

Trade What You See - Almost Naked Trading



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THE CHART LOVERS METHOD

I am starting this thread for those of us who love charts...watching them...studying them...analyzing them and of course, making money from them.

My system is simple. It is a basic trend following one using the weekly, daily and H4 charts. I have made a goodly amount of money using this system, although I cannot say that I "discovered" it.

I have traded forex for approximately 4 years, have lost more than a few thousand dollars, have responded to more than one \$99 special offer for the holy grail. I have followed several threads on FF, some with more success than others, have downloaded about every indicator known to man. But I did not start making real money until I deleted all the indicators (except one) and started drawing trendlines and support/resistance levels.

I do not have my ego involved in this thread, as I have noticed many "thread starters" do. I have been a successful attorney for many years and have no need to prove anything to either myself or to others. I do believe in helping others though, and can think of no better way than by sharing my little knowledge with other like minded traders, hoping that we all become even more successful together.

I post on two other forums on FF and have had many traders ask about my trading and charts...so many in fact, that I thought it was a good time to set the method down once and for all so that I would no longer have to individually respond to private messages and emails, regarding same. So let's get going:

TRADE ANY MARKET SESSION THAT MAKES SENSE FOR YOUR LIFESTYLE. DON'T WORRY ABOUT WHICH MARKET IS OPEN, WHICH IS CLOSED.

1. The Three Tap Trade (3 Tap H4)

A. Chart Set Up

Save as template:

H4 candlestick chart with **period separators**. Add to this chart a standard **RSI** indicator set with period **(3)**. That's it...all there is to it! See the first chart below. It is the Almost Naked chart which is the foundation of all of the trading set-ups which I will discuss below.

B. Check Trend on Weekly, Daily, and H4 Charts

This is the most important part of this method. All three (3) timeframes (TFs) **must** be in agreement (confirmation) on direction.

Perhaps, the easiest way to do this is to attach the **RSI Arrow Indicator** to your charts. The indicator and directions can be found

here: <http://www.forexfactory.com/showpost.php?p=4127792>

It is important that you develop the ability to confirm the RSI directions without using an indicator because you should visually verify the positioning of the RSI on the H4, Daily, and Weekly charts before entering a trade.

Scan through any or all pairs you wish to trade and jot down only those which have confirmation of direction on all three TFs. **Do this by observing the RSI.**

THINK ABOUT THE FACE OF A CLOCK

For **LONG**: RSI should be pointing between 12:00 AND 2:00 O'CLOCK. 3:00 is neutral.

For **SHORT**: RSI should be pointing between 4:00 and 6:00 O'CLOCK. Again, 3:00 is neutral

NOTICE ON THE CHART BELOW THAT THE DIRECTION IS DOWN, OR SHORT. (RSI IS BETWEEN 4:00 AND 5:00 O'CLOCK)

Now look at the most recent price action (PA).on the chart below. Notice that it is also short. This will be a pair "of interest" if and only if the direction on the daily and weekly charts confirm the H4 chart direction.

C. Concentrating only on those pairs with trend confirmation and one at a time:

On H4 chart take a long look at what you see. You know the direction you are looking for from your previous scan of the pairs. (Marking with an arrow helps give a quick reference to direction.)

Draw trendlines (TLs) connecting bottoms for LONGS and connecting tops for SHORTS.

NOTICE ON RECENT CHART #2 BELOW - USDCHF

D. Entry

Here is where patience comes in. Enter in designated direction only after PA has tapped the trendline 3 times (Knock three times on the...oh well). This "refinement" is David's idea on Trendline Scalping thread....thanks David.

NOTICE ON CHART #2 BELOW - USDCHF... THAT IT TOOK 9 CANDLES (36 HOURS) FOR THE THIRD TAP! THAT'S PATIENCE, BUDDY!...BUT LOOK AT THE PAYOFF..

E. Take Profits (TP) and Stop Losses (SL)

You can place set TP and SL if you are more comfortable with that. I use support and resistance levels for both. Remember that H4 and larger TFs must have more breathing room, so do not place SL too tightly.

Let me know if anything needs further explanation.

F. Recently Asked Questions 10/27/2010

Q: Does one wait for the close of the 3rd tap candle before entering or enter immediately?.

A: When desired trade is long and 3rd tap candle is long (green on my charts), enter immediately. When desired trade is short and 3rd tap candle is short (red on my charts), enter immediately, because both a **set-up** and a **trigger** has occurred in each of these scenarios.

Q: I notice that usually when the 3rd tap occurs, the RSI is not supporting the direction of the desired trade. Is it important that the H4 RSI support the direction of the weekly and daily RSI at this point?

A: It **is** important that the H4 RSI the daily and weekly RSIs show the same direction before entering the trade. **Remember there is a difference between a trade set-up and a trade trigger. The set-up is the 3 taps, the trigger is PA in the right direction.** This is consistent with the question above.

Q: Do you use M30 or M15 charts on the 3 tap trades?

A: Although I don't use shorter time frames (TFs) for 3 tap trades, some traders have indicated to me that they use these TFs to observe price action (PA) before entry. I do use the TFs for breakout trades (BO), discussed below.

Another trade set-up for our trading arsenal-- BELOW:

2. The H1 4 Candle Breakout Trade (H1 4C BO)

I have added a new trade set-up to the 3 tap trade discussed above. It works hand and hand with the 3 tap trade.

Often we can see PA going in one direction and want to get in, but need a logical way to do it. Certainly 3 tap is one way, but what if you do not see a good 3 tap set-up on the H4 chart? **Then move to the H1 chart and take a look.**

The **H1 4 candle** breakout set-up:

A. This is a **price action (PA)** trade and the weekly RSI direction does not need to match the direction of the trade. Because this is considered a "fast" trade...meaning over in a few hours at the longest...only the H4 and H1 candles need to confirm direction, but they will do

that if PA moves in the desired direction.

B. You will be looking at the **bodies of the first four H1 candles** of a new trading day...disregard the tails (wicks)....whenever that is for you. That is one reason period separators need to be placed on the chart.

C. Place horizontal lines at the highest high of these four candles' **bodies** (not including the tails, if any) and the lowest low of these four candles' **bodies**, again, disregard the tails. These lines are really just R/S lines.

D. Wait for a breakout in the direction of the bias. I sometimes place a pending order below/above a R/S line before I go to bed.

E. Enter from the M15 chart, when at least one candle has completely cleared the R/S line in the desired direction. The entry takes discretion, as the quality of the candles is important to observe.

NOTE: You can set this up several hours after the fourth candle that you are observing. For example: My first four candles are from 2:00 pm - 6:00 pm. I may not get to the set-up until 8 or 9 p.m. That is ok, in fact, that gives time to observe PA. Do verify the directional bias again, however.

PLEASE SEE POSTS #1029 - 1032 ON PAGE 69 FOR COMMENTARY AND CHART EXAMPLES

3. Scrutch's Method of Finding A++ and A+++ Trades 11/24/2010

Please don't use Scrutch's screening of trades until you are totally familiar and comfortable with the **3 Tap H4** trade and the **H1 4C BO** trading systems.

Q: Do you consider an A++ trade one in which both setups occur on the same pair?

A: Yes, both setups need to be in agreement for an A++ trade.

If you only have one of the two setups and the RSI's are in agreement, I consider that to be an A+ trade. When they happen together, the odds of a **great** trade increase dramatically. I don't take these just any time that both conditions are true.

I, want to see the H4-3T happen first, most likely the RSI's won't be in total agreement at that time.

Then, I want to see the breakout happen within a few hours, two or three at the most, with four hours maximum. After four hours I feel that the real advantage has expired. Not that it will not or could not still be a very nice trade, just that it no longer has the force of the dual confirmation behind it.

The CADJPY breakout occurred about two and a half hours after the H4-3T.

The USDCAD breakout occurred about three hours after the H4-3T.

For either of these trades I'm looking at the M15 chart for the breakout confirmation, and yes price action needs to reflect the momentum as well.

IF, the H4-3T setup occurs **and** the H1-4C-BO setup occurs in thirty minutes or less, then..., I think that would be an A+++ trade. When this happens I'm usually looking at a M5 chart for entry because I want to get in as early as I can...depending again on price action.

Q: Do you limit the number of pairs you look at and trade?

A: I watch the majors mostly but also keep an eye on the others as well. To keep a close watch on them all is a bit daunting but it's doable because of the time frame involved. I do pay close attention to the spread, which influences whether I want to take the trade or not. If the spread is large, then I'll just pass on the trade.

I draw all potential H4-3T's that I see and adjust them as the market moves, regardless of the RSI's. At times I'll have two H4-3T's drawn, a bullish **and** a bearish. Then I adjust them as the market dictates direction.

I draw all the H1-4C-BO's at the close of the fourth hourly bar from period separator to period separator. At times I will start drawing these sooner...depends on what the RSI's are showing me.

4. Indicators (Optional)

RSI Arrow

Indicators <http://www.forexfactory.com/showpost.php?p=4127792> - to read explanation and download to chart.

5. New Daily Entry (MONEYTREE) added May 18, 2011

In commemoration of reaching 1000 pages and while waiting for the paint dryingly boring monthly chart trades, I have been working on a new entry on the daily charts that seems to be working very well. It is quite simple.

1. There must be directional confirmation on both the **weekly** and **daily RSI**. If monthly also, the better, but not necessary.
2. **Enter** using either the H1 4C BO entry or 3 Tap entry or other entry of your choice in the direction of the RSI **within the first few hours of the beginning of your new daily candle, if possible** (whatever time of day that is for you), say within the first 6 hours (although 6 is arbitrary). The point is, we are trying to capture as much of the full day as is possible.
3. Immediately place a **30 pip SL**. Then forget about it.
5. Next day at around the same time check the trade. It will have done one of 3 things: a) hit the SL, b) taken off, or c) ranged around.

If:

- a) Oh, well...go to the next trade;

b) Great, decide whether to TP or add a position if direction continues;

c) Wait it out,

That's all there is to it.

Rinse and Repeat....

Attached

Images <http://www.forexfactory.com/attachme...1&d=1305732916> <http://www.forexfactory.com/attachme...1&d=1305732928>

http://www.forexfactory.com/images/m...ading_dark.gif

*******SUMMARY OF THE METHODS TRADED HERE*******

Many thanks to Anthar for doing this..

There are in total three methods being traded in this thread, you can find the first two, which are 3Tap H4 and H1 4C BO, in post # 1. Read this post thoroughly.

The third method is called Zorro Continuation (ZC) you can find all about it here:

<http://www.forexfactory.com/showthre...rn#post4249295>

The only indi you'll need can be found in post #1 when you read about 3Tap H4. And it's exact setting can be found in the following post:

<http://www.forexfactory.com/showpost...postcount=6248>

Finally the box template for H1 BO trades can be found here:

<http://www.forexfactory.com/showpost...postcount=6254>