How to Predict and Enter the Huge Market Moves in Forex,Commodities and the Indices

How to Catch the Huge Market Moves

L.R. Thomas

How to Catch Huge Market Moves

by LR Thomas

http://10xroitradingsystem.com
http://10xroitradingsystem.com/the-ebooks

Other Books Written by L.R. Thomas

Market Rhythms

The 10XROI Trading System

The Trade Around Your Job System

The High ROI Scalping System

The High ROI Trading End of Day System

Pyramid Your Trades to Profits

Control Your Inner Trader

Overcome Your Fear in Trading

How to Stop Over-Trading

Table of Contents

Why You Should Go For the Huge Moves

If you do any sort of research about trading, the consensus seems to be that a lot of the professional traders follow the 80/20 rule when it come to their profitable trades. That is, most of their trades are either losers or small to medium sized winners and it is the big monster trades that make up for them and add the necessary profits.

This book is all about how to focus on and spend your time catching the big moves in the forex market or indeed any other suitable market. If you liken it to fishing, no longer will you spend your time with your net cast wide taking every sprat or mackerel. No, you are going after the big kahuna of fish, the swordfish or Alaska salmon.

Fishy analogies aside, the message is that you get what you focus on. If you are focusing on catching every little move the market makes then you will get those type of results, small uncertain rewards with no big paydays to make up for the losses.

However if you only focus on getting the big rewards, you will still have losses but you will know that you will be perfectly placed to take advantage of the big moves when they come.

In order to understand the examples presented throughout this book you need to have a basic understanding of technical analysis, however the techniques are very simple and easy to understand as they are based on using multiple time frames combined with chart patterns and support and resistance.

Why Should You Listen to Me

Well the truth is you should only listen to me if your inner voice confirms what I am saying. There are a lot of mixed messages in the trading arena and it is easy to become confused and hop from system to system. I know whereof I speak because I have been trading now for nine years and have taken hundreds of courses.

In the end however I had to listen to what common sense was telling me.

What makes the most sense? fighting it out every day for a few points here and there and missing the big moves because I was unable to focus enough to catch it in time? Or putting everything else aside and deciding to only spend my time on catching trades that offered the best opportunities to profit in the market.

The answer was obvious to me and if that message resonates with you then this may be the most important trading book you ever read and I don't say that lightly!

In this day and age of hundreds of thousands of sources of information all fighting for our attention it is easy to get distracted. However in trading if you want to succeed you have to pick a trading methodology that suits you and makes sense from a mathematical stand point.

As you read though this book I leave it up to you to decide if what I am saying makes sense, and if it does then make the decision to focus only on catching moves that are worth it in order to fulfil your dream of making it as a profitable trader.

Using Compounding and Pyramiding with Huge Moves for Quantum Growth

Another reason that is important to go for the big moves, is that in order to really build your account you may want to use a compounding type of money management and/or pyramiding techniques to multiply your profits. (Details of these techniques can be found in my other books in the resource section)

In order to use pyramiding in your trading you need nice long runs so you can have space between your trades to build up your profits and reduce your risk before you add to the trade.

Likewise if you are using advanced money management techniques you get the most bang for your buck if you have a very high ROI,(Return on Investment). Naturally you want to combine these factors with as high a win rate as possible.

Now while you can't ensure a high win rate there is one factor which helps a lot and that is trade momentum. If you are taking a trade and you are using the hourly chart for entry but you have the momentum of the higher time frames behind you, then it is a lot more likely that your trade will actually move to its take profit.

If you can combine the momentum with using trading techniques that allow you to really narrow down your stop loss area to find the highest probability, lowest risk entries then that really is as good as it gets in trading, that is the real trading holy grail!

These techniques can be used in any market but they are best used in my opinion in a 24 hour market, such as Forex, Gold, Indices etc. The reason is that you don't want to endure big gaps in your trading, particularly when you are using high leverage.

It is also important to note that the term ‘big move’ is different depending on what time frame you are focusing your trading on.

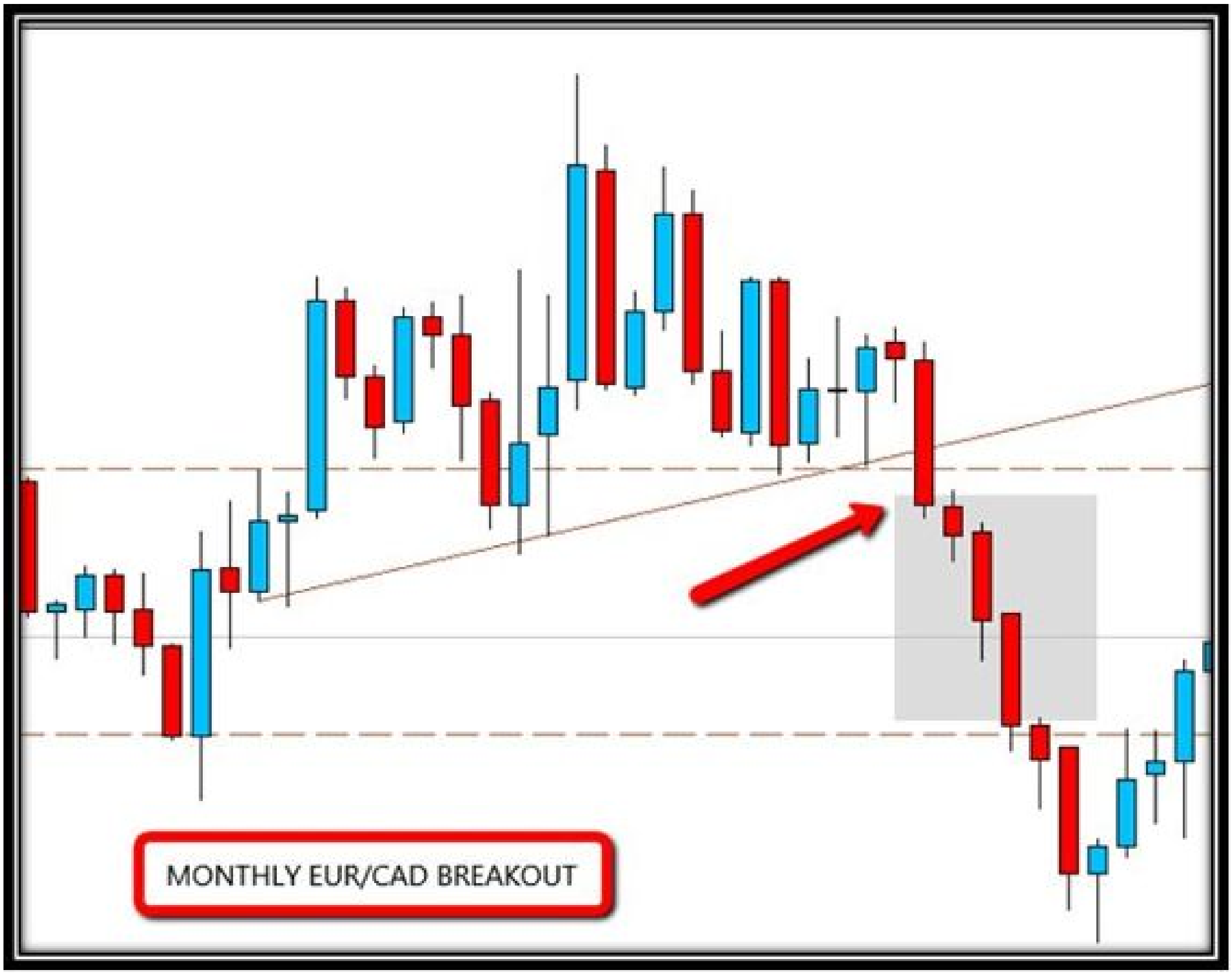
A position trader will call a big move 5000 points or more, an end of day trader anything from 500 to 1000 points, a swing trader 200 to 500 points and a day trader 70 to 200 points. I am going to show you how to look for these type of moves so this book is applicable whatever time frame you trade.

So what is this book about? This book will show you how to predict and enter the big moves. My examples are from the Forex and Gold markets, however you can apply these techniques to any market that offers clean technical patterns.

The key message of this book however is that you need to abandon the type of trading where you wait for trades every day as if you were waiting for a bus and instead you take a view that you are going to stalk trades as if you were a big game hunter. You turn into a strategic trader where your entire focus is on finding the highest reward trades.

The reason this is important because you simply can't do it all in trading. In order to be successful at some point you are going to have to make a choice. If you are not cut out to be a scalper who enters and exits the market multiple times during the day, (and most people aren’t) then this book is applicable to you. So let’s get on with some trade examples so you can see exactly what I mean.

Example One ...EUR/CAD Trade Multiple Entries



In the image above you see a monthly breakout on the EUR/CAD pair. This move took place between January and May 2010. The break is a combination between a monthly trend line break and break of monthly support. The greyed out area is the area that will have a huge amount of momentum due to the breakout. The reason is that the higher the time frame you go the bigger and stronger the move. So how do you capture this momentum?

The answer is to use the lower time frames to find safe points of entry.   See the next charts.

In the chart above the greyed area shows where we would be looking for short entries.
This is a daily chart on the Eur/Cad. We are dropping down to the daily chart to look for patterns and areas of support or resistance to help narrow down some safe areas to enter.

Above is the same chart however I have now put in the upper and lower brown dashed line of the monthly breakout line and support level. You also see that the daily chart had formed a downward sloping channel between the two.

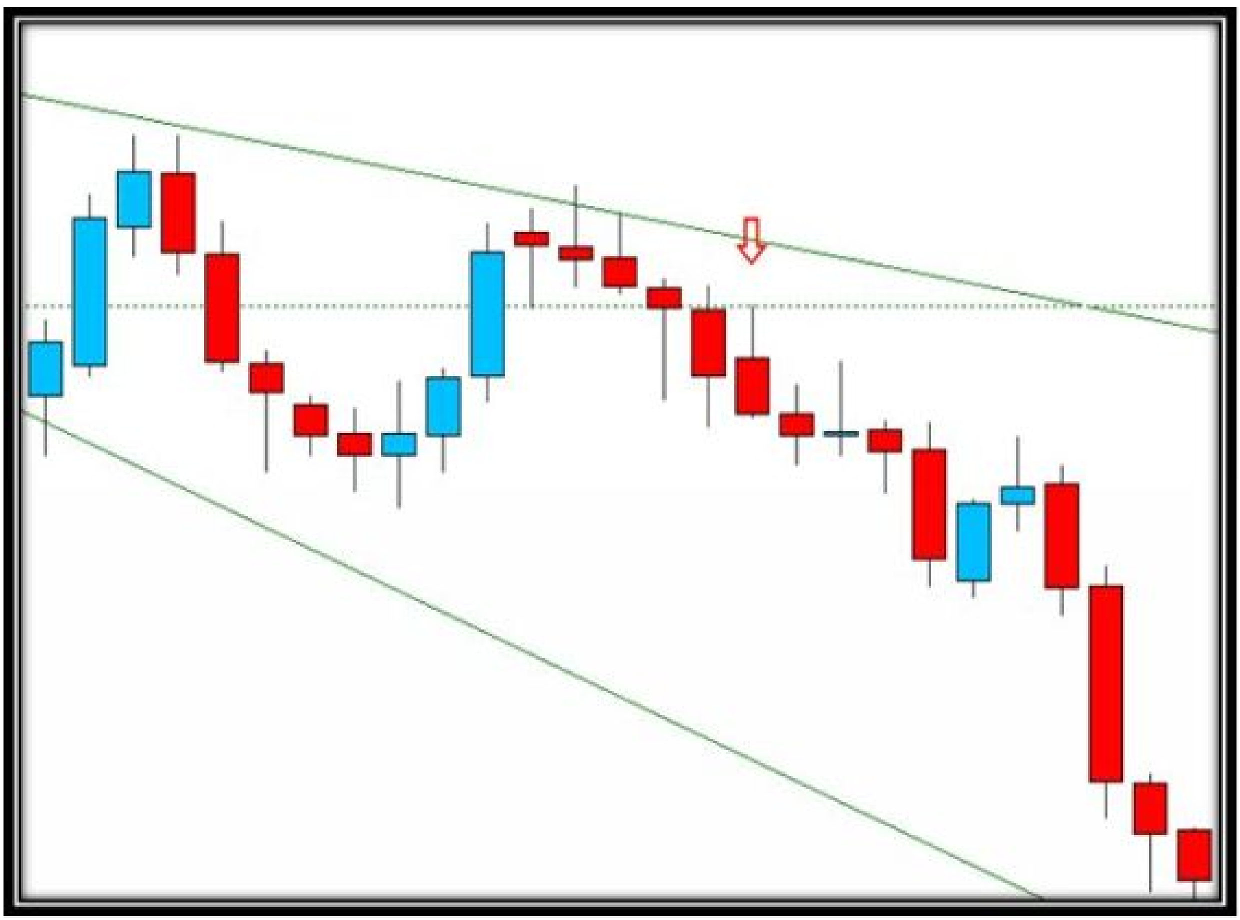
The down arrow shows a classic sideways doji candles entry pattern at the third bounce of the upper channel trend line and the take profit was easily hit at the lower channel trend line which also coincided with the lower dashed brown line of the monthly support level. The entry candles fell on the 26^{th} or the 27^{th} of January 2010.

The stop loss would have been above the pin candle just under the down arrow. In this way you can see how a monthly chart can be used to determine momentum and an end of day chart to pick your lowest risk and highest reward spot for entry. In this situation the choice would be to take profits at the opposite side of the daily channel or the brown dashed monthly support level.

The trick is to use these time frames together with chart patterns combined with candle patterns within the monthly support and resistance.

There were further entries into this move (see next chart), in this chart you can see a green dotted line marked by the down arrow that forms an entry for a 10XROI Push-Pull trade on the 1st of February 2010. (The 10XROI Trading System book is in reference section at the end of the book.)

Here is a link to a video that explains the Push-Pull entry. http://10xroitradingsystem.com/pushpull The ideas behind this type of trade is to drop down to the hourly chart and really fine tune your entry using hourly technical analysis, trend line bounces, and breaks of hourly support for entries. Your exit however would remain the same as on the previous chart. This is how we capture the big moves and get a high ROI into the bargain. We would switch back to the end of day chart to monitor the move until the take profit.



Example Two..Another EUR/CAD Trade Multiple Entries

Here is another example of how to catch a huge move still using the EUR/CAD pair. You can see that there was a strong monthly resistance zone which was broken in a strong move up between November 2013 and March 2014.

The price then formed a huge doji pin candle and reversed off the higher brown dashed monthly resistance line back down to previous monthly broken resistance zone now turned support. The down move took place between March 2014 to September 2014.

The two shaded areas both up and then down offer huge move opportunities. Again we are taking advantage of the monthly momentum and looking for entries using the lower time frames.

Opportunity 1 The Move Up

Still using the monthly chart you can see below there are three arrows next to the three dotted push-pull levels that provided a place to look for the end of day or four hourly entries into the move. These took place in September and November 2013 and January 2014. (The push-pull level is described in my book the 10XROI trading system in the resource section or an explanation can be found on this video http://10xroitradingsystem.com/pushpull

The chart above is the daily chart of the previous monthly upwards move on the Eur/Cad. You can see that the monthly Push Pull levels coincided with an upward sloping daily channel trend line in the first two monthly levels. The third monthly push-pull entry coincided with a daily support level shown with a green dashed line.

So you can see how we use a daily chart pattern like a channel combined with monthly support levels to pinpoint our entry zones.

The next stage is to find very precise entry levels by dropping down even further in time frame to the four hourly chart

At the first monthly level you can see there are multiple four hour entries using pin candles within a four hour channel that formed at that area or by waiting for the breakout of the channel. The four hour channel lines up with the first daily trend line touch shown in the previous chart. The ‘x’s mark where the stop losses would be. (see next chart).

In the next chart you can see the daily area around the second monthly push pull level. At first glance on the daily chart there doesn't seem to be a low risk entry. However you could have entered using the pin candle reversal pattern with a stop below the spike. When you calculate the ROI on the trade however it should be at least a 1-5 to make it worth while.

However on the next chart you can see that when you drop down to the four hour chart, you can see four hourly support and resistance levels combined with pin candles that provided some good low risk entries.

Here is a tip, when you place your stops look for the nearest level of micro support below a previous support. This can help protect you from stop hunting as you can see in the next chart. The double dashed and dotted blue lines represent micro support, the dashed and dotted blue lines represent four hourly support levels and the green dashed lines represent daily support.

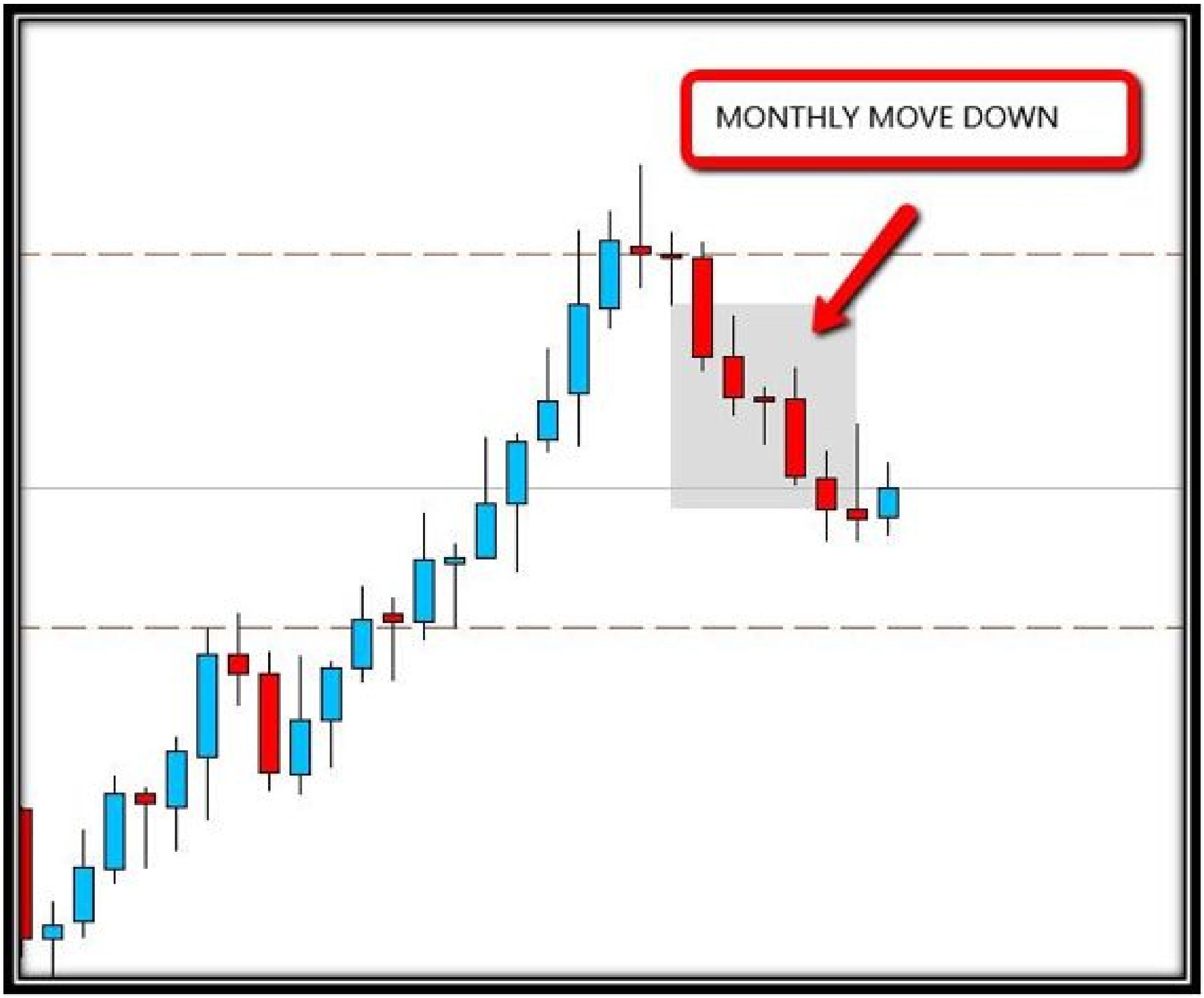
The final monthly level showed little opportunity for entry on the daily chart. The brown dotted line is the monthly Push Pull level and the green dashed lines represent daily support.

However on the four hour chart there were two breakout opportunities. The green dashed lines represent the daily support and resistance and the blue dashed and dotted lines represent the four hour resistance levels. It would be safest to wait for the daily break which is why I have put the entries above the green dashed lines.

Example Three...Another EUR/CAD Trade Multiple Entries

The Eur/Cad Reversal Move

We are now going to look at how to enter the monthly reversal into the short side of the previous up move.



We can see on the daily chart below that there are good spots at a the green daily channel trend line and pull backs to previous daily support levels to look for entries.

However when we go down to the four hour chart we can really fine tune our entries.

Here are the first two potential four hour entries at the pull back to daily support now turned resistance, the first trade would only have worked as a short term swing trade.

However the second entry could have been held for the whole move down. The green dashed lines are daily support and resistance and the blue dotted and dashed lines are the four hour support and resistance levels.
The stop losses should go above the previous blue four hour resistance level.

The third daily channel trend line coincides with a previous daily resistance level making the reversal even more probable. There was an entry on the daily chart at the railway tracks candle pattern with a stop above. Entry is on the closed red reversal candle. (It wasn’t a perfect candle pattern but it reversed with enough strength to confirm the change in momentum.

However when you drop down to the four hour chart you see a clearer entry on the first break of four hour support. The down arrow shows the four hour entry and the stop goes above the previous micro resistance of the two previous four hour candles which formed two little sideways dojis.

Example Four...EUR/JPY Multiple Entries

On the chart below we can see how price has bounced off a strong area of monthly support.

When we look more closely we can see that price has also broken up through a monthly triangle.

So to get a good entry into the monthly momentum we drop down to the daily chart where we can see that there was a green daily lower channel trend line formed at the brown dashed monthly support level and price bounced off it with a huge reversal pin candle confirming the upward move.

At this point in time we don't yet know that price is going to break through the monthly trend line
so the trades at that point should be short term trades taken on a four hourly or one hour chart with a potential exit at the monthly trend line.

In the next Eur/Jpy four chart you can see where the four hour entry candles would be and where the stops would be placed. You can see that the four hour support and resistance levels combine with a four hour channel to give diagonal as well as horizontal support to the trades. the candle patterns at those levels are both pin candles.

When we drop to the hourly Eur/Jpy chart we can find even more precise entries in the pullbacks to the hourly broken resistance levels which I have coloured orange. See how price moves in sideways candles at those levels confirming that they will hold.

Breakout of the Eur/Jpy Monthly Trendline

In order to find an entry in this high momentum move after the monthly trend line break we need to drop to the four hourly chart so we can find entries into the move after the monthly trend line break. The blue dashed lines are support levels and the blue double dotted lines are micro support where I have placed stop losses.

If you were willing to drop even lower in time frames this is what the same chart looks like on the hourly time frame, which would give you even more finely tuned entries after the monthly trend line break.

Below you can see an upward sloping channel with strong sideways movement at the channel trend lines giving us a low risk area to place a tiny stop!

There were even more hourly entries higher up in the move. Drawing channels and using diagonal support combined with horizontal support is very powerful.

In the next chart I have shrunk the chart so you can see the entire chart with the entries both inside the monthly triangle trendline and after the breakout.

Example Five.. Gold Multiple Entries

In the chart below you can see there was a monthly triangle on the XAU/USD chart or Gold as it is known, (although it is really Gold versus the Dollar).

When we go down to the weekly Xau/Usd chart we can see a greyed area of high momentum within the triangle, of over 13,000 points.

When we go down to the daily chart Xau/Usd we can clearly see a daily channel which provides multiple entry opportunities. You can also see the choice of exits at either the opposite side of the channel or at the next level of monthly support.

Here are some specific entries using the previous chart using candle patterns and resistance levels for end-of-day entries. The first candle pattern is a closed Push-Pull which fell on 5th September 2014 and the second entry is a closed doji candle which fell on the 28th September after a break of daily support.

Here is what the closed daily push-pull looks like on the four hour chart. You can see that I have placed the stop above the upper support level which forms a micro support level and the four hour pin candle is the entry,

The second daily bounce on the channel trend line looked like this on this next four hour chart. You can see that the candle formed support levels then broke them. The entries are marked with the stop losses above a previous resistance level.

When you drop to the four hour version of the previous chart you can see the closed pushpull area is actually a four hour doji candle which closes at the previous four hour resistance. You could enter using the four hour candle with a stop above a previous resistance level.

Here is a second opportunity on the four hour charts where the second daily entry was at the upper channel trend line using four hour breaks of support to get an entry.

In Trade Management

Here is how you would have managed these two trades using trailing stops on the four hour chart.
Notice that I have used a combination of pullbacks to previous support levels and reversal candle patterns such as pin candles and sideways dojis to place the stop losses.
These are areas that price should not return to unless there is a change of direction.

Trade One on the Xau/Usd

Trade 2 on the Xau/Usd

On the second Xau/Usd bounce off the channel trend line you can see how to trail the stop using the four hour charts. I have tightened the stop near the monthly support because if you wanted to hold the trade until the opposite side of the daily channel you need to be aware that price could reverse at a strong monthly support level. However in this case you can see it went straight through and the final exit would have been at the opposite side of the trendline.


TRAILING STOP ON FOUR HOUR CHART
TIGHT STOP
FINAL EXIT

Example Six.. Day Trading Examples on the EUR/USD

When we are going to spend our time day trading, we will generally look to take profits within the same day.

We want to get a big profit of between 70-200 points and so we still want high momentum moves. In order to decide what currency pair to focus on it is wise to start off with a monthly chart. See the momentum opportunity on the EUR/USD chart below.

We can see it even more clearly when we drop to the weekly chart. Here we can see price bounced off the monthly trend line and also broke an upward sloping weekly channel (weekly trendlines are pink. monthly trend lines are brown). The move falls between the 20th July 2014 until the 28th of September 2014.

In my trading I use two moving averages to visually see momentum. In the next chart you can see I use a 3 simple three period moving average (red) and a simple ten period (green)for the slower moving average.

The areas where price is moving so fast that price is exceeding the red moving average and not touching the green slower moving average shows me those areas where there is high daily momentum.

To find good day trading entries within the daily momentum I use hourly candle patterns at channel trend lines. These entries can be fine-tuned by going down to the five minute charts and looking for broken support or resistance zones in the direction of the trade. You would enter on the breakout of a five minute support zone with a stop loss above a previous area of resistance. (Just like the four hourly entries into the daily channel)

In this situation I am looking for chart entries on the hourly time frame in the areas where there is high daily momentum. I have developed an entire system around this which I call the High ROI Scalping System.

.

Here is another type of channel entry a widening channel or megaphone channel as it is known. I particularly like these channels because of the increased reward on the trade. The exits are at the opposite side of the channel although you can also exit at a previous low if you want to be very conservative.

The first entry on the 26th September would have failed and it would not have been wise to take a trade with such a small reward. However the second entry on the 28th would have been a successful and as you can see with the widening megaphone channel the second trade offered a much higher reward.

Channels allow you to know in advance what your reward is going to be which makes it easy to know if it is a trade you should take or not.

Here is a break of a sideways moving channel resulting in a huge drop on the 4th of September.

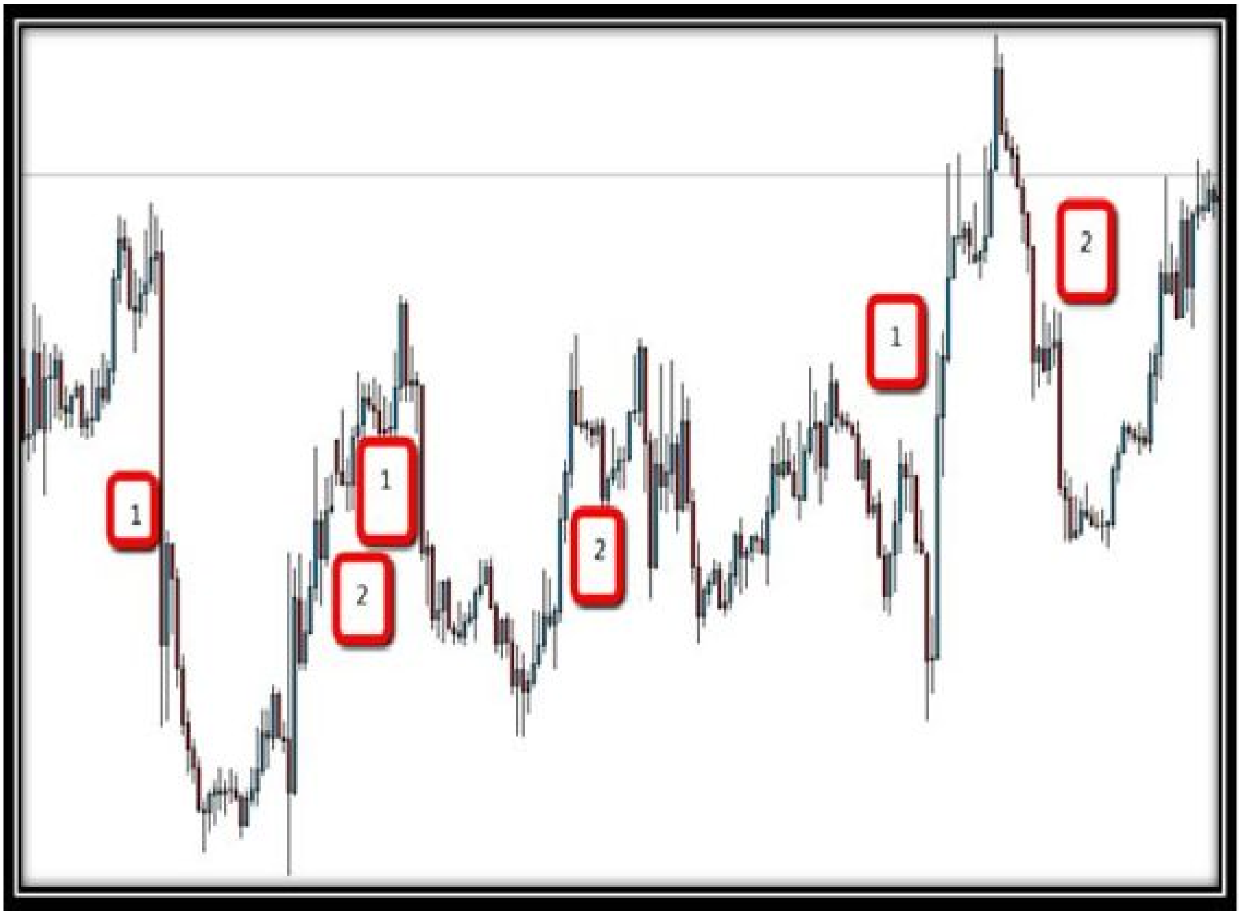
Catch Huge Moves With A Scalp Entry

For active day traders who are drawn to scalping for the amount of opportunities but are fed up with only getting a small profit, there are still huge moves to be had using the hourly charts and the five minute charts in tandem.

I look for a particular chart pattern which is a parabolic reversal pattern. Within that reversal there is usually an opportunity to enter the trade with a tiny stop.

What I like about this move is that the exit is straight forward, the beginning of the parabolic move on the opposite side. or a good ROI if it makes sense to exit earlier. Also the risk to reward is very large because we are looking for a tiny stop. Here are some examples below.

Side 1 is the vertical move up or down, side 2 is the reversal where we would be looking for a five minute entry.


1
1
2
2
1
2

Here is close up of a typical hourly parabolic reversal pattern. See the vertical rise up on the hourly chart followed by the strong reversal. We are looking for vertical directional moves, ideally with a sideways move at the high or low followed by a break of support if short or resistance if long, We are looking for an entry in the reversal side 2. A good entry to look out for as well as an hourly break of support is an hourly push-pull setup during the move. You can then enter using the five minute chart.

Here is another example of an hourly parabolic reversal pattern. You are looking for a five minute entry into the reversal side 2. You can see the vertical hourly move down which would alert us to the fact that a reversal would also be a high momentum move up.

Here is an example of how to fine tune an entry using the five minute chart, using breaks of support and trend line bounces.

These parabolic moves work a lot , but not always, here is a failed parabolic example.

Look at the context ...

However when you look at the context of this reversal move you can see it formed part of the pullback to a previously broken trend line and was not a good context. This is why it is so important to look at the context of these moves to decide on their probability. You can find lots of videos on my blog which explain how to analyse the context of a trade.

The Context of a Trade

A trade is not happening in isolation, just like in the previous example the potential parabolic reversal also happened to form the pullback to a previously broken trend line and the momentum was opposing the move.

Put in the higher time frame support and resistance levels, pattern trend lines and taking into account the time of day. (you want to trade near the open of the Asian, European, London or New York open to get maximum momentum.)

Take these factors into account when deciding if an hourly trade is worth taking , if there are conflicting signals then just leave it. You want to see all the ducks in a row before taking a trade , or as it is better known you are looking for a confluence of events.

Conclusion

I hope you have found this book a useful introduction into how to use the higher time frames to find where the potential huge moves are forming and then the lower time frames to pinpoint your entries.

The other great advantage to using this methodology is that it can protect you from getting into sub-standard trades on the lower time frames.

I welcome reviews from my readers so if you have found this book a useful guide, just email me the link with your review and as a thank you I will send you the full colour PDF version of this book or any other of my eBooks as a thank you.

If you have any question you are welcome to email me at lrthomasauthor@gmail.cm

All the Best and Good Trading

L.R. Thomas

Resources

There is a video course entitled How to Catch the Huge market moves in Forex for only $13! which goes into more depth.

You can read the reviews here
http://10xroitradingsystem.com/bookoffer

You can get the PDF version of this book here (text and images on the same page)
http://payhip.com/b/lBbJ

You can find a lot of videos and information on my blog
http://10xroitradingsystem.com

Push-Pull explained http://10xroitradingsystem.com/pushpull

Here are my other books
http://10XROITradingSystem.com/the-ebooks

You can contact me at lrthomasauthor@gmail.com