



First trade of the new year..... EJ H1. This trade was not taken entirely by TMS rules. Because price has been ranging during the holidays, I waited for price to break below the low of the London Open candle before entering. I entered a little more than 3 hours following LO, even though the cross of green over red had occurred at LO. I entered with a 40 pip SL and 40 pip TP, expecting a small trade based on the ADR. However, price moved very strongly down. Not only did the H1 candles all close red but all the M15 candles also closed red, indicating a strong downtrend. As price progressed, I moved my TP to 100 and then to 150. I normally would have waited for a closed blue candle to exit but 150 is enough pips for one day. A very nice way to start the year....

Success to all of you in the new year.

Q: How you have your two screen set up ? Do you have each H1 chart open with the same pair M15 open ? I think this maybe what is making me jump in and out too often, you mention in your write ups that you have the M15 open for better entry and exits - but how far do you allow the M15 to pullback before jumping out of the H1 trade ?

Here is how my charts are set up. I have the M15, H1 & H4 open but when I trade the H1, all entries and exits are based on what I see on the H1 chart. The M15 just gives me a heads up on changes that may be coming but I seldom exit based on what I see on the M15. Based on the trade I took today, I would not exit on a closed blue candle on the M15 chart but two or three of them would let me know a reversal was coming. When trading the H1, I use the H4 to view trend direction and to get a perspective on pullbacks, fib retracements and market direction. I also do a weekly analysis on the Daily, Weekly and Monthly charts, marking highs and lows and S/R areas on my H1 chart.



Q: The reason you didn't enter on first 3 candles after LO is Market has no volatility or volume. As we are catching Momentum with TMS, this is why you have waited for late entry. Kindly confirm if I am on right track.

You are on the right track. When the market has been ranging or I am unsure how far a reversal may go, I wait for price to break below (or above) the first new color candle just to verify there is some momentum in the selected direction. If there is a candle pattern or resistance area or news release that causes the market to reverse, I won't wait for price to break below (or above) the setup candle.

Q: How are you settings your SL's, s/r, fibs, last high/low, pivots, ATR, etc., or just mental? I've been scalping smaller t/f's for so long, but am trying to adjust to 1hr (but findings it difficult keeping my hands off the keyboard....) I need more patience, but I need it fast...

My SL and TP are 1 to 1 ratio (ie. 50 pip EMERGENCY SL & 50 pip TP) and then adjusted as the trade progresses.

Indicators draw yesterdays high & low, the most recent 4 hour high and low, last weeks and last months high and low. The indicator on my chart gives me the ADR for today, yesterday, 5 day average, 10 day average, 20 day average. Over the weekend, I move to the daily chart and draw my own S&R lines based on 'sore thumb" highs and lows in the area. I also look at the weekly and monthly charts for nearby S&R. I use fibs just to find possible Market Harmonic price movements. Hope this answers your question.....it took me about 2 years to become patient enough to let the trades run and just "sit on my hands".



Picked up another quick 50 pips this evening.....done for the week.

Q: Phx62 mentioned the daily high/low is set in the first 2-3 hours of London session! Could somebody give me an answer to which pairs refer to?

The LONDON SESSION high or low is often set within the first couple of hours of the London session (not necessarily the daily high or low). I have studied this in depth on the Euro pairs but it also can apply to other pairs. When the high or low are set in those first couple of hours and there is some momentum in the market, then price often moves 8 or more candles in the opposite direction without significant retracement making it possible to pick up some pips.



Pulled the trigger on a nice Asian session move down following a double top (just below the Friday high of the day). Daily, H4 & H1 all in a downtrend. TDI confirmation with green crossing red. An easy 50 pips....off to bed.



Two more nice 50 pip trades on EJ H1. Took the LO trade following a pullback candle reversal formation. Entry was on a break above the (inside bar) setup candle with TDI confirmation. I monitored the trade for about 15 minutes until price moved 21 pips in my favor and then went back to bed. The EA closed the trade at TP.

The last trade was also taken while at work following another pullback candle reversal formation. This trade was entered at the open of the 2nd red (entry) candle, again with TDI confirmation.

Q: How do you react while in trade when the price reach "Yesterday high/low". What about if there is a good signal and you are close to these areas? Sorry if this has been answered in the past.

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.



I took the same 3 trades as lastingswell except my 2nd trade was taken at LO. I was not at my computer during the Asian, so I missed that move with the break above the MC. Took the NYO candle following news, after the NYO H1 candle made a double top and then broke below the low of the previous 3 candles.

I took the same set and forget trade at LO....TP hit with NFP. Also, I just found the question you asked about straddling the news releases. I do not currently use a straddle. I used to have an EA that entered straddles during the three minutes before the release but that was not always effective. I just wait for 5 to 15 minutes after the news release and try to enter. Often it is very difficult to get filled but sometimes it works.





A nice Asian session EJ H1 trade to start off the week. Taken per TMS rules (entry at the open of the 2nd candle and green crossing red, even though price did not move much until the 3rd candle) and a pullback candle reversal pattern following the market opening. With the TDI already above the ADR, I would not expect much movement during London....but you never know.....off the bed now....

Q: I was just wondering what gave you the confidence to take this EUR/JPY trade at this point, as you were perilously near to a round number and trading into the previous day's low. Do you consider these before going into a trade, or do both the HA candles and TDI positions give you the confidence to enter anyway? Just asking, as I prefer to wait for a break of these before entering. Too conservative, perhaps?

Round numbers have much more visible effect on price in the M5 & M15 time frames. On the H1, they are just another S/R area to be aware of but, in my opinion, not a reason to stay out of a trade. As far as the previous days low, price was breaking below that line on my entry. In my opinion, daily highs and lows are lesser S/R areas. There must be other confirmation, like candle patterns or slow market movement to show that price will hesitate or reverse at the daily low. As I have stated before, I focus on reasons to TAKE A TRADE, instead of reasons to STAY OUT OF A TRADE. If I concentrate on why I should stay out of a trade, I can always find a reason to do that and maybe would never enter a trade. I prefer to find reasons to enter a trade and if there are enough reasons to enter, I do. Even when I am wrong on an entry, I can close it out for a small loss and look for another trade.



I know this is not the ideal time of day to trade, but this afternoon I found a set-up I could not resist....actually on of my favorites. A pullback candle reversal formation (circle) and the TDI moving out of the oversold area with the green RSI Price line crossing over both the red Trade Signal line and the gold Market Base line (rectangle). That setup will almost always guarantee a good trade!! The trade took about 6 1/2 hours to complete due to time of day and low volume but it did hit my TP. I will be watching for a continuation or reversal at LO.

Q: Dear Phx62, I took the EURJPY h1 trade this morning, but that was a late entry. I always enter a trade when setup APB candle closed above 5sma line. But you don't use 5sma line & therefore you always trade from the beginning of the setup. So Pls advise me using this 5 sma line to trade in H1 time frame is useless or is it the the safes way to enter the trade?

The 5 SMA is fine if you are looking for conservative, safe entries. I find that using candle formations, price action and TDI are enough for me to enter the trade on the 1st or 2nd candle. Each of us have to do what is best for us psychologically and emotionally. hope rich...you stayed in the trade and I re-entered at LO because the crossing of green over both red and gold is a strong indication that price will continue up to resistance or until news or other events stop it....currently up 34 pips and locked in at BE.

I am still in that LO trade with 100 pips locked in....all based on the setup I described on my posted chart.....when there is a cross of the TDI green over the red AND the gold lines 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.

 Finally exited my FO EJ H1 following price consolidation and the NY session coming to a close.

Q: I have entered long exactly at your second trade entry, I set a tp of slightly below yesterday high of around +70, cause this is where at least I see significant resistance, then when price consolidates, closed for +42 pips What made you stay into the trade when it reached this zone , drawbacks almost to entry.

I stayed in the trade longer because of the set-up at the beginning of the first trade. 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. There was little resistance until the 142.25, as pointed out by Emmanuel, so I rode it out. In this case, it paid off.



Q: Bailed out initially for +22 pips before re-entering for +60pips - bailed out at 142.25. Didn't dare hang in there much longer. Plenty of times when I thought I could squeeze for more pips only to give them back. Need to work more on my exits.

What I want to ask you is this "pullback candle reversal formation" you refer to in the above post. I see a double bottom (3 candles previous to the circled ones) and I see an inside bar. I've googled and found lots of examples of reversal patterns but not pullback candle reversal formation. What is your definition of pullback candle reversal formation?

A pullback candle reversal formation is just my terminology for a formation that makes a candle in the direction of the trend, followed by a longer candle that, in this case, set a lower low and then pulled back leaving a long wick, followed by a third candle that may or may not change color but sets a higher low and is usually an inside bar, followed by an entry candle that breaks above the previous inside bar candle. That is the entry point. Do some back testing or forward testing on your own and see how often price reverses following one of these set-ups.....more so on the H1 and H4 than the smaller time frames. A prime example of that formation can be found on the AU H4 charts. The candle that closed the London session yesterday is the pinbar of the formation. Price, as I type this, has move over 140 pips down from that formation.

Some call this a pinbar formation.....emmanuel has a Master Candle formation that is similar but requires 2 inside candles to form.....I am sure there are several other names for the pattern.

Attached is a chart and analysis for this past week showing only possible entries on the EJ H1, based on Pullback Candle Reverse Formations. Pullback Candle Reversal Formation are noted on the chart as PCRFR. Green lines are the entry point on a break of the 3rd leg of the PCRFR. There were 11 possible trades with 9 of them being winners. If you only captured one half of the possible pips, you would have averaged over 70 pips per day based only on just this candle formation and TDI confirmation. When you include higher time frame analysis, S&R, other candle formations, trading other pairs, etc, the possibilities are endless AS LONG AS YOU ARE PATIENT AND WAIT FOR THE TRADES TO SET UP BEFORE ENTERING AND WITH PROPER MONEY MANAGEMENT, YOU CAN SUCCEED.....BE A SNIPER NOT A MACHINE GUNNER!!!!



EURJPY H1 CHART ANALYSIS FOR WEEK 4 2014 (Pullback Candle Reversal Formation & Double Top/Triple Top trade opportunities)

trade #	type	possible pips	if 50% of pips gained	TDI confirm?	TDI	comments	
1	PCRF	95	48	Yes	RSI crossing below TSL-both below MBL. Already in oversold moving down.	New week right after market opening.	WINNER
no trade	PCRF	0	0	No	no cross of RSI	NO ENTRY. No break above leg 3 of PCRF	NO TRADE
2	DT	71	36	No	RSI between TSL & MBL - no crossover - below 25 in oversold	news candle - price moved without TDI crossover.	WINNER
3	PCRF	67	34	Yes	A+ trade...RSI crossing TSL & MBL leaving oversold.	Timing is not good. Late in NY session when market volume is slowing down.	WINNER
4	PCRF	4	2	Yes	RSI & TSL both sitting on the 50 line (consolidation mode)	reversed and formed another PCRF in the opposite direction	LOSER
5	PCRF	53	27	Yes	RSI crossing over TSL and 50 line - all above MBL	FO candle...entering London session.	WINNER
6	PCRF	82	41	Yes	RSI bounce long off TSL - both above MBL	TDI crossing into overbought area.	WINNER
7	PCRF	66	33	Yes	RSI crossing short over TSL. MBL is lower. TSL & RSI above 75 line. Strongly overbought.	Just entering the Asian session...not a lot of market volume.	WINNER
8	PCRF	80	40	Yes	RSI crossing long over TSL but below 50 line and MBL. Consolidation area breakout.	Slow market volume. Breaking above triple top.	WINNER
9	PCRF	91	46	Yes	RSI moving below overbought area crossing TSL. MBL pointing down.	Late Asian session. LO was a fakeout candle but price continued down.	WINNER
10	PCRF	11	6	Yes	RSI crossing up over TSL but both below MBL & 50 line,	consolidation - no volume - only moved 11 pips before hitting triple top	LOSER
11	TT & PCRF	95	48	Yes	RSI crossing down over TSL. Both below MBL & 50 line.	No volume in London session. NY session news moved market.	WINNER
		715	358				

Pullback Candle Reversal Formation are noted on the chart as PCRF.

Green lines are the entry point on a break above the 3rd leg of the PCRF.

Q: Question regarding entry 2. Right before going short, there was a blue candle (the double top). And I think that blue had crossed red in the tdi going up, signaling a buy trade? I would had probably taken the trade for long and made a loss there. Hopefully you can give us some tips as to why you avoided that trade signal so that I won't make that mistake.

Based on the MBL being above the TSL & RSI, we should be looking for short trades with the understanding that the TDI is in the oversold area and will be breaking out at some time.

The chart and analysis I posted was just to show the possibilities, not necessarily what trades I would have taken. Actually, in the area you are looking at, I would have entered a short trade at LO as a continuation of the downtrend. Price would have moved down and then reversed and I would have been stopped out at BE by the blue candle because my EA moves my SL to BE at 21 pips of profit. I would then have entered trade 2 short, as shown on the chart, with a target of 50 pips.

Q: What are the small green lines that span three candles? Do you draw them manually?

Green lines are the entry point on a break of the 3rd leg of the PCRf drawn manually.



Same here.

Q: I have a question about this PCRFB. Does the entry candle need to immediately follow the third candle, for it to be a valid entry?

Yes, entry would be above a break of the third leg of the PCRFB. As you can see on the attached chart, I entered at that point but missed my 50 pip TP by 3 pips and exited with 36 pips for the trade.

Q: Wouldn't a break of the TL been a better entry point?

Yes.....a break of the trendline would have been a better entry in this case. My response to murali was in response to his question about the PCRFB information I posted earlier. Definitely, the more aggressive entry would have been at the open of the second blue candle with the TDI cross.



Done for the week. A very nice channel breakout this morning at LO. Everyone have a nice weekend.



Q: Could you explain your entry on 21. January (sell +50 pips)?

Please notice the solid white line I placed above that trade and the previous one. There was a triple top plus 2 more candles that almost touched that line without breaking it. That indicated a downturn coming. The TDI had just pulled back from the 68 line and once the LO candle pulled back, I entered on the next candle with a TDI bounce of green off red.

Q: I've a question: Because of I entered today at the PCRf long at FO - but you didn't. What prevented you to take this one long, but rather the next one short at LO? Another question - perhaps the same answer - how do you decide on PCRf whether to wait on the candle close of the 3 candle or not?

I was asleep at the Frankfurt Open and did not see it. Even if I had, I would not have taken it based on the bearish downtrend that had formed and the tendency of the London Open to create a "fake out candle" and often change direction. The London session opens at midnight my time, so I try to get a couple of hours sleep before that session opens.

As far as your question about waiting for a candle to close, there are several factors I use. Mostly I watch price action for market volume. If the PCRf occurs during a time of high volume (London session or NY session with news), I am more inclined to enter before the 3rd leg closes. If the candles are short or have long wicks, I will wait for a close below the 3rd leg. An example of this occurred this morning on the London trade. There was a long pullback on the pinbar and the LO candle immediately broke below the pinbar and the 1st leg of the PCR formation. That was enough for me to enter early. If I had entered at the close of the 3rd leg, I would have missed about 45 pips.

Q: When you're in a one hour trade, what is it you look for on the M15 that gives you the clue to exit the H1 trade ? An ema candle cross ? Or something like that?

I do not use the M15 for exits. I have to see a long pullback on the H1 (depending on how many pips in profit I am) or a closed change of candle color if the candles are getting smaller.



Two trades today.

EJ H1 Asian session trade based on a nice pinbar on H4 and a PCRFR on H1 (aggressive entry).

EA H1 Trend was down and TDI green & red were below yellow so I made entry on a pullback from the candle that set the London high for the day. I entered before the PCRFB was completely formed, knowing the high of the London session was probably set by the 2nd candle.





One more trade on the EUR/AUD to finish the day. I noticed it setting up while at work so I entered on a M15 PCRF and the trendline still not broken, with a target of 40 pips due to the reduced volume. It worked out well for me.....

And one more trade for 80 pips on a bounce off the trendline with TDI confirmation. Headed for bed so I closed the trade at resistance but I would not be surprised if price continued on down. There isn't really any reason to expect a reversal. A PCRFB has finished forming on the Daily chart, the H4 is still moving down from a PCRFB formed before LO yesterday.....I'll be back at LO and maybe find a new entry.





A couple more trades on EU/AU H1.....one at LO and the other on a retracement back toward the trendline at NY open. Waiting for a possible short entry off the double top that was just set (need a new red candle and TDI must confirm entry).

Q: Here is one trade i also took. But while you made +50 pips i just made +17 pips. So i know now to take H1 trades when the new candles has another colour and the buy / sell will be on the break of this candle high/low. TDI for confirmation of course. Phx62, are you monitoring your trades ? When do you know to exit ? I don't understand your exits. For example in this trade, can you please tell me why you have exited exactly with +50 pips ? Because of the countertrend situation and your trendline ?

I enter every H1 trade with a 50 pip TP and a 50 pip EMERGENCY SL. I then adjust both as needed. In the case of the last two trades, I monitored both until I was in profit +21 pips, at which time my EA moves the SL to BE. The LO trade is middle of the night for me, so I went back to bed after reaching 21 pips. The NY trade was entered before I left for work...a set and forget trade with no way to lose....the EA had moved the SL to BE. Sometimes, if I have to leave the computer before the trade reaches 21 pips profit, I will adjust the SL to 20 or 30 or behind resistance, just in case.

A couple more trades on EU/AU H1 since the last post, including a break above the trendline....entered shortly after LO.



Three trades this week on EJ H1, including the big move down following LO this morning. A market harmonic move with the CD coming up a little short of the AB move. Entry was made on a break below the LO candle.



Q: The last long entry on EU/AU. How did you have the confidence that the last entry would move higher than the triple top yesterday? I'm curious as your entry was so close to that level.

I assume you are asking about the double top marked on the chart. That occurred prior to LO the previous day and I didn't consider that a strong resistance because it occurred over 24 hours earlier. I did consider several things in taking this trade....1. Price tested and bounced off the 200 EMA twice before breaking the trendline. Resistance at the 200 EMA is a very strong indication that price may move up. 2. Price finally broke above and closed above the trendline and the gray daily resistance line. The trendline had been tested 5 times before being broken. 3. The trade was taken shortly after LO, which is normally a time of good market volume (the previous 3 days moved over 100 pips every day) and the TDI green had broken above the 50 line after crossing red and gold earlier. Entry was a price action trade and was not taken per TDI rules (1st or 2nd candle). I would not have entered the trade based on the cross of the TDI because of the previous resistance at the trendline and the daily resistance line.

There was lots of movement in the EU/AU pair this week. The Average Daily Range for the past 5 days is 206 pips per day.....lots of room to make some pips. I somehow feel like I overtraded this week but when I look at the trades, they are all taken within the rules of my trading plan. I traded every London open session, two NY open sessions and three Asian session trades.



Q: Why did you wait to take the 100 pip trade when the tdi had crossed, was it because you wanted to see the strength and waited for tdi under mbl, thanks. sorry phx62, meant to say, when the tdi had already crossed.

The London session is the middle of the night for me. I catch a few hours of sleep before it opens and set an alarm to get up and trade the LO. In answer to your question, I was asleep when the TDI crossed.

Q: I haven't read all of the post here on this thread but I have read your past trading result and analysis from pdf files that you uploaded to FF and your post on Xman thread. So I'm sorry if the question I am about to ask you has been answered before. Please kindly just point me to previous post no. At that time you focused mainly on E/U and E/J 1hr chart. My question is how do you know when to change your focus on different currency pairs. Is like if a currency pair ADR is below 100 pips for the past 3 weeks/months then you might start looking at other currency pairs?

You answered your own question.

When I do my weekly "Top Down" analysis, I check the ADR for each of the pairs that I follow. I then look at trends, S/R area, upcoming news, recent candle formation, if the TDI is going overbought or oversold, etc. and pick out one pair to focus on during the next week. I also pick a second pair based on the same criteria as a backup plan, in case the first one doesn't keep producing. I have discovered during this trading journey that I have much better success focusing on one pair at a time by being aware of candle patterns forming, developing trends and recent price action changes. As you can see in my previous posts, the pair I focus on usually goes for months or even years of good productivity.

Q: Can I ask which pairs you follow? I can see from your posts more often than not it's EUR/JPY (for the greater ADR I think you said) but I wondered what others you follow also. The reason I ask is that I think I probably try to follow too many and miss trades by never getting focused on just a few.

I have the charts of 6 pairs set up on my platform.....GU, EU, AU, GJ, EJ & EA. You are correct, the EJ has had the highest ADR for a while but recently EA has had lots of movement.



While doing my top down analysis this weekend, I noticed that the ADR for G/J has been running about 215 pips per day for the past 10 days (very similar to the EU/AU that I traded last week). When I printed out the upcoming news releases for the week, I saw there was a high impact GBP manufacturing report scheduled for the second hour of London. I decided to watch that chart (G/J) this morning and once price broke below the LO candle, I entered a trade. The TDI had already crossed during the Asian session but I was asleep at that time. On the calendar, I also noticed the high impact US manufacturing report and so when price broke below the setup candle and there was a cross of the TDI after the news announcement, I entered that trade also.

Q: Most of your trades are after the break of the L/H of the previous candle. I show these trades in the pic with white circles.

Now I have a question: Many times we see that it breaks and goes for about some pips and then it becomes a shadow and reverse!

How do you understand that it will continue to its down/up trend and goes for more pips in your favor?

Perhaps you should go back and read Big E's, Emmanuel's posts, and some of my previous posts. The answers to this and many other questions about how to trade this system have been answered over and over.

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.





I entered one trade during the Asian session following the AU news release. I waited for confirmation as to the direction price would take before entering. The proper TDI entry would have been at the open of the 1st red candle but because of the high impact news release, I waited until after news was released. I targeted half the 10 day ADR but as you can see on the chart, price continued down another 150 pips. Huge moves going on with this pair, right now....

I also entered one G/J H1 trade this morning at LO following a nice PCRFR. The ADR for the past 10 days is around 240. Based on that, I targeted 100 pips....which was hit.





I did download some reading material on forex trading and back tested some ideas on my charts while relaxing. I have been looking at channel trading and seeing if some of that can be implemented into my TMS trading plan. The objective is to determine if there is a way to set profit targets that will be hit on a regular basis. I am still back testing but am discovering some interesting options. I've attached two charts, both with the same trades. One is the H4 chart showing all three trades reaching the target at the heart-line of the channel. The other chart is the H1 chart showing my entries as price progressed. Overall, a gain of 349 pips in a 26 hour period on this one pair. Entries were made per TMS rules. Now there is some divergence showing on the H1 chart. With some price action, we might get a break back up to the top channel line for a countertrend trade. Divergence is always tricky....will have to wait for a good TMS H1 entry.

Q: Can I ask what made you look into channel trading? Am I right in thinking that incorporating your plan into TMS you can spot when you can let the trade run longer?

You are correct, I am just trying to determine if channels can help me find reliable big move targets....still testing for now but there was a strong break up over the divergent line that moved well past the channel line. I was able to get in and pick up 130 pips on that move tonight.



Picked up a couple of nice trades today (last night for me) on the EUR/AUD....one during the Asian session and one shortly after London opened.

Q: When you enter a pull back mid candle, how do you determine when to enter? I try to wait for a break of previous candle but in many cases you were able to catch the trade even before the break. Both your trades were really close to 200 EMA, how did you determine whether the price would break EMA? Was it the time of the candles? Japan and London open?

A. If you have read some of my previous posts, I have explained that one thing I look for is for the high or low of the London session to be made during the first couple of hours of the London session. Based on hundreds of hours of testing and experience, I determined that the high of the session was probably set by the Frankfurt candle because the LO candle pulled back below the trend line, so when the LO candle moved below the halfway point of the set up candle, I entered. The TDI green was touching the red at the open of that candle and pointing sharply down.

On the previous trade, I waited for the 1st red candle to break below the setup candle. TDI green was pointing down and was crossing gold but had not yet reached the red line.

B. As I stated a couple of posts ago, I am testing channels to determine if properly set channels or trend lines can provide good targets at least 70% of the time. I am still testing but in the case of these two trade, price reached the targets I had set, so instead of going for my normal TP of 50 pips, I reached for the target line. I still have lots of research and testing to do, in order to determine if this is, in fact, a feasible addition to my trading plan. I am not changing my trading plan. I has been very successful for me. I just want to simplify things a bit if I can trade with the big picture trend and take trades that move in the direction of the trend. I already know that trend trading is more successful than countertrend trading (unless you get the proper signals to countertrend trade).

C. The 200 EMA was not a factor in either of these trades. In my opinion, the bounce off the top trend line was more powerful than the 200 EMA. Price had already bounced a couple time off the 200 and the H4 downtrend was strong.



Attached are my trades for the week on EUR/AUD H1. As I stated before, nothing has changed with my trading except that I am experimenting with using channels to set targets instead of entering with a fixed target of 50 or 100 pips. Everything else in my trading plan remains the same with price action and TMS trading. The channel you see on the chart is just the one I used for the last couple of trades. There were other channels before that I removed as the week went along because they become obsolete. Still testing but the results this week were very good. Most on the trades on the chart were set and forget trades with no trailing SL or SL moves to BE except were I had one trade going and entered a second trade with the same TP. On those, I set the EA to move the stop on the 1st trade to BE so I didn't double the risk. Not sure if I will trade tomorrow since a new channel seems to be forming and volume will probably be Friday light.



Q: I have tried using the SHI Chanel indicators during the X-Man S3 trading days but did not find that to be consistent as it re-paints. I have a few questions on the channel you use and I'll try to re-code the SHI Channel indicator to draw the channels using a certain technique perhaps following your way in doing this.

- 1) The channel seen as on 20 Feb, when was the last time this three channel lines were re-drawn.*
- 2) How do you determine when and how the three channel lines to be drawn. For example, do you use the MT4 standard deviation or regression channel tool for this.*
- 3) Please explain in details how you determine when a new channel is forming.*
- 4) Do you have any resources where we can learn this channel method,... any books, seminars, online websites, etc.*

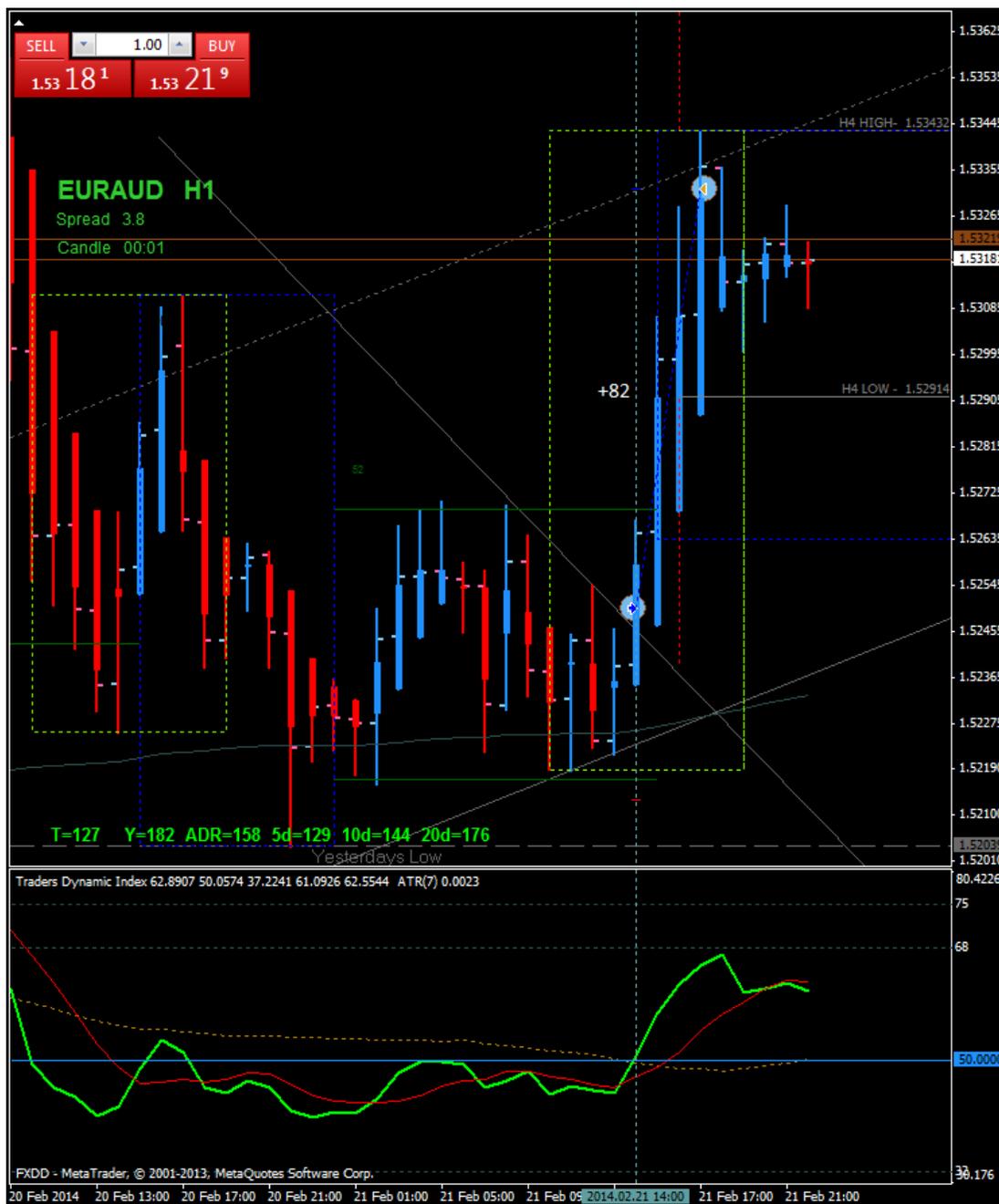
First, let me state, this unproven method is not for newbies or traders without a proven trading plan. It is also NOT a part of the Trading Made Simple system. I am simply answering the questions presented to me by Emmanuel.

I tried the Shi Channel indicator but had the same problems as you. I have a friend who trades channels and he has been after me to try them. Then I got an invitation by e-mail to listen to a trader named Scott Barkley who has developed a plan to trade to targets within channels, so I attended a weeks worth of his free training online. I was able to pick up some pointers from him but I did not sign up to his program. There is a video on U-Tube titled Endeavor Trends Review with Scott Barkley that gives an overall view of his trading system. You should be able to Google it.

Here is what I have determined so far:

1. Draw the channel on the H4 chart.
2. Three points must connect or touch the channel line to become a good trading channel. If you can't get 3 touches, you don't have a good trend.
3. I am still searching for a channel indicator where I can set the parameters, including the center line. Right now, I am using the Equidistant Channel found in the MT4 and then adding the centerline myself, after locating the necessary points.
4. The centerline must prove the channel by having price bounce or consolidate at that area. From there I determine the other side of the channel.
5. The channel must angle at near 45 degrees and if set up correctly, it will usually sustain 5 waves before breaking out.
6. According to Mr. Barkley, when price bounces off the outside channel line, 80% of the time it gets back to the center line. Based on my short week of testing, that appears to be fairly accurate.

There are lots of other things I am testing and learning but they are all theory right now. The video explains the basics. Based on this week, there seems to be some merit to how Mr. Barkley uses channels....time and testing will determine how it will fit into my trading plan. I am very satisfied with the TMS plan but was looking for a way to set some profit targets that could be hit on a regular basis.



One last trade this week....a classic TDI trade that hit my target. Entry made on a break above the trend line with TDI green crossing over red, yellow and the 50 line.....reached the target. A very nice set and forget trade.

Q: Why you wouldn't have taken the trade 2 hours previous? I guess it's due to the 15min time frame confirming your entry! Thank you for your continued selfless teaching it really is so appreciated.

1. I did not enter 2 hours previous because I had no signal to enter. Price was consolidating and had created a wedge between the bottom channel line and the downtrend line. I waited for a price break out of that wedge. When price broke above the downtrend line, I entered and targeted the center channel line. If price had broken the bottom channel line, I would have waited for a valid signal to enter that direction, set up a down trend channel and set a target there.

2. Notice that the all three lines of the TDI were hanging out around the 50 line and moving sideways. There was no TDI signal to enter 2 hours previously. The TDI signal to enter came with a cross of the green over red and gold and 50 line at the open of my entry candle.

Another good week using TMS principles while continuing to test using channels for profit targets. Entered the week using the gray channel as a guide until it was broken following the 73 pip trade. Price formed a new channel (blue) that was good until today when price broke the center line of the channel. Next week if price reverses at the top channel line, it could make for some good targets going short.

First trade of the week was entered a little early based on the PCRf at the top of the gray channel center line. Made a second entry when price hesitated and set a high for the London session. Tuesday, consolidating market...one BE trade at LO. The rest are TMS trades with channel lines as targets. Still working on how to move profit target when price breaks out of the channel.



Q: I have a question about your +69 trade. It looks like you entered on a pull back from double top and London high. What was your criteria to enter mid candle? Did you look for entry on M15? Or were you monitoring if the pull back was more than certain amount of pips (25 in this case?) Did you ever set stoploss to BE during that trade?

That trade was based on the rejection of price at the channel center line, with a strong pullback from that line. It was also LO which often reverses from the Frankfurt candle (in fact, I got to the charts just as the LO candle opened and watched it pull back quickly). Yes, the SL is changed as trades progress but it is done by the EA settings. The red line is just the original SL I set at the beginning of the trade. In this case, the SL for the +69 trade was moved to BE before the +42 trade was entered, keeping the risk at a minimum.

Q: This week you'd showed us EURAUD, why was it? You trade quite a few, why choosing this one?

What works for me is to concentrate on 1 or 2 pairs at a time. At the beginning of each week, I check ADR for all the pairs I have on my platform and usually pick the one that has the highest ADR. Last weekend, none of the pairs had very good ADR but EUR/AUD has often had the highest ADR or close to it for the past couple of months. For that reason, I stayed with that pair.

Q: Do you now enter trades based on m15? The first trade has a line at 04:45, which leads me to believe you have dropped to a lower timeframe for an entry near the channel extremity. Only asking because this trade and most recent trades don't look like your usual trades from a few months ago. TDI only crosses on M15 and lower on most of these trades.

Yes, the first trade was entered on the M15 because it was the first trade of the week and price action was a little slow. All the rest are H1 entries. Most of the entries are my normal London session entries, only with the channels used as target, so some trades stay active much longer. I am also taking secondary trades when price pulls back and targeting the same TP.

Q: But it's not just that first trade. The long that you took on 26.02 at 19:00 precedes the TDI cross, but on M15, PA and TDI signaled a long entry at 19:30. The LO trade on the 27th is most likely taken because it has a higher probability to bounce than to break the heartline (TDI hadn't crossed yet, just that APB changed color). Same for the 28th, when you went long prior to the TDI cross, it was because price bounced off the channel again, right? Not so much because it was a great TMS entry.

IMO a high ADR means nothing if the pair is close to consolidation, I was lured in on GJ, traded it a few times while it was a complete mess. H4 was very flat, D1 had long wicks everywhere. ADR still showed >150, but the market was just too choppy and untradeable almost all week.

One of my concerns in experimenting with channel trades as an additional tool for TMS trading and posting those charts on this thread, is that there would be some confusion about the basics of TMS trading. I did not want that to happen but I am seeing that it is beginning. I am going to continue my testing of

channel trades with TMS as the basic system, since my entire trading plan is built on TMS, but to avoid confusion, I will not be posting anymore charts or explanations. I have posted enough charts with details for anyone to see that the Trading Made Simple system is profitable and successful when properly applied. I will check in occasionally to see how things are going on the thread and perhaps try to help traders trying to learn the system.

WD...I know you have read many of my recent posts where I use candle patterns and especially pullback candle reversal formations to enter trades. The two trades you mentioned are examples of those entries with pullback candles to confirm that price was reversing. I did not wait for the PCRFB to complete or the TDI green over red confirmation for entry but in both cases, the green TDI line was turning and moving up and I had additional confirmation of price bouncing off channel lines. In both cases, price reached the targets, which is what I am testing. As I stated before, all but the first trade of the week were entered and monitored on the H1 time frame.

Q: I believe you have said it yourself, that a PCRFB with no TDI cross is not valid and just may end up going sideways instead of the opposite direction. I may be wrong on that, I personally diverted my trading from the "classic" TMS as traded by a lot of you in this thread, simply because it didn't work as well for me, as it apparently did for you. I use a lot of M15 and even M5 in my trading, which is why I said what I said previously. My approach, what I would have done, doesn't seem so far from what your end result is (would being the key word here, because I didn't). There's something else, if one truly spends a lot of time watching charts, it's easier to preempt setups. Rules are meant to be broken, right? And if you say it's an H1 trade, it most likely was. Any trader that manages over 500 pips in the choppiest of markets for two weeks in a row is to be respected imo.

After some careful consideration and based on Emmanuel's suggestions ("Hi Phx62:I think the members who are experienced traders and trading TMS knows the basic entry and exit rules will have little problem to follow your channel trades. Anyway, I find your use of channels to project price movements is a good approach and setting target profit using the channel is a proven method. It is how we view the price waves and how we draw the price channels. Perhaps you can explain more how you draw those channels. If your time permits, please may I suggest you post your chart at the beginning of the week with the channel drawn and as each day progresses, you post update as you make changes to the channels on your charts. This will help us to follow and have a better understanding how you look at your charts and determine the channel lines and when you update/change them."), I have decided to post the channels I am testing each week and at the end of the week, post trades I took based on those channels and TMS. I can tell you that I would not have many pips in the bank this week without the channels because I just did not have the time to monitor trades...the channel trades I made this week were set and forget trades.

Below is the EUR/AUD channel I have been using for the past 2 weeks. I have marked the channel points on the bottom of the channel and you can see that price made it back to the center line several times and with each bounce was a opportunity to enter long, in the direction of the trend. There was also an opportunity to enter short on a bounce off the center line but in a countertrend move that is not nearly as profitable. Scott claims that if you set up the channel correctly, you have an 80% chance of price getting back to the centerline on a trend trade. He also claims that countertrend trades only succeed about 20% of the time. On Wednesday, price broke out of that channel and began to form another channel, in a downtrend. I will post that new channel when I get some time. Happy trading to all....one more thing, channels are always drawn on the H4 time frame and entries can be made on the H1, M30, M15 or M5 time frames. I have had better success with H1 entries.





The latest channel for EUR/AUD on a H4 chart. As you can see by the gray lines inside the channel, there have been numerous opportunities to trade.

EUR/AUD trades this week. The first 3 trade entries and targets were based on TMS and the first channel. The last 5 trade entries and targets were based on TMS and the newer channel. Since price broke out of the latest channel, there could be a new channel forming for next week. Have a good weekend.





Just closed one more trade on EUR/AUD. I am posting a H4 chart to show the new channel going into next week. The trade was taken on the H1 chart, following a pullback from the bottom of the London session and the new bottom channel line. There was also a TDI cross at the open of the entry candle. I closed the trade manually because I did not want to leave it open over the weekend.

Q: I know you take the majority of your trades on H1 signals, but are you trading on H4 channels overlain on H1?

You are exactly correct. I am taking the H1 signals with the H4 charts overlaid. When PA is slow, I occasionally will enter on a PERFECT M15 set up. Honestly, I do check the daily when setting up the H4 channels.....good to hear from you.

Two trades this week on EA H1. Both taken following a cross of the TDI and a bounce off the channel that began forming during the middle of last week. The channel confirmed a trend with 3 touches on the H4 chart. Profit on both trades taken upon reaching the centerline of the channel.



Three more trades this week on EA H1. Wednesdays London session trade was a BE trade. The other two trades made a nice profit. I closed them both because it was Friday. Next week will tell if price really will reach the center channel line.



The downtrend channel is continuing into the third week on the EUR/AUD pair, giving an opportunity to see possible profit targets. Today price continued down to the channel line, hitting my profit target and then price reversed. I was able to re-enter short during London after closing Friday's trades because I didn't want to leave them open over the weekend. After price hit the profit target, I entered long on a TMS reversal signal and picked up 50 more pips. I like to trade the direction of the trend but sometimes will take shorter term trades on the countertrend trades. The channel just gives me a view of possible S/R and targets.





Q: What indi do you use to draw the lines showing your trades?

If you are using MT4, it is a standard feature. Find the Terminal button on the STANDARD toolbar. Click on it to open your balance sheet. Click on the Account History tab. Find the trade you want to place on the chart. Left click your mouse on that trade, hold down the button and drag and drop the trade on your chart. It will place the entry and exit arrows with a line between, along with the TP and SL arrows.

Q: How do you draw these trendlines ?

I use the Fibonacci Channel indicator. Go to the Insert button at the top of your platform and click it. Move your mouse to Channels and click on the Fibonacci indicator. Double click on your chart to place the indicator. Right click on the new Fibo channel and go to Fibo Channel properties. Open the Fibo Levels tab and change the levels to 1, 0, 0. Then place the channel where you want it.

Q: Would you take entry a little bit earlier (last trade)?

Yes, the aggressive entry would have been where you marked the first blue candle following the Pullback Candle Reversal Formation. In this case I was a little more cautious because price had already moved straight down for over 100 pips without any consolidation. I wanted to be sure price was actually reversing and not just consolidating, so I waited for price to break above the first blue candle before entering.

New H4 channel created



EA H1 target hit.



This weeks EA H1 trades (some of the first ones were posted earlier this week). All trades taken according to my trading plan with the H4 channel pointing out TP points. Overall a good week.



Q: On 24 march trade 2 you enter long and that was a successful trade and on 26 march the setup is similar the 2 blue candle up above the last red candle + TDI cross but you don't enter , how can you know that was a fake TDI signal ?

There is no way anyone can know for certain if a TDI signal is going to be a fakeout or go for a long distance. On the March 24th trade, I entered and was able to monitor it, not knowing if it would reach the TP. I was prepared to exit on a consolidation. I was not at the computer at the second setup you mentioned.

Q: One question from 26th March trade, I always look to see where your tp and sl lines are for inspiration on my own trades but on that day, the tp line is above the stop loss, just wondering what happened there on that day.

I have no idea why there is a TP line above the SL line unless it has something to do with the CaveManager EA that I use when I open trades. I will be checking with my broker. I checked my account and that trade paid the 126 pips. On that trade, I removed the TP because I was expecting price to continue down to the H4 channel line that I have been using for TP and that line is variable depending on how many candles it takes to reach the line (since the channel is on a +/- 45 degree angle), so there should have been no blue TP line. When price consolidated and pulled back, I exited the trade manually.

Q: On 26 - 03 - 2014 trade , the entry is taken on the break of consolidation candles, what rule do you follow in this scenario, is it 5 pips below consolidation for entry?

I normally try to enter on a break below the consolidation but if price is moving quickly, I sometimes don't get an entry for 5 to 10 pips into the trade. On that trade, the green TDI had separated from the red at the open of that candle but I waited to be sure price would break below the low of the consolidation.

Q: I've got a question about your trade on 27th. You sometimes stay in a trade even when APBs change color - so at the 27th. What did you prevent to exit at the 2 blue candles with a TDI upcross before the downtrend continued? I would have exited at that situation instead - looking at Monday's countertrend move in the evening.

I was away from my computer for a couple of hours. I had already set the SL to 8 pips above the LO candle and was pleasantly surprised when price reversed and hit my 100 TP. Sometimes it is better to be lucky than good.



Two trades today on EA H1....one loser and one winner. A new channel is forming so neither of the trades were taken with profit targets at channel lines.

Q: Nice to see you lose one. Proves you are human after all.

Sorry if I have painted a picture that I never have losses. I posted the one today just because I had pulled it up to the chart to review for myself why it had failed. I regularly have small losses but see no real benefit to anyone in posting them in the thread. I don't believe in focusing on the negative and I don't think anyone can learn much from a losing trade that I took. I normally average one or two small losses for every ten trades I take but I do my best to minimize the amounts of those losses. There are times when I will go a week or more with no losses but there are always losing trades because no one can accurately predict market behavior every time. I subscribe to Big E's philosophy...if you enter an trade and it goes against you a few pips, exit immediately and chalk it up to the cost of doing business, forget it and wait for another setup. There is always another setup around the corner.

One trade today on EA H1. Entered shortly after London Open when price broke above the previous candle. Exited manually following price setting a triple top.

Q: Was in a similar trade. Was hanging in as HA candles on H4 was still blue but 'cos you exited, thought I'd better too! +55 and +60 but profit is profit. How do you decide when to hang on and when to take profit? Would you re-enter if the previous high is taken out?

I exit when there is a signal to do so. In this case, the time of day and the triple top tell me that price has probably moved up as far as it is going today. But as always, news or other events can move the market anytime. Most of the time, when price has moved 50 or 60 pips, I will wait for a candle to close in the opposite direction. I have found that once price moves 60+ pips in one direction, it will usually consolidate for several hours before reversing. No, I would not re-enter long due to the time of day and the London session is winding down.

Q: When in back-testing specially looking to learn about LO and NYO boxes and how lo set the low , high, would you back-test while the boxes on the chart or you remove the boxes temporary when in back-testing mode?

Obviously, I use the boxes for a different purpose than breakouts. I leave them on my chart all the time, even when backtesting, because I am only interested in seeing the beginning and end of each session and the high and low set by each session. It is just a quick reference guide to see how price moved within each session. I can see at a glance what happened each day and each session. I downloaded them many years ago from a breakout thread here on FF but I cannot recall the name of the thread.



This week's trades on EA H1. Mostly London Open trades.



Q: I was concentrating this week on EURJPY, followed the EURAUD only on the side.

Analyzing your chart as usual I have a question again. Please excuse me for assembling your chart a little for my question - to get a better view on situation - my question goes on.

Comparing the two situations on 3/31 and 4/1 NY session. These two look similar with small deviations, regarding the 2-3 blue APBs before the red and a little smaller slope on TDI PL to the downside.

You took the first (profitable) trade, but not the second. Simple question - why not? (I think I had taken this when price went 1,5 pips below the prev. red candle)



Simple answer.....my 1st London trade failed, so I took a nap and set my alarm to get up for the NY session. I saw an entry and made trade 1. On the second trade, I got a signal at LO and entered a trade and exited on a pullback. Once price moves 60+ pips in one direction, it will usually consolidate and range for a couple of hours, or more, before making another run. In this case, it ranged for a long while.

My EUR/AUD H1 trades for this week.....



Q: I was struggling with EJ for the last couple of days since it was range and I was looking forward to your charts to see how did you handle it but you traded EA. I was wondering do you have any specific strategy to pick a pair to trade or how you see a pair trending or in range?

I look at the ADR to determine which pair I am going to focus on. The ADR for the EA pair has been among the top performers for several months so I focus on that pair right now. When trading one pair you learn the nuances of that pair after some time. It helps to understand how price might react in certain circumstances. I also look for pairs that don't have a lot of candles with long wicks at one or both ends. I look for pairs that move steadily up or down.

Q: Last time I asked you how you incorporate the breakout box from London and New York in your trade?

I do not use the breakout box for entries or exits. My only purpose of having those boxes on the charts is to show me at a glance what the high or low of the session is and the total movement of the pair during each session.....no looking at dates and time.....the boxes show what I need at a glance.

Q: Do you use any website to give you these statistics? I mean when you say " EA pair has been among the top performers for several months" you watch it yourself or you get it from a website?

I check the ADR on my charts.

Q: Regarding 2014.04.10 04:00 trade, was this a pending order? (Perhaps expecting a channel bounce?) It was a news candle and it moved very fast even on 5M. I am a bit curious how you caught this...

Yes, it was a pending order that was picked up. Sometimes pending orders won't get picked up if price is moving too fast but in this case, it was. I actually set the pending order based on the PCRf that price formed just before the news release and a cross of the TDI. I put the pending order a few pips below the PCRf, in case price spiked up first. Also, I did not give it much room to breathe. I set my SL very close to the top of the PCRf so there was a very small risk.

Q: I have gone through Phx trade for the week on EA H1 and tried to see what he might have thought as a trade opportunity following simple rules and not over complicating the things and running for 100 pips profit per trade mentality.

I have done it as a homework and thought someone might find it helpful. I am sharing it out of respect to Phx and not judging him financially. The simplicity of Phx style of trading shows a class of a master. I believe Phx won't mind me sharing it here.

Deep Back Test Analysis of Phx EA trades for week 07-04-2014

Please note: *This is my own views on how the trades might have been taken using TMS method. Phx may have considered other factors into his trading. The total amount shown on the chart is for educational purpose only and purely based on the lot size provided by Phx in his chart. There is no guarantee that you will earn the same amount consistently and one must consider proper money management before placing trades.*

Buy trades = Green vertical lines

Sell trades = Red vertical lines

Average price bars used

200 EMA(Aqua blue dotted), 100 EMA (Red dotted) , 5 EMA shift +3 close (Yellow dotted), PAC (solid yellow)

Fractal Support and Resistance

Asian Session indicator (5 hours)

Big Round Numbers

Trade 1 (50 pips): Asian session 5 hours range 24.8 pips and PA rejected by 1.47355 resistance. This session showed bullish PA and once PA broke the PAC and bounced TDI with MBL coming above 32. Strong candles with momentum broke resistance (1.47937) and only got stopped at 100 EMA and 1.48347 resistance. See TDI curving.

Trade 2 (70 pips): Sell trade aligned with the bigger TF bearish trend. Bullish PA got rejected at 100 EMA and 1.48347 resistance. 1st bearish candle closed outside PAC and below 5EMA, TDI strong bounce pointing 5 O'clock. Profit taken at 1.47355 resistance where 8th candle pulled back too much.

Trade 3 (50 pips): See 15 min chart aswell: Asian session 5 hours 35.5 pips. This one looks like a 15 min chart entry where PA got rejected by 100 EMA and 4th candle entry on 15 min when PA closed below 5EMA and TDI pointed 5 O'clock down. Profit taken when TDI hooked back, flattened fortunately at the same time price got stopped at 1.47000 number.

Trade 4 (-7 pips): Just a bad luck.

Trade 5 (50 pips): Traded aligned with the overall bearish trend when PA moved below 5EMA and got rejected by 100 EMA. TDI cross pointing 5 O'clock and profit taken when sharp hook in TDI.

*** There was a bounce trade entry on bearish candle number 6 which could have given an extra 35 pips.**

Trade 6 (50 pips): Traded against the trend simple TMS entry with MBL moving upward. Strong Bullish candle with momentum, 2nd candle entry and above 5EMA and 1.47000 number. Profit taken when TDI turned flat.

Trade 7 (50 pips): Bounce trade entry after PA got out of PAC and above 100 EMA. Profit taken at the TDI flat and 200 EMA rejection.

Trade 8 (50 pips): Traded with the overall trend. As soon as PA changed color and bullish got rejected by 200 EMA, below 5 EMA and TDI pointing straight down and profit taken when TDI hooked back.

Overall, Class of a master. 342.2 pips after the spread.

Credit: Phx



A very interesting analysis but not completely accurate. I began following Big E a long time ago when he opened the Craig Harris thread. He was still developing the TMS method, so I had an opportunity to watch his trading methods grow and change. The first thing I learned was to "KEEP IT SIMPLE". My trade analysis is much simpler than you have described here but I appreciate your efforts to understand how I trade.

I have tried the PAC channel and the 5EMA and the other EMA's and stochastics and numerous other indicators but always come back to simple price action and using the TDI for confirmation. As lastingwell stated above, I watch price on 3 time frames. The M15 keeps me aware of bigger movement that are beginning and the H4 give me a look at trends and reversals. I also do a weekly top down analysis with the higher time frames to be aware of important S/R areas and significant reversal areas. Most of my trades are taken on candle patterns, reversals, and TDI bounces or crosses. Example....trade 1...the TDI bounced on red after price failed to break the low of the LO candle. Once price broke the high of the LO candle, I entered. Trade 2...another TDI bounce trade after price broke below the low of the NY session. I moved my TP to 70 based on the long Frankfurt candle and the time of day.....expecting that the London session might continue the downtrend.

I focus on trading the London session and with the EA pair, I watch for entries following Tokyo/Aussie Open, since both currencies are tied to that session and my normal workday has ended. I look for the London session to set a high or low and then enter as price moves away from that high or low. Experience tells me that often price will move as Big E described...3 to 8 candles in one direction before reversing or consolidating during the London session. Hope this gives a little more insight into how I trade and nice job of analyzing.

A new uptrend channel has formed on the EA pair. We will see how it plays out for profit targets next week.



Q: I meant to ask what tool you use for drawing your channels? Is it the Standard Deviation, the equidistant, or Andrews Pitchfork? Sorry for all the questions...

It is the Fibonacci channel. Go to the View tab on the top toolbar above your charts, move the cursor to Channels and drag the Fibonacci channel to your chart. Click on that new Fibo channel and open Properties. Change the Fibo levels to 1, 0, 0 and you are set.

This weeks trades on EUR/AUD H1. Today, two very nice setups.....one at LO and the other before NYO. On both setups, TDI green crossed both red and yellow at the open of the entry candle, following Pullback Candle Reversal Formations. The crossing of green over red & yellow and the candle formations were strong indications that price would move 3 to 8 candles before reversing. The long trade moved 4 candles and the short trade has moved 7 candles, so far. Big E knew what he was talking about.



Q: Your main reason for the entries are most candle formations? Because, your entries above, are on a candles were we wouldn't see a printed cross. You know what I mean?

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.

Q: Do you trust the Pullback formation and take the trades no matter what higher time frame trend/correction is going ?

Price action is mostly about market corrections and waves. Even if the higher time frames show that the bias is long, for example, there can still be waves that move short. When one is just trying to pick up 20, 30 or 50 pips and there is some confirmation that price will move 3 to 8 candles (per Big E) in any direction, I have no problem taking a short term reversal with the understanding that the market will resume the overall trend again and longer term trades (H4 or Daily) need to be taken in that direction.



Q: As I wrote on the screen if we imagine that would be our active candle, the tdi can still move. Actual there is a cross, and you already enter.

BUT now why I asked, if the price would go up with that candle, there would be NO cross anymore, because the candle is still active and also the TDI could change. That's why I ask if the candle formation and breaks are more important as a printed cross? A printed cross is for me, after your entry candle has closed, because then the TDI can't change anymore on that point.

I understand your question and what you say is true if you are using a version of the TDI that moves real time. The TDI I have on my charts only moves at the close/open of each candle so when the red candle (where your arrow points) opened, the TDI green line crossed over the red and the yellow lines. I entered shortly after that candle opened. Yes, it is possible that price could reverse again and move back up, and if it did, the TDI I have on my charts would only change at the close of the candle your arrow points to.....and once it closed, the TDI would cross back up again.

But that seldom happens when the TDI green crosses both red and yellow. That is where confidence in your system comes in. 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.

Q. I am trying to use Cave Manager with your settings. In your previous description, I found your two setups for both 15M and 1H:

Aug 4, 2013 1:14am

"I have the Trail By Candle set to true with the pips behind candle at 10 and Activate After Pips set to 16 and the EA is on my M15 chart"

<http://www.forexfactory.com/showthre...72#post6866272>

Jun 7, 2013 5:31am

"I will use the Trail By Candle on the H1 to trail behind candle HL by 5 pips and that is set to activate after 16 pips"

<http://www.forexfactory.com/showthre...96#post6735696>

When you trade at 1H chart, you use CM 1H setup, and when you trade based on 15M chart (scalping) you use CM 15M setup. Is that correct?

I only use the CaveManager to set my initial TP & SL when I open any trade and I use the BE tool to bring my SL to BE when price reaches a given point during the trade, depending on how the market is trending at the time.



Q: On 17-04 NYO appeared PCRFB but it turn out to be consolidated market, is this the right PCRFB or not ? What do you think about this?

At first glance it looks like a PCRFB but if you look at the pdf posted earlier, one of the requirements is that "The wick of a pullback candle must be at least 1/2 of the total size of that candle....." Based on that, this formation would not qualify as a PCRFB. And you are right....price was in consolidation so even if it was a PCRFB, price probably would have not gone far. All the formations, indicators, trends and S/R levels mean nothing if there is no volatility in the market.

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: HI trade since LO, was really into waiting LO set the low and took the trade long, for the first time after following TMS I could manage to take a trade after waiting London to set the low as Phx62 always did , is not easy, but was thinking about EMA 200 as support and it did.

I think following and understanding the movements of price is what matters, you cant think that London will set the low, that doesn't work , you will have to dig in deeper to understand price movements. Waiting London to set the low could never happens, the trade moves and the low never comes until market close.

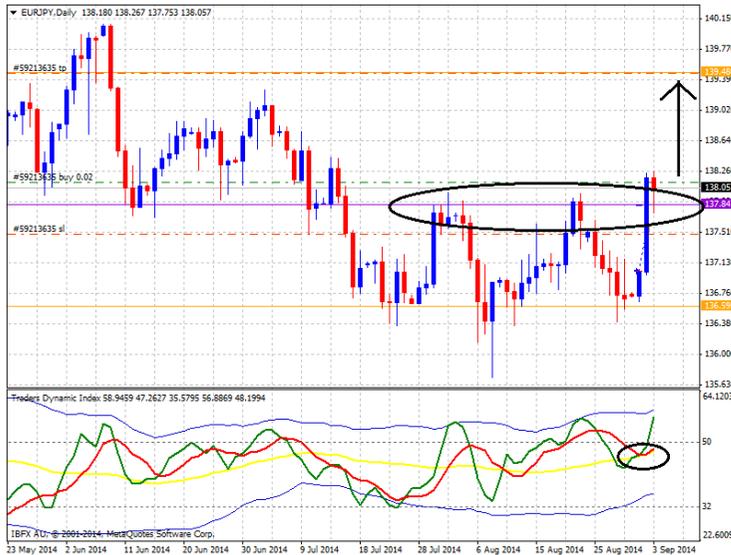


Assuming that the green box is your London session box, the low of the session was set by the red candle that you entered on...and then price moved 5 candles away from that low. Typically, the London session will set a HIGH or a LOW and then move 3 to 8 candles (sometimes even more) in the opposite direction. Does it happen at every London session?....NO. Does it happen often enough to make it a strategy to watch for when trading London?....YES. Having a working knowledge of price action and candle patterns is also necessary to make this strategy work. Conservative entries should still be made based on Big E's TMS system....1st or 2nd candle of a different color and a cross of the TDI. More risky entries may be made before the cross of the TDI based on candle reversal patterns and if you are right, more pips in your pocket.

I have received several PM's over the past couple of months asking me if I am still trading this system and asking me to post some charts. While I do not intend to become active in this thread again, I thought I would post a couple of charts showing trades that I took this week. I do stop by and read posts occasionally. Lastingwell, ScorpS and the rest of you, keep up the good work. The simple system outlined by Big E works and I am grateful he shared his insights with us all before he passed.







Q: Take a look at the E/J trade. I traded this on H4, more on D1 chart. At the violet resistance I saw that the bulls were struggling with the bears but I didn't had a bad feeling. Especially with the good conditions of D1 TDI template. And in one moment everything false down. I was stopped out at SL.

There was on TDI long entry on trade 1 or trade 2. On trade 3, there was no momentum in the market. See chart comments.



A nice, easy, 4 day H4 trade that hit TP over the weekend. A lot less stress and monitoring.

Trade was taken on the H1 time frame at LO following a PCRFR and then moved to the H4 time frame after a strong move down.



Q: On your trade though at around the 3rd Sep 20:00 mark the TDI takes a sharp turn up to touch the red line then to come back down again. But as this was unfolding (without being able to see what was coming later) you would have seen it take this sharp turn up which is an exit signal if I'm correct. How did you know to stay in the trade and that it would continue down again?

I do not use the TDI to exit trades, only to determine possible entries. I look for a closed candle in the opposite direction to determine when to exit. There was a closed blue candle at LO on 9-4 following the usual Tokyo session consolidation. I had already moved my SL to lock in 50 pips. When I saw the closed blue candle, I monitored to see if the next candle would break above the closed blue candle and create a reversal situation with a HH. If it had, I would have manually exited the trade. That candle created a double top with the blue candle but did not break above it and instead price moved lower again. I determined, at that point to stay in the trade.

Three trades so far this week on EA H1.....two successful and one BE.



This weeks trades on EA H1. The first three were posted earlier. Pretty easy trades and a couple of them gave up more pips that I missed but overall, a good week.



Q: Regarding that last trade of the week I noticed the TDI green was below red. At the time you took that trade had it crossed up above red? or was there some other factors which made you go long?

I mostly trade the London session so I have lots of practice there. The trend was up all week and when the second London candle broke above the previous two candles, I took a chance and went long. The TDI had not crossed but I expected it to cross long eventually. It took a while to reach the target but finally made it. I set my alarm for each new hour and checked each new candle and would have exited on a closed red candle.

GJ trades that I have been in for 3 days, adding positions as it developed. A near perfect ABCD setup (see the H4 chart). All entries and monitoring was done on the H1 time frame (see H1 chart). Initial entry on a Pullback Candle Reversal Formation with the angle of the TDI up but not yet crossed. Entered based on the PCRF and the ABCD setup. Entry 2 on a LO continuation. When the LO candle broke above the previous candle, I entered. Entry 3 made following a strong blue candle and I just happened to be at my computer. I don't usually trade that time of day but entered based on the ABCD setup. Entry 4 was made on a LO pullback and all 4 trades hit the target based on the ABCD setup.





Q: Wow! 1082 pips in 2 days. You're the king with this system. What does PCRF mean? And would you mind telling me what the indicator on the top left is (the M1 M5 M15, etc).

Pullback Candle Reversal Formation....it is explained in one of the Phx62 pdf's that some kind soul compiled of my past trades. You can find it in the paperclip at the top of the thread....it is either study 3 or study 4.

The indicator is a custom indicator that I paid for.

Q: I'm curious - how do you manage your stop loss in this case as you're targeting an ABCD exit? I know you previously stated that you would look to see if a candle closes in a different colour before "deciding" whether to exit, but do you continually move your stop loss to lock in profits or would you just leave it at BE until target is reached?

On an ABCD trade that I expect to move a lot of pips, my EA brings the SL to BE at 26 pips profit on each entry and then trails price by 100 pips once I am 100 pips or more in profit. The SL is just an emergency SL. I may exit at any time based on how price is moving. I am looking at GJ now and it is continuing to go long. The next major resistance area occurred in 2002, so price has a long way to go to hit resistance.....I will be entering again cautiously, on a consolidation and TDI cross. I fully expect a price correction before long.

Q: Just wondering how and how long did it take you to get to 1000pips stage?

I started as a newbie over 8 years ago. I've only been focusing the higher time frame trades and long trades for just over a year.

Q: Do you tend to use ABCD for determining your targets now, or do you look for a particular set up that signals to you, indicates an ABCD trade is on the table?

NO. I only find ABCD trades occasionally. I enter 98% of my trades on H1 TDI setups after considering price action, candle pattern setups and major resistance areas. Sometimes those trades become H4 trades or ABCD setups.



One last GJ trade for the week....after LO. Back to my business on Monday so I won't be posting much. Success to each of you.

My EA H1 trades last week.



Trades this week.....lots of movement and some good entries on the EUR/AUD pair during the Tokyo session and a couple of good ABCD moves confirmed by the TDI. Later in the week, volume died down on that pair and the TDI stayed close the 50 line meaning there were no good entries or price movement. During big US news announcements I try to trade a USD pair. On Friday I traded GBP/USD and the NFP also went the same direction as the London session (no, I did not know this would happen in advance). I just kept moving my SL & TP. Finally reached the 150 pip TP. A very good week.





Q: Look this chart , and see if that clear the concept, ABCD is one of the best thing I have learnt about in trading, works magic, and not an easy approach to master, simple yeah but takes a lot of time to see which one will work.

The CD leg starts where ever the last red candles reverse and start back up.



