

FX Chart School: April 25, 2007

This update covers the Arizona Rules for mostly 1 hour charts.

Let's get on with the update.

Information that will help you understand this update:

Stochastic Divergence

Here are the lessons on divergence:

<http://www.robbooker.com/woodchuck/training/lesson.php?lesson=25>

The Arizona Rules

The Arizona Rules are an essential piece of the divergence puzzle: when you understand and apply the Arizona Rules, you can take the very best divergence trades. Here are the rules:

<http://www.robbooker.com/woodchuck/training/lesson.php?lesson=36>

On some of the charts in this update, you will find MACD or Stochastic settings that vary from currency pair to currency pair. Some pairs need a "less sensitive" setting, and you can read the chart school updates from the week of February 5 to get more information about why I've messed around with the settings. What settings are right for you? Only testing can show you.

Support and Resistance

Absolutely necessary:

<http://www.robbooker.com/woodchuck/training/lessons.php?lessonid=3>

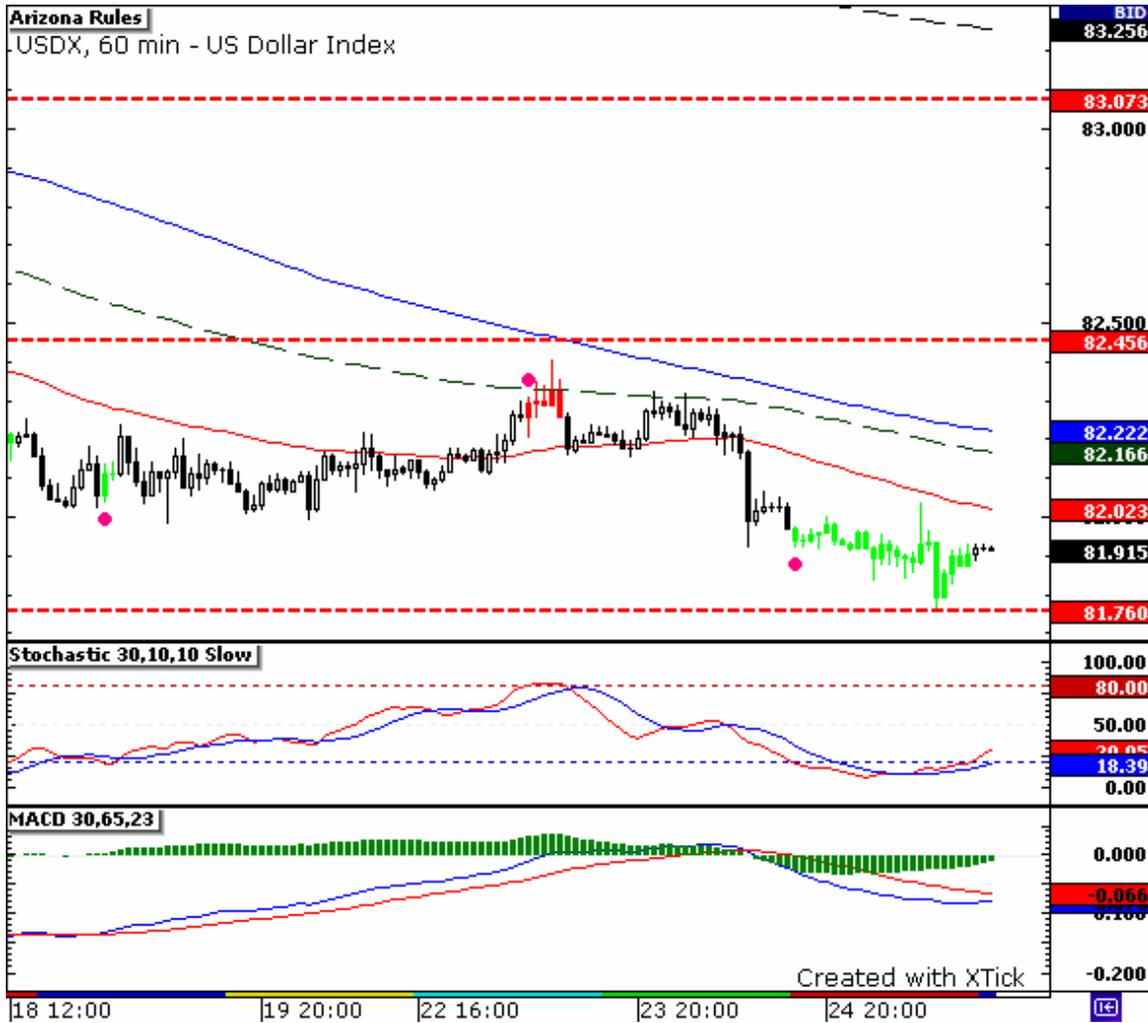
The greatest wealth-creating invention of all time is the magic of compounding gains. Build wealth a trade at a time.

Risk Disclosure

The information that I provide is intended as educational material to assist you in planning your own trades. 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 invest in foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that, if lost, will significantly impair your ability to support yourself or your family. I say it again and again, and I'll say it here: **risk as little as possible, even less than 1%, on each trade you take. Controlling your risk will be a major factor in your ability to succeed (and survive) as a trader.** You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.

New: USD Index | 1 Hour Chart

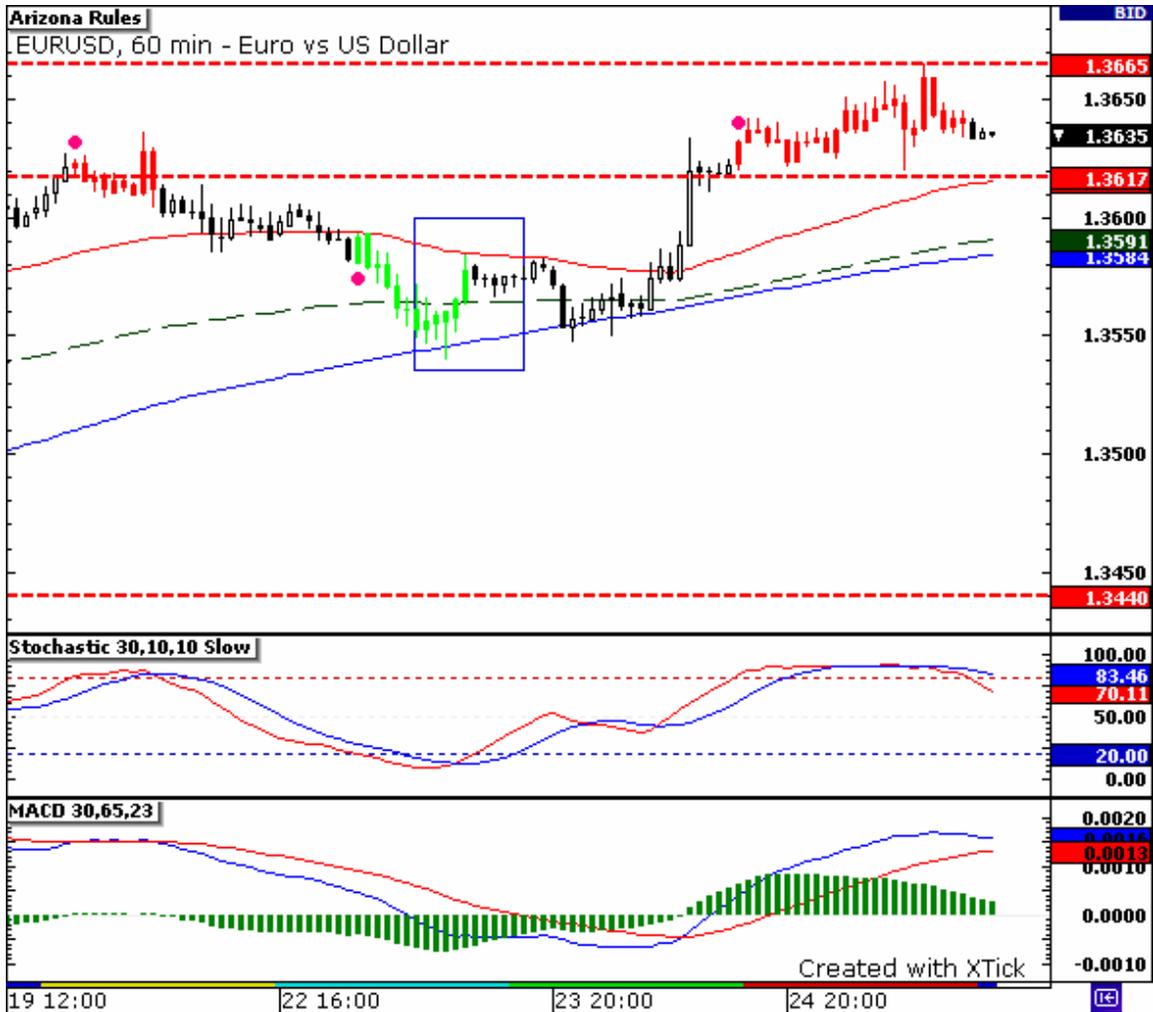
Right now the USDX is in the *Phoenix Phase*. The index keeps making new lows. I might have to wait forever to see it pop back upward.



The US dollar index, as quoted from the New York Board of Trade's Web site, is computed using a trade-weighted geometric average of six currencies. The six currencies and their trade weights are: Euro -- 57.6% Japan/yen -- 13.6% UK/pound -- 11.9% Canada dollar -- 9.1% Sweden/krona -- 4.2% Switzerland/franc -- 3.6%.

New: EUR/USD | 1 Hour Chart

We are in a *Phoenix Phase*. The Mesa trade we talked about last night was good for about 50 pips and then the pair dropped back down. I did not take the Mesa trade. Now we have a new Mesa level at 1.3665. I would rather see a Scottsdale trade than a Mesa right now. To me, it's worth waiting for.



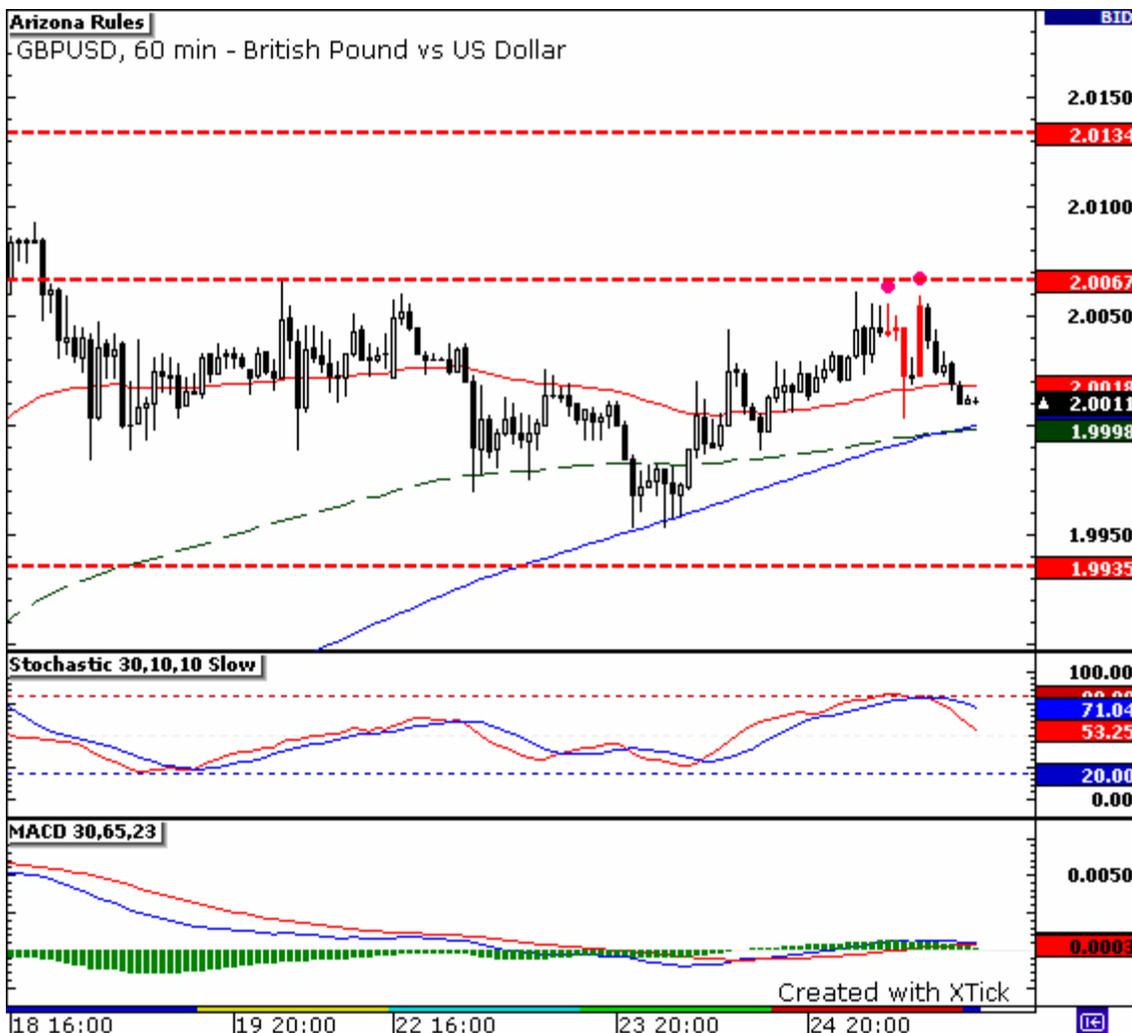
New: USD/CHF | 1 Hour Chart

Now the pair is in the *Phoenix Phase*. The pair did fall today, but it did not close below our next Mesa level, so there wasn't a trade to take. The pair might be setting up a Scottsdale trade all over again. On *any* trade – Scottsdale or Mesa – that sets up next, I am going to require the pair to give me a GREAT feedback candle after the entry. This means that I will want to see a solid bearish candle immediately following the entry candle.



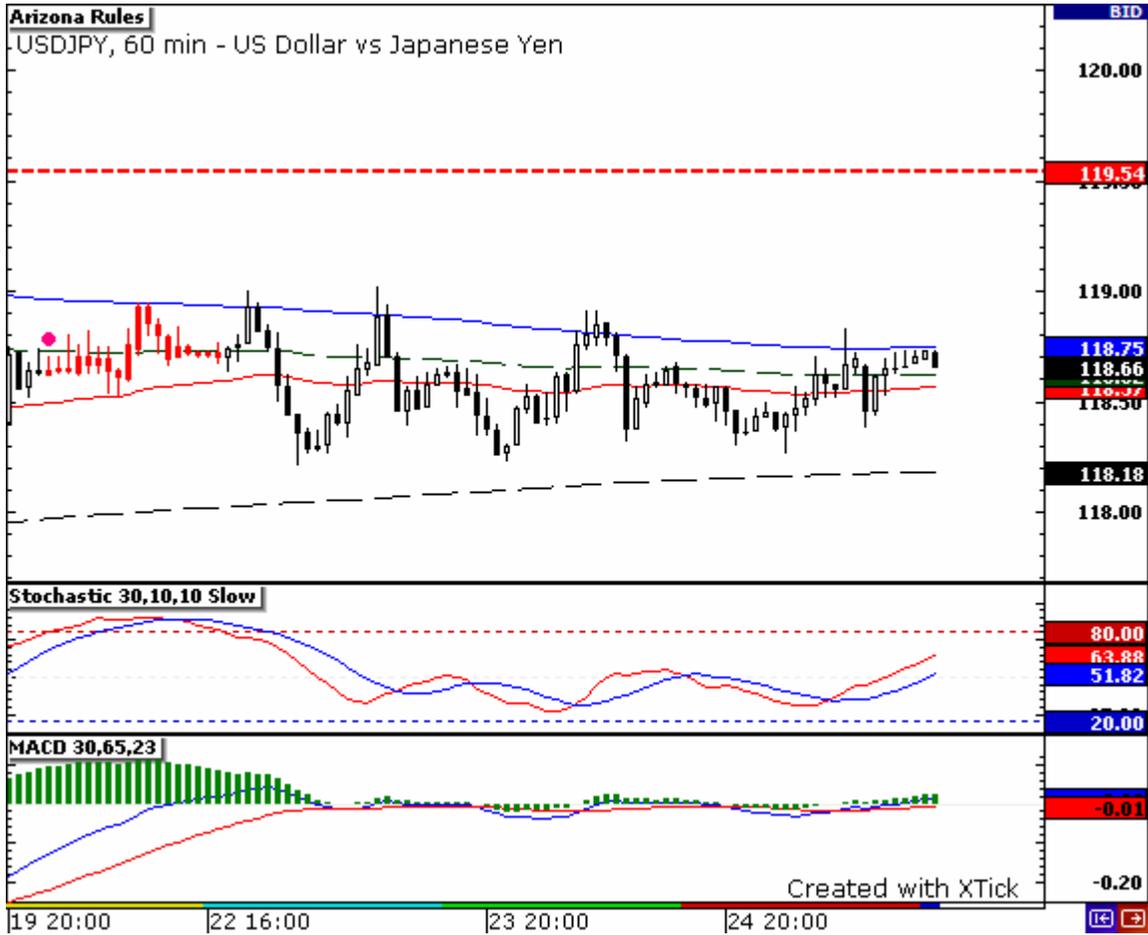
New: GBP/USD | 1 Hour Chart

Now the pair is in the *Phoenix Phase*. The pair didn't do very much at all today. I drew a new Mesa level at 2.0067 since the pair has stalled in that area three times now. My preferred Mesa trade comes on a close above the top Mesa level at 2.0134, but I am starting to doubt whether we will ever see that level hit again. The moving averages are piling up on top of each other. If the pair falls below the 200 SMA we are going to start setting up one last Scottsdale trade perhaps. I'd be willing to take it but it would need to show me a great solid bullish candle immediately following the entry candle.



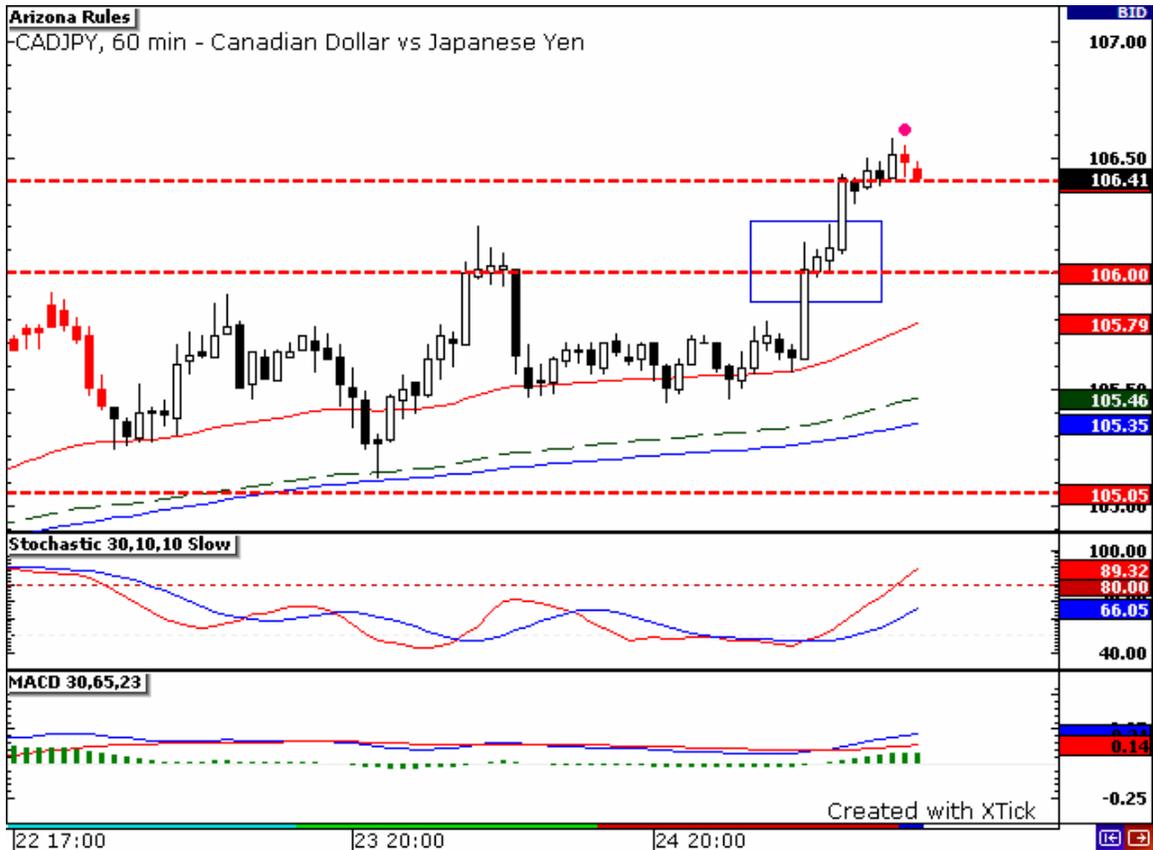
New: USD/JPY | 1 Hour Chart

This is the *Tucson Phase*. Hardly any movement again today. No trading and no plans to trade this pair right now.



New: CAD/JPY | 1 Hour Chart

We're now in the *Phoenix Phase*. The buy trade on a close above 106.00 happened today, and it did nicely. It quickly reached our profit target of 106.40. I was thinking about sell trades below 105.00, but those ideas are shelved for now. We'll get back to those tomorrow evening (perhaps).



New: GBP/JPY | 1 Hour Chart

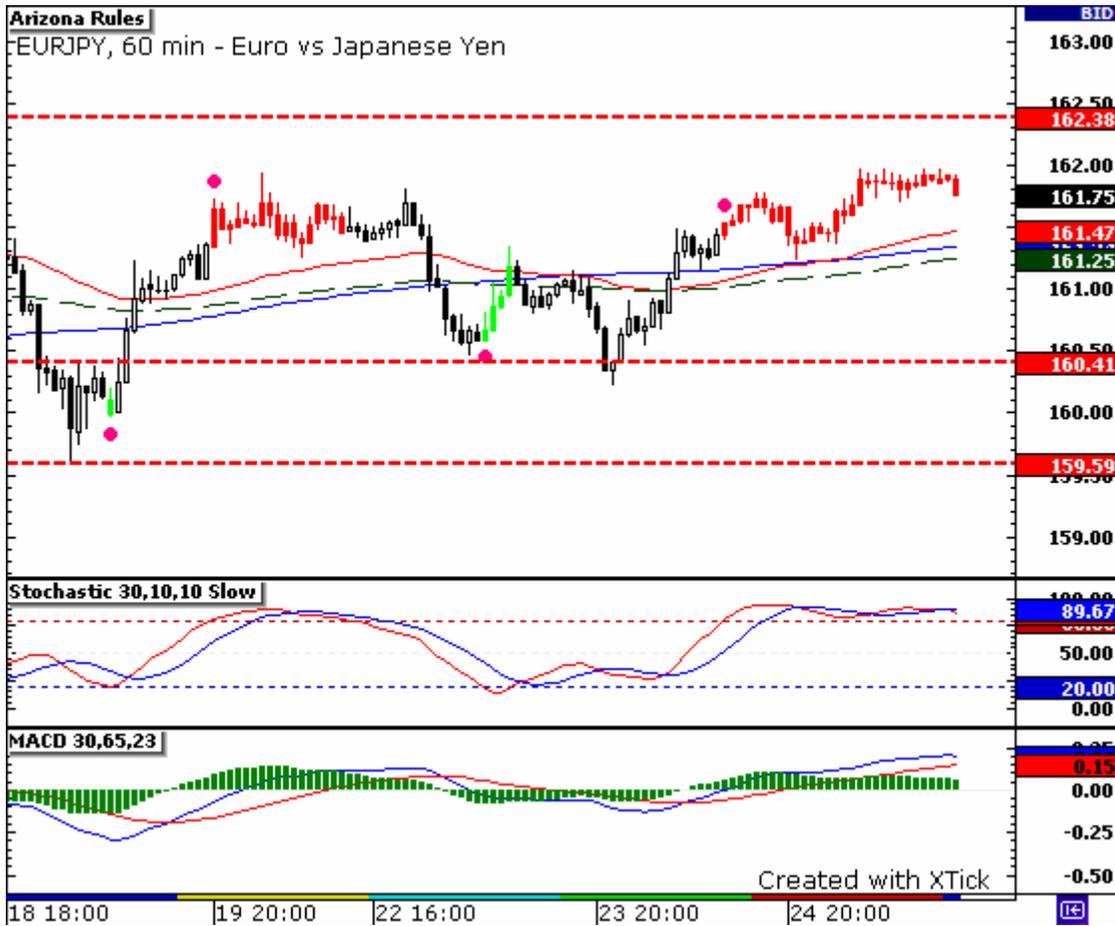
We're now in the *Phoenix Phase*. I'd say that a close below the 236.27 Mesa level will take us to the next Mesa level further down, which is at 235.20. Remember that this pair tends to fall faster than it rises, so if this trade opens, I am going to be looking for the candle IMMEDIATELY following the entry candle to be bearish, to confirm that I have made an intelligent decision.

On the bullish side, we're now barely still in the Phoenix phase and I would need to see a close above the 239.43 mark before I go long. That would include a 100 pip profit target. I did put a Mesa level in at 238.32 today, and I would be willing to buy on a close above that mark, with a 100 pip profit target.



New: EUR/JPY | 1 Hour Chart

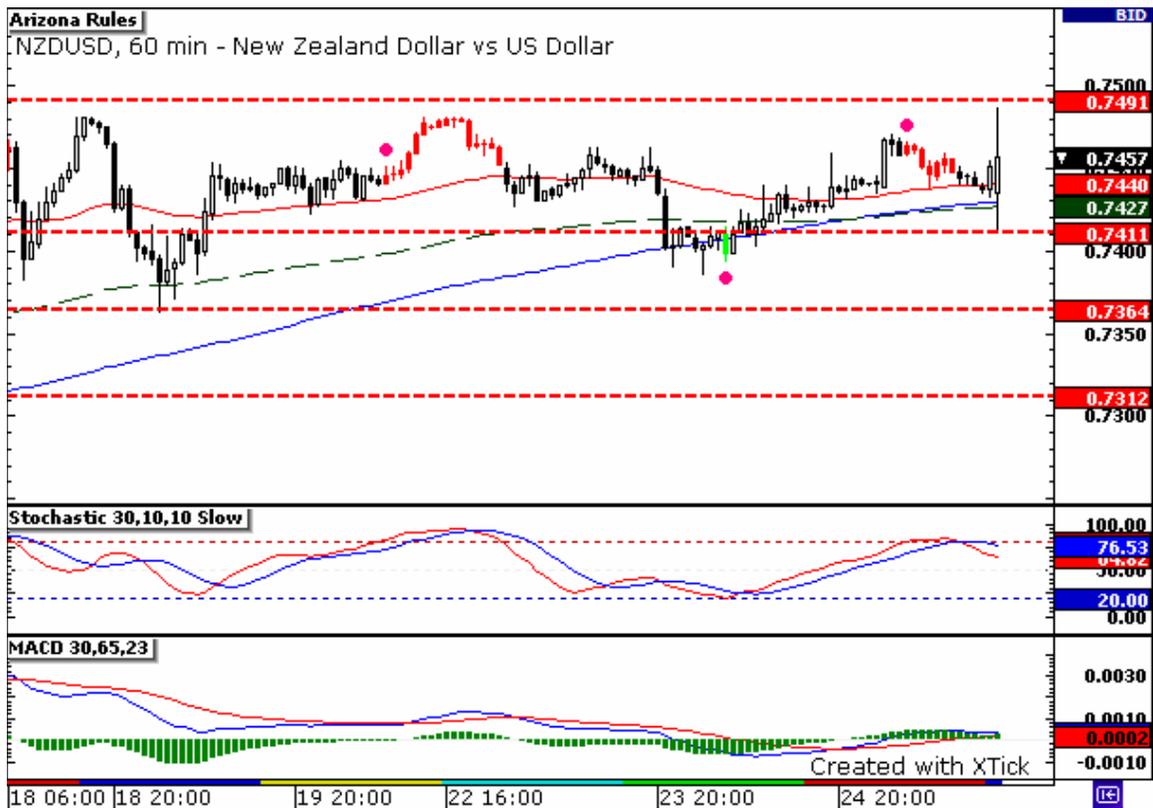
The pair is now in the **Phoenix Phase**. The next buy trade comes on a close above the highest Mesa level 162.38. The profit target would be 50 pips. The stop loss would go 10-20 pips below the Mesa line. The very next candle that follows the entry should be a solid bullish candle.



New: NZD/USD | 1 Hour Chart

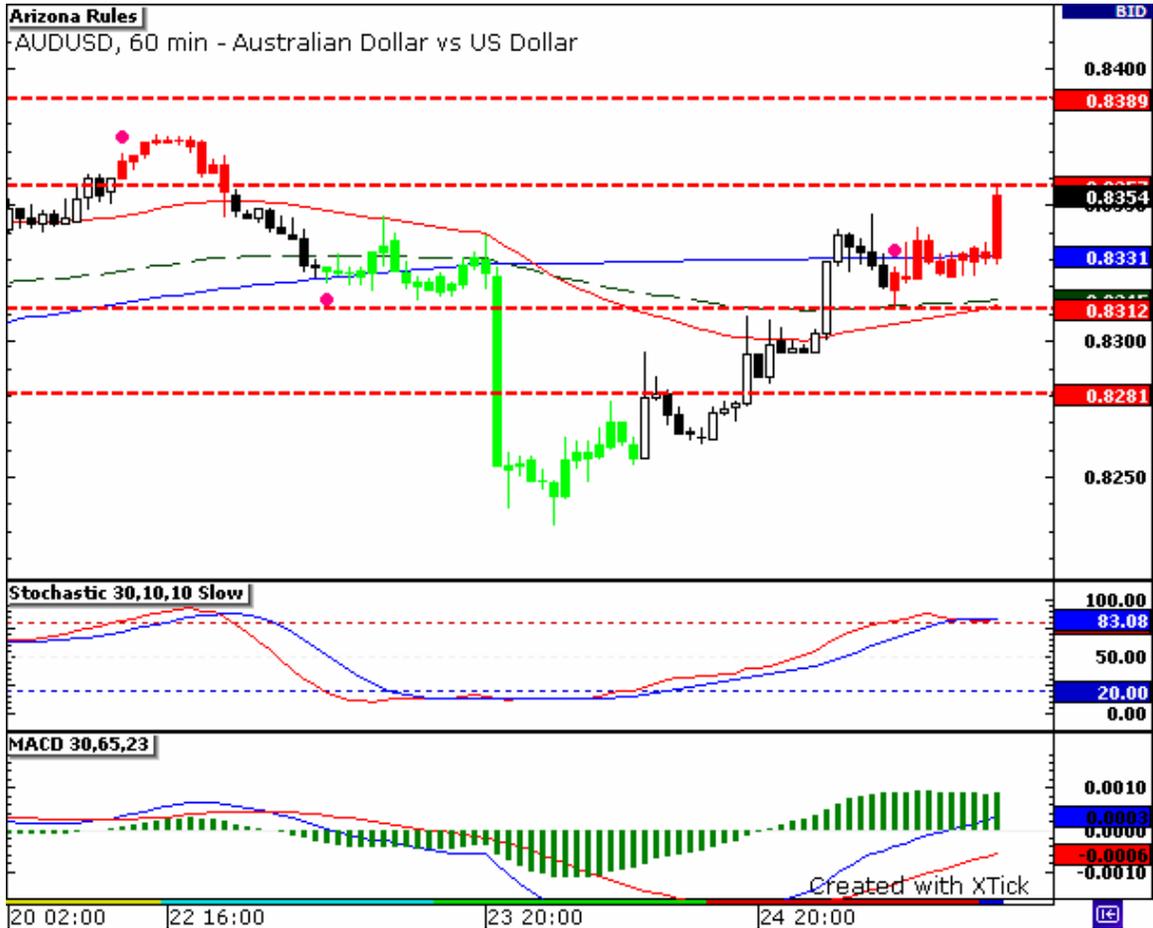
We are in a **Phoenix Phase**. Tonight, as expected, Bollard and the crew at the Reserve Bank of New Zealand, which is installing pip-drive thru windows at all of their convenient Wellington locations, raised interest rates another 25 basis points (to 7.75%). Bollard will fight inflation at any cost, even at the cost of driving the economy into the toilet. And he proved that again this evening.

A buy trade comes on a close above the highest Mesa level, at .7491. The trend is looking weak right now, so I would go for just 30 pips on the trade. If the pair falls low enough and closes below the .7364 mark (the second lowest Mesa level on the chart below), then I would like to consider the up trend dead.



New: AUD/USD | 1 Hour Chart

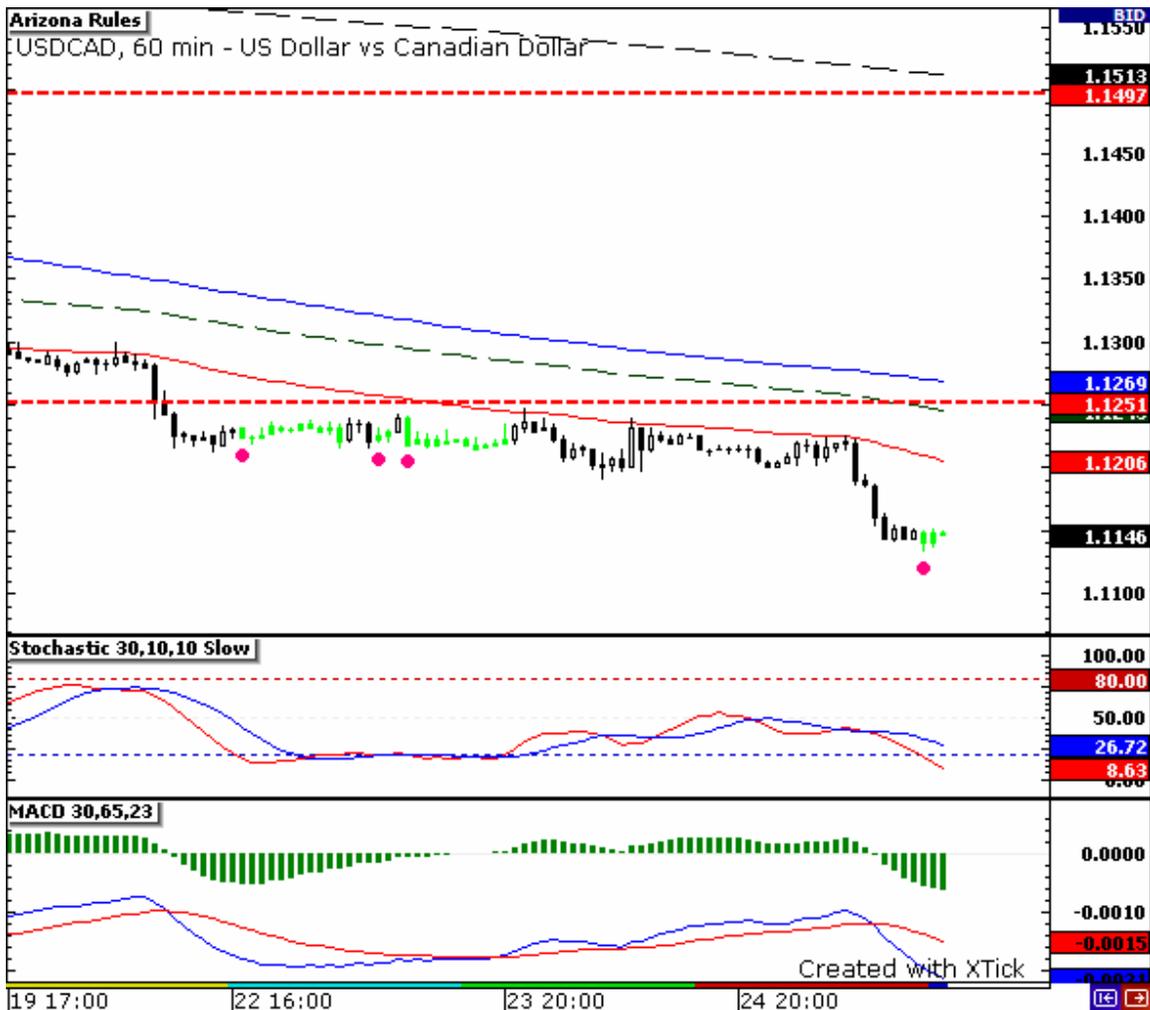
The pair is now in the *Phoenix Phase*. The new high is .8389. We need to see a close above that level before buying again on a Mesa.



New: USD/CAD | 1 Hour Chart

The pair is now in the **Phoenix Phase**. The pair is bottoming out, in my opinion. A close above the 1.1250 mark would create a possible buy trade towards the 200 to start, and then as far as the 800. The stop would need to go below the lowest lows that the pair has made so far in the downward trend.

I may alter, in coming days, my entry idea for a buy trade – but if I do, I will update the chart school and send you an immediate email.



New: EUR/CHF | 1 Hour Chart

The pair is now in the *Yuma Phase*. The short trade is still open and is losing about 20 pips right now. It's overbought, not looking particularly great. The stop is at .6445. The profit target is still .6350. That's what I get for selling in an uptrend.

The next buy trade would not come unless we move back into the Phoenix phase AND see the pair close above the 1.6440 mark.

