

NANNINGBOB 10.2 UPDATE

APRIL, 2012

When I wrote 10.0, I felt I was heading in the right direction, however, I quickly realized that I had probably erred in dividing the system into 3 separate threads. It became too cumbersome to keep up with all the different styles. Even though I could do it, I soon realized it was too difficult to teach and keep up with it all. Since Aug., 2011 my win ratio has been around 77% and I have had a steady increase in my account. But I needed to add simplicity and something new - strength of move. With this I hope to have a better handle on exiting or staying in a trade. I hope you find 10.2 much easier and better to trade with.

Thanks to the following:

ProfitTrader for his pivot indicator.

CandleTiger for updating the pivot indicator for 10.2.

Bytejuggler for his work on the TMA Slope and Pivot indicator

Al and the extreme tma thread crew for reviving the use of TMA indicator.

Zznbrm for the slope indicator which fascinated me; found a new use for it here.

Steve Hopwood for his EAs and their safety features, updated for 10.2 by FMuir.

Steve again for his MPTM so we don't let winning trades turn into losers.

To whomever wrote the TMA true without which I could not have come up with the numbers for the slope indicator.

All the thousands of traders who have asked, prodded, contributed and encouraged me through thick and thin.

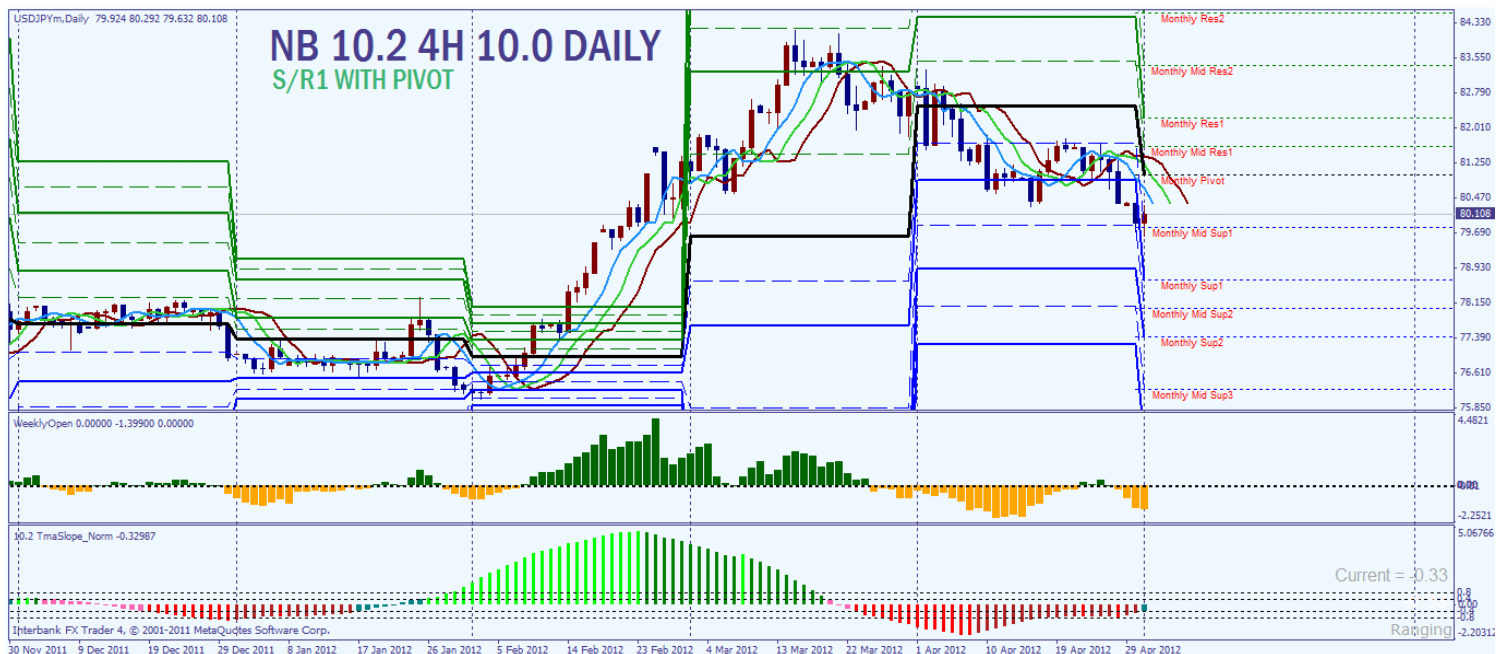
Finally a great thank you to FMuir whose fingerprints are on everything. Helping with editing, indicators, and hanging in there with all the adjustments.

I am not going to re-explain the indicators in this paper. Please make sure you have read the indicator papers before trying to understand how they are used here.

10.2 DAILY MAIN SCREEN

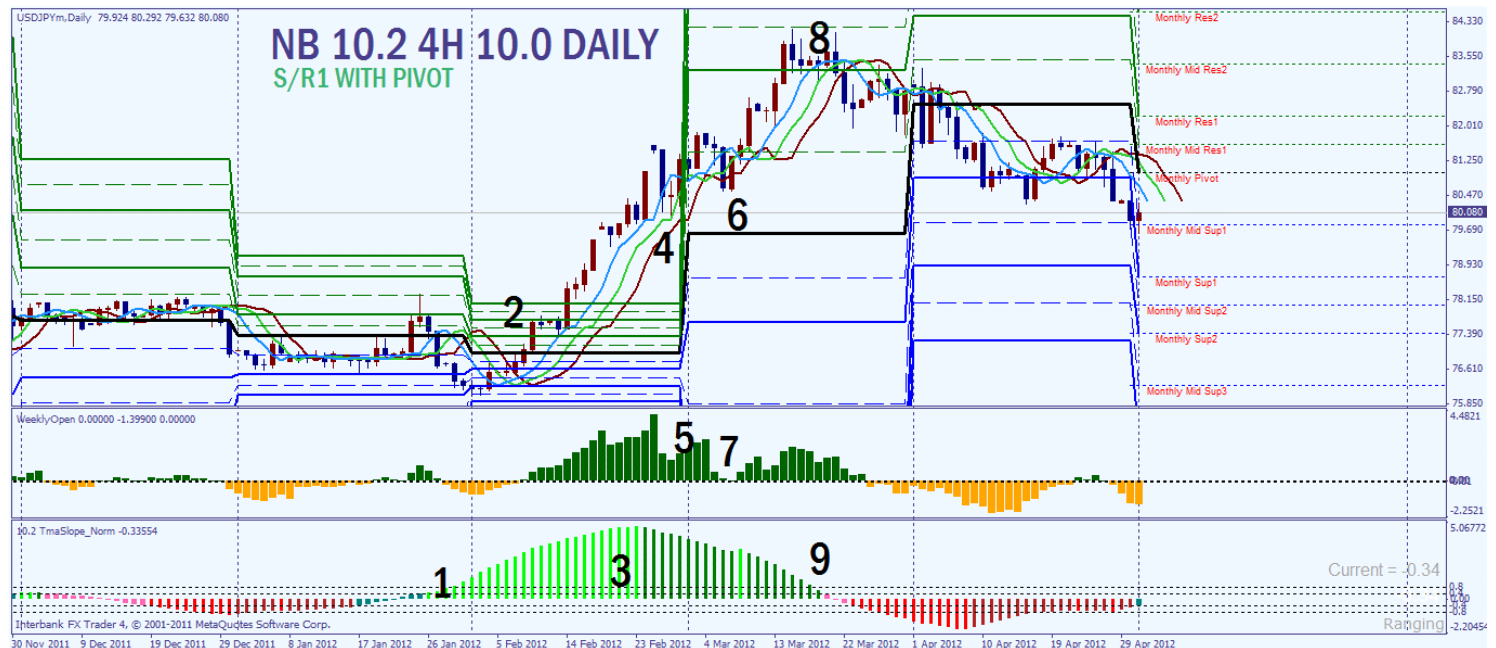
Changes made from 10.0

1. Blue MA line changed from MA2 shift 2 smoothed to 5MA shift 1LWMA, basically the same line. This was done to make the MA line the same number for all charts. So the blue line was kept from 10.0. The high or low of the candle touching the blue line still shows a ranging market.
2. Added slope indicator, Green UT, Red DT.
3. Added Open weekly Green UT, Red DT for the week. Shows the relationship between price and the 2MA open on the weekly candle.
4. Removed 8 Red MA line. This information is replaced with the open weekly histogram. (OWH)
5. Rules are very simple for daily chart trading.
 - A. If price is above blue line, OWH is green, Slope is green, BUY. Follow price action from one pivot line to the next.
 - B. If Slope is above .4 or below -.4 follow the long term trend until it comes back to .4 or -.4.
 - C. Use the EAs to reenter back into the trend on rallies in the DT and dips in UT.
 - D. Add second positions to the trend if Slope is greater than .8 on and UT and less than -.8 on a DT.



Let us go through a series of trades on the daily just to show you how to do the reads and trade it.

1. Slope indicator starts approaching the .4 and is showing green bars.
2. Price action crosses up over the MA lines and crosses the main pivot for the week. You can enter either at the cross of the MA or Main pivot. Monthly pivots are very powerful so when they are crossed price will hang above or below them for a while. The ranging periods will also hang around pivot lines and can drive you crazy at times.
3. Long term upward trend will be confirmed by the slope indicator. When those bars are above .8 hang in there. Price broke through all the R lines so this is a big move. Whenever you see the pivot lines bunch up tight look for a big breakout in price action. If you close too early just put a new buy above the next pivot line.
4. Price ranges and comes back inside the blue MA line, however, with the strong angle being reported by the slope indicator keep your trade and go with a 2nd position buy when it crosses back up over the blue line. Again you can use the EA to enter.
5. The dip in the rally is confirmed by the weekly bars in the OWH indicator.
6. A second dip occurs but the slope indi is saying it is not done yet being above the .8 line so you can enter a third position to this series of trades.
7. The dip in the weekly open indicator shows price dipped back close to the open of the weekly candle. Get ready to buy again.
8. Once again price begins ranging. #9 is giving that the slope of the angle is about done and the run is over.
9. Slope shows bars coming back inside the .8 and .4 so the run is done.
10. I didn't write this number in but when price went below the main pivot (black line) begin your sell run.

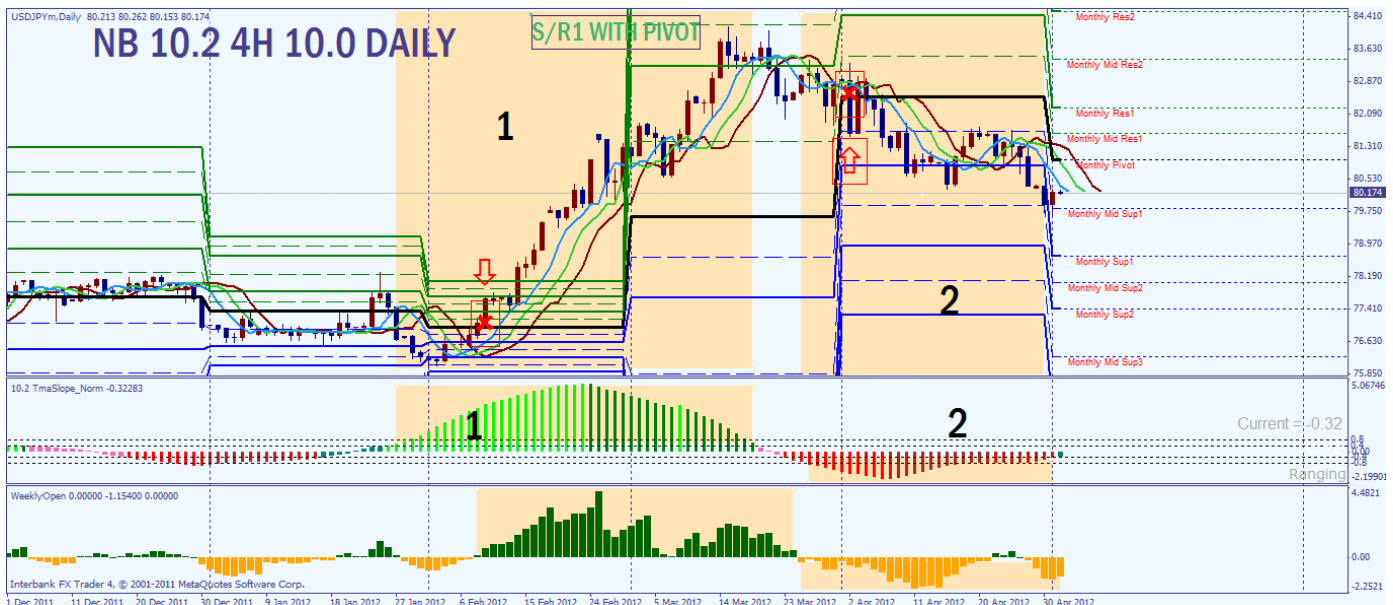


CONCLUSIONS AND DAILY READ SYSTEM

In this pic I want to post the 5 reads from the daily chart we will use to trade with. What we are reading will determine where we want to go trade and how we want to trade it.

UT/DT 10.2 definitions

1. An uptrend (UT) is defined at the TMA slope has green bars and moved above the .4 on the daily. #1 tan area.
2. Price has moved above the blue MA line (now a 5MA was the 2MA in 10.0 basically the same line though) #1 tan area.
3. Price has crossed the monthly pivot line and will not re-cross it again for 7 weeks. Nice UT move. See the red x below, red arrow is point at the spot.
4. The weekly long range histogram confirms also with green bars.
5. So we have entrance into UT with confirmation from three other indicators.
 - a. Crossing the blue MA line.
 - b. Crossing the black main pivot line.
 - c. Weekly candle bars showing green, price is higher than the 2MA open on the weekly chart.
6. The UT ends when the slope indicator moves back below the #4 green bars on the slope indicator. That is at the end of the #1 tan area, that leads to a period of trading before going into a DT.
7. So the first reads are #1 UT and #2 DT.

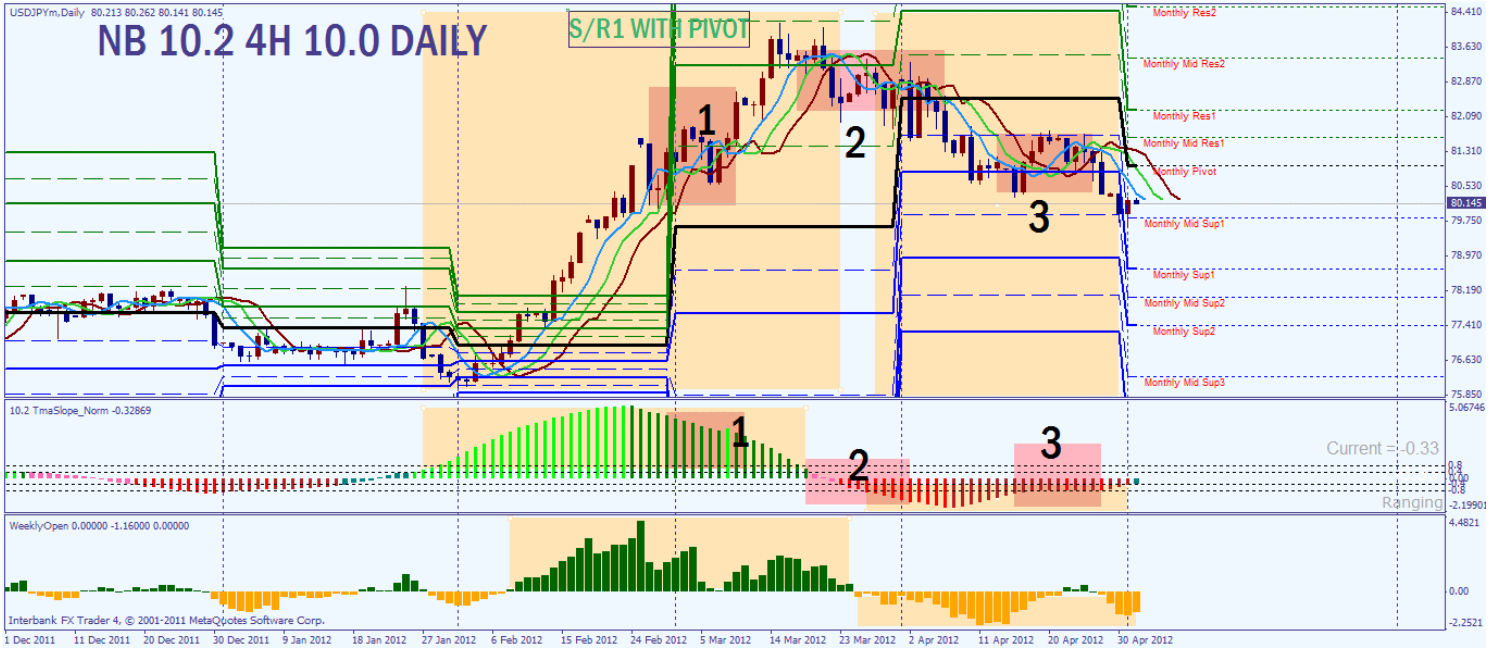


THREE KINDS OF RANGE TRADING

Next, within an UT or DT there are range periods. You can say price action is taking a breather. There are 3 kinds of Range trading:

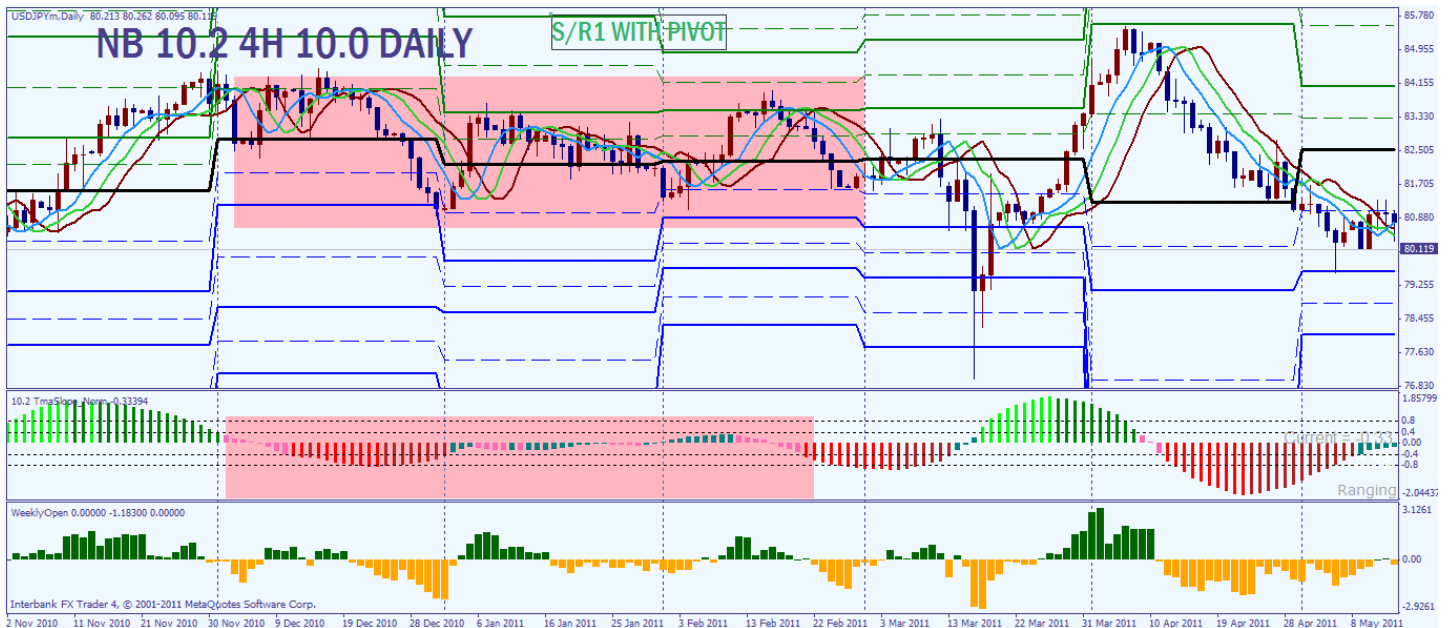
1. Range trading with an UT #1(pink area). See the pink areas in pic below; #1 is a range area because either the top of the candle or the bottom of the candle is touching the blue MA line. Price in #1 will range in between two points for 10 days. The angle of the TMA still is going up but is beginning to slow down. The downward slope of the TMA slope is showing a slowing down of the upward angle but it has not changed directions. This shows there is more upward movement coming yet. When we trade this dip in an UT price goes below the MA lines and we can reenter back into the trend by place a pending trade above the Monthly R1 line or use the buy MA cross EA and enter from it. We also have a dip in the WHO back to the MA line on the weekly. These dips are entrances back into the trend.
2. Range trading between trends #2(pink area). The slope indicator now shows that the angle of the TMA is no longer rising but has flattened and begins changing direction. This is an indication that price is going to range or go into a DT. The bias of the TMA and the WHO is sell. When we see this on a chart we can go to a lower TF and trade this kind of price action. When you the great trading gurus yelling, "Let your winners run, Let your winners run." You are going to smile and say, "no they are not." Take your profit at the next S/R line because they are not going to run in these areas. ☺ The slope indicator however will give you a bias of which direction to go. In #1 it was telling you the range trading bias is still buy. In #2 we see it changing to a sell bias.
3. Range trading within a DT #3(pink area). The third pink area still shows that the angle of the TMA is still down so your best trades still will be sells. Price has gone above the MA lines but did not go to the main pivot line. SOOOOOOOO Put a pending order under a S/R line or use one of the MA EA and re-enter into the DT. Take profit at the next S/R line because the TMA slope is not showing any strength to the moves now.
4. In range trading areas, you will always get more pips trading lower TF than you will the daily TF. However, it is the read of the range that will help your trading:
 - A. UT range, #1 look for your best trades to be buys.
 - B. Range with bias UT or DT, #2 in this case is switching to a DT
 - C. DT range. #3 this rang is in a DT so sells will be best.

See pic on next page.



THE MARKET SUCKS (RANGE TRADING)

You ever hear a trading say that. I have, many times. You winners are not going to run so throw out your little risk to reward ratio thingy and trade even-up. It is range trading time and if you can get a trade to go from one S/R line to another you are doing good. Watch your slope indicator and trade the bias. The first thing you realize is you trade back to the man pivot line. Trade outside in on a lower chart using Bollinger Bands, TMA, or some other range trading tool. The best place to trade though is the lower charts and use weekly pivot lines and S/R and not monthly.



TRADING THE 4H CHART

The indicators are as follows:

Three MA lines: the 5MA line shift 1 (blue) shift 3 (green) shifted 5 (dark red), each one of these lines appears on every TF and has a matching EA to go with it.

The best way to trade is to use pending orders around the S/R lines or to use the MA line EAs when the lines match up close to the S/R lines.

Weekly open line: (light gray) lets you know where price opened for the week.

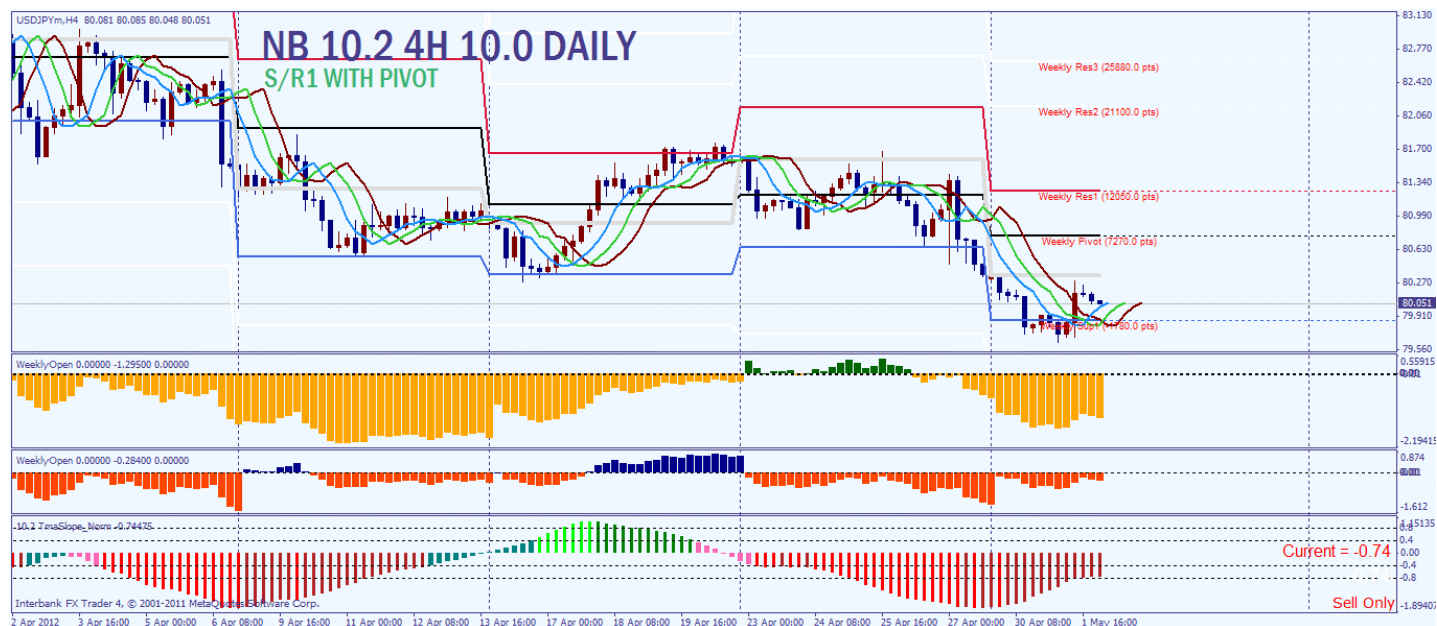
Weekly pivot indicator: On the daily we used the Monthly pivot indicator with mid level lines. On the 4H chart and lower we are using the weekly pivot indicator S/R lines only. Blue screen uses S1(blue) and R1(red) lines only with main pivot line. Pink screen use R2/S2 with main pivot line.

Histogram1: (gold and green bars) Price action based on the weekly 2MA. The bigger the bars the farther away price has moved from the open. This is a long range indicator of price action.

Histogram 2: (orange and blue bars) Price action based on this week's candle. It resets to 0 at the beginning of the week. Lets you know if price has been going up or down during the week. The color of these bars along with the crossing of the weekly pivot gives you the probably direction and strength of the move. For example price is hovering at the pivot line but 1MA weekly open is showing orange and 2MA is green. This is a ranging market.

Slope Indicator 1.4B: This indicator shows the bias of direction of price action. If overall price action is slanting down it will show red bars, if overall price action is slanting up then it will show green bars. Along with main pivot and weekly histograms you have an indication of which way price is leaning. This is the deciding factor when you get green bars and orange bar mix. The slope indicator shows a bias to the south so that is the way price wants to go. Price broke through the main black pivot line and did a nice sell trade.

We are going to use this indicator for its one really good strength and that is determining the present strength of the currency move. The direction and angle of the slope is what we use this for. The greater the angle of the slope, the bigger the move, the bigger the histogram bars.



With these 4 indicators and MA lines you can trade with some very simple rules. They basically are based on the TMA slope indicator.

RULE 1: When the histogram is between 0.4 and -0.4, the bars are pink and teal, price action is ranging. Go to 1H chart or lower and trade or catch the directional bias of the daily histogram.

RULE 2: When the histogram is between 0.4 and 0.8, do only BUYS using pivot lines or MA, and exit trade when it gets to the next higher pivot line.

RULE 3: When the histogram is between -0.4 and -0.8, do only SELLS using pivot lines or MA, and exit trade when it gets to the next lower pivot line.

RULE 4: This is the exciting one. **LET YOUR WINNERS RUN AND RUN AND RUN** until it tells you to stop.

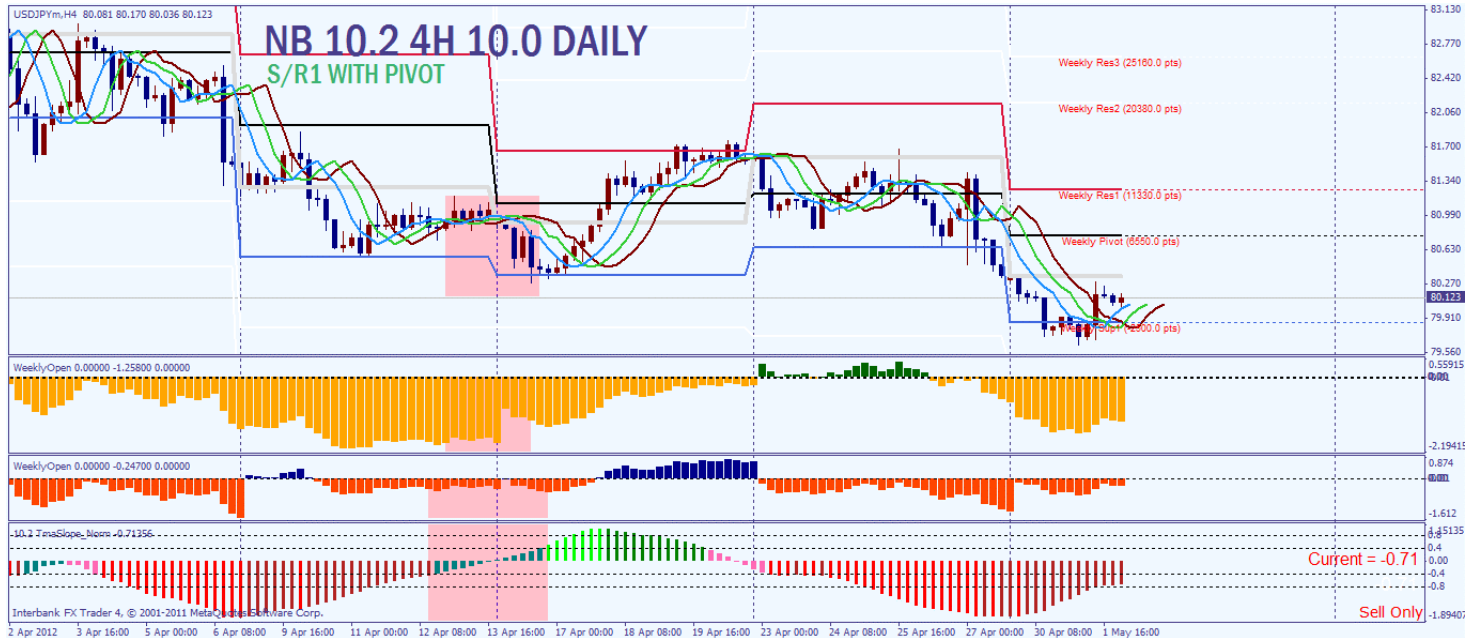
RULE 4 BUY: When the histogram is HIGHER than 0.8, BUY and hold, then re-enter every time price goes back inside the 5MA.

RULE 4 SELL: When the histogram is LOWER than -0.8, SELL and hold, then re-enter every time price goes back inside the 4MA.

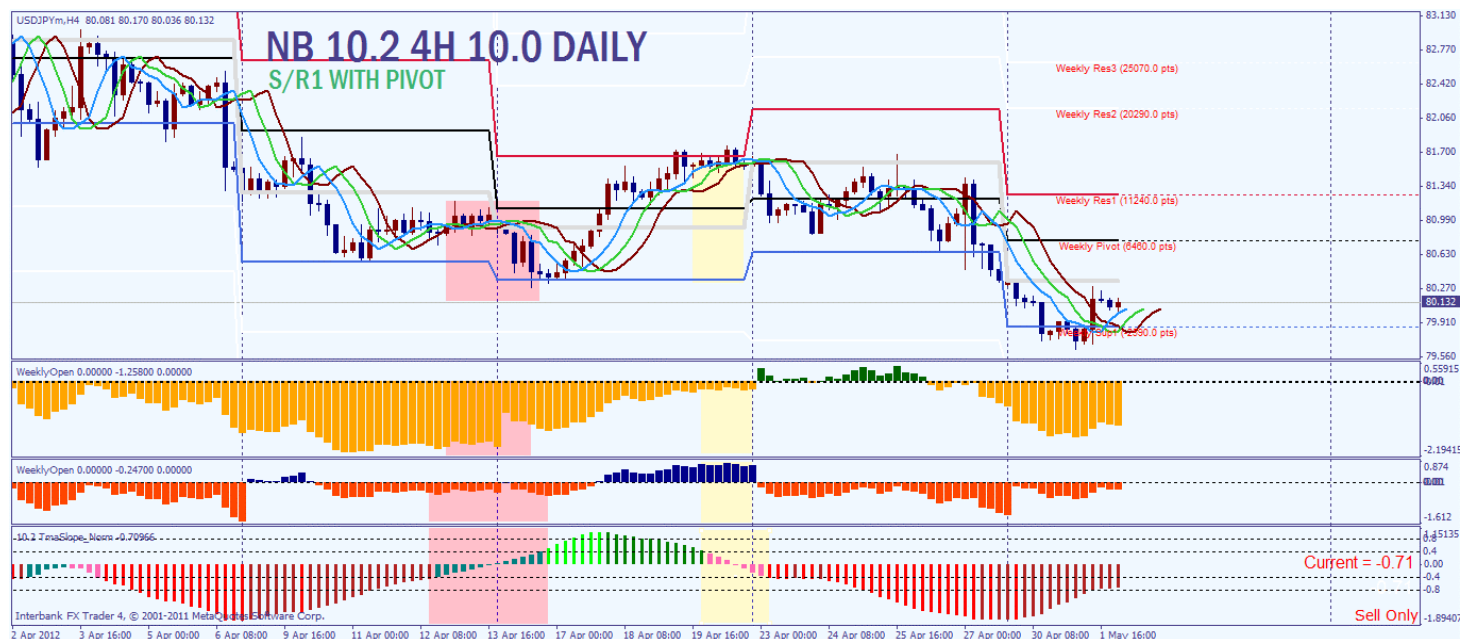
Illustration of RULE 1:

THE 4H SCREEN

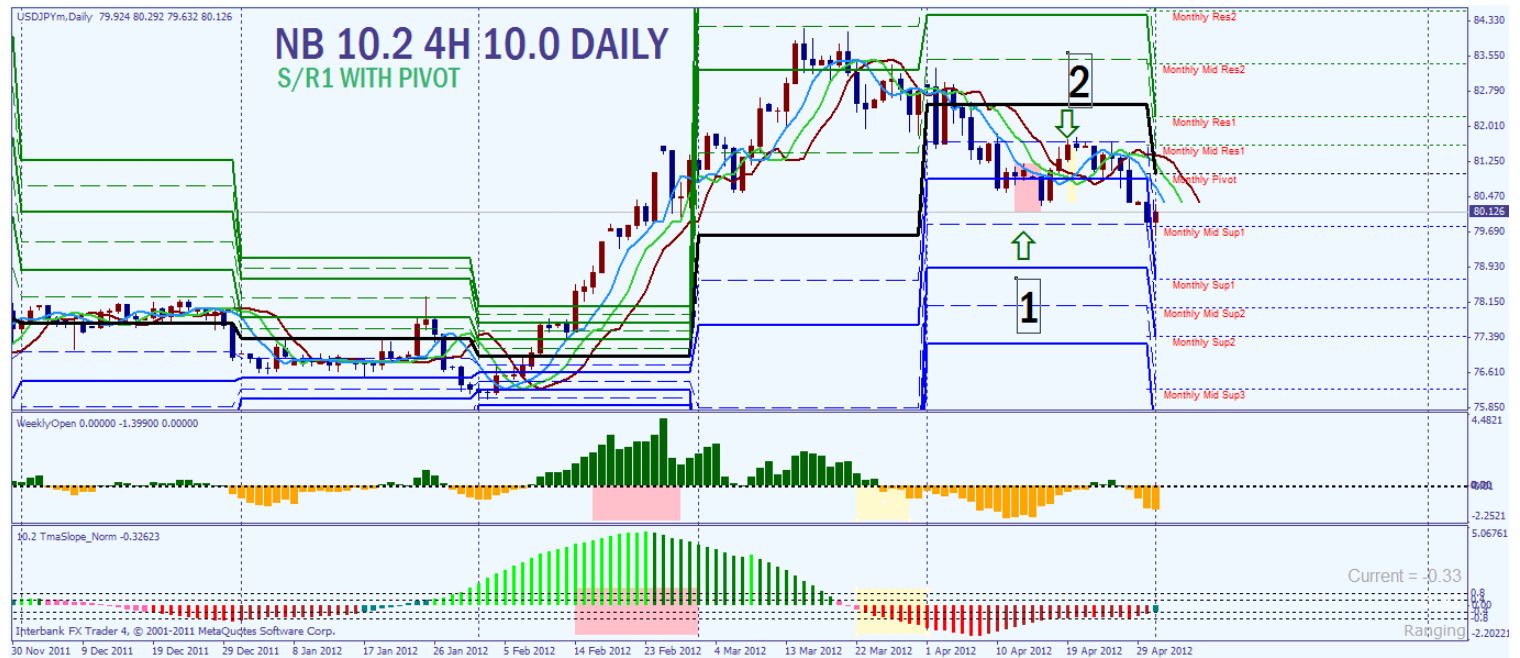
Notice the pink areas, directional bias is still to sell but the TMA slope angle is changing. The present run has ended and the angle of price action is changing but is not noticed by looking at the screen but the indicator is picking it up. There was one good sell left see the pink areas.



There is nothing easy in trading ranging markets but the TMA angle is changing again in the yellow areas. The last buy run is running out of steam, hits resistance and crosses back to the main pivot line. When the new week starts, it crosses the MA and you have another short trade.



These trades correspond with the trade setups on the Daily chart. The pink buy is a CT trade on the daily but the yellow is a sell on the daily. The daily helps you in seeing which trade will run more and get you more pips. Notice 1 on the daily is the pink trade and 2 is the yellow trade. You are selling back into the trend (yellow) on the daily and CT trading on daily with the pink. On the 4H you were following the trend but on the daily you were fighting the overall trend. The orange histogram was warning you that the buy trade may not go that far. The daily did let you know that the sell trade could have some legs to it. So you would be more patient with the sell trade and grab the quick profits of the buy trade. Knowing what is happening on the daily reads helps you on your decisions with the 4H reads.

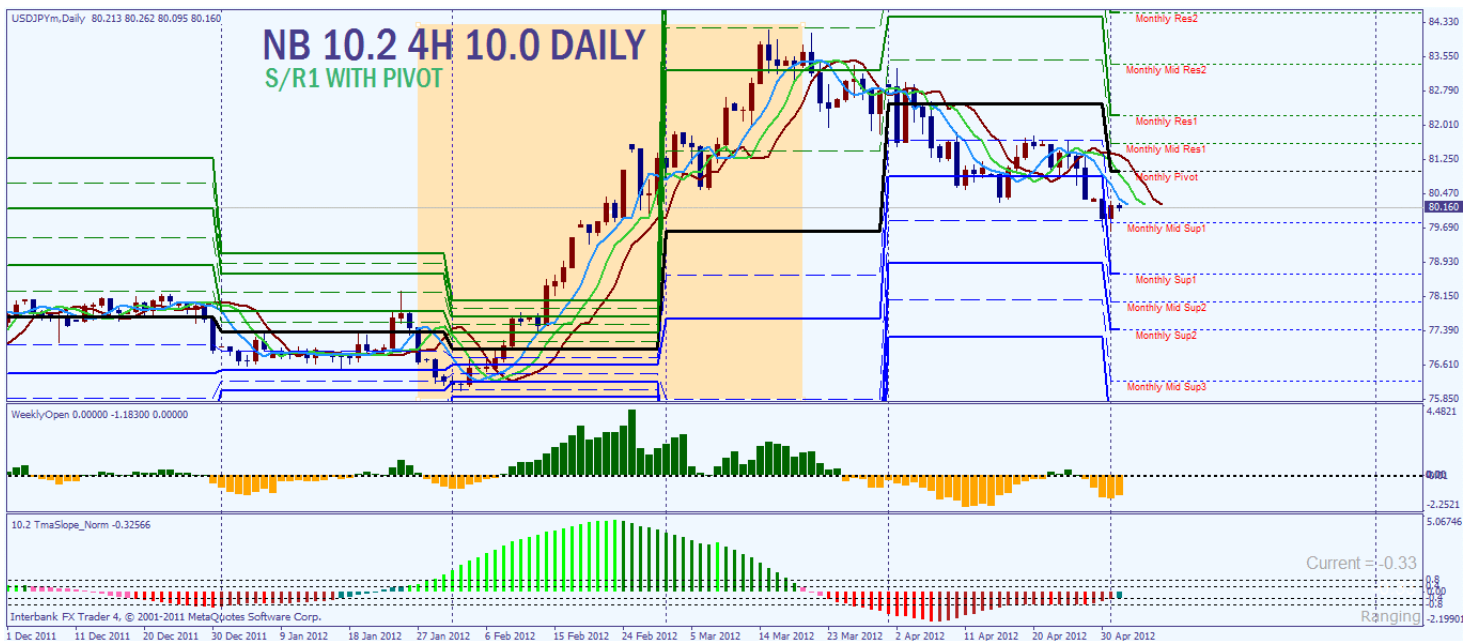


A LOOK AT 4H UT TRADES

RULES 2,3, & 4

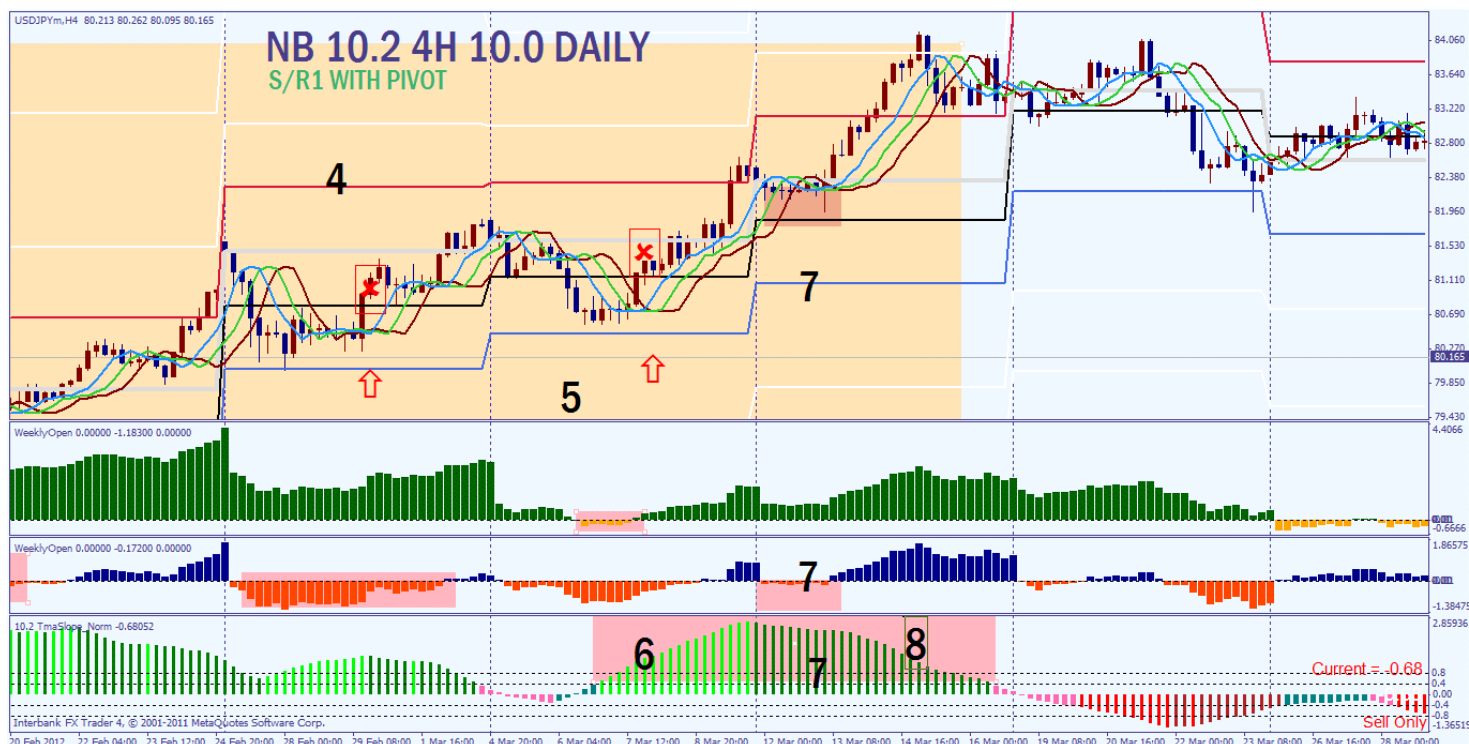
First let us take a look at an UT on the daily and then dial down to lower TF. First we conclude and confirm that an UT has started. Notice the tan area on the usd/jpy. The TMA slope has started angling up, so we start to look for buys. This is the daily and our first rule is: What does the daily chart say. UT, DT, Range, Range DT bias (RDTB) or Range UT bias (RUTB).

The view will be UT for about 40 days or almost 8 weeks (some of the bars are Sunday bars). That is the read of the daily chart.



This is what you will see on the 4H chart. The daily slope will begin showing upward bias going into an UT or range with UT bias. That is what you will see in real time. The 4H will then begin giving you confirmation.

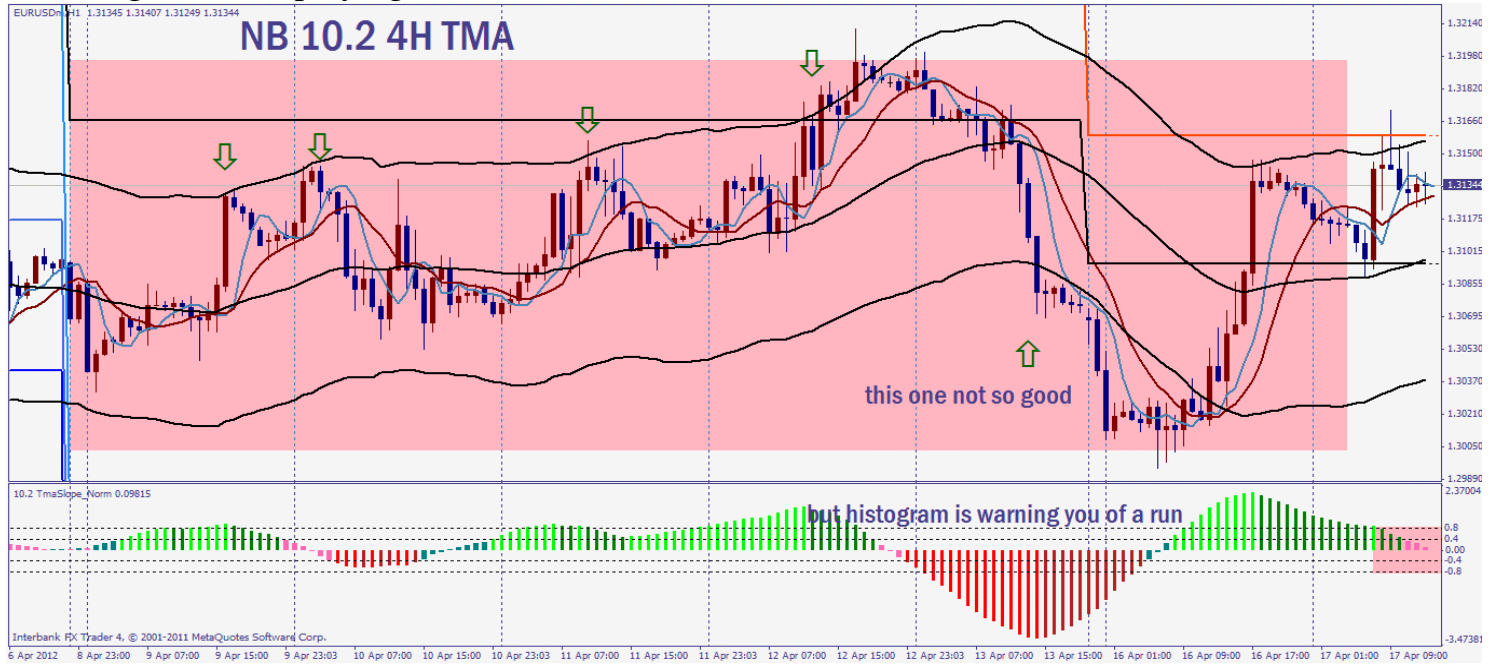
1. Price crosses the weekly pivot. TMA slope goes above $+0.04$, price will go above the MA lines, 1MA & 2MA histograms will confirm.
2. Every week the candle wick will retrace from its open and then continue in the trend, so in weeks 2&3 the candle will build from its open.
3. In week 4 market ranges as predicted on the daily; price action goes below the 4H weekly pivot but not the daily pivot, so we look to reenter into the trend at the crossing of the black pivot line (red x). Same in week 5.



I post these pics to show what you can do on a 1H chart with the TMA indicator. Knowing what is happening on the Daily shows you that you have a possible runner coming off of the sells. In a ranging market with a sell bias you can trade like this on a lower chart using TMA or Bollinger bands. You keep selling into the trend and if you try to buy: not so good.

THE 1H SCREEN

I don't normally trade lower TF but here is an idea of how you can use the information from upper charts to lower charts. The eur/usd daily was showing RDTB so here you can trade the 1H chart and not get burned playing the bottom band of the TMA.



Here is the 30M chart same trade if you want to know what it looks like.

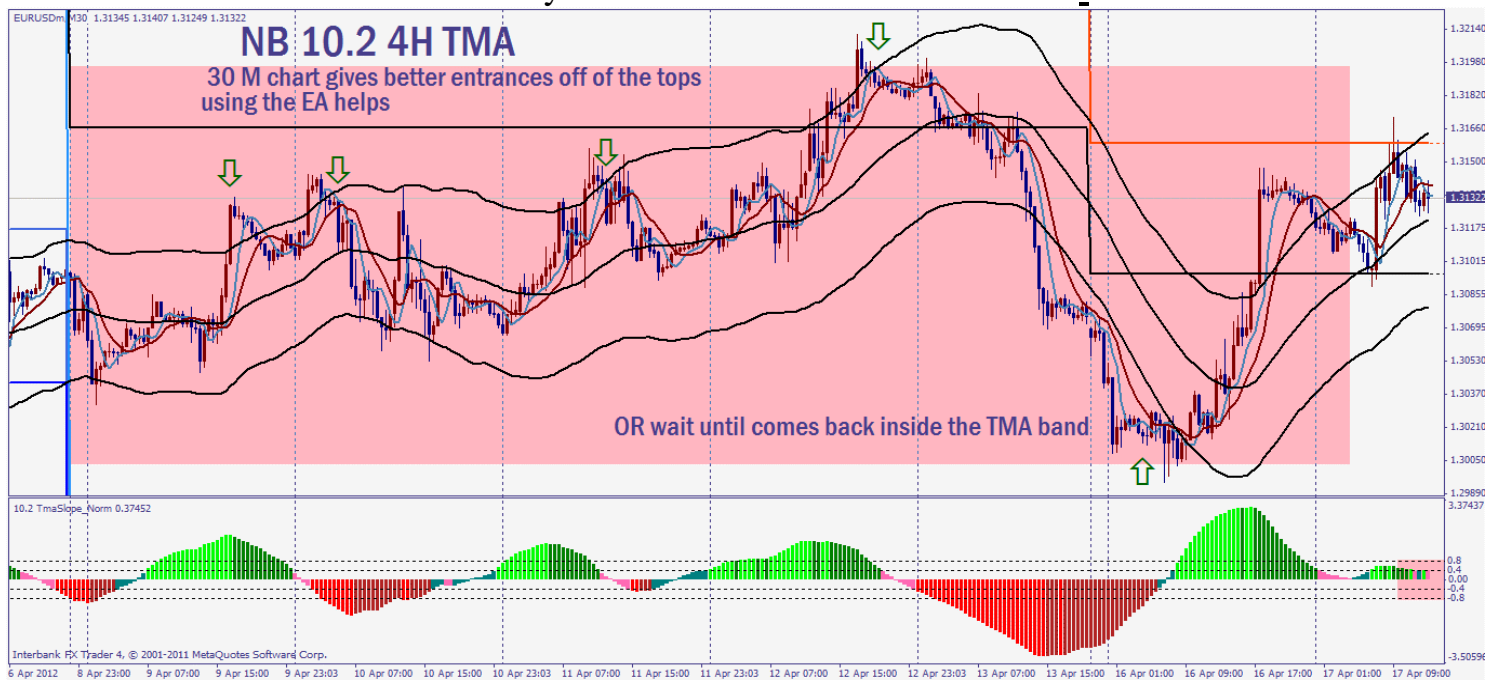


Illustration of RULE 2:

Some of these pics are from earlier versions of 10.2 but they still illustrate buying on a strong slope UT and cross of a pivot line.

A BUY -

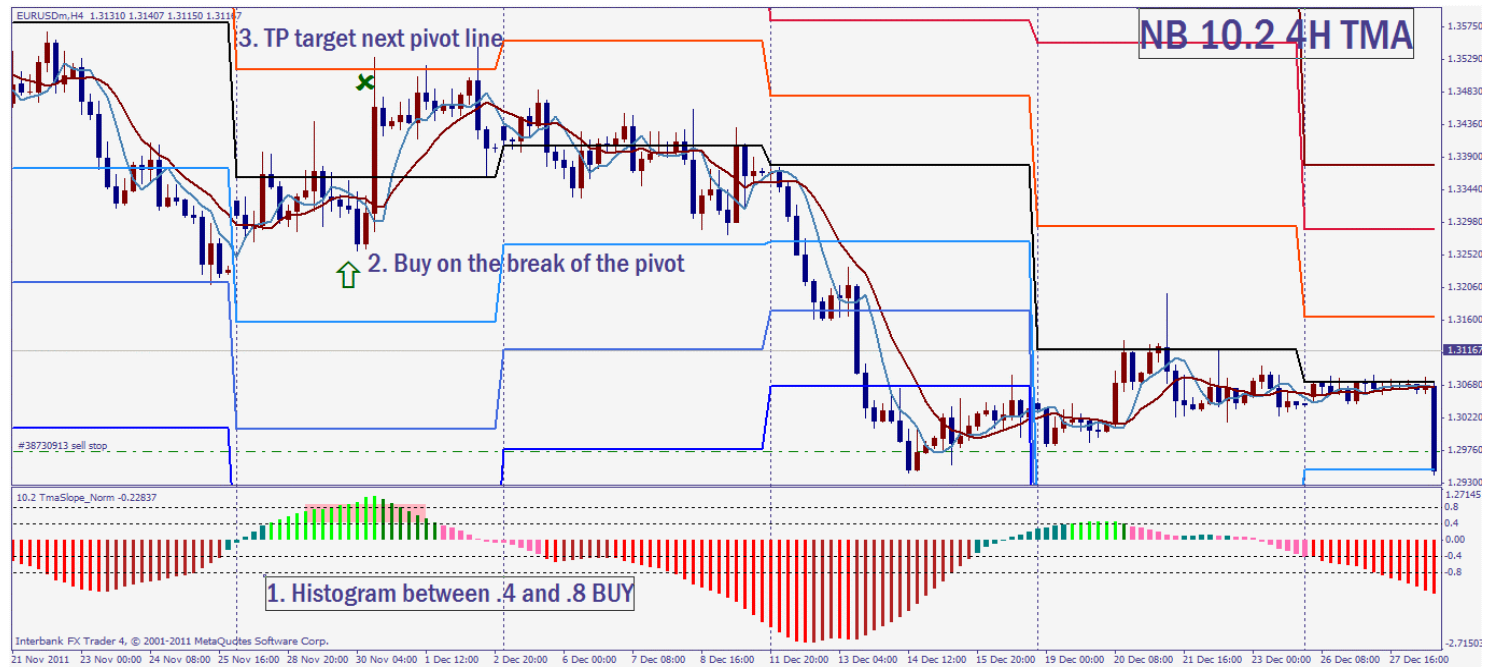


Illustration of RULE 3:

A SELL -

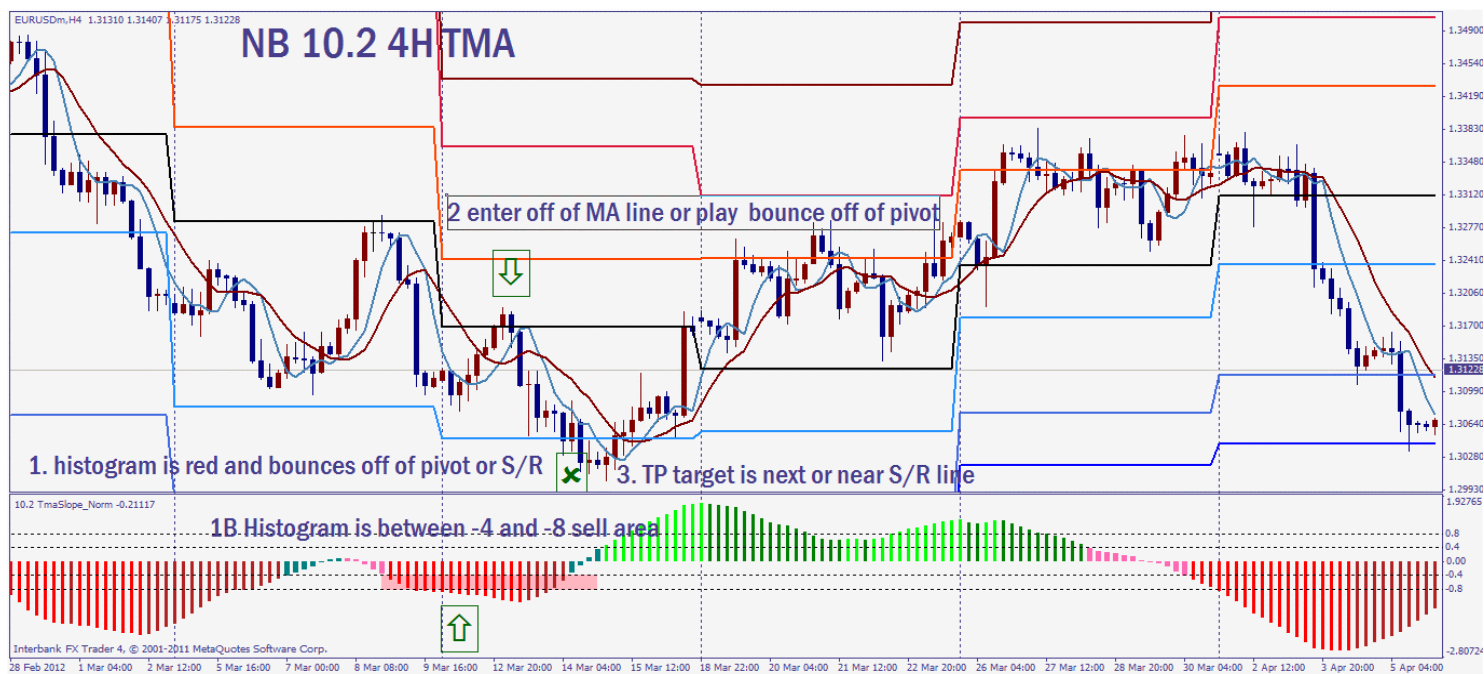
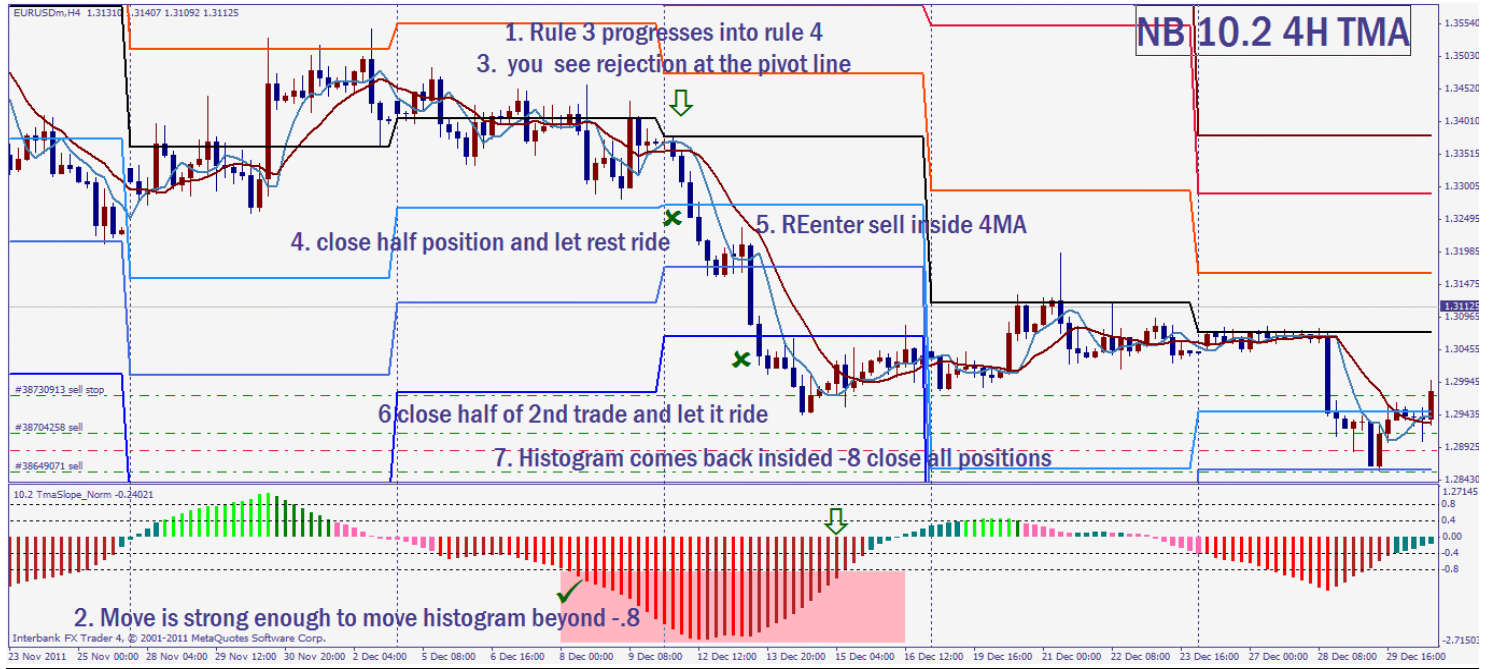


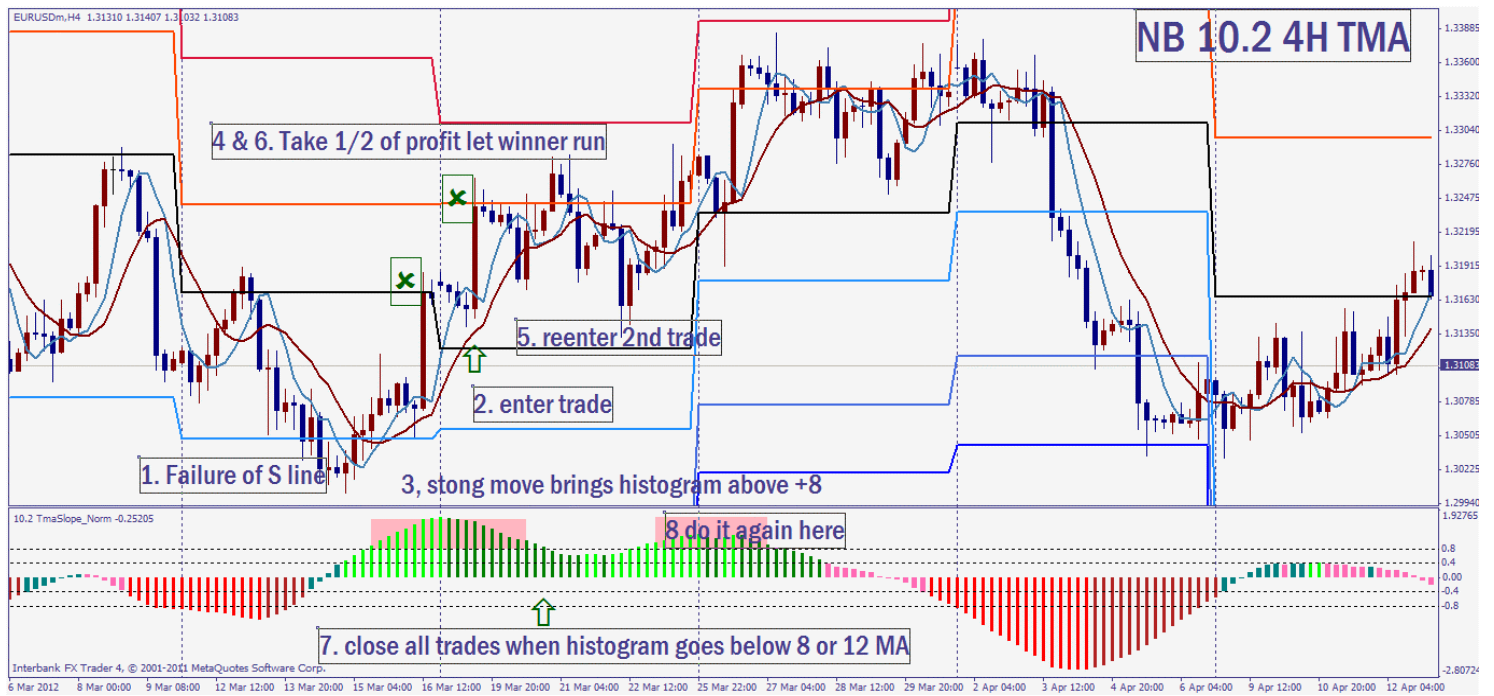
Illustration of RULE 4:

These are old MA lines from previous tests of 10.2 but the truth is still the same. You just have more indicators to help in your decision making.

First a SELL -



Now a BUY-



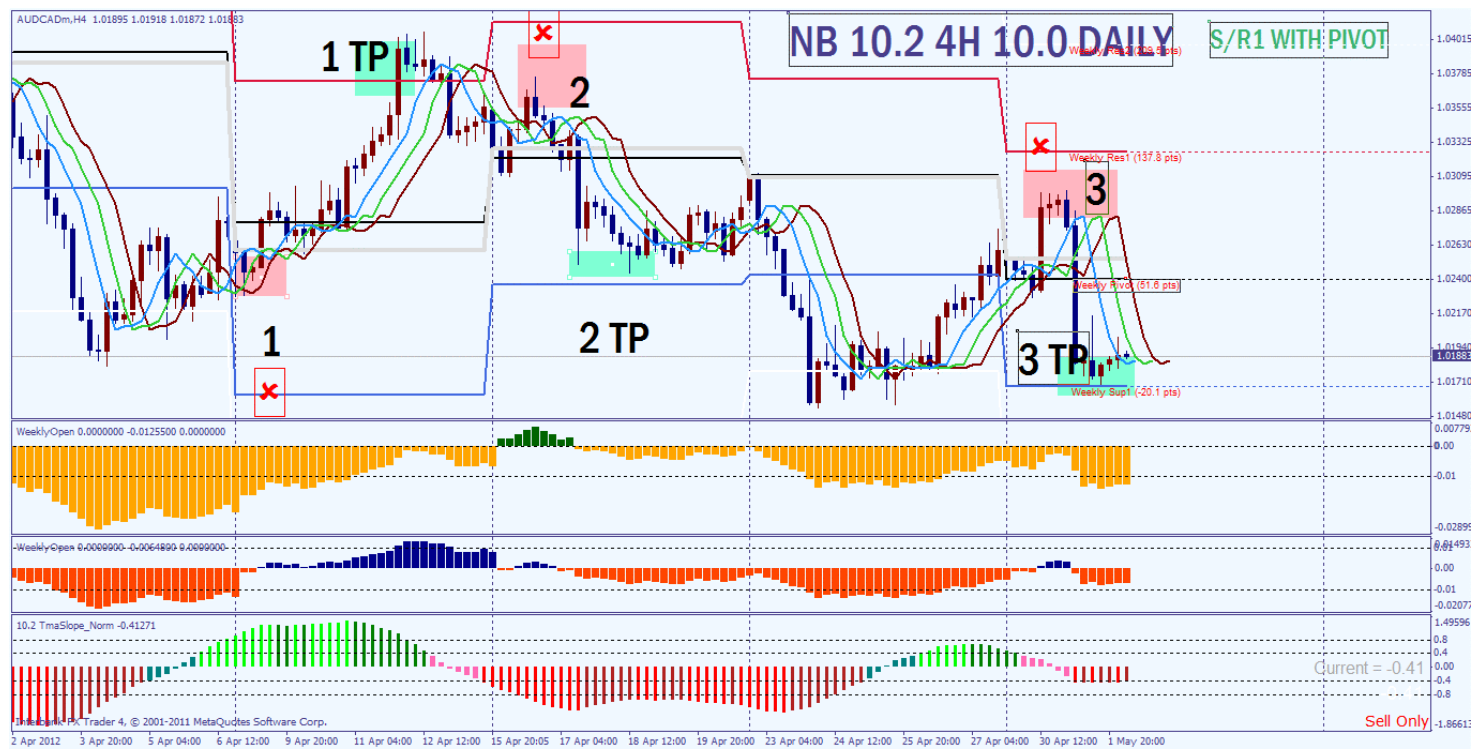
SUPPORT/RESISTANCE FAILURE (SRF)

Looking for trades that fail to hit S/R levels make great trades. If you suspect one is going to happen just throw the 5MA buy/sell EA on the screen and take your best shot. These are best on the group 1 and group 2 currency groups. You probably could make a good living on these kind of trades alone.

All of these trades are over the last 3 weeks on the 4H chart.

Aud/cad

1. Price did not reach the blue S1 line, crossed back over the pivot and reached the red R1. 1TP is in blue. From pivot to R1 was 90 pips.
2. Next week, price did not reach #2 R1 line, price crossed pivot line and almost reached S1 line. From pivot to blue was 100 pips price came up short for only 90.
3. Price failed to hit R1 line, price moved through pivot dramatically on this one. Pivot to S1 was 75 pips from MA line to S1 was 95 pips.



Aud/chf

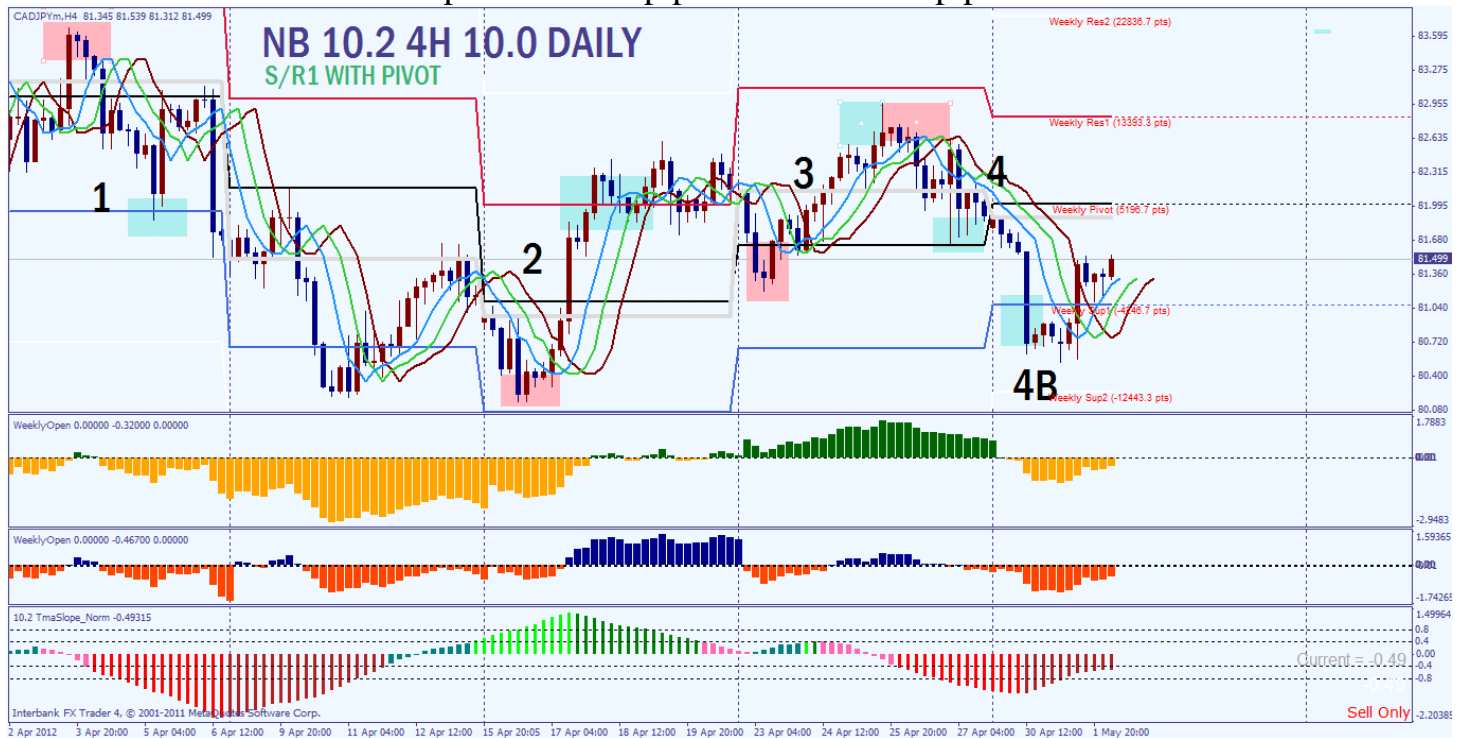
1. Failed to reach S1 blue line, did go to R1 distance from pivot line to R183 pips.
2. Pivot to low was 45 pips, did not make it to S1.
3. Pivot to S1 was 60 pips.
4. Pivot to S1 was 50 pips, to low was 105 pips.



Cad/jpy

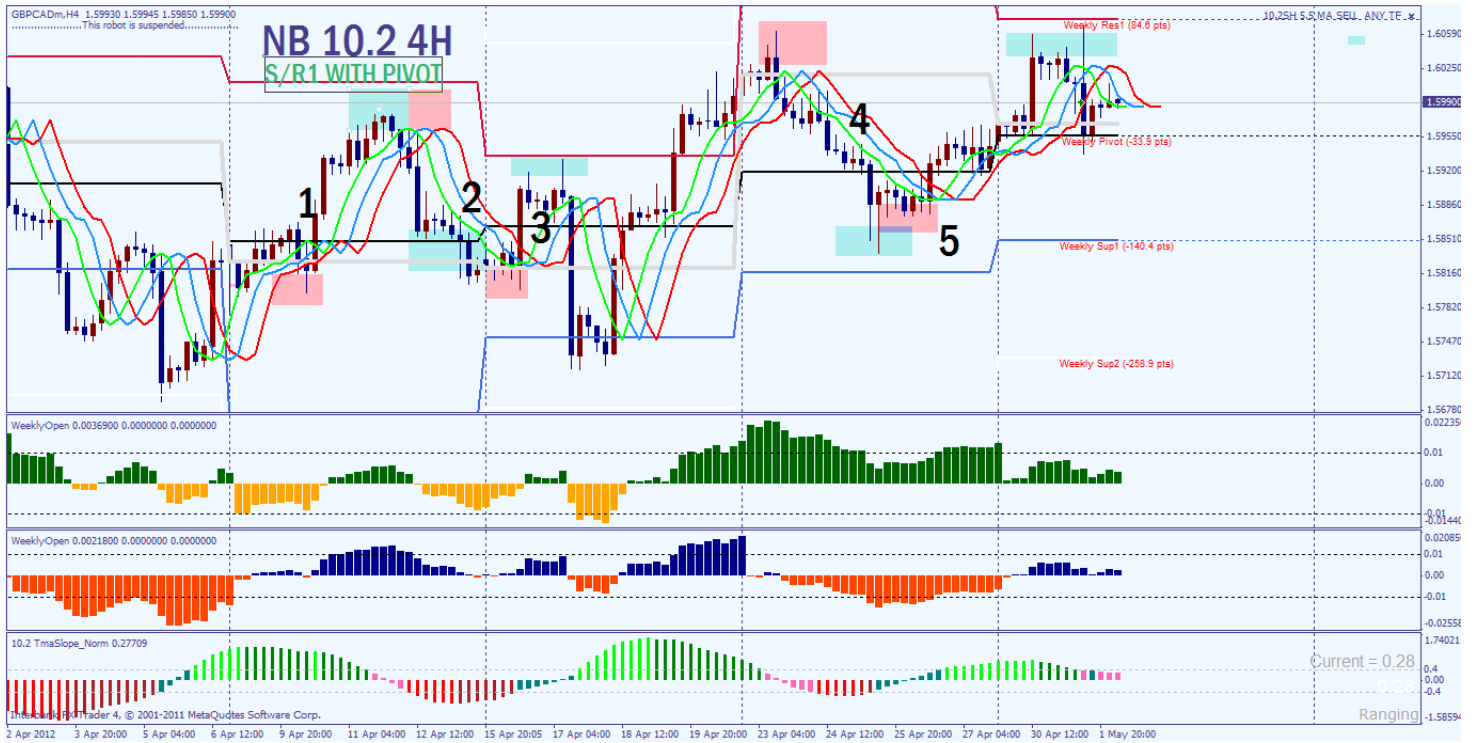
I could draw these trades up all day long but here is the last one. Again these are great trades from the group 1 and 2 volatility list.

1. Price fails to reach R1 pivot to S1 105 pips.
2. Pivot to R1 is 90 pips
3. Does not reach R1 but the move was 130 pips to high mark.
4. From red MA cross to pivot was 70 pips to S1 was 130 pips.



Gbp/cad

The gbp/cad is the biggest secret in currency trading. High velocity pair that ranges. Trades seldom make S1 or R1 for profit but almost every move is a 100+ pips every week.



Anyway I am tired of writing. 10.2 is here. Happy trading.

Nanningbob
May 2, 2012