

## **PK Renko Probability Trader**

### **Concept**

- We aim to capture 1 – 2 bars of pips by trading regular patterns
- We are looking for shorter term trades
- This approach is based on using Renko to determine entry and exit points
- Using NB recovery should help to make this trading system successful

### **Note 1.**

This is based on taking consistent small gains from trading regular patterns. The risk return is not the best but the patterns are consistent so should provide a high win rate.

I would not trade every option on every pair but depending on the pairs characteristics some trade types seem to work better than others.

### **Note 2.**

I have studied lots of Renko charts so have a degree of confidence in the basic patterns however the most obvious element only dawned on me the other day and the other bits suddenly made much more sense.

I have not traded this strategy as outlined but have used parts of it at different times. Personally I often found Renko hard to trade manually as the price moved quicker than I could react.

### **Note 3.**

This idea will need refinement. However once the trend concept of Renko is understood it's quite simple and generally is just trying to capture short term momentum.

## **The Basic Concepts of the Plan**

### **Underlying EMA trend**

Defined by a 750 EMA

If the open for the day is above the 750 trend EMA then the EMA trend is up, if open for the day is below then the EMA trend is down

The Opening Price and a Short Term Moving Average (10 SMA shifted 1 period) are the only other requirements.

The open price is the black line across each period



## The Short Term Trend

Key Concept to this Strategy is that 3 completed bars defines a trend direction, one or two bars is a trend pullback



Making this simple rule helps to make Renko trading very easy to understand and to design a trading strategy around

## Trade Types

We have 3 types of trades

1. Pullback entries
2. MA cross over entries
3. Trend continuation entries ( based on a higher high or a cross of a significant resistance area

### 1. Pull back Trades

We treat every one and two bar pullback as a trend continuation opportunity. If the 3<sup>rd</sup> bar forms we change our point of view.

The key to entries for this strategy is to enter at the entry point of the first pullback bar and not wait for the new trend bar to form. This is best done by placing a limit order when the first pullback bar completes.

This is important as often entering once the bar is complete means entering at a resistance point.

We trade only trend trades in the direction of the short term trend defined by the direction of the last 3 completed Renko bars.



### 2. MA Cross Over Entries

MA cross over entries work better when there is a stronger trend when filtered with the direction

Rules are

- Take down trends entries under the open with a closed down bar
- Take only uptrends over the open with a closed up bar
- May need to add a filter for longer term ranging periods but the above rules work ok

- I use sma10 shift 1 but others may prefer an alternative



### 3. Trend Continuation Entries

These are created by the cross of significant lines and 4<sup>th</sup> candles

I have used the open line to show where we can take a single candle, for these I would place an entry line a few pips on the other side of the line. I think these patterns work because in ranging periods the price seems to stay close to the open.

Fourth candles are traded in the direction of the main underlying trend where there has not been a pull back.

While they seem a little random they work quite well. Generally with the level of momentum a pullback will lead to continuation.



## **Stop Losses and Recovery**

I think the NB recovery will work well with this approach as most of it is trading with the trend giving good recovery options.

Alternatively a standard SL placement can be used.

A martingale strategy also seems sensible given the relatively small take profit targets and higher frequency of trading. The approach used to limit the number of trades seems sensible to me.

## **Filters**

### **Additional Ranging Filter**

To avoid trading in ranging markets an optional filter option to prevent trading within x pips of the trend EMA could be applied. For example if the entry price is within 200 pips of the 750ema do not enter.

### **With Trend EMA**

An option to take each trade type only with the Trend EMA is required

### **Number of Open Trades per pair / total drawdown**

A number of open trades per pair may be useful as a pair could be in recovery while taking a new signal.

### PK Renko Probability Trader – trade options

Trade Type	With Trend EMA	With Open	Entry Type	Exit	Comment
Pull Back Trades	Optional	Optional	Limit order at open of first pullback bar placed on the close of the first pull back bar Remove once 3 <sup>rd</sup> bar closes	Fixed 2 bar TP or a trailing stop Place a SL at open of first bar when it closes Move SL up bar by bar as it trails	It always seems tempting to try for the big win but I found it better to just take 2 bars <b>Note</b> A Pull back trade has the highest priority over other potential entries on a bar close
MA cross over trades	Optional	Optional	Place order on close of candle in the direction of the trade eg bar closes down on a cross of a ema under the open	Take 1 or 2 bars fixed TP	<b>Note</b> A MA cross over trade has second priority after a pull back trade
Trend Continuation entries Cross of the Open	Optional		Place a limit order 2 – 3 pips over the open, once bar 1 removed closes, eg this would be approx. 12 - 13 pips for a 10 pip bar	Take 1 bar  Place A SL 2 – 3 pips on the side of the open in which the trade is heading eg on the low side if crossing high once the pending order has been triggered	Often when the price crosses the open it can do fast  On close of bar place an order 2 – 3 pips on the opposite side and repeat  Remove limit order once the price moves more than 2 bars away  <b>Note</b> This has a third priority
Trend Continuation entries 4 <sup>th</sup> bar continuation	Optional	Optional	Place a limit entry on the close of the 3 <sup>rd</sup> bar	Take 1 or 2 bars	<b>Note</b> This has 4 <sup>th</sup> priority