



FIGURE 10.14 Trade Hits Profit Targets

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long or short is the first step that new traders normally get confused on when they begin discretionary trading.

With its clear-cut rules and mechanical execution, the English breakfast tea method eliminates the guesswork in terms of strategy direction.

STRATEGY 17: GOOD MORNING ASIA

A fair number of traders prefer to trade the U.S. and Europe sessions of the forex market because they feel that the market tends to be more exciting at those times. These traders consider the Asian session boring and quiet most of the time.

However, many part-time retail traders who are based in the United States and Europe miss out trading opportunities in the U.S. and Europe sessions because of work or business commitments. The only time they can trade happens to fall within the perceived boring and quiet Asia session.

Thankfully, now we all know that the forex market is open 24 hours a day. When there are trade-related activities, there are opportunities.

My last strategy of this book is traded on the early-morning Asian hours. This time period can provide numerous opportunities for traders located in different time zones across the world, whether they are part time or full time. I hope that it will greet you like the bright morning sun.

Time Frame

The good morning Asia strategy works with the daily candle (D1). This means that each candle represents 1 day of price movement.

Indicators

We use only pure price action, and no indicators are used for this strategy.

Currency Pairs

This strategy applies only to the USD/JPY.

Strategy Concept

Opening hours of the Asian market begin after the U.S. market closes. The direction of the Asian market tends to take its cue from the previous day's performance on the U.S. market because the U.S. market is the largest economy in the world.

If the U.S. market closes with a bullish sentiment, the Asian market usually starts the day bullish. If the U.S. market closes with a bearish sentiment, the Asian market usually starts off bearish.

During the early-morning Asian hours, the best currency pair to take advantage of this phenomenon is none other than the USD/JPY, as the Japanese yen is the only Asian major currency.

This strategy allows you to position yourself just before the opening of the Asian market—hence the name good morning Asia.

The entry time of this strategy is right after the U.S. market closes at 5 P.M. If the previous daily candle is a bull candle, we ride along the momentum to go long on Asia opening. If the previous daily candle is a bear candle, we follow the bearish flow with a short on Asia opening.

We take the low or high of the previous candle as the stop loss. The risk to reward for this strategy is 2:1. If the stop loss is 80 pips, the profit target is 40 pips.

Long Trade Setup

For this strategy, the opening and closing of the daily candle corresponds to 5 P.M. New York time, which is the closing time of the U.S. market.

Here are the steps to execute the good morning Asia strategy for long:

1. Ensure that the previous day's candle is a bull candle (i.e., the closing price of the candle is higher than the opening price). (See Figure 10.15.)



FIGURE 10.15 Previous Day's Candle Must Be a Bull Candle
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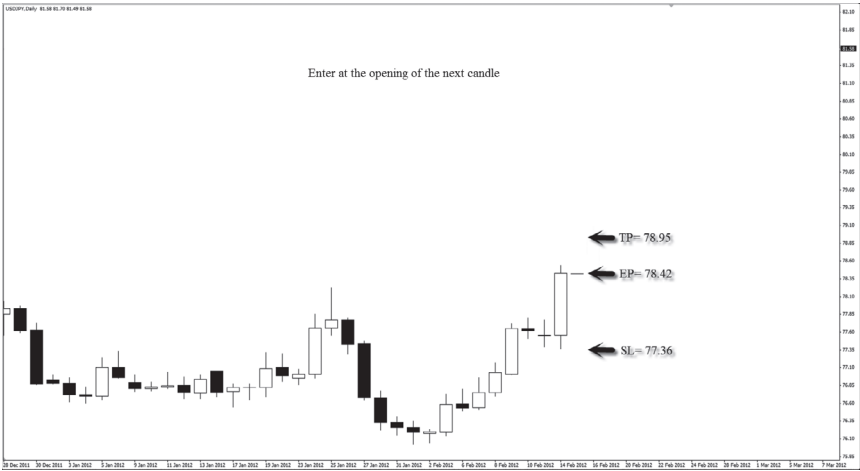


FIGURE 10.16 Set Stop Loss and Profit Targets
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- 2. Enter at the opening of the next candle. This is the entry price.
- 3. Set the stop loss at the low of the previous day's candle.
- 4. Measure the number of pips between the entry price and stop loss. If the number of pips is less than 30, shift the stop loss lower to make sure it is at least 30 pips from the entry price. The profit target is half that number of pips. In this example, the number of pips between entry



FIGURE 10.17 Trade Hits Profit Target

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price (78.42) and stop loss (77.36) is 106, so the profit target is 53 pips above the entry price at 78.95. (See Figure 10.16.)

From the long example in Figure 10.17:

Entry price = 78.42
Stop loss = 77.36
Profit target = 78.95

The risk for this trade is 106 pips, and the reward is 53 pips. The risk to reward ratio is 2:1, which yields a 1.5% return if we take a 3% risk.

Short Trade Setup

Here are the steps to execute the good morning Asia strategy for short:

1. Ensure that the previous day's candle is a bear candle (i.e., the closing price of the candle is lower than the opening price). (See Figure 10.18.)
2. Enter at the opening of the next candle. This is the entry price.
3. Set the stop loss at the high of the previous day's candle.
4. Measure the number of pips between the entry price and stop loss. If the number of pips is less than 30, shift the stop loss higher to make sure it is at least 30 pips from the entry price. The profit target is half of that number of pips. In this example, the number of pips between



FIGURE 10.18 Previous Day's Candle Must Be a Bear Candle
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FIGURE 10.19 Set Stop Loss and Profit Target
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entry price (76.68) and stop loss (77.48) is 80 pips, so the profit target is 40 pips below the entry price at 76.28. (See Figure 10.19.)

From the short example in Figure 10.20:

- Entry price = 76.68
- Stop loss = 77.48
- Profit target = 76.28



FIGURE 10.20 Trade Hits Profit Target

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The risk for this trade is 80 pips, and the reward is 40 pips. The risk to reward ratio is 2:1, which yields a 1.5% return if we take a 3% risk.

Strategy Roundup

This strategy is suitable for traders with very little time to monitor the market. Furthermore, it does not require any complex market analysis. The entry time is predictable because the market is entered at a fixed time of the day, every single day.

Good morning Asia centers on the USD/JPY for three reasons:

1. The United States and Japan are the largest and third largest economies in the world respectively.
2. The USD/JPY is the second most traded currency pair in the world, right after the EUR/USD.
3. Japan is the first country in Asia where markets open. Hence, ample liquidity on the USD/JPY allows traders to execute long and short positions easily.