

James16 Forex Trading Strategies

*Posted by **Mangi Madang** on December 1st, 2013*

There's a guy somewhere over at [forexfactory](#) who has come up with some amazing [forex trading strategies](#) based largely on [price action trading](#) by the name of **James16**.

James16 got a large following there regarding the type of strategies or the combination of forex trading strategies he uses there.

I believe, he is no longer supporting the thread he started some years ago at the moment as he has got his own site where traders subscribe for a monthly fee to learn the **james16 forex trading strategies and methods**.

WHY ITS SO FRUSTRATING TO READ THE JAMES16 THREAD AT FOREXFACTORY

You know the greatest frustration I have is trying to read through the 6453 pages of thread (to be exact as of 1st Dec 2013) and can't figure out what the heck is james16 trying to say. For example, he just:

- posts a chart of a trade setup he'd take and
- put very few words on the charts
- with some few lines and circles
- does not really tell you how he managed his trade
- and he does not really explain to you how he exits a trade (if he has, I have not seen a post of it yet, as I am quite impatient to search for it)

And guess what this does to you?

You getting stuck there staring at the charts and trying to figure out what's going on...reading through thousands of pages of threads trying to understand the James16 forex trading methods.

Maybe, he has in some detailed trading rules in his posts, I don't know...but if you find it, I'd be glad if you can use the contact form of this website down below and post me that link to that post and I can update this post.

But for now, this is my interpretation of **James16 Forex Trading Strategies and Methods**

He appears to be a person who does not really have a knack of explaining his trading strategies in a clear-easy-to-understand manner for newbie forex traders.

Even Advanced forex traders will take some time to understand the forex trading strategies in james16 posts.

The way to understand a trading strategy properly is to write it in a structure similar to the forex trading strategies that are on [this site](#):

- explain and give an overview of what the trading strategy is all about.
- state what timeframes that you can use it on.
- start what types of forex indicators are required (if any)
- give the entry and exit rules.
- explain how to manage a trade in profit.
- explain with charts
- Keep it short and simple.

I mean, that's the way I'd prefer to explain a forex system (I don't know you).

IF YOU WANT TO READ MORE THAN 6400 PAGES OF THREAD, HEAD OVER TO FOREXFACTORY...BE MY GUEST

However, if you are lazy and just want to get to the meat of the forex trading strategies that james16 uses then keep reading.

In short, I am going to simplify the forex trading strategies james16 uses.

If you are a new forex trader, you will find this a bit too much, you have to read a handful of times to fully absorb all the information.

Note: these are my interpretation so it may not be exactly as james16 was talking about (You can't crucify me for that can you?)

WHO IS JAMES16?

Don't know who or where Jame16 is from but he is probably is a full time trader who has been trading for 30 years.

James started the thread because of all the pleas for help from many retail newbie traders and he was tired of seeing all the crap written about trading, so he thought he would teach what he knows.

WHAT TIMEFRAMES DOES JAMES16 USE?

James16 tends to prefer trading the daily and the weekly charts. James16 says that larger timeframes have more probability of success compared to trading in smaller timeframes. I would agree with him on this.

What this means for you reading this is this: you will have less, it may mean one or 2 trades a week. If you are forex trader that like frequent trading, this will really test your patience (seriously!)

For forex scalpers, or intraday traders, these forex strategies are not for you.

JAMES16 TRADE ENTRIES SUMMARIZED

1. James16 focuses on buying the dips in an uptrend and selling the rallies in a downtrend.
2. He does this buy using Price Action Around Areas of Support, Resistance, Fibonacci Levels etc...
3. His trade entries are based on a 2-4 bars reversal candlestick patterns clustered near points of confluence.

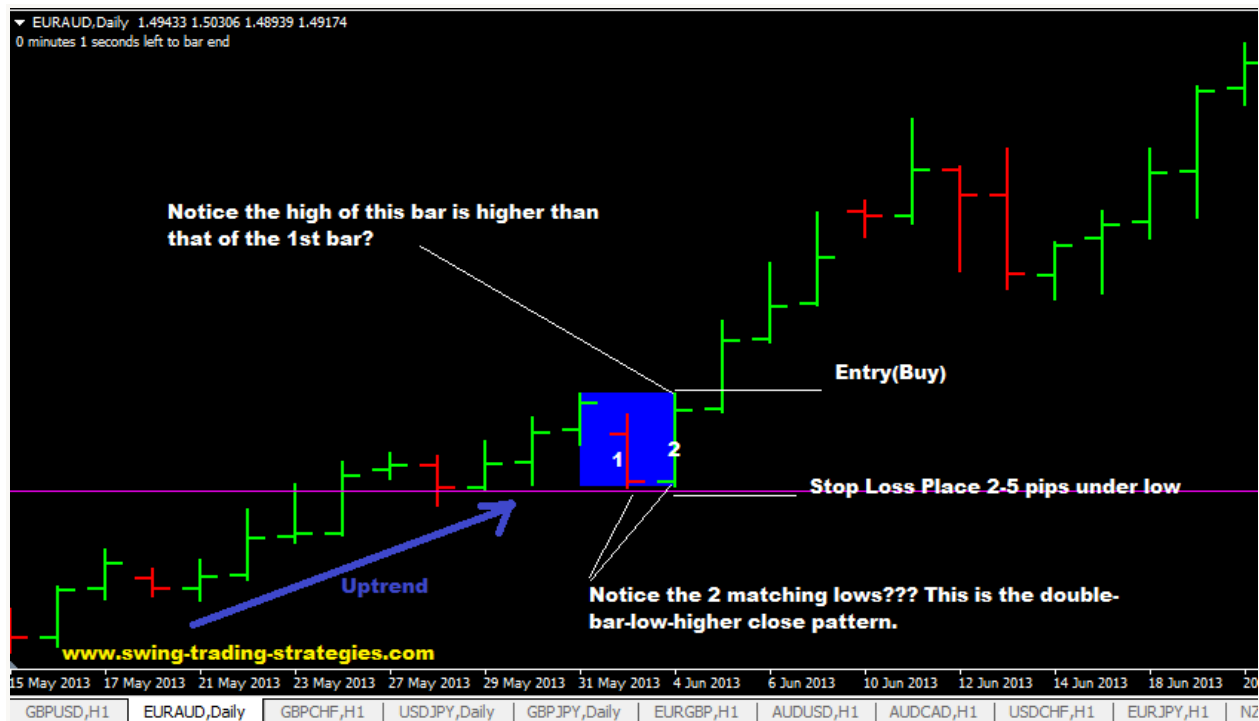
THE 6 MAIN PRICE ACTION PATTERNS JAMES16 USES

1. **DBLHC**-Double Bar Low Higher Close
2. **DBHLC**-Double Bar High Lower Close
3. **Two Or More Matching Highs Or Lows**. Must be within 2 pips of each other. If the high or low is broken, it means the resumption of the current trend.
4. **BEOVD**-Bearish Outside Vertical Bar(This is Simply Bearish Engulfing Pattern)
5. **BUOVB**-Bullish Outside Vertical Bar (This is Simply Bullish Engulfing Pattern)
6. **Pin Bars**

Now Lets Go Through Each One Of The 6 Price Patterns James16 Uses...

JAMES16 FOREX PATTERN #1: DBLHC

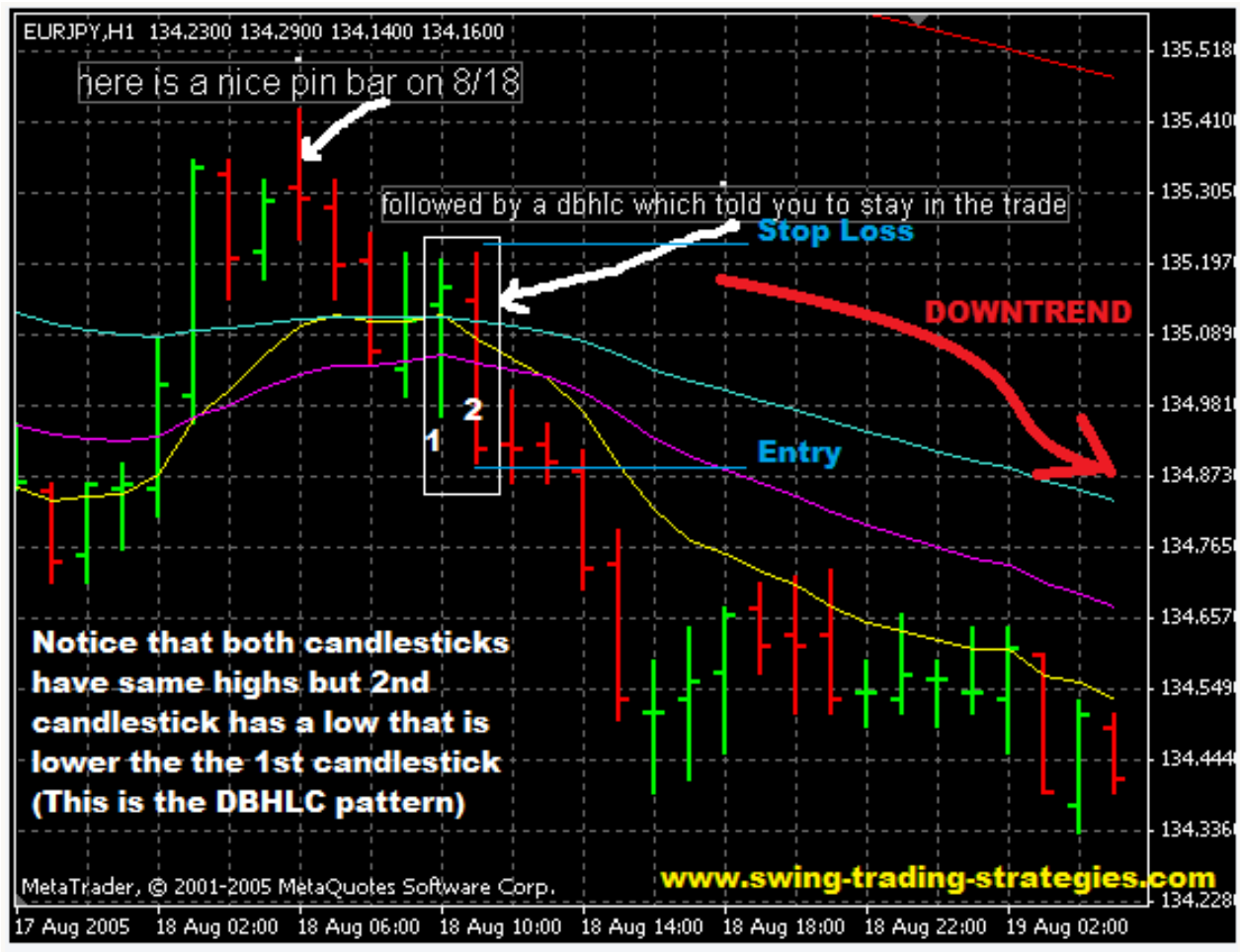
- The DBLHC stands for Double Bar Low Higher Close.
- How to spot this pattern: Look for two bars that have lows that are almost on the same price level or within 2 pips of each other
- but the second bar must have a **close that is higher than that of first bar**. See chart below.
- this is a bullish forex chart pattern and therefore you should be looking for this chart pattern when a market is in an uptrend.
- Trading this pattern is pretty straight forward: you can buy at market order as soon as 2nd bar closes or place a pending buy stop order just 2-5 pips above the high of the 2nd candlestick.
- Place your stop loss 2-5 pips below the low of the 2nd candlestick in the pattern.



JAMES16 FOREX PATTERN #2: DBHLC

- The DBHLC stands for Double Bar High Lower Close.
- How to spot this pattern: Look for two bars that have highs that are almost on the same price level or within 2 pips of each other
- but the second bar must have a **close that is lower than that of first bar**. See chart below.
- this is a bearish forex chart pattern and therefore you should be looking for this chart pattern when a market is in a downtrend.

- Trading this pattern is pretty straight forward: you can sell at market order as soon as 2nd bar closes or place a pending sell stop order just 2-5 pips below the low of the 2nd candlestick.
- Place your stop loss 2-5 pips above the high of the 2nd candlestick in the pattern.



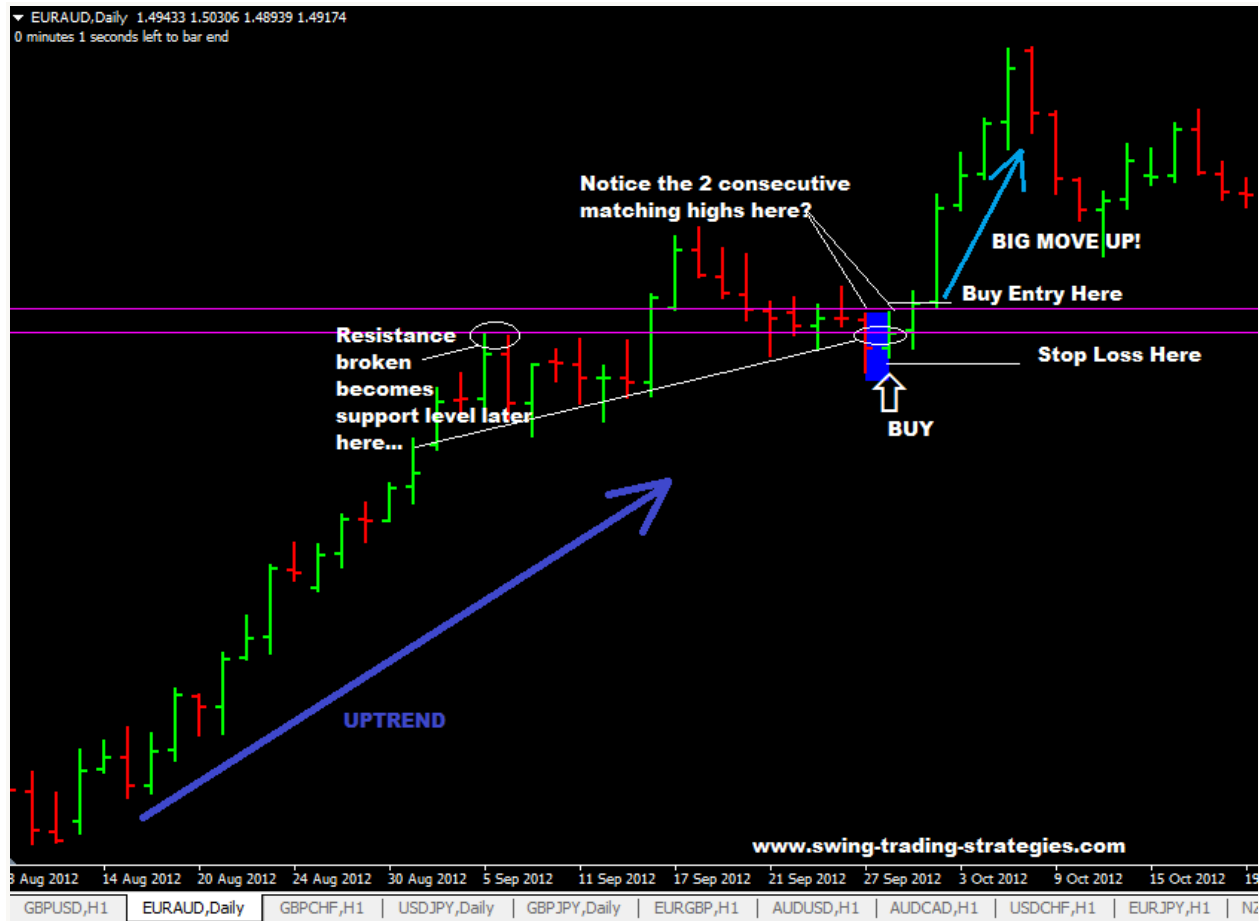
JAMES16 FOREX PATTERN #3:TWO OR MORE MATCHING HIGHS/TWO OR MORE MATCHING LOWS

#3a: Two Matching Highs Forex Chart Pattern:

- How to spot two Matching Highs: Look for two bars that have **highs that are almost on the same price level or within 2 pips of each other**
- this is considered a **bullish forex chart pattern** therefore you should be looking for this chart pattern when a market is an uptrend.

- Trading this pattern is pretty straight forward: you can buy at market order as soon as 2nd bar closes or place a pending buy stop order just 2-5 pips above the high of the 2nd candlestick.
- Place your stop loss 2-5 pips below the low of the 2nd candlestick in the pattern.

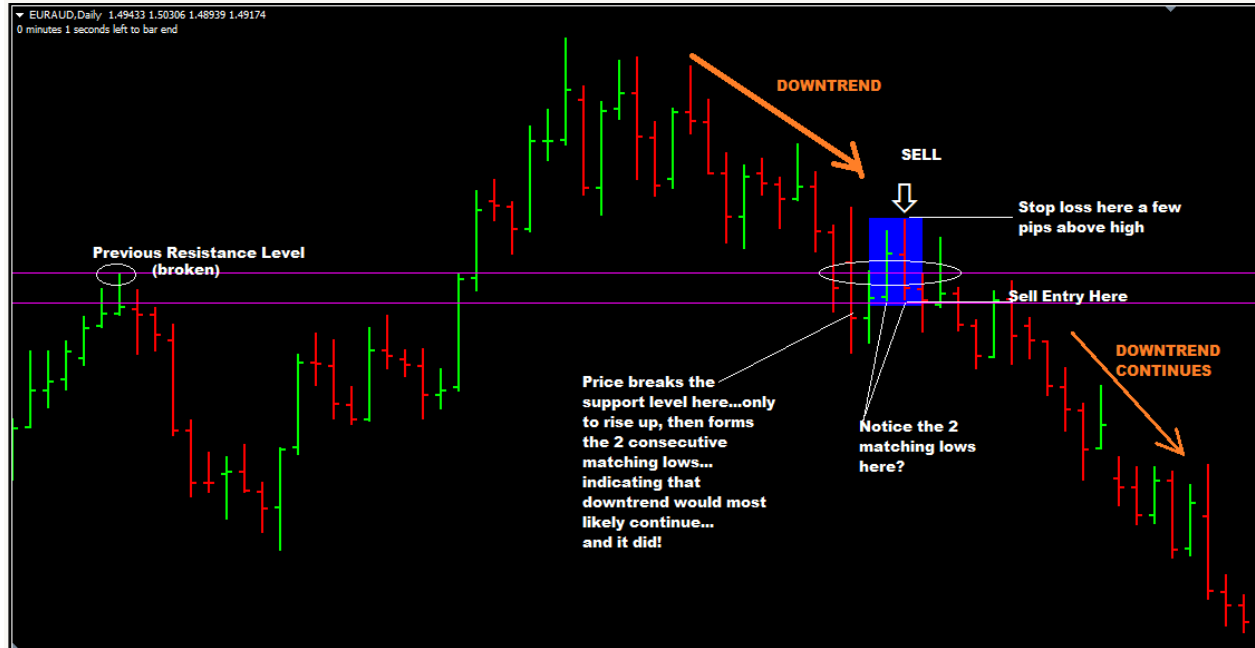
Here's what Two Matching Highs Forex Chart Pattern Looks Like:



#3b: Two Matching Lows Forex Chart Pattern

- How to spot two Matching Lows Forex Chart Pattern: Look for two bars that have **lows that are almost on the same price level or within 2 pips of each other**
- this is considered a **bearish forex chart pattern** therefore you should be looking for this chart pattern when a market is a downtrend.
- Trading this pattern is pretty straight forward: you can sell at market order as soon as 2nd bar closes or place a pending sell stop order just 2-5 pips below the low of the 2nd candlestick.
- Place your stop loss 2-5 pips above the high of the 2nd candlestick in the pattern.

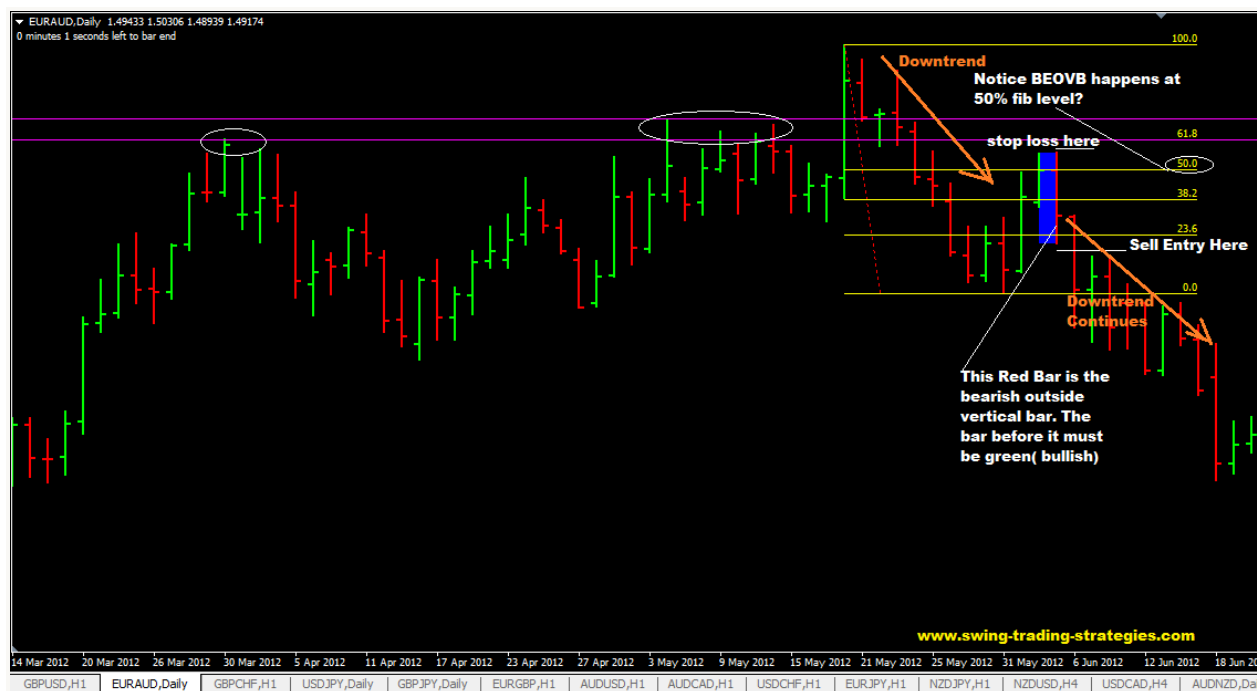
Here's what two consecutive matching lows forex chart pattern looks like:



JAMES16 FOREX CHART PATTERN #4: BEOVB

- The BEOVB stands for Bearish Outside Vertical Bar.
- How to spot this pattern: This is a two bar forex chart pattern and the first bar must be a bullish bar (green) and the 2nd bar must be bearish which overshadows the 1st bar because its high may be a few pips more higher than that of the 1st bar and its low may be a few pips or more lower than the 1st bar.
- this is a bearish forex chart pattern and therefore you should be looking for this chart pattern when a market is in a downtrend.
- Trading this pattern is pretty straight forward: you can sell at market order as soon as 2nd bar closes or place a pending sell stop order just 2-5 pips below the low of the 2nd candlestick.
- Place your stop loss 2-5 pips above the high of the 2nd candlestick in the pattern.

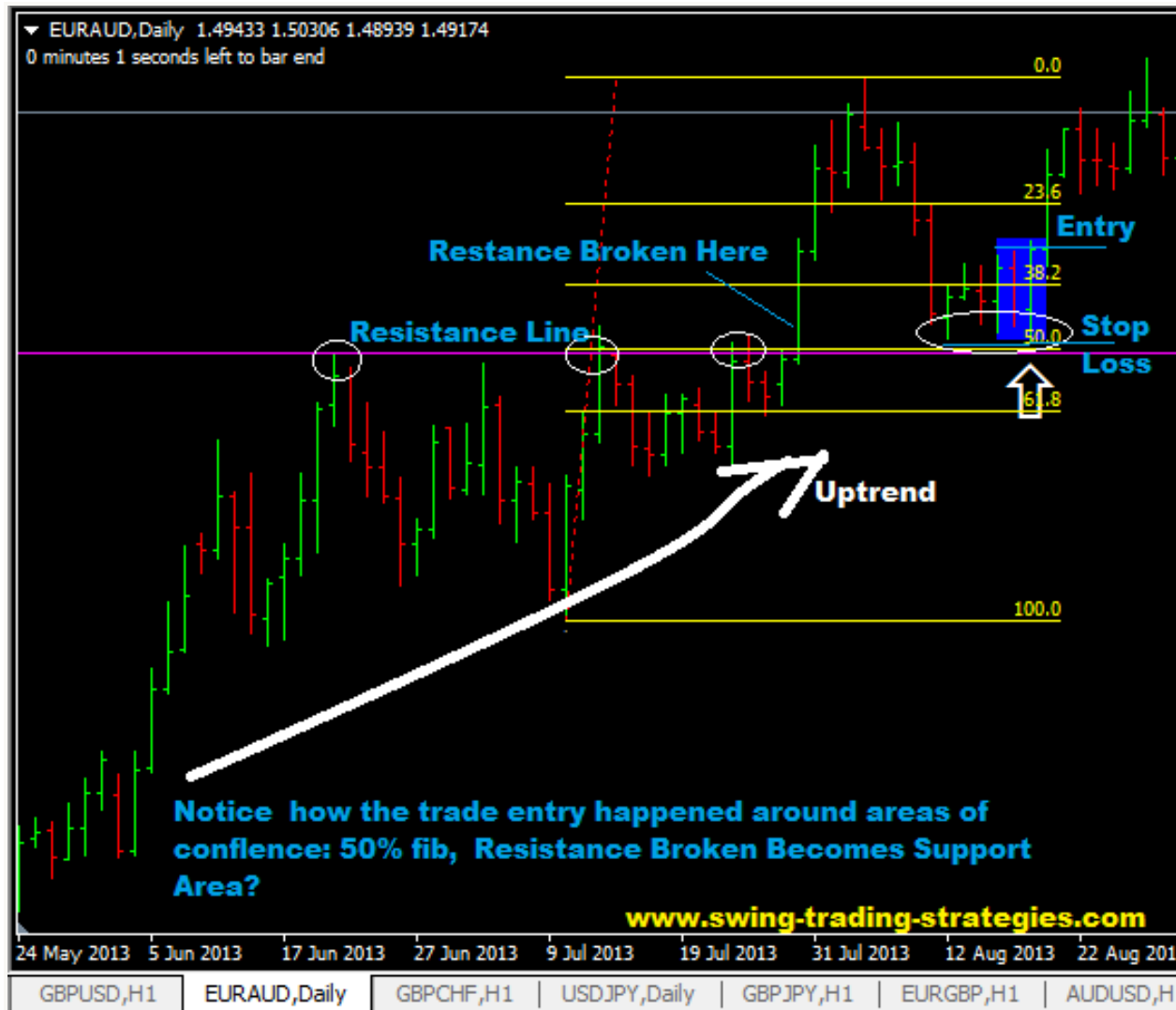
Here's what BEOVB forex chart pattern looks like:



JAMES16 FOREX CHART PATTERN #5: BUOVV

- The BUOVV stands for Bullish Outside Vertical Bar.
- How to spot this pattern: This is a two bar forex chart pattern and the first bar must be a bearish bar (red) and the 2nd bar must be bullish (green bar) which overshadows the 1st bar because its high may be a few pips more higher than that of the 1st bar and its low may be a few pips or more lower than the 1st bar.
- this is a bullish forex chart pattern and therefore you should be looking for this chart pattern when a market is in an uptrend.
- Trading this pattern is pretty straight forward: you can buy at market order as soon as 2nd bar closes or place a pending buy stop order just 2-5 pips above the high of the 2nd candlestick.
- Place your stop loss 2-5 pips below the low of the 2nd candlestick in the pattern.

Here's what BUOVV forex chart pattern looks like:



JAMES16 FOREX CHART PATTERN # 6: Pin Bars

Pin Bars Are Amazing! Especially when they form around areas of confluence (fib, pivots, support and resistance levels).

- Pin bars show a clear rejection of a price level and are often followed by a large directional move opposite the direction of the rejection.
- However, it takes a skilled and discerning eye to find high-probability pin bar setups that are worth risking your hard-earned money on.
- Thus, you will need to learn what a valid pin bar setup looks like, as well as when and how to trade them.

Pin Bar Fact#1:

A Pin Bar is “NOT” a hanging man or doji candle. It’s a unique candle which shows rejection of a level via an obvious spike, or tail, much larger than the entire body. It’s only a valid pin bar “setup” if it forms in the correct place, otherwise, it’s nothing to take notice of. In other words, just because a candlestick has the form of a pin bar does mean it’s a trade-worthy pin bar signal.

Pin Bar Fact#2:

You have to trade the pin bar in the opposite direction the spiky tail (also known as the shadow) is pointing. So, a bullish rejection pin bar is one that rejects lower prices and thus tips off to take a long position or buy the market, while a bearish rejection pin bar is one that rejects higher prices and thus tips us off to take a short position or sell the market.

Pin Bar Fact#3:

Trading the pin bar strategy on higher time frame charts like the 4 hour and daily time frame, is a much higher probability way to trade them than trading them on the 5 minute or other low time frame charts.

Pin Bar Fact#4:

You don’t just trade any old pin bar, because not all pin bars are created equal. You want to trade pin bars that form at swing lows in an uptrend or at swing highs in a downtrend. Ideally, you want to see a pin bar make a rejection or a “false-break” of a key level. Essentially, you want to trade pin bars with confluence, or at high-probability levels in the market.

Pin Bar Fact#5:

You can also watch major EMAs (exponential moving averages) for pin bar setups. The main EMAs that you can use are:

- the 8 and 21 period EMAs
- the 9 and 18 period EMAs
- the 7 and 14 period EMAs

Pin Bar Fact #5:

Pin bars can be traded successfully in both trending *and* range-bound market conditions. This fact makes it one of the most versatile [forex trading strategies](#) out there.

HOW TO TRADE PIN BARS:

The chart below shows you how to trade pin bars:



So there you have it, now that you know some solid facts about Forex pin bar trading, why not you try it in your forex demo account.

Focus on trading pins bars in trending markets first as this gives more high probability of success.

Later on as you gain confidence, you can try trading on range bound markets.

IS THERE ANYTHING ELSE JAMES16 USES IN HIS TRADING ARSENAL?

Yes, James16 also uses moving averages as well as support and resistance levels in order to see the big picture.

The simple averages he uses are the 21, 79 and 365. The Exponential MA is 89. He say's he uses these moving averages as support and resistance levels.

He also uses a Keltner Channel with 8, 1.3, 1.3 as settings.

What is the purpose of the moving averages? I most likely think he uses moving averages for:

- trend direction and understanding the big picture.
- trading off the bounce of moving averages similar to the [floor traders method](#)...most likely using the 6 forex chart patterns explained above.

I hope this post has clarified some of the confusion surrounding the james16 forex trading strategies and methods.

Please if you've enjoyed this post, as a means of appreciation, why not click those buttons below to like, tweet, G+1, or share?

Regards