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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

MODULE 2: FOLLOW THE TREND

Welcome to the Wavy Tunnel Trading Method

Over 30 years trading Forex, Futures and Options using Elliott Wave Analysis

One of the best Fibonacci and Elliott Wave based Trading Systems

This System can be traded on its own or in combination with other methods

This training program will combine Elliott Wave and Harmonic Setups and tie it all together with the Wavy Tunnel...but first the basics...

The Course Outline

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!**

Module 2
Learning Objects

- ≈ Trend Following Trades – Spot the Setup
- ≈ Identify Trade Entry
- ≈ Set Stop Losses
- ≈ Determine Profit Taking Exit Strategy
- ≈ Examples

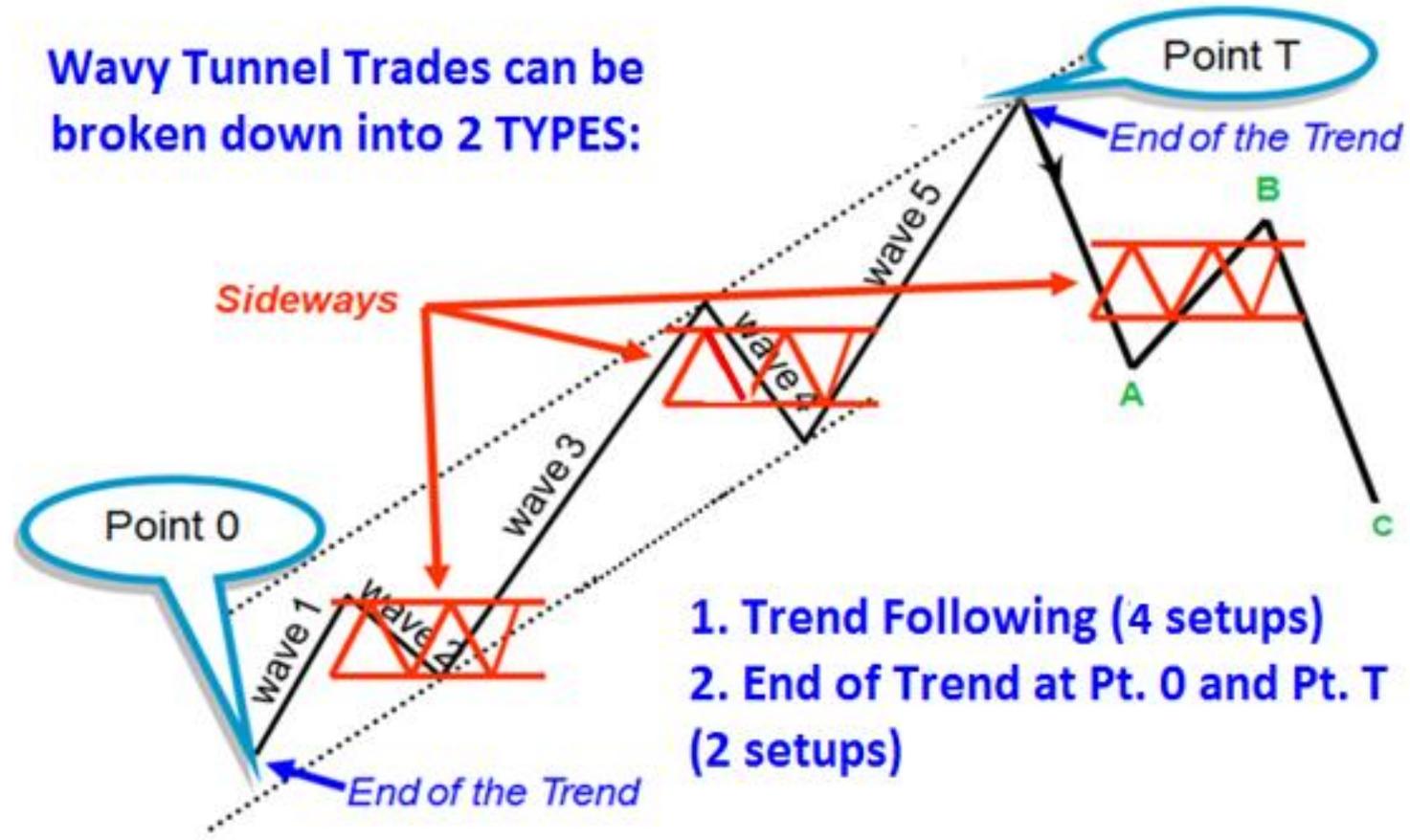
Objectives

1. Understand the background behind each Trend Following Break Out Trade
2. Learn how to trade each of the four setups
 1. Spot the setup
 2. Trigger the entry
 3. Set the stop loss
 4. Take Profits

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)

Break out Trade 1 (BO-1)

Traditional Trade Entry:

Wave crosses above or below Tunnel.

Conservative Entry Point:

12 and 34 EMA cross and completely clear the Tunnel.

Angle on the 34 EMA is greater than 45 degrees as it crosses the Tunnel.

Candles are forming outside the 12 EMA.

Break out Trade 1 (BO-1)

Traditional Trade Entry:

Wave crosses above or below Tunnel.

Early Entry Point:

Candles are forming outside the 12 EMA.

Angle on the 34 EMA is greater than 45 degrees as it approaches the Tunnel.

12 EMA crosses and completely clears the Tunnel OR the candle closes through the Tunnel with the 12 EMA at a steep angle.

Break out Trade 1 (BO-1)



Break out Trade 1 (BO-1)

Spot the Setup 1



Trigger the Entry

“Entry” is the same for all BO trades:

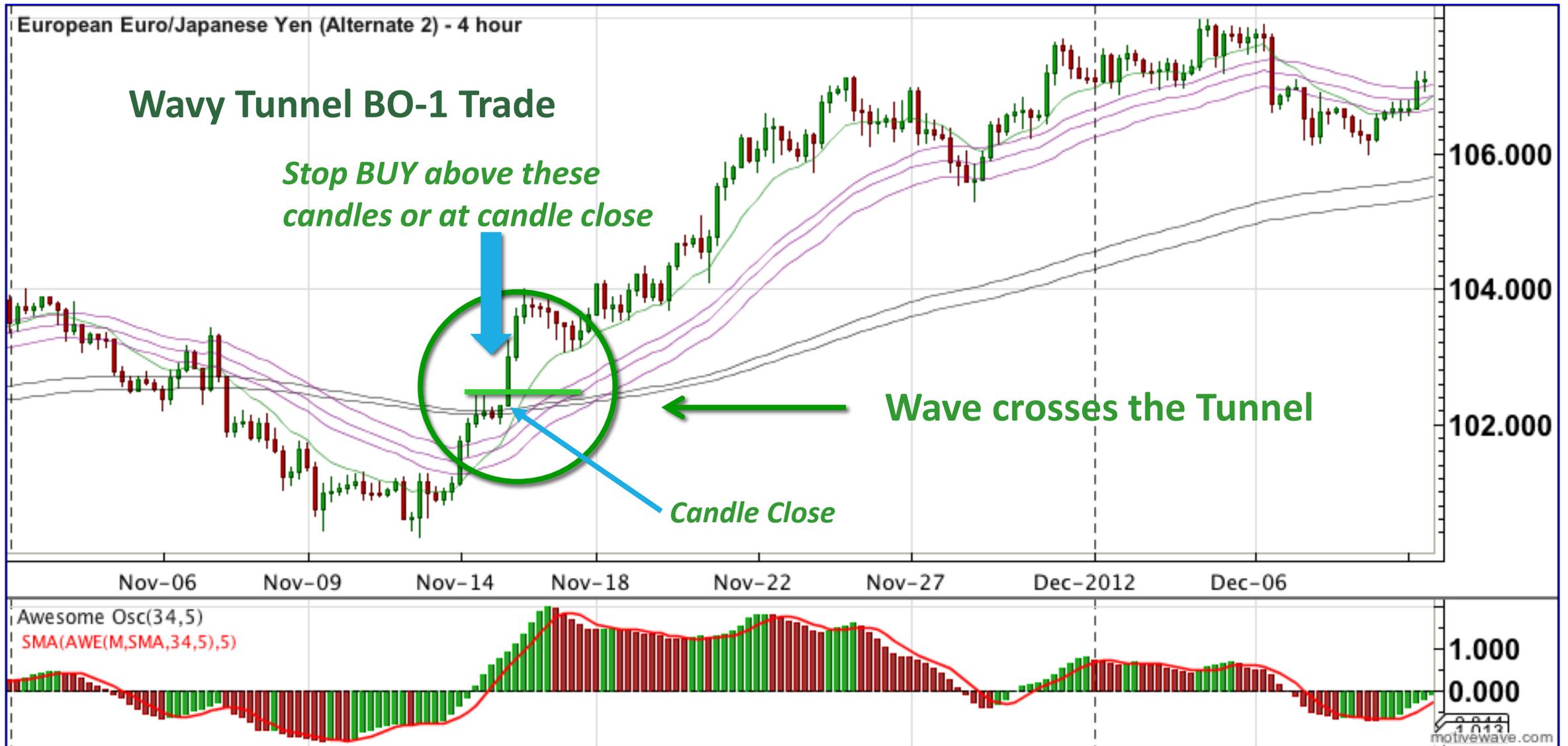
Wait for the candle to close above or below the 12 EMA once the Wave, Tunnel, and 12 EMA (Filter) all come together. Price will cross the Tunnel, the Filter and the Wave first. The order of the “crossing” depends on the BO trade setting up.

BO-1 Rules:

BUY when the candle crosses the Tunnel and candle closes above the Filter. BUY at candle close or STOP BUY above candle high. Opposite for SELL. (Ideally Filter crosses the Tunnel at the same time.)

Break out Trade 1 (BO-1)

Trigger the Entry 1



Set the Stop Loss

“Stop Loss” is the same for all BO trades:

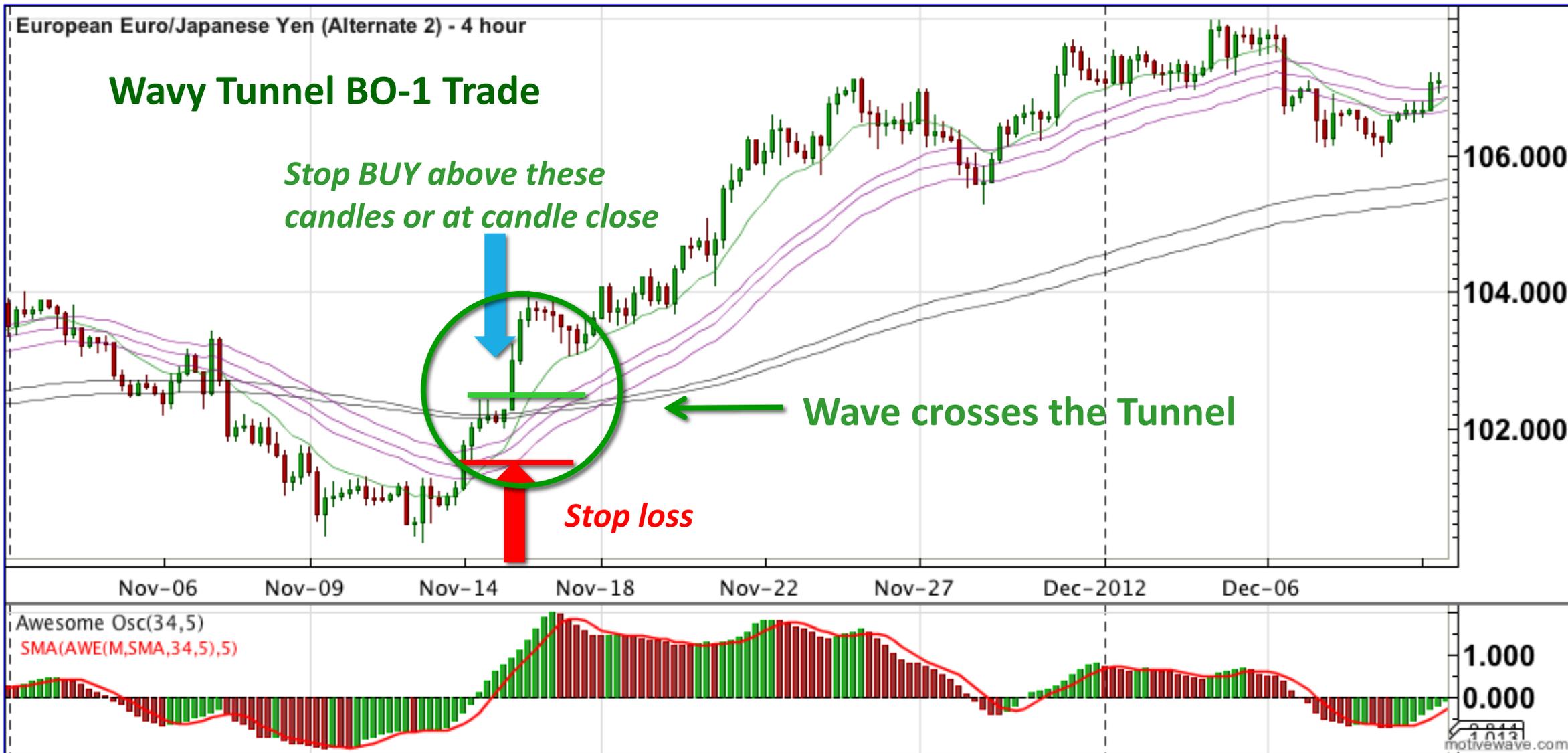
Place stop beyond the 34 EMA **furthest from your entry point.**

Provides for a nice risk/reward ratio of usually 2:1.

Rationale:

“Wave” and “Tunnel” provide significant resistance for price. Once price closes below the Wave or the Tunnel (in the case of a BUY) or above (in the case of a SELL), it is highly likely the position will move further against the trade.

Break out Trade 1 (BO-1)



Determine Profit Taking Exit Strategy

“Profit Taking” (PT) Exit when:

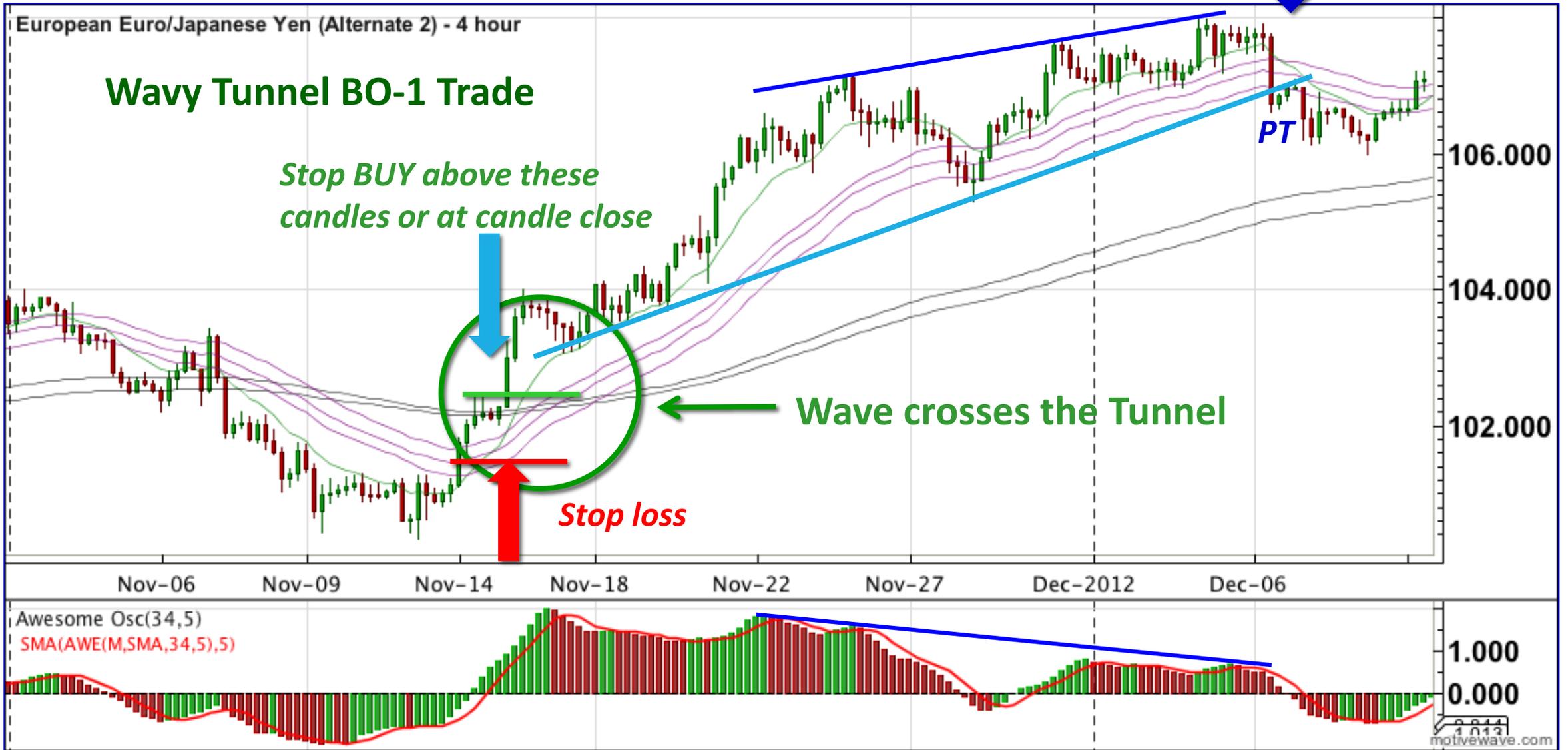
Candle closes on the opposite side of the 12 EMA (Filter).

Candle closes through the Wave.

Candle closes through Filter with trend line break.

Break out Trade 1 (BO-1)

Take Profits 1



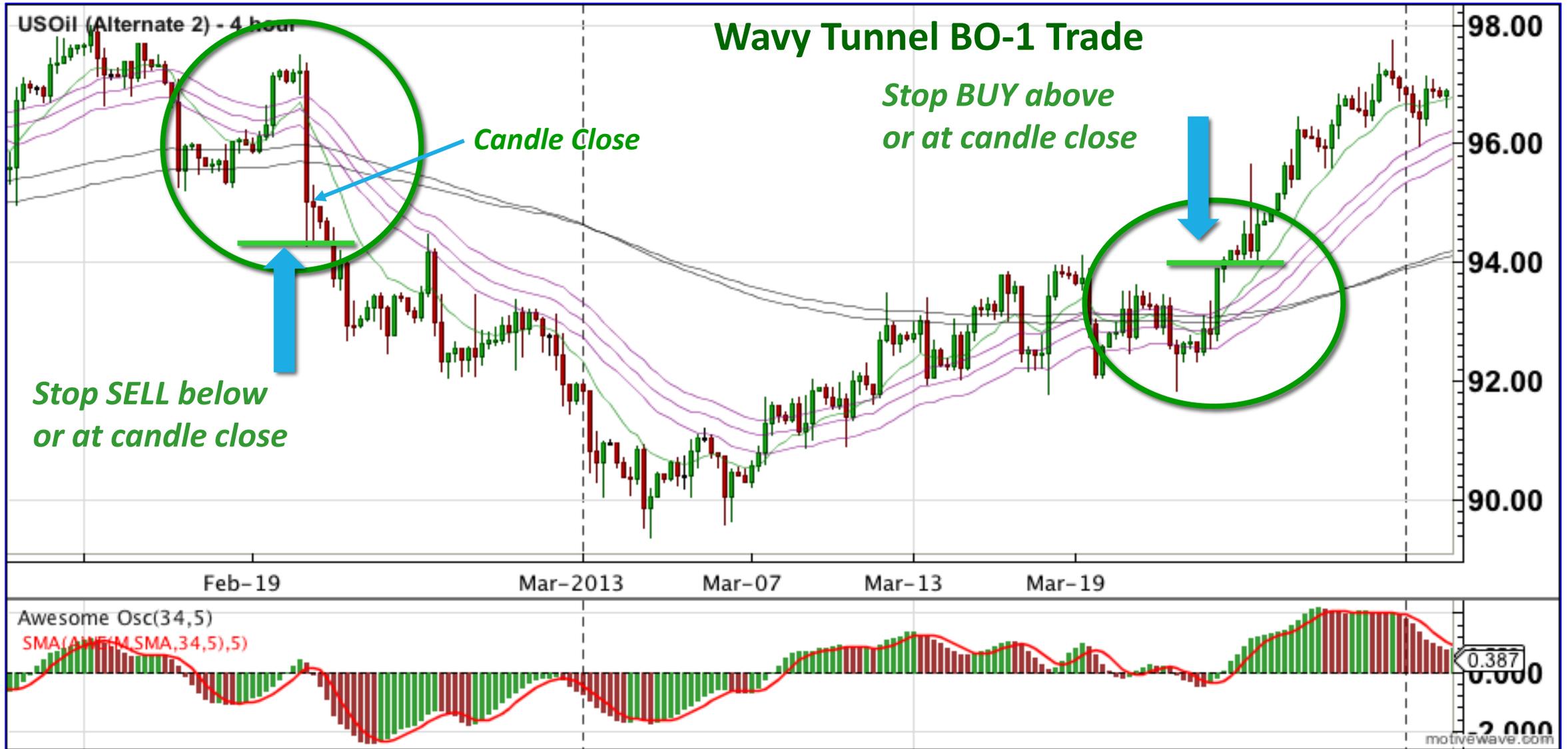
Break out Trade 1 (BO-1)

Spot the Setup 2



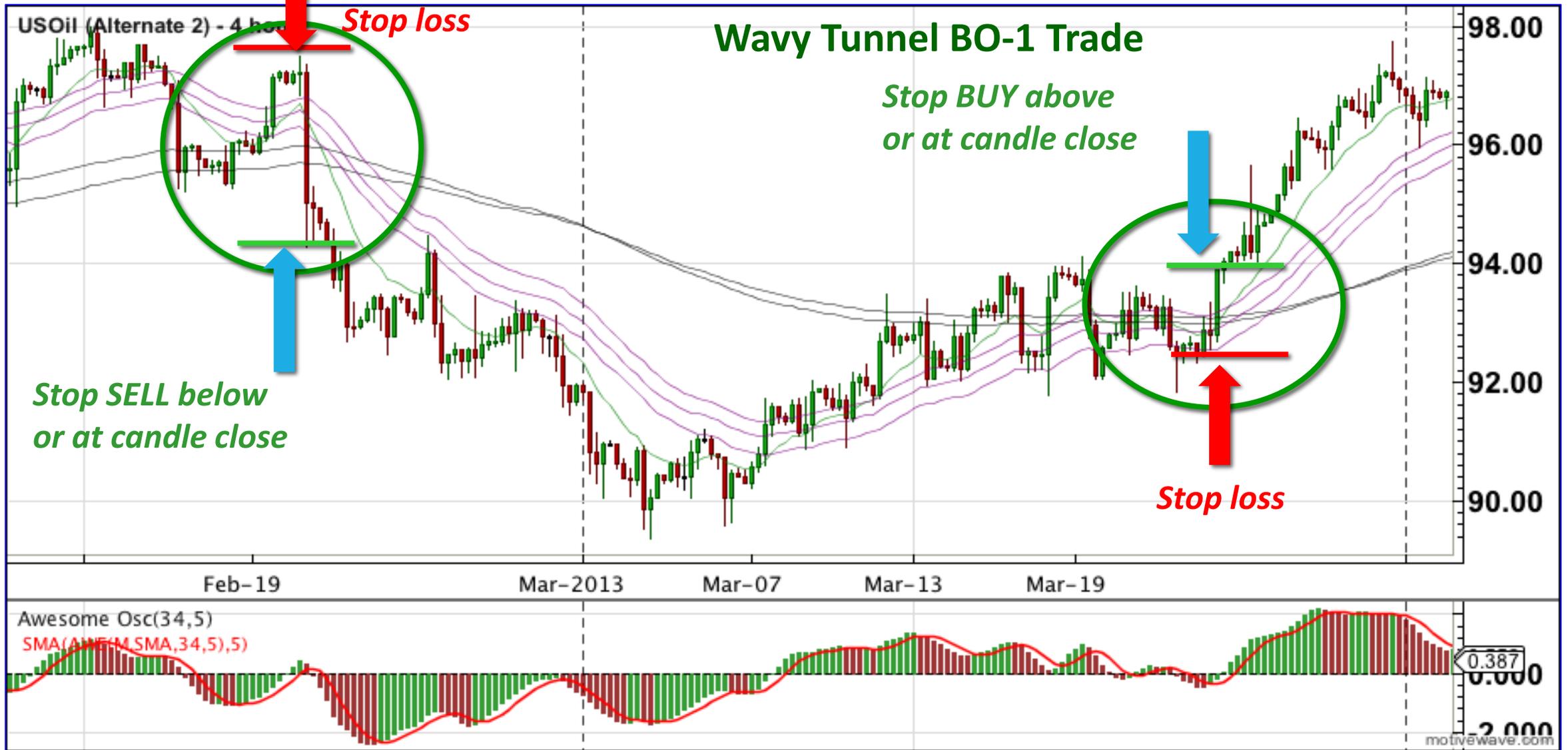
Break out Trade 1 (BO-1)

Trigger the Entry 2



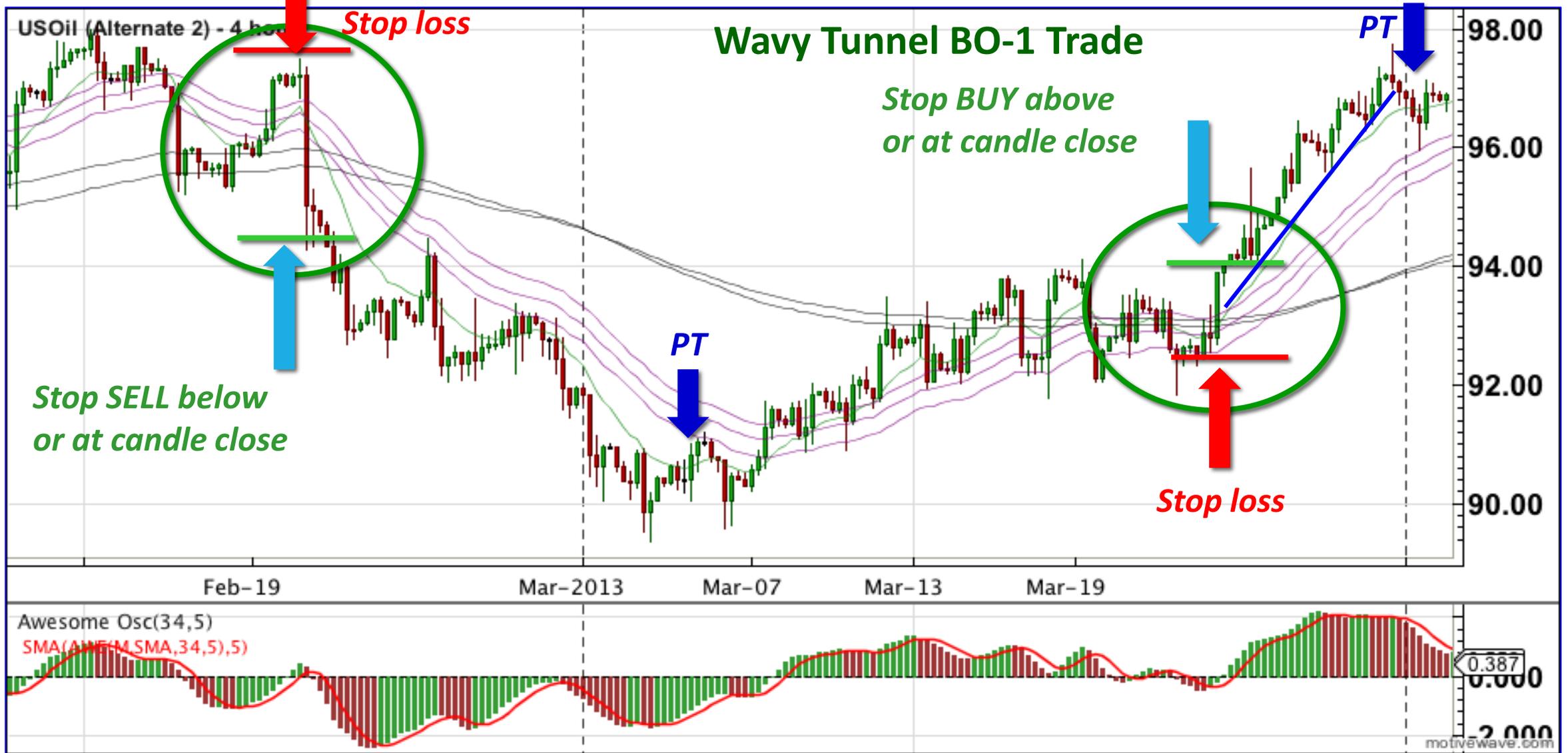
Break out Trade 1 (BO-1)

Set The Stop Loss 2



Break out Trade 1 (BO-1)

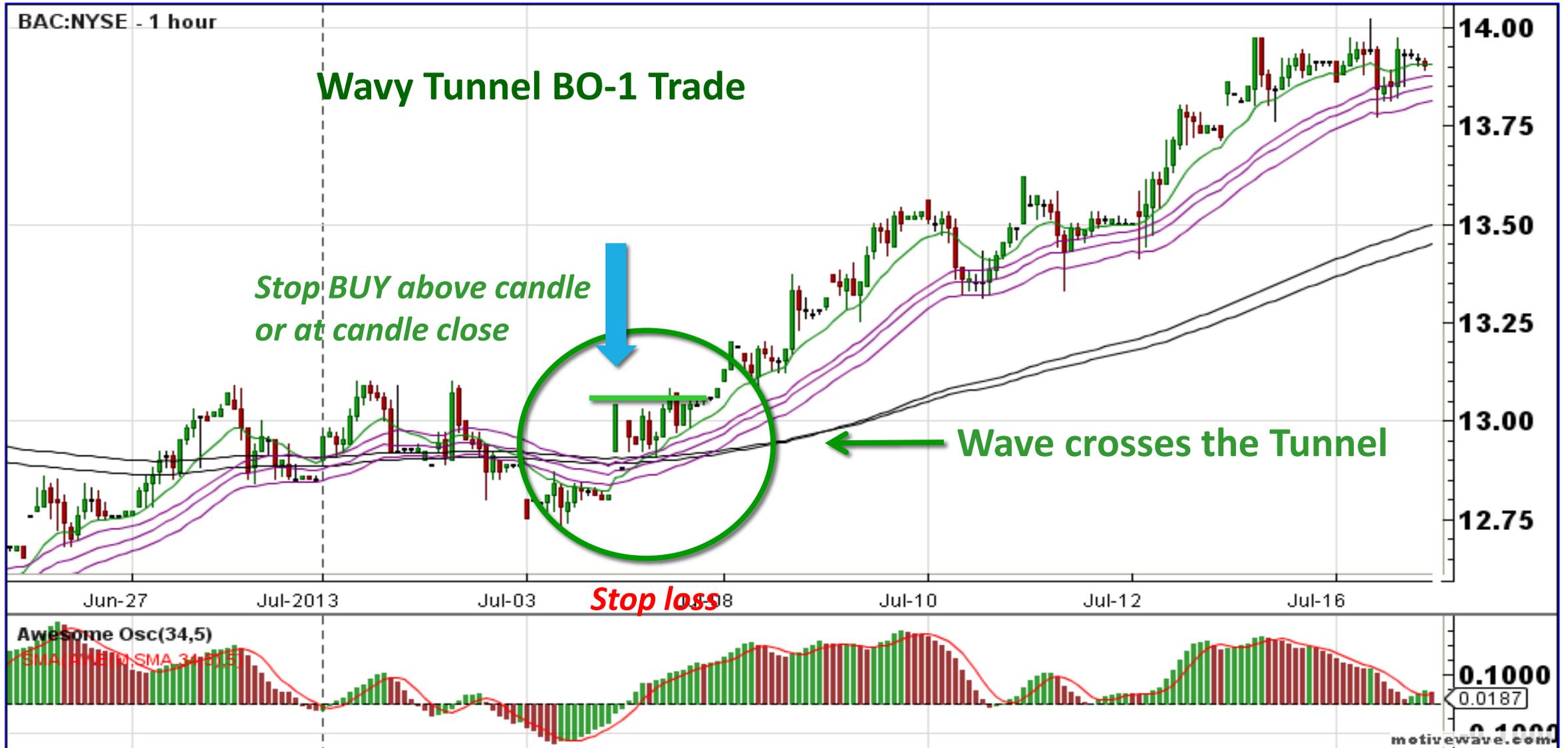
Take Profits 2



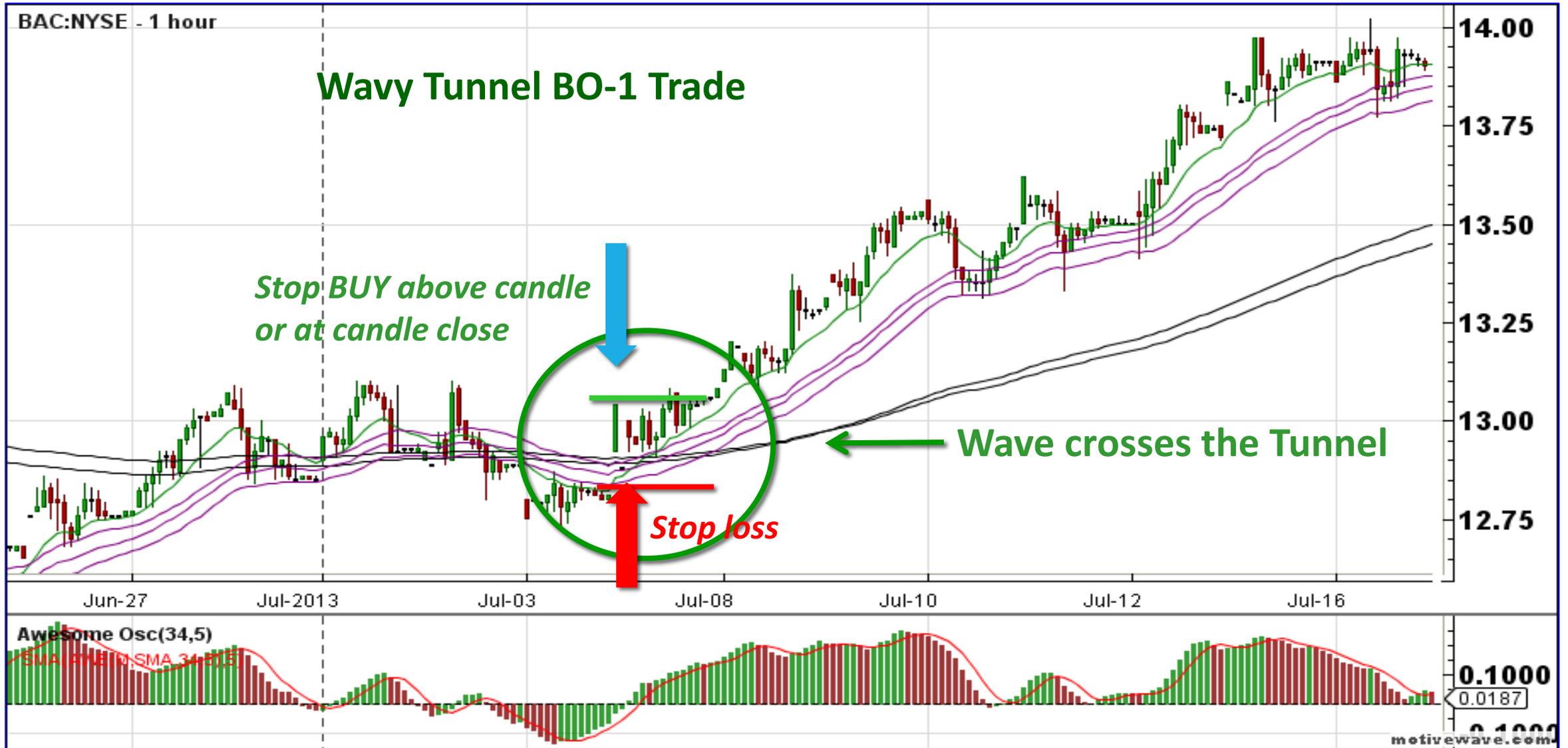
Break out Trade 1 (BO-1)



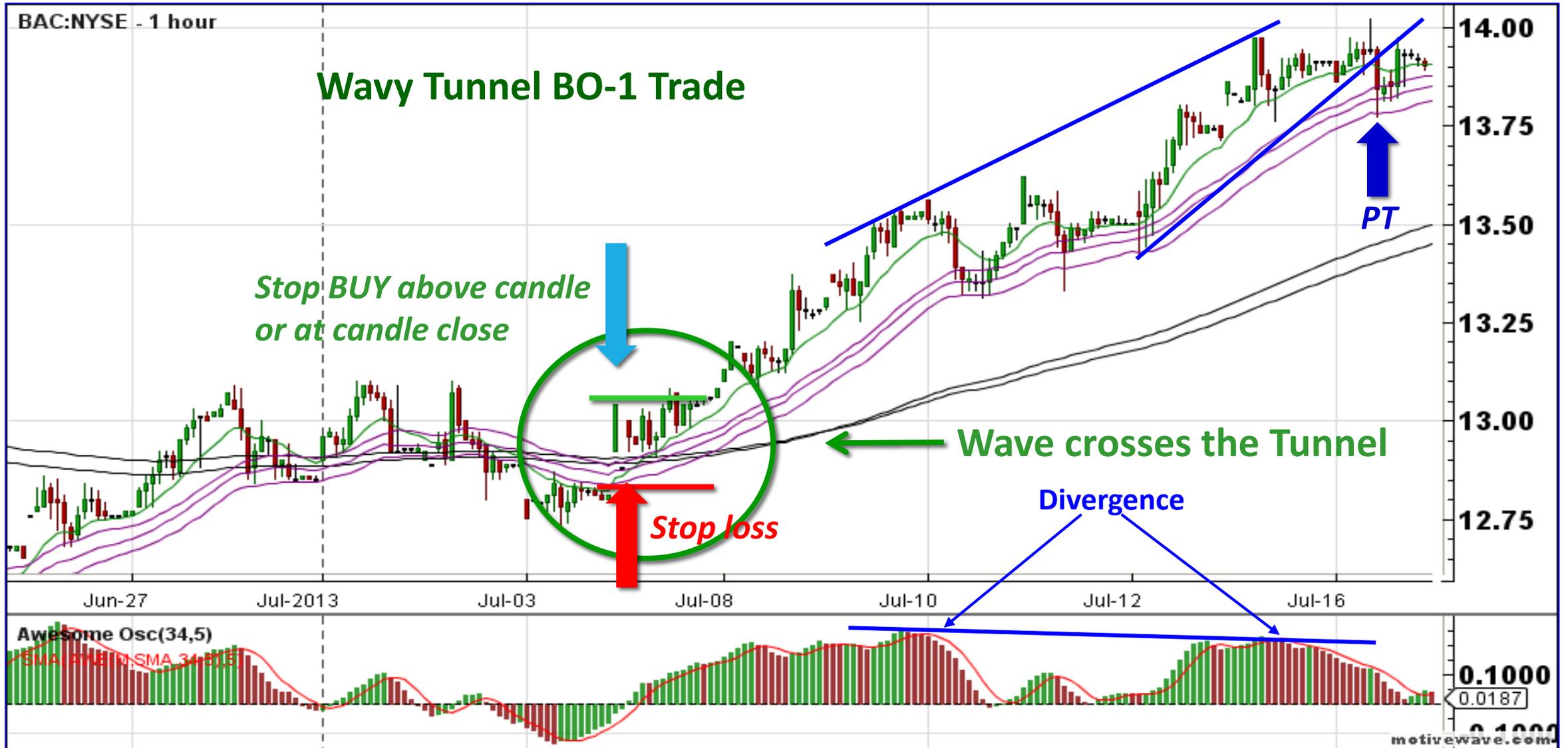
Break out Trade 1 (BO-1)



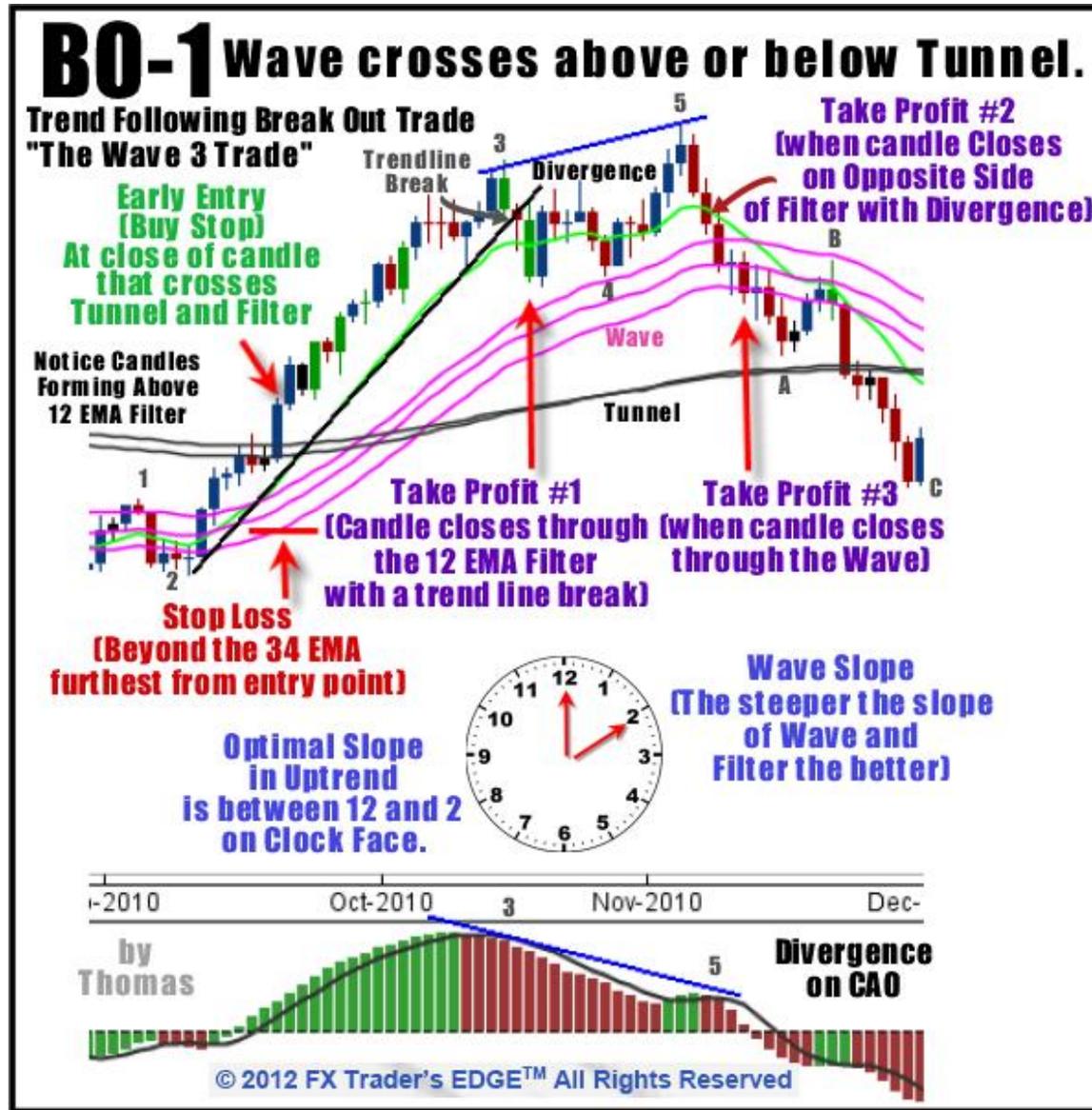
Break out Trade 1 (BO-1)



Break out Trade 1 (BO-1)



BO-1 – Wave Crosses the Tunnel



Break out Trade 2 (BO-2)

Traditional Trade Entry:

Wave sits above or below Tunnel and “Brushes or Hugs” the Tunnel.

Conservative Entry Point:

“Wave” and “Tunnel” have joined on a horizontal plane.

34 EMA dramatically turns and leaves the Tunnel behind.

Buy or Sell on the Candle close at it starts forming beyond 12 EMA.

Break out Trade 2 (BO-2)



Break out Trade 2 (BO-2)



Trigger the Entry

“Entry” is the same for all BO trades:

Wait for the candle to close above or below the 12 EMA once the Wave, Tunnel, and 12 EMA (Filter) all come together. Price will cross the Tunnel, the Filter and the Wave first. The order of the “crossing” depends on the BO trade setting up.

BO-2 Rules:

BUY when the candle crosses the Wave and is above the Filter, with the Filter at 45 degree angle. (Opposite for SELL.)

Break out Trade 2 (BO-2)

Trigger the Entry 1



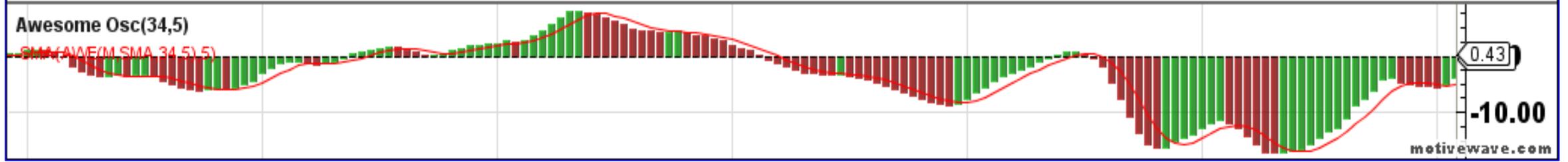
Wavy Tunnel BO-2 Trade
*Wave meets the Tunnel
on a horizontal plane*

*Stop SELL
below for entry*

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Break out Trade 2 (BO-2)

Set the Stop Loss 1



Break out Trade 2 (BO-2)



Break out Trade 2 (BO-2)

Spot the Setup 2



Break out Trade 2 (BO-2)

Trigger the Entry 2



Break out Trade 2 (BO-2)

Set the Stop Loss 2



Break out Trade 2 (BO-2)

Take Profits 2



Break out Trade 2 (BO-2)



Break out Trade 2 (BO-2)

Trigger the Entry 3



Break out Trade 2 (BO-2)

Set the Stop Loss 3



Break out Trade 2 (BO-2)



Break out Trade 3 (BO-3)

Traditional Trade Entry:

Wave crosses above or below Tunnel.

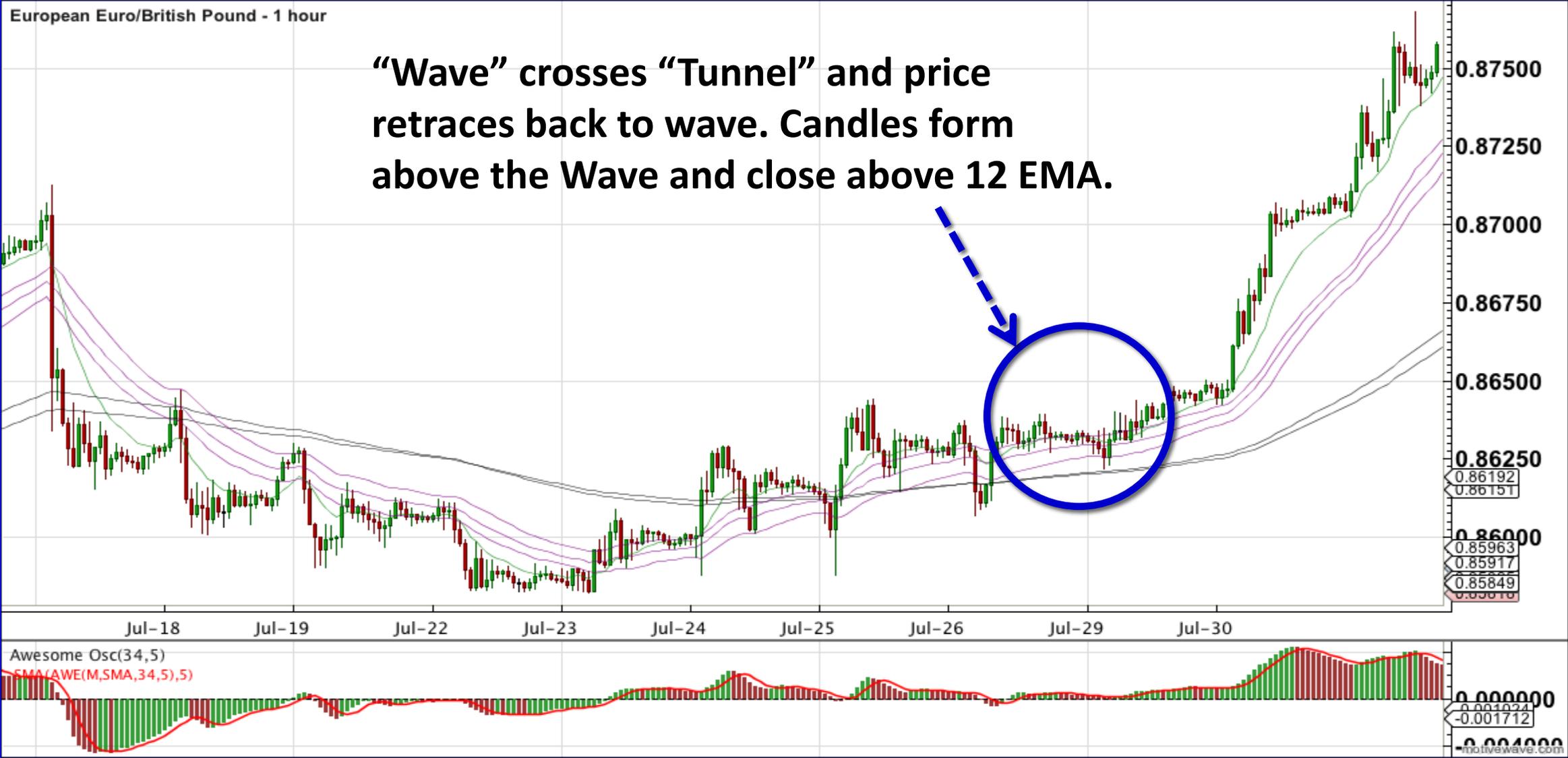
Conservative Entry Point:

Price Bounces Off the Filter or Wave in the same direction as the initial Break Out Point which is the new trend.

“Filter” and “Wave” provide significant support or resistance for price.

Candles should be forming outside 12 EMA. Watch the angle of the 12 EMA.

Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)

Wavy Tunnel BO-3 Trade



Trigger the Entry

“Entry” is the same for all BO trades:

Wait for the candle to close above or below the 12 EMA once the Wave, Tunnel, and 12 EMA (Filter) all come together. Price will cross the Tunnel, the Filter and the Wave first. The order of the “crossing” depends on the BO trade setting up.

BO-3 Rules:

Early BUY or SELL when candle bounces off Filter or Wave with reversal candle stick pattern; OR, BUY when candle crosses Wave and is above Filter. Filter angle is $> 45^\circ$.

Break out Trade 3 (BO-3)

Wavy Tunnel BO-3 Trade

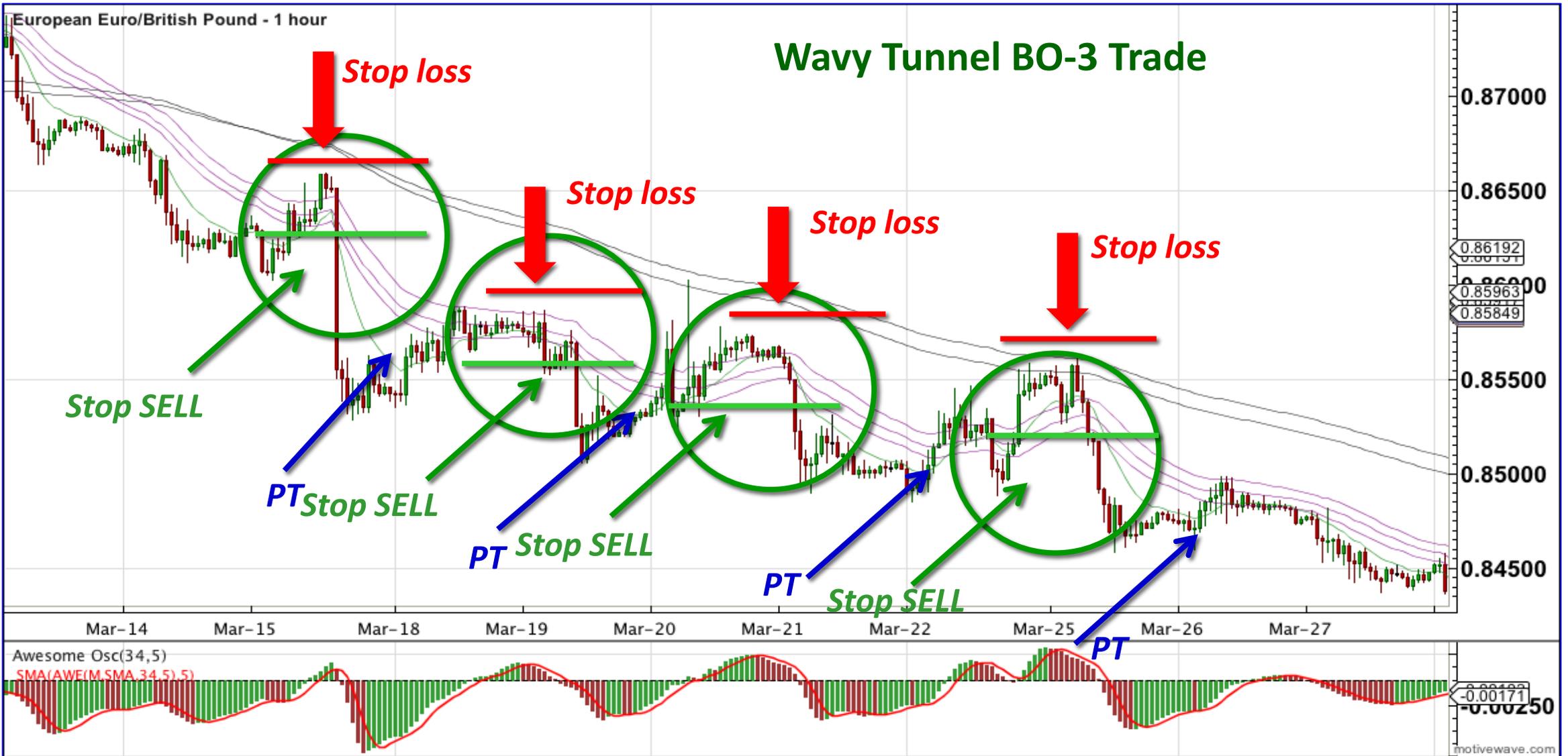


Break out Trade 3 (BO-3)

Wavy Tunnel BO-3 Trade



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)

Trigger the Entry 2



Break out Trade 3 (BO-3)

Set the Stop Loss 2



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)



Break out Trade 3 (BO-3)

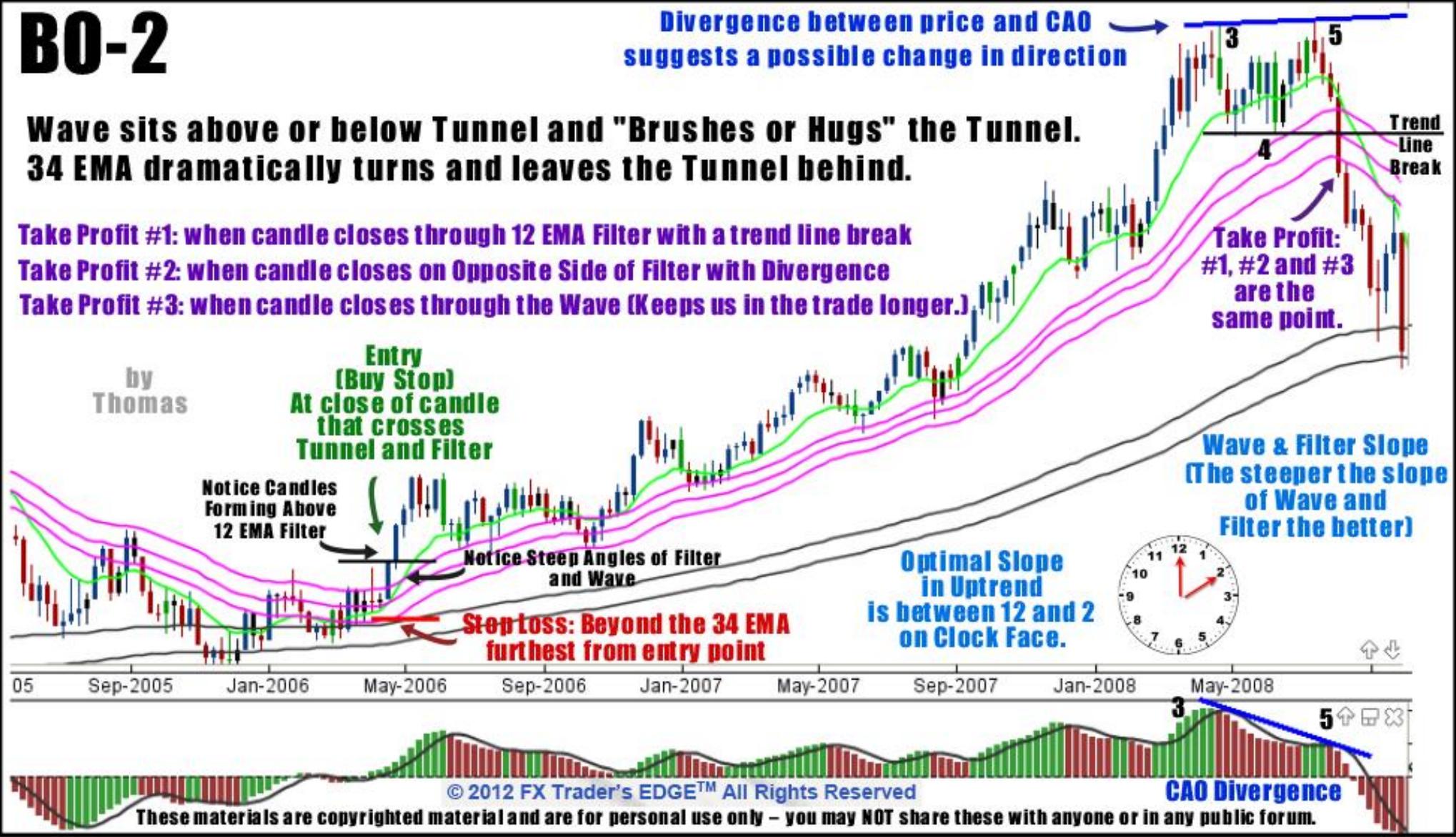


BO-2

**Wave sits above or below Tunnel and "Brushes or Hugs" the Tunnel.
34 EMA dramatically turns and leaves the Tunnel behind.**

- Take Profit #1: when candle closes through 12 EMA Filter with a trend line break
- Take Profit #2: when candle closes on Opposite Side of Filter with Divergence
- Take Profit #3: when candle closes through the Wave (Keeps us in the trade longer.)

by Thomas



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BO-2 & BO-3

BO-2: Wave sits above or below Tunnel and "Brushes or Hugs" the Tunnel.

34 EMA (Wave) dramatically turns and leaves the Tunnel behind.

BO-3: Price Bounces off the Wave (a brief countertrend correction)

Price dramatically turns and leaves the Wave behind.

Take Profit #1: when candle closes through 12 EMA Filter with a trend line break

Take Profit #2: when candle closes on Opposite Side of Filter with Divergence

Take Profit #3: when candle closes through the Wave (Keeps us in the trade longer.)

Divergence between price and CAO suggests a possible change in direction

Take Profit: #1, #2 and #3 are the same point.

by Thomas

Entry (Buy Stop) At close of candle that crosses Tunnel and Filter

Notice the 1-2-3 Entry at the Tunnel

Notice Candles Forming Above 12 EMA Filter

BO-2 Trade

Stop Loss: Beyond the 34 EMA furthest from entry point

Notice Steep Angles of Filter and Wave

BO-3 Trade

BO-3 Trades

Notice how price drops below the 12-EMA Filter before bouncing off Wave in BO-3 Trades.

Optimal Slope in Uptrend is between 12 and 2 on Clock Face.



Wave & Filter Slope (The steeper the slope of Wave and Filter the better)

BO-3 Trade?

Trend Line Break

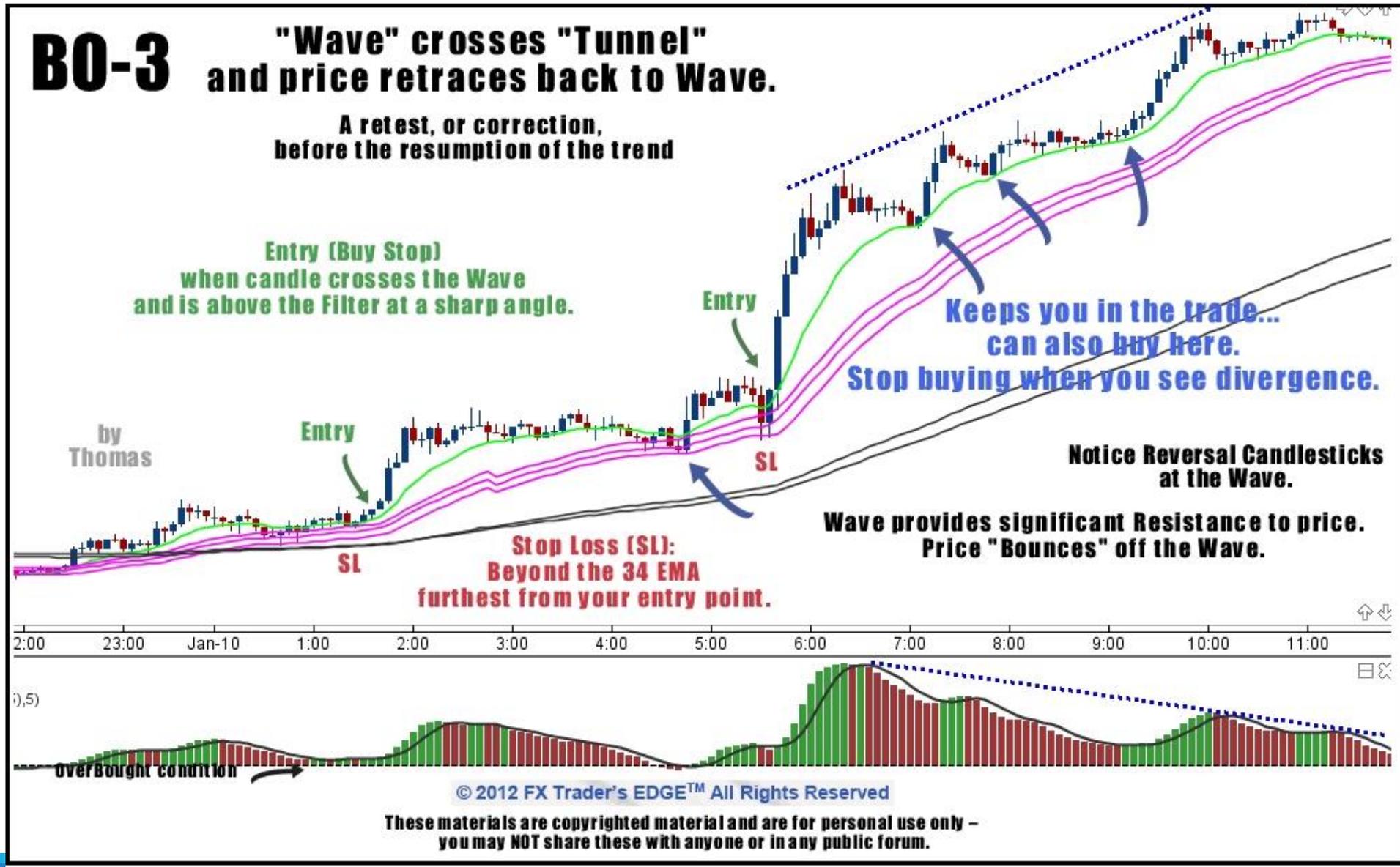
05 Sep-2005 Jan-2006 May-2006 Sep-2006 Jan-2007 May-2007 Sep-2007 Jan-2008 May-2008

Notice that Candles crossed above Tunnel and Filter earlier. (false entry)
The EMAs were not angled correctly. (Wave and Filter)

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CAO Divergence

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Break out Trade 4 (BO-4)

Traditional Trade Entry:

Wave crosses above or below Tunnel.

Conservative Entry Point:

Price Bounces Off the Tunnel in Wave 4 fashion in the same direction as the initial Break Out Point which is the new trend.

“Tunnel” provides significant support or resistance for price.

Candles should be forming outside 12 EMA. Watch the angle of the 12 EMA.

Break out Trade 4 (BO-4)



Break out Trade 4 (BO-4)

Spot the Setup 1



Trigger the Entry

“Entry” is the same for all BO trades:

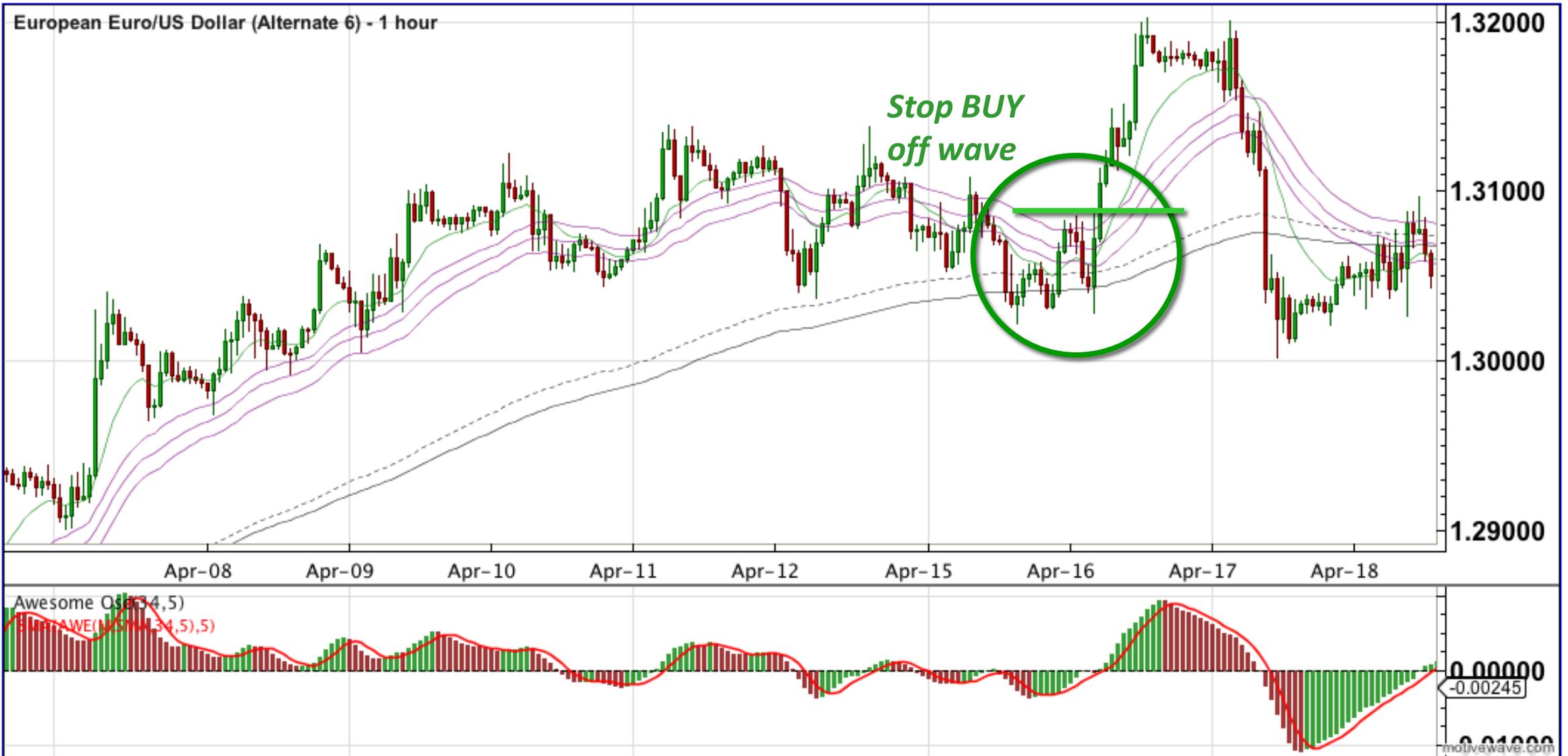
Wait for the candle to close above or below the 12 EMA once the Wave, Tunnel, and 12 EMA (Filter) all come together. Price will cross the Tunnel, the Filter and the Wave first. The order of the “crossing” depends on the BO trade setting up.

BO-4 Rules:

Early BUY or SELL when candle bounces off Tunnel with reversal candle stick pattern;
OR, BUY when candle crosses Wave and is above Filter. Filter angle is $> 45^\circ$.

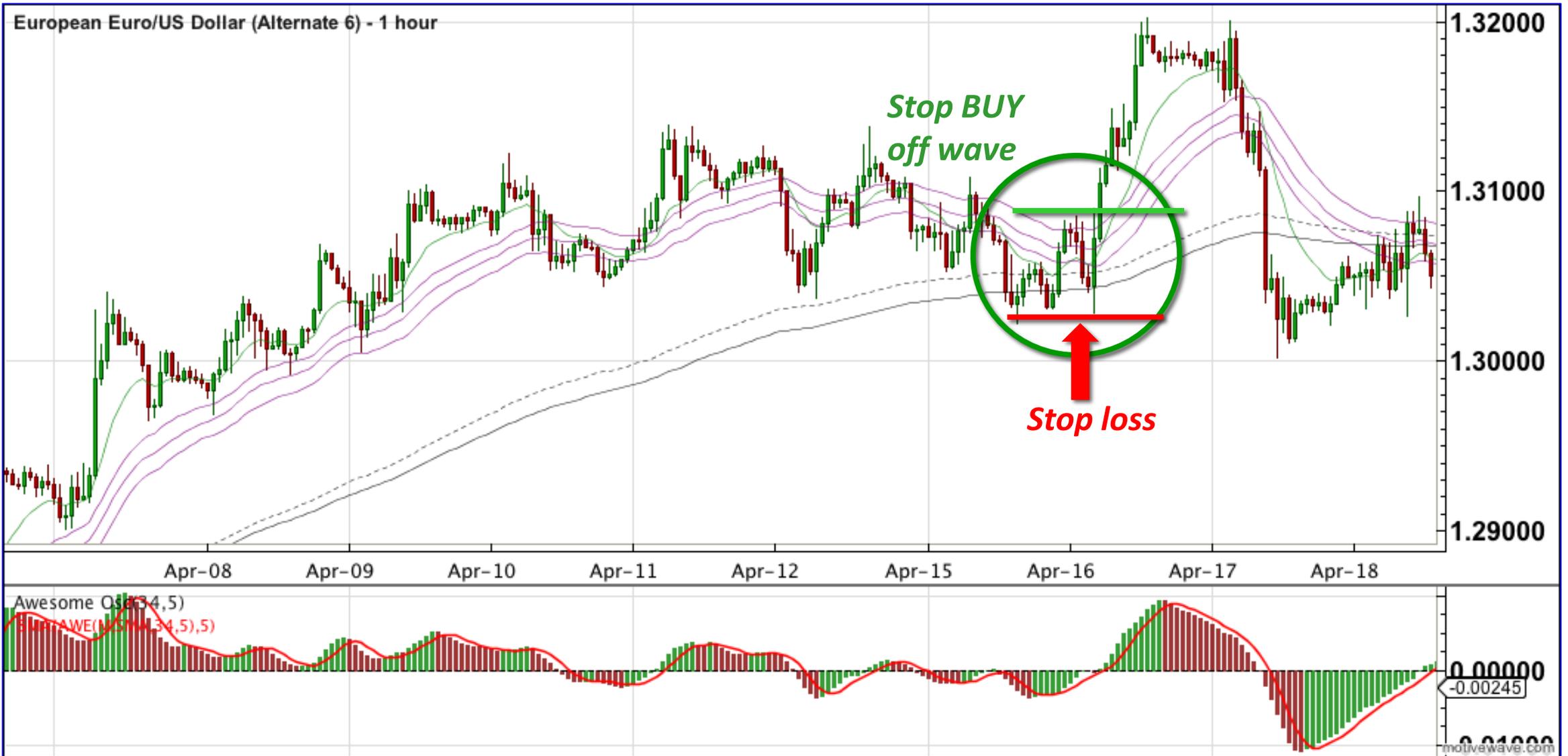
Break out Trade 4 (BO-4)

Trigger the Entry 1

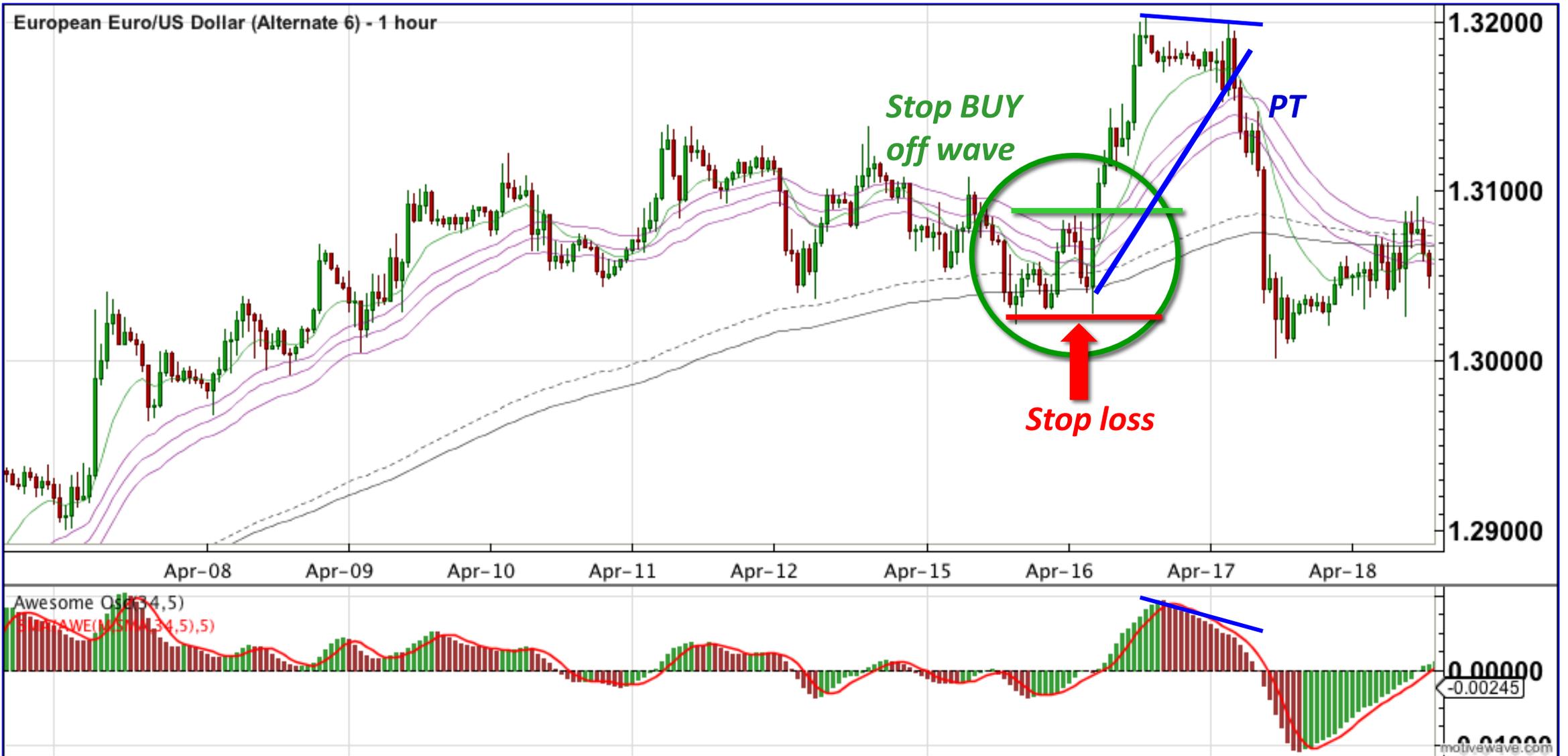


Break out Trade 4 (BO-4)

Set the Stop Loss 1



Break out Trade 4 (BO-4)



Break out Trade 4 (BO-4)

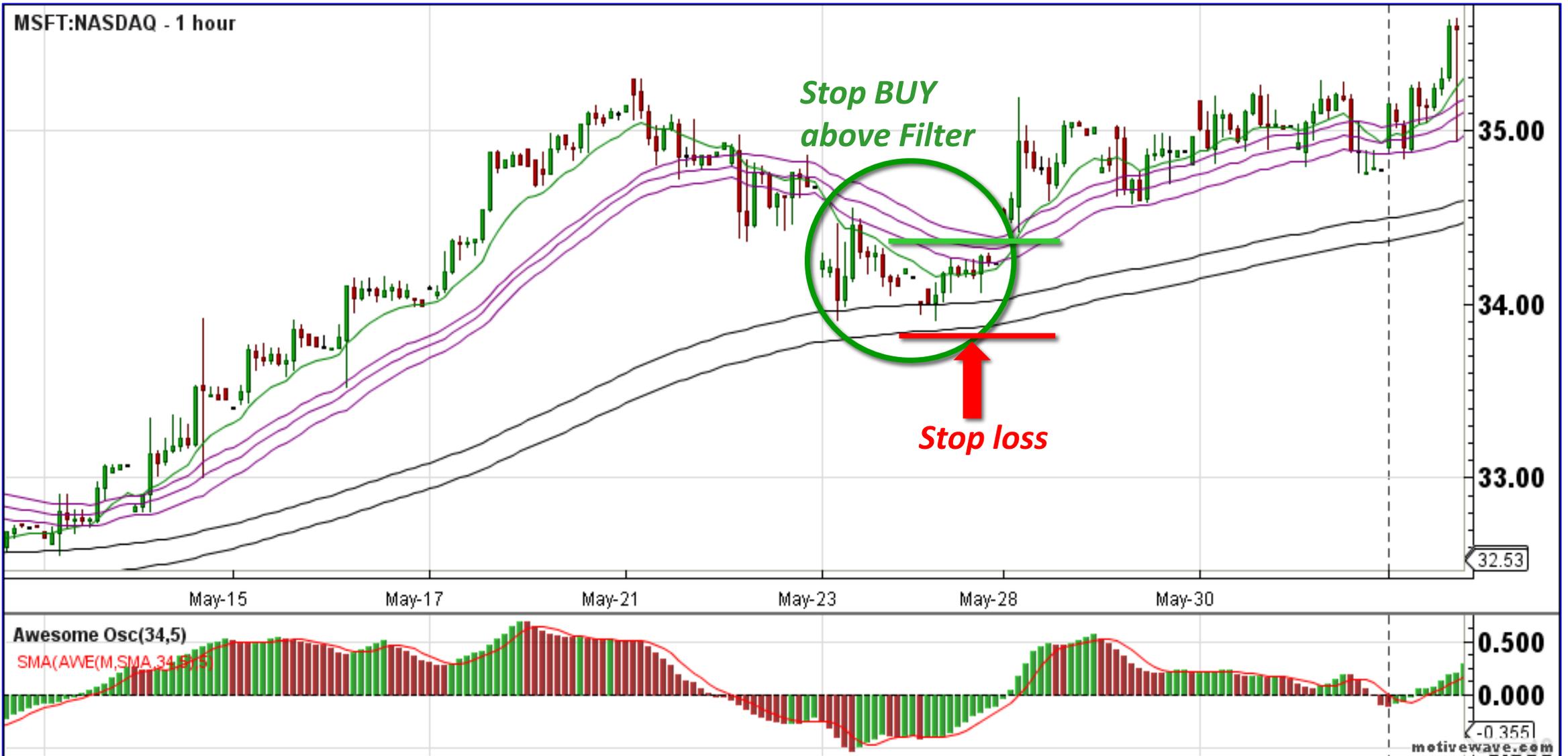


Break out Trade 4 (BO-4)

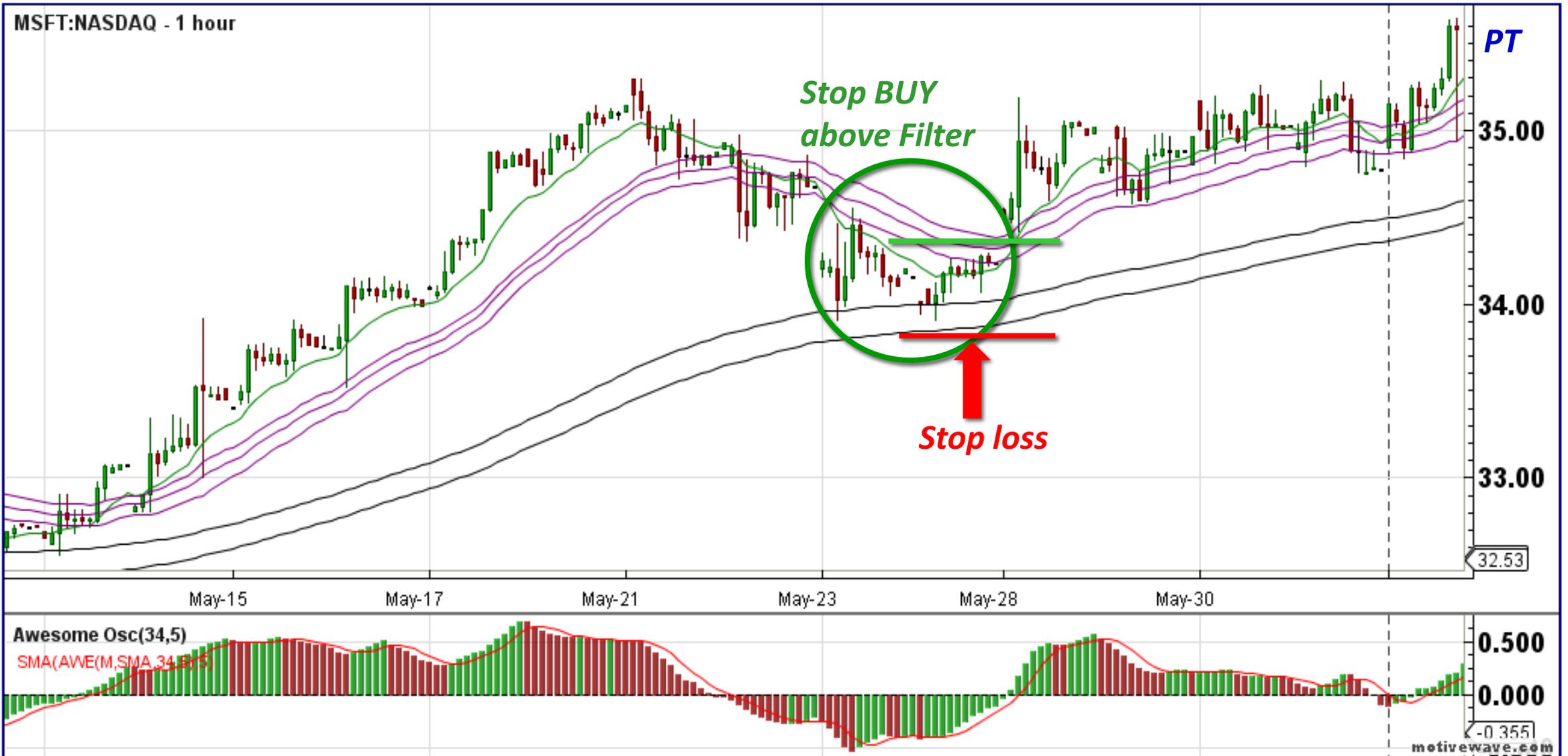
Trigger the Entry 2



Break out Trade 4 (BO-4)



Break out Trade 4 (BO-4)



Break out Trade 4 (BO-4)



Break out Trade 4 (BO-4)

Trigger the Entry 3



Break out Trade 4 (BO-4)

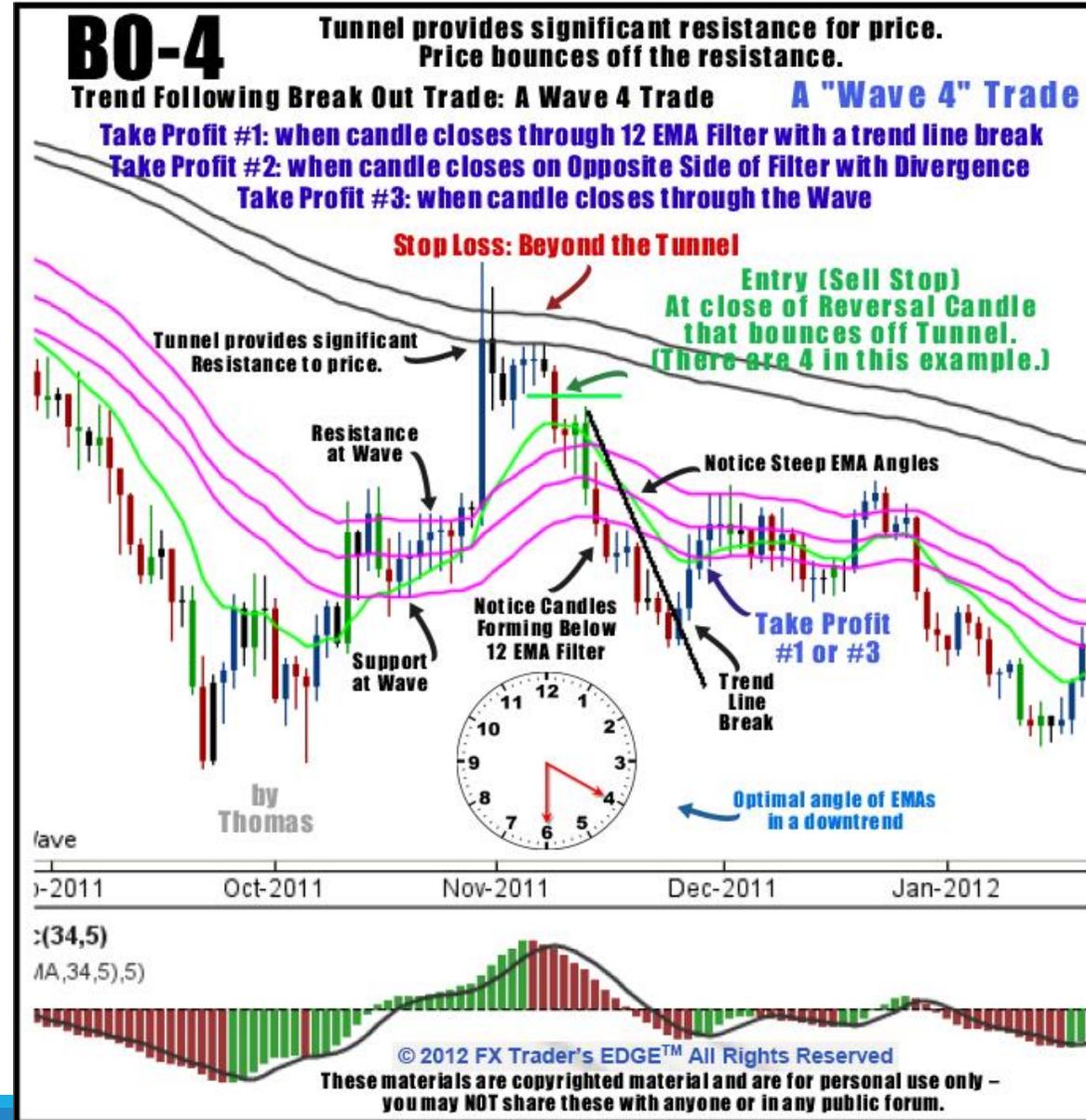
Set the Stop Loss 3



Break out Trade 4 (BO-4)



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General Comments

On the Break Out Trades, the steeper the slope of the Wave and the 12 EMA, the higher probability the trade will be.

Look for the Wave and the 12-EMA to be in the 12-2 position in an uptrend and the 4-6 position in a downtrend.

When the trend is steep, use the 12 EMA Filter to exit positions. When the trend is not as steep, move to the Wave.

Try to understand where the market is in the wave count. That will help tremendously.

General Comments

There are a few different profit taking exit strategies.

Observe the system over a period of time or back test to become comfortable with entry, profit taking, and stop loss.

It is important not to give back all profits made.

It is also important to try to ride the wave as far as you can for profits.

In Module 4 we will learn more about Profit Taking, Risk Management and Money Management.

General Comments

Wavy Tunnel trading is a system which has rules.

It is designed to be used by following the rules without emotion.

To help avoid emotional trading use entry orders on the 1-hour charts and don't look at the trade except to move your stop loss.

Only take trades on the Impulse waves. They represent about 30% of the market movement and are the strongest and most consistent moves.

Within a corrective wave, the impulsive waves are the A and C waves.

Observations

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.

When the wave and the tunnel are coming together then the current wave is likely to be a corrective wave.

The closer the EMA 12 to the tunnel the more likely the break will be sustainable.

The Breakout trade is often confirmed by a trend line break.