

Multi-Level Trading

The last protection of this system is that **it is a multi-level trading system**. If price goes against you we have multiple EAs to use for 2nd and 3rd level trades. Price moved enough for the EAs to enter a sell/buy trade but soon after price moves against you. You can do 3 things:

- (a) You could close and wait for another signal, do the traditional stop loss thing. **OR**
- (b) You multi-level another entrance by putting a 2nd EA or the bulge EA on to create your 2nd or 3rd level trades.
- (c) The #1 EA enters off of the top or bottom BB band. If price goes against you, you will then have a runner trade and the 1MA will go outside the band. The best thing then is to put the #2 EA on and it will enter when price comes back inside the BB band. When it gets half way to the previous entrance of the 1st level you have a zeroed out trade and you break even.
- (d) OR you have had a runner and the BB has bulged and you know the #2 and #1 EA are not going to work. So you use the Bulge EA. You could have used the bulge EA after the last runup to catch a couple of trades before price finally goes back down.
- (e) When you break even you can close or pull up a tight stop loss so you don't end up with a bigger loser.
- (f) If by some crazy happenstance you need a third level. You can put the #2 or #1 ea back on and change the Magic number and it will enter a third level. To do this properly you should not do this until price is about 200 pips apart. Some of the slower currency pairs you can do this at 150 and the real volatile pairs 300 or more.

CURRENCIES AND OTHER INFO.

I am going to divide currencies into 4 groupings. Slow, medium, moderate volatility, extreme volatility.

SLOW CURRENCY GROUP:

AUD/NZD, CHF/JPY, EUR/GBP, EUR/CHF, NZD/USD, USD/JPY, USD/SGD, USD/HKD

MEDIUM GROUP:

AUD/CAD, AUD/USD, EUR/CAD, EUR/USD, NZD/JPY, NZD/CHF, USD/CAD, USD/CHF

MODERATE VOLATILE GROUP.

AUD/CHF, AUD/JPY, EUR/AUD, EUR/JPY, GBP/USD

VERY VOLATILE (USE WITH CAUTION OR GO 250 OR 300 ON THE REENTRIES.

GBP/CHF, GBP/JPY, EUR/NZD

DO NOT RECOMMEND LIST

If you want practice with the 2.4.2 recovery system use the GBP/NZD. It will get you into trouble enough every month and give you a chance to practice your trading skills.

GBP/NZD, GBP/AUD, GBP/CAD

2.4.2 RECOVERY SYSTEM

THIS SECTION HAS NOT BEEN UPDATED FOR VERSION 5.0

BUT THE PRINCIPLES ARE STILL THE SAME

There are the commodity currencies—CAD, NZD, AUD who just love to run and run and run. When a minor currency is matched with a major currency, the minor currency can get squashed and not get its usual retracement. Getting out of a bad trade and taking a minimum loss is critical to successful trading. Whether you use my trading system or not, learning this will save your neck no matter what trading system you use.

- What I am about to show you will make a difference in your trading and trading skills no matter what system you trade with. There is tons of material on the web, training materials, etc. About setting up a winning trade. The problem is there is no such thing as a 100% win system. You are going to have to battle the losing trade, there is no avoiding it. No matter what you do the perfect storm is going to come. How you going to deal with it will determine your success as a trader. I am going to teach you something that if you ever get it and grasp its truth and master this trading skill. You will not fear the FOREX again. You will always have a plan on how you are going to get out of a bad trade even before the trade starts. The theory goes something like this. In every 1000 pip move there is a big enough retrace somewhere to get out of any trade with a minimum loss or small profit. (I am going to give the two exceptions I have seen this rule broke and they are easy to see and know, major interest rate changes and trillion dollar bailouts) I am going to add a third and that is a government going bankrupt or almost going bankrupt. So watch out for that one also.
- If some currency ups its interest rate a full point you can see runs of over a thousand pips without a retrace. I have seen runs without news stories but they didn't go over a thousand pips once past the sixth EAs lines. So let me see if I can explain this so you can understand the basic concept. I call it the 2.4.2 recovery plan.

VERSION A

- a. This is the basic version used with the 4H trading method and is based on three level trades and then getting out. Ok we get our trade signal and we enter the trade. We will call this level one and our lot size is .03. In the 4H system we do increase lot sizes by 1.6 so we always enter at .03 L1 .05 L2 and .08 L3. Price whiplashes on us and goes -200 in the hole. We put on the 2nd L EA. The EA will reenter at the next 6x6 cross with a second level at .05. We now have L1 = -200 and L2=0. Price moves against us some more and 200 pips later we have level 1 -400 and L 2 -200 and L3 = 0. When we get to this point we know we are going to be playing for a zero out trade. Even though there is a chance of making a profit we are not going to play for a profit. We are looking for a retrace of around 133 pips or 1/3 the way back.
- b. So if the levels are spaced 200 pips apart so that we want to get back to 0 it takes about 2/3 retracement to do it. The numbers look like this L1 -400 at .03 L2-200 at .05 Level 3 +0 at .08. After 133 pips retracement L1 will be at $-267 \times .03$ or -8.01, L2 will be at $-67 \times .05$ or -3.35 and L3 will be $+133 \times .08$ or 10.64.
- c. $+10.64 - (8.01 + 3.35) = -.72$ a minimal loss trade. So pip wise you are down -201 pips total but money wise you are at break even.
- d. If you are not a math wizard we have a break even indicator on the MPTM page that will give you the break even line so you know where to close your trade to break even. It is called IBREAK EVEN.
- e. **GET CLOSE, NEAR A S/R LINE, TAKE THE MINIMAL LOSS. YOU SAVED THE TRADE.**

VERSION B

- You entered 3L but price still has not retraced and is going against you again. **WE DO NOT MARTINGALE AND HEAD FOR DISASTER LAND. WE LIMIT OUR LOSS AND OUR EXPOSURE.**
- If we need a 4th level, we turn off the EAs on this pair by taking them off the screen, if you use an EA with the same magic number. **In this version though each EA has a different Magic number so we don't have to turn the EA off.**
- Anyway depending on which EA system you use, if you enter a 4L you close the 1L trade only. (if you are using EAs with different Magic numbers, this is not a problem. If you use an EA which multi levels the trade, you close 1 level they all close. You don't want that. Turn off your EA.) You only use 3L max.

- Second, when you enter the 4th level you lower the lot size back to the 2L lot size. So if L2 lots size is .05, L3 is .08, L4 is .05 again. We are not going to risk our account to save a trade.

WE TAKE THE LOSS.

WITHOUT THIS DISCIPLINE YOU WILL BLOW UP

YOUR ACCOUNT SOME DAY.

WE ARE NOT MARTINGALE TRADERS

- So level 1 is a losing trade but it had the smallest lot size. Levels 2,3,4 we look to retrace for break even. L1 is our loss, levels 2,3,4 become a minimal loss or break even.
- I have had this happen one time on a gbp/nzd trade but I has to go to a level 5. I closed the 2nd L for a loss and used levels 3,4,5 to break even. Level 3 was .08, Level 4 was .05 (same as L2) and level 5 is .08 (same as L3)
- If you will do this you will recover quickly from your losing trades and you also will relax once you learn this. When you go to your screen you always know what you are going to do when you trade. I primary trade A happens then I will profit here. If it backs up. I will reenter here. If it backs up some more. I will reenter here. If it backs up some more. I will take L1 loss here and try to zero out my trade. If it backs up some more I will exit L2 here and try to zero out my trade.

I HAVE A COMPLETE PLAN FOR ANYTHING THAT

HAPPENS IN MY TRADING BEFORE I ENTER MY

TRADE. I KNOW WHAT I AM GOING TO DO BEFORE I

EVEN START THE TRADE. MY HEART IS NOT

BEATING FASTER WHEN I TRADE. I AM NOT

SWEATING WHILE I TRADE. I GO TO SLEEP AND

SLEEP ALL NIGHT EVEN THOUGH I HAVE LIVE

TRADES GOING. THIS IS HOW I HAVE TRADED FOR
OVER A YEAR NOW AND MY BLOOD PRESSURE HAS
GONE DOWN AND NOT UP AND I HAVE MONEY IN
THE BANK. I KNOW WHAT I AM GOING TO DO AT ALL
TIMES TRADING.

My new rule: 1 reentry a day, keeps the margin collectors at bay.

Cute huh. 🤔

If you are going to manually trade your levels you still must keep the 150-200+ spread on the retraces. Can't get them too close or you are martingaling and then you can't recover because you're in too deep or you commit too much margin and you can't maneuver. **REMEMBER** there are times you just have to take a loss on a trade and go on. In fact I teach, take a loss on a level and stay only 3, maybe only 4 levels deep. If you want to enter a 4th level, turn your EA off (go to a screen with no EA) and close out your first level. (If you close the first level with the EA on, the EA will close all the levels) Just accept that as your losing trade and go on. Hopefully we can use the new level to zero out levels 2 and 3 and go on. We are not there yet though.

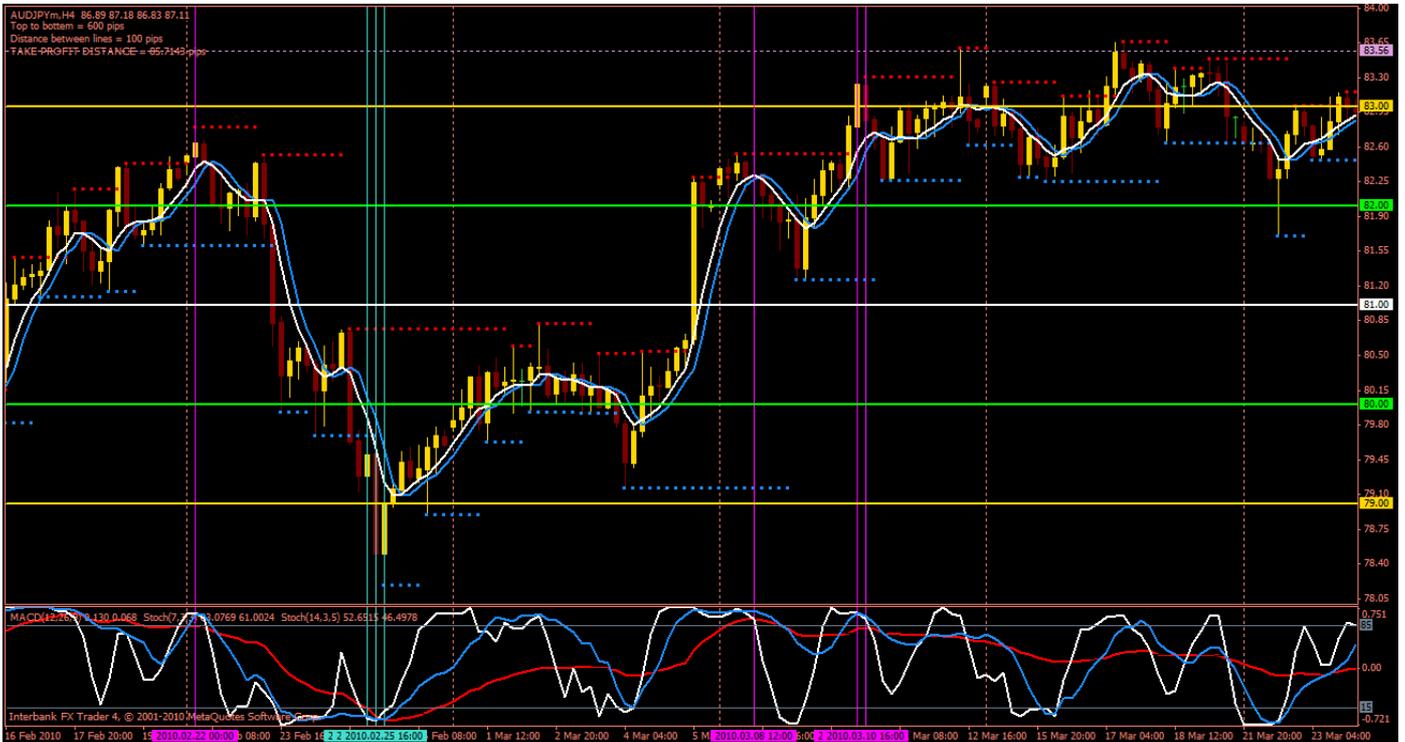
😊 There is no such thing as a never losing trading system. That is our mental SL when we have to use L4 we accept the fact L1 is our losing trade.

Also, try to reenter only once a day, don't multiply your problem. Look at a daily chart of any currency and you will see that candles are usually full. The body of the candle is almost always bigger than the wicks or stems. That means once price starts heading in a direction it stays in that direction all day. So don't fight it with multiple reentries. I enter most of my retraces at the end of the day before the jpy session or before the euro open. **Once a day on those reentries guys/gals.** So choose it wisely and let the EA handle it. Let the 2L and 3L EA reentries handle it.

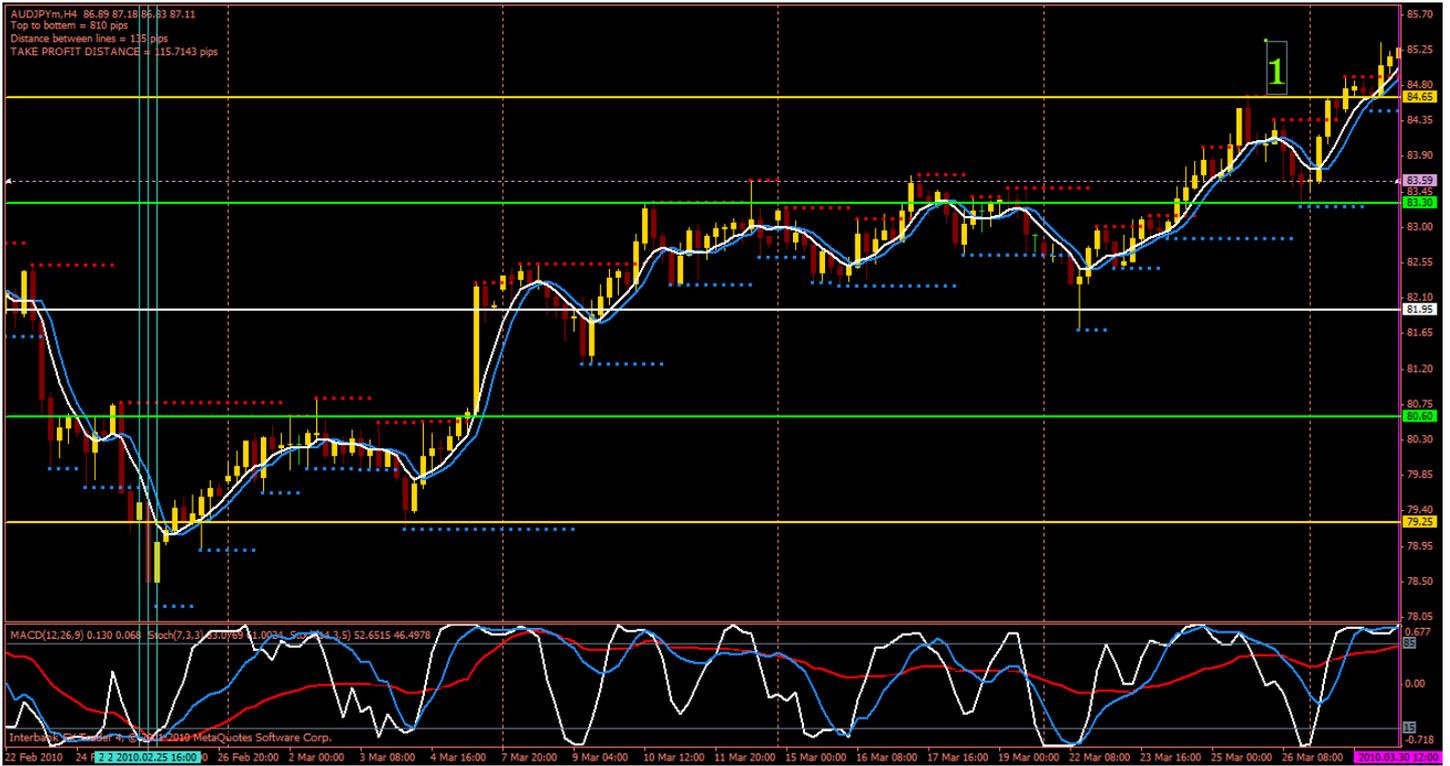
1. Here is a 5 week example of how I used the 2.4.2 recovery system to get out of a very nasty

AUD/JPY trade. I eventually made a profit on these series of trades but for a while it really looked bad.

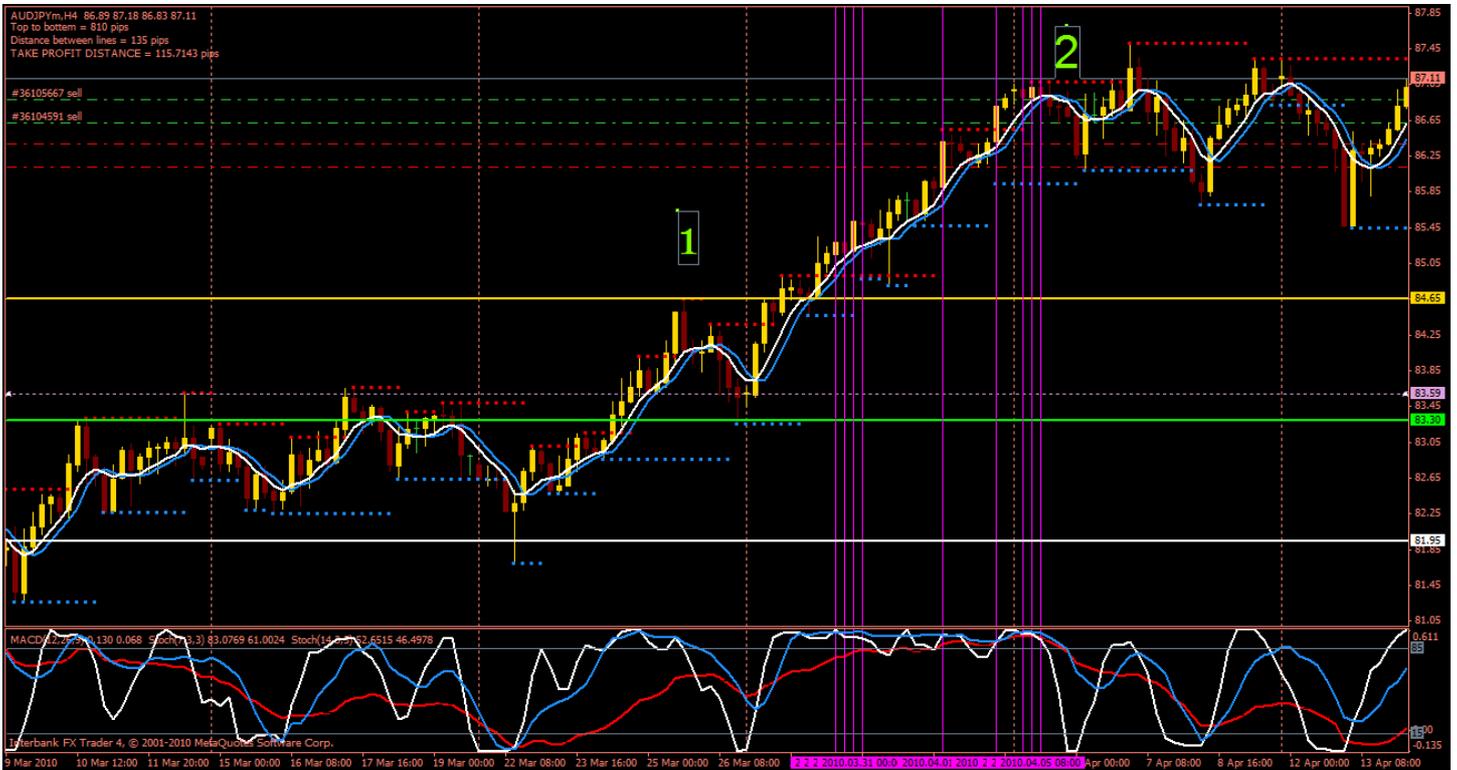
- a. Here I am minding my own business trading off the tops of the chart and enjoying my profits. This is the middle of March 2010. Lots of secondary trades after the primary trade at the purple line.



- b. Well the aud/jpy decided to go on a 500+ pip run north. You can see the dotted pink line where there was resistance. Some nice trades there.
- c. Well, like all forex trading systems we got to have a runner. At #1 I turn on my EA and get a cross in and the trade started off profitably. I decide to let it run and see if there is more there.



d. Unfortunately there wasn't more there so I have to reenter L2 and then L3 and on to L4 at some point.



e. The signals are there but price is going to run. There was one spot in the middle of this run I

came close to breakeven but I did not take it. So I got punished some more and it went on another run. So #1 is my entrance and #2 is my deepest DD. I entered a 4th level there and took my L1 loss. Now I must 0 out my trade.



- f. As price now settles into its new range I start trading off of Secondary trades. A,B, C, D. C was a beauty and allowed me to make a profit on these series of trades overall. If price breaks above A,B,C,D resistance area again, well, I get to do it again.