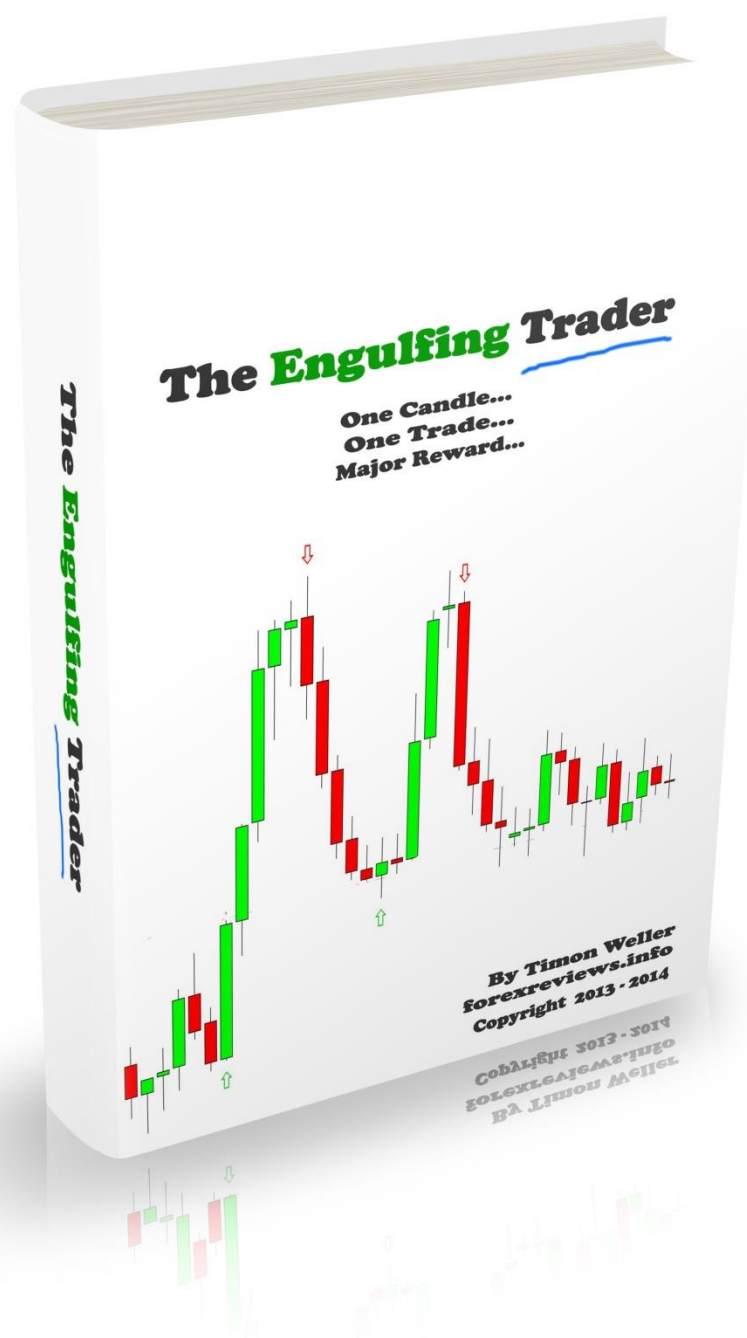


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# **The Engulfing Trader**

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# Prologue and Introduction

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This book is for all those that are just fed up with all the hype out there in the market. So called guru's selling expensive strategies and systems guaranteeing success in the Forex Market. That is all hype and I am sure you can relate. This book reveals a real strategy for those that take the Forex Market seriously. This book is not for gamblers or those wanting a 100% success ratio. This book is for those that know that trading is a process and probability business. It takes a simple approach that we all can follow.



The strategy revealed in book and video series is called The Engulfing Trader, a core strategy that the trader Timon Weller from the popular online blog [Forex Reviews](#) trades on a regular basis. It follows a simple and easy to follow logic that requires simple price action.

Because, as we all learn in Forex overtime, keeping it simple is often what keeps it profitable.

This strategy has been time tested over ten years, live tested with real trading and tested in many forms of [strategy testers](#) as well. It has stood its ground in many markets and to this day I have seen it work in all markets and conditions. Overall it is a powerful strategy, however like any great strategy in order to get familiar with it yourself I urge you all to [back test](#) it as well in order to create your belief system around the strategy.

For more on [Timon Weller](#) who is the author of this product.

# Contents

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Part 1 Understanding and Drawing Structure on the Charts.

Part 2 Identifying the Candle Signal at Structure.

Part 3 Taking the Trade and Money Management.

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## Video Recommended Viewing Sequence

The Engulfing Trader Part 1 Video

The Engulfing Trader Part 2 Video

The Engulfing Trader Part 3 Video

Understanding the Engulfing Candle Video

Advanced Entering Options Videos

Time Frame Example Videos

# Part 1. Understanding and Drawing Structure on the Charts

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There is one element on the charts that is always there. That element is structure or what many refer to as support and resistance. To many this is a way overlooked subject.

If you are new to the Forex market or to any market it may appear like the charts are completely random. This is not true of course, structure is always there and the market in one way or another follows these points over and over again. That does not mean structure is always respected however it does give high probability areas in order to trade with Price Action where chances are in your favour. Remember trading is a probability business and structure is the way the market moves.

In order to draw structure on the charts pull up the daily chart, turn it to the line chart and look for multiple touches of one point. These areas are where you draw your horizontal lines in your MT4 or similar platform and these areas are where you want to set your alarms.

For a strong or significant support or resistance you want to see at least two or more strong touches.

As the daily chart and weekly structure lines give the best probability and reward to follow this strategy, one should draw you lines from these two time zones. (Refer to video part one)

It is also important to note that improperly drawn daily or weekly support or resistance lines can be costly to a trader, so spend time on this video part in detail. In this Part I cover in detail how to draw them properly. If you have been using an indicator for this in the past, then now is the time to discard that indicator. This part in the video shows in detail how to draw and use only high probability support and resistance areas. This aspect is a key component of trading any successful strategy.

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In video part one I go over this in great detail. Below is an example of drawing these lines for reference. Once you get the knack of it, you should be drawing them with ease.



Daily Chart above details using the line chart showing multiple touches of certain prices. These prices are once shown key trading areas in which you can start looking for very high probability trades.

In the video Part 1 I will go this aspect on many pairs in order to get you

## Part 2. Identifying the Candle Signal at Structure

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Once you have drawn and identified the structure it is time to look for candle signals at structure in order to trade. In this case we are looking for the engulfing candle as it is the most powerful form of price action out of all price action candles which tells the trader that more buyers or sellers have gotten in the market and that most likely the market will keep heading in the direction of that signal.



Identifying the signal below.



Look what happened in the market above as an example.

Signal presented itself at structure and price went up. In second arrow example signal presented itself again this time as a sell trade and price went down. As can be seen as well support became a resistance once broken.

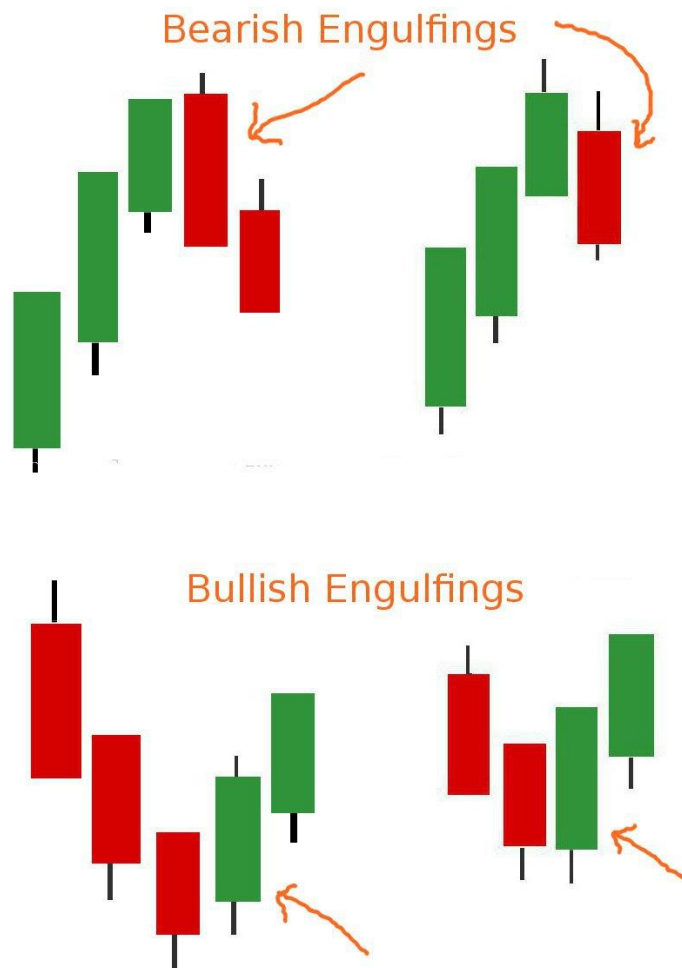


# What is the Engulfing Candle?

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The engulfing candle is a candle that is bigger than the previous candles to the left.

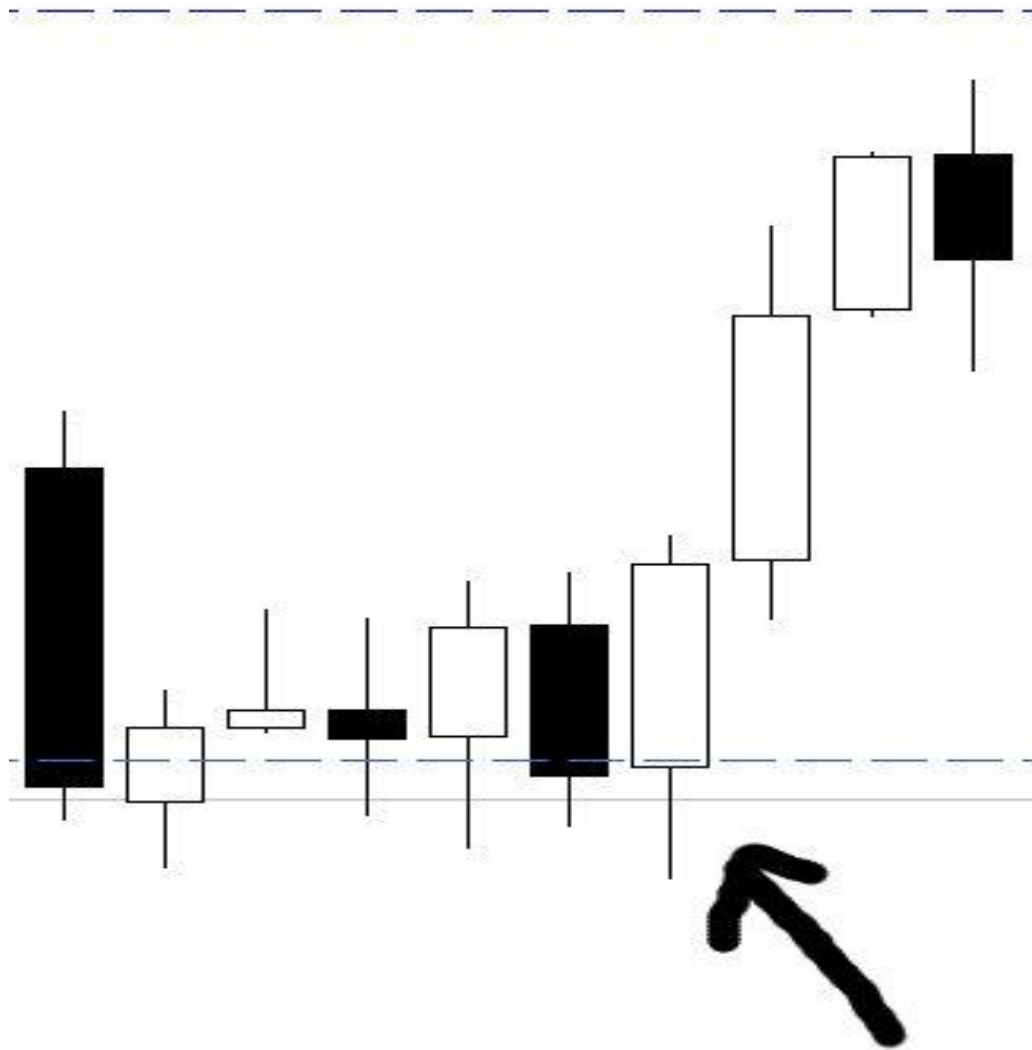
Two main types of Engulfing Candles, first type of Engulfing Candle engulfs previous candle's body with its body completely, the second type of Engulfing Candle engulfs most of previous candle's body with its body and also previous candle's body high for bullish or most of previous candle's body with its body and previous candle's body low for bearish. Examples of Engulfing Candles below.



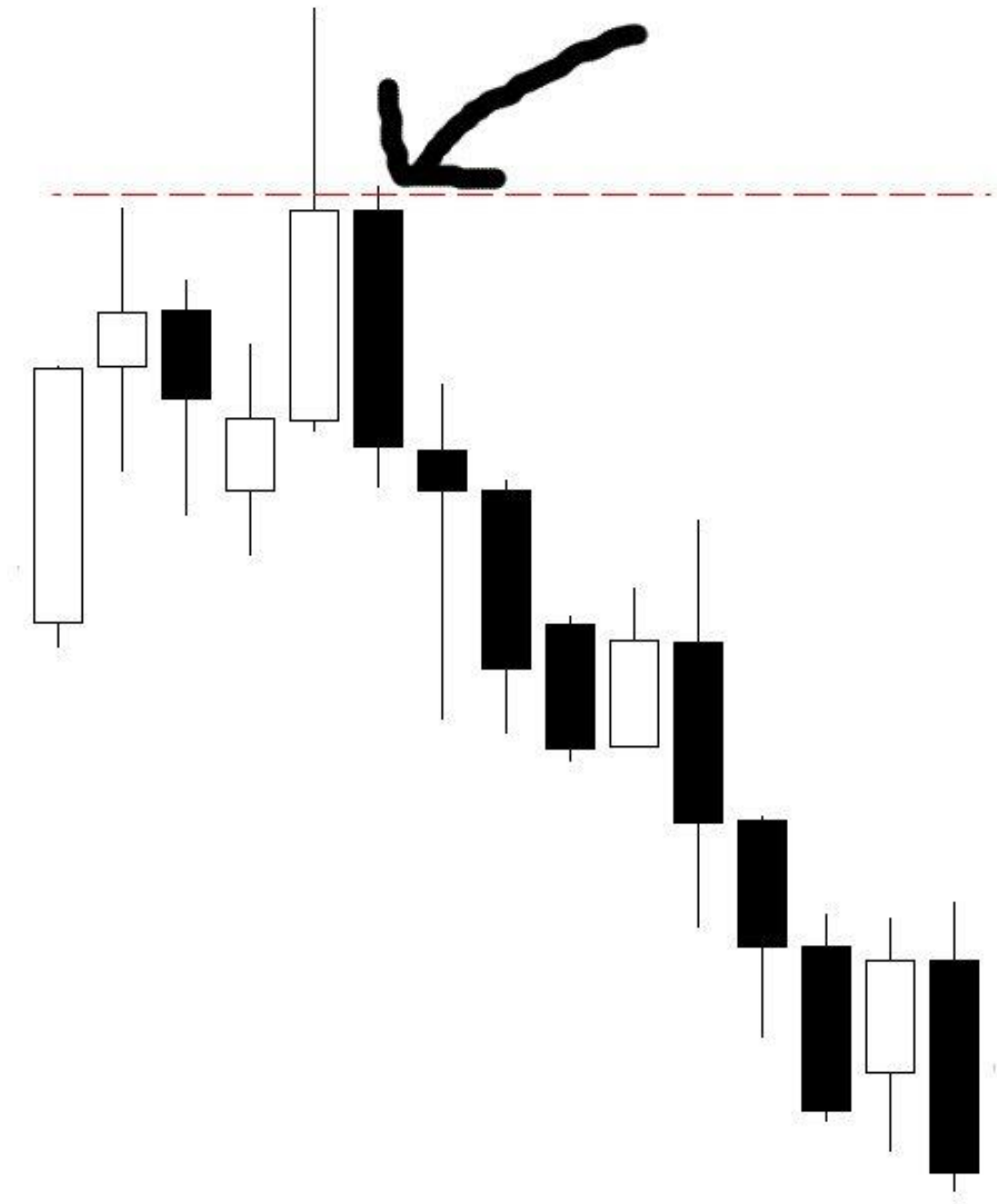
Different Types of Engulfing Candles in Forex  
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An Engulfing Candle represents many buyers or sellers in the market and is one of the most powerful candlestick price action signals. Often at

times this candle does not need any form of confluences other than itself, so trading with structure makes it an extremely high probability candle to trade. That is where this strategy shines; we take advantage of this form of price action.



Above is an example of a bullish engulfing buy candle in the market enlarged to see how it looks. If you look at the candles to left you will see it is much larger than them.



Above is an example of a bearish engulfing sell candle. See how the market sold off well after signal.

# Notes On How Structure Changes

Please be aware structure abides by structure in this way. When price is below and heading up to structure the structure above is seen as resistance. When price is heading down to a structure below it is seen as support.

In the circumstance however where resistance is broken above and price closes above on a retrace down to this zone it is commonly seen as once resistance and now support. Same goes the other way round when support is broken, it then if price retraces to it is seen as now resistance.



Above - An example of once support is broken it becoming resistance can be seen in the image above on the EURAUD Daily. This is common in trending markets and provides high probability trading opportunities.

## Part 3. Taking the Trade and Money Management.

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Now that you are familiar with identifying structure and the engulfing candle at these structure points. It is now time to look at how to take the trade.

### **How much to risk?**

First of all it is recommended for each signal to only risk 2% of your account.

### **2 x 1% Trades = 2% per Signal**

That way any loss is not a big deal in the early stages of getting used to the strategy. Also 2% is a very low psychological figure where most traders can accept easily as part of their process of trading. As an example a 1 to 2 risk to reward trade would build the traders account by as much as 4% in a single signal.

### **Stop Losses**

Two options on stop losses, one is below candle entry around 10 to 15 pips. Opposite for selling of course.

The second option is below the recent low if close or above the recent high if selling. Both options are sufficient in order to be stopped out only when wrong on a market move and both give good risk to reward allowance in most situations.

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## Entry

### **First Standard Option – Below or Above Candle place order after retrace.**

As for how you trade this strategy, there are two options. One, you enter an order above or below the candle after any retrace and so when it opens price usually keeps going in that direction.

Eg. 9 pips above bullish engulfing signal place order to buy ( Daily and Weekly Rule only )

Eg. 9 pips below bearish engulfing signal place order to sell ( Daily and Weekly Rule only )

You do this after assessing the daily chart candle closes, not before. If it closes an engulfing at structure then you place buy orders above candle 9 pips above in bullish situation and place sell orders 9 pips below in bearish situation.

For Time frames below the daily a few pips above or below the body of the signal the standard entry method.

If in the case your order on your trade signal does not open after a day assess the candles and then close the orders. In preference you want the trade to open sometime within the next daily candle in order for it to be a viable signal.

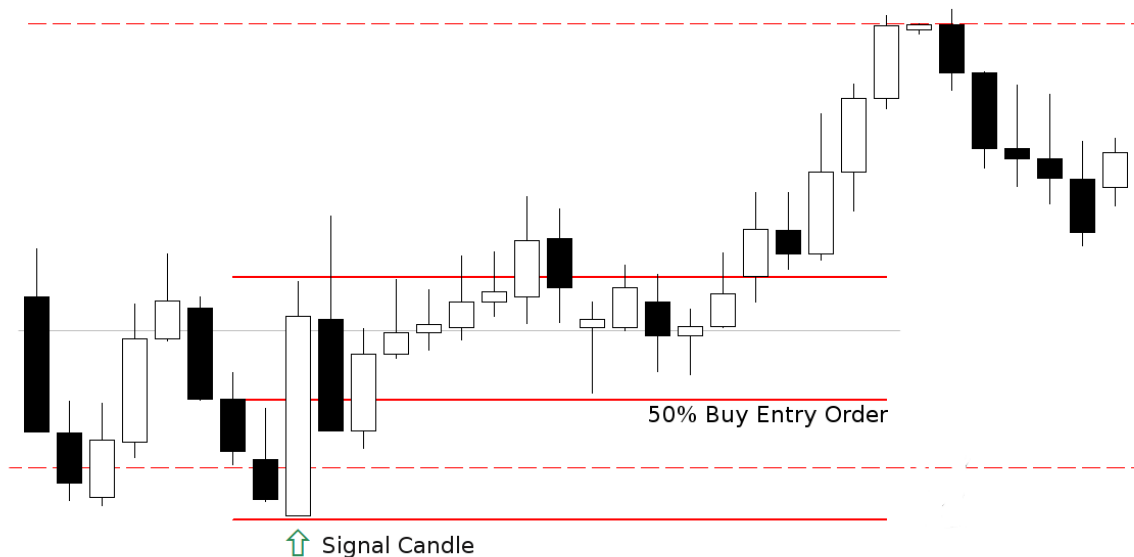


**Above** – First Option example, main entry discussed in pack.

## Entry

### Second Option – 50% Retrace of Engulfing candle signal with order.

Second option involves entering after a 50% retrace on that engulfing signal. This is discussed in the advanced entry video included in the pack. After signal all one does is place order entry at 50% of the candle signal. This only works when there is a retrace and so I only go over this type of entry in the advanced entry video included in the pack. The second option can also give better risk to reward when the market does this retrace and allows for tighter stop losses when trading the daily or weekly charts.



**Above** – Second option, discussed only in advanced entry video included in pack. This method does not always work and can increase losses however offers a trader better risk to reward.

Also bear in mind the 50% retrace after signal only occurs around 30% to 40% of the time.

If the trade is filled you place stop in the same place as first option.

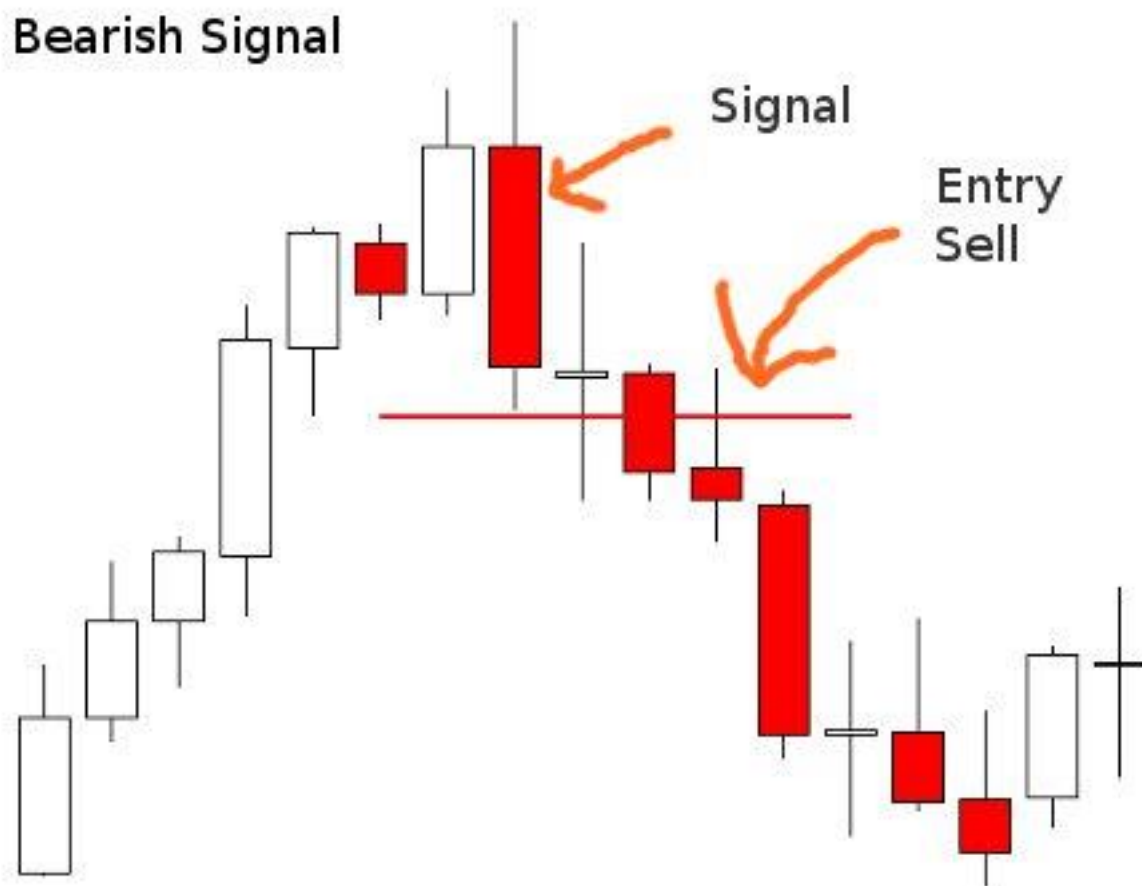


## Entry

### Third Option – Break Below or Break Above Method

This is discussed in part two of the advanced entering video.

How this method works is you place your order below or above candle signal wick after signal. This method has the highest probability yet also means in general risking a bit more pips in your stop loss. It increases probability because it is also taking out a second level of stop losses in the process of entry.



Above is an example of the third advanced entry option with a sell signal.

## Break Even ( Optional )

**The term breakeven is to mean when you decide to pull your stop loss up above or below your entry price in order to make your trade completely risk free...**

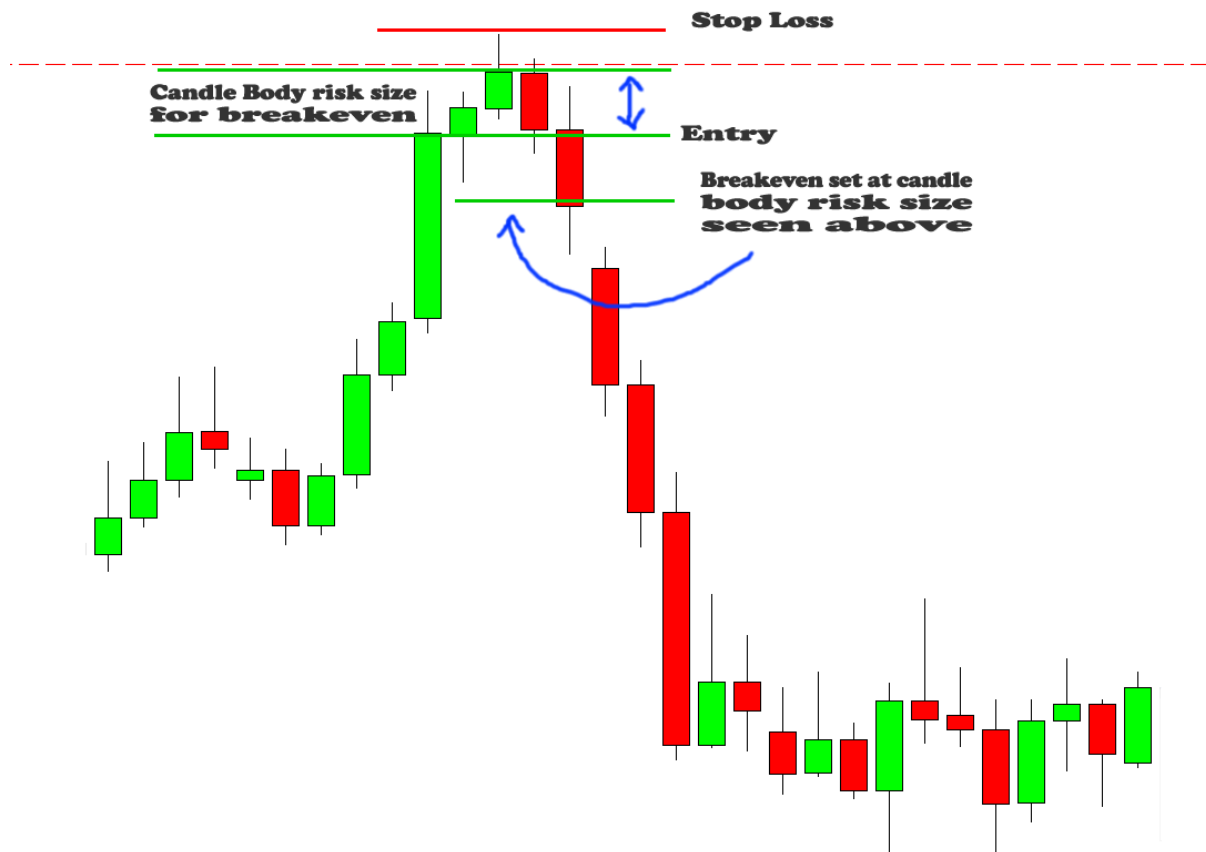
Breakeven use is optional in trade management; however I recommend it as a way to protect capital.

First option of breakeven is a hard breakeven amount of 40 plus pips. ( Image 1 ) Less recommended as an option as it provides less room for the market to move.

The second option which is more preferred and recommended breakeven is to use breakeven is at body candle risk size. ( Image 2 ) This is close to a 1 to 1 to risk to reward breakeven and gives the market much more room to move.



( Image 1 ) Above showing the aggressive option breakeven at 40 pips profit or more. Once price gets there you simply pull stop loss up to entry price making the two trades risk free. Opposite for a bearish signal.



( Image 2 ) Option Two showing risk to breakeven concept and the more preferred version of breakeven that I recommend as best option when using breakeven.

Above image is showing an example of setting breakeven at the candle risk body size. With this method each breakeven amount is different based off the trade analysis of each trade.

## Targets

For targets, what I find works best is taking the first profit at a 1 to 1 risk to reward. For the second trade however allowing opposing candle signals to let me know when to get out.

## Example

1 trade to 1 to 1 take profit zone

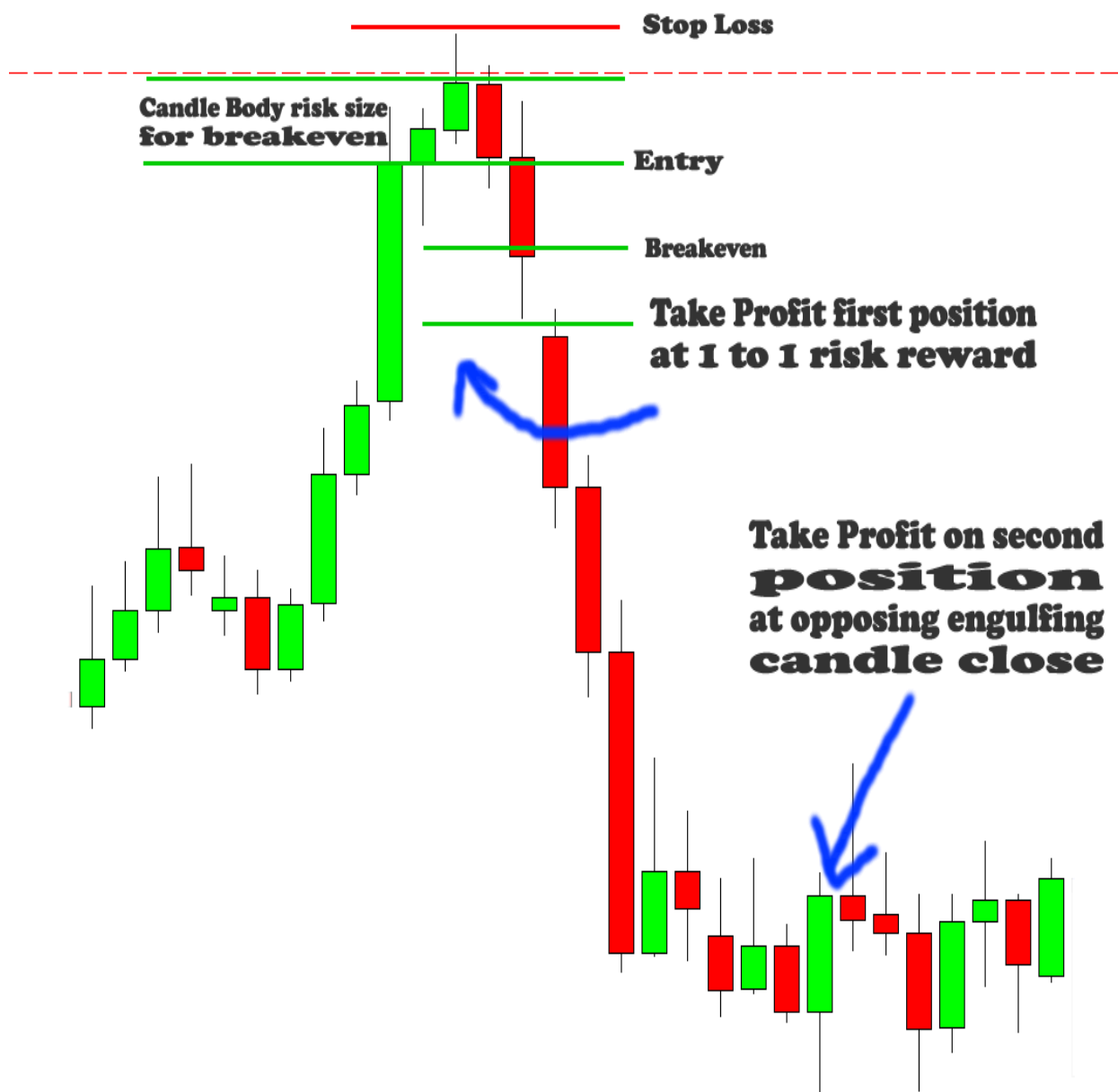
1 trade to breakeven and allow to run to next structure or opposing candle signal.

Allow second trade to run until it either it hits breakeven or moves a good distance in your favour and gives an opposing candle signal.

This in turn gives you the most reward that you can get from the market while at the same time limiting risk during ranging markets which do happen from time to time.

Places to take note of when using targets are opposing structure points. This is another area where more profits can be taken off or adjusted on second trade if applicable.





Above is demonstrating it in action in allowing first trade to be taken at 1 to 1 and then allowing second trade to run until opposing engulfing candle signal. Second trade was more than a 1 to 3 risk to reward meaning it gave massive rewards simply by letting the trade run.

## **Trade Runner Option**

Once the second runner trade is a decent amount of pips in your favour, what you can also do is start pulling stop loss up ( uptrend ) or down below ( downtrend ) or above closed time frames candles in the direction of your trade. This ensures locking in more pips plus being taken out of the market only when a break above or below happens on a reversal.

To give an example of this, one could pull stop up to below each daily candle close (around 10 to 15 pips below each daily candle low) in uptrend once you are in profit and beyond break even.

Same goes as the opposite for a downtrend movement trade. Once past breakeven on second trade one can start to move stop to above daily candle close ( around 10 to 15 pips ) thus ensuring and allowing movement in the market yet to be taken out only if a break above happens which often means a change in trend.

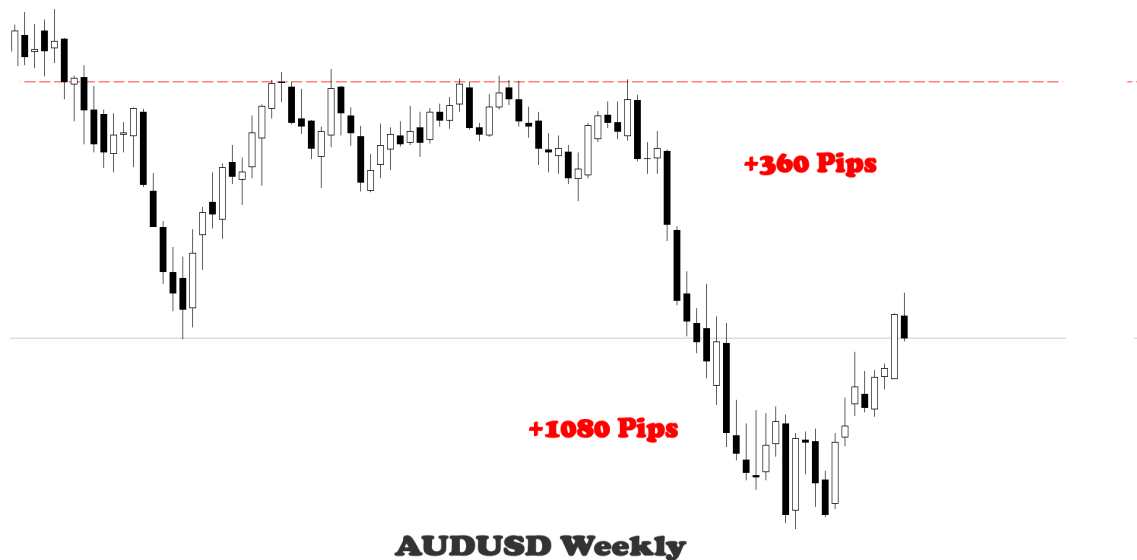
However if pulling stop up make sure each candle close gives good room for the market to move on each candle close as well as locking in more pips. This works on all time frames as well.

# Potential Rewards

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Now let's see some of the potential with this strategy.

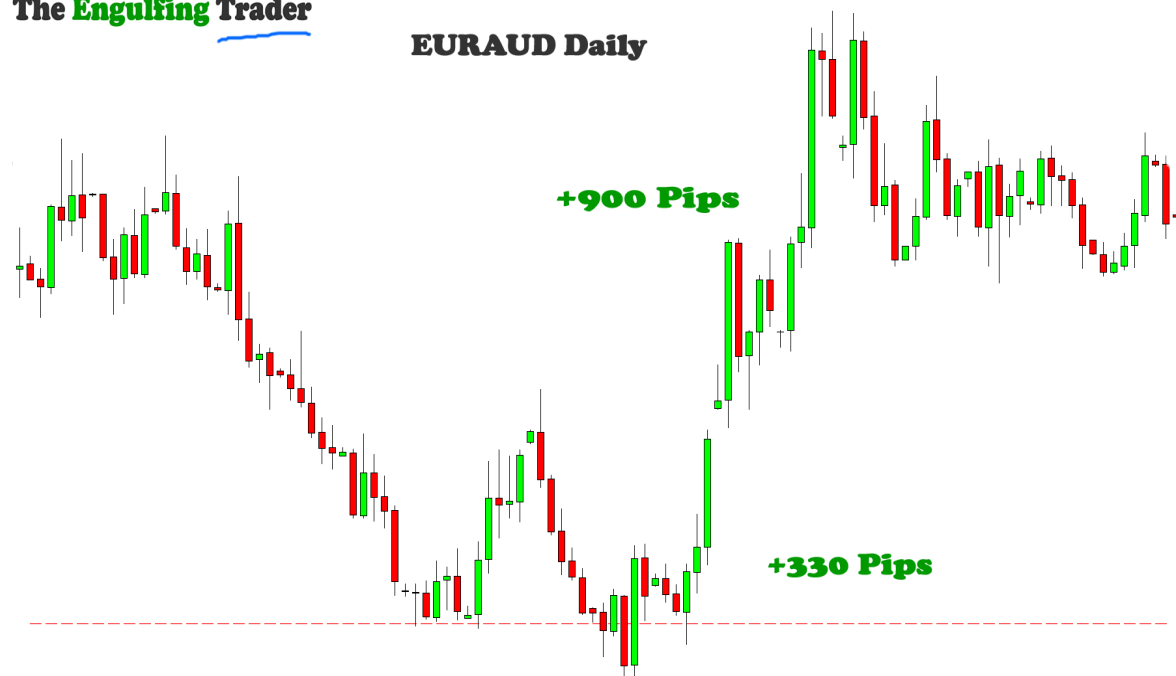
## **The Engulfing Trader**



EURAUD Weekly above sell trades.

## **The Engulfing Trader**

**EURAUD Daily**



EURAUD Daily Chart buy trades.

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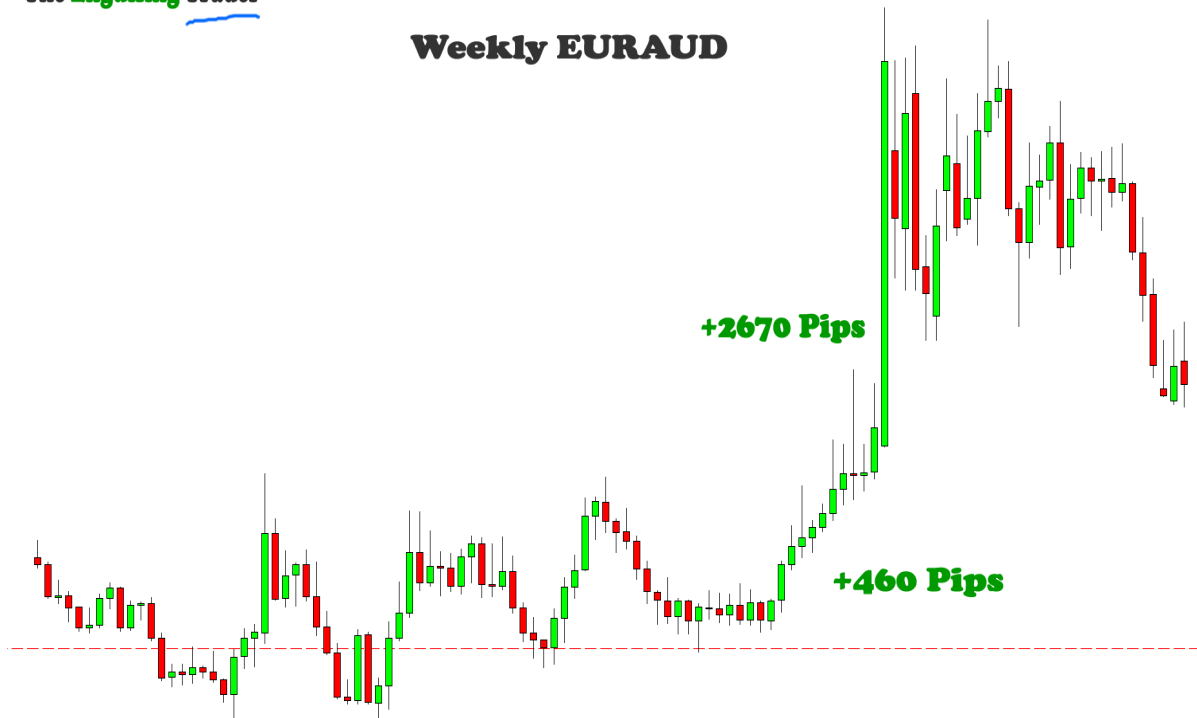
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## The Engulfing Trader



EURAUD Daily Sell Trades.

## The Engulfing Trader



EURAUD Weekly Chart Buy Trades.



## The **Engulfin**g Trader



EURNZD Weekly Chart Buy Trades.

## The **Engulfin**g Trader



EURUSD 1 hour Chart Above.

## The Engulging Trader



GBPAUD Daily Chart

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GBPNZD Daily Chart Above.

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GBP/NZD Weekly Chart Above.

## The Engulfing Trader



GBP/USD 15 Minute Chart Above.



NZDUSD Daily Chart Above.

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# Sticking to the Process

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You should now be familiar with the process of the strategy overall, the three key components. Looking for major structure, looking for the signal at this structure and lastly how to take the trade.

That really is all it is to it, keeping it simple and to keep sticking to the rules of price action as well as structure. Also remember losses are also part of the business like any other business and that is why money management is so important overall. (See losses like rent or bills.)

Trading overall is a process of holding winners and letting go of losing trades as soon as we are wrong. That is what builds an account overall, so keep your cool, keep focused and good luck with your trading.

# Recommendations

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One of the biggest recommendations in Forex or trading any instrument is always to stop, look in the mirror and to constantly remind yourself Forex or trading is a process. Not all trades will be winners but the majority if following strategies like this will be as long as you stick to the process.

Another recommendation of course is like I mentioned in the prologue the value of [building the belief system](#) around the strategy. Sit down before trading and do some [back testing](#) or trade on demo for a few weeks to get a feel for the strategy before placing real money down.

I also highly recommend if you have not done so already to come to the site Forex Reviews and subscribe. By subscribing I share many ways for free in order to be a highly profitable trader. All it involves is adding your name and email.

To visit [Forex Reviews](#).

Happy Trading.

Timon Weller

A handwritten signature in black ink that reads "Timon". The script is fluid and cursive, with a large, sweeping initial 'T'.

<http://www.forexreviews.info>

P.S. Any questions...? Then jump over to my site and ask away.

# Disclaimer

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Please be aware like I have mentioned before trading is a process. If you are the type of trader that cannot accept losses in that process then trading may not be suitable for you as an investment. Also be aware that you should only ever risk money that you can afford to lose.

Because of those reasons, The Strategy the Engulfing Trader should be used at your own risk and the responsibility of losses is upon the trader trading it.

Now that I have said that, let's go make some pips yeah!

# Recommended Other Training

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For more Forex Training at the website you can also check out the [Forex Training page](#). At this page I keep updated all the training available at the website.

Another training I recommend traders to check out being The 5 Day Trend Training Series which goes over how to trade with the trend when looking at important zones in the market which helps increase probability even more in trading plus offers good risk to reward by following the overall trend of a pair or market.

For more on [The 5 Day Trend Training Series](#).

