

# TraCop-1% Strategy

Manual Trading Strategy on Multiple Time Frames

edited by Forexcube

I hope you'll find lots of useful information how to trade the TraCop-1%-Strategy and will give a deep understanding and that this manual will help you to form your own trading style and start trading when things look good.

I wish you all the best in your trading.

2010 January 10

TraCop-1%.pdf is in process and the original will be reworked continuously.

TraCop-1% is a manual trading strategy and analyze multiple timeframes before making a entry order in the forexmarket. TraCop is one of the few systems that can trade really well during both: ranging and trading markets. It will use the main rule: if the market is not trending, always treat it as a ranging market. **TraCop-1%** stays for **T**rading System and **C**oping it around **1%** of its origin account deposit.

## Indicators

- GannHiLo (Variable "Lookback" 5),
- EMA 9, 20 (55, 120, 200),
- ADX (14),
- PivotsD\_v4,
- Denmark:trend\_new/Mouteki-Line,
- Dynamic\_Breakoutaily\_Range\_v10 (Variable "Risk\_tp\_Reward\_ratio" 3.0).

*Indicators & Template see "TraCop-1%.zip" attachment there:*

*<http://www.forexfactory.com/showthread.php?t=212160>*

## Timeframes:

All

10 sec., 30 sec., M1, M5, M15, M30, H1, H4, Daily, Weekly, Monthly

## Currencies:

All

Major & Minor Currencies.

Anything traded online that respects technicals – commodities, Forex, Indexes, Shares, etc.

TraCop-1% strategy can used as a basic strategy, a simple strategy, a complex strategy or as an advanced strategy. Every trader has unique trading individuality, e.g. Trading habits, profit goals, time and risk limits, etc. That's why some trading set-ups and rules work for one trader may not be suitable for another trader, even though both pursue the same goal-making profit. So you have to work out which part of TraCop-1% Strategy is with you. I recommend the advanced strategy due to the fact that has a stronglogical and theoretical base, are not overloaded with indicators and often compose a core for trading systems used and created from me as an advances traders if I may so express myself based on my individual trading habits.

Lets begin with introduction.

## Part 1

### TraCop-1% - Basic strategy

(cover the basics of strategy based trading)

#### Gann HiLo Activator:

This trend following indicator helps to find entries and exit points. It allows to enter in the market quite early and stay out in the trade longer. You can use it with any timeframes whereas on lower timeframes (e.g. 30 sec., M1, M5) might be there'll coming up more whipsaws or may be the spread will kill you. Other traders recommended to use GANN Hilo (5) only on M30 or higher.

Figure 0: GANN HiLo, EURJPY, H4



**Favored trades:** P1 (Enter Short), P2 (Enter Long), P3 (Enter Short), P4 (Enter Long), P5 (Enter Short), P5/P6 (Enter Long), P6 (Enter Short), P7 (Enter Long), P8 (Enter Short), P9 (Enter Long)

I prefer GANN HiLo in M1, M5 just the same with monitoring the more global trend on M15, H1 at the same time. If you have a set of rules or a trading system that require some improvement on entries and exits, GANN HiLo Activator could be the right tool.

#### Trading rules:

Entry for uptrend: when the price is above GANN HiLo after the current price bar has been fully formed and closed. So enter Long with the „new“ price bar (second candle).

Opposite for downtrend: when the price is below GANN HiLo enter Short.

**Protective stop** is placed at the moment of entry and is adjusted to the most recent swing high/low.

**Exit:**

Profits are going to be taken next way:

**Option 1**

use the EMA9/20 crossover as exit point or when bar closes on the other side of GANNHiLo..

**Option 2**

using a trailing stop for an uptrend a trailing stop is activated for the first time when EMA 9/20 crossover confirm the entry point ( to serve as a rule: 1 – 3 bars later). A trailing stop is placed below the previous bar's lowest price and is moved with each new price bar on the second higher time frame (if you trade H4 monitor Daily whereas with M5 trading, take M15 - if you trade M15 take M30).

This strategy allows to accurate pin-point good entries with sound money management – risks/protective stops are very tight and potential profits are high. Current trading strategy can be improved when it comes to defining the best exits. For example, once in trade may almost try applying Fibonacci studying to the most recent swings. This way they can predict short-term retracements and make sure they will not be pulled out the trade early and will continue pursuing profit targets at Fibonacci extension levels. I prefer to monitor e.g. Supply and Resistance Levels on higher Timeframes and Fibonacci but most of all I'll respect my own cognitive behavioral aspects if I find wins are now enough and a more critical essence are coming up about the actual future market movements any more. So I can wait for the next chance to make a winning trade more. This is one of my Coping Style in Forex Trading, may be a highly personal one.

**Advantages:**

Trading with GANNHiLo is an easy setup and doesn't require any calculations or other studies. From the graph GANN HiLo take short to indicate immediate rise and fall of price, so rather reflects the current situation on the market whereby GANNHiLo also looks interesting for scalping.

Note: In a sideways market where on M1 chart 1-7 pips wins might be favored to trade where you'll monitor on M5 only a cluster of indifferent candles. So GannHiLo is good enough for scalping with higher lots at M1 timeframe, whereas it might not be much to look at M5.

(> see *Figure 2 and 3*)

Figure 1: GANN HiLo, EURUSD, M1



Label:

Green vertical Line: Enter Long

Red vertical Line: Enter Short

Figure 2: GANN HiLo, EURUSD, M5



## Exponential Moving Average Crossover:

Trading systems based on fast moving averages are quite easy to follow. Let's take a look at this simple system.

Currency Pair: any

Time frame: any – (preferred H1, M15).

Indicators: EMA9, EMA 20, EMA55

The number of 9, 20, 55 can be used for any time frame: from 1 minute to daily, weekly and higher.

**Entry rules:** When EMA9 goes through EMA20, Buy/Sell in the direction of EMA9 once it clearly makes it upside/downside EMA20. Just wait for the current price bar to close on the other side of EMA20. This waiting helps to avoid false signals.

**Exit rules:**

**Option 1:** Exit when EMA9 crosses EMA20 again in counterpart direction. Just wait for the current price bar to close on the opposite site of EMA20.

**Option 2:** Exit when EMA9 returns and touches EMA55 until the current price bar has been closed on the opposite side of EMA55.

Figure 3: EMA9, EMA 20, EMA55, GBPJPY, H1



**Preferred Trades:** P1 (Enter Long), P2 (Enter Short), P3 (Enter Long), P4 (Enter Short)

How do I know the price bar has closed?

The price bar has closed when a new price bar appears. For example: You are looking at hourly charts. On hourly (1 hour) charts each price bar lasts for 1 hour. If it is 13:20 GMT +1, we'll see a current price bar closing at 13:59:59 (so to speak) and a new hourly bar opening at 14:00 GMT+1, see P1: 2009 December 30 14:00 GMT +1

P5 (it isn't a EMA9/20 crossover, so rest in your trade, due to the fact that green candle closes over EMA9, EMA20 and EMA55 and the indifferent candles before shows that market don't know where to go on. Monitor M5/M15, H4 when trading H1. Chapter 4 „Advanced strategies“ discuss the entry and exit orders in detail.

**Advantages:** EMA-Crossover is easy to use and gives excellent results when the market is trending, during price break-outs and big price movements. Exponential moving averages reflects the current market situation.

Disadvantages: On lower timeframes (30 sec., M1, M5) you have to watch it all the time and it can change its signals any time (which might good for scalping trading) beyond that you have to switch on higher timeframes to get more the global view.

### **Discussion**

EMA stands for Exponential Moving Average. It is a fast moving average, where more weight is given to the latest data. Ideally a **stop loss** should be placed above/below the previous swing high (downtrend)/low (uptrend). If it appears to be too far, then traders should use a fixed stop which would be individual for each case and will depend on a money management and trading approach chosen by a trader.

You'll hear sometimes: „EMAs, like all fast moving average indicators are follow-up indicators, say lagging-indicators, which means they don't predict future market directions“, ...if indeed such a thing is possible. I think this kind of discussion is a great misapprehension, a deceit or a misclassification. Why? Very simple. Show me one real leading indicator and you will become a millionaire!.

### **Profit**

How do you get the profit? You'll be able to withdraw your profits after you close your open trading position. To close a position you can use Exit rules described above. In addition, I would suggest drawing **Pivot Points** and add **Fibonacci extension levels**. Pivots and Fibonacci will help to mark potential profit targets. You may then either exit at those levels once you are in profit or tighten a stopp loss and allows a trade to run further till EMA cross back (as described in the exit rules above). By trading with M15 or H1 set the time frame chart to 5 minutes to see clearly the exit points. It works!

### **False Signals**

Option 1: To switch on the next higher Timeframe (e.g. you trade M5, so look at M15) and wait there for the current price bar to close on the opposite site of EMA20. This waiting helps to avoid false signals. So for long entries we are waiting for a candle to pass EMA20 and close above it, for short entry – below EMA20. This additional precaution may get us in trade a bit later, but it will help us to confirm that EMA cross was indeed valid. An immediate entry without waiting for a current candle to close above/below EMA20 has a potential to bring more pips, but carries higher risks a the same time.

Option 2: Option two is more a question if anybody knows a good Oscillator to confirm EMA9/20 crossover, like Stochastic Fast (5, 3, 3) in overbought/oversold zones or a RSI (7) or MACD. ADX (14) has given for me the more practical use and has become an important indicator for TraCop-1%-Trading-System. When I use the additional indicator ADX (14) which could assure me that there is more to a trend left (if ADX 25>, and +DI and -DI in a right order), I can let my trade run as long as it can and exit with the rules described above.

### **Explanatory note:**

I like EMA for the simple reason that exponential moving averages reflects the current market situation and in conjunction with the multiple-time-frame idea , GANN HiLo and ADX it is a huge opportunity unless it'll give really strong arguments for a particular trade. EMA9, EMA20, EMA 55, EMA120 and EMA200 works for my trading style awfully good where I have often to



switch between the timeframes for making my short- and long term analysis. You can tell when the **market** starts moving **sideways**<sup>1</sup> by looking at EMAs. As the inclination disappears, a flat almost horizontal EMA pattern starts to emerge. While the market is trading sideways it doesn't make any new highs or new lows. You will be able to draw simple channel lines and watch the market trading inside that channel.

In addition to that you can always glance at EMA55 for example at H1 or H4. If the moving average is flat or about to flat out, say it is nor rising, nor falling, but rather going horizontally, then you're looking at non-trend period. Use **ADX**, try ADX14, ADX30 or ADX50 depending how fast you like it to be. When ADX stays its below 20 Level, there is no significant trends on the market, once ADX begins to rise and crosses 20/25, you've got a trend forming.(See *Figure 4 and the ADX section further down*). A breakout of the channel will re-establish a trending market mode. Yes, of course I will give the EMA Indicator a grade up like „magna cum laude“.

Figure 4: EMA9, EMA 20, EMA55, USDCAD, H4



Label: IC = Indifferent Candles

New traders need to learn the basics of trading well and practice a lot on demo accounts before going real and have to learn the huge pitfalls and risks, but also the potential. If it is about reduce or adding more moving averages, then simply add another indicator and change settings to whatever value your need. Regarding the best setups, there are many of them. The best way to know which setup will working for you is to test it. Hourly charts are preferable. Try combining any of popular EMAs, e.g. EMA200, EMA100, EMA50, EMA34, EMA20, EMA 3, EMA 10, EMA8. You can use the same settings for daily and 4 hour charts - additionally try for daily chart: EMA80, EMA50 and EMA20 and four H4: EMA50, EMA34 and EMA10. EMA should be applied to Close (not Open, High, Low or Median HL/2 on MT4 platform). Experimenting with indicators can be fun!

1 By sideways moving market we mean the market that doesn't make any new highs or lows and is simply flowing in between certain price values. In this case traders can draw lines to define the corridor in which the price has stuck and watch it breaking our of that corridor.

Example:

EMAs: 11, 24, 47, ADX (14), USDJPY (only), 1 Hour Time Frame (only). Simple strategy: Trade if the short EMA first crosses the middle EMA and then later crosses the long EMA. ADX must be greater than 25. or a buy +DI should be above -DI or can be slightly below. Flip those around for Sell orders.

Chapter follows:

---

Part 2

TraCop-1% - Simple Strategy (simple to use, easy to try out)

---

Part 3

TraCop-1% - Complex Strategy (have many different conditions and rules, often use more than three-four indicators, need more time to get accustomed with).

---

Part 4

TraCop-1% - Advanced Strategy (TraCop-Strategy has a strong logical and theoretical base, are not overloaded with indicators and often compose a core for trading systems used and created by me an advanced trader based on my individual trading habits).

---