Spudfyre | Mar 28, 2007 1:11pm | Post# 2

I have been getting a lot of PM's lately on how I trade the GBPJPY, so I thought I would open this journal up and deal with questions and tell you what I do, as well as list my trades or assess the market situation.

The first thing you should know is that I aim for 20 pips per day. Why? Simply because it isn't how many pips you make but what the pips are worth that counts.

I started with a $2000 mini account and now trade and make a 6 figure income. I experiment with trying to find a mechanical system, but in the end it comes down to having to trade and watch the price move. So, I limit myself to trade only GBPJPY purely on technical analysis. I watch for big news events but I find that the technicals already tell you what the news will do, so the only news events that really hurt me are the surprise events...like bombings.

So for what it is worth here is how I trade and what I am doing day-to-day. Hopefully it will give you some insight to develop your own system of trading.

By the way, I do make mistakes. I do lose trades. So if you follow my trades, or assessment you do so knowing I can be completely wrong.

Spudfyre | Mar 28, 2007 1:19pm | Post# 3

Margin

For those new to Forex, I want to talk about the most important thing first. The money in your account. I started with $2000, I recommend to anyone they have $5000 in their account.
Why?
You will simply make better decisions not having to worry about your account balance. You can start with $500, but you will be tense, nervous and make lots of mistakes because of it...you are always looking at the effect of the trade on your balance and it is hard to trade this way.

The second thing is stops. Stops are how you lose money. I use stops as an emergency stop measure, in case something unexpected happens. Trading is dynamic, things change in an hour, in a day, in a minute. This is the downfall to many mechanical systems because they are based on setting stop losses and target profits from the start and don't change with the market. My stops are variable, sometimes they are 20 and sometimes they are 100...it depends on the market.

Spudfyre | Mar 28, 2007 1:28pm | Post# 4

20 Pips

I aim for 20 pips per day. That's about 400 pips a month.
I take profit at 7, 14 and 20 pips on my early trades in the day. In other words, I wait until I am up 20 pips and set my stop loss so I make 7 pips, then if I am up 30 pips my stop loss is 14 pips and then I decide to either grab my 20 pips or ride the market some more. When it is up 35 pips my stop is set so I take my 20 pips. I am going to trade 4-5 times a day so there is no need to try and capture all 20 pips in one shot, so I chase opportunity.

After that I trade for what I call my pip bank. The 20 pips a day is my core income. If I make 50 pips in a day, 30 pips go into my pip bank. This way, if I have a bad day, can't trade or decide not to trade I take it out of my pip bank.

My pip bank also lends me pips if I go negative. I have to pay my pip bank back on any pips I borrow.

That has worked for me very well, so thought I would share it.

Spudfyre | Mar 28, 2007 1:52pm | Post# 5

Trading the GBPJPY - The Stochs

Like everyone here, I have and still do explore every system I can find....heck if there is an easier and better way to make pips, I'm game. Until then....

This is for GBPJPY only. I have never tried this on another pair. Although it should work on any pair, I like the GJ pair the best for personal reasons.

I set up 15M,30M,1H,4H,Daily,Weekly charts. I put Stochs 5,3,3 on each chart.
Note: DO NOT use the MTF stochs indicator on one chart as you cannot follow what the stochs are doing in detail. There's more, but stochs are the most important.

1st rule: Forget the crossover as an indicator of stochs. You can use it to support your decision but it is not your trigger.

2nd rule: Do not guess what the stoch will do. I got really good at stochs and began to think I could guess when price and stoch would make a move....gawd did I get burned. Wait for it.

Reading the stochs takes practice. If you think you can read this and go trade it, forget it. Just sit there and watch the stochs all day and what happens with price. This by far will eventually become your #1 indicator...your brain, so you have to practice to be good at reading stochs. I watch stochs and price 2 hours everyday and don't trade. It's like practicing a sport....going to the driving range to hit golf balls, and so on. If I don't practice, I get rusty and make mistakes.

You always WANT to trade with the daily trend...but CAN trade against it. In otherwords, if you want to be conservative, just trade the trend. If you want to play, trade against it. Trading against the trend is for small pips only...forget about chasing the 100 pip gain....it's a tempting carrot to chase the reverse breakout....don't do it.

Everyone will tell you that the long term is your trend. However, the long term is built by the short term. It's like building a house; the 15M are your nails, the 30M your wood, the 1H your walls, the 4H your finish and the daily your view of what you built. You need all the

pieces to build it.
However the Daily never varies too much...a house is a house, it just appears different...more walls, different finish, etc.
So you know that when you look at the daily it is generally always going to come out the same. As in Forex, when you look at the daily chart the set trend is generally where the price is going.

Stochs are tricky beasts above 80 and below 20. Let's go with a long that just went above 80 on the stochs. What happens if the price just keeps going up. The one thing you will notice is that the stoch will not plaster itself up against 100 and go flat along as price goes up. What happens is that as price moves up the stochs don't gain much, they resist going to 100. On the other hand a down move will significantly impact the stoch move down. This is why you see stochs (most of the time) blip above 80 and then turn back down (in a long trend). Do the math if you like, but just know this.

Spudfyre | Mar 28, 2007 2:17pm | Post# 6

Ok so trade the stochs already

Sorry for being long winded, but I can't tell you what I do without some explanation.

Daily Stochs. What is our trend? If the daily is above 80 and turning over...realize that turn is going to be really s-l-o-w. This is about the only time I use the cross over is with the daily to enter a knew trend. The daily doesn't whipsaw a whole lot.

Weekly Stochs. It's nice if they are moving in the same trend as the daily, but don't expect it. It's a bonus if it is. If daily and weekly are trending down and both at 70, I'll tend to chase after long pip moves until the daily gets to 30. This is like an escalator to the pot of pips. You'll need big stops (200+) to play this game though.

Ok so we know our trend, now what.

(This is an example of Long trending,reverse for short trends or going against the trend)

15 and 30M Stochs should both be down...below 20 is best. The 30 should be at least near 20. DO NOT EVER enter a trade long until the 30 minute is moving up....and watch out for fakes. Wait, wait, wait until the 30M is well established with both stoch lines in parallel going up. Preferably both stochs are above 20. The biggest pip gains are going to come when both stochs hit 80 so you have lots of time. I can put numbers to this, but you have to learn to read the stochs here for the best success.

Ideally as the 15 and 30M are headed up the 1H is down near 20 or below 20 and looking like it will turn. The 4H is headed down, but is not too important here. By the time the 15 and 30 pass 50 or near 80m the 1H is headed up...probably just starting.

What I do is follow the 15M up to 80, then switch to 30 and follow it up to 80 and then the 1H and follow it up to 80 and then the 4H and up...by here you are mega pipping. If I go to the hour, I don't look back at the 15/30, I just trade the 1H. Period.

As you move up each time frame you have to increase your stops. No doubt there will be bumps along the way, especially as the time frame increases. So the longer you go, the bigger variance there will be in price.

If you want to pay for just 20 pips...you need not go beyond the 30M.

Easy Pipping. Enter when the 15M is near 70 and the 30M is above 20-50, ride the 30M and ride it into 80.....if there is no sign of a turn keeping pushing the 30 in the 80's...this is where the pips are made.

This is where learning to read the stochs is so important. During live trading, the further the red line lags the blue line (in an uptrend the line on top will lead the line below it) the more likely a turn will happen. How these lines move and your feel for them is all important. Learn what they do with price.

Spudfyre | Mar 28, 2007 2:30pm | Post# 7

On to Trading

Ok, that's enough theory. SO let's look at the markets and do some trading. I'll explain other indicators and how I use everything as I go.

As of right now the daily is on a down trend.
The weekly is up trending but looks like it may make a turn down or whipsaw down...so this would bring me to think that we can expect a down trend all this week.

The short term is slightlyy ranging but both the 15 and 30 are headed down and around 50. They are quit whipsawy (if that's a word) so not a clear short.

The 4H is below 20 and starting to turn up....so we know the price is going to want to come up a bit in the long run.

The 1H is like the 15 and 30 and very smooth on the way down.

So I am going short and riding the 15M to the 20 or until it makes a move up. I will start with a 50 Stop do to the whipsaw action and be prepared to adjust higher. I'll keep an eye on the 30M to see if I will stay in longer, but keep in mind that the 4H want to climb. So likely this immediate down trend is going to give way to a longer uptrend after the 15 and 30M exhaust their down move. I don't think the 1H will hit 20.

Enter short at: 230.03
Stop: 230.53 (will adjust as we go)
TP: 299.75 (will adjust as we go)

Note: I always put a TP and Stop in, just in case my computer dies, Internet dies, etc. The TP is not representative of a final TP, it's just there in case I can't manually get out.

I have RSI indicators up, they are all below 50 which is good for a short trade.

Spudfyre Mar 28, 2007 2:33pm | Post# 8

Well just as I was typing that the stochs made a turn up. Not to worry, if they do go up to 80 it will be short term, our 1H still supports the short and the 4H is still below 20.

Spudfyre Mar 28, 2007 2:46pm | Post# 9

I am moving my TP to 86, this will give me 7 pips. It's very choppy so being safe here.

Spudfyre Mar 28, 2007 2:54pm | Post# 10

Ok hit TP at 86.

Trades 1/1 +7 pips

I am going to wait until the stochs calm down and decide where they are headed. I was about 99% confident of grabbing pips on that trade and even if the stochs went up, it would have been a waiting game to hit our TP. Not a big gain, but wanted to show how this works.

I'm going to wait for the up turn of the 15/30 to get in sync with the 4H for the next trade.

Spudfyre Mar 28, 2007 4:17pm | Post# 11

Well we missed a big drop but that's ok, I never cry about missed pips as long as I get some. That big drop by the way supports us in our coming trade which will be long and in the reverse direction of the current move. So with that in mind, we are going for small pips again. This long is going to be a burp and may amount to not much or could be big....but I'm keeping to my targets.

All our stochs from 15 to 4H are down....which means they can only go up. We are going against the daily trend, so this can be riskier than trades with the trend. It is possible (but not likely all of them) that our stochs may diverge from price and go up while price goes down due to the huge drop that just happened. I'd be a lot happier if our 4H was just above the 20 on this up trade but the 1H is in a good spot so that helps.

Entry: Long at 229.25
Stop: 228.75
TP: 229.85

Keep a careful eye on the 15M turning and reversing down as it goes up. If that happens we need to flip to the 30M and see how stable it is and where it is at on the up swing. The 15M is likely to whipsaw on the way up, so keep that in mind.

Spudfyre Mar 28, 2007 4:27pm | Post# 12

Moved the stop to 228.50

11:33 am EST Moved the stop back to 228.75

11:52 am EST adjusted stop back to 228.50 15/30's are going to whipsaw so we'll dip a bit. May have to lower stop some more.

12:03 EST the 1H has moved into a stronger up position. Stop up to 229

12:17 EST Stop down to 228.50 again Will give the trade some room for the 30M This adjustment was made as I have more confidence in the longer up trend due to the 30M,1H and 4H stochs but expect there will be some ups and downs along the way. Normally when the price hit 55 I would move my stop to 42 to guarantee me 7 pips. But this looks like a good up move so will take a poke at opportunity.

I also know how frustrating to new people Forex can be (as I have been there) and I want to give people a little hope that you can make money from Forex in a safe consistent way.

Majority of my trading is 5 am - noon est.
Otherwise usually 7 pm-midnight.
I will trade the afternoon if I have time.

Spudfyre Mar 29, 2007 1:36am | Post# 26

Wednesday Night

Ok, well I left off hitting a long expecting it to go higher when I left. Lucky I got out when did, but still lots of time there to get out and still make pips.
Since we were against the trend, it was a riskier trade and take note of that trade period and what the stochs were doing.

Ok, our stochs are ready to go down so here we go.

Entry: Short @ 229.80
TP: 229.50 (will vary)
Stop: 230.50

Our daily stochs is getting close to the bottom, will need to exercise some caution as it fell much faster than I anticipated. So that could shorten our overall down trend for the week.

I'm entering this trade based on the 15/30 M stochs coming down off 80. I may be early as the 1H and 4H are way down and climbing up.

This is anticipated to be a quick short, but have to keep a close eye on it and see what happens on the 1H.

Stop is rather large here to give this trade some room in case I am early. As you may notice I adjust my stops quite a bit.

Adjusted my TP to 20 pips...just going to bank a quick 20 here if I can.

Since I'm typing and entering my trade and trying to watch what things are doing all at once, I'll probably just put in my entry point when I'm in and then edit the stops and TP and give my reasons as I get moments. Generally I enter all trades with a stop of 50 and a TP of 30 or so just to get rolling and then adjust things.

Spudfyre Mar 29, 2007 2:03am | Post# 28

The 5M Stoch

Don't ask me to explain the reason why, but the 5M stoch is an interesting indicator for finding the peak of a trade.

If the 5 min stoch breaks 85 or 15, for some reason that is the indication that we are at the peak of our trade or that it will soon reverse on us...like within 15 minutes.

It isn't 100% but I sure sit up and take notice if it hits 80 or 20 and keep a finger on my mouse to exit my trade.

You will see in the last trade it signaled the reversal and it was the major reason I shortened my TP to 20 pips. Now we could have made a whole wack of pips here again...but I am happy as a clam to have 20 pips in the bank.

Spudfyre Mar 29, 2007 2:13am | Post# 29

Mind Change

The daily stoch is looking rather ready for a turn up. I just may trade a long here if the 1H stoch gets lower and in sync with the 15/30. Might be a good trade to get a trend reversal. Probably too early though.

If you look at the daily you can see how far the green line (or is it blue) leads the red line...an ominous sign for a turn. But it is the day stoch and it moves s-l-o-w...so don't want to get too anticipatory...my major fault as I can leap ahead of the market and then have to sit there waiting for my trade to catch up....so patience is key.

The safe move is just wait for the day to turn up, then we don't have to think about it.

The bigger worry is a down trade and we get hit with a reversal...so I'll probably aim for small pippers rather than get caught.

Spudfyre Mar 29, 2007 1:36pm | Post# 40

Quoting KudzuFX
NICE Spud!
Just curious why you favor the GJ. The way you read Stochs seems l to match the dominant price patterns of this pair. Not all pairs behave like the GJ. Of course each pair has its own typical characteristics. Just wanted to know specifically what makes GJ work for you.

Good question. I don't like USD, because I don't think the US has a clue what they are doing economically at the moment themselves.....no not really just had to put that in.

Really, the answer is lack of information. I trade 100% technical, and perhaps watch the news for an interest rate hike or cut...or war, or bombings. I know way too much about the US and it works against me because I keep questioning my trades based on what is happening.

I know nothing about GBP or JPY...not nothing but not much about the day-to-day issues surrounding their economy. Call it "head in the sand" trading if you like, but I prefer to think of it of just having the info I need to make pips.

The other reason is that GBPJPY is fun. It moves all over the place and I have played it so long you just get the sixth sense working for you. I believe you could trade this on any pair but I am successful with GBPJPY so why change? The big reason is that there is lots of price action and each trade is exciting...it really is that simple.

Spudfyre

Mar 29, 2007 1:38pm | Post# 41

Down action coming soon

Keep an eye out, some down action starting soon. All the stochs are peaking at the top. Will update shortly with an entry.

My entry will probably be around 231.00 Just waiting for the stochs to start coming done on 15/30. See how much higher it goes first.

Here's a good example of patience. The price is spiking and we know it will go down, so it is so tempting to jump on the trade now and try to grab those big pips when it reverses by going short. However you notice that the 15/30 are still climbing and could push into the 80's. This is where a lot of pips are made, so entering now could be a big big mistake. Better to be safe than sorry. You could enter and the price could take a 70 pip ride up still...which means you would be trading for a break even..yuk. Wait until you see the stochs coming down....don't worry about trying to cash in on the reversal.

The 15 is looking like it will start reversing, but the 30 and 1H still have room to go up. We are 10 minutes from the 15 minute candle closing so wait till it closes and re-assess. Any move down by the 15 might be a whipsaw and even if it does fall, it just means we wait for better conditions.

I have an entry at 231 to sell....if the market turns that should be a good spot to get in

You are correct. I jumped in a little early this morning, even after I wrote about being patient. It's a bad trait of mine....trust you to slap me silly a few times and tell me to wait in the future.

Spudfyre

Mar 29, 2007 5:52pm | Post# 60

Quoting scottymoll

So, the 15m and 30m Stochs are below 20 and the 1hr is on it's way down. Do you take profit here, or keep riding the 1hr down toward 20? Also, if you do ride the 1hr down, at what point do you take profit? Do you watch for the 5m/15m time frames to begin climbing out of 20? Thanks!

The 15/30's are exhausted. You can ride the hour and 4H, but it will be a long trade and you'll have to contend with some up movemet before it goes down most likely. A better idea would be to get out when the 15/30's are done and hop back in when the 15/30's are back on top again (with the 4H and 1H headed down of course).

My philosophy is get those 20 pips a day. Forget chasing the pip motherlode. We can make lots of trades when all four time frames line up and grab pips from all those trades, so why chase. Take 7 pips, take 14 pips, take 20 pips....just take pips when you can take them and stay positive. You can trade this 10 times a day if you wanted.

Spudfyre

Mar 29, 2007 7:55pm | Post# 70

Quoting semar

I like very much your method wiht pip bank, nice and innovative ideea, which has a great psihological effect.
I like that you aren't greedy,to , 20 pips is enought.

Thanks. 20 pips is all you need...maybe less. It's all about how much your pips are worth. It's an exponential scale to make pips and ten times easier to lose a pip then gain one.

It's fun to chase 100 pips, 300 pips...it feels great when you hit it. But you need a strong constitution and zero emotions to enter those trades when they dive 150 pips on you.....do I really want to spend 5 days worrying about a trade...or a couple of hours?

Like I said before, you can trade for 20 pips all day long at least a dozen times a day and be extremely successful and remarkably accurate doing it. Or you can try and trade for 100 pips, be stressed for days on end and lose 19 times out of 20...talk about beating yourself over the head.

Spudfyre

Mar 29, 2007 11:56pm | Post# 74

Thursday Night

Let's take a look at where we the markets are.

The Daily made that move I spoke of last night where it looked like it might make an early turn up. It hasn't crossed and may just kiss the line and go back down. This is a problem at the moment as it doesn't give us any real trend to rely on.

Everything else from 30-4H is looking like a down turn is ready with the 30 already turned.

However the 15 is on its way up?

Let's wait and see what happens with the 15 and when it gets to the top where the 30 is. I'd rather be safe on this one and wait out the moves then dive into a sell right now.

Spudfyre

Mar 30, 2007 12:09am | Post# 75

Just from pure statistical analysis we know that the price will drop over the next 24 hours at some point looking how the day has opened and where the price is. The question is, will that be now or later and if we went with just stats what kind of stop would we have to ride out.

Almost all our RSI's are headed down, that would support a down move. However they are also all above 50 which could mean we are in a prolonged up trend.

I have 9 and 100 MA's on my charts. They are experimental and from a system someone posted here. On the daily they point to an uptrend as they almost have crossed.

All the rest have already crossed which would mean long too.

So I'm going to think that we are in a favoured long position right now and see what effect the 15/30 has on price over the next bit.
What I will look for is:

Is the price moving more on the up or down of the stochs?
How fast are the stochs rising and falling with price movement?
How far separated are they or how much are they leading the red line?
How is the RSI moving through all this?

If we are in an uptrend, I suspect we will see arapid climb of the 15 or it will simply bottom out under 80 and fstay there while the 30 moves down.

If we get the 15/30 down at the bottom I suspect the 1H will follow as the 30 makes its turn below 80, or the 1H will do a rapid dive. If this is the case, I'm going for the long when the 15/30 are above 80 and moving up.

I'm much more nervous about trading anything down unless we get all 4 time periods lined up 15/30/1H/4H

Let's just watch and see how price moves and its affect on the stochs, this is still our best indicator.

Spudfyre

Mar 30, 2007 12:24am | Post# 78

Another interesting indicator is the 5M Stoch has peaked below 15 twice in it's past two down swings. This is an ominous sign we won't be getting any lower peaks for a while and supports a long move. Just keep this one in the back of your mind.

Pipskateer

Mar 31, 2007 5:59pm | Post# 105

I like the math.....

20 pips per day = 100 pips per week
100 pips per week = 400 pips per month
400 pips per month = 4800 pips per year

One Standard Lot = $8.00 - $10.00 per pip, depending on which pair you traded.

20 pips per day = $160 - $200 per day
100 pips per week = $800 - $1000 per week
400 pips per month = $3200 - $4000 per week
4800 pips per year = $38,400 - $48,000 per year

If you're working with a smaller account and trade one mini lot per trade then:

20 pips per day = $16 - $18 per day
100 pips per week = $80 - $100 per week
400 pips per month = $320 - $400 per week
4800 pips per year = $3840 - $4800 per year

To me, seeing the numbers makes focusing on getting that 20 pips per day so much more of a worthy goal. What I think is really cool is that to increase your income, you don't need to do anything different functionally. As you build up your bank, just increase the number of lots you trade, keeping the same pip goals.

K.I.S.S.....I like it....

Spudfyre

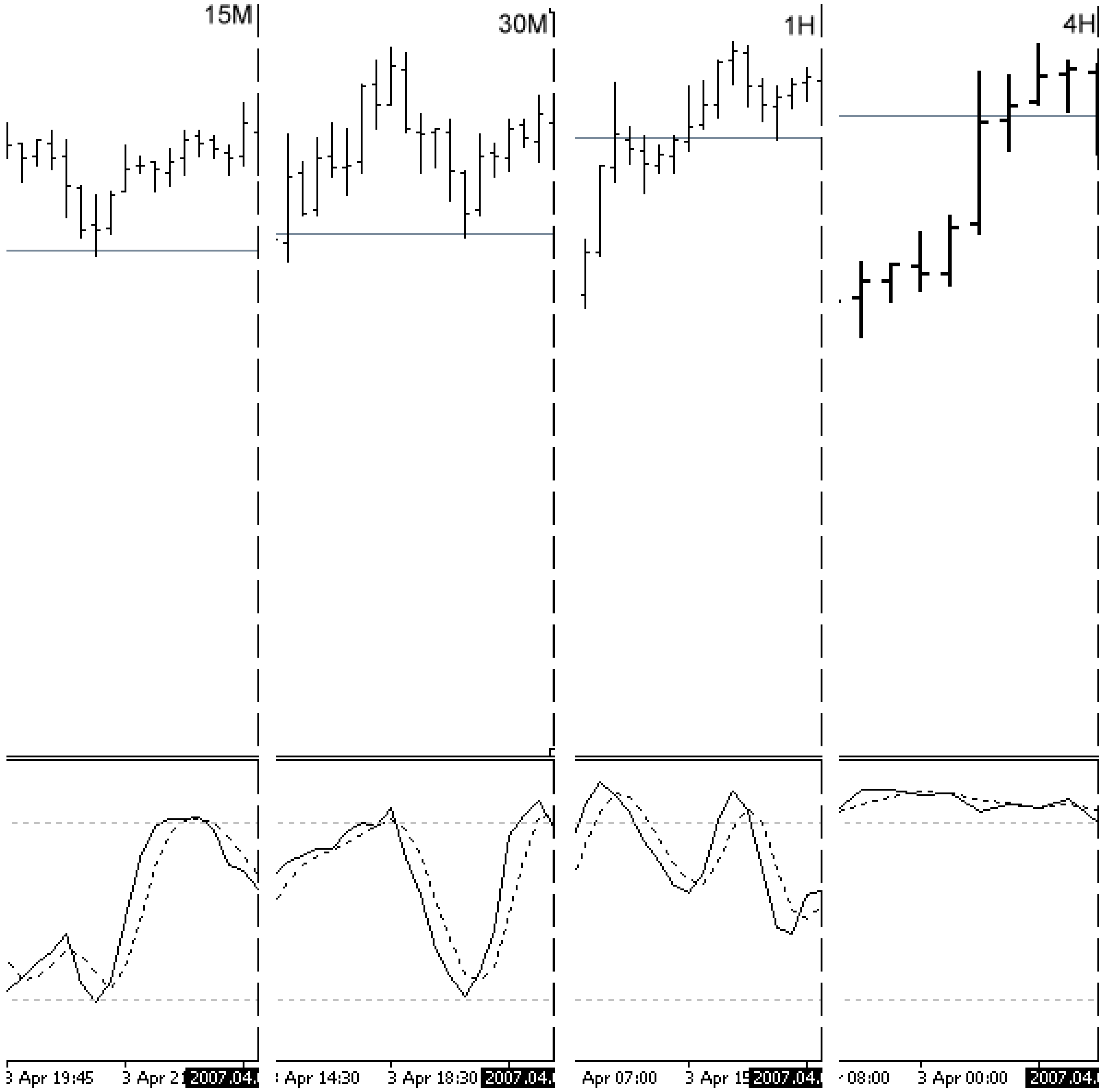
Apr 4, 2007 11:39pm | Post# 140

April 4, 2007 @ 0:00 GMT

1 Attachment(s)
Here's a snap shot of April 4 at 0:00 GMT. The 1H is still trending down...if you draw a straight line from the peak to the whipsaw. You can also see it making a turn. One thing about stochastics is that they often maintain a turn once started or go flat, especially true on longer time frames like the 1H and 4H.
If we traded this, there is more probability the 15/30/and 4H will push down than all three reversing. There is some risk to taking a ride on this trade. However, if the 15M and 30M turned up it wouldn't last long and then we'd have a better downturn later. We can pretty much rely on pipping some profit here simply because the upward movement would be small if any.

Entry was in at 234.75
15M exited at 234.54 +21 pips
30M exited at 234.40 +35 pips
1H exited at 234.26 +49 pips (hit trailing stop)

Not a great pipper trade likely due to where the 1H was, but still profit.



Spudfyre

Apr 5, 2007 5:11am | Post# 154

GBP Interest Rate News

Just a word of warning that this trade will probably develop very close to GBP interest rate news at 7:00 am EST this morning.

Also, don't forget the golden rule of patience. Wait for the stochastics to make their move....don't make the move ahead of them.

Been rather a dull day in the trading world...hopefully something picks up tonight. Have to be careful of the interest rate news coming up for GBP....it's the only news I usually sit aside on.

Spudfyre

Apr 5, 2007 12:08pm | Post# 159

April 5th - 8:00 GMT

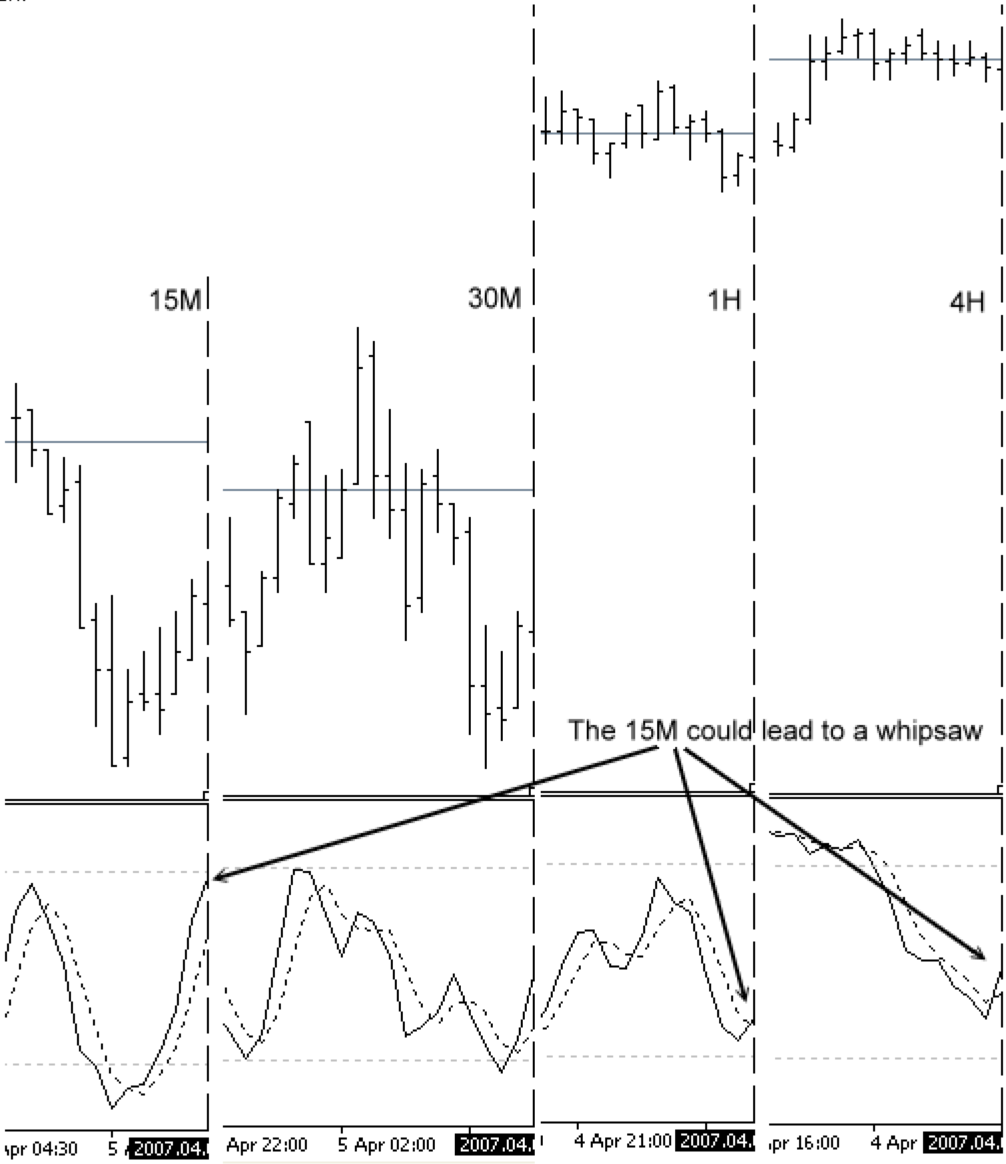
1 Attachment(s)
Quoting kharvell
Hey Spud,

Could you comment a little bit more on why you are NOT in this trade given that what I said above is true? Are you just cautious due to news, or is there something I'm not seeing...

Thanks in advance,

Kevin

The only problem with this entry is the 15M and the relationship to the 1H and especially the 4H. The 15M is very high, the 30M is extremely whipsawed. Given the 1H and 4H haven't reached the 20 line, this is a risky entry. My expectations would be a whipsaw in the 1H.



Spudfyre

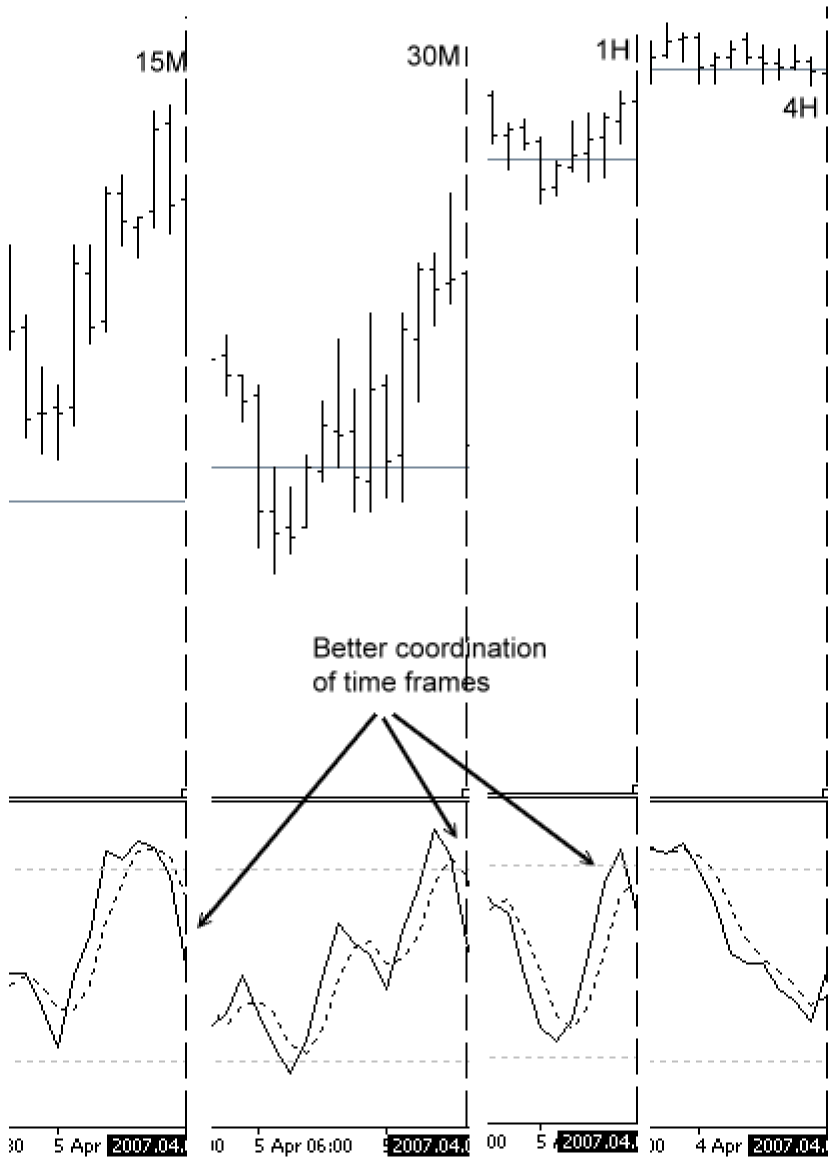
Apr 5, 2007 12:30pm | Post# 162

April 5 @ 12:30 GMT

1 Attachment(s)

Here is the down swing I would have waited for. Notice how much better positioned the 15/30/1H charts are in relation to each other than they were at 8:00 GMT moving up. This gives me more confidence to put a trade in beacause even if we get a turn up against us, where will it go? Not too far. More likely the 3 time frames will push the 4H on it's continued down trend.

The only factor here will be the GBP news...which means you would have to be out of this trade before that news arrived....to be safe.



Spudfyre

Apr 5, 2007 12:37pm | Post# 164

April 5 Live

1 Attachment(s)

This chart is showing clear divergence between the stochastic and price. A sure sign price is going to be a lot stronger down when the 15M turns.

Spudfyre

Apr 5, 2007 1:25pm | Post# 167

Quoting Scott111552
Your document is an outstanding piece of work.... Thank you again for your continued generosity and unselfishness... You're a rare breed in today's world and I salute you.... My question-- approximately, how many good setups do you see in a day?

If you chase pips as I first outlines in this journal, you will probably find about 3 trades a day on average. With the escalator, probably a few a week.

It is a matter of risk. If you wait for a trade like April 5 at 8:00 GMT, that is what I would call mid-high risk and you can find many of these. If you wait for a trade like the one at 12:30 GMT, this is low-mid risk and you will find less trades but more success.

I go back to my 20 pips a day rule. If you are averaging that through both pip makers, than take caution and pick the best trades. Trade both for a month and you will see that you will be way over the 20 pips a day trading the safest opportunities.

Spudfyre

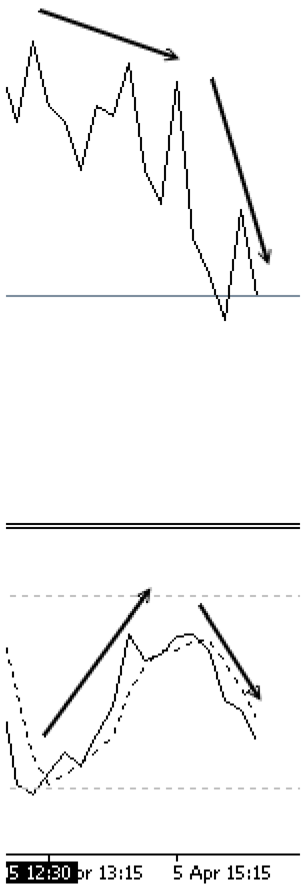
Apr 5, 2007 1:43pm | Post# 168

Learn To Love Divergence

1 Attachment(s)
Although I didn't mention it in my manual, divergence can reap some nice rewards.

Notice how this 15M chart from right now has diverged as the stochs went up and the price went down. Notice when the stochs turned down the price accelerated downwards...this is an easy 50 pips so far.

There is much higher risk in divergence trading because usually you only see it on one time frame. It's a tool for pips...but wait for the stoch to turn!



Spudfyre

Apr 5, 2007 1:58pm | Post# 169

Next Trade

If your wondering what I am waiting for to enter the next trade, it is the 4H stoch to come down to the 20 line and turn up again for a long escalator trade when the time frames align.

In the meantime there are downward moves to play with. I would avoid any long trading until we have a sign from all time frames and the 4H has defined a move upward.

I'm just going to wait for the 1H and 4H to show their move.

Spudfyre

Apr 5, 2007 3:38pm | Post# 178

Quoting barak
Hi Spudfyre, i've read a little on your Stoch write up and likens to the idea.

Looks like the 3 mentioned charts lined up below 20 and while we're waiting for mr 4H to lead our hand, does it mean we might only see a long signal after the 4H is up, hence sometimes you would set buy or sell limits if you see optimum trades coming up but have to leave your computer.@

The problem of above 80 and below 20 is that stochastics react in a different way then on the way between 20-80 or vice versa. There can be HUGE pip movement under the 20 or over the 80 line that can bury you if you get in a trade too early. If you look back at the early part of the journal I made an early entry and the effects were riding out a 53 pip draw down.

You really want to wait for the stoch lines to come up across the 20 before going long and prefer the 4H chart to be leading our trip up. When it doesn't happen like that, you simply create more risk for yourself.

The biggest, hardest, most human error cause of failure with stochastics is to jump in too early because they tell us so much of what will happen....but you have to wait for it to happen.

Spudfyre

Apr 5, 2007 4:05pm | Post# 180

Understanding Above 80 and Below 20 Moves

I'm going to re-address the 80/20 lines as there is reason to my madness for waiting until we trade above the 20 or below the 80.

Without doing the math, you will notice that stochastics rarely ever reach zero (0) or 100.

The stochastic is very linear between 80 and 20. That means it reacts almost on a 1:1 basis with price movement within this range. If this linear relationship held, it would mean that in a long situation the stochastic would plaster itself at 100 and stay there as the price continued to keep rising in a long trend. This of course does not happen.

Using a long trend as an example. When the stochastic rises above 80, it is no longer in 1:1 ratio with price movement. In fact the stochastic resistance for upward movement increases exponentially as price rises. This is why we rarely ever see the stochastic hit 100.

I'm simplifying this quite a bit because the stochastic and price don't really move 1:1 both up and down. Movement differs in the stochastic with the strength in the upward or downward trend relative to the trend of the price. This is what makes it such a powerful tool.

So in a long trend as the price continues to move up the stochastic keeps resisting moving up and amplifies movement down. This can throw a trader off as they see any reverse movement as more significant than it really is while looking at movement in the same direction as weakening. Usually the exact opposite is true.

The danger of entering a trade when the stochastics are below the 20 line, for example is that the price could continue to drop a huge amount.

Over 3 or 4 time frames with the price above the 20 line in a long trade (and under 80), you have reaction time and predictability on your side.

This is why I STRONGLY recommend you not enter any trades with stochs in the above 80 or below 20 range. There is obviously much more significance with a 4H chart in the above 80/below 20 zones than a 15M chart.

Spudfyre

Apr 5, 2007 4:23pm | Post# 181

1 Attachment(s)

As I write this; what we have now is a promising looking long trend forming...or do we?

Look at it more closely. The 15M is up, the 30M is just over 20 and the 1H is still below 20 whipsawing. The 4H is till downward trending towards 20.

Right now our little voice is saying "jump in the long trade and grab those pips before it is too late".

Spud's voice is saying to you "Wait".

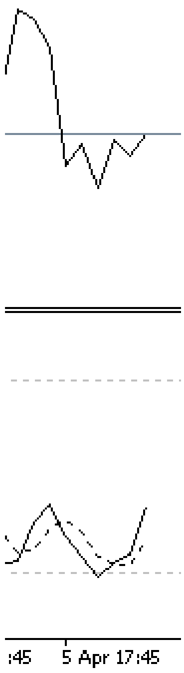
Look at the 15M chart below. Notice something about the price move and the stochastic move? The stochastic hardly moved up while, the price is still moving down in a small trend like fashion. That's a weak 15M up stochastic forming. as the 15M stoch moves up price is not reacting well upwards.

Look deeper at the effect the 15M upward move has on the 30M and 1H over the next 15-30 minutes and you'll have an answer to why this is a horrible chance to make a long trade.

If the 30/1H do respond...then we waited for the stochastics to show us the way. If we jump in now, we are reacting to what we think the stochastics will do.

There is a small wait for the 1H to get above 20 and the 15/30 to be in agreement above 20 to react to making a long trade. You won't lose anything if you wait. I'd wager a guess if you went long now before the stochs react that you have about an 80% chance of taking a loss.

During the time I typed this the 30M and 1H gained support for more down movement in price....it is very small but you can see it.



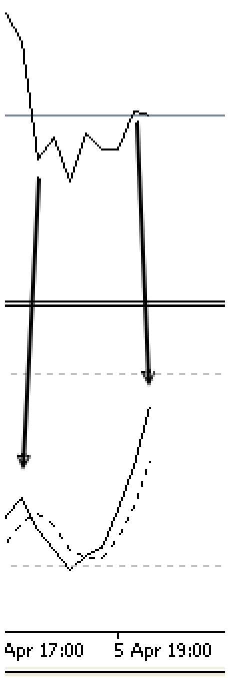
Spudfyre

Apr 5, 2007 4:35pm | Post# 183

1 Attachment(s)
Look at the 15M as it finished 1 candle. The price line is at 233.75.

Notice how little the stochastic moved from 233.75 to the low peak in price versus how much the stochastic moved up to go back up to the 233.75 price from the low peak.

That's another indicator of a stronger down move than up move.



Spudfyre

Apr 7, 2007 5:29pm | Post# 217

Quoting bagovino
Spud,

Great work! I have been following TEB's thread for a while and stumbled upon yours as a result. The 2 tie in beautifully together. What I have learned from yours is the use of the 15/30 together where as TEB just uses a 4hr/30min. The 15 really helps alot!

A question for you to clarify.... In your doc you stated the smaller time frames build the larger, but it seems the 4hr is in the drivers seat here. I'm not arguing because I believe in trading the direction of the 4hr when the 30/15 line up with it. If the smaller where leading the larger it would seem we would ignore the 4hr and take all trades based on the 5/15/30.

Just an observation. I have a feel on when to trade the stochs due to experience, but I think this issue may confuse some new traders.

Again, GREAT WORK!!@@

Good point. The 4H is definitely our first signal to look for. However, what I was trying to make clear is just because the 4H is popping above 20 in a long trade you need to look at what the 15M/30M/1H are doing.

Let's say that the 4H shows us a long at the 20 line and is headed up but the 15 and 30 are at the top headed down...and say the 1H is about at the 40 level headed up. What to watch out for is the **effect the 15/30** have on the 1H/4H. If the 15/30 are moving the 4H down then they are going to push the 4H down...along with the 1H.

The 4H although a good trigger, is not a good trend setter....unless everything before it is pushing the trend in the direction the 4H is headed. I believe it is a mistake to think because the 4H is trending in a direction...this is the trend.

This is not the case. The 15M/30M may cycle 10 times between 20-80 during a 4H candle....if say the down movement of the 15/30 is stronger than the up cycles than you have to be wary that the 4H is going to go down. It is what the 15/30 are doing that will shape the 4H. The problem with the 4H is that it does not react in a way to give you that early indication.

Back to the bigger picture of all time frames....this is why you get an escalator effect when all are in sync. Basically the 15M hits the first floor, then you hop on the 30M to the second floor, the 1H takes you to the 3rd floor and it is a good time to get off the escalator because more than likely the effects of the 15/30 going back down are going to start to influence the 4H (sooner or later).....if the 4H is still going up.....hop back on the escalator when the 15/30/1H are at the bottom again.

Hopefully that helps explain it better?

Spudfyre

Apr 8, 2007 3:51am | Post# 222

Quoting Pluto2
Hello Spud,
thanks so much for your lessons and the system. I am approaching the trades by your system from the other end. I always look at the 4h first - if the stoch. on this time frame is going from the 20 up, I am then waiting for the other time frames to agree to enter a buy position, I am not even considering to sell. Is this wrong? Also, do you always wait for the stoch. to turn from above 80 or from below 20? On 4h, or all?
Thanks again.
May the pips be with you.
Pluto2

Wow, what a great follow up question and perfect timing to the previous statement and my response.

You are right and you have it perfectly correct...you look at the 4H first as your indicator...or trigger if you like. This is the manner to set up the optimum trade.

Statistically the 4H price is telling us where it has to go...crossing up across the 20...obviously long....however that does not mean it will stay in a long trend.

That is why as you say we wait for the other 3 time frames to be in the "up" position all above 20 themselves and moving up. From this point on they will decide the 4H's movement.

The statistical odds of all reversing (15M/30M/1H) in making a down move that also pushes the 4H down is small. That does not mean the 15M may not turn down, but if it does we can watch the effect on the 30/1H and 4H to know if the move is going to be a burp, if we are on a scenic tour, or if the price is going to take a big dip before it plays back to our favour.

The reason we wait for all 4 time frames to be above 20 in a long or below 80 in a short trade is that our odds of suffering a loss or reversal from all 4 time frames reversing is almost non-existent.

In fact if you want a good challenge, try to find 4 stochastics over 4 time frames that meet this criteria and see how many times all 4, or even 3 time frames reverse back on themselves to cross the 80/20 line again.

What I have put in here is the "safest" way you can make pips on a consistent basis. You can start "having fun" and enter on only 3 time frames, or use only the 15/30 as an indicator as long as the 1H or 4H is in the same trend....but your loss rate will increase the further away you get from the "optimum" trade I showed you. So you have to bear that in mind.

As I'll probably put in here 1,000 more times...the hardest thing about trading the way I suggest is waiting for the trade to come to you and not getting too eager or ahead of the game. You will see hundreds of missed opportunities because the 15/30 lined up, or the 15/30/1H lined up...that's ok.....realize that if you trade aiming for the "optimum" examples you are going to have more than enough opportunity and pips in your pocket to control your pip value and income. If you trade the other opportunities you may be like me, trading for the fun or excitement of the trade...but realize it's a much larger risk and your understanding of reading stochastics will need to be that much better to have success in those trades.

That too doesn't mean a 3 time frame trade is such a huge risk I wouldn't trade it....it isn't a bad trade.....just be diligent as to you where you are in relation to the overall price trend. Trading long against a short trend is not the best idea with 3 time frames....and worse with 2 time frames.....but can be a good idea with 4 time frames. A trend can save your butt if you fall victim to an early trade if you use less time frames.

Spudfyre

Apr 8, 2007 1:32pm | Post# 225

There seems to be some confusion from the PM's I have received on trade entry and exit. With reference to the 15M/30M/1H/4H time frames:

We always use the 4H to signal our entry possibility first and to enter the trade ALL our remaining time frames are in sync with our 4H before we trade.

When we have entered a trade our focus is on the 15M time frame first.

The most important thing you can remember is that the shorter time frames will determine the longer time frame movements.
The big mistake will be to believe because the longer time frame is moving up it is in an up trend and the shorter time frames will follow.
If you don't understand what that means..ask me! This is extremely important to understand.

When the 15M peaks (80 long; 20 short) you can either exit or move your focus to the next higher time frame...in this case the 30M. Repeat until 1H or until you feel you have enough pips. There is more risk the longer you go. Never trade the 4H.

During the trade the 15M is likely to move against you either as it moves up to the 80 or after it hits 80. This is where you must pay attention to the effect the shorter time frame moves have on the longer time frames. In many instances you will find that even if the 15M drops from 80 to 20 in a long trade, there is no large effect on the 30M or 1H time frames. If the 15/30 make strong moves against you then you have to pay close attention to what the 1H/4H charts are doing.

Your safety net in a long trade as an example, is how close the 1H and 4H stochastics are to the 20 line. Any move against you has far less chance of sustaining that move. Watch the 15M/30M in such a situation as when they go up this is in your favour in a long trade and should push up the 1H and 4H. The further the 1H and 4H get from the 20 line in a long trade the more danger you are in of a reversal or reverse move that you cannpt recover from.

It is extremely dangerous to enter a short trade with any time frame stoch above 80 or in a long trade below 20.

Don't be greedy and always protect your pip profits. It is better to win more times with less pips than losing more trying to gain more pips.

Spudfyre

Apr 8, 2007 3:58pm | Post# 229

Quoting alcastro
Your safety net in a long trade as an example, is how close the 1H and 4H stochastics are to the 20 line. Any move against you has far less chance of sustaining that move. Watch the 15M/30M in such a situation as when they go up this is in your favour in a long trade and should push up the 1H and 4H. The further the 1H and 4H get from the 20 line in a long trade the more danger you are in of a reversal or reverse move that you cannpt recover from.

Hi Spud,

Just to make sure I got this quote from yours right: The ideal setup will be when all TF's are pointing up (in a long position), all of them are between the 20 & 80 line, and the 1HR and 4Hr stochs are very close to the 20 line (but above it)? And the further they move from the 20 line the higher the risk?@@@

Yes, all the time frames should be going up and above 20 in a long trade. The closer they all are to 20 the better....but it usually doesn't workout that nicely. Just keep in mind where everything is and the effects each is having on the other and you will be able to get a much better "feel" for what is happening.

The safety statement is pretty general but logical....if the stochs are down there and already came up from below 20 on the way up...they really don't have much place to go against you...as compared to if they are the 50 level as an example.

I realize I am typing out specifics and you must realize that learning to feel how the stochastic behaves and their effect on each other is your most powerful tool.

I'm telling you trade all time frames above 20 on a long because it is a safe move that will win you pips. My goal is to get people winning.

As you trade this way live you will learn as you go and get the feel of stochastics and how they are moving and affecting each other. You can only do this live I'm afraid which is why I strongly suggest that we always practice, practice, practice with the stochastics...even if not trading. Just try and predict what will happen and study why it did or didn't do what you thought.

Also learn to recognize divergences with the price and stochastic...it's a wonderful tool for catching a good move. You usually only see a divergence on one time frame

Spudfyre

Apr 8, 2007 10:36pm | Post# 239

Quoting TEB63
This is all great stuff
& in princible it is a 100% and its great to know this stuff
you are a great teacher

but in fact in the real world it works in the reverse

the 4 hour is way better then the 15 min chart & stoch
& the reason is not about time frame

but the traders in that time frame

the 15 min stoch speaks of us small traders & we can change on a dime

the 4 hour is the big boys & the funds
& the day is the banks & countries

& for them to let their TF change would cost them $100000000 of dallors
so they will not let it change - because they would be betting against theself

bro. it is way easier to see a trend on a month chart a 15 min chart for that reason-

& that is why I would take the trend off the 4 hour chart & not the 15 min chart

because its the big boys with $10000000000000000000 of dallors
or us with 1000

the way you are doing it you are leaving yourself open to the small trend

& getting hit with the big D from the higher charts!

gone till Monday

TEB

Everything you say is absolutely correct about trends. This is why I say that we use the 4H to look for our trade to start. We want to enter in a strong trend.

However, what happens to the next candle of the 4H is soley based on what the 15M/30M/1H movements do. The 4H will not dictate how the lower time frames are going to move next. The big boys don't trade simultaneously.

The 4H is a constant zig zag on it's way down and up and few small traders can ride the highs and lows from bottom to top.

So, what we are trying to do is enter on the 4H strong trend. Then we want to ride that trend and be "safe" doing it so we win.

With the other time frames in sync we can progress down the line 15-30-1H growing into the strong trend or from my point of view continuing to build the trend.......but we also know that as we move down the line the shorter time frames will be reversing within the 4H trend as the stochastic expires and turns at the peak of it's current cycle.

So what we want to avoid is riding a 1H reversal move that wipes out all our pip profit or takes us into a loss....which we are in far greater risk of when the short frames are moving against the long term trend. Again it is the short term that will be affected by the short term moves...not the long trend.

As such, we know that if we went long in the 4H and the 15/30/1H all go long then we are pretty well assurred of making pips.

If on the other hand all the time frames reverse...that reversal is not going to start at the 4H...it will start at the 15M and then progress to the 30M and then the 1H...eventually showing it's ugly side on the 4H. Keep in context I am working within our trade.

TEB63 Apr 9, 2007 2:43pm | Post# 252

No its the reverse

the 4 hour chart is not going anywhere the day chart is not going

because the day chart shows the really big money

& the weekly the even bigger money etc.

The 4X always moves from the top down
believe me the big boys down lose money

& they are not surprised -

& they can only get out of a market slowly

you must understand that this is the key.
if they tried to dump millions or billions it would drop the price against them
and they would lose money
that is why they must use the big news events to get out of a pair
because that is the only time they can dump money
& not have it go against them..
ie the big tails

ie 9/11 the Dollar dropped...big time
for no reason really - that may surpise some people

but for the fact the 15 min & 30 min chart traders paniced
but the 4 hour traders where bussy buying
why because the day trend & the 4 hour trend where up
& you know they made money hand over fist
now the people following the 15 & 30 min charts lost big time!!

lastly

That is why on a smaller chart you get hit with the big D
because a small down turn on the day chart is a big down turn on the 4 hour
A great massive wave on the 15 min chart.

but if the day chart is up
you are pretty safe on the 15 min chart
because it takes a long time to get out of a billion dollar account
& not price turn against you... and so lose money
TEB

Spudfyre

Apr 9, 2007 9:33pm | Post# 268

Quoting KudzuFX

Spud,
What level of importance do you put on the daily Stoch when you have a good trade?

Thanks again,

I use the daily stoch just to get a sense of direction. Whenever you trade you want to trade with the trend (most of the time) So the only use for the daily stoch I have is to know where the trend is going and that is the direction of my safe pips.

When I trade against the daily trend, I am much more cautious and pick my trades with more care. You can make many more mistakes against the trend, then with it.

Spudfyre

Apr 11, 2007 5:40pm | Post# 364

To illustrate how to do do this type of chart you can follow the current GBPJPY movement.

The 4H last candle closed at 81 on the stoch at 16:00. So now we have to wait for the 4H candle to close below 80....in 210 minutes or more.

The 1H closed below 80 at 12:00 GMT. The 30 at 10:30. That could put a long "2" dashed line on the 4H at 8:00 (8-12). Meaning 2 time frames made a over from above 80 to below 80 in that time period.

However, our main focus is still on the 4H, and we may have to adjust the 1H/30M if we get new confirmations from them.

You only worry about the last, most relevant confirmation of the 1H and 30M time frames to confirm our 4H move.

The trick is, if the 4H moves first. Here you need to pay close attention to what the stochastics are doing and where the 1H/30M are. If they have already turned and are heading down, then use the previous 1H/30M to the 4H. If they are near or above 80 then wait and use the 1H/4H after they come back across 80.

As you see in the patterns, most moves develop relatively close to each other (within 8 hours) so let that be your guide as well.

Your best trade of course is going to come when the 30/1H/4H are all in sync.

Spudfyre

Apr 11, 2007 7:22pm | Post# 367

Quoting blueruby

Now I'm lost.

On my charts, the 30 crossed from above 80 to below 80 at 14:00 GMT, just barely having made it above 80.

The 1H closed from above to below 80 at 16:00, again, it just barely exceeded 80.

OK, the 12:00 GMT candle closed at 81 at 16:00. So, if the current candle brings the stoch below 80 and closes, that will be at 20:00 GMT. Only the 30m or 1H closes from 19:00 to 24:00 GMT will be valid, so the above are disregarded and we start from there.

If and when the current candle closes below 80, then we'll look for the 1H and 30m crossovers below 80 within the next 4 hours, correct? @@@

Close. Let's say the 4H closes below 80 at 20:00. Now find out where the 30M and 1H stochastics are. Now look back and find when the 30M crossed the 80 and the 1H crossed the 80. Let us say the 1H at 16:00 and the 30M at 14:00. So on the 4H chart draw a line representing "2" time frames at the 12:00 GMT (this represents 12-16:00). Draw a line representing a single time frame "1" at 20:00 for the 4H cross. Open a short trade at 20:00:01 and grab some pips.

Should mention we still want to try and stay with the MTF Stochastic rules prior to this.

Spudfyre

Apr 11, 2007 8:43pm | Post# 369

Quoting blueruby

But the original post said that when the 4H crosses down (the signal), you look back 1 hour, forward 4 (the window).

So the 1H at 16:00 and 30M at 14:00 are not in the window if the 4H didn't cross until 20:00. @@@

The two are different. Remember the first is working on taking the data as it is dropped before us. Our filter is the time window.

The second is grouping the data (defragging the stochs) so that we are concentrating on the time frame group. You can see very established patterns for catching trends this way and retracements.

So by grouping the time frames and the peaks we are capturing and getting confirmation on price action happening.

Either way works, but I prefer the latter. I introduced the first as I think it is easier to understand.

Spudfyre

Apr 11, 2007 9:06pm | Post# 371

Ok, so our 4H closed below 80. Now we are waiting for some sync in the lower time frames. The 15M is moving up, the 30M is moving up. If the 30 and 1H peak above 80 and come down they become our new line and then we know if we have a "3" or a "2+1" and that helps us determine our target profit.

If neither make it above 80, then we use the previous line for 30/1H and we have a "2+1", so we will be going for a few pips.

Spudfyre

Apr 11, 2007 10:22pm | Post# 375

If you read this thread a little earlier I introduced two new concepts and have since removed them as I thnbk it was more confusing then helpful. So, here is another stab at explaining it.

As we already know we are using the stochastics 15M,30M,1H,4H to provide us signals to sell and maintain a trade when they are movin gin the same direction.

However, there are many times when stochastics seem like they ar ealmost all lined up for a trade and then it falls apart.

Stochastics also offer another interesting trait, that in detecting reverses to the current trend of their current time period. The math behind this is quite simple. As we know the stochastic has a resistance to hit the extreme (100) or (0). In a trend the stochastic also has a resistance to peak on one side. For example, find a nice strong trend in the 1H chart going up and look at the stochastic. Notice how many peaks are above 80 and how few are below 20. Almost every signal is a short signal from above 80 to crossing 80. When the price finally reverses you see a peak below 20 and a move across 20.

Unfortunately, over one time frame this doesn't hold true in every instance, some peaks are small moves or fakes and one peak is the big move.
So how can we see the bigger picture?

Spudfyre

Apr 11, 2007 11:00pm | Post# 376

To see the multiple time frames and how the different 80/20 crosses affect the entire trade you could plot the time each cross occurs on one chart like the 4H. This gives you a "dump" of time data on a single chart but it is still hard to visualize any pattern from it. It just seems like a whole lot of vertical lines on a chart....which it is.

However, we know when the 4H passes the 80 or 20 we are getting a signal to start looking for a trade. What we know is that more than likely the 4H stochastic is going to move from 80 towards 20 or vice versa from 20 towards 80. However, simply trading the 4H is risky as price retraces along the way.

What we need to know is the correlation between the 15M,30M and 1H time frames and their positions and effects on the 4H. As always the surest trades will happen when all 4 time frames line up and "escalator" up or down.

As you know my "trend theory" is tha the 15M,30M and 1H time frames build the 4H's move. We can see this visually and use it to our advantage.

Spudfyre

Apr 11, 2007 11:27pm | Post# 377

1 Attachment(s)

Looking at the chart below we can see that the 30M crossed the 80 at 20:30-21:00; the 1H crossed at 20:00-21:00 and the 4H crossed much later at 04:00-08:00 the next day.

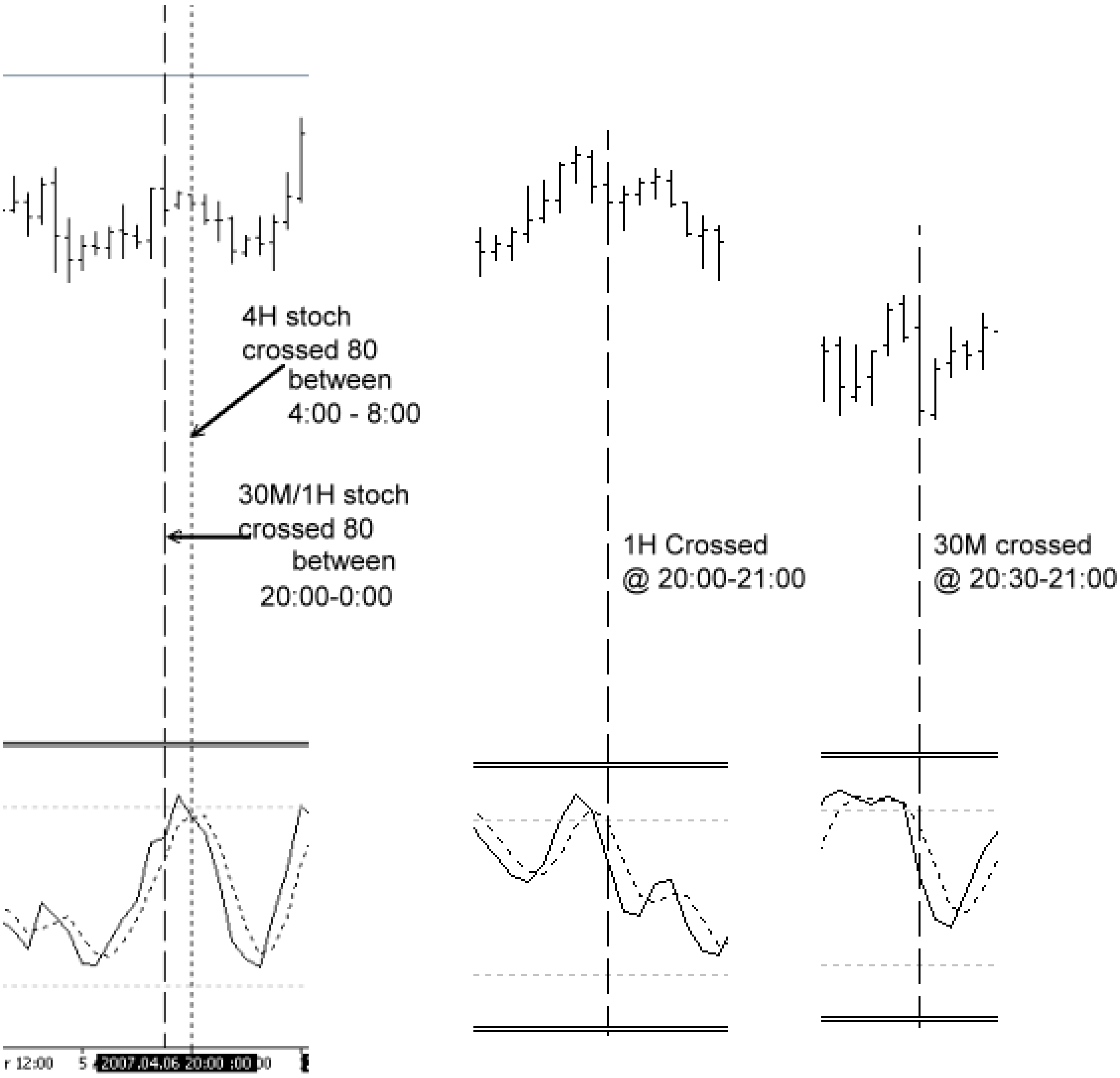
We are not using the 15M because it simply isn't required at this stage, we will use the 15M later to better enter the trade.

Quick glance would bring us to the conclusion that the 30/1H lined up and the 4H is too late so we have no trade. There is more here. What we have is 3 time frames that have peaked and crossing back below 80. This means that all 3 time frames are screaming "reversal".

When all 3 time frames scream at the same time, it is very loud and the price reverses quite a bit. When only 2 scream at the same time and one is off by a bit, the scream isn't as loud and price only moves a bit. When only one time frame screams, it is but a faint cry in the wilderness hardly causing the price to react at all.

These patterns of "3" time frames lining up and crossing at the same time almost always signal a big price reversal. The other more common pattern is called a "2+1" or a "1+2" where 2 time frames cross and one other crosses earlier or later.

The example in the chart is a "2+1"



Spudfyre

Apr 11, 2007 11:36pm | Post# 378

There is a "window" of opportunity. A 4H candle provides us price movement over a 4H period. It is hard to know what the price was doing in those 4H's unless you watched it. Well, I don't know about you but watching a 4H candle for 4 hours is like watching paint dry. So, what we have to look at is how much play we have with time...what is a "simultaneous" price move.

Interestingly enough it seems that if the closer the stochatics cross the line together, the stronger the move....in most cases. As the stochs move and the multiple time frames spread out the effect is much less. Think of it as as dropping a stone in water...the ripples are strongest right where the stone drops and as they spread out they get weaker.

It is just the way it works. I'm sure there is some quasi-pshycotic explanations like the number pi and ancient pyramids involved...but who cares as long as we know it works this way...let's just be happy.

So know we have a tool to see the big picture of time and stochastic trading working together and how it points to you like a big arrow...there's the pips..over there.

Spudfyre

Apr 11, 2007 11:51pm | Post# 379

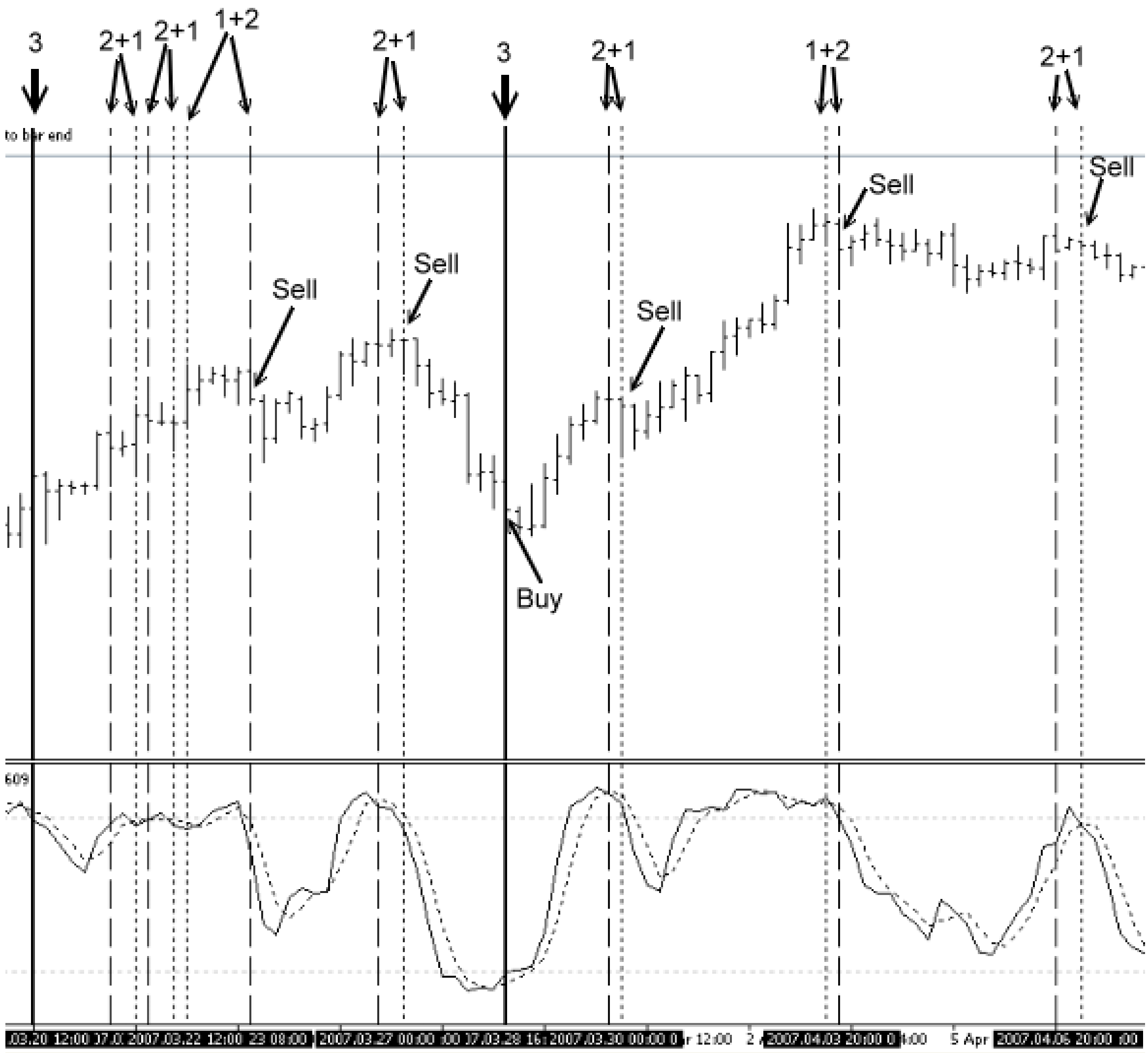
1 Attachment(s)
Below is a picture of a 4H chart. You can see vertical dotted lines....these represent a cross over 1 time frame in a 4H period. You can see vertical long dashed lines.....these represent a cross over 2 time frames in the same 4H period. Then you can see the dream line....a vertical solid line where all 3 time frames have crossed in a 4H period.

Each vertical line represents a price reversal to the 4H trend. I know..."never trade against the trend". However, since these lines point to price reversal so nicely...you just gotta do it....and every now and then you hit the big price reversal!

The lines also represent the trend....huh? How can the lines do both? Take a solid line (a "3") it usually is the beginning of a new trend. The lines in between are the "2+1" lines....these tell us that the price reversal isn't "real".

We now have choices! We can trade the trend, start from a "3" line and we know every time we see a "2+1" that we are going to see a price blip, but we can stay in the trend. We can trade the reverses from the lines, or we can trade it all.

We can also look at the lines and get a better idea where our "escalator" trade is in the universe....is it strong or weak.



Spudfyre

Apr 12, 2007 12:10am | Post# 380

So how do you use this in trading?

The first thing is there is nothing fundamentally different here. This is just a broader picture of what happens with stochastics and how they lead us to pips.

This is not a "new" method. You can make rules to trade this, but the number one rule still applies that we want all 4 time frames to line up to ensure ourselves of winning a trade. This is a hard and fast rule if you want to win steady pip income. When you deviate from that rule...you are obviously at more risk...this doesn't mean we have to trade ourselves to boredom either. There are great rewards with reasonable risk out there...we all need to be a little deviant.

If we deviate we can use a window of time as a filter..5 hours, 8 hours...whatever you like; we can go on the 15/30 aligned with the 4H; we can go on the 30/1H aligned with the 4H. it doesn't really matter...the price is going to move. If you enter early you are just going to have a wild ride and require bigger stops. If you enter too late you might suffer a loss so "read the stochastics" is a great way to know where you are. That just means the more that are aligned with your trade, the more likely you will succeed.

Spudfyre

Apr 12, 2007 12:31am | Post# 381

1 Attachment(s)

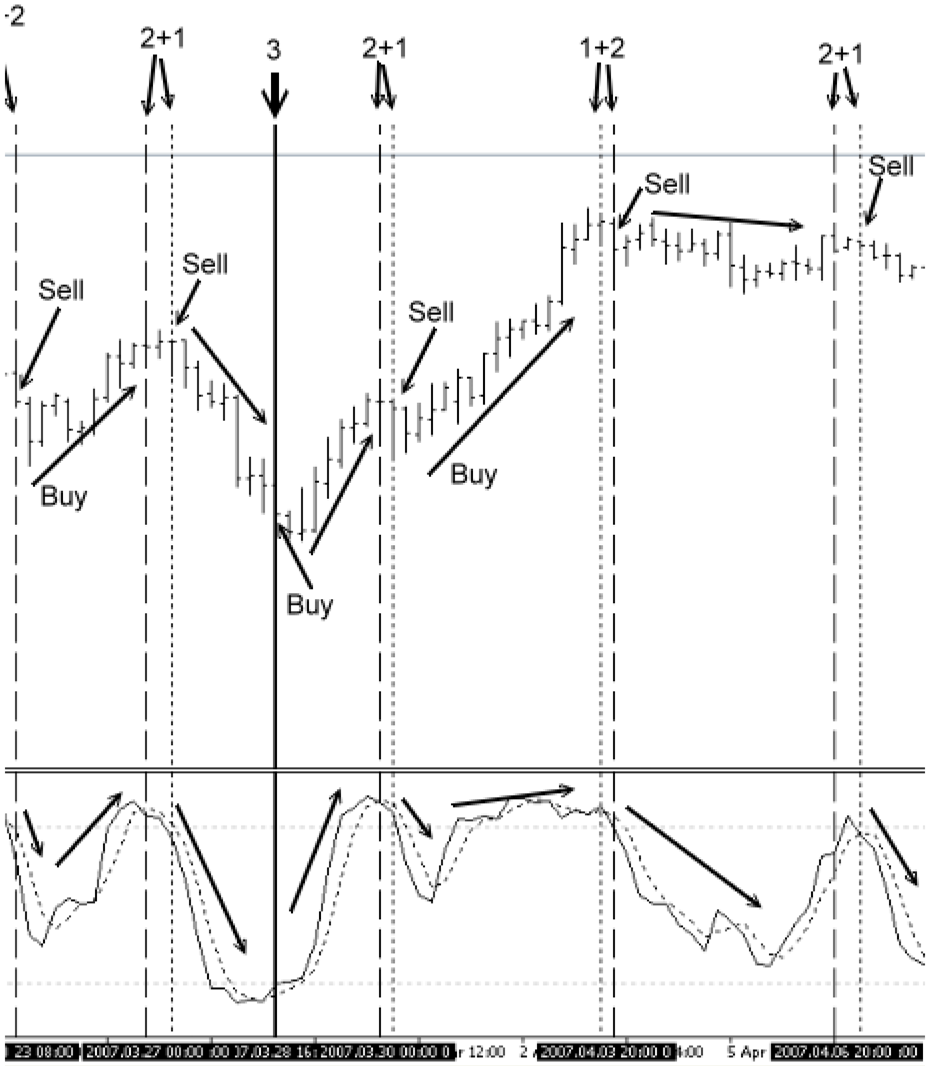
SO now that you read all that I hope you looked at the charts and thought to yourself..."geez there is a lot of trend movement between those groups of "3 lines".

Yep...trade the reversals if you like...but trade the opposite too. Trade the trend!

Look at the trend real estate between those lines! There you are...all that to find out we are right back where we started...trade the trend!

The reason I explained the reversals to death is so you can use them to make pips or so that you don't panic with your stops. There is going to be a trend...BUT you want to wait for the reversal. This way you can see the reversal, know the reversal is going to happen...and then hop on the trend and make lotsa pips....because you now there is also going to be a trend.

Good pipping all!



Spudfyre

Apr 12, 2007 1:29am | Post# 387

Quoting bagovino

Spud,

You have just lost me... I'm not understanding. Are you saying we look at the 4 hr as the main trend, say it is long. Then when 3 lower timeframes go against the 4hr trend we can short? Then when all 4 line up again we have a new trend?

Help.

Bagovino

Take a 4 Hr Long.
It has fallen below 20 and risen back up to 20 or crossed at the close of it's candle.
Ok, now go back and look at 1H. Where did it last cross the 20 up?
Now the 30M?

Now, if they all crossed say in the last 4 hours you can (a "3"):
1. Just go long and ride the trend with a trailing stop loss.
2. Wait until all 3 or 4 time frames line up and go long.

If this is a "2+1" where the 3 time frames have crossed recently but not in the same 4 hour period:
1. Treat this as a reversal, go long if you get 4 TF lined up
2. Go long with 3 tf lined up.
3. Wait the long out and then go back to the short trend if it existed earlier.

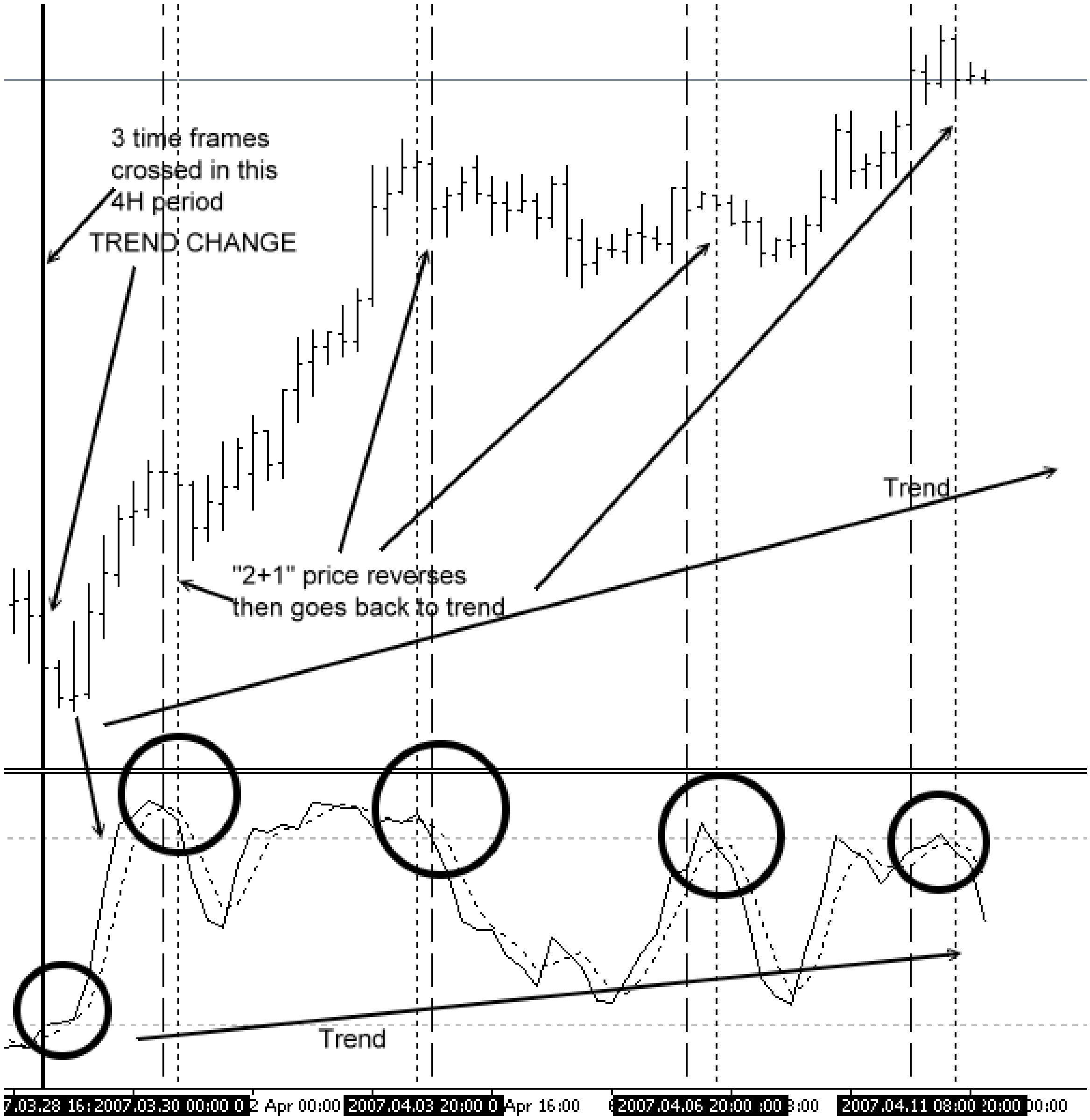
If you look at the current move on GJ ("2+1") it is likely a price reversal against the long, it is going short and then it will continue to go long unless we get an indication of something else

Spudfyre

Apr 12, 2007 1:46am | Post# 389

1 Attachment(s)

See chart



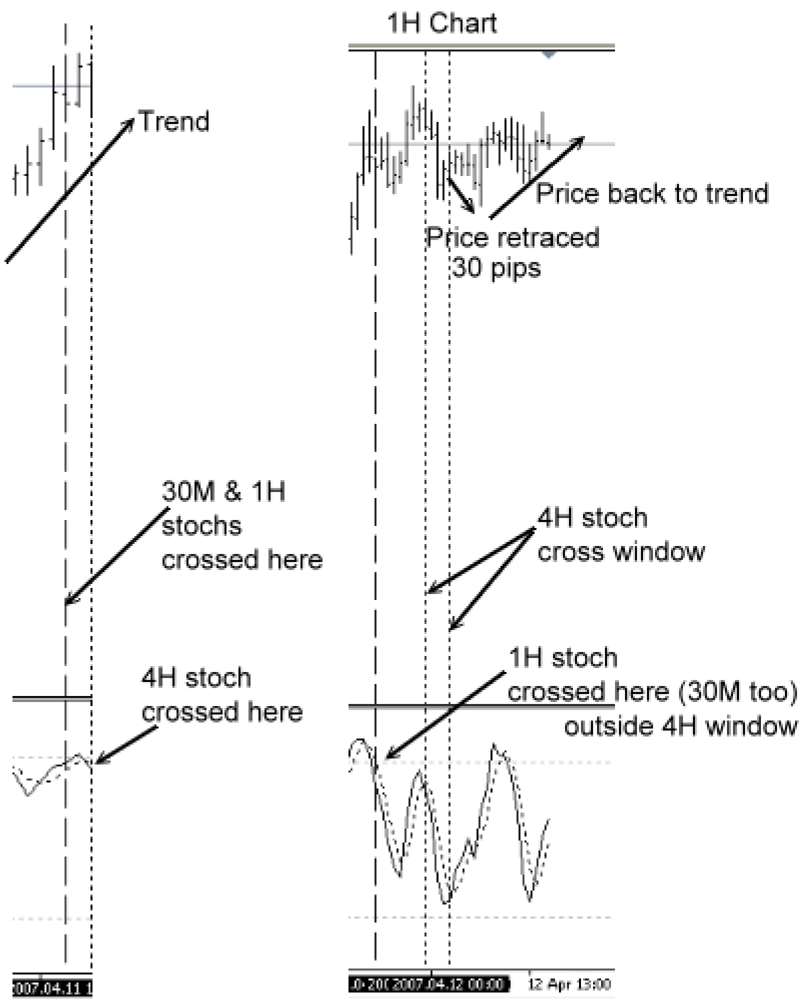
Spudfyre

Apr 12, 2007 2:21pm | Post# 397

1 Attachment(s)

The next two charts are a walk through of the last signal on April 11th and up to a few minutes ago.
The left most chart is teh 4H right after the 4H crossed 80. Thus is a "2+1" so we expect price to retrace a little and then go back to the previous trend which is up.
On the 1H chart you can see the price retraces 30 pips and then heads up. Notice how it didn't show up in the stoch on the 1H but that

price eventually catches up to the stoch.



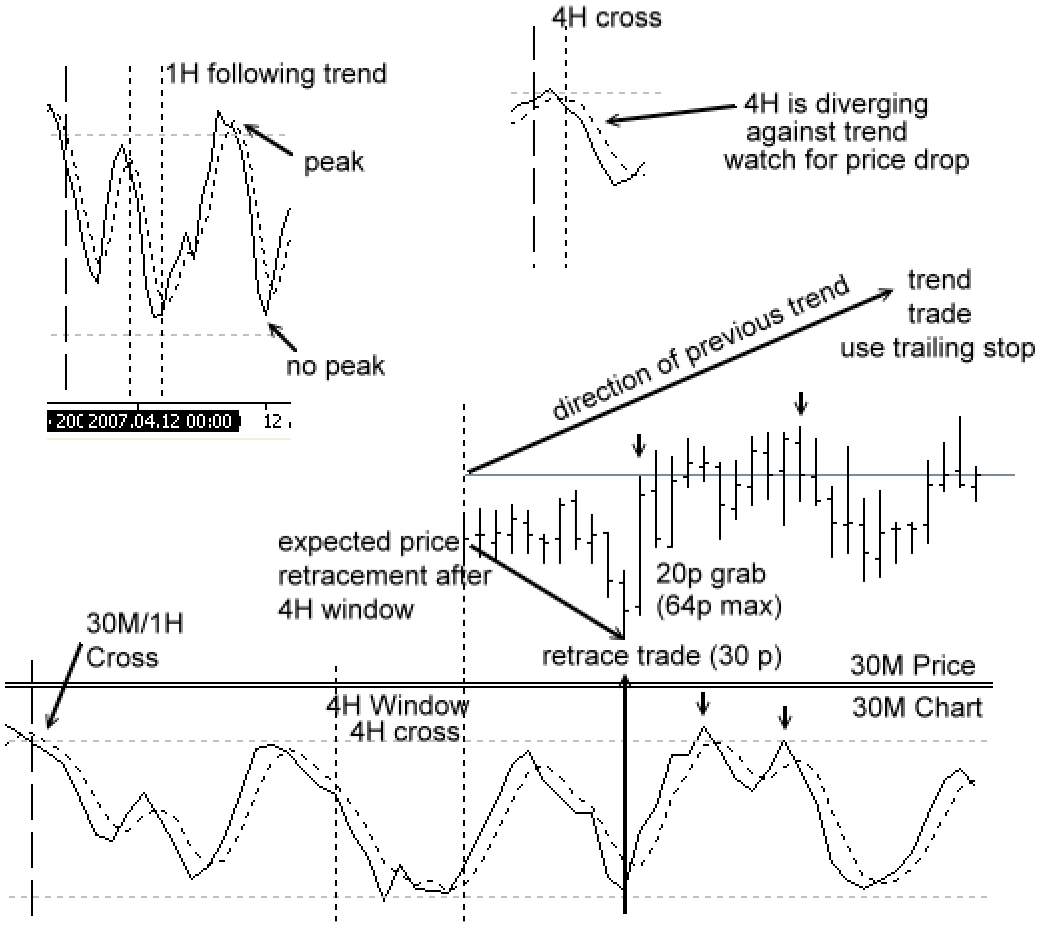
Spudfyre

Apr 12, 2007 2:27pm | Post# 398

1 Attachment(s)
Here is a closer look at the 30/1H/4H stochs.
The bottom chart is the 30M price and stochs. We actually have 3 different trade options after a 4H window;
1. Trade the expected retrace
2. Trade the previous trend since this is a "2+1" and expect some down movement before the up move and chase trend with trailing stop
2a. Wait for the retrace to finish and then buy the previous trend to max pip gain and chase with trailing stop
3. Grab some pips long after price retrace

This is a really difficult stoch reading. Our 4H stoch is diverging right after the window, the 1H is following trend and the 30M diverges during the retrace. Typically you probably wouldn't trade this.

However it does show how accurate the "2+1" cross is and how it can help you know what to expect.



Spudfyre

Apr 12, 2007 4:18pm | Post# 402

Quoting fishhunter

Spud:

When you refer to "stoch/price divergence" as it applies to your method, are you talking about one particular chart, or divergence between price and the stoch on any one of the four charts?

Typically you will only see divergence in one time frame at once. Though it can happen in more than one for brief periods. Generally, the longer the time frame it happens in, the more impact on price there is.

Spudfyre

Apr 13, 2007 12:05pm | Post# 420

Quoting bagovino

Looks like you guys are right... Very choppy... At the moment all looked well. Do you wait for bar close?

B

It's nice to wait for a bar close if you suspect a turn or other movement you want some clarity in before committing. I don't usually wait for the 4H to close. I usually wait for the 15M to close and the 30M most times.
If you are watching the stochs min/min you usually don't have to wait for bar closes as you'll have a good idea what is happening.

If you are trading it more "mechanically" than you can also just trade on bar closes.

Trumpcard

Apr 13, 2007 12:33pm | Post# 425

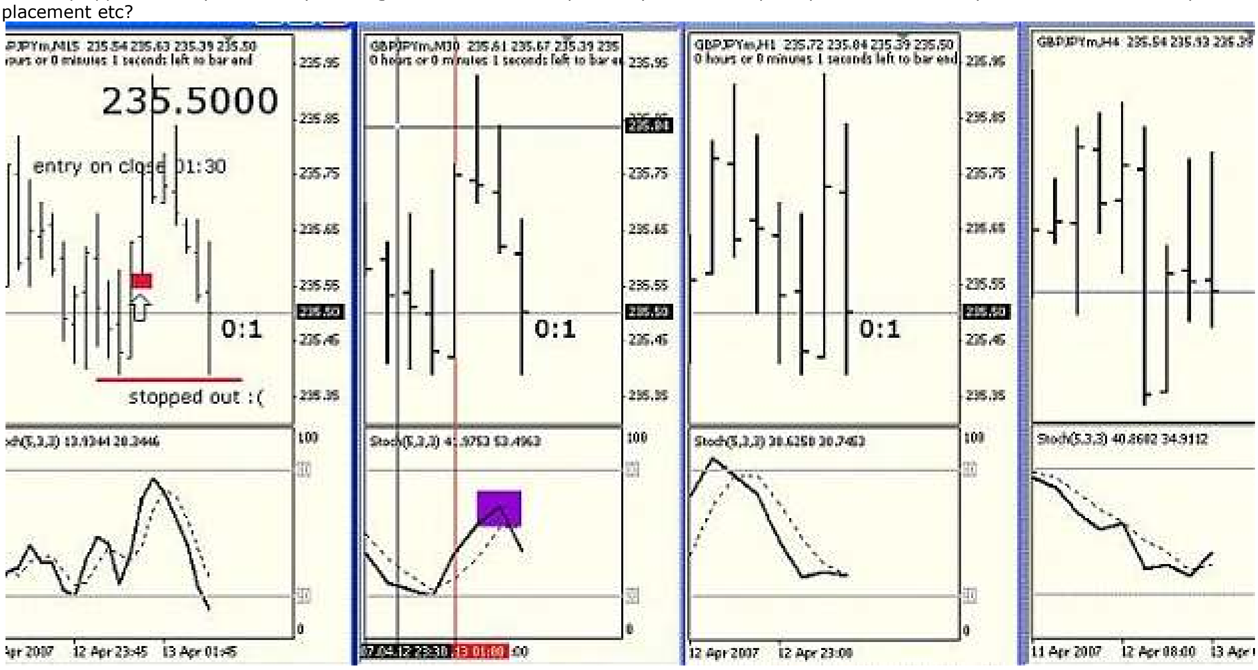
analysis of my first MTF Stoch trade

1 Attachment(s)
Hi Spudfyre, well done on your committmnt to your journal and thanks for sharing. When you first enter a trade,, what initial stop loss do you set, if any? (I know I read it somewhere)

I also went long (see post #409) for my first ever trade, had only set up my chart screen and saw the trade developing. My picture below captures the trade. Entry occured at the bar with the red box beneath. At this point, 15M stoch was approaching 80 while the 30M had started on it's course having turned up from 20. Also, at this time, 4H had reversed direction and looked like it too was heading north. I was waiting quite some time for the 1H to reach 20 and then curl up. It never hit the 20 mark but slowly turned up and this is when all was in sync.

I think I remember the 30M reverse as highlighted by the blue shading. I was thinking "aahh crap" coz I also noticed the bearish Pin Bar appear as well. I'd placed my stop near the recent 15M low before entry and ultimately got stopped out.

I'd really appreciate any feedback you can give me on how to improve my next trade. perhaps wait for better syncronization, better stop placement etc?



Spudfyre

Apr 13, 2007 1:15pm | Post# 426

Quoting Trumpcard

Hi Spudfyre, well done on your committmnt to your journal and thanks for sharing. When you first enter a trade,, what initial stop loss do you set, if any? (I know I read it somewhere)

I also went long (see post #409) for my first ever trade, had only set up my chart screen and saw the trade developing. My picture below captures the trade. Entry occured at the bar with the red box beneath. At this point, 15M stoch was approaching 80 while the 30M had started on it's course having turned up from 20. Also, at this time, 4H had reversed direction and looked like it too was heading north. I was waiting quite some time for the 1H to reach 20 and then curl up. It never hit the 20 mark but slowly turned up and this is when all was in sync.

I think I remember the 30M reverse as highlighted by the blue shading. I was thinking "aahh crap" coz I also noticed the bearish Pin Bar appear as well. I'd placed my stop near the recent 15M low before entry and ultimately got stopped out.

I'd really appreciate any feedback you can give me on how to improve my next trade. perhaps wait for better syncronization, better stop placement etc? @@@

I set my stops usually at 50 by default and usually keep the margin of 40-50 from current price as the trade unfolds. This is to prevent spikes wiping out my trade, but offer protection to my account should anything bad in the world happen. Once I'm in profit I move my stops to protect profit...usually within 20 or less.

Your trade decision was sound. What killed your trade was your stop. From your chart, you can see the 15M is all the way through the 20 and the 1H and 4H still support the long. I think perhaps the 30M was weighing on your mind to stop? Or s/r?

What you do know from the 15M is the down move can't go too much further. If the 1H made a turn to 20, I would be looking at price and how much it is moving.

If it was me, I would have played the 15M out and see if it turned up and then chase it on the long to recoup as much as I could as well watch how fast the 30M is dropping...if the 30M drops fast more likely I'll get a turn in my favour......might cost you 20 more pips to wait but worth it in the long run that in this situation you are likely to see an up move come to save your bacon.

Spudfyre

Apr 19, 2007 6:36pm | Post# 463

Quoting waddij

Spud,

what if.... the daily crosses over the 80 on the way down, the 15m, 30m, 1h have all crossed down and the 4h is just above the 20 coming up? with the 3 time frames agreing with the daily are there pips to be made or is it best to leave it and wait for the lower times to catch up to the 4h?

Thanks

You can look at it this way when stochs moving in all same direction

15/30/1H/4H/Daily .....safest way to make pips
15/30/1H/4H ....next safest way to make pips
15/30/1H ....still a safe way to make pips, but not as safe
any two tf's ....risky but odds in your favour, small pip grabs

Simply the more stochastics moving with you, the better your odds are going to be....having said that there is not a huge percentage gain between 5 time frames and 3 time frames....all 3 will probably be successful.
With less time frames your success can largely be improved by your ability to read the stochastics as they are moving.

One thing to look for are "links" between the stochastic movement cycles. For example you may get three 15M cycles (up/down/up) in a single one hour cycle, so knowing where you are within the 1 hour period can be very profitable for trading the 15M cycles....considering the 30/1H and 4H are all headed the same way. For example, if the 30/1H/4H are headed down, you might be able to trade two 15M down cycles from 80 to 20 while waiting for the 1H to hit 20. Obviously, you need to be careful and grab pips quickly in the 15M TF, but making 5-15 pips a 15M cycle is not hard to do.....just riskier if you don't get out when you need too.

Spudfyre

Apr 21, 2007 12:12pm | Post# 468

Quoting sublimeonskunk

Hello gentlemen, this is my first post although I have been watching this thread intently for a few weeks, this is also my first method of study. It is easier than a lot out there to follow and IT WORKS!!!!!!!!! First off thanks SPUD, you da man! Thank you to all the other participants, your insight has greatly helped me as well.

Okay, now on to my question.

In the quote above, is this a summation of the "3", "2+1", and "1+2" idea that spud brought in? Those threads really didn't make a lot of sense to me, probably because I'm new, however the quote above makes sense. Is this an extension of that idea? Or am I just totally off base here? Any ones answers and thought or clarifications of the "3", "2+1", and "1+2" idea is greatly appreciated, my problem is "drawing these lines" Wow this thread has extended greatly, so I will end it and let the "experts" chime in. Thanks a million

The "3", "2+1" idea is simply a visual representation of when the stochastics are crossing 80 or 20. It is simply a "tool" in the stochastic war chest but not necessary to use.

Spudfyre

Apr 21, 2007 12:27pm | Post# 469

Quoting slick 60

I have placed one of my charts to illustrate the 15 relationship to the 60 min stochs. Dark green and purple are the 1 hr. I have found there really is no concise correlation as the chart will bear out. It does seem that there certainly is room for scalping 20 pip trades off divergence and 15 min stoch crossovers within the hourly period.
I also use a 5 min chart for divergence with the 15 for this purpose.
Hope this may help a bit.

slick
Spud - if I am posting too much on your thread please say so. Thanks. @@@

Just my opinion and experience....but I find trying to relate the stochastics on one time frame doesn't work well. It skews the math for one reason, and with the math right through a seperate indicator will skew the time relationship. However, always good to experiment!

The relationship between the stochastic movement from the seperate charts to one chart specific to time I think is a more meanigful trail to follow. I know I lost people in the "3", "2+1" info.....but what you want to ask yourself is:
1. What are the stochs/price doing in relation to each other when say the 15M hits 20 and the 30M/1H are still falling?
2. What are the stochs/price doing in relation to each other when there is a large price move versus a small price move?
3. How do stochs/price relate to each other when to exit a trade?

If you delve into those questions for answers you will find some very interesting stuff pop out at you. I would try and explain it here, but it is very difficult to get down in just text.....but I'm working on it.

Spudfyre

Apr 22, 2007 12:57pm | Post# 474

Quoting TEB63

This is intersting & all true but it mainly relates to pair price,
I think MTFT & esp. the stochs are better used predicting monentun
"the big Mo" then stating price.

ie. I live very close to two of the bussies highways in N.A.
I can tell the direction & spead of the cars just by looking ..easy
but I can also predict the spead & direction of the ones coming after
why?
Because to change direction or spead one of two things would have to happen.
1. A slow down or spead up must happen slowly.
why? because other wise you will have a crash
2. which is the other thing that can happen .. a crash

but both the Highways & the 4X are basical run by admin guys & computer
both of which do not like crashes... so both the HWs & 4X are very predictable
...with times of panic when the unpredicable happen... crashs

now the good news is in the 4x we have times ..call news & interst rate info.
that reset the whole thing & we start again
... these in fact take a lot of the crashs out of the 4X

you can for sure make money using MTFT & stochs to show price for sure
or make a lot more money using them to show you the big "mo"
& the big money.

just my thought...
good luck spud & everyone else

TEB

Nice analogy. I totally agree with the momentum ideology. It is definitely a point for further discussion...but my idea behind this thread for now has just been to show people a reliable way to make pips using a simple foundation and keep people on the "winning" side. For now I'm just trying to let people know they can "drive" on the forex highway and make it through safely without worrying about crashing...and that they can be in full control when they know where the lanes are.

Spudfyre

Apr 29, 2007 4:15pm | Post# 506

Start: 500 Pips

Just a "few" people have been asking how to grow their account from start. I have been meaning to start such an adventure and that adventure will begin.

I am only going to speak in terms of pips and net pips...since we all may trade different lot sizes and different brokers. Net pips are pips earned less broker fees. I'll consider Interest a tax and not part of net pips.

I am going to start at 500 pips in the account. Targets will be based on net pip gains and then I will move on to the next target (as opposed to time or pips/day) There of course will be a pip bank to hold all the extra pips made...and let us hope there is a lot!

The early going will be structured to keep risks low and try to protect the account. Keep reality in mind that 500 pips is not a lot of pips to have to start so it is pretty hard to protect in a really bad situation. Therefore trades will be cautious and there will be lots of quick pip grabs.

As I progress I will initially take larger risks due to the smaller account but eventually work to reduce gains to increase risk protection until I am in a position where the risk is on a steady decline and the gains on a steady incline.

You can trade along with me if you like....at your own risk of course. I will post my trades and the pip targets.

I will be trading 3 pairs to start...eurusd, gbpusd, gbpjpy. I will explain trade strategy as I go...it will be easier to see live than in pre-trade theory.

Stops will always start at 50 pips but be dynamic and change during the course of any trade....I use stops to protect the account not the trade..at 500 pips there will not be much account protecting.

All pairs will trade on 15/30/1H stochs with the middle time frame being the entry as it crosses down from 80 or up from 20...having the 15M time frame already signaling the same. More on this later.

Exits depend on the 15/30 time frames or pip gains.

EURUSD will grab small pips and is there to keep us busy...low priority if it interferes with a GBP trade.
GBPJPY will offer the most pips (and greatest risk) but is the highest trade priority.

I will always be entering trades M-F 6 am to noon EST. I'll announce any times not trading or trading extra beyond that. Note: I usually trade 6 am to midnight with breaks....but it is summer

Spudfyre

Apr 29, 2007 4:42pm | Post# 507

Trade Targets

These are the initial trade targets:

Starting Balance: 500 pips

1. Goal: 100 pips Base: 10 pips/day Ending Balance: 600 pips (+20%)
2. Goal: 200 pips Base: 15 pips/day Ending Balance: 800 pips (+60%)
3. Goal: 200 pips Base: 15 pips/day Ending Balance: 1000 pips (+100%)

Notes:
Trades are based on 1 lot traded. Goal is to double starting pips.
Pips/day is to keep track of what is considered a successful day in trading...see pip bank.
First priority of all trades is to reach the pips/day goal either with one or several trades. <<< DISCIPLINE >>> Don't chase the pips without protecting your gains!!!!

Pip Bank:
Pips/day is considered the base income applied to the account gain goals. Any higher pip gains above pips/day should be placed in the pip bank and not applied to the final goal....yet. The pip bank is the dynamic safety net to protect the account at this stage and works better than "stop losses".
When 1000 pips are reached in combination of total account balance from pips/day and pip bank will be the only time to withdraw pips from the pip bank and move on to new targets.

Trade as much as you can each and every day. This is not a time to sleep but to trade! Trade on every signal you can....but don't force trades that don't exist...wait for the signal.

Spudfyre

Apr 29, 2007 10:06pm | Post# 512

Quoting bagovino

Spud,

I think where I get most confused is I study both your and TEB's system. Sometimes his says one thing and yours says another. Can you please explain the difference between yours and his and do you use his at all?

Thanks,
B.

TEB can correct me but I believe his system captures momentum more and mine price moves in the trend or counter to the trend.. To put that simply, TEB's system is capturing the trade later based on the longer term trend so that his system tries to capture larger price gains once the trend is well established and in it's peak pip moves. My system identifies price changes and tries to capture the shorter term price moves.

If you think of the letter "V" and the overall daily trend is up, my system would trade both sides of the "V", where TEB's system would trade only the up side of the "V", looking for a longer or larger price move on the up side. My system would capture the move either at the tip of the left leg, at the rise at the bottom point, and exit somewhere along the leg of the right side. TEB's would enter past the bottom point and ride to the top right tip of the "V".

I believe that is the difference simply speaking.

Spudfyre

Apr 29, 2007 10:12pm | Post# 513

1 Attachment(s)

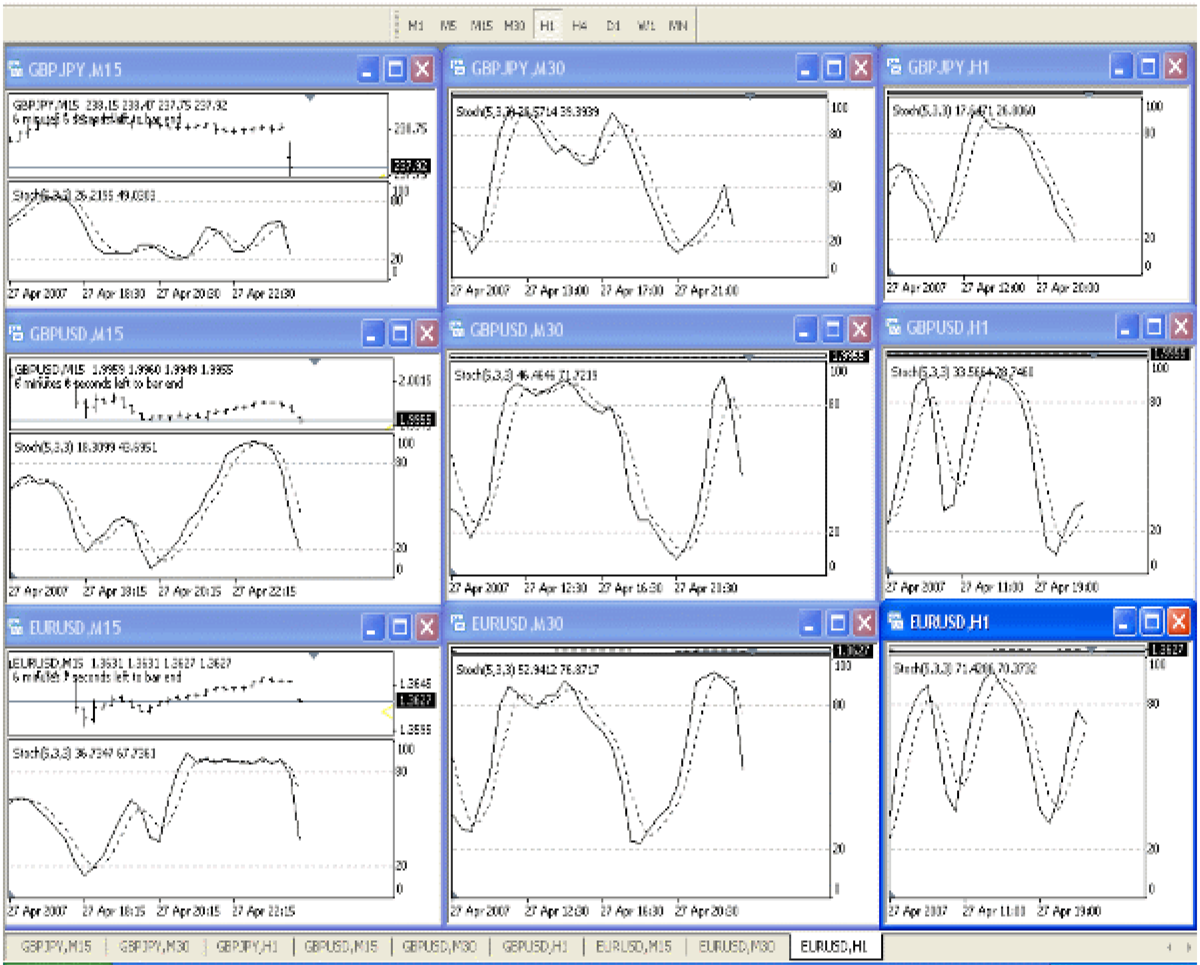
Quoting JayJay

Spud,
Welcome back ! I look forward to your new adventure. As a preliminary...what is the best approach in terms of a screen set up. Should I have the 15M/30M/1H and the respective stochs for each of the 3 pairs on my screen?

Thanks for the time and patience you have taken to answer our questions.

jj/.

I put all 3 pairs on my screen. Left side is the 15M stoch and price. To the right of the 15M is the 30M of each pair and to the right of that the 1H. See pic below:



Spudfyre

May 2, 2007 11:53pm | Post# 552

Quicker Pipping

Quicker Pipping

Well a light bulb went off in my head last night after our informative Slick60 handed us his picture on trading the 5 min GbpUsd. I hope he shares the details of that diagram so we can all learn the 1-2-3-divergence dance.

What I did glean out of it was a nice easy way to grab quick pips off the EurUSd and GbpUsd. This is probably good for any small spread pair.

Word of warning! I have only tested this one day live but I'm up to 48 pips out of 12 trades straight with most trades lasting 15 mins or less!!
I have spent the entire afternoon looking over charts so I'm fairly comfortable thinking this is a winning methodology but you may want to demo it a while or wait for me too lose my money first.

There is no reason for it not to work since it follows the hard core rules of MTF Stochastic trading...so no magic here....just a time frame move.

How this works is to trade the 5M stoch in the direction the 15/30 stochs are pointing..given they are close to the beginning of their run long or short from 80 or 20 as per the 80/20 rules I have spoken at length of here in this thread.

You'll get even better win ratios I am sure using more time frames like adding the 1H and even the 4H.

Then you grab 5 pips or exit when the 5M goes from 80 and hits 20 or vice versa. It doesn't have to hit right on the exit line of 20 or 80...just get out if you are up pips and it gets near the exit. So maybe you get 1 pip or 5 pips..doesn't matter just grab and go.

An example on EurUSd:

We are looking for a normal entry for short. The 15M has curled from 93 stoch and crossed down to 79 stoch level. The 30M is pointed down at the 83 stoch level.

We now look at the 5M stoch to be pointed down...you may need to wait or it may be there waiting for you. It should be above 70 on a short stoch...higher up the better.

Now we go short and put a TP of 5 pips in and a S/L of 20 (I haven't gone above -10 yet during the trade).

We exit when our TP is hit...it usually hits the TP near the 20 or just past the 20...but many hit during the first 5 min candle too.

If the 5 min hits 20 or goes past 20 then just settle for whatever pips you have +/-. You can opt to ride out the 15min next but it's a much larger risk compared to grabbing these easy quick pips!

In fact, I have to say it has been so easy making pips this way I actually got a little bored..there were no heart throbbing moments at all....no challenge.

Now, I can't say this is always going to be this way...but our friend slick50 may share with us some really good stuff that can add to this and make life even more pipable! That is up to him as he has worked hard on his system and I respect his time.

I share this with you so you can use it if you like and judge for yourself if it works. I'm going to use it for a while and really put it to the test.

So this may seem pretty obvious...but you'd have to live my experience trading 5 min charts to understand why I have avoided 5 min charts for trading for years. But this uses the same basic rules so why I never tried this until today..beats the heck out of me.

Spudfyre

May 3, 2007 12:04am | Post# 553

Wednesday Trades

Here are the results on Day 3 to the 500 pip goal:

Daily goal: 10 pips (until 100 pips reached)
Pip Bank: 38 pips

GBPJPY: no trades
GBPUSD: -29 pips (I had to stay up all night to rescue that)
EURUSD: +48 pips

Total: +68 pips
Days Traded: 3 (for 30 pips)

GU....I entered this trade Tuesday night and it went bad to worse right of the bat unable to break the support line. I stuck to it and bailed out on one rise at about 2 am est and then bought some more to cover my loses to ride another long which was much better but it cost me an entire night's sleep. At one point I was down -90 pips on one lot but the stochs said to stay..so I stayed in...which paid off in the end. I took a -29 pip loss due to falling asleep on the job...trader's hazard! So bailed out when I awoke and swore alot.

However all was not a loss because during those hours Slick50 gave me two pictures of his trading method that inspired me to look at something differently which I just shared in this thread.

So I took from the pip bank 29 pips to cover losses, but have gained another 38 extra today with 12 trades on EurUsd to add...so overall it ended up a really great day.

3 days and am 68% done of the first 100 pip target.

Spudfyre

May 3, 2007 9:43pm | Post# 568

Measuring Stochastic Elasticity

1 Attachment(s)
Measuring Stochastic Elasticity

Almost sounds like a physics class!?! Anyways, for about 2 years I have been trying to develop a way to measure the elasticity of a stochastic move. Elasticity being how much price moves when the stochastic moves. Mathematically you can measure it in a ratio between price move versus stochastic move...or in pips versus percentage.

Today I found something that visually provides an elasticity measurement.

This requires the 5 minute time frame, a 5,3,3 stochastic and a 14,3,3 stochastic. Using this tool will save you countless early entries and late exits.

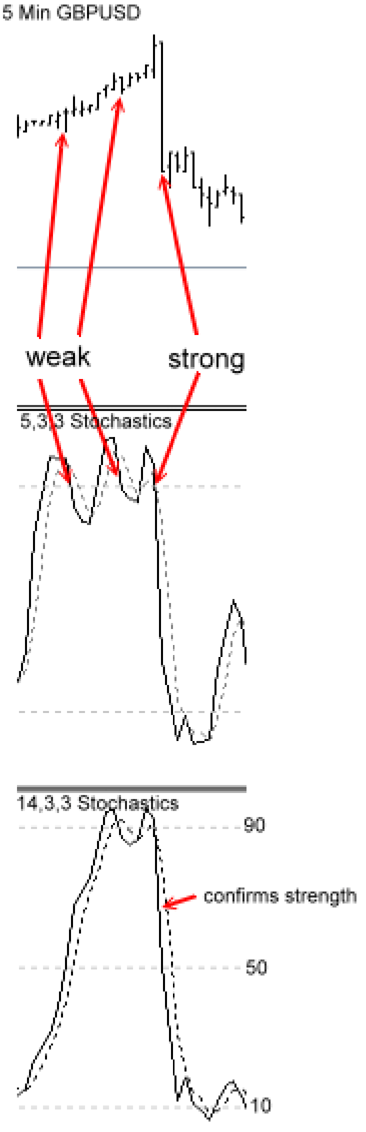
Below is a diagram of a 5 min chart. Price, 5,3,3 stochastic and 14,3,3 stochastic. On the 5,3,3 the level lines are set at 20 and 80. On the 14,3,3 the levels are set at 90,50,10.

The large drop in price was from a news event. Notice how the 5,3,3 stoch gives 2 false moves crossing 80 down before the real move down. Now look at the 14,3,3 stoch and see that there is one less false move.

To use this tool, the 5,3,3 will always move first as it responds faster. The 14,3,3 will always follow. What you want to wait for is the 14,3,3 confirmation before entry...or you want both the 5,3,3 and 14,3,3 to be moving in the same direction together.

Hopefully someone wise can program a stochastic indicator with the 14,3,3 and 5,3,3 "K" lines that can overlay each other in MT4. Users of Tradestation seem to be able to do this.

There are more gems I will try to expalin as I learn them, but the underlying trait is that if the 5,3,3 moves and the 14,3,3 does not follow, it will be a weak price move.



Spudfyre

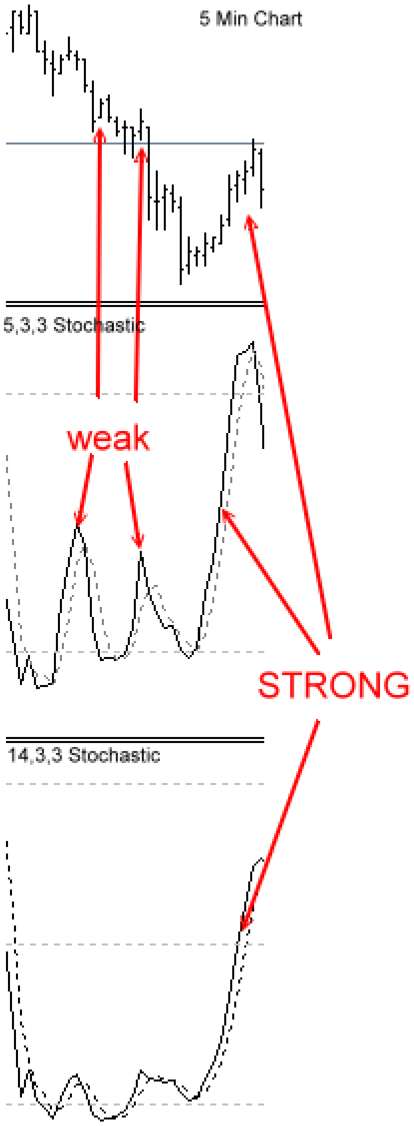
May 3, 2007 9:51pm | Post# 569

Elasticity Continued

1 Attachment(s)
So why call it an elasticity indicator? When you see a stochastic line move from 0 to 100...think of the top of the line attched to the 0 line by an elastic...as it goes up it will eventually snap back. The stochastic doesn't tell us how much the price will move....sometimes the price may even diverge and move opposite to the stochastic movement.

The comparison of the 5 minute 5,3,3 stochastic and the 14,3,3 stochastic movements tells us exactly when a strong price move exists.

The diagram below should explain it all. See how the 5,3,3 stoch make two large moves upwards but the 14,3,3 stochastic hardly moves up. When the big price move comes both the 5,3,3 and the 14,3,3 stochastic jump right up.



Spudfyre

May 3, 2007 10:04pm | Post# 572

Elasticity Continued

Ok, so hopefully you can see how powerful elasticity is as a tool!

Now let's get complicated. The 5,3,3 is going to move faster than the 14,3,3 so the 5,3,3 always leads. As an example what do you interpret when the 5,3,3 moves from up from 20-80 then turns around and starts going down while the 14,3,3 has only moved from 20-50?

Ok, given we are in a long trade we would have the 15M and 30M stochastics moving up from 20. So the power is in the upward motion.

Back to the 5,3,3 stoch on the 5 min chart. Let's say it moves from 20-80 and then turns down to 75. Let us say at the same exact time the 14,3,3 moves from 20 to 50.
Now the 5,3,3 moves down more from 75 to 25 while the 14,3,3 moves up a little from 50 to 55. What to do?

We are in a long trade so the power is up. So, say the 5,3,3 still goes down and drops below 20 and then turns back up to 25. The 14,3,3 moves from 45 to 40. The 14,3,3 is not going to respond quickly to the 5,3,3 down move if it is a WEAK down move! The 14,3,3 is telling us this is simply the 5,3,3 stoch cycling and the move up is likely to be higher.

Which means in this case that the 5,3,3 will bounce back up and price with it.

If the 14,3,3 had followed the 5,3,3 down you would know that the price move down will be strong and may indicate a good time to get out of a trade and wait for the 14,3,3 and 5,3,3 to turn and come back up again.

This is best seen live during an active trade...so put the stochastic up on a 5 min chart and watch how the two stochastic work together to tell you exactly what the price moves will be.

Spudfyre

May 3, 2007 10:57pm | Post# 575

80/20 Rule Revisted

1 Attachment(s)
Ok, there seems to be lots of confusion on the 80/20 rule here and in the live trading session so I will try to clarify.

See diagram below for reference.

The reason I suggest people not to enter a trade above the 80 line or below the 20 line is that there can be HUGE price movement here...good and bad. All the trouble you will ever face will almost always come from early entry before the stochastic passes the 80 going down or the 20 going up. It's a dream if it goes your way...but can kill you if it goes against you and you don't have enough margin to play with or patience to ride it out.

I suggest that because my purpose in writing all this is to make people winners at forex...slow winners...consistent winners...but winners. This is why I put in the 80/20 rule. Those that trade live with me have seen the results of breaking this rule....on their own and yes...I break it too. To my defense I break the rule with some insight into stochastics and price movement but when you see me in trouble...it came from breaking the 80/20 rule almost always.

Although MOST of the time the stochastic line goes up over 80 and down again...there are times when it bounces up and down above 80 making multiple peaks...this is where price can move way more than the stochastic shows because at stochastic levels above 80 and below 20, the stochastic is not moving in a linear fashion to price movements. That means, a small 1% stochastic movement above 80 might mean 20 pips..where below 80 the percentage move may have been 15% or more.

To compensate for this, is why I brought in the "escalator". You need not worry about what the stoch is doing above 80 on a long trade on the 15 min chart because you can go to the 30 min chart and see what is happening where the stochastic is still below 80.

To catch earlier moves simply use smaller time frames....if you want to try and gain more pips...add time frames....but longer time frames mean larger risk.

SO the basic 80/20 rule is this:

Enter a long trade only when at least two time frames (I suggest 3 to reduce risk) have come from BELOW the 20 line and risen above the 20 line and the candle is near closing or just closed (it does not have to do that in one candle). That means as an example it went from 7-10 and then 10-25 percent on the 5,3,3 stochastic...you buy at the 25 percent stochastic level on the longest of the 2-3 time frames you trade given that the earlier time frames you are using have already moved up from below 20.

If you want reduced risk....wait until the 4H time frame makes this move or is rising but still well below 80 as a confirmation of direction.

It is extremely important to pay attention to the fact the stochastic has previously passed the 20 and "peaked"...made a "v" of some fashion below 20 before you enter a long trade. If the stochastic comes down to 20 and bounces up...this is nowhere near as safe as the stochastic breaking below the 20 and coming back up.

The 80/20 rule will keep you safe....it may be tedious but you will win almost every single trade. It may be boring but you will win almost every single trade. It may not appear to often but you will win almost every single trade. It will not maximize pip gains but....well you get the idea.

If the 80/20 rule is still confusing to you or you want to be sure you have it right...I will be glad to walk it through with you on a live trade in a chat room. Just PM me here. Learn the 80/20 rule with stochastics and you will almost never lose a trade.

Spudfyre

May 5, 2007 1:46pm | Post# 595

Study 1

1 Attachment(s)
While playing with the 5,3,3; 14,3,3; and 15,5,5 stochastics on the 1H chart I have noticed 3 traits that signal price moves.

1. Elasticity - this occurs prior to a price move where the 5,3,3 stretches away from the other 2 stochs and then snaps back. Elasticity periods seem to be points of lesser pip moves.

2. Tightness - this is where all 3 stochs are moving closely together (which would mean they are in agreement. Tightness usually follows an elasticity or convergence period and pretty much occurs as price moves. Tightness periods seem to be points of strong pip moves.

3. Convergence - this follows an elasticity period and the area of convergence usually signals the price reversal and entry point. Periods after convergence seem to equal price reversals and strong pip moves.

The 5,3,3 is the thick black line and measures elasticity
The 14,3,3 (red)/15,5,5(blue) are for convergence and tightness measurements with the 5,3,3.

This seems to play out as a very consistent pattern. Obiously it is easier to see the "big" elasticity periods and tight convergences.

Taking this information from the 1H and moving to lower time frames...like 5M will focus your entry point better and allow you to see convergences much better.

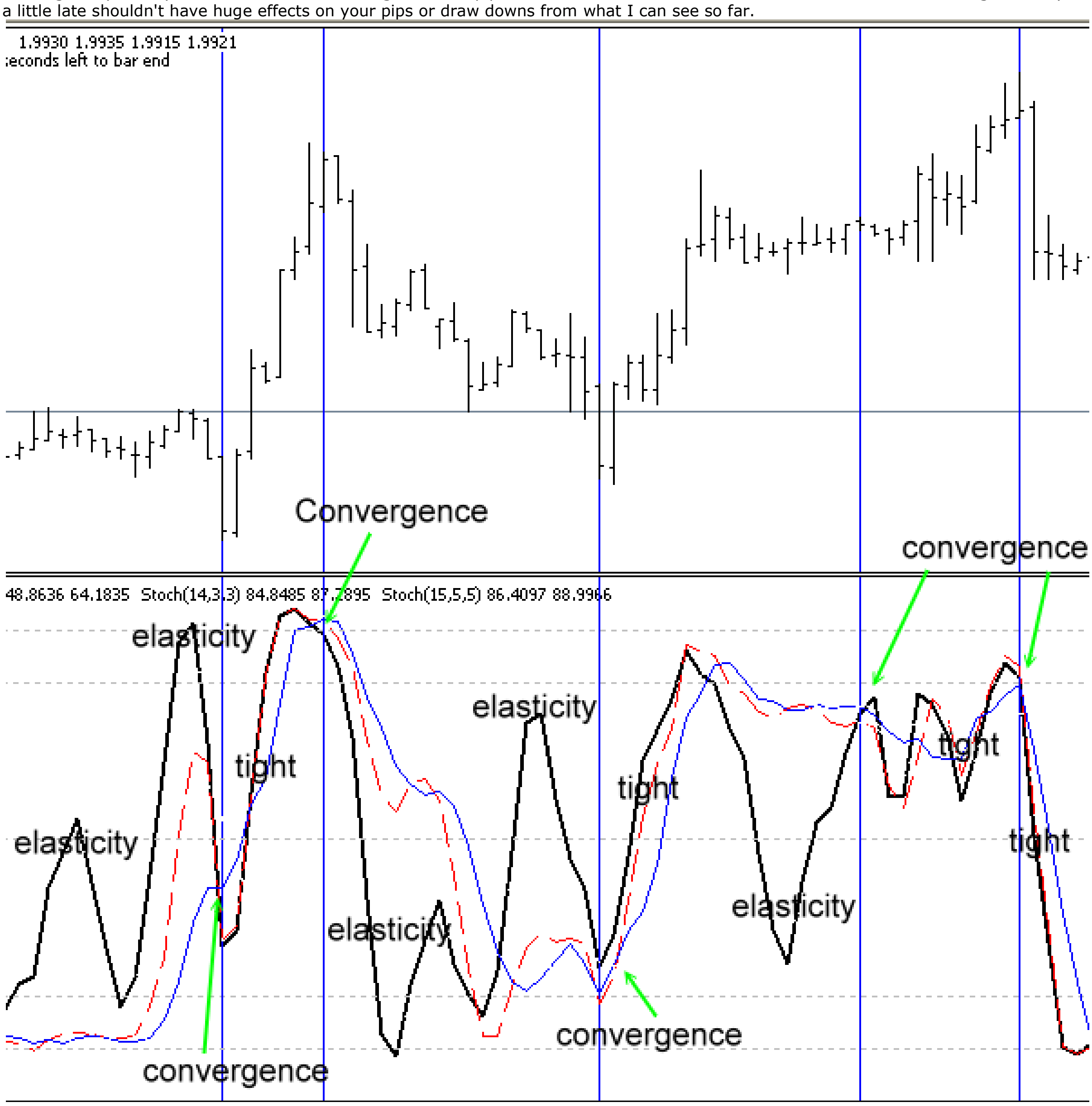
So to sum up:

Elasticity comes **<u>BEFORE</u>** a convergence.
Convergence of the stochs is the entry point.

Tightness is a good time to be in the trade.

Use multiple time frames to focus convergence periods and see the elastic cycles more clearly. When you see it all together it is quite clear.

Convergence is more an "area" then a single point. Nice when stochs all sit on top of each pother, but more often than not they will converge very closely to each other. The convergence area pip moves seem small in most cases from close to close so being too early or a little late shouldn't have huge effects on your pips or draw downs from what I can see so far.



Spudfyre

May 5, 2007 2:44pm | Post# 601

Quoting waddij

Spud,

Thanks for the most recent download from your brain.....

One question. Is the idea then to have the 1H window with the 3 stoch in, once a convergence pattern forms dow e then switch to the 5M window looking for the best entry point and disregard the 15 and 30 or look at all three to be lined up before taking the entry?

Thanks

Hmmm....the fundamental basics are to use multiple time frame charts with stochs in them....this simply gives more precision but is harder to use and more difficult to visually see as opposed to one single chart.

Having said that, as before you want to look at multiple time frame charts in tandem and how they relate to each other...whether you use 2,3 or 4 the degree of accuracy is going to increase with more agreement with more time frames...that's just simple logic.

Using the 1H and 5M with 3-4 stochs is really giving you a wide range of time frame information on 2 charts.

Look at the 1H as scanning the horizon with your eyes and the 5 min as using a high powered telescope to focus on a small area. You'll see everything with your eyes but the details are fuzzy unless you can look closer.

Spudfyre

May 6, 2007 2:24pm | Post# 609

Study 2

1 Attachment(s)

I have been occupying most of my weekend studying the 5,3,3/14,3,3 phenomenon with stochastics and price moves. As I stated here before this combination of stochastics gives you a great elasticity indicator and a measure of the strength of the price move versus the strength of the stochastic move.

However, while analyzing this I realized that although you can keep complicating the formula...the more complicated it gets the more interpretive it becomes. Such as adding the 15,5,5 and looking for elasticity/convergence. Dang if it doesn't work extremely well but it will give you a headache trading it.....so I decided to look harder to simplify it.

I spent a lot of time identifying the periods of sync between stoch moves and multiple time frames for scalping and how best to identify scalp moves when lo and behold I didn't discover something more interesting.

While looking at the charts a distinct pattern was developing to identify tops and bottoms on the price chart. The bonus of this pattern is it is much clearer as the time frame increases...it is almost "perfect" on the day chart. What is a little more strange, is that it was difficult to find any exact sync with multiple time frames but that each time frame would give you separate entries within the "boundaries" of the longer time frame moves....perhaps a little more along TEB's (Ginger's) ideas.

Below is a picture taken from a day chart. There are a few rules to identify the pattern:

1. In a short move (price has topped) the 5,3,3 stoch moves under the 14,3,3 stoch or they merge at a very high level. On the price chart you are probably seeing a new high.

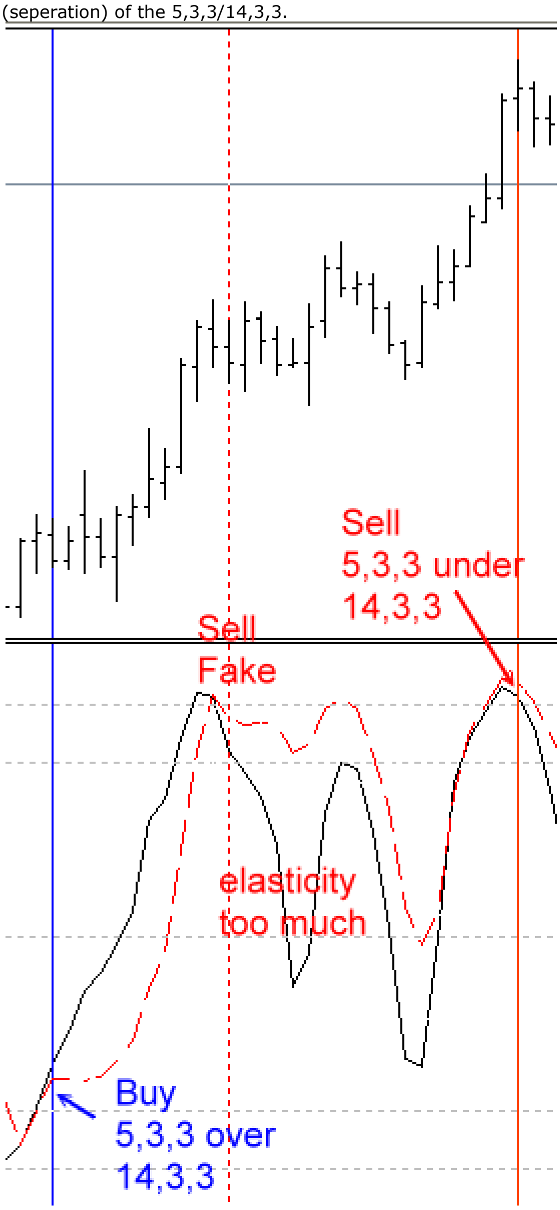
2. In the long move (price has bottomed) the 5,3,3 stoch moves above the 14,3,3 stoch or they merge at a very high level. On the price chart you are probably seeing a new low.

Now trading this signal gets becomes a little intuitive. You want to interpret if you are seeing a new high or low rather quickly to maximize pips, but you also don't want to get faked out and jump in too early.
The good news is that fakes, especially on the daily chart are not that common. Even in a fake you stand to know you are being faked out and can still gain pips with a careful exit.

The picture below shows a sell fake. This is where elasticity can play a huge role. Notice how much the 5,3,3 and 14,3,3 separate. This is a good sign to try and get out of the trade before the 5,3,3 snaps back to the 14,3,3. When you see that sign, you can save yourself!

You can limit risk by determining at what level the stoch makes the signal.
Both stochs:
above 90 - safest entry
above 80 - good entry, still quite safe
above 70 - good trades here but also lots of fake moves
below 70 - not recommended

Best suggestion is to grab a day chart and overlay the 5,3,3 and 14,3,3 "K" stoch lines together and then draw vertical lines at new highs and new lows.....you'll soon see what I am describing here quite clearly. Now look for the fake outs and see the elasticity (seperation) of the 5,3,3/14,3,3.



Spudfyre

May 6, 2007 2:53pm | Post# 611

Study 2 - Continued

Trading the 5,3,3/14,3,3 on multiple time frames is a little different than previous discussions about stochs.

The problem is, if we look at a single long entry and exit area (low to high), you may have several dozen 5M cycles from low to high in the same day period...less 15 min cycles...less 30 min cycles and so on. It would be best to ignore any high to low cycles as we are long in the day.

What you have to determine first is what time frame you are going to use to trade.

Scalp on 5 min longs?
Or pip longs on 15/30/1H or even 4H?
Or maybe just trade the day long?

If you really want action, you could trade them all...but here you are not escalating...you are simply trading each unique time frame as a separate trade based on seeing the indication I explained earlier.

What you do use the multiple time frames for is to find the "zone". For example let's walk through a long trade on a 30 min chart.

1. The first thing we want to know is what the daily is doing and how long ago it made a long indication and how close it is to a new high. It is better that the day is early in its long trade, near the low it has risen from and far away from a new high.

2. You have to expect that the 30 min time frame is going to give you at least a few trades long as the daily climbs. Now you can just use the 30 min and day chart as you are actually using 4 stochastic time frames with 5,3,3/14,3,3 on each chart.

3. You may want to use the 5 min chart to optimize trade entries on the 30 min chart. This would in fact give you 6 stoch time frames using 5,3,3/14,3,3 on each. So in a long...you don't want to be entering a trade with the 5 min falling...you want to wait until it is rising. This can be done anywhere along the 5 min rise. I would prefer entering at a low point on the 5 min...just as you determine in the day and 30 minute.....but entering with the 5 min headed down from 80 is a bad idea. Once you enter the trade you ignore the 5 min...I recommend not looking at it.

4. Exiting the trade is going to be subjective. The safest exit is going to be when the 30 min 5,3,3 tops out around 80-90. The other way is more mathematical. Simply look at all the previous longs on the 30 min 5,3,3 stochs and measure their pip gains to get an average pip gain per long stoch run up. You'll find that the variance is usually quite small when the "trend" is up during the long stoch moves. SO say you find the ip gains for the last 10, 30 min up stoch moves on the 5,3,3 from 20-80 were 20,25,28,33,27,19,35,40,28,30...the n you might use the lowest (19) as you TP or the average (28) as a TP...or maybe split the difference and use 23. If you see a wonky pip gain..say in this example you get a 10 pip gain...I'd just throw that number out and not use it.

There's a lot here to digest so if you are confused ask questions on what you don't understand and I'll dive deeper into those areas. Please keep in mind this is somewhat different than the older MTF Stoch methods I have explained.

Spudfyre

May 6, 2007 3:03pm | Post# 612

Quoting TEB63

Hi Spud

What Time frames are you looking @ trading with?
1 hour & 5 mins?
or Day & ?

TEB

All are possible. The Day is very clear to signals, so I'd use it as my main reference point for trading long or short on any lower time frame (you'll probably like that part!) Trading the day is for the more experienced I think because it is hard to get other time frames to support the trade.

Any other time frames traded should be used in conjunction with the day. I'd probably do the following if it were me:

Day/4H/15
Day/1H/15 or 5
Day/30M/5M

I think you'd be wasting too much opportunity trading the 15 or 5 for scalps...unless you just want something to do. I looked at this:

Day/30/5M trading the 5 min scalps with Day/30 in same direction as looking to be very accurate....not always going to get 5 pips, but sure to grab a few. The biggest problem is 5M will diverge much more than other time frames.

Obviously the higher time frame trades the more pips is there for TP. This is one time I'd advocate grabbing more pips and using the exit strategy I suggested with average pip gains from previous moves.

Spudfyre

May 6, 2007 3:14pm | Post# 614

One question that may arise is "What about the other Stochastic methods"?

I'm so giddy about this 5,3,3/14,3,3 indication and how it shows so much so clearly ...I'm a lot biased to using it for now. The down side is I haven't used it much in live trading except to scalp and I made a bundle scalping the last few days.

I still look for the "holy grail" of MTF Stochastic trades I can trade and leave....I'm sure many of us look for that. So far this is about as close as I have come to finding something that makes total logical sense and seems to identify moves so clearly that I am gaining confidence more and more that this could be long term traded without risk of large draw downs.

I'm just diving into this so long term accuracy using this is still unknown. However, we have some great minds here in FF and hopefully we can identify the good and bad and keep on developing it.

So...if you want to be safe trading live, I'd suggest trading to the "classic" MTF stochastic methods before diving into this 5,3,3/14,3,3 stuff.

If you'd like to help develop this...I think using a lot of demo trading now may be a good idea. I am going to trade it live simply because I concentrate more and get a better idea of how I do. I am hoping what I write here will open up a of discuyssion because it looks very promising.

Spudfyre

May 6, 2007 6:43pm | Post# 618

Quoting bagovino

Teb & Spud (Fred & Ginger) ,

I feel the 5,3,3 and 14,3,3 on the 1 hr is great for indicating the short term trend for scalping. If you look on the charts, when the 5,3,3 and 14,3,3 agree even for an instant, the move is good for 20 pips or so. I didnt research this, but throwing it out there... If the day and 1 hr agrees we can zoom into say the 15 or 5 mins to take a signal in that direction.

I guess what I am saying is the 1 hr seems to be key using the 5,3,3 with the 14,3,3... atleast for me.

Spud, You said you made a ton of pips scalping the 5,3,3 and 14,3,3... How did you go about it?

Thanks,

Bagovino

I scalped on 5M for 5 pips when the 15/30 were in the same direction and tried to go with the trend. However, I improved that by a leap when I threw in the 14,3,3 stoch with the 5,3,3 and looked for both moving together. That got even better when I saw the elasticity indication and figured out it's use.

However, I would agree with you and TEB's as I keep studying this that 1 Hr is a good indicator with 5,3,3/14,33. I think with the 1H and Day signals together you can pretty much grab pips to your hearts content from 5,15,30,1H depending on how you like to grab pips.

I certainly like the long term opportunities this develops.

Spudfyre

May 6, 2007 7:20pm | Post# 619

1 Attachment(s)

Below is a picture of the 1H GBPUSD chart. The thick red vertical line on the left side is where the Day chart gave an indication to sell using the 5,3,3/14,3,3 stochs. In reality by using the 2 stochs on the day chart is the equivalent of having 2 time frames agreeing.

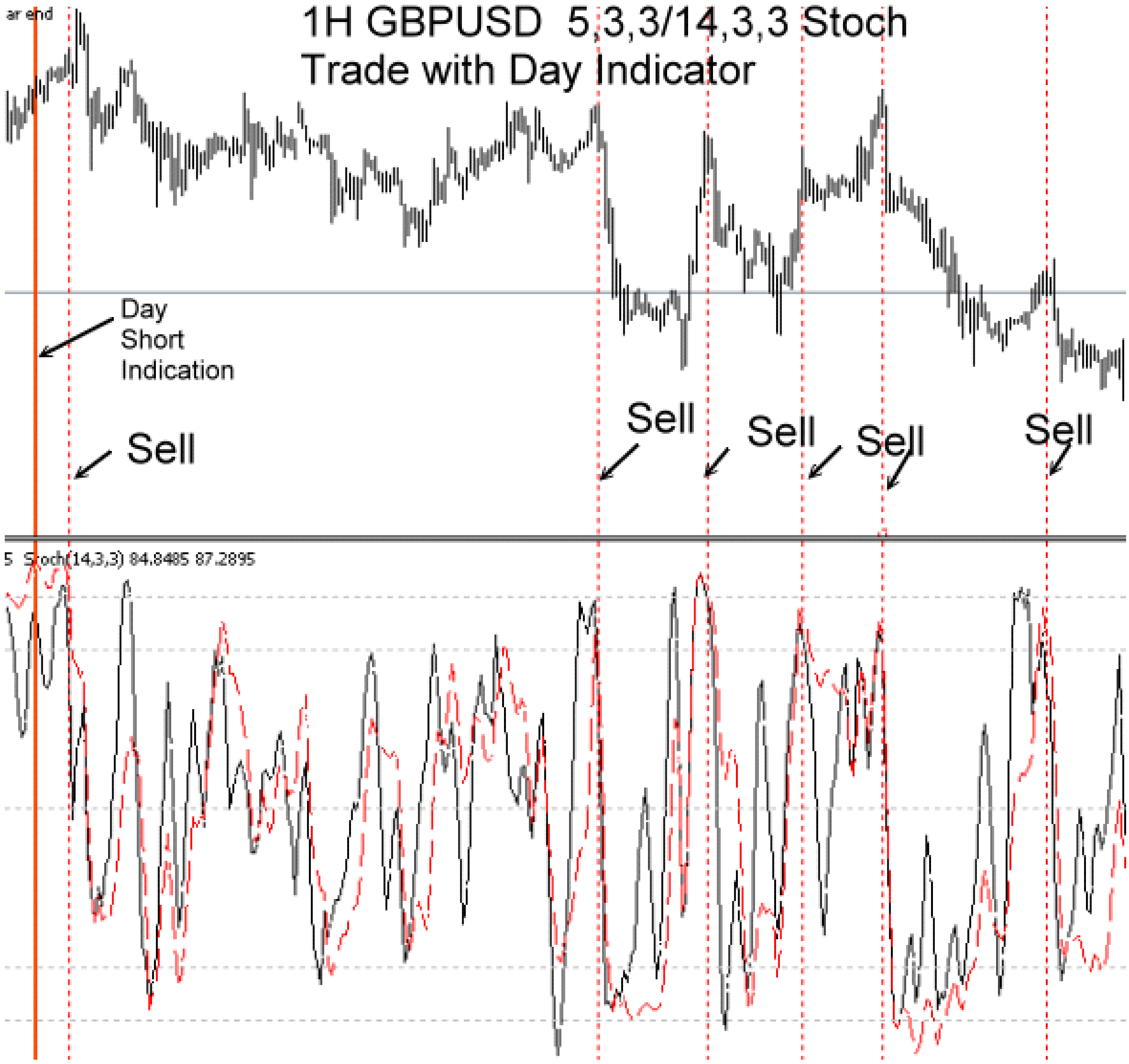
The vertical red dashed lines represent sell signals in the 1H chart. Notice the accuracy. Again this is with the 5,3,3/14,3,3 stoch signaling the sell. Remember the day chart signaled the sell first with 2 stochs and now we used 2 stochs on the 1 Hr ro signal sells...that's 4 stochs and 4 time frames giving us signal.

As an option, if this isn't accurate enough for you ( )....you can add a 15 or 5 min chart to the mix and try to tweak entries to gain a few more pips. This would certainly give you some room to enter later as opposed to too early. Late entry is much better than early entry as I see it. You can see the too early problem clearly on the first sell indication after the day line. No big deal, it simply means a draw down but it could have been refined using the 5 or 15 min charts.

In all these examples I waited for both stochs to go above 80. If you look real hard on the chart you will see a possible sell where the 5,3,3 just touches below 80....again this sell would have worked if you jumped in too early but would have had draw down to contend with.

On the fourth sell signal you can clearly see the elasticity in the stock where the price remains fairly flat from it. This would have been a near break even trade....if you entered too late...or not such a bad trade by using the 5M or 15M time frame to get the best entry.

However, the elasticity is giving you fair warning that you need to bail out of this trade before the price jumped up.



Spudfyre

May 7, 2007 6:34pm | Post# 628

The 50% Rule

1 Attachment(s)
This was sent to me in a rather lengthy e-mail today with about 50 pages of proof charts from 2006 to current! I asked that I could post a summary here for him so that you could all see this.

Basically this is the same system I have explained here prior to the introduction of the 14,3,3 stochastic. So ignore that stochastic.

He uses multiple time charts...15, 30, and 1H for entry with 5,3,3 stochastic K line only (sound familiar?). Then uses the 4H as a possible exit or for confirmation until the next entry signal.

He uses 3 levels on the 5,3,3 stochastic.....38.2, 50 and 61.8. Only these 3 levels...no 80/20 rule here.

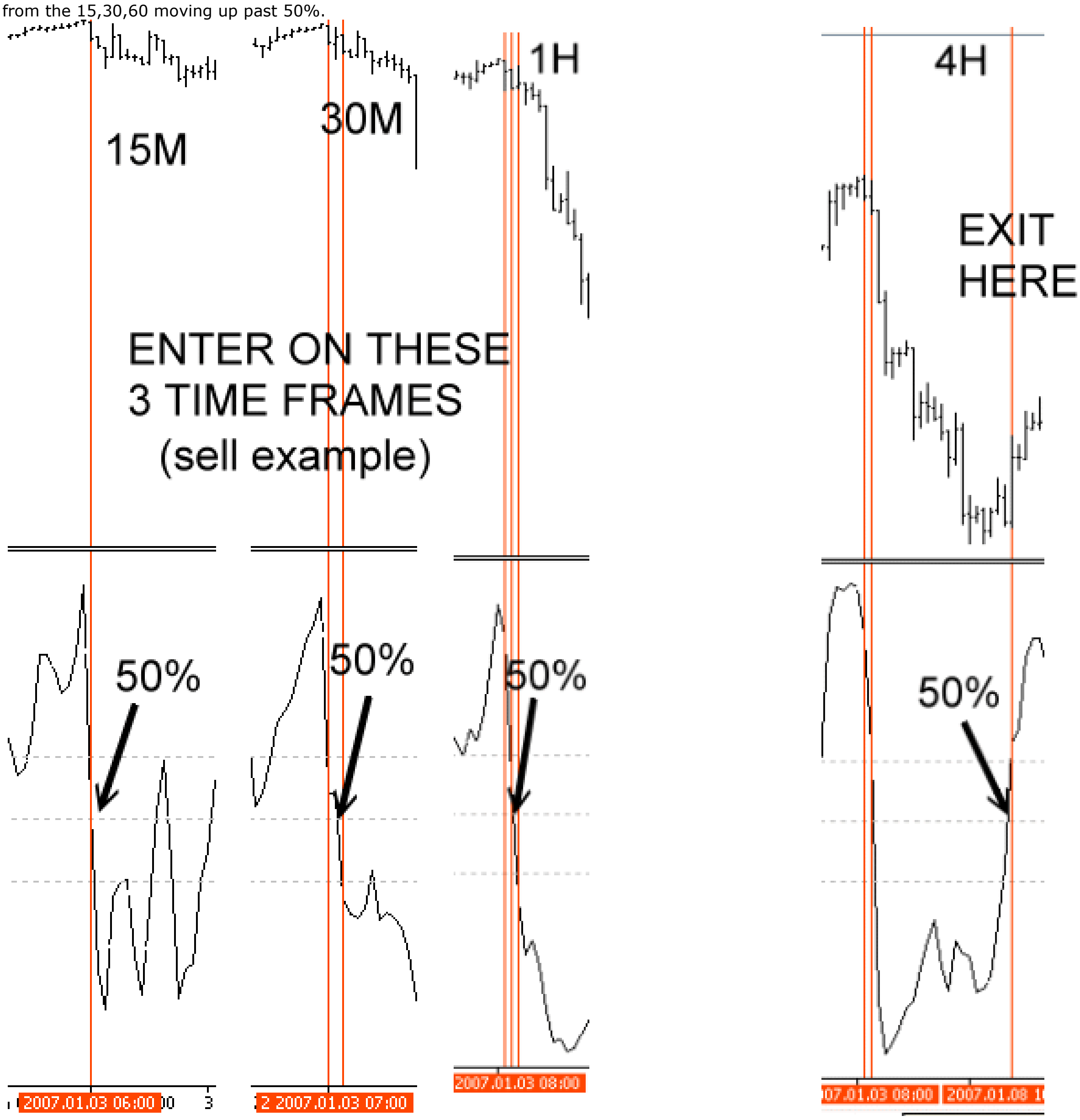
The 38.2 to 50 is a long zone and the 61.8 to 50 is a short zone. However the focus is on the 50% level as a signal line.

Entry is quite simple...wait to see a 15,30,60 time frame period all cross the 50% zone...down for short, up for long. Does not matter how high or low the stochastic went prior to that cross. Direction is what is important....time they cross will stagger but should be close.

All 3 time frames (15,30/1H) must cross the 50% in the same direction. Do not pay any attention to what the 15M stoch does after its entry signal and same with the 30M. Only use stochs for entry signals.

Exit when the 4H hits the 50% in the <u>same</u> direction of the prior time frames or when the 15,30,and 1H signal a trade in the <u>opposite</u> direction.
Only use 4H for an exit signal...or can use to confirm current trade for longer pip gains.

See the diagram below for a sell example. It is quite simple. In this example the exit signal is from entry signals in the long direction from the 15,30,60 moving up past 50%.



Spudfyre

May 7, 2007 8:37pm | Post# 631

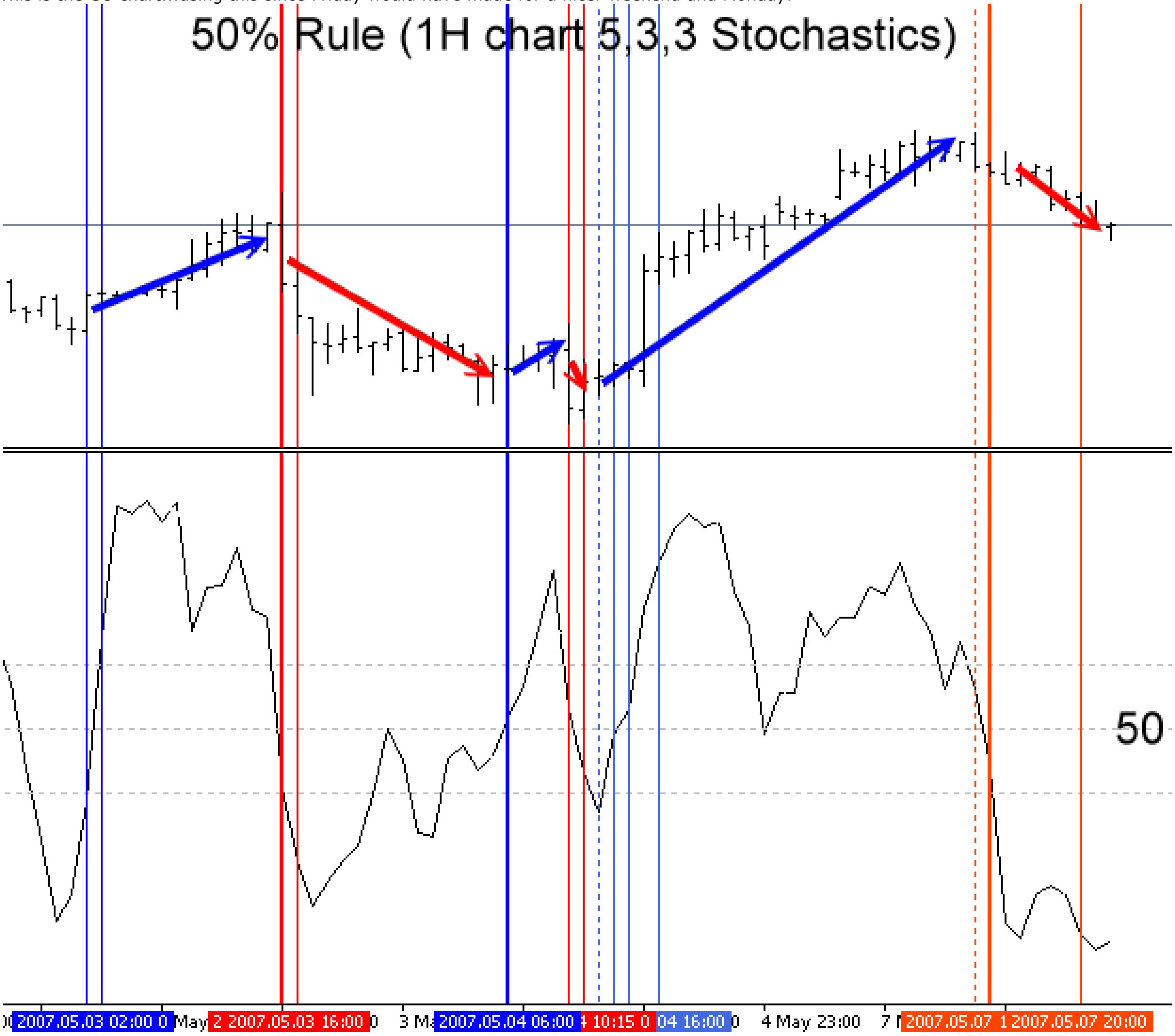
50 Rule - 2

1 Attachment(s)
Here's another chart...

It is a 1H chart. Blue lines show the long entries and red lines the short entries. Multiple lines around an entry are just the variations of when the time frame crossed the 50%.

I believe the zones (38.2 to 50 long) and (61.8 to 50 short) are your fudge factor for entry.....giving you an idea of how much risk you should take if entering an order early....if you want to add risk.

This is the GU chart...using this since Friday would have made for a nicer weekend and Monday!



Spudfyre

May 7, 2007 8:59pm | Post# 633

Quoting scorpion

Notice on that chart it picked up every 1 hour 533 50 cross, is this normally the case, I imagine if you ignore the 15 and 30 once they have crossed that it would be.

Or do you "start again" if the 15m/30m crossing back before the 1hr has confirmed. I notice in the first chart that this happened a couple of times on the 15m before the 1hr crossed.@@@

This is the 1H chart so that is why you see the cross. Yes you ignore the 15/30 once they cross but watch them only for next entry signal. The 1H is your final entry signal, so if the 15/30 crossed the opposite way before the 1H crossed they would have to pull back the 1H to block the signal and in that scenerio you'd have no signal either way. (I suppose worst case is the 1H clearly crossing and then the price reverses sending all 3 the reverse direction...but you'd probably end up with a small loss losing one way but gaining the other....I don't see that happening much).

Spudfyre

May 9, 2007 3:00pm | Post# 643

Understanding Time Frames

1 Attachment(s)
I thought I'd post an explanation on time frames in more detail. Hope it helps.

As you know by reading this thread we look for a long entry into a trade by looking for mutliple time frames crossing up above 20 as per the previous 80/20 rule I wrote about.

Using multiple time frames is a choice between reliability and frequency of trades. The longer time frame you use to confirm an entry, the more reliable the entry will be. Simply because it takes much more price action to turn a 4H stoch comapared to a 15M stoch. The downside is that 4H entries are much rarer than 15M entries. The upside is that you can earn more with a 4H stoch than a 15M stoch. The downside is that you will have more draw downs in a 4H cycle than a 15M cycle.

The reason we use mutliple time frames is to gauge the movement of the market during our trade, to confirm there is a trend building and to find an exit point. In otherwords multiple time frames act as a trend, oscillator and volume indicators all by themselves when used together. The stochastics are used because they are easier to read then price. Stochastics give you a percentage scale of movement.

The picture below shows how the smaller time frames builtthe 4H stochastic move. You will almost always see this same picture for every 4H stochastic move that meets the 80/20 rule.

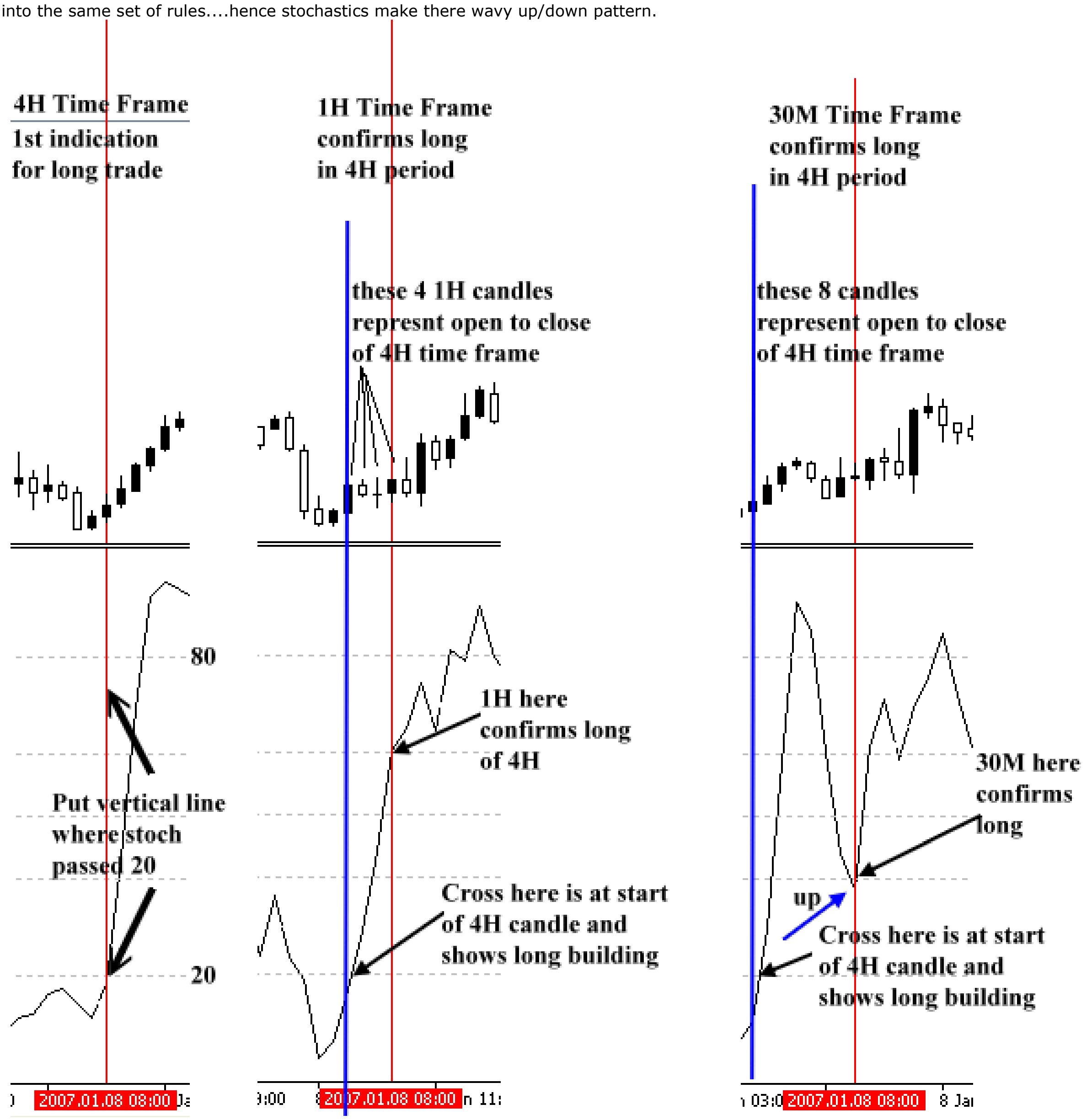
What is important here is understanding that a 4H candle from open to close is made of 4x1H candles that move within the 4H candle period, 8x30M candles and 16x15M candles. That means that each and every 4H candle result is going to depend on how 16x15M candles move within the 4H candle period, and these 15M candles will dictate how the 8x30M candles move which affect the 1H candles in the same period.

Why is that important. Beacause it keeps moving up the food chain so to speak. The day chart candle open to close is made up of 6x4H candle movements, 24x1H candle movements, and so on. As we get higher and higher in the food chain the "animals" become bigger and harder to change off their current direction of movement. Easy to make a fly move (15M)...much harder to make a rhino move (day).

Now comes the confusing part because once the longer time frames have established their movement direction it is much harder for the little time frames to move the larger time frame....unless they do it all together.

That gets confusing because on one side you can see how the small time frames build the large time frames, but you can also see how the large time frames will not change direction and make the small time frames follow their lead. That is all true. What will move the Day time frame is the combination of moves by the lower time frames working together....this the long time frames can't resist...though they try.

Obviously no time frame can move in one direction forever. So we need some way to measure where in the life the overall trend is. Here is where stochastics make that easy. If the 4H stochastic started at 0, every move up by the stochastic would solidify it's momentum upwards, but the higher it goes, the harder is gets to go higher..so the higher it is the stronger the momentum is or was and the harder it will be to go the next step higher. Eventually the momentum will run out, the stochastic will turn and move the other direction and run into the same set of rules....hence stochastics make there wavy up/down pattern.



Spudfyre

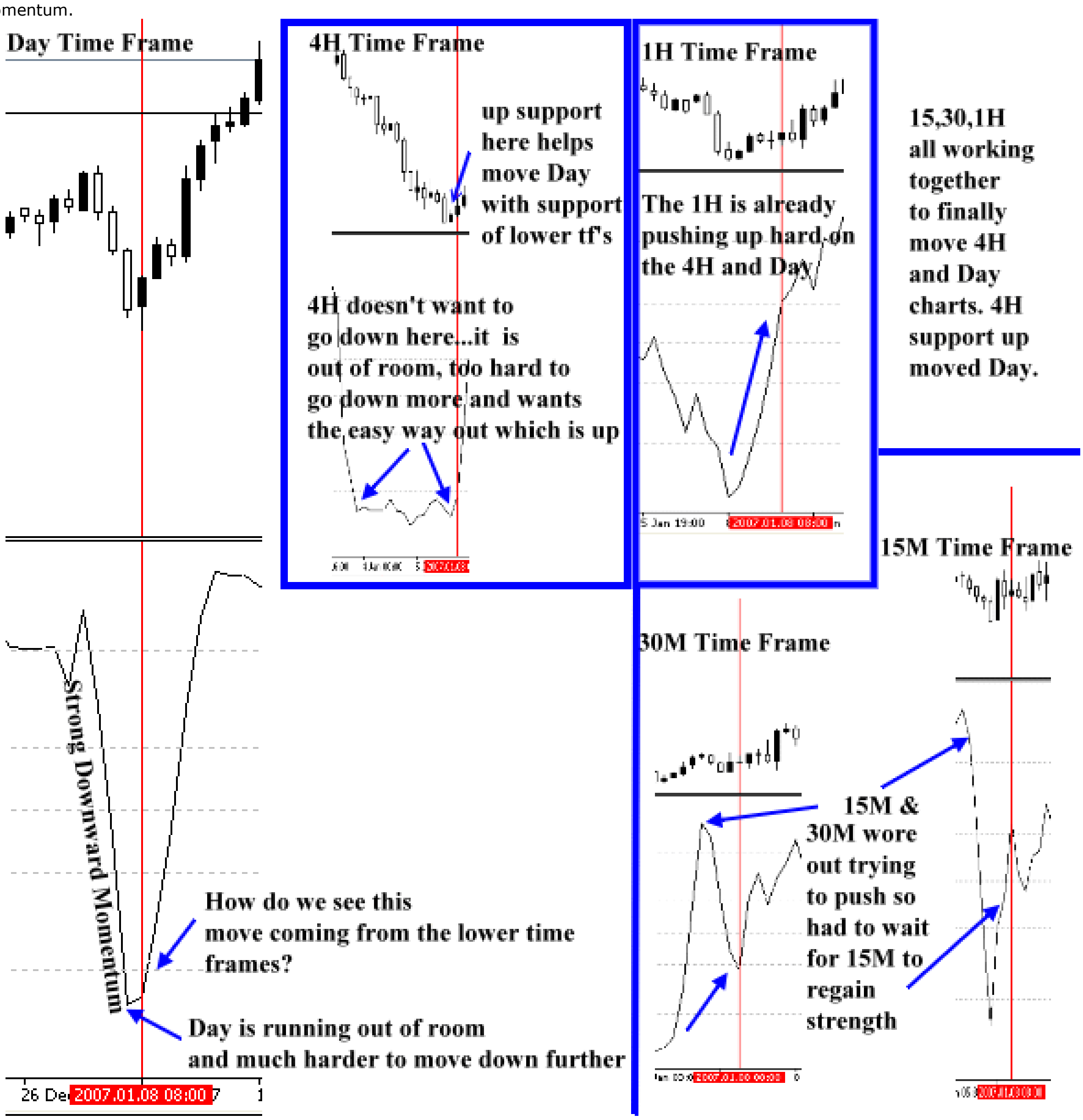
May 9, 2007 3:35pm | Post# 645

Understanding Time Frames 2

1 Attachment(s)
Ok, so we now know small time frames working together will move a large time frame. In this regard to move a upward day trend will require a combination of short moves working together in the short time frames.

So we should be able to see those movements on the lesser time frames...before the day moves, right?

The picture below provides a clear indication when the 15,30,1H and 4H all sync up to push the Day and make it reverse direction. Looking back on the lower time frames you can see how they started to work together to change the direction of the Day's downward momentum.



Spudfyre

May 9, 2007 4:32pm | Post# 646

1 Attachment(s)

Quoting KudzuFX

SPud,
I have wonder quite some time if we had available to us a current 4H candle that would change its form every 15 minutes or even every hour instead of waiting for a new candle to form at the next 4H period.

I say this because this would confirm what we would see in the MTF Stochs as the Stochs for up the "food chain".

The problem we all confront is that not every entry looks as pretty as the one you show above where all the Stoch are crossing the 20 line at virtually the same time. Most of the time we have to make judgments about when to get in because each Stoch is shooting across the 50 line at a different pace or height (long or short). @@@

Actually, every correct entry is this pretty. The picture below is the last 3 long signals on the 4H chart. The red lines clusters are all where the 15,30,1H and 4H time frames crossed 20....see how close they are together?

If one chooses to use the 4H chart...they must trade the 4H chart...when the 4H closes. Not during the the 4H candle....unless one is willing to accept the risk and pitfalls of doing that.

If we calculate the 4H every 15 minutes...we won't be any more accurate. The math behind the stochastics would be skewed and be inaccurate.
What to do? Look at the 15M during the 4H candle and see if it is moving up or down....that is the partial 4H movement every 15 minutes.

To enter earlier, use the 1H chart and trade the 1H chart at it's close.

More advanced is to adjust the stoch. Use a 14,3,3 stoch on the 1H chart is a close approximation of a 3H stochastic....so you'd see the 1H and approx. 3H...giving you 1H advance on the 4H close.

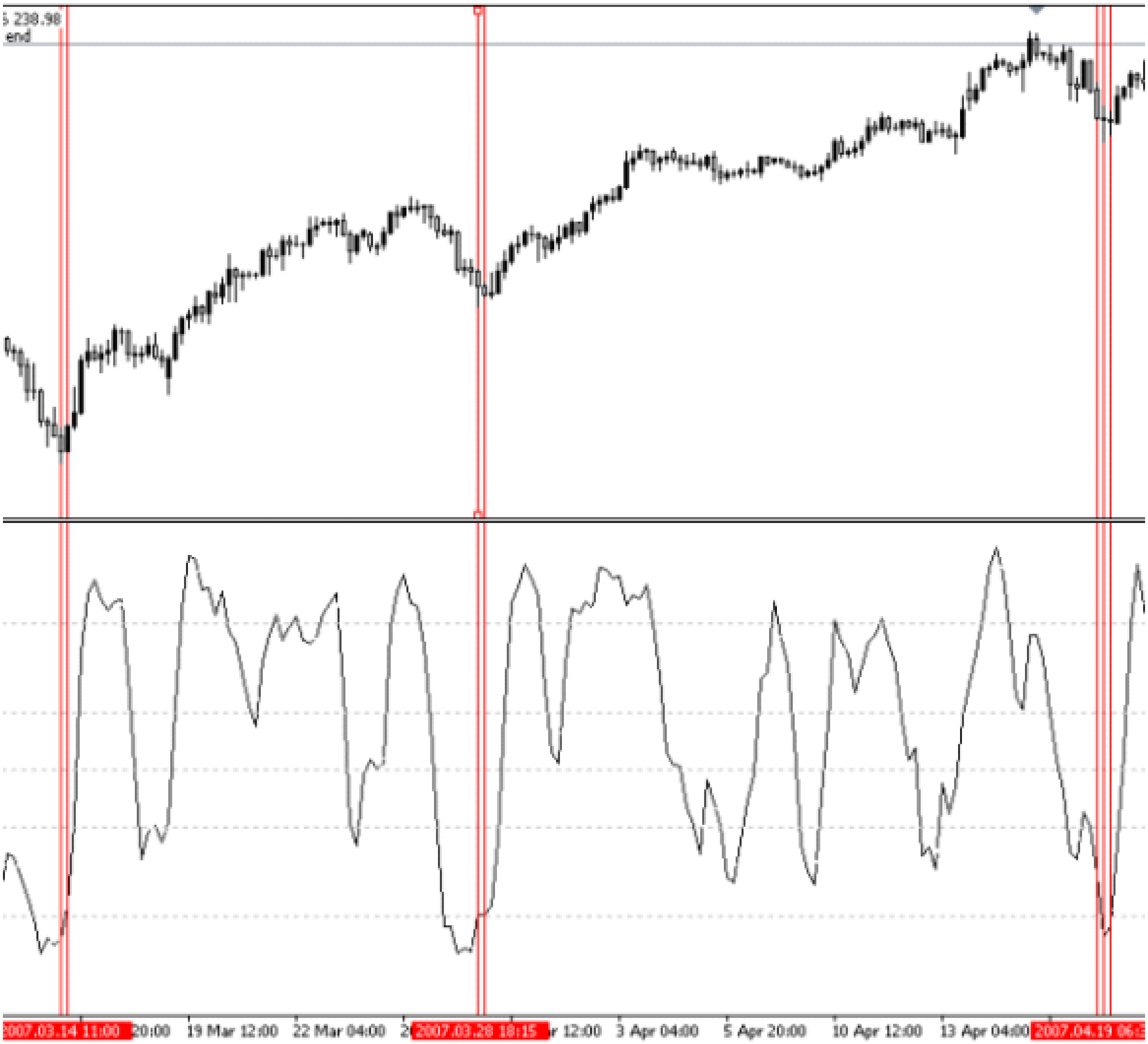
The escalator methods allows you to trade the progression from 15 to 30 to 1H to 4H...but still the same exact concept.

I'm a poor example of patience...but the biggest think here is patience and waiting for candles too close. You won't miss anything trading the 4H chart waiting for the 4H to close. Same with the 1H. However, if you are like me...and have no patience and enter early...then you have to accept riding out large draw downs waiting for the trade to form.

I could draw a thousands similar entries on the 4H chart and they'd all look exactly the same for every **correct** entry. One will see the small time frames all meeting the 80/20 rule all about in the same "period" as the larger time frame you trade.

The 80/20 rule is a safety net of low risk trades...it is extremely conservative, misses a ton of trades but won't let you down very often. I put that up here first so there was a comfort level to trading but I think as traders we all have a low coefficient of patience.....especially me. Let's face it...we get bored we want to trade!

The last two entries and pictures on time frames can take you out of the 80/20 rule...as long as you understand the effect time frames have on each other and how they synchronize themselves prior to a reversal....hence the TF explanation. Or at least hopefully it adds some clarity to how the 80/20 rule works.



Spudfyre

May 10, 2007 12:35pm | Post# 651

The SPUD MTF STOCHASTIC SYSTEM

1 Attachment(s)
THE SPUD MTF STOCHASTIC SYSTEM

Many people have asked about an exit strategy, given this is the hardest part of trading. I've been doing some experimenting and have combined the 80/20 rule with the 50 rule to develop what I think is a very good enter/exit strategy.

All trades start with the 4H entry by the 80/20 rule. Support comes from having the 15/30/1H supporting with their 80/20 crosses before the 4H. Optionally you can enter at the Spud50 if you are more conservative. Trades should go in direction of Day stochastic.

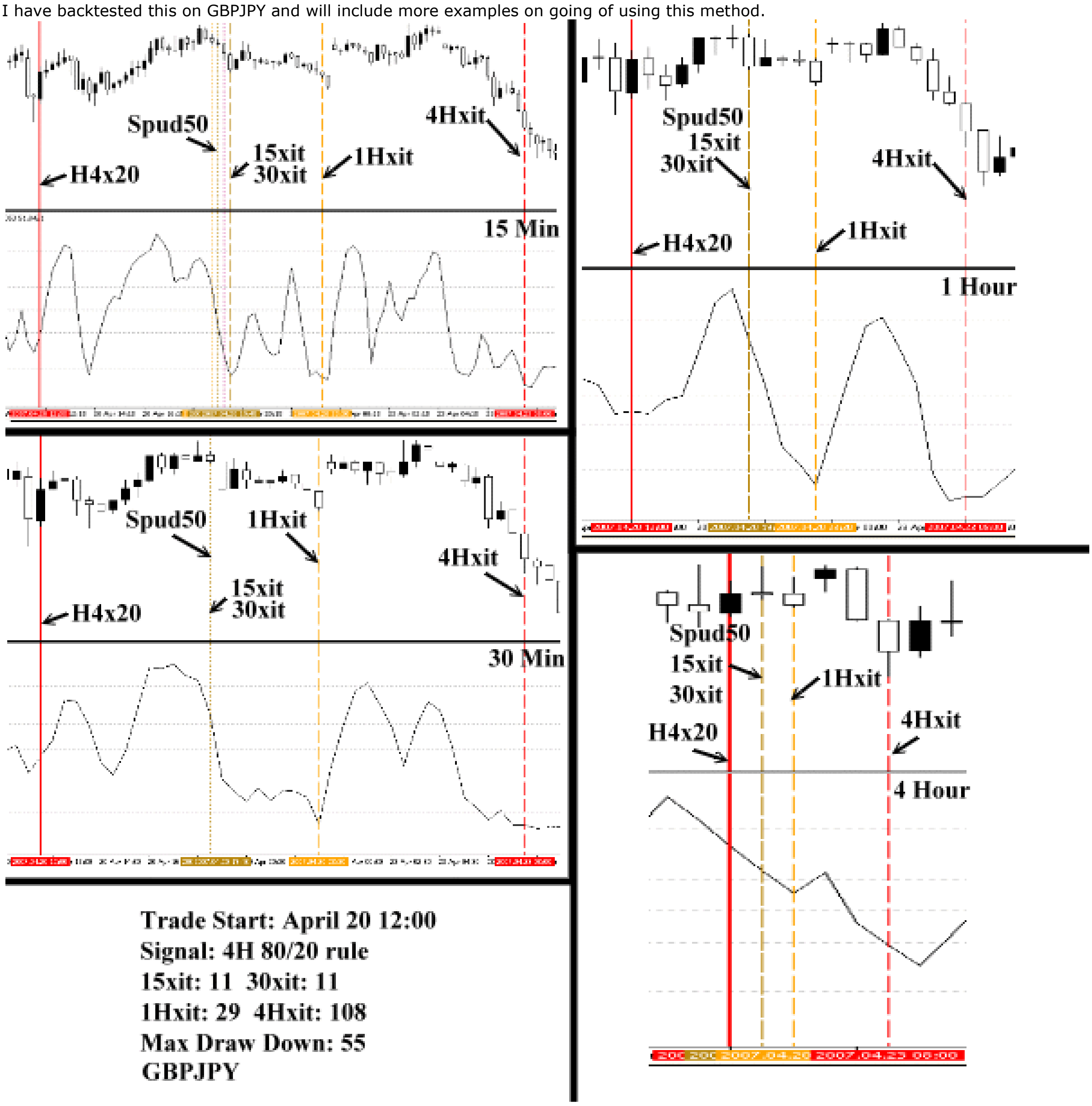
Trades are followed through the "50 Rule" (aka the Spud50), where 15/30/1H/4H cross the 50 line.

Exits can be done by choice on the 15/30/1H or 4H chart. Exit area on a long is when the 15/30/1H cross the 20 down but before it recrosses the 20 up. This is an "area" that the trader will have to determine as optimum for exit. The 4H exit is quite different. That exit on a long is done when the 4H crosses the 38.2 line. Short exits are the opposite.

The picture below demonstrates a trade. It shows all 4 time frames (15/30/1H/4H) so that you may study the interaction of each. You will see that as we move into longer time frames, our indicators converge so that we have less vertical lines showing by the time we hit the 4H chart.

In this example the only entry confirmation was the 4H crossing the 80 for a short! There was no clear confirmation from the 15/30/1H with the 80/20 rule prior to the 4H confirmation. Probably can be classified as a high risk trade. However all time frames hit the Spud50 which would have been a good indication to ride the trade to exit.

I have backtested this on GBPJPY and will include more examples on going of using this method.

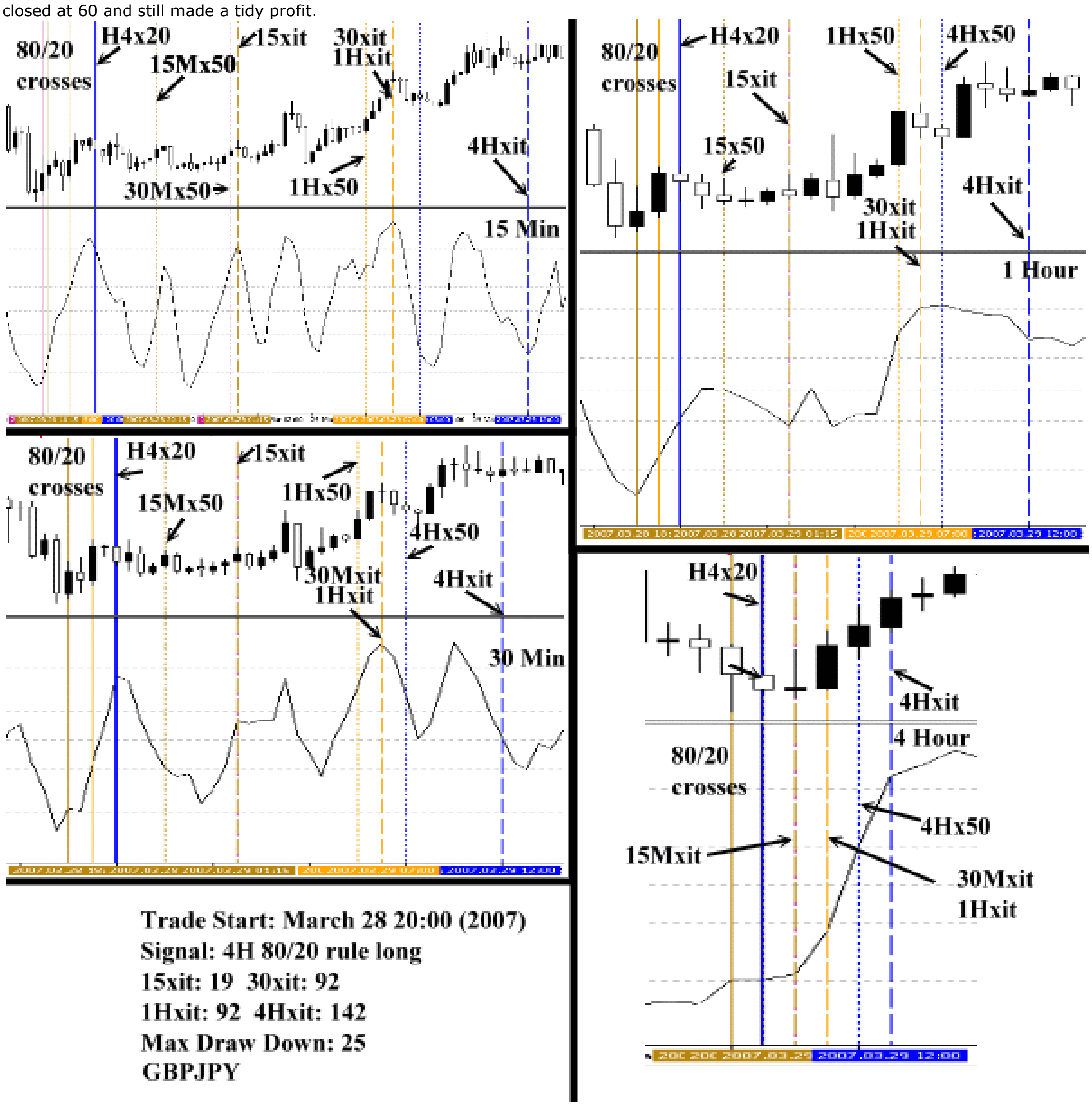


Spudfyre

May 10, 2007 1:51pm | Post# 652

1 Attachment(s)
Here is a long example. Here we have the 15/30/1H meeting the 80/20 rule prior to the 4H crossing at 20. In this example the Spud50 is quite wide.

If you look closely at the 4H exit on the 4H chart you will see the stochastic crossed the 80. On this candle it crossed both the 61.8 and 80 on the same candle...so the 61.8 cross applied to the 4H. Nervous traders could have exited on the previous candle when the stoch closed at 60 and still made a tidy profit.



Spudfyre

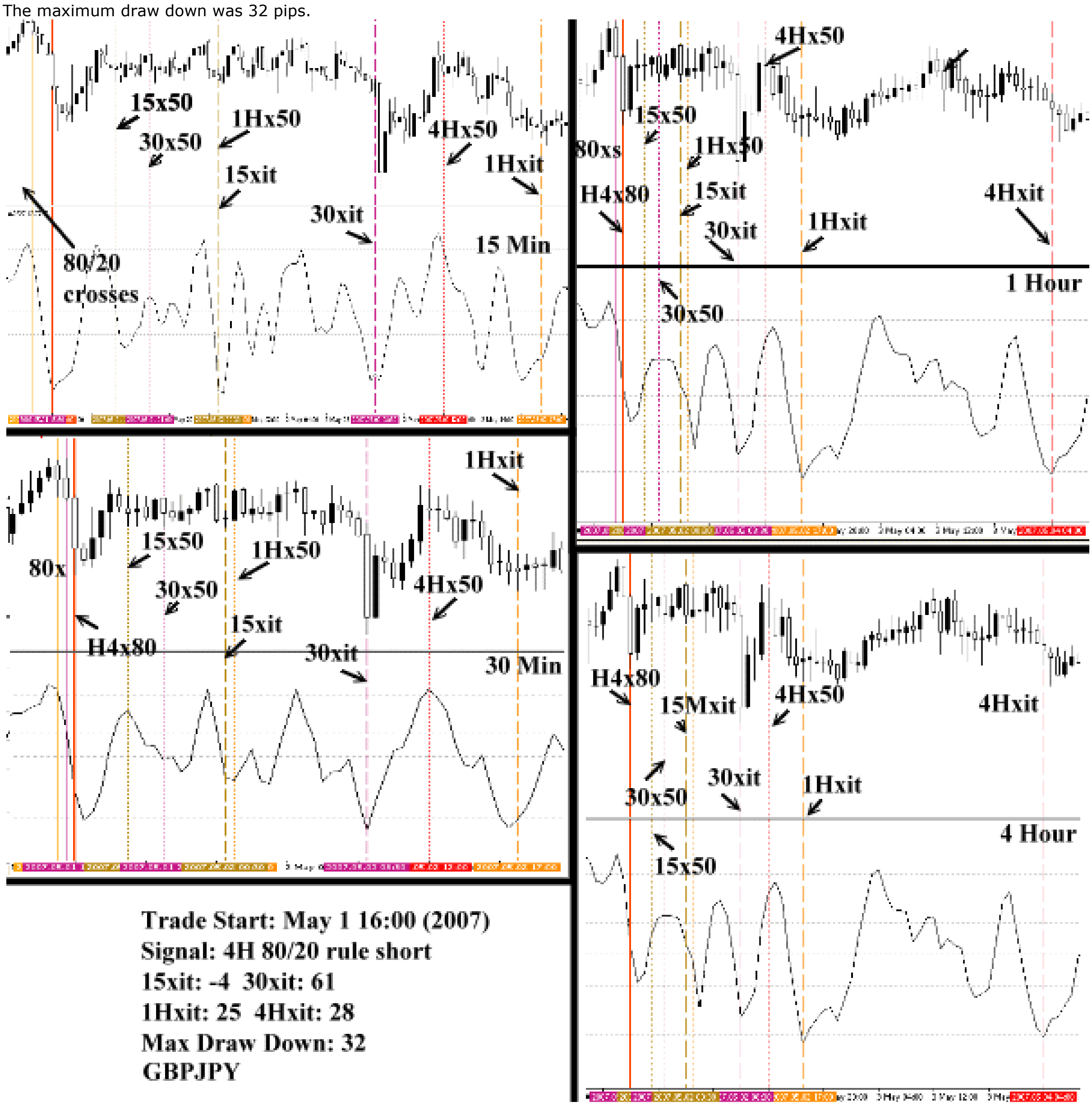
May 10, 2007 6:18pm | Post# 656

Chart from May 1, 2007

1 Attachment(s)
May 1st brought a long drawn out 4H short trade on the GBPJPY. In this instance the 15/30/1H crossed the 80 prior to the 4H crossing the 80. All time frames passed the Spud50 line and the exits brought some wide spread results.

The 15M exit lost 4 pips.
The 30M brought the best result with +61 pips
The 1H = +25 pips and the 4H = +28 pips.

The maximum draw down was 32 pips.



Spudfyre

May 10, 2007 6:49pm | Post# 657

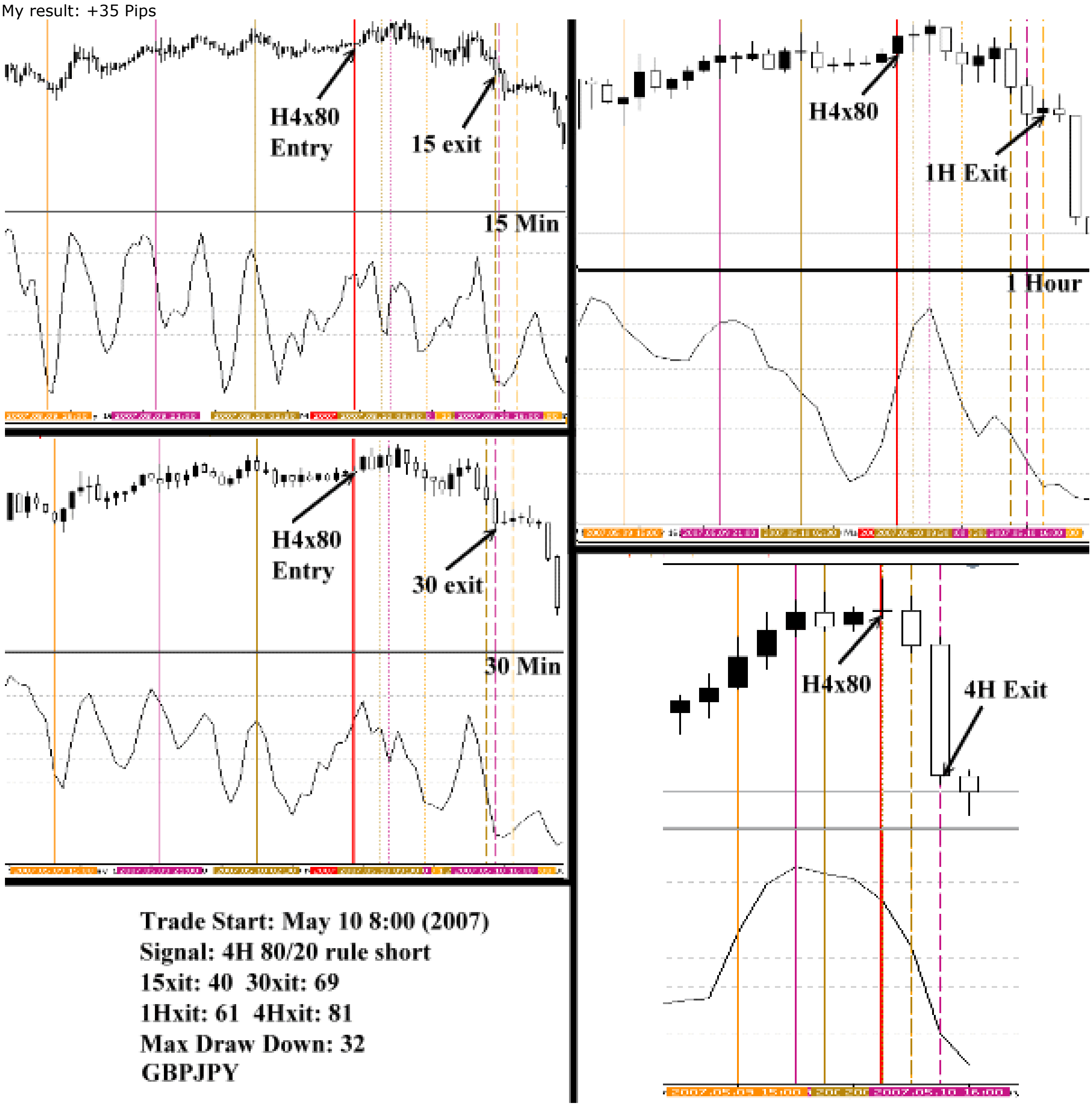
Spud's Mtf Stochastic System Goes Live!

1 Attachment(s)

Results from the first live trade of Spud's MTF Stochastic System

GBPJPY Short 8:00 GMT
Maximum Draw Down: 15 Pips
Entry at 4H 80 cross @ 239.41
15M Exit +40 Pips
30M Exit +69 Pips
1H Exit +61 Pips
4H Exit +81 Pips

My result: +35 Pips



Spudfyre

May 10, 2007 10:45pm | Post# 658

Danger Signs

There are situations that can make what looks like a good trade a bad trade. They do happen infrequently but they do happen.

These are the signs I have detected so far using Spud's MTF Stochastic System:

1. None of the 15/30/1H stochastics should be above 80 when the 4H stochastic crosses below 80 in a short entry. (This can lead to an early entry with price going up instead of down).

2. None of the 15/30/1H stochastics should be below 20 when the 4H stochastic crosses below 20 in a long entry. (This can lead to an early entry with price going down instead of up).

3. Use **caution** if 2 of the 15/30/1H time frames stochastics are low (below 30) in a long trade or high (above 70) in a short trade when entering as this may draw price away from your intended trade direction.

4. Exit any trade where the 4H has crossed the 80 down, you enter and then the stochastic loops back up to 80....re-enter on the next 80 cross. Vice versa on the 20. Generally this loop is above 61.8 from 80 and below 38.2 above 20. This happens infrequently but can happen without any prior warning.

5. Remember that price moves can be dangerous when a stochastic is above 80 or below 20. Any time frame of all 4 time frames in this position can affect the trade...where a stochastic in the 80-100 range will draw price up and a stochastic in the 20-0 range will draw price down. 90% of failures will happen when this situation exists.

6. When in doubt and up pips...exit your trade! You can never lose if you gain pips. Protect your profit.

Spudfyre

May 11, 2007 12:45pm | Post# 662

Quoting bagovino

Spud,

I think I missed a few posts, so do mind clearing something up for me please?
Are we only entering now when the 4hr either comes down from the 80 (Short) and going up from the 20 (Long)? And prior to this, lets use a short for an example... The 4hr is above the 80 and price is still climbing slightly or ranging. The 15min crosses down through the 50, then the 30min crosses down through the 50, and finally the 1hr falls through the 50... Now we wait for the 4 hr to curl down and penetrate the 80 to enter short?

This is how I'm understanding it. Please correct me if I'm wrong.

Thanks!

Bagovino

Entry for a long:
The 4H stoch crosses from below 20 to above 20. The 4H must close above 20.
Prior to that or at the exact same time you should have confirmation from the 15/30/1H of doing the same. More relevant is that there are no smaller time frames below 20 and there should be at least 2 smaller time frames above 30 when entering on the 4H.
That is your entry.

Optional Entry:
Optionally and if you are conservative you can enter after you have the signal above and once one, two, three or all time frames cross the 50 level up after the entry.

Exits
There are 4 exit options. The first 3 are when the 15 min, the 30 minute or the 1H cross the 80 (in a long trade). The 4th is when the 4H crosses the 61.8 level. All can be on close or when you think the stoch has hit the high. It is a higher risk to take the 4H to 80, but can be done if the lower time frame stochs support it...this is more interpretive.

Spudfyre

May 12, 2007 7:56pm | Post# 675

Quoting TEB63

Hi Spud

you are better at back testing these things then me
I have had a lot of time to think this weekon vacation

Started playing with an Idea

very simple 3 things
4 hour channel--- its the trend never go against it
4 hour stoch 533
& 30 stoch 533

& darn if it didn't work- it is simple simple

I also tried 1 hour & 15 mins - & 30 mins & 5 mins.also worked

other people want to look at it
TEB

The 4H stochastic is very accurate for entry so long as you don't enter too early. The last few days I have gone from yin to yang and am studying the failures more closely to see what common attributes exist. I hope to compile a more comprehensive study on this which I think will help people who utilize both systems.

Yes when I was working on the the lastest version of Spud's MTF Stochastic System and analyzing bad trade signs....I've noticed a high involvement of the 30 Minute time frame as oppose to other time frames....not sure why that would be(?).

I've also noticed a significant involvement of the 38.2 and 61.8 levels on 4H entries with lesser time frames. For example in long successful trades there is a high number of trades where one of the 15/30/1H time frames will hit the 38.2 level as the 4H breaks the 20 level.....almost the exact opposite is true of failed trades where none of the 15/30/1H time frames are at 38.2.

Spudfyre

May 12, 2007 8:04pm | Post# 676

Quoting TEB63

Spud you know most programs have a RSI Stoch

TEB

I just refer to the default stochastic indicator included in MT4.

More troubling was the discovery in our chat group of the time differences between feeds. For example I am using MoneyTec and the 4H candles were closing 1H ahead of those on FastBrokers. There is alos a rather large discrepency in stoch levels. During the GJ dive on Thursday, there was a 25 point discrepency in stoch levels during the open candle! On Friday my 4H closed at 21.8 (an entry) while FastBrokers closed at around 18 (meaning they had to wait 4H's for the next candle to close above 20).

I am not sure what the overall impact of these differences between feeds has on overall statistics. I would think over the long haul it would average out.

Anyways, it now explains why people kept thinking I was trading on open candles or could not see the trade signals I saw. Lesson learned is if trading in group sessions...make sure the entire group is using the same feed!

Spudfyre

May 13, 2007 4:00pm | Post# 681

Quoting traderdp

Spud,
regarding your recent post on the SPUD MTF STOCHASTIC SYSTEM:

Entry for a long:
The 4H stoch crosses from below 20 to above 20. The 4H must close above 20.
Prior to that or at the exact same time you should have confirmation from the 15/30/1H of doing the same. More relevant is that there are no smaller time frames below 20 and there should be at least 2 smaller time frames above 30 when entering on the 4H.
That is your entry

my question is how can you enter on a smaller time frame than the 4H - is it possible to enter on the 5 or 15 min chart using this same system? I'm sure I'm missing something really simple and I apologize in advance for my confusion. thanks alot for sharing your wonderful systems and terrific teaching that has helped so many.
traderdp @@@

The 4H is your signal indicator...it is the "make a trade" sign. Now you can trade any of the 15/30/1H/4H time frames or combination thereof depending on your risk level.

Best entry in a smaller time frame will be when that small time frame (on a long) crosses 20 or just has prior to the 4H indication. Your exit on the long will be when a time frame (15/30/1H/4H) hits 80 (long). You can enter on any time frame after the 4H signal (in the direction of the 4H move).

The smaller time frames will hit the exit target more often but you make less pips than the longer time frame exits....you can pick any time frame to exit on.

Better exit strategy is to follow the stochs and being able to read them..it takes practice but will get you better exits.

Spudfyre

May 13, 2007 4:02pm | Post# 682

Quoting fishhunter

Spud,

When you say "hit the 38.2 level as the 4H breaks the 20 level" do you mean having at least one of the TFs having crossed from 20 to

38.2 or higher and pointing up at the time of the 4H close (in the case of a long entry)?

Fish

I'm not going to answer that because I think it may confuse matters. It is just something I noticed but for now wouldn't use it in trading. I will address it with better data analysis, if it proves relevant.

Spudfyre

May 13, 2007 5:15pm | Post# 683

POSTED IN TEB's TRADING SYSTEM JOURNAL.....though I'd put it here too.

Hi TEB's

I've been studying your simple system with the 4H and trend lines combined with trading the 15/30/1H within those trends. Here's some data on GBPJPY you may find useful.

On a short,

I defined the start of the trend line where the 4H crossed the 80 down....if the down trend started before them I started the trend lines there. You'll find much of the time this is the start of the trend anyways. If price broke the trendline and the 4H stock was headed up above 20 I classified that as the trend ended.

I then started trading in the direction of the 4H on the 15M, 30M and 1H independently.

Trades were entered each time the stochastic crossed the 80 down, 61.8 down and 50 down.

There were 2x as many 30 min trades as hourly and 2x as many 15M trades as 30 mins. Funny how that worked out so nicely.

There is a noticeable breakdown prior to the trend reversing...more on this further below.

Here are the percentages I measured for combined TF trades:

from 80 to 20 94% success 6% failure 50% of trades
from 61.8 to 25 91% success 7% failure 86% of trades
from 50 to 25 92% success 8% failure 100% of trades

25 seemed to be the better level for trades starting from 61.8 and 50...about a 5% difference in increased failures moving the target to 20.

Failure only means the stochastic did not fall to the level on a trade, it does not mean pips lost. Successes does not always mean a pip gain. However, for the most part pips losses were small and would have little impact over net gain.

Now, noticing a price break in trend and the 4H stochastic above 20 moving up would help catch a trend break. More identifying were tags in the stoch movement of trade failures. These failures would see a trade from the 80 to 20 or 62 to 25 make little movement. For example most failures happen when the stoch moved from 62 to 50 and then reversed to initiate another down trade or simply went back to 80. A move from 80 to 20 seeing a reversal around 40 back to 80 was also a break signal.

In other words failures increased across the time frames as/prior to the trend breaking down. Otherwise, the successes were very high while the trend was in place with just very "close" failures (failures that almost reached target) appearing rarely. If you do some observations towards the end of trends you will see this quite easily.

To sum up all that.....

Enter the trade with the 4H trend on a short at 80, 61.8 and ride it to the stoch hits 25-20. When you start having failures, it is a warning sign to stop trading that trend. That will get you better than 90% success and a good net of pips.

Might call this one Pip Fishing! Throw out the net and take in the pips.

Spudfyre

May 14, 2007 12:51pm | Post# 687

During the course of running the data analysis on TEB's idea I began to notice a pattern that may be interesting to study. I hope a few people will grab their computer screens and pencils and put this idea through it's paces because it looks unbelievable simple and seems to generate great trades and save you from bad ones.

This is for short period trading....you won't linger in too many trades too long with this. On the 30/1H you will average about 35 pips a trade that last about 3 candles.

Take any of these time frames:
5/15, 15/30, 30/1H, 1H/4H

Set a level line on your 5,3,3 stochastic at 61.8 and 38.2.

Your entry/exit is always with the smaller time frame.

The smaller time frame should be one step (one candle) ahead of the longer time frame for the cross or one step behind...or exactly the same. This is optional if you are conservative and a common pattern. However, you do not want the longer time frame ahead more than one step of the shorter time frame.

On a long, whenever both tf's cross or are above 61.8, buy long.
On a short, whenever both tf's cross or are below 38.2 buy short.

You can add greater risk if the longer time frame is "near" the cross in the direction of your trade. The longer tf should be across 50 level. This may prolong your trade and could add some risk.

If you don't have this correlation of the 2 time frames, you don't have a trade. This is your filter mechanism.

You can use this also as an entry point for any MTF trade method I have explained earlier. This will help you enter trades without much draw down. Use it as a tool or as a system.

Exits are a little more tricky if you use this as a system.
If the shorter time frame goes above 80 on a long or below 20 on a short, you definitely want to be out before it recrosses 80/20.
If you nab some pips within 3 candles on the shorter time frame, you may want to exit.
If the longer time frame is looking like it will go above 80 on a long or below 20 on a short you may want to ride it out.
If the trend is with your trade you may want to stick it out...use a trand channel.
You will quickly notice an average pip gain, you may want to TP that.

You need not worry what direction the long term trend is in for this method to work, it works regardless of long term trend direction.

If you like, think of this as a scalping method to be used on the pairs I mentioned.

I have measured about a 95% success rate with a 95% statistical confidence level through random sampling.....using 859 random samples out of 5,000 possible most recent trade opportunities. That's the historical data anyways. I measured GBPJPY, GBPUSD and EURUSD.

As a system this is a good method if you do not want to trade with much risk for quick pips. You do have to be disciplined, not greedy and just grab pips as they come.

Spudfyre

May 14, 2007 1:17pm | Post# 688

More statistical data:

I have been running some statistical analysis on the 61.8 and 38.2 levels on the 5,3,3 stochastic just out of interest sake as to if these Fib numbers have any real impact on the stochastics.

During that study I found:

(I'll use long as an example with 4H as the start indicator and any other time frame lower for trading in the 4H direction)

Trades that started at the 20 level will be more successful at reaching 80 than if they start at any other position single.

Trades that start at 38.2 are as successful a trades that start at 50.

Having said that, by far the most successful trades will be (long as an example):

Trades that start at 61.8 with 2 adjacent time frames in correlation (15/30, 30/1H, etc.). Correlation meaning that the 2 time frame are at or above the 61.8 line when the trade is initiated.

The 4H time frame alone for stoch moves that follow the 80/20 rule are about 85% successful on average. With a second time frame this increases to about 93% success if trading in the direction of the 4H stochastic move.

Failures generally happen in ranging markets or at the 4H trend reversal. In ranging markets the pip loss is very small (usually the spread +/- 3 pips). Ranging failures are much more common and if discounted as failures would raise the success rate 2-3%. (Discounted as failures as they have little impact on net pip gains).

Trend reversals can be much worse on the net total but can usually be seen in the stochastics or by using trend channels on the 4H time frame. Trend reversal prior to happening will show more stochastic moves from 61.8 to 50 (or 38.2 to 50) and then reversing. You may also see stochastic failures from 80 to 30-40 (or 20 to 60-70) as a good sign to stop trading in the direction of the 4H move until you see it reverse with the 80/20 rule.

The term trend here refers to the direction of the 4H stochastic and price from 80 to 20 (down) or 20 to 80 (up).

Different pairs will offer different success rates. GBPJPY is one of the best.
GBPUSD drops to about 77% due to significant increases in price ranging but spread and pip losses are very low and the lower success rate does not affect the net pip total very much.

Hopefully some of that may help you in trading

Spudfyre

May 14, 2007 2:13pm | Post# 690

Quoting emda

On a long, whenever both tf's cross or are above 61.8, buy long.
On a short, whenever both tf's cross or are below 38.2 buy short.

don't you mean the opposite? @@@

You would think I would but I don't.

The significant move in price is going to happen in a long when the 2 tf's cross the 61.8 and head to 80. Or it will filter the trade and let you know there is no move in price coming.

For example, you could use this if you are waiting for the 4H candle to close...like I am in GJ now and enter when you get a lesser time frame pair showing this. In this case as I wait for the 4H close I'll watch 15/30, 30/1H to cross 38.2 and then enter if the 4H hasn't closed below 80 yet. If i get that correlation, there is a good chance that the price move is going to be going down and I will not have to run through any draw down and the 4H will close below 80.

On first look it may seem a little backwards to the 80/20 rule. However what is happening is that the lesser time frames are working together to build the higher time frame into that down position....being this low with the 4H high means that "momentum" is in our favour for the down move.

I'll provide some charts and a more thorough explanation later after my trading is done today

Spudfyre

May 16, 2007 1:19am | Post# 715

Quoting WillBill

Hi, a real basic question, but one that will help me. If I trade with four stochs but enter on a signal from three, eg. (UP trade) 15 mins pasted 20 going up, same for 30 mins, 1hr just pasted 20 going up, the 4hr below 20 but turning up,
There are 43 mins left before the 1hr candle closes.
? Do I wait for the 1hr candle to close before entering the trade assuming all else being equal. thanks @@@

4 Hr is your main signal when it breaks 20. You definitely don't want the 4H above 80 or below 20 entering a trade. You then want at least one other or two is better time frames to be somewhere in the 20-38.2 zone headed up.

If you are using the 1H, better to wait for it to close. Having said that, the 1H is made up of 4 x 15M or 2 x 30M periods. Both of these give you the information of the partial 1H....so say they are both headed up and low in the low zone then it is probably pretty safe to enter before the 1H closes as long as it appears to be headed up.

One of the most difficult things to beat in trading stochastics is that "panic" that you will enter too late. Trades are lost almost always on too early an entry. This is the hardest part of using stochastics because you get to a point of anticipating their moves before they happen...and it burns you. To trade stochastics requires a zen garden next to your computer

Spudfyre

May 16, 2007 1:26am | Post# 716

Quoting costos

i have been looking at your technique since very recently, and so far I've had it work for me pretty well. in two hours - 2/2. very promising. just wanted to let you know.
and you're right that GJ pair seems to be very little news driven, which is great as one can concentrate on the technical trading....more or less safely (if that's at all possible on forex markets hehe)
update: 6 additional pips banked 5 mins later (and probably could've been more, but kinda late to wait it out).
so total comes to 20 pips. in 2 hours. goal for the day is done. @@@@

Honestly, I have no idea why people want to chase 50-100 pips. Sure it feels good and makes it all seem worthwhile. If there is a trade for 50-100 pips then run with it...but hunt for it all the time is a trap. Don't chase more pips, increase the value of the pips you trade. Heck if you can make $200 a day on 5 pips, why chase 100 pips for $100? It's about 1000 times more in your favour to catch 5 pips than 100. What you want is a consistency in being sure you will always grab 5 pips....that's how you win at this game.

Trade for pip ego or trade to make money.....I'll choose the money.

Best of all, grab your 20 pips and go sit on the beach the rest of the day ...or at least have a life.

Spudfyre

May 16, 2007 2:25am | Post# 719

Stochastic Trading Basics

These are the two basic methods I suggest trading if you wish to win trades on a regular basis and gain consistent pips. Set a reasonable target every day (I suggest 20 pips or less) and win every day. Forget pip egos and trade for consistent wins. Once you know you can win 5,10,15, or 20 pips a day raise the

value of your pips. It is 1000x easier to gain 10 pips than 100 pips.

The rest of the other methods and tools have their foundations in these two methods. They are more complicated and provide optional methods of trading stochastics for those who want to experiment.

Method I – Basic Momentum Stochastic Trading

Signal Chart – Daily - direction is the direction we trade in only

Long Entry – 15M and 30M stochastics are very low (under the 20 level). Watch for both stochastics to move upwards together and rise above 20. As the 15/30 rises higher the 1H should be trailing lower but moving upwards or "looking" like it will move above 20 shortly if it is below 20.

Short Entry – 15M and 30M stochastics are very high (above the 80 level). Watch for both stochs to move downwards together and fall below 80.. As the 15/30 fall lower the 1H should be trailing higher but moving downwards or "looking" like it will move below 80 shortly if it is above 80

Exit Strategy – Follow the 15M to 80 (long), switch to 30M chart and follow it to 80 (long) and then the 1H to 80 (long). Optionally chase the 4H up to 80 but the risks are much higher…so is the reward. Don't look back at the time periods you left behind.

Scalping – Enter the trades at the higher levels for long (61.8) or the lower levels for short (38.2) and follow the above exit strategy for in and out trades.

Method II - Escalator to Pips

Signal Chart – 4H – crossing 20 from below 20 trade long, crossing 80 from above 80 trade short

Long Entry – enter when 15M, 30M, 1H and 4H stochastics are moving up all above 20

Short Entry – enter when 15M, 30M, 1H, 4H stochastics are moving down all below 80

Exit Strategy
Long – exit when stochastics on the 15M hits 80, or the 30M hits 80, or the 1H hits 80, or the 4H hits 80
Short – exit when stochastics on the 15M hits 20, or the 30M hits 20, or the 1H hits 20, or the 4H hits 20

Spudfyre

May 16, 2007 11:26am | Post# 728

Quoting WillBill

Thanks Spud thats great, A little help with establishing the trend for the day. It is 06-00bst GBP/USD,
Daily chart the 5/3/3 Turned just above 20 pointing UP now at 50.
14/3/3 Turned below 20, pointing up now at 37,
4 hour chart both the 5/3/3 and the 14/3/3/ are above 80.
The 1 hour chart very much like the Daily both comimg up from the 20 level.
Do I read that as an UP trend for the day but with a possible pull back first?
I really do appreciate your help.@@@

I'd lok at the 30/15 and see where the are pointed. If they are with the 4H at 80 then I'd expect a turn down and the 1H reversing. If the 15/30 are at 20 or low and headed up then I'd expect things to run up for a while. The "odd" time frame out of the rest will want to strive to get back with the others. The other side of that could mean that price will range a bit until they all get together

Spudfyre

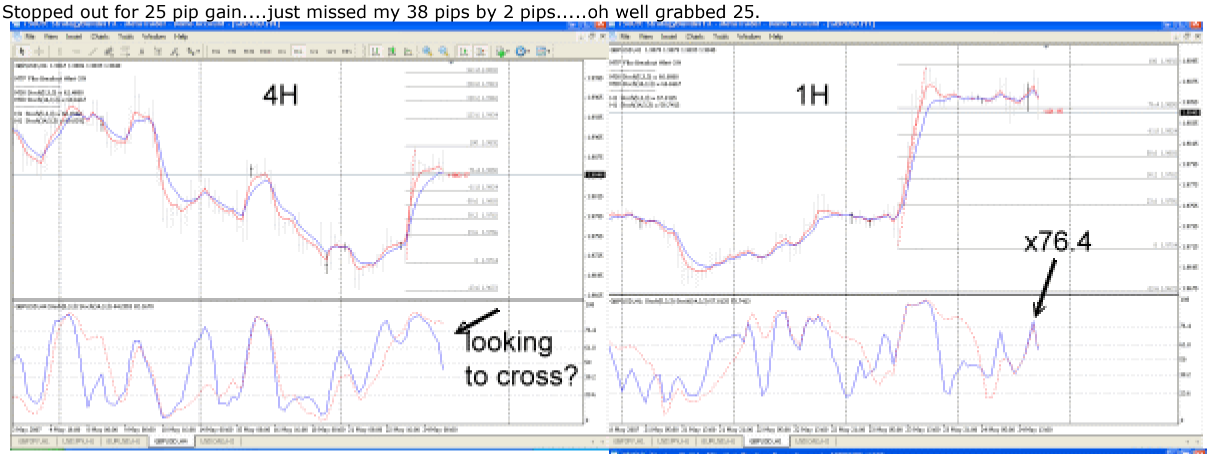
May 24, 2007 3:25pm | Post# 746

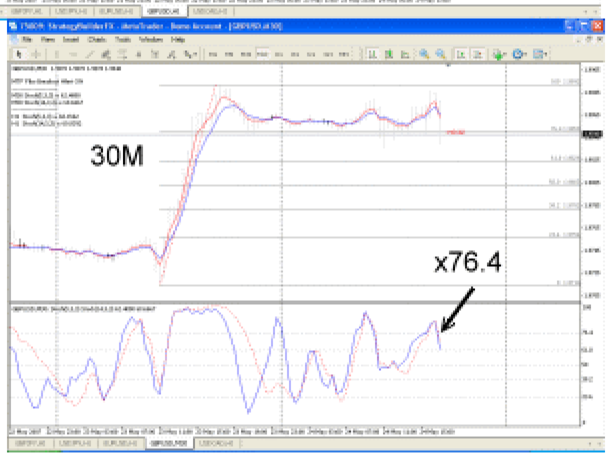
GU May 25 Trade

1 Attachment(s)
Here is my GBPUSD short entry based on 80/20 rule and Harmonic Stochastics.

Short entry at 1.9865 10:03 est
TP = moved to 1.9824 (1.9827 with spread) 10:33 est ---61.8 Fib level on price
Since I can grab 38 pips on an 80/20 to only 61.8, seems like a good easy target.

Stopped out for 25 pip gain....just missed my 38 pips by 2 pips.....oh well grabbed 25.





Spudfyre

May 24, 2007 4:18pm | Post# 750

Quoting Porkpie

I see you moved your stop after the news. Were you not worried about the effects the news might have or did you trust your stochastics over what the news might reveal (i.e market sentiment showing in the stoch harmony)?
Thanks

My stop was moved just to protect profit. My aim was 20 pips and saw opportunity to go for what I thought would be and easy 38 pips. Once I saw the 15M turn up to 23.6 I decided to move my stop to take 25 pips in case things went north.

I don't follow the news too closely, I find the stochs position themselves for news most times...certainly better than 50/50 guess.

In this case if I did use the news..grabbing my pips around 30-35 would have been the best move. Course it could have gone in my favour...either way it cost me nothing.

Spudfyre

May 26, 2007 8:01pm | Post# 763

Quoting elskid

I am deeply sorry if this has been covered. I have gone thru as much of this forum as possible. That said...

Trending markets need trend-following indicators, such as moving averages, the MACD, and so forth. Trading-range markets, on the other hand, need oscillators, such as the RSI, stochastics, and so forth, which use overbought and oversold levels. So, identifying whether the market is range-bound or trending is extremely critical

Since stochastics are for range bound markets, has anyone tested using ADX as a filter to establish WHEN to use the stochastics? Apparently when declining from 30-20, ADX indicates consolidation or when less than 20 the market moves in small swings are best signals from stochastics. @@@

To read a trend with stochastics, I use the following method....

4H, 1H, 30M and 15M chart

Say the 4H stochastic is around 38.2 and headed up

If the 15M moves from the 20 level (23.6) to above 80 and falls again to 20 and the 4H still rises then we know we have a good up trend. Strength of trend inproves if this cycle follows for the 30M and 1H. This can also be applied using the day chart. The more lower time frame cycles we have that move between oversold and overbought while the longer term cycles move in one direction it is easy to tell the strength and direction of trend.

Spudfyre

May 28, 2007 11:03am | Post# 765

GU Short MTF FIBOx4

2 Attachment(s)

GBPUSD short at 198.27

G-Man

May 28, 2007 3:00pm | Post# 766

Quoting Spudfyre

During the course of running the data analysis on TEB's idea I began to notice a pattern that may be interesting to study. I hope a few people will grab their computer screens and pencils and put this idea through it's paces because it looks unbelievable simple and seems to generate great trades and save you from bad ones.

This is for short period trading....you won't linger in too many trades too long with this. On the 30/1H you will average about 35 pips a trade that last about 3 candles.

Take any of these time frames:
5/15, 15/30, 30/1H, 1H/4H

Set a level line on your 5,3,3 stochastic at 61.8 and 38.2.

Your entry/exit is always with the smaller time frame.

The smaller time frame should be one step (one candle) ahead of the longer time frame for the cross or one step behind...or exactly the same. This is optional if you are conservative and a common pattern. However, you do not want the longer time frame ahead more than one step of the shorter time frame.

On a long, whenever both tf's cross or are above 61.8, buy long.

On a short, whenever both tf's cross or are below 38.2 buy short.

You can add greater risk if the longer time frame is "near" the cross in the direction of your trade. The longer tf should be across 50 level. This may prolong your trade and could add some risk.

If you don't have this correlation of the 2 time frames, you don't have a trade. This is your filter mechanism.

You can use this also as an entry point for any MTF trade method I have explained earlier. This will help you enter trades without much draw down. Use it as a tool or as a system.

Exits are a little more tricky if you use this as a system.
If the shorter time frame goes above 80 on a long or below 20 on a short, you definitely want to be out before it recrosses 80/20.
If you nab some pips within 3 candles on the shorter time frame, you may want to exit.
If the longer time frame is looking like it will go above 80 on a long or below 20 on a short you may want to ride it out.
If the trend is with your trade you may want to stick it out...use a trand channel.
You will quickly notice an average pip gain, you may want to TP that.

You need not worry what direction the long term trend is in for this method to work, it works regardless of long term trend direction.

If you like, think of this as a scalping method to be used on the pairs I mentioned.

I have measured about a 95% success rate with a 95% statistical confidence level through random sampling.....using 859 random samples out of 5,000 possible most recent trade opportunities. That's the historical data anyways. I measured GBPJPY, GBPUSD and EURUSD.

As a system this is a good method if you do not want to trade with much risk for quick pips. You do have to be disciplined, not greedy and just grab pips as they come. @@@

Hi Spud,

You posted this and the following post a while back but there does not seem to have been much response to this either here or on the chat room. Are you still keeping this idea as part of your arsenal or have you moved in favour of the harmonic stochs?

If is is possible I would love to see the results you did on the testing of this method. Please PM me if you wish.

Thanks,

G-Man

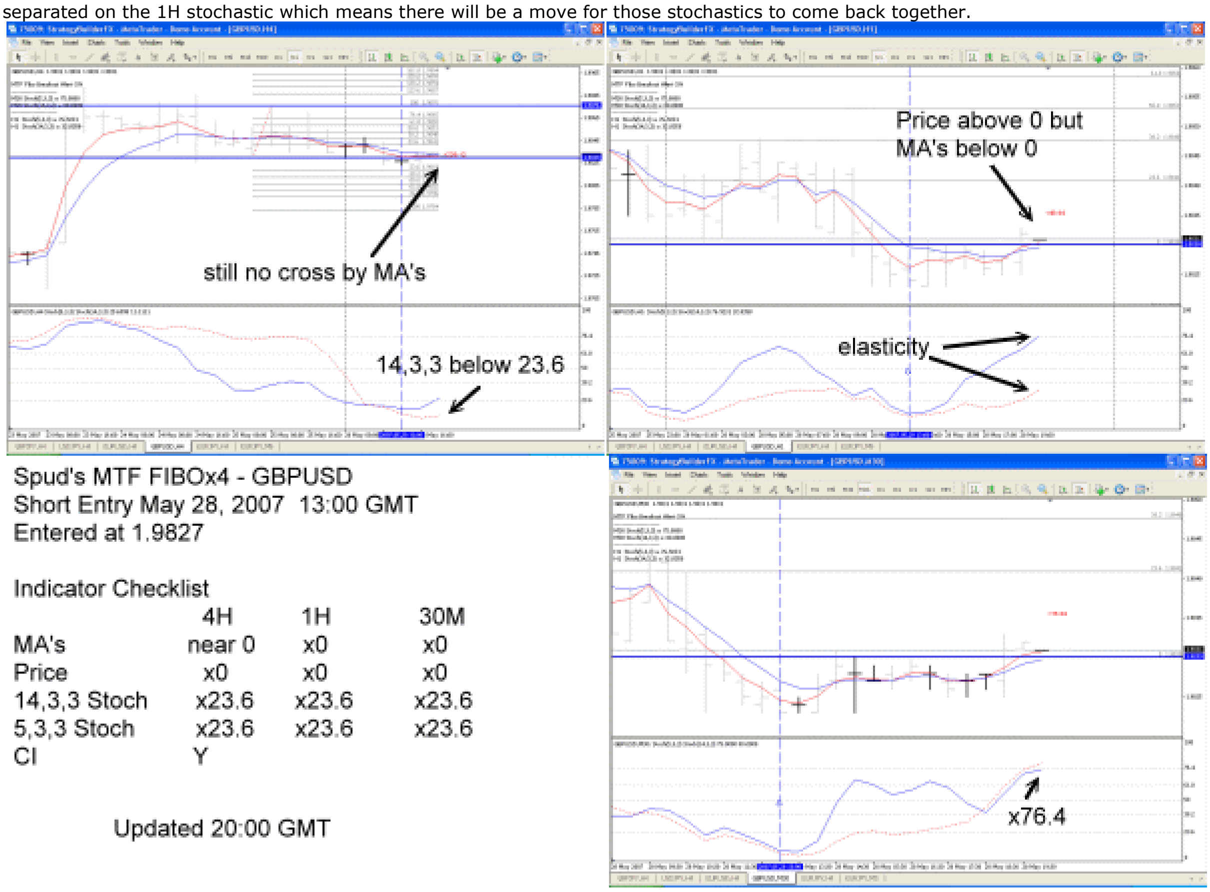
Spudfyre

May 28, 2007 6:24pm | Post# 768

Trade Update

1 Attachment(s)
7 Hours have passed on my GU trade and nothing spectacular is happening. The 4H still favours the trade so holding. The 1H has x23.6 stochastic for a 1H exit at -9 pips, I am sticking to 4H exit.

The 1H and 30M stochastics look like the may begin a down turn. There is a large amount of "elasticity" (the 5,3,3 and 14,3,3) have separated on the 1H stochastic which means there will be a move for those stochastics to come back together.



Spudfyre

May 28, 2007 11:25pm | Post# 770

Trade Update

1 Attachment(s)

Trading has been a slow day with the holidays. I'm still in my short GU trade as the 4H 14,3,3 stochastic has remained below 23.6.

The 4H Ma's are riding along the 0 line. So this trade keeps on going. Have seen some price action in the last few minutes...might grab a few pips before the Eur market opens.

Spudfyre

May 29, 2007 10:54am | Post# 773

Trade Exit

1 Attachment(s)

I exited my GU trade late last night at about 6:45 GMT. Although the 4H 14,3,3 stochastic had not crossed the 23.6 line, the 1H and 30M were indicating long and the 4H looked to be climbing. Best to let go of 13 pips than risk anymore.

Spudfyre

May 29, 2007 10:59am | Post# 774

Quoting Porkpie

Spud,

The CAD this morning (London Session) was showing a good 80 drop short signal on the 15/30 and 1hour. The 4 hour however was trending up on Stoch with the 5,3,3 charging up at above 61.8 and the 14,3,3 was trending up but below 38.2. Given the 15,30 and hourly stoch harmony and the elasticity of the 4 hour stoch (even though both the 14 and 5 were trending up), could this have been a plausible short entry?@@@

In any 80/20 trade I want the 4H leading the way and being the first indicator of direction for the 1H and 30M to follow. So in this case with the 4H moving opposite to the 1H and 30M I wouldn't go short....at least not until the 4H is going short too.

Spudfyre

May 31, 2007 7:14pm | Post# 778

MTFS 1439 System

1 Attachment(s)
While in chat today, a trader (EMDA) suggested we look at the 39,3,3 stochastic in movement with the 14,3,3.

I played with a variety of basic rules and although my computer is slogging through reams of data, I thought I'd show you what I came up with so far in the preliminary study and how I would use it.

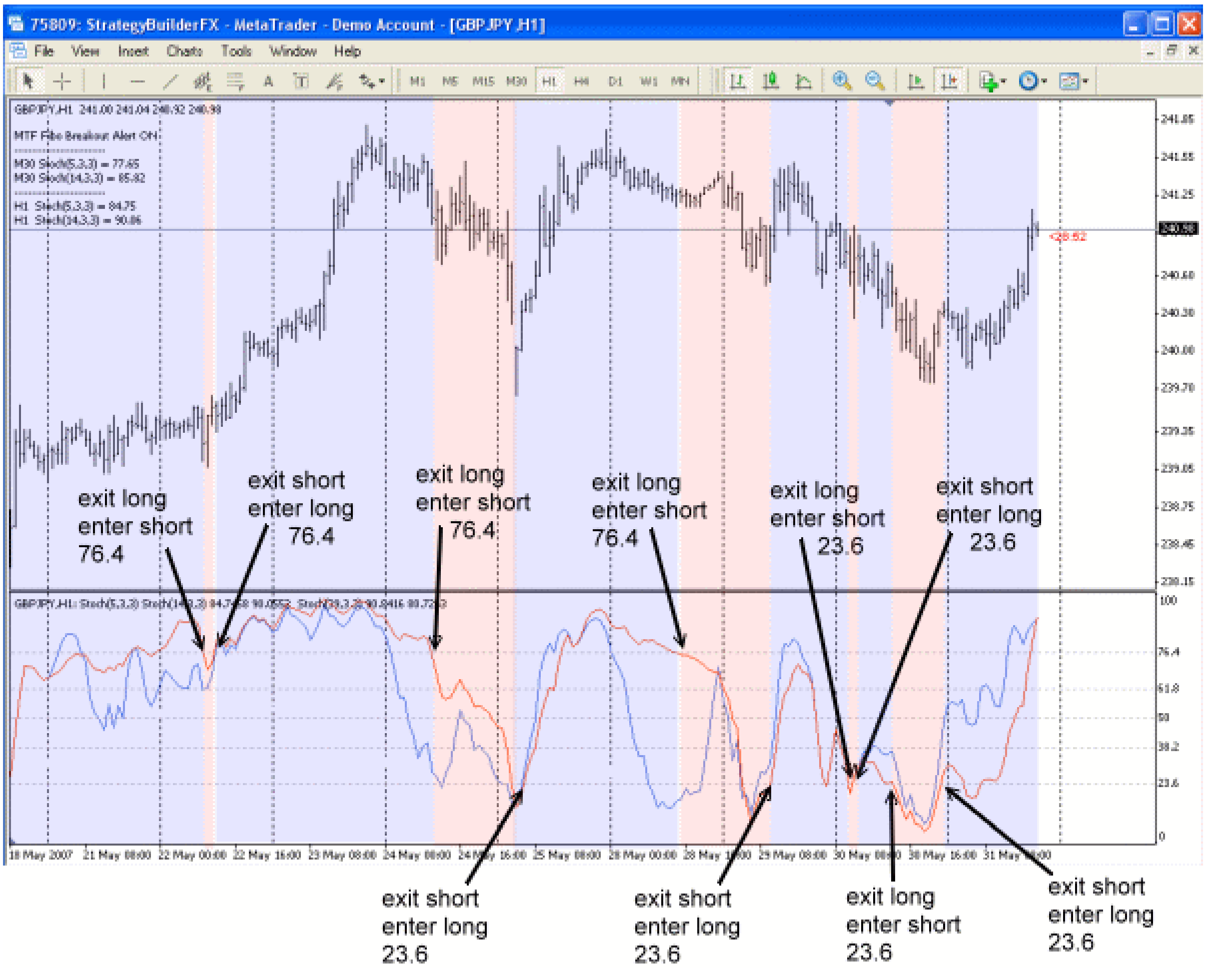
1H chart, only 2 stochastics 14,3,3 and 39,3,3 %K lines overlaid in one window.

Entry follows the 80/20 rule...however both stochs must cross 23.6 up (long) or must cross 76.4 down (short).
The exception is that where whipsaws occur around the 76.4 or 23.6 line we will enter a long if the stochastics cross down then back up the 76.4 level or vice versa at the 23.6 level....see the chart below.

These entries also become final exits. So this is really a short/long/short/long....type of trading.

I say "final" exits because this is where we must exit and enter a new trade. However, earlier exits are recommended when pips are maxing or when we have reached a target. In other words final exits are not necessarily the best exits. Most best exits will happen in the oversold or overbought range...watch for turns in stochastics and price.

Here's a chart of the system. Very simple and seems to work well.

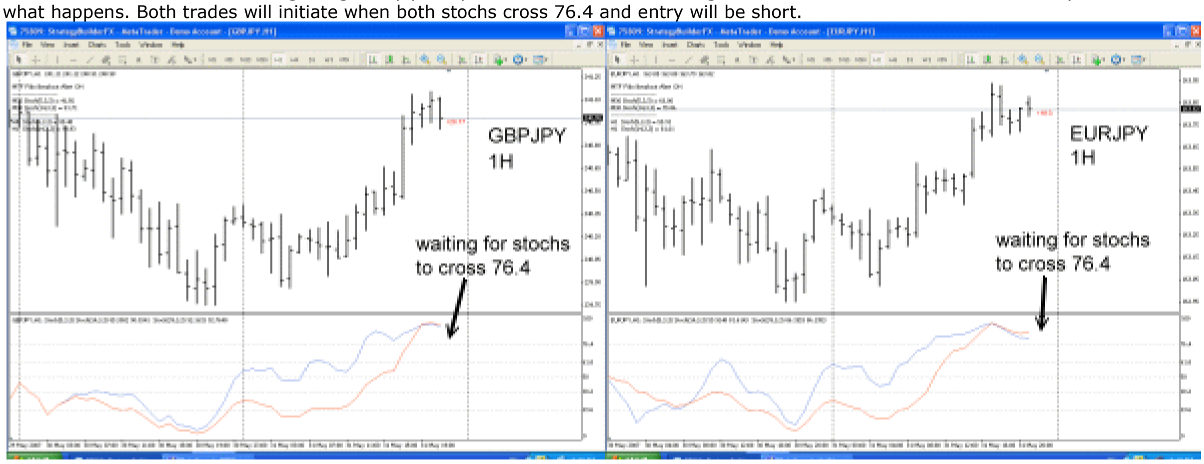


Spudfyre

May 31, 2007 7:47pm | Post# 779

Testing 1439 Live

1 Attachment(s)
Below is GJ and EJ on 1H charts getting ready perhaps for a cross. I'll be entering these trades on the basis of the 1439 system. See what happens. Both trades will initiate when both stochs cross 76.4 and entry will be short.



Spudfyre

May 31, 2007 8:13pm | Post# 780

USDJPY Entry

1 Attachment(s)
I entered UJ late but see price went higher than at entry so I figure it may be a good opportunity.

Spudfyre

Jun 6, 2007 11:00pm | Post# 790

June 6 2007

1 Attachment(s)
Below is a chart (hopefully the first of daily charts) explaining entries and exits using MTF stochastics. I'm going to simplify the process somewhat back to the basics so that we can become well practiced in reading stochastics.

I am concentrating only on GBPJPY but MTF Stochastics works on any pair.
All charts will review the day and have the 15M,30M1H and 4H stochastics (14,3,3) only. 5,3,3 can be added or used but I hope to show that we don't need a spaggetti of lines on our charts to see what is happening.

If this is of any help (or not) let me know.

Trades today are only short since the 4H stochastic is down and falling.
The first entry came when the 15M/30M/1H stochastic converged and crossed the 50 level down. The second short entry came when the 15/30/1H stochastics crossed the 23.6 level down.
Exit options from short were when the 15M came up and crossed the 76.4 line but rest of stochastics have remained low and offer no signal to exit short trade yet.

The 4H stochastic crossing the 23.6 level down re-inforces the short trade position for now until the 4H begins to turn up.

Spudfyre

Jun 8, 2007 1:03am | Post# 793

The Daily Charts Explained

Back to the Basics

The charts being displayed have not been seen before. This is because I finally figured out how to make transparent backgrounds on my stochastic charts with my graphics program! Anyways, I am now able to overlay each time frame (15/30/1H/4H) on one chart (the 15M) so that we can see what the stochastics are actually doing together at the same time. (Sorry no template for these...I create these from pure grunt work).
Each chart is a day of trading and in that day I will explain the trades we should have taken or I took based on the stochastics. I am going to keep it to the basics but introduce some new terminology...hopefully so we can put the entire trade day together...and we all understand it
If you don't understand something or need more clarity, let me know. If you need more detail, let me know.

I am only displaying the 14,3,3 stochastic. I'm doing this for two reasons. One to show we only need one stochastic and two because while writing my PDF manual I discovered the 14,3,3 was a better stochastic. (see it pays for me to write this stuff).

The 4H stochastic trend is the direction we trade (for now). I don't want to get too complicated and the charts so messy that it gets confusing. So, I 'll show the established 4H trend and if it is down we will only make short trades and if it is up only long trades.

My goal is to show the "Escalator to Pips" trades and the "Breakout" trades (when the stochastics are in the overbought/oversold range) as we have not discussed this much. I'll show other trades if the Escalator or breakout is not present....but the preference is always Escalator and Breakout over other types of trades. As we get used to the charts I'll expand them and make more cryptic notations If you see other trades or wonder why a trade wasn't made...please ask! I'll be glad to explain. Other trades are Momentum Trades (which are short versions of the escalator), the 50 level cross trades (which we'll encounter) and the fib breakouts (which I won't deal with here yet).

Again, there is no template and no indicator for these charts (yet), so don't ask for one cuz I can't help you there

Spudfyre

Jun 8, 2007 1:13am | Post# 794

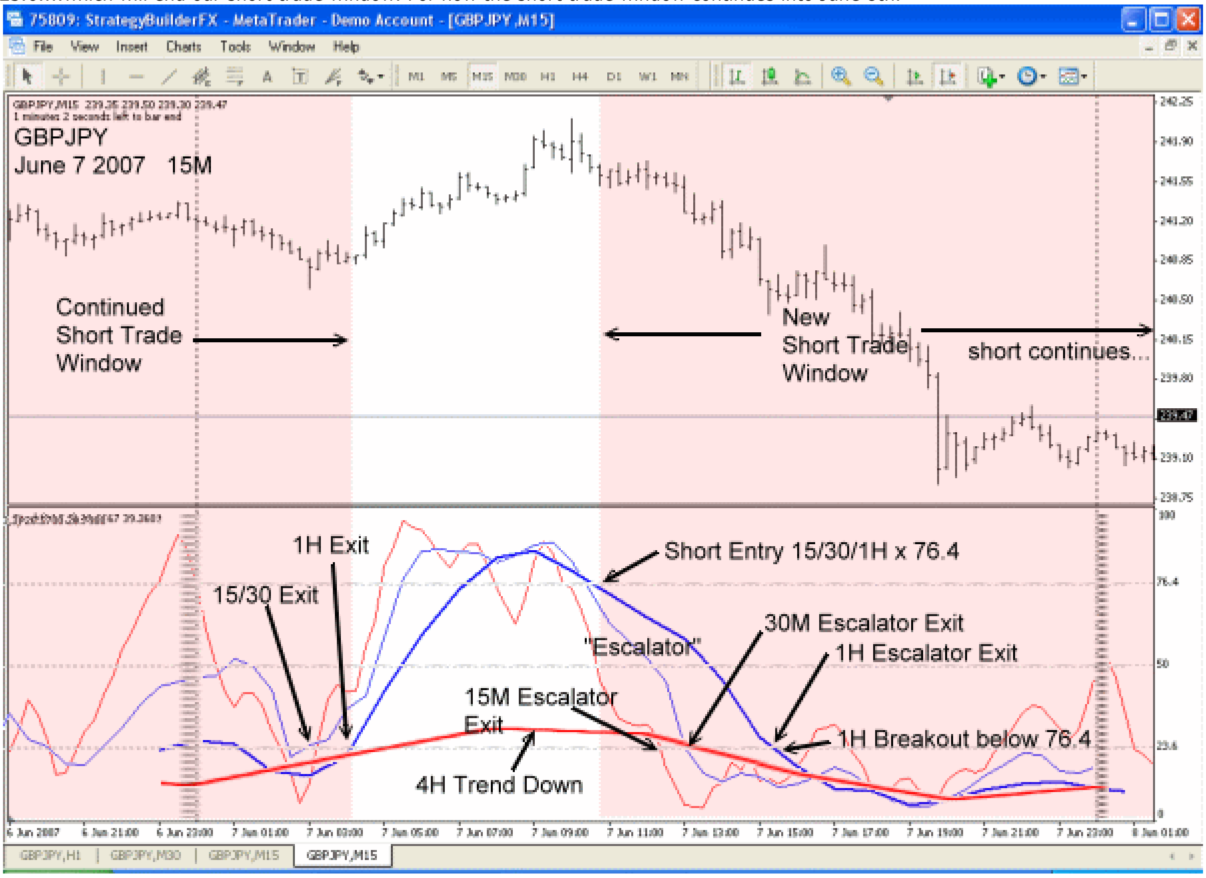
June 7 2007

1 Attachment(s)

We had a continuation of our short trade window from yesterday and we got almost simultaneous exit signals from the 15M, 30M and 1H stochastics as they began to rise above the 23.6 level. Frr me, the 1H is the one I worry about and I'll probably not refer to the 15/30 exits too much except in escalator trades. But just to show what they look like and how wild the 15/30 stochastics can be...means using them as exits can really get us out of trades way too early...but they are a lot safer. Anyways...1H exits are the rule of thumb.

Our 4H stochastic trend remains down, there was a brief rise above 76.4 and if we went long on that rise, no harm done for an escalator ride up. If you caught that ride up you read the stochastics very well.

However after that "reset" of the stochastics, it opened another short trade window and we had a nice escalator ride down. The best move here is to ride the 1H as it crossed the 23.6 level we are into the breakout trade and we ride the 1H until it pops up again past 23.6....which will end our short trade window. For now the short trade window continues into June 8th.



Spudfyre

Jun 12, 2007 8:24pm | Post# 807

Trades Today

I'm waiting for the 4H stochastic on GJ to drop below 76.4 to look for a short trade entry. I will check again at 5 pm est. Looks like it is starting to break down on the shorter time frames but will probably be a late entry tonight or early tomorrow unless it breaks quickly.

8:23 pm est Buying long GBPJPY when 30M stochastic crosses 23.6 up.

9:00 Nix the buy, waiting for the 15/30/1H to get in position for a sell since 4H crossed 76.4

7:23 am next day Should have gone with that buy instinct...would have made 100 pips....anyways I am now in short at 240.92 with 1H having crossed 76.4 down ride it to the stochastic 20 unless it turns on me.

Spudfyre

Jun 13, 2007 12:30pm | Post# 809

more on the MTF Indicator

When using the MTF Stochastic on a single time frame you must be very aware of the 4H stochastics and 1H stochastic time frames (candle closes). These are where the accurate position is of the stochastic line at candle close....as the stochastic will adjust themselves while they are still open.

If in doubt refer to the real time frame and stochastic for a clearer view.

Spudfyre

Jun 13, 2007 6:52pm | Post# 820

1 Attachment(s)

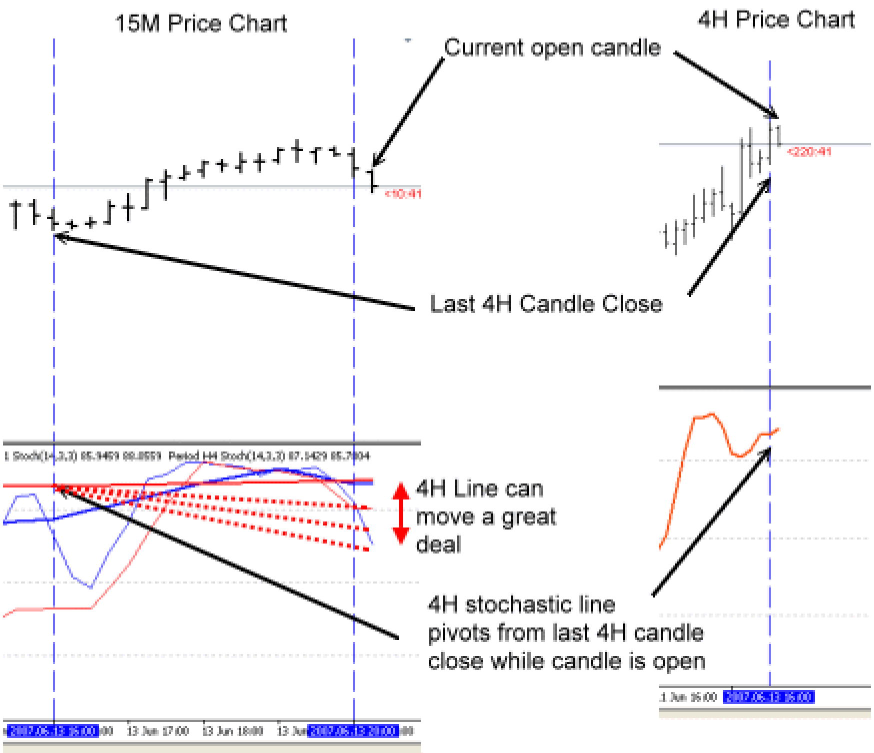
[Quoting moneda]

Spud and/or anyone else

I am sorry but I am not sure I follow your previous post. I looked at the one chart approach and then at the 4hr and the stoch numbers are the same. Please explain the importance of the close. Maybe I am having a brain freeze!

Thank you

Regards to 15M price chart with 15/30/1H/4H MTF Stochastic indicators - The attached chart may explain it better. The problem with the 4H stochastic line on the 15M chart is that the line pivots from the last 4H close. This can greatly change the position of the 4H line if we are not watching ourselves and being aware of the 1H and 4H candle closes. This is easier to see live, but if back testing we have to realize that during a live trade we only know the 4H stochastic line's true position every 4 hours. Just wanted to point this out so no one get's caught.



Spudfyre

Jun 13, 2007 7:36pm | Post# 828

The Basic 4 Trades

All the following 4 trade types use the 4H stochastic as the key signal for entry. It is easier to see that signal with all the time frames on one chart. Either the 4H stochastic is high (above 76.4) or low (below 23.6).

The 4H stochastic will be leading the entry quite a few hours ahead because the 4H will not update as fast as the rest of the smaller time frame stochastics. We are always basing our indications on candle closes.

We are either trading "to" the 4H stochastic or "away" from the 4H stochastic based on the location of all the stochastics.

Our four basic trade types then are:

1. Long: Climbing To the 4H stochastic
2. Long: Climbing Away from the 4H stochastic
3. Short: Diving To the 4H stochastic
4. Short: Diving Away from the 4H stochastic

Spudfyre

Jun 13, 2007 7:37pm | Post# 829

Long: Climbing To

1 Attachment(s)
Example of a long trade where the 15M,30M and 1H stochastics cross the 23.6 level and climb to the 4H stochastic line.

Spudfyre

Jun 13, 2007 7:38pm | Post# 830

Long: Climbing Away Trade

1 Attachment(s)

Example of a climbing away trade:

Spudfyre

Jun 13, 2007 7:39pm | Post# 831

Diving To Trade

1 Attachment(s)

Example of a Diving To trade:

Spudfyre

Jun 13, 2007 7:40pm | Post# 832

Diving Away Trade

1 Attachment(s)

Example of a diving away trade

Spudfyre

Jun 13, 2007 7:46pm | Post# 833

You'll notice from the 4 basic trade types that most of the exits lead into the opposite trade type...so it can be very cyclical if the 4H stochastic remains high or low.

That leads into what to do when the 4H stochastic moves and crosses the 76.4 down or 23.6 up. Follow the same rules as the 4 basic trades but trade with the direction of the 4H stochastic.

In other words, if the 4H stochastic starts to climb and crosses 23.6 up...trade long trades only.....unless the 15/30/1H zip to the top and can dive back down on the 4H stochastic. Vice versa for the 4H stochastic moving down. (This is basically momentum trading).

Stick to these basic 4 trades and use the 4H stochastic as your guide and you should be winning a whole lot more than losing.

Spudfyre

Jun 14, 2007 1:44pm | Post# 846

1 Attachment(s)

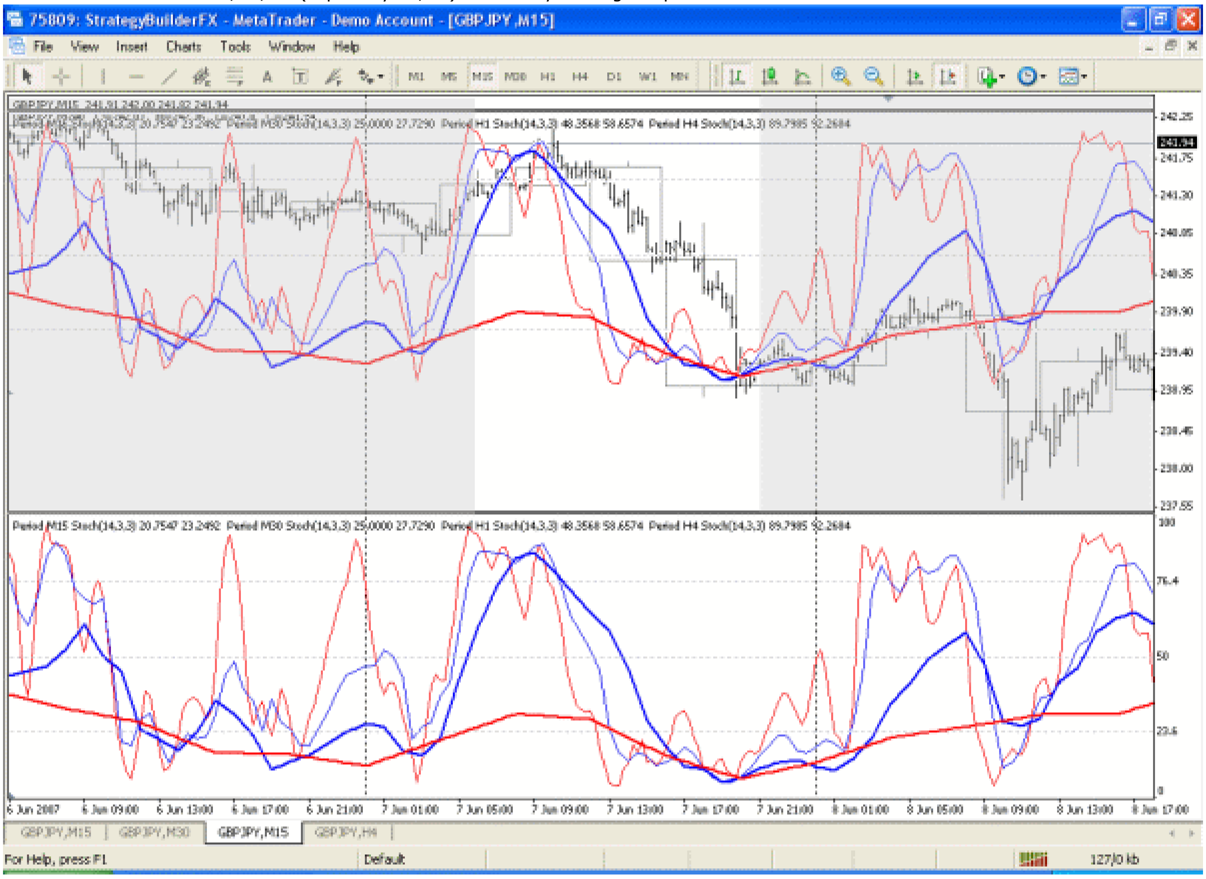
Quoting pip_hunter

Spud,

In your studies, how many days or hours will the 14,3,3 lead price?
I have seen that mentioned that it will do that on occasion and was wondering if you have done a study or noted it.

Thanks, PH @@

I think the chart below answers your question. I simply moved the stochastics up to the price chart for clarity but you can see in the unshaded area that the 15/30/1H (especially 15/30) are clearly leading the price move.



Spudfyre

Jun 14, 2007 1:50pm | Post# 847

Quoting sepak.orang

hi spud,

thanks again for the 'The Basic 4 Trades' explanation and chart examples.

all of the 4h stochs on all of the examples are mostly in overbought or oversold area.

but i have a question here, what if this 4h stoch is in between these areas? let say the 4h stoch is on the level 50 with no clear direction (it can be flat). but at the same time we can see all of the other 3 stochs are moving through 23.6 but not so 'converging' with each other.

so how can we decide if it's a good time to ride the move?
im sorry if this question confusing u. @@@

Basically the same rules apply but conscious of the fact that if the 4H stochastic is rising from say 20 to 80, than we are probably trading within a long trend and vice versa if the 4H stochastic falls.

Keep in mind that even in say a long trend, there are good short trades to be had within. However, with the 4H stochastics in the overbought/oversold area the trades are usually easier to capture succesfully.

I'll have more to come....still working. Graphics take a long time.

Spudfyre

Jun 14, 2007 2:03pm | Post# 848

Quoting supaq

Just wanted to know if i made the correct call to go long on the Aus/Usd for a climb away trade 4hr stotch above 23.6 and 15/30/60 converged and closed above 23.6 @@@

This isn't a true climb away trade....remember we want the 4H stochastic to be in the overbought/oversold zone...preferably. In this example you must be careful of the 4H stochastic falling. Have to be watchful of the fact that the 4H might drop into the oversold position. Having said that, if the 15/30/1H cycle to the top (76.4) then we'd have a "Diving To" scenerio which works better with the falling 4H....since then everything is dropping.

Spudfyre

Jun 14, 2007 5:55pm | Post# 853

1 Attachment(s)

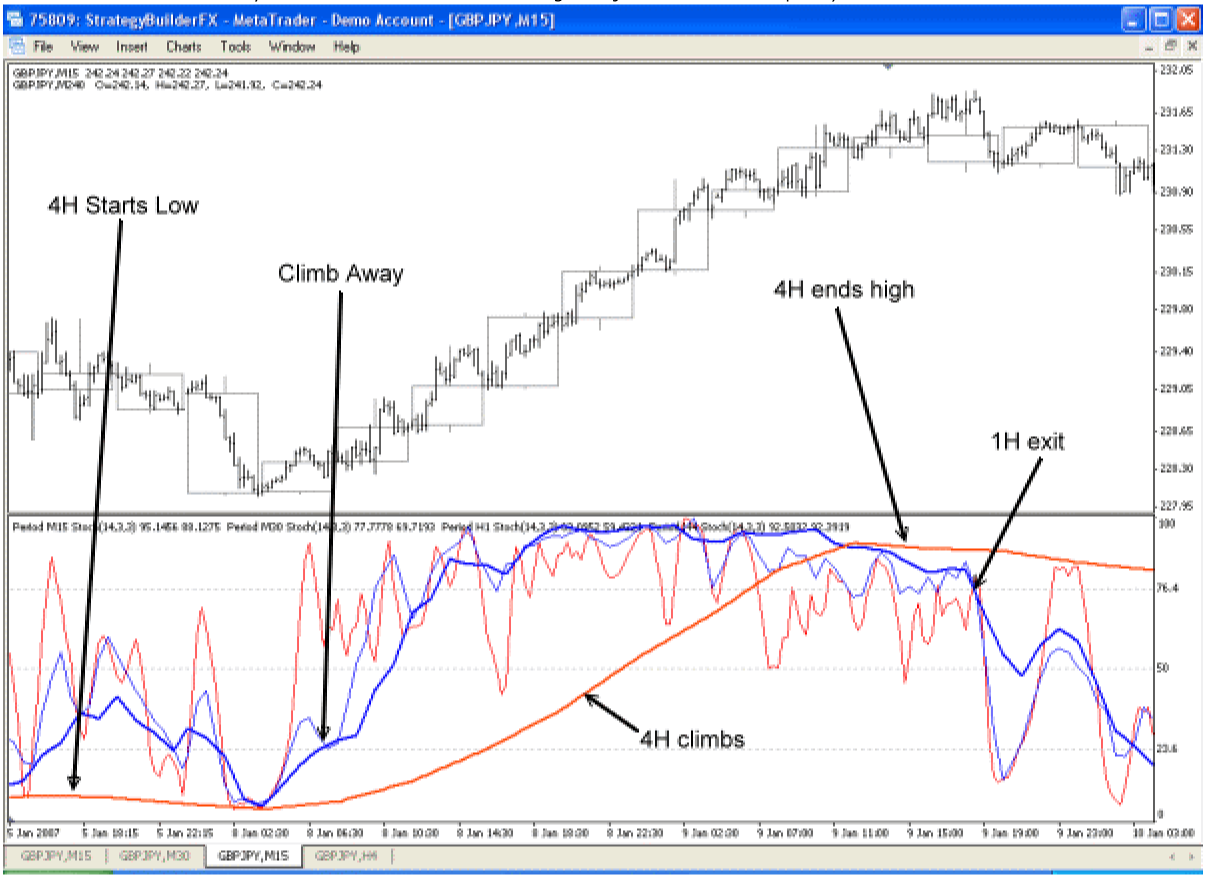
Quoting moneda

Spud,

Don't you think that Climbing to Trade & Diving to Trade have a better chance for success because you are trading with an established trend (4hr.)?

Thanks

Exactomoondo! However, remember that the 4H is going to lag any trend change...and eventually the trend will change...so this is what that looks like in a climb away scenerio where the 4H is climbing...we just can't see it as quickly as we would like.



Spudfyre

Jun 14, 2007 8:36pm | Post# 855

Trading Info

Just so I haven't lost anyone here...the "away" trades and "to" trades work on the exact same principle of "momentum" trades and "escalator to pip" trades as explained in the very beginning.

One thing I should point out for statistical sake is that all the BIG, long moves will come from the "away" trades with the 4H stochastic rising or falling across the 23.6 or 76.4 lines.

In other words a "Dive Away" trade will have the 4H stochastic starting from an overbought position and falling past the 76.4 level and keep going.
A "Climb Away" trade will start with the 4H stochastic in the oversold position and the 4H will rise up and cross the 23.6 and keep climbing.

There are big moves too wth the "To" trades where the 4H stochastic does not move but they don't tend to last as long. These will be big 70% as many times as the "From" Trades.

About 90% of all the big moves will be generated starting from these 4 trade types.

Spudfyre

Jun 16, 2007 2:59pm | Post# 860

Quoting COG

Spud
I am with GFT and I am trying to put all the lines on one chart if I use 3-3-3 for 15min, 7-3-3 for 30min 14-3-3 for 1 hr and 28-10-3 for 4hr all on a 1hr chart is this going to match your setting? It looks close but I'm not for sure it will trade accurately.
Thanks
COG

The problem with doing this is in the math. The %K formula for stochastic (close) is:

%K = 100[(Close - Lkclose)/(Hk - Lk)] where:
C = the most recent close
Lk = the lowest low for the last k trading periods (%k setting)
Hk = highest high for the same k trading periods (%k setting)

So, 14,3,3 on the hour chart is:
%K = 100[(Close 1H - L14)/(H14-L14)]

So, 3,3,3 on the hour chart is:
%K = 100[(Close 1H - L3)/(H3-L3)]

In english, the 14,3,3 on the 15 min chart is taking the 15M close price, the range over the last 210 minutes (15M x 14), and the lowest low in the last 210 minutes.
The 3,3,3 ont the 1H chart is taking the 1H close price over the last 180 minutes (1H x 3), and the lowest low in the last 180 minutes

As you can see that leads to a pretty large discrepency. It get's much worse because we are using the difference between the low and the high instead of the close....which is typically much larger on a 1H chart than a 15M chart.

Having said that, I have experimented with using different stochastics to represent different time periods and it doesn't work nearly as well as the real thing.

I'll keep coming back and saying it....there is no short cut to accurate trading!!!! It is a pain to flip between time frames but that is how we get accurate data. We can use a tool like MTF stochastics in MT4 if we know how to read it, the effects of using it and realizing the effect of the time frame it is on .

Spudfyre

Jun 18, 2007 9:15pm | Post# 871

Quoting KudzuFX

I just wanted to echo what Spud said about an MTF indicator in one window (post #860). I think this question of the funny math (trying to put any MTF indicator in one window) has been discussed earlier, but here's another brief response.

I have tried using an MTF indicator in one window and it does not work. If you want reliable input and output then you need to do it the old fashioned way - a window for each TF. It may seem more cumbersome to have all your TFs open at once, but inreality you do not need to see more than the last 20 periods for each TF. You aren't trading the past, but you are trading the present.

There is definitely a difference in the precision between using a one window MTF indicator and just using plain ole MTF. @@@

The MTF Stochacastic indicator works fine but when using it for multiple indicators on one chart the following is recommended:

1. Use the 15M chart with 15,30,60 240 stochastics
2. Know where the last closes of each time frame are and only use that value as accurate (especially critical with 4H)

I have seen no problems with the accuracy of the numbers in this manner so long as there is clear understanding that drawing one vertical line down a 15M candle is not the same closure for all the time frames and that "live" stochastics are not accurate...only the closed stochastics are accurate. If in doubt refer to a specific time frame chart to double check your trade and exactly where the stochastic is.

Spudfyre

Jun 20, 2007 2:21pm | Post# 876

1 Attachment(s)

Quoting guess121

Hi Spud,

Can you please explain this a little more if possible?

I have the 1 and 4 hour candle on a 15 min chart + the usual settings, I don't understand by what you mean with the 1 and 4 hour close, could you please upload a chart and/or explain if possible?

Thanks in advance, Guess @@@

Ok. I'll see if this will help clear up closes. The chart below is a 15M chart. The red shaded areas show the last point for each time frame where the candle and stochastic is closed at the point of the last 4H closure.

Notice that the 4H closure is 16 x 15M candles away from the 15M closure. What this means is the stochastic line after the 4H closure is going to move with price until we get another 4H closure. In other words, where the arrow is pointing at stochastic line on the 4H close is where the thick red stochastic line will pivot from while price goes up and down until the next 4H close.

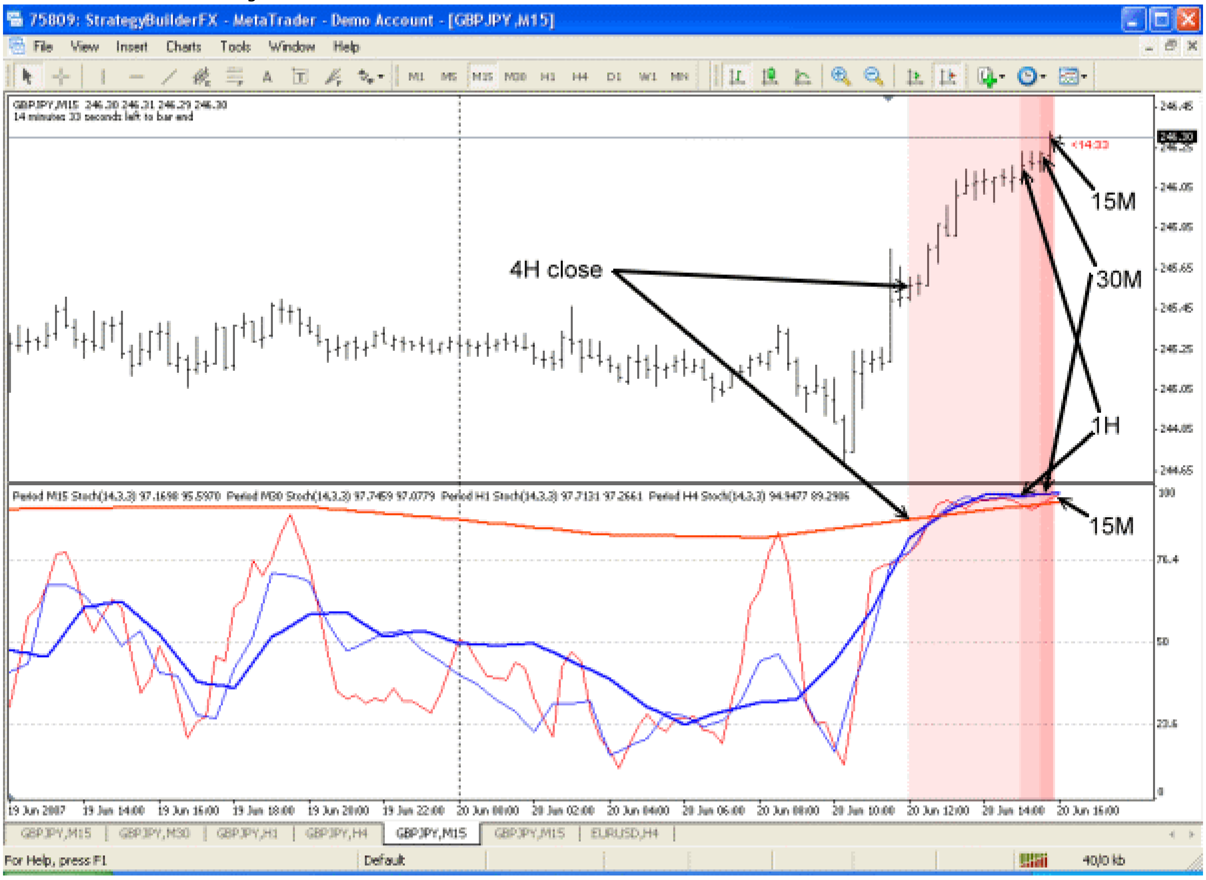
The length of this period will keep getting longer for the 4H stochastic as each new 15M candle opens....until we have another 15 x 15M candles. It will not be until the 16th, 15M candle close will the 4H close again and shift to the right 16 candles.

So the lag of the 4H stochastic is anywhere from 16-31; 15M candles depending on where the last 4H close was.

The 1H works the same way but only lags 4-7; 15M candles and so on.

At each 4H close the lag is the smallest between all time frames on the 15M chart.

I'd suggest if this isn't clearly understood that one does not use the MTF Stochastic indicator for live trading but instead flip through the various time frames with single indicators for each.



Spudfyre

Jun 21, 2007 9:54pm | Post# 887

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1 Attachment(s)

Quoting guess121

Spud,

I am trying to get about 5 pips per trade and finding this very difficult to get this, are there any examples that you can provide to do this?

Thanks in advance, Guess @@@

This is the easy way...but this example is for 10 pips a day on GBPJPY. However, same idea works on the EURUSD with a 3 pip spread for catching 8 pips a trade, so we net 5 pips.

We trade into the stochastic trend always. The trend in this example is set by the 4H stochastic and the 1H stochastic's position. The 4H is above 76.4. The 1H is a bit more fickle depending on your patience. I like it up near 76.4 and or above 76.4 but nothing wrong if it is rising and above 50 either. This is a "feel" thing but the higher it is and if it is rising so much the safer you will be. In other words we want the 1H to be turning back to the 4H or up with the 4H.

The 30M is our trade signal. Whenever it rises from below 50 or below 76.4 and crosses either upwards we are in a long trade so long as our 4H and 1H are where they should be.

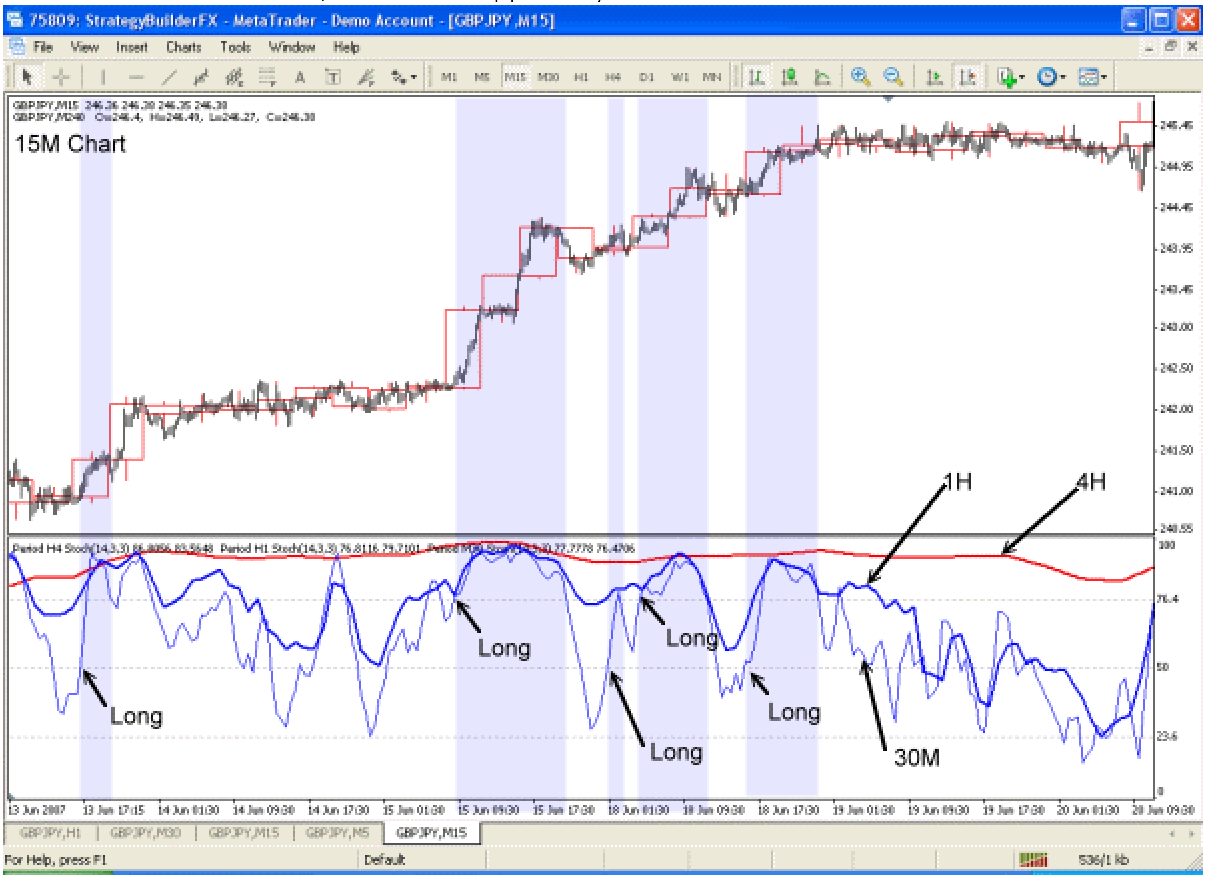
I choose the 30M, but you could easily trade the 15M and use the 1H and 30M or 4H and 1H..or even the 4H,1H and 30M to trade "into".

This is basically "momentum" trading with stochastics as explained at the very beginning of this thread. You can add to it by trading when say the 1H and 30M cross the 23.6 line and are headed up to the 4H...or even go short when the 4H,1H and 30M head south and cross 76.4 together. But for simple pip catching...this is about as basic as it gets.

I like doing this with the 5M (EURUSD for 5 pips max) when the 4H or 1H are moving up from 23.6 and just trading the 5M every time it crosses 23.6 (vice versa on the short).

Exit. Exit when you get your 5 pips or the 30M curls and hits the 73.6 if it passes the 73.6, or if it hits the 50 after passing the 50 but not hitting the 73.6 and so on. Or exit if you have any doubt or anything looks like it is curling on you. You can also look at the shorter time frames like 5M,15M for help. If you only see 4 pips take it...take 3...just don't gain 4 and end up at -10.

The chart below is ultra conservative, but still netted 50 pips in 5 days with no losses.



Spudfyre

Jun 22, 2007 1:34pm | Post# 889

EURUSD

1 Attachment(s)
Here is the latest from EURUSD trading with the 30M and looking for 10 pip net gains. Missed the 1st long opportunity because the 1H and 4H were falling and looking to be going down. Caught the second long opportunty when the 4H started to turn (was flat) and the 1H was rising and near the top when the 30M crossed the 76.4 level.

Now waiting for the 30M to cycle down low and catch it on the way up...4H should be high or higher and 1H still high.

Spudfyre

Jun 22, 2007 6:01pm | Post# 893

1 Attachment(s)

Good time to buy EURUSD...you bet! Go for 10 pips net.

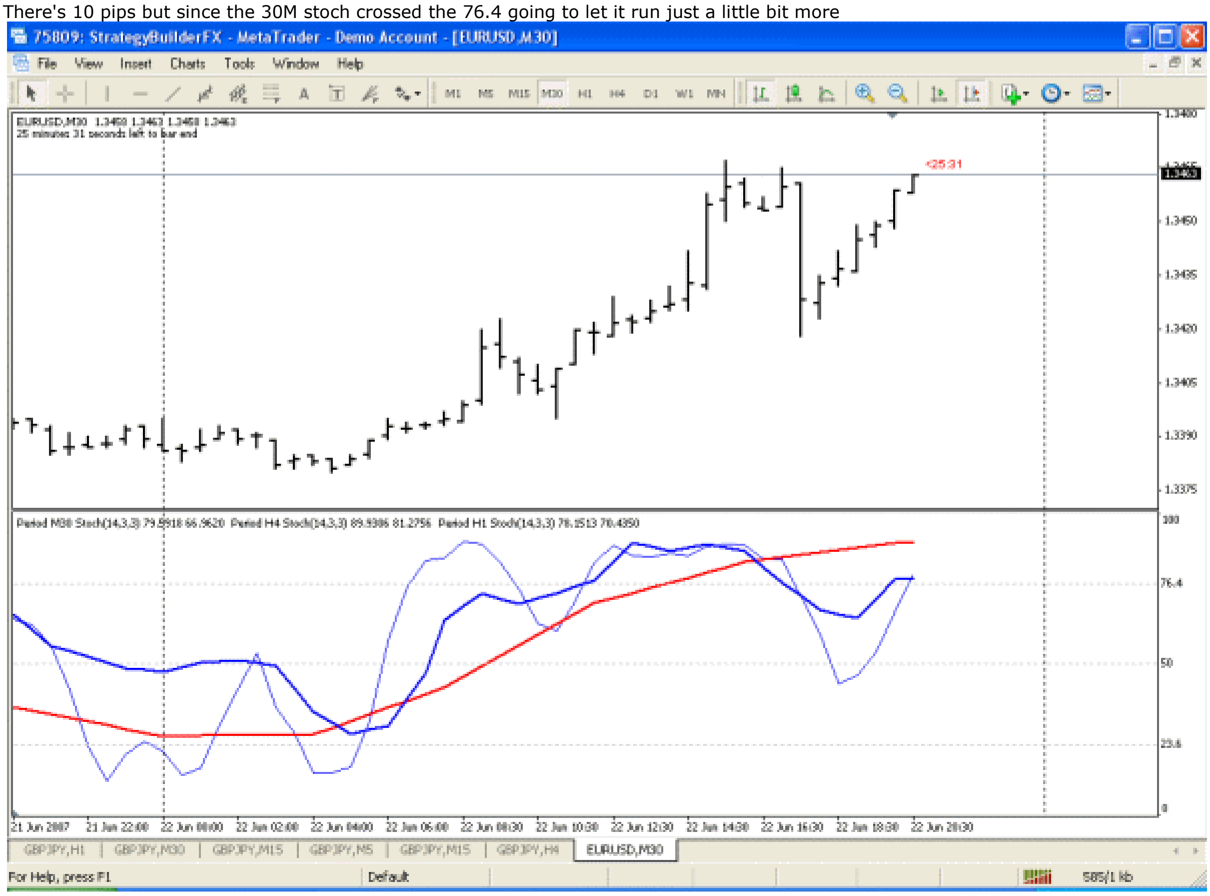
Spudfyre

Jun 22, 2007 6:36pm | Post# 894

10 pips

1 Attachment(s)

There's 10 pips but since the 30M stoch crossed the 76.4 going to let it run just a little bit more



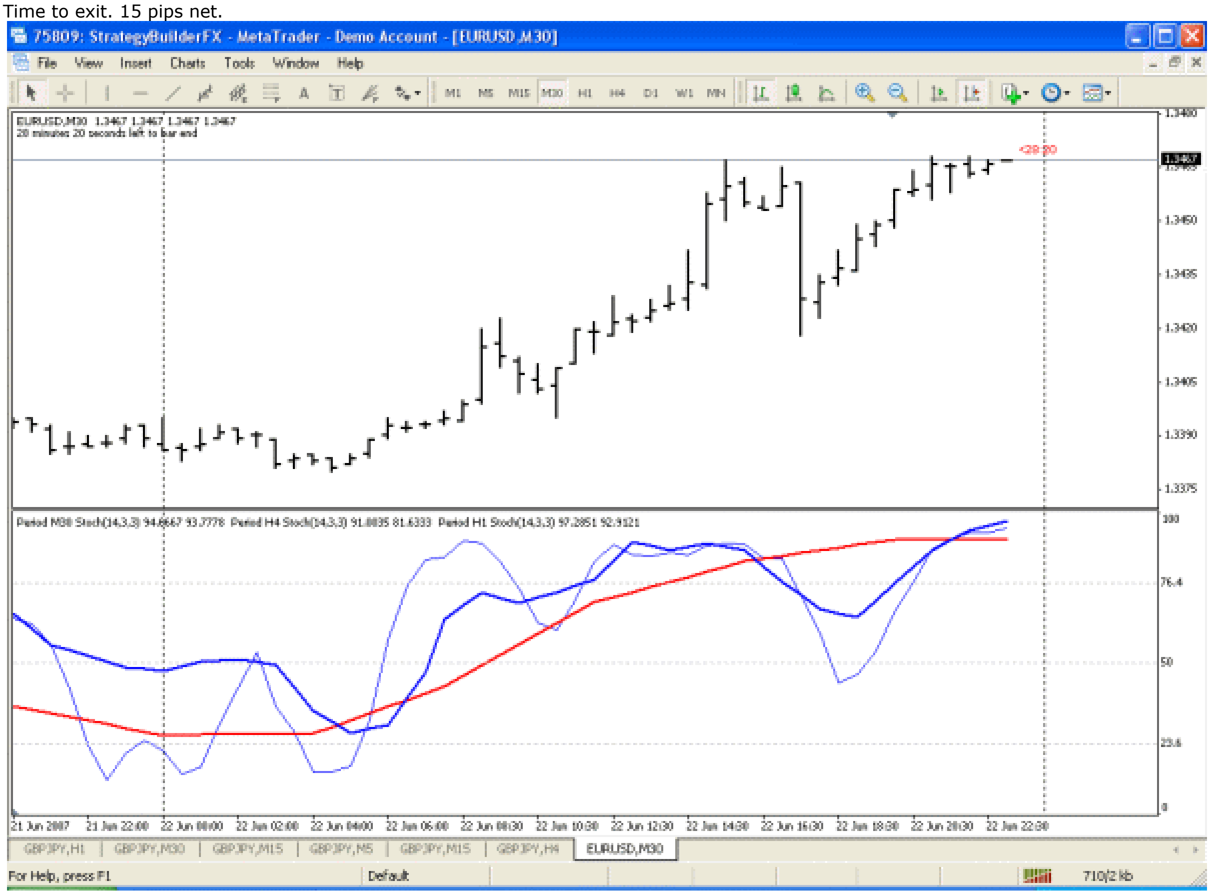
Spudfyre

Jun 22, 2007 9:04pm | Post# 896

Exit

1 Attachment(s)

Time to exit. 15 pips net.



Spudfyre

Jun 22, 2007 9:24pm | Post# 897

1 Attachment(s)

Quoting guess121

Spud,

You're a Grand Master at this, I have to give it to you!

I tried some early on and they now it reversed.... grrrr, I entered here, I checked the time frames for 30M, 60M and 4H on 14 3 3 and it showed as going up, where am I making a mistake? I did not really take into too much account the MTF Stoch indicator, though I think I should have, as the pivot points and close of candles, I could not really tell where to enter, though the individual time frames showed everything correct.

Any advice?

Thanks,
Guess

It's a tricky one but there are signs to be watchful for. The 15M is making quite a move downwards and I haven't looked at the 5M but I'd bet it is closer to 23.56 level and falling. You can see the 30M starting to flatten. It's a tough decision here whether to ride out the 5M and see if it turns up or goes to the over sold depths. If 5M was OS and the 15M crossing 50, I'd probably bail out and accept a small loss or the spread loss here....otherwise might want to tighten the stop to 10 or so and see what happens. If it was going to correct and

return up, it wouldn't drop much more an the 5M or 15M would give us a hint really quickly. If we played the conservative side we'd probably gain 2-3 pips with the spread and bail out.
Once you get positive, you really don't want to go negative if anything hints at moving against you.

All in all it's a trade where the market is moving against you and there isn't a lot to do about that other than look for some signals and minimize the loss.

pudfyre

Jun 22, 2007 9:44pm | Post# 898

1 Attachment(s)

Trading just the 15M, we have a clear bail out signal when the 15M recrosses 76.4 on the way down. The earlier entry opportunities were better than this one but nothing wrong with the entry you made other than the market turned against us.

Spudfyre

Jun 23, 2007 1:38pm | Post# 900

Quoting guess121

Spud,

I think I am starting to know where I am going wrong (he smiles)... I think it will take some practise and better stop predicting, what the stochs are going to do, that's why I am getting burnt out!

Thanks a lot! Guess @@@

Prediction and "too early" are the killers. There is a tendency to hit the panic button because we think we'll miss a trade. Just wait for it and to be corny....the pips will come to you. If we miss a trade, we miss a trade and move on to the next one....there will always be trades. Now, if I could follow that mantra.......

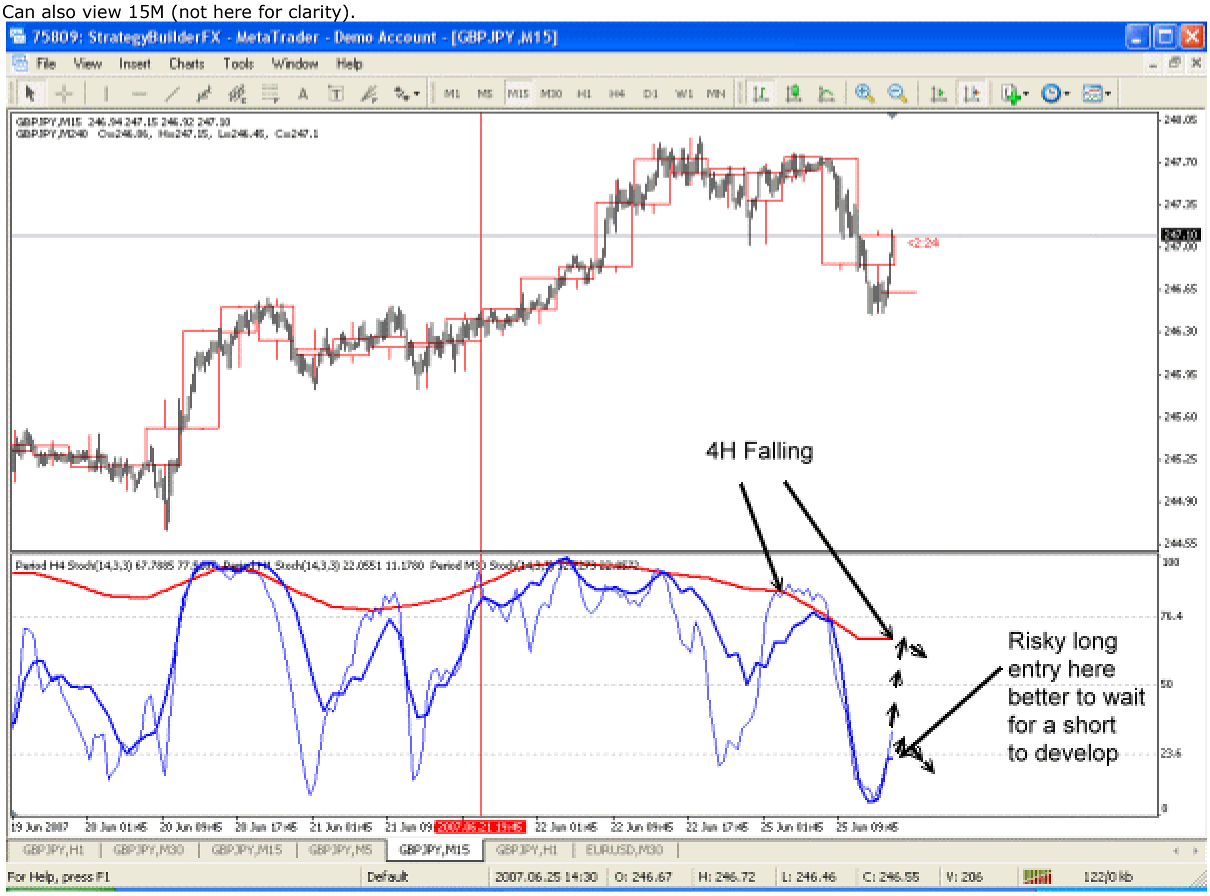
Spudfyre

Jun 25, 2007 1:52pm | Post# 903

GBPJPY

1 Attachment(s)
Below is a chart of GBPJPY. The 4H is falling so we'd prefer a short trade. There is a high risk long trade available where we'd like to see the 30M climb up and then turn and fall....this would be the better short entry if it happens and would probably net 10-20 pips. If the 30M climbs and falls then we could ride the 1H into the oversold and perhaps the 4H down to 23.6. Have to keep an eye on 30M moves.

Can also view 15M (not here for clarity).



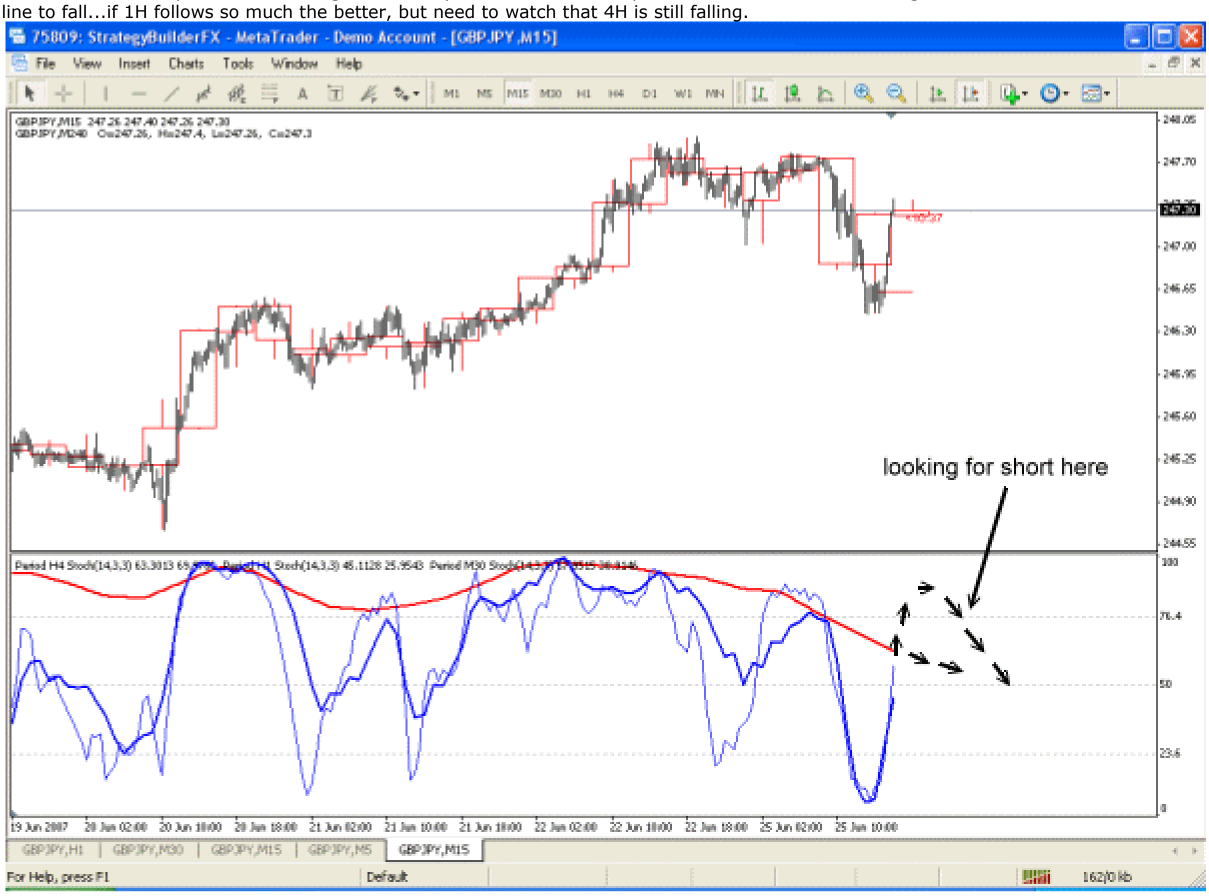
Spudfyre

Jun 25, 2007 2:10pm | Post# 904

GBPJPY

1 Attachment(s)

Now we are definetly better off waiting for a short postion and best entry will be if 30M rises to overbought and then turns to cross 76.4 line to fall...if 1H follows so much the better, but need to watch that 4H is still falling.



Spudfyre

Jun 25, 2007 8:07pm | Post# 905

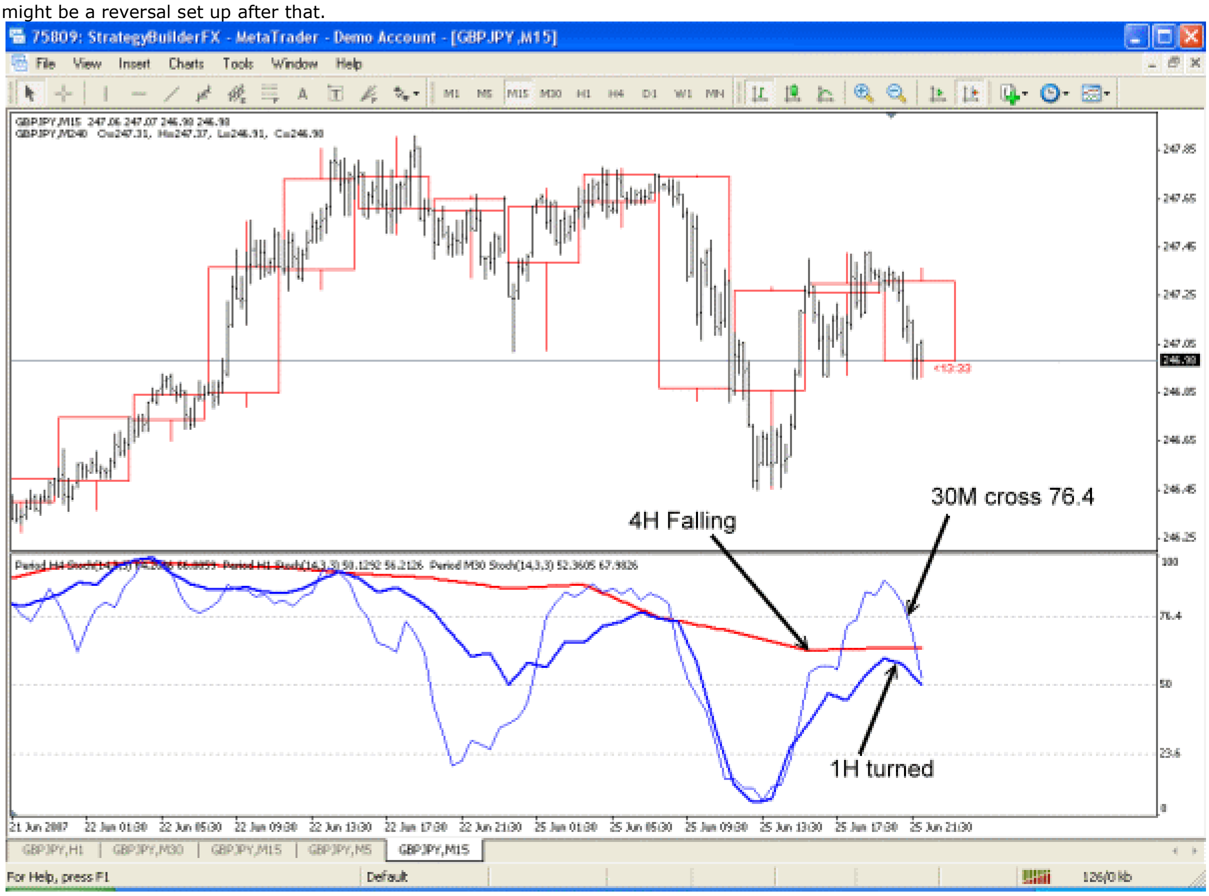
GBPJPY

1 Attachment(s)

Now that the 30M has turned down and crossed 76.4, the 1H has turned and the 4H still appears to be falling it looks like a good short position. This is targeted for 20 pips net but we will watch for some critical signs such as:

1. What happens to the 1H and 30M after they close (if they close) below 50%.
2. If the 30M falls to 23.6% where is the 1H in relation to it
3. Look to hang on for a 30M oversold position, 1H and perhaps ride the 4H to 23.6%. Watch the 4H if it crosses 50% and see if there

might be a reversal set up after that.



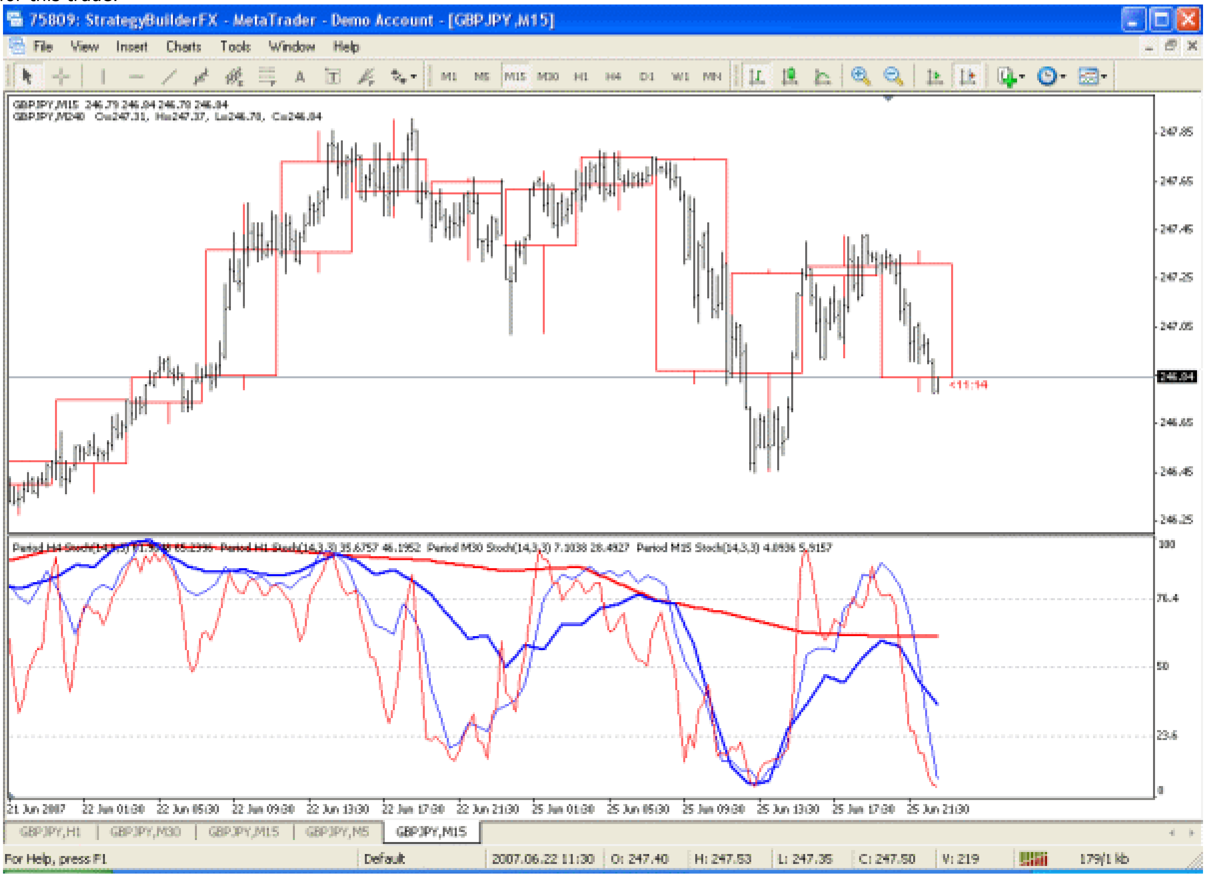
Spudfyre

Jun 25, 2007 9:07pm | Post# 907

GBPJPY

1 Attachment(s)
Decided to jump out with 17 pips net with the close of day looming I don't want to get stuck with any interest. 30M is rock bottom. I added the 15M stoch to better time my exit. Probably a few more downward pips here, but no matter I made my 17 and that's all I need

for this trade.



Spudfyre

Jun 25, 2007 10:01pm | Post# 910

Quoting moneda

Spud,

Thanks for that explanation. In the chart below at present would you agree that the 30 and the 60 seem to be heading north thus a sign that we should be exiting this short entry? @@@

We can expect to watch the 15M cycle upwards probably to 76.4 or more. Having said that it would be a question of if the 30M will follow. I'd rather play safe and still chase the shorts on this one until the 4H and 1H stop falling.

The answer to your question is that if you are + pips I would exit, if you are -'ve pips I'd ride it out and see how fast the 15M cycles and how far up it goes. I'd still be in the 4H groove that the 4H will fall to 23.6.

Spudfyre

Jun 25, 2007 10:34pm | Post# 912

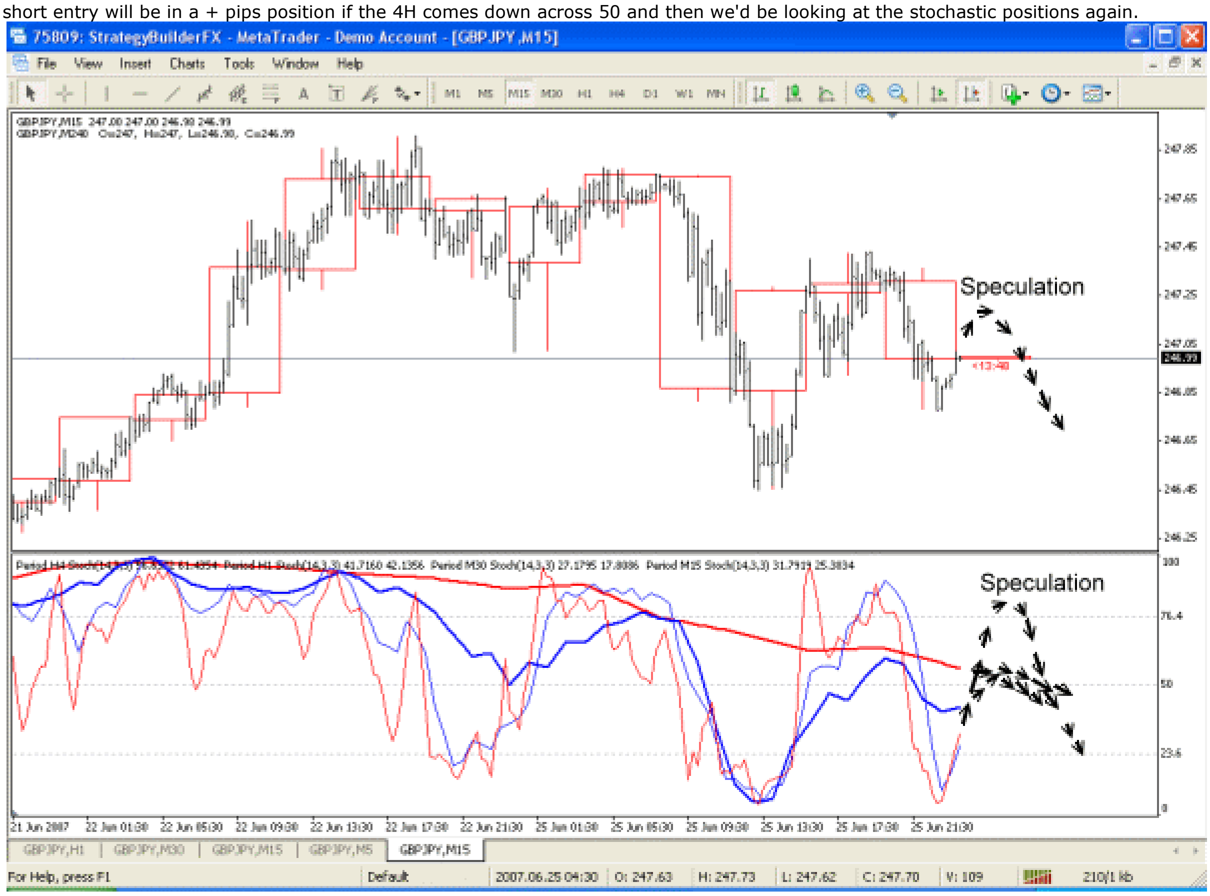
Speculation vs Stochastic Position

1 Attachment(s)

The GBPJPY is in a bad position for any trade entry. If we were stuck in a -'ve short position then I'd ride it out depending how -'ve that position is. The problem with this set up is that although the 1H and 4H are falling, the 15/30 are likely to climb and we can expect the worst that they will climb to 76.4 before any continued fall....that's the stochastic position.

The speculation is that the 4H will fall to 23.6 and that we if we are stuck in a short trade we can ride out the short term move of the 15/30M/1H if they climb.

It would be fairly safe to assume (statistically) that the 4H will cross the 50 and that if price does reverse and the 4H crosses back up across the 50 we should jump in that long to recover any losses from a bad short caught in a reversal. However, we'd expect that our short entry will be in a + pips position if the 4H comes down across 50 and then we'd be looking at the stochastic positions again.



Spudfyre

Jun 26, 2007 1:50am | Post# 915

1 Attachment(s)

Quoting TEB63

Its going Down!!! big!!
Look at a macd or RSI or TL
You see the "big D" everywhere (it is summer!!)

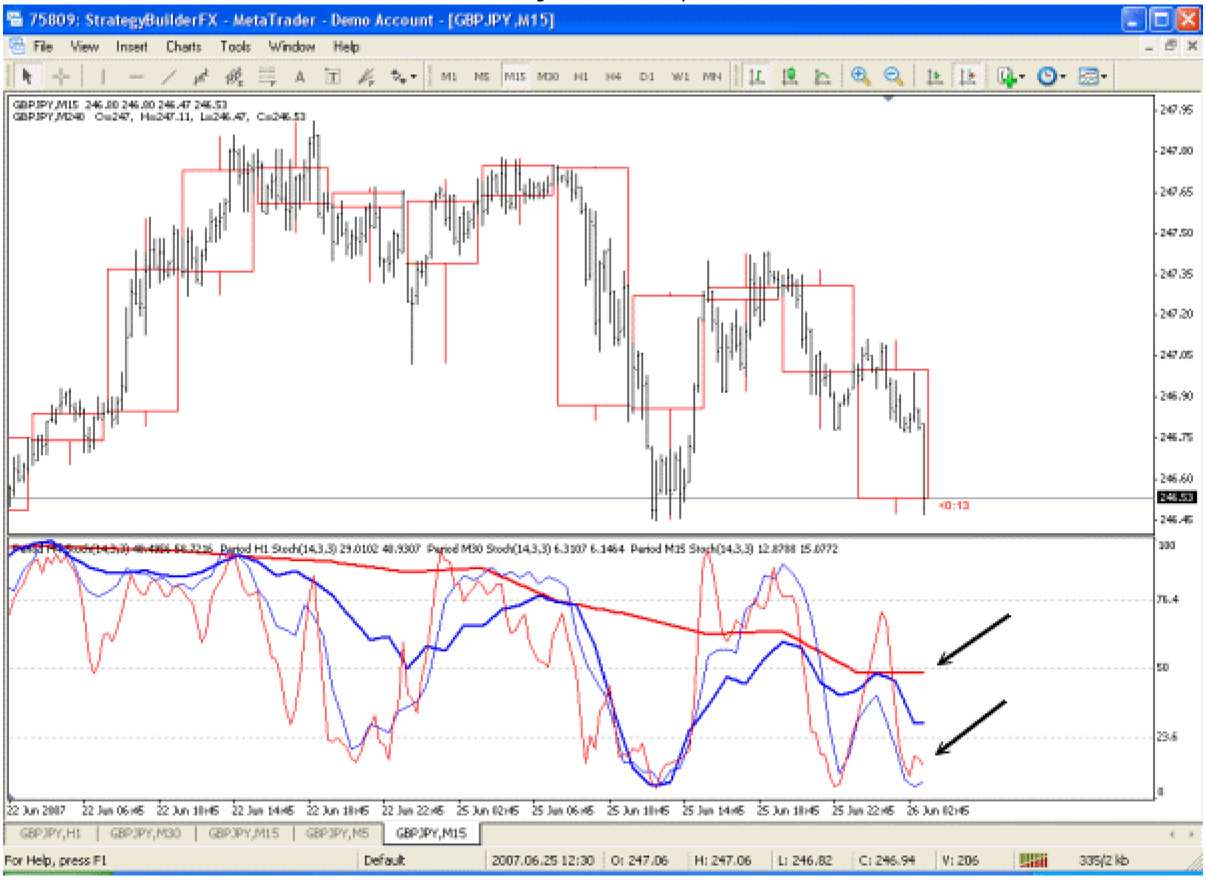
But you see it on the Stochs very easy
Week, Day, 4 hour , 1 hour

TEB @@@

Like I said...we can speculate that the 4H will go to 23.6 or lower but that we have to watch the other indicators to make sure we don't run into a reversal along the way. However, nothing wrong with grabbing a few pips on the reversals along the way if the 4H keeps falling.

It is prudent to watch the stochs for any upward movement here as the 15/30 could decide to cycle up again out of the over sold zone. The 4H may want to retrace long after crossing the 50....not likely but we have to keep an eye out for an upward move. Probability is on the down side.

If we are not in a trade best to wait for the 15/30 to cycle so that we can get into a good short position. Watch for the 15M and/or 30M to rise above 23.6 and or 50 and turn back down...that the sign for short entry.



Spudfyre

Jun 26, 2007 1:15pm | Post# 918

Trend Spotting With Stochastics

1 Attachment(s)
I had a question yesterday on the chat site with regards to identifying trends and ranging periods with stochastics. Both are very easy to identify with MTF stochastics.

Trends
The chart below is the current GBPJPY. Notice that the 15M/30M and 1H stochastics are very busy below the 4H stochastic line while the price takes a downward trend.
The other identifier which is easier to use is that when the 4H stochastic crosses the 76.4% line and is falling we have a very high (around 75%) probability that it will end up lower than the 50% level and more than likely will fall below 23.6%. Unfortunately, as we can see in this example the price rarely moves in a nice straight downward trend and there are many up cycles within the downward moves. This is actually to our benefit as we will get a few opportunities to trade within the downward trend in a most reliable fashion.
Also during a downward trend like this, we can draw a trend line on the stochastic from the each high peak and see that each successive high peak is lower than the previous one. This is more relevant with the 1H time frame but the 30M is a useful guage as well. We usually do not get enough peaks and valleys in the 4H stochastic to follow a trend in this manner.

I'll diagram ranging in the next post.

Spudfyre

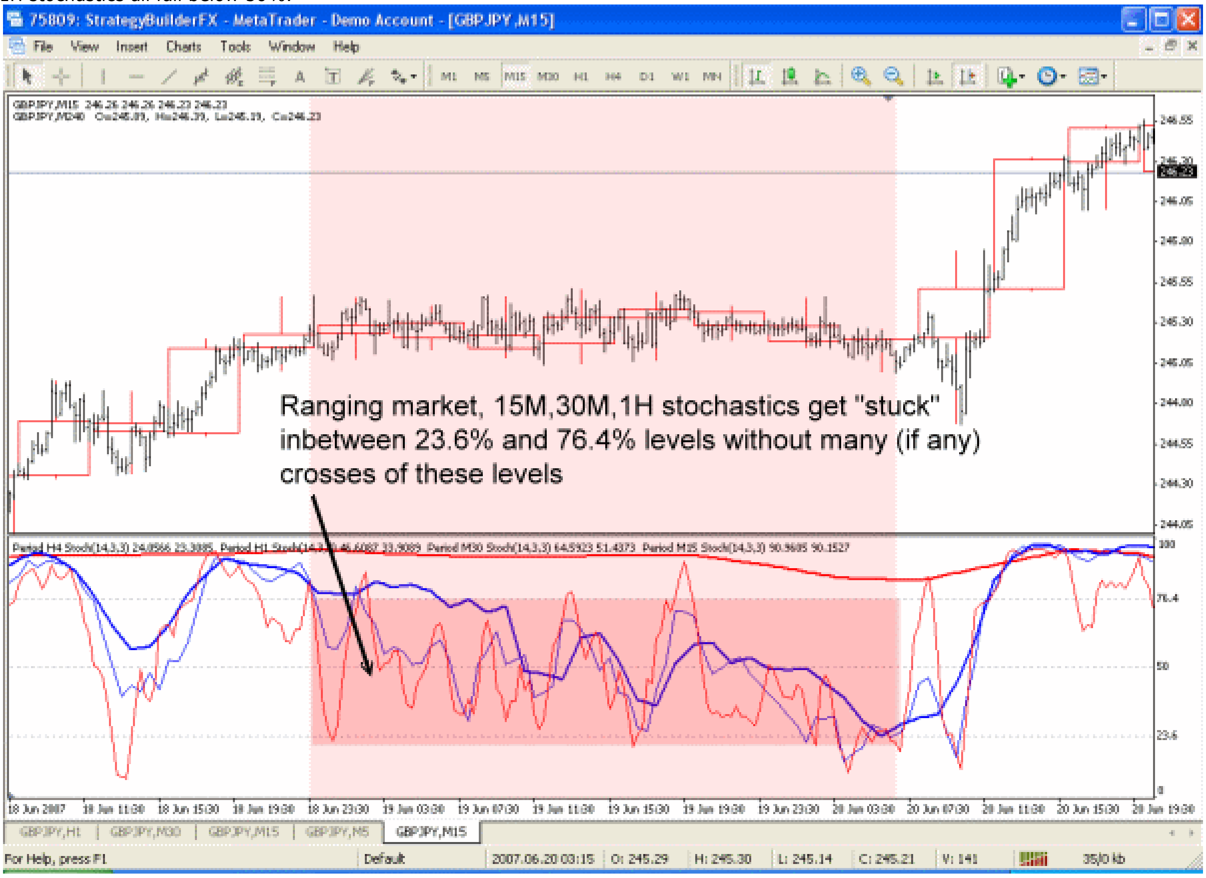
Jun 26, 2007 1:34pm | Post# 919

Range Spotting with Stochastics

1 Attachment(s)
In a ranging situation the stochastics usually get "stuck" between the 23.6% and 76.4% levels with very few stochastics crossing either of these levels.

The chart below shows and example of a ranging market. Notice the 4H is stuck in the over bought area above 76.4%. It is unlikely in a ranging market we will see the 4H transition from 76.4% to 23.6% or vice versa, typically the 4H is "stuck" in an over sold or over bought position. Generaly we will see the 4H stochastic go flat in any ranging market.
More important are the 15M,30M and 1H time frames. Although the 1H stochastic is taking a downward trend, none of the other stochastics are following this trend and price is hardly moving. The 15M and 30M to a lesser extent are cycling between 23.6% and 76.4% but we can see the 15M stochastic (the thin red line) is cycling very evenly around the 50% level.
Notice that the stochastics give a very clear indication of the range period ending towards the end of the range when the 15M, 30M and

1H stochastics all fall below 50%.



Spudfyre

Jun 26, 2007 3:28pm | Post# 923

1 Attachment(s)

Quoting moneda

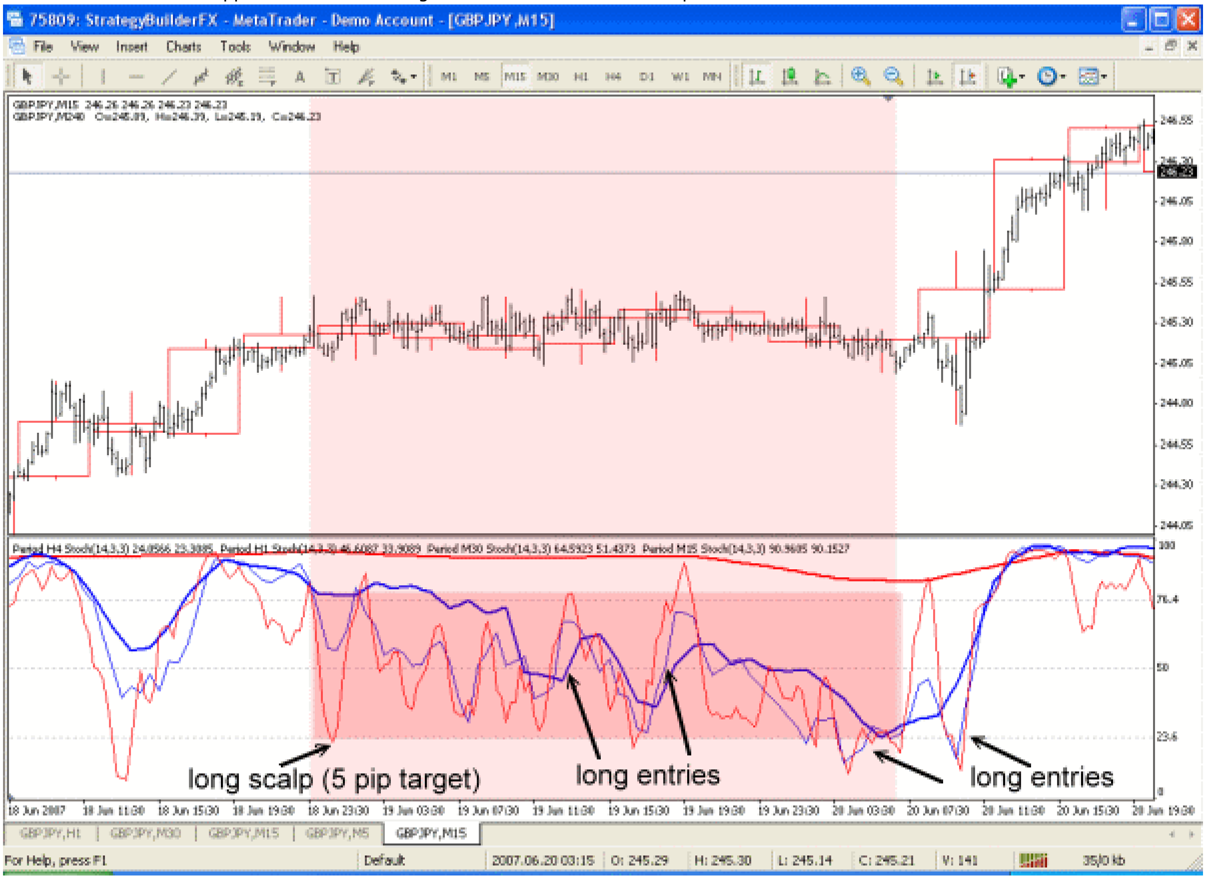
Spud,

In a ranging market such as the one you posted above, do you move to the 5 min and do some scalping? or do you wait for the 15/30 to move towards the 4hr and try to go for 20(+/-) pips?

thanks @@@

Same chart of same ranging period below. There are 5 entry opportunities...the first being a 15M scalp targeting for about 5 pips. The others are "normal" entry signals but the first 3 would be quickly exited since the stochastics would reverse on us and we be in play for a good long at the end....this being if we did not recognize the ranging period.
You could flip down to 5 mins on a low spread pair in this situation and scalp the entries (I don't scalp GJ very often because of a 6-7 pip spread I endure but on EURUSD or similar it would be a good strategy).

Notice that all the trade opportunities are trading "to" the 4H stochastic line's position.



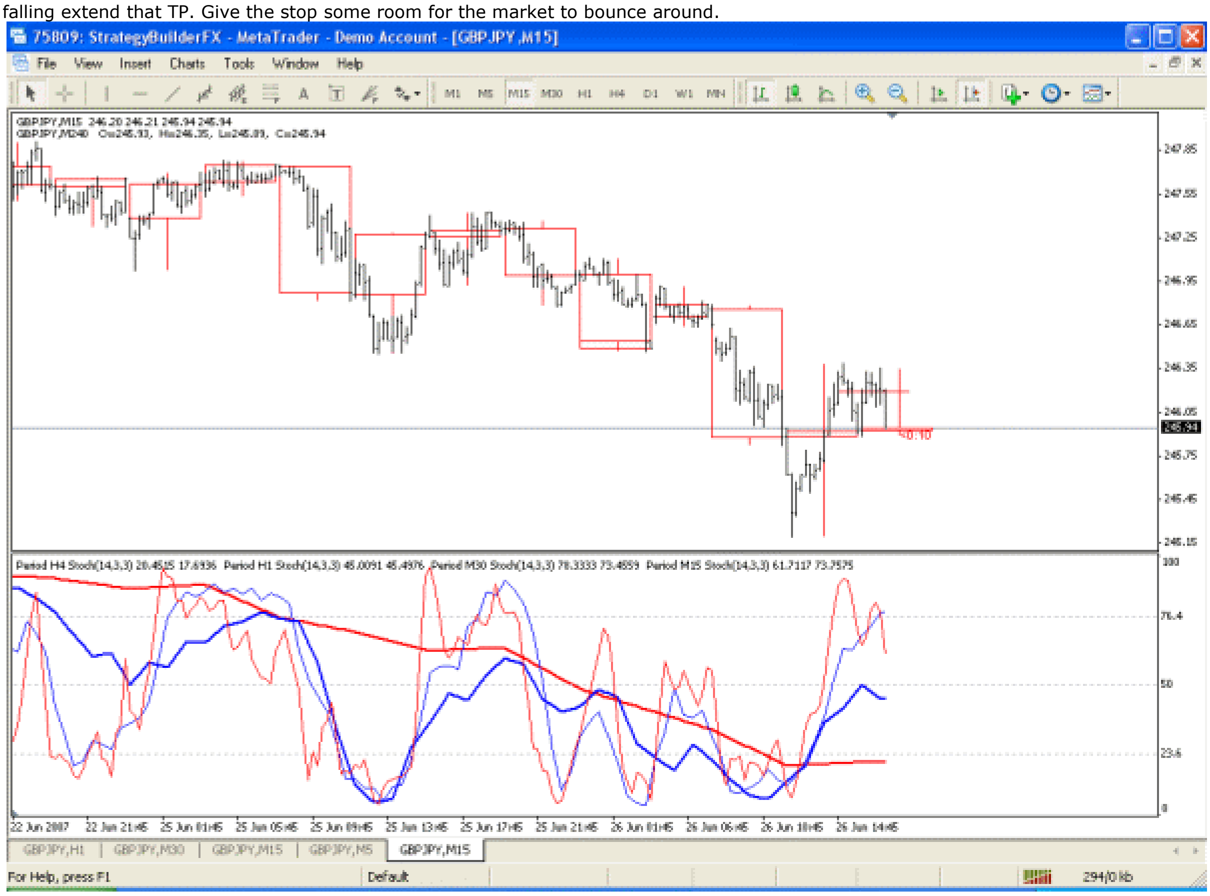
Spudfyre

Jun 26, 2007 3:33pm | Post# 924

GBPJPY

1 Attachment(s)
Good opportunity to go short GBPJPY. Watch for the 4H to stay below 23.6 and the 1H to drop to over sold....then we will be bringing the pips home. Otherwise get out if the 4H rises above 23.6 or there is any inclination of a turn around. Target for 20 pips and if things keep

falling extend that TP. Give the stop some room for the market to bounce around.



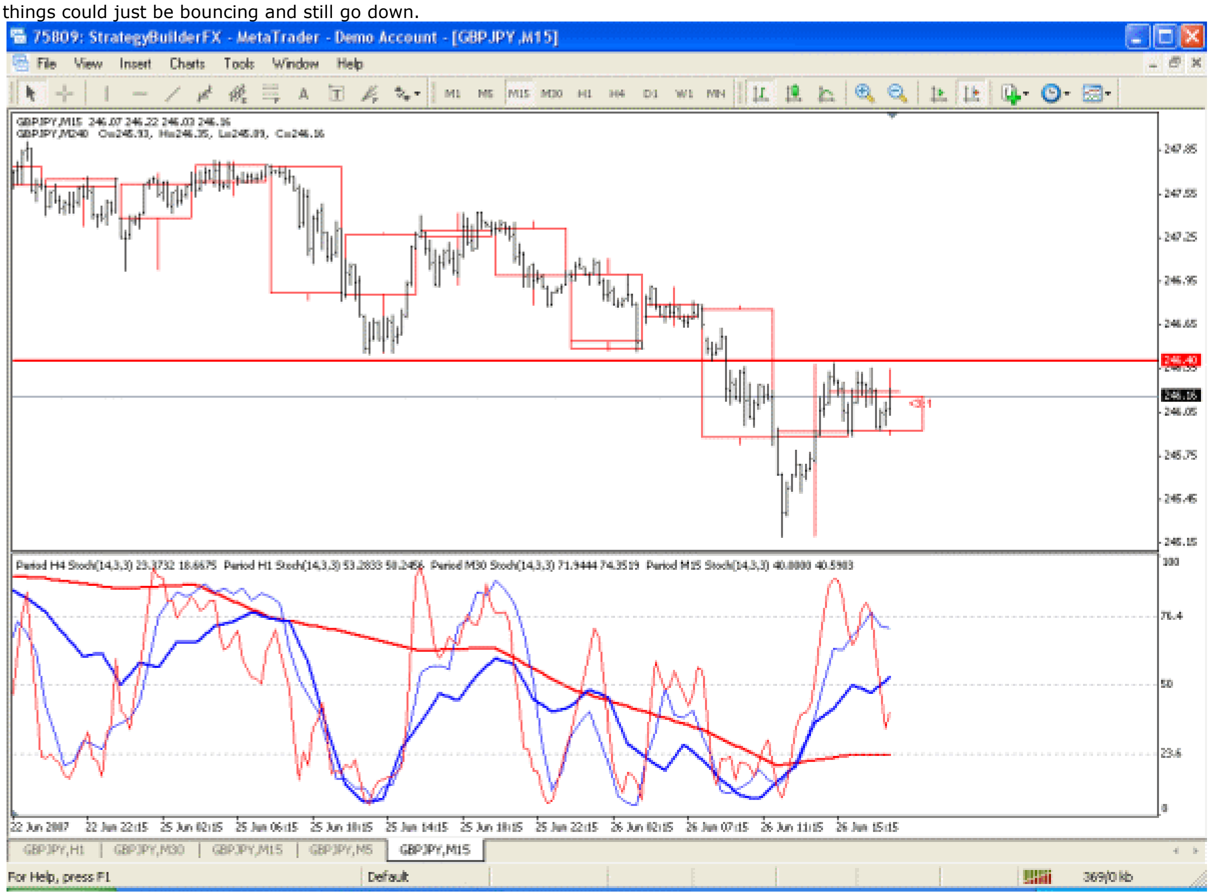
Spudfyre

Jun 26, 2007 4:16pm | Post# 925

GBPJPY

1 Attachment(s)

I put a stop in a 246.40. Want to be able to gain back any losses if the 15/30/1H climb up to 76.4 level and take advantage of what comes next. We can assume if market passes 246.40 we may be in for a reversal. Don't want to speculate too far ahead on this one as things could just be bouncing and still go down.



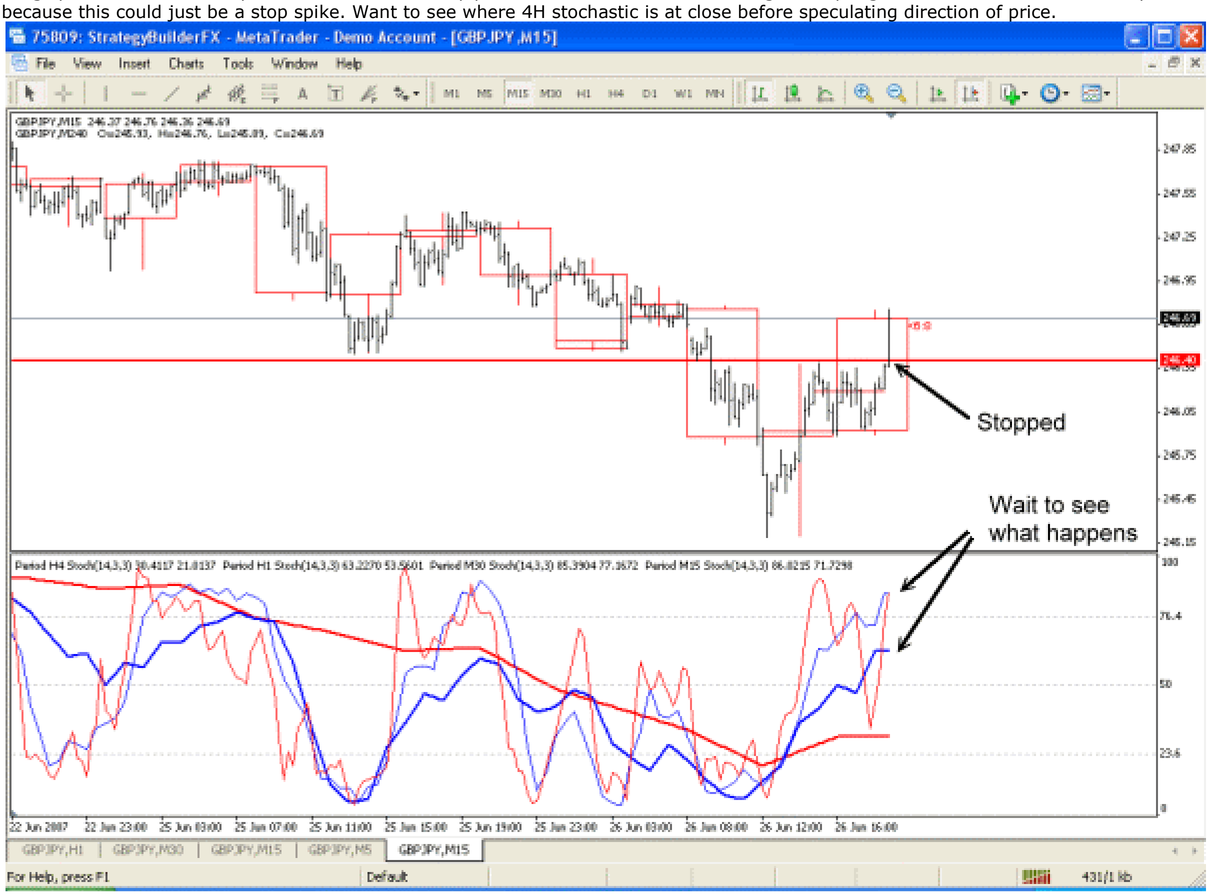
Spudfyre

Jun 26, 2007 5:00pm | Post# 926

GBPJPY

1 Attachment(s)

Long spike took out our stop and left me with a -16 pip net. In wait and see mode. Long is tempting but will wait for a better setup because this could just be a stop spike. Want to see where 4H stochastic is at close before speculating direction of price.



Spudfyre

Jun 27, 2007 11:13pm | Post# 933

Stochastic Equilibrium

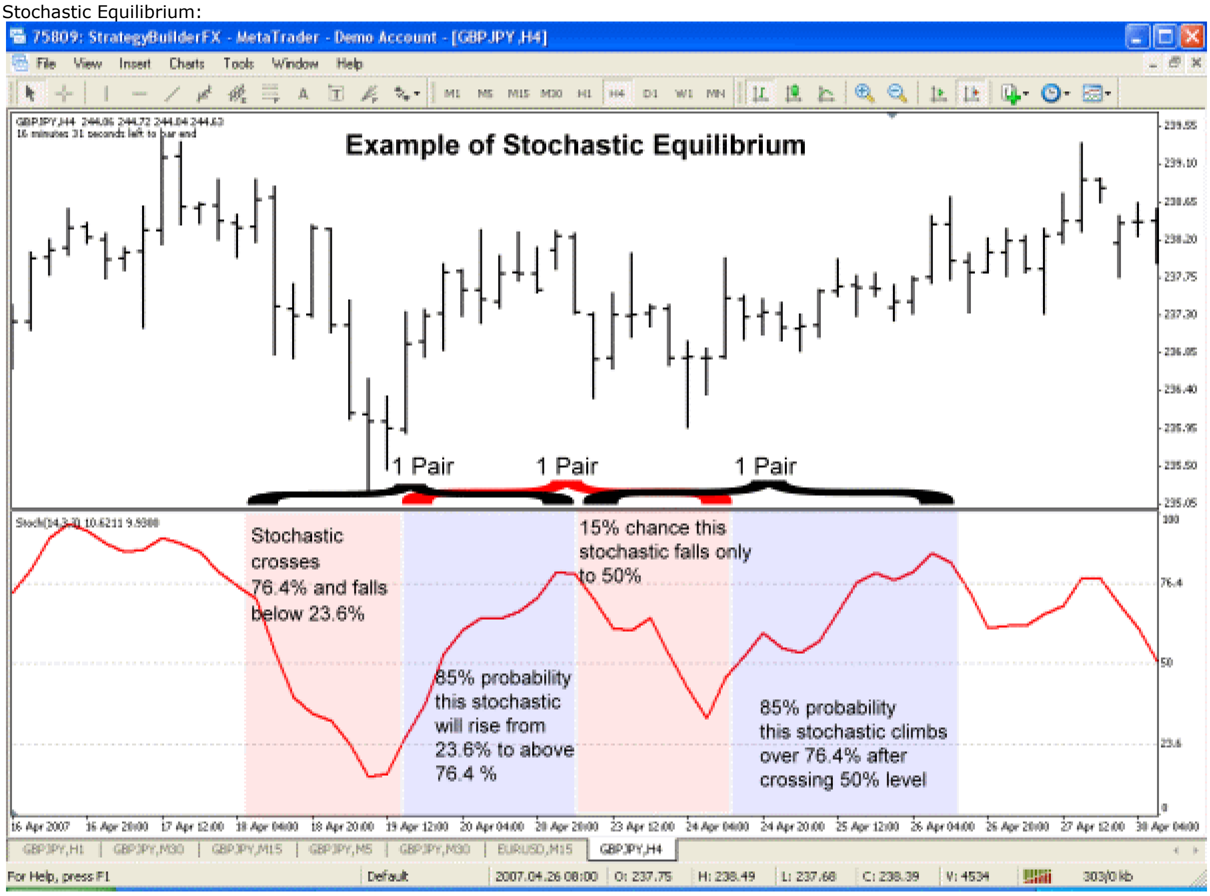
2 Attachment(s)

This will be in my PDF when completed, but since the question of longer time frame trading came up, here is some statistical help.

Stochastic Equilibrium

Stochastic Equilibrium occurs about 85-90% of the time on any time frame or price chart. This means that if we see a movement of the stochastic line from 76.4% to below 50% and that stochastic line reverses and climbs back across 50% than there is an 85% probability that the stochastic line will climb to 76.4%. Likewise, if we have a stochastic line that moved from 23.6% to higher than 76.4% than we have an 85% probability that the stochastic line will fall back to 23.6% after crossing the 76.4% line. The diagram below illustrates

Stochastic Equilibrium:



TEB63

Jun 28, 2007 11:38am | Post# 935

Quoting Spudfyre

Ya..you got too much time on your hands!
The longer time frames are more difficult to trade because of draw downs. But if you have the stomach for large draw downs it works fine for longer time frames. @@@

That is intersting,
I have found they are Way way Way Way easier to trade Way way Way Way less noice.
& the trends are Way way Way Way easier to see.

If you do month, week & day you would almost never lose.
That is behond what I am doing .. but that is how the banks do it
& why they almost never lose.

I am finding the day charts great!!! -- TEB

Spudfyre

Jun 30, 2007 12:30am | Post# 944

Quoting TEB63

That is intersting,
I have found they are Way way Way Way easier to trade Way way Way Way less noice.
& the trends are Way way Way Way easier to see.

If you do month, week & day you would almost never lose.
That is behond what I am doing .. but that is how the banks do it
& why they almost never lose.

I am finding the day charts great!!! -- TEB @@@

Perhaps I should expand on my comment. I put it in context that I don't trade the daily time frame on the same basis (i.e. from 23.6 to 76.4) as I would say the 1H time frame (i.e. from 23.6 to 76.4). In other words, I wouldn't say trade the 30M, 1H, 4H and Daily trading "to" and "from" the Daily using the the 1H and 4H charts becuase there would be too many encounters with 150+ pip draw downs.

Having said that if I were targeting to make 30-40 pips and had everything lined up with the day chart rising as an example...or everything falling to hit the Day stochastic then I would do that. I haven't seen any great improvement in reliability from using the Day chart tied in say with the 15M, 30M, 1H and 4H chart...especially when there is a trend reversal, the day is lagging too far behind to help at all.

Spudfyre

Jun 30, 2007 12:51am | Post# 945

1 Attachment(s)

Quoting k2kv

Hi All,

I've been following this discussion with keen interest, and would like to first thank you, Spud, for your brilliant conception and commitment, as well as all the others who have contributed so generously.

This is obviously my first post here on FF, so hopefully the image I've attached will show up correctly.

I made a really bad trade yesterday morning, shortly after 11:00 am EST, but I still can't figure out what happened. The chart is of the USD/CAD, and I went long at the vertical red line when both the 15m & 30m crossed up over 23.6. Almost immediately, the price plummeted down like a lead weight (I seem to have the innate ability to force a market turnaround by simply making a trade in any direction), but to make matters worse I decided I would stick this one out thinking it would come back up before too long, so I moved my stop 100 pips away. But it just kept dropping harder, and I eventually got scared enough to jump ship with a -40 pip loss (good thing, as price eventually dropped -165 pips). Not a good day (trading with real money).

FYI, I usually keep my stops much tighter but often feel they cost me more than if I had not placed them at all.

Can someone tell me what I missed in this setup? And, at what point would you have gotten out? I'd hate to go through this again!

Thanks so much in advance! @@@

There was nothing wrong with your entry. This is a "from" or "away" trade where you are trading "away" from the 4H stochastic. What you are looking for is the 15M to be leading a price move upwards and everything to follow.

This is a classic signature that the 15M is too weak and price is not following. It is a little hard to see when the 15M reaches 76.4 but we should be worried that the 1H hasn't come near or crossed 23.6 yet. When the 15M falls we are looking at "elasticity" and the 15M is likely to snap back down to the 1H and 4H area. By the time the 30M turns and reaches 23.6 again this trade is well done and we should be out.

With 15M/30M trades we should see a pretty rapid 1-5 pip net gain. If the 15M doesn't go into over bought, the 30M is hardly rising and the 1H/4H are still over sold...gravity will take it's course and suck the 15M back down again.

When running a long trade like this...treat it first like a scalp trade trying to net 5 pips and if you don't see that little bit of gain then start to worry....especially if we get into -15 to -20. If price had been moving long the 30M would have gone up to around 50 when the 15 hit 76.4 and we would have expected to see the some pull happening...but none here.

Another tool to use is the 5M.....odds are it was over sold when the 15M started to fall or that the 5M went over sold on the 15M fall.....without the 5M turning up...the 15M is doomed to fall.

Spudfyre

Jul 7, 2007 4:26pm | Post# 988

1 Attachment(s)

Quoting TEB63

You know spud, I am not a great believe in Fibs esp on Stochs

but that is me & you do it well. & not to sound negative in anyway

20% & 80% have the advantage of ...
they are what everyone is seeing & that is when most people start to make moves
..some of the biggest moves come right at the 20% & 80% marks

in fact many pro trades only start trading at these point (that likeky surprise some people)
because we often have big moves right at these points
and the reason is simple ...it is the points that people start to bail...
even panic "Its overbought--oversold I have to get out.. NOW"
... but the market still has some juice in it, so off the market it goes!!
so you may miss some of those moves at the settings 76.4 & 23.6

that is my thoughts --TEB @@@@

I knew we'd come to this some day. First, unless someone can prove to me otherwise with statistical data (I've run my own), there is absolutely no difference with 76.4 and 23.6 versus 80/20 in terms of signals. The selection of 80/20 or 76.4/23.6 is for our brains to visualize a signal point.

Having said that, the presentation here of selecting a fixed trading signal level like 80/20 or 76.4/23.6 is for simplification rather than trying to explain the nuances of anticipating a stochastic line that is a few points away from the 80 line on a closing candle. Signal levels are reference lines.

The reality is that most of the trade signals upon close of a candle are much higher and much lower than 80/20 or 76.4/23.6 because the stochastic moves much further during the candle move.

In MTF trading it is the movement of the stochastics that should be our signal and how the stochastics line up not the reference lines. But to write nuances in forum is, I believe an impossible task.

I would agree with you that many traders use 80/20 because those are the default numbers, however I would certainly bet that 99% of the trades are made with stochastics "off" the exact 80 or 20 level simply due to the way the stochastic ends up.

My thread theory is really teaching the nuances of stochastic moves ...I just don't want anyone to know that....oops! In MTF stochastics, the 80/20 or 76.4/23.6 lines are reference lines. The "safe" trading uses the reference lines....but the best trading comes before the reference lines are hit and the market is almost always moving before the reference lines get hit.

None of MTF Stochastics is really about 80/20...it could as easily be about 79/21 or 81/19.

For what percentage over the long run the impact of using 80/20 or 76.4/23.6 will have on our trading is nil. Just as equally as missing some trades with using 76.4/23.6 vs 80/20 we will also gain the advantage of waiting for some trades using 76.4/23.6. If we understand the nuances of stochastic moves the signal levels become even less important other than to understand that stochastics are over bought or over sold.

More traders will lose trades on bad stop loss setups and exits then they ever will on signal levels.

So, use 80/20 if you think it is better. Use 76.4/23.6 if you think it makes more logic mathematically and use 79/21, 81/19 if you are a free spirit or a rebel. None of it will matter in the long run.

The two charts below show that not a single major move was made at 80/20 or 76.4/23.6 on EURUSD 4H from May 11-July 6...however all the nuances of stochastic moves caught every major move. I know hard to see in the pic below, check it out.

I'm not saying you are wrong in what you say TEB, I'm just saying in the scheme of things it really won't make any difference to us as small traders if we use 80/20 or 76.4/23.6.