Forex Trading Methodolgy
by Craig Harris / PFMC

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Professional Forex Mentor Course

Email errors to: Gene.Ballard@ForexRecon.com
Must mention: Chapter, page, paragraph or illustration.

About This Manual

'Forex Trading Methodology' is **extremely concise**, covering everything required before **trading on a demo account;** additionally **,** it should be **used as a reference** for active demo-account-traders and real-money-traders.

Requirements
Basic concepts of:
- Forex
- Candle Stick Charting
- MetaTrader4 Trading Software
- Order Types
- Trader Jargon

> If you are an absolute beginner, you will find the online Forex tutorial at Babypips.com a great way to get up-to-speed; read every Grade but 10 and 11.
>
> Goto: http://www.babypips.com/school/

Syntax and Formatting
A prolific use of **syntax** has been used throughout **to aid in simplifying concepts** and **inducing reader retention** and **comprehension**.
- **Hyphenation** of relative-words and key-phrases.
- **Bold-face-font** of key-words and phrases.
- **Bulleted list** rather than paragraphs.
- **Tight spacing and small page margins** to fit as much information on one page as possible.

Font
'Bitstream Vera Sans Mono' exclusively:
- See http://www.gnome.org/fonts/ and http://en.wikipedia.org/wiki/Bitstream_Vera
- A hybrid of (Sans, Serif and Monospace); Bitstream allows for easy screen and print reading along with definitive character nuances to avoid confusion of characters such as lower-case 'l', numeral '1' ,uppercase 'I', numeral '0' and uppercase 'O'.
- Comparative examples of two other popular fonts:
  - **Bitstream**: Sell 1 lot at 1.4701 on the I/O break
  - **Times**: Sell 1 lot at 1.4701 on the I/O break
  - **Arial**: Sell 1 lot at 1.4701 on the I/O break

Topics Covered

Section 1 (Fundamental Concepts)
1) Indicators (How to install)
2) Craig's 15 Minute Chart Template Explained
3) Trading Sessions
4) Money Management
5) Market Range
   - Natural Flow
   - Tokyo Channel
   - Average Range
6) Indicators
   - Simple Moving Average (SMA)
   - Slow Stochastic (SS)
   - Fibonacci (Fib)
7) Forex News

Section 2 (Trade Strategies)
1) Inside-Bar (IB)
2) Outside-Bar (OB)
3) Big-Numbers (BNs)
4) Mid-Range-Numbers (MRNs or MR#s
5) Reversal-Candle (RC)
6) 1-Hour and 4-Hour (1H and 4H)
7) Counter Trend Trade (CTT)
8) Protective Stop-loss
9) Profit Targets
10) Cost-Averaging & Stop-and-Reverse

Appendix
Acronyms
Trade-Check-Sheet

Acknowledgments
Gene Ballard, USA: writer, designer.
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Tools
- Written and designed in Open Office Writer http://openoffice.org.
- Compiled and published in Adobe Acrobat http://adobe.com
- Images and screen-shots built and formatted in Adobe Fireworks http://adobe.com
- Screen-shots from MetaTrader4 http://www.metaquotes.net/

How to Install Indicators

Custom indicators applicable to the methodology must be downloaded from the members site.
Visit: http://www.craigharris-members-only.com to download indicators and watch a tutorial hosted by Dexter Meadows on how to install them.

   • After installing indicators, restart MT4.
   • Click the Templates icon and choose Craig's template.

Screen-shot 2.1. Metatrader4 Template Icon.
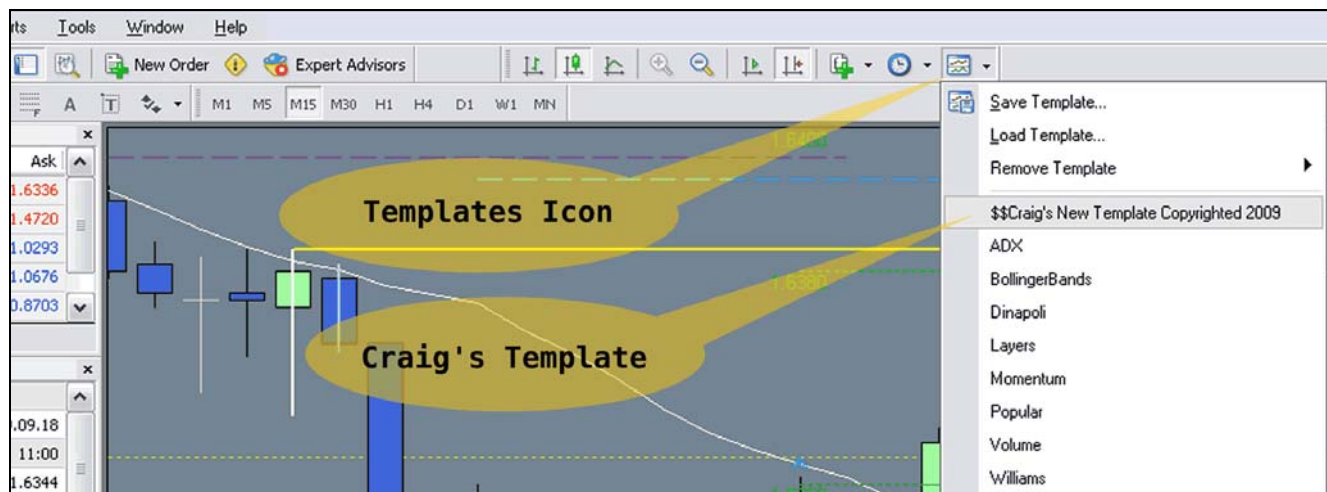
Continue to next chapter...

Craig's 15-Minute Chart

Craig's 15-minute chart-template is a **multi-dimensional extravaganza** of **everything needed** to day-trade each currency **without having to switch to higher or lower time-frames.**

Most elements of Craig's template are highly configurable to suit the **style and visual needs** of individual traders.

After spending several screen-hours practicing demo-trades with default template settings, traders will develop an understanding of what is needed from Craig's chart-template to suite their personal trading style; colors, size, amount and type of data, and indicator positioning, just to name a few.

Tips
Mousing-over a candle on Craig's template only works on candles that are un-marked by the IBOB indicator; also, be aware that mousing over the close of a candle is what actually triggers the pop-up. It is more consistent to mouse-over a candle then look at the 'Data Window' for high/low info.

Useful Hot-keys

F9	Order Window (or double-click a symbol in the Market-Watch-Window
Ctrl+b	Objects List (good for deleting old Fibs)
Ctrl+d	Data Window (good for mousing over a candle to see high/low)
Ctrl+f	Cross-hair (click-hold from price and drag to nearest target to see pip-distance)
Ctrl+i	Indicators List
Ctrl+m	Market Watch Window (Good for double-clicking symbol for Order Window)
Ctrl+n	Navigator Window (good for managing account(s), and adding new indicators)
Ctrl+t	Terminal Window (essential for managing trades)

Indicators
- Big Numbers (Horizontal line indicators)
- Dashboard
- Fractals (Swing-Highs / Swing-Lows)
- IB/OB (colored-wicks)
- Sessions: New Zealand (NZ), Tokyo (TK), London (UK), and United States (US)
- Simple Moving Average (SMA) 20 session (White line on chart).
- Simple Moving Average (SMA) 240 session (Aqua line on chart).
- Slow Stochastic (SS)
- Spread
- Tokyo-channel

Chart 3.1. Craig's 15-minute chart-template: Sessions, IB/OB, and Tokyo Channel.

Chart 3.2. Craig's 15-minute chart-template: Dashboard, spread, fractals, SMA's, stochastic, big-numbers, today's high/low, 4-hour and 1-hour high/low.

Trading Sessions

There are **four major trading sessions** recognized by the methodology: Wellington/New Zealand (NZ), Tokyo (TK), London (UK), and United States (US).
- MetaTrader displays current time at the bottom of each chart based on GMT or PST (GMT-5); this is dependent on a broker and cannot be adjusted on a MetaTrader chart.
- The **'Sessions Indicator'** in Craig's MT4 template provides color-coded information for each trading-session as shown in the chart example below.

Rules
- The best time to trade is between **6:00 GMT (2-hours before London open)**, and **20:00 GMT (two hours before New York close)**.
- No trading later than **London close** on **Friday**.
- If a trader's schedule is restricted to the Sydney and/or Tokyo session, profit-targets should be 10 to 15 pips; however, 1-hour Opens and, 1-hour and 4-hour breaks may yield 20-30 pips.

Tips
- Each **session** and **time-of-day** has its own **nuances** which are **observed** and **used** in **assessing** the **natural-flow-of-the-market**.
- The **official beginning** of each **new financial day** starts in **Wellington, NZ at 23:00 GMT**.

Session	EST	GMT	PST	
Tokyo Open	7pm	00:00	4pm	Asian Session
Tokyo Close	4am	09:00	1am	
London Open	3am	08:00	12am	European Session
London Close	12pm	17:00	9am	
NY Open	8am	13:00	5am	American Session
NY Close	5pm	22:00	2pm	
Sydney Open	3pm	20:00	12pm	Oceania Session
Sydney Close	11pm	04:00	8pm	

Chart 4.1. Color coded trading sessions, Tokyo-channel, Wellington session-beginning (black vertical dashed-line), and New York midnight (green vertical dashed-line).

Money Management

Money Management is simply a **method of managing risk, profits, losses and personal behavior**. We highly recommend using <mark>the Calculator from http://craigharris-members-only.com under 'Downloads'</mark>.

Rules

1) Trade on a demo-account for an absolute minimum of two consecutively profitable months.
2) **Never risk funds that are designated or may be needed** for any other cause or purpose other than to put at **100% risk** in the Forex market. **Note**: It is impossible to lose more than 100% of an account balance due to the fact that Forex brokers will close all positions if margin is too low to remain in a trade.
3) Always have a **financial-back-up plan** in case:
   • An account balance becomes too low to make trades.
   • Profits are too small to meet essential financial needs.
4) **Beginners** use a **maximum of .2 mini-lots per-trade per $10,000** account balance with an average risk of 30 pips per trade on a currency with a pip value of $1.00 per pip - which is equivalent to .6% of account balance.
5) **Professionals** use a **maximum of .3 mini-lots per-trade per $10,000** account balance.
6) **Never attempt to use or try any other methodology** unless you have a proven and reliable one that does not contradict or conflict with this methodology.
7) **Never risk more than 50 pips per trade, or 1% of account balance**.
8) Do not emotionally over-celebrate your wins, or emotionally dread your losses.
9) If you cannot **control your emotions on a regular basis**, go back to a demo account.
10) If you are **tired or lack the ability to concentrate**, do not trade.
11) Use **technically-derived profit targets** suitable for each type trade, market condition, and trading session. Don't over-shoot or under-shoot profit targets.
12) Never add to a losing trade, or close with a loss; take profit or get stopped-out.
13) **Don't allow greed to effect your trading**.

Tips

• **Suggestion:** After a trade has produced 20 pips, lock-in 3-5 pips.
• After a trade has produced 20 to 30 pips, 2/3rds of a position may be exited; however, this depends on the status of the natural-flow-of-the-market.

Caution: Multiple live trades are acceptable but not recommended due to the effort required to manage each trade with stop-and-reverse cost-averaging strategies.

Goal #1
Experience the-paradigm-shift in **confidence** and the **ability-to-consistently-profit**. Once a trader experiences a winning day, week, then month — he will have experienced the-paradigm-shift. Part of experiencing the paradigm-shift will also neutralize a physiological anomaly call 'Loss Aversion.' See: http://en.wikipedia.org/wiki/Loss_aversion

Goal #2
Firmly establish the-paradigm-shift in **confidence** and the **ability-to-consistently-profit** by **the-process-of** doubling an account balance.

Goal #3
Experience a second-paradigm-shift in **confidence** and the **ability-to-consistently-profit** by trading on profits rather than initial-risk-capital.

Goal #4
Firmly establish the-second-paradigm-shift in **confidence** and the **ability-to-consistently-profit** by increasing leverage and trading advanced strategies.

Goal #5
Wield the methodology as a financially-independent, professional-trader.

Craig's Approch to Trading

Methodology: a set or system of methods, principles, and rules for regulating a given discipline.

This methodology is based on the following:
- Good ol' **technical analysis**.
- A logical understanding of **Forex sessions** and how to apply it to each trade.
- How to trade on days with **Forex News**.
- Technically-derived **market-entry, stop-loss, and profit-targets**.
- **Trade management**.
- **Recovery-and-profit** from a losing trade.

Trading is an Art

This Methodology **aims** to make trading as **mechanical** as possible; however, **'The Art of Trading'** cannot be ignored; therefore, traders must make **judgment-calls** based on an intuitive understanding of how the Forex works and moves as a whole.

The only way to learn an art is **by experience**; and the only way to learn an art **as fast as possible** is by **experience along-side a mentor**.

Goal: Become an Independent, Professional Trader

Understand and practice the methodology with the ultimate goal of developing an **intuitive understanding of the Forex** with the ability to **profit on a consistent basis**; consequently becoming an **independent, professional trader**.

Overview of Daily Check-List and Trade Check-List

Daily Check-List
Following is an outline of steps to be taken when first coming online:
1) **Overall evaluation of the market to determine the natural-flow-of-the-market.**
   - Scheduled news announcements.
     - If news is within 30-minutes of the beginning of a trader's day:
       - Wait until after the news, and price-action resumes to natural flow.
       - Or wait until a thorough assessment of the natural-flow-of-the-market has been established before executing a trade.
   - Session and time-of-day.
   - Status of current daily-range compared to average-ranges for: Tokyo session, previous day, week and month.
2) **Identify support/resistance.**
   - Big-numbers.
   - Slow Moving Average.
   - Tokyo Channel .
   - Fibonacci levels of current-day's-range and previous-swing.

Trade Check-List
1) **Identify a technically-derived chart formation and price-point entry with consolidation around a Fibonacci level.**
2) **Filter potential trade with:**
   - Slow stochastic.
   - Moving averages.
   - Support/resistance points.
3) **Identify a technically-derived stop-loss (stop-and-reverse price).**
4) **Identify a technically-derived profit-point.**
5) **Read-the-market during a trade and make necessary adjustments to stop-loss price and profit-targets.**

Natural Flow

Natural-flow is the **up-and-down movement of price** from one point to another in relationship to:

- **Support/resistant points** such as: big-numbers, mid-range-numbers, previous 1-hour and 4-hour high/low, and Tokyo-channel high/low.
- Range of the **Tokyo-channel**
- **Average range** of the previous week and previous month.
- Status of **slow-stochastic** (SS) and **simple-moving-average** (SMA, both 20 and 240 period).
- **Time-of-day** (also London and New York lunch which may produce low volatility).

Tips

- Typically swing-points, **range from 30-60 pips** in **all major pairs and crosses**.
- Natural-flow is **skewed by scheduled news announcements**, creating, **price-action spikes**.
- Emotional and speculative activity of **other Forex traders** before a news announcement may cause **choppy price-action** for up to **30 minutes before an announcement**.
- Periods between **trading-sessions** create **low-volatility,** or **channeling** chart formations.

Caution

First-week-of-each-month and **last-day-of-each-month** may cause a **disturbance in natural-flow** due to banks, institutions and other big-players adjusting positions; traders may consider being **cautious with strict-entry-requirements and tight-profit-targets.** ==**(Note: this methodology disregards the first-week-of-each-month as an anomaly.)**==

Swings & Fractals

Up-and-down natural-flow movement of price-action is measured by a chart formation known as a swing, or swing-high/swing-low (swH/swL).

- Swings are also known as **fractals**.
- **Highs and lows** of each swing are considered **support or resistant price-points**.
- **Consolidation** is **clustering of two or more candles** within the **same price range** and is **essential in creating swing-points**.
- Swings are identified by **a fractal-indicator displaying an arrow-head** at the top and bottom of each **swing-high and swing-low**.
- From **time-to-time** the **fractal-indicator will display multiple fractal-arrow-heads** without an **adjacent fractal-arrow-head**. **Example:** multiple top-fractals may appear without a bottom-fractal.

Chart 7.1. Natural-flow, swings, trend, consolidation, channels, price-action spike.
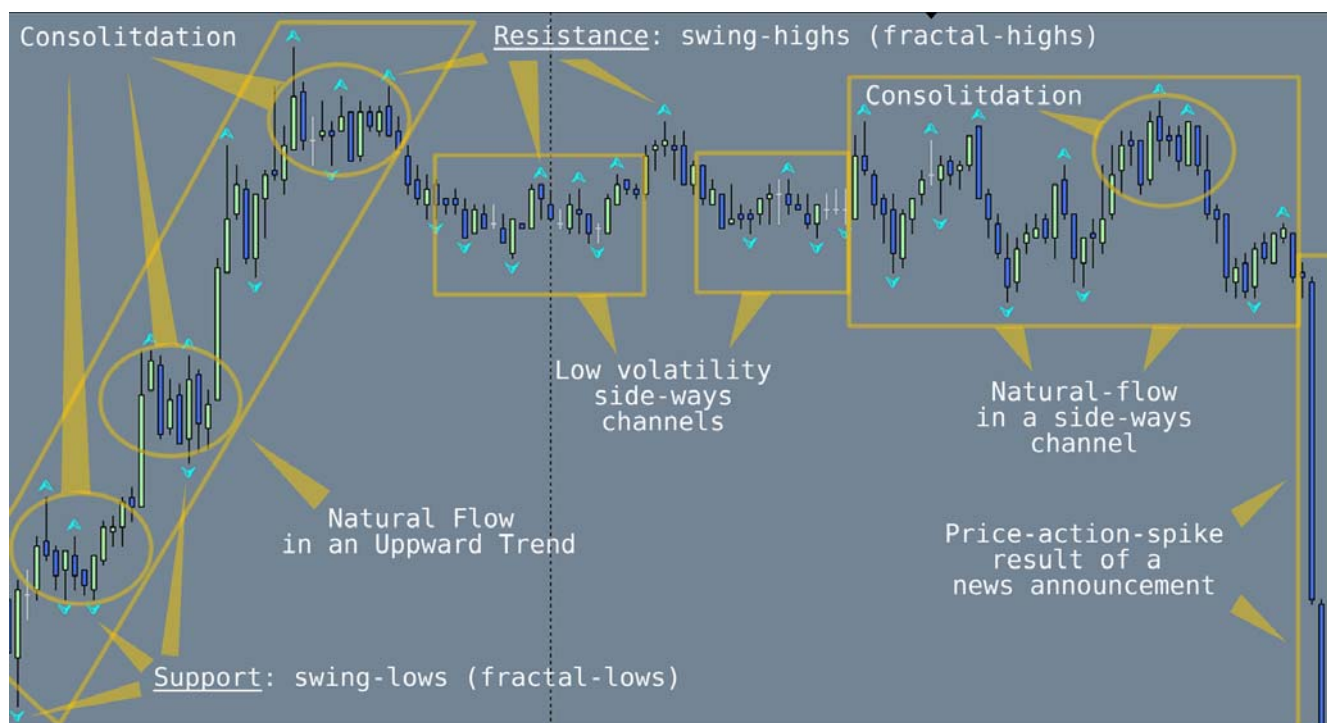
Previous-Average-Daily-Range

The **previous-average-daily-range** is calculated for each previous-day, week, and month in the **'Dashboard'** indicator.

- **Yesterday's-range (YDR) (previous-day).**
- **Weekly-average-daily-range (WADR).**
- **Monthly-average-daily-range (MADR**).
- **Use the Dashboard indicator to view the YDR, WADR and MADR for each session: Wellington (NZ), Tokyo (TK), London (UK), and New York (US).**
- Compare the **WADR and MADR** to **today's-range (TDR)** for the purpose of **filtering trades.**

Rules

Is is absolutely essential that the **previous-average-daily-range** for day, week, and month is **compared with today's-range** (TDR) before executing a trade.

- When the **difference between** the TDR and **both** the WADR **and** MADR is **greater-than 35 pips**, it is considered favorable to execute a trade. (See Dashboard indicator for stats).
- When the **TDR is equal-to or greater-than either the WADR or the MADR**, it is **favorable** to execute a **23.6 Fib counter-trend-trade (CTT) retracement** (all other indicators considered).
- When the **TDR is 35 pips less-than either the WADR or MADR**, it is **unfavorable** to execute a **23.6 Fib counter-trend-trade (CTT) retracement**.
- When the **TDR is equal-to or greater-than either the WADR or the MADR**, it is **unfavorable** to execute a trade **into either the high or low of the day**.

Chart 08.1. Dashboard indicator with TDR, WADR and MADR.
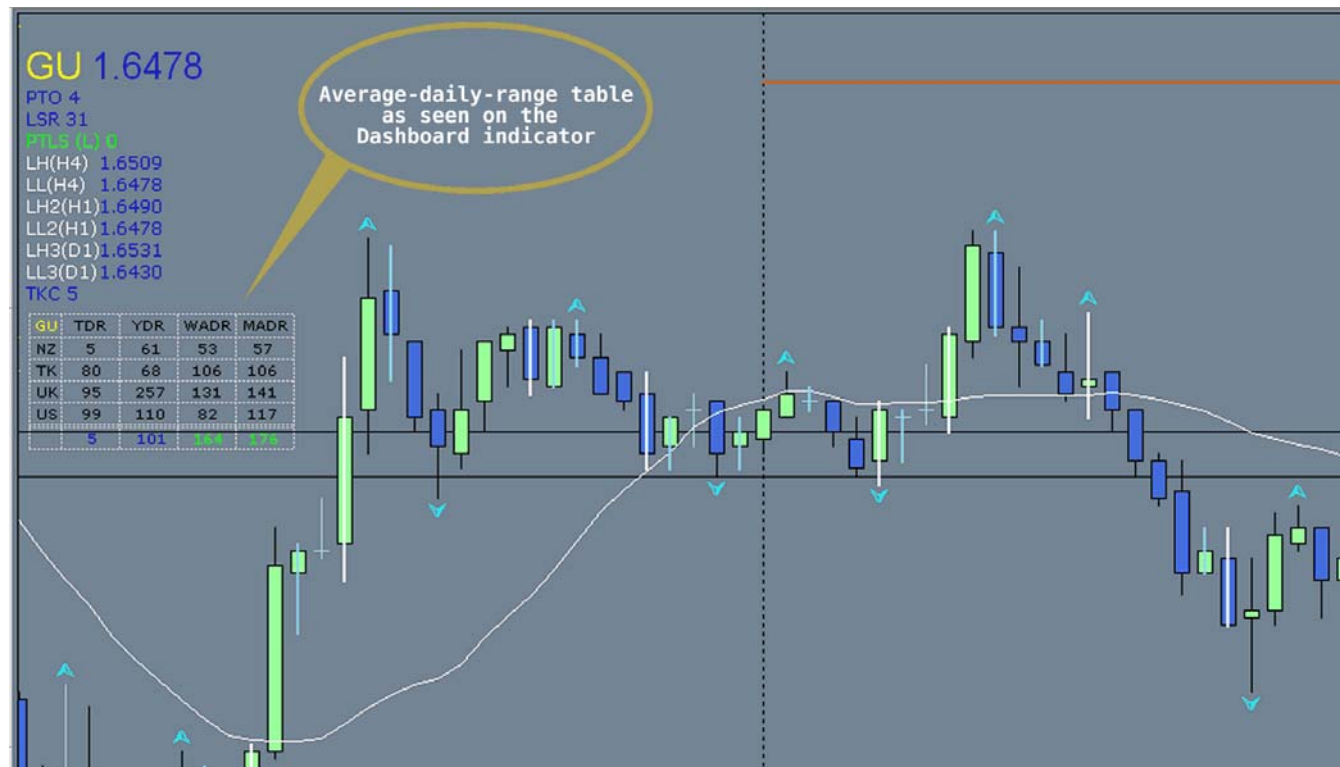
Tokyo-Channel (TKcH or TKc)

The **Tokyo-channel** is the price-range of the **current day's high and low** from **Wellington-open** to **New York midnight**.

- Used as a **volatility indicator**: **below a 40 pip range** is considered **low-volatility**. **Equal-to and above a 40 pip range** is considered **normal volatility**.
- **Establishes support-and-resistant-points** with its **high and low price-points** which are to be **respected for the entire remainder of the day** until Wellington-open which begins a new Tokyo-channel.
- It is acceptable to trade **inside** the TKc.
- It is acceptable to trade **through** the Tokyo Channel if the TDR is less than the smallest of the two, WADR and/or MADR, by at least 35 pips.
- Typically causes price-action to **stall and/or bounce**.
- Used as a profit target.
- **Not used as an entry-point** on strike or break.

Rule
Tokyo-channel must have a range of 40 pips before looking for a valid trade.

Chart 9.1. Tokyo-channel on GBP/USD 15 minute chart.
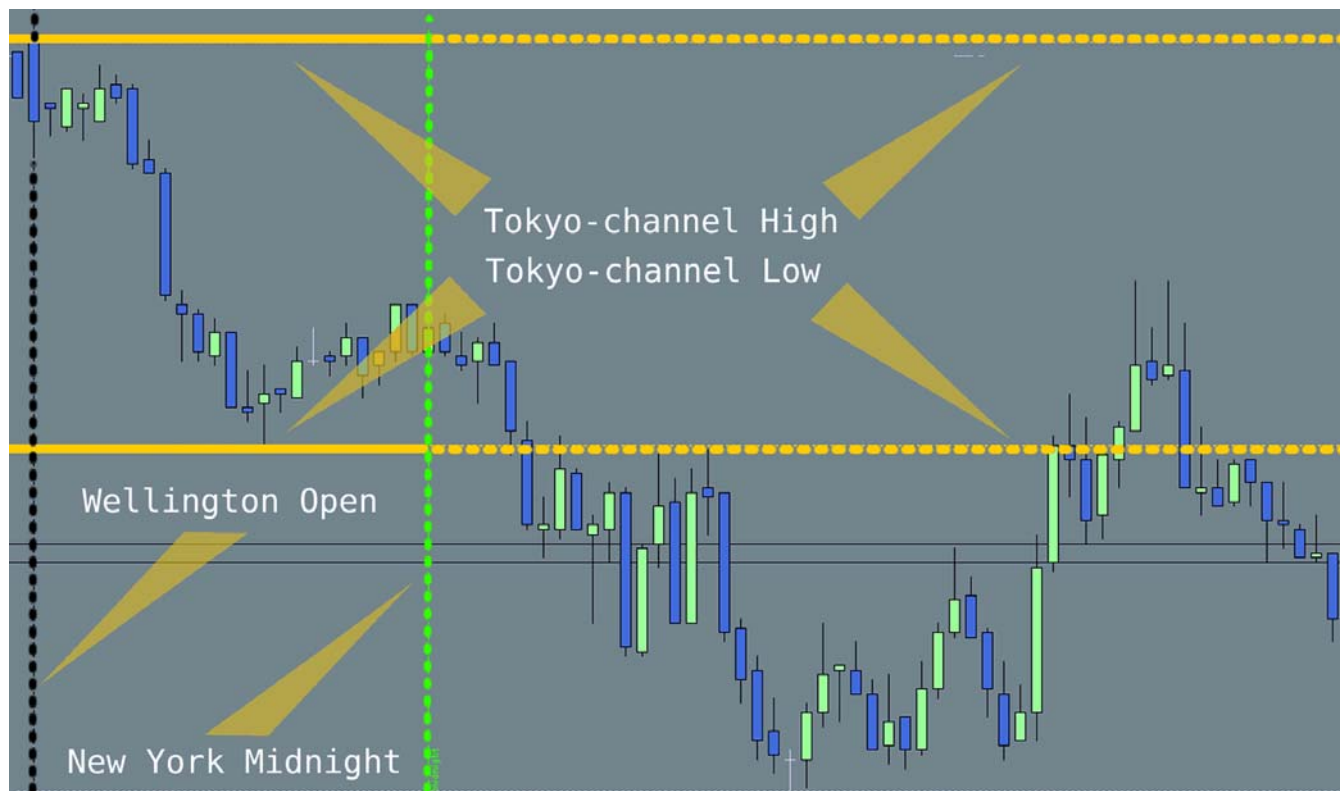
Simple-Moving-Average (SMA or MA)

A **60 period simple-moving-average** (SMA or MA) **calculates the average price** for the last **60 candles**; it is **primarily used to determine trend**, **stall-points** and **profit targets**. To better define the **short-term-trend** and **long-term-trend**, a **multi-time-frame (MTF)** strategy is used.

- The long-term SMA **(240 period)** is taken from a **4 x higher time-frame** .
- The short-term SMA **(20 period)** is taken from a **3 x lower time-frame**.

Rules

- When price-action is **above an SMA**, look for **long trades**.
- When price-action is **below an SMA**, look for **short trades**.
- A counter-trend-trade entry (CTT) **must be a minimum of 35 pips from an SMA**.
- If **entry-price** is on the **wrong side of an SMA**, wait for price to **break the SMA**, or wait for **the entry-bar to close** before entering a trade.
- **Slow-stochastic (SS)** is **always used** in conjunction with the SMA to **filter the entry** of a trade.
- <u>Advanced</u>: If an SMA is **less than 35 pips from entry-price**, or if **entry-price is on the wrong side of the SMA**, it **may** be acceptable to **execute a trade** if a **combination** of the following items are favorable:
  - **Natural-flow-of-the-market.**
  - **Time-of-day.**
  - **Average-daily-range (YDR, WADR, MADR).**
  - **Slow-stochastic (SS).**
  - **Last-swing range (LSR).**
  - **Pips-to-last-swing (PTLS).**
  - **Scheduled-news.**

Tips

- SMAs should be used as profit-targets.
- SMAs usually cause price-action to stall or bounce.

Chart 10.1. 240 SMA and 20 SMA on a 15 minute chart.
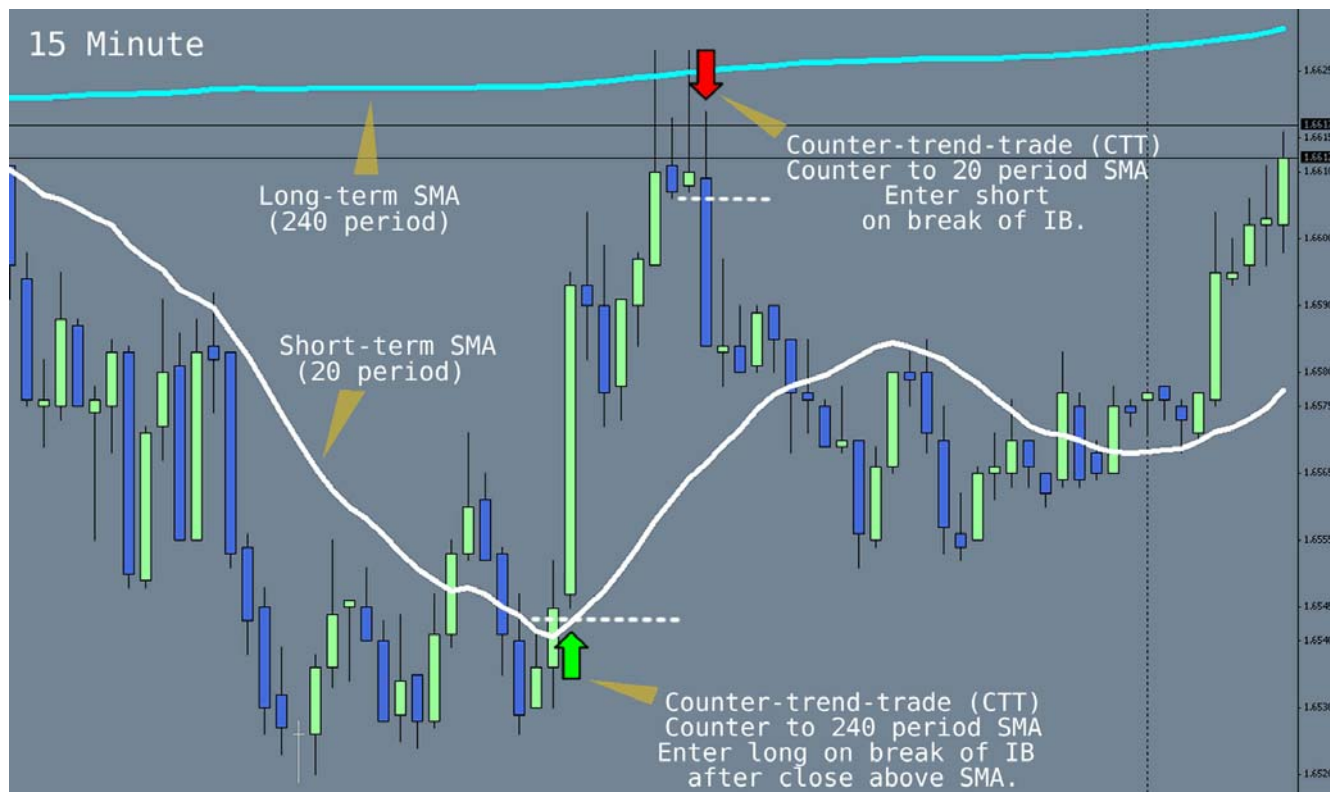
Slow-Stochastic (SS)

A Slow-stochastic (SS) is an **oscillator** viewed by most traders as an indicator for over-bought and over-sold conditions; however, **this methodology additionally uses a slow-stochastic to determine the direction of a trade.**

Settings
- %K = **8 (Main Solid Line)**
- %D = **3 (Dashed Line)**
- Slowing = **3**
- Price Field = **Low/High**
- MA Method = **Simple**
- Fixed Minimum = **0**
- Fixed Maximum = **100**

Rules
- When **angle of the main-line** is pointed between **12:00 and 2:00**, look for **long entries**.
- When **angle of the main-line** is pointed between **4:00 and 6:00**, look for **short entries**.
- <mark>**SS Momentum**</mark>: An overbought/oversold SS in the 80/20 zone **may be a sign of momentum.**
  - **Typically seen after price-action crosses an SMA. Enter on the break of an RC, BN, or MRN.**
  - **Make sure there is at least 35 pips from the nearest support/resistance point:**
    - **SMA**
    - **Tokyo Channel** (**note**: It is acceptable to trade through the Tokyo Channel if the TDR is less than the smallest of the two, WADR and/or MADR, by at least 35 pips.
    - **High/Low of day after TDR meets are exceeds the WDAR or MDAR.**

Chart 11.1. Slow Stochastic (SS) on a 15 minute chart.

SS Divergence

Stochastic-divergence is a **chart formation** that **occurs when price-action is out-of-sync** with the slow-stochastic.

- Price makes **new highs** but SS **is below its previous crest**.
- Price makes **new lows** but SS **is above its previous trough**.

Rules

- When trading **into the 80/20 zone (an overbought/oversold SS)**, entry must be **minimum 35 pips from the current day high/low**.
- When trading **into an overbought/oversold SS** and **into the current day high/low**, today's-range (TDR) **must be at least 35 pips less-than than the weekly-average-daily-range (WADR)** and/or the **monthly-average-daily-range (MADR)**.

Tips

- Trade **out of the 80/20 zone** (overbought/oversold SS) **during SS divergence** for **stronger** trades.
- When the SS is **in the 80/20 zone** and hooks in the **opposite direction**, it is considered a **stronger signal** than when it **hooks in-between the 80/20 zone**.

Chart 11.2. Slow Stochastic (SS) with price-action divergence on a 15 minute chart.
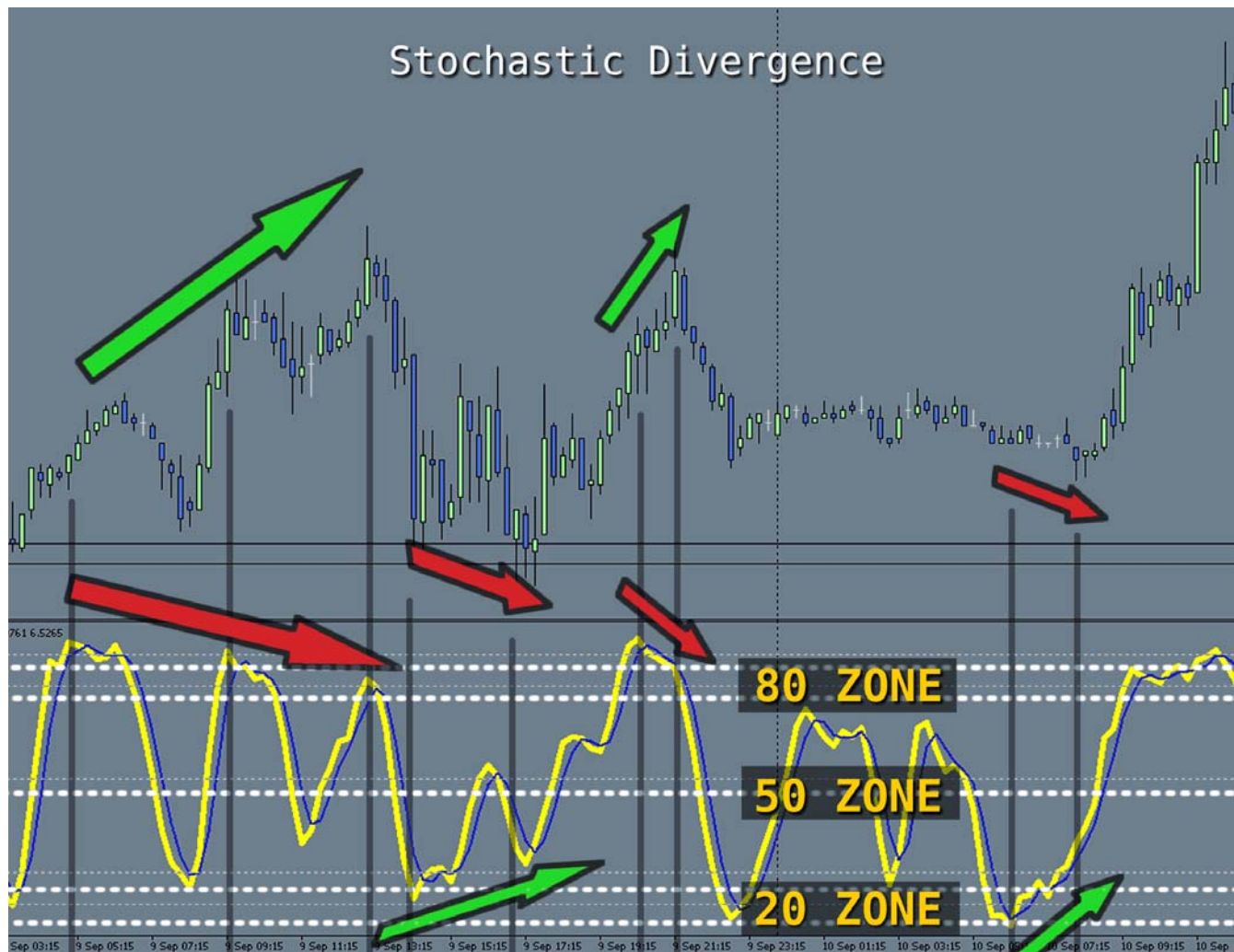
Fibonacci (Fib)

Trivia
Wikipedia.org: Leonardo Fibonacci, was an Italian mathematician, considered by some "the most talented mathematician of the Middle Ages."
- In the Fibonacci sequence of numbers, each number is the sum of the previous two numbers, starting with 0 and 1. Thus the sequence begins 0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610 etc.
- The higher up in the sequence, the closer two consecutive "Fibonacci numbers" of-the-sequence divided by each other will approach the golden-ratio (approximately 1:1.618 or 0.618:1).

Fibonacci (Fibs) & Technical Analysis
Fib levels used are 23.6, 38.2, 50, 61.8, and 78.6.

The **primary use** of Fibs in this methodology is **not to identify price-points**, it is rather to **confirm consolidation-points**:
- **Price-action consolidation (two or more candles within the same price-range)** for a **potential trade setup**.
- **Profit-targets,** especially when in the **same vicinity as an SMA** and/or **big-number**.
- **Support/resistance points** such as the **Tokyo-channel**, **SMAs**, **big-numbers and mid-range-numbers**.
- **Acclimate potential-range for current-day** by pulling a Fib in the direction of the previous days price-range on the **high/low**.

Pull-a-Fib
The phrase **'pull-a-Fib'** is often used by traders **as slang** for the **actual meaning**: Calculate the Fibonacci ratios between two points.

In MetaTrader4, click the **Fibonacci icon** or from the **top menu**: **Insert > Fibonacci > Retracement**. When pulling-a-Fib, it is **not necessary to pull diagonally** from **one point to another** which may cause the **labels on each Fib level** to **spread too-far right**; rather, Fibs can be pulled with **slight horizontal angles** to **better position** the Fib **labels** on a chart.

- As **daily-range extends**, don't forget to **extend the Fib**.
- Basically, the rule-of-thumb is to pull-a-Fib **in the direction of price-action**.
  ◦ Up price-action, pull from bottom-to-top.
  ◦ Down price-action, pull from top-to-bottom.

There are **two ways to pull-a-fib** as illustrated in the chart examples on the following page:

1. **Pulled from top to bottom**:
   ◦ From **high-of-the-day to the low-of-the-day**, the **23.6 Fib level** is used to **filter counter-trend-trades**: if entry-price is **less-than 15 pips** from the 23.6, it is considered **unfavorable**.
   ◦ From a **previous swing-high to swing-low**, Fib levels **confirm favorable-consolidation-levels** (23.6, 38.2, 50, 6.18 and .786) for a **short position** in the direction of the **previous swing**.

2. **Pulled from bottom to top**:
   ◦ From **low-of-the-day to the high-of-the-day**, the **23.6 Fib level** is used to **filter counter-trend-trades**: if entry-price is **less-than 15 pips** from the 23.6, it is considered **unfavorable**.
   ◦ From a **previous swing-low to swing-high**, Fib levels **confirm favorable-consolidation-levels** (23.6, 38.2, 50, 6.18 and .786) for a **long position** in the direction of the **previous swing**.

Chart 12.1. A Fib From the **high-of-the-day to the low-of-the-day**, the **23.6 Fib level** is used to **filter counter-trend-trades**: if entry-price is **less-than 15 pips** from the 23.6, it is considered **unfavorable**.
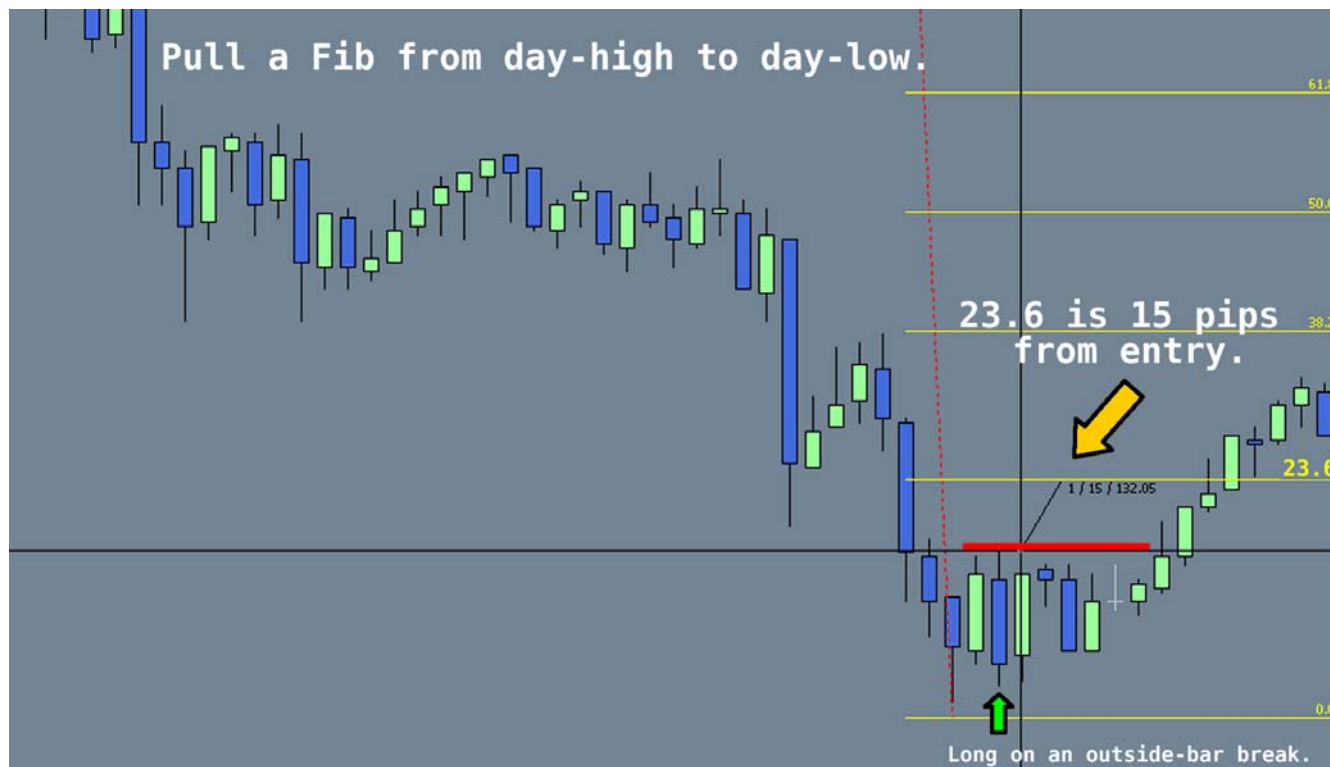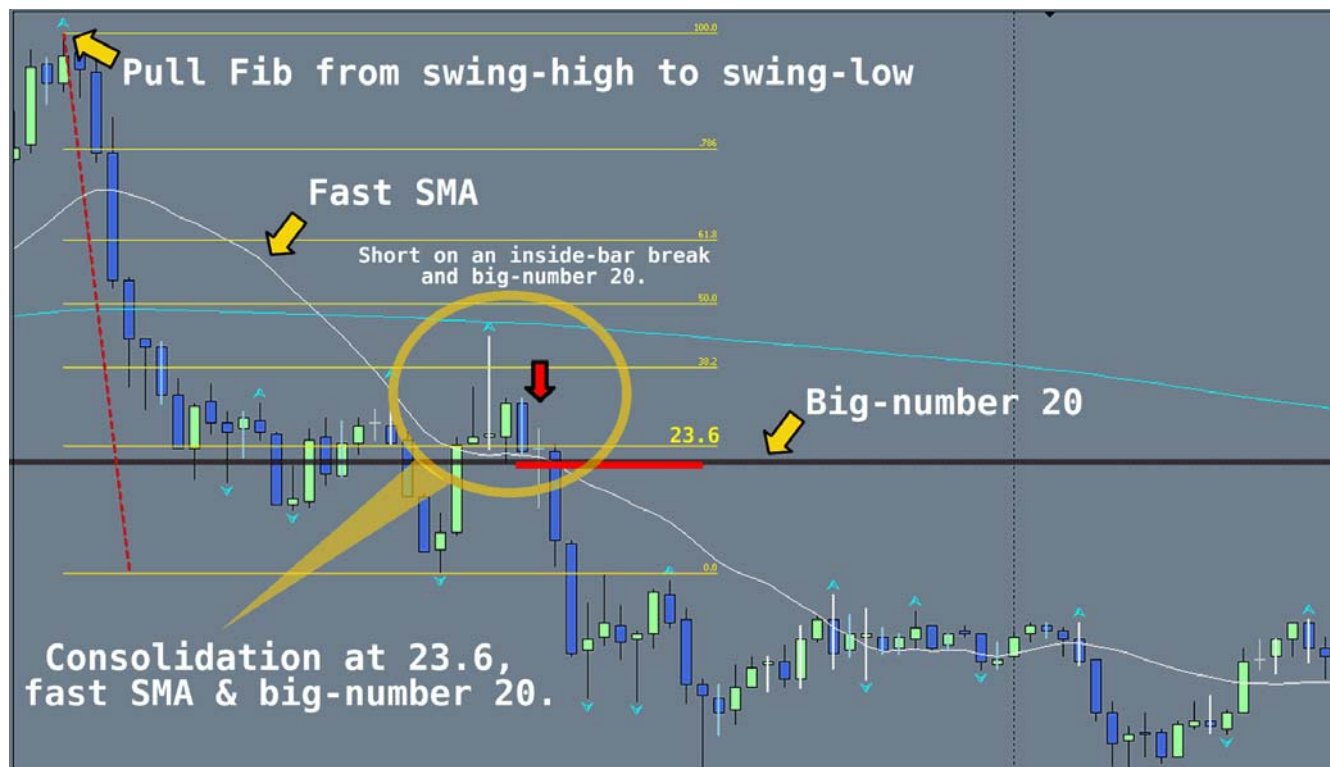

Chart 12.2. A Fib from a swing-high to a swing-low, notice the consolidation just above 23.6, big-number 20, and the fast-sma.

Forex News Annoucements

Scheduled news announcements from different countries affect the **volatility of price-action**, which may disrupt **the natural-flow-of-the-market**.

Caution
This methodology does not prescribe to 'Trading-the-News.'

Note: Create an account at http://www.forexfactory.com and set your local time. Check for scheduled news announcements each day before trading.

Rules
- **Any announcement** published on http://www.forexfactory.com is considered **noteworthy**; the estimated 'Impact' is ignored.
- If a **news announcement** is **within 30 minutes** of the **beginning of a trader's day:**
  ◦ W**ait until after the news announcement, and price-action resumes to natural flow.**
  ◦ Or wait **until a thorough assessment** of the natural-**flow-of-the-market** has been **established** before **executing a trade**.
- **Before-and-after new announcements**, expect to see price-action **reflect human anticipation, speculation, and reaction**, all of which may **not be conducive to successful trading for the following reason**:
  ◦ Widening spreads.
  ◦ Highly-volatile, choppy price-action.
  ◦ Low-volatile, choppy channeling.
  ◦ Price-action spikes of 30+ pips.
- Due to the fact that **spreads widen to unacceptable amounts** before and during news announcements, traders should consider **exiting all positions** or **tighten stops** within 15 minutes of an announcement.

Chart 13.1. Example of human emotion and speculation disturbing natural-flow.

Inside Bar (IB)

An **IB (Inside-Bar)** occurs when the **price-range** of a **bar** is **inside (less-than** or **equal-to)** the **price-range of the comparison-bar (previous-bar)**. An inside-bar has a **lower-high** and a **higher-low** than the **comparison-bar**; it may also have an **equal-high and/or an equal-low** to the **comparison-bar**.

Tips

The term 'bar' may be used interchangeably with the term 'candle' and/or 'wick' in reference to this methodology.

- **Signifies price exhaustion** at a **Fib level** of a **previous swing** when **price-action consolidates** for a **new swing** or the **continuation** of the **current swing; therefore**, an **IB** can be a **reversal pattern** or a **continuation pattern** depending on which direction it breaks relative to the **previous swing**.

- It only takes **two candles** for an **IB trade setup to form,** and a **third candle** to **enter the trade;** however, you may see **multiple inside-bars** form **inside the first inside-bar** before price **breaks** the first i**nside-bar**.

- An **inside-bar** that has **not** closed is considered a **potential** inside-bar.

- An **inside-bar** that **has** closed is considered a **confirmed** inside-bar; it also becomes an **official setup-bar**.

Inside-Bar Setup (Standard)

The **bar** to the **left** is the **comparison-bar**. The **bar** to the **right** is the IB **(**also known as the s**etup-bar)**. A third bar *(not shown)* is considered an **entry-bar**. The candle-body is irrelevant when identifying an IB and not shown in the figures below; therefore, the candle body has been omitted to further simplify an understanding of an IB.

Figure 14.1. IB (Inside-Bar) with no candle-body.

Comparison-Bar

IB (Inside-Bar) also the Setup-Bar

Completely inside comparison-bar

Equal High

Equal Low

Equal High & Low
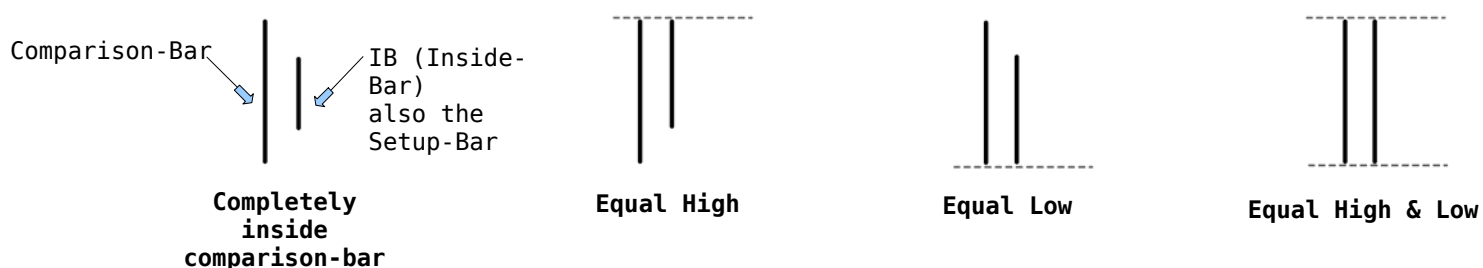
Figure 14.2. Multiple IBs (Inside-Bars) with no candle-body.

Comparison-Bar

First IB
Second IB
Third IB
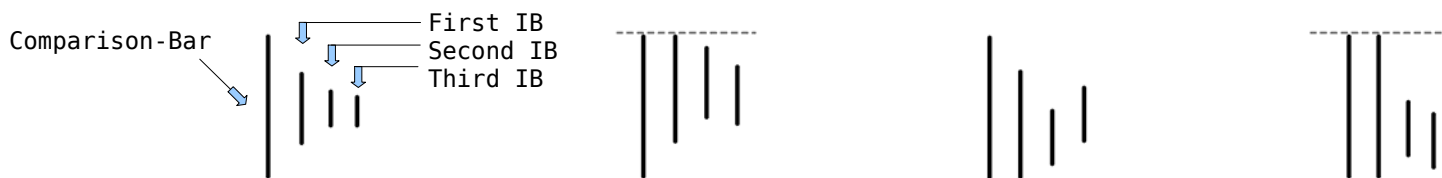
Inside Bar Entry (Standard)

After deciding to go long or short, **enter 1-2 pips above/below** the **break** of the **setup-bar**.

- If stochastic and SMA filters are not in-favor, allow **up to three additional bars** before disregarding entry.
- If multiple IBs form in a range, enter on the break of the first one. <mark>It is also acceptable to enter on the break of an IB of an IB with favorable conditions; time-of-day, SMA and SS agreement, and natural-flow.</mark>

Figure 14.3. IB (Inside-Bar) standard entry.
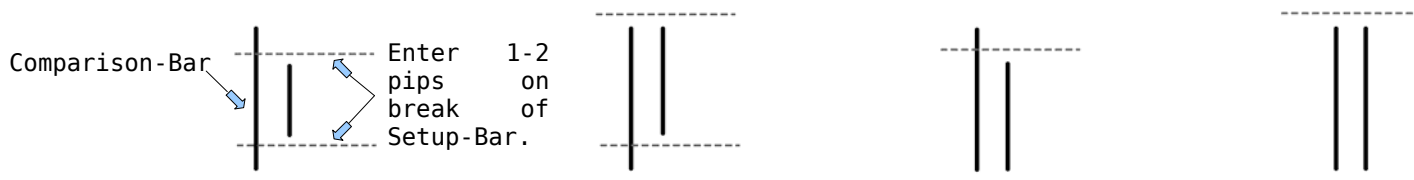
Chart 14.1. IB (Inside-Bar) examples.
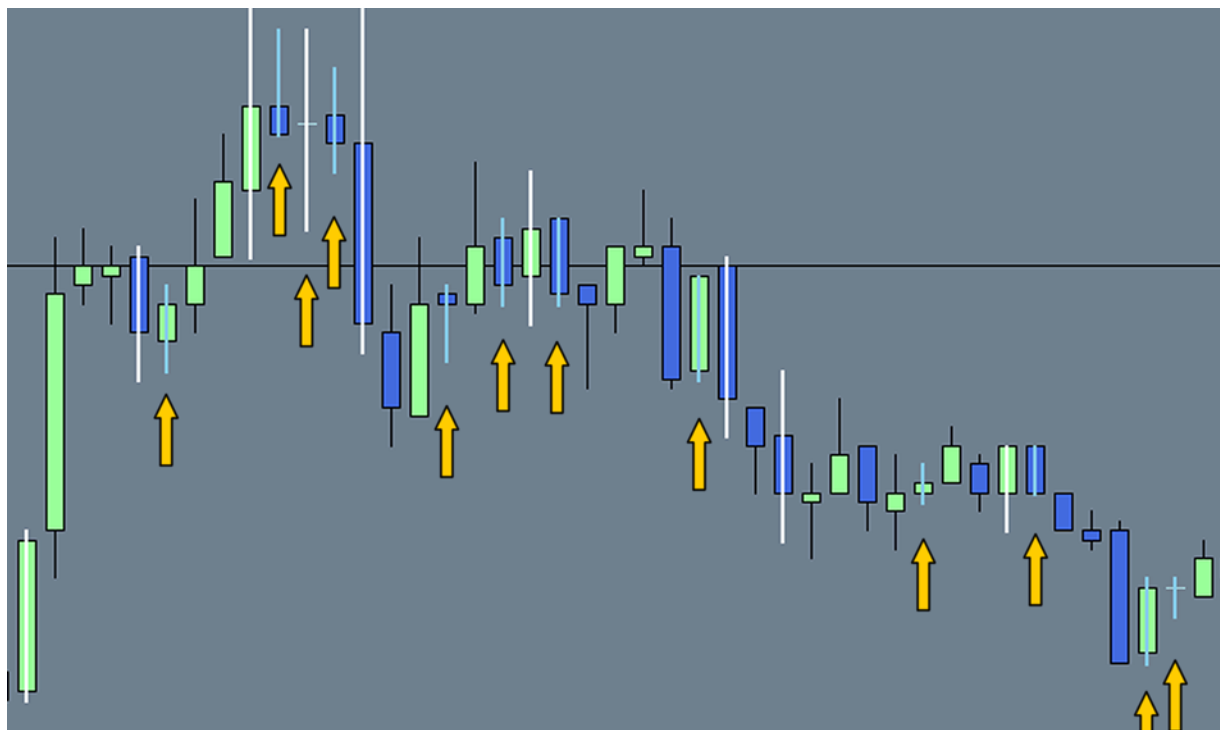
Continue to next page.

Inside-Body Setup

Caution

The **candle-body to the left** is the **comparison-candle.** The **candle-body to the right** is the **inside-body (**also known as the **setup-body).** An **inside-body** is **inside or equal-to** the high/low **price-range** of the **comparison-body**. **Bar** of the **candle** can be above/below **comparison-body**. The color of the candle-body is irrelevant when identifying inside-bodies.

Figure 14.4. IB (Inside-Body) may have bars/wicks outside the price-range of the comparison-candle.

Completely Inside Comparison-Body

Equal to High of Comparison-Body

Equal to Low of Comparison-Body

Equal to Low of Comparison-Body
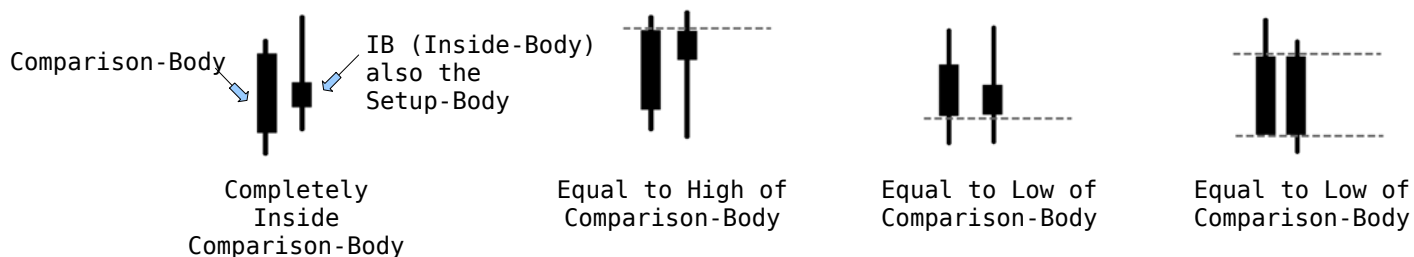
Inside Body Entry

After deciding to go long or short, **enter 1-2 pips above/below the break of the setup body.** If stochastic and SMA filters are not in agreement, allow **up to three additional bars** before disregarding entry.

Figure 14.5. Aggressive IB (Inside Body) entry.

Enter 1-2 pips on break of Setup-Body.

Chart 14.2. Inside-body examples.

Outside Bar (OB)

An **OB (Outside Bar)** occurs when the **price-range** of a **bar** is **outside** (higher-high and lower-low) than the **price-range** of the **previous/comparison** bar. If a bar has an **equal-high** or **equal-low** to the **comparison bar**, it is **also considered** an o**utside-bar**.

Tips
==The term 'bar' may be used interchangeably with the term 'candle' and/or 'wick' in reference to Craig Harris' Forex Methodology.==
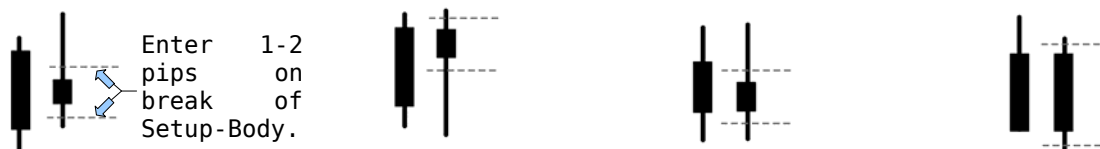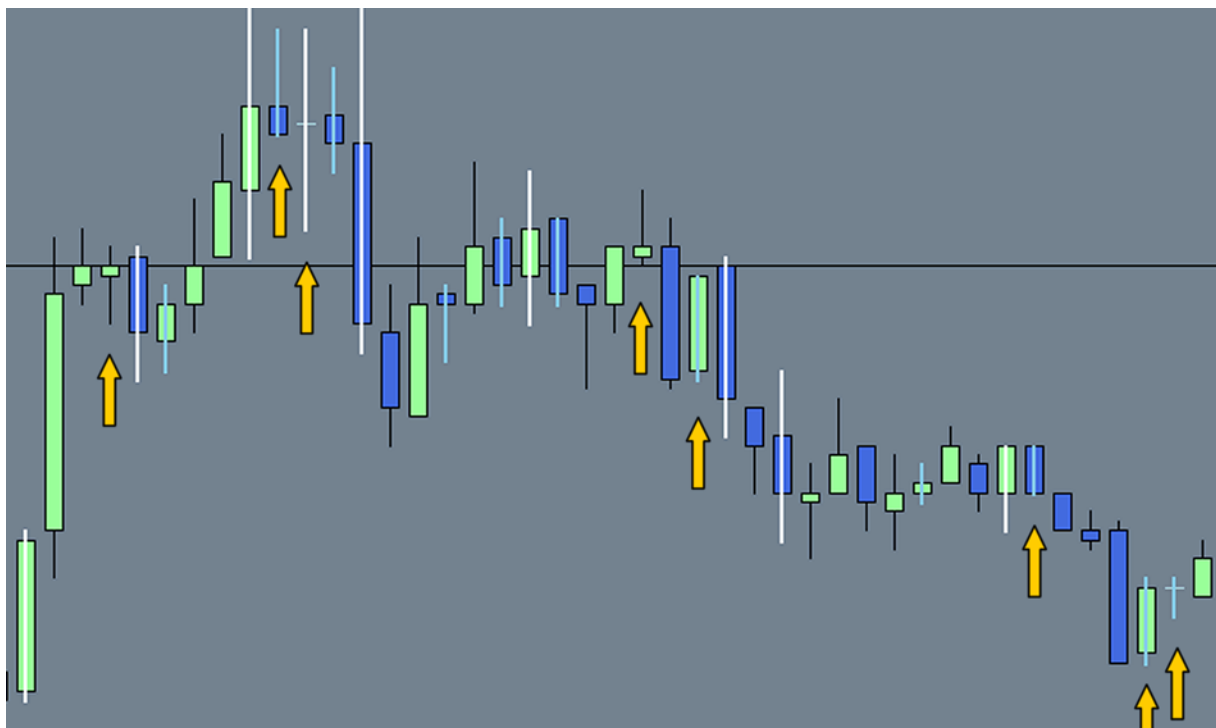- Signifies **price indecision** or a struggle of the bulls against the bears.
- It only takes **two candles** to **setup for an OB trade** and a **third candle** to **enter the trade;** however, you may see **multiple inside-bars** form within the **price-range** of an o**utside-bar**, which may allow for a **quicker entry**.

Outside-Bar Setup
The **bar** to the **left** is the **comparison-bar**. The **bar** to the **right** is the **outside-bar (**also know as the **setup-bar)**. A third bar *(not shown)* is considered an **entry-bar**. The **candle-body** is **irrelevant** and not shown in the figures below.

Figure 15.1. IB (Outside-Bar) with no candle-body.

Comparison-Bar

IB (Outside-Bar) also the setup-bar

Completely outside comparison-bar.

Equal High

Equal Low
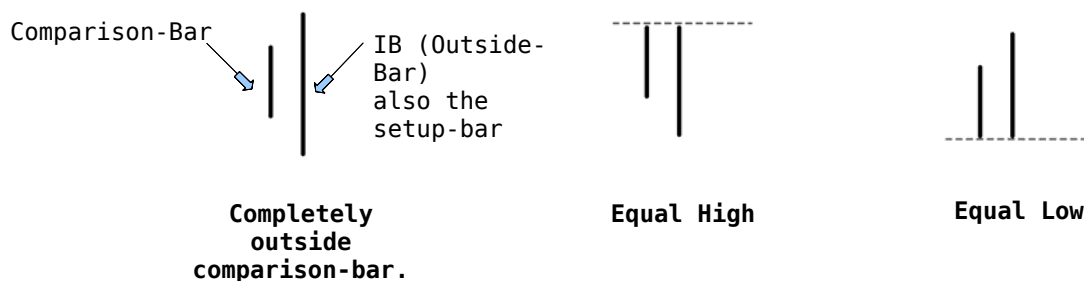
Outside-Bar Entry
After deciding whether the trade should be long or short, **enter 1-2 pips above/below** the **break** of the **setup-bar**. If stochastic and SMA filters are not in-favor, allow **up to three additional bars** before disregarding entry.

Figure 15.2. IB (Outside Bar) entry.

Enter 1-2 pips on break of Setup-Bar.

Continue to next page.

Chart 15.1. OB

(Outside Bar)
examples.

Continue to next page.

Continue to next chapter.

Reversal-Candle (RC)

An **RC (Reversal-Candle)** is simply a candle with an **opposite color body** than the **previous candle-body**. The **price-range of an RC** can be **inside or outside** that of the **comparison-bar**.

- Signifies price-action reversal.

- It only takes **two candles** to **setup for an RC trade** and a **third candle** to **enter the trade;** however, you may see **multiple IBs (inside-bars)** form within the **price-range** of a**n RC**, which may allow for a **quicker entry on an IB break**.

Tip
An RC may actually be **an IB (inside-bar/inside-body) or an OB (outside-bar/outside-body).**

Reversal-Candle Setup
The candle to the **left** is the **comparison-candle**. The candle to the **right** is the reversal-candle **(**also-know-as the **setup-bar)**. A third bar *(not shown)* is considered an **entry-bar**.

Figure 16.1. RC (Reversal Candle).

Comparison-Body

RC (reversal-candle)
Setup-Bar
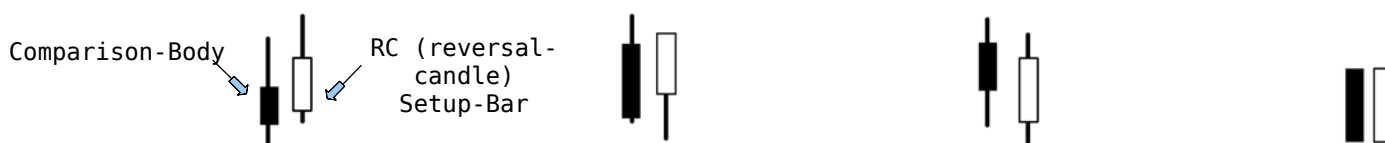
Reversal-Candle Entry
After deciding whether the trade should be long or short, **enter 1-2 pips above/below** the **break** of the **setup-bar**. If stochastic and SMA filters are not in-favor, allow **up to three additional bars** before disregarding entry.

Figure 16.2. RC (Reversal-Candle) entry.

Enter 1-2 pips on break of Setup-Bar.

Chart 16.1. RC (Reversal Candle) examples.

Big-Numbers (BNs) 00, 20, 50, 80

Big-numbers are **price-points** that end in **00, 20, 50, or 80**.
  • The market **naturally moves** to and from **big-numbers.**
  • **Good points-of-entry, stop-loss-points, and profit-targets.**
  • **Big-numbers** can be used **in place of pivot-points** and are **considered more accurate**.

Big-Number Entry
After deciding whether to go long or short, **enter a big-number trade** when price **strikes the big-number**. It is **not necessary** that price **break-through** a big-number to enter a trade.

Chart 17.1. Big-Numbers.

Mid-Range-Numbers (MRNs) 10, 35, 65, 90

Mid-range-numbers are **price points** that end in **10, 35, 65, and 90**.
- Mid-range-numbers are **50% Fibonacci-points** between big-numbers.
- **Price** typically **stalls at mid-range-numbers** making them **good entry and/or profit-points**.

Mid-Range-Number Entry

After deciding whether to go long or short, **enter a mid-range-number trade** when price **strikes the mid-range-number**. It is **not necessary** that price **break-through** a MRN to enter a trade.

Chart 18.1. Mid-range-numbers
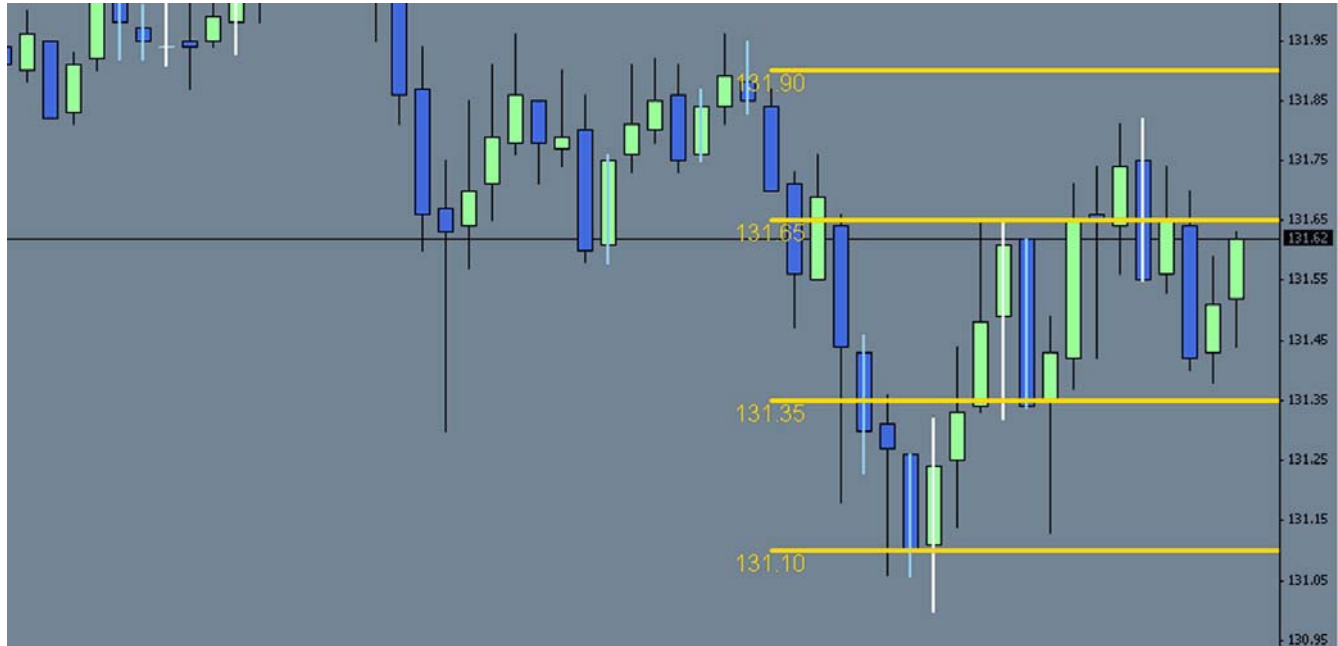
Chart 18.2 Mid-range-numbers with big-numbers

1-Hour-Open

A **1-hour-open** trade **enters on the open of each new hour in the direction of the previous 1-hour-**<mark>body</mark>.

- **A 1-hour-open may** yield around 30 pips.
- **The direction of the previous 1-hour body is indicated in the Dashboard by the colors blue for down, and green for up.** This allows a trader to watch the **15-minute-chart** without having to watch a **1-hour or 4-hour chart.**

Screen-shot 19.1. Dashboard Indicator.
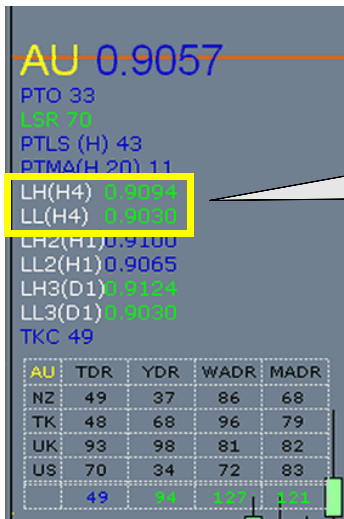
Green indicates an up-body (bullish).
Blue indicates a down-body (bearish).

H1 = Previous 1-hour Candle
LH2 = Last-High (Previous 1-hour)
LL2 = Last-Low (Previous 1-hour Low)

Tips

- It is **not necessary** for the 15-minute s**tochastic (SS)** or **simple-moving-average (SMA)** to be in **agreement with the direction of a 1-hour-open;** however, it is **favorable to consider** the **SS and SMAs of the 4-hour chart**.
- It is **not necessary** to yield to the **Tokyo-channel, but It may be favorable**.
- **After a 1-hour-open**, price may **retrace about 20 pips** which may **allow for a better entry on the 15-minute chart**.

1-Hour-Open Entry

Enter on the open of each new hour in the direction of the previous 1-hour-body.

Chart 19.1. 1-hour and 4-hour break on a 15 minute chart.
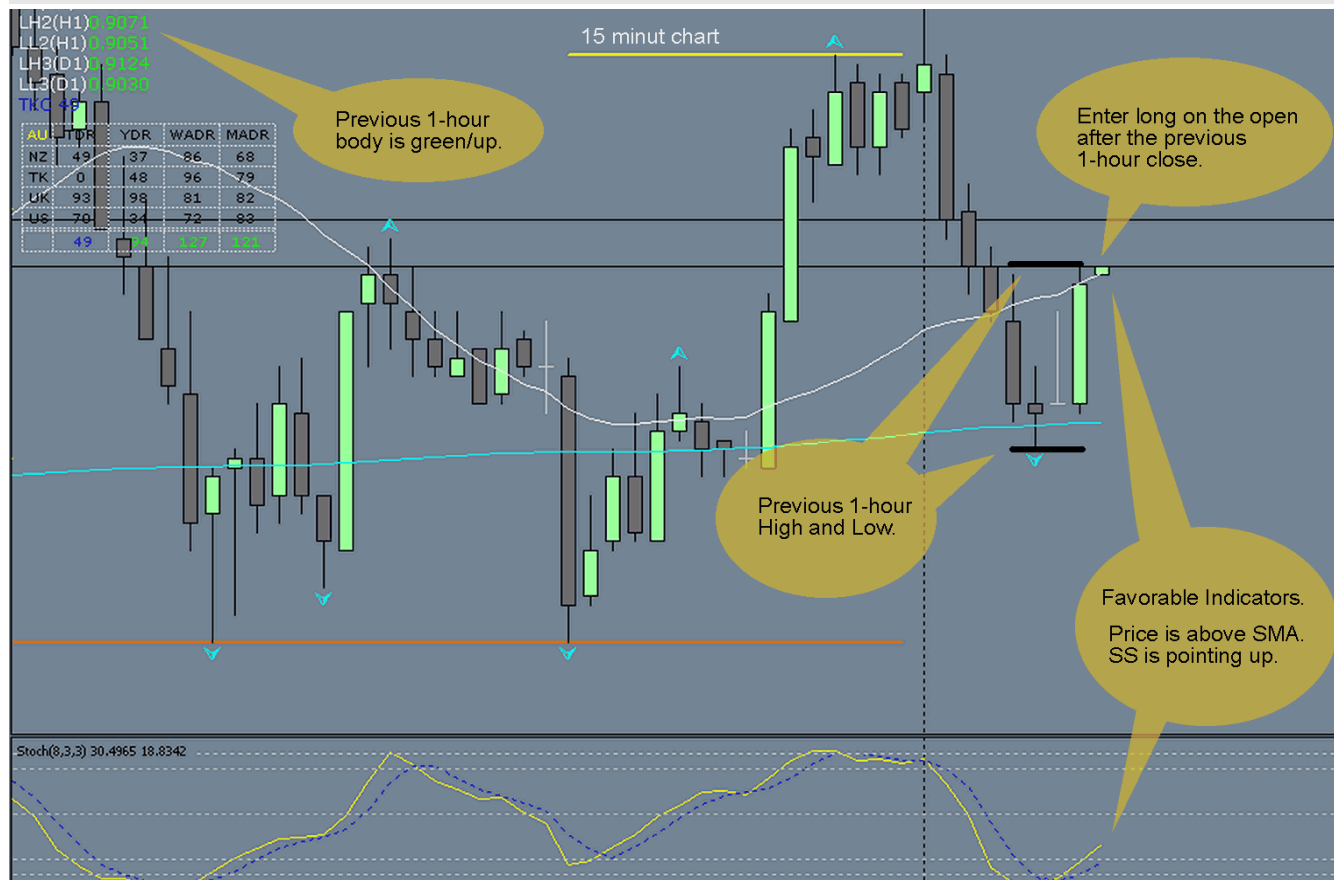
1-Hour & 4-Hour Break

1-hour or 4-hour breaks are entry-types executed **on the break** of the **high/low** of the **previous 1-hour or 4-hour high/low**.

- Previous 1-hour and 4-hour highs-and-lows are considered strong price-points; the break of such a price-point signifies momentum in the natural-flow-of-the-market.
- With all other requirements being met, a 1-hour or 4-hour break may yield around 30 pips.
- The 1-hour and 4-hour high/low line indicators may be customized through the Dashboard Indicator. This allows a trader to watch the 15-minute-chart without having to watch a 1-hour or 4-hour chart.

Tips

- It is **not necessary** for the s**tochastic (SS)** or **simple-moving-average (SMA)** to be in **agreement with the direction of a 1-hour or 4-hour trade;** however, it is **favorable to consider the SMA, SS and natural-flow of the 15-minute chart**...
- A **1-hour and 4-hour break** at the same **price-point** is considered a **more favorable setup**.
- **After a 4-hour break**, price may **retrace about 20 pips** which may **allow for a better entry**.
- **All stop-and-reverse trades default into the 1-hour-break strategy.** (See chapter on CA Stop-and-Reverse.)

Caution

- **Top-of-the-hour-break of previous 1hr:** if the 15m SS is **overbought** after a 3**0-60 pip swing** just past the **top-of-the-hour**, wait for a **price-action-fade** away from the target, then enter on an RC break or BN/MRN after an RC break on the 15m chart with SS agreement.

1-Hour and 4-Hour Break Entry

After deciding whether to go long or short, **enter a 1-hour or 4-hour Break** 1-2 pips **above/below** the   **high/low** of the **previous 1-hour or 4-hour high/low**.

Chart 20.1. 1-hour and 4-hour break on a 15 minute chart.
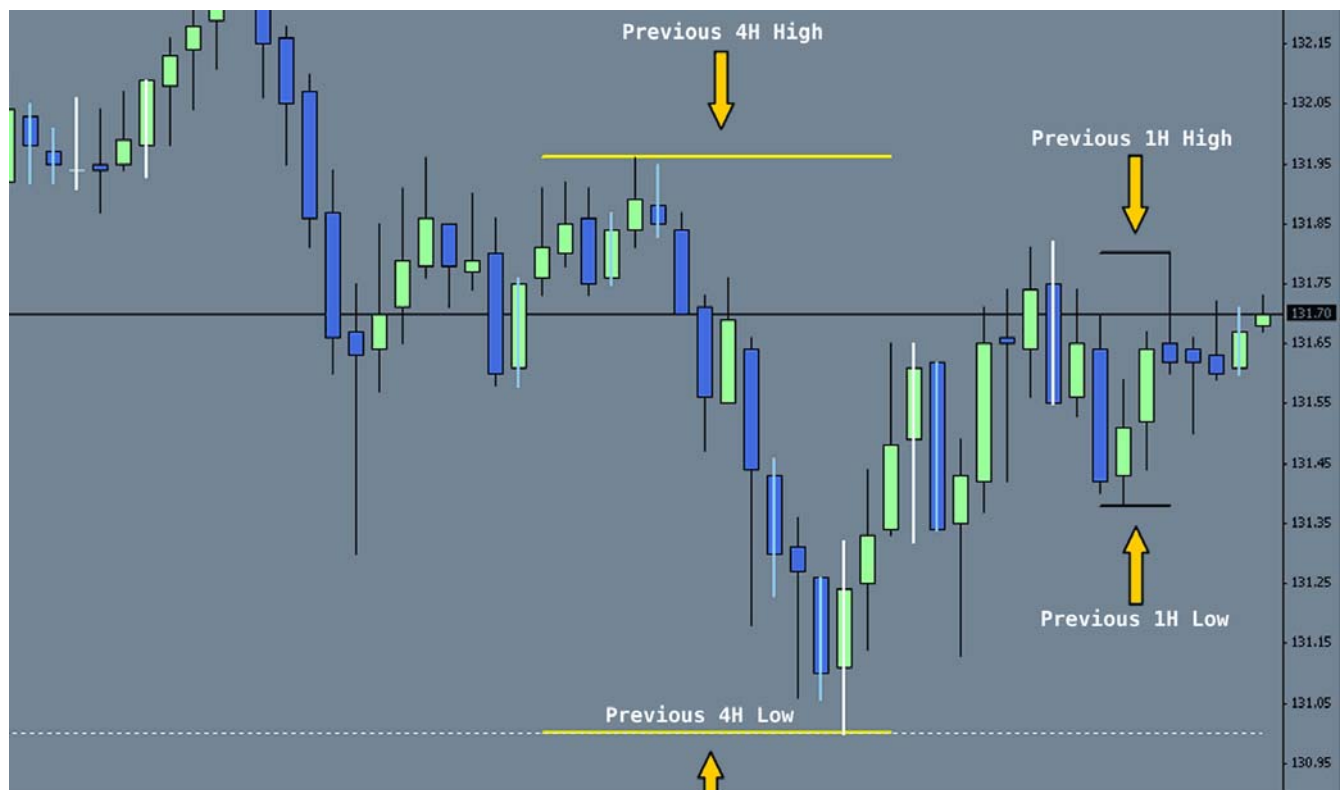
Counter-Trend-Trade (CTT)

A CTT (Counter-trend-trade) is defined by the 20-period simple-moving-average (SMA), and/or the 240-period simple-moving-average (SMA).
- When price-action is above either SMA on a short-trade, the trade is a CTT.
- When price-action is below either SMA on a long-trade, the trade is a CTT.

Rules
- Entry price must be at least 35 pips from nearest SMA.
- Use any type entry method to execute a CTT trade.
  ◦ IB/OB/RC (Wait for RC to close before entering.)
  ◦ If the RC wick has a large range (10 or more pips), it may be acceptable to enter on the break of the RC-body, or a BN/MRN entry after an RC-body break.
  ◦ If BN or MRN is within 5 pips of protective-stop, put stop no closer than the BN or MRN.
- **Caution**: CTTs are not favorable for **EUR/JYP** until after London close, or until DR meets WADR or MADR; however, it is acceptable to take a stop-and-reverse on the previous 1-hour break.

Post-London-CTT (17:00 GMT) through New-York-Close (22:00 GMT)
- Post-London-price **must be in the upper/lower 1/4 of the the TDR**. Use the **23.6 Fib-level of the TDR** or last-major-move as a profit-target of 15-25 pips max. **Exit all Lots**.
- Entry-price may be less-than 35 pips from 20-period SMA; 20-period SMA may be a stall-point but is not a major point of support/resistance after London close.
- Entry-price must be a minimum of 15 pips from both profit-targets:
  ◦ The 23.6 Fib level of the TDR.
  ◦ 240-period SMA.
- Be aware of news which may extend the daily-range and trigger stop-loss points; rather, wait until after news to execute a trade.
- When TDR has exceeded WADR or WADR, use a 2-pip break of the stop-loss price instead of a 1-pip.
- If TDR has met or exceeded WADR or MADR it may be acceptable to enter on the break of the RC-body, or a BN/MRN entry after an RC-body break.
- **Caution**: Consider skipping a setup when 240-SMA and 20-SMA are close together and between entry and profit target.

Chart 21.1. Counter-trend-price-action (CTT)

Price-action is counter-trend to both SMAs until it crosses over the SMA.

Price-action is counter-trend to the 240 SMA but not the 20 SMA.

Price-action is counter-trend to both SMAs until it crosses over the SMA.

Protective-Stop-Loss

A protective-stop-loss is a **strategy used on every trade** to **limit potential losses** by placing a stop-loss-order on the **opposite side of a trade**. If the currency price reaches the stop-loss-order price, the position is closed automatically.
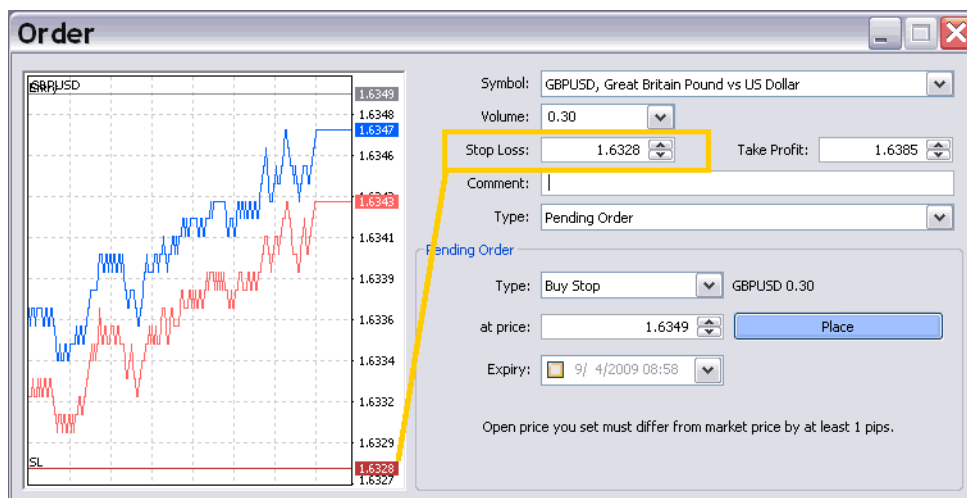
Tips

- **Protective-stop-loss orders** are always connected to an **open position** or a **pending order**. MetaTrader will only place a stop-loss-order together with a **pending order**. If a trader makes a **market-order**, the trade must be modified to include a stop-loss-order.
- MetaTrader automatically checks **potential long/short positions** with ask/bid price to make sure the **potential stop-loss-price** is **above/below** the **potential entry-price**; If these provisions are not met, the terminal will not allow you to execute/change an order.
- When a pending-order has been successfully placed, the entry-price, stop-loss-price and take-profit-price are all saved on a broker's MT4 server; this allows assurance that a potential or active trade will manage itself when stepping away from the terminal, or if networks becomes unreliable.
- A 35 pip stop is based on the natural flow of the market and its range between swing highs and lows.

**Caution**: Automated trailing-stop-loss orders are **not saved on a broker's MT4 server**; rather they are managed **directly from the trader's computer**; therefore, if a trader's computer or network becomes **unstable**, trailing-stops may not be triggered.

Rules

- **The best stop-loss is about 35 pips or less, and/or above/below the previous swing high/low;** however, when using the **stop-and-reverse (stp/rvs) strategy**, the **previous 1-hour high/low** is used for the **stop-loss and stp/rvs price, and it is not optional to trail stop-loss price for each new 1-hour high/low;** rather, leave the stop-loss price in it's original position for the life of the trade.
- **Stop-loss-price** and **profit-point** must be **predetermined before executing** a trade.
- A trader **must be willing to risk 35-50 pips**; there is always another, better trade to recover losses. A **stop-loss** greater-than **35 pips** must be based on **daily-range, news, Fib levels, SMA and SS agreement**; otherwise, it is strongly advised to wait for a better trade.
- Once a trade **becomes profitable**, a **protective-stop-loss** may become a **trailing-stop** to **protect profits**.
- _A **trailing-stop-loss** must be **technically-derived** until a trade is profitable. After a trade becomes profitable by **20 pips or more**, lock-in **2-3 pips** by placing the stop-loss 2-3 pips **above/below the entry-price**; additionally, it's **optional** to place a **trailing-stop** which can be **technically-derived** or based on a **price-range** from the **current-price. (MetaTrader allows a minimum 15 pip trailing-stop.)**_

Screen-shot 22.1. MT4 pending order to go-long with a stop-loss at 1.6328.

Screen-shot 22.2. Modifying a trade, or pending-order.

Order ↗	Time	Type	Size	Symbol	Price	S / L	T / P	Price	Swap	Profit
3964148	2009.09.29 18:36	buy	1.00	gbpusd	1.5952	1.5926	1.5987	1.5982	0.00	300.00
Balance: 46 946.10 Equity: 46 916.10 Margin: 500.00 Free margin: 46 416.10 Margin level: 9383.22%										300.00

Double-click any part of an order-row to open an order-window. Good for modifying orders or executing a new order based on a specific symbol.

Trade | Account History | Alerts | Mailbox | Experts | Journal |

Technically-Derived Protective-Stop-Loss Positions
(See Chart 22.1)
   1) 1-2 pips above/below the previous reversal-candle (RC).
   2) 1-2 pips above/below the **previous swing-high/low** (swH/L, also known as 'fractal'). Optional: As the market progresses, **move stop to each new swH/L (fractal)**.
   3) 1-2 pips above/below **previous 1-hour-high/low** (1H H/L). Optional: As the market progresses, **move stop to each new 1H H/L** (not an option when using stop/reverse strategy. See previous page).
   4) 1-2 pips above/below a **Big Number (BN);** especially when stop is too close to entry.
   5) 1-2 pips above/below a **Simple-Moving-Average (SMA).**
   6) 1-2 pips above/below the high/low of **Tokyo-channel.**
   7) **Confluence**: If a confluence of support/resistance points such as an SMA and Tokyo-channel is in the same area, place the stop-loss/stop-and-reverse price on the other side of the confluence to the next big-number or mid-range-number with a max risk of 50 pips.

Tips
   • The best stop-loss is about 30 to 35 pips which is equivalent to .6% to .7% of a $10,000.00 account on a .2 lot trade.
   • 20 pips is acceptable but may be too close; therefore, use next 1 pip above/below next big-number, Tokyo-channel, or SMA.

Caution: If a stop-loss is over 50 pips, consider not executing the trade.

Chart 22.1. Three, technically-derived protective-stop-loss price-points.

Trade: Long on an inside-bar break at 1.6336.

Stop-Loss at new swL (1.6320) which is the same as nearest Big Number; however, 16 pips is typically too close for a stop-loss.

Stop-loss below last 1-hour (previous fractal) low at 1.6294 is better at 42 pips.

Buy Entry

Protective-Stop-Loss: New swL (fractel), & Big-Number. 16 pips is too close.

Protective-Stop-Loss: 1H Low & Previous swL (fractal). 42 pips is better.

Trailing-Stop-Loss

Unless a trade has a specific profit-target, allow trades to profit by using trailing-stop-loss price-points and/or price-action exits such as: inside-bars, outside-bars, reversal-candles, and 1-hour breaks.

As a trade progresses and the chart creates new swings, 1-hour highs-and-lows, and as price progresses through big-numbers... move the protective-stop-loss to one of these new positions.
1) 1-2 pips above/below the **previous swing-high/low** (swH/L, also known as 'fractal'). As the market progresses, **move stop to each new swH/L (fractal)**.
2) 1-2 pips above/below **previous 1-hour-high/low** (1H H/L). As the market progresses, **move stop to each new 1H H/L.**
3) 1-2 pips above/below a **Big Number (BN)**.
4) 1-2 pips above/below a **Simple-Moving-Average (SMA).**
5) 1-2 pips above/below the high/low of **Tokyo-channel.**

Once a trade is profitable by 20 pips or more, a trailing protective-stop-loss can be technically-derived, or based on a price-range from the current price; additionally, MetaTrader's automated trailing-stop feature may be used.

Chart 22.2. Trailing-stop-loss to a reversal-candle.
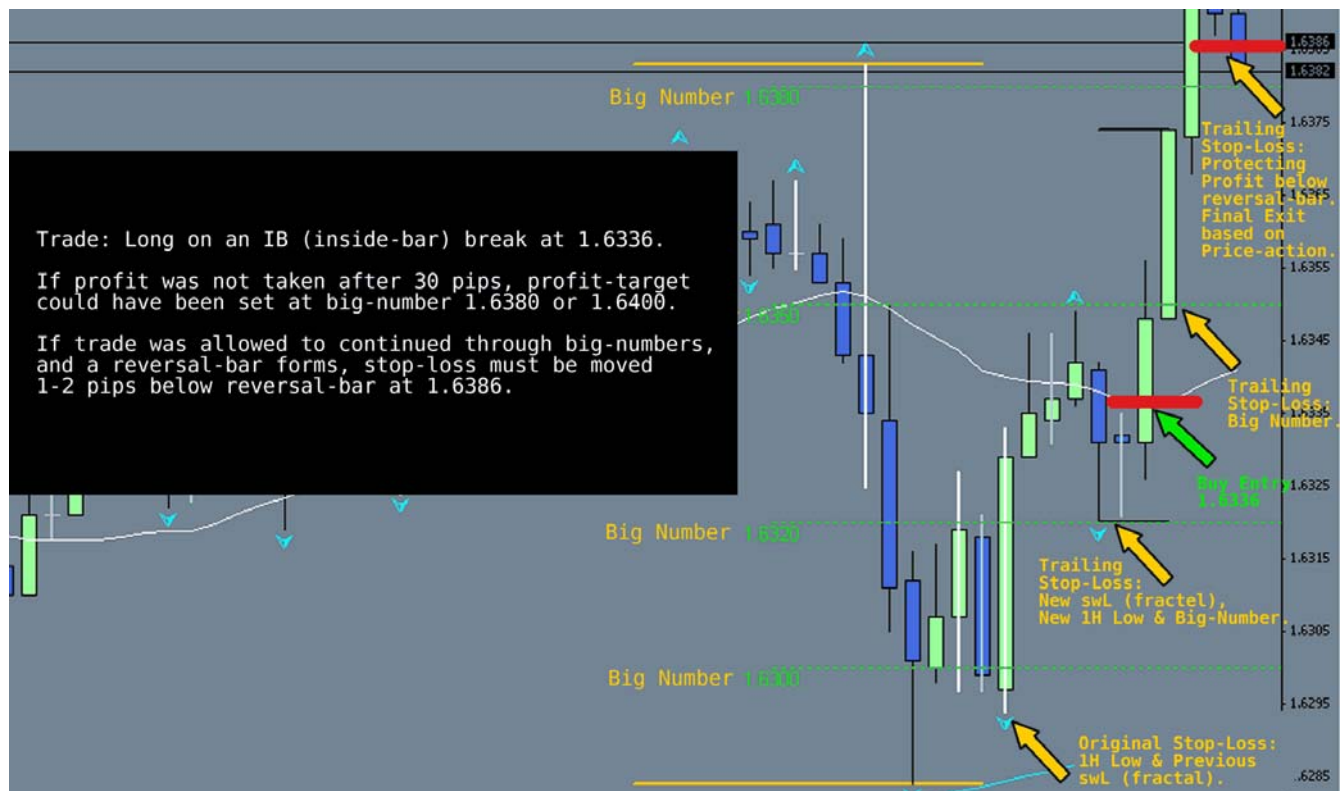
Profit-Targets

Profit-targets are **technically-derived price-points** used to **exit a trade** and **take profit**.
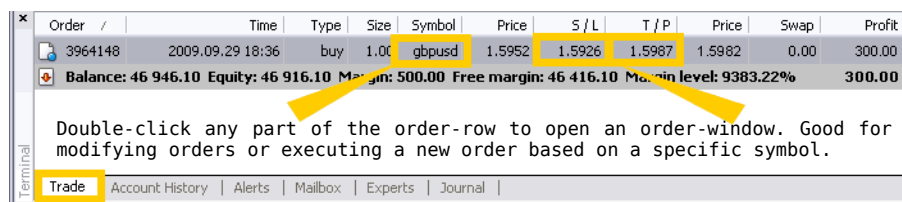
Caution
- *If the market is **choppy without a natural-flow of 30-60 pips**, profit-targets are a maximum of 20 pips.*
- *If the market **stalls into a channel or wedge**, protective-stops are moved to **lock-in 2-5 pips**, or exit with a small profit.*

Tips
- If the **WADR or MADR has not been achieved**, it is advised that a **nominal profit target of 50 pips** be chosen when entering a **pending trade**. This allows a trader to **read-the-market** and **choose a technically-derived profit-target** after a trade has been executed.
- After a trade has produced 20 pips, it is suggested that 3-5 pips are locked-in.
- After a trade has produced 20 to 30 pips, it is suggested that 1/2 to 2/3 of a position be exited; however, this all depends on the status of the natural-flow-of-the-market.
- To **modify a trade or pending-order**, double-click on the the **S/L or T/P price** in the 'Terminal' window under the 'Trade' tab. Ctrl+t opens and closes 'Terminal' window.

Screen-shot 23.1. MetaTrader4 Terminal window.

Identifying Profit-Targets
1) **Range-based** profit-targets are dependent on the **trading-session** and are always based on the **natural-flow of the market with strong consideration to the Daily Range**.
   - **London session** is 30-60 pips. A minimum of 20 pips should be targeted unless the market **stalls into a channel or wedge**, in which case protective-stops are moved to **lock-in 2-5 pips**, or exit the market with a small profit.
   - **London close to New York close** is 10-30 pips, or next big-number. CTT retrace is 10-30 pips, or next big-number.
   - **Wellington session** to **first 4 hours of Tokyo session** is 15-25 pips.
2) **Price-point-based** profit-targets:
   - **BN (big-number) and MRN (mid-range-number) trades** are two levels up to the next-big-number or next mid-range-number.
   - Nearest SMA.
   - Tokyo-channel.
3) Intersection of an SMA and one of two Fibs: the 23.6 Fib of TDR, or the 50 Fib of the last major swing. Even better when this intersection is around a big-number.
4) 1-hour and 4-hour breaks are 30 pips, <mark>or an additional 30 pips if already in a trade.</mark>

Identifying Profit-Exits
- After a swing (fractal) has occurred, exit all lots **1-2 pips on the break** of the **first price-action reversal**.

Scaling-out
Portion the total amount of **full-lots or mini-lots** to **two exits**. It is advised **exiting in halves or thirds** for a total of two exits. The **first exit** is a **technically-derived profit-target (no-less than 20 pips)**, the **second exit** is a **technically-derived profit-target --- or first price-action reversal with SMA and SS** agreement.
- Scale-out only from **the last 4 hours of Tokyo session** to the **London Close; After London close, do not scale-out, take-profit all-at-once**.
- Exit all lots if there is price-action reversal with SS and SMA agreement.

Cost-Averaging (CA) & Stop-and-Reverse (stp/rvs)

Cost-averaging is **an aggressive strategy used to recoup losses** with an additional 1-5 pip profit. The easiest way to plan and understand a CA trade or series of trades is to watch the videos, and use the Calculator from craigharris-members-only.com under 'Download'.

- The **entire methodology presented in this manual** must be applied **before** a CA or stp/rvs trade can be successfully **practiced**.
- **Cost-averaging increases leverage/risk** however **reduces the number of pips needed to recover and profit**.
- **Two to four stop-and-reverse progressions** may be required **before recouping losses** from the **initial losing trade** and **all other losing stop-and-reverse progressions**.

CA strategies and formulas **may seem over-complicated at first**; however, **after practicing** several times on a demo account, **it will become simple-logic**. Chart examples have been provided in this chapter, however, due to the **uniqueness of each trade** the information gained in examples is hardly comparable to actually experiencing live trades.

Caution

- Stp/rvs with CA is the most difficult strategy to understand and implement; it requires advanced planning, patience and absolute confidence. Traders must practice stp/rvs trades on a 'Demo Account' until they have successfully executed a minimum of 20 stop-and-reverse trades, and have become consistently profitable thereafter.
- Some brokers, especially US brokers, may not allow a stp/rvs on the same price. If this is the case, enter 1 pip beyond the stop-loss price.

Rules

- **Natural-flow and all-other-market-conditions must be considered for every CA and stp/rvs trade.**
- **Do not use stp/rvs after London close if stop is greater-than 35 pips**; rather, use cost-averaging **on next trade-setup.**
- Use a **completely new/separate 'Order Window'** for **each pending stp/rvs order**. Entry-price **must match stop-loss price** of current trade.
- **Delete the next pending-order** after a successful stp/rvs trade.
- Never leave trades unattended; dedicate several hours to trading this strategy.
- After a predetermined draw-down (2-15%), take the loss and look for a new trade without using CA.
- Daily-range **must be below WADR and/or MADR** when trading into a **daily-high/low**.
- Use between **New-York-midnight** through **New-York-close**. (05:00 – 22:00 GMT)
- **Ignore Slow-stochastic (SS) and slow-moving-averages (SMA)** for stp/rvs entries; however, SS and SMA **must be considered** when setting **profit-targets**, especially when targeting **over 5 pips**.
- While in a stp/rvs trade, **skip all valid trades in the opposite direction**; rather, **wait for recovery/profit targets to be hit**, or **wait for the stop-loss to be executed** into the next stp/rvs progression.

Protective-stop and (stp/rvs) Price-Points

- **Immediately after the execution of an initial-1st-leg-trade at a normal lot-size, open a new order-window, change the lot-size, and setup a pending buy-stop or sell-stop on the same price as the initial-1st-leg-trade stop-loss-price.**
- **At the time of each stp/rvs entry, set a stop-loss (which also equals the entry for a n additional and pending stp/rvs entry) at the most extended swing-point-price, which could be a previous-1-hour high/low; if risk is greater then 50 pips, use a technically-derived stop-loss with less risk.**
- **Confluence: If a confluence of support/resistance points such as an SMA and Tokyo-channel is in the same area, extend the stop-loss/stop-and-reverse price on the other side of the confluence to the next big-number or mid-range-number with a max risk of 50 pips.**

Profit-Target-Range

- **A profit-target-range** of 1-5 pips is **governed by the status of the SS and the SMA** at the time of **stop-and-reverse entry, and may be adjusted after executing a stp/rvs position by double-clicking on the trade in the Terminal window**.
- Target 5+ pips of profit **when SS and SMA are in agreement**.
- Target 1-3 pips of profit **when SS and SMA conflict** or **news is within 30 minutes**.

Cost-Averaging (CA) Progressions
- To calculate the lot-size for the ==**first-progression**==, ==**multiply**== **the original-number-of-lots used on a losing trade** by a minimum of 2**x**. **Note: 5x is a favorite**.
- For each <u>successive</u> CA or *stp/rvs* progression after the first-progression, each lot-size is based on a traders personal CA strategy.
- If a lot size is not an option in the 'Order' window, type the lot size **rounded up** to the nearest 10th (example: (.8) (1.4) (2.2)

Cost-Average (CA) Strategies and Formulas

There are many different strategies used for **cost-average formulas**; additionally, there are many different strategies used in planning a **series of trades** using CA and/or stp/rvs. ==Each trader must develop and practice a strategy that fits his/her trading style and goals.==

==The **most important variable**== in any CA strategy is **max-draw-down per trade,** and **cumulative ==max-draw-down per series of CA trades**.== A strategy must be planned in advance based on an average stop-loss range of 30-40 pips and a cumulative max-draw-down which may be between 5-15%. No matter how many legs can be squeezed out of a strategy, once the max-draw-down level is reached, a loss must be taken.

Strategy Example 1: Use a pip-range of 5-8 pips to recover-and-profit per leg/progression can be used in deciding how many lots to use.

Strategy Example 2: (The following risk percentages pertain to an entire account balance.) Use a max-draw-down of .2-5% per leg/progression to manage risk based on an average stop-loss of 30-40 pips, and a max-cumulative-draw-down of 5-15%.

Or, if a max-cumulative-draw-down is set at only 3%, then one initial-failing-trade plus one-stp/rvs-trade may risk the entire 3%. Planning one stp/rvs or CA trade per-initial-trade will double the chances of success with a reasonably conservative max-cumulative-draw-down (3%).

Strategy Example 3: Use a progression of multipliers for each leg such as:
- **Leg 1:** original trade and lost size.
- **Leg 2:** 5x original lot size.
- **Leg 3:** 10x original lot size.
- **Leg 4:** 15x original lot size.

Expounding a little more on Strategy Example 3:
- **Leg 1 - First Trade:** Based on ==.2== mini-lots per $10k account balance.
- **Leg 2 - First CA progression**: (==Leg-1-lot-size== x ==5== = ==CA-lot-size==)
  ==.2== x ==5== = ==1== whole-lot.
- **Leg 3 - Second CA progression**: (==Leg-1-lot-size== x ==10== = ==CA-lot-size==)
  ==.2== x ==10== = ==2== whole-lots.
- **Leg 4 - Third CA progression**: (==Leg-1-lot-size== x ==15== = ==CA-lot-size==)
  ==.2== x ==15== = ==3== whole-lots.

Calculating Profit Targets

Objective: Calculate a **specific profit-target price** based on the following variables:
1) Lot-size.
2) Total money lost.
3) Desired amount of pips to profit.
4) Entry-price for next-trade or stop-and-reverse.

Using the list of **variables above, identify real numbers from an actual trade**, then **plug the numbers into the formulas below**.

Long CA trades:

   Pips needed to recoup = money lost ÷ sum of previous two lots x pip value

   Profit-target = pips needed to recoup + entry + desired amount of pips to profit

Short stp/rvs trades:

   Pips needed to recoup = money lost ÷ sum of previous two lots x pip value

   Profit-target = pips needed to recoup − entry − desired amount of pips to profit

---

Long CA trades:

   Pips needed to recoup = money lost ÷ lot size x multiplier x pip value

   Profit-target = pips needed to recoup + entry + desired amount of pips to profit

Short stp/rvs trades:

   Pips needed to recoup = money lost ÷ lot size x multiplier x pip value)

   Profit-target = pips needed to recoup − entry − desired amount of pips to profit

---

Additional Notes:

- After entering an initial-trade, or a stp/rvs order is triggered, immediately setup a pending-order for an additional stp/rvs; moving quick will reduce the chance of missing a trade in fast-moving markets or around news when price tends to whip-saw.
- Essentially the stp/rvs strategy is the same as a 1-hour high/low break strategy; reason being is that the break of a 1-hour high/low typically signifies momentum in price-action enabling a more favorable chance at recouping loses with a small profit.
- **Effective Pips:** After a successful CA trade or series of CA trades, divide your Net-gain by the original lot size.
  - Example for U.S. based pairs of whole dollar amounts using .2 lot size for original trade:
    - Leg 1 loss = $60
    - Leg 2 loss = $300
    - Leg 3 win = $380
    - 380 - 360 = 20 ÷ 2 = an effective pip gain of 10 pips.

Chart 24.1. Stp/rvs trade going into first stp/rvs progression.
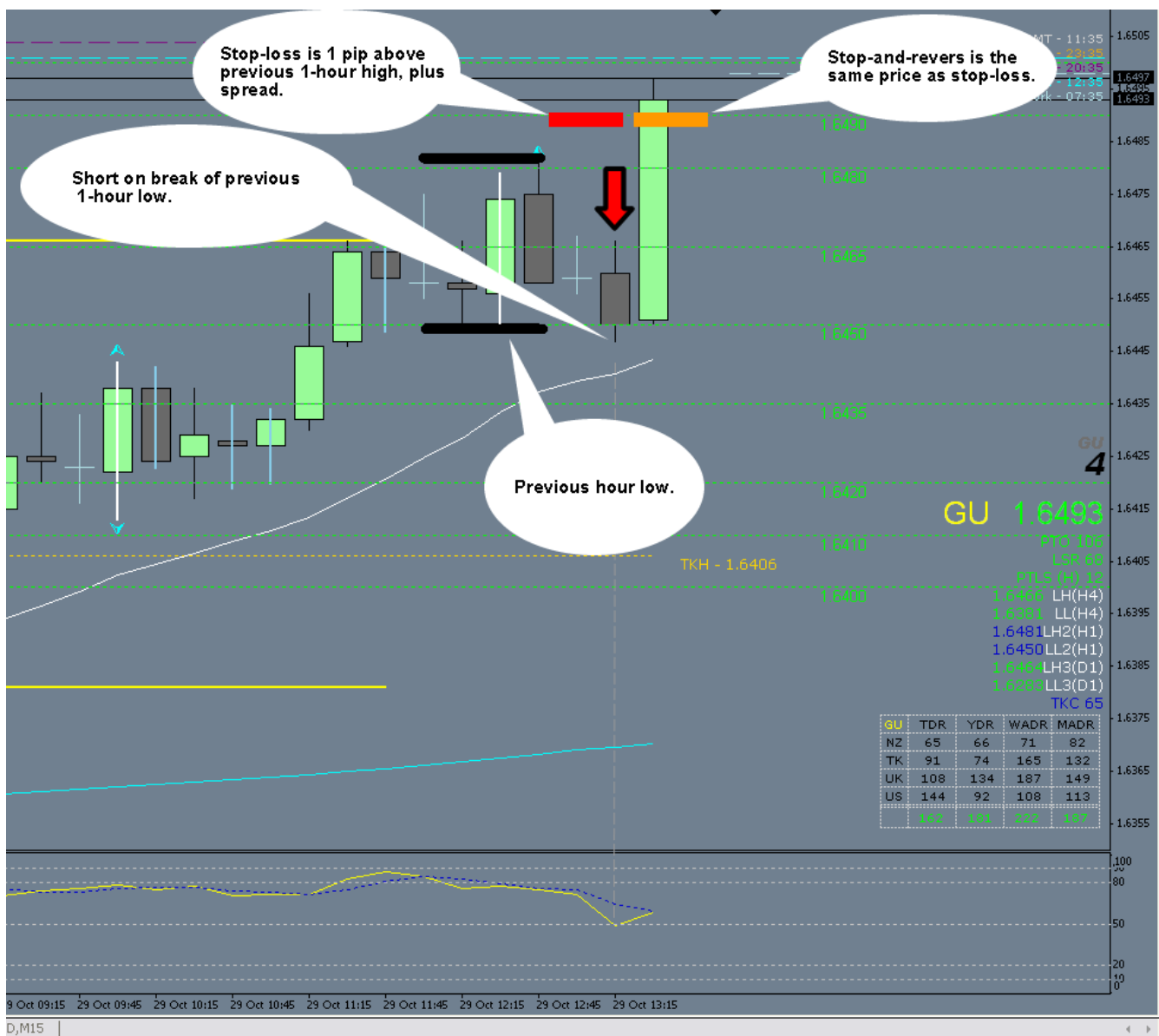
Trade Check Sheet

Setup

Favorable
✔ Upcoming news announcements have been assessed.
✔ TKC range is complete with 40 pips or more.
✔ Stochastic agreement.
✔ SMA agreement (N/A **after London close** but look for stall when price hits the SMA on a CTT)
✔ If CTT: Entry is 35 pips from SMA.
✔ If CTT **after London Close**:
  • Entry is minimum 15 pips from 23.6 Fib of TDR, or 15 pips from SMA.
  • TDR is near WADR or MADR.

Unfavorable
✗ TKC is less than 35 pips from entry.
✗ TDR is near or exceeds WADR or MADR, and entry is less than 35 pips from TH/TL.
✗ Other Pairs are out of sync.
✗ Market is Choppy without a Natural Flow. (Reduce profit targets to 20 pips.)
✗ Stop Loss is greater than 50 pips or 1% of account balance. (Consider skipping the trade.)
✗ Friday after London Close. (Exit all trades and stay out of market.)
✗ Bank Holiday

Tip 1: The closer the **forming fractal** H/L is to the **previous fractal** H/L, the better the setup.

Tip 2: **The best setups**: Trade as close to a **previous swH (fractal) short** or as close to a **previous swL (fractal) long**.

Entries

Caution: If **entry price** is on **wrong side of fast SMA**, consider **waiting for candle to close** before entering trade unless the market-conditions are favorable for an early entry.

• **IB, OB or RC (Enter 1-2 pips on break of setup candle.)**

• **BN or MRN (BN: 0, 20, 50, 80) (MRN: 10, 35, 65, 90) (Enter on BN or MRN... Do not wait for break).**

• **1H Open: Enter 1-2 pips on open of new 1H candle in direction of previous 1H body.**

  ◦ **SMA and SS are not used to filter 1H Open but may be considered.**

• **1H or 4H Break (Enter 1-2 pips on break of previous 1H or 4H H/L.)**

  ◦ **SMA and SS are not used to filter 1H or 4H breaks.**

Protective Stop
Tip: The best Stop Loss is 35 pips or less, or .7% of account balance.
• 1-2 pips above/below new Fractal H/L. (Optional: Move stop to each new fractal H/L)
• 1-2 pips above/below previous 1H H/L. (Optional: Move stop to each new 1H H/L)
• 1-2 pips above/below BN.
• 1-2 pips above/below previous 1-hour high/low.

Stp/Rvs
• Daily-range must be below WADR and/or MADR when trading into the daily-high/low.
• Use between New-York-midnight through New-York-close. (05:00 – 22:00 GMT)

Profit Targets
Caution: When market is choppy, set max **profit target** to 20 pips.
• 20 pips minimum.
• London (30-60pips), London-close to NY-close (15-25 pips), Wellington to 1st four hours of Tokyo (15-25 pips)
• Using BNs and MRNs price points: Two levels up to the next BN or MRN.
• **After London Close:** 15-25 pips maximum, or 23.6 Fib of TDR or SMA; whichever comes first.
• After a swing (fractal) has occurred, exit all lots **1-2 pips on the break** of the **first price-action reversal**.
• Exit all lots if there is price-action reversal with SS and SMA agreement.
• Second scale-out is always first price-action reversal.

Trade Specific
• **1H-open, and 1H or 4H breaks**: 30 pips.
• **BN or MRN Entry**: two levels up to next BN.
• **CTT**: 23.6 Fib-level of TDR, 50 Fib-level of last fractal, and/or SMA.

Rules For Trading

TRADE OUT OF CONSOLIDATION
Consolidation = 2 or more candles in a given area.

1. ## Check the News
   - If a news announcement is within 30 minutes of the beginning of a trader's day:
     - Wait until after the news announcement, and price-action resumes to natural-flow.
     - Or wait until a thorough assessment of the natural-flow-of-the-market has been established before executing a trade.
   - If there is no news, look for a trade.
   - If in a trade, you can:
     - Close all of your trade.
       - Close a portion of your trade.
       - If you close a portion then:
         - Tighten your stop-loss
         - Tighten your take-profit

2. ## Check the Trend
   - Use a 60 Simple Moving Average (SMA) from a 5x higher time-frame, and a 5x lower time-frame.
     - So a 15-min chart will use a 1-hr SMA, and a 15-min SMA.
   - Ask Question: Is Price Above or Below the SMA?
   - We are looking for SMA agreement
     - If Price is above the SMA, look for a Long trade.
     - If price is below the SMA, look for a Short trade.
   - Primary SMA is from the 5min chart for immediate short term trend.
   - SMA agreement can be Counter-Trend-Trade (CTT) if price action is 35 pips or more from SMA you are trading TOWARDS.
   - All trades must have SS agreement.
     - SS agreement is 12:00 - 2:00 ANGLE for long trades.
     - SS agreement is 4:00 – 6:00 ANGLE for Short trades.

3. ## Check Tokyo Channel
   - TKc is the High and Low from start of new financial day until N.Y. Midnight.
   - Must have 40 pips between high and low, or else no-trade until TKc is bigger than 40 pips or you have a break out of the TKc with proper price-action set up.
   - TKcH/L also will supply good **support** and **resistance** for the rest of the financial-day.

Acronyms

. (dot) A miscellaneous character typed by Skype users to update their chat window. If Skype is working properly, this is unnecessary.

Chart Time Frames (Meta Trader)
5M 5 Minute M5
15M 10-Minute M10
30M 30-Minute M30
1H 1-Hour H1
4H 4-Hour H4
D Day
W Week
M Month

$CHF US Dollar/Swiss Franc
$Cad US Dollar/Canadian
$Y US Dollar/Yen

A$ Aussie/US Dollar
ADR Average Daily Range (Note: the ADR has to start at the brokers Day Separator. Since most brokers start their day one hour after NZ open, it may be slightly off if measured manually).
AM Before Noon (ante meridiem)
ATM At The Moment
AU Dollar/Australian

BDS Broker's Day Separator
BN Big Number = 00 20 50 80
BRB Be right back
Break Price trades through previous price-point. (violation, violate, penetrate and penetration)
BTW By the way

C Close
CA Cost Average
CB Comparison Bar
CHT Chart
CTT Counter Trend Trade
CU See You
CYA See You

D - Day
DH Daily High
DHL Daily High/Low
DL Daily Low
DST Daylight Savings Time
DR Daily Range

E$ Euro/Dollar
EJ Euro/Yen
EU Euro/Dollar
EY Euro Yen

Fade Trade against trend
FF ForexFactory.com
Fib Fibonacci

G$ Pound/Dollar
GJ Good Job
GM Good Morning
GMT Greenwich Mean Time
GN Good Night
GU Pound/Dollar
GY Pound Yen

H High
H/L High/Low

IB Inside Bar
IB/OB Inner Bar / Outer Bar
IMO — In My Opinion
Indy - Indicator

K Okay or OK. Acknowledgment or Approval.

L Low
LH(D1) Last High (Previous Day)
LL(D1) Last Low (Previous Day)
LH2(H1) Last High (Previous Hour)
LL2(H1) Last Low (Previous Hour)
LH3(H4) Last High (Previous 4 Hour)
LL3(H4) Last Low (Previous 4 Hour)

Note: LH-LH2 are default settings. LH-LL3 can be configured to several different combinations using the Dashboard Indicator.

LOL Laughing Out Loud
LSR Last Swing Range: Pips between the last completed swing as marked by the last two fractals.
LWH Last Week High
LWH/L Last Week's High/Low
LWL Last Week Low

M Month
M15 10 Minute Time Frame
M30 30 Minute Time Frame
M5 5 Minute Time Frame
MA Moving Average
MADR Last Month's Average Daily Range (Previous Month)
MH/L Last Month High/Low
MM Money Management
MR# mid range number = 10 35 65 90
MRN mid range number = 10 35 65 90
MT4 Meta Trader version 4

N/A Non Applicable
NFP Non Farm Payroll (Major News Announcement)
NP No Problem
NTF Next Time Frame
NY New York
NZ New Zealand

O Open
OC Outside Candle
OB Outside Body
OMG Oh my goodness

Pierce Break: Also know as violation, violate, penetrate and penetration.
PM After Noon (Post Meridiem)
PS Protective Stop
PSL Protective Stop Loss
PTLS Pips to Last Swing
PTLS2 number of pips to Fractal before last from current price (excludes last fractal)
PTMA Pips to Moving Average
PTO Pips to Open (New Zealand Open)
Pull Off To move away from. ex.

Pulling Off the high.

Range Bound Sideways moving market. Channeling Market.
RC Reversal Candle
ROTF(L) Rolling on the Floor (Laughing)
S-R Stop and Reverse
SL Stop Loss
S/R Support Resistance
SMA Simple Moving Average
SS Slow Stochastic
STP/REV Stop and Reverse
Supp/Res Support Resistance
swH Swing High
swL Swing Low

TDR Today's Range
TF Time Frame
TH Today's High
TH/L Today's High/Low
TK Tokyo
TKC Tokyo Channel
TKCH Tokyo Channel
TKH Tokyo Channel High
TKH/L Tokyo Channel High/Low
TKL Tokyo Channel Low
TKS Thanks
TL Today's Low
TP Take Profit
TPL Template
TTYL Talk to you later
TX Thanks
TY Thank You

UC Dollar/Canadian
UF Dollar/Franc
UJ - Dollar/Yen
UK United Kingdom
US United States

W Week
WADR Last Week Average Daily Range
WH/L Last Week High/Low
WTG Way To Go

YDR Yesterday's Range
YH Yesterday's High
YH/L Yesterday's High/Low
YL Yesterday's Low

Nicknames
GBP - Pound, Cable, or Sterling
EUR - Euro
CHF - Swissy, or Franc
USD - Greenback
CAD - Loonie
AUD - Aussie
NZD - Kiwi
JPY - Yen

Change Types: addendum, omission, correction, move, change, clarity.
Note: Subtle changes are <mark>highlighted.</mark>

Change Log from Ver. 1.0.3 to 2.1

Note: The only difference from version 2.0 to 2.1 is a correction on Stochastic Momentum... see chapter 11 on Slow-Stochastic.

Announcements

<mark>New Calculator and Trade-Log-Program</mark>
An advanced **Trading-Calculator** and **Forex-Log-Program** is now available at http://craigharris-members-only.com under 'Downloads'. The calculator is designed specifically for this methodology with specific features that allow planning and managing Cost-Average and Stp/Rvs trades. (Special thanks and much appreciation to 'Pods' - Mindy and Evelyn!)

It strongly encouraged that you invest in these two tools as part of you goal to become a professional trader.

Table of Contents (TOC)
We have now included a TOC at the end of the PDF for those who like to print the manual.

Tokyo-channel (TkcH or TKc) (Chapter 9)
- It is acceptable to trade **inside** the TKc.
- It is acceptable to trade **through** the Tokyo Channel if the TDR is less than the smallest of the two, WADR and/or MADR, by at least 35 pips.
- **Not used as an entry-point** on strike or break.

Slow Stochastic (SS) (Chapter 11)
Change Type: addendum and <mark>correction from Version 2.0 to 2.1 on 1ˢᵗ bullet point "Typically seen..."</mark>

Rules
<mark>SS Momentum</mark>: An overbought/oversold SS in the 80/20 zone **may be a sign of momentum.**
- <mark>Typically seen after price-action</mark> crosses an SMA. Enter on the break of an RC, BN, or MRN.
  - **SMA**
  - **Tokyo Channel** (note: It is acceptable to trade through the Tokyo Channel if the TDR is less than the smallest of the two, WADR and/or MADR, by at least 35 pips.
  - High/Low of day after TDR meets are exceeds the WDAR or MDAR.

1-Hour and 4-hour Break (Chapter 20)
Change Type: addendum

Rules
  - Top-of-the-hour-break of previous 1hr: if the 15m SS is overbought after a 30-60 pip swing just past the top-of-the-hour, wait for a price-action-fade away from the target, then enter on an RC break or BN/MRN after an RC break on the 15m chart with SS agreement.

Counter-Trend-Trade (CTT) (Chapter 21)
Change Type: addendum

Rules
  - If the RC-wick has a large range (10 or more pips), it may be acceptable to enter on the break of the RC-body, or a BN/MRN entry after an RC-body break.
  - If BN or MRN is withins 5 pips of protective-stop, put stop no closer then the BN or MRN.
Caution: CTTs are not favorable for EUR/JYP until after London close, or until DR

meets WADR or MADR; however, it is acceptable to take a stop-and-reverse on the previous 1-hour break.

Post-London-CTT (17:00 GMT) through New-York-Close (22:00 GMT)

• Post-London-price <mark>must be in the upper/lower 1/4 of the the TDR</mark>. Use the **23.6 Fib-level of the TDR** or last-major-move as a profit-target of 15-25 pips max. **Exit all Lots**.

• When TDR has exceeded WADR or WADR, use a 2-pip break of the stop-loss price instead of a 1-pip.

• If TDR has met or exceeded WADR or MADR it may be acceptable to enter on the break of the RC-body, or a BN/MRN entry after an RC-body break.

Caution: Consider skipping a setup when 240-SMA and 20-SMA are close together and between entry and profit target.

Protective Stop Loss (Chapter 22)

Technically-Derived Protective-Stop-Loss Positions

Confluence: If a confluence of support/resistance points such as an SMA and Tokyo-channel is in the same area, place the stop-loss/stop-and-reverse price on the other side of the confluence to the next big-number or mid-range-number with a max risk of 50 pips.

Profit Targets (Chapter 23)

Change Type: clarity

Identifying Profit-Targets

1) **Range-based** profit-targets are dependent on the **trading-session** and are always based on the **natural-flow of the market with strong consideration to the Daily Range**.

 • **London session** is 30-60 pips. A minimum of 20 pips should be targeted unless the market **stalls into a channel or wedge**, in which case protective-stops are moved to **lock-in 2-5 pips**, or exit the market with a small profit.

 • **London close to New York close** is 10-30 pips, or next big-number. CTT retrace is 10-30 pips, or next big-number.

 • **Wellington session** to **first 4 hours of Tokyo session** is 15-25 pips.

2) **Price-point-based** profit-targets:

 • **BN (big-number) and MRN (mid-range-number) trades** are two levels up to the next-big-number or next mid-range-number.

 • Nearest SMA.

 • Tokyo-channel.

Scaling-out

Portion the total amount of full-lots or mini-lots to two exits. It is advised exiting <mark>in halves or thirds</mark> for a total of two exits. The first exit is a technically-derived profit-target <mark>(no-less than 20 pips)</mark>, the second exit is a technically-derived profit-target --- or first price-action reversal <mark>with SMA and SS agreement.</mark>

Cost-Averaging & Stop-and-Reverse (Chapter 24)

Change Type: clarity and addendums.

<mark>**Complete re-write.**</mark>

Table of Contents

Section 1

Section 2

TOC compiled by Charlie Jones

RISK WARNING

Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to trade foreign exchange you should carefully consider your monetary objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your deposited funds and therefore you should not speculate with capital that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent advisor if you have any doubts. Past returns are not indicative of future results.

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