How I Trade M5 and M1 Charts

Firstly, let me be quite clear, this is not a 'How To Trade for Dummies' document. This explanation of my method of trading Symphonie assumes that you already have a good grasp of how to trade. I will show no mercy to those stupid questions from people who should be reading babypips.com and not this document, or this thread. You have been warned!!

Secondly, thanks to Evaluator for this wonderful system that has made me and others trading lives much easier than they were before.

Now, the indicators and template that you need are attached in the zip file, but please **Note:** You will need to download the indicators from the first page of this thread as well, because it is those indicators that power the Matrix.

The method I use is very simple: I want to see the Matrix all the same colour, first and foremost. There are no exceptions to this rule. Think of it like this: When an airline captain is preparing to land his aircraft and wishes to lower the undercarriage, he will call out "Gear Down" to let the co-pilot know what he is doing. When the wheels are lowered, the co-pilot will call out "3 greens sir", which lets the captain know that all 3 sets of wheels are lowered and locked into place for landing, as indicated by 3 green lights on the control panel, one light for each set. If there are only 2 green lights and 1 red light, then there is a problem with one set of wheels and a landing will not be attempted until the fault is found and (hopefully) rectified.

Using the Matrix is the same…I will not enter a short unless I see 4 red 'lights', and I will not enter a long unless I see 4 blue 'lights'. There are no exceptions.

Now in flying, there is a saying, 'there are old pilots, and there are bold pilots…but there aren't too many old bold pilots!' That being the case, and no, I'm not old…I am very cautious when I trade and so I want to see more than the 4 red or 4 blue lights. So I have added another 3 checks to my list: Stochastic Oscillator, the 5 period SMA and the Arrow.

So now I have the Matrix, the Stochastic and the yellow SMA that MUST agree before I enter a trade. In a perfect world, I want to see the arrow as well, and most of the time the arrow is there. When we have had a decent bull or bear run reverse and go the other way, the arrow might be a couple of candles late. If the arrow doesn't show up at all, I get very concerned and get ready to exit…the arrow is that reliable.

The last pieces on the chart are the Daily pivots, which tell me when to NOT enter a trade, or, having already entered, it tells me when a possible exit might be getting close and the Heiken Ashi candles. The reason I use HA candles is that they smooth out some of the small choppy PA that can make me hesitate to enter a trade, or perhaps to exit a trade too early. Also, it is very easy to see at a glace whether we are having a bull or bear run.

The best times for trading? I can't say. What I can say is when I find trading is best for me. I will start to seriously look at trading from 2 hours before London opens, until about 4 or 5 hours after London open. By that time the market will have gone quiet most of the time, but that is ample time with which to make a good profit on most days.

So to recap:

I will only trade during the times I have mentioned above.

I must see 4 blues for a long trade, or 4 reds for a short trade…and…I must see the Stochastic rising from the 20 line or less for longs or falling from the 80 line or higher for shorts (this rule could be from 3 or 4 candles in the past, rather than at the moment of trade entry, as we shall see) …and…I must see the candles above the Yellow SMA for longs, or below the Yellow SMA for shorts…and…in a perfect world, I want to see the arrow.

Ok…let's look at some charts. Yes the charts are historical, however I will point out where the Matrix repainted if it's relevant.

Firstly, prior to this trade being taken it was the Asian session, so I was not trading at that time. It's worth noting where the day began for the PA though…it opened just under R1 and for quite some time it tried to break through R1 but couldn't…so it gave up and the bears took over.

Why did I take this trade?

1. 4 reds
2. Stochastic falling from a recent level of 80
3. Candle has opened clear and under the SMA
4. Red candle
5. Arrow

Q: Where was the stop loss?
A: Just above R1 (-20 pips)

Q: What is the target?
A: The target is the Daily Pivot.

As we can see, the PA made it to the Daily Pivot and then bounced off. This is where I booked a +35 pip profit for zero drawdown.

Q: Why didn't I just move my SL to break even and see if the bear run continued?
A: Very often I do exactly that, and there is no reason to not do it that way. Sometimes I prefer to take the profit and look for another entry, as in this case.

Now we can see that the PA in fact did continue south, and we could have moved our SL to break even and stayed in that first trade…isn't hindsight wonderful? So now we need a re-entry.

Why did I take this trade?

1   4 reds
2   Stochastic falling from recent level of 80
3   Candle has opened clear and under the SMA
4   Red candle
5   Arrow

Q: Where was the SL?
A: Above the recent swing high (-35)

Q: What is the target?
A: S1

Q: Then why didn't you exit at S1?
A: Because the PA just went straight through S1. In cases where this happens, it is a perfect opportunity to place the SL to break even and set the new target to S2.

Q: So why did you exit at S2 and not move the SL into more profit and shoot for S3?
A: I could have done that, but you can see that Stochastic has been oversold for quite a while…and S2 has been touched and not broken…and we have 1 blue light!! Time to exit captain!!

Profit: +72 for zero drawdown. Add that to our previous +35 and we have +107 for the session and now it's my bedtime!!!

But I know that you are still awake so lets continue:

Here's a possible long opportunity.

Q: Would I take this trade?
A: Never!

Q;   Why not
A: Well, lets remember our checklist…we have 4 blues…we have the arrow…we have a white candle…we have the candle above the SMA…but, look at the Stochastic. The fact that the trade is counter to a 100 pip drop we have just traded, and that the Stochastic is so high, means that this isn't a high probability trade and we should not take it.

Q: But the Stochastic was below 80 not that long ago, what's the problem?
A: The answer is that the Stochastic is not rising…it has risen!!!! Now it's overbought…and as I just said, this trade opportunity is counter to the 100 pip drop we just took part in.

Q: But the trade worked…you should have taken it.
A: Once again, hindsight is a wonderful thing. The trade could have easily gone against us, and then we would have given back to the broker some of our 107 pip profit. **Don't be greedy!!!**

If we were in a ranging market, then longs and shorts could be fair game, but in a trend such as we have just traded, it is foolish to risk going against the trend.

The period for the above charts is M5, but the same works no matter the time frame. Of course you need to keep an eye on upcoming news, and you need to know what is going on with the H1 and H4 charts, but that is the way I do it…in a nutshell.

Hope you understand and make pips.

RJ