

TRADING THE CABLE SWINGS VIA AVERAGES

By Nala66, aka Alan

Key Posts from November 18, 2018 to December 13, 2018

Post 1

My name is Alan, been trading for donkeys years.

Now specialise in trading Cable only via a very effective but simple method based upon the evidence presented by the market and not what I may think will happen down the track.

I am going to start this thread with the chart setups and then move on to what to look for, timing, targeting, money management etc.. and whatever else I find relevant at the time of writing.

Overview...

If you don't believe Price is always trying to make HH or LL averages then it is pointless for you to continue reading this thread. This can easily be proven as a fact just by way of simple observation of the chart itself.

I would ask all to bear with me until I have completed each section and then ask "Any questions?"

So without further wordage I will begin.

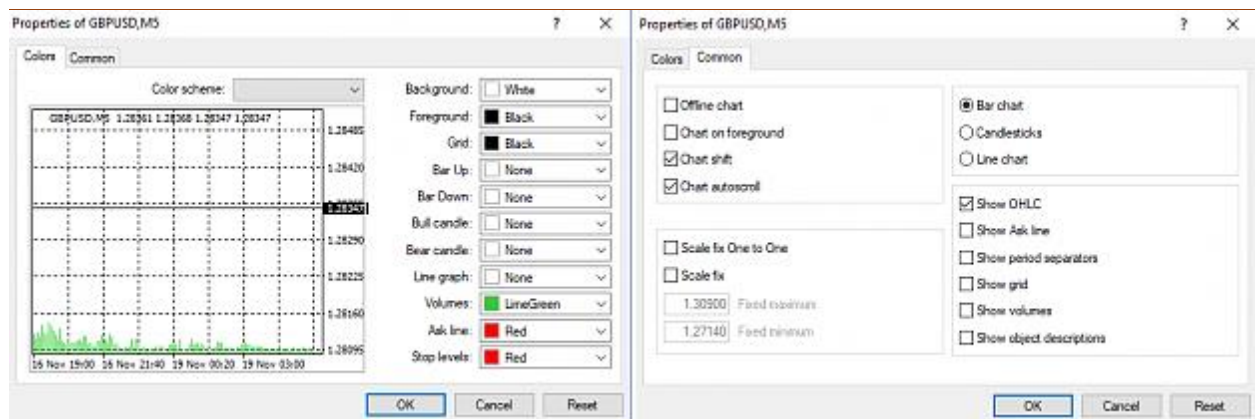
Hope you enjoy the ride.

Post 2

This is the first of the 5 minute chart setups.

We want a plain old black and white chart because it prints well to make a hard copy record of the events. We can put the date on them and keep them in a folder as a permanent record we can easily access whenever.

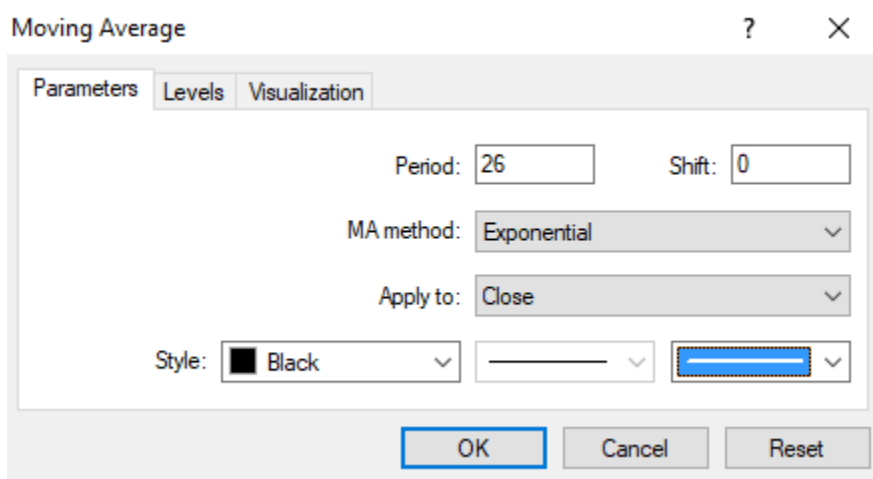
So we set the properties of a 5 minute GBP/USD like this...



Post 3

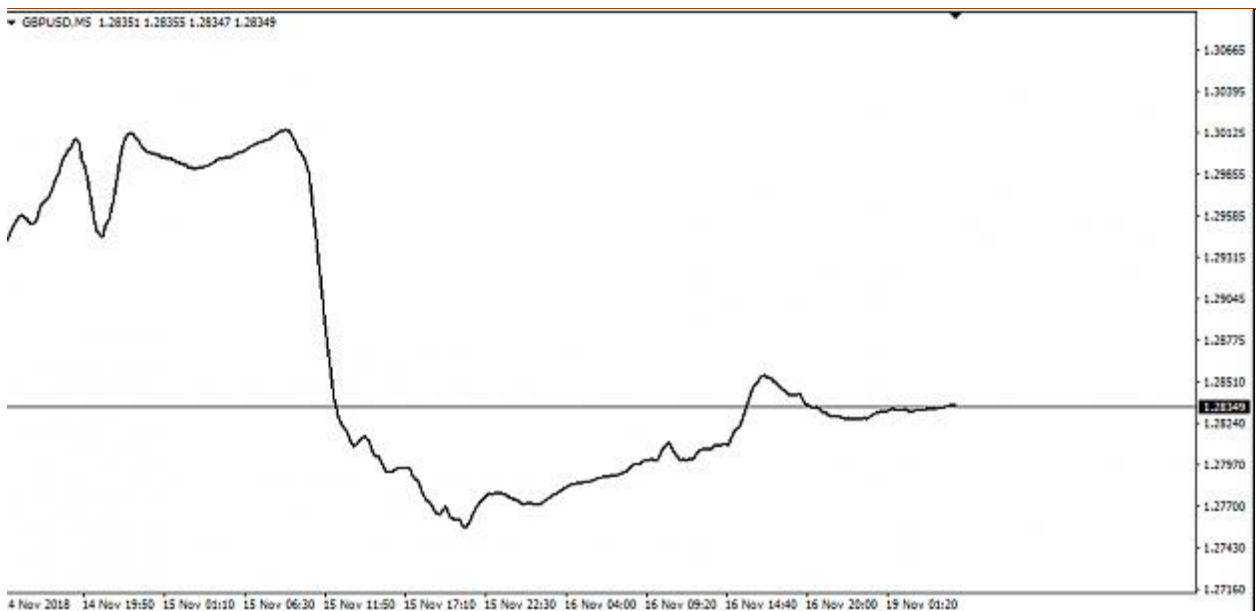
If you have done this correctly you should now have a completely white chart with only the current price line showing.

Next we are going to add the average which is a 26 period EMA as a double thickness black line So open the navigator select Moving Averages and set the parameters like this...



Post 4

So far so good you should have the same as this...



Post 5

Now this next bit is not really needed but I find it helps until you get use to watching multiple charts and some people are using small screens such as laptops so this additional info helps see the picture.

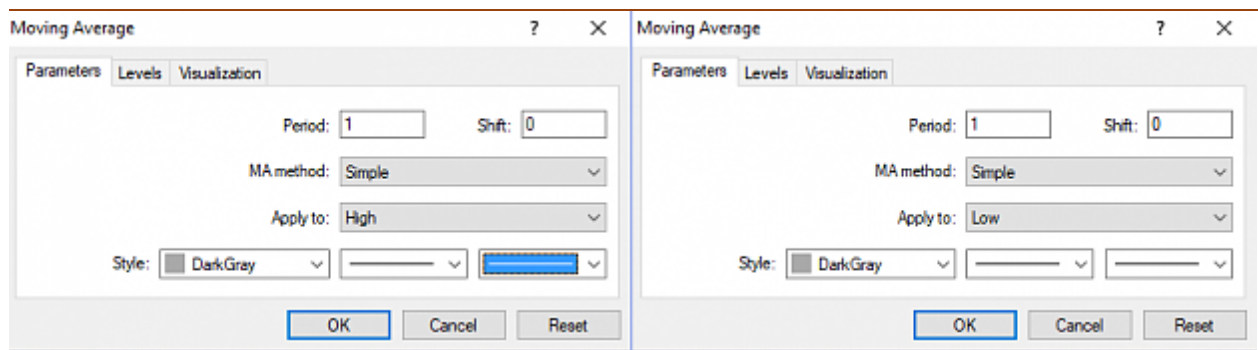
We are going to add both the current high and low prices and put them on a shade or two lighter such as dark grey.

Price itself is an average but it is a 1 period simple moving average (SMA)

Putting two of these on the chart one set to the high and the other set to the low we will get the current distances of the bar movements tops and bottoms.

So set the SMA parameters thus...

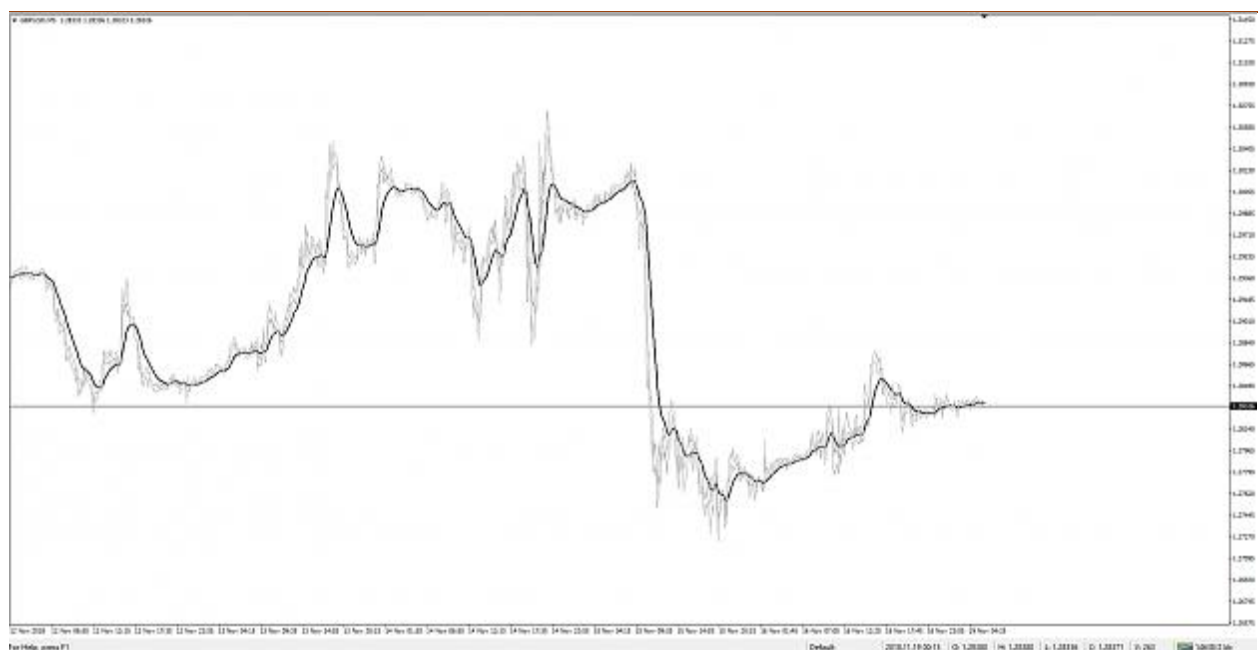
Noting the line thickness is the thinnest and one is set to high and the other is set to low.



Post 6

That is all we need to do to set up this 5 min chart. It should be nice and clear, free from clutter and instantly easy to read the direction.

Looking like this...



Post 24

Ok so yesterday we set up the white background 5 min chart and normally that is all I have on that chart. However I have 4 23 inch monitors so I can spread myself out a bit, I know some use laptops with smaller screens so for now I am going to add a little more to cater for those folks.

This involves the timing of the trade, the approximate time I start work and I call it Bar 108.

Switch on your Period Separator and measure 108 bars from it with the rectangle tool. Copy the rectangle and place the copy at the next Period Separator.

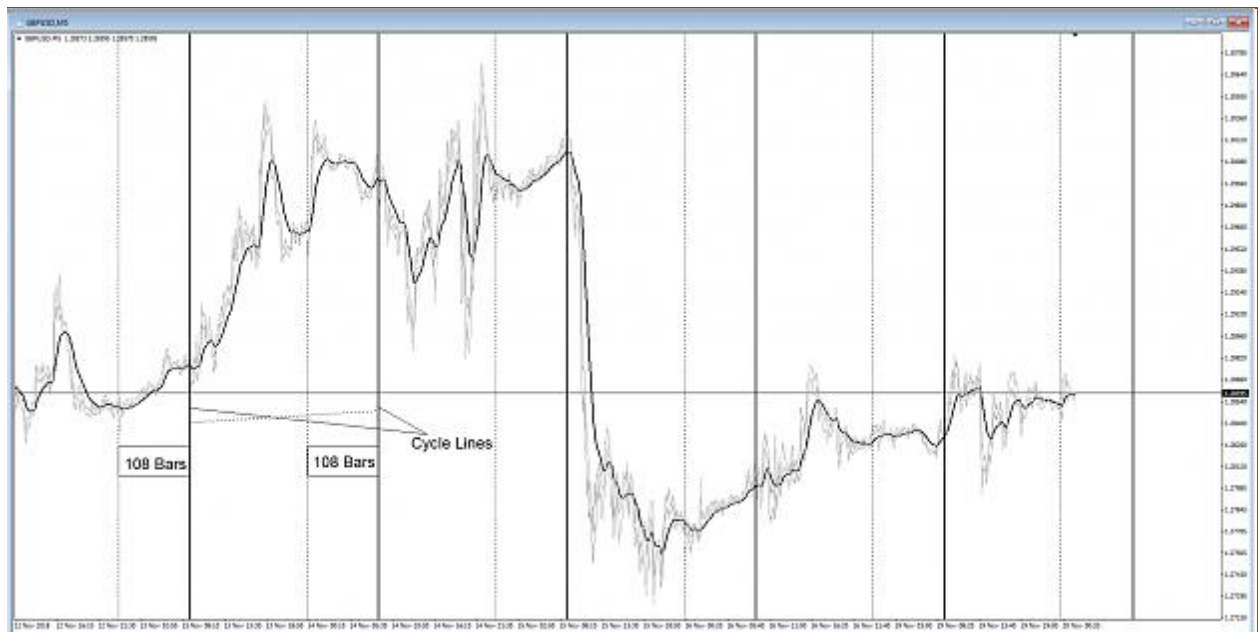
Now using the Cycle line tool span the two rectangles to give you lines that will continue into the future forever.

On the chart below I have used bold black so you can see them clearly, normally I would have them just as a light coloured (grey) dotted line just like the Period Separator ones.

As you should be able to see, this is a good time to begin trading, approximately.

Once done you can turn off the Period Separator Lines as they are no longer required.

So you should have this ...



Post 26

Now on this chart I mark the swing highs and lows with a line and just for your benefit I have put a few X's where the price exhausted itself. I know you cannot see this exhaustion as yet because we haven't setup the other charts but still you can make some observations even on this chart alone. I will go into detail of these observations later, for now just continue with the setups.

Note how you can barely see my cycle lines now.



Post 27

Now we are going to add the Wilders wonder tool, the Relative Strength Index (RSI). In fact we are going to use two of them.

A word about comparisons...

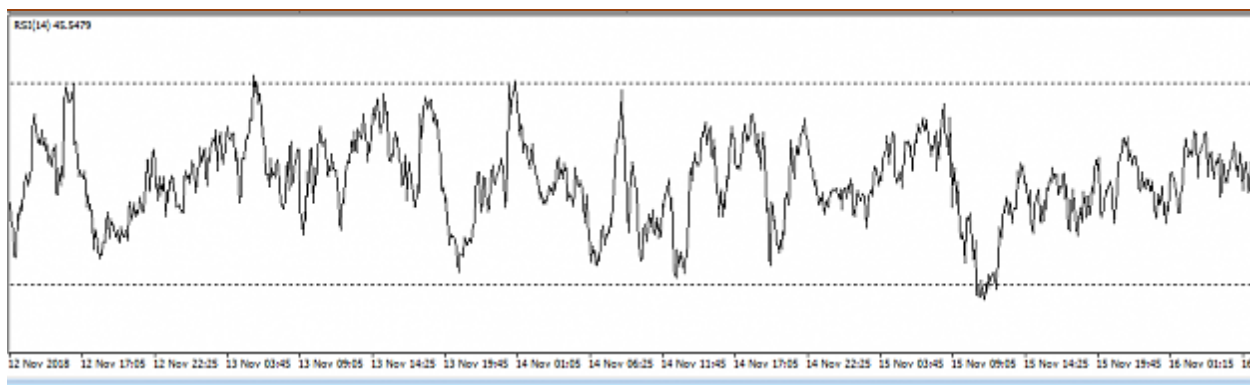
When making comparisons I compare average swing to average swing, never comparing price to average. Zig-zagging an average or bouncing is fairly meaningless because the average is always chasing the price NOT THE OTHER WAY ROUND.

In the same way I compare RSI to RSI as you will later see it gives us a very good insight for the next move of price.

I know this may sound confusing but hang on there it should all become clear and simple to understand.

OK back to adding the RSI's again I will put them on this 5 min chart for your benefit, mine are on a separate chart.

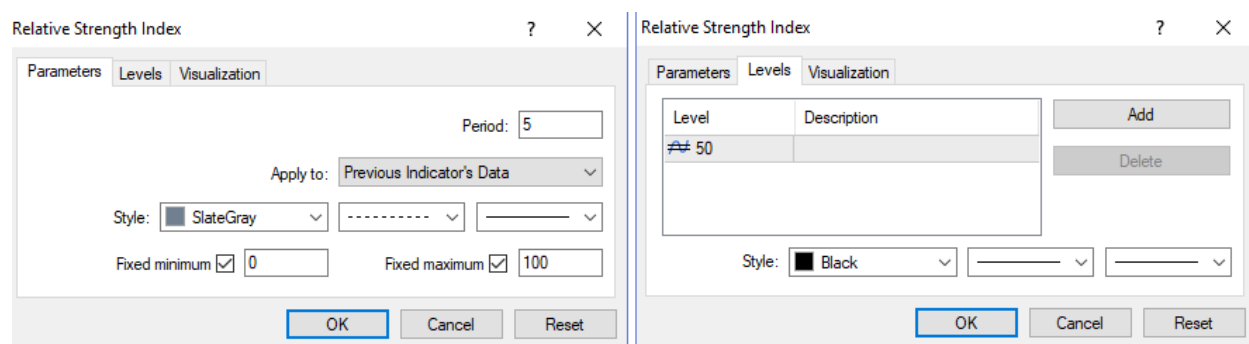
So setup a 14 period RSI with the levels of 80 and 20 only and the colour being a solid black line, like this...



Post 28

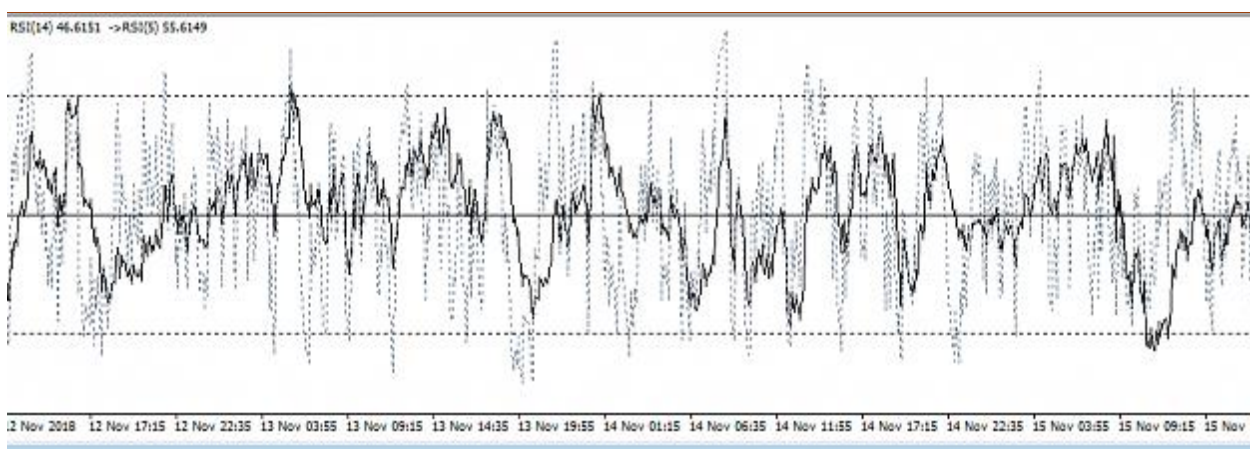
Next we are going to overlay a 5 period Relative Strength Index the 14 period

These are the settings for this, noting it is applied to the Previous Indicator's Data



Post 29

Now you should have what looks like a complete mess when squashed up like this.



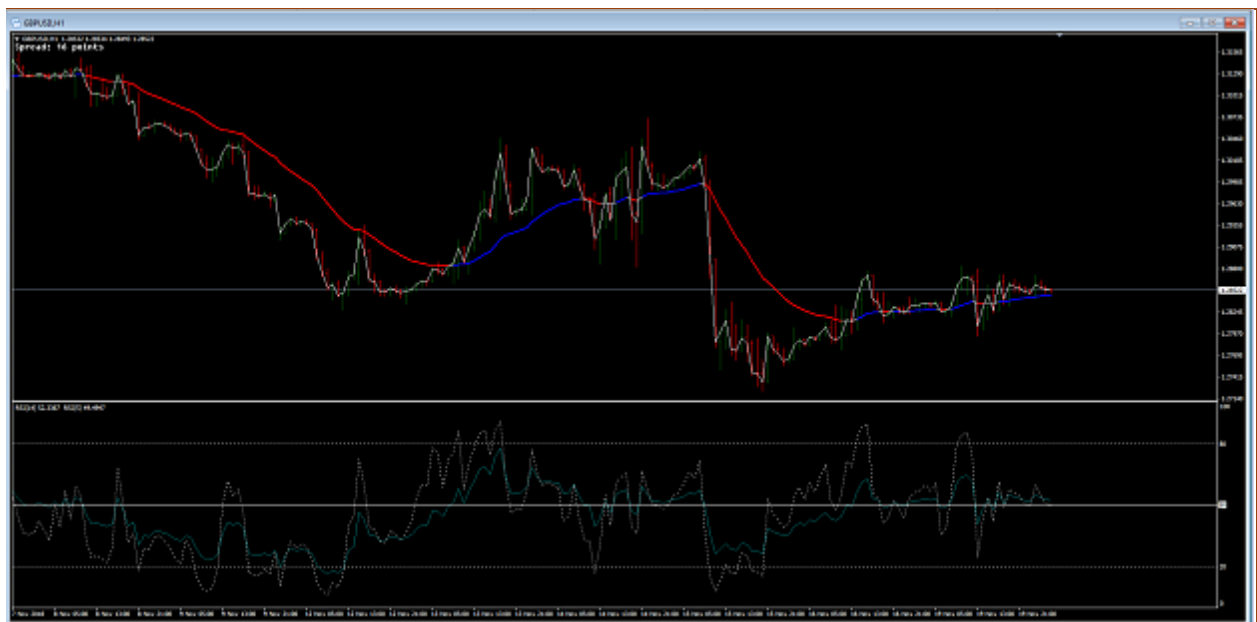
Post 30

OK lets now get a bit of colour in our lives and setup the other charts and you can make these as pretty as you like but keep them free of clutter, you don't need any additional stuff which may just confuse the issue.

I have all the GBP/USD from the 1 minute through to the 1 month.

We only need to set up one chart and make a template of it to set the additional charts. Give the template a name you can recognise such as Antegentacularcircumgiration or BaBs which is Bull and Bear system.

The same as we used to setup the 5 min but with a background that is not so harsh on the eyes. Notice how I use the bar chart because really I am only interested in tops and bottoms and also note I have a white line chart which is simply a 1 period SMA set to the close. My 26EMA is coloured but it does not have to be so.



Post 33

[Quoting Munizdivisas](#)

can you post the template, I can't get my chart look that good. Thanks

Sure, but to look like mine you will need to plug in the colour EMA



[#MA in Color.ex4](#) 12 KB | 397 downloads



[My Night Template.tpl](#) 16 KB | 399 downloads



[My Bright Template.tpl](#) 2 KB | 375 downloads

Post 34

Oh and I also have a spread indicator, top left corner of the Night template

📌 [SpreadIndicator.ex4](#) 7 KB | 207 downloads

📌 [SpreadIndicator.mq4](#) 1 KB | 206 downloads

Post 35

This is all the charts squashed onto one screen...



Post 57

[Quoting J1mm](#)

Hello! Thanks for the post 😊 Is Only applicable to Cable? Cannot this be traded on other pairs?

No you can trade this way on any pair but why would you want to bother making more work for yourself.

The GBP/USD reliable produces 50+ pips which is all we need.

Post 60

OK I think that is all the questions answered so far, so today I am going to talk about what to look for on the charts.

It is second nature to me to observe what is going on and I have a bad habit of omitting stuff by crediting people with more that they are perhaps capable of. This is why I ask for questions.

Let's start with the 26EMA.

One can trade with one or more moving averages with whatever periods they choose looking for crossovers or touches and the like. Averages always follow the price action because that is what they are an average of the numbers of periods set. It is also for this reason they are always lagging behind

the actual price action. In short this is not a very reliable way to trade and one would need some other device to make sense of the price action to trade it. THIS IS NOT what we are going to do here at all.

Look at the 5 min chart below. Point A is located just where our vertical line is (where we look to trade). Look where point A is on the RSI (fast)

Now do you think even for 1 minute that the average swing at X has any chance at all to drive down to the level of A. Well it could but not yet because this is an oversold situation and it hasn't even broken the swing at S. We could also call this bearish failure. The market will jump on the failure and will begin to test the opposite side... Which it did, level S1.

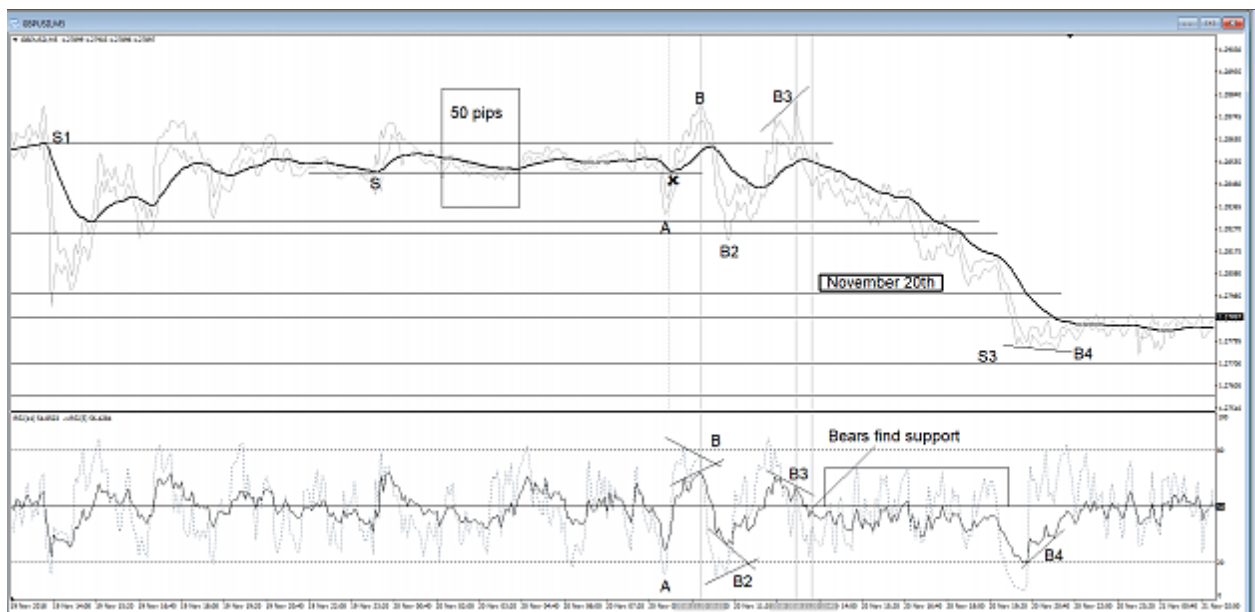
Our targeted distance is from A to B and for the average swing at X to break the level S1 but this didn't happen because look at the RSI there was divergence between the fast and slow RSI and we CANNOT ignore this so we would close this long trade and begin to take a short trade.

Again the we see a divergence on the RSI at B2, way oversold for the average to make the lower low so again a place to exit and look to go long again. However why would you bother because you have made well over your 50 pips in this case.

Let's continue from B2 we run up to again test the opposite side long. This time price runs into a regular divergence at B3 so DON'T ignore it get out and look to trade short from B3.

Note: Divergence will usually send the price back across the EMA to test the opposite side.

Now this is where it get's a little more interesting. From B3 price crosses the EMA (50 line of the RSI is the same thing) and look at the pivot formed where I say the bears have found support. Note price never gets back to this level and a trend forms taking us down to B4 failing to make S3, over sold and in regular divergence.



Post 61

That should take a little digesting but remember there are the other charts to consider in conjunction with this 5 minute one.

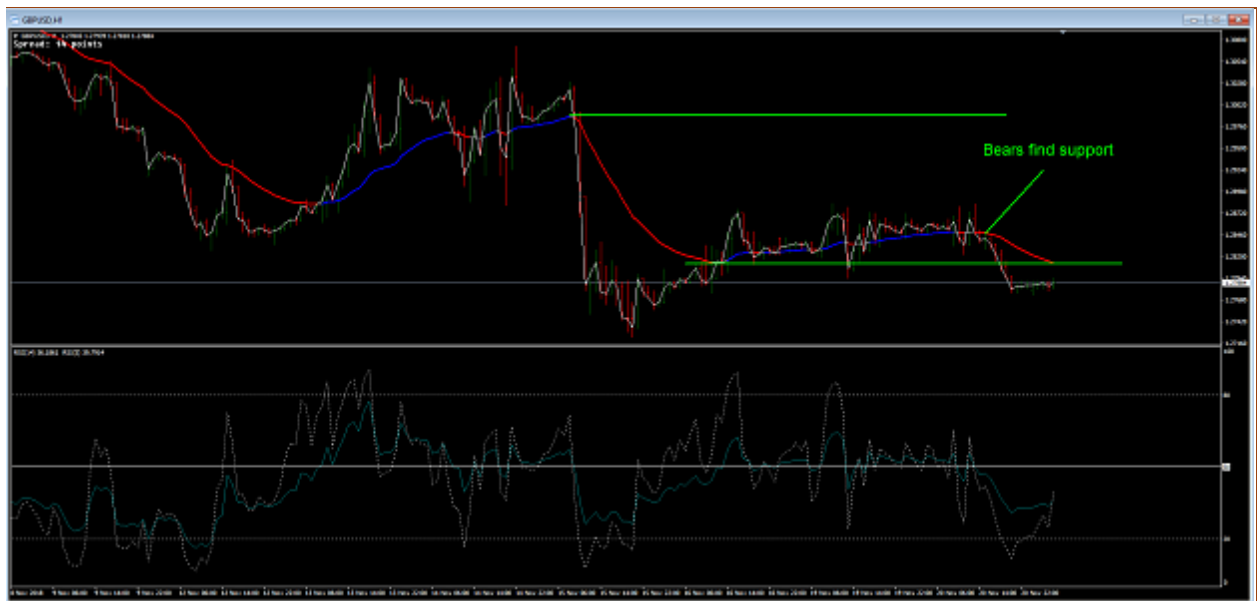
For example look at the picture from a 15 minute perspective. as below.

Pip perfect and heaps of profit made, well over 100 pips in the bank.



Post 62

And from a 1 hour perspective.



Post 63

So we have looked at the relationships of the EMA, RSI and price signals such as divergence.

There are more but this alone is plenty to make your pips per day.

There is something I call the two bar test, for entries. You don't need to have whacking great lines going back to the dawn of time to get an entry a simple two bar test will do it.

Here on the 1 hour I have an example..

See how the fast RSI was below the slow one in the circle area. It then crosses from below to form a valley where I have put test here. This tells us the bulls have found a bit of energy and are able to hold onto it by not allowing the bears to take them back across. So at this point we place a two bar test line on the price, it closes above so we are good to go long with the stop placed as shown. Remember we are dealing with a divergence here so we should at least make it back across the EMA and as it turned out went a nice 100 pips or so, far more than we need.



Post 64

All the time we are looking for the Average swings and where they fail to make HH's or LL's.

Look at that last 1 hour chart and the two pushes the fast RSI made above the 80 level. It has no chance to pull the EMA up to make a HH so of course it is always going to be a short at these points. If the average was going to make the HH then the price would have made a huge impulse bar to get up there dragging the average behind it. The word huge is always relative to the level it has to make.

We could study theory until the cows come home, patterns, waves, harmonics or whatever which I have done but wasted a great deal of my time doing so because the reality of the situation is always there in front of you.

Notice how when the EMA is trying for one level the price itself makes it to additional levels. We look for which level it is failing at and decide whether or not to take action.

Post 66

Well spotted there, I have been privately informed that I have made an error.

Referring to the 5 period RSI. It seems I omitted to Apply it to the Previous Indicators Data which it should be.

So on that two bar test it would have been tested a tad lower.

It doesn't make much difference but enough to cause errors.

Sorry about that.

Post 72

Don't get to hung up on the trades yet guys. Just study the relationships with the chart times and the elements I have shown you so far.

Look what happens round the time (vertical line).

Look at the relationships on the RSI and how they behave



Post 73

See how in the above chart that on the 1 hour price is at the EMA when on the 5 min we have a divergence on the RSI. The divergence tells us price is going to get back across the EMA on the 5 min.

Post 77

Quoting Cobra

Nala In your divergence example in post 60 the fast RSI is at the extremes. Is this divergence only valid when the fast RSI is above the slow RSI (for potential down movement) and below the slow Rsi for a potential up movement? Would you consider the fast RSI convergence as a valid one in the picture below as it formed below the slow RSI? (For a potential downward trade) {image}

Very good thinking outside the box and yes.

The fast RSI is already showing weakness because of not crossing the slow and to be in divergence like that adds to the weakness of the bulls. For now I will just refer to them all as divergences.

We want to see these signals on the higher 1 hour chart so we can drop to the lower time frames to look for entries.

There are a couple more things you may observe going on. The more you study these simple little things the better your trading becomes.

Well done...great question

Post 93

[Quoting Goyatrade](#)

GM! When looking at Cable at this moment. 3x divergences has formed in last 2.5hrs on M5. Price ranging in about 25pips. Are the signs there for a downward move once it can break 1.2800? Round number? Only if you have time!

I don't try to predict the future... That is the point, only trade the reality of the situation. There are only 3 possibilities London will take, up, down or sideways.

These divergences can get us in or out or even hedge trades.

Round numbers mean nothing to me.

The signs are in the question 'Are we trading above or below the average, if below we look to short the tops, if above we look to long the bottoms'

Post 94

[Quoting DreamwalkeR](#)

Nala, I've marked the swing highs/lows for today, if you don't mind commenting on it if it's missing anything, and how far would you go on the M5 to spot your swing H/L if for example we didn't have the last two swing lows on Nov 15th ? Thank you. {image}

As far back as you can and this is a good question.

The market has a longer memory than our charts have history for so it is not a bad idea to keep a logbook of the levels that are getting old. In this way you can simply drop a line on the chart when price is in the area.

Post 96

[Quoting trader1024](#)

Hi Nala66 , Thanks for the simple system . From the 5 mins , I can see that cable is making HH and HL and bearish divergence forming and price bouncing off the ema and rsi off the 50 mark . Sorry I changed the colors a bit {image}

Cool. See how the market moved south from the bearish divergence at approximately the time we begin trading. Remember the divergence is going to take price back across the EMA . Then another divergence at the bottom again took price back up across the EMA. So on this particular if we haven't got our 50 pips on the first trade then we could have taken another trade long to make up the difference.

See the chart below and all three, A, B and C are all divergences.

At C the average fails to make the HH so it tests the opposite and makes the LL easily

Whoops! I forgot the picture... Here you go.

Post 97

[Quoting Blackeagle](#)

Hi Nala66, How do you draw swing highs / lows? What is your criteria to determine which top / bottom will be swing high / low? And which time frame do you use to draw swing high / low? It is easy to find divergences on RSI, but I believe drawing swing highs / lows would be tricky if you do not have a defined method. Regards, Blackeagle

From the onset I told you price is always trying to break the average swing highs and swing lows so draw you line at these levels.

Post 98

Quoting ozziedave

I see you draw your support and resistance lines on your 5 min chart by using the swing tops and bottoms of the 26 EMA. Does it matter what time frame you use as if you use a different time frame the S & R lines change as the 26 EMA tops and bottoms are typically in a different position.

You are very correct they are at different positions and if you use say the daily you will have a long white beard waiting for the highs and lows of the averages to be broken.

So if we get in on a trade at the say 5 min level we may hold it for the domino effect of seeing a greater target on a higher time frame until we get our target. If we see a problem on the 5 min chart we may just hedge to protect our profit. If it completely turns around then what was once a long may turn into a short.

Post 100

Quoting Blackeagle

Same chart, different swings. Can you say one is more correct than the other? Check the zigzag indi which is used to determine swing highs / lows. When you change the parameters, swings change. So this is no different. To be on the same page with Nala66, it is good to know how he determines tops and bottoms. Regards, Blackeagle {image} {image}

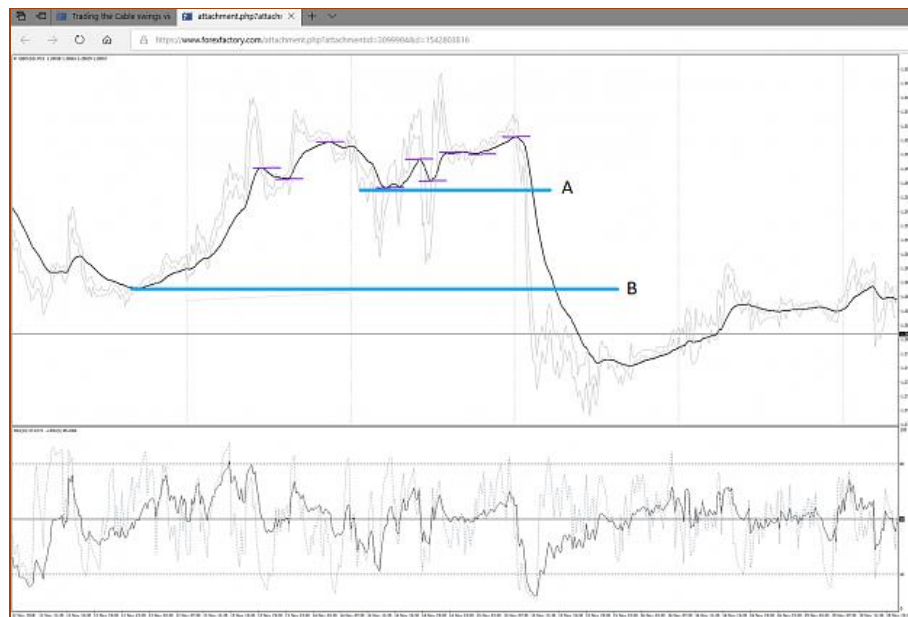
Using your chart here..(15min)

When price breaks A it is dragging the average to make the LL. To make the average break the lower low price pulls down to B (the next average level) In this case price passes through B so it is trying to drag the average below B also and price will make the next lower level (not shown)

Now at the 5 min level this mostly happens much sooner so you can get in earlier for the domino effect of stepping up through the time of the charts. If you look at the 1 hour chart of this move price probably stopped on that chart's time frame of an average swing.

So we use all the time frames and that is why I only trade one pair. If you have the charts side by side like I have you can see clearly what is happening.

It is not possible to draw the swings differently, a swing is a swing is a swing.



Post 102

What we have is a lousy week for trading but a good week for learning instead. On the RSI we see the strengths are being exhausted long before the bigger moves can take place so it is choppy to say the least, obviously then a scalping period.

So let's crack on and get to money management.

You have probably read as much as I how we should not risk more than 1 or 2% on a trade and that we should let our profitable trades run. Well I take an entirely different approach to this. I look at the profit I wish to make daily and place the appropriate lot sizes to achieve this.

So I am going to use a \$1000 daily profit as an example here.

The problems begins straight away because we are all different in various aspects. We may have different leverages, mine is 400:1. We may have different base currencies, mine is AUD. So the only way I can do this is to explain my own and then you can adapt yours according using a similar method.

Now I said previously 50 pips is a very common move for this pair. It can be a heck of a lot more or sometimes a tad less but 50 is the number I work with.

So if 50 is the target and in money terms 1000 is the objective then we just look at the relationship of these two figures.

First off I am going to try to get my trades on within the first 10 pips (Can't always do this but that's trading for you). This leaves me with 40 pips to make my objective. So $1000 \div 40 = \$25$ per pip.

Now I am not going to risk \$25 for an entry (well not yet anyway) what I want to do is make entries in progressive stages each time adjusting the stop to limit the damage when things go wrong. This can happen and we should never be complacent about this occurrence.

Post 104

Ok \$25 for me I need to divide by about 1.46 because I want the 25 in Aussie dollars not US.

This results in 17.12 and I am going to further divide this into 6 six segments = 0.29 lots

Now the trades are entered

1st 0.29
2nd 0.58
3rd 0.87
Total = 1.74 lots.

Checking backwards.

$1.74 \times 40 \times 1.46 = \text{AUD}\1016

For me 1.74 lots cost me about 800 bucks so I can easily afford this with a 1000 account.

My risk on a trade is usually somewhere around 50 bucks so my risk reward is 50:1000+

Post 106

This may sound simple but it is not so.

Often I can only scalp by getting just stage 1 lots on.

So when you here me say I have stage 1, 2 or 3 on you know what I mean.

Also there is hedging to consider which is simply a trade of equal value in the opposite direction. This is a great device when a pull back is expected allowing us to profit from the hedge for no risk. (Illegal in the USA)

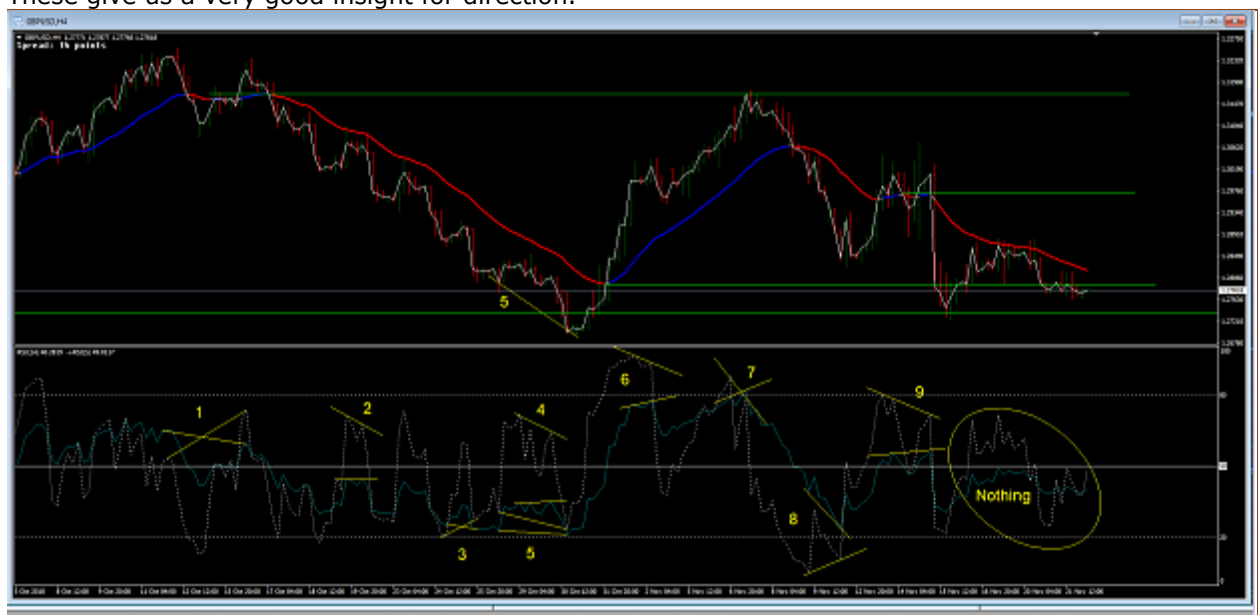
To get the stage 3 lots on I need a specific set of conditions and these I will talk about tomorrow.

Post 108

The so called divergence we read in text books only accounts for a small portion of what I am referring to.

Look at this 4 hour chart spanning many days, only number 5 was a regular text book one but there were plenty of others.

These give us a very good insight for direction.



Post 125

Recap..

So now I have shown you a couple of ways you can get a handle on the direction from the **higher times frames**.

You have seen how mostly the market begins to move from **bar 108**.

You have seen how price pulls the **26EMA** to make a HH or LL or indeed fails the attempt.

You have seen how I make **compounding entries** and how I aim for 40 pips above my last entry to make my money.

You have seen how I **setup the charts** so I can see all these things very clearly.

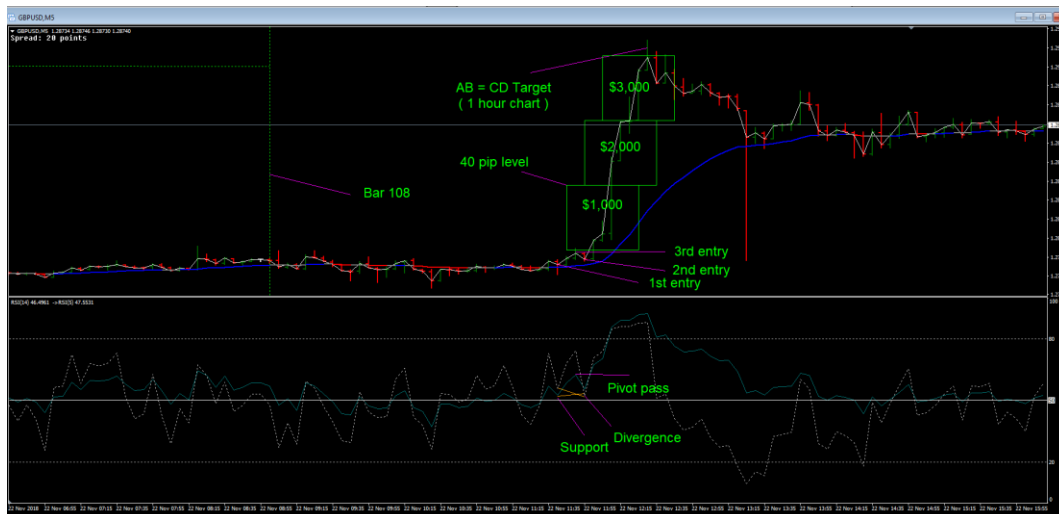
Now moving onto what I look for as support...

Post 126

Just as there are many forms of divergence there are equally many forms of Support and Resistance.

I am not really interested in resistance what I am looking for is the fact that one side or the other (bulls or bears) have FOUND support for the current move they are about to make.

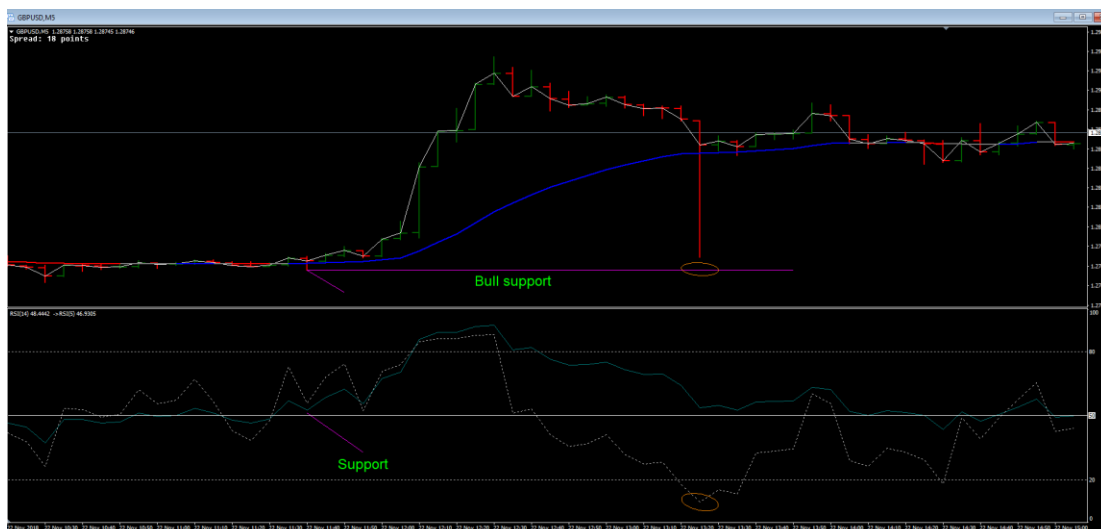
Look at this 5 min chart below to see how these things all come together and then I will explain what I mean by support



Post 127

Firstly we should be aware of flattish markets, these are a warning of big things to come and the unwary trying to grab scalps can easily get caught on the wrong side and receive a severe finger burning. The trouble is we do not know how long these flat spots are going to persist so we have to be very careful and busy plotting the charts for the story that may unfold quicker than we can say SH*T what happened?

We look hard for the signals that something is up and about to happen. You simply do not have time to slip out for a coffee when working, this will have to wait until you get your stops to break even. I am not joking, this is a very busy time where you need a clear head and no distractions. Using the same section of chart as above and in this case looking at the **bulls finding support**. We see this...



Post 128

Both price and the RSI have formed a distinct pivot, price above the EMA and RSI above the waterline (50%). Not confirmation as yet but worthy of our my first entry with the stop just below the wick (very tight, low risk).

This happens most of the time on the 5 min chart.

Then we see the bears are failing to recross, the fast RSI gets below the blue but we see failure to cross the EMA. A good reason for my second entry and moving the stop. A two bar test at this point gives me the third and final entry and again moving the stops ASAP until all are at the minimum of break even above the last entry.

Only now can we take a break but as you see from this example the whole thing took less than an hour to make an incredible \$3,000 bucks for a very tiny risk.

These moves do not happen every day because of **the setup** and **execution** processes.

Generally we would scalp the setup and trade the execution.

.....

Look what happens next having hit the AB=CD target. The price came all the way back to test the support but look at the RSI. It is a sure bet it is not going to take out the support. Another trade we could have taken long. The fast RSI has bottomed out and the whole thing ends up back above the 26EMA.

Note how the bears never FOUND support for their move down and the whole thing just flattens out again to give us time to count the cash.

Post 129

Now when we get support we have a valley for the bulls and a peak for the bears but I always draw the line on the appropriate wicks and if these are broken then my stop is hit because that is where I would put it.

Remember I want to risk as little as possible and a warning here is due to NEVER ADD TO A LOSING TRADE. People only do that with good skills, small entries, large accounts. My rationale is completely different, I do the pushing as hard as I can, I don't let the market push me.

See how it works:.

Smallish test entry, second more encouraged entry, even more confident entry.

The potential for making far more money than I risk is foremost in my opinion.

I spend very little time at the PC and relatively not long in a trade, tiny losses versus huge wins.

Sometimes I see nothing so I simply don't trade at all, it is not compulsory it is an option.

Post 130

How do we find these AB=CD's.

Well for a long time I was using my Quartile tool and my good friend Gentleman Jock (He probably fell off his chair calling him that) uses the Fib very effectively.

However there is a much simpler way in the form of a line drawn from the swing low to the swing high (or vice versa) and the dot in the middle of the line gives me the 50% retrace level where I can start

to look for the trade.

These things happen on all time frames so even at the 5 min time we can look for the smaller trades we can take as potential scalps.

A scalp to me is where I only ever get the first trade on. However one can build up a nice pot of money in readiness for the bigger trades.

No doubt I have missed something out but my head is spinning as I attempt to put all this into words so I am going to take a break and await questions.

Post 132

[Quoting jereajali](#)

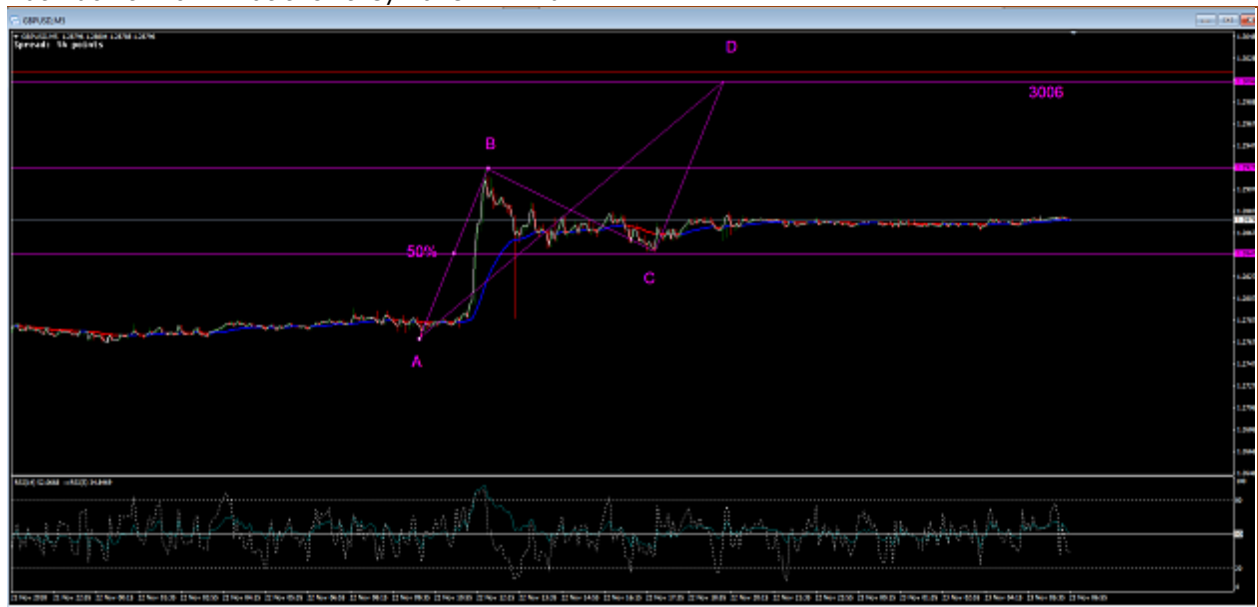
{quote} great work Nala. You read the charts like a map

Thanks...

This is what I am seeing on the 5 min chart at this time.

Now if I was a market maker I would drop in a hurry to somewhere around C to take out all the stops from folks going long. Then I would switch and head for D.

But I don't know what trick they have in mind.



Post 134

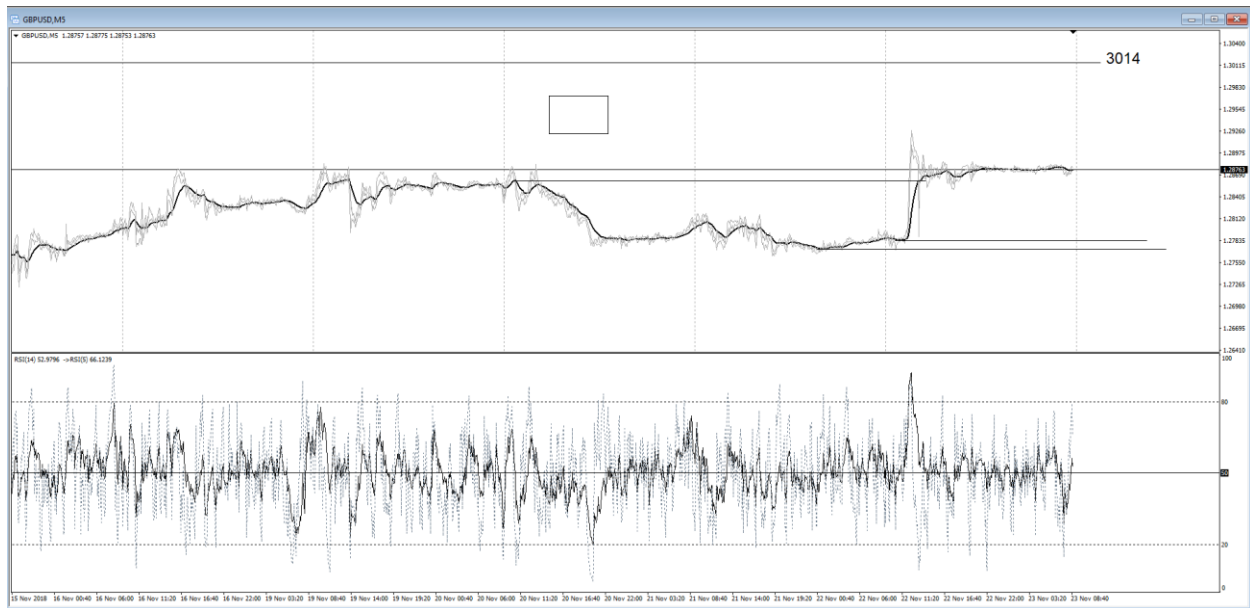
[Quoting aud](#)

{quote} In this example given that price did not bounce off C and "time wise" has extended well past D, at what point would you cancel the trade? Edit: Just acknowledging we have not got to bar 108 yet.

You are correct but I am looking at the bounce where it flattened out after the volatility of the previous move. I could well be wrong but the point is to be plotting the potential possibilities of measured moves.

As far as time wise goes it can take as long as it likes until it thinks you have forgotten about it. Who knows the tricks and traps being made.

The market hasn't quite been as flat as this in a long time and that is a worry. Looking at the chart below (5min) we see there are no more swings to pass until it gets to 3014 so we may see some fiendish moves today. But That is speculation, I need to see some form of evidence to support the move upwards or downwards.



Post 139

[Quoting Jazz1964](#)

Trying to get a feel for it 🤔 Arrows drawn 'live'. I'm not sure if I would have reached the target due to divergence which I would not have ignored. {image}

Very good work Jazz, The divergence came at the target anyway so a nice winning result,,, Here's my chart



Post 141

So let's look at the trade in the form of a recap of the elements I have described.

- 1) We begin looking at the chart with a view to starting work at about bar 108 (This happened)
- 2) The trade often begins with a small RSI divergence. Divergence sends price across the EMA (This happened)
- 3) Bears find support below the EMA. (This happened)
- 4) Price ran down but on the RSI it ran into exhaustion so a hedge is attempted to protect profits thus far. (This happened)
- 5) The hedge ran into divergence so we remove it along with the profits made. (This happened)
- 6) We measure the pullback in relation to an $AB=CD$. (This happened)
- 7) It hit the $AB=CD$ target by which time we had already made our 50 pips. (This happened)
- 8) All the time watching the action as it is attacking the next average swing low 2784. (This may still happen)

So the trade is completed albeit taking a tad more time than usual. Like detectives we looked for the clues and take the appropriate actions without trying to guess what may or may not happen. So this is not a system as such it is simply paying attention and reacting accordingly.

Post 145

Quoting ozziedave

quote} So just to be clear, you are only looking for divergence on the RSI 14 and 5 and you do not need divergence on price at the same time? I would think that divergence on the RSI and price at the same time would give you a stronger signal?

No worries....

Often we do not see a divergence on the price. In my experience the RSI is showing me something that others are unable to see and I see a heck of a lot more on the RSI. I can't do this with other indicators making for me the RSI the best tool for the job.

[illegible]

As long as we just dip our toes in the water first then add as we become more confident and move the stop to limit damage we should be fine. A stopped out trade is not the end of the world and these trades pay so well that tiny losses just become par for the course. One thing I have noticed over the years is that people put tiny lot sizes on so they can add to the position if it goes against them, well if it going against them then the analysis was wrong and it becomes a wing and prayer situation as hope springs eternal.

This is the trouble with tiny lots, they give a false confidence to the trader that they can always trade out of the situation. Mostly we could do this but it only takes one that we can't fix and we blow heaps of our account defending it. Then people begin to chase losses and the hole just gets deeper.

Maximising our trade in the first place stops any attempt to do this and the rewards are far greater.

Anyway this is the way I trade and it is very profitable.

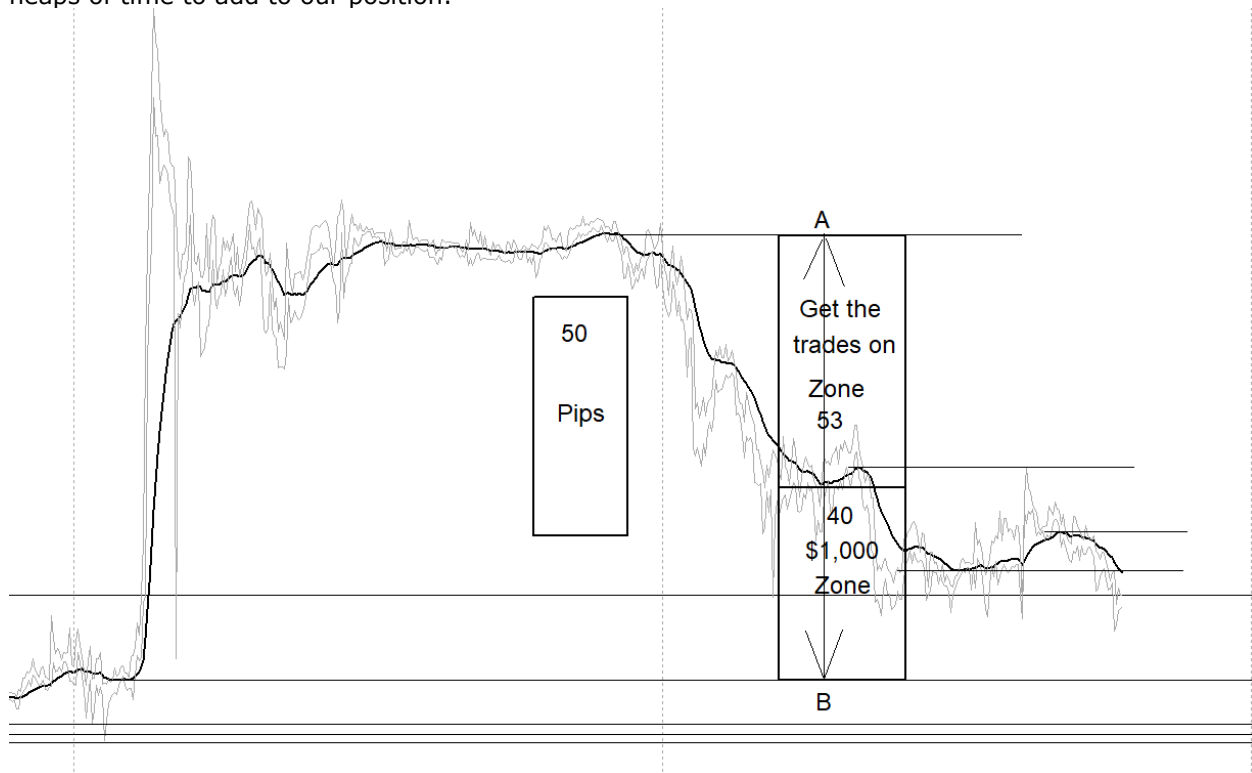
Practicing over a couple of weeks should give the confidence to have a go.

Post 171

Some people seem to be having trouble with stops. I am simply saying keep them as tight as possible at 'the trade has failed level'

Really we have much more time to get the trades on but I like to get them on ASAP so I can get my profit ASAP also.

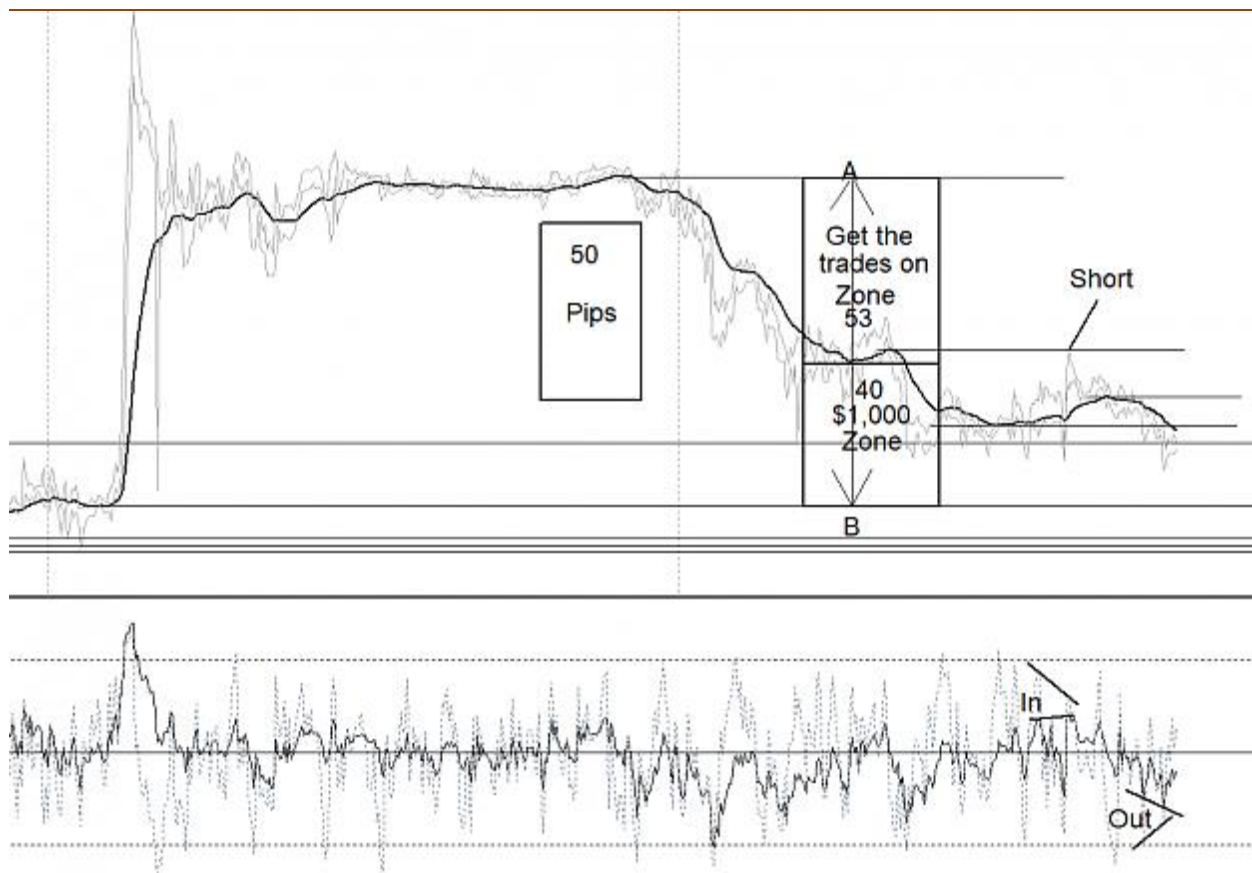
Look at the 5 min chart here where we are expecting price to run from A to B. We had a 53 pip movement to get our trades on and still have the 40 left to complete the task. Once we see the bears have FOUND support and we see the 1 minute chart making those lower low average swings we have heaps of time to add to our position.



Post 172

The signals are very clear. Apart from those already described Look at this latest 5 min signal 34 pips of pure profit via RSI divergence.

We can see price fails to break the average, it is in divergence suggesting a cross of the EMA and the average failing to make the HH attempts to make a LL.



Post 183

[Quoting 4xu2](#)

{quote} NALA66, This quote alone may be the most important quote (in my eyes) in forex knowledge I have seen. Although my job does not allow me to trade your system. This quote has opened my eyes that it also works with my 36LWMA. I trade W-D-H4 TF. Price Always returns to average. Leaving a road map when there are forks in the road. Thank you for your knowledge and i look forward to reading more.

Thanks...

I wouldn't actually say price always returns to an average. It is the average of prices so the average is always chasing the price not the other way round and at some point the average will catch up to price.

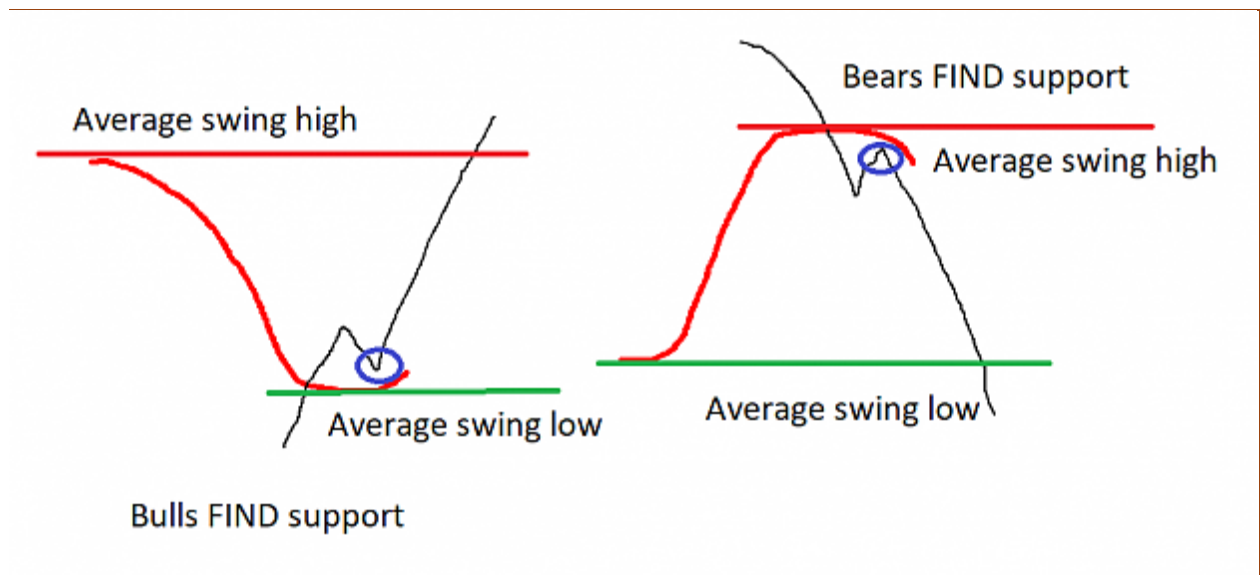
This is why I compare average to average so for me the swings become the price destination levels (Resistance levels if you like)

Post 186

[Quoting Jungleman](#)

{quote} What are bull support and bear support... Average swing low and average swing high..... On which thread are they defined.

For me it is very import the bulls or bears FIND support for their respective moves and the moves are from average swing to average swing like this.



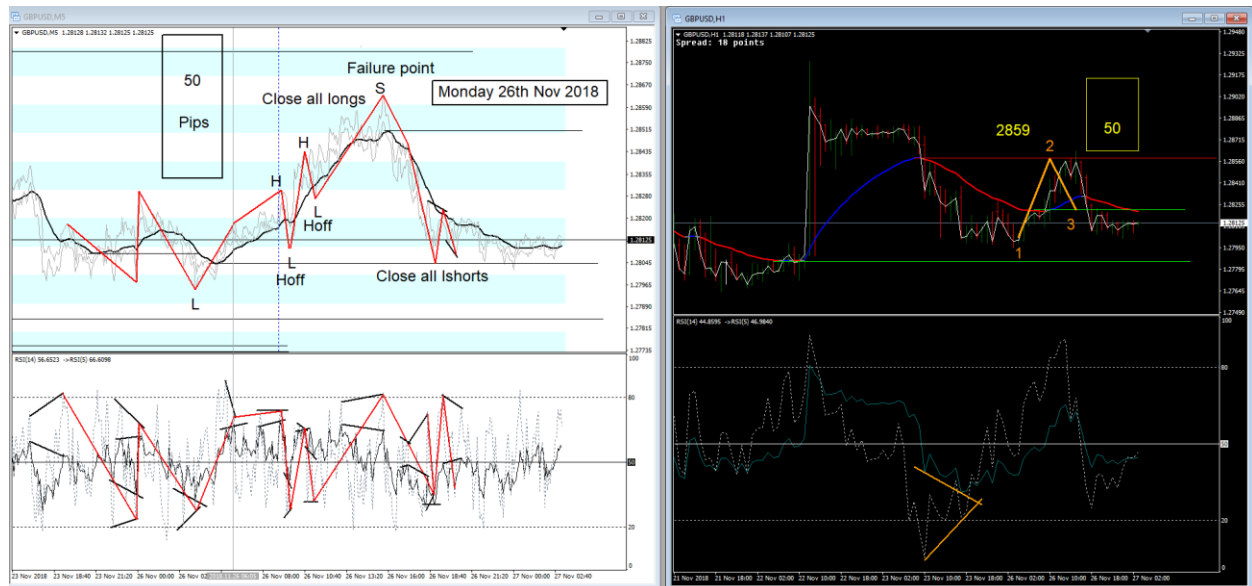
Post 187

The chart on the right is the 1 hour so I begin by taking inference from it that price is going up. There was divergence at the bottom inferring price is going to cross the EMA so the level at A (average swing low) is going to fail so we should see the bulls try to make the HH at 2. This happened.

Now when we drop to the 5 min chart we see a whole pile of possible entries cause by RSI divergences.

So price going up we are long on the signals and the pull back signals are hedges until we reach the top where we close all the longs and begin to short. The same process happens we are going down so take the signals short and the signals for the pull backs are hedges until we reach 3.

Note when a hedge signal crops up another signal tells when to remove it. It is a good idea to take these hedges because they are risk free and add to your 40 pip count. As you see the score here was many more pips than you need to make the \$1,000 indeed 2 or even 3k was on the table to be taken.



Post 191

[Quoting KyBakka](#)

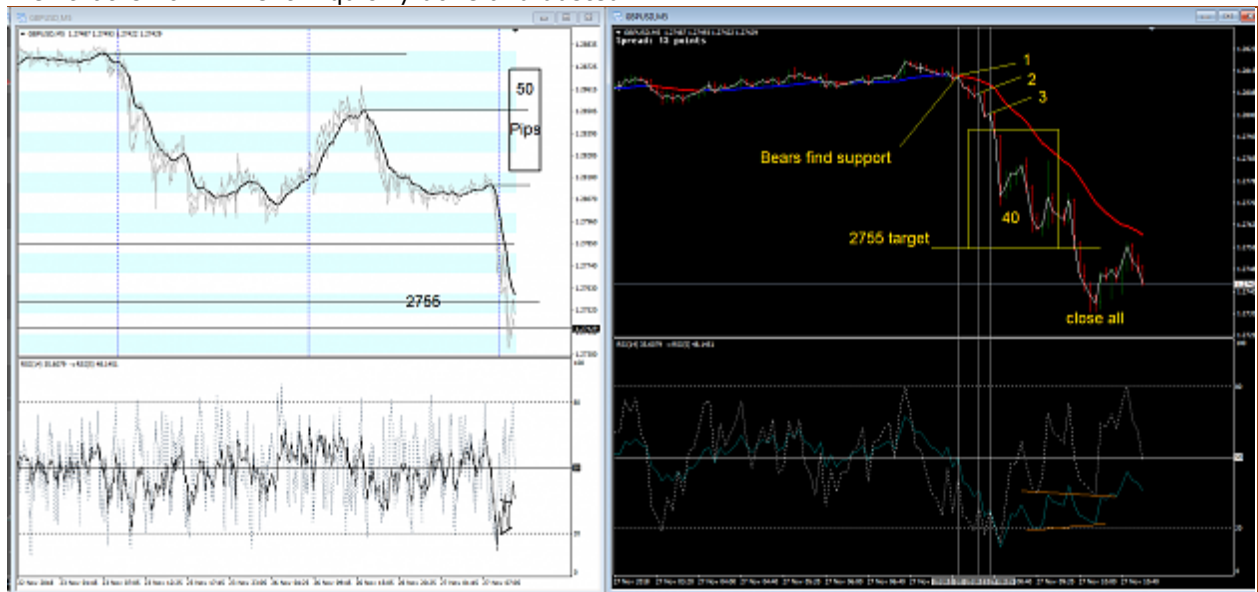
{quote} So we should close all the trade when price touch ema swing in H1 ? And can you explain more how you view the market when you change from buy to short at point 2

Well when the price was at point 2 it has hit the top of the swing and it does so in divergence of the 5 min so it is spent.

If there were no divergence then it would push on. However a second clue is on the 1 hour chart look how the fast RSI is way up the top but the average is a mile away. So would you expect this average is going to make a HH, I think not. So it makes a LL instead.

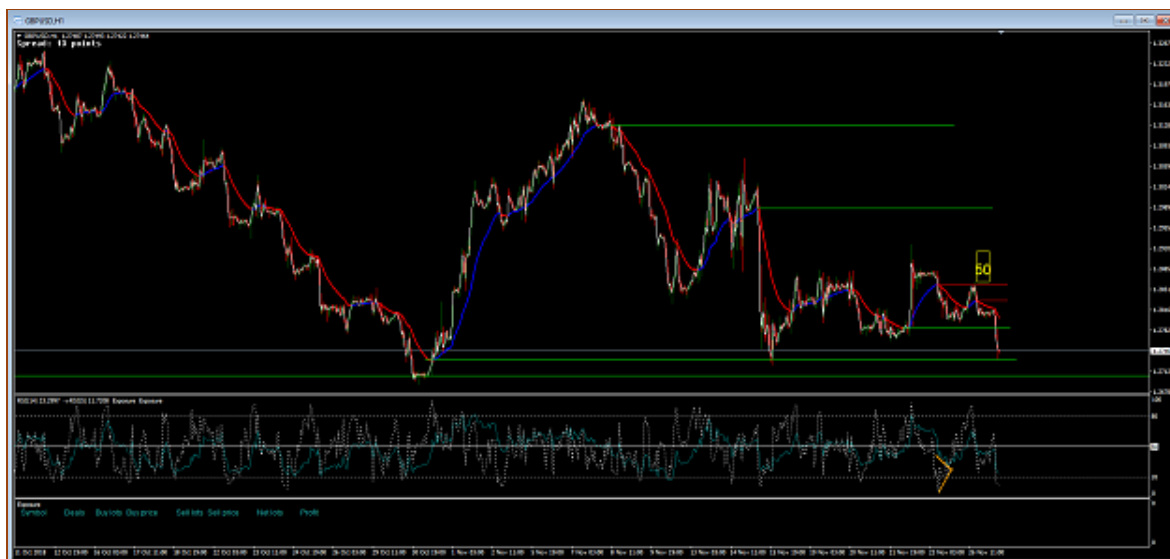
Post 195

Well that is how I like it... quickly done and dusted



Post 196

That was the night and bright 5 min charts now look at the 1 hour where the inference comes from



Post 200

Already you guys should be seeing the cost of a very early stop out is nothing when you look at the profit potential.

You should see that you have to have your mind on the game ready for the action and thinking ahead as to what your next move will be.

You should see how futile it is to hold a losing trade.

Post 201

[Quoting KyBakka](#)

{quote} That impressive Nala, can you explain more about your entry. Thank you.

Actually the entry is simple.

Price crosses the EMA from above and the bears find support in that the bulls fail to take it back across the EMA to the long side.

Now this can happen and that is why we have a stop and that the 1st entry is just dipping our toes in.

We then add entries as our confidence grows and all this happens about the time of the 108 bar.

We can also see that on the 1 hr chart we are trading below the average so that also means shorts are on the table.

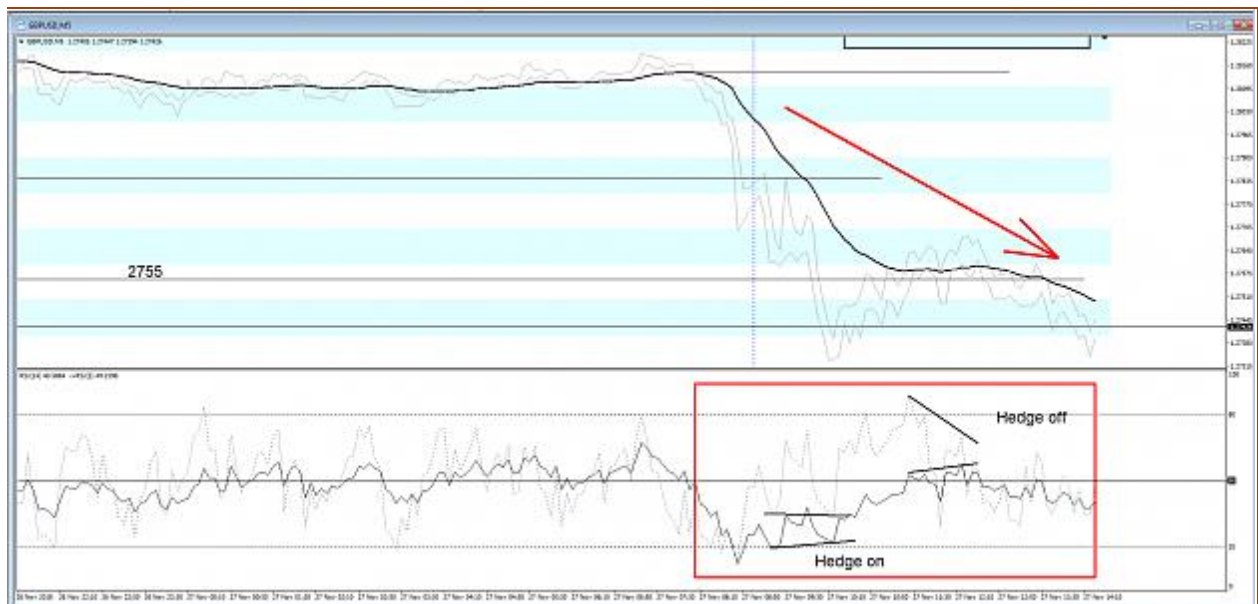
Post 206

[Quoting KyBakka](#)

{quote} Thank you Nala, just one more question, do you hedge when RSI go below 20 zone ? and when do you remove the hedge ?

I didn't actually get a chance to hedge today. I hedge when I get a divergence and remove the hedge also on the opposite divergence. Like this

I didn't take this because I am done for the day



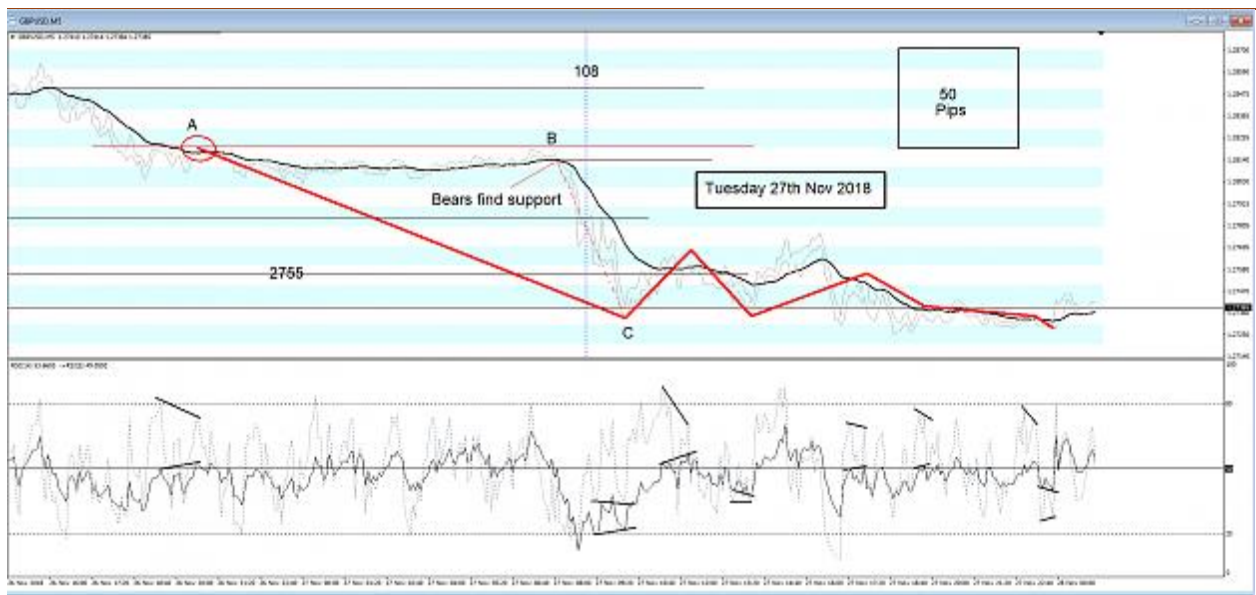
Post 217

Normally a trade has three parts...

- 1) Starts with divergence.
- 2) Bulls or bears FIND support.
- 3) Divergences prompts a close or a hedge.

Yesterdays was a little different from the norm because the divergence was held over from the previous day (Monday) and held all through the Asian session. Below on the 5 min chart we see...

- A) Was the divergence
- B) Bears FOUND support
- C) Prompted the hedge or close.



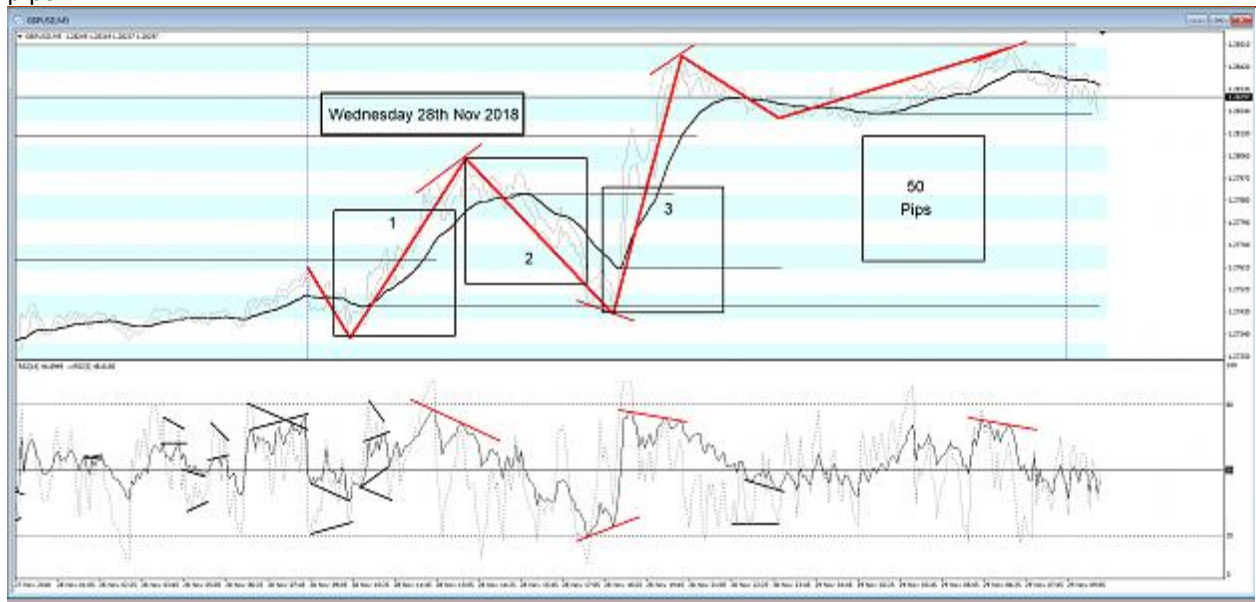
Post 235

This is one of the stop outs because I failed to hedge I lost \$50 (5 min chart)



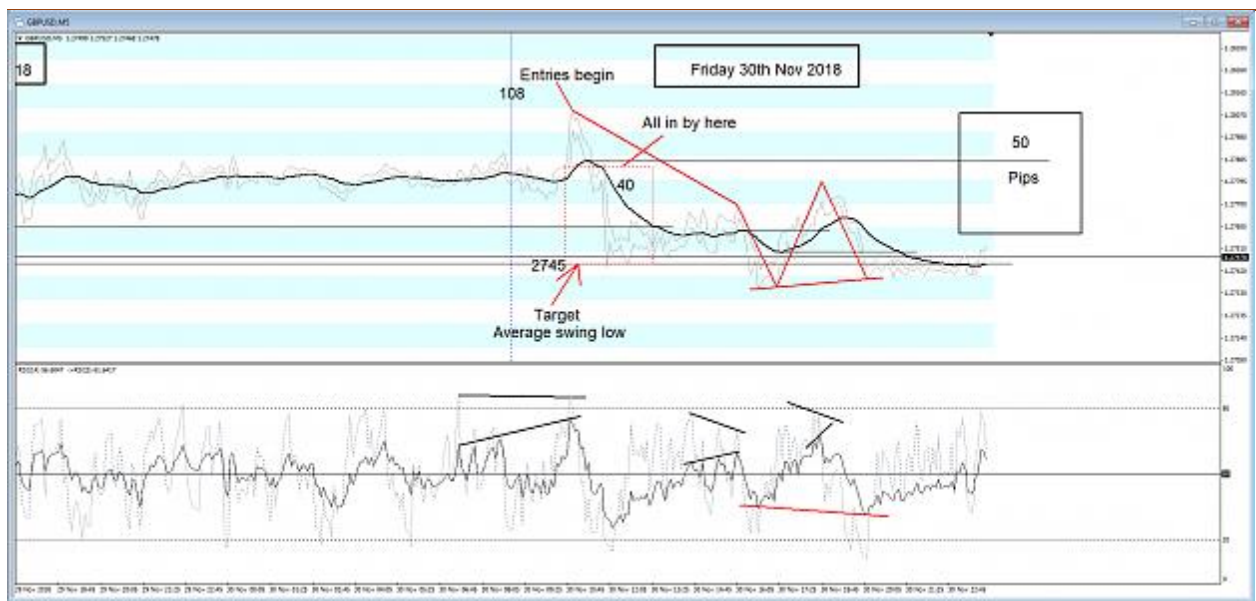
Post 257

Looking at the chart from yesterday I see there were three opportunities in one day to make the 50 pips.



Post 297

So tracking Fridays 5 min chart it should look something like this..



Post 299

It begins on the 1 hour chart as we see price is banging its head on the swing high average in RSI divergence

So we have..

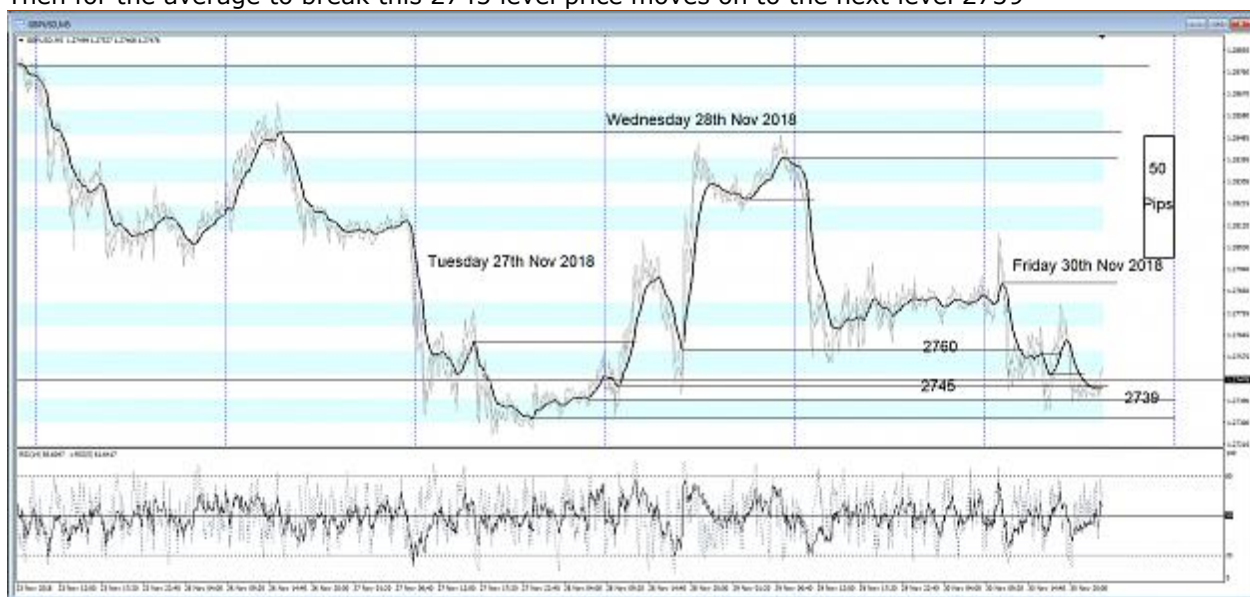
- 1) The time of day.
- 2) The 1 hour inference
- 3) The initial 5 min signal to take us over the EMA
- 4) Bear support
- 5) The target price is wide enough to aim for our 40 pip quota.

Post 303

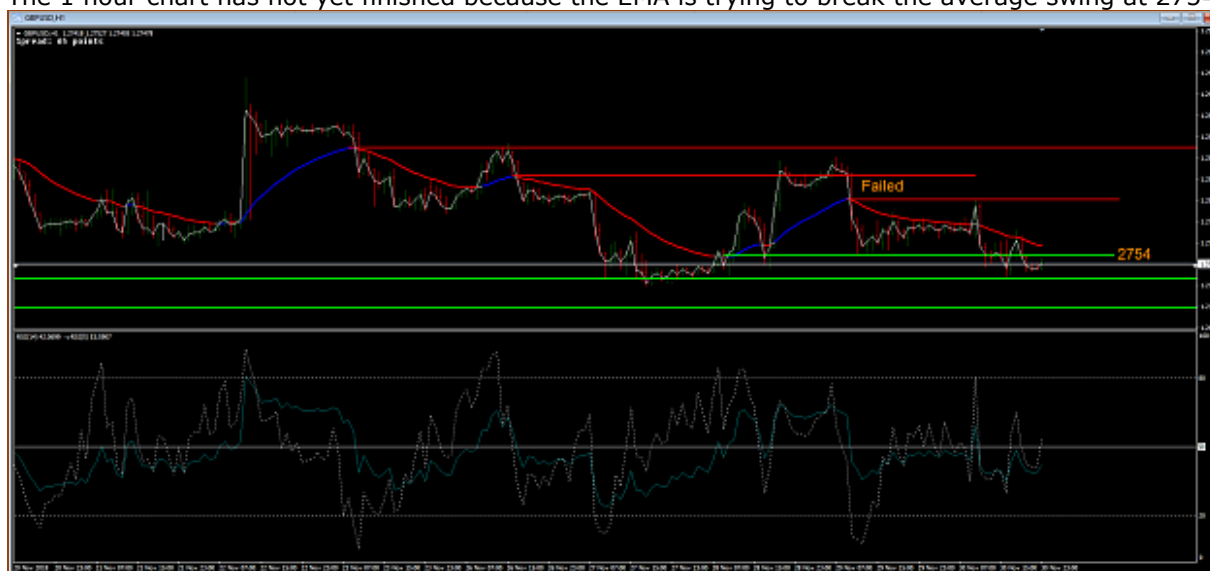
Quoting aud

{quote} Do you mind saying how you selected the average swing low target of 2745? There are m5 swing targets either side of this one. The 2745 target looks good on the h1 chart.

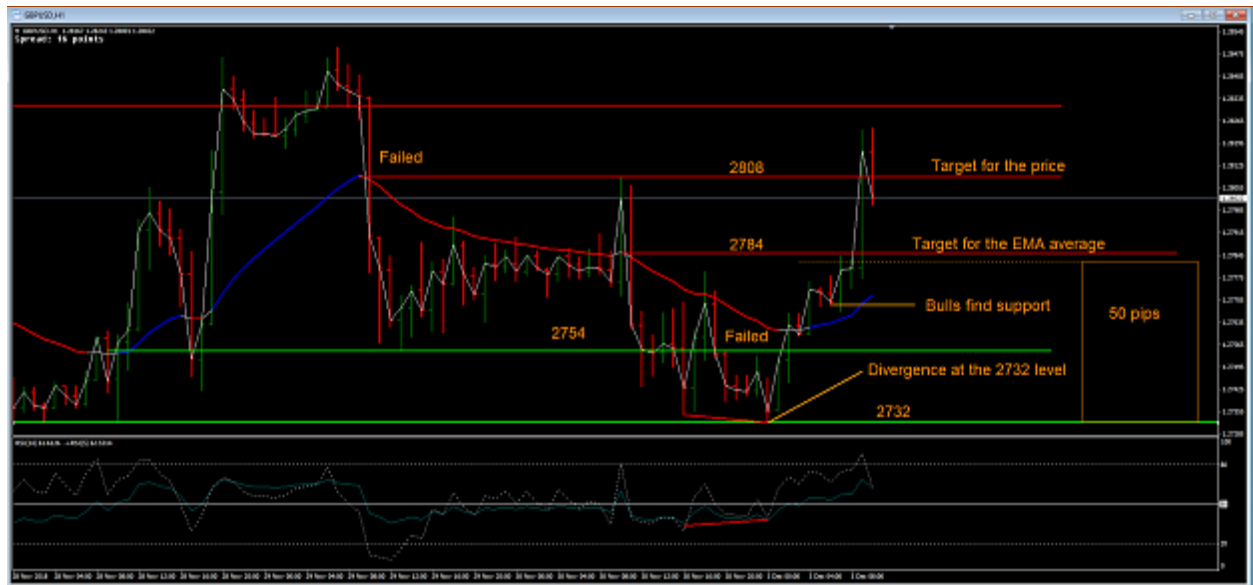
On the 5 min chart the 2760 average was the one be broken. To break this level price itself makes it to the next level which was 2745 which is enough to easily make the 50 pips required. Then for the average to break this 2745 level price moves on to the next level 2739



The 1 hour chart has not yet finished because the EMA is trying to break the average swing at 2754.



Post 306



Post 309

[Quoting KyBakka](#)

{quote} Hi Nala, the trade happen so soon before Bar 108, how we should deal with this ?

We can't catch every trade. Well on the weekend I said the bears on the 1 hour had not yet finished but they were close enough to keep an eye on them from the open of the week. That would have presented the whole trade to you.

However from about bar 108 there was also bullish divergence on the 5 min but not enough of a target left to get the full 50 pips.

Then shortly after the bar 108 gave us a bearish divergence, the price target has been hit so this is a good likely short and as we watch the 1 hour we see the average again fails to make the HH so it is once again going to try for the LL

My charts look like this at the present



Post 319

Handling rejection via those infernal stops.

When we place a trade we also set the stop to limit the damages done by being wrong. Once the trade gets under way it is important to tease the stop into a breakeven situation and it is this stop that gets hit the most. This is all par for the course in trading if possible we lose nothing by covering our risk.

This can be a pain or rather a nuisance because we spend time looking, plotting and all for naught.

Look at this piece of chart where there was a bearish divergence in 4 different positions indicating a turn is on the cards. Taking a trade at each of them would have resulted in three break even stop outs to get to the fourth which paid us a few bob.

The reason for this is that only the 5 min chart is being used here, there is no inference from a higher time frame indicating a short is on offer.

Changing the time frame to a 1 hour (Shown as inset) you would see that the div at 4 was on the EMA, precisely the position we should be looking for a scalping entry.

I know know there are RSI divs on the underside



Post 321

[Quoting Bydyke](#)

Regular div on the hourly. Waiting to see if PA can break the EMA average at 2741 {image}

I see what you are doing. You are comparing price to the fast RSI instead of the slow 14 period.

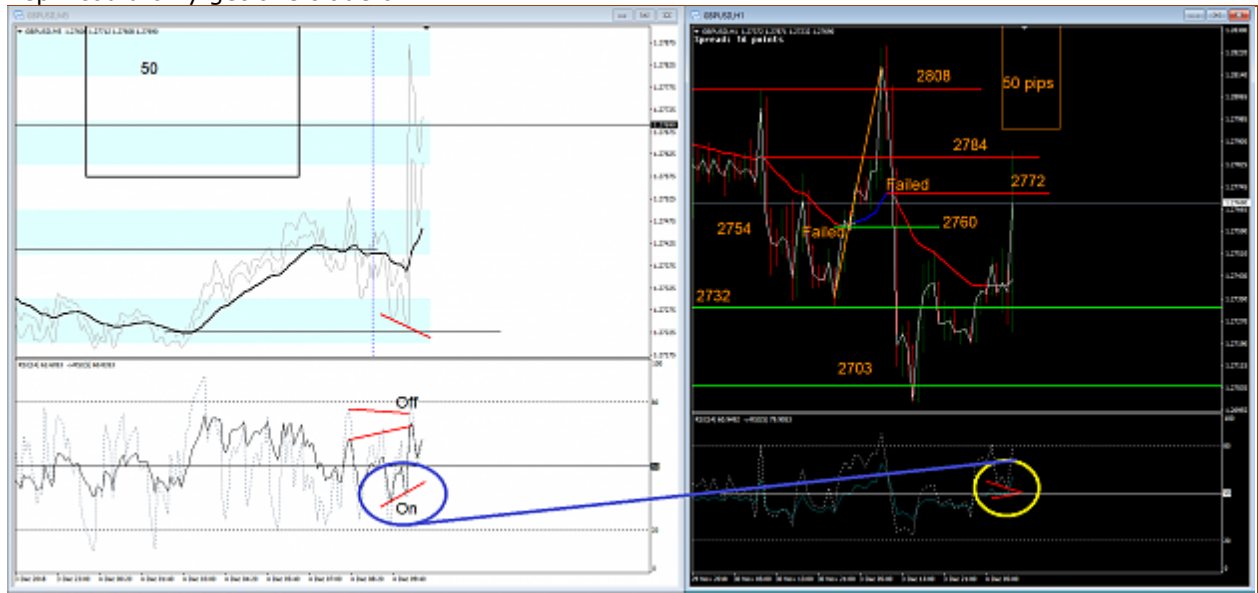
The fast RSI is used to compare with the slow RSI.

Post 323

[Quoting KyBakka](#)

50 pips go up in one minute, so crazy

Yep I could only get one trade on.



Post 325

[Quoting Bydyke](#)

{quote} Thanks. Meanwhile we can say we now have Bull Support on M5 at 2746 {image}

Yep exactly I placed a stage 2 trade there and a stage 3 a little ways up and now I am done for the day.

I got about 55 pips from the earlier stage 1 trade.

So the trades looked like this...

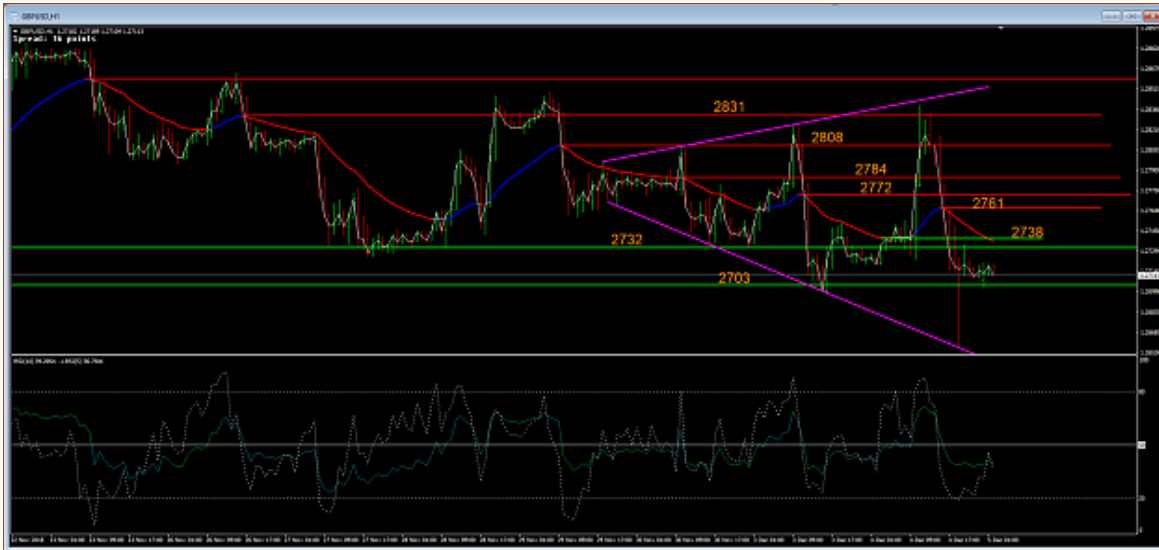


Post 331

[Quoting Bydyke](#)

{quote} Alan's system doesn't border with news. Once your set-up is right, the news makes it easier to make the pips

That is correct, by the time we hear the news it is history, let alone analyse the consequences of it. Our stops are there to take care of business should something happen to threaten us. I don't even look at the news events, I am far too busy trading the factual signals we see, remember we should avoid distractions when trading and that includes not being in any forums viewing the banter of others, including me. Let the charts alone do the talking for you. Here is something of passing interest on the 1 hour chart...



The averages continue to make LH's and LL's but the price is forming a trumpet pattern as the price swings get larger and larger. We can see the average is poised to make yet another LL.

Post 374

Well not a good day today...

I managed a short on the div followed by a stage 2 on the bear support and that spike stopped that trade out for a small loss. I shorted again and got my money back and closed. Sometimes it just doesn't work the way we want it to BUT we are not deterred and look forwards to Mondays profits.



Post 376

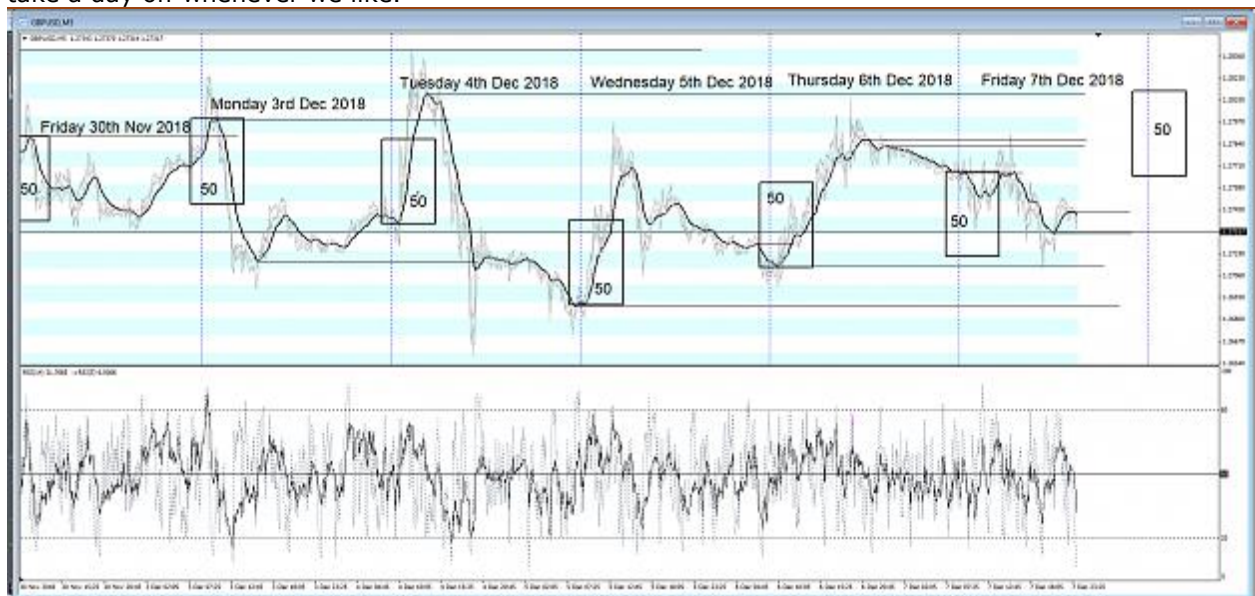
[Quoting obiwandax](#)

{quote} Your comment about "sometimes it just doesnt work the way we want" is as much a part of trading as entry/exits. If the market wrong-foots you, walking away for another day is a valid strategy, as hammering at a market that you are out of synch with can lead to further bad trades. I like your sanguine "quit for the day", knowing tomorrow is another chance to do well. Hope you had a good weeks trading.

Yep, I think self control plays a big part in trading. Looking for stuff that just isn't there leads down the road of errors.

Now with the benefit of hindsight I can look back at yesterday and see just how bad it was compared to previous [Attachment 3124672](#)

The market would just not settle on a sustained direction which was probably due to expectations of the NFP. Trading I find is a tiring event having to concentrate with such intensity to what one is doing, what the market is doing and what one is going to do in response. It is nice to just walk away and rest up for another time with a fresh attitude. This process makes good money so we can well afford to take a day off whenever we like.



Post 378

[Quoting haris1211](#)

Hello Alan, I've few questions 1: Can you please elaborate about two bar test in detail, and what timeframe you look into for a two bar test. 2: My stoploss is getting hit very often before the trades goes into my direction, may be because i'm just referring to only 15m and 5m for my trades, **i don't usually look at 1 hour chart**. Do you always look for divergence at 1 hour chart before moving to shorter timeframes for Entering or you just enter at all divergence at smaller timeframes i.e 5m and 15m? Usually when i look at...

I simply cannot understand this, I have repeatedly spoken of looking for the inference from the 1 hour chart. In your chart above the RSI is inferring an overbought position then and only then do you drop to a 5 min chart and look for a signal there. I would bet a pound to a penny there was.

Divergence on the 1 hour is just another inference we should look at dropping to the 5 min chart.

Then we have to consider the averages. Has there been a failure of a HH on one side leading to a success of a LL on the other and vice versa. On your chart you can clearly see on the next day that

the average failed to make a LL the bulls pushed up above the EMA and found support and then the thing went like a rocket to make an EMA HH. The move started with a bullish divergence, then a bullish support and this was just on the hour chart. Had you taken these to be inferences and then traded at the 5 min signals there would have been plenty to take you long on that day. So on both days there was enough evidence to make the 50 pip target.

Now a two bar test is just another way of finding an inference on the 1 hour chart again the entry signal would then be given on the 5 min chart is some form. Sometimes there is nothing there so we have no trade to have a stab at. You want to be testing in the direction of the EMA but sometimes we can test towards the EMA for the pullbacks. These trades would just be scalps unless they are forming at the primary time for our one major trade of the day.

Post 380

[Quoting cuchufrito](#)

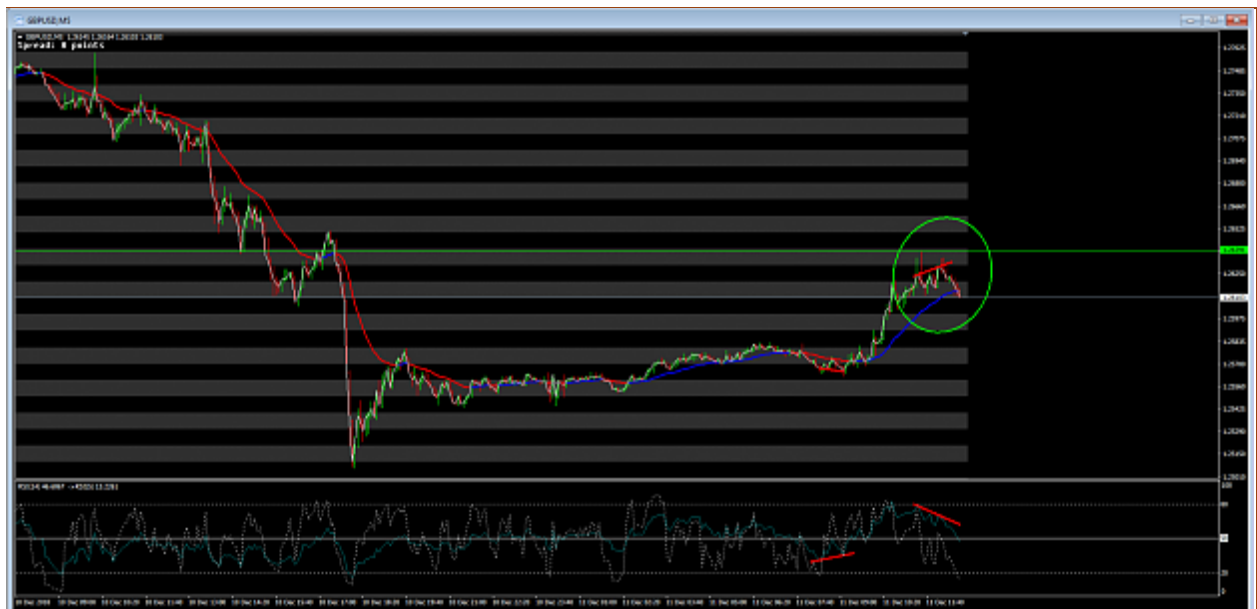
{quote} Hi Nala awesome thread thanks a million. 🙌🙌 Question: your hedge is probably without a stop loss right?... I figure you are "locked in" which ever way it goes till you close either one.

That is correct up to a point.

The stop is not applied until the hedge takes effect at which time the stop is placed at its BE so that if the original trade continues the hedge will be taken out of the game. If the hedge itself runs into a signal for the continuation of the original trade then the hedge is closed for any profit it has made and the TP for the primary trade can be shortened by the profit amount.

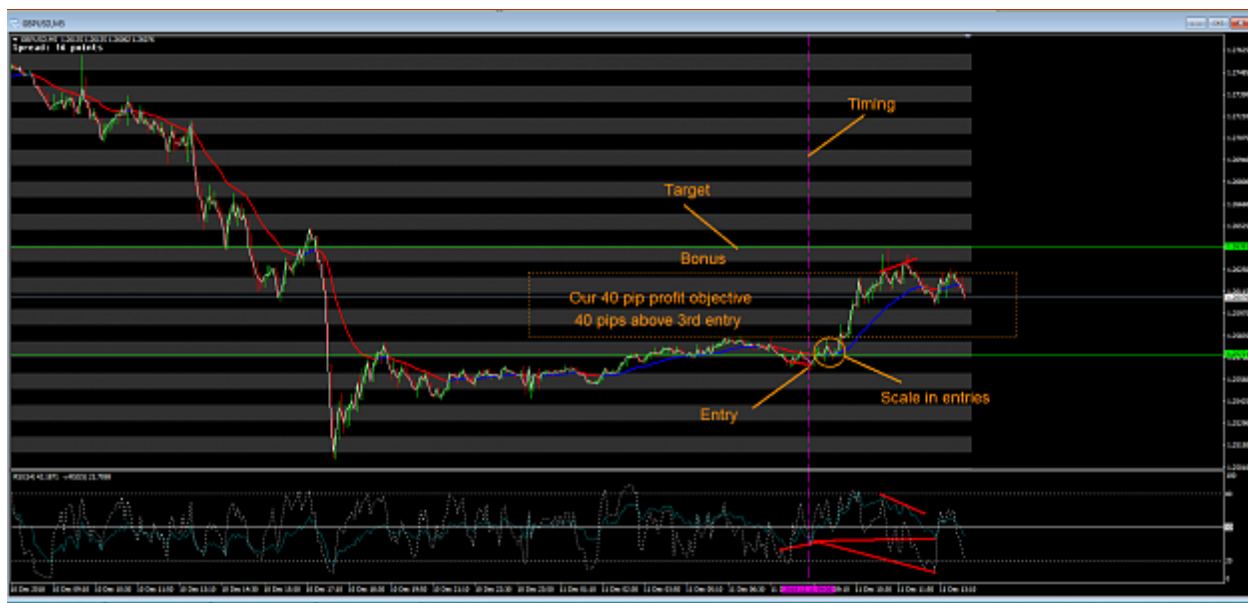
Post 416

Here on the 5 min chart we have a bearish divergence taking price back across the EMA. Note how it was in divergence at the average swing level we use as a target



Post 425

So here is the whole thing I have been describing and the trade is just about the same each day. We just keep rinsing and repeating getting the odd one wrong for a tiny loss but in the main scoring our 1K a day with little problem. It doesn't take too much time out of your day to achieve this result.



Post 430

[Quoting Rfs199](#)

Hey Alan, quick question. I tried looking for the answer but I couldn't find it (I know it was asked though). Are you looking for something in particular when placing your 3rd entry?

I suppose the best way I can answer that is to say experience brings confidence. Remember we are not risking very much here because we are moving the stops in spite of the fact we can get stopped out. So if we are confident the trade is behaving as it should we also know this very early and take the plunge with the 3rd entry.

Remember we can measure the expected distance the price is likely to move so as long as the 3rd entry is made whilst there are still 40 pips left in the trade we are fine. If we can get that 3rd trade in a tad earlier than the 40 pips left then we are in for a couple of pips bonus. Don't stress too much at not managing this third entry even with the two on you are making good money at half a K+.

I am not too upset at not getting the full potential of the trade, as with yesterday I just took a 50 pip scalp followed by another 6 pip loss followed by an 18 pip win resulting in 62 pips for the evening at AUD\$14 a pip. Not quite the 1k but I think you'll agree bot bad just for scalping.

Keep looking for those at those higher time frames to get a good notion of what price is trying to do, this adds to your confidence that you are doing the right thing in the right direction increasing your probability of success.

It is the people who don't trade by a method based on sound signals but merely on whimsical thoughts who lose money. Don't go down the road of trading theories stick to what you see as factual evidence and respond to it accordingly.

So what sparked yesterday's move while I was in bed... Look at this 4 hour chart.



Post 450

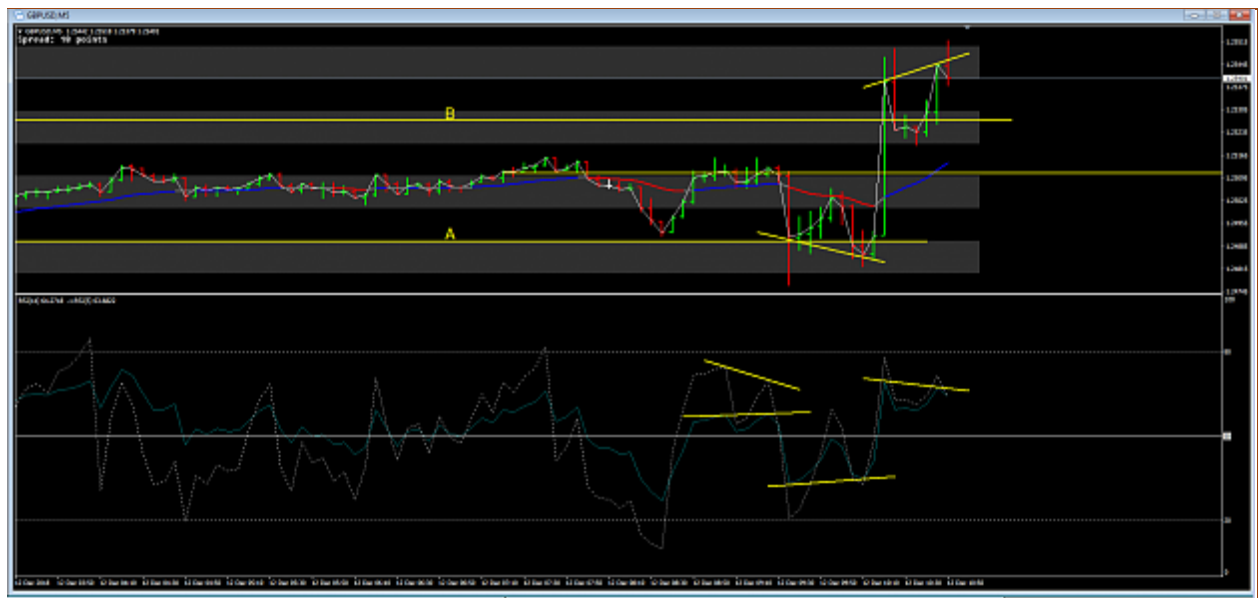
Lovely stuff guys... I am so glad many of you are getting the hang of this.

Once again look what happened here. We saw the bearish div on the hour sending price short also with a div on the 5 sending it short. So the average on the 5 min is going to fail the HH (all this said before)

So price now pushes down to the swing A on the chart below.

But it runs into divergence there which is going to send price back above the EMA and try to make the HH (C middle yellow line) (IT just did that) and may well try to take the next one B which would be our minimum price target.

These moves are small for this pair but we react to the action and should now be closed or hedged.



Post 466

[Quoting emicovi](#)

{quote} Yestarday I read this entire thread but I still have difficutlies understaing it 100%. Could you be so kind to write the rules? Thanks very much

It is not a question of rules... React to the various elements I have outlined.

We have timing.

Higher time frame inference.

Entry signals

Hedge or exit signals

Targets.

Money management strategy.

The process is the same every single day.