

# THE SYSTEM

The idea to have Recent strength (RS) as the overall filter came when I began to notice how currency strength could be used to maximize profits, This have given this system the ability to adapt to the market conditions, significantly improving winning % .

## **How I manually trade this system using Resent Strength as overall filter.**

When **FXI-RSIScalpEA** meets entry criteria to open a position either on 1H or 4H charts, I look find confirmation from RS indicator before a position is entered. Recent strength confirms these entries based on strength and weakness of currencies, see below for detailed screenshot explanations

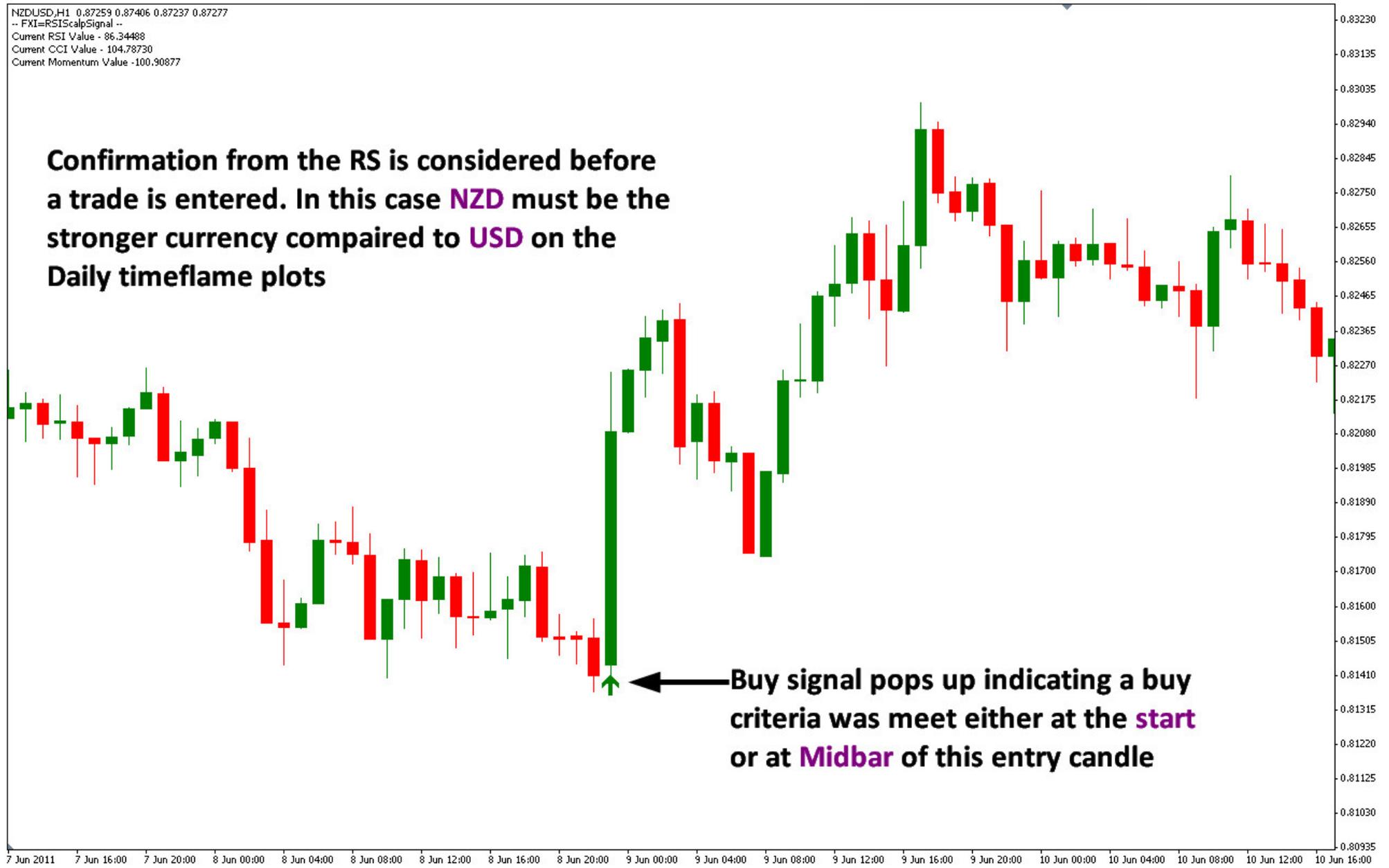
**FIG 1**

**NZDUSD Chart trade example showing a Buy signal trigger**

M1 M5 M15 M30 H1 H4 D1 W1 MN

NZDUSD,H1 0.87259 0.87406 0.87237 0.87277  
-- FXI=RSIScalpSignal --  
Current RSI Value - 86.34488  
Current CCI Value - 104.78730  
Current Momentum Value -100.90877

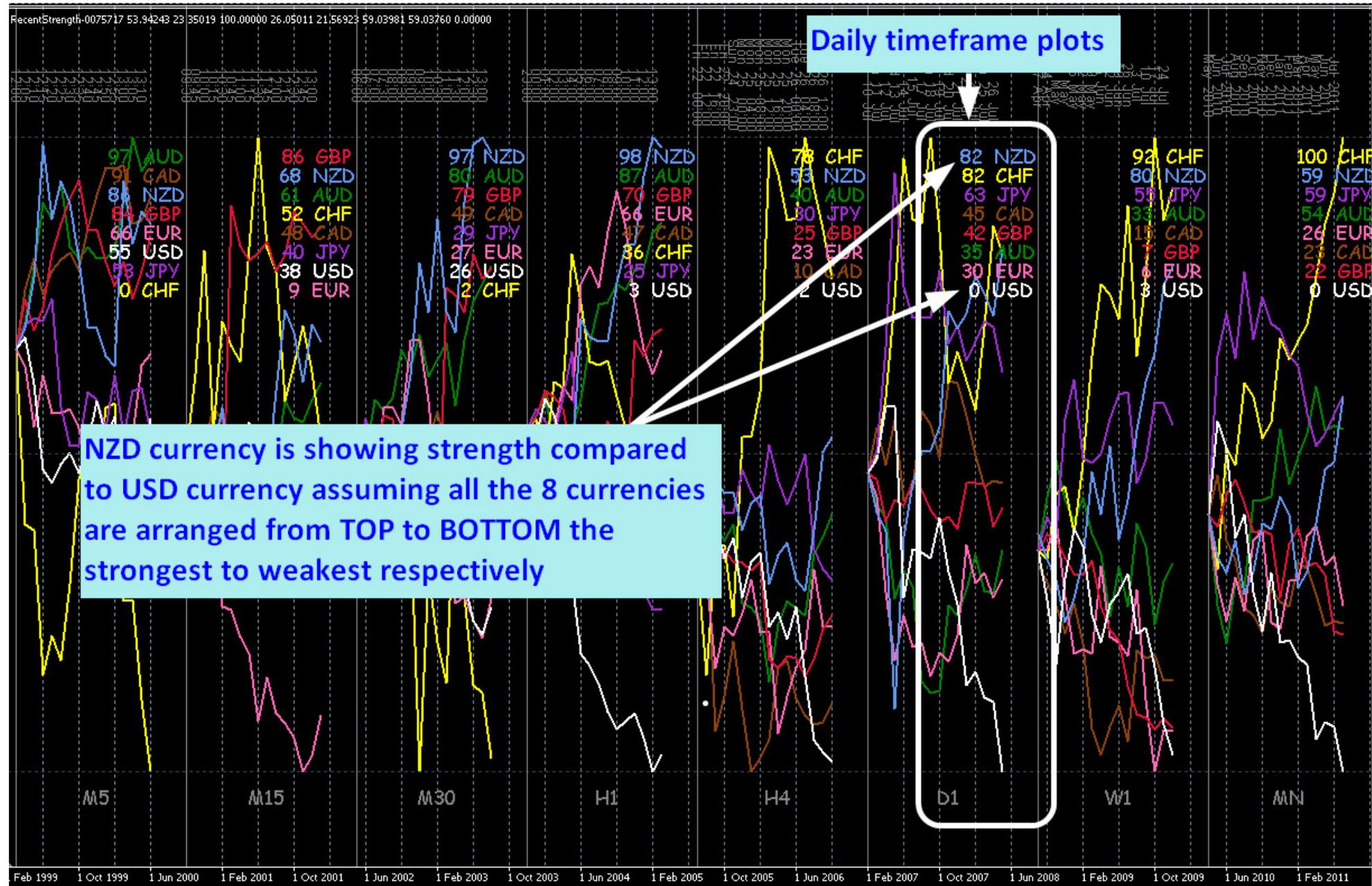
**Confirmation from the RS is considered before a trade is entered. In this case NZD must be the stronger currency compared to USD on the Daily timeframe plots**



**Buy signal pops up indicating a buy criteria was meet either at the start or at Midbar of this entry candle**

**FIG 2**

Looking at Dairy timeframe (D1) & all 8 currencies arranged vertically from top to bottom, strongest to weakest respectively



# Trading on hourly (1H) Charts,

## 1. Entry Setups

All positions are set to trigger at Midbar

### Stop loss setups

Stoploss is placed 3 pips UP or Below the body of the entry candle depending on the direction of the trade.

### Take profit Setups

A breakeven +2 is considered at the close of the entry candle. However if this position goes 25 pips into profit then a breakeven +2 can be considered even before the close of the entry candle.

(This will keep our position out of risk in an event of erratic news which moves faster on one direction & quickly reversing.)

Overall take profit is set at the close of the second candle and position exited.

See below screenshots for detailed explanations.

**FIG 3 Trading on hourly (1H) Charts,**



## **Trading on 4 Hour (4H) Charts, Entry Setups**

All positions are set to trigger at MidBar

### **Stop loss & Take profit Setups,**

When a trade is triggered at MidBar there are two SL conditions that can be considered. Of these SL conditions the maximum risk per position is 30 pips.

#### **Condition 1 for SL and Take profit**

Stoploss can be placed 3 pips above or below the entry candle & a breakeven +2 is considered at the close of the entry candle. However, if the position moves 25 pips in our favor, even before the close of the entry candle a breakeven +2 can be considered.

Overall take profit is normally set at the close of the second candle and position exited.

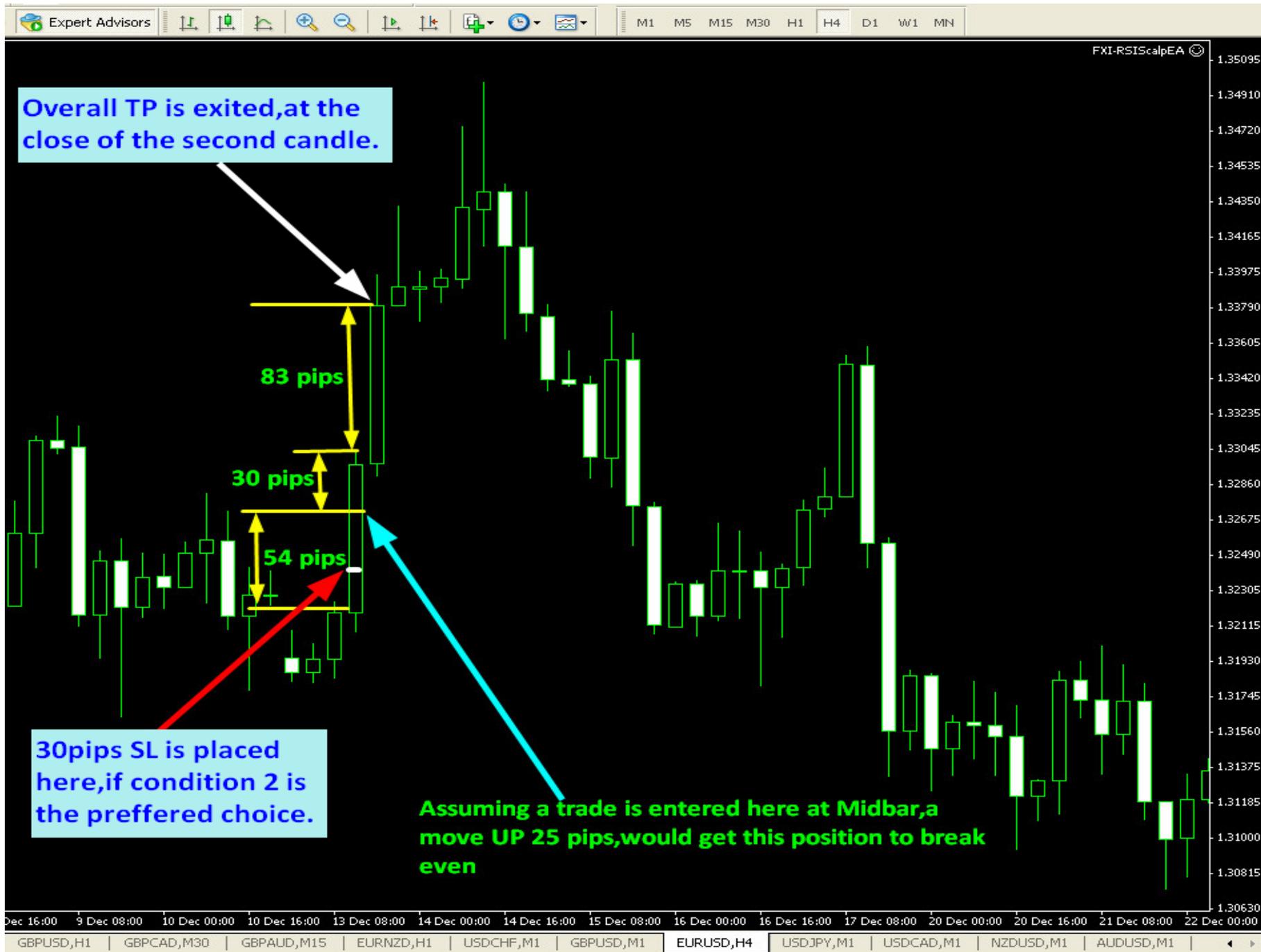
#### **Condition 2 for SL and Take profit**

In an event there is a move of 30 pips and above on entry candle and a position is entered at Midbar, an automatic 30 pips stoploss is placed & a breakeven +2 is considered at the close of the entry candle. However, if the position moves 25 pips in our favor, before the close of the entry candle a breakeven +2 can also be considered.

Overall take profit is normally set at the close of the second candle and position exited.

If these 2 entry conditions are automated, only a maximum of 30 pips can be risked. Therefore either of the condition with a minimum number of pips to be risked becomes the preferred entry & exit condition.

# FIG 4 Trading on 4 Hour (4H) Charts



## Conclusion

About the operations & performance of Recent Strength indicator this thread has all the answers.

<http://www.forexfactory.com/showthread.php?t=163158>

Even better, the RS indicator already has a parameter *OutputFile*. If you set this to a non-blank value, values are output to a file of this name (in the .../experts/files folder) every *RefreshEveryXMinutes* minutes. These values could be read by an indicator/EA that could generate alerts, trading signals, or even execute an automated trading strategy.

This strategy works best with major pairs & few of most tradable crosses

**Point to note using this strategy.**

RS indicator **VERY data-sensitive**. Slight change in the data can potentially cause very different plots. A brokers whose MT4 provides ALL possible 28 pair combos involving the major currencies (AUD, CAD, CHF, EUR, GBP, JPY, NZD, USD) is the best option, MIGbank, FX Solutions UK are amongst those.

This being a scalping strategy the choice of broker is KEY, trade with your preferred low spread broker. Also it's good to note there are times when spreads are above normal, therefore when automating this strategy this should be taken care of.

How this strategy can be traded with a broker offering less pairs, is by having a facility that will allow data transfer from a broker offering 28 key pairs to your preferred broker.

It's necessary to have this RS indicator running throughout for 24Hr for accurate D1 plots, worth being relied upon. Run this RS indicator on 1 chart and on 1 timeframe to minimize CPU usage.

**THIS STRATEGY Will BE MORE PROFITABLE IF  
AUTOMATED**