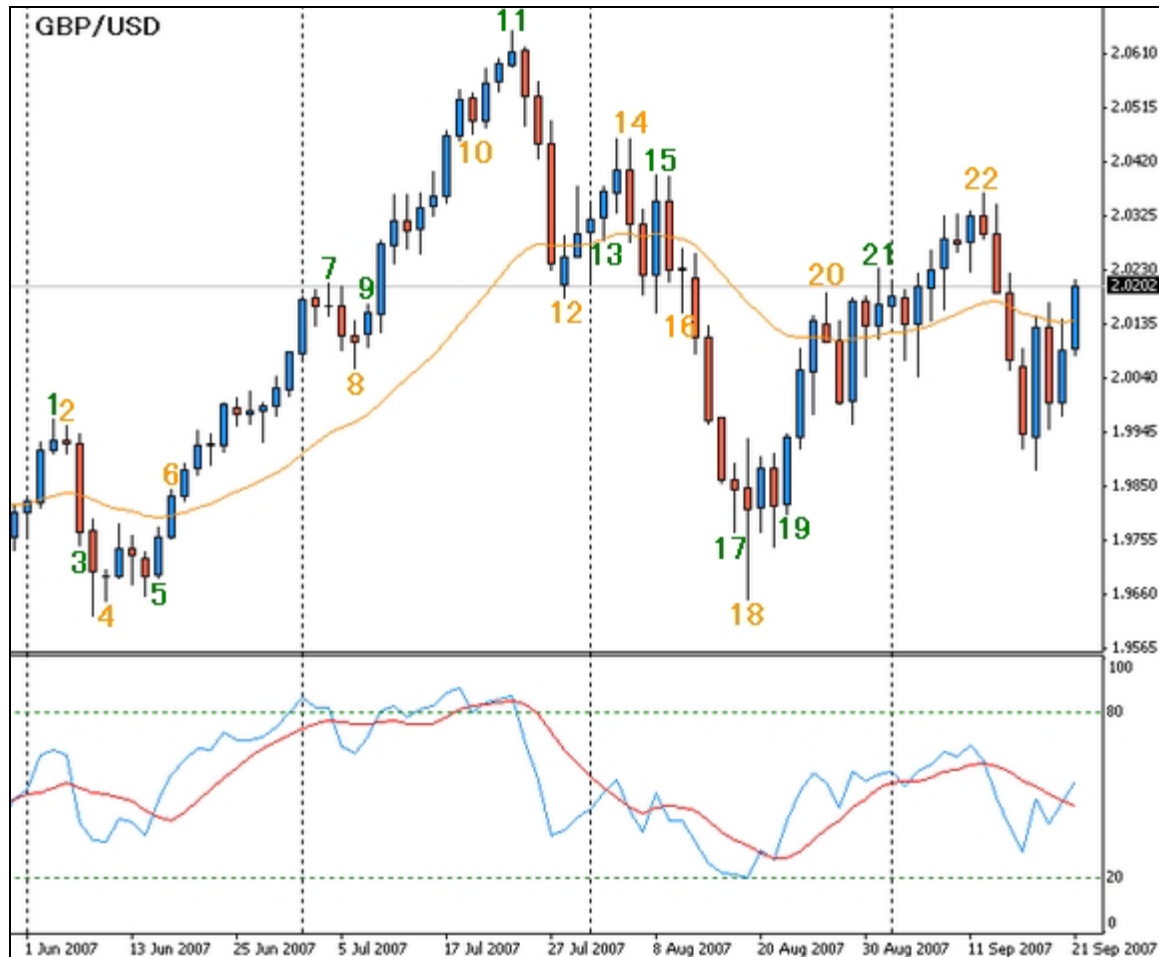


Four months of trades

As an ending, I thought it'd be useful to go through the daily chart of the GBP/USD and explain the day-to-day decisions. This is one way to trade Fozzy, there are many. Keep in mind the notes below are not a trade diary but a retrospective study. For that reason, not matter how hard we try, hindsight will be a factor. I'd recommend doing this kind of study as part of your backtesting. Print out a chart, uncover it one day at a time with a blank sheet of paper, make a note of what your trade choice would've been. Then start your trade diary when forward-testing.

Here is the chart:



We will be looking particularly at "exhaustion spikes" as mentioned before. To recap, this candle pattern has a long "wick" in one direction and a short "body" at the other end (picture a long reed standing in a small vase, and also the reverse). These are referred to as "ES" below.

1. Possible ES, but not close to a cross. Wait.
2. "Spinning top" pattern. Good!
3. Short signal at the end of day; Fozzy cross and large red candle shows momentum. It's also broken through the MA.

4. 150+ pips were available. ES reversal? Wait and see.
5. Long cross which takes us back into the general uptrend.
6. Buy at open. 400+ pips on offer, trail with 70% ATR.
7. Small ES but price is showing indecision with an UP-DOWN-UP-DOWN pattern. Some pips were available but prefer to wait it out.
8. Nice ES here and...
9. ...followed by a blue candle. It's barely a cross here but even if it wasn't officially a cross, I'd still take the long trade because of the ES followed by the blue candle.
10. False Fozzy signal. Nothing in the price action makes me confident about this trade. It could of course have been a winner but it makes more sense to only take the "A" set-ups. Spread over multiple pairs there will be enough signals to take.
11. Good ES here followed by a big red and cross. Take this and it's a 350+ pip trade.
12. Marginal candidate for a reversal candle here. Wait and see.
13. Price swinging wildly here with two ESs in opposite directions here, neither are at recent highs/lows. Prefer to wait and see.
14. Sell signal with a double top. 130 pips on offer but with the price behaving this way, would probably leave it alone.
15. Double top again and another sell signal. If you're taking these, might be better to dial down your trade size.
16. Double bottom now. If I'm in the short, I'd leave it. If I wasn't I'd set up a breakout trade at the double bottom and the double top at 14.
17. Nice payout for short then an ES. No cross near.
18. Glad I waited! Huge spike down. If we get a blue and a long signal, will take it for sure.
19. Finally got the long signal at the close of day here. Bonus as the close is above the spike high at 18. Good momentum now and 200+ pips.
20. Tough one. Nice ES (not the best but still a good one). However, no Fozzy cross.
21. Small spike up but followed by a blue. The red then comes bringing a cross with it which turns into a loser. Price is again doing the multicoloured dance of REDBLUERED.
22. ES here but was preceded by the multicoloureds again. OK, time to adjust the rules here – the red two days before is almost a doji (no body) so I will ignore it. When there is a Fozzy signal and a nice ES, I'll trade it.

NB: These notes were inspired and in part copied from a post by the FF member "Beachbum" – my sincere thanks go to him for all his contributions.