

### Disclaimer

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This video is for educational purposes only. Past performance does not equal future results.

Please do not construe any information in this video or notes below as advice or recommendation of any kind. You can lose money trading. If you cannot afford to lose money you should not trade.

Remember to practice with a paper trading or demo account with any new concept of strategy until you really get to know and understand the risk and reward potential.

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# Wavy Tunnel PLUS

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## MODULE 4: TRADE MANAGEMENT

## Welcome to the Wavy Tunnel Trading Method Module 4

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Welcome to the Wavy Tunnel Trading Technique!

Learn Wavy Tunnel Trading for Day and Swing Trading.

One of the best Fibonacci and Elliott Wave based Trading Strategies!

In Module 4 we will cover Trade Management using Multiple Time Frame Analysis.

## The Course Outline

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### The Wavy Tunnel PLUS

Module 1: Introduction and Overview

Module 2: Trend Following Trades – **NEW Examples!**

Module 3: End of Trend Trades – **NEW Examples!**

Module 4: Trade Management – **NEW Examples!**

Module 5: Trading Live with 3 Time Frames

Module 6: Elliott Wave Connection

Module 7: Wavy Tunnel PLUS – **NEW!**

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## ***Module 4***

### ***Learning Objects***

- ≈ Trade Management
- ≈ Multiple Time Frame Analysis
- ≈ Entries and Exits
- ≈ The Three Profiteers
- ≈ 123 Setup

## Objectives

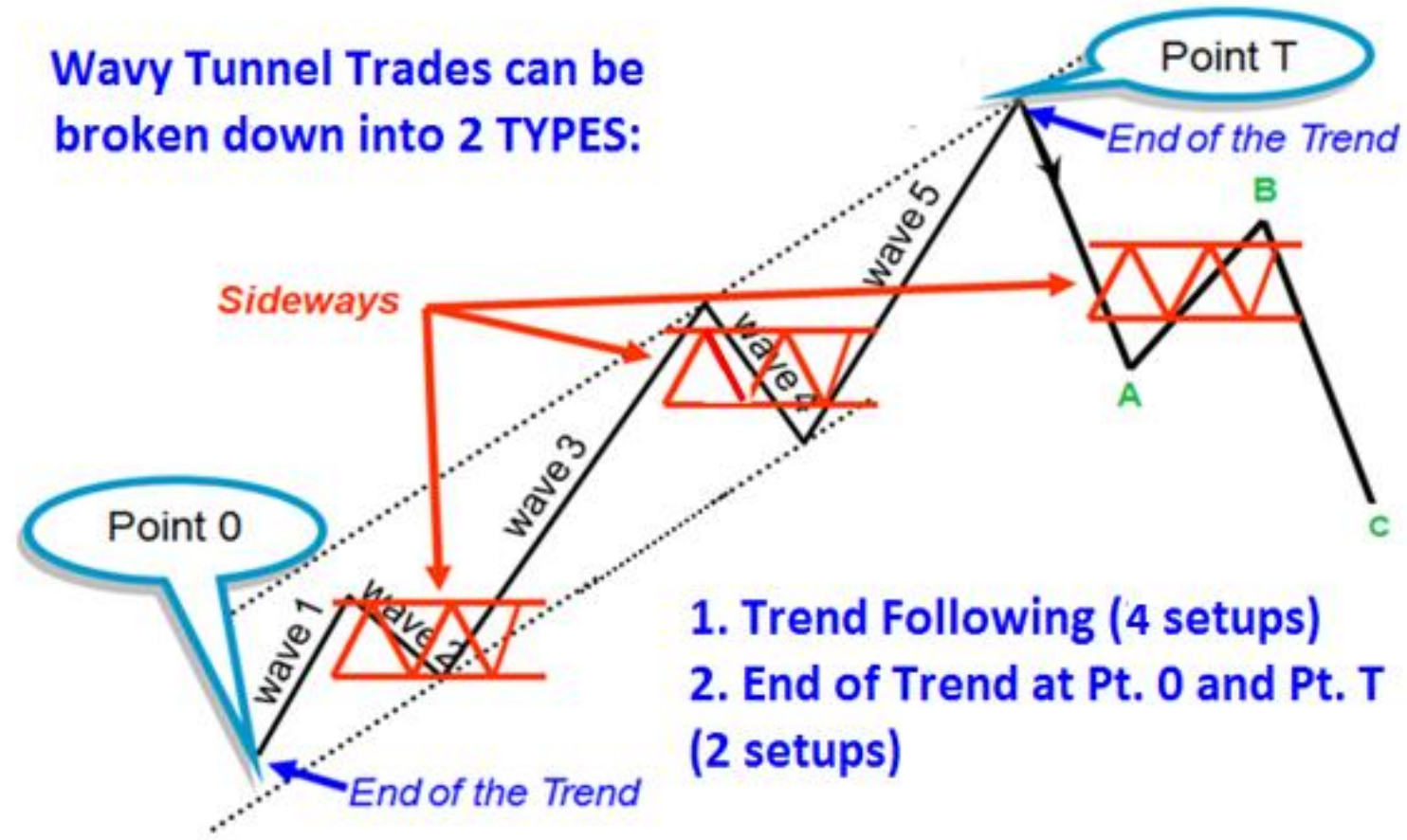
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1. Understand the background behind Trade Management
2. Learn how to take profits along the way by finding Potential Profit Areas (PPAs)
3. Overlay an understanding of 123 Patterns for better trade entry.

Continue picturing yourself Riding the Waves and Cashing in on Profits using the Wavy Tunnel for Success.

# Overview of Wavy Tunnel Trades

Wavy Tunnel Trades can be broken down into 2 TYPES:



1. Trend Following (4 setups)
2. End of Trend at Pt. 0 and Pt. T (2 setups)

## Observations

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When the Wave and the Tunnel come together on the 1-day chart then a big move is about to happen. Look for a break.

When the Wave and the Tunnel are separating then the current wave is likely to be an impulse wave. Look for BO trades.

When the Wave and the Tunnel are coming together then the current wave is likely to be a corrective wave. If there is divergence in the CAO, it could be an End of Trend Trade.

The closer the EMA 12 (Filter) to the Tunnel the more likely the break will be sustainable.



## Observations

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Multiple Time Frame Analysis will be introduced in this Module to be able to see synergies between different time frames. For example, a Wavy Tunnel Breakout Trade (BO) on the 1-hour chart is consistent with a Fill the Gap Trade (FG) on a 4-hour chart and a PW Trade on the Daily time frame.

The smaller time frame will give an earlier entry strategy. For example, a BO trade on a 15- or 5-minute chart precedes the BO on the 1-hour chart.

A retrace to the Tunnel on the 15-minute chart is the same as a retrace to the Wave on the 1-hour chart.

On the 15-minute chart if the currency breaks the Wave and the Tunnel then the target is usually the Tunnel on the 1-hour chart.

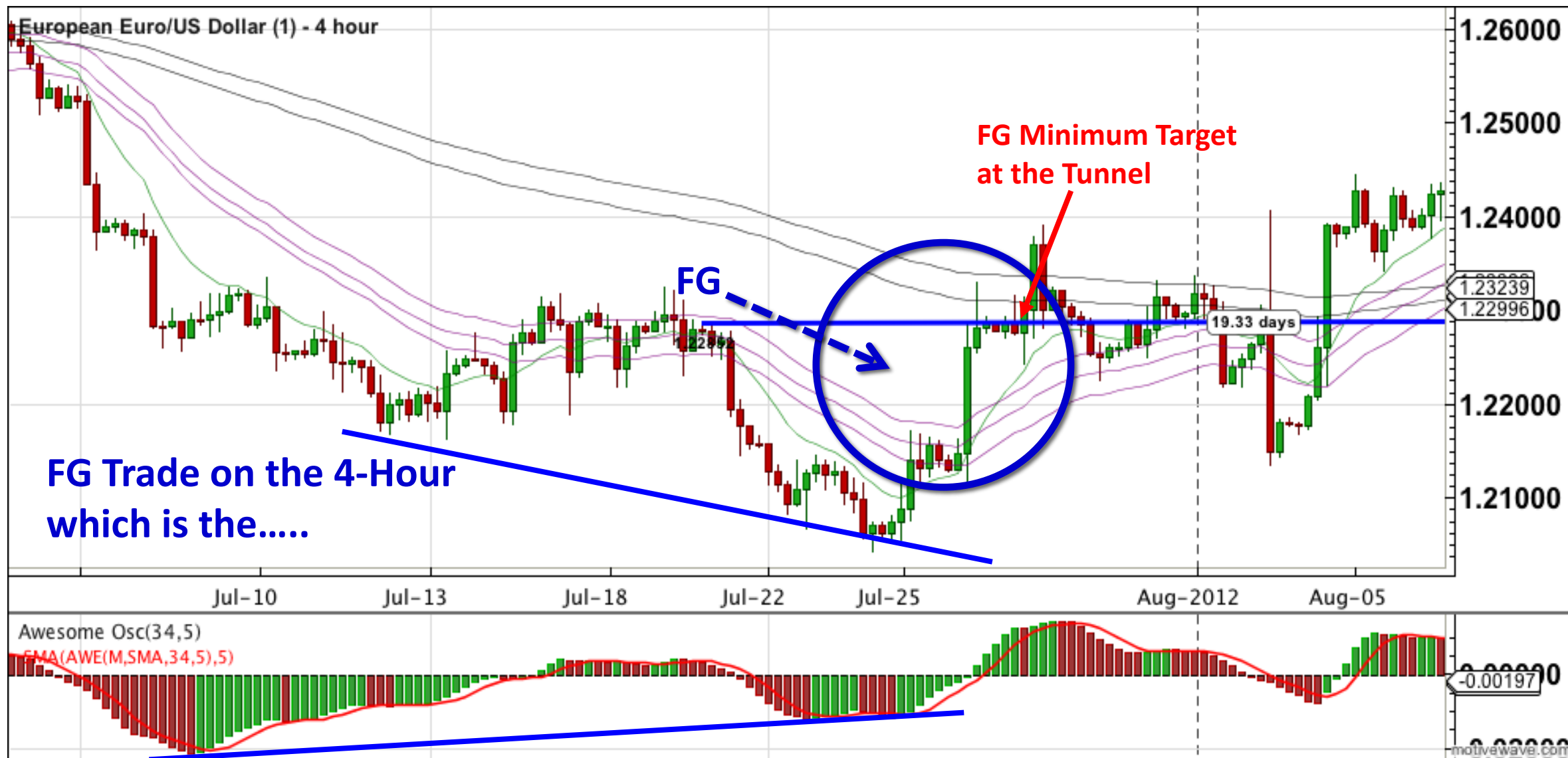
# Case Study: EUR/USD Daily, 4-Hour, and 1-Hour

## Multiple Time Frame Analysis



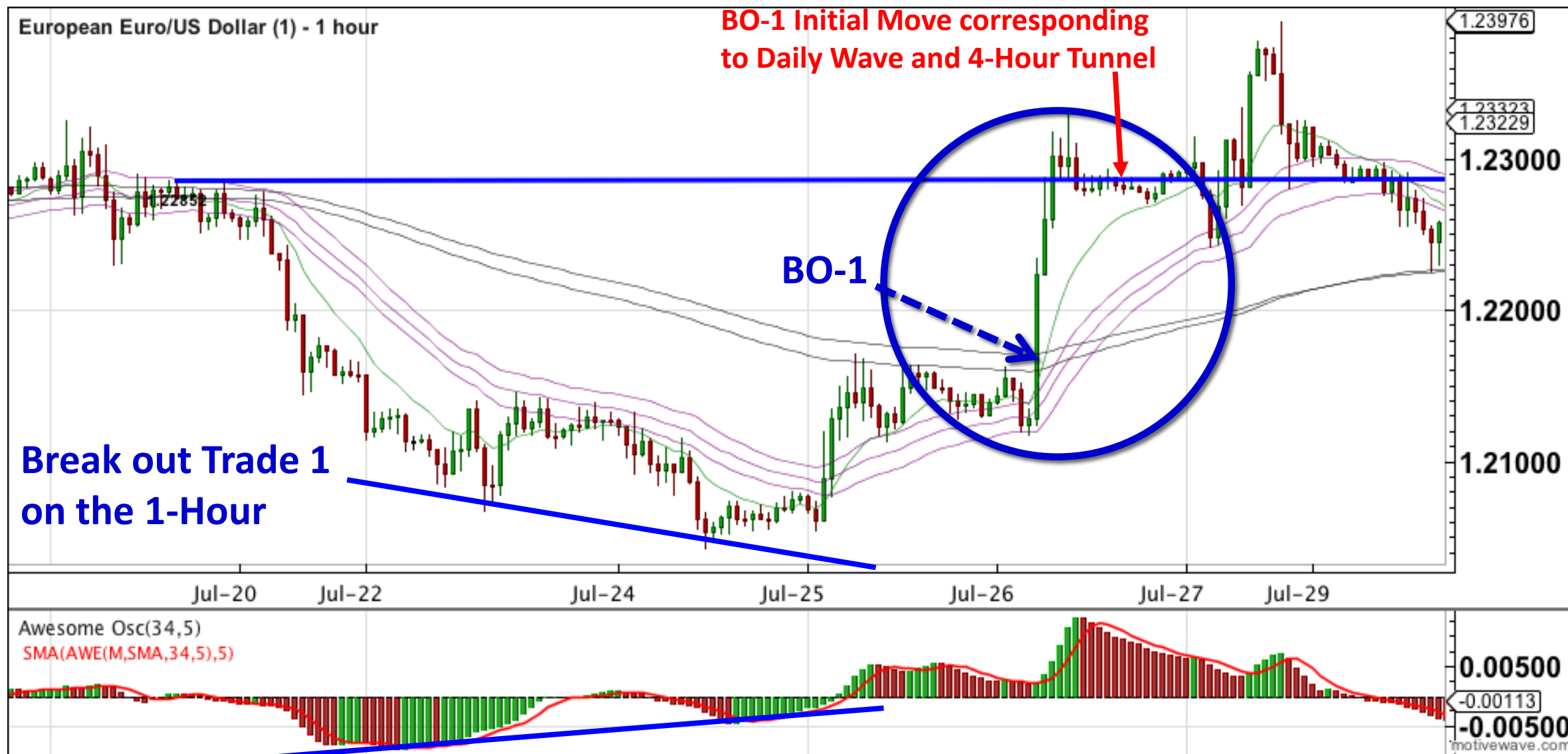
# Case Study: EUR/USD Daily, 4-Hour, and 1-Hour

## Multiple Time Frame Analysis



# Case Study: EUR/USD Daily, 4-Hour, and 1-Hour

## Multiple Time Frame Analysis



## Implications

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Multiple Time Frame Analysis illustrates the synergies between different time frames.

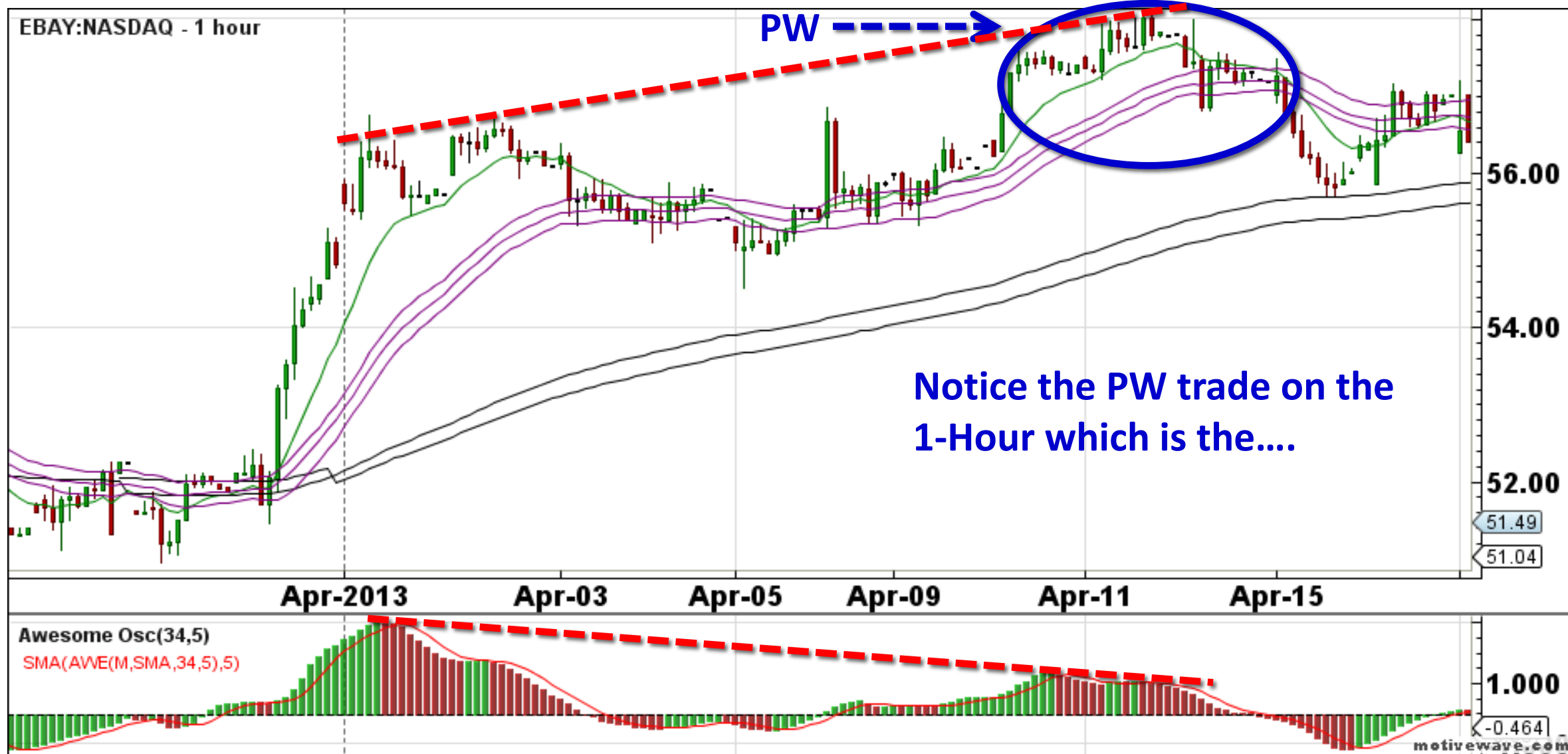
Implication: By taking a BO-1 trade off the hourly, you can find price targets by looking at the bigger time frames.

- The 4-hour Tunnel (FG) is the 1-hour BO-1 trade target.
- The Daily Wave (PW) is also the 1-hour BO-1 target.

As a swing trader, look at the Daily and the 4-hour to develop confidence in taking a trade off the 1-hour time frame.

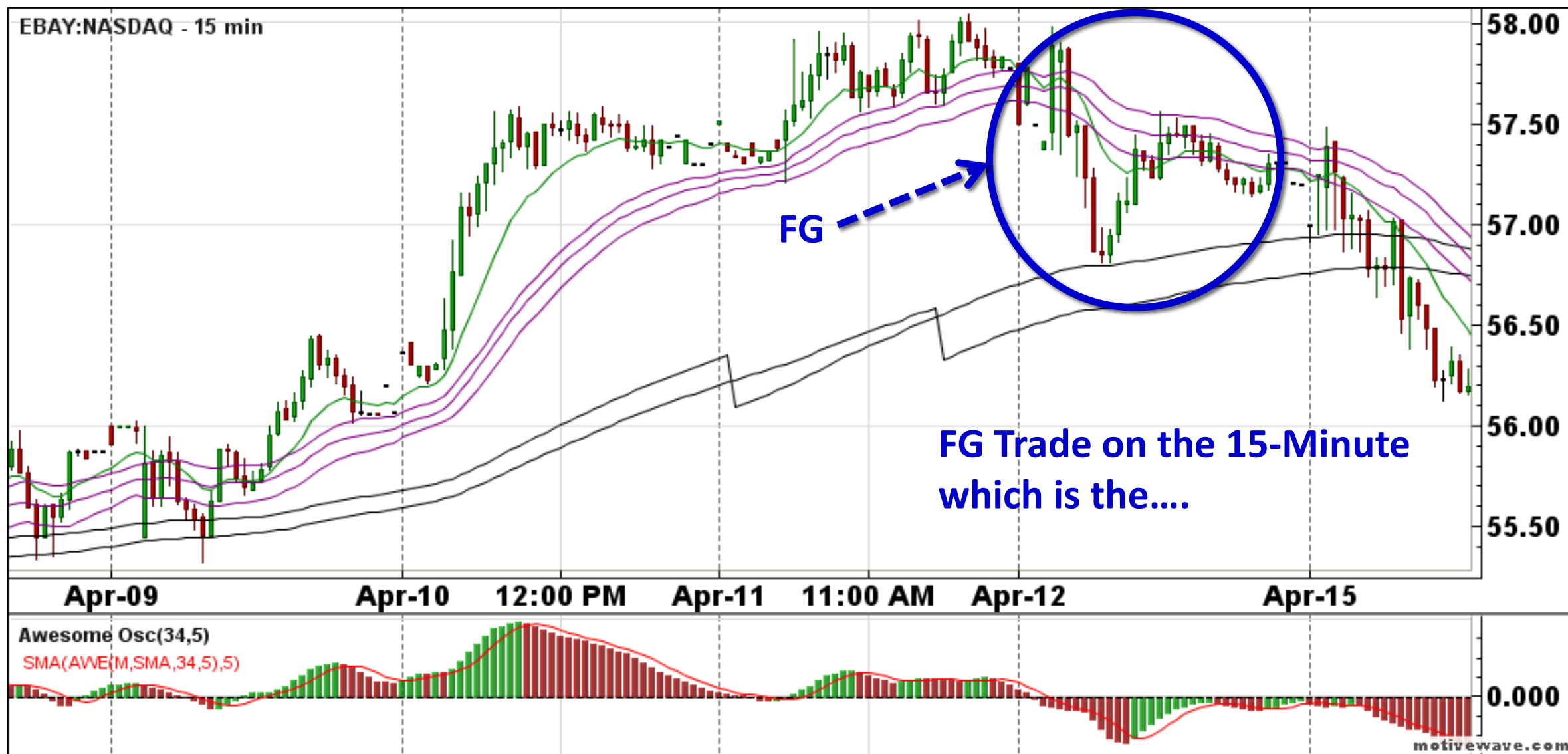
## Case Study: EBAY 1-Hour, 15-Minute, and 5-Minute

## Multiple Time Frame Analysis



## Case Study: EBAY 1-Hour, 15-Minute, and 5-Minute

## Multiple Time Frame Analysis





## Case Study: EBAY 1-Hour, 15-Minute, and 5-Minute

## Multiple Time Frame Analysis





## Implications

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Multiple Time Frame Analysis illustrates the synergies between different time frames.

Implication: By taking a BO-1 trade off the 5-minute you can find price targets by looking at the bigger time frame.

- The 15-minute Tunnel (FG) is the 5-minute BO-1 trade target.
- The 1- hour (PW) is also the 5-minute BO-1 target.

As a day trader, look at the 1-hour and the 15-minute to develop confidence in taking a trade off the 5-minute time frame.

## Wavy Tunnel Trading Work Follow-Up

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Multiple Time Frame Analysis Trading Work for Swing Traders:

Set up your charts on the Daily, 4-hour and 1-hour time frames. Look for BO-1, PW, and FG trades on the 1-hour and see how the setups relate to the bigger time frames.

Multiple Time Frame Analysis Trading Work for Day Traders:

Set up your charts on the 1-hour, 15-minute and 5-minute time frames. Look for BO-1, PW, and FG trades on the 5-minute and see how the setups relate to the bigger time frames.

Learn how to set Potential Profit Areas (PPA) by looking at Multiple Time Frames.

## Coaching and Accountability

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Keep a Trading Journal on an excel spreadsheet.

Create a spreadsheet for each month of the year, so you will have 12 spreadsheets per year.

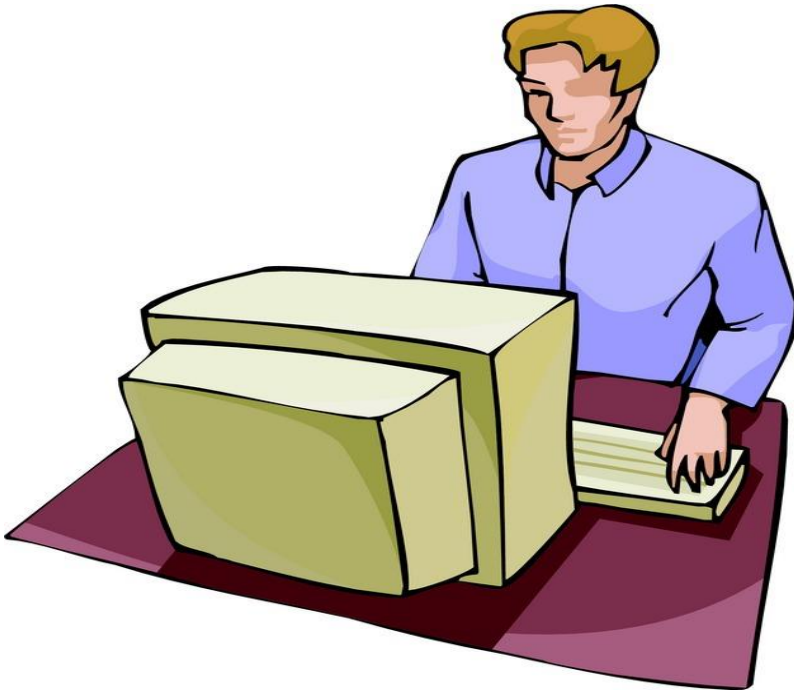
In each spreadsheet, label the worksheets by date, so you could have 20 worksheets if you trade every day of the month.

Use a screen capture software (such as Snagit) to grab the 3 time frames and label the Setups.

Start with observing the setups and labelling them. Then move to a demo account. Take 10 trades in order to refine the trade plan before trading live. Continue with the screen captures. Review the trades daily, weekly, and monthly.

## Trading Methodology

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Choose your trading strategy.

Establish entry strategy.

Decide on the potential profit area (PPA).

Decide on stop loss position.

Calculate risk/reward.

Calculate position size.

Use trade management strategy to establish add on  
and exit points.

Enter your trade in the trade station.

Manage your trade.

## Trading Methodology

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### **1. Choose your trading strategy.**

Set up the charts with the necessary analysis tools. For Wavy Tunnel, set up Wave, Tunnel, Filter and CAO on 3 time frames.

### **2. Establish entry strategy.**

Understand which part of the cycle we are in – trend, sideways, or top or bottom as in “the end of the trend”, looking for a reversal. Look at candlesticks for breakouts and retracements, 123 entries, chart pattern entries and other entry strategies. For Wavy Tunnel, look for BO, FG and PW trades.

### Trading Methodology

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#### **3. Decide on the potential profit area (PPA) by looking at the charts.**

Look to see where the next area of support / resistance is using pivot points, Fibonacci retracements or projections, manual barriers, previous swing highs and lows, and trend lines and channels. For Wavy Tunnel, look at Multiple Time Frames for PPA.

#### **4. Decide on stop loss position.**

Determine your stop loss price depending on chart analysis such as support and resistance (manual, pivot points, Fibonacci, channels). For Wavy Tunnel, use price high or low, or wave to set stop loss.

## Trading Methodology

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### **5. Calculate risk/reward.**

Determine if the trade is worth taking based on your success rate.

### **6. Calculate position size.**

Determine size of trade based on the size of the stop loss, the account size, and the money management rules.

### **7. Use trade management strategy to establish add on and exit points.**

Each add on should be treated as a separate trade.

### Trading Methodology

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#### **8. Enter your trade in the trade station.**

Include stop losses and profit targets.

#### **9. Manage the trade.**

Move stops and place add on trades according to the rules of your strategy.



### Trade Management

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1. Get in and out all at once.
2. Get in all at once and take profits at various levels.
3. Get into the position at various levels and get out all at once.
4. Get in and out at various levels.

**Which strategy to choose is a function of experience.  
Strategies 1 – 4 go from simple to more complex.**



### Trade Management

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#### 1. Get in and out all at once.

Simple strategy – perfect for new traders.

Enter and exit the trade at a pre-determined price.

Trade management is necessary for moving stop losses to breakeven once in profit.



**Which strategy to choose is a function of experience.  
Strategies 1 – 4 go from simple to more complex.**

## Trade Management

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### The **3** Profiteers



2. Get in all at once and take profits at various levels.

Good for maintaining balance on the fear and greed continuum.

Perfect for perfectionists who want to capture every last pip in the move.

## Trade Management

### The **3** Profiteers



### Example #1:

1. Determine the Potential Profit Area (PPA)

EXAMPLE: Assume PPA is 100 pips.

2. Use the FIBO sequence (8, 13, 21, 34, 55, 89, 144) and pick 3 profit targets, the 3rd ending at your PPA.

Work backwards from the 100 pip PPA with the FIBO sequence to determine your profit objectives: 34, 55 and 89 pips. (Profit targets P1, P2, and P3)

## Trade Management

### The **3** Profiteers



### Example #1:

3. Set your stop loss at the first profit target which is 34 pips in this example, and move your stop to break even once the first profit target is met. Move stop to P1 once P2 is met.

4. Calculate risk/reward

-Reward:  $(89 + 55 + 34)/3 = 59$  pips

-Risk: 34 pips

- $59/34=1.74$

## Trade Management

### The **3** Profiteers



### Example #2:

1. Assume Potential Profit Area (PPA) is 60 pips.
2. Choose the Fibonacci sequence number that is immediately below your PPA as your 3<sup>rd</sup> and final profit target, so 55 pips.
3. Work backwards from that number along the Fibonacci sequence to determine the remaining profit targets of 34 and 21 pips. (Profit targets P1, P2, and P3)

## Trade Management

### The **3** Profiteers



### Example #2:

4. Determine stop loss of 21 pips and move stop to break even once first profit target is met. Move stop to P1 once P2 is met.
5. Calculate risk/reward
  - Reward:  $(55 + 34 + 21)/3 = 37$  pips
  - Risk: 21 pips
  - $37/21=1.74$

### Trade Management – Three Profiteers Methodology

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#### The Wavy Tunnel system with Three Profiteers Entry and Exit Strategy:

Enter with 3 positions on BO, FG, or PW.

Determine Potential Profit Area.

Set three profit targets using Fibonacci sequence: 13,21,34,55,89,144,233.

Move stops when stacked profit levels are reached.



# Money Management Review

## Money Management Calculator (applies to all markets traded)

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Currency pair: \_\_\_\_\_

Pip/lot value:   \$10

Trading Account Balance: \_\_\_\_\_

# of lots: \_\_\_\_\_

Maximum Risk Tolerance %: \_\_\_\_\_

Pip/lot value:   \$1

Stop Loss: \_\_\_\_\_

# of lots: \_\_\_\_\_

Potential Profit: \_\_\_\_\_

Pip/lot value:   \$.10

Risk/reward ratio: \_\_\_\_\_

# of lots: \_\_\_\_\_

## Money Management Calculator

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Currency pair: EUR/USD trade #1

Pip/lot value: \$10 (\$100,000 lot size)

Trading Account Balance: \$5,000

# of lots: none

Maximum Risk Tolerance %: 2% of capital per trade with a maximum risk of 6%

Pip/lot value: \$1 (\$10,000 lot size)

# of lots: 4 mini or \$40,000 traded

Stop Loss: 25 pips ( $2\% \times \$5,000 = \$100$  at risk)

Pip/lot value: \$.10 (\$1,000 lot size)

Potential Profit: 50 pips

# of lots: 40 super mini

Reward/risk ratio: 2:1

*The maximum position size for this account is 4 mini lots based on a 25 pip stop loss (maximum loss of \$100 or 2% of capital should the trade go wrong!)*

### Trade Management 123 Reversal

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**123 tops and bottoms are very powerful reversal patterns.**

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#### **123 top:**

Market hits a new high - point 1.

Market sells off and stops – point 2.

Market reverses again and trades higher without taking out point 1 – point 3.

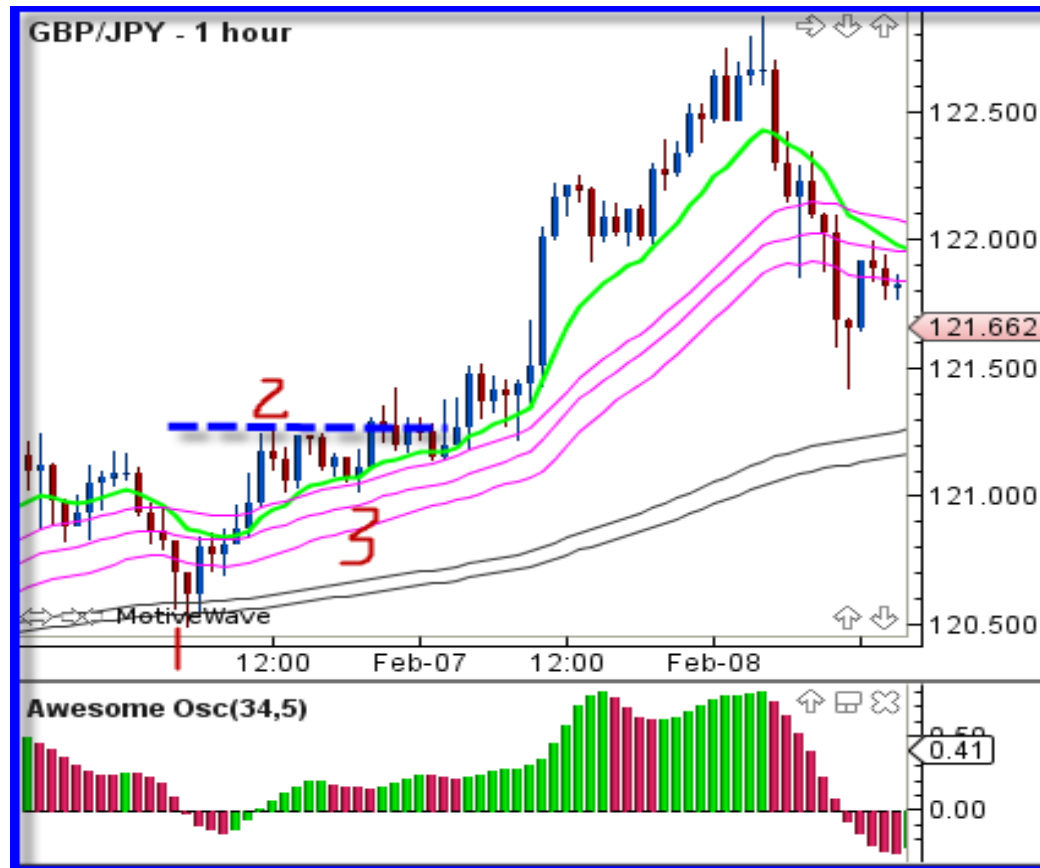
#### **123 bottom:**

Market hits a new low - point 1.

Market moves up and stops – point 2.

Market reverses again and trades lower without taking out point 1 – point 3.

## 123 Reversal



**123 tops and bottoms are very powerful reversal patterns.**

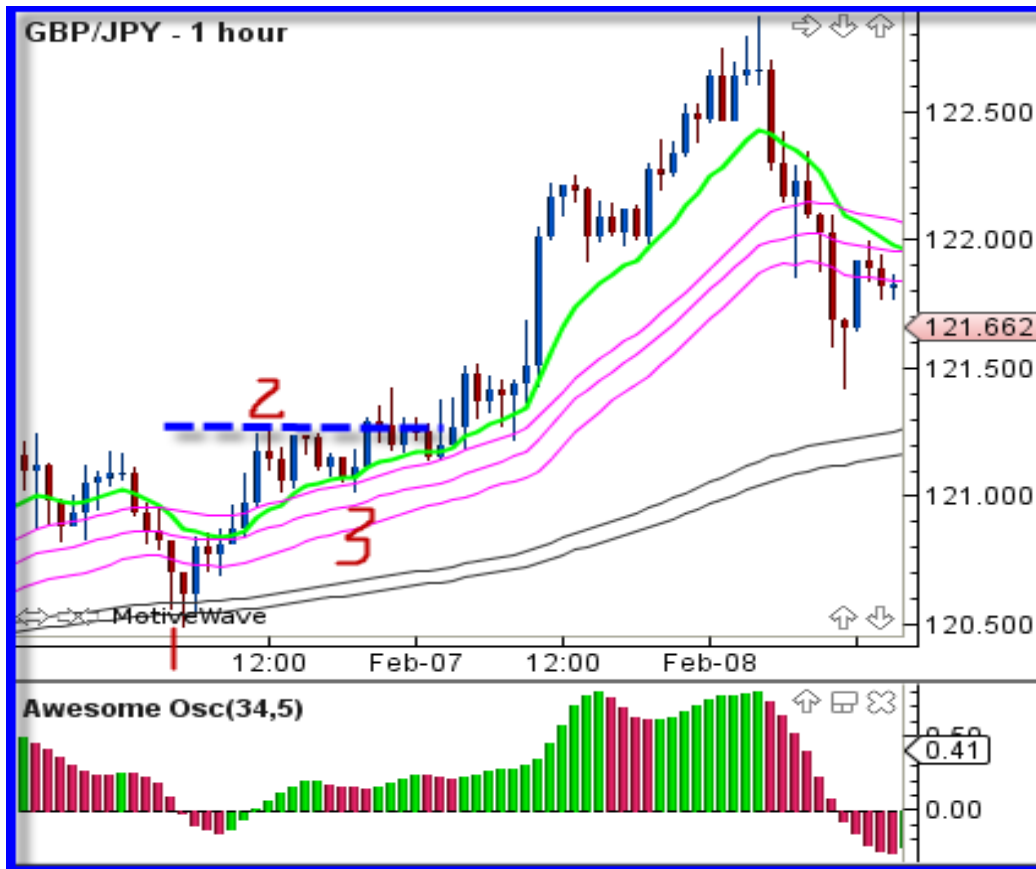
### 123 bottom:

Market hits a new low - point 1.

Market moves up and stops – point 2.

Market reverses again and trades lower or sideways without taking out point 1 – point 3.

## 123 Reversal



**123 tops and bottoms are very powerful reversal patterns.**

### Trade Entry:

Market moves up through point 2 where BUY trade is triggered.

Measuring objective:

Distance between points 2 and 3 projected above break at point 2.

Note: This is a BO-2 trade. Use PPA of 4-hour and Daily charts to determine target and use 3 Profiteers to take profits.

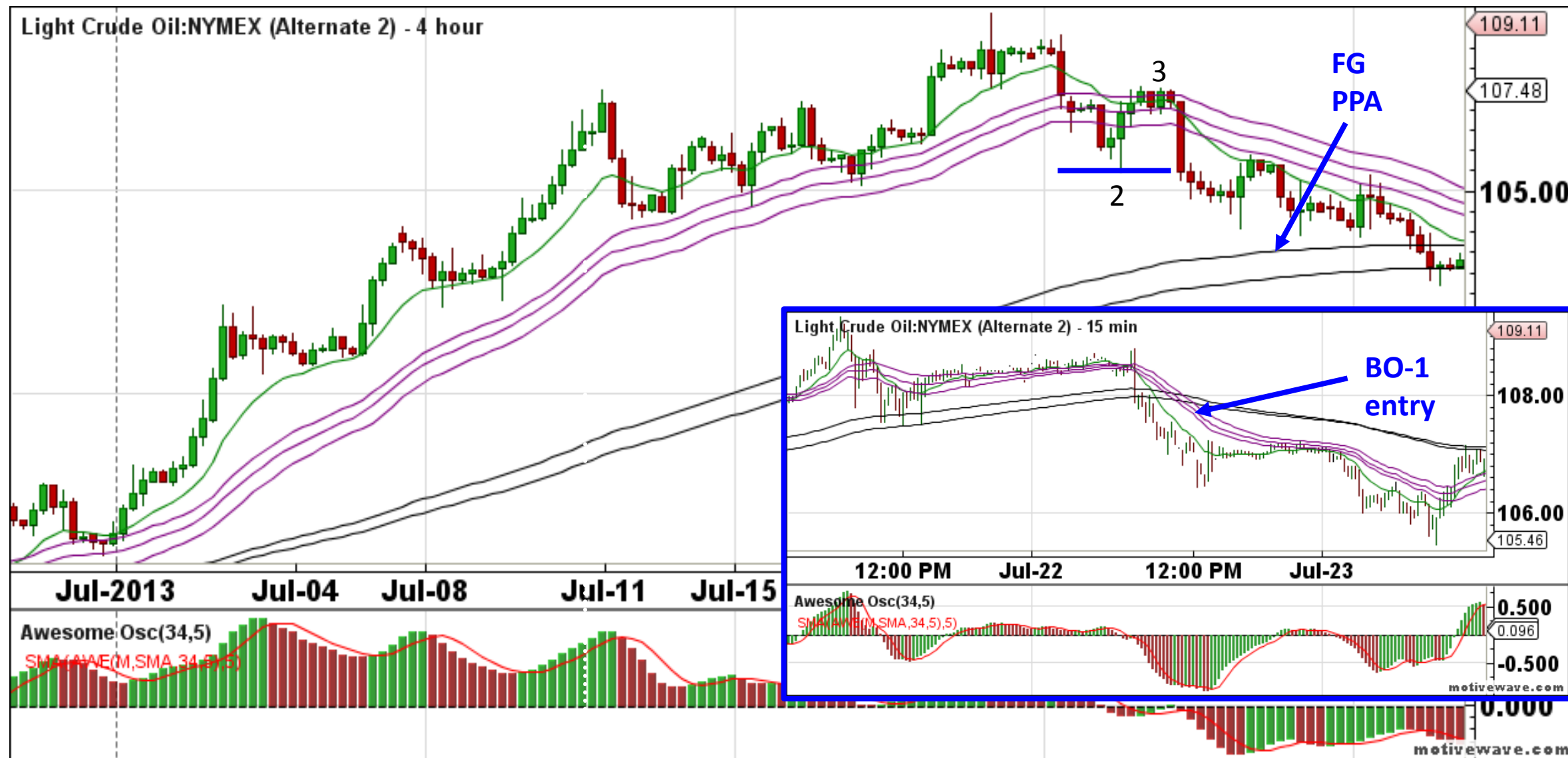
# 123 Reversal

## Entries and Exits



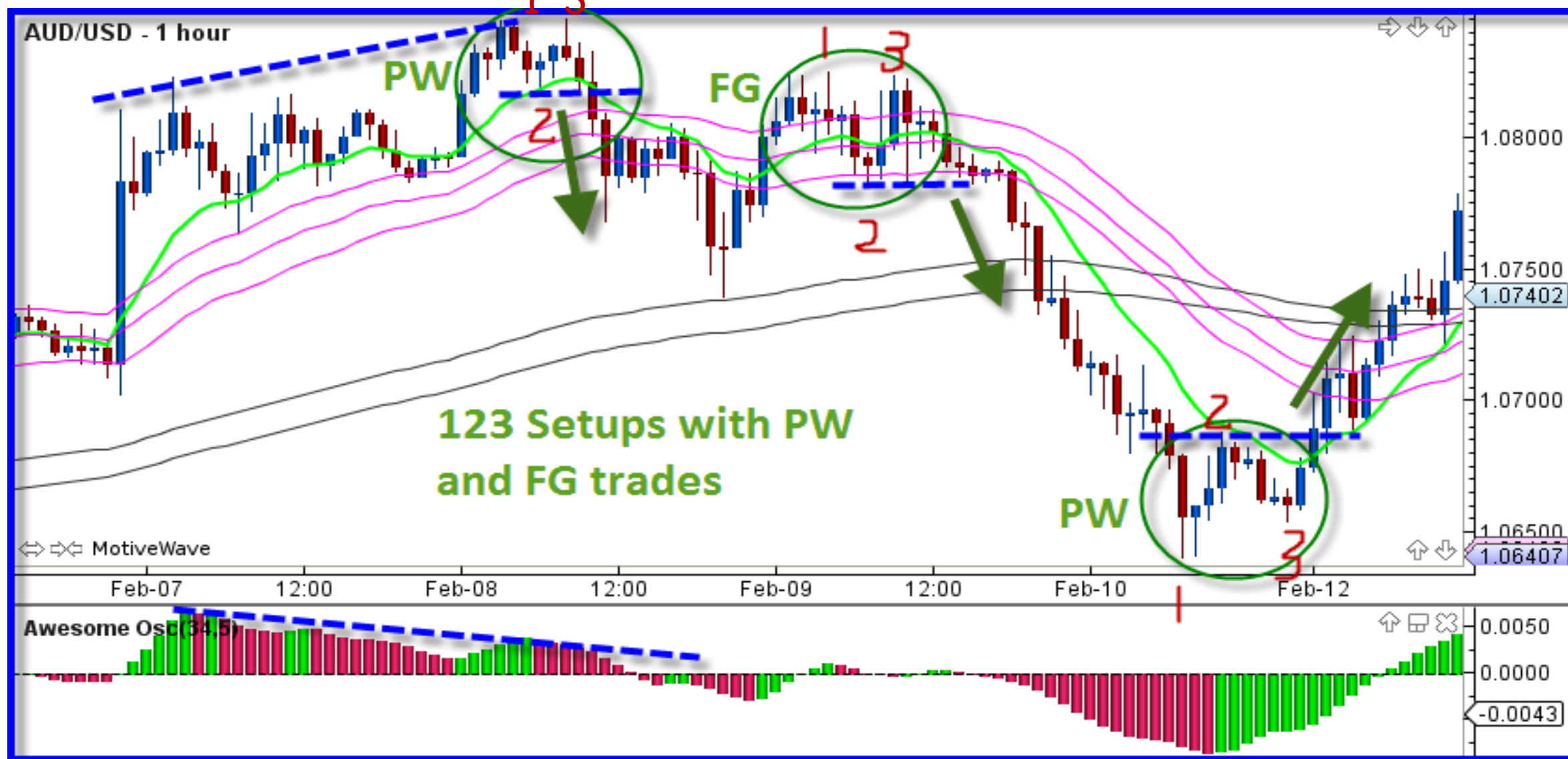
# 123 Reversal

## Entries and Exits



# 123 Reversal

## Entries and Exits



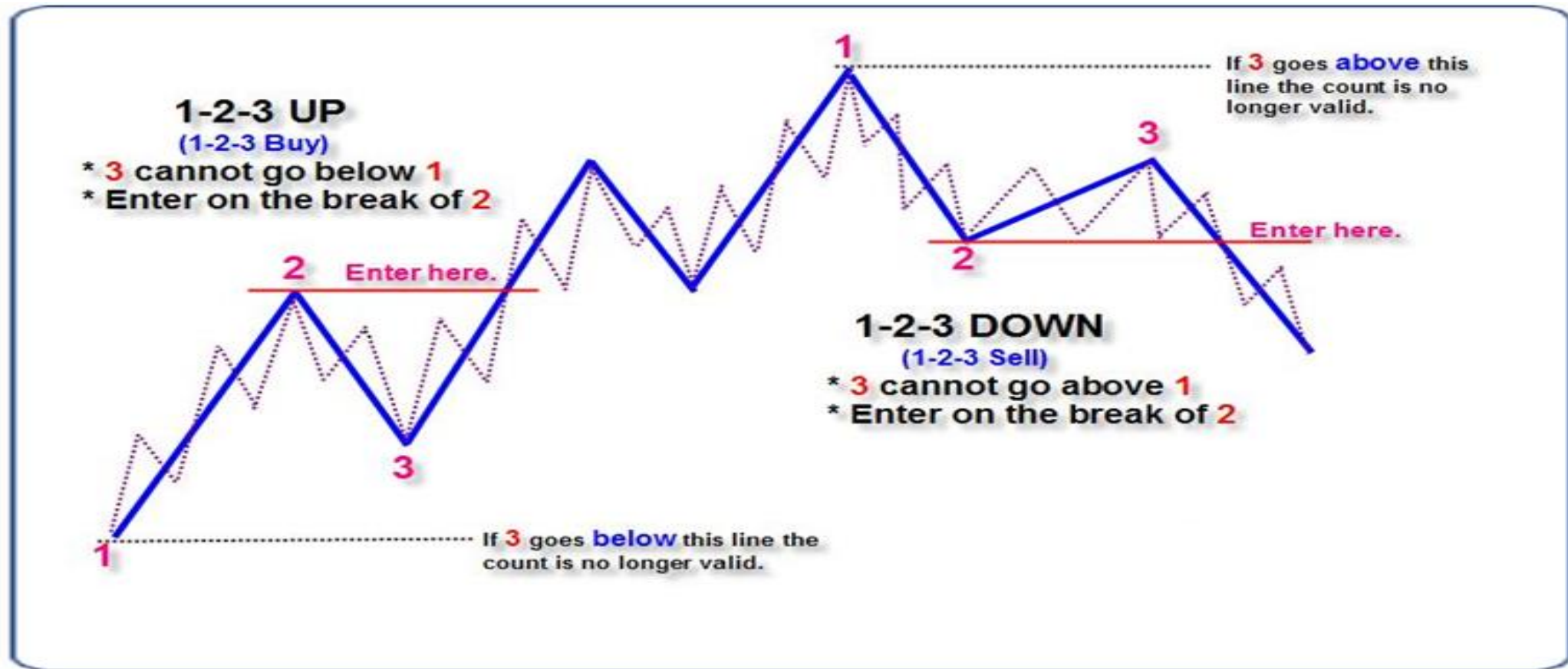


# 123 Reversal

## Entries and Exits



## 123 Reversal and Elliott Wave



## Observations

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This concludes Module 4, where we introduced Trade Management, Multiple Time Frame Analysis and Entry and Exit Methodologies, including the 123.

We showed how you can determine PPAs based on Wavy Tunnel trades on higher time frames and use the Three Profiteers to scale out of positions.

We also learned an entry methodology called the 123, and illustrated this with the Wavy Tunnel trades.

Module 5 will provide real trades and a discussion about fine tuning entries and exits and weeding out the low probability trades with a candlestick primer.