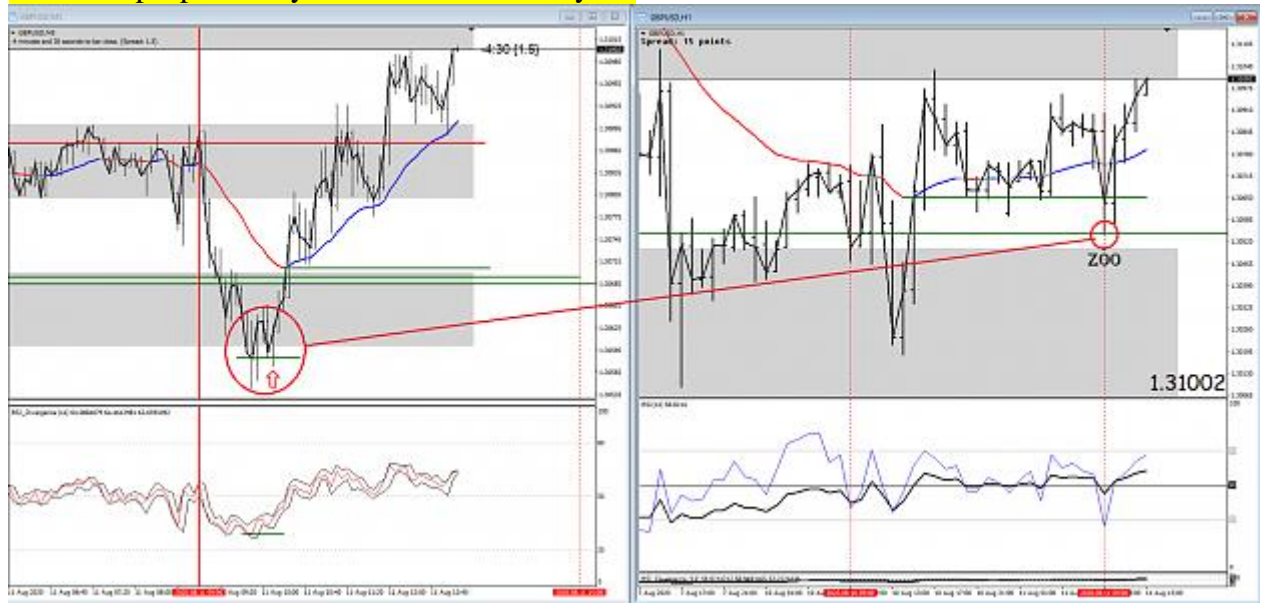


[Quoting logic38](#)

{quote} Thank for the chart Alan, that makes it very clear and easy to understand when you show all the zoo points like that.

No worries...

Tale a bo peep at todays it was as clear as crystal



Here is a very simply description of what we are aiming for with all our trades.

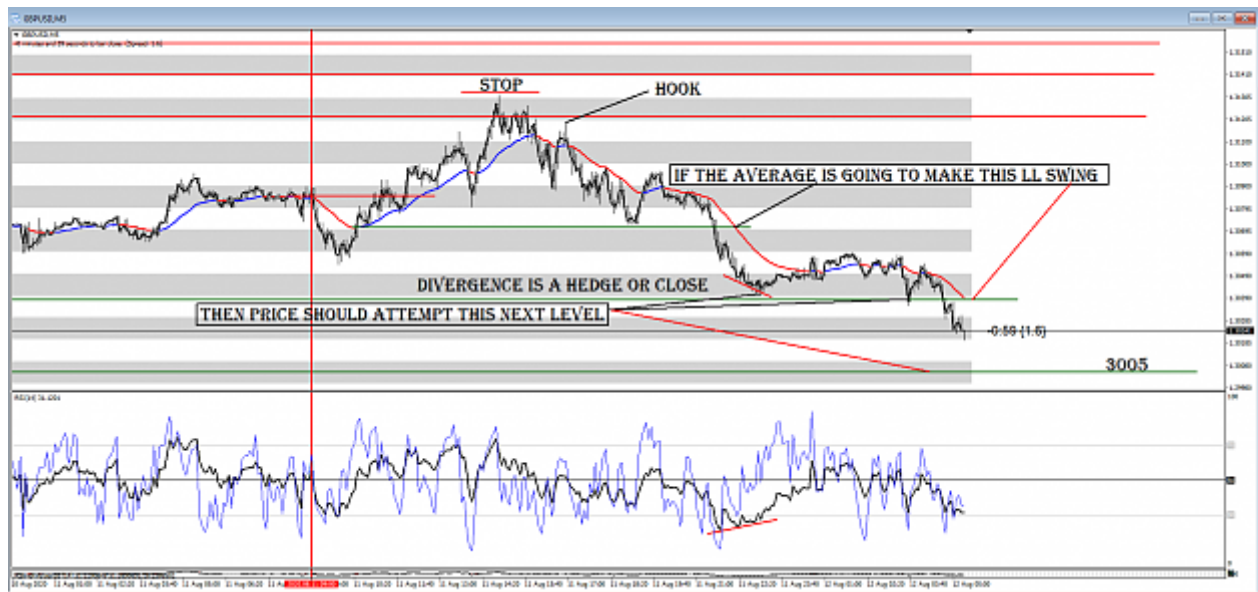
We are looking **always** at the averages. We compare averages to averages not price to average, in other words Apples to Apples not Apples to Pears.

We watch for signals that may stop and turn the move and if we have not reached our profit target we would hedge to take advantage of the pull backs.

We start with a lower risk entry and add to the winning position never adding to a losing position, it is better to be stopped out for the small loss.

If the best entry is missed then it is better to wait for another opportunity in the correct direction. Sometimes we don't get another opportunity so we simply sit it out.

I tend to use the 5min chart mostly for these swings but I keep an eye on the other charts also.



Finally it made the 3005.

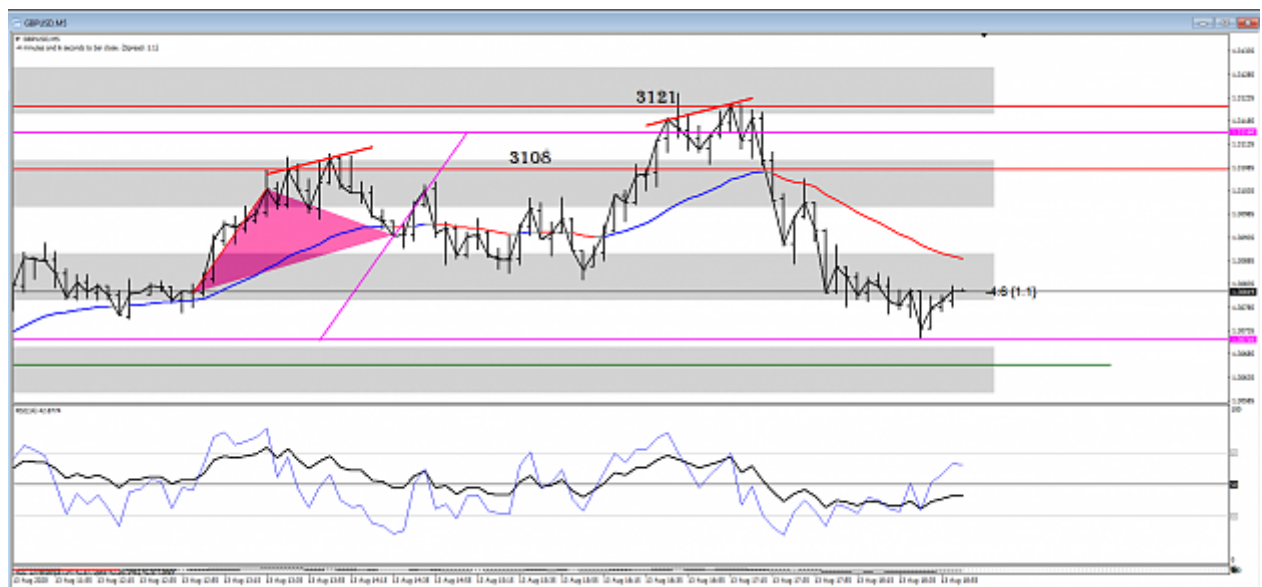
The thing to note is the failure of the EMA to make the 5053 and thus price to the 3088. So a failure causes a test in the opposite direction so we look for the EMA making a LL than the 3024 and thus price reaching the 3005.



Blown up we see the two HD's we spoke of.

The first getting back to the EMA but not finding bear support. The second worked out well and sent price on its journey.

A further thing to note is when it hit the target 3005 it did so in a bullish div so back up it goes.



Helmut



Helmut



Helmut



I wouldn't be thinking along the lines of hard and fast rules. Think more of this being a logic rather than a system.

The concept is quite simple....

**If the market is trading above the average then we are long.
If the market is trading below the average then we are short.**

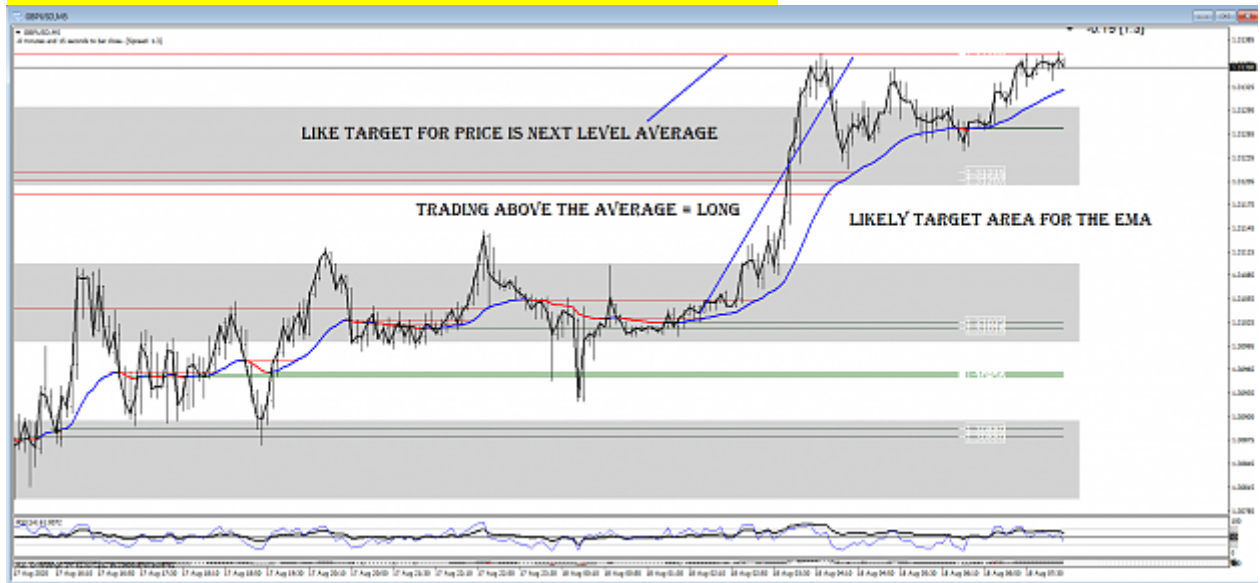
Then we ask the question for either direction..

Where is price likely heading.?

From this reasoning we then determine both our risk and our reward within the constraints of the distances we have plotted.

These things are not subjective, this is simply the evidence in front of your eyes...

Take a look at the chart below Is the evidence not there?



[Quoting Fantaburk](#)

{quote} When you say, trading above/below the average, is that considering the 1h or the 5m? Might be one of the stupid questions but hey. Ask some, learn some.

Well that would depend which time frame you are trading. A pull back down towards the EMA on the 1 hour would show as trading below the average on the 5 min.

Whereas if the 1 hour is pulling up and away from the EMA it would show as trading above the average on the 5 min.

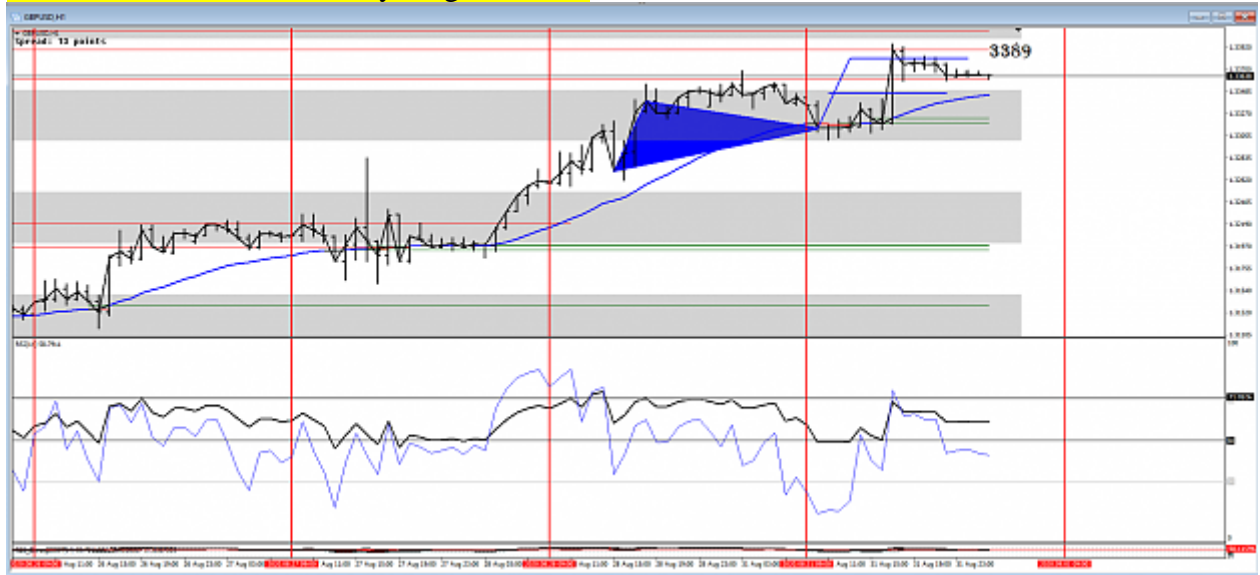
So if we have a target on the 1hour we can get several entries in the right direction on the 5 min. In other words we are using the higher time frame to influence our decision on the lower 5min time frame to get multiple entries over a period of time.

See even if we go to the 4 hour chart the same thing applies... EMA making one level while price attempts the next.



Yesterdays ABCD formed early but then took ages to get underway. It seems like it was waiting for me to quit for the day. Anyway it took price to the 3389 level creating a very nice impulse bar to drag the EMA higher.

To me it looks like the action is starting some six or seven hours after the London open which doesn't seem to tie in with anything timewise'



[Quoting 4xscholar](#)

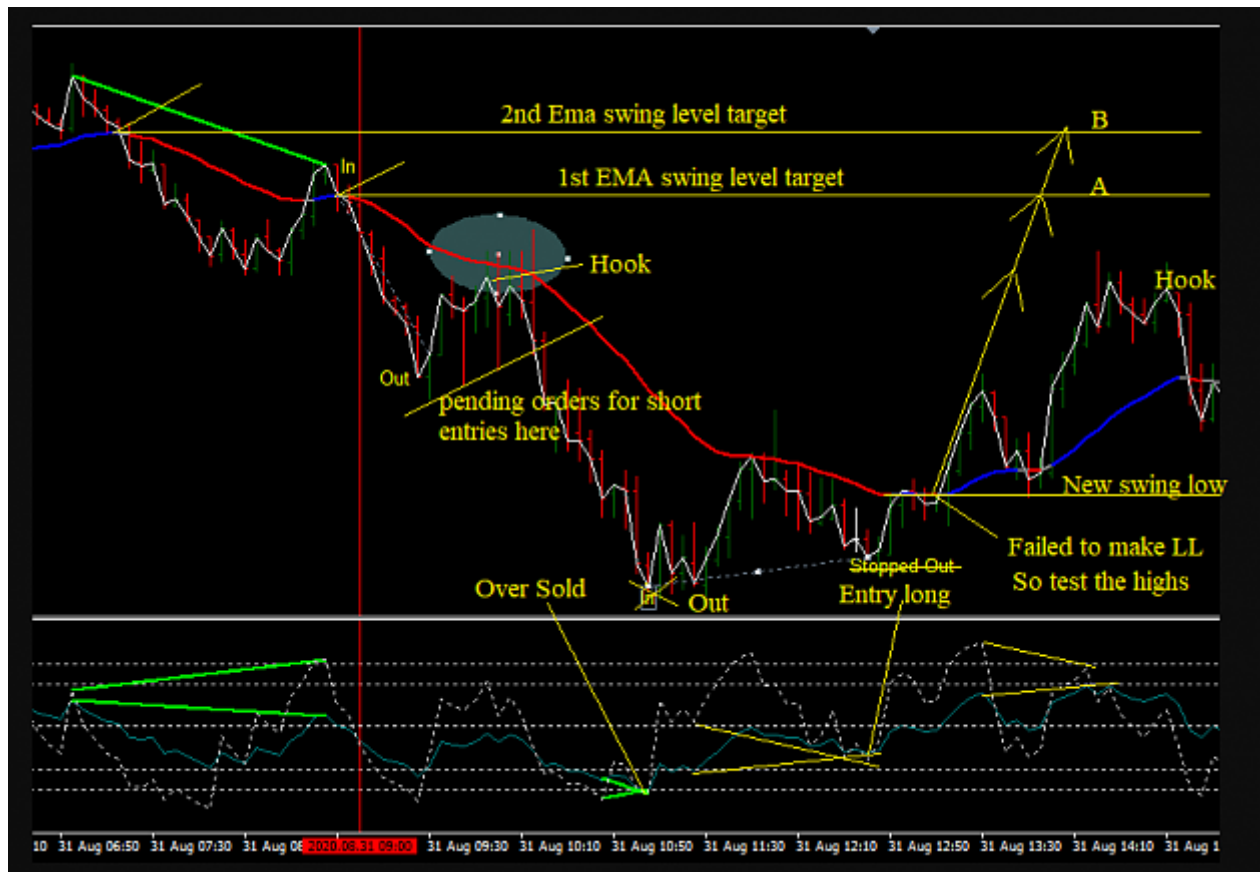
{quote} I watched this 70+pip move unfold but had no confidence in taking it. {image}

You make the chart look simple but even on this five min chart there is a lot going on. You have to draw on the EMA swing levels because these form the target levels in the future. Once the EMA fails to test the lows it then turns to test the highs, if the EMA is going to test the highs then certainly the price has to go beyond this level to drag the EMA behind it.

Note that after each div there is a hook retesting the div, pending orders are placed above or below these hooks depending on the expected direction. Where you had stopped out was also a hook entry long.

Where you had Out was where the hedge would go expecting the hook. Note how price only made it back about 50% to you In position but failed to cross the EMA because it is a downtrend and not the time to turn the EMA yet.

As I said a lot going on here and not as simple as you imagine.



[Quoting 4xscholar](#)

{quote} I have been trying to find out from within the thread what the rules are regarding drawing trend lines in the RSI and the above post is what I found. I have attached a picture of today's M5 and want to ascertain that the rsi-div drawn is not allowed? {image}

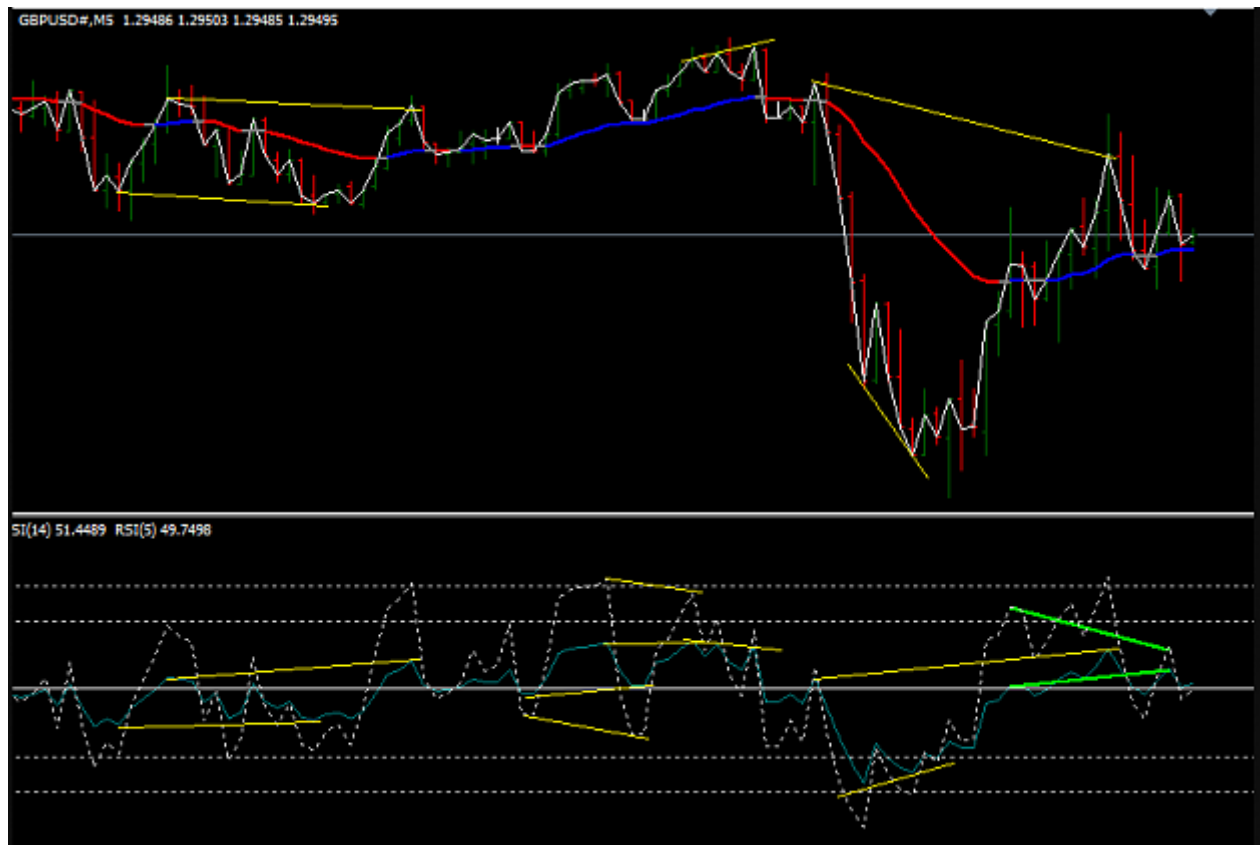
Your lines are completely wrong... We cannot just chop through the data to make lines fit.

There are many instances of div both regular and RSI on your chart you have missed off.

Reading from left to right we have

- 1) A regular Bull div
- 2) A regular Bear div
- 3) A RSI bull div
- 4) A RSI Bear div
- 5) A regular bear div
- 6) A regular Bull div
- 7) A regular Bear div

Note how they pair off...



[Quoting Ansab001](#)

Hi Alan, I have question for you. My question is, is there anyway to spot a divergence failing and the trend to continue or vice versa when it is far from the ema lines , when there isn't a target in terms of pattern. Now I know we expect ema to do the hh and ll. However the issue I have it after it reaches the target level and turns most times I close my trades and end up hedging.

Let's take yesterday's example. The 1 hour provided us with a regular bull div, a Zoo point to consider. We drop to the 5 min and we see an RSI div with the RSI indicating exhaustion being so low down so we take this as our **primary** long trade.

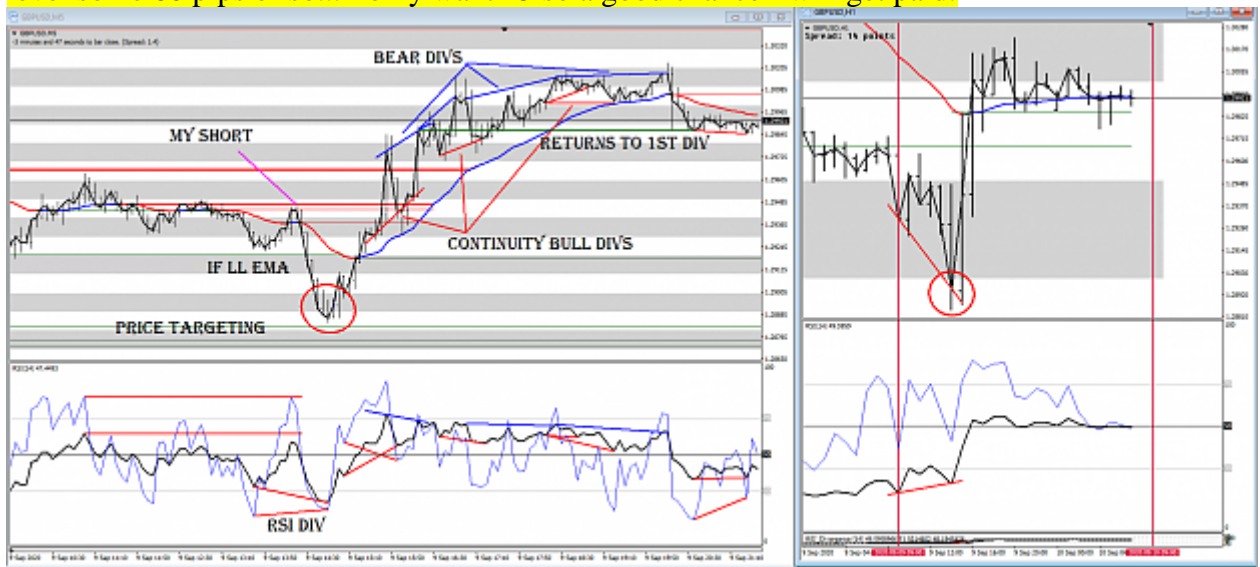
Our hope at this time is that price will cross the 5 min EMA and the bulls will find support, which did happen.

Our next question is where is price going. The div on the hour should return the price to the EMA at least so are there enough pips in this to make our profit target with the lot size we have placed. If yes then there is little else to do but wait. If no then we may need to increase our long lots so we look for the pull backs and add accordingly. Sure we would expect bear divs on the way up but these are our heads up another long entry is due so we make plans for it as far as adjusting our lot size to reach our profit target. If we hedge with a short we may gain a few pips to deduct from our profit target or we can just risk it by ignoring the bear div. We have many options depending on how our trade is going for us in terms of the placement of entries.

My target is 25 pips so from the primary entry to the 5 min EMA I would be done and dusted for the day about 30 mins in time.

Actually though I was done and dusted long before this on the journey down. On the 5 min

chart you see my entry where I plot that if the EMA makes a LL then price targets the next level some 60 pips or so... I only want 25 so a good chance I will get paid.



Quoting cuchufrito

HD on H12 I trade mostly 12 H trigger H, fine tune 15. Run my own business from home, no time for daytrading. Less opportunity, but less Stop Running too. Big Boys stop run the most in the lower time frames, sometimes it is really gruesome. 🧟 {image}

First time I see a H12 chart 😊

Just be aware how to draw divergence. RSI is calculated with bar close prices. That makes that you have to draw the price divergence line at the close of the (correct) bars.



Finally trading Structure and PA only

Phillipmc you need to read and interpret what the chart is telling you.

(A) was the original long target which price easily made but the average at (B) never made it to (A) because as you rightly pointed out price ran into divergence possibly halting the average from climbing further.

We spot that the 15 min has run into hidden divergence so look to the 1 min for a bull entry at this point. We test the two bars as shown and indeed price closes above the test line so we have the entry. The stop is also applied at the low of this move.



OK I'm back and will continue with this money management practice.

As far as I can see there are four types of trades not including hedging.

- 1) The top heavy trade... This is where the first entry is small and then loaded larger and larger as the winning trade progresses so that the last or top trade is the largest.
- 2) The equal incremental trade... This is where the trader adds to the winning position in equal amounts of lot sizes.
- 3) The bottom heavy trade... This is where the trader puts the largest lot size on the first trade and then lesser amounts on as the winning trade progresses.
- 4) The single entry trade... This is where the trader places one bet and awaits the result.

I have deliberately put these in my order of preference as I will explain.

When beginning the major concern is risking our own money as apposed to risking profit made. Trade 1 does this because our first entry is small so we risk the least possible but as the trade progresses and all three trades are placed with the movement of the stops the risk is still kept low while the profits are greatly compounded. Mathematically this is the ideal situation i.e. low risk : high yield. Such is this method that 1 winner is worth over 20 losers, just sticking a pin in the chart means the odds are in your favor without any prior analysis of the charts.

Remember from what I previously wrote about using start up capital equal to the sum you wants to earn daily. For me that was \$1,000. So to calculate this first method I regard 40 pips as a daily achievable event. Thus $1000/40 = 25$ so I need to be trading at \$25 a pip. Dividing the \$25 by 6 means my entries are 3, 6 and 9 mini lots which totals \$25 (For me 18 lots =

AUD\$25) This is my preferred daily objective.

The odd losers I experience don't matter very much in the scheme of things with 1k I could lose up to \$125 but I generally build the account a tad before I risk this amount and this would happen for the second or third entries because the stops are moved to protect further loss. After a loss I have to recalculate the entries which would be less but I am still aiming for 100% of the remaining current account so my money lasts a long time in the interim.

I'll do Trade 2 next.

Now with the trading entry 1) you will note the first winner is actually a doubling of the account. This does not mean we keep doubling as we are only aiming for our 1k target. Each time we make it, our risk in relation to our account diminishes and we may then consider Trade 2 where we place equal entries on winning trades and it just so happens that $6+6+6$ also equal 18 mini lots or again in my case AUD\$25 a pip when they are all on.

Now with Trade 1 the biggest risk comes with the second entry so we can scalp a little with just one entry but with Trade 2 the main risk is the first entry after which we move our stops, However since our account has grown we may opt for this since it also makes it a little easier to make our 1k. We still need to get the three on and traverse the 40 pips or so to call it a winning trade.

I call making the full profit a winning trade and anything less just a scalp. All trades start off as scalps and turn into winning trades as they progress but if we don't try then these winners will never happen.

You may be wondering what this 40 pip business is all about. If you look at the chart from bar 108 it is a rare day that it doesn't cover this 40 pips distance. This is the reason for it but I would be risking a great deal if I did not stagger the entries in my favor.

Another advantage of this Trade 2 type is the order ticket remains the same for each entry so all we have to do is concentrate on the stop which can keep us busy until we are safe.

Trade 3 is the bottom heavy trade and puts the main risk right on the beginning of the journey. There are good arguments for doing this such as quick reversals don't take you out but to me the consideration should always be the initial risk and whether the account can easily withstand the loss. I would need to build my account substantially before taking such a risk even if it does mean making the 1k a tad quicker and possibly more.

Then finally we move to the Trade 3 type and to make my 1k I am entering the whole 18 mini lots from the onset aiming for the $40\text{pis} \times \text{AUD}\$25 = 1\text{k}$.

But look at the risk if I only have 1k I would be risking 25% so I really need to have much more than 1k in my account to diminish this percentage. Once one gets to this stage then risk/reward comes into question. My risk would be \$250 and the reward \$1000 making the R/R 1:4.

The advantage is that we could let the trade run and every extra 10 pips we would increase the reward a point. Another advantage is that the scalps can return a good profit and can accumulate into the required 1k over a session of trading.

A serious disadvantage is that if we attempted this with a 1k and lost then the trade would be unrepeatable and we could quickly wipe out the account altogether.

These have been the 4 trading method I consider. Note I am not interested in making a small percentage each day but always aim for the 100% win. Also I am not interested in increasing the pip distance in the equation to say 100 which would have the effect of lowering the risk level further but makes the target distance more difficult.

There are many combinations of formulae we could use for example increasing the time to a couple of weeks rather than days. I guess the point is we need to sit down with pen and paper and work out what suits us best. We need to consider where we want to be in X period and how we are going to get there in as safe a manner as we can mathematically construct it.

Quoting pipcruiser

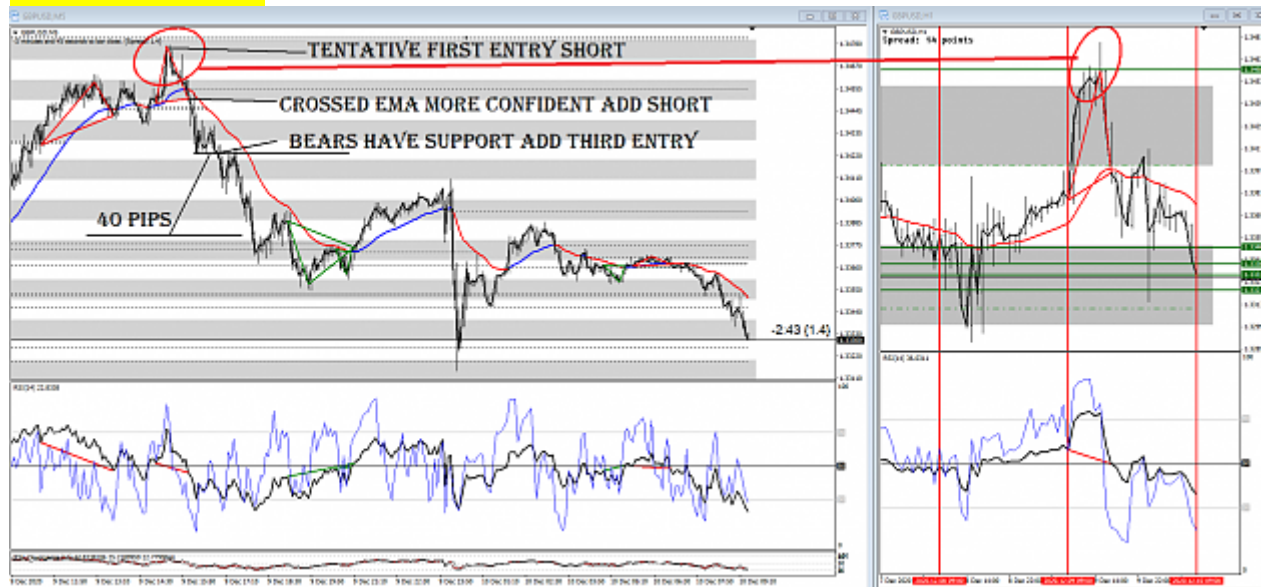
{quote} Thanks a lot Alan, the last few posts are very helpful, but to avoid any confusion could you post a chart where you illustrate these trades? I mean the MM trade scenario you recommend. Thanks PC

OK here is an example.

On the hour we spot a potential ZOO (price has hit the EMA swing high level) and it is in divergence suggesting a return to the EMA and a comfortable 40 pips is on offer.

We look to the 5 min for an entry signal and get a bear div to make a tentative entry. As the trade progresses we add with confidence adjusting our stop as we go and try to get the stop to the BE point.

Once we have the three we set the target and go to bed. We will either get stopped out for BE or we will make 1k.



Nala thank you for your answers.

If you don't mind i am tryng to make up the step by step in my mind for trading your method.

1) Find the ZOO (Zones of opportunity)

1.1) Swing high and lows of average on 5M in and H1

1.2) H1 bearish and bullish failures

1.3) H1 divergences

1.4) AB=CD 50% zone on H1

1.5) Hidden divergences on H1 (EDITED)

2) Targets

2.1) Average swings with 40 to 50 pips distance at least?

2.2) AB=CD projection

3) Entries

3.1) RSI/RSI divergence

3.2) Slow-RSI/Price divergence

3.3) Bears or Bulls found support below and above EMA respectively

3.4) Pivot formation above or below EMA

3.5) Hidden divergence (EDITED)

3.6) 2 Bar test (EDITED)

4) Hedge until target is reached using entries on topic 3 (Extra cash and insurance)

4.1) Your hedge may become your main trade

5) Money management (Should be the first one in the list)

6) Recommended time to trade is before bar 108 (EDITED)

Please correct in my mistakes

This is a nice comprehensive list.

Just a couple of points.

A hedge also consolidates all the say short trades into one single long trade.

Bar 108 is the approximate time I begin to look for trades, I may not take one exactly at this time.

Zoo points on the hour although they do include divergence they can also be many other things such as average swing highs/lows, daily pivot point levels and so on.

The worst thing to trade is when the price on the hour is at the EMA because it could break either way.

A good list to print out for yourself to form a checklist when the trading day begins...Well done

[Quoting Michele2020](#)

Dear All, This is the first chart I am posting. Started to study this system a couple of weeks ago. Would appreciate if any of you could give me his/her opinion. The way I see it there is a price - slow RSI divergence with price that has reached target and M26 failed. So I am

expecting tomorrow, Monday 14th dec., prices to go up and possibly cross the M26 (also fast RSI at the bottom) with targets as per chart. Awaiting your comments. Thanks. {image}

Couple of things here:

The RSI shows the close of the bar but on the price chart you are drawing your divergences on the wicks instead of the close.

On the price chart pay attention to the average it failed to make the HH so expect it to make an attempt on breaking the low....which it did.

Remember price is always testing for what it can make i.e. can't make the HH so test the LL

You have an average swing low line missing so I put it in for you and you see price made it but in bull div so this becomes a ZOO point for longs.

Because price was successful in making the average LL the two targets you have do not come into play until the EMA is crossed and support for the bulls is found..

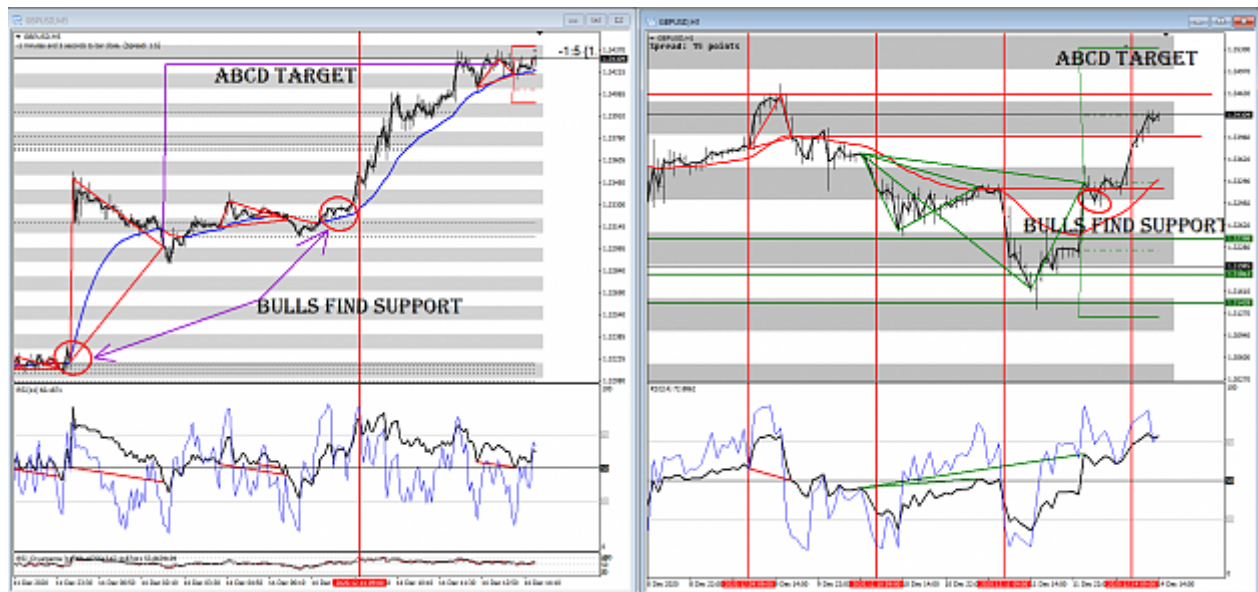
If you look at the 5 min chart you will see lots of bull diverges at the bottom but not until the ZOO point was reached did it kick in. That is why you need to have these higher time frame indications so we can get in on the 5 min chart with little risk.



If we look at the hour we see we have stalled at the 50% of the ABCD and then at the 5 min we see several bear divs at the 5 min ABCD target.

These divs fail to get back across the EMA so we could be looking at a run for the 1 hour target.

I have put red circles around the supports.



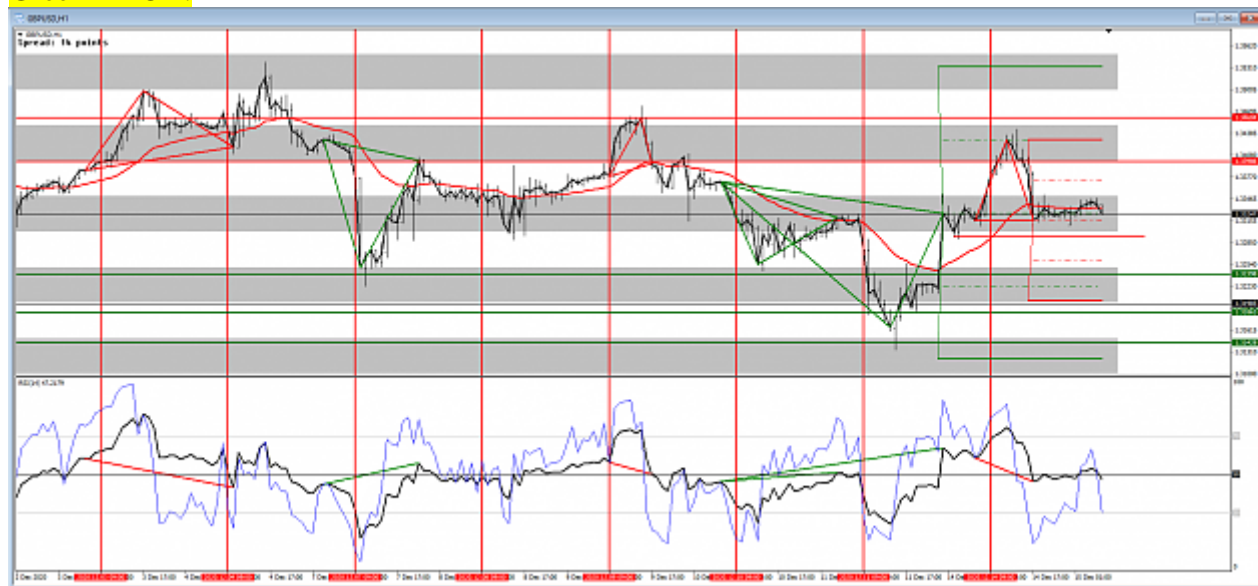
[Quoting Michele2020](#)

{quote} Hi Alan, thanks a lot for the kind reply. As a matter of fact, I am still trying to understand the whole process and did not get into ABCD yet, tho it makes a lot of sense. Will go through the posts again and try to incorporate it asap. Maybe during the weekend. Meantime, I took these as signals for the trade. But as you can see what I have marked as support is not the same as yours.....any suggestion?{image}{image}

Support is when price crosses the EMA and fails to get back across it. Thus the bulls or bears **FIND** support for their desired direction.

So both the bulls and bears can **FIND** support and both the bulls and bears can **MEET** with resistance.

Here is my 1 hour chart as it currently stands. See how the bulls failed to break the 50% of the Green ABCD.



[Quoting Michele2020](#)

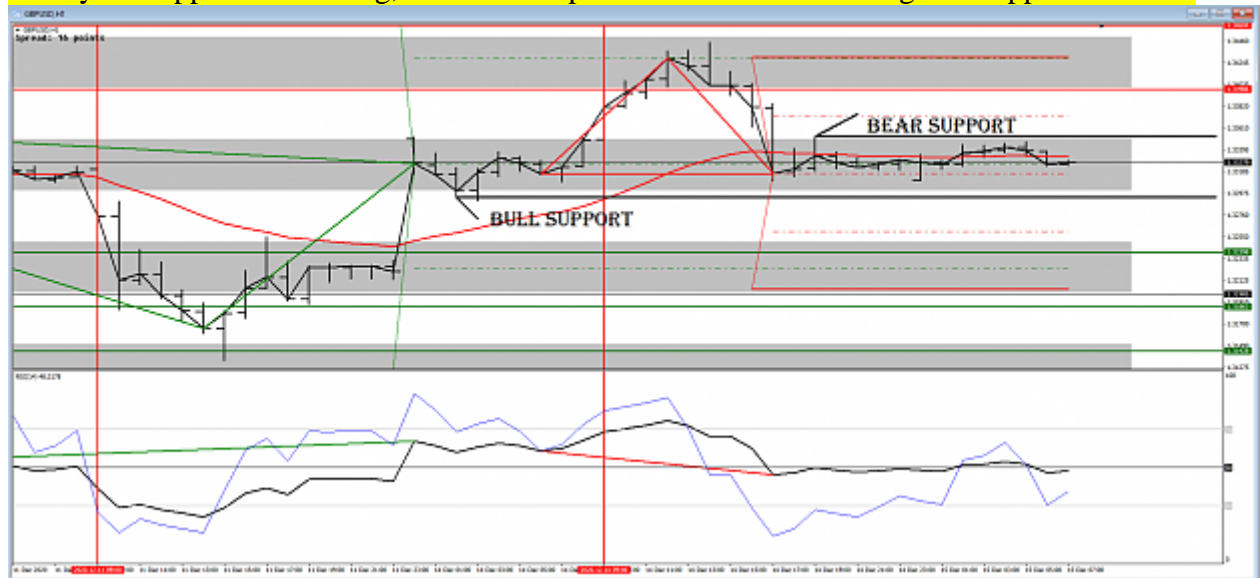
Good Morning Alan, This is the setup I could work out for today. On the H1 chart, I think we have an ABCD kind of pattern, but it seems that prices are not going to follow it on the

upside. Is this correct? Are the 2 support areas market correctly? if not, why? I tried to draw the target lines for the H1. Are there any others in the way? For some reasons, I am totally unable to draw the targets on the M5....really not confident with any of them.

Thanks. {image} {image}

Your ABCD is draw wrong.

Both your supports are wrong, it is the first pull back after the crossing that support is found.



[Quoting Michele2020](#)

{quote} I can see clearly on your chart that the bulls failed to break the 50%...but yours is the previous one...meaning the one detected by me is wrong?

Yes the red one.

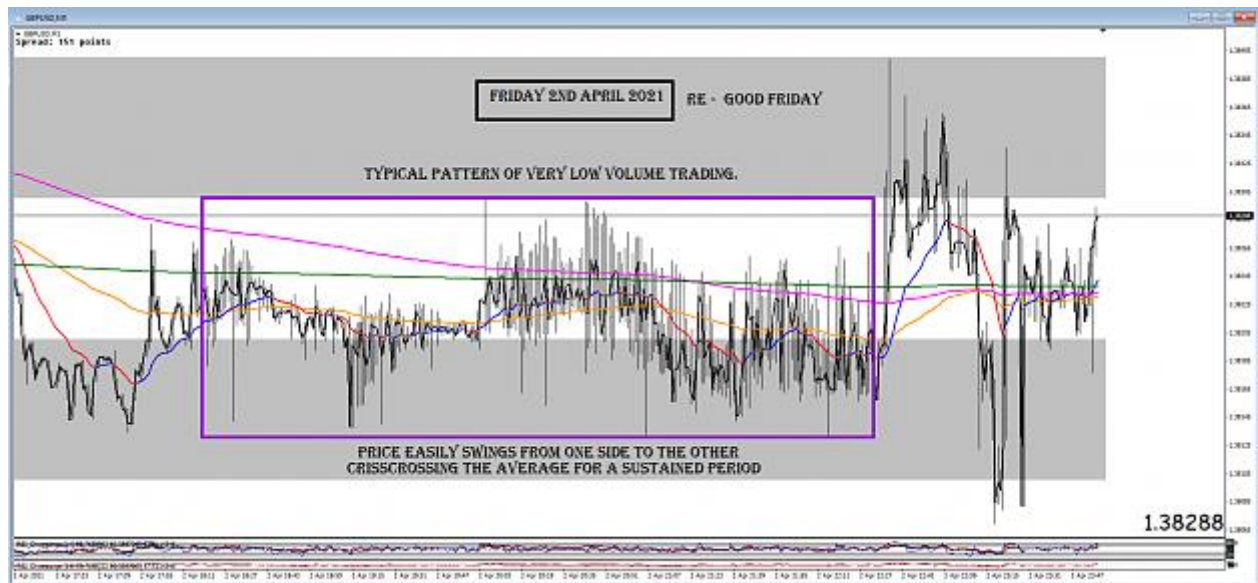
A =Apex

B = Bottom

C is the Challenging pivot attacking the next pivot on the left which is B

Good Fridays trading is worth a note or two here...

Below you see the 1 minute chart and the rather erratic price action. This is low volume trading and is very often met with high [spreads](#) from brokers to deter traders from taking entries to make quick profits.

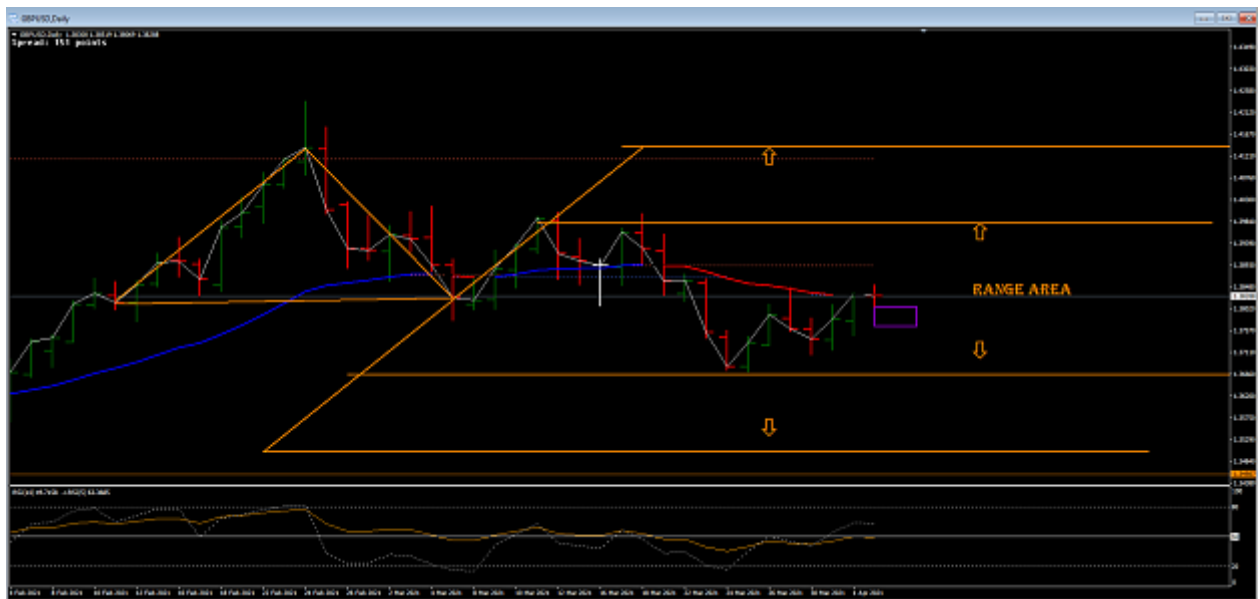


What we should be asking is why this particular level is so important so we must look to the higher time frames for a solution.

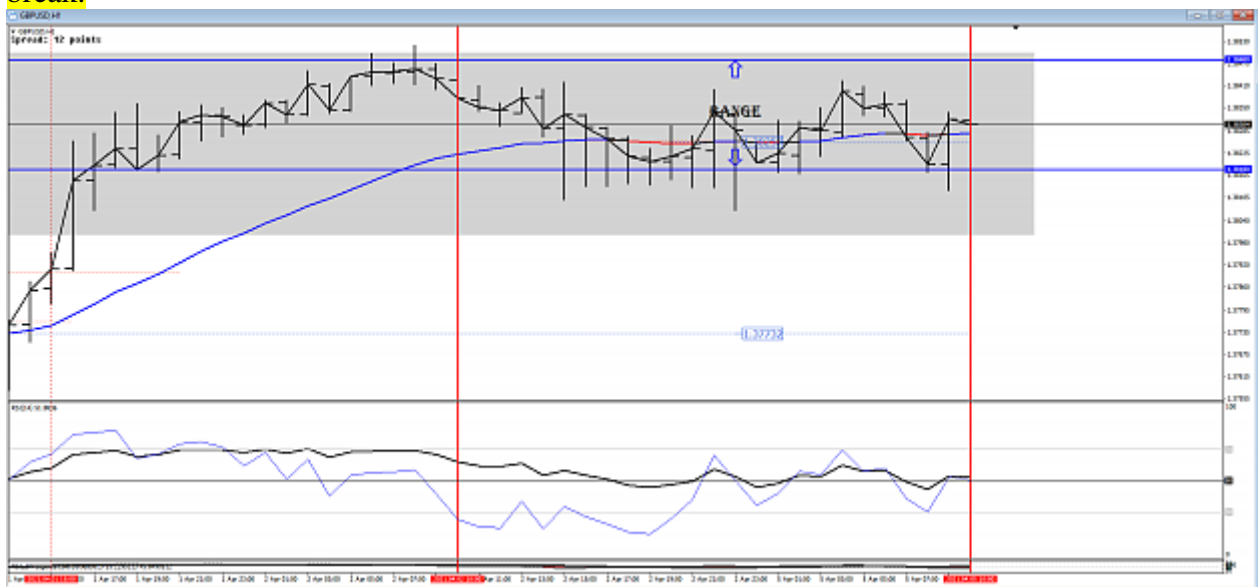
On this 1H chart i have changed to candles to make the bull support clearer. We can see the bears cannot close below this support and likewise the bulls could not close across the bear support causing the price to range between the two. It could be be that the bulls have now found support though this may be a tad iffy having crossed the EMA. However I would now be looking for the bulls to break north of the bear support and the EMA to make the HH.



We do have another problem on the daily chart because price is now sitting exactly on the EMA so we cannot determine a break or a bounce from this.



Another aspect of a sideways move is if we look at the 1h below we see we are still stuck in the range I pointed out previously. It would be just guesswork to predict which way this will break.



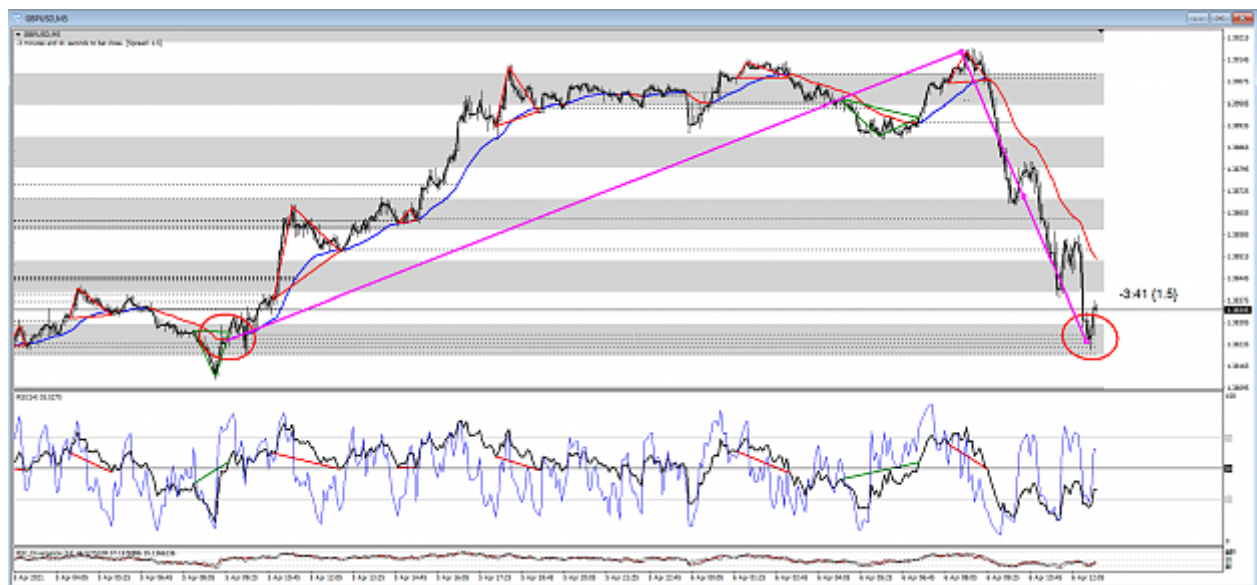
[Quoting jewelnguyen](#)

[quote = Nala66; 13482764] {quote} Xin đừng tiếc, tôi nghĩ tất cả chúng ta đều hiểu mọi người từ khắp nơi trên thế giới có thể gặp vấn đề về ngôn ngữ ... Nhân tiện, bạn không sao cả. Tôi thường nghĩ đến việc lập một lưu đồ nhưng việc tạo ra nó rất đau đầu đến mức tôi không hài...

Yes. What we are doing here is comparing the swing high of a previous average to the current position of the average. Then we ask is it trying to make a HH or LL.

Of course the price will always be pulling the average along behind itself in either direction. So if for example we see the average is attempting anew HH we can rest assured the price must also reach that same level at least.

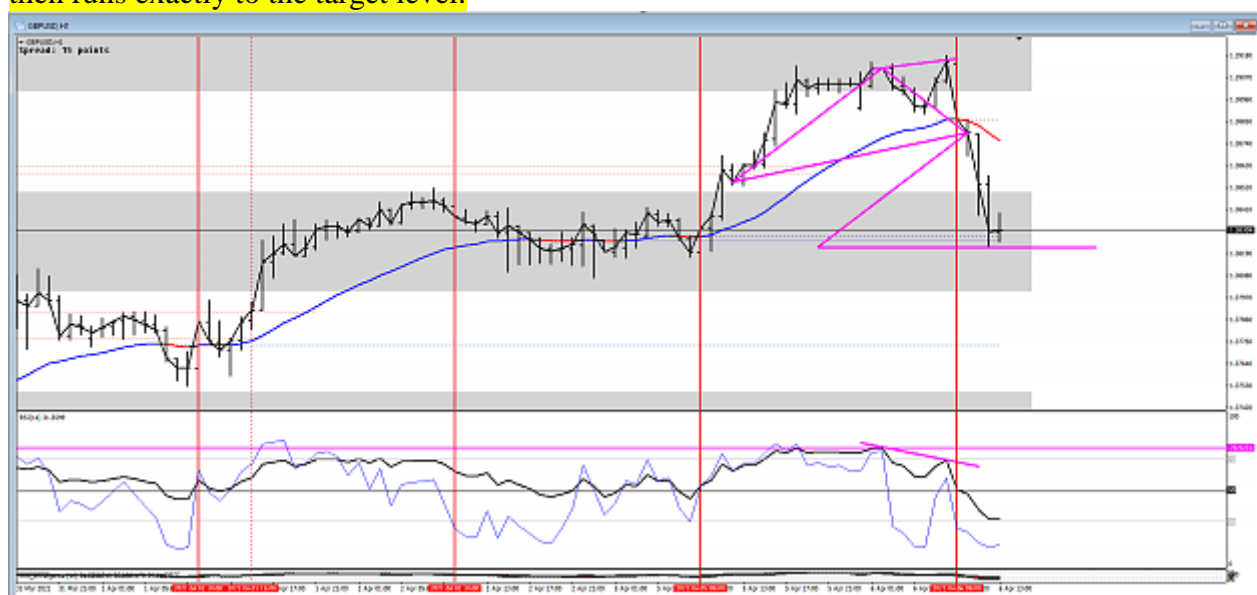
Look at the 5 min chart below to understand this concept.
In this case it is a LL attempt



Sorry just had to pop out....

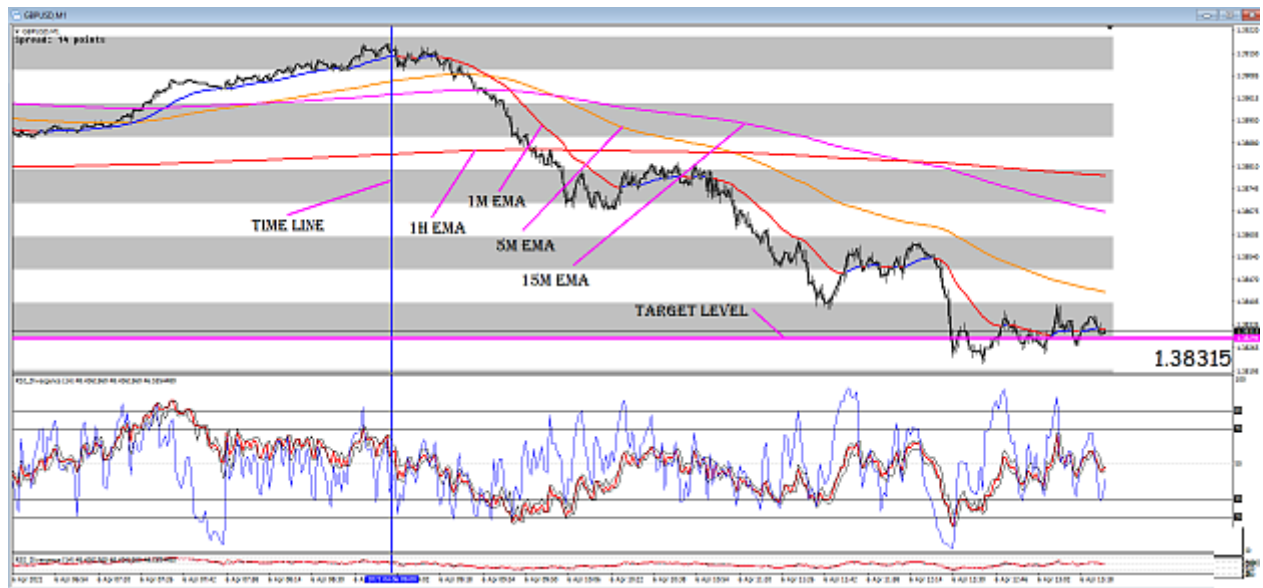
Look at what the 1 hour is telling us..

Divergence at the top, Leading back to the EMA, a closing cross forming an ABCD and it then runs exactly to the target level.



If we look to the 1minute we see all the EMA's from each time frame fall into sequence and we see all this action begins with our time line.

It is almost the same thing over and over day in day out. The problem comes when London reverses so we need to be on the ball with our stops.



[Quoting Nala66](#)

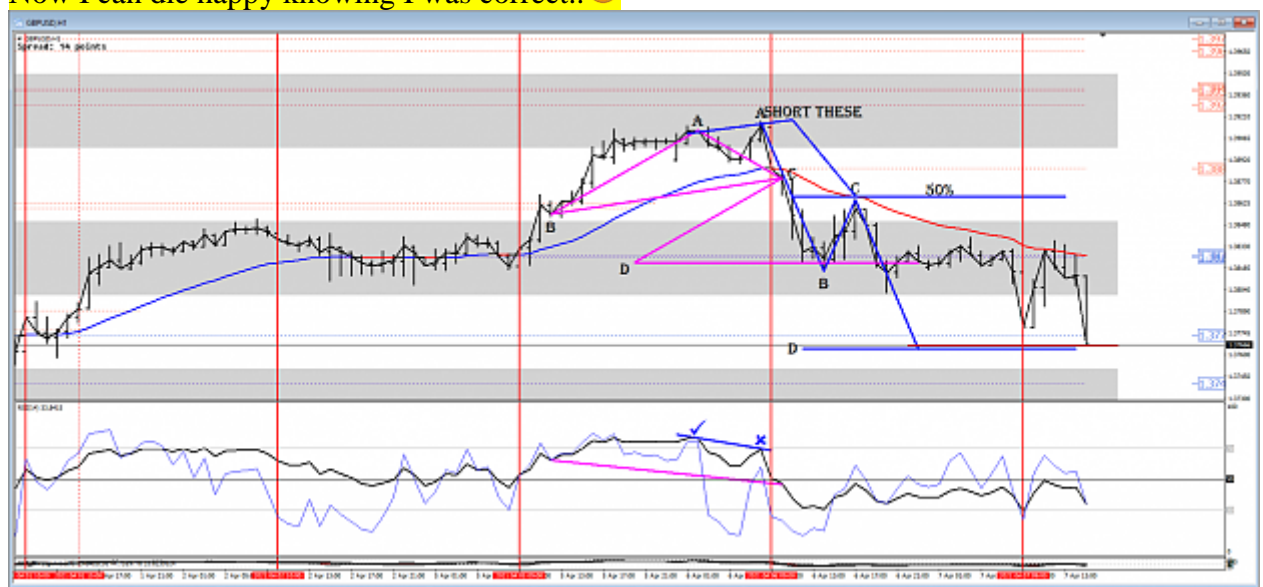
{quote} Darn it I thought it would make it that last hour but I guess I will have to wait a while to post this.

Finally it just made the target.

So here we have the two setups of...

- 1) An ABCD triangle
- 2) An $AB = CD$

Now I can die happy knowing I was correct.. 😊



[Quoting jewelnguyen](#)

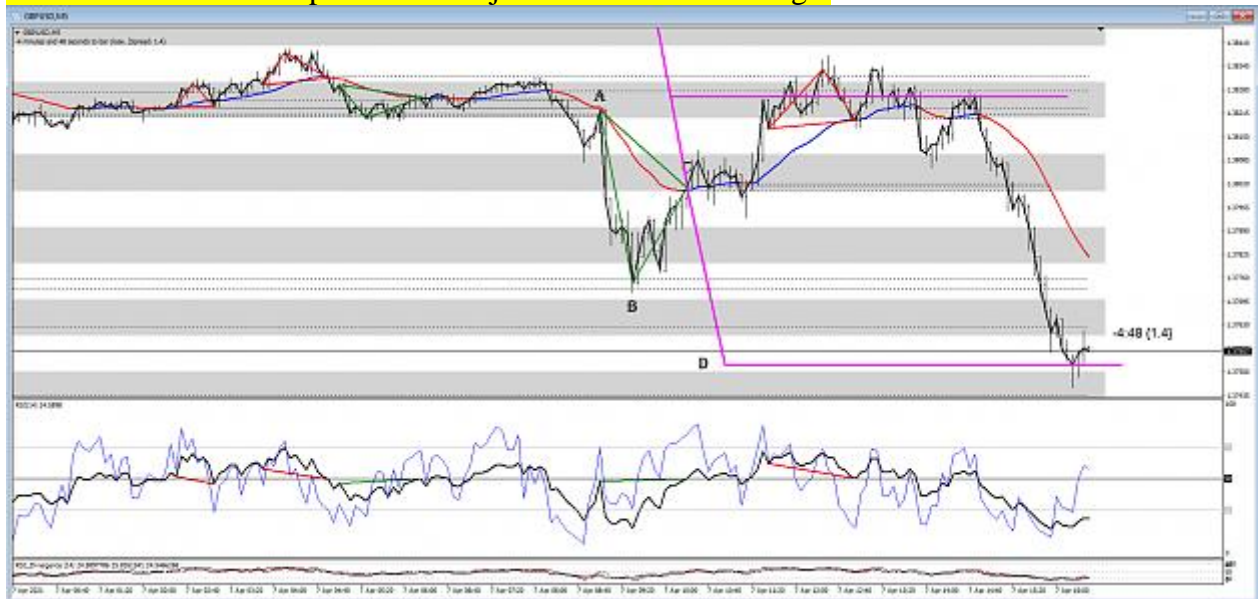
{quote} hi Alan, I don't understand the sentence: "Remember to load in the opposite direction you are expecting price to go and hedge it in the correct direction" Do you have any mistakes here ? Because i see it against what you taught us, or i was wrong, please guide me. Best regards, Jewel

Let's not get into the importance of hedging until you can handle the other stuff.

Here's a picture of what I was meaning there. We are expecting the price to go south to D but it was heading north to the EMA so we load up with longs. Then we hedge all those longs to go south and close our longs when we can. In this way the hedge wins and we had very little risk to worry about.



Note how on the 5 min price has also just reach an ABCD target



[Quoting Fantaburk](#)

Hi Alan. Hope you are well. Would you mind explaining how a routiney trading day start for you? Like approx how long before bar 108 do you begin looking at charts, what you look for and which chart you go over. Best regards.

That is a pretty big question...

I look at all the chart up to the monthly but the higher the time frame the less I need to look at it. But each day I look to remind myself of the possibilities of shall we call them bias moves. In other words if the monthly is both trending and currently moving upwards that is then a bias to consider long options. BUT a lot of things can happen during a month so I would refer to this as being a weak bias and this would equally apply to the weekly chart from a day to

day perspective.

Now being aware of the above I drop to the one hour chart which is clearly showing me a few days of detail in respect to what is currently going on and that is what I am interested in for my trading purpose. So looking at the 1 hour chart I left intact from yesterday I begin to make some observations.....



Now I see price has almost moved to where I expected it to go i.e. the EMA and now I would be taking notice of the lower time frames for selling signals.

However I cannot assume price will actually turn south here But if it crosses the 1minute EMA I would be taking the chance with a tentative entry.

As we observe the 1 minute chart we see the EMA's are trying to align to the long side so patience here is required, Price is currently approaching the 1 hour EMA.



It is currently in divergence so a tentative short trade would be applied hoping for price to break the EMA if it doesn't then a HH will probably result so we get the stop to BE just in case.

Notice on the 1 minute the EMA has not made a LL all day only HH's so we have to be careful considering a short.

So now we have a tentative trade working the stop just above the high and we are hoping for the start of a trade.



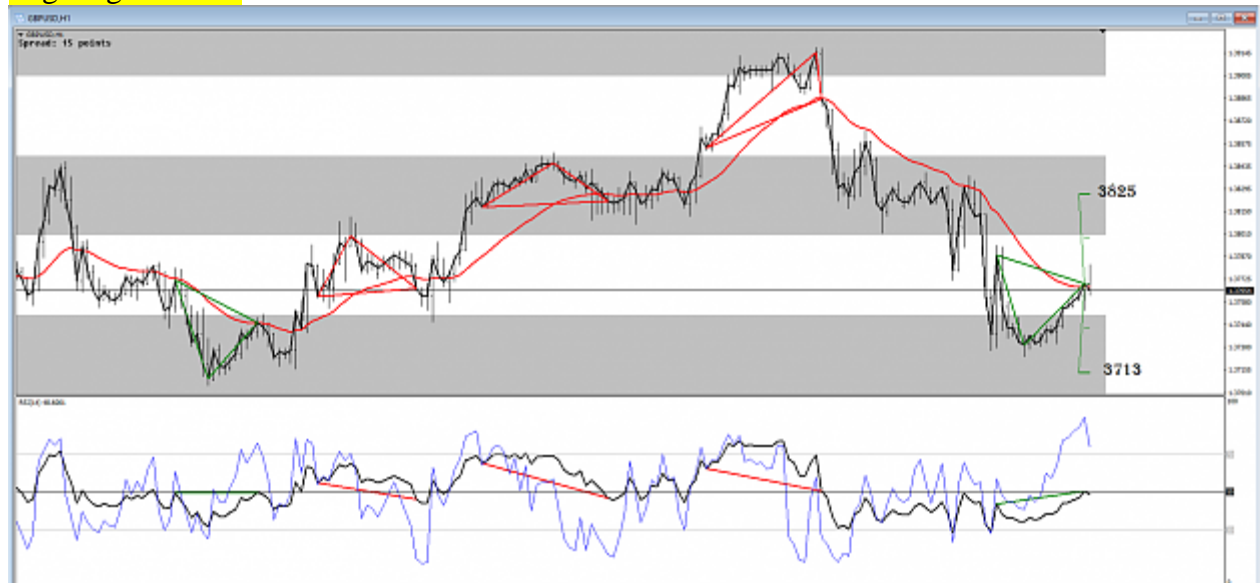
Now if I was paying more attention I should have hedged the short three trades with 1 long one . The shorts would have been stopped out and the hedge would be very profitable with the stop now in profit for a few pips hoping for more and this would now be the primary trade.



[Quoting mayflower](#)

Hello Alan, can you show this ABCD you are targeting at 3825

Yes but now the hedge is stopped out for ten pips and the 1 hour is looking short again targeting the 3713



So the 1 min should look something like this so far..



[Quoting EarlG](#)

Hi Nala, First up many many thanks 🙏🙏🙏 great education and teaching. I have been a long time voyer...and now wanting to test/evaluate my understanding. can you comment on my markup of todays 5m as at 6:30 platform time. Cheers, Earl (Im in Aus also 😊) {image}

A number of things going on here.

1) This is a 5 min chart we need some inference from the 1 hour chart to actually trade that short divergence. A look at the 1 hour confirms you do have an inference there because it is touching the EMA i.e. a ZOO point to consider..

2) The std div line is drawn wrong it should have been a tad to the right.

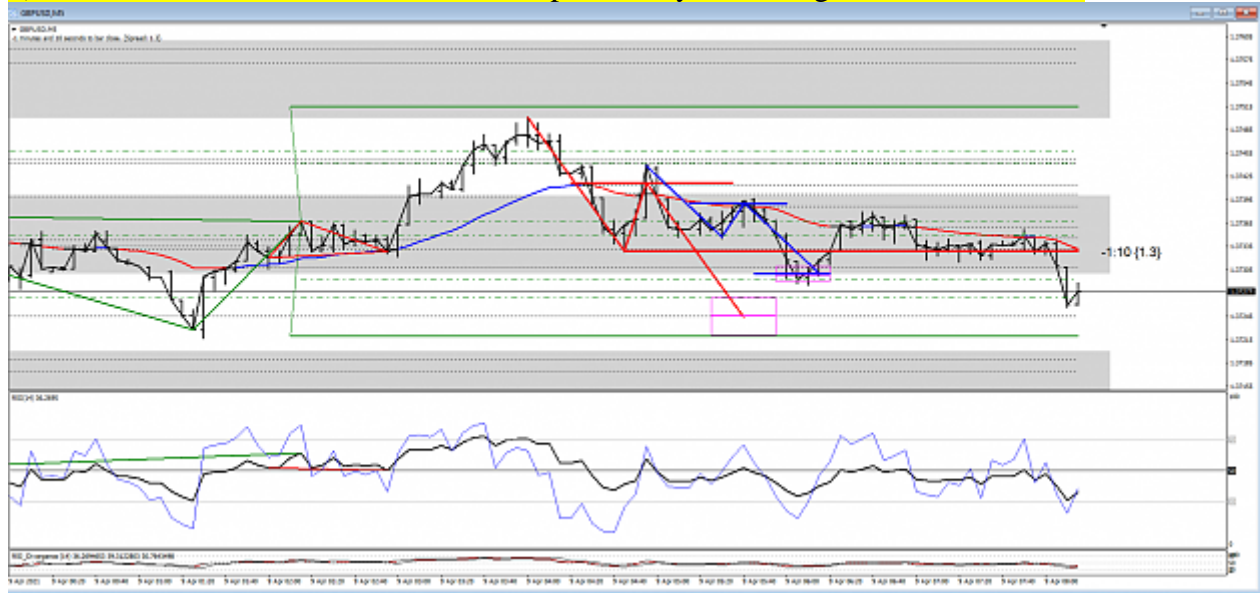
3) Your hidden div is also drawn incorrectly on the fast RSI it should be on the slower RSI and this would give you cause to hedge your shorts.

4) Your $AB = CD$ is also drawn incorrectly CD is drawn from the 50% retracement and any extra is added as a plus or minus.

5) While this AB=CD is underway another in the same direction was formed. The market is dynamic and we should be responding to this.

6) The target for your AB=CD has just been hit so I can post the result now for you.

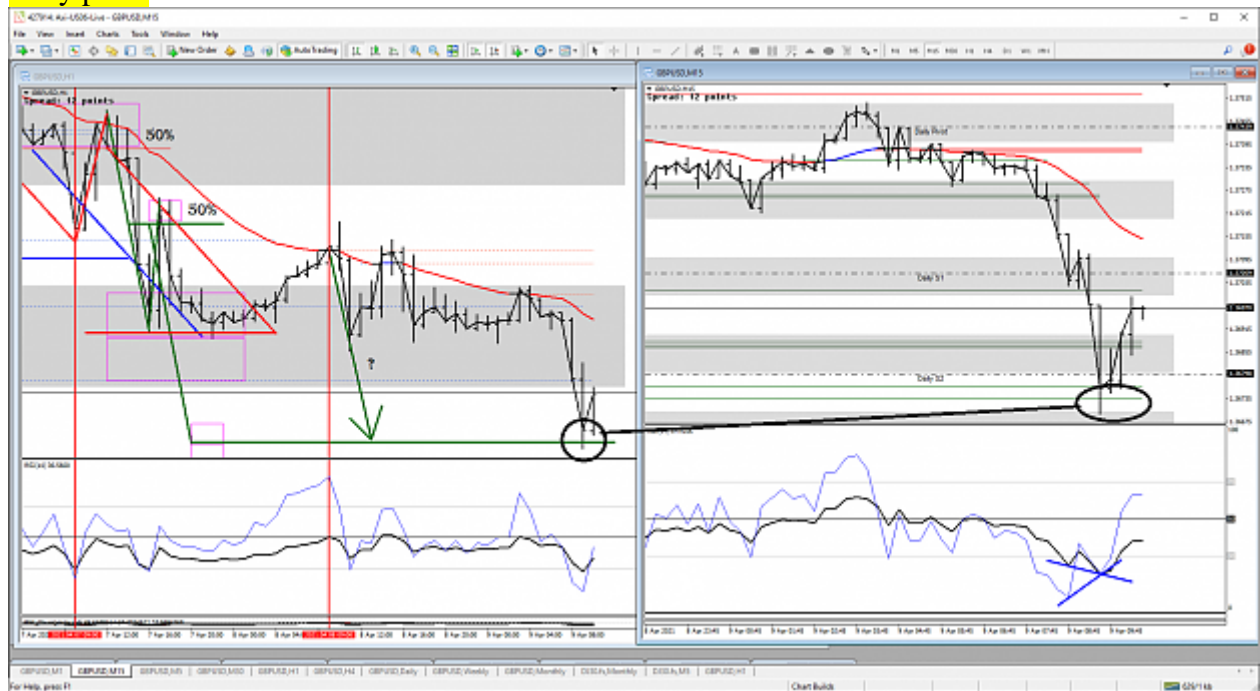
7) This is the Asian session and has a low probability of making a substantial move.



[Quoting mayflower](#)

Yesterday's ABCD and AB=CD targets now both hit.

Correct and notice how the 15min was in bullish div when the hit was made...Long tentative entry point



The 1 hour hit the ABCD target then took off like a rocket but the bulls have not yet found support so expect them to do so before taking out the bear supports..i.e 1, 2, and 3. Sometimes this happens after the break like they suddenly remember to find support before continuing.

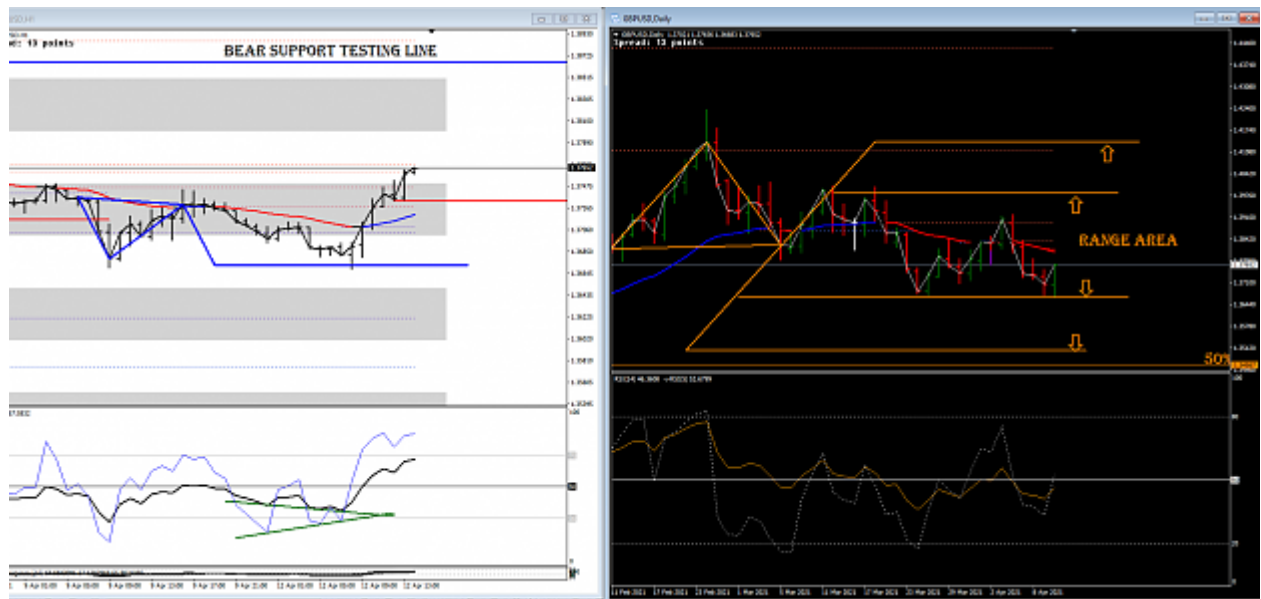


And this is exactly what happened... The bulls have found support to take out the bear support



Now all bear supports have been taken out the next is an experiment I am working on but that is 100 pips north of here.

A look at the daily and we see we are still stuck in the range...

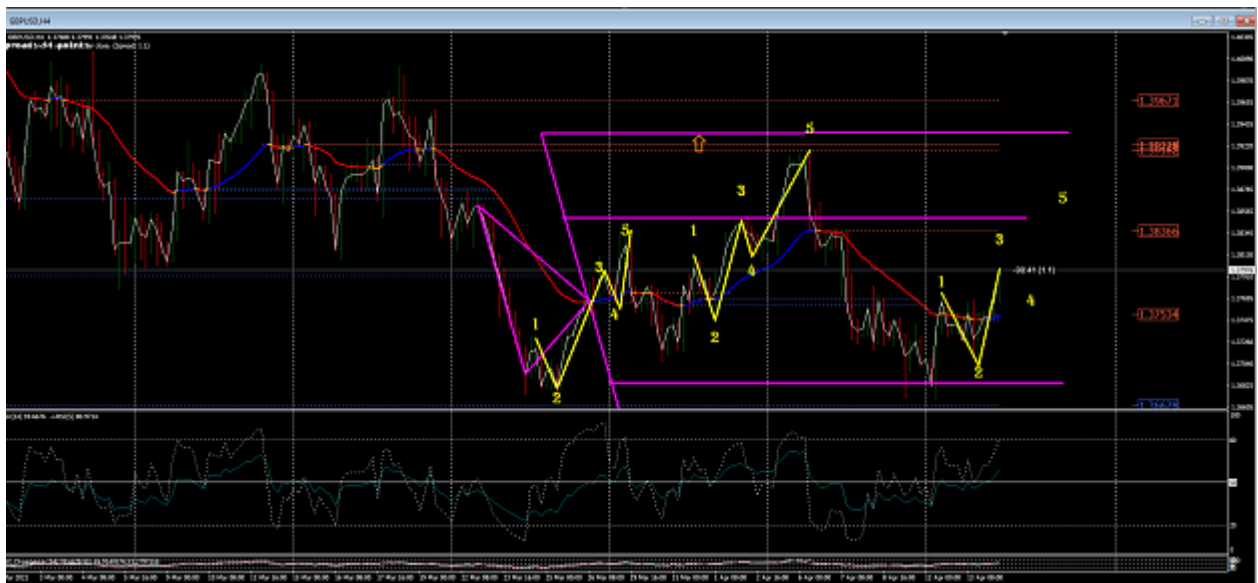


[Quoting jewelnguyen](#)

hello Alan, Here is my analysis. On H1, the price is above the EMA so the main trading direction will be Buy. On the M5: A Divergence pulls the price back to ema, but it has failed to cut the ema at C, which will produce HH. So where is this HH? B is the nearest pivot point A, looking down at RSI, we see that C has surpassed B, C attacked B, forming a triangle ACB. So HH will be point D, $CD = AB$. Sorry I passed bar 108 for academic purposes Is it correct? Please comment for me. Thank you very much Jewel {image}

That is not an ABCD triangle because you are not looking at the correct pivot C is attacking, I circled the correct one and this is just a regular bullish divergence.

There were several other signals in the chart of yours and I have added some including a hidden div and two bear divs.



[Quoting jewelnguyen](#)

{quote} In this case, I don't know how to determine the TP, I will wait for a divergence to reverse, maybe RSI and price, maybe RSI / RSI to close the trade. Is this correct? Thanks you very much Jewel

You just had a hidden bear div on the 1 hour prompting a short hedge and regular bear divs on the lower time frames for the entry



[Quoting yahya11](#)

another question to you Alan take a look at both regular divergences first one green which was sucessfull to sent price across the ema but orange one also a bullish divergence but that was fail to sent price up although a bar after that was bullis but then went south , i know here bears find support but how can we assure that which divergence will sucessfull and which not and after which divergence bull or bears find support without any opposite divergence{image}

Some of the stuff you have missed on your chart I have added here



Remember when the **EMA fails** in one direction **Price will test** the opposite direction.

This is what the price action is doing all the time as it seeks the best prices.



This is what is meant by trading between the averages. We can see the target level and determine if the trade is worth while and place our lot size according to the profit we are aiming for

It has done exactly the same here today.

Ema failed in the short direction **Price tested** the long direction.



[Quoting mayflower](#)

Keep an eye on that ABCD on the 60m with a potential target of 1.3863

Yep shown in blue below. Interestingly I also have a line there at this target where I am testing what I think may be a bear support. Watching that with interest.



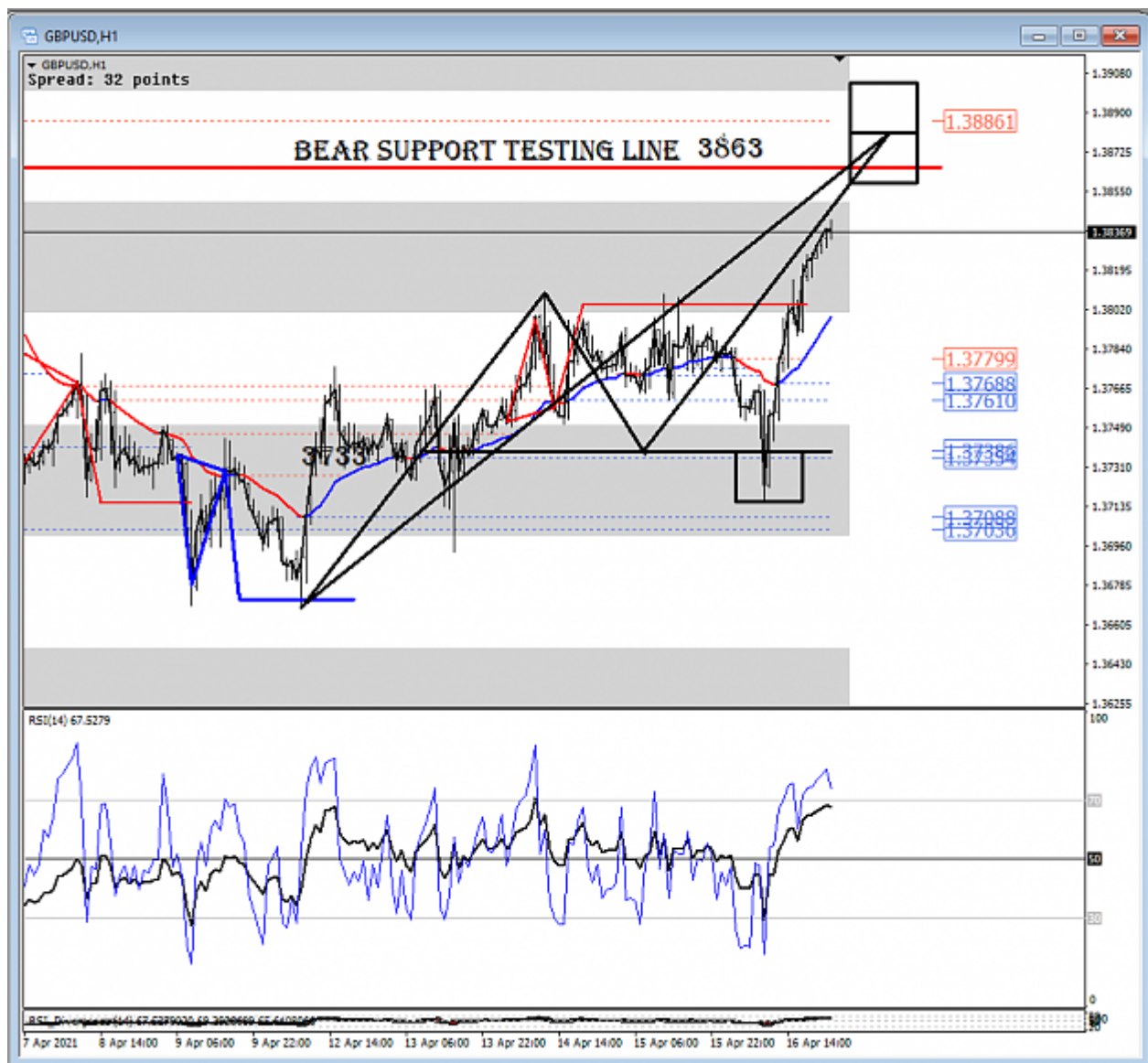
[Quoting limth](#)

{quote} Hi Alan: How do you dictate the start to label those points from 1 to 5? Are there specific rules to follow?

Don't worry too much about this. I am just looking for potential ZOO points and the legs 2 to 3 and 4 to 5 tend to be the bigger moves so it is nice to catch them.

I don't have rules for this I am just constantly measuring and looking for the opportunities.

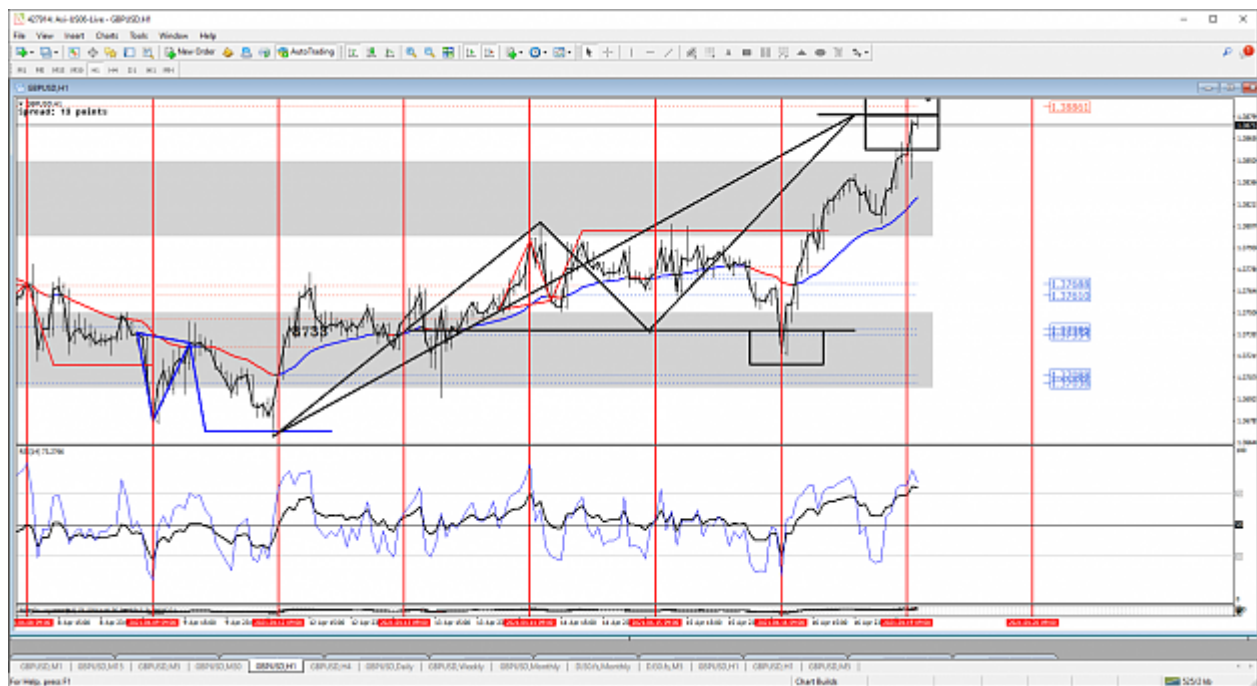
See also how the $AB = CD$ on my 1hour has changed. If the market moved to a specific set of rules we would all be rich.



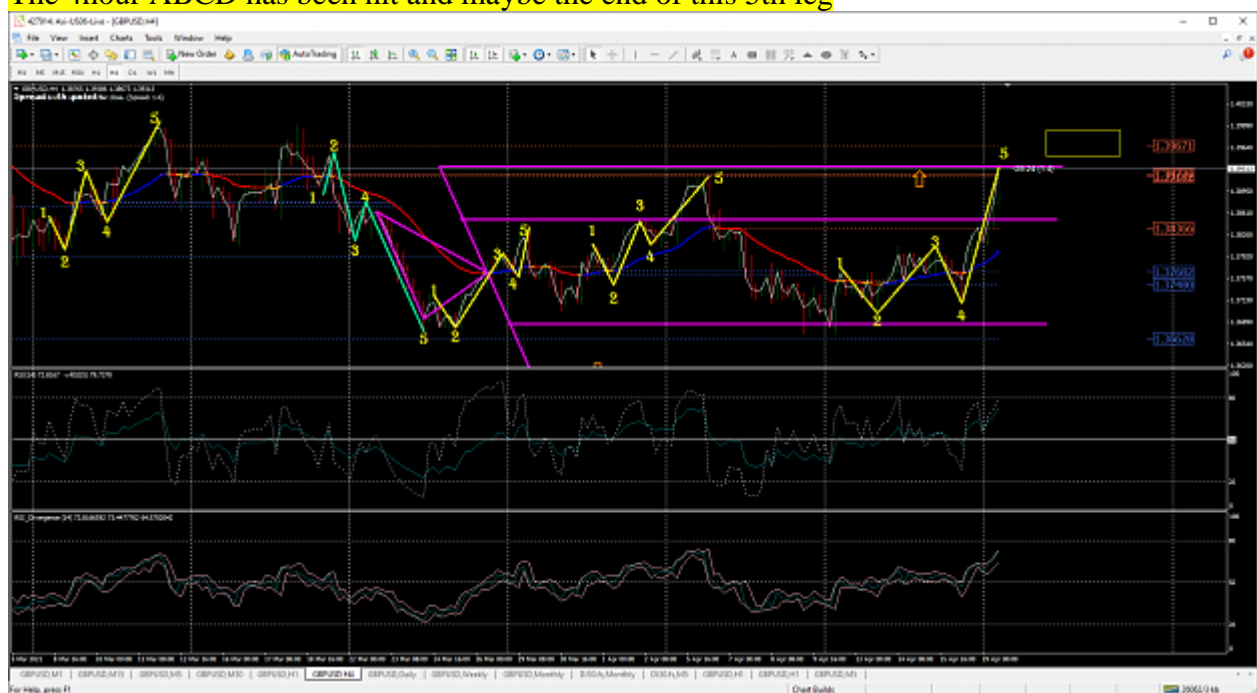
[Quoting jewelnguyen](#)

{quote} Hi Alan, The price has reached target 3863, master, please share your analysis Thank you very much

Sure and it has hit the revised $AB = CD$ so looking for a tentative short here



The 4hour ABCD has been hit and maybe the end of this 5th leg



[Quoting jewelnguyen](#)

{quote} Hi, Alan Are you counting the waves?

On the 4 hour chart yes.



[Quoting jewelnguyen](#)

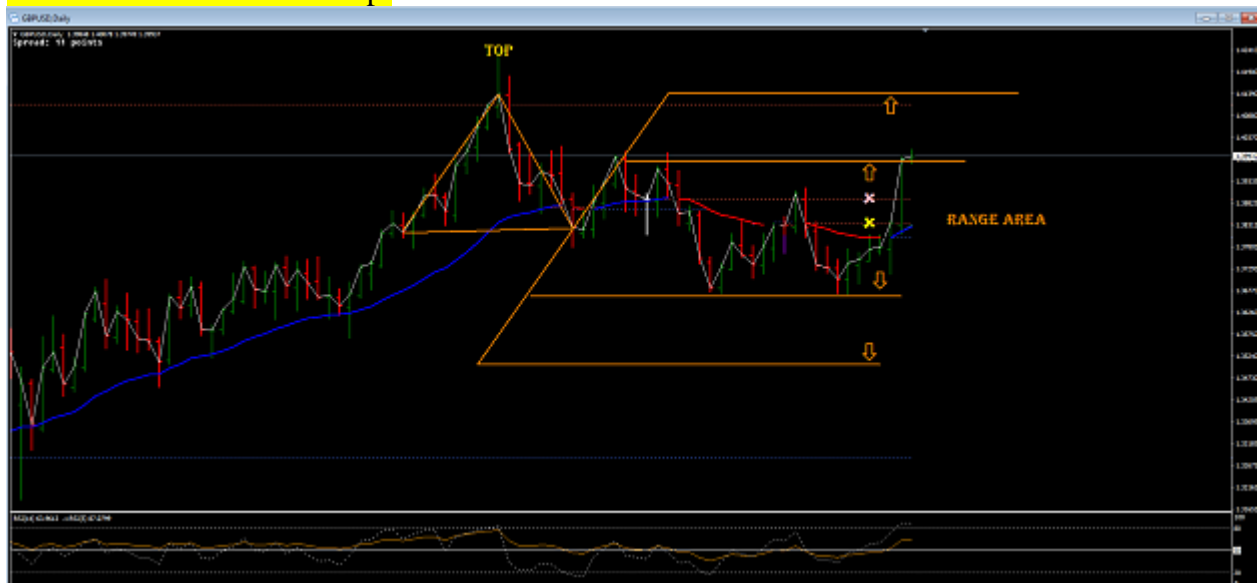
{quote} Hi Alan, thank you very much, Master I initiate wave 1 with a divergence between the RSI / RSI, then rely on the pivot to count the remaining waves. Is this correct? {image}

All I am trying to determine is:-

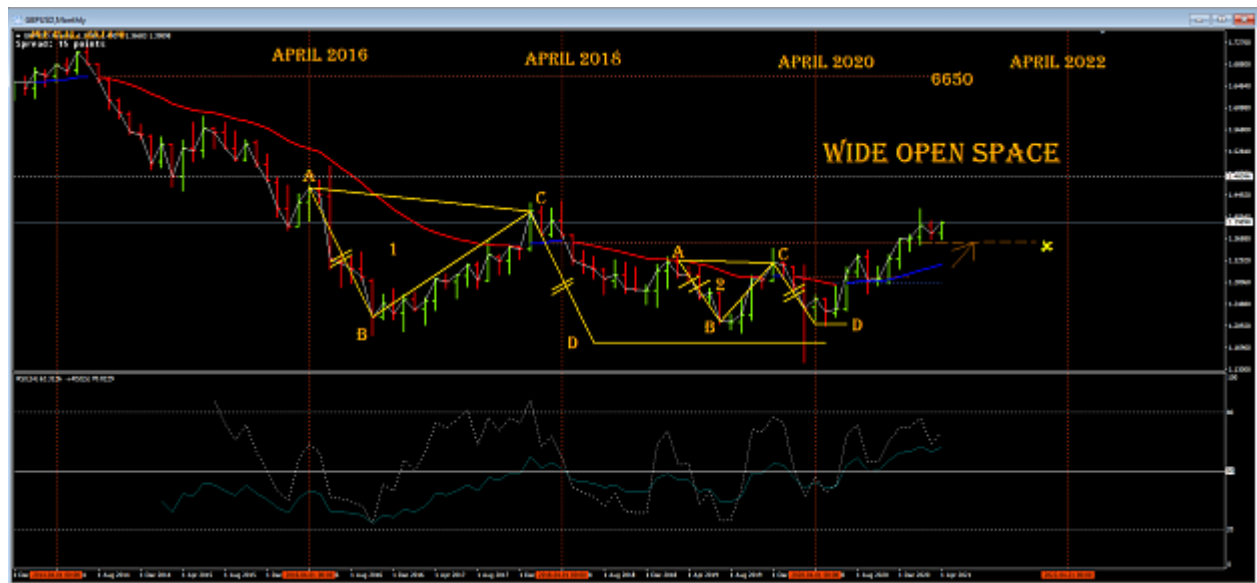
3 should be higher than 1 and 5 should be higher than 3. Lastly 4 should be higher than 2.

However it is more the EMA I am looking at to see if it is trying to make the higher high.

Just look at this daily chart and you can see the EMA is trying to make the higher high where I have put the yellow X. It may also try to take out the next level where I have the pink X. This would mean the price is trying for the top arrow of the ABCD and maybe even a higher high than where I have written top.



When we look at the monthly chart we see a similar action underway as the EMA is trying to make the higher high than the yellow X.



However these are high time frames and we can easily see substantial pullbacks so we have to be wary of that

[Quoting yahya11](#)

{quote} hi Alan , how you draw these 12345 what is the logic and rule to draw them

All I am doing is looking at the shape these moves form to find ZOO points I can trade. When price gets to one of the levels either up or down I am looking to the lower times frames to see if I have an entry in to expected direction.

There are Elliot wave rules for these but I don't follow anyone's particular rules.

[Quoting jewelnguyen](#)

Hi Alan, I'm still not used to viewing bar charts so I don't understand the two-bar test examples. Please help me, show me the latest 2-bar test example. Thank you very much, Master Jewel

This is the 1 hour chart showing the two bar test examples. I have made all 5 different colours for you to distinguish the differences.

1) Is a bear div so we test from the previous bar and include the div bar. Stops are always above the div bar..

2) Is a bull div so stop goes below the div bar.

3) Is an RSI bear div so stop goes above the div bar.

4) is a bull div so stop goes below the div bar.

5) Is an RSI bear div so stop goes above the div bar.

Now all 5 of these divs present us with ZOO points for consideration. At the lower time frames we can get better entries and the two bar test would apply there also.



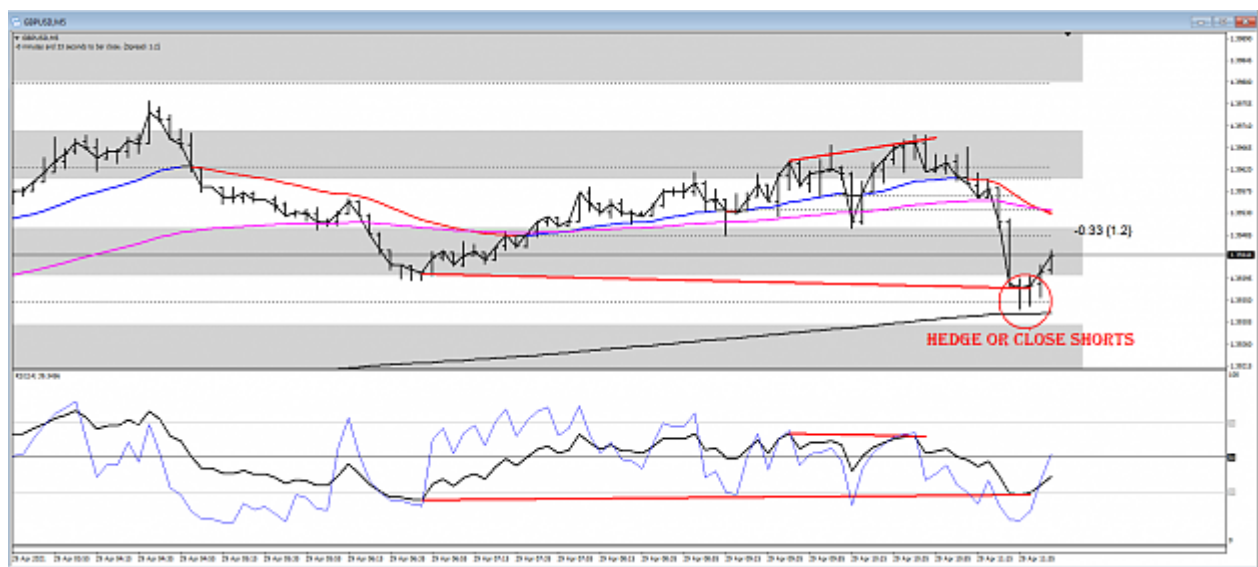
Quoting Thankyoualan

alan you can share the transaction today. I tried to get div h1 from m5 but it was difficult. Luckily I still got 5 pips.



The market is very choppy so the divs are swinging wildly. When the market is trending we would expect to see some of these divs fail.

We have a nice bear HD start of the day on the hour chart with a corresponding bear div on the 5 min.



If it were just a matter of drawing lines to determine divergence then all of us monkeys would be rich beyond belief but that is simply not the case is it.

If we are looking for a divergence on the 5 minute chart then we need to also determine a reason for it being there. This is why we look to the 1 hour for some sort of ZOO point where we expect something may happen to cause us to make a decision.

Look carefully at the 5 minute chart below where I have been short and long to complete the day.

The blue EMA is the 1 hour 26 period. The magenta is the 15 min 26period ema The red and blue is this charts 26 period.

There is an ABCD triangle and the price hit the D target which was also the 1 hour ema. This is a ZOO point and we ask is it in divergence. Yes it was not once but twice if we count the RSI div. Then a two bar test gets us into the trade with the stop above the div. We don't know

the target price yet so on this same chart we look for the potential problems we can either hedge or close and indeed trade the opposite way to complete our day.

Price ran into divs at the bottom and both two bar test would have been OK since price did not get to the stop below the div.

Again price ran to the 1 hour ema and was again a div another ZOO point for consideration to short.

Don't just take a page from a story and think you have read the book. We need to read carefully what the chart are telling us since these are a reflection of the orders being placed and how strong or weak they are. Every trade we take we are exposed to risk so we have to understand exactly what is going on or what we feel is the most likely outcome and be prepared to be wrong about the analysis.

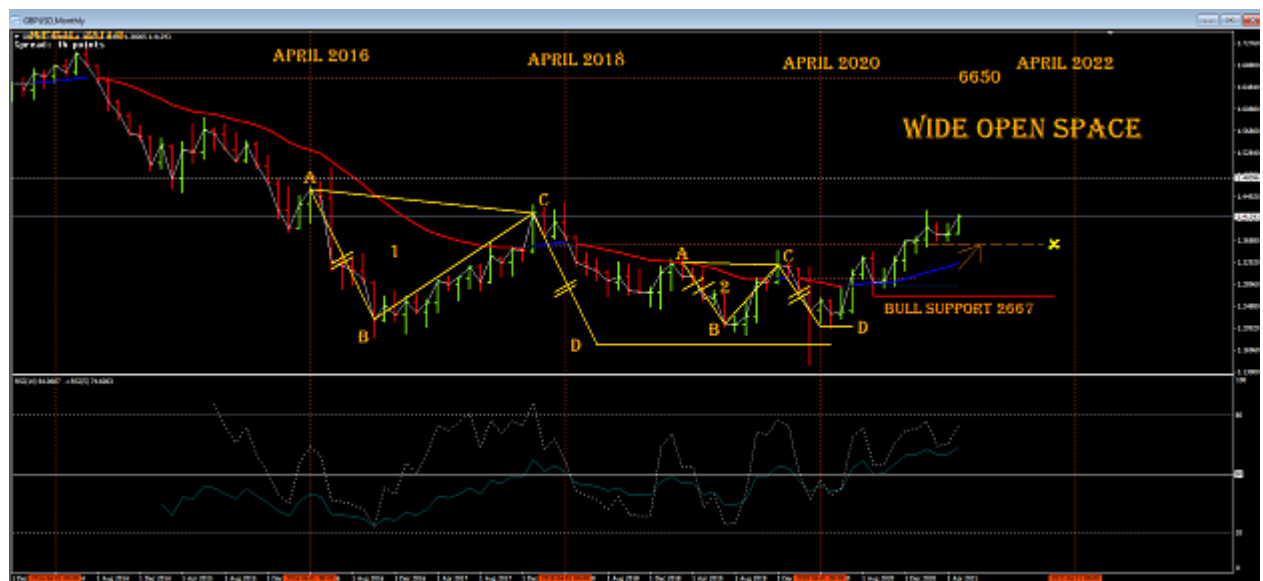


If we look at the 15 min chart we see again an ABCD and when price hits D it is in divergence.



Although we had a bounce at the 1 hour D level I am not convinced this is the end of the bull run.

Looking at the monthly chart we see the EMA is trying for the HH where I have marked X on the chart below. This is a fair time away as yet but the bulls are heading into a zone where there is little resistance.



[Quoting jewelnguyen](#)

{quote} Hi Alan, Hi Alan, Could you please help, give me an example of a pending order with HD. Thank you very much Jewel

You should always have your pending orders set up on your chart well away from the current price action so they are ready to be slid in place when required.

This saves you precious moments in time by not having to type in the size of your orders which change for each.

So you have all three pending orders set up and ready. You spot an opportunity and slide the first order into the correct position to be taken up. Then the second and third. Your stops should move also but they will need to be adjusted to limit risk as much as possible.

If you spot a HD or whatever you place your two bar test and slide your order to a break of the test line so it get picked up. Once it is then we adjust the stop and get the next order into position and so on.

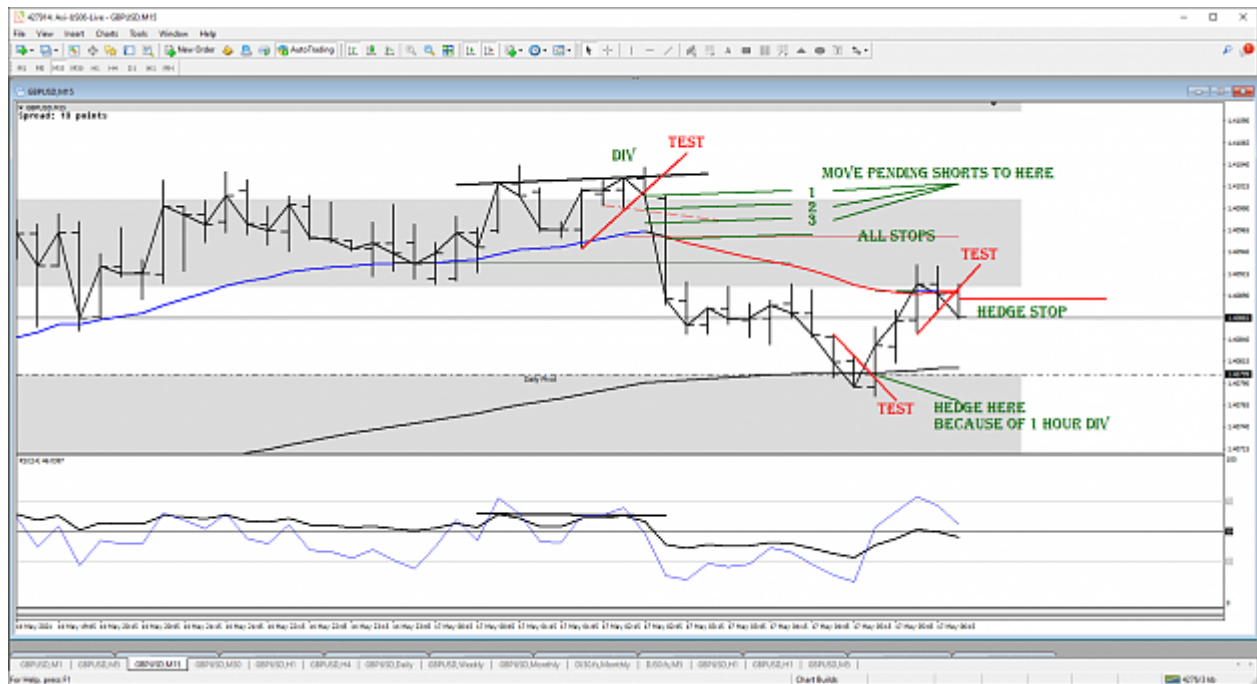
It is good to get all three on before the price crosses the EMA and get all the stops to the position of the last entry. Then all you can do is wait and watch should a hedge be required. We cannot always assume the primary trades will win the day, many times it is my hedges that do so.

We don't have a current HD but this div will serve to explain.



If the price on the 15 min gets back across the EMA then the shorts will likely be stopped out and the hedge take over the profit making and we protect the hedge with a profit stop

So now the chart looks something like this with the hedge stopped out for a profit and the shorts still running.

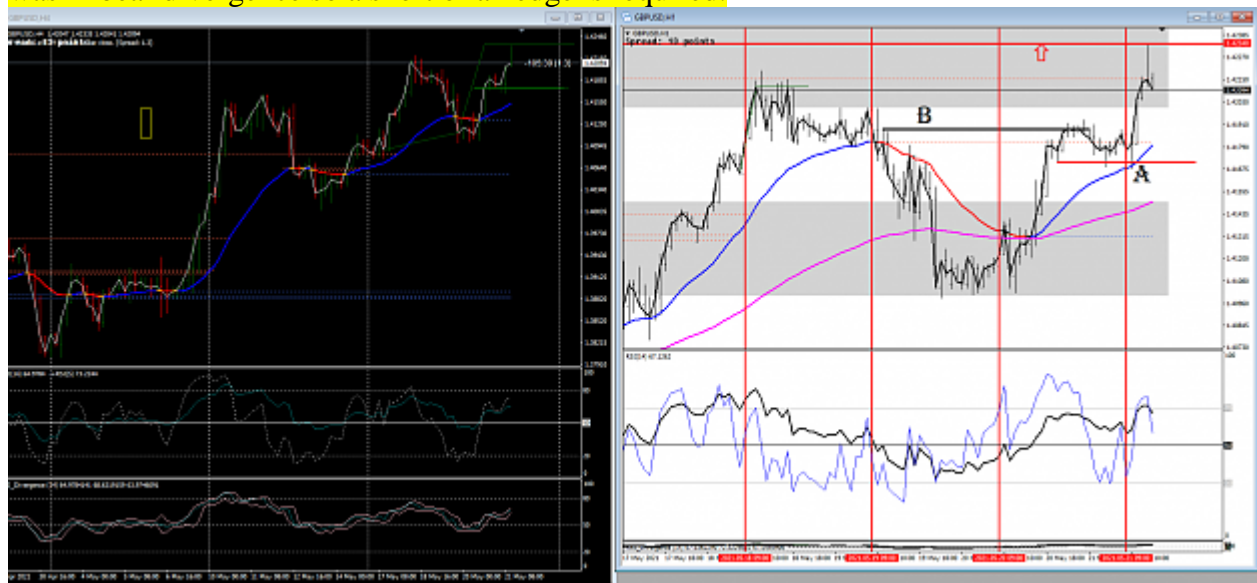


A couple of things to note here.

The red line target I had on the 1 hour chart was copied from the ABCD target on the 4 hour chart.

Mostly though I would like to draw your attention to the role the supports make either bullish or bearish and how they become the resistance levels to be overcome.

See how B (black line) was the bear support it generally requires a bullish support to take it out. So the bullish support (red line A) holds and price eventually goes on to take out the resistance at the open or our 108. It then ran exactly to the target. Upon reaching the target it was in bear divergence so a short or a hedge is required.



[Quoting des b](#)

Thanks again Alan, these concise explanations and views on how you interpret the gyrations in the market are invaluable Cheers...Des

Thanks. The more you practice the concepts the easier it gets to see what the market is actually doing rather than some obscure theory. The whole thing is based around the market trying to make these HH or LL averages and what price has to do to attain these since price always leads the average in any given direction.

Our problem is that we are also dealing with different time lines via the respective charts. For example a monthly chart is going to experience quite an erratic chart when viewed from a 5 minute perspective. To combat this we start with a 1 hour chart because this is likely to give us the required pips for our daily rations, in most cases just a few hours work.

The key is to look for the ZOO points and then the corresponding signal to take a punt at the same time looking for where the price may have a n objective. For example a div on the 1 hour should return price to the EMA+ so we would be looking for the entries on the 5 min or even the 1 min in the desired direction all the time moving the stops for protection.

The efficiency of time is also very important to me, if I don't see a trade on offer I just walk away and await a better time. Guessing it may or may not do something is not my idea of trading it is simply gambling on an outcome. Because we are using the 1 hour as our guide it gives us plenty of time to check in for a signal to get involved and then trade it accordingly. Also because we are using the 1 hour it is likely to be somewhat choppy on the lower time frames so we may take hedges to cover ourselves and even profit from them. There is no time to just sit back and await a result charts have to have an eye on them and moving stops is a chore.

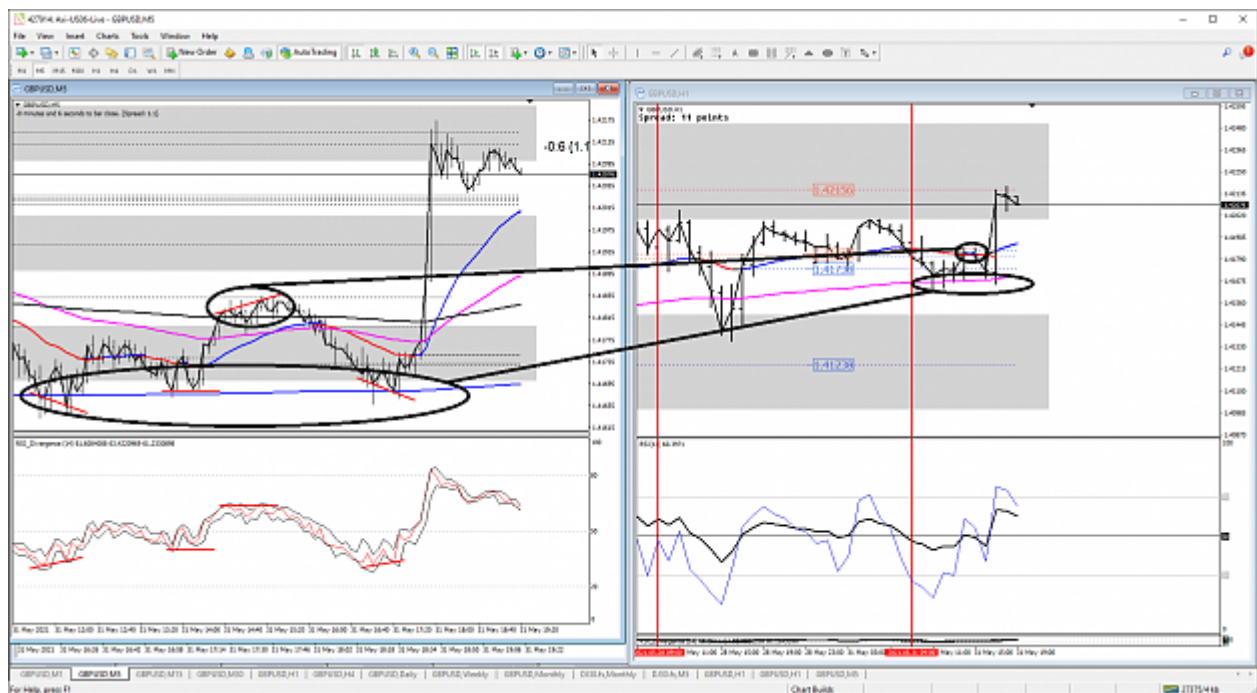
All this is going on whilst we have a fiscal target in mind but we are not limited to it, we may for example just move our stops to lock in our profit and then see what price does to improve on it. We could also take a hedge to lock in this profit so our capital is free to take additional trades.

There are many opportunities to look for trades and you may wish to specialize in any or all of them, for example the HOOK is a good call because it is preceded by a div and tells us where the stop should be placed. Two bar tests are also good because again we know where to put the stop. Supports allow us to place the stops so we do not get burned too badly with our initial entry. There are many more but I think you get the point of tight stops and compounded profits.

Amen for today

Look at the chart for the 1 hour is has been bouncing off the 4 hour EMA and has given at least three long signals on the 5 min. Two bull divs and a HD,

We also see price bounce on the 1 hour EMA and a short signal entry was given on the 5 min.



The 1 hour chart...

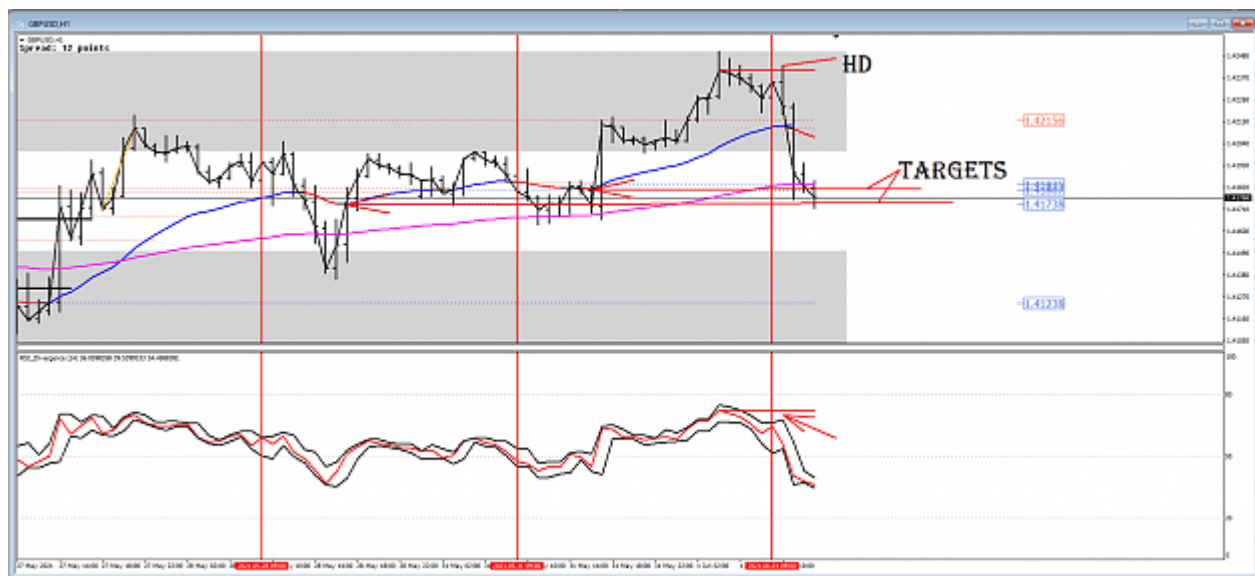
We see the average at 'A' is trying to break the average at 'B' and in doing so price can easily make it to 'C'. 4303.

So we would still be looking for longs with the obvious pull backs for entries.

Do not buy tops look for pullbacks.



Fairly quick result today...



I don't know? This bear support is turning out to be a difficult resistance for the bulls...

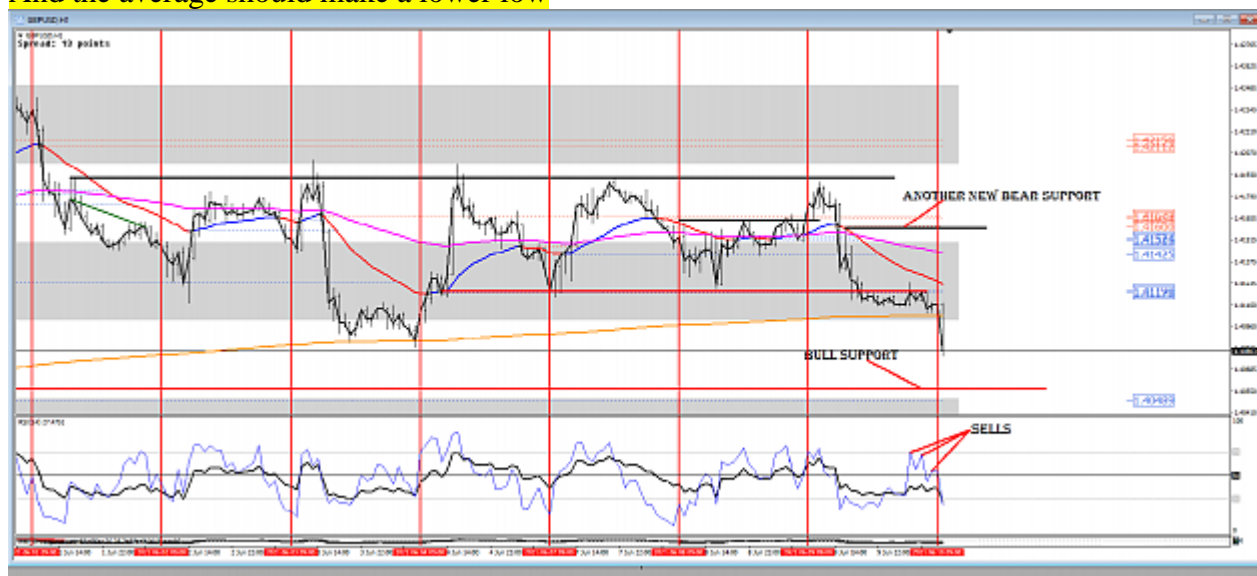


Now the bears have a new support but they also failed to break the bear support so the situation is getting tighter and tighter for a break to happen.



So the bulls couldn't break the bear supports and are now about to test this lower bull support...

And the average should make a lower low



When looking at the supports it is interesting to note that it is usual for a bear support to precede the taking out of a bull support and for a bull support to precede the taking out of a bear support.

So in the 1 hour chart below we see 1 a bear support takes out 2 a bull support.

Then 3 a bull support takes out 1 the bear support. Note in this case 1 and 3 are at exactly the same level.

All supports bearish or bullish become resistances for the opposition. A new support generally needs to be made to take out these resistances.

Whew! I hope that is clear enough...



Quoting Fantaburk

Could you explain a bit more detailed how you know a div fails to make it back to the EMA when trading real time? As about when do you expect it to make a higher high instead for example?

When we have as in your example a bull div we have an expectation that the price will return to the average, this is an expectation not a guarantee so we make a tentative entry with a stop. As price progresses we move the stop to trail the price action.

At some point the price may fail to make the EMA, it turns and stops us out with very little loss, if any at all.

The reason is simple. If price fails to make the crossing then it will probably make a LL than the div so we don't want to be caught holding onto a losing trade.

This part is not really rocket science we are just protecting ourselves. It is important to limit the loss before we consider the profit.

Profit will come many times more profitable than the little losses.

The biggest mistake anyone can make when trading is to add to losses trying to defend a position, sooner or later a huge hole will swallow the account.

Many would say they have a money management plan where they take small trades and say their losses are small. However what they don't say is that their wins are small also so the account just rises and falls with little progress. A three stage entry is very aggressive and results in very nice wins keeping the account tracking nicely in the desired direction.

If you are at all worried about it then retain the three stage entry but make each stage small.

Looking at the 1 hour chart below...

The red horizontals represent past bull supports (bear resistance)

The black horizontals represent the past bear supports (bull resistance)

Clearly we can see how these are tested and just at a glance we can see the bulls are attempting to test the next bear support.



It pays to keep these levels marked for future references because they are also ZOO points for consideration.

It is a long way to go for the average to test the last swing high but we live in hope hey!

Hope everyone is getting the idea now. Don't let anyone tell you that we cannot predict price action, just learn to read the chart information and interpret its meaning.

The times you make a mistake will be well compensated by the rewards.

Here we see the price has done exactly as we predict, always has done and probably always will.



And as I awake this morning I see overnight the price action did return to the EMA following the div, a 50 pip bonus.

As yet the bears have not crossed to FIND support so we could see a bounce back up again or we could see a break down. This is why it is just guesswork at the EMA level.



Better to wait now for the 108 and see what sets up.

First off... Don't confuse confidence with competence.

Confidence is very much a traders enemy because it relates to our thoughts and we simply cannot think trades. The market has no idea at all what we have on our minds and many books (making the authors very wealthy) have been written under the heading of this trading psychology. Does it help to read this stuff... I 'think' not.

I am never confident that my trade is going to work but I am certainly hopeful it will do so. However hope does not pay the bills so I have to have an edge up my sleeve to **force** a desired outcome.

When we force a desired outcome we are using our competence. We master our tools and muscle memory kicks in rather than thought. We start with a tentative entry based upon a signal being given where we would expect one to be. No signal no trade. We have an expectation price is trying to reach a certain level so we add to our position and move our stops accordingly. We also have an expectation of the reward we desire and thus hold until we achieve this result. Taking less is just quitting and this too can become habit forming.

Get on the right side of good habits even if this means the odd profits are given back through holding too long. Remember you have the option to hedge the trade if in doubt thus locking in your profits.

I am not a psychologist and try not to get involved with all that stuff, if I get stopped out so be it, the loss is only small.

I cannot comment on your mindset because we occupy a different space and probably see different things on our charts. If you practice the concepts until they become mechanical then thinking trades goes out the window replaced by the competence you have in your trading.

PS The last version was much longer so I chopped it back somewhat.

Here below on the 1 hour chart I have the main stuff I am looking for. There is a bit more but even with this small print it is hard to fit it on a single chart.

So...

- 1) we see a signal at a ZOO and take a punt on a tentative trade using the lower time frame to better manage our entry and stop.
- 2) If the signal was a div then watch out for the retest i.e. the dreaded HOOK
- 3) Consider the target distance both for the price and the EMA
- 4) Load trades to make the required profit in a reasonable distance/time.
- 5) Rinse and repeat

Keep it all very simple like this and mark the charts with these similar labels and you will quickly get a handle on what price action is doing.



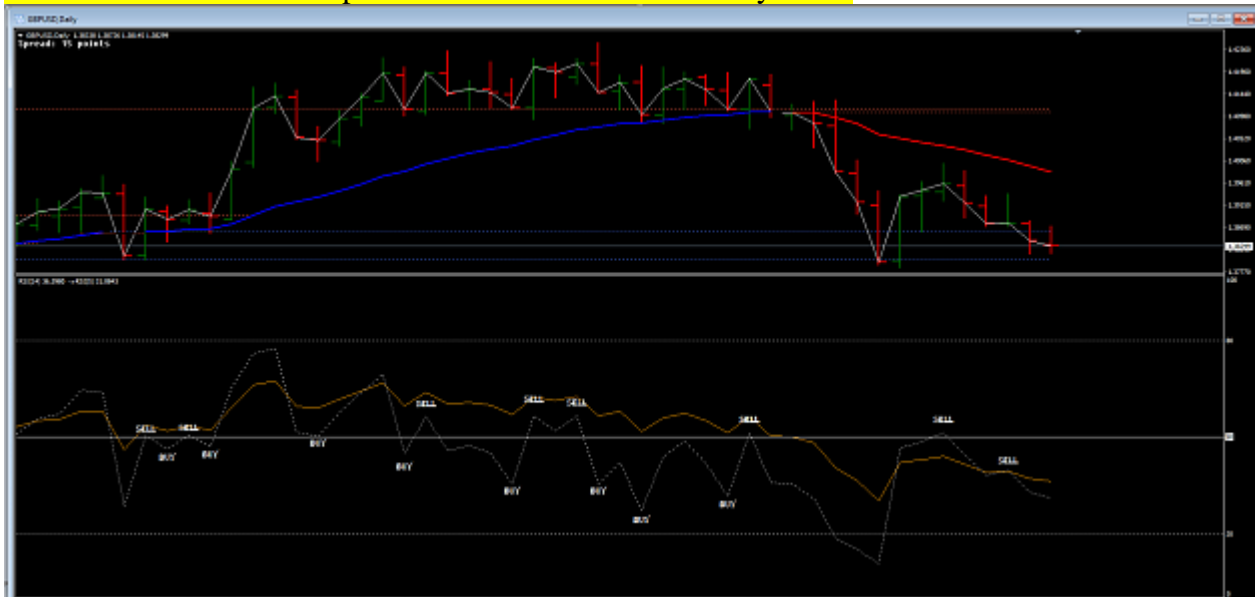
The story is almost always the same day in day out so no signal no trade. I have a saying "Quote" If nothing changes it remains the same. So if there is no signal then price may still be working on an older one. It does have to get it all done in one day, sometimes many months are involved in the major moves

See how we can get information from the two speed RSI's



I use this info a lot to add to positions.

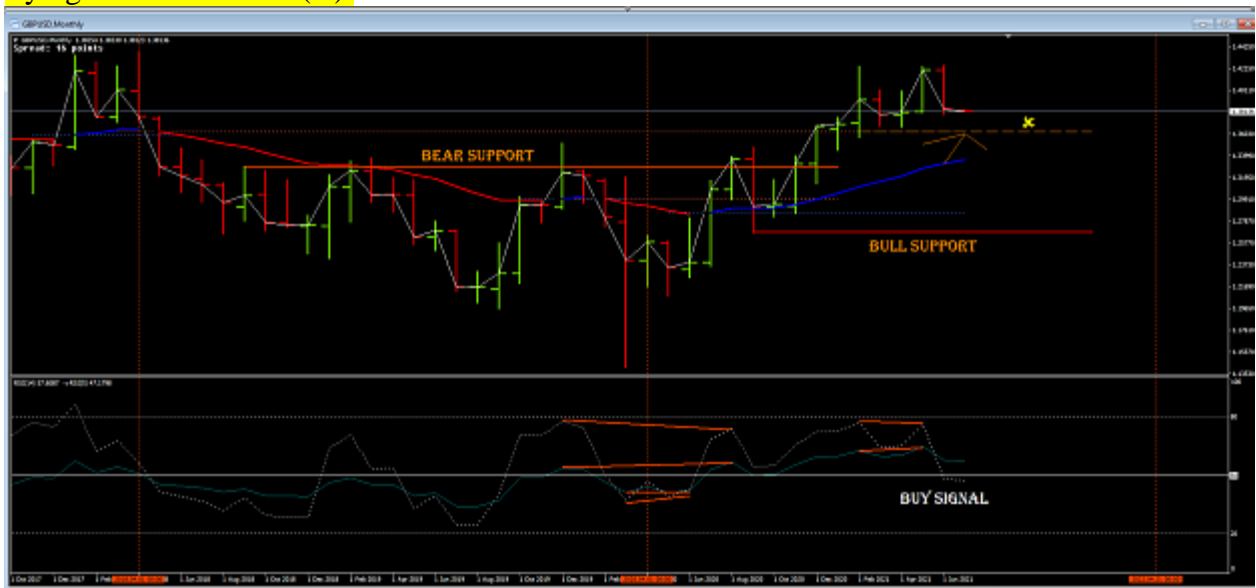
We can also use this two speed for an inference on the daily chart.



Look for lower time frame signals to get in the desired direction

As I awake the EMA on the hour did make the expected LL but it seems to be struggling a tad here. Price has not yet made the next swing low so I would be cautious here and watch for a cross back north of the EMA. We did get a bull div sending price back to the EMA but no closing cross and as such no bull support as yet.

Now today is the 1st of the month so checking the monthly chart we see the RSI closed in a bull signal, however don't get too excited over this because the tails on a monthly chart can be huge in regards to pips. So it is just something to have in mind since the monthly EMA is still trying to make the HH (X).



[Quoting yahya11](#)

{quote} Hi alan, i don't understand it clearly the buy and sell , there is no divergence on every buy sell only some have divergences. What is the concept behind these entries and how we take them as inference for entries on smaller time frame? Thank you for your patience

Divergence is not the be all of trading but it makes for a nice start.

Above we are comparing the RSI's looking for current weakness or overly strong in the fast RSI.

Look at the relationship with the two RSI's in relative to the 50% waterline which is in turn the EMA. If the fast crosses but the slow doesn't then we have an overly strong signal.

If the fast RSI cannot cross the slow RSI then we have weakness and trade it accordingly

[Quoting yahya11](#)

{quote} what is the meaning of strong and weakness of rsi, sorry if the question is so basic, and how we get the idea of buy and sell?

OK Yahya let's take these bear signals.

Observe the chart is showing we are trading below the average indicated both on the price chart and the RSI being below the 50% level (highlighted red)

Now look at the red boxes showing where the fast RSI has pushed above the 50% leaving the slow (black) RSI below the line.

These are clues to short the market so we do our two bar tests (Blue)

Note during the Asian market there was not much movement but we could have scalped a few pips.

Look at box 3 we could not two bar test it so we would not take it.

Once we reached the 108 bar things started to pick up and boxes 4 and 5 proved to be nice runners.

So we have timing and we have signals and we would be targeting price making the average swing low. Box 4 did the deed and made 66 pips.

Put this together and you have a decent trading plan.

Timing... Signal... Target.. Money management... Stop management.



If I get the chance I will show more examples of the information contained in this chart. OH I forgot to mention the Magenta line in the middle of 4 and 5. This was where price hit the target and the two bar test told us to go long

Now the above were the bear moves but the bulls also have their say. Since we are trading down we need to consider where to hedge our shorts' Look at this same 1 hour chart with the bull signal red boxes. We see the fast RSI fails to close across the slow RSI. So once again we apply the two bar test at these points and protect our short trades with a hedge and collect a few pips for our trouble. Not forgetting the all important stops....



Don't forget the NFP tonight, I don't trade it because the [spreads](#) widen too much for me to be interested.

Remember if going long below the EMA it is only a scalp or a hedge. It could turn into a trade should it cross and find support

And now we see the EMA has made the LL and the long scalps or hedges came to nothing.



These failing divs go to show the importance of only taking them at the specific target levels.

Below we see the EMA made the LL and price reached the next level to drag it there.

Then we get the signals... Price was in a bullish div at this target and the fast RSI was showing current weakness.

The bulls crossed the EMA this time and found support and subsequently went to the ABCD target.

Lots to consider there but nothing I haven't already explained.



Looking at the NFP news it was good for the bears but the charts say the opposite. To me news is just rubbish, better to pay attention to the reality of the charts.

Pardon my French but only fools don't use stops, they are critical to successful trading. We can take many small hits and easily recover a nice profit from our better trades.

This is the whole basis of tentative entries and then adding to them when we are winning.

You had a sell and a buy of the same size so you were getting nowhere. You could have close the short and had plenty of time to add to your long making a nice profit.

I would have been stopped out for no loss on the short because I move the stop to B/E at the earliest but then again I probably would not have even thought of shorting on the first place.

Simple rule to follow here...

Never buy tops and never short bottoms.

[Quoting cylon](#)

Hello guys. Did I draw correctly $AB = CD$ in today's cable movement in the London session?
{image}

This is it corrected



What I suggest is first look to where the EMA is heading, that is to say is it trying to make a HH.

If we have that in mind then our better options are to be long. Remember we are trading above the average so any shorts are either scalps or hedges.

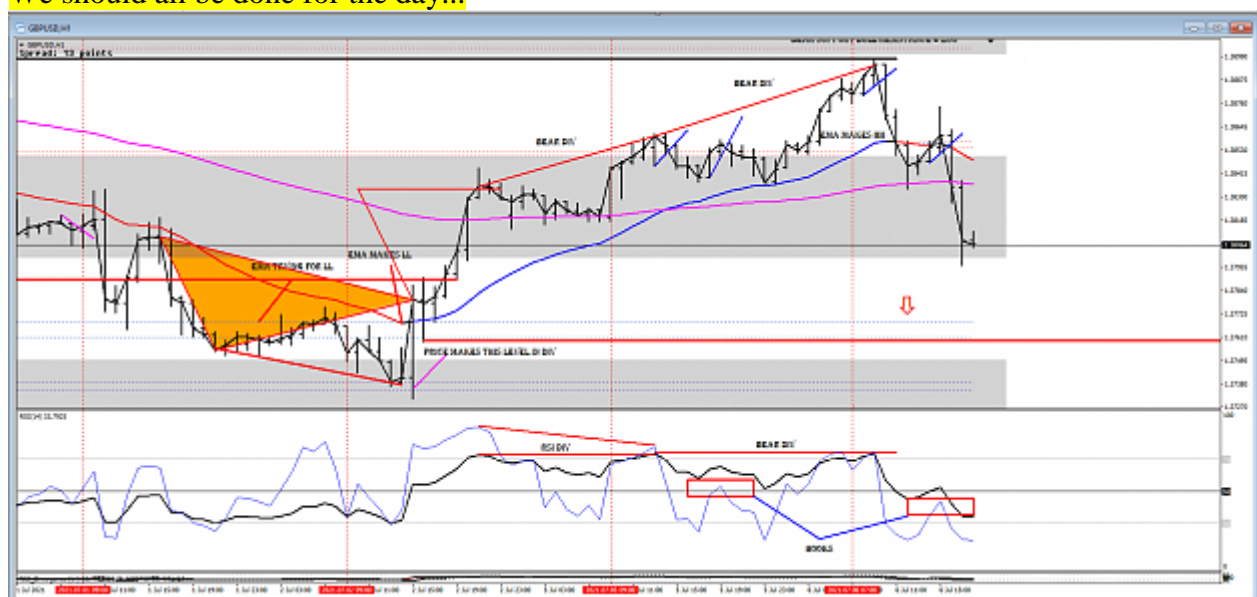
So do we see signal to take price long.... Yes we do, did the EMA make the HH yes it did. Price reached the bear support (bull resistance)

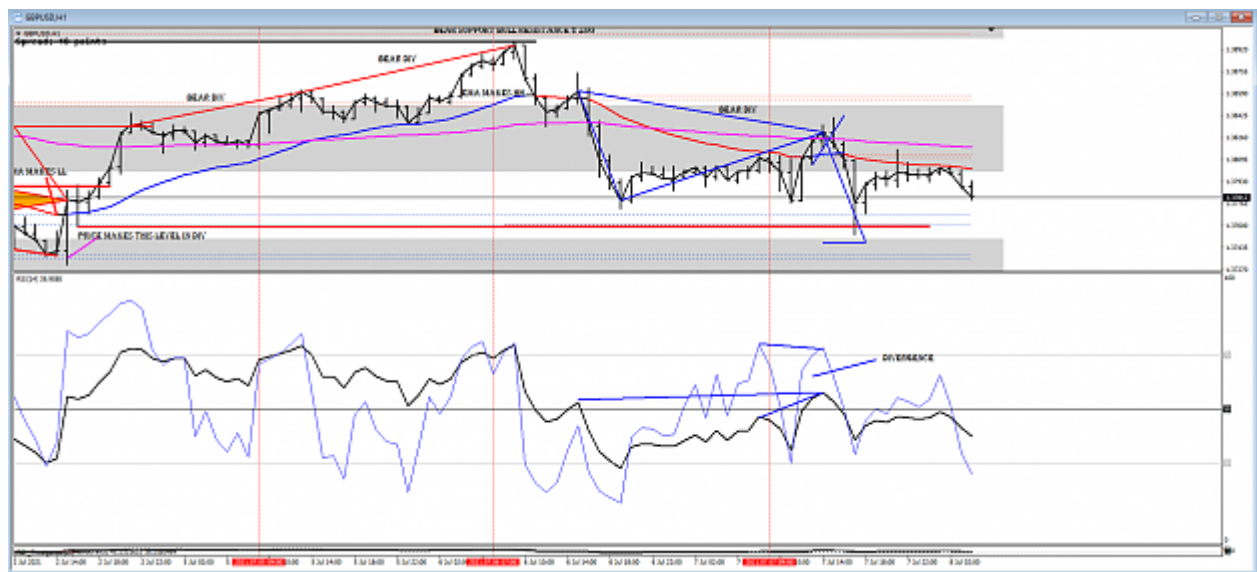
It achieved all this and finds itself in bear div so at this ZOO point we would short.



See how on the 1 hour chart the last two bear divs were followed by the Hook which we can see on the RSI (Red Box). We see the fast fails to cross the slow indicating shorts and the two bar test gets us in.

We should all be done for the day...





For example this to me is just regular bear divergence where they are on the same side if it was an ABCD then it would have reached the D target but it didn't.

Not only was this a regular bear div but it was also an RSI div.

Then notice the bottom where it reached the bull support (bear resistance) it was in a bull div sending it back to the EMA.

It is all very simple when you get a handle on it

[Quoting Fantaburk](#)

Hi Alan, I was wondering if you could elaborate a little bit on when and how to move stop losses. You can use my last trade as an example if you don't mind. How should I have been thinking? {image}

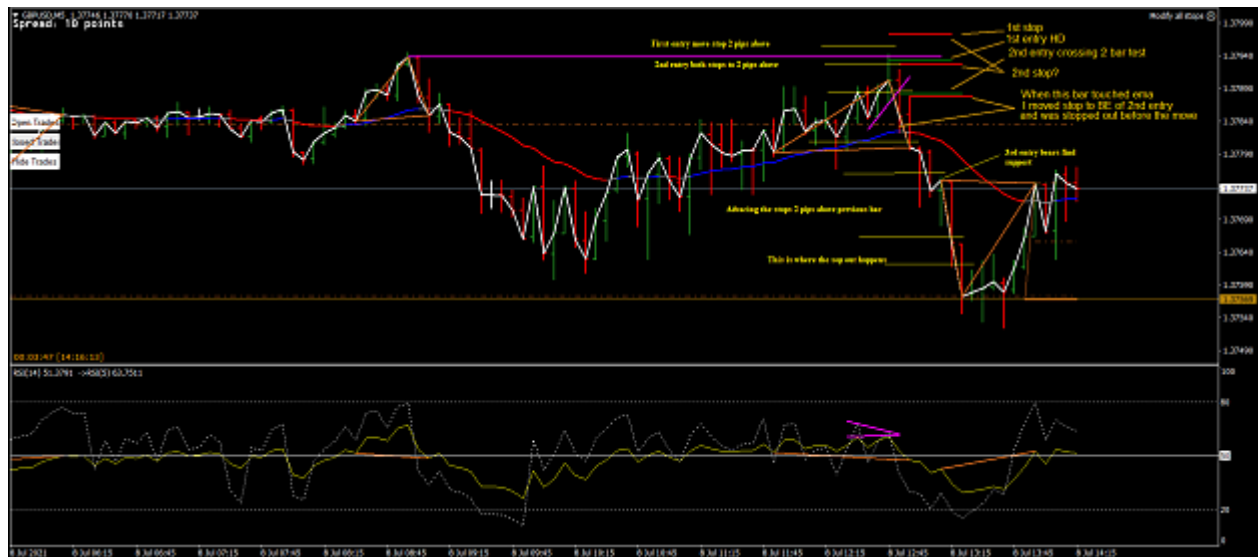
Very easy for me to say in hindsight... no pressure.

First congrats on the great entries, pity about the stop out.

When the market is heading somewhere in this case short it tends not to make a HH than the previous bar. So what I do is to move the stop to just 2 pips above each previous bar to allow the spread.

It doesn't always work but it gives me a winning chance without too much cramping. Once I get all the stops to safety I can relax and look for the counter signals to close or hedge or I can continue to move my stops locking in more profit.

On your chart below it would have resulted in you getting the 3 trades on and being stopped out at the bottom turnaround.



This has always been a pain for me, having to move each of the stops individually over and over. **I would love a script that says move all stops to XXXX**

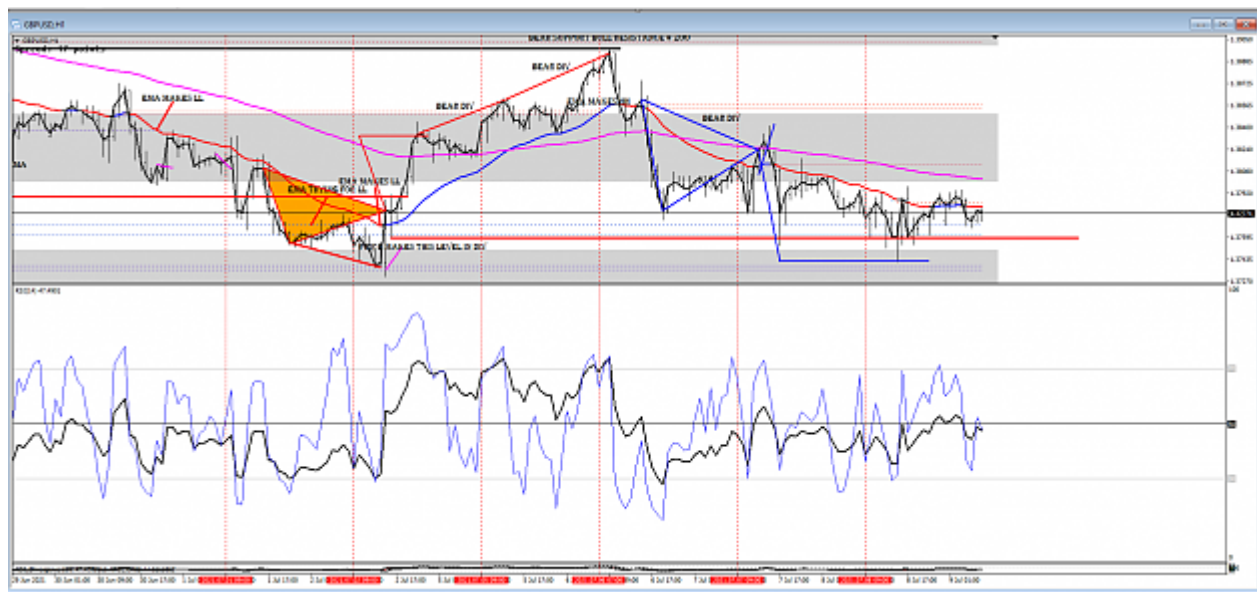
Quoting yahyal1

{quote} Thank you my mentor, mentor can we trade other pairs with this method i see xau/usd gives very respect to our method and one can get 40 pips much earlier than cable in gold, what is the reason behind trading only cable and why you don't recommend other pairs to trade and i know you trade other pairs also in your first thread you were telling about others pairs, are you trade them with this method or this method is only for cable and you trade them with any other method. i think my questions are mixed up my two questions one is about gold...

I have traded many pairs and gold in the past but the realization comes that one has to work harder to keep on top of things and one spreads ones money thinly.

I settled down to trade just the one pair and now totally ignore all others because this pair reliably pays the dividends and is far easier to monitor the action.

I don't recommend cable it is simply the one I trade and once my 1,2,3 trades are on then there should be no more money to trade anything else anyway



Today we see that the bears are bouncing along the bull support and interestingly the bear div has behaved just like an ABCD. It does this sometimes though I don't know why.

Looks to me like the bears are looking for support now.

Notice all the way down on this bear run they have not held on to a support at all

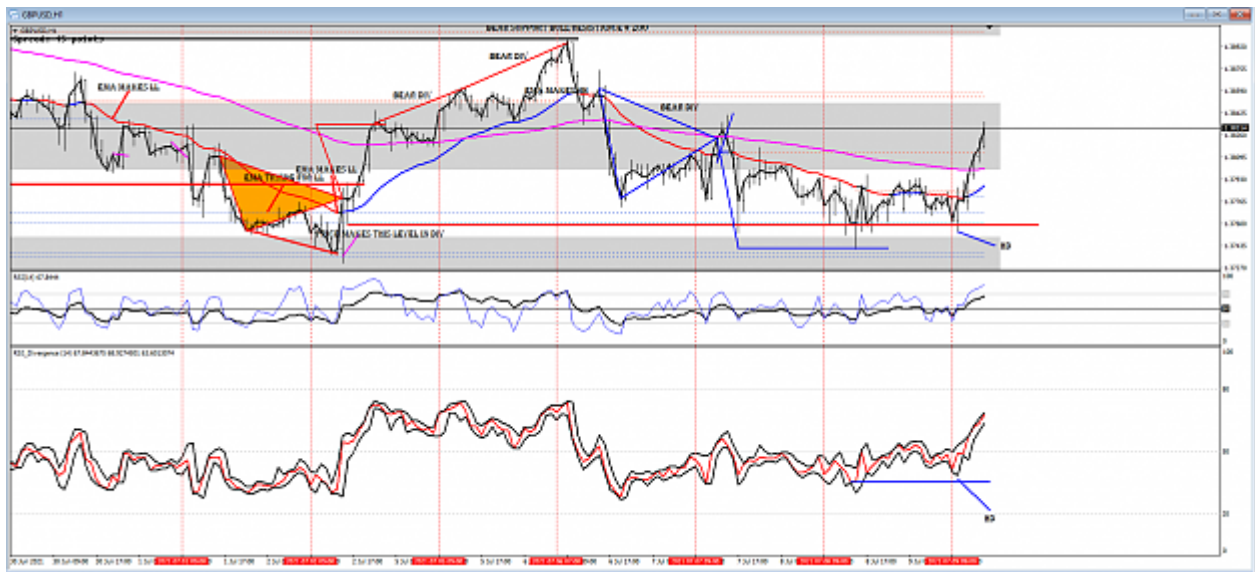
Quoting Ansab001

{quote} Hi Alan, so regarding this bull support, we know we are waiting for H1 EMA to make the LL which according to my chars was 1.37690. Yet it still has not reached this. Is this a case of bears can break the bull support we should finally reach that LL target? Or is it more of a case where price has reached the lower level of 1H (which is 1.3610) Should we expect price to consolidate till it reaches LL near this level. Now my personal take there is a level 1.37382 on the 1h. i think Price needs to smash to this level to make the LL ema...

Well not really. We see the bears have failed to make the next EMA swing low level so we should be on our guard that the EMA is about to turn, we don't know that but can see price is bouncing off the bull support.

Then when we get to 108 look what we see... a HD giving us a bullish signal and the rest is history as they say...

All EMA swings have to come to an end, that is why we don't short bottoms and long the tops, rather we look for the signals that imply a swing may be in progress.



We spoke the other day about having confidence, this is a problem when one gets fixed on a notion price may be headed somewhere instead of reading the signals as they crop up in real time and not a speculated time.

Price has failed to make the next level and so has the EMA so now is the time for price to test the opposite side.

This is what the market maker does when facilitating business. His role is to sell currency for the best price and if the demand is there then he will continue to increase the price until the demand drops off. At this point he will test the opposite side for business. Only the market maker can sell and traders can only buy, whether we short or go long we are still buying the preferred currency with the paired currency.

Quoting Ansab001

{quote} See this is one of the weaknesses I have with these is understanding when support is strong and not. Now the beauty with the system is you can put on trades with the ema and make either short losses big gains. Feeling confident that bulls price will touch the next level and it did, and because i couldn't see any change left my trade on and bulls now have made the price level. Now if we look whats going on now bulls now they made the next level. We are waiting yo see if it continues or will it go back and test EMA (graph). Now this si where...

Well done for getting your daily pips, good job.

Notice how the price ran to the next level without even bothering to find support, this is important.

This is where hedging comes into play if the required pips have not yet been made. (They were easily made) Let's assume they were not made and we are all in long.

We ask ourselves "is there are reason to believe this may be a pull back zone to find a support level?" Well we are at the daily R3, we have divs on both the 5 and 15 so I would be getting nervous of a pull back now, so a hedge is required to stop any losses of profits.

Sure enough the hedge kicks in and I can place a stop at BE for it. The stop gets hit much later but in the mean time I would have closed my longs for whatever profit and picked up the difference with my hedge to make the balance of my daily target.

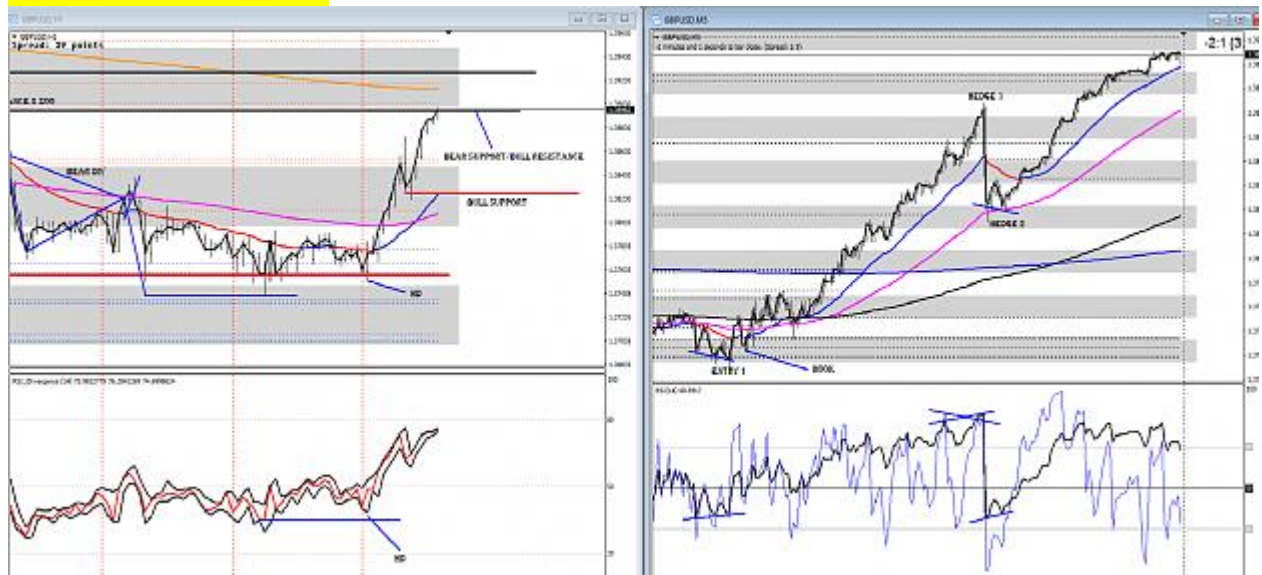
We notice the 5 min shows a bull div so that is where we close the hedge or indeed we have the option to hedge the hedge and once it kicks in we can close the first hedge and protect the second with a stop.

This makes for safe trading because when we hedge we lock in profits with no risk.

Phew! I hope that is clear and maybe needs reading a few times.

Here are a couple of charts 5 and 1hr to help with the visuals.

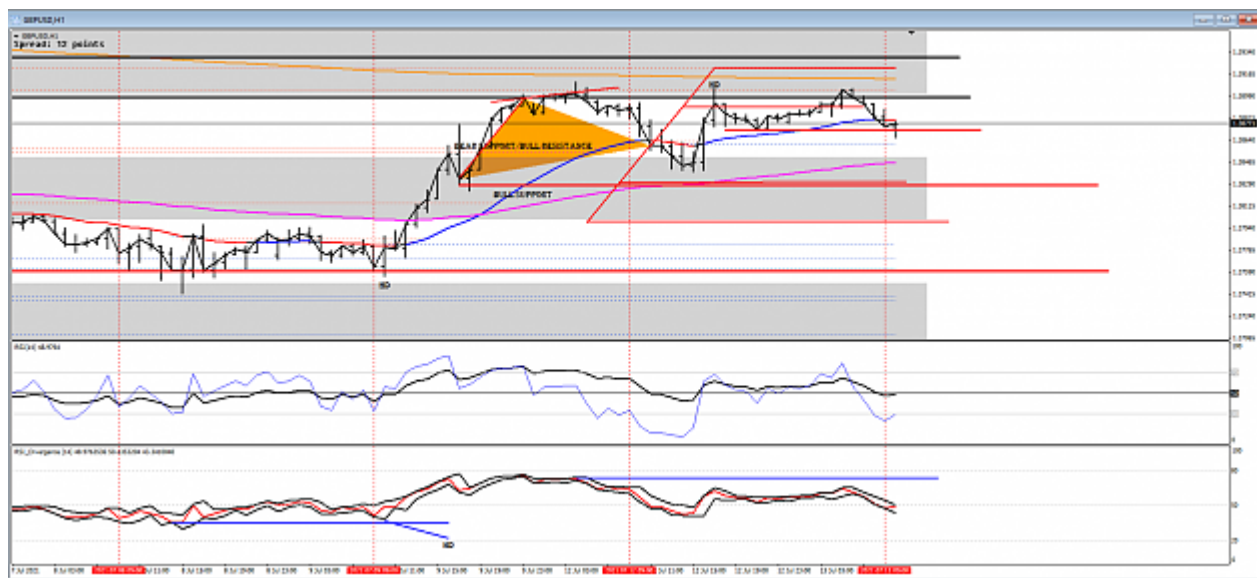
Notice how price has now stopped exactly on the bear support/bull resistance. This could mean a break of the bull resistance because we have a bull support or it could range between the two. Watch and wait.



I'll begin with the one hour for yesterday. I think your thinking is correct but there is a lot of stuff missed out.

It was a slow day but still the pair managed the required pips, twice, once in each direction.

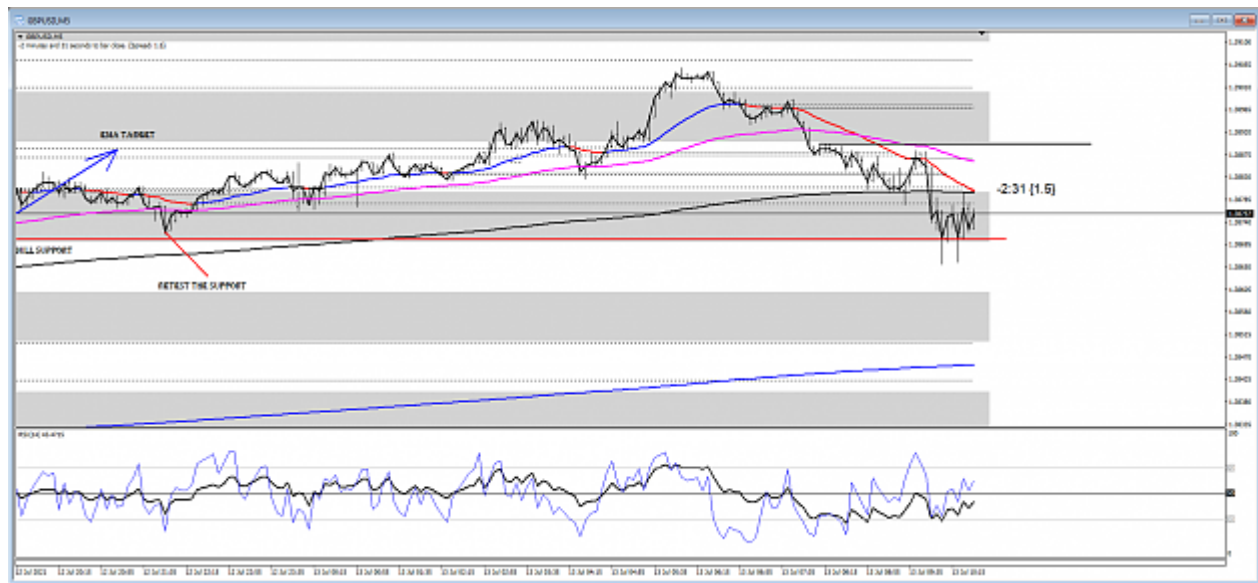
From the div (At bear support/bull resistance) at the top there wasn't much movement until 108 so we expect price to attack the average which it did. But after crossing the bears could not find support and an ABCD was formed and as of now is still current but very choppy.



The 5 min chart shows the action very clearly



This is my current 5 min chart where we see the bears have found support (black line)but cannot break the bull support (red line)

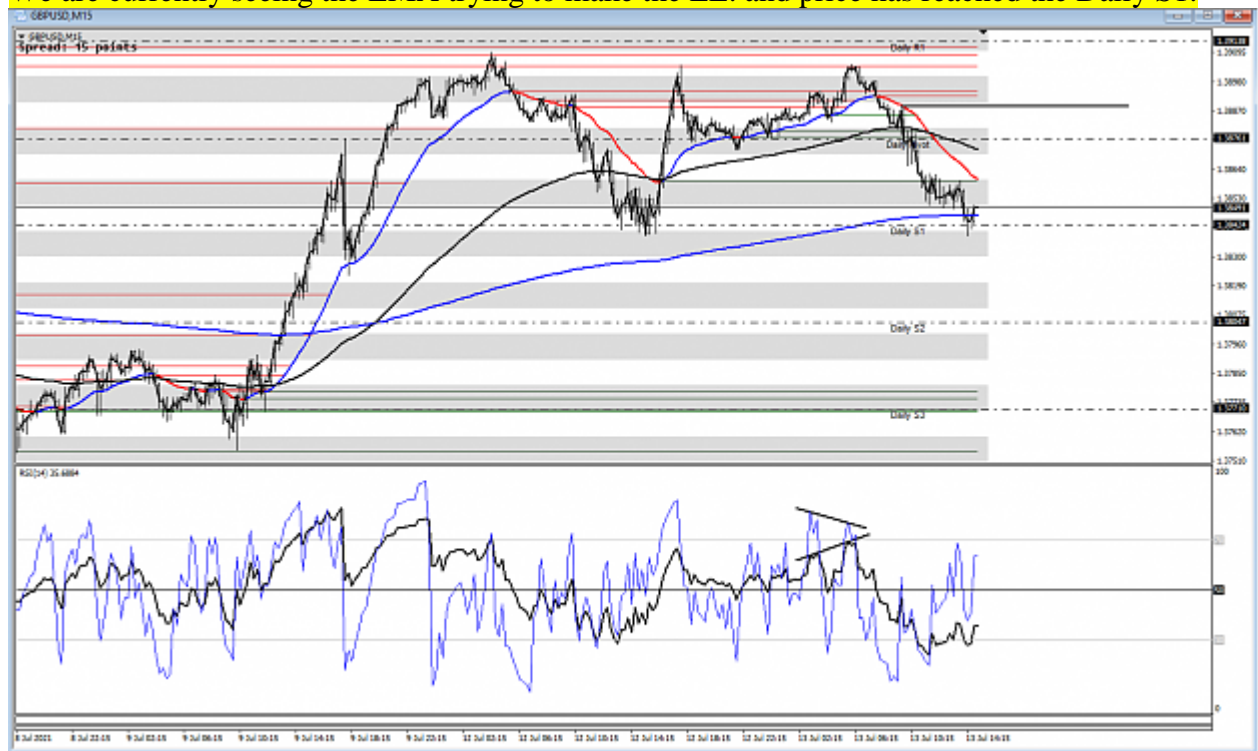


Yep good job if you were short.

We see the action very clearly on the 15 min chart and though I don't bother to mark this chart up none the less I am always looking at it.

See the RSI div at the top and this was followed by the bears finding support.

We are currently seeing the EMA trying to make the LL. and price has reached the Daily S1.



[Quoting Ansab001](#)

Thanks Alan, all makes sense. **It was my own annoyance, on why the bulls had not turned up after i saw the slow rsi at 50 and fast over 80 on the one hour yesterday. I realized my**

mistake was not having a bear support, plus i was taking a punt to confirm i am reading the charts right. Today we all ready the charts like a t. One person even had the sell on from bear support all the way up (they were up at silly o clock) But we all got our pips and there were pull backs to newer bear supports for even more on the 5 min. Interesting price is...

It probably did turn up but failed to cross the waterline so it turns down again. This is telling us it is too weak to climb.

This is the problem with trying to predict price. It can drop for an hour then rise for an hour and so on but I still find the best results come once London opens and it moves steadily in one direction at least for a time and hopefully that time pays the 40 pips.

Hit the ABCD right on the nose



[Quoting yahya11](#)

Hi dear Alan, what is more confident entry?, when divergence appears we put a tentative entry with small lot size and when support comes we open more confident entry with big lot size. can we enter with big lot size on divergence isn't the more confident entry than finding support ? or can one only trade on divergences? like scalping with big lot size all the day , i mean begginers like me not so expert to catch the target at london open or on 40 pips then they can scalp all the day with big lot size to achive target?

The problem with the larger entry at the start is the larger risk. It is always the risk we are managing not the profit. However I will often take this same risk if I have made an earlier profit to cover the potential loss.

I suppose it gets down to following good trading habits where the risk is always foremost in our minds so we limit it as much as we can. A three stage entry pays a reward many more times greater than a single entry loss, so we have the math on our side giving us an edge.

[Quoting Ansab001](#)

{quote} Not all divs lead to profit. Sometimes price want to reach a target so if you go for all those divs and they don't put enough for break even, you can quickly chew up your capital. For scalping I always recommend an area where price is bouncing off a support, this is

extremely vital as you have a stronger signal. One thing to also look at is also seeing divs on more time frame, for example when I have a trade on, I would hedge if I see a div on the 5 AND 15 (with TBT!). Obviously there are exceptions to the rule , but the point is we are...

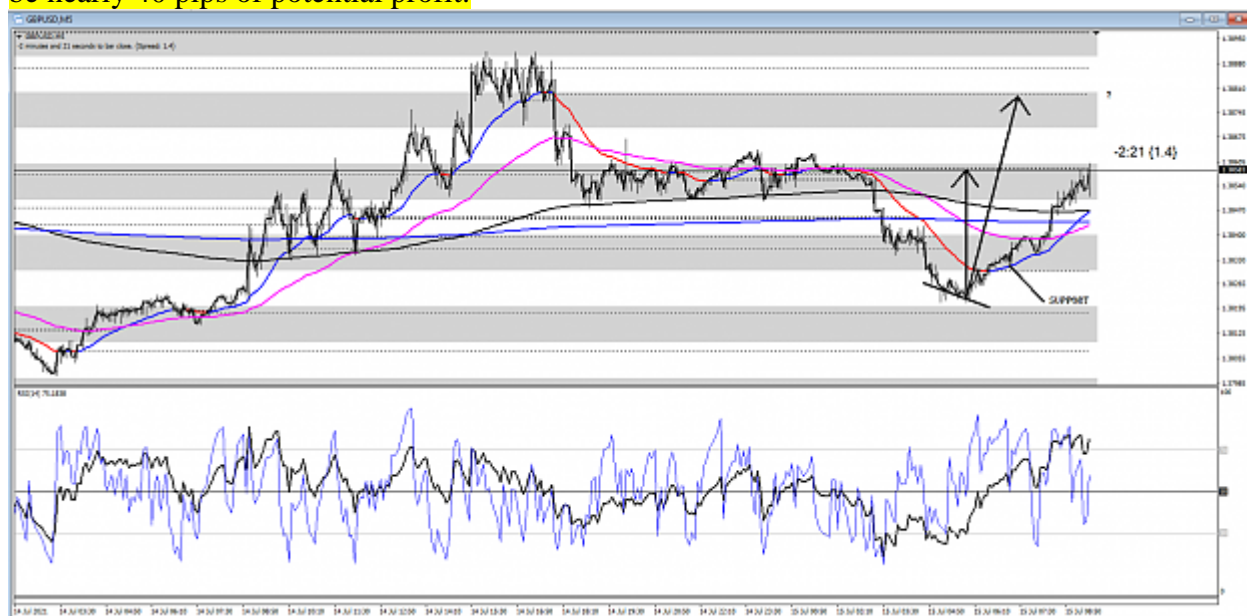
I agree with this entirely, divs are not the be all and end all of trading.

First find a ZOO point on the higher time frame (1H) then looks for the signal to get in on the lower time frame. This will limit your risks and maximize the potential for profit.

Most often I see people looking for bull divs in a downtrend instead of looking for continuation divs which give a higher probability of being correct.

Waiting for these pull backs for prior to continuations gives the best chance but so many people regard this as a turnaround and occasionally it is so that is why we hedge. We don't always expect to profit from a hedge but it does put us in a good position should the situation change.

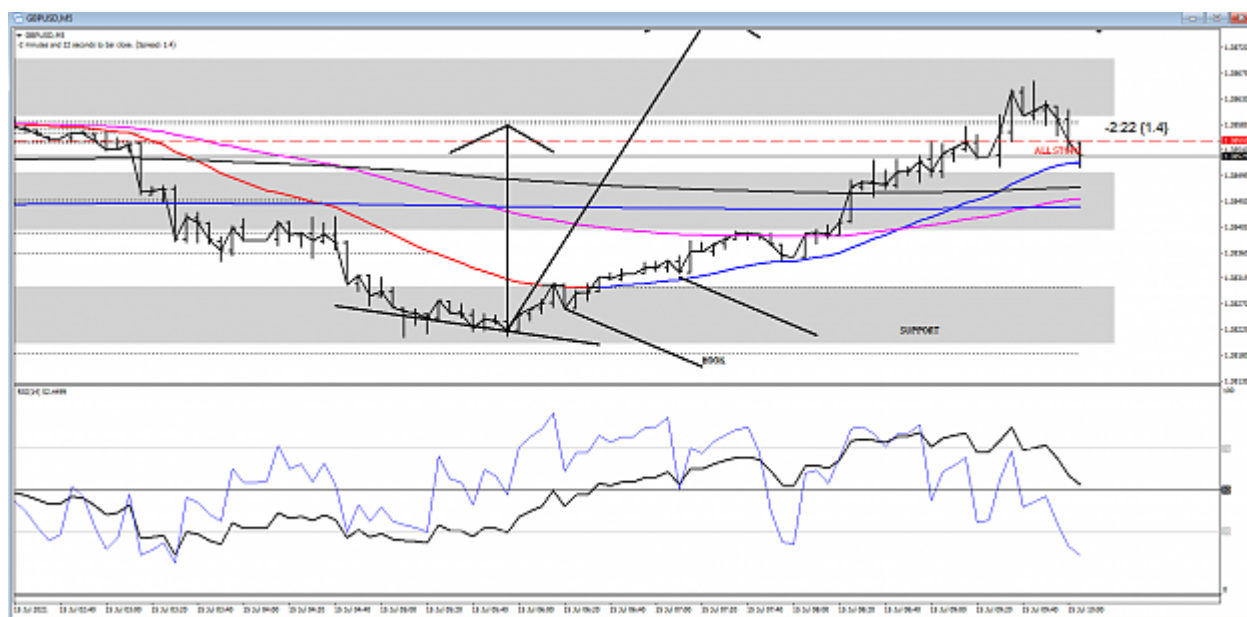
See how this 5 min div has done exactly what it is supposed to do and we can measure this to be nearly 40 pips of potential profit.



[Quoting Ansab001](#)

{quote} plus 7, lets see if we are developing a hook

The hook was long ago and my second entry.



See how the fast RSI did not cross the slow for the hook to form. This is a sign of bear weakness.

Quoting Ansab001

{quote} Nala can you give us some examples of continuation divs, i relay struggle seeing them. Today we came on looking to continue with the buys , however we can't see an entry point at them moment , except the risky bull support on the 5.

Yep not much on this run down but on the run up we had a few.

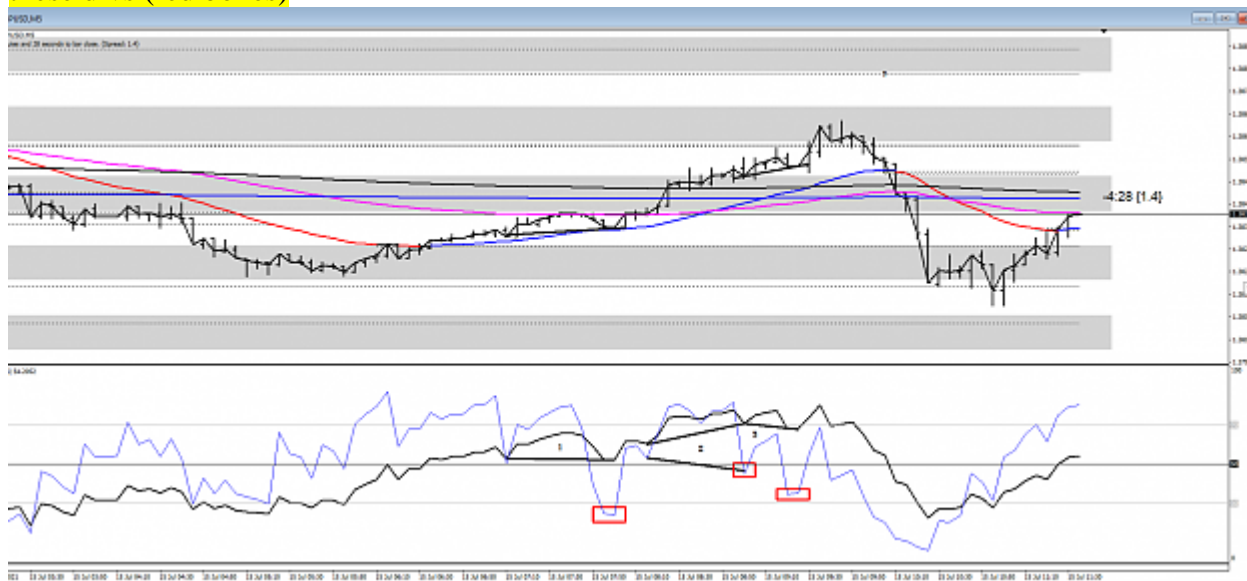
5 min chart

1 was a regular bull div.

2 was an RSI div

3 was a regular bull div

All of which told of a continuation above the average. Look where the fast RSI was relative to these divs (red boxes)



{quote} Hi Allan, as for the entries shown above, what makes the place where they are taken to be zoo points? Or we should not ignore any Divergence regardless off whether it is on a zoo or not? The first 2 entries by Yahya I can say the zoo is the 5 min ema but the rest I can't tel.

Here is my 1 hour chart where you should be able to see clearly where the signals tie in with the respective levels.



Hi Alan, the great thread I have just known. I have quizzes: 1. Why do we need divergence between RSI5 and 14? 2. What is the main meaning of this divergence? I'm sorry if you think my quizzes are silly, I'm a newbie. Thanks !

I suppose the short answer is that it provides another explanation why the price turns at these points.

However divs are not the be all and end all as the comparison between the fast and slow also gives us an idea of the real time strength and if the currency is over bought. It is a matter of reading the language of the indicator and the story it is telling.

Quoting covid

{quote} Thanks Alan, I am answering myself that in principle when a divergence occurs, a reversal is possible (possibly a failure), and divergence in RSI indicates that the RSI has reversed, then It is directly related to the price reversal. Is this correct?

Remember the RSI is a measure of relative strength.

So if the fast RSI fails to cross the slow RSI we can say the current relative strength has potentially weakened.

Like wise if the fast RSI crosses the 50% level and the slow doesn't we can say the current is overbought.

There are two things I do a lot and they are...

- 1) Compare the current average to the past average
- 2) Compare the fast RSI to the slow RSI

Average example. If the average has failed to make a HH than a previous swing it will tend to test the opposite swing to make a LL

RSI example. If the fast RSI remains above the slow RSI then we have an uptrend.

[Quoting covid](#)

{quote} Got it, And this afternoon we found HD in H1 and M5 {image}

No on your 5 min chart it was a regular bull divergence but on the hour it was a HD (shown below)



[Quoting covid](#)

{quote} Could you please correct my view Thanks Alan



[Quoting jewelnguyen](#)

{quote} Dear allan, What is an opposing signal? Classic divergence? ema makes fail? Test failed bulls/bears support? Thank you Mentor

If we are long on a div on say the 5 min chart and then a bear div occurs it becomes an opposing signal. Both signals are in opposition and this would worry us.

We need to make the decision to either a) Close the trade, B) Hedge the trade and C) the old standby of doing nothing.

If we take the 5 min chart below as an example...

P) is our primary long trade, a bull divergence.

Now the price starts off correctly in our direction but runs into a div at A. What are we going to do? Look carefully at div A and see it is form on either side of the EMA so it is a special div we call an ABCD. Knowing this price is either going to make a LL to the D target or a HH to the D target so which of the 3 options do we take, always bearing in mind we cannot see the future.

The answer is C, we are in a wait and see situation but take the precaution of moving our stop to just below the EMA, just in case.

Then the price moves to B and again we need to do something so what do we do? We can see we are at about 50% the way to the target D and this troubles us since it often fails here. So we opt for option B and hedge the primary trade expecting price to come south and cross the EMA. It doesn't make the EMA so our stop is applied to the hedge and is stopped out as price then moves onto the D target.

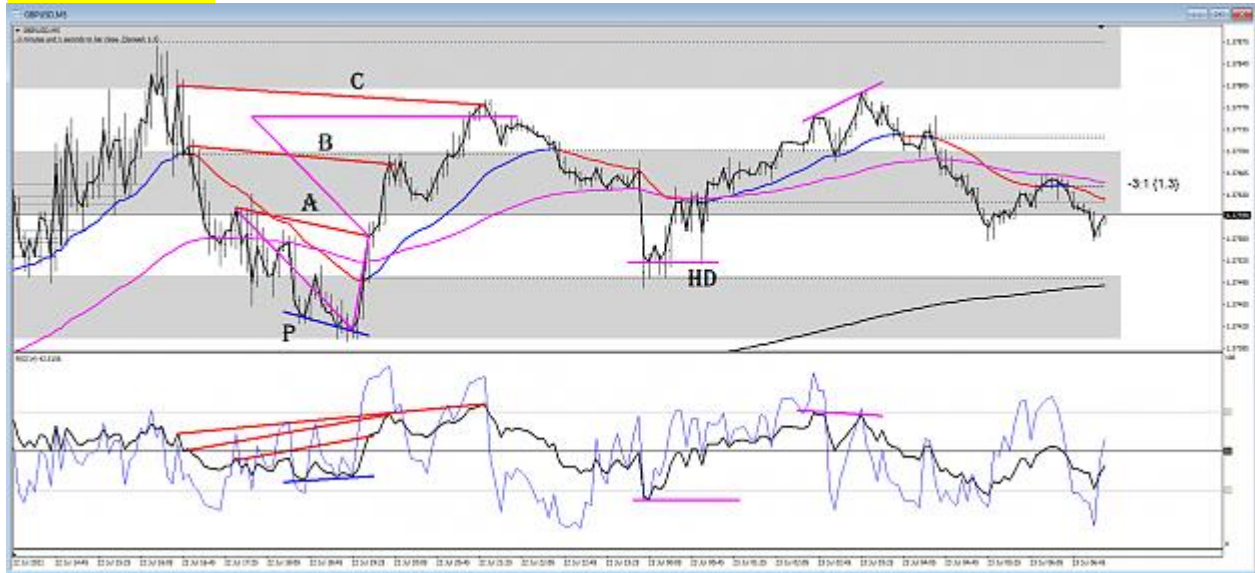
Following the D target we get another bear div C and if we have not yet closed at D we should use option A and close at this div because it indicates a time and place to be shorting the market. We could also hedge but since the target D has been reached I would assume we are at the current top so no point hedging.

Now look at the div C in relation to the EMA. Price consolidates allowing the div to catch up

and makes the HH, It failed to make the LL for our primary trade entry and as expected made the HH. Fails one side and so it tests the opposite.

Later on in the game if again the EMA failed to the short side and went on to make the long side HH. Again these were signaled by divs.

See how we read and track the details and take the appropriate actions based on what we know to be true.



comments more than welcome

[Quoting huskyboy](#)

{image} comments more than welcome

This is an excellent interpretation of chart reading and written chart comments.

I would strongly advise newbies to do exactly the same thing on a daily basis because it serves to get your mind in the zone and realize how price action flows and how we can respond to it making nice consistent profits.

[Quoting jewelnguyen](#)

{quote} hi huskyboy, Could you please explain some terms and acronyms. What is 'bus', 'bed', 'rrbud', 'rrbed' ? Thank you very much

When starting out it is best to use a white background so you can readily print them off and add your own words and comments to them each day.

It gets to be a long winded operation if we write the full wording so acronyms familiar to us are made use of.

So for example a bull divergence would result in a bud and a bear one would result in a bed. A bull support would be a bus, bear would be a bes.

There isn't a great deal of room on the chart for writing long text so using terms familiar to yourself makes use of the space available.

It may be a good project for someone to write a glossary of terms used and the relevant explanations



Alan whats your thought on this one.

[Quoting huskyboy](#)

{image} Alan whats your thought on this one.

It would appear to me you use the 30 min and the 15 min quite a bit whereas I use the 60 min and 5 min mostly but that is only a minor thing.

I don't even have a 30 min chart but I can see stuff well enough on yours. Check out all the fast RSI pushes below the waterline where the slow remains above, these are what I refer to as

bears oversold (beos) but look where they then push up again and fail to cross the slow RSI, this is what I refer to as bull weakness (buwk). So by applying two bar tests on both these fast lows and highs we can score more pips.

There is an obvious bed at the very top and it would appear it has been tested with the hook (h) so it may well test the EMA now.

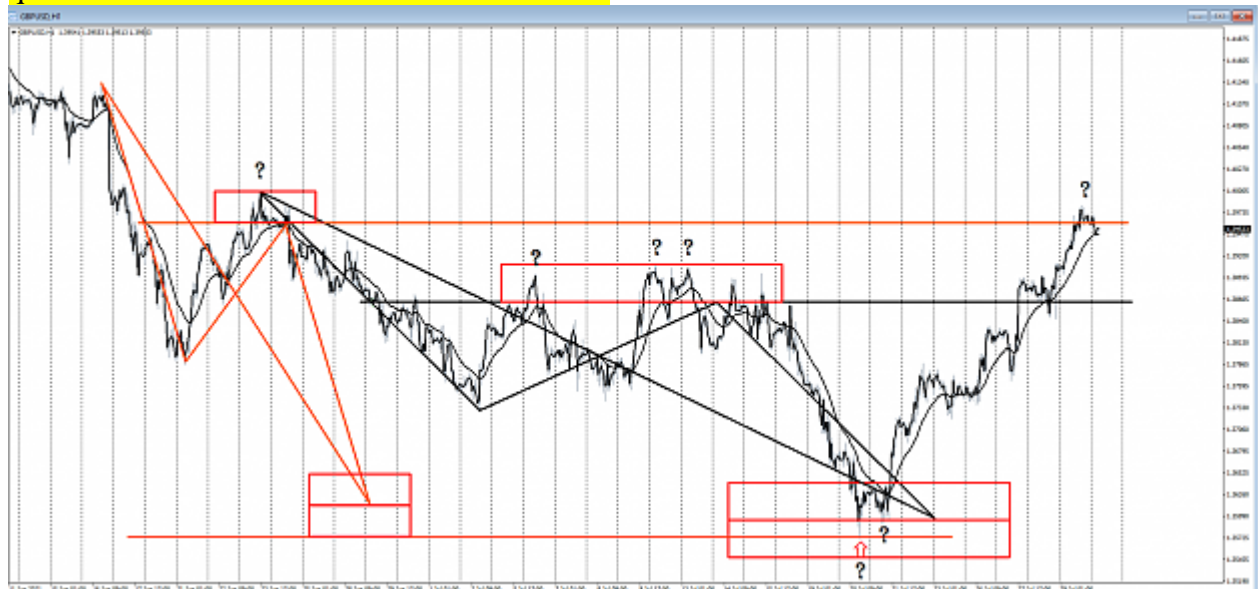
So this adds quite a few more acronyms to the list. Good job (HB), there's another acronym

Here is another 1 hour chart I use just to draw on, no RSI.

It takes quite a few days to complete these moves so I don't want to add the clutter to my main chart. I have cleaned the chart up a tad to make things clearer.

What we are looking at here is two $AB = CD$'s with their plus or minus (red boxes) from the 50% levels.

You can see where I am asking myself questions, i.e. ZOO points. There are many more questions asked but these were on other charts.



signal 108 m30, entry m5, 20 pip move



[Quoting huskyboy](#)

signal 108 m30, entry m5, 20 pip move

On your 5 min you have a green square saying bull strength, I would call this bear weakness because it is the bears that are failing.