Core System

DISCLAIMER

Since I will be posting everything I know here, I need to post the US Government Disclaimer to protect both myself and Forex Factory.

U.S. Government Required Disclaimer - Commodity Futures Trading Commission Futures, Currency 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/forum. 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 LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-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.

All information on this website/forum or any e-book or software from this website/forum is for educational purposes only and is not intended to provide financial advice. Any statements about profits or income, expressed or implied, does not represent a guarantee. Your actual trading may result in losses as no trading system is guaranteed. You accept full responsibilities for your actions, trades, profit or loss, and agree to hold Strat and any authorized distributors of this information harmless in any and all ways.

Core System

2/27/09
http://www.forexfactory.com/showpost.php?p=2569695&postcount=1
At the request of traders on other Forums, I have been asked to start a thread on my style and method of trading the longer term time frames, i.e., the Daily and up.

This is my 17th year of trading having traded everything that you can hold, eat, smell, taste and grow. I started out on the Daily time frame, blew numerous accounts and over $200K. I have bought books, videos, tapes, dvds, systems, black boxes, and paid stupid, stupid money to attend seminars by those famous $million traders.

I am a degreed mechanical engineer by profession so I love technical analysis and spent hours, days, months and years modifying and developing indicators and devising my own systems. The dawn of realisation hit me a couple of years ago when I realised all I was doing was re-living history. At about the same time, I came across a few professional traders and ex - floor traders and thought this was my golden opportunity to learn THE SECRET. Well it was - but not what I expected!

Far from having super - dooper highly fandangled systems, I learned all they had was their EYES and EARS! No fancy squiggly lines for them - if it went up, they bought; if it went down they sold. Every single one of them told me the same thing - TRADING IS SIMPLE, DON'T COMPLICATE IT.

So, apart from a few indicators which I use to track cycles and volume, I trade what the market tells me.

After having success on the Daily and Weekly time frames, I decided I needed something to do during the day, so I thought I will do the same thing but on M5 time frame. Wow, I couldn't do it. Everything was just moving too fast for me, the wheels between my ears couldn't keep up!

I then stumbled across some professional traders who left their jobs and set up on their own and published their strategy on another forum. I eventually got M5 and M15 to work for me but it was so stressful. After spending all day watching the one eyed monster for a measly 100 pips or so, I felt so mentally and emotionally drained that I couldn't sleep well at night. Then as my health deteriorated, so did my profits.

Again, another moment of realisation for me - I'm not suited for anything faster than trading the Daily. I raised and trained myself on the Daily and up and that is where I belong.

I will post my analysis and trades here for anyone who is interested and hopefully share further insight with like minded traders.

I will apologise right now for my weird sense of humour but I need balance in my life and I know no better way than having a good laugh - usually at my own expense! I celebrated my 3rd 20th birthday last June but usually feel like a 16 year old! (Anyone know where I can get a 16 year old?)

I was a lead guitarist in a group back in England in the early 60s playing Buddy Holly, Chuck Berry, Roy Orbison and Elvis plus all the other stuff. I made it through the Holly inspired British rock n roll era until Jimi Hendrix came on the scene playing scales I couldn't even pronounce let alone play! (Pentatonic, Lydian, Mixolydian, Aeolian, Locrian, Dorian etc.). At that point me and my 57 Telecaster and 59 Stratocaster decided to call it a day!

2/28/09
http://www.forexfactory.com/showpost.php?p=2570651&postcount=19

Just a few thoughts on when I had indicators up the ying yang on my charts. I had so many that I couldn't come to a decision on anything as some would agree while others disagreed and I ended up with paralysis of analysis. I always missed fantastic trades while waiting for all the indicators to line up which they never did. Then when I went back to look at the entry, I would beat myself up because it was so obvious even without any indicator.

I used to spend hours just looking at one chart trying to work out all the nuances of what it could and couldn't do and in the end, scared myself stupid into not trading. When I learned that Professional and Floor traders just take a glance or, at the most, one minute on each chart to make a decision, I knew I was doing something wrong. These guys, or the ones I know, make $millions each year using very simple methods and always preach "the simpler the better" or "keep it simple" or "the market is not complicated" or "you don't need anything special".

I'm a technical junkie so I'm fascinated with indicators but it wasn't until I found out what my problem was that my trading improved.

My problem was FEAR – I didn't trust anything, least of all myself so I always wanted something to confirm and then something to confirm the confirmer and so on. You have to find a system/strategy that works and then learn it, believe in it, and as Mr Nike says, JUST DO IT!

Oh and your stop loss of 55 pips on EURUSD wouldn't stop a one legged blind, old man with asthma – the average daily range of the EURUSD over the last 2 trading days is 229 pips!

2/28/09
http://www.forexfactory.com/showpost.php?p=2571409&postcount=37
It hasn't been posted but it is basically trading at swings at S&R.

3/1/09
http://www.forexfactory.com/showpost.php?p=2571416&postcount=38
Primary goal is to trade with the trend but also to take advantage of deviations and extremes to the norm (rubber band effect) but only when everything lines up with

minimum risk.

3/1/09
http://www.forexfactory.com/showpost.php?p=2571460&postcount=43
If you are getting whipsawed on H4 then move up a time frame which will keep you out until the momentum is in the direction of your trade.

I'm not looking to get in at the top or bottom - I just want the "meat" in the middle of a trend - this is the safest with the lowest risk.

3/1/09
http://www.forexfactory.com/showpost.php?p=2573475&postcount=50
Template? Hmm - all I have is a Daily candle chart with a red 20ema, a blue 50sma, a dotted red 100ema, and a dotted Blue 250sma and a Volume indicator in a lower window. I then switch this to Weekly to look at the big picture. When I do my end of week analysis, I add a couple of cycle indicators but I'm not entirely convinced yet that they really tell me anything or are worth the effort. The most important parts for me are to be able to clearly see price bars or candles (not Heiken Ashi or anything else) and support and resistance.

3/1/09
http://www.forexfactory.com/showpost.php?p=2573964&postcount=56
My method is very basic and simple:

Price Action at Support & Resistance

The key is to know what Price Action **IS** and what it **DOES** at Support and Resistance.

Compared to other Price Action traders, I know I over analyse the charts too much but I have to use my hard earned and learned education somewhere!

I use raw price action using price, volume, support and resistance, momentum, exhaustion, cycles, time, harmonic analysis, elliott wave (only when I can figure the damned thing out!), market sentiment all with a splash of funny mentals thrown in.

After recalling my Dr. Joe experience, which I had chosen to ignore, I am now questioning myself as to why am I analysing so much on something over which I have no control. From now on, I will start to drop out some of the extranneous stuff and see what effect it has on my trading. I suspect (deep inside I know) I will just end up with price action, volume and support and resistance. Anyway, we are all here to learn.

What is important is not to use any one aspect of my method in isolation. For example, it would be foolish just to use Price Action without Support and Resistance. Next it would be foolish to use both of them without knowing where we are in the big picture etc.

My method/strategy will all be revealed here in this thread over time and in and among trading discussions and opportunities.

For those looking to find an entry and exit indicator of some sort then sorry, this is not for you. To be really profitable trading, there is NO shortcut or substitute to learning the basics and what I will post here is starting with the basics through where I am today.

Like every other successful and profitable trader, I have developed what works for me and I am not perfect. In fact, I am far from perfect, I get many of my analyses wrong and make many wrong trades. As we have read and heard over and over, the trick is to limit your losses so that your wins are always far greater. I accept that I will be wrong and I accept that I will have losses. The next trick is to move on. Forget your losses, just treat them as history and part of your learning curve.

Unknowingly, I think I have just written my first lesson!

Also, my style of teaching is like my humour – weird! So again I apologise for it right now. I was never spoon fed anything and had to learn the hard way so don't expect to be given everything on a plate. I will say or post something to stir up your imagination and thinking and provoke questions.

For those reading this thread who know far more than I, please feel free to question anything I say or do. I am still learning and open to any suggestions (Yes, Mrs Robinson!).

And, for those looking for the Holy Grail, I know what it is!

And for those wanting to know why I end my posts with "Rock n Roll"; as soon as I write that it takes my mind off trading and reminds me of the good times I had and that there are far more important things than price bars on a chart!

3/3/09
http://www.forexfactory.com/showpost.php?p=2579514&postcount=109
bet that caught your attention!

I have never been able to do this so when I saw "How to identify a trend before it starts" in the promotional materials sent to me by email a couple of weeks ago, it got my attention.

The wheels of my mechanical logic started turning. "How to see something that isn't there!" Impossible is my first reaction but then I go back to physics which tells me, "Energy can neither be created nor destroyed only transposed from one form to another".

Does this mean that there is something in price and time out there that we have all been missing that this well known trader has found? Does it mean that this is a ssh, secret, known only to a few? W.D. Gann certainly found out a lot – much more than he disclosed in his writings – it is known in the Gann circles that he used planetary alignment in his analyses. Or is it just another scam to get money out of our pockets to pay for "so called successful traders" to live. If it was so powerful and such a secret, why would anyone want to share it?

By the way, in my search for the Holy Grail, I have spent $tens of thousands on financial astrology including being a member of Welles Wilder's Delta Phenomenon. They were all as much use as a crack in a glass eye!

Most traders concentrate and focus on price but that is only half the puzzle – the missing half is time, which has fascinated me from day one of my trading career. There are traders out there, Larry Pesavento is one, who trade on time alone. I think it's because I did my thesis on Harmonic Frequency Vibration and Resonance that pushes me into time cycles etc.

Anyway, I wandered off topic. What I'm doing now is looking at the guarantee on this book to see if I can return it for full payment if it turns out, like most others, to be a waste of a tree.

No, I'm not still looking for the Holy Grail as, in my earlier posts, I said I had found it. I am just looking for ways to improve, if possible, what already successfully works for me. I'm still learning and will be until I meet Buddy Holly!

3/5/09
http://www.forexfactory.com/showpost.php?p=2585724&postcount=164
The MA's are very powerful and I use them both in isolation and in combination with all my other stuff.

They tell you the trend in two time frames, where prices are in relation to the trend, the strength of the trend, are invaluable as support and resistance AND especially when they are in confluence with support and resistance levels and can give us an idea when to expect the rubber band move to come into play.

The cross of MA's, although never used as a trading signal due to the lag, is also very informative. Their slopes provide valuable information as they do when they "trap" prices between them.

Since they are also used by banks, funds, hedge funds, trading houses and large institutions they become "self – fulfilling" much like Fib levels and retracements.

3/9/09
http://www.forexfactory.com/showpost.php?p=2590512&postcount=191
The 20 is the 20ema and the 50, the 50sma.

I trade the Daily time frame and, just as in all walks of life, everyone has a BOSS. The BOSS of the Daily time frame is the WEEKLY. So my references to BOSS always refer to the Weekly. I won't go into detail now as Timeframes will be discussed later.

3/10/09

http://www.forexfactory.com/showpost.php?p=2594030&postcount=229
I may have over simplified things with my comments about the close. The close, in my opinion, is the most important level on a candle. I do not use tails or wicks for trend lines or any of my analysis. So, on a down trend line, I draw the line through the open but again, that is over simplifying it.

Trend lines are NOT an exact science and there is no right way or wrong way to draw one. The trend lines that I draw work for me because it is part of my overall analysis. If you are just drawing trend lines in isolation, they may not be giving you the information you want.

In certain cases when there is lots of volatility, I will draw an "average" trend line just by eye balling the bars and drawing the line that has the most touches to it.

Although the close is the most important, the other 3 levels also have their use in telling us what went on in that 24 hour bar.

Fibs, like trend lines are very subjective with regard to where you take the swing from and whether to use the tails and wicks or not depends on the volatility of the pair being measured.

What you have to remember is that trend lines, fibs, support and resistance are not exact. That is why you will see us say 1.3650ish. There is no rule that says price has to be "spot on" with any of these – just pretty close will do the trick.

With regard to the points from where to draw your fibs, the general rule is from swing to swing. When that swing has produced it's retrace, rally or whatever the move, then move on to the next swing. Don't worry about getting the exact points right because what you will find is that if you draw your fib and it shows the retrace at 50%, then move your points and you will see that it is now at 38.2% or 61.8% – a level where you should be taking notice anyway.

Finally, as more and more traders are using fibs, they are becoming more and more self fulfilling.

Did you really ask this question "What about setting your S/L? Do you set it above/below the CLOSE of a recent swing high/low?"

If I am long, and identify a swing low to place my SL, why would I want to place it near the close? Think about it. On that bar that produced the swing low, what did the sellers do? Where did they take price? I want to place my SL away from the noise and action of that important turning point. Also, if that swing low bounced off support, I will put my SL below and away from the noise around that support. Does that answer your question? If not, ask again.

"Does it affect how you see price action?"

3/11/09

http://www.forexfactory.com/showpost.php?p=2594728&postcount=235
I thought you were in the UK? Doesn't your candle close at midnight GMT?
Well, you're on your way with the learning just by recognising that it has to be learned in layers. That's a very good observation. You have to crawl before you walk before you run etc.

Your candle close and the time a new candle prints is all governed by your broker and no, it can't be changed. If you are not sure when your new candle prints, just ask your broker.

My data feed is midnight NY time which means my new candle prints at 9pm my time (California is 3 hours behind EST).

I consider my candle closed after NY closes at 5pm their time (2pm my time). In recent months though, it hasn't really closed as Sydney, Tokyo and Hong Kong have become more active and not just on their pairs – they have been messing with EURUSD and GBPUSD.

3/11/09
http://www.forexfactory.com/showpost.php?p=2596933&postcount=278
For volume, I use the standard MT4 volume indicator. Volume in Forex opens up a can of worms. Since there is no central exchange as in stocks we get a sampling of volume through our brokers. This brings us to two schools of thought – 1) Forex volume is useless and unreliable and 2) Volume can be used as PART of a trading method.

Think about elections – there are always sampling polls taking a small percentage of the population BUT they have been proven to be somewhere in the region of 90% to 95% accurate. To me, and it's my opinion only, Forex Volume samples are just as accurate.

There are traders who trade ONLY on Volume Spread Analysis but for me, I use it to confirm or otherwise price action so for me, Forex Volume is very valuable and I do not care a rat's ass what anybody else thinks about it's use.

You credit me for something I don't deserve or even understand with regard to fundamental analysis better known by me as "funny mentals". I get most of my funny mental stuff from Jacko who knows it better than anyone else I know and from our resident "Darksider", Nicola. I try to look at Bloomberg but all that stuff bores the hell out of me – I want to see a chart!

3/17/09
http://www.forexfactory.com/showpost.php?p=2608716&postcount=559
Time frames

Time frames are probably more important than most people give them credit for. First, it is the time frame that determines our “comfort zone” in trading. Second, it is our “workspace” that we base all our trading decisions off.

Many new traders don't understand the "higher order" of time frames and forever suffer frustration not knowing why. Each time frame is governed or "controlled" by the next higher time frame. Since we trade the Daily, which is our workspace, we will start there.

The Daily is governed or controlled by the Weekly, which I call the BOSS. As long as we only trade from the Daily, then these two are all we really need. We can look at the Monthly for a longer, further out view, but as regards our trading decisions on the Daily, since the Monthly is two time frames higher (and controls the Weekly), we can disregard this.

Each time frame consists of waves or cycles or whatever name you want to give them and WITHIN those waves or cycles are smaller waves or cycles – these are our smaller time frames. So when you look at a BOSS chart you can see the large, major swings. Within those large, major swings are smaller swings – these are our Daily swings. From this, you should now understand that the BOSS controls **EVERYTHING** the Daily does. (Within the Daily swings are smaller swings which are your H4 swings).

This means that a BOSS swing controls several Daily swings.

If you have understood everything so far, you should realise that the BOSS support and resistance levels are those which the Daily moves up and down against. These then are MY major support and resistance levels. I qualify it as "MY" because they may not be the same as another trader's major levels.

A BOSS bar consists of 5 Daily bars if the penny has still not dropped.

Hopefully this will help you understand why you cannot use information from a lower time frame to trade the higher time frame. For example, you cannot use support and resistance levels from H4 to trade the Daily since there are 6 H4 bars in a Daily and as many swings meaning that eventually you will be stopped out mid – bar. It is OK to find an entry on a lower time frame AFTER first identifying the opportunity on the Daily, PROVIDING you go back to trading the Daily.

If you want to find really strong, powerful levels of resistance and support, then pull up a Monthly chart and where the Monthly levels coincide with the Weekly levels is where you will find super powerful major, major support and resistance. If you do this, do not draw other lines in as you will end up with more horizontal lines than price bars!

The higher order of time frames also tells us that the higher the time frame, the more reliable, accurate are price action and technical analysis. So, a hammer on a BOSS chart is very meaningful and if you look back on your charts, you will see that many huge moves have come off these bars.

The higher time frames are easier to trade because there is less "noise" and trends are longer BUT you need very large accounts to handle the Stop Loss levels.

The one area which is not black and white (to me) is during a trend change. I struggle all the time with inter – time frame trend changes as I sometimes think the Daily has to change before it's BOSS does. However, when I look in detail, it can be seen that the BOSS has changed first. The trick is to know what the immediate trend is or the momentum of the last couple of bars.

There is much more to time frames than this but this should be sufficient to help you along your way.

3/18/09
http://www.forexfactory.com/showpost.php?p=2610800&postcount=616
Whatever gave you that impression? I think I have written at least 3 times

"It keeps on going up 'til it stops going up"

The North bound train can't go anywhere but North until it STOPS in the station, gets on the turntable and turns around to go South.

I haven't seen it approaching the station yet!

3/30/09
http://www.forexfactory.com/showpost.php?p=2638311&postcount=1354
Amin, you raise an interesting point. If I were trading classic price action (as Baba G does), I would say yes. If you want to follow my method which is price action +, then the MAs need to be on there from the start.

In both cases, support and resistance lines MUST be drawn.

An absolute requirement in both cases is that new traders MUST remove all indicators and never put them back on, check them or have them running in the background. (Not even checking for divergence).

Funny mentals (fundamentals) are best left for those that understand it and can trade it. I believe funny mentals are already factored in and reflected in prices so just trade what price action tells you.

What we must be aware of (not necessarily take any action) are meetings and news events

3/31/09
http://www.forexfactory.com/showpost.php?p=2641707&postcount=1448
Time Frame Selection

I never cease to be amazed that the selection of time frame is never considered in trading discussions. After being told, and then finding out for myself, that brokers, system sellers, auto robot sellers etc., and other scammers target wishful thinking wannabe traders with their M1, M5 and M15 time frames, it is hardly surprising that the majority blow their accounts within weeks, sometimes days.

To just arbitrarily choose a time frame to trade is like choosing the first girl you date to be your wife. For many, that decision is made by the ads that suck you in with their $1200 per day M5 scalping system. There is far more to consider when choosing a time frame to trade.

Jacko's trading partner, Mark, used to be a broker and has witnessed first hand, the longevity of traders trading short time frames. Their trading life is very short and painful as you would expect for someone sat in front of the one eyed monster all day long trying to wring out 10 pips on M1. Similarly for those on M5 and M15. Just like a revolving door, he has witnessed them come and go. Add into this that many short time frame traders have more than one monitor, sometimes up to five. Is it any wonder that these guys are highly stressed mental wrecks?

For me, the time frame controls your trading destiny. I rank it as high as trading psychology and in fact, that is probably where it belongs.

How many traders consider the impact that time frame has on their profits? I will bet there isn't one. Consider a trader using a "successful" scalping system on M1 time frame. These guys are looking to make 5 pips or 10 pips at the most per trade. The effort, stress, mental anguish to reward ratio on this is horrendous. When you consider that they are "in the hole" for 2 to 3 pips (spread) the second they put on that trade, it puts tremendous emphasis on the accuracy of exits and entries to come out in profit. To be successful on M1, you have to be in the top 98% of everything – method, entries, exits, psyche, etc.

If you haven't realized by now, then, the shorter the time frame, the more accurate your method has to be, meaning that there is little leeway in your entries and exits. Miss them by a couple of pips and you are in the red.

Conversely, the longer the time frame, the more leeway there is in both entries and exits. Entries and exits on weekly time frames do not have to be as accurate as those on the daily time frame which in turn, do not have to be as accurate as those on H4 and so on. When we are boarding our train on the daily express, it doesn't really matter whether we are in the first carriage or the tenth carriage. We all arrive at the final destination with plenty of time (relatively speaking) to get off.

Another factor in time frame selection that I have never seen discussed, or I will bet, thought of, is our personal suitability and compatibility. We must never forget that the markets are energy. We traders are energy. Energy is governed by the Laws of Nature and, as such, can be broken down into different forms, states and matter. One of the properties of energy is it's vibration and harmonics. The market, and each one of us as traders have vibration and harmonics which revolve around our personal natural frequencies. Yes, like it or not, we are just matter constantly vibrating in everything we do at our natural frequency. The markets are there, always vibrating at their natural frequency.

There is a state called resonance which occurs when two bodies of the same natural frequency come together. What happens then is that these natural frequencies excite each other causing large amplitudes and vibrations which continue to expand and vibrate until they both explode. I have witnessed this many times in my studies and experiments.

What has this to do with time frame selection you are asking? Everything. If you are familiar with the dating service e-harmony, it is the same thing. We are trying to find our partner (time frame) whose harmonics are compatible with ours. We need a partner (time frame) whose harmonics ideally have a sine wave 180 degrees opposed to ours so that their peak harmonic is at the same time as our valley harmonic.

Still lost? In simple terms, you may say that you are going to trade M15 because you know of a method/system on that time frame which is proven to be successful and profitable. Yet, when you trade that system, you cannot get it to work for you, no matter how hard you try. Usually, the harder you try, the more difficult it becomes. There is nothing wrong with the system, it works, it has been proven by others. What is wrong is YOU. YOU are not compatible with that time frame. YOU have to find a time frame which complements YOUR harmonics. Until you work on a time frame that compliments and is compatible with your harmonics, you will never be successful, comfortable or happy.

This has nothing to do with the longer the time frame being the more comfortable for you. It is about matching a time frame that you feel comfortable with, that allows you to trade easier and better with the lowest amount of stress and anguish.

In my case, I know my time frames are Weekly and Daily. I am so comfortable with them that I feel “as one” with them. I would love to trade H4, yet, as soon as I drop down to H4, I get an uneasy feeling, I just don’t feel as confident or as powerful as I do on the daily and weekly time frames. For me to trade H4 would put me at a disadvantage before I even put on a trade. This is exactly what happened when I tried to do M5 and M15.

Pay attention to time frames and find the one which is compatible with you.

____

4/1/09

http://www.forexfactory.com/showpost.php?p=2645028&postcount=1519 for reference http://www.forexfactory.com/showpost.php?p=2634455&postcount=1302

Further explanation on the 3 phases

I am looking to enter the next trend or major swing but I don’t know where or when the current trend is ending or going to end so I have to tread very, very carefully. You might say well stay out until the new trend is established and I do that also but doing it this way provides me with a stimulating challenge which also positions me with a profit base which gives me the financial platform and confidence to do what I need to do further along the trade.

The long hammer was a sign that we are putting in a bottom – might not be the bottom yet, but the Queen is basically saying she has had enough. Each time I see a long bar, no matter what the type, I always expect an IB. I want to establish my long position with a view to riding it to the very end but I know it may not happen on the first try. Until the bottom is in, I know I have to be on my toes and react to any price action which tells me the bottom is not in yet.

This first stage is the very high risk area (listen to the words of House of the Rising Sun/Honky Tonk Woman). In trading terms, it is the first sign of Distribution. The long tail is usually the big boys unloading their positions. In our train analogy, the train has reached it’s destination and passengers are getting off BUT new passengers, who may be on the wrong platform, are also getting on.

The second stage is after putting in a bottom, where do we go from there? Do we go straight into the next trend? Do we go in to consolidation? Do we form a double bottom or ? We KNOW something is happening – we just have to look and watch for the signs to tell us what is happening. We need to be taking all long positions but we can start to give the trade more room to breathe and relax our stops a little and maybe ignore what we think are insignificant price reversal bars. The more signs the Queen gives us that she is on her new route, the more confidence we have with our trades.

This stage is still risky with regard to loading up on positions but nowhere near the risk of the first stage. This is the stage we EXPECT something to happen so we have to watch very closely and analyse each bar and the bars around each bar relative to where price is at. Hence Sting’s “Every Breath You Take”. In trading terms, this is Accumulation where new buyers, particularly the big boys, are positioning themselves for the next phase or trend. In our train analogy, the passengers have got on, the train has left the station BUT we don’t know whether it’s going on the turntable or on it’s way to it’s next destination.

The third stage is after the trend has established itself, gone through a test, and passed the test, thus proving that it is for real. At this point, we believe the trend is at it’s strongest and everybody and his uncle are buying into it. This can take many forms but is always evident when you look back in history. The key is to recognize it happening in real time before your very eyes. This is my “Fat City”. This is where the “Fill yer boots” trades are. Hence the Everly Brothers’ “ Bye Bye Love (Buy Buy Love!).

In trading terms this is the beginning of Distribution. The big boys have suckered every one into it, the analysts and talking heads are telling everyone to buy, everybody and his uncle are now buying – while the big boys are starting to unload. This can happen in a sort of organized fashion as this trade worked out or it can be a blow off top or it can go into congestion. In our train analogy, the train has reached it’s final destination and is pulling into the station. Some passengers are jumping off before it stops (the big boys) while the others are still on board, some still sleeping from their long journey.

I recognized the shooting star as my exit but since I had profits coming out of my ears, I thought I would give it a “Dr. Joe” which I don’t normally do (I hate giving the Queen my pay checks). I wanted to show that Dr. Joe’s method IS for real and DOES work. My gut feeling knew that my last trade was a loser hence John Lennon singing “You’re Gonna Lose That Girl” and “I’m A Loser” and sure enough, it was.

The third phase is where I throw away all rules and trading discipline and go into a “balls to the wall, pedal to the metal, seat of the pants” trading style. It is VERY RISKY to trade like this. It is NOT recommended and will NOT be taught on this thread. You can only SUCCESSFULLY do this when you have reached the point where you feel “one with price” and are “dancing with the Queen and feeling her heart beat.”

This is where I become a “bit better trader” both in growth and money.

I have over simplified these three stages as they come in many different forms. This was a reasonably “clean” example which is why I chose to share it. Many times, the stages are not easily identified and run into each other but, for my method and my style of trading these are the three stages I am always looking for.

It also allows me, after identifying the stages, to jump in at a later stage but then my trading strategies are different.

Don't think it is as easy as this because it is not. Many times I am stopped out for losses of 100 – 200 pips in trying to position myself for the long ha

05/18/09
http://www.forexfactory.com/showthread.php?p=2740948#post2740948

The Power of the 20

I thought we would have a refresher on the value and power of the 20.

The 20 is used by most institutions, banks, funds and big boys as part of their trading. Some use it with the cross of another MA or MAs as a system. Many of the little guys (us) use the 20 in some form or other in our trading. Some professional traders use the price and 20 as their method by buying a close above the 20 and selling a close below the 20 (don't try this at home, as they say, as the Professionals also use filters to avoid whipsaws and "false" moves).

To a certain extent, the use of the 20 becomes, like Fibonacci retracements, a self fulfilling prophecy.

Our use of the 20 is not as a trigger in any shape of form, but as one of the tools to help us in our decision making process. It should never be used in isolation and never be taken as "the last word".

Think of the 20 as equilibrium, or the balance line which is the point at which buyers and sellers AGREE on price. Remember we are dealing with energy both of the market and its traders. Energy **ALWAYS** seeks balance through the path of least resistance. If you haven't done already, you should study thousands of charts (daily and up) with the 20 and 50 moving averages on and note several things:

The slope of the averages
The cross of the averages
Price relative to the averages

You should also take note:

What the market is doing when the 20 is flat
What the market is doing when the slope is up AND how STEEP that slope is
What the market is doing when the slope is down AND how STEEP that slope is
What happens to price when the 20 acts as resistance
What happens to price when the 20 acts as support
How price reacts around the 20
What happens when the 20 is broken

What happens to price when it crosses the 50
What happens to price when, and after, it is trapped between the 20 and the 50
What happens to price when it is stretched away from the 20

Think of the 20 as a magnet which attracts price (equilibrium). Outside forces greater than the power of the magnet (buyers or sellers) pull prices away from the magnet. As price pulls away from the magnet, it takes the 20 with it but at a slower and lagging rate. The price reaches a certain point beyond the 20 where the 20 invokes its elastic limit and pulls prices back in line.

If you take the time to study each pair going back as far as your data allows, you will find that there is, for each pair, a certain number of pips that price moves away from the 20 before the 20 pulls price back into line (equilibrium)

The slope of the 20 gives you a “rough” approximation of momentum – use this with my TLs and you have a very good Momentum system.

The slope of the 20 and the cross of the 20 above the 50 tells you which direction you should be trading in.

The 50 is not as powerful as the 20 but when price “uses” the 50, take note.

As per my style of no spoon feeding, I have given you the pointers, now you do the work and prove the value of the 20 for yourself. Nothing works better than something you have proved for yourself AND therefore BELIEVE in.

Add the knowledge of the power of the 20 to our PASR and we have an edge over most traders. In case of any conflict, PASR rules over EVERYTHING.

Let’s look at a few examples:

AUDJPY 5/18/09
On 5/17/09, price was at support of the TL with the 20 acting as resistance below psycho 73.00. As of 3pm NY time, price blew through the 20 AND psycho 73.00. IF price closes above these levels it is telling is something………………………….

AUDUSD 5/18/09
On 5/17/09, price was floating between S&R BUT supported by the 20. As of 3pm NY time, price used the 20 as support to attack the previous high.

CHFJPY 5/18/09
On 5/17/09, price had lost TL support and was floating between S&R lines BUT lined up with my Momentum, Momentum and Cycles. Price then took off big time, in concert with most JPY pairs UNTIL it hit the 20 acting as resistance. No PASR, just the good old 20 doing it’s job.

EURCAD 5/18/09
As above

EURGBP 5/18/09
As above

EURJPY 5/18/09
As above

EURUSD 5/18/09
As AUDUSD except also note the down TL previously acting as resistance has now been re-tested and CONFIRMED as support – I wonder if this is telling us anything?

GBPJPY 5/18/09
As AUDJPY

GBPUSD
From 3/19/09 to today the slope is up, about 45 degrees (**a Gann Angle**).
From 4/28/09, prices have closed above the 20 – maybe that is telling us something?

NZDUSD 5/18/09
As AUDUSD

USDCAD 5/18/09
On 5/15/09 and 5/17/09, price stalled and held down by the 20. On 5/18/09, price was firmly rejected by the 20 and sold off.

Never under estimate the value and power of the 20.

05/26/09
http://www.forexfactory.com/showpost.php?p=2757936&postcount=3360

The style we are teaching on here is conservative, safe, low risk, stress free trading on the Daily time frame and up. One of the ways to do this is to ALWAYS trade in the direction of the trend. This then begs the question "Which trend". The answer is and always will be, THE IMMEDIATE TREND. The next question MUST be "is the immediate trend in agreement with the next larger trend". We need to know this to determine whether we are trading with the trend or against the trend. A trade with the overall trend has more chance of success (profitability) than a trade against the trend and is emotion free and far less nerve wrecking!

To determine where you are in a trend you must first zoom out to get the BIG PICTURE – see attached USDJPY Daily chart. Just eyeballing this chart you can tell straightaway it is in a downtrend – yes? We can then break this down into smaller separate legs (Major Swings) identified by the thick red and green arrows – yes?

Now, look to the left of the chart in the May 2007 to Feb 2008 period. Using the 20 as a guide as a filter, shown by the short, thick yellow lines, we can identify the smaller and shorter trend – yes?

You can keep repeating this to identify the trend by zooming in until you find the portion of the chart you are wanting to trade – yes?

Note that any trade taken in the direction of the red arrows is IN AGREEMENT with the OVERALL TREND and is "usually" longer and more profitable.

Trades in the direction of the thick green arrows (Major Swings) are COUNTER TREND (against the overall trend) but because they are "corrective" swings, will also "usually" be profitable but will be shorter.

Now note the thin green arrows marked "counter trend" in the May 2007 to Feb 2008 time period. These are counter trend trades against a "Swing". Note how each successive trade gets shorter and shorter. These are the trades which, while they look good looking back, will blow your account and your mind WHEN you don't have the experience to trade these.

So, the point I was making was ALWAYS know ALL the trends of the time frame you are trading AND know which part of the trend you are in. This allows you to determine the risk and "comfortability" in your PLAN.

For all those in the early steps on The Path of Learning, IGNORE all counter trend trades and only FOCUS on those trades which are in agreement with the overall trend.

If you think you are already smarter than you are, then consider your trend to be a huge concrete ball on a gentle slope. You can push the ball down the slope (requiring less effort, energy and attention) to gain momentum (trading with the trend) or you can push the ball UP the slope (requiring huge amounts of effort, energy and attention) (trading AGAINST the trend) and eventually running out of energy and the ball rolling back down and flattening you! (blown account!)

Trend recognition is fundamental and part of our total PASR trading method/style.

I hope this answers your question. If not, ask again.

07/21/09
http://www.forexfactory.com/showpost.php?p=2891098&postcount=4208

TRADING IS SIMPLE – IT IS TRADERS WHO MAKE IT DIFFICULT

I'm always amazed how charts grab everyone's attentions whereas in actual fact, it is the words which are far more powerful.

"What the hell is he on about now?" I hear you moan into your haggis sandwich.

Go back to my post # 4195 showing how a very simple trade produces 100 pips.

I defy anyone to show me a more simpler trade. Let's dissect it.

We had a double bottom at support. It then produced a BUOB/Hammer – it doesn't matter what you call the darn thing. The point is, it produced a TRIPLE BOTTOM which tested AND PROVED the support for the THIRD time.

Now the next part is the difficult part. That last bar is 143 pips meaning that your SL will be 150 pips or so. If you cannot afford this, you have two choices:

(1)Reduce your $/pip to a level your MM allows
(2)Do not take the trade.

You need confidence in trading so you do whatever you have to do to take the trade. How can you learn to swim if you never get your feet wet?

So, you place your buy order a few pips above the BUOB/Hammer high. Remember, the bar showing PASR is your SET UP bar NOT your trigger. We ALWAYS want to be trading WITH price momentum. If price doesn't go up, we don't want to be in the trade.

Next day, you get up early and the first thing you do, even before going for a pee, is check your charts. BIG MISTAKE. Keep your normal routine – do not allow the pressure of ANY trade to change your routine.

As the sweat drips off your forehead, your sweaty hands manipulate the keyboard and, "Joy to the World", you are filled and better than that, you are already in PROFIT.

It is at THIS POINT where we, the trader, complicate it. We are not used to profit; we can handle losing but profit, that's something new. THIS IS WHERE IT ALL GOES WRONG.

THIS IS WHERE EMOTIONS TAKE OVER AND CONTROL YOU AND THEREFORE YOUR TRADE.

Let me repeat that:

THIS IS WHERE EMOTIONS TAKE OVER AND CONTROL YOU AND THEREFORE YOUR TRADE.

You see the profit, you are not used to it. You have illusions of grandeur. The little man in your head starts to work overtime. He tells you to get out quick because it may not go up any further and is only a temporary profit. You resist this first approach and walk away from your charts and start making coffee. While making coffee you can't stop thinking about your profit. Maybe the little man was right – better go back and check the charts. No, the profit is still there but then the little man taunts you even more, "It's going to go down and you know it, you dumb shit, what are you waiting for, get out while you still have some pips".

You try and remember Strat's teachings so you find the strength to pull away from the charts and get on with the breakfast. But no matter what you do, you can't stop thinking about your profit. Now you've burnt the toast because you had to take another look at the screen. The little man is now screaming at you, your head is whirling, you are sweating like you've never sweat before.

I'm in profit for the first time in a long time and I'd better not screw this up you think to yourself. You run for the computer and with a sigh of relief, you see it is still in profit. The little man starts telling you that your time is running out. The longer you leave it, there is less time to get out with a profit and you don't want to turn this into another loser. Wait a minute, a bright idea comes into the excuse of a brain between your ears, "I'll check H4, that should tell me something". You switch time frames to H4 and, "Oh no, it's going down, get out NOW while you still have some pips, NOW, NOW, DO IT, DO IT".

You close the order and get out with a few pips profit and feel good that at last you managed a trade to profit and with a skip in your step go to work. You feel good all day because NOW, you are a REAL trader, you can take on all the forex world.

Then you get home and check the charts. "What", you scream at the screen, "you've still gone up – I saw you GOING DOWN".

OK, I think you all get the message and have been there or are still there.

Let's go back to the point where we recognized the BUOB/Hammer creating the triple bottom.

The VERY FIRST thing we do is calculate HOW MUCH CAN WE LOSE? We did this with our SL. We don't want to miss this opportunity so we adjust our $/pip value to accommodate our MM guidelines.

We are now formulating our PLAN

We are an ABSOLUTE RAW BEGINNER so are only going to do what Strat said:

Trade from support/resistance to the 1ST LEVEL OF DAILY RESISTANCE/SUPPORT.

We don't care how many pips this is, we just want the practice to do this over and over and therefore build our confidence.

We don't worry about where Weekly resistance/support is, we are only going to trade to the 1ST DAILY level.

We identify the 1ST level on our charts, 94.16 – NOTHING ELSE.

We will TAKE PROFIT at this 94.16 level AND NO MORE.

So, on this USDJPY trade, we place our buy order at 93.16

We check the charts, we got filled and we don't worry or care what price will do because we have an accepted and trusted PLAN. We place our TP order at 94.16 and WALK AWAY and get on with our routine.

At the end of the day, we check our charts. The profit objective has not been reached. We don't care, we are covered whether it goes up, down or sideways and we have nothing to do so we WALK AWAY.

At the end of the next day, we check our charts. We are closed out with 100 pips profit. We WALK AWAY and mow the lawn.

After you have done this a few times, you begin to think it really is easy and you decide to go for more pips. Trouble is, you don't know where to go for more pips and the little man and your emotions take over control AGAIN.

This is where I strongly DISAGREE with those threads, forums and people who promote daily targets of "xxpips". You can only take what the market has on offer or what the market gives you. If the market is flat, then how can it give you "xx pips"? It cannot and you will put yourself under great stress and pressure trying to get blood out of a stone. The more you are under pressure (stress) the more mistakes you will make and the more you will lose. The more you lose, the further away your daily "xxpips" becomes because now you have incurred a day or so of losses.

Forget about daily or any other time based targets or any other pip targets. You do not need that pressure (stress). Instead, just relax, trade what you see. If you don't see anything, get on with your routine/life.

Pip targets of any sort or type are ONLY for those who are trading for the game thrill or adrenalin rush. They don't really care whether they win or lose. Mostly they lose but they are not in it for the money, although they will try and tell you they are. They are only in it for the THRILL.

Of all the Professional traders I know, or have known, not one of them had a daily or other time based target – not even the Money Managers!

My personal style is to trade when there are opportunities and do something else when there are none. Yes, I go through weeks where I don't trade or make many trades but when the markets are moving and giving us opportunities, I am like a rampant 18 year old stud at a hen party night out!

Let's go back to how you can be very successful just trading from support/resistance to the 1ST DAILY level of resistance/support.

It does not really matter how many pips you make doing this. What you must achieve is the consistency of doing this on each and every opportunity you see. Resist the temptation to go for more pips, just keep doing the same old thing. In a short time, your account will have grown to the point where you can increase your $/pip value. Without changing anything else, keep doing this over and over ad nauseum and you will be very successful. You don't need to worry about trends, just where the 1ST level of DAILY support and resistance is. What you do need is PATIENCE & DISCIPLINE but then we ALL need that to be successful.

So, to summarise, the SIMPLE trade is from support/resistance to the 1ST level of DAILY resistance/support. Keep doing this over and over until your piggy bank over floweth. The DIFFICULT part is telling the trader inside you that IT REALLY IS THIS SIMPLE.