ADEMOLAFOREX TRADING SYSTEMS

……The No Stop Loss Strategy

INTRODUCTION

When discussing about forex, the two possibilities we are mostly concerned about is either making profits or losses.
My ideas may seem queer at times but they are real. In this system we want to eliminate the possibility of making losses in our trading at the same time increasing the possibilities of making profits.

While doing my training in forex I learnt that forex trading is a double edged sword, one is facing the price slicing for you big chunks of profit, the other edge is pointing to you ready to slice off a sizeable chunk from your investment capital.

My desire and passion is to blunt off the other edge facing me and sharpen the side facing the market.
Is that possible? Well, remember my words in the former report;
"I believe DIFFICULT is a relative term, IMPOSSIBLE does not exist and FAILURE is never a failure until you decide not to try again."

If you viewed my first report, you will remember that the system ends up in a hedge, the stop loss of an order is the take profit of the opposing order but now there is a modification.

Below is a recap of the strategy in the previous report.

THE STRATEGY

Pick the vertical line from the tool bar and demarcate the previous day from the present day make sure the line shows the present day's first candlestick at 00:00 Hours.

Pick the horizontal line from the tool bar and divide the first candle of the present day into two. Call this line; line X

Count 40 pips above line X and draw another horizontal line exactly 40 pips above line X and call this line; line X1.

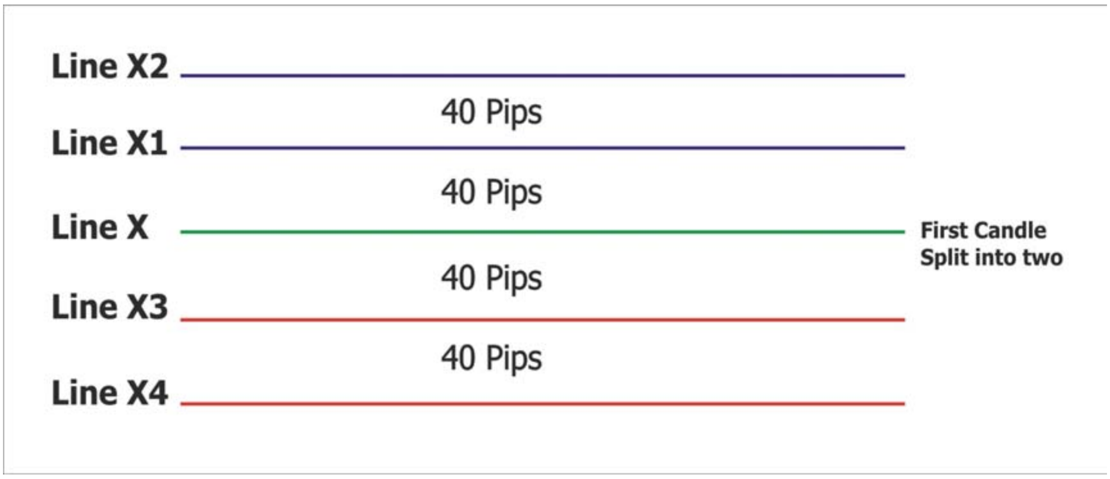
Count another 40pips above line X1 and draw your horizontal line X2 exactly 40pips above line X1.

Count 40pips below line X and draw a horizontal line exactly 40 pips below line X, call this line; line X3.

Count another 40 pips below line X3 and draw a horizontal line exactly 40pips below line X3.

Your Chart should look like this;

Fig.1



EXPLANATION
Line X is the starting point, allow price to dance between line X1 and X3 until it picks its direction for the day.

Set your buy stop on line X1's price value, your take profit must be at line X2, stop loss must be at line X4.

Set your sell stop on line X3's price value, your take profit must be at line X4, stop loss must be at line X2.

LOGIC GATES

1. Price could trigger your buy order and hit your take profit of 40 pips.

2. Price could trigger your sell order and hit your take profit of 40 pips.
3. Price could trigger both your buy order and your sell order, hit both take profit zones, giving you a profit of 80 pips.
4. Price could hit your buy order and not reach your take profit, come back downwards 80 pips to hit your sell order and give you a loss of 80 pips.
5. Price could hit your sell order and not reach your take profit, come back upwards 80 pips to hit your buy order and give you a loss of 80 pips.

Instance 4 and 5 happens around thrice a month in the currency pairs this system works with.

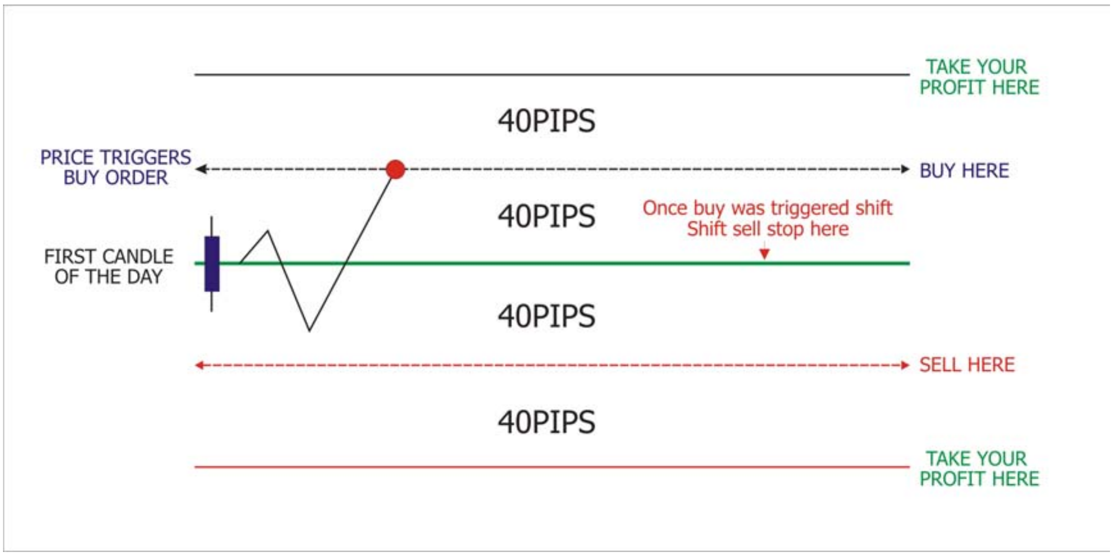
To reduce the number of Instance 4 and 5 in a month, repeat the pending orders explained above immediately you take your first profit for the day making the triggered take profit your next starting point. That is your line X.

With this system, you can catch 40 pips out of every 81pips price movement no matter the direction it goes. But let's just say 90pips to be on the safe side, 90 pips was the criteria I used when doing my research, price can have up trends for three months, moving thousands of pips upwards or downwards.
Once the direction has started these pairs find it difficult moving 80 pips in the opposite direction in the same day.

THE MODIFICATION
To remove loss, we need to remove the stop losses. How?
Since the price will certainly trigger either buy or sell first, the strategy is to shift the opposing pending order 40pips away from the entry point of the triggered order.

Please see the diagram below;

Fig. 2



Looking at the diagram above, the stop loss was replaced by a hedge (which is not a loss but can eventually end up in profits).

The next challenging question to solve is to determine how to leave the hedge and acquire the 40pips back.
This leads us to the next strategy, the trailing hedge.
In this system, you are expected to take the profit from the sell order that was executed unexpectedly once you spot a price reversal pattern.

Set another sell stop (if buy was triggered) 20/40pips below the current price. If the price decides to move upwards, it will not trigger your sell order at the same time it will reduce your negative balance. You are expected to trail the price with your hedge like this till you reach your starting point and your negative balance turns to zero or +40pips.

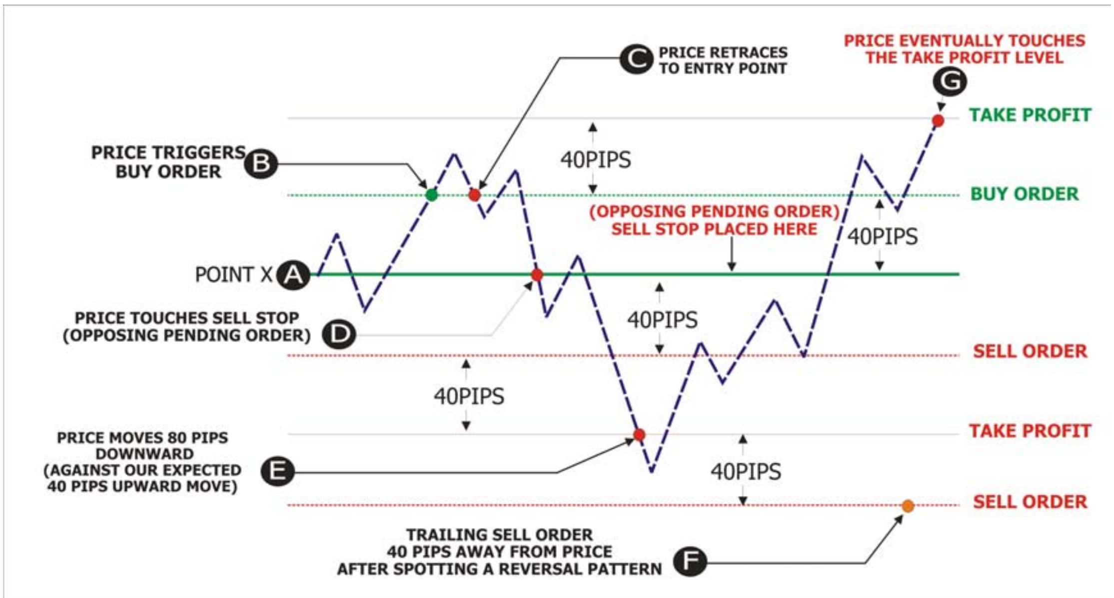
NOTE;
This kind of strategy requires patience; it may take days, weeks or a full month before the price is successfully trailed back to your starting point depending on how far the market moved against you.

Secondly each time you set your opposing pending order at the bottom or top depending on the trade, you have a tendency of gaining more pips or losing the amount of pips between the current price and where your opposing order is.

The advantage of using this strategy is that you follow price with your hedge and catch almost all the pips in the price direction

In the condition where your sell stop gets triggered again, repeat the process of patiently waiting for a reversal pattern to occur before taking the profits from the order and setting another opposing order.

Please make reference to the diagram below;



Point A is our starting point 00:00HRS, First candle of the day according to the diagram above, price reached point B to execute our buy order, unfortunately price did not reach our take profit before retracing back to out starting point at (Point C).

There is a possibility for the price to eventually move upwards again to hit the take profit target as it form its Elliot Wave Pattern. But since there is a sell order below the thick green line, set 40pips away from the first candle's midpoint, we are expected to shift that sell pending order upwards, 40pips away from point B (Where our buy order got triggered).

In this case, if price moves against you 40Pips and above, you can only have a negative balance of 40Pips not a loss of 40 pips.

In the situation where price moves downwards more and touches point D, you'll enter a hedge and have a floating negative balance of 40pips.

Price fell 80pips more at point E after moving 40pips against our buy order. Between point E and point F is the place where you spot a reversal pattern. Whenever you spot a reversal pattern, you are expected to close the profits from your sell order and leave the buy order's negative balance to reduce as price moves up, the next step is to set another sell pending order below the price 20 pips away from the reversal point.

What Are Reversal Patterns?

I use candle stick charts for my analysis, reversal patterns are candlestick formations that happen when price is ready to retrace either upwards or downwards.

When using this system, you are not expected to use more than half of your buying/selling power an example is an account of 400USD, you should not use more than 0.2 and you can only trade one pair at a time using 0.2 or trade two pairs at a time using 0.1 for the buy stop, 0.1 for the sell stop (Using 100:1 leverage).

In my next report I will explain the most powerful patterns you should look for and how to read candle stick patterns.