

Joe

Over at FF, Graeme (pipEasy) has one of the most successful threads running – 'Building an equity millipede' – find it at <http://www.forexfactory.com/showthread.php?p=3863677#post3863677> This is a fabulous thread and I imagine that anyone who reads it through will gain much.

Graeme has posted a trading system from this post onwards:

<http://www.forexfactory.com/showthread.php?p=3947683#post3947683>

Chong sent me the link this morning, along with links to the subsequent posts. I have copied the posts and joined them here to create this document. Our warmest appreciation to Chong.

SwingMan made an indi to give an instant visual realisation of flying buddhas; the indi is attached.

The EA will be called Joe after the trader who shared this knowledge with Graeme, even though Joe is not his real name. What follows are copies of the posts.

My colleague wishes to remain anonymous however I do have his full permission to share his knowledge for the benefit of all.

Please note that I have mentioned that is it an entry indication.

For the sake of my typing please allow me to call my colleague Joe. Not his real name.

Joe uses 2 indicators.

Orangered - 10 ema close, exponential

Dodgerblue - 5 ema close, exponential

He only uses 4 hour chart.

He does not base his entries on the indicators per se however he does wait for opportunities when the price is 'sticking out.' He does not know the fundamental reasons why but he likes his entry 'indication' cause of the low risk involved.

His winning rate on the initial entry is only marginally better than 40% however it is this winning 40% of the initial entry trades that are so much bigger than the losers with static loss. He makes sure that his winners are stretched out to maximum. That is his '1 thing.'

As a messenger in relaying his method I have personally used this entry 'indication' to great results as well.

Joe would only use sells. He never answered me properly why but Im sure if it works very well for sell then it will also obviously work well for buys. I do personally believe that his concentration is so great that he would prefer to focus just on one side of the coin. He still manages to live an outrageous lifestyle with this method so I do not further question why he only takes sell.

Joe waits for a certain candle to finish forming above the 5ema 'without' any of its body or

wick touching the 5ema. He calls them flying buddha.



Joe explains that his first advantage in this entry indication is that it is a very low risk most of the times with potential high profits. Very similar to why inside bars are so popular.

The rules are very mechanical.

Joe waits for a flying buddha to finish forming. He would enter sell at the open of the next candle with hard stop loss at the top of the flying buddha with little bit more space.

This is one of the other successful entries.

Eur/usd in May



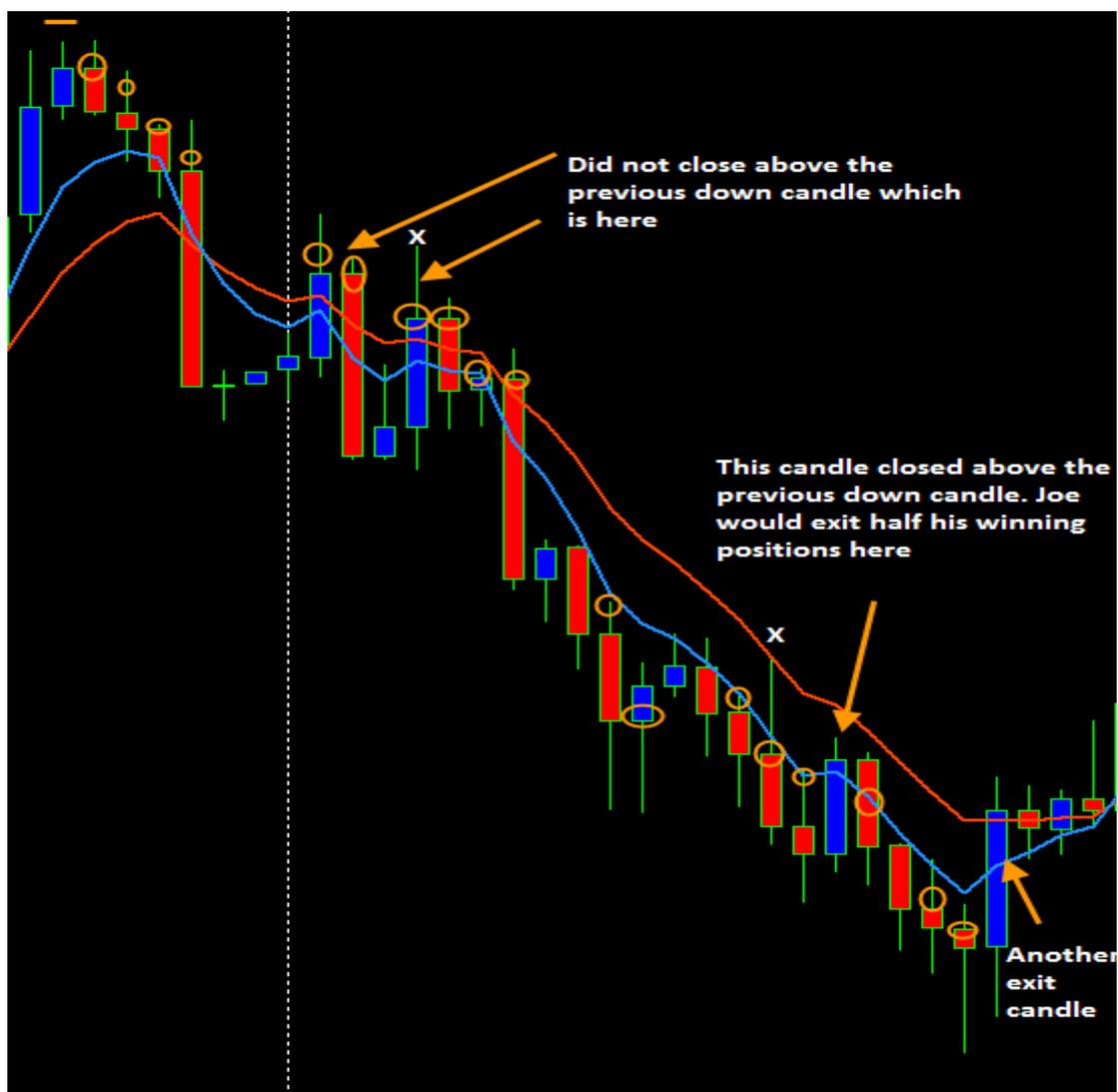
Joe also describes that some of his flying buddhas are also inside bars occasionally that are positioned for a greater opportunity to be profitable.

Joe is a thrill seeking trader. This is in his own words. Even though his entry method is pre-defined (which is entering just after flying buddhas) he will whet his appetite of risk taking by stacking positions while the flying buddhas are in effect. And he would only stack positions at 50% fib of the 'previous candle' mostly from buy/sell limit orders. Stop loss for the new position is set at above the high of the previous candle (including the wick) with little bit more space.



Joe would close a portion of his legs at the first sign of reversal which for him is when price closes above the previous **down** candle open price. He would hold onto the remaining positions and if the price continues down trend will continue stacking positions again at 50% fib of the previous candle. He is scaling in out and out of the market but using multiple positions instead of just one.

I mention again but flying buddhas have only marginally better than 40% win rate on the initial open position. Joe knows this and makes sure every winning opportunity is stretched out as far as possible and then he would go on a holiday.

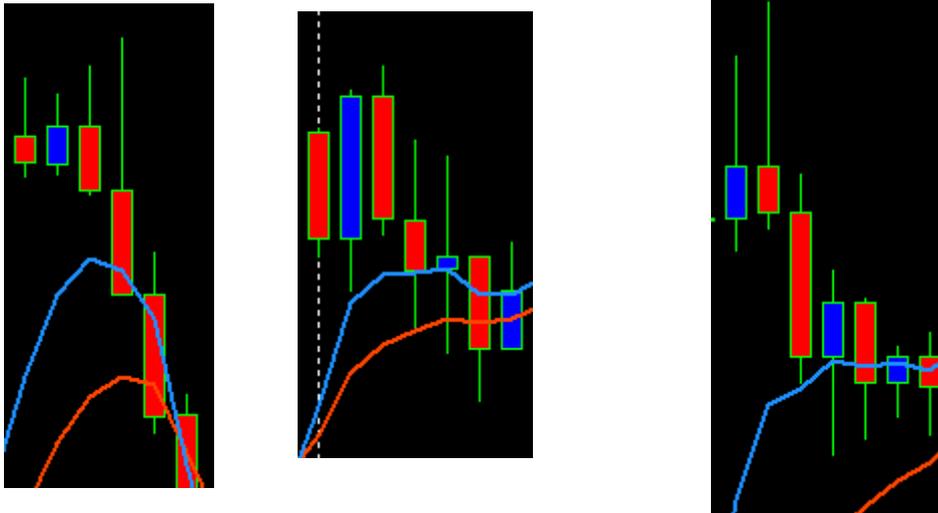


Joe has been a live trader for almost 5 years and trading flying buddhas exclusively. He uses 8-10 standard lots per position and his success can only be dreamed by most traders. He has almost 5 years of live statement to boast and it is definitely impressive.

Joe now admits that the main essence of profitable trading is not from taking flying buddhas but from stacking positions whilst the trend is established. He knows that he can enter any low risk entry and still swing the advantage to his side by stacking positions whilst the trend is intact. However to this day he still uses flying buddhas exclusively as he does not wish to start testing out variances to his already proven method.

Personally I also agree that his success is from stacking positions to his side when the market is favouring him with a trend.

Now to show all readers some of the failed flying buddhas.



Please note that one of the strengths of this entry indication is that loss is relatively small and static. Whilst any winning position will lead to a much greater reward without any limit to what it can achieve.

Joe once told me that a flying buddha lasted more than 4 weeks and ended up taking profit in 6 figures (hundreds of thousands). Im sure that will cover the next series of unlucky flying buddhas that doesn't work out

Quote:

Originally Posted by **fugly** >

Graeme thx very much for teaching us this flying buddha entry method.

you said

From the chart you posted shows he doesn't attempt to stack positions at the 50% fib of every subsequent candle after his initial entry, could you please tell us how he selects which candles should be considered for possible additional entries at th 50% retracement.

Good morning, fugly

Apologies for the poor quality of the charts.

Sometimes the new candle opens at 50% of the previous candle - then he would enter with SL just above the high of the previous candle

Sometimes the new candle opens above 50% of the previous candle - then Joe would enter at open again and place SL just above the high of the previous candle. This is a bargain trade for him

Sometimes the new candle opens below 50% of the previous candle - then he would place a buy/sell limit order at 50% of the previous candle and stop loss again at the top of the previous candle

If you see that the next candle is too close to the previous then use 50% fib of the larger candle before the previous candle. But this is to your discretion and risk taking appetite.

When a candle closes above the previous down candle or below the previous up candle, then Joe would close a mix of larger and smaller positions and keep the largest 2 positions till the very end when he closes all positions.

All traders must understand that this method works:

1. Not because of 'flying buddha' but because maximizing the profit taking on a given golden opportunity.
2. Potential loss is very small compared to the potential profit.

Quote:

Originally Posted by **ozziedave** 

Hi Graeme,

On the flying buddha entry do you first determine the trend direction. For example, trend is down and we get a pullback above the 5 EMA and a flying buddha forms. This would be a short signal.

Post hidden because ozziedave is on your [ignore list](#).

Good morning, Dave

Apologies, i have left that out and it is important.

Joe only takes sells and looks for flying buddhas when 5ema is above 10ema. He is a swing trader.

If you scan the charts you will notice flying buddhas quiet often. Please note that the success rate of the initial open position of flying buddhas are only marginally better than 40%.

Edit: Some of the larger countertrends often start with flying buddhas followed by momentum. Usually the next candle right after the flying buddhas will be a breakout.

Sincerely,

Graeme

Quote:

Originally Posted by **geoffrod** 

Hi Graeme, yet again you give us diamonds in your words.

i find this very interesting and wonder, if we where only to look and find the flying buddahs, but hold off on acting on them, until we are more certain it was a successful flying buddah, and enter and add to the position as you would normally???, the premise is we are still looking for the possible entry in the same way, but are not just blindly entering because of it???, and we are adding to the position with the momentum of the trend???

anyway just something that came to mind when i was...

Post hidden because geoffrod is on your [ignore list](#).

Good morning, Geoff

Correct.

All readers please read Geoff's post as there is an important related discovery.

Most flying buddahs are strong indication of trend change but if you want to sincerely lower your drawdown/risk, you can 'add' a personal touch to flying buddahs and filter it. Accuracy may improve but you may also slightly lower your profit. Its all relative.

An amateur trader will look at flying buddahs and sigh at the low win rate but I assure you most sensible systems in this forum is less than 50% win rate.

Inside bar has a similar win rate however they offset the lower win rate by urging traders to enter 2 positions at entry and aim for 1:3 on one position and higher r:r on the second (apologies if the numbers are slightly off as I havent been on their thread for a very long time). Can you see what they are doing? Maximizing profit taking in one given golden opportunity by increasing exposure which in this case is using more than one position.

It is how we manage the trade to maximize our profit takings on a given opportunity that divides the amateurs from pros.

The easiest and most well known method in maximizing our profit is using higher r:r than 1:1. With a 50% win rate and 1:2 r:r you would be very rich sooner or later as the odds are on your favour. However, whether the 50% win rate is a true hard percentage or not is questionable in most cases.

Traders get confused when pros advise them to be mechanical in trading. In a sense the pros are referring to be mechanical in the 'approach' but not the trading. However, traders believe mechanical is when 'something' happens that they are waiting for which triggers their entry or exit. That is not mechanical but pre-defining your action and we all know how I feel about that.

Sincerely,

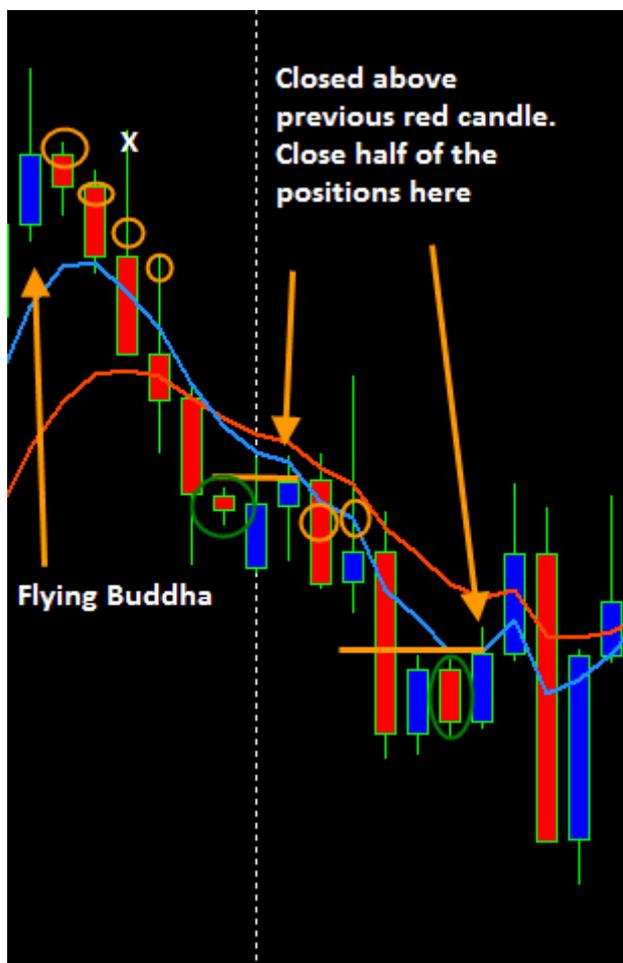
Graeme

This is a gbp/usd 4hr chart. I have circled the positions that are added and x is a loss as the price retraced further than the previous candle high.

When Joe knows that the initial open position is working well, he will stack positions in 1hr, 15minutes as well with similar approach. When a golden opportunity buddha is happening he will stack very aggressively. He always ensures that the new addition has its SL always moved to BE before adding the next. He is quick to retreat when he notices price close above previous down candle open price or below the previous up candle open price. And once he believes the trend resumes he will start stacking again.

Joe scales out by almost halving the number of positions. If he has 11 positions before the first reversal candle he will close 5 position leaving 6. If the trend resumes then he will continue stacking however if the next candle is also a reversal candle on the wrong side, he will further close 2 position leaving 3. But if it picks up then he will continue stacking from 3 positions.

He finds this very exciting and once told me that he reached 40+ positions before the first reversal candle and then continued to stack 30+ more positions before the next reversal candle. He believes that he banked enough pips for the next 100 rows of unlucky flying buddhas. What that means is, any loss accumulated from the next 100 rows of unlucky flying buddhas are already accounted and settled. A different mentality to most traders.



Quote:

Originally Posted by **fugly** 

Graeme in the above example I'd just like to ask:

1) You mentioned he moves to BE before adding each new position, can i ask at what point he moves to BE, for example will he move to BE on the close of the candle he made the entry? Or does he move to BE later?

2) In the above example as he moves to BE before making an additional entry so he makes the initial entry after the flying buddha marked by the first orange circle, on the close of that candle he moves to BE. He makes the second entry on the next candle marked by the second orange circle...

Post hidden because fugly is on your [ignore list](#).

Good afternoon, fugly

Great question and observation

Joe moves his position to BE at the opening of the next candle if its in profit. And then will place another order at 50%. Yes, that X will close first 2 positions at BE and 1 at loss on the 4 hour chart.

Joe uses same principle to stack on 1 hour (and on 15minutes most times as well). So when that X candle is going up it is also closing out few of his 1 hour positions as well. However, he will continue stacking positions until a 'confirmed' 4 hour candle does close over the open price of the previous candle which in this case it doesnt. So in another words he would have positions when price is coming back down on 1hr chart that does not show on that 4 hour chart. When the first confirmed 4 hour candle does close over the open price of the previous candle then he closes half of all his positions including 4 and 1 hour.

His '1 thing' is in stacking positions without the anxiety attack most traders experience. This is up to each individual traders personal risk tolerance.

Even if the price only moved 2 4hr candles down he would still manage his positions to close out on profit and keep the rest for free.

To be honest that chart is not showing a optimum opportunity but even that chart would have pocketed Joe a tidy profit.

If you zoom out and look at a 4 hour chart, you will notice some buddhas run for days. Im not exaggerating to say that Joe would stack many many tens of positions quiet comfortably whilst ensuring that he is reducing/increasing his positions simultaneously.

Sincerely,

Graeme

Quote:

Originally Posted by **leggo** 

Hi Graeme,

Thank you so much. Sorry to clog the thread up but can I ask just one more question? You said that the trend is stronger if the retrace is only to 33% but both You and Joe prefer 50% retest for your entries. I just wondered the reason for this.

Thanks and Regards,

Ben

P.S. I have learnt more in the last week trading the 5 min timeframe than in the previous 8 months of forex. It is hard going at times but I know once I master this then any system I implement will succeed.

Post hidden because leggo is on your [ignore list](#).

Good question.

Joe has more mechanical approach to myself. He would enter price without any personal interpretation on 5minute chart. His strength is in the increasing number of his positions and taking an advantage of a trend to its maximum capacity.

Personally, Im very different to Joe and I honestly have better success rate with my entries. I always always always prefer to have bare minimum drawdown. That is my mentality.

I do trade higher timeframes which has drawdowns that most traders would consider large however it is relatively small to what Im trying to achieve on the higher timeframe with a bigger goal.

50% fib is where most retail traders are watching and it is a strong 'psychological level.' Remember that I always try to piggyback ride and obviously it would be at areas where there is the most attention from others.

All trends start first at lower timeframe so it is very useful to master price action on 5min chart.

However, positions on lower timeframe has lower success rate as the random price fluctuation will take you out more often than the higher timeframe.

Lower timeframe = smaller losses but more number of random losses

Higher timeframe = larger losses but less number of random losses

Its give and take. Which one do you choose?

I believe its always better to learn from smaller timeframe and apply the success over to higher timeframe because you will have much more chances on the lower timeframe to demo your skill.

Methods that work on lower timeframe should also be working on higher timeframe with the exact same effect but just bigger in scale.

Hope my detailed explanation clears some of the confusion.

Quote:

Originally Posted by **leggo** 

Morning Graeme,

Does Joe use 1hr chart for flying buddahs too? I only ask because there was no flying buddah on 4hr last night only 1hr.

Kind Regards,

Ben

Post hidden because leggo is on your [ignore list](#).

Hi Ben

Yes, Joe uses flying buddhas on 4hr and 1hr. All methods should work on all timeframe. Just different 'scale'

Joe knows that 4hr golden flying buddhas work just as well as 1hr golden flying buddhas however different scale.

It can also work on smaller timeframe than 1hr but it would be useless as the golden opportunity will be relatively small for the efforts.

1hr is the smallest timeframe he will look for them.

He uses only sell flying buddhas and 50% fib only.

Quote:

Originally Posted by **@mel** 

Good morning Graeme,

I came across your thread the other day and I decided to read it because the title of the thread got me intrested. There is no doubt here for me that you are a great trader, I believe that you are doing a great job at teaching your methodes to others, even if our way of trading is completely different, I really liked what you have to say here.

I took the liberty of posting my first reply to your thread, as I have notticed something concerning the "flying buddha" method, and I hope you will not mind. If you do please tell...

I don't really know why but this little "flying buddha" asked for my attention. (lol)

I decided to look to find one on a 4 h chart and in fact, like you know when you start to look for them, you will find them everywhere.

After looking at the charts,(I don't know if you already have seen that) I have notticed that, this "flying budha" mostly shows up when a future triangle breakout will occure.

Please find different examples of it on the attached charts. I looked at different pairs and I always found the same conclusion.

Of course there a few ones that didn't worked out but most of the time it worked.

Also, I have notticed that when you see a "flying buddha" and that a triangle breakout occures, the biggest moves will happen if there is no pullback to the trend line. Again, not always but most of the time....

This means that if you take the "flying buddha" before the triangle breakout, and that you place your stop like you said above previous candle then you are really risking not

much but the potential profit is huge. A good thing to do also is if you see that price can not break the trend line, you could exit and still banking some profits. Of course this is a 4 h chart, so you will have to wait longer before banking your whole profit.

On my chart, the black lines are the "flying buddhas", the margenta are the trendlines.

I hope this conclusion could help someone, again Graeme, if you not agree, please tell me and I will remove my post.

Addition: Go to <http://www.forexfactory.com/showthread.php?p=3963486#post3963486> to view the posted charts

Good evening, Mel

Excellent observation.

Flying buddhas that does work out tends to be the upper corner (or the lower corner if on opposite direction) of the (triangle) pennant. Yes, correct and both Joe and I know this very well.

It also can be a high probability inside bar.

It also can be the very start of a major trend change.

It also can trigger a volatile breakout and explode towards the intended change of direction.

Flying buddhas are the apex of the change. Its either going to change very large creating a very large opportunity or create a small loss.

With flying buddhas, you only need maximum; 1 initial entry and 1 re-attempt afterwards to know for certain if its not working out.

I choose not to re-attempt but Joe waits for a clear breakout for a single re-attempt before admitting his loss.

To maximize your profit taking, the stacks should be taken soon after the initial position is moved to BE and immediately after on the 1hr chart at every 50% fib.

If you scroll back your chart and choose any flying buddhas that did work out well, you will see that you will have multitudes of positions before the first sign of weakness on the 4hr chart in which you scale out and then scale back in if the trend picks up again.

Hope it enlightens all readers little further

Trading rules for sell trades (opposite for buys)

- 4 hour chart.
- Trade at the open of a new candle following a 'Flying Buddha'.
- Sell when FB is above the 5 EMA.
- Stop loss is the high of the FB, plus some space.
- Stacking (describing sells as this is what the document concentrates on):
 - Occurs when >0 trades are already open.
 - Trade at the half-way price of the FB – sell stop if the candle opens above this price, or sell-limit if opens below.
 - Only stack when the stop of the previous trade has moved to breakeven.
 - All trading rules apply to stacked trades
- Scaling out:
 - If the candle closes above a previous down candle, close half of the positions