Spudfyre's Predictive Multi-Time Frame Stochastic Trading Pt.2

Fish Hooks

DO NOT USE FISH HOOKS AS TRADE INDICATORS

Below is a perfect example of what I call a fish hook. We use fish hooks only to help us predict or support our trades. Some might be tempted to use a fish hook to gain early entry or predict and exit....I suggest not doing that very strongly as it can get you into a great deal of trouble. I call them fish hooks because they bait us into a trade and sometimes we get the bait and don't get caught....other times the Forex Gods catch us and cook us.

A good fish hook like the one below shows an upcoming downtrend. Notice how easy and clean the fish hook is. It is clearly a hook with a stright rise; (see the bottom of the candles on the uphill rise) and then a hook where price turns down. The rise may be longer or shorter and the hook not as large but the straigth climb is important, the M5 trigger is important and the 2 candle drop at the end is important.

If we get a valid short entry after this fish hook, or in the hook it is a very good sign for our short entry and that we are probably entering a good downhill trend.

Unfortunately, this is not 100% true. It is just mostly true when we have a valid short entry.

If you look very carefully at the 4 candles before our stright climb starts on our fish hook, you can see a false fish hook...that isn't a fish hook..we don't have a valid short entry there.

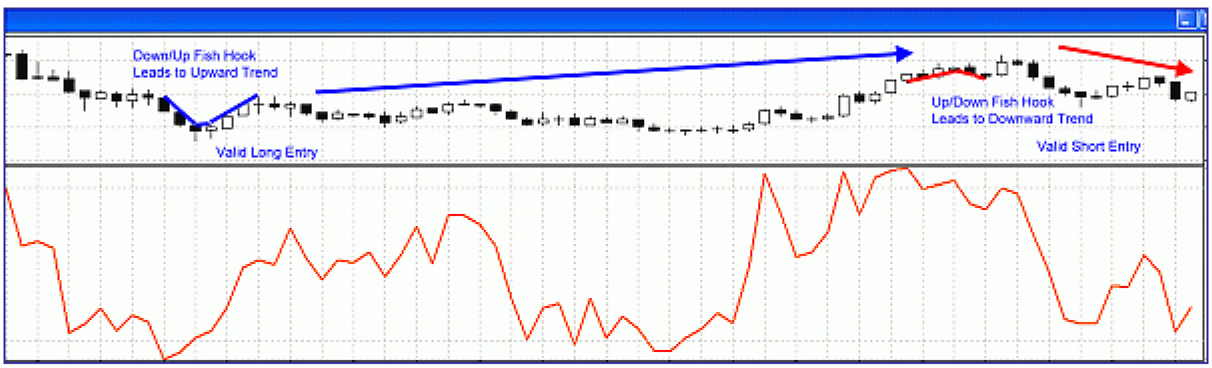
Use this only as a support guide. Something that may give you a little confidence in your trade when you see these form.

My last word on fish hooks....because I don't want this to turn into a fish hook discussion. I just want you to be aware of their existence and using them as a morale booster.

The chart below shows first and upward trend fish hook coming just before our valid long entry. And then we can see the transition of a short trend fish hook at the right side where we get a valid short entry soon afetr to move into a down trend.

These fish hooks aren't quite as well defined as the first one I showed you, but they are there. In the middle of the chart where the long trend bottoms out you can see a small, very flat fish hook where we get another valid long entry and this leads to our gains just when you are probably thinking this trade is going south and Spud doesn't have a clue what he is talking about.

This is what I love about fish hooks. They give you just that little shot of confidence you are on the right trade. They are our Omega-5 of trading...good for stress relief.



The Long Entry - The Basics

The Long Entry

1. The M5 long trigger must appear first (at close of 18:55 candle or 19:00 on the chart below). This is when %K on the M5 stochastic is under 10%. This is an alarm bell not an entry. Our early warning system. This also marks the M5 start price. Always at candle close.

2. After the long trigger, we must see the %K stochastic on M15 rise. This means that the difference between two consecutive M15 candles %K must be positive after the trigger. We can only look at the close of an M15 %K after the trigger, never before the trigger. For example, in the chart below our M15 trigger came at the close of the M15 18:45 candle (closes at 19:00)and the %K is 20.07%. The next consecutive M15 19:00 candle (closes at 19:15) has a %K of 26.41%. Thus 26.41%-20.07% = + 6 % (positive, UP).

3. With the M15 %K rise the M5 price must close higher than closing M5 price at the trigger (Price UP).

Here's a break down by the numbers: The first time is chart time, the (time) is the actual close time:
18:55 (19:00) M5 candle closes with %K <10 % Long Trigger M5 closing price is 1.2680
18:45 (19:00) first M15 candle close after trigger %K=20.07%
19:00 (19:15) M15 candle closes at %K=26.41% %K is UP
19:10 (19:15) M5 price closes at 1.2739 which is higher than trigger close price of 1.2680 Price is UP
(19:15) We enter our long trade

Notes:
Any rise of any 2 consecutive M15 %K candles AFTER the trigger is fine prior to any short trigger or invalid long trigger that may follow. What we must have is a M15 %K rise, with an M5 price rise that carries from the trigger point to the current M5 price candle close. In other words, price is building the M15 stochastic.


3. This close price must be higher than the close price at our trigger
This is our price start point
at the trigger close candle
1. M5 Long Trigger
%K < 10%
This is our entry point
when M15 %K has gone up any one full candle
past our long trigger and M5 price has gone up
since the trigger point
EURUSD,M15
2. M15 %K must be higher at this candle close
than the previous M15 candle close
M5 Trigger

Originally Posted by **sarah2002**

hi spud i ve a situation here
i ve got a buy signal on m5 after a down move on the 5m chart
15m going down from 80 to 61%
30m 1h are in the overbought area
so i waited for 15m to turn up and it did but at the same time 5m hit the 90area for a sell signal 5m stochastic went down a bit than turned up making a strong up move in price

that sell signal on 5mthat happened at the same time of a buy confirmation on the 15m made me loose a good up move

whats your comment
thanks

I've created a chart in the same time period as yours to show you were entries should have been. The long entry comes when the M15 %K rises from where the M15 was when the M5 long trigger was hit.

The M5 short triggers that appear are never validated, you can either exit at these trigger points in your long trade or carry on with your long trade until we see a valid short. On the first two M5 short triggers the M15 rises from 74% to 82%....I am not sure why yours is falling but mine is from a separate stochastic indicator (14,3,3) and it could be a fault of your indicator trying to track multiple time frames on one chart. As I say, you are much better using separate indicators during trades as it is far more accurate.
We do not get a real short trigger confirmed until much later on the right side of the chart.

> Originally Posted by **Bradev**
> *Spud, thanks for the time and effort involved in explaining you system. I was wondering what % of trades, do you estimate, are winners? Also, how many trades do you experience during a session?*

My winning percentage is very high...extremely high with this sytem. I can't give you exact % because I use a variety of ways to exit. If I were to simply exit on the opposite trigger, this would give the highest % wins but not neccessarily the highest PIP returns.

I also play to make only 20 PIPS a day and put value in my PIPS rather than trying to gain some ungodly amount of PIPS everyday. So that would have bearing on my win %...as on days I feel like following for a longer trend and larger PIPS, I may loose...but I wouldn't normally take that risk without some other reason.

If you play this system with just the M5 and M15 you will find yourself in plenty of trades everyday.

> Originally Posted by **deepermind**
> *In my demo account*
>
> *Short Entry*
> *- 15M closed Down after 5M short Trigger*
> *- 30M 1H heading down above 80line*
> *- 4H Up but ignored*
> *- 3/4 TF agree on Short Entry*
>
> *Stop Loss 45pips (above previous hight candle but less than 50pips)*
> *Maximum Drawdown -15pips*
>
> *Possible Exit (+27Pips)*
> *- 15M reached 20line*
> *- but 30M 1H still down*
> *- I decided to stay*
>
> *Must Exit (+60pips)*
> *- 15M heading up after 5M long trigger*
>
> *Long Entry (Not Sure)*
> *- 15M closed up above 20line after 5M long trigger*
> *- 30M is heading up (but still not closed)*
> *- 4H Up*
> *- 1H still down (this made me hesitated)*
> *- I thought 3/4 TF agree on Long entry*
>
> *now +47pips but I`m not sure this was valid long entry or just luck*
> *any advice welcome....*

Remember the M30,H1 and H4 are your guages, they tell you how things are generally, where you are in the world, etc. You don't need these to trade this method, but if you are familiar with MTF Stochastics they can be a great help in allowing you to skip trades and/or stay in trades longer. For example if they are all oversold, going short is probably a bad idea and vice versa.

The problem with watching candles live is they may go against you and you may make a rash decision...only to find the candle closes in your favour. This has haapened so much to me, I stick to strict discipline in only watching candle closes. Otherwise, I know my entire trading strategy changes to the ups and downs of the candles and it shouldn't.

> Originally Posted by **sarah2002**
> *a buy signal in a down trend*
> *if we exit at the daily low line we have 35 pips in pocket but we dont ve an exit signal yet*

Great entry example, here's the exit...I'd exit on the short triggers and take the 35 PIPS. You can see if you ride this out the result is not great as the up trend is slowly turning on us. Notice that the MUST EXIT point here is when the long is no longer valid....we have another long trigger but M15 is headed south.

You will see these small gains and losses quite a bit when trend hunting for big PIPS but they typically pay off with one good trend and 100+ PIPS.

Here's my latest entry

I exited at +30 PIPS, that's where I set my stop. Though I could have kept going.......and looking at the climb while I did this chart...I could have done much better. However, I'm more than happy with my PIPS today.

> Originally Posted by **wrenski**
> *Spud - sorry for the delay on posting my charts...I still have a day job*
>
> *The dotted vertical lines depict my long entry point.*

This is a nasty trade indeed. Your entry is fine, mine is a little earlier. We could have exited at 30-40 PIPS. However, the circle shows a whole area of worry. Remember we want our M5 to build M15 in the direction of our trade.

You'll notice in all my trade examples that we are typically in the trade while M15 is being built by M5 in the direction of the trade. What is happening in the red circle is the opposite build and you have to decide how far you'll take this.

I'd go no further than breakeven seeing something like this or lose my spread at worst. However, take 1 or 2 PIPS and wait for another trade. Don't follow M15 reversals against our trade for too long or too deep.

The only exception would be a steep dive by M5 and it heads to the long trigger very quickly where we receive a valid long again..then I'd stay and ride that up again..in that situation you can't react to the quick price drop and either we'll get a valid long or an invalid long very quickly. In this situation, there is lots of time to think that M5 is not building an upwards M15 and we need to exit.

Here's another trade...I exited at 20 PIPS. This has been a very easy day for me to make over 100 PIPS just chipping away at these trades catching small pip gains by setting my targets to +20-30 PIPS.

You can see in the last few trade examples how M5 is always building M15 in the direction of the trade. I'm usually gone before it moves in the opposite direction...but if you're up PIPS and M15 turns against you...just exit and catch the next one. It will be far less stresfull on you.

Same entry as last chart....if you are in this trade this is where I'd exit. Why not...you got some good PIPS by now. (about 50-55 PIPS)

> Originally Posted by **CindyXXXX**
> *If I witnessed 3 losses in a row today on EUR/USD does that mean I'm doing something wrong?*

Defintitely

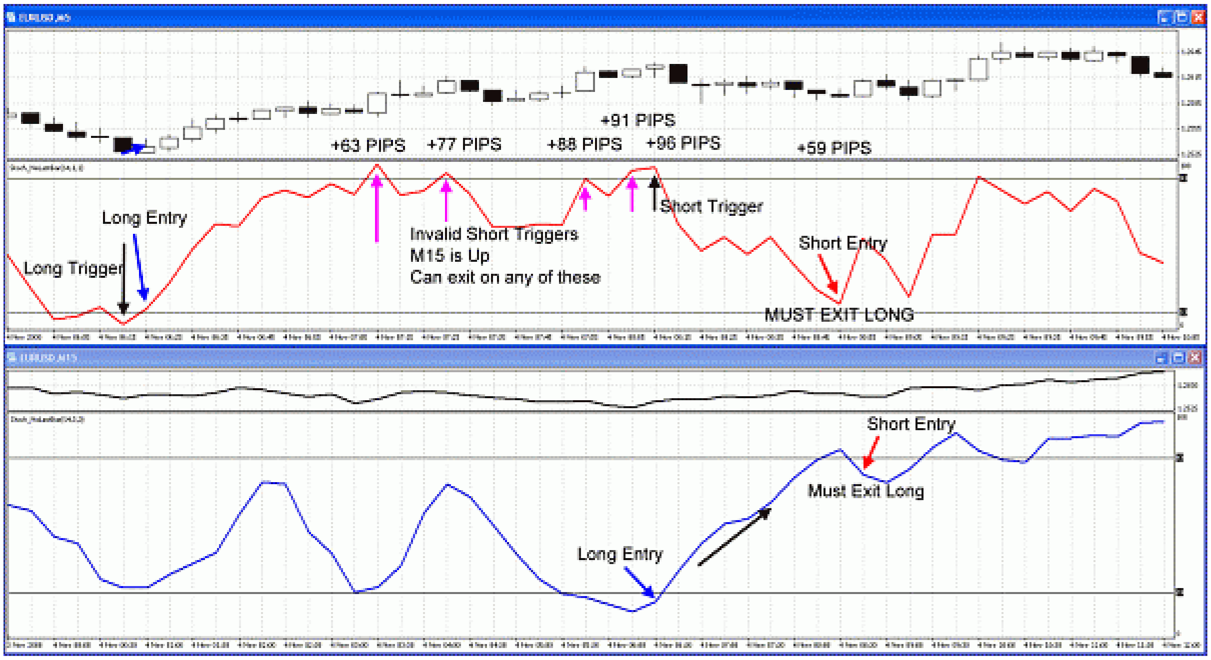
> Originally Posted by **Jmc**
> *Thanks again for all the examples Spud, good to compare with my charts. Just a quick question about stops though; I know you have said your stops are dynamic but I'm wondering about when you move your stop to break even.*
>
> *Thanks again for the help,*
>
> *J*

I typically set my stop at 50. It is only there for an emergency. With this method you can certainly tighten your stops quite a bit and move them with the flow. I certainly would not go less than 20 and you may find that you need to adjust that...depending on what your stochastics are doing.

I move my stop to breakeven, spread loss or +1 or 2 pips when I see things going against me. A good example is the trade where M5 and M15 turned against the long trade a few posts earlier. You don't want to immediately exit these trades (you can), you want to give yourself room to ride them....nothing wrong with walking away with even 5 PIPS on a trade that turns against you.

If you hunt for 20-30 PIPS a trade or even 10-15 PIPS a trade your hit on stops will shrink significantly.

Here's an example of a long trade and your exit choices. I'm out on the first trigger with 59 PIPS (63 PIPS). But you could have exited on any of the short triggers or ran it right to the end. Notice what M15 is doing and how it supports our trade until the end.

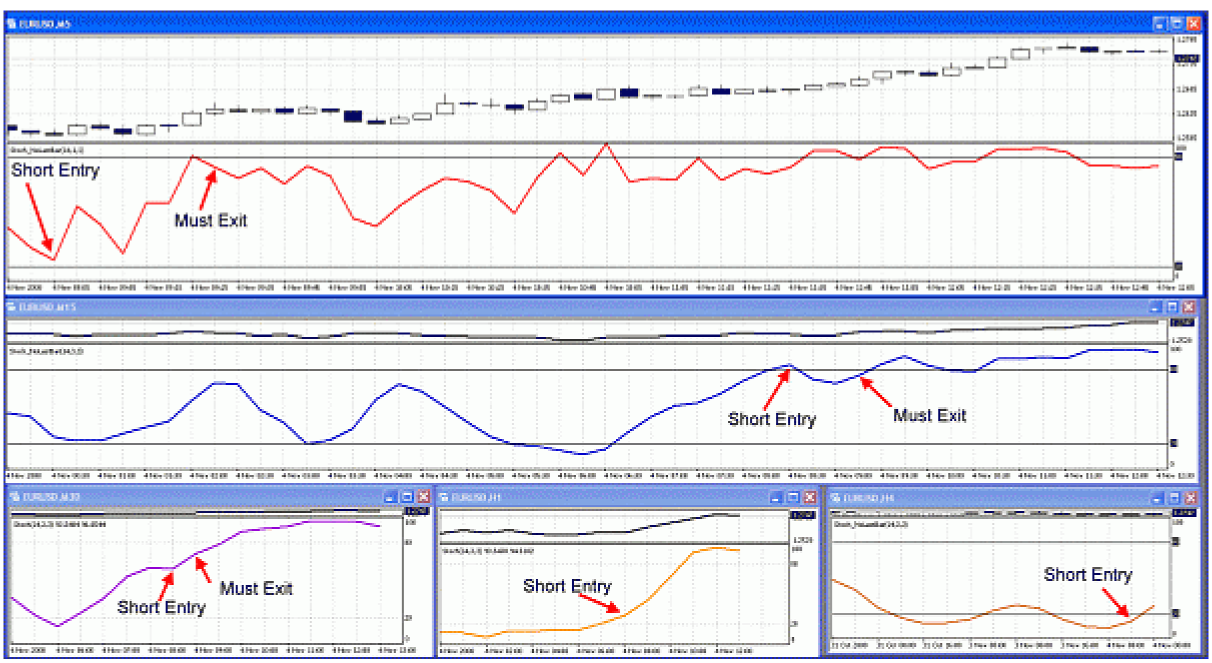


MTF SAVE

If you traded with just the M5 and M15 on the next short trade, you'd hit your stop and lose.
This is classic Escalator to PIPS long trade and knowing MTF Stochastics would keep you out of trouble here. In MTF Stochastics we'd be riding the M30 up and waiting for the H1 to climb as well. This is where the M30,H1 and H4 can save you from a bad trade entry.
If you didn't know of MTF, than even with M5 and M15 alone you'd see lots of clues to get out of this trade.
Someone asked about divergence. Early on I spoke about divergence. Here we have M5 price rising and M15 falling...and we know that M15 is going to follow M5 price. That's our first clue for trouble. The next is when M15 rises and we can see an invalid short trigger..this is our MUST EXIT point.
By this time you would not be entering any short trades looking at M30,H1 and H4. Here MTF rules kick in.

Always remember that we want M5 PRICE to BUILD our trade and M15 stochastic to follow. This is extremely important in detecting these kind of moves. M5 Price is going up and M15 stochastic is going down...that's bad in a short trade. Vice versa if you are long.

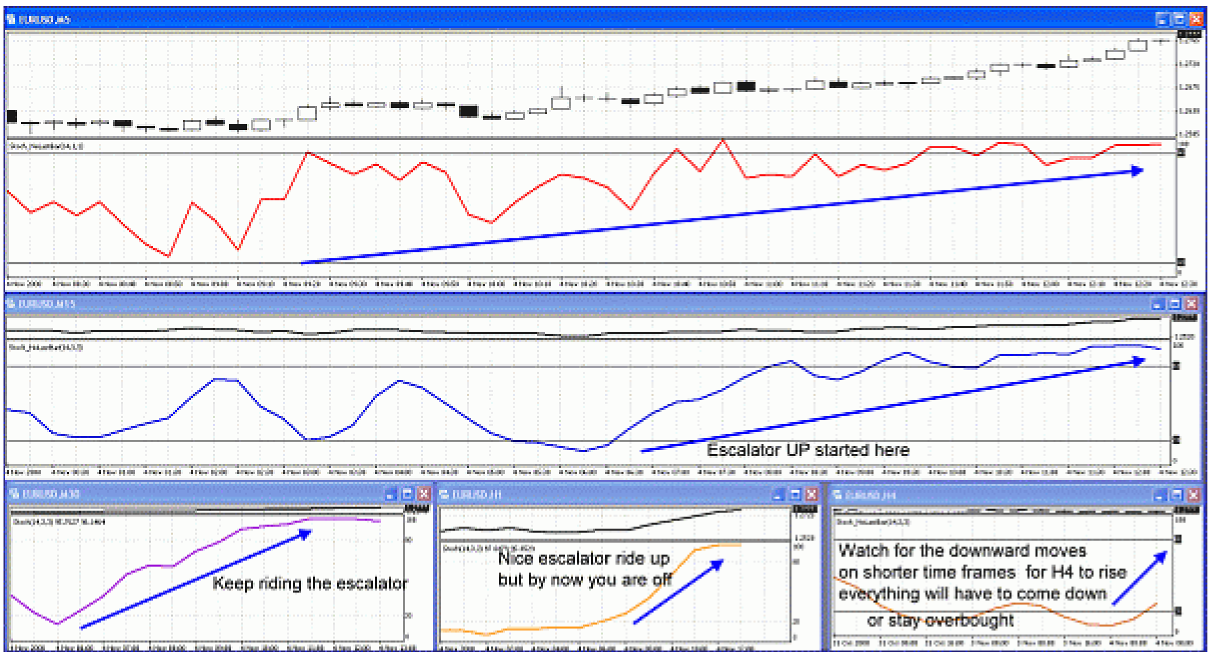
If your an MTF STochastics Trader, you know this classic setup for Escalator to PIPS long and you simply follow the MTF Stochastic rules here. What we don't want is MTF STochastics and Predictive MTFS contradicting each other like they would here.



Escalator to Pips

Below is same chart showing the Escalator to Pips. The stochastics now only have 2 moves...to drop down on M5, M15, M30 and H1 to bring H4 back up...or to stay in the overbought region.

What we are looking for in the short arena is the M30 to start to fall below 80 with M5 and M15 leading the way. There may need to be a few cycles of M5/M15 up and down before we get things lined up right to know we are headed down.
If things stay overbought, M5 and M15 will cycle up and down or hover in the higher stochastics while M30 and H1 will likely stay above 80 until H4 climbs up. When they are all up we watch for the drops to start to happen.



Quote:

> Originally Posted by **CindyXXXX**
> *Question for anyone: Does the 15 min stoch need to be above 20 or below 80 to instigate a trade?*
>
> *Cheers*

It does not matter if you look only at M5/M15. If you are using MTF Stochastics to support your trades than it matters if M15 is >20 <80 in certain situations as per MTF Stochastics.

> Originally Posted by **CindyXXXX**
> *After I looked at some recent entries on the past few pages by Spudfyer it seems for the predictave method it doesn't have to rise above 20 below 80...*
>
> *I think thats just for other methods such as escalator to pips.*
>
> *I thought I almost had this stuff figured out until this recent post about the escalator filtering out false predictive MTF entries... I think I may have some reading to do*
>
> *But would like to put it out there: IS there any black and white rules we could go by by knowing when NOT to trade the predictive entry>?*
>
> *Or do we need to first understand other MTF methods before taking this on?*

MTF Stochastics will make you a better trader and make this system perform much better for you.

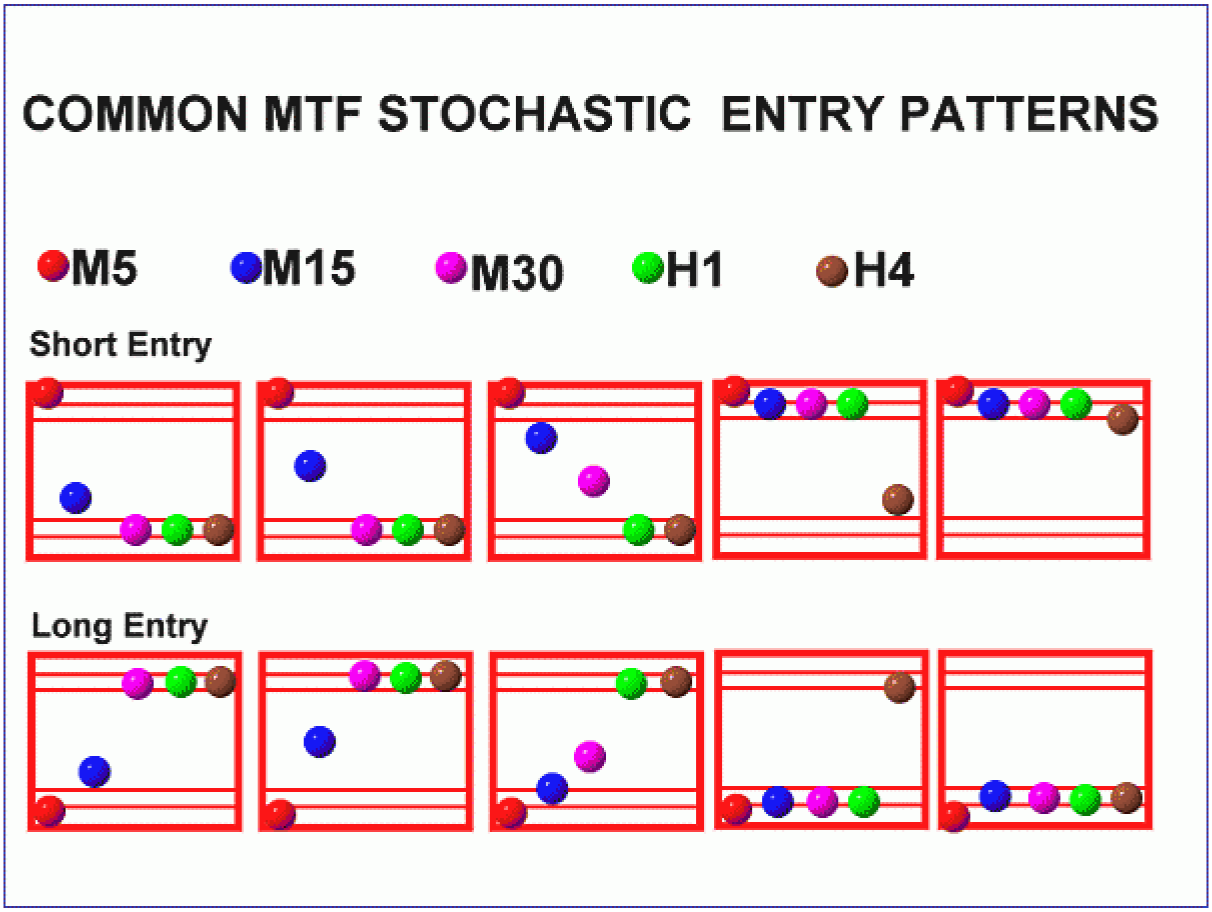
You do not need MTF Stochastics to trade this method. You will though have more stops because of it and you will not enjoy all the gains long trends will offer. Over the long run, it should not impact your bottom line if you keep in the forefront of your mind that M5 must build M15 by not using MTF Stochastics.

I'm going to spend some more time on explaining the mechanics rather than simple trade examples to hopefully make it a little more black and white.

Mtf Common Entry Patterns

I designed the chart below to help depict where our M5,M15,M30,H1 and H4 stochastics should be in relation to each other on triggers....you should then see the movement build in the direction of our trade.
Each chart is independent, but they can also appear left to right or right to left through a serries of shorts or longs as price moves through a long period of time.
If you look at the Short Entries together in a series, notice how it looks like bubbles rising...first the M15, then the M30, then the H1 and then the H4. This is a continuous series of short trades (there are long trades inbetween).
Do you see how backwards it looks in a series? It is as if the Short Entries are moving the Stochastics up and the long entries are moving the Stochastics down.
Look at it again. Remember the M5 is our trigger and it will move first. So on the first short entry the M5 and M15 must come down first to move the M5,M15 and M30 up. The reason we wait for M15 to be in the lower half on the first 2 short entries is that M5 will have to move down to pull the M15 up. It goes on this way as the M30 and H1 must move down in cycles to pull the H4 up.
In between our short entries are the long entries. And they work on the same principle as the short only in reverse.
Most of any trading day you can see a steady pattern of Short/Long/Short/Long etc. for this very reason.
When the stochastics line up as shown, these are your key entry points.
If we look at the first 3 Short Entries...notice the progression that each time we go short M15 has risen a little higher than before and that eventually we see a rise in M30. You'll see that progression right across to H4.
You can sum it up by just remembering that to move the stochastics in longer time frames up, our shorter time frames must come down first and then build them up.

Attached Thumbnails



> Originally Posted by **jdcompute**
> *Spud,*
>
> *I'm curious. Is this the 15m MTF strategy but this time using primarily the 5m stoch as an entry/trigger point? I know that we're watching how the 5m builds the 15m and the that the 30m, and so on and so forth. But it really looks to me like our tried and true MTF strategy but with a different twist on it. Either way, new or remodeled, it works*

It is. However it gives us a more structured entry and exit. At best you use it to catch the trend reversals and then incorporate MTF strategies to stay in the trend. You can identify when a good/bad entry is and overall it increases the efficiency of the trade.

Those with MTF Stochastics and Escalator To PIPS knowledge should find this method very profitable. I think without MTF STochastic skills this is still profitable but you will take a few lumps along the way...though I thik you can combine this with any system you like and still use the entry and exit points to your advantage.

Quote:

> Originally Posted by **sarah2002**
> *going for 10 pips or for 100 is the core of our losses when we trade.*
> *we need spud to talk about his experience when he decide to go for 10 or to go for 100*

YES! Exactly. Walking away with 38 PIPS in your pocket is a great trade.
We don't eat a 72 ounce steak in one mouthful, you have to cut it up in small pieces and chew on it.

Same with trading.

Grab 4 small 5 PIP trades a day and you got 20 PIPS a day. I preach 20 PIPS everyday because you can easily make it and when you do it everyday you write your own cheque.

If you want to chase a long trend, then do so when everything is moving in your direction and things move as you expect them to move...when they don't you are out.

If you are fighting a trade and "hoping" it moves your way...you are in the wrong trade.

You will lose trades. The more PIPS you chase the more you will lose. You have to find the balance of learning to walk away and take the PIPS you have versus the risk of trying to make 5 more PIPS, 10 more PIPS.

You don't have to do it all in one trade. We have 20-30 trades available every day to choose from...get picky.

I chase trends when I see Escalator to PIPS set up....it is very easy to follow and you know when the escalator hits a bump and it is time to bail.

Otherwise I just look at where the stochastics are, select a target of say 15 PIPS and if it pops up to say 10 PIps and shrinks to 5 PIPS and things look uncertain, I am out.

If I get in a trade that goes against me right away, I look at it as to why is it a good opposite trade.

Sometimes I just get out..lose 5-10 PIPS and start again. Other times, I know that I'm just way too early and have to ride it back to close to break-even and get out or re-asses.

Sometimes I just hit my stop and move on.

Looking at Sarah's trade posted, the chart below is our indication of why things will go up at the trigger.

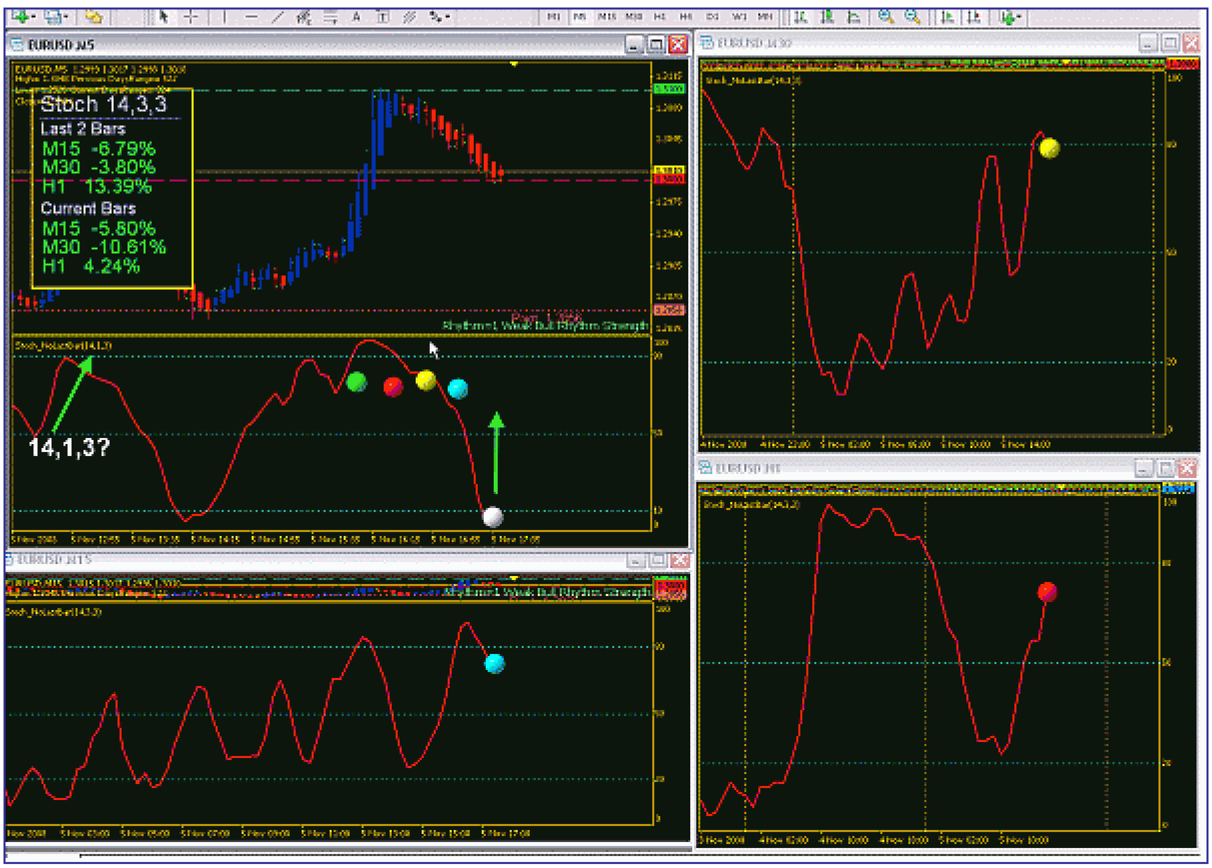
I've marked the stochastics as balls on the M5 Stochastic so you can see things a bit clearer. The H4 is on the left (brown) and the M5 is on the right (red). We know that H4 and H1 are moving down and for them to continue moving down M30, M15 and M5 must move up.

Here we have confirmatin of our long trigger but now have a short trigger. However, here we can already see our short trigger will be invalid as our M15 and M30 still need to move up.

We can expect M5 will dip, maybe even drop all the way down...but never-the-less M15 and M30 have to go up...it is the only way H1 and H4 can come down anymore. Our expectation here is H4 will move down since it must follow what H1 built earlier.

> Originally Posted by **jdcompute**
> *Spud,*
>
> *I grabbed +11 pips on this trade but I'm out when the 5m stoch crossed under 10. What I'm trying to understand is why is price moving back up right now. I'm seeing the 15m and the 30m coming down. Would you have stayed in the trade at this point? right now in demo mode I'm at -13. Are you thinking that the 5m is going to go back up and then down again to keep pulling the 15m and 30m stochs down? This is an \\"invalid\\" long trigger right now because the 15m and the 30m are moving down and is inconsistent with our MTF rules.*

Your M5 is on 14,1,3...should be 14,1,1.
See the stochastic position (balls). M5 is going to go up. (see my chart a few posts before).
You have to, MUST, zoom in on the charts so your M15 shows 15 min intervals..M30..30 mins, etc.



The Balls

I believe the balls will help you understand things a bit better. If I confuse anyone please let me know but I'll take us back to the basics and go over it in as great deal as possible.

The balls simply represent the position of the different stochastics relative to each other. I simply copy the balls to the M5 chart for clarity. They are not positioned in time, just where their %K is. So the H4 is on the left (brown), H1 is to the right of H4 (yellow), M30 purple, M15 blue and M5 our trigger red.

If you look at the individual stochastics I have put balls where they are..these are the balls I copied over to M5.

The arrows above the balls or below is their expected movement. I say expected because it is not 100%...it is typical and will happen most of the time. This is how I trade, I trade to what I expect the market will move by what the stochastics tell me.

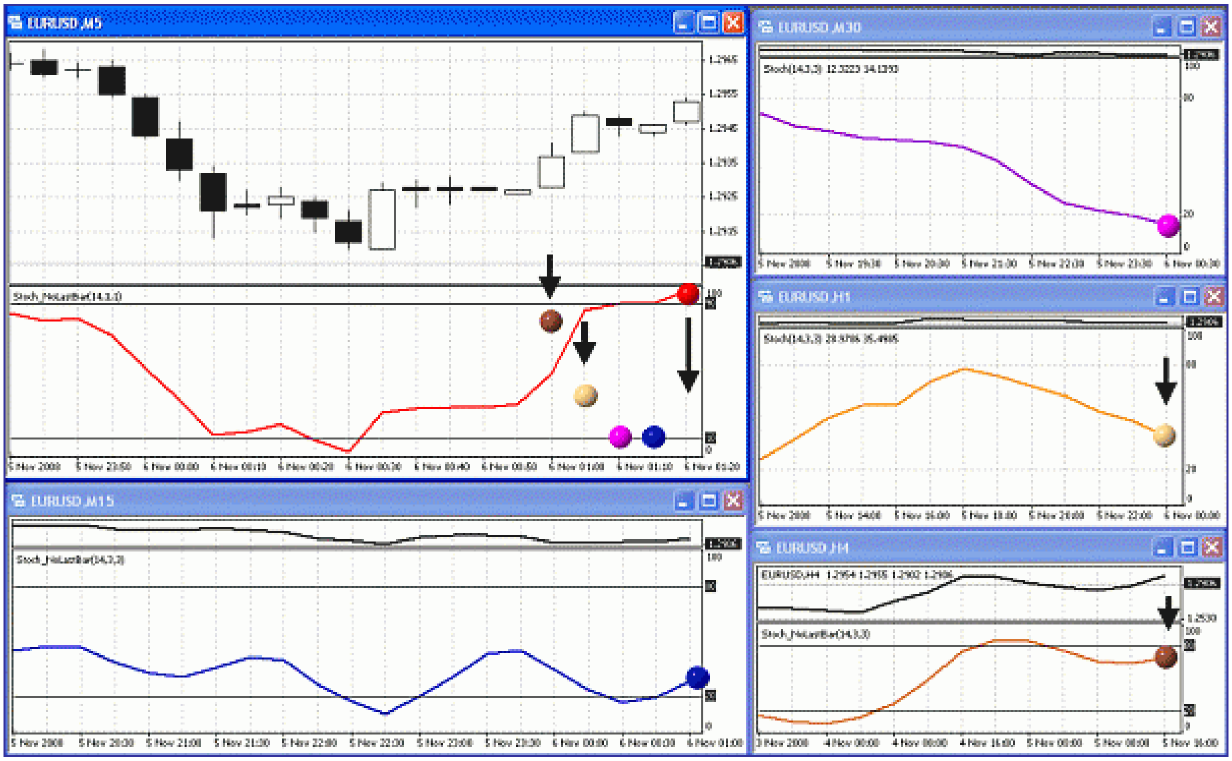
So M5 is at our trigger point. Note that I can expect the red ball (the M5 stochastic to move down. It will move down because I expect the H4 and H1 to move down. I expect H4 to move down becuase H1 has been moving down and is going to.....????....going to BUILD our H4 stochastic down.

So why do I expect the red ball to fall. Because M15 and M30 (blue and purple balls) can't build H1 downwards where they are. The M15 and M30 balls have to go up first. They may only go up 20%..they may go up 80%..we don't know. What we do know is that for M15 and M30 to rise, M5 has to fall down to get a long trigger (best) or at least go down far enough to raise M15 and M30.

Now this may not happen all in 1 cycle. M5 may bounce down and up and you will see M15 and M30 rise slowly.

Now what is tricky here is that H1 has to rise for H4 to fall. So we have to be very aware a rise in price that will bring M15, M30 and H1 up. We will see it coming if we pay attention to our trigger, M15 and M30.

Right now in this ball position signals an extremely high probability for downward movement.


EURUSD,M5
EURUSD,M30
EURUSD,H1
EURUSD,M15
EURUSD,H4

Here we can see exactly what we expected to happen. It was nice the M5 dropped all the way to the bottom. Do you see what happened to M15...it went up..ever so little but it did go up. I exaggerated it a bit with the ball so you can see it.

The stochastics are lined up where we now expect M5 to climb and bring M15 and maybe even M30 up before it falls again to again push H1 and H4 down.

There are 2 obvious problems here. They are the M15 and H4 in divergence. Notice how the M15 went up while price went down...only in the last candle did it turn down. H4 is still in divergence and this is not favourable to a long.

This is where you just exit and let things settle. This is why without MTF Stochastics you would wait to validate the M5 long trigger with an M15 rise. With MTF Stochastics there is a long setup, but with 2 time frames wanting to drop. It's messy and not clear.

Remember price builds the stochastic and that is why we expect M15 to go down more.

This is where we hit our first upwards M15 movement but as you can see our M5 long trigger is invalid. Which would mean we are in a short position.

You can see that again the M15 is in divergence with stochastic up and price down. So we know M15 is headed down. H4 is headed down without a doubt. M5 really doesn't matter...it may go up or down...I pegged it down. Since M15 is headed south I expect H1 to keep going and get below 20%.

Would I go short here in a trade? Probably not. I certainly would not go long. This isn't so much a bad short entry as it is not an ideal short entry. This is where you need to be picky about your trades and just watch.

If you were in a short trade, this is where you could decide to ride it down a little more.

Notice that from our previous chart we could have gone long or short and made PIPS. If we went short we would have done pretty good. Long, we'd likely lose a little but we'd probably have exited long before the big drop.

Quote:

> Originally Posted by **deepermind**
> *Hi Spud!*
> *Thank you for all your contribution in this thread*
>
> *I`m doing some backtest to study PMTFS and recognised I need mechanical exit point for doing this effectively.*
> *I used 3 kind of Exit condition that you wrote in this thread so far.*
> *Please, correct me if there are wrong exit condition or more exit condition I should consider.*
>
> *Exit Condition*
>
> *Take Profit Exit*
> *-Whenever I meet Opposite Trigger(2nd trigger seems best so far)*
>
> *Must Exit*
> *- When I meet Opposite Sinal - Must Exit*
> *(If there is no Price down/up following trigger, it`s invald, right?)*
>
> *- When I meet Same trigger as my trade, which is invalid signal-Must Exit*

Correct in some ways. These are defined exit points. However, one has to consider PIP profit as an exit too. As well you have to look at what the MTF stochastics are doing....the easy one is if say the M15 satys pointed down in a short trade...do I ride that until it turns up?

I suggested the defined exit points as an alternative to make the trading black and white. To be more efficient in our trades and when back-testing you should explore the "fuzzier" exits.

Quote:

> Originally Posted by **CindyXXXX**
> *Hey Spud do you trade on NFP days?*

For clarity you mean Non-Farm Payroll days?
I trade regardless of news....because the stochastics move the same. Will you find a good trade on an NFP day? That depends on the day.

As I was rushing trying to keep up to the trade yesterday showing the stochastic positions...I probably skipped some things. So, I'm going to go back a little.

Now, some are asking is this MTF STochastics and others are wondering why you need MTF Stochastics. Remember I called this thread "Predictive MTF Stochastics".

You can trade with just the M5 and M15...it is kind of like being deaf, looking through binoculars standing on railway tracks. You can see well in a narrow view but if you aren't looking down the tracks in the right direction that train is going to ruin your day.

Using MTF stochastics gives us a birds eye view of our surroundings.

If you like I have taken much of MTF Stochastics and added defined entry and exit points based on the M5 trigger. For the next while I'll show you how these work in tandem and I'll keep explaing the MTF stochastics in case you are not familiar with MTF Stochastics or Elevator to PIPS ...or how this all fits together.

In the chart below the arrows on the M5 chart are the trigger points. Notice by the arrows on the M15 and arrows on the M5 that we have no valid triggers. Also notice price is down on M5.

The MTF stochastics show us that everything is oversold but the H1 and H4.

Question is: "Does an invalid long = a valid short"?
By looking at our balls, we would expect M5 to rise and it does. We also expect H1 to fall and H4 to fall. In MTF Stochastics we would take H1 down until it cosses the 20% line.

By combining the triggers and MTF we simply stay out of this trade. This is by no means an ideal long trade to enter. It is a better short entry, but M5/M15 and even M30 could rise against us before they fall again. These small deviations are what stop loss you.

The invalid longs will tell you to keep your short trade and the MTF stochastics are telling you a long is close at hand. They condradict each other so sit out and let the market converge.

If you are a gambler...the only trade is short until the H1 crosses 20%.

The logic behind Predictive Mutli-Time Frame Stochastics is to get in early on a trend. Ride the stochastics through the trade and exit when the trend turns against us...or when we'v emade our PIPS for the day.

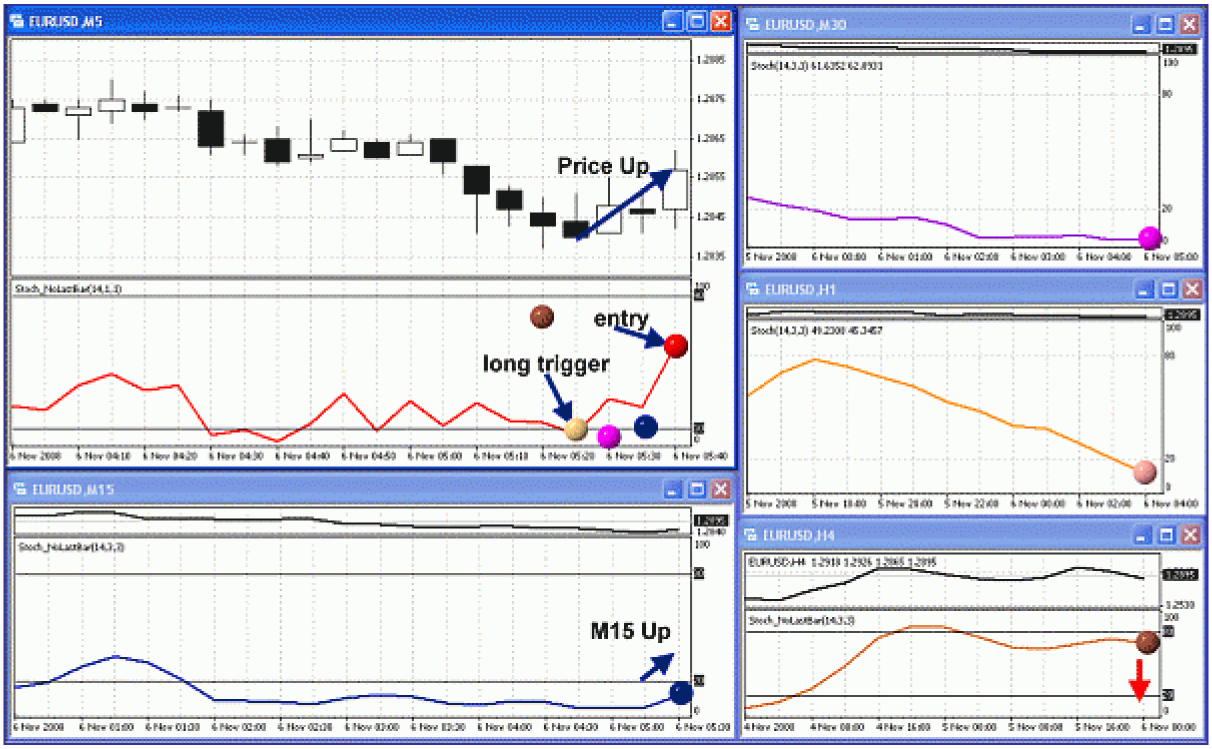
This chart (below) is almost the beginnings of a perfect Escalator Ride up. The only hinderence is our H4 which is expected to go down. However, we know that for H4 to go down, everything will have to go up first..and if H4 decides to turn and go up...we are with it.

So typical M5/M15 long entry set up where M5 long trigger has gone off, we have price up and M15 stochastic moves up.

The stochastic show us what we expect that M5-H1 will want to move up.

Notice that by waiting for the M5/M15 confirmation we are in a much better and safer place to make a long entry. Here is a perfect entry to target 10-20 PIPS long. The other alternative is to ride the M5 to the short trigger.

As the trade unfolds (no chart): Follow this to the first short trigger you will make about 6 PIPS, if you set your target to 10 or 20 PIPS you will hit either with a 10-15 PIP draw down. Watch the stochastics and valid triggers to stay out of trouble.



EURUSD,M5
Price Up
entry
long trigger
EURUSD,M15
M15 Up
EURUSD,M30
EURUSD,H1
EURUSD,H4

The Mechanics Behind MTFS

The chart below is an illustration of the mechanics behind mutli-time frame stochastics in a single chart.

This is the M5 chart with the M15 and M30 stochastics overlayed.

You will notice that price movements and trend changes (large and small) occur pretty much to where the stochastics cross each other. Seeing the crossovers like this is fairly easy...in real life it is a but more difficult because we would have to wait for our longer time frames to show us where the stochastic lines will go. In otherwords the crossovers suffer from lag.

We can overcome this lag by understanding the movement of the stochastics. From Escalator to PIPS, to elasticity, to the M5 trigger, etc....all of these systems are generated from the relationships shown on this chart.

For example, we can see how the M5 trigger develops in detecting the downward trend. Waiting for the M15 down movement helps confirm our downward move because it will likely lead to the M5 stochastic crossing both the M15 and M30 stochastic lines. Like wise we can expect M15 to cross the M30 stochastic line. Price direction is important to know because we know that the M30 stochastic must rise first before the H1 (not shown) will fall further. This is where the "predictive" nature of PMTFS comes from.

The stochastic balls link our stochastic lines. If you look past our M5 trigger on this chart you can see how the M30 balls rise above the M15 balls and then the M15 and M30 balls fall but in a parallel manner.

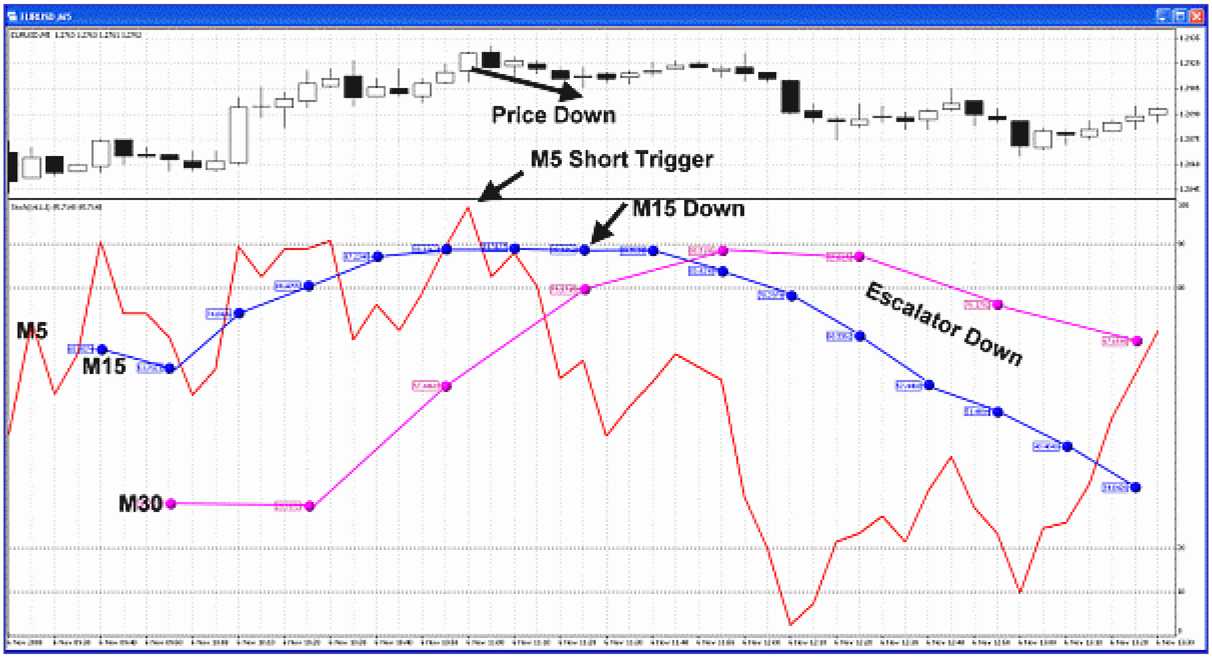
This forms the Escalator to PIPS where we follow the M15 and then the M30 down. Notice here how the M5 is below the M15. If we kept going we can see the M5 long trigger develop and as M5 rises then it crosses the M15 ....this chart runs out of space but a turn up by M15 confirms the long.

The advantage of using the M5 trigger is it gives us some range and definition. This is why combining it with MTF Stochastics is beneficial. We can go much much further than using the M5 trigger I explained in this thread to predict price movement. For example we could trigger trades by forecasting the crossover of the stochastics. We can also trade by knowing where the stochastics are in realtionshp to each other.

A few words of caution. This chart is hand plotted, and a MTF Stochastic indicator will not produce the same chart in real time bbecause of the time lags.

The good news is, we don't need a chart like this to trade. It is, I think, helpful to see trades in this format ...especially the trickier ones...and I will endeavor to produce a few of these for you. This kind of chart I believe gives you a full picture of what is happening.

What we can do is pluck the signals out of the data to make fairly good predictions of crossovers and other trade elements that make us have good, safe trades.
Attached Thumbnails



Quote:

> Originally Posted by **jdcompute**
> *Looking at the chart I see that the 4hr is falling so the smaller tf's have been building shorts. The 5m is coming back up to pull the much oversold 15m up. So as Spud says, for the 4hr to fall, the lower tfs have to come back up again. I'm watching the triggers on the 5m but don't see any movement for the upside in the 15m. But I won't take any shorts because our "predictive" ability tells us that a move to the upside is imminent. Correct?*

This is a great analysis of the situation. The chart below is the same period as POST 226 by jdcompute.

Let's talk about the M5 trigger entry first. On the far right of the chart is the best entry point because we get a valid entry and we start an Escalator to PIPs with the M15 crossing abover the 20%K. The "prediction" would be that price starts to build with the M15 rising and the M30 rising to cross the 20% and keep on going. What actually happens I'll deal with on another post but this is the setup we want to look for to make safest trades.

The M5 trigger is designed to try and keep us out of trouble, notice the invalid triggers near the centre that keep us out o the flat market. We do get a small valid long but but by waiting for an Escalator to Pips to form from this, it is much wiser.

Now, when using the M5 trigger we can use the position of the stochastics and their movement relative to each other to get a better M5 entry. I've already suggested the Escalator to PIPS as one method. However, the crossovers of the different time frames can be used as well. You can see when we get a valid long from the M5 long trigger near the centre of the chart that we also get a crossover of the M15 rising above he M30. We've also had the M5 cross over and above the M15 and M30 a little earlier.

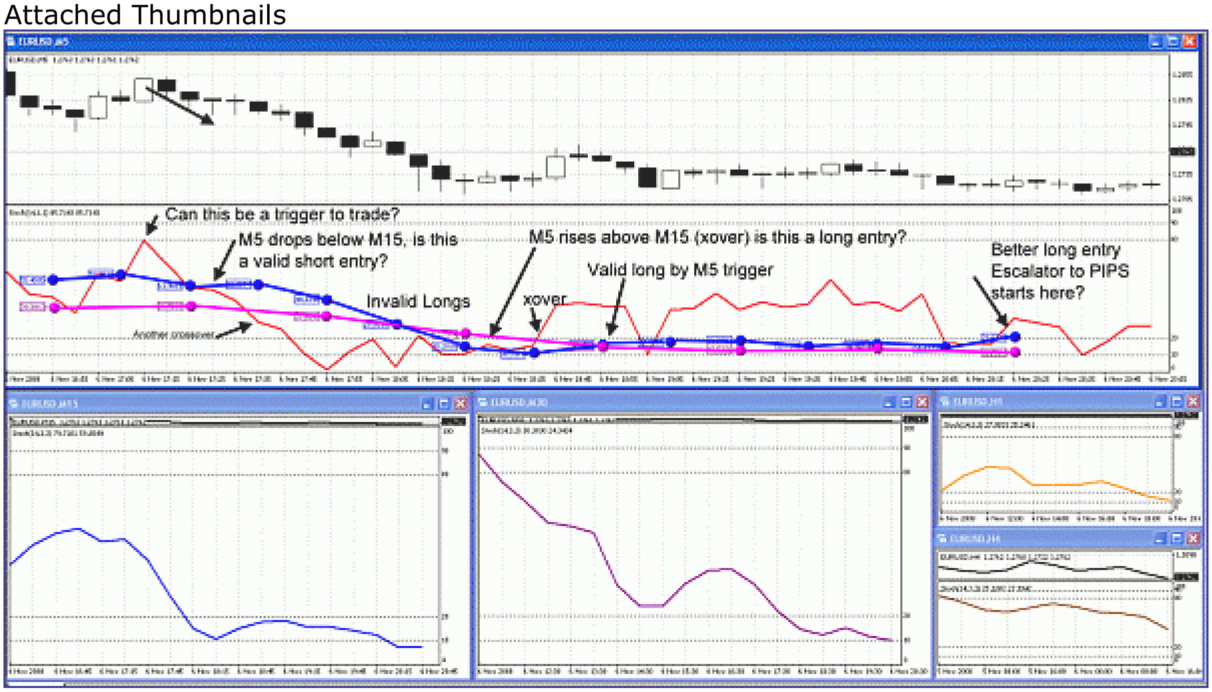
This would certainly be supportive of our long entry and in this chart we never see the M15 drop below the M30 (remember just use candle closes).
The result here is that our entry would be a little early and we drift in flat range for a while but eventually we get a better signal when the M15 starts to rise above the 20% K line.

On the far left of the chart are a few crossover signals. You can trade these with some practice. Notice where the chart begins we have a short crossover, then a long then a short.

You have to grab pips on these and not chase long trends unless there is something else to support the trend. See where the M5 peaks at about 80%. This is not a normal M5 short trigger but it could be used as one.

Here we are back to our Escalator to PIPS but with a twist...the M5 starts at about 80% and it comes down and crosses (drops below) the M15, this can be a short entry and we just ride the M5 or M15 down to an exit point....the M5 long trigger would be a good exit.

Here we want to grab pips...not a perfect set up but certainly one to watch for. Don't forget to validate with M5 price too.
Attached Thumbnails



Continuing on from my last chart, we are either already in the trade or patiently waiting for a good trade to set up.

We have already had 2 valid long triggers. The long trigger on this chart is a little bit of a cheat at 10.6667 %K for the M5.

However, I call it a trigger because we can see that M5 rose above and crossed both M15 and M30 to signal an entry. M5 price is up.

We also had the expectation in the chart before that we were starting an Escalator to Pips ride up...a littlle early for that prediction but we are watching for it.

If we enter long now we do so becuase we have had 2 valid long triggers, we have a another "cheated" valid long trigger and a double crossover of M15 and M30 by M5 up.

A stop signal in this trade is now a M5 short trigger, a downward cross of M5 going below either M15 or M30, our stop limit of 50 pips. Everything else, we hold our breath and take the ride.

Our profit exits are set at 20 pips, or the first M5 short trigger. I choose 20 pips here because of the "possibility" of an Escalator To PIPS forming.

A conservative (smart and safe) approach would be to grab 5-10 PIPS here...meaning if we see 7 or 8 we grab them.

The conservative exit is reached quite quickly and we can easily nab 8 PIPS in this trade. This is the smart way to trade.

If we stay in we are now committed to our system stop signals. We hit a low period that has you wondering if it isn't time to exit.

But when M5 crosses below 20% it is still above M15 and M30 and this is at worst still a long indication.

When we hit another long trigger in the middle of the chart, it is appearing invalid and normally we would think of exiting. However, here we need to ride the M5 a little 1 or 2 candles and see if it bounces up like it does here in our chart.

Now we start a short ride up. M15 crosses the 20% mark but M30 is still below 10%. That leaves us quite aways away from a Escalator To Pips move unless M30 quickly decides to go up. Unfortunately we hit our M5 short trigger before that happens and we exit.

We would have pocketed somewhere after our spread 2-10 pips.

Nothing to write home about but it shows how following our system on entry and sticking to it did pay off, even in a small way.

This is the difference between exiting at a loss on emotion and sticking to the system and rules we set up when we entered the trade.

Some things to notice here is the "elasticity" developed between M5 and M15 and M15 and M30. This is a sign of exhaustion.

The alternative is for M5 to stay in the overbought area and everything to climb to it. However, with M30 in the oversold and H1 as well.....this is unlikely.

A few tricks to note here:

M15 and M30 will normally move about 0-20% between candles.

If M5 and M15 are moving in an opposite direction to M30..in this case M5 and M15 move up and M30 down we expect M30 to move up but we also expect M5 and M15 to move down first so they can bring M30 up.

With H1 down this "tension" is even greater. As such we can expect M5 and M15 to "snap" back like a rubber band and fall towards M30.

They may not reach M30 just move towards it. we have to use our tools again to gauge the short side.