

Price action momentum trading

Background- I had been a successful trader in higher time frames (HTF, meaning 4h and above) using classical chart patterns like double top etc. However when I was forced to trade shorter time frames, I realized my earlier tricks don't work anymore. I studied, learnt, tried and cried. Thankfully I found some success with dance (<http://www.forexfactory.com/showthread.php?t=224697>) now active as choros (<http://www.forexfactory.com/showthread.php?t=236210>) especially constraintment trades. But tough trades were a big pain for me. Either I missed them or lost money. I stayed awake whole nights and really wondered if short time frame trading was possible. But thankfully I didn't give up. Then one day I read a post by kostas (<http://www.forexfactory.com/kostas1>) and I had my aha moment. Price action!! PA!! That's all to the game. I have been successful since then. Since I benefited greatly from generous experience and guidance of others in FF I am here sharing my system. Let me warn you it sounds too simple to be true, but it indeed is.

Warning: This is work in progress. I am posting it only because of request from friends. Please give me time to make a better manual.

A war- any market is a war- A war between buyers and sellers; A war between bears and bulls. All a trader has to decide who is winning and then join in when winning army starts its attack. Unfortunately there are no straight winners in this war. Territories are being won and lost every minute. Every tick is a small victory for one army and loss for another. Then how does one decide who is winning? Territory! Whoever captures more territory PER ATTACK is winning. That's easy. But the problem is that even a winning army is not always fighting. They consolidate, take rest and let losing army capture few posts. And then they march ahead recapturing all lost posts and some more. It's important to be with winning army just when they start their attack. At other times, even supporters of winning army can become casualties. This is precisely what I do. I see who is winning and join their march when they start their attack. I stay outside when winning army is taking rest or when losing army is making small gains.

Territories- pips gained or lost per candle is key to finding out who is winning between buyers and sellers. If you see large bull candles bulls are winning. If you see large bear candles, bears are winning. If you see both none is winning- stay out. I just see large candles and join that force. It's as simple as that. However, if you have been trading for some time you will recognize that large candles are in essence "impulsive moves". But I don't want to confuse anyone. Also by large candles, I mean "comparatively large candles". Candles before a candle decide what's large. Sometimes even candles after a candle will give clue that a candle was indeed large.

The march- It's critical to join winners only when they are gaining grounds. At other times there maybe casualties even in winner camp. How do we know when winners are not resting but marching ahead? When they gain new grounds and push back losers army! Yes it's simple. Lets not make it complicated

Summary- SO,

1. When I see large bullish/ bearish "momentum" bars, I decide to join that side.

2. Timing of joining is critical. I join only when I know my side is marching. When I am bullish I wait for price to go ABOVE previous candle high to enter. Breach of previous candle high is indication to me that bulls are fighting and not resting. Similarly when I want to sell, I wait for breach of previous candles low before joining the selling. This means my entries are always “stop loss” orders.
3. Entry points- I love to enter the war at critical battles. When I know loss of a particular battle is going to crush the opposition that’s time to join in. I look for critical boundaries between bulls and bears. When I know loss of a particular boundary is going to result in major gains for winners then I join.

My preferred entries-

A. Rejection bars: They show that winning army is pushing losing army back. As always, entry is above (buy) or below (sell) the pattern not at-market.

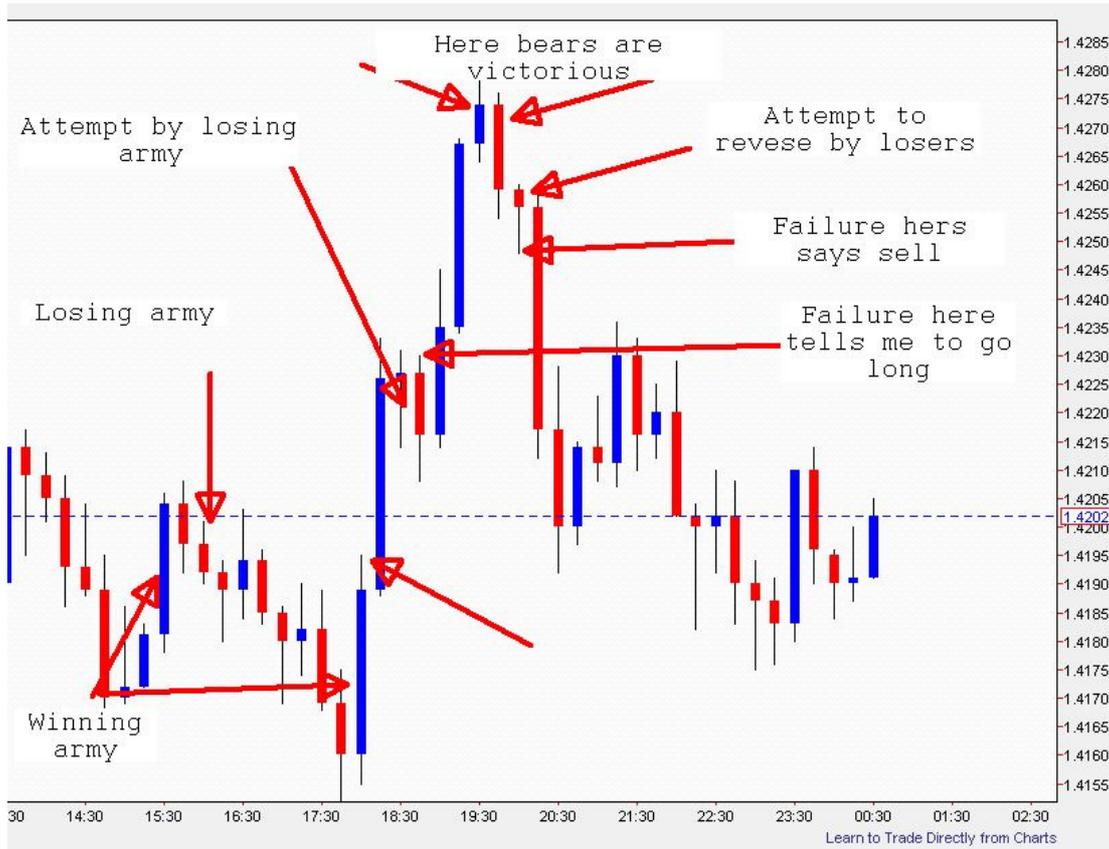
B. Failed reversals: Early in the trend, market will often try to reverse the move. This happens because losing army fights hard initially and tries to reclaim territories. Failure of any such attempt will discourage losing army and results in gains for winners.

Entry points, SL : Stop loss entries are safest. It’s generally safe to place an SL entry order a few ticks above/below setup patterns. Once entry is done, first stop loss can be placed in the other direction of setup candle. For examples, in a bearish rejection bar, place SL sell just below the low.

Rules:

1. Any time frame any currency.
2. Trading active moving markets only. Preferably NY and London session

Please be patient. More examples and explanations will follow. Here is a live example from today. EU 15 Min



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Hope you all like it

Cheers!
Survivor