

# Flag the Trend Trading

- Find the Trend
- Wait for the Pull-Back
- Find the Set-up bar
- Enter the trade
- Manage the trade
- Make Money

# Flag the Trend Trading— Admin/Logistics

- **Pair**
  - EURUSD
  - Can trade other pairs and markets, but the rules/guidelines are based on the EU
- **Indicators**
  - 10 Simple MA applied to the Median Price (HL/2)
  - CCI or Retracement Finder with levels at 50 and -50
  - RSI
- **Trading Times**
  - Asian—first 90 minutes (2300 – 0030 GMT)
  - London—about 3 hours (1230 – 1530 GMT)
  - US—about 3 hours (1230 – 1530 GMT)
- **Timeframe**
  - 5 min charts
  - This method has shown to work on other timeframes, realize set ups don't happen as often, and the rules may not apply in all cases. Adjust as you see fit.

# Flag Trading the Trend—Up-Trend Rules

- Identify the Up-trend
- Wait for the Pull-Back
- Find the Set-up bar
  - must cross the 10 SMA up
  - the low must be within 2.4 pips of the 10 SMA
  - the CCI must be  $> 50$
- Enter the trade
  - entry: 1 pip above the high of the set-up bar
  - stop: set at the low of the previous swing low
  - take profit: subtract the difference from the entry and the stop. Add the spread. Set at that number of pips above the entry
  - trade must enter on the 1<sup>st</sup> or 2<sup>nd</sup> bar past the set-up bar. If not, no trade entered and wait for the next set-up
- Manage the trade
  - once you are within 5 pips of take profit, set the stop at break even
  - watch the price action closely. If you feel it is not going to make your take profit, exit the trade with some profit
- Make Money
  - money management is up to you
  - 1:1 risk/reward ratio is what is recommended
  - do not risk more than 3% on any single trade
  - take profit and exit a trade if you are in question

# Up-Trend Flag the Trend Trade



# Flag Trading the Trend—Down-Trend Rules

- Identify the Down-trend
- Wait for the Pull-Back
- Find the Set-up bar
  - must cross the 10 SMA down
  - the high must be within 2.4 pips of the 10 SMA
  - the CCI must be  $< -50$
- Enter the trade
  - entry: 1 pip below the low of the set-up bar
  - stop: set at the high of the previous swing high
  - take profit: subtract the difference from the stop and the entry. Set at that number of pips down from the entry
  - trade must enter on the 1<sup>st</sup> or 2<sup>nd</sup> bar past the set-up bar. If not, no trade entered and wait for the next set-up
- Manage the trade
  - once you are within 5 pips of take profit, set the stop at break even
  - watch the price action closely. If you feel it is not going to make your take profit, exit the trade with some profit
- Make Money
  - money management is up to you
  - 1:1 risk/reward ratio is what is recommended
  - do not risk more than 3% on any single trade
  - take profit and exit a trade if you are in question

# Down-Trend Flag the Trend Trade



# Flag the Trend Trading-Contingencies

- 26 pip rule
  - If the take profit value is  $> 26$  pips, only target 26 pips and make your stop 26 pips
- reasons to **NOT** take a trade
  - Divergence—if divergence has shown itself on the RSI, do not enter a trade until a new trend or continuation has occurred or get out of your current trade
  - 5 waves complete—this is not an Elliot Wave system. Although, if you have 3 higher highs or lower lows use caution entering a new trade until the trend continues or changes
  - huge moves/candles—very large moves in a short period of time are typically followed by a time of consolidation. Use caution entering trades.
- Times to Trade and not trade?
  - News times-30 min prior 15 min post

# Gotchas

- Do NOT over trade—typically you see only 15-18 trades a month on the EU. That is less than 1 trade per day.
- Do NOT force the chart to look like something it is not. If there is no trend, wait until there is and then trade. Be Patient.

# Short Entry Example Math

- Assumptions/Admin:
  - Most charts are BID price charts.
  - Enter trade when BID price is hit.
  - Stop loss set using ASK price so you must add the spread to the high of the last swing high.
  - Take profit is hit at ASK price.
  - In order for you to get 1:1 risk/reward ratio, the price must move further on your chart (BID Price) because the ASK price will need to be hit. In the example if BID prices are used you would have a 16 pip stop loss distance and a 18 pip take profit. So you have a HIGHER than 1:1. When going LONG, the opposite happens.
- Example:
- Assuming 2 pip spread
- Set-up candle low: 1.4010
- Previous swing high: 1.4025
- Entry point: (Set-up candle - 1 pip) = entry point
  - $(1.4010 - 1) = 1.4009$
- Setting Stop Loss: (previous swing high + spread) = stop loss
  - $(1.4025 + 2 \text{ pips}) = 1.4027$
- Take Profit: (Stop loss - entry point) = pips to take profit
  - $(1.4027 - 1.4009) = 18 \text{ pips}$
  - Subtract pips to take profit from the entry point to get take profit
    - $(1.4009 - 18 \text{ pips}) = 1.3991$

# Short Entry Example Picture

**\*\*\*USE THE RED LINES TO SET PRICES FOR SHORT TRADES\*\*\***



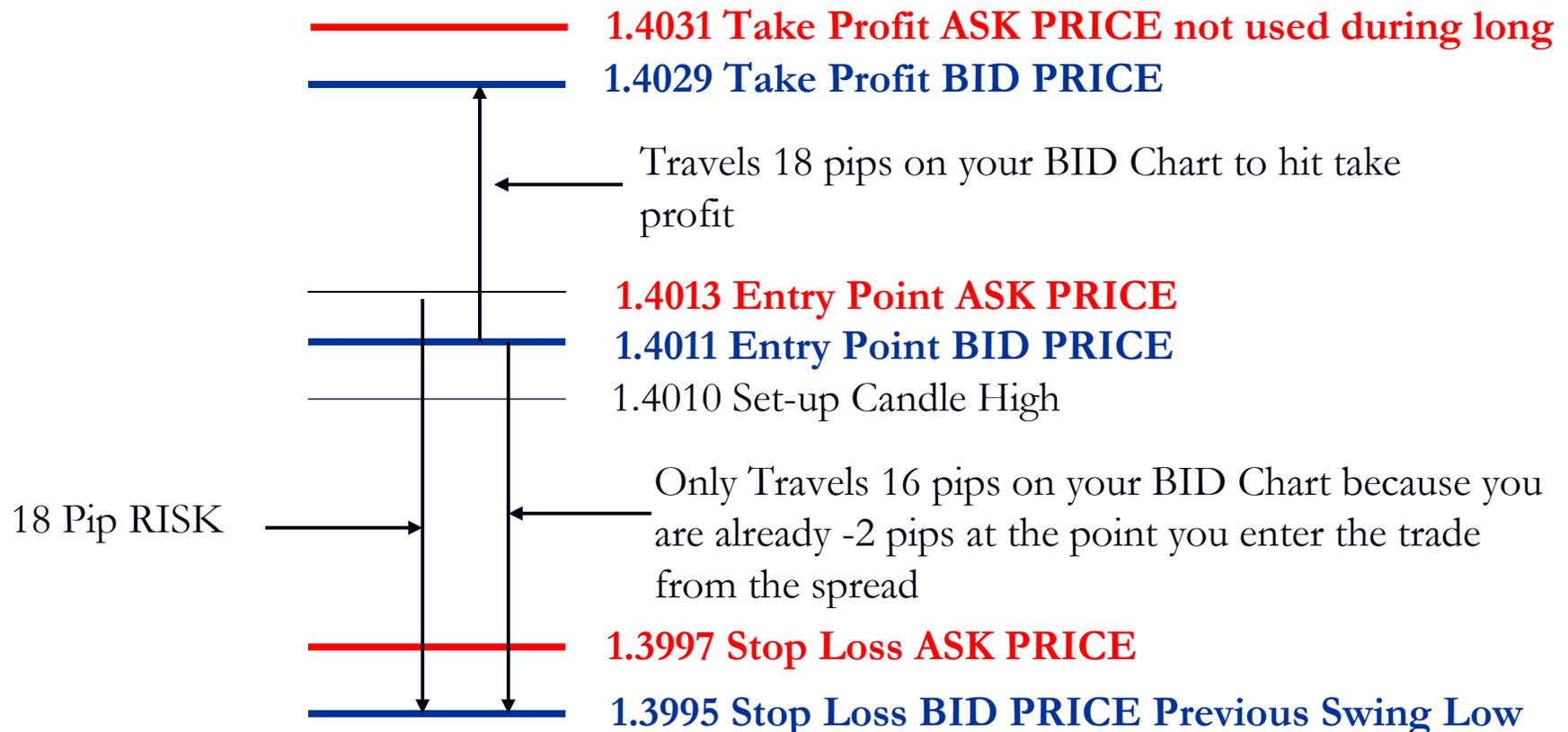
**\*\*\*USE THE RED LINES TO SET PRICES FOR SHORT TRADES\*\*\***

# Long Entry Math Example

- Assumptions/Admin:
  - Most charts are BID price charts.
  - Enter trade when BID price is hit.
  - Stop loss set using BID price.
  - Take profit is hit at BID price so you must add the spread to your entry point.
  - In order for you to get 1:1 risk/reward ratio, the price must move further on your chart (BID Price) because the BID price will need to be hit. In the example if BID prices are used without adding the spread you would have a 18 pip stop loss distance and a 16 pip take profit. So you have LOWER than 1:1. When going SHORT, the opposite happens.
- Example:
- Assuming 2 pip spread
- Set-up candle high: 1.4010
- Previous swing low: 1.3995
- Entry point: (Set-up candle + 1 pip) = entry point
  - $(1.4010 + 1) = 1.4011$
- Setting Stop Loss: (previous swing low) = stop loss
  - 1.3995
- Take Profit: ((entry point + spread) – stop loss)) = pips to take profit
  - $((1.4011 + 2) - 1.3995) = 18$  pips
  - Add pips to take profit to the entry point to get take profit
    - $(1.4011 + 18 \text{ pips}) = 1.4029$

# Long Entry Example Picture

**\*\*\*USE THE BLUE LINES TO SET PRICES FOR LONG TRADES\*\*\***



**\*\*\*USE THE BLUE LINES TO SET PRICES FOR LONG TRADES\*\*\***