

Hello everybody. This is the second thread I start here on FF even the third if we take in consideration the Ichimoku strategy that I gave up (because of another thread about ichimoku). So, I launch my second thread because the first one is dedicated to very short TF of which some of traders are not comfortable with (even if you can use it on higher TF).

As you can see in my first thread I like to use Moving averages in my trading. Why? Because this is a very simple indicator which is really easy to understand, and I consider that we have to use only indicators that we understand. It may sound like BS for you, but if you don't understand the tools you use, how could you be successful in trading, especially in Fx market? So the moving averages are easy to understand tools which can give you a lot of information about price behavior. You can easily know the trend (bullish or bearish), you can get dynamic support/resistance areas, and put your stops just under it for example. That's why I use it in this second system.

Another indicator I use is the MACD. The MACD is a derivative tool from MAs which give us the trend, and the strength/weakness of the trend. For a definition of the MACD you can google it or find it here on FF or in investopedia.com for example. This is a tool which I use to confirm the trend.

DMI : Directional Movement Index. If you follow my first thread you know that I like it very much to give me a nice confirmation of the trend. If MACD and DMI are telling us the same thing, then we are in a nice trend. Directional movement Index tells us if the trend is bullish or bearish. When you see that DI+ and DI- spread well, then it confirms you are in a trend. As long as there is not any cross and that the spread between DI+ and DI- is high, the trend is still there. If DI+ and DI- cross each other very often and are not spreaded then there is no trend.

Another indicator that I use for the system is a famous oscillator: The RSI. But I don't use it as many traders use it! I mean everyone know that RSI is used to get oversold/overbought levels. I use it as a trend indicator. If you are above the 50 level then it confirms a bullish move and if under 50 level then it confirms a bearish move.

So now you can see we will use easy to understand indicators and you may understand we are going to trade the trend. But we want to get into the trend as soon as possible to get the trend at the beginning and exit near the highs to make a lot of pips. That's a challenge! But hopefully, the system we are going to trade is a real help for us to catch lots of pips.

What you have to understand is that the system is a trend trading system so you will have false signals especially when you are in a ranging market. But on the other side, when a trend will begin you will benefit from it a maximum so it will cover your losses. Also, to avoid losses during ranging period, I advise you to trade the system at London/NY sessions when the big money is right here and you have more chance to get big moves. You can also trade Asian session if you are familiar with AUD/JPY for example or some of other "exotic pairs".

Ok, so you have the heart of the system: getting in a trend as soon as possible and exit as late as possible to catch a lot of pips. It sounds like "cut your losses and let your profit runs". So, now what about MM ? It is up to you but I can tell you that I have a solid rule I never break: My SL is never more than 50 pips on E/\$ and I never risk more than 2% of my global account on each trade. I know that some of you have different rules but this is mine! Take bigger position at your own risk and never forget that you have to survive in this crazy market!!!! This is not a game. If you want to play or

gamble, please go the casinos you will have fun. Here in FX, we have to be serious coz it is a real business with real money and our goal is to get our financial freedom. So be patient, and you will get it! Be a player and you will always work for a boss who will f*** you with a poor wage and no respect at all: it is your choice.

Ok, now you have read all this text you have only one question: what are the rules to enter???? I will answer you but I prefer to tell you the exit rules first! Why? Because exit is really more important than entries: exits determine the amount of pips you will earn so it is very much important to understand when you have to bank your pips.

EXIT RULES:

There are multiple rules to exit that I am going to explain here. As a first rule, you have to exit half of your position when MACD reverses. Rest of the position will be exited following these rules:

You can exit when MACD **and** DMI or RSI **and** DMI give you a reversal signal. I mean if we are in a bullish trend, you will exit if MACD histogram is negative AND DI+ crosses down DI-, or when RSI is under 50 level AND DI+ crosses down DI-.

The second way of exiting a position is to trail your stop under an EMA. As we trade this system on 1h TF, I prefer to set a SL about 15/20 pips under the intermediate EMA (you will see what EMAs we use in next paragraph).

The third way to exit is when you consider you caught enough pips. The problem is that it is really subjective and you can't trade with your emotions. So we have to find a way to get an objective exit. To do this I am looking at the daily ATR. If you don't like to stay in position overnight or over the week-end to avoid some gaps, then you can place your stop or close your position according to the daily range. For example, if the daily ATR(14) is about 120 pips on €/\$, you can decide to close your trade if you have caught 200 pips in a day (1,5 x ATR) and you may enter again in pullback for example. The goal is to catch most of pips you can: so the idea is to profit from a brutal movement because if you stay in position, you may get more pips, but in most of cases, there will be a pullback before a second move. So you can catch big profit in very short time whereas if you stayed in position you would have caught the same amount of pips but in a longer time. But be quiet, it is not very often there is brutal movement. Once, I took 350 pips in few hours on GBP/USD and decided to close my position because it was more than 1.5 x daily ATR(14). The Cable went down to 420 pips but the next day there was a pullback on the intermediate EMA and the system gave me a second short signal for a profit of 550 pips in 3 days. So in a week, I took 550 + 350 = 900 pips. If I stayed in my first position I would get about 720 pips....instead of 900 pips.

P.S.: When you exit the first half of your position then you put your stop (at minimum) at B/E so you can't lose money and take a free ride trade...no stress for you!

So now you have the rules to exit. Let's see the entry rules!

ENTRY RULES:

The indicators we use are very simple. The philosophy is to get the trend at the beginning (sort of breakout system) and trail your position with the trend which has developed.

We use three different EMAs: A 12EMA as a short term period (12h is half of the day), a 34EMA on highs and 34 EMA on lows as the intermediate channel (34 is a Fib number and it is about 36h meaning 2.5 days), and a 144EMA as a long term period (144h is 6 days so it gives us the long term trend as it is the week trend).

MACD is setting at standard parameters 26/12/9 and we use the histogram to get the direction of the trend. Also we can have a look at divergences between price and MACD to manage our position.

DMI(14) standard parameters. It confirms the trend direction. Well spreaded it is a good trend.

RSI(14) with a 50 level : it gives us a confirmation of the trend too.

Candles : We want to see a bearish/Bullish candle to confirm what our indicators tell us.

To enter, we wait for price closing above/under the Channel of 34 EMAs and MACD histogram to be positive/negative, DI+ above/under DI-, and RSI above/under 50 level. In fact, if price close above 34 channel, it means that we are above the average price of the last 34 hours highs which could be the beginning of an up move : a breakout. But to confirm it we are looking at MACD which measure the spread between the short term EMA (12) and a 26 EMA which is a little bit more reactive than the 34. To confirm the direction of the trend we look at the DMI: if DI+ is above DI- and DI+ is going up whereas DI- is going down it means that effectively, the bullish may be stronger than the bearish. Also, when a new trend developed, usually the RSI is making new high and breaking the 50 level and going up.

Of course, you will assume some losses because there is not any system which gives you a 100% win ratio (we would be all rich people and money would be no value paper). The losses will come in ranging markets especially. That's why I am very careful when you see the Short term EMA (12) in the intermediate channel. And that's why I never put my SL above 50 pips + spread in €/€ and 80 pips in GBP/JPY. That's why I avoid trading during low volume sessions too. So you will have losses of course, but the idea is to catch big moves to cover these losses. Because when you will take the trend at the beginning and you let your profits run, you can easily take 150 to 300 pips on €/€ for example in 2 or 3 days. More in GBP/USD or GBP/JPY. So if you risk 50 pips to get "only" 150 pips (averaging), then you can have 3 consecutive losses to be at B/E after 1 winning trade. So if the ratio is only 45% of winning trades your expectancy is positive! Think about it!

CONCLUSION:

So now you have exit rules, position sizing rules (customizable of course according to your personality and your habits), and entry rules. Open a demo account, test it on 3 months minimum and trade it in real when you are comfortable with.

This system is programmable by an EA but as many members know, I have not any skills to give you an EA. So feel free to help me (that's the heart of a free forum)!

I trade this system in a real account only on 1h TF. I know some traders (my brother is one of them) who trade it on shorter TF. My brother trade it on 10mn charts for example. It's up to you. I think it is more reliable on 1h TF.

I will post some charts to explain it in an easy way.

Bye, and make tons of pips!