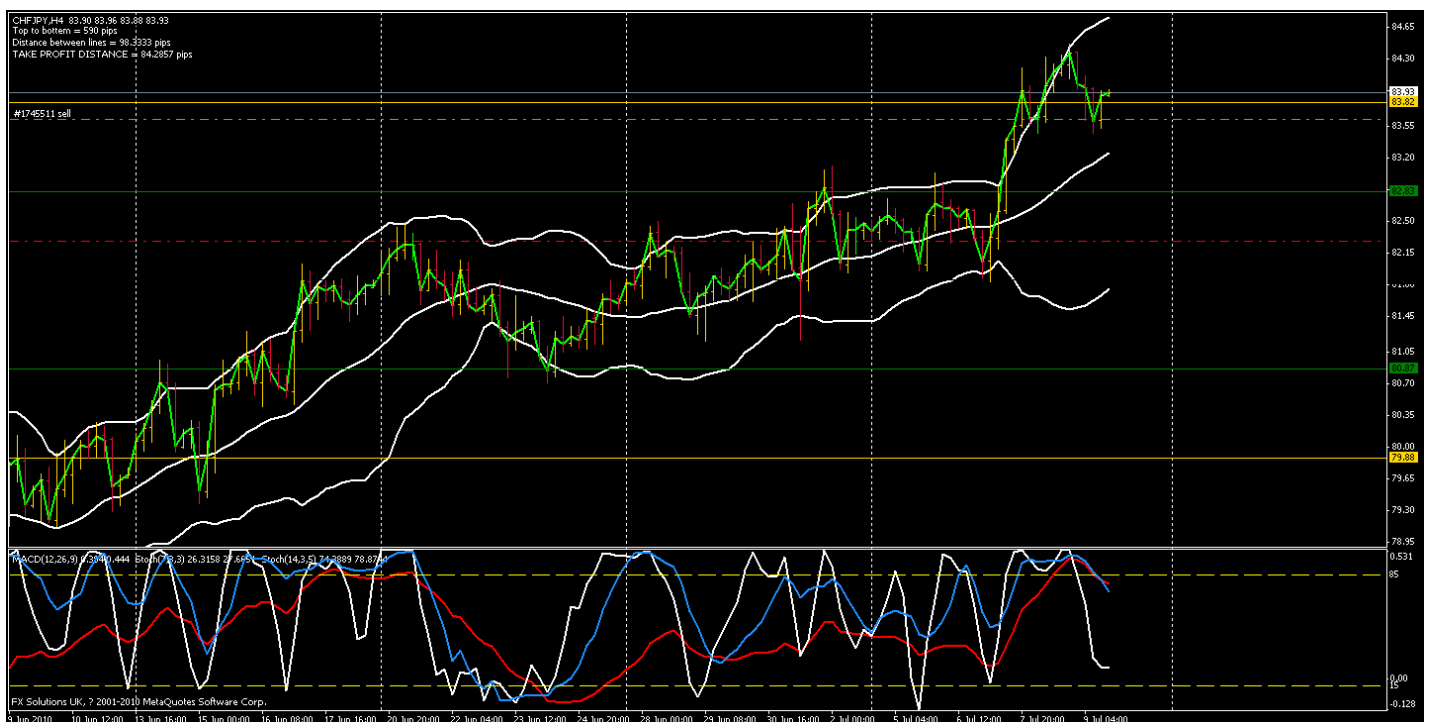


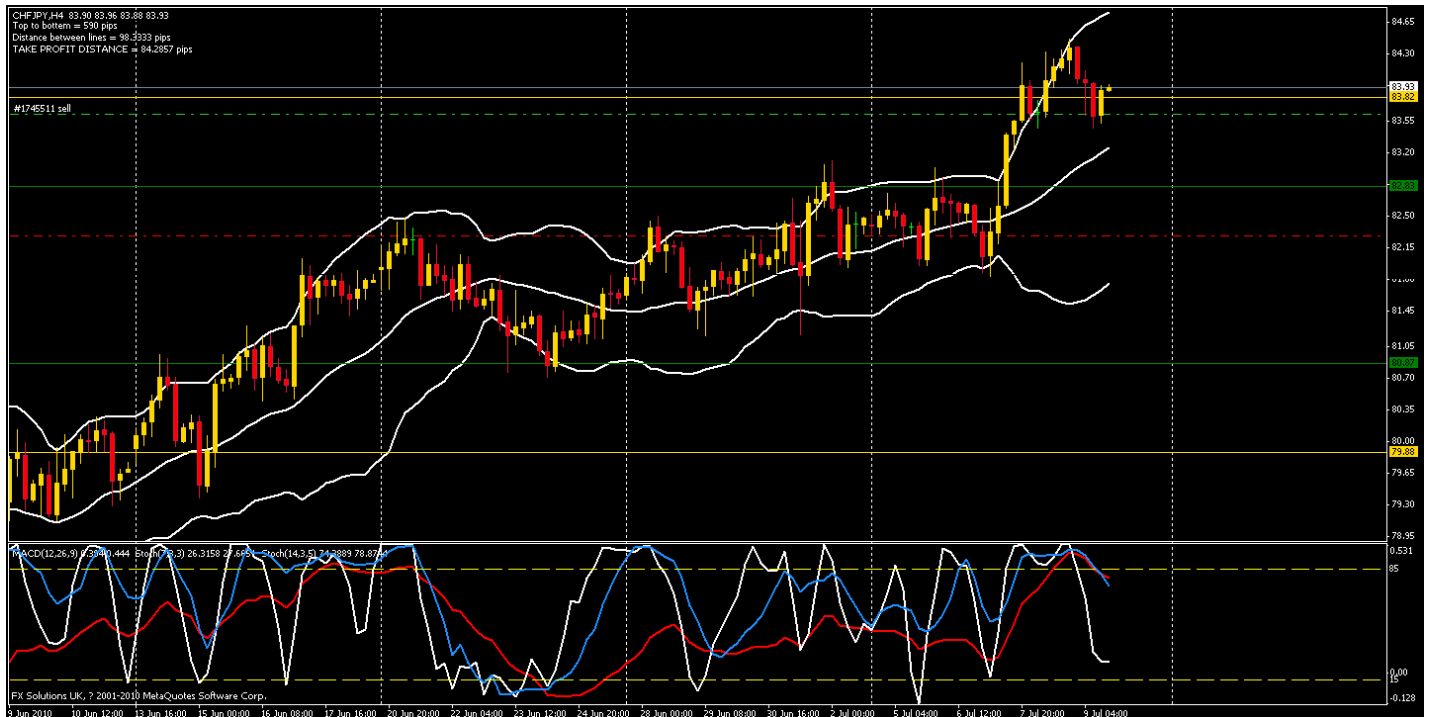
TRADING WITH THE EA SYSTEM – EA#1

1. There are two basic templates that go with EA#1. These are your basic or every day templates you use to make trading decisions from. Template #1 Basic and Template #1 Basic w/1MA. The first template shows 1MA with the green line. And the second is the template without 1MA but with candle sticks. You can choose which one you like better. I know some traders who will add Swingmans indicator, S/R indicator, and RSI. But I try to keep my screens clean and neat looking as best as I can.



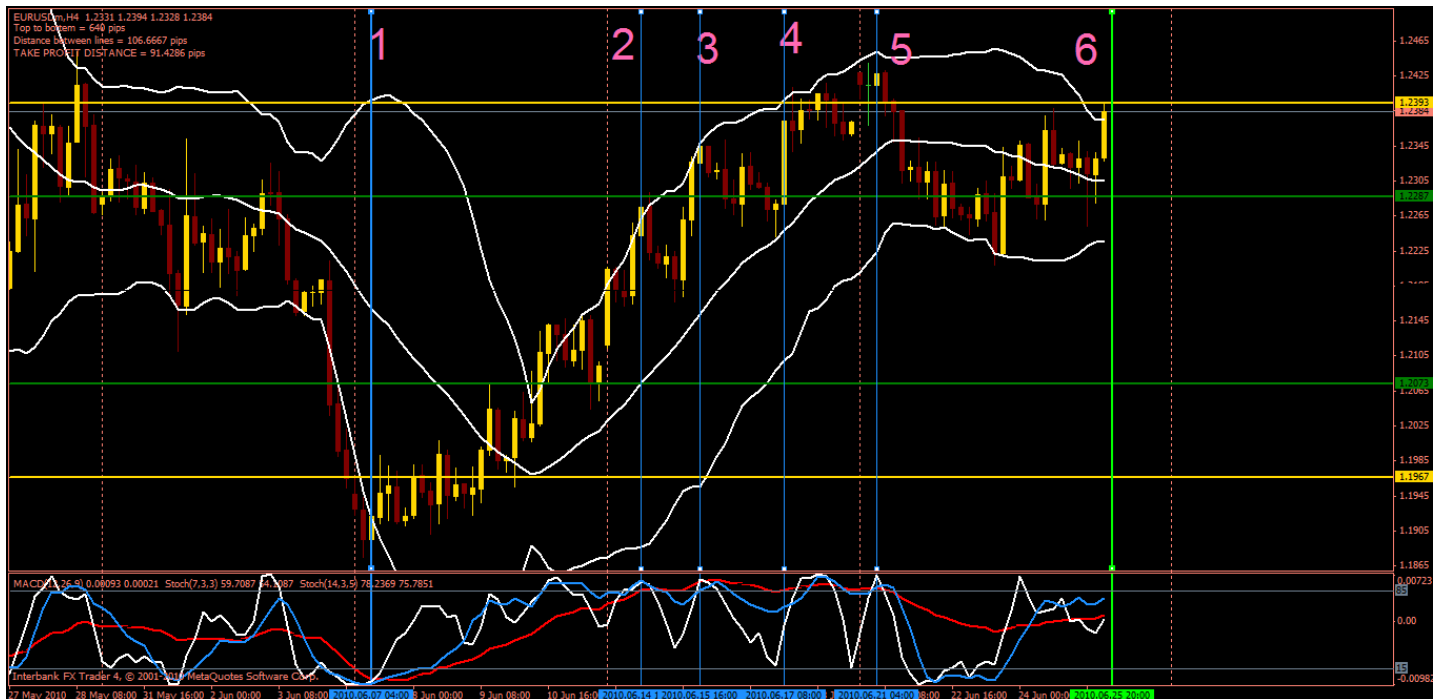
2. Here is the second screen Basic screen not using the 1MA. You can choose which one looks better. From these two base screens you make your trading decisions. The 6ths indicator is

using black for the middle line so to see it you would need to change the color of your background from black to some other color.



3. In the past I have used both MA cross EAs (Versions 2-4) and Bollinger Bands (Version 1). I started with BB and then switched to MA crosses. However with the use of the 6ths indicator for Version 5, I am switching to BB bands and using a 25 BB instead of the 40 MA or the standard 20. There is a reason for this and I will explain later but in short the 25 MA BB is based on the 200 MA on a 30M Chart. (See the section on indicators for how each indicator works and why I use it). With the 6ths indicator I am now able to filter out some of the BB runs that plagued version 1. I think you will agree that you will get better entrances and lower DD (draw down) with version 5 improvements. Look at this chart below and I will comment on the

trades 1-6 later.



4. In the pic above I point out 6 trades over a 3 week period. The six trades meet the conditions of trading the BB bands with the RWB of Version 1 but I will show how the 6ths indicator will filter out some trades that we used to take but wont now. **Trade 1** is a buy which comes on the heels of a big news story. This trade has a problem in that price is always outside the BB bands and ended up being one of our famous BB runs that plagued version 1. In version 5 this is filtered out because we have EA #2 which does not enter until 1MA comes back inside the the BB band. This trade will be in a section called trades outside the BB bands. Needless to say you would use the #2 EA because price went outside the BB bands and you want to enter the trade when it comes back inside. Then you will use the #3 EA to pick up some trades also.
5. **Trade 2** The red, white, and blue lines (RWB) is above the 85 in the Sto/MACD indicator and

price is below the green line of the sixth indicator. So in Trade 2, price is actually inside the green line and the BB band is inside the green line so we would not normally take this trade even though it would be minimally profitable. So in Version 5 system we are not in at #2 but we would have been in Version 1. That is how the new filter works in version 5.

6. **Trade 3** is a good trade BB band is now above the green line and below the gold on the sixths indicator, RWB are bunched together above the 85 line so you turn the EA on. Price moves up and hits the BB line and we are in. Price retraces below the BB line and 8-16 hours later we can take a profit of 30-70 pips.
7. **Trade 4** Is another good trade. The BB band is now breaks above the gold line and we enter another nice trade. Within 4 hours there are 50-70 pips on the table to take. (We will deal with TP later, staying in or getting out later)
8. **Trade 5** is another good trade as price moves up one more time and bounces off of the BB band and moves almost 200 pips to the bottom of the band. How do you know whether to stay in or out? See the TP section. ☺
9. **Trade 6** is a secondary trade and we will deal with that one later in the secondary section.

So in conclusion of the 6 trades marked on the screen. This is what you would do: trade 1 will be dealt with trading outside the BB lines during a news story. Trade 2 is a no trade in version 5, it was a trade in version 1. Trades 3-5 are primary trades and #6 is a secondary trade.

10. **So Version 5 Primary trade sell rules (SELL EA #1) are:**

- a. When the RWB lines are bunch together above or near the 85 line,
- b. The top of the BB is well above the green line of the sixths indicator or anytime above the gold line.
- c. Price is inside the BB outer band
- d. You will turn on the sell EA and let the EA enter the trade when price hits the BB upper band.
- e. After price has entered you will then follow the rules for taking profit (TP) or the 2.4.2 recovery system.

11. **Version 5 Primary trade buy rules (BUY EA#1) are:**

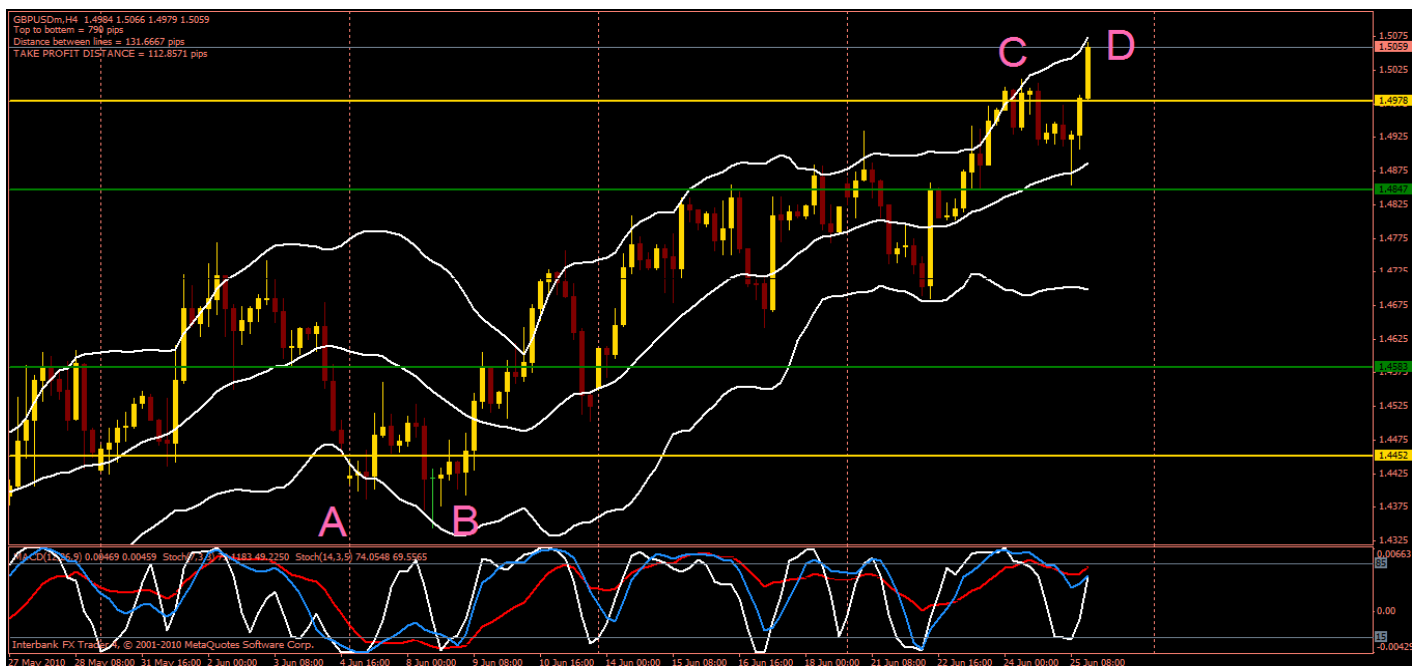
- a. Just the opposite of the sell rules. When the RWB lines are bunched together near or below the 15 line.
- b. The bottom of the BB is well below the green line of the sixths indicator or anytime below the gold line.
- c. Price is inside the BB outer band
- d. You will turn on the Buy EA and let the EA enter the trade when price hits the lower BB band.
- e. After price has entered you will then follow the rules for taking profit (TP) or the 2.4.2

recovery system.

12. So in conclusion the system works like this. When you see the potential trade signal you turn on the the #1 Primary 1 sell or the Primary 1 buy EA. I call them 1 because they use the magic number of 1. Later on you can use the MTPM EA with these EAs and each MPTM will be assigned to just those trades with a #1 Magic number. This will be optional for you

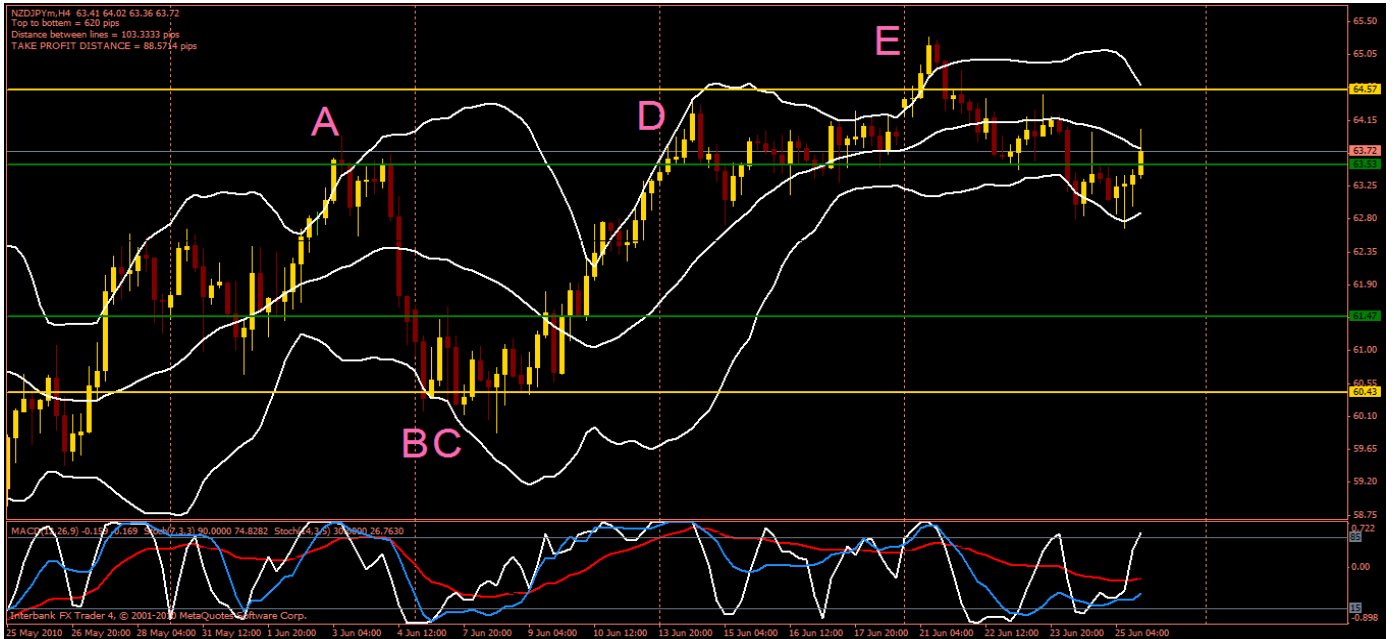
EXAMPLES GBP USD--4 TRADES

- Trades A & B are Primary Buy Trades, Trades C & D are Primary Sell Trades
- 3 of these trades would have gone over 100 pips,
- There are other trades but we call them secondary trades.



NZD JPY

I chose this pair because the trades are not so clear cut as the gbp/usd

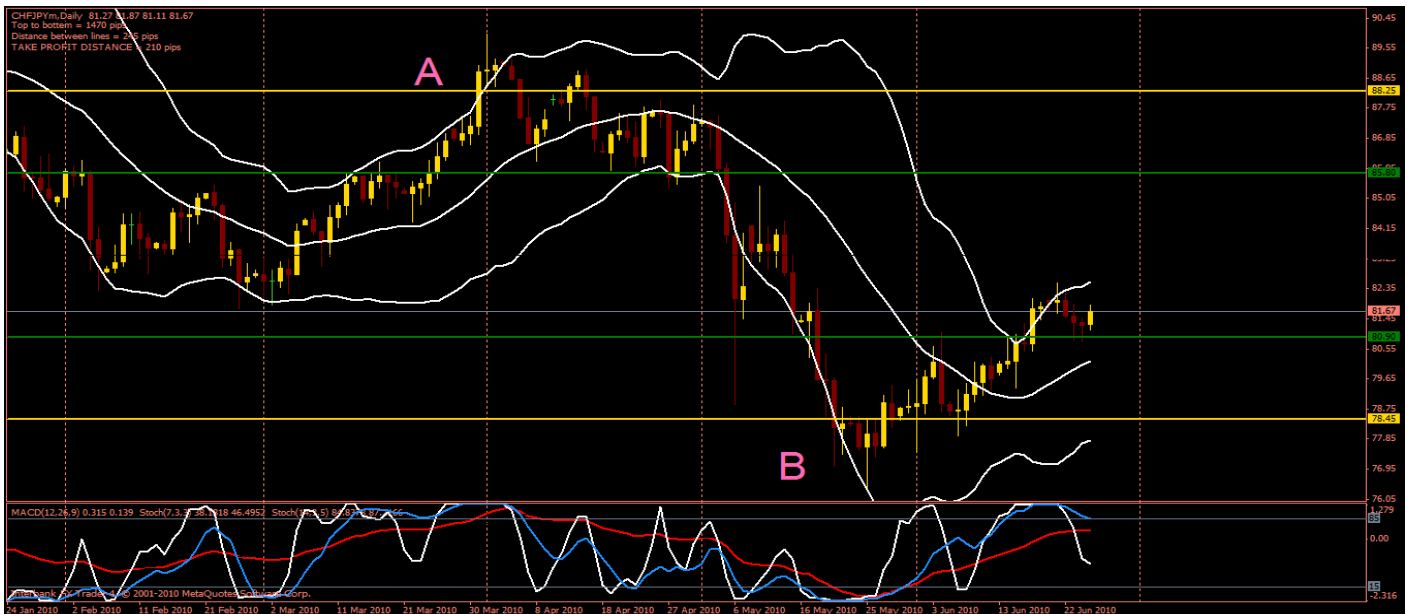


In the pic above trade A is a maybe enter but if you did it was profitable. B & C are buys, D is a runner and probably broke even. We will deal with how to spot runners in another section. E develops some DD but then heads for profit. A, D, and E are Primary trades and B & C will be secondary trades. E is another runner and we will deal with that later also.

CHF JPY

In the pic below for a 4 week period there were 2 primary trades A and B. Not every currency will have a trade every week but most will trade once or twice a week. A is profitable and B is dependent on when you turned the EA on. I could be a non-profit trade if entered too early. The runner along

the band is the toughest trade of this system.



SECONDARY TRADES

Secondary trades are primary trades where price has gone back to the previous location of the primary trade. They are your double, triple tops, head and shoulder, 1,2,3 swing trades, etc. patterns. Instead of having to recognize a trading pattern you just keep the EA on and let the EA handle the entrances. They will look like this.

1. In the pic below you can see a buy primary trades P1 and sell primay trade P2. The RWB lines are at or near the 15 in P1 and 85 on P2. The BB lines are outside the green or gold lines of the sixths

indicator and are looking good so we turn on the EA#1 for P1 and EA#2 for P2 since price is outside the BB lines. After we have profited on these two trades price moves back up/down again so we can take these trades again. Actually after taking profit you don't need to turn off the EA because it won't enter again until price hits the BB outer band.

2. Trades S1 to S3 from P1: Even though you do not have confirmation from the RWB lines from the STO/MACD indicator these are still excellent trades. Price has gone back to test previous support lines and there is no reason we can't take them again. They were a primary trade in the past but now they are a secondary trade. A SECONDARY TRADE MET THE CONDITIONS OF A PRIMARY TRADE EARLIER. I have often found secondary trades make more pips than the original primary trade. So secondary trades do not need confirmation from the now RWB lines but need to have it from the recent past.
3. Trades S1 and S2 from PS sell: P2 is actually a barely confirmed primary trade. The BB bands just broke the green line and you do have confirmation from RWB. Then at S1 price moved back to the same R line and we can take that trade again. Then at S2 we have the head part of a head and shoulder pattern but we also have a new primary trade with RWB confirmation. So S2 is a primary trade now but a head and shoulder pattern from P2. Either way it is a good trade but I wanted to show you how it works. Those are 7 very nice trades over a 2 1/2 week period.

