Attachments:

corn_pix = narrative examples 0658 CST 11-16-07
somepracticeshots1 0659 CST 11-19-07
somepracticeshots2 2145 CST 11-19-07
somepracticeshots3 0946 CST 11-20-07

What you are about to see is the final result of my spending thousands of hours doing programming, reading, and attending webinairs/ seminairs. Lots of trials and lots of errors. Years of schooling in many markets. Yes, I am a relative newcomer to forex, but I found that the following method works **<u>best</u>** in *this* unmanipulable, "never-close" arena of fear, greed, terror and misunderstanding.

This "method," which I named the "forex-filter," is more of a trend **anticipation** system **rather** than the traditional trend **recognition** system. I am only going to write about (the relative) part of what you will see in the attached charts; I should answer all of your questions as we progress; I hate typing - so I will keep it at a minimum.

The only identifiable resemblance to the "cornflower" system is the time period of the four moving averages. The attached descriptive (corn_pix) charts are set up for one-minute (bar) entries while the five-minute (bar) charts are used for trend recognition. I don't like sitting in trades for too long – twenty minutes max. (Last Tuesday, just after 1400 CST, I got (target) stopped out of four positions (all winners) for just over 45 pips total.)

I do not use support lines, resistance lines or Fibonacci retracement. You can. I don't. Why? I am not going to be in a trade for more than one hour; my "trade with the trend" direction is identified by the next "longer" bar time chart. I will tell you how **<u>I</u>** manage a trade in one sentence -- I use ***MB Trading*** as a forex broker; I enter every trade with a limit order and with an instantaneous TTO (12 pips on both sides OR a trailing stop). [You MUST use a low-spread broker (having a pre-definable entry/exit menu) for this method to work profitably. DO NOT USE A BROKER THAT TAKES TOO MUCH OF YOR PROFITS; HE IS NOT YOUR PARTNER.] While the time of day (and the day of the week) is just as important as the pair you choose to trade, I have seen many potential trading set-ups materialize during the slowest hours of the day. All that you see here is USA Central Standard Time (CST).

My forex trading modus operandi is the "shotgun" approach. Lots of high probability, low risk, quick in-and-out scalp trades; I don't beat things to death or over-analyze. I do not want/need a portfolio; I do not want/need diversification. What I **<u>do</u>** want is the immediate gratification of a winning trade. (If you work a 9 to 5, set aside some trading time from 0200 to 1100; look to make 12 pips per trade; use pre-set automatic exits – "set it and forget it.") You will pleasantly discover that there is a direct correlation between "the-amount-of-money-at-risk" and "the-amount-of-time-wasted-staring-at-the-computer-screen-when-it-can't-change-anything-anyway."

In any trading system, I feel that the decision for entering a trade should be "if *a* <u>AND</u> if *b* <u>AND</u> if *c* <u>AND</u> if *d* <u>AND</u>… then get in; getting out of a trade should be "if *a* <u>OR</u> if *b* <u>OR</u> if *c* <u>OR</u> if *d* <u>OR</u>…then get out **<u>NOW</u>**." In English: you need to use many exacting requirements/conditions to get in – but you only need one bad indicator to (quickly) get you out.

If you look at the (corn_pix) four attached charts (using Microsoft Word, you can increase their size up to 500 percent for better details) you will see that the <u>left</u> two charts are five-minute bars while the <u>right</u> two charts are one-minute bars. The <u>top</u> two charts are "cornflower" charts and the <u>bottom</u> two charts are "wave" charts (after Raghee Horner (www.raghee.com) and her 34-minute triple moving average "wave."

You don't have to know or even understand most of the following. You should be able to program any software platform with what you are going to see.

First, the "cornflower" charts (the <u>top</u> two).

The four "cornflower" moving average lines are: 8 min XMA – blue, 12 min XMA – red, 24 min XMA – green, 72 min XMA – black. The thin black lines flanking these four lines are upper and lower (20 bar) one and two standard deviation Bollinger Bands.

The box with the number **one** in it is (on the blue step line) the Bollinger Band Width; the blue diamonds, found where the Bollinger Band Width dips to a low point, indicate Bollinger Band Width values of 15 percent or less (on an 84 bar high/low "let's level the playing field" algorithm). [I have found that a narrowing in the Bollinger Band Width precedes **<u>EVERY, EVERY</u>** major move in price that is NOT caused by a news event or a "hot zone;" the bad news is WE HAVE TO FIND OUT PERCISELY WHICH TIME FRAME CONTAINS THAT TELLTALE BOLLINGER BAND WIDTH DIP.]

The box with the number **two** in it is over two of the three vertical lines (<u>only three vertical lines {purple, red, and black} are used on the "cornflower" bar chart</u>) on the "cornflower" bar chart. This is the magnificence of the "cornflower" moving average indicator assortment. The **vertical purple line** indicates zero slope on the 72 XMA; indicative of a trend change, however slight. The **vertical red line** indicates that the 8 XMA has finally completed passing through **BOTH** the 12 XMA and the 24 XMA. The **vertical black line**, my favorite, is one of the most important indicators in the entire method; it shows when the 8 XMA and the 72 XMA cross; more often than not, an **explosive event**.

YOU COULD USE THE RED VERTICAL LINE AS YOUR SET-UP INDICATOR IN LIEU OF THE BLACK VERTICAL LINE IF, AND ONLY IF, THE OTHER INDICATORS ARE VERY STRONG. The rationale is that the black vertical line has previously established the trend (and you verify that the blue, red and green XMAs are on the correct side of the black XMA) and you are treating this as a swing trade. Do **not** use the purple vertical line for this purpose.

The box with the number **three** in it is over the Keltner Band Width; not too important – but I like the way it often moves in concert with the Bollinger Band Width; it also has diamonds at the low points, albeit black and smaller.

The box with the number **four** in it indicates a field of three modified sine wave indicators; I mathematically changed the **negative** values to positive values and colored them red; this was done to save screen real estate; confused? It will all become clear. The red/green histogram is the MACD Diff (Close,12,26,9,False). The thinner red/green line is the StochD (12,3,3); note that the StochD is a +50 base indicator and has been mathematically adjusted to rest over the zero base indicator line. The thicker red/green line is a proprietary indicator named “D3PO WDelta” which is authored by Brian Latta and can be found in the Genesis Trade Navigator community; this is not a critical or necessary indicator – but I like it and it gives me triple assurance of near-term trend direction.

The box with the number **five** in it indicates a field with two line indicators. The red line indicates the strength ("clock angle") of the 24 bar XMA and the black line does the same for the 72 bar XMA. The (visual tool) background green shaded area indicates when <u>BOTH</u> lines are <u>above</u> the zero base and the background red shaded area indicates when <u>BOTH</u> lines are <u>below</u> the zero base; a background white area indicates a (null) split. The number in the right margin (not color coded) indicates (only) the "clock angle" of the right-most 72 bar XMA. PLEASE NOTE THAT ANY PAIR WITH JPY IN IT WILL HAVE A RIGHT MARGIN "CLOCK ANGLE" VALUE WHICH IS 100 TIMES GREATER THAN A NON-JPY PAIR. A respectable "clock angle" is one which is greater than 1.00 (JPY greater than 100.00) or less than –1.00 (JPY less than –100.00). To learn more about "clock angles," get Raghee's books at your public library; be advised my "clock angle" values are numeric (zero base), while Raghee's are determined by visual guesstimation (on an analog clock face – base 3 o'clock) and are **significantly** affected by changes in the price-bar (spacing) concentration. NOTE: The downward pointing arrowhead triangles in this field only appear in this field due to a software technicality; they are actually indicators for the sine waves in the "box **four**" field. Each arrowhead indicates an occurrence of ALL THREE SINE WAVES TRANSITIONING ACROSS THE ZERO LINE (i.e., red to green or green to red) WITHIN THREE BARS OF ONE ANOTHER. There may be multiple occurrences in a short time frame. I would like to see a strong "fresh cross" but, more often than not, a "bounce" off of the zero base line works just as well (a "bounce" does <u>**not**</u> generate an arrowhead). IT IS IMPORTANT TO REMEMBER THAT THE DIRECTION OF THE ARROWHEAD IS <u>**NOT**</u> INDICATIVE OF THE SINE WAVE DIRECTION. LATER, IN THE "WAVE" CHARTS, YOU WILL ENCOUNTER BLACK AND YELLOW ARROWHEADS WHICH <u>**DO**</u> INDICATE A SPECIFIC DIRECTION.

I want to be sure that I am clear about the appearance of the arrowheads. The arrowheads simply indicate when all three of the sine waves cross within three bars of one another. You do <u>not</u> need to wait for an arrowhead to appear before seriously considering a trade position. If you were going to use only <u>one</u> sine wave indicator (not recommended) it should be the MACD histogram. Bounces work, but they don't produce arrowheads. While experience has taught me that a low (i.e., near zero values) cluster of sine waves offers a better opportunity for success (all other indicators should be at their most optimum levels), there is still some merit to a sine wave cluster that is "off" of its "near zero values." I just feel that there are too many potentially great set-ups to accept anything less than the most promising ones. But, that's me.

The "wave" charts (the bottom two).

At this point I am going to describe only a few (you should know about) features of the "wave" charts. Box number **six** is positioned over the "wave." The "wave" is collectively the 34 bar high XMA, the 34 bar close XMA, and the 34 bar low XMA. While not critical, it does illustrate the trend relative to the price bars. (Read more about it in Raghee Horner's two books.)

<u>Important thing #1</u> – immediately below the "wave" bar chart is a discontinuous red/green/white horizontal bar. This bar (when colored) indicates the direction of a **<u>strong</u>** trend; when white, there is generally a lack of direction or there is a retracement of the price bars back into the "wave" as it re-groups for a breakout. It is a **major** indicator and should be taken seriously when **<u>BOTH</u>**

(one-minute AND five-minute) charts exhibit the same colored bar concurrently. I originally developed this tool to help me readily identify entry and exit points in longer (multiple) period charts for potential swing trades. [This indicator is triggered (colored) when an entire price bar is above (or below) the 34 bar high (and low) XMA **AND** the 45 bar XMA **AND** the 89 bar XMA.] You will notice that as the price bars move in relation (proximity) to the "wave," the color of the bar changes.

The last important indicator is the amalgamation of the six horizontal indicator bars/fields located immediately beneath (but not including) the previous "Important thing #1." Viewing these six bars/fields as a whole, from top to bottom, during a trend, should present a vertical ribbon of the same color; all green or all red.

Putting it all together.

I am going to show you one way of using what you have just learned. None of this is cast in stone and by no means do I have all of the answers or know all of the exceptions to the rules. Trading with this method gives you "lots" of the "ANDS" to put the odds in your favor. Risk management is **<u>your</u>** responsibility. I like taking little bites – (each one is pre-defined to net me) 10 to 12 pips. I have to be in control of my money – I will not tolerate a crapshoot or a large draw down. Neither should you. If it helps, I can draw a comparison to that great American past time. Everyone wants to be a Babe Ruth and hit the long ones; those "big" ones are far and few between and have many strikeouts in between. I will gladly take the consistent one or two base hits. If you want the "big" ones, use what you see here on the 30-minute and longer charts. From my experience (and my trading style) the one-minute charts are for scalping (the one base hits); and, when properly managed, could turn into that “big” one. Every major trend <u>**must**</u> start on the one-minute chart.

The set-up, the trigger, and the follow through.

CLASSIC EXAMPLE. (For illustrative purposes only: I will use (reference) the black vertical bar on the five-minute “cornflower” chart found at 4:00 a.m.)

First. Correct time of day for the desired price action. There are no “dog” pairs; only pairs with spreads that are unacceptable. Check ForexFactory for possible “hot zones.” No pending orders at 3:59 p.m. No weekend take-home trades. Be disciplined. Do not stretch the rules. No square pegs pounded into round holes. Drink your milk.

Second. Wait for a black vertical bar in the price bar field. (I have a matrix that watches my 20 pairs on the same screen.) The best black vertical lines are frequently immediately preceded by or concurrent with) a (some) purple and red vertical bars.

Third. Does the black vertical bar appear concurrently with the necessary dip in the Bollinger Band Width? As evidenced by one or more blue diamonds?

Fourth. Are all three of the sine waves crossing (or bouncing) into the same direction as evidenced by one or more black arrowheads in the bottom field of the chart? REMEMBER THAT THIS BLACK ARROWHEAD DOES NOT INDICATE ANY DIRECTION; IT ONLY INDICATES THE OCCURRENCE OF AN EVENT. AND AN ARROWHEAD IS ONLY A VISUAL SIGNAL; YOU DO <u>**NOT**</u> HAVE TO HAVE AN ARROWHEAD TO ACT.

Fifth. Nice, but not mandatory. Is the green-red-white horizontal bar in the “wave” chart the same color (i.e., direction) as the sine waves indicate?

DONE. This trade (on the 5 minute “cornflower” chart) had the potential for a 50-pip move in 25 minutes. I should point out that when the Bollinger Band Width goes over 80 percent (that value for the right-most bar is to the right of “5(84)=” near the top of the “cornflower” chart) you might want to seriously consider an exit strategy, post haste.

Readers’ Digest version → vertical black line, blue diamonds on Bollinger Band Width dip, near zero on all three sine waves, and the green-red-white bar is the proper color.

Please notice that you would not have foreseen the 6:10 a.m. vertical black bar as a potential trade on the 5-minute “cornflower” chart. Why? Because the sine waves were too mature and nearing their zenith, a violation (or far stretch) of our rule. But, the good news is that, had you been watching the one-minute “cornfower” chart, you would have seen the black vertical line appear at 5:41 a.m. and the sine waves confirm direction at 5:48 a.m. Remember, using the one-minute bar charts affords you the luxury of being slow to act.

To avoid confusion, I should reiterate that I advocate using the five-minute chart for trend direction and using the one-minute chart for your trade set-up. I juxtaposed the above sequence for sake of an example only.

It’s your ball, it’s your bat, it’s your backyard– you make your own rules. Hopefully this will augment your “cornflower” experience.

This is only the start; you will grow; you will do what is best for you.

Thanks for reading this. Good pipping. Ask me questions.

/s/ bfs

I have attached three one-minute screens, each holding 20 30-minute “mini-charts.” As you examine these, you will see the many stages of the evolution of the trade set-up. You will notice that I excluded the “wave charts,” but I included the green-red-white horizontal bar from the “wave charts;” it is positioned directly below the bar chart.

In *somepracticeshots3* the following pairs look fine to me. I’m sure we could all find at least **one** potential trade from the following list: AUDCAD, AUDJPY, AUDUSD, CADJPY, EURAUD, EURCHF, EURGBP, EURJPY, EURUSD, GBPAUD, GBPCHF, GBPJPY, NZDJPY, USDCAD, USDCHF, USDJPY.