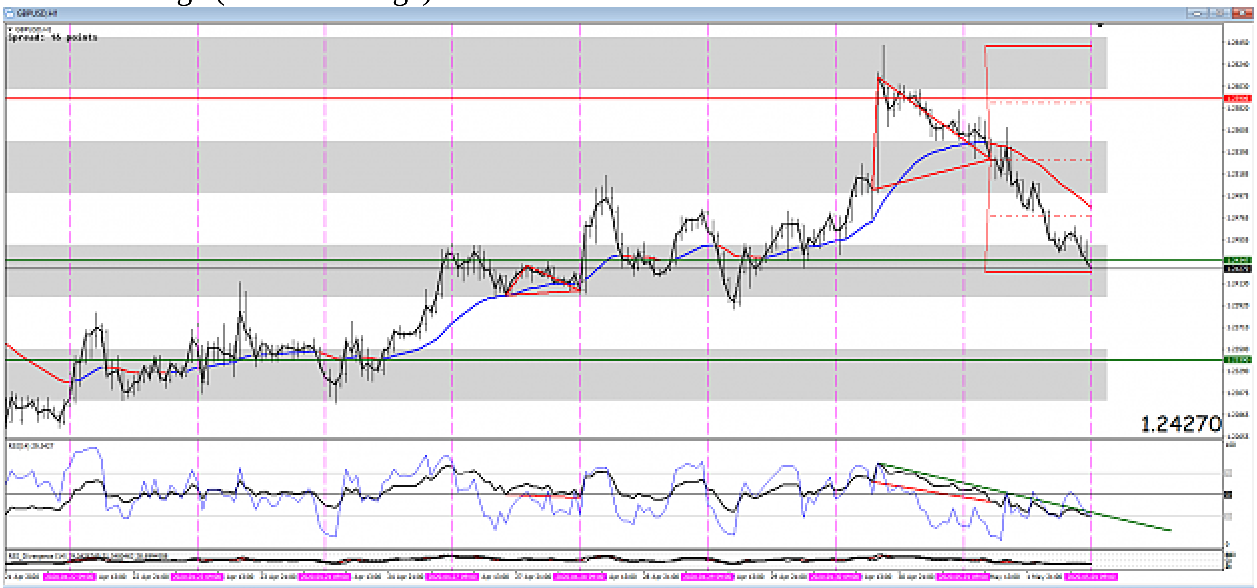
On the hour chart it looks like the average is trying for the 2434 LL and price thus making the next level 2339.

It just hit the ABCD short

Since price is well ahead of the average it may well just consolidate into a holding pattern for a while.
Attached Image (click to enlarge)


Hi Paulnz57 lots of loaded questions there within the context of what you speak of.

Let's deal with the pairs. The GU is a far greater mover than the others you list which I also trade from time to time.

From the appropriate time i.e. the 108 it is very common for the market to move well over 40 pips in a single direction and by compounding our entries we can exploit this fact to our advantage. We cannot get it right all the time so we have a money management plan to limit the risk.

So far we have the pair, the time and the money management. We still need the entry and the target which I have gone to a great deal of explanation in an attempt to cover it.

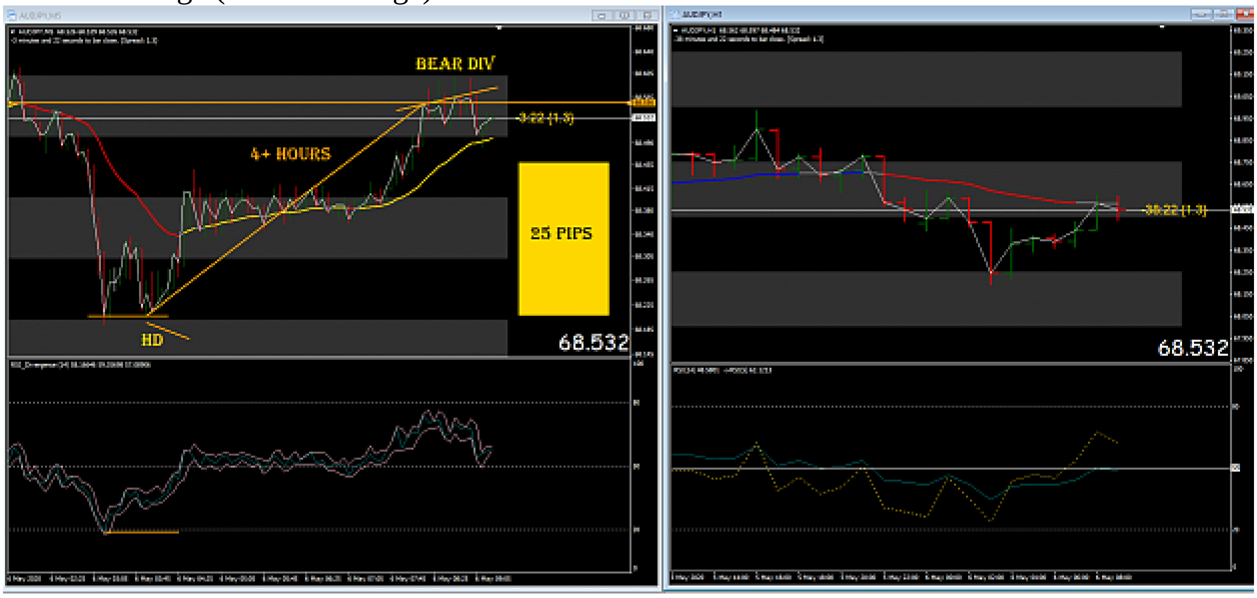
So it is a process of many parts in which we have options.

If we attempted to apply this to the AJ we would find it takes many hours to make 40 pips or so, which is fine to keep the risk smaller but has the opposite effect of keeping the profits smaller also. Profit is always welcome no matter what the size of it is and we can certainly build a nice account over time. It is this time factor that makes a heck of a difference to the efficiency equation. Why would we not like to achieve in a couple of hours what would otherwise takes many weeks?

I don't know from one day to the next which way I am going to trade or if I will reach my target, all I know for sure is if I don't try I definitely will not succeed so I stick to the same routine and if I can't envisage the action I wait for another day where I can.

I also use a different method for the AJ/AU and certainly the cost is half so we can load more with a smaller pip target say 25pips. Many of the aspects I use to trade the GU are present but the targets differ making the money management a tad different See the charts below there was not 40 pips in it.

Attached Image (click to enlarge)



Quoting Del62a
Hi all I have drawn what i think is bull support in the 1H charts. Can you please comment on this. Thanks {image}

This is a great chart on which to comment...

1) Is a correct bull support and everything now is going to make the effort to take this out. First is a retest (hook) but the bears fail and we see a 100 pip move because of this bear weakness.

The bears are not happy and stop the bulls from finding a new support level and pull all the way back to X below the EMA.

The bulls have to try again to find support which they do at 2 and this infuriates the bears into taking strong action and they bolt down to take out the support at 1.

Now this is the interesting bit because the bears should not have done this without finding support first. Realising the error at Y they return to 3 to find their bear support so now they can take out the bull support at 1. Notice at the ? there was some hesitation.

The interactions between bear and bull suports (the opposite sides being bull and bear resistances) is fascinating and one could build an entire trading system around them.

It normally takes a bear support to take out a bull support or a bear to take out a bull so when we spot them we have a good idea what is afoot and can trade the distances involved. The swing of the average helps with targeting as does the daily pivot levels so we can build quite a strong case for trading a particular direction for a particular distance at a particular time.

Your numbers 2 and 3 were wrong, price closed below the EMA.

Here for your diary is the chart for the events written here.
Attached Image (click to enlarge)

Continuing with bull and bear supports...

If I back up the chart a tad we can see the bear support marked 4. This made the bull resistance the bull support at 1 was going for.

Though the bulls reached it they could not close across, this is bull weakness and from this point the bears showed their strength.

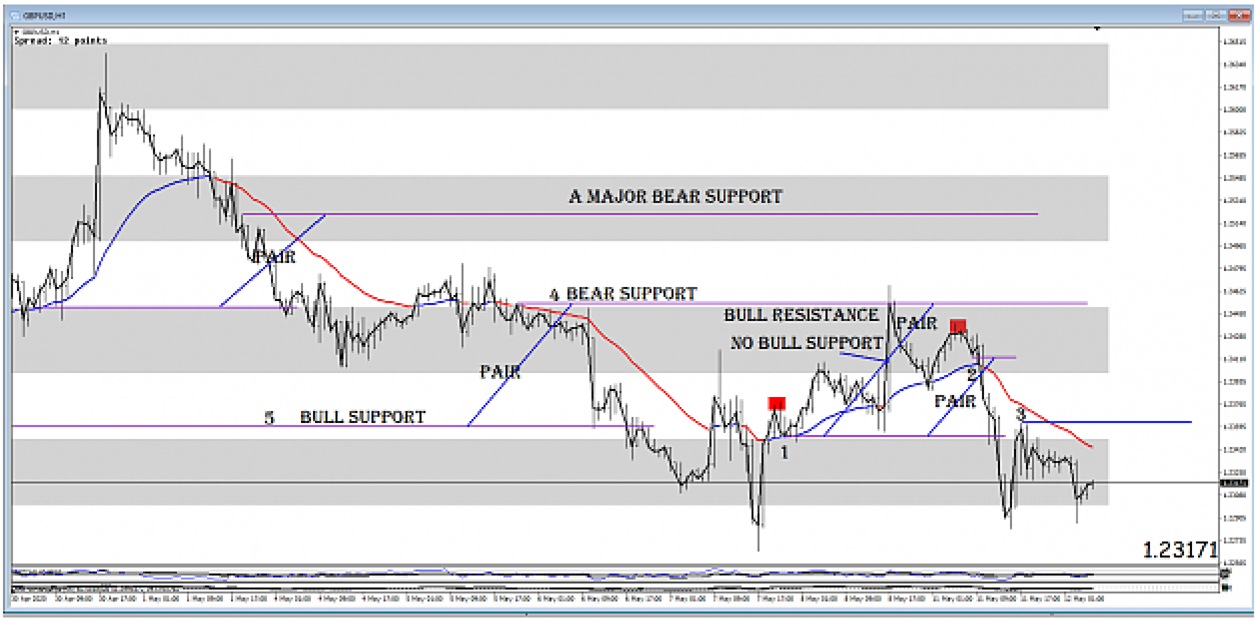
If we look at the bull supports 1 and 2 we can see there is a difference. 1 is strong passing the previous bull pivot whereas 2 is weak not passing the bull pivot and collapses as a result. We can determine from this the bears are getting stronger than the bulls.

We can see from the chart below how these supports are interwoven in the price structure. One takes out the other.

The interesting one here is the number 2 it was a bull support so how can it react with number 1 which was another bull support. Well if 2 is support for the bulls then it follows that it must be resistance for the bears so in this case the resistance has taken out the support and number 3 just confirms the fact.

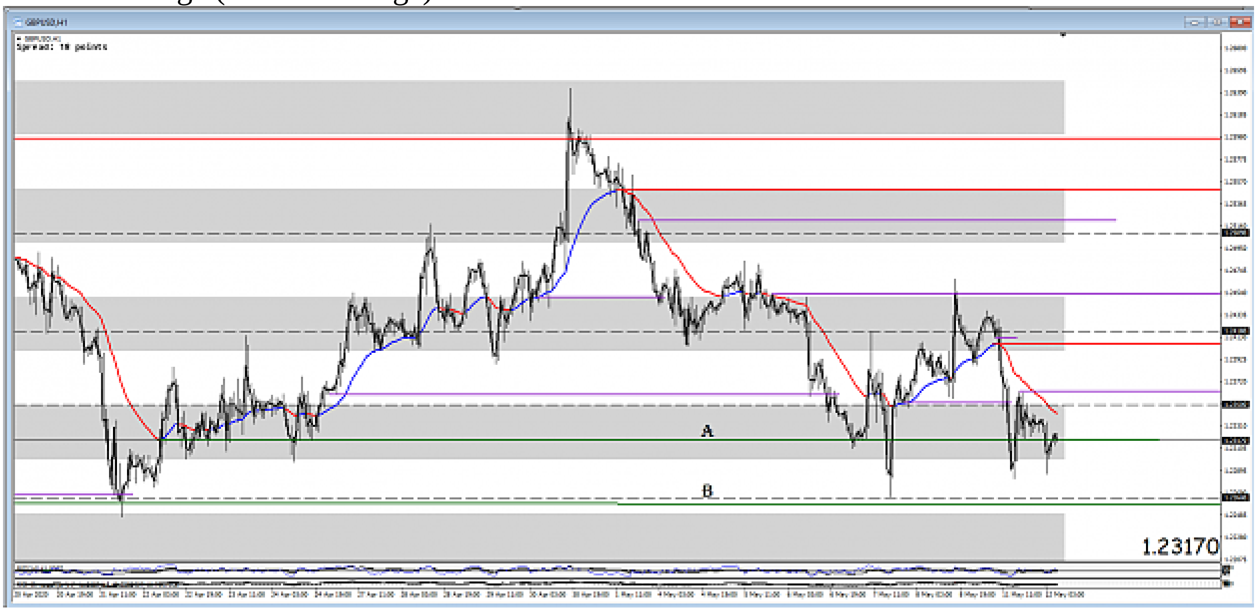
Please note my views on support and resistance differ from the main stream. I believe that support has to be FOUND and resistance has to be overcome. If the resistance is not overcome then this shows a weakness of the attacking side. Both bulls and bears can FIND support and both can MEET with resistance.

It is normally the case that these operate in pairs as shown in the chart below...
Attached Image (click to enlarge)



For today I am looking at this 1 hour chart expecting the EMA to make the LL at A and the price to make B.

So at the 5 min level I would be looking for a bear trend.
Attached Image (click to enlarge)

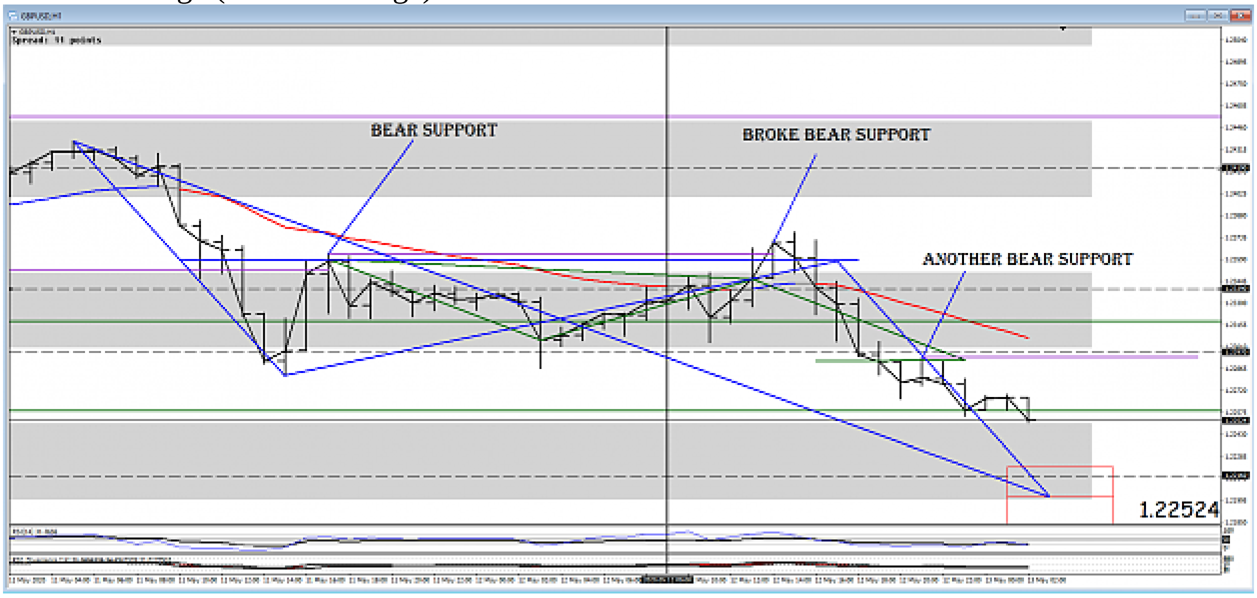


Well that was certainly a long winded affair yesterday but eventually the EMA did break the LL (A) and price perfectly hit the next level (B) unfortunately I was in bed fast asleep for most of it but I did catch a few pips long.

Today I start the school drop offs with no pickup so I can trade the 108 time more effectively though I see yesterday there wasn't much action at that time. We get that from time to time.

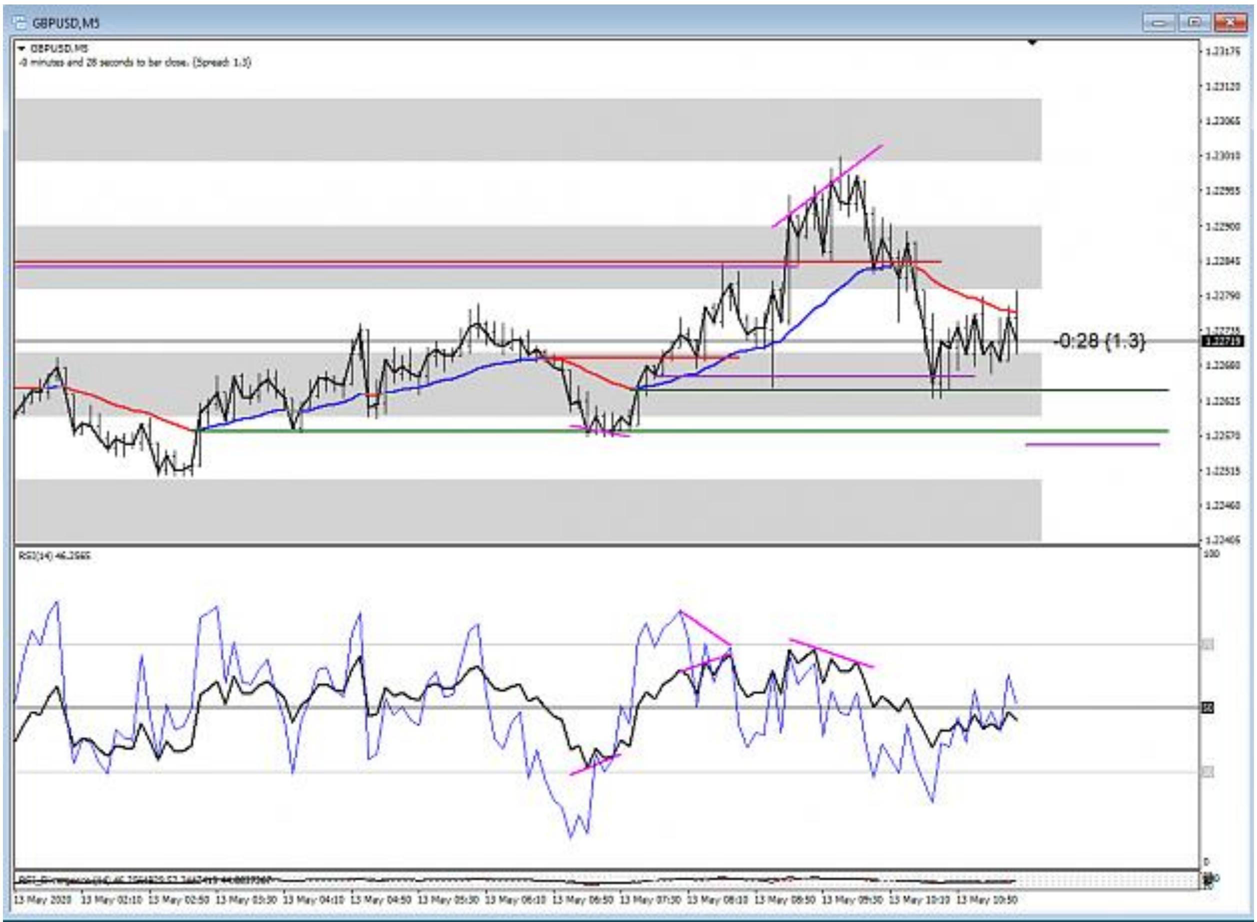
A nice ABCD was formed and hit to the short side and also an AB = CD and I would imagine D is the next short target since the bulls have been unable to FIND support and the bears continue to do so.

Don't know if you can see all this on my messy chart below. The D target for the AB = CD is in the middle of the daily S1 and S2 pivot levels. It may do this during the Asian session leaving the London in a position to go long (May Be) have to wait to find out.
Attached Image (click to enlarge)



[Quoting tazytam](#)
{quote} Were you trading the H1 price divergence from this morning? I was wondering if it was maybe too old, but I guess not? 😊

No I wasn't, I was using that as the direction signal but entered on the 5 min bull div and the subsequent bear div shown on the chart below.
Attached Image (click to enlarge)



Here are things I was looking at on the 5 min chart...
Attached Image (click to enlarge)

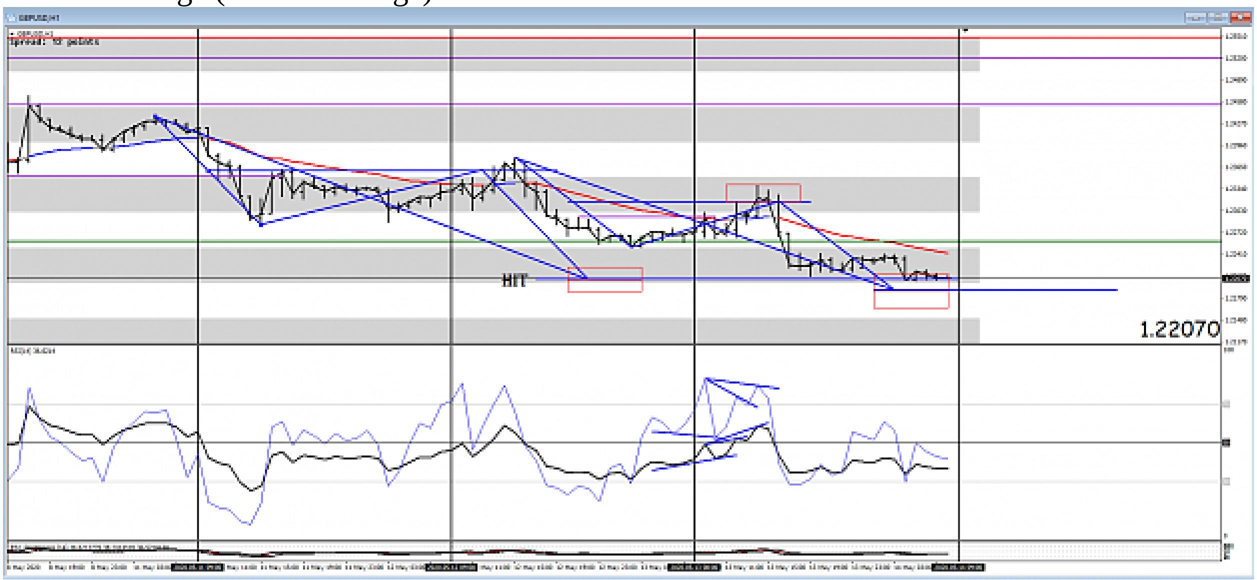
That last chart I posted had a line just placed randomly, I just copy and drag it when wanted.

Just look where price just went to on the same chart.

Perhaps this is just my natural magnetism😇😇😇😇😇
Attached Image (click to enlarge)

OK so from our deductions yesterday the 1 hour did hit the AB= CD and in the process appears to have made another one which it is very close to hitting.

No other signals as yet that I can see.
Attached Image (click to enlarge)



Darn it my stops were a tad too tight...stopped out....

Or were they, this doesn't look good at all, can't seem to get a decent run these days..
Attached Image (click to enlarge)

Whoops I missed this HD

Attached Image (click to enlarge)

As I check the charts this morning, my time, I see that the 5min did actually manage to make the target I was looking for eventually. This came after a great deal of struggling to halt the 1 hour and possibly turn it. It remains to be seen if the bulls can hold onto this for any length of time. Not a big moving day at all and very choppy to scalp.

Attached Image (click to enlarge)

When we look at the 1 hour we can see when an assault on the EMA is made by the bulls, there is a struggle of sorts.
Attached Image (click to enlarge)

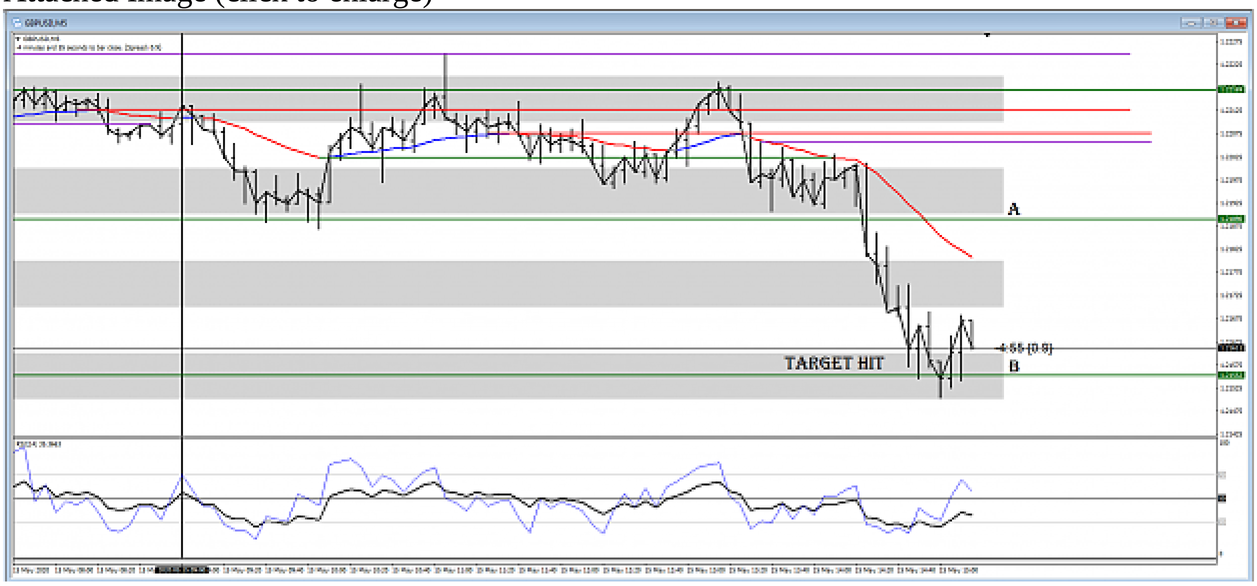
[Quoting MaxiPip]
Divergence forming/formed on the 1 hour chart. {image}

There is no divergence there...

Here are some I drew on your chart because I can't match yours with mine.
Attached Image (click to enlarge)

If the EMA is going to make the LL A

Then price should reach the next level B
Attached Image (click to enlarge)



[Quoting Elsaloon](#)
A good week end to everybody and thank to Alan for the charts Chris

Remember we are trading between the averages and must bear this is mind all the time we are trading. I see so little evidence on the charts you guys post. There seems to be a fixation on divergence but these are only going to work at the appropriate times.

Look at the 5 min chart below our analysis would begin at A, this was the Average swing high, the average swing low followed at C.

Now we have the situation sorted with the High A and the Low C trades taken between these tow levels are scalps, not likely to be big enough to constitute a full blown trade.

From C price climbs back to the A average but look what is happening when it gets there. It is showing Bear divergence and this could easily stop the average climbing any higher. If the price cannot break past A then it is mathematically impossible for the average to climb higher than A also. So B is likely to be the fail point of this up move. It is a high probability not a sure fire thing by any means so we just take a small chance with our first entry.

All goes well we cross the EMA and the bears find support allowing us our 2nd entry. We have plotted D as our possible target but look at the position marked X price is struggling to cross the C level.

Our problem is we only have our 1st and 2nd entries on so we cannot have made our profit target but we are worried at this point price could simply turn and take out A + as it drags the EMA to a higher high. Don't underestimate this pair can easily do this. Our options are to close and call it quits for the day or HEDGE our work at X.

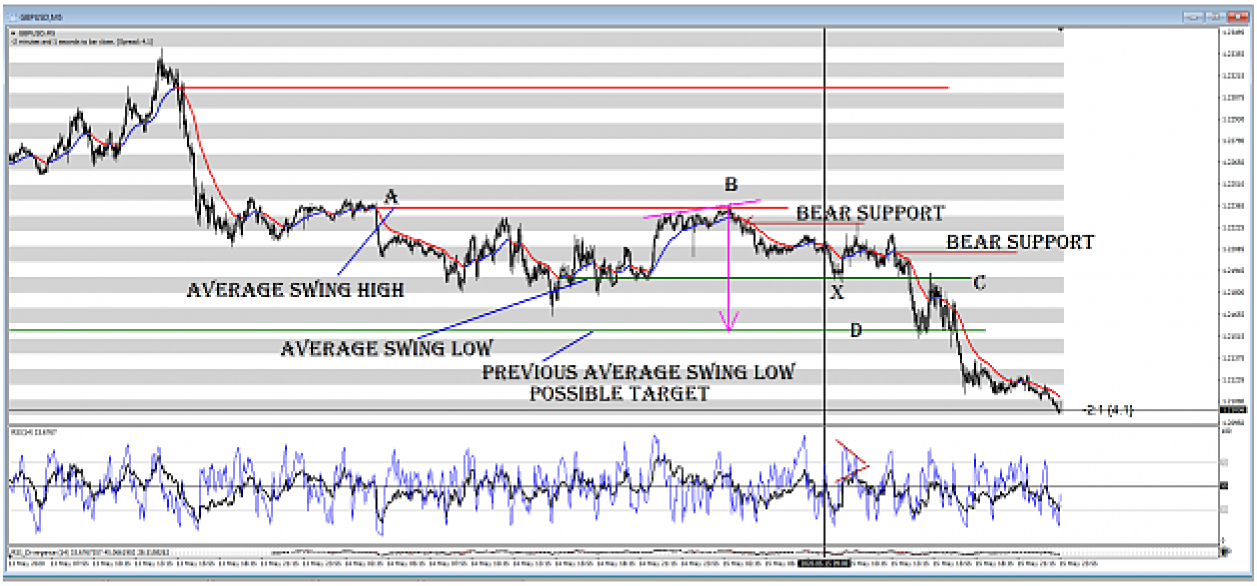
Now one of two things are going to happen,
1) The hedge may become the primary trade and entries 1 and 2 will be stopped out for no loss.
2) The hedge will fail and will be stopped out for no loss. We could also close the hedge at the bear support because it was in a div situation. If price continued up we would still be winners as 1 and 2 get stopped out.

The bears then managed to find a new support allowing entry 3 and then price runs to D and we have done the dirty deed to death.

This is why trading is so stressful and why we have to have a great deal gong on in our heads. Clearly we can see these levels play important roles and we have to plan for them and no what to do as they crop up.

There are times when price runs from B to D without taking a breath, a nice number of pips but hardly the profit we want because the 2nd and 3rd entries are difficult to get on.

To sum up...Watch what these averages are doing and get the levels on your charts priority number one.
Attached Image (click to enlarge)



[Quoting pipparkar]()
Today results so far B - stopped out B/E C - stopped out B/E D - i entered a short at the average high you can see sitting below D as on the M30 alan divergence and it reversed into stoploss immediately. (i took the screenshot after the divergence happened but you can see where i placed the lines) (not a trade i would usually enter as it creeped above the average high on the 5m but took a chance on the divergence) LOSS 3rd week trading the system -25% of account, hopefully i can pull this back. My biggest issues seems to be confidence pulling the...

I can't put all the stuff on the one chart here but you are certainly not reading it correctly.

Your 108 bar is wrong should be later.

The trade begins with A bullish divergence on the 5 min based on the notion that the 1 hour is trying to get back to the average and indeed try to break it.

The 5 min move up to your B which was a swing high average and a bear div so this could be a 1 hour failure and it may turn south. It did. We have two options at B, we can either hedge our long trades consolidating them into 1 or we can close and take a short beginning our trade anew. A hedge is always the best and safest way to go and we would expect our longs to be stopped out at A, thus the hedge would have won the day.

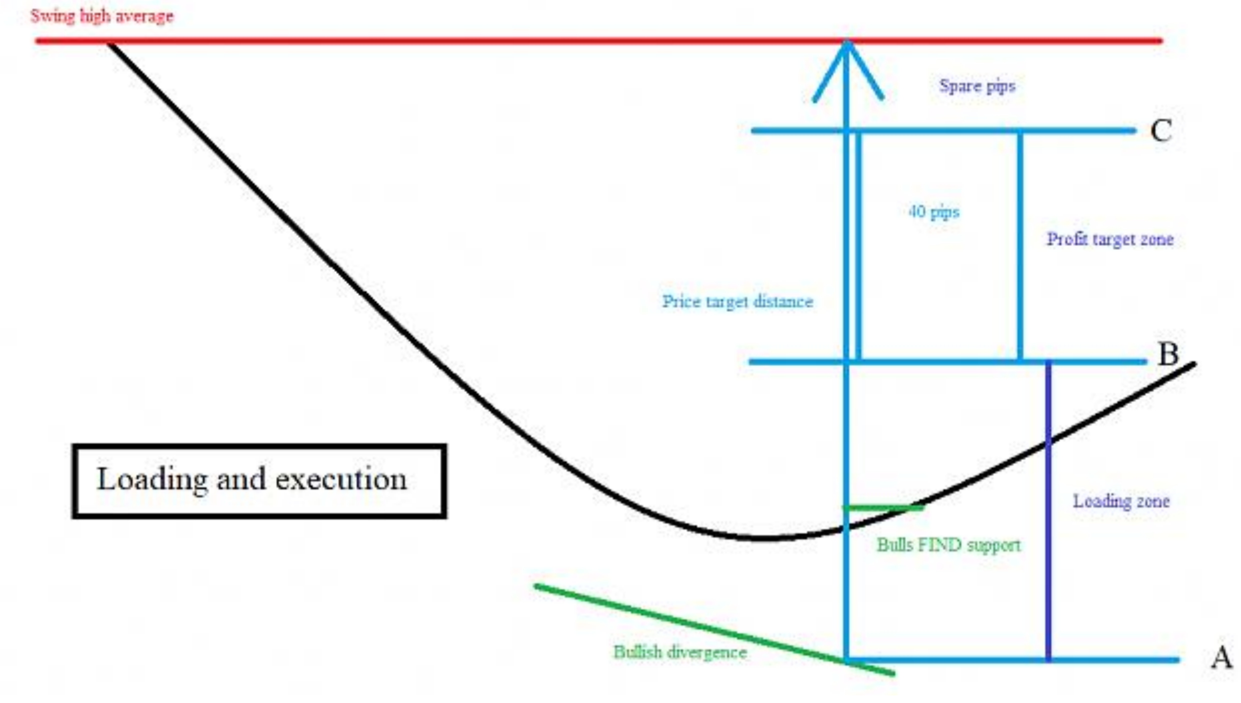
As it happens in this case price turned north again at C and when it found Bull support we close the hedge for whatever profit it makes and we are continuing with the long trade until our profit is realised.

Your chart doesn't show the next 5 min EMA swing level so how would you know where it is going?
Attached Image (click to enlarge)

[Quoting sanme](#)
Hi Alan, I am still struggling to understand the money management part with two trades and hedges. It would be very grateful if you can help to post a small video. Sorry if I am asking too much. Thanks in advance.

Well perhaps you can help me, I haven't got a clue how to make a small video

Attached Image (click to enlarge)



Looking at the diagram above we have plotted the target level to be the swing high average.

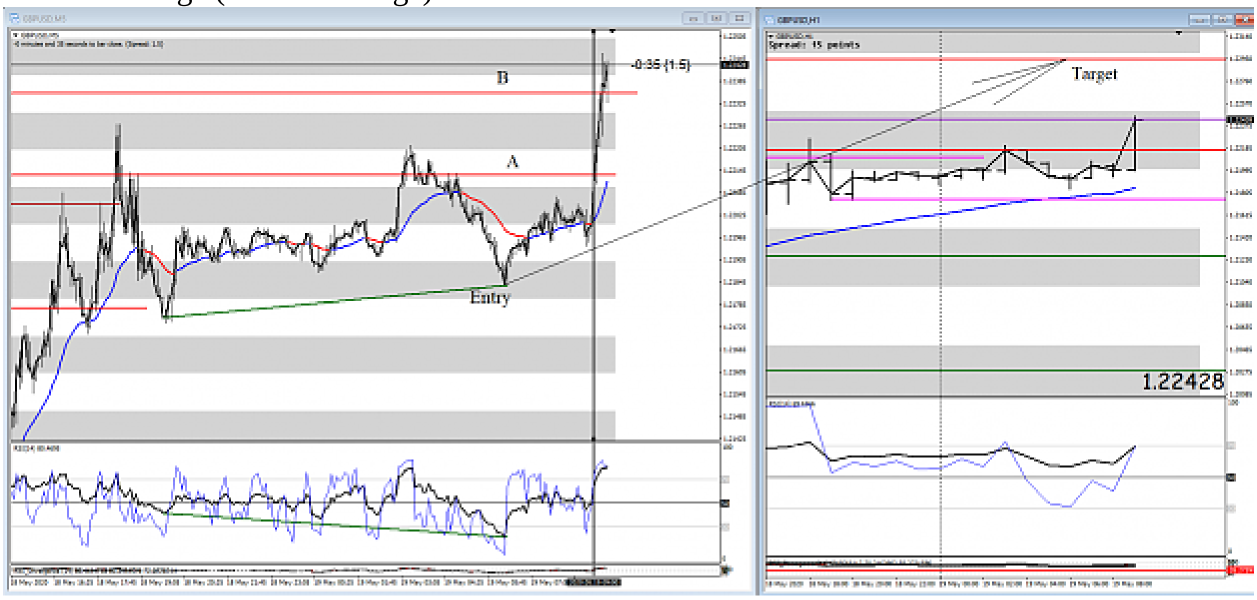
We can put a box on this representing our full profit target i.e. 40 pips and we see it fits comfortably in the range we expect.

We begin at A by dipping our toe in the water with a smallish trade. As the trade progresses and our confidence builds we add to the winning position until we are fully loaded by the time we reach B

However we could run into trouble at any time and may suffer a pull back from our desired direction and just in case we get a complete turnaround we want a measure of insurance, this is where we would hedge the trade essentially locking it up neither winning more or losing less until we determine which way price is going to go.

Americans cannot do this due to trading regulations. (It is not a free country

This is what I am looking at...
Attached Image (click to enlarge)



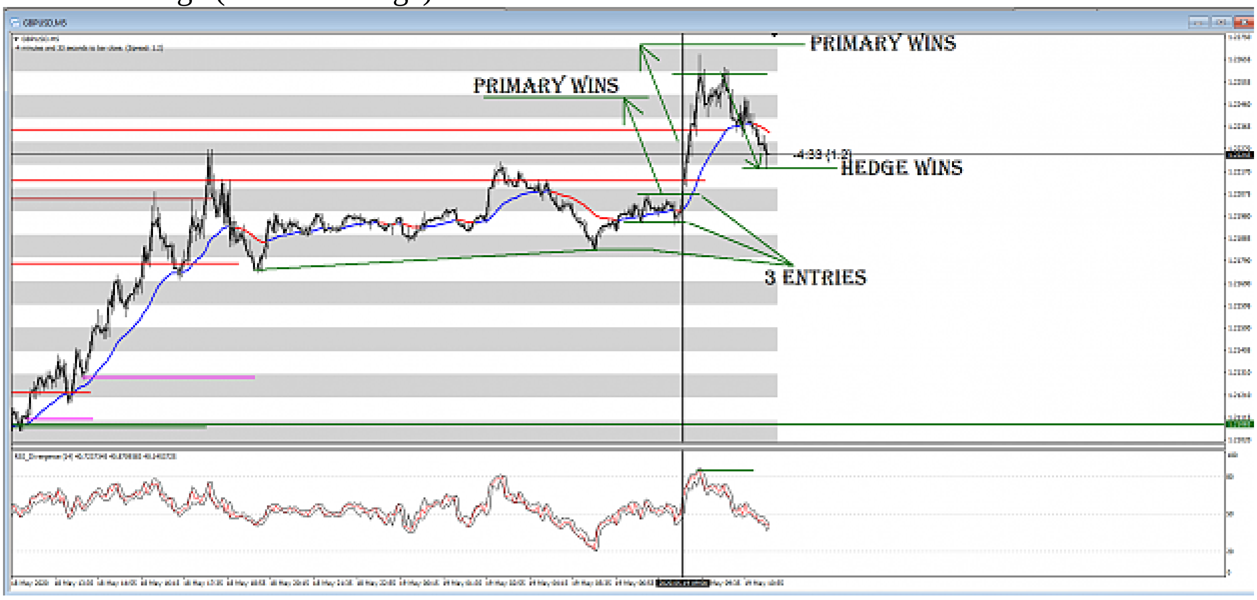
Here is a hypothetical example of how the hedge can win the day...

3 trades long but not enough profit made. As the hedge pulls back it stops out the longs and wins the day.
Attached Image (click to enlarge)

And thus in that scenario the hedge would have won the day.

The reality is a tad different we should have been done and dusted a lot earlier than this via the up move.

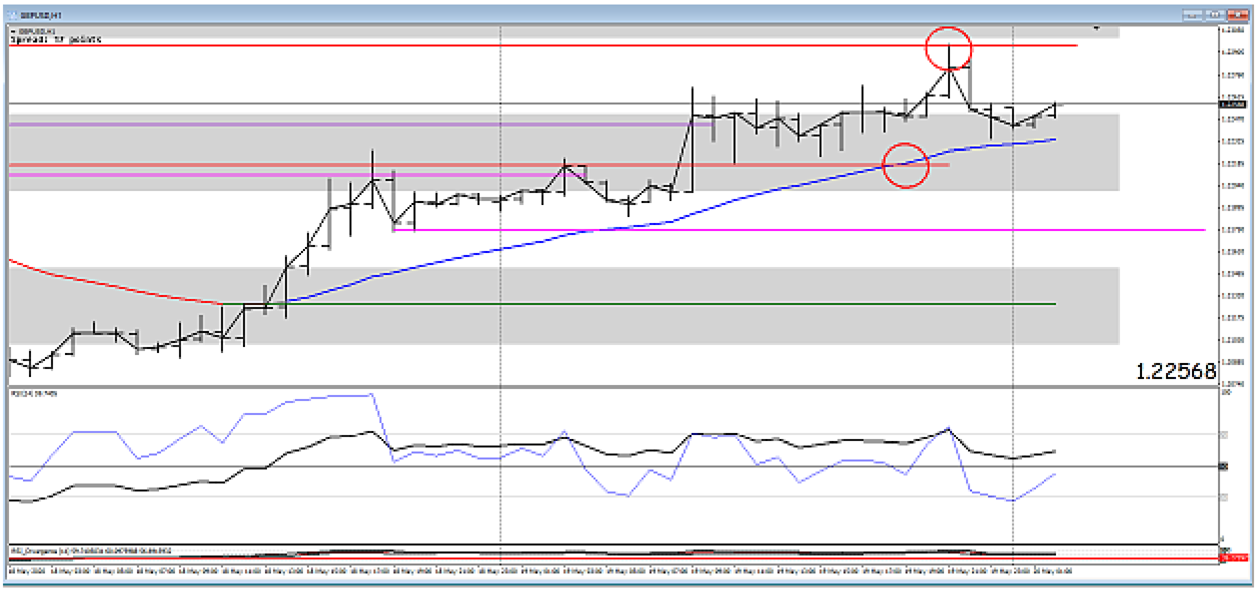
As per below...
Attached Image (click to enlarge)



Quoting Nala66
Targeting 2294?

Well it finally got there in the wee small hours of my night...

See how to break one EMA level price tries for the next EMA level. It is so important to have these EMA swings identified as potential price targets/
Attached Image (click to enlarge)



Quoting pipparkar
Much better day for me yesterday got in at the bottom of the trade you can see below and TP at the top, I Only got one entry in on the trade as at the time the price action was a bit indecisive in that area. Target hit and 44 pips taken. {image} {image}

I don't want to blow the wind out of your sails but I think you would prefer me to be honest.

I have drawn up the chart for you here with the key points included.

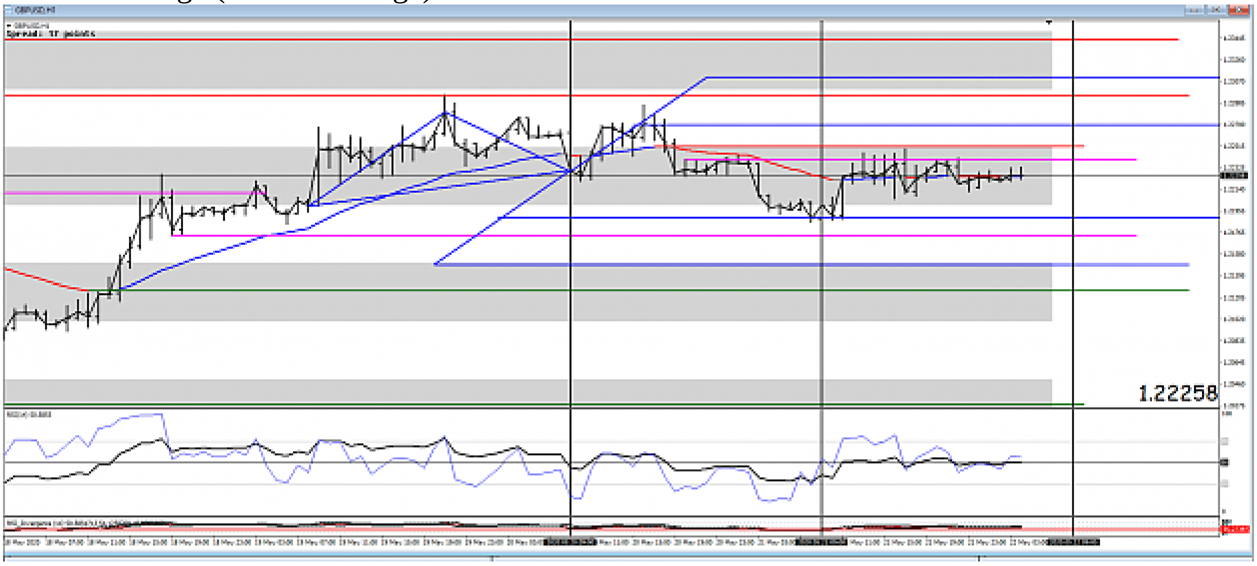
It was difficult to trade especially with those two HD's in the middle (hedges).

Anyway here is the chart for study...
Attached Image (click to enlarge)

If we look at todays 1H chart we see price is stuck between the 50% ABCD levels and also between both the Bull and Bear supports.

We need a breakout..

Attached Image (click to enlarge)



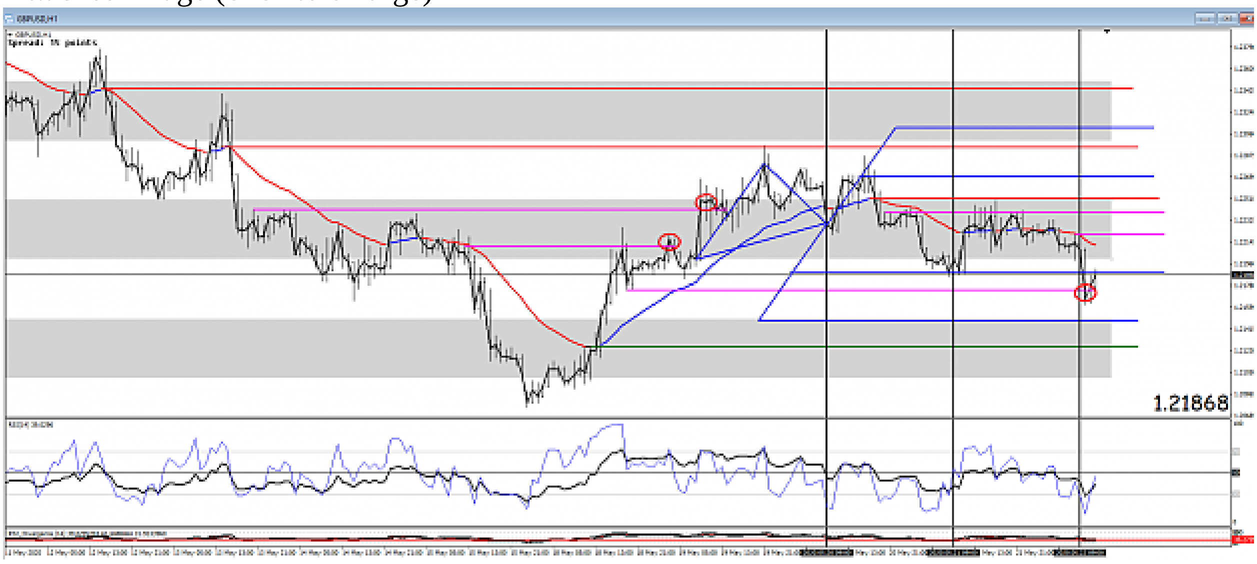
[Quoting Andy1501](#)

{quote} Hi Alan , Could you make a post like this everyday if time permits? I'm sure I also speak for others in saying that it would give extra confirmation that our analysis is correct. thank you

Well yes I could but wouldn't it be better if I corrected your analysis so you learn by practical practice.

Currently on the hour chart we see the bears have taken out the bull support. I have marked the chart to show where this happens and how often it does so.

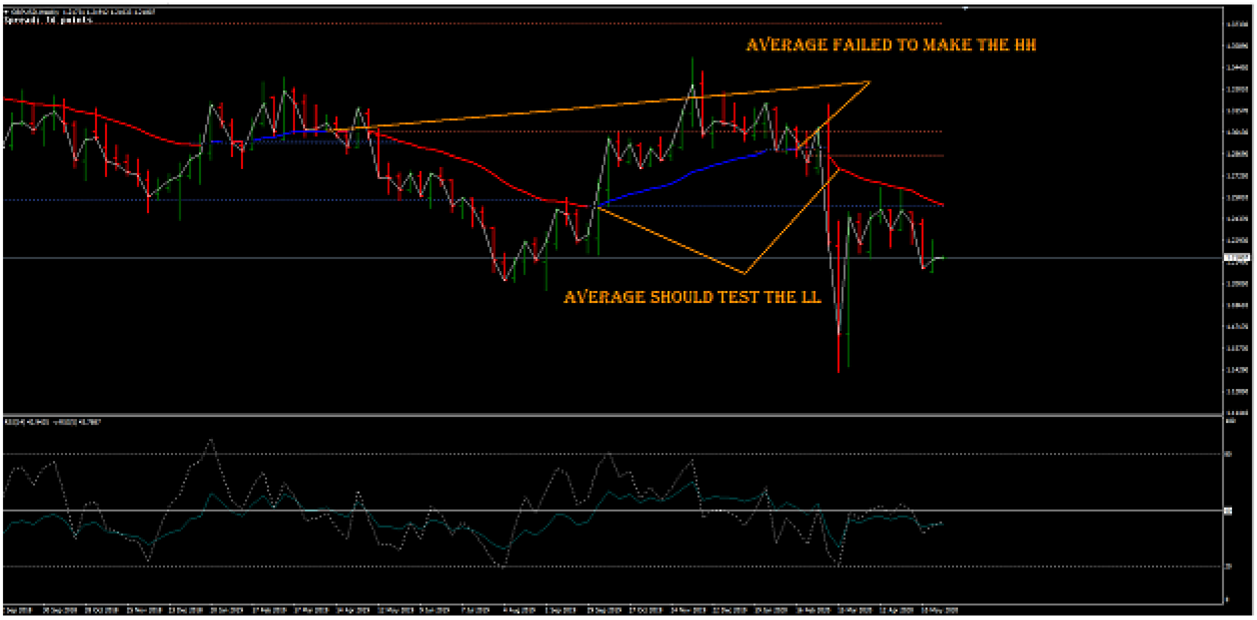
The Magenta lines are my Bull and Bear supports..
Attached Image (click to enlarge)



I saw nothing on Friday and thus far nothing today.

The usual thing to follow these flat spots is a big break but which way and when remains in balance.

Looking at the huge weekly chart we see the bears are holding to make the EMA LL.
Attached Image (click to enlarge)

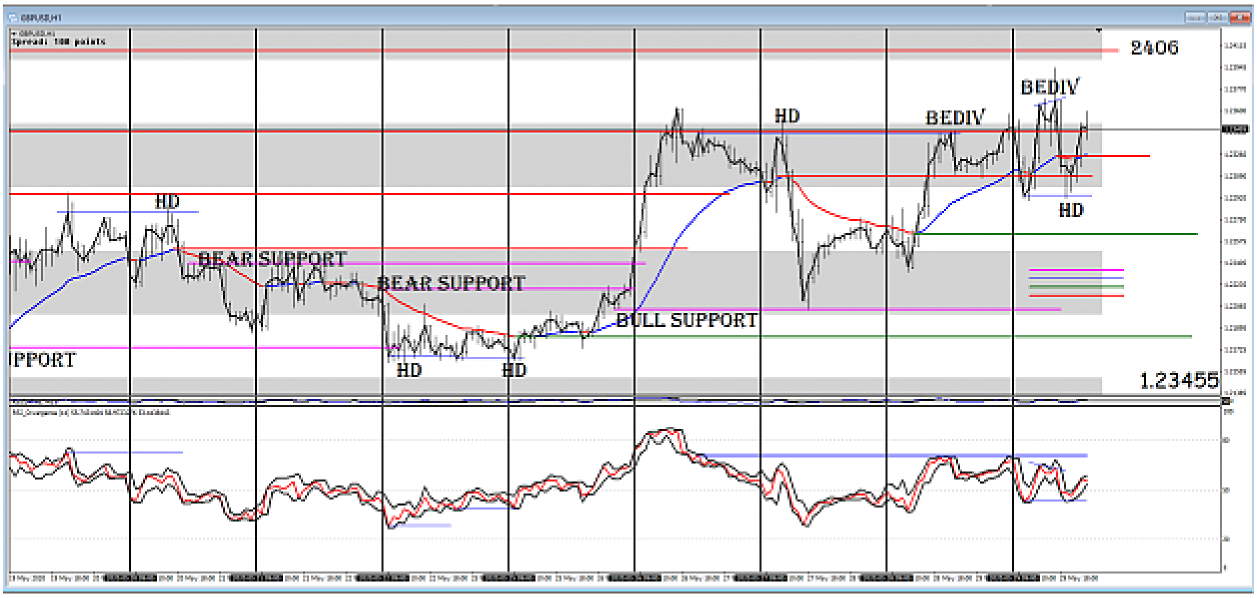


Sorry guys been a tad busy to post this week..

Here for your diary of events I have drawn up the 1 hour chart for you.

Notes are...
a)Over the last three days neither side has FOUND support
b)The price action has mainly been responding to either Hidden or regular divergence.
c) The swing highs of the averages have been the price targets and we see a failure of the swing lows.
d) Currently if the bears FIND support then the average 2406 looks like being targeted.
e) The various levels have provided plenty of ZOO point opportunities

The colour key to this chart is
RED=previous average swing high
GREEN= previous average swing low
MAGENTA= bull or bear support and as such becoming bull or bear resistance.
BLUE=Some form of divergence
Attached Image (click to enlarge)



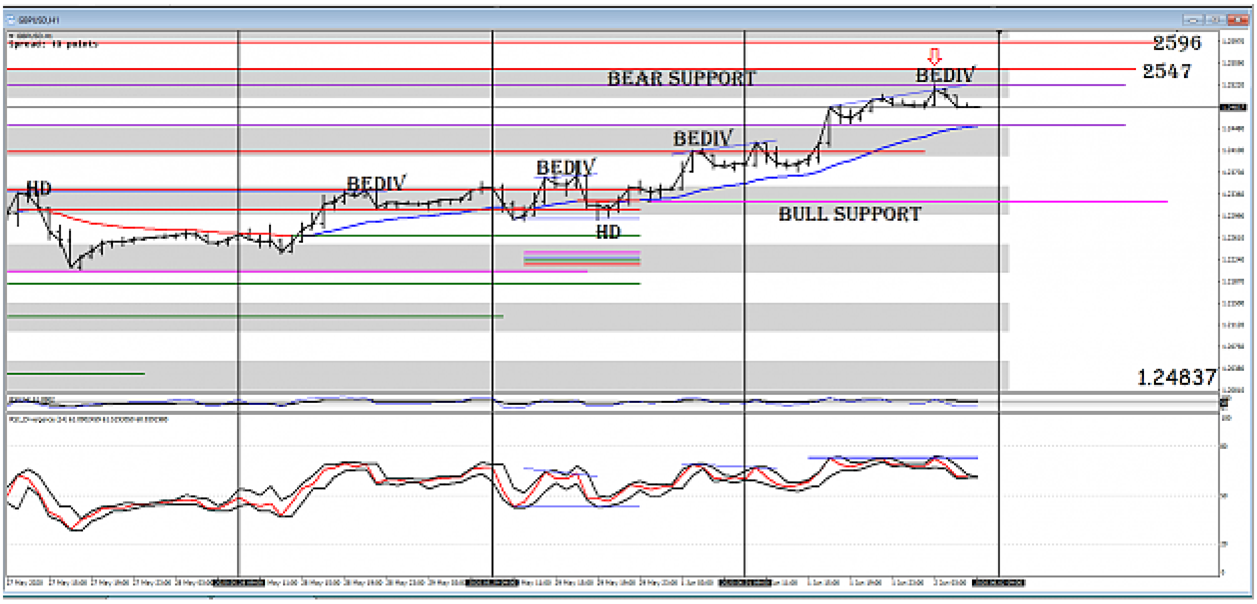
[Quoting luckyvictor]
{quote} Hi Alan, why do you draw the green line between these two points please? The are quite far apart in this 5m time frame. I don't wait understand why do you use this particular point (the left one, above the time label 18 May 19:05) as a reference to decide your entry point on the right. Do you actually search backward for a point that can form a hidden divergence during trading?

I don't draw a Green line between TWO points! The green line is a right to left projection from a swing low of the average as is the red projection a swing high of the average. Once price fails is one direction it turns to test the opposite direction.

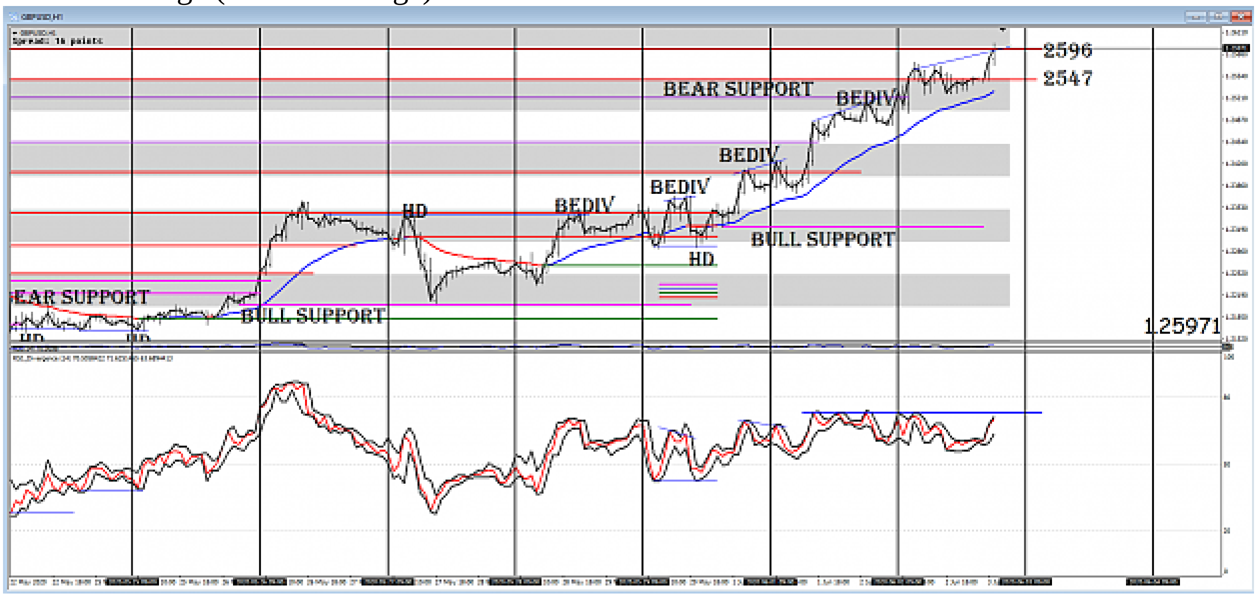
This is at the 1 hour level so we can where we have plenty of movement to make our profit and can zero in on this movement at the 5 minute level via the pull backs for entries in the right direction.

For hidden divergence of course I have to search backwards else how else could I find it. I am always sliding the blue line measuring and looking for these divs. Once I spot them I drop to the 5 min for trading purposes. Not just for HD's but any kind of div.

As an example look at the 1 hour chart below... A bear div forms at a previous bear support(resistance)(red arrow) This is an invitation to short the market, your hope would be that price can make it back to the EMA, if it doesn't then it is going to make a HH so you would get stopped out for BE +1 or you make your profit target and close the winner. If on the 5 min chart you see the bulls climb and find support then you would not wait to get stopped out on the hour would you?
Attached Image (click to enlarge)



Watching this level carefully there is a huge gap to the next level 2948
Attached Image (click to enlarge)

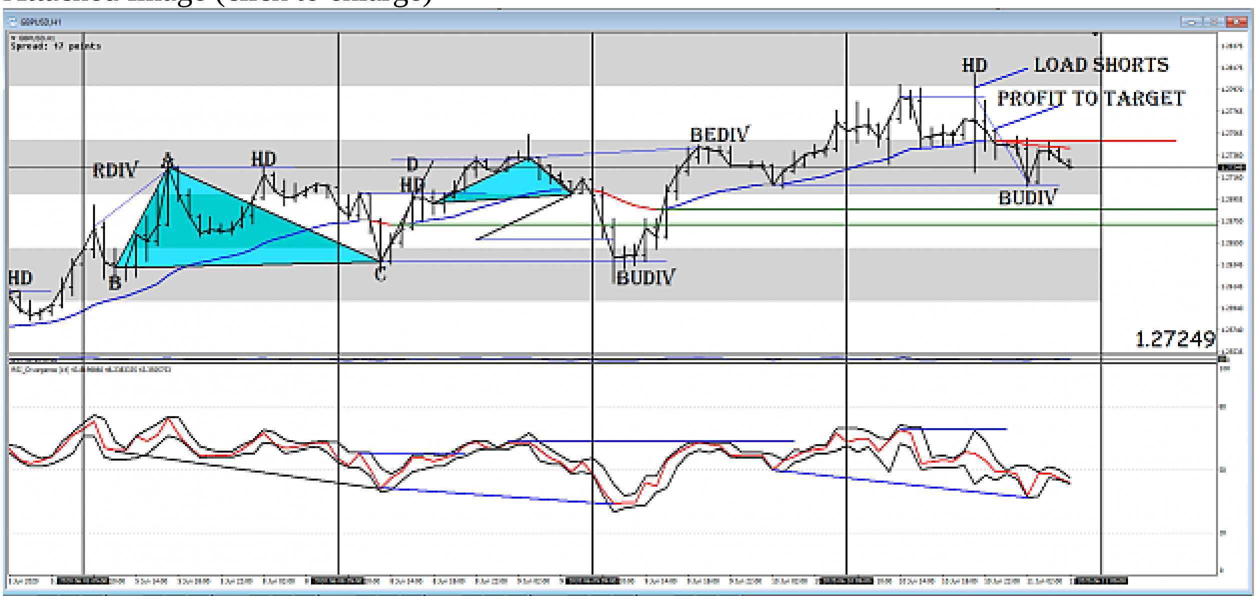


For your diary here is an update of the progress of the 1 hour chart.
Attached Image (click to enlarge)

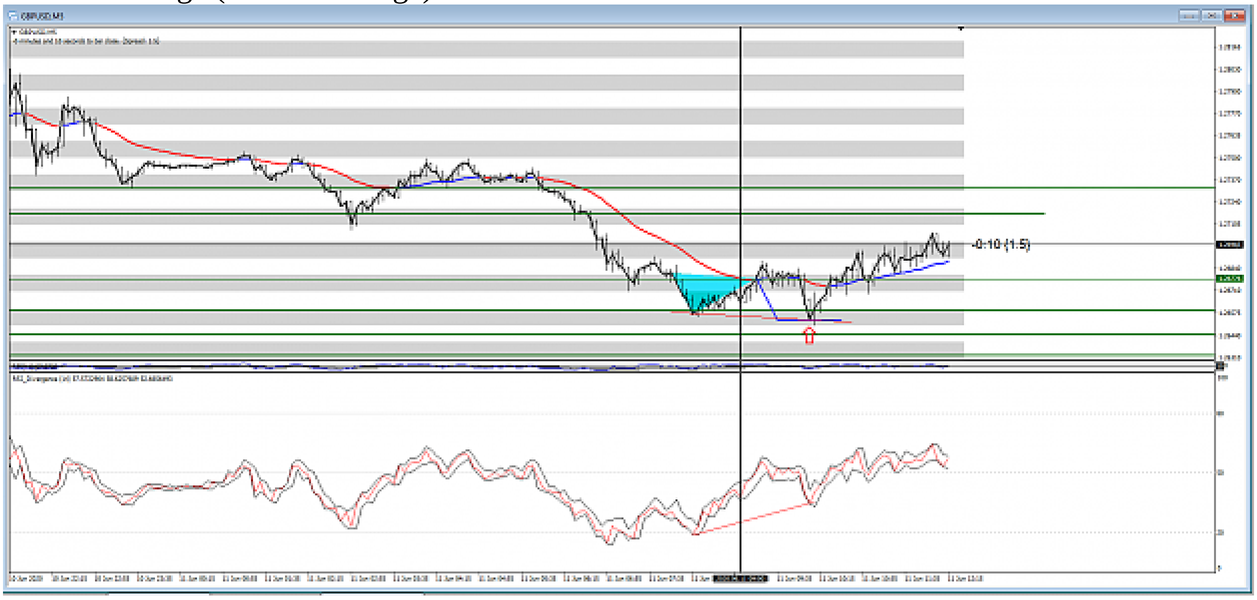
Trading is very much a solitary affair as we sit at home in front of a set of charts trying to make sense of the situation so we can profit form it.

This is why so many people fail because this really is very exhausting We have to be patient and wait for the trade to setup, then we have to press the button to get in at the right time. The execution of the trade may take hours and hours where we monitor the progress. We try to become professionals with an amateur approach because we simply cannot monitor the charts all of the time as sole traders. At best we should only expect to get a small slice of the daily action unless like professionals we work as a team with staggered shift times but this is not going to happen because then we would all become employees and would all have to be on the same page perhaps under the watchful eye of a team leader of sorts.

Look at yesterdays 1 hour chart (below) the setup formed smack in the middle of the day which for me was the middle of the night and then ran for some 6 hours or so. This is of no use to me at all but depending where you are in the world it could have paid very nicely. I had to content myself with a few small scalps. If I was to got at it full on, then I would probably only be able to trade every second day because I need to sleep from time to time.
Attached Image (click to enlarge)

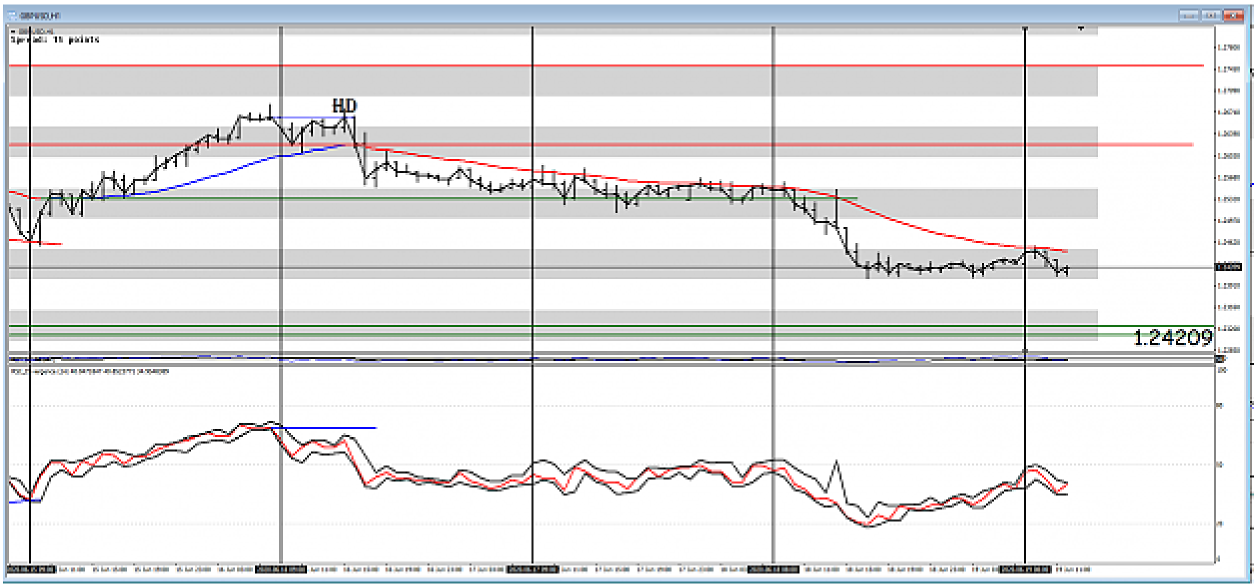


Hope everyone got a piece of this on the 5 min.
Attached Image (click to enlarge)

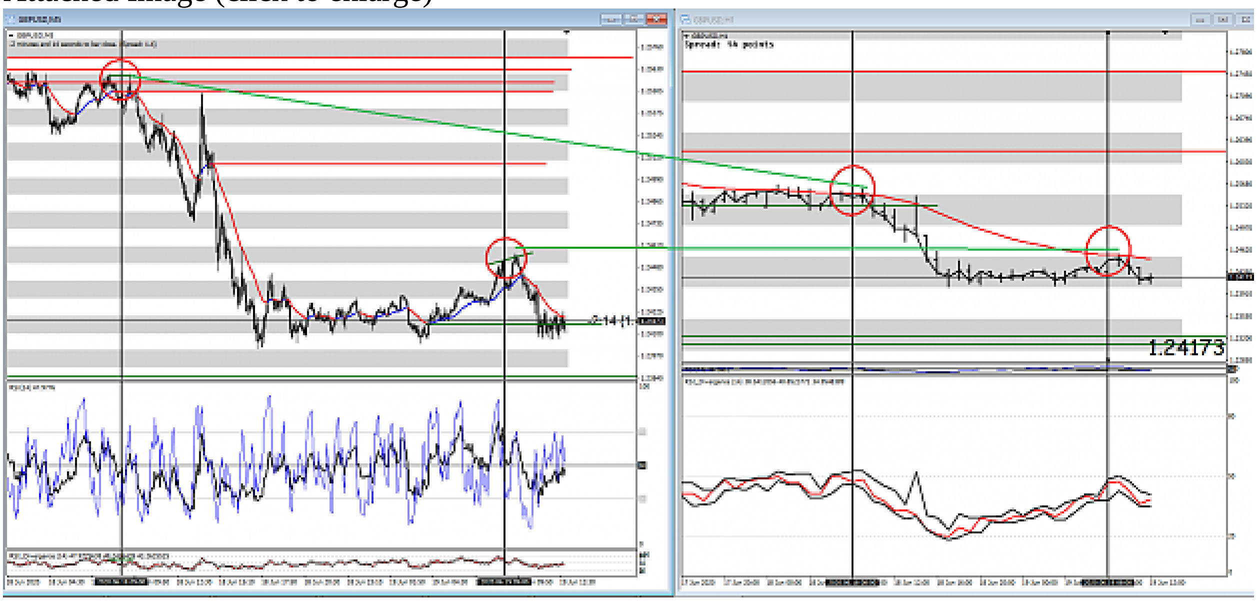


Again hope everyone got a piece of this action ABCD
Attached Image (click to enlarge)

Actually the last to days I have seen nothing to trade via any signals but these will return as they always do.
Attached Image (click to enlarge)

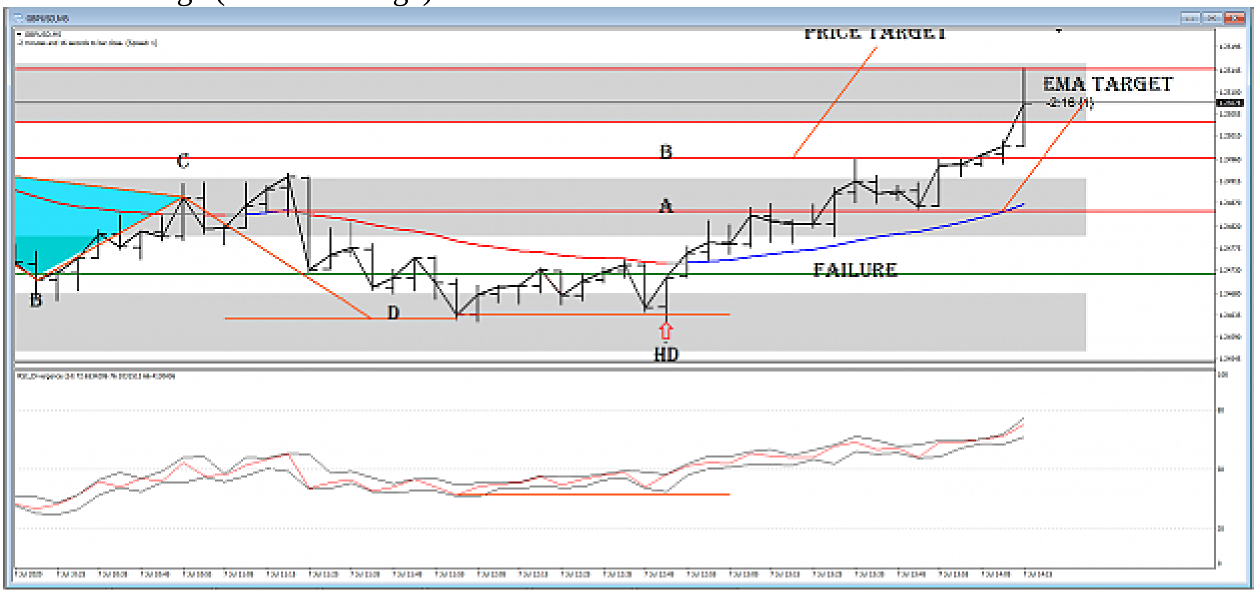


Taking the 1 hour EMA as the zoo point at the 108 we see the signals on the 5 min to give us the direction.
Attached Image (click to enlarge)



Fairly easy trading today hey guys, This 5 min may run to the next level now.
Attached Image (click to enlarge)

That was nice, it crashed right through the next level and went on to the one above it...cool
Attached Image (click to enlarge)



Quoting Dubtrader
Alan great to see your charts again. Such clarity when the master explains. I am still plugging away here day in day out with Trading the Cable swings via averages

Good for you glad to here it.

I hope I have made the method I trade clear enough especially with all the supplementary explanations serving to make things look much more complex than it really needs to be.

To add what may be called a simpler summary of all the posts...

1) Timing... This is where we come to the table and begin to observe the events that have happened in relation to the swings underway so we can make a fairly good analysis of these

events. This I call Bar 108 which is a fairly good approximation of anticipated action.

2) Signal... This is where we are looking for the entry into the direction we have determined is in our best interest. Most often these are the so called ZOO points or **Z**ones **O**f **O**pportunity on the 1 hour chart with the actual entry on the 5 min chart to get a better position restricting the loss to a minimum. We are looking for the failure of the EMA to then attempt an attack on the opposite side as price tends to test high and lows.

3) Target... This is given by the swings of the EMA remembering if the EMA is to make a level then the price has to pull it there by making the next level unless stopped from doing so. This means we cannot just take it for granted but at least we try and more often than not we will win.

4) Money Management... This is where we test the waters with a small entry and then build as as we become more sure of the action so we compound the winnings keeping the risk smallish

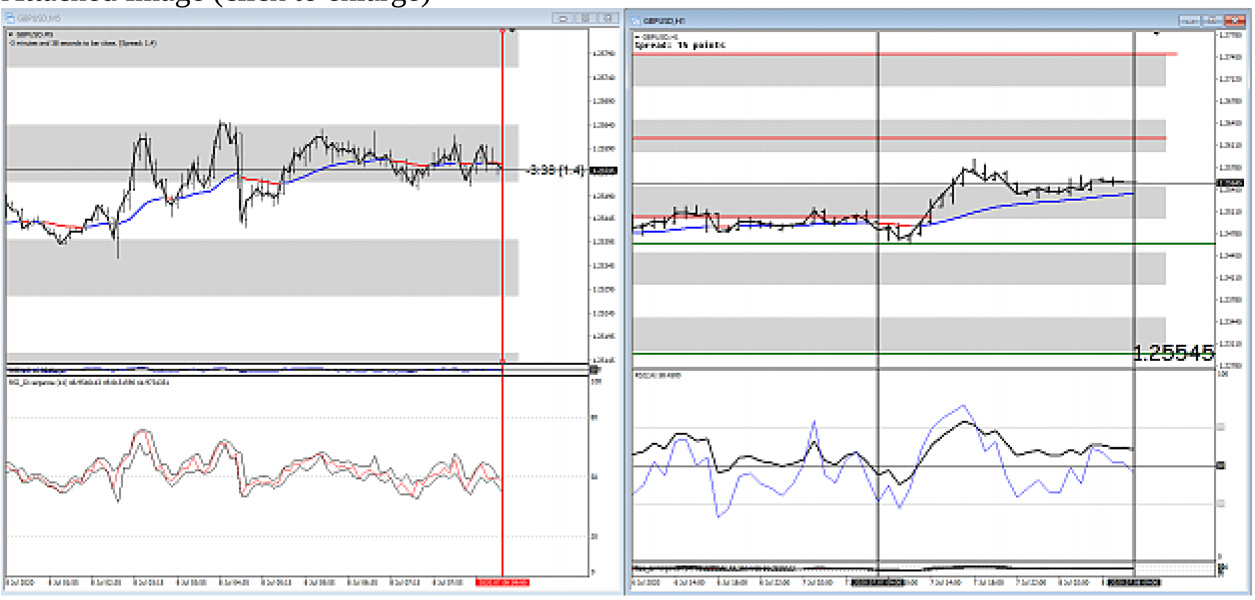
Quoting vietanhtrank

I always find it is difficult to trade with 5min chart. The price seems to go crazy with news

We are not trading with the 5min chart, that is where we look for the entries when the 1 hour indicates something should happen.

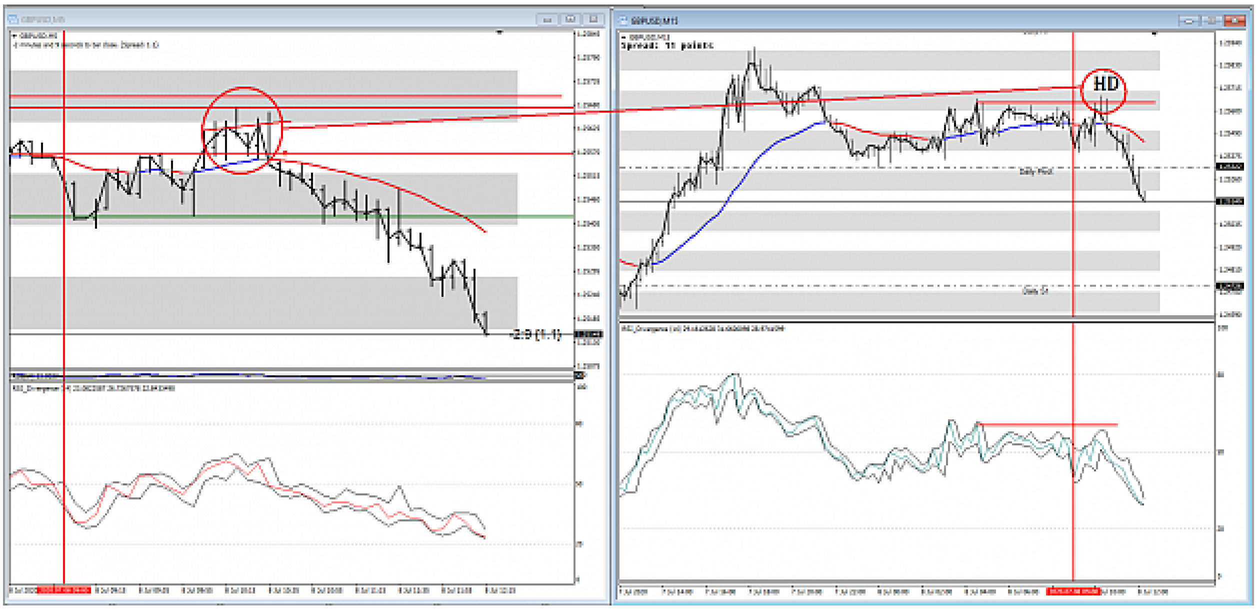
Right now the 1 hour is telling us nothing so we don't look for something that is not there!

Attached Image (click to enlarge)



I am out now. I couldn't see anything on the hour so looked to the 15 min where we had a bearish HD. This gave a bearish regular div on the 5 min so short we go..

Attached Image (click to enlarge)



Quoting vietanhtrank
{quote} Thanks for clarification. Now i learn that we should follow the 1 hour chart and wait for the setup to appear, and then drill to 5m chart for best entry and R/R

Yes exactly that.

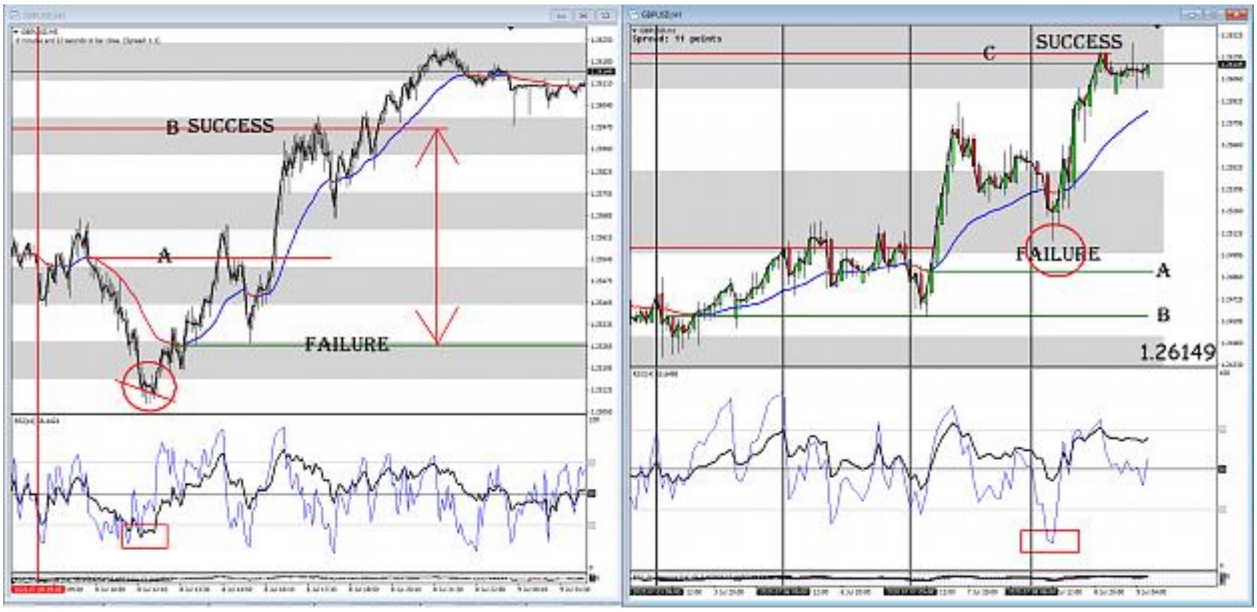
Take a look at the charts here below. On the 1 hour chart I have candles just in case you cannot see the bar open/close.

Look at the right chart i.e. the 1H. The RSI in the red box is way down the bottom. Do you think for one minute price is going to push down to the second green EMA swing (B) in order for the EMA to break the level A. It could but it is highly unlikely so we look for longs.

Now drop to the 5 min chart and by some miraculous piece of creativity a bull div is formed, again down in the pits of the RSI.

Why would we not attempt an entry here to the long side when we can see via the 1 hour chart the target is some 100 pips or so..

Even if we just take the 5 min chart we can see that if the EMA is to break A then price should reach B. Heaps of pips.
Attached Image (click to enlarge)

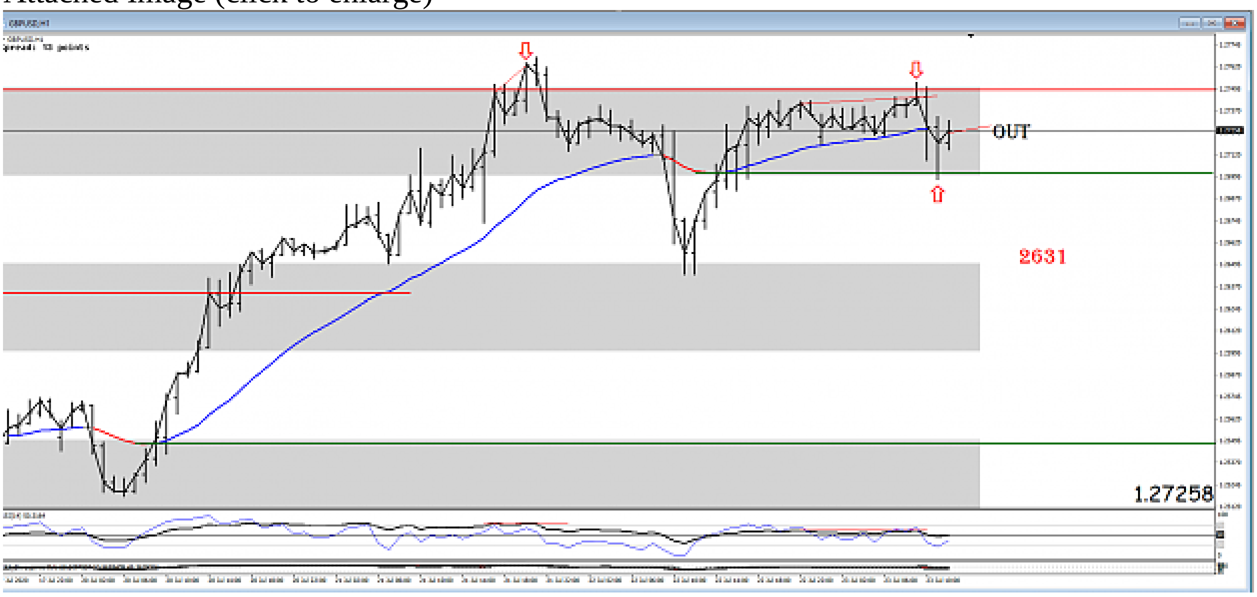


[Quoting Wab](#)
Sorry to hear you are dealing with hospital stuff Allan, as I finally meet you - so to speak. Let me take the opportunity to thank you and your wonderful cadre of students on this carefully thought out thread. My first chart showed two ABCD patterns, one labelled ABCD and the second one labeled abcd. (At least they were my interpretations of where ABCD patterns could be drawn at the time.) The second chart showed the respective D and d targets of those patterns, as well as a box that had a 40 pip range. Both the D and d target were hit and price...

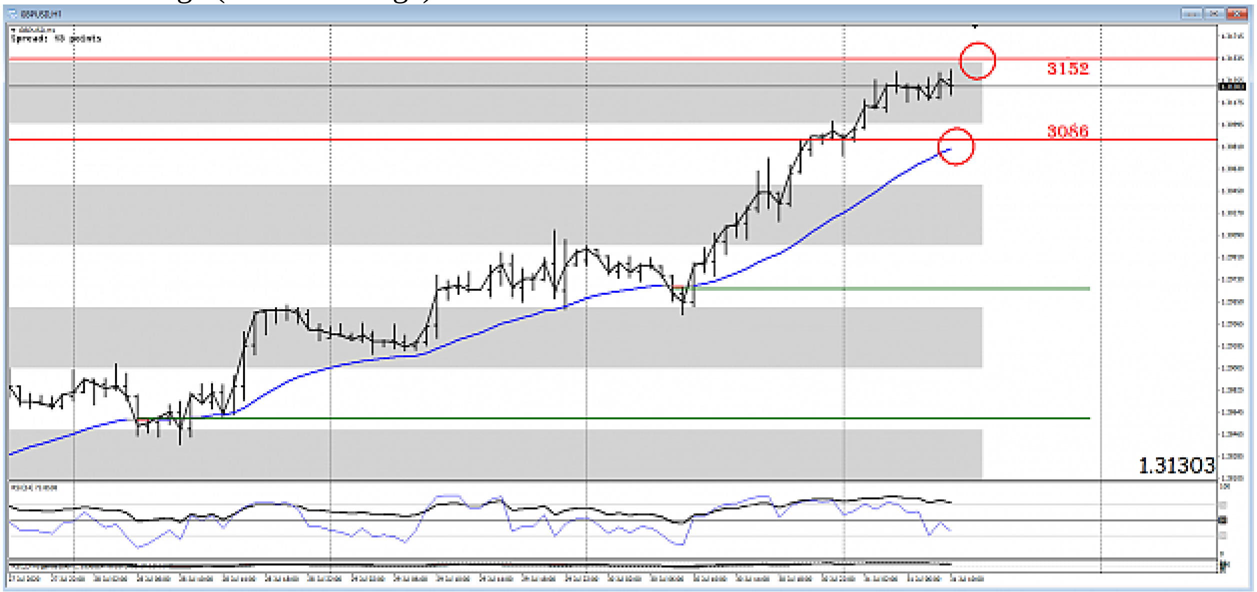
Justin has one more week to go in hospital having had his T cells washed, I checked my torches and can only see D and C cells so maybe he is wired up wrong. He is a fanatic Liverpool supporter (poor thing) and we just today managed to get him a carton of beer, the souvenir pack with the team signatures so he should be happy with that.

Anyway what I wanted to say was pay more attention to the EMA swing levels as Zoo points. There are enough of these alone to make a good deal of money.

Check the 1 hour chart below for the trades I have taken.
Attached Image (click to enlarge)



If price does not break this 3152 then it looks like the 3085 average may be the limit prior to a pull back crossing the EMA southwards.
Attached Image (click to enlarge)



OK I let this run a while to show the action as it happened.

See how we had two bear divs at the top here and the 1st one failed to make the EMA =

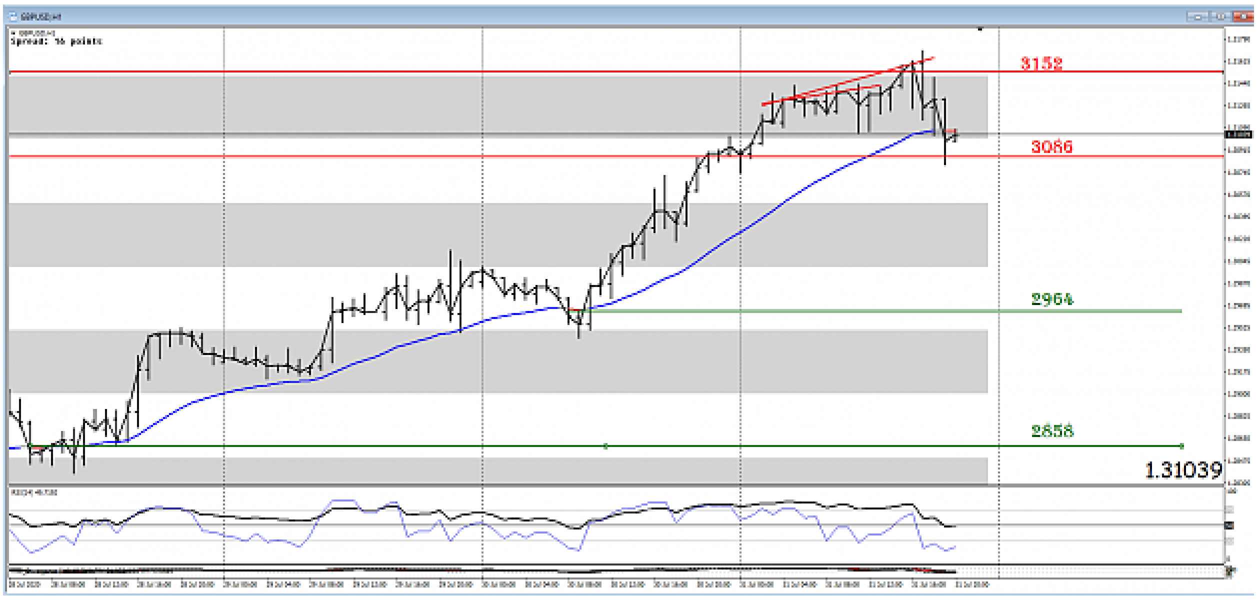
Rule... If it fails to make the EMA then it will attempt to make a higher high...which it did do.

Then came the 2nd div but this time it was at the average swing high level and the average made the new HH also.

Rule if the price is at the level and in divergence it becomes a ZOO point to short.

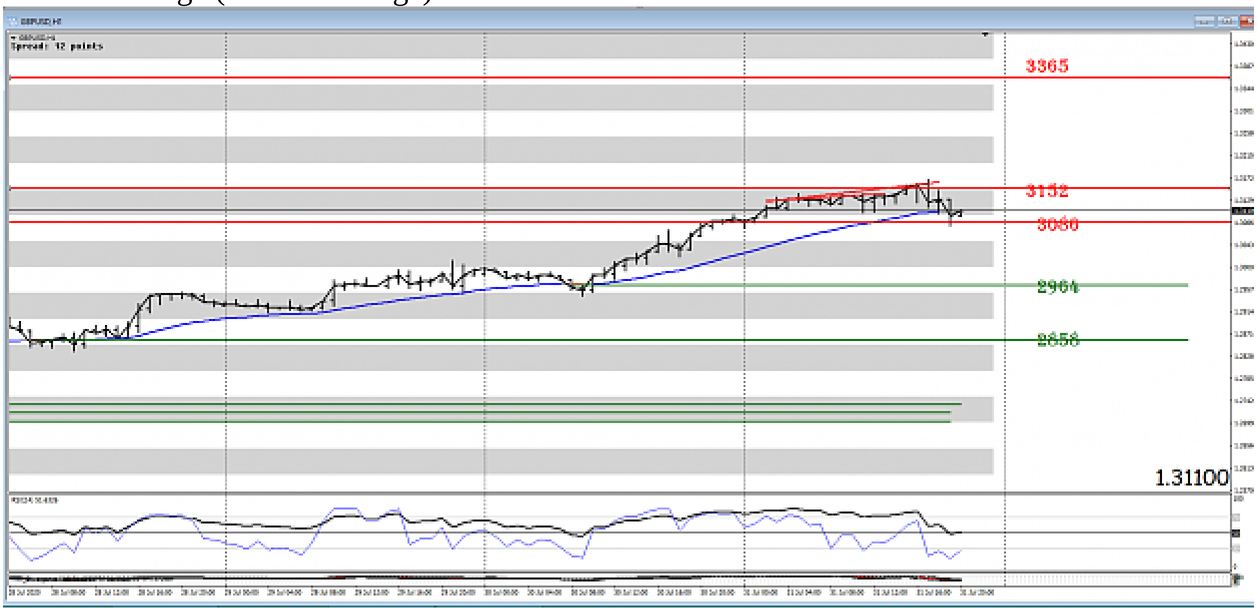
This would result in a crossing of the EMA... which it did.

The question now is can the bears find support and roll the average over for a period of time.
Attached Image (click to enlarge)



Now possibly after some sort of smallish rollover I would expect to see the bulls make a bid for the 3365 level.

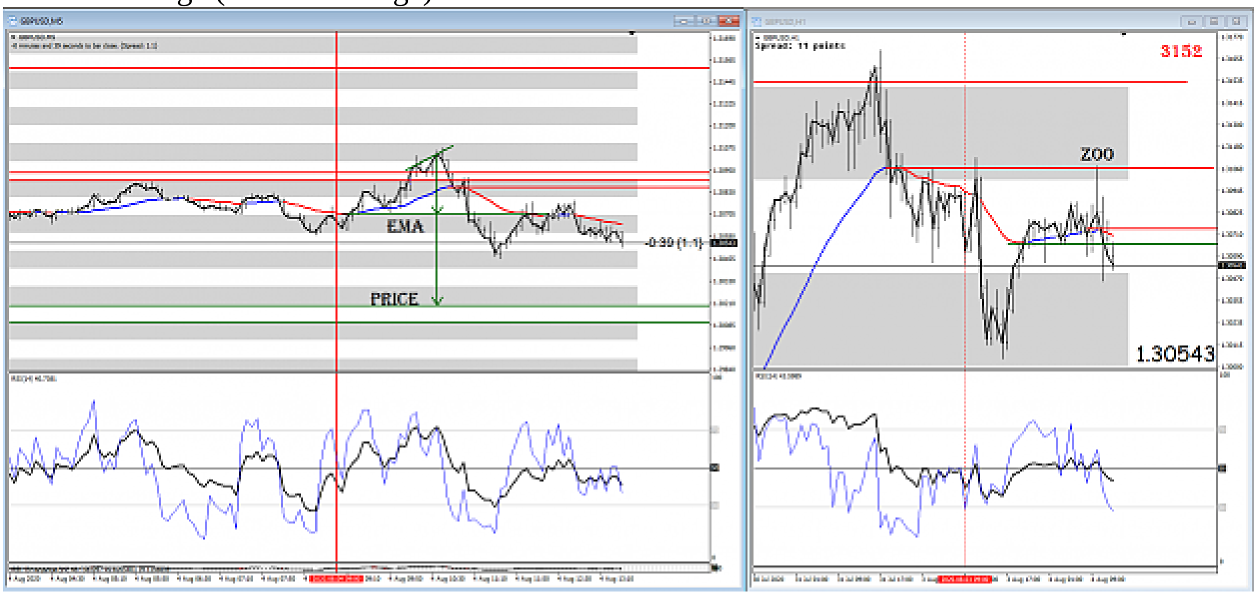
This would be negated if the bears made a run at the 2964.
Attached Image (click to enlarge)



For your diary guys....
Attached Image (click to enlarge)

Sorry that 5 min chart was wrong...The black line was my profit target not the price target.

This is what the chart should look like...
Attached Image (click to enlarge)

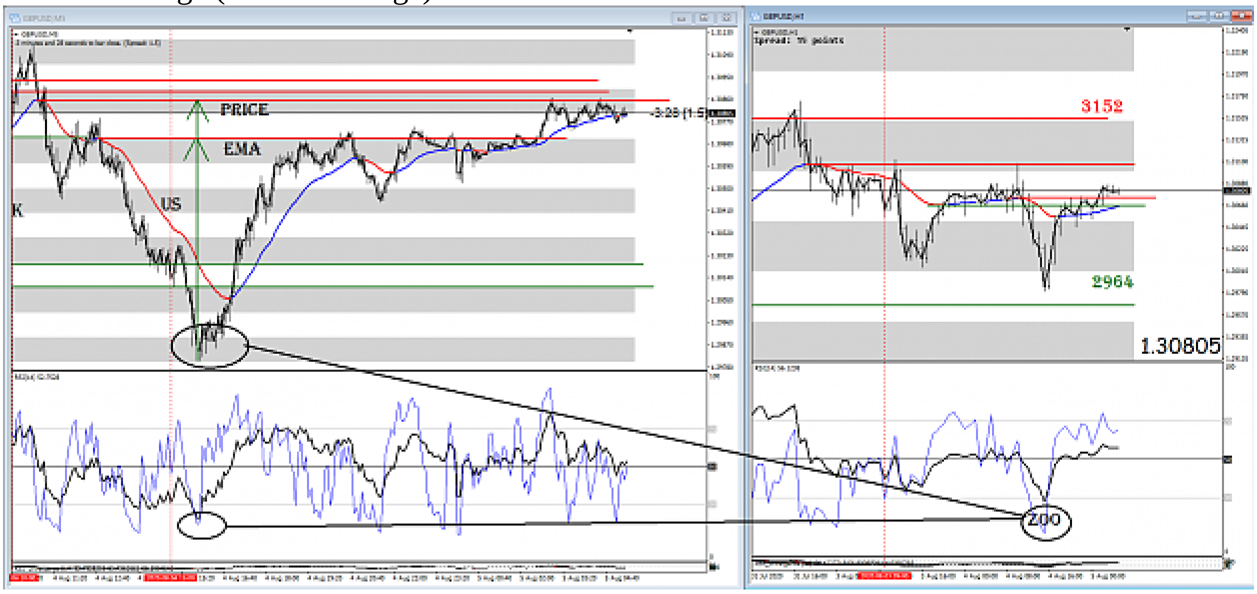


And there we are price hit its target level... Cool Uh!
Attached Image (click to enlarge)

I was done and dusted by the time this US session began but for your trading diary I has this for you.

A thing to note is once price hit the EMA target level it was a long time afterwards before the EMA itself hit the level and price made the next level.

This is why I close the trade at the EMA level rather than waiting for the price level.
Attached Image (click to enlarge)



[Quoting logic38]
I sold at the 60 ma and 5 min ma level zoo points, with some bear divergence only to be stopped out, by the bounce up from the 1.31068 area. Reentered again sell at 1.31246 target is 1.30740 60 ma level

I wouldn't base my TP on the 1 hour. it can and does pull back on you too much. Look at the 1 hour for ZOO points to be traded at the 5 min level.
Attached Image (click to enlarge)

Someone asked about ZOO points... Well here on the 1 hour chart is a sampling of most of them over the last three days.

I'll leave it to you guys to work out the why's and what nots.

Add the chart to your diary for study.
Attached Image (click to enlarge)

[Quoting logic38](#)
{quote} Thank for the chart Alan, that makes it very clear and easy to understand when you show all the zoo points like that.

No worries...

Tale a bo peep at todays it was as clear as crystal
Attached Image (click to enlarge)

Here is a very simply description of what we are aiming for with all our trades.

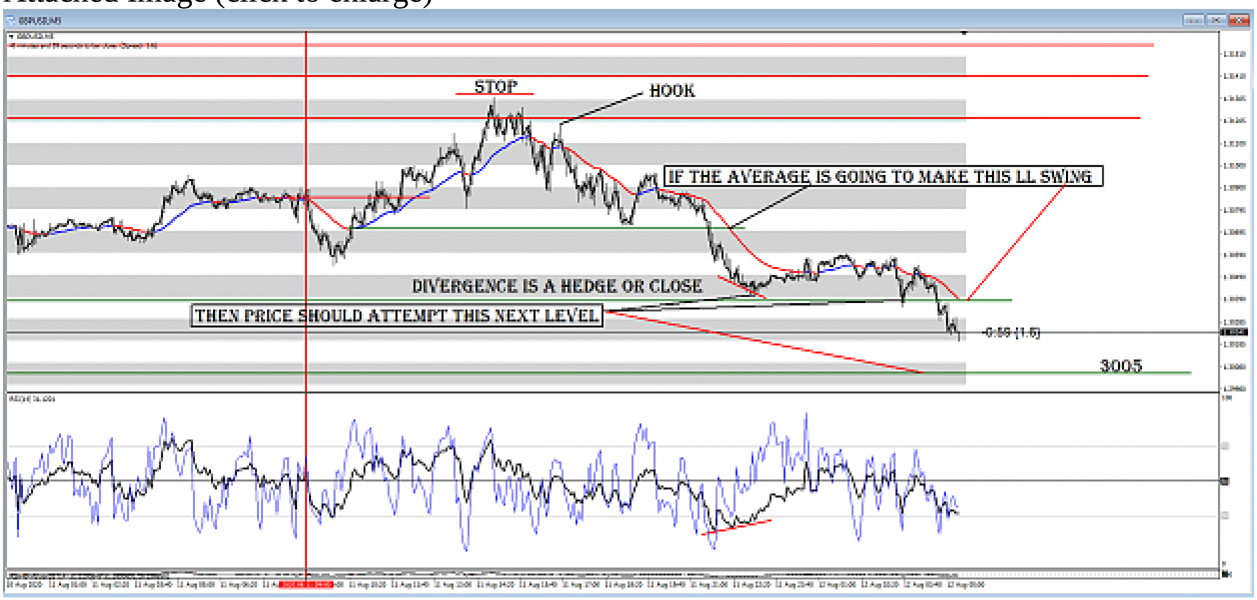
We are looking **always** at the averages. We compare averages to averages not price to average, in other words Apples to Apples not Apples to Pears.

We watch for signals that may stop and turn the move and if we have not reached our profit target we would hedge to take advantage of the pull backs.

We start with a lower risk entry and add to the winning position never adding to a losing position, it is better to be stopped out for the small loss.

If the best entry is missed then it is better to wait for another opportunity in the correct direction. Sometimes we don't get another opportunity so we simply sit it out.

I tend to use the 5min chart mostly for these swings but I keep an eye on the other charts also.
Attached Image (click to enlarge)

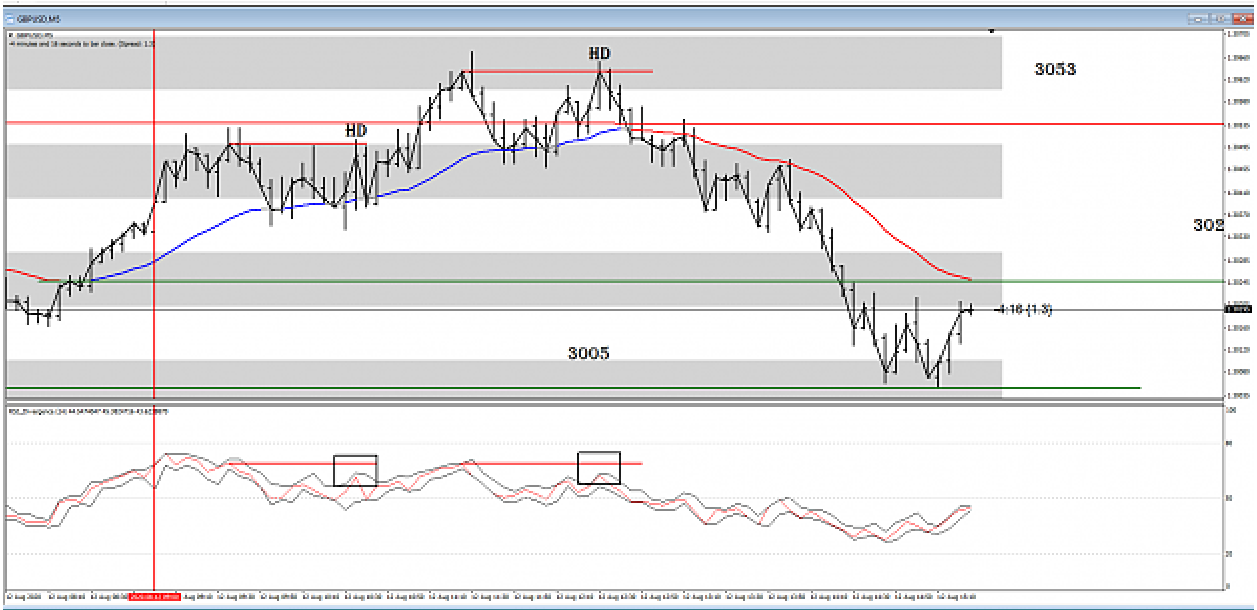


Finally it made the 3005.

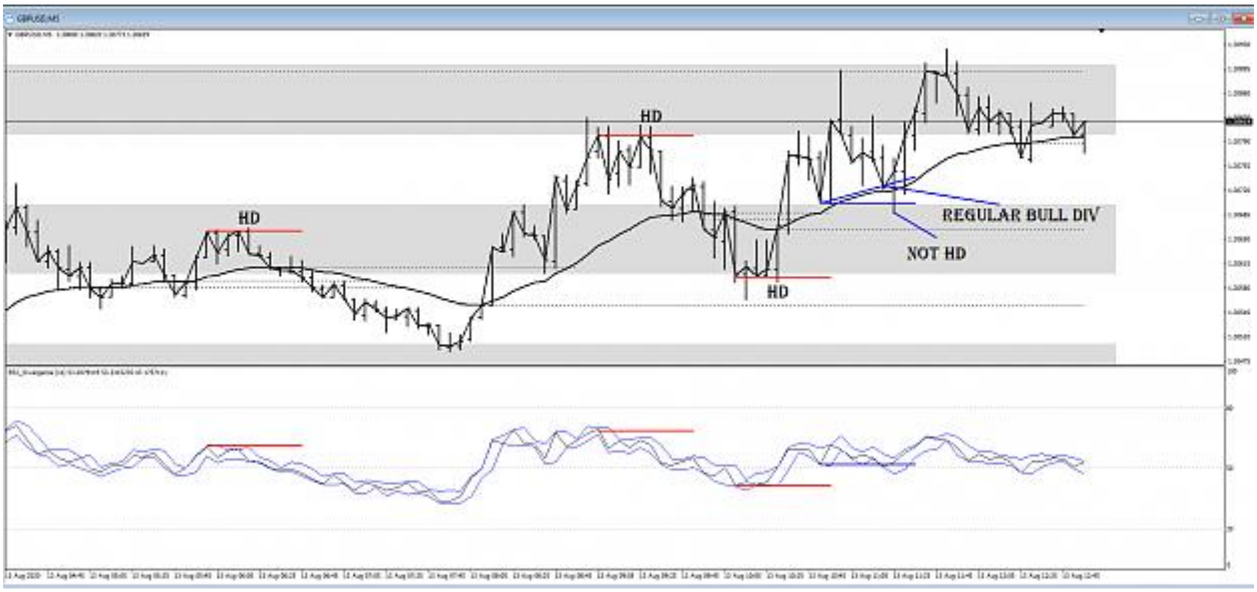
The thing to note is the failure of the EMA to make the 5053 and thus price to the 3088. So a failure causes a test in the opposite directionso welook for the EMA making a LL than the 3024 and thus price reaching the 3005.
Attached Image (click to enlarge)

Blown up we see the two HD's we spoke of.

The first getting back to the EMA but not finding bear support. The second worked out well and sent price on its journey.
A further thing to note is when it hit the target 3005 it did so in a bullish div so back up it goes.
Attached Image (click to enlarge)

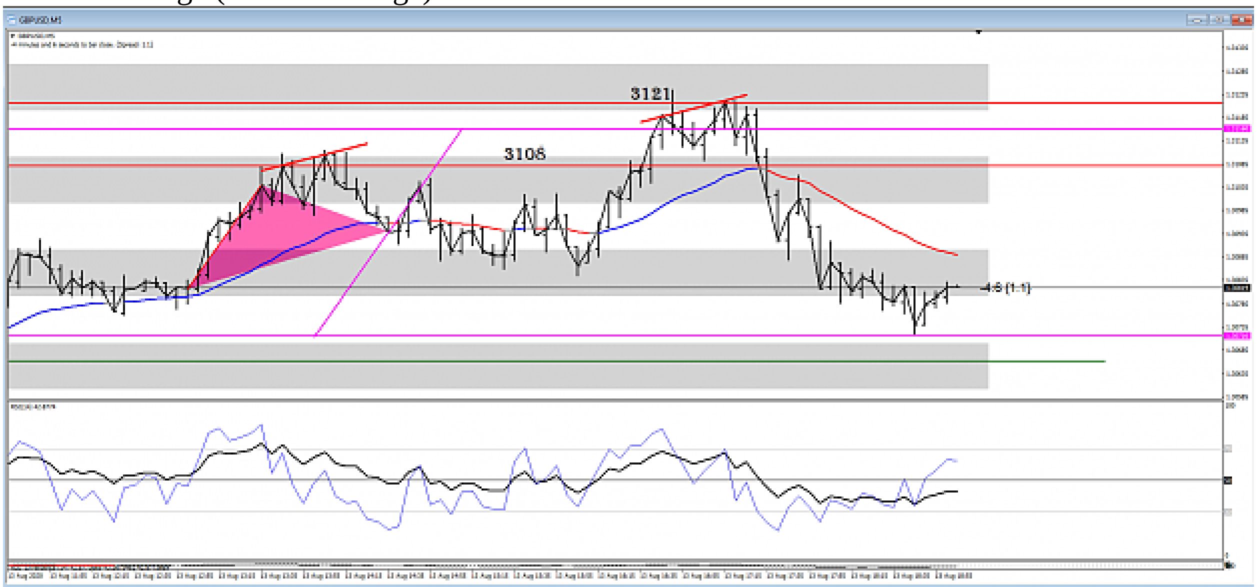


Here you go Helmut
Attached Image (click to enlarge)



For your diary

Just take a look at this 5 min chart. The bear div formed the ABCD then price hovered around the middle for some time before running up to the expected 3121 (in bear div). But then look what happened it ran south exactly to the D1 of the ABCD stopping the EMA making the HH.
Attached Image (click to enlarge)



Helmut
Attached Image (click to enlarge)

Helmut
Attached Image (click to enlarge)

Helmut
Attached Image (click to enlarge)

I wouldn't be thinking along the lines of hard and fast rules. Think more of this being a logic rather than a system.

The concept is quite simple....

If the market is trading above the average then we are long.
If the market is trading below the average then we are short.

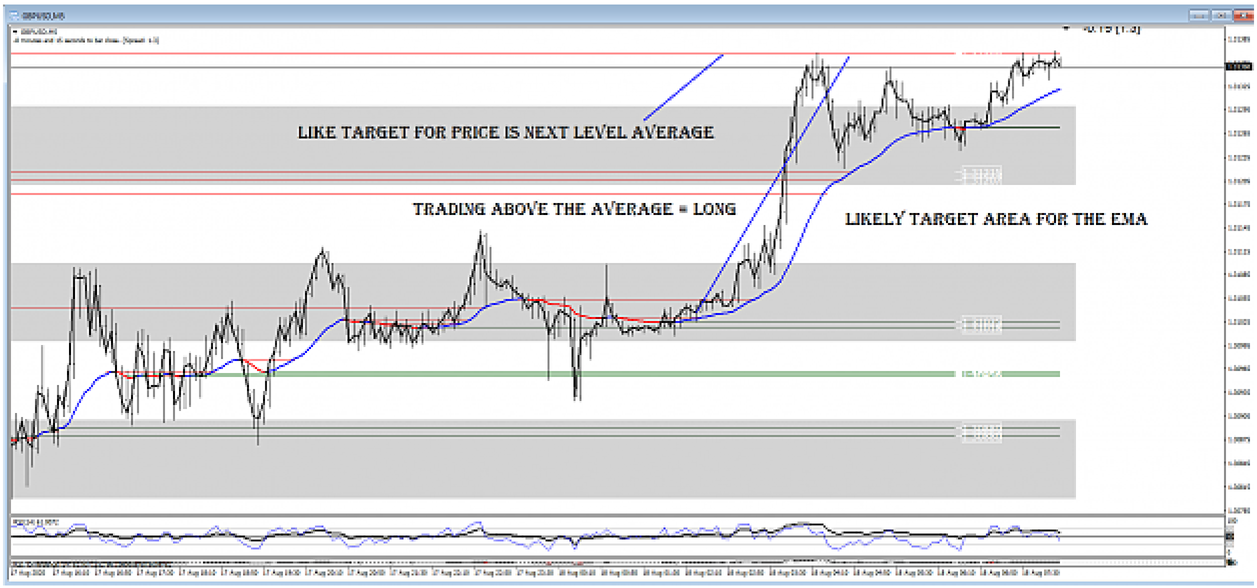
Then we ask the question for either direction..

Where is price likely heading.?

From this reasoning we then determine both our risk and our reward within the constraints of the distances we have plotted.

These things are not subjective, this is simply the evidence in front of your eyes...

Take a look at the chart below Is the evidence not there?
Attached Image (click to enlarge)



[Quoting Fantaburk](#)
{quote} When you say, trading above/below the average, is that considering the 1h or the 5m? Might be one of the stupid questions but hey. Ask some, learn some.

Well that would depend which time frame you are trading. A pull back down towards the EMA on the 1 hour would show as trading below the average on the 5 min.

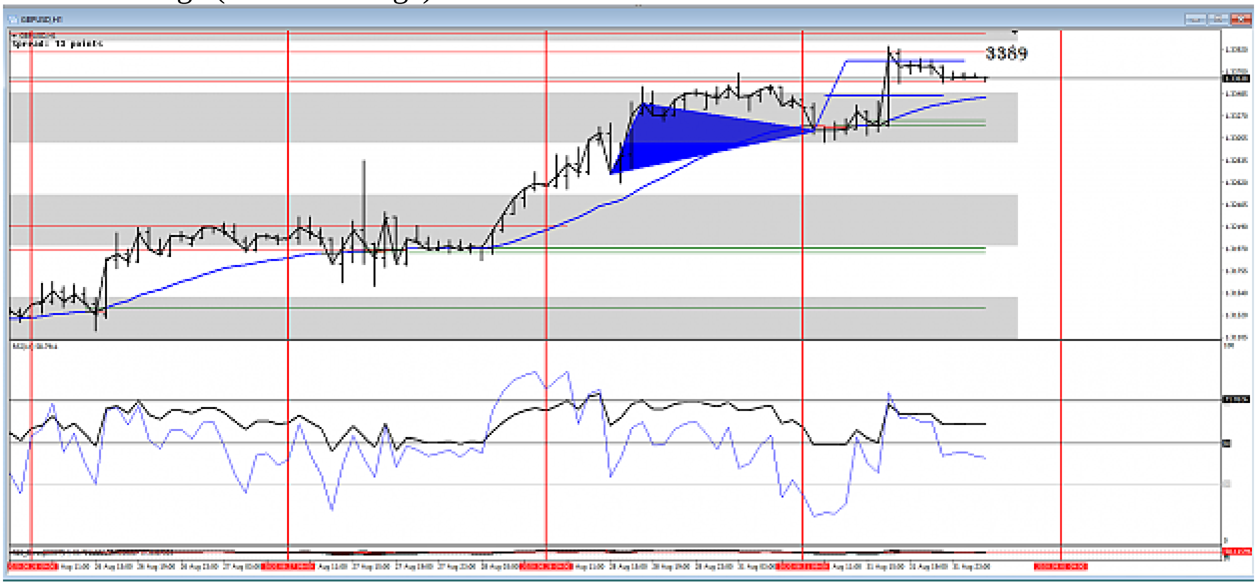
Whereas if the 1 hour is pulling up and away from the EMA it would show as trading above the average on the 5 min.

So if we have a target on the 1hour we can get several entries in the right direction on the 5 min. In other words we are using the higher time frame to influence our decision on the lower 5min time frame to get multiple entries over a period of time.

See even if we go to the 4 hour chart the same thing applies... EMA making one level while price attempts the next.
Attached Image (click to enlarge)

Yesterdays ABCD formed early but then took ages to get underway. It seems like it was waiting for me to quit for the day. Anyway it took price to the 3389 level creating a very nice impulse bar to drag the EMA higher.

To me it looks like the action is starting some six or seven hours after the London open which doesn't seem to tie in with anything timewise'
Attached Image (click to enlarge)



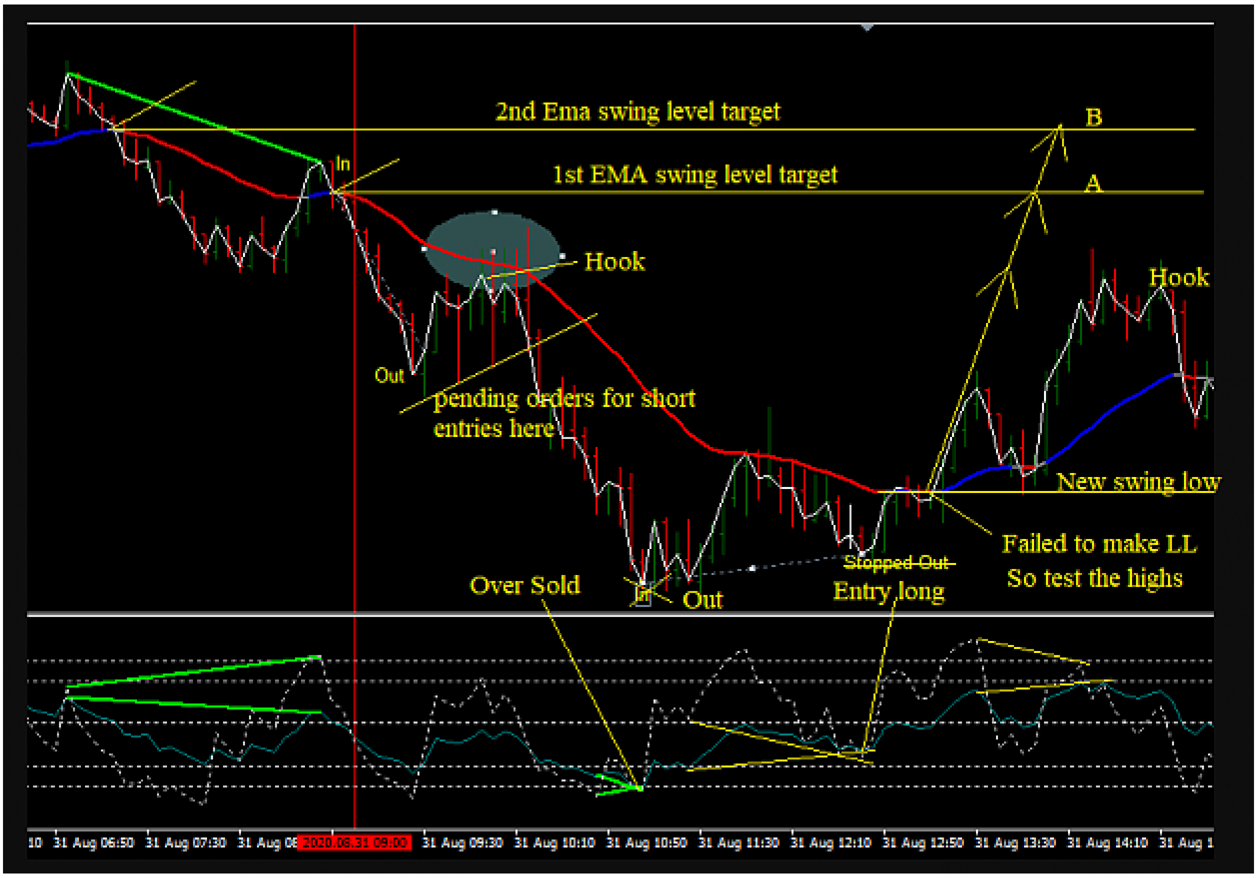
[Quoting 4xscholar]
{quote} I watched this 70+pip move unfold but had no confidence in taking it. {image}

You make the chart look simple but even on this five min chart there is a lot going on. You have to draw on the EMA swing levels because these form the target levels in the future. Once the EMA fails to test the lows it then turns to test the highs, if the EMA is going to test the highs then certainly the price has to go beyond this level to drag the EMA behind it.

Note that after each div there is a hook retesting the div, pending orders are placed above or below these hooks depending on the expected direction. Where you had stopped out was also a hook entry long.

Where you had Out was where the hedge would go expecting the hook. Note how price only made it back about 50% to you In position but failed to cross the EMA because it is a downtrend and not the time to turn the EMA yet.

As I said a lot going on here and not as simple as you imagine.
Attached Image (click to enlarge)



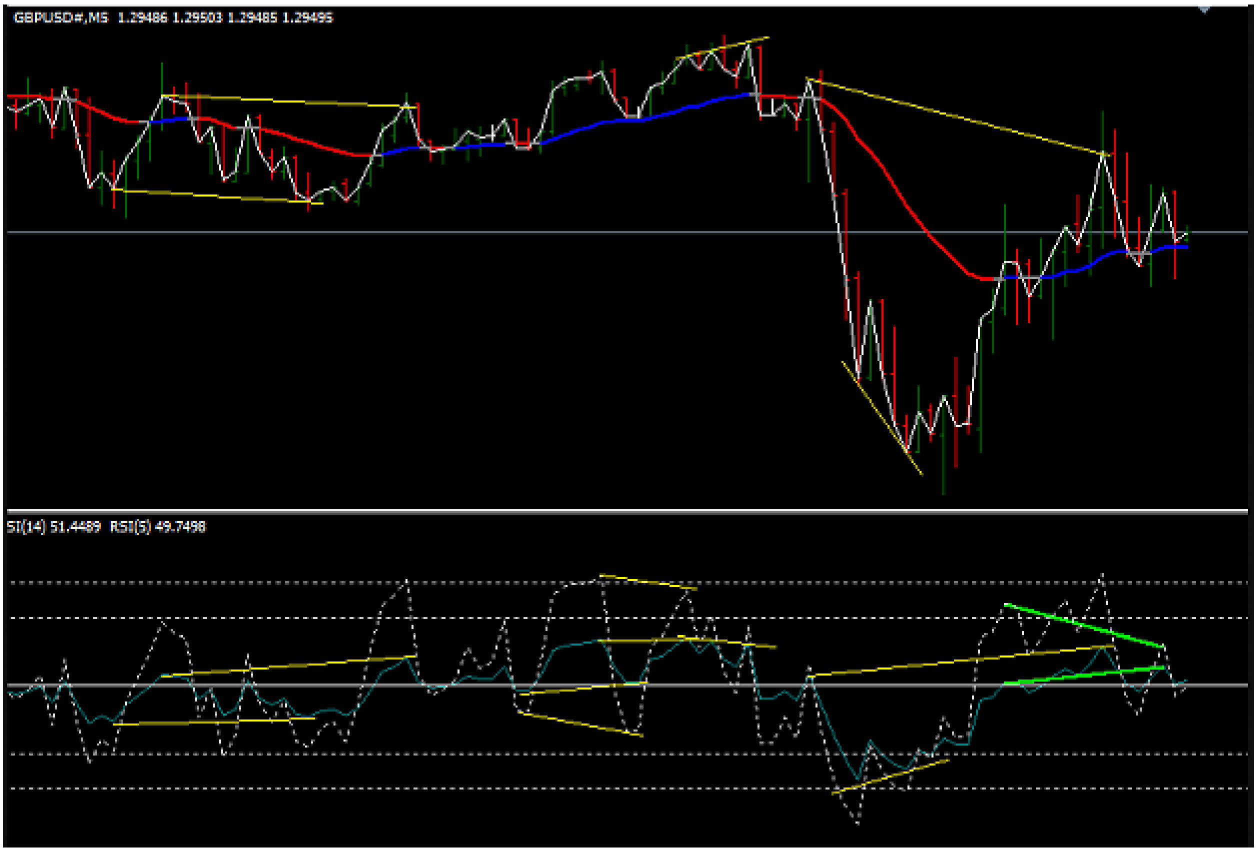
[Quoting 4xscholar]
{quote} I have been trying to find out from within the thread what the rules are regarding drawing trend lines in the RSI and the above post is what I found. I have attached a picture of today's M5 and want to ascertain that the rsi-div drawn is not allowed? {image}

Your lines are completely wrong... We cannot just chop through the data to make lines fit.

There are many instances of div both regular and RSI on your chart you have missed off.

Reading from left to right we have
1) A regular Bull div
2(A regular Bear div
3(Ab RSI bull div
4) An RSI Bear div
5) A regular bear div
6) A regular Bull div
7) A regular Bear div

Note how they pair off...
Attached Image (click to enlarge)



Quoting Ansab001

Hi Alan, I have question for you. My question is, is there anyway to spot a divergence failing and the trend to continue or vice versa when it is far from the ema lines , when there isn't a target in terms of pattern. Now I know we expect ema to do the hh and ll. However the issue I have it after it reaches the target level and turns most times I close my trades and end up hedging.

Let's take yesterdays example. The 1 hour provided us with a regular bull div, a Zoo point to consider. We drop to the 5 min and we see an RSI div with the RSI indicating exhaustion being so low down so we take this as our **primary** long trade.

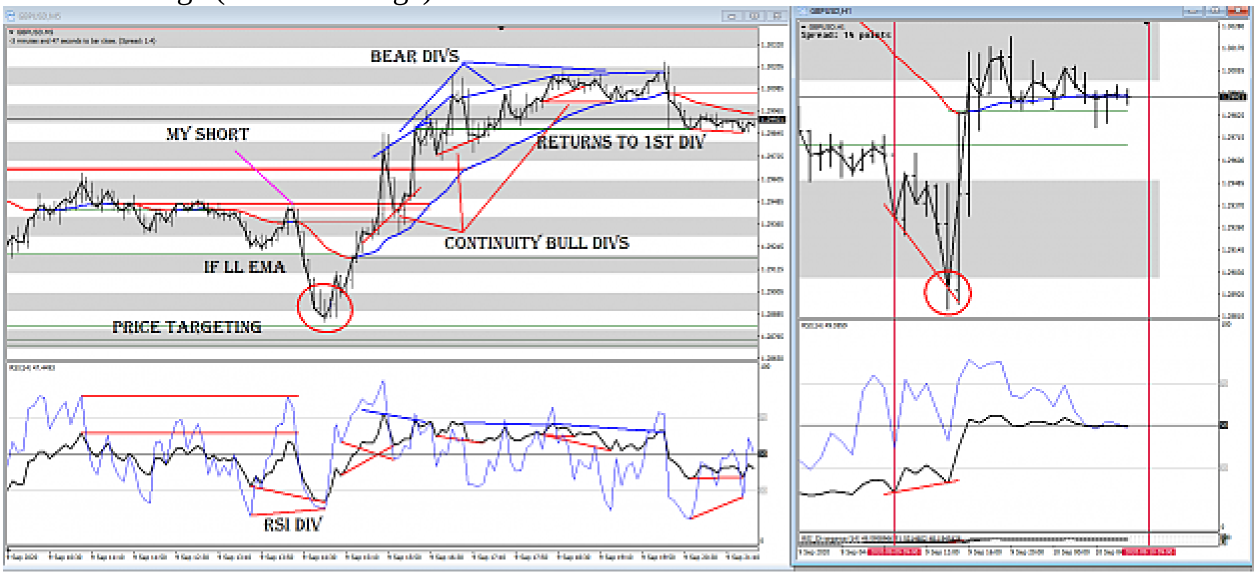
Our hope at this time is that price will cross the 5 min EMA and the bulls will find support, which did happen.

Our next question is where is price going. The div on the hour should return the price to the EMA at least so are there enough pips in this to make our profit target with the lot size we have placed. If yes then there is little else to do but wait. If no then we may need to increase our long lots so we look for the pull backs and add accordingly. Sure we would expect bear divs on the way up but these are our heads up another long entry is due so we make plans for it as far as adjusting our lot size to reach our profit target. If we hedge with a short we may gain a few pips to deduct from our profit target or we can just risk it by ignoring the bear div. We have many options depending on how our trade is going for us in terms of the placement of entries.

My target is 25 pips so from the primary entry to the 5 min EMA I would be done and dusted for the day about 30 mins in time.

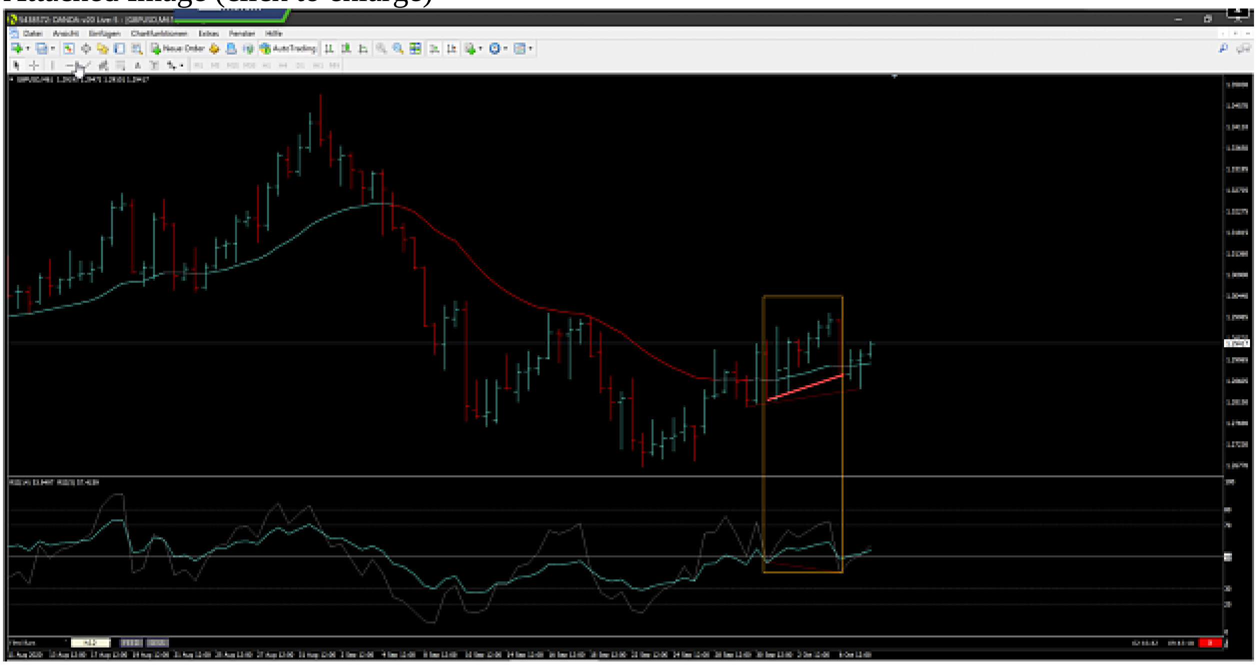
Actually though I was done and dusted long before this on the journey down. On the 5 min

chart you see my entry where I plot that if the EMA makes a LL then price targets the next level some 60 pips or so... I only want 25 so a good chance I will get paid.
Attached Image (click to enlarge)



Quoting cuchuflito
HD on H12 I trade mostly 12 H trigger H, fine tune 15. Run my own business from home, no time for daytrading. Less oprortunity, but less Stop Running too. Big Boys stop run the most in the lower time frames, sometimes it is really gruesome. 💀 {image}

First time I see a H12 chart 😊
Just be aware how to draw divergence. RSI is calculated with bar close prices. That makes that you have to draw the price divergence line at the close of the (correct) bars.
Attached Image (click to enlarge)



Finally trading Structure and PA only
Phillipmc you need to read and interpret what the chart is telling you.

(A) was the original long target which price easily made but the average at (B) never made it to (A) because as you rightly pointed out price ran into divergence possibly halting the average from climbing further.

In other words the average (B) failed to make the HH of (A))

So the test begins for the opposite direction (B) is a failure so we expect (D) to succeed in passing the LL at (C). If it is to succeed then price makes the next level (E)

Attached Image (click to enlarge)

Quoting mohamasolgi

[quote = Nala66؛ 11722637] خوب 25 دلار برای من لازم است تقسیم بر روی 1.46 کنم زیرا می
خواهم 52 دلار دلار Aussie نه آمریکا. این نتایج در...

Obviously the management of the trading account is the most important aspect for consideration. Lose your capital and that is the end game calling for a new supply if it is to be had at all. Putting all ones eggs in one basket is not very clever, we should only deposit what we are willing to lose or at least risk. It is wrong to think the more money you have the less the risk. One can lose $1000 just as easily as losing $100 or $10 this would all be relative to the risk placed on the trade.

At the same time we need to consider winning and what are our personal requirements in doing so, in other words what target do we are for.

To do this we always attempt to put the mathematics in our favor and there are many ways of doing this so we develop a plan that suits our individual requirements. I would say that if you have not made a plan then don't even try to make a trade. I have spoken in some detail on this subject the idea being to minimize losses and maximize winnings which you will achieve with staggered entries when winning, never add to a losing trade.

>>>>>>>>>>>>>>>>>>>>>>>>>>>>

A two bar test is a simple method to apply to a trade entry and also provides the stop position.

Consider the two charts below i.e. the 1 min and the 15 min.

We spot that the15 min has run into hidden divergence so look to the 1 min for a bull entry at this point. We test the two bars as shown and indeed price closes above the test line so we have the entry. The stop is also applied at the low of this move.
Attached Image (click to enlarge)

OK I'm back and will continue with this money management practice.

As far as I can see there are four types of trades not including hedging.

1) The top heavy trade... This is where the first entry is small and then loaded larger and larger as the winning trade progresses so that the last or top trade is the largest.

2)The equal incremental trade... This is where the trader adds to the winning position in equal amounts of lot sizes.

3) The bottom heavy trade... This is where the trader puts the largest lot size on the first trade and then lesser amounts on as the winning trade progresses.

4) The single entry trade... This is where the trader places one bet and awaits the result.

I have deliberately put these in my order of preference as I will explain.

When beginning the major concern is risking our own money as apposed to risking profit made. Trade 1 does this because our first entry is small so we risk the least possible but as the trade progresses and all three trades are placed with the movement of the stops the risk is still kept low while the profits are greatly compounded. Mathematically this is the ideal situation i.e. low risk : high yield. Such is this method that 1 winner is worth over 20 losers, just sticking a pin in the chart means the odds are in your favor without any prior analysis of the charts.

Remember from what I previously wrote about using start up capital equal to the sum you wants to earn daily. For me that was $1,000. So to calculate this first method I regard 40 pips as a daily achievable event. Thus 1000/40 = 25 so I need to be trading at $25 a pip. Dividing the $25 by 6 means my entries are 3, 6 and 9 mini lots which totals $25 (For me 18 lots = AUD$25) This is my preferred daily objective.

The odd losers I experience don't matter very much in the scheme of things with 1k I could lose up to $125 but I generally build the account a tad before I risk this amount and this would happen for the second or third entries because the stops are moved to protect further loss. After a loss I have to recalculate the entries which would be less but I am still aiming for 100% of the remaining current account so my money lasts a long time in the interim.

I'll do Trade 2 next.

Now with the trading entry 1) you will note the first winner is actually a doubling of the account. This does not mean we keep doubling as we are only aiming for our 1k target. Each time we make it, our risk in relation to our account diminishes and we may then consider Trade 2 where we place equal entries on winning trades and it just so happens that 6+6+6 also equal 18 mini lots or again in my case AUD$25 a pip when they are all on.

Now with Trade 1 the biggest risk comes with the second entry so we can scalp a little with just one entry but with Trade 2 the main risk is the first entry after which we move our stops, However since our account has grown we may opt for this since it also makes it a little easier to make our 1k. We still need to get the three on and traverse the 40 pips or so to call it a winning trade.

I call making the full profit a winning trade and anything less just a scalp. All trades start off as scalps and turn into wining trades as they progress but if we don't try then these winners will never happen.

You may be wondering what this 40 pip business is all about. If you look at the chart from bar 108 it is a rare day that it doesn't cover this 40 pips distance. This is the reason for it but I would be risking a great deal if I did not stagger the entries in my favor.

Another advantage of this Trade 2 type is the order ticket remains the same for each entry so all we have to do is concentrate on the stop which can keep us busy until we are safe.

Trade 3 is the bottom heavy trade and puts the main risk right on the beginning of the journey. There are good arguments for doing this such as quick reversals don't take you out but to me the consideration should always be the initial risk and whether the account can easily withstand the loss. I would need to build my account substantially before taking such a risk even if it does mean making the 1k a tad quicker and possibly more.

Then finally we move to the Trade 3 type and to make my 1k I am entering the whole 18 mini lots from the onset aiming for the 40pis x AUD$25 = 1k.

But look at the risk if I only have 1k I would be risking 25% so I really need to have much more than 1k in my account to diminish this percentage. Once on gets to this stage then risk/reward comes into question. My risk would be $250 and the reward $1000 making the R/R 1:4.

The advantage is that we could let the trade run and every extra 10 pips we would increase the reward a point. Another advantage is that the scalps can return a good profit and can accumulate into the required 1k over a session of trading.

A serious disadvantage is that if we attempted this with a 1k and lost then the trade would be unrepeatable and we could quickly wipe out the account altogether.

These have been the 4 trading method I consider. Note I am not interested in making a small percentage each day but always aim for the 100% win. Also I am not interested in increasing the pip distance in the equation to say 100 which would have the effect of lowering the risk level further but makes the target distance more difficult.

There are many combinations of formulae we could use for example increasing the time to a couple of weeks rather than days. I guess the point is we need to sit down with pen and paper and work out what suits us best. We need to consider where we want to be in X period and how we are going to get there in as safe a manner as we can mathematically construct it.

Quoting pipcruiser

{quote} Thanks a lot Alan, the last few posts are very helpful, but to avoid any confusion could you post a chart where you illustrate these trades? I mean the MM trade scenario you recommend. Thanks PC

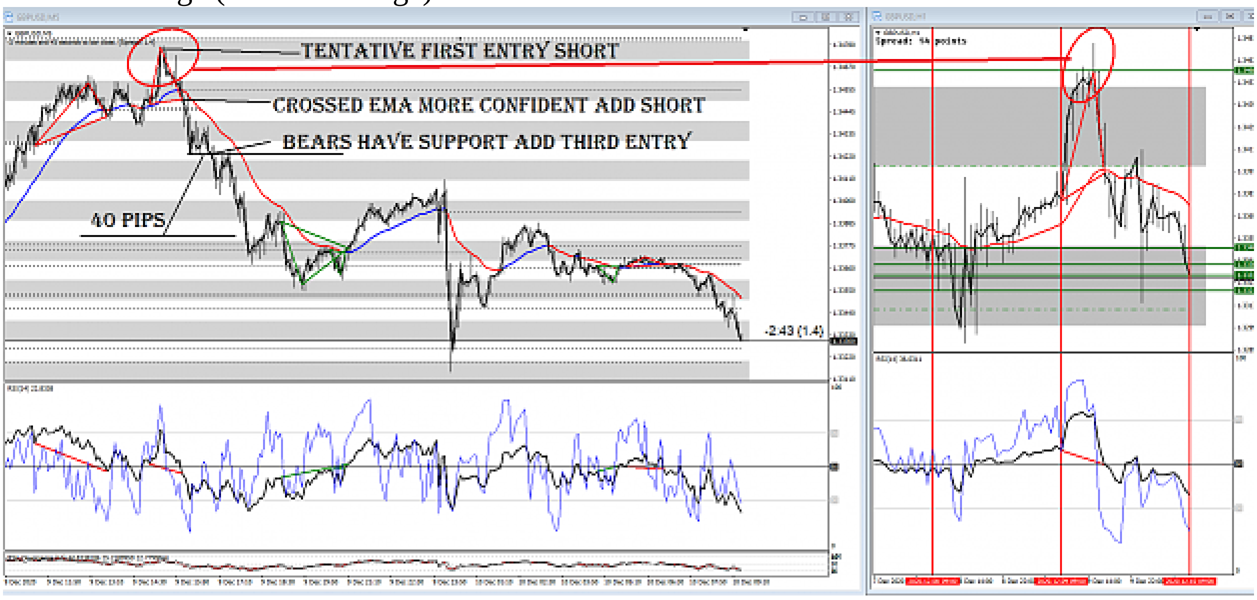
OK here is an example.

On the hour we spot a potential ZOO (price has hit the EMA swing high level) and it is in divergence suggesting a return to the EMA and a comfortable 40 pips is on offer.

We look to the 5 min for an entry signal and get a bear div to make a tentative entry. As the trade progresses we add with confidence adjusting our stop as we go and try to get the stop to the BE point.

Once we have the three we set the target and go to bed. We will either get stopped out for BE or we will make 1k.

Attached Image (click to enlarge)



Nala thank you for your answears.

If you don't mind i am tryng to make up the step by step in my mind for trading your method.

1) Find the ZOO (Zones of oportunity)

1.1) Swing high and lows of average on 5M in and H1
1.2) H1 bearish and bullish failures
1.3) H1 divergences
1.4) AB=CD 50% zone on H1
1.5) Hidden divengences on H1 (EDITED)

2) Targets

2.1) Average swings with 40 to 50 pips distance at least?
2.2) AB=CD projection

3) Entries

3.1) RSI/RSI divengence
3.2) Slow-RSI/Price divergence
3.3) Bears or Bulls found support below and above EMA respectively
3.4) Pivot formation above or below EMA
3.5) Hidden divergence (EDITED)
3.6) 2 Bar test (EDITED)

4) Hedge until targed is reached using entries on topic 3 (Extra cash and insurance)
4.1) Your hedge may become your main trade

5) Money management (Should be the first one in the list)

6) Recommended time to trade is before bar 108 (EDITED)

Please correct in my mistakes

This is a nice comprehensive list.

Just a couple of points.

A hedge also consolidates all the say short trades into one single long trade.

Bar 108 is the approximate time I begin to look for trades, I may not take one exactly at this time.

Zoo points on the hour although they do include divergence they can also be many other things such as average swing highs/lows, daily pivot point levels and so on.
The worst thing to trade is when the price on the hour is at the EMA because it could break either way.

A good list to print out for yourself to form a checklist when the trading day begins...Well done

Quoting Michele2020

Dear All, This is the first chart I am posting. Started to study this system a couple of weeks ago. Would appreciate if any of you could give me his/her opinion. The way I see it there is a price - slow RSI divergence with price that has reached target and M26 failed. So I am expecting tomorrow, Monday 14th dec., prices to go up and possibly cross the M26 (also fast RSI at the bottom) with targets as per chart. Awaiting your comments. Thanks.{image}

Couple of things here:

The RSI shows the close of the bar but on the price chart you are drawing your divergences on the wicks instead of the close.

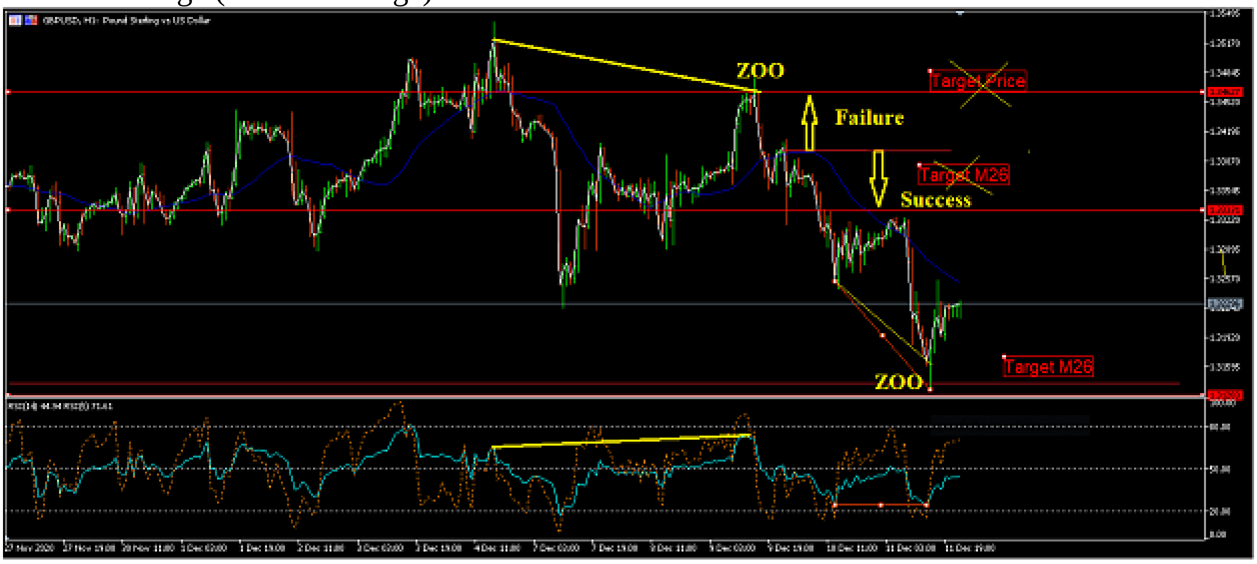
On the price chart pay attention to the average it failed to make the HH so expect it to make an attempt on breaking the low....which it did.

Remember price is always testing for what it can make i.e. can't make the HH so test the LL

You have an average swing low line missing so I put it in for you and you see price made it but in bull div so this becomes a ZOO point for longs.

Because price was successful in making the average LL the two targets you have do not come into play until the EMA is crossed and support for the bulls is found..

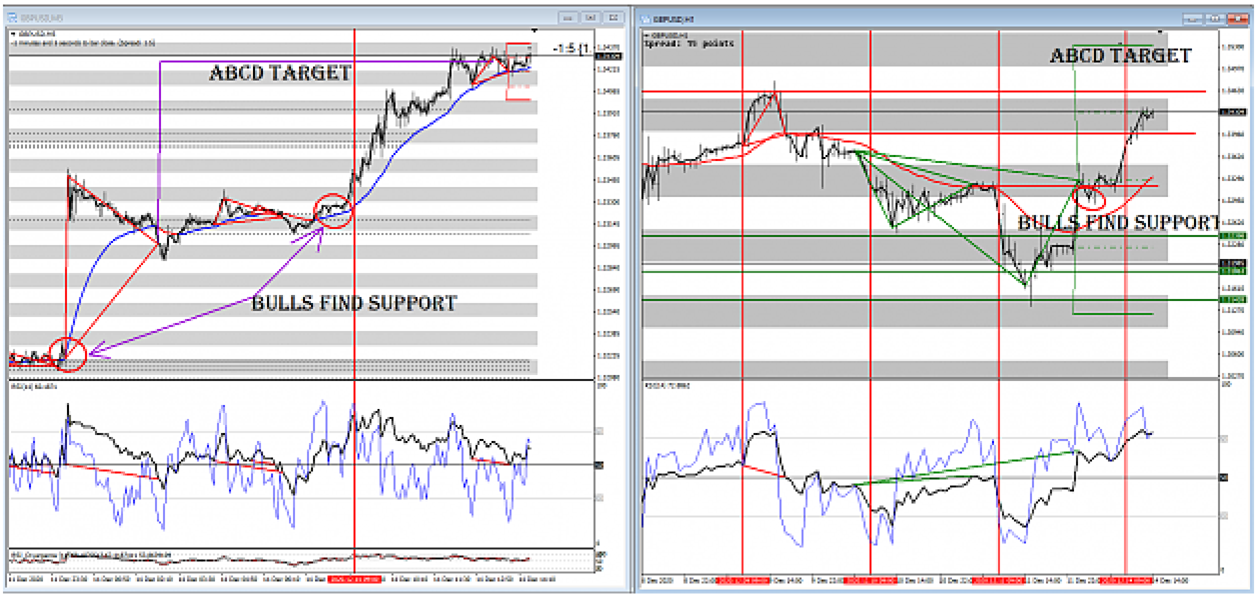
If you look at the 5 min chart you will see lots of bull diverges at the bottom but not until the ZOO point was reached did it kick in. That is why you need to have these higher time frame indications so we can get in on the 5 min chart with little risk.
Attached Image (click to enlarge)



If we look at the hour we see we have stalled at the 50% of the ABCD and then at the 5 min we see several bear divs at the 5 min ABCD target.

These divs fail to get back across the EMA so we could be looking at a run for the 1 hour target.

I have put red circles around the supports.
Attached Image (click to enlarge)

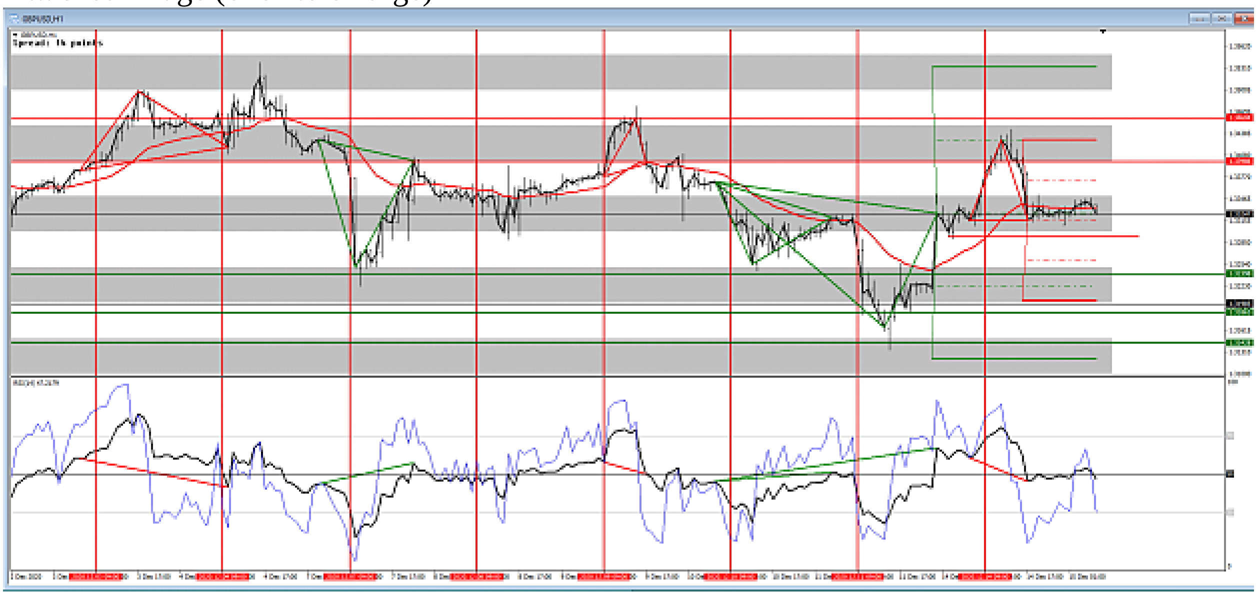


[Quoting Michele2020]
{quote} Hi Alan, thanks a lot for the kind reply. As a matter of fact, I am still trying to understand the whole process and did not get into ABCD yet, tho it makes a lot of sense. Will go through the posts again and try to incorporate it asap. Maybe during the weekend. Meantime, I took these as signals for the trade. But as you can see what I have marked as support is not the same as yours......any suggestion?{image}{image}

Support is when price crosses the EMA and fails to get back across it. Thus the bulls or bears FIND support for their desired direction.

So both the bulls and bears can **FIND** support and both the bulls and bears can **MEET** with resistance.

Here is my 1 hour chart as it currently stands. See how the bulls failed to break the 50% of the Green ABCD.
Attached Image (click to enlarge)

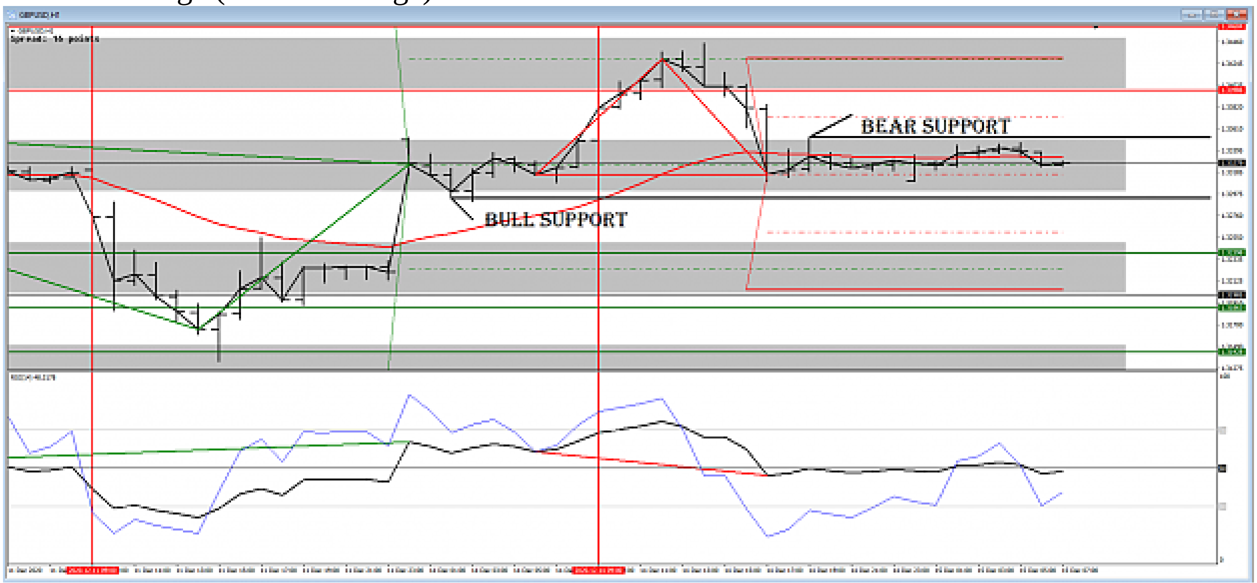


[Quoting Michele2020]

Good Morning Alan, This is the setup I could work out for today. On the H1 chart, I think we have an ABCD kind of pattern, but it seams that prices are not going to follow it on the upside. Is this correct? Are the 2 support areas market correctly? if not, why? I tried to draw the target lines for the H1. Are there any others in the way? For some reasons, I am totally unable to draw the targets on the M5....really not confident with any of them. Thanks.{image}{image}

Your ABCD is draw wrong.

Both your supports are wrong, it is the first pull back after the crossing that support is found.
Attached Image (click to enlarge)



[Quoting Michele2020](#)
{quote} I can see clearly on your chart that the bulls failed to break the 50%...but yours is the previous one...meaning the one detected by me is wrong?

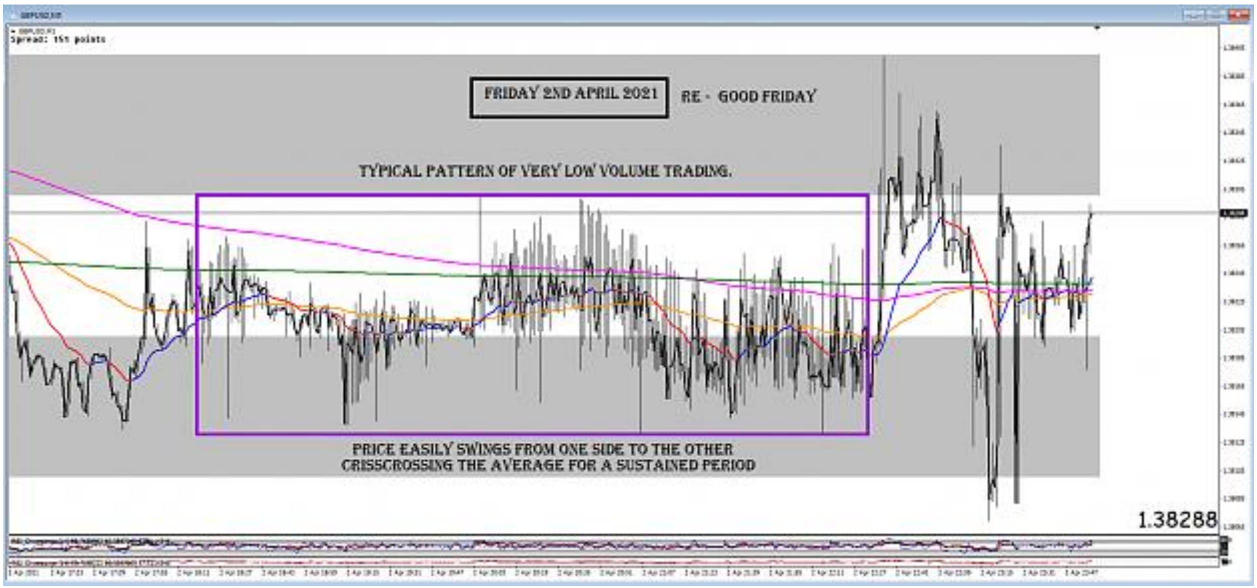
Yes the red one.

A =Apex
B = Bottom
C is the Challenging pivot attacking the next pivot on the left which is B

Good Fridays trading is worth a note or two here...

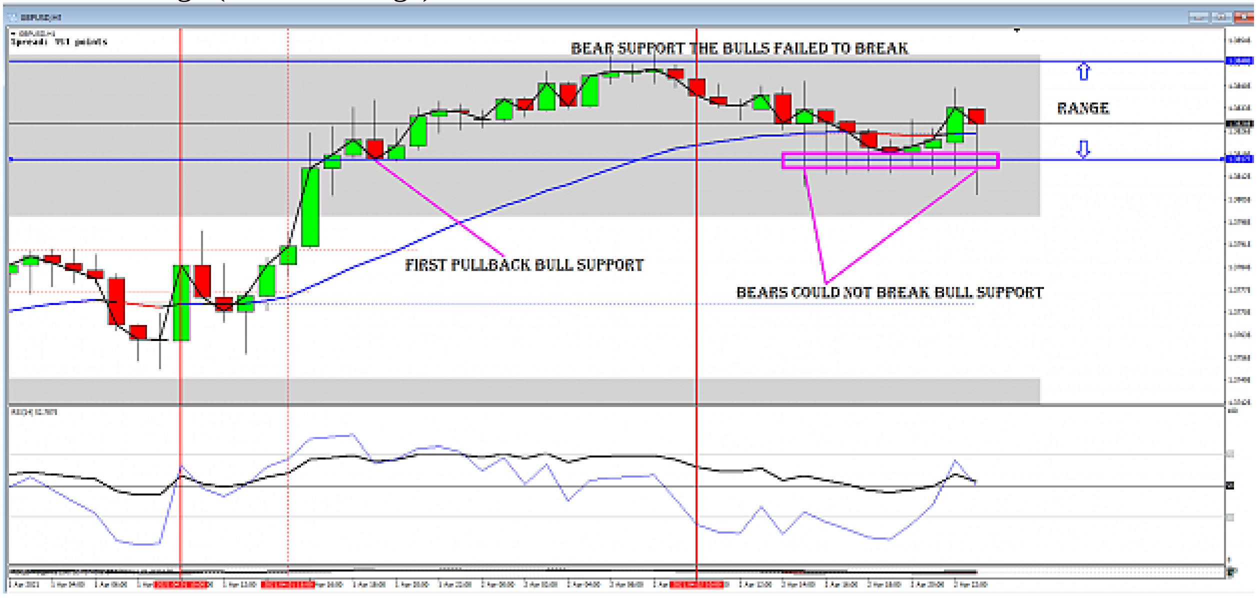
Below you see the 1 minute chart and the rather erratic price action. This is low volume trading and is very often met with high [spreads](#) from brokers to deter traders from taking entries to make quick profits.

Attached Image (click to enlarge)

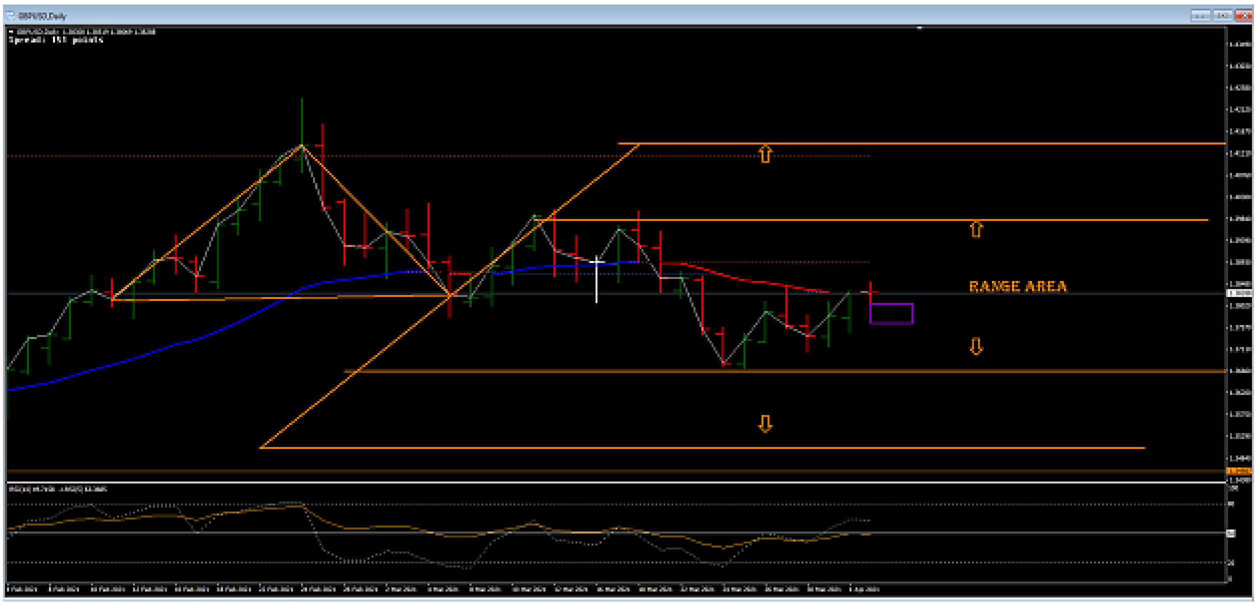


What we should be asking is why this particular level is so important so we must look to the higher time frames for a solution.

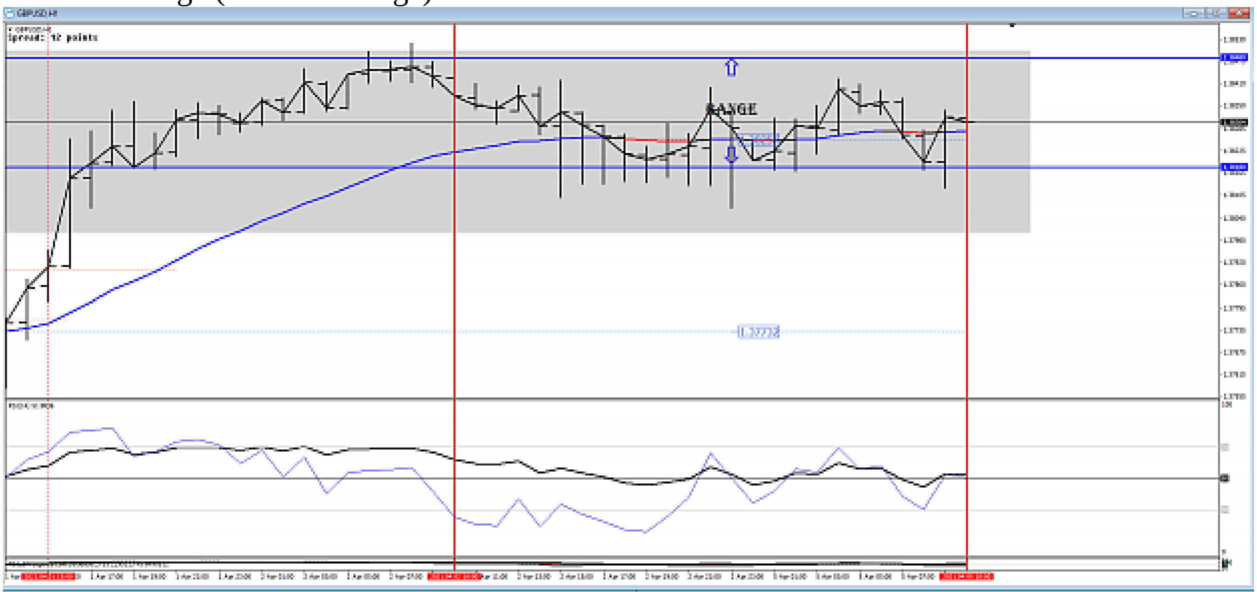
On this 1H chart i have changed to candles to make the bull support clearer. We can see the bears cannot close below this support and likewise the bulls could not close across the bear support causing the price to range between the two. It could be be that the bulls have now found support though this may be a tad iffy having crossed the EMA. However I would now be looking for the bulls to break north of the bear support and the EMA to make the HH.
Attached Image (click to enlarge)



We do have another problem on the daily chart because price is now sitting exactly on the EMA so we cannot determine a break or a bounce from this.
Attached Image (click to enlarge)



Another aspect of a sideways move is if we look at the 1h below we see we are still stuck inthe range I pointed out previously. It would be just guesswork to predict which way this will break.
Attached Image (click to enlarge)

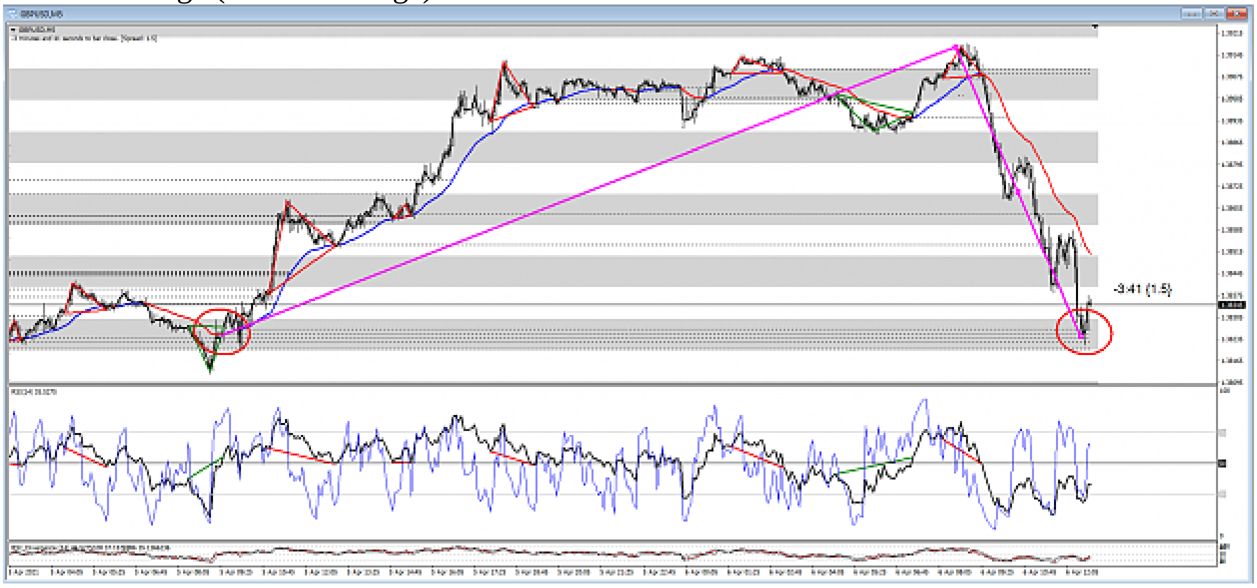


Quoting jewelnguyen
[quote = Nala66; 13482764] {quote} Xin đừng tiếc, tôi nghĩ tất cả chúng ta đều hiểu mọi người từ khắp nơi trên thế giới có thể gặp vấn đề về ngôn ngữ ... Nhân tiện, bạn không sao cả. Tôi thường nghĩ đến việc lập một lưu đồ nhưng việc tạo ra nó rất đau đầu đến mức tôi không hài...

Yes. What we are doing here is comparing the swing high of a previous average to the current position of the average. Then we ask is it trying to make a HH or LL.

Of course the price will always be pulling the average along behind itself in either direction. So if for example we see the average is attempting anew HH we can rest assured the price must also reach that same level at least.

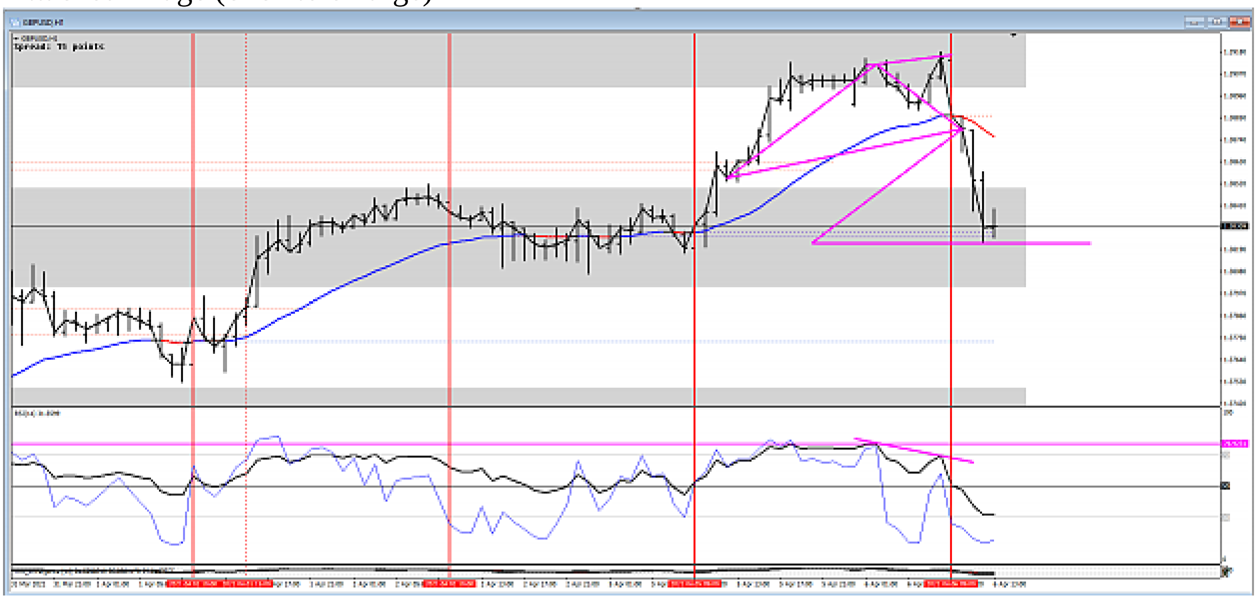
Look at the 5 min chart below to understand this concept.
In this case it is a LL attempt
Attached Image (click to enlarge)



Sorry just had to pop out....

Look at what the 1 hour is telling us..

Divergence at the top, Leading back to the EMA, a closing cross forming an ABCD and it then runs exactly to the target level.
Attached Image (click to enlarge)



If we look to the 1minute we see all the EMA's from each time frame fall into sequence and we see all this action begins with our time lime.

It is almost the same thing over and over day in day out. The problem comes when London reverses so we need to be on the ball with our stops.
Attached Image (click to enlarge)

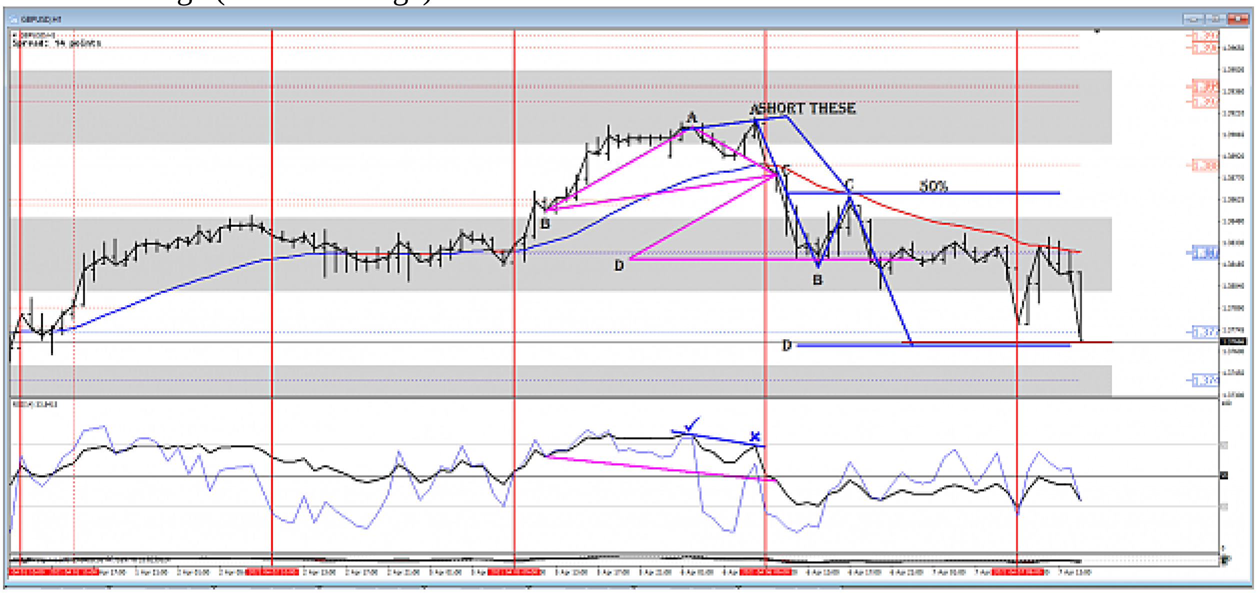
[Quoting Nala66](#)
{quote} Darn it I thought it would make it that last hour but I guess I will have to wait a while to post this.

Finally it just made the target.

So here we have the two setups of...

1) An ABCD triangle
2) An AB = CD

Now I can die happy knowing I was correct..😇
Attached Image (click to enlarge)



[Quoting jewelnguyen](#)
{quote} hi Alan, I don't understand the sentence: "Remember to load in the opposite direction you are expecting price to go and hedge it in the correct direction" Do you have any mistakes here ? Because i see it against what you taught us, or i was wrong, please guide me. Best regards, Jewel

Let's not get into the importance of hedging until you can handle the other stuff.

Here's a picture of what I was meaning there. We are expecting the price to go south to D but it was heading north to the EMA so we load up with longs. Then we hedge all those longs to go south and close our longs when we can. In this way the hedge wins and we had very little risk to worry about.
Attached Image (click to enlarge)

Note how on the 5 min price has also just reach an ABCD target
Attached Image (click to enlarge)

[Quoting Fantaburk](#)
Hi Alan. Hope you are well. Would you mind explaining how a routiney trading day start for you? Like approx how long before bar 108 do you begin looking at charts, what you look for and which chart you go over. Best regards.

That is a pretty big question...

I look at all the chart up to the monthly but the higher the time frame the less I need to look at it. But each day I look to remind myself of the possibilities of shall we call them bias moves. In other words if the monthly is both trending and currently moving upwards that is then a bias to consider long options. BUT a lot of things can happen during a month so I would refer to this as being a weak bias and this would equally apply to the weekly chart from a day to day perspective.

Now being aware of the above I drop to the one hour chart which is clearly showing me a few days of detail in respect to what is currently going on and that is what I am interested in for my trading purpose. So looking at the 1 hour chart I left intact from yesterday I begin to make some observations.....
Attached Image (click to enlarge)

Now I see price has almost moved to where I expected it to go i.e. the EMA and now I would be taking notice of the lower time frames for selling signals.

However I cannot assume price will actually turn south here But if it crosses the 1minute EMA I would be taking the chance with a tentative entry.

As we observe the 1 minute chart we see the EMA's are trying to align to the long side so patience here is required, Price is currently approaching the 1 hour EMA.
Attached Image (click to enlarge)

It is currently in divergence so a tentative short trade would be applied hoping for price to break the EMA if it doesn't then a HH will probably result so we get the stop to BE just in case.

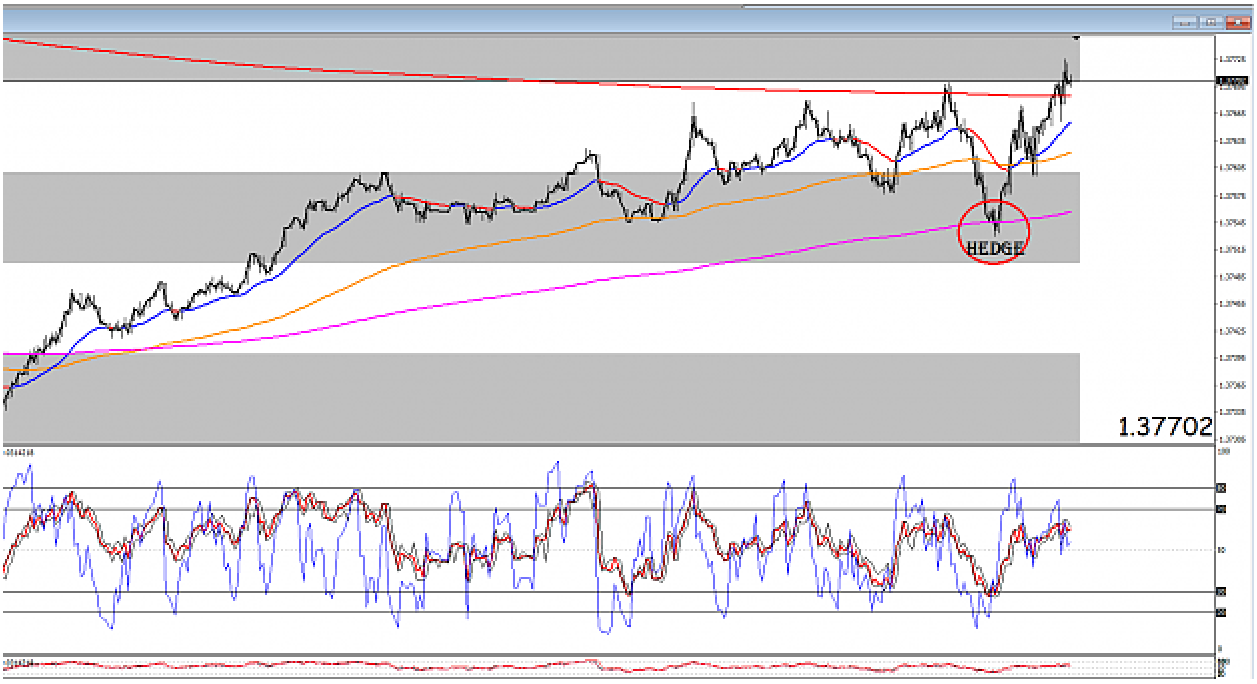
Notice on the 1 minute the EMA has not made a LL all day only HH's so we have to be careful considering a short.

So now we have a tentative trade working the stop just above the high and we are hoping for the start of a trade.
Attached Image (click to enlarge)

Now if I was paying more attention I should have hedged the short three trades with 1 long one . The shorts would have been stopped out and the hedge would be very profitable with the stop now in profit for a few pips hoping for more and this would now be the primary trade.

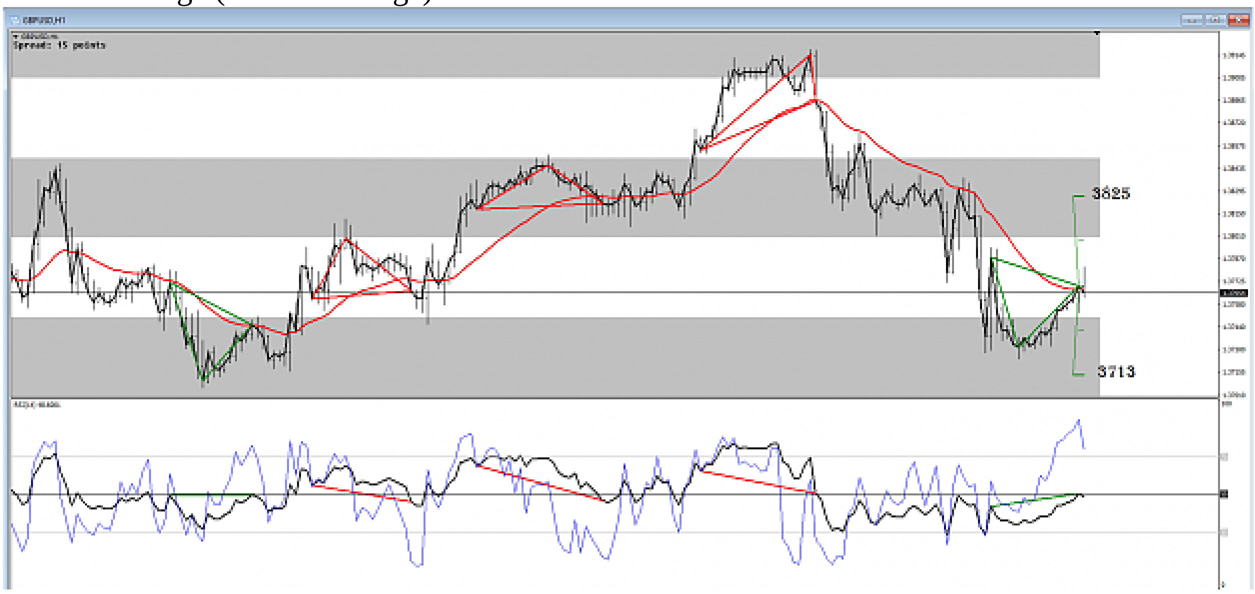
.

Attached Image (click to enlarge)



[Quoting mayflower]
Hello Alan, can you show this ABCD you are targeting at 3825

Yes but now the hedge is stopped out for ten pips and the 1 hour is looking short again targeting the 3713
Attached Image (click to enlarge)



So the 1 min should look something like this so far..
Attached Image (click to enlarge)

[Quoting EarlG](#)

Hi Nala, First up many many thanks🙏🙏🙏great education and teaching. I have been a long time voyer...and now wanting to test/evaluate my understanding. can you comment on my markup of todays 5m as at 6:30 platform time. Cheers, Earl (Im in Aus also 😊) {image}

A number of things going on here.

1) This is a 5 min chart we need some inference from the 1 hour chart to actually trade that short divergence. A look at the 1 hour confirms you do have an inference there because it it touching the EMA i.e. a ZOO point to consider..

2) The std div line is drawn wrong it should have been a tad to the right.

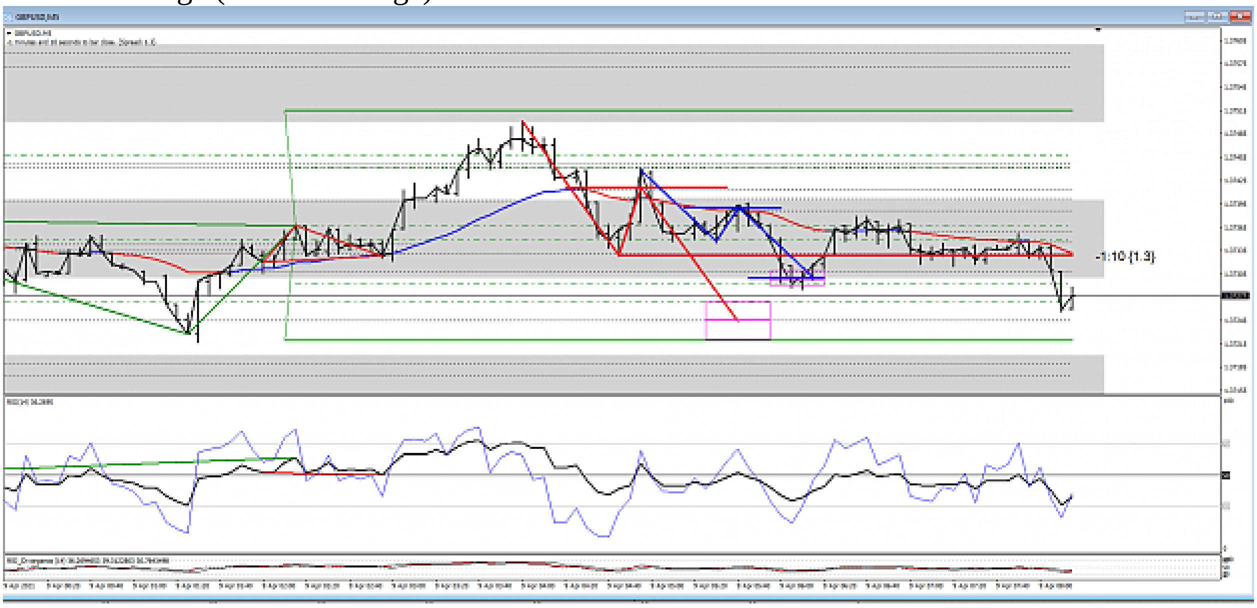
3) Your hidden div is also drawn incorrectly on the fast RSI it should be on the slower RSI and this would give you cause to hedge your shorts.

4) Your AB = CD is also drawn incorrectly CD is drawn from the 50% retracement and any extra is added as a plus or minus.

5) While this AB=CD is underway another in the same direction was formed. The market is dynamic and we should be responding to this.

6) The target for your AB=CD has just been hit so I can post the result now for you.

7) This is the Asian session and has a low probability of making a substantial move.
Attached Image (click to enlarge)



Quoting mayflower
Yesterday's ABCD and AB=CD targets now both hit.

Correct and notice how the 15min was in bullish div when the hit was made...Long tentative entry point
Attached Image (click to enlarge)