

The **EMA** (Exponential Moving Average) Crossover & Retest Strategy – “**ECR Strategy**”

This is the revised edition of my strategy and how I approach the foreign exchange market. In this document I will do my best to better outline exactly what I do, see, and think. I want to discuss a few ideas and what I would like to call “*Principles*”, I will give examples of course. I will also go over the main tool I use.

Please keep in mind this is **MY** way of doing things and by **NO** means do I think this is the **ONLY** way to approach the market or charts, you can put your own spin or twist on how I do things. These are all simply recommendations from what I’ve observed in my tenure of over 2 years as a trader and over 1 year in forex.

I learned quickly from trying what I think is almost everything you possibly can try that – Signals, MLMs and having my account managed was not for **ME** – again not saying it is the wrong approach, it’s just not **MY** approach and because of this I did research and back testing into nearly every different topic there is to be covered.

Essentially what I’m trying to say is has been a wild ride of trial and error for me and it has made me a significantly better trader and person because of the struggle.

I felt like I needed to touch on this as well, In the first version of this document everyone who read it was obsessed with the “*money return*” or the amount of money that was made and I will be the first to say that, if you were one of those people, you will struggle – the idea of how I trade is to go for “*pips*” not “*money*” – Learn your strategy and have it so sound that you can do it with your eyes closed. After that you can focus to make your millions okay? – Creep before you walk, walk before you run, run before you fly high. This is a process that you should never try to skip.

So enough babbling, I will warn however that to understand how I do things will require basic knowledge of trading such as – **Candlesticks, The Platform, Support\Resistance** and **Money Management**. So long as you have these I am willing to work with anyone so long as they seek me out.

Let us begin – What is an EMA?

An exponential moving average (**EMA**) is a type of moving average that is similar to a simple moving average, except that more weight is given to the latest data. It's also known as the exponentially weighted moving average. This type of moving average reacts faster to recent price changes than a simple moving average.

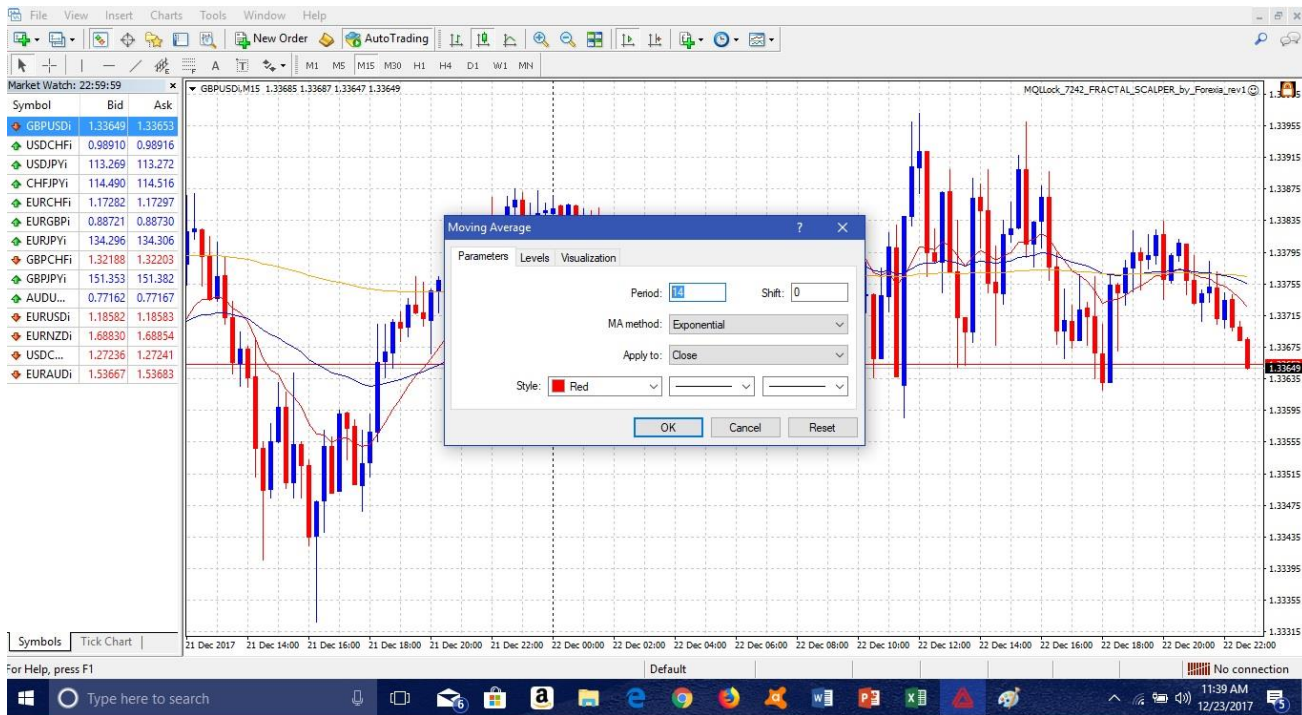
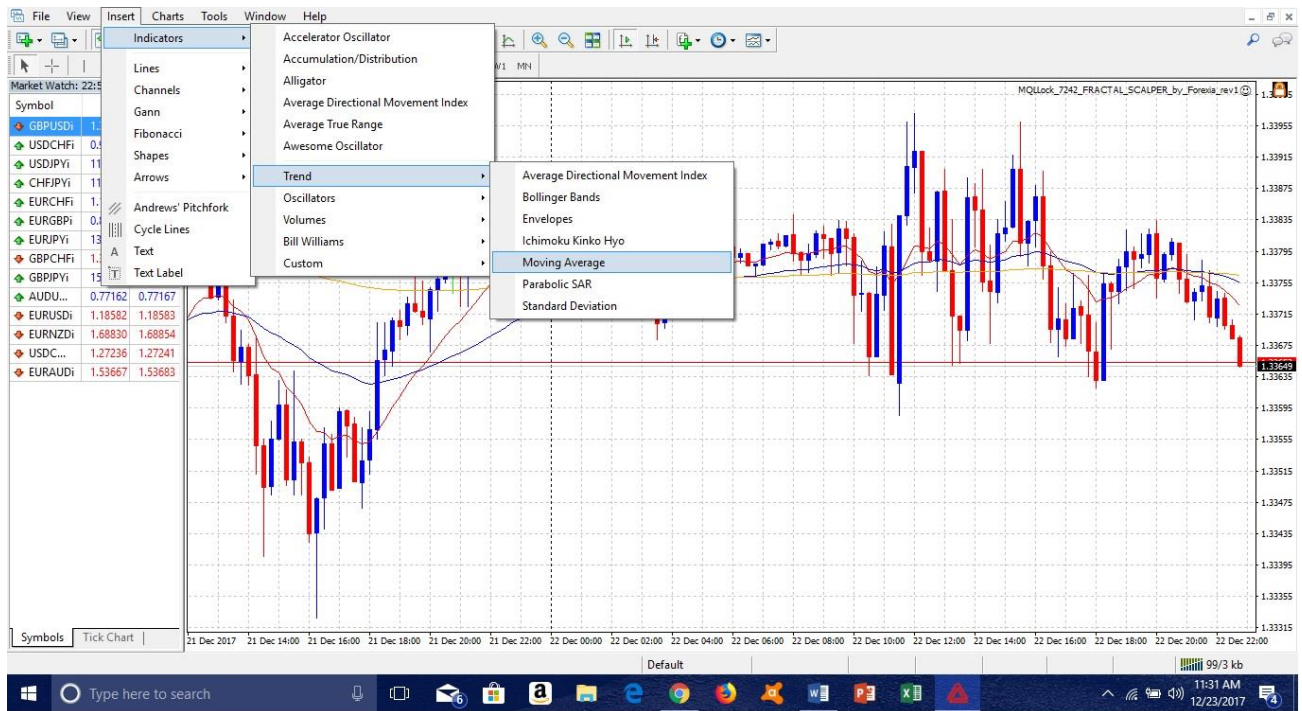
Price continuously plots the average point of the close of each candle, creating a line, The line is the average close of where price was – If you really sit and think about this one idea – doesn't that mean that price will always return to the line at some point? Well that's exactly what happens.

So how do I put the Emas on our charts and which ones do I use? See examples –

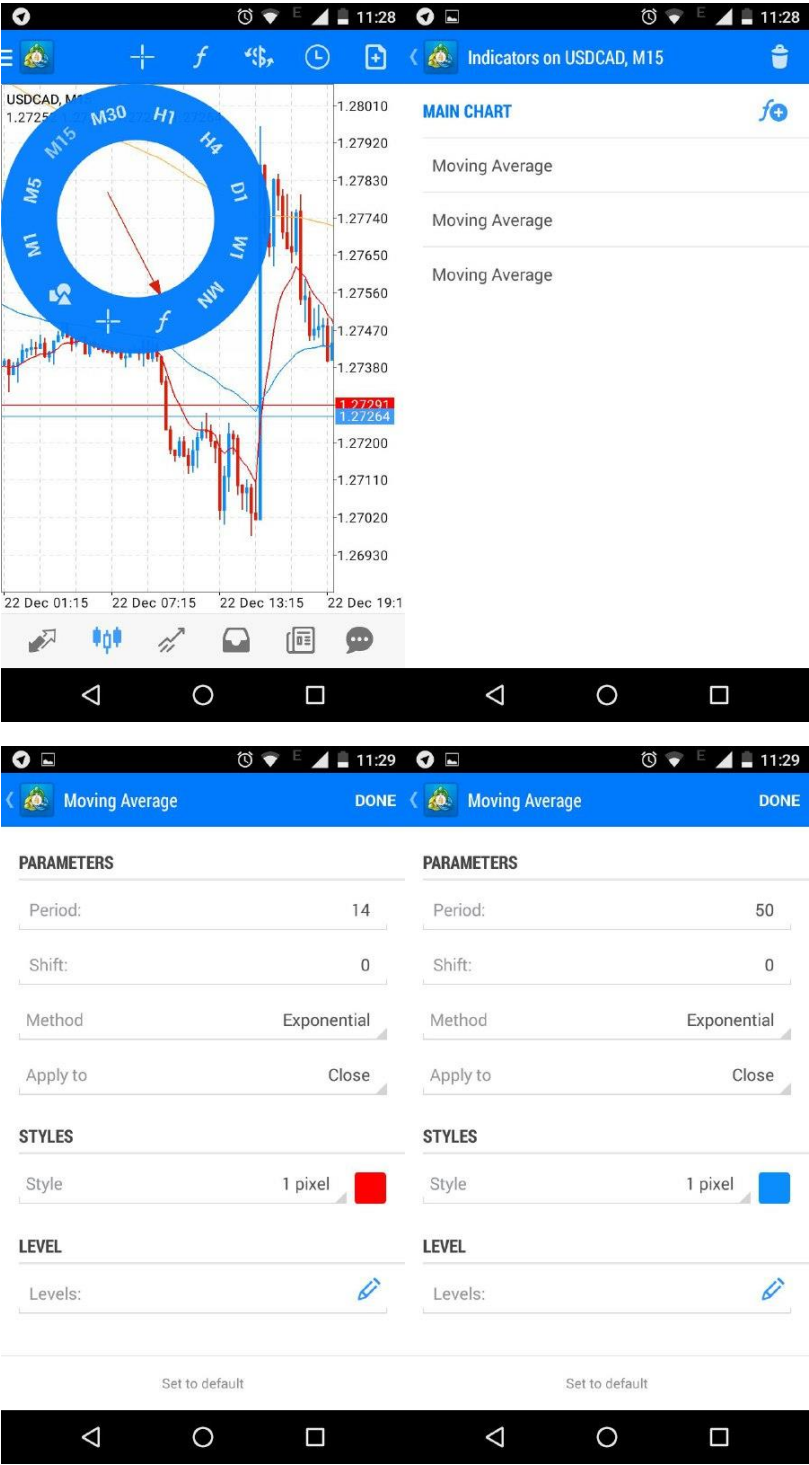
I mainly use the **14** & **50** Exponential Moving Averages – I personally use the **200** EMA as well but that's a little more advanced and I suggest not putting it on your chart until you get the hang of the **14** and **50**

You can put them any Color you like – I just like red and blue because it looks clean – clean chart cleaner entry.

This is what it looks Like on PC –



This is what it looks like on Mobile –



Okay so what is the rule? How do I use these Lines to get in and out of the market successfully?

It's extremely simple – when the **14** Ema crosses up over the **50** Ema it's a **Buy**



When the **14** Ema crosses down over the **50** Ema it's a **Sell**



Don't take my word for it – apply the *Emas* to the chart and see it for yourself....

Now you can literally trade using just this idea, but for more consistent profits you want to apply a few other ideas or what I like to call them “*Principles*”

The first one is **Support** or **Resistance**

Let's take a look at those same two examples

Buy –



Look at what happened, price essentially **rejected** two **support** zones, it broke out up and rejected, then downward and showed **rejection** at another **support** zone, what did it do from there? Price came back up and didn't stop it kept going up. If you also look carefully every time price went any particular direction the *Emas* crossed as well.

Rejection is a *Principle* I will discuss later in this document.

I do Majority of my analysis on the 15 Minute Time frame – But I will add that higher time frame analysis help this significantly

Moving on.

Sell —



Look at what happened here, Price hit a zone and **rejected** almost immediately, came back down and went back up to **test** that **resistance** zone again – it **rejected** the zone again and ran away from that area – the *Emas* crossed and what happened ? Price kept falling harder and harder.

We're getting somewhere now, so we know how to use **support** and **resistance** as a gauge to see where price runs away from, lets gain some accuracy now shall we?

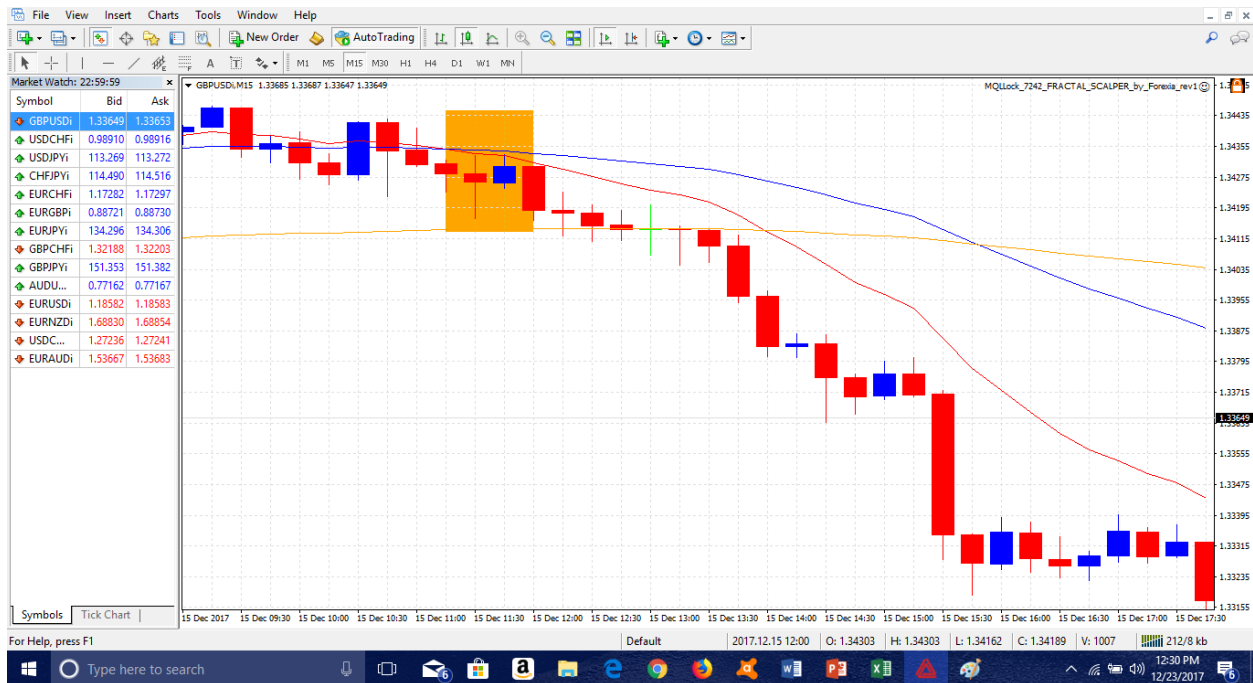
Here I will Discuss **3** of the “*Principles*” I was talking about earlier and **1** Idea – we will begin with the idea

The Retest – So what is a **retest**? Let’s use a live example – let’s say you are a school student and you have to take a test to better yourself, you want to go **UP**, you want to elevate yourself – You took the test and failed. Now you know to yourself that you want to go **UP** you **HAVE** to succeed, so you take the *test* again (**retest**), You fail again, you try again another (**retest**) and you fail...eventually **MOST** (*not all*) will give up and do something else (*Go the next way*) not so?

This is what a retest is – Price *tests* a particular **Zone**, **S\R** or **Ema** and fails, it’s more than likely going to test that very same **Zone**, **S\R** or **Ema** again, maybe even one more time. If price failed to pass that area Chances are it’s going the next way. Again don’t take my word for it, go look for examples. I will give you one –



Candle in the center of the grey box is the **Testing** candle – this candle is **testing** the *cross* of the *Emas*



The two candles in the orange box are the **RETESTING** candles, do you see what they are clearly **testing**? They aren't **testing** the cross anymore, they are now testing the **14** Ema – Do remember what happens when the **14** Ema Crosses down over the **50** Ema? – That's a **Sell** – Price is *testing* to see if the **Sell** is valid.

And what do you know – what happens after those two **retesting** candles? – Price boosted away from that area for one big drop

This is the **retest**.

I use **retesting** candles to enter my trades, the *cross* of the *Emas* are usually *validated* and price usually explodes from those **retesting** candles, I experience very minimal **Drawdown** – I do **NOT** wait for candles to close, but I would advise in the beginning of trying this strategy to wait for candles to close until you get confident.

Now for the **3 Principles** – The first one is:

1. The principle of **Exhaustion** – Similar to a **retest**, when price is constantly **testing** a particular **Zone**, **S\R** or **Ema** and continuously runs away from it, leaving *wicks* in the *opposite* direction of the *trend* – this can be seen as **exhaustion**, think about it in terms of the example I gave, you do the same test **3-4** times, you'd be **exhausted** to, Price eventually gives up. Let's see what this looks like –



Price was going up very nice, then it hit a **Resistance Zone** and started to **reject** it, it came back and **retested** that very same **Zone** and failed to pass, what does price do after?

This is **exhaustion**.

2. The Principle of **Rejection** – I like to think of **Rejection** as a *bouncer* at a club – it's that one weird movement where price is *trending* and all of a sudden price goes the *opposite* direction to God knows where, tests a **Zone**, **S\R** or **Ema** and Runs away from it *instantly* – The Bouncer said you can't get into the club so **NO** means **NO**, Let's see what this looks like –



In this case look at what price was *testing*? – Price was actually *testing* the *Cross* of the **14** and **50** Emas, *Price* came back to that area, the *bouncer* said **NO** and it returned on its merry way in the original direction of the *trend*.

This is **Rejection**.

3. The Principle of Accumulation – **Accumulation** is like a mixture of both **rejection** and **exhaustion**, You see *wicks* in both directions so here you have to use the *Emas* to tell you the direction, Usually *wicks* in one direction says **exhaustion** or **rejection** – so when you have *wicks* in both directions, how will you know? Especially when you see *price* just left a **S\R zone** and the **Emas Crossed**. **Accumulation** looks like price is in a traffic jam bunched up under or over the *Emas* – It is also possible for price to *accumulate* at a **Zone** but I do not use those, I use the *Emas*. Let's look at what it looks like –



Do you see how you are seeing *wicks* in both directions? But *price* is bunching up on the *cross* of the **Emas**, you can also see a few **retesting** candles in that area as well – as soon as *price* realized that it wasn't going up what direction did it go? – Which **Ema** *crossed* over which?

This is **Accumulation**.

I want to now talk about something I know a lot of new traders and even veteran traders **DO NOT DO** and that is –

The Law of Looking Left – The whole point of being able to view all the *price history* so that you can analyze it, they say that *history* has a tendency of repeating itself...if *price* bounced hard from a particular area once, there is a good chance it may do it again, **ALWAYS LOOK LEFT**. You will thank me later trust me. This is also why I don't really trade *Cryptos* – There isn't much data to analyze.

We are almost through this document, its grueling I know, but apparently it's highly requested so I will bear the hard work and document my findings.

So you know how to enter using a **retest**.

Let's talk **STOP LOSS** and **TAKE PROFIT**.

Stop Loss – Okay let's stop and think for a little while – if we know that when price **retests** the *cross* of the **Emas** and fails it usually runs away from that point very quickly, wouldn't the safest place to put your **stop loss** be right above (**Sell**) or below (**Buy**) where the cross happened ?



A **Sell** Example - Entry at the blue line on the close of the candle in the grey box, Stop loss is the red line. Look at the stop loss in comparison to how far price ran away from your entry Price never came back until **exhaustion** was seen – Pips for days!



A **Buy** Example – **Entry** at the **blue** on the close of the candle in the grey box, **Stop loss** is the **red line** below where the **cross** of the **Emas** happened, **Price** never came back until **rejection** was seen. Again pips for days!

You can also put your **stop Loss** into profit after price runs away from your entry, essentially putting you in *profit*. You are now in a free trade, I recommend doing this when *Price* going ten pips in your favor or so.

Take Profit -

I don't even need to give examples of **Take Profit** – We know that *price* usually turns around when **Rejection** or **exhaustion** is seen correct? – Use your brain, Get out when you see **rejection** or **exhaustion**. I do not personally set a definite **TP** because I don't know how far *price* will go, this way I maximize my profits and minimize my losses.

That is literally all I do every single day, It may seem like a lot but with sustained practice it becomes easier and easier, look for the same set ups and rinse and repeat – The **ECR** Strategy can be applied on **ANY** time frame, But in my *testing* I have found that it works best on the **15m TF**. I am doing testing into how I can scale it up to the daily and hold trades for a few months – Look out for testing and documentation on that coming soon ;)

This document is for educational purposes only and I refuse to be held liable for any losses you may have because you misapplied what I outline here – do your own testing of this on a **simulator** or **demo account** before carrying this to your **live** account. This strategy is not the “**holy grail**” that people are looking for as it does lose as well, in forex there will always be *losses* you just have to learn how to minimize them.

Be **Smart Money** and trade wisely

Happy Trading and if anyone has any questions feel free to try to get in contact with me personally

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