The Trading Style of Jack.Canadia

Part 1

"Wall Street is the only place that people ride to in a Rolls Royce to get advice from those who take the subway."

- Warren Buffet

About Me

My name is actually Nick and I am a medical student from Ontario, Canada. I am 22 years old and have been trading for almost 2 years now. I am at a net loss of $2000.00 USD since I have started.

I began trading when a friend made $4000.00 in one week on a call that USD/CAD would fall below parity, and he was right (something to do with oil, I forget). I had never thought this was possible with such a small investment. He realized 200% in one week. I had to try.

I opened a mini with $300.00 and saw it up and down many times. I was trading the high spread, highly volatile GBP/AUD. I went at it blindly like many people do when they start. It's like writing an exam without studying; you will do poorly, or even fail, and I did.

It's probably evident that from my first account I have funded numerous times until finally bumping down to a micro account. I have studied a lot, watched numerous videos and studied how price moves and why.

My attempts in this document are to outline the methods I use currently that have made me more profitable than losing. I consider it as basic as it gets (for me that is). I hope you enjoy.

<u>Trend</u>

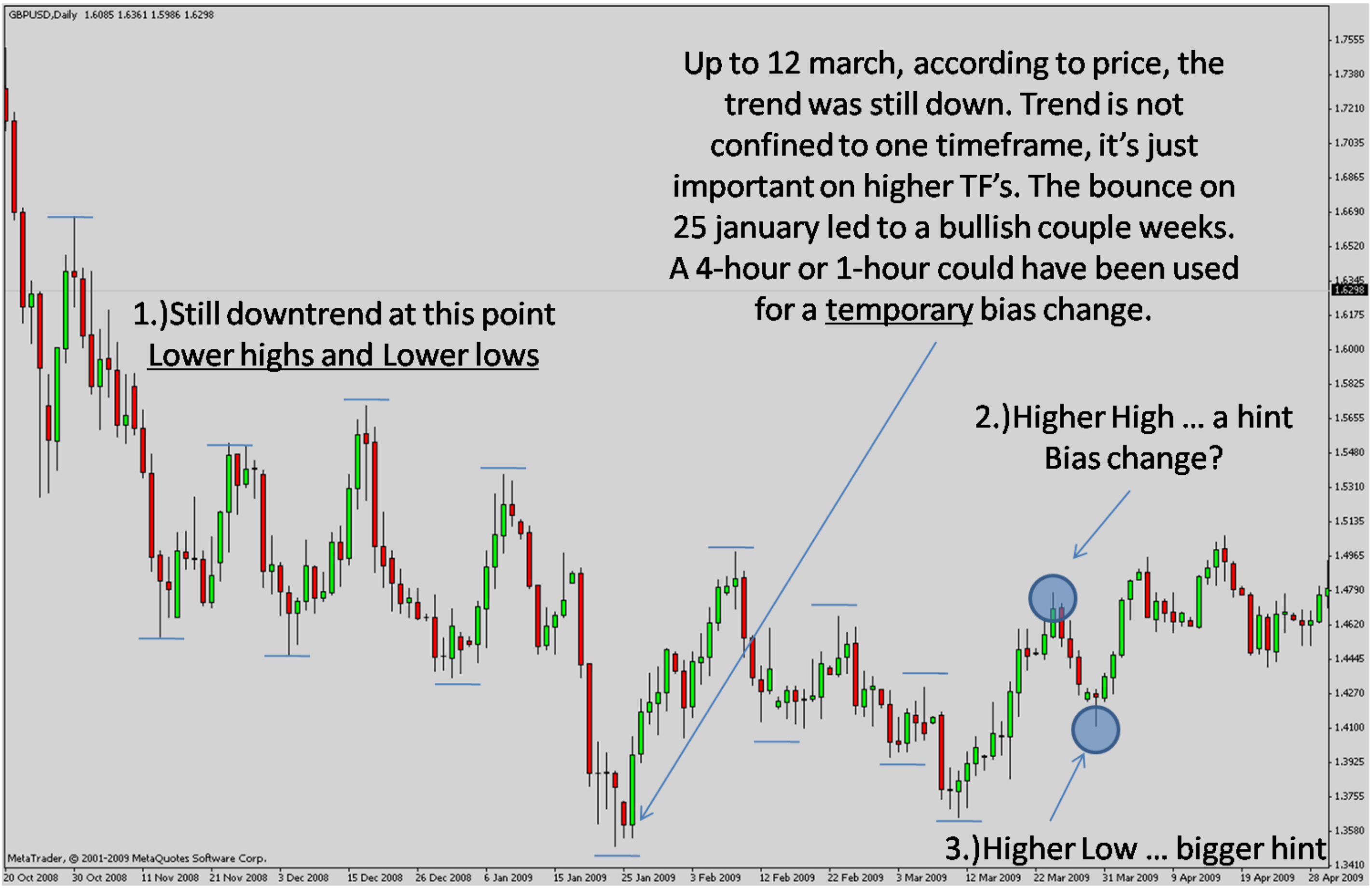
If I had a loonie (Canadian dollar for those that don't know, hehe) for every time I heard this word, I'd be rich.

Base trend on what chart you trade. I look at Hourly, 4-Hourly and Daily. Trades set up on all time frames and from what I have read you should use the factor of 5 rule. If you use the 15-minute, the hourly is your trend. The hourly uses the 4-hour, and 4-hour uses the daily, daily the weekly etc. (not exact, but you get my point). Base trend on a chart 5 times the size of the one you are primarily trading with.

Since I primarily trade the Pound, I will focus on it beginning from 2.12 down to 1.35 ..

It will be mostly charts for this section…

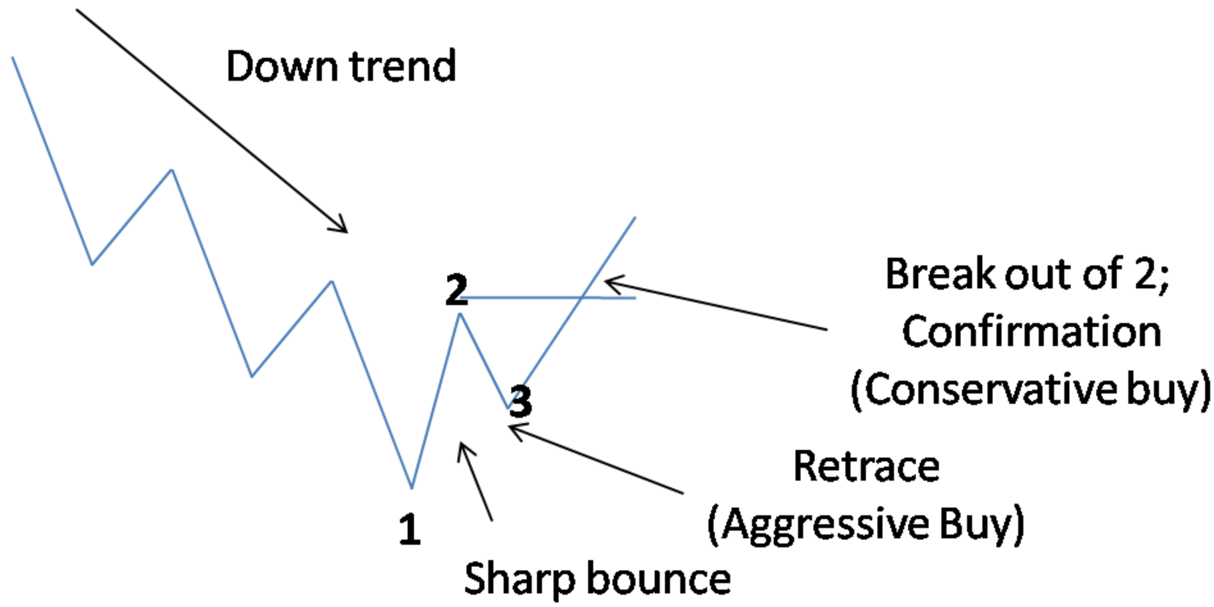
That was a weekly. I don't use it as much since I don't trade weekly charts. But we must keep its trend in mind and also its weekly support/resistance levels.



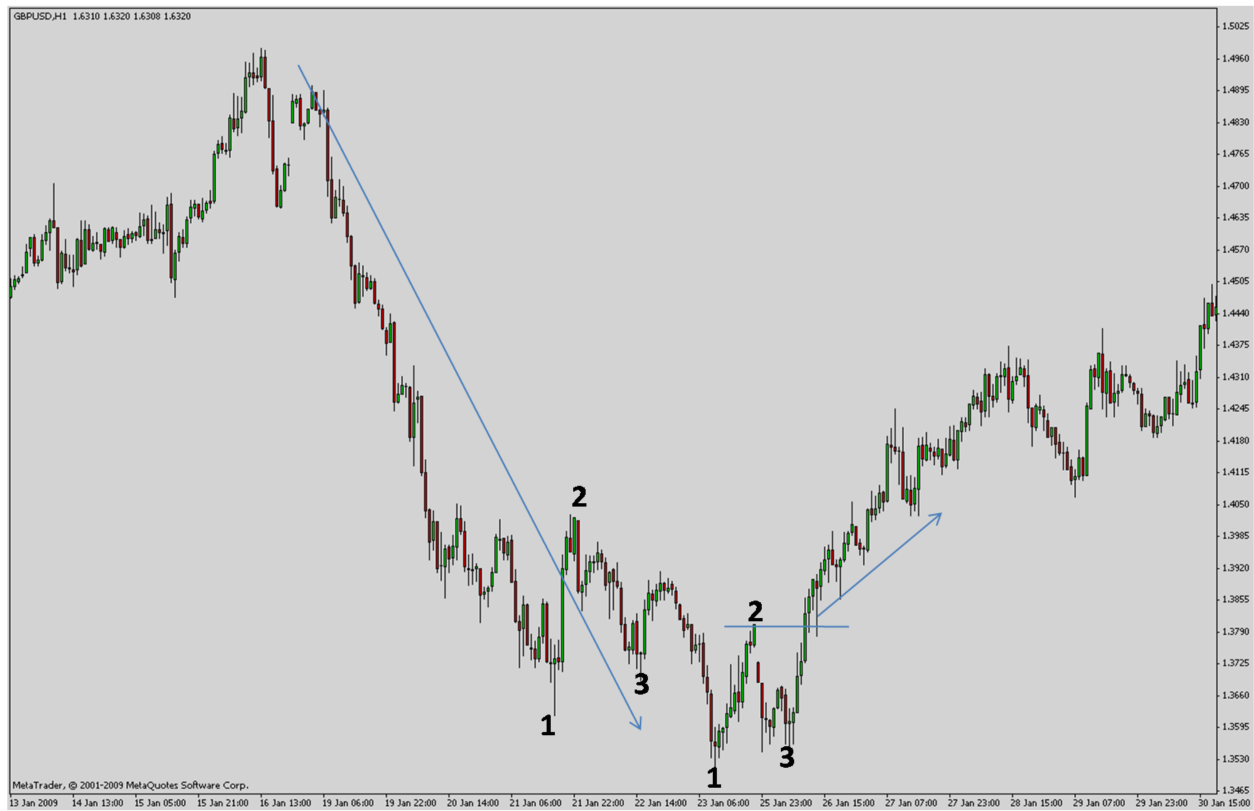
This daily shows the bottom in the pound as of recent. The large up move from the 3500 served as an early warning sign that the fall was easing, but as you can see, the downtrend continued.

At 2.), there was a higher high made to the previous swing high, serving as a hint that bias may be changing. At 3.), a higher low and bullish daily candle stick (hammer), strengthening the prior trend-change assumption. This was followed by consolidation and a subsequent rally off the bottom. The hints are in price, and only price is real, nothing else.

A classic sign of trend change is the 1-2-3 pattern. Very basic…



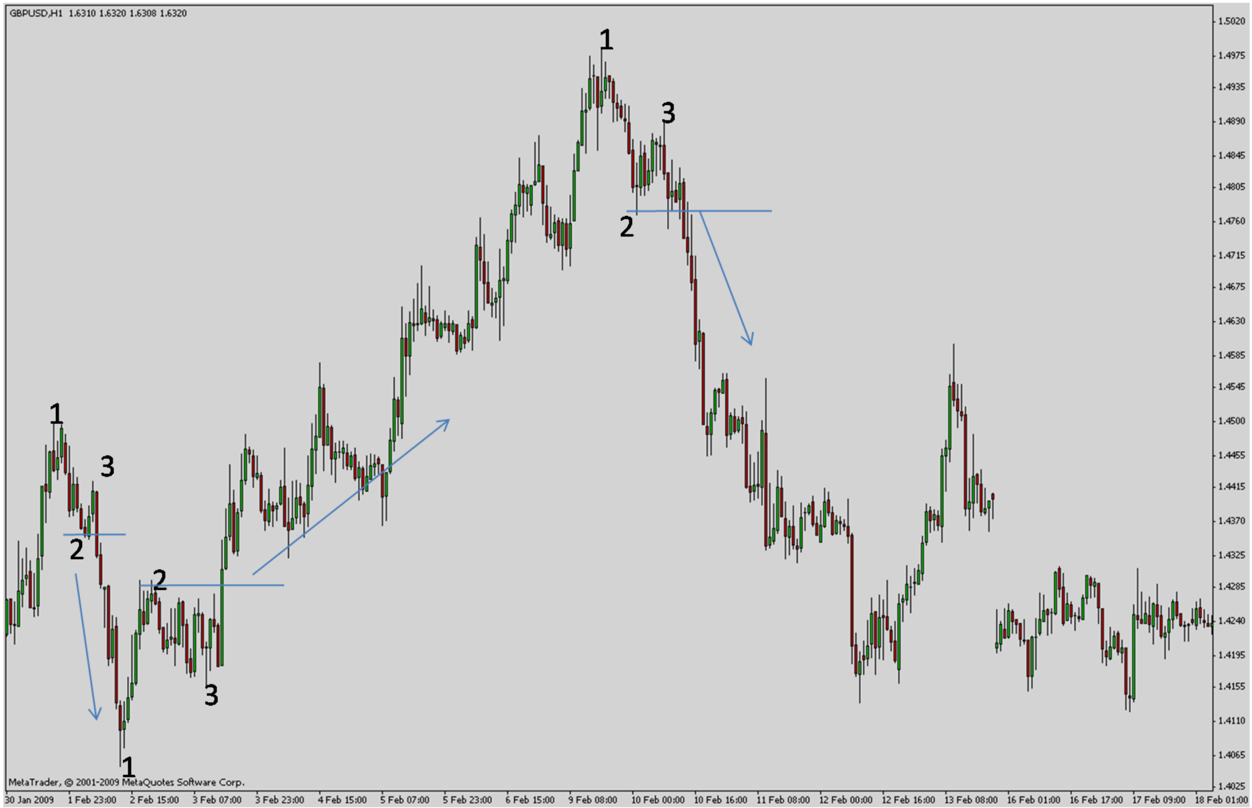
The #3 pullback is usually 50/61.8%, but not always. Below is an example of how we could have got long and confirmed a temporary bounce from 1.35…



Remember I said a smaller TF could be used for a temporary bias change? We notice two possibilities for a 1-2-3 bounce from 1.35. The first was negated since there wasn't a break above #2 but rather a break below #1. So we wait. We then see another forming after the rise from the second #3 point. The turn is confirmed at #2. Buying the breakout would have taken you all the way to 1.500.

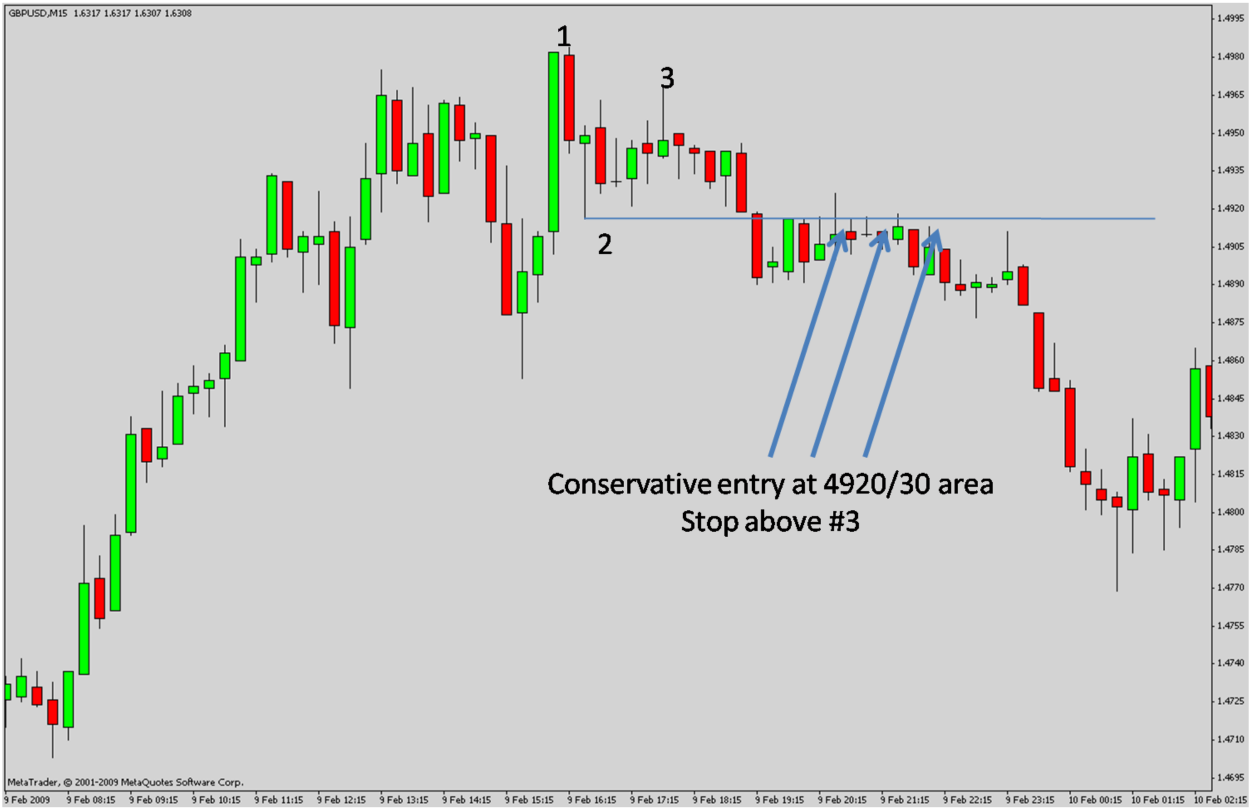
Being aggressive, I like to buy at three, put in a stop and move it to BE asap. I then trail it manually. If it gets taken out, I am in some profit and may still be able to enter on a break of #2 or wait for lower price and another 1-2-3 to form.

Below is a bearish setup…



This is a snapshot of the top of the rise from 3500 to 5000. Two early setups on the left could have produced some profits but since we saw a strong daily chart reaction to 3500, we could wait for another bullish 1-2-3, after the bearish one at the left, to get long again (assuming it was to continue). The bearish 1-2-3 pattern at the top occurs at 1.5000. Very reliable since we were still in an overall large downtrend and 1.5000 is a psychological level.

For trend, price action is all you need. No OsMA, no moving average, no MACD, just price. This pattern is less reliable on the lower TF. However, in the above example, shorting near 1.5000 could have been done on a 15 minute bearish 1-2-3 pattern. Precision is key. See below…



The hourly chart on the previous page suggested an entry below 4800, a breakout below the #2 point. Using the Hourly to confirm a daily turn, we can use the 15 minute to confirm an hourly turn.

1.5000 is a big psychological level, and as with any big level, the first sign of 1-2-3 weakness on an m15 chart I get excited. Using the M15 chart, we could have shorted near 4920, a whole 120 pips before the hourly 1-2-3, a place where we could have added to our position!

So remember…

Larger TF's are the most reliable sense of overall trend.

Smaller TF trend changes can be used in conjunction with major s/r levels to achieve a strong entry into a trade.

My advice…

Look at previous price action and see where turned in the opposite direction. Scale down to the smaller TFs and see if this pattern developed on the hourly, then on the M15 chart. Remember, usually a 50/61.8% retracement occurs for the #3 leg. Price could also double or triple bottom as well (that's why we use a stop). You'll find that if you let price hit a level on a higher timeframe and then form a 1-2-3 on a smaller timeframe, you'll have more successful entries and be rewarded with more pips.

Final Note:

A stoploss on the 1-2-3 pattern is place below the #1 point, hence why I prefer a smaller timeframe 1-2-3 when dealing with a larger TF level.

Pivot Points

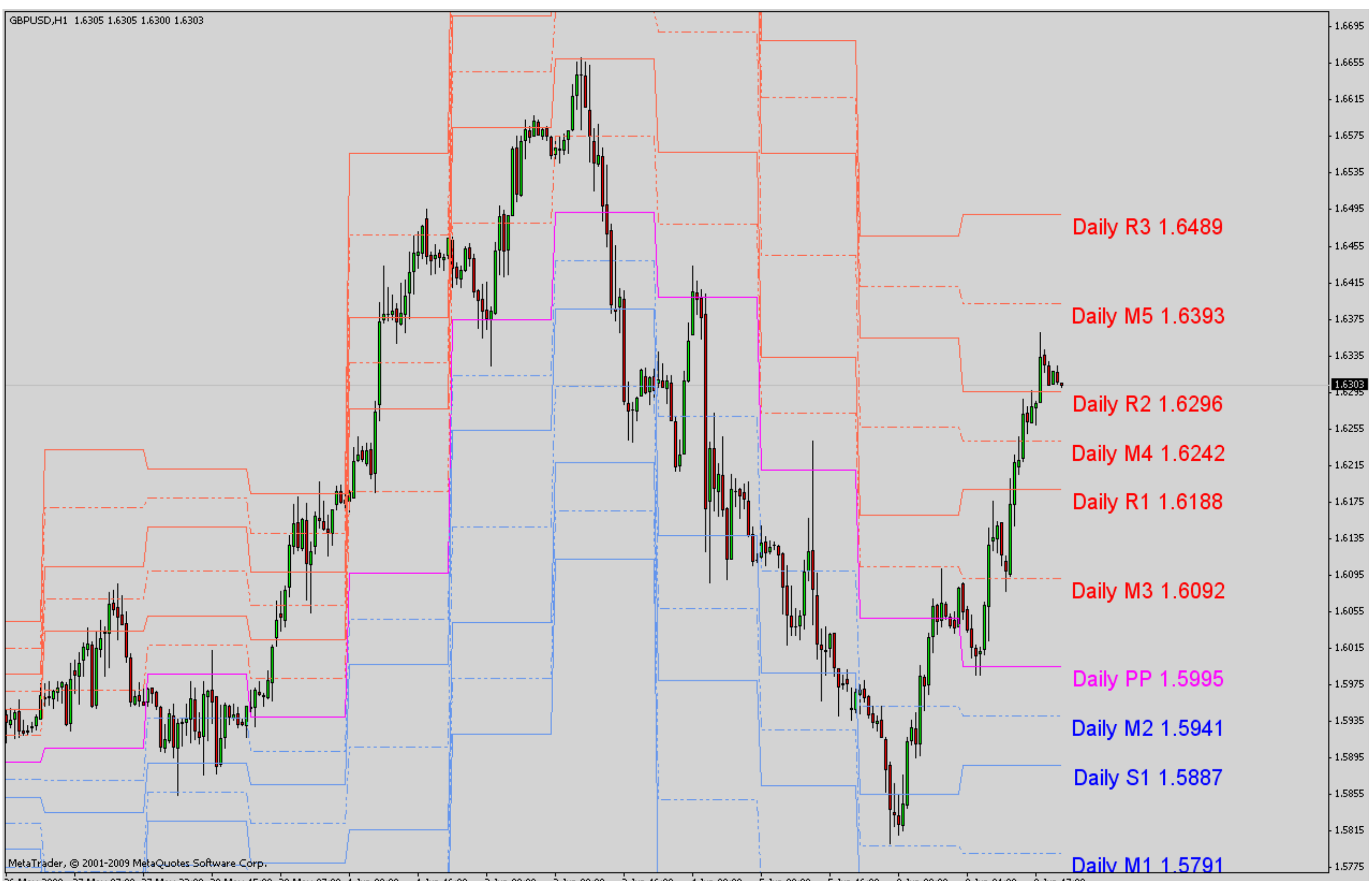
These represent a calculation based on the previous days open, high, low and close. By previous day, I use 00:00GMT to 00:00GMT since this has worked best for me.

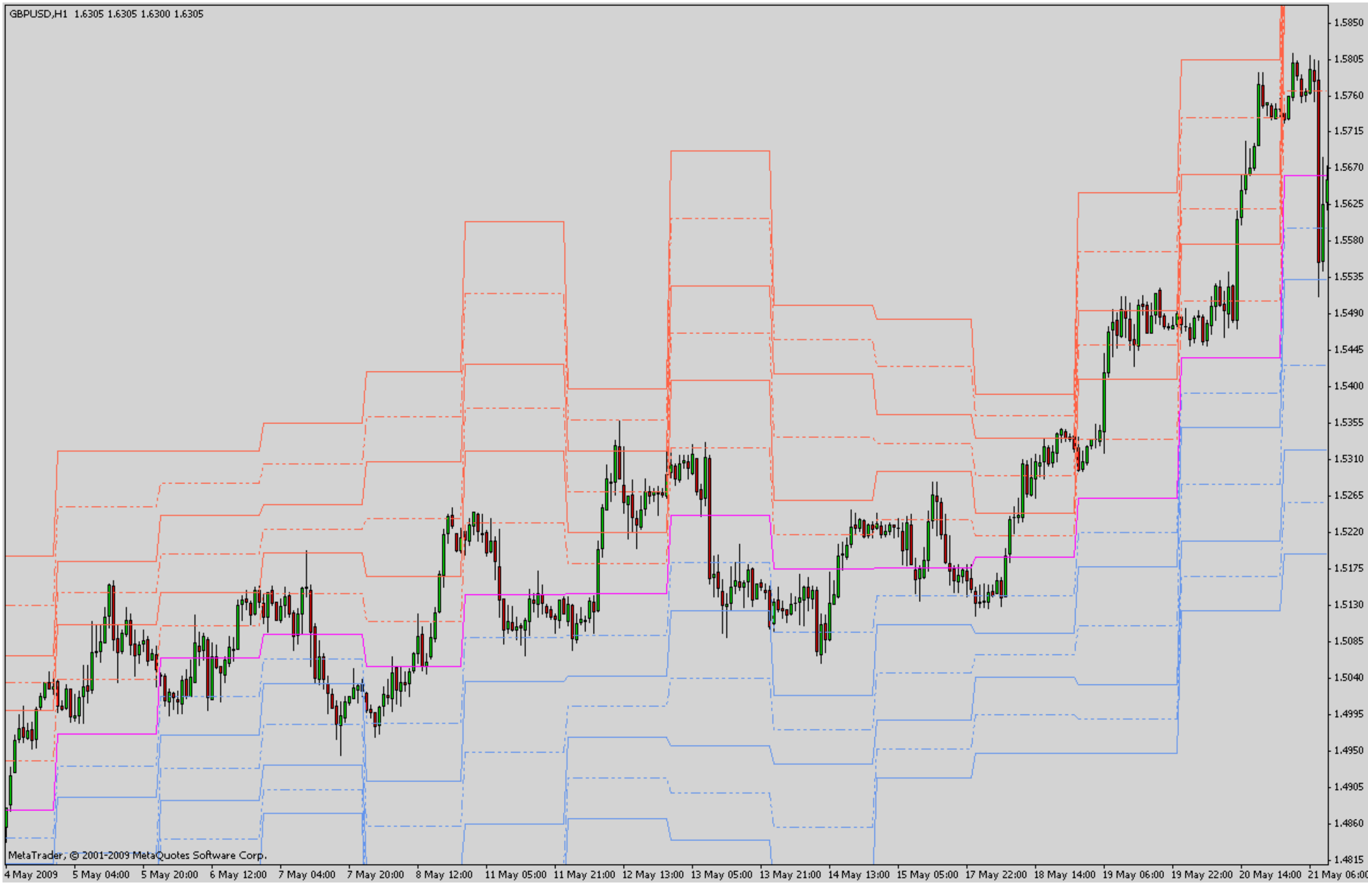
These calculations can be found on the web, but they produce 13 levels for the following trading day that may serve as support, resistance or price targets for the day.

They are (from bottom to top):

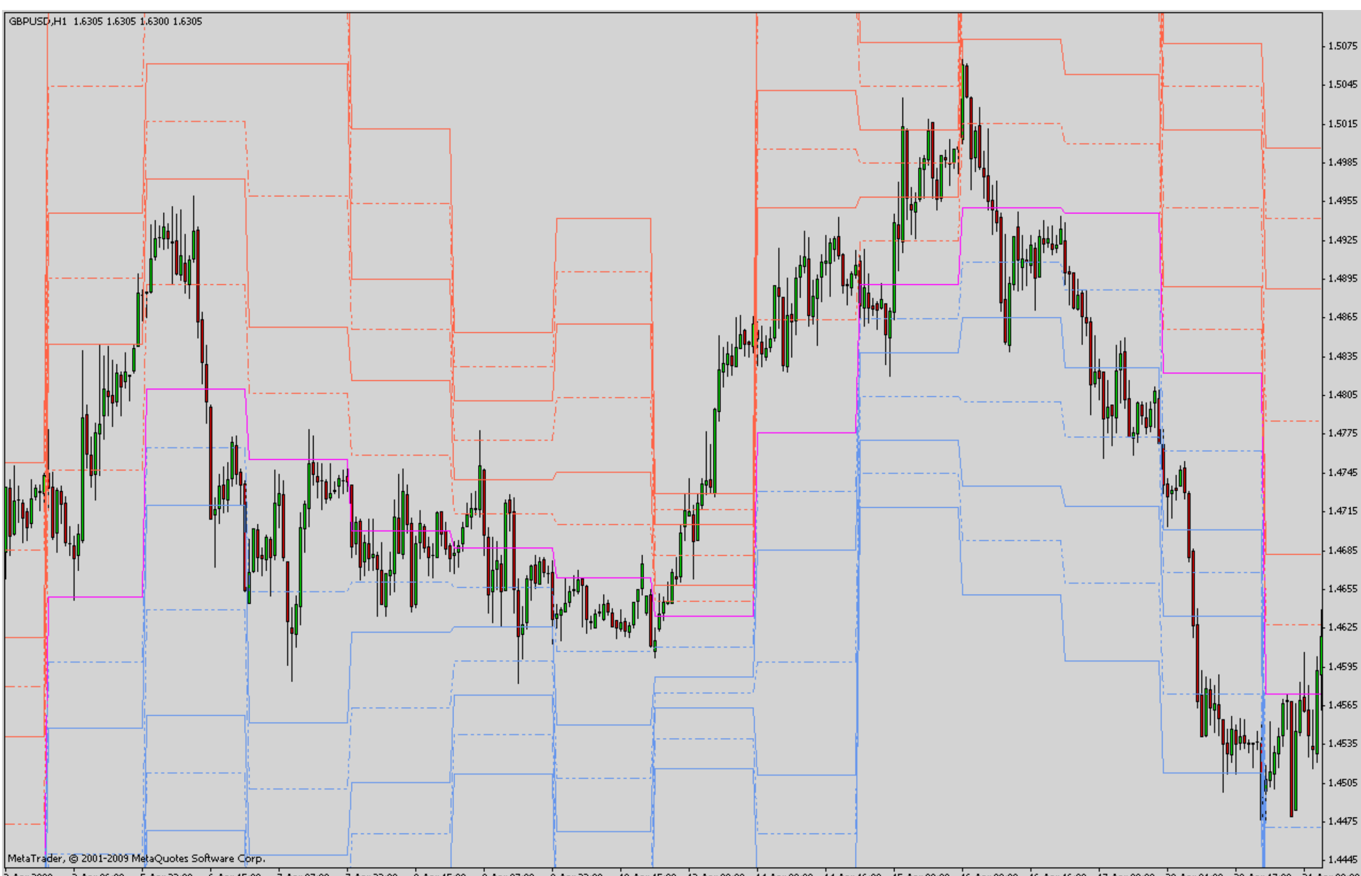
S3 M0 **S2** M1 **S1** M2 **PP** M3 **R1** M4 **R2** M5 **R3**

On the chart, they look like this:





GBPUSD,H1 1.6305 1.6305 1.6300 1.6305
MetaTrader, © 2001-2009 MetaQuotes Software Corp.



GBPUSD,H1 1.6305 1.6305 1.6300 1.6305
MetaTrader, © 2001-2009 MetaQuotes Software Corp.

These levels existed as a way for pit traders to have an idea of where to buy and sell for the day since all they had in the pits were pads of paper and no fancy computer software like we do. They are still widely used, as you can see on the charts.

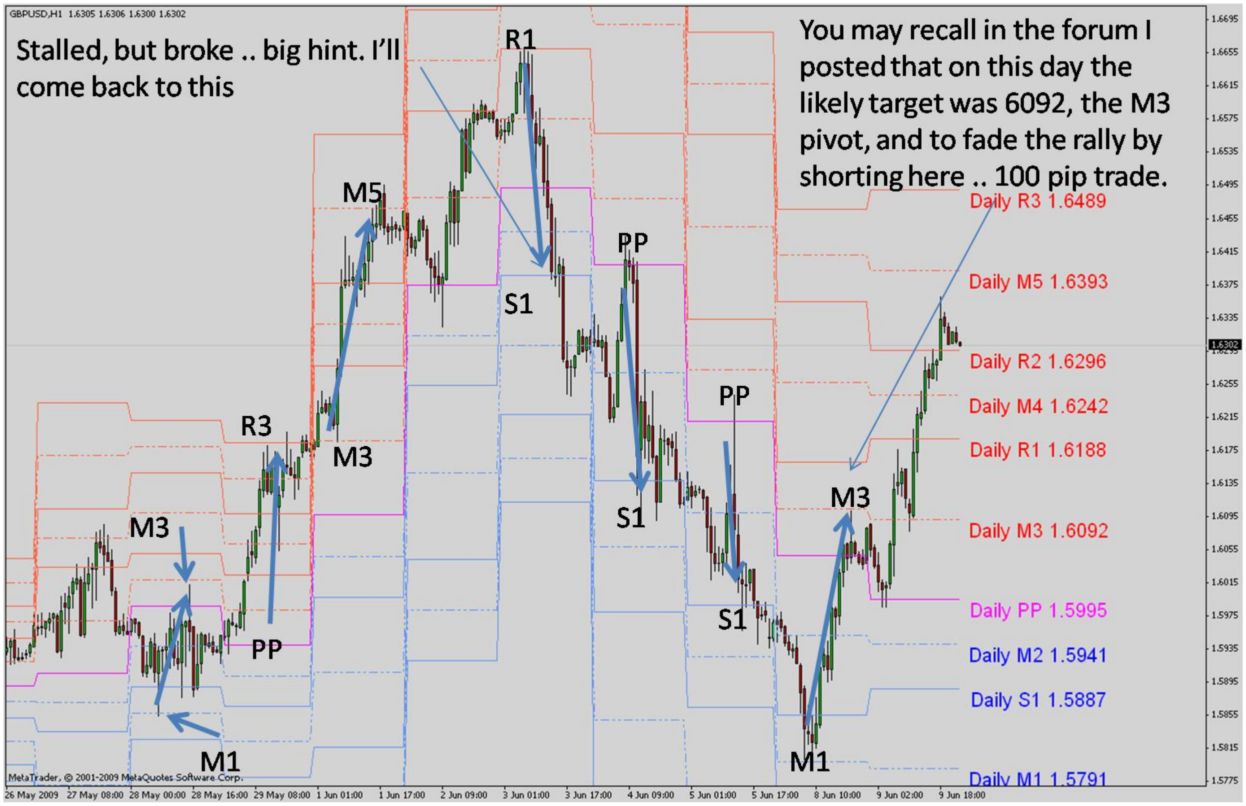
A ‘theory’ exists such that the market moves in accordance to the following … “If a price movement begins at ___, it’s target is ___

Fill in the blanks with:

- M1/M3
- M2/M4
- M3/M5
- S1/R1
- PP to R1/R2
    - and vice versa

Although rare, this does occur and thus should not be taken as a set rule for pivots. This tends to work well on non fundamental days, days driving purely by technicals and price action and not reactions to news events. Keep in mind that a support/resistance level dictated by past price action is more important than a pivot level. But when they overlap, this gives us extra confirmation.

See next for some examples…



There are also weekly and monthly, but I have decided to discontinue using them.

That's it for pivots. They aren't the holy grail, but I can show you how to make the most of them.

This is part 1. Part 2 will cover <u>support and resistance</u>.

Happy trading!

Jack.Canadia (Nick) from Canada.

PS … if you have trouble with some minor detail in here, I don't mind if you ask me. Look for "Jack.C's Trade Plans and Idea's" in the journal section and post your questions there. No PM's. <u>If you want the pivot indicators I use you can ask me as well</u>. Thanks!

PPS … I suggest you read more on candlestick patterns (just the basic and most prevalent ones) and also pivot points if you are interested in this method. It's very basic IMO. I can share some videos with you if you like as well. Remember to ask in the forum.