

Flag the Trend Trading-123 Set-Ups v2

- Find the Trend-This still applies
- Wait for the 123
- Find the Set-up bar
- Enter the trade
- Manage the trade
- Make Money

123 Set-up Admin/Logistics

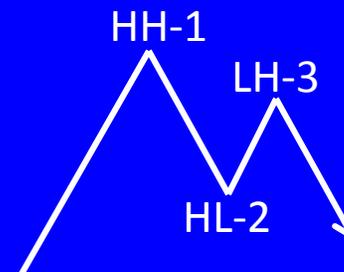
- **Pair**
 - EURUSD
 - Can trade other pairs and markets, but the rules/guidelines are based on the EU
- **Indicators**
 - 10 Simple MA applied to the Median Price (HL/2)
 - CCI or Retracement Finder with levels at 50 and -50 and period set at 8
 - RSI period set at 8 (this indicator is NOT required 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.

123-Disclaimer

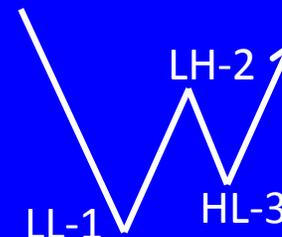
- These rules have been verified through Divergence and the FF thread.
- The 123 trade is a more risky type of trade.
- 123s are generally a counter trend trade that happens at the end of a run/trend.
- There are MANY different looks to 123 trades—they don't all look the same and are very subjective to the traders interpretation and risk.
- The 123 may develop into a flag trade to get back into the main trend.
- The rules written in this guide are the general rules.
- The trader must use their own discretion and risk appetite when finding and trading a 123.
- Not every 123 scenario can be lumped into this guide.
- Chart study and examples posted on Forex Factory will help to discriminate between different 123 trades.
- Some 123 trades are higher probability than others. Your study and understanding will help you decide what trades have higher probability than others.

Basic Rules/Guidelines of the 123

- Find the trend—This still applies
 - Up Trend—when the candles make a HH followed by a HL and then it does not make another HH. Instead it makes a LH.

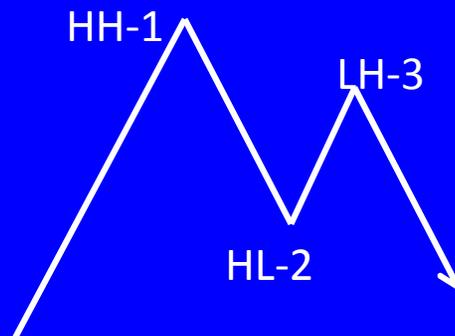


- Down Trend—when the candles make a LL followed by a LH and then does not make another LL. Instead it makes a HL.

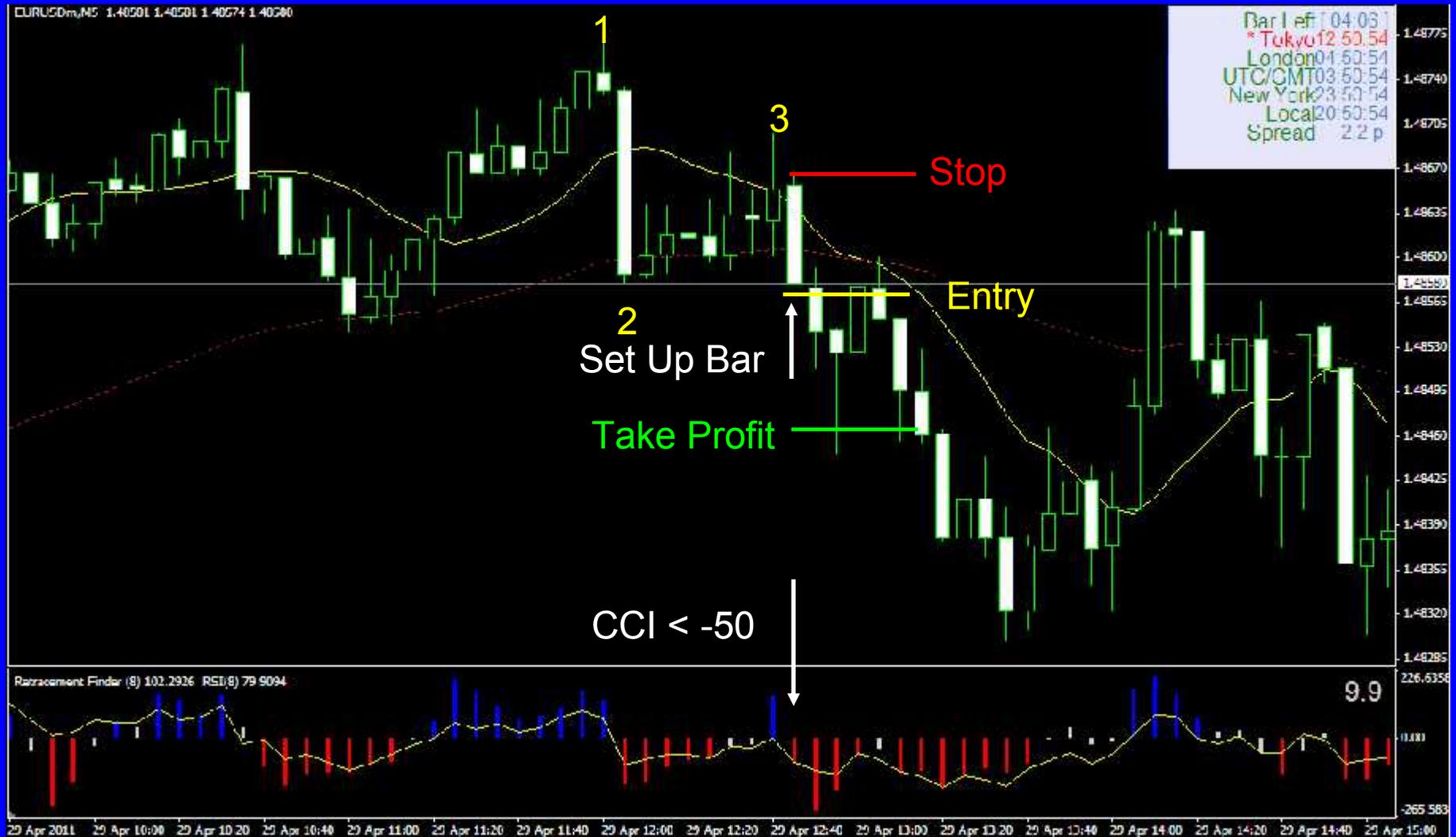


Specific Rules-123 Set-Up-During an Up Trend

- Once a 123 has formed look for the set-up bar (sub)
- Set-up bar requirements
 - The LOW of the set-up bar (sub) must be within 2.4 pips of point 2 of the 123 OR it must take it out completely.
 - The set-up bar (sub) must cross the 10 SMA going down (the candle does not need to be a bear candle) or if the set-up bar (sub) is already below the 10 SMA the HIGH must be within 2.4 pips of the 10 SMA.
 - CCI must be < -50
- Enter the trade
 - Enter the trade following the rules found in the Flag the Trend Trading v2 PDF
- Manage the trade
 - Enter the trade following the rules found in the Flag the Trend Trading v2 PDF
- Make Money
 - Make money by following the rules found in the Flag the Trend Trading v2 PDF

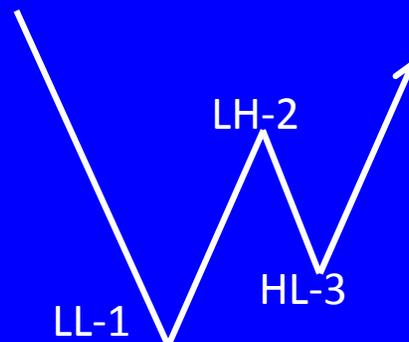


123 Set-up Example during an Up Trend



Specific Rules-123 Set-Up-During a Down Trend

- Once a 123 has formed look for the set-up bar (sub)
- Set-up bar requirements
 - The HIGH of the set-up bar (sub) must be within 2.4 pips of point 2 of the 123 OR it must take it out completely.
 - The set-up bar must cross the 10 SMA going up (the candle does not need to be a bull candle) or if the set-up bar (sub) is already above the 10 SMA the LOW must be within 2.4 pips of the 10 SMA.
 - CCI must be > 50
- Enter the trade
 - Enter the trade following the rules found in the Flag the Trend Trading v2 PDF
- Manage the trade
 - Enter the trade following the rules found in the Flag the Trend Trading v2 PDF
- Make Money
 - Make money by following the rules found in the Flag the Trend Trading v2 PDF



123 Set-up Example during a Down Trend

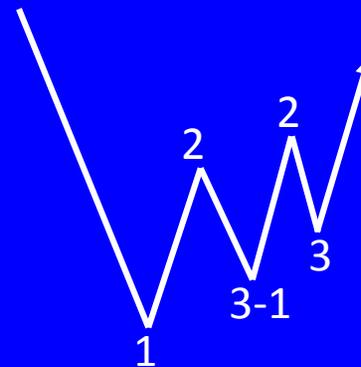
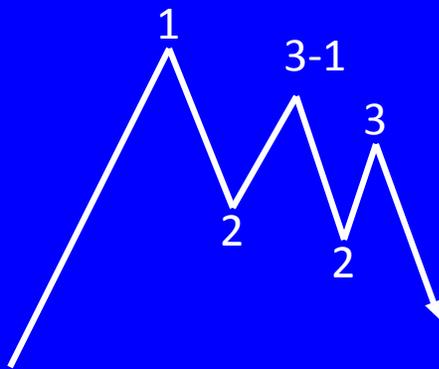


Other rules that apply

- The point 2 candle can also be point 3. But point 3 candle can never be also the set-up bar.

Higher Probability Set-ups

- RSI Divergence-Understand we do not need to use the RSI to confirm a 123 set-up. Although, when divergence does occur and you have a 123 it will be a higher probability set-up.
- Double 123 or 123 within a 123-A 123 forms and does not trigger. Another 123 forms immediately after. This will be a high probability set-up.



- 123 set-up that happens at the level of support or resistance. If the 123 is coincident with an area of support or resistance you have a higher probability set-up.
- If a trend has run and has 3 peaks. If you have had a run either up or down and have 3 distinct peaks look for a 123. This is a higher probability set-up.
- If a trend has run for 3 peaks and has divergence. If you have had a run up or down and have 3 distinct peaks and a 123 with divergence on the RSI this is a high probability set-up.