# *Bernhard's*

28Pairs Currency Strength Trading System
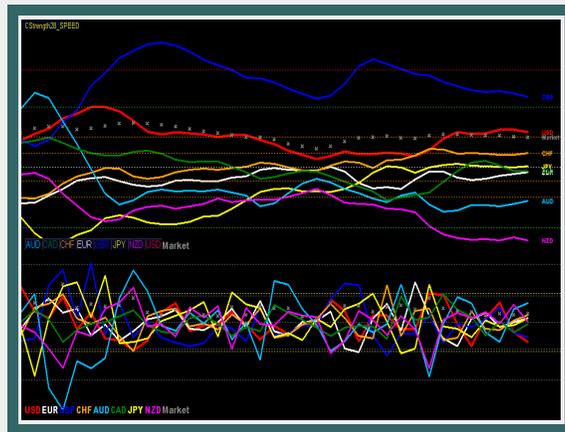
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Preface

Thanks to Bernhard and his team for creating this powerful trading system.
Hopefully this manual will be of some benefit in using it and serve as a speedy reference.
Also thanks to members of this group for online thread support.
Original Bernhard Instuctional Thread here...http://www.forexfactory.com/showthread.php?t=584503

Trade Wisely and May All Your Pips Be Green

PipFlak
Nov. 2016

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Trading the System

28Pairs Currency Strength Strategy by Bernhard

The 28Pairs Currency Strength Trading System - also known as Double-GAP Strategy - is my primary trading philosophy and is based on exploiting individual currency strength and weakness.

Now including currency speed impulse and supply/demand zones.

The principle idea is buying strength and selling weakness. This is a fundamental strategy for investors in all marketplaces. Most amateur retail traders in Forex either ignore this winning strategy or are unaware of it.
With this strategy we look at individual currencies rather than currency pairs and then buy the strong currency and sell it against the weak currency. This will give your trading a real edge.

When I refer to the Market I mean THE 8 main currencies and the 28 FX pairs that are derived from those 8 currencies.

The market has to be seen always in equilibrium. If one currency is bought some other(s) must be sold. This we could call her money flow. (I may use terms in a different way as they are used usually in this thread).

When we analyze the market we look at the whole market which to us is 8 currencies and 28 pairs. (Exotic pairs are not included for now.)

When most traders look at a chart to find a trade setup they would need to check 28 charts to understand what the Forex market is doing. **When you use the the CStrength28 strategy you only look at currencies, not pairs, and for that we need to check only ONE CHART!** Do you understand now the edge?

So lets first have a look at the 8 currencies which are:
US Dollar, Euro, Yen and Pound, these are the most important because they have the largest trading volume, then there are Swiss Franc, Australian, Canadian and New Zealand Dollars.
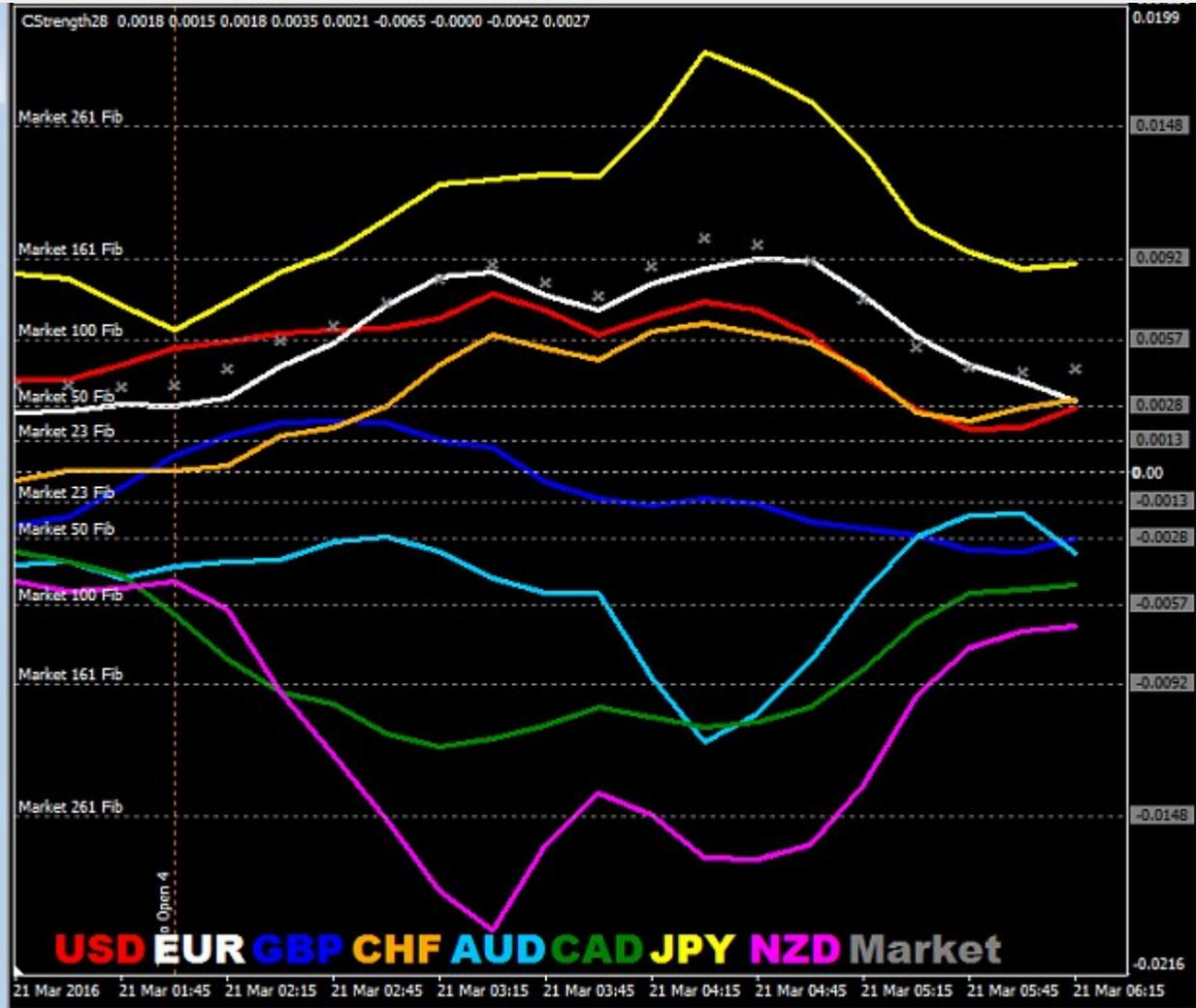
Each single currency belongs to a single economy. Some currencies are trending up some currencies are trending down, this information you can not see from a single pairs chart. For example: if the EURUSD pair is trending up you do not know why from looking at a single chart. Maybe the Euro is strong and the USD is flat or the Euro is flat and the USD is weak or even both are strong and the Euro is just stronger. Remember in any chart there are two currencies they are called the BASE and the QUOTE currency.

To maximize your wins and minimize your losses you need to know what an individual currency is doing in the context of the whole market. Staying with our EURUSD example: a EURUSD chart will show you only 1/28th of the market so you only have a small amount of information to base your trading decision on. Given that each currency can be paired with 7 other currencies you should be basing your trade decision on the information that all 14 pairs give you. By using the CStrength28 indicator you can get all that information from just the one chart.

Now you may know all of that already but stay put I will add new stuff!

Terms I will be using in this thread may be different from usual.
CS=Currency Strength Line, GAP=(currency up or down/2 bars), sGAP=single GAP, dGAP=double GAP, iGAP=inside GAP, oGAP=outside GAP, iDir=inside Direction, oDir=outside Direction, MaMom=Market Momentum, MFib=Market Fibonacci level.

The goal of the strategy is to find out the sentiment of the market and which pair is good to trade and which pair is not. As a trader you should know if a currency is trending, consolidating or reversing as this will give you information on how to trade. Do we look for continuation or do we look for pullback/reversal? This is THE most important information you need to trade and this strategy will give you the answer!

Now we will go to some examples for illustration. I prefer a graphical demonstration.

GAP is used for a move of single Currency (up or down after candle close for the last 2 or 3 candles in a defined angle)
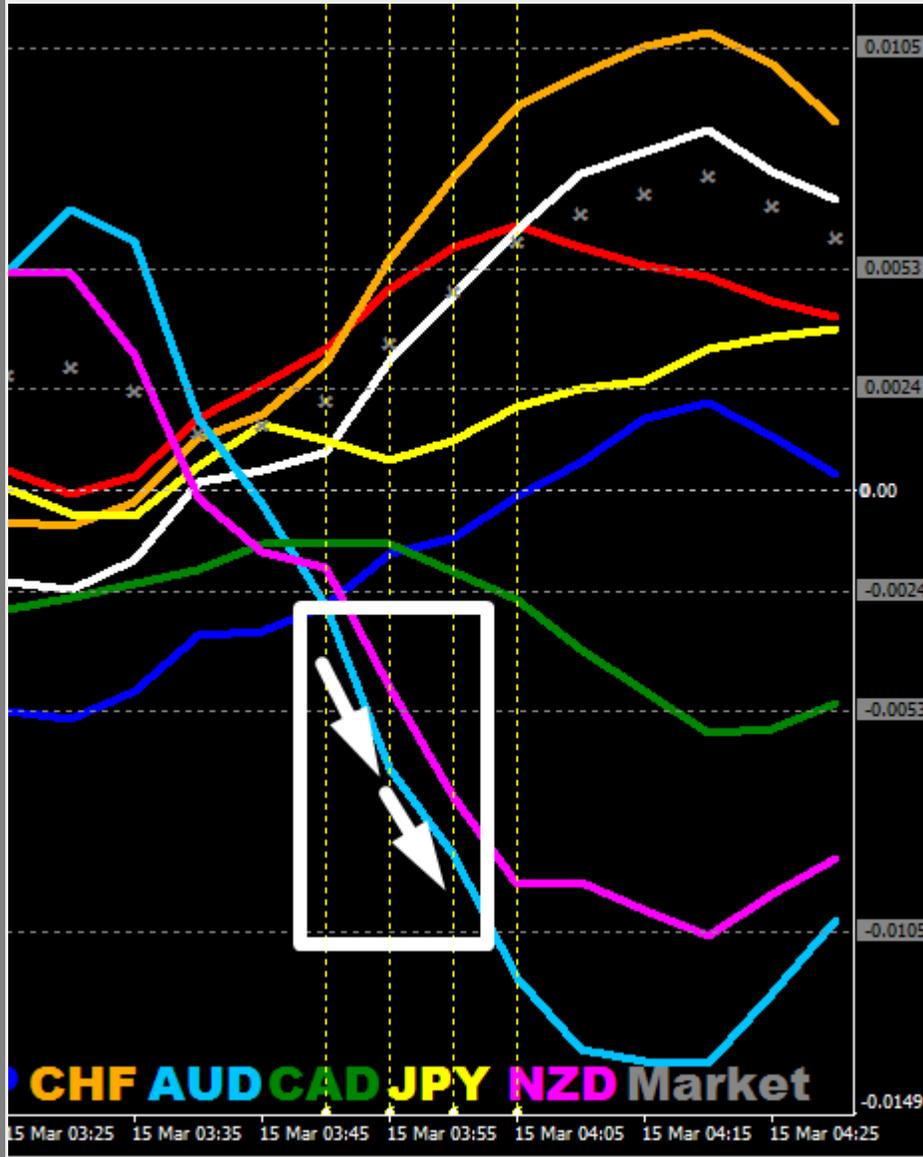
sGAP or single GAP (CS weak against weaker)
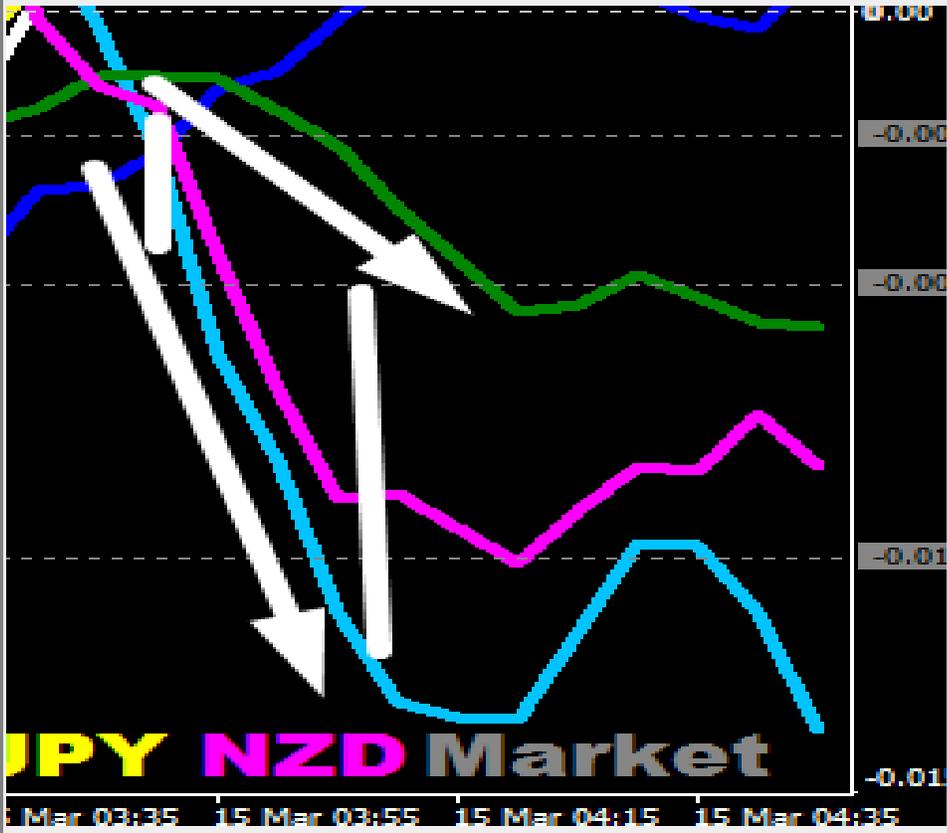
dGAP or double GAP (2x GAP in opposite direction)
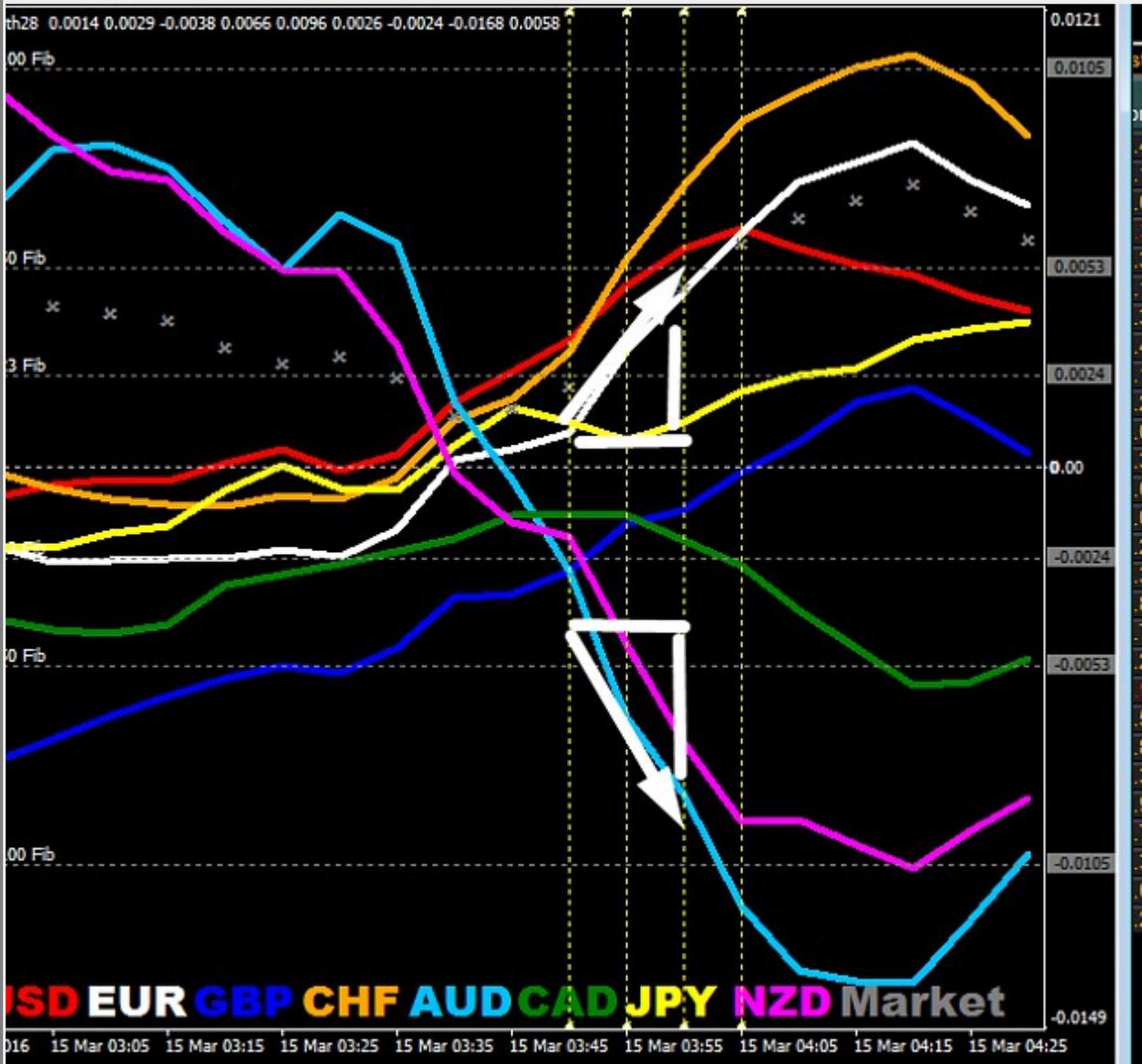
Definition of dGAP how it is used here:

We need 2 Currency GAP's to get one dGAP:

Example EURNZD:
We check after a candle closed:
Take the currency strength of EURO and compare it 2 candles back to get the EUR GAP
Take the currency strength of NZD and compare it 2 candles back to get the NZD GAP
IF EUR GAP is down and NZD GAP is up = sell EURNZD

This is a double GAP !

After we have seen the double GAP (dGAP) we need also understand the simple GAP (sGAP) which is often used. It is the currency strength change between the base and the quote currency. A double GAP is always a simple GAP too but a simple GAP is not always a double GAP.

A simple GAP can be:

Currency A is weak and currency B is WEAKER
Or currency A is flat and currency B is stronger
Or currency A is little weak and B is stronger
*And this are weak trades and vulnerable to pullbacks.*

A double GAP means 2 separated triggers so we look at quote and base currency separated:
Currency A is weak and currency B is strong
Or currency A is strong and currency B is weak
This applies to every time frame (analyses in multi TF we will see later!).

Again back to the GAP.
To define a currency (CS) is weak or strong I look at the slope (angle) of at least the last 2 candles or periods (because the currency line is not a candle should be called over 2 periods).

Those GAPs are too flat
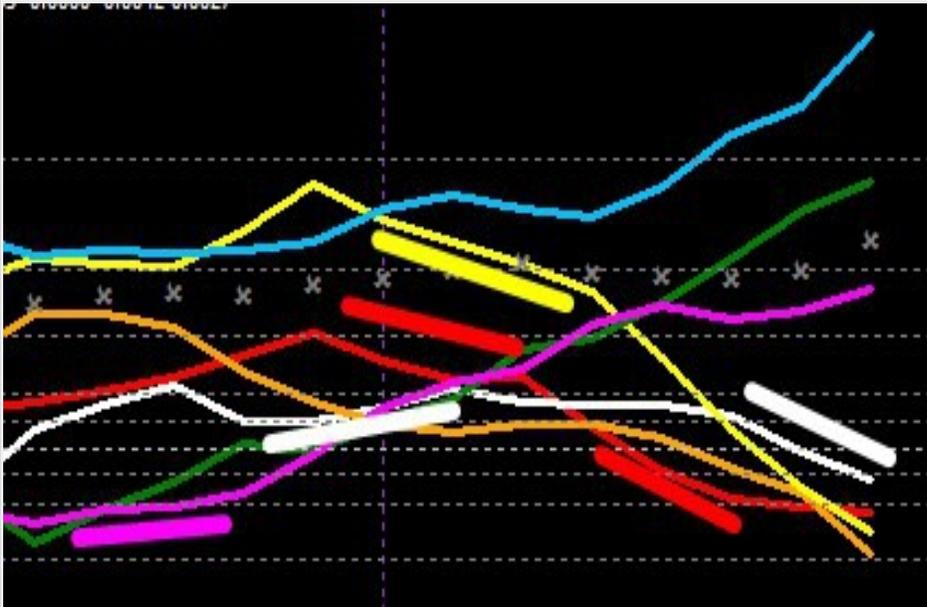
Those are nice CS angles
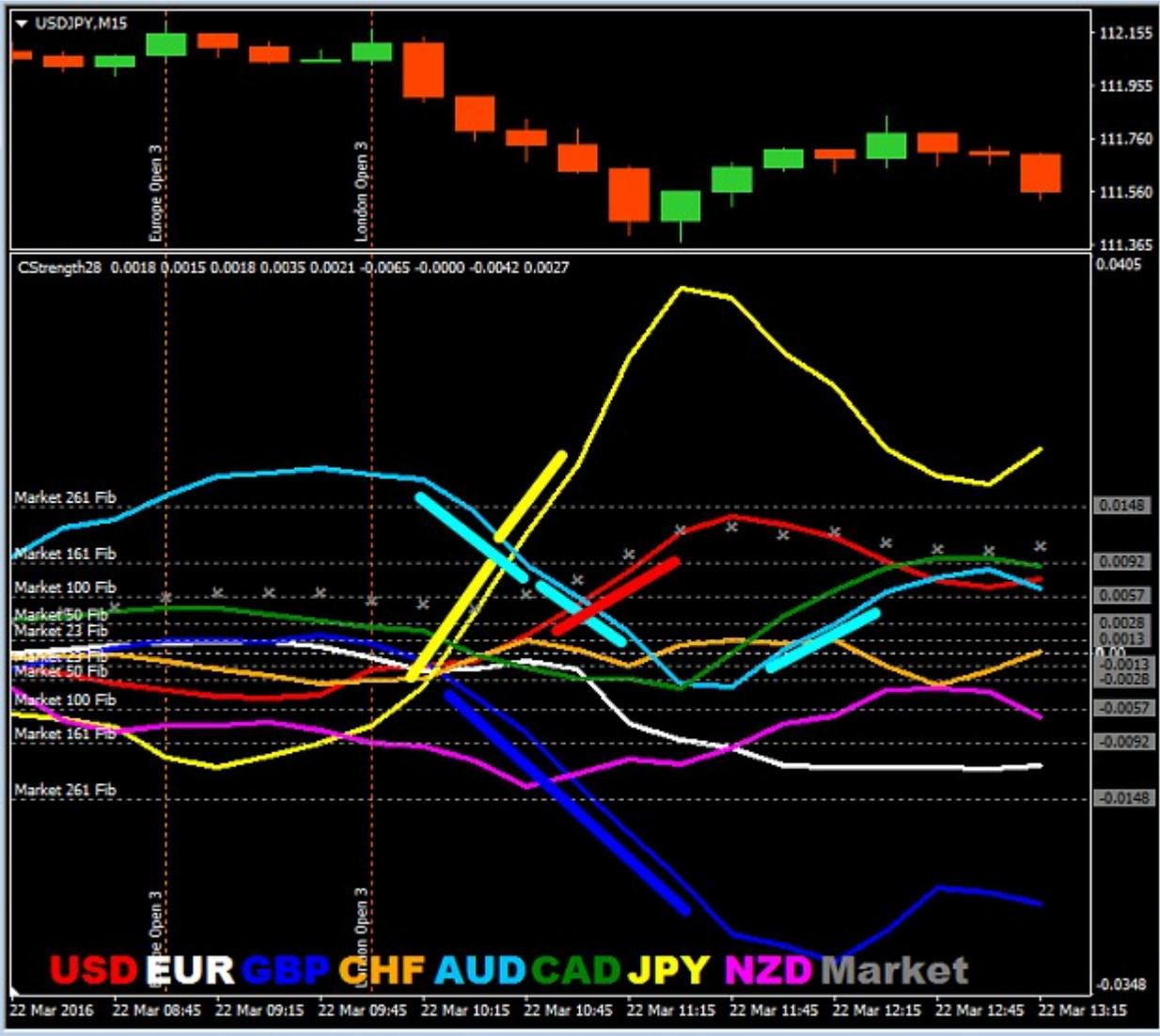
I also differentiate between outside and inside GAP (oGAP, iGAP). As borderline we use the zero-line.

oGAPs
You see here strong JPY oGAP up and EUR oGAP down. So EURJPY was in nice down move.

iGAPs

Here are inside GAPs. For iGAPs I like see the angle stronger and coming from extreme outer zones.
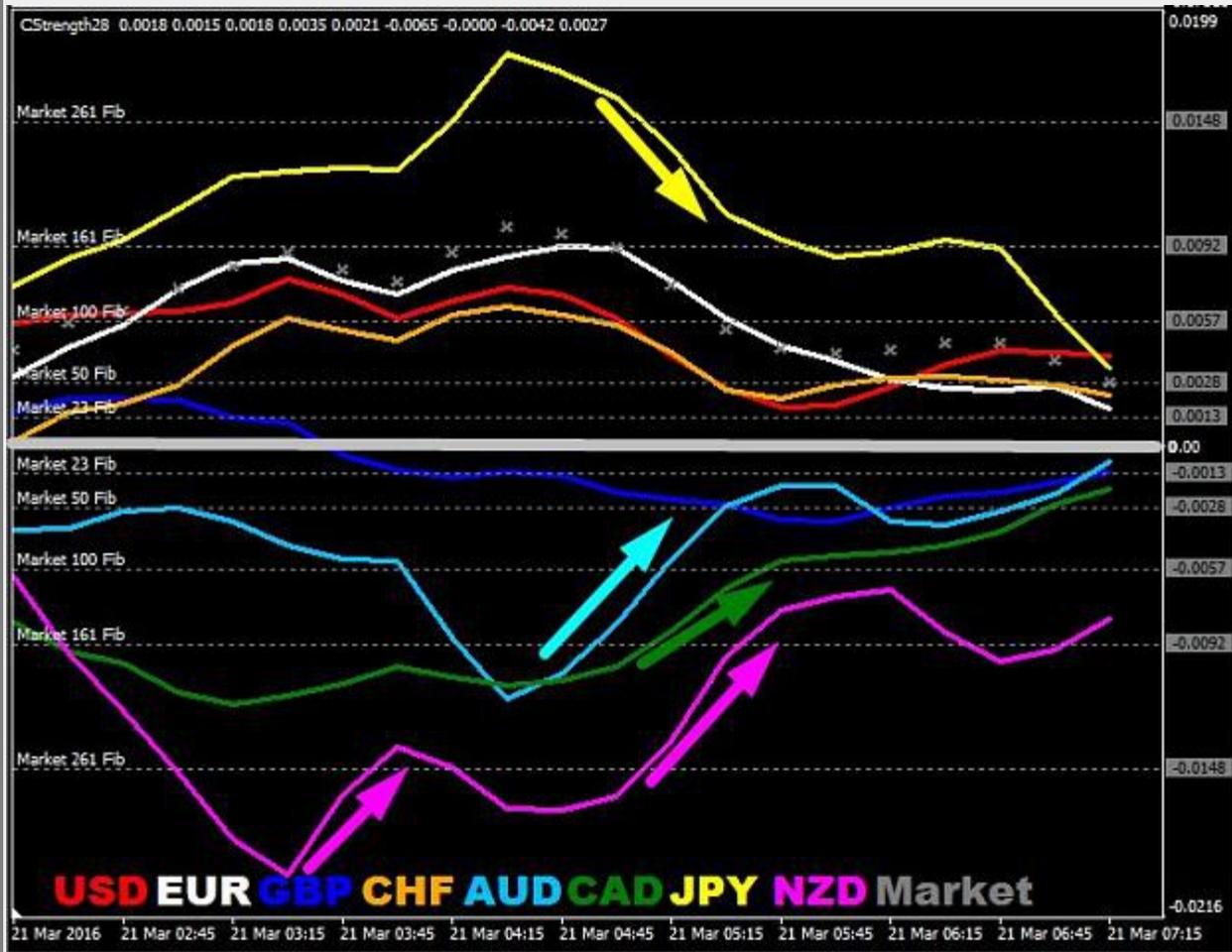
To be strong up-slope from negative zones must be steeper than up-slope within positive zones. Because if the currency is still in negative zone it have still weak sentiment until it cross the zero market line. To look only at numbers or arrows (like many indicators) give only a small picture or fraction of the information.

Be aware a iGAP is still only a pullback until it cross the zero-line. If you trade iGAPs you must have experience with pullback trading. Easier for beginners are the oGAPs trades.

Some more theory to understand the Forex market of the 8 main currencies, I call it **The markets equilibrium**:

All 8 currencies are at all times in equilibrium, which means the total volume of selling is always equal to the total volume of buying. We can see this now how the indicator shows. If we compare all positive values against all negative values they are equal. So the conclusion is if one currency is sold strongly there MUST be one or more currencies be bought. No money is lost, make sense?

Our job as a trader is to find out where the currency flow is going. **It make no sense to sell a weak currency against another weak currency only because it is a little weaker, we have to find out which currency is strong and trade strong against weak!**
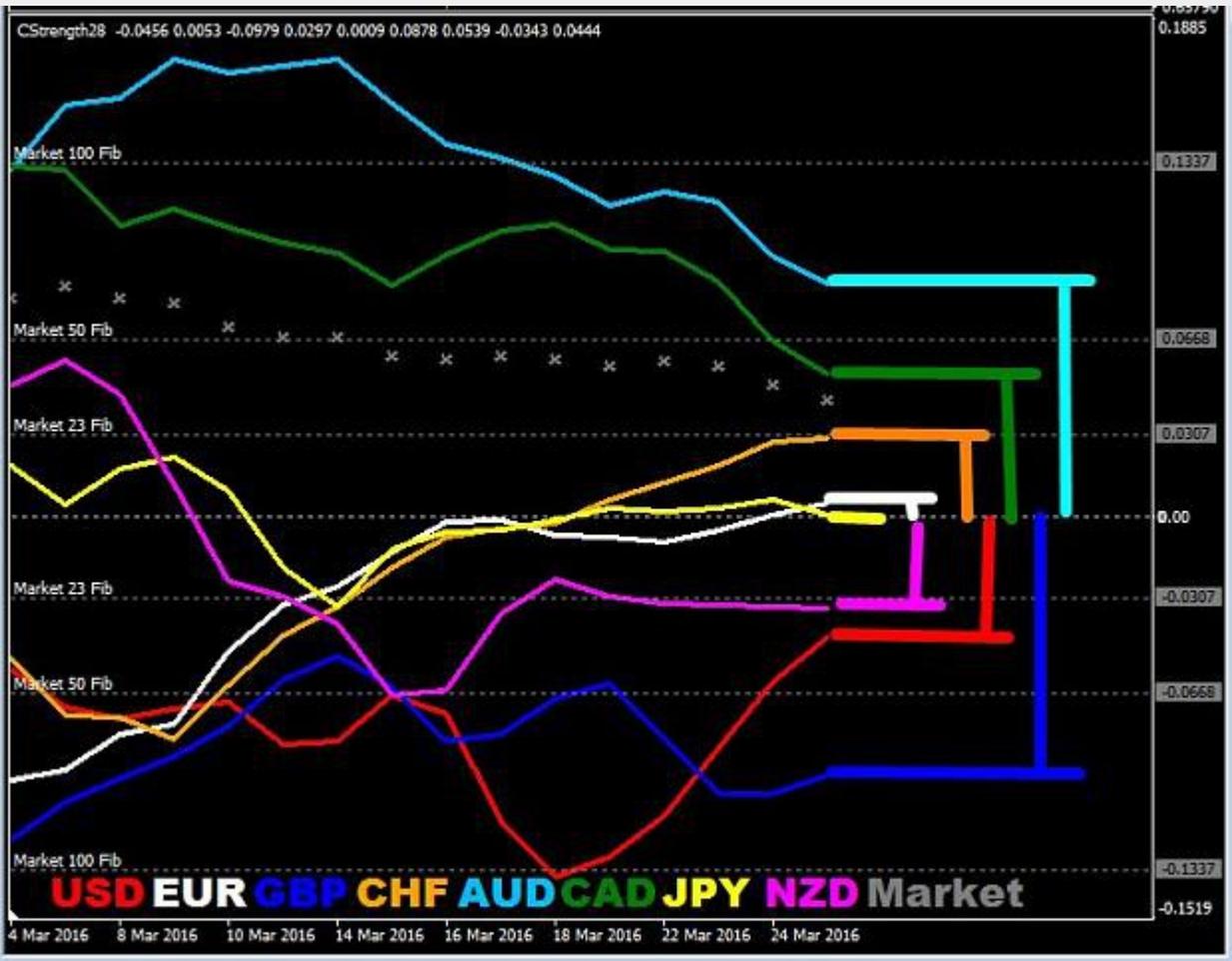
In this picture we see the 8 currencies with the 8 colors. :
Positive values A: EUR+CHF+CAD+AUD
Negative values B: GBP+USD+NZD+JPY
A is equal to B just negative.
It does not mean we have always 4 values positive, there can be 3 positive and 5 negative or even 2 to 6, it will be always A=1/B. So what we learn from it as a trader? If one currency is very strong (major news) then there MUST be one or more weak currency, so there we go for a trade!

Trade with the market, don't go against !!!

This is a perfect setup. Can you SEE?? Do you see the whole market in a blink of an eye?

You see it, right?

If something is strongly bought then there MUST be something else strongly sold. So get the right picture of the market but quick and buy the one going strong up against the one going strong down!

Now we go a little deeper in special features of the indicator Cstrength28.

First we have CS-lines with a special calculation which is different from earlier indicators of this kind. The goal is to get a soft CS-line without many picks to get it soft and in same time to be reactive enough to show signals early. Those are adapted differently to each time frame, because each time frame behave different.
Second we have Market Fibonacci Retracement Zones (MFib): This levels are used with CS-lines for potential reversal zones and strength sentiment. Will be explained later more...
Third we have Market Momentum (MaMom). Will be explained later...

So now to the Market Fibonacci Zones (MFib).

You see here this special levels MFibs at were very often a currency is flatting or reversing, this is known in pairs but it is also seen in a currency itself! MFibs levels working on the 8 currencies.

Market Fibonacci Retracement Zones are the 161 and 261 MFibs. If you have a dGAP signal do not enter if one of the 2 CS is already at this high levels. You should be already in a trade before the 100 MFib. Then when one of the 2 CS reach the 161 or 261 MFib you can be ready to think about taking profit. Watch if one CS loosing steam and get flat or get a hook, then close your trade.
Examples will follow...

The trade zones:

Inner zone green - trend-trades
From +100 to -100 market Fibonacci zones.
I call it also the trend zone. Here we look for trend-trades, both directions allowed preferred outside directions form Null or 23 MFib oGAPs (it is up to the trader he might decide to wait for a breakout of the 50 MFib.) and we can hold it until we see a hook, hold it still through the empty space between green and pink zone. If we do not have a trade jet we do not enter in the empty space it is to late.

Outer zone pink - reversal-trades
Higher then +161 and lower then -161 market Fibonacci reversal zones.
I call it also the reversal zone. Here we do never enter in direction to more outside (no oGAP), only as a reversal to the inside iGAP if we see a hook and an other iGAP (needs the second currency to build a pair, dGAP with iDir). If a currency have hit the reversal zone we are allowed to enter in the empty zone a reversal trade to the inside. Again: iGAPs need to be steeper then oGAPs. If a iGAP is not steeper it might be only consolidation or a small pullback until the trend resume.
I repeat: Be aware a iGAP is still only a pullback until it cross the zero-line. If you trade iGAPs you must have experience with pullback trading. Easier for beginners are the oGAPs trades.

Be aware smaller TFs are more volatile then bigger ones. Smaller TFs like to hit higher market Fibonacci reversal zones.

Single TF Trade Examples
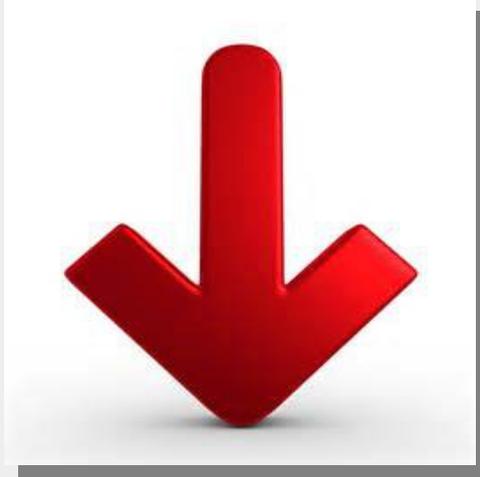
Trade example CADJPY

1. First trade was a BUY dGAP oDir, it was closed when CS weakened and got a hook. Then CADJPY reversed as expected. (The first trade could have had an earlier entry but I was not on computer.)
2. When it crossed the 0-line I get short so SELL its a dGAP oDir too but with inverted CS-line. Those short was closed as well when CS weakened and got a hook.
3. At the end you see again a long this time the BUY is a dGAP with iDir, the angle was steep, I did not wait for cross the 0.

this is m30

Trade example AUDJPY

1. First trade was a SELL dGAP oDir, it was closed when JPY weakened and got a hook at 100 MFib.
2. Then AUD reversed at MFib 161 with strong slope and JPY as well, it was time of London Open. I entered long it is a dGAP with iDir, the angle was steep both currencies came from higher levels, I did not wait for cross the 0. The BUY was closed when JPY showed flat at MFib 50 and AUD got a hook right before MFib 161.

this is m15

Trade example CADJPY

Both CS have reversed around MFib 100 at time of London Open. Entry was when CS crossed the 0-line and also the MFib 50. Profit was taken at 85 pip. Enough... CS were above MFib 100 and 161 at this time.

This is m30

Trade example USDCAD

Same day as trade above. Counter part here USD. USD not the strongest slope but steady, it was just crossing the MFib 23 to show bearish sentiment, CAD was just at 100 MFib at entry. Profit was taken at 95 pip.

This is m30 too
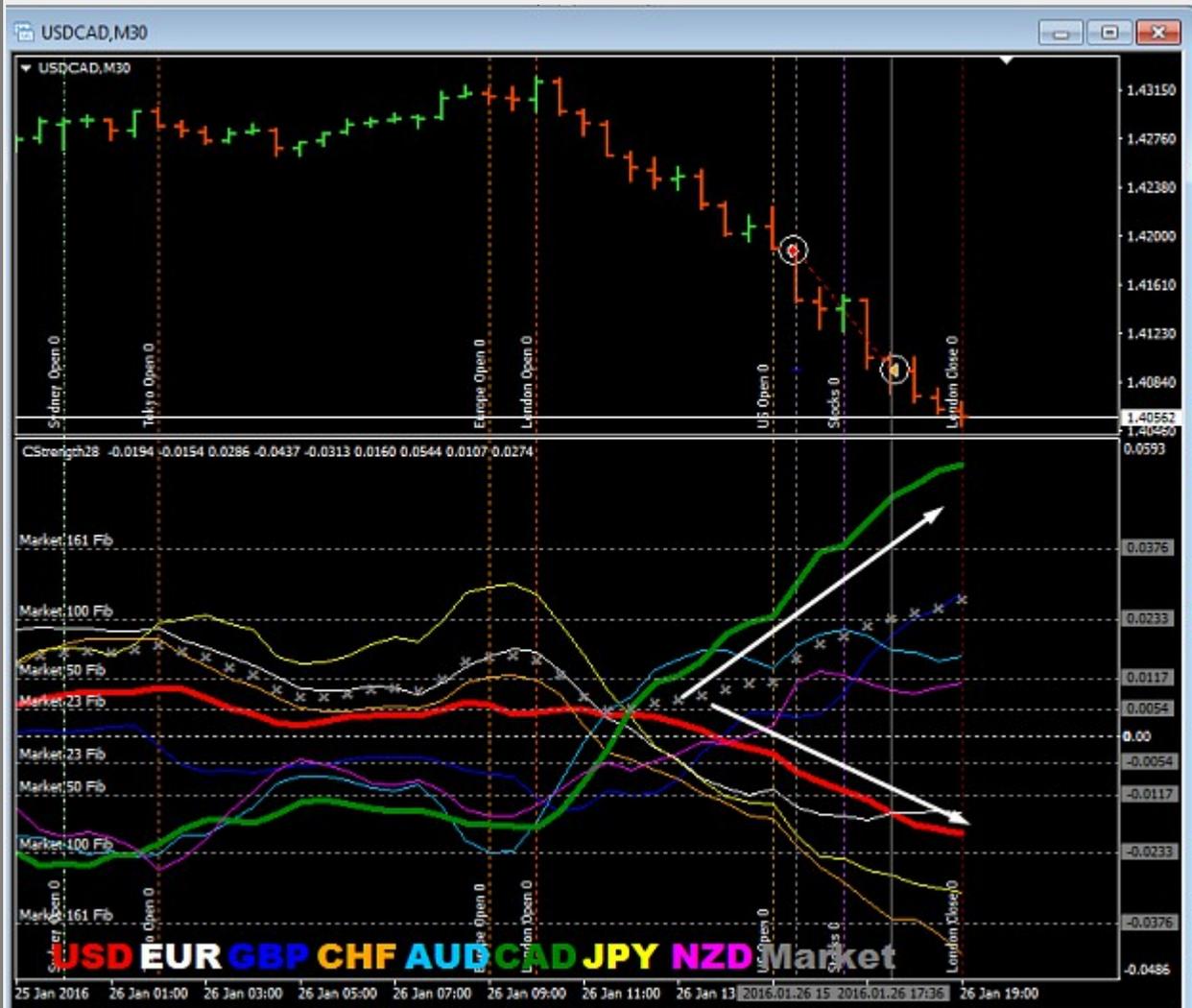
Trade example NZDJPY

NZD has hit MFib 261 and turned on it. JPY was near MFib 161 and turned some later. So this is dGAP with iDir a pullback trade. Entry was before both crossed the MFib 100. GBPNZD was possible too but spread on this one is very big and not advised for a m5 setup.

This is m5

Reminder: iDir: inside Directions are pullback trades, so target have to be smaller, get SL not to big or just above the last high, optional trail SL when a lower high showed up (in case of a short like here).

Trade example AUDCHF

Both CS showed a hook over MFib 161. First trade was a m5 setup and hit TP near a recent level. Then when switching to m15 there was still more room and good slope for a second trade. dGAP reversal trades with iDir. 2x 35 pip.

This is m5 and m15
Attached Image (click to enlarge)

Trade example CADJPY

Again CS hit MFib 161 and reversed, JPY has hold a little longer flat before and then dropped together with CAD in a steep slope. dGAP reversal trades with iDir. TP 35 pip at a recent level.

This is m5

Same goes for the next 4 Trade examples.
I don't need explain much more...
TP 35 pip each
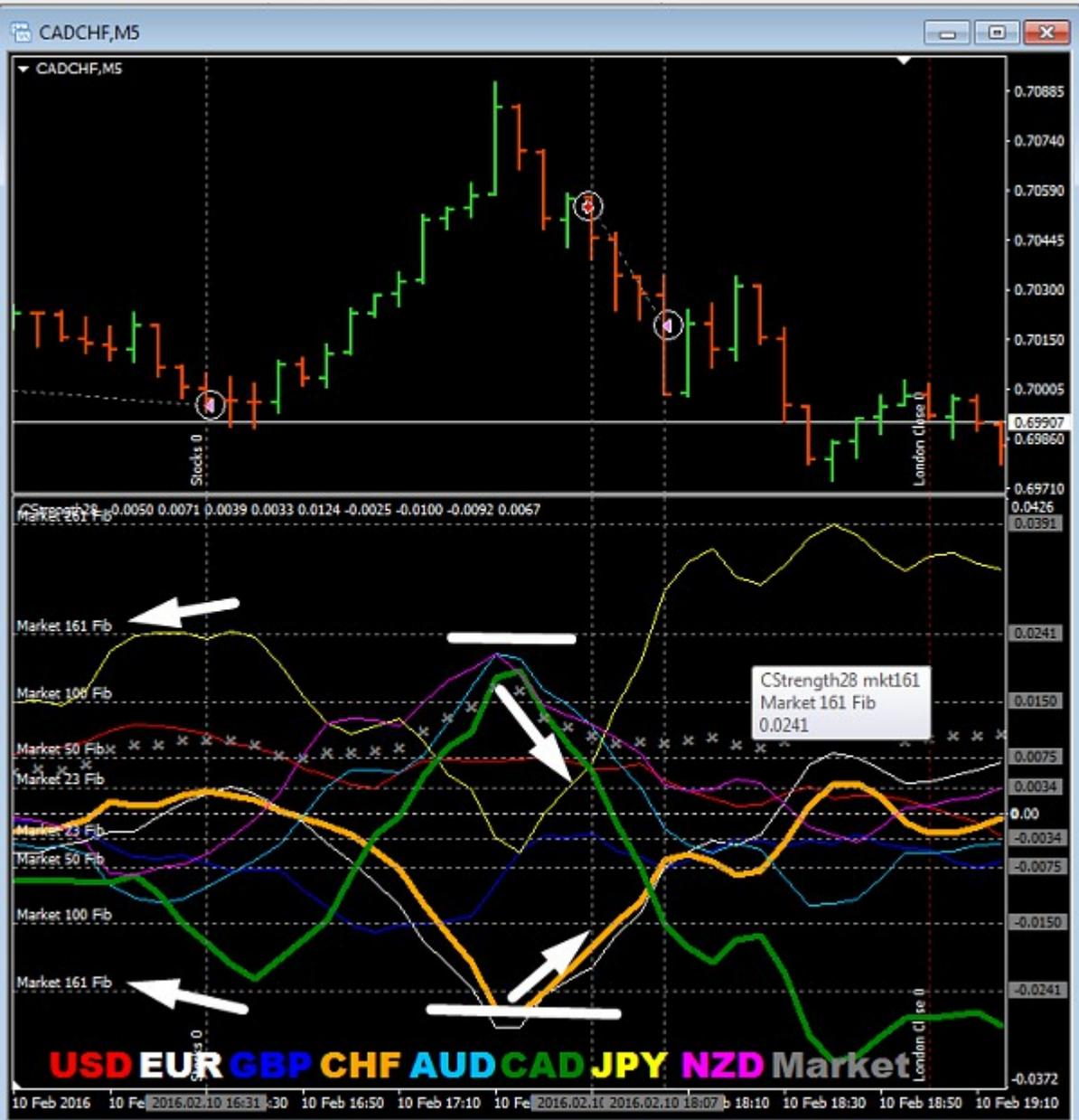
If you are a patient intraday trader then you may like more m15 setups. CHF turned around MFib 161 and after a strong NZD impuls from MFib 161 the slope of both CS have been constant over the half London session. This one I hold on until the CS showed weakness and got flat. This trade was 80 pip.

This is m15

Trade example CHFJPY
It was taken at London Open. Market showed direction already in Frankfurt. Entry was when both CS broke MFib 50 and were hold until JPY went flat and CHF got a hook. dGAP oDir. This trade was 50 pip.

This is m15

Multi TF Trade Examples

Now we will study **how to trade CS with multiple time frames**.

First of all I trade all TFs and a word to money management. You have to apply the position size to it. Bigger TF, bigger SL, bigger TP, smaller lot size, longer run time! But with higher TF spread becomes less important and so we can trade more pairs. Conservative is a risk of 1% to 0.5% of account per trade. So do some math, first check how much have to be the SL then calculate the lot size with the risk to it.

Try to stay in the trend of the higher TF and get your entry on the lower TF. The higher TF should be at least 4 times bigger. So m15 and m30 would be to near. A rule of say it must be 2 TFs higher would not work in every cases. D1 is 6 times bigger then H4 so this is same relation like m5 and m30 which is also 6 times more but if we say its 2 TFs higher, so this is relative. There should be a H12 but mt4 don't have. That's why H4 and D1 will work like a 2x TF higher.

For beginners I advice to stay with/above m15. Higher TFs give better signals, but reduce the position size as it need bigger SL but it give you also bigger TP.
m5 or m1 I use only if there is a reason for it, like on Open or if I decide to trade a red News. Still scalpers can explore it.

So said this our TF choice will be:
m15 - h1 (optional also possible m15 - h4)
m30 - h4 or h1 - h4
h4 - Daily (optional also possible h1 - Daily)
Daily - Weekly

To add a third TF is optional, more like to switch to a smaller TF to see more details for entry or exit if needed.

Trade example CADJPY with multiple time frames

H4 CAD was continuously dropping, JPY was strong up both oGAP
m15: JPY oGAP in agreement of h4 broke above MFib 50, CAD oGAP in agreement of h4 broke below MFib 23
(note: because the GAP counts with candle close the entry trigger GAP ends the candle before. Here also was used a micro pullback to enter the trade.)
The trade was closed at 50 pip

This is m15 and h4

Trade example CADCHF with multiple time frames

H4: both CS continuously move in oDir
m30 both CS oGAP in agreement of h4
The trade was closed at 30 pip when CAD and CHF lost steam and got flat.

This is m30 and h4

How To Apply CS line angle

How do we apply the CS-line angle.

By definition a GAP is up or down of CS in a defined angle for 2 periods (or candles after close).

But what is the defined angle? I will give you now an idea. Still have in mind as we trade manual you need to get this with the eyes and not in exact numbers.
**First what it is NOT.** It is not what is understood in common sense an angle (geometry). Because if you change on chart the numbers of candles to show the common angle will change. This are all the same charts and TF but with different number of candles or zoomed in and out with + - .

Those are NOT defined angles:

Now what is the defined angle? **It is CS change in relation to the MFib 23.** I like to see a minimum change of the size around of MFib 23. Remember its a rule of thumb just get it with your eyes. Then it will give same signal regardless what zoom you use on a chart.

Those are defined angles:
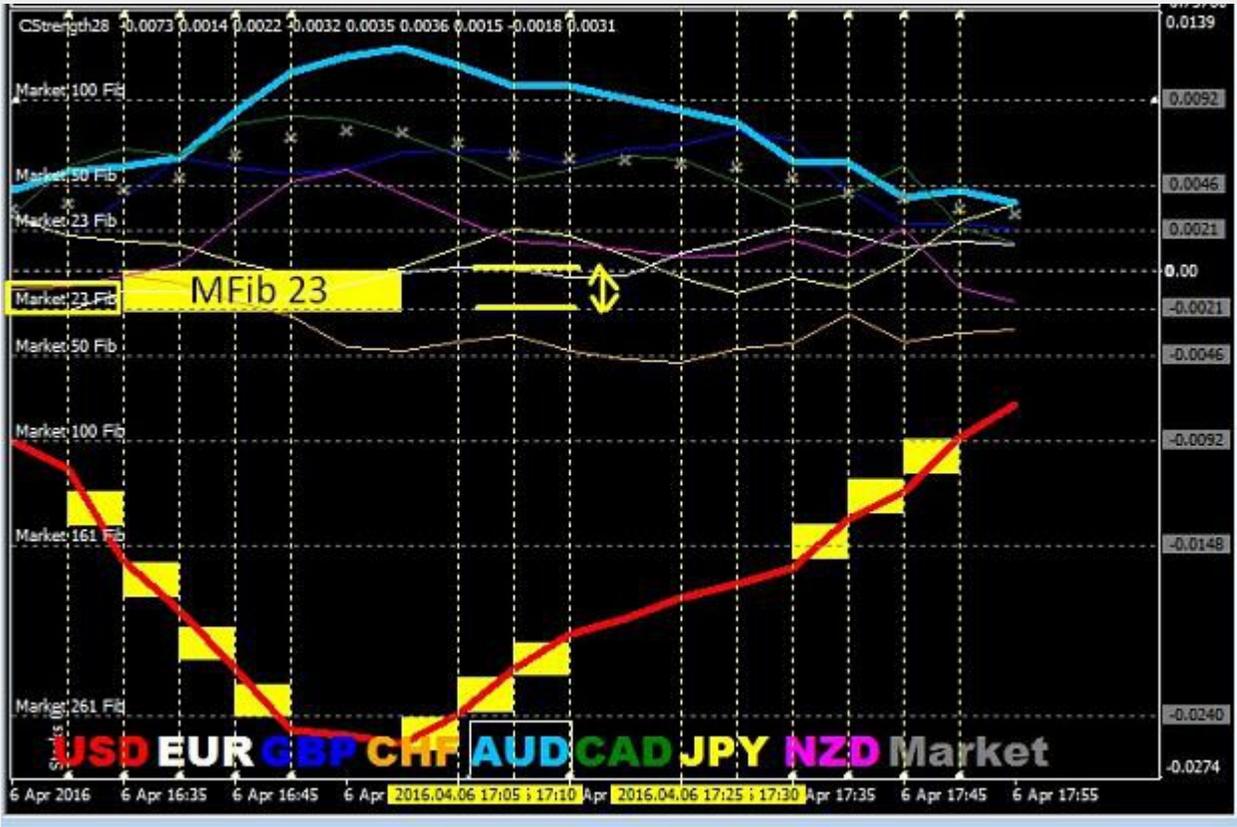
Here in yellow: long square between MFib 23 and NULL.
Small yellow squares copied size from above and apply to 1 period or 1 candle. This example is m5.

Note: as the volatility drops in higher TFs (up from m30) the size can be smaller.

CStrength 28 Speed

CStrength28_SPEED
new Indicator in combination with CStrength28
Shows ACCELERATION AND SPEED OF CURRENCY STRENGTH

CStrength28_SPEED is a new product. It is build on same engine as CStrength28 but on top of it prints out the acceleration and speed of currency. If the speed is overshooting the outer MFib levels it is very strong signal. SPEED helps you to spot turning points. We read only the extreme picks for now. Don't forget to invert the reading of the quote currency.

The CStrength28_SPEED indicator is built on the same underlying algorithm and makes it even easier to identify and confirm potential trades. This is because it graphically shows whether the strength or weakness of a currency is accelerating or not and measures the speed of that acceleration - think of it like the speedometer in your car. When you accelerate things obviously happen faster which is the same in the forex market ie if you pair a currency which is accelerating with a currency that is slowing you have identified a potentially profitable trade. Get the initializing trigger of a new trend early! This acceleration and deceleration can be used by both swing traders and scalpers. To swing traders it shows when a new trend has been triggered and to scalpers it shows which pairs are going to have movement.

CS_Speed on News.
This was just too beautiful, I love it.

The initializing trigger of a new trend or big move is printed clear and early in its acceleration speed !

Alerts have been added to CStrength28_SPEED v1.1

<mark>How to use CStremgth28_SPEED alerts.</mark>

The Alert trigger value can be edited for any MFib level in settings (does not need to be a Fibonacci).
It can be any number. The yellow line shows the level chosen on the chart.
Then we see the numbers of the highest and lowest speed value.
Followed with the CS which reached the trigger value (if there is any).
A button will then pop up with a suggested pair. By click on it will open a new chart in same TF.
Save your favourite template with the size of half the MT4 chart window to the name "default". So your personal template will always be automatically applied.
Attached Image

The alert will be given when ONE currency reaches the trigger value (yellow line on CStremgth28_SPEED) and a button will pop up with a suggested pair, clicking on it will open a new chart in the same TF.

When to trade a speed signal/alert:
We need to read both of the indicators. When we get a speed alert we must apply the following rules:
Always be in agreement with CS. At what level is CS (CStrength28)? If the CS is outside of inner zone (outside of MFib 100/-100) do not trade an oGAP but if speed signal flips and the CS hooks you are allowed to trade the iGAP from the higher MFib levels. (post 8)
If CS is in inner zone (between MFib -100 to 100) you are free to trade both oGAP and iGAP (post 5).
These are the CS rules and must always be applied. Of course to have a trade you need to pair two CS to fit into the rules but only one CS hit the trigger value of CStrength28_SPEED.

Trade example GBPJPY

this is m5

A speed flip traded with iGAP. 50 pip. This pattern repeats itself many times. The SPEED indicator shows it very nicely and it mostly happens when CS is at outer MFib retracement zones or Support/Resistance levels. Maybe market makers hunting stops and when their positions get filled they then turn the market in the opposite direction which we can see in acceleration/speed.

Trade example GBPJPY. This was a perfect setup:

This is m15

Reaction of both CS from outer MFibs (CStrength28). Reversal Speed signal (flip), both CS-speed at trigger value! Shows flip of earlier move. Steep inside GAPs on CStrength28. TP 50 pip hit quick. (An other speed signal was given even earlier and gave warning the trend (was short) is coming to an end.)

A regular setup from inner zone, NZDJPY:

this is m15

Take profit was hit quickly could have run much further. 2x 35 pip.

Summary: The key to is to make sure both indicators agree with each other.

Alternative Exit Rules

Alternative exit rules

This is optional for the trader. We do not need all the time wait if SL or TP is hit. We can react with actual market conditions to manage trades.

1. Exit when CS changes direction on TF or on higher TF
2. Exit when CS hit MFib 161 with flat angle
3. Exit a trade with GAP outside direction when market momentum drops
4. Exit when sGAP change sentiment

Exit when CS changes direction on TF or on higher TF

AUDJPY was closed when both CS showed a hook
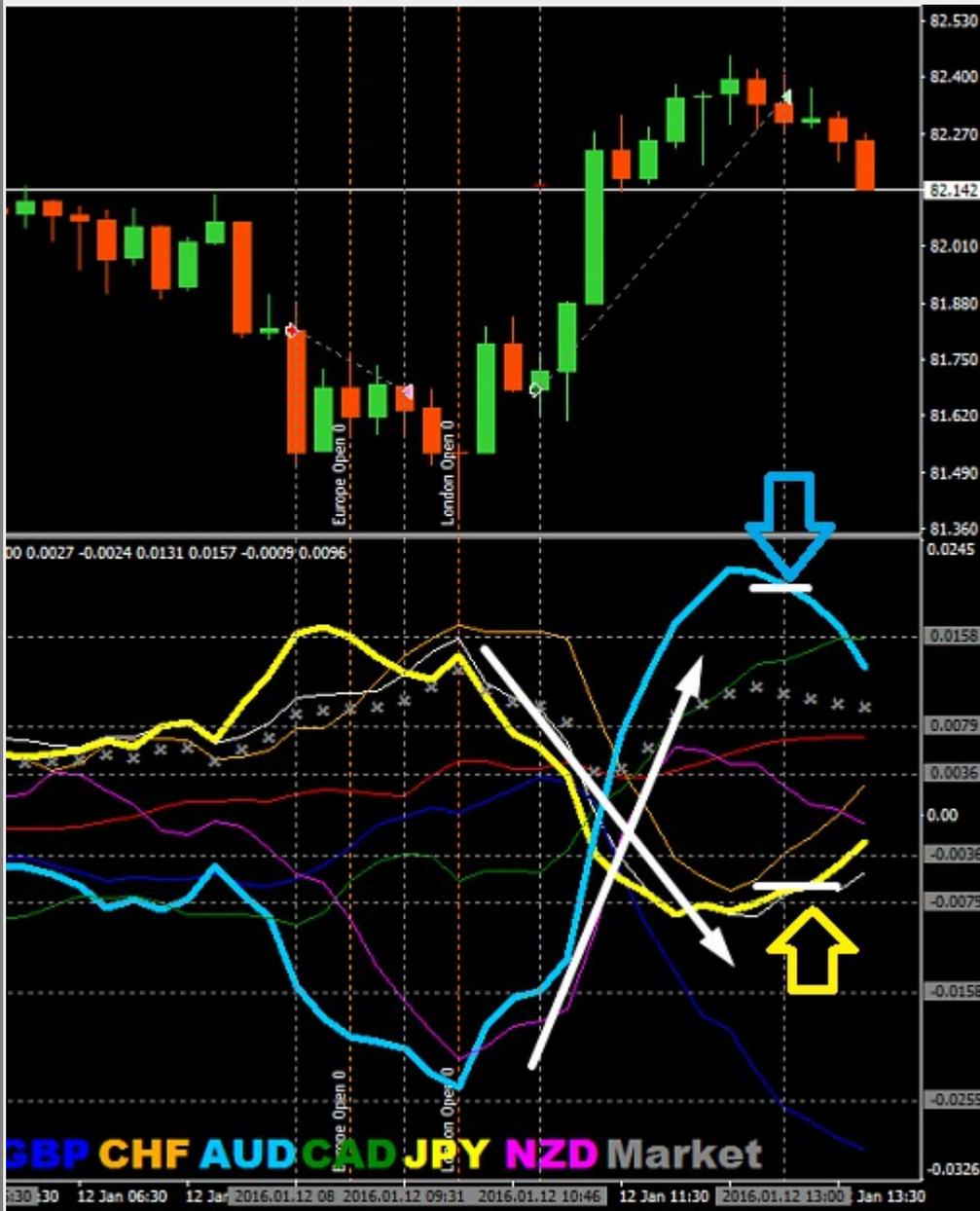
Exit when CS changes direction on TF or on higher TF
Exit when CS hit MFib 161 with flat angle

CADJPY here is a combination of both exit options
CAD hit MFib 161 and flattened
JPY shot a little over MFib -161 and flattened
After both reversed with hook

here m5

right side is higher TF H1

CStrength28 Exotics

Here a Gold trade H4
Profit taken with 115 + 150 pip

XAUUSD H4

first entry
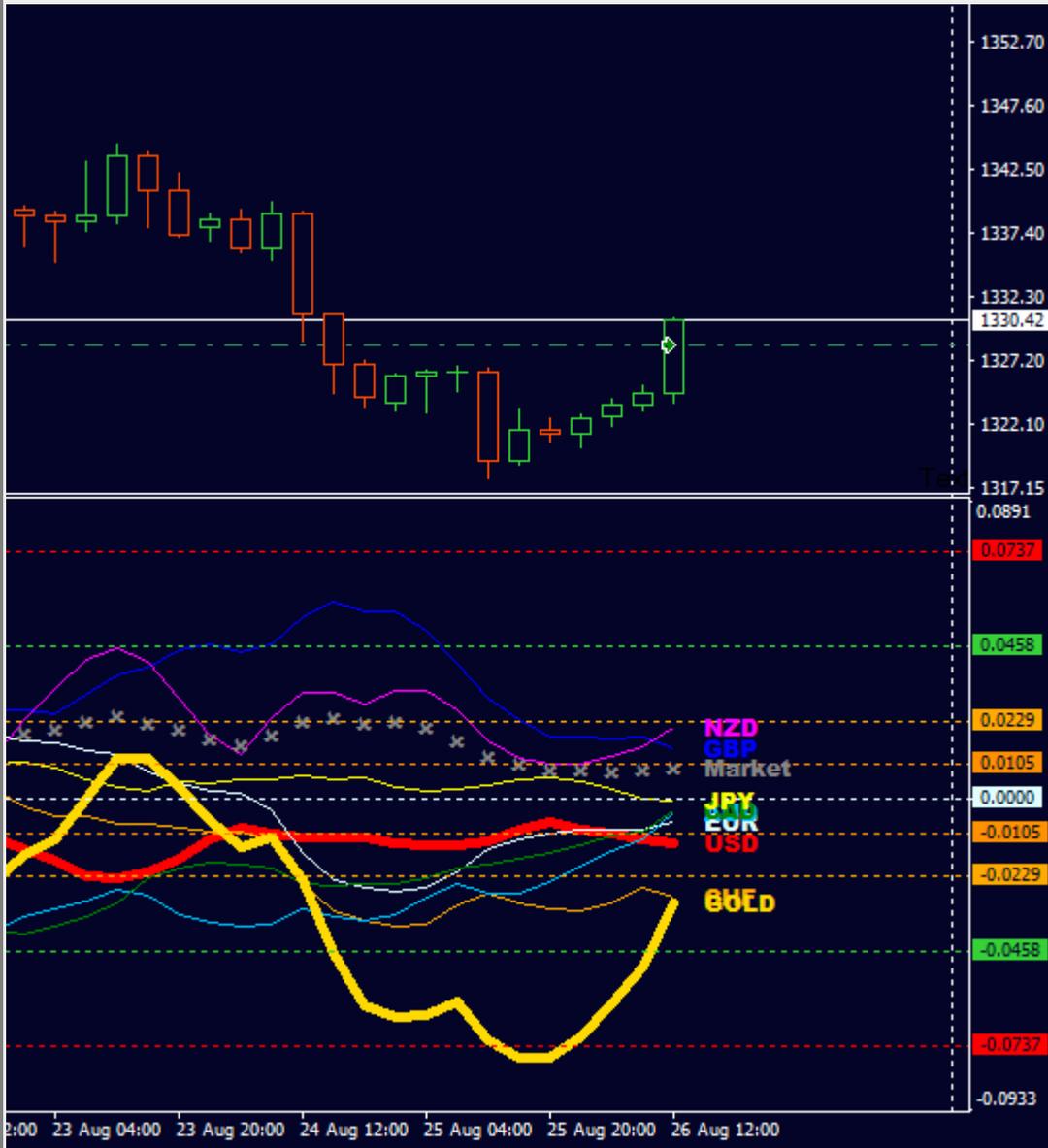
second entry
take profit 115 + 150 pip

<u>Combine Speed Signals with Currency Strength</u>

How to combine speed signals with currency strength...
Here one example
GBPAUD m15 setup

3 Signals:

1. speed (GBP alert + AUD opposit)
2. dGAP (with a recent continuation)
3. Price Action: last high broken (a recent double top)

1) Entry was on Speed alert m15
GBP showed strength speed
AUD was opposite weak
2) CS currency strength showed double-GAP with cross
GBP up and AUD down
3) Price action confirmed with break of last high (double top)

Active and Passive Currency Session Correlation

Active and passive currency in correlation to session times.

This will be an easy lesson.
We like to have one active currency in the pair when we trade MARKET OPEN:

Sydney and Tokyo Open / Asian session
Active currency: NZD, JPY, AUD

Frankfurt and London Open / European session
Active currency: EUR, GBP, CHF

New York Open / US session
Active currency: USD, CAD

I used to check Market Open 5 to 15 minutes after.