# The Kinko Method

Hello everyone! This method is based upon the Ichimoku Kinko Hyo indicator, and looks to be very profitable in backtesting results. If you are an intraday trader, STOP READING. This system will bore you to death. If you want to make roughly 8000 pips in a year with around 50-60 trades, KEEP READING (Please note that these results were based upon the last year, and I would imagine that each year is going to be different). It's pretty easy, I promise.

**What you need:**

- Daily Chart (Any VOLATILE pair, might I suggest GBP/USD or GBP/JPY?)
- Ichimoku Kinko Hyo Indicator with settings at (9,26 ,52)

**The confusing Japanese Lingo**

I can imagine that many of you are scared when I mention the word "Kumo". You don't need to know these things to use my system. If you do learn them, it would be very beneficial, but it is not necessary.
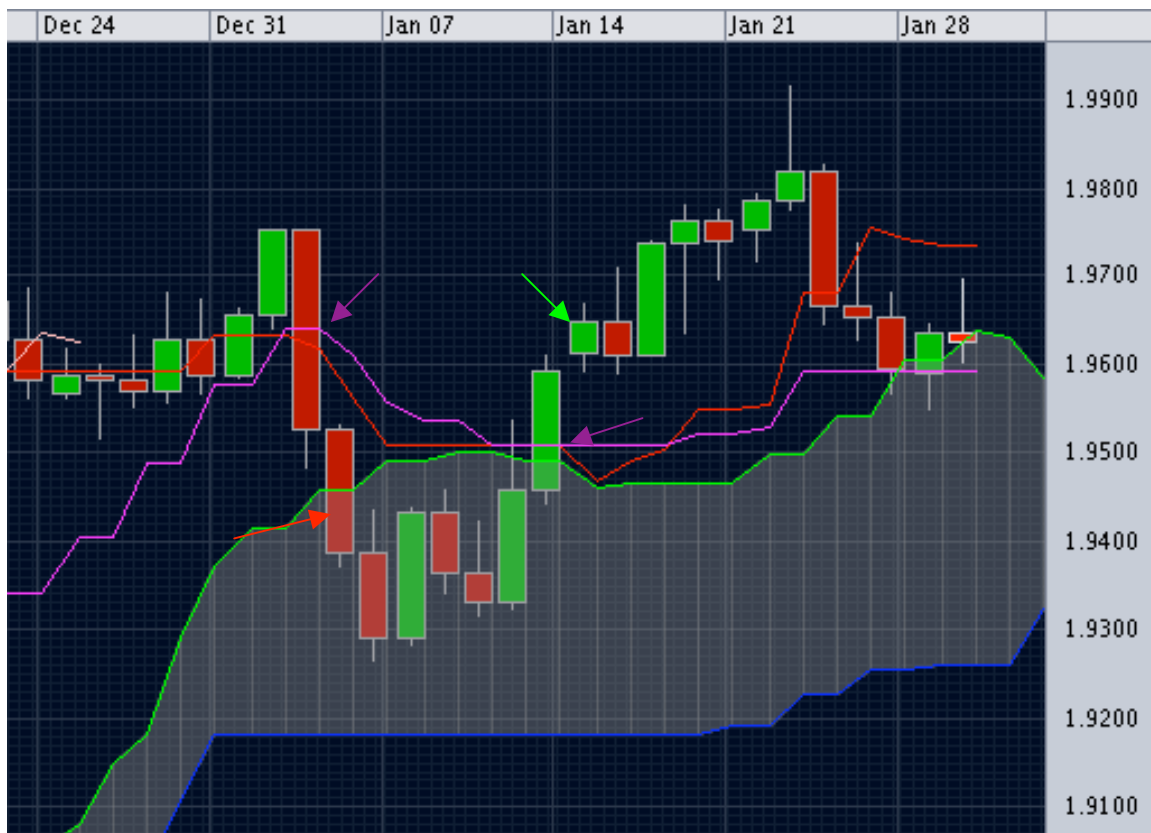
All you need to do is color the individual lines:

- Tenkan-Sen = RED
- Kijun-Sen = PURPLE
- Chikou Span = PINK
- Senkou Span A = GREEN
- Senkou Span B = BLUE
- Kumo = Whatever color you like☺

If you want more information about these lines please visit:
http://kijunsencross.wikidot.com/ichimoku-kinko-hyo-basics

Now, your chart should look like this:

This is GBP/USD Daily excluding weekends

The pink line is lagging behind as you can see; it is on the very left there.

Observe the purple line and what the price does.  Do you see what happens?  When the price goes down through it from above, then it goes down, and if it goes up through the purple line from below, then it goes up.  I have marked these occurrences with  purple arrows.

**The Entry Rules**

**Selling**

- When the price goes below the purple line fully from above, the bar is RED, FULL(Not a doji), and NOT TOUCHING THE PURPLE LINE(including shadows), we have a SELL.  The one in this example is marked with a red arrow.

**Buying**

- When the price goes above the purple line fully from below, the bar is GREEN, FULL(Not a doji), and NOT TOUCHING THE PURPLE LINE(including shadows), we have a BUY.  The one in this example is marked with a green arrow.

For more information on this concept, please visit: http://kijunsencross.wikidot.com/key-characteristics

**PLEASE NOTE:** We buy/sell at the close of everyday.

**A Time-out to Talk About Lots**

This system uses lots.  What are lots? Well, one lot is X Units of a currency, and you decide what X equals.  You will have 3 lots to buy/sell on each side.  For instance, I can only have 3 lots long, 2 lots long, 1 lot long, or nothing, and vice versa for short.

**IF ONE OF THE ENTRY RULES MENTIONED ABOVE OCCURS, WE ENTER WITH 3 LOTS!!**

Keep in mind that this is per one currency pair.  If you want to trade 3 pairs, you could potentially have 9 lots open.  Adjust your risk accordingly. I personally am using 2 pairs, with each lot equal to 3.3% of my account.  I consider this risky, but you be the judge; I have confidence in my methods☺

**Reaping the Rewards**

- Every other line becomes resistance/support once a trade is entered.
- We will only take profit or stop loss when the nearest line is hit.
- The stop will liquidate 1 LOT of however many you have (max 3).
- Also, only profitable trades will be stopped out or take profited.  This means, don't stop out for negative pips.  The only time you will need to stop out for negative pips is when an opposite entry signal occurs; meaning a full opposite colored bar on the opposite side of the purple line.
- If there are any accountants here, you will understand FIFO(First in First out).  What this means, is if a resistance is hit and would result in profit, we will get the oldest trade out first.  We then wait for the next resistance line to be touched to liquidate our 2nd oldest lot.

**Additional Lots to Your Trades**

- If a price bounce happens off of your resistance line, buy or sell ONE additional lot at the close of the day with a FULL, Good directioned(Green for Long, Red for Short), and NOT TOUCHING the resistance line(Including shadows).
- If a price moves through a resistance line, buy or sell ONE additional lot at the close of the day with a FULL, Good directioned(Green for Long, Red for Short), and NOT TOUCHING the resistance line(Including shadows).

Examples:
1)
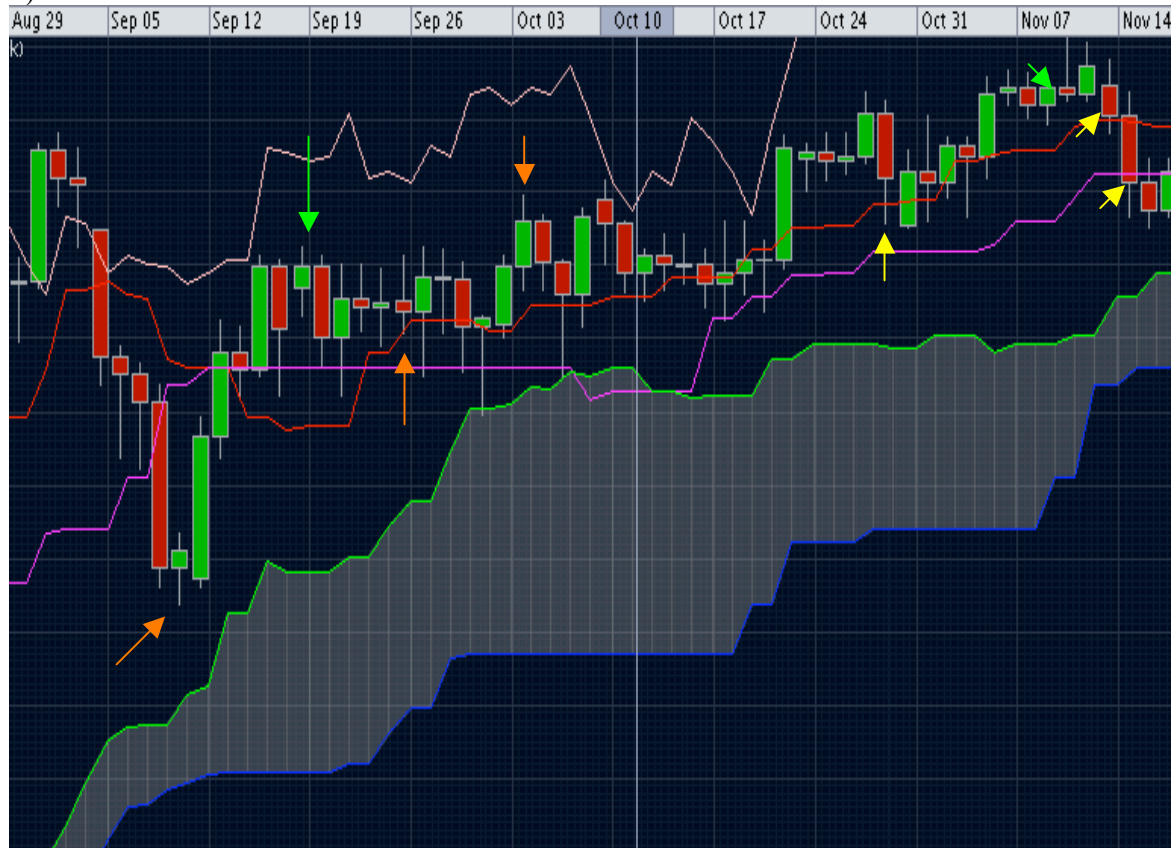


**GBP/JPY Daily**

**NOTE:** Ignore the light pink line as it lags behind by 26 days, I believe.

- Green Arrows are candles that we BUY
- Red Arrows are candles that we SELL
- Yellow Arrows are the liquidation of a lot
- Orange Arrows are things to be noted


- First Orange Arrow:
  The Price goes below the purple line, is full bodied and not touching the purple line. HOWEVER, we do not sell because it is GREEN.
- First Green Arrow:
  The Price goes above the purple line, is full bodied, not touching the purple line, AND GREEN! We BUY 3 lots.
- Second Orange Arrow:
  Price hits nearby Red Line, but would not have been profitable, so we do nothing.

- Third Orange Line:

Price bounces off nearby Red Support line, is FULL, not touching the red line, and GREEN. We would normally BUY one lot, BUT we have our maximum 3 lots.

- First Yellow Arrow:
  Where the price hit the Red Support line, is where we would have liquidated one lot. We did this because it was profitable. We now have 2 lots.
- Second Green Arrow:
  The Price bounces off the nearby Red Support line, is now FULL, not touching the red line, and is GREEN. BUY one lot. We now have 3 lots (Our maximum).
- Third Yellow Arrow:
  Price hits Red Support Line and we still have those 2 lots from the first green arrow and the one new lot. We liquidate one of the old lots. We do this because it is profitable.
- Fourth Yellow Arrow:
  Price hits Purple Support Line and we have the one old position still. Since it is profitable, we liquidate the old lot when the purple line is hit.

**How We Lose**
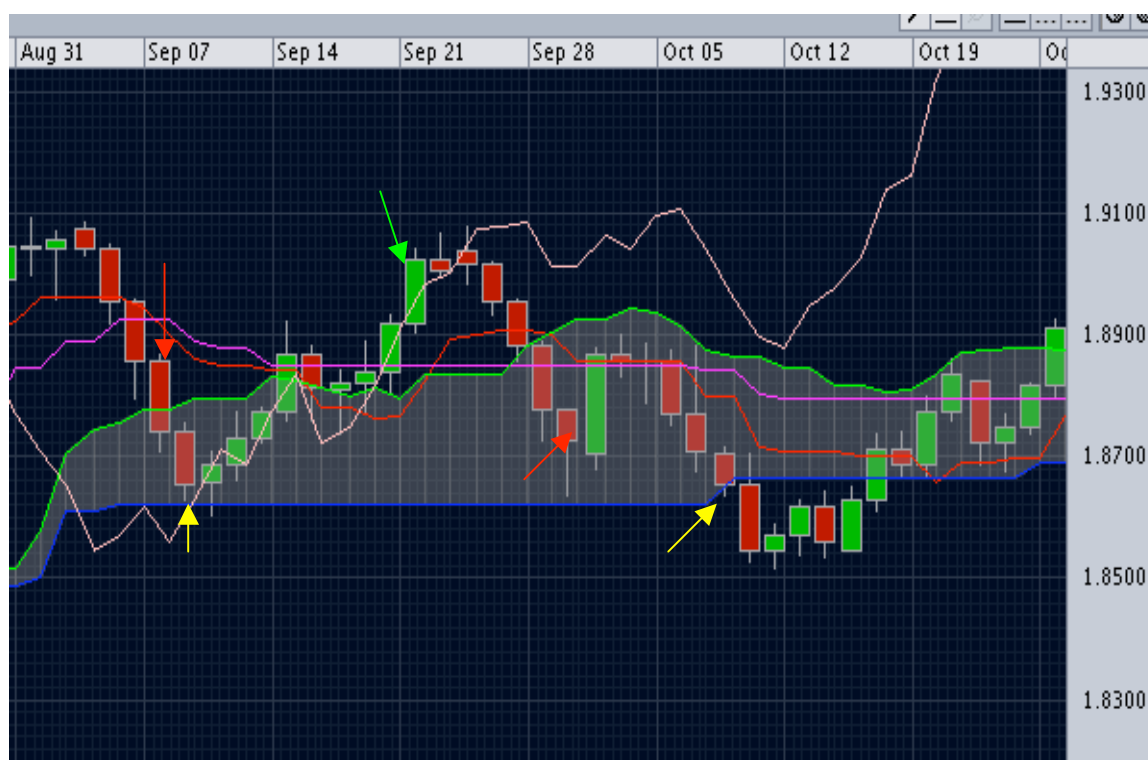


**GBP/USD Daily**
**NOTE:** Ignore the pink line for now.

- First Red Arrow:
  Price has just crossed Purple line from above. It is full, not touching the purple line, and RED. We sell 3 lots.
- First Yellow Arrow:

Price hits the nearby blue resistance line, and it is profitable to take profit, so we liquidate ONE lot at the blue line.

- Price then hits the purple, green and red lines, but they are not profitable so we don't take them.
- First Green Arrow:
Price passes above the purple line and is FULL, not touching the purple line, and GREEN. This means, the 2 lots we still have, are liquidated for losses. We also buy 3 lots because we have a new entry signal.
- Second Red Arrow:
The system fails and we liquidate all 3 lots because a FULL, not touching purple, RED bar occurs. We SELL 3 lots.
- Second Yellow Arrow:
Price touches blue line and is profitable. Liquidate one lot.


If you look at my Backtesting Results, you can see what happens next. They will be attached on Forex Factory Kinko Method thread.

**Regarding Risk**

If you look at the backtests, there will be times when you can lose badly. In an effort to minimize losses, I have looked at the Ichimoku lines once more to see if there was a way to minimize risk:

**The Pink Line**

The Pink Line has a mysterious nature, as I have failed to mention it up to this point. I am fairly sure it lags behind the price 26 days. The Pink Line indicates the main trend. When we are buying our lots, lot size will change depending upon how the Pink Line looks.

**Buying**

- If the Pink Line is ABOVE the price on a BUY signal (Including shadows), we use our full lot size.
- If the Pink Line is AT or BELOW the price on a BUY signal (Including shadows), we use a fraction of our lot size. Personally, I am doing 3 Half Lots for AT the Price and 3 Quarter Lots for BELOW. The 3 corresponds to the 3 lots mentioned in the Entry Method section

**Selling**

- If the Pink Line is BELOW the price on a SELL signal (Including shadows), we use our full lot size.
- If the Pink Line is AT or ABOVE the price on a SELL signal (Including shadows), we use a fraction of our lot size. Personally, I am doing 3 Half Lots for

AT the Price and 3 Quarter Lots for ABOVE.  The 3 corresponds to the 3 lots mentioned in the Entry Method section.


Feel free to ask questions in the thread, and GOOD LUCK TO ALL!

Regards,

Kevin