

## **EA#2 OUTSIDE THE BB**

The #2 EA operates differently than the #1 EA. The #1 EA enters when price hits the BB outer band. The #2 EA is designed for trades that go outside the BB. There are two types of trades that this EA is used for.

1. Price goes outside the bands because of a spike. This spiked is caused by some news story or bank/broker move. You see it and price has broken well beyond the band. This EA is based on a 1MA being outside the BB so don't turn this EA on until the 1 MA is well outside the band. This EA is activated by a code that reads when 1 MA is greater than the outside BB and then the 1 MA is inside the BB enter the trade.
  - a. If the 1MA is inside the BB this EA will not work and carries a magic number of 2. In the pic below a news spike brought price way beyond the BB and the 1 MA is outside the BB. A buy is entered when price crosses the BB back in again. See letter A.
  - b. In letter B price actually stays outside the bands for the entire weekend and 5 bars or 20 hours of wait time before the EA enters. After that it is a nice winner trade. A and B are profitable trades.

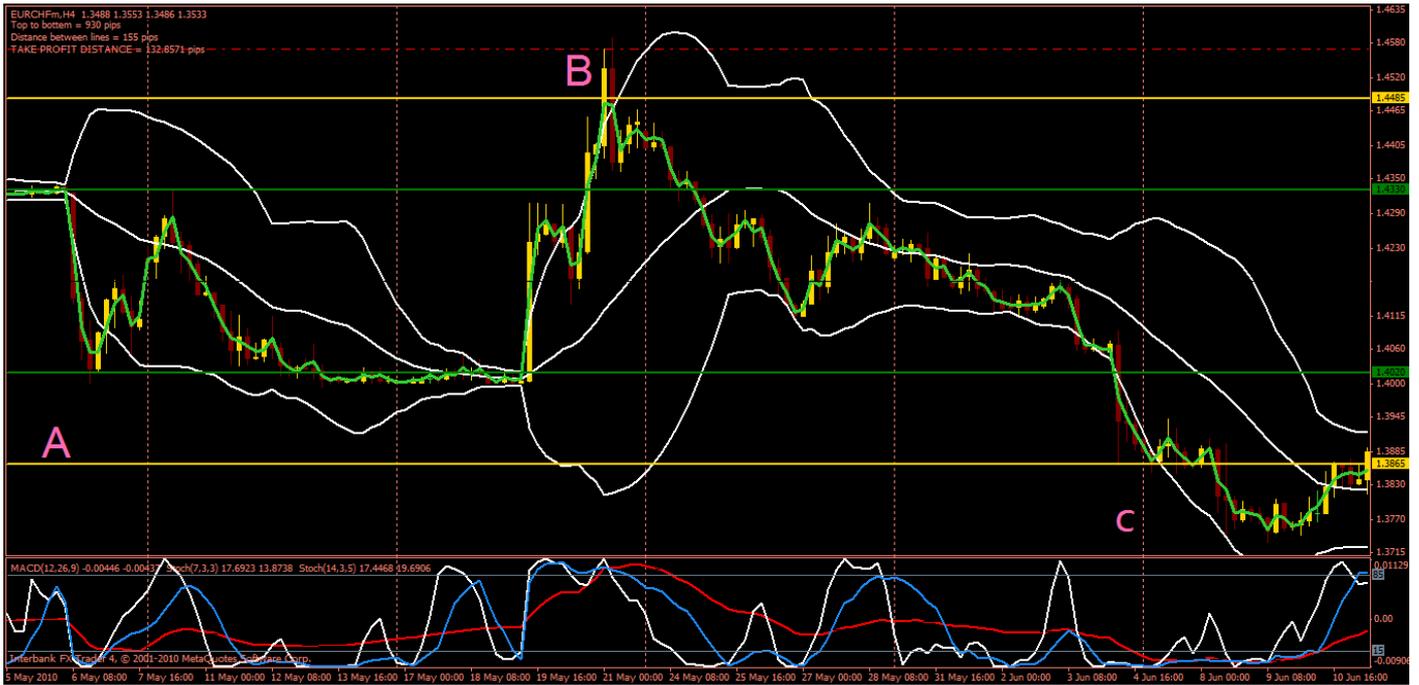


**NOW SOME GOOD TRADES 1 MA CLEARLY OUTSIDE THE BB.**

See pic below next page EUR/AUD. By letter A you can see the 1 MA is clearly outside the BB for a period of 24 hours after a Monday gap and early Sunday run. The trade enters when the 1 MA comes back inside and there is a nice move back up. It actually does some DD before moving back up but it is a good entrance. The RWB may not agree with this entrance but my experience is when price goes outside the BB bands and comes back in there is usually a good solid retrace.



In the pic below the EUR/CHF does 3 of these in 5 weeks. Notice trade B hugged the BB and then a news spike broke it away from the Bands. Turn the EA on and enjoy the ride. Letter A went on for 12 hours and letter C went on for 20 hours before coming back in. Letter B is a tricky one in that it was a huggie for 8 hours and then spiked. But once you see that price spike you have a good chance of a profitable retracement. I will talk about huggies later. The first strong move before B is filtered out by the sixth indicator but in live time those tops would be just above the green line. If you had turned on the #2 EA there was still a profit to be made if you closed out before the whip lash. Letter C actually will be a no trade when you see my definition of a huggie trade. We don't take huggie trades unless price spikes. A and B and Pre B spiked away from the BB and were good trades. C price did not and would be a not trade by the huggie rule. C would have been a minimal profit but would have whiplashed into a losing trade. So wait for the huggie definition.



This trade, letter A (EUR/JPY next page), hung outside the line for about 12 hours. This is much easier to see and read as a trade. However price continued to drop after the entrance but later move back up enough to BE or small profit.



# GBP/JPY

I labeled some trades here on the GBP/JPY. I show where you turn on the #1 EA to take trades and #2 trades. In both the #2 trades the 1MA had distance from the band and the 1MA went out side. You then turn on the #2 EA and wait for the #2 EA to enter when price comes back inside the EA. The RWB lines may become less important in some of the decisions you make. Being above/below the Red line (previous green, different demo test) will become the more important indicator than the RWB at times. Red Line is flat and price is drifting down great reentry in the direction of the trend. At the 2<sup>nd</sup> #2 You probably might pass on the first possible trade with EA because the BB band is still inside or at the Red line but by the 2<sup>nd</sup> time green MA line goes outside the BB band you want to turn on the #2 EA and wait for the entrance.



# HUGGIE RULE

The Huggie rule is to watch how the green line 1MA interacts with the BB band. When price runs along the band the 1MA will run equal with it and they basically touch each other during the run. **We do not turn on the EA when we see this.** We want to see a clear break of price action and some separation of the 1 MA from the BB band. If we don't get it we don't want to trade because most of the time you will be in a BB runner. These were the killer trades of Version 1 and why we changed to a MA cross in version 2-4. Now we have an indicator telling us this is a BB runner and stay out. See the pic below, letter A of the Aud/JPY and the beginning of Letter B.

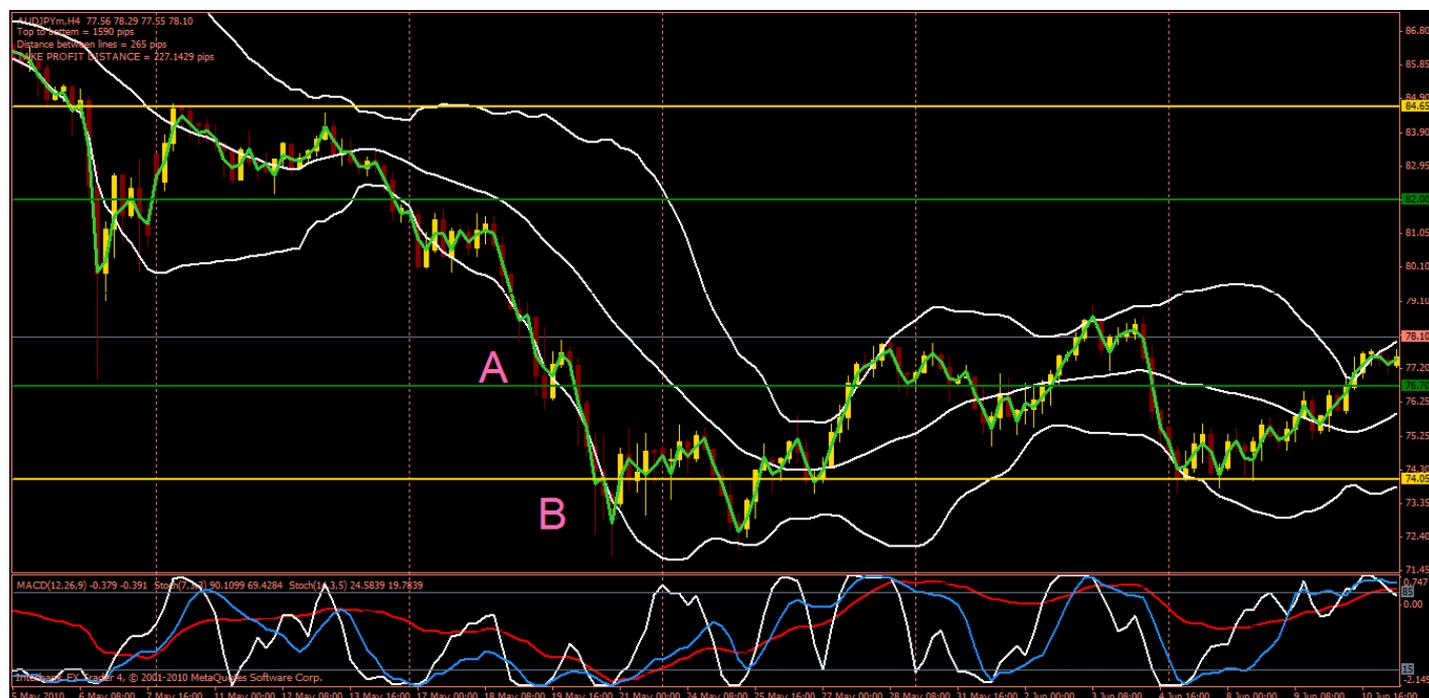
In the pic below you see the 1MA is running almost exactly the same as the BB (Letter A). This is a no trade scenario. Do not turn on an EA until price stops doing this. Price did this for 13 straight bars or for more than 2 days. Just stay out. It is an ugly trade.

In the pic below the AUD/JPY did this twice in one week (A & B). Just stay away from the huggies. They are not showing any precise entry point. Letter B in the end spiked enough to make a trade. It gave us the separation needed for the 1 MA to do its job. You can see clear separation from the BB band and the price spike. That is when we turn the #2 EA on and let it enter the trade. Letter B ends up being a nice trade up.

The good news is we finally have two filters to help with the BB runners. The sixth EA keeps us out of the middle of the chart, Version 1 did not do this. We had entered too early on some trades and that caused problems with BB runners. The 1MA median keeps us from entering too early by waiting for it to

separate or we see a price spike to give us a reason to enter. See letters A and B in the pic below.

**This maybe the biggest improvement we have found in the Version 5 series.**



## **NZD/USD HUGGIE**

Here is a NZD/USD stay out for now huggie. Most of the huggies will come from the middle of the chart and are recognizable. The 1MA has to outside the line and show some separation from the BB band before you want to turn the EA. We will miss some trades but we have no idea when this will turn around. This is a 15 bar move so far or 60 hours. So we wait until the market cuts this crap out. The 6<sup>th</sup> EA prevents you from turning the EA on too quickly and the 1 MA is running tightly with the BB band and this trade is saying very clearly. **DON'T ENTER AND DON'T TURN ON THE EA.** Also notice on the top of your screen there were 3 really nice

trades with the #1 EA above the yellow line.



## NZD/USD HUGGIE

I turned off the candles so you could see better. I used the #2 EA and it entered but price went into profit and I went hot diggity dog. Then price crashed some more and now I have a second level trade using the #1 ea. I think I have a great second entrance here. So if the #1 trade moves back up above the yellow line I have my BE trade and no SL. If it keeps going up maybe a profit. Either way the entrances are better even on losing trades than we got with the MA crosses of earlier versions. This shows how to use my 2.4.2 system with this.



## USD CHF 8 WEEKW MAY & JUNE

I chose these 8 weeks because they were really hard on the 6x6 cross system of version 3 but you can see much better handled with version 5. The first 2 weeks the USD/CHF goes on a run up the BB. Price ran up the BB the first week of June and would enter off of the 6x6 but you were in DD. The same thing with Version 5 but you see the retrace later in the week would have 0 out any trade. Seeing the run you should use the #2 EA for price outside the BB band but if you did not and used the #1 for primary trades you could have 0 out this trade the same week taken. #2 EA would have been a nice profitable trade. But that was a huggie trade and you probably would have used the #2 EA on it or none and left it alone.



1. Weeks 2 and 3 price continues to climb and you get more entrances. In week two you would have waited until price came back in so it would have been another #2 EA. Week 3 both are nice #1 EA trades (see the yellow checks).



- Weeks 4-6 (pic below) price levels off and we have a series of successful trades. The first check

enters and continues up but eventually is profitable.

- The second check in week 4 is a spike that you may not see but it does hit the BB. Becomes a very profitable trade.
- Week 5 is a nice spike trade. Those are the ones that give you a heart attack but no worries as price comes down 4 hours later and you make a nice profit. A MA cross would have not done much. When price levels like this on the top or bottom of the chart you can ignore the RWB lines. We want these entrances way on the top of the chart. Week six there is a nice trade and then price starts back down again.



- In week 7 (see pic below) there is a trade outside the band that does not profit and eventually you want to zero out that trade. You could classify this as a huggie and not turn on the EA but there was some small separation. It would be hard to classify this as a clear trade in but I

probably would have taken it. However, if you take the trade and wait it out, at best it's a break even.

- In week 8 you have some very small profitable trades if you take them or you are in a DD depending on how you handled the trades. At present the trade is a huggie (letter B) so you would not turn on the EA. So that is an eight week run of a difficult trading period of the Version 3 system but much better handled by the Version 5 system.



So in 8 weeks there were 13 trades. Depending on how you handled the losing or 0 out trades it would go something like this: 9 Wins 2 BE and 1 for a small loss. The 13<sup>th</sup> trade is not finished yet and probably should not be entered.

## **RECAP THE MAJOR POINTS OF THE EAs 1&2**

1. If the upper/lower BB band nears the top or bottom gold lines you want to turn an EA on. You can confirm the trade with the RWB Sto/MACD indicator and 6ths indicator.

2. Look at the green 1MA line to determine if you want to use the #1 or #2 EA. If the #1 MA line is outside the band use the #2. If it is inside use the #1. Often BB band runners start in the middle somewhere so by the time they get near the Gold line price has already been running.
3. If the 1MA is running with the BB you want to see separation first before turning the #2 EA on. If you use the #1 EA you will get an entrance but it may not be a good one and price could run against you for a while.
4. If price comes back inside the BB and you had no chance to turn the EA on. The trade signals were never quite right for the trade. However we have EA #3 for those trades.