Spudfyre's Predictive Multi-Time Frame Stochastic Trading Pt.1

http://www.forexfactory.com/showthread.php?t=119483

Trading the past trends using long term charts such as H4, Daily and Weekly do great in trend trading until the trend reverses. Of course, even during a trend there are hills and valleys that can take out our stops and leave us in a losing trade, even when we had made the right trade.

For the small investor in Forex this is our ongoing nemesis. We make the right trade, our stops get hit and we lose our money, only to discover the price hits exactly where we thought it would end up. In otherwords, we make the right trade but end with a stop loss.

What if we had some tools that predicted where price was going. We can't see into the future and we have to be aware of news in the world that may cause drastic change. However, even with drastic events there are fundamental changes that occur in the market that hold true when the market is behaving "normally".

These changes can only be seen over multiple time frames. The long H1 and H4 time frames give us some bearing of where the markets have been headed in the past. They tell us where the future market must go in order for these long term charts to change. Our short term time frames like the M5,M15 and M30 are what build the H1 and H4 and even longer time frames. Every move, up or down on the M5,M15 and M30 over time give us our final H1 and H4 result.

The M5 As a Builder

The M5 builds the future. Actually we could say the M1 does, but it moves far to fast to be able to do MTF analysis in real time.

Whether you agree or disagree with this is a matter of perspective and not a point of debate. However, in order to use Predictive MTF Stochastics in trading you must get your head securely wrapped around the idea that the M5 will trigger change and that this change will appear in the M15 next and then the M30 and then finally the H1 and H4.

The trap and failure is looking at H4 and seeing a long downhill trend and expecting that everything will move in that direction in the future. That doesn't mean it won't happen, it just isn't the way to trade for the future. We all know that if H4 is <20% K on the Stochastic for any period of time, that at some point in time it wil rise and climb and we want to be entering the long trade when it starts to rise....not entering the short trade praying it will continue to make some pips.

When looking at the charts, I can tell you from personal experience that using the M5 as a building tool to predict the moves of the markets is mentally tough. Too often I drift off and put too much weight on what the H1 and H4 are doing...thinking my price will be attracted to where they were rather than where they are going.

All examples will be on EUR/USD as this is what we primarily trade.
We use 5 charts: M5,M15,M30,H1 and H4.
We only use the Stochastic Oscillator as an indicator.
M5 is 14,1,1 Simple MA, Low/High price field with Slowing=1
The rest are the same except they use 14,3,3
We set the M5 levels at 90% and 10%, the rest at 20% and 80%
We remove the %D line and only use %K

My typical chart layout looks like the one below. Notice I have candlestick price on the M5 and line price on the H4. (I use line price on others but do not display it typically).

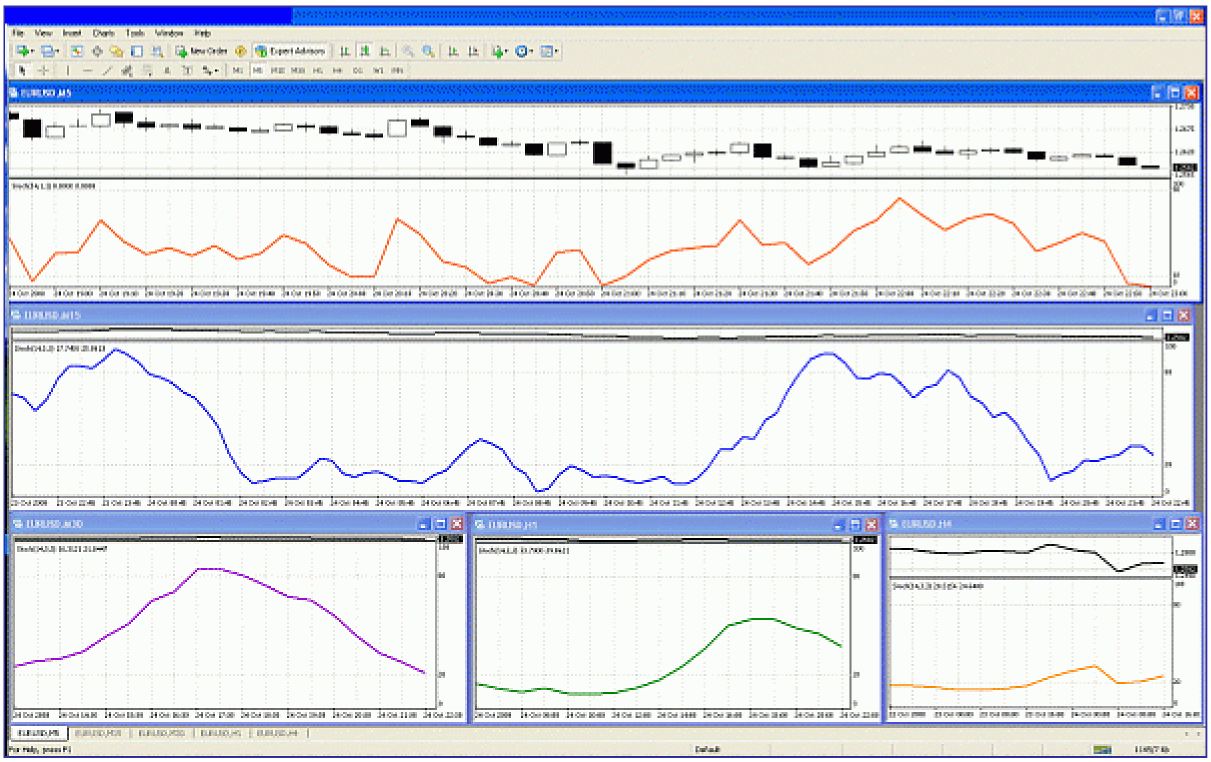


Chart Shift

A word on chart shift...

When backtesting you need to be aware that chart times are opening times. As such the Stochastics have to be shifted accordingly. For example an M5 chart showing 22:50 will have accurate closing stochastics at M15 chart showing 22:30, a M30 chart showing 22:00, an H1 chart showing 21:00 and an H4 chart showing 16:00. This is critical when back-testing.

During live trades we only want to look at the last closed period end, not the active stochastic which will be moving. This can be really confusing on H4 which on some charts only wags up and down on the last hour and and keeps the remaining time peiods from moving even if they are still part of the open candle.

Pay attention to what the close of the time periods are.

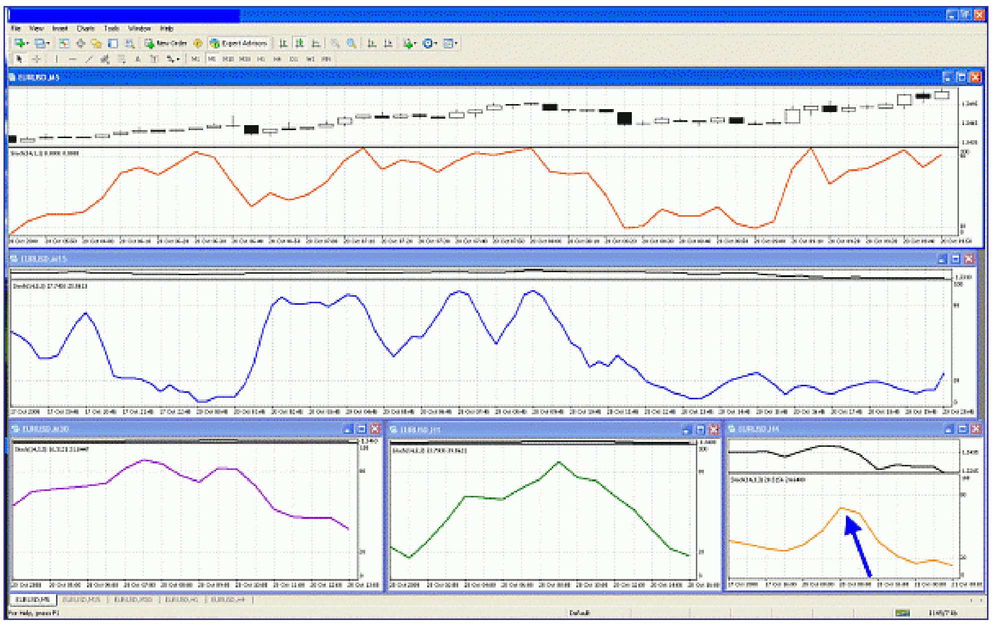
In chart diagrams and showing concepts that are not time critical I may not shift the charts as this adds a huge amount of time to creating them.

In reviewing real trades or live trades, I will present the charts with the proper shifts.

Please be aware of these shifts when posting your own charts and adjust accordingly (especially on past trades or backtests).

Introduction

To introduce PMTFS (Predictive Multi-Time Frame Stochastics) let us look at Oct 20th 2008. Here we had the H4 upward trend reverse and price drop.
We'll take a look at how we could have predicted that price drop and enter the short.
Below is an overview of the charts for that day:



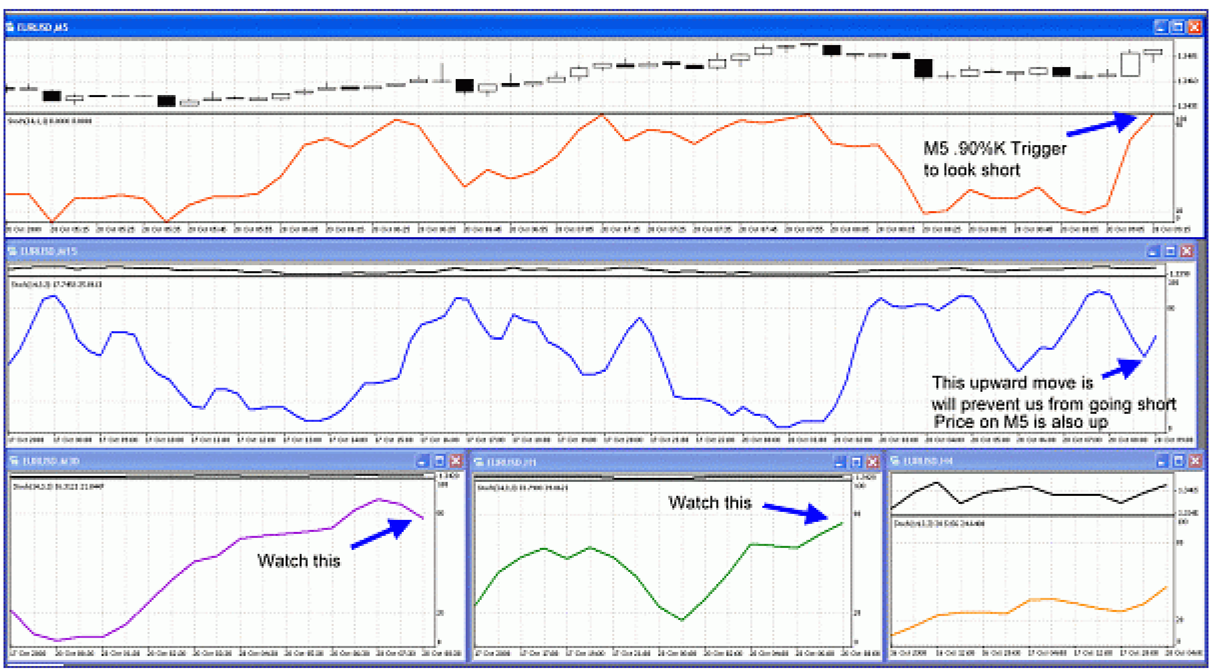
We'll start looking at 9:15 on Oct 20th at 9:15. This is where we have an M5 trigger point. An M5 trigger point is any time our M5 %K Stochastic (%K) is <10 and >90 at close.

Fundamentally, the M5 trigger at > 90%K means a short transition is likely. An M5 trigger at <10 %K means a long transition is likely. However, alone it is meaningless without analysis of multiple time frames!!!!!

The chart below shows us a short trigger. The M15 is showing us that M5 has been building upwards and that if look at the M5 price we can see price has moved up too. In this case we would ignore the short trigger entry.

Here is where we step back into my earlier threads of MTF Stochastics and Escalator PIPS. We can see that M30 is nosing over and wanting to dive, our H1 hasn't quite reached the 80 %K line and H4 is climbing. Any short at this moment is a "definite not likely" to happen moment.

So everything looks up (long), we have no entry here. If you were already long you should probably stay in but in this case we are just starting our day.
Attached Thumbnails



At 9:40 we hit another M5 short trigger and still we have no entry and things still look in favour of the long (up) for much the same resaons as the previous chart.
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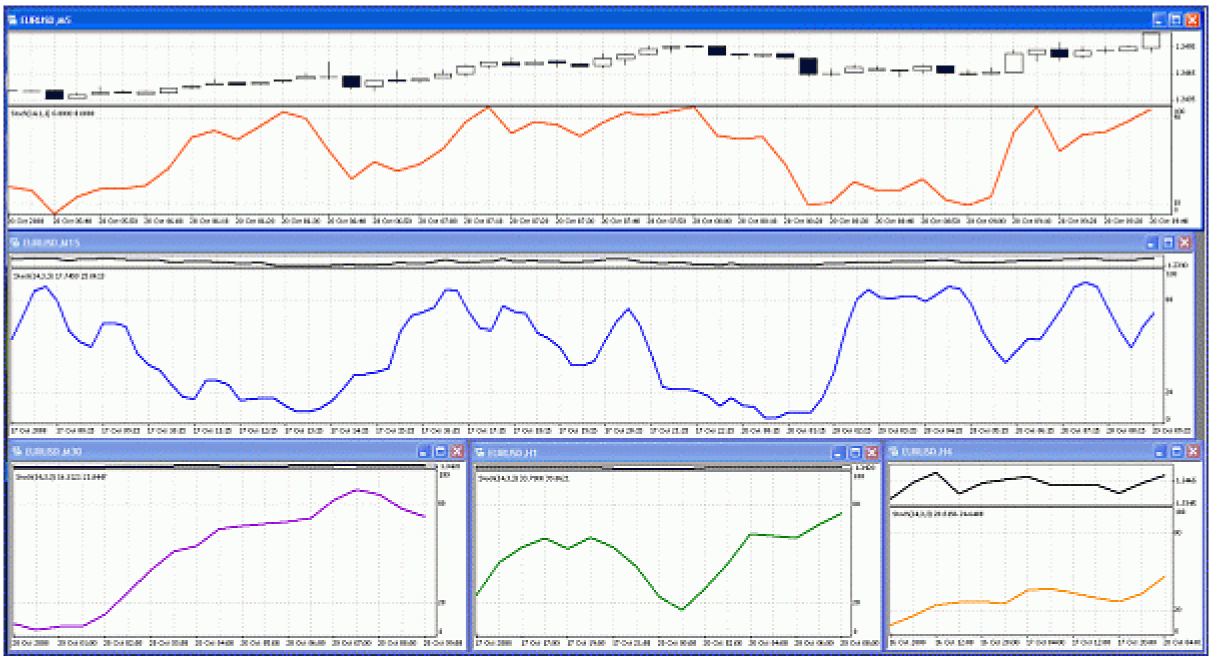
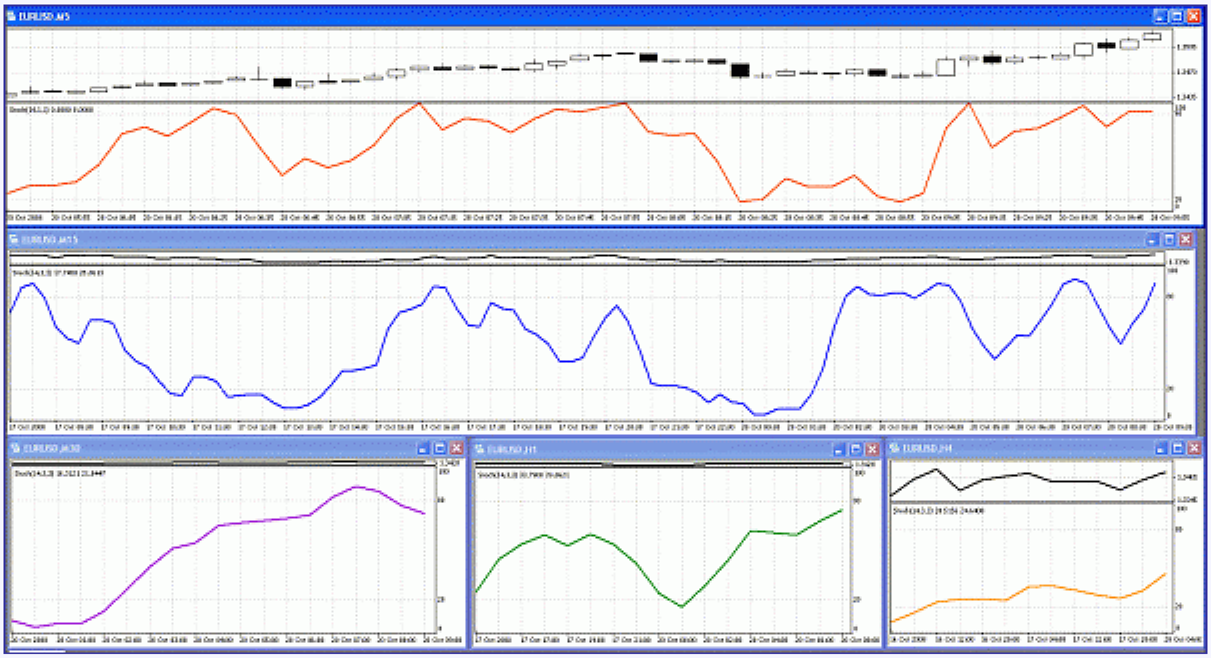


In PMTFS trading our M5 trigger is a signal and may be an entry point. We can also enter after the trigger signal point if the trend looks like it will reverse and we want to wait. We are thinking long term here and not scalping a few pips. The trigger is needed before we can enter but entering after the trigger is fine when we can see the new trend form.

The chart below is at 9:55 and again we have reached out trigger (and we did reach the trigger 5 mins before that too), but everything still looks long and we need to sit tight.

The M30 still supports weakness in our price but we want to see the M5 and M15 build M30 and not follow M30.
Attached Thumbnails

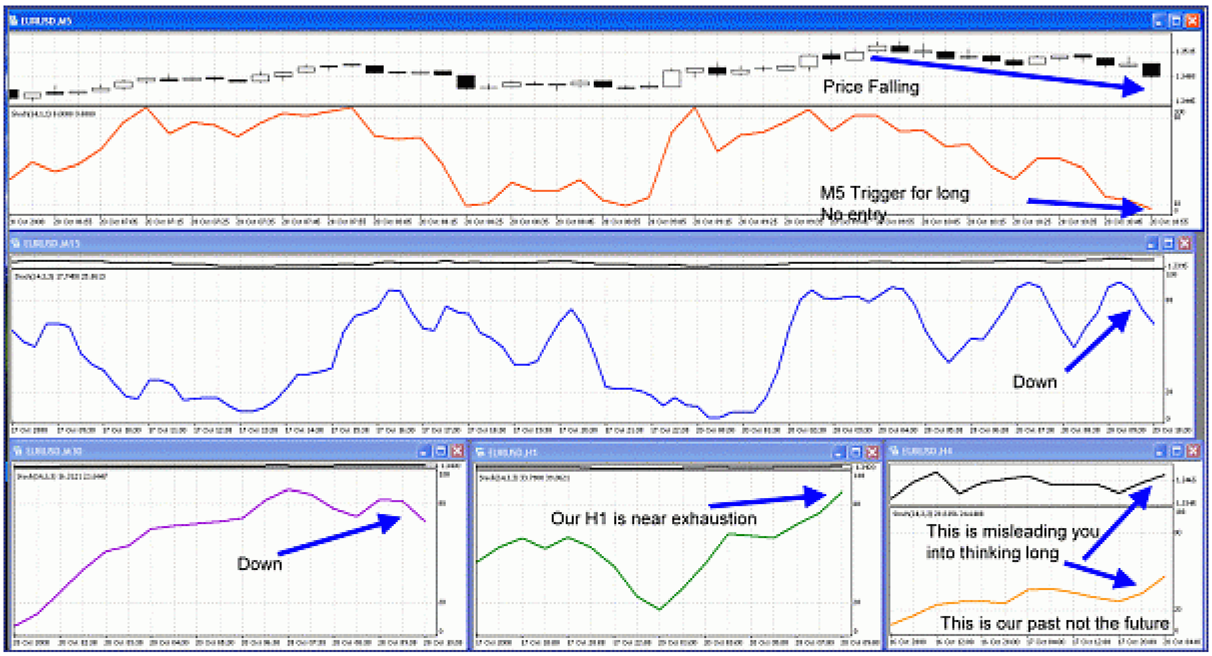


Quote

#9
Oct 25, 2008 7:27pm

At 10:55 we have watched everything turn to the short. Price has dropped 35 pips. Our M5 has reached a new long trigger.
Our M15 and M30 are now headed down, this means our M5 has built a short and our M5 long trigger can be ignored. We still have no entry.

Note where H1 is, very high and we should see M15 and M30 start to pull H1 a little later.
H4 is completely deceiving us and we now need to ignore H4. It is 3 hours old. If M15 and M30 were low and moving up H4 would have more meaning.

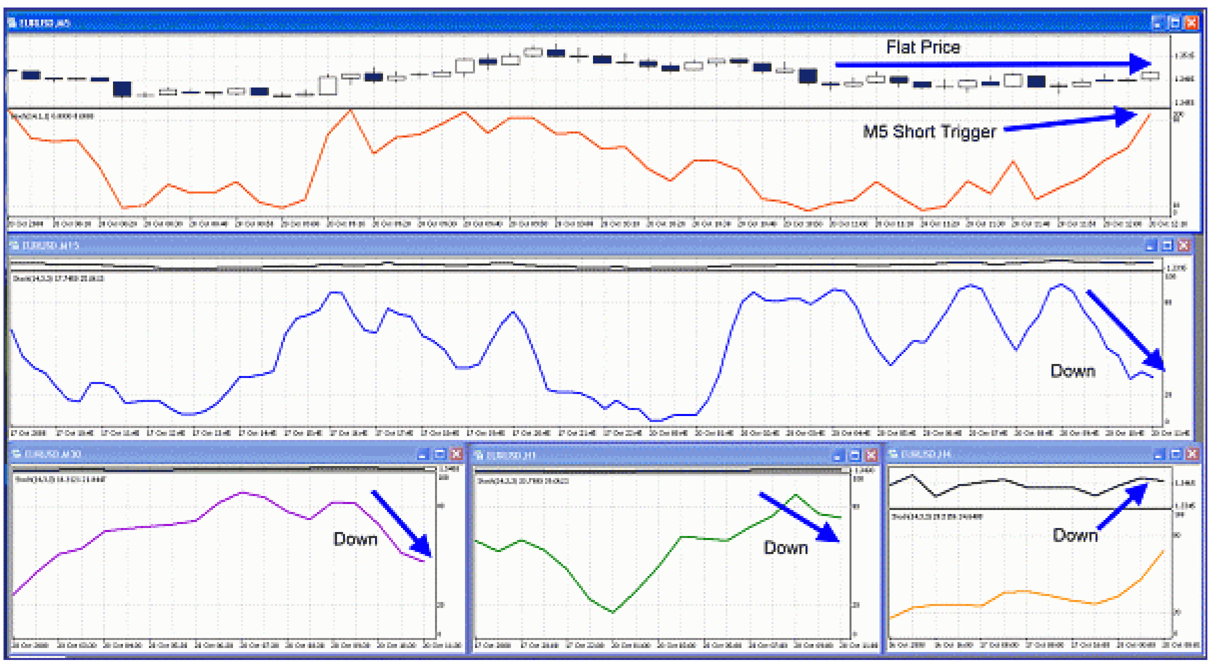


Here comes the exciting part!

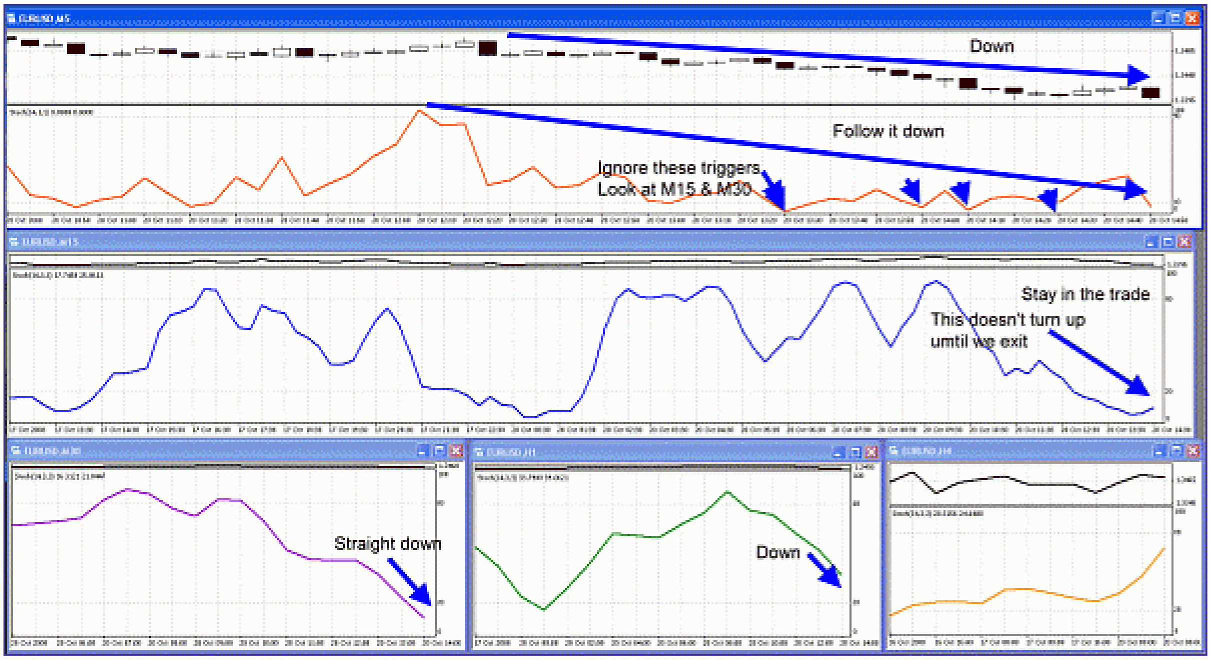
At 12:10 we get an M5 short trigger and you bet we jump on this trade. M15 is down, M30 is down, H1 is down and look athe H4 price...down.
The H4 stochastic is inverted to price (stochastic went up, price went down) which is even a better indicator that our down trend is well supported.

Notice the difference of this M5 short trigger and the relationships of all the other MTF Stochastics to the previous charts where we had short triggers. This following of the movement is important. We can't just reach certain levels and trade, we need to follow what the moves are.

You will notice that this is pretty much an MTF or Escalator To Pips trade now. The key difference has been or M5 trigger and the past movments of the stochastics. Watching M5 build the higher stochastic time frames will give us a huge advantage on our entry. We have "predicted" a short trend and we will be rewarded with one.

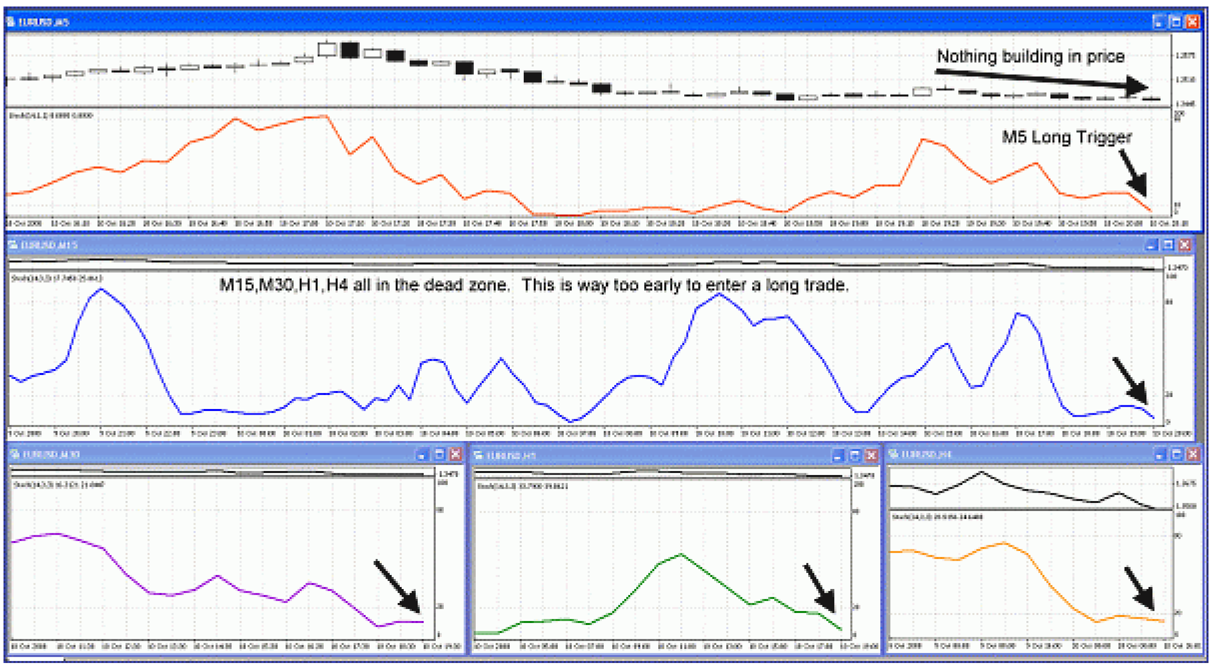


Follow the the stochastics down as per MTF or Elevator to PIPS and this is over at 14:50 with 75-90 PIPS in your pocket.

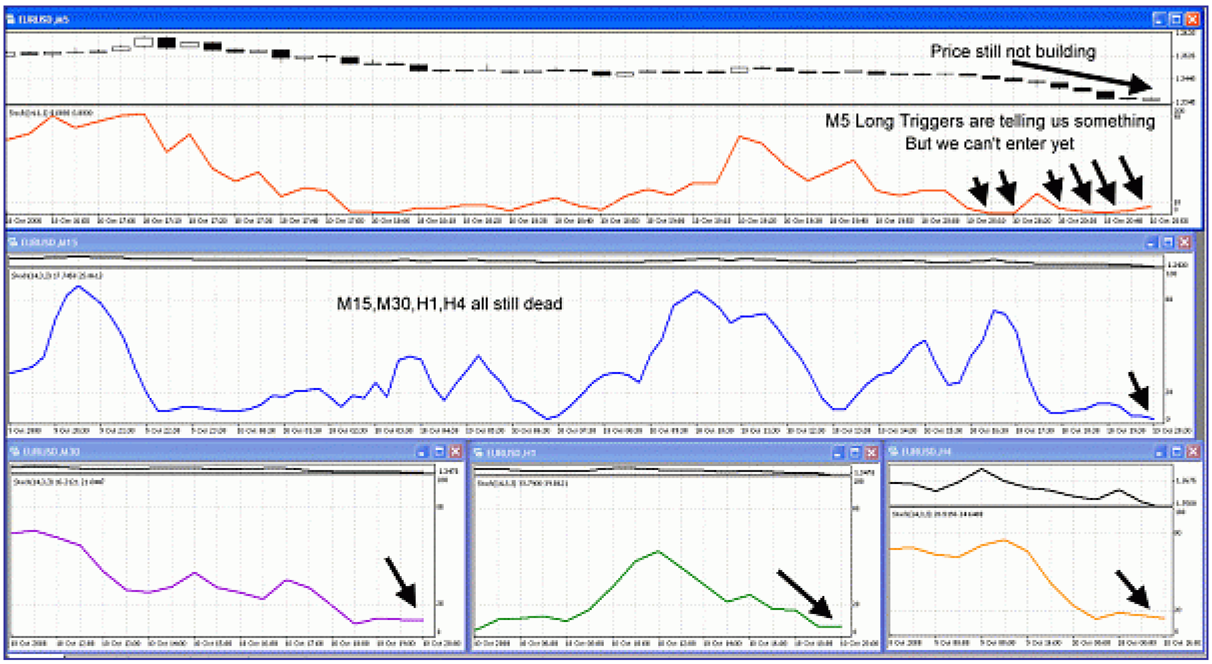


Entry After an M5 Trigger and Not Getting In Too Early

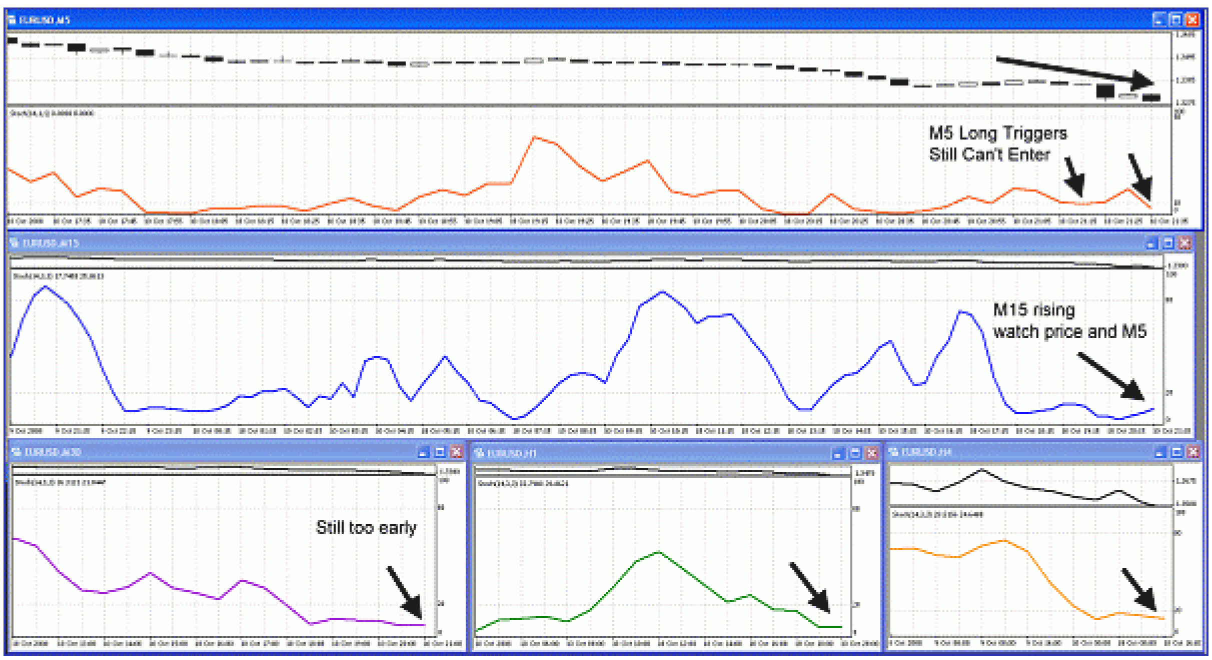
With MTF Stochastics we can easily get ahead of ourselves because we see perfect long trade setups forming and want too leap in early.
This following few charts are an example about how to avoid early traps, wait for the M5 trigger and enter the trade when the price starts to build the higher time frames.
In these diagrams the cues are very subtle, expecially iin the higher time frames.
However, if we watch early on what is happening it is very clear when to enter the long trade.
This is Oct 10 at 2010. We see an M5 long trigger after a downhill trend. See how all our stochastoics are low and pointed down. This can be a real temptation in MTF Stochastics because we know these stochastics are going to go up...problem is when and how to avoid any further downhill price. It is our M5 trigger that tells us when to enter.
Right now we have no entry.



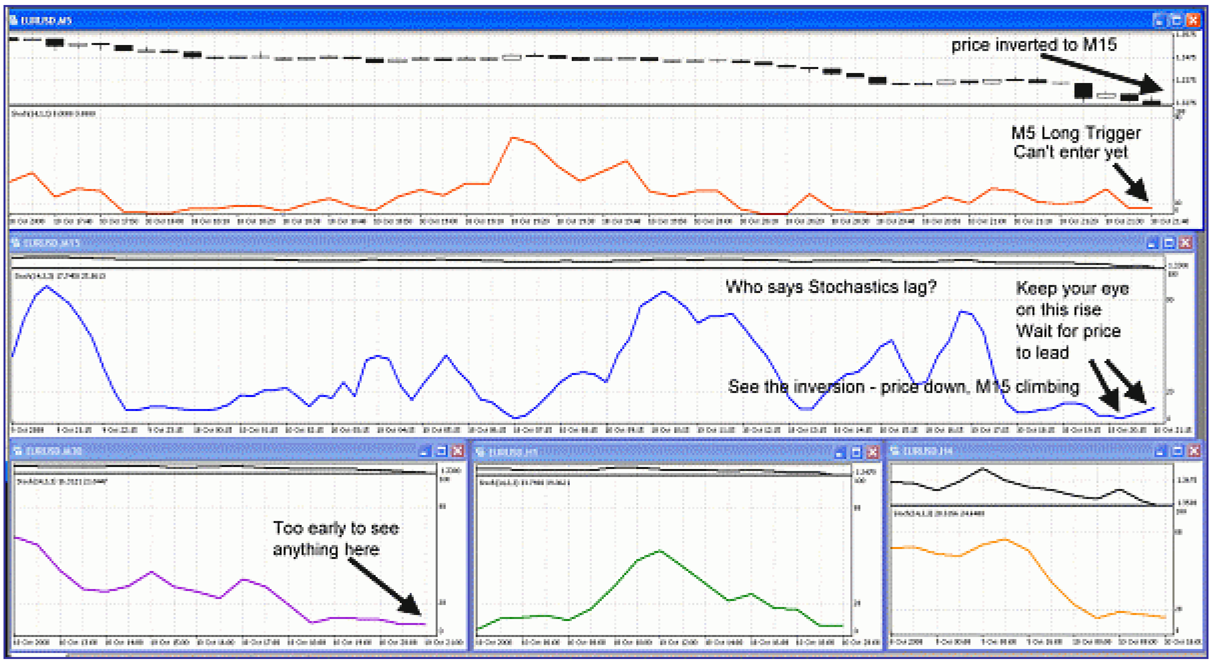
At 2050 we have seen a number of M5 triggers and I bet our trigger fingers are getting itchy for a long entry. Notice the price on M5 it is still going down and all our stochastics are still pointed down.
The exception is the M5 stochastic see it rise while price falls. These small inversions between price and stochastics are very telling when used in conjunction with other time frames. Unfortunately we can't live off these inversion signals, but they are another tool that supports our expectations of price movement. These inversions are tell tale signs of change...again it is a matter of "when" vs "if" and we want to avoid any traps.



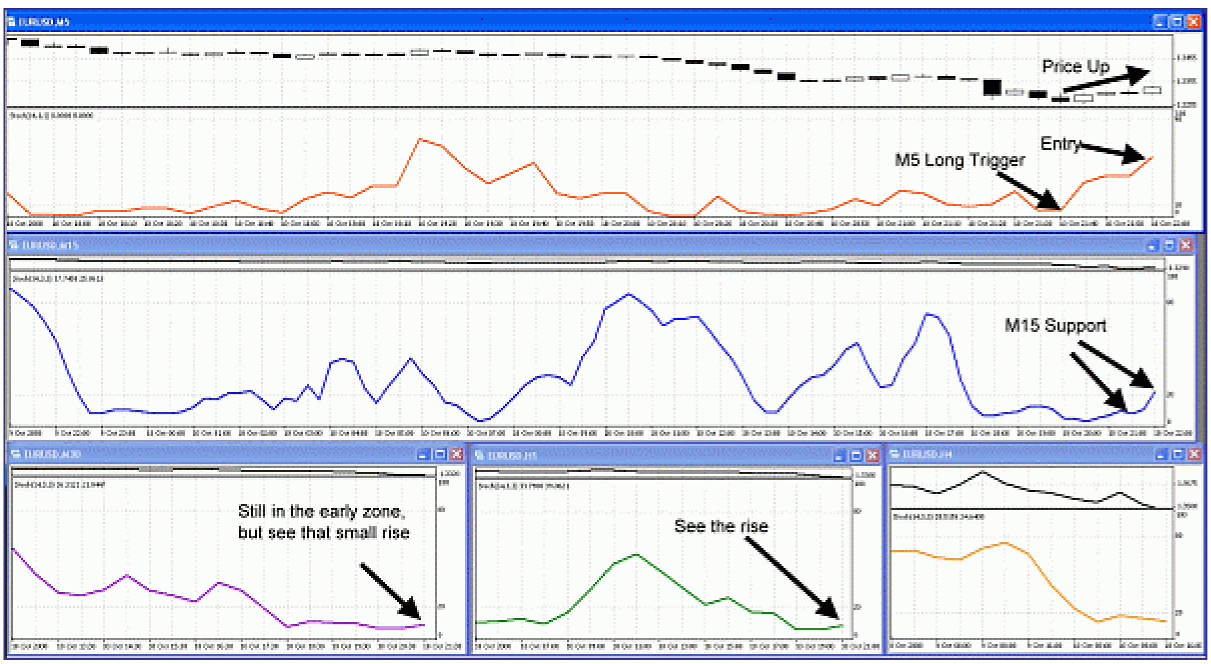
At 2135 there still isn't much change. We can see a flattening of the M30 and in conjunctin with the rise of the M15 this is interesting. Again, even though we have 2 M5 triggers it is too early to enter.
However do you see that inversion has moved into M15...the price is down and the M15 stoch is rising.
We can't enter with price moving down. Even though we are expecting an upward change we want to enter knowing we have that change in place.
Having said that, this is a good gamble for a long trade entry. We've seen the M5 inversion move to the M15, we know our M5 trigger tells us to go long and even though our M30 hasn't risen, it probably will.
If it were me, I'd wait. It is just a whole lot safer.



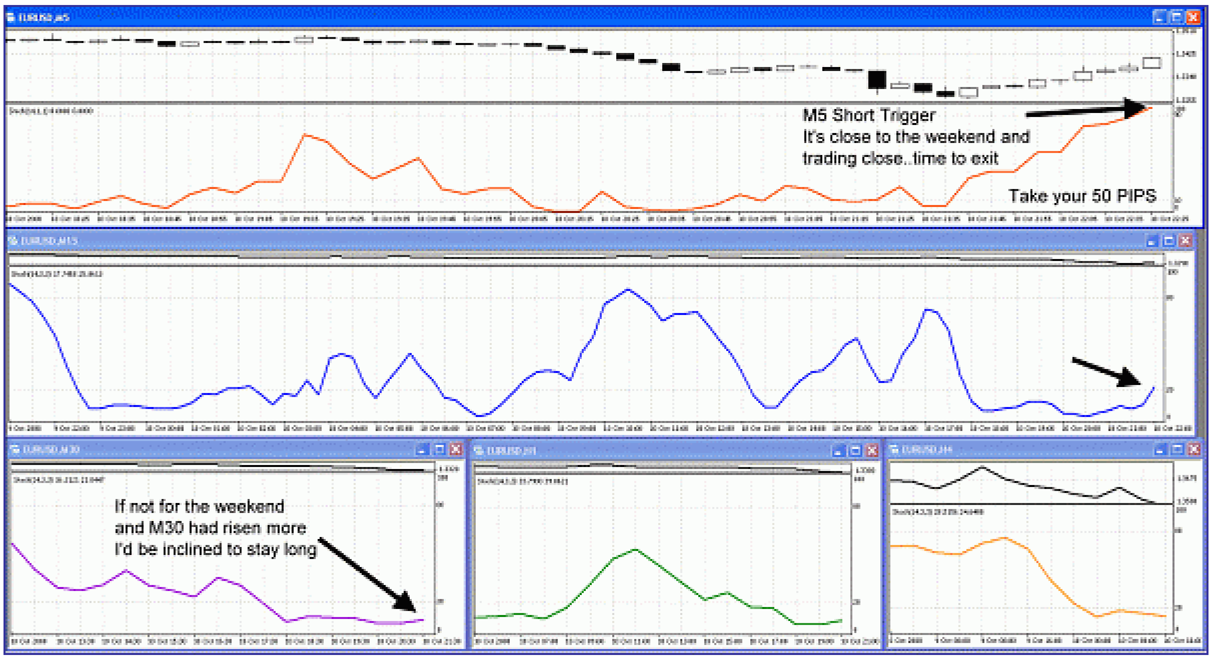
5 minutes later and this would be a compelling time to buy long. If your really the impatient type - this is the trap you must avoid. A good gamble yes, but it won't always work in your favour...tust me I'm about as impatient a trader as there is! Take a good look at M15. Here is proof positive that stochastics don't lag. However, we have to keep ourselves in control. This is a sit back and wait moment to get the proof we need to enter the trade. The price move is the big hold back and we know things are going to change and go up..so why not wait for it.



We finally hit our long entry at 22:00 (actually we enter at the close at 22:05). Notice we are entering after the trigger. We have waited for all the signals to come together.
See how M5 and M15 are moving up and price is too.
We waited and also have support from M30 and H1. As subtle as those upward moves are they are important. Consider that price in our M5 chart is all downhill from what we see and look at what M30 and H1 did over that entire period of downhill price movement...can you see that slight up curve.
Look back at M15...can you see an even longer up curve than my arrows show? Remember it is what M5 is building that tells us where price is headed. Even though M5 price has been moving down, it has been building for an upward move. That M5 trigger is the pressure valve...it signalled the trade entry and we just waited to make sure.



And here is our trade. 50 Pips or there about.
We are taking the exit on the first M5 short trigger only because we are nearing the weekend close. I prefer not to hold trades over the weekend if possible.
Notice how easy it is to travel through this trade from entry to exit. At no point are you in doubt or stressed about your trade...no stops to worry about. Just a nice relaxing climb, the M5 short trigger goes off and exit the trade.
If this wasn't a weekend and the M30 was a little stronger I might have stayed in this trade and followed the same cues that got me into the trade to get me out. But that is for latter explanations.



> Originally Posted by **imad**
> *i meant in post 22 spud where u have said you took the trade . the 5 , 15 , 30 are pointing up*
> *1h maybe just turning and h4 is still pointing down , could u please comment*
> *regards*

Remember that we are looking at the M5 building the M15, building the M30 and so on. H1 and H4 tell us where we are (were) in the broader view of the MTF stochastics. H1 can play a role if we see it support our recent M15 and M30 movements. You can see it in my examples but you have to look carefully. H4 is likely going to lag so far behind we will use it more to determine where we are and staying in the trade for a long period.

Also remember we are seeking trend change. If we are going long and H1 and H4 are > 90% K...we won't even bother entering that long trade....we might scalp the M5,M15 and M30 but we'd know we aren't staying there very long.

I'll be providing more examples and hopefully I can find one that demonstrates this better.

Using the H4 Guage

The question was asked, how do we use H4? The chart below illustrates the answer. If one is a trend trader and looks at the long trends to be their guide then this would be a tempting short trade entry.

Even our M5 trigger is indicating a short entry point. The H1 can pull you by the nose and say "follow me" because we look at that H4 way down there and expect everything to fall down before H4 can climb up.

In Predictive MTF Stochastics we are a little smarter. The M15 right now is flat and has risen with price since M5 has been building upwards. M30 is starting to curl over but it too is still up. H1 is a lagger...we are not following H1, we want H1 to follow us. H4..now there is a story.

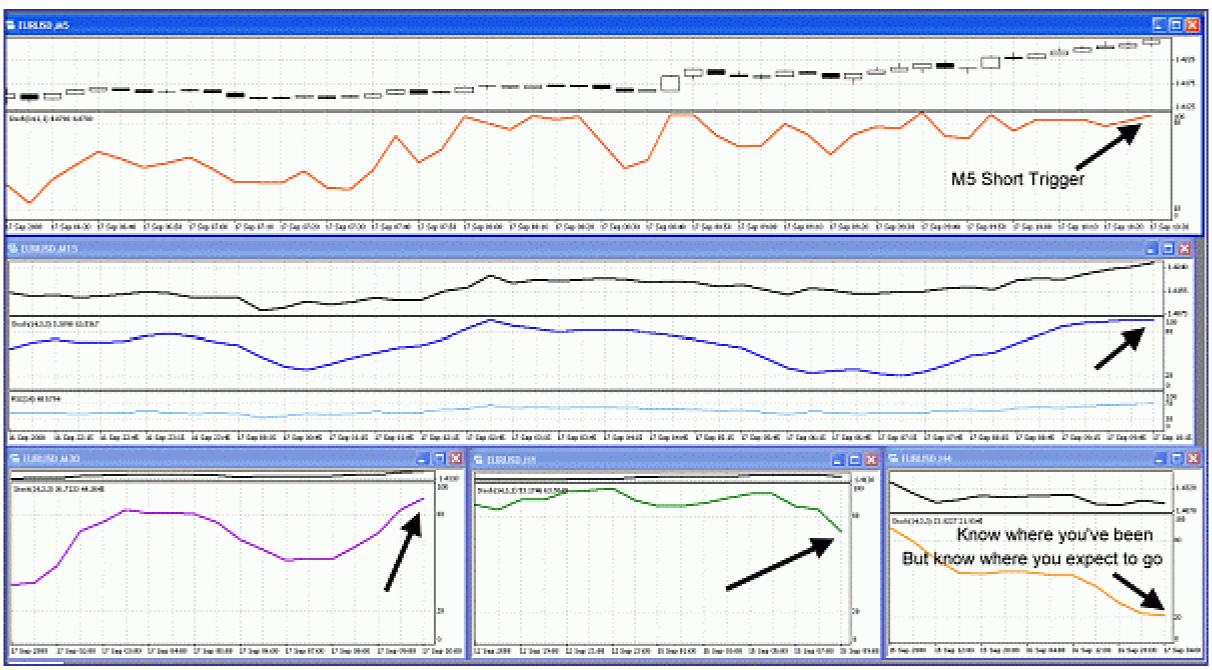
The ideal position for H4 is up higher...we want M5 to lead the way. If M5 is going to start falling then where does H4 have to go? It is true that H4 could fall below 20%K and we could enjoy a nice down trend...but that is a risk.

In Predictive MTS Stochastics we don't want any risks...we just want to make easy, reliable PIPS.

The H4 way down there is a warning, we know H4 will climb...it is a matter of when...not if. True, it might, may, possibly stick in the oversold and price might, may, possibly fall 500 pips...BUT it may also not.
Given where the other stochastics are we know they will fall, but they could also linger in the overbought area and pull the H4 up....that would kill us if we went short.

In otherwords, why guess? Let's wait and see and use our predictive skills to know what is going to happen.

How high do we want H4? There's no definitive number. It acts a bit like a guage but we have to use it in relationship to everything else.
What we always want to keep in mind is that we want to be building the H4 and not following where it has been.
So, in this position, I would not want to enter short here at this moment in time.

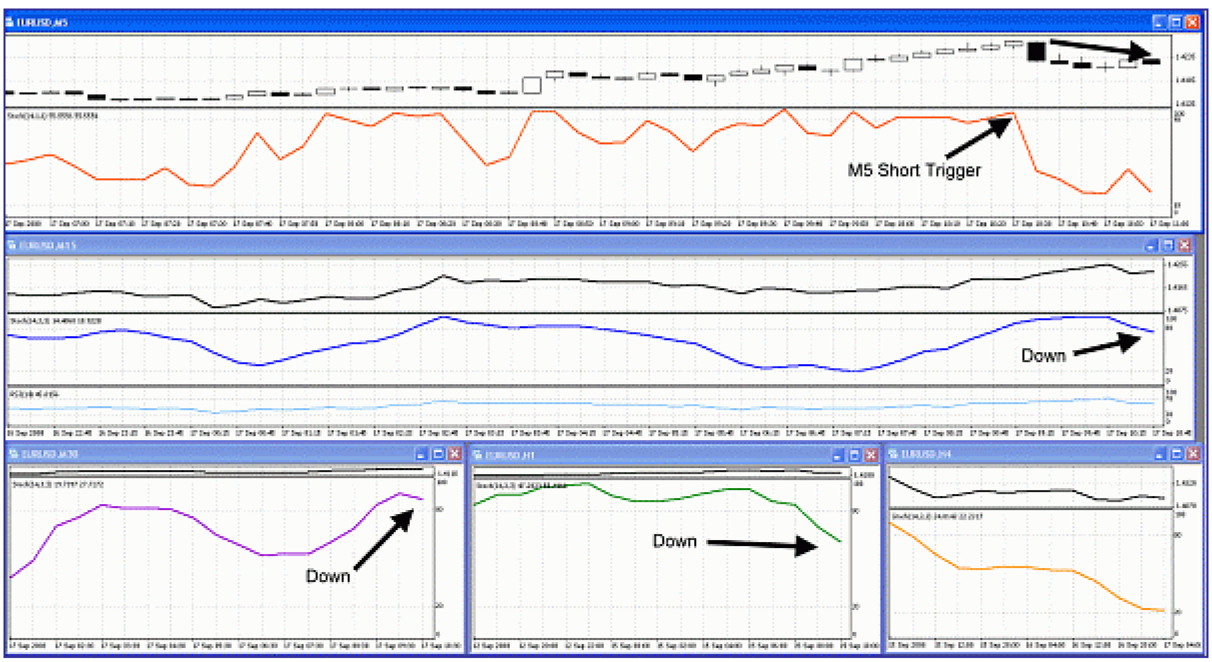


Here's your short entry at 11:05 (close of 11:00). Do you see the difference?
M5 has built a downward move in M15 and M30, H1 continues down. Here H4 is still our enemy in the sense we don't like where it is. However, now we have the support cast all in line.

The question here, is this a worthwhile entry with M5 so low? Remember M5 is a trigger, not what we follow. We only concern ourselves with M5 if it hits a trigger point. What it does in between the triggers is meaningless....as long as it is building our M15 and M30 in the right direction. If a change is going to happen (in a big way), our M5 will hit a trigger point.
Again, now we can play the game where we expect M15, M30 and H1 to fall down to pick H4 up. So long as we are BUILDING downward momentum in this trade we are safe trading this short.

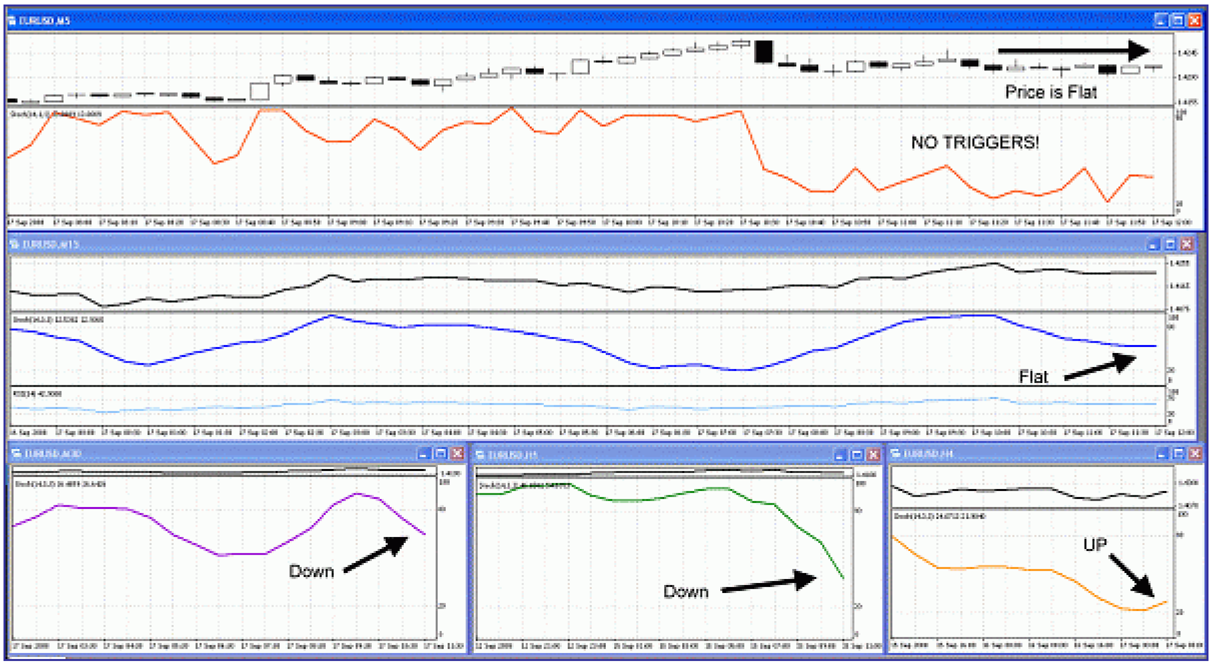
The biggest factor here is waiting for M30. You may have jumped in when M15 headed down, but because H4 is so low we want to be sure.
The price rise in M5 can be a concern, but remember it is the M5 trigger that leads to significant direction change. If M5 hits the long trigger below 10% K, our price will probably drop and we'll still gain some pips, breakeven or lose a little, but we won't get killed. If M5 climbs to a short trigger above 90%K then we have to view what our M15 and M30 did in response.

This is a very safe short entry with little loss risk.

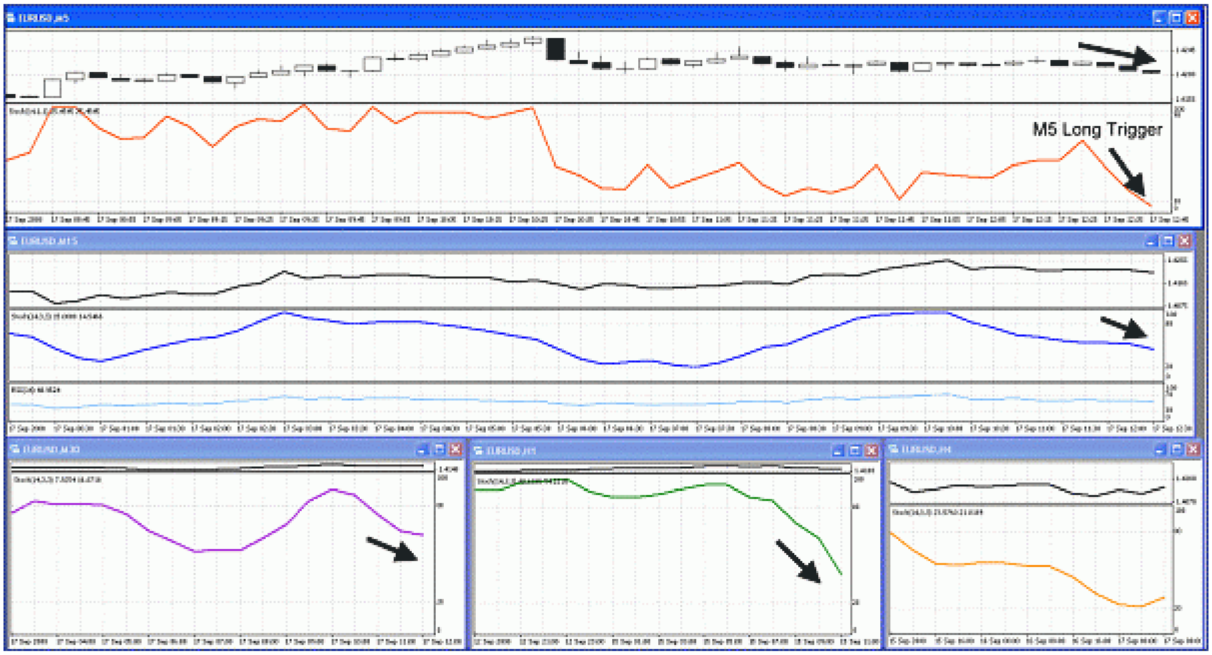


Here is where H4 can really throw you off it you let it lead and don't use triggers. See H4 rise. Remember that is the past 4 hours...but look where everything else is...even though price is flat they are still building a downward move.
Most important is we have no trigger. Exiting here will gain you a few PIPS but it is too early.

Nothing here says a move upwards is building yet.

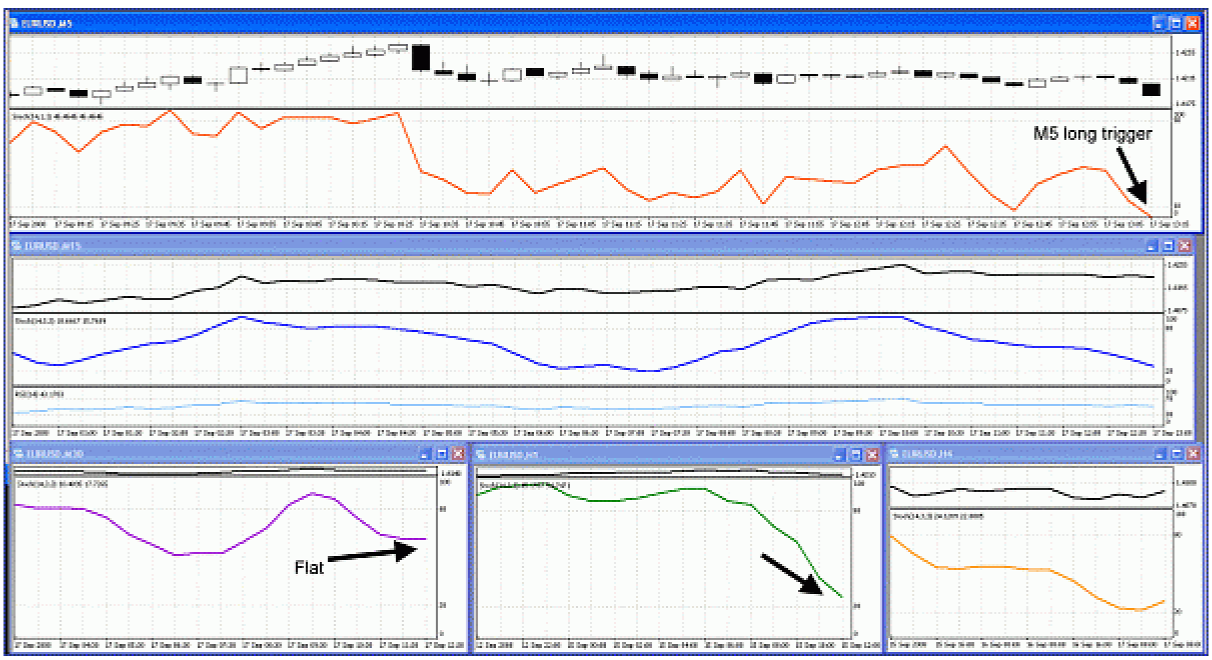


You wouldn't enter a long here so why exit a short?
Again, nothing here pointing up (except H4) so let's keep our eye on M15 and M30 and keep in our trade.



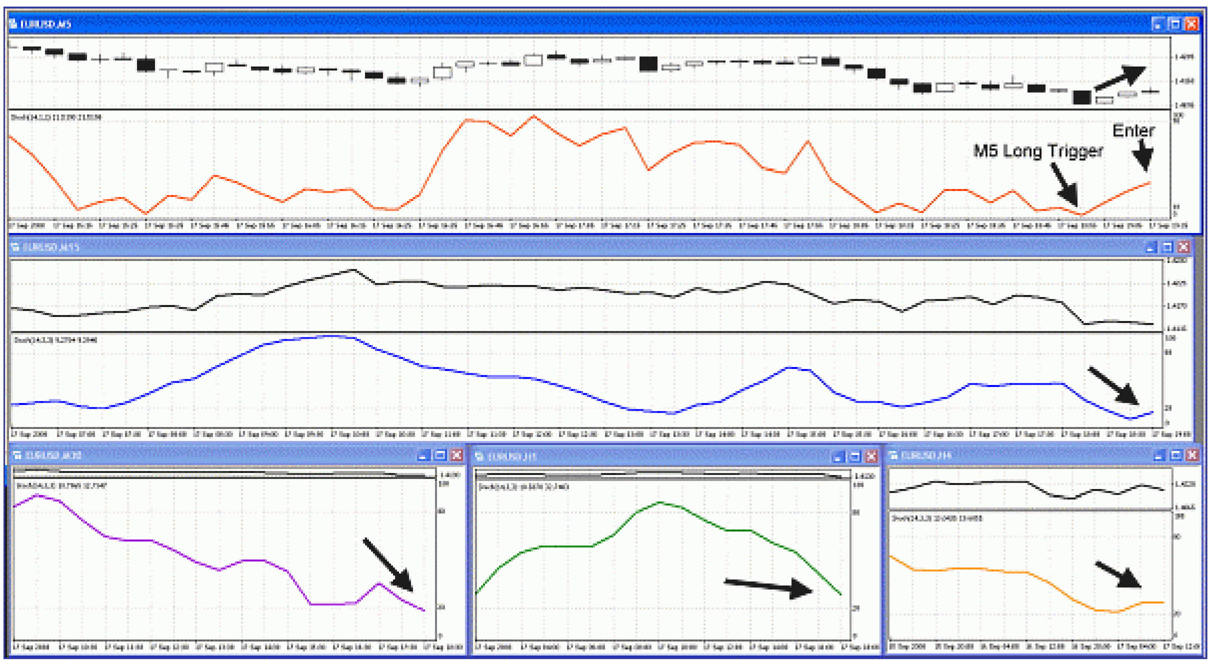
Here at 13:15 reinforces waiting for the M5 trigger. That M5 loop would put panic into us, but what did M15 and M30 do? Down and flat.
It's a difference of 20 PIPS, and do you notice how safe our trade has been since we entered it. We went into the negative 20 PIP range on a high but never did M15 and M30 tell us we were in trouble. Nor did we hit any M5 trigger point to exit the trade when we were in the red.
Now look at M15, H1 and H4. M15 and H1 are all the way down near 20%K. M30 is flat and we have a long trigger.
There is no way you want to go in the opposite direction of M15, H1 and H4 when we know and expect they will climb.
Do we have a long trade? No, we don't have proof for that either. It is time to exit and take our 40 PIPS or so.

We just wait until it all sets up again.
I should add the H4 up move is a legacy of the past 4 hours, just a portion of our trade window. This is something we need to keep in mind when watching the H4. We have a hard time saying that our recent moves are building H4 upwards given that everything else has moved down. Just remember we started this trade with H4 down near 20 %K, and it has done what we expected it to do...climb. We also expected the remaing stochastics to fall before H4 climbs..they have done that. This is the expected scenerio and exactly what we feared from the start when we looked at the first chart.

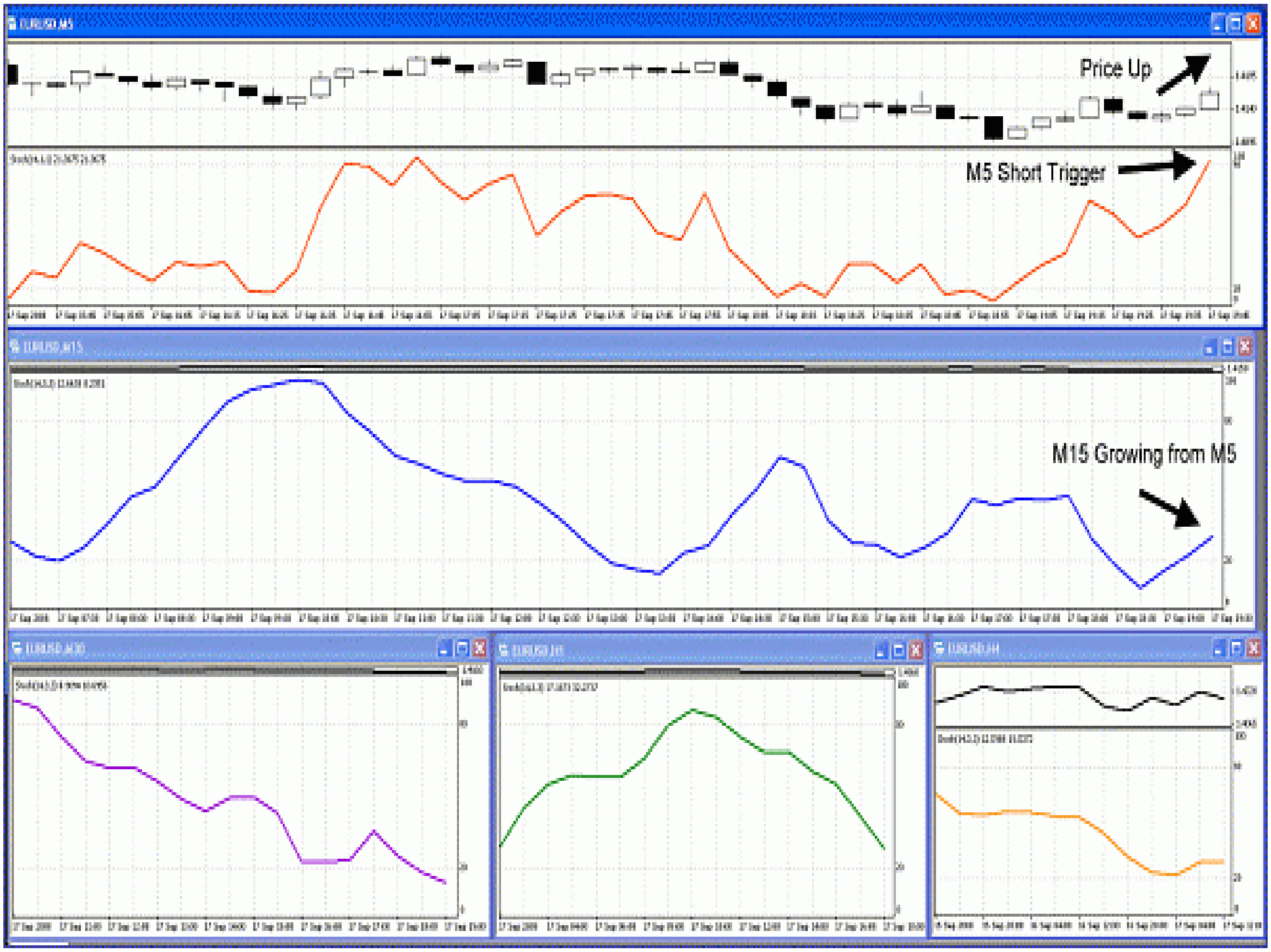


When Everything Is Low

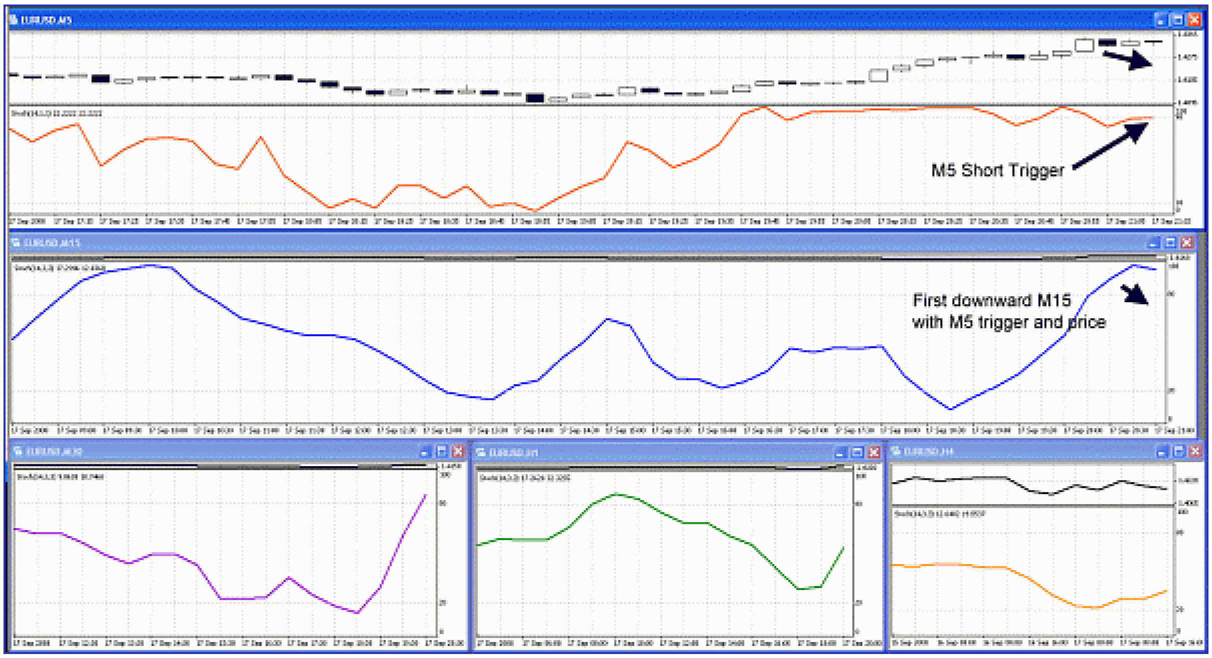
Here's a completely different perspective. The chart below shows all our stochastics low. Unlike the previous entry of charts where we had our H4 at the opposite end of our trade, this time we want to ride the escalator.
We look for M5 and M15 to lead the way and then we enter when we have proof price is building M15.
We don't have to wait for M30 here. Why?
A bad fall in M5 will issue a long trigger. M5 and M15 are not high enough to drastically hurt us if price does fall. If we get another long trigger where will M15 and M30 be?
Safer and less risks....wait for M15 to rise above 20% K. Wait for M30 to turn up.
This is purely positioning of our guages. With everything low like this, and an M5 long trigger it is all in our favour.



We don't have a short entry so why leave our long.
M15 just cleared the 20%K and rising. M30 is a bit disappointing but stay on the escalator and ride M15 up.
Unless we see that price dip downwards, we stay long.



Here's our first true exit indication. After about 210 PIPS up. Notice how M15 and the price are both headed down. I admit the price is hardly moving downwards, but we've also exhausted our up escalator with M30 rising above 80%K, I'm pretty content to exit this one.
We could certainly wait until we see a much more definite downward price move with M15 headed down and the M5 short trigger, we certainly have lots of PIP room to play with....but when you see that price move and M15 go down...do exit.



Understanding The Build

The chart below shows the critical importance of focusing on the M5 build and not the past history of our stochastics. This is Oct 28th and our trade starts at 21:20 (21:15 on the chart). This is almost 150 PIPS and if you follow the build, an easy non stressful trade. I'll admit that the entry may give you some stress but in a few short minutes you are just counting PIPS and waiting for the exit.
The dark blue area on our time frames shows when we hit the M5 Long Trigger and the period we had to wait until we saw M15 build from it. Here is our very first trading rule:

Rule 1: M5 Price MUST prove (move in the) direction of the M5 trigger signal for the trigger to be valid.

The short trigger before our long entry is not valid. Price is moving UP and therefore, only our Long trigger is still valid.

Notice we don't enter the long trade until we see M15 move up with price.. That is our second rule:

Rule 2: The M5 price must build the M15 %K stochastic move. M15 must move in the direction of our trigger after the trigger is validated.

If M15 was already moving up for the last 25 hours, that doesn't count. M15 must move after the trigger signal in the direction of our valid trigger. Always remember we are trading the present and the future..not the past.

As you can see in this trade, both these rules have been met.

Note that M30 has not moved up yet. M30 will lag and we can wait for it to go up be ultra safe, or go with the M15 so long as we meet the criteria of Rule 1 and 2. Again it is looking at the position of the stochastics that help us assess our risk. M30 is low and H4 is low. M15 is in the low mids. That's 3 out of 5 time frames showing room for upward growth. actually we really only count M15-H4 so it is 3/4. Remember that M5 is just our trigger, we do not follow the stochastic up and down to make decisions...just the trigger points on M5.

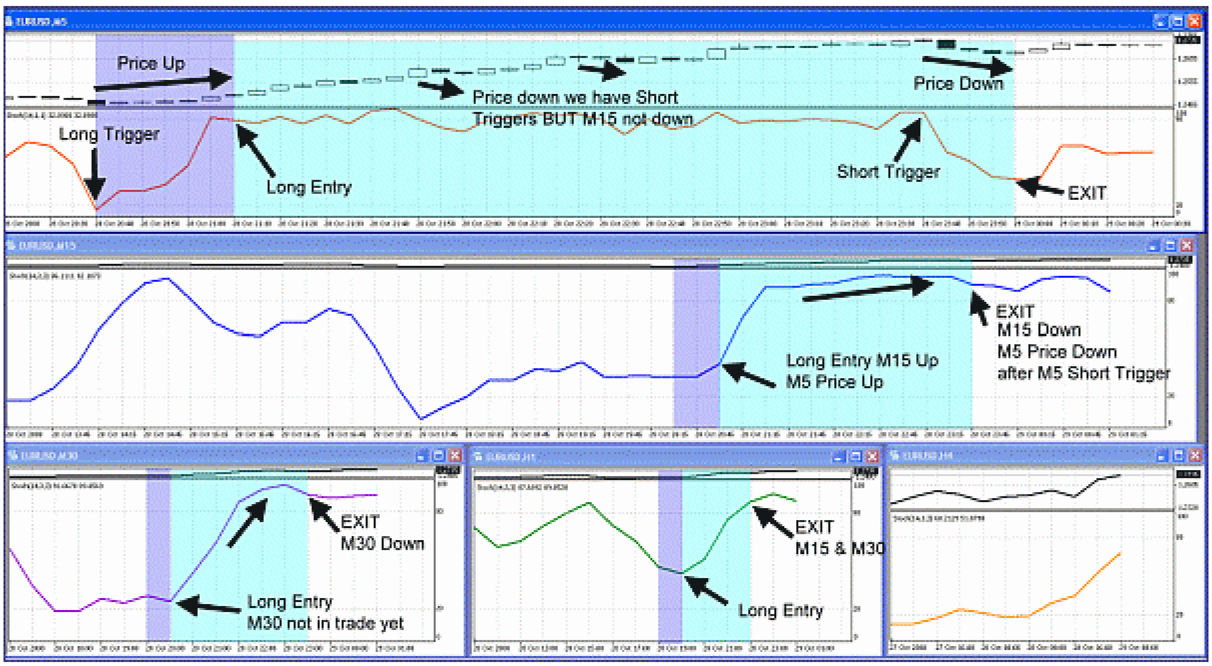
The light blue section is our trade window. Notice our EXIT. The M5 price went down, we have a M5 Short trigger and the M15 %K stochastic dropped...this is a valid short trigger. We exit. So happens our M30 validates it too, so much the better.

In the middle of the trade we have 2 price movements down with the M5 triggers...BUT the M15 does NOT move down. Flat maybe..but not down. So these are not valid short triggers.

I should note when I say "up" or "down", I am referring to the flat horizontal..so down has to be below the horizon and up above the horizon..kinda like flying

Through that entire trade and living by the 2 trade rules I mentioned (and knowing a little about stochastic positions in MTF)...the trades become very "predictable" and quite easy to enter and exit. Easy to enter and exit because the rules are exactly the same.

It is OK to cheat on the exit..take your exit on any opposite trigger if you like (so long as you are in positive PIP land and the trigger still isn't valid). Exit when you have your daily quota of PIPS. You could have made PIPS on any of the short triggers in this trade but you MUST exit when you see a valid opposite trigger.



Originally Posted by **eagle4x**
Spudfyre:I found the attached MTF stoch bar indicator in another forum. Does this accomplish the same thing as opening the charts for all those time frames? If not, do you know of an MTF stoch histogram indicator that represents your method?

None. I have yet to be able to replace the visual aspect of having all the stochs open giving you real time picture you need to trade successfully.

There have been numerous issues with stochs all on one time frame, not the least is the chart/time shift phenomena.

Having said that, some people have made some very good MTF stochastic indicators that address some issues. I still find the real thing the best choice and use the single MTF indicators for quick snapshots of the markets when I'm waiting for trades.

Originally Posted by **deepermind**
I use your MTF system with 50pips hard stop in my demo account.
50pips is quite big stop loss compared to my usual profit (10~20pips a day)
When I was on bad trade, usually I just wait for price touching stop loss, because I can`t decide when I have to quit.
When there`s something wrong happens I try to wait for candle close but, 15min (even 5min) is very long time to wait for close when there is sudden 40~50pips price movement.

Since I am newbie in the forex market, I feel more comfortable and get confidence with hard stop or mechanical stop loss strategy with money management.

I read all of your thread, and I know what`s your stop loss philosophy.
But, can you recommend any stop loss strategy for your system which has mechanical rule for newbie like me? (or just 50pips hard stop is good one?)

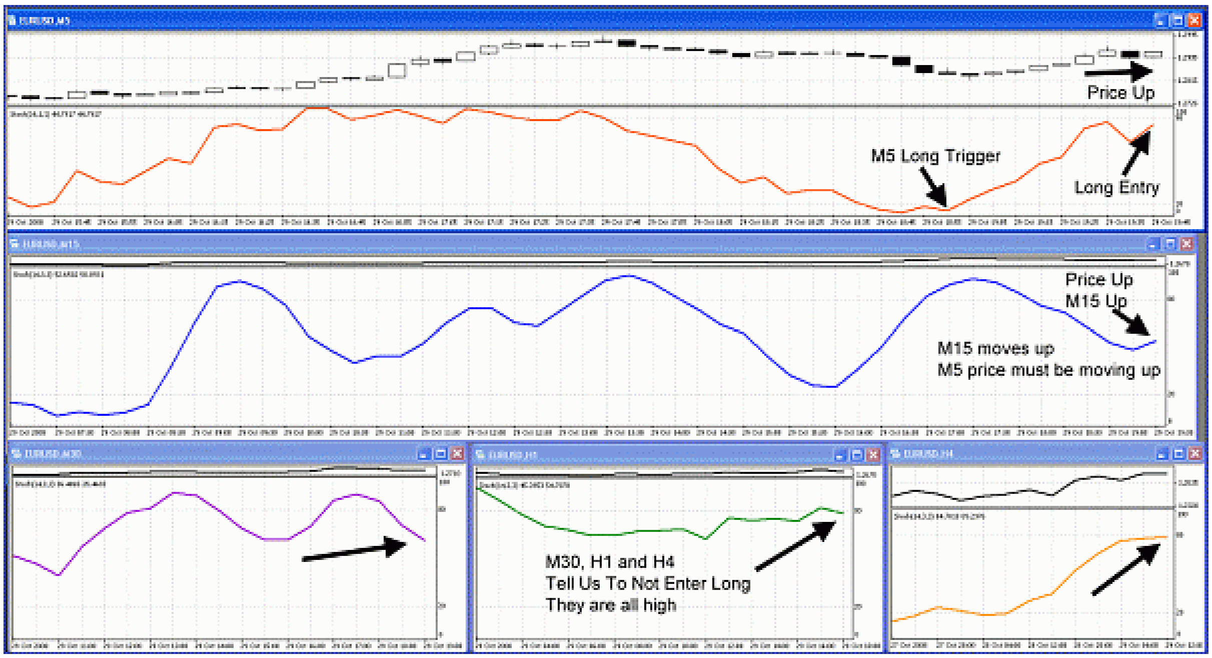
english is not my mother tongue, sorry for bad writting!

You will probably find with the correct entries and exit with this system you will encounter far less pip draws and get by with smaller stops. Having said that, it is far more expense to lose 20 PIP stops 5-6 times because of spikes than one 50 PIP stop because of a bad trade.

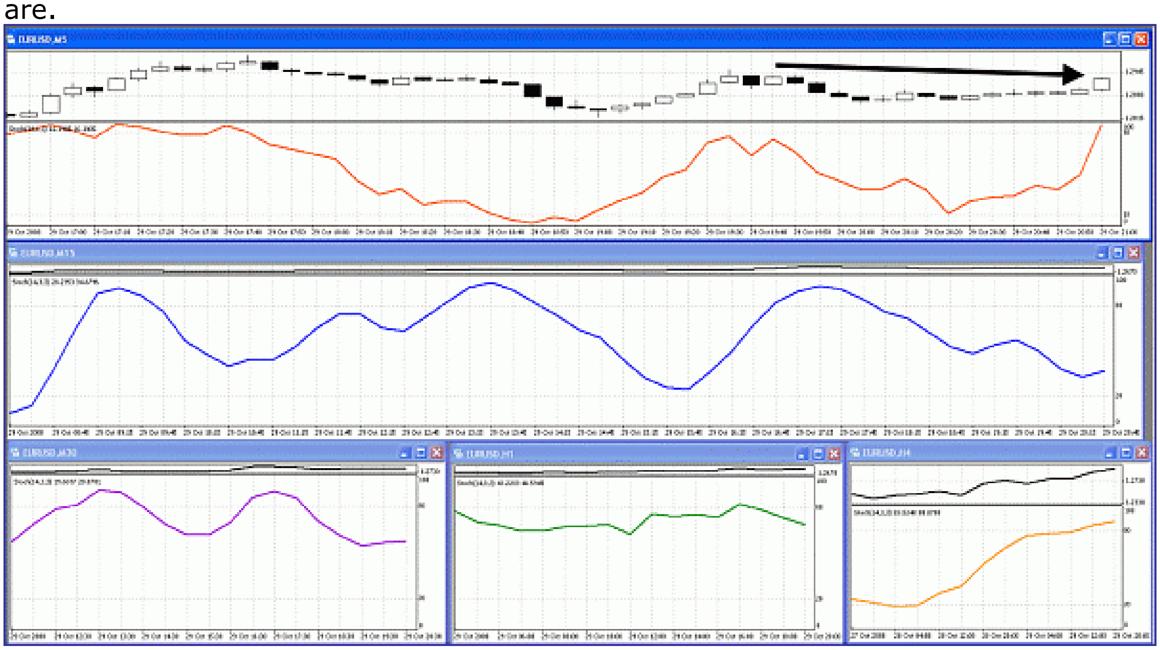
The other alternative is to keep your stop dynamic and move it along with the candle up and down...maxing out at a certain point. This will at least give you a little bigger edge than say a fixed 20 PIP stop.

Avoiding Trouble

One of the nice things about this system is that we are trading "safe". This means we will miss some opportunities, but that these missed opportunities had risk and would not have been very straightforward trades.
The chart below shows the the price is up, M15 is up and we have validated a long trigger. However, this is where we need to know where we are on the map and M30, H1 and H4 are all high so a long here is much riskier than if the M30, H1 and H4 were lower. This is a long entry we pass on.



The chart below shows us the trouble we missed knowing where our M30,H1 and H4 are.



Originally Posted by **wrenski**
Spud – Have you ever entered a trade after missing the initial entry point? Example: The 15M,30M and 60M stochastic have all pulled away from the 80 level and are moving down nicely (based on a short trade). You have missed the initial entry point and the 5M is moving up but is poised to turn back down. Is there a signal to look for in this case even if the 5M has not gone back to the 90 level for another short trigger?

Thanks for all your help!

Only if I my trigger becomes valid or I get a new trigger. You'll find as I go through my next series of examples and as you see this progress that it makes more sense to be "always" right and trade the trades that meet the rules rather than try to make a trade that isn't quite fitting the rules.
Having said that, you might see an Esclator to PIPS or MTF set up that is worthwhile trading and use those rules for the trade if this system doesn't catch it.

Originally Posted by **KudzuFX**
this may be stating the obvious, but are showing here that in a sense price is in the processing of \"losing steam\" and thus may be at a point (on the higher TFs) to reverse and go down?

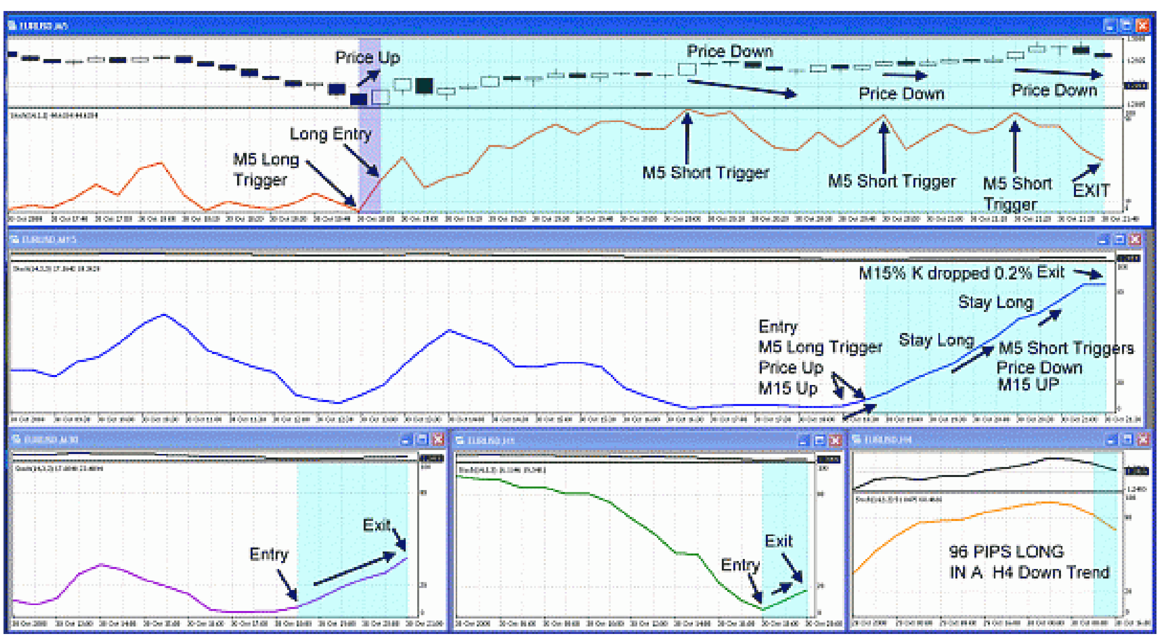
That can be one way of looking at it. Our signal may simply lag sometimes. What I'm looking for is consistency and reliability on the entry of the trade. There are some straight forward benchmarks that are established which produce these safe trade entries and the trade follows the course time and time again.
There are other entries..that would follow the rules but because we are where we are over the multiple time frames, it just doesn't make sense to put yourself in that risky area knowing we may have a perfectly good trade in a 30 mins or a few hours.
Having said that your idea presented earlier looks interesting as a different type of trigger. I haven't had time to test it but I'll certainly take a look at it.

October 30 19:00 96 PIPS Long in a H4 Down Trend

Here's a fairly simple long entry with a little tricky exit. This is by far a fairly confident entry with M5, M15, M30 and H1 all starting low. The H4 way up there isn't great, but it shouldn't stop us from trading. In fact, if we remember our MTF Stochastics, we know that our lower time frames need to climb to pull H4 down more.

Notice our entry meets our 2 rules....M5 trigger is long, M5 price is up and when M15 %K goes up..we enter.
In the middle of this trade we have 2 M5 Short Triggers, but neither is valid. See that price is down but M15 is still up and never goes down. We are backed up by M30 which is also building up.
Now this exit is a little tricky. We get our 3rd M5 Short Trigger, price is down and if we aren't watching carefully M15 is down. It is only down 0.2% but that is down. Now, you could go longer and watch to see if there is a more significant drop...but playing by the rules this is an exit.
You could also play it much safer and exit at any of the M5 Short Trigger points so long as you are PIPing profits.

Now the H4. It is quite interesting that we pulled a 96 PIP gain when the H4 price is headed down. This should enforce the point that it is M5 that build the future of our trade and not following H4...H4 is where we have been. But, there are basic principles at work here that H4 tells us. If H4 is going to go down, price will eventually fall and in order for price to do that....M15,M30 and H1 must rise and then fall. The only other alternative is for M15,M30 and H1 to float in the oversold area and this would have changed the M5/M15 movements greatly.
You noticed that I stayed within the 2 rules on this trade. I stayed long until a valid opposite trigger kicked in. As well, I could easily have exited twice early and still made good gains. What I am not doing is pushing the limits and trying to extend this trade. It would be easy at this exit to want to follow M30 up or even H1 for even more gains long. You can do this, but it adds far more risk.



A few things after reading the last few entries:

M5 price up or down is calculated from the trigger close to the entry close.
Note: There is a thing I call the "fish hook" that I promise to demonstrate this weekend.

Slope of %K does not matter. UP or DOWN from the ---- (horizons) is all that matters. It might be interesting to back test slope values over a long period but I doubt % slope will have much bearing.

Just like you need a valid trigger to enter, and an opposite valid trigger to exit....an invalid trigger in the trade direction "can" stop your trade. For example, if you have a valid Long trigger and enter ...then another Long trigger comes along and becomes invalid...most likely you should be exiting. However there are a few factors here at play over the MTF. I'll discuss these.

To perhaps simplify things, I'll demonstrate using only the looking at the first 2 rules and M5 and M15 only. I'll completely forget about looking at M30, H1 and H4 for now.

I've picked this trade to show you how this sytems catches an upward price move in what is a steady downward price move. Price moves down before and after our trade, but we "predict" almost exactly the upward price move.
This trade grabbed us anywhere from 8 to 30 pips depending on how we decided to exit. No matter what we MUST exit a long trade when we have a valid short entry produced.

Notice that when the M5 long trigger appears and soon after our first M15 move is down...it is only a bit but still down so we have to wait until our next M15 move ..and that is up..so we can mark our entry (M5 price is up from the trigger to M15 close that moved up).

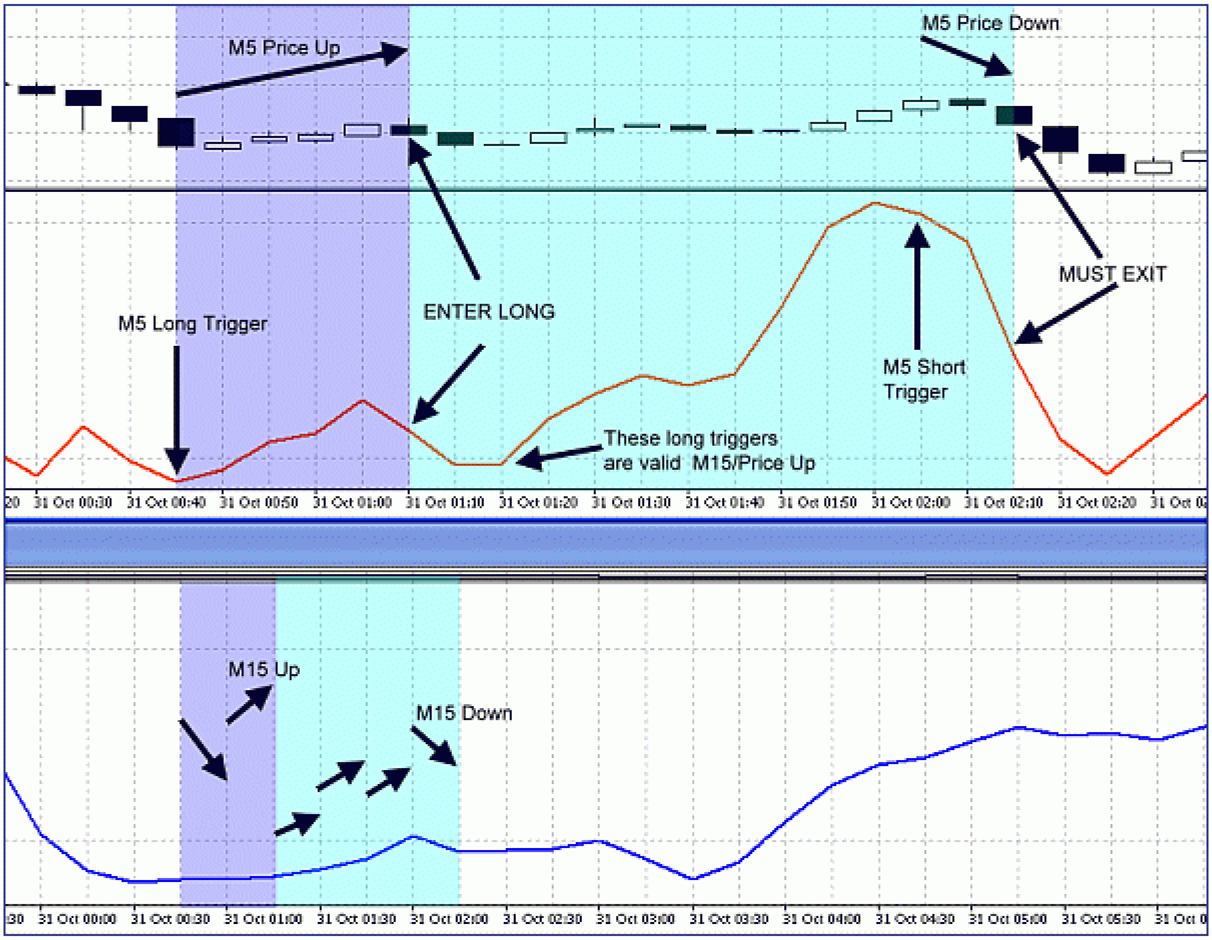
We soon get 2 more M5 long triggers which are proven to be valid longs from M15 so we stay in our long trade.

Notice how M15 continually moves up during our trade and notice we only have long triggers during that period.

We finally get a M5 Short trigger (we actually have 2). You can see if you exit at the first M5 short trigger you will pocket about 20 PIPS. And if you exit at the 2nd M5 short trigger you pocket about 28 PIPS.

However, if you stay long because the M5 short has not yet been validated by M15...we hit our MUST EXIT point and take only 8 PIPS (less our spread).

We can exit at any time we are in profit...but we MUST EXIT when we hit an opposite trade validation entry. In otherwords if we are in a long trade and get a short entry signal then it is time to exit long and go short.

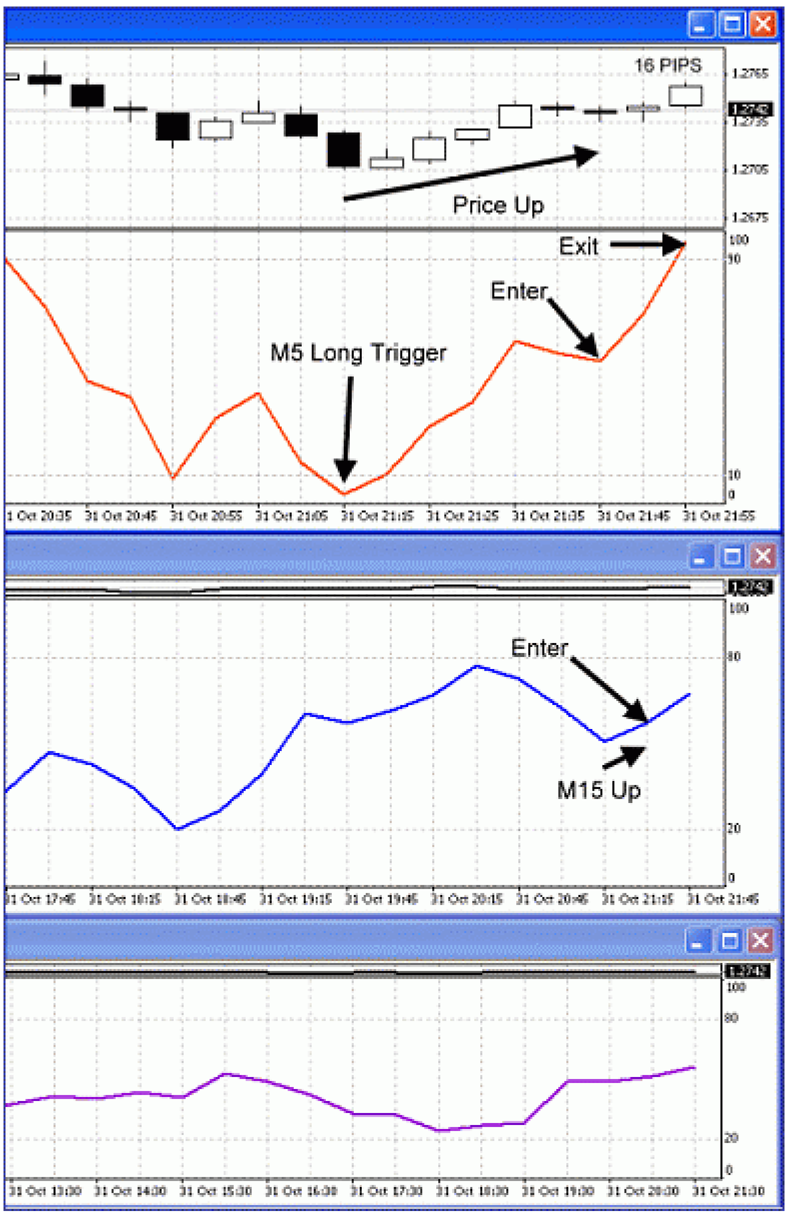

M5 Price Up
M5 Price Down
ENTER LONG
MUST EXIT
M5 Long Trigger
M5 Short
Trigger
These long triggers
are valid M15/Price Up
M15 Up
M15 Down

Originally Posted by **wrenski**
I had no trades on Friday due to the fact that price action seemed very erratic and unstable. Did anyone find this to be true?

Here was a nice quick 12 PIPS near end of day. This was only entered to grab a few quick PIPS but it worked out that we had an exit trigger pop in anyways to make the trade easy.

This took a while to enter and after the M5 Long trigger but waited until the M15 went up and looked at M5 price to make sure it was going up from our trigger to our entry.

Took the exit on the first M5 short trigger due to it being the end of the trading day. I was only aiming for 5-10 PIPS when this trade started.



The trade before.....again late in the day so I'm looking to exit on the first M5 trigger or on PIPS. Here I was aiming for 30 PIPS at the start but if I hadn't hit the exit trigger I would have started to reduce my PIP target as the week neared closing time...or exit on a short trigger.

We get an M5 Long trigger, wait for M15 to go up and make sure the price is up on M5....we meet all that and enter the long trade.

Ride the roller coaster and notice how again our exit trigger grabs a nice spike when the M5 short trigger appears.

That was 21 PIPS for me (27 PIPS was the max close to close less spread).
The dive at the beginning of this trade did stress me, but stuck to the rules and rode it out.

2 simple trades for 33 PIPS in a rough and tumble ranging market at end of day.
Attached Thumbnails

> Originally Posted by **KudzuFX**
> *I'm wondering if entering on the white candle right after the M5 trigger would be a better place to have entered since the M15 was also pointing up at that moment as well?*

Yes, you can wait for a long candle if you prefer, but no guarantee the next candle after that will be a long one. Better to just hop on and take the ride., you are not going to get into too much trouble with these kind of trades

> Originally Posted by **Harry123**
> *Spud,*
>
> *Does the tail end of your 5M stochastic wriggle erratically up and down as shown in the picture? Mine is always moving non-stop causing much stress and early bailing out of the trade. How do you handle this?*
>
> *Thanks.*

Yes, this can be quite confusing. We only want the last closed candle not the one that is currently alive. Below is a stoch indicator that eliminates this provided by Skyline.

http://www.forexfactory.com/showthread.php?t=119483&page=7 (Indicator attached in post #105)