

Forex Channel Trading

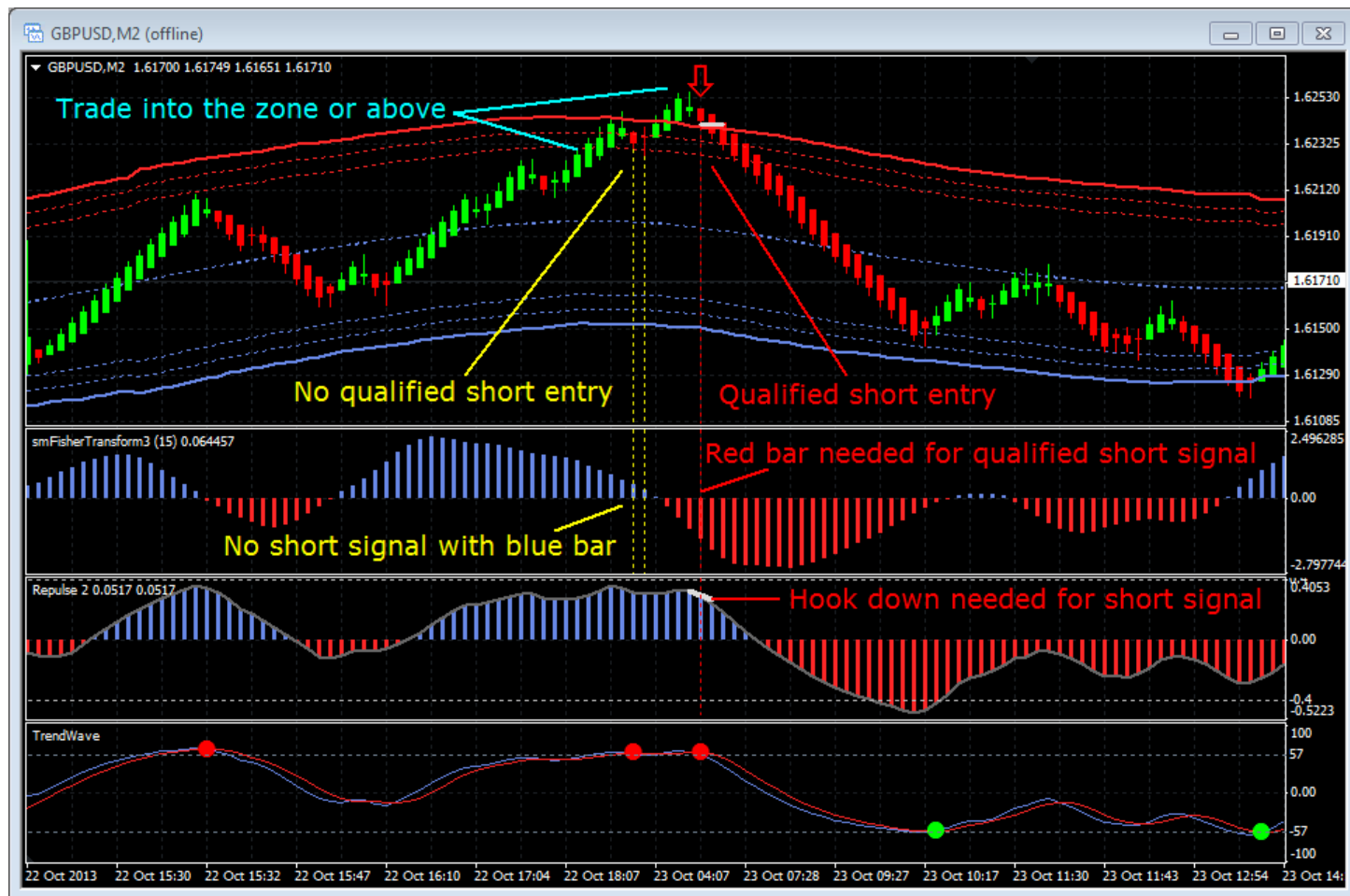
Trade Entry Rules Training Manual

The Forex Channel Trading method was developed as a easy to learn yet effective discretionary trading system. This is a "mechanical" based method with a clear set of rules for qualified trade entries. This training manual will cover the basic criteria needed to identify a properly qualified trade entry.

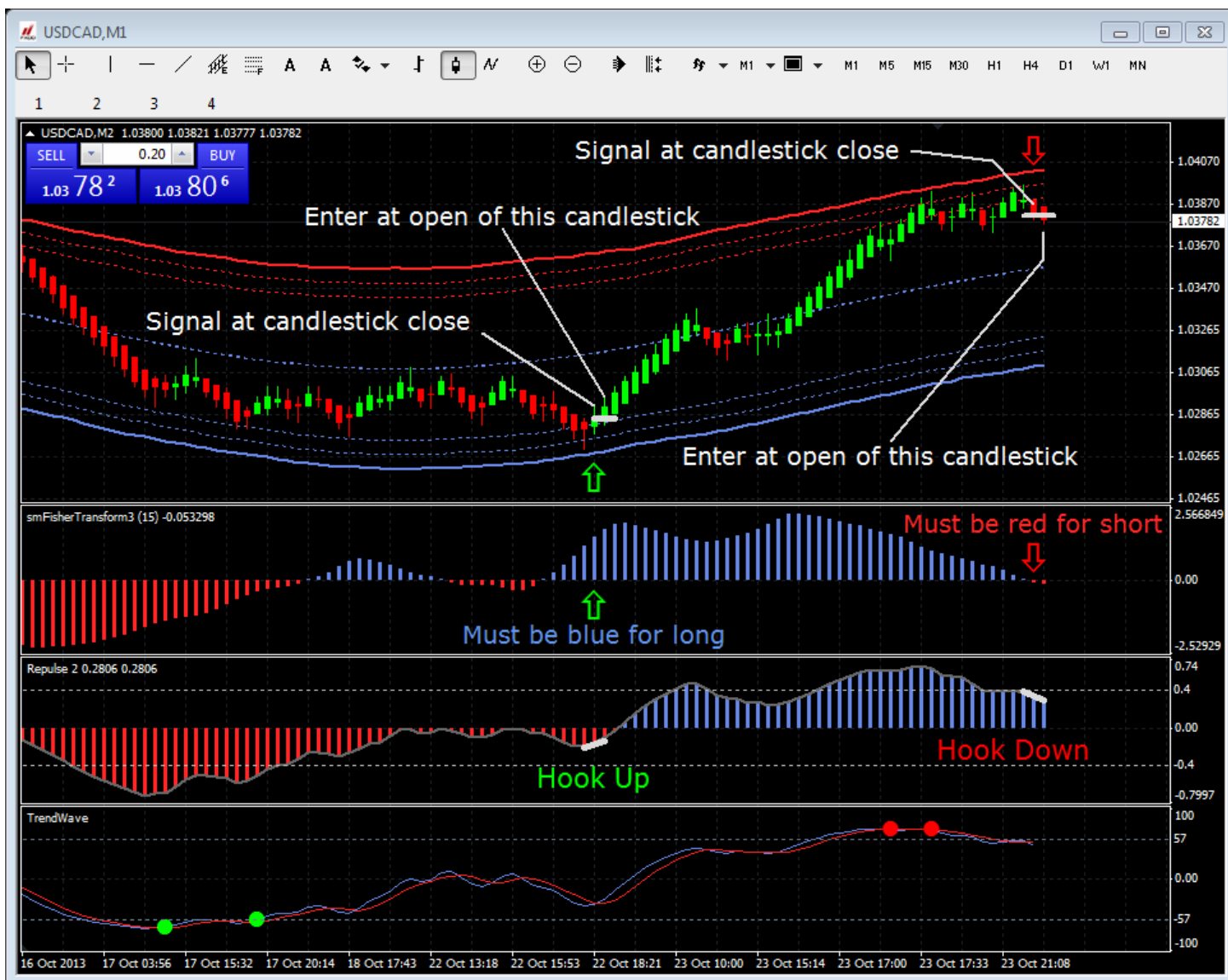
One of the primary rules of the FCT System is the need for price to trade into or through the red or blue channel zones. Once price trades into the upper red channel zone, or the lower blue channel zone, you are then eligible to start tracking for a trade entry signal. The upper red channel zone and above can be called the sell zone, and the lower blue channel zone and below can be called the buy zone. Price trading into one of the channel zones, or outside of the channel zones, sets up the initial qualification to for a possible trade signal.



As price trades into or through the channel zones we have our next requirement before we can have a valid trade entry signal. The FCT system requires a green candle close for a LONG trade signal and a red candle close for a SHORT trade signal. For a BUY trade entry, from the blue channel zone or below, we must have a green candle close to trigger a trade signal. For a SELL trade entry, from the red channel zone or above, we must have a red candle close to trigger a trade signal. Once this basic criteria is met, for a BUY or SELL trade set up, then you can look to the lower indicators for final signal confirmation.



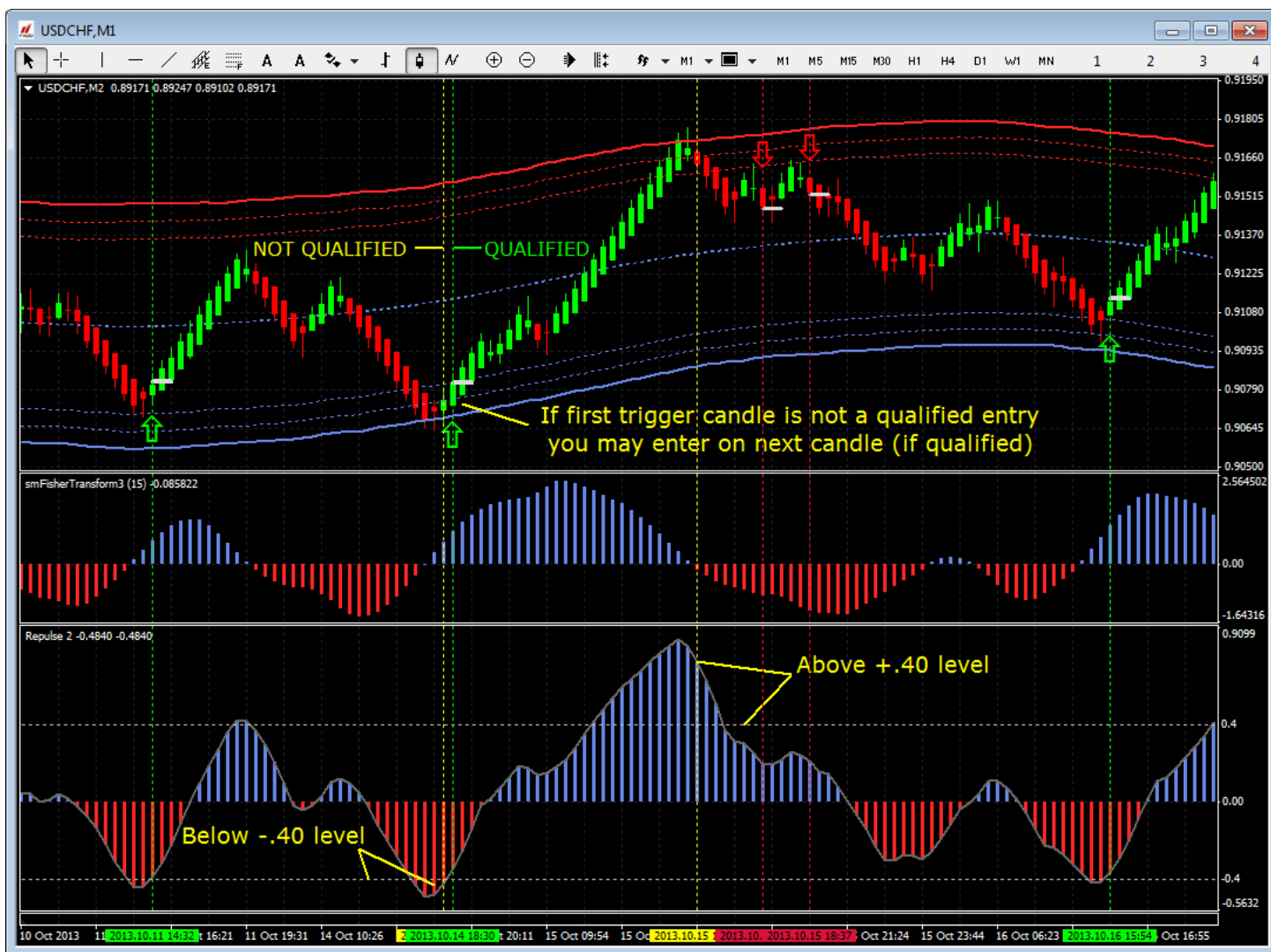
At the close of a properly qualified trade entry candlestick, you then enter your trade at the open of the following candlestick. You can enter your trade with "market" or "limit" orders as the system is designed for either type of entry. Traders that have experience will find that "limit" order entries are typically more efficient and offer better trade entry pricing. If you are experienced with entering trades with "limit" orders, that is usually the most efficient type of trade entry to avoid slippage.



The next requirement for a qualified trade entry is the "FisherTransform3" indicator just below the price region. This indicator must have some red bar showing at candlestick close for a qualified short trade, and there must be some blue bar showing at candlestick close for a qualified long trade. Even if this indicator is only showing a very small color bar indication, in alignment with your intended trade direction, that is acceptable. If you look at the example above, you will see on the far right side of the chart a perfect example of an acceptable color bar indication. The key is, right at candlestick close you must have a blue bar indication for long signal or a red bar indication for a short signal.



The final requirement for a qualified trade entry is a "hook" pattern needed in the "Repulse2" indicator region. For a long trade signal we need a "hook up" appearance at candlestick close for this indicator, and for a short trade we need a "hook down" appearance at candlestick close. This indicator also has an additional +.40 level and -.40 level filter added as horizontal dashed lines. Hook down indications above the +.40 level are lower probability short trade set ups. Hook up indications below the -.40 level are lower probability long trade set ups. The best qualified trade entry signals will occur when this indicator is indicating the proper hook pattern within the +.40 to -.40 levels. All hook pattern indications, either above the +.40 level or below the -.40 level, are lower probability environments. Very strong price momentum in the market will push the plot of this indicator outside of the +.40 to -.40 region. This indicator will help you to stay away from trades when price momentum is too strong as you see possible trade entry signals. This indicator is very effective at trend strength measurements, and I use this indicator for my primary price/indicator divergence tracking.



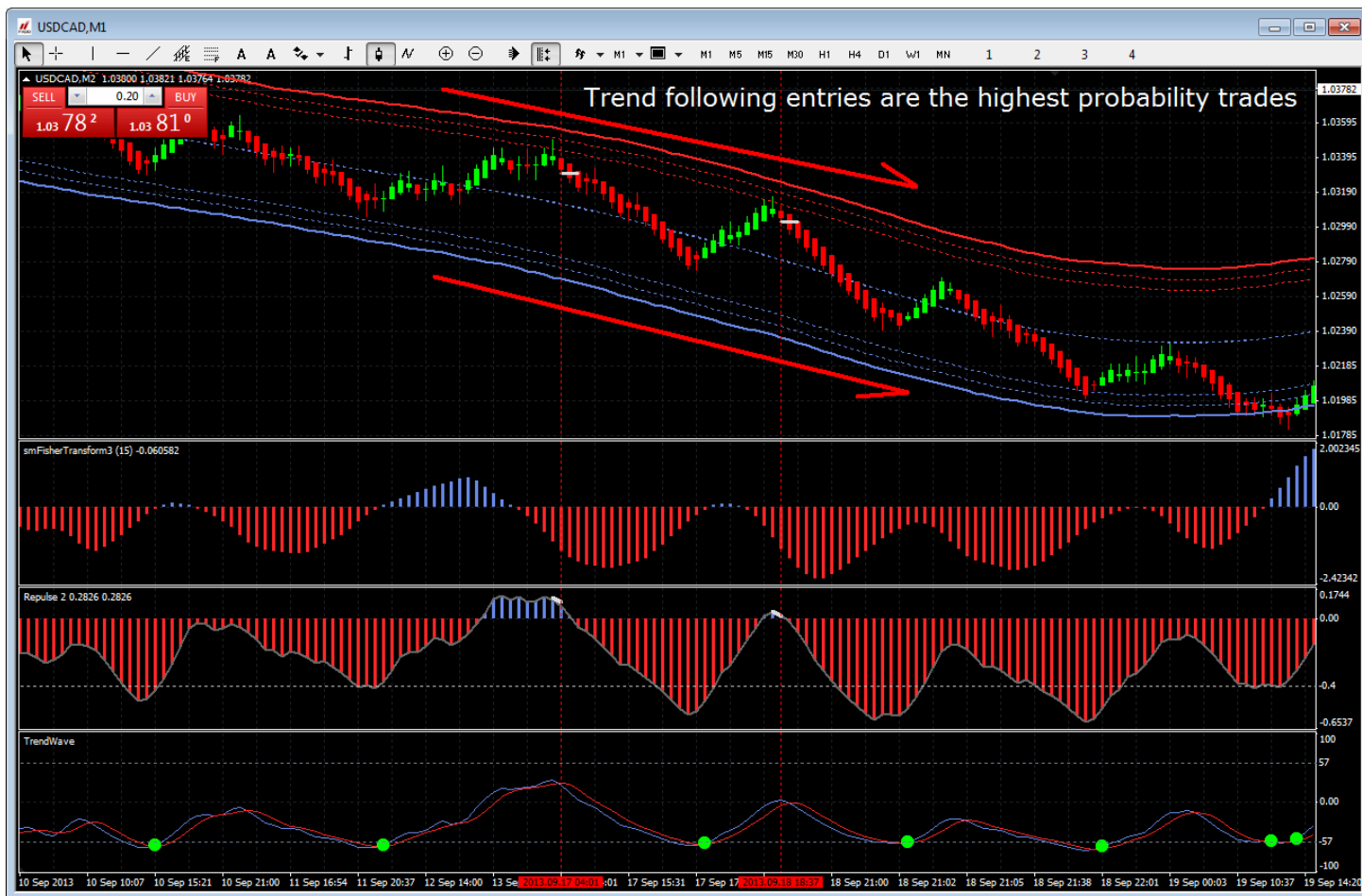
The chart below displays a range of potential long and short trade entry signals - some are qualified and some are not. Take a look at the chart to make sure you can see why the "yellow" colored signals were not qualified entries. The trade entry signals shown in red or green were all qualified trade opportunities matching the requirements discussed to this point.



The Forex Channel Trading System was specifically designed with adaptive price channels to keep you out of trading in low volatility chop periods. The next chart will show you how low volatility environments are unable to drive price away from the mean. We utilize benchmarked levels of deviation away from the "mean" to create our price channels. As you can see, low volatility market action will not set up potential trade signals in the price channel zones - this is to keep you out of those terrible chop conditions.



I would like to discuss higher probability trade signals versus lower probability trade signals - using the Forex Channel Trading System. The best trade signals you will find with this system is trend following based set ups. I have included a few examples to visually demonstrate the well known advantages of trend following. Our system is workable for both counter-trend and trend following styles of trading, but in the examples below I want you to visualize some important points.



Trend following trading has the advantage of following the current market flow energy. Following the trending cycles of price usually has the best follow through after trade entries. This is an advantage for catching extended moves of price and hitting extended secondary profit targets. Working against these type of trends takes experience, and following your rules to make sure you have qualified entry points. Just understand, that trend following has naturally higher probabilities than trying to work trades against developed trends. Keep in mind, the more angle you see in the price channels the stronger the trend. The example below shows what happens as a trend accelerates. There are many qualified opportunities to catch the trend, and few qualified entries countering the trend.



The lower most indicator on our charts is a bonus "price cycle" indicator that I find very effective when the market cycles within a range. This indicator is not a part of the Forex Channel Trading System entry rules. This is a bonus indicator I will cover in a new section that I will be adding to our overall training program in late October. I first want to make sure everyone understands the basic trade entry rules prior to adding some advanced material to our Members page training section of the website. If you have any questions about the ForexChannelTrading.com trading system please contact us by email at: forexchanneltrading@yahoo.com

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