

# 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

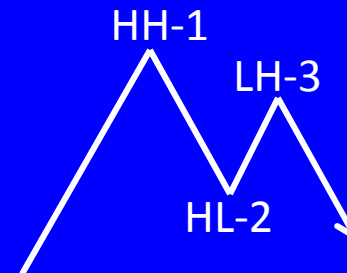
- **Pair**
  - EURUSD
  - Can trade other pairs and markets, but the rules/guidelines are based on the EU
- **Indicators**
  - 10 Simple MA applied to the Median Price (HL/2)
  - CCI or Retracement Finder with levels at 50 and -50 and period set at 8
  - RSI period set at 8 (this indicator is NOT required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

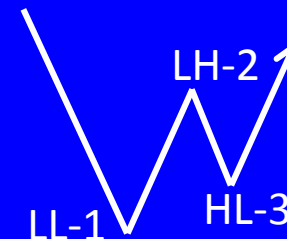
- These rules have been verified through Divergence and the FF thread.
- The 123 trade is a more risky type of trade.
- 123s are generally a counter trend trade that happens at the end of a run/trend.
- There are MANY different looks to 123 trades—they don't all look the same and are very subjective 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.

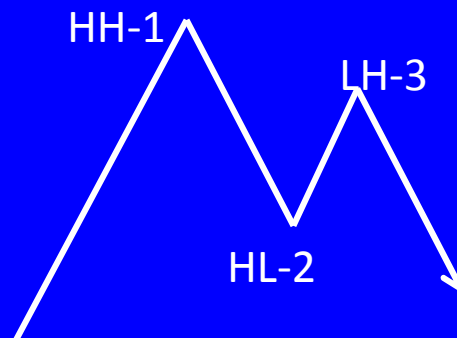


- Down Trend—when the candles make a LL followed by a LH and then does not make another LL. Instead it makes a HL.



# 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

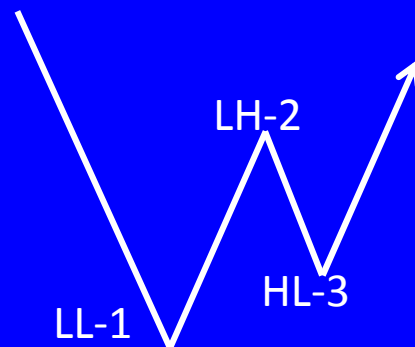


# 123 Set-up Example during an Up Trend



# 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



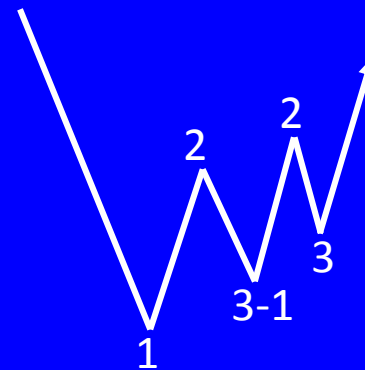
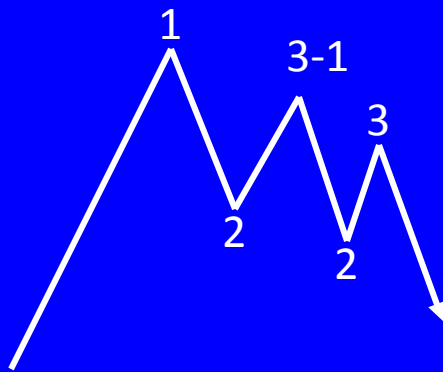


# Other rules that apply

- 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.