

TC (trend continuation) pattern

60 setups on 4H MACD on EURUSD were taken that were formed between 17/03/08 and 13/05/08. They were analyzed by a number of parameters. The following table contains some calculations for TC (trend continuation) setups only.

Before going to numbers I'll allow myself a few sentences of thoughts. Sorry if that looks like a banality for those who are more experienced.

What is MACD?

In fact, it shows how the more recent market sentiment looks on the background of the mood during the longer period of time. If mood have been optimistic and people were buying for a comparatively long time, MACD is >0 , if sentiment was pessimistic for a quite long time, MACD is <0 . If at the moment there are more buyers than it was on average during a bigger period, MACD goes up, otherwise – down.

What is a TC? (for ex., a bullish one)

There was an impulse up on the market as comparatively more players looked at the currency with optimism. At some moment this impulse starts getting weaker – somebody closes the position, less new buyers appear (because of worse fresh news or being afraid of a retracement and so on). There becomes less buyers during more recent time than on average during a bigger period (though buyers still prevail on the market). Then either a new good news attracts more buyers, or big players decide that retracement was deep enough for a nice enter – but again more players become optimistic and drive prices higher. "Trends are likely to be continued" they say, so a TC pattern is an understandable and psychologically convenient setup (both on price and MACD). That may be one of the reasons why if after an impulse and a retracement/consolidation a new impulse is observed, it has good chances to run at least for several tens of pips (which is enough for us with this system to get to BE).

Warning! (In case somebody decides to follow the info below in his/her trading)

- 1) Valuing the setups is rather/very subjective, so are SL and TP levels and many other things. These are my results and they are likely to be different from those that could be got by you (better or worse);
- 2) Nobody is saint and I could have made some mistakes;
- 3) At the moment the amount of data, in fact, is too small to "make statistics" and consider the results to be reliable (there were only 19 TCs and only 10 of them had satisfactory SL and R:R). After I gather more setups through back- and real time testing, I'll recalculate the indices.

For meaning of the indices – look below the table.

	all(cat1-3)	cat1-2	cat1	pro-trend	conter-trend
N (trades)	19	10	7	19	0
%all (%)	31,67	16,67	11,67	31,67	0,00
PfN (trades)	16	9	7	16	0
Pf% (%)	84,21	90,00	100,00	84,21	0,00
LsN (trades)	3	1	0	3	0
Ls% (%)	15,79	10,00	0,00	15,79	0,00
Abs.Pf (pips/1lot)	351,5	161,5	104,5	388	0
Abs.Ls (pips/1lot)	-183	-45	0	-183	0
Balance (pips/1lot)	168,5	116,5	104,5	205	0
Balance%All (%)	17,13	22,82	20,49	22,33	0,00
Av.Trade (pips/1lot)	8,87	11,65	14,93	10,79	0,00
Av.Pf (pips/1lot)	21,97	17,94	14,93	24,25	0,00
Av.Ls (pips/1lot)	-61,00	-45,00	0,00	-61,00	0,00
TP1isHit (trades)	16	9	7	16	0
TP1isHit%Times (%)	84,21	90,00	100,00	84,21	0,00
TP1Sum (pips/1lot)	173	107	73,5	346	0,00
AvTP1 (pips/1lot)	10,81	11,89	10,50	21,625	0
TP2isHit (trades)	6	2	1	6	0
TP2isHit%TimesAll (%)	31,58	20,00	14,29	31,58	0,00
TP2isHitTP1Hit% (%)	37,50	22,22	14,29	37,50	
TP2Sum (pips/1lot)	178,5	60	31	357	0,00
AvTP2 (pips/1lot)	29,75	30	31	59,5	0
PriceRan (pips)	58,58	58,58	62	58,5789474	0

BEAfterTP1Hit (trades)	10	7	6	10	0
BEAfterTP1Hit% (%)	62,50	77,78	85,71	62,50	0,00
TimeTP1Hit (minutes)	300	229,44	179,29	300	0
TimeTP2Hit (minutes)	480	122,5	95	480	0
TimeTP2AfterTP1Hit (minutes)	45	55	55	45	0
TimeBEAfterTP1Hit (minutes)	69,5	82,86	93,33	69,5	0

N – quantity of setups;

%all – % of this specific setup from all setups;

PfN – quantity of profits, trades;

Pf% - % of profits among all setups of this kind (for ex., among TCs);

LsN – quantity of loss trades;

Ls% - % of losses among all setups of this type;

Abs.Pf – absolute profit (sum of all profits), pips/1lot;

Abs.Ls – sum of all losses, pips/1lot;

Balance – Abs.Pf + Abs.Ls, result of trading, pips/1lot;

Balance%All – what % from total balance makes balance from this type of setups;

Av.Trade – average trade, Balance/N, pips/1lot;

Av.Pf – average profit, Abs.Pf/PfN, pips/1lot;

Av.Ls – average loss, Abs.Ls/LsN, pips/1lot;

TP1isHit – how many times TP1 was reached;

TP1isHit%Times - % of setups TP1 was reached (or the probability of reaching TP1);

TP1Sum – sum of profit (pips/1lot) gained by TP1 in all trades;

AvTP1 – average profit (pips/1lot) gained by the 1st part of trade closed at TP1;

TP2isHit - how many times TP2 was reached;

TP2isHit%TimesAll – what % of all setups of this type TP2 was hit (probability of reaching TP2 in all trades of this type);

TP2isHitTP1Hit% - probability of reaching TP2 if TP1 was reached;

TP2SUM – how many pips/1lot were brought by those 0.5 of position that reached TP2 (pips/1lot);

AvTP2 – average pips gained by those 0.5 of position that reached TP2 (pips/1lot);

PriceRan – maximum profit (pips) price reached before a retracement (for BUY – in the interval between position is opened and when the lowest low of two last bars is broken by price, for SELL – when the highest of two last bars is broken by price);

BEAfterTP1Hit – number of trades in which after reaching TP1 price returned to the opening price (SL is moved to BE at TP1);

BEAfterTP1Hit% - % of cases when price returns to opening level after reaching TP1;

TimeTP1Hit – average time (minutes) it takes the price to reach TP1;

TimeTP2Hit – average time (minutes) it takes the price to reach TP2;

TimeTP2AfterTP1Hit - average time (minutes) it takes the price to move from TP1 to TP2;

TimeBEAfterTP1Hit – average time (minutes) it takes the price to reach BE (opening level) after it hit TP1.

TC statistics



MACD TC setup of category 1: RR and SL are Ok, setup is pro-trend (trend is up - broke up through SMA89 and found support on EMA21, retracement from EMA21 and SMA200)

Average distance price runs after a TC is 59 pips

Chances of reaching TP2 of about **60 pips** with the 2nd half of the position (or 30 pips/1lot) may be about **20%** of all TC setups or about 22% of those TC setups that reached TP1

Chances of reaching TP1 of about **22 pips** with the 1st half of the position (or 11 pips/1lot) may be about **85-90%** of all TC setups of categories 1&2

There's a 78% probability that price hits opening level (BE) after reaching TP1

About each 10th trade (~**10%**) may bring a loss of 45 pips on both halves (**-45 pips/1lot**)

These calculations do not include those TCs when a signal bar is too big but there could be a good early entry on 1H TC (which may be also very good). In these calculations also were not included possible entries on a retracement of the signal bar (if it's too big).

Even after TCs of category 3 (including TCs with bad R:R and/or SL or setups which were considered bad because to news or close strong price levels) TP1 was reached in 84.21% times (thought there might be a quite deep retracement before that which could reach even rather big stoplosses)

Category of the setup:

- 1 - RR, SL are Ok and it's a pro-trend setup, best;
- 2 - RR, SL are Ok but setup is either contra-trend or a pro-trend but has some signs of higher risk; worse than 1;
- 3 - RR or/and SL are bad, or SL and/or RR are Ok but there are some reasons to consider the trade not worth opening (like it's very close to strong price level, big news, holiday etc.)

In fact, depending on how experienced you are you may decide to put the setup to this or that category – a beginner might not see possible strong obstacles that price has to overcome to reach TP and may put a setup to category 1 though a more experienced person may consider it to be a cat.2- or even cat.3-setup.

How I distinguished if a setup is "pro-trend" or "contra-trend". Types of movements:

- 1) DOWN - price is under SMA89 and bounced at least once down from EMA21 or SMA89; price is under EMA21; SELL is pro-trend;
- 2) DOWN-CORRECTION - price is under SMA89 but crossed EMA21 up and found support on EMA21 at least once; price is over EMA21 and under SMA89; BUY is pro-trend;
- 3) UP - price is over SMA89 and bounced at least once up from EMA21 or SMA89; price is over EMA21; BUY is pro-trend;
- 4) UP-CORRECTION - price is over SMA89 but crossed EMA21 down and bounced at least once down from EMA21 in dir. to SMA89; price is under EMA21 and over SMA89; SELL is pro-trend;
- 5) RANGE - successive highs are close and so are the lows, SMAs usually crossed and closer to middle of swings, borders of these fluctuations can be drawn; from the border is pro-trend;
- 6) UNKNOWN - situation is not clear to the end; both BUY and SELL are considered to be (possibly) contra-trend.