

**Pips DuJour**  
**A FOREX Scalping Strategy**

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## **PIPS DU JOUR – A SCALPING/DAY-TRADING STRATEGY**

**Background:** Becoming a successful trader is a (sometimes long) learning process and may require trying out many different styles, systems and techniques.

There are no mechanical systems that will produce consistent profits over and over, because FOREX is a very dynamic market. At some point in one's development as a trader, one stops looking for something purely mechanical and accepts that the use of discretion and judgement are necessary for trading success. Still, many or most of the successful traders have formulated their trading styles into one or a few systems. This is not a pure mechanical system.

### **General:**

This is very simple scalping strategy based on moving averages, MACD, and the TD Sequential. Genius runs to simplicity.

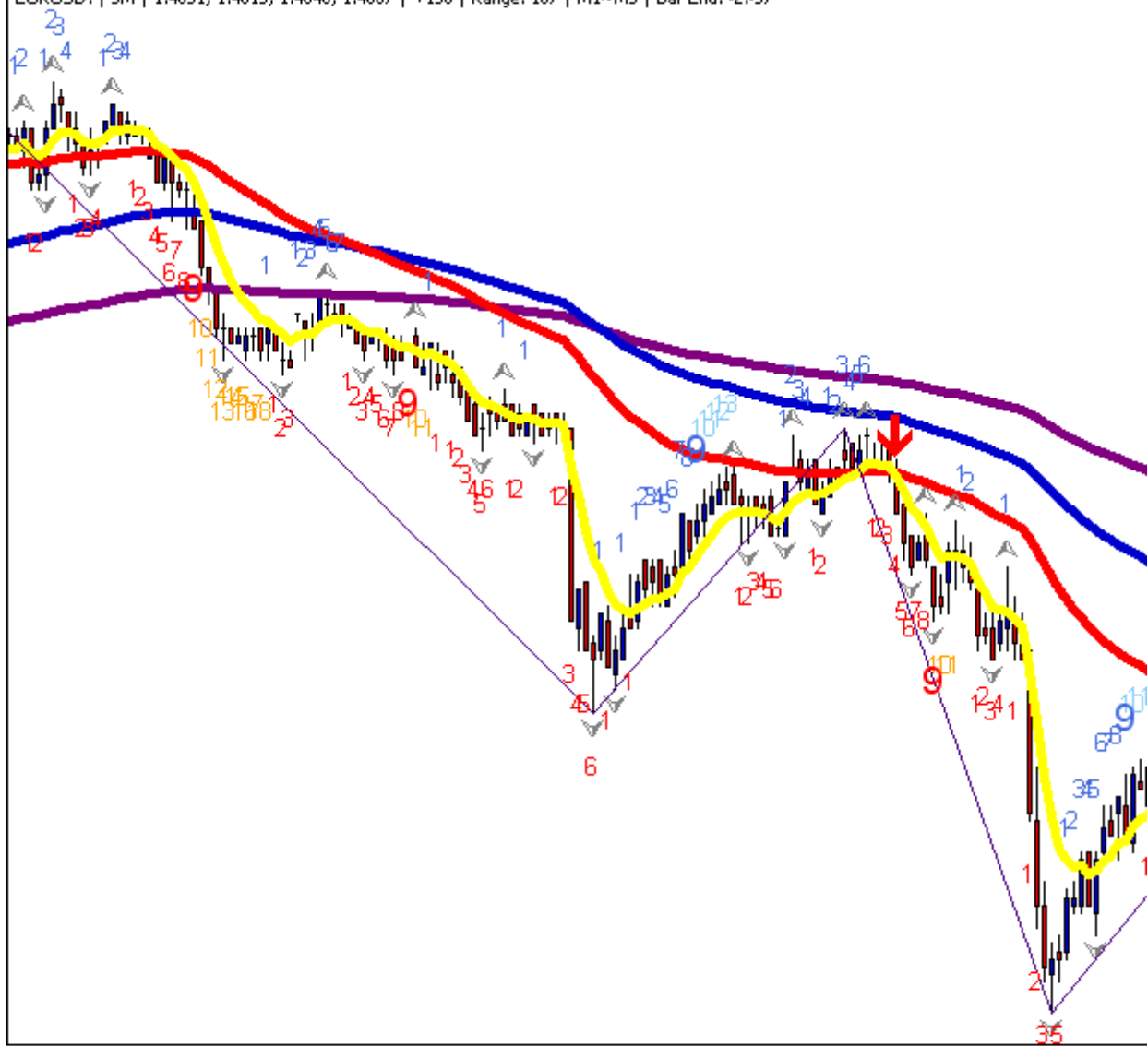
### **Timeframe: 5M**

Currency Pairs: Works best on pairs like EUR/USD, USD/CHF, EUR/CHF, but could be used on any pairs. Make sure you keep your spreads low.

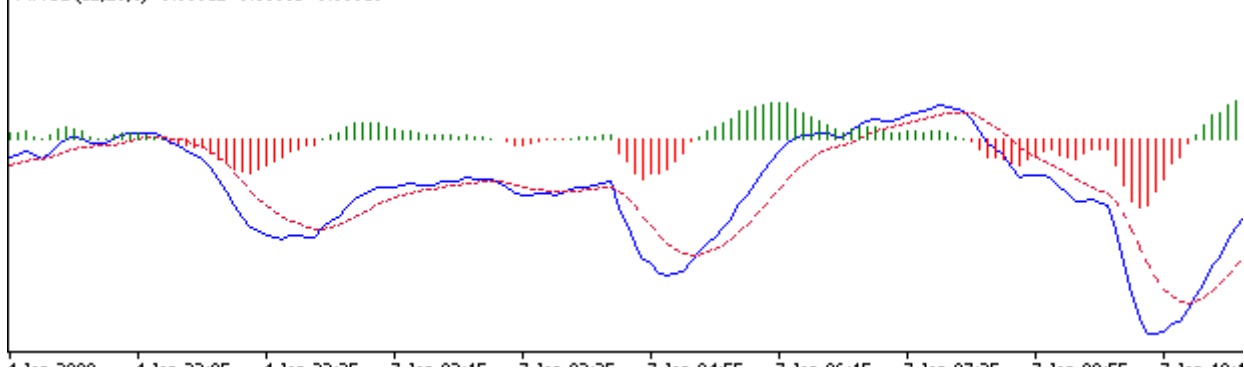
### **Indicators:**

8 EMA - YELLOW  
60 EMA - RED  
120 EMA - BLUE  
240 EMA - PURPLE  
MACD (12,26,9)  
8-60-120-240 crossover signal  
TD Sequential Setup  
Fractals  
Zig Zag First (30,3,3)

EURUSD.,M5 1.4804 1.4804 1.4802 1.4802  
EURUSD. | 5M | 1.4651, 1.4815, 1.4648, 1.4807 | +156 | Range: 167 | M1~M3 | Bar End: -2~37



MACD(12,26,9) -0.00012 -0.00003 -0.00010



## **Entry:**

Enter on a cross of the 8 EMA with the 60 EMA with all the EMAs stacked in the proper order. This is not a new concept – the cornflower system uses a similar method on the hourly chart. These settings are optimized for the 5 minute chart, however.

Rationale:

The 8 EMA is the most recent price action over the last 40 minutes.  
The 60 EMA represents the 20 EMA on the 15M chart – short term action.  
The 120 EMA represents the 20 EMA on the 30M chart – last 10 hours  
The 240 EMA represents the 20 EMA on the 1H chart – last 20 hours.

So we are looking for definitive price action that is consistent among all short term time frames.

It is important to trade only when the EMAs cross. This implies the 8MA was on the wrong side of the price action temporarily and is now correcting.

It is also important to trade only when you get the proper EMA stack. Sure, there are many trades that might work with a cross of 8 and 60 with not being on the right side of the 120 and 240, but there are many trades that do not work also.

By waiting for the proper set up, you will increase your odds of getting mostly winning set ups. Also, because this is based on the 5M chart, there are going to be plenty of opportunities.

Sure, there may be times where all the EMAs are stacked properly but the cross didn't happen at the right time. These trades are not part of the system.

You don't need to trade each set up, and in fact, you shouldn't. Here's where discretion comes in. Do a top down analysis to identify points of major resistance and support. Plot your pivots and fibs if desired.

**NEVER BUY INTO RESISTANCE OR SELL INTO SUPPORT!**

Paying attention to this will let you filter your trades.

So , to summarize, for a BUY signal, 8 EMA should cross from below to above the 60 EMA. The 60 EMA should be above the 120 EMA which should be above the 240 EMA.

For a SELL , 8 EMA should cross from above to below the 60 EMA. The 60 EMA should be below the 120 EMA which should be below the 240 EMA.

## **EXITS:**

### **Unprofitable exits:**

1. If the trade doesn't go your way, exit after 20 minutes if the yellow line is touching the red line or has crossed the red line.
2. If price action is going nowhere (consolidating) after 30 minutes, exit at break-even.
3. You get stopped out. I tend to use very tight stops but most traders will find a SL of about 20 pips or so on most pairs will work fine. Experiment with this factor.

### **Profitable exits:**

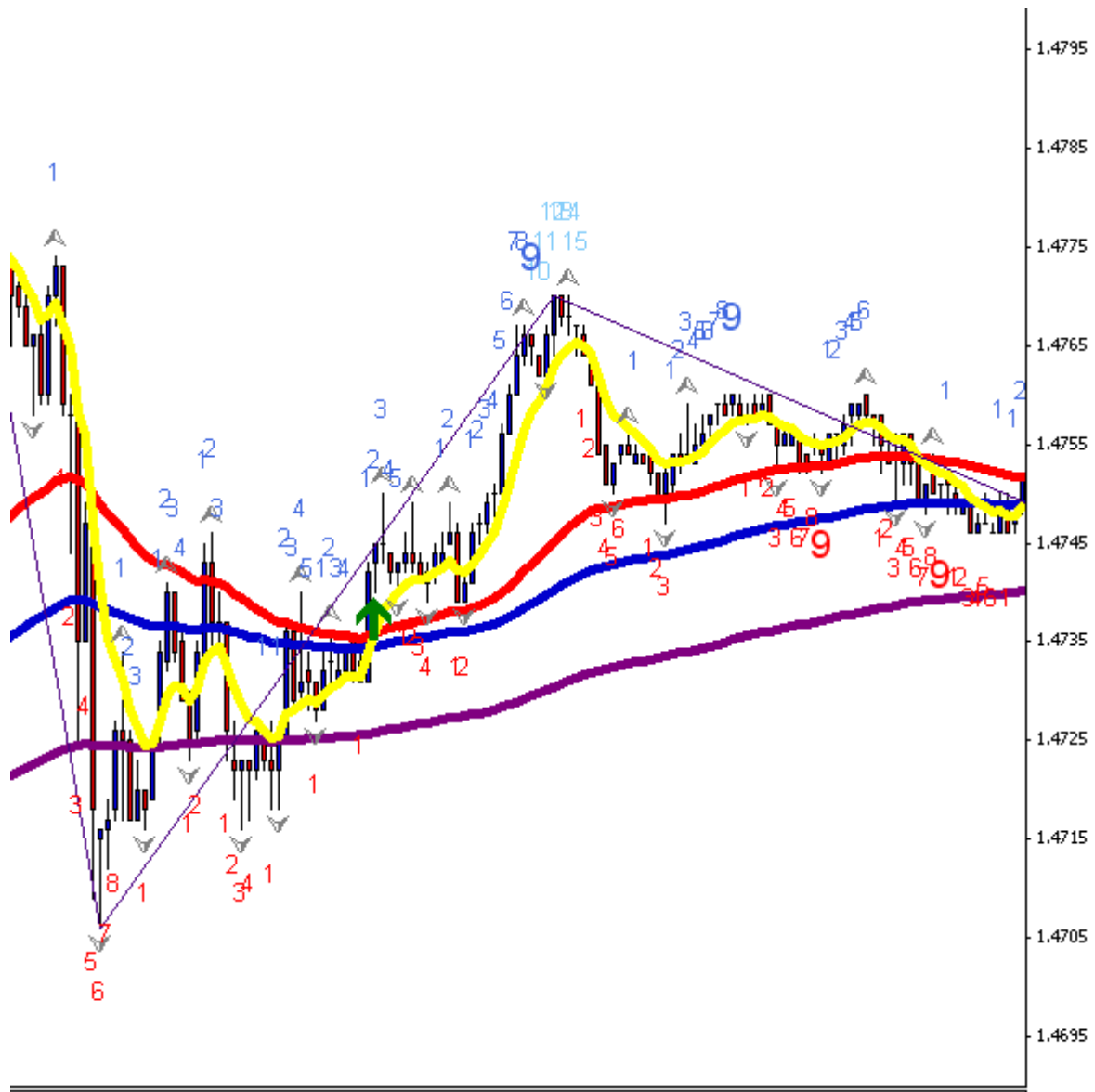
If price goes your way, you can exit when:

1. The yellow line touches or crosses the red line (must exit)
2. Price touches the red line
3. MACD makes a big “hook” and punches through its trigger line.
4. TD Sequential shows a 9.
5. Your own discretion/TP level.

## **EXAMPLES:**

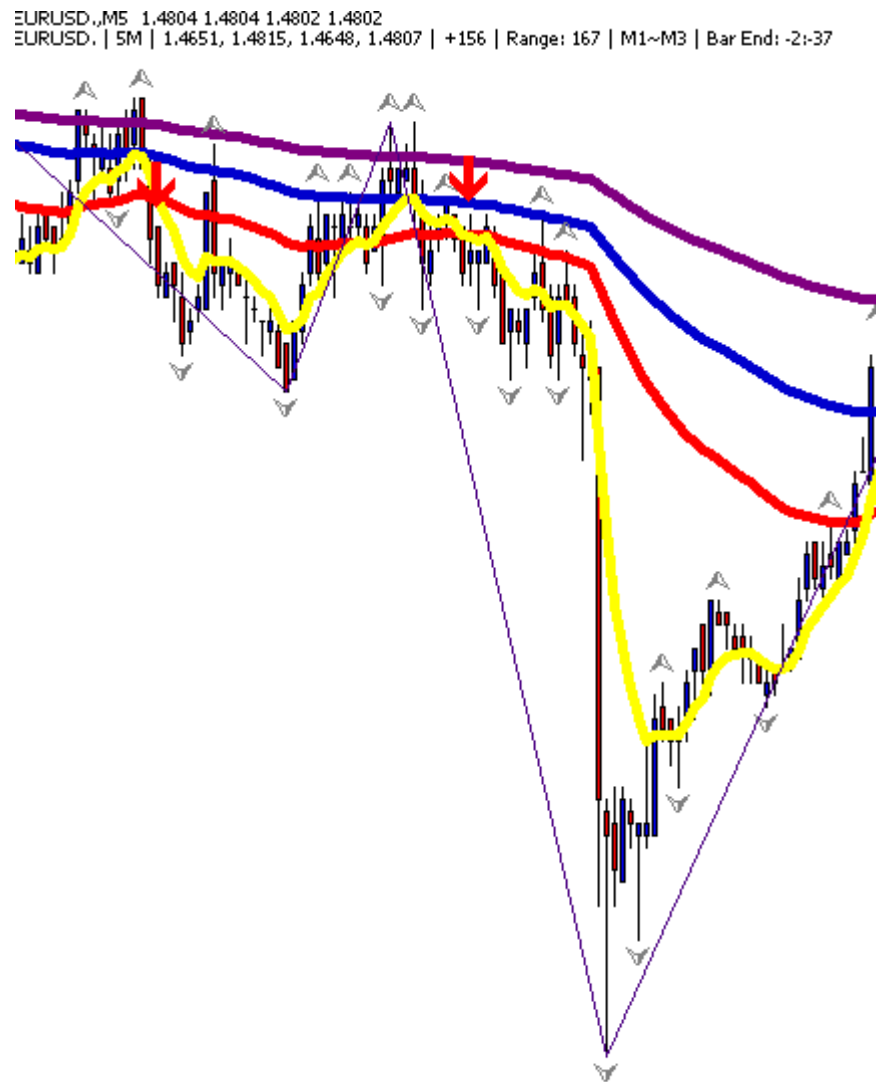
**VALID SETUPS:**

**BUY:**



Notice yellow crosses red, and red is above blue, which is above purple... cross indicator gives a green arrow.

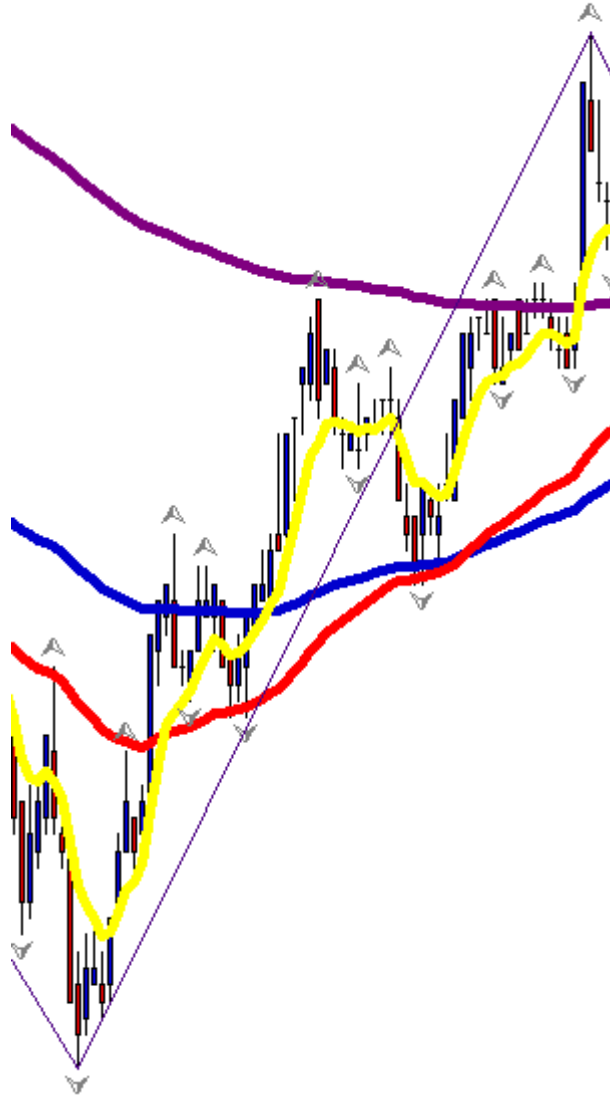
A SELL:





## INVALID SETUPS

EURUSD.,M5 1.4804 1.4804 1.4802 1.4802  
EURUSD. | 5M | 1.4651, 1.4815, 1.4648, 1.4807 | +156 | Range: 167 |



Not a Signal... Yellow crosses red, but blue and purple are on the wrong side of the market. Watching this happen can make you tempted to take this kind of trade but odds are more in your favor when you wait for the short term swing to go in the direction of the day.



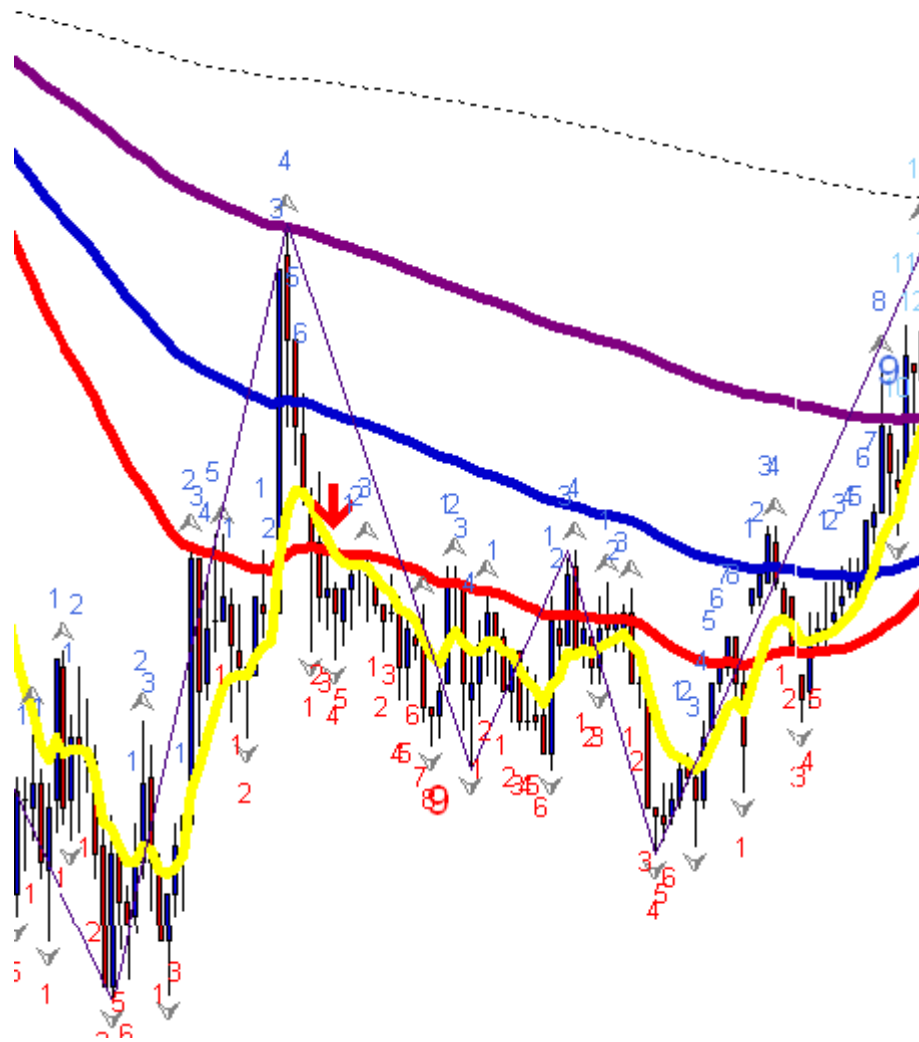
Not a signal... Although beautiful and all MAs go in the right direction, yellow crossed the red before the blue and red lines untangled. The red, blue, and purple must already be stacked properly... Yes you may miss some trades but by sticking to the rules you will eliminate subjectivity and you will be more consistent.

You will not catch all the big moves (even on the 5M chart) but you will get a chance to participate in many of them.

## Exiting with TD Sequential

TD Sequential is a complex indicator. We are only concerned with the “set up” part of it, which is looking for consecutive closes higher than the close of the bar 4 periods ago, or consecutive closes lower than the close of the bar 4 periods ago. You don't need to learn this; just watch the indicator.

1.44, 160.76 | -42 | Range: 107 | M2~M4 | Bar End: 0:49



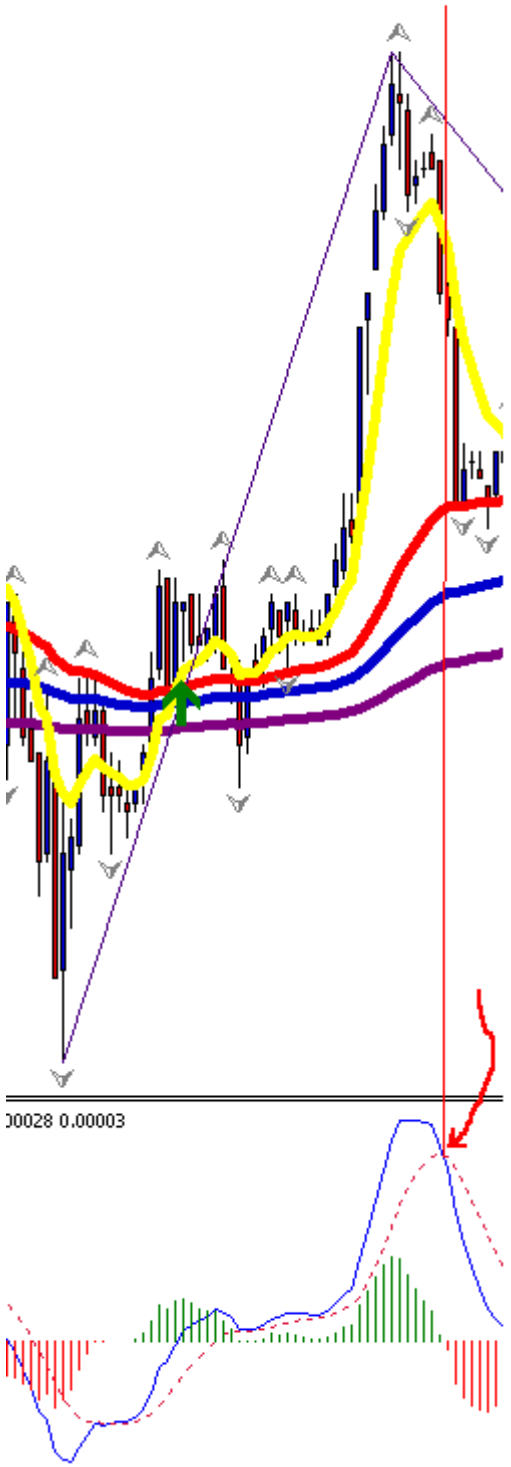
Above is the EUR/JPY... Although yen pairs in general have a lot of whipsaws, its tradeable. Here we have a sell signal, and we can simply exit at the big number “9” for 13 pips of profit in this case. I probably wouldn't have taken this trade because of the large spike before the sell signal.

### **Exiting with MACD**

If price really takes off in your direction, yellow MA will be pulled away from red MA in a dramatic fashion. You don't have to wait for price to return to the red MA before taking profit. The MACD will show an exaggerated “hook” well away from the 0 line. Then you will the lines cross. This is your exit.

If price move is not that dramatic, you may get several premature MACD crosses, so pay attention to price action.

5 0.9981 0.9985



## Choosing an Exit

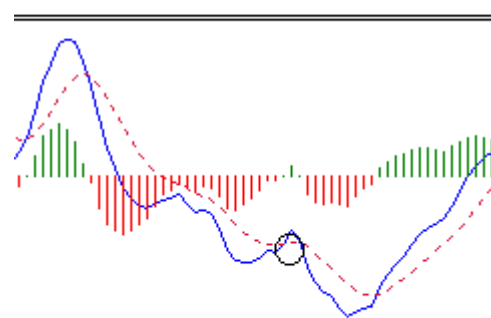
Here's an example of multiple possible exits. As we know, it is easy to get into a trade but more difficult to know when to exit! Again, there is a huge price drop even before the signal so I would be cautious about taking this trade... Still, let's say we took this trade on the short side of GBP/USD.

There are 5 possible exits shown. The first exit is essentially break-even. Price touches the red MA. Price touching the red MA is usually a good exit if you already made a bit of profit. Here it is just a retracement however.

You don't have to take the exit when price touches MA but if yellow crosses red going the wrong way, you must exit.

If you stayed in this trade, next exit is a TD sequential 9. This would have been an excellent spot to exit. Then price touches and bounces off the red MA again... You could exit here with a few pips profit.

If you stayed in the trade though, price makes a dramatic swoop down and MACD says to exit. Then price makes a double bottom and sequential says to exit again. Then price and the yellow MA both go back up to the red MA where you should certainly exit.



Here's an example where this system fails:



Price action of red and yellow lines hints that price is heading south... But even if you took these trades, you can get out after a few bars with not much loss.

Lastly, I put zig zag and fractal on my chart to get a better picture of the price action and increase my intuition on if I want to take a trade. The fractals show swing points so you can easily visualize trendlines and you can see how far away the swing points are from your entries and exits. The zig zag shows the waves of the price action give you further clues about when to enter and exit your trades.

The beauty of this system is that it gives you a lot of good potential trades every day. Hence, Pips Du Jour!

Hope you enjoyed this system. Happy pip hunting... - Chester B.