



Using Intra-Day Inflection Points for Maximum Gain

There can be little argument that the past few weeks in the FX markets have been challenging. With the continued sideways action from a medium-term perspective getting positioned for follow-through moves has been hit or miss. While trades with a duration of several hours to 2-3 days are what we prefer, one cannot overlook, that some of the recent range-bound volatility can provide some opportunities for intra-day players.

Trading ranges always invite traders who 'fade' support and resistance – this has been especially true of late. Many of our clients have been making good use of the intra-day technical levels we provide each morning to assist them in identifying optimal entry and exit prices.

While these trades do not generate large gains, they do offer solid risk/reward scenarios that will see clients through periods of sluggish range trading.

So how do I implement this technique into my trading?

There are 3 steps involved for **Reversal Trades**

1. Utilize a 5, 15 and/or 60-minute and draw in the technical levels cited in the Short-Term Reversal Levels (STRL's) posting each day in the FX Ticker of FX Insight/FX Mentor
2. Isolate areas where prices are testing these levels while also demonstrating some oversold/overbought condition. This could be a stochastic with a reading >90 or <10. For RSI use >84 or <16
3. Ideally, the RSI & Stochastic readings on both the 5 & 15-minute chart will be in harmony – this increases the probability that prices have exhausted themselves and would look to mean revert. Additionally, these trades are most effective if prices have moved sharply into these support/resistance areas versus a slow grind into them

Where do I find these STRL's?

Each day around 21:00-23:00 GMT we post the STRL's for the following pairs directly in our FX Desktop ticker (see the graphic below):

EUR/USD, USD/JPY, GBP/USD, USD/CHF, USD/CAD, AUD/USD, EUR/JPY & The Dollar Index (DXC)

Below is a graphic of the posting for USD/CAD on September 22, 2006...



The screenshot shows a web browser window with the address bar displaying 'http://www.aspentrading.com - AspenTrading.com - Latest Buzz - ...'. The page has a green header with 'Latest Buzz', 'Chat Room', and 'User Guide' tabs. On the right, there are checkboxes for 'Auto Scroll' and 'Audible Alerts'. The main content area is titled 'AUD/JPY Technicals' and contains the following text:

Following up on our 09/22/2006 01:35 GMT posting - we note that AUD/JPY has sliced through the neckline at 87.80 and is pised to keep pushing lower.

09/22/06 11:44 GMT

Short-Term Reversal Levels (STRL's)

USD/CAD:

Resistance: 1.1214, 1.1227, 1.1237 & 1.1258

Support: 1.1131, 1.1121, 1.111 & 1.1089

09/22/06 01:46 GMT

USD/JPY Technical Outlook

A blue arrow points from the text 'Note these specific levels on the following chart' to the support levels '1.1131, 1.1121, 1.111 & 1.1089'.

We then simply draw these levels on to our charts so that they provide a quick reference when these levels are approaching.

The chart of USD/CAD below will demonstrate how the STRL's isolated a low-risk long entry.



support/resistance within the context of the prevailing trend. They are a great tool for timing entries and exits.

Bear in mind, not every level will be relevant for support/resistance – they are relevant when other techniques and indicators suggest that prices are likely to reverse or consolidate. Using them as a stand-alone indicator will prove far less effective.

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