The Dance

Trading Manual

for the M15 Charts

Contents

Legal Disclaimer:

Trading foreign currencies is and ***extremely risky activity*** but is potentially a profitable opportunity for educated and experienced investors. Before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience and risk appetite. ***Most importantly, do not invest money you cannot afford to lose***. There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency, the risk of settlement discrepancies, broker errors and malfeasance, outright fraud and many others.

Moreover, the leveraged nature of FX trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of all initially deposited margin funds and be required to deposit additional funds to maintain your position with any given broker. If you fail to meet any margin calls within the time prescribed, your trading position may be liquidated and you may be responsible for any resulting losses, including amounts potentially more than your deposit.

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Author's Note:

Learning to trade is a very personal thing. The journey can be extremely frustrating, is almost always a lonely journey, but is always worth it.

Rule number 1 in learning to trade Forex is that you can get everything you need for free if you are willing to do some research and some work on your own. Paying for "systems" is stupid. They are a dime a dozen and always worth less than you pay for them. Your own mind is the only thing you need. Benjamin franklin said, "Empty your purse into your mind and your purse will never be empty!"

That is amazingly good advice. Training is worth paying for, but in Forex, you can get all you could ever want or need mostly for free.

For the most part I have found trading to be an arena filled with tons and tons of wannabe gurus, sheister promoters and most importantly, "self-fulfilling prophecies." For example, Fibonacci lines, Andrews Pitchforks, Moving Averages and Support/ Resistance levels all work really well because so very, very many people use them, but they often fail as well because some larger player moves the market or some other influence does.

"Round Numbers" also work very well for the same reasons. There is nothing magical in any of this, just plain old human psychology at work. Fear keeps people trapped and makes certain levels stronger than others. Greed does much the same just in a different way.

If you watch price action around Andrew's pitchforks, you will see the exact same sort of movement as you do around longer term Moving Averages. Nature loves a balance and people instinctively understand that.

What goes up must come down, everyone knows that! Inertia keeps moving objects in motion and resists objects at rest from movement. Everyone knows that too!

Life is filled with cycles, which scientists now call "circadian rhythm." Night and day, rise and fall of the tides, sleep and waking, excitement and depression. Everyone knows this too!

Fractal technology is the science of how larger things are built on smaller things. Just look at a tree. One line "branches" into multiple lines and eventually we have the shape we recognize trees to have, both in branches and roots.

People have been trying to apply all these principles in differing methods to the markets from when the first market place was ever created. Just look at how long the Japanese kept records of the rice markets with candlestick charts. The same is true of the grain markets in more European areas, just not with candle sticks.

The whole point in all this is that life is built on self-fulfilling prophecies and expectancies. So are the markets. It is specifically the "self-fulfilling prophecies" that make Forex tradeable and profitable if you learn to use them effectively. Also, each person is built different and different "self-fulfilling prophecies" will work for different people

Trading is no more difficult than finding one or more of these that you can understand, "see" clearly on a chart and trade effectively. It's really more like a dance or a video game than anyone wants to admit.

There is an old country western song that says, "One step forward and two steps back, no one gets very far like that." BUT, that is not true.

In a dance there are two partners. One leads, one follows. For the most part the "male" leads and the "female" follows. She is traveling along in the dance just as fast as he is, only she is doing it backwards! She is also taking all of her “cues” from him. Without both partners there would be no dance.

In trading, the market is ALWAYS the “male” and traders are ALL “female” taking their cues from “him” AND, they must do it in response rapidly and backwards.

If one over analyzes a dance technique they mess it up, the “flow” of the dance suffers and sometimes they even get hurt. If they don't understand the cues the same thing happens, only often it's worse . Trading is no different. So, learn to dance. Learn to take cues from the market and just have fun!

Credit where Credit is Due!

This strategy is a combination of two main strategies that I greatly admire. The first is trading Moving Average bounces which Josh Ford taught me. Second is James16 for his thread on Price Action Bars at ForexFactory. Lastly I learned about “Round Numbers” and their effects reading Jacko's Thread also on FF.

All I really did was to listen attentively to what Josh taught me and document many of the “nuances” of trading Moving Averages the way he does it. It is amazingly powerful!

The Rules:

Trading Times:

1. Trade ONLY during the **London/ NY Overlap for USD** pairs.
2. Trade ONLY during the **Asian/London Overlap for JPY** pairs.
3. Trade ONLY during the **Frankfurt for EUR** pairs.
    1. Obviously some pairs fit more than one session. Look up the times on your own. Do SOME work!

Time Frame:

1. **15 Minute charts ONLY for all entry signals.**
    1. The other charts are for direction and fine tuning the entries and exits as needed.
    2. The tips of wicks on H1and D1 are great S/R Levels to take trades off and for exits.
    3. Only "Touch" trades are acceptable on H1 and D1 and should also match P/A on M15.

Chart setup:

1. No more than ONE "main" chart set to M15 and three smaller charts for each "main" currency. Smaller charts are to be set to M5, to H1 and one to D1. M5 is optional if you find you are getting confused at any point or that you end up paying too much attention to it, losing lots of trades.

Entries:

1. **Trade WITH the trend** of the moment **FOR ALL** trades and assume the trend will continue from the previous session on the first entry.
2. **The 50 EMA with the 35 SMA moving averages determine the trend!**
    1. Look for **longs ONLY** when Price, is above the 50 EMA/ 35 SMA Lines.
    2. Look for **shorts ONLY** when Price, is below the 50 EMA/ 35 SMA Lines.
    3. **NO EXCEPTIONS for beginners! Price and THE 50EMA/ 35 SMA MUST AGREE AGREE WITH THE TRADE, PREFERABLY FROM A PULL BACK TO the 50 or 35.**
3. **"Touch Trade Entries"**
    1. **Taken off of a steep 35 SMA are only acceptable IF Price has have moved at least 15 pips in the direction of the trade, and opposite the "touch" which is a short, very fast "run up" or "run down" to the Lines.** (explained in the price action sections.)
        1. "Touch Trades" off the 35 SMA and 50 EMA are also very easy to see but MUST be taken ONLY if the EMAs are parallel (or "on top" of each other) and at a steep angle, say about 20 Degrees or more as shown later in this manual.
        2. A "Touch" by definition is usually only two or three bars in the reverse more and most of the time only one or two.
            1. If there are lots of smaller bars as price approaches the lines, DO NOT take the trade, wait for price to demonstrate respect for the line or constrainment.
        3. Higher Time Frame "touch" trades are VERY powerful. LOOK FOR THEM!
    2. **Taken off a steep 10 EMA must also be above the 50 EMA/ 35 SMA Lines for longs and below for shorts.**
        1. ONLY trade the "touch" of the 10 EMA IF it is the FIRST or SECOND bar in the retrace, it has a VERY STEEP angle (see example later in manual), price has moved a strong "distance" of more than 15 pips and you trade it EXACTLY at the "touch" with

no more then 9-11 pips SL.

2. ***TWO BAR RULE*** for 10 EMA "Touch Trades" is simply this. It is a "retrace" trade and normally the EMA is at a "very steep" angle of about 45 degrees or more AND takes ***no more*** than TWO large bars to "get there" (to "touch" the 10 MA) and the retrace should be almost vertical or you should pass on the trade and wait for P/A to reveal where Price is really going.
3. Higher Time Frame "touch" trades are VERY powerful. LOOK FOR THEM!

4. **"Constrainment Trades"** are next best signals against the 35 or 50. They can also happen at the 10 EMA just be more careful with the ones off the 10 EMA and use tighter stops.
    1. By definition "constrainment" is a series of bars that "respect" a specific moving average in the Strategy. Usually the 35 or 50 but can be the 10.
    2. Often these occur with several smaller bars being "constrained" by the moving average involved and are quite clear to see.

Counter Trend Entries: NOT RECOMMENDED AND NOT NECESSARY FOR GREAT GAINS!

Maximum Number of Trades!: NO EXCEPTIONS EVER !!!

1. Maximum of 5 successful trades. GIVE IT A REST after that and spend some time doing something else, GET A LIFE apart from trading.
2. Maximum of 3 Losing Trades. LEARN to stop and get over it!
    1. Three TOTAL PER SESSION !
    2. MAXIMUM OF TWO IN A ROW, then walk away and get a fresh perspective!!!

Stop Loss:

1. Stop Losses need to be "adequate" and that means different SL on different currencies. If you find yourself using more than 15 pips consistently for the SL, you need to refine your entries.
2. Move the SL to BE as soon as you feel the trade will not take out your SL on a "breath."
3. A good place to set your original SL is Spread + just a couple of pips below or above the previous "round number" or ema that price touched and moved away from. Be sure to include the spread.
4. **KEEP THEM TIGHT!:** During a move, keep the SL reasonably tight. Meaning move it to the bottom (or top) of the last bar each time one closes until you get strong with this strategy. This is especially important with ANY sort of P/A bar that might indicate a reversal, Tighten to the close of the P/A Bar immediately!

Profit Targets:

1. Though there is no specific TP in this strategy, the best way to lock in profits is to move your SL to the extreme of the previous bar + spread and wait for the current bar to close. The only exception to this is when approaching a "round number" level or a stronger EMA like the 50 EMA/ 35 SMA Lines on a retrace. Tighten your stops at those levels as price has a nasty tendency to reverse at them. The other option, with more experience will be to exit and immediately short at that "first touch" of the 50 EMA/ 35 SMA Lines.
2. If it becomes apparent you are in a ranging or choppy market, just be a bit more careful and look only for solid entries based on S/R levels such as the Round Numbers and constrainment of the lower level EMAs, usually around a "round number" or previous P/A or S/R level.
3. **DO NOT BE AFRAID TO TAKE YOUR PIPS EARLY there will be more trades!** You

don't have to knock it out of the park every time to be very profitable with this strategy, and it takes experience to master the longer trades. Taking a quick 20 or so on a move is completely acceptable and you WILL get better as time progresses.

4. If P/A indicates a reversal between “round number” levels, get out! There will be more opportunities.
5. **NFP DAYS (non farms payroll)** learn to take your pips early, even if it's only 10. These days are extremely unpredictable. The whole week can be as well, so be careful in NFP weeks.

Locking in Profits:

1. Be cautious in moving your SL too aggressively, but keep it no farther back than the bottom (or top) of the second bar back from current price action and preferably no farther back than the last bar bottom (or top).
2. If you have an extremely large bar, move the SL to the just below the last “Round Number” it passed land watch price movement very closely. If it hasn't yet passed a Round Number level, move to slightly less than 70% of the bar's total and wait. It will either continue to explode or retrace pretty rapidly and take out your stop. LARGE BARS RETRACE OFTEN, so don't hesitate to take your pips before it hits the SL you are trailing AND USE THE “round number” levels!
3. If a large bar “dead ends” at a stronger EMA, or a “round number” level, move your SL very close to the level. Probably about 2 times Spread or less and wait. If the move is strong, it will continue and blow through pretty quick. If not it will take out your stop.

Ranging/ Consolidating Markets:

1. The 50 EMA/ 35 SMA Lines have a strong tendency to either “wind” around each other and “flattening” while sticking close to each other during a period of consolidation or ranging. On “ranging” days you will often see price also wind around them and give you definite opportunities to enter at solid S/R levels or at Round Number levels on either side of the 50 EMA/ 35 SMA Lines.
2. Be very cautious in these markets unless you are experienced with this strategy. Wait for better signals if not experienced.

Additional Considerations and Definitions

Additional Considerations: Things to learn as you progress and definitions of terms used in this manual.

Currencies:

1. Though this document used the Gbp/Usd and the Eur/Jpy, any set of currencies you are comfortable trading is acceptable. Preferably one with lower spreads and certainly nothing with a spread over 5. The larger the spread, the more the trade must move before you reach BE. That increases your risk per trade.
2. Use only two currencies during the learning phase. You may increase the number as you see fit as you gain more experience. But be sure to keep your screen and charts "clean" so you can see clearly as P/A develops.

News: STAY OUT!

1. DO NOT trade during News.
2. If you are already IN a trade during the half hour before News, AND in good profits with some locked in, you might stay in and tighten your stop loss but be careful. NO SL is guaranteed during news.
3. If you are NOT in a trade 30 minutes prior to news, WAIT for the news and then WAIT for Price to "settle down" a bit before you take a trade. That can be as little as 5 minutes after the news, or as long as 30. DON'T RUSH IT!

Fake-outs:

1. MOST fakeouts occur because of a violation one of the rules for entering a trade. DO NOT VIOLATE THE ENTRY, TIME, Session/Currency correlations OR TIME FRAME RULES!
2. In addition, this is the purpose of moving the SL to BE ASAP! This strategy provides way more than enough opportunities to trade. Avoiding the Loss is as important as catching the good moves, just don't let "fear" get to you.
3. Fake-outs usually occur around levels of resistance, such as the lower EMAs when they appear to be counter trend and close to Round Numbers where price is slowing, so just watch out for them.
4. DON'T FORCE A TRADE! Wait for a perfect setup to enter!
5. NEVER take a price action bar counter-trend by it's self. It MUST also meet all other criteria, such as appearing at a S/R level, a bounce off an MA or "round number, or appear AFTER a significant move away from the 50 EMA/ 35 SMA Lines, often they need another confirming bar, or for the area to be previously proven as an S/R level.

Definitions: Definitions are used on the charts in discussion of Price Movement.

1. "**Round Numbers**" are the lines of S/R drawn on the charts at areas of significance such as the .00 and .50 levels.
2. "**Bounce**" is where a candle hits and retreats at least 1 pip from an area of Support/ Resistance.
    1. Almost always indicates a reversal, even if it is only a few pips if it is also a "dead end" at a round number or a stronger MA such as the 50 EMA/ 35 SMA Lines.
3. "**Dead End**" is where a candle stops "dead" at a level of Support/ Resistance with no wick

through it.
   1. Almost always indicates a reversal, even if it is only a few pips.
4. “**Constrainment**“ is where P/A is limited by and respecting a particular level of resistance such as one of the MAs or a “round number” for more than one bar, especially if there are several smaller bars involved. Often it is a confluence of more than one MA or MA+ round number.
   1. Almost always indicates a direction of movement, usually a continuation of an existing Trend Of The Moment.
   2. The most powerful entries are when Price is Constrained in one direction after a significant period of being “Flat lined” and the entry is taken off one of the stronger MAs.
5. “**Trend**” is the ***CURRENT*** direction of Price above or below the 50 EMA/ 35 SMA Lines and it can change several times in a day.
   1. Never violate the Rules of the Trend OR Counter Trend on Entries!
6. “**Counter Trend**” is the reversal of an immediately previous Trend. It is almost always preceded by either a fairly strong move (80 pips or more) followed by a period of “constrainment” of price at a S/R level and then a reversal of price which may also be a “constrainment” of price by a one of the lower EMAs and a round number level in the opposite direction.
   1. MOST “counter trend” trade setups will occur AFTER price has moved a fairly long ways from the 50 EMA/ 35 SMA Lines, usually over 80 pips.
7. “**Confluence**” is where more than one S/R indicator has merged or met at a specific point on the chart. Usually it is a “round number” and a level of prior resistance from P/A. It can also be where more than one MA has “bunched up against each other and may include a “round number as well. These are GREAT Areas to take a “bounce” or “continuation” trades.
8. “**Re-Test**” is where Price has already moved past a S/R level and then retraced to that same level AND is rejected there.
9. “**Clear Break**” is where Price makes a thrust through a S/R level that is “significant,” usually meaning several pips.
10. “**First Touch**” trades are where price hits either a “round number” level or an MA that has held as S/R strongly before and you trade IMMEDIATELY in the opposite direction moving to BE as quickly as possible to maximize the trade. Often these trades are good for quite a bit of pips, but just as often they are only good for about 12 to 20 pips, so watch them closely for the exit.
    1. THE BEST “FIRST TOUCH” trades are always at the 35 SMA and can be on ANY of the four time frames we look at for fine tuning our entries. The higher the time frame is, the more significant the “touch” will be in indicating a reversal.
11. “**Flat Lined**” is when Price moves in an extremely narrow range, usually less than 20 or 30 pips up or down total. DO NOT TRADE this area of chart activity. The only exception to this is if price is winding around the 50 EMA/ 35 SMA Lines in a wide enough range of at least 50 pips to give you “room” for a trade at the S/R levels.
12. “**Moving Average Soup**” or “**MA Soup.**” This is an area where the EMAs are all bunched up together, usually also “stuck” between or very close to the 50 EMA/ 35 SMA Lines and demonstrate no direction for a trade. This is a “STAY OUT” area, do not trade it. Often the lower EMAs get “stuck” between a stronger MA and a round number level.
13. “**Price Trap**” is when price is “stuck” or “trapped” between two or more areas of S/R as marked by the “Round Numbers” or one of the stronger MAs with a level of S/R indicated by prior P/A. Normally happens between the 35 SMA and the 50 EMA on M15 or H1. Breakouts tend to be explosive.
14. “**Wicked**” (pronounced “wict”) is an area of the chart where Price bars have “wicks” everywhere on both sides and it's starting to look like a porcupine. DO NOT TRADE THIS

AREA, WAIT for price to settle down, or to start to trend before even considering a currency like this.

15. "**COB**" is "Close of Bar."
16. "**Washed Out**" A prior S/R level represented by a MA or a round number becomes "washed out" and not immediately usable as S/R when price has crossed it and re-crossed it several times in the immediate past on the chart. "Washed Out" S/R levels should be ignored in this strategy, but they become valid again very, very quickly.
17. "**Wick Through**" is when price hits a level of S/R and pushed through it but closes on the side of the original move. The Longer the wick, the more cautious you should be about a trade here.
18. "**Wick Off**" is when a candle hits a S/R level, then retraces from it as in the case of a "pin" bar. A "wick off" is also a "rejection" of price at that level of S/R and often indicates either a continuation of the original "Trend" or a reversal of it, depending on where this happens.
19. "**Porcupine**" is an area of price where there are lots of fairly long wicks on both sides of the candles. Often the candles have wicks on both side of a single candle. **STAY OUT AND DO NOT TRADE THE PORCUPINE.**
20. "**Triple Top**" or "**Double Top**" is where two or more candles hit and stop at EXACTLY the same price point on a chart one right after another. "**Triple Bottoms**" and "**Double Bottoms**" are the same. You may use the standard definition as well, but for this strategy, we are looking for immediate price action, SOMETIMES coupled with prior P/A. These often occur at a Trend of the Moment continuation, or a re-test on a reversal.
21. **S/R Levels** are most clearly visible by looking at the recent past on the chart and using the bid/ask lines to "see" them more clearly. You may also zoom way out to see and mark one or two from the past two days at the absolute most. DO NOT clutter up your charts with lots of S/R Levels!
22. **Exhaustion bars and Squat Bars** are very small bars that are usually found at the turning point in a trend or a swing within a trend. Usually they are very few pips, probably no more than about 5 to 10 total. I also call these "tiny bars" in that they can often be even less and look exactly like a "pin" or a doji. When there is a cluster of these "tiny bars" being constrained by one of the higher Moving Averages, the 35/ 50 lines, they almost always indicate a fairly large move in the direction of the constrainment. They are very solid indicators of price reversals.

In later sections we talk of P/A and how to take advantage of it on M15, especially with a bounce off one of the Round Numbers and stronger MAs. Standard P/A bars such as Pin bars, Dojis, Spinning Tops, Hammers/ Hanging Man and Outside Bars work just fine on M15, just don't hang your hat completely on them alone. There must be confirmation of some sort for each P/A bar used. The Trend Of The Moment as defined by the Moving Averages and prior P/A provide that confirmation.

Additional Resources:

If you absolutely must read more, here are some great threads on ForexFactory.com.

James16 Price Action Thread. (huge thread) http://www.forexfactory.com/showthread.php?t=2331

Jacko's Forex House of Pleasure and Pain (trend trading, also a huge thread) http://www.forexfactory.com/showthread.php?t=27286

No Brainer Trades (support and resistance trading) http://www.forexfactory.com/showthread.php?t=86429

Trade What You See, Not What You Expect (they make huge pips here, but a bit complicated for my taste.) http://www.forexfactory.com/showthread.php?t=121761

There are more, but why confuse yourself with them when the simplest strategies are always the best? These resources should be all you need.

The Simplified Rules

Simplified Rules:

This strategy is extremely simple. KEEP IT SIMPLE !!! This strategy is NOT complicated, DO NOT complicate it. The basic rules are simple. DO NOT complicate them either.

1. Chart is M15 ONLY!!
    1. M5, H1 and H4 are for <u>*clarification*</u> of overall trend and refining entries and exits. NOT trade determination <u>***EXCEPT when price is about to "touch" the 35 SMA***</u> on one of them. M5 is optional.
2. Trading Time is a session "overlap" period of two markets one of which covers at least one country of the currency pairs you have chosen to trade.
3. **Entries are ALWAYS** at either a S/R level represented by one of the Round Numbers, a Moving Average, a rejection at off one of the Moving Averages or a round number **AND** a Price Action Bar **OR** constrainment in these areas with several smaller bars.
    1. "Confluence" of multiple MAs or MAs and S/R levels are very strong entry points.
    2. Entries can be either on a "Touch" IF that "touch" is a "Touch" with a steep angle, or a series of small bars "constrained" by the resistance of one of the Round Numbers, 50 EMA / 35 SMA stronger MAs, or a re-test of the 35/50 lines or 10 EMA on a reversal or continuation entry.
        1. <u>***TWO BAR RULE***</u> for "Touch Trades" off the M15 10 EMA, is this. It is a "retrace" trade and normally the EMA is at a "very steep" angle of about 45 degrees or more AND takes no more than TWO large bars to "get there" (to "touch" the 10 MA) and the trade is almost a vertical retrace or you should pass on the trade and wait for P/A to reveal where Price is really going.
        2. "Touch Trades" on M15 and off the 35 SMA and 50 EMA are also very easy to see but MUST be taken ONLY if the EMA is at a reasonably steep angle, say about 20 Degrees or more as shown later in this manual AND PRICE MUST have moved at least 15 pips before the retrace "Touch" occurs.
        3. Constrainment trades are always good on either time frame but the Higher Time Frames are extremely powerful.
4. **Maximum** of five successful trades per session or three losing trades per session or two in a row. THEN STOP and get a fresh perspective! DO NOT trade within the next hour at least, best to stop for the day. **NO EXCEPTIONS** !!!
5. SL is <u>***never***</u> more than 19 pips and often quite a bit less with experience, if you have entered properly.
6. Move to BE +1 as soon as practical without choking out the trade.
    1. To allow trades to "run" move the SL to the last candle's extreme + Spread and 1pip NO MORE !
7. The EXIT is governed by Price, S/R levels and the Round Numbers **exclusively**. If price "blows through" the next Level, stick with the trade and move up your SL, leaving some breathing room.
    1. If price begins to hesitate at a round number or close to one, make sure you are at least at BE and decide whether wait it out and possibly get left with only one pip, or take what you have and look for another trade!

    2. If it has “blown through *AND CLOSED* past a round number, move your SL to NO MORE than Spread + 1pip short of the last round number or bar that went through it and wait.
    3. If Price starts to reverse with a P/A bar, get out and wait for an entry.
    4. Long bars (30 pips or more) often retrace quite a bit. Consider taking your pips if a large bar hesitates, ESPECIALLY at an S/R Level.
    5. **Learn to trail your stops!**
8. Trade ONLY WITH THE TREND unless you have already mastered these basics!!
    1. Counter Trend trading is for ONLY experienced traders who have mastered the basics already.
9. Never trade the “porcupine,” flatlined areas of price action or “MA Soup” !!
10. Do not trade News !

If you complicate it more than this, it will take you far longer to master this strategy. Once you have read this manual, and mastered these basic rules on this page, then you can move on to more aggressive entries such as trading during “choppy” markets as long as you do not trade the “porcupine” it ***will*** kill your account.

Using Price Action

Price Action is used in two ways in this strategy. First are the normal P/A bars described immediately below, which can be used on any time frame, but here we are interested only in the M15 charts.

Price action is the most reliable of all indicators in determining momentum and direction in trading. Price action can indicate reliably price reversals and continuations. All other indicators are based on price action in some form. In this strategy we will be looking primarily at a few standard Price Action setups to assist us in filtering the moves we take. Just keep in mind that on M15 P/A though very strong, can turn literally on a dime and give you change.

The first bars we look for are Pin Bars and Doji Bars, that are ***according to our definition***, then Inside Bars, and Outside Bars, in that order, by the way. These are the primary indicators we will be looking for to determine most entries. LOOK FOR THE P/A! The Moving Averages are for determining if the P/A is valid for a trade. You must have Both P/A in the right direction of the trend and a bounce or constrainment for a trade to be valid!

OUR DEFINITION OF PIN BARS

Pin Bars and Doji Bars are Candlestick bars whose "body" is **both inside and smaller than the body of the preceding bar** and have a longer "upper wick" than "lower wick." Often these bars are very small. In addition, it has an area with "room" around it on all sides, meaning that there is lots of empty chart space immediately to the "past" of the bar.

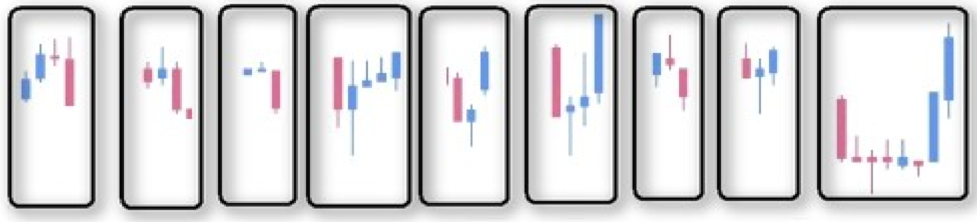
Look at the preceding charts as well as the ones that follow and you can see lots of them at the turning points. BE EXTREMELY CAREFUL of trades using "pin bars" that are not exactly per this definition here.

The following are images of some of the more common versions of Price Action as they appear in real charts.

Pin Bars:

These are bars very similar to the Doji, except that the open and close are at different prices. The correct Pin Bar for our purposes is **one where the body of the Pin is inside the body of the previous bar** as seen below.

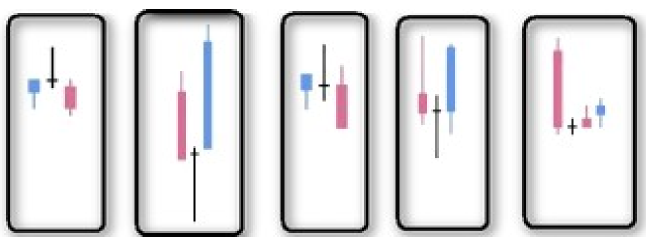
Most often the best trades have the body of the signal Pin Bar closer to the top of the previous bar as seen here below and are fairly short candles over all. Often they are less than 10 pips.



The last image is included to demonstrate that Pin bars may come in multiples. Be sure that when entering on a Pin bar that it agrees with the Trend or a bounce in direction of the trend. One could have entered on either of the two downward pointing red pin bars in the last image. Often these types of Price Action occur at or very, very close to one of the "Round Numbers" and the larger Moving Averages.

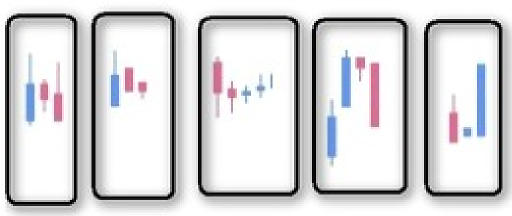
Doji Price Action Bars:

Doji Bars also have the feature of not really having a "body" because the open and close of the "Bar" happens at the exact same price level. The following are pictures of some "Pin Bars" according to our definition of them. The second bar is the Doji. Usually Price continues the opposite direction of the Doji. Some say you should take a Doji entry at the top without question, but wait for confirmation of the second bar closing at the bottom. This strategy agrees with that statement. Wait on bottom Doji bars for confirmation bars.



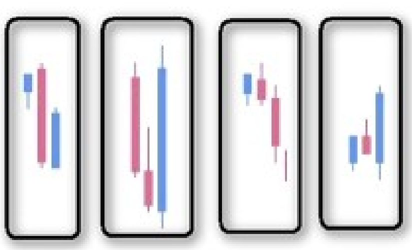
Inside Bars:

Inside bars are often referred to as "squat" bars. They always are contained within the body of the previous bar. The second or third bar is the Inside Bar or IB.



Outside Bars:

These are bars that completely engulf the previous bar. The second or third bar is the Outside Bar, or OB. It should be obvious.



Price Action Bars are NEVER used alone to enter a trade unless you have lots of experience with this strategy. They MUST be confirmed by either resistance levels at a “Round Number,” by resistance as seen by prior P/A, a moving average, or by additional candles in the “right” direction.

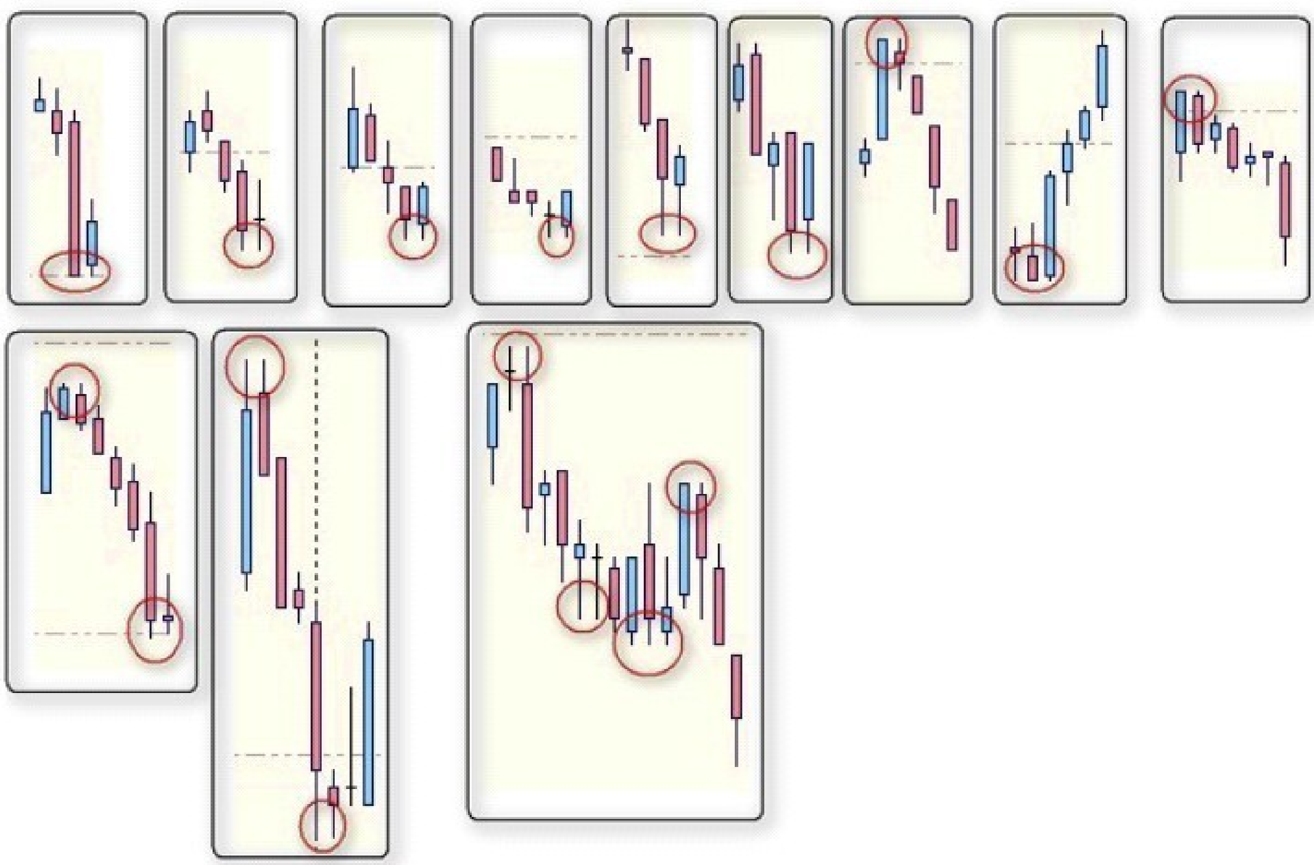
Double Tops and Double Bottoms:

The terms “double top” and “double bottom” has a very different meaning in this strategy. You can still look for the “normal” double tops and bottoms where price has moved toward and away form an area of support and resistance over a period of several bars, but for our purposes in this strategy we will further define it as two bars which have **exactly the same** top or bottom. If the bars are also the same length, it can define an entry point or an exit point depending on it's location on the chart. Both bars MUST have the same EXACT top or bottom, but the can be different in how they achieve that.

For example, in the images below you will see some that are both wicked tops or bottoms, some that are both body tops or bottoms and some that are one of a body and one of a wick. It is the fact that they are EXACTLY the same price point that tends to indicate the reversal of price.

Make sure the signal also agrees with the trend and with the Moving averages to achieve the best results.

The following are double top and double bottoms signals. See if you can find the one not marked.



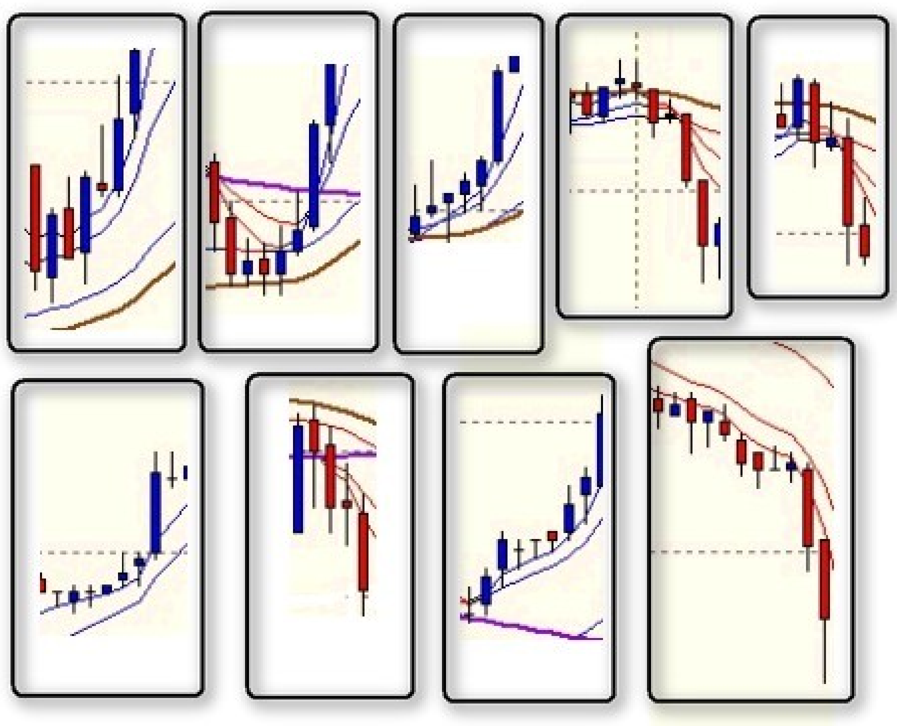
Double top and double bottom bar sets almost always signal either an entry or an exit point. As long as you are following the rules of trading WITH the trend of the moment, and the Rules of the moving averages you should be fine. Still, this does take some practice to master.

DO NOT TAKE A DOUBLE TOP/BOTTOM SIGNAL THAT CONTRADICTS THE TREND OF THE MOMENT!!!!!!!

Price Constrainment:

In our strategy, we also use “Price Constrainment” trades based on Price Action where Price is “constrained” by a Support/Resistance level. These “levels” can be either a Moving Average, a classical horizontal line of S/R, or (and this is the stronger of them) an area where Price is “constrained by one of the stronger moving averages, such as the 35 SMA or the 50 EMA. This also works with the “Round Numbers” levels very well and often indicates either a strong continuation trade, or an upcoming reversal signal.

The following images are where price is Constrained by either the 5, 10 or 50 EMAs. Pay specific attention to those areas in the images where the Moving Average constrainment is also accompanied by Round Number constrainment. Those areas of “constrainment confluence” and those around the 50 EMA are the strongest entries in the whole strategy we use here and the easiest to see.



Looking for “exhaustion bars” at areas of “constrainment is an extremely strong entry tactic. It allows for an entry with an extremely small Stop Loss, often less than 8 or 9 pips, and also indicates a strong move in the direction of the constrainment that, as you can see is often good for 20 or more pips on the move. I am sure you can see just how powerful this “constrainment” type of entry is. The above images show some trades where there were several of the very small “exhaustion” bars and any of them would have been a good entry point.

Additionally, often the candle will “wick off” of a “round number” and the body will be constrained by the Moving Average. Sometimes price will also “wick off” of a higher MA and the body be constrained by a lower MA. In both cases THAT IS CONFIRMATION IN ONE BAR of the momentum of the trade as a continuation trade. In some instances it also indicates a reversal area to watch for an entry. In these areas there will be times, as you get more experienced with this strategy and using the Moving Averages with the Round Numbers, where you will be able to enter on the “touch” of a level or a Moving average, further increasing the value of the trade.

That, however takes a bit of experience. At first, you should concentrate ONLY on “seeing” the trades that are “constrained” in a particular direction by a CONFLUENCE of the Moving Averages and the Levels as they are the strongest.

Often P/A like shown in this section is used more for finding exit points than entries in this strategy, especially if they happen at or very close to a Round Number. For the most part, stick to “Constrainment” and “Touch Traces,” you'll have a lot more success.

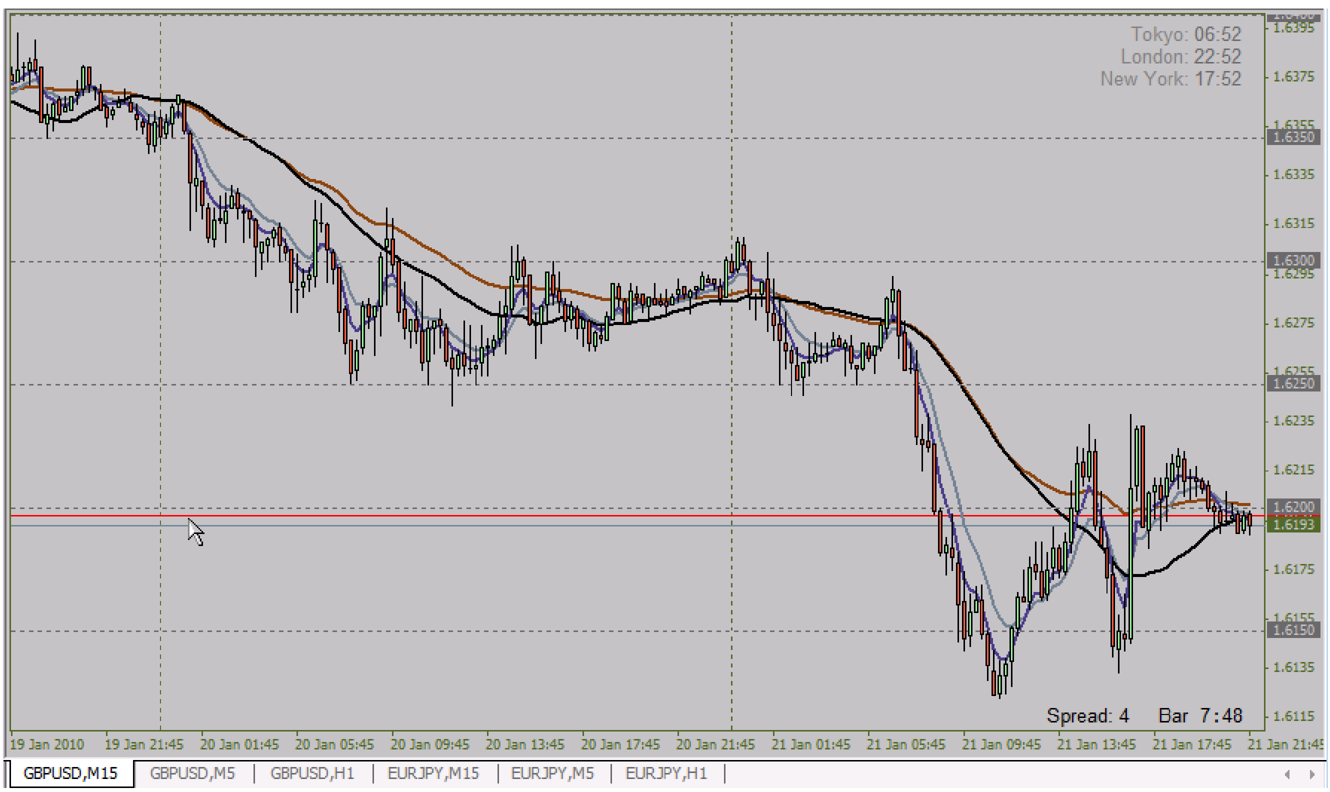
NOTE: All good constrainment trades have MORE than two and often more than three very small bars in the beginning of them! Look at the Sixth, Eighth and Ninth images in the image series above for both MA really strong “lower MA” constrainment trade entries. The others off the 50 are stronger, but sometimes a little more difficult to see for a beginner. “TOUCH TRADES” are ONLY taken if they happen with NO MORE than two bars to “get there.”

Chart Setup:

In this strategy there is only ONE chart setup. Three Moving averages, a bar clock with spread, a clock to indicate market times and a "Round Numbers" indicator. There are three time frames used for each currency, two of them used only for confirmation of Trend and the other for fine tuning entries. The Moving Averages are for trend determination, as well as to indicate a floating level of Support and Resistance. The Round Numbers indicator places light lines on the chart to show areas of psychological importance for most traders and the Candle Timer is to help you in pinpointing the close of candles for entries. The 10 EMA, the 35 SMA and 50 EMA are use as floating Support and Resistance Levels and to show areas of "Constrainment," "Confluence" points for S/R and Trend of the Moment for determining entries and exits.. The 50 EMA dictates whether you will be looking for long or short trades.

Adding any more to the charts will only serve to complicate the issue and open the door to confusion and additional opportunities for mistakes.

Below is an image of the Gbp/Usd chart and one from the Eur/Jpy from a normal day's trading. You can see that it quite literally is at the end of the chart, not cherry picked.



Notice how Price respects the round number levels as well as the stronger EMAs on the chart? It is especially apparent on the Eur/Jpy chart above. Most of the time, when you see a reversal, it happened at the 50 EMA, a confluence of Moving Averages or at one of the round number levels. The chart above is clear evidence of that.

This works on all time frames on all currencies, but for our purposes though, we will be referring exclusively to the M15 charts, these Moving Averages, and the "Round Number Levels."

As you can see, with this strategy there are lots of opportunities to trade and to trade successfully.

Template Used: In this strategy includes template titled "The Dance." Throw it on a chart and have fun. It really IS THAT SIMPLE. KEEP IT THAT WAY!

Don't go getting fancy with ANY other indicators, they just complicate things. If you want to draw the previous day's high resistance of low support that's fine, just don't clutter up the charts! BUT ESPECIALLY AVOID OSCILLATORS, the will lie to you waaaaaaay to often.

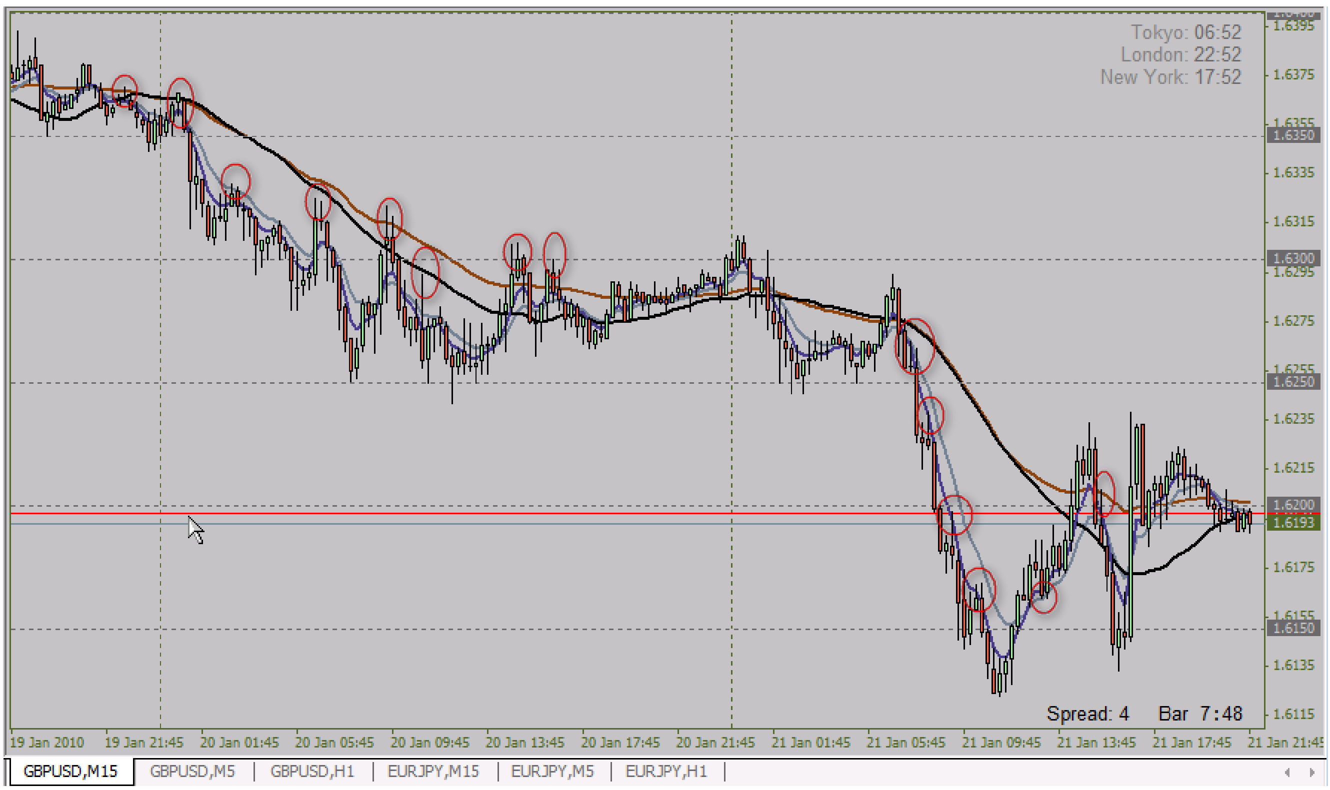
Indicators Used: 10 EMA, 35 SMA, 50 EMA Moving Averages, Round Numbers Beige, Candle Time & Spread, Clock and NOTHING MORE!

DO NOT USE OSCILLATORS, they will only confuse you and cloud the Price Action signals given!

Taking The Trade!

M15 is not only a great chart to trade on, it's a fabulous teacher. If you miss a trade, be patient and you will get another shot in a little while! I have personally had days with several potential trades, watching only a couple of currencies.

The following M15 chart illustrates that exact point very well. The areas circled indicate potential trades over a two day period. Notice that trades around the 50 EMA/ 35 SMA Lines are particularly strong trades when they also are used WITH the trend, with constrainment or P/A bars!



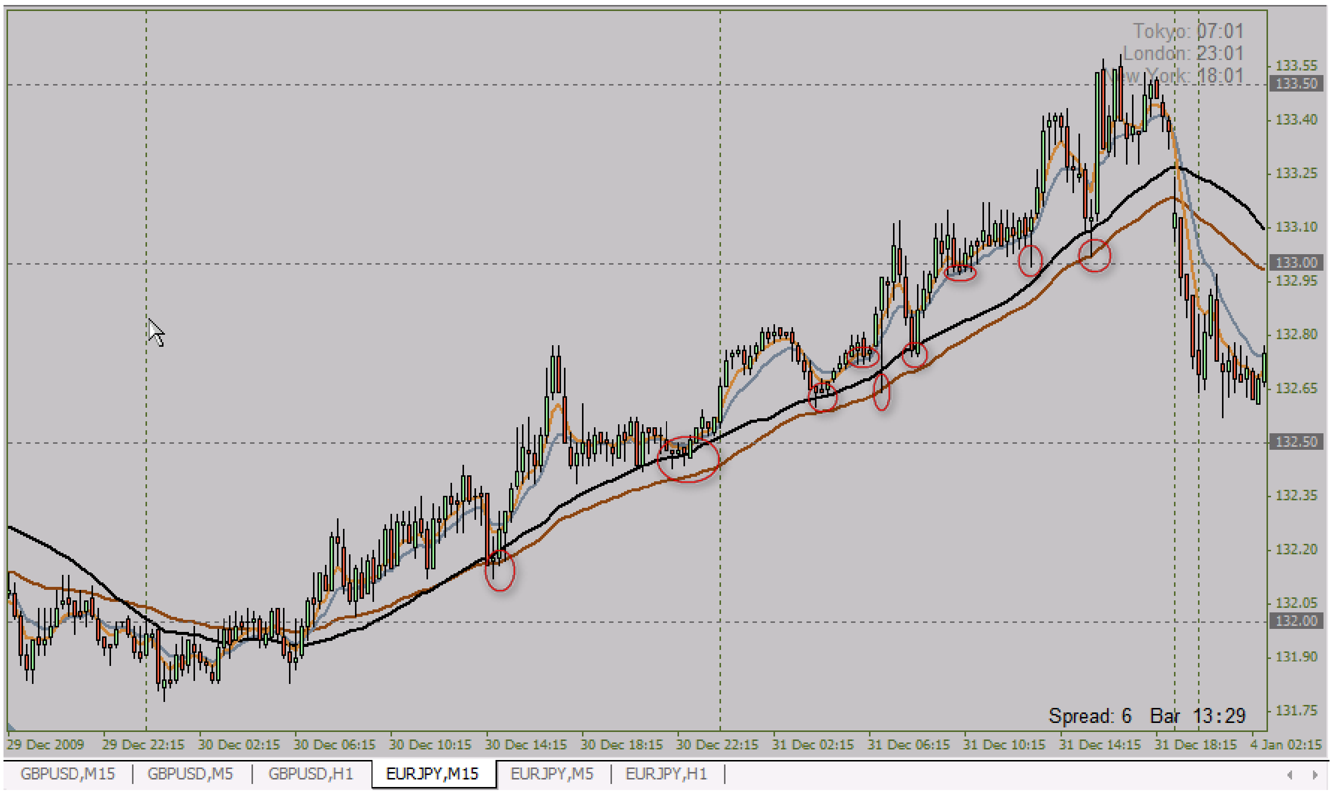
Every area circled in the chart above indicates a perfect "by the rules" potential entry. Throw the template on a chart and scroll back. It should be as plain as the nose on your face how this strategy works. KEEP IT THIS SIMPLE, or don't trade!

Once you enter, move to BE as soon as possible without killing the trade. It will take some time and work to get good at this, but it's better to lose some at the beginning at BE + 1 than to take lots of losses. IF you do take losses, Not even one of them should be more than 11 or so pips, EVER!

Using Price Action, the 50 MA/ 35 SMA Lines, the 5/10 EMAs and the Round Number levels to take "bounce" trades against is an extremely awesome strategy with lots of opportunities for trading, as you can see.

Finding entries on those days when price does what I call a "slow burn" in a very, very slow trending movement can be challenging to say the least. On those days, this strategy helps a lot. Look for high percentage entries against the stronger EMAs and then just stick with it as long as it does not reverse. Here are some trade potentials circled on an Eur/Jpy chart from the recent past.

Notice that as you gain experience, you will be able to take some "first touch" entries off the 50!

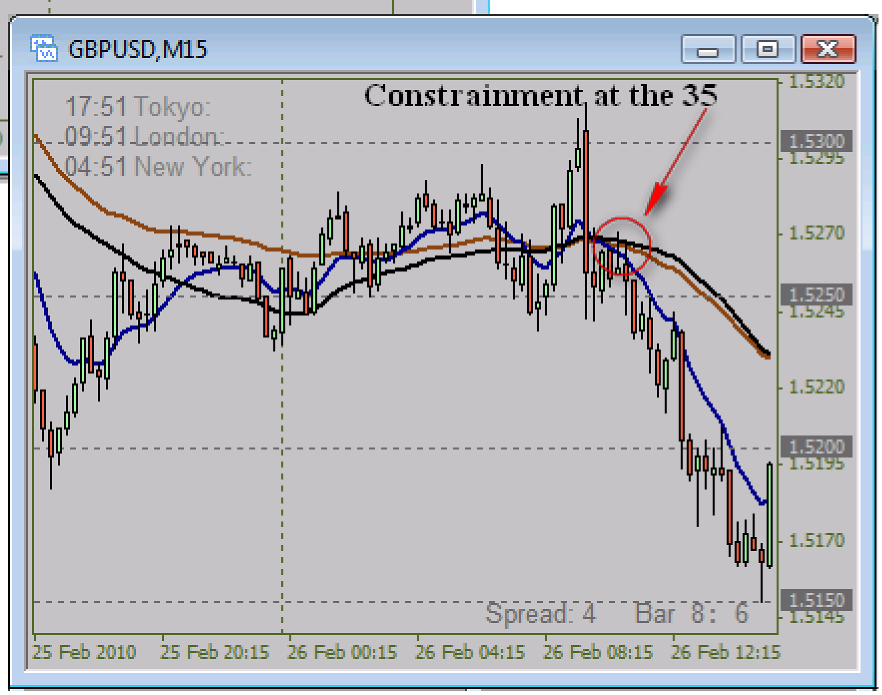


There are a lot more examples coming up, especially at the end, so be patient.

The Constrainment Trade

The Constrainment Trade can happen against any of the three Moving Averages in this Strategy. THE STRONGEST of them are always taken against the 35 SMA when it and the 50 EMA are literally "on top" of each other and the 10 is on the side they are 'bending' toward. Usually Price will sort of "bounce along" the 35 for several bars, at least three before you take the trade. It can happen against the 10 EMA as well but these trades are a little "weaker" and you need to keep an eye on them until you get some pips locked in from one.

Constrainment trades often yield 30 to 100 pips or more, so be sure not to choke it out early. Below are some images taken from random areas of recent chart activity. If you scroll back you will see lots and lots of examples of this sort of constrainment where entries were not only possible, but where the trades also yielded large gains.



The AAA “Touch” Trade Entry

“Touch Trades” are almost as strong as the “Constrainment” entries. They are a bit harder to “catch” as they can happen extremely quickly but the gains are normally really good and happen really fast. Remember in “Touch Trades” to pay STRICT attention to the TWO BAR RULE. If you don't, you'll get bit way more often that is necessary. Also remember that on “Touch” trades the SL is NEVER more than 11 pips.

Here are the criteria for strong “touch” trades.

10 EMA “Touch Trades” on M15 Charts:

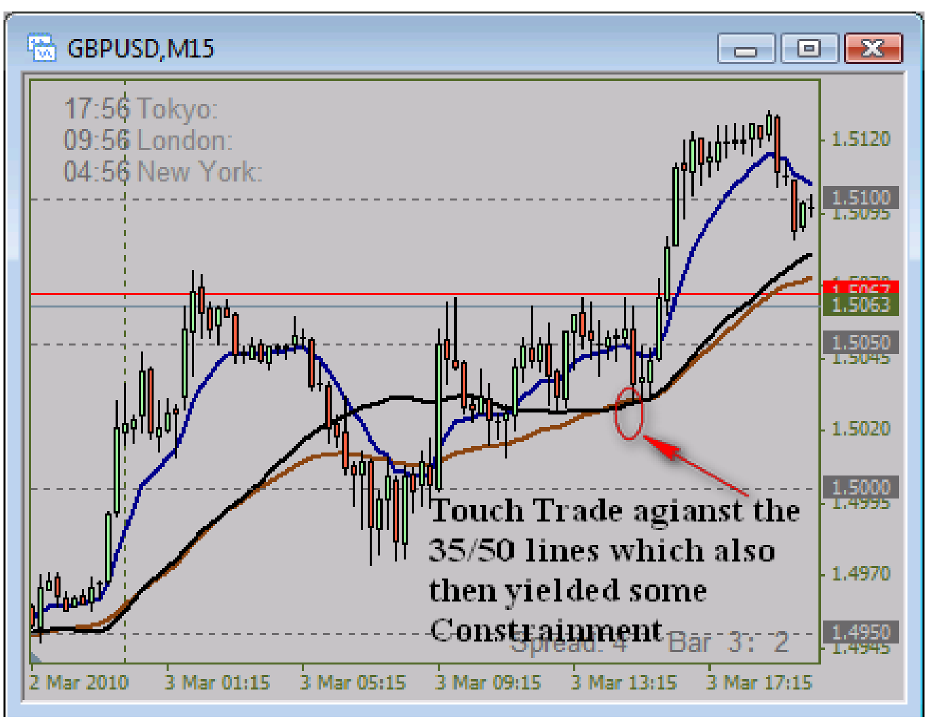
1. Must be at a “very steep” angle of about 45 degrees, or more. Less of an angle weakens the trade.
2. NO MORE than two bars to “get there.”
3. Stop loss is NO MORE than 11 pips EVER.
4. Confluence of an H1 MA strengthens the signal.

35/ 50 Line “Touch Trades” on M15 Charts:

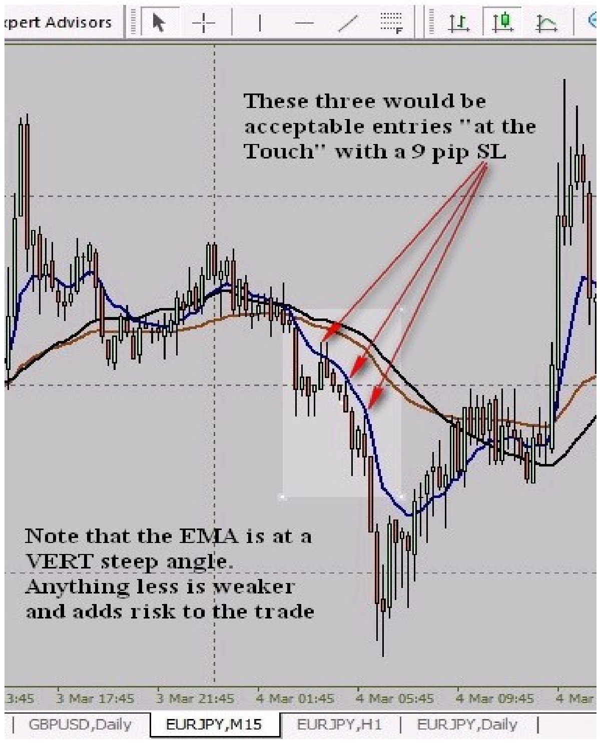
1. A reasonably steep angle of about 20 degrees or more, OR both lines “on top” of each other. Having both happen is very strong.

5. Stop loss is NO MORE than 11 pips EVER.
6. Confluence of an H1 MA strengthens the signal.

Below are some examples of the “Touch Trade” entries. This one is off the 35/50 lines when “on top” of each other.

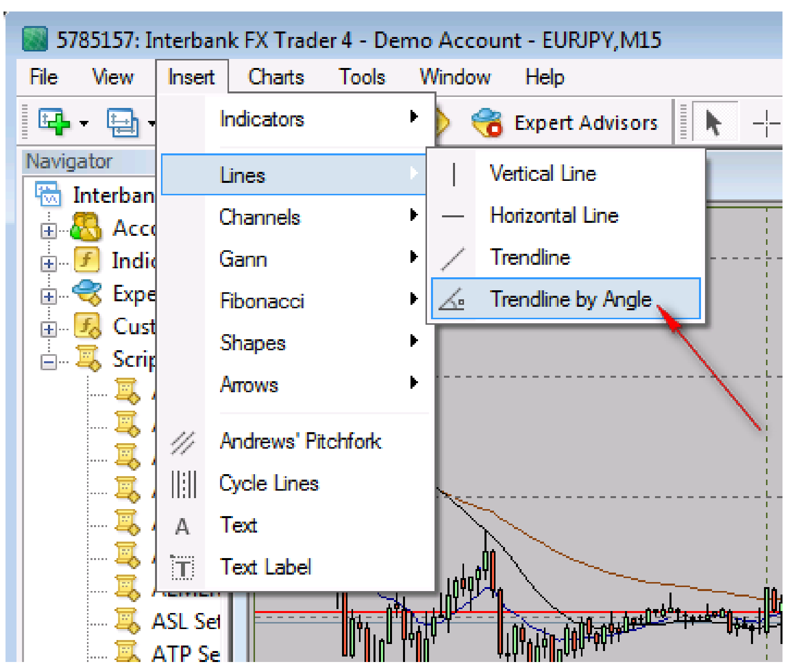


This one is off the 10 EMA when at a steep angle. It approximates a 45 degree angle and I use the "rectangle tool" of MT4 to create the "box."



Using the "Angle Tool" in MT4 for "Touch Trades."

In the "line studies" menu of MT4 there is a "trendline by angle" tool that can be accesses as seen below.



When used on the charts, it creates a trendline with an area where you can see the "angle" of the line like seen below.

You simply select the tool, then click the chart at the point where you want to start to measure the angle then drag it across the chart for a little bit so the lines and the angle appear. If it is an upward move, the angle will appear in a normal way but if it is a downward move, then you have to do a little mental math to get the angle.

In the example above, the angle on the chart is 311.7 degrees. Remembering there are 360 degrees in a circle, we then subtract this number from 360 to find that we have an angle of 48.3 degrees. This means that a "Touch" of the 35 at this point is more than likely a good short entry as a "touch trade."

You would do precisely the same for the 50 EMA and the 10 EMA. Keep in mind the whole point is to "measure" the potential strength of a bounce from a "touch" and nothing more. Keep it simple. The sharper the angle, the stronger the trade. Under 20 degrees angle, I would probably pass on a 10 EMA Touch, and under 15 degrees on a 35/50 trade.

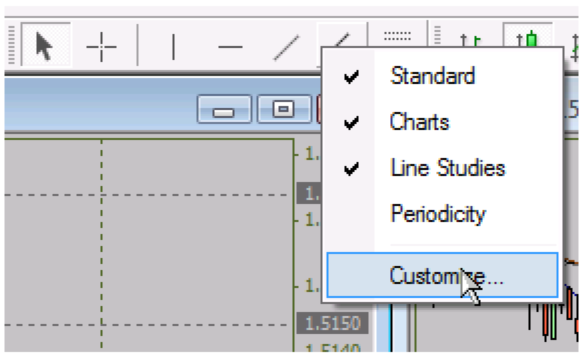
Once you let go of it it should stay highlighted so you can hit the "delete" button on the key boars and get rid of it. Once you have measured the angle, you don't need it anymore cluttering up your charts.

NOW, measure the line **WHERE IT IS**, not from where the move started or you will get a false reading on it's angle. If it has started to "flatten" out a bit, then measure from the last few bars where the "flattening" began.

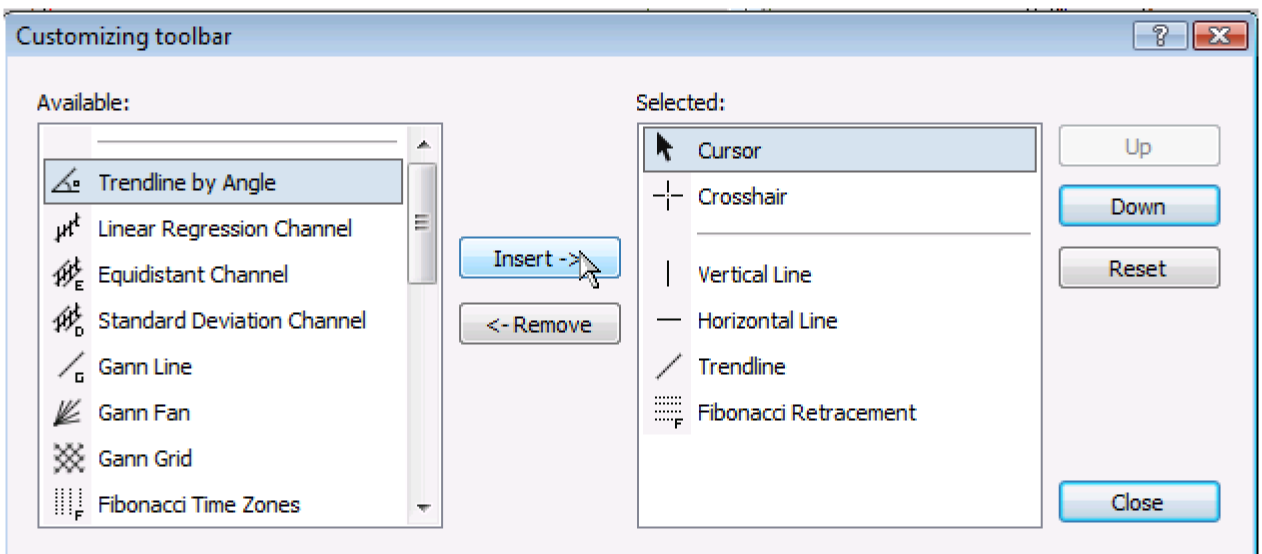
Next let me show you how to "customize" your tool bar to you don't have to "hunt" for it when you need it.

Setting up the Toolbar:

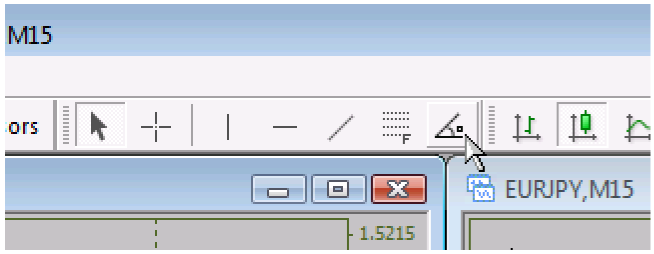
Right click on the tool bar and the menu to modify it appears. As seen here.



Select "Customize" from the list and this next window appears.



Highlight the "Trendline by Angle" selection then when you click the "Insert" button it will move it to the right side of the list. At that point you can use the "up" of "Down" buttons to place it where you want it in the list so it will show up in the tool bar for easy access as seen below.



How To Let The Market "Show It's Hand"

Most who have traded even a little bit or researched a little bit have heard the term. "let the market show it's hand." The supposition is that once that has happened, you can take a safe trade with this new information. I struggled for a long time trying to figure out just how this happens and what it means.

It's really pretty simple. Price Action is the best "indicator" of the direction the market will move. The previous section discribes some, but by no means all of the ways that Price Action can be used to watch as the market "shows it's hand" so you can trade safely. Even with this arsenal of tools, sometimes, the market will "show it's hand" then just go the other way. It can be very, very schizophrenic at times.

Still, by using price action you can mitigate your risk on the entry extremely well. There are sections later that expand on this to a great degree, even an additional part of this manual that is about the "Three Main Trades" of the Dance Strategy.

Here is a short version of all this.

A Pin Bar, at the top or bottom of a very long run of price movement is a good way the market "shows it's hand" that price has exhausted itself. Often it is also preceded by progressively smaller bars in the direction of the movement. If price is also approaching a S/R level of a Round Number, or a place where Price reversed in the opposite direction previously, or one of the Moving Averages used here, those things ALL can be used to determine if the market is truly "showing it's hand" to the trader who is attentive.

When price is constrained by one or another Moving Average, Round Number, S/R level or a confluence of any of these, that is also how the Market "shows it's hand" to the trader.

Let's take an example. Let's say that price has just dropped 50 pips going short and then retraces a small amount, say 25 pips and in the Drop crossed the 35/50 lines fairly sharply. You might not have had any warning and might have missed the entire move. NOW though, price is in a retrace and heads back to the 35/50 area. If it hits and starts to sort of "bounce along" one of these two main averages, that is constrainment and the market demonstrating a resistance to going up any further. THIS IS ALL THE CONFIRMATION YOU NEED at this point.

After a couple to maybe 3 or 4 bars like this, if you have not already taken a trade back in the original direction of the movement of Price, (short if it was short, long if it was long) then you have probably already missed the best entry point. The market's inability to cross back through a Support or Resistance Level, whatever that may be, is the market "showing it's hand." If you wait to long, it will more than likely, suddenly move 10 to 20 pips the way it was showing it's move would be, and you have missed the trade's best entry if you are not already in the trade.

The “Touch” trades described in this strategy are much the same. The market often will “hit” or “touch” a significant S/R level and then literally “RUN” away from it as much as 20 to 50 pips in one or two bars. If you are not expecting that to happen, you will miss it every time until you learn to trust it and use very short stop losses to take advantage of it.

Learn the Price Action bars in this strategy. Learn the power of the 35/50 lines, the Round Numbers and learn the power of more traditional S/R patterns as well. Things like double and triple tests, often called “double tops/ bottoms” or triple tops/ bottoms” at an area of S/R can be extremely powerful and often allow you to take basically the exact same trade a couple of times in a session for good pip gains.

The value of learning how price moves around the Moving Averages, Round Numbers and traditional S/R levels cannot be exaggerated. The more you can “see” them, trust what the market is telling you through them, the more successful and the wealthier you will become in trading.

In the rest of this manual we discuss the three main types of trades, we demonstrate what they look like in “real time” through the use of Screen captures at the point of the trade and just after at either the move to BE, or the exit from the trade.

USE THE SIMULATOR A LOT and pay attention to the examples given and you will do really well. You may even surprise yourself and master this strategy a lot faster than you think.

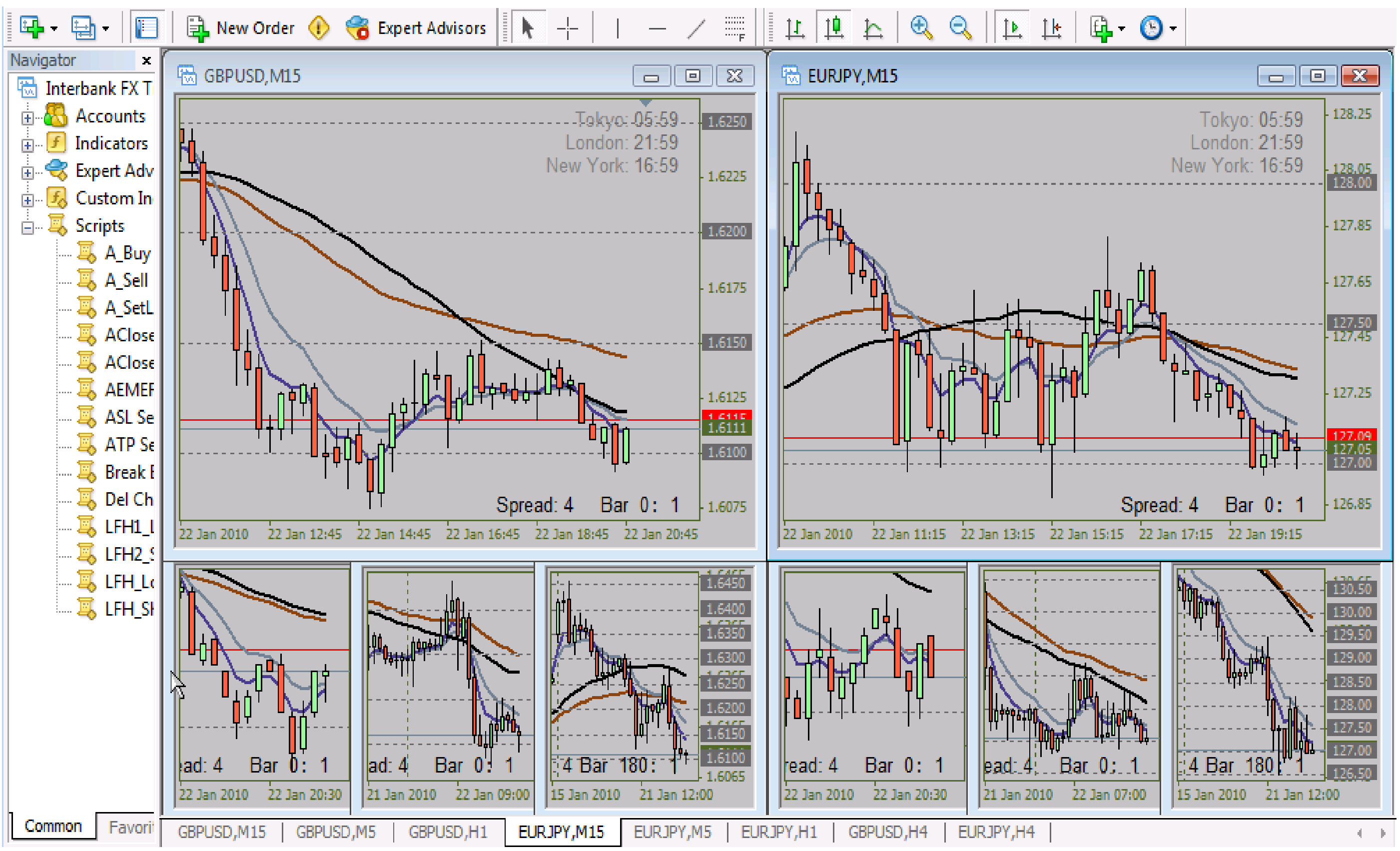
Putting It All Together:

Screen "Setup" or "real estate" is very important in trading. One must be able to "see at a glance" whether or not a trade is imminent or not and the direction it most likely will go. Most computer screens are not large enough, and most systems to not allow for multiple monitors to allow one to see the charts in the best possible fashion.

This manual was created using a 17 inch monitor, which is pretty standard in today's world. Still, that is pretty small when you need to "see" several charts at a time. The answer to this dilemma is to "stack" the chart windows.

The following is a screen shot of our setup on Metatrader. You will notice that I only monitor three or four currencies at the moment. With a larger screen I would probably monitor more, but I want to see CLEARLY the setups.

HOWEVER, it is possible to trade only ONE currency and make great profits and become extremely successful. Never underestimate the power of simplicity in this area as well! Learning the "personality" of a currency is amazingly powerful as well.



You will notice that this setup leaves room for access to the "Scripts" area of Metatrader. I have discovered that using Scripts to trade with is much faster, more flexible, and in short a lot easier to do.

Entering a trade is as simple as dragging the appropriate script (buy or sell) to the chart you want to execute an order on and letting it drop. The execution should be a LOT faster than using the normal MT Order interface. You could also just click on the chart you want to execute on then double click the script you want to execute. That works even faster.

The Scripts for Buy and Sell orders, have preset SL and TP levels. These scripts access a global variable previously set by the A_SetLotSize script. I suggest setting your trade/risk % once per session at the beginning. That will automatically increment your trades for a bit more aggressive compounding without running the risks of "instant compounding" while trading.

There are other scripts for moving both by simply dragging the appropriate Script to the appropriate chart and dropping it.

The SL or TP scripts will move your SL or TP to the exact spot on the chart where you drop it.

There is even a BE Script for moving to Break Even to mitigate Risk in a trade. We talk about the Scripts later.

Refining the Entry

Using three charts on differing time frames for a single currency is nothing new. Many do it. The difference with this Strategy is that we do NOT change to different Moving Averages on the various time frame charts. Once you get used to seeing the P/A around the averages, it just doesn't make much sense to me to change them. In addition, the 35 SMA is very strong on all the charts!

Below are is an image from one of my trades. I have marked the SAME time on two of the charts in the group. One on M15, the larger chart, and one on M5, the smaller left side chart. Remember, the reason for three charts is so you can see the overall recent trend on H1, start to choose your entry on M15, then refine it on M5 for the best possible entry and exit. I don't use M5 much any more but this shows the principle really well.

Notice that on BOTH of the lower time frame charts price was being "constrained" by the SAME EMAs. On M15, there was a three bar area where a good entry could have been made, but on M5 the same area was several more bars. This all is just added confirmation of the trade and should give you more confidence for an entry.

However, once in the trade, it's best to manage it on M15 trailing your stop loss on M15 bars as it eliminates the "chop" that shake people out of otherwise strong trades. If you had trailed the SL on M5, you would have been shaken out a couple of times. Stick to trailing the SL on M15, it will greatly increase your gains overall. This trade was ultimately good for about 40 pips.

This next image shows the same principle without the use of the M5 chart. The trade was taken at the immediate H1 “Touch” of the 35 and gave up about 40 pips as well and you can see on M15 where it hit resistance.

A Word About Wicks

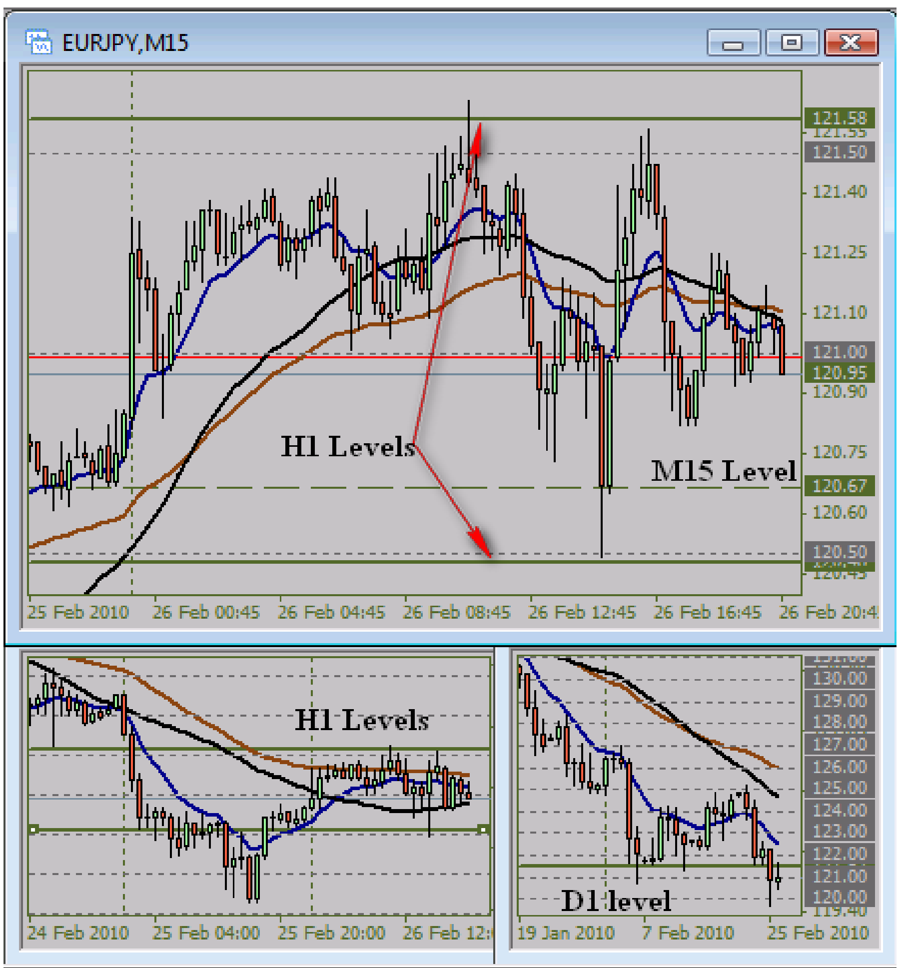
Wicks on candles are used lots of ways in all sorts of Strategies. In “The Dance” we use them only for immediate S/R levels from the immediate past two or three days. Longer than that just messes up the charts. Using wicks to set both exit levels and entry levels can be pretty powerful. Just don't get too carried away with them and keep them simple and your charts clean or it gets confusing.

If there are lots of wicks on M15, use the H1 chart for the levels you need. If H1 is too “choppy” with too many wicks, use D1. I seriously doubt D1 will ever have “too many” to mess with you.

Below is a chart that shows what I am talking about. There is one from M15, then I zoomed M15 out to and H1 chart to find a couple more levels, and marked them both on H1 and M15 to make them more apparent to you, and even one on D1 just for emphasis. Trade these like a “normal” S/R Level, when they “get there” take the trade and give it no more than a 19 pip SL. IF they stall within a couple of pips, take them and wait with your SL like you would normally use it.

I don't recommend trading “chop” but as in the chart below where there are clear S/R levels, VERY close to the Round Numbers areas it can be acceptable to take the reverse trade “as if” it touched on a second candle. Just be sure you use a long enough Stop Loss so you don't get taken out in the entry candle.

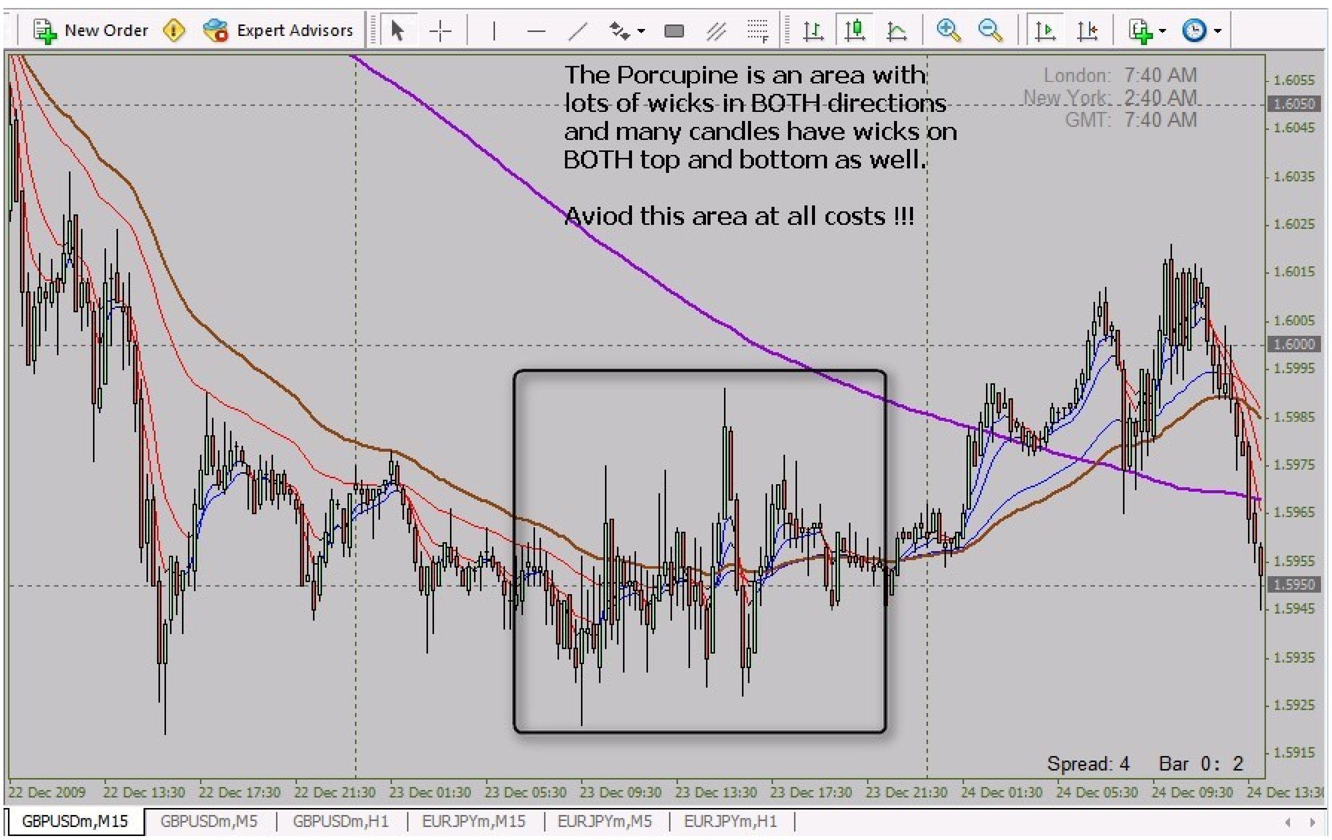
Enjoy!



Stay OUT!

As with all strategies, there are areas to avoid at all costs. As simple as this may sound, it will vastly increase your profitability and success rate.

1. NEVER TRADE a price action bar by it's self! There MUST be some sort of other reason for the trade such as the bar occurring at a Support or Resistance Level, a "Round Number," as a bounce off of a Moving Average as a constrainment trade in a counter trend trade ONLY after price has traveled a significant distance away from the 50 and both turned below and retested a lower MA.
2. NEVER FORCE a trade, wait patiently for the "perfect" setups found in this manual.
3. NEVER TRADE if you are not 100% "sure" of the trade. But at the same time, don't let fear stop your trading, you must trade, just be 100% "sure" the trade fits the rules before you do.
4. Lastly, ***<u>NEVER TRADE THE PORCUPINE!</u>*** The "Porcupine" is an area of price activity where the price bars have lots of wicks on both sides of them, and those wicks are "significant" in size, meaning more than just a few pips. The "Porcupine" is demonstrated in the examples of "Stay OUT" following this area of definition.



Fakeouts occur often in Forex Trading but there are ways to mitigate them. First, DON'T LET PRICE FOOL YOU! Here are a few examples of what I mean.

In the above chart, the last area in the box is where lots of "fake outs" happen. Things may look good, but any entry in these areas would violate the rules and leave you vulnerable to indecision and many other bad things such as reversals that are too fast, extremely wide SL settings and more.

Avoiding the bad trades is just as important as making the good ones. If you are not "sure" of the trade, STAY OUT and wait for a better setup.

Trade Management

Risk is a personal thing and it should be. No one can assess risk the same way you do and no one should. There are many who say never to risk more than 2% on a trade, some say 3% and I have seen traders use as high as 20% on a trade. It all depends on your confidence level and how much you can afford to lose if you do.

Personally, trading with 2 to 3% risk PER POSITION is acceptable to me. What that means is that if I take a position in one currency, usually it's no more than a 3% risk for that currency. Sometimes, I take two positions in a currency and that means that each position is 3% or 6% total risk. Sometimes, I see really good trades in multiple currencies and I can mitigate risk by taking a single position in more than one currency. As long as each position is no more than 2 to 3%, I am personally fine with it.

My suggestion is that you trade with no more than 3% per position and choose ***EXTREMELY*** carefully how many currencies to take positions in as well as the entries you take.

If you choose your entries carefully, then you can lock in profits pretty quickly this way. When you hit 9 pips (or whatever is comfortable for you), move to Break Even (BE).

Now let's talk Exits.

Exits can actually be ***more important*** than entries. Most of this manual is dedicated to filtering, “seeing” and taking strong entries so you can avoid lots of losses. The problem is that even with awesome entries, if you don't have an equally strong exit strategy, you will still most likely fail. I did for a long time.

When I first began, I had many, many trades that went profitable pretty quickly, but in an effort to let the trade “breathe” as so many talk about, I often ended up at a loss. Letting a trade “breathe” too fast is often fatal. If the trade is a strong trade, it should give you at least TWO bars of profit before any re-test occurs of any significance. If it doesn't, you really don't want to be in the trade any way.

Still, allowing a trade to “breathe” is extremely important to long term trading success, BUT at the beginning, NOT LOSING is MORE important. It builds confidence in the strategy, your ability to use it and it builds your account as well. If you have perfect entries every time, but let lots of them to negative you will lose confidence very, very quickly and have problems, beginning to think the strategy is flawed, when your “exit strategy” is the REAL problem! Don't be afraid to move to BE fairly quickly, at least at the end of the second bar.

Keep in mind that what you are aiming for is consistency, not huge profits, at least at first. They will grow if you are consistent. The main idea is to hit your targets every time. THEN work on maximizing the trades in other ways such as moving your SL on each bar and so on. Your “target” is NOT the 100 pip TP set by the scripts. IT IS to be profitable EVERY SINGLE TRADE, whether it is for only BE+1 or exit for 10 pips when price hesitates too long for you, or an exit at or very close to the next Round Number level. ALL ARE ACCEPTABLE trades. Even a Break Even trade is a good trade in the beginning and in fact even for veterans of trading.

At first, you will probably only be able to profit 10 to 20 pips consistently with this strategy. As you gain more and more experience, you will begin to have a “Feel” for the trade and price's movement and momentum. THAT is when you can begin to work on maximizing the trades and increasing pip counts.

One of the best ways to maximize a trade is to progressively move your SL up to the last retrace level and keep it just a few pips short of that. Then, by moving it up after each level, you will in effect be allowing Price itself to dictate your exits, not a predetermined TP level.

NOW, TRAIN YOURSELF TO IGNORE THE $$ IN THE TRADE and your account. FOCUS ON PIPS instead. There are a great many who will argue vehemently that you absolutely, positively must pay attention to the % of risk each trade, the total of the trade and in your account, your exposure and on and on and on. That's all CRAP unless you can first become consistent in your trading. Without consistency, you will never have anything to manage! Besides, using the Scripts described later, you can manage risk really, really well and easily too.

SO, if you really want to grow your new business account and have lots of “inventory” to work with, FOCUS ON GOOD ENTRIES, STRONG EXITS and PIPS ONLY AND EXCLUSIVELY. Let the Scripts do the work of Risk Management for you so you can focus on other things.

Once you are used to focusing on the number of pips, the stress of the $$ fairly disappears. Then you are left with either gaining or losing a few pips, nothing more or less monumental than the points in a video game. THAT is the mindset you absolutely MUST nurture and master to become successful.

If your trading is more like dancing, or playing a video game to you, the stress and “fear” that so often kills others will have zero affect on you. You will become immune to it and it will become much easier to focus on the actual trading strategy, the price action, and improving your skills.

Exits are acceptable at any point you are in profits. If you have carefully chosen a strong entry, moving to BE +1 fairly quickly, say after about 10 pips or so shouldn't even have any effect on the trade. If you are consistently being stopped at that level, re-read this manual, use the Simulator and fine tune your entries some more.

With the entries mastered, begin mastering the exits next. The more skilled you become at maximizing the trades to preserve the pips already gained, in the trade, the faster your account will grow.

That's it. Keep it simple and learn to **be consistent *FIRST***, then move on to longer trades, more positions and staying in to maximize the trade.

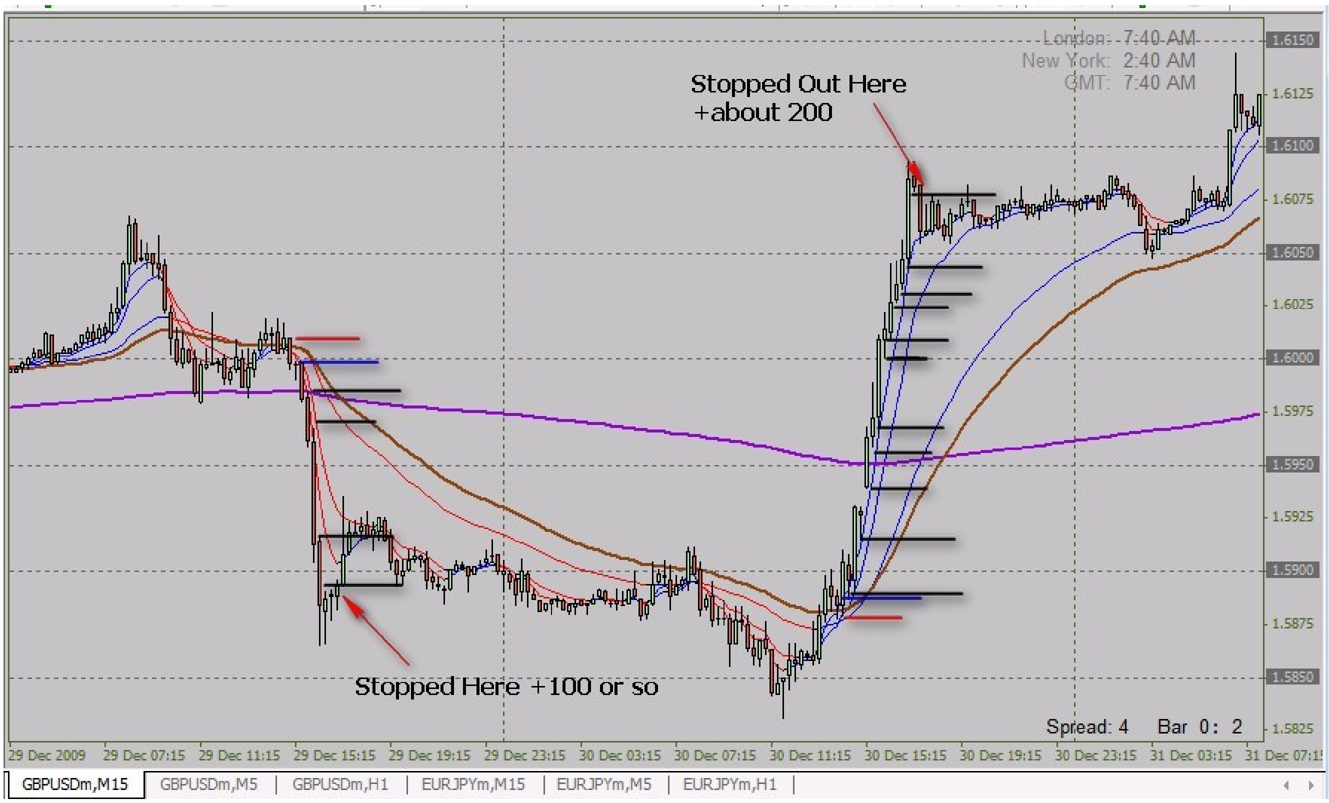
Trailing the SL:

Once in the trade, and you have moved to BE +1, learn to let it run. The following chart is a great example of that.

Place each new SL at the last extreme of the last candle +2 pips and NO MORE. IF the trade stops you out, you WANT THAT because it frees you up for a new trade and probably indicates at least a re-test reversal anyway. Moving any more aggressively will burn you too often.

If the trade is starting to "run" MOVE YOUR TP way out in front to allow you to maximize the trade.

Here is a good chart example. Each black line is where the SL would have been trailed to after each bar until stopped out in the trade.



NOTE: The averages used are now the standard MT4 averages and are colored slightly differently and the purple 200 is no longer used. This chart, however; shows extremely clearly how to trail the stop so I kept it in the manual for your convienience.

Keep in mind that if price has been ranging, or a bit more choppy, you may want to take your pips a bit faster near a Round Number.

The Checklist

On every trade there are a few things you absolutely must do and some you absolutely must NOT do. That is what this section is about, "scoring" the entry BEFORE you take it. The reason is that the Strategy is extremely powerful, but it does require a lot of patience and because of that and the power of the signals generated, you will be tempted to "push" the trade, to "make" it happen instead of letting it happen. That is the biggest weakness of "The Dance."

Here are the "must do's" of this.

If the trade is taken off of the 35/50 lines when they are "on top" of each other.

1. The trade MUST be in the same direction as the side of the 35/50 lines the 10 EMA is on.
2. Price Action MUST also be indicating the same direction for the trade.
3. It MUST be either a "near perfect" constrainment trade or a perfect Touch trade.
4. The lines MUST be starting to bend in the direction of the trade.

If the trade is taken off the 35 or the 50 AFTER the constrainment has already happened,

1. It MUST be a "Touch Trade."
2. It MUST obey the Two Bar Rule.
3. The line it "touches" MUST be at a fairly decent angle in the direction of the trade.

If the trade is taken off the 10 EMA,

1. It MUST be off of a very steep angled line.
2. It MUST obey the Two Bar Rule
3. It MUST be taken at the touch

If it is a constrainment trade off the 10 EMA

1. It MUST be constrainment with either Round Number confluence or
2. It MUST be constrainment with several smaller bars that cannot break the 10
3. It MUST have a very short Stop Loss of no more than 9 pips on the entry

If the trade is in an area of consolidation,

1. It MUST be after a large move
2. It MUST have a range of at least 50 pips
3. It MUST be taken off either a Round Number or a prior P/A S/R level
4. The 35/ 50 lines MUST be very close together and mostly horizontal

Here are the "must NOTs" of this strategy.

1. It must NOT be a counter trend trade
2. It must NOT be off a line that is "flat" or nearly "flat"

3. It must NOT violate the Two Bar Rule
4. It must NOT violate the Long/Short rule of the 10 being on the same side as the trade's direction
5. It must NOT violate the Session/ Currency rule unless you are very experienced with the strategy.
6. It must NOT be in the area of the “porcupine”.
7. It must NOT be taken less than 15 minutes before a news release

Setting Up The Charts

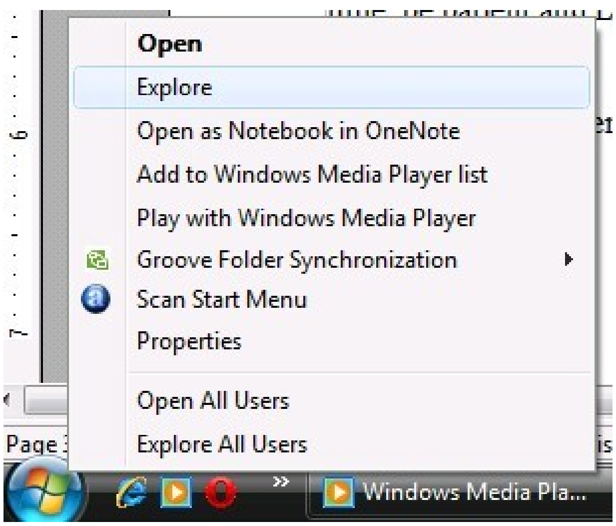
1. Find your Metatrader installation on your hard drive.
2. Find the Profiles folder and drop in the entire folder titled “The Dance” in it..
3. Find your Indicators and Scripts folders under “Expert Advisers” and drop the indicators in the appropriate indicators folder, and the Scripts in the appropriate Scripts folder.
4. Find your Templates folder under Expert Advisers and top the included template “The Dance” in it.
5. Start Metatrader and apply the new Profile “The Dance.” Everything should look exactly like this manual now.

If it doesn't, youtube.com has some great videos and this link on FF might help as well.

http://www.forexfactory.com/showthread.php?t=67529

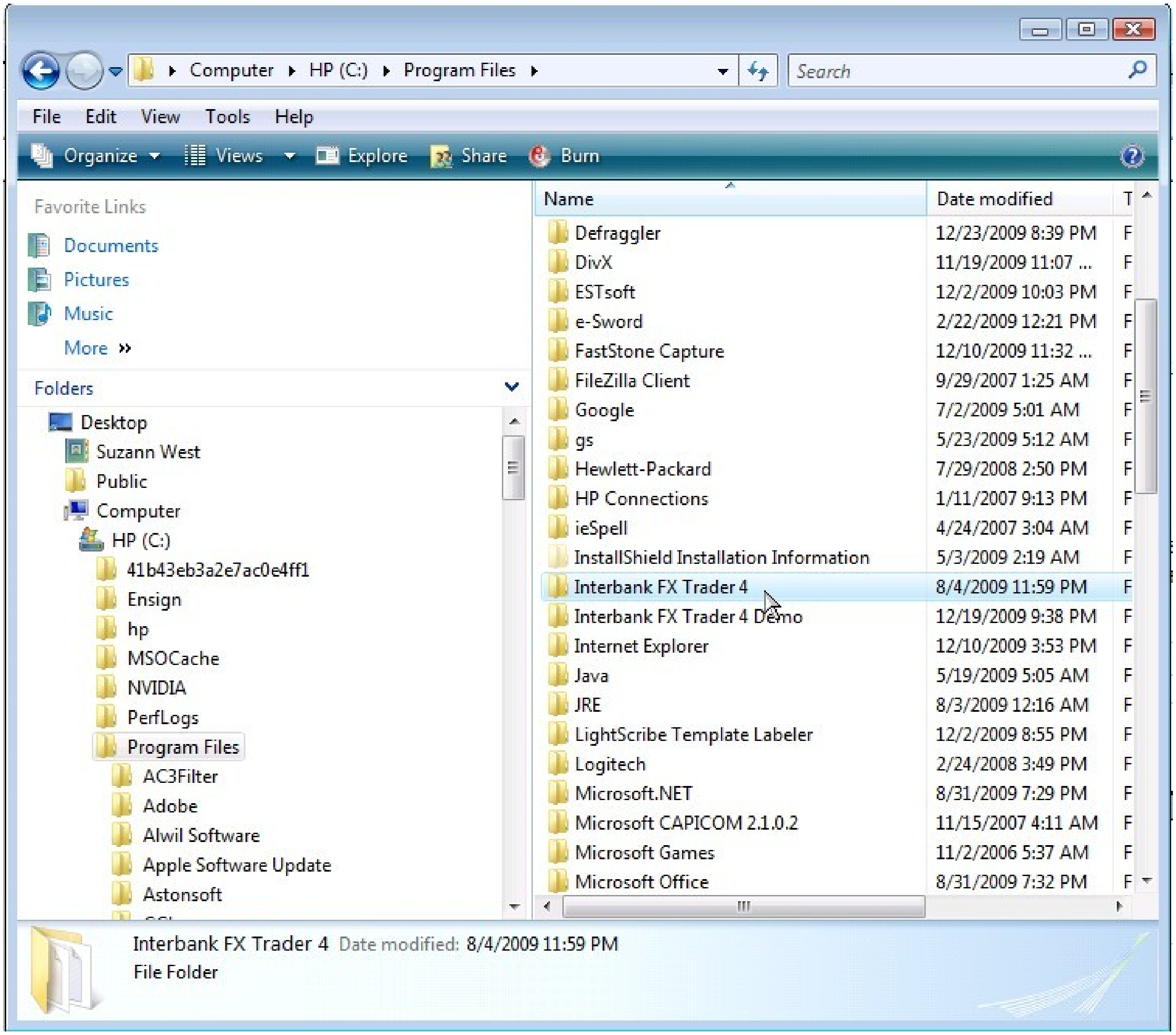
Here is a short tutorial on it as well.

Right click your “home” button, then select “Explore” from the menu

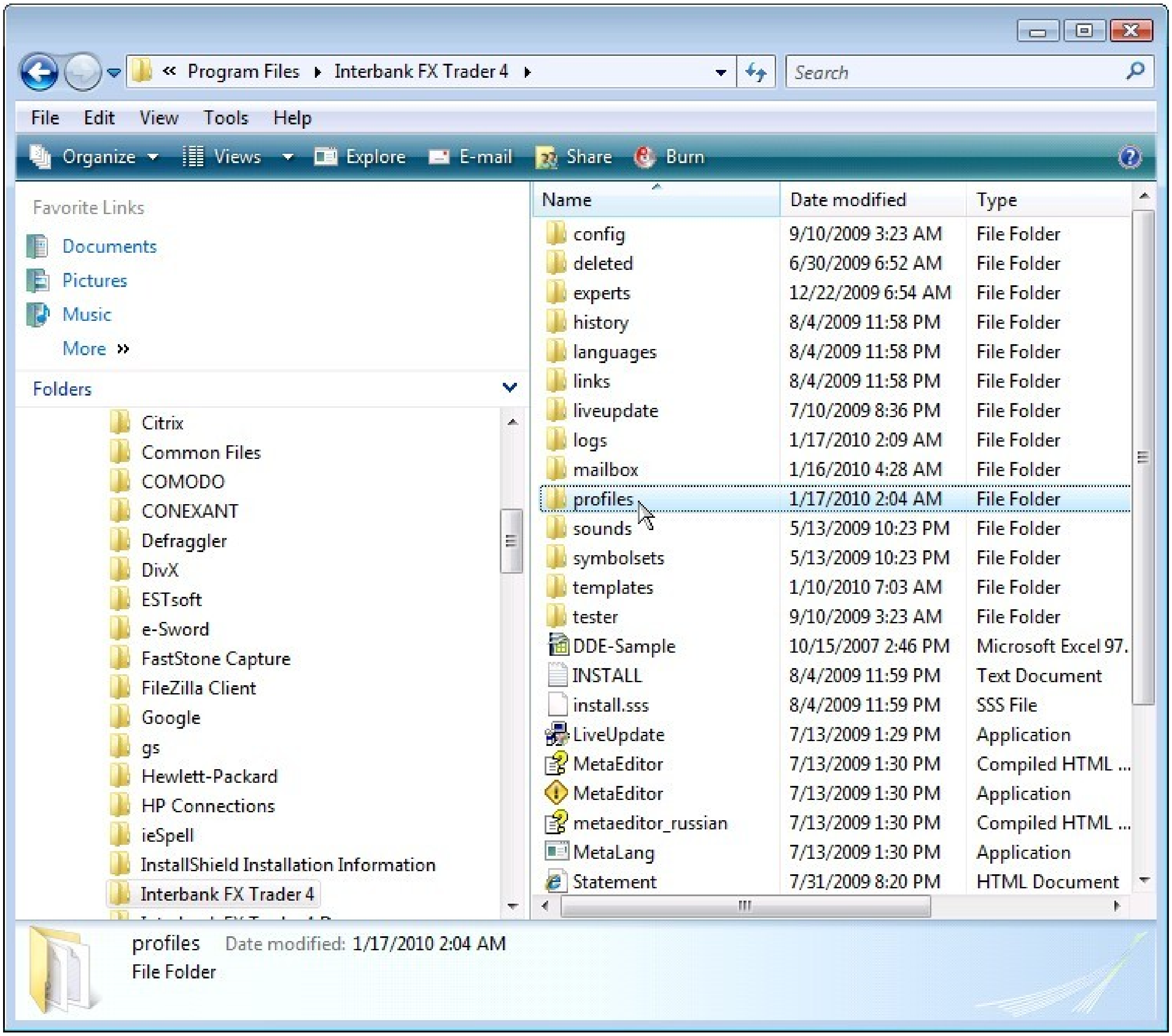


In the next window that opens find your “Programs” folder, click on the icon next to it and expand it. As seen here. Then in the right window, scroll down to your Metatrader installation. For me that is an IBFX folder. Yours might have the name of your broker on it or it might just have “Metatrader” on it.

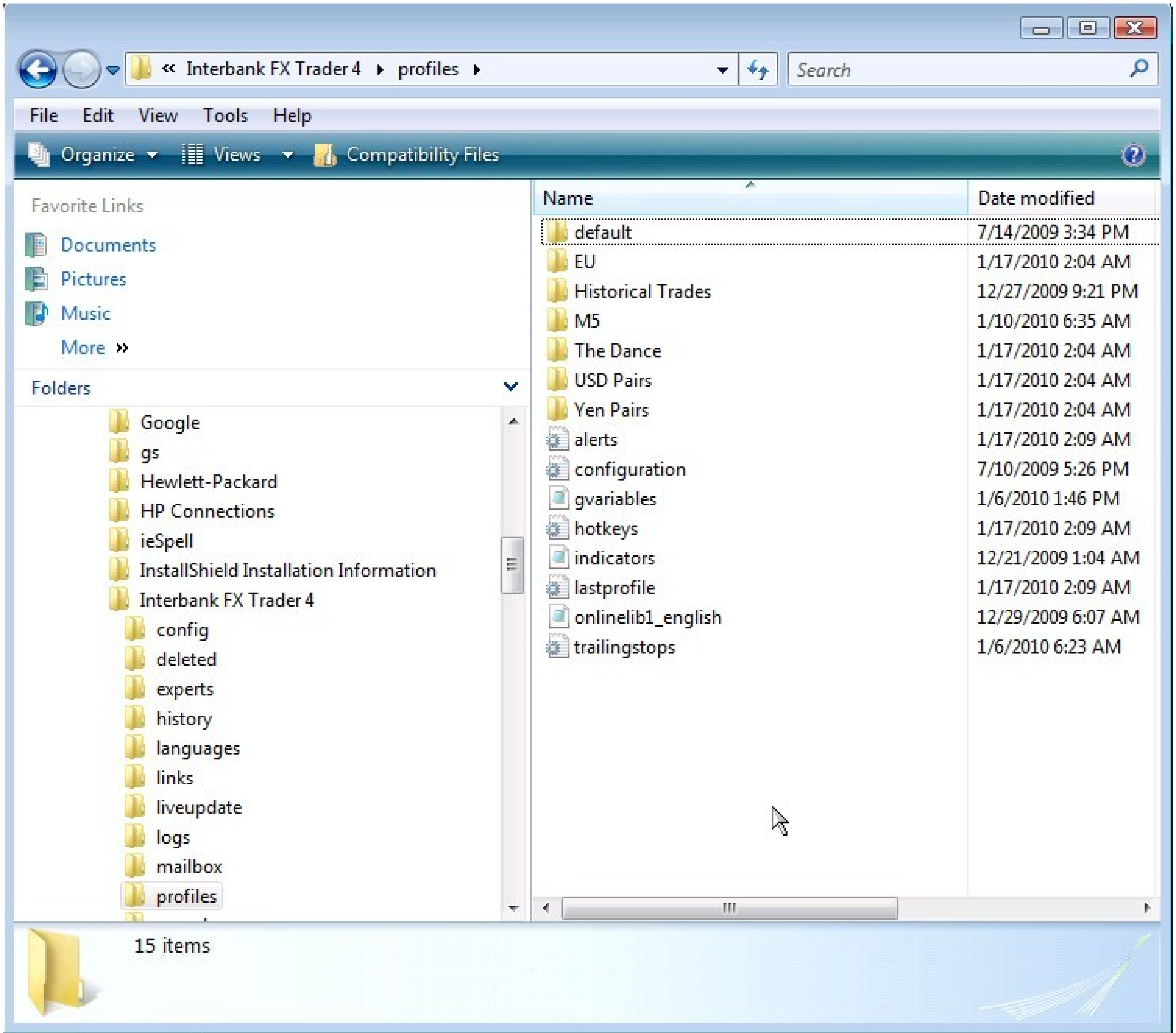
Once you find it, click it and expand it.



Once expanded, you will then see folders from Metatrader in the right window. Find "Profiles" and double click it to expand it as well. This is the folder the included profile "The Dance" is dropped into as seen here below.



Expanded view of “Profiles” is below.



Next is to find, click and expand the Templates folder in the left window. Then place the included template "The Dance" in it. Once you have placed the Profile and the Template correctly, then in the left window find and expand "Experts" and in the right window you will then see the Scripts, Indicators folders. Place the scripts and indicators included in the zip file this came in, in those folders and start Metatrader.

If you get the error message "Waiting for Update" in the chart window, just open the "Market Watch" are of your platform and drag the appropriate currency to the proper charts and they will update immediately. This was done with a Standard Account, so if you use a Mini, micro or some other designation from your broker, this error may occur. The solution is explained in the next section.

Using The Profile

Included in the zip file is a “Profile” for your use in setting up your charts. Profiles are a neat feature of MetaTrader that allow you to save a “profile” and rapidly apply it to another set of currencies. When installing the “profile” just find your MetaTrader installation as in the previous section on installing them.

Once you have everything installed, you may see an error message that says “Waiting for Update” or something similar in your chart windows. If you are using a Mini, Micro or some other account, your broker may use differing currency designations to update to your charts than these were created with. Should that occur, there is a quick and easy fix.

Just open the “Market Watch” window and select the currency you want from the list. Click and hold the mouse button on that currency, then drag it to the chart you desire and you will instantly see it change to that currency and update. It really is that simple. Repeat for each chart window.

If you decide to duplicate this for more currencies, just save the profile with a new name and follow the same procedure to replace the currency in the windows displayed with a new one.

See the image below.

Using The Scripts

Several "Scripts" are included in this strategy. The intent of these Scripts is to make trading much simpler, quicker and easier to do. ***PRACTICE IN DEMO*** before using them so you know what you are doing with them !!!

The Scripts are as listed below.

- **A_SetLotSize:** This script sets the size of Lots you will be trading for each session. **IT MUST BE SET FIRST** ***for each session*** or the next two scripts which execute a buy and a sell WILL NOT work. It is used to set the Lot size based on the account balance and the Stop Loss you choose to use. It is pre-set to a 15 Pip SL but when clicked launches a pop up you can use to change the risk and the SL setting if you want to. That is not recommended.

- **A_Buy:** This Script executes a single order buy simply by dropping it on the chart. It is preset to a SL of 19 pips and a TP of 100 pips. Once executed you should immediately decrease the SL. The setting is only to give you time to think about where to set it, but still have one in place.

- **A_Sell:** This Script executes a single order Sell simply by dropping it on the chart. It is preset to a SL of 19 pips and a TP of 100 pips. Once executed you should immediately decrease the SL. The setting is only to give you time to think about where to set it, but still have one in place.

- **AClose First 1Pair:** This script will close the first open order on a single chart. Simply drag it on the chart and drop it. Thanks to FF's Swingman for the script.

- **AClose All 1Pair:** This script will close ALL open orders on a single chart. Simply drag it on the chart and drop it. Thanks to FF's Swingman for the script

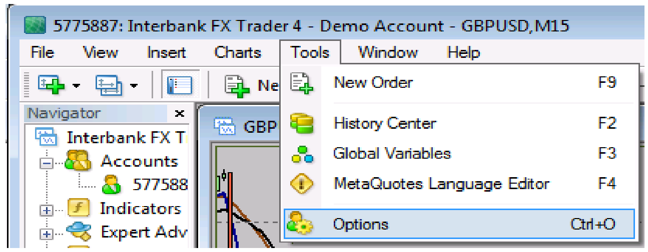
- **AEMERGENCYCloseAll:** This Script will close ALL positions on ALL currencies immediately.

- **ATP Set-Move:** This Script will set or move ALL the Target Profit lines on a specific chart. Simply drag and drop it on the desired chart. If no TP is present, it will create one. Use this to change the TP on a trade.

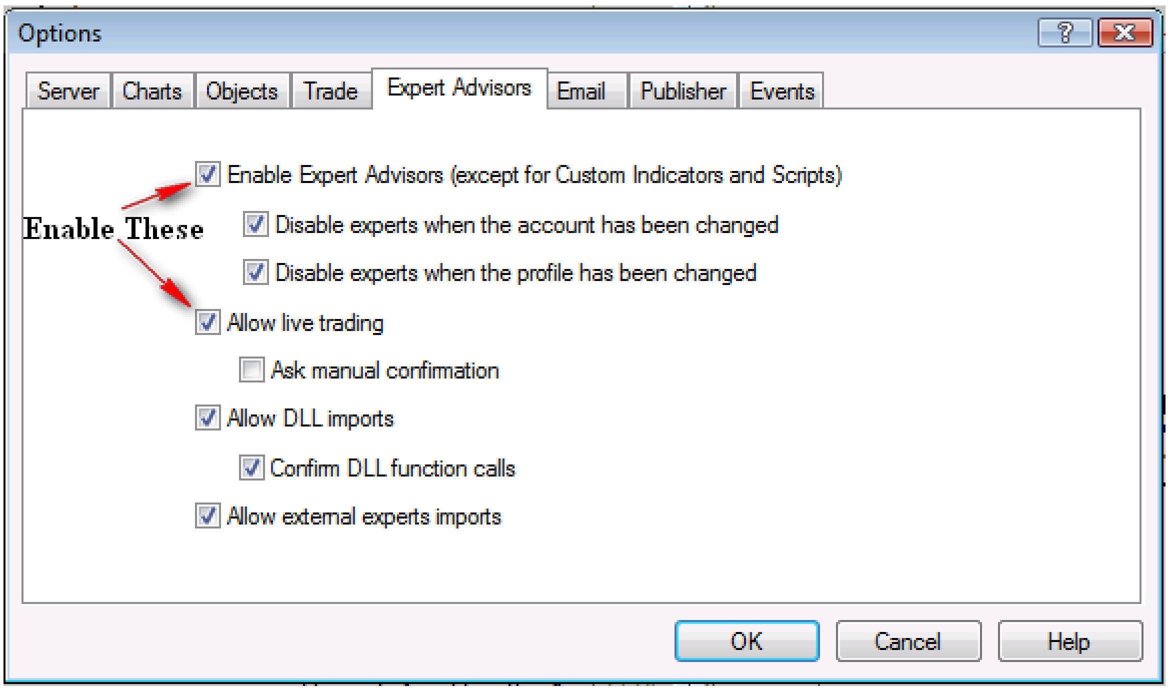
- **ASL Set-Move:** This Script will set or move ALL the Stop Loss lines on a specific chart. Simply drag and drop it on the desired chart. If no SL is present, it will create one. Use this to change the SL on a trade.

- **Break Even SL:** Will move ALL stops to Break Even on a specific chart. Drag and drop on the chart you want.

MAKE SURE YOU HAVE ENABLED BOTH "EXPERT ADVISERS" AND "ALLOW LIVE TRADING" in the "Experts" tab of the "Options" pop up found under "Tools" in the top Menu of your platform. Click "Tools," then "Options."



Then enable the boxes shown below.



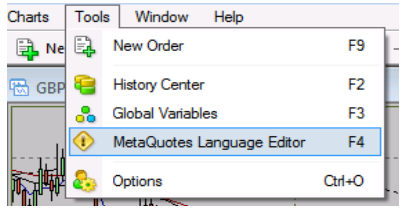
NOTE: If you have a five digit broker or one that uses more, you MUST open the scripts and add a "0" to the SL and TP setting or the scripts will not execute for you.

SETTING THE STOP LOSS: the purpose of setting the SL to 19 in the scripts is that on Gbp/Usd and Eur/Jpy with 4 pip spreads one needs a bit more "room." If you decide to trade others, like the Eur/Usd you should drop it immediately to as little as possible with the ASL script. Also, often, once you are a bit more skilled, you may often drop the SL to as little as 7 or 9 pips on an entry even on Gbp/Usd and Eur/Jpy. This 19 pip setting will also allow you to set it where you want it after entry, but avoid you being stopped out prematurely on a price swing within the entry candle.

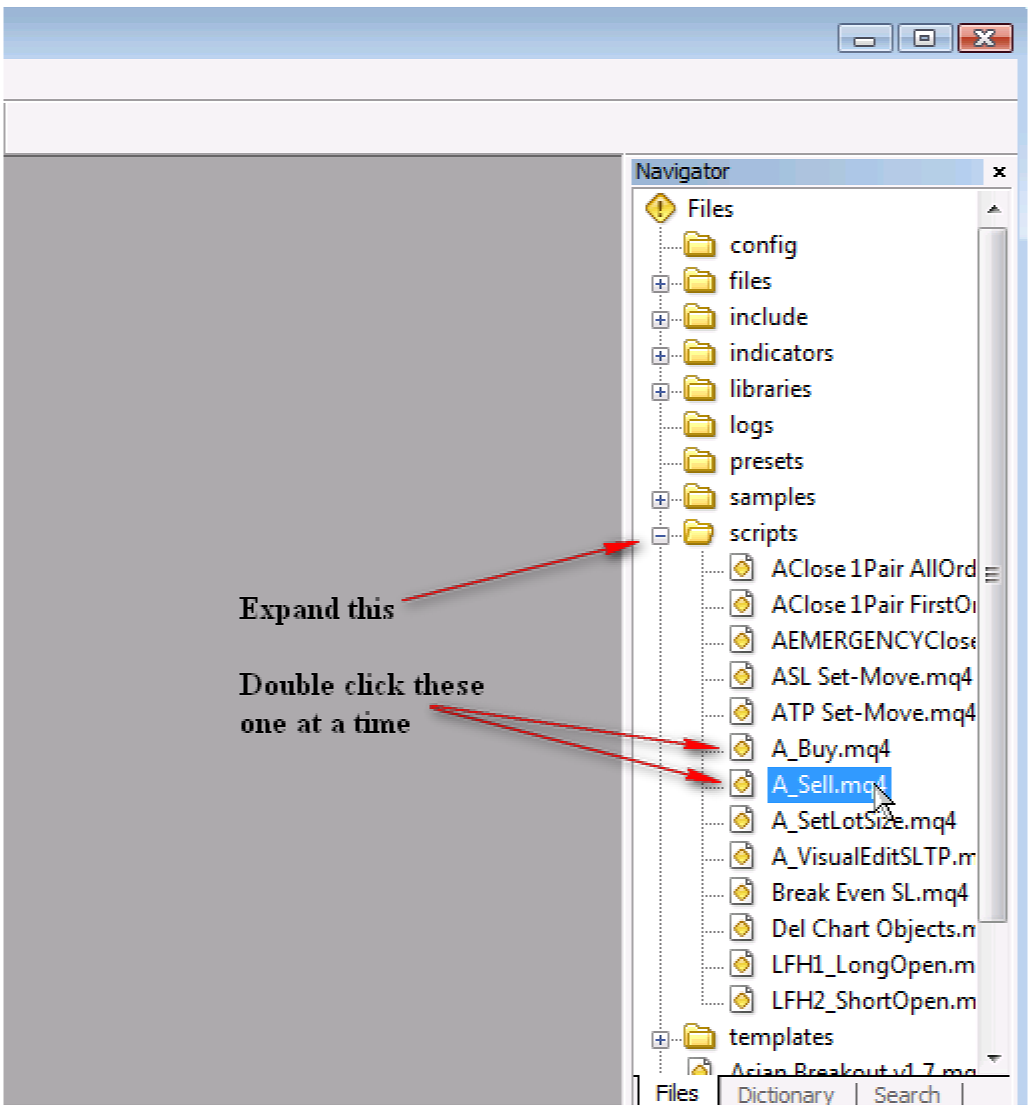
The other reason for using 19 is that the Risk of each trade is determined by the number of pips use for the SL in the A_SetLotSize script, which is 15. You will need to decrease the SL almost immediately on entry, but this setting allows you to earn more per trade, while keeping extremely low risk exposure on each trade. The smaller the SL you can learn to manage a trade with, the smaller your risk will be IF you leave the 15 pip in the A_SetLotSize script that sets the trade sizes.

Modifying the Scripts:

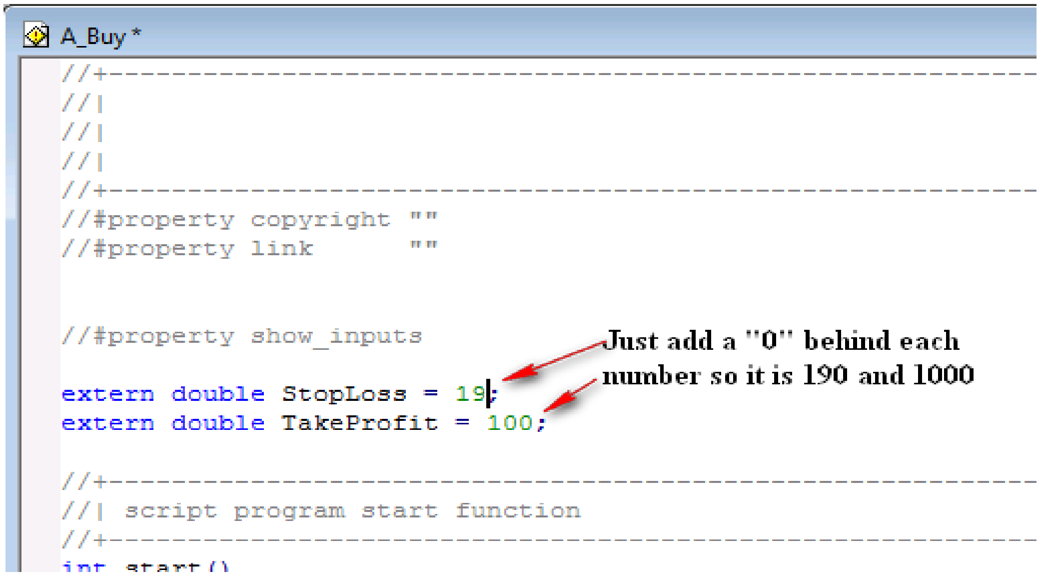
First, go to Tools -> MetaQutoes Language Editor and click the link as seen here



Once the Editor opens click "scripts" and find the buy and sell scripts "A_Buy" and "A_Sell." One at a time, double click then and make the following changes.



Next page please.
Once one of them is open, modify this setting in each.



Once you have done that, then find the “compile” button and click it to activate the new settings and close the editor. YOU MUST CLICK COMPILE OR THEY WILL NOT CHANGE!

Summary

If you take the time to learn to use the Price Action and bounces of the Confluence of EMAs and "Round Numbers" as a filters for entries and the EMAs as floating support and resistance, this strategy can literally make you rich. The man who helped me learn most of this and to write down all the rules averages approximately 80 to 100 pips per day. He does it day in, day out, no matter what the market. He did it during the most volatile market ever seen in 2008 and 2009. He did it in the consolidation period that followed and he was doing it before that during the previous trending market.

Several times I watched him earn upwards of 500 pips per week and yes, those are "real" pips at a full lot each pip with only a $10,000.00 account to boot. In addition, several times he has taken a $500.00 account and grown it to over $5,000.00 in less than two months, then move back to earning a living with that account.

If you think you need lots of money to start, think again. Starting with a large account is a great way to lose a lot of money. I watched my friend take a $300.00 dollar account to $1800.00 in about 6 weeks. A moth later that same account had over $5,000.00 in it. Folks,,, that's a return of over 100% every week and a half. If he can do it, so can you.

By the way, as of this writing he is trading 4 to 5 standard lots every trade. You do the math on that. It's about a million a year income!

Patience is the main key in all this. Patience allows you to be less emotionally involved so you don't make lots of dumb mistakes. ***<u>STICK TO THE RULES</u>***, and you will be just fine.

Dancing Practice

Learning to dance, whether it's real dancing or this strategy, requires practice. Always practice before making a fool of yourself on a live dance floor!

With that in mind, there is a good way to do that. The first and best way to practice this is to use the Strategy Tester provided by Quantem. His thread is now in the ForexFactory Recycle Bin, but the tool is still a good tool. Here is the link http://www.forexfactory.com/showthread.php?t=70742

You will probably have a tough time getting to any real "success" on it because of the way it works, at least at first. But stick with it and you WILL start seeing some success. The following are the steps to get good at this strategy. You will also not be able to use the three chart setup because of how the Strategy Tester works, but it's great practice.

1. At first you should just start a chart in the Tester and activate the template "The Dance" for the chart. Then just sit and watch how it acts and reacts around the Moving Averages and around the Round Number levels on several different currencies. This will start to develop your ability to "see at a glance" when trades are forming. It will be as boring as sucking nails, but do it for at least a day or so on as many currencies as you can just for the experience of learning the way price moves around the Moving averages and Round Numbers.

2. Once you feel comfortable with the Tester, start trading it and set the slide bar to no more than 27 so price action is slow enough for you to actually make trades in the tester. Keep with it until you are starting to see some success in trading this strategy. Remember to move your SL progressively and to move the TP way out in front to let the trades run if they do (double click it to move it). Other wise you will be stopped on many trades at the TP and then see it run off without you. When trading the simulator, don't bother with trying to figure out the actual market time frames, just trade every signal you see and don't get frustrated or be hard on yourself. The WHOLE point of this is to allow your subconscious to begin to "see" the trades so you can understand how they start and how to enter them properly.

3. After no more than a few days or even better, perhaps a few weeks, you should be at a point where you can "see" the trades forming before you actually take them. When that happens, it's time to start to move to a more "live" format on a Demo account. Demo trading itself isn't worth much unless you have already defined in advance, strict trading rules and had some exposure to them so you can actually stick to them. While Demo trading, trade exclusively the market times the Rules call for. You WILL begin to see the trades better, and you WILL start to have some success, though it may still be a while before you reach any kind of consistency in your trading, but stick with it.

4. When you feel comfortable with the live sessions in the Demo account, open a live account with a broker you feel you might like. There are several that are acceptable like Alpari, IBFX, AvaFX, FXCM, FXDD and many more. Just do a search and find one you think you can live with. Remember, no broker is really "good" all of them have their issues. Personally, I use IBFX. Just remember to NEVER deposit more than a $100.00 in any account until you get really, really consistent with this strategy. Then, let the account grow itself as you trade. There

is nothing stronger or more satisfying that going through that process, and you WILL experience all the "issues" and "psychological" challenges as with a larger account, but without losing huge sums of cash.

5. ENJOY TRADING !!! Don't ever let it become a frustration to you. Realize it's a challenge and something you CAN and WILL master over time. It will take a while, so be patient with yourself as well as with the trading.

It's A Business !!!

As with all things, it takes a bit of time to get good at trading, but no where near as much time as most will tell you. I have heard of traders taking from two to five years before becoming consistent at trading and some even longer.

If you treat this as a business, not a game of chance, then you can dramatically shorten the time needed. All businesses first of all, have a Business Plan. When I started trading, that part mystified me. I have been an entrepreneur from the time I was very young and had my first "real" business, as the owner, by the time I was 22. But for some reason, I couldn't think of trading that way, not at first anyway. How in the world do you create a "Business Plan" for trading? The answer follows.

#1. THIS IS A BUSINESS

So,,, Lesson one is learn that this is a business. It will require some time and dedication to make your new business successful. DEDICATE TIME to your new business. Decide on which session of the market and which currency you will be trading and stick to it! DO NOT CHANGE your time, the currency or the strategy. Stick with it! Most who lose, lose because they will not "stick with it."

Jumping around a lot will kill your new business. If your customers couldn't count on your merchandise being the same and of high quality and you being at the same place to do business all the time, they would soon stop shopping with you. YOU are your customer. If you jump around, you lose any chance at developing a high quality product (your trading strategy and style) and you have no place of business. A broker is NOT your place of business, the Market is. **REMEMBER THAT!** You may change your "wholesaler" or "supplier" from time to time to get better prices or rates, but NEVER your product line (trading strategy) or your place of business.

From time to time, you may improve your product line (fine tune your strategy to YOUR way of using it) but you still need to offer the same product! If you started with clothing store, you would stick to clothing. If you start with a specific strategy, stick to it. Just look for ways to use it better, but STICK TO THAT STRATEGY until you master it!

You do not need lots of time, but you need ***consistently the same time***, just like a business. You need "opening hours" and "closing hours" for your new business to succeed. With no "opening hours" you will never "learn" your product line, which is the market. With no "closing hours" you will get exhausted and give up.

If you do not take the time to learn it before you jump off into the deep end, it is very likely you will get discouraged and fail. Personally, I believe more traders fail because of discouragement than from lack of capital, lack of training or any other cause. They simply give up deciding it's too hard, they don't have enough money, or what ever other excuse to give up because they are discouraged, that they can find.

I'm not slamming anyone who decides it's not for them, just trying to shed a little light. Every trader who has succeeded will tell you that it can be a very lonely business, and very discouraging, especially if you are sitting at home with no one or very few to encourage you in your new business.

#2. YOU NEED A BUSINESS PLAN

In the Zip file that is included this manual, you will find an Excel file. This manual and that file contain the “business plan” I used when I started this journey, after a year of researching and trading extremely small accounts for experience. You may use it or change it as you see fit. Bit what ever you do, stick to a plan, a strategy and a way to grow the results.

My business goal at first was to gain at least 50 pips each and every single day I trade. I am still sticking to that goal. Keep in mind, it does NOT require that many to be successful.

If you gain 20 pips profit per day, and never take any money out of the account, increasing your trades the way the plan calls for, you can achieve success in less than a year. AND, though some will laugh at this, even ridicule the concept, you can earn literally a million the first year you successfully trade with this strategy.

Earning 20 pips profit isn't that hard and shouldn't take more than an hour or so each day, IF you trade at the right times, and with a good strategy.

You also need to plan on spending time trading very, very small accounts IN LIVE TRADES, with real money, before you jump off into the deep end of this pool, or it will be a very expensive lesson indeed. Trading LIVE, REAL accounts is the best way to go. Demo accounts are nice if you are just trying out strategies and so on, but if you are ready to start your new business, use live accounts with real money and plan on losing some for a while.

Many brokers offer small accounts. Alpari, IBFX, Oanda and several others will allow you to trade with as little as 10 dollars. DON'T THINK FOR A SECOND this is kiddy stuff, trading tiny accounts. You do it for a while and you will experience ALL of the emotions and psychological things that go with trading and it will cost you very little.

As of the writing of this manual, I have blown out several accounts, and never lost more than a total of $200.00 trading in my new business during the entire time. In my previous life with other businesses, I did much the same, I tested the waters with real products, services, or what every the business required, on as limited a basis as I could to “get a feel” for the business, THEN I jumped in and did reasonably well.

By the way, this is a good area to explain why I finally chose trading FOREX as my business. Every time I grew a good business, there always seemed to be someone, somewhere in the right place at the wrong time to mess it all up and destroy what I had built.

In Trading, NO ONE can do that but “me” or “you” in your case. Even a bad broker who steals your money can't kill your business. They can cause you to lose some time, and make you have to go to another broker, but you WILL succeed if you stick to it and once you master it, NO ONE can take it from you.

The next thing is immensely important, tattoo it on your brain, carve it in the wall behind your computer so you can see it and never forget it.

#3. FOLLOW THE RULES TO THE LETTER AND DO NOT VARY FROM THEM !!

The Rules will help you avoid fear and greed, the two strongest killers in this industry. This pair can really get you messed up psychologically and get you to the point of wanting to quit. The funny thing is that you may not even think you are being greedy or fearful, so let me give you an example.

FEAR:

When you trade, if you hesitate in the slightest in executing, pulling the trigger, any indecision at all is fear. The same thing applies to exiting a trade before the Rules tell you to. BOTH of these fear based scenarios will kill your new business before you have a chance to even start it. BOTH will cost you pips.

Hesitating makes you miss opportunities AND WORST, it makes you doubt the Rules, your judgment and decisions. ***THAT is fatal*** and it is all fear based. As your account grows, fear will try to tell you that for some reason, 10% of $100.00 is less stressful to lose than 10% of $1,000.00 or 10% of $100,000.00. The truth is it is still just 10% and nothing more. It's all a matter of perspective and as your account grows, so should your perspective!

The problem is not the percentage, it is your familiarity with the amounts represented that opens a door to fear in your trading. I once had a boss who told me my main problem in sales what that I had never earned a six figure income, but once I did, it would become easier and easier to earn it and to learn to grow it. He was right. THE SAME APPLIES TO TRADING!

If you listen to all the naysayers telling you how it “can't be done,” their poison will infect you with the same doubts and limitations. Avoid them at all costs and find people who can encourage you without selling you their “crap” way of doing things. There are way more than enough free resources around to make sure you get where you want to be in your trading. Just DON'T GIVE UP!

GREED:

Greed is also extremely innocuous in trading in it's presentation. Looking to get “just one more pip” is greed just as much as wanting to rob a bank. THERE IS NO DIFFERENCE, especially not when you are trading. Hanging on to a losing trade too long is greed, and also perhaps fear. Fear you will lose if you exit a bad trade, and greed that it will come back to you and you have to hang on to the trade.

Greed can make you not take that first few pips when the price movement hesitates a tiny bit too long. Greed will say “well, it's only been a few seconds longer than normal,” then it will say, “hang on a bit,, it's still going your way.” Then it will say, “but the trade will come back really quick.” All those are based on Greed.

#4. TAKE YOUR PIPS NOW!

At the very first sign of price hesitating too long, take what ever pips you have on one position, even if it's only three pips! TAKE THEM and move to Break Even on any other position you have open on that currency. Then sit back and wait confident that you have made a profit. There will be another trade along in a few minutes and you can catch more pips then too.

Don't be afraid to pull the trigger to enter, or to lock in those first few pips, or too greedy, wanting more. TAKE YOUR PIPS NOW! Keep in mind that the “time exposure” to the market is at least as powerful a risk as the percentage of your account you trade with on each position. Shooting for multiple shorter, stronger trades is an awesome way to “TAKE YOUR PIPS NOW !!!”

#5. GET OUT NOW!

Once you hit your target for the trade, or get an exit signal, GET OUT NOW! NEVER wait, just get out and take your pips. You can always find another trade, it may even be better and give you more pips, but remember the old saying “a bird in the hand is worth two in the bush?” It's true,,, the pips you already have earned are the best pips you will ever have. TAKE THEM NOW!

It is especially critical to follow the rules on this issue. It reduces risk, increases your account, builds your confidence and a hundred other good things. “You never go broke taking a profit” is another old business maxim. It's also true.

“A quick nickel is better than a slow dime.” THAT one is amazingly true. Money has a very definite time value and the more time you spend waiting to earn that next pip, is more time at risk. In fact, if you are using an account that increases your trade every time you trade automatically, the smaller trades can build up amazingly quickly. In addition, waiting for that next pip may cost you a better trade that is currently only developing on a different currency!

Never be too greedy or to afraid to take your pips NOW!

#6. WAIT PATIENTLY!!

“Patience is a virtue.” This is the strongest lesson to learn in trading. BE PATIENT in waiting for the right setups to happen. When they say “Let the market come to you,” this is what they mean, BE PATIENT. You can't push a river, shoot pool with a rope, fall upstairs, or hurry the market.

Making lots of trades is the wrong approach in all situations. Even in scalping, there is a perfect setup to look for. Taking substandard trades is an excruciating way to learn patience and extremely costly. Remember, you are learning a business, not a crap shoot or some sort of gambling.

Even in card games such as Blackjack, Poker, Pinochle, Rummy and so on there are rules to live by and violating the rules means certain death of the effort and eventually the enterprise. It is the same in the business of trading FOREX.

If you take ONLY the strong, i.e. “perfect” trade setups, your probability of success is much greater and the potential profit of the trades is also much higher.

Now, if you don't think that business has much to do with probabilities, like FOREX, let me enlighten you. NO ONE has a crystal ball on what product, or what advertising will gain absolute success. There ARE strategies that work much better than others and bring lots of success, but it is still a “game” of probabilities.

When Burger King started, the followed a very simple strategy. McDonald's was already extremely successful and the lines of those waiting to be served were growing. So, the man who founded Burger King thought of a simple strategy. It was to build a burger shop across the street and count on the fact that McDonald's had already done the proper research to be successful and then simply wait for the overflow for his new restaurants.

It was a simply brilliant plan, and obviously worked.

FOREX is that simple. Trading the trend works, using Price Action bars works, using support and resistance works. The Market “breathes” meaning that price rises and falls because of the competing traders in buying and selling positions.

All of that is already proven in the history of trading, as well as the history of FOREX. All that is left is to find a SIMPLE method you can use to implement those ideas.

The simpler to implement and “see” and use, the more profitable the method or strategy will be.

Lastly, no business model is stagnant or static. Every business needs constant attention as customer needs and desires and product supply and improvements as well as costs of doing business are in a constant state of flux. IT IS NO DIFFERENT from FOREX.

With that in mind, everything in this manual up to this point is aimed at helping you to understand that this is a business and you can master it and be wildly successful. AND it should NOT take you years to get there. All it really takes is a decent, simple business plan, like this one built on the strategies and methods proven over decades to work.

Everything in this manual and the attached Excel spreadsheet is your business plan. Keep it simple and stick to it. All business owners need some time to learn to master their business. Fortunately, you can master this one in your spare time, as long as you treat it like a business, set aside dedicated time for trading at the same time every day and stick to the rules exclusively.

Now, let's learn to actually trade.

Master the Basics First

This is one of the most critical parts of any business. The basics will make or break you. The basics of this strategy have been laid out clearly in this manual. MASTER THEM FIRST, before you do anything else, MASTER THE BASICS. Master the constrainment entries and bounces off the 50 EMA FIRST, and use the “Round Numbers” for guidance on exits or to stay in a trade! Constrainment entries are the absolute BEST there are in this strategy. Look for price being constrained by one of the EMAs of a confluence of EMAs and Round Numbers before you start trying to get fancy. There are enough of them to allow you to make tons of pips. MASTER THESE FIRST!

Trade them relentlessly in demo or in a very, very small live account until they become mind numbingly boring and completely reflexive. In other words, make it such a reflex that when you see the good basic trade, you take it without a single thought. THEN you can move to maximizing your trades.

Master The Trades !

Once you have mastered the Basic Rules and Entries and started to learn to take better and fewer trades a bit, it's time to start mastering the actual Trade itself. This is done by using Money Management skills and managing risk at the same time.

A lot has been said in many areas of minimizing the risks, and lots of talk is about limiting risk by the size of the trade. Most will tell you not to risk more than 3% on any given trade. To me, this is more of a personal thing than a hard and fast rule.

I know of traders who use 3%, some who use 2%, some who use 5% and a few who go much higher. It's all about your personal confidence, experience and abilities.

To be honest this part is also amazingly simple, if you are willing to stick to it. It eluded me for a long time, but now I wonder how I ever missed it.

When I trade, I often (but not always) use two positions in the same currency. BOTH of them are a 3 to 4% risk with the exact same Stop losses. I use one to eliminate the risk quickly and lock in profits, and the other one to allow the trade to run and maximize profits.

Once I enter a trade, at the first sign of strong resistance or price action hesitation, I exit or tighten up my Stop Loss as close as possible without "choking" the trade. I always move to BE +1 as soon as I feel it is possible without choking out the trade. That is as simple as trade Management gets to me.

No one has a crystal ball to determine that even with all our efforts and rules the market will definitely go our way. I have entered many "perfect" setup trades only to have Price go my way 8 to 15 pips then hesitate and plunge against me hard, leaving me with a loss when I had a profit.

For that reason often I will move to lock in profits at the first sign of strong hesitation, which often occurs at either 8, 12, 15 or 18 pips. I am not sure the reason for those figures and have no hard data to prove them, but those are the areas I have noticed in ***my*** trading. You may notice other areas. Feel free to learn to "feel" this part of the strategy on your own. It is about your personal risk and confidence after all.

If a trades runs strong, I simply trail the stop as previously described.

You can make this a lot more complicated, but it's not necessary. Remember the goal is to be consistent, not hugely accurate. If you consistently locked in only 8 pips per trade and made three trades a day, you would still have a million dollars in a bit over a year.

DO NOT get greedy here!! Use this to mitigate risk and to maximize your trading CONSISTENCY, maximizing profits will come with experience. It is more important to be consistent than to make huge gains each time.

Make It Yours !

Now comes the really fun part. Make it yours! This, all of this to this point, was to get you to where you could be consistent and that is the ONLY goal of this manual. A simple way to “see” and take the trades with clear “signals” to achieve consistency.

Once you get here, the fun really begins. Now you can play with anything you want to, as long as you keep consistent with your trading. Never quit printing money. That's right, printing money. That's what trading is all about.

Learning a strategy to the point of it boring you immensely. If you are not bored, you have not become consistent yet. Once you do, the dollar amounts won't bother you. The number of pips won't impress you. What will impress you is the freedom that a good strong income brings.

I remember the first time I paid cash for my car, my daughter's car, my girlfriend's car, her daughter's car and my house. All of it in the same part of the same year. What an amazing sense of freedom! THAT is the goal of trading, not show boating about the huge gains, but the boring, steady, consistent growth of great wealth.

Once you start to become consistent, you will begin to “see” and recognize good, solid price setups almost without looking to find them. The goal of all trading is to be able to sit down at a screen and know in a few moments where in the “scheme” of price action you are and if you have a trade now, or one beginning to setup.

From there, you can modify this or any other strategy you want to to make things exciting, if you need excitement in your trading, just remember keep one very large account (after you grow it) from which you harvest money from the markets. Then be as excited as you want with much smaller accounts.

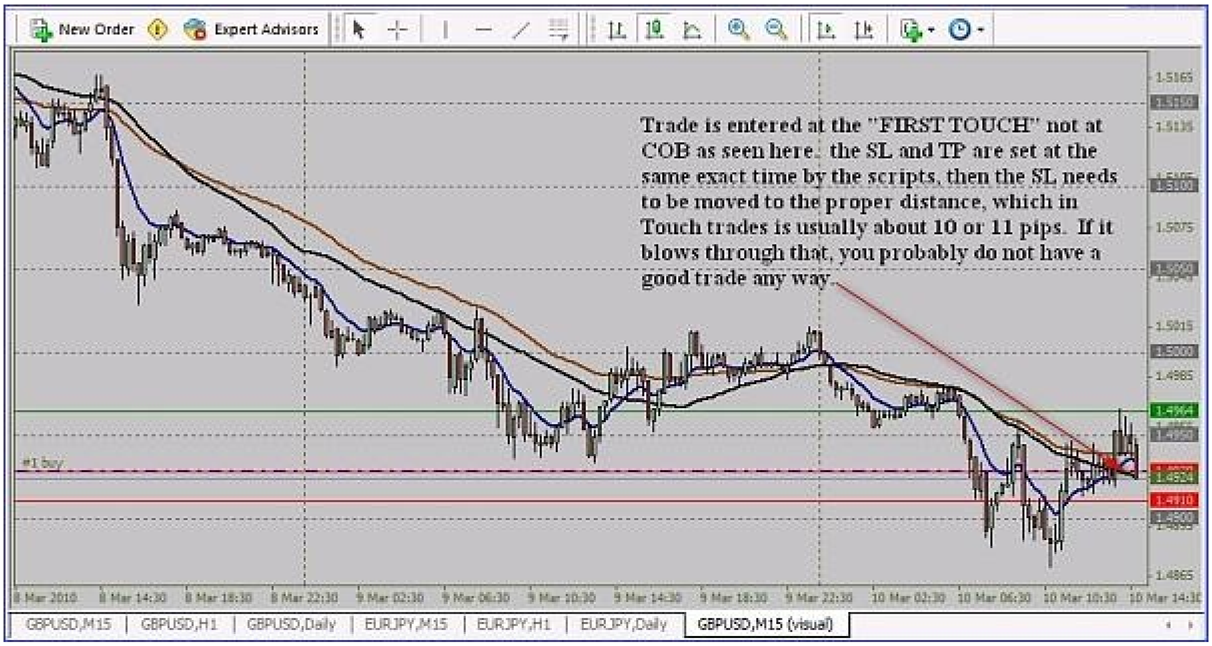
Who knows, you might find (and probably will) a strategy that is better than this one and which fits your personality much better. Then you can really begin to have fun trading.

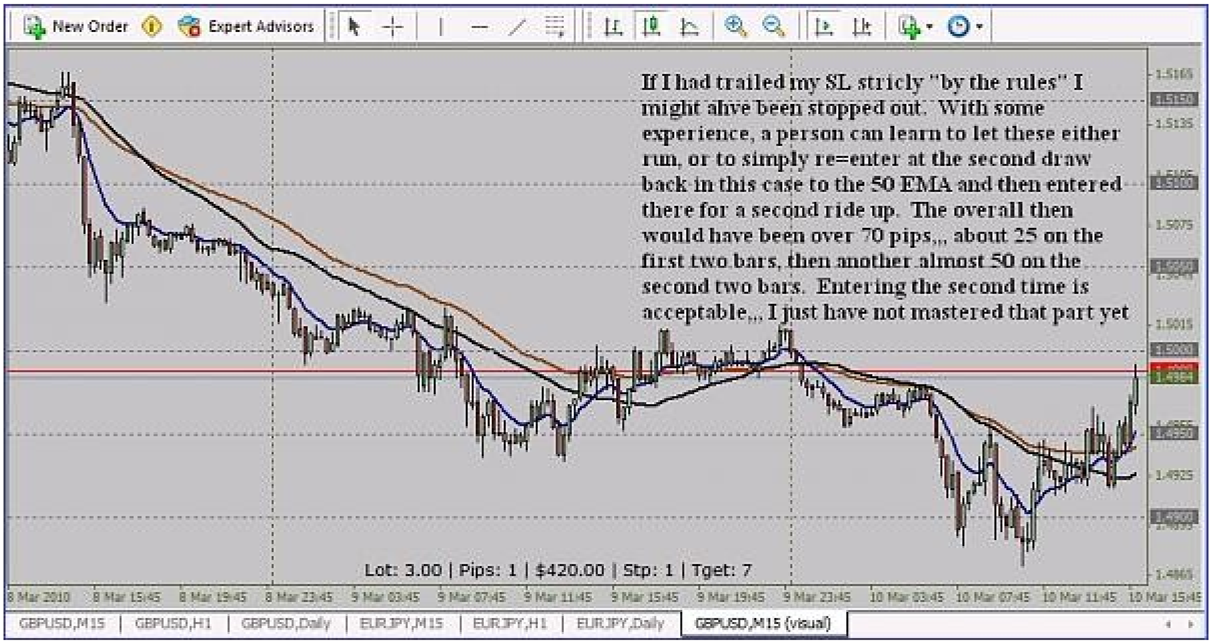
God bless.

A Few Live Examples

The following are examples of real entries. These are by no means exhaustive. There are lots and lots of good examples on the ForexFactory thread titled, “The Dance.” Please visit that thread for any new versions of this strategy's manual, tools, profiles or templates.

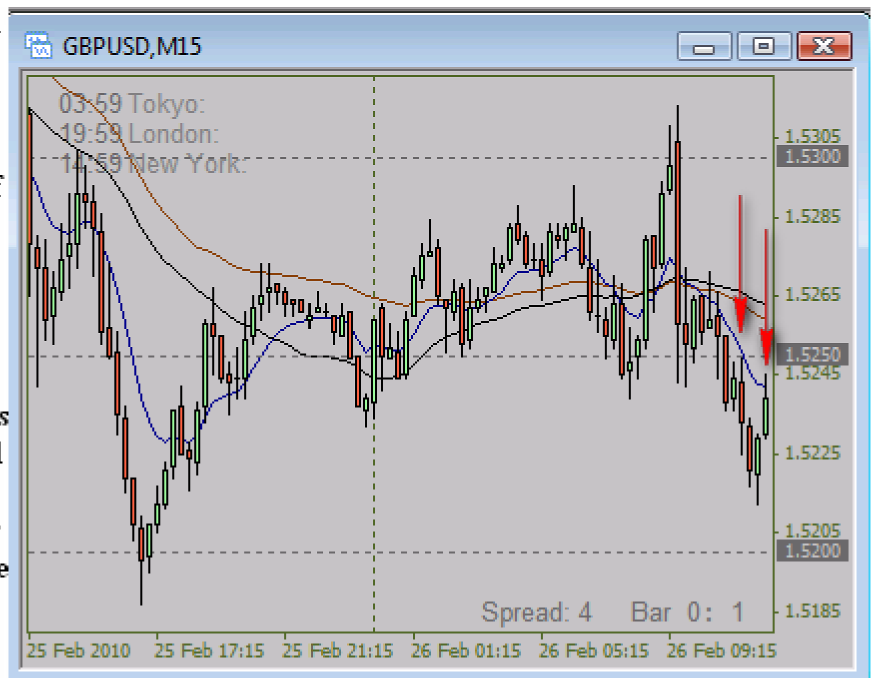
Touch Trade off the 35/50 lines: comments on the charts





Touch Trade off the 10 EMA: comments on the images below

There are actually two 10 EMA "touch" trades on this chart. Notice that with BOTH of them, the angle of the EMA is very steep, about 45 degrees, and in BOTH, it took no more than two bars to "get there" and on BOTH, price had moved farther than 15 pips before the "touch" happened.

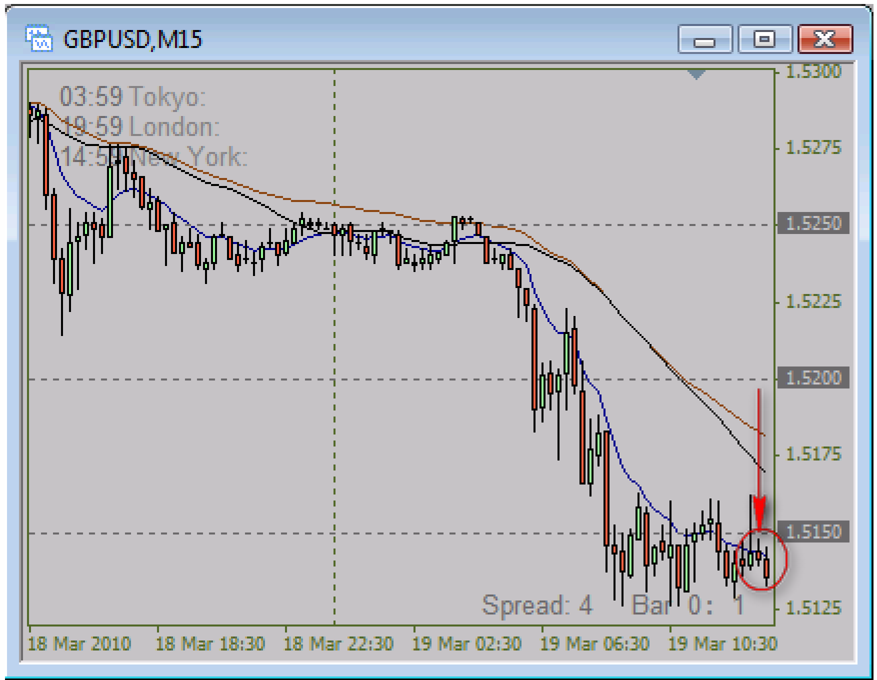


Managing the trade consists of simply moving the SL to the uppermost (lowermost in longs) of each candle at it's close. This trade was a perfect example. Two bars to "get there" price was really moving first, the angle is very steep, and the "stop out" came around the RN. You could have exited earlier had you decided to , during that last "pin" bar to preserve pips. After about 35 pips it's a good iead to lock more in as very long bars tend to retrace a lot

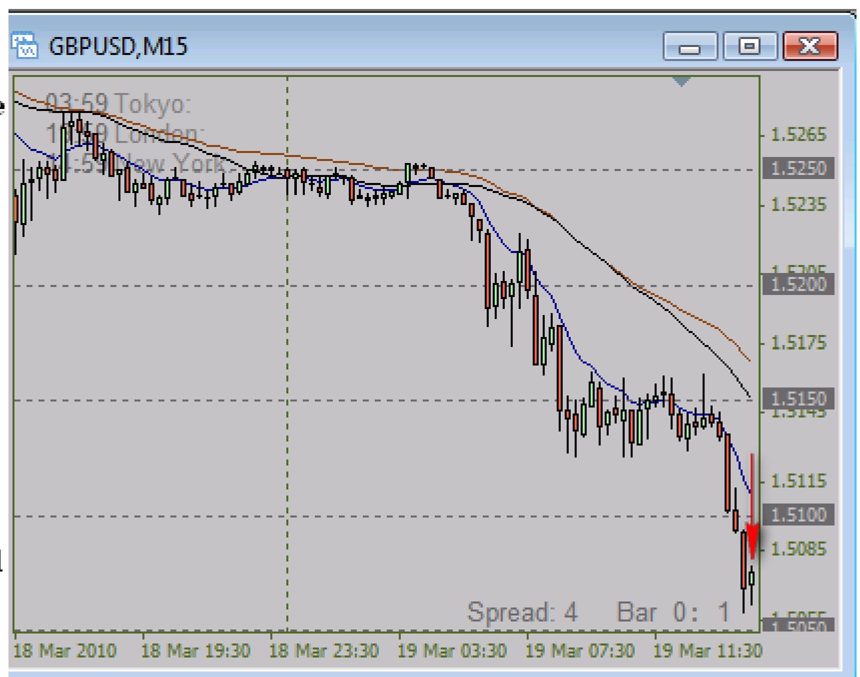
Constrainment entries: The first is a 10 EMA constrainment entry the second a 35 SMA entry.

10 EMA constrainment entry

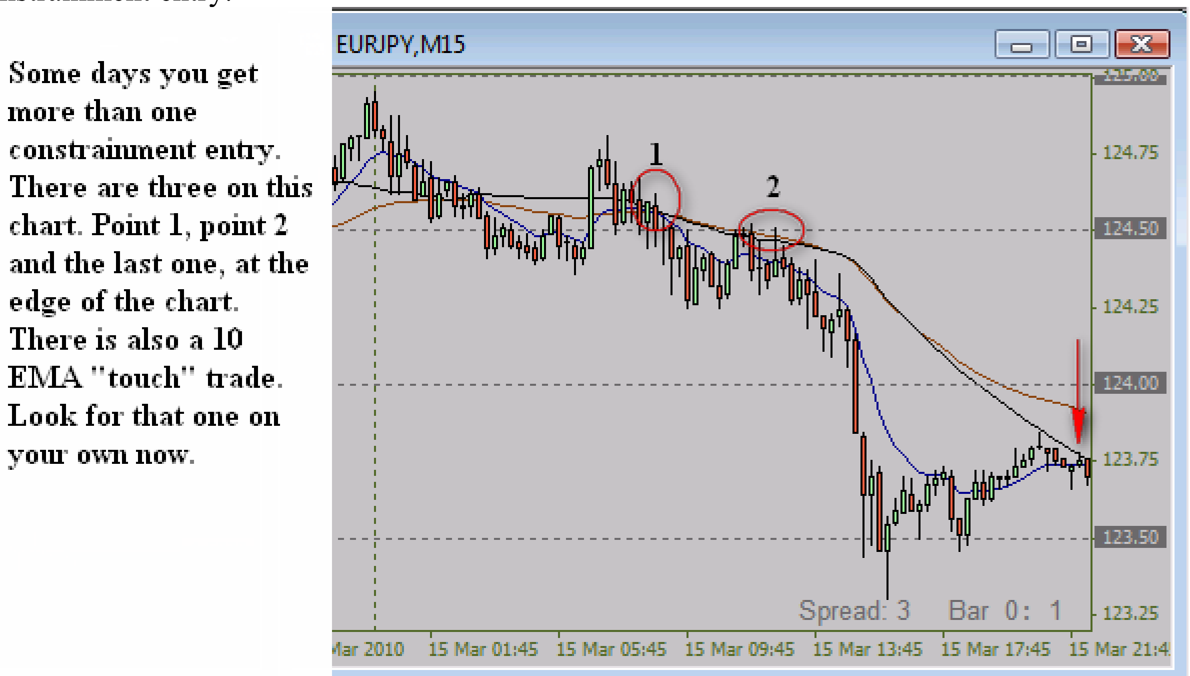
The 10 EMA is "constraining" price fairly strongly in this trade. It is clear that the last 4 bars could not close above it. The entry could have been on either of the last three bars, but the BEST was at the second to last as it was defintely an "Exhaustion" bar as well.

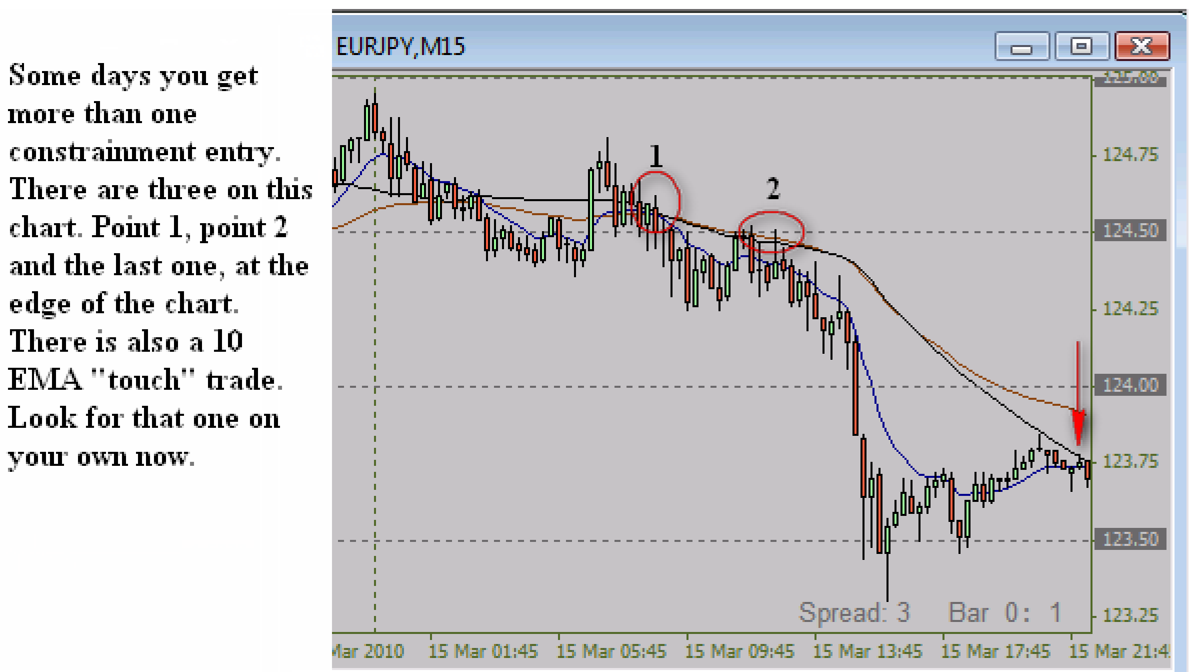


As you can see, simply following the rules of trailing the SL at the close of each bar to it's extreme often yields some very strong trades. Exit was at the close of the last green bar as the next one stopped out the trade, even though that same bar wend several pips more (not seen)



35 constrainment entry:





There are many, many more on the FF forum thread “The Dance.” Go enjoy it and trade well and simply.