

LO H1 Candles on EA GA TDI + Price Action (Extracts from Phx62 400 pages of studies)

Positive	Pay Attention On
Price Action + TDI (Check Green, Red, MBL and 50 Line)	S/R Levels, Daily/Weekly/etc. High/Lows
LH LL , HH HL ABCD Patterns	ADR
Price testing London Open high/low, failing to break through, double or triple top/bottom = change of direction.	<u>WICKS on JAPANESE CANDLE BODIES – Entry Candle has no big wick on trade direction – explained below in bold.</u>
<p>My testing shows most of the time the high or low of the London session is set in the <u>first two hours</u> and then quite often, <u>price will move in one direction for several hours.</u></p> <p>Knowing this, I usually only enter on the LO candle <u>when a trend looks like it will continue...otherwise, I wait for the high or low to be set.</u> In this case, the low of the session was set by the third candle of the session.</p> <ol style="list-style-type: none"> 1. My primary trade times are the first 3 hours of the London session. 2. Many times the first candle of London can be a fake-out candle. 3. I seldom enter trades during the NY session unless there is an ideal setup following news. 	<p><u>I know from hundreds of hours of back testing, forward testing, demo trading and live trading that my chances of a successful trade are more than 85% when I get a cross of the TDI green over red and yellow during the London session and when I see a PCRf just before the reversal. I will take that trade every time. Hope this helps answer your question and have a good trading week.</u></p> <p>Usually, London will consolidate when there has been a big move during the Asian.</p>
<p>Double Tops/Double Bottoms, at LO first or first 2 candles: Here entry above or below of HIGH/LOW of the DT/DB last Candle. (Watch TDI Cross, s/r, etc.)</p>	<p>I watch the MBL and the TDI. If the MBL is below the red and the green crosses over the red on a long trade, and all are above the 50 line, there is a much higher chance that price will reach the targets. If the MBL is above the red or green on a long trade, you have a much smaller chance of reaching TP.</p>
Pullback Reversal Candles	
Master Candle Breakouts	
TDI Moving out of OB (68-75) or OS (32-25) Areas	
<p>If you are following the TMS rules, you are on the right track - <u>TMS plus price action is the only way to go.</u></p>	
<p><u>I try to trade the first 3 hours of London...if there is no setup, I will go back to work and get up at the top of every hour until I find a setup.</u></p>	

When I open my charts, one of the first things I look at is Yesterday's Range (how many pips did price move yesterday on each pair), the 5 day ADR and the overall 30 day ADR.....then I open the news calendar and determine what scheduled news events may affect any of the four pairs that I trade. I then analyze that information to determine which pair to trade for that day.

LO Fakeouts

Watch LO Candle, and only enter on Strong Price Action, up or down, on breakout candles. Don't enter on ranging sideways candles.

Look carefully at the two candles previous to your entry candle..... if they both have very long wicks at both ends.....that indicates indecision in the market. If you count the candles with long wicks at both ends from your LO Candle to the left edge of your chart....and you will find that 5-6-7 of them have long wicks at both ends that is indecision. Yes, the TDI is crossing but there is no trend direction and no volume to move the market.

In the 100 business days from May 23 up to last Friday 11 October (i.e. not including UK Bank Holidays May 27 and Aug 26), the high or low of the London session (0800 to 1700 British Summer Time (GMT+1)) was set in the first 3 H1 bars of the session the following number of times: GJ 81, EJ 76, EA 74, EU 65, AU 71, GU 77. If you took out the NFP days and the MBR days, I'm guessing that the percentages would increase.

The really interesting first 3 bars of the session are on days where there is strong PA and where the green is in a good position relative to the MBL (and possibly the 50.) I recommend a look at the position of the green relative to the MBL (and possibly the 50) on Phx62's trades.

I did some tests two years ago and others more than three years ago with similar results. My testing showed just a little higher on some pairs and a little lower on others. There are enough times that the high or low is set in the first three hours of London to make it worth finding a way to trade that scenario. I also discovered that price will usually move 3 to 10 candles without changing color or retracing (occasionally small retracements will occur and then the trend will continue), making for some nice long trades.

Entries/Exits

The candle formations just give me a "heads up" that a reversal is about to occur. The PCRf has proven to be quite reliable.

However, EVERY trade I took this week was FOLLOWING a cross of the TDI green over red AT THE OPEN OF THE ENTRY CANDLE, so there WAS a confirmed TDI cross BEFORE I entered each trade.

If you look at any of my previous charts you will see that sometimes I enter trades on the candle before the cross actually occurs but that is more risky. I have been trading for a long time and sometime can see that a reversal is about to happen, so I will get in a little early. That does not always work out.

In answer to your other question, the timing of entries is critical (also timing of exits). There are many times that I enter a trade before the TDI confirms but I base those entries on price action and things like pullback candle formations, double or triple tops, divergence, fibs, market harmonics, M15 TDI crossovers, H4 trends, etc...it just takes time, work and patience to learn when is the time to take an aggressive entry and when to be more conservative.

Regarding my chart where you circled several entries, you will notice that none of the trades had a closed blue candle or consolidation area. That would be your first clue. When I enter a trade, I watch it closely until it reaches 20 to 25 pips profit. I then adjust my SL to BE. After that point, I may get stopped

out at BE or I will take profit at 50 or 100 or 150 or occasionally at 200 pips based on how the market is moving and the trade is progressing. Are the candles long with no backend wicks? Are the candles staying the same color? Was the trade taken in the direction of the overall trend on the higher time frames? When can I expect a correcting retracement before price continues, based on recent price movements for this pair? Are there any high impact news releases that may affect the trade? Are there any "sore thumb" higher time frame resistance areas in the path of the continuing trade? Is price approaching the 200 EMA? You, as a trader, have to determine the importance of each of these, and other factors, to determine how long you will stay in a trade. You have put in the time and study to gain confidence in your trading plan and learn what to expect for each pair you trade. You can expect to spend hundreds, or even thousands of hours of study, back testing and forward testing until the answers to these questions become second nature to you. Then you can become a successful trader

Exits are tricky when there are large pullbacks but my rule of thumb is if the trade is still in the first 3 candles, I need to see a change of color candle to exit. Otherwise, I stay in the trade for the first 3 candles until it moves to TP or back to BE. As the trade progresses, I then look to exit on pullbacks.

The more pips I have gained, the sooner I will exit. During the London session, most of the time trades will move at least 3 candles in one direction.

Over the years, I have learned that entry as early as possible is critical to gaining pips and reaching TP.

On all my trades, I monitor them until they reach at least 21 pips in profit and then, depending on my work schedule, I will let the EA hold the stop at BE and either take BE or 50 pips.

On Euro pairs, once price moves in one direction more than 60 pips, it will seldom reverse without going through a consolidation.

When there is a cross of the TDI green RSI Price line over the red Trade Signal line AND the gold Market Base line AND price is moving out of an overbought or oversold area FOLLOWING a pullback candle reversal formation, the market often makes a big move unless there is a lot of resistance in the way.

Q: You say "if there is no volatility in the market" but how do you judge if there will be volatility?

There are several ways to judge volatility in the market:

- a. Look at the size of the last two or three candles....the smaller they are, the less momentum or volatility in the market and if there are wicks on both ends of most of the recent candles, price is consolidating.
- b. Look at your TDI.....if the green, red and yellow (if there is a longer consolidation) are all hanging out along the 50 line, there is no volatility in the market.

Both of those can quickly tell you at a glance if price is moving or consolidating.

Q: How do you react while in trade when the price reaches "Yesterday high/low"? What about if there is a good signal and you are close to these areas?

I keep an eye on all support and resistance areas.....monthly, weekly, daily, H4 highs and lows, the 200 EMA, previous consolidation areas, etc. When price approaches those areas, one thing I watch for is momentum in the market and time of day. Market momentum can break many resistance areas or price can be reversed or range when hitting those areas but market volume or momentum will provide some insight on what to expect. Long candles

with no wicks in the direction of a trade, indicate momentum in the market and sometimes will break through resistance quite easily. Obviously, a monthly resistance that has been tested and failed 3 times is going to be much more powerful in stopping price than a single daily high or low. But even a monthly resistance area can be broken but usually some consolidation occurs first. All of that must be considered when deciding to enter or exit as price comes into those areas. Patience is often the key. Many times price will bounce from a resistance area and then retest and break through. If price closes beyond the resistance area, then look for a continuation of the move.

Various setups during LO

It was a price action trade.....there was a double top on the two candles just before LO.....then the first two candles of London set the high of the session and created a second double top..... the fifth candle (blue) tried to test the London session high, then pulled back.....the next candle was a red candle that moved short and pulled back but once the entry candle moved short a few pips following the open of that candle and the TDI had crossed over red and the 50 line, I took the trade. Part of that decision was based on my testing that shows most of the time the high or low of the London session is set in the first two hours and then quite often, price will move in one direction for several hours.....this was the case this morning.

It was a price action trade and I took it because price tested the low of the London session on the last red candle and the first blue candle and was rejected both times.....I entered based on that criteria, not on a candle color change or TDI H1 cross.....as I stated the M15 had already crossed and that candle had turned blue.....that just confirmed the reversal for me.

Sum-up note

As I have taken this journey learning to trade the Forex market, I have spent hundreds of hours back testing, live testing, reading trading methods, taking webinars, studying charts, learning price action, learning candle patterns, trying indicators and fibs, trying naked charts, testing M5, M15, H1, H4 and even daily charts....reading, studying, learning from many different traders...Money Duck, Dean Malone, Lawgirl, Islander, Ty Young, Craig Harris, Big E, dcgnic, X-Man, Vantage, Jason Stapleton, Rob Booker, Emmanuel, Snarly Jack, dee50....and the list could go on. I have had to learn money management, entries and exits, where to place stop losses and take profits, how the TDI works with price action, candle patterns and candle movements, when to trade with news and when to stay away, where to place stop losses and take profits, how to use the ADR to determine profits, etc.....all things that each of you are also working to learn and apply into your trading.

Now that I have had some success with trading, I get lots of questions about "how did you know where to enter?", "how did you know that cross of the TDI would go 50 or 100 pips?", "what made you believe this or that would happen?", why did you trade against the 200EMA or a certain resistance area?", how do "you decide, when you move your focus from the original target of 50 pips to a reduced target - to rescue the pips before they were melted away"?, etc. The answer to those questions is.....I did not know!! I don't have a crystal ball to predict anything about the market and anyone who says they do is not telling the truth.

I can only say, I developed a trading plan with a number scenarios based on the premise of IF...THEN. IF this happens, THEN I will do that. Example: IF this certain candle pattern occurs and candle #1 changes to blue and the TDI moved up or crosses red or yellow or the 50 line, THEN I will enter when price breaks above the high of the previous candle. Sometimes that works and sometimes it does not work but I have refined it to the point that it works most of the time. When I make an entry, I do NOT know if it is going to move 20 pips, or 50 pips or 100 pips....I just know that based on what I have learned over the years, I have developed a scenario in my trading plan that addresses that situation and I am willing to risk some money on an entry there. I also use the trading plan for exits....IF this happens, THEN I will do that.

In answer to your question about getting out, sometimes it is based on how many pips I will let it pull back before keeping some of them, sometimes it is based on a CLOSED candle of a different color and sometimes I am willing to let price run back to BE or a SL moved up above BE, on the chance the pullback is temporary and will continue to TP. If the TDI is hanging around the 50 line, it tells me that price is consolidating and I will only enter small scalp trades.

As far as learning the H4, I have developed my trading plan for H1 on EU pairs to the point that I now want to expand into H4. M15 has too many whipsaws and reversals so I seldom trade that time frame. Many have had success with H4, so I want to see how that time frame works for me. I tried it once before but it was too slow for me. Since then, I have learned to be more patient and maybe the H4 is something I can use. I would like to develop a plan that allows me to enter on the H1 and stay in the trade longer on the H4.

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You need to learn to trust the TDI when it matches with price action. It doesn't get much better than that....entry on 2nd red candle at LO with a cross of green over red and the MBL.....moving out of the overbought area. When all those things fall into place, most of the time price will move at least 50 pips on Euro pairs, even if it is a retracement. Put in the time....learn from back testing and forward testing....you will see that for yourself.

As far as exits are concerned, I have found that if you wait for a candle to close in the opposite color or a long pullback bar forms, that is the

time to exit, if your TP has not already been hit. Getting out at every little pullback will drive you crazy.

Q: I have read your PDF I and II twice and it's amazing that how you manage to close the bad trades at BE or small loss and stay in winning ones with patience. Is there an exercise we should do to copy your emotions. Most of the time when trade goes against some of us we don't close and wait for its reversal. In your last chart you have a BE trade which finally went into your direction later and you re-enter to made your profit. I believe with this simple system, if we control our emotions and work mechanically, we all be successful. Please provide your expert advice?

Thank you....but it really isn't amazing.....anyone can do it with lots of practice, discipline and trade management application. As you may have read in the PDF's, my best trades are when I look for the first couple of hours of London to set a high or low of the session and then enter, based on the TMS method and on price action, candle formations and/or TDI confirmation. Sometimes the market doesn't cooperate but most of the time, it works. I try to manage the trade until it gets into profit 21 pips and then let the EA close the trade if price returns to the entry price. When I am able to monitor the trade, I may move the TP &/or SL, based on momentum/market volume. When I don't monitor the trade, price will hit the set TP or BE. My advice is to do lots of back testing, forward testing, learn price action and what normally happens when price creates certain candle formations. Please watch the video that Bizzle posted a couple of posts ago. There are lots of clues in that video.....learn them and use what you learn. Trading IS simple if you keep it simple. Once you learn patience and gain an understanding of how the market moves most of the time, it becomes second nature to trade. Be a sniper, not a machine gunner.....wait for the exact setup, at the right time of day, and then pull the trigger instead of taking every possible cross of the TDI when there isn't any momentum. Five or six trades a week, taken at the right times can provide a steady income.