

Three Trades Live Examples
Learning To Read The Lines

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Pre-Amble

This is a continuation of the manual “The M15 Dance Manual.” All of the previous disclaimers and cautionary statements still apply and you trade this strategy, if you choose to do so at your own risk and agree to hold harmless and free from liability the author and all of his or her heirs, assigns or agents.

You will notice that there is not much commentary in this document except what is on the images themselves. This document's purpose is to provide a few more “live” examples of how this strategy works and how to perhaps manage the trades it generates a bit more efficiently. **YOU MUST READ THE MAIN MANUAL** before attempting to use this part of the strategy or this part may cause you problems, though it will seem simple enough when reading it.

First, you will notice that there are more of one type of trade than others. That is because it is the stronger and more prevalent “signal” generated. Just enjoy and learn to “see” the Dance so you can follow the lead of the Market.

In this part of the manual we also talk about learning to read the “lines” on the chart. Having started with four time frames, and then eliminating the M5, it became apparent that there is a way to read the interaction between the 35SMA and the 50 EMA that alerts you early to slowing price, shows you exactly where price will go “sideways” in consolidation and also tell you where the tops and bottoms of that area are. You can also place very strong S/R Levels using the Daily Chart. Just keep in mind that not all S/R levels are created equal. Some hold amazingly, powerfully well and some not at all.

We'll cover that in this part of the manual.

Reading The Lines

The manual has undergone a few changes from the time it was created to now. The main changes are that now there are only three Moving Averages used and three time frame charts. The MAIN signals come from the M15 chart and you could consider that you are both entering and “fine tuning” the entries with it.

For simplicity's sake, Long trades are almost always in the direction of the Trend Of The Moment, and the same is true of Shorts. The exception is when Price is “Captured” between the 35 SMA and the 50 EMA on any of the three charts. In this sort of P/A area price literally does a “Ping Pong” between the two main Moving Averages. When it does break out, it tends to be an “explosive” break out.

This happens most often in M15, and sometimes on H1. When it happens on D1, but it does happen. Most of the time any “capturing” of price on D1 will be between the 10 EMA and one of the others. Most of the time, it also won't last more than a day or two as price tends to explode out of that area pretty quickly.

The following chart is from a normal day's trading and both the Gbp/Usd and Eur/Jpy are shown. The images after that in this section show each currency separately and how to use the differing time frames and the “Lines” on each of them as well as the best way to set S/R levels.

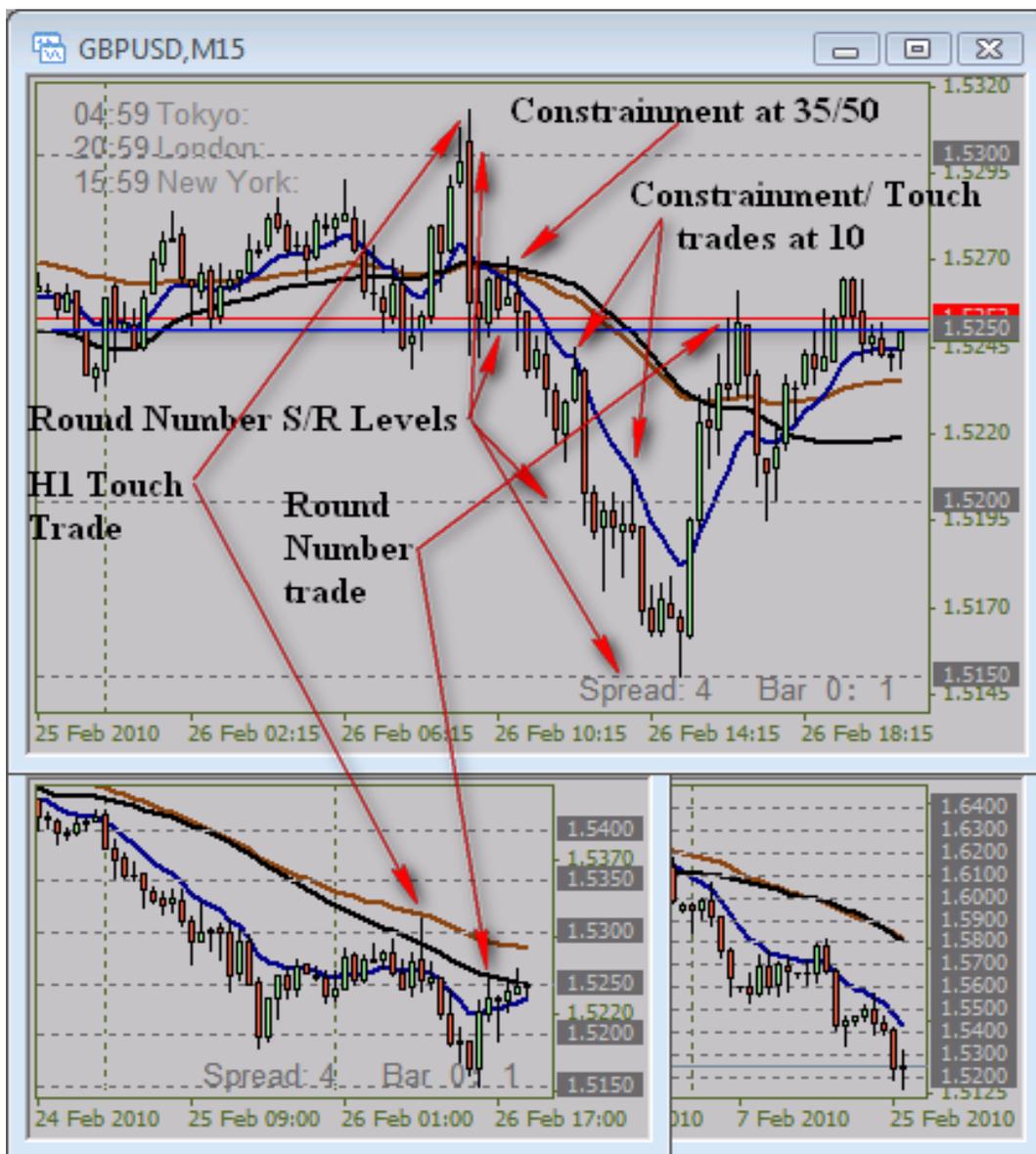


As you can see, the charts are very clean and easy to read. You can see some standard S/R levels at the Round Numbers, which we do use (read the manual) as well as “Touch Trades” from all time frames and even a “Price Capture” on Eur/Jpy H1. Notice that the “Touch Trades” on H1 and D1 are extremely strong signals. We will define those a bit further in this part of the manual.

Lets take the Gbp/Usd first.

In this chart you can see some things “after the fact” very clearly. The real trick is to learn to see this in “live” time. There is a method to be able to see that. In the chart below, the first trade is the H1 “Touch” trade, which you can also see is a Round Number trade on M15. They coincide PERFECTLY. The second trade, as Constraint trade is also being “constrained” on H1 in this case by the 10 EMA. The third and fourth trades on M15 are 10 EMA “touch” trades which are less obvious on H1, but are “with the trend of the moment” and the “angle” of the 10 is very pronounced as well as there is never more than two bars to “get there” for the “touch.” Three or more bars would be less solid a trade. Same on all “touch” trades at all “lines.” The fifth trade is also a “Round Number” trade on M15, and a 35 SMA “touch” trade on H1. Again, they coincide perfectly.

Without much analysis, that is 5 total trades that would have netted easily 100 pips or more on this day's trading. The obvious fact is that you would not have caught them all, as you have to sleep sometime. That is why I talk of 100 pips and not more. The fact is that the total “value” of all five trades is well over 200 Pips.



The fact is that using H1, you can find one additional trade in this day at the 1.5200 Level, a “Round Number” S/R trade. It is BOTH a “Round Number” AND a more traditional S/R entry against Support. Here it is.



While it looks really “tasty” there is nothing but pure P/A for which one could have taken the bounce off the 1.5150 Round Number. IF you are trying to capture every last single pip, you could have attempted that as “Pin” bars are part of this strategy, but the main issue is to maximize the gains and to MINIMIZE the risk. There are more than enough trades in a day with more than enough pips to gain without taking more risks.

In addition, not one of these trades would have required more than an 11 pip SL. Now on to the Eur/Jpy, which was a lot more challenging on this day. Next page please.

The MAIN thing to learn from this day's Eur/Jpy trading is that Price is “Captured” between the 35SMA and the 50 EMA the entire day. That means it is “choppy” or at best, “ranging” for the whole day and trades are more difficult to spot. Normally days like this should be avoided, but to show the flexibility of the strategy, let's take a look at it.

The areas marked with circles are all entries and because of chart space for comments, I will make them here instead of on the chart.



You can see some pretty good entries, based on the normal rules of “The Dance” but in this sort of “chop” it would take some pretty good experience and confidence in the rules to trade them. The first circle is a trade I took where a Doji hits EXACTLY on the 10 EMA and was good for about 24 pips. Not a bad trade.

The next three entries are all trades against the 50 EMA, and the first one is also a bounce against the Round Number. The thing about it is that you had to be willing to exit IMMEDIATELY at the very next bar because it ended in a doji AT THE 10 EMA. If not, the next bar retraced and you would have probably lost the trade. The second is a Doji long against the 50 EMA and the third is a “touch” against the 50. NO SHORTS were acceptable here “by the rules. If you were watching the H1, those three trades were also at the H1 10 EMA. THAT is all the confirmation you get in “chop” for a trade. The last area of decent “by the rules” trades are the larger circle of “constraint” against the 50 EMA as

well, but these are shorts. The 10 EMA is BELOW BOTH the 35 and the 50 in this area. SO “by the rules” we are now looking for only shorts.

Keep in mind that this area is not a very good area to even be looking for trades, but if you must trade something like this, this is how it's done. The rest of the chart is such a mess you should not even look for a trade there.

NOW FOR SOME FUN. There are areas where price is obviously not being able to go above or below a specific Round Number. How in the world would you catch those. You could just take a “flier” on the Round Number, or depend on all the “wick through” that can't sustain a move.

Or, you could look to the H1 and D1 charts for some stronger S/R levels as demonstrated by former wick tips from previous P/A. In the next chart you can see some of that very, very clearly. Then, if you compare the two charts, you get some amazing levels of S/R to trade against. Here is a chart marked with those levels. I zoomed the M15 out for a minute to make it an H1 so I could mark the levels you see on H1 below, and the levels are pretty amazing.



Using the wicks of longer Time Frame bars can give you some very, very strong S/R levels to use as both entries and exits.

Constraint Entries

Trade 1:



Probably could have stayed in longer by not moving my SL at the end of each bar by the rules, but it's not worth the risk on news days.



“Touch” Trades

Trade 1: “Touch” trades are very strong high probability trades and extremely counter intuitive. They are even stronger on H1 at times.



NOTE: There was an earlier “touch” that was also acceptable and good for about 45 pips before it gave an exit signal at the doji on M15. ONE BAR for 45 pips is not bad! This trade was ultimately good for +58 pips.



Trade 2: This trade was exclusively an M15 entry.

Showing this one a bit later than normal as far as "live" goes. Took the entry at the exact close of the last bearish bar that "dead ended" into the 35. Set my SL for 1.5598 a total of 8 pips SL and waited.

You can see from this image that I locked in about 5 pips after the second bar when I moved the SL to it's extreme.



Decided to exit +17 because Price is approaching a previous P/A S/R level and the risk of staying in was higher than the possible reward was worth.



Trade 3: This was a good “Touch” trade taken on the Sunday open. Not normally a great time to trade, but “Touch” trades seem to be very, very strong so I took this one. Series of four images.

Entry on this trade was taken at the “Touch” of the 35 SMA and the SL was placed immediately by the scripts at -19, then moves to -9 immediately also and as you can see, the price moved up fairly quickly.

If price continues, I will move the SL as per the rules. If it hesitates at the Round Number, I’ll exit and wait for the next signal.



The trade has progressed nicely and I am currently +22 pips with about 4 locked in at this point. If the current bar closes as the doji it currently looks like, I will move my SL as close as possible to just below the Round Number line and wait. This area is not the “top” of a move yet, so the doji wouldn’t have as much “weight” in the strategy as normal. If it continues, I’ll keep moving up the SL as per the rules.



The trade has progressed very nicely and I have moved my SL to the bottom of the last closed candle as per the rules. Sometimes, this close to a Round Number it retraces all the way to the Round Number. I try to stick to my rules any way, as there is often a place to re-enter at that point. It all depends on how fast price is moving and if the current bar's retrace is fast or not. Still,, I have locked in over 25 pips so far. Not bad at all.



Trailing the SL is where most of the discretion is in this strategy. If as you see in this picture, Price is hesitating at a prior Price, P/A Resistance Level, it might be wise to just take the pips and exit. This is where experience becomes the most critical in all trading.



Trade 4: This is as close as I will get to showing a bad trade. You don't learn from those, but this time, it also shows a good trade and how trading by the rules would have made the good trade a GREAT trade. Had I taken the first trade SHORT like the rules called for, this would have netted out a LOT more pips total. The confluence of the Round Number and the 35/50 lines actually “converging” and touching sort of threw me. Then it “wicked through” as well and I just wasn't ready for that sort of signal here, but I SHOULD have been.

This was actually two trades. One bad, one good. One a late entry by the rules, one a bad entry by the rules. The first cost me 19, the second made me +42.

I should have just traded my rules, I would have had an easy 61 pips instead of just a total of + 23, still,,, pips is pips.

Trade 1 was a long at the “break{” of the 35/50 lines, but not at the close. THAT was the mistake. Trade two was the late entry marked here. THE second exit was at the prior P/A S/R Level.



Trade 5: This trade is based on price being captured between the 35/50 lines, WITH LOTS OF ROOM for price to “play” between them for a while. The “distance” between them here is 66 pips at the “touch” of the 50 EMA.

Entry was taken off of a “touch” of the 50 EMA. Price normally bounces when the 35/50 lines are separated like this and the Profit Target is always the other Moving average, in this case, the 35 SMA. As you can see, I will be moving to BE at the close of this bar, which will also be the extreme of the bar for trailing purposes. You can also see I have already set the TP at just above the 35 SMA.



The Next chart shows how and why I moved to Be to wait out price development. Remember, the Target is the opposite Main MA. Price is at a “turning point” here and could just as easily go either way. Pressure will be down because of the overall trend, and this was a large retrace already of slightly over 50% of the original move, but no “real” direction has been established here.

Once it “Ping Pong's” around in this “trapped” area a bit, the thing to be looking for is an explosive exit. If price takes me out here, I will look to re-enter at the next “touch” of a Main MA, which ever way it goes and then wait again. These trades almost never need more than a 10 pip original SL on the entry, and can often yield 30 to 50 pips pretty quickly. Not a bad RR for trading.

As you can see from this image, I have moved to BE + about 7 pips. Sometimes it bounces back up and re-tests the main MA, but just as often it goes on down to the next Main MA. So, we lock in some pips, and wait for price to show us what to do.



When the bar closed, it still seemed like the downward pressure was strong, but there wasn't enough "room" to tighten my SL without choking the trade as price had only moved about +15 pips. So I decided to wait the next bar out before making a decision to exit. Keep in mind that I have a "free" trade here with 7 pips already locked in. This is as good as it gets unless you nail a big move on a touch or a constraint entry and then have it run in your favor really fast.

The next chart is the last in this series for this trade. Comments are on the image below.

As you can see in this third chart image, Price did indeed continue going my way and I have moved to +12 pips locked in and am currently waiting for COB to decide whether or not I exit. Currently I am up about 25 pips on this trade with a potential of another 20 pips or so, but let's not get greedy,,, always leave some on the table. That way you always get some.

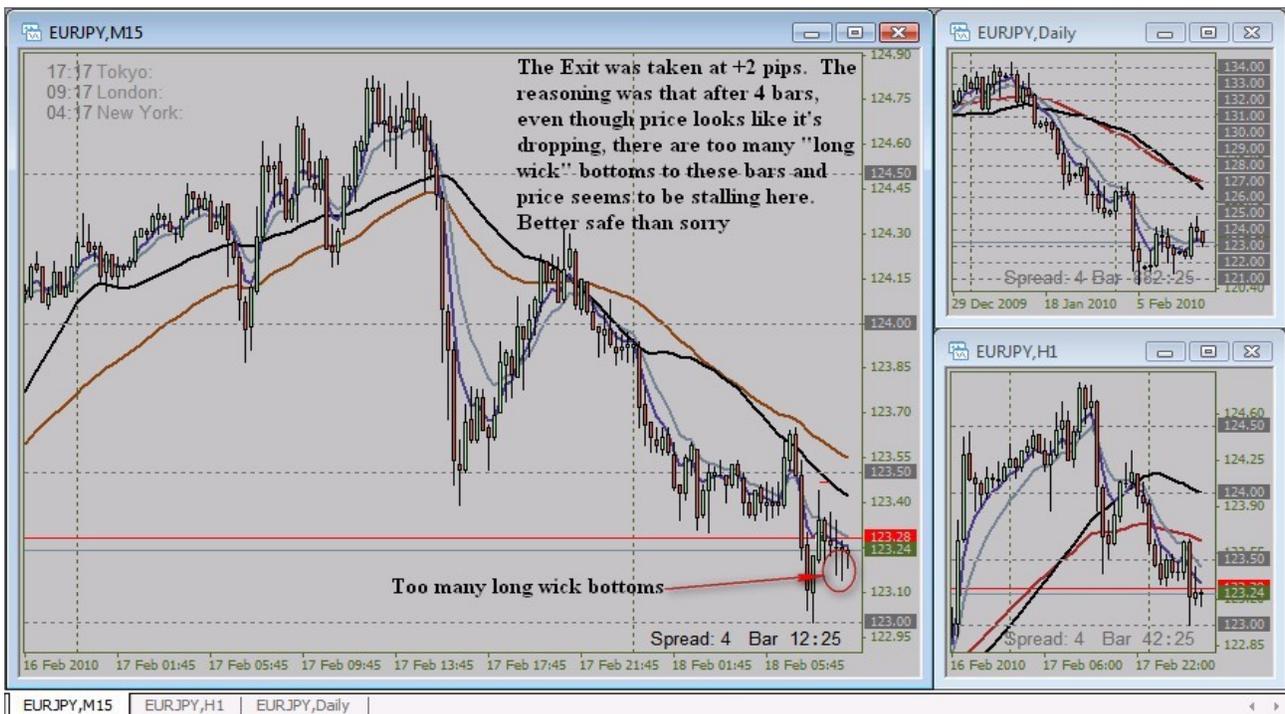


In fact, the trade stopped me out at my 12 pip SL before COB. NOW, I will NOT take another entry UNLESS it “touches” one of the other Main MAs as price has sidelined me for now. The only other way to trade this would be to enter, move to BE and then wait until it hits the opposite MA as it most likely will. The problem with that is that you risk not getting any pips if a news event or some other factor makes price move back against the trade quickly and then continue the retrace. There is no way to account for an early stop out like this one was.

To quote a friend, “Some do, some don't, so what? NEXT!”

5/10 EMA Entries

Trade 1: Entry was a bit late. Had I entered properly, I would probably have kept this trade a little longer than I did. As it is, I got +2 on it and could have taken more, but was waiting for it to move a bit.



Trade 2: This was a quick trade and I wasn't looking for huge pips because it's so close to prior P/A S/R. I also missed the earlier 10 EMA constraint entry which was good for around 40 to 50 pips.

Even though the last bearish bar "deadended" into the 10 EMA, I wasn't at the computer and when I came back, saw the Doji and that the next bar was heading back up so I immediately took a long and left a 19 pip SL for now as it is less than the tip of the Doji.

This should be a pretty strong entry, but anything can happen in trading.

I probably should have waited as often there is a short retrace to the candle's open, but these can move quickly so being that it was just barely above the 121.00, I decided to go ahead and take the long.



Decided to move my SL to +15 as it was approaching a previous P/A S/R level and it took me out +15.

Good trade. Maybe could have made more,,, but it was a good trade.



JRJPY, Daily

You can also see on H1 that Price hit the 50 EMA again.

A Full Session Example

This series of Trades was completed after a sharp drop on the Pound that I missed most of because I was exhausted. Still, it shows the power of this strategy. Comments are on the images below. Just be aware that it started with a “Touch” trade against the 50 EMA, then several additional “Touch” trades that could all have also been considered “constraint” entries short as the MAs involved held price short pretty strongly.

The Entry:

This trade is a continuation of the price action from the last set of images. As you can see, I entered at the very next touch for a short. My SL is currently 19 pips, but I will be moving it very shortly. The entry was NOT at COB, Touch trades are taken at the TOUCH not the COB. Then the SL is advanced progressively by the rules.



The candle exceeded the 50 EMA and stopped me out, but knowing that the most likely thing here is for a bounce, I immediately entered another short at that point and now it is up +11 from where I got stopped out -19. This type of trading can be tricky, but be confident in the rules of this type of trade and you will succeed more than you fail at it.



The trade has progressed nicely and I am again at BE + about 5 and waiting for it to continue on down. It may seem very wrong to trade this way, but I have seen way to many times that price does this sort of thing, then explodes out of the "capture area" of price action. I expect I will get all my pips back plus a nice little profit as well.



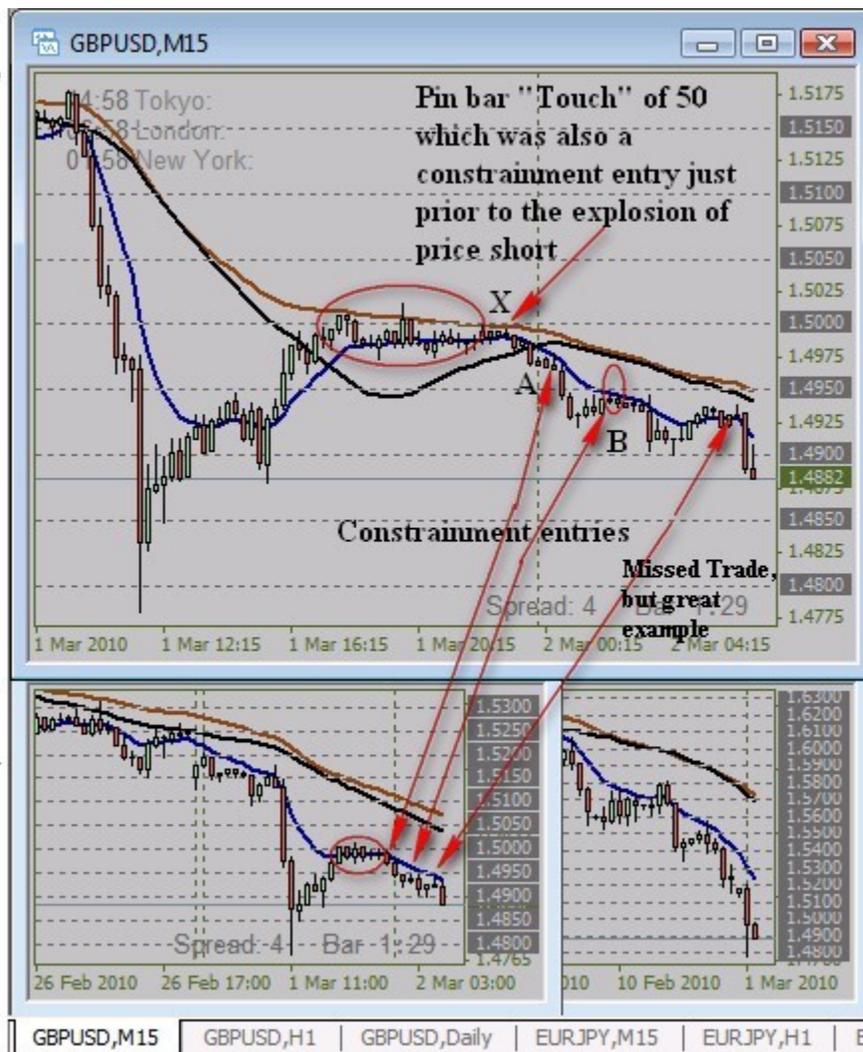
As you can see, Price did indeed bounce at the 50 EMA and I am now at BE + 15 locked in gaining back most of my pips and price is actually +25 at the moment. The most likely scenario is that I will make a nice little profit on this series of trades, even with the -19 trade. You can see the exact same sort of Price Action on the Eur/Jpy. That's why I included it in this image.



You've seen my reasoning and the "real time" of some of the entries on this series of trades. Here is how the rest of this session went.

The circled area is where I placed 3 trades, one +12 pips, one -19 the very next one +19, then a BE trade, then I nailed two more really strong shorts at points A and B.

I missed the entry at X which was a great entry just prior to the explosion



I think this session is a very good example of the overall strategy. I netted +19.5 % profit in the account (actually a bit more but who's counting) from this session alone. If you stick to the "perfect" signals, you won't go wrong and you will make lots of pips. There are tons of opportunities to trade perfectly "by the rules," so DON'T PUSH IT! Let it come to you "by the rules."

A Co-Ordinated Re-Entry Trade

Often, if you get stopped out on a trade, it's not because you made a mistake on direction. I used to fight this issue all the time, pulling my hair out when Price would stop me out, then run my direction for 30, 50 even 100 or more pips. Using three TF charts has really helped that issue as seen in this trade below. Comments are on the image.

The better one gets at co-ordinating their charts observations between the main M15, H1 and D1, the stronger they become as traders. On this chart, I took a short "by the rules" at the 50 EMA on M15, got stopped out - 17 or so because it moved against me really fast, but instead of freaking out, I looked at H1 and saw that it was also close to the 35 SMA. SO, I shorted a second time as it touched on H1 and got back ALL my pips plus more. Ended this trace +30 pips, and left about 6 on the table. It probably still has lots of "legs" but I'm done for the day, reached my goal. By the way, price retraced again after my exit

