My name is Alan, been trading for donkeys years.

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

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

Overview...

If you don't believe Price is always trying to make HH or LL averages then it is pointless for you to continue reading this thread. This can easily be proven as a fact just by way of simple observation of the chart itself.
This is the first of the 5 minute chart setups.

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

So we set the properties of a 5 minute GBP/USD like this... If you have done this correctly you should now have a completely white chart with only the current price line showing.

Next we are going to add the average which is a 26 period EMA as a double thickness black line So open the navigator select Moving Averages and set the parameters like this... Now this next bit is not really needed but I find it helps until you get use to watching multiple charts and some people are using small screens such as laptops so this additional info helps see the picture.

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

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

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

So set the SMA parameters thus...

Noting the line thickness is the thinnest and one is set to high and the other is set to low. That is all we need to do to set up this 5 min chart. It should be nice and clear, free from clutter and instantly easy to read the direction.Ok so yesterday we set up the white background 5 min chart and normally that is all I have on that chart. However I have 4 23 inch monitors so I can spread myself out a bit, I know some use laptops with smaller screens so for now I am going to add a little more to cater for those folks.

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

Switch on your Period Separator and measure 108 bars from it with the rectangle tool. Copy the rectangle and place the copy at the next Period Separator.
Now using the Cycle line tool span the two rectangles to give you lines that will continue into the future forever.

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

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

Once done you can turn off the Period Separator Lines as they are no longer required.
Now we are going to add the Wilders wonder tool, the Relative Strength Index (RSI). In fact we are going to use two of them.

A word about comparisons...

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

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

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

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

So setup a 14 period RSI with the levels of 80 and 20 only and the colour being a solid black line, like this... Next we are going to overlay a 5 period Relative Strength Index the 14 period

These are the settings for this, noting it is applied to the Previous Indicators Data OK lets now get a bit of colour in our lives and setup the other charts and you can make these as pretty as you like but keep them free of clutter, you don't need any additional stuff which may just confuse the issue.

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

We only need to set up one chart and make a template of it to set the additional charts. Give the template a name you can recognise such as

Antegentacularcircumgirations or BaBs which is Bull and Bear system.

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

I have been running webinars internationally for over ten years and one of the biggest headaches is that of time. (Don't get me started on clocks)

Just make sure it is 1 hour before the London open, you don't need it on all the charts, just the bright chart will do not 1%. I am going to show you how to make 1K a day with a 1K account i.e. 100%

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

The GBP/USD reliable produces 50+ pips which is all we need You have nothing to fear but fear itself.

Numbers are only simple mathematical processes i.e 40 pips x $25 = $1000.

Let's start with the 26EMA.

One can trade with one or more moving averages with whatever periods they choose looking for crossovers or touches and the like. Averages always follow the price action because that is what they are an average of the numbers of periods set. It is also for this reason they are always lagging behind the actual price action. In short this is not a very reliable way to trade and one would need some other device to make sense of the price action to trade it. THIS IS NOT what we are going to do here at all.

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

Now do you think even for 1 minute that the average swing at X has any chance at all to drive down to the level of A. Well it could but not yet because this is an oversold situation and it hasn't even broken the swing at S. We could also call this bearish failure. The market will jump on the failure and will begin to test the opposite side... Which it did, level S1.Our targeted distance is from A to B and for the average swing at X to break the level S1 but this didn't happen because look at the RSI there was divergence between the fast and slow RSI and we CANNOT ignore this so we would close this long trade and begin to take a short trade.

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

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

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

Now this is where it get's a little more interesting. From B3 price crosses the EMA (50 line of the RSI is the same thing) and look at the pivot formed where I say the bears have found support. Note price never gets back to this level and a trend forms taking us down to B4 failing to make S3, over sold and in regular divergence. That should take a little digesting but remember there are the other charts to consider in conjunction with this 5 minute one.

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

Pip perfect and heaps of profit made, well over 100 pips in the bank. So we have looked at the relationships of the EMA, RSI and price signals such as divergence.

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

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

Here on the 1 hour I have an example..

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

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

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

Notice how when the EMA is trying for one level the price itself makes it to additional levels. We look for which level it is failing at and decide whether or not to take action.I have been privately informed that I have made an error.

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

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

It doesn't make much difference but enough to cause errors.See how in the above chart that on the 1 hour price is at the EMA when on the 5 min we have a divergence on the RSI. The divergence tells us price is going to get back across the EMA on the 5 min..I think you mean 1 hr is overbought, so what do you think the chances are of the average making the HH from here and what would confirm it is going to do it or not.

To do this look at the 1 min and 5 min In your divergence example in post 60 the fast RSI is at the extremes. Is this divergence only valid when the fast RSI is above the slow RSI (for potential down movement) and below the slow Rsi for a potential up movement? Would you consider the fast RSI convergence as a valid one in the picture below as it formed below the slow RSI? (For a potential downward trade) {image}

Very good thinking outside the box and yes.

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

We want to see these signals on the higher 1 hour chart so we can drop to the lower time frames to look for entries.The valley entry is the indication to look at the lower time frame for the entry and you would then find you can get in earlier still with an even tighter stop

There are a couple more things you may observe going on. The more you study these simple little things the better your trading becomes.just the night template was wrong.I don't try to predict the future... That is the point, only trade the reality of the situation. There are only 3 possibilities London will take, up, down or sideways.

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

Round numbers mean nothing to me.

The signs are in the question 'Are we trading above or below the average, if below we look to short the tops, if above we look to long the bottoms how far would you go on the M5 to spot your swing H/L if for example we didn't have the last two swing lows on Nov 15th ? Thank you. {image}

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

The market has a longer memory than our charts have history for so it is not a bad idea to keep a logbook of the levels that are getting old. In this way you can simply drop a line on the chart when price is in the area See how the market moved south from the bearish divergence at approximately the time we begin trading. Remember the divergence is going to take price back across the EMA . Then another divergence at the bottom again took price back up across the EMA. So on this particular if we haven't got our 50 pips on the first trade then we could have taken another trade long to make up the difference.

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

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

From the onset I told you price is always trying to break the average swing highs and swing lows so draw you line at these leve You are very correct they are at different positions and if you use say the daily you will have a long white beard waiting for the highs and lows of the averages to be broken.

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

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

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

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

It is not possible to draw the swings differently, a swing is a swing is a swing. So let's crack on and get to money management.

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

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

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

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

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

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

Now I am not going to risk $25 for an entry (well not yet anyway) what I want to do is make entries in progressive stages each time adjusting the stop to limit the damage when things go wrong. This can happen and we should never be complacent about this occurrence.Ok $25 for me I need to divide by about 1.46 because I want the 25 in Aussie dollars not US.

This results in 17.12 and I am going to further divide this into 6 six segments = O.29 lots

Now the trades are entered

1st 0.29

2nd 0.58

3rd 0.87

Total = 1.74 lots.

Checking backwards.

1.74 x 40 x 1.46 = AUD$1016

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

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

50:1000+

This may sound simple but it is not so.

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

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

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

To get the stage 3 lots on I need a specific set of conditions and these I will talk about tomorrow The so called divergence we read in text books only accounts for a small portion of what I am referring to.

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

These give us a very good insight for direction. Well I would consider A to be a place for a hedge because I am still trading below the average. If the action did change direction I would still be OK and back in the right direction.

I'm sorry I drew the line on the bottom on the price chart it should have been on the top for number 5, what some refer to as a hidden divergence or a continuation in that it doesn't get back across the EMA but pulls further away from it.

Also while on this subject when you see a divergence that does not get back across the EMA it is a good sign the move will continue in the original direction Divergences on the RSI give you far more signals than comparing the RSI to price I was showing you the relationship of the divergences contained only on the RSI and how we get many more than the regular ones you have shown.Not everything is a divergence, if it was that simple we would all be rich very quickly.

For example one of the most common moves is the good old AB=CD of the swings.

Again on the higher time frame (1Hour) these give us an idea of direction.

Here on the 1 hour chart you can see the latest two.. Recap..

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

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

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

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

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

Now moving onto what I look for as support ust as there are many forms of divergence there are equally many forms of Support and Resistance.

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

Look at this 5 min chart below to see how these things all come together and then I will explain what I mean by support Firstly we should be aware of flattish markets, these are a warning of big things to come and the unwary trying to grab scalps can easily get caught on the wrong side and receive a severe finger burning.

The trouble is we do not know how long these flat spots are going to persist so we have to be very careful and busy plotting the charts for the story that may unfold quicker than we can say SH*T what happened?

We look hard for the signals that something is up and about to happen. You simply do not have time to slip out for a coffee when working, this will have to wait until you get your stops to break even. I am not joking, this is a very busy time where you need a clear head and no distractions.

Using the same section of chart as above and in this case looking at the bulls finding support. We see this... Both price and the RSI have formed a distinct pivot, price above the EMA and RSI above the waterline (50%). Not confirmation as yet but worthy of our my first entry with the stop just below the wick (very tight, low risk).

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

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

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

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

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

Note how the bears never FOUND support for their move down and the whole thing just flattens out again to give us time to count the cash.Now when we get support we have a valley for the bulls and a peak for the bears but I always draw the line on the appropriate wicks and if these are broken then my stop is hit because that is where I would put it.

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

See how it works:.

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

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

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

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

How do we find these AB=CD's.

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

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

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

A scalp to me is where I only ever get the first trade on. However one can build up a nice pot of money in readiness for the bigger trades.This is what I am seeing on the 5 min chart at this time.

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

But I don't know what trick they have in mind. In this example given that price did not bounce off C and "time wise" has extended well pass D, at what point would you cancel the trade? Edit: Just acknowledging we have not got to bar 108 yet.

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

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

The market hasn't quite been as flat as this in a long time and that is a worry. Looking at the chart below (5min) we see there are no more swings to pass until it gets to 3014 so we may see some fiendish moves today. But That is speculation, I need to see some form of evidence to support the move upwards or downwards. Are you using the same 1st lot size for both scenarios?

Yes because I would not be sure if the scalp could turn into a trade.
So let's look at the trade in the form of a recap of the elements I have

described.

1) We begin looking at the chart with a view to starting work at about bar 108 (This happened)

2) The trade often begins with a small RSI divergence. Divergence sends price across the EMA (This happened)

3) Bears find support below the EMA. (This happened)

4) Price ran down but on the RSI it ran into exhaustion so a hedge is attempted to protect profits thus far. (This happened)

5) The hedge ran into divergence so we remove it along with the profits made. (This happened)

6) We measure the pullback in relation to an AB=CD. (This happened)

7) It hit the AB=CD target by which time we had already made our 50 pips. (This happened)

8) All the time watching the action as it is attacking the next average swing low 2784. (This may still happen)

So the trade is completed albeit taking a tad more time than usual. Like detectives we looked for the clues and take the appropriate actions without

trying to guess what may or may not happen. So this is not a system as such it is simply paying attention and reacting accordingly.ften we do not see a divergence on the price. In my experience the RSI is showing me something that others are unable to see and I see a heck of a lot more on the RSI. I can't do this with other indicators making for me the RSI the best tool for the job.
As long as we just dip our toes in the water first then add as we become more confident and move the stop to limit damage we should be fine. A stopped out trade is not the end of the world and these trades pay so well that tiny losses just become par for the course. One thing I have noticed over the years is that people put tiny lot sizes on so they can add to the position if it goes against them, well if it going against them then the analysis was wrong and it becomes a wing and prayer situation as hope springs eternal.

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

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

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

Practicing over a couple of weeks should give the confidence to have a g Look

at the cycles of a daily chart, they take forever to form and there are

literally hundreds of trades to be taken at the opposite end of the time scales

Isn't that exactly what I am saying here.

When trading below the average we are short.

When trading above the average we are long.

All the complication is in your head not mine.

The idea here is to find the beginnings and determine if there is going to be

enough movement to make our profit target i exit when fast touches the 20 or 80

line for sell and buy signals respectively

With your system, the possibility of making losses is very remote. In fact,

once an entry is made the chances of making pips are phenomenally high. Your

system eliminates practically all the fears of picking the false ups and

bottoms.

Another high point of your Strategy is your Stop Loss management. It is one of

the best in the business. No prevarications, no tentativeness. It's definite

and you don't lose much. That way, you are on top of the market and prepared to take the next profitable trade.Some people seem to be having trouble with stops. I am simply saying keep them as tight as possible at 'the trade has failed level'

Really we have much more time to get the trades on but I like to get them on ASAP so I can get my profit ASAP also.Look at the 5 min chart here where we are expecting price to run from A to B. We had a 53 pip movement to get our trades on and still have the 40 left to complete the task. Once we see the bears have FOUND support and we see the 1 minute chart making those lower low average swings we have heaps of time to add to our position he signals are very clear. Apart from those already described Look at this latest 5 min signal 34 pips of pure profit via RSI divergence.

We can see price fails to break the average, it is in divergence suggesting a cross of the EMA and the average failing to make the HH attempts to make a LL. It is the average of prices so the average is always chasing the price not the other way round and at some point the average will catch up to price.

This is why I compare average to average so for me the swings become the price destination levels (Resistance levels if you like) For me it is very import the bulls or bears FIND support for their respective moves and the moves are from average swing to average swing like this.. The chart on the right is the 1 hour so I begin by taking inference from it that price is going up. There was divergence at the bottom inferring price is going to cross the EMA so the level at A (average swing low) is going to fail so we should see the bulls try to make the HH at 2. This happened.

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

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

Note when a hedge signal crops ups another signal tells when to remove it. It is a good idea to take these hedges because they are risk free and add to your 40 pip count. As you see the score here was many more pips than you need to make the $1,000 indeed 2 or even 3k was on the table to be taken. 1: What is 2 bar or 3 bar test? 2: How do you choose the range to trade in just like you select 50 pip range everyday, how do you determine that? 1) A two bar test is exactly that. Ideally done in the direction of the trend for example below the

EMA we test by drawing a line on the bottom of the two bars to see if the next bar closes below the test line for a short.

2) The market is generally going to move more than 50 pips in either direction so if I can see an average swing high or low covering this distance on the hour chart then I am going to look for signals to take me there.So we should close all the trade when price touch ema swing in H1 ? And can you explain more how you view the market when you change from buy to short at point 2 Well when the price was at point 2 it has hit the top of the swing and it does so in divergence of the 5 min so it is spent.

If there were no divergence then it would push on. However a second clue is on the 1 hour chart look how the fast RSI is way up the top but the average is a mile away. So would you expect this average is going to make a HH, I think not. So it makes a LL instead.Already you guys should be seeing the cost of a very early stop out is nothing when you look at the profit potential.

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

You should see how futile it is to hold a losing trade. can you explain more about your entry. Thank you.

Actually the entry is simple.

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

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

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

We can also see that on the 1 hr chart we are trading below the average so that also means shorts are on the table I hedge when I get a divergence and remove the hedge also on the opposite divergence.

I speaking about divergence drawn on opposite sides of RSI 14. Not sure how to interpret the meaning of this one. Would you talk a little about this please?

It doesn't matter which side they are draw on if they disagree I just call them divergences. However if the fast RSI is on the inside (that is closest to the 50% level) it indicates weakness. Whereas when it is on the outside it indicates being over extended

Normally a trade has three parts...

1) Starts with divergence.

2) Bulls or bears FIND support.

3) Divergences prompts a close or a hedge.   would like to know your time now

and your 108 candle time on your chart. That would help me syncronize my chart.

Thanks!

It shows as 9am chart time, my period separator is 00:00 Have been trading a

similar system with 25ema and macd, but i must say this method gives an earlier

indication of a probable trade, with small risk
The idea of the stop losses is to keep the losses as small as you can. When a

trade is working correctly it shouldn't make a price HH so just adjust your

stops to just above these HH levels until finally you can get them to the same

location being a pip of profit on trade 3, The other two trades will also be in

profit by this time of course Take this a step further and take the inference

from the 1 hour chart and when it is at suitable levels look then for the

divergence signals to get into the trade. Usually we can see 50 pip moves on

the 1 hour chart via the average swings and the failure points also.

Looking for entries via a 5 min chart with a div on the 1 min is hardly likely

to yield enough pips.
It begins on the 1 hour chart as we see price is banging its head on the swing

high average in RSI divergence So we take a look at the 5 min chart and see there we are also in divergence. Now we expect to cross the EMA so we take our first entry with a ten pip stop. Bar 108 has past so we are expecting volatility to pick up.We can see we have plenty of time to get our 2nd and 3rd trade on each time moving the stops before we even cross the EMA in this case well in the 10 pips I like to try for.

Price does cross the EMA and the bulls find support so this trade looks all good. Price is dragging down the EMA to make the average swing LL, In doing this the price reaches the target and in this case we have well over our 40 pip profit distance and close the trade.

The trade performs like this day after day with the exception that the RSI goes into the extreme high or low positions where we then see a divergence indicating a pull back (a hedge trade). This is where we may see an AB = CD and take advantage of the additional profits made by the pull back.

If the trade is wrong and things are not panning out then the stops will protect us from any serious loss.

So we have..

1) The time of day.

2) The 1 hour inference

3) The initial 5 min signal to take us over the EMA

4) Bear support

5) The target price is wide enough to aim for our 40 pip quota

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

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

Then shortly after the bar 108 gave us a bearish divergence, the price target has been hit so this is a good likely short and as we watch the 1 hour we see the average again fails to make the HH so it is once again going to try for the LL You are using 2 simple moving averages to plot the high and low of the price on the 1 hour chart whereas I only use 1 SMA set to the close so it gives me a line chart on top of my bar chart.

The only reason I use the 2 SMA's on the 5 min chart is to see whether or not the price has actually reached the targets or not. Then I can plot the entire moves in the form of a zig zag from divergence to divergence.

I'll be surprised if there is a better trading system than this You are comparing price to the fast RSI instead of the slow 14 period.

The fast RSI is used to compare with the slow RSI.I have to say I like this system very much. Scaling-in is great and the hedging is strong.I have never said you cannot trade before the 108 bar, what I am saying is that is where we would expect an increase in price activity.Nor do you have to get your three trades on specifically within ten pips, this is what I try to do but cannot always manage it. In fact sometimes I can only get the stage 1 trade on. We have to have a degree of flexibility, the market is not a rigid construction, it is always going to chuck variables at us. The trade is structured in such a way as to manage these variables responsibly for the best outcome we can expect to achieve.

If we continue to take small losses for the potentially much larger winning ones then we are very much putting the mathematics in our favour.When I place my stage one trade I have no idea if the trade will work out or not and the same goes for stage 2 and 3 entries, what I do know from pure experience is that I have a very high probability of being correct and a very high return for risk as a result.I have repeatedly spoken of looking for the inference from the 1 hour chart. In your chart above the RSI is inferring an overbought position then and only then do you drop to a 5 min chart and look for a signal there. I would bet a pound to a penny there was.

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

Then we have to consider the averages. Has there been a failure of a HH on one side leading to a success of a LL on the other and vice versa. On your chart you can clearly see on the next day that the average failed to make a LL the bulls pushed up above the EMA and found support and then the thing went like a rocket to make an EMA HH. The move started with a bullish divergence, then a bullish support and this was just on the hour chart. Had you taken these to be inferences and then traded at the 5 min signals there would have been plenty to take you long on that day. So on both days there was enough evidence to make the 50 pip target.

Now a two bar test is just another way of finding an inference on the 1 hour chart again the entry signal would then be given on the 5 min chart is some form. Sometimes there is nothing there so we have no trade to have a stab at. You want to be testing in the direction of the EMA but sometimes we can test towards the EMA for the pullbacks. These trades would just be scalps unless they are forming at the primary time for our one major trade of the day The stop is not applied until the hedge takes effect at which time the stop is placed at its BE so that if the original trade continues the hedge will be taken out of the game. If the hedge itself runs into a signal for the continuation of the original trade then the hedge is closed for any profit it has made and the TP for the primary trade can be shortened by the profit amount. I have outlined a daily target of 1k a day with a 1k start up by compounding the trade to its maximum, controlling the risk to its minimum and rinsing and repeating the exercise repeatedly, that is all there is to it. If we cannot do this everyday then so what, who cares? The point is to keep pushing forwards and accept that some trades are going to be duds but the bigger picture is positive.Look at the 1 hour and five minute charts and read what we see at the open of todays proceedings.

The 1 hour had an RSI div at a average swing low level. HEADS UP!!!!!!!

The 5 min was also at and average swing low and way down in the basement of the RSI.

OK from what I have told you the Div should return the price to the average or beyond. Look how many pips that is on the 1 hour.

What does this equate to on the 5 min. = A failure of the average to make a LL so it is going to try to make a an average HH. Note there was no divergence on the 5 min, nor does there have to be. The inference is taken from the 1 hour chart (Div at the level) The trade is taken on the 5 min because the RSI is at its extreme low. In all we expect bearish failure so we should be expecting bullish success.The RSI is squashed making it difficult, widen it up to 50% of the chart i.e. 50% price chart and 50% RSI.If we insist on trying to getting started on a 5 min chart without referencing the potential opportunity on the 1 hour we are not going to get very far at all.

Look at the 1 hour chart below....

There was a bearish divergence at A.

1) So what does a divergence do? Answer it takes price across the EMA.
If it doesn't then watch out the market would be strongly bullish.
Now in this case the shorts were stop hunted to clear them out. So at this stage we too are stopped out for no loss if the stop has been moved correctly.

2) Why does price cross the EMA? Answer in this case to find bearish support for a down move.
Do the bears find support? Answer yes... So we are short trading below the average.
This is the stage 2 entry

3) Can we now find additional entries to the short side on the 5 min chart or even the 15 min chart? Answer Gazillions of them.

Stop this fixation with the 5 min chart without taking your cues from the 1 hour chart. By just referring to the 5 min chart only then you are simply looking for quick scalps. Bear support... Bears push from above the EMA to cross it and the bulls fail to take it back = Bears FIND support.

Bull support... Bulls push up from below the EMA to cross it and the bears fail to take it back Bull FIND support

So if we have a divergence price should cross the EMA and then we look for the support to continue the move.
It hits the level in divergence.

Divergence returns the price to the EMA.

This stops the EMA making the HH

Price should now test the opposite side if the bears can FIND the support to do so.The bulls could take back the support so price can continue long.

This means if we are short we should get that stop to BE ASAP for each trade we take.

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

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

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

It is the people who don't trade by a method based on sound signals but merely on whimsical thoughts who lose money. Don't go down the road of trading theories stick to what you see as factual evidence and respond to it accordingly.When comparing price to the RSI only use the regular 14 period RSI.

You will find many more signals by using the RSI with itself (my preference) That is to say the Fast RSI is in conflict with the slow one There are two types of divergence

1) Comparing price action to the 14 period RSI

2) Comparing the 14 period RSI to the 5 period RSI

It doesn't matter which occurs at the specified time suggesting a move in the direction inferred by the higher time frame we seem to be dwelling on divergence.

The 26 period EMA is the backbone of this The 100 & 200 ma's are also significant ma's and getting the 5min div at the hourly 200 made me short it there with 5 a pip stop

This is entirely what I am saying not to do.

Do not compare price to an average, the average is always chasing price and will always meet with it at some point.

Look at the 5 min the average has made the HH, that is all it is required to do, this trade is over and the profit is made.. From here on in new trades setup.While we are waiting let's take a look at some aspects of divergence.

This is the 1 hour chart displaying 3 bearish divergencies.

Look at number 1. It is supposed to cross the EMA but it didn't, it bounced off it... This is a heads up that price is going for a HH which it did.

Number 2 was straight forward and made the crossing as did number 3.

What this tells us is that we can measure from the point of divergence to the EMA and guesstimate the number of pips we could make as a scalp and then if they find support we could turn the scalp into a trade aiming for the average swing low (In this case)So now I hope your are getting the idea that the swings of the averages are the resistance levels price is always trying to overcome and a support is a break of the average with a failure to get back across the average. Neither of these has anything to with tops and bottoms of price action.on long H1 downbar, down momentum should prevent any bullish M5 divs from being entried until it closed. Because first moments of new bar right after big downbar normally make some retracements. And ofcourse, it is good for scalps/hedges and TP set to MA.For me a scalp is just a stage 1 entry where I am not expecting a major move but could pick up a few pips here and there. Sometimes the scalp can turn into a stage 2 or even 3 entry. For example the buy in the morning and sell in the afternoon situations.

A hedge is the sum of all the trades. It effectively matches dollar for dollar in the opposite direction from the primary trade and is an excellent way to pick up top dollars for no risk.To explain hidden divergence...

If price moves above the previous pivot but the RSI does not (it remains below) then price is caught in divergence so it is sold down causing it to snap back

and close below the pivot. So no longer can we see it hence it is hidden

which steps do you take regarding managing Stop, moving to BE ect after stage 1

Thank you.

When the second trade is entered the stops are moved to the BE of the first.

This is the largest risk of the entire trade.

When the 3rd is entered the stops are moved to the BE of the second and the

risk would then be the same as the 2nd because of profits from the 1st we

often find price will push out of divergence if it is headed for a target

level. So in this case we just keep an eye on those lower time frames (5) and

play along

What you guys should be doing is screenshotting the 108 trades forming a

collection to study. Look for the clues and cues and how you would handle the

situations based on what I have told you.

This is a very reliable trade and will consistently pay you your 50 pips. Nala

system here is basically to find divergence on higher time frame 1hr/4hrs then

switch to 5mins/15mins and find a corresponding divergence in the same

direction and follow it from the set time. it is as simple as that.

Regular divergence: Price goes one way (up or down) (we use the white EMA (1)) and the slow RSI goes the other way.Alan's divergence or RSI divergence: Slow RSI goes one way and fast RSI goes the other way. Sometimes they will cross, sometimes not. how do we make out of from the second chart if its bullish move or bearish one going to happen?A divergence usually sends the price to test the other side of the EMA   Can you please explain more on hidden divergence? Thanks

Yes it is exactly the same as regular divergence except the price bar snaps back so the divergence can no longer be seen... Hence hidden.

Take a look at this piece of chart. The first of these divs is the better example. See how the price climbed higher than the previous pivot but the RSI did not (at the time) so it was sold down and closed looking nothing like a divergence anymore.   Can we call this bearish alan div? {image}

No not at all, however this being the 1 hour chart you would be watching for a signal on the lower time frame to short since the hour is way up there on the RSI Just only thing I don't quite understand about 'previous pivot'.
As I guess 'pivot' on your posted chart was determined by highest close price from last peak (first hidden div) and highest close price from prev upbar (second hidden div), right?See here on this 1 hour chart I have pointed out 3 divergences.

Look at number 1, this is a regular bearish divergence and should return the price to the EMA and beyond. If it fails to do this then most often price will make HH. (Which was the case in this instance)

Now number 2 and 3 were exactly the same as number 1 except they snapped back to be hidden at the close. Notice how the following bars never climb above b so this is the place for the stop (2 pips above b).

Now on both of these last two occasions price did break the EMA so we have a minimum target to aim for and would be looking at the 5 min chart to indicate where we should close. We do this because even though 2 and 3 ended with a regular bullish divergence the number 3 was different, it made a major pullback before the actual divergence which we could have avoided. Now that major pullback was also a hidden div just to through some more confusion into the mix and again it crossed the EMA and also it was an RSI div to boot.

If we must continue just under the letter c of the 2nd div was another regular div again sending price back across the EMA. This time bears found support and attacked the swing low average stopping smack on it. (X)

That should present some study and perhaps a headache, I don't see any reason that I should have all the headaches My take is as follows:

(1) From experience whenever such a signal shows up, PA will certainly go below the EMA average even if it doesn’t do so immediately.

I know you don’t like discussing other EMAs apart from EMA 26 but consider EMA 10. Once PA closes below or above it while trending, PA will eventually take that direction, even if it doesn’t do so immediately.

Let’s also consider EMA 200. If you had had EMA 200 on your chart, you will notice that at Point 1, PA was close to it but not really there. So, it is expected that PA will get back to it before plummeting. PA normally retraces at EMA 200 unless there is a continuation in which case there will be a clean break of EMA 200. In effect, EMA 200 is also very good in the charts. It is the magenta coloured line on my chart

(2) As you can see from my own chart, nos 2 and 3 are not divergences. However divergences should be expected at those points. What I do personally at those points, particularly when the fast RSI has touched level 80 or 20, is to switch to M5 and watch out for divergences and other candle signals for entry Number 2 and 3 were hidden divergences as I explained in the text above.

Yes you should always drop to the lower time frame to gain the advantage of these signal.

You can put any EMA on the chart and it will gravitate to the price no matter what numbers you use. That is what an average does. We are not comparing price to the average Well I made close to 90 pips so far as I turned my hedge into my main trade. I couldn't get all entries on but at least the process is becoming consistent if you do not drag the indi over an existing "indi window" you do not get an option to use "previous indicator data".Just a few words about the subject of divergence.

I'm sure everyone is aware of what a regular divergence looks like and by definition it is where...

Bearish 'Price makes the HH but the RSI does not (LH)'
Bullish 'Price makes the LL but the RSI does not (HL)'

Then we start to run into problems in regards to the naming of other forms of divergence.

For example if price makes a LH and the RSI makes a HH it is often referred to as a hidden divergence but there is nothing hidden about this at all. So others refer to it as a reversal but mostly these are continuation signals so this too becomes a tad confusing. You see where I am going with this, trying to find an adjective to cover all and sundry is very difficult without actually inventing one.

In effect any situation where the price is opposite to the indicator a certain type of divergence is formed so we could invent a noun and call it a Poi (price opposite indicator) and these three letters are next to each other on the keypad but backwards. Then we would need to add the terms bullish, bearish or hidden bullish, hidden bearish. Since bulls and bears both start with the letter b we cannot go any further expanding the noun.

Then we have RSI divergence where the fast is compared to the slow and has nothing to do with the price at all, only the measurement of strength and comparing the most recent with the more ancient. Then there is the subject of divergence formed by the price and the EMA which I don't think I have talked about here yet and there are two types of those also.

If you have followed what I have said hear then you probably have a good handle on the subject, if not then you are probably in for a headache, again.Take a look at this 15 min chart where there are not one but 4 types of divergence. The grey and black bands are 50pips. Let's just read what we see and not what we think.

No 1) Price pushes up slightly past the previous pivot but the RSI does not so it is caught in divergence, snaps back to become a hidden divergence.

No 2) In making this early push it has left the EMA behind not giving in a chance to make the HH as it was way up there on the fast RSI also. This forms an EMA div. Price makes the HH, EMA LH

No3) The common garden variety div where price makes HH but RSI makes LH or flat in this case.

No 4) RSI div where the fast RSI is showing little left in the tank to get any higher.

The upshot of all this is the forced crossing of the EMA with the aim of making the swing low average. In this case it did this even before finding the bear support. Then the bears found support and price runs to the target just to make sure you got out.

These factors repeat time and time again, sure we get it wrong sometimes, that's the price we pay to play. You do not wait for a candle to close when drawing divergence, on either the chart or RSI window?

Well actually I do wait but I wait at the lower time frame.While I understand the concept of bull/bear support, I need some more clarification on how it fits into your strategy.

I understand the significance of the 26MA (the backbone) on the higher (say H1 or 15M) and the lower (say 5M when scalping) timeframes.

I understand the significance of a divergence (all types) on the higher timeframe and then waiting for a similar divergence to happen on the lower timeframe, and knowing that it is eiither with the higher timeframe trend or is counter-trend.

I understand the early entry when the divergence is unfolding on the lower timeframe, the timing of which is after the Frankfurt open (even though on some days moves may start in the 30-60 monutes prior to that).

If for example, the divergence signal is countertrend and price breaks above/below the 26MA, is the "bull or bear support bar" simply a confirmation that price likely will go higher/lower to the swing average target?All that was very correct...

When one side finds support then that is a good additional entry point if ewe have not already got enough trades on to make our profit target   After spotting regular / hidden divergence on H1, if there is no divergence on M5 to place a trade, do you recommend to take the trade after H1 bar close? Or is it better to wait for EMA cross, confirm bear / bull support and then look for M5 divergence for entry? I mean do you prefer missing a trade (if there is no M5 signal) or taking a trade with a bigger risk based on H1 signal? Merry Christmas, Regards, Blackeagle

Once the 1 hour has made its mind up which way to go then it would be a very rare occasion not to find a supporting signal on the lower time frames.

This is not always a divergence, it may just be a matter of being oversold/overbought.I can't really be too specific about the entries, sometimes there are only two pips between them and other times I have trouble getting the additional trades on.

I can't say whether the market is going to have a choppy start or sharp spike. So I try to determine what the likely target is and then try to get my trades all on at least 40 pips away from the target in order to have any hope of achieving the fiscal result. It is difficult to get three trades on sometimes let alone more. The point is to keep pushing for the result even if it fails to make the full amount.

Remember the trades go on at the rate of 1/6th 2/6th and 3/6th totalling 6/6th which is all in. Keeping the stop as tight as we can as we progress so our risk is kept to a minimum whilst we are pushing for the maximum return. Sure we are going to get stopped out and lose a little but this is well offset by the winners and getting multiple winners in a row makes those losers look like peanuts. Besides which a winning trade may be left to run on a tad more and pick up any losses made previously.

To ask what is the average stop is like asking how long is a piece of string, it is what it is. If the stop is too large then the lot size would have to be reduced or one may even pass on the trade, it is not compulsory to take a trade, we want probability on our side but we still don't want to risk too much. When a trade is going wrong simply close and await the next bus. The 108 trade is usually reliable in its push but we must always be prepared for those that are unstable.

We have to respond to what the market offers so we cannot set specific rules.
The best spot to look for divergence is when RSI 14 or RSI 5 are at extremes.
If you expect price to drop then look for divergence at extremes by looking at the tops (higher vs lower highs). If you expect price to increase then look for divergence at extremes by looking at the bottoms (lower vs higher lows).
To begin, only focus on regular divergence at extremes. By extremes I mean RSI 5 over 80 and RSI 14 over/close to 70. This will ensure success In a divergence, one is either flat and the other slanted or both are slanted but

facing different directions. The best points to watch out for are the extremes: levels 80 and 20. Once price action (PA) gets there, look up to see if the price is also at a peak or at a bottom; then you are in business because the price will soon change direction down to the average (EMA 26).

What determines whether you should go long or short is the position of price at the time you spot the divergences. Is the price high up, in which case the bulls have dissipated their strength and the bears are taking over; or is it at the trough, where it is vice versa. And once you follow Alan's rules, you are home and dry.My preference for context is the H4/H1 TF (the move should last longer), and when the divergence is at momentum (RSI) extremes.One of the pluses of our System is that even when the signals manifest, we still exercise caution by confirming the direction with the appearance of the bull/bear support (and the two-bar test) before entry. That way, we are safe. I look for the most recent swing off the 1hr in the direction I start trading into, but I also line up the 5 and 15 as well, as this is where I have found the problems or indecision can start to happen and may trigger a hedge or early exit, if the 1hr is too far away (as it was today) then I just look for the next one down on smaller time frames on my chart closer 40-50 pips from entry as target,I am mainly trying to target the 50 pips which in this case is in the direction of the closest available swing (be that a 4hr or 1hr swing) or maybe even a higher timeframe ema that might in the way as wel All the TFs have swing averages. H1 happens to be the most convenient and conventional for our System. These averages are our own pivots in the real sense.As you are aware, The H1 average swings target the next one after conquering the nearest one. If it fails it goes for the next one in the opposite direction. Failures, of course, create new average swings.

Prices get to these swing averages (pivots) long before the current average gets to the pivot.Our interest as traders is to use these pivots to our advantage. We know that prices will be drawn to them. So, when it happens, we watch closely. What the PA does from here whether up or down will then determine our action My understanding is that there are 2 types of signals to look for on the H1 prior to the Frankfurt Open

1. Momentum (RSI) at Extremes (no divergence)
2. Divergence at Momentum (RSI) Extremes - primarily price/RSI and RSI/RSI divergence.This is simple geometry to plot. Draw the two bar test line, put a vertical line where the next bar will open and then put a horizontal line at the intersection of the two.

This will then show us if the price is going to break the two bar test and if not it will close below the horizontal and the down move would continue.

In this case it broke the two bar test and then retested it, failed and went up again running into hidden divergence for the third time . I don't use the 30m chart but the story is the same. This whole thing is about the London session which reliably gives us 50pips a day How I trade the hidden divergence...

When I see there is a possibility of a move running into hidden divergence (in this case short) I place a pending short order well below the price action in other words out of the way. Then when the price moves into the divergence I slide the order up so that I catch the spring back My joy is that Alan's div is ever reliable A two bar test is generally used when we spot divergence. I would imagine many have experienced the problem of taking a divergence and price fails to react to it and continues on its merry way. This is because price is heading for a level and divergence will not stop it from getting there. So the best divs happen at these levels because that is the expected turn point to test the opposite direction.

On your chart you have the correct start point but the test is not a horizontal line as you have drawn it but should be drawn connecting the bottoms of the candles (should be bars, easier to see). So the test line becomes in effect a mini trend line we need to see broken and our stop is placed above or below the bar being tested.

Don't assume the test can be applied all of the time, it can't as I will show on a chart directly.

Now I said it can be applied at divs but it can also be applied at supports, bullish or bearish.Lets first look at the stuff in the red box.

1) was and RSI div so we want to test the bar at 1 but look closely and the entry point would have been at 2 HOWEVER 2 was also an RSI div so there was no long opportunity from 1.

2) Moving now to the diiv at 2 there was no place to place the test line so again nothing for us there either. Price moves down to 3.

3) This was a regular div so we need to test the bar at 3 so we wait to get our test on and 4 presents us with the long entry. All goes well from this point and the div causes the cross of the EMA so now we are out of the box going long.

Price makes its pull back (in this case 2 bars) to find bullish support where we can again apply the test as shown. Price passes the test and on the close it gives us another long entry and we have establish a bullish support level. All well and good so far (I hope) but then a problem starts to show its ugly head in the form of a bearish RSI Div.

We can't ignore this, we have to take some form of action.

9 out of 10 times the best action to take is to hedge the 2 long trades by taking the same sum of lots in the opposite direction. This is done because we cannot be sure that the bears will take out the bull support, remember that this div could recross the EMA. We see the price could not break the bull support so we can now close the hedge and take the profits from it. Remember if the div does not cross the EMA then price is going to make the HH, hasn't happened yet but it probably will.

So we have made some profit from the hedge and we still retain the two long trades accumulating towards our total and can move the stops for these two to just below the EMA to lock in some profit.

Now the bounce off the support gives us the opportunity to make a third two bar test and get a third long entry on still hoping we are going to make that HH with price, indeed we are hoping price moves to the average swing high and tests that level. would you say that price has a tendency to gravitate toward levels that haven't been tested yet and would you place high significance on this fact? both on the 5min and 1hr? or is this just a natural occurrence for high time frame ranging behaviour I spent some time looking back a fair way on GU on both 5min and 1 hr timeframe and discovered it rarely misses a level, {image} {image}

Not always sometimes it leaves levels well behind as it creates new ones.

It is like a coiled spring having to pull back to get the energy to go forwards again. At the average fail points it turns to test the opposite side releasing the stored energy it has accumulated. Price will usually make the next level to the one the average is aiming for. This is why wide swings are desirable so we can get our 50 pips more efficiently.

It is surprising just how accurate these average swings present as resistance levels for price I don't know why you are drawing your divergence lines on the price wicks, they should be off the pivots as are the RSI lines, as a consequence you are not seeing the chart correctly.It looks to me like you guys need a touch more information to pick up on the hidden divergences because I don't see any sign of them in posted charts. So to correct this I will explain them more clearly if I can tomorrow because they are a very common signal that most people don't have a clue about let alone understand them Ok the question of hidden divergence.

First off, let's not get into why things have particular names, remember the names came from people in the past applying them rightly or wrongly and through the passage of time have become accepted terms. I have argued my case in the court of public opinion many times but it is extremely difficult to prove the world is not flat if so many believe it is so. OK having said that I will stick with my terminology and tell you why it is so.

A regular divergence in the bullish sense is where the price makes the lower low pivot but the indicator (RSI) makes a higher low pivot, in other words they are telling a conflicting story.

The difference between a regular divergence and a hidden divergence is in the pivot timing. Let's say we are looking at a 30 minute chart and 15 mins in we see we have a divergence, traders bail out of their shorts (or hedge) and they and others start buying so in effect the divergence disappears over the latter 15 mins making the signal a now hidden divergence because we can no longer see it, in effect it is hidden from view because the RSI does not have wicks and tails like the price chart so we have no history to refer to. We have to be there to see it at the time, we cannot see something that is hidden. All tops and bottoms are valid. Notice in your first chart how price tends to attack these levels as price resistance levels which it may break or fail to break even though the average fails to do so or not. So what we see is price leading the way dragging the EMA along then at some point failing, turning and ultimately stopping the EMA for a test in the opposite direction. In other words when the EMA fails in one direction it then tests the opposite direction...This is what the market does all day everyday it tests the market to see where buyers or sellers are attracted and our charts are but graphic examples of these actions. Market makers are charged with a specific task i.e. Make a market to attract investment.

Notice how just about all your marked levels have been attacked, so to speak, by the price action. We look to these levels to see if it worthwhile taking the trade to get our 50 pips worth. So all the levels are relevant and lose that relevance once the average has swung to take it out and creates a new level of relevance. This answers your second chart question, the average has taken out the previous swing so it is done with as far as we are concerned.

Within the context of these swings we have the mechanics of actually getting there so we are looking for divs etc to find the entries for the journey.

This also raises the question of trends within the swings so when I get back from shopping I will explain my concepts of what I consider trends. I use a different colour for the bull and bear swings and another colour for the support levels I recall several years ago the subject of trends was under discussion which caused me to have a think about how trends can both be described and fit into my regime. As it turned out it was an easy do.

I found there were three trends to consider...

1) Major trend
2) Mini trend
3) Micro trend

1) The major trend is as the term implies where price does not counter a move. Often this attracts a 50/75% retracement and beyond a 100% would become a counter trend.
2) The mini trend manages to break some of the average swings (shown as dashed lines) but ultimately fails to break the 100%
3) The micro trend which cannot break any of the previous swings and the major trend continues.

That is all a bit of a mouthful but seen here on the 5min EMA chart it should be clear to you. Of course we could zoom out and find even larger trends but that is of little value to us as day traders. OK you guys are again missing the poin of what the 1hr chart is telling you.

Price has crossed the EMA so that would have been seen as a downtrend on the lower time frames.

Then it has to make a pull back on the hour to FIND bearish support, so if trading short on the lower timeframe you would hedge this pull back.

The 1 hour has FOUND bear support so it continues south... Take off the hedge and pocket the profit.

Where does it look like it is going on the hour chart... Then take signals in that direction and hedge the signals in the opposite direction. First off how can this be a two bar test if you are testing 4 bars?

I have corrected your chart but what you should be also asking yourself is the Div is not far from the EMA so would this trade be worth the effort.

If you take the same scenario on the 1 hour chart then the numbers of obtainable pips increases and you trade these 1 hr pips at the 5 min level in the required direction On this chart, second entry on bull support would be stopped out before it hit swing high, right?

Not really, price has already moved about 50 pips by the time the bull support was found, in fact more like 75 pips so we should be well out of the trade by this time. The grey and black bands are 50 pips wide on that chart.

The fact that the total move is well over 100pips just means that we have every chance of making our 50 pips which our money management requires. Remember I try to get the three trades on within the first 10 pips. The support would just present confidence this trade is going great Sorry for bringing up an old post but I'm studying all the posts one by one. Alan, in that chart, isn't the orange rectangle the bearish support? If it is, you enter right on the next red candle or you place a two bar test? Thank you for your patience. {image}

Now this is a good question

See how you have identified the bar with the box, well it wasn't followed by a red bar so it is still looking for support and this continued for two more bars until finally it made a red one making the last green bar the support. So our stop would be above this latter green bar. Generally I view these supports as being weak and look for the price to retest and fail this level.

Yes a two bar test is a good option but if the price just moves generally sideways then even the 2BT would be of little value.OK a little for you to study over the weekend.

Here we have the 5 min and the 1hr side by side showing 4 trades, good bad or indifferent it matters not.

1) Was an RSIDiv on the 1 hr and a regular div cropped up o the 5 min a nice scalp of 20 pips or so down to the EMA

2) Was a hidden div on the 1hr and both a regdiv and an RSIDiv on the 5 min down to the 1 hr EMA

3) Was both a regdiv and an RSIDiv on the 5 min at the 1hr EMA level, plenty of pips there.

4) Was a regdiv on the 5 and on the 1 hr

Bucket loads of pips to be had by simply paying attention to what is going on and not trying to outsmart the reality of the market by 'thinking trades'

This now leads on to what is happening to the money management side of the equation and I will explain that later today...
OK let's consider this so called money management.

I use to be of the opinion that if one traded small enough one could trade out of most situations by simply adding to the losing situation so the recovery of funds was usually a done deal. This meant I had to be at the PC sometimes for days either hedging the loss or adding at appropriate times reducing the loss gradually until at last the trade was out of debt. Not always in profit but not a loss either but I was losing and that loss was valuable time. I can recall saying why didn't I get out early and trade the opposite way I would be quids in.

The problem so I believe was in the fact the lot sizes were so small that even a win from the onset would return only a small profit also. One then falls in the trap of placing too big a lot size to be able to trade out and the inevitable happens as it does with most traders I have come across.

So I spent a lot of time considering this, after all this is probably the most important aspect of trading. The questions I was asking was 'How can I keep my losses small?' How can I make better profits?' ' How much profit do I want?' and so on.

To cut the story short this lead to the method I have outlined. This will continue to make 1K profits in itself but once we do make that first 1K we have options.

The first 1K is made by placing the three trades at the rate of 0.3 lots, 0.6 lots and 0.9 lots totalling 1.8. (1.8 x 1.4 x 40 = $1008)

Now the account is at 2k so I should now be able to double up but look what happens 0.6 lots, 1.2 lots = 1.8 so there is no need to apply the third entry.

Now the account is at 3k and again the increase to 0.9 lots, 0.9 lots = 1.8. So my second entry is getting smaller and so is my total risk as a percentage of the account.

This continues until finally my first entry is 1.8 lots and I need not apply anymore at all unless I care to. I will still make the 1K with 40 pips of profit but look at what has happened on the losing side of things, I am risking about $250 to make $1000 that is a 1:4 risk/reward, I don't know about your thoughts but to me they are pretty bad odds even though the win rate may be much better than the trade loss rate. I would like to see my potential win rate about ten times my initial loss rate i.e. $2,500 so I am still requiring that second trade on to achieve this.

So by following the money management process the account naturally grows exponentially and at an awesome rate where we need not fear stop outs nor spend hours if not days making small profits.

OK stop dreaming for a moment and let's get back to that initial target of making our first 1K. Let's say I managed to get the three trades on but fail to make the full 40 pips, let's say I only make 20 pips because a signal told me to bail. In this situation I don't begin over trying to get the three trades on I just continue as if it were the same trade, that is I place the whole 1.8 lots on from the start looking to make the balance of the 40 pips i.e. 20 pips more. I still keep the stop as tight as I can and get it to B/E ASAP.

We all find a way to manage our money but I am convinced that we have to push the market as much or more than it pushes us. We have to control from the onset just what we are prepared to risk. I don't think risking 1% to make 2% is going to get us anywhere nor is risking 10% to make 20% these are both 1:2 risk/rewards we need to get those figures up to 1:10 to give ourselves the mathematical edge.   Allan, I am struggling to see the Hidden Divergence on the H1 at 2. On my chart it is actually a regular divergence - higher close price by less than 1 pip and lower RSI value. {image}

That is fine if it closes in the reg div position but at the time you would not have known it was going to do this.

The point is that the price pushed past that previous pivot but the RSI did not so an earlier entry can be taken on the wick of the bar. We never know how far the bar will snap back. The difference is in the timing of the two types of divs. What you could have done is taken the hidden div and then also taken the regular div as another opportunity.

Sometimes these hidden divs snap back quite a lot so we would miss out on quite a few pips and as you see in this case sometimes they only snap back a little to end in regular divergence. Then there are other times when they are in a hidden divergence state and continue to push out of it so it is important to drop to the lower time frame and pick up on the signal there.

It is the wick of the bar we are looking at for hidden divs not the actual close because then it would be too late.   Hi Alan, From your chart, I noticed there were several bearish divs along the way up from 3 to 4. How can you avoid those possible hedges or accept all stopped out? Thanks {image}

A great question and one I have been waiting a long time for.

I am not going to suggest we don't take a hedge or a short at these points because they are indeed legitimate signals.

What I will say is watch what happens after the signal. It should be the case where the div either touches or crosses the EMA but these ones don't do that so what is going on?

Look at the div pull backs, the 5 period stay in the valleys of the 14 period, to me this is a buy signal. So that being the case I better close the short ASAP.

The same thing applies on the underside of the 14 period, that is when the 5 period stays under the peaks of the 14 then these are sell signals.

You are right this makes things difficult at times that is why we have to have stops and move them accordingly to keep those losses tiny.

This is a good question everyone should take note of Btw, for a hedge trade, stop lost will be placed right on top/bottom of 2 bar test then be moved to BE when you earn some pips, right? {image}

In this case I think you mean the 5 is closes above the 14 on the chart explanation.

See we must remember that we are trading above the average so we have to assume these entries are just scalps however sometimes we don't know if these will turn into full blown trades so the hedge is insurance against this latter situation, who cares if we lose a couple of profit pips . Put that down to the cost of the insurance.

Also there was nothing specific on the 1 hr to indicate a full blown short until we got to the top where we had hit the target, 1hr div and a 5 min div

Managing hedges is important to gaining the full 40 pips required to make the 1k (initially) making 10, 20 or even 30 does not cut the mustard, these are just scalps.

As in this case clearly we can see the long is held as the primary trade and the shorts are just hedges. If we lose a couple of pips on the hedge then we simply add this to the total required by the primary trade until we reach our objective and quit for the day as a good days work has been achieved. Rest up for the next days business.

It takes as long as it takes to make the total, sometimes very quick at other times not so.

It makes no sense at all to post how many pips we get, pips are only the measuring distance price moves and as such only form a part of the equation of profits made. For example if I have a 100K account and trade at 10c per pip and get 25 pips have I done well?

This is why we have a money management system to keep pushing for our daily bread.

We only drop our leverage when the account is large enough to cope with the lot sizes required. In fact your broker will probably let you know. However if we keep withdrawing we keep the account small yet still make good money. It is just not possible to make good money with a small account and small leverage 1:30 is just plain ridiculous for the currency market since we have to buy in 100,000 parcels for a standard, 10,000 for a mini and 1000 for a micro. Multiply any of these by the price and divide by the leverage and we get the price we have to pay in USD then we have to change this to our base rate for the actual price.

It is true that the lower the leverage the less we are likely to lose but remember the sword is double edged so it follows that we are not likely to make much either. Only when the account is large enough to still make our 1K a day with a lesser leverage for the same lot sizes should we consider dropping it but why bother just put the money in a term deposit or something other than the trading account and let that do some work for you. Alan has already written that he is currently trading with 1:400 leverage. However, I can imagine that some of you are trading with less. Mine for instance is 1:30 (EU account). For the folks with similar leverage: How do you position yourself to maximize returns while limiting your losses? In other words, how do you conduct your money management?

I suppose the short answer is you can't. The currency market has a very high risk of loss and equally a very high rate of return. For modest returns with modest risk then it may be better to just buy shares in BHP and sit back for ten years or so. This is why it is very often stated to only trade with money you can afford to lose. If we have to deposit more to compensate for leverage then we had better be sure we still can afford to lose it because we can. I know plenty of people with low leverage and no stops who got smashed on the Swissy.

This is what low leverage gives you, a sense of safety, so often stops are not used after all it must turn sometime It really doesn't matter ow we slice it if we lose a hundred pips with whatever leverage we still have to make 100 pips to get back to B/E. A $100 dollar loss on a low leveraged $10,000 account may not seem like very much but keep doing this and it becomes more and more difficult to recoup let alone profit from it. It can become a slow death because of this sense of safety. When you are in a very much higher risk situation it becomes a matter of a much quicker death, you have to get out or die.

This is the option we are all confronted with:.
Slow death v's slow profits.
Quick death v's quick profits.

I opt for the latter but control the manner in which I lose so my winnings far outweigh those losses and I can make good money with relatively far less capital and do so in far less time.

Others may put a case forward for low leverage but that is not what I do
OK, so you may put multiple entries on the bar after the two bar test?

Yes I try to get them all on within ten pips or so.
The quicker I get to trading at $25 a pip the better so I can begin chipping away at the 40 pip target..

Just moved my stop to lock in 5 pips may I know why is this a bearish div and not bullish? Does the slow RSI give the div direction?

If the div is on top then the price should go south if the div is on the bottom then price should north If the div is on top then the price should go south if the div is on the bottom then price should north

OK!! I get it now! I thought you had to draw the lines on top when we were above the EMA and on bottom when we were below. Now it makes sense.See how the slow RSI and the quick give you additional entries because the quick is staying under the slow RSI pivots.   May I know the inference on HT that lead you to take that trade?

Same information as always...

I hour bear div
5min bear div
EMA crossed and bears found support.
All at the approximate expected time.

This was a text book trade   would you try scalp these situations with a stage 1 entry where H1 is indecisive but m5 has divergence? {image}

Certainly David, a scalp can always turn into a full blown trade.
See how it doesn't matter when the short entries are in as long as they are done quickly. In this case there was no continuation so the hedge wins the day.
I am not sure of the stats because I don't record them but I would say at least 50% if not more of my trades involve hedge winnings if not all the trade at least a part of it.

That's an idea that may be worth recording..We could have waited a tad longer until price hit the average swing target and was still in divergence. This would have been the perfect exit place.   in this old chart: The 1st entry is at the RSI bullish div The 2nd entry is because of the valley on the RSI? What signal makes you take 3rd entry? Thank you!

I don't really need a signal once the trade gets underway I just go with the confidence of knowing I can always hedge the trade if need be.

Understand I only need to use the three entry approach until I get my first K in profit, from then on things get a lot easier having lots of backup money to take the better trades to the maximum. Currently I am entering with 1.8 lots that is $25 a pip and follow this up with a 3.6 trade so in all I am at $75 a pip. It doesn't take many pips at that rate to make good money with the confidence I am playing with the markets money. At the end of this month I will start again with my profits safely in the bank.

This is where I believe people go wrong, they look for percentages of the account whereas I target specific sums. People fail to hedge whereas I find it very profitable to do so. People worry too much about losing and fail to let themselves get stopped out whereas I don't let that bother me at all. We cannot get it perfect all of the time but people insist on looking for the holy grail that lets them win all the time. Losses should be kept small in proportion to the account so we always have the opportunity to have another go. Never add to a losing trade that is a mugs game and never hedge a losing trade. Don't overtrade, it takes a lot of effort to stay on the ball for a few hours and there will always be another day to trade, make the profit target the amount the market is will to pay you. If the signal says get out then do so, don't expect a miracle.The market is always in a testing situation trying to get whatever price is can and doesn't care a fig which direction is going to yield profits.

Mostly the market is going to take off for these test areas throughout the European sessions and that is simply what I trade.Let me try to switch the light bulb on for you because this is of major importance and most people here tend to be missing the point of the whole thread. failed to make the hh succeeds in making LL.Now look at that chart and you see the bulls fail... This is where you want the divergence because a div will take the price back across the EMA or at least try to. If it does then the swing high will fail and we should see the swing low succeed which it did. Now bear in mind that is all it is required to do so a bullish div might take it back again.

The relationship between the signals and the swings is critical to understanding this.Put that together with the expected increase of activity and the 40 pips becomes an easy do.

I was originally long on this then hedged, my primary trade was stopped out so the hedge won the day.   do you primarily use the 5 min chart avg swings for this determination?

Yes because this gives me the clearest definitions of the activity. Put together with the timing and 40 pips is 40 pips on all the charts.

If we looked at a monthly chart then we would hardly notice a thing, conversely the 1 minute chart is far too choppy.

The 5 min gives a nice smoothing of what is happening on the hour chart with the detail within. tried to apply your standards as below:

- Timing: after bar 108
- Inference: H1 RSI div right on average low swing
- Entry: Plenty of time for putting on 3 stage entries
- Target: well enough within 40 pips range

Just watch the timing if the inference comes a tad early or a tad late we still have to wait for it.A divergence will usually return the price to the EMA so we have a distance we can measure very simply. On the 1 hour it was something like 45/50 pips or so. Now we ask can we make our profit from that? If yes then we know exactly by simple calculation what we need to do for lot sizes,

It may not always go directly from A to B so we have to be prepared to hedge the trade for whatever time that requires to protect the profit. We then watch for it returning to the path and pocket our hedge profit so now the actual target for us has been reduced by that hedged profit And please remember, not all hedges turned into profit. Some will cost as lost trades and there are no way to avoid all lost hedges but just trade as market tells.

This is true however you have several options when this happens...
1) You can add the loss to your pip target.. or
2) You can add another lot to pay for it and close this when you have covered the loss.

I guess the best thing is to have a just in case plan always in your head so you are ready to react if needed I prefer to close the running trade as I said and enter again on the counter if the signals are right (ie, the hedge entry). Once this takes its course, I close it and enter again on the side of the main trade. This way, if GU goes back across the original entry I am in the good both ways instead of losing the first entry and then making up with the hedged entry OK lets do a little test of all you guys to see if you understand the difference between and EMA and an SMA and how this affects what I term the impulse bar. Anyone like to take a stab at it.

EMA more reactive to PA so impulse bar pulls the average more steeply toward the target HH/LL?   regarding trades from HD bars, is this just a judgement call on your part or is there something in the PA you're looking for? I have noticed that waiting for a 2-bar test after a HD bar often tends to get you in quite late.

Oh no I don't use a two bar test I simply just take the trade as it happens because often it is only one or two pips into the div.These are just scalping trades and don't conform to my money management aspects at all. If the target is 1K and you score $999 you lose. The reason is you are trading on emotion and not on the terms of the trading plan.

Now your plan may be entirely different from mine so the number of pips you score is just a meaningless expression to me.

This is the whole point of a hedge trade to get to the point of having the full amount on the trade to produce the result in a safe manner.

We cannot lose by applying a hedge to a winning trade but it allows us the opportunity of pushing for the 40 pips which is the target.

We can scalp trades all day long but would have to win 6 times as many pips by doing so. This may be fine according to your trading plan but it is not mine.
In short, for the mobile app just apply a second RSI and set period to 5 and

press on "Apply to" in the indicator settings then select "Previous Indicator's Date", and you're all set I can trade just using the 5 min charts which I have two of.

One just shows the EMA and the other is the regular one with the indicators.

Now when looking for the signal on the 5 min chart we may see many of them throughout the day sending us long and then short but they very often don't pay much for the effort we put in watching the charts.

So we look to time our work in the most productive zones and this is where the bar 108 comes in. It is not an exact time but we can expect some major movements at this approximate time. The earlier we can get the three trades on the better but keep moving the stop to prevent too much damage. We don't need signals for the second two trades but if you feel more comfortable then wait for them, it makes no difference because the secret is going to be in the hedge anyway.

Once we get the three entries on we have no money left, we are all in. So it is vital we protect our winning position with the appropriate hedge. The profit is locked in and all our equity is released for us to add positions if we wished to. But we don't, we just wait and see if the primary trade or the hedge is going to make the target remembering that one or the other is going to be stopped out for no loss.

If the hedge looks like failing we can close it and bank the pips and this means the primary trade has less of a journey to make now 40 - Hedge. If the hedge continues after we have closed it then the primary trade gets stopped out and our only profit is the hedge we made.

Always if in doubt the safest option is to hedge a winning trade without exception. Never hedge a losing trade.

Remember at all times our task is to make our profit target not pips. Pips are only the chart increments they don't represent your account.

In this fashion you should easily turn 1k into 2k in one trading session. From then on life gets easier and easier because we have money to burn and can clock up those thousands at an alarming rate. There will come a time when you say 1K a day is fine but now I am going for 2k a day and so on. However I would remind all that the money is not yours until it is safely in your bank account so start taking money out.

In essence what we are doing is reducing some 240 pips of movement down to just 40 pips. Sure we can take the longer option and keep knocking off the pips day after day. It is going to take 240/40 = 6 times longer and this may be fine for some, I don't have a problem with that at all. For my part I am much more aggressive If in the past a trader has experience multiple losses then their whole persona changes and to cut a story short it becomes much more difficult to push the button and take a trade.

This is why we have a plan and the execution of it is just a mechanical one where we try to exclude emotional stuff like 'thinking' trades.

I don't know whether my trade is going to win or not, only that I will keep pushing to force it to win. For me 39.999999 is not good enough if I am chasing 40. Once we start on the road of short measures we begin a process of bad habits until the fiscal plan flies right out of the window.

I really get annoyed and bite my tongue when people tell me how many pips they closed for. Without the rest of the equation it is meaningless. If people just say chasing 240 got 55 then that makes more sense. Or chasing 40 got 55 then we know this person did better than a 100% performance. Now if the same person said chasing 40 got 22 it would tell a story of tried but failed.

I chase 40 everyday, no ifs or buts, I keep working until I get it. Sometimes I can reduce the 40 by adding to my position so I only need to make 27 or so. It depends where I see the price heading and what I need to do as far as lots go to make my objective and like I said before it gets easier when one has the profits to risk. One of my fastest trades was concluded in under 5 minutes. I don't really care what the market does after I am done for the day, that is some other persons problem.On the charts below (2 x 5 min)

We see on the left an orange box with an X in it. This would represent the last trade we were looking for. All the time this box is progressively moved upwards following or indeed leading the way for the EMA. However we expect this EMA to fail sooner or later so we are watching and waiting for the signals.

Now look to the right hand chart and we see there two potential trades 1 and 2. For number 1 the orange box would have been lower and we would be looking for the short.

Trade 1 gives us the go ahead with an RSI Div but look what happens. The fast RSI pushes below the waterline but the slow one doesn't. This is a buy signal but I am short.

What do I do next? a) panic b) ignore it c) close d) hedge it.

I hedge it because this locks in the profit and releases my funds to trade again. Now if the Div is not going to make the EMA we are going to see a HH so I now have time to consider my options and reverse my short and go long instead.

I have put an Aqua box on the RSI look at all those fast spikes below the waterline but the slow RSI remains above. All of these are long signals and I know we are going to make a HH than the failed Div. So it is a no brainer I should be long not short and I am long until we reach trade 2 another signal to be short. I am only scalping here because of the time so I can now close all and go short and this time we make the EMA and both RSI'S make it across the waterline, I close this short again at the RSI Div, no point hedging this the RSI is in the basement and we are running out of time for the weekend.

We play what we see and be prepared to take the appropriate action. The first trade was hedged because of doubt, the second trade was closed because of the RSI Div. No two trades are going to be the same, we have to learn to read and react.   How do you define the slow RSI not touch waterline? Most of the time, on case of trade 1, if there were two or three down bars continuously would put slow RSI below waterline but when we were trading live how we could know for sure slow RSI wouldn't touch waterline and price would make HH?

This is simple stuff.

With the RSI we are dealing with the closes. So if the slow closed below the waterline and the fast closed below the slow then you have not one but two indications the bulls are weak. Potentially.

I think you are trying to apply the same interpretation to two different situations here. In the text above the situation was different because the slow RSI was above the waterline and the fast was below. So this is a bullish interpretation because the bears cannot push the price across the EMA which is exactly the same as the RSI waterline. In other words the bears are oversold
I went through all this years ago trying to find a definitive reason for what was happening and I really got hot under the collar over it. Traders would say stuff like they are lagging and should be used in conjunction with something else and so on and so forth. Most traders like me stopped using them altogether because they tell us nothing of any value. Some used many MA's of different value to construct what is termed the Ribbon and would be looking for it twisting from bearish to bullish or bullish to bearish but even this twist was late.

Then something a kiwi (hi Kev) said a while back caused me to take a different look at these indicators. That caused me to take every thing else off the chart leaving me with the 5 min chart only showing the EMA. Now this all took quite some time But I found the 26 period was in effect the same as the RSI 50%.

Then sitting back and looking at this 5 min chart a light bulb switched on and a whole new way of looking began to emerge from the depths of my mucky mind.

I saw that when the EMA failed on one side it usually succeeded on the other to break the previous swing level.

In other words the use of the EMA as a tool had nothing whatsoever to do with price crossing or crisscrossing, I had been listening to the experts and I now know they were not wrong but completely off track.

Instead of comparing price to the average I should be comparing the average to the average.

From that moment on everything I had learned about trading just began to fall into place. I threw out the Fib, MACD, Bollinger Bands, Stochs, CCI and so on. They all became redundant as I cut back to the bare minimum. I began to see these average swings were places I was likely to see some resistance long or short, That being the case then I must also see something denoting support either long or short and what was already known to me slotted in perfectly.

So what trigger can I see that forms an indication of these swings? Well I had traded just divergences for an entire year so I knew a thing or two about those and bingo there was that problem solved. All I had to do was put all this into a tradeable package which turned out to be easy enough. Then I worked on the money management aspect to reap the benefit to the best of my advantage,

There were other discoveries over these years but I am giving the gist of the stuff here to keep it simple. By far the best was the fact that I was looking at the EMA all wrong and the formula for its calculation to try and speed up the information delivery was just a misleading slight of hand trick. All the calculation does it it marries the EMA up very nicely with the RSI 50%. There is nothing more than that to it.

The impulse bars are just where the masses have jumped in to make a few bob.
I know some persons frown at trading during the Asian session. However, I have found out that whenever GU opens with a gap, the Asian session produces respectable pips If the Asian session is traded then we can expect a whole bunch of choppy signals.

One of the points of the method is to reduce the time spent at the PC trading.
Yes we would see it first however the 4 hour is giving me a heads up for the 1 hour and thus we get down to the 5 min.

The only time I pay much attention to the 4 hour is when it is approaching the levels. If I am taking any inference from it then look what I see on the 1 hour below..

Nothing as yet is telling me there is a short on offer These continuation

divergences A - C form measured moves of AB = CD.
Where D is a support to be broken and becomes a resistance then.OK first off

the highest times frame are not of much use to us most of the time.

Best to stick with the 1 hour and the 5 minute.

What inference did we see on the 1 hour chart?

What signal did we see on the 5 min that will attempt this inference?Who said anything about a 1 hour Div, I keep using the word inference not Div and the inference can take on several forms.Great to see the Continuation Divergences again ... From memory the reason the 2nd one started from where it did is because it was the 1st point/pivot/fractal that formed after the 1st one had completed (hit or exceeded it's Pt) that we can use to look for a new setup (The 2nd continuation divergence)It is quite common for these measured moves to only make 50% and run into divergence. They are traps and will suddenly take the opposite direction in a hurry. I'll show you what the 5 min looks like now since we have had yet another measured move from the continuation div. A - C

Remember AB = CD and watch for traps. Pretty cool uh!   I am still not 100%

sure what signals that would qualify as a 1H inference. As far as I am aware a 1H inference could be; Any type of divergence Oversold/overbought RSI 26 EMA Target Line (EMA) Bull/Bear support? Are there any other missing and/or are some of the listed wrong? Thanks

Could also add HH's and HL's and so on. In other words anything we see that takes our interest we simply look then to the 5 min for the signal to take us in the direction we perceive.

We are not always going to be right we are simply looking for the better probabilities in the busy time of day to take price to a level we expect.
As Alan teaches, price has a tendency to move between H1 EMA levels. It is astounding how accurate this can be. I was watching the ema level at 3182 to see if price could break through to reach my last target. This swinging from level to level is the roadmap in this kind of trading Not easy for me to read the signals on a day like today and yesterday.

It is if you pay attention to the timing.

After that the bears stopped the bulls from breaking out of the range (3162) so having failed on the top side the attempt is made on the bottom side (3077).

Now I don't see the signal on the 1 hour that sent it plummeting except for that possible HD I have marked on the chart. On my chart it didn't actually touch the level but on other peoples it may have depending on the brokers data feed. (check your own charts for this). Note how when it tries to break one level the price itself most often makes the next level,. W e are currently long, have hedge and taken another long and removed the hedge when we run into that 1st div you have drawn.

This is a continuation bull div we could have taken another long but would we had had enough money to so? (maybe) But I am not looking for more longs I need to get the protective hedge on. (This chart is showing how hedging works.)

Anyway we get to the short signal and then take the hedge trade which locks everything up again. This short should take the price back to the EMA but as you rightly point out there was a bull div. This is a problem but our trade is all locked up anyway so not a real worry and besides that the fast RSI is still below the slow which is actually another sell signal.

Finally price does get back to the EMA and runs into another bullish divergence so another long is taken and the hedge short is closed all stops move up to compensate. Now this div is actually two, it is a RSI div and a continuation div. This sends the price up to where you have the third div.

This is definitely a worry because we have hit the previous div target and run into a short one. At this point I would have just moved all the stops to the EMA level because this div should reach that But as luck would have it this div did not reach the EMA so now I am just trailing the stops along the EMA line.

The 4th was is in my direction so nothing to worry about. The 5th one never made it back to the EMA so no stop out.

Finally we get to the top with the RSI way up the top with a div showing so might as well close there.

OK that explains the moves but they are only there to show how to track and trade with hedges over this 11 hour period.

I would have been out on the very first long for my 40 pips.

If I had missed this trade then the first hedge would have been my trade and that second long would have been the hedge. It would have stopped out the short and then gone on to make my 40+ pips because of the measured move, about 60 pips.

It doesn't matter which trade we take we simply stay in the game long enough to make our 40 pips and if we have to hedge then we do so.There can never be a concern placing a hedge when ever and where ever you like as long as you hedge when winning. You can lock up ten pips at a time if you want for four separate trades, you still make your 40   Hi Alan, I see you are using AB=CD to determine target levels besides using average swing highs/lows. Can you please share what rules to spot A,B and C to figure out D? Thanks

A measured move comes from a continuation divergence   I bet there are other times bar pushed down then run into div so market jumps on it and pushes it up, you entry then it plumps back down hit your stop lost right on that same H1 bar. At close, it finishes as a down bar and of course when you come back you will not see it as HD because that is a down bar. So Alan, don't you see there are such cases and we have to accept the losses? Or you still persist all cases finish as won trades? Thanks

It is the nature of these bars that they don't do what you suggest. But let's have it your way and it does push back then one of two things will happen.
1) It will end in a regular divergence. or
2) If it pushes back again we would be stopped out for no loss because we move the stop In a downtrend the bullish divs are only hedges.   I think you should always take the hedge when u get a signal. Once the hedge starts heading the expected direction we put the stop to BE, so if the original trade keeps

going we don't lose any money.

Correct because we never know if the hedge is going to become the primary trade or not. So if the hedge start to work we can close the primary trade and bank the money in favour of the hedge becoming the primary trade to make up any more pips we may require. In this case we should have already made our 40 pips on the down move let alone the number of pips we pick up by hedging First of the month so let's take a look at the monthly chart to see what is there.We see the bears are still holding the ball but the bulls are trying to get it back. We may get an exciting month if the bulls do make a run across the EMA.

However the reality is the chart is telling us very little so no joy there Down to the weekly and we see the bulls looking for support. The bears have completed the AB = CD some time ago and in doing so ran into divergence. Then we are down to the daily and things start to look real exciting as the bulls are approaching a wide open space. This area would be full of those lovely 100/200 pip moves we like so much. But let's not hold our breath just yet.

Alan's Best Calculated Destination = ABCD   Look at this latest ABCD on the 5 min how it failed at the 59% level turned north and hit the target on the opposite side. The strange thing with these is they then turn and will often go for the original target, in this case the short one. weird! {image}

And there we go... Weird huh!
Once you get your eye in you will be seeing them all over the place.Starting with the 1 hour div...on time line.

Hedged the 5 min bull divs and closed them for a profit (a tip here is to close them when you see the bear signal because it is trending down)I do see the effectiveness of using AB-CD pattern. I have some concerns, please help:
1/ A,B,C points are defined by continuation divs, if price below average then we are looking for bearish divs. Draw ABC will show where price would hit next, either upper or lower D. At first posts, you said we measure targets using swing averages and now comes AB=CD. How can we use it correctly along with swing averages?
2/ Is there any better tool to draw AB=CD pattern on MT4 or we have to draw 4 seperate lines to connect 4 points? If we look at the swing averages for price targets then the divs are just the mechanics of getting there So if we look at this the 5 min EMA we can readily see the levels the average is trying to break. However The X's you see we move always in front of the EMA (Leading it) and we are looking for the Divs that can stop the EMA or even turn it to test the opposite side. These would be your primary divs and from then on you may see additional ones or even counter ones. So we can add to our position on the

continuation divs and hedge the counter ones just in case the counter ones

again stop and turn the EMA.

All the other stuff I have talked about is just the mechanics of the price

action doing its thing. Remember this thread is about trading the average

swings. the abcd triangles do you use it with all 3 types of divergences ?

No it is only used with the continuation divergence Bearish div on the 60

going into Franks? {image}

Mike if it were bearish the lines would be drawn on top... This is bullish

Would you please be as kind enough to explain why you believe the PA went the,"

wrong way"?

Perhaps I can annoy Alan by jumping in here . Notice how peak C was lower than

A in Alan's chart, but the RSI was in divergence. Therefore, this is a bearish

ABCD (target at D) and PA going long is the "wrong way".
Absolutely correct The great thing about Alan's system is that is doesn't

matter if PA goes against you because you keep the losses tiny and the reward

huge. Combine the tools that have been provided and the odds are stacked

immensely in your favour. I want to ask exact point of your entries. Where

text says "entries 1-3", point where trade 1 executed was at close of next green bar. And where text says "hedge in and out", point where hedge in trade executed was close of next green bar. I say we must wait for green bar to be closed to see slow RSI making higher lows, otherwise if it was closed as red bar then slow RSI could make lower lows and of course no div then. Don't you agree? {image}

Hi Q - good questions and I tend to try enter on bar closes as you say. However, with hedges I am still finding my feet as well and tend to be too conservative I guess so if I see a formation indicating a potential divergence I tend to take it to protect profit This has been my biggest hurdle, for the life of me I can never see on the hrly what way it is likely to head and of course I have to assume an entry on the 5 at a divergence which adds to the confusion often getting stopped out....however once I get in and the trade quickly becomes profit I almost never lose thanks to being able to understand where the 5 min levels are and taking hedges at the div signals.

Mike - In addition to the 5m I find Alan's tip about leading the MA with a symbol to be helpful in determining this. Of course, in combination with divergence and Alan's version of ABCD you should form a decent bias.We don't take HD on the close, we take them when they actually run into regular divergence and then they snap back for HD's Alan's advice is to take it as it occurs so in this case I did not wait for the close So if you see a divergence forming on the 1 hour drop to your 5 min and look for an entry and a shorter stop.

On the 5 min you should see something like a regular div, RSI div or even an overbought situation

just to clarify some doubts I have about HD. We draw a line with the 1SMA to the next price high and compare that line with the slow RSI?

We draw the line of the SMA pivot horizontally.

If price passes it but on the RSI the slow RSI does not pass that same pivot it is in divergence. Same as any other divergence. The difference is in the timing. People will see the divergence and short it this makes it snap back so we no longer see it Just take a look at the 1 hour chart and look at the direction....short uh.

Where may the price be going to … 2882 possibly

What is your primary trade direction... Short

So we are looking for signals on the 5 min that take us short and we hedge any that take it long.

Why do we hedge...Because the move may stop the EMA and even turn it around.

It is the same thing every day look for the bias direction and trade it accordingly with whatever signals we get. Having run out of targets on the 1 hour look to the 4 hour. The pushes at the 1 hour level indicate we should see this 4 hr make the D level. Note how even at this time frame the push long failed at the 50%.

I can understand A and C points. B why drawn there and not 2 bars earlier (in the pip counting would not change much but I want the reason behind that.) Are you using mt4's fibo expansion lines tool to draw the ABCD? In 1 hour had almost hd (at least divergence). When D was hit did we have the "ok" to search longs or wait the 4h? Finally if have long, the target (except money) would have been the 1h ema or D ? {image}

Ok I have just been on Skype for the past couple of hours explaining the same thing. So there may be some confusion out there.

Lets consider AC first... This is a line drawn from the attacking pivot to the pivot being attacked on the price chart. If the right side C is lower than A we then check the corresponding pivots on the slow RSI. If the right side is higher than the left then we have the divergence.

Now we look for the B point and this is always the lowest low (or highest high) between the two conflicting pivots. We are only looking at the closes.

We can now connect the points to form the ABC triangle and the target is the distance AB from C. = D

D is a support (or resistance) to be broken.

These trades are difficult to since we don't know if they are continuation divergences or reversal divergences. So we need more information.

If our signal is on the 5 min chart then we need to observe what the 1 hour chart is doing so we can have a god idea which way to go.

So we get this below I think I understand the ABCD. Correct me if I am wrong, From B to C you find divergence and A is the highest high in this space? So if this is the true, is this ABCD drawn a correct one? {image}

Absolutely correct, if you check the chart that is the only place the div happens... Well done I didn't even see that one, normally I can spot them from outer space.

I can see on your chart the lines have the dreaded jaggies. This is the magnetic sensitivity trying to snap to a point.

GoTo Tools, Options, Objects and set the magnetic sensitivity to zero.

This helps when trying to draw between a field of bars For the ABCD's you need to look for continuation divergence We are looking at forming a triangle from the div where...

A is the Apex and is always above C.
B is the Bottom or Base and is always below C
C is the Contesting bar forming the convergence of the AC and the BC lines.

The AB line projection produces a support or resistance level to be broken.

With a contested level at the mid point (50% With HD's we get in on the signal not on the close. These often snap back big time in which case you have missed out on the best position. Look at the 1 minute chart and you should see it way up the top of the RSI have problem to recognize bull/bear divergences between slow and fast rsi If the divergence is on the tops of the RSI, its bearish, if its on the bottoms its bullish.Well what can I say I have shown numerous examples now of the various types of divergence. The trick is to find them where we expect them to be as the charts below clearly show.

On the left 5min I have the EMA showing me where the swings are. The X symbol leads the EMA telling me to look for the divergence that may turn it around.

The horizontal lines on the swings are the levels to be broken. When the average fails one side it tests the opposite side (which can also fail)

The 5 min chart on the right shows me two types of divergence at the X symbols.

a) Type one, the lower of the two, is a regular bullish divergence and we have resolved these will take price long. In other words they change price direction, reverse it if you like to express it that way and we note the average has failed to make the next lower low. . Now this type of divergence will do one of four things...

1) It will send price back across the EMA and the bulls will look for support which is what happened in this case.
2) It will fail to reach the EMA and then make a lower low.
3) It will reach the EMA and then bounce back and make again a lower low.
4) It will run into an opposing continuation divergence (ABCD is formed)

So this divergence was a type a1. As regular as it gets.

The two bar test presented us with both the entry and the stop level. (allow for spreads) and if we are just starting the trade we enter with our 1st of three entries.

Now it is important to do this because we could easily be wrong so we are not going to lose much. If we think even for a minute that we can't lose then we will lose lots of money by 'thinking' instead of taking precautions. Thoughts and actions are two separate things. Now there is a difference with this entry in that we have reached all the targets plotted on both the 1 hour and the 4 hour so in this case I would have just entered on the divergence without testing getting me in much earlier. The next bar after the div often spikes down a tad so I wait for it to close, see my div is working and then place trades 2 and 3 moving the stops as close as I dare. However this is extremely risky in a volatile market

Then look what happens 30 minutes after the divergence we get that red Div which is a continuation short signal, what do we do? A) panic, B) close. C) hedge

The answer is when in doubt HEDGE. This is going to give you time to see what happens, locks in your current profits and removes the panic you feel.So this entry at the lower div is presenting us with problems to get our three trades on. Every time we start a trade we go through the same routine of threats stressing us out. Why do this to yourselves? I here many say they got stopped out and how do I avoid this. I keep saying the answer is always simple, this trade should not have been an entry it should have been a very safe option to hedge the original short unless you have made you pips for the day, then just quit.

I know there are many who don't follow my money management preferring instead to get as many pips as they can for the smallest entry they feel comfortable with. Well even that method will benefit greatly from hedging the trade at the appropriate levels.

I also know there are many who just like to score a few pips here and there putting themselves through the same set of threats every time they take a trade.

This is definitely not smart and is far too risky in this volatile market.

If we hedge the bottom div then we have nothing to lose and all our southerly profits are locked in, We have absolutely no problems whatever the market does so we have no stress at all. Once the bulls found support we could have close the shorts and used the profits to add to now winning position of the bottom div.

However I see you guys are reluctant to do that and keep opening and closing trades. The only time we should be closing is when we are done for the day. We only want to go through the agony of an entry once per day, well at least I do.

Ok the trade now runs long and goes for a bout 150 pips, this would quadruple your account if done correctly.

We get to the top and start to run into RSI divs but there are a series of them we don't know which is going to work so our first reaction is to hedge the long and lock in all that profit from bottom to top. That is if we still wanted to continue trading else just close and count your money which should add up to about 5 x your account at least.   There are 2 divergences en how did you got the CD line ?

The CD line is the distance AB
Always look for the pivot being attacked by the price. We can't just pick and choose any pivot, they are all very specific points. Not all divergence's are going to be friendly ones.

You have to stretch your imagination a little to apply the drawings below to actual chart examples.

As traders the one we are looking for is the Hook. In this example we spot a divergence hoping it will take us across the EMA to find bearish support and form the Hook. From here we are looking to test the lower EMA swing and get our daily pips. We don't know if the entry is going to be good or bad as yet so we test the waters with our smaller entry. The result is a potentially smaller loss, often nothing if we move our stop to BE. We then add to our winning position as confidence builds that the trade is good.

The second example is the 'J' and this will stop us out. The divergence fails to make it across the EMA and as a result fails and then makes the HH. If we don't move our stop to BE then we are just going to donate some funds to the market. It is always better to take these signals from a 1 hour time frame because the distance from the Div to the EMA is mostly of a good size to make a profit from. However we can still use the same on the 5 min chart if we are expecting price to roll the EMA over.

The is always danger when taking any trade we just have to keep an eye on the money management to risk a little and win a lot. Our hope is to have all our three trades on before we see the impulse bar that bends the EMA in our favour. We continue to address the risk by moving our stop to protect ourselves. Most often it is not a question of how much we can take from the market but of how little we give back to it that puts us ahead of the game.

We can't wait to see if a signal works or not because we can't take any advantage from hindsight. We have to take the risk and manage the trade accordingly. The market maker will manipulate the prices to create business, we can't do anything about that. All we can do is observe the strengths and weaknesses where business is stalling and losing interest for the market maker to take action and create business in the opposite direction until that too tails off and we get a rinse and repeat situation. As long as there are buyers the market maker will increase the price to attract sellers and conversely as long are there are sellers the market maker will decrease the price to attract buyers. The market has no interest in who is winning and who is losing.

Commercial trading houses take money from one another just the same as retail traders do but they are bound by strict limitations whereas retails traders like you are me are our own masters and set our own risk rules. a friendly suggestion; never take a trade based on M5 time frame alone.
The backbone of this method is to take inference from a higher time frame.The only time you should take counter trend trades based on divergence on M5 is when price is at a former major level, preferably from a higher time frame.
Try to follow this logic.....

We had the dotted lines all of which were in divergence however price was running for the ABCD targets on both the 1 hour and the 4 hour. So until the target was hit at B the divergences were not going to kick in..

Now we have the divergence at B price should try to cross the EMA but it ran into the continuation divergence forming the ABCD. The div has failed so price should make the lower low which it has.   do you trade off the 1 min chart Alan?

Not very often but if the Asian session is moving a tad I may have a go using the 5 and 1 minute.

Also if I want to add more shorts to a current trade then I may take the 1 minute spikes
IMO HD's (with HTF context) are high probability with very little DD.

Personally have enough faith in them to go all in, as you'll see in today's chart. I will still use three entries for other div's and bull/bear support
HD entries I do by monitoring the RSI of the current bar (shown in indicator window) and placing the mouse cursor on the bar of interest. When price is close to the pivot high/low I can then quickly enter if there is divergence between price and RSI in real time. an important lesson for me was to accept losses as well. Alan's method is especially forgiving of these because of the insane reward for getting it right. Throw in the additional pips that hedges give and you can pay for several stop outs very quickly.Other useful spots for entries in this type of PA is previous high/low swings of the average and also ABCD 50% levels or D points

The trick is the initial entry is small with an equally small risk to test the waters. The signal is the entry

The best way to learn is to actually trade but learn with little money. 10c, 20c, 30c entries this is a total of 60c and a bad loss would be $6 (60c x 10 pips) See how you make out for a week or two as you learn the pitfalls of not taking counter action when required

For continuations you only look at regular divergence. For bullish abcd compare pivots that have formed higher lows, and bearish compare lower high pivots. Also, only compare pivots "under attack"Once the EMA has broken the level that is the trade over with.

Right at the very beginning I told all that if you don't believe the average is always trying to make HH's or LL's you are wasting your time on this thread.

If it fails one side it tests the opposite side.

This is a fact you can easily check just by looking at the chart... Fails one side results in testing the opposite.

We can get a situation where both sides fail, neither side can win so the market goes flat.

We look for the failure points and look to the next opposite level This is why divergence does not always change the direction it may bounce off the EMA because that EMA direction is not ready to give up just yet.

This is also why the price will then make a HH (LL) because it is dragging that EMA to another level Once a trade is hedged no stops long or short are required.OK let's use the top down approach.

Daily.. We see the bears failed a previous continuation div (1) and the bulls went on to hit the D target.

Then we have this 2nd continuation div where the bears failed at the 505 level. The bears also failed to make the EMA LL and the fast RSI was way down in the basement. At the 50% level we see an RSI div and expect that div to get back across the EMA. So a couple of good clues there as to what is going on in the longer term i.e. IT IS BULLISH.

Remember price is going to take out those EMA swings long before the EMA does and all the moves are predicted in advance by the signals we observe. Absolutely nothing whatsoever to do with news. Price is purely driven by structure and circumstance. Dropping now to the 4 hour and again we see the indications of the price action in the structure, all the information is there, not in the news, theories or planetary alignments.

We see the move started with a regular bullish divergence leading price to the first (1) continuation div and this continued long to hit its D target. Then it moved a tad through this D target to again set up a new much larger continuation div (2).Now down we go to the hour which brings us into the realm of what is happening when we start to get interested in taking a trade. Our bias is to be long but we also now the higher time frames can wriggle like a king brown so we stay wary.

I was hoping for the 2949 to be broken because that puts price in that wide open space I mentioned last week or so and price should attack the 3118 for the average to break the 2949.. This is why we get those larger than life moves and we should always be on the look out for them and this should be a topic of discussion for this thread to be more beneficial. Thars gold in them thar words.

So what do we see, yep as someone already pointed out a nice continuation div to drag that EMA where we want it putting price in that wide open space to attack the 3118. Then we plummet to the 5 min where the story is the same old same old which we should all know off by heart by now.

However there is something we should note. Look at the 5 min EMA chart, it has not left any pivots behind on this push up. This in itself is an indication price has no intention of coming south for the winter, at least not in a hurry.

If it did turn it would do a series of step downs battling at each step,
If you fully understand all I have written then congratulations you have achieved a great deal, far more than you would have if you had paid for this practical information rather than some highly priced theoretical nonsense.

You can refer to this as the LOSS method being Logic, Observation, Signal and Success. Quite an appropriate name for traders don't you think.The beauty of this style of trading is that, even though I still anticipate things happening (like the bounce from H1 EMA yesterday), I would not have hesitated to short if price started to trade below the H1 EMA. It gives me the confidence to trade what I see and not what I think is gonna happen. And most of my trades are stopped out trades in the +1 to +7 range, a few are -1 to -10, even if my H1 inference is wrong the method is very forgiving in the sense that I am normally able to move my stop to BE, and after that I try to detach myself from the trade. Whatever happens after that is out of my control (except for moving the stop along with price). And most days I get that one +40 to +60 that I want, and after that one, I walk away. In a system based on divergences that is an important distinction to make. However, this is not a M5 divergence method, it is rather a 26EMA method where we take inference from the H1 and enter on the M5 time frame, sometimes based on divergence, other times there are other entries. But the main concepts are the 26EMA's failure or success at taking out previous EMA highs and lows, finding support after crossing the EMA (in order to take out the next EMA level), and comparing the EMA to the EMA and price to price. Divergence is not the main concept of this method.

In your example, on H1 price had just been rejected by the EMA closing above it, a nice pin bar. We would not look for a short there. Instead, if you were already long, we would hedge the position at that div, and then close the hedge at the nest div when the price approached the EMA (looking for support).
In general, the promise of such a div is not a complete reversal of price, rather it is a high probability of price reaching (sometimes crossing) the EMA, and then price either continues or reverses, it is a decision pivot. We must use the attacking pivot not just anyone we choose to   Can I ask how you chose A on your chart please?

Yes... Well it was the highest point between BC

Think about what we are looking at here, Both the bulls and the bears were winning between A an B, then from C the sentiment is changing and the bears are getting out (Buying) So we have what I call an equilibrium swing keeping the whole thing balanced.Keep one eye on the interactions being played out on each time frame. Great for determining the general direction. Crossing an average is meaningless unless a support is found.

This crossing was just a retest of the bull support and the bears got caught in a bullish continuation div by testing it.

The bulls then went on to hit the target

1) Each time we have had a bearish div (in this case) it returns price to the EMA

2) This return is where a decision point is made (DP) in the form of a continuation div   what interference did you use on the 1hr to buy?

We were trading above the EMA heading for a previous average swing high so the 5 min gave us an entry in the long direction.   Allan does the divergences always complete one side or the other?

Most of the time but I would refrain from using the word 'always' with anything associated with forex.Below is the weekly chart which I have corrected. The previous weekly chart I posted is how many of you are seeing the chart incorrectly.

Let's begin with the regular bearish divergence at the top (RBeD) Price makes

the HH but the RSI does not.
The opposite happens at the bottom for a regular bullish divergence (RBuD).

Price makes the lower low but the RSI does not.

We hope these regular divergences will take price back across the EMA

Hope everyone is very clear about these.

Now let's tackle the ones that seem to be causing a lot of confusion. These are

the exact opposites of regular divs when plotted.

A is always higher than c, B is always lower than c. The target distance is

always the same as AB, a measured move we can take advantage of.

Both A and B are always pivots but C does not have to be a pivot.

Now we get to the nitty gritty of finding just where C is. C is going to be the

point where we determine we have an ABCD

Look at the first example (1) C is pushing up to attack A. But look at the RSI

C has already closed past A so we have divergence at this exact point. This is

where we plot the structure from. So we have our AC line.

B is simply the lowest close between A and C so we now have our triangle ABC

and can plot for D being the distance of AB.

Now look at the second one. It was exactly the same setup as the first but with a major difference. C was attacking A, B was the lowest close in between A and C. The RSI had made the higher high but the price had not. Exactly the same except look at B it was in a regular bullish divergence. This makes all the difference in the world.

Look at number 1 it was a continuation to the downside but number 2 changed the direction because that is what we expect from the regular divergence i.e. to cross the EMA

It is not easy to determine which way 1 and 2 will go we have to find some additional evidence. Look also at number 2 how it almost made the target and then turned around only to return 5 weeks later to take out the target.

Currently we see the EMA rolling over to the upside but the bulls have not yet found support too take out the previous average swing high. We are still below the bearish support (dotted red) so the bulls are by no means free and clear as yet. Just want to put you guys back on track because you seem to be relying on divs a lot.

Don't be forgetting the regular ABCD's which can take price anywhere from 100 to 161.8% of AB from C.

This is what happened yesterday... Below I put a couple of vertical time lines on so you can check your charts.

Don't forget you can trade from the D point towards the E point also 1/

Are these "+61.8%" new things you first mention here? How often price hit that AB+61.8% targets? 2/ The first C on your chart seems not correct attached pivot, right? 3/ How to draw it? Thanks

I wouldn't say these are new I have often said they are my favourite trades and why I use the Quartile tool.

C is a 50% retrace of AB, approximately. It can be more but it is usually less than 75%.

Nor does it always run to 161.8.

These are just the hopes we have when trading from the C area. We then look to trade long from D.

If C is the entry point and is 50% of AB then our stop is the 75% level.

If we are watching an approach to the 50% level on a higher time frame we can then observe the lower times frames to see if we get a signal there in the form of a div or whateve I would have looked at the 4 hour chart and noted the bears were trying to stop the bulls making the HH average (3248) and after a bit of a battle they did just that. So I would have been looking to short. Almost the first three hours on the 5 min were rubbish with two small bear divs not managing to get back across the EMA. Finally the third one was the one to break the EMA and from then on it went nicely for 70 pips or so rolling over the 4 hour EMA.

I wouldn't say the bears have the ball just yet because we are still trading above the average on the daily so I would be watching those signals very closely to take price back across the 4 hour EMA. Don't ignore any good signals on lower timeframes ofc - they just need a bit more patience before they go Look at all this information the 1 hour chart is telling us (let alone the addition of the other charts). In the red circle we see multiple divergences but they did not kick in until the previous target was reached. Then the div goes back to the EMA which you can measure and plan a trade for the required pips.I have been observing MrMagnet's hump indicator I have it on my white charts (EMA's only) and it very clearly shows where price was successful and where it failed. It is also very handy to have the price levels printed so we can readily put the price we expect on our buy ticket.

The hump line stops printing once the price crosses it (not the new EMA level). However this may prove to be of benefit by thinning out the number of target levels. Not sure about this yet.Welcome to MrMagnets Lazy Humps mr Narla66 it has saved me a lot of manual updating ... Love it The object is for the average to make the HH or LL against previous swings. These levels do give us targets for the price because obviously price has to break the level before the average does.The first thing I did yesterday was to take a look at the daily chart to note where the average was and that was 3070.

Then I put a white horizontal line on the 1 hour chart at this level 3070. This gives me an idea of where the daily is heading.

Now I need to watch the 1 hour chart to see if there is anything to take me there and as you rightly pointed out there was indeed a continuation div some several hours before our vertical time period upon which we can form our ABCD.

Please note there is a difference between an ABCD and a AB = CD. The former is a triangle base on a continuation divergence and the latter is a lightning bolt based on a 50% retracement.

So you were correct in assuming you should be all the time short as your primary trade and signals to the long side should only be scalps or hedges to the shorts.OK so from the above chart we can see what is potentially going on here.

a) Price has stopped at the daily average (white line)

b) The ABCD (Orange) has completed

c) We have an AB = CD (Aqua) suggesting we are going to break the daily average a tad.

d) The AB = CD has a plus or minus value in relation to the 50% level.

e) If we look at the + value we see price is heading for the green average swing low.

The result of this is our bias is still to the short side. So later today we would be looking for short signals as trade and long signals as scalps or hedges.

Now during the course of all this we are only looking for our slice of the action so we can quit work for the day and this short went well beyond that so on the hour a hedge wouldn't have been needed. However the hour chart is where we are taking our inference from, we trade this at the 5 minute level looking to buy and sell signals there.

Which brings me to ZOO points or Zones Of Opportunity which I will continue with ZOO points.

There are literally dozens of these to be looked at but let's just look at a few, namely any of the A, B, C, D points on the 1 hour chart.

Let's even boil it down just to the Aqua AB = CD. The same process is acted on whatever the ZOO point is.

Beginning with A what do we see? First off it was also the C point of a continuation div. This tells us nothing more than where to put our stop, a couple of pips above A but we need to get a signal to trade on the 5 min.

So what do we see and plot there... Exactly the same process forming more A, B. C. D's

Our A ZOO point on the hour chart produced our A point on the 5 min chart and you should find these points on the 5 min chart produce results on the 1 min chart but not for trades hey! maybe just to pinpoint an entry to keep the stop very tight. This 5 min produced over 20 pips counting the central hedge. However we still have our southern bias on the hour chart and may not yet have reached our daily target so we may hedge again at D and look for a retracement a 50% of AD and so on... The trades, the signals, the procedures, the targeting, the hedging and so on are all the same.

One just has to pay strict attention to what is happening and respond accordingly with your plan of action until the goal is reached.

Then quit for the day because this is full metal jacket work and you will start to burn out, lose concentration and lose money.The whole concept of developing a trading plan is to eliminate any concept of psychology. In other words the plan rules the roost and it must be formatted by the individual trader, tweaked, adapted and adopted very early on in a traders career. No matter what the individual has on their mind it is not going to influence the market one little bit.

When we plan we resolve to cover the contingences we come across in our daily trading practice. The plan would say something like 'I am prepared to risk X in order to gain Y. This would come under the heading of Money Management. Then the plan may outline a particular trade you like to specialise in and this would come under the heading of Method. Then you have timing, duration, objectives, daily target and so on all contributing to your individual plans.

Far too many people just want to sit there and push buttons to make things happen without any concept of a plan at all. Who cares about planning as long as at the end of the month the account is in the black. People have said to me the market is going to do what it will and we can either get chewed up or make a profit it is as simple as that. "No, it is not!' That is what we call gambling and there is a difference.

We can see the price structure and plot for X to win us Y, we can alter the stake as the trade progresses, we can protect ourselves by moving the stop to lock in any profits, we can hedge as insurance, we can win far more than we started out aiming for. We have heaps more in our favor than a gambler has.
Both the 4 hour and the 1 hour are trading below the EMA so it is no possible to have a bull setup. At best we can expect a scalp or a hedge to a short trade.

It is only when the bulls cross the EMA and find support that we can start looking for bull setups.

It is a common mistake to deem a pullback as a change in direction whereas these should be looked at as opportunities to continue the trend. If you look at the chart i posted there is a bullish divergence I took for inference, and the trade was taken based on the bulls finding support on the 1min.

The higher time frames were above the MA so i was long biased at the time of the trade The ABCD does not imply an entry one way or the other it simply defines a possible target.

If we see at the lower time frames we are moving in the direction of such a target then that is the corresponding direction we trade.

For example look at the 1 hour chart below and we see the formation of not an ABCD but a AB = CD. At the lower time frame i,e, (5 min) we would be looking to short until we reach our money target is reached.
Now I don't have any idea whatsoever that this AB = CD has formed, I only have clues given me by the A+B+C whereas D remains a mystery until the pattern completes, it is not written in stone. These D points are the potential targets we can aim for at the lower chart time levels. As are the average swing points potential target levels. As are the Fibo levels. As are the divergences, As are the ABCD's and as are the 26 EMA. All potential targets we can aim for and we are going to see heaps of signals taking us in the target direction on the lower time frame.

We cannot set these targets in stone so we have to be flexible enough to hedge contrary situations to protect the trade as a form of insurance. Let's look at the exercise of drilling down to the lower charts from the inference of the 1 hour.

More specifically let's look at the x2 hidden div.

Looking both at the 1 minute chart and the 5 minute chart we can drill on down to really pinpoint the entry.

The yellow line L L represents the 1 hour level where price runs into a hidden div situation. That is to say the price is passing the pivot but the RSI is not.

In this case it is the 1 minute chart that gives the best indication. Remember we are not interested until price is above the LL.So what do we see? The 1 minute chart is in divergence and the fast RSI on the 5 min would have been way up in the top levels of the RSI. These are good indications the 1 hour is coming to a halt and give us very tight locations to put our stops. Even on the 1 minute chart the return to cross the EMA is over 60 pips and the same on the 5 min chart because a little later we saw an RSI divergence there.

That tiny bit of HD on the 1 hour was the inference and this was supported by the trades we could have taken on the lower time frames with very tight stops. This is what inference is all about.

Sometimes, in fact many times we have no other inference from the 1 hour other than the direction it is travelling in either above the EMA or below. This is when we have to go just with the signals off the lower time frames in the hope of reaching the targets set by the higher one.   there were bearish divergence on the 1hr and the trend went bullish.

You should be saying to yourself "price is ignoring the divergence so it is trying to get somewhere'

Consider on the 1 hour which side of the EMA is price trading...Topside
So have the bulls found support... Yes
So the market is bullish. BUT it will not remain bullish forever once it takes out the targets it becomes too risky to keep going long.

Any bear signals should be considered as scalps or hedges. So if you spotted a bearish div consider it as such. If it doesn't make it back to the EMA then price is going to climb higher.

Always consider the trending side in conjunction with the EMA and look to see where the EMA is trying to get to and has it failed in the opposite direction
The XA line is a regular divergence but it has failed to cross the EMA so it should make a HH.

Where is that HH?

On price, C is attacking the pivot B. Now look at the RSI and C has already passed B. So this forms the ABC triangle and the target D is the same distance as AB taken from C.

Price also moved to C2 so this may be a correction we have to consider, C@ was also a retrace to the 61.8.
Don't forget also that the half way point (50%) is a danger point to consider.

Here you see the half way point was a Div on the 1 minute chart sending price back below the 1 min EMA
I see that many of the people new to this method are struggling with direction.
What I focused on when I started trading this method was:

1. EMA success or failures. Which way did the EMA break last? In other words, which EMA pivot was broken and which was challenged, but was not broken?
Do this exercise for all the time frames, and also note (for each time frame) which side of the EMA price is trading.

2. Support. After the price crosses the EMA it needs to find support before we trust that it will continue in that direction. Just look at the M5 chart below and see how price found support before the major drives. Also see how price reacts to old support.

With these basic and easy concepts you will get a good grasp of where price is likely to go.

So before you start focusing on divergence and targets you need to master the basics... you need to get in a trade in the right direction before you start thinking about hedges and targets This is exactly correct and what I set out in the first place when trading between the averages.

When the average fails one side it then tends to test the opposite direction.

Concentrate on what the averages are doing before considering the other stuff which are the mechanics of getting from one pce to the other.At Frankfurt Open there was no support on H1, price kept closing on both sides of the EMA. However, from earlier in the week, and also inference from H4, we were clearly in an bullish market. So my plan was, on H1, to wait for either a pullback or H1 bullish support, whichever would happen first.
As price was trading above it, the H4 EMA seemed like a logical place to look for longs. And as per the attached chart, that is also what happened. My entries were on M5 and M1.

But it is important to note that, even though this was my plan, I would have started taking shorts as soon as my charts indicated bearish sentiment. In particular, if we had gotten bearish support on H1. We should trade what we see on the chart and not get attached to a preconceived notion about were we think/feel/hope price will go.

So yes, former price and EMA activity does have merit. But it will never trump what is happening right now on the chart.

And to confuse people further, I am myself more of a scalper than a swing trader, so personally, I do trade both directions, mostly on M1 charts. Normally, in a bullish market, there will be plenty of room to take shorts on the pullbacks. So bullish or bearish overall direction is relative to the time frames you are looking at. The most important entry criteria for me is whether or not I can get on a tight SL, and whether or not there is enough room for me to easily get the SL to BE. So to clarify, I separate between swing trades and scalps.

Swing trades follow the H1 sentiment.

And scalps are short term trades where the goal is to get the SL to BE and then either take a discretionary profit, or let it run, move the SL along with price, and eventually get stopped out. And sometimes, a scalp taken against the current H1 direction will turn into a swing trade as the H1 sentiment changes. These are the best and most profitable trades, since we can leverage more while scalping due to the tiny SL's

I would say that in all cases if one is trading to a plan then there is nothing complicated about it at all.

Plan the trade and trade the plan, there are no thought processes involved, it is simply a matter of execution.

Why people want to include a thinking process is beyond my understanding, the only thing on a traders mind should be the execution of the plan A support either bullish or bearish ends its life if it is broken by a closing cross. Price may cross it and not end it because it has to actually be a close.the 1 hour has finally broke (I Hope) looking at the 3369 target now.

A check would be to see the bear div on the 1 min fail to cross the EMA and find support

H1 inferences are just simple price touching bull support, right?

Yep, what I refer to as ZOO points being Zones Of Opprtunity how could you tell continuation div while at B price was below MA? Anyway, B failed to pass A and a continuation div formed. The div just make price back to MA before down again to make LL.

Yes that is correct, It failed to make the 50% long by running into an RSI bear div sending it the opposite way.this is a great system and way of "thinking", mmm sorry cold execution trading I believe there is a difference between a system and being systematic. The former implies a hard and fast approach that could be coded to form a robot. The latter looks at all the variables that are constantly changing and thereby ridiculously difficult to code across all the time frames to boot.

By initially defining each element with words on the chart one learns to identify the possible ZOO points where trades can be taken with a tentative approach allowing for the fact we could be wrong. This is why the trade has staggered entries, we add to our position as confidence increases that we are correct. In respect of this all trades begin as scalps, progress to loaded trades and (if they don't reach our MM target) are hedged for insurance.If we look at the 5 min chart below you will see that a 10 pip stop is plenty to take the initial tentative trade.An AB = CD is when we take for example the swing low of price followed by the swing high of price forming AB. Then we look for a 50% retrace of this AB to find C to be able now to form the lightning bolt AB = CD Remember the ABCD is only going to present a target, we have to find an entry point and a stop.

So taking the last signal on the one hour look for entries at the ZOO.

Also we can measure to the target distance (D) to evaluate how many lots we need to place to make our MM profit overall HD's seem to give really good value with all-in entries because of the strong reactions you get, as you've frequently mentioned.The RSI (pink) lines are showing the history of the regular 14 period RSI so as your B passes A on the price I have a record of whether it did the same on the RSI. If the RSI failed then it was a HD to place a tentative trade on.This is a completely separate RSI, Do not overlay on top of existing ones. I usually squash it down when not in use. We are looking at X as the pivot in question. A passed X on the price but not on the RSI = HD.Only comment I can make is when drawing the lines then the indicator should be looking for the first occurrence of a div. What I tend to do is.

Take the first incidence as you describe David.

Then take the pivot also.

Project the AB from both of these and this gives me a range level to aim for.

if looking for an RSI div on the 1 hour you must seek an inference for this from the next higher time frame i.e. the 4 hour. and we are not seeing that as such.

It is a matter of scale. If you suspect a signal on the 1 hour then look to the 5 min for confirmation

A funny thing about regular recurring divs like this is that price will generally return to the first incidence at least I don't put much faith in these long time frames, they are just a point of interest. When the action gets going the 5 min is plenty for me. 1) At the appropriate time

2) Ask are we trading above or below the average.

3) If above, have the bulls found support

4) If yes, then we are long until the market says short I keep repeating to you guys watch the average and compare it to the previous average. Don't compare price to average.

You just need to know if we are trading above the average or below it from a position of support,Only trust charts up to and including the 1 hour. I start to look for work around bar 108 on the 5 min chart which says 0900 on the chart. I don't move it because of time differences, it stays the same always.

Starting work for me means looking at the averages and trying to work out the most likely direction. Then looking for signals to take me in that direction. If I am wrong the signal will fail and I will be stopped out usually for BE and then I can change my direction if need be.

So right time and place, signal, target, result, done and dusted. All the other stuff is just other stuff.

The reason for this other stuff is because many will not trust in the money management so they go off on a tangent with risk/reward, percentages and such hoping to milk every pip from the market. I too have done all this risk 1% to get 2% stuff and how many traders do that and fail I shudder to think. I have sat for days trying to get back just to BE on trades wasting a lot of time and carrying all the stress related to that and for nothing.

There is not much I haven't tried over the years and from that have gained a huge amount of experience. Now I have put all that experience into one package that works well for me. At a glance I can see a signal and I also know the risk but more importantly accept that risk. This is because I have faith in what I do and that faith only comes from experience.

I can't teach people to trade, there are so many variables. All I can do is show the key points I am interested in to make the profit I require.this one hour chart is an absolute classic textbook example of price movement.

1) Finds bear div
2) Stops and turns average causing failed HH swing
3) Fails on one side so test the opposite.
4) Price test swing low average.
5) Bears find support.
6) The bulls have a div but can't break the bull support.

7) So now we should see a price LL
That was the pivot being "attacked" so is the starting point for the structure

Thus you are saying we firstly take C point and then we are looking for A point?A is the pivot that the price was attacking before we could get a C point.

So how do we arrive at C? We arrive at C because price has pushed the RSI above the level it was at when pivot A formed.We then measure the distance between A and B which is my grey box and place it on C. The rest you know. It either goes up or down to test 50% of the predicted move or it goes up or down to the measure target. When the session begins I tend to watch the 5 min intently for the signals produced there.

For this I need to show the two RSI indicators.

The first was a bull RSI div (D1) but the run up ran into a bear div so we either close or hedge depending on your circumstance.

The run down went to another RSI div (D2) so it was now set up to pass the latest swing high average which it did convincingly with an impulse bar taking it to and above the target level.

This then pulled back because it was a reg bear div. but the bulls found support (dotted green).

From the support the price ran up and into trouble with A HD sending it back below the EMA where it then ran into another HD of a bullish nature..

Now the price action is contained between the two average swings.

The point is that every move was indicated by a signal on the 5 min chart. 1) Every trade begins as a scalp with the first entry and short stop. This in itself limits a lot of damage in my case to about AUD$41.

2) The second trade is placed with the confidence everything is going as it should. At this stage the stops are moved to limit the damage to AUD$82

3) The third trade most often placed as a pending order is placed in such a position that there is the potential to make the 40 pips with it. In other words I measure 40 pips from the target so I know I must get the order prior. Again the stops are moved and depending where the stop is the maximum damage remains at AUD$82.

Then the process of moving the stops begins. Firstly to the BE+1 point and then advancing to lock in a little profit.

Very often the 3rd trade doesn't get hit because of a div or something turning the market before it gets there. So this requires a hedge trade.

For example if I am long with 1 and 2 then I hedge with 1 and 2 and 3 and cash out the long. Now I am completely loaded short in the most safe manner I can think of and the pending order is closed.

Again if this short does not run the full distance I require (remember the longs made a profit) by running into another div then I need to hedge again so I am equal long and short. If the hedge is working I can remove the short and cash the profit. Now the hedge long usually doesn't have far to go before the whole profit is realised but now is the opportunity for bonuses. So when safe to do so I place a stop at my full profit target so if it does turn I am still ok for the day. I then look for a reason to close the whole trade.Let's call the three trades T1, T2 and T3.

T1 is the primary trade. It is calculated by dividing the account target

($1,000) by 120 = 0.2917 rounded to 0.3
T2 is twice the size 0.3x2 = 0.6
T3 is three times the size as T1 0.3x3 = 0.9

When all three trades are on it totals 1.8 lots. For me 1.8 lots is AUD$25 a pip. So a 40 pip target produces $1,000 + a bit.

I rinse and repeat this this all the time so these lot sizes do not change.

However depending on the base currency and the exchange rate these numbers will vary from one trader to another and also the leverages my be different. So these have to be variables where we must all calculate our own size of T1.

So that's the numbers squared away.When I see a div at a ZOO point, I see

potential.

Going Long

I can measure the distance from the div point to the EMA and know I have to get

at least my first two trades on ASAP before price get's to that EMA.

T3 would be a pending order at least 40 pips from the target and above the EMA.

So if I can see we are say 15 pips from the EMA at the div I can hit the script

to enter T! and place pending orders at T! + 5 for T2 and T1 +20 for T3

Then I need to be able to move all stops to T1 + 1
Then T2 + 1
When T3 is triggered all stops to BE+1
Finally B3 +1 The hedge is a funny one to apply.

If I am 1st and 2nd entry short. My hedge is often 3rd entry long.

What this means is the first two trades are locked in plus there is a new 1st

entry long, if this starts to pan out I close the shorts for not much profit.

In lot size terms the two shorts equal 3 + 6 = 9 short

So the hedge is 9 + 3 = 12 long.

I still need to get another 6 lots on which I may do at the next hedge.

It gets a tad complicated and I think it is better done manually.Not all divergences work. If so we would have found the holy grail , you have to pick the divergence where you expect that price has exhausted.

If you just trade the 5m level alone without any reference to the 1H chart you may only be looking at a couple of pips.

Taking the inference from the 1H is going to produce many more pips per trade. It has a high probability of making the 40 pips. Some of your 1H inferences may fail also. We are dealing with probabilities here not certainties, I get stopped out heaps of times for BE's or small losses. That is par for the course when trading the trick is to push hard when winning and compound it for a huge risk/reward. What is line of sight on RSI?

The line drawn must not cut through any point of the RSI it must have a clear run from point to point.

Line of sight simply means we cannot see round corners.

Now it is all very well creating these targets but it is very difficult to trade them because we just don't no which way it is going to hit them either above or below. So I just regard them as the ZOO points where I look to trade them back again.

Just as a swing high or low of the average is a ZOO point where price may falter and turn.

In other words we are looking for the failures at or close to the levels we have determined to be zones of opportunity (ZOO) We may not know if the div is actually going to cross the EMA but by placing that div as a hedge we have protected the entire trade from loss.

If price fails to cross the EMA we assume a HH is going to be made by price so it would stop out the hedge and our prime position would continue to make money until we hedge again (maybe). Hedging does no harm to the trade itself it serves as an insurance policy.

If the hedge does cross the EMA then it may go on to stop out the primary trade. All this time we are simply trying to accrue our daily pips so we can pack up for the day.

Once we have doubled the initial account in this fashion we have some pocket money to risk so the game changes somewhat and we may enter trades for the full lot size instead of a 1,2 and 3 entry.

To put this in money terms a 1,2,3 for me is $3, $6 and $9 per pip. This adds up to 1.8 lots which for me returns $25 per pip. 40 x 25 = $1000.

Once I have this first $1000 I can risk a tad more so may go with a 1 and 2 entry of 0.9 and 0.9 which is still 1.8 or $25 per pip.

However the risk is now 0.9 x 10 on the initial entry or $12.50 per pip being $125. This is a $125 risk of the $1000 profit which means I can attempt the win 8 times before touching my own money.
Adding additional trades to a winning situation makes a massive difference to your account rather than doing the % risk method.The fast RSI is a good indicator to take those additional trades, it shows where the weaknesses are.Todays 1h hour showed us a continuation div, then the 1H found support and when we come to the table at the 108 we see bullish div on the 5M for a long entry

Look at the 1H chart for accuracy of target hitting.Now a support bullish or bearish is when price crosses the 26EMA (which is the same as the RSI 50% level) and fails to recross before a V is formed. So obviously a support is invalidated when price closes below it or price may turn and close back below the EMA.Weakness. We have a bear div in play and see the fast RSI make a peak below the slow RSI. In other words we are seeing the last 5 count of the RSI was weaker than the last 14 count.

Exhaustion. Is when we see the fast RSI bolt away from the slow to form a valley. In other words the last 5 count of the RSI raced away from the last 14 count and runs out of puff.

We have to be careful in determining what we are looking for because these are opposites i.e. peaks and valleys.i've noticed studying past charts that when the hedge do the perfect 50-61% retracement, the consecuent reacion AB=CD has a very high percentage to appear, but when is a little one retracement to only 38% not always is completed.When the days trading begins for us about the 108 5 minute bar and the RSI is way down in the basement (exhaustion at 20% if you like) it would be logical to assume that the next move the market is going to make is upwards for the session but we cannot simply assume this. We thus look for something else like a divergence and make a tentative entry.

A tentative entry always starts off as a scalp and our hope is that we are correctly orientated to add additional entries, thus turning the scalp into a trade.

This results in the trade being a 1st, 2nd and 3rd entry. Our lot size entries grow as we become more sure of the direction but it can still turn and bite our bum so we keep the stop moving tightly until we get it to BE where we can the relax a tad. We use the signals we see to make these additional entries and can often fail in our attempt to double our account but we keep trying.

Once we do double our account say $1000 then we have a sum of money extracted from the market we can trade without risking our own money. At this stage I opt for just 2 entries of half each so I continue to risk a little with the potential to win a lot.Matching the 26 EMA with the 14 period RSI formed the basic structure of the chart then looking at what signals were given when the average was about to turn.

Then looking at the geometry of the structures to take price from A to B served to highlight the distances price generally moved.

Also looking at the main timing of these events taking place which gave the 108 5 min bar.

Still there is always a risk so the entry method needed to be addressed so the risk was small and the profit potential high.Generally I only watch the trade until I get the stop to BE from then on it either makes what I want or it doesn't.

Of course when wanting the bigger pips one has to keep an eye out for possible

retraces
With a divergence we expect a return to the EMA and to even cross it and find support.

In this case you are looking at bullish divergences going against the trend so in effect these are either scalps (which can turn into trades) or hedges to protect the short entries..

When the divergence fails to cross the EMA you should expect a lower low.
When the bulls fail to find support expect a lower low.
When the bulls cannot hold onto the support expect a lower low.

Your assumptions were correct to go long but this is risky because it is against the trend so at best it is a scalp or a hedge.

You will be far better off not trying to fight the market and go with the signals that aim to continue the trending direction this is the most likely way to extract your profit and much more quickly if done at the right time (108).

Clearly you can see the 1 hour is trading below the average and on the 5 min chart there were many signals to take the shorts...not longs.

On the 5 min chart you posted with a green box on the RSI. The contents of this box were all shorts so I am at a loss to understand why you were long.

It is a common mistake to take a divergence and expect a good result when only 1 or 2 pips are there to be taken. This is why we have a three stage entry so we risk little. When trading below to EMA on the 1H look for the short entries on the 5 min it is the safer option Look below the 1 hour price is below the EMA dragging the EMA towards a lower swing low.

We see a signal both on the 1 minute and the 5 minute charts to say go short. Both of these also gave the indication to close i.e. 1M was a regular bull div and the 5M was an RSI bull div. In essence we put the next higher time frame EMA on the chart and thus we see some strange things happen.

If you would like to put them on divide the next time frame by the number of bars you are looking at and multiply by 26.

Thus 1m into 5m = 5 x26 = 130EMA
5m into 15m = 3 x 26 = 78EMA
15m into 1H = 4 x 26 = 104 EMA

I wouldn't put more than the very next chart on because we have to keep an eye on the RSI also. So making a resume too see if understood it correctly:
1)Price went to H1 EMA & average swim m5 and shows Divergences(HD) and fast RSI overbough at that level(where Jazz and my self took shorts)
2)Price start moving down breaking the EMA but could not find bear support (RSI

made a J instead of HOOK) ... Bulls Diver at average swim and back up to test the EMA and the HH average swim.

3)Now price attemp to make HH average swim but again in RSI DIV and with the bigger picture in mind fails (also H1 EMA around that level) U took the short looking for LL average swim and the rest is history of how to get ur beautiful daily pips... Yes correct.

Now observe if the 5m average is to make the LL price will also have to cross the 15m EMA (an advantage of having the two on the same chart)

Then this 15m average will also attempt to make the LL via the domino effect.

All this time we would be looking for something to stop this happening and would hedge it as insurance

Im gonna share me view and please correct me where i am wrong. Price was going UP while EMA was also same direction. 1. price make the HH 2. EMA Fails to do it. 3.RSI div at that point took the price back to EMA 4.Bear found support, so they will attemp new LL ?? This is correct but they failed in their attempt. We look for failures If we look at that long trade it was perfect...

Started with the div signal (back to EMA)

Crossed the EMA and found support

Formed a con/div to give us a target.

Hit the target on the button.ZOO simply means that a chart has reached a target point and may thus turn at that level. So ZOO means Zone Of Opportunity

If, for example, we have a target on the hour and price reaches it we would most often see divergence on the 5 min to confirm a possible direction change Yep see how both C 1 and C2 are attacking B. But look to the RSI and see it has already past B. We have to have a clear line of sight for these, in other words we can't chop stuff off just to make it fit. Look at the next low on the RSI and it was not a clear line of sight to B so this cannot be the correct pivot. There is no such thing as being overbought or oversold If for example the RSI is way up at the 80 level.

What do the bears have to do to get it back to the 50% level.

Simple, they just go 1 for 1 and the average will then drop back to the 50% level.

To remain above the bulls have to go at it about 5:1 See how now the 1 H hit the swing high average things start to get more erratic because as far as I am concerned the trade orders are done.

It is this initial run we look for our profits the rest may be considered as scalping. We have to be very careful because a scalp can easily turn into a run of sorts and stop us out repeatedly.If you observe the RSI 50% level you will find it is exactly the same as the 26 period EMA. So if we see the bulls or bears finding support above or below the EMA we will also have that same support above or below the RSI 50% level

Actually is it right to say that you only trade the divergence (at least for the primary trade) which also means you are catching a change of trend?

Not always no but it certainly plays a major part in trading.

It is a fat lot of good just thinking the market is going to do whatever, our time and effort is much better spent looking for the things that actually influence the decision to have a go or not at specific levels and at specific times.

I am not interested in so called trends or trend changes of direction. My task is to make my daily profit in the shortest possible time.

To do this,I use a minimum of tools and respect these tools to get me my income. Not all the moves produce start signals but most do so just by going by the probability alone is enough to produce good returns.

Just look at this 1 hour chart and see there are plenty of signals, match this to the 5 min chart and you should find making the required 40 pips a day a piece of cake If we are trading below the average any long can only be potentially a scalp or a hedge. Now if this does not cross the EMA we close it for whatever pips it makes and rely on the primary trade to continue to do its business.

If we make say 5 pips from a hedge we can shorted the primary target by that same 5 pips to achieve our aim.

So it makes sense to take hedges when one has the skill to do so.If it crosses the EMA it then needs to find bull support to continue long. So in this case we need to be patient and wait and see.

Remember it is a hedge so we are neither winning more or losing less we are simply waiting to see which direction we need to close.   Here's my ABCD's on the 1hour chart that I was working from yesterday. 2 entries with 42 and 23 pips, job done. I'll also note that all the times frames were in sync with each other travelling under the 26ema and the 4h bear support put in the day before. So there was a lot of confluence for going short. {image}

This is a very well drawn example of just how frequent these signals are and one could, if they wished, just make these a speciality for trading. if I see the div on the 1H I treat that as a ZOO point for the 5m

Start trading 0.01 lots with one position on a real account. I suggest the 2nd and 3rd entry are for later on. Especially the 3rd.

And make many kilometers before you go to 0.02 lots.

Read the thread and/or the pdf so many times that you can dream it.

Only start with slowly increasing lot size when you trade well. OK it seems stops are a bit of a topic now.

This is a major part of the money management and should have a thread all by itself but let me spend a couple of days on this here so you should note the post number down in your diary with the heading Money Management.

Let me go right back to basics so everyone is covered from beginner to the more experienced and I will start with the traditional scenario method.

OK Polly is new to trading but wishes to get involved in this very exciting business. She has at hand a disposable sum of AUD$500 which she can easily afford to lose or to put it another way spend on her education.

The question is how can she manage this sum to her best advantage and get the biggest bang for her buck.

Let's assume the same leverage etc as me 400:1

$500 will buy approximately 1 standard lot+ returning $10+ per pip. This could also lose $10+ per pip so a ten pip loss makes a massive dent in the account of over $100 making this a most undesirable situation. It should be obvious the lot size is far too big for the account to sustain for any period of time. Any trade should be able to be repeated a good number of times and we should be letting the number of pips become a part of the equation to maximise the profit potential.

At the same time we don't want to create a situation where the profits are so tiny it is pointless to trade. Making a few cents here and there is just going to create boredom and this will probably lead to the trader taking a bigger risk and coming unstuck. A management plan is required and one that can be sustained for a long period of time and make big profits when the iron is hot to cover any losses when the iron runs cold.

This is where all sorts of management systems come into play, where people talk of risk/reward, % of risk, width of stops relative to the % and so on.

I find that a scalable entry is far superior than any other in terms of risk protection and the maximisation of profits.

This is why we take the first entry as a tentative trade just dipping our toes in the water so we don't burn our leg off. How big should this initial trade be depends on the objective. The goal of the day or even the week, we are all going to vary at this point because we all have different objectives.

Let's assume Polly wants to attempt to double her account on a monthly basis (20 trading days)

The equation then begins with $500/20 = $25 a day. This will be reviewed on a monthly basis.

If we then want to make the $25 in the time price makes 40 pips then it is simply $25/40 = 62.5 cents per pip and already our ten pip stop looks good since we are risking just $6.25. (I am assuming USD is the base currency, my base is AUD so this would equate to $6.25 x 1.4ish)

This would be a 10:40 risk/reward but can we do better than this? = Yes

By scaling into our trade we can control the loss to whatever we like, far less than $6.25 as low as just $1 which is 10c pep pip or 1 micro lot.

As the trade begins to work in our favour we add another 20c per pip (now 30c is on) and we move the stops

Again as the trade continues we add the balance of 30c. We cannot get the decimal so perhaps we may just round it to 40c again moving the stop so we never expose ourselves to more than the original $6.25. So now we are off and running with 70c a pip looking for our daily target of $25.

What Polly has done here is made the safest possible entry. The $500 account is going to last a very long time and has the potential to reward her with the 100% per month.

If this was kept up for a year it would exceed two million dollars

Here comes the tricky bit... Don't for 1 minute imagine the trade is going to rum the full 40 pips+, it can and often does but we have to remain vigilant until we have it in the bag. This is where some of us have the option to hedge the trade locking in the profit, closing to take the profit and await another shot at the title until the $25 is achieved for the day. We may take the second or even the third trade at the full lot size since we are risking profits already made. If we have opted to hedge then this may be the trade that wins the day closing our primary trades on the way.

So where and when we place stops is always dependent on our money management plan and we have to do the math to stay in control of the situation and stick to it rigidly. If we fall a tad short of the objective for the month we don't worry about it as a new objective is created then as we continue to rinse and repeat.

Re Money Management:

As I understand it,

- each of the 3 entries are placed with a 10 pip stop-loss.
- each of the 3 entries are placed with a (hopeful) 40 pip take-profit.
- the first entry is brought to break even before the second entry (@ twice the risk) is made.
- the second entry is brought to breakeven before the third entry is made (this would be 3 times the risk but the profits from the first 2 entries reduce the risk to about the same risk as we had on the second entry).
- If we get a reverse signal we enter a hedge which is the equivalent value of the previous 3 entries.
- If we get a further signal that reaffirms our original trades, we close the hedge (hopefully at a profit) and let the original 3 trades run their course (the target can now be reduced by the number of pips profit made from the hedge).
- If price looks like it will favour the hedge entry, we close the original 3 trades (hopefully at a profit) and let the hedge run till it makes up the required 40 pips (which includes the pips profit from the original 3 trades).It is hard to be so specific about the stop distances because the actual trades vary a tad. However having said that you have a good understanding there of the best practice. It could well be the case that even additional entries can be made in a relatively safe manner.

The main point is to construct a fiscal plan which plots the road to glory and you can track your progress as you work through the plan.It is vital for newbie traders to keep their money under total control. So many lose their first, 2nd, 3rd and so on accounts because they are simply out of control. It may seem like small potatoes initially but the idea is to develop discipline at this stage of the game not fast bucks.

Recall newbie Polly has $500 and during month 1 has to make $28 a day.

What happens if only $20 is made on day 1. Most would try to make it up the next day and immediately they are out of control as they chase losses.

The correct thing to do is to divide the deficit by the number of days left in the month because this is the bottom line target. This makes the deficit very tiny and a much safer to trade for. About an additional 42c a day.

What if Polly doesn't make a profit at all and actually loses $10. Again divide by the days left in the month which would increase the daily target by about 52 cents.

The third scenario is that Polly makes a killing and goes $10 over the daily target. This would reduce the following days in the month by about 42 cents.

Keeping everything under control with low risk relative to the size of the account is the tortoise and the hare situation.

One can almost guarantee that a spectacular win will crop up at some stage during the month, we live for those days or should I say survive until they arrive.Always remember it is the movement of the averages we are interested in over and above any signals. So if trading above the average any bear div should be initially treated as a hedge or a scalp.We may well ask Polly why trading with a $500 account only about 70 cents per pip is put on the line when the account can afford a standard lot being $10 a pip.

There are two good reasons for this...

1) It is not the potential profit that is important so much as the potential loss. The account has to weather the storms waiting for the days when the sun shines and hay can be made.

2) When the good strong runs become evident having backup money to add to winning positions is highly desirable to seriously compound the profits.

This does not mean these trades can be added without supporting evidence of a strong continuation we still have to act with due care.

We may for example add several more 70cent trades making sure to move the stops. We could in fact get a dozen of these additions on before we run out of funds exploding the profits. One or two of these in a month makes a massive difference.

Suppose Polly was to make double her target of $500, then going into the following month she has an additional sum of $500 of risk capital this is worth ten trades of $50 risk or 1 lot at $10 a pip. Or to put in into perspective every +5 pips is one days work completed. There is no risk because it is only using the excess profits. So 100 positive pips gets the 1K required rather than the 800 required as per the schedule.

These excesses of profits when used like this can rapidly make a huge impact and take us into the following months with confidence.

This answers how we build confidence into our trading, we virtually trade risk free Sure you can trade this on a 15 min chart but then the stops have to be wider and as a consequence the lot size has to be smaller to compensate for the risk. In other words the efficiency decreases as the chart times increase.The RSI is a strength indicator, price is attempting a move but has no strength. No strength means weakness the market buys or sells these weaknesses depending whether they are bullish or bearish weaknesses. it looks like you are specialising in the ConDivs which is not a bad idea at all. i see Alan traded the m15 today

Glad you spotted this key point.

Look at the 1 H there was no ZOO point for me to trade. So drop the time frame until you find where life is at today.

From the 15M chart it was easy to find ZOO points and trade them at the 1 minute level. Not the ideal and we cannot expect the larger moves of the 1H but hey we have to work with what we have. There is no point looking for divs or any other signal on the 5 minute chart. This is the wrong way round of doing things. First locate your ZOO points on the higher time frames and then drop to find the entries. It would be silly to find divs on the 5 min and drop to the 1 min as the chances are the 5 min will not get you enough pips.
When looking at the chart, the history, we often look for entry when at the point where rsi forms a peak or trough, however when reading in real time, we will only see the peak after the next bar is printed, in M5, that means 5min delay, in M15 that means 15 minutes delay. And during this next bar, pip can move in quite an amount. if you see a trough on the 5m, drop to the 1m for a

divergence entry A Zoo point can be anything you want it to be. It is just a zone on the higher time frame where one would expect something to happen. Then we drop to the lower time frames and look there for the entry into the direction we expect.

For example yesterday at the beginning of our shift we had a bullish divergence on the 1 hour so we drop to the 5 and look for the entry confirmation which we got and that was my first trade.

Then we saw this bull trade wasn't going to far by running into opposing signals so I close the long and take the short.

Now stored in my grey matter is the information telling me if the 1 H div fails to make the EMA it will make a LL. I looked for a target price and found the 1M gave me a con/div which means price is indeed going to make a LL and it hit this exactly to the pip.

Having made the LL the 1H was still in a bullish div but I was done by this time. Then this time the div did take the price back to the EMA but it fail to find support for the bulls so down it comes again.

So the 1H div could have been a ZOO point, the 1H Ema could have been a ZOO point. The 15M EMA swing low could have been a ZOO point. Extended peaks on the higher times frames can be ZOO points.

Look at these extended white peaks...heaps of them, then simple look to a lower time frame for the short entries.I don't know what you are talking about with all this delay stuff. There is no delay. We enter at exactly the time the lower time frame signal is given. If we delay we are more than likely going to be stopped out.Divergence is a funny animal.

Most people tell me that it often fails as if I don't know this.

That is why they are taken at specific Zoo points relative to a higher time frame where we would expect to find it.

A divergence will return the price to the average and when it fails to do so price will make a HH or LL depending which way we are going. This being the case then there is no point holding onto a failed divergence, better to close it and trade against the divergence.

Often once a divergence has happened we will in fact often see a retest forming a J or a hook. the actual hook point is also a Zoo point we can take at the lower time frame.

The situation is always changing such as the difference between price just crossing the EMA as opposed to having crossed a while back. The initial cross with a subsequent support will take price to the next EMA swing point as it is always testing both sides of a range of prices. So by being selective with the trade direction choice at the appropriate time and manage with our MM we are always putting the odds in our favour and not fighting the market.Once I enter my trade it’s managed from a higher timeframe i.e. 5 minute

Also once I’m up a little bit I place my stops at breakeven and honestly a lot of times, I watch YouTube take my mind off things, also price never broke the 78EMA allowing it to keep going down I been trading 6 years, And this is the Best strategy i have came across, looking to be here a long time.. 1 pairs endless trades both ways crazy. Yes i am still learning the ABCD, & some other stuff to, but that is not stopping from making pips daily. Thanks for having the best thread around... between HD and Reg Div this is crazy pips... yes i know you dont have to trade them all, Patience brings some good trades for sure. nothing like trading 1 pair... easy peasy

also getting my stacks down so i can start making 100% account size wins
For example if we have a div on the hour we have about 12 bars on the 5 min to look for an entry I am trying to get the point across for the Money management and Hope this drawing I just did helps.

See how the 1,2,3, entry is the safest way we can get in but this does not always turn out to be the primary paying trade.

A signal at the top causes us to hedge. The hedge is a safety net it doesn't matter which way price goes we have locked in the profit. So we are safe again.

Hopefully as shown in the drawing price moves down so we can add to our hedge because all our funds are freed up to do so.

We close the longs with a TP stop.

We may now hedge again at the bottom and even add to it because again all our funds are freed up.

The first hedge is stopped out and the long trade wins the day.

I have made the drawing simple so you can understand the principle.
I just looked up that you are in the UK so you understand soccer hey!

If a player is offside the ref blows the whistle irrespective of whether the player was running towards the goal.

It is exactly the same thing with the div, in this case an RSI div. We can see it is offside and closes in that position so click we blow the whistle.

It may well run a tad further but ten pips is a long way. In this case it ran 2 pips and was still in div, then the div kicked in.

That is why we have a very small 1st entry so we risk very little
I wonder if you understand how focused you need to be. One computer screen is not enough for me since I want to see the white charts and the black charts. I rather would have three screens.1) Compare average to average, not price to average

2) If the RSI is at the top most or lowest most and the average has a long way to go then it will likely fail and turn around.

3) Once the average breaks a previous level then it will likely turn to test the opposite

4) is the same as 3 except price fails to break higher/lower

5) When travelling above an average we are trending up and should be looking for further long entries.

6) Opposite of 5.

7) Watch for divergence once these levels are reached often a tell tale of a turn around.

8) Get the stop to at least BE so you can relax and watch the trade unfold.
Could you explain a little about using the low indicator in your template

please? I mean the RSI_divergence indicator.That's for spotting hidden

divergence. It's Alan's indicator that's why you can't find it.

The yellow line is the RSI14 on close bar. The Pink lines are the high and low

value of the RSI during that bar.You can look that topic up in the pdf.

C is the recent high pivot

you can connect C to A which is the first pivot above C which has the cont div

then you look for low between A and C. That's the B.

Then select the AB line, press your Ctrl key and copy-paste AB to fit C.

preferably A and C are each on a different side of the EMA.

A pivot high is a bull bar which close is higher than the close of the bar(s)

to its left and right: /\

A pivot low os a bear bar which close is lower than the close of the bar(s) to

its left and right: \/ I draw the blue lines on each top and bottom as the day

develops and erase passed ones. I don't use the indicator to do this for me

because now I am extra aware what move the EMA makes and which tops and bottoms

are taken out.

Defining trend by the EMA is so much better than defining trend by price H+L.

What makes Alan's method particularly brilliant? Ten reasons + an eleventh

super bonus reason:

- You don't need a large account
- The signals are very high probability
- You get into trades very early, before price starts to move

Tight stops, scaling into large positions, and hedging = very high risk-reward ratio (and low risk)

You know exactly what time to trade

You know exactly which pair to trade (only one!)

You don't need to trade all day (or all night)

You know whether to look for buys or sells

You know exactly when to enter a trade

You know exactly when to exit a trade

You didn't pay a cent for one of the greatest trading methods ever to appear on this forum Just before the session starts today and I get busy I'll just say a few things about divergence which may help the newbies.

There are several kinds of divergence:-

1) Regular bullish or bearish divergence. These should only be taken with supporting evidence such as a higher time frame ZOO point.

2) Continuation divergence which forms the ABC triangle to give a target D

3) RSI divergence where the Fast RSI conflicts with the slow RSI.

4) Hidden divergence where price for a fleeting moment was in regular divergence and snaps back to be hidden. This requires an RSI history to see it.

All of these divergence situations should take price back to the EMA but if they fail then price will make the HH or LL depending on the direction.

Of the 4 the latter hidden divergence is probably the best because it is easily seen, has a defined stop above itself but it lacks a target which has to come from some other source. This is still the best for newbies to trade if they just want to develop a simple system. It does require work in the form of testing the pivots in real time looking for the divergence signal.By RSI slow and fast I assume you are comparing these with one another which is correct and they try to send price back across the average which is the same as the RSI 50% level.

For example here you see an RSI div sending price back across the EMA followed by a hidden div also sending price back across the EMA 1) why a RSI/RSI divergence should be considered as a signal
Since RSI is a measure of the strength, strength in here can be either bullish/bearish power, the fast RSI 5 takes the source from slow RSI 14, so it is measure the strength of the recent strength.

In terms of market behaviour, sounds like it is saying, let say, RSI 14 makes HH and RSI 5 makes LL, this applies the recent power is decaying, the direction may turn. If RSI 14 makes LL and RSI 5 makes HH, this applies the recent power is already trying its best but still fail to cause the RSI 14 to make a HH, direction may turn.

2) what for kind of divergence

The classical div is always a measure to price, but this one measures the current strength, and this signal is usually found when price is away from EMA, so it just means there is a likelihood of price going back to EMA Divergence is not really a term I would use but I wasn't around to invent it. I much prefer the term conflicting or whatever.

The point is we are comparing apples to apples (RSI to RSI) and not apples to pears (RSI to price) to locate these conflicting situations. By using these two RSI's in tandem like this we can glean so much more information than we would do with just the one.

I don't just look at the high/low swings but rather try to understand the story that is being unfolded from the information given.

Just above the conflict shown we see yet another conflict so our long would be terminated here and consider going short. Note how it is also at the 15M Zoo point.

So putting it all together we can track the ebb and flow of the price action

Note how the hook trade often pays better and quicker than the div and the stop is always just below the div point.

This is another option people can specialise in With the 2 hook entries, why would you say to yourself that this is a hook entry coming up as opposed to the abcd running down to it's targets. I would have been short both times with the 1hour bias under the 26ema. Is this just a pattern you have noticed that happens around the end of the 1 hour candle ending or are we looking at the 5m failure to make a LL, maybe both? TIA Important to mention is that I was short-biased as long as I saw the white charts M5 EMA making LH LL and therefore H1 EMA could not make a turn.Price is trading below the average so a bull div can only initially be regarded as a scalp or a hedge. Is it worth the risk or better to wait for a short signal? If we use the 5 min as the inference chart then we have to look to the 1 min for the entries To modify the scripts to suit yourself do the following -

1. Download the MQ4 files to your computer
2. Double click on the MQ4 file and this will open Meta Editor and place the source code for the script within it.

3a. With the market orders you may make changes to Stop loss in pips, Take profit in pips and Amount of lots.

3b. With the pending orders you may make changes to the lot size and pip amount the order is placed away from current price

4. Once you have made the changes click the compile button and this will automatically save an .ex4 file in the same location as the MQ4 file. There

should be no errors for it to compile and make the .ex4 file

5. Copy and paste the .ex4 file into your mt4 platform script folder

6. Restart MT4 and it is ready for testing.

7. See the 2 screen shots for the Meta Editor as a reference.The first sign of bear power coming to an end will be a 1m bull support on the other side of the 26 ema. Even then there needs to be something on the higher time frames that indicates a turn around point to start trading in that direction Trading is one of the toughest jobs in the world. Alan's method makes a lot clear and closest possible to "easy". I understand Mike fully when he writes it took him months to get there. And if it's not about to get the understanding correct, it can be hard to get rid of 'old behavior' and to get the trader mindset correct.

Success = knowledge + experience + hard work. Plus prolly a few things on top of that. . Divergence usually takes price back to the EMA, not per se through the EMA. I wonder if you defined that unprecise or that you still have a wrong understanding here! Such move back to the EMA can fail, so keep your stop tight! As long as we trade below the EMA, all the tops in the fast RSI gave nice entries short.   So how do you entry? Do you entry quick?

Sure quick. that's important to get the stops tight and Tp's bigger.

It can be a 2 bar test,

at the close plotting the bar a reversed color,I meant when price went up I wait until I see the first bar closed red.

Yes also on M1 PA.

HD price coming back behind the close of the reference bar.
close to, or exact to the touch of a zoo point with div

Give yourself time to build experience. What is the zoo point that you usually take from higher TF?I can list 4 only, extreme rsi, divergence, price at average swing high/low, price at 26 EMA I look for the 4 divergences, ab=cd retracements entries, pivot passes on support/ resistance, retesting of support/ resistance, HH or LL failure or success in relation to the ema direction. Then I look for entries on the 5m and 1m that take me to that direction The week ahead.

If we look at the long term of the monthly we can see that a 1808 is in the wind.

If we look at the weekly we see the target was hit on the nose but it was a hit in divergence. This means we gat get a weekly pull back to the long side.

This makes it a tad difficult to form such a long term view.Looking at my 1 minute chart I can see we are between the averages of the 15 minute chart and the 30 minute chart so these are the two charts to watch for signals in the immediate. This is one of the simplest things to do.

We have a swing high above the EMA = A
We have the swing low below the EMA = B

Therefore C is the mid point of AB or 50%.

We mark these LEVELS up. (I use my Quartile tool it is easier)
Then we have a plus or minus value because it doesn't always stop at exactly

50% That is how I use the Quartile too.

For those not familiar with it, it is just the fib tool converted to quarters..

If we span the top and bottom so that the top of the Quartile is at the top of the swing. Then put the mid point of the Quartile to the bottom of the swing. What we then see is the retrce to the 3 Quartile and the target at the bottom 100% of the Quartile.On my Quartile I have added two more levels , the 1.27 and the 1.618 But for me, since it’s hard at the moment to find the right 1-3th entry trades to achieve 1K profit with 50$ risk, I thought about to simplify the entries and widen the stops, using the entire Quartile method from your Quartille thread. Even using the double sided entry (cancel the opposite one after entry of one).

The profit would be most likely bit lesser than 40Px25$ per day. But probably easier for me as beginner. Because it’s much more mechanic and lesser dependent on the exact pinpoint of good entries and hedges.

I truly believe in the average swings basic concept. And the Quartile method, triggered by av-swings, seems promising to make money “fast” while I learn to get much better in 1 2 3 entries.

To use expected av swings as direction and start a trade with Quartile SL/TP after finding a short term consolidation zone seem to be much easier. I don’t see too much guessing about divergences and hopping from TF to TF there, all things which are points of possible failures for a fresh meat like me at the moment. For example, you could focus your efforts on identifying bull or bear support (once price has crossed the EMA and signals that it is going to continue to trend either up or down). This way, you can focus on catching smaller, higher-probability moves while you learn, graduating to catching the bigger moves once your confidence and skills grow. Of course this means you won't get into trades/trends as early as Alan does, but there's no reason you can't become a specialist and focus on just one part of this great methodology
am I correct in my understanding that bull support is defined by the following three conditions (and the opposite for bear support):

Price has closed above the EMA
A downward bar prints (but doesn't close below the EMA)
Then an upward bar prints next

The normal thing to do is to take a first entry on a div before it actually crosses the EMA then a second entry after it cross and then retests. The retest is the second entry. If it closes back across the EMA then I close the trade as a dud.

With your ABC drawn simply select the AB line and the hold down Ctrl to make e a copy of it and put this on C At what exact point do you enter after the retest? Cheers

When it closes Inference on the hour was a div. The div should return price to the EMA so on the 5 min we short the div at the top.

On the 5min it crosses the EMA and finds support (2nd Entry and the bolted down to the target. This brings us to moves within moves and the relationships of all the things I have shown. How they fit together nicely and why we don't need any more stuff on our charts. Why news does not interest me at all. The charts just about always telegraphs where price is going and why reading the messages in the language spoken is so important.

Just look, I mean really look at the chart below. The green zone presents us with the primary target. We see price bounce at the 50% level which on the RSI was the top of the triangle and an RSI div.

Lower time frames were giving short signals and at the blue box was the 15 min signal giving us a target of the 4 hour EMA. The bears could not find support below the 1 hour EMA and closed in a bullish RSI div. From there ran all the way to the 1 hour target to close the week.

Now we see the 1 hour is again in a bearish RSI div so we may see gappage short over the weekend.

All or this stuff I have explained in past posts.

Then we get some minor moves where we had no signal on the one hour. These are important too because they are simple retracements but in real time cause us much confusion. For example look at the horizontal levels of the triangle All three levels of AB and C were ZOO points to consider. As is also the target D.

It is not easy learning the language of the charts and to throw in other stuff is certainly not going to help. The best way is to track price for yourself and work out why such actions happened and you will start to spot the reasons for everything. The Light Bulb Will Switch ON.

I have been doing this a long time and still miss stuff, we have to give it our complete attention. Look carefully at the chart and at the A point of the triangle can you see the HOOK.

If so, work out what prompted this retest of the Div?

How would you manage such a trade with your money and your daily objective?

It is not enough to see the signals we have to manage the trade to be winners.

I can't do this for you because we all have different objectives to achieve.

Consider Polly's situation having to make $25 for the day. It is about 40 from the A point of the triangle (being the bearish Div) to the expected target of the EMA.

How much must Polly commit to the trade to come out smiling? How could she handle the HOOK?You guys seem to be loosing the plot as to what this thread is about. Trading Between The Averages.

Divergences only play a part of the story, in fact you don't even need divergences. I would be keeping an eye on the 5 min watching for the failures to make HH's and the success of making LL's (averages) at the appropriate time of day (108).

We would then be able to measure the distance left to reach B and set our money accordingly. By the way that was a 1m chart with all the EMA's on it so I can readily see the target levels. This is a separate 1m chart than my normal one
For bear support, one bull bar is enough for the two-bar-test. My question is about ABCD pattern. Could you please post couple of examples to clarify the moment about the attack of one pivot to another one. Thank you.

OK here on this 15 min chart we have two examples but they are different. This is going to be a little long winded so make a copy you can study until you get it down pat.

Consider !. C has crossed the EMA which is the same as the RSI 50%. B is lower than the attacking pivot C. So we have conflicting BC lines between the Price and the RSI. Many people refer to this as Hidden Divergence which I totally disagree with.

I would prefer it called a Continuation divergence because that is what the outcome is supposed to be. It continues the trend. It also forms the ABC triangle and this gives us a target price to aim for. Target is always C+AB = D or in a bearish situation C-AB = D.

As you can see from the example it was exactly correct.

However there is a lot more going on here than just this simple illustration.

Look at the relationship between A and a. Clearly we have a regular bearish divergence which is supposed to take price back to the average, which it does. But before it makes it we see a retest of the div in the form or the Hook H. The Hook usually produces an impulse bar and it does so here back to the EMA.

This next bit is very important to note.

This is a loading zone where we try to get our lots on in a safe manner. We are expecting the trend to continue so we load up with shorts! This may seem counter intuitive i.e. expect long and load short.

We short the bear div with trade 1
We short the Hook with trade 2
We try to get trade 3 on before we reach the EMA.

We advance our stops to limit our loss to a minimum.

At C we note the continuation div so we need to hedge all the shorts we have placed and would close all these shorts when price returned back across the EMA in the long direction.

We have safely loaded the trade with very little risk and have now made a profit and we have changed direction to the long trending side. At D we have doubled our account.

At D we note we have a Hidden Bearish Divergence so here we could have hedged our hedge (which we close) had we not made enough profit because this should return price to the EMA once again, which it does to give us the green B.

At this green B we could have hedge again because we note it is in div with the red C. I don't class this as a continuation div with a target hence not an ABCD because both pivots are on the same side of the EMA (or RSI). This time it shoots way past anything we would have regarded as a target to the green A and all the bearish divergences it made on this journey failed to do anything.

Finally we arrive at the green A where we have an RSI div returning price to the EMA.

Again C is in divergence with B but again both are on the same side of the EMA (or RSI) so we don't have an ABCD target just a bull div. In fact there is no clear line of sight to B from C on the price chart so on the RSI we see a bullish RSI div.

This is a lot of information the charts are telling us and no doubt I have skipped a bit. The point here is to learn what the charts say and get the money management on your side of the equation. Take nothing as a single context, it is only a part of the whole and for goodness sakes look where the EMA is trying to get to.

There are no theories here at all, we simply interpret what we see and trade accordingly.

Remember to load in the opposite direction you are expecting price to go and hedge it in the correct direction.When the price gets across the EMA and closes we see it is conflict forming an ABCD however it then pushes on a tad before it actually makes a pull back to form the pivot. I think that is what you are saying.

If this is the case then price has formed a range for the target to reach being from that first close to the pivot. I always look for price making the least target, that way I won't be disappointed if it reaches the largest one How do you define the "attacking pivot" and "attacked pivot"?OK putting the ABCD aside as I don't regard this as one, both pivots are on the same side of the EMA.

Price is trying to climb and the next highest high to pass which is A. Price is currently at C when it runs into divergence with the RSI.

Therefore A is being attacked by C when it runs into divergence.

I cannot think of a simpler explanation.

At no other point does it do this so it is not debateable.Now in the example post of mine which you listed I was simply trying to show the point where price runs into divergence with the RSI. I don't actually regard that as being an ABCD because they are both on the same side of the EMA. However it does introduce the concept of a div having a target price albeit many of these types exceed the target.. It seems counter intuitive to load up in the opposite direction to what the trend is doing but it is the safest way because you are always expecting the signal to come that resumes the trend and that is where you hedge with all the lots you have thus far placed. Once the hedge begins to work you can remove all your loading trades for whatever profit and move the stop for the hedge to break even.

Now you are all in and in the correct direction to make the big profit you expect I am more of a scalper so I tend to keep the stops tight, and I often exit early (like today). But at the end of the day, the most important thing is to get your stop to BE+1, that is the most important aspect of any trading method, to protect your capital.
Price pivots, impulse bars, price structures, the EMA line are all good places to hide the stop behind. In general, put the stop where you want out of the trade if price reaches there. And when your trade gets near to the target, tighten up the stop, maybe within 1 or 2 bars, no need to give away more than you need to the market.Exactly and move the stops where and when entry signals are given in this case the short signals. In other words we are treating the stops as entries locking in the profit as we go Price has climbed above the EMA swing so it cannot possibly find another ABCD here because both sides are on

the same side of the EMA.

That is not to say they can't meet with divergence just not the ABCD type.
here is a 1H chart for study.

You should be able to work out where the signals and targets are. The signals would all create ZOO points for trading considerations.

At the present this chart is in the process of forming an AB = CD and if it does break long then it will make the HH and drag the EMA to a swing HH also.

Note how I use the Quartile tool to find these AB = CD's.

If traded the entry is at the 50% with a stop at the 25% the target being 4 Quartiles making it a 1:4 risk/reward. for those still struggling with the ABCD triangle.

Clearly you should be able to see when the price closed above the EMA it was higher than all those pivots in the shaded box so A is the next pivot we look at.

Drawing a line from A to C and then comparing this line with the line drawn on the RSI for the same points we have the conflict we are looking for. A is on the underside of the average but C is on the topside. I keep saying that C does not have to be a pivot.

Now the next time a similar thing happens with the red line X to Y at the target point of the ABCD. This is just a regular bearish divergence to attempt to take price back to the EMA, which it did.

If price can cross and find support then we have a downward situation. If it cannot find bear support then the chances are high that it will make the HH than the divergence. To plot just how high we can use the AB = CD to give us a target.

So we have two types of divs looking very similar except for the difference being the EMA, opposite sides = ABCD, same side = regular divergence.I keep telling you there is a difference between a divergence and an ABCD divergence.

Can you not see that one straddles the EMA and the other doesn't.

There was also divergence at the B point sending price back to the EMA. This was met by the div you are speaking of which failed to make a LL.

Look at this 1H chart there are short divergence's all over the show but they are not ABCD's because the A an C pivots are all on the same under side of the EMA. we had observed a top (A) in the history, and this top is under EMA, when the market opens and trading happens, we see a bar (C) that closes above the

EMA, but at this point of time, the price is still lower than A, whereas RSI is already higher than the time at A, therefore we can search for the lowest RSI point between the time A to C to identify B, and draw our ABCD div. And of course, at this time, we don't know whether C is the best point to draw the ABCD div, as the next bar may also close below A (attacking A) and above EMA and RSI is still higher than A, and if it does happen, we can update our old ABCD div drawing.If that next move is still in the same div with A then a range is made for price to aim for. I usually take the lowest target to be on the safe side.Here on the 30 min chart one has just completed in the short direction.

Things to note are...

A was a bear divergence, a good ZOO point to consider.

This was followed by the HOOK which in this case was a hidden divergence.

C was right on the EMA when it ran into divergence with B. Completing the ABCD

Price paused at the 50% level which is regarded as the quite time of the market.

The start of the Asian session completed the journey.

Thing to consider... Because C was exactly on the EMA we would have to consider this may have just been a regular div and thus no particular target level. , point A is always the next pivot being "attacked", as Alan would say, or approached by point C.

Point C can be a pivot in the 1SMA, or it can simply be a bar close.

The 1SMA is used to clearly show the pivots in price, like a line chart.Today on the 1 hour chart we see another ABC triangle where.

C is higher than B on the price and they are on opposite sides of the EMA.

On the RSI we see C is lower than B so we have divergence and can complete the triangle on the price chart.

Then we simply copy the AB line and place it both above and below the C point of the triangle to give us D the target destination. A hook is simply a retest of the div level. Often we may enter on the div and then try to get more lots on aiming to make the EMA but we get caught by the hook retest and this scares us out of the trade. Only then does it perform as we expected bummer hey!

It is only that I don't trust them when they are on the same side, sometimes they make the target other times they shoot way through it. You can still trade them using the ZOO points and trade the lower timeframe then.

All the time look for the inference on the higher time frame, look for the possible target level then trade the lower time frame in the direction you feel the inference is telling you. Even this is dangerous so we put the odds in our favour by testing the waters with a small trade and build on this with additional trades as we become more confident the trade is moving as planned.

In this fashion we are always aiming to put the odds highly in our favour for a large win with the minimum of risk it's interesting that price turned around in between the upper 50% and 100% ABCD levels. In other words, it passed the 50% level but never made it the full distance.No it is not unusual... Remember failure is what we look for. See how the Bear div turns it back to the EMA If we don't keep pushing with a 1,2,3 entry at every opportunity we seriously impede our chances of being overall winners.

!:! or 2:1 even 5:1 is just not good enough we should be striving for 25 or even 50:1 returns. A quick way is to place a 10cent trade for ten minutes so you have something to work with for the numbers. ie 10cent trade costs xxxx, 10cent trade won/lost xxxx for whatever pips. Now you can find the value for 1 pip at 10cents or a micro lot.The averages are resistances both top and bottom, not supports I missed the trade because didn't expect such impulse upbar.

Will try to make some on the retrace back

Here's a tip for you...Place pending orders don't wait for moves my basis is in the equilibrium swings.
When we get a 50% retrace then both the bulls and bears are in equilibrium, then we see the swing in sentiment from one side the other so AB = CD where c was the 50% retrace.

The ABCD is a tad different because this is a swing in strength where ABC forms the triangle and AB becomes the target distance try to follow the convention of A being the Apex or top, B is the base or bottom, C is the contested level and last D is the destination or target.Weakness tends to hog the line, strength tends to put some distance between price and EMA I suppose a good warning is appropriate here for traders not to marry trades, when things go wrong they go wrong big time..Fairly classic picture we see here.

Bears failing to make lower low averages but bulls making higher high averages.

Note how accurate the averages are at forming resistance levels as the price action drags the average around by its nose.

If you are not trading between these averages then you are missing out on heaps of trades and money How many times do I have to tell you when it fails in one direction it attempts the opposite.All you need it to pay attention to the averages and what they are doing. Price will then do its thing to make it happen.

Look at the darn chart and see the average is trying to make the HH so the price makes the next level to pull it up there.

This infers you should be looking for longs on the lower time frames. It is not rocket science. If you get it wrong then you lose ten pips, so what.. we are simply looking for signals on the higher time frames to give us directions to trade the lower time frame.

We are not interested in getting huge numbers of pips, our money management takes care of the huge profit instead should remember these wise words: when you see a div that does not get back across the EMA it is a good sign the move will continue in the original direction, and it did. Here are a whole pile of 1 hour ZOO points for your consideration.

The idea is to recognise these then drop to the 5 min chart and trade the directions. Obviously if the trend is down and we are trading below the average then the shorts will ultimately pay more as they continue to make LL's.

Note how the divs at 5. 7, 9 and 11 never made it back across the EMA so price makes LL's.

5,8,10 and 12 are continuation divs, without target other than probable LL's.

2 was a regular bear divergence putting a halt to the bull support (1) This bear div did find support but not before the threat of the hook at 3.

Lastly (I think) was the HD at 5.

All this time we are watching the decent of the EMA as it attempts to make the LL which it did do.

Can you see how the two bar teat fits in here. The only problem one was number 8 with a nasty hook threat. This threat would have been dealt with on the 5 min chart.

So a nice bear trend for this last week and the target levels all have been reached. Trade on M5 but always have M1 open on a different screen. I use 3 screens, always have M5 and M1 open and then switch between other time frames as necessary on the third screen same here, 3 screens, one for overvieuw and ff, other 2 devided H1/M5 and M15/M30, hardly looking at M1;just remember that plus or minus element.

For example it may be that the retrace fails just short of the 50% but we always measure the CD from the 50% so there is often a little bit to add or subtract from the target.So A and B have to be a pivot, C does not have to be a pivot. But A must be the opposite side of the EMA to B.I finished off the chart with the AB=CDs. I am still astounded with the accuracy of this system, only 2 pips to the yellow bar!! Amazing

I know the ABCDs are even better, I am even more amazed by them. I used the 1 minute chart to find the clues, there was a bearish div at 7pm GMT on the M1 marked in yellow on my chart. The H1 already had a bearish Div at this point, I went short here with half my position. 25 minutes later just before the drop there was a bearish HD marked in magenta on my chart, again on the M1, Went short again with the other half of my position and then a few minutes later the drop happened.

At the end of the drop I took the bullish div off the M5 to take us back up again Also watch for those averages failing to make HH's or LL's The EMA on the 1 is a 130 period making it the same as the 5 min 26 period. The signal formed and then the bulls FOUND support to take it long to D

You can just see that on the previous one the signal formed but it was the bears that FOUND support to take it short to D. when we see a failure like this we do not need to see the opposition find support, they often just go like a bat out of hell so be wary of this type of event because it is easy to get stuck on the wrong side.

Remember it is the average trying to make the HH. How do we trade such failures? It's not possible to detect a failure except in hindsight. So, I'm confused about how to deal with these?

You are taking your eye off the fact that the EMA has not made a LL. Ignore the ABCD if the price turns to stop the EMA or at the very least hedge the short and allow the short to be stopped out in favour of the long hedge.

Also on the 5 min there was bullish div there so this becomes a ZOO point to trade the 1 min long. So two bar test the 1 min so you have a short stop.

When we make multiple entries beginning with a small toe tester we have little to lose and build the trade progressively to maximise the profit I know news is affecting price. It is the effect I trade and the signals within.There is nothing magic about this. All that has happened is the sentiment between A and B was being contested. From A both the long and short traders were in profit. From C the sentiment began to change and swing in favour of the buyers and to maintain the equilibrium the distance CD is the same as the distance AB. A long distance move of some 250 pips.

The sentiment change has to be measurable else we would not be able to trade it. We see these measurements in the RSI and the average. These are all the tools we need to get the job done. (remember the 26EMA is the same as the RSI 50%)

Once we have established our ABC triangle we can then start to look for our ZOO points and trade in the direction of the trend and scalp against the trend and continue until either our profit target is reached or the chart D target is reached. The market is fully aware of what is happening, the trader has to be fully aware of the market. We need to see A and C on opposite sides of the EMA. Or B and C for that matter

Look at all the divs on the 4 hour failing to do anything. This tells us the price is heading somewhere

We never know where A and B are until C forms, which is the current price action point (CAP). With this in mind we can speculate an outcome if C makes a certain point. It may not happen but we prepare for it to do so.

We can always see which pivot price is currently attacking so this may cause us to shift our A and B so we are reading inferences into the chart all the time and adjusting accordingly.So for an ABCD it should be like this:

- A is always higher than C
- B is always lower than C
- A and B should be on the same side of EMA

- A and C should be on different side of EMA B and C on different sides also as in the triangles marked with an X here.

Remember that if they are on the same side they are still divergences but not of the ABCD type It is just plain commonsense.

Are we trading above or below the 1 hour EMA? BELOW
Do we have a target based on the swing of sentiment? YES
So looking at the 5 min chart we should be SHORTING anything we think is overbought or bearish with divs or even bouncing the EMA..Whatever. On the 1 hour we have the regular div and price had not made its target by a pip or two. So the bears are trying to stop the move sending price back to the EMA and indeed crossing it. But the bears could not find support so the bulls win the day taking it to the target at last.

When we get divs like this on the 1 hour a two bar test on the 5 min should get us going in the correct direction.

I didn't have the magenta signal you show because both pivots were on the same side of the EMA to be an ABCD although it was indeed a div.

By being flexible in our trading and recognising the power struggles we should be able to change direction anytime we feel fit because we don't care which direction our pips come from as long as they end up in our account. to find the pivot B we look for the lowest pivot on the rsi, hope its clear Note the condition of the EMA... Each time the bulls tried for a HH they ran into div stopping them and the bulls made the LL.

We have to watch for these failures of the EMA they are of major importance to the whole process of price action. The point is we have to watch the 1hour chart for our direction and trade the 5 min in that direction. If you cannot find a new ABCD use the opposite side of the last one. i.e. D2.For me a scalp is just 1 pip of profit which I call break even.

A hedge is a trade placed equal to the sum total of all the lots I am hedging so it is normally of far greater size than a scalp.

All trades begin as scalps, it is the progression that makes the difference. A scalp may or may not turn into a trade. The money management takes care of this..

Let me assume here that everything is done wrong and the trader is trying to profit from the longs. i.e.. the Bull Divs below the EMA.

1) Is a bull div and a long is entered. The expectation is to cross the EMA and the bulls to find support. As price approaches the EMA we move our stop to BE +

1 and 4 hours later we are stopped out.

2) Again a bull div, same expectation, same result stopped out for BE + 1

3) Again a bull div and a complete and utter loss.

4) Again a bull div but we have no entry because we are still losing number 3.

Never add to losing trades.

5) Again a bull div and it was threatened by the hook but we are ok so far.

When price approaches the EMA about X we move our stop to BE + 1 The rest is history as the trade takes off.

This is a winning situation even though we did everything arse upards by not taking the shorts This is why we have a money management plan in place. A and B are simple the swings we do not know yet if they are to be AB = CD.

So we watch for the pull back approaching but not crossing the 50 %.

We look for the entry there and our stop is the other side of the 50% i.e. very tight.For these AB = CD the stop remains in place until the target is hit.

To get in at these 50% levels drop to the 5 min chart and look to go long there, you will be surprised at how tight you can get these stops making the risk/reward well worth the effort.

So the 1 hour sets up the ZOO point and the 5 min provides the entry. The stop is just below the 50% and the target is AB = CD.

These are very common moves where the sentiment has swung 100% from C (50%) Watch for those divs that try to stop the average and turn it. Remember this is the open and we expect good movement so once below the EMA we are short.

There is a good chance bull divs are not going to work in a bullish manner until we get where we are going so instead of making it to the EMA they make LL's instead.

Now if you are worried about them at all you can always hedge them however you have hardly made much money by the time the 1st one sets up after the hook so better to just move the stop to BE.

For me I am not looking for divs at all at this time I am looking where it may be going and for the signals that may take it there.

You haven't got the horizontal levels of the average swings on the chart so this makes things a tad difficult to see.I saw you draw 26EMA Average swing High/Low line and also Price Pivot(low), I wonder, as a trend reference, which one prevail during your trade entry/exit?It depends which side of the EMA price is currently trading on. If on the top side then look to those average swing highs for targets of price. If on the underside the opposite applies.

raditionally we draw divergences between Price pivots and RSI indicator, however you've drawn divergences on double RSI, and also Price pivots vs RSI (14), any significant differences between both of them?

They are both types of divergence.

Plus we can spot the hidden divergence by using the RSI with a history attached like this. The outer black line is the history the red is the actual.

If the black does not get above the red but the price does then it is a bearish HD.

If the black does not get below the red but the price does then it is a bullish HD. I gave far too much weight to all those divergences against the trend, expecting a reversal. That gives loss after loss. Now I read the chart with a helicopter view: what are the EMA's telling me? Swing highs and lows? What is the trend on all timeframes (trend reading buy EMA swings). Where are the ZOO's?

Success in Trading = knowledge + experience + hard work. So you can see, apart from the entries, the measurements I have made to the 1 hour EMA and to the swing low EMA of the 5 min.

This tells me I have a good chance of getting the required 40 pips and more if required.

Remember when the EMA id going to break one level price will reach the next level. Which it did.

Remember when the AVERAGE makes a LL price will reach the next level. Both ABCD's and AB = CD"s are the mechanisms for making these targets. The H1 EMA is making lower lows, and price is below EMA, but there was a divergence yesterday, so expect price to move back across the H1 EMA. This would give me a long bias.

Expect Price to go to the EMA. Possibly it goes through.

If we then get a bull support, we are long-biased. As long as I don't see the bull support, I am cautious with Longs (I don't say I never take them). guess you talk about lower TF charts like M5. Indeed I only draw div's there which are relevant to the 108 bar.

Next to that when I enter my computer in my morning, I draw all the EMA swing high/lows. I prefer to do that manually, so its development is printed in my head.he downtrend given by the H1 is clear.

So I look for shorts .... on a ZOO.

Guess what... daily target reached.

It doesn't matter that you have a few tight losses as long as you make them on important spots on the charts. Just don't trade every divergence you see.

During trading my door is closed, telephone is out, email doesn't exist.

Everybody in the house knows that I am at work, I am only available if it really is needed. for me thats not a valid ABCD for some reasons; the main reason is that if you connect your point A and C with the RSI14 they aren't in divergence, A and B should be on the same side off the EMA.....

An ABCD is a triangle based on a continuation divergence and there is no divergence in yours. After a Loss, I watch for the next setup at a ZOO.

And if I am not happy about my mindset, I walk away. A proper long on the 5 min chart would take a ZOO point on the 1 hour chart.

There is nothing wrong with trading like this but since mostly we would only get first entry trades it would require us to get some 230 pips in total.

Approx:

1st entry trades require a 230 pip total.

2nd entry trades require a 77 pip total

3rd entry trades require a 30 pip total.

All the time managing the stops to limit risk.That is EMA(78) which is 3 x 26 and thus equals the EMA on the next higher TF M15.I had the same fight against fear. I had to limit my funds to 35 Euro so I could invest time seriously, instead of serious money.

As soon as I was getting consistently profitable, my account grew in six weeks time to the level I wanted. Some trader friends from this thread gave terrifically advise like:

"I have a few absolute rules that I stick to, like never countertrade in a strong trend, never add to losers, step away for at least one hour after 20 pips down, never move a SL away from price only towards BE, and a few more. And if I break any of these absolute rules I force myself to quit for the day.

I also have a rule of not trading when upset or emotionally unbalanced

"From what I see here I think you need to compile a trading plan with all your rules set out for the different scenarios to prevent this from happening. A brief example of the technicals for this scenario would've been:

Short trades: within a short HTF environment first trades are taken with every bearish divergence after xxh00 (RSI, regular, hidden) at x lot size. Second trades are taken after price is in favour and upon 2 bar test or subsequent divergence at y lot size. Third trades are taken upon favourable price movement, divergence or passing a price pivot at z lot size.

Stops are set to $x and moved to BE when $y in profit. If stopped out subsequent bearish trades are taken at x+y+z lot size upon divergence....etc

Hedges are taken.....Today before 108 bar Price came into a Zoo (Zone of Opportunity) from Sunday night (H1 chart).

M5 showing divergence within both RSI's.

I Sold with a 3-step entry, 3rd entry a bit late probably. It worked. Reached my daily target via profit taking, bounce on M1 EMA, hesitation, and re-entry.

Nala?s on my (very small) list of best traders I know, and I?m not a newbie.

Here?s a PowerPoint summary, of the key concepts from the first 10 pages.
In my understanding: trade between the levels of the HTF, enter on the first half, on the LTF. how to manage the SL off that second long, I first set it to BE +1, then after that pullback i placed it there and got stopped out. Do we let it at BE +1 and going for the target, next swing H1? afk

A few notes on that.
I don't see that second entry as a separate trade, you are just more or less Long from that terrific Buy entry from the bottom (Well done!) So a BE+1 makes no sense to me.
Alan mentions he takes 50% exits which would have been executed. I doubt he will do that in this case.
The exit you took, a tiny bit below the noise, is almost asking for that to occur, which it did.

I suggest you draw EMA swing highs and swing lows as horizontal lines on your chart. You would have seen that M5 has 3 of such lines around current high. M15 has an exact swing high there..... time to get out of your trade! That's something like 30 pips from your first entry.
Check the exit of my short and several other exits which I posted lately. often at such highs and lows because I watch the swings and other S/R carefully.
Then check if (if!) you want to buy again, cheaper. the inportance off levels

needs te become clearer in my mind, have to remember that divergences only are the mechanics to get to those levels and divergences around those levels needs to be respected. Lesson from today is that there was a bear div at H1 but not yet at a level, the M5 touched that level in divergence and that was the entry.

But we should of been looking for long s as we were above the 26 ema ?

It is difficult for me to comment without charts for examples but you are correct to be looking for longs, however the situation changes when confronted with a div or several of them on the 1 hour chart. These would be ZOO hedges or scalps to the short side against the trend. All turnaround trades start off as scalps or hedges and develop into full blown trades.

Had anyone gone long at the 108 then they would have been stopped out for no loss having moved the stop to BE+1. The same thing would have happened even if they went short BE+1.

Then they may have shorted again on the 5 min div and again been stopped out for BE+1. Finally the 5 min price reached average swing high and this was the trigger to short again and paid the money.

The point is that with the money management in place we only lose a little if anything at all by moving the stop. By sticking to the plan 100% would have easily been achieved, indeed much more so even the past losses would have been made up FOREX is dead in Germany, not only that it is extremely dangerous, the German government passed a law where they will tax your losses, LEVERAGED. Meaning you could be trading a small 10000 account with the normal leverage, and end up paying 50000 taxes even being profitable at the end of the year. please read in detail all the information available on the internet about the law that already passed. You could easily end up losing your house, if you trade frequently, with high leverage, and even ended up the year with a nice profit I just want to say before the weekend starts, that I developed a deep understanding of the GU moves by studying the EMA26 swings and bounces on TF's between H4 and M5. Last two days in that tight range, then that move up to the M15 EMA swing high in div's made the finished business and started the move down. From there amazing to see the Bears found support on M5. I am trading quite cautious on small risk but I double my account in two weeks. I can tell you my best month was 700% with very sound RRR. And I know it can be far better, also today. Allan wrote: We don't take HD on the close, we take them when they actually run into regular divergence. And then they snap back.

This gives us a very good entry price, at a ZOO where we expect price to go in our favor. If we are wrong, the risk can be super tight, especially with a 3-

step entry (meaning our first position is at 1/6th of the lotsize we normally would take). I have an issue with that regarding getting kicked out at BE+1. In fact this is something where I would love to read Allan's comment.

I do understand this helps to limit losses. But I get the strong idea that 'they' know that too and 'they' are specialist in finding liquidity at that BE +1 spots. These are so often the 'hooks'!

This makes me ask: why would my precise entry be that important to exit a trade +1pip? Isn't it better to just check Price itself in chart context? My answer strongly tends to be a Yes. Apart from the shorts much earlier in the day take a look at these two longs 1 and 2

We see on the 1 hour chart we have hit a level and we see a bullish divergence there. This means we should be looking for something to take it long on the 5 min since we have a ZOO point.

Now when we look at the 5 min for scalp 1 we see we are at an average swing low level and we also have a bull div, on the 1 hour we can see there is a nice distance back to the EMA so all in all worth a punt and we enter by putting our toe in the water with our first tentative entry.

We got a tiny hook but our stop was safe and we would be whistling Dixie now hoping the price would cross the 5 min EMA and as it approached it we move our stop to BE+1 and get ready to place our 2nd trade. BUT alas all was in vain as price failed to cross the EMA from a div that means a lower low is on the cards which happened and subsequently stopped out the trade for no loss.

Then we come to the next scalp number 2. Same entry on the EMA 5 min swing with the same inference from the 1 hour.

Again we have a div also at this level, we get the hook but again our stop is safe and this time we do whistle Dixie as we do cross the EMA and entry 1 is safe and protected by the stop.

So now we know where we are going... 1hr EMA

We need to get more entries on namely number 2 and 3.

However we are now on the 5 min chart so look to the 1 min for these entries.

This is how we play the charts until we reach our target point. These levels to the short side are smallish better to wait for a 1 hour bull support where we can see much better I am at least 30 minutes before 108 bar at my computer to check the overall chart from Daily (even weekly) down to M5, study Asian session and from there on define the ZOO's and make a plan.When below on the 1 hour we should be looking for shorts yes, but, all things come to an end and the div you have is going to send price back to the EMA so if the distance is

worth it why not take it?

You haven't put the average swing levels on any charts here, I know not why

since this is a major point of the whole system.

It is a combination of all the elements I have described that enable me to read

the chart events. We cannot just use 50% of the alphabet to decipher a book.
I am glad this came up because it helps me to explain why hedging is important

to build the trade to maximise the profits in a very safe manner.

On the 5 min chart we see at the top a div where the 3rd hedge was taken. This

was the swing average of the 1 hour so we would be expecting a short there

being a 1 hour ZOO point.

So if the price is going to swing down again there is little point in holding

onto the 3 long positions we have tied up in the trend up.

Our third hedge has moved into profit so we can close the longs and place a

stop to protect the hedge

Now the hedge has become the primary trade and we have all our money tied up in

it SAFELY. We still have some money left because we made a profit from the

previous two hedges and have made a tidy profit from the 3 long entries.

The 3rd hedge moves down and makes up any shortfall for our profit target. We can keep this up indefinitely if we wish, constantly hedging from one direction to the other and can even increase the value of the hedges with the profits collected along the way.

We see on the hour the direction did change and we are at the top of the tree with a bucketful of money short. We can add to this both from profits realised and the equity built into the current winnings..

These short trades would become spread out again and would then be grouped together again with a long hedge at the bottom and as long as you can keep your eyes open you can continue with this.Putting this altogether we get...

1) The 108 start
2) Trading below the 5 min ema
3 The 1 hour target distance

Though the trade started quite choppy, this is not unusual and several entries could be made via the 2 bar test in the early stages on the 5 min chart.
A 2 bar test can help you avoid some div failure. Also remember than when a div fails to pull price to the ema, we can expect a lower low or a higher high
1) We only look for hedges when we feel we are not going to reach our profit target and feel threatened that our trade is going to turn back on us. Of

course we can simply close the trade and re-enter in the opposite direction but what happens if the trend we started with continues, we would be giving back our profit taken. The hedge gives us breathing space, insurance and groups all our entries into one level on the chart making it a very safe thing to do. In other words when in doubt, hedge. I wouldn't ignore a div but that is not to say I would take it, the inference was for the 1 hour to go for the EMA so I would not be looking to short these on the 5 min, if I get stopped out, too bad, but I wouldn't have lost anything.

2) There is no point in having stops when a trade is hedged. It doesn't matter which way the price moves from that point on the profit is locked in and remains the same. Our task is to decide when to close one side or the other manually., the lines stay on until the current EMA swing breaks the previous EMA swing. For an EMA to break a previous one PRICE must certainly do so and Price tends to make the next level/s.C is attacking A on the opposite side of the EMA so we have divergence forming the ABCD Let's assume we managed to get five trades on going short but they are spread out somewhat. We need to get them bunched up so at the bottom where Huskyboy went long we place a hedge equal to all those short trades we had on.

Now when the hedge gets into profit and starts to move in our favour we can add a stop 1 pip above the hedge entry and then close all the shorts for whatever profit they made collectively.

Thus we have change direction safely and made a profit. Our hedge has grouped all the trades into one and is now paying dividends with all those collective lots. We can now close the hedge whenever we feel we have enough money.

Currently this has gone 70 pips and that would be multiplies by a heck of a lot size. I'd say that's a bull support. I zoomed as much as I could and it seems it closed upside the ema It would seem many are still having chart reading trouble, no problem I realise it takes time and study so if you are stuck just ask.

One thing that will definitely help is to make a study of the session and try to work out the particular events that happened. Then make a collection of print-outs for referencing. You can also write your own text to accompany the chart so when you read back a month or two you will find you are seeing the past in a different light because the light bulb turned on.

Below is an example of such a chart with the things we are keeping an eye on.

The text would read something like...

1) Bull div at B... Two bar test got me in with stop just below (This was also a bull div on the hour chart)

2) Not much of a hook testing the div.

3) Crossed the expected EMA to form C. Now we have the ABCD and can project the target to D

4) Bulls found support, so now we feel more confident.

5) Paused for a while at the 50% level allowing the EMA to catch up with the price.

6) EMA made the average swing high and the price hit the target D

I have put a box around the section of chart for reference and other things I like to note are the time it takes and what was going on with the RSI.What you have there is a regular bullish divergence at that bottom spike.

This returns the price to the EMA whereupon it crossed and formed the ABCD giving us the target of D.It is just about always the same. Starts with a div, then an ABCD to give the target but we must always be mindful of the 50% level

There we go bulls couldn't find support and bears changed the direction down to the lower D target...amazing huh!

The EMA has now made the LL.Divergences are more likely to fail or not return to the ema when a recent higher time frame supports have been found. When supports have been found this is where the balance changes from bear to bull and the market takes off like a rocket usually.

If you look at the 4 hour where there is divergence at the bottom, that was the bear's failure to drag the ema below the previous hump. The divergence sent price above the ema and then bulls found support.

So the failure for the ema to go lower than the previous hump, the divergence that crossed the ema and the bull support found all say the trend bias is up at that time.

Both 5m and 1h are trending above the ema so any sell trades would be counter to the main trend and should be considered as a scalp.

If you look for the 5m divergences in the direction of the higher time frame signals along with a decent target to aim for, these are the trades that are likely to gather momentum price projections M30, 50% level is the same as the last price low on the H1 more important to me was the M5 EMA and M15 EMA swings going for LH and LL and he H1 EMA direction being solid.

What the EMA's are doing is what I keep in mind.

Plus I am aware that 'they' wanna sell expensive and buy cheap.

Tight stops!When we look back in hindsight we all see the zoo and the divergence that was the exact point where the market turned. So I guess what the underlying question is which divergence is the one to take to pick the end of a trend when divergences and zoo points can fail when making decisions in real-time. If we look at a chart there is a divergence then a support and then a trend, at times a hook in between the div and support.

This is a good example on the 1h where there are 5 divergences that haven't done anything. On the 5m there were multiple divergences with 2 bar entries. So plenty of signals to go long. Now on the 1m out of all those 5m and 1m divergence during the 5 x 1h divergences, there was only 1 instance where the bull found support but only for a short period of time.

Every divergence needs to be looked at for what it is on each occasion and we don't know which one it will be exactly within zoo's. We can only gain confidence when the 1m completes and hold each stage as we adjust our stops accordingly. The stages are a divergence, a hook if one, an ema crossing, a support creation and then price making higher highs. The same goes for the 5m and upwards.

So when these higher time frame divergences happen just have a look at the 1m for the supports in the other direction to gain some form of certainty. Even entering on the 1m support can give you good RR with your stop just under the support with the higher time frame divergences. The trend is down so why look for bull signals it is the bear signals you should be interested in and yet you have none of them marked.

We only look for the bull signal when we a possible ZOO point on the hour chart. We can see on the hour chart that the bears are still continuing to pull down the EMA so there are no longs to even consider.

You will always get lots of bull divs on the 5 min when the 1 hour is trending down. These are not what you look for, look for the continuation divs with your test lines on top not below as you have them. But recall the reaction of divs, they send the price back up to the EMA to look for support on the opposite side. If they fail then the price will make a LL than the div. Therefor to prevent a significant loss we place a stop below the div until we can get it to B/even.The 1st one failed quickly so you get stopped out.
The second had a hook retest before moving to the EMA but couldn't find support on the opposite side...A lower low is coming
The third managed the cross, found support and ran to the average swing level.

Being stopped out for a small sum is nothing compared to the rward. Once the direction is given by the hour chart the multiple entries can be made in the direction via the lower time frames.

The process is simple. NEVER add to a losing trade, always COMPOUND a winning trade. This alone puts the mathematics highly in your favour for being successful If we are going to specialise in divergences then we have to consider beforehand what our options are.

Suppose the diagram below is a 1 hour chart and we manage to go short via the lower time frames.

As price approached the 1 hour EMA we may have seen trouble on the lower time frame so we could simple hedge and wait and see.

If price does indeed fail the 1 hour EMA then it is going to make a HH than the div level.

Alternatively if we don't hedge and just get stopped out we can recoup any losses with the HH   how do you write the ABCD projections like that on the chart?

Hocius I use trend lines on MT4 to draw the projections. To adjust the length of the trendline, select the trendline after drawing it, right click on it and go to trendline properties. Go to parameters and uncheck the "RAY" box. once i see a continuation divergence and A and C are at the opposite side of the EMA 26 i draw my ABCD with the MT4 triangle tool. I use the fib tool to project the D levels. I look at the 1 hour chart and ask myself where price appears to be heading, i.e. which swing level. For this I had the 3033 pegged from yesterday.

Then I look for the setup which can set the ball in motion, either a div, ABCD or AB =CD or whatever.

Look how it hit the D target in an RSI div but the bears failed to make the EMA crossing let alone finding support below it. So price is going to make the HH than the div. The very next logical level is the 3033. The next level after this is way up at 3153 so if the EMA is to pass the 3033 then price should hit this 3153 possibly tomorrow.

Once I have the direction and possible distances worked out I can then trade in that direction via the pull backs on the 5 min chart. i think you mean those dashed lines, just the fib tool set to 0/0,5/1/1,5/2 where the 0 and the 2 are the D-levels and 1 is the C As Long as the EMA is in a clear direction, I expect that a price drop from a high is profit taking and I expect 'them' to buy again on lower prices. So when I see those bull div's I don't close my Buy position at BE+1 but instead close the Sell in profit, meaning I join the Buyers. When price finds support it is a fair indication it is going to run to the respective target... In this case bullish off a bull support When you manage to get the many multiple entries on a hedge puts them all in one level location so you have very safely loaded up the trade to the point where you are all in. Now as the hedge kicks in you can close all the primary trades and move the stop to BE on your hedge.

This means you have made good profits from the primary trades and now the hedge is making good profits also as a counter move progresses.

You are now free to hedge the hedge any time you feel it is warranted and this can continue as long as you want it to. The point being that there is now no risk at all even though you have all your money tied up in the trade. You can close all when you have made your profit target for the day..

I don't go to all that trouble once I have some of the markets money to trade with, I simply trade the direction and leave the trade alone until I get stopped out or make the required profit.The so call stabs or stop hunts as you call them. I don't believe there are such things as stop hunts these are just impulse bars to turn the EMA's. The reason they are so big is they have to make an impact on the average to bend it like Beckam.For me the good point of a hedge is that I have to stay active to make the decision how to go on. In that way it is different from going flat, which influences me by being less sharp. The downside of a hedge is that it costs spread + commission, so hedging a hedge is not something I will consider.

I do think that stophunts exist but not per se exactly as we have those in mind, after the fact being showed by a pinbar which took out a previous high or low. Btw, such bar does not effect the EMA. The more I became aware of the Hooks, I have the idea that the BE+1 exit is something many traders apply to their trade, meaning there is a liquidity node within recent price action (where the hooks occur). That's the liquidity they want to grab and that makes the hook. Which makes me question if the BE+1 exit is the best we can do and I hope you have an idea on this, Alan. I am still not sure what to think about this.

Talking about possible hook situations, I question myself often enough if defending my funds with the BE+1 exit is the most important and logical thing. Especially when we go with a small first position, the funds at risk is small. I just don't want to be a victim of a hook. "C" be the 1st Bar which is attacking the pivot where the RSI is in divergence So what to do today. First thing I check is the white charts.What we see is the Daily weakening a tiny bit. Yesterday a tentative HH swing is printed and today if it is a downbar, the swing low will be broken at least a tad.

H4 printed a LH and broke the swing low.

H1 made a clear LH and broke the swing low.

I will be looking to short the market, H1 target 1.2878 I am again amazed how all these elements fit together in a very precise system check your AD = CD. Your B point is not on the lowest bar preceding C So what did I mainly do?

I followed Alan's system imho completely.

Big weight to what the EMA's are doing

Plus understanding to sell high (buy low).

Try to get involved in a 108bar move and keep risk tight.

Rsi divs as explained by Alan are important but don't use them stand alone.

Zoo's...!!! Its all about breaking the EMA swing levels Kevin. When the EMA breaks below one level price tends to make the next level.The thing that can stop it is a divergence on this one hour chart.

I thought that was well understood by now. So, Alan showed the sideways stuff and his hands where blue from sitting on it.

Then we get a breakout, we should trade that direction.

I hope the trade you showed was not the only one you did.

From a breakout we should trade the continuation especially cos we had bear support.

If you want to trade the div's which you show, be sure to see them as a scalp into the M5 EMA. Initially not more than that. And the risk is low because it is the first position.

Looks like you didn't see the bear div forming which is a good Short setup on M5. Price even didn't reach the EMA, if it doesn't, be sure to close your Long position.

Good you had the Stop not big, but could have been tighter. do you mark all the EMA swings in the same color? And do you place them on different charts, like H1 swings on the M5 chart? Thx

Yes all same color, that does't bite.

I only draw them on their own chart.

I have 5 charts next to eachother and watch m5 m15 h1 closely What I do is I put a horizontal Blue line at the target level and write in the description box what it is for. I.e. Long term AB = CD. So when I mouse over the line I can read what it is for rather than trying to remember.

If you look back on the 1 hour chart you will see it started with a bear div 2020:01:11 2300 chart time and now we can measure it to be about 500 pips for the whole move.

I also make a note of this in my diary trading notes, hand hard copy written.

The whole concept of locating these AB = CD's is interesting to say the least because they do form levels we can look at in the future.

Remember we are dealing with the sentiment swings from one hand to the other forming equal distances of movement which to me is very logical.

To cut that sentence short I just call them 'Equilibrium Swings'.

Both the AB = CD and the ABCD are based on this very same concept.

However if life was that simple we would all be rich because during the battles we often see price action battling in the wrong direction and this tends to disguise the movements within the noise of battle.

We often see the market moving but cannot see the current reason why, it just appears to be random. However longer time moves are in progress and if we haven't made a past reference of them then they will remain mysterious.

Now perhaps you see why I trade just one pair. There is such a lot of work involved plotting and recording events on the different charts. To trade more than one pair it would become a team effort to get all the work done, a pointless position for an individual to put themselves in.

To get the charts all up to date I find it best to work it out at the weekend when there are no distractions due to price movements. This is where a diary comes in handy so if stuff is lost there is always the hard copy to fall back on to replace these important levels. I would write something like "level xxxx ref page xx' so I can find what I am looking for quite quickly.

On top of all this there are the EMA swings which let us know something is afoot and on a daily basis we can plot our money targets in the correct directions. The longer the time of the signal the more we are going to experience up and down movements within that period but the main impetus is always going to be unidirectional.

I find it all very interesting and trying to work out the concepts contained

within the movements and then forming rules for the relationships of these

concepts encompasses the whole field of study a trader should be involved with.

This is far removed from wave theory or fib theory or any of these theoretical

concepts, it is all about Equilibrium Swings which to me is logic. I

underestimated the inportance of the levels. They should be on the chart before

trading session starts.
I wonder Jazz, do you ever use pending orders?Yes, I use pending orders for the

3rd entry. So for our diary of events...

1) Following the AB = CD we expected a bull div to start a retest. We got that

and placed a long entry.
2) If the average is to make a HH than A then price should reach B for this

reason we do not short at level A.
3) Price made level B but was exhausted on the RSI and the EMA has not made the

HH at A. This was a close long and go short.
4) The failure in the long direction means that D is going to be tested by the

EMA. At this point we have no 5 min level so can refer to the 1H for it.
5) The EMA easily made it past D and price did run to the 1H level where we

exit and the job is easily completed for the day.

Note on my 5m chart I also have the 1H EMA. This shows me the market is strongly bearish and longs should be taken with care.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). As price pulls back to the 50% level C on the 1 hour chart it forms a ZOO point for us to look at on the 5 and 1 min charts, if we can see a short signal there then have a go with a low risk entry, then let the money management take over to make the much bigger profit.Try using the Quartile tool when you notice a retracement is happening. I find it dead handy for finding the 50% levels.Knowing the setup of the equilibrium swing we can calculate our profit and our potential risk.

The loading zone in the chart below is between C and B. This means we have to have the sum of all our trades on by the time we break though B so our profit divided by 46Pips gives us the required result.

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 x 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. There is nothing wrong with your ABCD yellow triangle at that point in time but I have been working on the theory that if is 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. 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. It hit exactly to the pip Also has anyone noticed that the 50% level was the daily R1 and the target D was the daily R2.

It seems to me that when these line up the move is more likely to get a wiggle on.I just noticed the cross and the recross to adjust the target levels, great finding Jazz. And yes this seems to be working 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. 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.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.

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 todays diary is to stick to the simple stuff and not try to get tangled up in the mechanicals.

The only thing I use the EMA for is to determine if it is just a Continuation Div or and ABCD. 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. Therefor 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%.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.
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.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. It is interesting to note however that the close of the 4 hour bar often gives a good signal at the lower time frame for an entry.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. 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

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.

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.s

you can see all my entries were on extreme prices which help to have less BE+1 exits.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!

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. but there was no signal on the M5

Now you make the M5 div more important than the EMA swings.

Price ended on M15 several Swing lows and on the M5 which you mentioned on

exact EMA swing low.
That with RSI being relatively on low values when you look to the left. can

we draw this AB=CD{image}

I wouldn't because A and B are not on opposite sides of the EMA so they are not

swings but rather a continuation I indeed focus a lot on Zoo's including the

EMA swings and EMA itself, because they should do what is expected: turn price.
Often an extreme is formed at the close of a bar so I watch these bars to get

to its close.
It sure has to do with this thought: I want to enter (e.g.) Long, ...where

would I expect the Sellers to take profit (=doing the same I want to do =

Buying)?
Because of the previous sentence, often it starts with a bit of a quicker move

over a bit of a larger distance. As it was at the time the fast RSI was low

down so I took the chance it would push up and cross the 5 min EMA on it way to

the 1H EMA caused by the 1H div.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.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 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.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. I rarely use the 15 min preferring the 5 min

So looking to the hour for direction. I then look to the 5 min for the pull back. Then I drop to the 1 min for an oversold condition based on Nala?s great system

but on 30 min. charts, (3 pairs to get more opportunities), cause I run my business from home at the same time.

5 minutes is just too fast when you are on the phone with a client.the M5 was below the average with bear support. The H1 printed an ABCD target and the divergences played out right on cue to indicate short.

Since the beginning of FEB I have made 4842% Identifying ZOO points has been a huge help. Caught some really nice trades the last few days from simply marking out ZOO points at the beginning of the session and taking trades from them.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. Imagine if I get stopped out on my second entry even at ten pips my loss is only $80. This is nothing when compared to a $1,000 win.

We have mathematics on our side so use it to our advantage.

If I was to put the whole amount on with entry 1 then a ten pip loss would be $250 which is a significant part of $1000. Far better to have a 1:12 risk reward than a 1:4 don't you think?

I can be wrong several times in a row before getting it right and then I can often make up not only the profit but the past losses also 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.I trade the average swings and the various structures that happen within these swings to make the swings happen at a time when it is most likely to make it efficient in terms of time.but my best month was 700% green. There I came to an account size which apparantly fits to who I am. Letting it grow makes me nervous, which causes problems. So I stick to the account size that fits my brain and heart, withdraw the profits and go on. 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) 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?

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.   Why would bear support 3 be found there and not at the pullback before it (the first pullback after it crosses ema) ? Thank you

It's because after the first pullback price went on to close above the EMA. Price could have continued bullish but it didn't. It turned again and headed back below the EMA. It pulled back again and created bear support at 3 and held as price continued down and stayed below the EMA. You could also argue that previous bull support failed at the C point of the first small red triangle. In which case it was there that bull support failed but then re-established itself at the next pullback at the B point of the next small red triangle. There is also bull support by the C point of the green triangle at the bottom of the chart.

the bottom of the first pullback pivot created above the EMA is support as Alan has marked. The entry level in that example is shown after price passes the highest point. My understanding is that where support is found it is then a ZOO point providing an opportunity to go long or short. However, this support may or may not hold so an entry would require a tight stop just in case price decides to reverse back across the EMA. Just because it passes an entry point doesn't guarantee the price will continue higher or lower. If it does then you may be in the money. If not a tight stop will protect your account and leave you to watch where price next finds support.Those trades I showed are what I used to call the pivot pass trades where we take the trades in the direction the 1hour is saying at the 5 minute level.

If the 1hour is going somewhere then we will normally see this as a 5 min trend with some pull backs we can consider as entry points. We don't know how far they will pull back but we can place pending orders at their tops and once taken up we will know the bottom and place our stop there.

This is just another method of getting your entries on.

As for the support we don't know on the 5 min if is or not until it has happened. We can always drop to the 1 min chart and take a punt there. If we don't get the time correct price may zigzag across the EMA for some time before a support is FOUND.

The usual thing that happens on a very regular basis is that a div is formed taking price back to the EMA, Price crosses the EMA and finds support, price then runs to the target. We keep a sharp eye open for a counter div on the same chart.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. When trading below the EMA all bullish divs are considered scalps we have to wait and see if they turn into trades.

There is an old saying "see bull div and think bear market"All trades begin as scalps, we take a tentative entry limiting our risk.

Then as they progress we can begin to add more lots as a trade is being established and our confidence grows that we have made the correct analysis.

All the time adjusting our stops to limit risk.

If the price does manage to cross the EMA then a potential swing in the opposite direction is on the cards for us. If price FINDS support we can plot the target and our trade is established and monitored.
With regard to the rectangles they relate to a previous post in which Alan had shown a "waterfall" of trades as the EMA cascaded up or down and he described a

rectangle as a useful tool for entry. To be honest after putting these in the application I am not sure if it merely adds to confusion and suggest it may be wiser to stick to Alan's core strategy.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 suports (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.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...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 gong 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.
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/ the bull and bear support is established when price crosses the EMA then forms a pullback/pivot and then continues in the direction of the crossover to make new higher high or new lower low. However in this pullback/pivot formation, no part of the price should recross the EMA or (in mirroring price) should/will any part of the RSI recross the 50% line. 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 as we become more sure of the action so we compound the winnings keeping the risk smallish.ake 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.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.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.
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.
Some rules from my experiance to help:

Divergence usually will send price to the ema and cross (usually) This does not mean it will. We are trading when price long when price is aboive the ema and short when below. a common mistake with people they trade right at the oversold and overbought. Now this is an opportunity as the system is meant as a roadmap. However! it can lead you slightly astray.

The importance of support is paramount. I would not even put on a trade until you see signs of support. This is one people overlook.

Practice but do not quickly go one and try put on all 3 steps for the trade. Take your time learn the system getting even 1 trade and achieving the 10 pip scalp a day is an amazing result as you master the system. At the early stage I kept trying to add the 2ed and 3rd levels. Getting stopped out as I was not paying full attention.

Also one advice I would give everyone ready the first 10 or so pages in this thread like a national anthem or bible. Print them out see the examples where the trade has gone.

There is an overview in this thread print that out!

Be methodical. Spotting a signal and not taking a trade is not a lost trade. It is a successful spotting of the signal.

There is also a pdf on hidden divergence here take out and memorize it.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.ZOO or Zone Of Opportunity simply means that a higher time frame indicates a level where something may be about to happen so we drop to a lower time frame to get confirmation of this happening.The main thing to always remember is the swing's on the EMA, as price behaviour erratically around it, but the swings give you a sensible direction IMO If in your example the average has failed to make the next LL then it turns to test the next HH your B. If this be the case then we expect price to make the following average HH which is A. Note how the price stalled for a while at A to allow the EMA to catch up, some refer to this as consolidation (I do not) I prefer to call it a holding pattern.

Now the average tries for A so price will try for the next average swing high.

You may expect to see continuation divs at this time sending the price higher.

Once the price has reached these next levels we expect to see a bear div to change the direction and halt or turn the EMA south again. Finding bear support the object now is for the average to make the LL so price has to run to the next LL level at 3196 and we should be seeing continuation divs sending it down there.

Once reached we should see a bull div to turn it back north again and soo the story goes as price attempts to test each side. 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. Well there are several things here we should be looking at.

1) Was the 5 min div at a 1 hour ZOO point.
2) Was a two bar test applied for the 5 min div entry.

Just these two things thin out the div entries.   my biggest problem is that it rarely seems to be the first divergence signal that is successful and I end up getting chopped up before the inevitable one that works out.

I tend to have the same problem. The only way around this is to apply filters, Nala66 suggested two in this instance. There is another I suggest and that is to wait for 1m stage completions. This post is about the mechanics of the entry rather than the 1h trade inference which I assume you have already done.

We know a successful buy trade on any timeframe looks like the following Div->(hook?)->ema Cross->(hook?)->support->price HH->EMA HH. We also know that for a successfully 5m trade you have to have completed a number of successful 1m stages. This is the key idea behind this entry mechanic.

So what we can do is on the 1m chart (and at our 1h zoo spot) we wait for a div->ema cross->Hook. Then we quickly check our charts and see if the 5m is giving div then enter on the 1m Hook. The reasoning behind this is that we can see the buyers are interested before we commit. The 1m hook gives us a good entry (not the best entry and not the worst either). Without a 1m ema cross, most of the going to fail 5m divs are filtered out.

The con of this strategy is sometimes the 1m hook never comes and you never get a good entry anymore.

We are waiting for the 1m hook after the 1m ema cross to enter . If you are looking for divergence to counter a trend, then you should look to see first if ema has reached the new level, then see a divergence then a 2 bar test. That alone should eliminate so many. Remember if price has brokwne the previous low it will go for the ll and before it can go to the next level. So it if i5 has broke up with the ema ll HD price hit the the next low level? If it has had there been divergence, worth an entry. It might go for the next ll. I. E cont divergence as well. But the signal should give you the notification 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.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 wining 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 40pis x AUD$25 = 1k.

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 on 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.n 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. 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 oportunity)

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 divengences 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 divengence
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 targed 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) 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.

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. The net effect is that in order to continue to make 1k a day for 40pips travelled one needs to have a minimum account of 13k approx.

It would be more difficult to actually double the account because we would need to make about 500 pips.
One cannot do this with such limited leverage of 30:1 because some 500 pips are required when all in to double the account, darn near if not impossible for a day trader.

Actually it is easy to spot a sideways market. Don't look at the price so much as the EMA on the lower time frame. You will see there that the EMA fails to make HH's or LL's as price drags it in opposing directions without forming a consistent trend.
If you look at my 1 minute chart you will see I have the same 26 period representations of the 1m, 5m, 15m and the 1h. With this one

chart I can readily see what the price is attempting to do and then look at the appropriate chart i.e. 1h and see if we have a div or some other notion that we can consider as an entry.

Would you mind explaining how a routiney trading day start for you?

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 The thing to understand is how we build a position and then hedge tock everything up. If the hedge take off we are winners if it doesn’t we can simply close all for the profit we trapped.

There is nothing wrong with adding further buying positions to the hedge as long as the stops are moved accordingly. This would also shorted our profit target level so we could finish earlier.Because it is not easy and one has to be alert to the changes as they happen in real time we don’t want to be in the trade for too long and die from exhaustion.

Get in, get it done and get out… breath and relax until the next day which will surely come.

Time management is an important aspect along with money and trade managements.

You can see I keep my charting simple but even in this there is a lot to consider, don’t make it more difficult than it needs to be.Remember when the EMA fails in one direction Price will test the opposite direction.

The 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

You would be watching - hopefully - and as soon as it runs into div you would drop to the lower timeframe chart and look for the entry there. This way you would be entering actually on the wick of the 1 hour bar. Don't forget the stop saves you if you are wrong and this stop would be based on the lower time frame you entered on.The close of the 1 hour would confirm you have a div and it didn't push through it but this would cause a wider stop. Remember to compound the trade to maximise the profit potential and move the stops when practical. 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 The HOOK is also another long opportunity if you missed out on the Div and the HOOK is often very fast at producing profits. The stop is still below the Div bar.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. To get back to the reason to take the div. You can clearly see on the 15 min above that price was in div prior to hitting D so this is a worry since we have no reason to take it. Once it hit D then we have both a div and a reason and we would expect the price to test the EMA.When you have a divergence you want to test it to see if it working for you.

So the bar in divergence is tested with the bar before it (the two bars0 The entry is the cross of the test line and the stop is above the divergence bar..

Your hope now is that the price should return to the EMA.

So you can determine if the distance to the EMA is worth the risk to your stop. 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.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.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. 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.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.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.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 Simple rule to follow here...Never buy tops and never short bottoms.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.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 all ow 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.I have traded many pairs and gold in the past but the realization comes that one has to word 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
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.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 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.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 the fast RSI did not cross the slow for the hook to form. This is a sign of bear weakness

During my long time ago apprenticeship I traded nothing but divergences and learned a lot more about them than the text books would have you believe. In fact my divs are radically different from the text book types and I managed to make 1% profit everyday for 270 days. This to me is evidence that my understanding is adequate to get the job done.

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 is over bought. It is a matter of reading the language of the indicator and the story it is telling.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.