

Also if the signal does appear at or near the major MA's think of them as the ceiling or the floor. So a shooting star would be sitting on the line and a hammer would be hanging below it. But I prefer to let price start to move a bit and add PA to my criteria. It is better to wait and maybe miss it than to choose too soon and be wrong and suffer a loss.

Here is a link to a decent candlestick site: http://www.candlesticker.com

In our contents I have listed signals in what I consider the proper order. There are 2 sections. The first are the entries that we use at either the turn of the swings or trends – I hate to say trends because people judge trends differently – and can also be found at retracement areas. The second section is more of the trades we take at retracement areas.

Once you start to really learn to see the different signals and how they react at the proper areas and the not-so-proper areas, that is when your success rate will sky rocket.

It always makes me chuckle when I hear people say things like I am a mechanical trader, I enter a trade every time I see my signal. That is not what being a mechanical trader is. When you think of a mechanical trader, think of your computer. If the program you enter has the right attributes it knows when it sees this at this location and this is missing but that is there to enter. But crap in, crap out. The only thing being mechanical refers to is your emotional state. You should be as a machine regarding your trades and never enter or adjust a trade based on feelings.

That being said, it is just as we said in the last section, because we see a signal, if it isn't CONFIRMED by proper placement and any other tools we have or use, it can be a false signal. So we learn to see the whole picture, not just the signals.

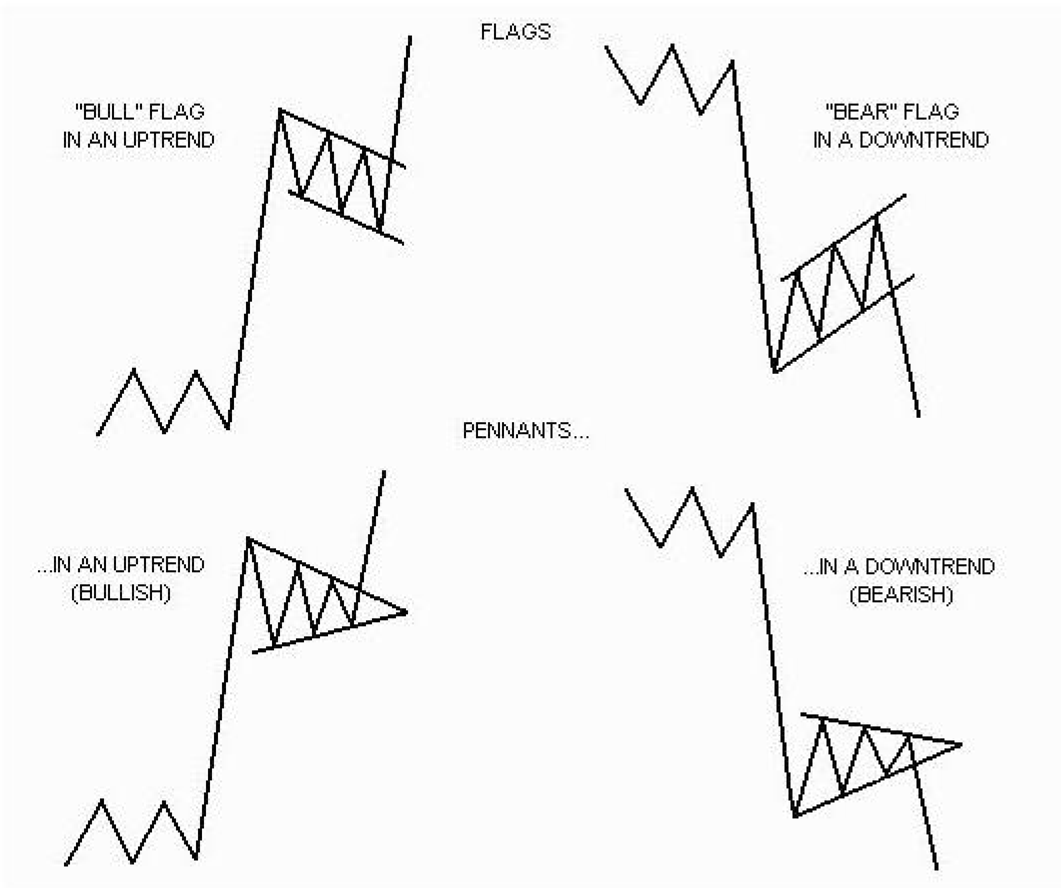
The learning of true and false signals is a process which will take time but with the knowledge you are gaining here, it should be a quick process. It isn't as difficult as we think it is, just we aren't used to looking at the right stuff or we are looking at too much stuff. I believe that too much isn't better when it comes to trading information. It takes too long to accumulate and process a massive amount of information. Then if just one thing isn't in agreement you stop and try to sort it out, so you then question yourself, leading you to miss the trade or not take it.

A simple mental check list is all that is required to trade. You should run the information you are seeing through your mind as you're watching your charts. The first thing to look for is some PA, a close above or below a previous wick, that alone tells me that price is slowing and a POSSIBLE area of turning is at hand. I then check to see where we are in the bigger scheme of things by looking at the higher time frame charts. I should already have a good idea as I check this information at the beginning of trading and after the close of every candle. I then know what type of area I am looking at, a major turning point or a minor retracement area.

The area that takes the most skill is if you're in a middle ground between anything of importance. You could choose not to trade those until such time you learn to better judge the PA or take the risk and place smaller trades on them. Price can start consolidating in between areas creating pennants, flags and triangles. It would be wise for you to study those to learn what the different ones are telling you. But for the lack of more information I offer the following. If you aren't sitting on a major area either S/R or MA it is more likely that price will continue in the same direction it was headed when it started to consolidate.

This is just another piece of the puzzle that the more you know, the better it will make you.

Flags and Pennants



Diag. 5

Flags and Pennants can be categorised as continuation patterns. They usually represent only brief pauses in a dynamic market. They are typically seen after a big, quick move. The market then usually takes off again in the same direction. Research has shown that these patterns are some of the most reliable continuation patterns.

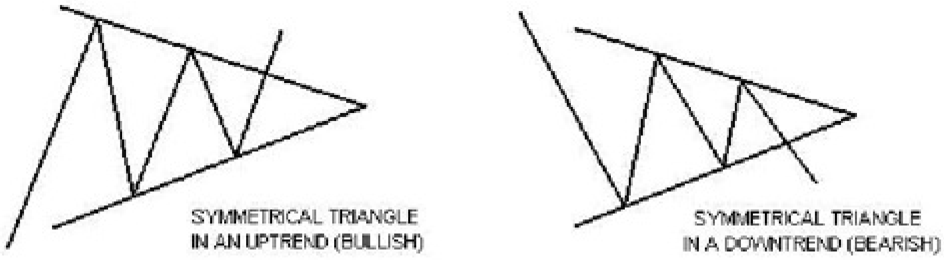
Bullish flags are characterised by lower tops and lower bottoms, with the pattern slanting against the trend. But unlike wedges, their trendlines run parallel.

Bearish flags are comprised of higher tops and higher bottoms. Bear flags also have a tendency to slope against the trend. Their trendlines run parallel as well.

Pennants look very much like symmetrical triangles, but pennants are typically smaller in size (volatility) and duration.

Volume generally contracts during the pause with an increase on the breakout.

Symmetrical Triangles

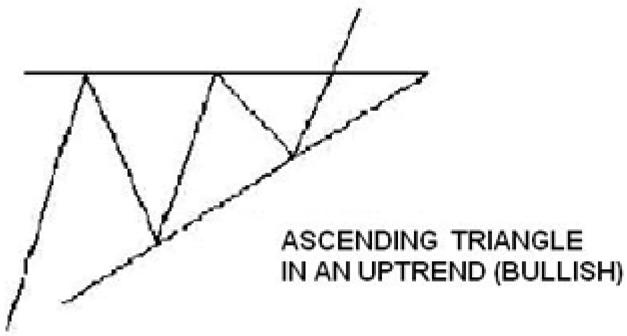


Diag. 6

Symmetrical Triangles can be characterised as areas of indecision. A market pauses and future direction is questioned. Typically, the forces of supply and demand at that moment are considered nearly equal. Attempts to push higher are quickly met with selling, while dips are seen as bargains. Each new lower top and higher bottom becomes more shallow than the last, taking on the shape of a sideways triangle. It's interesting to note that there is a tendency for volume to diminish during this period. Eventually, this indecision is met with resolve and usually explodes out of this formation (often on very heavy volume).

Research has shown that symmetrical triangles overwhelmingly resolve themselves in the direction of the trend. With this in mind, symmetrical triangles are, in my opinion, great patterns to use and should be traded as continuation patterns.

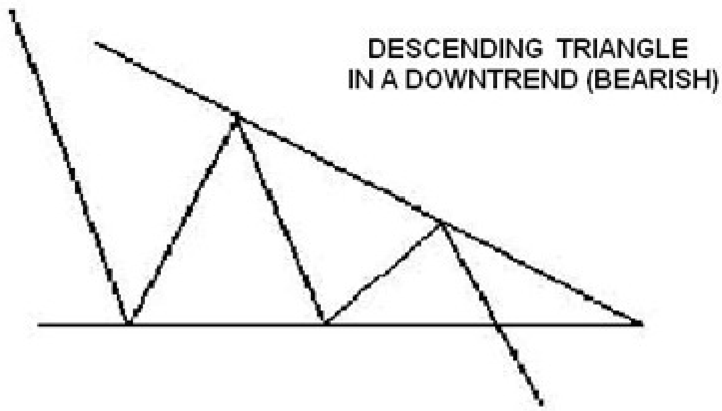
Ascending Triangles



Diag. 7

The Ascending Triangle is a variation of the symmetrical triangle. Ascending Triangles are generally considered bullish and are most reliable when found in an uptrend. The top part of the triangle appears flat, while the bottom part of the triangle has an upward slant. In ascending triangles, the market becomes overbought and prices are turned back. Buyers then re-enter the market and prices soon reach their old highs, where they are once again turned back. Buyers then resurface, although at a higher level than before. Prices eventually break through the old highs and are propelled even higher as new buyers come in. As in the case of the symmetrical triangle, the breakout is generally accompanied by a marked increase in volume.

Descending Triangles



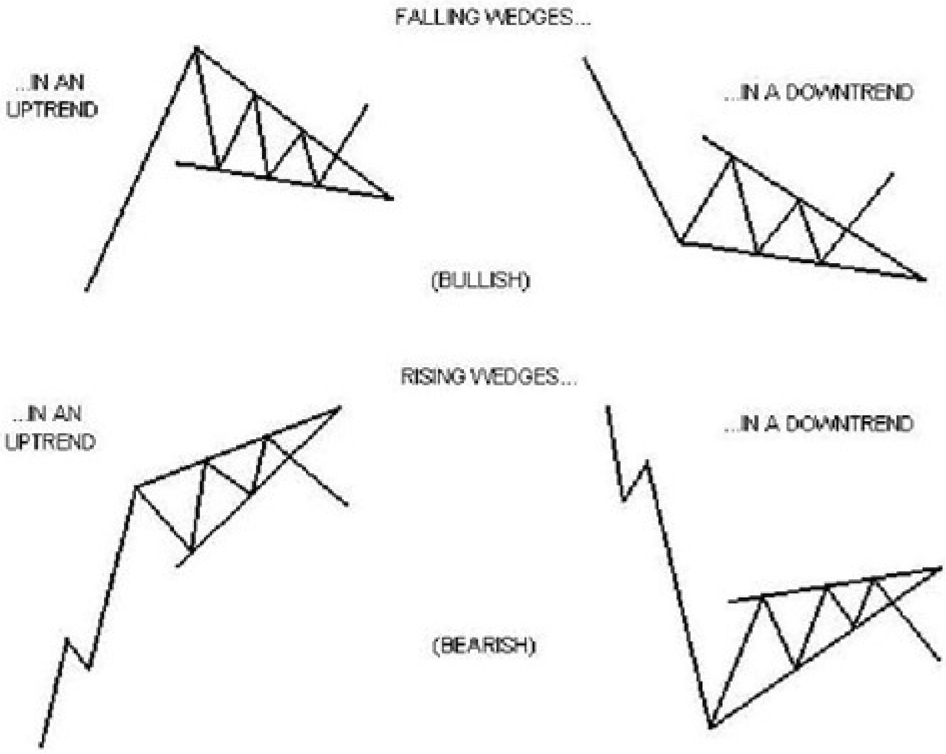
Diag. 8

The Descending Triangle, also a variation of the symmetrical triangle, is generally considered to be bearish and is usually found in downtrends. Unlike the ascending triangle, this time the bottom part of the triangle appears flat. The top part of the triangle has a downward slant. Prices drop to a point where they are oversold. Tentative buying comes in at the lows and prices perk up. The higher price however attracts more sellers and prices re-test the old lows. Buyers then once again tentatively re-enter the market. The better prices though, once again attract even more selling. Sellers are now in control and push through the old lows of this pattern, while the previous buyers rush to dump their positions. And like the symmetrical triangle and the ascending triangle, volume tends to diminish during the formation of the pattern with an increase in volume on its resolve.

Wedges

WARNING!!!

Wedges are the only pattern that might not be a continuation pattern and care should be used in trading around them. Take notice of the angle the triangle or wedge is pointing to, to get a correct judge of the possibilities.



Diag. 9

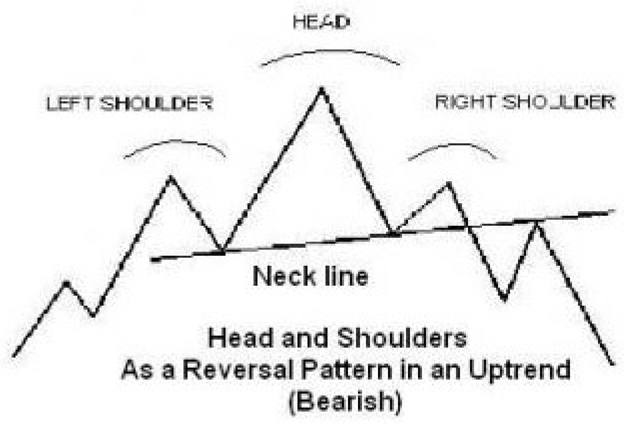
The wedge formation is also similar to a symmetrical triangle in appearance, in that they have converging trendlines that come together at an apex. However, wedges are distinguished by a noticeable slant, either to the upside or to the downside. As with triangles, volume should diminish during its formation and increase at its resolve.

A falling wedge is generally considered bullish and is usually found in uptrends. But they can also be found in downtrends as well. The implication however is generally bullish. This pattern is marked by a series of lower tops and lower bottoms.

A rising wedge is generally considered bearish and is usually found in downtrends. They can be found in uptrends too, but would still generally be regarded as bearish. Rising wedges put a series of higher tops and bottoms.

Head and Shoulders

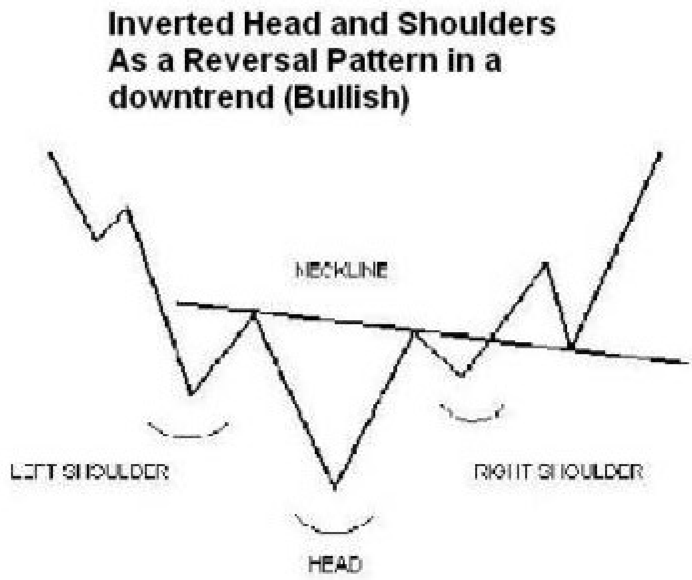
This is the main pattern we look for as a confirmation of a reversal. We call it a “Shampoo”.



Diag. 10

The head and shoulders pattern is generally regarded as a reversal pattern and it is most often seen in uptrends. It is also most reliable when found in an uptrend as well. Eventually, the market begins to slow down and the forces of supply and demand are generally considered in balance. Sellers come in at the highs (left shoulder) and the downside is probed (beginning neckline.) Buyers soon return to the market and ultimately push through to new highs (head.) However, the new highs are quickly turned back and the downside is tested again (continuing neckline.) Tentative buying re-emerges and the market rallies once more, but fails to take out the previous high. (This last top is considered the right shoulder.) Buying dries up and the market tests the downside yet again. Your trendline for this pattern should be drawn from the beginning neckline to the continuing neckline. (Volume has a greater importance in the head and shoulders pattern in comparison to other patterns).

Volume generally follows the price higher on the left shoulder. However, the head is formed on diminished volume indicating the buyers aren't as aggressive as they once were. And on the last rallying attempt-the left shoulder-volume is even lighter than on the head, signalling that the buyers may have exhausted themselves.) New selling comes in and previous buyers get out. The pattern is complete when the market breaks the neckline.



Diag. 11

The Head and Shoulders pattern can sometimes be inverted. The inverted Head and Shoulders is typically seen in downtrends. What's noteworthy about the inverted Head and Shoulders is the volume aspect. The inverted Left Shoulders should be accompanied by an increase in volume. The inverted Head should be made on lighter volume. The rally from the Head however, should show greater volume than the rally from the left shoulder. Ultimately, the inverted Right Shoulders should register the lightest volume of all. When the market then rallies through the neckline, a big increase in volume should be seen.

Basic Signal Information 101B

And you thought we would jump right into signals. Ha! We will be getting to them, but as you should be able to see, just giving you the signals or triggers does little good if you don't have the full picture or all the information you need to make good choices. I would rather make you wait a little bit first and hopefully you are absorbing some of this stuff. It is a lot to learn but if you NEVER saw it you would NEVER see it. These details are what makes two different people trading the same strategy have different outcomes.

You now have the basic tools of understanding how PA affects your choices. The ball is in your court as to whether you actually try and train your mind to see these things or it is just more in one ear and out the other stuff. I do hope you take the effort to practice these things.

You need to be constantly checking your charts, maybe taking notes. I see this and this and that might not agree. You will learn which things have the greatest value as far as making or breaking a trade.

Just imagine what it took for the people who came up with any of this stuff in the beginning. I can't imagine, that is why I never take credit for any of it. I am just compiling the information into what I think is a good order to help make the trades the best we can take.

- Chapter 5 -

PRICE ACTION ENTRIES – SIGNAL?

I guess one of the hardest but simplest entries to take are the PA alone entries. I have a lot of discussions with people about the entries that EO, Infinity and Pippinole get in at. I almost always hear they mostly have something else or are looking at something else. I will agree they have learned to look at the higher time frames FIRST not as an afterthought.

If you start with your daily or even weekly charts and work your way down, you are better prepared to enter a trade based on PA alone. They might see a signal in a higher time frame, they were waiting for it to develop or it may be a point that hasn't been hit much and turned every time. There are many reasons for those entries.

The main point is this, they have made their minds up about the trade before price ever got close to those areas, based off of PPA. It doesn't mean it will work out, but it is an EDUCATED choice.

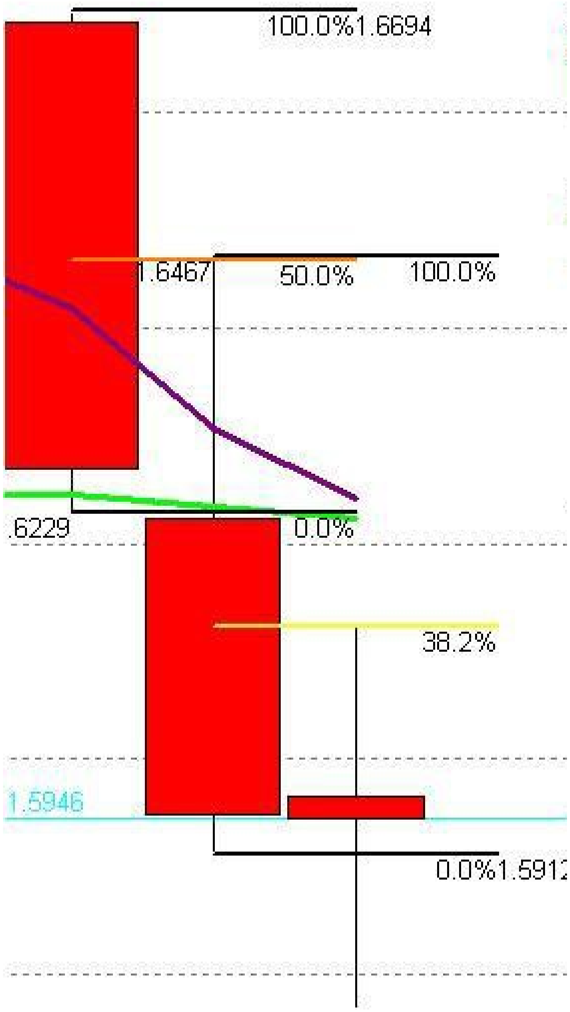
So what does it mean when I say it was an educated choice? It means that it is something that can be learned and passed on. The first signal in our list is the PA signal. It may also be the one you should not take at all until you gain some experience with PA. It can cost you a lot of money to be guessing. I would paper trade a few of these first before trying them live.

One of the key elements in my mind, and there are different thoughts on this as well, is a tight stop. When you're taking a PA alone, whether it be a major swing off a daily or a 15min chart entry, the fact is you believe price is turning there. So, if you believe that, why risk a bunch of $$. A trading strategy I used to trade in a group with, traded swings like that and the stops were always 1 or 2 pips above the highest wick in the group. I don't see when making these choices off PA alone, why this shouldn't work for us as well.

To lose 15 or 20 pips is nothing, but to hold for 50 or 60 is madness. That is the distance to the next PA area normally. Instead, take the smaller loss and have a pending order at the point of the larger stop to try again. If you were willing to put your stop there it must be another area where you think it will turn. So for 30 or 40 pips you get 2 chances instead of losing more. I have put together some charts showing some trades that could be taken on PA alone, but when we say PA alone, that doesn't mean we didn't have confirmation of more than one thing, it just means we didn't have a trigger signal to enter. So without a trigger it makes it a bit more difficult to get that great entry. Almost always, there will be a trigger signal a little later once that area is holding. But those awesome entries have little or no drawdown most times.

Here are 3 charts, the Daily (diag. 12), 4hr (Diag. 13) and 1hr (Diag. 14). You can see how we can see PA playing out from the large all the way down to the lower. You can see the first daily candle retraced all the way to the 50% fib level, the second only to the 38%. To understand why the first was 50% and the second only 38%, the first was the start of the downtrend, so buyers tried to push it up harder, the second attempt they have realised the downtrend might be stronger than first thought after seeing 2 large bear candles, so the pullback is less. But now that we have a spinning top I would expect the possibility of a higher retracement of the whole swing involving all 3 candles, but remember a spinning top is indecision so anything is possible. The thing to watch for is which way it starts to move, then plot where you think it could turn. Then you can start watching your lower time frame charts to enter. A trade off straight PA can be taken, but understand and plan for the risk by having a tight stop.

DAILY



Diag. 12

Diag. 13

Diag. 14

PA Entry Trades Summary

As can be seen from the previous charts, the taking of trades from PA alone isn't the thing of stone willed people. It is the use and belief of what is shown on the charts (all the charts). So many of us get too focussed on just one end of the charts, the right side. That is why we are always saying look to the LEFT.

Until you start really seeing what has happened in the past and how price is starting to react as it approaches those areas, and have learned to trust those choices, PA trading alone is probably not for you. But don't give up on it as these alone will make you one of the best traders out there once you start seeing PA for what it is. A guide of what the future CAN and does provide. We can post example after example of PA (and I have) but it really is one of the things you will have to push yourself to learn.

Draw the small trendlines on your chart when PA shows up. Check and see if they correspond with any PPA from further to the left or even on a higher time frame chart. Check to see where the price is in reference to your major MA's. After all, we are using them as SUPPORT and RESISTANCE lines so look for bounces from and breakouts of those lines in conjunction with PA or PPA. That can turn anyone's trading around.

Learn to read the candles and know the difference when buyers are trying to push through versus sellers entering and pushing price back. It is all there in front of you on your charts. All you have to do is pay attention - as the candles dance around try and visualise what is happening. Like I see price pushing higher but it then comes back but it doesn't go below its open price. That is a good sign it is just testing the area and pushing to break through. If it gets pushed back below its opening price, it can mean sellers are actually trying to reverse price and push it down.

That is why the first thing I look for is a close below or above a wick, depending on the direction. Then I start watching closely to see what happens next. If it closes above or below you should watch for 1 o'clock or 5 o'clock trades as the price should continue in that direction. Remember, if price is riding the MA's go with the trend which is normally away from the MA's.

If you look at your charts you will instantly see that the majority of the candles move away from the MA's during big moves which is what you really want. The problem is, we all have it in our heads to get the big moves and we need to be right where and when price turns. I am telling you without a lot of practice and frustration you will lose more than you make. If you can retrain yourself to trade AWAY from the MA's you will do better than most of us. Because even when you're wrong and it breaks the MA area, the next trade is normally a retest and, you guessed it, another trade away from the MA's. Just food for thought, I don't know why it is so hard to do. I know hundreds of people who have no trouble jumping in front of price for no other reason than they THINK its going to turn, but let price be saying I am going this way and we can't take the trade. Go figure!

So do your exploring and see what you see. But if you're new enough not to have ingrained those bad habits, try trading with the trend, away from the MA's. Everything I have learned and what I am passing along is based on PA and nothing else. I believe you should be able to look at a naked chart with nothing but candlesticks to be able to trade above average.

Most of our entry signals are single candlestick patterns which are labelled low reliability without prior confirmation. WE use different confirmation other than just another candlestick pattern. Plus most of these examples are from equities and are for Daily candles, we normally use them on a

15min chart to enter. Also we are in confluence with PA MA's or S/R areas, so it is confirmed for sure.

The Bearish Hanging Man pattern is a single candlestick and a top reversal pattern. It is very similar to the Bearish Dragonfly Doji pattern. In the case of the Bearish Dragonfly Doji pattern, the opening and closing prices are identical whereas the Bearish Hanging Man pattern has a small real body.

Recognition Criteria:

1. **<u>We see it at a market top or during an uptrend.</u>**
2. It is categorised by its small real body at the upper end of the trading range and it is located above the trend. The colour of the body is unimportant.
3. It has a lower shadow, **<u>which is at least twice the height of the real body</u>**.
4. There is either no upper shadow or a very short upper shadow.

Explanation:

The hanging man is a bearish reversal pattern. It signals a market top or a resistance level. Since it is seen after an advance, a bearish hanging man pattern signals that selling pressure is starting to increase. The low of the long lower shadow indicates that the sellers pushed prices lower during the session. Even though the bulls regained their footing and drove prices higher by the finish, the appearance of this selling pressure after a rally is a serious warning signal.

Important Factors:

Ideally, the lower shadow of the Bearish Hanging Man pattern must be two or three times the height of the real body. However, a long shadow may not have to be twice the height of the real body in the real life conditions in order to signal a reversal. The pattern is more perfect if the lower shadow is longer.

The Bearish Dragonfly Doji pattern is a more bearish signal than the Bearish Hanging Man pattern and it is also more reliable.

If a Bearish Hanging Man pattern is characterised by a black real body, it shows that the close was not able to get back to the opening price level which has potentially bearish implications.

I personally prefer it to be black as I am going short.

We need a confirmation of the reversal on the next day for a more definite proof about the reversal of an uptrend. This confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next candle.

We use confirmation from all our other sources also. We also can wait for price to try and go up and fail before entering and may gain a better entry that way, or miss the trade altogether.

Diag. 15

BEARISH SHOOTING STAR

Type: Reversal
Relevance: Bearish
Prior Trend: Bullish
Reliability: Low
Confirmation: Definitely required
No. of Sticks: 2

Diag. 16

A Bearish Shooting Star pattern suggests that prices may be approaching a top. It looks like its name, a shooting star. The shooting star is a small real body characterised by a long upper shadow, which gaps away from the prior real body.

Recognition Criteria:

1. **<u>Market is characterised by an uptrend.</u>**
2. We see a white candlestick in the first day.
3. Prices then open with a gap creating a small real body at the lower end of the trading range on the second candle.
4. Upper shadow of the pattern on the second candle is usually at least twice as long as the real body.
5. However, second candle has no (or close to none) lower shadow.

Explanation:

The Shooting Star simply tells us that the market opened near its low, then prices strongly rallied up and finally prices moved down to close near the opening price. In other words, the rally of the day was not sustained.

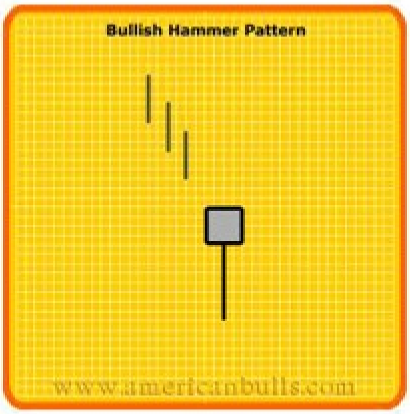
Important Factors:

Bearish Shooting Star pattern is usually not a major reversal signal as is the evening star.
The colour of the real body is not important.
An ideal Shooting Star has a real body which gaps away from the prior real body. Nonetheless, this gap is not always necessary.
A confirmation on the 3rd candle is required to be sure that the uptrend is reversed. The confirmation may be in the form of a black candlestick, a large gap down or a lower close on the next candle.

WE use this as a single candle pattern getting our confirmation from our other sources, MA's and PA.

Diag. 17

BULLISH HAMMER



Type: Reversal
Relevance: Bullish
Prior Trend: Bearish
Reliability: Low
Confirmation: Definitely required
No. of Sticks: 1

Diag. 18

Definition:

The Bullish Hammer pattern is a significant candlestick that occurs at the bottom of a trend or during a downtrend and it is called a hammer since it is hammering out a bottom. The Bullish Hammer pattern is a single candlestick pattern and it has a strong similarity to the Bullish Dragonfly Doji pattern. In the case of the Bullish Dragonfly Doji pattern, the opening and closing prices are identical, whereas the Bullish Hammer pattern has a small real body at the upper end of the trading range.

Recognition Criteria:

1. **<u>The market is characterised by a prevailing downtrend.</u>**
2. Then we see a small real body at the upper end of the trading range. Colour of this body is not important.
3. We would like to see the lower shadow at least twice as long as the real body.
4. There is no (or almost no) upper shadow.

Explanation:

The overall direction of the market is bearish, characterised by a downtrend. Then the market opens with a sharp sell-off implying the continuation of the downtrend. However, prices suddenly turn upwards, the sell-off is quickly abated and bullish sentiment continues with a closing price at or near to its high which causes the long lower shadow. Apparently the market fails to continue in the selling side. This observation reduces the previous bearish sentiment causing the short traders to feel increasingly uneasy with their bearish positions.

Important Factors:

If the hammer is characterised by a close above the open thus causing a white body, the situation looks even better for the bulls.

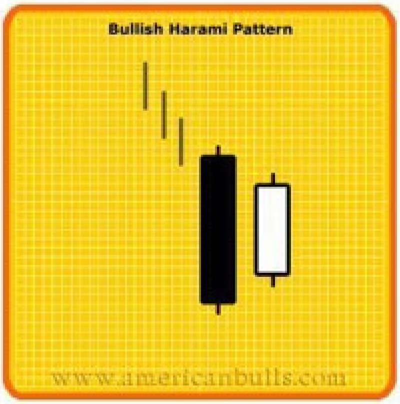
The Bullish Dragonfly Doji is generally considered more bullish than the Bullish Hammer pattern and a higher reliability is ascribed to this Doji than the Bullish Hammer pattern.

The reliability of a Bullish Hammer pattern is low. It requires confirmation of the implied trend reversal by a white candlestick, a large gap up or a higher close on the next candle.

As always, we use this as a single candle signal using our other sources for confirmation.

Diag. 19

BULLISH / BEARISH HARAMI



Type: Reversal
Relevance: Bullish
Prior Trend: Bearish
Reliability: Low
Confirmation: Strongly suggested
No. of Sticks: 2

Type: Reversal
Relevance: Bearish
Prior Trend: Bullish
Reliability: Low
Confirmation: Strongly suggested
No. of Sticks: 2

Diag. 20

The Bearish Harami or IB (Inside Bar) has the same definition as the Bullish just in reverse of course. If you want both definitions go to http://www.candlesticker.com. So you will have to think a little but not much.

The Bullish Harami pattern is characterised by a small white real body contained within a prior relatively long black real body. “Harami” is an old Japanese word for “pregnant”. The long black candlestick is “the mother” and the small candlestick is “the baby”.

Recognition Criteria:

1. The market is in a bearish mood categorised by a downtrend.
2. Then we see a long black candlestick.
3. We see a white candlestick on the following candle where the small white real body is completely engulfed by the real body of the first candle. The shadows (high/low) of the second candlestick are not necessarily contained within the first body, however its preferable if they are.

Explanation:

The Bullish Harami pattern is a sign of disparity about the market's health. While the market is characterised by downtrend and bearish mood, there is heavy selling reflected by a long, black real body. However, it is followed by a small white body in the next candle. This may signal a trend reversal since the second candle's small real body shows that the bearish power is diminishing.

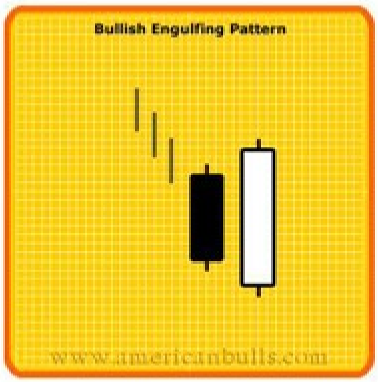
Important Factors:

The decisive fact about this pattern is that the second candlestick has a minute real body relative to the prior candlestick. Furthermore, this small body is completely inside the larger one. The Bullish Harami pattern does not necessarily imply that a rally will follow. Market usually enters into a congestion phase following the Bullish Harami.

We may need a third candle confirmation to be sure that the downtrend has really reversed. This confirmation of the trend reversal may be signalled by a white candlestick, a large gap up or by a higher close on the third candle.

This pattern is actually a 2 candle pattern and as stated above, has a little more chance of being right as far as a stand alone pattern. So with all our other sources this is a good signal to use. It is easy to understand the IB (Harami) has not made a lower or higher attempt and has closed above or below the previous candle's close. This is PA at work again, and with some PPA or MA's, S/R or possible Fib level would be a very strong signal.

BULLISH / BEARISH ENGULFING



Type: Reversal
Relevance: Bullish
Prior Trend: Bearish
Reliability: Medium
Confirmation: Suggested
No. of Sticks: 2

Type: Reversal
Relevance: Bearish
Prior Trend: Bullish
Reliability: Medium
Confirmation: Suggested
No. of Sticks: 2

Diag. 21

Again as with the IB or Harami the definition is only for the Bullish pattern. If you want both, go to http://www.candlesticker.com but the definitions are exactly the same, only in reverse.

Definition:

Bullish Engulfing pattern is characterised by a large white real body engulfing the preceding small black real body, which appears in a downtrend. The white body does not necessarily engulf the shadows of the black body but totally engulfs the body itself. ***The Bullish Engulfing pattern is an important bottom reversal signal***.

Recognition Criteria:

1. Market is characterised by a downtrend.
2. Then we see a small black body.
3. Next day we see a white body that completely engulfs the black real body of the preceding candle.

Explanation:

While the market sentiment is bearish, we see some subsided selling reflected by the short, black real body of the first candle. The next candle shows bull strength with a closing price at or above the previous candle's open. It means that the downtrend is now losing momentum and the bulls have started to take the lead.

Important Factors:

The relative size of the bodies in the first and second candles is important. If the first candle of the Bullish Engulfing pattern is characterised by a very small real body (it may even be a doji or nearly a doji) but the second candle is characterised by a very long real body, this strongly indicates that the bearish power is diminishing and the disparity of white versus black body is indicative of the emerging bull power.

There is higher probability of a bullish reversal if there is heavy volume on the second real body or if the second candle of the Bullish Engulfing pattern engulfs more than one real body (which essentially means we see two or more small black bodies preceding the long white body).

The reversal of downtrend needs further confirmation on the third candle. This confirmation may be in the form of a white candlestick, a large gap up or a higher close on the third candle.

As we can see from the above, this is an even better 2 candle pattern than the IB. It is also showing that the sellers are entering pushing the close of the OB (outside bar) or Engulfing candle higher than even the opening of the previous candle – serious PA there. Plus along with any PPA or MA's, S/R and Fib levels an excellent signal.

This pattern can also fall into the DBLHC (Double Bar Low Higher Close) and the DBHLC (Double Bar High Lower Close) situation, as you will see by their explanations coming up.

Diag. 22

Reversal Signals Summary

I have labelled the above signals/triggers as Reversal signals although they are found in retracements as well. But they are the ones we look for to see a reversal in trends. The next signals we will see are retracement and continuation signals mainly. That is why I broke them into separate sections...

So what did we learn about the signals other than there is a bunch of them. Everyone of them has to have PA to develop. The price cannot turn around without it. So this gives us an early warning lots of times that we might be in an area that is looking to make a change. If we did our pre-trade work marking our S/R areas and trendlines, possibly Fib levels if you use them, the combination of the PA and those levels, we will start to build confluence or confirmation of a trade. The the printing of a signal (Printing is what you're looking at AFTER IT CLOSES). Don't jump too early as signals have a tendency to change in the last seconds making you wonder what happened.

Just the overwhelming quantity of signals can leave some struggling to see them all. Do not do that. Most of us have been trading a while anyway so you have some type of trading strategy you have been using. If you study the signals here, you should find something similar to how you were trading. Then combining the information provided here with what was working with that one should give you the edge you are looking for. Then as the few you already know start to become second nature, that is when you can start to add others to your trading tool box.

That is when it gets real exciting because once you have mastered the signals and trading ideas, you will start to see there is a trade available almost anytime. You will also learn when you should hold for big gains and cut short for lesser profits.

The best entries are the ones taken off PA alone there is no doubt about that. They also should have the least risk as the stops should be closer to the entries. But it is only less risk if you know what you're doing. A beginner to PA trading should demo or paper trade the PA trades first to gain confidence in the skills required. You can stack loss after loss trying to turn price when it isn't ready. You can see that from the chart above, all those entries could have been turning points so they could have been losses.

But the signals were very clear the trades had many confirmed things to support the continued down move. Plus taking the trades at the best entry would have given you the least risk.

You can also see that some signals can be the same IB and Hammers and Hangman, this doesn't make them any better but you might see one better than the other.

The most important aspect of any trading strategy to succeed is the use of everything available. Don't focus on looking for signals, that is a sure fire road to failure. You must look for confirmation, always know what your higher timeframes are saying. That will save you from taking a trade at a bad location. What looks like a trend on a lower time frame chart can bee seen as a retracement on the higher time chart.

Learn to see patterns like flags and triangles. They are key in taking Gump scalping trades in the right directions. That way when it does breakout you are in the trade the right way.

Also, when you feel you have a lack of signals such as when price and the MA's are consolidating don't forget your basic trading strategies. The breakout and bounce off the MA's or S/R lines. A retest of a breakout is always a good trade. That can occur at major MA's, highs and lows of the previous day or sessions and trendlines.

There are so many ways to trade, pick the ones you see the best, add the tools you trust the most and start to build your confidence. Also, the things that are on here you don't trust, leave on your charts and you will start to realise the value of them and they WILL become part of your trading.

But you must be willing to learn from this. There is no silver bullet, it takes time to see some or all of this stuff. So read and re-read the whole thing. When trading is over go back and see what you missed and try and figure out a way to see it in real time. It doesn't take hours to do, it is real easy....trade a smaller amount than normal to test the entries and gain confidence. No-one should be scared of putting on a trade. Just make it painless.

- Chapter 5 -

NOT NORMALLY EXTREME SIGNALS

What the heck does that mean you ask. The last three trades we take don't have signal candles. They are taken off the touch of the MA or on the opening of the candle after a particular movement. Like the rest of our strategy using PA and the positioning of the MA's will give us better than average results which is all we can ask for.

The following is a brief description of the last three trades we use. The 35/50 cross and the 62 EMA 1hr are best taken as retracement trades. The 1 and 5 0'clock trades are continuation trades allowing an entry to a trending market when we might have missed the initial entry point.

35/50 Cross Trade

What we look for to take the 35/50 cross is a SINGLE (one) candle that crosses through both the 50 EMA and the 35 SMA. On the open of the next candle a trade is entered in the opposite direction. Towards the MA's. The trade is normally a retracement trade. Earlier on in the thread you might have seen reference to a 50/50 trade. That means a 50 Fib is lying in the area of the 50 EMA.

Unfortunately, sometimes the price doesn't wait for the close and turns back before it closes, but our trade is when it closes.

There are actually 2 different trades that take place here.

The first is a reversal trade and price changes direction on the retracement and returns in the direction from where it came.

The second is a breakout trade, the price will sometimes only come back to the MA's as a retest then continue in the direction it was heading. This trade is normally found when the price isn't retracing but is trending in that direction and just crossing the MA's not pulling back to them (examples will follow). Also sometimes as in all trading the retraces fail at the fib levels and price can continue also.

One way to get an idea if the trade is possibly a retrace reversal or a breakout retest is by how far the SINGLE candle went past the MA's before closing. A reversal normally close pretty close to the MA's, the breakout can close as far as 35 pips away. That is normally considered a clean break of a line at that distance. The trade is still good but a tighter stop would be used and you would consider the touch of the MA's as the possible end of the trade. A retest.

So to see a good 35/50 coming up look for a retracement the leg or swing that price is approaching the MA's should be about ½ the length of the leg it come from the top or bottom off. Looks like a reversed check mark ✓ If price isn't retracing then look for possible retest of the MA's as your 35/50 cross trade.

62 EMA 1hr Trade

The 62 EMA trade is very similar to the 35/50 trade as it also is a retracement trade when it is at its best. The main difference is that we take it off the touch of the line not a cross. Also, you may need to take it before the touch because at times the price doesn't hit the line. You can usually tell if price is struggling to get to it and enter a bit early, normally 10 or 15 pips is plenty.

That doesn't mean enter every 62 ema trade early if you do you have messed up your stop placement. Also, sometimes price will go right through and you will get a better entry on the other side.

We also get the retest trades the same as discussed above for the 35/50 cross trade.

1 and 5 o'clock Trades

These are probably the most common trades we have, they happen all the time. They are entries of a trending market they are the places we can enter those giant moves when we miss the original turn or signal.

The price and MA's have to be established on one side or the other, price has to be moving away from the MA's. In other words, the MA's as I think LuckyLady stated should be separated and spread out in the correct order no crosses. The price will be moving up or down at an angle.

The lower time frame MA's 5, 10 and 21, the ends of which will be pointing to the relative position on a clock face of 1 o'clock for an uptrend and 5 o'clock for a downtrend.

When you get a minor retracement of a candle to any of those MA's you enter at the touch or near touch. As stated previously trying to touch the lower value MA's is like playing tag. You will see them dart back as if they know what you want. So you think about entering at where they were, not where they are. This is why a lot of times our charts look different later in the day. What we know wasn't a touch now is as the MA moved back once price retreated from it.

Looking at your 15min chart at almost every candle with a wick you can see a possible entry off those MA's. It is easy to see why this trade is probably the one we can see the most. But also, is probably the one taken the least. I don't know why.

I have talked of this before....we are willing to jump in front of price expecting it to turn around, but we don't seem to be able to get on board like jumping on a street car going our way. If you can train yourself to trust the MA's as we are using them as S/R and take the touches off them, that could be all you need to make it in this market. You only want 40 pips a day right?

35/50 Cross Reversal Trade

Diag. 23

35/50 Cross Breakout Trade

Diag. 24

Diag. 25

Diag. 26

Retracement Trades Summary

The 35/50 and the 62 EMA 1hr trades are very similar, as are the 1 and 5 o'clock trades. They all in their best setups are retracement trades prior to a continuation of price in its intended direction. So what would we look for to make these trades more successful for us.

1. The first thing that I would look for on the 35/50 or 62EMA, is that price hasn't been near the MA's for a while. The price can, and does, go right down the lines in a tight ranging market. For those times, Gump type trading is more successful. That style is just scalping small gains normally off an MA line and possibly to a S/R or another MA. Sometimes the price will move between two MA's from different time frame charts. Like between the 62 1hr and the 50 15min. So try and find where its edges are then trade with the trend. That way when a breakout happens you're in the trade the right direction (review the patterns section to help with this).
2. The next thing to look for is how far the price has retraced. If you don't understand fibs, a bit of study of them might help. Anything over 75% or a ¾ move back on a swing can be considered a sign that price might reverse and not turn back.
3. Keep in mind what the price and the MA's are doing, the price went up the MA's started up also. The price peaks then starts back. The retrace, the MA's start down also but they are lagging, the higher the MA number the slower. So the price and the MA's meet again sometimes at the ½ point or 50% fib or even the 61.8% fib. Those two fib levels are the preferred trading levels for fib traders which also makes our 35/50 such a good trade. Sometimes though the price doesn't wait for the close of the candle and reverses on the levels too soon. In that case, a retest entry of the 35 or 50 might be looked for. It can and does try to break it again at times.
4. The other trade associated with the 35/50 and 62 is the breakout trade. This happens when the price goes through the MA's and doesn't reverse back to the other side, in other words it is showing that price is reversing not retracing. The first indication would be the amount of the retrace as we said, anything more than 75% or ¾ can lead to a reversal. Also, if the price moves around 20 to 35 pips past the MA's a reversal to retest the MA's may be the only thing that happens. An entry at the retested MA is an option for this time and may be preferred getting you into the trade in the new trend possibly.

The 1 and 5 o'clock trades are retracement trades as well but they are at times in a strong trend just retraces of the prior candle. That is the reason sometimes they can be hard to take as the MA's are the lower time frame ones and they move fast. So in a strong trend (long candles) look for a retrace of about 50% or ½ the length of the previous candle to enter, or wait for a proper retrace which will happen at some point.

Another good indication of a good 1 or 5 o'clock trade is when price retests a S/R line, a high or low of the previous day or trendline. They key to any of these trades is a tight stop. Stops the other side of the next MA is normally good. Or if they are really close together a 15 pip stop max.

The Most Common Entries

Probably the most seen entry which isn't a signal is a retest of a breakout. I am sure if you have been studying Forex for more than a couple of weeks you have come across breakout strategies. The reason you have is because they are some of the best strategies available.

Breakouts can occur at any defined point on your charts, it can be a major S/R area, a high or low of the previous day, one of our MA lines, a trendline. So with out MA's included your choices of entries for retests of breakouts is endless, also using the MA's as a guide your stops can be controlled really well.

To reduce risk and with so many options take your trades with the trend. There really isn't any reason not to. As you can see there are so many choices to enter breakouts and your stops can be really tight. Also remember that a retest off an area can happen time and again, so more than one trade is possible off the same area. But using the MA's you will see that the same area might be a retest of a different MA as they move into position.

Diag. 27

Entries Summary

So as you can see we don't lack in different entries. If anything we have too many. I didn't even include the Tweezer/Flatop signals it is an IB or engulfing signal. I would suggest that you pick one or two entries that are similar to what you have done in the past. Really study them to see what the differences are then start applying it. Sometimes just the addition of the MA's is all it takes to make what you were doing a great strategy. Then as your understanding of what PA truly is advances, you can add more entries. But we should become perfect one at a time, or at the very least, don't risk as much on the ones you may not be confident with.

The thing that makes this strategy or trading great is the fact that most things you see on these threads focus on only one entry or idea. The things covered here are covering almost every entry you could possibly come across while trading. That is why I feel you will never find another strategy as complete as this and with time you will start to see how one type of entry signal leads right into the next one. That is why when you have missed one entry you can look for the next one.

This is not something you will become expert in overnight. It isn't a lazy man's way to trade. You will have to learn to see and understand what you are seeing. So many trading ideas fail because of that very reason. They don't have options. They are a single entry idea if it is missed you could have missed the trade for the day. I hope everyone takes this information and studies it, then either demo trade it or use a small amount of risk to test the entries. If you start to get the entries correct you will quickly see how valuable the ideas presented here are.

We have yet to cover the best part of this trading system in my opinion, that is the stops and covering section, that alone can turn anyone's trading around because in my experience most trading strategies don't give enough time to managing a trade. It is assumed that if you get in that is all that is required. That is next.

Below you will find a more chart on entries showing how one entry leads to the next, I have labelled them but give no details. If you want the details of that particular trade go back on your charts.......and look it up. Some effort on your part is required...LOL.

Diag. 28

- Chapter 6 -

OH CRAP I'M IN A TRADE WHAT NOW?

One problem I have seen with many strategies is the way that the trades are managed once a successful entry was made. Getting into a trade is just part of any trade, what you do after you're in is more important than the entry. There is an old saying – even a blind squirrel gets a nut now and then. So anyone can get into a good trade, it is what we do after that can make the difference between a successful trader and one that never succeeds.

What is the number one rule of trading? Number One, nothing more important than this?

THE PRESERVATION OF YOUR MONEY

I think everyone would agree with that statement. If you make gains and lose nothing you win. If you win more than you lose you win. But if you lose more than you win....oh well you get the idea.

Then if we believe this to be true, why do we spend so much more time on entries and so little on how not to lose our money? I have seen great traders that could not make it because of trade management. These are guys that are up 50, 100 or more pips then take a loss, just because the strategy they use has no trade management included. Or the trade management strategy doesn't provide for the changing market conditions. We all know that trading is a dynamic event forever changing, why would you not have different strategies for preserving your capital? Doesn't make any sense to me.

The other part of trade management is getting all that it will give but knowing when it isn't going to give much. Sometimes a 20 pip win is all you will get, other times you might be in a trade that runs for weeks. This is what we call trade management because we know each trade has to stand on its own. That is why trade management is so important.

There are two things to consider when trading, the first is the most important where we want a stop placed. We will see that this in itself can make or break us.

The taking of profits is probably the easiest thing in trading. We will learn to let the market give us all the profits available by watching PA. Taking profits is no different than entering a trade. We just need to wait for the signal to get out.

As I said earlier, I think this section of the strategy is as – or more – important than anything to learn. You could have a mediocre strategy but with proper trade management skills could become a successful trader. The goal is to show you how once in a trade, making it risk free quickly is the first goal.

Stops

I find the use of stops kind of funny. Some people almost brag that their stop got hit, as though they are cool because they are smart enough to use them. But if you watch them you will see the same amount every time gets hit. The same with the never ending question “What stop do you use and profit target”.

We have seen all the variables of the different entries from extreme reversals to retracements. Trades off PA alone versus using a trigger signal. Do you think maybe there could be more than one stop value?

A stop is nothing more than another part of our trading. It isn't a signal that your trade is dead or that the direction has changed. It could be that it is just giving you a chance to get a better entry. Or time to read the PA better. You don't have to wait for the price to go all the way to your stop to get out if it looks wrong, get out. We only pay spread to take a trade, if you save even the price of your spread, the next entry is free.

So what should our stops be? I see two kinds of stops, those that some use because they can't be wrong, very large stops and those that the best traders use that are based off PA not emotions. Everything we do in our trading should be a choice we make. If you're just using a set it and forget it stop for every trade you're not making a choice.

A stop you don't hear much about is a timed stop. At the bottom of the thread there is a list of like threads. The title of one is “When do you expect to be in profit.” That is a great question, “When Do You Think You Should Be In Profit?”

I would almost bet that you plan on being in profit on the candle you entered on. If price starts to consolidate on you or doesn't move straight into the right direction, you might consider taking a lessor loss or a BE and trying for a better entry. I tend to watch PA just as I would to enter. Watching the close of the candles as long as it doesn't go too far against me.

If the price doesn't move the way your plan called for, there is no shame on pulling the plug on the trade. It is just a trade, it isn't a long term relationship. Some of your best trades can be over in one candle at times, so why would we wait for two or three more candles up to an hour for it to develop?

The time you were waiting for the trade to go good you might have missed your next best entry. Because we tend to focus more on bad trades than good ones. When in a positive trade, it is no problem looking for the next trade at the same time. But be in a bad trade and it just takes all your energy.

Of course there is a limit to all this, you can't just close every trade because you don't feel like waiting. You must give it time to do its thing. This will all come with experience.

They key to great stops is perfect entries. The better the entry, the less the stop is needed anyway. A great entry will have you positive almost instantly. So practice your entries, watch and learn when price is moving in the correct direction, don't enter too early, have patience. An early entry is what causes many to take losses on good trades. Just being a second or two too soon you may have more drawdown than your stop allows.

That is another point, if PA is still good you may need to widen your stop because of a bad entry. The reading of the charts is always key...so practice, see what is really there not what you want to see.

So what does all this mean to us the trader? The picking of a stop placement or the choice to end the current entry and maybe look for a better entry of the same trade is the same as looking for a possible trade in the opposite direction. We use PA to show us when to enter or the possibility of a trade, you will also see that we will use it to know when to take our profits.

So why is it any different with stops? The PA is the key to everything in trading, it doesn't matter if you use indicators or not, if you're using this MA strategy or not, everything we use to trade is based off what the price is doing and it doesn't matter if we want to believe it or not. The sooner we understand that and REALLY REALLY looking at the charts and see how PA gives us the clues to make educated choices the sooner we will all succeed.

If you're entering trades because this did that and that looks this way and don't understand why this and that do those things, you will never get it. With any strategy you choose, the first thing is to understand why the different parts do what they do. Then you are an informed or educated trader and stand a better chance than most. You will start to see when your setup might fail because just because you had your trigger signal, maybe you recognise that it is in the wrong place on a swing. Just like our reversal signals are better at the extreme areas of a swing and not so good bunched up with the MA's.

So, back to stops. Start looking using the PA for your stops not a secret number. Watch and notice how price is acting at your entry. You might see that you maybe misread the entry and can save some money by bailing out of the trade. There will always be times when no matter what you will get stopped out. But I implore you to the first thing you should do when that happens is look for a re-entry, it might not be there, but how many times has it happened to you that you get stopped then boom, it flies off in the direction you had chosen.

You weren't wrong there is no right and wrong. There are no emotions from the charts. There should be no emotions from us. Just a reaction based on an action. You see this, do that. So always look for the action and be prepared to act. It is probably the hardest thing to do – the re-entering of a trade that hit a stop. That is one thing you will see successful traders do time and time again. Stopped out I re-entered, normally at a better price. It is one of the trading traits we all need to learn, it shows that we don't view stops as the end, just another piece of PA to help us make another choice.

It is no different than when I take trades off a good resistance area and grab a small amount of pips then enter again at that same area. If it is a rising channel I might get a better entry the next time and once it breaks I might be in a great entry place. Or I could have got stopped out and never re-entered and not have made back those few pips I lost.

We should all know by now that price struggles at the areas of interest on our charts. That is where a decision is being made. A lot of people study the art of war to help them understand some of the ideas that may be at work. I prefer not to add to the power of war myself.

But it is that understanding that should help keep us calm after we enter. We know that the buyers and sellers are in the act of deciding what will be the ultimate direction from here. We have made our choice based on our PA and other tools at our disposal. We now have to allow the buying and selling to play out to see if our choice was correct. This is why once we enter a trade we say it has to develop. Also, why once it has, we will see a jump of price either right or wrong and if you don't have a stop loss in place can cost you more than you wanted it to, because it moved so fast you couldn't close it.

It can also be the start of letting your stop runaway because it is that action that may make your loss so great you are not willing to close it that low and are waiting for it to bounce back. My friend, that rarely happens and in the long term of things, you will be greatly ahead by closing as quickly as possible and looking for the next entry.

Think of this if you let your stop get away. How far is it more than likely going to come back on a retracement. It can be as little as 23% if it is a strong move, or less, so there is no way of knowing. When that happens you are normally at an area that has failed and is looking to reverse the trend. You can also be at the very worst entry, the very top or bottom of a reversal, it could run for hundreds of pips and take your account with it. Don't get into that habit, do everything you can to prevent it, do not move your set stops once you have made a choice.

The key to winning in Forex is he who loses the least wins the most....I am sure you have also heard this as well, worry 3 times more about the losses and let the winners take care of themselves. This is so true especially in the beginning. We have to develop habits we were not raised with and we can only do it ourselves. Sometimes people cannot overcome them and have to give up. I have seen others that have taken a few years before it stuck. But like anything, it can be overcome. Just never give up.

One of the keys I have mentioned before to become great at this, is if you use an amount of risk that allows you to try out entries to learn the very best, it will also be a small enough risk so you feel nothing to close it if it goes wrong. This is a great thing to do. It can make your trading like a video game, like it really should be. And as your skills improve, so can your risk.

On the following pages you will see some charts, with thoughts of possible stop placement using PA.

(A) The stop on this straight forward. We have a IB (Harami), red candle, then enter at the open of the Doji. Stop placed above 1 to 3 pips higher than the highest point in the Price Action.

(B) At this point we see we have a Dragonfly doji. I am calling it that, it had a 1 pip body. This is a better turning signal than a hangman. (SEE your description of a hangman page) The stop of this would be a question mark now. The placement of the stop would be better decided after entry. As the little inset chart shows. The shooting star after the doji opens heading up, it went up 12 pips. If you had waited to enter once it started down or even on the next candle. The stop would be above that wick. If you entered straight away you could have been stopped out. But a entry after the shooting star would have been in order. You had a second signal even. The shooting star.

(C) This one could have got you.. We are at a S/R area the white line. We have a hammer signal. We enter on the next candle, small red candle. Doesn't go anywhere but closes below the S/R line. This would be a good place to think about a timed stop. Price is not acting like you would like it to. Not even trying to move up staying below that area. If you get stopped on the next red candle . Which was over 30 pips ouch. You could then see the retest of the S/R area and have taken a short from it.

The red Lines are possible stop levels.. Some traders would even consider stops above 1.6700 on the top trades but that is just crazy. Why risk that much. Reentry is better.

I have mentioned a few times that some of the easist and best trades to take are away from the MA's. Here we see that the 62 EMA 1 HR trades were great all week long on the gbp. The stops on MA trades are some of the best and easist to set. The ideal situation is to see where you enter at. I know the 62 EMA 1 Hr is a touch trade and we will even enter up to 10 pips ahead of it. But again it is based on what the price is doing at the time. We would normally wait for the price to start to turn back before entry. No reason to enter before that.

If you had entered off any of the 62 EMA touches the worste Draw down was 12 pips. So a stop of 15 to 20 would be good if you waited for the turn then 1 to 3 pips from the lowest price. If it breaks wait for a retest to reenter.

The whole thought behind stops is that your expecting it to turn here. We aren't fishing we have the PA and our ma's to guide us. On all of these you can see they are retracement trades as they should be. Except the center one which was more a retest of that area.

The red lines are where stop could be.

Diag. 29

Diag. 30

Stops Summary

So what do we know about stops? They are as varied as our entries, each entry type should have its own stop style. A stop is nothing more than another part of trading. REMEMBER THE FIRST THING TO DO AFTER YOU GET STOPPED OUT IS LOOK TO SEE IF THERE IS ANOTHER ENTRY. You might wait for more confirmation but it can be that where you got stopped was the last try to break an area and a nice signal will form off that candle..

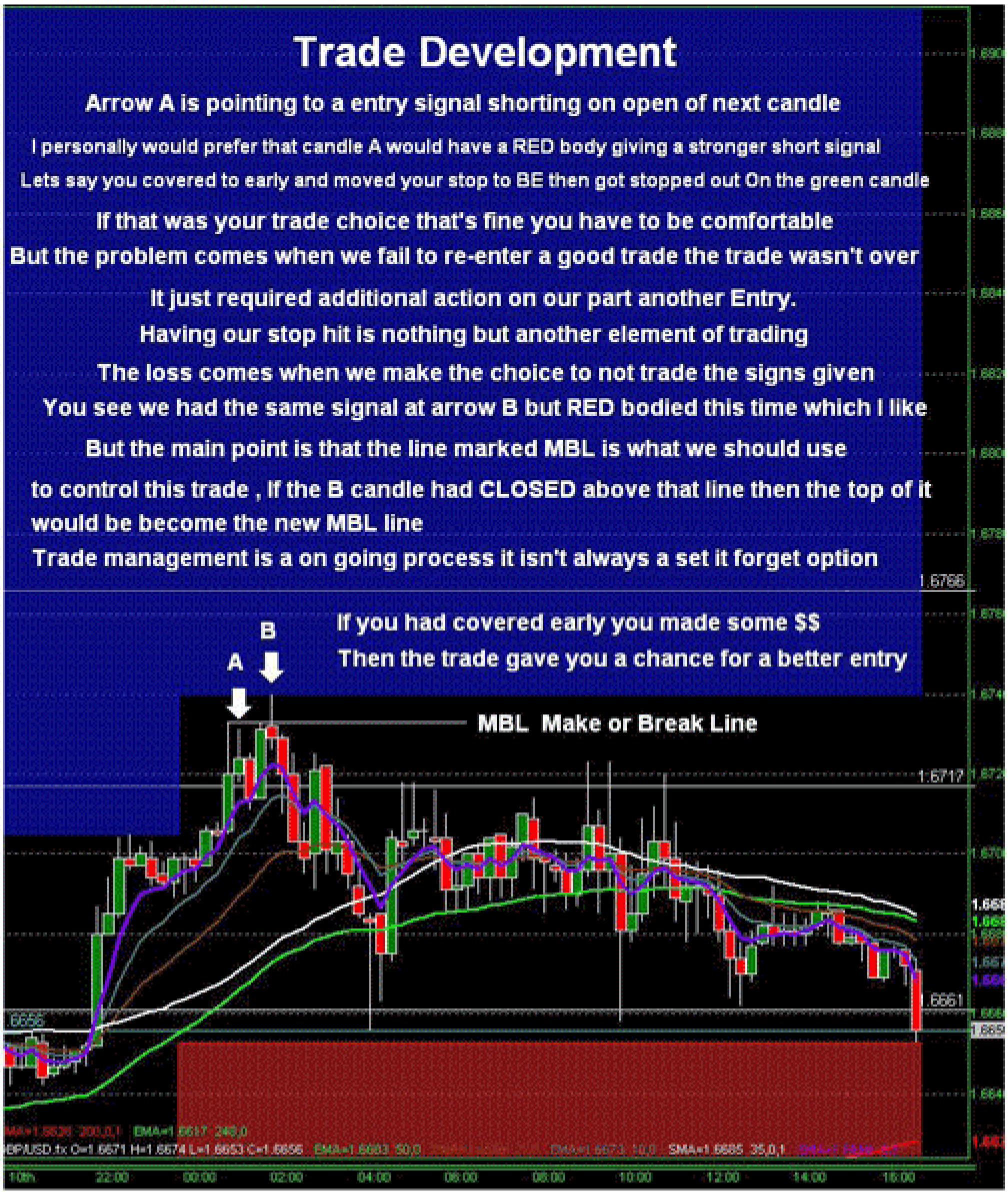
When we enter a trade at extremes we are making the choice that price is turning there. If you didn't why did you enter? So our stop should be barely over the highest or lowest point. Yes we might get stopped but if you look back you will see not very often. Also remember to look for that re-entry if you do get taken out.

Plus don't forget your higher time frame charts for PPA to see possible stop areas. A previous high point on the 1hr might be only a few pips higher than your current price and it would be prudent to be above that. When trading extremes remember to look for that PPA on your higher time frame charts as they might not be visible on your lower time frames.

On trades taken off the MA's or retracement trades such as 1 and 5 o'clock and the 35/50 and 62 1hr, we know price hasn't reversed more than likely it is just some profit taking or such. If the price pulls back more than ¾ the distance of the swing be careful with your entry. But if it is between ½ and ¾ the distance and you have some PPA and an MA in the area, it is probably one of the safer trades. And it is easy to see where your stop should be, the other side of the next MA or 15 pips or so if they are spread wide. A re-entry would be on the cards if they are spread wide off the next MA. If the MA's are bunched look for a retest or a breakout before re-entering.

Don't be worried your stop may be too tight it is always better to re-enter than to lose too much. But again, I can't stress enough the key is the best entry you can achieve. So lower your risk and start learning those entries. You can watch forever and read all the posts but until you start taking some trades and learning the ins and outs you will always just be watching.

As you can see now the ART of placing stops is more important than entering. Entering is easy, keeping your money is what the game is all about. And stop placement is your first and last defence to achieve that goal.



Diag. 31

Covering Our @$$

If you noticed the contents, there isn't a section on Profit Taking. The reason for this is simple, we are not going to take profit. You're saying I know this guy's nuts for sure now. No profits? I didn't say we weren't going to make money just not TAKE profits. We are going to let the market give us as much profit as each trade is able to.

I have been around a while on the forums, mainly lurking here and there. I really hate to see people I think of as good or even great traders lose money because of a lack of one or two trading ideas. Like realistic stops and covering their trades.

This is probably the single most important section to learn other than stops. Like I said before, anyone can get in a good trade. The difference between a great trader and a bad trader could be nothing more than the application of the covering ideas presented here. I have seen traders up even hundreds of pips take a loss because those are the rules of their strategy. That is simply wrong unless you're doing this to occupy your time only.

In this section we will show the different ways to cover our trades. We will also show how the PA again is the best tool we have to show us when to close the trade or to adjust the trade to allow us to receive all the profits available.

Everyone has heard the statement "Cut your losses short and let your profits run". That is so true and even people with some bad habits can succeed if they can do nothing more than receive all the profits off every good trade.

There are two ideas about covering. One is to guarantee some profit off every trade, another is to receive the most gains off every trade but maybe break even on some, but no loss if it can be helped.

The main idea about covering is very simple. When price has moved in our direction, we either, lock in some profit or just move our stop to BE (break even) some will move it to +2 to cover any commissions they might owe to take the trade but still a BE trade.

The difference between the two types is that some will close a good portion of their trade at say 20 pips then move their stop to BE. If you closed ½ your trade at +20 then got stopped out, you would keep ½ your gains. So you would have made money on a possible losing trade. But by doing so you have also limited yourself to less gains unless you can find another entry point to add to your trade. Another use of this type of covering would be if you closed ½ and your stop was -20 pips, even if it goes to your stop it would only be a BE trade no loss.

The second style of covering is that most or no profit is taken, we just wait to move our stop. This way we will make as much gain as possible off the same trade. Two people with the same entries but covering differently will have very different account balances. But as you have seen during this entire strategy there is always more to consider than just move your stop x number of pips. You have to use the tools at your disposal to help you make the best choice possible.

The moving of your stop is a critical choice as too soon a move can get you stopped out too soon. The best traders don't seem to move them until probably 30 pips or above positive has been achieved. But the PA is the ultimate deciding factor.

When price has moved from an area of concern like where you entered your trade, and then a possible retest of that area, then a stop move might be right.

The choice of which style of covering is a personal choice. Sometimes it is dictated by our account balance. Some may be in great need of increasing their balance and to them, locking in some gains might be more important than making massive gains. But as we will show, because you locked in some profits doesn't mean you can't make some awesome trade gains. I have noticed even some of the best traders here don't always manage the trades for maximum profits. But I have seen some that know how to apply some simple techniques to increase the trade values.

So get ready, we will jump in and learn how to make more money per trade by letting the trade work.

Guaranteed Profits Trading

We will start with the one most beginners will be interested in and that is making profits off almost all their trades. The mentality changes as your account grows. When your account is small you're more concerned with keeping what you have and small gains, because you normally cannot keep refunding a trading accounts. But once your knowledge and skills improve it is almost a natural step to start getting bigger gains off the same trades. We see how with actually no increased risk we can really grow a small account quickly. A lot of these ideas, more experienced traders may not bother with as they are trading at levels which they are satisfied with anyway. But as traders just starting out or one that has just now GOT IT we would like to grow our balance as quickly as possible as long as we are not increasing our risks.

The key is to use the profits you are making in the same trade to compound your gains. Just as you might trade a higher amount after a weeks gains, you can trade a higher amount after your trade has developed and has proven itself. The best trades to do this on of course are the ones that change the trend and have great movements. This happens time and again though.

The first part of trading for guaranteed profits of course is to lock in some profits and cover. That means take some gains off and move your stops so you don't lose some or all of it. You may not want to move your stop past your entry or to your entry straight away, but even if you moved it a few pips you would have a positive trade if only a few pips.

The whole idea behind the covering idea is not the small gain you might keep if it comes back against you. It is the building of confidence you will gain as you see that you don't have to stack loss after loss to trade. Plus when the trade moves in your direction, you are at the right spot at the right time.

I talked to a trader the other day who had 11 BE trades. BUT still made over 369 pips for the day. Also knowing how this trader covers he could have made over 200 pips off those BE trades as he only moves his stop doesn't lock any profits on the initial move.

So this is the goal, not to make money off the failed trades but mainly to not lose any. That is worth so much more than even a few big gains when you first start trading any strategy. You have to really see for yourself that trading doesn't have to be extremely risky. It is just how you go about it that is risky. Like we showed earlier with stop placements and now covering the gains should outweigh the losses with little effort. Just learn the entries and how to read PA and you will succeed.

The key to growing your account in a safe but fast way, is to take gains off at the right places then add them back when you see another entry signal. I will have to go to charts to make this clear.

Diag. 32

Diag. 33

Diag. 34

Guaranteed Profits Covering Summary

So as we see it isn't too hard to get those trades risk free pretty quickly. That is the key, don't mess around get your trade covered. There are two different places to cover and lock in profits.

One place as we know because it is one of our trades, the 1 and 5 o'clock trades. So anytime the price moves from your entry towards the MA's it can turn right on them. That should be a no brainer to cover there because it is a place we could take a trade from on its own. That is the first rule, if we would take a trade in the opposite direction there then cover the trade you're in. If it just retraces and you get another signal to enter a trade in the same direction as your original trade you can add to it there.

When the PA starts showing reversal signals such as the highs are equal or lower on the swings consider the trade over and take your profits. The only time you might not is if you're in a position trade off a higher time frame chart. It can be you entered at a high point on a daily chart and if you close it all could miss your chance for a truly awesome trade. But you will gain that experience as you go.

As we said in the beginning this covering and locking profits is more geared to traders more worried about losing than massive gains. But the only difference is the taking of a good bit of profit at the initial point. Where, as once you get more confidence at that point you would just move your stop to BE or +2.

But even at the profit taking points like the MA's or when you get trade signals, taking some profits is done by almost everyone. Then adding back when it turns back into the original direction as we saw.

Covering For Maximum Profits

So what is the difference between the covering choices. We have seen how we can cover and lock in some gains which to a small trader might be more important. But you will see that the other style of covering although migh not ensure as much gain on a losing trade, will more than make up for it on the winning trades.

The main difference in the two is that the people that get the max gains, instead of closing a portion of their position a the initial covering areas will just move their stops to either BE or add a couple of pips to cover any cost for that trade.

So if we all started with $10 a pip they leave $10 on. The first group took $5 off so for the first 20 pips got $200 but for the next 50 only $250 versus $500. You can see the difference straight away. It is something we can all do and you can grow your account very fast that way. There is no difference in risk as they are both being covered, but you might feel you're losing because of the lost gains off that first movement. But in the larger picture you will far exceed those losses.

Plus another thing that happens with the second group is at those areas where we can take away and add on, they normally don't take away as often. They tend to have larger targets based on the next S/R levels. Most don't add on too much either, I only know a couple that do it on a regular basis. So that is an area the guaranteed profits group could pull ahead and still have their locked-in profits.

If you are a long term trader you will see some of your trading ideas in the second group. Not adjusting, larger targets at S/R levels. There is a very easy explanation for this. Most of those traders were long term traders first. Then due to market conditions and the frustrations of only trading the trends one way have learned to extract profits in all conditions – the very reason this complete trading system was developed.

So either style is good, the key is the same with all your trading, pick what feels right for you, then run with it. Because that is the ultimate goal to enter and manage your trades and have neutral emotions while doing it. Just like driving a car there are lots of rules and hazards. But when we are motoring along we are pretty carefree and when the traffic becomes hectic we know what to do to stay safe.

Diag. 35

Covering Summary

The main thing to remember about covering is to just do it. There isn't any reason you can give me that once price has cleared your entry area – how far depends on the action – that you don't make that a risk free trade. It doesn't hurt us at all to take BE trades. We will only get better from them as we will be learning better entries because of it.

Make sure you know what type of market you're trading. If it is the end of a sessions, there where you might cover could be the whole trade. You don't get huge moves during consolidation. Also learn to look at higher time frame charts even when you're in a great trade. IF you're in at an extreme high or low off say the daily you could be in a trade that could last for weeks so closing it all may not be in your best interest.

If you find yourself in a trade like that, don't forget that you can add on at any point you see a signal for an entry going your way. So learn to manage your trades once you're in is the first part. But to truly make it big in this market, knowing that you have a few more choices to make before your trade is done is key.

Plus by managing your trades it will also give you more insight into how the PA is flowing plus show you some of the entries where you could have joined a trade if you missed the original entry. That is also crucial always look for secondary entries to add on or enter trades. Even if you don't need them look for them to better understand what is available.

- CHAPTER 7 -

FINAL THOUGHTS

Money Management

Not sure I can add anything useful here as this is one of the most talked about issues on the internet. I will say that just because you're using good money management that doesn't excuse you from using good trade management.

It is king of like the stops, people kind of brag that they get stopped as it shows the rest of us they are smart enough to use stops, but we have seen stops are as varied as the entries we took. Money management can be the same, but until you have some type of track record to make your choices on I would suggest using a 2% risk per trade. But never before demo trading to prove the strategy you're testing even works and especially if you don't know how to use your broker's platform.

I would also suggest that you keep back 50% of your trading account in your bank to refund your broker's account if the unthinkable happens. Re-funding is a quick and painless thing, it takes less than an hour usually. You never in your life will lose 50% anyway right? But in the beginning safe-guarding our equity is number one.

Plus almost everyone will agree that after a string of losses or one major loss a cooling off period is needed to prevent revenge trading. As you start to see your win to loss ratios then you have more information to decide how much money you need to keep in your trading account.

I personally don't like leaving much in there as it is not insured with most brokers. Plus being a business your broker could get tied up with litigation freezing all accounts. Possible, but unlikely with a legitimate broker. Plus it seems to a person that the bigger the account gets, the less percentage they trade so why store money. Put it at least in a savings account to draw crap interest to help with taxes....

These are just my own thoughts. As with everything in trading you must do what is the most comfortable for you. Some people like looking a a big balance in their trading account, it makes them more confident, so decide what you need to do and then do it. But remember rule number one. PRESERVE EQUITY AT ALL COST.

Random Thoughts

So now we are done. It may seem overwhelming to some of you, but like we said time and time again do what is comfortable for you that is the way to succeed. Pick one or two entries that are something like you have been using and get them down to perfect. Then add more entries as you go. You will start to see that a trade off one entry leads into the next entry. That is why this is a complete trading strategy having many entries for different market types.

You may be a long term trader saying to yourself...I can't use any of this crap...I think maybe you're missing the bigger picture then. The main trading idea here is the following...Just like the long term traders, find the important areas of interest on the higher time frame charts, then look for possible turning signals on those same charts BUT this is the difference, then go to the lower time frame charts like the 15min which will get you into the trade and covered while your buddies are waiting. Plus the stops are a lot less.

You can also get into a trade before the higher time frame charts even have a slight signal because the start of a move can begin on the 15min then move up. So if you're at a S/R area and you're getting signals on the 15min consider your options and with the small stops required it is surely worth the chance. I would just ask that you give it a chance. Take some entries off the 15min using the included information then get covered ASAP. The difference in your trading will be remarkable and the calmness that comes with being in risk free trades.

Another thing that I see and hear time and time again is the overwhelming use of too much information. I am not saying it is bad to be an informed trader, it just isn't this strategy. Plus I believe by the time a retail trader sees any news it has more than likely caused any effect on your charts it may have. The only proof I have is watching people trade. Then at the end of the day I review my charts to see what entries I may have missed. In every instance I have seen a greater amount of pips would have been gathered if only the ideas put forth in this strategy were used. Just taking the trades of signals and breakouts and MA bounces.

I think a good thing for people to try would be, once you know most of the entries described here, remove yourself from the line of never ending information. Turn off the TV and news feeds. Don't do anything but analyse the currency pairs you want to take trades on only. Then take the trades on them. I will almost guarantee you would see an improvement. But it has to be a real test, don't fail just so you can say you need the other stuff.

It was like that trade on Friday for the GBP. Only signal was a couple off the 15min. Everyone, even those that took it, were thinking long, we had been in a strong uptrend for days. The only people I know that took it just trade the stuff here, nothing else, everyone else was talking about all this other information going on which was supporting the long move that didn't happen. But the signals came up they didn't question it just went short and made some good pips. Even when they too profit early as they still felt long was on the cards, but ended up with some running all the way down.

So give it a try just one or two days. If you have good money and trade management you should see an improvement. Then at some point you will be like most great traders saying this is easy. Because most great traders aren't spending all their time trying to understand the news. They see something they take the trade. Spend those extra minutes looking at your higher time frame charts for hints into the next trade.

I hope you have found this re-write informative. I have taken a while to complete it but I hope I didn't leave too much important stuff out....I don't think so .....Anyway learn the entries use a small trade amount so the thought of money doesn't influence your decisions. It doesn't take a huge amount per pip to have great gains, just keep plugging along and your account will grow faster than you think.

As Always Trade Happy and Be Safe......Ken

TRADE REFERENCE SHEET

Diag. 36

EO's Words of Wisdom

Our system is unique! Find the setups that work best for you, it might be the 35/50 cross and reverse order on the following candle, or set a PO 20-30 pips higher than the closed candle for a reverse order keeping your SL 35-40 pips higher than the price of the candle that closed through the m15 35/50. Maybe it taking positions only off of h1 pins/hammers, or DBHLC/DBLHC candles. There are so many setups it can become mind boggling. Just take your time and find which ones work for you and your personality. Always look left, always know your HTF S/R and find your PA on the m15 with the h1 supporting your position as well.

Hey Rob, there's another item I neglected to mention. Turtle and I were talking about this yesterday. Looking at your daily chart, notice how yesterdays close did not close higher than the high of the prior days candle. I don't care what time frame you trade, this shows that the sellers are starting to gain control.

Here's something for you to think about. I don't want to confuse you, but do think about this. Our m15 charts make up the the h4 do they not? Not that the m15 charts direct the h4, but it gives us the keys to get great entries with small drawdowns.

“PRIME EXAMPLE HERE. We cannot trade the working candles, only the prior closed candles. Working candles will show one flight and then change in a blink of an eye before you know what happened. I've seen h1 pin/hammers that had 15m left in formation complete to be a bearish candle and continue on. Traders start getting edgy when they see the h1 pin/hammer and feel like they're going to miss their seat, so they jump 15m early thinking they got on ahead of others, when after they get on their sitting their and realize the bus is empty and everyone else got on the other one.

So, we go to our lower TF, m15 and see what price is doing and why. If the h1 does close like a pin/hammer, can we get in on a little pullback or should we just go ahead and claim our seat now.

This is how you put all the TF together. Same goes with h4 and the m15 candles”.

“Ok. Now, let me tell you what I saw. The pin showed the sellers at this area. The buyers were not willing to give it up and pushed price off the m15 5. Price definately did go up the wick and even higher, but closed under the wick of the pin in question. I'll short off of that w/ SL over the wick around 20-25pips higher than the wick. Price will, does and can overshoot, we're only concerned about the closed price."

"Closed candles always tell us the story for the future. When we have a line in the sand, don't be surprise to see price cross it, but it has to close across it to break it in my eyes. Otherwise, it makes the opportunity to get in even more appealing to me."

"*So seeing some wick on top of that 4H would be a better sign of some sellers coming in*?"
"To me it is, it shows that the buyers have full control when a bullish candle closes without a wick. In the past, I would short on the turn of the candle, but I'm finding otherwise and extend some more patience for a counter trade. The last h4 closed shows me that buyers had control of the turn. Price did continue to rise afterwards, but was met with sellers. 10m and a pin might get generated on the h1 for USD/CHF. You can either short it on the open of the next h1 or wait for price to drift up the wick. Regardless of your entry, your SL has to be on the other side of the h1 wick or the most recent high if you will."

"Here's something that I've been noticing, (assuming tweezers on top to push price back down) when the 1st candle of tweezers is higher by a pip or 2 it doesn't have a negative effect on the setup, but when the 2nd candle of the tweezers is higher by a pip or 2, it does have more of a negative effect on the setup."

"These are the thoughts that go through my head when I enter a trade. Notice how I used the ma's for my entry and SL? Notice how I talked about what I wanted to see and what the outcome for a longer timeframe desire is? Talking about it to yourself will help you relieve the tension of entering the trade. Your planning your trade at this point and not following price."

"I'm sorry to read you have not had a good week! This saddens me! For those who are having problems, stop trying to find the seats that some of us get. We get these seats from experience and knowing what to look for. I don't know if your rushing your trades or cutting them early, but have patience. Whenever price breaks out of it's range (we usually have 3 ranges in a day, 1 asian, 1 london, 1 us) get in off the m15 5 and use the 10/21 as your SL. There's a reason that price will stop and move another direction and 9 out of 10 times, it's going to give you more than 1 opportunity to get in on the bus. But, if your seeing price move north and your EXPECTING it to stop and move back south, your wrong. Chances are, it's going to continue north til it finds HTF Resistance. Remember, about how ranges work and the breakout of the range. You don't have to be in from the bottom or top all the time, you just need to be in the right seat when it moves."

"I want everyone to look at this chart and understand what I've highlighted. If your concerned that this setup does not work or your not sure where to put your SL, then set you SL 5 pips below the low of the setup. The setup consists of both candles. IDEALLY, I want the first candle to be the lowest, the second candle to not go lower than the first. After the 2nd candle has closed, I'm entering the position. You can pull the trigger about 1m-30sec before the 2nd candle closes without much add risk. After you've taken your position, set your SL and a partial TP, say 20-25 pips, walk away and don't watch what happens over the next m15. If it's too much excitement, nerves or whatever, you've got to let the trade do what it's designed to do. Now, another part is the SL. I would rather take the 15-25pip loss, than set on a position for the next 3hrs for the hope and pray and the addition to the position, that I'm going to get out of the trade in atleast a BE position to prevent from having a loss at all. Look at how many pipps go past when your in this type of a trade. If your not setting your trade off of the h4 or higher, you better not be waiting to be in profit if your entering off the m15. Remember, we like to get in, get green, book profit, and repeat."

Diag. 37

Diag. 38

"I've been asked why I took the short at 6328 today in the middle of the US Session. Just a background, when we opened the markets on Sunday, I was talking with PippiNole and told him I could see price going to 6330 before making it's next move lower. I don't know if we'll continue lower or not than last weeks low at this point. Here's where I pulled the price from on my h4 chart."

Diag. 39

"*Can I ask both you and eo the reasons for going long down there*?"
"Sure, this should explain it off the m15. Looking at the h1 as well and h4 was another reason."

Diag. 40

"Letting a Trade Breath vs. Letting a trade develop

Many people get caught up on the letting a trade breath and not really knowing where to put their SL or how to control their risk. So, they take a position, not having a SL in mind or better yet set and when the trade moves against them, they try and find all the reasons why it'll come back. We've all done this and I'll be the first to raise my hand.

Now, letting a trade develop is where you've taken a position, your risk is controlled and you let the candles do their job, or your out looking for a new seat. The loss is just a part of the transaction just like a gain is the other side. Regardless of the outcome, you've given the trade a chance to develop from the setup. Nothing is 100%, if it was, we'd all be billionaires. But the odds are in your favor the setups will work more than not. The key is controlling your risk. You should feel the same emotion when you have a loss as when you have a gain (NUMB). You put the trade on based off the setup and that's all.

Now, today, I can relate with Shilva as to when he was looking for a seat and not wanting to buy going into strong resistance. I believe price was around 1.656x at this time If you were to enter a long position at that time, you could have gained around 20 pips and your SL being around 1.6550. So pretty much a 1:1 risk ratio. The 1.6550 area was a price between the m15 5/10. I had made a comment of my own SL being move upto to this price level when price had spiked into 1.657x area before it came back to the 1.656x area. I myself have a hard time buying into strong resistance. I'd rather wait for solid PA off my higher TF resitance to show the turn. Shilva got in short I believe around 1.6585 booked 15 then covered just a little too quick. Even if you get taken out too quick, don't be afraid to get back into the trade based off the PA, keeping your SL where it would be on the initial setup."

Diag. 41


Today we have some good examples of price action and how we can use it
Circled area A is the high where we got our first price action line
This is also a signal i used to enter a trade not great but did anyway
You can see as the trade progressed it really didn't go short much
But everytime the price came back up the candles closed below that line so i was not scared to stay
Then the price went down to another price action line and closed above the line
Then we got a spinning top and could go long Circle C
Then back up till we get a close below the line and the 50 ema Circle B
When using PA in combination with other signals we can even use some minor ones
Plus the use of MA's and we start to see we have lots to take trades off and tight stops
Price Action Line is Blue
A
B
C
1.6378
1.6337
1.6276
1.6278
1.6440
1.6465

Diag. 42

Don't Try and Turn Price When It Isn't Ready

Here is a chart I marked with some entries possible for the run down on the gbp. It shows a possible entry from Asia through the London fix Friday. It provides proof of the power of the Ma's plus other support from fibs and how the ma's are already in those areas. I am posting this as I chat with lots of different people and the main losses any of them have is from trying to turn price before it is ready.

As this chart shows any of the entries here are very risk free as you can see a line was formed By PA that was supported by PPA most times as well as the MA's and Fib levels. I don't know what else we want it is all there for us to see and I hope by posting these example will help us to start seeing them in real time , hindsight isn't going to make us money. It is just the art of seeing these at those times to make these winning trades.

Diag. 43

Diag. 44