Drawing Trend Lines using FR\_Root v1.1

The concept here is to use the Root Indicator for drawing any counter trend lines. As you may know, the hardest part about drawing a trend line is actually figuring out how to draw that trend line. Personally, I have never felt that I was drawing mine correctly at all. This is a weird concept, but I have tried to draw trend lines I bet 50 different ways, and certainly I have done it just about every way that anyone else has tried, Yet for me, I still felt that I was not confident where and when I drew them. Hopefully that is about to change.

The idea here is to let the Root Indicator dictate the slope of the counter trend line by pointing us to which candlesticks that we should use to draw the trend line. To do this you will have to pay attention to the ruggedness of the indicator. How when it is above zero level that the bars will both go up and down, sometimes many times. The same is true when the bars are below zero level. They will move up and down depending on price action of the pair. To pick our points to draw the trend lines, we will need to follow the ruggedness of the indicators terrain. Is this kind of making sense so far? The indicator is color coordinated to change colors when the indicator changes directions. This should become obvious upon studying it for a bit. Each line will only go through 2 points; two different candlesticks. One point from each.

When price is above level zero, we are more than likely looking to draw and counter trend line sloping up. This is the case 98% of the time, but sometimes price action will dictate that we draw a trend line sloping upward. As such when bars are below the zero level, we will be looking for an trend line that is sloping up 98% of the time. However, there will be those few times that we will draw a downward sloping trend line when the indicator bars are below the zero level. This is the first basic thing to keep in mind.

Let’s say we are in a long trade and looking for the placement of an upward sloping trend line were we would exit the trade and enter a short trade. The first thing we will do is look for the last bar that gave us a higher low before the bars crossed from below the zero level to above the zero level. Once this bar is found, identify the candle stick that is on the same vertical plane. The low of this bar will be the first point of our upward sloping trend line. To find the second point we have to wait as the bars form higher highs. At some point, the bars will make a correction and form a lower high. Maybe a few lower highs will be formed in a row. The second point will be discovered when the bars then form a higher high after the correction. At this time, we will find the candlestick that is on the same vertical plan as that bar that just formed the higher high. The low of this bar will be the second point of our trend line. If we get another cycle where lower highs form and then another higher high, find the candlestick that is on the same vertical plane as this new higher high and the low point of that bar will become the new second point, and the point that was the second point for the previous trend line will become the first point for this trend line. And so on and so forth. Does this make sense? Continue to draw trend lines in this manor until your entry point is hit. (However you determine it). At this point you can exit your long trade and enter a short.

Let’s say that we are in a short trade and we are looking for a place to exit that trade and enter a long. The first thing we need to find is the last bar that gave us a lower high right before the bars crossed from below level zero to above it. Once this bar is identified, locate the candlestick that is on the same vertical plan as this bar. The high of this bar becomes the first point of the counter trend line. Next, the bars will form a series of lower lows. After a period of time or in no time at all the bars will form a higher low or a series of higher lows. When a bar then forms a lower low, we can locate the second point of the trend line. From this bar we find the candlestick that is on the same vertical plane as the bar. The high of this candlestick becomes are second point for the counter trend line. If the bars then go through another series of one or more higher lows, and then give us another lower low. This new lower low becomes the second point of our trend line, and the bar that was the second point of our previous trend line, becomes the first point to this trend line. So on and so forth until the point is reach where you will close your short trade and enter a long trade.

There you have it. This is a unique way that I have found to draw trend lines. The idea surrounds the concept that instead of using candlestick formations to determine points of intersection for a trend line, use an indicator that more smoothly represents price action to determine which points to use to draw our trend lines. Thus, the points we should use for the trend lines become a little more visible. This making us feel more confident that indeed the points are correct as they were derived from an actual event, rather than a place that just looked right, but a place nonetheless that we were not sure was right. If you compare the trend lines that you will draw in this manor with trend lines you would draw not using this method, I think that you will find them to be very different.

This is something new that I just saw on the charts when I was looking for it. It will have to go through some testing to see how effective it is going to be, but I have done enough dry testing that I am ready to start trading trend lines in this way right away.