Jacko's Trading

Compiled by BarryPips

This material comes from the Forex Factory thread entitled (dates of posting: 26 April, 2007 through 3 July, 2008):

Jacko's Forex House of Pleasure and Pain

at: http://www.forexfactory.com/showthread.php?p=1425711#post1425711

If you do not know the basics of FOREX trading then visit the BabyPips School on the Internet; it's free.

Jacko's Blog is at: http://waynejacksonfx.blogspot.com/

Disclaimers

This document is a series of suggestions that have been successful for many traders. You can lose a lot of money trading FOREX. You are totally responsible for what you do with this material.

Background

I am a Trend Trader: I keep an eye on the fundamentals.... but I trade off the charts.

EVERYONE SHOULD TEST OUT THIS VERY UNUSUAL AND RARELY USED STRATEGY;

1. buy/ sell ONLY in the direction of the major trend and
2. buy/sell on dips.(Use support lines to guide you as to price...also "round" numbers ... I also use the 50% Fib ratio..)
3. bank your profits

Firstly, ***how do you know what the trend is?***

DETERMINE THE TIME FRAME THAT YOU WANT TO TRADE.

1. If the graph on the chart starts in the bottom left hand corner and ends in the top right hand corner, the market is going UP.

2. If the graph on the chart starts in the top left hand corner and ends in the bottom right hand corner, the market is going DOWN.

3. If you are still confused, print it off and show it to a 5 year old...they will get it right EVERY time...LOL

The trend is the BEST friend you will ever have in the Forex market.

When you trade with the trend, even if you make a mistake, the market will get you out of your problem....If you make a mistake and you are fighting the trend ...YOU ARE STUFFED, BIG TIME !!!

Q: Yes, I understand we should trade the timeframe we want to trade. However, what I don't understand is how much we should zoom in the chart (or if we zoom at all). About how many candles should be showing on a chart? Is it true that about 300 candles should be showing on a chart?

A: Yes, 300 candles / bars works for me. It gives a decent perspective of the market.

*Secondly, **Round Numbers and Fibonacci Retracements***

I think the **round numbers** (1.2900...1.3000...etc) are valuable. I only use minimal numbers of trend lines and the ONLY Fibonacci number I use is the 50% number....
That's the limit of my T/A...

KISS = Keep It Short and Simple
Note: I do NOT use any moving averages (or any other of the fancy measures). They are historical numbers!!!

The reasons that I use only Round numbers, trend lines, and the 50% Fib number is that the big players ALL use them. The more complex you make your trading parameters, the less number of people will be using them.

Forex is one of the most "trendy" markets. That is, it trends MUCH stronger than say metals, oils etc in futures markets. The pair that are the strongest "trend" market is the Euro/USD. Trending markets are soooo much easier to trade than choppy, volatile and erratic markets

BarryPips Take on These Numbers

Fibonacci Lines and Round Numbers

These are not magical. They are places where a large group of professional traders view as goals. They are a self-fulfilling prophesy. Jacko uses only the 50% Fibonacci retracement level, and round numbers ending in "00".

TIP: You don't need an indicator (such as the "Sweetspots" series of indicators) to place the round number lines. You will be working on the daily chart, and can simply draw (and adjust to accuracy via the line's "properties" dialog) with the horizontal tool.

Support/Resistance (S/R) Lines

These work like Fibonacci Lines and Round Numbers. Here, instead of the "self-fulfilling prophesy" of the Fibs & Round Numbers, we have places where price action has stopped for one reason or another. Price action stops, and retreats (making the high point to draw resistance lines, or the low point to draw support). These can then move into the "self-fulfilling prophesy" realm.

The "self-fulfilling prophesy" aspect is that, "It just stopped here, so this is where I can trade."

Using the Lines in Jacko Trading

I believe that Fibs and Round Numbers should be used only as alerts. As price moves toward one of these values, the astute trader should watch the price action to see how price will react at the level.

One trading method (on forex4noobs.com, I believe) looks to trade only penetrations of S/R.

Does the price barge right through the level? Then perhaps watch to see if it goes down to the next level.
Does it linger at that level?

I think that Jacko said or quoted this:

Price does not like support or resistance levels. It mostly tests them and then moves away quickly. You'll rarely find much price action in the vicinity of the line. If price is hanging around a support or resistance level, it's likely to break in the opposite direction.

(For example we know that professional traders love round numbers to target...it brightens up their dull day to push and cajole the market to a target number. Now Euro/USD 1.3000 is the roundest number there is around those levels, so the pros have gotta be saying that the big game in the industry is to now grind and push the market to 1.3000. After that they don't care, they have had their fun...and thats why a market will whip and drop/rise dramatically straight after the target has been hit).

So to me, these lines are like your telephone ringing; it may be an important call, or it may just be a telemarketer. But you should heed the alert in either case.

*Thirdly, **Slow down...***

This market will be here for the rest of your life...
DON'T BET YOUR BANK...

It is better to get rich slowly...than to go broke spectacularly fast. Use effective money management. If you do not know what that is, then visit the BabyPips School.

*Fourthly**, Don't Throw Good Money After Bad***

A much wiser man than me once said that "If you find yourself in a deep hole, then stop digging"

Do NOT throw good money after bad money...stop and accept the loss... then clear you head so that you can see more clearly...

You should either

1. Close out the trade, and let the market go up/down....but after the market starts to retrace, then put your "short"/"long" position back on at exactly where you closed it out. This ensures that you get back into the trade on the way down (the Jacko "alternative method" to hedging) or

2. Close the position and take the loss. Then look at getting back into a "good" trade next time.

This market will be here long after you and I will be dead, so there is no need to rush in and try to get all your money back in one day.

Fifthly, ***Don't Panic***

The is a **tendency for newbies to "PANIC"** when the market goes a little against them This is due to:
1. Probably scared to lose money
2. Probably undercapitalised
3. New to industry....therefore probably uncertain about your own abilities
4. Unsure that the trend lines, 50% Fib line and "round numbers" are as reliable as they are in practice.
4. Probably inexperienced in business and investment from a practical aspect
5. Probably unsure who to talk to for guidance

There is a solution to all the above...... It is called "old age"........LOL

Finally, ***Use Longer Term Trends***

You ask why I prefer to use the **longer term trades**. The answer is that the shorter the time period, the more you are gambling and punting on tiny movements. The smaller the time frame, the less they will follow the trend lines, Fib numbers and "round number" rules.
The longer the time frame, the stronger will be the trend lines etc

Also, short term trading is emotionally much more draining.

Additional Position Trading Tips

Just some additional little things that I have remembered that may be of assistance to anyone looking to **position trade:**

Firstly, don't over-trade. Some people here seem to want to bet on every tic. The thing that kills new traders is the "wild punting" on everything that moves two ticks.

Secondly, stop thinking that you have to "outsmart" the market.
You don't have to..this business is very easy if you leave your brain at the door....just follow the trend = follow the money =going with the flow = barking with the big dogs.
Stop thinking that "it can't be that easy".......it is!!!

Thirdly,, you have to detach yourself emotionally from the money...that is the hard part...stop seeing it as money, and look at it as numbers.
Also, don't play with money you can't afford to lose...or alternatively, put the money aside and tell yourself that it is already lost. (You MUST detach yourself from the money

Finally, I am not saying anything different to what all the good trading books say...but it is amazing that every newbie wants to "take on" the market and then wonders which express freight train flattened them (and destroyed their trading accounts).
Most people are trading for the adrenaline rush rather than the boring concept of just maximising

profits

Trends and FOREX

The Forex markets are arguably the most "trendy" market there is, especially the Euro.

Once a trend is in place, it takes a lot of power to reverse it. Take a look at the weekly charts. This current "long" started back in early Dec 2005 at approx 1.1650. (nearly 1700 pips from where it is now) It had a relatively "minor" correction from approx 1.3000 to 1.2500 before continuing on to where it is today.

Even more strong evidence for the power of the trend is that the above "long" is part of an even stronger "long" from 0.8363 from July 2001.

Price does not like support or resistance levels. It mostly tests them and then moves away quickly. You'll rarely find much price action in the vicinity of the line. If price is hanging around a support or resistance level, it's likely to break in the opposite direction.
(For example we know that professional traders love round numbers to target...it brightens up their dull day to push and cajole the market to a target number. Now Euro/USD 1.3000 is the roundest number there is around those levels, so the pros have gotta be saying that the big game in the industry is to now grind and push the market to 1.3000. After that they don't care, they have had their fun...and thats why a market will whip and drop/rise dramatically straight after the target has been hit).

Smart Money is the Central Banks. They actually determine the trend by sheer weight of money. (Central Banks turn the long term currency markets to accomodate the relevant government's trade requirements). Then following them are the huge hedge funds.

Entries

On Entering

http://www.forexfactory.com/showpost.php?p=1539665&postcount=590

When I want to go "long" but the market is in a (hopefully temporary) decline/retracement, I try not to catch a "falling knives". I prefer to let the market show me that it HAS turned.

Order of entry point watching from (MPP):
http://www.forexfactory.com/showpost.php?p=2068306&postcount=4154
1. Support lines
2. Round numbers
3. 50% fib

Using the weekly, daily and 4h charts, draw 1 support line for each TF, this will identify the major trend and areas to watch. Even in a ranging market this will identify the range and show both the top and bottom areas of support and resistance - it's up to you if you want to trade them and quite clearly on this thread some have been, we still look for a solid number to set our entry and use the AH if it fails.

Entries via Gann Method

http://www.forexfactory.com/showpost.php?p=1565238&postcount=7

It is not anything new or special. It does work well however.

When you know the trend;

1 Only place trades in the direction of the trend.

2 For a re-entry back into the market, wait for a retracement of 3 bars. That is, if the trend is up, wait for the market to make 3 lower highs and 3 lower lows. Then on the next bar, enter the market at the high of the 3rd bar down, plus 1 pip/tick. If you do not get an entry, because the market moves down another bar, just continue to look at the last 3 bars of lower highs and lower lows and simply adjust your entry down with each new lower bar until you get a fill.

3 Place your SL 1 pip/ tick below the low of the 3rd bar.

4. If the bar you entered on closes below the open for that bar, close your trade immediately, other wise stay with the long.

5. To exit the trade in profit, count back from the highest 3 bars, with lower lows. That is where you place your Trailing stop. So as the price advances, you keep moving your stop up, 3 lows back, until the market takes you out.

6. If the trend is still intact, just wait for the re-entry setup to happen and jump back in and do the entire sequence again.

For a Short position, the rules are exactly opposite.

This method will always force you to leave a bad trade quickly and to let the profit run

See these:
http://www.forexfactory.com/attachment.php?attachmentid=46188&d=1188394676
http://www.forexfactory.com/attachment.php?attachmentid=46189&d=1188394685

Using the Round Numbers and Fibonacci

I believe that Jacko always waits for allows for the Fib/round number to be penetrated (to the down side if taking a long) by 30-50 pips then take the trade at the Fib/round number if/when the price comes back.

I.E. there are two possible places to get in off the same calculation. For ease of understanding I will assume a long trade in a short term downtrend , long term uptrend:

1. 30-50 pips higher than a FIB/Round Number after a bounce off that Fib/Round number.

2. At or close to the Fib/Round number after the price dropped 30-50 pips below the Fib/Round number and resumed the long term up-trend.

As you pointed out, Jacko always wants to be trading with the long term trend at his back.

In a rising market with both short and long term trends up, I believe he waits for the price to rise past a Round number by 30-50pips then buys on the pullback to close to the round number. If it doesn't pull back - just go for the next round number.

Perhaps Jacko would like to clarify this? (I believe that he verified this.)

BarryPips Entry Notes

Jacko tells us that entries are based on a retracement, often at what I call a signal level (see a few posts ago).

How do we analyze that retracement? There are several price-action-only methods, such as the 1-2-3 move.

However, I have found much good information regarding entering on retracements and trading in general in the thread called "The System (Irony Included)":
http://www.forexfactory.com/showthre...72#post1696472

The thread starter, feb2865, has ideas similar to Jacko.

Use a Trailing Stop-Loss (TSL) to Exit

When you put on the trade, you set an initial stop-loss. Initially, Jacko used 50 pips for the EUR/USD. Later he changed this value to 100 pips. It depends upon the volatility of the market. You're going to be a long-term trader, give the trade some breathing room.

You must use proper money management in all FOREX trading.

As your price moves in the desired direction, then move your trailing stop loss. You can move it with every pip that the market moves, you can move it every so often. Different people use different things.

Jacko sees himself as a technophobe, so he manually moves his trailing stop loss.

Other traders use their trading platform's capabilities for this. Others write automated tools to do this. Others have their brokers do this automatically for them.

CAUTION: Some platforms (such as MetaTrader 4) must be running on your machine to handle the trailing stop.

Jacko does not use price targets. When his trailing stop loss gets hit, he is out (and probably making another big deposit in is bank account).

Jacko uses a 50 pip trailing stop for the EURUSD (note that he pretty much only trades the EURUSD - we have speculated that based upon ATR, that would be a 75 pip trailing stop-loss for GBPUSD for example. And the 75 pips would apply to the anti-hedging also).
Does this close you out frequently - yes. Does this matter - no, your capital is protected (can only lose max 50 pips + spread from whatever net profit position you have).

Dealing with a Loss:
Jacko's Anti-Hedging (A-H) Strategy

This strategy was invented by me as an alternative to "hedging" which was often discussed on Forums as a panacea to a losing trade.

"Hedging " to me is simply hiding a loss under another opposite trade...and sooner or later, when the hedge comes off, there is an ugly loss exposed...I don't like that concept !!! (However, to those who use them, I say, different strokes for different folks...that is, its a personal choice).

Currently, this is what seems to happen to some Traders...

1. you put a trade on and you put a stop loss of around 40- 50 pips
2. the market goes against you (horrors....I was wwwwwrong !!)
3. let the market continue...it will probably go say another 30 - 100 pips past your stop...who knows ???
4. FINALLY, the market comes back around and starts to head in the opposite direction
5. by now you are totally hacked off with the market and you let it go

The solution that that I found is a pretty simple one but one that has to be executed without fail...

Scenario 2

The Anti-Hedging Strategy:

1. you put a trade on and you put a stop loss of around 40- 50 pips
2. the market goes against you (horrors....I was wwwwwrong !!)
3. let the market continue...it will probably go say another 30 - 100 pips past your stop...who knows ???

4. PUT AN ORDER IN AT THE EXACT SAME FIGURE AS YOUR STOP LOSS (if you were originally "short" then place a "short" order) This ensures that when the market comes back, as it invariably does, you have a DEFINITE order in place to put you back in the market where you were originally...and you are now in the same direction as the market is moving..

5. FINALLY, the market comes back around and starts to head in the opposite direction
6. The market picks you back up on its new direction

7. THE **ADVANTAGES OF THIS (THEORETICAL) STRATEGY** IS THAT
a. IT HAS AN EFFECTIVE AND DISCIPLINED COURSE OF ACTION
b. IT GIVES YOU A SPECIFIC "ENTRY" POINT
c. IT REDUCES LARGE DRAWDOWNS
d. IT PUTS YOU BACK IN THE MARKET EXACTLY WHERE YOU GOT OUT

I know that there are DISADVANTAGES with this strategy, buy I think that the overall effect of the advantages outweigh the disadvantages.

I also think that this strategy is more appealing to my business sense of minimising risk than the original concept of "hedging" that initially set me off to discover an alternative strategy to hedging.

I have now been using this strategy for a couple of months and it is working brilliantly.

PLEASE NOTE: I am a medium to long term trend trader. The above method works best on those time frames. It works less well on short term time frames because of the volatile "noise" in the market.

When a stop loss has been triggered, I allow it to go past my SL by a minimum of 50 pips before I set the new order.

When the market has turned and is coming down in the "trend" direction, my order is then opened.

Once you have invoked the anti hedging strategy, do not take any other trades until the A-H trade has completed.

Try it...you will be surprised how good it is.

The key advantage is that you are not tempted to "hang on" to a losing trade....and therefore your drawdowns are minimised.

However this is a "default" trade. It is NOT the prime strategy to use.
DO NOT LOSE SIGHT THAT the prime strategy is to trade medium/ long term and trade with the trend, with a trailing stop.

The anti-hedging is VERY important to my trading.

As long as I have the major trend direction correct, I cannot lose money. If I make a mistake in the short term, because of a minor retracement, then I know that I will get ALL those losses back when the market resumes its primary, dominant direction. The ONLY way to get hurt is to be wwwwwwwrong on the primary trend.

As a result, I have become VERY confident in my trading.

Q: When you say to apply the AH Strategy to ALL trades, do you mean all trades regardless of whether stopped out for a loss or a profit; or do you mean only those stopped out for a loss?
A (by Jacko): *Only those stopped out for a loss*.

Example on Placing the Stops in the AH Strategy

From: http://www.forexfactory.com/showpost.php?p=1539481&postcount=586

I am assuming that I am still believing in the "long" trend, but that the market is retracing/correcting downwards:

In this example, the market has:
1. Set off the "long" trade at 1.3400
2. Market rises to 1.3417 (dragging Trailing Stop Loss up to 1.3367)
3. Market falls to 1.3367 (triggering TSL at 1.3367) Loss of 33pips incurred
4. Market continues to fall to 1.3317 (A-H strategy kicks in. Stop Buy order placed at 1.3367)
5. Market continues to fall to 1.3266
6. We now have two extra entry points (round number of 1.3300 and the 50% Fib at 1.3285)

The question is which are the higher priority entry points....1.3367 or 1.3300 or 1.3265

Okay....its really an issue of YOUR individual risk profile and how much you want risk safety (or confirmation that the old trend is still in force) for bigger potential profit .

In this example,
1. **the safest option** is to wait for the A-H trigger at 1.3367 because it is the point that has the strongest confirmation that the correction has completed and the major trend has re-asserted itself.
2. the second safest option is the round number of 1.3300 because it will have a strong (but not the strongest) confirmation that the correction has completed and the major trend has re-asserted itself.
3. the least safest option, in this example, is the 50% Fib at 1.3285

However, as can seen from the above, the potential profits of option 1 is 82 pips lower than option 3.

So again, I say, its really an issue of YOUR individual risk profile and how much you want risk safety (or confirmation that the old trend is still in force) for bigger potential profit.

Benefits of the A-H Strategy

I think that you have missed the point: the A-H strategy is:
1. A DISCIPLINED ACTION PLAN
2. to ENSURE THAT AS A TRADER, YOU GET BACK INTO THE MARKET (very important if you have been stopped out of your last trade)
3. PLUS IT ENSURES THAT YOU GET BACK IN AT THE POINT OF WHERE YOU WERE STOPPED OUT (therefore recouping all and any losses)
4. PLUS IT PUT YOU BACK IN THE MARKET IN THE DIRECTION OF THE MAJOR TREND.

For me, as a trader, it is ALWAYS in place. However, that does not preclude me from taking trades at other levels if I want to increase my risk profile (that is, if I am feeling greedy !!!!)

Other comments on A-H
http://www.forexfactory.com/showpost.php?p=1926831&postcount=2246

The idea about letting it go a full 50 pips is that when it comes back to the A-H level there is a higher chance it will continue through and become a profitable trade. This value (50 pips) should be used even if your trade uses a 100 pip stop loss or trailing stop loss.

I sort of think of it like it is an opposite to the stop loss. If you say only let it fall 10 - 20 pips then this is an amount that is commonly only noise so it is much more likely that your A-H will be pre-maturely picked up and then stopped out again for a further 50 (or 100) pips loss.

Therefore by allowing the market to fall an amount greater than 50 pips you are basically setting yourself up for a trade in the direction of the next short to medium term trend in the direction of the long term trend, whether it happens the same date or days or weeks later.

As far as the second part of the question if you are unlucky and the market only falls say 20 pips before heading back up then you put the A-H trade in the memory bank and wait for the inevitable time the market does come back through and when it is below the 50 pips below the original stop loss point set the A-H trade in place. May take weeks or months but that doesn't matter. In the event that the market doesn't retreat again for a long time and then when it does you decide the market's long term trend has changed to a short then so be it. You lose the 50 pips (probably less) and put it down to experience. After all, with proper money management the 50 pips shouldn't cripple you account. The other thing is if the market has gone up to such a degree as this scenario takes place months later you shold have made lots of pips going with the major trend anyway.

Jacko's Summary & stop loss change 1 May, 2008

http://www.forexfactory.com/showpost.php?p=1978964&postcount=3650

I will outline it here again, including the revisions to the strategy (which were caused by the significant increase in volatility in the Euro over the last six months).

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2. buy/sell on dips.(Use support lines to guide you as to price...also "round" numbers ... I also use the 50% Fib ratio..)
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How do you know what the trend is?

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2. If the graph on the chart starts in the top left hand corner and ends in the bottom right hand corner, the market is going DOWN.

Anti-Hedge Method

That strategy is:
1. you put a trade on and you put a **Trailing Stop Loss of 100 pips** (this has been raised from 50 pips due to increased volatility in EUR/USD pair)
2. the market goes against you (horrors....I was wwwwwrong !!)
3. let the market continue...it will probably go say another 30 - 100 pips past your stop...who knows ???
4. WHEN IT MOVES 50 PIPS BEYOND YOUR STOP LOSS, PUT AN ORDER IN AT THE EXACT SAME FIGURE AS YOUR STOP LOSS (if you were originally "long" then place a "long" order) This ensures that when the market comes back, as it invariably does, you have a DEFINITE order in place to put you back in the market where you were originally...and you are now in the same direction as the market is moving..
5. FINALLY, the market comes back around and starts to head in the opposite direction
6. The market picks you back up on its new direction
7. The A-H trade also has a 100 pip Trailing Stop Loss. It is also a one-time trade. There is no A-H on an A-H trade

Time frames (for Jacko) as a Trend Trader

I start with weekly, then move closer in using daily, 4 hour and 1 hour to help me make a decision. Less than 4 hours tends to be "noise" rather than a "trend". They are the "sucker" rallies and declines.
PS Don't be the sucker...

But I am also starting to notice that it doesn't really matter anymore where I buy or sell.
The anti-hedging strategy is FAR, FAR, FAR more important.

The anti-hedging strategy ensures that,... if you make a trade in the wrong direction,.... you can get your losses back ...AND you are in the direction of the trend.
Stick a trailing stop loss on it and you are guaranteed a profit.

So...
1. If your trade is a winner, you stick a trailing stop loss on it and let it run.

2. If your trade is a loser, employ the anti-hedging strategy, and at some time, you can get your losses back ...AND you are in the direction of the trend. Stick a trailing stop loss on it and let it run.

TIP: Pips won are starting to get smaller...normally means a retracement is nearby.

Trading with Trendlines

From another source quoted or recommended by Jacko:

Trading these lines (trendlines) can be very profitable, and you can do away with indicators if you follow a few simple rules...

1. The steeper the line the shorter it lasts, keep your stops tight if it moves away quickly. Keep your stops just above (resistance) or below (support) the line.

2. The price will always move back towards the support or resistance to test it, if there’s been a sizeable move, wait for the consolidation to bring it back to the line, then trade.

2. You need at least three touches (or points in a line) to confirm that it is a support or resistance level. Two is not enough. If the price action moves away fast from the line connected by these points it’s probably the dying gasp, but don’t trade until you hit that line again.

3. A good way to choose an entry is to look for an established line and follow it up with sell orders a few pips below (support) or buy orders above the line (resistance) in the opposite direction.

4. If a “trend” is older and you're not sure if it's going to break or not, wait till you're on the line and then straddle it, that way you can get into an older move. I wouldn’t recommend this though; rather wait for a change in direction. Once you’re into the rhythm you’ll almost always have an open position.

5. If you’re not sure phase in your trades, add to your position every ten or twenty pips.

6. Breaks off support and resistance are generally confirmed by big bars or a big bar, so if you see one on a line you know the “trend” has probably changed.

7. Price does not like support or resistance levels. It mostly tests them and then moves away quickly. You’ll rarely find much price action in the vicinity of the line. If price is hanging around a support or resistance level, it’s likely to break in the opposite direction.

8. If the market is moving up you only trade the support line, if down you only trade the resistance line...

Gut Feeling

Gut-feeling is important if you want to be a superior trader. A trader need to develop that gut-feel slowly over time. Gut-feel can make almost any system incredibly profitable. One way to develop gut-feel is by learning one pair at a time.

Gut feeling is to me simply my subconscious mind (which is an accumulation of all my past trading experience) talking to me.

I do a couple of things when this arises:
1. I listen to my subconsciousness/gut feeling but
2. try to find hard factual evidence to support those feelings
3. IF I find those rational arguments and factual evidence... AND agree that they will result in a MAJOR CHANGE in thedirectional trend.... at the EXACT time that I am looking at.....then I do something.
4. But most times I find that it results in doing nothing (because Forex is one of the trend-iest directional markets around, with 2-5 year trends).

On Ranging Markets

http://www.forexfactory.com/showpost.php?p=1534523&postcount=553

Yes you are correct. (Plus, don't kick yourself too hard...1. no-one knows at the start when a trend will range and 2. no-one knows how long it will range and 3. no-one knows when it will end).

The issue that then arises is, "How do I catch the trend again when it breaks out of the range?"

The answer is that you place a buy stop order at, say, 1.3750 and let it get picked up on the way out of break out.

You have still missed out on 50 pips (1.3750 - 1.3703 assuming that it is breaking out above the current range limit of 1.3703.) However, you are hoping for multiple ranging trades where you are collecting the 50 pips saved by selling at the top of the range. Also, you can bring your order closer to the ranging upper limit but you run the risk of "false break-outs". But that is a decision that you can make based on your risk profile. (Or sense of greed...LOL)

However, remember, very important....you make much, much more money from being in the trend so make sure that you have your orders set in place to buy above the range. Otherwise the market will break quickly and you will miss it. (Then you have all the psychology issues of 1. Kicking yourself for missing the break out and more importantly, 2. Not wanting to get back in because "you could have got in cheaper")

From post 72: http://www.forexfactory.com/showpost.php?p=1429868&postcount=72

Originally Posted by SeekingLight

Hiya Jacko
I'd be interested at which lows / spots you'd draw the current "main trend" trendline for EURUSD. I.e. connecting which weeks on weekly or monthly, so one gets a rough idea of what you personally look at (and comparing with one's own trendlines, obviously).
I'm sure Iso would also be very interested, he'sa dem lov' a' dem trendlines, mon!
Oh, and do you go by lows or by close to draw them?

Take care,

SeekingLight
Hi SeekingLight,

I draw trend lines for weekly, daily and 4hr. I use the lows.

For those of you who like trend lines as a major indicator, I have just found this on another site....regarding support and resistance lines...thought that it was interesting...(I am still to refining my skills on these lines...)

Quote:
Trading these lines can be very profitable, and you can do away with indicators if you follow a few simple rules...

1. The steeper the line the shorter it lasts, keep your stops tight if it moves away quickly. Keep your stops just above (resistance) or below (support) the line.

2. The price will always move back towards the support or resistance to test it, if there's been a sizeable move, wait for the consolidation to bring it back to the line, then trade.

2. You need at least three touches (or points in a line) to confirm that it is a support or resistance level. Two is not enough. If the price action moves away fast from the line connected by these points it's probably the dying gasp, but don't trade until you hit that line again.

3. A good way to choose an entry is to look for an established line and follow it up with sell orders a few pips below (support) or buy orders above the line (resistance) in the opposite direction.

4. If a "trend" is older and you're not sure if it's going to break or not, wait till you're on the line and then straddle it, that way you can get into an older move. I wouldn't recommend this though; rather wait for a change in direction. Once you're into the rhythm you'll almost always have an open position.

5. If you're not sure phase in your trades, add to your position every ten or twenty pips.

6. Breaks off support and resistance are generally confirmed by big bars or a big bar, so if you see one on a line you know the "trend" has probably changed.

7. Price does not like support or resistance levels. It mostly tests them and then moves away quickly. You'll rarely find much price action in the vicinity of the line. If price is hanging around a support or resistance level, it's likely to break in the opposite direction.

8. If the market is moving up you only trade the support line, if down you only trade the resistance line...

The above is valuable for determining entry points.

From: http://www.forexfactory.com/showpost.php?p=1887428&postcount=1742

I am in Jacko's group of followers. Here are my observations.

1. The method is simple. It relies on a strong trend that is backed up with fundamental reasons for that trend to continue. This is where my confidence is coming from. I live outside of the USA but have dealt exclusively with USA companies for the last 5 years. I can see many 'fundamental' reasons that the USD is weak and I see little/nothing that will change that. So I 'feel' confident of where the prices are going. (No need for endless chart patterns and analysis....the price is going up!)

2. You then buy on discount. If you want to, you can use price action, fib levels, round numbers (whatever you want really)...just buy at a discount. Over the last few months Jacko has been going for big discounts. But the trend has been so strongly up that he has missed a lot of good moves, while he has waited for a better price. That has been good for me to see. Jacko does not panic, he does not chase every pip. He waits for a bargain in a bull market.

But for those of us that are not as patient as Jacko, we have been trading more often than Jacko and making more pips.

3. Jacko's method has losses too (like every method). It seems to me that the deeper you buy on discount, the less likely you are to get stopped out. But this is why point number 1 (a strong trend that is based on fundamentals) is important. If you have a loss......wait......place your AH order.....and wait.....then you get all the money back. (I love that!)

I have made about 40 trades using Jacko's style over the last 3 months. I have been profitable on 30+.

If there are **mistakes I've made** in following Jacko's method they are:

Mistake 1. I have not waited for a big enough pull back (in otherwords I bought when the price had already moved well off its low, and my 50 pip stop loss was getting stopped out.) I have fixed this by being more aggressive with my entries (ie picking a round number and just getting in, and not waiting for a confirmation that the bounce has happened). Yesterday was a classic example of this with Jacko getting in at 1.5150! Talk about a good entry. I was waiting to see if it would go below 1.5150 and it never did. So I got in at 1.5159 which was about 40 pips better than my earlier trades would have been.

Mistake 2. Stop loss too close. Heh, its a long term trend following approach. It doesnt need a 20 pip stop. Give the trend room to move! (I am only just realising that now. I have always been a short term trader and my close stops are unnecessary and counterproductive to Jacko's method.)

My **BIGGEST MISTAKE 3**. I was demo trading Jacko's method in an account with a few thousand dollars in it. I was taking small positions for a few weeks (I started with $2000 contracts and stepped it up to 2x$10,000 contracts) and the account was growing. Then I decided to step up the trading to 1% of my risk capital (which is multiple $100,000 lots), and that's when we had 2 losses in a row of the full 50 pips. At that stage I was still skeptical of Jacko's method and I was wondering if the euros sideways move might actually be the start of a reversal. So I went back to trading MICRO (not even mini) lots. So while I am up about 600 pips overall.....I am DOWN in raw

$.

Lesson - trade with the exact same position size whether you win or lose, until you have built the account to profit, then increase the position size. My error was not reducing the position size by 90% after a loss and therefore I did not make the loss back up.

After 3.5 months of following Jacko's style, I am finally trusting the method and stepping up to full lots now.

I am a full time trader now. Jacko's method makes me money but it is not entertaining. (I also have a smaller account for day trading so I can amuse myself with trying to pick bottoms and tops). :-)

This method is not about finding supertrends, it's about finding a pair that is trending strongly and trading with a simple method using the cleanest charts possible and finding the best entry possible with a sound backup plan. if you try to study all these various addon's you will lose yourself, J16 PA is a good thread as it teaches you about candle patterns etc and that is a very good add on to this - it's part of the basics for trading - reading the market

Now when the US eventually finds it's feet again, we will all be sellers as the bear run will be huge, prior to being a bull Jacko was a bear.

Now when you understand this method and have spent the time to learn it on a good trending pair (EU currently) you could if you feel the need try other pairs, but why not simply increase your trade size and get really good at uderstanding one pair - it's way easier and much less stressfull.
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Good question about the trend & no I don't see it going on @ this pace from now on & when it does change we'll put everything in reverse by shorting the E/$, or @ least that's my game plan. There are many different ways you could add to JACKO'S METHOD, such as throwing on those lag indicators along with some EMA's & SMA's, but that will not help to define the trend.
The trend is self defining as in higher highs & lower lows etc. I have traded as JACKO'S RULES state for several days now & I just don't see a need for anything more. Learning about candlestick patterns would be the only other add-on that comes to mind as being worthy of use.

There is no need for supertrends, just a nice steady trend will do. Other pairs can also be traded & the $/Y would be a good example from taking alook @ a chart.

Fib lines, see: http://www.forexfactory.com/showpost.php?p=1901960&postcount=1845

The pullbacks are important as a reentry point & what I do is wait for one of the Logical Levels (00), (50) or the 50% FIB. At the moment I am seeing the 5550 level is close by, so I'll wait for it to hold, then if PRICE bounces up say 10-15 pips then enter. If the trend has been strong & there's no news to turn it around it will bounce & continue up. There are times that PRICE will make a small bounce then drive on thru the LOGICAL LEVEL & then will continue up. You can never be 100% certain what will happen & that is why if I enter a trade & it gives me 15-20 pips gains early on I lock it in & trail it all the way to the BANK.

Since I started using the JACKO METHOD the Anti-Hedge has gotten me back in once, so it works. Once is all that I have needed it so far. I don't like using this term, but sometimes GUT

FEELINGS will come into play for me & I go with it, if the METHOD SUPPORTS those feelings.

You will eventually overcome this as time goes on, so keep to the rules as JACKO has given us a great method that is sound in design & works because it is TREND driven.

I am no great trader by any means, but I have survived for 20 yrs now & during that time I have seen many METHODS, SYSTEMS & MODELS with most 95% consisting of indicators that for the most part just gave the chart a little color & provided no real value. Now along comes JACKO & he has a method that will work once it is read & understood. First, we as traders need to clean our charts, apply JACKO'S METHOD & give it a try. The search for the HOLY GRAIL OF TRADING IS A NEVER ENDING SEARCH THAT WILL NEVER PRODUCE THE GRAIL, BUT WHAT JACKO HAS LAID OUT IS AS CLOSE AS I'VE SEEN. I have had one of the most productive weeks (GAINS) with LITTLE to NO STRESS TRADING THIS METHOD.

Application to Other Markets (by Jacko):

http://www.forexfactory.com/showpost.php?p=1917434&postcount=1982

My "method" can be applied to any currency pair or gold or any market that trends. Only the parameters of the Trailing Stop Loss and the contract size are the variables.

Some people seem to think that gold is "going up" or "going down". The same with oil prices. The same with the Euro, the same with the GBP, the same with JPY. However, they all have a single common denominator...the are all priced in US dollars. (If you charted the Euro, the GBP, the JPY and gold...all in US dollars...you will find a remarkable similarity in the charts)

The reason that gold, oil the Euro, the GBP and yen were all rising (and are now correcting) is that the US dollar was falling (and is now correcting).

The question that therefore arises is "which market would I prefer to play in?" For me, I want to be in the market with the strongest trend but with the least volatilty. That to me, is the Euro/USD pair.

So, the short answer to the above question ... you are wondering whether to buy gold at $930...is whether the US dollar is about to weaken again. (If US dollar falls, gold goes up).
I don't believe that the long term trend of the decline in the US dollar (which started nearly 7 years ago in July 2001) is finished just yet.

Planning & Trade Psych

(summarized in : http://www.forexfactory.com/showpost.php?p=1971129&postcount=3457

I find what helps emotionally is to have a plan before you place your trade and then trade to that plan. That way you do not have to start making all those decisions about exits, take profit etc during a trade. Personally, I don't always look at the resistance levels to take profit because price will always meet with pockets of resistance along it's way. I have a predetermined number of pips that I want to protect once I am x number of pips in front and leaving the rest to run. It's just my way of managing my trades and it helps me emotionally and keeps me disciplined (ie following a plan).

Another factor, which has been mentioned before, is that if a trade is causing one much anxiety,

then probably it may be due to taking on too much risk. So the logical step would be to cut down on the size of the trade until you feel comfortable with it and feel less inclined to "interfere" with the trade, letting your pre-determined trade plan play out itself. I used to trade too big a position for my account and that affected me greatly in that I was watching every tic with constant thoughts of "Shall I take profit now ? Shall I cut my losses now ? etc. ". I wasn't able to trade any pre-determined plans I had for my trades because of the anxiety and strong compulsion to close the trades prematurely. Well, that's all history now since I started trading at a more sensible size and can withstand several losing trades without seriously damaging my account.

Mature trader

Originally Posted by Bakuli
Hi Take Profit,

I find what helps emotionally is to have a plan before you place your trade and then trade to that plan. That way you do not have to start making all those decisions about exits, take profit etc during a trade. Personally, I don't always look at the resistance levels to take profit because price will always meet with pockets of resistance along it's way. I have a predetermined number of pips that I want to protect once I am x number of pips in front and leaving the rest to run. It's just my way of managing my trades and it helps me emotionally and keeps me disciplined (ie following a plan).

Another factor, which has been mentioned before, is that if a trade is causing one much **anxiety**, then probably it may be due to taking on too much risk. So the logical step would be to cut down on the size of the trade until you feel comfortable with it and feel less inclined to "interfere" with the trade, letting your pre-determined trade plan play out itself. I used to trade too big a position for my account and that affected me greatly in that I was watching every tic with constant thoughts of "Shall I take profit now ? Shall I cut my losses now ? etc. ". I wasn't able to trade any pre-determined plans I had for my trades because of the anxiety and strong compulsion to close the trades prematurely. Well, that's all history now since I started trading at a more sensible size and can withstand several losing trades without seriously damaging my account.

Happy trading
Bakuli

Jacko on FOREX as a business.

From:http://www.forexfactory.com/showpost.php?p=2068406&postcount=4157

Forex trading is a business...it is not a game.

Within the inherent dangers of the greed of most traders and the massive leverage available, Forex trading is the most financially devastating and dangerous game in town.

However, used properly, it is easily the BEST business opportunity available on the planet.
If the average "newbie" trader can curtail their greed and inclination to "punt on every tick," the financial benefits from the leverage and the power of compounding is unprecedented in my business experience. (see here http://www.forexfactory.com/showpost...23&postcount=2)

In regard to a "business plan", every business plan will be different for each person. For example, I am old and am not interested in being tied to a computer like some of the young guns in the GBP/USD and GBP/Yen thread. (Apart from being unsustainable in the long term as a method of trading, I want to have a life balance where Forex is a major part of my life...but not the ONLY thing in my life. However, I have great respect for the commitment for those guys...but it is a case of different strokes for different folks).

In regard to "principles (which) provide the framework for defining a plan", as a medium term trend trader the key imperative for me is to take a definite position on where the long term trend is heading.
That is the first principle from which ALL other trading decisions flow.
And surprisingly, it makes my trading soo much easier, because there is no need to continually stress over which direction to trade.

From a Fundamental aspect (the boring stuff):

To short the Euro is a hard-to -understand decision:

1. Trade Deficit is US Trillion + and growing. (July 07 was second highest monthly trade imbalance with China...it is just getting closer and closer to reckoning day...). It just keeps getting worse !!!

2. While the sub-prime mess has its tentacles into Europe, it is still, mostly, a US problem. This augurs badly for US $$$$ in the near term.

3. GWBush is still spending like a drunken sailor on Iraq to attempt to improve his profile for History. (What a disaster of a President he has turned out to be.... easily the worst President in history !!) And he has 18 months of his Presidency left !!

Summaries of the Method

By various participants on the Forex Factory thread.

Jacko Summary

http://www.forexfactory.com/showpost.php?p=1521386&postcount=462

I am constantly confused by everyone focusing on specific "signals" to enter. Round numbers, Trend lines, and 50% Fib are simply "probability-positive" points of resistance or support

It doesn't really matter anymore where I buy (or sell). The anti-hedging strategy is FAR, FAR, FAR more important.

Having said that, the anti hedging strategy is something that I put together as an alternative to "hedging", (which was and is something I never saw as having any benefit).

However, I don't want everyone to get all carried away and thinking that it is anything exceptional. It is basically just two components combined into an action plan. They are:
1. A DEFINITE stop loss position (that is, 50 pips trailing from the highest point after a trade is entered)
2. A DEFINITE action plan to recoup any losses (by buying back in at point of Trailing stop

loss...for <u>losing trades ONLY</u>...and after the market has dropped and is now coming back in the correct direction).
A-H only applies to losing trades

As I have said repeatedly, I am not doing anything different from what all the good books say.

Touching and triggering a stop loss is a "**shake-out**", you accept that on very rare occasions, this may happen.

What you do, is sit back and take a look at the situation and decide if you want to enter a brand new trade...<u>then have a break for one day</u>... If you still want to enter the trade 24 hours later, then you should enter the trade. (the 24 hour break stops you taking "revenge" trades).
When you have decided, with a clear and unbiased mind that you want to get back in,then you can get back in.

Jacko: From Aug 12, 2007
URL: http://www.forexfactory.com/showpost.php?p=1534041&postcount=551

I don't tend to post too much because I don't tend to change course very often. (I trend trade and tend to only trade in the one direction...long Euro...and <u>would rather be "out of the market" than trading "short term against the trend").</u>

By trading that way,
1. I can ride the long trends, like the 500 pips from 1.3300 to 1.3800 (Hugely profitable trade for me)

2. When it is range bound, like at the present time, I try to only buy at the bottom of where I believe it wants to go...then sell at the upper limits of the range (Currently, I still think that 1.3650 is the strong resistance point and will buy again if it goes back there on Monday ...which I think it will do. And 1.3700 is a nice sell point). Hopefully I can do this a couple more times before the market breaks...and breaks, hopefully, in an upward direction.

3. One thing that I WON'T do....is to short the Euro in this market.... much too risky for me... maybe if it punches solidly below 1.3600 I may consider having a re-think.

A summary

Trade with the trend - I think the phrase 'couldn't see the wood for the trees' applies here.

I like the anti-hedging thing too.

I suppose I'd explain it thus I may of course be completely wrong.

If you are following the trend and your overall strategy is successful, that would indicate that in terms of expectancy any trade you place is a 'good' one even if it fails.

If the trade goes against you for some time and you re-input your losing trade from the position of the stoploss then it holds numerous advantages.

Firstly it is in the direction of the long term trend

Secondly, the market will most definitely be moving in the right direction once the trade is opened.

"buy on dips and hold".

Thirdly, if the system you used to first input the trade is satisfactory overall, there is no reason why that position should hold any greater threat of failure a second time.

As I understand it Jacko's system looks to enter the market on pullbacks to trendlines at a confluence of round numbers and/or the 50% fib as these are relatively probable swing points back in favour of the overall trend. I'm not sure, but I understand that such points have far more relevance in a retracing market than a trending one.

If that is true it follows that any position placed at these levels in a trending market has a statistically greater chance of breaking through than it has of reversing, since it is no longer a high probability technical level.

If a second trade goes against you, then presumably it will have formed a short/medium term top at or around your entry point and as such a third go at it might be inadvisable (am unsure as to what Jacko would do, but this seems logical).

Another Summary

1. Trade only very trending markets i.e. EURUSD
2. Trade only with the long term trend. About 300 days, or use weekly/monthly chart.
3. Use no Indicators - they just confuse.
3. Use only the following for initial entry:
Round numbers (i.e. 1.xx00)
50% retracement level of last Major swing - (note that 50 is not a Fib number but a lot of people use it as such).
4. Use a trailing stop loss of 50pips (for EURUSD).
5. Use the Anti-hedging strategy to get back in with the trend afdter being stopped out. (that is unless you get a more major retracement, in which case you can also use the rules as for an initial entry.) Anti-hegding gets you back in at the price you were stopped out, after the price has gone at least 50 pips beyond the price at which it stopped you out, then resumed the trend and come back to where it stopped you out. Simple, but effective.

There are some slight nuances - here is my take on those:

1. Jacko appears to take note of trend lines, but apart from the major trend line, they appear to have little importance.

2. Don't enter on an initial touch of the level you are using (for initial entry) - wait for a retrace back from at least 30 pips beyond (maybe 50 pips even).

- Say you plan to enter the market at the 50% retracement level, which for this example we will say is at 1.3700. The market is bullish. What Josh is saying is dont enter the market exactly when price hits 1.3700, wait for it to hit/come close to that level then bounce up 30-50pips before entering so even though the 50% retracement level is at 1.3700 you will enter at 1.3730-50 after it bounces off/comes close to 1.3700

- Its sort of like making sure the 50% line was effective, its worth missing out on those 30-

> 50pips instead of entering exactly at 1.3700 just to watch price not respond to the 50% retrace line.. because this is a trend following strategy volatility is important, its what separates swing trading to trend trading and in my opinion which most would agree with on this thread.. swing trading is for gamblers not investors.. trying to predict a top/bottom is like trying to bang a supermodel, its great if it works out but chances are, its not gonna happen

3. The 50% (so called Fib retracement) takes precedence over the Round numbers.

4. Best way to see long term trend change is on weekly chart.

The really hard part, is all the waiting you have to do for the price to come to you. But as Seeking Light said:

It's not about trading EVERY day, it's about trading that ONE RIGHT DAY......You make money by waiting, not by trading. Sounds so silly nobody wants to believe it, but it's true. - SeekingLight

Summary

http://www.forexfactory.com/showpost.php?p=1945924&postcount=2638 (Gaigul)

1. always go with the trend, so with euro don't try to sell while on Daily you see mainly an upward movement.

2. dont get greedy. wait until the price drops to half of the previous move up. that is usually a good place to buy. Remember that we always have to buy at a "bargain" price I usually put buy orders at 50% fib levels, after an up move seems to lose steam and retrace a little. Sometimes I put buy orders at 50% fib on a 4H chart, because on Daily they would be too far away from the current price. For example, the 50% on daily is at 5200, so if you waited for that to get filled, you would have lost many other opportunities.

3. Have a hard stop in place, which should be either 50 or 100, depending on the market conditions. For example, a stop of 50 pips in a serious uptrend move should be safe, because the price will not whipsaw much before resuming the up move. However, in the last few days euro ranged most of the time, so a stop of 100 would have kept you out of whipsaw more often than only 50 pips.

4. also use a trailing stop to make sure you bank profits because, as you saw today, euro ran until 1.5900 and now its at 1.5750. Without a TP to important levels, such as 1.5900, in my case, or at least a trailing stop, you would have seen your profits evaporate like gasolin and you dont want that to happen.

5. Dont forget about AH. Every time you lose, put the buy order at the price where your transaction was closed. Dont get upset for losing, if you trade with the trend, the price will always return and put you back in the market.

Another Summary

http://www.forexfactory.com/showpost.php?p=1971129&postcount=3457

I start with weekly, then move closer in using daily, and 4 hour to help me make a decision

I use the barest of Technical tools...minimal numbers of Support and Resistance lines, the 50% Fib retracement rule and the natuaral "clustering of trades around the "round numbers" (eg 2100...2200..etc).

Again, not wanting to sound like an old man, but this trading is not as hard as young aggressive traders make it into...just calm down on the fast in /outs and go with the flow (or trend). If you are waiting for this market to turn from 18 MONTH bull to bear in the immediate future, you will be financially stripped.

This must probably be the best advice I have ever used...know your market, know what makes it change, know the ranges, know the expected pip moves on a daily, weekly, monthly basis

TRADE THE LONG TERM FORGET ABOUT INTRADAY YOU WILL LOSE YOUR MONEY BEFORE YOU HAVE LEARNED WHAT TRADING IS ABOUT

There is no need for me to rush to enter a trade. I don't believe that we are going to see a spike straight back up

I try to think in a logical and methodical way.

I only use the Charts in the normal day to day trading environment.

I am not in a rush....if we see a good opportunity we will take it, but we are patient and think that there may be a better opportunity in 48-72 hours. (Maybe less, maybe more.... the price action will tell us)

I don't mean to try to "predict" any particular target. I try to let the market tell me when it is changing (or more correctly, when it has changed).

When this happens you need to go for a long walk for at least one hour, then come back and have a look at the "big picture" (at a minimum, use a daily or weekly chart) to put yesterdays drop into perspective.

A good trader has the experience / gut feel / etc NOT to get overly excited and trade dangerously.

However, you will only learn this by making lots of mistakes and getting old

I am a medium term trend trader, so I do not trade frequently....but I do trade in large volumes so each of those pips are worth a lot of money to me. (However, whether you have 200 lots or 1 lot...it is still the same.You don't run around firing a gun blindly and repeatedly hoping to hit a target. You sit back like a sniper with a telescopic lens and a big caliber bullet and you hit the target. (The A-H is like a ricochet that bounces the bullet back at the target if you miss it the first time).

I draw trend lines for weekly, daily and 4hr. I use the lows

Firstly, you should never go into a trade without knowing exactly what you should do in a trade.

Secondly, unless you are absolutely sure what a trading strategy is, you shouldn't use that strategy.

And thirdly, you should never buy again, immediately after a loss. It is a "revenge" buy, and they are rarely successful.

BarryPips' Thoughts on A-H and Additional Trades

The Anti-Hedging (A-H) Strategy

I think that the A-H Strategy is excellent, and could provide even more benefit to traders. It is a signal that things are not as they should be.

There was some question on this thread about taking new trades while you have an A-H set up (even if not triggered).

I believe that once you get into a position that you are able to set up an A-H trade (simply, that you have been stopped out of a trade for a loss), that you should NOT take any new trades until your A-H has been hit and is returning a profit. (If you have more than one trade on before getting stopped out, then yes, you should use the A-H with each of them.)

However, to repeat, once you have been stopped out for a loss (and thus are looking to set an A-H trade), then you should not put on any other new trades.

The A-H (stopped for a loss) is a Signal

It is telling the trader that the market is currently going against the trader's expectations. Don't put on new trades until the market corrects itself (indicating that the market is back on track).

For example look at a EUR/USD 4 hour chart from April 30, 2008. Suppose that you put on a (buy, as the overall trend is UP) trade at the recovery from the candle at 0400 (4 AM GMT). Later you would have gotten stopped out at a loss.

This is where you put the A-H trade if the price moves down about 50 pips.

But your A-H trade would not be hit, as the market did not go back over your A-H level.

So the "market is not acting as I expected" signal is set.

But you don't heed this signal, and you take trades on the recovery from retracements all the way down (sounds like you are commodity scale trading). Any winners there? To be truthful, I was hopeful that trades could be taken, as it looked that the recovery from the downward retracements (for example at the May 04 midnight bar) would produce gains. But these gains would mostly be minor or would turn into losses.

Looking back you could say things (when the A-H signal appears) like "I would use smaller stops, and take quicker profits" when I have this signal. That is fine, provided you have set a plan to do such a thing.

Thus I think that you should have waited while the original A-H signal is in effect. Wait until the A-H trade (or trades) have turn to profit. Patience, I am learning it.

Jacko mentions a counter-trend method. My GUESS is that he or his associates puts this into effect once an A-H signal occurs. But I don't know.