

SRDC Level II

By Orange Roshan

Compiled and Edited by Henry S. (Hensch)

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Editor's Note: Since the thread at FF is growing at warp speed, the information posted to properly understand the SRDC Level II is scattered all over, thus, making it difficult to put all the pieces together.

Therefore, I've compiled this short manual, under the supervision of Orange Roshan, which may help the student understand how to correctly apply the concepts explained in the thread.

Should you be really interested in learning this Level II, I would recommend you to go through all the posts in the forum. There are many *knowledge gems* hidden on those pages, and while reading through, the trader will greatly improve the understanding of the SRDC Level II.

Additionally a group of very dedicated traders have put together a TeamSpeak room available to everybody.

Special thanks goes in here for Melissa, Bill and Glenn (Guys you need some sleep!)

Here are the details:

- The address is **24.163.41.56**
- Then **enter your forex factory name in the nickname area**, (not name area).
- Password is **getpips**

On the **EA department** we have some pretty fantastic minds working non-stop.

Special thanks goes to AHA and Lou G, doing a fantastic job!

Additionally, we have some really bright minds behind the scenes (*Rojam, Accrete*) and hard working dedicated traders participation on both the forum thread and TS sessions (*downunderdave, 4rex, Bobokus, granpa, Wilma, StockKJay, AlexFX, John-Paul, Bom-Bom, Jeff et al. Thank you guys you really rock!*).

And of course, a huge Thank You to the *Jedi Master Pipastic of the Universe* OR a.k.a as OrangeRoshan for sharing his knowledge with ALL OF US reading this.

May the force be Always with you!



Does he really look like this?

There you have it. Now there's no excuse for not making PIPS!

Henry S. (Hensch)

SRDC Level II

<http://www.forexfactory.com/forexforum/showthread.php?t=10539>

Hi everyone!!

This is the extension of SRDC method Level 1 from the beginner's forum. In case you are not familiar with this method, please click on this link:

<http://www.forexfactory.com/forexforum/showthread.php?p=144804#post144804>

There are two parts inside this level.

Level 2 - Part 1

Concept: As you may know, entry is upon penetration of S&R. The reasoning behind is to simply understand one of the basics of Trader's Sentiment.

In Part 1 of Level 2 the entry is far early than this and S&R are actually T2 or Take Profit 2.

The biggest challenge in SRDC method was to know the trend short-term and long-term.

In this level II, we will greatly improve our timing entering trades and spotting the prevailing trend using the FX Sniper's Ergodic CCI & Trigger **and** Channel Trading.

Observe this chart and see whether you can spot the dance going on inside...



This method can harvest 50pips to 100pips easily, on a daily basis. But, unfortunately, this time, Grandmothers can't trade as it is gone beyond simple!

Indicators Used:

FX Sniper's Ergodic CCI & Trigger - settings: 2, 10, 1,2
LRC Channel
Daily Chart
1 Hour Chart

Note: You can download the Ergodic CCI & Trigger here:

<http://www.forexfactory.com/forexforum/showpost.php?p=144819&postcount=3>

BASIC ENTRY RULE:

- Put entry following the trend shown by CCI

EXIT RULES:

Taking profit will be divided into 3. T1, T2 and T3:

- T1 can be any desired amount of pips
- T2 can be either S&R of the previous candle
- T3 Can be anything after that. Please be cautious as this carries minimal lots, say 10% of the original lot size

How to spot the TREND

- Enable the period separator. This will draw vertical dotted line outlining a period of 1 month in the Daily Chart and 1 week in the 1 hour chart.
- CCI - Blue on top of Red will mean BULLISH Trend and Red on top of Blue will mean BEARISH Trend.
- LRC Channel

There will be 3 lines. The top, the median and the bottom. The candles behavior is very predictable inside the channel. Spot the pattern!

The candles will move from MEDIAN, (TOP or BOTTOM), MEDIAN, (TOP or BOTTOM), MEDIAN and so on.

Based on this behavior, a trader can predict which way the candles will travel tomorrow.

Let's say, a candle is hitting the TOP trend line, there's a great possibility that price will move down to the MEDIAN line. When the candle is at the MEDIAN, there's a possibility that it will move either back to the top or go all the way to the bottom and so on... Practice and know your pair.

Combining this information together with the FX Sniper's Ergodic CCI & Trigger will help you to spot the prevailing trend.

STOP LOSS

A safe SL will be 50 - 60 pips on the GBPUSD. However, this can vary depending on your trading experience.

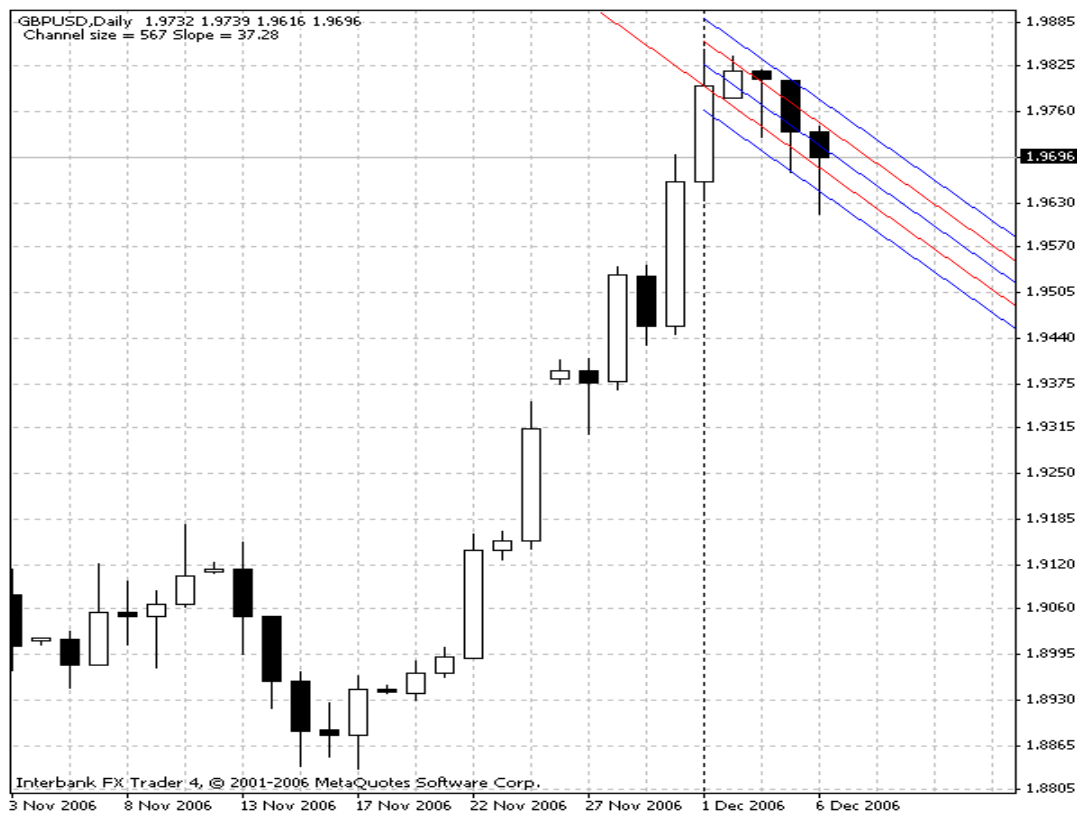
Drawing the LRC

We use The LRC channel. This is LINEAR REGRESSION CHANNEL. This is standard on

MT4 charts. Go to Insert>Channels> Linear Regression.

Daily:

- 1) According to Orange Roshan, the Big Boys draw their channels at the beginning of the month. This means, we are in a downtrend and we have a Sell bias.
- 2) To properly draw the LR channel, place it on the MONTHLY divider and pull it to YESTERDAY'S CANDLE. We use Yesterday's candle because it's a completed candle.
- 3) Pull the right side of the LR channel every DAY to the new completed candle. To do that, double click on the median line. You'll see three points. Pull the one on the right side to the new completed candle.
- 4) At the beginning the month (trading days 1 and 2), since we still don't have enough candles to draw the LR channel, we have to use the last few candles from the previous month.



1 Hour LRC

1) We draw it at the beginning of the week, this is Monday 00:00, and move it accordingly every 24 HOURS. Same procedure as daily.

2) As on the daily, when starting a new week, this is early Monday, we have to use late Friday/Sunday candles.



3) If for any reason (news) there's a big spike and price goes WAY BEYOND the Channel limits, once its completed, we can re- draw the channel by pulling the right side point of the LRC to the spike/candle. This way we are up to the hour on the newly adjusted channel levels.



EXAMPLE 1

The Daily candle is currently at the Median. It's decision time for the trend to continue or reverse. The best way to confirm the direction of the trend is to look at the 1Hr chart. There you will see the 1Hour candle just below the Median.

Lets wait for it for the next candle to form:

- When it forms under the Median, it's a sign that it's a bearish trend
- When it is formed over the median, it's a sign that it will be bullish.)
- When it's formed and touches the Median, wait, it's still indecision.



Right on! Get ready and anticipate. The **1 hour chart** gives you the short-term candle trend movement and **the Daily** the ultimate and real trend.

When you don't feel comfortable with the channel size, stay sidelined for the time being or activate SRDC level 1 strategy. Either way, you make PIPS.

EXAMPLE 2



The BLUE CHANNEL is a new channel drawn after a few months on Daily chart. But, the old position of the BLUE CHANNEL is the BALCK DOTTED LINE.

Look at the Rectangle

The Black Bearish candle, 19th APR is on the edge of the Lower Channel line. Below The Black Candle, the CCI shows a Bearish Trend.

I waited to see where the 20th candle is moving. I check my 1HR and it's going towards Median after a dip.

- When the CCI crosses and confirms a trend change (Blue top of Red)
- And the H1 Channel shows the same, confirming a bounce from the Low Channel.
- Then: Enter long and assign:

T1 = Yesterday's Open (70%)

T2 = Yesterday's High (20%)

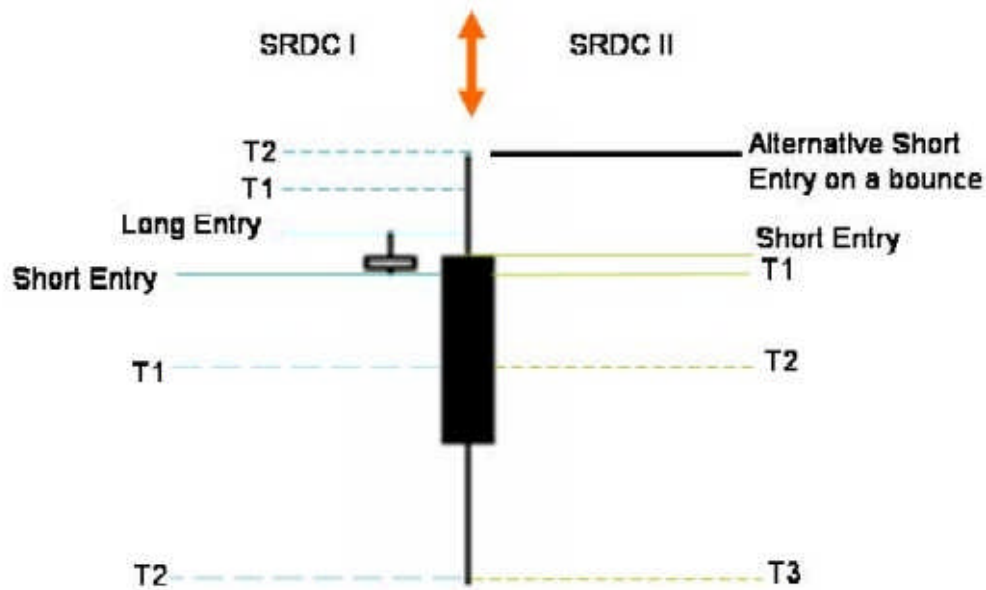
T3 = The Median of Daily Channel (10%)

This is a total of almost 200pips. I could have done 230pips, but gave away 30pips for CCI confirmation.

Many asked me how can I do 300-500pips a day, consistently? This is one of the methods I'm using. Its not rocket science, but we learn to read what the big boys are thinking, and we anticipate their move!

Learn it, and soon you will find out, it's no big deal.

Targets on SRDC and SRDC LII



The Basics of SRDC method on entry and exit.
SRDC II entry can also be taken at the Bounce

Another Price/Channel Example:

The Illustration below is EURUSD and LouG drew his channel with this pair.



Don't forget: The true trend is the daily chart. The 1 hour chart shows the daily movement contained in a 1 day. We use the 1 hour to catch the dip and bounce of the daily trend.

Look at the movement of the H1 candle. It's dancing along the High, Median, Low, Median... just as expected.

Look at the candles, always dancing with the trend. Normally price settles at the median almost every end of the day. That's a very powerful piece of Jedi Information. One that can get you to the next Milky Way!

Never trade at the Median, That's TP. Wait until it touches the Top or Bottom Channel line, then reverse the trade!



Piping the Daily Chart

The RED is sell, BLUE buy and GREEN is TP.



SRDC LEVEL II - PART 2

Editor's Note: In this second part we will add two additional Indicators to the charts: **The Quadrants and the Fibonacci Levels.**

The use of FIBO

Below is a 1H chart showing a channel with FIBO lines. Please study it carefully and put the same drawing on your GBP chart. The white spot shows how the last week's candles have been bouncing on and over the fibo lines.

Without the Fibo lines, the price movement and candles might look very random at first, but after you put it on, suddenly you can see the predictable candle movement.



How to set the Fibo Levels

We draw the fibo levels every MONDAY (blue fibos). These are going to be our weekly levels, so we leave them fixed all week.

After that, we draw a new set of fibs on Tue (red fibos) and we move those everyday to the beginning of the new day.

Please, pay attention that because we are in a downtrend we place the 0 level at the top of the channel and the 100% at the bottom of the channel. Do the opposite for bull trends.



OR has mentioned that he uses these levels for taking profits, therefore an idea may be, enter trades based on channel/quadrants and take profits based on fibo levels.

Once you have drawn your Fibo Levels:

- Get to know your currency pair, it tells you a lot about the market sentiment or what the big boys are doing.
- Get a feel for it, and when you can find the rhythm, that's when you have winning trades.

It's not luck; it's anticipation and skill.

Remember: A penetration by price of the Channel lines or the Fibo lines is only confirmed when the full candle completed. Simple price penetration is merely a test.

Example on 30Nov. The 15th Candle:

Price penetrates the FIBO 61.8

-Enter long at 1.9589

-Then the next candle tests the Fibo 100.

-It can't maintain the momentum and falls under the Fibo 100. ***Take profit here as it shows momentum dropping.***

-Final TP at 1.9669 at the closing.

80 Jedi Pips - Not bad!



Quadrants

The idea is to divide the channel in four sections where we can orderly enter trades.

Bearish Trend



Do the opposite in a Bull Trend.

The guidelines for a ranging market are as follows:

Q1: SELL

Q2: Wait until it gets to Q1 or Q4

Q3: Wait until it gets to Q1 or Q4

Q4: BUY

To draw the quadrants, you may use a trend line and place it in the middle of the channel or you can use the equidistant channel built in MT4.

How to draw the Quadrants

To draw the quadrants, you may use a trend line and place it in the middle of the channel or as OR prefers, you can use the equidistant channel built in MT4. Some users are now also using the fibonacci channel.

In this example we will use the equidistant channel.

- 1) Open the equidistant channel tool.
- 2) Align it to the LRC.



3) Move it in between as in the chart below.



Ranging Markets – The Micro Channel

When we enter in a ranging market we have to slightly adjust our strategy and step down to a lower time frame, the 15 minutes chart.

Observe this chart. The idea is to use it like a Microscope. See if you can spot the dance going on inside the Micro Channel!



This is a post by Melissa (a.k.a traderlissmiss). It sums up very well **how to use this strategy**:

Before drawing the 15 min. Micro channel, let the market form a high or a low. In this example OrangeRoshan had us draw a channel at the top of the last high on the 15 min chart.

- Watch the play inside the channel as we do with the 1hr.
- Trade on **demo account** and **practice** taking trades in this manner.
- Use it mainly in ranging markets, however, it can be used to enter trades/ take profits during trending days.

This is the same chart, with an example posted by cbrock5000. The circles are the points where he entered trades and took profits.

