



SRDC

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1 SRDC: The Basic Method

The **S**upport & **R**esistance **D**aily **C**andle basic method is an extremely simple and effective way of making money in Forex and is used by many professional traders.

It can be applied on all trading platforms and, because it does not rely on indicators, it requires minimal training and experience. All you need to know is how to draw 3 types of line:

- Support
- Resistance
- Trend line

Before the Internet trading era, currencies were traded based on fundamentals and the use of these three lines. Therefore there is no reason why this mechanism is still not applicable.

1.1 *The Daily Chart*

Has anyone studied the daily chart lately? Do you know that many professional traders use daily charts only?

Open a daily candlestick chart on your favorite major pair and study it closely. (Don't read the text below yet) What do you notice?

THERE IS NOT A SINGLE BAR THAT IS EQUAL TO THE BAR NEXT TO IT!

Based on this fact, we can safely assume that the highs and lows of daily candles are unique **everyday**.

1.2 Preparation

1.2.1 Identifying the trade.

Draw S&R on any of the previous candles. For newbies, Support is the lowest price of the candle and Resistance is the highest price of the candle. Draw horizontal lines through these prices.

Do you see the next candle penetrating the lines?

YES: That's your trade

NO: No Trade

Go **SHORT** when it penetrates the support line and go **LONG** when it passes through the Resistance.

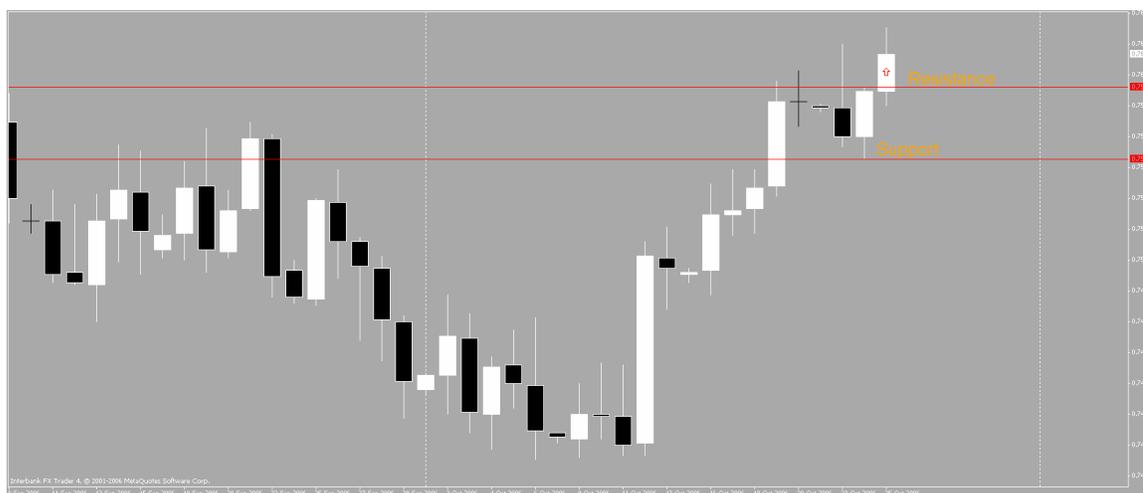


Figure 1: Identifying the trade.

Now do this:

Back test on as many candles as you like, minimum 20 candlesticks

Study the number of pips for every available trade (minus spread)

How many candles give minimum 5pips?

How many candles give more than 10pips?

How many candles give less than 5pips?

Now you have the answer. **ARE YOU EXCITED?** You should be!

1.2.2 Identifying the trend

Upon the start of a new Daily candle (00:00 GMT) draw the S&R on the previous day's candle (yesterdays).

Draw trend lines to determine the trend, this way you can anticipate price movement. It will be either towards the Support (bearish) or towards the Resistance (bullish).

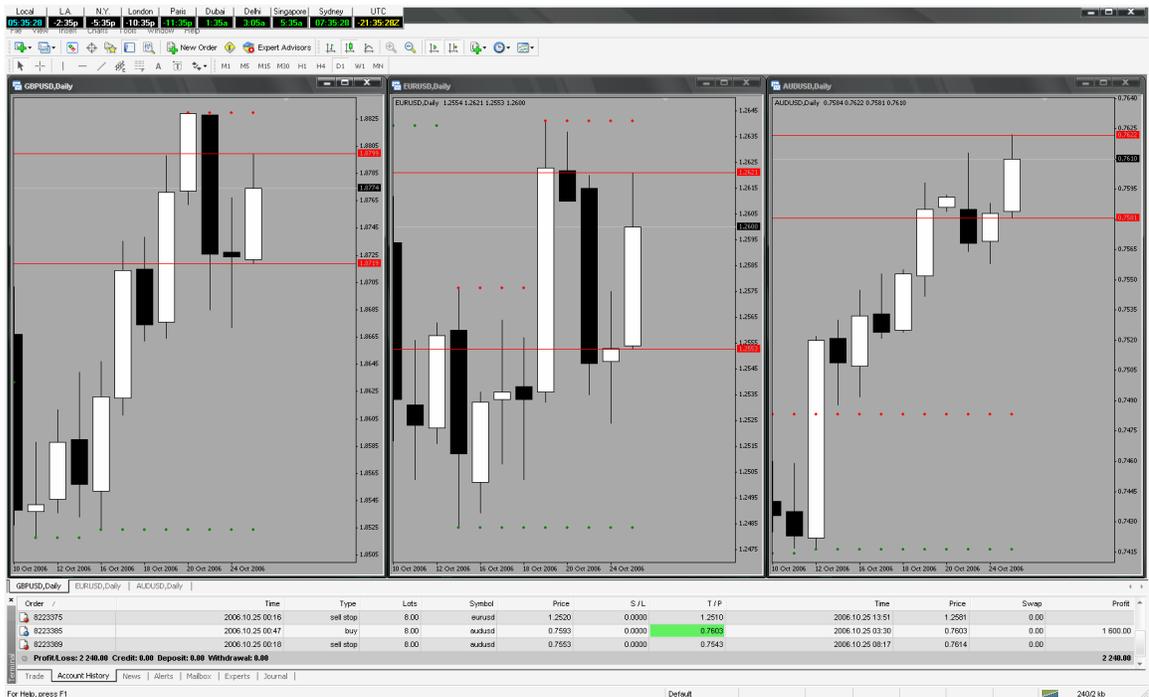


Figure 2: Identifying the trend.

1.3 Entering the trade

You can either baby-sit the trade or set it up and leave it. Either way, you can still profit from it.

1.3.1 Babysitting

Put a pending stop buy or/and stop sell orders. Wait until it penetrates either S&R and move your SL accordingly. Deploy TL when you have to. As a general rule when you see that price is 30 pips away from S&R, it's

time to place your orders. We do this because when price penetrates it usually does so very quickly.

1.3.2 Ready & Leave

Like the above, but with an assigned TP and SL. 5 pips is recommended as a minimum, 10 pips maximum. Why? Because, some bars only (very few) give a maximum of 5 pips. This way you filter out losing trades making them almost non-existent.

Try placing pending orders like this:

Price + 5 pips + spread + 1 pip: SL of 25

1.4 Things to remember and general recommendations

- 1) For obvious reasons, pick low spread pairs.
- 2) When placing pending orders, please don't forget to include the **spread** plus 1 or 2 pips as an extra precaution. Because sometimes the force is not with us (we don't want the order to be executed on the line and the price reverse!).
- 3) Watch out for the monthly / weekly highs and lows. Avoid a trade when it is near to such highs and lows. During such periods price might reverse before it hits your TP.
- 4) Don't trade too many pairs, maximum 3 pairs only, GBPUSD EURUSD AUDUSD. Why? Your margin might not allow it.
- 5) Use a SL of between 20 and 30.
- 6) After initial penetration, price momentum maybe exhausted so, for the basic method, it is recommended that you do not open another order.

2 SRDC Advanced Strategy, Level 1

After having traded basic SRDC for some time you may begin to notice occasions when your trade reverses and hits your SL long before you get the minimum target of 5 pips. The Advanced Strategy, Level 1 provides a protection against such price moves and almost guarantees 10 out of 10, 5 pip winning trades.

In fact, with this strategy you can harvest more than 5 to 100 pips without worrying too much about your trade being reversed.

The secret lies in the 15 minute chart where the candles are drawn every 15mins, therefore filtering out many bad trades.

2.1 SRDC Advanced Level I Rules

The Rules are:

- 1) Do not enter immediately upon penetration of S&R.
- 2) Wait until the candle that penetrates the S&R closes.
- 3) Wait for the next candle to fully form outside the S&R (wicks must also be outside S&R).
 - 3.1) When this candle forms trade on the next opening.
 - 3.2) When it doesn't (maybe it partly went back into S&R or touched) then go back to the rule 1.

2.2 Example Charts

Figure 3 shows an example of how to identify a trade using the SRDC Advanced Level 1 method. The highlighted candle is the first fully formed candle after the initial candle penetration of S&R. You trade on the candle shown by the arrows.

Figure 4 shows how the penetration of Resistance (top) on the 1 hour chart would be a loss using basic SRDC. But with SRDC Advanced Strategy Level I the trade is avoided because it does not comply with the rules.



Figure 3: Trade highlighted candles.



Figure 4: Avoiding losses on the hourly chart.

3 Acknowledgements

The author humbly acknowledges Master Orange Roshan as the benefactor of this system and also as the creator of the original documents, which can be found on www.forecfactory.com:

Basic Methodology:

<http://www.forexfactory.com/showpost.php?p=126361&postcount=1>

SRDC Advanced Strategy Level I:

<http://www.forexfactory.com/showpost.php?p=162227&postcount=690>

4 APPENDIX

4.1 *Disclaimer(?)*

4.2 *Notes*

4.3 *Terms and abbreviations*

S&R	Support and resistance
SL	StopLoss
Spread	The difference between the bid and ask price of a financial instrument.
SRDC	Support & Resistance Daily Candle
TL	Trail Lock
TP	Take Profit

5 Revision Details

Draft	Author	Details
Version 1.0	Exastris	First draft