

A.M.G Waves

(By DAZfx)

First off, I am a full-time trader and I have been trading in the currency market for more than four years now. As a long time lurker of this forum, I finally feel the need to participate in forums, as day-trading has gotten pretty boring. I have three very powerful strategies in my trading arsenal, and what better way to start than to share one of the strategies here. I wouldn't call this an entirely mechanical system, as you need to use some discretion. I will be outlining some of the important factors that may need consideration before entering a trade based on this system, later in this post.

I call this system: **A.M.G Waves**

Timeframe: Any. But, I use 1Hr or higher to avoid whipsaws.

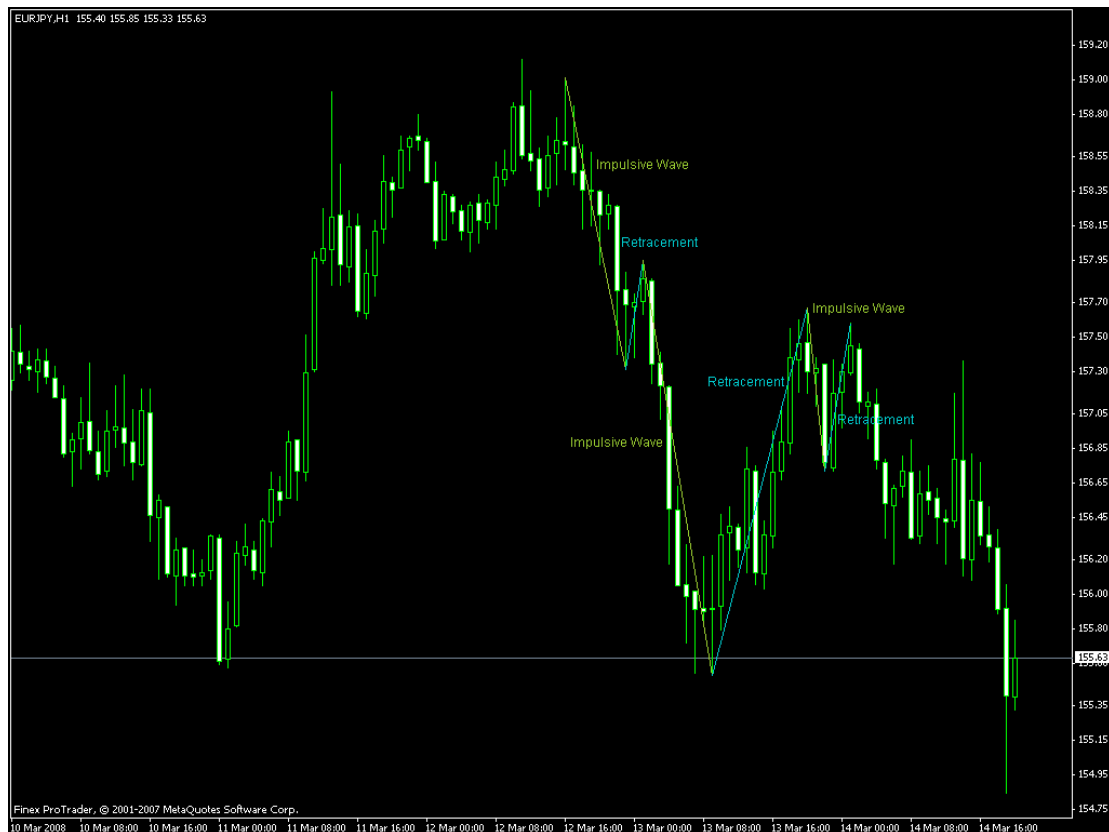
Pair: Any Currency Pair.

Indicator(s):

Stochastic Oscillator (8,3,3)

5 SMA

Before I give out the entry requirements, please take a look at the following picture. A setup only exists where the fib retracement of an impulse wave is 61.8 or 78.6. The idea behind this method is that provided AB wave retraces by 61.8% or 78.6%, it should equal the CD wave. Only look for setups that are in the direction of the bigger trend (ie: If you are looking at setups on the hourly, then only look for signals that are with the daily trend).



{chart 1}

Long

Generally, you are buying in an uptrend, when the AB impulse wave retraces to the 61.8 or 78.6 level. Before pinpointing a precise entry, you wait for the next candle (confirmation candle) to form. This must not exceed the low made by the retracement and has to be a bullish reversal candle (ie, Harami, Doji, Bullish Maribozu, Bullish Belt hold, etc).

At the precise entry point:

- 1) The new candle following the Confirmation Candle is on or near the 5 SMA.
- 2) On the Stochastic Oscillator window, the fast stoch (blue line) has already crossed or is crossing the slow stoch (red dotted line) and hooking up. This cross should not happen in the overbought region (80 or above).

Short

Generally, you are selling in a downtrend, when the AB impulse wave retraces to the 61.8 or 78.6 level. Before pinpointing a precise entry, you wait for the next candle (confirmation candle) to form. This must not exceed the high made by the retracement and has to be a bearish reversal candle (ie, Harami, Doji, Bearish Maribozu, Bearish Belt hold, etc).

At the precise entry point:

- 1) The new candle following the Confirmation Candle is on or near the 5 SMA.
- 2) On the Stochastic Oscillator window, the fast stoch (blue line) has already crossed or is crossing the slow stoch (red dotted line) and hooking down. This cross should not happen in the oversold region (20 or below).

INVALID SETUPS

A setup is considered invalid:

- 1) If there is a news release within 15-30mins.
- 2) If the confirmation candle moves so much that the stop loss is widened to a point where the Risk/Reward ratio is no longer 1:1.5.
- 3) If there is a major psychological support/resistance (ie, 2.0000 for Cable, 1.5000 for EURUSD, etc) before the first profit level (Target 1).
- 4) If the setup is against the major trend (atleast two TFs up from the one you are trading with).

STOP LOSS

Stop Loss should be placed where the first impulse wave starts (Point C on the charts). Only take a trade if the stop loss is smaller than your projected Target 2.

ENTRY STRATEGY

Here is an example, using a \$10,000 account at 1:100 leverage.
I am only willing to risk 1% of my account and assume the stop loss has already been established (start of the first impulse wave) and is 30pips + 3pips spread.

$$(10,000 \times 0.01) / 33 = 3$$

So, I can trade at \$3/pip, meaning I can go into the trade with 3 mini lots. There are three profit taking levels, so I should divide the lots into three equal lots and enter all of them at the same price (entry point). In this case, I have 3 x 1mini lots to enter at the same price and I will exit each mini lot at the different target levels, if they are not stopped out first.

EXIT STRATEGY

Carrying on from the previous example, I would exit my first lot at Target 1. If price does reach Target 2, I will take out the second lot, and move my stop loss to Break Even (Entry point). I will then take out my last lot when Target 3 is reached.

If you look at the charts provided, you can see that the targets can be calculated using the Fibonacci Expansion tool.

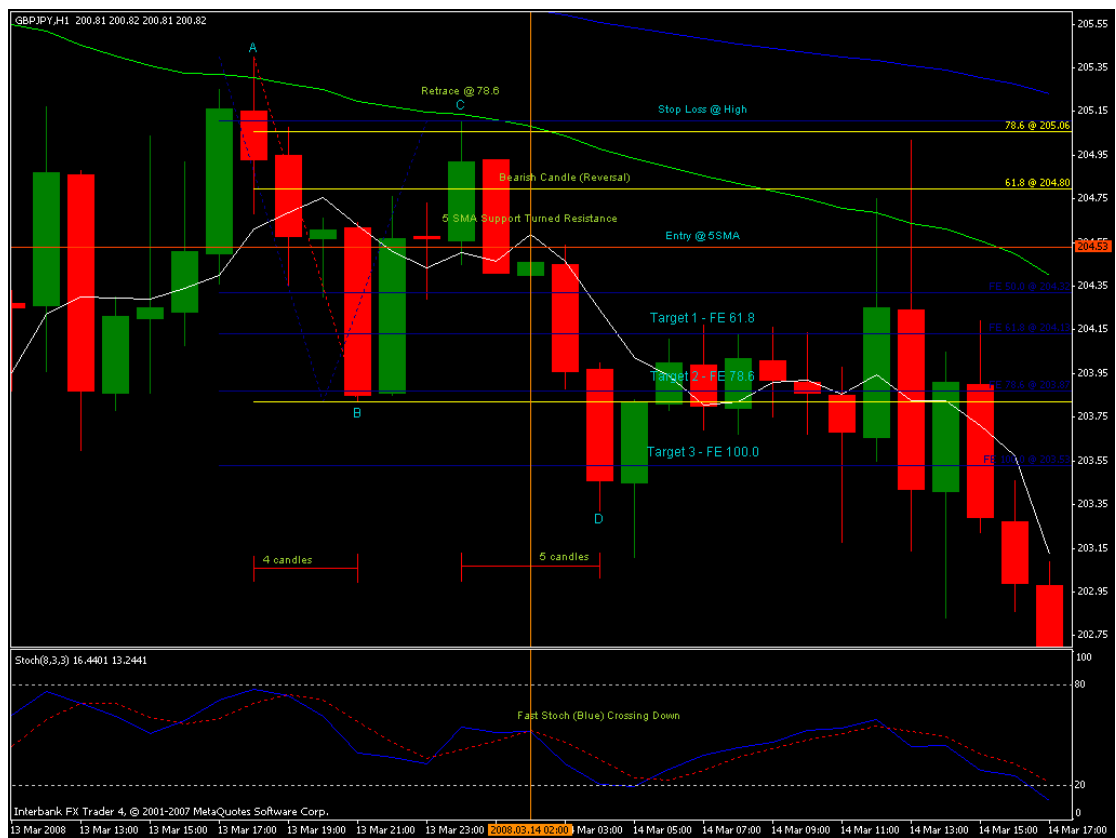
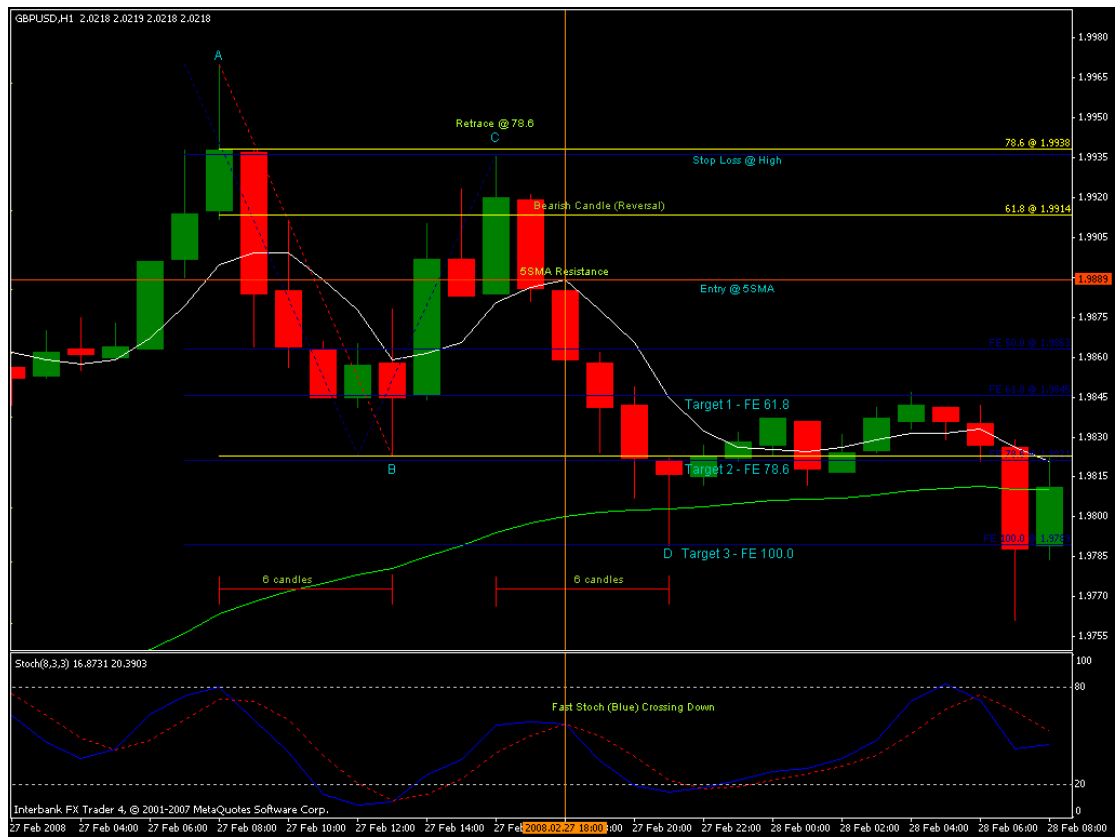
-When the confirmation candle is a Harami (Inside bar), use FE 50.0 as Target 1, FE 61.8 as Target 2 and FE 78.6 as Target 3.

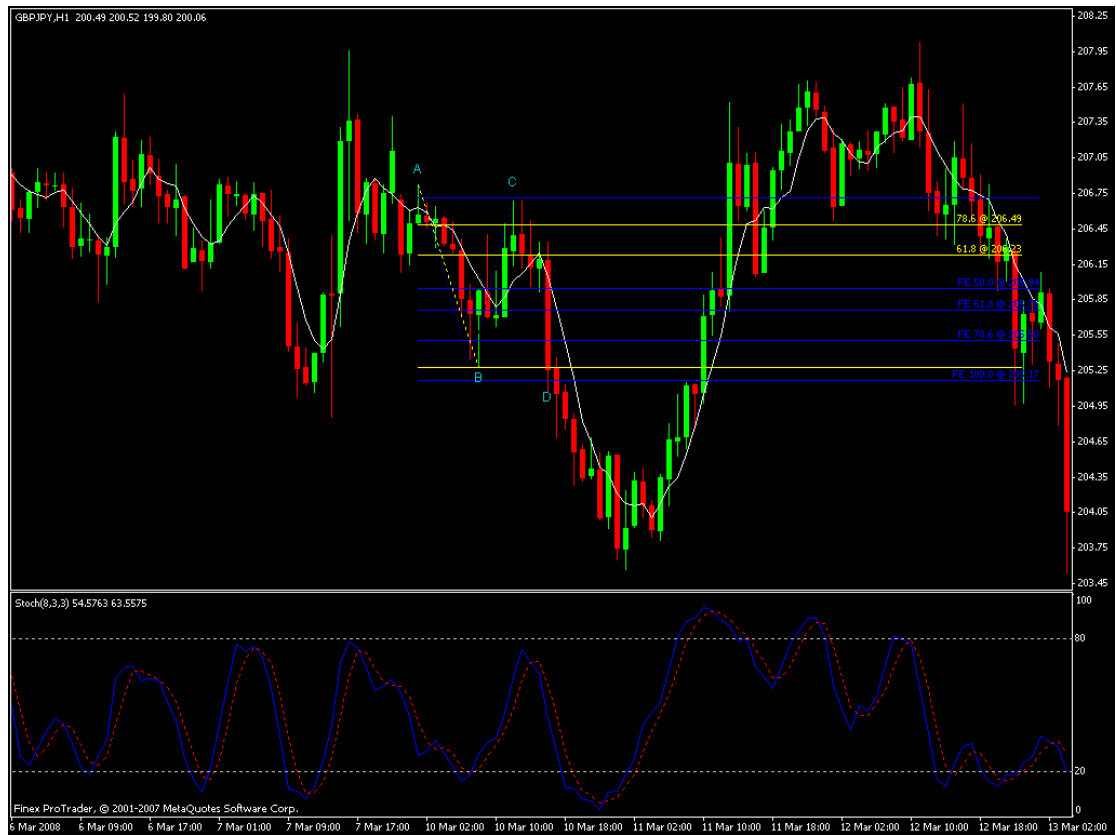
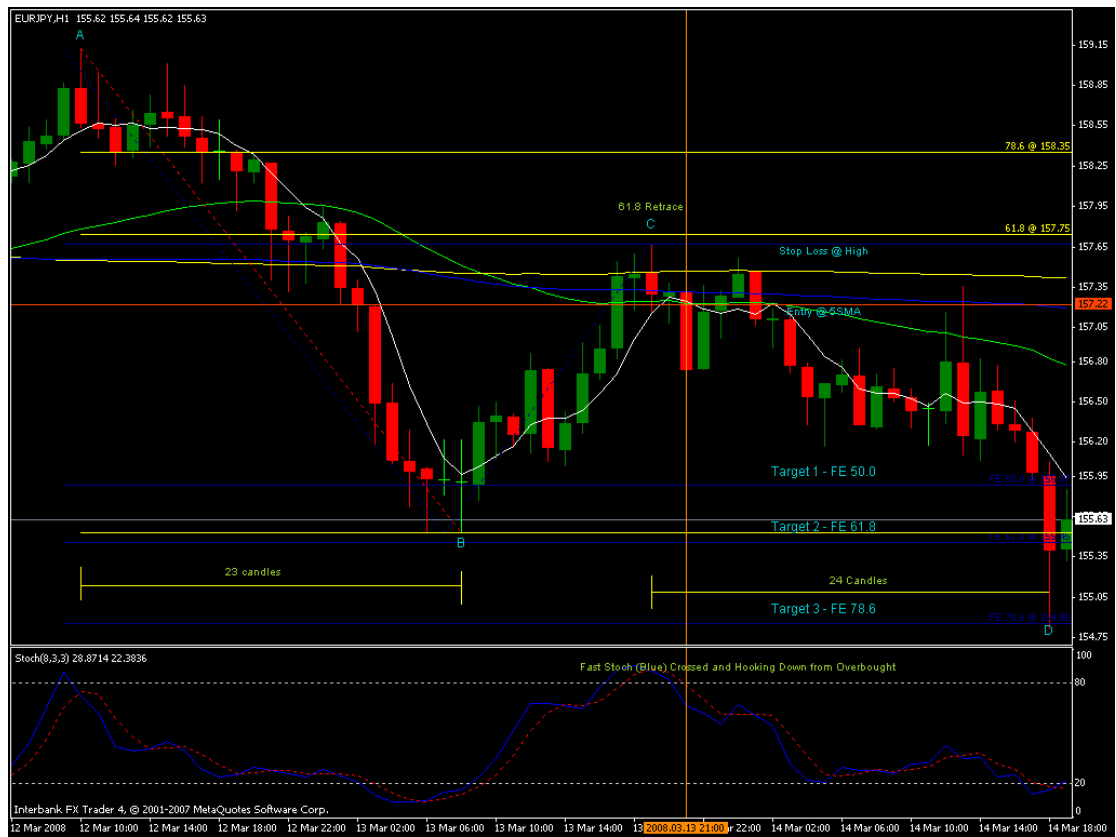
-When the 'AB' wave consists of more than 10 candles, use FE 50.0 as Target 1, FE 61.8 as Target 2 and FE 78.6 as Target 3.

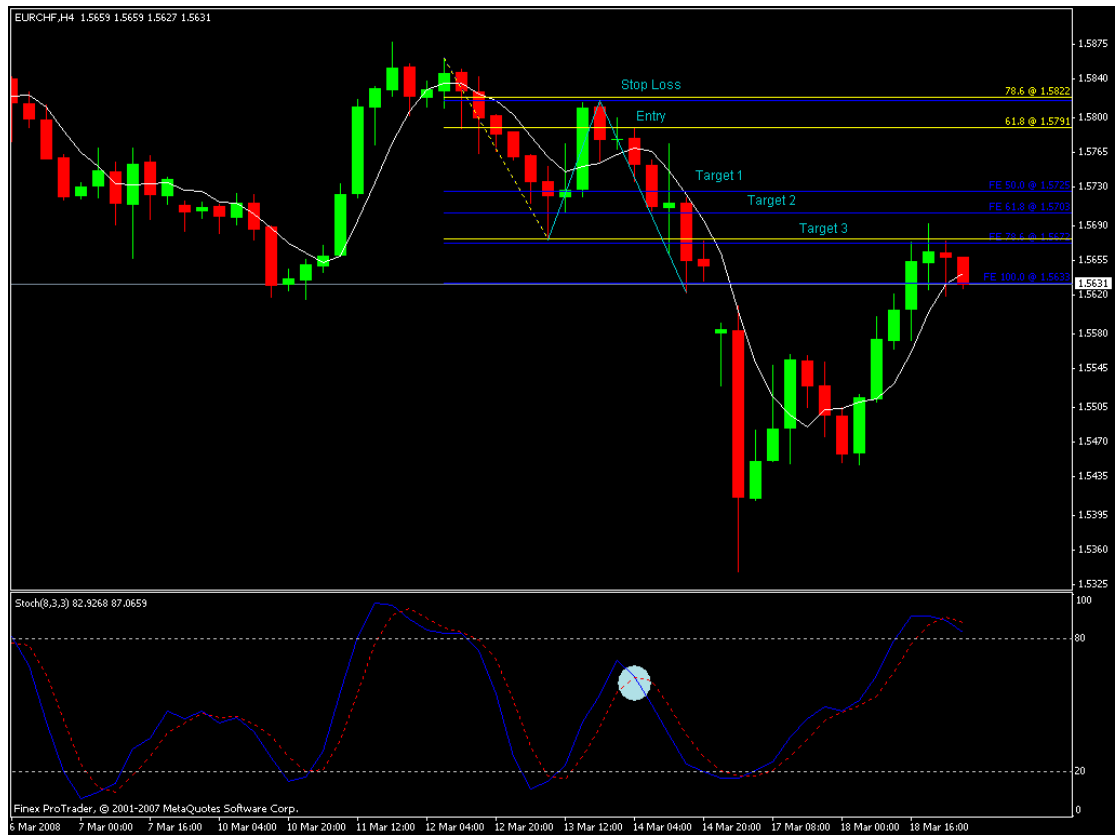
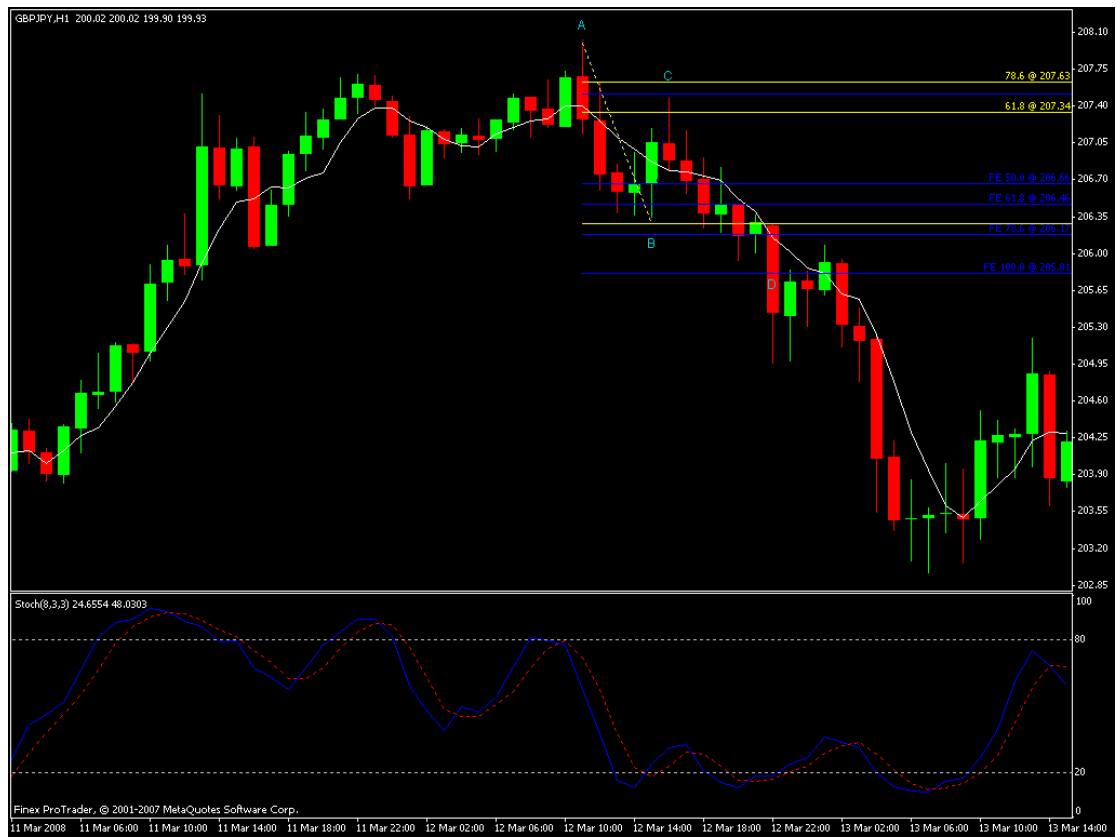
-When the confirmation candle is quite large, use FE 61.8 as Target 1, FE 78.6 as Target 2 and FE 100.0 as Target 3.

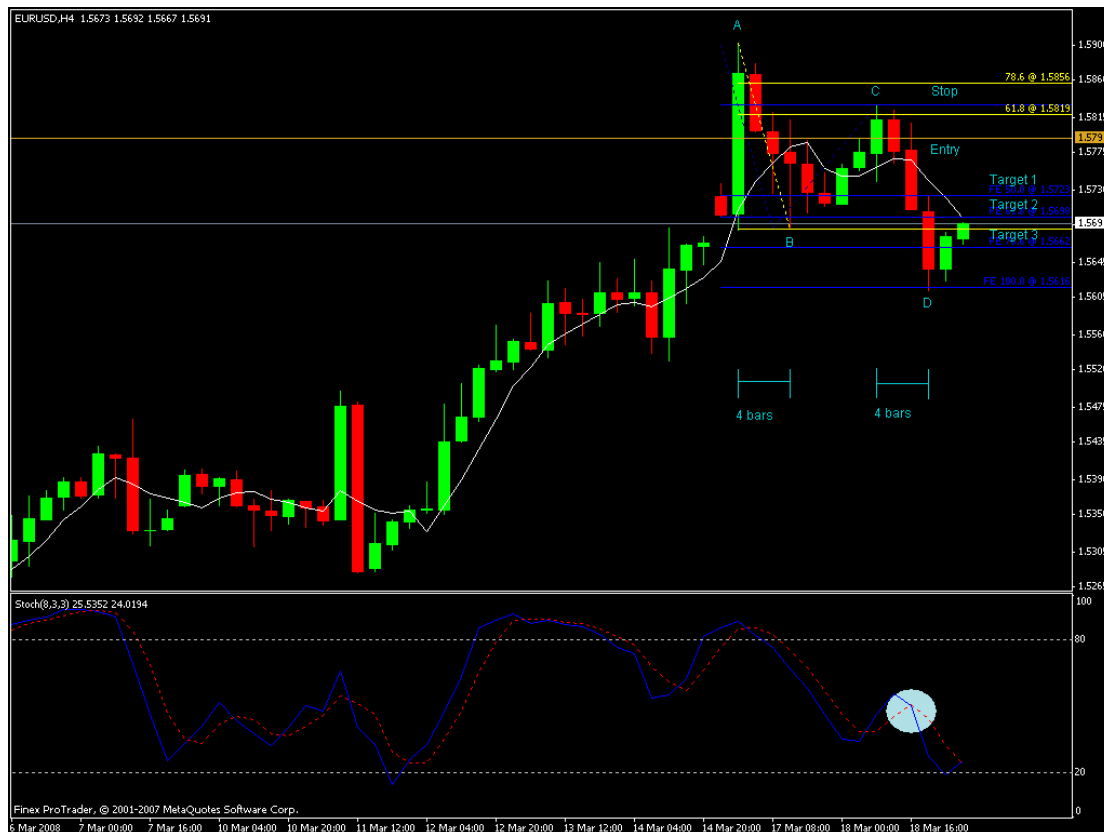
Illustration

Please take a look at the following charts for examples of Short and Long trades that I took recently. I will add more upon request.









- Q : Can you elaborate more on the use of the 5SMA? Are we waiting for the candle to close above the 5SMA on a Long setup and below on a Short setup? Usually price is always near the 5SMA ?

A : 5SMA is used to give you a better entry, as price usually retraces to this level. It is not used as a confirmation for entry, only to give you the best RISK/REWARD trade.

For example, in a short trade setup, you will see the confirmation candle (next candle after the retracement candle[Point C]) breaking the 5SMA on the downside. The next candle (entry candle) would normally go back up to test the 5SMA. Your precise entry would be when the candle is on the 5SMA, or even better if it goes above the 5SMA. Ofcourse, sometimes it may not even retrace to the 5SMA and continue going down. In these cases, just wait until you are a few pips away from the 5SMA as price usually hovers up and down before it pick up the downward momentum. Ofcourse, if you feel price has gotten too far away from the 5SMA (hence making the Stop too wide), just look for another setup.

Usually, if you see a setup in USDJPY, you will see similar setups throughout the Yen pairs, and so, you can take the best setup (Best RISK/REWARD trade).

- there were three things that a subjective trader would have taken into consideration :

- 1) Risk/ Reward ratio was excellent (only 25 pip stop loss)
- 2) Bullish Hidden Divergence on the Stochs
- 3) Attention to the news release.

- **Criteria:** Impulsive waves are usually 4-10 candles long
- **Criteria:** Remember, after confirmation candle, you enter when price reaches the 5SMA .
- **Criteria:** Stochastic hooking cross is better happen under in 20 (over sell zone) for buy and 80 (over sell zone) for sell.

Gathering by : Sara-fx