

## **Fibonacci-Woodies Scalping Trade Strategy**

Today I decided to write about my strategy because I need to share this thread with you traders, and explain it on real market conditions. I've come to a crossroads after 2 years of hard-way learning experience when I was almost to the point of giving up trading. As we all know patience plays a big part in trading process and having a trading strategy is part of your success. Stick to your trading strategy applied to your Forex charts and don't be discouraged if you're wrong. If you see a trade and pull the trigger then you know in your subconscious that you did the right thing. If you don't, then your emotions are overwhelming you and your gut feeling is telling you to enter the market at the wrong time wishing to be out before wishing to be in.

Me personally I trade based off support and resistance and look for break outs. I am trading four pairs the most, EUR/USD, GBP/USD, EUR/JPY, USD/JPY and USD/CHF (a very good cross divergence reference for EUR/USD trend). I'm also trading the E-mini S&P and Oil using different time frames.

This Forex strategy should work well with all pairs, but due to the extremely high volatility we have seen in the last couple of months I recommend the pairs with tighter spreads and direct correlation between them.

To make this method a success you have to stick with the rules and enter into trades when you have the indicators giving you the signal. You could be successful 8 or 9 times out of 10, at least on short term trades.

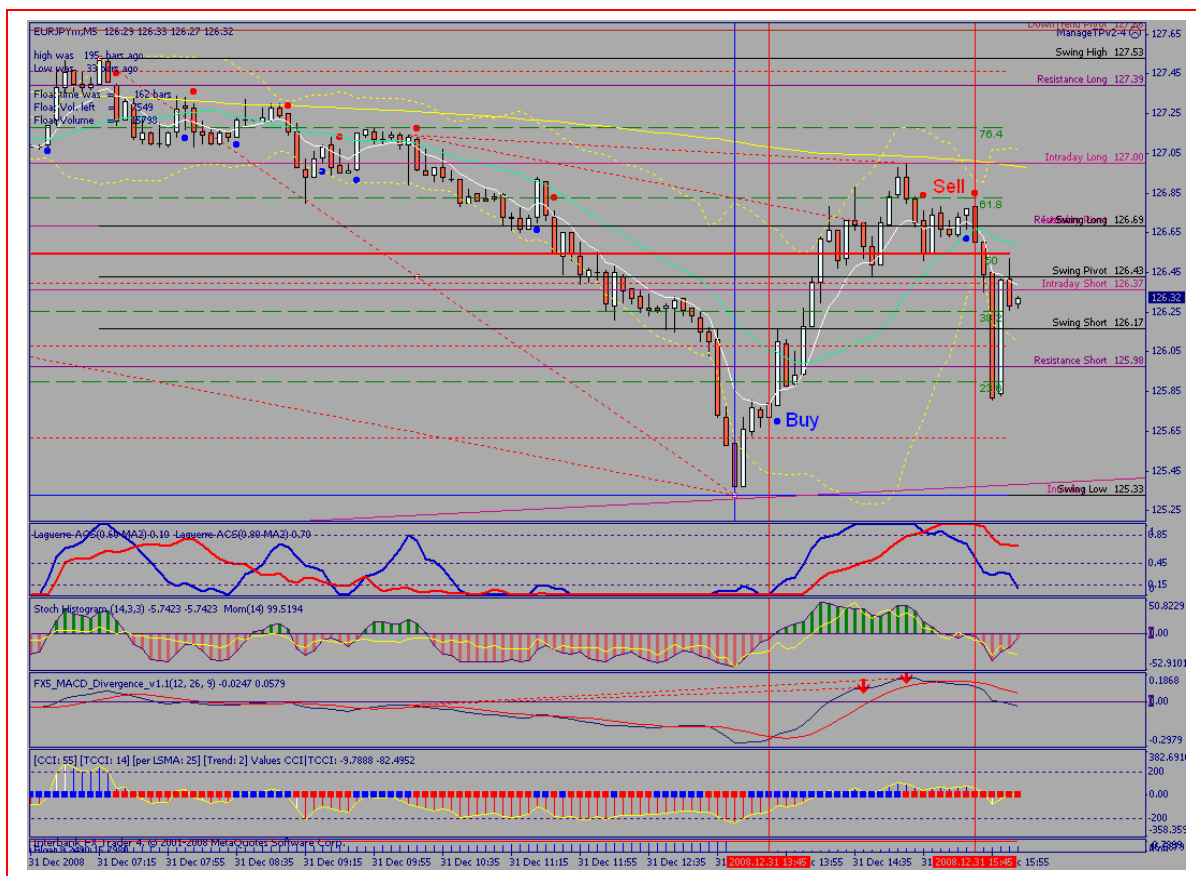
Depending on your daily goal, I would say that 30-50 pips are a reachable target. Don't expect to be profitable every single day. Even, if you're a professional that is not going to happen. Those two times when you're having losing trades could damage your moral. Don't let that happening. Do everything in your power to manage your emotions. Don't overtrade wishing to be in every single move of the market. Most of the time 1-2 trades a day it's enough to cover your goal. Don't give back anything from what you have made by being overconfident. Stay focused and calm, because tomorrow it's another day with hundreds of trades waiting for you.

The thread can be well used for scalping on 5M/15M time frames for short term swing trades and 30M/1H/4H for medium term trades. This method is for Meta-Trader 4 users only. You can download the newest version of the MT4 with one of the many existing brokers in the market.

All the indicators I'm using you can download from Meta-Editor, Indicators or from this page. Here is how I have them renamed and set-up on my chart:

- 1) [Float-mi](#)
- 2) Brain Trend1Sig
- 3) [FiboPiv\\_v2](#)
- 4) [Bands](#)
- 5) EMA 8
- 6) SMA 200
- 7) Fib Tool (Fibonacci Retracement set-up tool)
- 8) [CCI\\_Woodies\\_Lnx\\_v3\\_1](#)
- 9) [FX5\\_MACD\\_Divergence\\_V1.1](#)
- 10) StochHistogram
- 11) Laguerre-ACS1

- 1) [Float-mi](#) is an excellent time-price correlation indicator, based on a 200 bars count, giving you a good signal when the price action and the trend is about to change (Figure 1, the two blue lines, vertical and horizontal @ 90 degree). It's like a countertrend trading signal if you want.
- 2) BrainTrend1Sig is capturing your attention, to be prepared for action. Red dots meaning Sell and blue dots meaning Buy signals. I'm using this indicator for confirmation purpose only but it's a very reliable tool (Figure 1)
- 3) [FiboPiv\\_v2](#) indicator finds automatically for you the Intraday Pivot Level and three levels of Resistance and Support based on Fibonacci levels (Figure 2). As a general rule Pivot is the level where the most important intraday price action takes place. You will consider a long position when the price develops above the pivot line and a short position when the price action takes place below the pivot line. In this example the price failed to break above the Pivot Level on the first attempt.



7) Fib Tool, based on the Fibonacci Retracement tool is set-up using **the only** following levels (As per maestro **Bobokus** theory):

- 0 renamed Low
- 0.382 renamed Short
- 0.500 renamed Pivot
- 0.618 renamed Long
- 1 renamed High

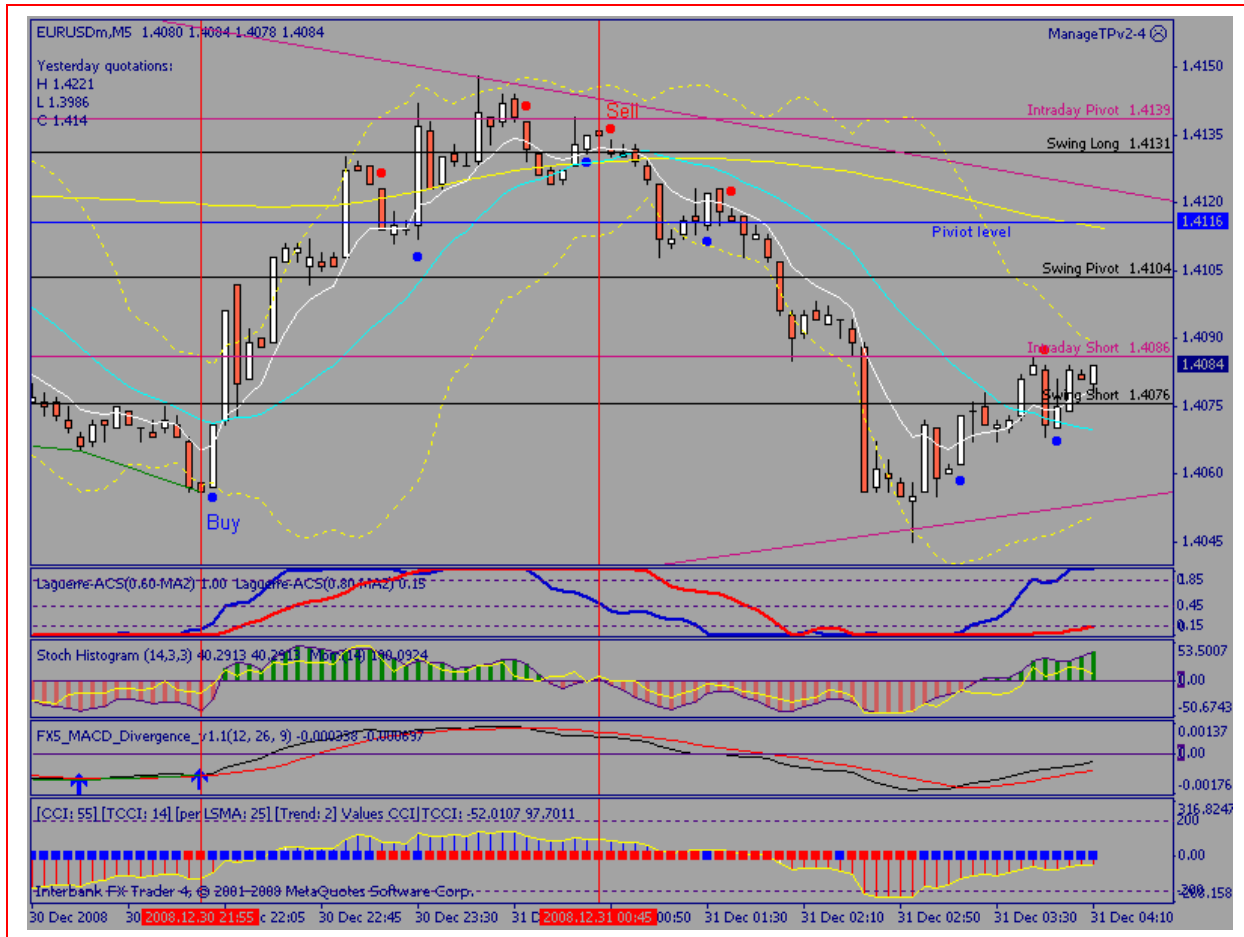


Figure 2

Usually I'm starting to layout the Fib Tool from a higher time frame (4H), to a lower time frame (5M/15M). As you can see in Fig. 3 on the EUR/USD 4H chart we have an initial Up Trend followed by a correction Down Trend. I always draw the Fibonacci Tool starting from the highest point of resistance to the lowest point of support, so we can see the balance points (fibs inner levels Long, Pivot, Short) between the long trend and the short trend. To have them displayed this way (Up Trend Long 1.3889 and so on) we have to have the description correctly when we first open the Fibonacci tool. We're going to change the 0.618 level description's to Up Trend Long %\$, so no confusion about the same levels intersecting each other. Same for the Down Trend Low 1.3824 (change the 0 level description's to Down Trend Low %\$). Going to 1H time frame I draw the Resistance and the Swing fib tools as you can see in Figure 4. We can add, an intraday fib tool also, it's up to you. The Swing fib tool colored black will be our most appropriate tool for 5M/15M short swing trades entry points. Ideal, we want to see the price action and break outs around these balance levels. However, the confirmation signals come from the other indicators.

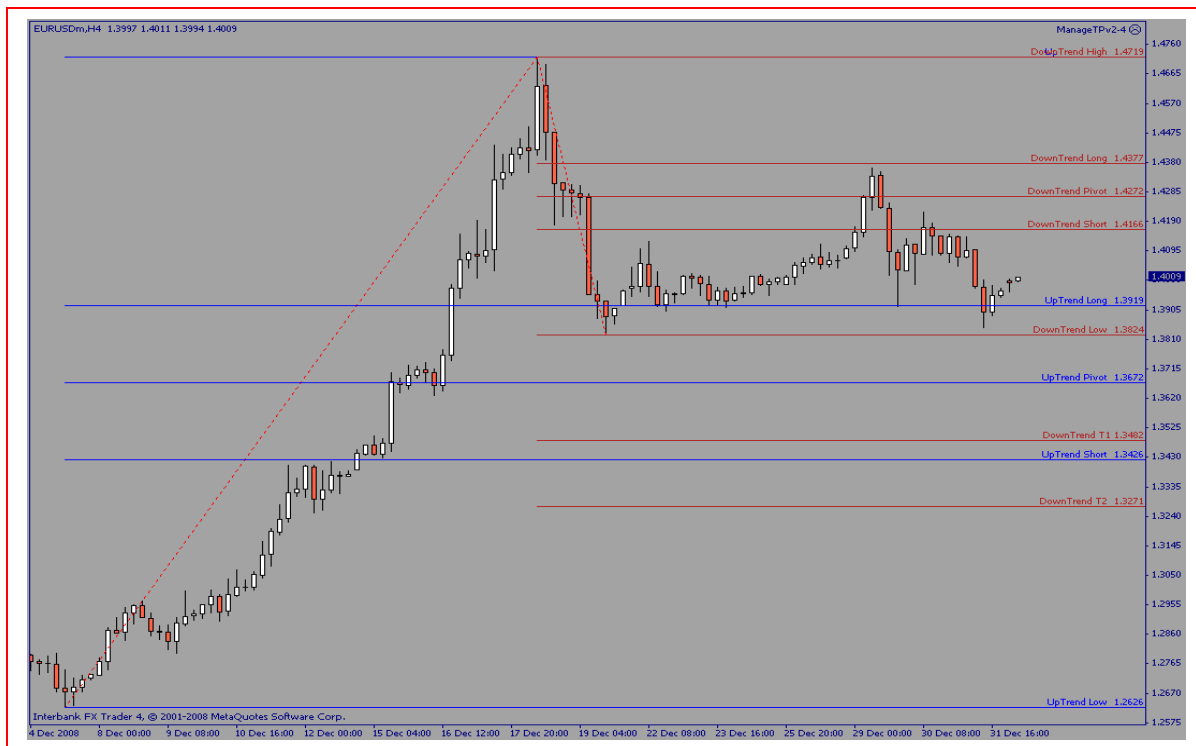


Figure 3

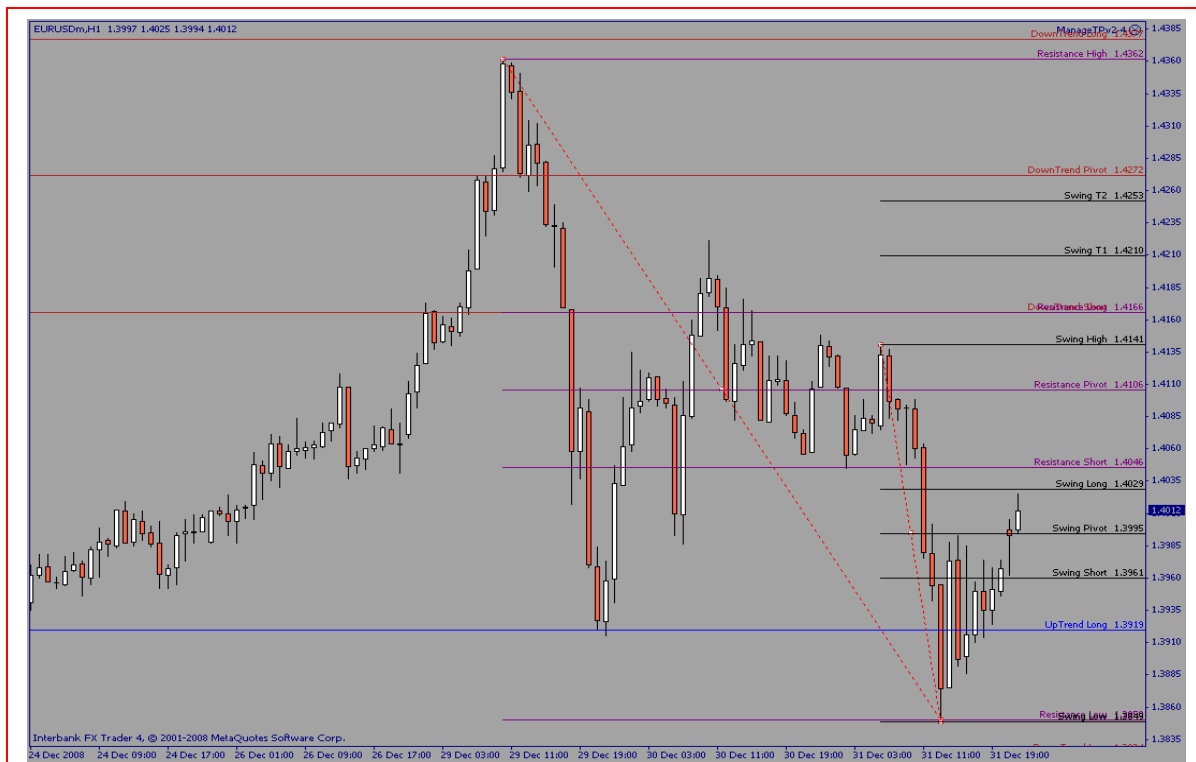


Figure 4

Usually if the price action develops above the Swing Long level line (0.618) we will consider a long position, if the price breaks the Swing Short line level (0.382) we will consider a short position. In early stages, we may have the other indicators giving us the signals for a potential trade. A more conservative entry will be the one in our example in Figure 2.

8) **CCI\_Woodies\_Lnx\_v3\_1**, very important indicator has the following set-up:

- Trend CCI = 55
- Entry Period = 14
- LSMA Period = 25
- Trend Period = 2
- Count Bars = 500
- CCI Size = 1
- TCCI Size = 1
- Trend Size = 1
- No trend Size = 1
- Line Size = 2

Very reliable tool indicator, as you can see in my first example in Figure 2. First of all I consider the CCI-Woodies working like a squeeze indicator between -200 and 200 levels

This is how it fires off for me for a better entry:

- a) Buy signal: Seeing several blue dots (even if the initial trend is down, this a good indication for a trend's change)), followed by few red dots (usually 1, 2, 3 or 4, but could be more) and then again blue dots.
- b) Yellow line is climbing towards zero line and the red CCI trend lines become shorter.
- c) The very first blue dot is our entry point for a buy signal at the start of a new candle.
- d) Sell signal: Seeing several red dots (even if the initial trend is up, be prepared for a trend change), followed by blue dots (usually 1, 2, 3, or 4 but could be more) and then again red dots.
- e) Yellow line is descending towards the zero line and the blue CCI trend lines become shorter.
- f) The very first red dot is our entry point for a sell signal at the start of a new candle.

As a general rule for a buy signal, if we have only blue dots, the yellow line is already into positive territory and the blue CCI trend lines become longer, as long as the other indicators give us the right signal we can take the long trade (Figure 5). Same rule applies for a sell signal, if we have only red dots, the yellow line is already into negative territory and red CCI trend lines become longer, we can take the short trade.

9) **FX5\_MACD\_Divergence\_V1.1**, traditional MACD, using default setting (12,26,9) a little bit transformed, showing on the crossover confirmation a nice classical bullish divergence (the blue arrow and the green line between the candles, drew automatically for you, Figure 2)

10) StochHistogram (Stochastic Histogram) indicator shows the overbought/oversold condition of the market and works in relationship to MACD, using the default settings (14, 3, 3). When the price crosses to positive green area in an uptrend we have a buy condition. When the price crosses to negative red area in a downtrend we have a sell condition (Figure 2).

11) Laguerre-ACS1 (The over-laid blue and red solid lines) known as La-Guerre indicator has the following setting (Figure 2):

- Blue line (Gamma = 0.60, Levels = 0.15, 0.45, 0.85, Bars = 9,500)
- Red line (Gamma = 0.80, Levels = 0.15, 0.45, 0.85, Bars = 9,500)

Once you have done one line, you go View-Navigator-Custom Indicators and then click and drag the Laguerre-ACS1 over the first window. This way we save some space and have both lines in the same window. The rules that apply for entry signals are:

- Buy signal:
  - a) Blue line crosses the 0.15 level going upwards.
  - b) Red line is at the bottom (0 values) for extended period of time, or trending upwards above the 0.15 level.
- Sell signal:
  - a) Blue line crosses the 0.85 level going downwards.
  - b) Red line is at the top (1 values) for extended period of time, or trending downwards below the 0.85 level.

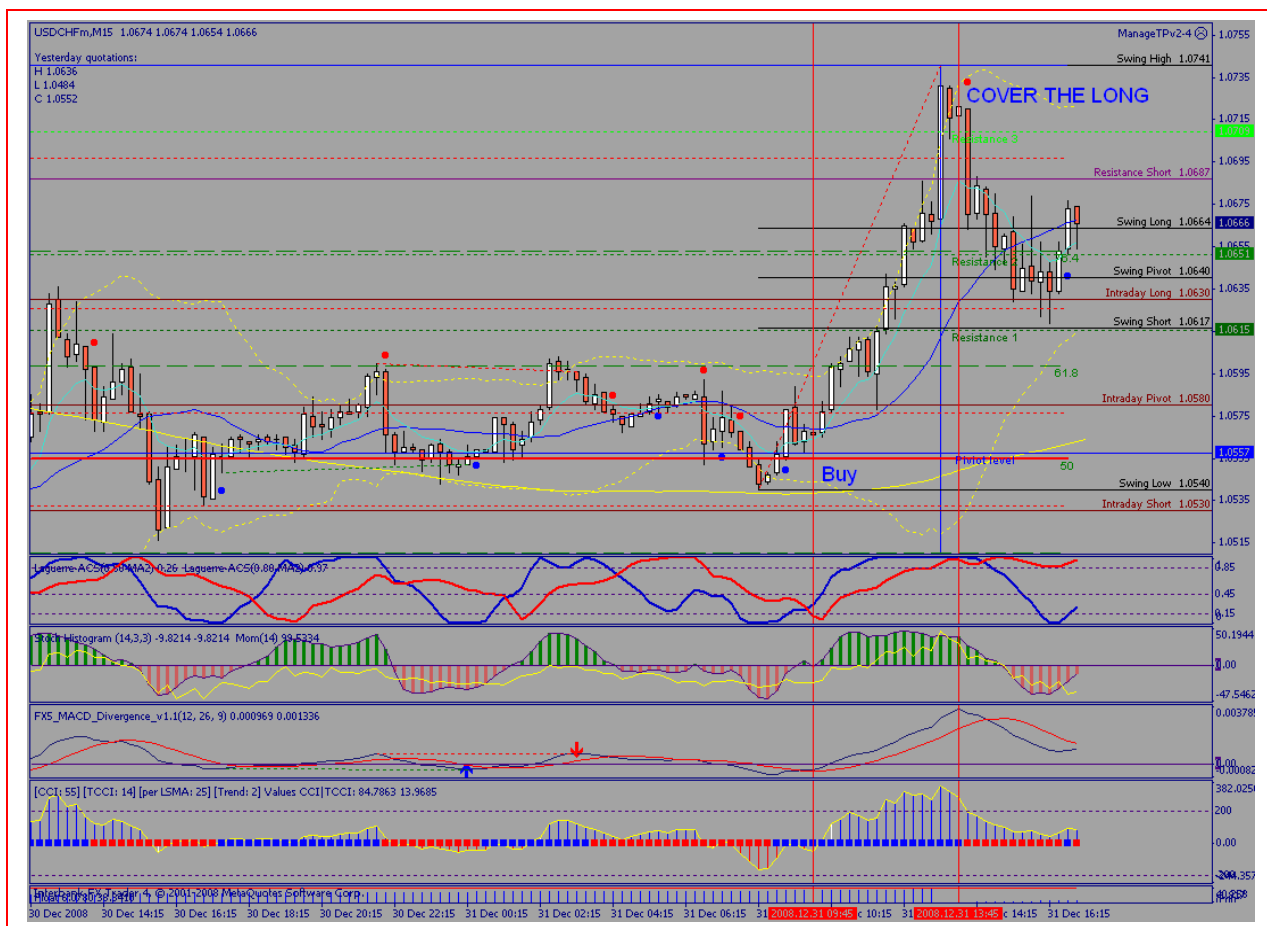


Figure 5

This is a good example of a long trade, on the USD/CHF 15M chart (Figure 5). All the indicators are in agreement:

- La-Guerre blue crossed the 0.15 level going upwards.
- La-Guerre red line is below 0.15 level and changing direction to the upwards.
- Stochastic-Histogram line crossed into green positive territory.
- MACD showed the crossover confirmation.
- Woodie's has several blue dots and the yellow line has already gone into positive territory.
- Bands are at the squeeze point prior to initiate an explosion and the 8EMA (aqua color here) is just crossing the middle band (blue line).

Here is how I played this. As you can see you would have had several small swing trades opportunities on both directions prior to this point. You would have taken it or not. Now it's time for the Fib tool to come into play. The red horizontal line drew just below the daily pivot line shows the resistance level that was already broken on the previous attempts, and now becomes support. The next level to be broken is the Intraday Pivot (Brown color), drew from a higher time frame, 1H/4H as I explained before. Because the daily Pivot Level (Blue horizontal line) holds the price and the 200 SMA (yellow line) confirms the holding as well, then on the next clean signal I'll take the trade. How I did manage the trade, well first I placed a buy stop order at the high of the previous candle, S/L is placed few pips below the previous low (30 pips) and I'm looking for at least 1:1.618 risk reward ratio. Once I had 35 pips gain I moved my stop to -15 pips, once I had 50 pips gain I moved the stop to breakeven. The exit strategy is at the next important Fib level, Resistance Short (magenta color). I don't wait for confirmation, especially if I reached my targets. I'm not greedy, and I don't want to give back anything from what I have made.

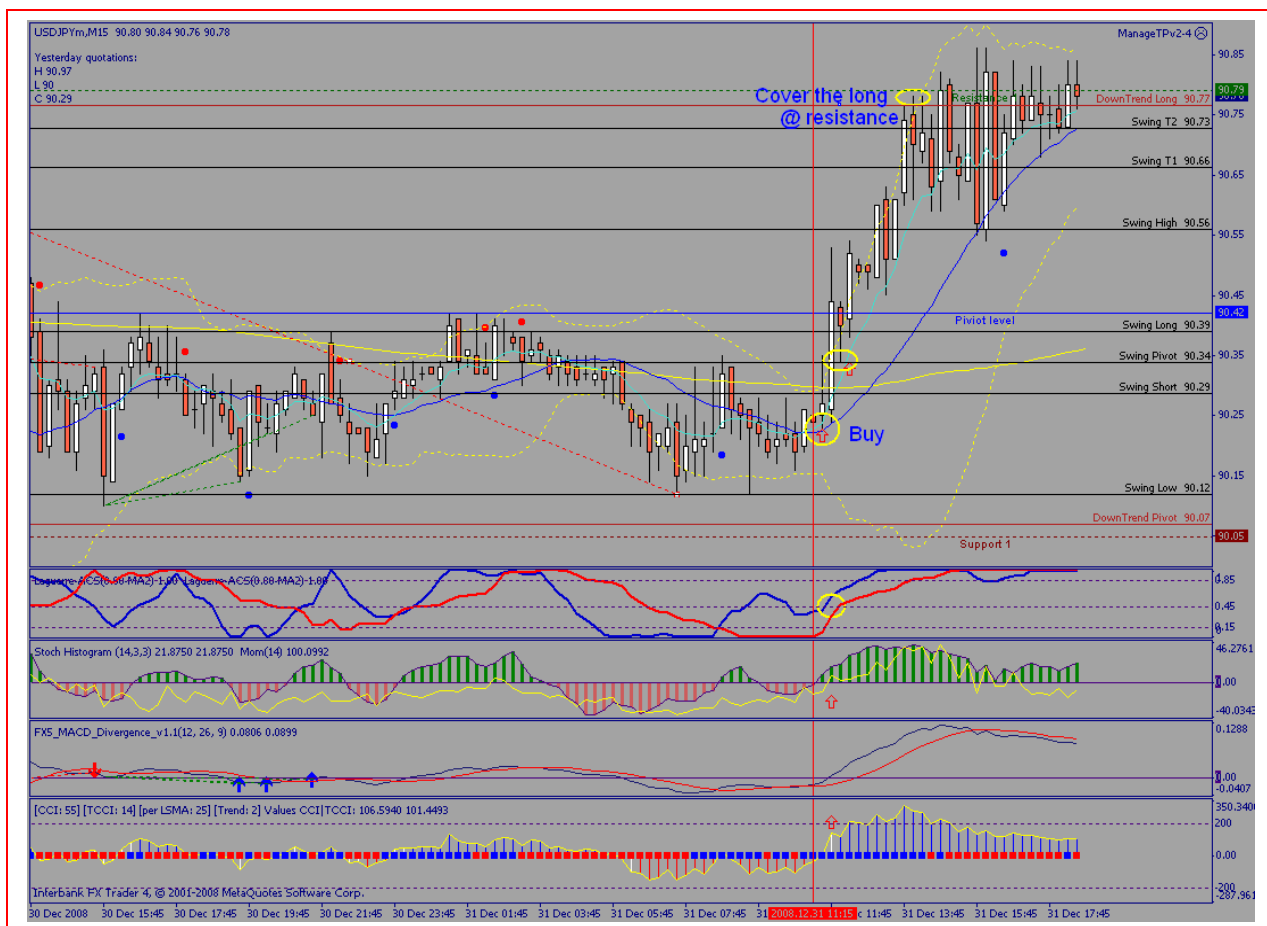


Figure 6

Figure 6 is a classical example of a buy signal on the USD/JPY 15/M chart. All the indicators are in agreement as described above. The Swing fib tool colored black will be our most appropriate tool for this swing trade entry point. Ideal, we are seeing the price action developing around the daily Pivot balance level. The Pivot level is acting as Resistance, as well as the Swing Long level. Once these levels are broken and the candle closes above, these lines become Support and now is time for action. We can take the long trade at the opening of the next candle, with S/L (Stop/Loss) placed below the last low (few pips below the Swing Low level) and an immediate target pointing to Swing T1 and eventually Swing T2 (1.382) where is the best exit point. It was nothing more, but a scalping trade.

When referring to La-Guerre indicator, give priority to the red line (Leg) compare to the blue line.

Bellow is a 5M S&P chart where I applied exactly the same principles and indicators as for the Forex charts with the same results.

This e-book has educational purpose only, and more example and detail explanations will be given in the near future if needed.

If anyone has questions or more suggestions, kindly email me, so I can look into it and reply to them.

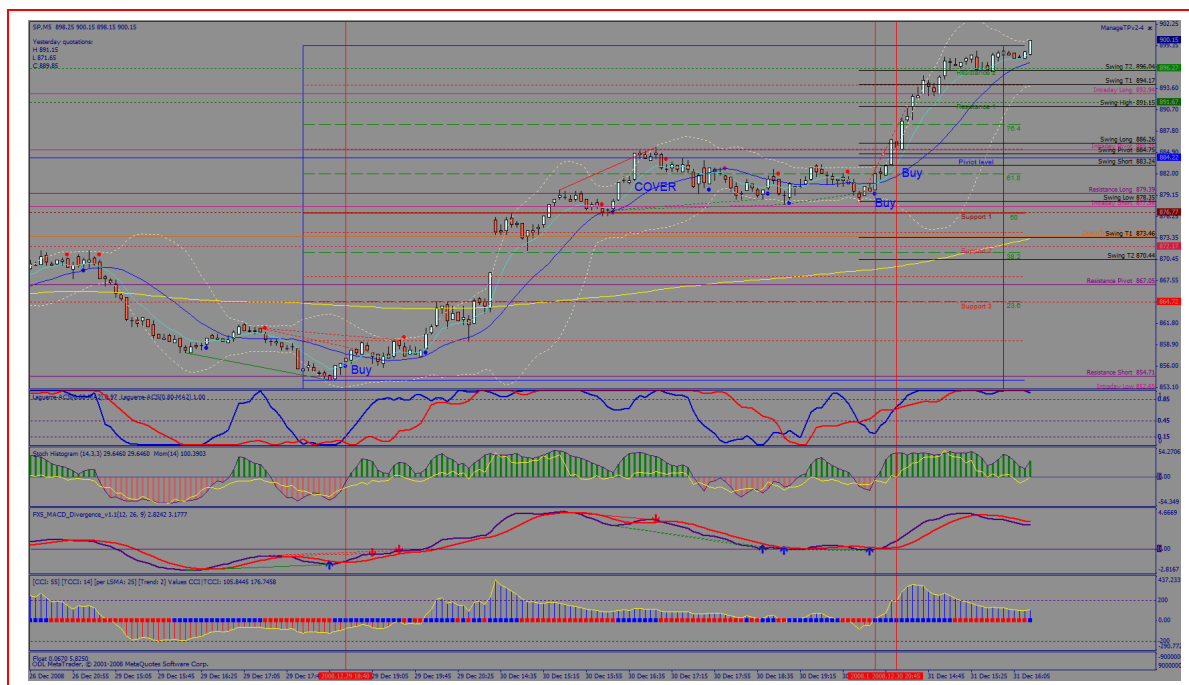


Figure 7

Disclaimer: As trading in the Forex market is very risky, the reader if going beyond this point and applying the concepts and methods describing in this document do so on his or her own risk. The writer and or anyone involved in the compiling of this document will not be held responsible for any losses incurred by using the methods described in this document.

I can be contacted thru Forex-Factory thread.

Hope, it helps.

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