

# Forex Price Action Trading Plan



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**Rev 1**

# Table of Contents

Overview.....	1
Pre-Trading Analysis.....	2
ABCD Pattern Definition / Criteria .....	3
Trade Entry – Set Up .....	4
Trade Entry – Candle Formations .....	7
Trade Entry – Checklist.....	8
Trade Management .....	9
Money Management .....	10
Appendix A – Advanced Pattern Definitions.....	11
Appendix B – Revision Log.....	12

## Forex Price Action Trading Plan

<b>Market</b>	Forex
<b>Sessions Traded</b>	Asian, US Market Sessions
<b>Currency Pairs</b>	Any combination of these major currencies USD, JPY, GBP, EUR, AUD, NZD and CAD
<b>Broker</b>	Forex.com / Gain Capital
<b>Charting Program</b>	Ninja Trader
<b>Evaluation Charts</b>	H4 (Bias / Directional Chart) M15 (Entry Chart)
<b>Trading Frequency</b>	5-10 High Quality Trades / Week
<b>Objective</b>	20 pips per day, which is averaged from the month's results

## Pre-Trading Analysis

### Tools Used For Analysis

- Structure Analysis – This will provide the “expectation” or bias towards where price is going
- Area of Interest (AOI) – Based on structure, these will be areas where I believe price will react and has potential to reverse direction
- Support / Resistance – Areas based on past supply and demand
- Fibonacci Retracement – Based on natural price movement, these areas are ratios which price corrects to and traders recognize and respect
- Key Retracement Levels – 38.2%, 50%, 61.8%, 78.6%
- Fibonacci Extension – Based on natural price movement, these are areas where price is beginning to reach exhaustion
- Key Extension Levels – 127.2%, 138.2%, 161.8%, 200.0%
- One to One (ABCD) – Price moves in ABCD patterns and markets typically strive for harmonic movements completing one – to – one moves

### Daily Process

- H4 chart, ID current swing using proper 38.2% correction. We will use this chart to determine our bias for direction on the entry chart
- H4 chart, draw 1 to 1 swing with Fibonacci retracement and extension levels. This is what the overall market is working towards
- M15 chart, complete same process as above
- Mark “Areas of Interest” (AOI) of support/resistance above / below current price

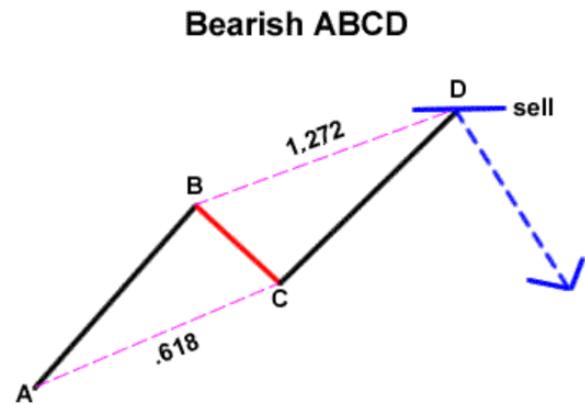
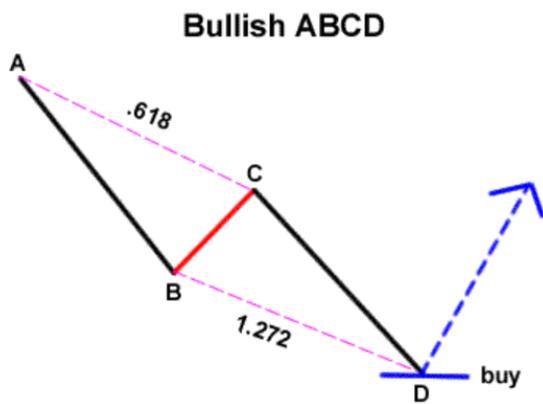
## ABCD Pattern Definitions / Criteria

### ABCD Pattern

BC = 38.2% – 78.6% retracement

AB = CD (1 to 1)

> 127.2% extension of AB leg



## Trade Entry – Set Up

**Signal 1** C buy / sell with structure (areas of interest) in conjunction with 50% to 78.6% Fibonacci level and in line with higher timeframe trend.

### Entry Rules

1. C point buy / sell in direction with higher time frame (H4)
2. Price must reach AOI (area of interest) and within 60% H4 range
3. Correction is 50% or greater
4. Risk:Reward (R:R) ratio is 1.5 or greater
5. Price has absorption towards AOI
6. Stop loss placed 10 pips above / below point A (or adjusted with structure)

**Signal 2** D buy/sell with completion of ABCD pattern with Fibonacci confluence and structure (area of interest), which is in line with higher timeframe trend.

### Entry Rules

1. D point buy / sell in direction with higher time frame (H4) and within 60% range
2. Price must reach 1 to 1 and minimum 127.2% extension of AB leg
3. R:R ratio is 1.5 or greater
4. Price has absorption towards AOI
5. Stop loss placed 10 pips above / below 161.8% extension (or adjust w/ structure)

**Signal 3** Double top / bottom buy/sell with Fibonacci extension 127.2% to 161.8% and confluence with structure in line with higher timeframe trend.

### Entry Rules

1. Entry is in the direction with higher time frame (H4)
2. Price must reach 127.2 – 161.8% extension of the double top / bottom leg
3. R:R ratio is 1.5 or greater
4. Fibonacci extension (127.2 – 161.8%) must coincide with AOI and structure
5. Price has absorption towards AOI
6. Stop loss placed 10 pips above / below structure high / low

Below are examples of each trade signal entry.

### Signal 1



### Signal 2



# Signal 3



## Trade Entry – Candle Formation

### Time and Tick Charts

**Invitation Candle** Weaker sign candles toward entry. I.e. Doji's, hammers, etc.

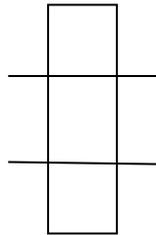
**Rotation Candle** Entry candle, which must meet the following criteria:

- Must be over 1/2 body and finish strong
- Must take out at least 1/2 the body of the previous candle

**Decision Candle** A candle which closes higher / lower than previous

**Absorption** We must see the absorption of buyers or sellers as it approaches the price zone. This means candles getting smaller and the presence of buyers/sellers active towards AOI.

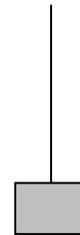
### **Candle Structure**



View Candle in 1/3s



Strong



Weak

### **Trade Entry – Checklist**

- Are you focused and ready to TRADE THE PLAN?
- Price in my “Area of Interest” (AOI) and meets correction expectation
- Absorption takes place towards/in AOI
- Rotation candle present
- Signal 1, 2 or 3 (Fibonacci, Structure, ABCD pattern)
- Trading with the H4 Chart and when applicable, is it within 60% range
- Is the Main Swing >60 pips
- After being taken out at BE, only re-enter at better price, next level up / down
- Check news schedule – no entries around news

### **Trade Management – Point C Trades**

Stop Loss                      Placed above / below NSH / NSL

Once prices test the highs/lows, move stop to breakeven + 5 pips

If price has made a NSH / NSL, but before one-to-one or 127.2% extension and >40 pips in profit, trail on structure. If less <40 pips stay at BE + 5 points

Once the one-to-one or 127.2% extension level is reached, aggressively trail on decision candles until taken out of the trade

### **Trade Management – D – Pattern Completion Trades**

Trade will be entered at the 1-1 completion and price will be between the 127.2% and 161.8% extension.

Stop Loss                      Placed 10 pips above / below 161.8% extension (adjust if structure is nearby)

Once price begins to correct at the 38.2% retracement level of the AD leg, move stop to BE + 5 pips

Once price moves past 38.2% retracement level, begin to trail on structure

At the point where price reaches the 61.8% retracement level, lock in profit there. If an expectation failure occurs, trail on decision candle.

### **Trade Management – “Rescue” Trades**

Once the trade tests a 100% retracement (between 90-100% area), the trade will be considered a “rescue” trade with the goal of exiting “gracefully” with minimal loss or perhaps a small profit. As the trade bounces off the 100% retracement level, we will look for an entry signal per our plan above. It is important to see absorption towards the 100% level. If rotation and absorption are not present, we just take the single trade entry loss.

Once the trade has a candle close in profit, trail on decision candle until we reach breakeven for the expectation to play out. If expectation has failed but stop loss is not hit, we trail on the decision candle until we exit the trade.

## Money Management

### Mini Lot Plan

A sophisticated money management system will be utilized to determine contract size and optimize profits, as well as to preserve capital. The system is a “smooth ratio” and uses the following parameters:

**Starting Equity** = \$1,000

**Minimum Amount** – This is the amount to use for trading = \$800

**Initial Mini Lots** – 0.5 (5,000)

**Delta** - change in account balance to increase by 1 mini lot = \$400

### Standard Lot Plan

Once the account reaches the \$20,000 threshold, we will convert over to a standard lot plan using the following parameters:

**Starting Equity** = \$20,000

**Minimum Amount** – This is the amount to use for trading = \$16,000

**Initial Standard Lots** = 1

**Delta** - change in account balance to increase by 1 standard lot = \$20,000

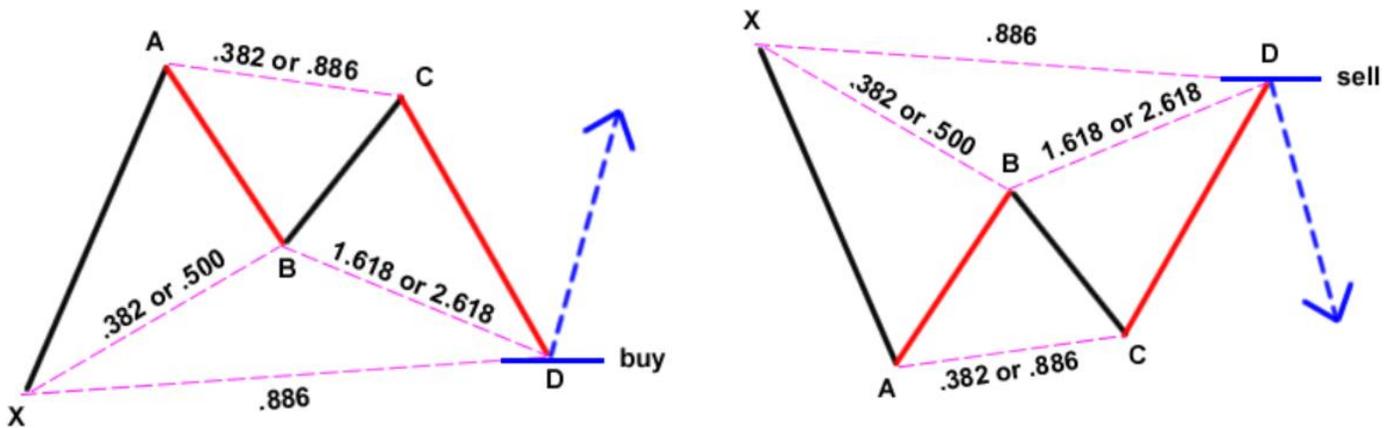
**Maximum Lots** – largest number of standard lots traded = 10

The money management template spreadsheet will be used to track weekly profit / loss and for appropriate time to adjust lot size.

## Advanced Pattern Definitions / Criteria

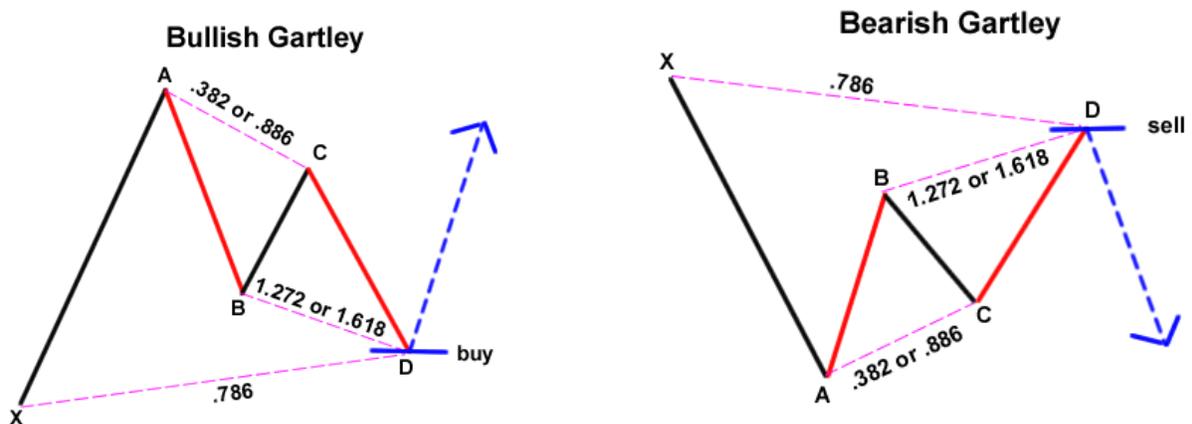
### Bat Pattern

AB = 50% retracement of XA leg  
 BC = 61.8% retracement of AB leg  
 CD = 1 to 1 and 161.8% extension of AB leg  
 AD = 88.6% retracement of XA leg



### Gartley Pattern

AB = 61.8% retracement of XA leg  
 BC = 61.8% retracement of AB leg  
 CD = 1 to 1 and >127.2% extension of AB leg  
 AD = 78.6% retracement of XA leg



## **Revision Log**

Revision 1

Added entry criteria for H4 bias / direction, plus 60% range area  
Revised broker to Forex.com / Gain Capital  
Removed MT4 and solely using Ninja Trader for charting / trading

Removed range-based charts and only using time charts  
(reason: most traders in Forex use time charts)

Revised money management plan from 10,000 to 5,000  
(reason: margin to take multiple positions. Limited due to leverage)