# Flag the Trend Trading v3

- Find the Trend
- Wait for the Pull-Back
- Find the Set-up bar
- Enter the trade
- Manage the trade
- Make Money

# Disclaimer

- These rules and guidelines have been verified through Divergence and the FF thread.
- These rules will allow you to have higher probability set-ups but will not guarantee your success. Trading is subjective to the trader and their risk appetite.
- These rules are written in accordance with the new "tweak" given by Divergence.
- This guide does not provide every contingency or every example for this system.
- Your study and diligence will help you to master the Flag the Trend Trading system.

# Summary of changes

- No more looking for "larger" trend to determine direction
- Treating every day as a separate unit
- No more numerous S/R lines on the chart
- Working with just recent S/R levels using a single one horizontal line; following the market step-by-step
- Continuously monitoring HHs LLs LHs LLs to gauge direction and watching for 123s to signal possible change of direction. You ***have to*** watch the video to get a clue.
- Divergence on RSI becomes a less important factor. It's not necessary to use RSI at all.
- Setup bar rules (CCI, MA distance) are the same
- Stop is placed above/below setup bar, NOT recent swing H/L. Target is still 1:1. So both stops and targets are smaller now. Maximum stop size is no more 26 but 20 pips, thus maximum set-up bar (SUB) size is 18 pips. If it's bigger - no trade. Minimum stop is 9 pips (applied if setup bar is too small).
- Stop is moved to BE at 3(TP=9-11p), 4(TP=12-13p) or 5(TP=14-20p) pips within target.
- In general: more smaller trades, no arguing about "trend is up, trend is down, this H/L of 2 days ago has to be taken out" etc..

# Flag the Trend Trading—Admin/Logistics

- Pair
  - EURUSD
  - Can trade other pairs and markets, but the rules/guidelines are based on the EU
- Indicators
  - 10 Simple MA applied to the Median Price (HL/2)
  - CCI or Retracement Finder with levels at 50 and -50 and period set at 8
  - RSI period set at 8 (this indicator is NOT required any longer)
- Trading Times
  - Asian—first 90 minutes (2300 – 0030 GMT)
  - London—about 3 hours (1230 – 1530 GMT)
  - US—about 3 hours (1230 – 1530 GMT)
- Timeframe
  - 5 min charts
  - This method has shown to work on other timeframes, realize set ups don't happen as often, and the rules may not apply in all cases. Adjust as you see fit.

# Flag Trading the Trend—Up-Trend Rules

- Identify the Up-trend
  - Wait for the Pull-Back
- Find the Set-up bar (sub)
  - must cross or be above the 10 SMA going up—the candle does NOT have to be a bull candle, it can be anything but must cross the SMA up
  - If the set-up bar is above the 10 SMA the low of the set-up bar (sub) must be within 2.4 pips of the 10 SMA
  - the CCI must be > 50
- Enter the trade
  - entry: 1 pip above the high of the set-up bar (sub)
  - stop: set at the low of the set-up bar (sub)
  - take profit: subtract the difference from the entry and the stop. Add the spread. Set TP at that number of pips above the entry
    - If the number of pips is less than 9, set the stop and TP to 9 pips
  - trade must enter on the 1st or 2nd bar past the set-up bar. If not, no trade entered and wait for the next set-up
- Manage the trade
  - If your TP is 9-11 pips move your stop to break even when you are within 3 pips
  - If your TP is 12-13 pips move your stop to break even when you are within 4 pips
  - If your TP is 14-20 pips move your stop to break even when you are within 5 pips
  - watch the price action closely. If you feel it is not going to make your take profit, exit the trade with some profit
- Make Money
  - money management is up to you
  - 1:1 risk/reward ratio is what is recommended
  - do not risk more than 3% on any single trade
  - take profit and exit a trade if you are in question

# Up Trend-Flag the Trend Trade




Created by RCWSO 6 May 2011

# Flag Trading the Trend—Down-Trend Rules

- Identify the Up-trend
  - Wait for the Pull-Back
- Find the Set-up bar (sub)
  - must cross or be below the 10 SMA going down—the candle does NOT have to be a bear candle, it can be anything but must cross the SMA down
  - If the set-up bar (sub) is below the 10 SMA the high of the set-up bar (sub) must be within 2.4 pips of the 10 SMA
  - the CCI must be < - 50
- Enter the trade
  - entry: 1 pip below the low of the set-up bar (sub)
  - stop: set at the high of the set-up bar (sub)
  - take profit: subtract the difference from the stop and the entry. Set at that number of pips down from the entry
    - If the number of pips is less than 9, set the stop and TP to 9 pips
  - trade must enter on the 1st or 2nd bar past the set-up bar. If not, no trade entered and wait for the next set-up
- Manage the trade
  - If your TP is 9-11 pips move your stop to break even when you are within 3 pips
  - If your TP is 12-13 pips move your stop to break even when you are within 4 pips
  - If your TP is 14-20 pips move your stop to break even when you are within 5 pips
  - watch the price action closely. If you feel it is not going to make your take profit, exit the trade with some profit
- Make Money
  - money management is up to you
  - 1:1 risk/reward ratio is what is recommended
  - do not risk more than 3% on any single trade
  - take profit and exit a trade if you are in question

# Down Trend-Flag the Trend Trade



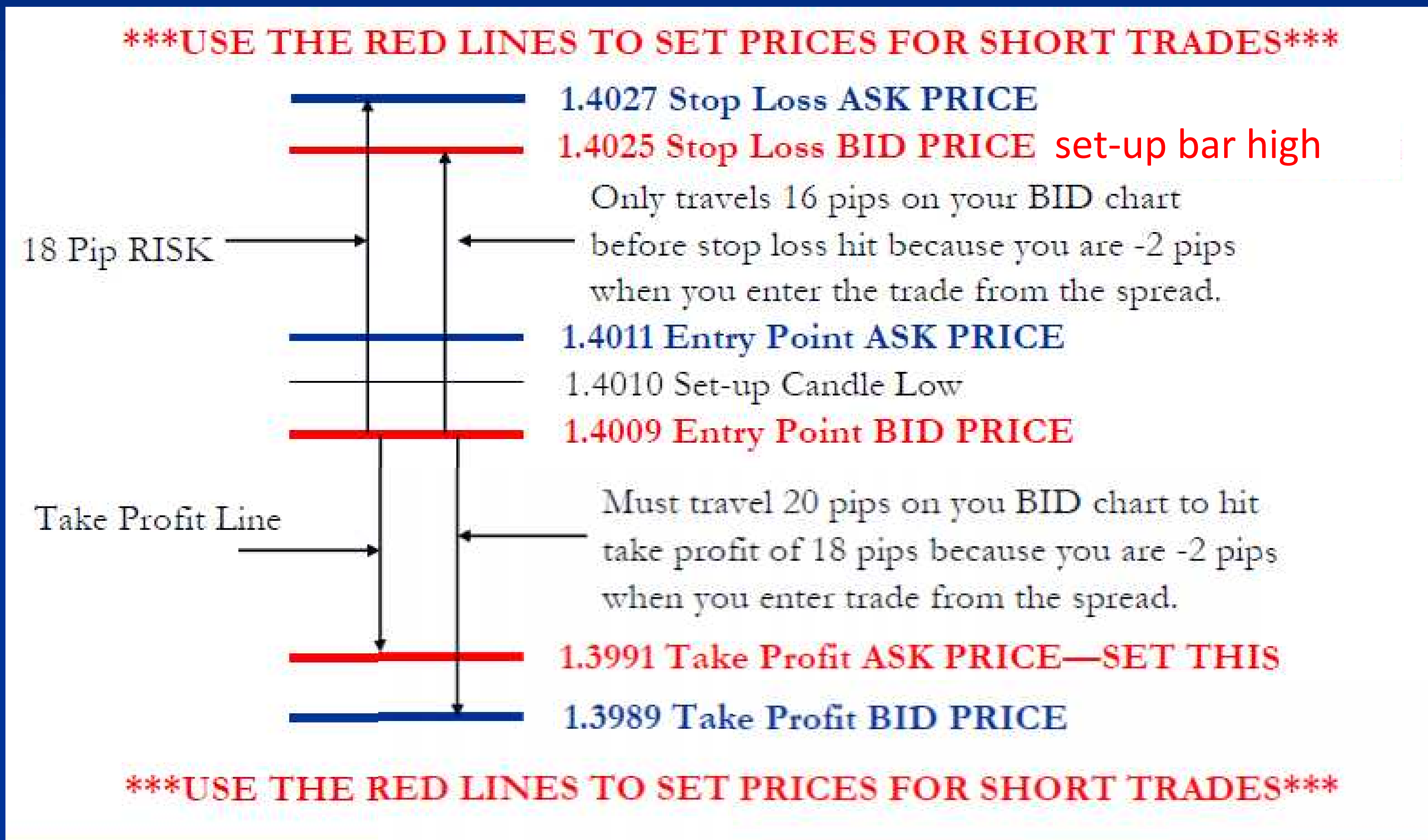

Created by RCWSO 6 May 2011

# Short Entry Example Math

- Assumptions/Admin:
  - In this example you are entering a MARKET ORDER
  - Most charts are BID price charts.
  - Enter trade when BID price is hit.
  - Stop loss set using ASK price so you must add the spread to the high of the set-up bar.
  - Take profit is hit at ASK price.
  - In order for you to get 1:1 risk/reward ratio, the price must move further on your chart (BID Price) because the ASK price will need to be hit. In the example if BID prices are used you would have a 16 pip stop loss distance and a 18 pip take profit. So you have a HIGHER than 1:1. When going LONG, the opposite happens.
- Example:
- Assuming 2 pip spread
- Set-up candle low: 1.4010
- Set-up bar high: 1.4025
- Entry point: (Set-up candle - 1 pip) = entry point
  - (1.4010 -1) = 1.4009
- Setting Stop Loss: (set-up bar high + spread)=stop loss
  - (1.4025 + 2 pips) = 1.4027
- Take Profit: (Stop loss – entry point) = pips to take profit
  - (1.4027 – 1.4009) = 18 pips
  - Subtract pips to take profit from the entry point to get take profit
    - (1.4009 -18 pips) = 1.3991

# Short Entry Example Picture

This is a MARKET ORDER Example



# Long Entry Example Math

- Assumptions/Admin:
  - In this example you are entering a MARKET ORDER
  - Most charts are BID price charts.
  - Enter trade when BID price is hit.
  - Stop loss set using BID price.
  - Take profit is hit at BID price so you must add the spread to your entry point.
  - In order for you to get 1:1 risk/reward ratio, the price must move further on your chart (BID Price) because the BID price will need to be hit. In the example if BID prices are used without adding the spread you would have a 18 pip stop loss distance and a 16 pip take profit. So you have LOWER than 1:1. When going SHORT, the opposite happens.
- Example:
- Assuming 2 pip spread
- Set-up candle high: 1.4010
- Set-up bar low: 1.3995
- Entry point: (Set--up candle + 1 pip) = entry point
  - (1.4010 + 1) = 1.4011
- Setting Stop Loss: (set-up bar low) = stop loss
  - 1.3995
- Take Profit: ((entry point + spread) – stop loss) = pips tot take profit
  - (1.4011 + 2) – 1.3995) =18 pips
- Add pips to take profit to the entry point to get take profit
  - (1.4011 + 18 pips) = 1.4029

# Long Entry Example Picture

This is a MARKET ORDER Example