

Trading With Deadly Accuracy Method

Gentlemen, lend me your ears and i will try to explain the best i can.

I have been trading forex now for longer than i can care to remember. For a long time i have lived and breathed the markets. Theres nothing more entertaining then watching price movement live on your screen. If i have a choice between euro/chf (arguably the worlds most boring instrument to trade) and a world cup final, i would choose my charts. Trading forex is my only vice, and i love it.

If you watch the charts for as long as i have, sure enough you will start to notice certain things about the way price moves. Some of the things you notice involve a few candles, may be just 2 or 3. Some of the things you notice involve hundreds of candles. You notice these chart patterns repeat again and again. Some times the outcome of these movements is no different to the coin toss. Some times the outcome can be predicted with 'high probability'.

Well what i will be discussing here is non of the above.

What i will be discussing are chart patterns that work each time, every time, with 100% deadly accuracy.

Yes, i place my reputation on the line.

If there is interest then i will continue.

In the coming posts i will be discuss the following:

1. How to look at a chart.
2. How price moves (part 1 - $v/d/s - c/r$).
3. How price moves (part 2 - $b/s/r$).
4. Spotting the setup with a naked eye.
5. Entry and exit.

(Don't worry, the following posts will have more pictures then words so we shall get to the point very quickly)

How to look at a chart - Zoom Out

Zooming out tells you a lot more about the price than zooming in.

Change your perspective.



How price moves - Part 1

Price moves Vertically then Diagonally or Horizontally after which you can expect a Continuation or Reversal.

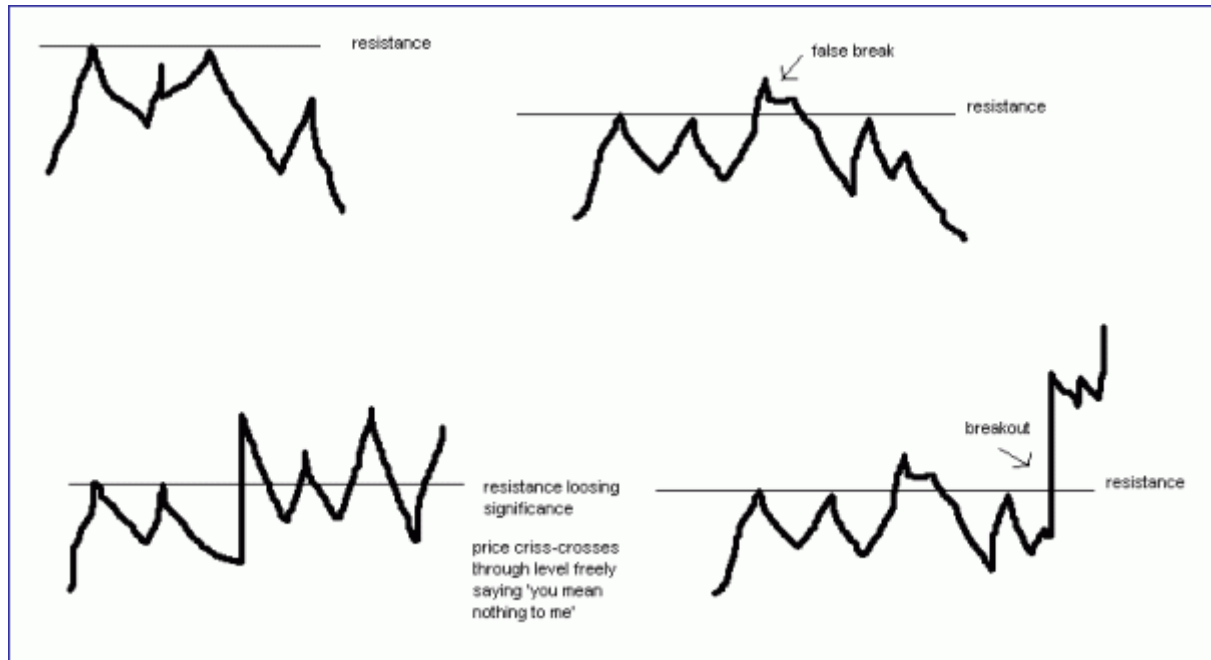
Vertical moves define trend. Diagonal moves continue with the momentum. Horizontal moves consolidate the conquest.



How price moves - Part 2

As price moves it will hit a ceiling (resistance) or a floor (support) which it can not penetrate with ease. At these levels you will see on your charts turning points in the price.

When the price penetrates these levels we have a breakout.



How price moves - Part 2 (contd)

When we have a breakout of the resistance level the price will initially accelerate away from it very quickly. It should then make a parabola type u-turn and retest the resistance level which now acts as support.

Which ever time frame you are viewing this breakout on, is the same time frame on which you will see the parabola. ie If you are looking at the 15 min time frame, you must look for the parabola on the same time frame, or higher. This formation is something that will take place over several candles.

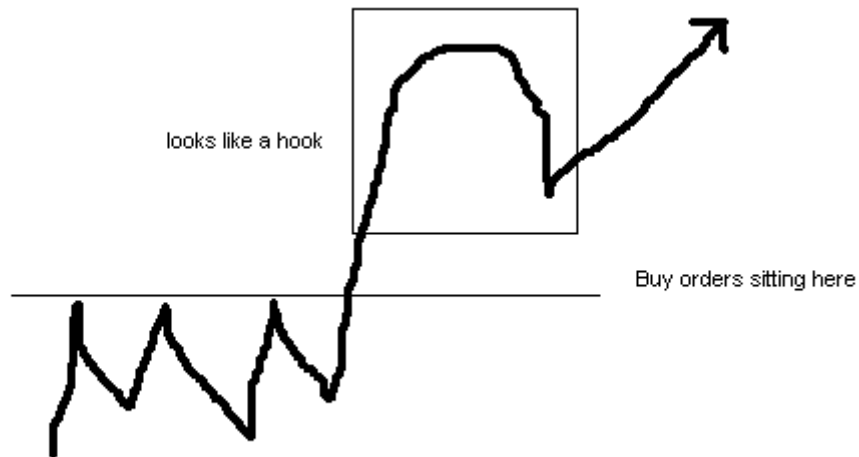
Once the price has accelerated away, many orders are placed at this level in anticipation of resistance turning in to support.



How price moves - Part 2 (contd)

So what happens to all of those orders when what should have happened after a break out did not happen?

Answer: They don't go anywhere. They stay right there for hours, days, weeks and even months, waiting for the level to be tested so that the trend which was initiated by that break out can continue.



Spotting the setup

So to summarise this what we are looking for:

1. Resistance
2. Breakout
3. The failed parabola (or hook)
4. The price is moving away from our level

When we see this we have a resistance level that has not been tested as support.

This is our pattern.



Spotting the setup

Here we have gold. Very clean chart.



GBP/USD live.



Entry and exit

Aggressive entry is by placing a pending order at the level. We have no expectation that this level should be breached. Stops are placed equally aggressively at 10 x the spread.

Conservative entry is by waiting for a bounce from the level. If it holds to the pip, this is considered confirmation. Then long/short with a sl 10 x spread below/above the original level.

Exit half the trade at 1-1 rnr or at the next s/r level which ever comes first. Stops can be tightend at this point but should not be placed in the line of fire and remain on the other side of the level.

Sit on the remaining position looking for a significant retrace of the move that bought price to this level. A complete retrace is not unusual. Only kill the trade if breaches the level.

Some thoughts...

As you can see from the charts, entering in to these trade requires patience. Sometimes it can take days and weeks for these levels to be tested. So when you are in the trade, exercise equal patience by holding on to it and you shall not fail to be rewarded.

Examine the chart with your eyes wide open. This trade setup is obvious. Everyone can see it. If you have to force yourself, then it is not there.

I have described how i manage my trades, however once you are in it, trade management is your responsibility. Take what the market gives you. Stay in your comfort zone when it comes to taking risk.

Pay more attention to setups on longer timeframes. The levels pretty much always hold. It would have to be a very bad day when they dont.

Most of my trades are based on levels found on the hourly and 4hr charts. The same principles can be applied to smaller time frames but trading them requires more discretion.

Feel free to discuss this method and post potential setups.

If you feel this thread is of merit then give it a rating so that more people can benefit from it.

If you like where its going let me know. It'll give me wings

Once we are familiar with identifying s/r/bo levels, we can advance to the equally deadly strategy for trading diagonal price movement. That should get the day traders excited.

This is what i see on EUR.



Stops

Using this technique we are identifying precise entry points for our trades. Any significant breach of those levels would in effect nullify the validity of the trades.

I used to use a hard stop of 40 pips. However, different instruments exhibit varying degrees of volatility. I have taken the spread as an arbitrary measure of that. So 10 times spread is typically more than enough.

EU - 20-25 pips

GU - 30-40 pips

EY - 35-50 pips

GY - 60-80 pips

UC - 40-50 pips

*I zoom out as far as i can to find the price turning points. A 4hr chart displays atleast 4 to 5 months of data which is more than enough.

This method is a technical play based on breakouts where we have untested resistance/support. News tends not to effect the outcome.

*This setup works on every time frame. The smaller time frames require more discretion. Sometimes it can difficult to spot the break out. I'm sure that there are some skilled traders following this who have an eye for it. I prefer the bigger picture.

Gbp/Chf

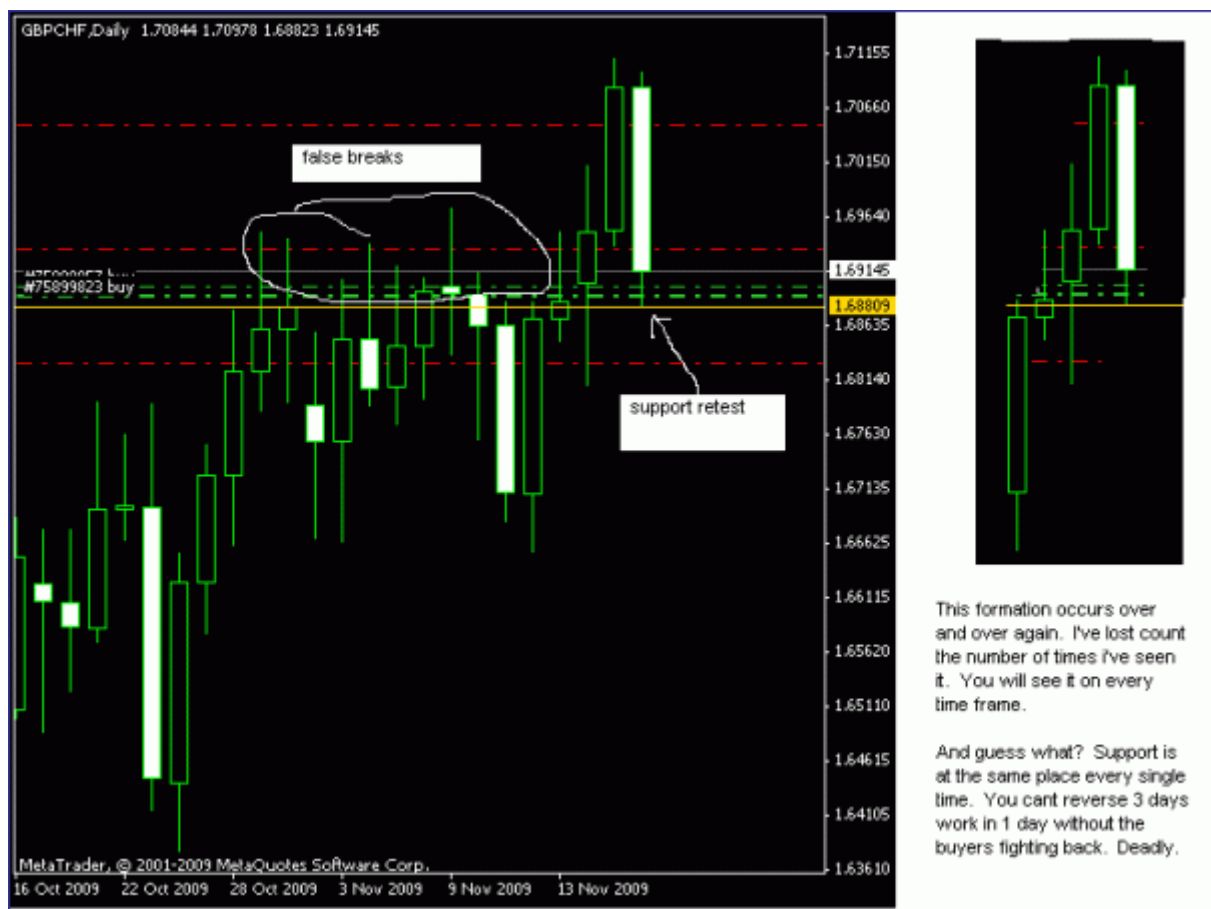
Sorry i couldn't update earlier, i'm not really a multi-tasker (Windows 7 was not my idea).

I stumbled accross the trade while flicking through the charts so couldn't give much notice.

Heres what i was looking at with the cable swissy trade. The level was picked from the daily.

I'm a little apprehensive about how far this one can go; you'll understand from the hourly. I've exited 60% of my positions for between 25 to 30 pips and now moved my stop to 6860 so i can sleep easy tonight.

I'll check in again tomorrow.





Exits

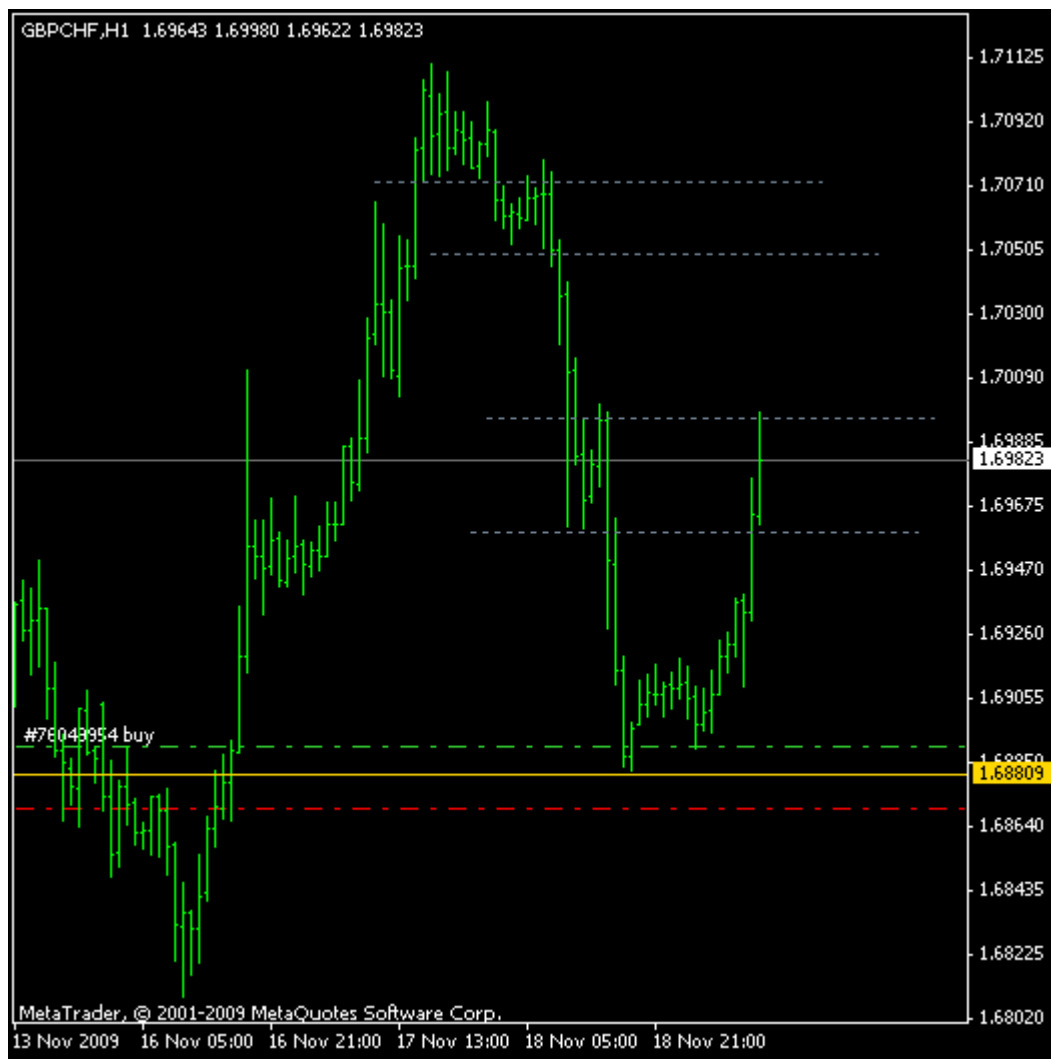
I usually look to close half of my positions when my r & r is 1 to 1. So if i set a 50 pip sl, then i will close half the position at 50 pips and ride the rest as far as it can go.

My usual expectation is for atleast 60-100% retrace. I mark potential targets on the way up and use those for exits.

Although this style of trading has positive expectancy i try to remain flexible on tp targets. Some times i will close out positions for just 10 pips because the chart indicates that my level will not hold. Dont get stuck on the idea that the exit needs to be such and such pips and nothing else. You have to take whatever the market gives.

I never move move my sl above the entry level. I will have closed out all my position long before the price ever reaches there. My sl is more of a fail safe against extreme price movment. This does not mean that you can't move your sl. Locking in some element of profit is always worth it. This depends more on your style.

I hope this doesn't sound wishy washy. But in a word, be flexible. A few pips in the hand is worth several in the bush.



*Question:

I saw your recent posts regarding the resistance, breakout and failed parabola pattern. I have been trading these patterns for some time along with 50%Fib levels and resistance/support levels. My question is how do you know when you have a top and trend reversal such as the current Euro. Right now we have a resistance level of 1.5062. Currently price is at 1.5000. Does one look at the prior level of resistance and assume it is a top and place a sell order there along with a stop approx. 20pips above? Or do we wait to see how price reacts to that level and if resistance holds, meaning price starts dropping on the smaller TF's and showing tweezer candles on 1H and 15M - only then do we enter our short? I used to be a momentum trader in the past, however I'm now looking at setting my trap and letting the market come to me, instead of chasing the market.

--

What we are trading is a parabola or arc shaped pullbacks or corrections to the break out level.

The direction of the breakout defines the trend. When we see downward breakout on the longer time frames we can determine the overall trend to be down.

If we see upward breakouts then we determine the overall trend to be up.

This method is a trend follower, not contrarian.

Take care not to second guess the market where you have immediate highs or lows. Never assume tops and bottoms. Its a sure recipe for getting burnt. Just wait for the breakout, when you get a pull back, trade it.

I've boxed the breakout zone from the 15 min time frame. I'm not keen on an aggressive entry here. We'll need to watch the pa around the lower trend line.

The horizontal line is taken from the hourly.



I'm a big fan of trendlines, my approach may not be orthodox, but i doubt its unique.

On a downward diagonal move the orthodoxy are looking for a breach of the upper trend line.

I pay more attention to the lower trendline with the assumption its going to hold. If your a scalper or intraday trader these ltl's can present a lot of opportunity's and when the reversal comes, you will have caught it at the beggining.

For the purpose of trading the breakout pullback, it adds strength to the horizontal level if coincides with a diagonal support.

*Question from Porky(FF member):

What if there are several hooks that approach the s/r level but don't hit it? does that make the level void because there is no longer a smooth parabola approaching the level?

You can see in my attached chart.



Answer:

hi porky,

we are looking for chart patterns in a particular order.

firstly, a breakout

secondly, a hook

thirdly, for the price to fly away it should go and make higher high or a significant move above the hook, some kind of lasting vertical/diagonal move. (see the gbp/usd chart from earlier post)

then we can place our entry at the price where the breakout began. The breakout candle will be long and vertical.

i have posted some charts earlier in the thread with very clear examples. i struggle myself on smaller timeframes as the pa is not always clear. what i would say though is that you should always look for the obvious. if its there everyone should see, if everyone can see it everyone will trade it.

I also want to mention something about identifying s/r levels. The s/r level is not always the most extreme point price went to before retracing. Usually it is the tip of the candle preceding it or the one after it. Sometimes you can get multiple failed attempts at breaching it. One of the things i think about when i am looking for the s/r is to say 'the price couldn't hold above there'. Take a look at the gbp/chf daily chart from earlier post to get an idea of what i mean.

*Just reviewing my last answer, i dont think i addressed your question fully.

The level is valid regardless of how price approaches. Wether it comes arched upward or downward, vertically or diagonally. As long as the break out pattern existed, the level is valid.

Heres an update to the gu trade. I'm out of 80% of the position at 50 pips. Going to tighten stops to 10 below par. Thanks to Porkpie for bringing it to our attention.



Originally Posted by **oneuniverse** ➤

wmd,

you are doing a great job! 🧐

I have attached two charts EU M5 , both of the charts show a breakout and the previous resistance is not being tested. Prices then take off. The second chart did no take far further Can you share your view on this or may be i am wrong in interpretation!

Cheers

Winston

Hi Winston.

You sure do pick em'.

1. zoom out.
2. look for the origin of the move. where did the present up move start from?
3. how does price move (part 1).
4. don't ignore the rest of the pa on the chart.



gbp/jpy

A picture should paint a thousand words. So heres two thousand.

Using multiple time frames gives a lot more clarity. I've drawn circles around the the points that look like false breaks. I've boxed the candle that looks like the origin of the breakout.

(Note the double top, pull back and down trendline)

I'll be watching the 143.20 level if price reaches there. We may also have an upward tl to confirm support.



Originally Posted by **wmd** 

Position halved at 50 pips. Moved sl to 6450 (25 below par).

007: i thought i was late calling it. the pics are for you buddy.

Took the bounce from same lower trend line that netted pips yesterday. Because of the way price accelerarated toward it, had to wait for pa to show it was going to hold.

Somethings i saw on the hourly gave me confidence, see if you guys can spot it. It doesn't happen every day, but when it does u can make bumper pips.

So i lifted the flap and pushed the button.

I may not understand.....are you trying to catch a move back to 1.6620? or setting up for a sell to 1.6061? Your doing a great job here----but it would seem to me that the continuation down has the greater R/R factor.

If what I'm looking at is way off base please correct me.





Answer:

*The gu long was taken on the basis of an intra day snap back.

For a short entry to continue the current move, only look at the sellers in the current wave.

bop gives us 6620-6640 as best entry level.

*bop = ?

Its a new one on me.

I assume its break out point

Answer:

*bop - break out pullback (assuming pullback is one word) but 'point' will do equally well

Different terminology/same thing.

When I exit (usually 60%) at an equivalent pip count to my stop, I call it buying my stop. It seems everyone else **locks in profit** by exiting X% and moving to entry. That usually gets me stopped out. I try not to move the stop before the market makes a new point of SorR. If I understand your trade setup your doing something similar.

Answer:

*Exactly.

Steps.

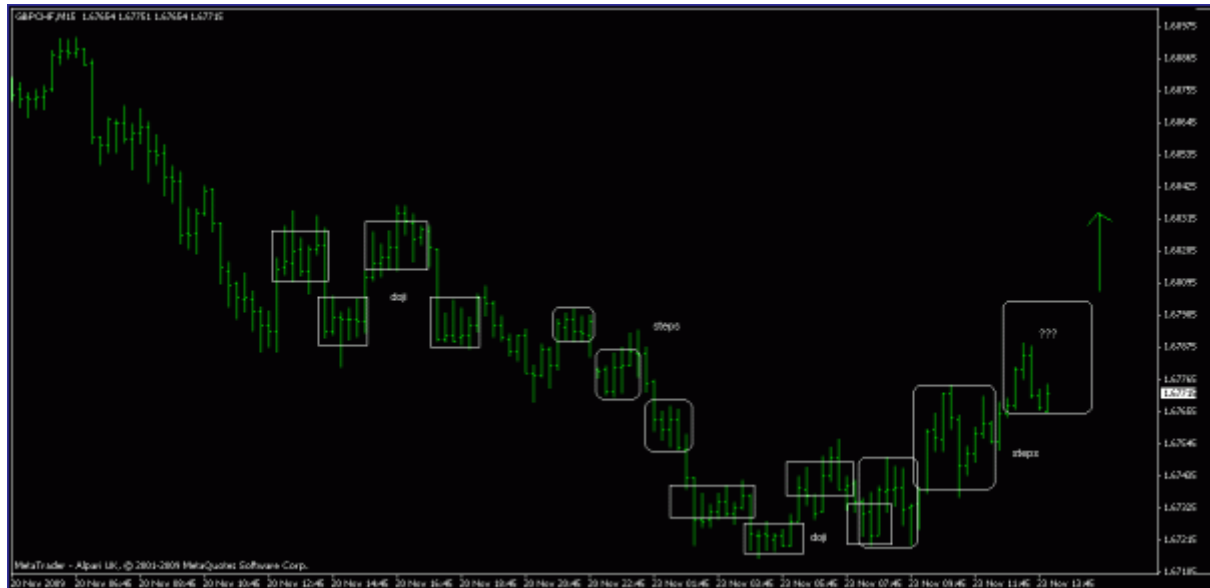
Something to think about before and after London opens.



More Steps

Here's how gbp/chf shaped up since this morning.

If the third step completes it will make a sound long entry. Support at the pivot of the doji 6730'ish.



Originally Posted by **pipimo88** ➤

*New pattern I've learned on this thread. Here it is ("steps") on 5M G/U at London open. **WMD...** three questions:*

1) Is the "1st step" in the yellow box? or the 1st step counts once it breaks out of range?

yellow box is the first step.

the closer the steps are together, the stronger the formation is.

if you get a step, break out, step, type formation, take a little care.

if in the 2nd step, you get a spike candle in to the first, and in the 3rd step you get a spike candle in to the second; this is the strongest formation. usually it triggers a long reversal and price does not return there for a long time (depending on tf).

2) Is this something common to a certain pair, like G/U... or one pair will do it one time and another at another time?

You will see it on every pair and in every time frame. It is more common in the smaller time frames 5-15m

3) (Just confirming) And it's only valid just pre- and at London open. Correct? Thanks.

Its valid at all times.

Shall i post it here next time i see it?

Next time you see it, post it!

Steps seem to come in shapes and sizes.

I look for steps which are more tightly packed together and with more uniform candles inside each individual step.

I would take entry when the third step is forming in anticipation of a break. It gives you best entry with lower risk.

**

Originally Posted by **finswin56** [➤](#)

I've been targeting this 1.6754 level since the move down. Now seeing how it is a deep retracement make it an even better level for me. Cable tends to like deep retracements. It would be nice to see a correlation with a Fib level, but not necessary to trade.

it was only a matter of time. as an experiment try these levels. 33, 50, 66, 75, 80, 90.

Originally Posted by **finswin56** [➤](#)

As in 1.6733?

..instead of the regular fib levels

*Very interesting. How/why did you come up with those levels?

Answer:

Used to be an engineer of sorts once upon a time. When i wanted to work something out quickly, a 'rule of thumb' would do. I dont expect its any different in the pits.

The levels are a third, a half, two thirds, three quarters, 80% and 90%.

There seems to be a lot of debate about the accuracy of this method.

I have described an entry which has a graphical form.

The break out is typically from a cluster/congestion zone at the bottom or top of a swing. The hook typically has a parabolic form but fails to reach the break out level by a margin. The price typically runs away well exceeding the level of the first hook. When the price returns to the break out point we seek entry.

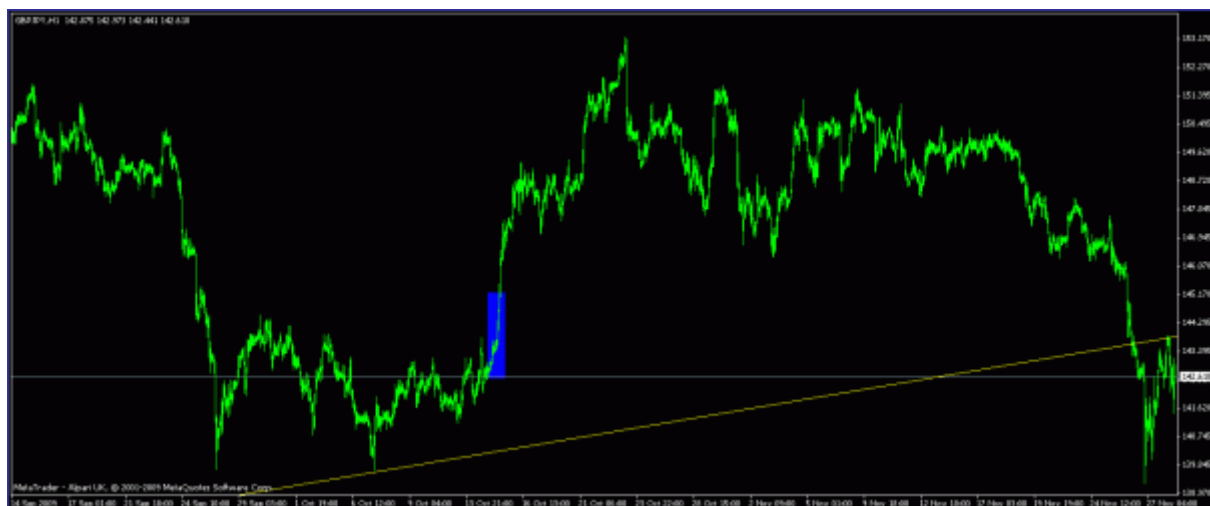
We've posted many examples here which succeeded. However to have a balanced view I'd like to see some examples of pattern failure. I would be grateful if you have them that you could post them here for analysis.

We may find a formation in the price action which alerts us in advance that the pattern will not hold, which in turn could keep us out of that particular trade.

Considering the two examples we have for possible pattern failures.

Gy on closer examination looks like a miscall on my part. The breakout levels were correctly identified. There is however a distinct lack of a hook to signify untested s/r. Also for stronger levels bo from horizontal zones is more promising then from 'v' shaped zones.

Ay is a harder case to argue. I dont want to fall in to the trap of trying to force a pattern to fit. So i wont. The only thing i can notice is that although the price exceeds the hook, it doesn't continue the breakout momentum. Something to look out for when trying to verify levels for future trades. A better example of a trade follows it.



Aggressive v Conservative Entry

One of the advantages of trading the bop is that the price at which we expect a reaction is always in a tight region.

Sometimes watching that level being breached by even 15 or 20 pips is sufficient to symbolise failure.

On the longer timeframes, where the pattern takes on an 'obvious' formation, aggressive entries with pending orders can be merited.

Where you have a breakout zone but the bop pattern is unclear, then entry should be determined by price action around the zone.

As a secondary measure i use trendlines; in a down trend i use the ltl, in an uptrend the utl; looking for confluence of s/r around the bop zone.

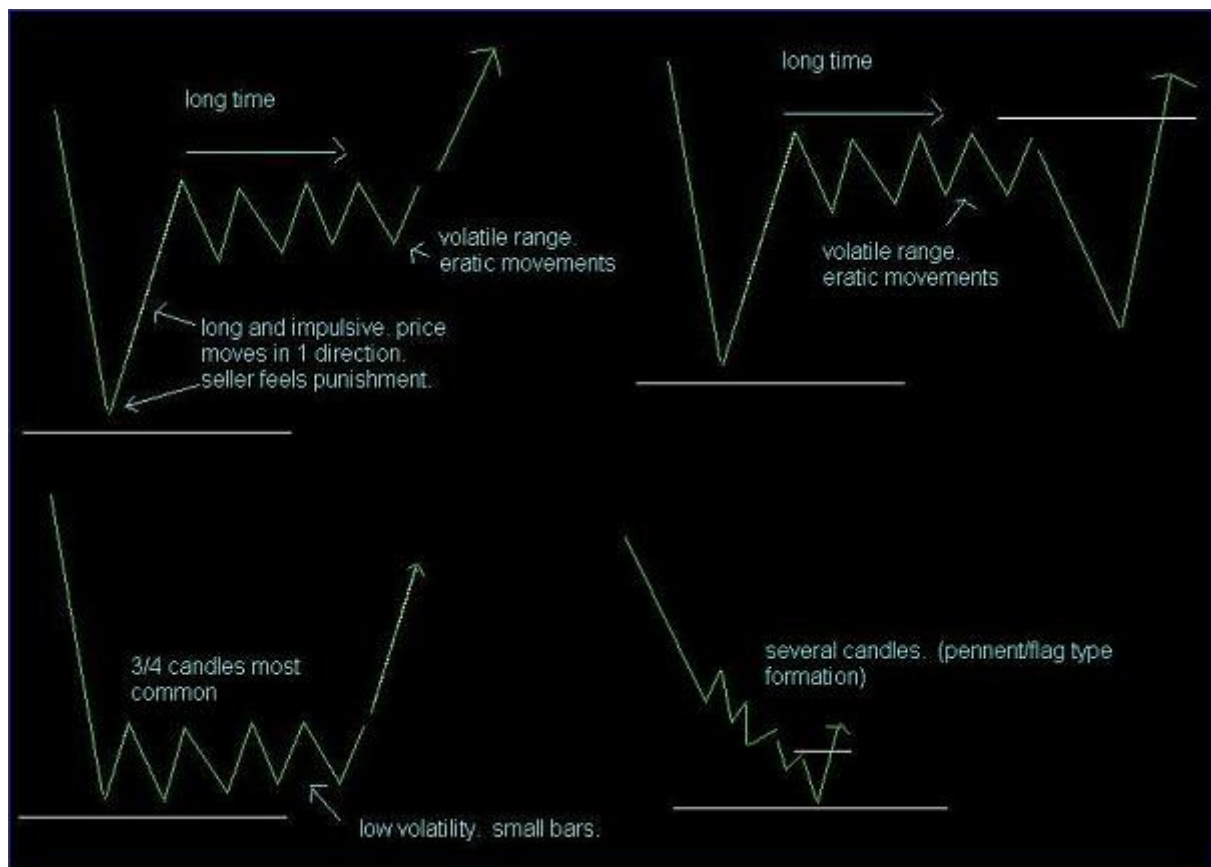
Pa indicating that a level is actually a level and/or will hold has several characteristics which demonstrate a 'sudden' rush of buyers/sellers entering the market at the given price. That rush is met with traders trying to continue the trend. If you're watching it live, it takes on what resembles wild stabbing movements toward the bop each one failing to hit.

Pa indicating that the level may be breached also has certain characteristics damping out any reversal expectations.

I'll post some of the more common or easily identifiable patterns in the coming sessions.

Here are some of the more common patterns indicating reversal.

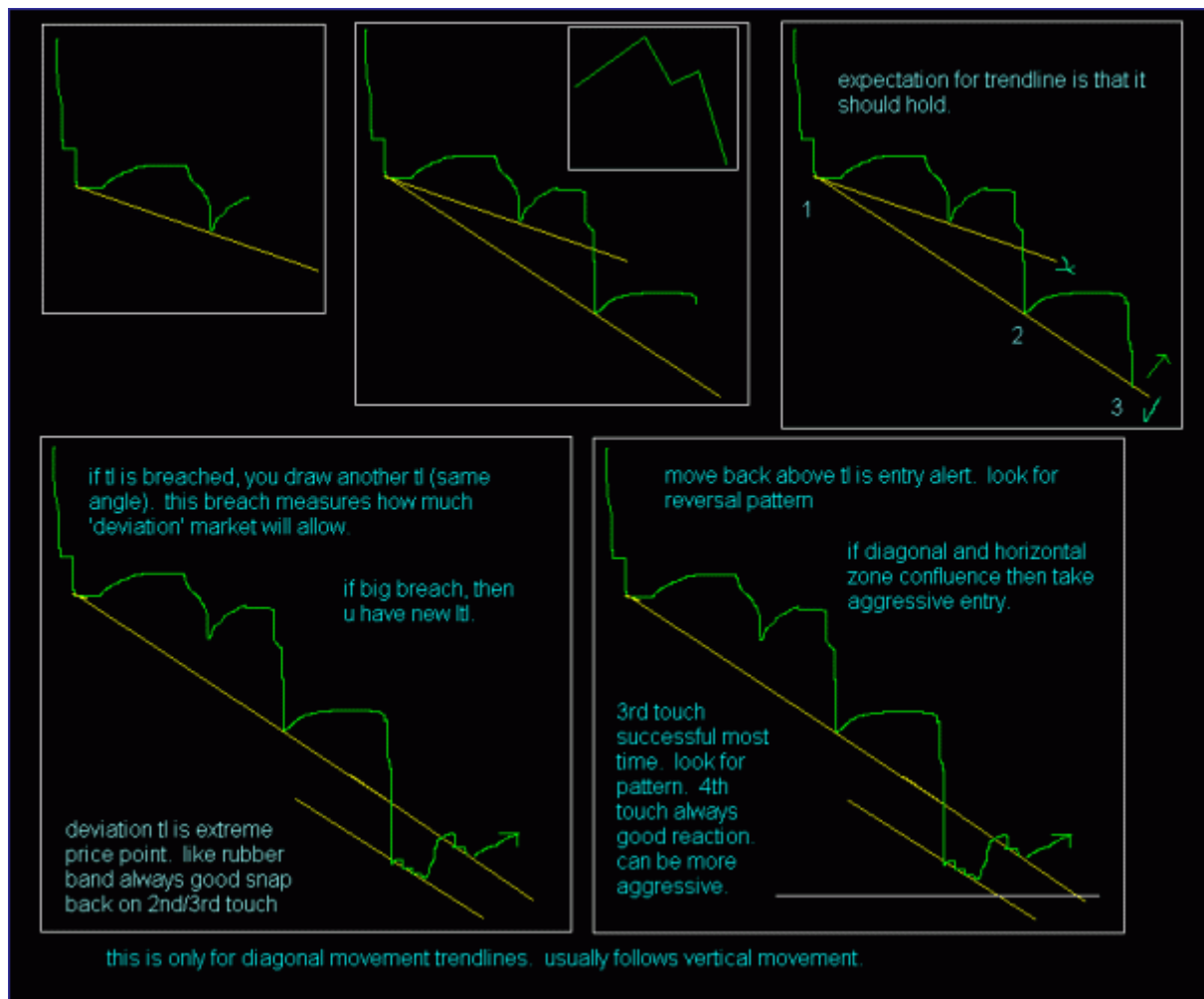
We are looking for these at or near s/r/bop levels for non aggressive entry.



For secondary confirmation i use trendlines. There are many good threads dedicated to trendlines here at ff so i dont need to say too much.

I have also attached template for gbp/chf with trendlines drawn.

As mentioned in previous posting, we are not looking for trendline break. We should be in a trade much sooner than that. So for upward move we use the upper trendline. And for downward move we use the lower trendline.



In a diagonal fall, there is a positive expectation for the line to hold. It will do so more often than not.

If the 3rd touch holds, then more often than not the 4th touch will hold and give a good strong reaction. The psychology behind this is that all buyers saw 3rd touch hold proving dynamic s/r so they place their trades.

If the line is breached, (it should have never happened), then the price will return to retest the level. This is fakeout testing resolve of buyers. You can see how strong resolve is in pips by measuring the deviation. This may help you change your mind about the trade if necessary.

Please note. We are looking to tie a diagonal fall with a horizontal level.

To trade this approach on its own would be contrarian so extra care would be advised.

Trendlines drawn between extreme points on higher time frames have more significance.

It may sound silly but its important. Like this 'I' is vertical. Never stand in its way, wait for reversal pattern. Like this is (\) diagonal. The more shallow the diagonal the better.