

[Quoting mayflower](#)

Grateful thanks to Husky and Jazz. Can you point me to any previous posts that explain the difference between an AB=CD and an ABCD please? I used to know the set up with the two red trendlines and the two red boxes as a reversal.

For the ABCD, why don't you put the indi from Des on your chart? it is amazing and pretty without errors. You will get the hang of it.

For current H1 ABCD,

the C is what you chose first, it is the first bar-close which crossed the EMA up.

Then you find a pivot to the left which is below the EMA which has a higher price than C.

That's the A.

The B is either the lowest Price pivot, or a bar-close price that belongs to the bar with the lowest RSI(14) value; we normally use the lowest Price pivot.



For the AB=CD,

A to B is a clear move

B to C is what you measure as exact 50% retracement from AB.

Then CD=AB

Now you draw a box below and above D. That box has the height size from C to the Price that was max made in reality during the pullback. This box at C can either be below or above C (in this picture below).



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[Quoting Nala66](#)

It should be the case if the EMA is to take out the HH at A then price should run to B... But which B?

It all depends on the speed of the move, don't you think?
a 50% retracement will be at the ABCD target.



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It is not far to that 1H target so it can take its sweet time.

It did make that second B so excuse me while I go away and cry a little with the anguish of it all.



I am more interested in the research, trying to figure why things happen.

For example look at this my 1H chart. In blue I have drawn what could possibly be a different ABCD waiting to see the result and then see if this happens a lot. It could be how the market makes corrections, who knows not me, YET



[Quoting huskyboy](#)

2 M5 AB=CD's did the job, H1 ABCD filled {image}

Very good and well spotted that man, now all we need do is teach you to draw them correctly...Example below.

For me in the chart below I would be trying to load up by the small red box. Look at my risk versus reward. My lot sizes can be very much smaller because I have a greater distance to profit from and thus my risk is much smaller also.

C is always 50% of AB so we can plot these distances well in advance and calculate what we need to place on the trade to made the required profit.

This is by far the least understood... Small Risk/Large Reward

It doesn't matter how you slice up your entries. I go with \$3, \$6 and \$9 = 1.8 lots and equates to \$25 a pip. This move was 85 pips so $25 \times 85 = \$2125$

Now look at the risk peanuts in comparison.

The quicker we can get our lots on the less the risk and the more profit potential. We still have heaps of time to add to this winner if we wanted to.

What is the point of plotting the target distances if we are not going to take advantage of the situations.

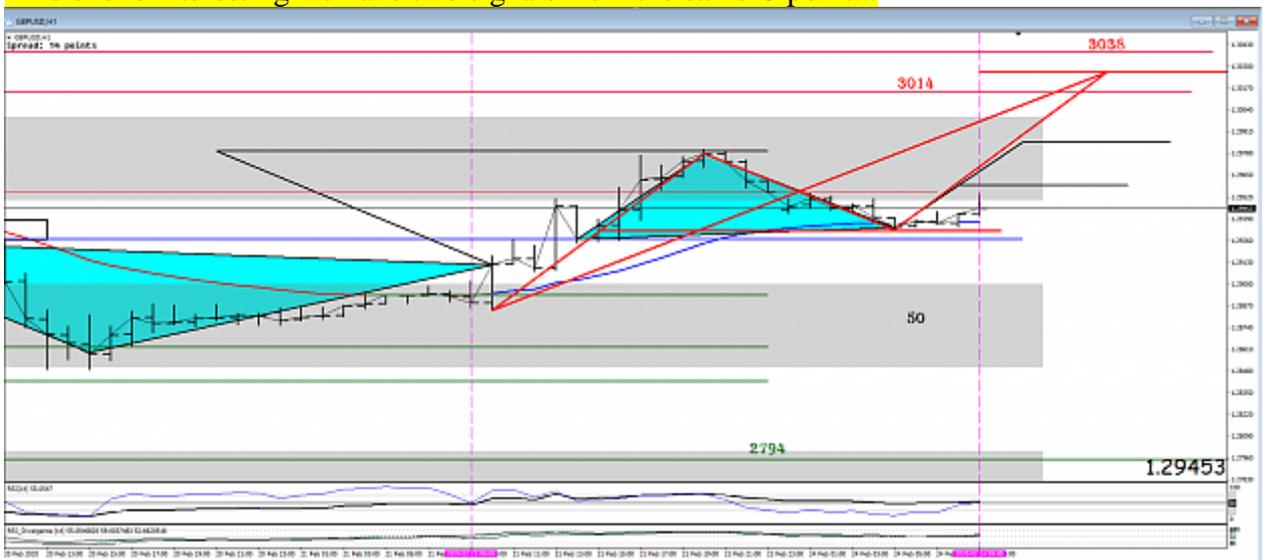


By using the quartile tool you will see just how popular these AB = CD's are and how accurately they perform.

Note how we plot from the swing high to low on each side of the EMA and we ignore the tiny signals as not being profitable.



This one is interesting we have two signals from the same C point...



Last Friday I ended in loss but today was a good one.



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[Quoting cylon](#)

{quote} Nala why is my point B different from yours in the ABCD triangle? Or rather how do I know how to choose the correct point B. Attached is my ABCD triangle. Thanks. {image}

If you don't mind,



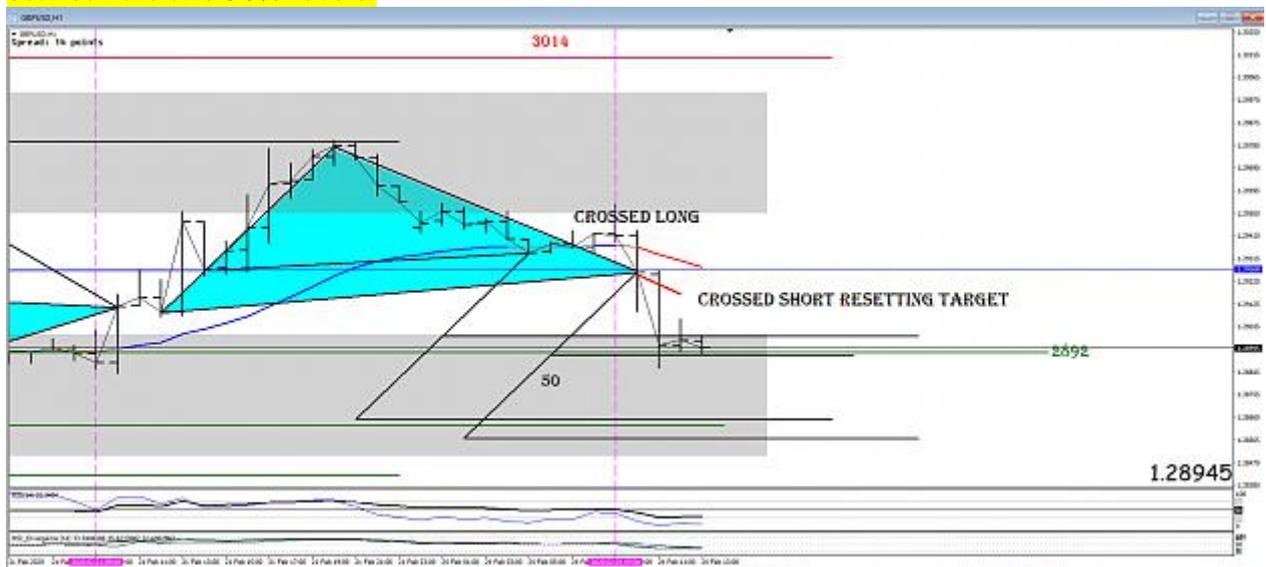
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[Quoting Jazz1964](#)

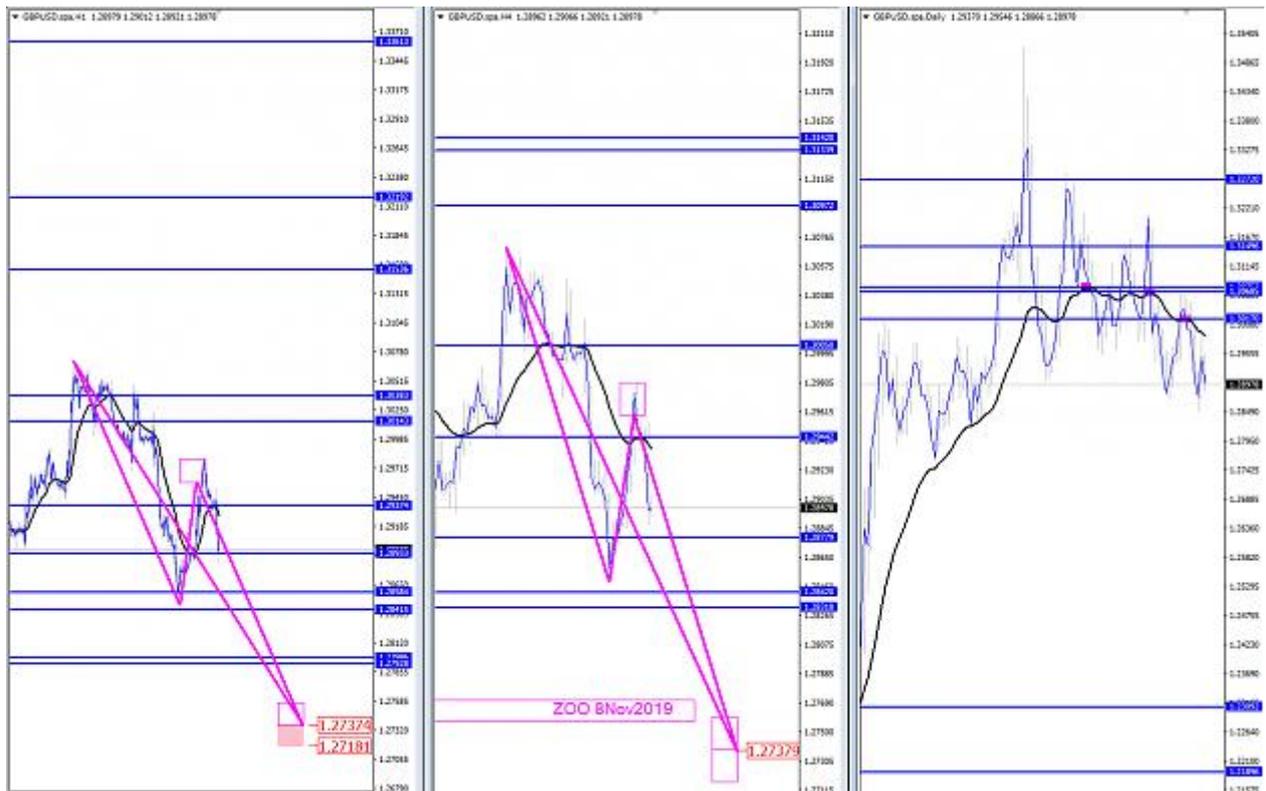
{quote} If you don't mind, {image}

There is nothing wrong with your ABCD yellow triangle at that point in time but I have been working on the theory that if it does a cross and recross it tends to reset the target level.

For now I put both targets on to see if this pans out or not. Strange how it is bouncing between the two 50% levels.



Pretty large targets here

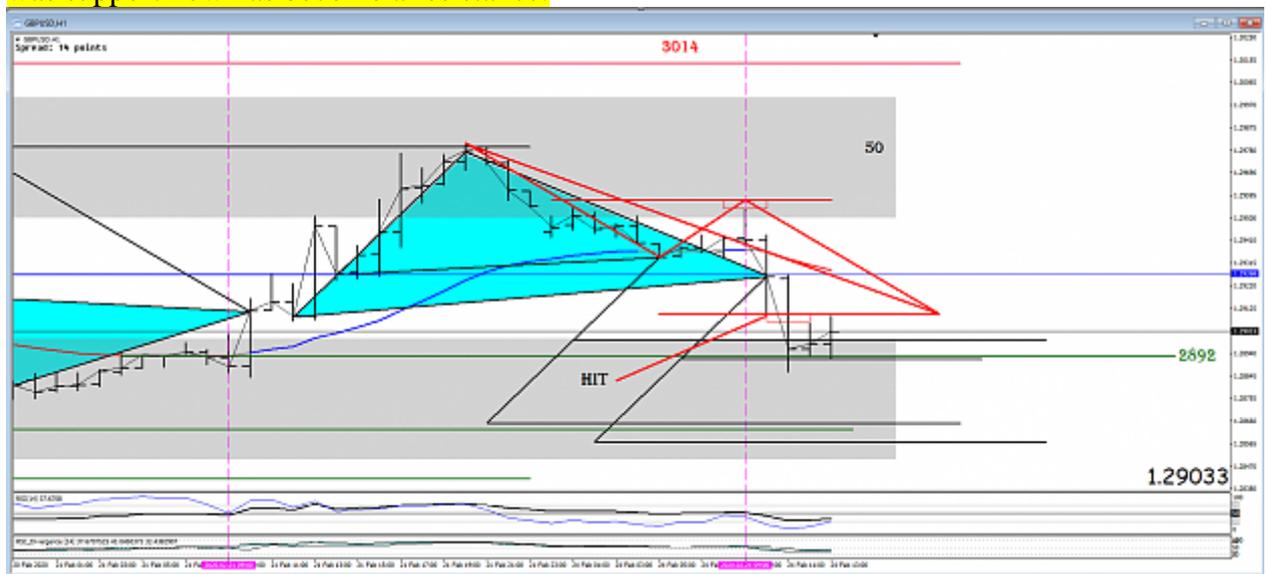


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[Quoting Jazz1964](#)

Pretty large targets here {image}

I have the 1 hour AB = CD as already being hit. Now I am wondering if the D target which was support now has become a resistance.

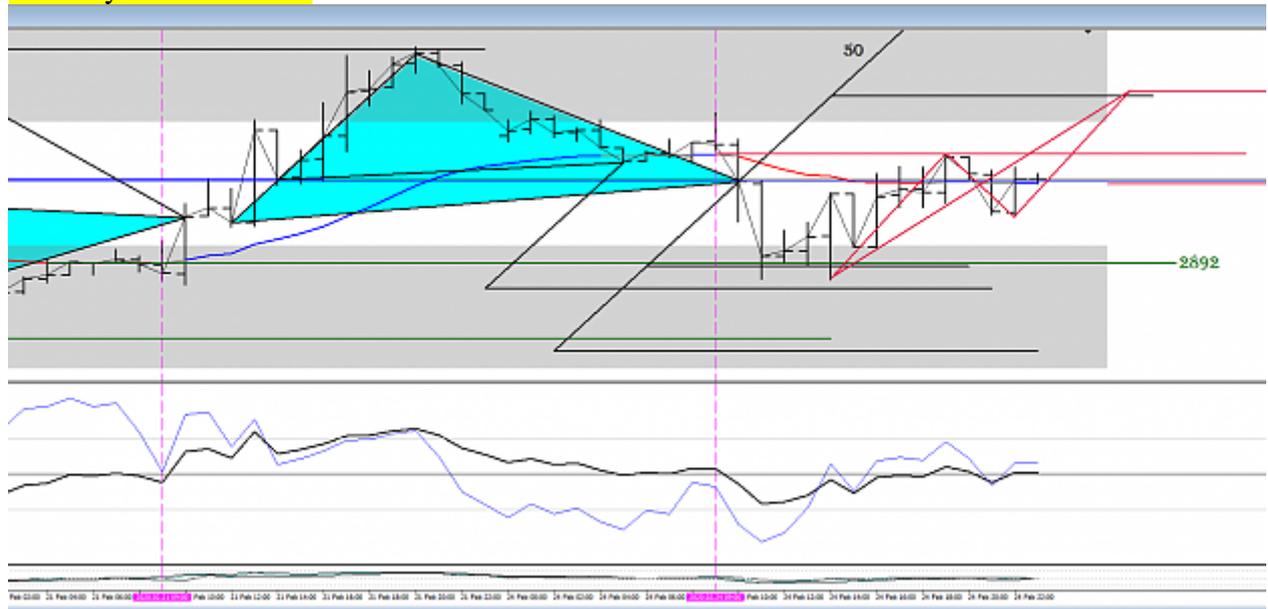


[Quoting huskyboy](#)

{quote} Alan apologize if I am missing something, but are the price projections of your first ABCD correctly drawn? Shouldn't it be like this? {image}

Oh my apologies I see what you mean now. I have use the second AB line to project both the smaller one and the larger one.

So even if I correct this error it still looks like it was the second target price was aiming for and only made the 50%



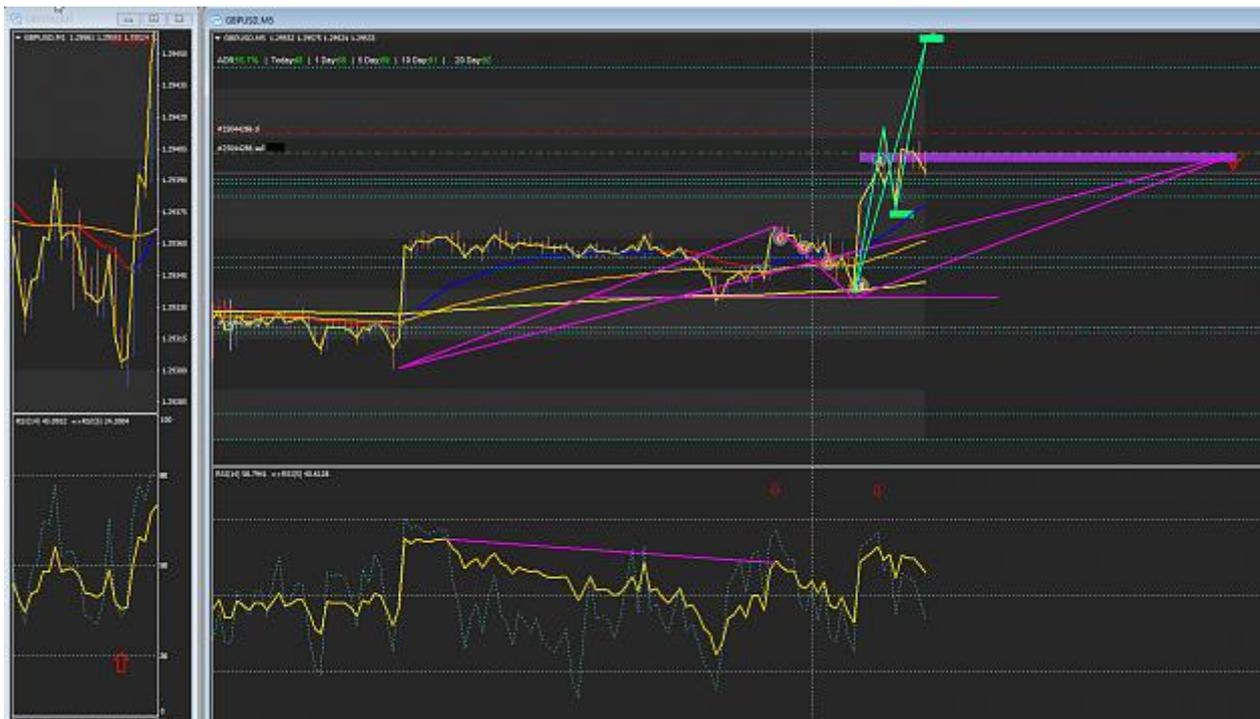
Hoobloodyray it finally made the $AB = CD$



[Quoting Nala66](#)

Hoobloodyray it finally made the $AB = CD$ {image}

Yes it did! And I gained on it.
First a 3-phase Short, then the Long



Now I am in a bonus trade Short, hmm I have a thought on that one 🤔.... the M5 has a AB=CD to 1.2980 which is a horizontal ZOO for sure.

Instead of going for that, I went Short on the 50% ABCD on H1 (two of them!)

Bear div from H1 to M5.

I took that Short as a bonus trade with 4 pip risk / BE close / 30 pip profit into H1 EMA swing low 1.29257

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And there we go with the larger of those ABCD's being hit.

I am becoming more convinced that the move at C is actually an adjustment to the target level.



This magenta M5 adjusted ABCD did work well too, Alan



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I take it that we are all happy to accept price makes these adjustments and then goes for the newly adjusted targets.

It just goes to show that there is always something new to discover and we should never quit learning and recording our findings.

For our diary of events we see on the 1 hour chart below the average was attempting the 2936 and made it. In doing so price should reach the next level 3014 and it did that also.

Putting things together we have the swing averages as targets and the mechanics of getting there via our A---D setups and this comes together with a great deal of accuracy because it is based upon the equal swings of sentiment. That is to say a buyer sells and a seller buys as money passes from one hand to another. The beauty is that we can convert the math to a graphical chart we can all follow.



[Quoting mayflower](#)

Sorry about the slow response Jazz, I am a bit slow drawing these. I hope this helps. {image}

Hi Mayflower,

On your chart, I marked the original ABC plus the adjusted ABC as they are used in the thread.



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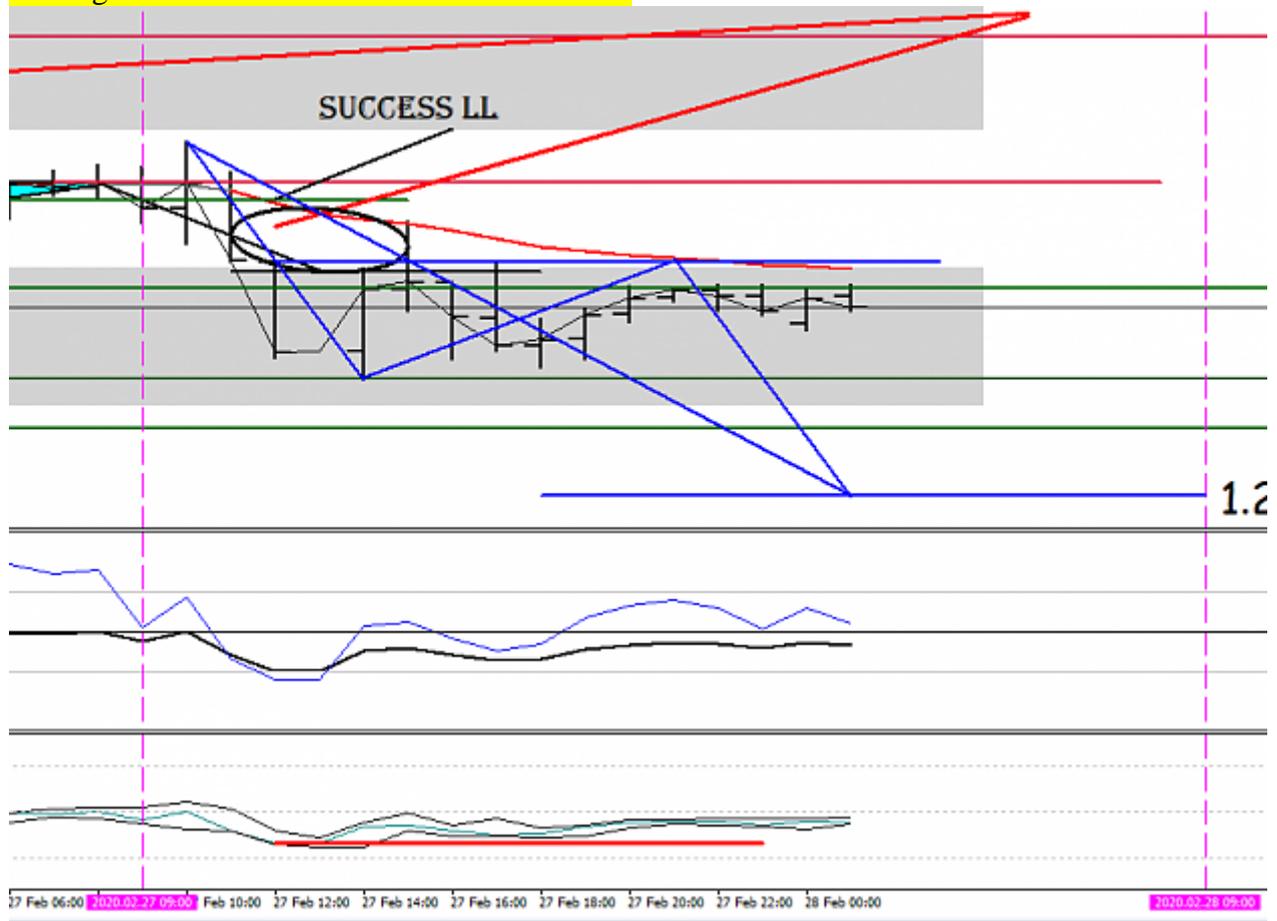
There has been a lot going on this week and it is still only Friday but this is what the 1 hour chart looks like for the diary of events.



Interesting to note that from Thursday to Thursday Price did not move at all despite many fortunes won and lost over the period.

Note how there is always a mechanical method of taking price to the average swings and these are seen as good trends on the 5min chart.

Now are the bears going to make the LL average or are the bulls going to stop them? I am looking at this blue AB = CD on the hour chart...



[Quoting 44johnw](#)

{quote} Hi Alan, Hoping you could clarify a couple of things for me if you dont mind. The H1 chart above are you drawing your average swing levels manually or using the indicator. Im using the indicator and the level you have at 2861 it plotted mine at 28581, thus price has not touched the level. I know its not a lot but with the precision of the system this tends to throw me out of whack with what I look at doing next. I have checked the swing level price on 2 different Brokers one of which you mentioned you use and I get the 2858 level. It is...

Yes I plot everything by hand. I rarely close on the exact location this just serves to give me an idea of the size of the trade. Once I get my pips then that is enough for me.

That line 2861 goes back a long way so much so the thickness of the line makes a difference.

I just checked on the 5 min chart and Des's plot does not allow for the divergence on the RSI however we could say the difference is a possible range to be hit and if we opt for the least then we won't be disappointed if it doesn't make the max.



I deleted that last post because it was wrong.

It cannot be an ABCD because it chops off the RSI in the red square.



This is V1.6

[Quoting Jazz1964](#)

I made 3 adjustments to the M5 ABCD. target is 1.2901 now

Target hit!



I admit this was not the best way to deal with the hedge 😞 I was slipped there a few pips negative and stayed perplex.

[Quoting des_b](#)

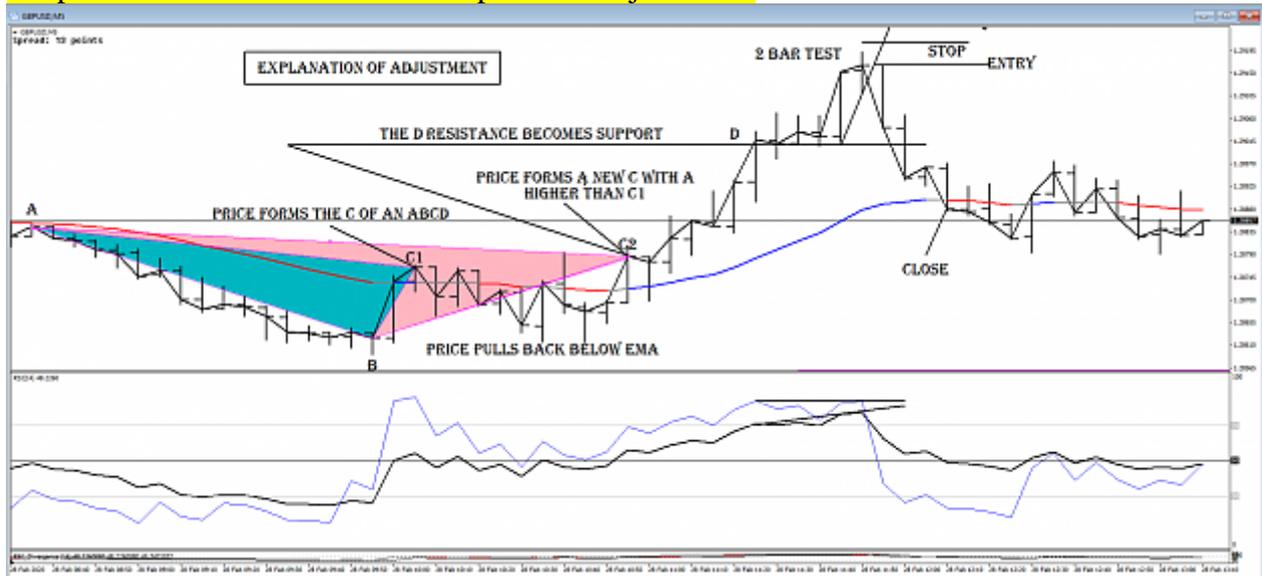
{quote} Hi Alan, I completely missed that element of the Targeting, great to get your experience in reviewing the indi, I have amended the code in V1.8 to ignore all triangles in which the RSi breaks the HHLL/LLHH of the line between C and the pivot being targeting. Hope it's a bit more accurate now Cheers...Des {file}

Perfect adjustment IMHO,
just all those horizontal lines...



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I hope this makes it a tad clearer to spot these adjustments

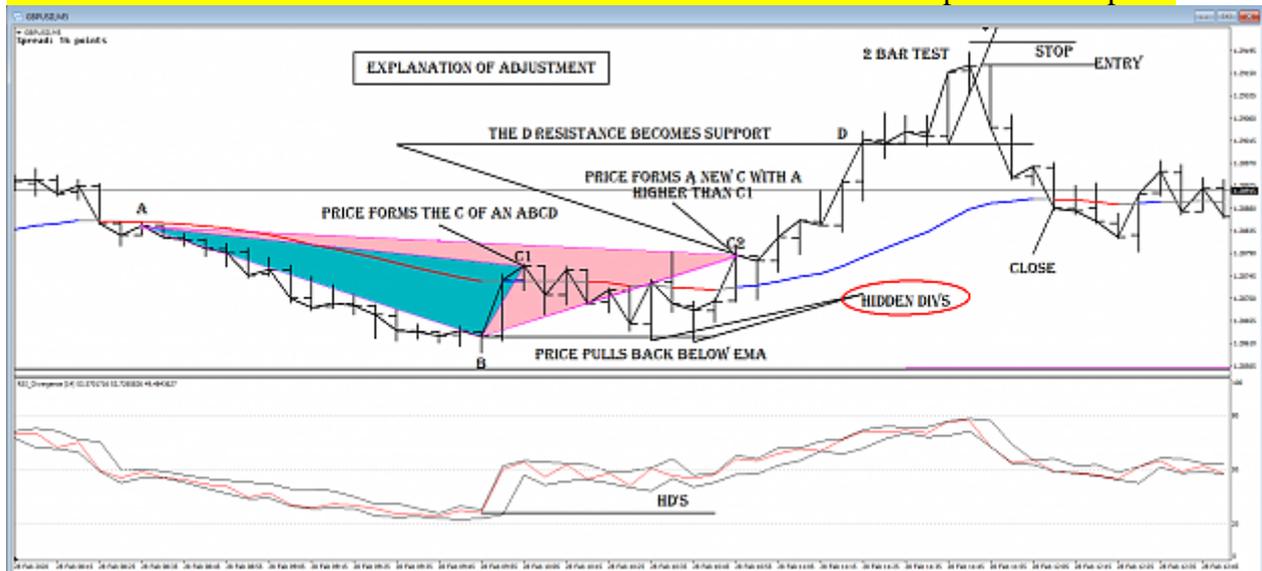


[Quoting Jazz1964](#)

{quote} "The D resistance becomes support" such a nice observation!

I'm sure I have mentioned this before.

What I did not show on the chart above was the hidden divs that sent it up in the first place



[Quoting des_b](#)

{quote} Jazz, the messy lines relate to a target from around 2.30 on 27th which have not been hit as yet, is there a point at which these become redundant, if so I can add a condition to reflect this, happy to know Alan's opinion on this as well Cheers...Des

I don't know what is going on with those lines... This is my 5m chart with V1.6 and I don't have any of them????????????????



Except the latest ones of course

Lets see if this latest one on the 5 min makes the adjustment to the one in black.

Price made C1 then went back above the EMA and then down again to form a C2



[Quoting des b](#)

Jazz, That's the targets hit on the 5Min and those pesky lines have eventually gone Cheers...Des V1.8

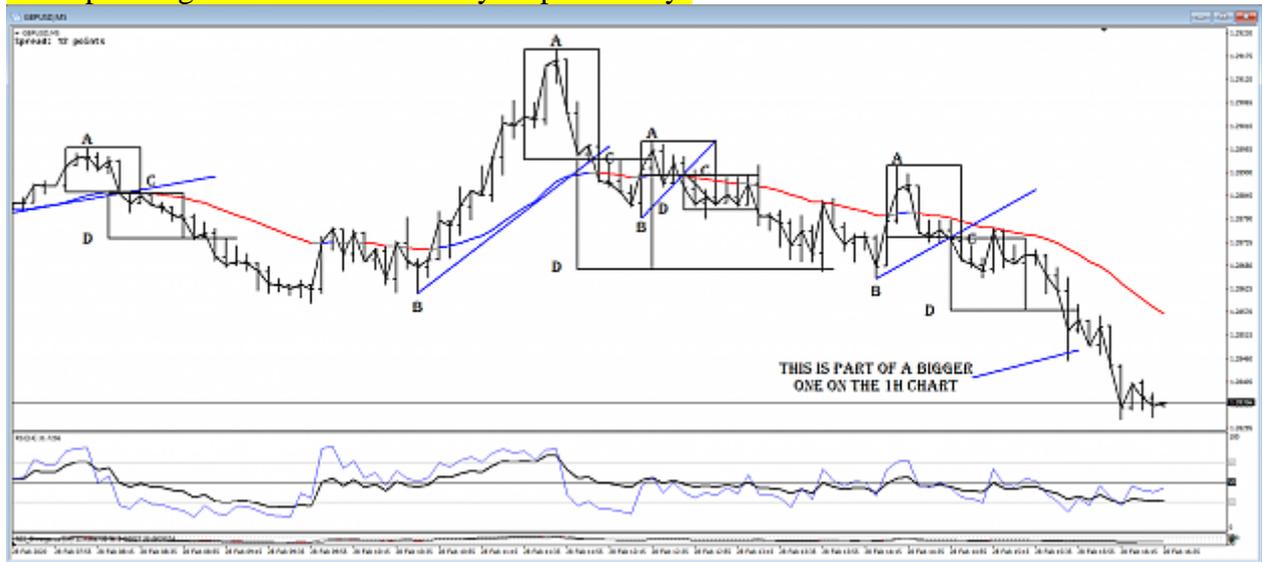
Well done that man.

Here is a little one for you to solve for X.

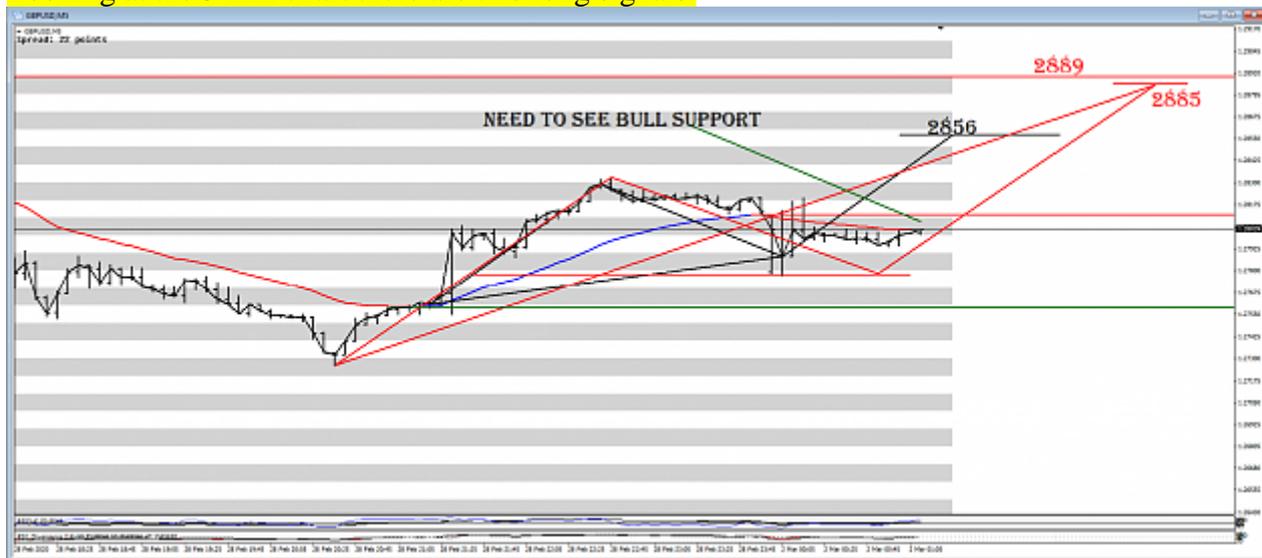
This is another method of finding equal swings I call a box trade because I use boxes to measure, copy and paste to find D.

These are not related to box trades found in reference books. This is one I found for myself.

Whoops I forgot the chart... That may help a tad hey!



Looking at the 5 min chart there are two long signals.



Today I was a bit ill, so I wasn't active. I would have wanted to find a short in the direction of the H1 trend. There were two horizontal ZOO price levels to watch on the hourly (white chart). M5 showed clear div on the ZOO, so that was a go. Just a bit early so prolly I would have missed it.



Then the first entry I would have taken was the Short, at a perfect 50% retraced ABCD. Entry on two-bar-test on M5 (black chart). Target D hit, a quicky.

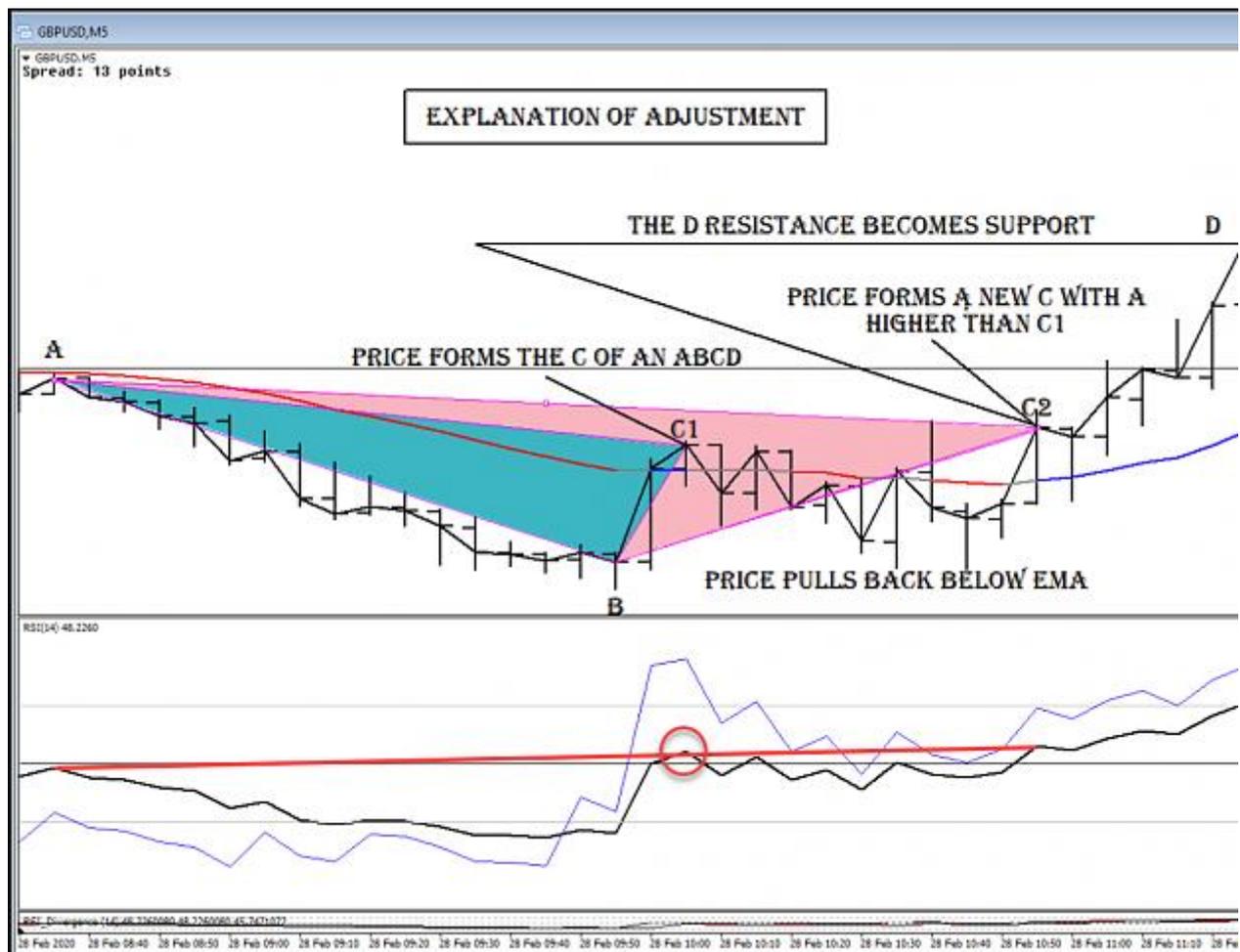
In the afternoon, I did one Short trade, left it with a set TP and BE+1, went to bed and found it closed at BE+1.

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[Quoting 44johnw](#)

{quote} Alan or Jazz I had the RSI divergence line cutting thru that high pivot on the adjusted ABCD so did not plot that one. Is that still the correct rule on an adjusted ABCD. John

Ow you are talking about this chart:



In the circle the RSI pierced at C1 through the straight red line indeed. Very well spotted!
 Does that matter for finding an adjusted D via C2?
 IMHO not but this is for Alan to answer. What's your opinion Alan?

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There seems to be a lot of emphasis on the mechanicals of price action and we seem to be getting away from the basics of trading the swing averages.

Here for your diary I only have the basics on the chart.

It begins at the approx. time with a div and a high RSI indicating a short with a good downtrend on the hour chart which also has an RSI div and the fast is high. My guess would be that this is not going much higher so a shorting opportunity exists.

Now on the 5 min we have a swing low average at X so this is our first hurdle but if the EMA is to attack X then price should go to A. Which it did and we would be about 50 pips in profit. By this time the bears have found support and attempt to take out the bulls supports.

At B we have the swing low average and a bull support so this is going to be resistance for the bears and indeed they had some trouble breaking this level but we have made plenty of profit so would close there and look forwards to the next day.

The point of today's diary is to stick to the simple stuff and not try to get tangled up in the mechanicals.



[Quoting Del62a](#)

{quote} Alan Thanks for your latest post. It's very well explained. My query is : You marked out a Bear DIV . My concern is that price went across EMA between the two peaks. **Is it still ok to use the two peaks to assess a reg div ?** Thanks L

Oh yes very much so, The only thing I use the EMA for is to determine if it is just a Continuation Div or and ABCD.

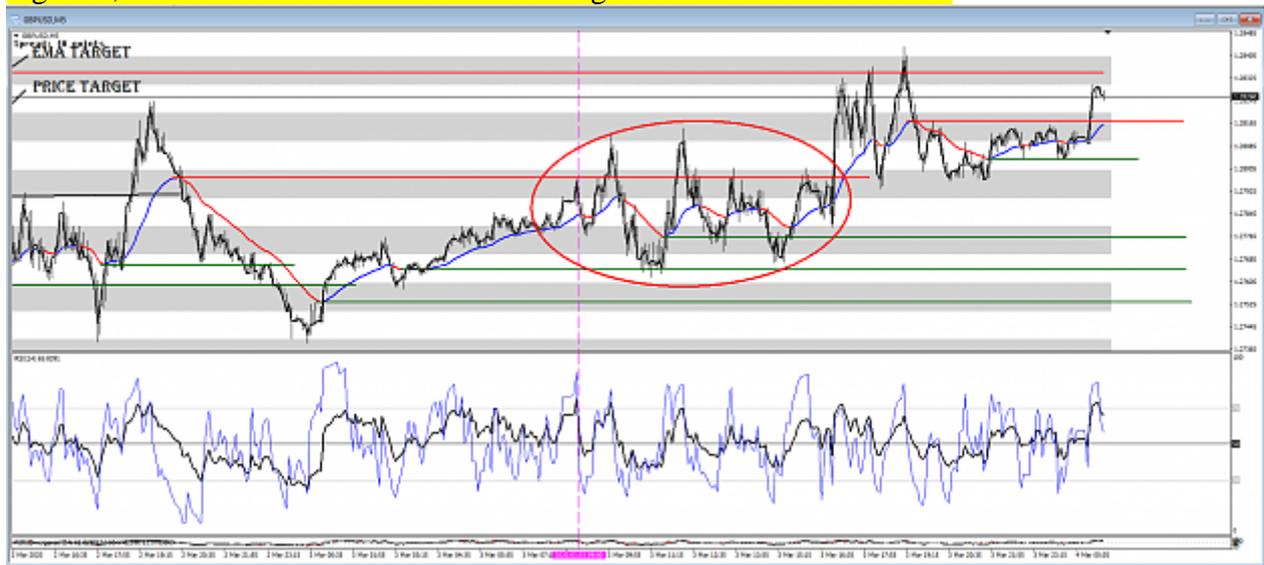
Here below I have plotted a few examples of various types of div. You can see the last Bull div did cross the EMA and is the one we would have traded long as a ZOO point with the target being the 2800 average swing followed by the 2832 after a lot of flapping about/ It finally made the 2832 but I was in bed by that time.

Now the bulls have support on the 1 hour there is no reason they can't make the 2891 at this time.



Yep I agree with Jaz after the first three hours the hook came for the bull div and that took another 4 hours making it a rocky start.

Looking at the chart from the five minute perspective the EMA swings were pretty close together, we need to see them much wider to get better runs on the board.



[Quoting asoriga](#)

Hey Jazz, I notice you register a lot of BE+1 trades, Alan as well actually, and was wondering how exactly you're thinking about managing stops. Is it a hard rule such as "if price goes in my favor N pips, move SL to BE +1"? Do you move it in steps with hard rules... if up 10 pips then move SL to BE+1, if up 20 pips move SL to +5 pips, etc., or is it less mechanical? Do you take price action into consideration at all? This seems to be my problem, misreading the price action... "oh it's just a hook it will turn" or if it's still in in divergence...

Yes the BE+1 exits are disturbing but it should not feel like a plague. Maybe you recall my own post regarding this, a week or two ago. After a lot of thinking on this, I am happy to keep the stops as per Alan's setup.

BUT the first remark to be made is regarding the entries! If you have a lousy entry, then the BE+1 will be hit by certainty. This means the entry is of importance.

I try to get the first trade on a.s.a.p. with a 10 pip SL maximum. 10 Pips sounds heavy and I hate them but it is on small size. I don't see them happening too often. To get the trade on a.s.a.p. means price being on an extreme when I push the button (not during a retracement). Of course such entry needs some room to breath which is the 10 pips SL. As you have seen on many of my charts, such entries are often close to perfection. They'll see a sound move in the direction to the EMA, giving me often 8 to 10 pips. If I don't take the money (for whatever reason), I expect it to go further into profit. If I am wrong on that, I sure will take the BE+1 exit if that occurs.

These stops gets hit the most. I have to be patient with them and I 'know' that a good trade will come.

Without patience, I'll have too many entries (e.g. on every div during a steady trend). Without trust, I'll miss the best trade setup and end the day with a row of tiny losses.

In case my entry was on a two-bar-test, I'll have my Stop where the trade gets invalid. Meaning on a Buy trade, the SL is where Price itself made a lower low. With a two-bar-test, the entry is per definition not at or near the sharpest possible high/low and such trades are

typically more pressurized for the BE+1 exit. Therefore I can decide to keep the trade, expecting the Hook. If the Hook fails, I am out with MAX 10 pips loss. MAX, typically 5 to 8 pips though, just where the trade became invalid.

If I get stopped out, it just implicate I need to find another setup. Or to stop trading if I feel that is better.

Then when the trade runs into nice profit, we have to secure a part of the pips.
+8 to +10 pips gives the BE+1 exit
+15 gives +5 to +7 exit.
+20 gives +10 and from there on keep 50%.

But hey, to secure profits there are the hedges. And there is the possibility to take profit at an S/R, swing, etcetera. And see if and how to get in again at a better price. Or reverse.

For 2nd and 3rd entries, I do my best to keep the plan as dictated.
After the 2nd entry, the stop is set to the entry price of the first trade.
After a 3rd entry, the stop is set to the entry price of the 2nd trade.
About and around that.

Keep the risk low.
We're able to get 25+ pip trades on the book on an M5 chart which is very good!
That is an art worthwhile to develop and exceptionally profitable at the end.

I am sure Alan will comment on this if needed.

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Yep that is exactly how it works, dozens of BE +1 stops outs.

Remember we have a profit target we are aiming for which represents 100% of the days workload.

The more times we achieve this result then the easier it gets because our account grows allowing us to place larger lot sizes reducing the pip distance.

BE + 1 is infinitely better than and minus result and thinking the trade will turn in our direction is just wishful thinking. The market is a dynamic thing and can catch you off guard very easily. That is what stops are for in the first place to protect us from these changes. Our trade is not always right, the only thing we have control over is our money management. We are always dealing with probabilities.

In the charts below we would have started with a short on the 5 min looking for price making the average swing lows which it did. Then the bears find it difficult to get past this level which we can also identify on the 1 hour chart. Look how low the fast RSI was on the hour, they are struggling here so we regard this as a ZOO level and start looking to go long on it.

However it was very choppy and BE + 1 would have been a pain we have to endure until it finally got underway. It could just as easily broke short and caught us napping. We are just speculating we are right and place a tentative trade.

Then we are looking to get the stop to BE =1 so we can get our second trade on and start to compound the profits as we head for the 2891 swing level of the hour chart.

Once our second trade is on and we get the stops to BE + 1 again we start to look for our 3rd entry and getting this to BE + 1 so we can relax and wait for the money to come rolling in. So far this has done about 100 pips of movement but our daily profit target is well and truly done and dusted.

If we don't push for this result every time we take a trade then we will get nowhere and may even give the market our money.

On the 1 hour chart we would probably close the trade at the 2832 swing average because the combination of the smaller short and this long would have been plenty of profit.

So don't sweat the small losses or the BE + 1 they are just part of the road to riches provided you keep up the energy to do so.



Quoting KevinOwens

Jazz and Alan, With each of your posts, I learn something everytime. Thanks for the amazing and consistent support! I'm doing better on the trading part, identifying good setups and such. However, I'm still a bit clueless on the money management part. However, these two recents posts from you guys helped a bit. I'm sure that I'll get there soon. Agan, thanks guys! Also, Jazz, it's amazing to see you often double your account in two weeks and have days like 21%+. I would like to know what's the maximum drawdown you've ever seen in a day? And also,...

Very good to read you focus on risk.

Let's talk about the time since I am trading well. An intraday DD that happens once in a while is 30% to 40%. That's from a complete Basket loss plus some other losses. This is typically a situation where I will step back from the chart and look if I am fit or not, and/or if I can't make chocolate from the chart.

Said that, I am ready to bust my account. It is going to happen. I will just put new funds in it and go on the next day. Reason why that is appropriate, is clear from the picture below.

Max floating (open DD) is 16%. An EA protects me at 20%DD.

Trade size 0.01 per \$16						
Entry	Size	Risk 1st trade	Risk Basket 2 trades	Risk Basket 3 trades	Basket Reward 25 pips	Basket Reward 40 pips
1st	0.01	6%			16%	25%
2nd	0.02		13%		50%	78%
3rd	0.03			16%	106%	163%

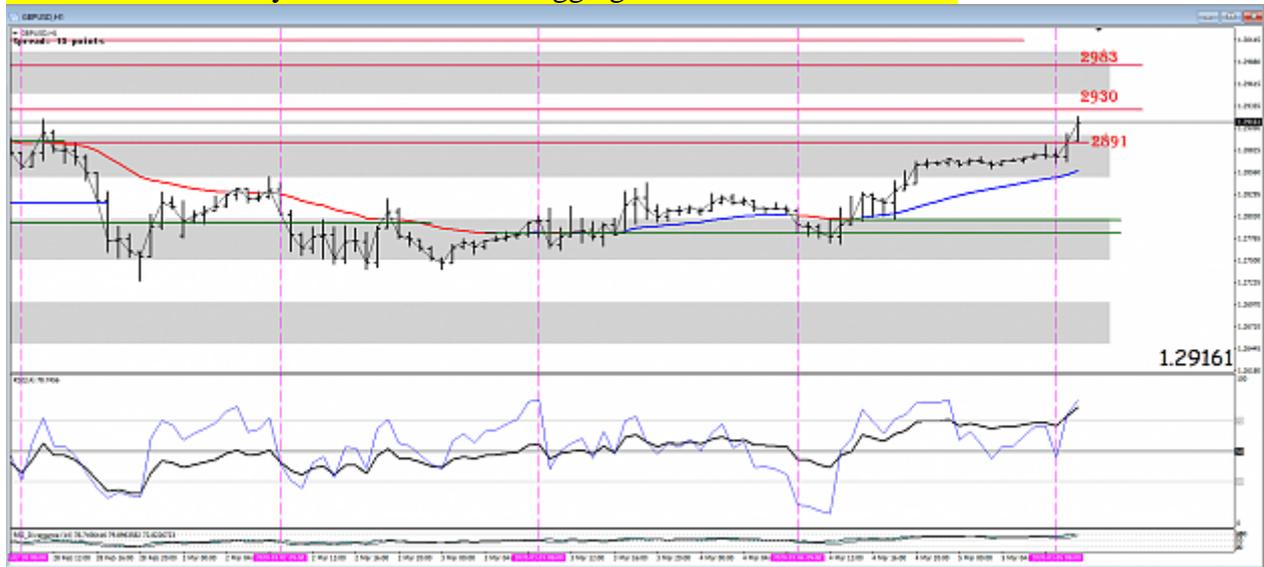
EDIT and NOTE: by purpose I extended the risk part a bit in the table above, making it a bit higher than the risk explained by Alan. This fits a bit better what happens during my trading, and still shows the extremely good risk to reward ratio.

I trade quite aggressive with 0.01 per \$16. That makes that I am happy with 25 pips per day with only 1 position (=16%)

That doubles an account per week. The rest is bonus.

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This looks like it may run for the 2983 dragging the EMA above the 2891



[Quoting KevinOwens](#)

{quote} Thanks for the detailed explanation. I've a couple of doubts. Your table, does it mean that when you get three entries on, your account doubles with 25pips? And also, is it 25pips each entry? Also, the risks, do you risk 16% on the 3rd entry? or is it overall risk on 3 entries combined? Oh, I didn't understand the 0.01 per \$16. Does it mean 0.01 lot for every \$16 in your account? I appreciate your patience and help. Thanks again.

Your table, does it mean that when you get three entries on, your account doubles with 25pips?

Excluding spread and commission, yes. that's with 0.01 per \$16

And also, is it 25pips each entry?

25 pips from the third entry. Added some pips for the 1st and 2nd.

Also, the risks, do you risk 16% on the 3rd entry?

16% for the complete basket. again, with 0.01 start per \$16 account size.

Does it mean 0.01 lot for every \$16 in your account?

For the first position, yes.

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This was the hedge.



It is close to the Buy SL.

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This is happening on the Daily chart



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On the D1 the question is if the EMA can break the grey flat level 1.2993ish. There are so many levels to cross and to do so price need to go to 1.3271 first.

H4 just made a higher EMA swing and we're interested to see if the bears are able to stop its rising. With 1.3001 being a previous swing high and the H4 EMA reaching that level we have a ZOO there.

H1 I marked the 50% of a possible ABCD at 1.2987. Also marked 1.2990 to 1.30 being Price support zones to the left. Also the 50% ABC 1.3003



Hedge with a short which should have been closed at BE or for a small loss.

Price went on going up.

That would have given a terrific day..... 75% to 100%

As said I was flat, waiting for the ZOO.....

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If you look at the 1 hour at the 108 that is a ZOO based on the timing. Then the 5 min is in a bullish div.

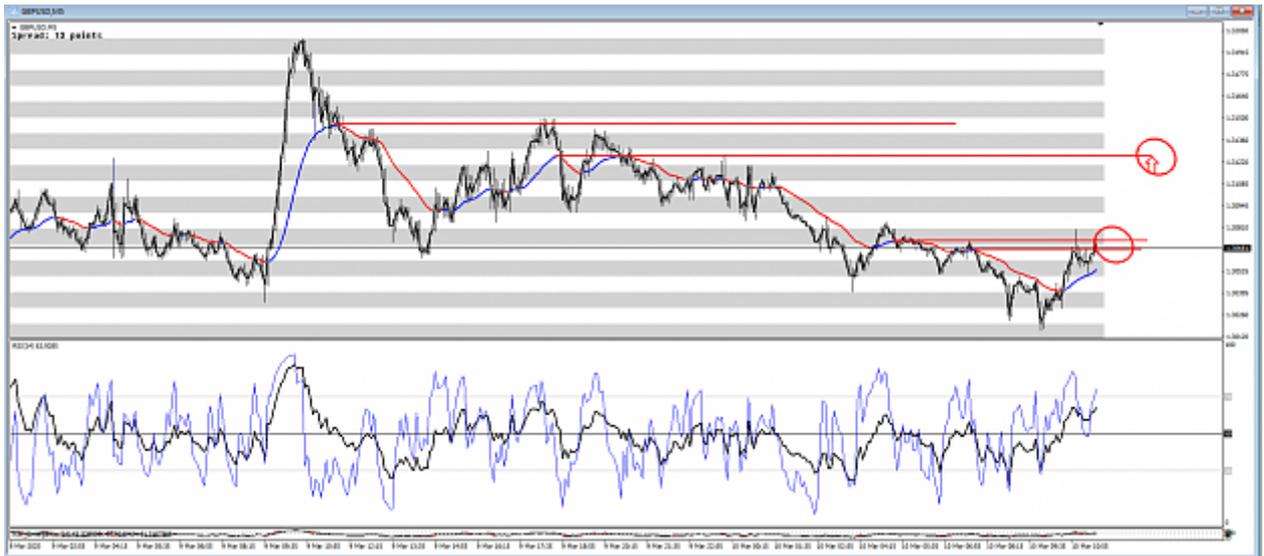
The pull up to the 1 hour EMA is the same distance as the swing average level on the 5 min...

By measuring we can see it is worth the risk because it exceeds the 40 pips I want.

Also the bear support on the hour was tested. If it breaks this then the long ABCD target is likely. Even more so if the bulls find support on the hour.



If the 5 min is going to break the long swing average then look where price is likely to go....



Look what is happening on the 4H. The EMA is trying to take out the average swing so price is just about in a holding pattern while the EMA catches up to it.



That's it for me then



19+24 pip

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For your diary of events

So the bulls could not take out the bear support suggesting the target is to the short side on the hour chart.

On the 5 min we saw the bulls unable to break the swing high level...so they are going to test the swing low which they did.

They smashed this to test both the next level and subsequently the one after also. If you pair them off as I have done you will see if the average is to make the lower low then the price will reach the next level.

Note how when price reached this final level on the 5 min it was a div, so we go long if we want more money than we can poke a stick at.

This whole process took a whole day but paid very nicely. I don't like to be in a trade for so long, in fact I would have been asleep for most of this.



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Look where the spike stopped on the H4



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[Quoting Jazz1964](#)

{quote} Terrific. That's what i wrote in the past, I want to have the flexibility and speed to look for such spots to reverse. At the other hand, an unexpected bank rate decision like today can end up with a far bigger spike than we saw right now.

Well when the short was on I had just gone to the loo so I missed that.

On my 5 min chart I have the swing levels for each time frame colour coded the same as the EMA for those time frames so I can see just by looking at the 5 min where the various levels are. I was ready to add another trade if this pulled a few pips more down to the daily S1 which it failed to hit by about 5 pips.

Seeing everything was oversold on the lower time frames I figured price had to pull up somewhat and it did well past the C level of the ABCD 4H.

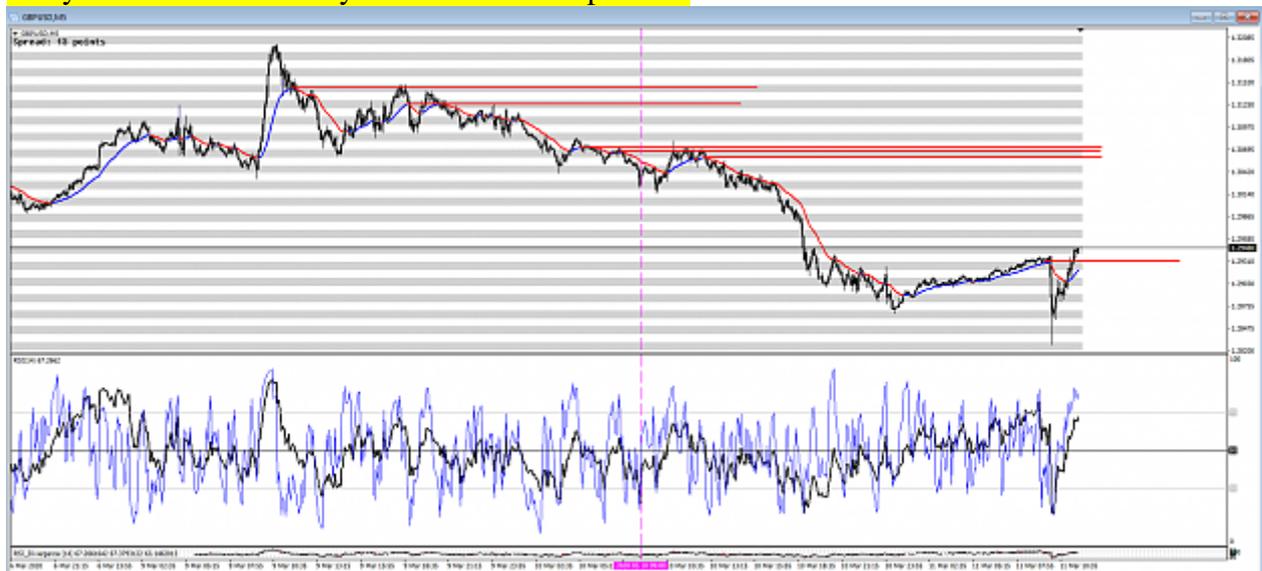
This is all part of my preparation process. Looking for the possible levels and marking the 5 min with them.

[Quoting Jazz1964](#)

Sold at 1.29346

See I would not have done that because the 5min failed to make the swing low LL so it should make the HH. Price has done that but there is a huge open space to the next level.

Sorry about the chart delay I had to clean it up a tad..



Last week we talked about the BE+1 exits which occurs often.

I then said they happen more often when our entries are weak.

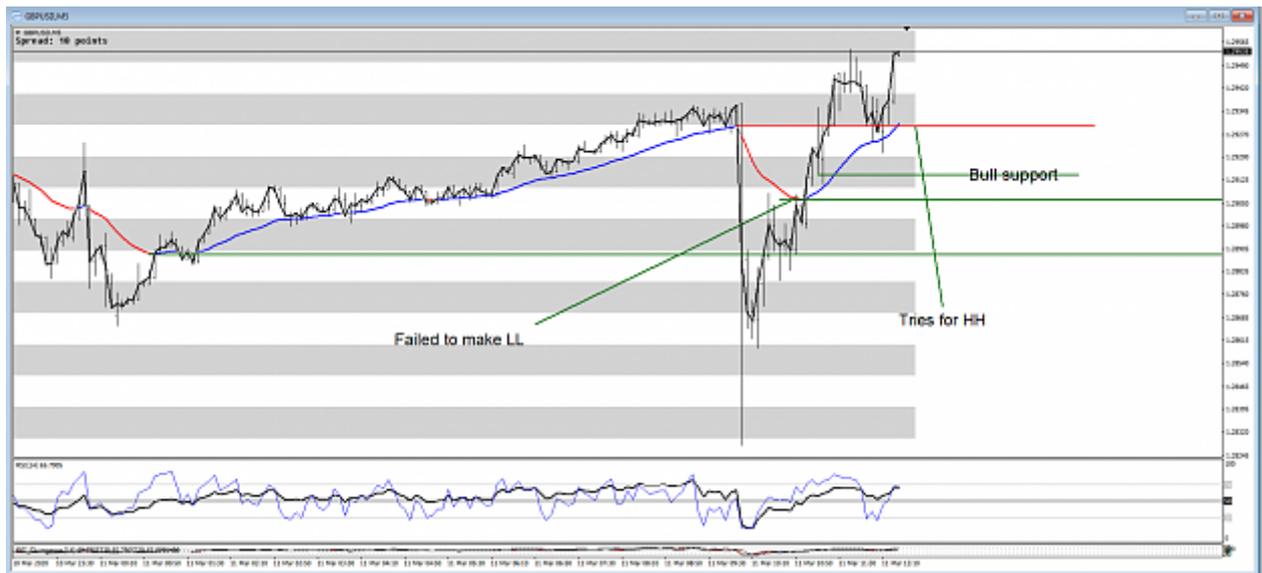
On today's chart you can see how I try to enter on extremes, to the rate of BE+1 exits becomes smaller.



Yes, my second short is a BE+1 while I could have taken profit just above the M5 EMA (or as soon as the M5 bull support was proven) but this is a bonus trade for me (low risk exit or big profit).

Finally trading Structure and PA only

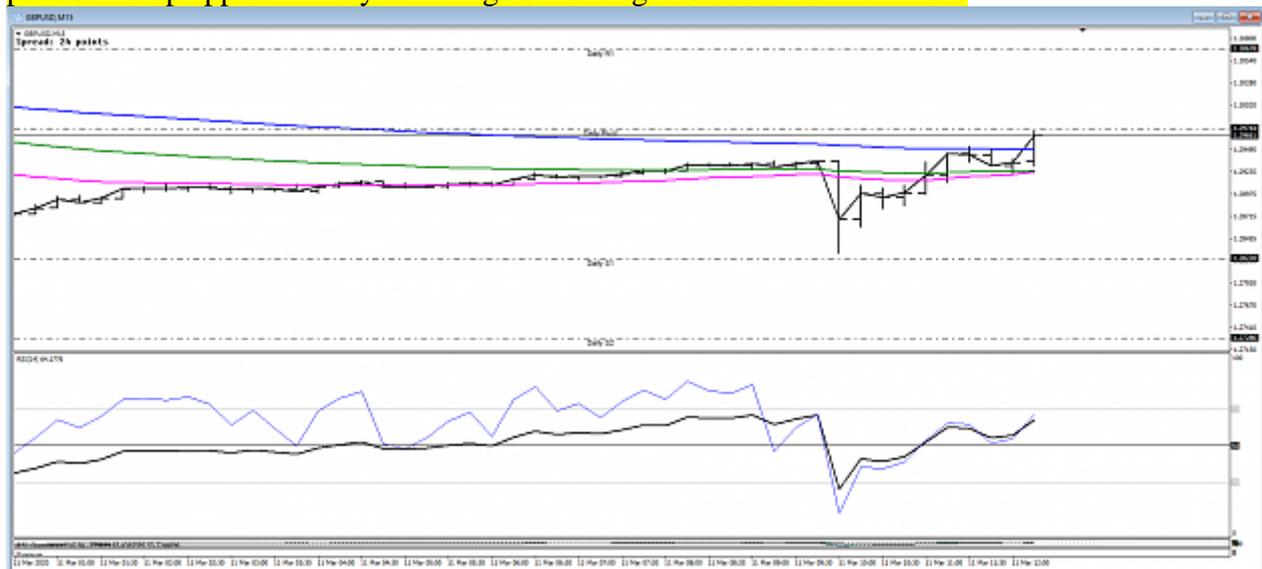
And there we go... The 5 min makes the HH average.



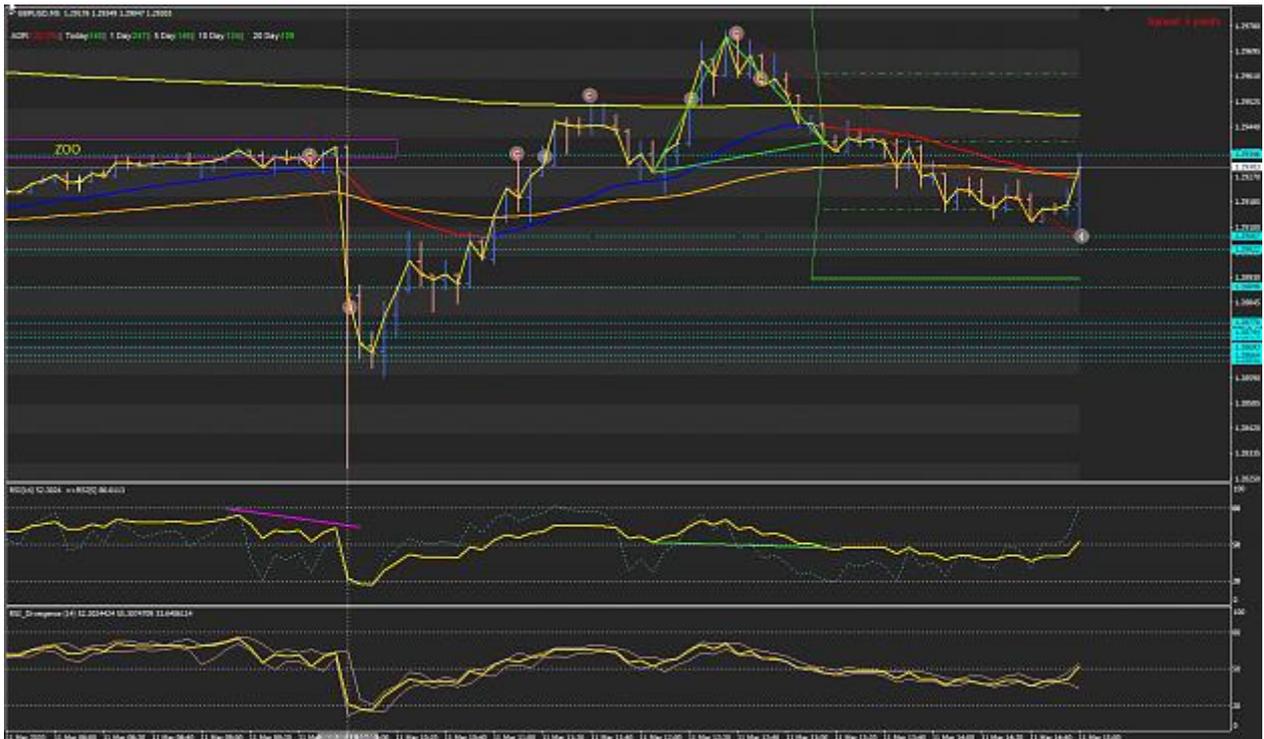
[Quoting Jazz1964](#)

{quote} Can you please elaborate a bit on the Daily S1 level, with a chart please? Looks like I am lost on that. Very nice that you have the Swing level of HTF charts on your M5. That sure should help. 🙌

Yeah Jazz I keep the daily pivots on my 15 min chart because I don't use it much. When the pivots line up approximately with targets then it gives added confirmation.



Thank you Bonus trade

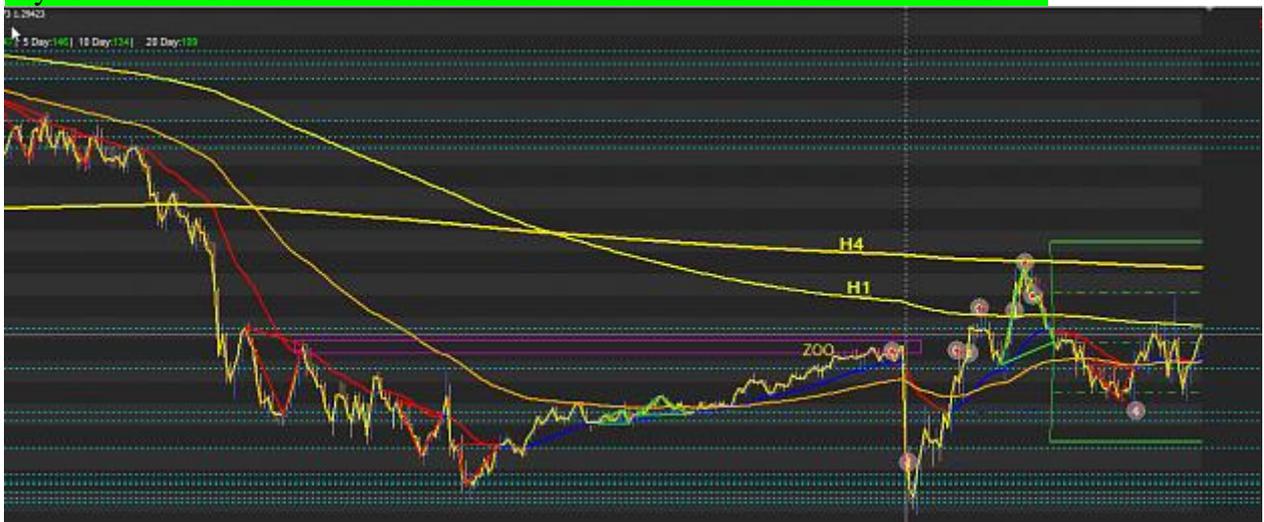


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[Quoting KevinOwens](#)

{quote} Great trading. What made you persistent about the bearish bias, despite being stopped out BE+1 couple of times?

every single Short entry was an a ZOO with divs on multiple TF's.
My bias comes from H1 and H4 EMA direction. All entries on ZOO's with Divs.



As you can see all my entries were on extreme prices which help to have less BE+1 exits.
Reason I took BE+1 exits instead of taking profit nearby the M5 EMA is because I was dealing with bonus trades.

Finally trading Structure and PA only

For the diary of events today.

We have just had two ABCD's on the 1 hour chart and I would say the thing to note here is

that on both occasions the price didn't start its run for the target D until it had retested the bear support with a hook. Interesting huh!



The Daily is ready to make a new lower EMA swing low.



The next level is at 1.23xx

It would not surprise me if we see that level again in a short time. No explanation here but it has to do with Weekly resistance line +61% fib + distribution seen on the Daily ==> potential sell off.

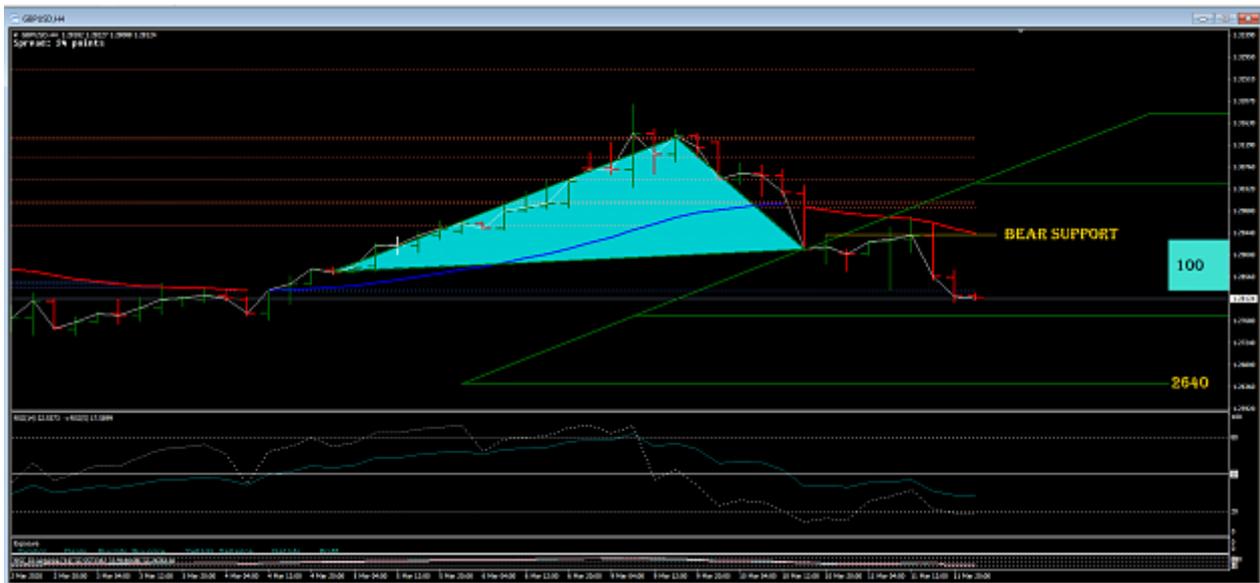
Not that we only should Sell!

Finally trading Structure and PA only

If we then look at the 4H chart we see exactly the same thing happening...

ABCD is formed... Bears find support... Bulls test the support (resistance)

In this case the first time the bulls tested the bear support and failed, price ran to the swing low average. Then it went back up to test the bear support again and now one would expect it to run to D or more as it drags the EMA down to attempt a LL.



When we consider the daily chart we need to keep a handle on perspective. With a 26 EMA price has to influence the preceding 25 periods to bend the EMA so of course the numbers of pips in a move are much greater.

On a daily basis the bulls are having a very hard time to make any average HH since 2020/01/31 but the bears are doing all the work to make all the LL's.

Also on the daily chart it doesn't tend to run to the EMA's the same way as the lower time frames because the daily is actually setting the pace or standard. So rather than run directly to a level it tends to snake its way there and of course the bulls are looking always to stop the drop.

Finding a ZOO level on the daily is difficult because there are a lot fewer of them but that doesn't mean we take our eye off the ball.



By the way From A at the top of that $AB = CD$ to the spike we had a couple of days ago the

period was 26 days, interesting huh! So price had to do much better going long than all those periods in between and since most of those were making better moves short, price would have had to make a massive move long to bend the average up to make a HH. You can do the math if you are interested in that sort of thing and calculate just how high the price would need to climb to make the HH

I was looking at the road in front of my car. No ZOO's nor div's there. Just came home to see I missed the trade I expected.



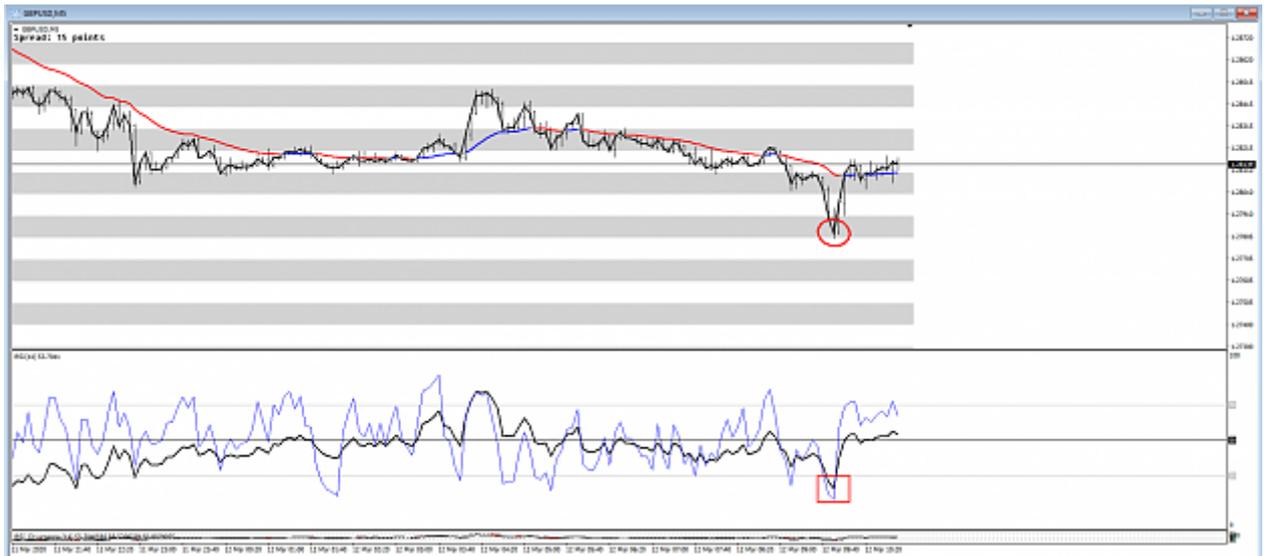
Plenty of room to take a Long

Finally trading Structure and PA only

[Quoting huskyboy](#)

{quote} but there was no signal on the M5

With a div on the hour look where the RSI was on the 5, how much lower would you expect it to go?



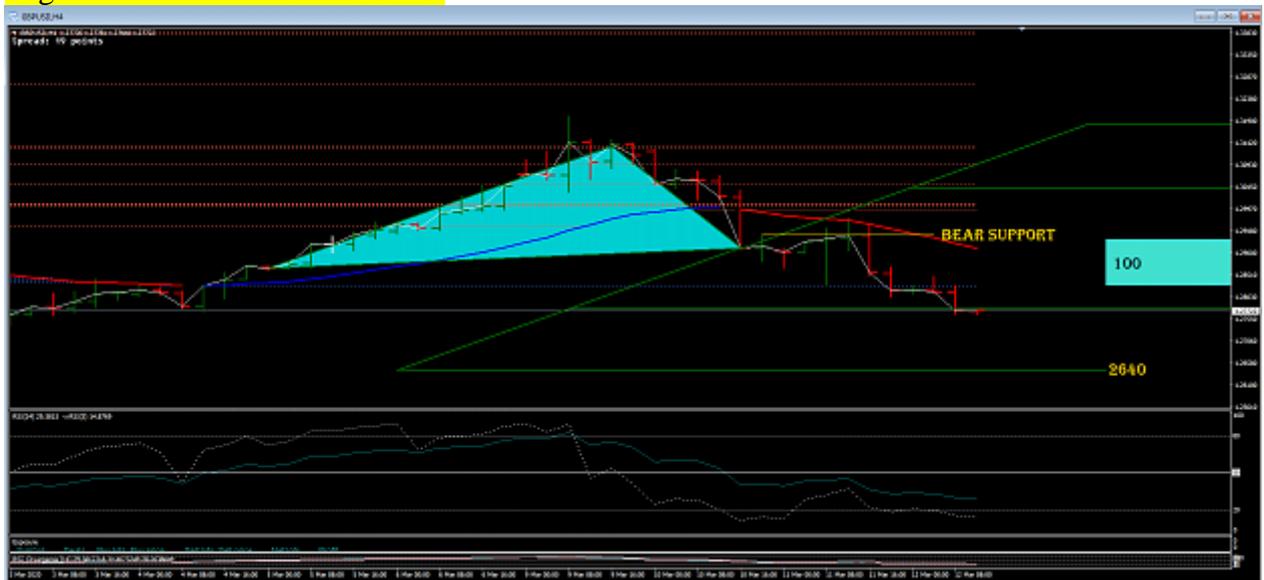
Hourly already gave a bear div

M5 did it too

I was too picky

Finally trading Structure and PA only

You may be thinking there is no target for the hour but don't forget the good old 4 hour has a target and it has hit the 50% level.



[Quoting des b](#)

{quote} and currently also sitting bang on the Daily "D" as well, need to confirm with Alan on cancellations !!!!

Well there you go maybe there is no cancellation.

This doesn't stop me trying to solve riddles we have to keep pushing for knowledge and testing to verify it.

It is this logical process that has led me to discover so much that has a very high probability of being true.

It would be nice if others contributed their discoveries advancing our combined knowledge exponentially.

That was an amazing run down yesterday and I see that at one time it made a 160 pip retracement which would normally be a whole days move.

Looking for answers this is what I found on the daily which I had not noticed previously...
Lime green $AB = CD$



Yes it did.

Here was my take on the action....

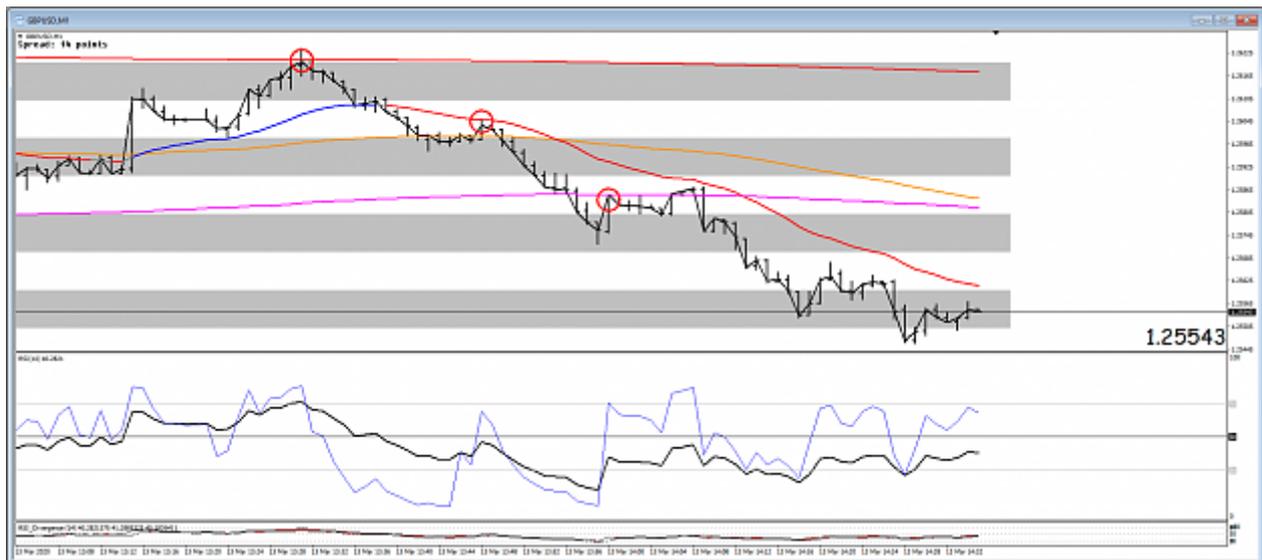


Here again was another trade to take it short based on what I said about the hour chart and the EMA going lower.

To do that price will have to go lower also, so we look for the short and here below is where I would have taken it.



Again I could have been wrong and lost a minor trade the additional entries would have been made on the 1 min chart for this 15 min move.



Each time the 1min showed a bull div I would have moved my stop to protect some profit.

Price just hit 1.24592 an ABCD that Des's code picked up on the 12th...5 min chart



We can work this out...

If the swing average is not going to take out the previous swing average high then it should test the swing low. This is exactly what happened.

Now if the average it is going to test the swing low average then where is the price likely to go.... To the D of the ABCD

You guys should be communicating what you see by now and all that is needed is on the chart below..



All that needs to be said is...

Bearish HD on 5m

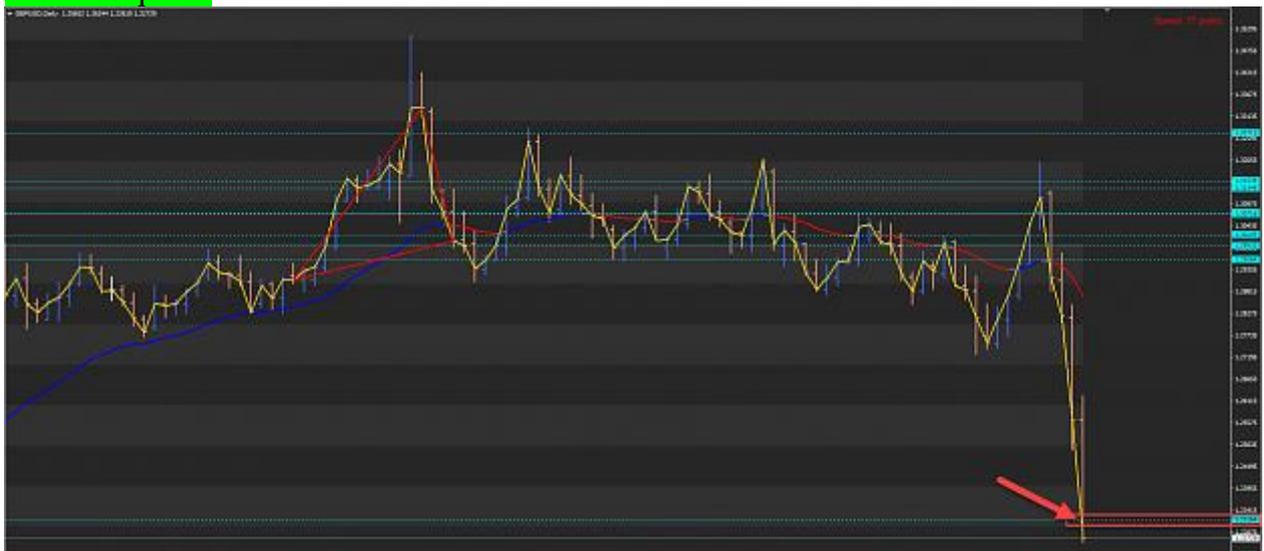
Potential ABCD target 2459

There is no need for long winded analysis unless someone wants more details.

[Quoting Jazz1964](#)

The Daily is ready to make a new lower EMA swing low. {image} **The next level is at 1.23xx It would not surprise me if we see that level again in a short time.** No explanation here but it has to do with Weekly resistance line +61% fib + distribution seen on the Daily ==> potential sell off. Not that we only should Sell!

That was quick!



Finally trading Structure and PA only

[Quoting Jazz1964](#)

{quote} That was quick! {image}

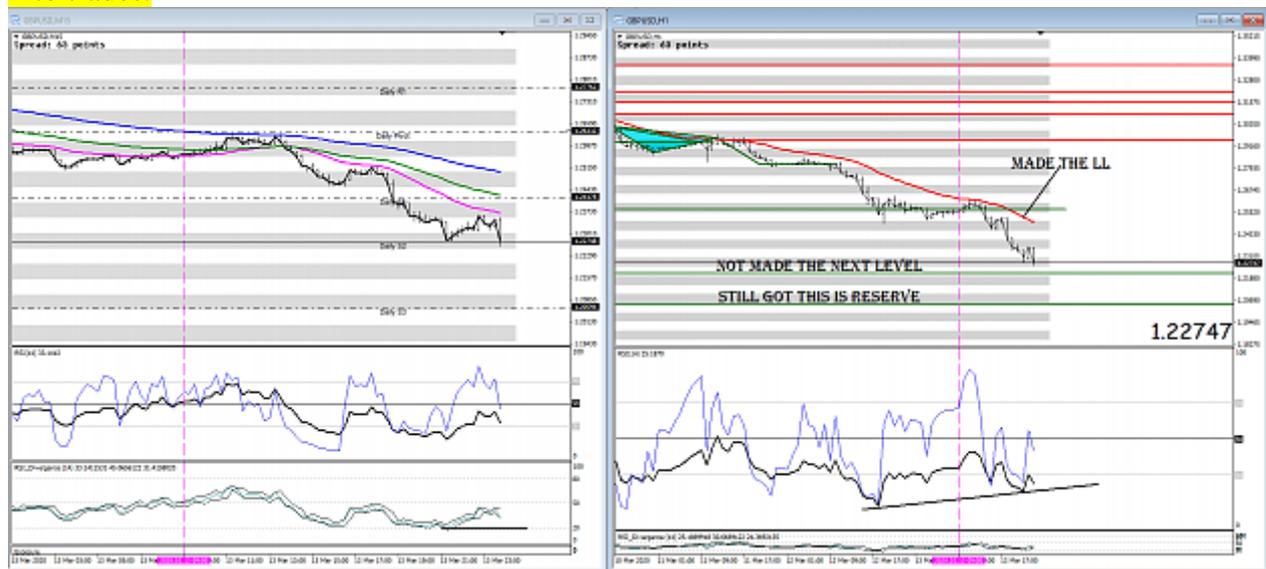
Fast alright, this thing is moving something like 50 pips an hour both up and down. With this kind of action we should be considering halving our entry and doubling our stop and TP distances.

On the hour the EMA has made the LL as I suspected but interestingly the price has not quite reached the next level 2211 and is in bullish div.

This gives us pause to ponder if this is the time for the bulls to stop the drop.

Of course we know what happens when a div fails so don't hold your breath just yet. There is still another LL at 204. Also price is currently halting at exactly the S2 daily pivot level and in hidden div on the 15 min, I wouldn't be surprised to see it gap to the upside on the Monday open.

Anyway since we are trading below the average all longs are regarded as scalps until they turn into trades.



Quoting cuchufrito

{quote} You shorted that 15 min. divergence right? (at the open)

These were two Longs



At 108 Frankfurt Open, in the H1 the RSI was diverging with Price.

At London Open, the H1 didn't tell me much but the M15 and M5 were clear enough to take a Long. Had to be safe and closed it soon enough.



Finally trading Structure and PA only

I wouldn't be going long unless scalping because it looks to me like the average is trying to make the LL 2231 and price may well reach the 2041.



[Quoting 44johnw](#)

{quote} Is that with your - range Alan, that's what I have with the +/- range. I have cut my target short cause I get caught to many times

There is also this larger one on the 15 min



[Quoting 44johnw](#)

{quote} Missed that one That 2041 average swing level you have Alan, **how far back does that go**. I have no more levels below the 2213. Cheers John

2019:09:03 I had to make the chart 4 feet wide to see that

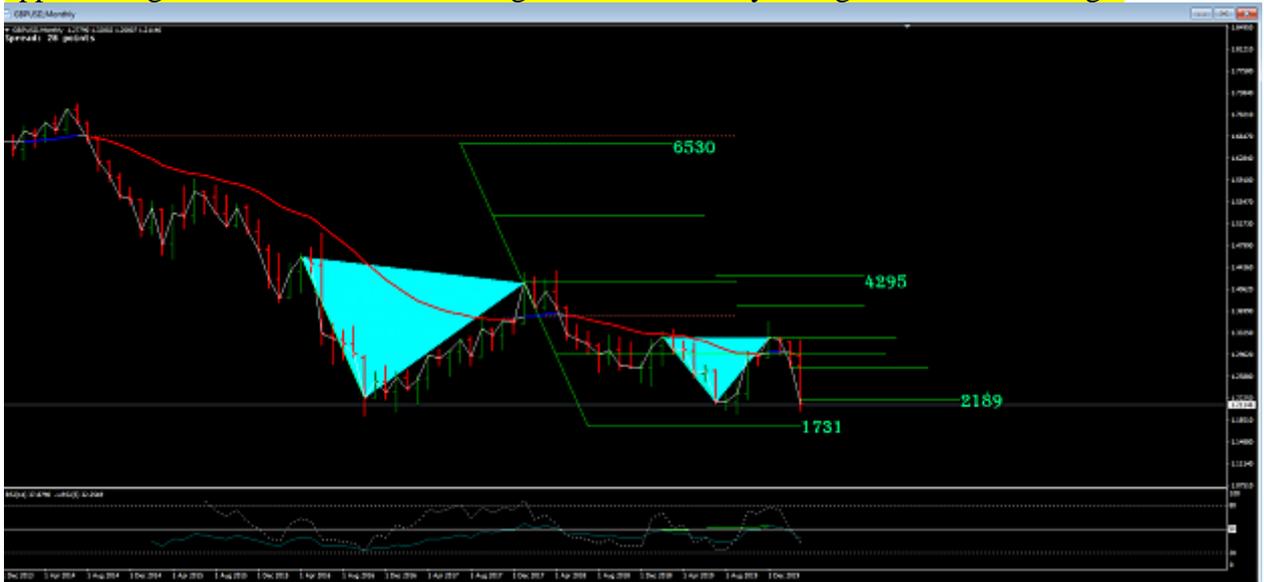
That is the last target I have all the AB= CD's have been hit.



[Quoting 44johnw](#)

{quote} Alan do you still have the Monthly ABCD that is targeting 1822

I have two on the monthly 2189 which has been hit and 1731 which we appear to be approaching. However a month is a long time and the daily swings within can be huge.



[Quoting 44johnw](#)

Cut myself short again tonight Alan. Still trying to get my confidence happening both in extra entries and letting it run to targets. Im determine to get there though. Entry was 15M Bear Div and Support Target was 15M AB=CD but cut short at DS1 Cheers John {image}

No worries you just have to keep working at faith in what you are doing.

I have been out all day...Kids birthday

I was just checking the charts on my laptop and the monthly I posted above was incorrect... That is I hadn't drawn it very accurately.

The target has actually just been hit, surprised none pulled me up on it.

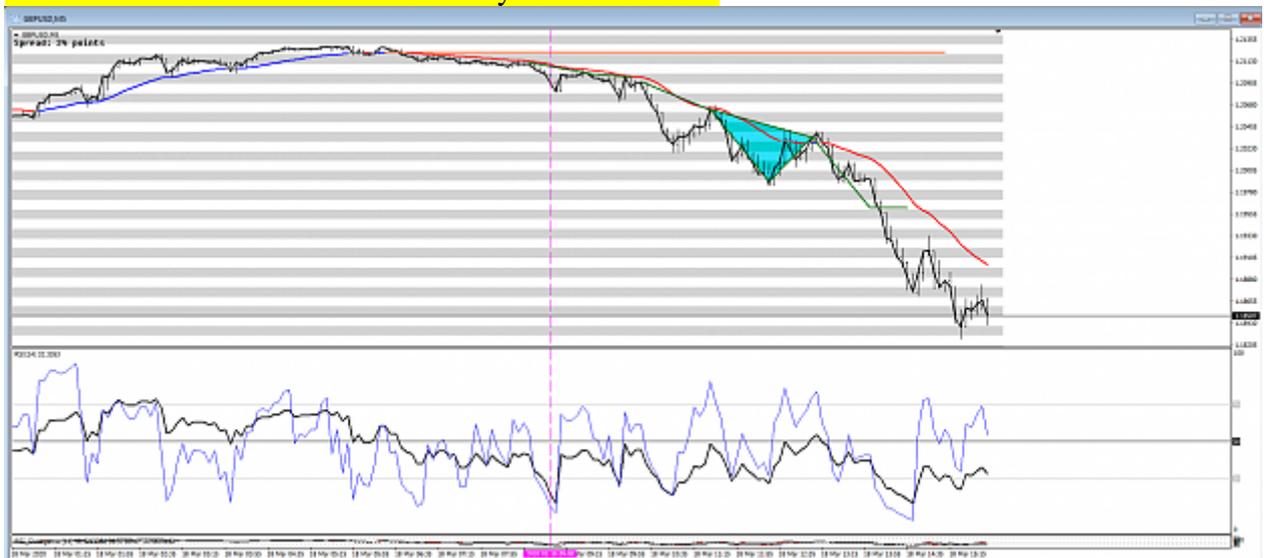


So easy to make errors of this magnitude on a monthly chart. The lines are 50000pips thick

Now that target on the monthly was the same as the S2 daily pivot and we are see on the hourly that the average is trying to make the LL than 2041

From the onset of our timing bar 108 we were trading below the EMA on the 5 min and that chart produce bear divergences one after the other including one ABCD.

In other words everything said go short and once the trade got under way protect with BE +1 and then let the trade run its course to your TP or more.



Rapidly running out of targets as we enter this unknown zone but the 5m is still producing targets...



The lower one is way down there at 1.13985.

From the onset of the 108 bar on the 5m chart if we are trading below the EMA then stay short.

Trying to second guess the market by thinking whatever is a bottom is just deluding yourselves. Go always with the reality and accept that it has to make pull backs which you can attempt to exploit. If you fail it is no big deal and only a small loss compared to getting it right and making a ton of money.

This is why we make tentative entries to test the waters before we boil our heads. The sooner you get use to losing the odd few pips and capitalising on the far bigger wins the better. It is a habit we must train for, lose a little v win a lot.

Not to be an alarmist but if this monthly chart does turn out to be an $AB = CD$ then the GBP is in for a roasting in the coming months.

I worked these numbers out mathematically so they should be more accurate than just drawing lines.



Quoting Traffex

{quote} Not sure in what context you are talking about here. There is always a level which is the EMA and if trading is below it then we start the pull backs irrespective of whether is a div or not but most likely there will be, a two bar test will determine your entry and stop. However it is nice to know where the price itself may be heading and at this time that is difficult to do. So if we wait a while until things sort themselves out it may be beneficial to do so. We need the things to qualify for a trade. The entry The stop The target The money...

If you have the direction (H1) and trade in the 5 min, **which divergence against the direction do you trade** (hedge) and which not?[/quote]

None of them unless you wish to. The point of a hedge is to protect the gains you have made so you only apply it when you believe the 1 hour is at a point it may turn for a tad such as any of the numerous ZOO points we have considered.

Most of the time in a bear trend a bull div will fail so you should be looking for bear divs to add to your positions until you reach a 1 hour ZOO point.

Consider the chart below where we have shorted to stay with the trend. Price runs into a 1hour bull div i.e. a ZOO point. We hedge all the shorts to protect our profit.

Price continues to fall and the first and second div fail. What is happening to our profits we have locked in...absolutely nothing we are safe and don't need to take any other action at this point.

Then the 3rd divs kicks in returning price to the EMA so once the hedge is making money why are we holding onto the shorts...we close them and our stop protects the hedge + 1 pip when it become safe to do so.

Now having said all this it is totally not needed unless you are trying to own the world. the profits just from the shorts are huge. Better to restrict your hedging of trades when the market is far less volatile.



If you are really desperate for the additional money you could have held the hedge until price reached the average swing level once it broke the EMA.

The hedge has the additional properties of grouping all the trades placed into one lot so it is much easier to control stops and TP's with only the one to make adjustments on.

For your diary.

Yes the same processes apply to other pairs.

Here below is the monthly chart of the AUD/USD with a very nice $AB = CD$

Though the lot sizes are very much cheaper I wouldn't trade this pair because over a month it barely makes 50 pips in normal conditions.



Talk about killing two birds with one stone.....



On this one hour chart I am not looking at the swings because the distance is huge, this is a 50 pips grey grid.

What we do have is two ABCD's within this vicinity so I would be looking for pull backs to go long on the lower time frames.



This is what I mean by the market making target adjustments.

The red target formed and Des's tool picked this nicely.

Now price failed the top D target and recrossed the EMA finally closing in a new ABCD position (orange). We see now we are travelling between the 50% long and short so we are stuck in this range for the time being.

Note how the new C level is being respected.



Looking at the daily chart this is a very dangerous situation. Are the bulls going to stop the bears or are the bears going to continue.

I might take this day off, or scalp a few later.



Today was fairly standard the difference being the large numbers of pips.



Here is another weird one...



Quoting cuchufrito

{quote} Thanks, des Yes, I hedge with OANDA. EU Session spreads are decent, problem is the Asian Session, you can also forget about keeping positions open over the weekend. The spreads multiply by 20 and more..

The Asian sessions have nothing to do with the trading method I have explain in some depth. Nor is holding trades open for extended periods of time.

It is a process of taking the elements of timing, signals, stops, targets and money management to push the market a heck of a lot harder than it pushes us.

You mention trading several pairs to find more opportunities but to me this is counter productive because I have only developed this method for the GU, other pairs have totally different methods applied. The timing is different and the application of the actual trading method is different. Just for example the chart below is the AJ at the start of the Asian session... the spread is 1.7 pips (top left corner) the grid is 12 pips but it is fluctuation to 2.4 ps. This pair has completely different habits than the GU so it requires a completely different approach, I find it very difficult to lose any money at all on this pair and the lot cost is half that of the GU. So for me here is Australia it is a handy way to make a few bucks in the

morning. However these are not normal times, volatility is very high so normally I would not even bother. The method I use on the AJ does not work on the GU.

You mention trading while doing other things so the 5 min is too fast for you. Well there are a number of things wrong with this and the first involves concentration on the task in hand. You have to have your wits about you especially up to the time when you can get your stop to BE after that we can relax a tad. The next thing is that we are looking for ZOO points on the hour chart, the 5 min is used to get the better entry rather than waiting a hour or so. Thirdly, and I'll stop here, is that we monitor several charts of the same pair at the same time to add more pairs makes it very difficult to do this hard and unnecessary work, it also makes it easy to make a mistake.

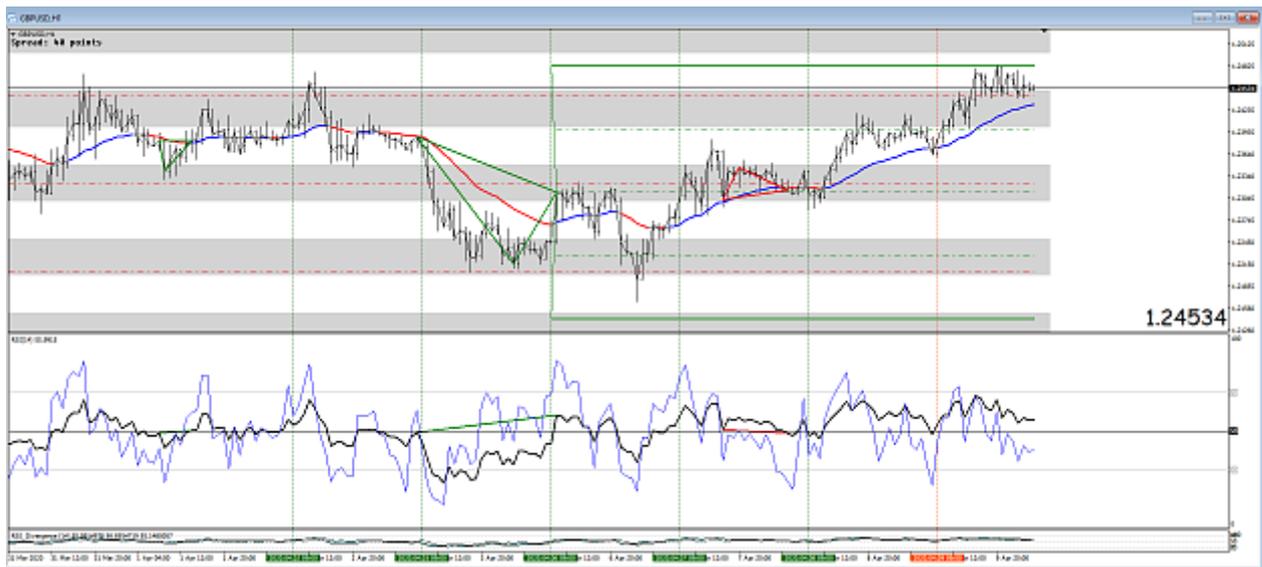
Hope this sheds some light...



Well everyone seems to be very quietly making their fortune (I Hope).

The GU has to say the least been very choppy these last few days, however, targets are still being hit despite whatever news articles pop up.

The swings within this 1 hour target were enough to pay our profit without having to traverse the whole distance.



[Quoting CptOrlando](#)

Hello, Found, this thread and have been looking at it for a while but I am still not sure how to get in some moves. Especially today. At the 108 bar, There was a rsi bear div but both 5m rsi were at the bottom, the fast 1h was also there as well. We were at the 1h ema as well so I took the 5m HD bull div instead but got stopped out. Could not find any bear entries to get in except for a continuation bear div (which looked like it did not have any support). Does anyone have anything I missed? Thanks {image}

Ok look at the 1 hour it gave the target at the time we expect...

Drop to the 5 min and see we are indeed trading below the average.

So each time the fast RSI climbs above the average then it is overbought so sell it...

We see the move started in the Asian session and the accelerated from 108.

We get paid quickly today.

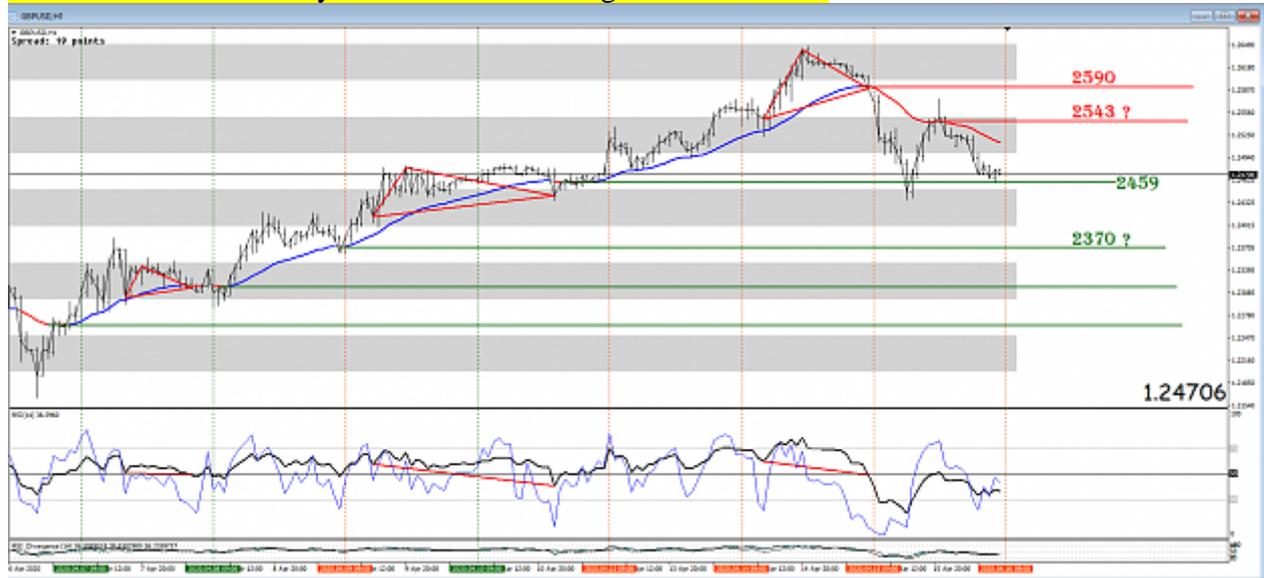
Don't dwell so much on finding divs even though there were plenty of RSI divs to be had.



So looking at todays setups on the hour we have the 2370 if the average is to break the 2459'

Or if the bulls are going to stop the bears making this average LL then the 2543 to 2590 is on offer.

Our attention is currently on the bears breaking the 2459 or not.



Quoting Dubtrader

{quote} More like I was caught ball watching Alan. I was looking at the H1 which had bear support above the average. I saw the bearish Divs made the first entry only. Got the stop to break even but didnt add the two other entries because I was still watching the hourly. Even missed the hook, again looking at the ball and not the bigger picture. Ow well. There is definitely an element in my trading of worrying about being stopped out, even when I have the stop at break even + 1. Several things I need to work on. Thanks Alan

No worries no one says it is easy at all. It takes practice and commitment to doing the job almost without a care.

Course I cannot teach how to be bold, we are all different in this respect.

Here below I have tries to make it as visual as I can.

Trust me I get stopped out heaps of times but lose very little. When I win I win very big.



Quoting Rodin

{quote} Hello Alan, Can you explain your first entry please ? It was at the close of the up bar ? I mean the next bar could have been higher and invalidate the div. Also we were above the 1 hour ema, I thought that we only think longs in this case ? I get that we were on a M5 ZOO at 108 + a div but still don't understand how you enter in the first place in this exact bar. Last but not least, how do you manage the second and third entries, M1 ?

Sure, I have not got the chart in front of me now but the story is always the same, day in day out...

I have a div FORMING on the 5 min, I am well above the 1 hour EMA so I could get a decent pullback.

So I drop to the 1 min and look for a short... = entry 1.

Then expecting the hook on the 5 min, which we got again look to the 1 min for a short... =2nd entry. Stops are adjusted and it is here I get stopped out a lot. However not this time.

Again another 5 min pull back and again drop to the 1 min for the 3rd entry.

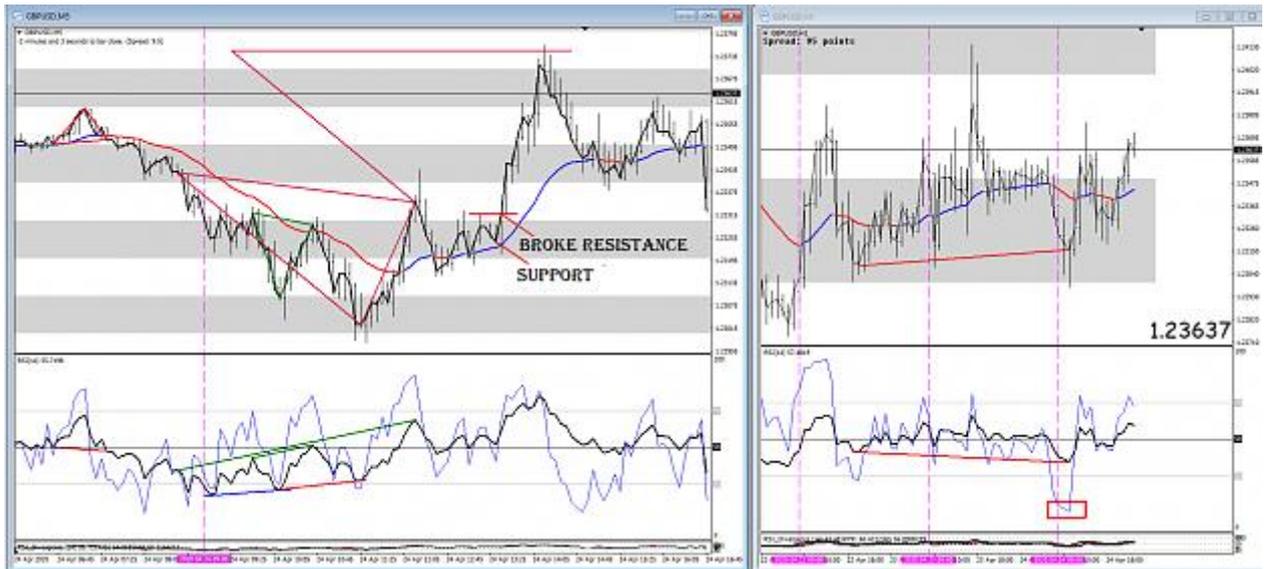
That is the entries covered next I have to think of protecting the trade entirely with the stops and where is price going today, what is the target.

I have a good idea because I can see the AB distance even though I am not sure where C is yet. Once I have C I have the distance sorted. At this stage I can also adjust the balance of my lots and add a tad if I need to in order to reach my profit target at the price target.

When I say we are trading above the 1 hour EMA it does not mean there will not be pull backs and even crosses.

Does that make sense?

This was difficult to trade yesterday (Fri 24th)



[Quoting CptOrlando](#)

{quote} Hello, Just wondering but have I drawn this abcd correctly because you did not mention it in your 1h? {image}

Not quite correct and by using candles and no 1period sma you are making things difficult for yourself to see stuff.



Look at mine here below how clean it is to see the stuff beginning with the div at the bottom.
Candles clutter charts



Unless you have a specific reason for using candles I would stick to electricity.

[Quoting logic38](#)

{quote} Thanks Alan for that comment, i also found it difficult, we had two rsi hooks on the 5 minuet chart with divergence, at 7.10 am and 8.10 am, the one hour rsi was over sold so i was buying at these 5m divergences, they also coincided with previous one hour lows. The first hook I got stopped out for a loss, infact i had a few losses for being inpatient and frighted i will miss the boat, this is a bad habit and something i am trying to curb in my trading, thankfully i eventually bought the low so made good, did you have the low of 1.22969 marked...

Actually this brings up the question of persistence.

We should not be discouraged by stop outs and if we use a good money management practice they should have little effect on our bottom line.

If we keep to the notion of losing a little but winning a lot and our entries are based on good probabilities of being right we should be OK.

Now for that low and why we had so much trouble.

The fast RSI was way down low but this can also mean momentum but we both seem to have taken it as oversold (for want of a better term) and took the 5 min div.

This div (marked as wrong div) did return and cross the EMA but the bulls did not find support and it formed an ABCD (green 5 min)

Price hit the D target on the short side and then formed another bull div after the target was hit. **I find these are the better divs.**

Again we take the bull div but as yet we can't see the target. This forms later (magenta) when the line of sight comes into view on the RSI and on the price they points are still on opposite sides of the EMA. Once the bulls eventually found support it ran straight to the target D.

I know this is messy and this is why it was hard to trade. However as I said persistence pays, I

wasn't persistent and quit too early.

That was the logic Logic38 I hope that was logical.

Whoops forgot the picture... Here it is.



[quote] Thank you for the detailed reply! I guess I was just curious what limitations exist when a trader makes such impressive profits , which might limit the long term reliability of trading the forex market, but I think I will find that out as time passes. This method is actually the one I trade in a more conservative way, using the principles outlined here , for which I thank you. What I haven't clearly understood yet , however , is your exact criteria for identifying the bull/bear support on the 5 minute chart. Perhaps you could briefly describe...[/quote]

No worries. I cannot answer what would happen when trading with telephone numbers because I generally withdraw lump sums on a monthly basis to pay myself. However since we are in lockdown (here in Yatala) I can't spend it so I will let it run longer and let you know what happens say in a months time.

As for the bull and bear supports... Here on the AJ we have both examples so I'll use this chart.

First we put the word FINDS in front of the word support. So when the price crosses the EMA we need to see the bull or bears FIND support.

I take this to be the first pull back after crossing where the opposition fails to get back across the EMA. If they do get back across then they have failed to FIND support for their continued move. The support point is the actual top or bottom of the bar (wick)

See in the chart below where they both FIND support to continue the move and how the opposition cannot close across this support.

Hope this is clear...



Now look at the previous bear support it only held for a short time so the price get's back across the EMA and the process is reset.

Remember we are looking at that EMA making a LL and prices dragging it there.



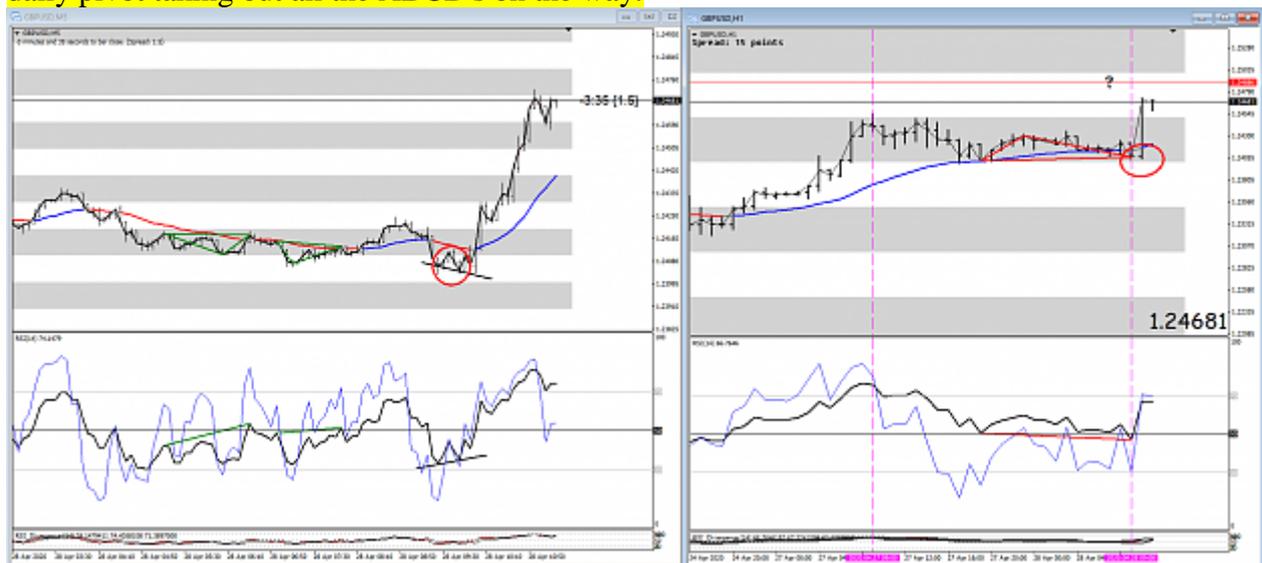
Quoting Trade.Time

Hi Alan, Please forgive such a basic question, but today, are we looking for signals that lead price to head towards the ema turns at either 1.2487 or 1.2341? I don't see a bias yet, although, it has been going up [on H1] and is now in a holding pattern so if forced to choose I would say it's time for a retrace down, but..... Oops, forgot a chart {image}

Don't try to out guess the chart just stick with the signals



See the one hour printed ABCD and we had the div on the five min. Price has shot to the R! daily pivot taking out all the ABCD's on the way.



[/quote] So you just focus on the first pullback , without considering factors like distance from ema or the actual structure of the bar (length of wick etc.) . I understand now. Do you think it would be practical to take just one entry once support is found for a less aggressive approach (provided the other criteria is met on the 1 hour) ? Also, do you always consider a 1 hour pullback to the ema a potential entry provided no divergence occurs? Thank you[/quote]

I would never consider just one entry because this works out to win one lose one and so on making little profit..

Consider the charts below..

The one hour is in div so we look to the 5 min for a long entry.

Now to do as you say wait for the bulls to FIND support it works like illustrated.

At this stage on the 1 hour I am expecting the EMA to make the HH (A) and thus price to reach the next level (B)

Note I could have taken another trade on the 5min at the dashed line but this would mean the stop would be below two entries, I don't like that. Better to move the stops instead and lock in more profit.

Note how the 5 min is in a bear div but the 1 hour has not made B yet so we may or may not get stopped out for a tidy profit.

If we don't get stopped out we move the stops again and take another trade at the top. Just keep going until stopped out.



I made a mistake in the drawing... The blue dashed line should be just a red line stop as below. It was a stop move rather than another entry.



Also we cannot take another trade at the top because the stop would be in the same place it is now. This would mean just giving money back

Following on from yesterday's chat about supports...

Look at this 5 min chart and notice how it takes a bull support to take out a bear support and vice versa.



It pays to zoom out and look at what is happening in the analysis phase of your daily trading activity.

The other day it was price trying to make the EMA target on the hour, which it did.

Then yesterday we see the EMA trying to make this HH EMA and price makes the next level.

Next we see a wide open space so we would expect a series of zigzags if it is going to close this. At the same time we watch for a change in direction altogether.

It is a matter of balancing what we see on the day and trying to determine our best option and look for the signals to execute this option.



On the hour chart it looks like the average is trying for the 2434 LL and price thus making the next level 2339.

It just hit the ABCD short

Since price is well ahead of the average it may well just consolidate into a holding pattern for a while.



Hi Paulnz57 lots of loaded questions there within the context of what you speak of.

Let's deal with the pairs. The GU is a far greater mover than the others you list which I also trade from time to time.

From the appropriate time i.e. the 108 it is very common for the market to move well over 40 pips in a single direction and by compounding our entries we can exploit this fact to our advantage. We cannot get it right all the time so we have a money management plan to limit the risk.

So far we have the pair, the time and the money management. We still need the entry and the target which I have gone to a great deal of explanation in an attempt to cover it.

So it is a process of many parts in which we have options.

If we attempted to apply this to the AJ we would find it takes many hours to make 40 pips or so, which is fine to keep the risk smaller but has the opposite effect of keeping the profits smaller also. Profit is always welcome no matter what the size of it is and we can certainly build a nice account over time. It is this time factor that makes a heck of a difference to the efficiency equation. Why would we not like to achieve in a couple of hours what would otherwise takes many weeks?

I don't know from one day to the next which way I am going to trade or if I will reach my target, all I know for sure is if I don't try I definitely will not succeed so I stick to the same routine and if I can't envisage the action I wait for another day where I can.

I also use a different method for the AJ/AU and certainly the cost is half so we can load more with a smaller pip target say 25pips. Many of the aspects I use to trade the GU are present but

the targets differ making the money management a tad different See the charts below there was not 40 pips in it.



[Quoting Del62a](#)

Hi all I have drawn what i think is bull support in the 1H charts. Can you please comment on this. Thanks {image}

This is a great chart on which to comment...

1) Is a correct bull support and everything now is going to make the effort to take this out. First is a retest (hook) but the bears fail and we see a 100 pip move because of this bear weakness.

The bears are not happy and stop the bulls from finding a new support level and pull all the way back to X below the EMA.

The bulls have to try again to find support which they do at 2 and this infuriates the bears into taking strong action and they bolt down to take out the support at 1.

Now this is the interesting bit because the bears should not have done this without finding support first. Realising the error at Y they return to 3 to find their bear support so now they can take out the bull support at 1. Notice at the ? there was some hesitation.

The interactions between bear and bull supports (the opposite sides being bull and bear resistances) is fascinating and one could build an entire trading system around them.

It normally takes a bear support to take out a bull support or a bear to take out a bull so when we spot them we have a good idea what is afoot and can trade the distances involved. The swing of the average helps with targeting as does the daily pivot levels so we can build quite a strong case for trading a particular direction for a particular distance at a particular time.

Your numbers 2 and 3 were wrong, price closed below the EMA.

Here for your diary is the chart for the events written here.



Continuing with bull and bear supports...

If I back up the chart a tad we can see the bear support marked 4. This made the bull resistance the bull support at 1 was going for.

Though the bulls reached it they could not close across, this is bull weakness and from this point the bears showed their strength.

If we look at the bull supports 1 and 2 we can see there is a difference. 1 is strong passing the previous bull pivot whereas 2 is weak not passing the bull pivot and collapses as a result. We can determine from this the bears are getting stronger than the bulls.

We can see from the chart below how these supports are interwoven in the price structure. One takes out the other.

The interesting one here is the number 2 it was a bull support so how can it react with number 1 which was another bull support. Well if 2 is support for the bulls then it follows that it must be resistance for the bears so in this case the resistance has taken out the support and number 3 just confirms the fact.

Please note my views on support and resistance differ from the main stream. I believe that support has to be FOUND and resistance has to be overcome. If the resistance is not overcome then this shows a weakness of the attacking side. Both bulls and bears can FIND support and both can MEET with resistance.

It is normally the case that these operate in pairs as shown in the chart below...



For today I am looking at this 1 hour chart expecting the EMA to make the LL at A and the price to make B.

So at the 5 min level I would be looking for a bear trend.



Well that was certainly a long winded affair yesterday but eventually the EMA did break the LL (A) and price perfectly hit the next level (B) unfortunately I was in bed fast asleep for most of it but I did catch a few pips long.

Today I start the school drop offs with no pickup so I can trade the 108 time more effectively though I see yesterday there wasn't much action at that time. We get that from time to time.

A nice ABCD was formed and hit to the short side and also an $AB = CD$ and I would imagine D is the next short target since the bulls have been unable to FIND support and the bears continue to do so.

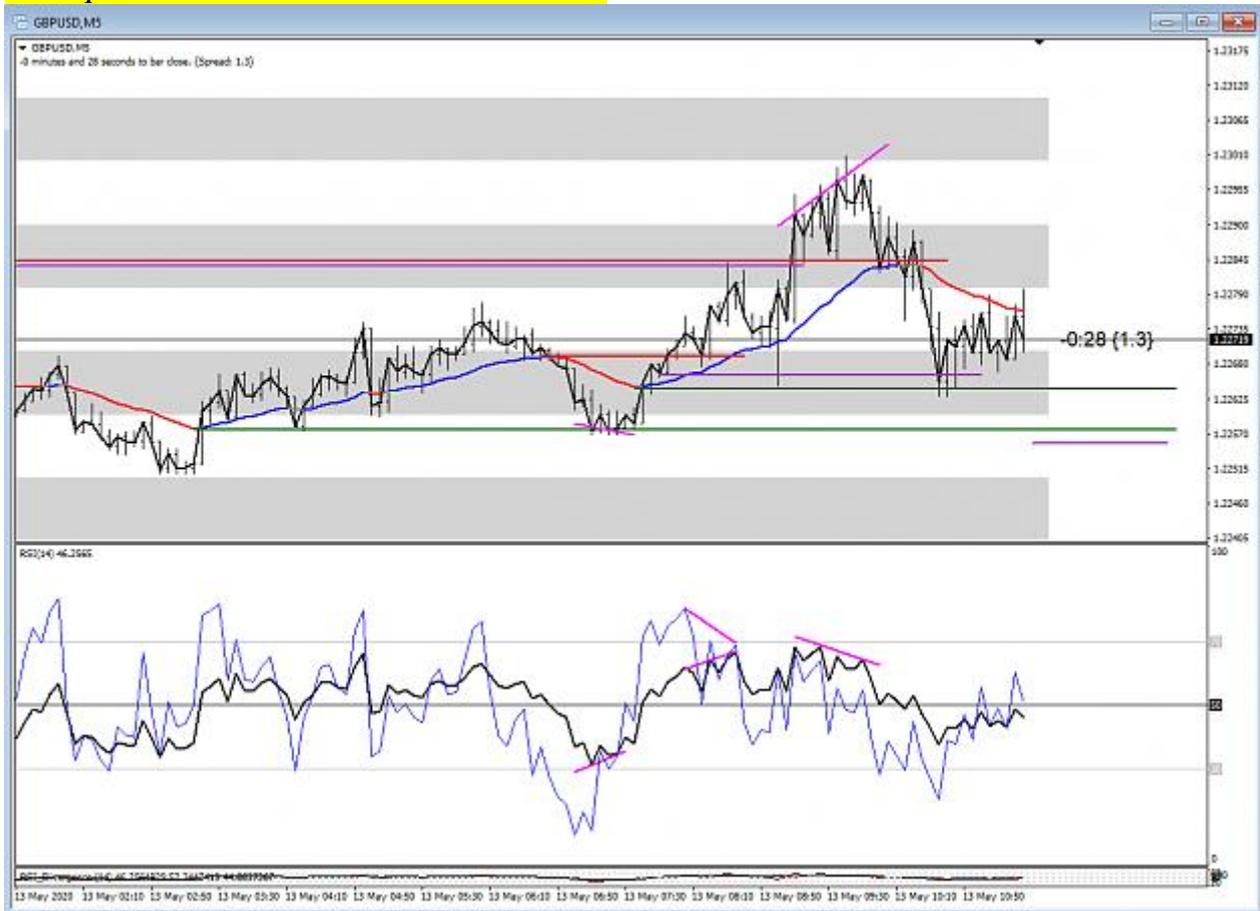
Don't know if you can see all this on my messy chart below. The D target for the AB = CD is in the middle of the daily S1 and S2 pivot levels. It may do this during the Asian session leaving the London in a position to go long (May Be) have to wait to find out.



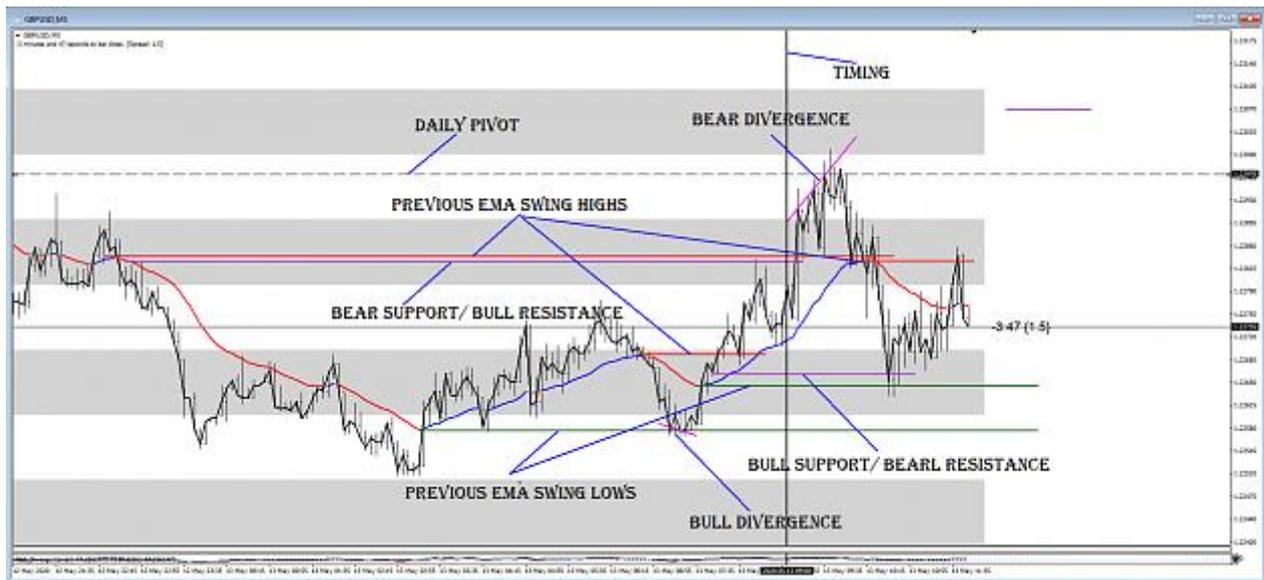
[Quoting tazytam](#)

{quote} Were you trading the H1 price divergence from this morning? I was wondering if it was maybe too old, but I guess not? 😊

No I wasn't, I was using that as the direction signal but entered on the 5 min bull div and the subsequent bear div shown on the chart below.



Here are things I was looking at on the 5 min chart...



That last chart I posted had a line just placed randomly, I just copy and drag it when wanted.

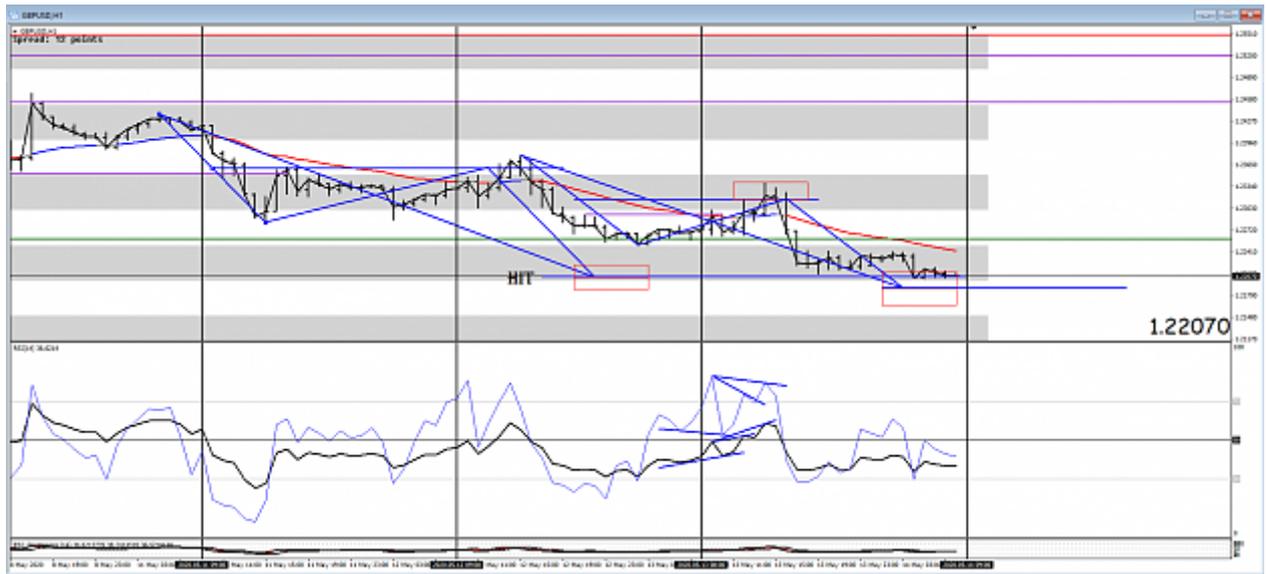
Just look where price just went to on the same chart.

Perhaps this is just my natural magnetism 😊😊😊😊😊



OK so from our deductions yesterday the 1 hour did hit the AB= CD and in the process appears to have made another one which it is very close to hitting.

No other signals as yet that I can see.



Darn it my stops were a tad too tight...stopped out....

Or were they, this doesn't look good at all, can't seem to get a decent run these days..



Whoops I missed this HD



As I check the charts this morning, my time, I see that the 5min did actually manage to make the target I was looking for eventually. This came after a great deal of struggling to halt the 1 hour and possibly turn it. It remains to be seen if the bulls can hold onto this for any length of time. Not a big moving day at all and very choppy to scalp.



When we look at the 1 hour we can see when an assault on the EMA is made by the bulls, there is a struggle of sorts.



Quoting MaxiPip

Divergence forming/formed on the 1 hour chart. {image}

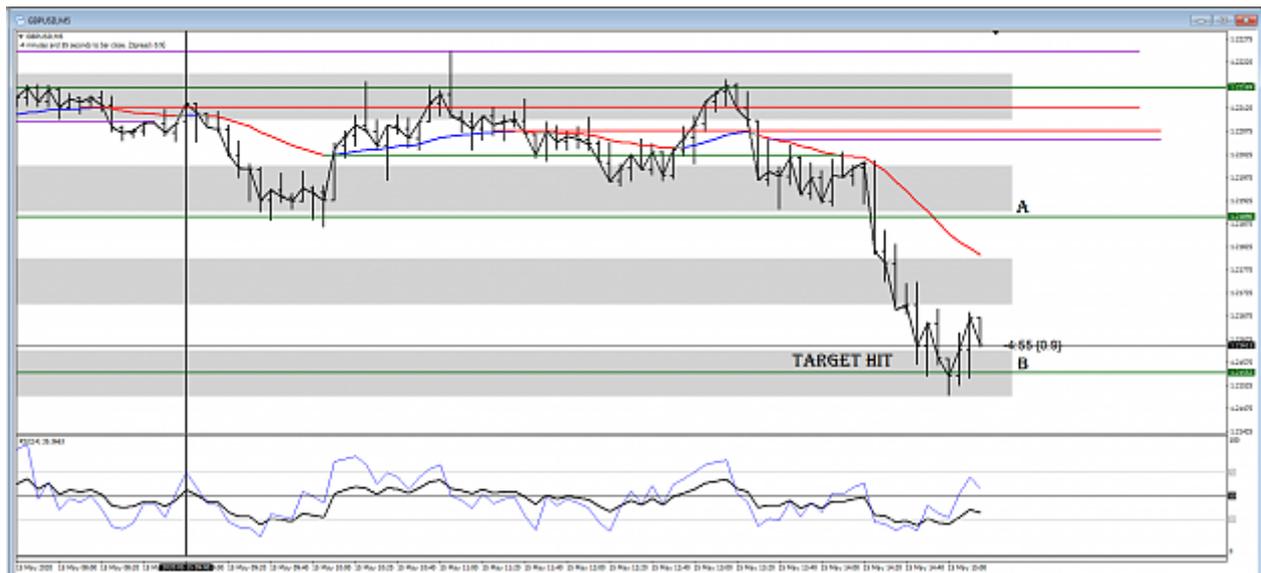
There is no divergence there...

Here are some I drew on your chart because I can't match yours with mine.



If the EMA is going to make the LL A

Then price should reach the next level B



Quoting Elsaloon

A good week end to everybody and thank to Alan for the charts Chris

Remember we are trading between the averages and must bear this is mind all the time we are trading. I see so little evidence on the charts you guys post. There seems to be a fixation on divergence but these are only going to work at the appropriate times.

Look at the 5 min chart below our analysis would begin at A, this was the Average swing high, the average swing low followed at C.

Now we have the situation sorted with the High A and the Low C trades taken between these tow levels are scalps, not likely to be big enough to constitute a full blown trade.

From C price climbs back to the A average but look what is happening when it gets there. It is showing Bear divergence and this could easily stop the average climbing any higher. If the price cannot break past A then it is mathematically impossible for the average to climb higher than A also. So B is likely to be the fail point of this up move. It is a high probability not a sure fire thing by any means so we just take a small chance with our first entry.

All goes well we cross the EMA and the bears find support allowing us our 2nd entry. We have plotted D as our possible target but look at the position marked X price is struggling to cross the C level.

Our problem is we only have our 1st and 2nd entries on so we cannot have made our profit target but we are worried at this point price could simply turn and take out A + as it drags the EMA to a higher high. Don't underestimate this pair can easily do this. Our options are to close and call it quits for the day or HEDGE our work at X.

Now one of two things are going to happen,

1) The hedge may become the primary trade and entries 1 and 2 will be stopped out for no loss.

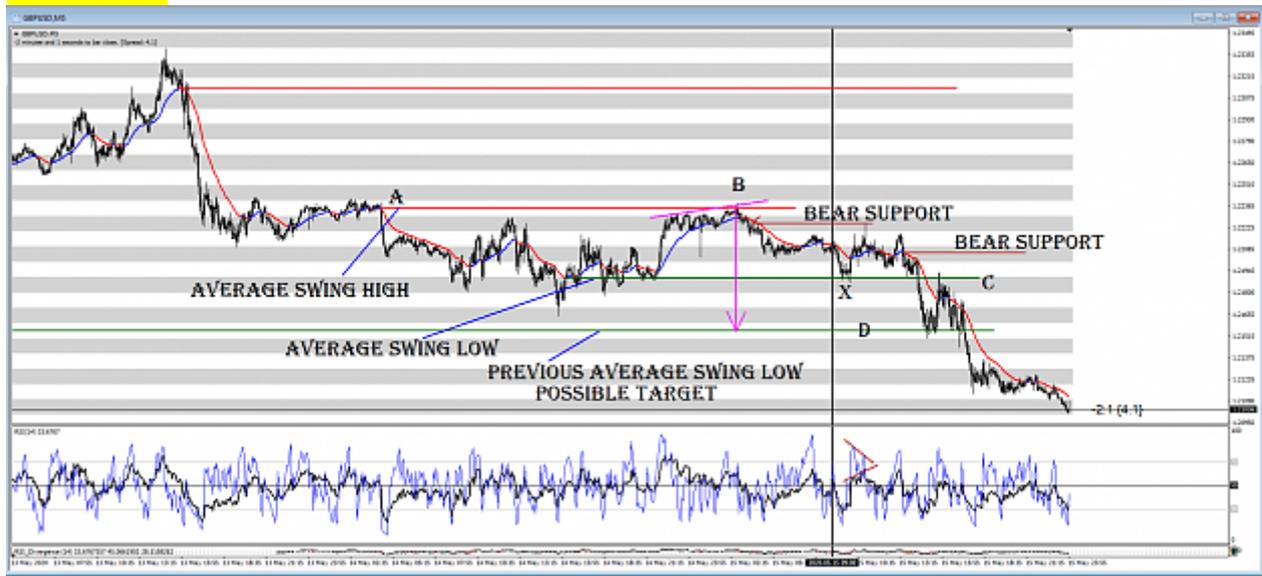
2) The hedge will fail and will be stopped out for no loss. We could also close the hedge at the bear support because it was in a div situation. If price continued up we would still be winners as 1 and 2 get stopped out.

The bears then managed to find a new support allowing entry 3 and then price runs to D and we have done the dirty deed to death.

This is why trading is so stressful and why we have to have a great deal going on in our heads. Clearly we can see these levels play important roles and we have to plan for them and no what to do as they crop up.

There are times when price runs from B to D without taking a breath, a nice number of pips but hardly the profit we want because the 2nd and 3rd entries are difficult to get on.

To sum up...Watch what these averages are doing and get the levels on your charts priority number one.



Quoting pipparkar

Today results so far B - stopped out B/E C - stopped out B/E D - i entered a short at the average high you can see sitting below D as on the M30 alan divergence and it reversed into stoploss immediately. (i took the screenshot after the divergence happened but you can see where i placed the lines) (not a trade i would usually enter as it crept above the average high on the 5m but took a chance on the divergence) LOSS 3rd week trading the system -25% of account, hopefully i can pull this back. My biggest issues seems to be confidence pulling the...

I can't put all the stuff on the one chart here but you are certainly not reading it correctly.

Your 108 bar is wrong should be later.

The trade begins with A bullish divergence on the 5 min based on the notion that the 1 hour is trying to get back to the average and indeed try to break it.

The 5 min move up to your B which was a swing high average and a bear div so this could be a 1 hour failure and it may turn south. It did. We have two options at B, we can either hedge our long trades consolidating them into 1 or we can close and take a short beginning our trade anew. A hedge is always the best and safest way to go and we would expect our longs to be stopped out at A, thus the hedge would have won the day.

As it happens in this case price turned north again at C and when it found Bull support we close the hedge for whatever profit it makes and we are continuing with the long trade until our profit is realised.

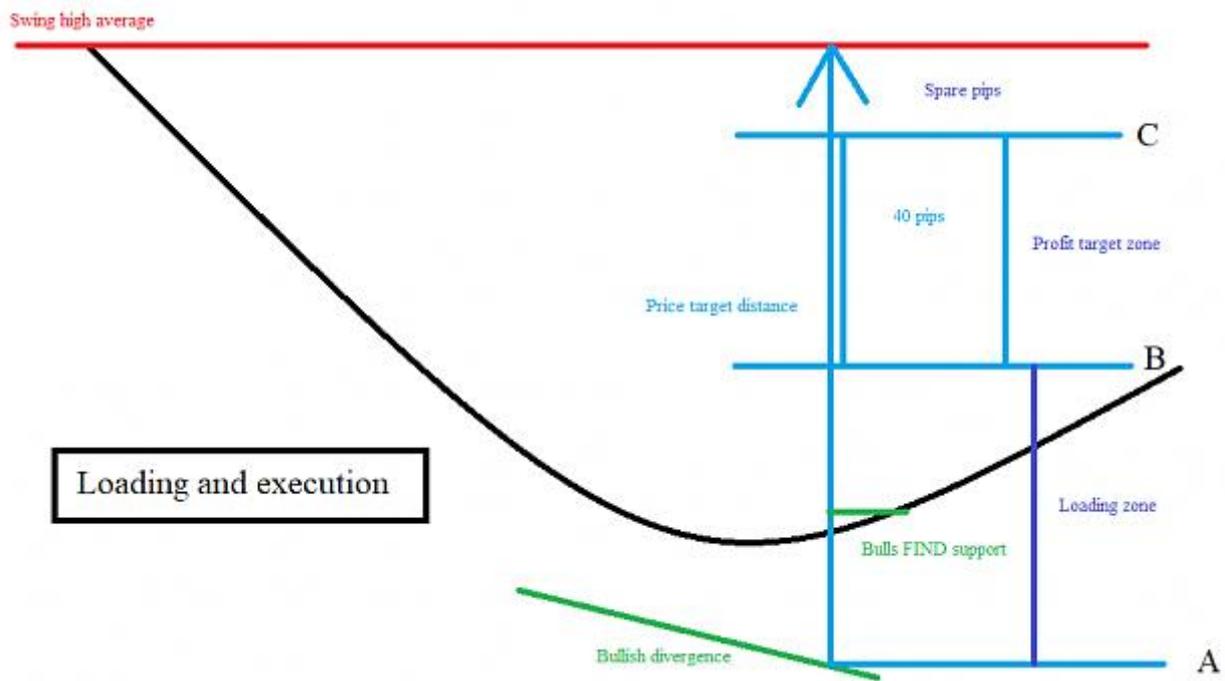
Your chart doesn't show the next 5 min EMA swing level so how would you know where it is going?



Quoting sanme

Hi Alan, I am still struggling to understand the money management part with two trades and hedges. It would be very grateful if you can help to post a small video. Sorry if I am asking too much. Thanks in advance.

Well perhaps you can help me, I haven't got a clue how to make a small video



Looking at the diagram above we have plotted the target level to be the swing high average.

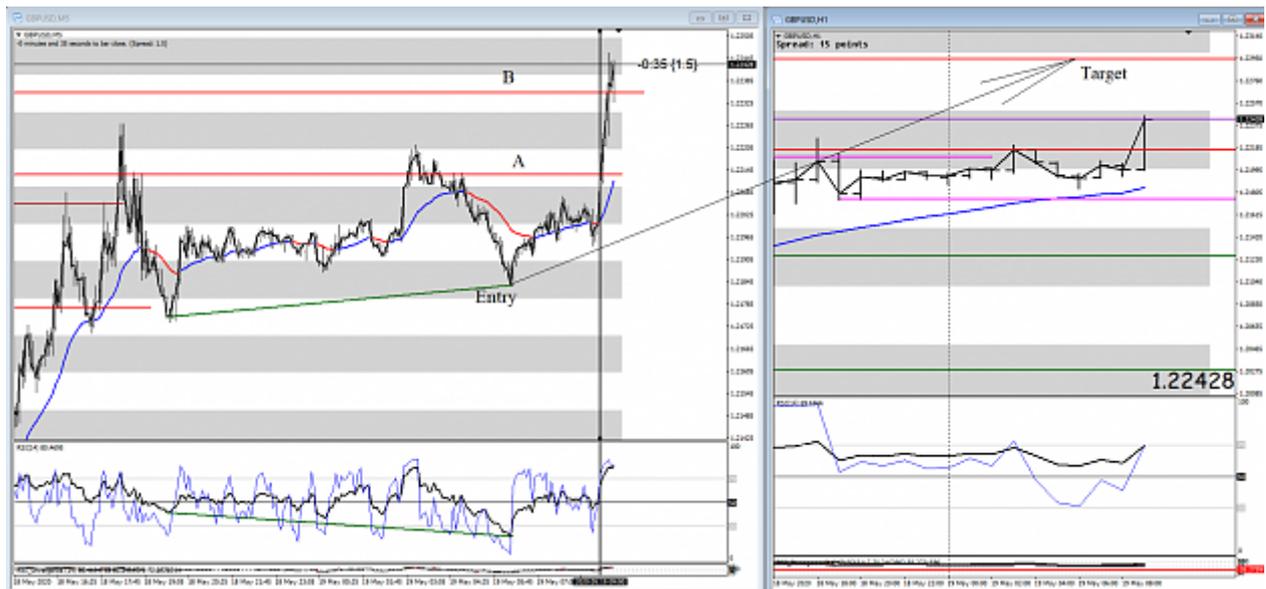
We can put a box on this representing our full profit target i.e. 40 pips and we see it fits comfortably in the range we expect.

We begin at A by dipping our toe in the water with a smallish trade. As the trade progresses and our confidence builds we add to the winning position until we are fully loaded by the time we reach B

However we could run into trouble at any time and may suffer a pull back from our desired direction and just in case we get a complete turnaround we want a measure of insurance, this is where we would hedge the trade essentially locking it up neither winning more or losing less until we determine which way price is going to go.

Americans cannot do this due to trading regulations. (It is not a free country

This is what I am looking at...



Here is a hypothetical example of how the hedge can win the day...

3 trades long but not enough profit made. As the hedge pulls back it stops out the longs and wins the day.



And thus in that scenario the hedge would have won the day.

The reality is a tad different we should have been done and dusted a lot earlier than this via the up move.

As per below...



[Quoting Nala66](#)
 Targeting 2294?

Well it finally got there in the wee small hours of my night...

See how to break one EMA level price tries for the next EMA level. It is so important to have these EMA swings identified as potential price targets/



[Quoting pipparkar](#)

Much better day for me yesterday got in at the bottom of the trade you can see below and TP at the top, I Only got one entry in on the trade as at the time the price action was a bit indecisive in that area. Target hit and 44 pips taken. {image} {image}

I don't want to blow the wind out of your sails but I think you would prefer me to be honest.

I have drawn up the chart for you here with the key points included.

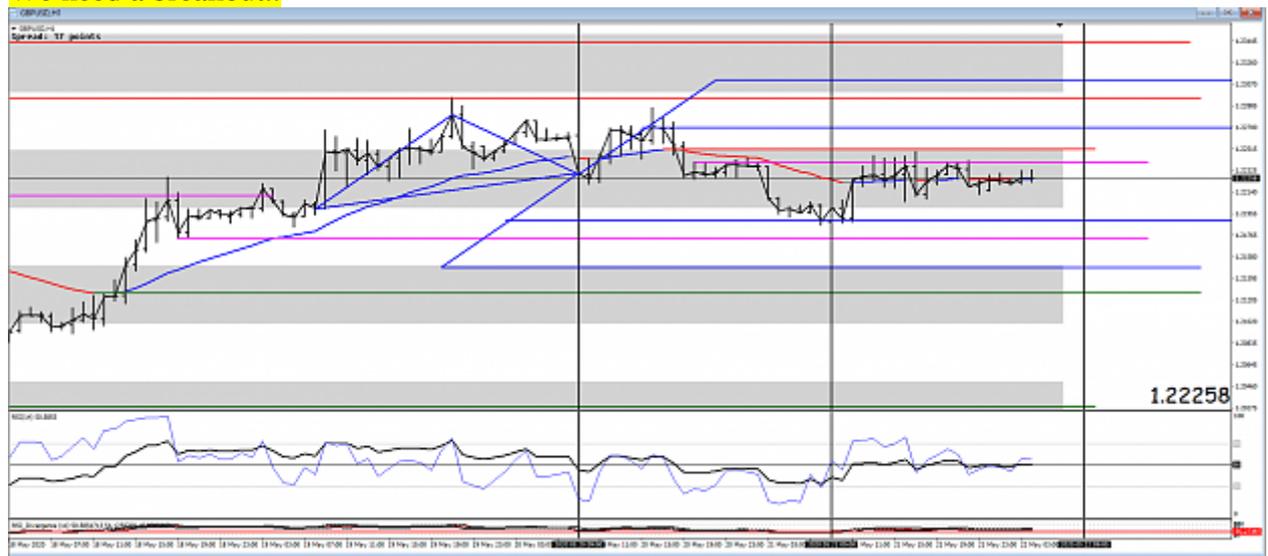
It was difficult to trade especially with those two HD's in the middle (hedged).

Anyway here is the chart for study...



If we look at today's 1H chart we see price is stuck between the 50% ABCD levels and also between both the Bull and Bear supports.

We need a breakout..



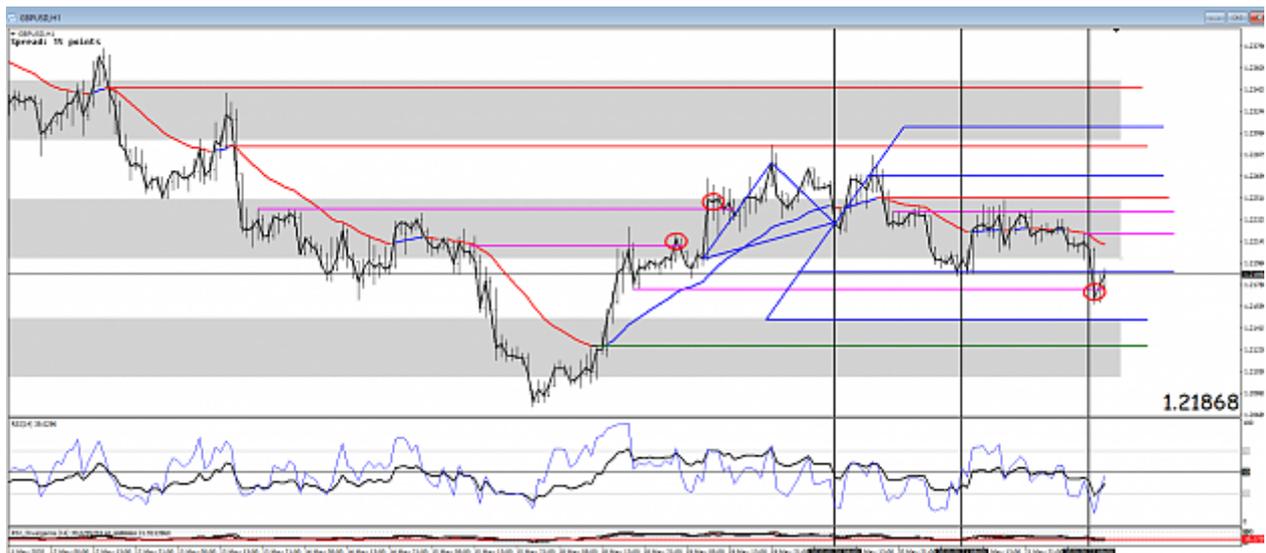
[Quoting Andy1501](#)

{quote} Hi Alan , Could you make a post like this everyday if time permits? I'm sure I also speak for others in saying that it would give extra confirmation that our analysis is correct. thank you

Well yes I could but wouldn't it be better if I corrected your analysis so you learn by practical practice.

Currently on the hour chart we see the bears have taken out the bull support. I have marked the chart to show where this happens and how often it does so.

The Magenta lines are my Bull and Bear supports..



I saw nothing on Friday and thus far nothing today.

The usual thing to follow these flat spots is a big break but which way and when remains in balance.

Looking at the huge weekly chart we see the bears are holding to make the EMA LL.



Sorry guys been a tad busy to post this week..

Here for your diary of events I have drawn up the 1 hour chart for you.

Notes are...

- a) Over the last three days neither side has FOUND support
- b) The price action has mainly been responding to either Hidden or regular divergence.
- c) The swing highs of the averages have been the price targets and we see a failure of the swing lows.
- d) Currently if the bears FIND support then the average 2406 looks like being targeted.
- e) The various levels have provided plenty of ZOO point opportunities

The colour key to this chart is

RED=previous average swing high

GREEN= previous average swing low

MAGENTA= bull or bear support and as such becoming bull or bear resistance.

BLUE=Some form of divergence



[Quoting luckyvictor](#)

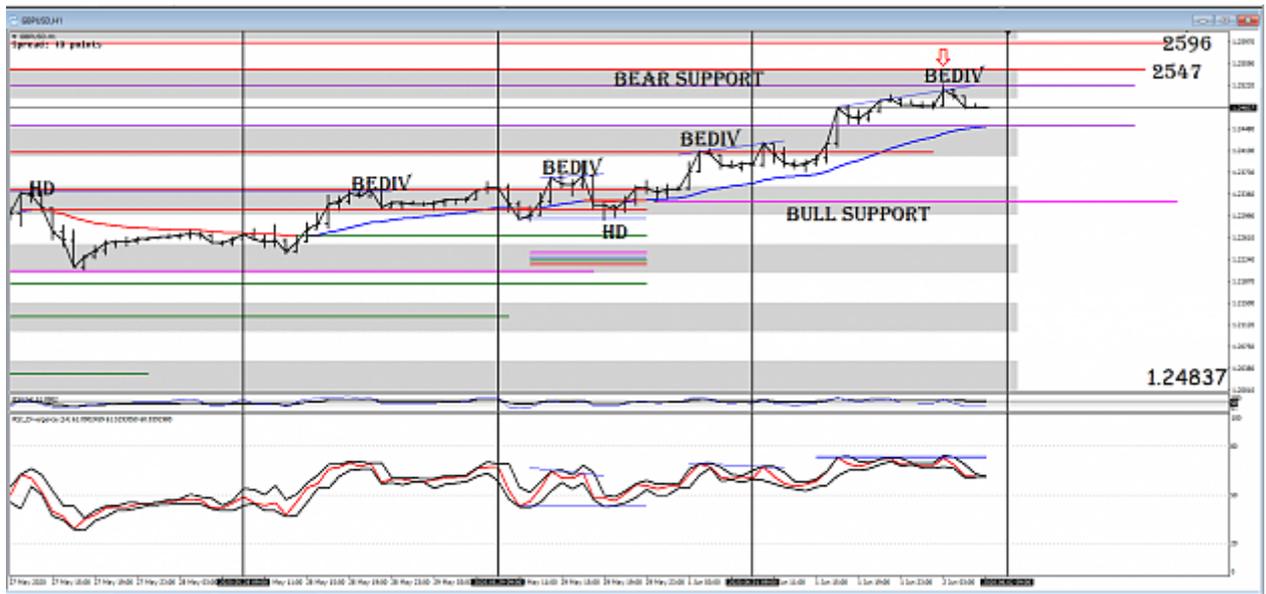
{quote} Hi Alan, why do you draw the green line between these two points please? The are quite far apart in this 5m time frame. I don't wait understand why do you use this particular point (the left one, above the time label 18 May 19:05) as a reference to decide your entry point on the right. Do you actually search backward for a point that can form a hidden divergence during trading?

I don't draw a Green line between TWO points! The green line is a right to left projection from a swing low of the average as is the red projection a swing high of the average. Once price fails in one direction it turns to test the opposite direction.

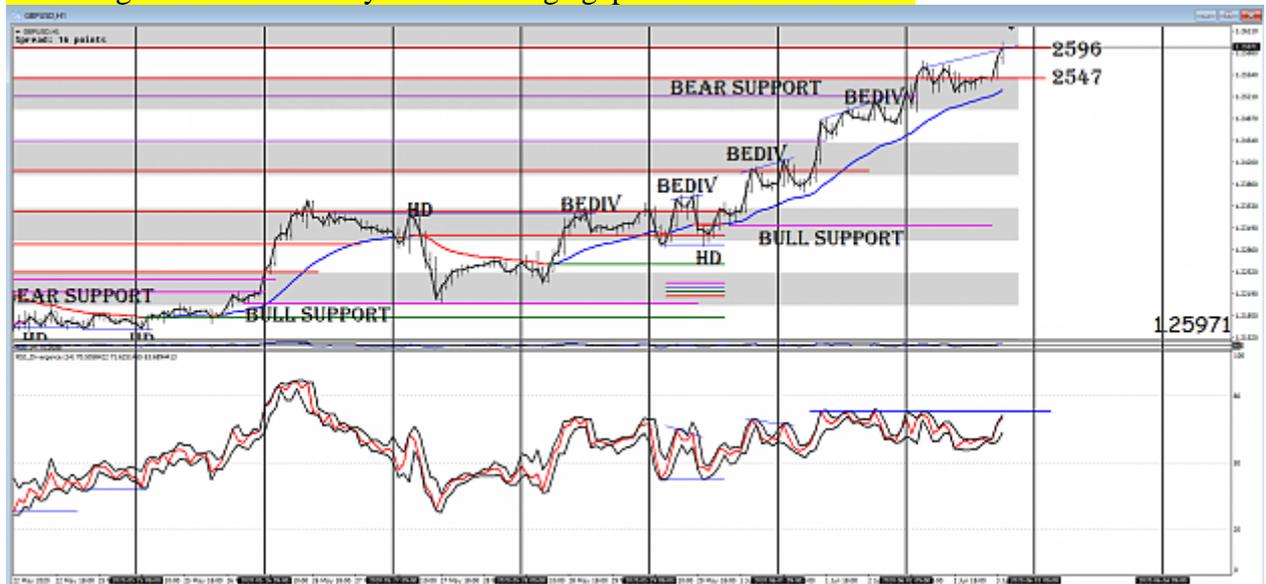
This is at the 1 hour level so we can see where we have plenty of movement to make our profit and can zero in on this movement at the 5 minute level via the pull backs for entries in the right direction.

For hidden divergence of course I have to search backwards else how else could I find it. I am always sliding the blue line measuring and looking for these divs. Once I spot them I drop to the 5 min for trading purposes. Not just for HD's but any kind of div.

As an example look at the 1 hour chart below... A bear div forms at a previous bear support(resistance)(red arrow) This is an invitation to short the market, your hope would be that price can make it back to the EMA, if it doesn't then it is going to make a HH so you would get stopped out for BE +1 or you make your profit target and close the winner. If on the 5 min chart you see the bulls climb and find support then you would not wait to get stopped out on the hour would you?



Watching this level carefully there is a huge gap to the next level 2948



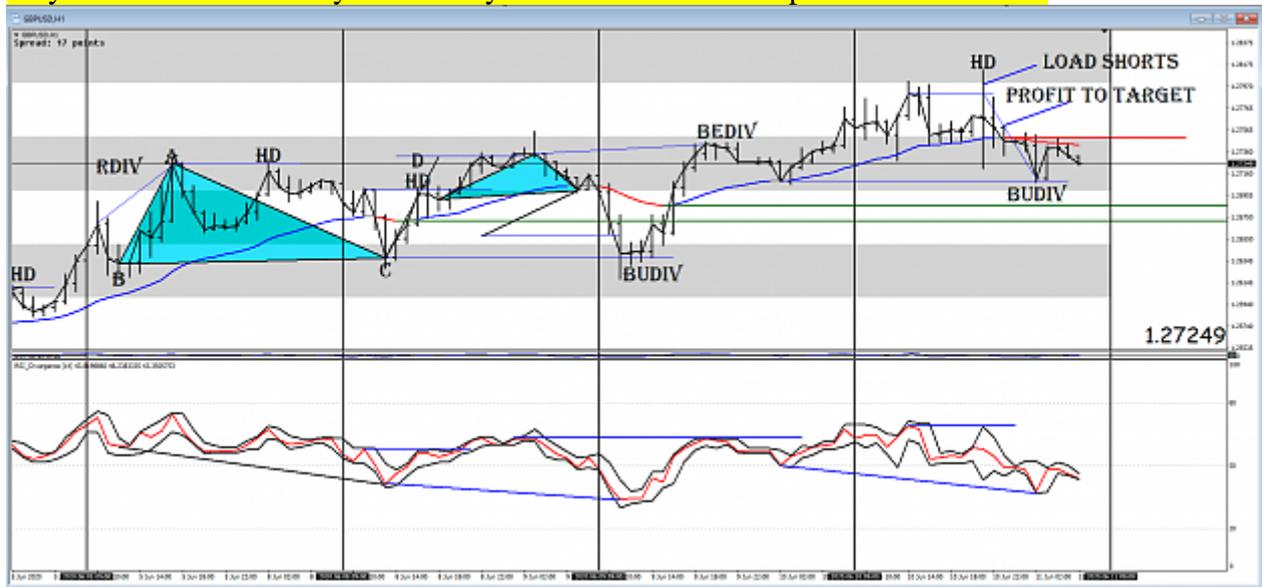
For your diary here is an update of the progress of the 1 hour chart.



Trading is very much a solitary affair as we sit at home in front of a set of charts trying to make sense of the situation so we can profit from it.

This is why so many people fail because this really is very exhausting. We have to be patient and wait for the trade to setup, then we have to press the button to get in at the right time. The execution of the trade may take hours and hours where we monitor the progress. We try to become professionals with an amateur approach because we simply cannot monitor the charts all of the time as sole traders. At best we should only expect to get a small slice of the daily action unless like professionals we work as a team with staggered shift times but this is not going to happen because then we would all become employees and would all have to be on the same page perhaps under the watchful eye of a team leader of sorts.

Look at yesterday's 1 hour chart (below) the setup formed smack in the middle of the day which for me was the middle of the night and then ran for some 6 hours or so. This is of no use to me at all but depending where you are in the world it could have paid very nicely. I had to content myself with a few small scalps. If I was to get at it full on, then I would probably only be able to trade every second day because I need to sleep from time to time.



Hope everyone got a piece of this on the 5 min.



Again hope everyone got a piece of this action ABCD



Actually the last to days I have seen nothing to trade via any signals but these will return as they always do.



Taking the 1 hour EMA as the zoo point at the 108 we see the signals on the 5 min to give us the direction.



Fairly easy trading today hey guys, This 5 min may run to the next level now.



That was nice, it crashed right through the next level and went on to the one above it...cool



[Quoting Dubtrader](#)

Alan great to see your charts again. Such clarity when the master explains. I am still plugging away here day in day out with Trading the Cable swings via averages

Good for you glad to here it.

I hope I have made the method I trade clear enough especially with all the supplementary explanations serving to make things look much more complex than it really needs to be.

To add what may be called a simpler summary of all the posts...

1) Timing... This is where we come to the table and begin to observe the events that have happened in relation to the swings underway so we can make a fairly good analysis of these events. This I call Bar 108 which is a fairly good approximation of anticipated action.

2) Signal... This is where we are looking for the entry into the direction we have determined is in our best interest. Most often these are the so called ZOO points or **Zones Of Opportunity** on the 1 hour chart with the actual entry on the 5 min chart to get a better position restricting the loss to a minimum. We are looking for the failure of the EMA to then attempt an attack on the opposite side as price tends to test high and lows.

3) Target... This is given by the swings of the EMA remembering if the EMA is to make a level then the price has to pull it there by making the next level unless stopped from doing so. This means we cannot just take it for granted but at least we try and more often than not we will win.

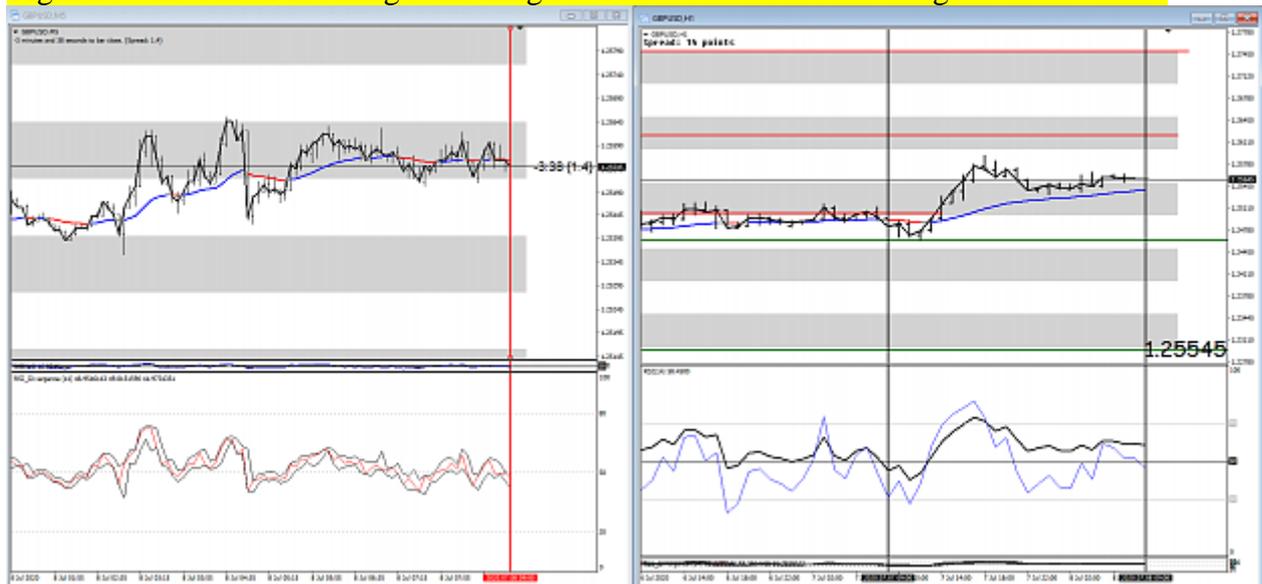
4) Money Management... This is where we test the waters with a small entry and then build as we become more sure of the action so we compound the winnings keeping the risk smallish

[Quoting vietanhtrank](#)

I always find it is difficult to trade with 5min chart. The price seems to go crazy with news

We are not trading with the 5min chart, that is where we look for the entries when the 1 hour indicates something should happen.

Right now the 1 hour is telling us nothing so we don't look for something that is not there!



I am out now. I couldn't see anything on the hour so looked to the 15 min where we had a bearish HD. This gave a bearish regular div on the 5 min so short we go..



[Quoting vietanhtrank](#)

{quote} Thanks for clarification. Now i learn that we should follow the 1 hour chart and wait for the setup to appear, and then drill to 5m chart for best entry and R/R

Yes exactly that.

Take a look at the charts here below. On the 1 hour chart I have candles just in case you cannot see the bar open/close.

Look at the right chart i.e. the 1H. The RSI in the red box is way down the bottom. Do you think for one minute price is going to push down to the second green EMA swing (B) in order for the EMA to break the level A. It could but it is highly unlikely so we look for longs.

Now drop to the 5 min chart and by some miraculous piece of creativity a bull div is formed, again down in the pits of the RSI.

Why would we not attempt an entry here to the long side when we can see via the 1 hour chart the target is some 100 pips or so..

Even if we just take the 5 min chart we can see that if the EMA is to break A then price should reach B. Heaps of pips.

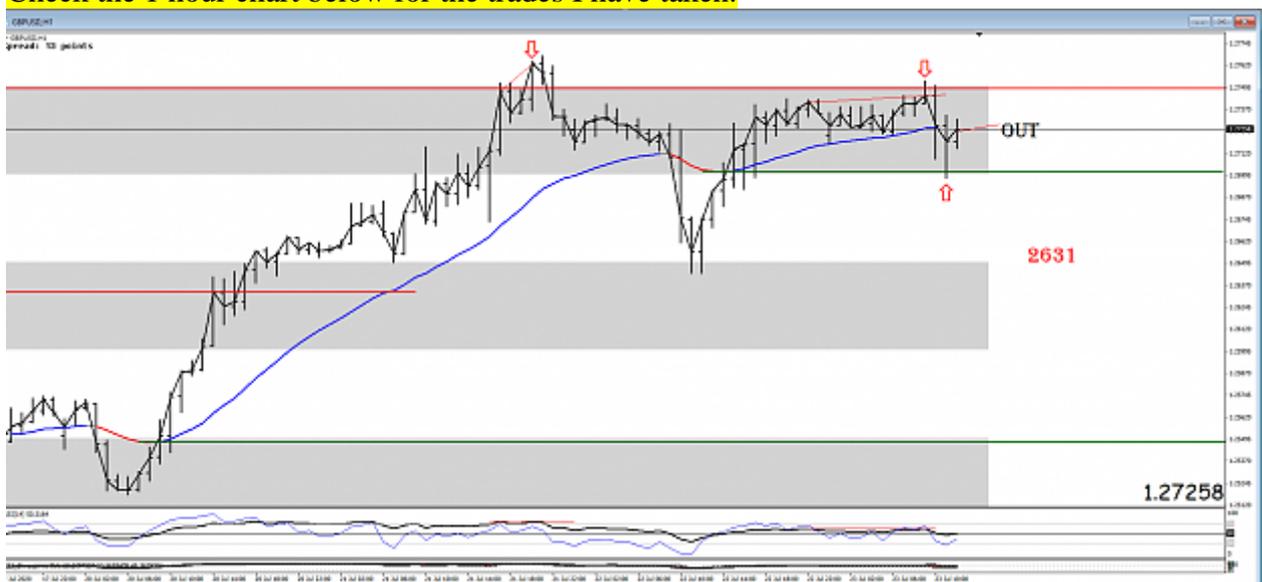


Quoting Wab

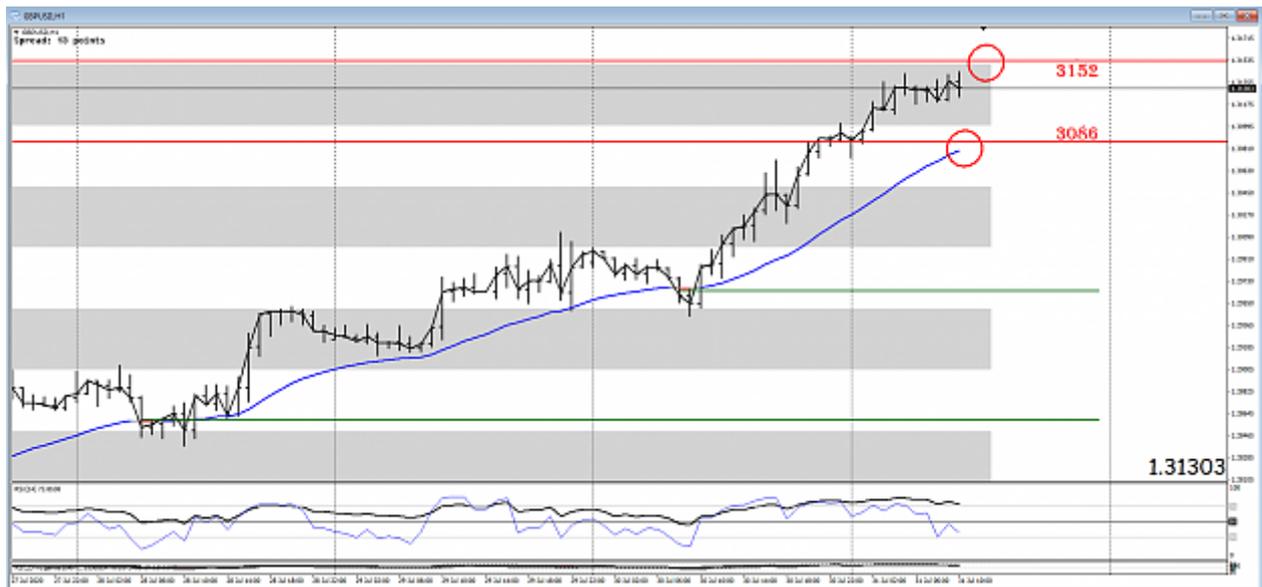
Sorry to hear you are dealing with hospital stuff Allan, as I finally meet you - so to speak. Let me take the opportunity to thank you and your wonderful cadre of students on this carefully thought out thread. My first chart showed two ABCD patterns, one labelled ABCD and the second one labeled abcd. (At least they were my interpretations of where ABCD patterns could be drawn at the time.) The second chart showed the respective D and d targets of those patterns, as well as a box that had a 40 pip range. Both the D and d target were hit and price...

Anyway what I wanted to say was pay more attention to the EMA swing levels as Zoo points. There are enough of these alone to make a good deal of money.

Check the 1 hour chart below for the trades I have taken.



If price does not break this 3152 then it looks like the 3085 average may be the limit prior to a pull back crossing the EMA southwards.



OK I let this run a while to show the action as it happened.

See how we had two bear divs at the top here and the 1st one failed to make the EMA =

Rule... If it fails to make the EMA then it will attempt to make a higher high...which it did do.

Then came the 2nd div but this time it was at the average swing high level and the average made the new HH also.

Rule if the price is at the level and in divergence it becomes a ZOO point to short.

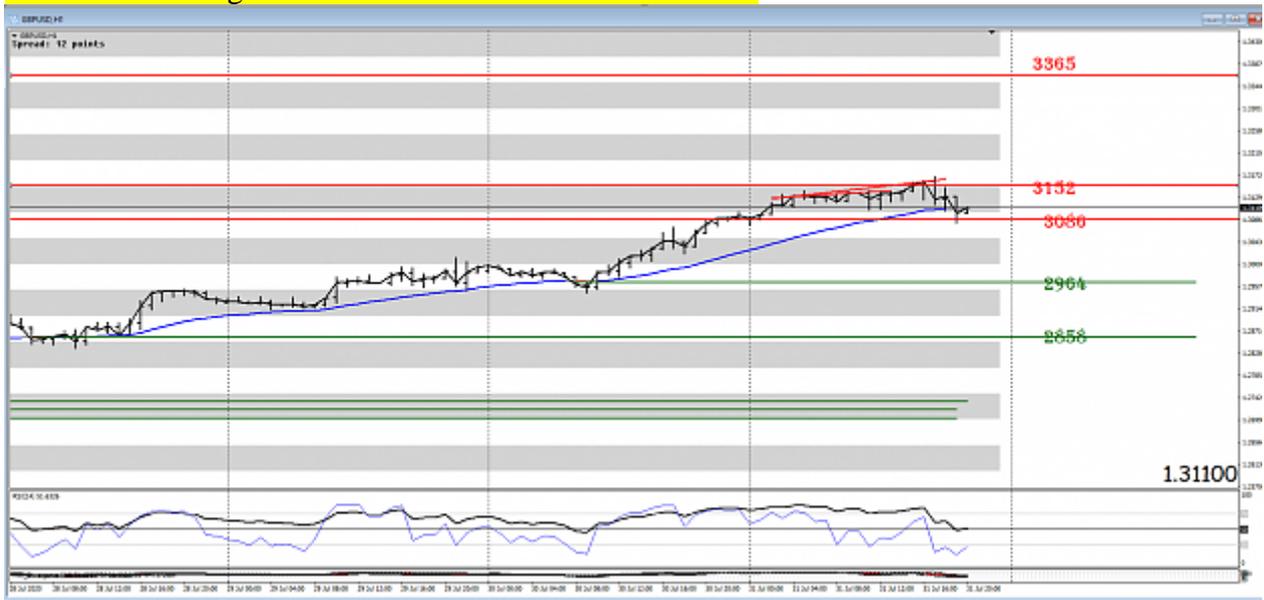
This would result in a crossing of the EMA... which it did.

The question now is can the bears find support and roll the average over for a period of time.

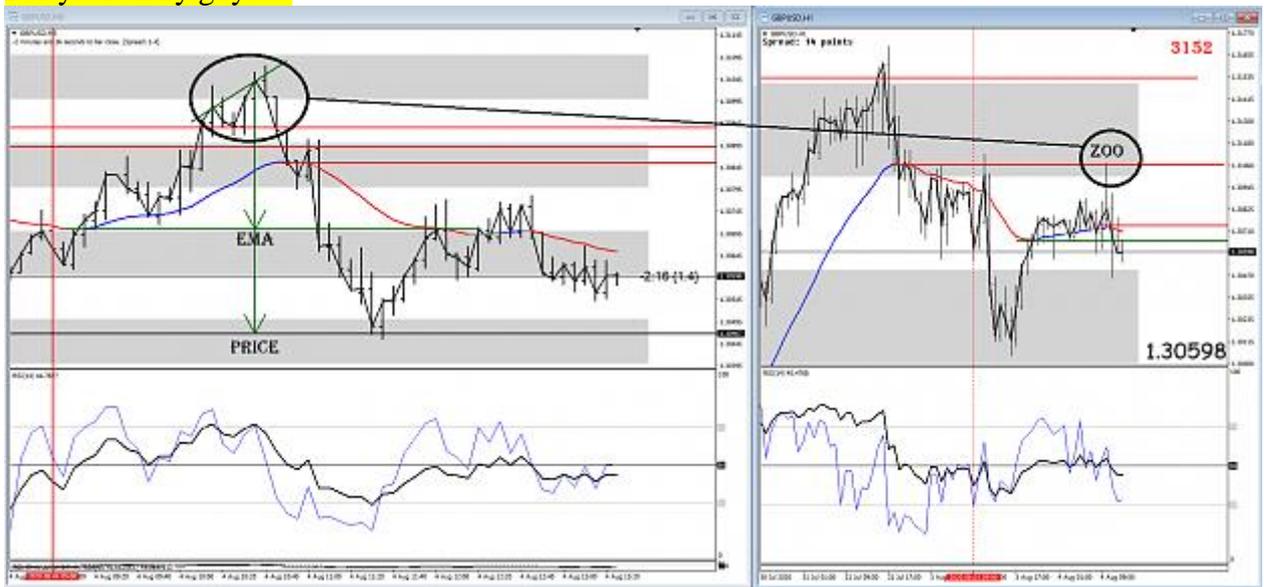


Now possibly after some sort of smallish rollover I would expect to see the bulls make a bid for the 3365 level.

This would be negated if the bears made a run at the 2964.

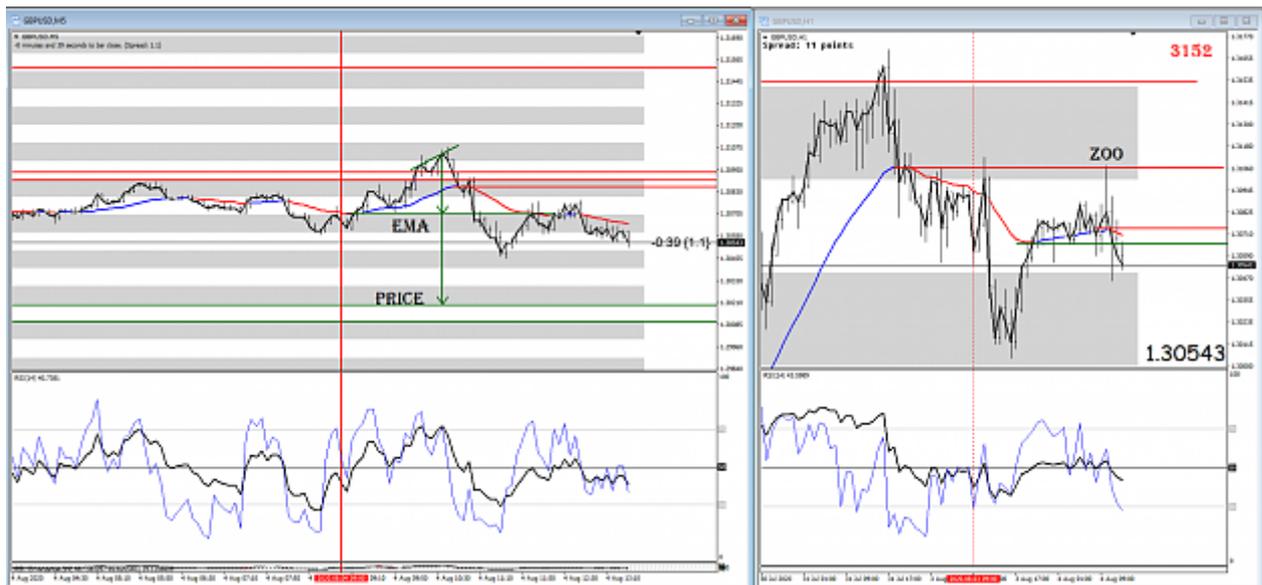


For your diary guys....



Sorry that 5 min chart was wrong...The black line was my profit target not the price target.

This is what the chart should look like...



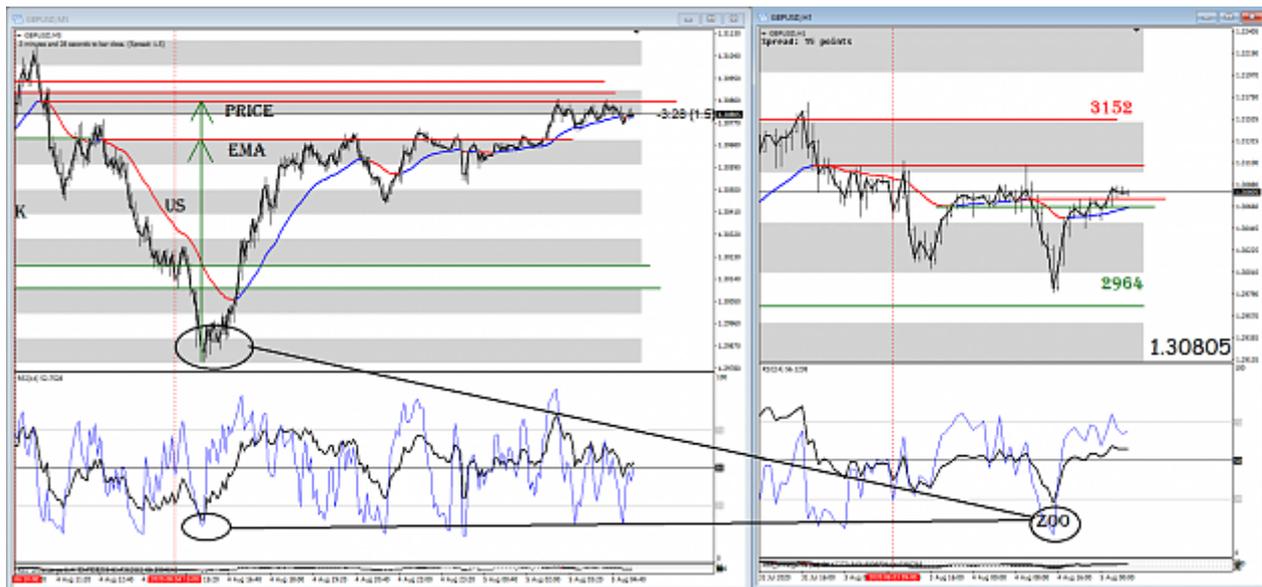
And there we are price hit its target level... Cool Uh!



I was done and dusted by the time this US session began but for your trading diary I has this for you.

A thing to note is once price hit the EMA target level it was a long time afterwards before the EMA itself hit the level and price made the next level.

This is why I close the trade at the EMA level rather than waiting for the price level.



Quoting logic38

I sold at the 60 ma and 5 min ma level zoo points, with some bear divergence only to be stopped out, by the bounce up from the 1.31068 area. Reentered again sell at 1.31246 target is 1.30740 60 ma level

I wouldn't base my TP on the 1 hour. it can and does pull back on you too much. Look at the 1 hour for ZOO points to be traded at the 5 min level.



Someone asked about ZOO points... Well here on the 1 hour chart is a sampling of most of them over the last three days.

I'll leave it to you guys to work out the why's and what nots.

Add the chart to your diary for study.

