What you need:

- Tools and settings
    - 8, 21, 200 (EMA). These are used for S/R and also for trade entries/exits.
    - Time frame: Weekly chart
    - Knowledge of simple candle patterns or price bars (optional). These are the 2 types you can try to familiarize. There's no need to learn other patterns.
        - pin bars
        - engulfing candles

      The rest of the decision making is by good judgement and intuition.
    - Knowledge of drawing horizontal S/R (support and resistance) zones and lines. (optional)
- Mindset
    - Flexible. Yes you must have a flexible mind. Be open minded. There are a lot of theories out there about trading. You don't have to be too rigid on what other professionals are advocating or how the books have said it. For example, a lot of traders professed the importance of trading with at least 1:2 (or 1:1) risk reward. However, this is not necessary. You are your own dictator and manipulator of your own trades.
    - Don't be greedy. Take whatever Mr. Market has to give you and say thank you.
    - Be disciplined to follow the method. More about this later
    - As we are trading in the weekly, we should anticipate and be aware that one weekly price bar, or candle can be equivalent to a few hundred pips of movement in that week. Hence the tendency to think "longer" term however this is not a staunch requirement. Go to the first point and think flexible :)
    - All trades depends on your risk appetite. Yes. When you trade, ask yourself how much can you afford to lose, not how much you want to win.

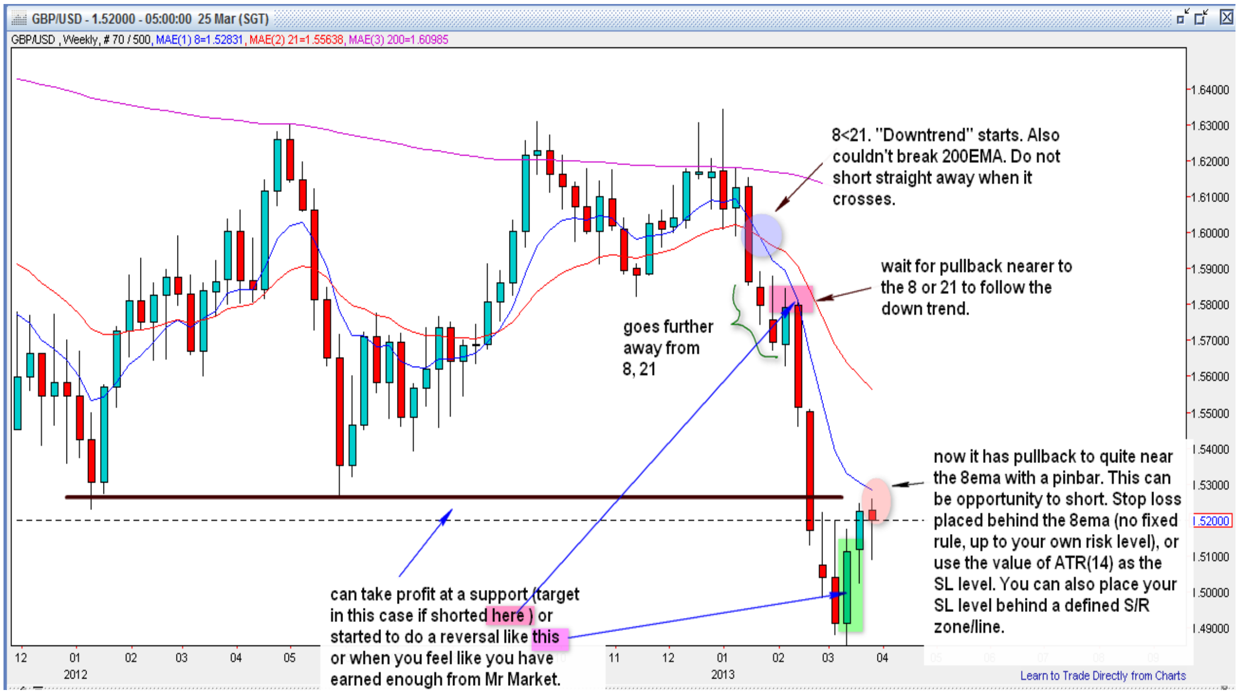
What to do (the method and rules):

- Use/Follow the trend indicated by the EMAs
    - 1st criteria: Look at the 200EMA wrt to price and where the 8 and 21 EMA is.
        - For long bias, price, 8 and 21 must be above 200
        - For short bias, price, 8 and 21 must be below 200
    - 2nd criteria: Look at where the 8 and 21 is wrt each other.
        - For long, 8 must be above 21
        - For shorts 8 must be below 21.
    - 3rd criteria: Look at where price is, for better odds
        - For long, price to be above 8
        - For shorts, price to be below 8
    - Again, the above are not a staunch requirement. It depends on your risk level. If you can take that risk to go long when 8 is above 21 but still below the 200, or when price is in between 8 and 21, etc, then you
        - just have to position size your trade, ie trade a smaller position than your usual if you don't want to risk that much.

        - just trade and have your stop loss ready and take that risk
- Trade only when price is hovering near 8 and 21 and you have a good signal indicated by price bars or candles.
- Another possible way to trade is when price gets bounced off the 200EMA acting as support or gets rejected off the 200EMA acting as a resistance. You can look out for candle patterns like pin bars or bearish/bullish engulfing to give you that signal.
- How to take profit
    - Take your profit when price wanders further from the 8 and 21. It can be when price reaches a potential target denoted by a nearby S/R level or you take profit as and when you like. This is the part you may find hard to grasp. That's why you must have a flexible mind and a flexible thinking. Risk reward ratios are not really a must here.
    - Take profit when price started to close below 21 for long position (or above 21 for short position).
    - Take profit when 8 started to crossed below 21. However, this may sometimes erode some of your profits, so you make your own judgement.

- Risk management:
    - Using the ATR: Default:14. For whatever the value the ATR(14) shows, you can multiply 1.5 to 2 times that value to get your stop distance.
    - Using the EMA. You can set stop loss behind the EMA acting as S/R.
    - Using the S/R zones. You can set stop loss behind the S/R zones that you can identify near the point of entry of your trade.
- Do not trade the cross over when its just crossed. You only use the 8 and 21 crossover to tell you that trend has "changed" and then you will trade that trend direction after that. That's all you need to tell yourself to do.
- A lot of traders say when its not trending, then the moving average is useless as an indicator. However, let's be open minded. I believe if you know how your indicators work, you can still use it to your advantage. When there is no trend, most likely the 8 and 21 would be flat, and sometimes even come together. You can still use them as a gauge of bias-ness. If the price hovers above, then it has long bias. If below, then short bias. The rest of the decision making lies on your ability to see what Mr. Market is doing with price, such as taking your cues from candle patterns or increasing price action. (eg higher lows, etc)

An example might suffice to illustrate the concept. This is the weekly chart of GBP/USD FX pair as of 25 Mar 2013. First, price, 8 and 21EMA are all below 200EMA. So we only do shorts. I think its self explanatory.



I mentioned earlier there must be discipline to follow the method. You can see the green highlighted portion where the bullish engulfing pattern is. I know a naked price action advocate would trade upon this bullish engulfing signal, however, if you follow this method, you should only trade in the direction according to what the 8, 21 and 200EMA tells you about the current weekly “trend”. This is the part on discipline I mentioned earlier and is just a “best practice”. If you decide to manage your risk, you can just trade and let Mr Market decide whether you are wrong or not. :)

Next, a weekly chart of the Yen Dollar pair. A pin bar (actually theoretically called a spinning top, but I call it pinbar nonetheless) above 8EMA. There is opportunity to go long, either after another candle/price bar confirmation, or trade at the open of next weekly candle.

USD/JPY - 94.2020 - 05:00:00 25 Mar (SGT)
USD/JPY , Weekly, # 116 / 500, MAE(1) 200=86.4461, MAE(2) 8=93.6345, MAE(3) 21=89.8011
price, 8, 21 all above 200EMA. So we trade the bulls
dancing just on top (near) of 8ema. There is opportunity to long. SL below the 8ema, or use the ATR(14) as SL.
94.2020