

Follow the rules . . . (7228)

My first post to FF and have been following this thread for a few weeks. I can't help noticing all of the questions and indecision from many traders regarding this trading system.

The author has presented a very simple and effective method with clear and concise rules.

It seems experienced traders are making pips, while new or less experienced traders are still trying to figure it out.

If you are new or having difficulty with this system, stop trading.

You need to back test this system - that is, look back historically at how the system has performed based on the rules explained by the author.

Study and **document** the valid set ups, numbers of wins and losses, % of drawdown, duration of trade to hit profit targets, etc. This will give a blueprint of the system's performance and erase the doubt. It will confirm if the system has net positive or negative profitability.

Do this for each pair you intend to trade.

As a trader for several years, I have found back testing to be the most important confidence builder - to confirm a system's viability, recognize valid signals and execute trades **without hesitation**.

After entering my trade parameters, I walk away. One of two things will happen; I will reach my profit targets or get stopped out. All we can do is control our risk, the rest is up to the market.

All I care about is that the system over time is profitable and therefore I don't worry about a losing trade.

May I suggest that you trade the time frames noted by the author - 1 Hour and 4 Hour - High profitability and low stress.

It takes work. But if you do the work, the money will take care of itself.

Follow the rules and back testing . . . (7295)

If your mind can not process what you are seeing, or there is too much information, the result is a biological mental lock down - analysis paralysis. Thus, the fear to enter the trade because of uncertainty.

Back testing creates the repetition of . . . What do I see? What does it mean? What do I do?

This repetition will train your brain to instantly recognize the setups and prepare you to take action.

Compiling the statistics will prove the trading plan and system are profitable.

This combination will develop confidence in taking action once a valid signal presents itself - without hesitation or fear.

Neural Linguistic Programming (NLP). This is the way we all learn any skill we have acquired.

Trading is no different. I have been teaching this to traders, sales people, athletes, etc.

That's what my post is suggesting. Look back to prove to yourself this system works when the rules are followed. Do it manually, and after some practice, the setups and execution of valid signals will become second nature without "thinking."

Similar to driving or any other skill you can perform with little or no conscious analysis.

Money Management . . . (7298)

I use Average True Range which works very effectively with this system.

I trade two standard lots per trade on the 4 Hr chart.

Example: if the ATR on the signal candle is 52 pips.

Stop Loss is $2 \times \text{ATR} = 104$ pips

Profit Target 1 is $2 \times \text{ATR} = 104$ pips (1:1 Risk Reward)

When Profit Target 1 is reached, take off one lot and move stop to break even

Profit Target 2 is $4 \times \text{ATR} = 208$ pips. I move stop in 25 - 30 pip increments while approaching Target 2. This is a free trade as stops are at break even.

Duration of trades as long as 72 - 96 hours. Average duration is about 60 hours.

Money Management . . . (7307)

I never add to an open position.

I use the same stop and profit targets while scalping on 1 Hour charts as I do swing trading the 4 Hour charts.

It just works. It is a very low anxiety, low maintenance mm system.

The paradox is simply, the less time I spend in front of my charts, the more profits I bank.

Average True Range . . . (7318)

I use MT4 charts and the standard ATR that comes with the platform.

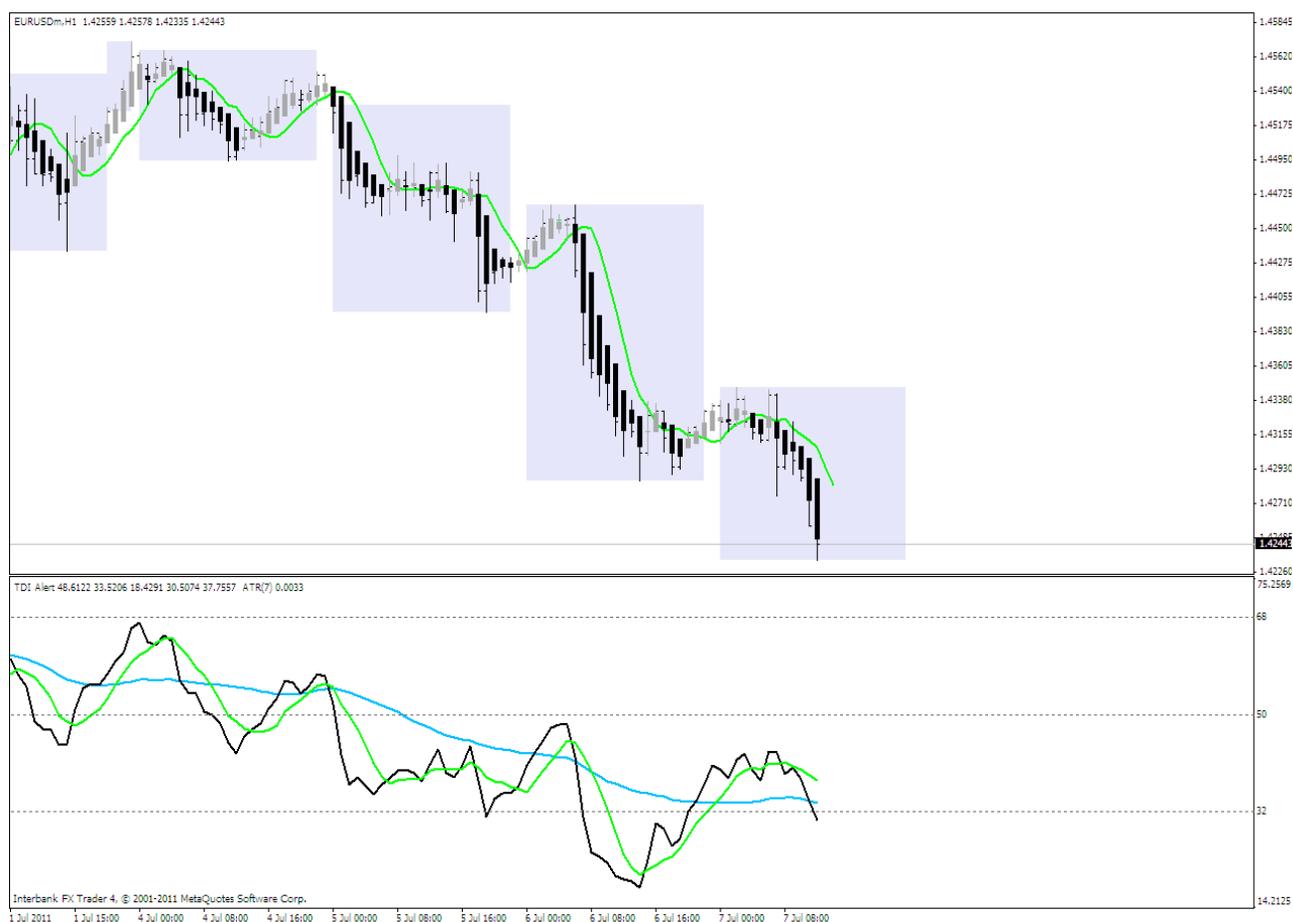
I drop the ATR indicator onto my TDI indicator and select color "None" with a period of 7.

It will display the ATR of the current candle in the text line along the top of the indicator window with no line on the TDI indicator.

Hope that helps.

ATR and Screen Shot . . . (7449)

Here is a copy of my chart. ATR is next to the TDI data in the Indicator Window. The is the standard ATR that comes with MT4 set to 7 period and color to "None" dragged on top of the TDI indicator.



Patience, Discipline, Control and Money Management . . . (7531)

Regarding the posts about multiple trades and lot size . . .

I have been trading this system for three years and make a living trading.

My goal is simply one signal per day from an 8 pair portfolio using this method.

I get at least 3-4 valid signals per day on the 4 Hour charts. I scalp the 1 Hour charts as well on the same portfolio which generates 6-8 signals per day during my trading sessions. I also trade an advance pattern recognition system using counter trend divergence. That system generates 4-6 signals per week on the 4 Hour chart of a 25 pair portfolio.

I won't get into the math here, or the pairs I trade, but a fixed fractional money management system refers to what percentage of your capital to risk on the next trade and every trade thereafter and has many drawbacks. But, this is the conventional wisdom that says only risk 2% of your account on each trade.

I used a fixed ratio system that increases my lot size and/or number of lots as my account increases. For instance, for every additional \$5,000 my account increases, I increase 1 lot.

The formula is: Current balance + (# of lots x delta) = next incremental increase in lots.

My delta is \$5,000. This is determined by how aggressive or conservative you are.

So a starting balance of \$20,000 using a delta of \$5,000 would increase from 1 to 2 lots when the balance reached \$25,000.

Balance of \$25,000 + (2 lots * \$5,000) = \$35,000. You would increase to 3 lots once the account balance reached \$35,000, and so on.

One signal per day trading the TDI system on a 4 Hour chart is enough to make a lucrative living.

All that said, none of this matters if you don't have the patience for your profit targets to be hit, the discipline to follow the rules, and control of your emotions - all of which takes lots of practice, focus and time.

Stop Trading! . . . (7538)

If you have lots of losing trades and believe you will eventually lose your account - stop trading! Find another system that you trust or has better long term expectancy.

I have adapted the system slightly and have traded it full time for the last three years with great success. The most losing trades I have had in a row is three . . . and one was my fault.

We all know no system is fool proof and you are correct, no one is posting losing trades.

That is the problem with forums such as this - people lie and they lie to themselves.

Trading is a long term endeavor, so there is no need to congratulate yourself for a winning trade or be depressed over a losing one.

Furthermore . . . Don't expect to learn how to trade from a thread.

But - you must have a belief in your system before ever placing a trade.

If not, you will never be successful.

Temptation can be your downfall . . . (7542)

I completely understand the temptation and the fear of loss of missing a signal or not taking a trade and then looking back with regret.

You know that there will always be another trade. If you can take fewer signals, you will be more relaxed, more focused and more profitable.

This is where money management comes in. You can make plenty of money trading one pair if managed properly.

My suggestion is to try and take fewer trades, find a solid calculation for profit targets and slow down a bit.

But you must ultimately do what is right for your personality.

It is appropriate . . . (7552)

If anyone plans to make a living trading, or at the very least, be profitable, a defined money management system must be in place.

Any successful trader on this thread, or any other, has such a system and uses it as judiciously as their rules of engagement and indicators.

Here's my reply . . . (7618)

Q: Do you trade all 4 hour candle posts throughout the day or just the one at night and in the morning?

A: I trade mostly London signals.

Q: I think getting something like a 100 pip drawdown when I wake up for my 4 am candle would make me very sad.

A: Welcome to the big leagues. If you can't stomach a 100 pip drawdown, which can easily happen on a 4 Hour chart, don't expect big profits. Back test your system to know exactly what the average drawdown is so you expect it. If it makes you sad, then you are far from ready to trade real money. I am constantly amazed at people that budget to lose when going to Vegas, but can't stomach a drawdown in the market. My record drawdown without closing a trade was 600+ pips for an eventual profit or 1100+ pips on a weekly chart.

A: How many pips are you talking about here?

Q: Weekly average between 500-700.

Q: Can you please share what hours you like and don't like?

A: Low Volume in Asia, so I don't trade it. Best signals in London. Scalp London and New York. I think the author mentioned this as well. London for the most part.

Q: Do you do any higher/low time frame confirmation?

A: Yes.

A defining moment that helped me get serious . . . (7714)

I would like to share how I gained some insight, rather abruptly, not long after I was introduced to trading.

Once of the best pieces of advice I ever received about the mindset of a successful trader was shared with me by a trading professional I met early on in my trading education.

He suggested to me that I view trading as "Financial War." At the time I thought this was a bit extreme. However, he went on to describe trading as a "zero sum game" - that is to say for someone to profit, someone must lose. I have heard this several times since, but have no evidence as to whether or not this is true - and opinions vary.

He went on to say as he looked me straight in the eye . . . "if you are not going to take this seriously and do what it takes to figure this out, then just write the check directly to me right now, because I will be the one in the market taking your money." He explained why 95% of traders lose money and that he absolutely counted on their laziness every day to make his seven figure income.

As harsh as those words were and as shocked as I was, the idea that any of this might be true motivated me to get serious. I could not stand the thought of being a wide eyed newbie and just handing my money over to the sharks like a sucker. I stopped trading, started over and found some very successful traders to emulate.

My trading education was not free. It cost a lot of time and money, and was one of the hardest things I have ever done, but it was more than worth it. Why was it so difficult?

Because I had to work on me. I have been fortunate to have some success in my previous career, but nothing I previously knew correlated to trading. I was not prepared to enter an environment with no boundaries.

What I also learned is that anything free in this arena usually has no value - at least for me, no perceived value. Through this journey I learned to ask questions only after I had exhausted all other means of research on my own. I learned that for me to be successful, I had to do the work. I learned that for me to have confidence, I had to put in the time to actually learn the skill of trading, not just how to trade. I learned that for me to call myself an expert or professional trader and make a living at trading, there were no short cuts. I could not figure out why I originally thought trading would be any different than learning any other professional skill. Once I came to the realization that it is no different, my approach totally changed. It became more natural, more relaxed, more focused, and more profitable.

Just though I would share a defining moment. This guy really shook me up and got me laser focused. I owe him big time.

Here's a recent trade and chart . . . of a stupid mistake . . . (7737)

I had a couple of minutes and wanted to post a chart of a losing trade I took on June 30th.

I have my entry candle marked with the vertical line. I entered at 116.92, which at that time was too aggressive.

At the time of entry, my 2 x ATR stop should have been placed at 117.83 (Red Line near the top).

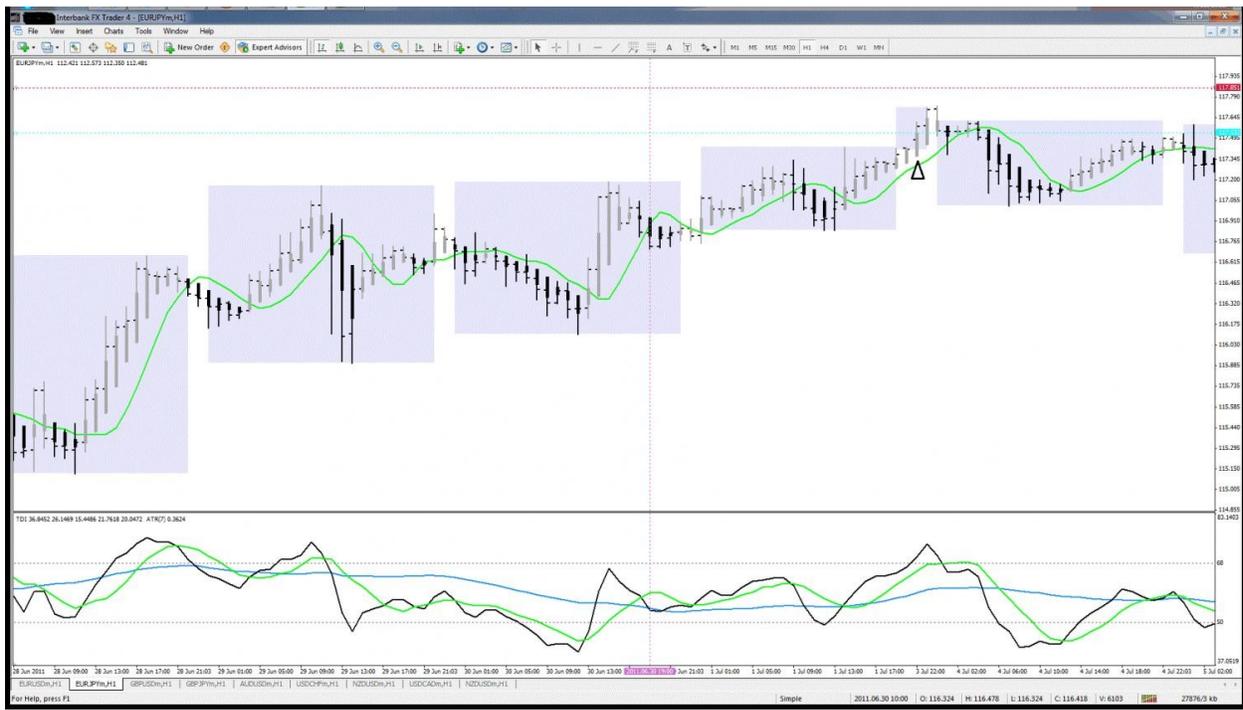
For the life of me, I didn't notice, but for some reason I placed the stop at 117.53 (Turquoise Line)

I looked back at my trade tracking worksheet and I entered the correct stop, but made a mistake on my trade platform. I was stopped out at 117.53 (Black Arrow).

My original profit targets were 62 pips and 124 pips. I was stopped out for 2 full lots at \$620.00 each on a careless mistake.

Fortunately, I was able to make it up and more as the E/J has been dropping rapidly. What did I take away from this loss? My entry was too aggressive. I had a mental relapse and miss-entered my stop loss. I paid the price for not following my rules and being careless. No surprise here.

And there you have it.



Great market action . . . (7805)

Here is a trade that just closed on the NZD/USD. I entered yesterday morning on the 1 Hour. Three hours later; I got a signal for the same trade on the 4 Hour chart, so I used the 4 Hour ATR for profit targets.

ATR = 46

Target 1 = 2 x ATR = 92 pips - Target 1 attained.

Target 2 = 4 x ATR = 184 pips - Target 2 attained.

There is a common school of thought that says you should let profits run. That is true, but is also very arbitrary. Most traders, including me, have a difficult time seeing a trade up over 100 pips without getting the temptation to close out the trade or at least a portion of it. Without a specific calculation, I could not sit still and let a trade continue.

I set targets based on the empirical calculation of ATR so that:

- I lessen the frequency to "manage" my stop and the trade overall,
- I expose my capital to risk for an amount of time that is acceptable for my trading personality
- The probability of hitting my targets is very high.

Using ATR, at least for me, is a very consistent way to attack the market without succumbing to the temptation or anxiety of wondering when to close my positions. I don't worry about pivots, fibs, etc.

There are some great traders on this thread with multiple trades making a lot more pips, and for them that is fantastic! They have mastered the art of multitasking and have the capital to risk. I am envious.

It just does not suit me and I have long gotten over worrying about missed additional opportunities. I refuse to look back and say woulda, coulda, shoulda, there will always be plenty of other trades. For me, I don't want the additional risk and capital exposure. 3-5 trades per week are plenty for me. 6-10 is a busy week. You can make a great living with just a few good trades a week and a loss here and there won't affect you.



Average True Range . . . (7811)

ATR is a standard indicator that comes with the MT4 and most any platform. It is a look back indicator that calculates the average range of price on the candles for the look back period. See more info on my previous posts.

For example, if the ATR is set to 7 on a 1 Hour chart, it will give you the average price range movement of the last 7 candles. I use it to determine stop loss and profit targets.

I use the ATR on my trading time frame. If I take a signal on the 1 Hour chart, I use the 1 Hour ATR set to 7. If on a 4 Hour chart, the ATR set to 7.

I trade two full lots using this method. After my first target is hit, I move the stop on my second trade to break even and wait for target 2, moving my stop in 25 pip increments until my target 2 is attained or I get stopped out.

There are many ways to figure stops and targets. Many traders, some I know personally, and some on this post use pivots, fib lines and other formulas. ATR works well for me. It all depends on what your trading plan statistics show in terms of probability of hitting your targets.

Scalp Trade just closed ... (7831)

Here is a scalp trade that just closed on the EUR/USD. Entry was on the 15M vertical line supported by bullish divergence on the 1 Hour.

ATR =23

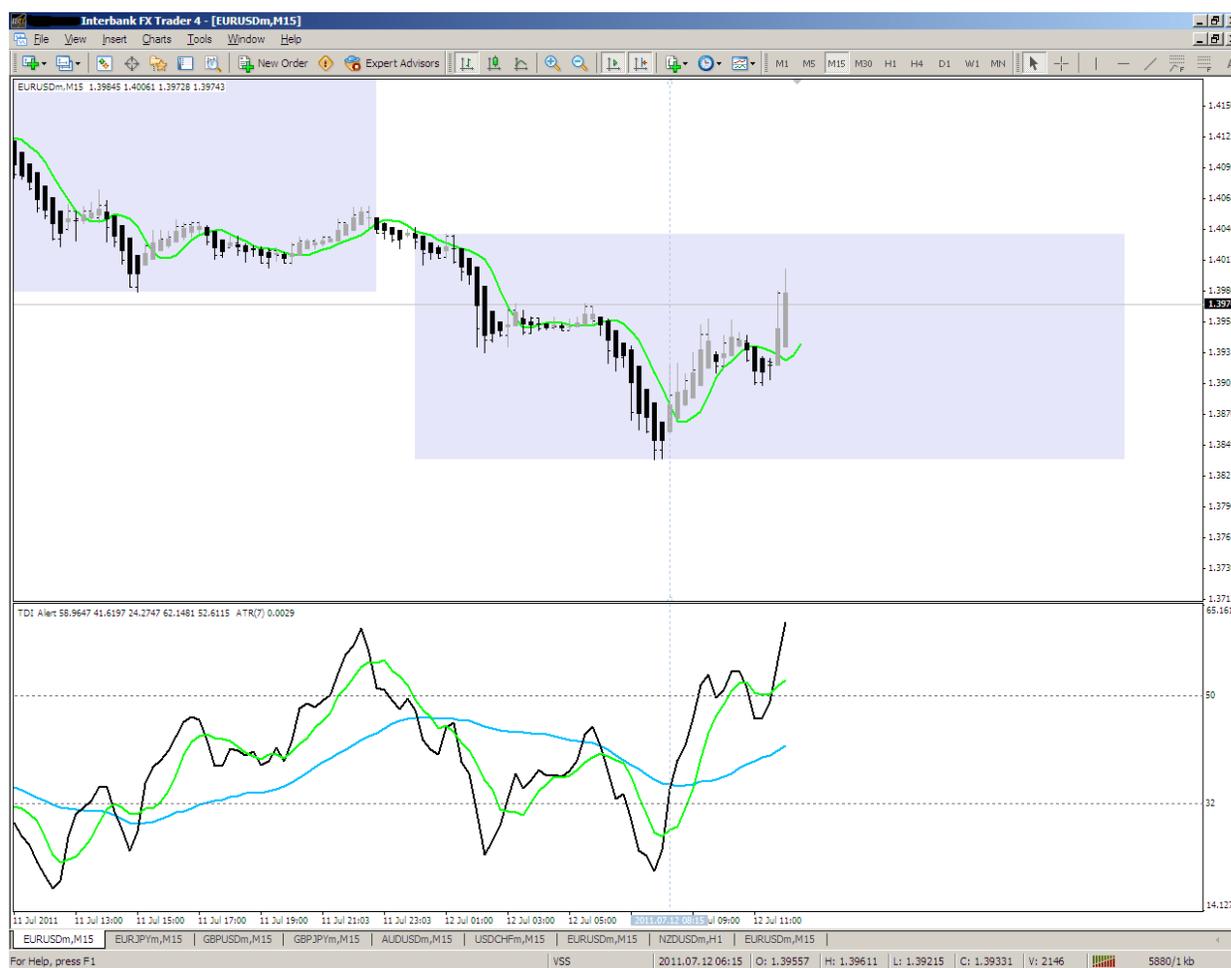
Stop Loss = 46 pips

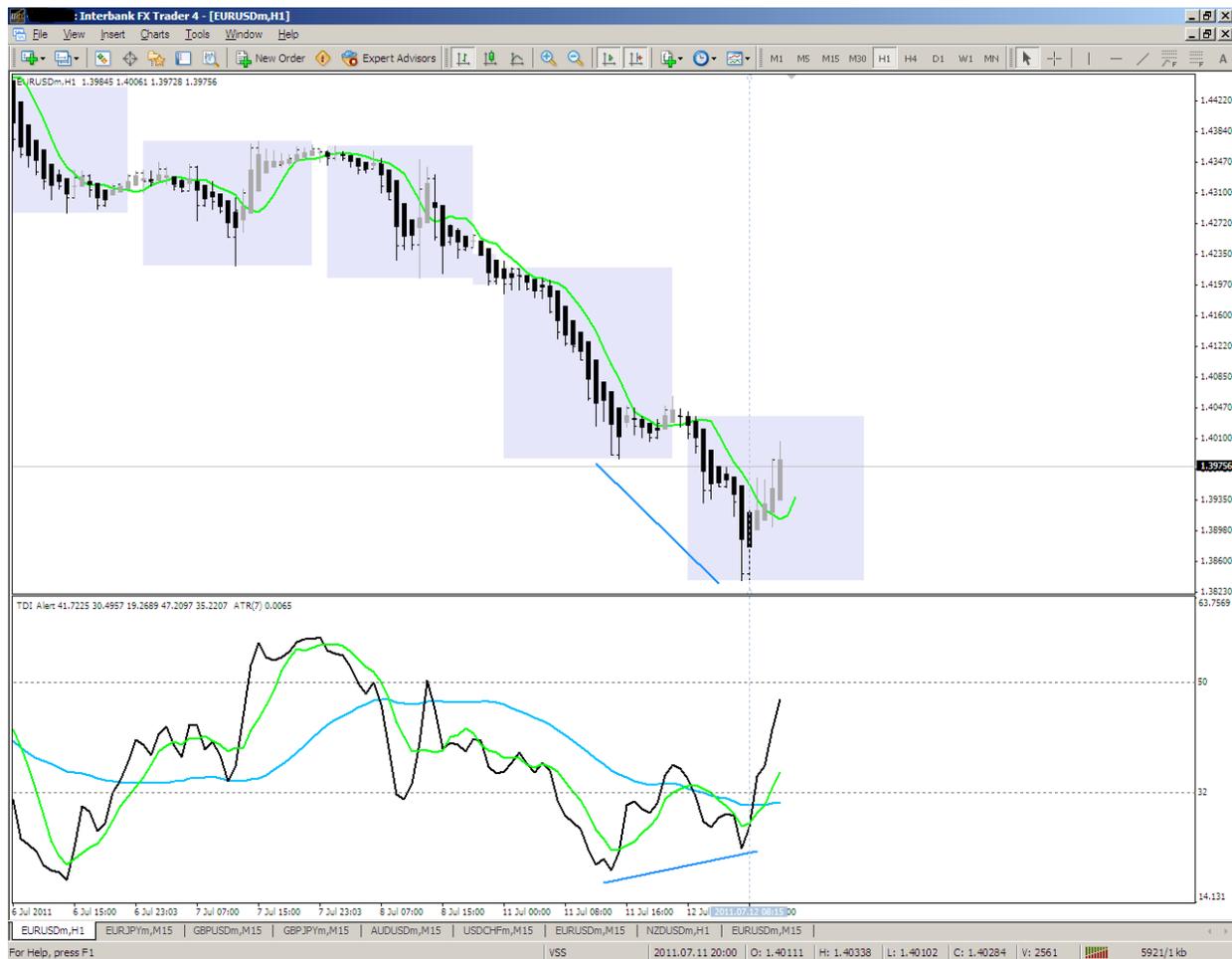
Target 1 = 46 Pips = attained.

Target 2 = 92 pips = attained.

This trade was confirmed by the higher time frame (1 Hour). Notice on the 15M how the RSI (Black Line) crossed the Market Base Line (Dodger Blue). This signifies a trend change on the 15M time frame. The divergence on the 1 Hour time frame confirms the upward bias.

I wanted to be out of this trade before the CAD news at 7:30. Targets were just hit 15 minutes ago.





Watching price action . . . (7836)

Q: Thanks for posting that dginc. Brilliant. This suggests to me that if you don't see any trades on the higher time frames you then look at lower ones. Would that be correct?

A: For a counter trend trade with such strong downward pressure, I use the smaller time frames.

We know after a long impulse move such as the run down on the EUR crosses, the market will bounce. We can use pivots or fibs to get a range for that bounce. Clearly this is a counter trend approach. For me to trade counter trend, I need additional confirmation. This time it was provided on the 1 Hour.

Knowing news creates volatility and the window for the bounce is limited, I look for a trade on the 15M chart to take advantage of the bounce and the set up while being aware of the news. Had Target 2 not closed on its own at my designated take profit, I would have closed the trade before the news.

I only use this technique with one or two pairs. It is all I can observe and manage with any accuracy and consistency. Notice that the signal on the 15M chart met the criteria as laid out throughout the thread.

All pairs are viable . . . (7840)

During normal trading hours and normal setups, I monitor an 8 pair portfolio. As I mentioned previously, the 4 majors: EUR/USD, GBP/USD, AUD/USD, USD/CHF, and EUR/JPY, GBP/JPY, NZD/USD and USD/CAD.

I would not say that any of them are unsuccessful. Any pair that provides a valid trade signal is a viable pair. I can only mentally assimilate and observe 8 for 1 Hour and 4 HR trend trading, and 2 for scalp counter trend. Otherwise I lock down from sensory overload.

When employing the counter trend technique I just described, I only concentrated on the EUR/USD and the EUR/JPY from the previous downward impulses. This technique will work on any pair in any market, as long as you have the higher time frame confirmation.

EUR/USD consistently has the highest volume and volatility, so it is where I look first.

Rules and adapting a system . . . (7867)

Gents,

if I may . . . the system is designed to deliver a signal. How you interpret that signal is based on your individual knowledge, experience and trading style. Big E has described his interpretation and his qualification for a valid set up based on that. It is very simple and easy to follow, thus "Trading Made Simple."

The #1 reason for hesitation in placing an order on a valid signal is you don't have a belief in the system or know the probability of the outcome as presented by Big E. My posts have addressed this issue ad nauseum.

The need for the introduction of other indicators, although unnecessary in my view, is based on the place where you reside in your trading education and experience.

If you are familiar with and regularly use fibs lines, or pivots, etc. - that's great.

Develop the use of these tools into your set of rules so that you view the market consistently. That's really the key. If a trade set up violates your belief that fibs are a reversal point, then it is not valid set up for your rule set - pass on the trade. Same idea for pivots. Just use them consistently and get rid of the things that contradict what your fibs and pivots are telling you.

Asking other traders what they think if they do not use these same tools is like asking a Dentist what's wrong with your ankle. They do not know how to respond.

No need for frustration - that is why I maintain that the thread and system is a framework.

You must adapt it to your own trading style and knowledge level. If you want to trade like Big E, then follow his rules and get rid of the fibs and pivots. If you don't and want to, then adapt the system to use them - that's perfectly awesome! Just don't ask Big E what he thinks about anything outside his rules!

About draw downs . . . (7913)

For those of you having anxiety over being down 25 or 20 pips . . . on a 4 Hour chart, swings can go as far as 150 pips. This is to be expected! 70% of the time when you place a trade, the market will spend some time in the negative, or the opposite direction of your trade. This is the market breathing. Really? 25 pips down and you're worried? Only 30% of the time will the momentum carry your trade in the "right" direction with no drawdown or fluctuation. Especially on a 1 hour chart and higher. How do I know this? Lots of research and testing.

No trade is ever a profit or a loss as long as the position is open. It is only a profit or a loss once the trade plays out. So mentally booking profit or losses during a trade is irrelevant and a waste of time. Once you've set your stop, you've determined your acceptable risk of being right or wrong. Walk away! Staring at the swings during a 4 hour candle cycle will drive you insane and there's absolutely no justification for it. If you do get stopped out, prepare to go in the opposite direction and wait for the next valid signal. Evaluate what happened, learn from it, and incorporate that into your trading plan.

You must train yourself to accept a loss and get over it instantly. Otherwise your judgment will be clouded and prevent you from taking the next valid signal. If you have to sulk after a loss, start with an hour, then reduce it to 30 minutes, then 15 minutes, then 5 minutes then 1 minute then 1 second. Soon you will brush off losses and just get ready for the next set up.

Also - another bit of data - Over 60% of the time, the USD and JPY run in the same direction, so I never trade that pair.

Let's all just relax minute . . . (8014)

Wow! Looks like there was some heated discussion and Mr. puppypippy has ruffled some feathers.

That fact is – much of what he is saying is true. I do not agree that his attitude is effective in getting others to accept his message, but indeed he has some salient points.

Some general observations about his statements congruent with my previous posts:

Most people are not successful in trading because they do not do the required research, back testing and study required to make consistent analysis, consistent decisions and consistent profits.

The TMS/TDI system, like all systems, relies on an understanding of market structure and harmonics. Higher highs, higher lows, lower highs, lower lows, and breaks and closes above and below previous structure. A 1-2-3 pattern is a basic pattern that is fundamental in evaluating trend reversal and continuation. If new structure takes out previous structure, then the new structure becomes the benchmark. If the previous structure holds, then price is exhibiting weakness and will continue in the current direction of momentum.

Understanding this premise can be an asset in filtering valid trade signals as part of your rules. The 1-2-3 pattern is a component in this system, especially in what we are calling the "bounce" or retrace. There are many patterns as valid and as prominent as the 1-2-3 – it is certainly not the end all or be all as he stated.

My other professional trading friends warned me about chat rooms, forums, posts, etc. This is where I agree with puppypippy emphatically. After having joined this post, I can easily see the need for some clarity and reality – which I am attempting to provide. I am in no position to judge anyone on here as an individual as I have not walked in your shoes – nor would I think myself qualified to do so. But, I can certainly judge your performance as a trader. Rather than judge, I prefer to nudge.

I cannot speak to the duration of thread, posts or systems, or their success. In what I've read in his posts here, it would seem Mr. puppypippy takes great pleasure in reading, criticizing and/or evaluating the merit of them. To spend twelve years doing this vs. spending one's time more productively is a great opportunity cost. I am sure we could all do this as well. However, that is a time commitment that cannot be afforded if one is serious about making a living trading.

As for the person scalping a making \$5,000 USD per day or week or whatever, my mentor placed third in a global challenge recently taking a \$250,000 USD account to over \$950,000 USD in 90 days. My other mentor earns between \$5 million to \$7 million per week and is a retail trader just like us. But this is irrelevant. What only matters is what I'm doing, how I am trading and my account balance.

The cold hard truth is, I don't care for the way he expresses himself, but there is some validity in his comments. It sounds to me like he has experienced much of what we all do – confusion, anxiety, frustration, betrayal, etc. So, I can understand his anger – he just hasn't gotten over it.

Mr. puppypippy, please take your anger, your attacks and your attitude and purge yourself.

Then, come back with some enlightening advice or something constructive with a more civil tone. No one ever erected a monument to a critic.

Euro trade this morning . . . (8016)

Because of market volatility, I have been focusing on the Euro more than other pairs these past few weeks. Here is a trade that closed this morning on the 15 M chart. This is the only trade I took this morning. Bernanke is testifying this morning. Usually his comments move the market - depending on how many drinks he's had. I try to stay out of the New York market on such days and trade the smaller time frames.

I actually missed the cross and entered on the 2nd candle at 1.4019 at the London open – see vertical line.

ATR = 19

Stop Loss = 38 pips

Target 1 = 38 Pips – attained.

Target 2 = 76 pips – attained.

Notice the cross occurred above the 50. Above the 50 = bullish bias. Good angle and bullish continuation on 1 Hour as well.

In this particular case, there was no drawdown to speak of and market momentum stayed strong upward. It happens occasionally. Again, I try to focus on quality, not quantity. This week so far, and it's only Wednesday, has been a good week for many of us. I want to emphasize - no stress, no anxiety, followed my rules.



For Education ONLY! . . . (8020)

1-2-3 on Euro is currently setting up. To confirm this, we would need to wait for a break below and close below 2. The 1 was cut off on my picture - it is the swing high above and to the left of the 2.

To incorporate into TMS, we would want to confirm that the RSI is below 50. Below 50 = bearish bias.

For purposes of illustration only, I have noted this on my 15 M Euro chart.

