

# MC Fractal Studies ©

*Innovative Technical Analysis*

Copyright 2010-2018 Maurizio Colarossi

<http://mcfactalstudies.com>

## **Copyright Statement:**

MC Fractal Studies are **Free and Opensource!**

They will stay free and opensource forever, as well as any future version of them, improvements, contributions and other software based on the MC Fractal Method, will always stay free and opensource.

They are released under the **GNU Affero General Public License (AGPL) 3.0** and **Additional Terms**. Visit our Website for more information about copyright and license.

## "Low Risk – High Reward" Trading with MC Fractal Studies

### **Low Risk – High Reward**

One of the best way to be successful traders in the long-term, is to manage well the risks that comes during the trading activity.

Traders use to manage their risk by using StopLosses, a small stoploss is good from a risk point of view, but sometime tends to get triggered too often. A big stoploss gives more freedom to the trader, and is rarely triggered, but when it happens the losses can be destructive.

MC Fractal Studies can help you in using small stoplosses, while avoiding the common pitfalls that comes with such stoplosses.

With the right approach, you can take trades with very small stoplosses compared to the potential profits, 1:10 or even 1:50 risk-reward ratio (risk 1, make profit 50) are now attainable goals!

### **The Main Rules**

In order to catch such good opportunities, there are just a few simple rules that we should follow:

1. Always go in the direction of the big trends.
2. Enter the market as soon as the first retrace finish (and market resume its trend).
3. Stoploss goes 1pip above/below the just finished retrace.

## The "Low Risk – High Reward" Trading Strategy

As we already should know by now, market don't move from point A to point B in a straight line. Movements (trends) are composed by Directional Waves (in the direction of the trend), and Counter-Directional Waves (retraces, in the opposite direction of the main trend).

The ideal strategy is to open our trading positions as soon as the very first retrace of a trend is completed (finished), and take our profits when and where that particular trend finish, or even keep the profits run if the bigger trends goes in the same direction.

Let's now give a detailed look to retraces, what they are, how to spot them.

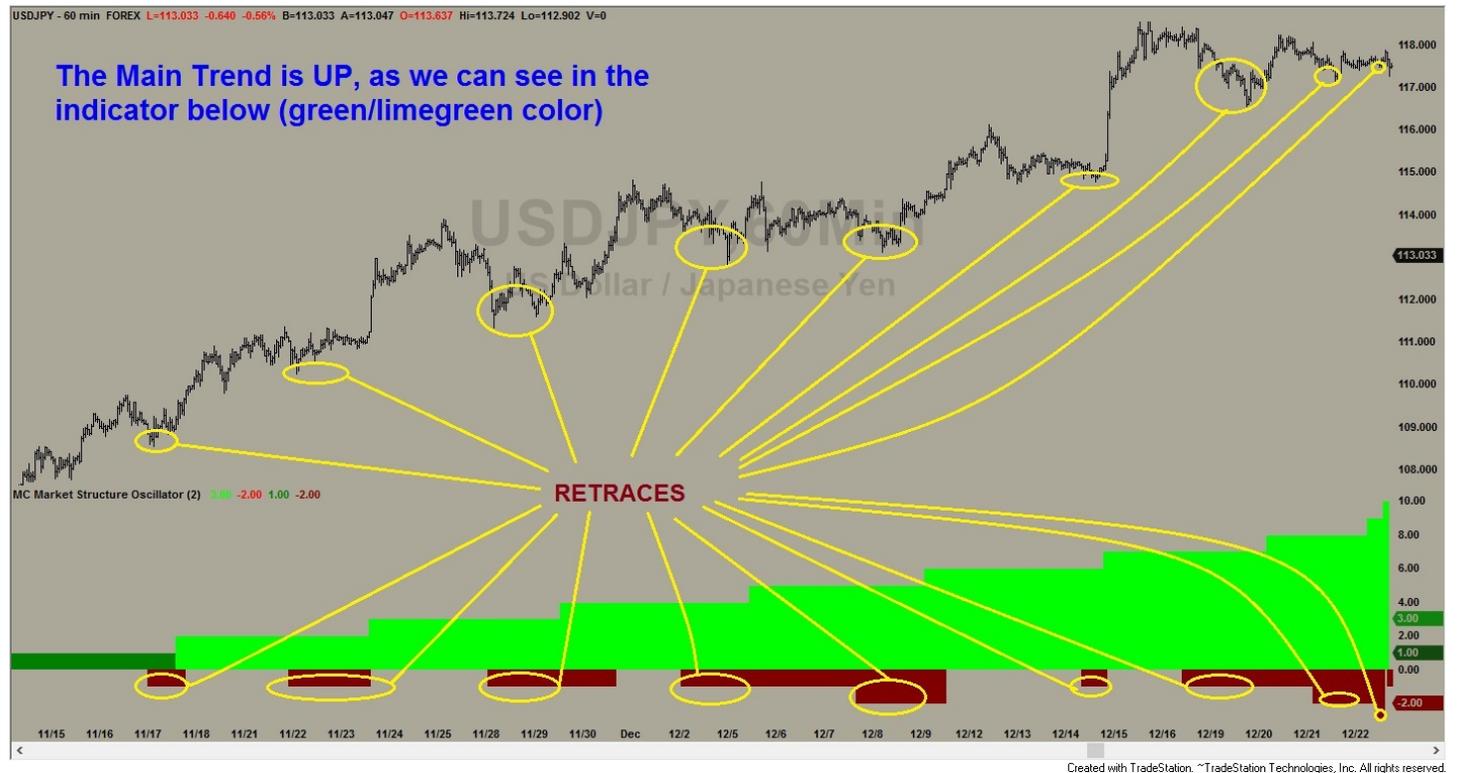
### Retraces

Retraces happen when price move in the opposite direction of the active trend.

There are various reasons of why this happen, it can be due to profit/taking, or market participants trying to "pick a top/bottom", the dynamics of the markets are so vast and unknown (it is impossible to know who buy or sell the market, and for what reason), and we don't really care anyway.

What we do care about, is recognize them and use such information for our own advantage.

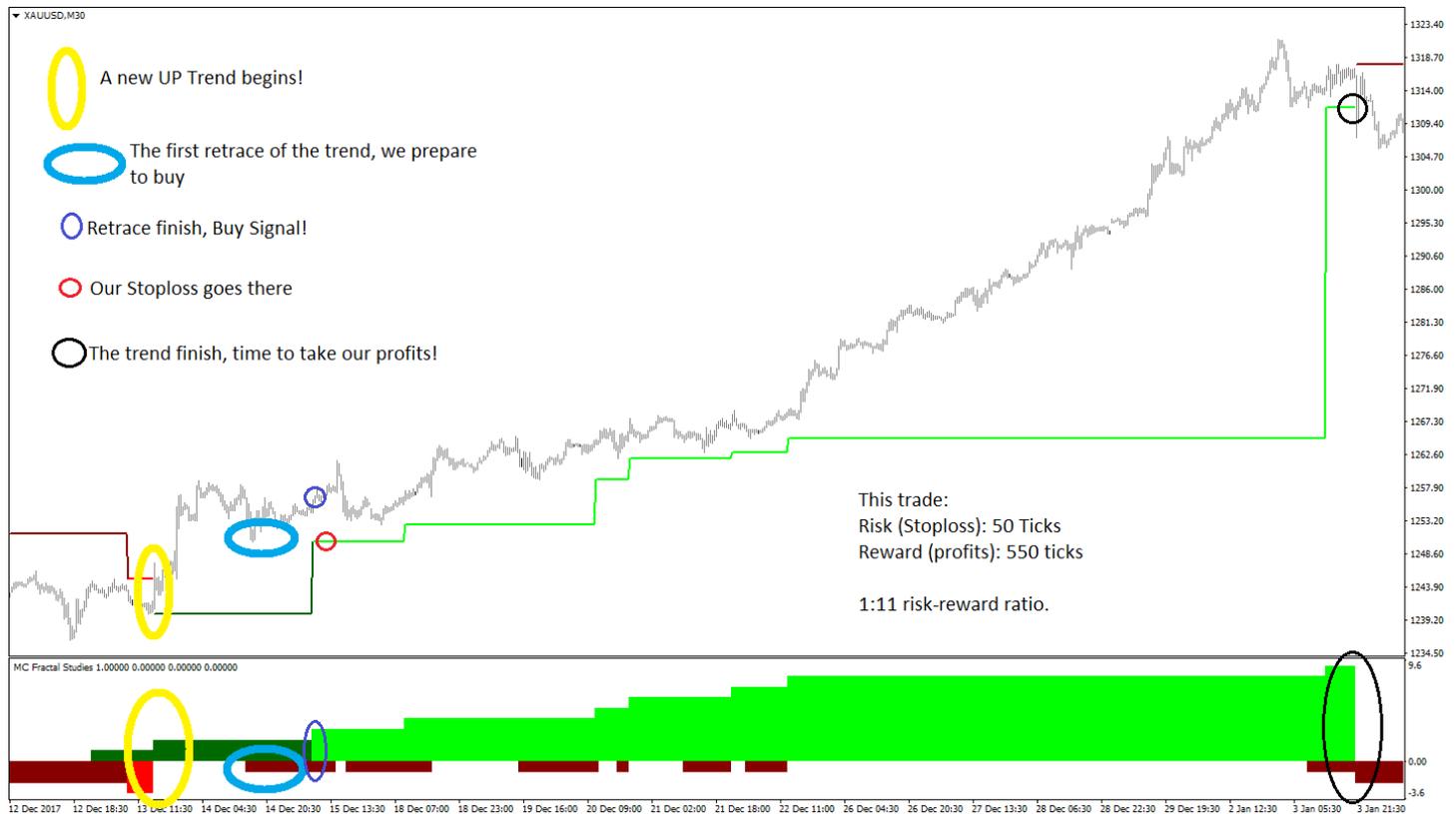
Below an image of a Chart (Usd/Jpy, 60Minutes):



In this basic image we can clearly see an UpTrend (market going up).

Our MC Indicator (MC Market Structure Oscillator) show us all the technical retraces within such Uptrend.

Below, another chart, Gold (XAUUSD) 30 minutes chart:



The chart above is quite simple to understand:

Yellow circle: it show us that the previous down-trend is now over, and a new uptrend is starting.

Light-Blue circle: it show us that the first retrace of this new trend is taking place, we prepare to buy.

Dark-Blue small circle: it show us that the first retrace is over, the trend is resuming! That is our BUY signal.

Red small circle: the "MC waves structure on chart indicator" tell us where the stoploss should be placed (the lowest point of the retrace).

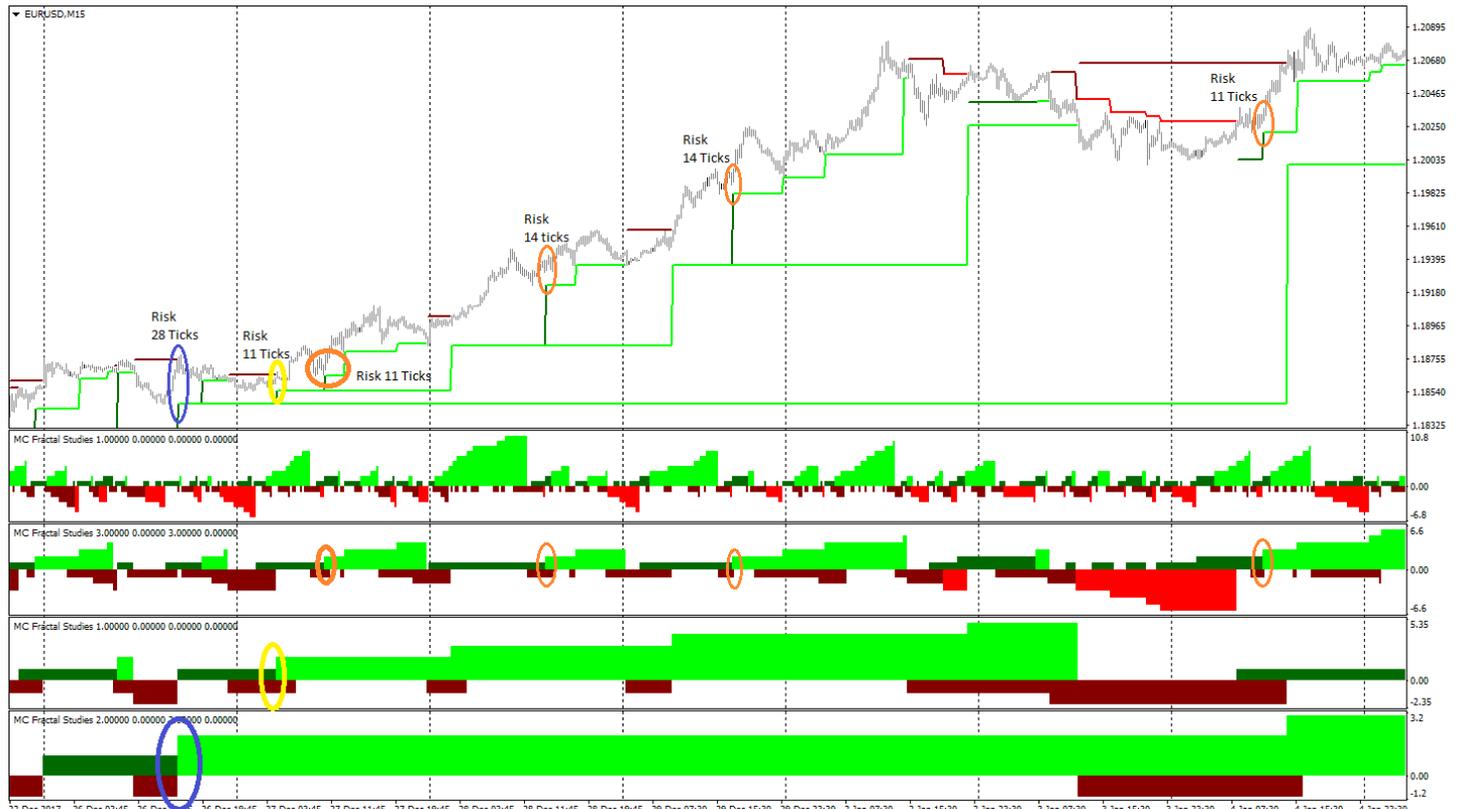
Black small circle: it show us that our beloved uptrend is now over, time to take our profits (if we want!?).

The distance between our entry point (dark-blue small circle) and our stoploss level (red small circle) was: **50 ticks**.

The distance between our entry point (dark-blue small circle) and our safe exit point (black small circle) was: **550 ticks**.

Risk to Reward Ratio **1:11** (if we risked 100\$ on this trade, our profits would be 1100\$).

However, we know that the market have a multi-fractal nature, therefore there must be multiple trading opportunities arising every single day. Let's look at the chart below, EurUsd 15 minutes chart.



We can see, following our simple rules, there are multiple trading opportunity during this big Uptrend.

The Blue circle (big uptrend signal), give us a 28 Ticks risk (stoploss) trade.

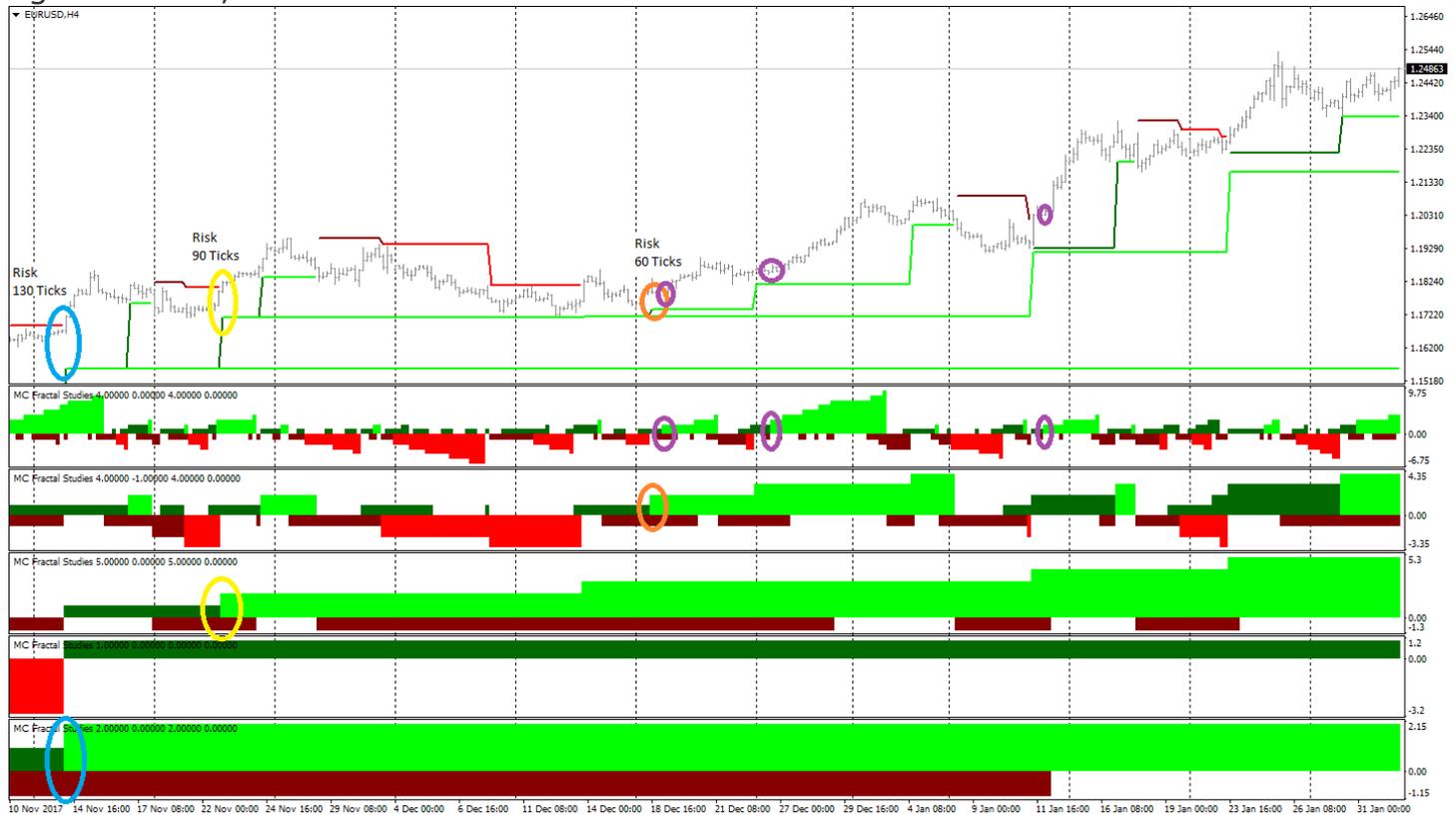
The yellow circle, 11 ticks risk trade.

The many orange circles, a 11 ticks risk, a 14 ticks risk, another 14 ticks risk, and another 11 ticks risk trades.

All these trades would be safe (market don't touch our stoplosses), and the market moved up of more than 200 ticks in that week.

Those was all great trades, all with a good risk to reward ratio (some even **1:20**), and all profitables, following just a few simple rules.

## Again EurUsd, 4 hour chart:



This chart show 3 months of eurUSD activity.

During this time, the market went UP of more than 800 ticks.

We had various signals, respectively with a risk of 130 ticks, 90 ticks and 60 ticks.

The purple circles was signals on the smallest fractal indicator, each of them with a risk smaller than 20 ticks!

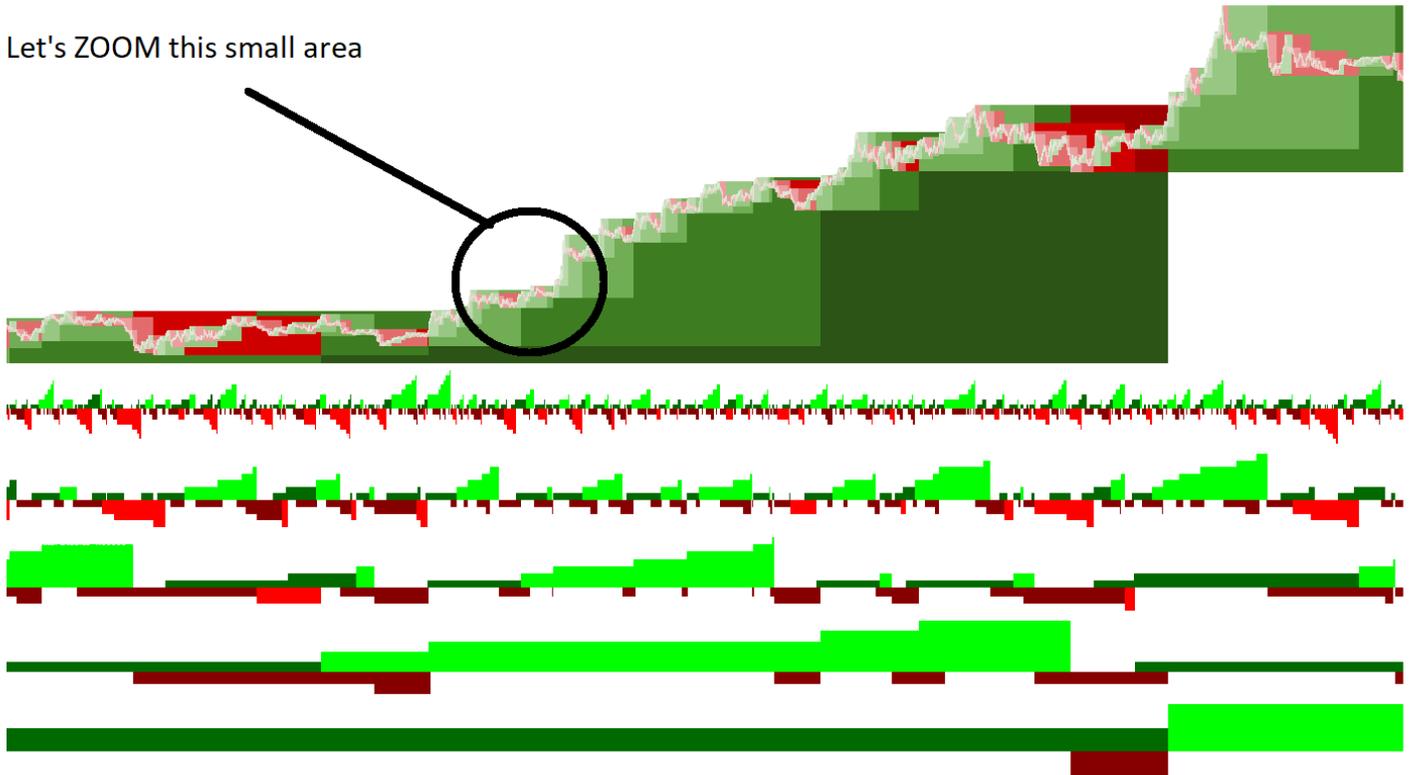
In this image, we can see again all profitable trade opportunities, with a risk to reward ratio ranging from **1:6** to **1:40**!

But if we want to really get astonishing risk to reward ratio trades, we must give a look to the small time-frames.

Gold (XAUUSD), 1 minute chart!

In the chart below, you can see the "MC Fractal Studies - 3D Chart" indicator, it just show the same levels of the other indicators, but it do it in a more colored and joyful way.

Let's ZOOM this small area



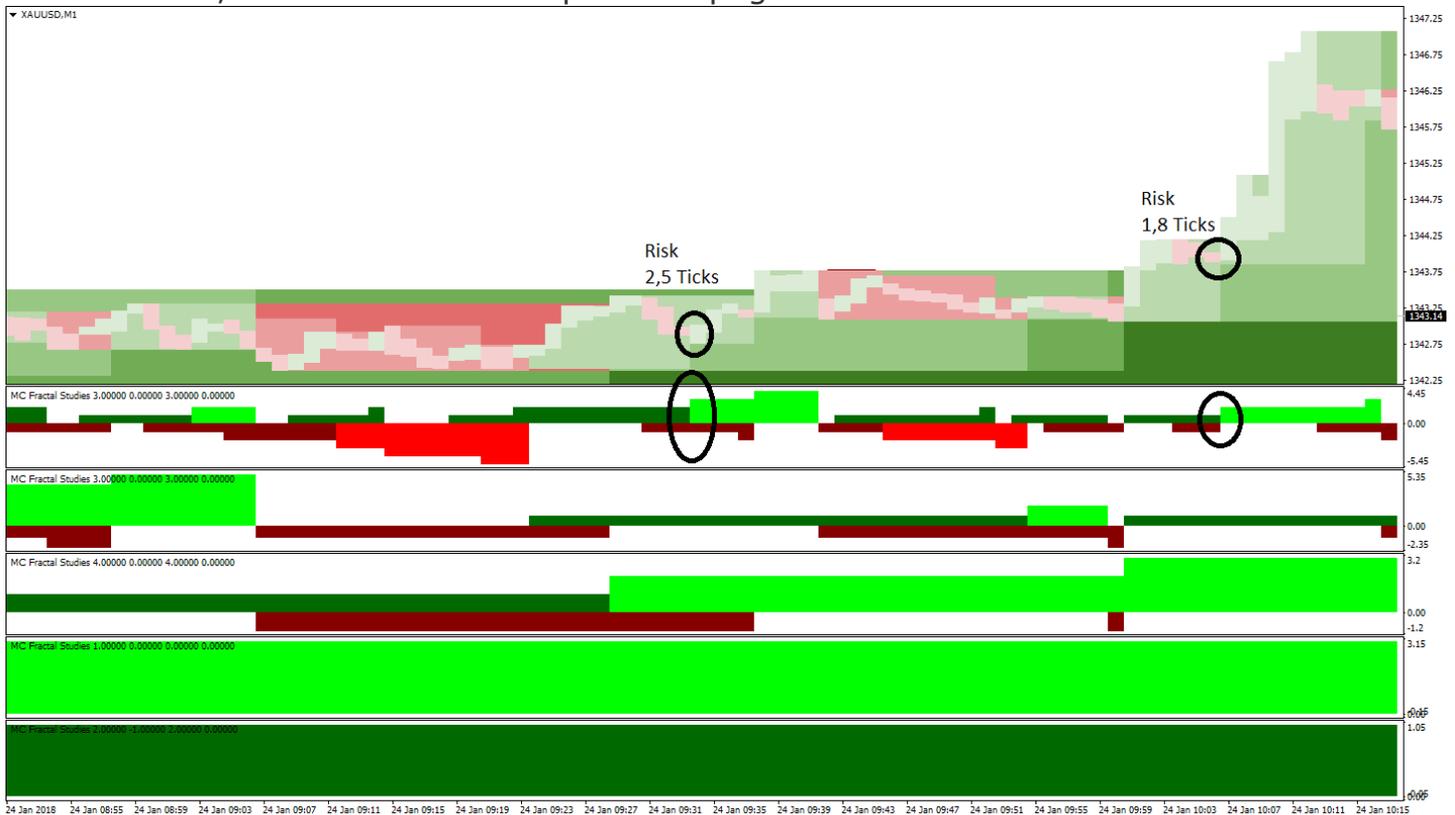
We can see a typical bullish day on Gold, it went up 180 Ticks that day (not unusual).

Many signals, some good, some not good of course (it is required common sense as always).

Now, in the image we can see a black circle, I want to zoom that area of the chart, and see what is going on there.

On the next page.

XauUsd chart, zoomed area of the previous page chart.



Yes, for the very smart and patient investor, here we can see what a **1:100** risk to reward ratio **intraday** trade looks like, risk just a few ticks, closing the day with 180 ticks profit.

For example, risk 100\$, make 10.000\$ in one day.

As you can imagine, you will need some kind of experience in order to identify these kind of trades (it's not complicated at all though, just follow the simple rules and a bit of common sense), let's say that these sort of super trades are reserved for experienced traders.

I have also made a video about this particular trading style (low risk - high reward), you can find it in my youtube channel and in the website!

Thank you very much for reading! I hope you will have a nice trading.

This was just a small document briefly describing one of the many ways of trading using MC Fractal Studies, visit <http://mcfractionalstudies.com> for more!

## **Disclaimer**

- Success in trading is not guaranteed
- It is advisable to not keep too many bars in your chart, as this may impact the performance of your Trading Platform (depending on what CPU you have, how much RAM memory, which Trading Platform you use, etc.). We suggest to keep not more than 5000 bars in your charts.
- The developer of this indicator has made good efforts to produce a quality product, however the developer is not liable should importing and inserting this indicator impact the performance or utility of the customer's Trading Platform.

Required USA Government Disclaimers: Futures and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this web site or during instructional sessions. The past performance of any trading system or methodology is not necessarily indicative of future results.

CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN ACTUALLY EXECUTED, THE RESULTS MAY HAVE UNDEROR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.