

NANNINGBOB 4H TRADING SYSTEM.

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NOTE: THIS IS MY FIFTH EDITION, IT UPDATES SOME OF THE THINGS WE HAVE LEARNED OVER THE LAST 3 YEARS.

CAN YOU PREDICT THE FUTURE???

1. NO!! I am not stupid enough to say I can predict the future but human nature is somewhat predictable. You have millions of traders, bankers, business people, and govt. officials all over the world seeing the same thing you are seeing. Look at this pic of the eur/usd on a 4H chart with nothing on it. Is it hard to trade this? No indicators, no nothing. Price enters the top 1/3 of the chart, there is a battle between the bears and the bulls for a day or two and bam, down price comes. Same thing with the bottom 1/3. The charts send out a subliminal message to every trader in the world looking at their charts. Bottom of the screen close my sell. Now buy. Top of the screen close my buy get ready to sell. It whispers its song to everyone looking at a screen. It is as predictable as an American eating apple pie. Time to buy Time to sell..... Look at the blank chart below.



- a. If you have been trained to use indicators, they must tell their story first before you enter the trade. To tell you that price has changed direction price must move in that direction first before an indicator will give you that information. So where do you start trading once you receive that information. You got it; you are in the middle, no man's land, getting killed with all the rest of the traders.
- b. If you are a fundamental trader, you need to know all the things that can affect price movement and take your best shot. Problem is all you have to do is read all the different opinions of where fundamental traders think price is going and Yes you know the score on that one. But you have the same problem indicator people do. The market must move for a while before a trader concludes it is going in a new direction. So what happens when you finally determine where you have a change of direction you got it, you are in no man's land, in the middle again or maybe you have waited too long and you are fighting a new change of direction.
- c. So I have learned not to trust fundamental predictions either. Their ratio of winners to losers is not that much different than the indicator people. Besides, by the time they think price has changed directions they are back in the middle again.
- d. After trying different indicators, fundamentals, news stories, EAs, martingale, etc. I stopped live trading for almost a year and just watched price on different time frames (TF) and different currencies looking at everything I could get my hands on to study. I decided I am going to draw my own conclusions and throw out everything I had been taught about trading. I came to one major conclusion.

UNIVERSAL TRUTH #1

I found this out. There is a 100% universal truth in Forex and is always true all the time.

What goes up must come down and what goes down must come up. This may sound stupid to you but it changed everything I did in trading and how I looked at trading. Everything I had read and taught was don't trade against the trend but I thought this, trade the counter-trend, you are guaranteed they are coming.

**YOU ARE NEVER GUARANTEED THE TREND WILL
CONTINUE.**

**YOU ARE GUARANTEED PRICE WILL CHANGE
DIRECTION**

THAT IS THE DIFFERENCE.

UNIVERSAL TRUTH #2

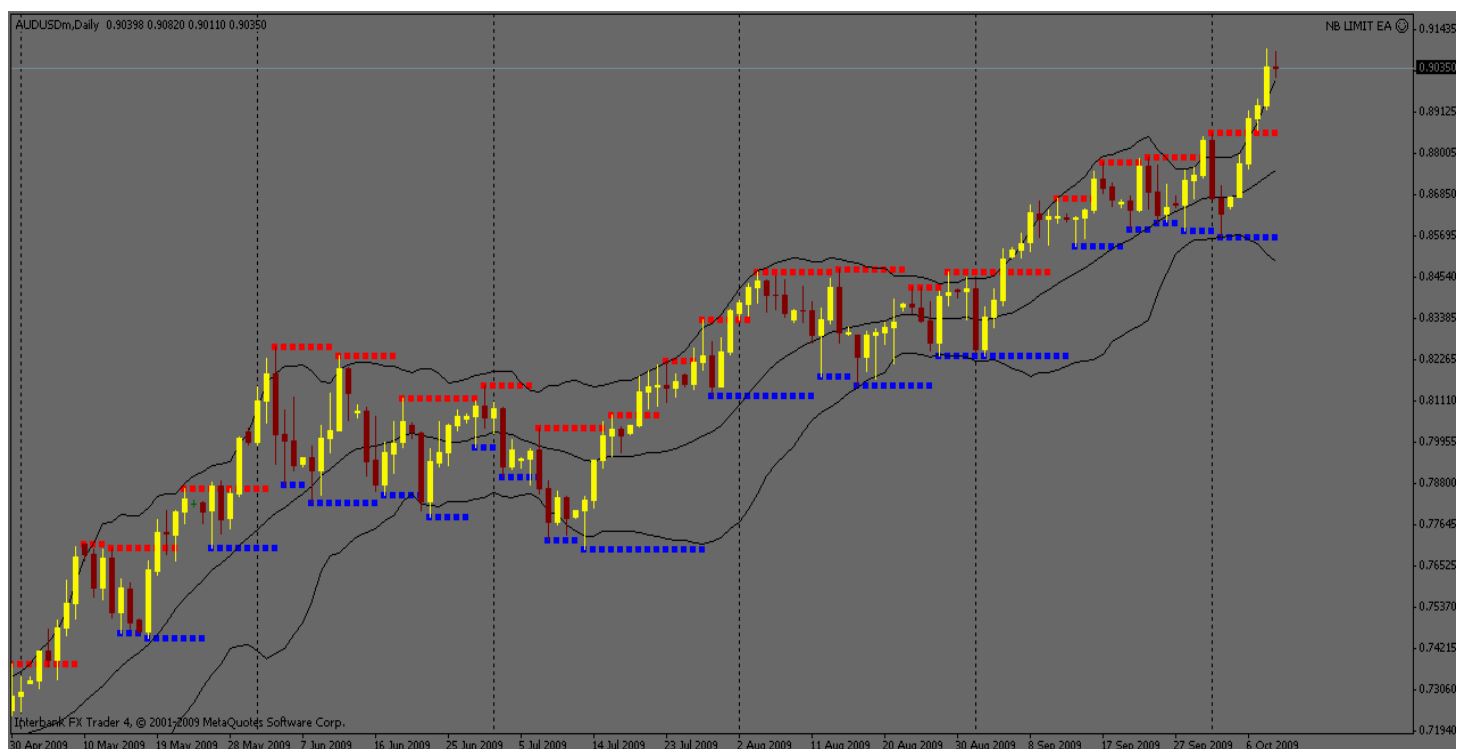
Price may move in a trend but it never stays in a straight line. Here is a clear upward trend of the AUD/USD over the last 6 months. This is what I noticed, price moves up then bounces between a new S/R and then price moves up and then bounces between a S/R, then price moves well you get the picture. Doesn't make any difference what currency you choose price action always does this. What goes up will come down, what goes down will come up. I willing to bet money on it and so I trade Forex because this is a universal truth that is 100% always true.

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Look at this chart below or any chart, any time frame; you will notice these two statements to always be 100% true. My conclusion became this. Why should I trade systems where the authors will tell you this is only 60% or 70% true? Why not trade a way that a certain action will always happen? Notice every Resistance has a support, every support has a resistance.



UNIVERSAL TRUTH #3

Price always goes back to a center or median after a move.

- **There are two areas you can trade on a chart. You can trade inside out normally called trend trading. You find the trend somewhere in the middle and you follow it out to the outside. To trend trade you have to wait for the trend to establish itself and then hope it keeps going after you enter. HMMMM.....**
- **Or you can counter trend trade, Trade from the outside in. Look at the next two pics and tell me which looks easier to you to trade.**

Trend trading in the middle. I took out the tops and bottoms so you can better understand what I am saying. Notice how price jumps all over the place. Talk about whiplash! How many times did the trend change direction on you?



Or counter trade from the outside of the chart and trade back to the middle? You decide. I took out the center. Honestly which one looks easier to you? Oh price is going to go back soon. Just pick a nice spot and go back to the center. How many trades do you see here and the important question is this. HOW MANY TIMES DID PRICE CHANGE DIRECTIONS ON YOU HERE? I see 5 areas where I can trade successfully and profitably over a 5 week period. Now use 20+ different currencies and you can add up the numbers.



NOW DO YOU UNDERSTAND WHY TREND TRADING IS SO DIFFICULT??

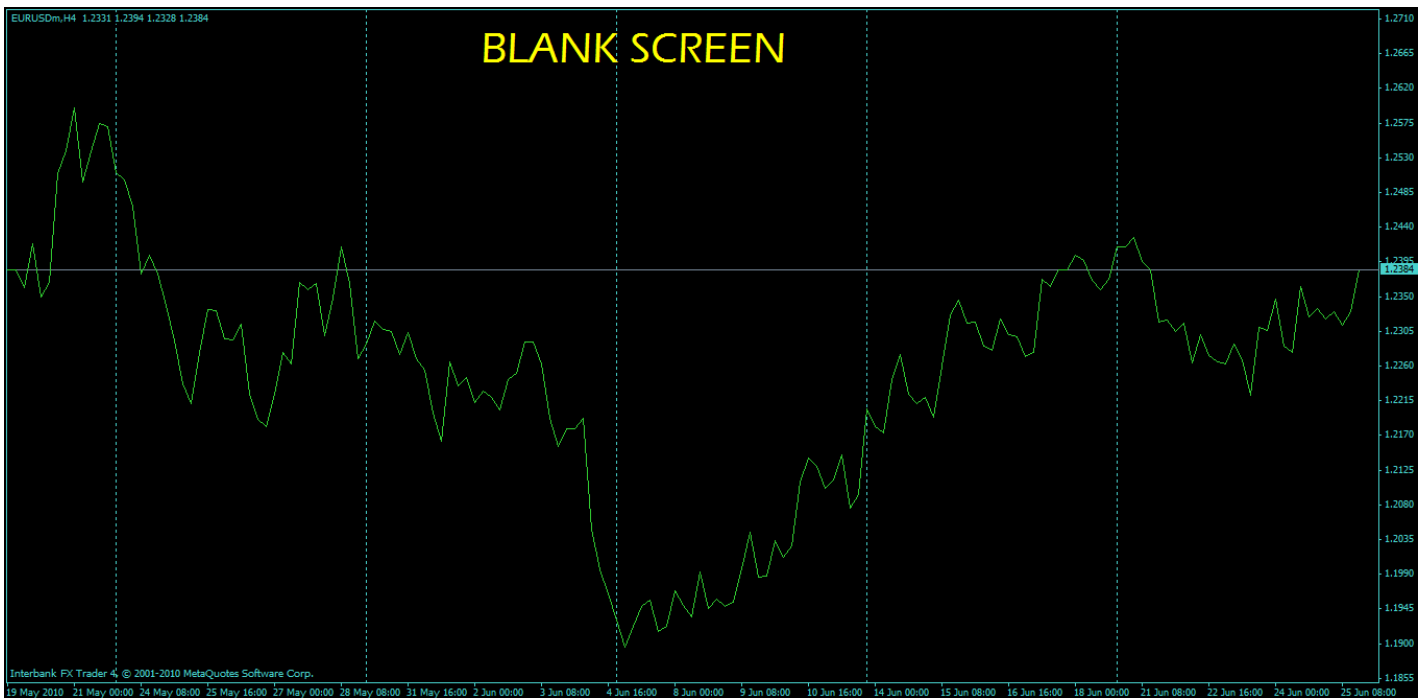
FROM THEORY TO REAL TRADING

I have been playing with this system in manual trading for over three years. This is now version 5. It has developed over time to where it has become a highly profitable trading system. It is basically a manual trading system with an EA for making the exact entrance you want. Once the EA enters the trade, you decide whether you want to just scalp some pips or do a long term trade or anything in between. I believe I have this refined down to where a 70-80% win ratio is very possible. Losing trades are zeroed out leaving just profitable trades.

In combination, this is a complete system that will teach you when to enter and why. When to exit and why. AND what most systems don't teach or even talk about, a successful way to deal with losing trades.

FOUNDATIONS

2. Let us start with our basic screen. What I want you to learn from this screen is the benefit of a good overall view of what is going on in the market. I think the 4H is the best time frame (TF) for seeing what is really going on in a currency pair. The green line is price movement but what I want you to understand is the dotted vertical lines that divide the trading week. From one dotted line to another is a trading week, so you can see four or five weeks of price action at one time or about one month of price action. This will really help you in seeing what is going on recently with a pair.



3. SIXTHS INDICATOR: This is something I added to this system for this edition designed by Magnum Freak.
 - a. The sixths indicator divides the screen into six equal parts. You will always want to see the last 4 weeks on the screen thereby giving you a 1 month view of price action. This one month view gives you a good overall view of price action. In other words this is what this currency pair is doing.



- b. I use a 4H chart for almost all my trading. What you see on the screen is a 1 month period of price action therefore as price moves across the screen the movement of the gold and green lines are very slight over a period of a week.
- c. In reality they are just another form of moving average lines. If you change from a 4H chart to a 1H chart all indicators, all moving averages will change or move. You change the amount of time or information used for the calculations. These gold and green lines are a moving average of 1 month of price action but instead of using candles it is the distance from the top to the bottom or the range calculated by MT4 for that pair.
- d. This figure is based on MT4 figures of how much price has moved for a particular currency pair. MT4 uses this figure to give you your screen size. **So the distance from top to bottom is a price range calculation.** The gold, green and white lines are a moving average of that range. I am a range and countertrend trader. To me this is perfect for my trading systems. I hope you understood this, they are really another form of a moving average line. Almost all indicators are, it is just the math is different.

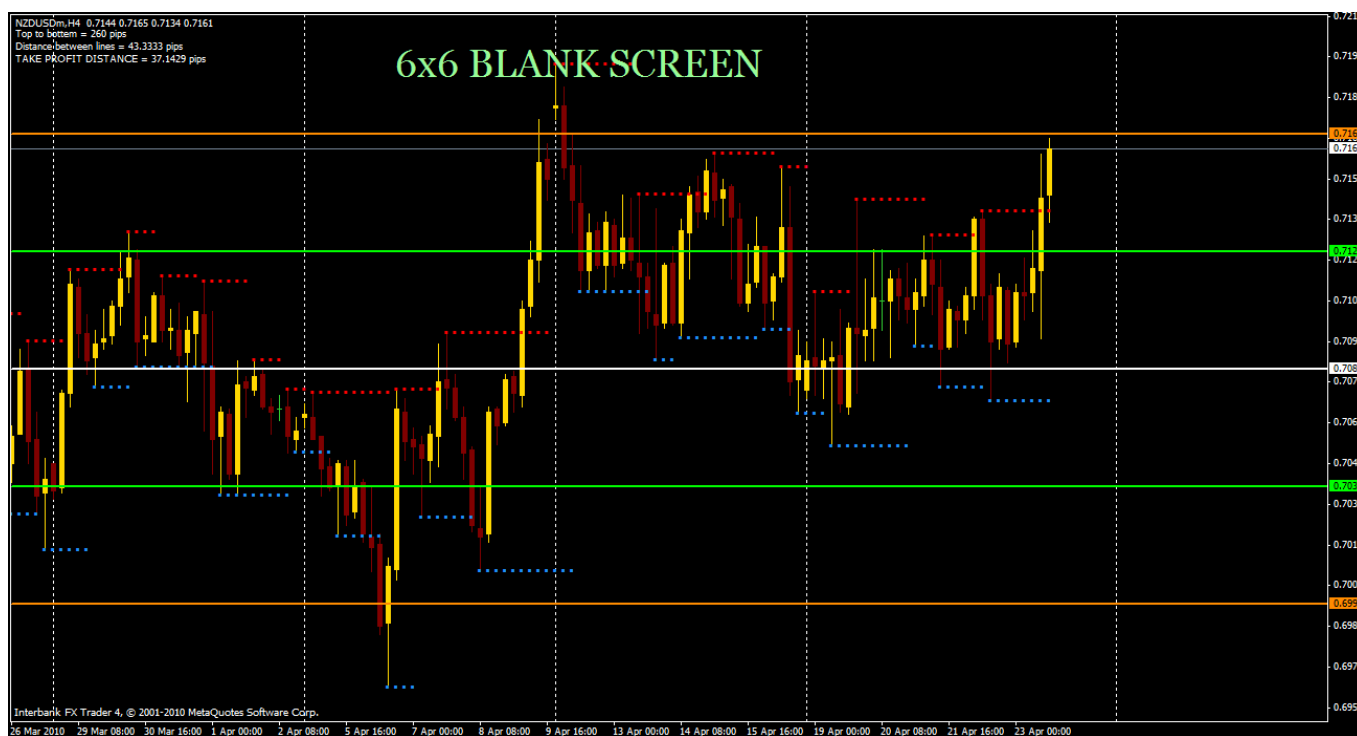
- e. Following this indicator and letting it filter some of your trading decision is a bonus. The rules are very simple. Sell at the upper lines; buy at the lower lines when the other indicators line up with you.
- f. Here is my biggest rule for trading this indicator.

DON'T TRADE BETWEEN THE GREEN LINES

- **STAY OUT OF THE MIDDLE**
- **STAY OUT OF NO MANS LAND**
- **STAY OUT OF WHIPLASH CITY**
- **YOU DON'T KNOW WHAT PRICE IS GOING TO DO INSIDE THE LINES!!!!**
- **ONCE YOU GO INSIDE THE GREEN LINES YOU ONLY WANT TO BE TAKING PROFIT, YOU DO NOT WANT TO BE ENTERING TRADES THERE. THIS IS WHERE THE AVERAGE TRADER GETS HIS BRAINS BASHED IN.**

- g. Most traders who trade are being taught to trade in the middle somewhere trying to follow the magical phrase, THE TREND IS YOUR FRIEND. **I have not found the trend to be my friend.** Look how price jerks up and down inside the lines. I am going to use a stat I have gleaned by watching the IBFX trading contest month after month. Usually 8-900 traders will enter the contest and if you look at the final standings somewhere between 100-150 traders will make a profit. That means anywhere from 11-22% of people will make money that month. Why is the percentage so low? My theory is they have all been taught to follow the trend using either technical indicators or fundamentals. They are always in the middle somewhere getting killed. What they don't realize is, they are in a war zone and it is a crap shoot.

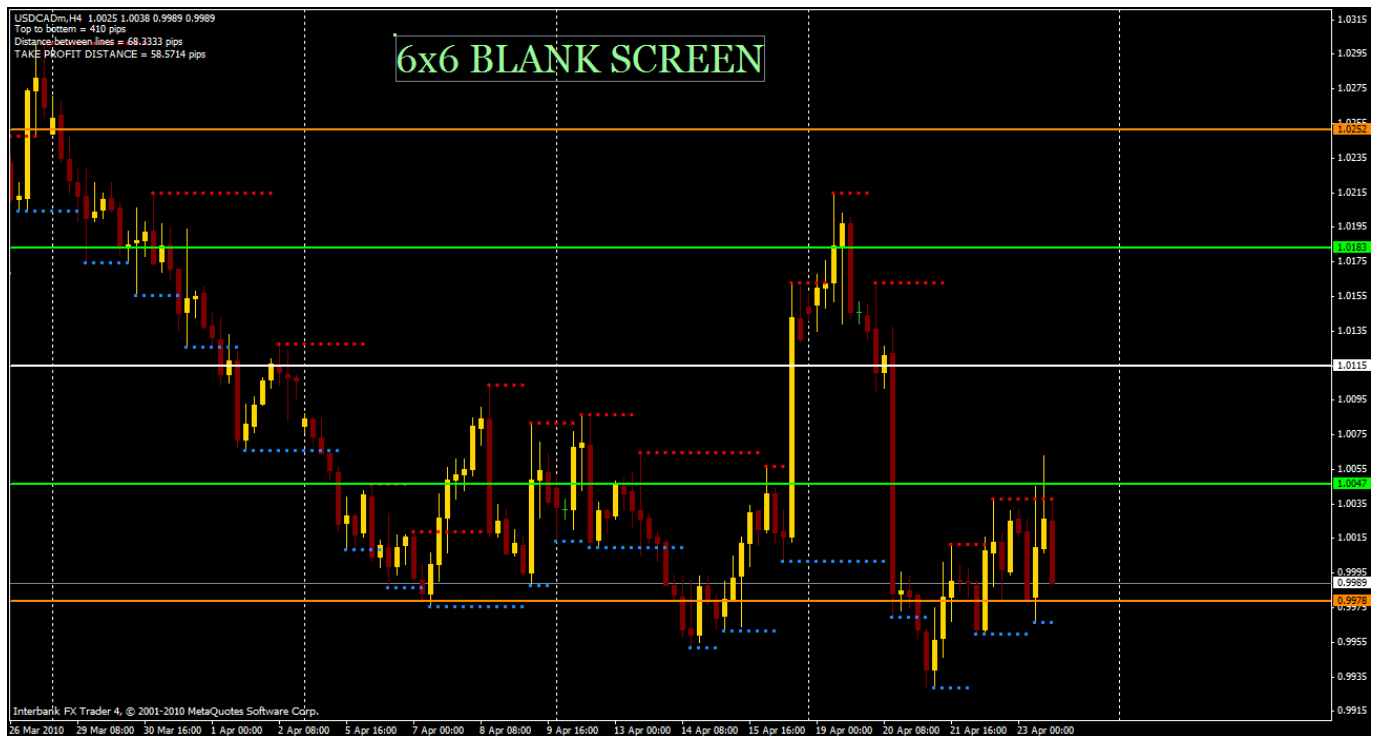
- h. Look at the trades out near the gold line as compared to trying to trade between the green lines. Don't you think those trades look easier to trade? See pic next page.



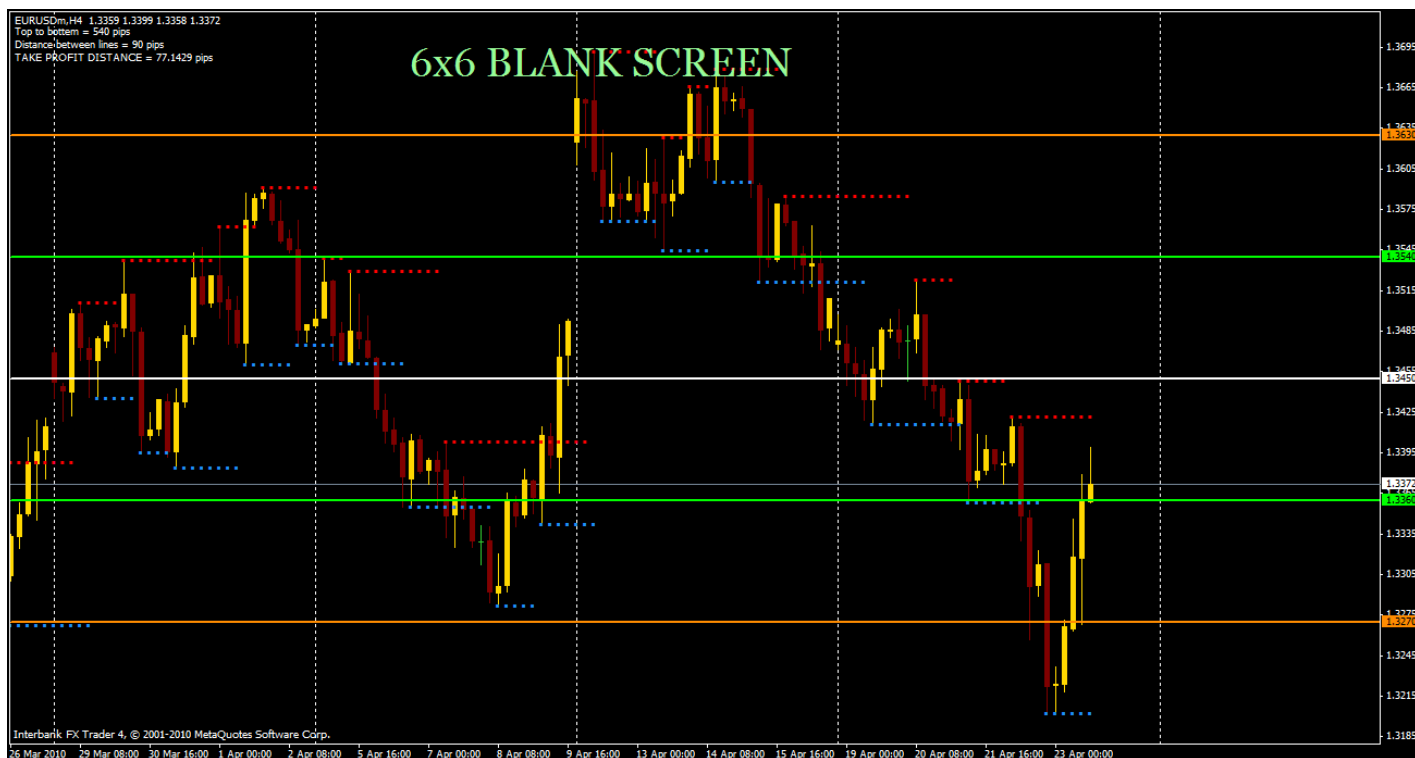
4. Support and Resistance indicator (S/R):

- a. Support and Resistance indicator (S/R)—what a nice life saver this baby has been. Want to know when is a good spot to get out, take a profit or get rid of a bad trade at its best point. This indicator is it. Thank you Barry Stander for your S/R indicator. Will talk about this later, but here is a pic of it with the sixths indicator.
- b. Can you really see some nice trades outside those Gold lines? See those nice red lines where price bounces off for sells and the blue lines outside green and gold lines for buys. Don't you think that would be easier to trade than trying to find the magical trend inside those lines??
- c. I have read many books, posts, and articles about trading the trend. Yet in any given month over 80% of the traders lose money. Are you tired of paying guys to tell you how to find the magical trend only to see them say; Here on this chart

price bounced off the 80 MA yesterday and you should have taken this trade? How about the bounce off of the 200 MA on Tuesday, see how easy this is? Look divergence on MACD on the 1H chart. Etc. etc. I think trying to follow the magical trend is like a cat chasing its tail. I do know one thing; I am 100% certain that price will change direction at some point. That is guaranteed. (See chart next page).



- d. Now look at this chart below and see how S/R lines change colors about the same area. For example R is red and later at the same pricing area it becomes blue. These will offer you future proven TP areas that have been used before for TP or extra levels of entry.



5. RED MACD LINE (pic below)—The MACD is one of the most popular trading indicators of traders. I am only going to use the red signal line for this system. We do not need the main line or the histogram. The one being used is an adaptation of MACD of MT4. I will call it the NB MACD. Later I will be putting two Stochastic Oscillator lines with it and they will give you accurate information of how price is acting. Also on the screen are 3 yellow lines produced by a Stochastic Oscillator. I will explain these in just a moment.

One of the downfalls of MACD is that it is a lagging indicator and will get you into trades too late. It also reacts slowly to price change, so we add some more lines to help in making decisions later. However, this is what you need to know from this line. Below you will see a 4H MACD signal line on a GBP/JPY. This line will give you several indications of price action over a 4 week period.

There are 3 things this line will tell you and all 3 shows up over a period of 4 weeks. I labeled each week 1, 2, 3, 4 in white numbers.

- Letter A — When MACD red line is near or past the 85 line or the 15 line you are near turn around territory. You will find this to be true most of the time but there is an exception. I will cover this later. For when you see price in this area you can look for a turnaround in price. How to identify this better will be explained later. You can see price turn around at the beginning of week 1, week 2, and possible in week 4.
- Letter B – MACD red line is at a 45 degree angle. This is showing good price movement and you have a solid trend going in a particular price pair. Week 1 is particularly strong; Week 2 has a good retracement and another at the beginning of week 4. Seeing this angle helps you to stay in a trade longer and reap the benefits of riding the trend.
- Letter C – MACD red line is flat and signifies that price is not trending or is just bouncing between a resistance and support level. You see this very clearly in later week 2 and all of week 3.
- So in conclusion the MACD red line gives you a very clear visual of general price movement for the last 4 weeks.



6. The next picture below is a blue line from the Stochastic Oscillator. There is a Stochastic Indicator and a Stochastic Oscillator. We only use the oscillator in this system. We also change its functions from low/high to close/close and we use Linear Weighted for the MA method. The numbers used are 14-5-3. We over lay this on the MACD screen and we have a MACD Sto cross indicator. A very useful one as you will soon see. If you have ever used Sto indicators in trading you know that they go overbought or oversold too quickly and are very poor at predicting long trends. However, mixed with a slow indicator, like MACD, you get a very quick visual on what is happening with price. It has several functions:

- a. If the blue Sto line is greater than the MACD red line- you are in an uptrend and if it is less than the red line you are in a downtrend. As you can see this becomes a very easy read.
- b. The oscillator also plots a yellow line at the 85, 50, and 15 marks. When you are above 85/below 15 you are nearing turn around territory. When the blue line crosses the red you have a change of direction in price action. It now becomes obvious to you that when these two lines close in on each other it is time to close your trade and to get ready to go in the opposite direction.

- c. Look at week 1 letter A – When the blue line crosses the red line we have a change of direction in price action. As it nears the 100 level it flat lines and it takes almost a week to catch the red line. A nice long profitable trade. Even when it hits 100 or 0 some of the biggest price moves are yet to come. In week 2 you have the same thing but this time price action is much smaller but there still was a nice move there. We will add a third Sto line to help in the decision making process.
- d. The one rule you cannot disobey in this system is you do not enter any trades unless the blue line is near, above/below the 85/15.
- e. So in conclusion, if the blue is above red you buy only and if blue is less than red, you sell only. When they are converging above or below the 15/85 lines you turn the EA on.



THE WHITE LINE

7. Knowing how to read the white line as compared to the blue is a key to trading this system.
 - a. If the white and blue go up/down together, the tighter they are the stronger the move and the longer you want to stay in.

- b. The farther apart they are, the weaker the move and the less time you will want to stay in the trade. In the pic below I labeled the strong moves, good moves, and the weak moves. Notice the distance between the white and blue lines as they go up or down. White moves but blue does not get out. The tighter they are the more you want to stay in the trade.



- c. So in conclusion, all lines above or below 85/15 and near the top or bottom of the gold lines on the sixths indicator becomes your entrance point. These are nice and easy to read and to do trades.

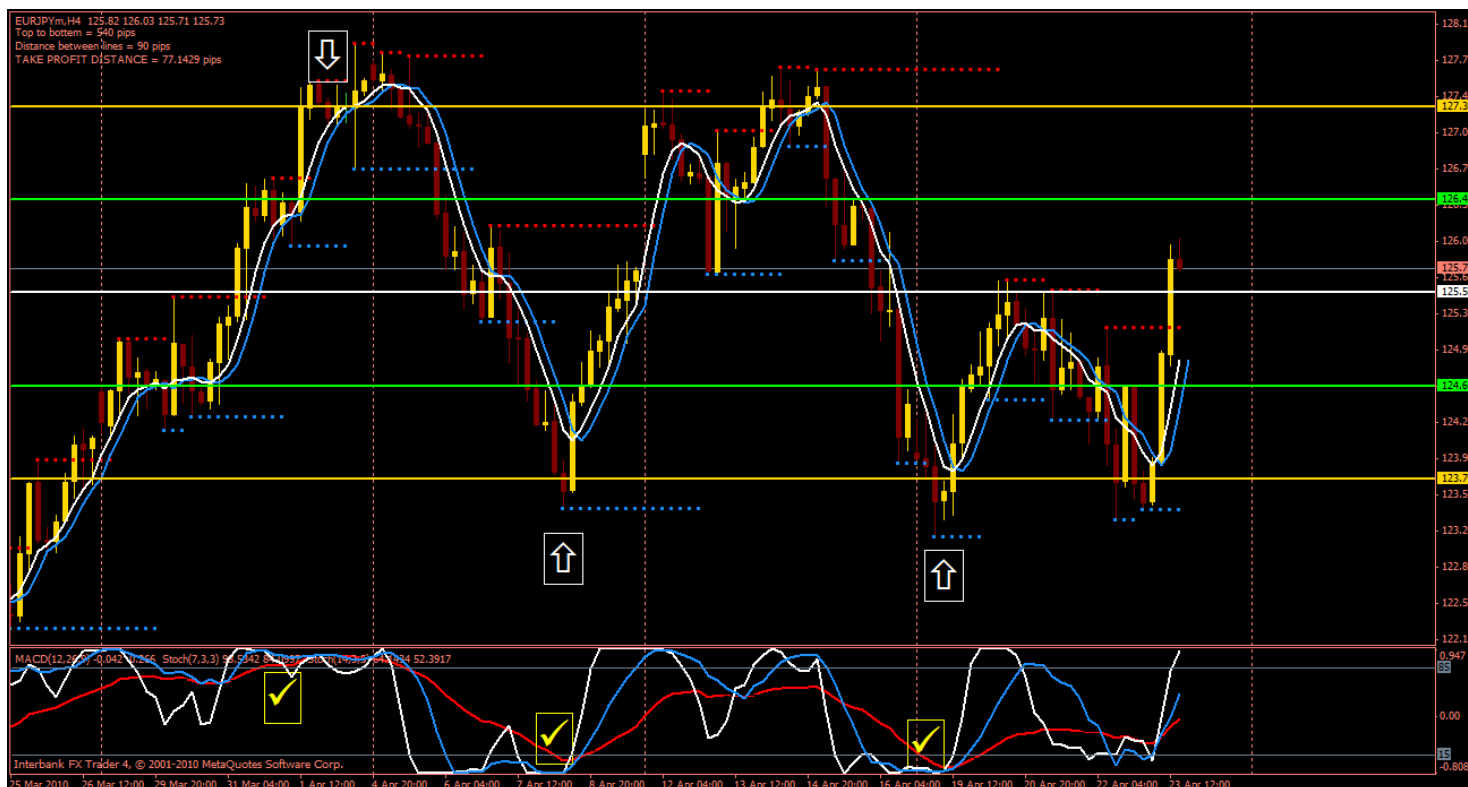
8. SwingMan's indicator—Swingman developed an indicator which draws lines on the screen when RWB meet the conditions of above/below the 85/15 lines. He also had an indicator window which is included with the other indicators but I only use his lines because I am used to the RWB lines for reading price movement. Anyway if it ever comes on it means the RWB has met the trade conditions. Confirm with the sixths lines and turn on the indicator. Purple for sells aqua for buys.



TRADE SCENARIO #1 PRIMARY TRADES

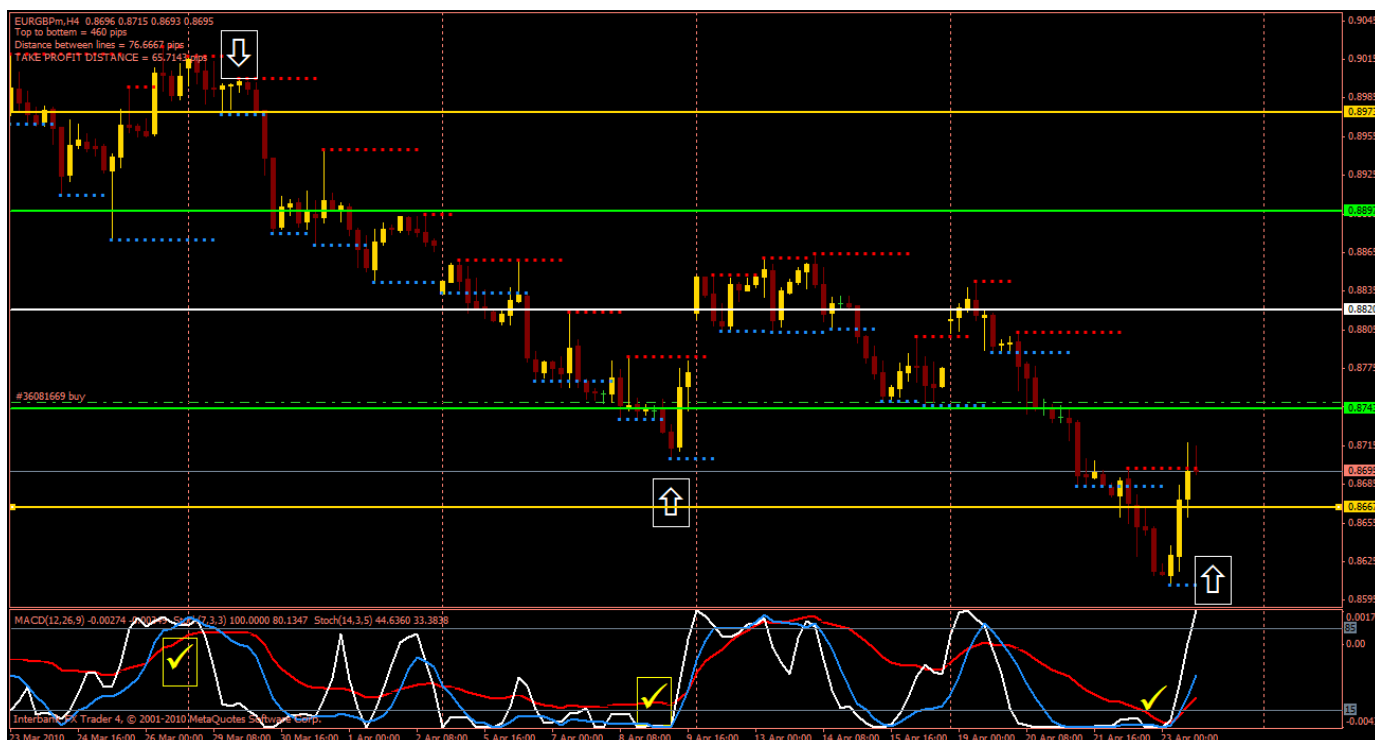
9. Now we are going to add two more sets of lines and establish our first trading rule. In our next chart (next page) we have added a second Sto line to our indicator, a 7, 3, 3 white stochastic oscillator line. This white line now becomes our trigger and decision maker line. The other is the sixth indicator. We are now ready to establish our first trading rule. (See the pic GBP/JPY next page).
 - a. **TRADING RULE #1:** When the red, white and blue line are bunched together above the 85 yellow line or below the 15 yellow line and price is at the top/bottom of the sixth indicator, you will want to turn on the sell or buy EA to enter the trade.
 - b. Look at the white arrows confirming above/below gold line trades and confirmation from the RWB system, see check marks. The two make a great set up trade is coming.
 - c. This is 4 very solid trades in 4 weeks with the EUR/USD.

EUR/USD EXAMPLE



EUR/GBP

- THREE SOLID TRADES HERE IN 4 WEEKS
- WITH THE LESS VOLATILE CURRENCIES YOU WONT ALWAYS GET THE RWB ALL BELOW/ABOVE THE 15/85 LINES.



10. So in review of the foundations of this system:

- a. Enter when all three lines are above or below the 85/15 line, confirming with price being at the top or bottom lines of the sixth indicator. You can also confirm with Swingman's lines if you get in the habit of entering too early.
- b. **At this point you only turn on the buy or sell EA and let it handle the entrance.**
- c. **PRIMARY TRADES** are your simplest and easiest trades with this system. I play all 22 currency pairs on my screen and every day I choose which ones give me the best signals. I will get several good trades a day but there are days I do not get any. That is ok. Keeps you out of trouble. Also these trades take patience. Trading the 4H chart can take time but you do not have to sit at your screen waiting hours for the right entrance point. I have developed an EA to help you so you don't miss good trades.
- d. I check for trades at the following times but will take trades anytime during the day or night. Sometimes there are no trade scenarios but you will be checking again in 4-6 hours. Sometimes you see one coming up but decide to wait until the next 4 hour bar. My most common trade entrance times are:
 - **#1 Just before the JPY open**
 - **#2 Just before the Euro open**
 - **My most common close trade times are:**
 - **2-3 hours after Euro open**
 - **Just before the USA open**
 - **After the Euro close (middle of USA session)**
 - **After the USA close.**

My favorite times to open EAs are before the JPY session and EURO session. My favorite times to close trades are end of the Euro or USA session and the beginning of the USA session. But I have done these things at other times.

The reason I like opening just before the jpy or euro session is if you study a daily chart candles, the candles are usually full bodied meaning once price gets going in a certain direction for the day it stays that way all day most of the time.

- Count the candles on a daily chart that are full bodied, price starts in one direction at the open and then reverse and goes that way almost all day.
- Eliminate the Daily candles from Sunday night trading and you will see that most days the candle will be full bodied. I guess trade the trend of the day. ☺



- **AT THIS TIME GO TO TRADING THE EA**
SYSTEM EA#1