THIS SECTION EXPLAINS THE DIFFERENT INDICATORS

Every Ea has to use some form of indicators written in the code so a trade can be entered or exited. In other words you have to program something into a program that allows it to say time to enter a trade or time to exit a trade. There are those that say I don't use idicators but they still use some fom of mental image in their mind that says that looks like a buy or that looks like a sell. There is something they see that indicates time to take action or time not to take acton. Whether they put it on a screen or not something moves the mind to take action. They see something they like based on the information they are receiving. When we take trades using an EA we are looking for a specific time and place to take action. The problem I had in trading was watching a screen all day to take action only to have missed it or not having the discipline to wait is replaced by an EA (expert advisor). The EAs are designed that when certain criteria are met under certain circumstances the EA will enter a trade for you. You don't have to sit at a screen all day waithing for that time and getting impatient or going to get a bite to eat only to find out you missed your spot 50 pips ago. This section is meant to explain what the indicators are we use, why we use them and under what circumstances we wish to use them. I hope you can understand my explanations.

BOLLINGER BANDS (BB) AND MOVING AVERAGES (MA)

BB and MA are going to be based on the 200 MA from different time frames. You can go to

some threads at Forex Factory and learn why these are important but a very respected trader I know told me that a poll was once taken of professional traders and they were asked, "If you could only use one indicator what would that indicator be?". Their answer was the 200 MA. For years that did not make much sense to me but after trading for several years I finally took a in-depth look at the 200 MA. I plotted the 200 MA from different time frames onto a screen and a light bulb just kind of went on. For several months I spent time trying to learn why this one indicator was so important. I then went to my favorite time frame (TF), the 4 hour chart and began to use it. This is what I found out. On a 4H time frame to plot a 200 MA from the 1H chart I needed to divide 200 by 4 and got a 50MA. I divided 50 by 2 to get 25 and that was the 200 MA from the 30M chart. Divide 25 by 2 and you get 12.5 or the 12 MA on a 4H TF is approximately the 200 from the 15M chart. Divide 12 by 3 to get 4 and you get the 200 MA from the 5M and finally divide 4 by 5 and round up to a 1MA and you have the 200 MA from the 1M chart. So if I plotted MA of 50, 25, 12, 4, and 1 I had on my 4H chart the approximates of the 200 MA of different TF on 1 chart. From these number

Then I began to play with the BB using these numbers and all of a sudden the lights came on and I began to see possibilities I had not seen before. The 25 MA BB lit up my 4H screen and I saw some real possibilities. I was going to trade the 30M 200MA from the 30M chart on a 4H screen. This is how I arrived to this point and how I got my numbers. You will see these

numbers used in different scenarios and situations. You needed to know where I got these so you don't have to reinvent the wheel by trying other numbers out. If this is what the professional traders used then by golly I was too. So all MA and BB used in this system are all 200 MA from different TF. That is where I got the numbers and that is why I use them.

<u>SIXTHS INDICATOR</u>

The readers of this booklet are going to think I am weird but the screens you use every day are indicators. When you look at a screen the MT4 program uses math formulas based on the high and low of price action of what you see on the screen and then adds space above and below those two points and TA DA you have a screen to look at. It is neat, clean and automatically adjusts to each TF and price action of each currency. Believe or not I began to realize it was also an indicator. The geniuses at Metaquotes had a formula for every situation, every TF, every currency pair in MT4. Who am I to argue with them and their in depth knowledge. So I began to use that knowledge and through the help of several trades the 6th

indicator was born. It automatically uses the formula from MT4 programmers for screen size on every TF and divides the screen into 6 equal parts. Well surprise surprise, price likes to bounce around these lines. Don't ask me why, I don't know the formula, I just know it does a good job showing S/R levels on the screen. In the upper left I have numbers so you can see the different volatility of each currency pair. You can look at the distance and realize a pair is being passive, medium, volatile or very volatile in its range over the time period used on the screen. So you can look in the upper right hand corner and see how many pips the screen is from top to bottom. Over time you can realize how a currency has been acting. For example GBP/JPY is often over 1000 pips and eur/chf is under 400. This shows you that the gbp/jpy is almost 3 times more volatile than the eur/chf pair. If you don't want to trade volatile pairs look at that number. If the gbp/jpy is at 6 to 700 then watch out it is a volcano ready to go off. You know you are in danger of getting rung up if you are on the wrong side of a trade. The distance from line to line is given and a possible take profit distance is given based on its present volatility. The greatest contribution of the sixths indicator is it keeps you out of the middle of the screen where most traders get their brains beat in. The middle of the screen is the most unpredictable area of price action. When price is near the middle the more of a chance you can be on the wrong side of a trade. The farther you are outside the outside lines the better your chance you can catch price going back to the middle. Its entire function is based on one key thought. Price always retaces back to a median point. It only goes so far out

and then it retraces back to the center. That is the heart and soul of my trading philosophy. I find it easier to trade outside in (counter trend trading) than inside going out (trend trading) That in a nutshell is what I believe. The sixth indicator combined with the BB were designed to **KEEP YOU OUT OF THE MIDDLE OF THE SCREEN** so you can make money. The two together make one great dynamic pair. Follow those two and you shold have a fairly happy trading career. I have included several 6ths indicators. The only difference between them is the color of the lines. I did this so you can change your back ground colors. The 5.0 middle line is black so you can't see it on a black screen background but if you change your screen color you will see the black line.

STOCHASTICS AND MACD INDICATOR WINDOW
SWINGMAN'S RWB INDICATOR

For some reason people fall in love with a particular indicator. Early in trading I loved the stochastic indicator. I could make a lot of money with it and then suddenly get killed. Didn't know why price would ruin so many good trades but you know it takes time to really understand this business and what works and what doesn't at when and why. In ranging markets there isnt a better indicator than the Sto, in trending markets or news there isnt a worse indicator than the Sto. It reacts quickly to changes in direc011 of price action and then reverses just as quickly. It will tell you price is overbought or oversold but price still will move

another 500-1000 pips. I love the Sto, I hate the Sto, I love the Sto, I hate the Sto. Well you get the picture. MACD is about as slow of an indicator as you can find. By the time those two lines cross the entire move is done. Happens a lot but it keeps you out of a lot price action. Works great in trending markets, lousy thing in ranging markets. So what happens if you put the two together. You have an indicator that moves too quickly crossing an indicator that moves too slow and then suddenly you have the best of both worlds put together in one. For the most part it works pretty darn good. I have used it for almost 4 years now and wouldn't trade without it. However, in version 5.0 it is going to play a lesser role than in the past. That is because we are going to take the top and bottom of the BB as trades which is just before this indicator will usually give its signal that price has changed direction. However, as you see the Red, white and blue lines begin to merge they will give a great confimation that price is about ready to bounce off of a BB band. If they are not giving a clear signal of merging you have an increased chance that price action may not bounce off of a BB band but take a run somewhere or you just don't have a good trade setup. Anyways you will see some variants of this posted in the thread, swingman's indicator is a good compliment to the Sto/MACD indicator. When his lines start showing up on the screen you have a very good chance price is going to reverse or begin reversing procedures.

A final note we also use **MACD divergance** to determine price turn around. When this shows

up on a 4H chart, which is not very often, it is very powerful indicator of a strong reverse move. You will see us point these out from time to time throughout the thread at FF.

In conclusion these are the main indicators of this system: 200MA from different TF, Bollinger Bands using the 30M 200 MA or 25MA on the 4H chart, Sto/MACD indicator w/swingman's lines, and the 6ths indicator. Each indicator by itself has its own strengths and weaknesses but combined together to form a powerful trading tool to help you trade. When these all line up you have a very good chance of pulling off a successful trade. Here are some more useful tools we use from time to time.

I BREAKEVEN INDICATOR

The IBreakeven indicator is a great little tool when you are multilevel trading. If you have more than one trade going on a currency pair, knowing where the trade will breakeven is great to know. Instead of sitting down and doing the math this indicator will give you the price where the trade will zero out. You can then set your TP to that price on all your trades and let them close when they get there. This is really helpful when you have multiple trades and multiple lot sizes. Great tool I like to use.

iExposure

This indicator will list all your live trades, lot sizes and your profit/loss on each of your trades.

I don't use it that much but there are critical times it is nice to have this information at one location. Lets you see in one glance what is going good and what is not.

Support and Resistance Indicator

Based on the popular Fractal indicator it will draw dotted lines on the screen to show common Support and Resistance points on a chart. This is a good tool in deciding taking profit. I see price hit one of these areas and then decide do I want to take profit, ½ profit or let it ride some more.

CLOSE ALL SCRIPT

The close all in your script folder will close all your open trades. I use this when I am done for the week and just want to finish out all my trades at one time. This script saves a lot of time as compared to trying to close each trade individually.