That's fine with me. If you want to do another class project, select a good candidate and we'll work on it.

Like I said, good swing trades set up every week. They are easy to find. If an extreme candle touches the outer BB, check to see the trend of the daily chart. If it's setting up a CBL in the direction of the daily chart trend, good. If the weekly chart trend is in the same direction, better, but not necessary.

I'd be happy to go through a position trade with you, but those only set up every month or so. All the concepts are the same though. Find a daily chart setting up a CBL in the direction of the weekly chart, good. If the monthly is in the same direction, better, but not necessary.

If someone sees one of these beasties, we can plan an entry and go for it.

Swing trades, set up usually every week. If something drastic happens in the markets, which seems to happen often these days, we may get several set ups in a week. They run days and occasionally weeks.

Position trades, set up about one a month. The average length of the trade runs about 6 months. The longest I've held is about two years.

There are many ways to enter these trades. Tymen's CBL is just the best I've found, so far.

| If an extreme candle touches the outer BB, check to see the trend of the daily chart. If it's setting up a CBL in the direction of the daily chart trend, good. If the weekly chart trend is in the same direction, better, but not necessary. |

Is this the grail?

Go over some charts over the last 4 weeks and see how many entries there are, how many losers, how many pips were on offer, and how little time you would need to spend to catch them.

It is mind blowing.

Good question. If you get a valid CBL to re-enter then take that, as that is always good odds. Many times you won't find a valid CBL though, even on a lower TF, to give you a signal to re-enter. So look at it like this, every good long sustained trend will have many retracements but only one actual trend reversal. If you have, say 5 retracements in any good sustained trend and only one reversal, your odds are 5 to 1 if you re-enter on the break of the retracement trend line that you will win. 5 to 1 are good odds, but you still want to protect yourself in case it is the 1 time that will turn out to be a reversal.

But if price then quickly reverses back up across the retracement trend line and away from the down trend channel, you'll exit again and you're kinda stuck with a whipsaw loss. Only allow one whipsaw loss per situation, never more. If you take a whipsaw loss in this
situation it probably means there is consolidation going on and in that case there could be many reversals back and forth. Best to go trade something else and come back after lunch or a good night's sleep. You should make that a rule in your trade plan, only allow one whipsaw loss per situation, no more.

I spend lots of time in front of the computer, but most of the time is studying charts and trading methods or managing other business. Since most of my trades are taken off longer term charts and are arranged in advance with buy and sell stop entries SL, TP and trailing stops in advance, I can be away from the computer for hours at a time with no effect on my trading. I'll let daily chart position trades run even if I'm to be away for days, but I'll usually close 4H chart swing trades if I'm going to be away for days. That rarely happens though since I have a laptop with mobile connect card, so I can usually manage to check on my trades at least a few times a day, and that's really enough. Overtrading is a bigger problem in these longer term trades than not checking on them enough.

My best trading hours are usually the most liquid, when both London and NY are both trading, but I find trades in all sessions. As summer approaches and liquidity dries up a bit, these early morning hours (for me) seem to be better and the lazy slow afternoons seem to offer fewer opportunities. That's just my impression.

At this moment the 1H usdcad is in an up swing and the 15M stoch filter would place a hold on this trade. If you entered short a few hours ago though it may have been a good decision at the time. Even though the weekly is way down this week, it broke into new highs for the year last week, so it's a bit confused and I'd urge caution.

The other point of view is that the vast majority of these daily chart trades work out well, and over trading them is a much worse problem than bad entries. Still you must decide where your entry is bad and set an exit there. Generally, for a daily chart trade, a good entry will turn in your favor before it goes 50 pips against. If it goes against you say 30 pips, you should be on alert. 50 pips against is probably exit and look for a better price to re-enter. You just have to adjust that to your discretion as you get more practice. There are many factors to watch, both technical and fundamental. Usually once it's +50 pips you are in for a nice long ride.

My broker provides me with a free pattern recognition program called Autochartist. It sometimes identifies a tradable pattern. Mostly things I’ve already seen or things I’m not interested in, but sometimes not. I set it to only alert me to very high quality 4H and daily patterns to keep it from bothering me every few minutes. I recommend it, but I’m not going to answer a bunch of questions about it. It's just something for you to play with if you want.

On longer TF's, I always want to use multi-lot, but only less than half the trades ever make multi-lot. On a 4H TF, I'll want to get about 50 pips profit before putting on the second lot. On a daily TF, I want about 85 pips profit before putting on the 2nd lot. If I'm up say 35 pips on a 4H trade and it turns on me, I won't let it go negative. I'll exit with 5 to 15 pips profit and look for a better entry. Half the time I get a better entry and half the time I don't and I move on to another trade. I get a few small losses, a few small wins, and a very few huge wins. Small wins and losses are taken for granted as the cost of playing the game. We are really playing for the few huge gains. Expect just a few of those each week with intense trading. But they can be huge, really huge. Just don't lose all your trading capital on the small stuff before you get there.

just put the second lot on au and moved the first lot sl to BE. I will exit if both lots go back down so their sum goes between +5 to +15 pips. I will not take a loss on this trade. Right now that doesn't look like a problem and I'm scheduling the third lot. Many, perhaps
most of these trades will exit for small pips won. A few will be bad entries and will exit for small pips loss. A few will be very successful and will exit for big pips. Winning big pips is our second goal. We can't do that unless we leave lots on to run. Our first goal is not losing big pips. Small pips won or lost really don't matter much, but small pips won is of course better than small pips lost.

This is one of the big mistakes that new traders make in long term trading. You can't make the big pips if you don't let your lots run. If you don't make the big pips, and I'm talking 500 or more, on a trade once or twice a week, you are just shuffling small pips back and forth, and spread will eat up all your trading capital eventually.

Remember when we first started? We said we were going in search of the fat tail of the market. This au trade is a fat tail. When you find one, you have to be brave enough to turn it into a big pip win.

No, the AUDNZD trade is a possible up position trade off the daily chart. The H4 tag up is in a BB Walk up, a no trade zone.

The weekly is kinda flat, but has bounced off the bottom bb and headed up at the moment. Best way to quick judge these kinda flat trends is look from the far left to the far right of the chart and see if it's up or down. It's still kinda flat with latest move a bull candle, but mostly flat.

So then you look to the time frame above and below. Above is monthly and it's up. Below is H4 and it's up. So we are good on time frames to go up on daily.

So all we need is a good daily chart up CBL and a good M15 Stoch filter signal to enter up. Looks like good CBL up entry at 1.2468. I 'm thinking of setting a stop buy at that point. What do you think?

This long term position trade should be set to enter at 1.2468

These trades usually run weeks to months.

LOL, yes, better wait now. Just as my stop buy executed, it turned and dropped like a rock.

Well, that worked out well. Exited audnzd buy on a bad entry call with 30 pip loss. Exited aud sells with 80 pip profit, then re-entered Audnzd buy and let it run overnight for another 55 pip profit. Just letting audnzd run now. These position trades off the daily chart are a little harder to gain entry to, but pay well over a long enough period. I would have avoided the bad entry had I not entered against the 1H stoch.

This long audnzd trade had me a little concerned since the TF above (weekly) wasn't in as clear a trend as I’d like to see, but all’s well that ends well. I'll put a 2nd lot on if it gets up 100 pips. We'll see.

At this moment the 1H usdcad is in an up swing and the 15M stoch filter would place a hold on this trade. If you entered short a few hours ago though it may have been a good decision at the time. Even though the weekly is way down this week, it broke into new highs for the year last week, so it's a bit confused and I’d urge caution.

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many factors to watch, both technical and fundamental. Usually once it's +50 pips you are
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interested in, but sometimes not. I set it to only alert me to very high quality 4H and daily
patterns to keep it from bothering me every few minutes. I recommend it, but I'm not going
to answer a bunch of questions about it. It's just something for you to play with if you want.

Originally Posted by TraderAlan
*Am I right to say Swing trades come off the 4hr TF using the daily as the trade direction and
position trades come off the daily TF using the weekly TF as the trade direction?*

Yes, generally that is correct.

Originally Posted by RenaLa
*how do you like my idea to schedule the exit for aud/usd at about 50% of the last bearish
candle that is on weekly chart?
or even around 0.8760 ??*

Yes, probably between 8700 and 8800. It just where depends on how you draw your fib
line. I like to draw trendlines and when I think I'm close to an exit, exit on the break of the
trendline. That makes sense from a Price Action watching point of view. About half the time
it breaks the trendline and I exit with good profit, but about half the time it doesn't break
the trendline and I stay in for even more pips. Pips good.

Originally Posted by RenaLa
*now I dont know what ever you was thinking of
I know how to use buy stops and sell stops with stoploss entered*

Do you realize you are now only a few weeks of practice away from being a world class
trader? You are almost there.

Realize that a world class trader makes an average of about 2% increase in account value
per week with no weekly drawdowns.

The 2% per week part is easy. My cat can do that while I'm away from my desk getting
coffee, and she will if I don't watch her. The no drawdowns part is the hard part. It took me
a long time to get to that point. My cat still can't understand the no drawdowns part.

That's where you are now, 2% per week is easy for you now. Trading with no drawdowns
from week to week, week in and week out will take more patience than you ever knew you
had. But that's your goal now. Not profit. Profits will fall in your lap from now on out.
Trading with no weekly drawdowns is now your goal. Work on that, OK?

Originally Posted by Hordane
*Graviton, do you always use the multi-lot strat when entering or only sparesly on longer TF?*
On longer TF's, I always want to use multi-lot, but only less than half the trades ever make multi-lot. On a 4H TF, I'll want to get about 50 pips profit before putting on the second lot. On a daily TF, I want about 85 pips profit before putting on the 2nd lot. If I'm up say 35 pips on a 4H trade and it turns on me, I won't let it go negative. I'll exit with 5 to 15 pips profit and look for a better entry. Half the time I get a better entry and half the time I don't and I move on to another trade. I get a few small losses, a few small wins, and a very few huge wins. Small wins and losses are taken for granted as the cost of playing the game. We are really playing for the few huge gains. Expect just a few of those each week with intense trading. But they can be huge, really huge. Just don't lose all your trading capital on the small stuff before you get there.

Originally Posted by RenaLa

Graviton, we are very close to 50 pips profit on aud/usd
I know you already have to scheduled this

should I open second lot and let the first run for another 50 and then take 100 profit (first lot)
or

take 50 profit and open second lot?
how to move SL?
I just put the second lot on au and moved the first lot sl to BE. I will exit if both lots go back down so their sum goes between +5 to +15 pips. **I will not take a loss on this trade.** Right now that doesn't look like a problem and I'm scheduling the third lot. Many, perhaps most of these trades will exit for small pips won. A few will be bad entries and will exit for small pips loss. A few will be very successful and will exit for big pips. Winning big pips is our second goal. We can't do that unless we leave lots on to run. Our first goal is not losing big pips. Small pips won or lost really don't matter much, but small pips won is of course better than small pips lost.

Originally Posted by RenaLa

Do I??
can you explain?
I should write a book on this subject. It's 1000 times more difficult and complex than making a profit.

Step 1. Have a written trading plan.

Do you have one

Originally Posted by RenaLa

I'll take profit now
This is one of the big mistakes that new traders make in long term trading. You can't make the big pips if you don't let your lots run. If you don't make the big pips, and I'm talking 500 or more, on a trade once or twice a week, you are just shuffling small pips back and forth, and spread will eat up all your trading capital eventually.

Remember when we first started? We said we were going in search of the fat tail of the market. This au trade is a fat tail. When you find one, you have to be brave enough to turn it into a big pip win.
Good pitch, thanks for the charts!

I've been watching this pair since the daily chart set a good CBL about 500 pips ago, or around Ap. 24th. I scan every daily and H4 chart every day looking for these set-ups. It only takes a few seconds to glance at each chart and after some practice you can run through them about twice a day and find good set-ups like this in just a short period first thing in the morning and after lunch. I noted it in my traders log at the time I first saw it. Unfortunately, I didn't take the trade when I saw the set-up on the daily chart. The previous week was a big up week candle and I just couldn't bring myself to pull the trigger even though I had a clear CBL signal. There will always be a good reason not to enter a good trade, but that just causes me to miss many good trades and take sorry ones instead.

That's the biggest problem with my personal trading these days. I see clear set-ups but for whatever reason I don't take them. Anyway, I suppose we are all working on something in our personal trading and that's my top priority at the moment. I actually now have a rule in my trading plan to always identify the #1, #2 and #3 things I need to be working on at any time and that's now #1. I don't see any point in trying to concentrate on more than the top three as just fixing those would be quite an accomplishment. I'm sure after I get those fixed, there will others to work on. There always has been. I think it's just the nature of this business. The important point is to know just where you are in developing your personal trading plan and what your #1 priority is to improve it. If you don't know what your #1 priority is, you probably won't make any progress in fixing it.

So, enough about me, let's look at this trade some more. This trade actually started developing in January 2009 with a good penetration of the monthly top BB and a pull back and a messy "cut the extreme candle in half" entry in April 2009, before I even knew what a CBL entry was. Since I didn't have Tymen's simple method for identifying these trades at the time, and my method was way too complex with multiple indicators being confirmed by price action at the end, I didn't see the trade at the time. That was about 4500 pips ago.

The weekly chart was messy too because of the HUGE bull extreme candle in October 2008. We did get a nice valid CBL entry in May 2009, again before I knew what a CBL was. The "cut the entry candle in half" method would have put me in in March 2009, and my previous entry method based on a combination of indicators would have put me in at the same time. That was still about 4500 pips ago.

Now, these entries were at or below the 20SMA Mid BB, but we don't care about that in long term trading since there are thousands of pips to be made even if you take a valid entry at the Mid BB. Anyway, I started watching this possible trade on the daily chart just a couple weeks ago after the two big bull candles penetrated the outer BB band. These days, anytime price penetrates the outer BB band on a 4H or daily chart it goes on my watch list.

We had a valid 1 candle entry on the daily chart on 5-24-2010, confirmed by a valid 2 candle entry on 5-27-2010. I sat there frozen and watching as price dropped another 400 pips from the 1 candle entry at the beginning of last week. You can see now why I say that is the #1 priority to fix in my trading plan right now. But we all have our own trading demons to fight, so on with the technicals of the trade.

Per Tymen, a CBL entry is valid until a more extreme candle is formed, or until the opposite BB it hit. Neither of those have happened yet so the CBL is still valid. All trade filters are good and 50% of daily ATR is about 150 pips, which is a recommended entry stop for a daily chart entry.
I would advise entering this trade with a tighter stop of say 25% of daily ATR or 75 pips, and actually early exiting if it moves 75 pips against me before the second day in the trade, and just look for another better entry price. One of two things can happen, price either goes up or down. I'll usually make good on these tight stop entries for long term trades a little more than half or 50% of the time 😊

In the other 50% of the time price moves against me and I early exit on a relatively small bad entry loss. But that's small relative to the pips to be made, not to a 30M trade. To trade in the world of big pips, you have to adjust your thinking to hundreds and thousands of pips, rather than to 10's on the shorter TF's.

In a little more than 50% of the time that I do take a relatively small bad entry loss, I wind up going back in at a slightly better price to cover paying the spread twice and I'm still be ahead of where I would have been if I'd just taken the risk of riding out the short retracement with a wider stop. So that all that adds up to about 75% to 85% good overall entries. That in itself is considered good entry technique.

So less than 25% of the time, price runs against me and I incur a relatively small bad entry stop loss, and price keeps running against me and I don't get a better entry before the CBL becomes invalid.

Since I only allow one whipsaw loss per situation, per my trading rules, if I get a second bad entry causing a second whipsaw loss, I'm done with that situation forever. I won't try to re-enter until a new valid CBL is set, which I would consider to be a new situation.

You need to carefully track and measure these numbers on your own. It seems the more carefully you track and watch them, the better they get.

If you have any other technical questions about this trade I'll try to answer.

As far as fundamental, yes, you are counting on the Euro to fall faster than the Aud over the next weeks and months. That seems reasonable since the Euro has a crisis every day and the The economy in Oz would be just fine if the government would just leave it alone.

Thanks for being one of the few people who pitched a long term trade to me, with charts! I'm sure this has been helpful to others as well as myself, so my sincere thanks to you.

Any questions or comments from anyone?

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Thanks Graviton for the input and don't kick yourself to hard for not entering earlier. It shows you do have self control and it is something that I have to learn.

I have been in this trade 4 or 5 times now but each time I was to stupid to take a look at the big picture and exited each time with good pips at the first retrace.

I really need to start thinking before every trade. Why am i getting into this trade and what are my goals for this trade.

The risk reward ratio for scalping compared to thoughtful long term trading just can't be
Using your suggested 75 pip stop loss as an example. I am sure I have lost over 75 pips this week on bad trades that had no where near the risk to reward ratio a trade like this can bring.

I am trying to understand your tighter stop. Is it because it has already moved off of the bb and is hitting the channel? Which might bring some volatility to the trade at this particular point before it continues down. I hope I am getting that right 😊

Thanks again for your analysis of the trade Graviton and I hope you are enjoying your holiday with your family.

25% daily ATR or 75 pips is just a small stop to start thinking about risking. 105 pips is the 4H ATR. If you could stay in the trade through several 4 hour candles, you'll have a good idea how the trade is going and might gain enough pips to be able to make several days. About 110 pips puts the stop slightly above the last swing high, which might make a better stop risk. 150 pips would be about 50% of daily ATR, generally considered a good entry stop on the daily. After looking at it more carefully, I would probably try to optimize my entry and do so with a 110 pip stop.

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Hi graviton, could you kindly explain to me again on your criteria for a re entry on a swing/position trade if you get stopped out.

Or do you not re enter? Thank you.

I'd only be stopped out if a retracement begins. If I've been in the swing trade for a while, it will have it's own trend line and the retracement will break that trendline. If the swing trade trend line break is a fast sharp spike and the price returns right back to the swing trade trendline, I may return back to the trade. I'd need to look at all the details to be clear I won't get whipsawed again. I'll allow one whipsaw in a trade, but after the second whipsaw I'm finished with it for the duration.

If the retracement lasts for some time, it will create it's own retracement trendline, often
best seen on a lower time frame. In that case, I wouldn't consider re-entering the main trade trend until the retracement trendline is broken. Once again, I would need to look at the specifics of the situation to assure myself that I won't get whipsawed again.

I rarely actually get stopped out of these trades. I will usually manually exit before the stop is hit. If I have 4 lots running, spread is only 8 to 12 pips. I can exit to to protect 200 pips of profit, and re-enter on a return to main trend 10 times and still be way ahead of where I'd be if I just waited till a stop hit. Usually, the only time I take a stop out is after some unexpected news and a very large and quick spike. In that case, I want to be out until price settles back down.

A retracement to the main trend is a consolidation. Some traders are taking profit at the retracement and others are playing the counter trend retracement for quick pips. In the vast majority of cases the retracement will run out of steam and price will return to the main trend. Consolidations can be a consolidation before a return to main trend, which happens 4 out of 5 cases, or consolidation before a reversal in main trend, which only happens 1 out of 5 cases. Knowing this, you can always play a retracement as temporary and be right 4 out of 5 times. That 5th time actual reversal to main trend will wipe you out though if you don't get out of it. So, at some point you will have to exit. Better to exit a little early and re-enter than a little late and lose good pips back. As a general rule, if the retracement is strong enough to establish its own trendline on a lower TF, exit and re-enter as soon as that retracement trend line is broken.

Original Posted by RenaLa

Hi Graviton, 😊

I hope the holiday for you and your family is nice and enjoyable

I am re reading your thread at this time and I look at the things you have explained and teaches us under the different angle now.

Some of things that I think is important I do add to my trading rules.

My trading rules wouldn’t be completed until I finish re read and re evaluate every your post

Since then I have new questions to ask

What do you use to make such decision on size of retrace? May be PA behaves specific at time of retracement? May be you use some indicators?

Please teach me how to make such decision?

I remember you told somewhere that you have keep the trade for few months or even a year.

During this time have you closed fully all your lots and then came in to the same pair again or it means that during that long period of time you had at list one lot open(running) which means you had rided out all retraces on its way? 😐

See my response to Fartist on this subject of re-traces, above. It may answer some of your questions. As far as scaling out of a multiple lot trade as a retracement forms, yes, I do that. I have a certain way I do it. I'll give you some sample numbers based on a 40 pip increment multi lot system for a swing trade and let you work out your own numbers for different cases. For a longer term position trade, you'd just about need to somewhere between double or triple all these numbers, with an 80 to 120 pip increment to start. The answer to your question is so complex and must account for so many cases, it's not possible to cover everything here, but I'll give you an example case. Like I said, if you double your increment and initial stop loss, you would have to double all the numbers below.
In the beginning, I have to determine if I have a good entry or not. A good entry goes positive right after entry and I let it run. A bad entry goes negative right after entry and I'll exit it after it only goes just a few pips against me, plus spread. So a bad entry is exited with a 5 or 6 pip loss total, and a good entry is left to run, but we never at any point let a winner turn into a loser. I will exit before any trade that once went positive before it ever goes negative, no matter what. We do a huge amount of pair analysis and work up front all to get more good entries than bad entries. But even after all that work, if we get 60% or more good entries over bad, we are doing very well. It's tough to get an edge, but if we are going to get one, this is where we get it, on the entry.

Say it's early in the trade and I have only one lot on and say I have a plan to put additional lots on in 40 pip increments and the first lot has made it to about 30 pips and starts to retrace. I will want to exit with 1/4 of that profit, or about 7 pips profit. Regardless of what happens after that, I have enough pips to re-enter the trade, or another trade, and pay the spread again and still be ahead. I will never let a winner turn into a loser even if price only went up 5 pips and reversed, I will still exit with one or two pips profit, or 1/4 of the profit. The rule of never let a winner turn into a loser will cause lots of exits for small pips profit, but it prevents ever letting a good profit turn into a loss. That will just never happen if trades are managed this way. So first lot is exited with an average of about 5 pips, sometimes a few more and sometimes a few less, but about 5 on average. This happens on about 50% of all trades that aren't exited early because of bad entry (remember that a little less than 1/2 of all trades are exited early because of bad entry under a separate set of entry rules).

If a second lot is put on, I will have 40 pips profit at that time. Often a retrace will start at that time. Again, I will take profit and close both these lots if price drops so that the combined profit of the two lots drops to 10 pips, or 1/4 of the total profit that was once in the whole trade. Once again, I have plenty pips profit if I want to pay spread again and re-enter, and as a whole, I have not let a winning trade turn into a loser. So once 2nd lot is on, we'll always exit with 10 pips profit minimum. That's just twice the profit of the 1st lot. It could be a little more, if the first two lots made 60 pips profit, I would exit with 15 pips profit minimum. That's not too impressive, but just wait. This happens for about 20% of all the remaining trades, or about 1 in 5.

If a third lot is put on, I have 80 pips profit on the first with a 40 pip SL, 40 pips profit on the second with a SL at break even of 40 pips and the third lot just put on and a retrace starts. As soon as I have identified a retrace has started, say the new third lot had dropped 12 pips, I will exit the first lot, which locks in 68 pips profit. Now, no matter what happens, I cannot have a winner turn into a loser since the worst case is a quick spike takes out the 2nd and 3rd lots at the same time and I've made 26 pips total on the trade. +68 on the first lot, BE on the 2nd lot and another -32 on the third lot. If the retrace is slow and steady though, as the vast majority are, I will simply exit when the sum of pips profit of the 2nd and 3rd lots drops to 1/4 of what the profit was at one time. It was 40 pips at one time, after a drop of 10 pips I exited the 1st lot for 68 pips profit, which means the 2nd and 3rd lots have dropped 24 pips total of their once 40 pip profit. With a drop of only 3 more pips in price, I'm down to only 10 pips total profit on lots 2 and 3 and I exit for 10 pips total. All this happens about 10% of the trades that aren't early exited for bad entry, or about 1 in 10 trades. That means the whole trade is managed for 78 pips profit once a third lot is put on. That is nearly 8 times the profit of just 2 lots being put on. Now it starts to get interesting.

So now comes the more rare case, maybe occurring in only 1 in 20 trades. We get a 4th lot
put on. 1st lot has 120 pips profit with 40 in stop loss, 2nd lot has 80 pips profit with 40 in stop loss, 3rd lot has 40 pips profit with SL at BE for 40 pips. We now put a 4th lot on and say a retracement begins immediately. We follow the same plan as with 3 lots on, except with a little difference to account for the extra lot. The extra lot gives us a little extra breathing room for our trade, but not much yet. Now we wait for 15 pips retracement before closing 1st lot for 105 pips profit. 2nd, 3rd, and 4th lots are all exited at the same time after an additional 5 pips retracement for an additional profit of 60 pips, so the whole trade was managed for a profit of 165 pips profit.

I'll run out the 5th lot case for you and leave you to figure out any others since they are so rare. The 5th lot case will only occur in about 1 in 40 trades that were not exited early for bad entry.

We get a 5th lot on. The 1st lot has 160 pips of profit with a 40 pip Stop Loss. the 2nd lot has 120 pips, the 3rd lot has 80 pips, the 4th lot has 40 pips with SL at break even and retracement starts as soon as the 5th lot is on. We have a little more breathing room now so we can wait until we have 20 pips retracement, then we pull off the first lot with 140 pips profit. After an additional 10 pips retracement, the 2nd and 3rd lots are both pulled off for an additional 140 pips of profit. after an additional 10 pips retracement, the 4th and 5th lots are removed at BE total.

This yields 280 pips profit for a trade that only went up 160 pips total.

The nice thing is you can work out cases in advance and set pending orders with stop losses and take profit, so all this executes automatically and you never have to make a single decision after entry. That is the way to trade, since any decision after entry is likely to be clouded by emotion. This should take absolutely all emotion out of your trading. You never worry about making a bad decision, you only worry about improving your trading plan. I have cases already worked out in my trading plan for 40, 80, 120, and 180 pip increments. I just turn to the correct page and load everything in and on a good entry and then I just wait to see what happens.

Whew! Sorry about the complex answer, but I don't know how to explain it simpler 😊

Originally Posted by paulmccarthy

thanks for helpful advice to date.
I have 2 questions,
1. Can you clarify your M15 stoch filter set up (is it slow, fast and what are the settings?). What timeframe stoch filter would you use prior to entry on the 4H? (M15 i guess........)
2. Drawing Trend Lines: As you are well aware they can be very subjective. Lets say I was trading the 4H and looking at the daily chart to identify the main trend. How many candles on the daily would you use to draw your trend line (10, 20 ?) I know the line should hit at least 3 points of the price action. Apologies if it sounds like a silly question but as this is a critical part to the strategy, I'd like to know what your opinion is.
Thanks again. Paul

I just use a std default stoch setting, 8,3,3

Yes, I will use the M15 for the H4 entry. This is used a a very quick filter to eliminate trades, or put them on hold until the lower TF's might be going in the right direction. More study is then needed to optimize entry. It's just something I use. It's a leftover from long ago when I traded the Stoch almost exclusively. If it works for you fine, if it doesn't then just don't use it.
Trendlines are very subjective. Just start drawing them and it gets easier. Some times a trendline will have only 10 candles and two touches to start. If the trendline is respected with a third touch and bounce, it's considered significant. If price blows right through it the third time, it's not significant. Sometimes the trendline will be formed by 20, 40 or more candles. The more you draw them, the easier it gets.

Just google drawing trendlines on charts and study up on it. You can also search youtube and see some good videos on it.

RenaLa, I'll always start out with a single lot and a tight stop. If the trade goes my way, I'll just stay in it and add additional lots according to the increments I want to use and let the stop loss widen as the trade runs. As the stop loss widens, so does the spacing between increments. After a couple months I'll have many lots on with a spacing of about 100 pips between lots and a stoploss of about 300 pips or more. I draw trendlines and make plans on where to exit so I can't lose more than the last couple lots at break even. If the trade turns against me, I pull off big chunks of profit, more as it goes further. Use the same techniques you would use on a 4H chart and multiply by 6 to 10 to trade the daily charts.

For me, the best way to get some practice at this is to paper trade. I can practice dozens of trades in just a day that way. It's good for practice, just don't believe the huge pips you get paper trading. It never works out that easy in live trading.

Originally Posted by RenaLa

what most extreme case is it? What do you see on the tick chart when such extreme case is happening? you said you use eur/usd tick chart as the barometer. Let me guess does it shows to you what pairs became tradable? What do you see on the tick chart if it does? Actually what tick chart for?

I assume there is no time in the market when the buyer or seller have disagreed or we wouldn't see a tick 😐

or may be the gaps represent disagrement?
I just look at the tic chart as I'm looking for the best entry point to a trade. It's a quick easy way to eyeball a trend.

There has to be agreement on price for there to be a trade. Gaps are just where the price jumps to a higher or lower level without selling at prices inbetween.

Originally Posted by RenaLa

Graviton didn't we discuss it yet? 😐

would you try to find some time to explain things on this subject that I am most waiting for plleease?

For day trading, I'll often trade 5 to 10 pairs at the same time using multiple lots on them all. I'll get on the wrong side of 1 or 2 quite often and just exit those, or sometimes exit and reverse direction. The point is, I treat the whole thing as one trade. If I exit a couple for small pips loss, but 4 or 5 go for multiple lots, I'll make 500 to 1000 pips on a single trade. I did that today with short trades on nu, eu, ej, and long on gu and ucad. Using 20 pip stops and 30 pip increments I made 1000 pips in about 2 hours. When the trade started to play
out, I closed all remaining lots for the final 300 pips.

The point is, if you put all your capital into one pair, even if you would win 75% of the time, there are many days when you'll lose. If you spread it out among 5 pairs, and exit any that go negative quickly, you will make more pips and more consistent pips than just trading one or two pairs at a time. This is the principal of diversification of risk. It takes practice, but with wide enough increments and tight enough stops, it can be easily managed. Of course, you reduce your lot size by dividing it by 5 to trade 5 pairs at the same time.

Every day I've made my 500 pip target, I've traded multiple pairs, usually 5 or more.

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**Originally Posted by gasanvill**

Hi Graviton

*Please correct me if i am wrong*

If the 4H trend is down, you wait the stochastic on the 15min to go overbought and come back, and then switch to a smaller timeframe and wait for a breakdown of the uptrend line.

Yes, generally that's true, but I don't require the Stoch to go all the way to overbought. I only require the fast line be crossed over the slow in the direction of the trade. The exception is when the Stoch is saturated in the direction of the trade, which is a good thing. In that case I will refer to the Stoch one time frame up to give an OK to the trade, that would be the 1H Stoch in the case of trading the 4H and the 15M Stoch saturated in the direction of the trade. I also routinely look at the 5M at the moment of entry to see it too is moving in the direction of the trade. Adding an additional PA filter requiring a break of the uptrend retracement trend line on a lower TF also seems to help me enter at the best moment. I think you have to experiment with and test these techniques to see which work best for you.

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**Originally Posted by RenaLa**

*It not actually what I had in mind to ask*

sometimes I open trades for one pair and then I open trade for other pair, both pairs look good to trade say long. but in few pips one of the pair turns against my trade. which pairs are trading in the same direction and which one in opposite.

If gbp/usd is rising, would be gbp/jpy also rise. If they do then do they rise at the same time or with some delay ?? Do you know what I mean?

or if usd/cad is rising, would be aud/usd also rising 😐🤔

would you go thru the pairs with explanation please?

if anyone know any thread or web site with such information please let me know thanks

Graviton, one of your posts you said that MT4 has option to close all trades at one time. Where is this option?

yea, how the pairs move depending on Dow Jones?

I thought I had a script to close all trades, but I guess I was mistaken.

Recently the dollar goes down in value as the Dow goes up. There are days it moves in the opposite way, but that's the way it's moved most of the time recently. So more often than not, if the Dow goes up, pairs with the dollar on bottom like eurusd should go up, pairs with dollar on top like usdchf should fall.
Originally Posted by lucominato

Im having difficulties on keeping myself in the trade when i have 1 or 2 lots on - during the first 30 or 40 pips of the move, always close with small profit/small loss just to see it moving in the desired direction right after i close the trade. It seems that any 10-15 pip move makes the trade go from positive to negative. Sometimes i make only 20 pips from 2 trades with 2 lots on during a 60 pip move.
Any better way to stay on trades longer during this part?

Good question. Try trading longer TF's where the pip moves are larger. Be more selective about which trades you try to use multiple lots on. After trading these for a while, you start to develop a sense for which trends will be sustained long enough to support multi lots. You may want to let the first lot run longer before putting the second lot on, then if when you put the second lot on if the trade fails and goes immediately negative, exit both lots immediately with most of your pips.

If the second lot goes positive, exit both lots before the second turns back to negative. This will happen with most of your trades. Only about 1 in 10 will make it to three lots even if you do everything correctly. About 1 in 20 will make it to 4 lots and only about 1 in 40 will make it to 5 lots. So if you make about 10 trades a day, you'll get about 1 three lot trade a day, a four lot about every other day and a five lot about once a week. If you aren't getting these results, it could be you are trading too short a time frame or perhaps you need to work harder on making good trade selections, that is, take fewer trades and better trades.

Postscript Note: There is nothing you can do to force a trade to go to 5 lots. You have to trade what the pair gives you. Most of your trades will end at one or two lots, so you need to learn to maximize the pips off those. When I get a third lot on, I often close the first and bank all the profit from it. Then I will close the second and third before their sum goes negative. That way I always make a nice profit if I get a third lot on. Some of this just takes experience.

Originally Posted by jonesboy

Graviton,

I have a question regarding how to determine the strength of the trend.. kinda 😊

Today I was practicing some of tymens new micro trades (cross trend trades). One thing that I didn't like was the guessing. Will it stop at tp1, will it continue to tp2.

Now as a newb I was using the 15M chart for these two trades I was running at the same time. To try and help me determine the strength of the cross trend move I put on a Stoch with the standard settings.

15M Stoch up, 30M stoch up, 5M stoch up, so I entered using tymens methods.

When it got half way the 5m went to over bought and started heading down. The price was reflecting that. But the 15M was still showing up as well as the 30M stoch. Price went choppy. It went up a little more then a retrace back to the original bb then way up.

I guess my question is. I know these are lagging indicators. But when trying to use them this way should i follow my home chart or maybe listen to what the chart below me is saying? Or am I on the wrong track completely?
Hard to answer your question with an answer that is good for all cases. I do lots of chart study before I enter a trade, but I rarely look at a chart for a pair once I enter a trade. I'm already in the trade, so the only thing that matters to me at that point is price. If price goes up I want to protect my profit, and at some point I will risk part of that profit to try to make more. If price goes down, I'll want to stop the bleeding as quickly as possible.

All those decisions are made in my trading plan before I enter the trade. So once I enter a trade, I've already decided what I will do if price goes up and what I will do if it goes down, as well as where and when I'll take the next action. So all my subsequent actions, right or wrong, are based on price, not chart formations. The reason is, chart formations are too subjective for me to make good decisions while under the stress of a trade. I do believe that planning is the key to success in this business. As I've said before, even a bad plan is better than no plan, since at least a bad plan can be improved over time. But, that's just my style. You'll have to practice and try different things and discover your own.

Originally Posted by fartist
Hi graviton, im facing similar problem as lucominato.
First of all, i would like to thank you for your swing and position trading methods. It indeed works very well, the trendline breaking and entering upon it. I usually enter on the 1 hr chart for swing trade and after confirmation of closing of 1 or maybe 2 candles that breaks the trendline.

However as mentioned earlier, my trades somehow don't get very far. For example if i swing trade, i would go in at additional lot after 50pips. Usually im up by close to 100 pips, before i slowly see it being eaten away. I'm helpless and do not know what's the best way out. I set my stop loss pretty far away to allow flexibility, thus more pips are being sacrificed.

If i set it too tight, it hits the SL more than half the time. So is there a way which you can variate between these 2 factors?
Or like you said earlier, if one lot goes bad, you quickly exit everything.

And if so, when do you re enter again? Do you perharps re enter:

For example you went long at 100 exit at 95 due to bad judgement. Do you enter below 95? Or you dont mind entering around the 95-100 region again?

I understand at times you say you leave your trade on for weeks and months, but i don't see how i can do that without being stopped out, unless i set really high SL. And if i do that, i would also see my pip being eaten up.

I hope you could shed some light on me, as its been quite a nutcrack. No worries, im doing all of it in demo, however i treat my demo as a live thing. Would appreciate it man 😊

I'll answer the last question on position trades first. No two trades are identical, but I'll give you a general framework for a position trade and you can adjust it to your needs as you gain experience.

A position trade entry is different from a trade I intend to exit within a few hours. A position trade is very much like a ball game. You have to track your percentages to improve your
game. I'll be happy to look over your percentages, but once you start to track them, I think you'll see where you need to improve. I'll break the trade into four parts for analysis, but if you need too, you can break it into as many pieces and do as many stats as you need.

In a position trade, I have to win the pips necessary for a large enough stop loss to stay in the trade. I'll usually start out with a good CBL entry 1H trade with a tight stop of 20 to 30 pips. I do many hours of chart study and fundamental evaluation before I attempt a position trade. I enter when the lower TF's are moving in the direction of my trade. Of course, I've already decided my pair and direction based on long term charts and fundamental information. My first goal is to decide if I've made a good entry. You can't get ahead of yourself on this.

It's easy to see if you have a good or bad entry. If price goes in my direction right after my entry, it's a good entry, if it goes against me, it's a bad entry. I'll exit a bad entry if it goes 7 to 10 pips against me. A good entry proceeds to the next step. I'll lose about 7 to 10 pips on a little less than half my entry attempts. I will go back into the trade one more time, if I'm sure I have another good entry, but about 75% of the time I just move to another pair. If I fail at two entries on the same pair, I'm done with that pair for the day and I move to another pair. A few bad entries is not a major worry. Those are small pips. Entries are easier when you look at them separate from the rest of the trade and work specifically to make better entries. Using Tymen's method and watching lower TF's as you are doing to pick the right moment for entry, you should be able to get 50% or more good entries with not too much effort. Track your entries as good or bad and calculate the percentages and calculate your average bad entry pip loss and you can see if this needs more work. It sounds to me like you have good entry numbers. But you need to track the numbers. That's the first stage.

Once I have a good entry, I let the trade run. From this point on, NEVER let a winner turn into a loser. If it turns back around quickly, I'll exit with only a few pips in my pocket. I don't count this as a bad entry, so I go back to looking for another good entry. That happens half the time. Track your percentages and average win at this stage, call it quick turnaround stage. You'll have a % that makes a quick turnaround and you early exit, and the percent that continues on to +20 pips or more. For any profit over 20 pips, you can trail your stop up by half the total profit. You should never take a loss in the early turnaround stage. It sounds like you are doing fine up to here. That's the second stage.

If this were a short day trade I would probably move my stop to BE at +30 and put a second lot on, but that's too fast for a position trade.

For a position trade we must win enough pips to take a position. This is the third stage. When your first lot is 50 pips ahead, move your 1st lot stop to BE +25 pips and trail your stop to take half of any additional profit after that. You'll always take 1/2 your total profit from here on out. Half the time the trade will turn and you will stop out and half the time the first lot will continue to rise. Check your percentage and average stop out profit at this stage of setting your position. I think this is where your problem is, so this is the part you will need to break down and analyze very carefully. You may need to adjust the first lot to take it to +60 and put the stop on at BE +30 on a more volatile pair.

The higher you let the first lot run the more early exit profit you can take if it turns back down and you have to early exit, and the more pips you'll have for the next stage. DON'T let all your profit slip away. Always take 1/2, since in the vast majority of cases, once 1/2 has slipped away, the other 1/2 will follow. Trail your stop in this stage to make sure you always capture half your profit. You'll need to keep good records to optimize this part of the trade.
This is just a simple method to establish your position. Once you keep records and analyze your results, you can optimize this portion.

If the profit increases, raise the stop on the lot by 1/2 the total increase, so if you get 10 pips increase in profit, move the stop up by 5 pip. You let this run until it stops out for a profit, or until you get the daily ATR for the pair, usually around 200 pips. 4 out of 5 times you'll stop out for a nice profit. About 1 in 5 times you'll make it to the daily ATR for that pair. This may take days or even a week or two to get to the daily ATR, so you have to be patient. Check your percentages and stop out profit at this third stage of winning enough pips to take a position.

Once you have a lot at the 1X daily ATR stop, you have a position trade. Put a second lot on with 0.5 ATR stop. Continue to increase stops 1/2 profit increase and when you get to 1.5 X ATR on the first lot and BE on the second, put a third lot on. Continue with the trail stops at 1/2 profit rule and if you get to 2 X ATR stop on the first lot, set a trailing stop to auto trail the first lot at 2X ATR, put your 4th lot on at ½ ATR. Continue putting on lots at ½ ATR, moving stops up to lock in ½ incremental profit, and setting trailing stops at 2X ATR. You'll hit many small retracements. You exit before you give ever give back half your profit at any time. If you set up trendlines, you can take a big chunk of profit off on the break of a trend line, like the top three lots, but still never let the remaining profit drop more than ½ before exiting lots. In other words, once you take profit off and lock it up, it’s no longer considered as part of the trade. If the trade then returns to the main trend, as it will 4 out of 5 times, you can go back in again with lots put on originally at ½ ATR stop and increasing stops by ½ incremental profit and trailing stops once they get to 2X ATR. This is the fourth stage of managing the position trade.

Most people chicken out and bail on a quick retracement before they get to the point of making big pips. But if you can hang in there, you are often looking at a profit of hundreds and sometimes thousands of pips off a 10 pip original risk. Whether you make it that far or not depends first on your ability to hang in there through many short retracements, and secondly on the very long term weekly and monthly trends, and thirdly on the underlying fundamentals that are driving those trends. You'll need to make some adjustments depending on the pair, but don't bail too early and give up a good position trade. Once you get in one, you'll be hooked on them. Let me know if you have problems with any of this or any questions and we'll work through it.

I usually try to enter position trades on several pairs a day and I'm only successful once every week or two. The rest of the time I exit with a very small loss or a slightly larger win. Let me know how this works for you and we'll adjust from there.

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Originally Posted by lucominato

Im having difficulties on keeping myself in the trade when i have 1 or 2 lots on - during the first 30 or 40 pips of the move,always close with small profit/small loss just to see it moving in the desired direction right after i close the trade.It seems that any 10-15 pip move makes the trade go from positive to negative.Sometimes i make only 20 pips from 2 trades with 2 lots on during a 60 pip move.

Any better way to stay on trades longer during this part?

You can use the method I described above to fartist to insure you always have a win from a good entry. You will still stop out often if you aren't in a sustained trend, but you will always stop out for a profit on a good entry.
Hi graviton you mentioned that "For a position trade we must win enough pips to take a position. This is the third stage. When your first lot is 50 pips ahead, move your 1st lot stop to BE + 25 pips and trail your stop to take half of any additional profit after that. You'll always take 1/2 your total profit from here on out. Half the time the trade will turn and you will stop out and half the time the first lot will continue to rise. Check your percentage and average stop out profit at this stage of setting your position. I think this is where your problem is, so this is the part you will need to break down and analyze very carefully. You may need to adjust the first lot to take it to +60 and put the stop on at BE +30 on a more volatile pair."

1) So am i right to assume that you would do this till you hit the daily ATR for your SL? So it means at this point you are still on 1 LOT, and are constantly adjusting the SL till it finally hits a daily ATR, which make take days or even weeks.

2) When you get that accomplished, then you would proceed onto add additional lot?

3) So mathematically if your daily ATR is 200, your pips would be up 400 now? Cus 200 is half of 400.

4) And also, is it advisable to use this approach for swing trade? But we are looking at 4HR ATR instead?

5) And also correct me if im wrong, as per your teaching a position trade we would look at the weekly chart and determine the trend. Best we setup channels, if there is any and look out if its touching the upper or lower part of it. We would draw trendlines to determine the retracements.

6) After which we would go to the daily charts and touch up the trendlines. Do we enter a trade only when PA is at the extreme end of the channels, meaning either the upper or lower portion?

7) Or would you define the trend, if its uptrend, you would go to the 1HR tf to find a valid entry and ride the trend up. Regardless of whether the PA on the weekly chart is at the extreme of the channel?

Thanks you.

OK, a total of 7 questions. I numbered them so I don't have to copy/paste each.

1) Yes you are correct. Even on a very strongly trending pair, it may take weeks to get to the daily ATR. You'll find that on a good trade, you are entering the end of a retracement with a good CBL for a trade that returns to the main trend just at the opposite time that most retail traders are piling on to trade the retracement. That's the way the biggest traders trade. The smaller traders try to get into the very tail end of the retracement trade and consistently lose.

Look at EURUSD for example. It's been in a very strong down trend for about 6 months now as you can easily see from the weekly and monthly charts. Most small retail traders probably haven't even looked at those longer term charts. The last good swing trade entry off the 4H chart was a "cut the extreme candle in half" entry out of a squeeze on May 28th. If you see it, post the chart so we can use it as an example.

If you drop down to the hourly chart you'll see a perfect short CBL entry at that time. Please
post that chart also if you want to discuss. But for a position trade, the last good CBL entry on the daily chart was April 16th.

Now, you couldn't have known that was a perfect day to enter a position trade at the time, but you still could have entered, by taking all short 1H trades. If you look at the 4H chart, you'll see there isn't even a good CBL entry on April 16th. Post that chart if you want to discuss it.

But if you look at the 1H chart, you'll see good 1H CBL entries on April 15th, a full day earlier than the trade showed up on the daily chart. Once again, I used a cut the extreme candle in half entry in a squeeze (the very best entry in my opinion) and entered at 1.3650 with a tight stop. Using that method of always taking every good 1H CBL in the direction I want to position trade, I was in the trade a full day before it would have been caught off the daily chart.

That is why I suggest entering position trades from the 1H chart. Now, there would have been dozens of 1H entries before this perfect one. The only way I know to get the perfect one is to take them all. The good news is you would have made hundreds or thousands of pips using my method on all of them until the perfect one came along for a position trade. The only difficulty is that to take them all, you'll have to set an alarm clock for a prospective entry that will come about while you are sleeping. You can see it coming when the price starts to approach the upper BB on this trade. That really only happens once or twice a week or so if you are trading many pairs, and on longer trades once you are in them you won't have to watch them while you sleep since you can set sell stops with stop losses and trailing stops to manage the trade while you sleep.

So there are three ways to enter this trade. Wait until the cbl on the daily chart and enter with a very large stop, enter with a good CBL on the 4 hr chart which will reduce the stop by about half, but miss some good entries, or lose a bit of sleep sometimes and enter on the 1H chart with a tight stop. Taking all the 1H entries is my preferred method. The method I gave you will automatically take you out with good profit on the many retracements that will come along before a good position trade entry, and automatically leave you in on the best position trade entries most of the time. You'll need to make adjustments as you go along, but it's close as is.

2) Yes, as I laid it out, the second lot goes on with 1/2 daily ATR stop when the first lot has 1X ATR stop.

3) Yes, that's the math, but you might want to adjust this a little bit after you have some experience with it. I'm just giving you a frame work that will work most of the time. I almost never put a second lot on though before I have 300 pips profit on the first. You'll need to carefully track your results and optimize from here. You can use DodgeV83's EA off of Tymen's thread if you want to turn years of testing and optimization into just a few weeks. I highly recommend it.

4) Yes, the same approach works for a swing trade. The ATR of the 4H is about 1/2 to 2/3rds that of a daily chart position trade, so you can get your second lot on faster. You'll be stopped out a little more often, but that's nothing to cry over after you've made 1000 or more pips.

5) Yes. I actually look at the monthly chart first, which gives a really quick view of trend over the past several months, but for a daily position trade, I require the weekly trend it be in the direction of my trade. It's a plus if the monthly is also. I wouldn't necessarily not take
a trade if the monthly trend is in the opposite direction, but I'd want to know that something fundamental has changed with the pair to cause that divergence between the weekly and monthly trends.

The last time that happened with the EURUSD pair we were looking at was in November 2009 when the price reversed trend from up to down due to bad news out of Greece. The monthly chart was still in up trend for a month or two, but the weekly clearly broke it's trend line and headed into a sustained down trend. A position trade entered on that trend change would have returned about 4000 pips on a single lot, and much more on multi-lot. The important part is to understand the fundamental reason for the trend change. There is plenty of time to study these long term trades, and never trade something you don't understand.

6) I used to do it that way, trying to guess where the best entry point is. Now I don't bother with guessing. I just take all 1H valid CBL entries in the direction I want to position trade. I find that works much better. I may use a breakout of the channel though, to early exit with about half my lots, and exit more in anticipation of a possible long term trend change if it keeps going against me. I'll re-enter on good 1H CBL's though if price drops back into the channel, just like it was a new trade. It is a bit confusing at first, but you get used to it. And you have hours or even days to think over each move. Better to move slow and not overtrade these position trades.

7) Yes, I now take all valid CBL 1H entries in the direction I want to position trade until a retracement trend line is formed. I stop taking entries when the price is in retracement and take off profit as appropriate. Then I wait until the retracement trend line is broken back in the direction of the main trend and start taking valid 1H CBL entries again, just as if I were starting a new trade. If I still have lots left over from the previous position trade that weren't taken off for profit before the retracement trend line was broken back into the direction of the main trend, that's OK, the trailing stop will eventually bring them all back together.

This has been a very useful discussion for many people I'm sure. Please keep good questions, comments, and of course charts with mark-ups on them coming (I love charts!). I want anyone who wishes to long term trend trade to be able to do it successfully and we'll work on this until no one has any more good questions about it. This takes a lot of patience and careful thought, but this world of big pips is really a great place to live 😊

Originally Posted by R Carter

If I feel lifes unfulfilling I'll take a punt... lol. But the daily is my posion of choice for intra day and weekly for the longer trade. 🌼

Apologise for interrupting but thought Gravitons post was worthy of note. 😊

Good comments and much appreciated. The central subject of this thread has now moved on to long term trend trading. I'll be happy to discuss any issues with respect to trend trading, and all posts regarding trend trading are welcome, but issues concerning long term trend trading will get my attention 1st from here on out.

Originally Posted by Graviton

Good comments and much appreciated. The central subject of this thread has now moved on to long term trend trading. I'll be happy to discuss any issues with respect to trend
trading, and all posts regarding trend trading are welcome, but issues concerning long term trend trading will get my attention 1st from here on out.

Starting position for me is on a day chart. I have two fast ma's set to high/low. I trade just the daily candle (bar in my case) across the high/ low tunnel. If the tunnel is flat i.e. PA is ranging I'll take trades either way. If the tunnel is at 2 or 5 o'clock I'll trade only in its direction.

When pa hits the slower ma an alert sound will trigger. Thats where I start to pay attention. I wait until PA passes the slower indicator into what can be considered OB/OS. The faster indicator will track price exactly (its basically a regression line set to 2 which defaults to in effect price line but high/ low). When PA stops rising or falling it will leave the fast indicator at the highest high or lowest low. I enter the trade at mid point between the two indicators and trade back across the tunnel.

I trade 20 pairs so try and keep things as simple as possible. Trading under the daily just speeds things up and reduces the number of pips between the high/ low.

I also flip the charts through monthly and weekly and drop in a high/ low horizontal line so that when I drop back down to the daily I have potential monthly and weekly S/R points on the daily as well. For the longer trade I will enter as above but off the weekly chart.

Although I am simply trading a single candle on a higher tf... if you are looking to and trading the 1h it will appear as a trend. 😊

I will attach a screenshot of my platform set up when it comes back on Sunday.

I'm looking forward to seeing your charts. I know many are concerned that moving averages are lagging indicators, and of course they are, but that lag doesn't seem to be as much of a problem when trading longer TF's. I'm curious if you have had much problem with whipsaws? In my younger days as a MA trader, I had to install a significant dead band gap of about 1/2 ATR to prevent getting whipsawed to death in consolidating markets.

I'm not sure if this is commonly done as I haven't seen it in any trading books. It is a strategy used in control systems theory to prevent a device, say an air conditioner from cycling on and off too fast. So if I enter a trade, it's with 1/2 ATR Stop Loss and I don't exit even if the MA's reverse, unless it moves at least 1/2 ATR against me. Perhaps when I see your charts I'll see how you deal with this. Sounds like you are doing fine on the longer time frame trends though 😊

In reality of course most if not all indicators are pretty poor. Most newbs will have looked at if not tried the MA close cross and this will certainly attract more than its fair share of whipsaws. 😞

My set up only includes one fast high/ low ma. A Regression line set to 2 (price line) so that I can have the chart as a bar chart and not a price line chart.

PAGE 107 Post 1061 Above

1) There are several reasons I would not take a 1H CBL entry. 15M Stoch filter doesn't allow is most common. If we are in a clear retracement against the main trend, I will want to look at it very closely. If we are close to breaking the retracement trend line,
I may wait just a bit to see if we break it or bounce off it. The majority of time we'll bounce off it, so breaking it is a good entry signal. If there's been a major change in fundamental information, I may not take an entry in that pair since that could precede a change in the major trend direction. But even if it took all those, it would probably make a very small difference in final results since I enter with such tight stops. Still, every pip counts!

2) Yes, if you are day trading, your goal is to make as many pips as possible very quickly. Position trading is all about establishing a good position for minimum risk. If you had to pick a one rule fits all, a single lot put on for a 10 pip maximum risk and not touched at all until it hits the daily ATR may be the absolute optimum. But it really depends on the situation. There is no magic formula. Somewhere between not adjusting the stoploss at all between entry and reaching the daily ATR, and adjusting stoploss to capture at least 1/2 the profit is probably best.

If there is magic, it would be to adjust SL to always be above the last lower high in a downtrend, but not to make the next adjustment if it will take more than 1/2 the profit, until the daily ATR is hit. This causes lots of jerky moves in stoploss adjustment, but that's the way price moves and it's best to adapt to the market rather than trying to find a nice smooth system.

3) For a swing trade, I use 4H ATR as max SL. Other people use 1/2 daily ATR. I haven't seen good tests on this subject so I can't say which is better overall. It probably depends on the pair.

4) Your choice. As noted above, this is one of the exceptions where I may wait and watch to see if the retracement trend line is broken a little later. The problem is, if you don't take it at all you save a 10 pip tight early exit loss, but if you do take it you might make 100 or 1000 pips profit. Using those numbers, you should really only ultimately pass up on no more than 1 in 10 to 1 in 100 valid CBL entries of 1H or more (of course always in the direction if higher TF trends). That's why the rule of take them all is better than passing up on more than a very small percent. Of course, where I'm just being patient and waiting for a retracement trendline to break, or for a 15M Stoch to turn around, that's just optimizing entry. I'm not really passing it up, I'm just being patient to make a better entry point. The vast majority of those I'll still make.

5) Yes. You go into every trade with a plan and follow that plan, win or lose. After the trade, you can improve your plan, but you never change it in the middle of a trade. That's the only way to improve your plans.

6) Yes. My plan doesn't not allow jumping the gun, even if 15M Stoch is good. You can test this for yourself, but I've not had good results jumping the gun.

No problem with good questions. I'm sure many are helped by them.

Page 105 Post 1048

Originally Posted by fartist

Hi graviton, im facing similar problem as lucominato.
First of all, I would like to thank you for your swing and position trading methods. It indeed works very well, the trendline breaking and entering upon it. I usually enter on the 1 hr chart for swing trade and after confirmation of closing of 1 or maybe 2 candles that breaks the trendline.

However as mentioned earlier, my trades somehow don't get very far. For example if I swing trade, I would go in at additional lot after 50pips. Usually im up by close to 100 pips, before I slowly see it being eaten away. I'm helpless and do not know what's the best way out. I set my stop loss pretty far away to allow flexibility, thus more pips are being sacrificed.

If I set it too tight, it hits the SL more than half the time. So is there a way which you can variate between these 2 factors? Or like you said earlier, if one lot goes bad, you quickly exit everything.

And if so, when do you re enter again? Do you perhaps re enter:

For example you went long at 100 exit at 95 due to bad judgement. Do you enter below 95? Or you dont mind entering around the 95-100 region again?

I understand at times you say you leave your trade on for weeks and months, but I don't see how I can do that without being stopped out, unless I set really high SL. And if I do that, I would also see my pip being eaten up.

I hope you could shed some light on me, as it's been quite a nutcrack. No worries, I'm doing all of it in demo, however I treat my demo as a live thing. Would appreciate it man 😊

I'll answer the last question on position trades first. No two trades are identical, but I'll give you a general framework for a position trade and you can adjust it to your needs as you gain experience.

A position trade entry is different from a trade I intend to exit within a few hours. A position trade is very much like a ball game. You have to track your percentages to improve your game. I'll be happy to look over your percentages, but once you start to track them, I think you'll see where you need to improve. I'll break the trade into four parts for analysis, but if you need too, you can break it into as many pieces and do as many stats as you need.

In a position trade, I have to win the pips necessary for a large enough stop loss to stay in the trade. I'll usually start out with a good CBL entry 1H trade with a tight stop of 20 to 30 pips. I do many hours of chart study and fundamental evaluation before I attempt a position trade. I enter when the lower TF's are moving in the direction of my trade. Of course, I've already decided my pair and direction based on long term charts and fundamental information. My first goal is to decide if I've made a good entry. You can't get ahead of yourself on this.

It's easy to see if you have a good or bad entry. If price goes in my direction right after my entry, it's a good entry, if it goes against me, it's a bad entry. I'll exit a bad entry if it goes 7 to 10 pips against me. A good entry proceeds to the next step. I'll lose about 7 to 10 pips on a little less than half my entry attempts. I will go back into the trade one more time, if I'm sure I have another good entry, but about 75% of the time I just move to another pair. If I fail at two entries on the same pair, I'm done with that pair for the
day and I move to another pair. A few bad entries is not a major worry. Those are small pips. Entries are easier when you look at them separate from the rest of the trade and work specifically to make better entries. Using Tymen's method and watching lower TFs as you are doing to pick the right moment for entry, you should be able to get 50% or more good entries with not too much effort. Track your entries as good or bad and calculate the percentages and calculate your average bad entry pip loss and you can see if this needs more work. It sounds to me like you have good entry numbers. But you need to track the numbers. That's the first stage.

Once I have a good entry, I let the trade run. From this point on, **NEVER let a winner turn into a loser**. If it turns back around quickly, I'll exit with only a few pips in my pocket. I don't count this as a bad entry, so I go back to looking for another good entry. That happens half the time. Track your percentages and average win at this stage, call it quick turnaround stage. You'll have a % that makes a quick turnaround and you early exit, and the percent that continues on to +20 pips or more. For any profit over 20 pips, you can trail your stop up by half the total profit. You should never take a loss in the early turnaround stage. It sounds like you are doing fine up to here. That's the second stage.

If this were a short day trade I would probably move my stop to BE at +30 and put a second lot on, but that's too fast for a position trade.

For a position trade we must win enough pips to take a position. This is the third stage. When your first lot is 50 pips ahead, move your 1st lot stop to BE + 25 pips and trail your stop to take half of any additional profit after that. You'll always take 1/2 your total profit from here on out. Half the time the trade will turn and you will stop out and half the time the first lot will continue to rise. Check your percentage and average stop out profit at this stage of setting your position. I think this is where your problem is, so this is the part you will need to break down and analyze very carefully. You may need to adjust the first lot to take it to +60 and put the stop on at BE +30 on a more volatile pair.

The higher you let the first lot run the more early exit profit you can take if it turns back down and you have to early exit, and the more pips you'll have for the next stage. DON'T let all your profit slip away. Always take 1/2, since in the vast majority of cases, once 1/2 has slipped away, the other 1/2 will follow. Trail your stop in this stage to make sure you always capture half your profit. You'll need to keep good records to optimize this part of the trade. This is just a simple method to establish your position. Once you keep records and analyze your results, you can optimize this portion.

If the profit increases, raise the stop on the lot by 1/2 the total increase, so if you get 10 pips increase in profit, move the stop up by 5 pip. You let this run until it stops out for a profit, or until you get the daily ATR for the pair, usually around 200 pips. 4 out of 5 times you'll stop out for a nice profit. About 1 in 5 times you'll make it to the daily ATR for that pair. This may take days or even a week or two to get to the daily ATR, so you have to be patient. Check your percentages and stop out profit at this third stage of winning enough pips to take a position.

Once you have a lot at the 1X daily ATR stop, you have a position trade. Put a second lot on with 0.5 ATR stop. Continue to increase stops 1/2 profit increase and when you get to 1.5 X ATR on the first lot and BE on the second, put a third lot on. Continue with the trail stops at 1/2 profit rule and if you get to 2 X ATR on the first lot, set a trailing stop to auto trail the first lot at 2X ATR, put your 4th lot on at ½ ATR. Continue putting on
lots at ½ ATR, moving stops up to lock in ½ incremental profit, and setting trailing stops at 2X ATR. You’ll hit many small retracements. You exit before you give ever give back half your profit at any time. If you set up trendlines, you can take a big chunk of profit off on the break of a trend line, like the top three lots, but still never let the remaining profit drop more than ½ before exiting lots. In other words, once you take profit off and lock it up, it’s no longer considered as part of the trade. If the trade then returns to the main trend, as it will 4 out of 5 times, you can go back in again with lots put on originally at ½ ATR stop and increasing stops by ½ incremental profit and trailing stops once they get to 2X ATR. This is the fourth stage of managing the position trade.

Most people chicken out and bail on a quick retracement before they get to the point of making big pips. But if you can hang in there, you are often looking at a profit of hundreds and sometimes thousands of pips off a 10 pip original risk. Whether you make it that far or not depends first on your ability to hang in there through many short retracements, and secondly on the very long term weekly and monthly trends, and thirdly on the underlying fundamentals that are driving those trends. You’ll need to make some adjustments depending on the pair, but don’t bail too early and give up a good position trade. Once you get in one, you’ll be hooked on them. Let me know if you have problems with any of this or any questions and we’ll work through it.

I usually try to enter position trades on several pairs a day and I’m only successful once every week or two. The rest of the time I exit with a very small loss or a slightly larger win. Let me know how this works for you and we’ll adjust from there.

Page 105 Post 1055

Originally Posted by fartist

Hi graviton you mentioned that "For a position trade we must win enough pips to take a position. This is the third stage. When your first lot is 50 pips ahead, move your 1st lot stop to BE + 25 pips and trail your stop to take half of any additional profit after that. You’ll always take 1/2 your total profit from here on out. Half the time the trade will turn and you will stop out and half the first lot will continue to rise. Check your percentage and average stop out profit at this stage of setting your position. I think this is where your problem is, so this is the part you will need to break down and analyze very carefully. You may need to adjust the first lot to take it to +60 and put the stop on at BE +30 on a more volatile pair."

1) So am i right to assume that you would do this till you hit the daily ATR for your SL? So it means at this point you are still on 1 LOT, and are constantly adjusting the SL till it finally hits a daily ATR, which make take days or even weeks.

2) When you get that accomplished, then you would proceed onto add additional lot?

3) So mathematically if your daily ATR is 200, your pips would be up 400 now? Cus 200 is half of 400.

4) And also, is it advisable to use this approach for swing trade? But we are looking at 4HR ATR instead?

5) And also correct me if im wrong, as per your teaching a position trade we would look at
the weekly chart and determine the trend. Best we setup channels, if there is any and look out if its touching the upper or lower part of it. We would draw trendlines to determine the retracements.

6) After which we would go to the daily charts and touch up the trendlines. Do we enter a trade only when PA is at the extreme end of the channels, meaning either the upper or lower portion?

7) Or would you define the trend, if its uptrend, you would go to the 1HR tf to find a valid entry and ride the trend up. Regardless of whether the PA on the weekly chart is at the extreme of the channel?

Thanks you.

OK, a total of 7 questions. I numbered them so I don't have to copy/paste each.

1) Yes you are correct. Even on a very strongly trending pair, it may take weeks to get to the daily ATR. You’ll find that on a good trade, you are entering the end of a retracement with a good CBL for a trade that returns to the main trend just at the opposite time that most retail traders are piling on to trade the retracement. That's the way the biggest traders trade. The smaller traders try to get into the very tail end of the retracement trade and consistently lose.

Look at EURUSD for example. It's been in a very strong down trend for about 6 months now as you can easily see from the weekly and monthly charts. Most small retail traders probably haven't even looked at those longer term charts. The last good swing trade entry off the 4H chart was a "cut the extreme candle in half" entry out of a squeeze on May 28th. If you see it, post the chart so we can use it as an example.

If you drop down to the hourly chart you'll see a perfect short CBL entry at that time. Please post that chart also if you want to discuss. But for a position trade, the last good cbl entry on the daily chart was April 16th.

Now, you couldn’t have known that was a perfect day to enter a position trade at the time, but you still could have entered, by taking all short 1H trades. If you look at the 4H chart, you'll see there isn't even a good CBL entry on April 16th. Post that chart if you want to discuss it.

But if you look at the 1H chart, you'll see good 1H CBL entries on April 15th, a full day earlier than the trade showed up on the daily chart. Once again, I used a cut the extreme candle in half entry in a squeeze (the very best entry in my opinion) and entered at 1.3650 with a tight stop. Using that method of always taking every good 1H CBL in the direction I want to position trade, I was in the trade a full day before it would have been caught off the daily chart.

That is why I suggest entering position trades from the 1H chart. Now, there would have been dozens of 1H entries before this perfect one. The only way I know to get the perfect one is to take them all. The good news is you would have made hundreds or thousands of pips using my method on all of them until the perfect one came along for a position trade. The only difficulty is that to take them all, you'll have to set an alarm clock for a prospective entry that will come about while you are sleeping. You can see it coming when the price starts to approach the upper BB on this trade. That really only happens once or twice a week or so if you are trading many pairs, and on longer trades once you are in them you won't have to watch them while you sleep since you can set sell stops with stop losses and
trailing stops to manage the trade while you sleep.

So there are three ways to enter this trade. Wait until the cbl on the daily chart and enter with a very large stop, enter with a good CBL on the 4 hr chart which will reduce the stop by about half, but miss some good entries, or lose a bit of sleep sometimes and enter on the 1H chart with a tight stop. Taking all the 1H entries is my preferred method. The method I gave you will automatically take you out with good profit on the many retracements that will come along before a good position trade entry, and automatically leave you in on the best position trade entries most of the time. You'll need to make adjustments as you go along, but it's close as is.

2) Yes, as I laid it out, the second lot goes on with 1/2 daily ATR stop when the first lot has 1X ATR stop.

3) Yes, that's the math, but you might want to adjust this a little bit after you have some experience with it. I'm just giving you a frame work that will work most of the time. I almost never put a second lot on though before I have 300 pips profit on the first. You'll need to carefully track your results and optimize from here. You can use DodgeV83's EA off of Tymen's thread if you want to turn years of testing and optimization into just a few weeks. I highly recommend it.

4) Yes, the same approach works for a swing trade. The ATR of the 4H is about 1/2 to 2/3rds that of a daily chart position trade, so you can get your second lot on faster. You'll be stopped out a little more often, but that's nothing to cry over after you've made 1000 or more pips.

5) Yes. I actually look at the monthly chart first, which gives a really quick view of trend over the past several months, but for a daily position trade, I require the weekly trend it be in the direction of my trade. It's a plus if the monthly is also. I wouldn't necessarily not take a trade if the monthly trend is in the opposite direction, but I'd want to know that something fundamental has changed with the pair to cause that divergence between the weekly and monthly trends.

The last time that happened with the EURUSD pair we were looking at was in November 2009 when the price reversed trend from up to down due to bad news out of Greece. The monthly chart was still in up trend for a month or two, but the weekly clearly broke it's trend line and headed into a sustained down trend. A position trade entered on that trend change would have returned about 4000 pips on a single lot, and much more on multi-lot. The important part is to understand the fundamental reason for the trend change. There is plenty of time to study these long term trades, and never trade something you don't understand.

6) I used to do it that way, trying to guess where the best entry point is. Now I don't bother with guessing. I just take all 1H valid CBL entries in the direction I want to position trade. I find that works much better. I may use a breakout of the channel though, to early exit with about half my lots, and exit more in anticipation of a possible long term trend change if it keeps going against me. I'll re-enter on good 1H CBL's though if price drops back into the channel, just like it was a new trade. It is a bit confusing at first, but you get used to it. And you have hours or even days to think over each move. Better to move slow and not overtrade these position trades.

7) Yes, I now take all valid CBL 1H entries in the direction I want to position trade until a retracement trend line is formed. I stop taking entries when the price is in retracement and
take off profit as appropriate. Then I wait until the retracement trend line is broken back in
the direction of the main trend and start taking valid 1H CBL entries again, just as if I were
starting a new trade. If I still have lots left over from the previous position trade that
weren't taken off for profit before the retracement trend line was broken back into the
direction of the main trend, that's OK, the trailing stop will eventually bring them all back
together.

This has been a very useful discussion for many people I'm sure. Please keep good
questions, comments, and of course charts with mark-ups on them coming (I love charts!).
I want anyone who wishes to long term trend trade to be able to do it successfully and we'll
work on this until no one has any more good questions about it. This takes a lot of patience
and careful thought, but this world of big pips is really a great place to live 😊

Last edited by Graviton; 06-05-2010 at 12:19 PM.

Note the retracement line drawn. I need to start doing this.

Page 107 Post 1062

Originally Posted by fartist ☺
Hello graviton, thank you for your detailed explanation once again.
But i do have a habit or reiterating what has been taught so to assure i got my facts right.
Pardon me for that ☺

1) "But if you look at the 1H chart, you’ll see good 1H CBL entries on April 15th, a full day
earlier than the trade showed up on the daily chart. Once again, I used a cut the extreme
candle in half entry in a squeeze (the very best entry in my opinion) and entered at 1.3650
with a tight stop. Using that method of always taking every good 1H CBL in the direction I want to position trade, I was in the trade a full day before it would have been caught off the daily chart."

So you said as long as you have define the maintrend on the daily and weekly charts you will take any all positions on the 1hr TF that goes with the trend. What if i missed the earlier entries and the main trend has already resumed back and is somewhat into the middle of the channel, do i still take up the cbl entry on the 1HR TF even though i have missed half of the move?

2) "So there are three ways to enter this trade. Wait until the cbl on the daily chart and enter with a very large stop, enter with a good CBL on the 4 hr chart which will reduce the stop by about half, but miss some good entries, or lose a bit of sleep sometimes and enter on the 1H chart with a tight stop. Taking all the 1H entries is my preferred method. The method I gave you will automatically take you out with good profit on the many retracements that will come along before a good position trade entry, and automatically leave you in on the best position trade entries most of the time. You'll need to make adjustments as you go along, but it's close as is."" 

So am i right to say if you position trade, you will have your first lot on till the SL is equals to the daily ATR. Thus you know in the 1HR TF you will get many false entries, however you will still make pips along the way before you finally hit the right one. So all these while you will be on 1 LOT till it hits the daily atrm before adding a 2nd lot? Thus you will be on one LOT for quite awhile right?

3) "Yes, the same approach works for a swing trade. The ATR of the 4H is about 1/2 to 2/3rds that of a daily chart position trade, so you can get your second lot on faster."

So for a swing trade do you use the ATR that is provided in the 4HR TF or would you manually divide the ATR on the daily? Or you would choose the ATR which gives you a higher SL for greater flexibility?

4) And how about we are on a retracement, however the 1 TF shows a valid cbl entry to enter with the main trend. However we have yet to break the retracement trendline, do we still enter?

5) So am i right to assume before every trade you must know what kind of trade you are getting into, thus being able to employ the right money management strategy? If position trade, you will have mostly 1 lot for quite a while, if its day trading, you will use your multiple lots of 15 strategy, right?

6) And i always noted you would always use a 15mins stoch indicator to let you decide to enter an entry or not. Somehow for example we know our cbl entry is at 100 and we want to go long. If the price hits 100, you would refer to your 15mins stoch indicator to see if its valid to go long? Or would you refer to your stoch indicator before the price hits 100? In that sense, you may actually enter before the entry price of 100 if your indicator says its good to go?

Ok that would be my qns i have, haha.
Sorry if i ask alot cus i find the best way to learn is to ASK.
And I'm truly grateful to you, for having such great patience. And by the way, you have a great way of teaching even though you hardly use charts. I can visualise your words clearly despite having no images 😊

1) There are several reasons I would not take a 1H CBL entry. 15M Stoch filter doesn't allow is most common. If we are in a clear retracement against the main trend, I will want to look at it very closely. If we are close to breaking the retracement trend line, I may wait just a bit to see if we break it or bounce off it. The majority of time we'll bounce off it, so breaking it is a good entry signal. If there's been a major change in fundamental information, I may not take an entry in that pair since that could precede a change in the major trend direction. But even if it took all those, it would probably make a very small difference in final results since I enter with such tight stops. Still, every pip counts!

2) Yes, if you are day trading, your goal is to make as many pips as possible very quickly. Position trading is all about establishing a good position for minimum risk. If you had to pick a one rule fits all, a single lot put on for a 10 pip maximum risk and not touched at all until it hits the daily ATR may be the absolute optimum. But it really depends on the situation. There is no magic formula. Somewhere between not adjusting the stoploss at all between entry and reaching the daily ATR, and adjusting stoploss to capture at least 1/2 the profit is probably best.

If there is magic, it would be to adjust SL to always be above the last lower high in a downtrend, but not to make the next adjustment if it will take more than 1/2 the profit, until the daily ATR is hit. This causes lots of jerky moves in stoploss adjustment, but that's the way price moves and it's best to adapt to the market rather than trying to find a nice smooth system.

3) For a swing trade, I use 4H ATR as max SL. Other people use 1/2 daily ATR. I haven't seen good tests on this subject so I can't say which is better overall. It probably depends on the pair.

4) Your choice. As noted above, this is one of the exceptions where I may wait and watch to see if the retracement trend line is broken a little later. The problem is, if you don't take it at all you save a 10 pip tight early exit loss, but if you do take it you might make 100 or 1000 pips profit. Using those numbers, you should really only ultimately pass up on no more than 1 in 10 to 1 in 100 valid CBL entries of 1H or more (of course always in the direction if higher TF trends). That's why the rule of take them all is better than passing up on more than a very small percent. Of course, where I'm just being patient and waiting for a retracement trend line to break, or for a 15M Stoch to turn around, that's just optimizing entry. I'm not really passing it up, I'm just being patient to make a better entry point. The vast majority of those I'll still make.

5) Yes. You go into every trade with a plan and follow that plan, win or lose. After the trade, you can improve your plan, but you never change it in the middle of a trade. That's the only way to improve your plans.

6) Yes. My plan doesn't not allow jumping the gun, even if 15M Stoch is good. You can test this for yourself, but I've not had good results jumping the gun.

No problem with good questions. I'm sure many are helped by them.
Hi graviton im still unsure about couple of issues.

1) If i did not interpret wrongly, if we are in an uptrend channel. And the PA has already crossed half the channel, however it is still in the uptrend. And on our 1 hr TF, there is a valid cbl entry to go long, you would go long still right? Even though half of the PA has been moved. Meaning we are in the middle of an uptrend and we did not catch the early part of the move. (Assuming we are not on a retracement)

2) And lastly, im quite unclear regarding your 15mins stoch. So in other words, when a valid cbl entry is say at 100. You would only wait for PA to hit 100, then refer to your 15mins stoch indicator and decide if you enter? If the PA has not hit 100 and 15mins stoch indicator says enter, you still would not enter right? Until, both are good to go?

Thank you.

1) Generally yes. If I have a valid 1H TF entry, I will take it regardless of where price is in the higher time frame channel. As we discussed earlier, if we are in retracement, I will watch for a retracement trend line break to confirm the entry. Note that the majority of time, the trendline won't be broken, so that also makes a good filter.

2) Yes, highest probability for a good trade is a bounce off the outside BB, specified by a valid CBL entry signal, and price on lower TF charts is already going in the direction of the trade, as indicated by the 15M stoch fast over slow in the direction of the trade.

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Oops, did I forget something?

I know this has been discussed before, in detail, but I don't think it's clear to everyone. So here it is again, the (not so) top secret trick to make all this work.

The market doesn't move in nice steady 15 or 20 or 30 pip moves. We have to adapt to the market rather than complain it isn't moving right. The market always moves right by definition, it may be up 7, 12, 32, pips on an upswing then a breath taking 40 pip downswing, followed by more jagged moves up again, but that's right by definition.

I think many people are trying to trade the multi-lot in nice even 15 or 20 or 30 pip intervals between lots and moving stops, and are getting stopped out. That because the market doesn't always move that way. To trend trade, you want your stop to follow an up trend always below the a previous higher low, and in a downtrend stop should follow above a previous lower high.

So, to keep from getting stopped out and stay in the trend, don't move your first lot to BE and put on a second lot exactly at your chosen interval. Say it's 30 pips in a downtrend, wait until the price establishes a new lower high, in the neighborhood of 30 pips, then stair step your stop down and put another lot on. It may be 17 pips one time and 43 the next time, but that's the market for you.

If I'm trading the 1H chart, I'll usually drop down to the 15M or even 5M chart to clearly see
the new highs or lows forming. When starting in a trade, I want my stop on the other side of at least the last high or low. The CBL entry allows you to do that from the beginning of the trade. As the trade develops, I will put more new highs or lows between my stop and the price to give it more room to breathe.

Note that when I’m trading the 1H chart, I’m just looking for a cheap entry to a longer term trade. If I don’t get that cheap entry, I settle for small pips and try again. But that just suits me. Others will trade differently.

My point is, move your stops and put new lots on with the market's new lows or highs to keep from being stopped out. that might be 20 pips on one lot and 45 on the next, but that's the way the market works.

Tymen went through all this before, but it’s so important I’m repeating it.

An uptrend is defined by a series of higher lows. As long as price stays above that series of higher lows, that is doesn't form a new lower low, it is still in an uptrend, no matter what head fakes it gives you. As long as your stop is a little below that last higher low, it is still properly positioned to stay in the uptrend. Reverse for a down trend.

If you are interested in trading up to higher TF's, which I always am, you will need to let price move more and so you will transition to stair stepping your stops up to higher lows on a higher TF. So when I first start a trade, I'm stair stepping my stop up and putting new lots on based on higher lows that are easily seen on the 5M or 15M charts, even though I may have entered on a CBL on a higher chart TF. If I’m having trouble picking them out even on the 5M chart, I may even move to the 1M chart to see them more clearly. It's just easier to see the formation of higher lows on a lower TF. As the trade progresses and I get hundreds of pips ahead, I start stair stepping the stop up and putting on additional lots at new higher lows on higher TF charts, 15M, 30M, 1H, and right on up. Of course the intervals between new lots also increase proportionately. That's what makes this all work, for me at least. Try it, it's great fun 😊

Hope this helps someone. Happy trading.

Page 108 Post 1078

OK, I see what you mean now. The break of the retracement trend on UJ daily is a good trade signal. I would check to see the 15M stoch and the 1H stoch are headed down at the moment of entry, just to confirm you've picked a good moment to enter.

I just look at the london open to see which way the big traders are trading pairs. Often big traders will take a position and hold it the whole session. So if say gbpusd id going down at the london open, I'm more likely to take a short position. It's just one of many things I look at each morning.

If I can get a good 1H short entry on a pair that has a good daily short chart, I might get in the daily trade with a smaller stop. I'm always looking for a cheap way to enter a long trade. Yes, you might get stopped out of a 1H entry before the daily trade can develop, but if you make a good entry on the 1H chart, you should actually make a few pips for the effort, and you can then just take the next good entry.

Note that for the 1H entry to be good for me, the H4 would have to be moving in the direction of my trade. Yes, if the H4 retraces you will get stopped out, but in that case you
wouldn't have wanted to enter the daily chart trend anyway, so you got out at much less than a daily stop out would cost you.

Page 109 Post 1088

No, I don't always require a retracement trend line to be broken to enter. That is an entry signal, like a good CBL. I also have a good entry signal from RSI, Stoch, and Moving averages that is a bit complicated.

After I get a good entry signal, I apply filters to decide if I want to take the trade. One filter is that shorter Time Frame trends are going in the direction of my trade. If the 15M price action is against the direction of my trade, I usually only have to wait a short time for it to turn around and give me a better entry where the short time frames are in the direction of my trade.

If you are trading the 1H chart, the shorter TF's of most interest would be the 15M and 5M. When both of those are in the direction of the trade, I'll take the trade. I don't consider over bought or over sold regions. That's because the stoch will often be saturated in the over bought or over sold regions for long periods of time. I do look briefly at the RSI when the stoch is saturated, and I do also look at the stoch of the time frame above the saturated stoch for more information. But the fact is, stoch signals will often be overbought or oversold for long periods of time during the best trading.

This is totally different from range trading where the overbought and oversold signals give trade signals to sell and buy respectively.

When looking at lower time frames to make sure they are moving in my direction just at the moment of entering a trade, I'm going to look quickly at the next major time frame down, and if it's going in the direction of my trade, then I'll work on down. So, if trading the 4H for instance, and I get a good entry signal like a good CBL or retracement line is broken, I'll check the 1H stoch. If it's not headed in the direction of my trade, I wait until it is. When it is, I move down to 15M. If it's not headed in the direction of my trade, I wait. When it is, I'll move to the 5M chart. If it's not headed in the direction of my trade, I wait. Usually you don't have to wait long at all with these short time frames.

When the 5M stoch is headed in my direction, I'll glance at the 1M, usually if it's not headed in my direction it will be in just a few minutes. When it is, I check all the other filters, 1H, 15M, 5M, 1M again and if they are all in my direction at that moment, I enter.

That is how you use lower Time Frame stoch to optimize entry. You can do the same thing by just looking at price action of lower time frames directly, but using the stoch for this purpose is just faster and easier for me.

Does this make sense?

Originally Posted by fartist

Hi graviton, from my understanding of stair stepping.

You mean that if we have profits running we adjust our SL accordingly to the previous low of a candle (If we are going long)

Thus if the PA hits our SL, it could possibly mean a reversal and we are stopped out? Because a long trend, price keeps making higher lows.
So when you add in a new lot, the SL would be the low of the previous candle?

Thank you 😊

Yes, that's true. It may be two previous lows if the previous low is just 17 pips below price and I want to run a 30 pip minimum stop. Then, 2 previous lows may be 37 pips below price, so I would wind up placing the stop a little wider than I intended, but that's the way the market moves. It's unfortunate it does not move in nice even 20 or 30 pip moves, but it just doesn't. Of course, the stop below the previous 17 pip higher low still meets the criteria of being below the previous minimum low, but it may be just too close to price to stand a quick spike, according to my analysis of price action for that particular pair at that particular time on the chart I'm trading.

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Note that saturation of a lower timeframe Stoch is a very good trend indicator. Just about any time the lower time frame stochs are saturated in one direction, the price is in a sustained trend.

Volatility can best be evaluated using ATR. For short term volatility, look at ATR on short term charts. If you are interested in long term historical volatility, you can look at ATR on the monthly chart. I don't have a table on that, but you may be able to find one on the internet.

When I look at the London open, I am only looking at direction. Often times if London opens with a bull candle, it is a bullish day, reverse for bear candle. It's just a start for the day, news can easily reverse that direction.

Page 110 Post 1097

Originally Posted by Renala

looks like I dont understand something.
london opens with a bull candle ...

how you can say that the candle is bull candle until the candle closed 😐

do you look at the first candle on 1Min chart or 5 min chart to say that london opens with bull candle

if you can see at the daily candles you will find that first PA going for the retracement and then continue to go with the trend.

if so how you can say that london open with bull (or bear) candle ?? 😐

I'm not looking at the close. I'm only looking at how the market opened. Use the first 30M or 1H candle of the new day if you like. I just look at how price is moving right after the open.

Of course, if it's an open after a weekend it's a different situation since it may open with a gap and gaps usually close.
I have two other methods for entering trades that I currently use. One is the breaking of a retracement trend line, which we've already discussed. The other is based on RSI, Stoch, and MA indicators.

My current swing trades are all taken off the H4 chart. They are all CBL entries, EU, 6/7: AU, 6/8: GU, 6/8: NU, 6/9. These trades all have a theme of falling dollar.

If you are looking for swing trades, just focus on the H4 chart and take CBL entries. All four of these trades are doing quite well. I entered all four with stop buys. Two opened in the middle of the night while I was asleep.

UJ H4 also gave a CBL today, but I didn't take it as it didn't follow my theme of falling dollar. It's also a little late in the week for me to open a new swing trade. I always either trade rising dollar or falling dollar, never a mix of the two.

These trades should be clear to anyone who has read Tymen's thread. Did you have problems seeing these trades, or were you just unwilling to take the plunge?

If you just take the plunge on these, you should be able to make 500 to 1000 pips a week easily. I will probably close all these trades Friday noon and not hold them over the weekend. I may very well swap back to a rising dollar theme next week if the market reverses and I get good CBL entries for rising dollar trades. Most probably I will just re-enter these same trades. I have no problem exiting for the weekend and paying spread to re-enter. The spread is a very small % on these trades.

I look at the stats generated by my weekly trades, W/L, R/R, Avg Win, Avg Loss, total pips won, total pips lost, largest win, largest loss, % change in account balance, etc. I chart and graph everything up in excel and keep moving averages of my progress, of course 😊

I will review my trade plan and see if there are any tweaks that need to be made. My last change was two weeks ago when I allowed counter trend trades with good CBL's on 4H and daily charts. That was a big change to my trading method, opening up lots of new trades. My research indicates very good win loss ratios and if I can keep my stop loss to a minimum with good entry optimization I get very good R/R ratios as well.

I will review charts for about 20 pairs and form trade plans for next week. I look for and draw in lots of trend lines. I'll read up on the fundamentals of all the majors and comdolls. I'll eventually create a story for how all the main pairs should act next week. If the pair moves as expected I will trade it, and if not I will scrap that plan.

I'll go swimming with my daughter and grandson. I will mostly just float around and drink a cold adult beverage and let them do most of the intense swimming though 🌊

Last weekend I planned to continue the strong dollar trades this week. They all paid off nicely last week. I couldn't get good entries on Monday though and had to scrap that plan and go with the reverse, a weak dollar theme. That worked well so I stayed with it all week.
I'm toying with the possibility of a swing/postion trade on the weekly USD/CHF pair. There is a valid CBL forming and it fits in with a falling dollar scenereo. However, I am a little spooked with the history of the Swiss bank intervening out of nowhere with their currency...but if they do intervene it's usually a downward push that they make correct? So maybe this would not be a factor to consider. The monthly is mostly flat but with a slight downtrend so I was going to wait and see how the week closes on this pair and if it closes past 1.1419 maybe wait to fill the gap on Monday and jump in. Whatdaya think?

When the swiss national bank intervenes, it is to reduce the value of the swiss franc. They print francs and sell them for euros. That reduces the value of the swiss franc vs. all major currencies and makes swiss exports cheaper to buy in other countries. Their major concern though is the eur/chf since the euro zone is their main trading partner. So swiss intervention would move the chf down in value, or the usdchf up, or against the direction of your trade.

The swiss have tried many times to hold down the value of their currency, but all they have done is burn the shorts in eur/chf short term. As soon as the intervention stops, the franc continues it's climb against the euro, bringing the eur/chf down. I can only conclude the swiss like burning speculators that are driving up the value of their currency. Since their internal inflation rate is low, they can print all the francs they wish to shake out the eur/chf shorts.

The funny thing is it's not the speculators that are driving up the value of the franc vs. the euro. The Chinese tried to diversify about 300 billion dollars out of the usd into the euro early last year, but when the euro had problems in nov last year the chinese started selling euros and buying a well diversified basket of other currencies including lots of francs, as well as a well diversified portfolio of commodities including LOTS, read truly huge amounts, of silver and gold almost doubling the price of gold and over doubling the price of silver. The chinese are also buying up all the mines that produce almost all the rare earth materials used in defense and high tech devices. The chinese are not going to be shaken out of the franc, so all the intervention is useless. Not bad for a country that just discovered capitalism last week. But we are now straying pretty far away from your trade.

I think you should take the trade and try to optimize your entry to minimize your risk. Wait until price is moving in your direction before entering. If price reverses and goes strongly against you, exit and try to re-enter at a better price. You don't even consider spread on this type of trade. You only want to re-enter at a better price if you are driven out. You might have to work it for days to get a good entry that will hold. Or, you might be able to get in at a good price from the beginning. It's unlikely, but possible. But, nothing ventured nothing gained. Just manage your risk carefully.
LOL, that's a good one NB.

Another way to say the same thing is: If emotions effect your trading, cut your position size in half.

I actually read that very long list of rules I posted on Tymen's thread about once a week and still add to them, usually about one a month. There's 20 years of trading wisdom collected in that list.

A recent addition which I have mentioned here many times is:

The definition of a good entry is it goes in your direction right away. A bad entry goes against you right away.

Let good entries run and exit bad entries quickly.

I took H4 shorts on EU and EJ early today and they are doing quite well. Both went positive right on entry, the definition of a good entry. Unless something changes before close, I will probably hold them over the weekend and run the position next week.

I exited EU, GU long positions on breaks of the H1 up trend lines for nice profit early this morning. I've reduced the stop on AU to minimum, my favorite way to exit a swing trade. If
it goes up I'll let it run some more, if it exits on stopout, I'll exit with good profit. The only long I have left is NU. It's still running up, but if it turns I'll exit before close. If not, I may hold it over the weekend.

Have a good weekend all. Happy trading.

Page 112 Post 1115

Originally Posted by unrepipant
I'm toying with the possibility of a swing/position trade on the weekly USD/CHF pair. There is a valid CBL forming and it fits in with a falling dollar scenario. However, I am a little spooked with the history of the Swiss bank intervening out of nowhere with their currency...but if they do intervene it's usually a downward push that they make correct? So maybe this would not be a factor to consider. The monthly is mostly flat but with a slight downtrend so I was going to wait and see how the week closes on this pair and if it closes past 1.1419 maybe wait to fill the gap on Monday and jump in. Whatdaya think?

I noticed the H4 on USDCHF is going up today. In entering a weekly trade you must optimize your entry to keep your risk low. That means you work top down looking for price to be going your way, daily, H4, H1, M15, M5.

If you optimize entries on a trade like this, you can hold risk down very low. You might get stopped out once or twice before getting a good entry, but that's the price of doing business. Don't fall into the old trap of just jumping in with no optimization and a huge stop loss. You can ultimately be right on direction and lose a fortune that way. **ALWAYS OPTIMIZE EVERY ENTRY OR ADDITION TO A POSITION. NO EXCEPTIONS**

Page 112 Post 1117

Originally Posted by fartist
Hi graivton, i noticed all your 4HR TF trades were in a bubble/sausage?

If so how did you know when to enter? Wait for the opp BB contract, then enter at the high of extreme candle? Or did you use a body smaller than extreme candle method?

I thought those were the no trade areas.

And also, how did you get a feel for this week theme, like a falling dollar? You judge from monday how the dollar fare and progress along the week?

Could you recommend any sites to me for that mention about fundamentals, or to get a feel for the pairs like you did, lol.

And by the way, those are some damn nice trades you got on! 😃

I enter with a CBL and always when lower TF's are moving in the direction of my entry. Usually just the momentum will carry my trade far enough that I don't have much risk, even if the trade reverses later. Ideally, I should have exited the bad entry with only 10 to 15 pips loss the first time, but it was Monday and I was a little slow on catching up on the change in dollar direction.

I trade H4 a little different than other shorter TF's. If everything else looks good, I will take
a trade for very low risk in a no trade zone on H4. The pips are so large that if it only runs a little while before reversing to RO price action, I can still make 100's of pips. In shorter TF's that would only be 20 or 30 pips profit, not enough to take the risk. I like H4 📈

You can see charts on Dollar index by googling dollar index chart live, or something like that. I often look at the one on FXStreet, but there are many others. They all show a sharp reversal on Monday this week.

There are tons of sites with currency fundamentals. Just google search for daily forex fundamental analysis, or something like that, and skip any links that are trying to sell you something. DailyFX and FXStreet are a couple good ones, but there are very many.

Yes, this was a good trading week. Entering on an H4 CBL and exiting on a H1 trend line break worked well this week. It's great that the same thing doesn't work every week, otherwise this would get very boring very fast 😊

Page 113 Post 1127

Yes, if a person can trade one full year, with no weekly drawdowns, it doesn't matter what the profit is, that person would be considered among the best traders in the world. The number of traders that can do that can fit in a phone booth. Many think they can, but in the end all they have is an excuse as to why some weeks had a drawdown. If and only if they understand that they are the reason they didn't do it, it wasn't the market at all, will they ever have a chance to be among the best.

Page 114 Post 1137

I'm always watching AU EU GU AJ, EJ, and GJ. I also watch UCad UChf UJ and NZDUSD. To a lesser extent I watch AUDNZD, EG, EChf, ECad, and gold and then any other pairs that seem to be trending well.

Page 114 Post 1139

Well, on that GBPUSD trade, you were trading countertrend. In trading countertrend you really have to have additional confirmation for the trade. If the main trend resumes, you want to exit quickly. Never add another lot if the trade moves against you for any reason. Never do that. It's a very bad odds trade.

Most people give up just before they succeed. Hang in there and be a bit more conservative with your trades. Try not taking any counter trend trades for a while, only take with trend trades out of a squeeze. That should greatly improve your results.

Page 115 Post 1145

Note that with trend CBL entries only out of a squeeze works so well you can trade any time frame and have many trades going at any time. I can have 5 to 15 trades going at any time on time frames from 5M to daily. Shorter TF's make fewer pips and longer TF's make more pips, but it's all good. I just keep up with it in all in my journal and with on-chart notes so I
don't get confused as to which pair is trading which TF. I have a plan for every trade and I track all my stats carefully and I'm always optimizing my methods. It's lots of work, but I enjoy it and it pays well.

Page 115 Post 1146

Originally Posted by fartist

Hi graviton, i noticed the eu 4hr has really strong uptrend, however looking at the daily it appears to be just a really strong retracement.

So i suppose if you swing trade, you would buy on dips on the 4hr tf however if you were to position trade using the daily, i suppose you would find a cbl entry or break of trendline to go short?

All depends on what kind of trade you are looking for right? Thanks.

Same thing for the eur cad. 😊

Yes, EU is in a major retracement. It will either break it’s retracement trend line, making for a great entry, or continue with the retracement turning into a reversal of long term trend. Draw a nice channel on the 4H chart and buy after turns back up from dips and sell as it approaches the top of the channel to enjoy this type of ride. Don't try to get all the pips. Just try to get the sweet middle third of each swing. So wait till it's very clear that price has turned back up after a dip to buy, and take profit after it's moved about 1/3rd the width of the channel. Then sell only after it is very clear it's headed back down, and take profit about 1/3rd the width of the channel. Don't rush entering the trade, in fact, be late entering and early taking profit. Settle for the sweet middle third of the range. Draw entry and exit lines in the channel, or it may be a return to major trend down. You just have to wait and see. Happy trading.

Page 116 Post 1159

Originally Posted by RenaLa

dont lie to yourself that cbl works all the times. It dosnt.
Or am I missing something?
If you can see at NB's cbl entry alert there are to many cbl entries that makes losses only. I would say like 50/50/ or even more

Because you know better then anyone that BB bands act as support and resistant and there is 50/50 chance that the price will bounce off or 'broke' the band (SR level)

I would say I would need an extra confirmation, 50/50 dont work with me

I don't believe you understand how the CBL method works with the probabilities. Yes, at any time, price has about a 50/50 chance of going up or down. But after a valid CBL signal has been given off a bottom band, there is about an 80% chance the price will go up. That means that if you consistently trade against a valid CBL off an outer band, you will lose most of those trades.
Now if price is headed down, and does not turn back up to give a valid CBL, then you might
be able to trade the breakout down, but that is a different system. If you try to trade all
those breakouts down, some, perhaps half, will turn out to be a false breakout and will turn
back up, giving a valid CBL and then proceeding to the opposite band. The bane of breakout
trading is false breakouts. In a sense, Tymen's method identifies some false breakouts and
trades them.

Trading breakouts is a valid way to trade and tons of information can be found by a quick
google search like trading Forex breakouts. I often trade breakouts myself and have done
very well trading them. If you enjoy trading these set-ups, by all means become the best
breakout trader in the world. The breakouts you are looking to trade often turn into long BB
walks and make many pips. But if the breakout turns back up and makes a valid CBL, there
is an 80% chance it will continue against you and you should immediately exit, or even
better, reverse and trade the CBL entry (which most would call a false breakout), since you
have an 80% chance of winning with it. Sure it's not absolute, it's a probability.

So I'd say if you want to trade breakouts, you need some additional confirmation that it isn't
a false breakout. Even then, if price turns back up and generates a valid CBL, you should
exit immediately. You also need to do some serious study of that method. Do a google
search on trading Forex breakouts and start reading. You will discover there is a whole
world of research and systems to trade breakouts. After only a few months of study and
practice, I promise you will not have the problems like you did with this trade.

In the end though, whether you are trading breakouts, or false breakouts, or whatever, you
need to have a system that has a positive expectancy and always stay with it. There is
nothing wrong with having several systems and trading them in some sort of combination,
as long as that combination generates a positive expectancy. As I mentioned, you can trade
both breakouts and false breakouts, as long as you have a well tested system to do that.
Just trying to jump in in the middle of breakouts without a system though will prove to be
very frustrating and is probably a losing method. At least, that's my opinion.

Page 117 Post 1163

I'm doing some study on trading breakouts right now myself. There are many methods and
techniques that have been developed over many decades with trading breakouts. I suggest
you do a google search for trading Forex breakouts and learn everything you can if you
want to trade these setups. With what you already know and just a few months of study
and practice, you can get really good at this. As you said, the risk reward ratio can be very
good on these trades.

The biggest problem with trading breakouts is what is known as the false breakout. That's
when price dives through the Bol band and reverses back up just as you enter your
breakout trade. That is how you lost on Friday's trades.

As I noted earlier, if the price reverses back up and gives a valid CBL signal, there is about
an 80% chance it is a false breakout. If you immediately exit those situations, you will be
right 4 out of 5 times and save yourself lots of pips. This would have worked very well on
the trade you showed me on your chart. So that's one powerful method to avoid losing lots
of pips on false breakouts.

Another thing we've talked about a lot here is trading with the higher time frame trend.
Often what looks like a breakout on a shorter timeframe is a reversal of price back to the
mid BB on a higher time frame. Those are high probability trades since price is more likely to return to the mid BB once it's moving that way than reverse and move away from the mid BB. Once again, a valid CBL on a higher time frame moving the price back toward the mid BB is often seen as a breakout on the lower time frame.

I'd have to see charts of your other problem trades to see what can be done about them. Usually there are good rules that can be implemented to improve your win loss ratio. Of course, in any system that has a very good risk reward ratio will usually have a lower win loss ratio, so trading breakouts you will still have to take many small losses to make a few really big wins. The goal must be to keep those losses as small as possible so that the big wins put you ahead overall.

If you are going to trade breakouts, there is no need for you to get involved in a long squeeze and wait hours or even days for a breakout. Just wait for the current price candle to be completely outside the old range that was established before the move started, and then enter. I often draw horizontal lines to show that range on the top and bottom so it's clear to me when an entry candle is outside that range. That keeps you out of the many small moves where price dips outside the BB for a bit and then quickly returns back in, creating a whipsaw if you enter too soon. Remember that in trading breakouts, you want to capture the few big moves and ignore the many small moves that would only create whipsaws.

Another really good set-up that works for me is to draw in retracement trend lines and trade the break of the retracement trend line when price moves back to resume the main trend. This is very high probability trade since their will be many retracements in any main trend and only one retracement (the last one) really signals a reversal of main trend. Once again, when the retracement trend line is broken on a higher time frame, it will usually show up as a breakout on lower time frames.

You will need to study these techniques and many more to become proficient at trading breakouts. But if you want to follow that path, you want to know everything there is to know about it and be the best breakout trader in the world. As I had said earlier, just type trading breakouts into google and start reading and practicing. With a good trading plan, study, practice and good tracking of your results, you can master this technique in a short time. Of course, it will take much longer without doing the above things. Happy trading.

Page 117 Post 1164

I'll enter EU long as soon as I'm convinced we are making another swing up, probably very close to where we are now. I'll want to see a few more lower TF candles after the open though to make sure it won't turn down on me right after the open. I'll be looking to make about 85 pips off that long trade and exit after I make the 85 on the first sign of slowing upward momentum.

I'll then wait until price reverses and heads back down and go short right about where I exited the long, around 1.2455 and ride the short until it makes it back down 85 pips and exit after that at the first sign of a stall in downward momentum.

If price doesn't reverse back down, I will re-evaluate my belief that the Euro is going to parity and decide if I need to make a new plan.
And yes, if price breaks down through the 4H mid band I would consider it a break of the retracement uptrend line and a return to the long term downtrend and I would go short and look for about 300 to 400 pips profit.

Page 117 Post 1166

If you want to see how I came up with the magic number of 85 pips, draw a channel on the H4 chart across the tops of the retracement trend channel and across the bottoms of the channel for the last 10 days or so. It should be about 195 pips wide.

Now, we draw an inside channel. A channel within a channel, with the bands a little tighter together than before. The bottom inside channel trend line should include every turn back up of price. Some will turn right on it, and some about 70 pips below and then pass back up through it. The top inside trend line should touch every turn back down in price, some will turn just as they touch it and others will go about 50 pips higher, then come back down through it. The distance between that lower inner channel band and the upper inner channel band is about 105 pips. Allow about 10 pips on top and bottom to make sure we don't miss a turn, and we come up with an 85 pip distance between entry and exit.

So the trade has three parts, a swing up for 85 pips, where we enter as price moves back up above the bottom inside channel and exit as it hits the top inside channel line. Than a turn back down for another 85 pips, entering short as price crosses down below the top inside channel and exiting as it reaches the bottom inside channel trend line. That may happen once, or even repeat the cycle twice, but eventually the swing down should blow right through the bottom outer channel trend line and continue downward, back to the major down trend, which is the last part. The whole trade never risks more than 35 pips, and that's only if it moves right at every turn. If it doesn't, I just don't enter it. If it does, I'll make 500 to 700 pips on a 35 pip risk.

So that's my suggestion to improve your trade. Don't risk too much on it. If it works, great. If it doesn't, toss it out with yesterday's rubbish and move on. Happy trading.

Page 117 Post 1168

Originally Posted by unrepipant ▸
Hey Graviton,

Just wanted to bring you up to date on my swing/position trading thus far. Since I have been gone quite a bit lately I have not been able to watch pairs as closely as I would have liked but I had been keeping and eye on USD/CHF weekly chart as a good CBL set-up appeared to be approaching. I took the trade short on the 16th at 1.1275 which was a little later than the CBL would have had me in but per your advice I was waiting for confirmation and got it with the break of weekly pivot points and fib levels. (3 good reasons) I'm up 184 pips right now, back in town and ready to hopefully add on more lots as setups allow. I have a trading plan and purchased a terrific excel spreadsheet journal for $47 that calculates all you want and more to track my progress. Thanks again for your continued advice and input. Much appreciated.
Ah, that's a great entry! Yes, the old find three good reasons to enter a trade rule. That's a good one. I can't remember the last time I lost a trade where I had three good reasons to enter. Now the next part is a little tricky. The USDCHF daily ATR is 140 pips. That means on any day you could get hit with a 140 pip retracement. There will be a retracement. There always is. Perhaps it will happen right around the 100 week moving average. Perhaps somewhere else. You have to be patient and just wait for it. It may only last a day, or it may run for two or three days or even a week.

If the retracement comes soon, you plot a retracement trend line on a lower time frame and just watch as price moves up the retracement trend line. When price breaks the retracement trend line and resumes the main trend back down is when you add the next lot with stop loss just above the new lower high formed by the highest point of the retracement. You will need to consider carefully what that stop should be. Perhaps in the neighborhood of 1/2 ATR, or about 70 pips. Then you follow the main trend down and wait for the next retracement and do it all over again.

If the retracement doesn't come soon, you'll be tempted to just go ahead and put the next lot on anyway. Let's consider the worst case of that first. It's always important to consider the downside of an action before considering the upside.

If a 1 ATR retracement comes now, you would lose back 140 pips before it turned back down. That's not good, but it could be worse. If you put another lot on now, and you go into a retracement, price only has to move back up 90 pips and you will have lost all your profit. Of course, if you put the second lot on with a 70 pip stop loss, you would really only lose 140 pips in that first 70 pips of the retracement, but you could easily lose the other 40 if a retracement of 110 pips completes.

So how many pips must price move down, before you can put a second lot on and not lose all your profit back on a 1 ATR retracement. That would be 2 X 70 pips until the first stop loss is hit for a loss of 140 pips, plus another 70 pips to get to a 1 ATR retracement of 140 pips. So that's a total loss of 210 pips lost on a retracement of 1 ATR = 140 pips.

So my conclusion is yes, you are very close to putting a second lot on. Worst case indicates a break even for putting a second lot on at a profit of about 210 pips and a 1 ATR retracement. I always like to add about 10% to these calculations as they are just approximations, so I'd advise putting a second lot on with at least 230 pips profit on the first lot, that is if a retracement doesn't start first.

Now a word from experience. My usual target before putting on a second lot is 300 pips. So there you have a range, the second lot might could go on somewhere between 230 pips and 300 pips.

This is all just an example of the considerations to make before putting on another lot. Fortunately, you have plenty of time to think it over. There are many things to think over, trend lines, moving averages, ATR, Fib levels and lots more. But you've made a good start and I wish you well. Keep me posted as to your progress and happy trading.

Page 117 Post 1170

Originally Posted by RenaLa

thanks, its very interesting reply I was studing. Please verify some things for me I cant understand the defeniton between 'breakout' and 'break'. My guess
breakout is when the candle completely out of the old range, but the break is when candle has crossed the range level. Like candle's open is in old range but the candle's close already in new range ??

Say, we trade daily retracement trend line breakout. Should we wait until the candle's open and candle's close are in the direction of the main trend and there is no touch with retracement trend line? Then the entry is on next candle open? Where would be good to place SL?

I heard somewhere Bol trades or something like that, but I didn't ask what is it? So what Bol band is? Actually I don't understand what Bol is?

I do draw in horizontal lines of the daily range. 🙏

What TF do you look at and wait for entire candle to be out of range? Or do you wait for entire candle out of range on your home chart?

It's really nice. Thanks 😊

I'll look at my trade terminal. I guess most of my problem trades with false breakouts that we have already discussed.

Other one was when I have entered on divergence indicator signal.

So now I would use this indicator only like confirmation for cbl entry. Not sure if it's good or not. At the same time I think that I could loose good entries if I would wait for such trade confirmation.

I had one margin call at the retracement, when I got about 8 lots running in the direction of main trend. It was not enough only one pip to continue to stay in trade. Kind sad ...

I don't know if I will be able to restore chronology of these trades, I don't keep the records. This study of my Friday's problem trade is very useful, I did some new rules to trade squeezes and things to pay attention to. I am very appreciative your help Graviton. Thanks 😊

btw, I'll continue to study on squeezes trades as its good and fast pips.

No problem working on your trades with you. I promised at the beginning I would work with you until you are a world class trader. This is no minor commitment of my time. I must ask that you also commit your time and effort to start recording and tracking your trades and analyzing them in a trading journal. Look at it as the price you must pay for the free schooling. You should track all the statistics I have mentioned before and carefully keep up with info as to why you took trades. Put notes and mark-ups on charts and put them in your journal. I can't do this great thing unless you help me by doing your part. Don't give up on this journey, work harder to achieve your goal and I'll work harder as well.

Now to your questions. When I talk about a break of a BB or Trend line, I mean price just crosses it, or even more certain, price closes on the other side of it. That could be considered the first sign of a breakout, which is where an entire candle will move outside the trend line or BB, but we have to be patient and wait to see if the move will be a true
breakout and not reverse and become a false breakout.

The most certain way to enter a breakout is when an entire candle has formed and closed outside of the trend line or BB. You may enter earlier if you have good confirmation, but the less confirmation you have, the more trades you can lose. You'll want to place the stop loss at a point where the trade has proved to be wrong. That would usually be just on the other side of the previous higher low for a breakout up. That will also usually also be back on the other side of the trend line or BB that was broken, which is another indication that the breakout has failed. Also, your stop should be of some minimum size to handle the noise at that time frame. That's usually about 1/2 ATR, more or less.

Bol bands is just short for Bollinger Bands.

The most sure sign of a true breakout is when an entire candle is outside the band or trendline. Less sure is when a candle just closes outside the band. That should have additional confirmation.

Yes, divergence should only be used as confirmation of a trade signal. It's not reliable enough to be used as a trade signal by itself.

There are 10,000 good entries in some market somewhere every day. You will miss most of them. If you worry about every missed good entry, that's a lot of worry. Never worry about a missed good entry. Instead, worry about making the entries you make good ones. That will require tracking those entries with good stats. I won't be able to help you much if you don't put in the effort to keep good stats.

Don't be too aggressive putting on additional lots. Putting on additional lots is a very big and powerful weapon in trading for a living. Use it carefully and with great respect for its power. **Never put on an additional lot if it will cause a winning trade to become a losing trade if price retraces.** Price will retrace, so be prepared for that to happen at the very worst time. Prepare for the worst case.

As I said above, the price of my helping you is you start a trading journal and keep good notes on your trades and do good analysis of stats on entries and trades. In the end, it's a small price to pay, but resisting me on this will only delay your progress. So start your journal today. I'm old fashioned and keep my journal in a looseleaf binder, but many now keep them on their computer. Just make sure you have back-ups in case your hard drive dies. Happy trading.

Page 118 Post 1173
There is no way to know that ahead of time. You can know that the vast majority of retracements are temporary and that price will return to the major trend eventually, but you can never know ahead of time which retracement is an actual reversal of major trend. Of course, once a new lower high isn't established in a down trend, that is the next high is higher than the last lower high was, it looks like the trend is broken. You then have to go to a higher timeframe to be sure. It may only have been a small retracement on a higher timeframe and the major down trend may still be intact on the higher time frame.

That's why you trade only with the trend. If the retracement against a major down trend is going up, you only have two choices, trade up with the retracement, in which case if it is the last one of a series of retracements that turns into an actual reversal, you are trading in the right direction already, or your second option is you wait until the retracement trend line is broken and trade back down with the major trend, in which case you are also trading in the right direction. It's another reason I like to trade with channels. If price goes outside the major channel in a retracement, there is a much higher chance it is the actual reversal. I can take profit at that point and wait and see if price comes back into the channel or if it turns out to be an actual reversal.
I'll usually plot those channels on a lower time frame and exit to pocket as much of my profit as possible as soon as price moves outside an established channel.

The rule is gaps usually close before price makes a significant new high (or low) in the direction of the gap. This seems to work a very large percent of the time, but nothing is 100%.

In the case of AU, the gap only closed about 1/2, so if the rule holds, and it isn't 100%, price should come down some more to close the gap. That usually happens within a week or so. Remember these are probabilities, not certainties. Don't bet the ranch on it 😁

If I understand it you would jump from one trade to another without knowing the trend on every valid CBL.

So, little improvement?
- if you analyze the the pair, you would only take the trades which are in the direction of the main trend?

And this would be very nice on H1 or H4 chart(my favourites), but this is 30min chart. So it is more risky to trade that TF or u would still pick this trades?

If I identify a range, I have no problem trading it both ways. The problem is identifying a range in time to trade it. Half the time the range trade is near completing by the time I identify it, so I only get one or two swings before it takes off one way or the other.

I can't see the higher TF trend, but odds are it was in an up trend going into the trade and reverses into a down trend at the end of this range trade. So this range trade is just the consolidation at the top of the higher TF trend reversal from up to down.

Every squeeze, or consolidation ends in a BB walk, or breakout in the end. If you properly range trade, you will most often already be on the right side of the trade when the breakout comes at the end of the range.

It doesn't matter much what time frame you choose to trade. Because of the fractal nature of the market, the same techniques work on all time frames. The advantage of trading longer time frames is the spread is a smaller percent of the profits. That is, fewer trades with more pips in each trade. The disadvantage is the trades take longer. I trade time frames one hour and up, but I'm watching all the shorter TF's to time entries, add lots, take profits and adjust stop losses.

The shorter TF's I use for practice and the longer ones I use to pay my daughter's college tuition. You just can't get much practice trading a weekly time frame where you only enter a trade once a month or so 😊
Here's version 10 of the CBL Summary indicator.

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<th>Extm/CBL</th>
<th>Pips</th>
<th>H4 trend</th>
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<th>M5</th>
<th>M1 stch.</th>
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<th>ADR(50)</th>
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Solid boxes are short. Hollow boxes are long.

Red means price is close to entry.
Green means price is beyond entry.
Grey means no entry was found.

**Columns**

**Extm/CBL**
Shows the extreme candle, and the CBL entry candle, if found.

**Pips**
The number of pips to reach (negative) or beyond (positive) the CBL entry price.

**HTF Trend**
The higher timeframe trend direction. Trend is determined by the direction of the mid-bollinger band on the higher timeframe.

**xxx Stoch.**
Direction of stochastic filters in three lower timeframes.

**Squeeze**
One tick. Pair is in a squeeze.
Two ticks. Pair was in a squeeze, and is just leaving it.

**ADR(x)**
Average Daily Range in pips.

**Settings**
**HTFTrendOnly**
Discount entries where the higher timeframe trend disagrees.

**CBLines**
0=Tymen Orthodox rules. 2=2 Countback line rules.

**LookBackBars**
Number of candles back from the developing candle to look for an extreme candle. I've found that if you go back too far, the CBL becomes unreliable so the new default is 10.

**ADRPeriodDays**
Number of days to use in the Average Daily Range calculation.

**ADRAlertFactor**
When price gets within (ADR x ADRAlertFactor) pips of a CBL entry, that pair is highlighted in red.

**ProcessIntervalMS**
Number of milliseconds between refreshes.

**Pair1, Pair2 etc...**
The pairs to process. Note what your broker names your pairs. You should use those names, not necessarily the default ones.

Attached Files
CBL Entry Alert.zip (22.8 KB, 27 views)

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**Page 122 Post 1212**

*Originally Posted by fartist ➤*

So am i right to say that all your lots you add on is 1% you are willing to risk?
Now i clearly understand why you take profit on the first lot, because if you don't and pair retraces back, your profit will be eroded too.
That's why you rather take it out first then risk letting it go by.

I had a trade on eur cad, up about 120 pips and went to bed when the news came out. I placed my stopped too far thus ended up with 30pips when it hit my SL.

I figured should news be coming out soon, it would be better to place a SL really tight as if its negative news it will get hit. If positive, it wouldn't get hit at all. Do you think that make sense?

And lastly, how do you stair step your SL? Do you see your home chart the 1HR tf, or do you look further into the 30mins or even 15mins to place your SL based on the lower TF charts?

Thank you once again, i appreciate it 😊
Yes. I only risk 1% on the first lot, or on any single trade for that matter, and I don't put the second lot on until I'm comfortable moving the sl on the first lot to BE. That will be when I have a new high (or low) to set the stop under. Sometimes that can take a long time to form. I usually watch those form on a TF lower than my home trading chart.

The majority of time price turns some time after entry and I settle for small pips, so I can't get a second lot on in those cases. On average, out of 5 attempts, I'll get about 2 bad entries with small pip losses, 2 early exits on price turning back after a good entry for small pip wins, 1 trade makes it to the second lot. Half the time even after the second lot is on, the price turns and I have to settle for BE or small pips. So it's really only about 1 in 10 trades or so that I get the third lot on. Sometimes I'll do better than that if a pair is trending very well.

I will also tighten up stops either when I'm ready to take profit or before news. Sometimes I'll just exit on the spot, but if I believe price has some more room to run, I'll tighten up stops and wait.

Yes, I stairstep my stops and additional lots by looking at a lower timeframe. So if 1H is my home chart on say a short trade, I'll wait until one or two new lower highs are formed on the 15M chart, and move the stop down to just above the old lower high. I watch the 15M price swings on the stoch and RSI also. I'll add lots at the top of a swing and take profits at the bottom of a swing for a short trade.

Even with lots of practice I can only get all these moving parts to work together a little more than 1/2 the time, but that's all the edge I need to make good profits 😊

Page 1213

Originally Posted by lucominato
The post of the 3 reasons for a trade is a good one, seems that all my losing trades had one or 2 good reasons to trade, and in the ones with 3 reasons I was late to enter - and that seems to make the trade lose 1 or 2 reasons to enter

Let me know how that works for you. If you have the discipline to stick with it, it should make a huge difference for you. Bounces off nice big round numbers, daily, monthly or weekly High Lows, pivot points, trend lines etc can all count as one reason. I don't use things on indicators for more than one reason though. So if all indicators point one way, that's only one reason to enter. It's not a good reason if indicators are divided. At least the other two reasons must be more price action related, like a good CBL or breaking a trend line. Over time you'll find some things work better for you than others, especially if you keep very good records and review your trades each weekend. I'm interested to see how this all works for you so keep me posted on your progress, OK?

Page 1215

Hi Graviton,

can you please explain range trade little bit more in details
how do you know that the pair will ranging and when?
when the pair is ranging does it mean that the pair is in side way?
did I understand correctly that each TF has their own range when the price is ranging? If PA is ranging on lower TF its also ranging on higher TF?
How we can recognize that PA is ranging? My problem is that I open a long trade at resistant and short at support as I unable to recognize the range and I am simple waiting when PA comes back to close the trade.
if breakout comes at the end of the range should we take the profit or we should continue to stay in the trade?

??

thanks 😊

Just type range trading forex into google and read all about it. It's obvious that a pair was trading in a range after the range has been established for a while and bounced of the top and bottom of the range several times. It's harder to see the range early on as it just looks like a regular retracement. Yes, it's sideways price action, more or less. On a higher TF it may just look like a short consolidation before continued trending or reversal. You want to let breakouts run as long as you can, that's where the big pips are 😊

Originally Posted by RenaLa
One more thing I was thinking to ask

what caused PAs opened with gaps on monday?

Most often, that gap is caused by an order imbalance. There are many orders stacked up to buy on the open at the market. Since there only buyers and no sellers to match the orders too, the brokers and market makers take the other side of the trade to open trading, for a huge difference in price, maybe 50 to 100 pips. They are counting on price closing the gap, as it usually does, and making easy pips. Usually they are right. That's why it pays to trade large gaps to close, you are then trading with the biggest market makers who are also trading that the gaps will close. You have to be alert though. Usually you want to set a take profit 5 or 10 pips or so before the completion of the close. Often there are very many large take profit stops piled up right on the pip where the gap closes and price can rebound very quickly after everyone has their profit and all close their trade at the same time.

The other reason for big gaps is some major fundamental news that came out over the weekend. This is rare, but when it happens, the gap doesn't close, in fact, it can keep on running and never look back. I don't jump in right away for this reason. I wait a bit to see price moving a little in the direction of the close before I jump in. it may cost me 10 pips, but it's a very good odds trade.

Originally Posted by gasanvill
Hello Graviton,
Here is a silly but important question: What indicators you use to identify the trend in the daily chart or the 4h chart? As you already know a very important part of the system is to identify a trend and trade only in the direction of the trend.

I use moving averages, I place a 20, 50, 100, and 200 SMA on the daily chart and see if the trend is up or down, or flat. Is that the only way?

Yes, I look at moving averages. I also look at the last 10 candles to get an idea of what's happening now. If the MA's are confusing, I look at the price change from the candle on the far left of the chart to the candle on the far right. That usually clarifies the price trend.

Original Post 1229

I have a couple of questions that are in my mind: What would make you stop trading for the rest of the week? a 2 consecutive losing days? if you are down 3%, 5% 10% of your account in the week then you stop trading? I want to have an idea of when to stop trading for the rest of the week. Obviously if i make my weekly goal i will stop trading, but what about if i'm having a drawdown? Do you have a rule?

Thanks!

Good question! You absolutely need rules to stop a little losing streak from becoming a disaster, as can quickly happen in Forex. It's more important that you have stop trading or reduce position size rules after a losing streak and follow them with discipline than just where you set those points. Even the best traders in the world have to deal with this. No one is immune to it or above it. Just where you set these rules depends on your account size and other factors. I'll give you an example and then you can rewrite it to suit your needs.

For instance, you can set one rule to reduce trade position size by 1/2 to reduce the bleeding quickly after a string of losses or a losing day. And you may want to set another point to stop trading. So if you are risking 1% of your account per trade and you don't cut your losses short (I advise cutting losses short to help avoid this situation), in three losing trades, you will loose 3% of your account balance. Let me spell this out in more detail as a set of 3 triggers.

Trigger 1.

Three losing trades happens quite often, so at 3% loss I would say cut your position size in half. That would reduce your position size to 0.5% risk per trade and it would take another 4 losing trades to get to a 5% loss. At 5% loss you can call a FULL 24 hr trading halt. Close all trades and go have your car detailed. If the market is just acting unpredictably, as will often happen, that gives things some time to line out and get better for you.

Then when you can attempt a come back and trade the 1/2 position for 24 hours again. If you win for the day consider the problem fixed and the next day continue trading back at your regular 1% risk per trade.
Trigger 2

If you come back and lose another 2% at 1/2 position size of 0.5% risk per trade, something is very wrong with your trading plan. You've lost 7% total and a total of 11 or more trades, at least 3 at 1% triggering a reduction in position size after a 3% loss, at least 4 at 0.5% triggering a 24 hr trading halt after a total 5% loss, and at least another 4 at 0.5% for a total of 7% loss at an attempted comeback. That should trigger a full one week trading halt. You have to stop the bleeding and catch your breath.

When you restart, it should be at a greatly reduced position size, say 1/4 normal position size for a day, and only after a winning day then go up to 1/2 a normal position, then only after a winning day back to 3/4 a normal position and then only after a winning day back to a normal position. If at any point you hit a 10% loss of your total trading capital, that is a disaster. It risks blowing out your account. You WILL blow out your account if you don't do something drastic. You need to enter a rehab program.

Trigger 3

I've discussed traders rehab before. Just as a major league pitcher can throw his arm out and need to go back to the minors to rehab his skills before returning to the big show, a trader needs to rehab when his skills are out of whack. Some traders take a one or two week vacation when that happens and if that works for you fine.

I prefer to drop my position size to 1/10th my normal position size, or enough to totally remove any emotions from my trading. While in rehab I'll cut trading hours to 1/2 and spend 1/2 of each trading day studying and working on my trading plan. I usually choose to do that study during the slower half of the trading day, but that's up to the individual trader. Some of my best learning and improvements in my trading plan has happened in rehab. Rehab isn't a race, it's a journey of learning, practice and self discovery. It's lasts as long as it needs to last.

Only after I have a winning week, I'll increase back to 1/4 of a full position, another winning week I'll go back to 1/2 position, another winning week and I increase to 3/4 of a full position and another full winning week, back to a 1% risk full position and I'm back in business. It's important that it doesn't matter what size the wins of a winning week are. A win of even a few pips is just fine. Any losing week steps me back down one step again.

So I'll be in rehab for 1 full month minimum trading reduced position size and reduced hours. It could last much longer, like I said, it's a journey, not a race.

Each trader should adjust these trigger points and durations to their own style and account size. The important part is to have a written plan to deal with losing streaks, to have that written plan before trading live for your hard earned cash. If you follow that plan I can almost guarantee you will never blow out an account and over time you will find success as a trader.

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I believe I've answered everyone's questions to the best of my ability. I'd be interested in hearing about anyones specific trading problems and will be willing to spend time to work through them. As always, charts posted with questions help greatly. I've finished my review of last weeks trades and calculation of stats and plotting of graphs on my progress. After doing this for a while it gets easy and doesn't take much time. I'm now reviewing pairs for
long term trading set-ups next week. I closed out all my trades early Friday as I wasn't sure what would come out of the G 20 meetings over the weekend. My goal was to get them closed with profit before everyone else started doing the same thing. That went well.

So now I'm looking at trade set-ups for next week mostly in the 4H and daily charts as those trends tend to persist longest. Here's a few that I'm looking at:

audusd, monthly, weekly and daily are all pointed down. A good daily cbl down last week. 4H made a good cbl down and made it to the bottom band and walked the bottom band for a while for a nice 200 pip gain. 4H has now made a good cbl up retracement and has passed through mid band. I'm watching for a turn back down, like a good 4H cbl down to re-enter the trade down in agreement with the daily chart cbl down. I'll only trade this pair when I get good agreement on longer term charts. It's very volatile and needs a 50 to 70 pip stop with a good entry to trade on 4H or daily, but I'd early exit and try for a better entry way before I lose that much on an attempted entry.

eurchf, I killed on this the last couple weeks. Monthly, weekly and daily all down. Hitting all time historic lows. Swiss have given up on intervention for the moment, but they could change their minds at any moment if things don't turn around. Looking to resume this down trade Monday when lower TF's confirm continued downward momentum. I won't fight the swiss bank though if they decide to step in.

USDCad, kinda choppy, moves inverse to oil prices, charts not in good agreement, just watching it.

usdchf, nice solid CBL's on 4H and daily charts with good BB walks down over the last few weeks. breaking down through the weekly and daily 100 MA. Look for more down action as price clears those major resistances. Closed the trade Friday just to be close to flat over the weekend, will re-enter as lower TF charts show momentum down again.

usdjpy, continuing a choppy long term down trend, watching for a good entry to "scalp" the 4H or daily down for 100 or 200 pips.

gbpjpy, some recovery up after better budget by gb, hourly up through 100MA and on border of 200MA, good 4H cbl up Friday, good weekly cbl up, daily cbl down hit mid band and looks to turn back up. Was down last week due to good daily cbl down but exited at midband. Watching for good entry up this week.

eurjpy, down like most eur pairs. a little bounce late Friday, probably will make another good entry down, good 1H cbl down entry set for Monday morning. Just looking for three good reasons to go short again.

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Originally Posted by Free4Life

Hi Graviton,

I have been practicing building longer term trades, and increasing the size of these positions using 4hr CBL entries on pullbacks to the main trend. I really like long term trades and it is all coming together very nicely... thanks again for all your help.

I have a couple of questions
What are some of the factors that help you determine if you are going to ride out a position over the weekend? Is it always best to exit on Friday morning and look for re-entry confirmation on Sunday? All it would cost is the spread and I could avoid the Friday afternoon take-profit crowd and the weekend gap risk.

The trouble is... lets say I have carefully built up a position that is 3 times my normal trade size by carefully managing my stop loss to reduce risk and waiting for good CBL's to add extra lots. Would you enter the full size on Sunday or would you scale in again?

It is a judgment call that I don't currently have defined in my trade plan so any insight would be appreciated.

Thanks

Glad things are coming along well for you. Yes, I'm finding that the 4H CBL entries that move back to the midband are very reliable. If they bounce off the midband (about half the time) I usually take profit there and wait to see if price will make another run down. If it penetrates the mid band I stay with the trade and try to make it to the opposite outer band. Price makes it to the opposite band about half the time for good pips. Often, maybe 1 in 3 or 1 in 4 trades, I get a very good BB walk on the opposite band worth more nice pips. I like 4H 😊

If I have any belief that major news may come out over the weekend, I want to get out Friday morning. Everyone else knows what I know and profit taking will start in earnest in the last hour of London session, so it's important to get out before the crowd. When in doubt, get out. This weekend was obvious with the G20 meeting over the weekend, but I probably close about 3/4ths of long term trades over the weekend anyway. I only keep those I'm way ahead in and have lots of confidence in. A spread cost of a few pips really is no consideration in these trades at all.

I'm always trying to scale in and out of trades. It's how I originally learned to trade. I use lower time frames and for example in a short trade will scale in on peaks in price and scale out on dips in price.

But there comes a time when I just have to get out for the weekend, no matter what, almost. In that case I'll just exit on a very short term swing down like on a 5M chart. If I've waited a little long and price is moving steadily against me already, I may either just exit, or set stop to minimum, like 4 to 10 pips and wait a bit more for a swing in my favor to exit if I still believe one is likely, or take the stop out, if price is intent on moving against me, meaning the big players are getting ahead of me taking their profits out. Occasionally I get left in a trade that I really wanted out of, but price is just moving just too steadily in my favor. That's not an all bad thing.

Going back in may take longer as I'm looking at longer term charts to get better entries. The longer I wait, the better entry I'll usually get, so patience pays.

I don't worry about gap risk too much as gaps usually close, so if price gaps against me the gap will probably close, and if conditions are right I may even put on an additional short term trade in the direction of the gap closing. If it gap is with me and very large, say 50 pips or more, I may close my long term trade to capture the gap pips and re-open it as
soon as the gap is closed.

You are quite right though, it is a judgment call and very hard to make a rule for. I'd say to start, if there seems to be no news risk at all for the weekend, try taking half your risk off for the weekend by closing the trades that seem the most questionable, or if you only have one trade on by then, taking half the lots off. If there seems to be any weekend news risk at all, try closing all your trades and scaling back in after the open. At least that way there is no risk you'll lose back pips that you worked so hard for during the week. There's always a chance to get back in a trade, but you have no chance to get out if someone says something stupid when the market is closed.

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A few more pairs:

gpbusd, 4 weeks up in a row. I exited a good long position Friday in advance of the weekend G20 meetings. I'll scale right back into it long Monday if there are no big changes.

eurgpb, been a good short since mid March. The only position I held over the weekend. I'll add another lot short soon.

nzdusd, been a good long for three weeks since a doji extreme on weekly. Now watching for an H4 down cbl to ride it back down. H1 looks like it might support a turn down. Watching H1 and H4

xauusd, gold just keeps going up. Seems the Chinese have decided to buy up the worlds gold supply. Everyone is jumping on the rising gold trade. It should be a swift and severe crash when the bubble bursts. Or then again, maybe it is the end of the world and everyone needs to keep enough gold to bribe the border gaurds. Naaaaa, it's a bubble.

More later... 😊

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Originally Posted by RenaLa

doesn't eurjpy 4H cbl has been set for up entry at list to hit the upper Bband with possiable bb walk? Also weekly chart has been set for cbl long entry 😆

The weekly ej chart is in a no trade zone and is trending down. I'd require at least a 2CBL to enter a trade in a no trade zone. It's made a 1CBL, but not a 2CBL. Also, I won't take a trade in the no trade zone if the price has penetrated the BB against me on more than 3 candles after the expansion from the last squeeze. 6 candles have penetrated the bottom BB since the last expansion from a squeeze. Also, I don't like a trade in the no trade zone if the higher TF trend is against it, the monthly trend is down. So the weekly chart trade won't work for me.

The 4H long entry looked better at noon EST Friday, but now with the long wick on top and price pulling back below the mid band in the afternoon, I wouldn't take it long. With the good short entry on H1, I still favor short on this pair since it's gone way short for years, but I'd need to see the open to see if I'll trade it now or wait some more. If it gaps up on the open without news, I'll trade the gap to close down and stay down if it keeps moving down. If it gaps down on the open, I'll wait and watch some more as I'm not comfortable trading this pair up for the moment.
That's just my opinion of the probabilities. Of course, nothing is 100% in Forex, so it could do just the opposite.

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Originally Posted by fartist
I have this fear in me of getting stopped out even though i placed my stopped at the extreme candle in squeeze, thus i always placed my stops at a previous lower low(going long).
This allows more room for volatility, however i need to earn more pips back to get my 1:1 ratio.

And after looking back at my past trades, PA hardly even goes near the extreme candle low (if going long), the trade usually goes my way. So in fact placing my SL further away is quite pointless.

I will try having more confidence in myself and place my SL at the extreme candle next time round, perhaps add a 1 + ATR just incase.

Something i have learnt this few days, to share with you guys 😊

I rarely enter a trade with a stop greater than 30 pips. I've done lots of analysis and have found that trades that move against me more than 30 pips are much less likely to win than those that don't.

Soon, I intend to write up a whole method to analyze and optimize stops for any trading system or method. This will be one of those rare big original Graviton things that come around only once every few months. I just need to find the time to write it all down. This will be the best thing I've ever written down by far 😊

In the mean time, you can get a jump on this by logging a bit of extra data on your trades. In addition to the things you normally log about each trade, pair, buy or sell, stop loss, home chart TF, reasons for trade, resulting win or loss amount, you need to log three additional pieces of data. ATR of your home chart at the moment the trade is taken, the Maximum Movement against (MMA) which is the maximum amount price went against you after entry, not including spread. So, MMA = 0 if the trade goes in your favor at the moment of entry and never retraces back past your entry point. For a trade with 4 pip spread and 30 pips stop beyond that, and you get stopped out for a total 34 pip loss, MMA = 30. All others fall between 0 and your stoploss amount, not including spread.

You'll also need to collect data on MPA, or Maximum Profit Available. This is the maximum price moved in your favor, not including spread, regardless of where you took profit. So if price moved a maximum of +40 pips during the course of the trade, and you had a spread of 4 pips, the MPA was +40, even though you would have to pay spread out of that and you really could have exited with 36. The point is, this number MPA, as well as MMA, are both just delta price movement, regardless of spread.

Ask questions if you have any, otherwise collect your data to get a head start, or just wait to see what this is all about if you wish.
Hi Graviton,

could you please explain to us what happens with euro pairs at London closes. How does the market moves?

Thanks

Late in the London day many of the largest London day traders square up their positions. If a pair has moved a lot during the session those traders who don't intend to hold overnight will close their position and take profits, causing the direction to reverse in the last hour of London trading. This is most pronounced on Friday as traders start closing positions before the weekend. I like to trade with the largest traders, so if I'm in a day trade that's well ahead I'll often take profits on day trades an hour before the London close during the weekdays, and two hours before the London close on Fridays on day trades and swing trades. This usually generates a counter trend move that makes for another good entry later. Some traders will trade the counter trend causing it to go even further. I don't usually trade the counter trend, but many do with success.

Often the counter trend move plays out in a couple or few hours and I can re-enter at a better price. Note the hour after London close is lunch break in NY, so it's not unusual to see trend reverse sharply right after lunch NY time as traders return to their desks. That's when I look to re-enter the main trend at a better price. All that doesn't work every day, but anything more than half the time is an edge. If the pair keeps trending right on through the London close, I stay in it. If it starts to reverse direction a little earlier, like two or three hours before London close, I may take profits early and take an early lunch with NY traders. If the after lunch countertrend doesn't reverse, I will stay out. The counter trend needs to break trend lines and S/R lines and look very solid for me to trade it, but rarely I will, maybe once every week or two. I trade it for just very few pips though as I'm expecting it to fail.

MPA is just the maximum amount that the trade goes in your favor before you exit. It might retrace after that, but we just want to record the maximum pips it went in your favor anytime you were in the trade. It doesn't matter where you take profit for this stat, except that after you exit you quit taking data on that trade.

Taking profits along with setting stop losses are two subjects I have just lightly touched on. Since you've asked about taking profits, I'll explain how I do that first, and then I'll go into setting stop losses in another post. I intend to present a simple method to decide when to take profits and more importantly a method to evaluate its effectiveness. You'll be happy to hear that deciding when and where to take profits turns out to be easy. Evaluating those decisions in an objective manor is only a bit more complicated, but if you don't evaluate your performance, you can't improve it. I'm not claiming my system is the best possible for every trader, but if you have an objective method to measure effectiveness you can test other systems against mine and find the one that works best for you.

The question of when do I take profits is a very hard one to answer because there are so
many different situations possible. If the question is reframed as how do I know the trend that has generated my profit has ended, the question is much easier to answer. First we go back to the definition of a trend being a series of higher lows for an uptrend or a series of lower highs for a down trend. So in general, when price makes a new higher high in a down trend, the down trend is broken. In an uptrend, when price makes a new lower low, the uptrend is broken. The only trick to this is that the price must make a couple retracements for this system to work. If price goes straight against you, there is no profit to take. If it goes straight in your favor with no retracements, I suggest always taking ½ of your profit. So if it goes 20 directly in your favor with no retracements and reverses 10, just exit with your 10. The exit with ½ your profit rule will always get you out with a profit if price goes say more than 20 pips in your favor. Much more than that a couple minor retracements should form and the following system can be used.

I’ll talk about an uptrend here and you can just reverse everything for a down trend so I don’t have to say everything twice. Since I’m a trend trader, when I’m in a trade that’s winning, the first thing I want to do is understand the trend of the trade. It will take at least two retracements forming two higher lows to draw the trend line. So in theory, after a couple retracements form little dips in price, I can draw my trend line under the higher lows and stay in the trade no matter what until price breaks below that trend line.

In practice, there are lots of things to consider. Often price will spike down but the candle closes above the trend line and the trend continues, so you want to see something close below the trend line before taking profits. If you are trading the 4H chart, price may fall for several hours before the 4H candle closes, so I will move down to the 1H to get a better look and if I still can’t see things clearly I’ll move down to the 15M chart. Occasionally I’ll move all the way down to the 5M chart, but I want to see a candle on some chart close below the trend line before exiting. So now we are getting back into multi-time frame trading, again.

Another aspect of this is if you are trading the 4H chart, you would have to wait all day or even a few days to see a couple retracements and draw a trend line. So I will often drop down to a lower TF where higher lows are formed more quickly, say the 1H TF, and draw my trendline there where I can draw it faster. Sometimes it’s easier and faster to draw on the 30M or even 15M chart. Sometimes I’ll draw it on the 1H, but my old eyes can’t see if I have the end touches right on the right spot, so I’ll drop down to the 15M chart and adjust it a little bit. The more you practice drawing trendlines, the easier it gets.

But price doesn’t move in nice smooth straight trendlines, does it? You know the price must stay above the trend line to still be in an uptrend, but it can make all sorts of head fakes and minor retracements. Each retracement is like a roller coaster ride where you hold your breath and hope as it goes against you and only dare breathe again when it turns back in your direction. If you just entered on a 4H chart two hours ago and are 60 pips ahead on the same entry candle, how do you decide if you should exit if price moves against you? I’ll drop down to lower timeframes where I can see the series of higher lows that have formed over the last couple hours, say the 15M or even the 5M chart. I’ll look for the higher low that hasn’t been breached since I entered, and that if it is breached it will be about ½ my profit, because anytime I have a good profit of about 60 pips, I want to walk away with at least half that profit. It’s not quite as arbitrary as just setting the stop loss at 30 pips, since it depends on price action.

There’s a point to notice here. It should always be price action that puts you in a trade, like a CBL or the breaking of a retracement trend line, and it should always be price action that takes you out, like price fails to make a new higher low and turns down to make a lower
low, breaking your trade trend line. As you are in the trade longer, longer time frame charts will form trend lines and their own series of higher lows. So after a several hours, you can look at the series of higher lows on the 15M chart, then after several hours more you will see the trend forming on the 30M chart, and after several hours more, if it’s a rare and really good trade, you’ll see the series of higher lows forming on the 1 hr chart. The point is to skip the stop loss up as price moves up, always staying under a higher low that if breached will at least get you out with half your profit. In the beginning of the trade, you might just want to be under the nearest higher low on a 5M or 15M chart for a tight stop of 20 pips more or less, since you don’t want to risk much. But as the trade develops and you have more profit, you might want to move up to the nearest higher low on the 15M or 30 M charts to protect half of a 60 pip profit. If the trade goes really well, and you are up well over 100 pips, you might move up to the 1H chart to pick out the higher low that would protect 60 pips of your profit.

In general, that’s the way I take profits. Price may soar way up and crash way back down, but if it doesn’t breach that higher low I’ve chosen to set my stop under, I consider price to still be in the trend and I stay in the trade. Now this won’t work 100% of the time. Nothing else will either. But you get a second chance with this. If price falls below the higher low you’ve picked out and you are stopped out, one of two things have happened. Either you were right and the trend of your trade is really broken and price will continue to fall breaking more and more of the old higher lows as it goes down, or, you were wrong and set your stop too tight, just below one of the minor ripples on the ocean rather than a big wave. If you are taken out early, no worries. Price will turn before breaching the big wave you should have been under (you’ll have to look for it to see it), and you can get back into the trade with your stop properly set under the big higher low rather than one of the many small ripples.

Of course, this is subjective. A big higher low at the beginning of a trade is a small ripple after many hours and the trade is way ahead in pips. But the point is, if you clearly see you were wrong and were not seeing the big picture, you can re-enter as price starts going back up. If this is done with a bit of skill, about half the time you can re-enter where you exited or maybe a few pips better to even pay for the mistaken exit. Even if the re-entry is not so good and you lose a few pips and a few pips spread, that’s still way ahead of losing all 60 pips profit and a big fat stop loss as well. But you have to cut these losses short somewhere. After one attempt at re-entry and you are stopped out again, give it up and trade another pair. Fighting the market will just cause losses to pile up and waste time you could be using to make a profit somewhere else.

So that’s my simple method. Just take profit when the trend that made the profit is broken. I’m also watching all sorts of other things while trading, so if price bounces off a major resistance, I may just take profit there. I can always re-enter later. But generally, you want to let your profits ride as long as the trend that made those profits is intact and get out fast with your profits when that trend is broken.

So how do you determine if this system works better than say a fixed ½ ATR trailing stop or using PSAR to take profits? To evaluate that you’ll need to collect another stat as you trade, MPA or maximum profit available, as well as the usual things in the trade log that most trading systems keep. In the dream world best case, you would always take your profit right at the maximum profit available, which is the peak highest possible profit point during the course of the trade. In reality though that will rarely happen and the actual profit (AP) will be something less than the maximum possible. By dividing the actual profit by the maximum profit available you can calculate your profit efficiency (PE), so PE = AP/MPA. So if you actually take 70% of the available profit, your PE will be 0.70 and of course, the
higher the PE, the better you are doing at maximizing the profit you are taking. To look at PE for several trades, just use the ones that had a profit, add the MPA's and AP's and divide as usual to get a PE average for a group of trades. Note that spread is not considered or included in any of these calculations since it can vary from one pair to the next and it will throw off your calculations.

Next we'll look at setting and trailing stops and evaluating the efficiency of your stop setting.

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Originally Posted by fartist

Hi graviton, i have a qns regarding your SL.

say for example you enter a trade with SL 30pips, which is possible the high of a extreme candle. (You're going short by the way)

And if PA retraces against you say 20 pips, would you exit the trade or will you let it continue running till it hits your SL, or wait out and see if it goes into your direction again?

Cus there are times whereby you could save yourself few pips and exit before hitting your SL, and also there are times whereby if you didnt do anything the trade goes back into your direction.

Your thoughts? Thank you!

I don't have a hard rule on this. I try to ask, knowing what you know now, would you enter the trade here. If the answer is yes, I stay in the trade and if the answer is no, I exit. I probably exit about half of these situations because the trade just isn't moving as I expected, and I stay in about half because I believe the basis of the trade is strong and it's probably just a bounce off an s/r line and will continue.

Something to note, you could probably get a good entry about half the time by just fliping a coin. Since you can make two entry attempts with 20 pip stops for one with a 40 pip stop, it just doesn't make sense to pick very large stop loss amounts and stay with with it to the last pip and it stops out. So from that point of view, the bias should be to exit early if price doesn't move as you believed it would and try for a good entry on another pair.
Hi Graviton 😊

I have question

When I can consider that PA returns to its downtrend - once it breakout retracement trend line or when PA made new lower low??

Below is 1H eur-gbp chart.

Please explain when to make short (long) entry once a candle break out green retracement line or when a candle break out the level 0.8221 which is the level of last higher low. Also would be good to know short entry should be made right at the new candle open or just wait when PA returns back to retracement trend line again and then made an entry.

In case price bounces off the green line when to enter at the new candle open? How to return to the up trend and when if PA won't touch green retracement line and will continue to rise??

⚠️ This image has been resized. Click this bar to view the full image. The original image is sized 1024x484 and weights 43KB.
RenaLa, good questions. Looking at the daily chart first, you are in a solid down trend. You have marked the current retracement against that down trend correctly.

You should look at these trendlines as visual aids to your trading, like an indicator. It's price action that counts. If you were trading both ways, you'd want to exit the retracement up-trade quickly as soon as you think your profit is maxed out and price moves below the trendline. Of course you'd like to exit the up trade right on the highest peak, but you can't know where that highest peak is in advance, so you exit after a good peak and a solid turn down. It's OK if you exit with profit a little early, just as long as you are making profit.

Entries need to be made more carefully. Half the entries I intend to make never work out and I don't wind up entering the trade at all. To enter back down on a break of the retracement trend line, you need a couple more good reasons to enter. It's always best to have three good reasons to enter any trade. Technically, the up trend retracement is still in effect until price breaks down far enough to make a new lower low. That would be quite a bit below the break of the retracement trend line. So below the 0.8220 line you marked is a technical break of the retracement uptrend and if lower timeframes are going down, it's a good short entry. Note that the average down move is large, like 200 pips, so waiting until you have a strong entry signal still allows you to make good pips on the next down move.

Now if I have a couple other really good reasons to enter earlier after the retracement trend line is broken, like strong fundamental reasons the price should go down and something else like a valid CBL signal, I may enter early knowing I'm taking some additional risk. If I think the additional risk is large, I'll often mitigate that risk by entering 1/2 lot with a tight
stop and put the other 1/2 on when the candle closes forming the new lower low, which is the real price action signal. But many times I should have waited until I knew I was right and I take a loss for being too impatient. In this business we are paid to be patient.

So the point is, different people will draw trend lines at a little different point and there is no way for the market to know where you drew yours. Unfortunately, price does not move in nice straight lines and you constantly have to adapt and adjust to that fact. So the trendlines are something we make up to help keep up with moves on many pairs, but price making a new lower low is a solid price action signal. Since everyone trading will see it the same, it is a much more reliable entry signal.

Did I answer your question?

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Setting Stop Losses

I will now begin to present the much promised stop loss analysis tool. The purpose of this tool is to let you know if your stop loss is too large or too small for your trading method. If your stop loss is too large or small for your method, you have two choices, change your stop loss, or change your trading method. I’ll begin with an introduction and then proceed to calculations charts and graphs. You can do all these calculations and graphing with pencil and paper, but it’s much easier with a spread sheet program like Excel. I won’t be able to answer Excel questions here, but there is lots of free help and tutorials on line. So let’s get started.

The first step will be a very rough look at stop loss performance. We will then drill down on this and get more precise as we go along. If you’ve been keeping trading logs for a long time, you should have lots of data sets for this. If you haven’t collected the data, now is the time to start. For this first step, you will only need log data on stop loss settings and pips won or lost for each trade which should be available in just about any trading platform’s trading logs. Before we get into the heavy lifting of charts and graphs and calculations, let’s take a moment to look at what a stop loss is for, and more importantly what it isn’t for.

A stop loss should be used to protect your trading capital, and once you have a good profit in a trade, to protect your profits. That should be its only use. In most cases you don’t want to use a stop to take profits because the stop trips when profits are at a minimum. You want to take profits when they are at a maximum, or as close to a maximum as you can get. In most cases a stop is useless for that purpose. So in most cases, if you don’t have a profit in a trade yet, the stop loss prevents price from moving sharply against you and making your loss even worse. If you have a good profit, the stop prevents a sharp move from taking all your profits away. A stop loss should be an emergency measure to protect your account balance. In the best trading, you will almost NEVER hit a stop. In the best trading, the only time you hit a stop is when price suddenly and unexpectedly moves sharply against your position. If that happens more than once a week in day trading, you aren’t trading right. Let me explain this more, because it’s important.

If a trade is moving against you on entry, you should recognize it as a bad entry and early exit to prevent more loss. You can always re-enter later if you think you have a better entry point and the basis for the trade was solid. The cost of that is only a few pips in spread and
you save yourself from the much larger possible loss of waiting until the stop is hit. If you have a small profit in a trade, and price turns against you, you should early exit with a few pips profit or as near to break even as you can. Letting a small win turn into a large stop out loss is not good trading. If you have a large win, you should let your profits run as long as possible and exit to take profits as near a profit maximum as possible. You should never sit by and watch that good profit waste away until it hits your stop loss. That is not good trading.

If you have read Tymen’s good example of comparing the movements of the ocean to price movements, you can see what I mean. There is a large tide movement that relates to a long term price movement up or down, seen on the monthly and weekly charts. That long term movement can be used for position or swing trading. There are big waves that roll in and out that can be used for day trading, as seen on the daily, 4H and 1H charts, and there are little wavelets that we ignore except for optimizing entry and exit points. Totally ignoring the little wavelets doesn’t make that much difference, but I always use them, as seen on the 1M, 5M and 15M charts, to optimize my entries and exits to squeeze that extra few pips out of every trade. Every pip counts.

If you are day trading, you’ll do better over the long haul if you trade in the direction of the longer term trend, or the tide. Say you are trading up, you want to enter a trade when long term direction is up, or tide is rising, and you want to enter, or put on more lots, when the big wave is at a minimum or in a valley between waves, and to optimize entry enter when the little wavelets are also at a minimum or in a little valley or trough. For day trading, it’s the big waves that count the most. The tide doesn’t have that much effect, but it’s slightly better to trade with it than against it. The little wavelets are the scalpers’ specialty and they can’t make a nice big fat profit for day traders over the long haul, though they can be used for optimization as stated above.

So you’ll want to take profits when the big wave is at its maximum, or as close to its maximum as possible. You also want to take profit when the little wavelet on top of the big wave is also at or near its maximum to optimize. Since a stop loss almost always executes when the big wave is nearer its minimum, it’s worse than useless for that purpose. You’ll need to use other methods to maximize taking profits and we can discuss those separately.

There are lots of things that can be done to reduce stop out losses. Avoiding trading big known news events, obtaining better entries, exiting earlier before the stop loss is hit and other things work well. We can discuss those separately, but for the moment take this challenge. Practice trading one full week without ever hitting a stop loss by making better entries, early exiting and avoiding major news events, NOT by making the stop loss larger. Of course, moving your stop against the direction of your trade to stay in a losing trade is strictly forbidden in my trading system. Making your stop loss larger when you are losing will just cause you to lose more. Trading a full week without hitting a single stop loss AND without making your stop loss larger than you normally do is a huge exercise in trading discipline. If you haven’t developed that discipline yet, now is the time to start. So even if you early exit a bad trade 1 pip before it hits your normal stop loss point, you have been successful in avoiding a stop out loss. As you practice this, you can reduce losses to near zero and what’s left is Break Evens that pay the spread, small wins and huge wins. We like those.

So to conclude this introduction, stop out losses are caused by three things, bad entries, trading big news events where price moves sharply and moving the stop loss to quickly toward the price trying to lock in profits too early, which is really just greed. You can’t always avoid unexpected news, but you can avoid the big expected news events, and most
of the time, even on unexpected news, you can still exit before your stop loss is hit, if you are nimble. You’ll make some bad entries, everyone does, but if you learn to simply recognize a bad entry as one that goes against you right after entry, and admit to yourself you have made a bad entry, you can exit those early and almost never hit a bad entry stop loss. Moving the stop loss too soon and too close to the price action is something we will look at in more detail. That’s where the math, charting and graphing will help. We’ll get in to that next, but really, if you think about, understand, and practice the principals discussed above, you’ll achieve 80% of what I have to present without a single calculation or graph.

Any questions?

Originally Posted by RenaLa
I think you did 😊

I just keep thinking about second and third reson to enter. First reson is trend line (its classic and I like it), second which could be CBL dont work for me well. Fundamentals are good for long investments. I dont do it yet.

Do you think stochastic could be a reson? 😊

Graviton, tell me please how oil spill in the Gulf of Mexico along with tornado is affecting the TX beaches and all the coast? Is it really worst? interesting which state in usa is safest from tornados and twisters? well, thanks for every answered question enjoy fireworks and happy 4th of July to you and to everyone who celebrates 😊

If you combine a CBL with the break of a retracement trend line, your winable trades should go way up, to like 80 or 90%. But note, a winnable trade isn’t necessarily one that you won. It could go 85 pips up and 20 pips down and you exit at a loss of 20 pips, so we need to first assess if you are getting your share of good entries. So let’s work on that this week.

Yes, a third reason could be indicators indicate entry. I’d prefer to use at least three indicators for that though because any one is so unreliable. Say, Stoch, RSI and MACD all agree it’s a good time to enter. If they disagree, it can't count.

For us to turbo charge your entries, you need to start tracking your number of "good entries" and "bad entries" to optimize your entry method. I’ll discuss that more in my next post, but it's very simple. A good entry goes more than 10 pips in your direction before it goes more than 10 pips against you. A bad entry, of course, goes more than 10 pips against you before it goes more than 10 pips in your direction. Mark every entry in your trading log as good entry or bad entry. Let me know your count, say 10 trades, 6 good and 4 bad entries. You will also need to write down the three good reasons to enter every trade, both for those won and those lost. Then I can help you sort this out and optimize your entries to get the highest winning percent possible.
Let’s review and summarize for a moment. We have seen that stops are only good for one thing, protecting capital from sudden and unexpected spikes against the direction of the trade. But as we drill down we will see that most stop out losses come from other events. There are four main reasons we can suffer a stop out loss. Let’s take them one by one and analyze each. The four reasons are, quick spikes that stop us out of a trade, bad entries that go against us until they hit a stop, good entries that later turn bad and hit a stop, and moving a stop too fast causing it to be hit by normal price action volatility.

Quick spikes come in two types, unexpected and expected. Unexpected spikes come from news events that are not expected, order imbalances, central bank interventions and other events like a large company ham-handedly repatriating large profits from say Euros to Dollars. These unexpected spikes can’t totally be avoided, but we can greatly reduce their effect on our trades.

Totally unexpected news is rare. It shouldn’t hit your trades very often. If we can reduce the stop loss we normally need to stay in good trades, we can reduce the impact of this event. If it’s both rare and has little effect when it does happen, it will have minimal effect on trading. Note also that when these events are news events, often they are some sort of bad news that causes a quick flight to safety, or to the USD. Therefore any trade that is short with the USD on top or long with the USD on bottom is more likely to suffer from these unexpected news events. Knowing that, we are less likely to get hit with these news events if we are careful when shorting the dollar.

We can’t stay out of all those trades since they are half the good trades, but we must be aware of the additional risk they carry. So bottom line, we can’t avoid this problem altogether, but we can seek to minimize its impact by learning how to trade with tighter stops so we suffer less risk when these unexpected events occur. Using wider stops only causes greater loses to occur a little less frequently and is the worst approach to take. After we finish doing everything we can to minimize this risk, then the few remaining rare quick spike stop out losses are just what we will want to happen to keep from exposing out trading capital to possible larger losses.

The other type of quick spike is the expected event. This could be a scheduled central bank announcement, a major release of economic news or some other expected news event. These events are easy to avoid. By going to the Forex Factory calendar and avoiding trading during red flagged events, we can avoid the spikes that regularly occur after scheduled news events. Following economic and political news on TV, Radio and the Internet alerts us to any scheduled economic statements or political statements that could affect our trades. We simply exit before those events and re-enter after the events. The cost is small at just a few pips of spread. Often we don’t even have to pay that cost as we can just delay entering a new trade until after the news has passed.

A final but very important point about sudden spikes is that most of them really aren’t that sudden. In most cases, price starts moving rapidly against you for a known or unknown reason, but it’s not too rapid to exit and protect your capital, you just don’t. You sit there frozen hoping that price will turn around before it hits your stop. The further price goes against you, the more frozen you become. It’s human nature. You need to learn to exit quickly when you see a price spike moving against you. Look at it this way, the cost of exiting quickly is only a few pips spread if price quits moving against you, but the cost of a stop out loss could be 30 pips or more. So you could be wrong about exiting early 4 out of 5 times and right only one of 5 times and still be way ahead. About 90% of price spikes against you are not so sudden you can’t exit early and avoid a big loss. You must practice
this over and over to be good at it. Look for reasons to exit early a trade that’s going against you and take every one you can find. In the end, the only time you should ever hit your stop loss is when the price spike is so sudden you couldn’t possibly have reacted in time.

A stop loss is a very stupid but very quick tool. In that very rare case of a spike against you so sudden you can’t react, maybe occurring once or twice every month or so, you must depend on your stupid but quick stop loss to take you out of the trade. In every other case you must learn the discipline to exit manually when a trade is going against you. A stop loss is no substitute for trading discipline. It can actually cost you lots more capital than it saves you if you depend on it to take you out of bad trades because you don’t have the discipline to exit manually. Practice exiting trades before they hit your stop loss. Start exiting 1 pip before a bad trade hits your stop loss, and then move to early exiting 2 pips before your stop loss is hit. Keep increasing your early exit margin and analyze what happens after you early exit until you start to approach a breakeven point. Break out and log your reasons for early exits and analyze which reasons produce the best results and which produce the worst. Become an expert at exiting a trade early to protect your capital. Then you are depending on trading with your brain and not with a very stupid but very fast stop loss.

The second type of stop out losses are caused by bad entries. Let’s define a bad entry as one that goes 10 pips against you before it goes 10 pips in your favor. If it goes 10 pips in your favor and then turns against you, we’ll define as a good entry gone bad, and deal with it next. These bad entries are the most common reason for stop out losses and are easily avoided. I’ll be very direct and even brutally frank about dealing with these losses. It’s easy to identify a bad entry. It goes against you right away after entry. It screams, “BAD ENTRY, GET OUT!” But we don’t want to hear that, do we? We sit and wait and hope against hope that price will turn around and not make us feel so foolish while price continues to go further against us until it finally hits our stop and we resign ourselves to a big stop out loss. Why? Because we don’t want to admit we were wrong.

It’s human nature. Sometimes, price will turn around and we will win even though it was a bad entry. That feels good, to get a win when we thought it was a sure loss. It feels so good; we’ll take many large losses just to feel that good a few times. Exiting early with 2 pips won or lost doesn’t feel that good at all. In fact, it feels just about as bad as taking a large loss. So we plod merrily along, taking many large losses and hoping to feel good about a win eventually. The simple fact is, winning at trading isn’t about feeling good. Winning at trading has nothing to do with how it makes us feel. If it makes us feel sick to the point of heaving up lunch, winning is still winning. If losing makes us feel great and we can have a huge pity party for ourselves afterward, and our friends and relatives join in with lots of pity and we feel loved and cared for, losing is still losing.

To deal with bad entry stop out losses we should first try to avoid the cause, bad entries. Of course, everyone wants to avoid bad entries, but very few will want to carefully analyze their entries to see if there is a pattern to them. Those few traders who analyze and perfect their entries can become professionals. The others will never improve. It’s easy to analyze your entries. I’ll give you an example and you can adjust it to suit your method. For every trade, classify the entry as a bad entry if price moves 10 pips against you before it moves 10 pips in your favor, and the opposite for a good entry. Write the reason(s) for entering every trade in your trading journal. Also write any concerns you have about the trade at entry. Then each weekend, analyze your good and bad entries. As you perfect this for your trading method, you’ll find patterns in good and bad entries. Bad entries will share the same concerns and are made off similar unreliable trade signals. Good entries will share the same reasons for taking the trade and will lack certain concerns. By adjusting your trading plan
you can work week after week to increase your good entry percent and reduce your bad
entry percent. Reaching a good entry percent of 80 to 90 % is quite achievable and we can
discuss this further in later posts if you like.

In the end though, hardly anyone will reach 100% good entries. But after many weeks of
study and improvement you will become an expert in recognizing a bad entry. So what do
you do about it when you find yourself in one? The best way to deal with a bad entry is to
early exit. Never wait until price creeps up to your stop loss point and stops you out. That's
not what your stop loss is for. Your stop loss is stupid. It's only function is to take you out of
a trade in case of a sudden and unexpected spike against you. Once you’ve learned to
recognize bad entries, and you have developed the trading discipline to early exit from
them, you need never hit a stop loss again from a bad entry. You should set a goal for
yourself to never hit a stop loss because of a bad entry. It can be achieved if you practice.

I need to take a break now to run some errands. When I return, I’ll analyze the last two
reasons for stop out losses, good trades gone bad and moving the stop too close to price
action. We’ll then summarize everything we’ve covered and set up very specific measuring
tools to measure our progress at improving in every category of reducing stop out losses to
a goal of zero. Of course we will never quite get to zero, but that’s the goal and that’s how
we will measure our progress.

Any questions?

I'm glad you are enjoying this lesson on optimizing stop losses. This is a complex subject,
but we will end up running this all the way to the ground. We'll optimize our stop loss
settings and reduce stop out losses to the bare minimum for any trading style or method.
We'll accept nothing less than total victory over this four headed beast.

To paraphrase JFK, we don't choose to do this because it's easy, we choose to do it because
it's hard. Great challenges produce great outcomes. So let's soldier on.

**Page 129 Post 1285**

**Good Trades Turned bad**

Let’s review and summarize a bit before moving forward. I apologize in advance to any
experienced traders reading this and who are offended by my blunt manor. I don't mean to
be talking down to anyone. I also apologize in advance for this being so long and
complicated. Believe me, I’m doing the very best I can with this difficult subject. I just don’t
know how to do this quicker or better. So on we go.

A stop loss is a very quick but very stupid tool. It has only one legitimate purpose, to take
you out of a trade when an unexpected spike against you exposes your capital to risk and
that spike is too quick for you to exit manually. You should not let something this stupid
trade your account for you if you can help it. Instead, use the greatest pattern recognition
engine known to trade your account, your brain.

Stop out losses come in four types. Sudden spikes, bad entries, good trades turned bad and
moving the stop too fast and too close to normal price action volatility. You need to start
logging every trade and keep data on which of the four types each of your stop out losses
fall into. Do that now as that information will be critically important going forward.

Sudden spikes come in two types, expected and unexpected. We can avoid all expected
sudden spikes by being out of the market when we expect they will occur. We can minimize the losses from unexpected sudden spikes by trading with minimum stop loss settings. In most cases, we really do have time to exit a move against our trade before the stop loss is actually hit. We must analyze those cases and constantly improve at exiting early to minimize those impacts on our trading results. We also need to define what a minimum stop loss for a particular trading method is. We will need to create three very good tools to do this job. One tool is to measure our effectiveness at avoiding expected spikes altogether by simply counting how many we get hit with per week or per month. Our goal is to make that number zero. A second tool is to measure our effectiveness at exiting early from spikes by measuring our losses from staying in these spike trades. Our goal is to reduce that number to the absolute minimum. A third tool is to determine what a minimum stop is for a particular trade. That will be a most important tool, but it will get much simpler to create after we carefully examine each category of stop out losses.

The second type of stop out loss is that caused from bad entries. If we reduce our bad entries in the first place, we can reduce these losses. If we can learn to recognize those bad entries that remain early enough, we can exit early to reduce those stop out losses even further. Our goal is to have zero stop out losses due to bad entries. We will never get all the way to zero, but we can make great improvements in this area, yielding only a few small losses and no large ones at all. If we gather information about what makes good entries and bad entries bad, we can find patterns in that data and work to increase the percent of good entries and reduce the percent of bad entries. We will need two tools for this task. One simply measures the percent of good entries vs. bad entries and records the reasons for each trade so we can recognize patterns in each and work to reduce bad entries. The second tool will measure our effectiveness at recognizing bad entries early by measuring the average pips lost on bad entries.

Now we will soldier on. A third reason for stop out losses is good trades turned bad. This is the case where we have a good entry that goes 10 or more pips in our favor. Maybe it goes 60 or 80 pips in our favor, but then it turns around and gives all those pips back and takes away a big fat stop loss as well. These are heartbreakers, but don’t get mad, don’t get even, get better than even. Looking back on these trades it’s always clear. You had the chance after a good trade 12 pips up went bad to exit a few pips ahead, but you didn’t. You had the chance after the trade was up 60 pips to exit with 40 pips profit, but you didn’t. Why? It’s simple human nature.

In the human psyche, hope springs eternal. Hope is probably the only reason we don’t all jump out the window of a tall building on any given day of the week. Hope can be productive in the broad sense of trading, in that you hope that with study and practice to become a better trader over time, and that gives you the strength to soldier on. But hope has no place in any one given trade. The market doesn’t only not care about your hope; it will actually use your hope against you. Any time a trade has moved well in your favor, there are millions of traders just like you that are hoping it will continue in their favor. But there are a few large traders that know the market never moves in straight lines. As soon as they see the market retracing a bit, they trade the retracement. They are hoping also, hoping you are going to stay in the trade long enough so that they can take all your profits and your stop loss too. Most of the time they are right and most of the time you give back all your profit and a nice big fat stop loss too. Increasing your stop loss doesn’t help. In the end that just gives back more to those who would prey on your hope.

Abandon all hope ye who enter here. Instead of hoping a trade will continue, or come back after it has turned against you, fight for every pip you can pull out of it. If a trade goes 12 pips in your favor and turns, exit with two pips profit and live to trade another day. It
doesn't feel good. It's not satisfying. But that's trading. As often as not, the thing that makes you feel good in trading is wrong; and something that is about as satisfying as having a boil lanced is right. Trading on hope and feelings is no better than flipping a coin and often is worse.

Take your 2 pips and take a break. Don't obsess over the 40% of the time that the trade turns back to go on to make 120 pips. Simply ignore that twist of fate and go right back to work looking for another good entry on this pair or another. You miss 10,000 good trades every day in some market somewhere. You just can't trade with that burden on your shoulders. You must free yourself from it. You take your small pip profit, even if it’s only one pip, and congratulate yourself for having done the difficult but right thing, then move right on to the next trade with no burden or excess baggage. Maybe fighting for a couple pips just doesn’t seem worth the effort to you. If you don't have the will to fight for 1 or two pips, you won't have the guts to fight for 40 when you are 60 ahead or 200 when you are three hundred ahead. This is a test of your will. You must win this test to become a trader.

Start by setting some rules for yourself and enforce them yourself. Don’t depend on a stupid stop loss to take your profit out of a trade. A stop loss always takes you out of a trade with a minimum profit, not the maximum profit you seek. You need to be in charge of when you take profit, not a stupid but quick stop loss. I’ve already given you a great tool for measuring your profit taking efficiency in a previous post. Use the PE=AP/MPA tool to measure your effectiveness at taking the maximum profit out of a trade. Until you get very good at it, set up some rules to follow and find the discipline within yourself to follow them. You can make them simple to start and improve them as you go along. If you just set a rule to take 1 pip of profit for any trade that goes more than 10 pips in your favor, you will never take a stop out loss for any trade that goes more than 10 pips in your favor for the rest of your trading career. For many, that one simple rule will make a huge difference in trading results. Sure you will early exit a lot of trades, but you will early exit with no loss instead of losing one big fat stop loss after another. Set another rule, if you get 30 pips ahead, you will early exit with 20 pips profit minimum. Set another rule, if you are 60 pips ahead you will exit with 40 pips minimum, and so on. Measure the effectiveness for your rules using the tool I’ve given you. Different rules will be required for different trading methods with different time frames on different pairs. I can't give you the rules that are perfect for you. I can only give you tools to discover those rules for yourself. If you like, above a certain trigger, say above 30 pips profit, you can use PSAR to take your profit out on a peak rather than a valley. You must be in control of your trades, not me, and not your stop loss.

The conclusion here is you need to trade with your brain and not where a stupid stop loss takes you out of the trade. You’ll need a tool that that categorizes which of the four categories your stop out losses are coming from and one that counts how many times you violate your own take profit rules. If you create a set of take profit rules and follow them and continuously work to improve them, you can turn this source of stop out losses into a source of profits and completely eliminate this category from your trading. So you need four tools for this task. The PE=AP/MPA tool evaluates your rules efficiency at taking maximum profit and allows you to continuously improve your rules in an objective manner. You need to categorize your stop out losses to determine how many fall into the good trade turned bad category. You need to count the times you violate you’re your own take profit rules and reduce those violations to zero. Your goal in the end is to turn this category of stop out losses into a source of profit. That is really fairly easily done.

We only have one more category of stop out losses to consider, those caused by moving the stop loss too close to the price action volatility to soon. I’ll consider that in my next post and
then we’ll summarize all these four categories and stuff our tool kits with all the tools needed to repair any broken notions of how to use stop losses.

Page 129 Post 1287

Originally Posted by NForex
Thanks for sharing your experiences & knowledge Gravitation!

I could learn a lot from your last posts!

Looks like for being successful at forex its not only about what you win but what you dont lose.

Nah im not sure how to describe what im thinking. Sry :-(

Anyway thanks for sharing!! 🍪

Oh I agree completely. For most traders the problem isn't they don't win enough, the problem is they lose way too much. I lost tons in the beginning before that finally sunk into my thick skull. I kept thinking that if I won more, I would be successful at trading. The problem was that over the long run I always lost more than I won, no matter how much I won. I finally realized that the only way I would ever be successful at trading was to learn first how not to lose. I then set a goal for myself to not have any losing weeks. Perhaps I'm just a slow learner, but it took years for me to learn how to trade without having losing weeks. I found it to be many orders of magnitude more difficult than just winning. Perhaps some lucky traders can be successful without ever learning how to not lose, but that never worked for me. It took me two years to make 4 weeks in a row positive at the end of each week, and three years before I had 8 non-losing weeks in a row.

Even now after over two decades, I still fight every single week to end the week ahead. I've had many low percentage wins this year at the end of a week and that doesn't bother me at all, but I lost a week in March despite my very best efforts to make this year a year without a losing week. The good news is, if you can learn first how to trade without losing, winning becomes terribly easy by comparison. Profits just seem to fall in your lap week after week. It's weird, but I believe it's true. The best way to learn to win at Forex is to learn how not to lose. Thanks for your comments 😊

Page 130 Post 1291

Moving Stops

Whew! This is turning out to be one of those epic journeys. I hope when we get to the end of this long road you agree the trip was worth the effort. We are now about half way home and with luck we’ll be there by tomorrow. I commend anyone who has made it this far and soon I hope to pass out your merit badges in the form of a stop loss tool kit. I’ll probably wind up coming back later and throwing in some more on taking profits, as these two subjects are so closely related. But for the moment, let’s only take on one monumental task at a time.

The last of our four categories of stop out losses is one that we do to ourselves, moving a stop too close to normal price action volatility. Since we are NEVER allowed to move a stop
against the direction of our trade, if we move a stop, it will be toward the danger zone of normal price action volatility. This usually happens when a trade is well ahead and we want to move our stop to break even or lock in profits by moving the stop loss closer to the price. Of course we will want to adjust our stop loss to keep it at optimum, but that optimum may have very little to do with how much profit we’ve made. Once again, the problem in using a stop loss to exit a profitable trade is that isn’t what the stop loss is for. A stop loss will almost always take you out of a trade at the profit minimum rather than the maximum or even a good place in between. The stop is only good for one thing and that is to protect your capital from sudden spikes in price that you can’t exit out of earlier. So it’s clear that to avoid this type of normal volatility stop out loss, we need a better tool to determine where an optimum stop should be set in combination with the discipline to exit bad trades as soon as we can and well before they hit that stop.

Since every trader trades a little differently and some trade many different pairs in many different time frames, there isn’t one stop loss setting that’s good for everyone in every situation. What we can do though is work to create a tool that will measure the efficiency of our stop loss settings over time. Then for a particular trading method we can say if that stop loss is too large or too small and adjust it to optimum. If the stop loss is too small, the trade will be stopped out too quickly due to normal price action volatility. If the stop loss is too large, we will suffer large losses on the occasional sudden unexpected spike against our trade. This trade off is ignored by some traders who just think they can trade with very large stops and never get stopped out. It works until they are hit with a quick spike and then lose all their profits back and then some.

The spike out risk number must be balanced against being stopped out by having a stop too close to the normal volatility of the price action. Since the only legitimate purpose of a stop is to protect our trading capital from sudden unexpected spikes against a trade, the further away from that normal price action volatility the less pips that will be lost to the normal price action volatility category of stop out losses. But the larger stop also means when we are hit with a spike we will take a larger loss. Again, we aren’t trying to increase the stop to keep us in a bad trade longer. We should exit those long before they hit a stop. We are trying optimize the stop to leave us in a good trade, while still protecting us against large spikes that could put our capital at risk.

It’s clear our optimum stop must take normal price action volatility into consideration, since that’s what we want to stay away from. Both ATR and PSAR take the normal price action volatility into consideration. The PSAR is a good starting point but it has some problems. In a sideways market, the PSAR can swap back and forth between buy and sell signals and become unreliable. ATR on the other hand is an objective measure of volatility for any situation and since it’s an absolute value number (always positive) it doesn’t matter whether you are long or short, the ATR always is an objective measure of volatility at that point in time. If we start using ATR as our stop setting, we can adjust our stops larger or smaller from that starting point depending on our results. These adjustments will take some time to arrive at manually, but if you can run a simulator you can get there fairly fast. I have found through experience though that 1 X ATR is usually a larger stop than needed with good entries on longer timeframes and it is smaller than needed on shorter timeframes.

So following our theory that a stop should protect us from exposing our capital to sudden unexpected spikes, and yet not get taken out by normal price action volatility, we can measure the pips lost by a stop out due to normal price action volatility and how often it is taken out by sudden spikes and balance these off one another.
Since the price action volatility loss really loses some or all of our potential profit we can’t just count the negative pips or the stop loss as its total loss. We really need to take the average Profit Efficiency that we calculated earlier for these types of trades and multiply that by the maximum profit that was available at any time in this trade to get an estimate of what the potential lost profit was. If we add that estimated lost profit to our stop out loss amount it gives the total damage caused by running the stop too close and being taken out by price volatility. That’s the number that needs to be compared to the spike out risk to arrive at a proper stop amount. Of course, there’s lost estimated profit due to spike outs also. So we have the option of ignoring the lost estimated profit on both sides of the equation, or considering it on both sides to be more precise. Since it adds a lot of complication to the calculation, for the moment we’ll ignore the lost profit on both sides and just consider the stop out losses.

So if our stop was 40 pips and was taken out by sudden spikes 4 times in a month for a loss of 160 pips, but we were only taken out by price volatility from moving our stop closer to price twice in a month for a 80 pip loss, it would make sense to tighten up our stop more until these numbers are closer, so stop could be reset, perhaps from 1 X ATR to 0.8 X ATR. When the spike out loss is equal to the normal price action volatility stop out loss, we can’t adjust either way without losing more on one side or the other. At that point we can say our stop loss is set at optimum.

Or is it? Remember the Tymen’s ocean example? The main tide represents the very long term monthly and weekly charts, the big waves represents the daily, 4H and 1H charts and the little wavelets represents the 1M, 5M and 15M charts? If we’re going to jump into the boiling ocean of Forex, wouldn’t it make sense to know where in the ocean we are? This is the time to do a sanity check of our stop placement. If ATR should give us a good stop out of the way of the wave tops that would take us out of the trade, we can verify that calculation simply by looking at the charts of the timeframe we are trading. Day traders are trading the big waves, so the stop should put us above the tops of the big waves so we can stay in the trades long enough to make a profit and not be taken out of the trade at a profit minimum. But the question has been asked, which chart should we refer to, the 1H or the 4H, and how far back should we look to see if our stop is above the wave tops for a short trade (or below the bottoms for a long trade)?

I don’t know of a one size fits all answer to this question. If someone else has a suggestion I’d be happy to hear it. It’s partly a question of time. The longer we intend to stay in a trade, the more likely we are to be taken out by a peak wave top. I look at my stop placement relative to my entry and what I believe will happen in the trade. Usually I am entering a trade on a break of a retracement trend line or a valid CBL or even better a combination of both signals. When I combine a CBL and the break of a retracement trend line I get a very high win/loss ratio and a very good reward to risk ratio as well. But that’s just my personal method of trading. I like to enter a trade near the middle of the London morning session after some daily direction has formed and stay in that same trade all day, or until the market has definitely turned. All the quick in and outs just don’t seem to work for me. So I’ll want my stop at least above the last lower high for a short trade on the 1H chart, and at most above the last lower high on the 4H chart. That’s consistent with the rule of thumb that a trade should last about 4 to 6 times as long as the home chart time frame. It’s also consistent with Tymen’s rule of placing the stop just above the extreme candle, so if I’m trading a down CBL on the 1H chart, the previous lower high will also be just above the extreme candle. That’s just the way a CBL always works.

So if the ATR tells me my stop should be about 38 pips, and a stop above the last lower high runs 30 to 45 pips, I’d consider that a reasonable sanity check and place the stop just
above the last lower high. But if the ATR is 38 and just above the last lower high is 80 pips, that is just too much disagreement. I’ll either wait until another lower high is formed that may be in better agreement or look for another chart to trade or another pair to trade. Often if I just can’t place a stop on the EU 1H that makes sense, I can place one on the 30M chart, knowing that trade may last only a half day, or I may find that EJ has essentially the same chart formation and I can place the stop there. In any case I don’t want to place a stop that is double the ATR as that will produce too low a reward to risk ratio to justify taking the trade. The bottom line here is some trades just aren’t worth taking. The risk is just too high even though everything else looks good. If you run the simulations and delete any trade that has a stop greater than say 1.5 ATR on the chart where the CBL appears, I believe you will greatly increase your reward to risk ratio without affecting your win loss ratio at all. Tightening that constraint further improves reward to risk, but eventually reduces the number of trades available to not be productive in pips won. That has been my experience and I’d be interested in hearing from the simulation experts to see if their work confirms this.

That concludes the philosophy section of setting and using stops. I’d be interested in hearing feedback from any traders including questions, comments, corrections or disagreements. As I’ve said many times, every trader trades differently and I know of no one method that fits everyone, but a good tool that objectively evaluates the efficiency of a traders’ method should apply to any trader or any method. I’ve given some hints on tools we could use for that purpose as we went through the philosophy section. The next section will concentrate on tools that we use going forward to optimize our trading including setting and moving stops.

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The question of whether a stop is too small or too large depends on so many factors it’s almost impossible to give a one size fits all answer. I would suggest you begin looking for the reason for each stop out and keeping track of it. It will always fall into one of the four categories I have outlined and each will have a different solution.

Bad entries-use the three good reasons to enter a trade rule, which requires at least one reason to be a price action confirmation of the trade. This stops overtrading cold in it's tracks.

Sudden spikes-don’t trading during red flagged news to stop expected spikes. unexpected spikes should be very rare, like once every two weeks or less.

Good trades turned bad-always exit these with enough pips to pay spread. Even exiting with just a few pips profit on these keeps you in the game for the long haul.

Moving stop to close to price action to fast-This takes some work to develop a system that minimizes stop outs but protects your capital. It's a trade off that needs to be maximized.

Once you know where your stop outs are coming from, you can concentrate on that specific area to minimize them. If you are trading correctly, you should be able to trade with small stops and not hit a stop at all most weeks. There is an analytical method to minimize stop out losses and maximize take profit points. Go to google and search for Maximum Adverse Excursion pdf (the same thing as I call Maximum Move Against) and read and apply to
minimize stop out losses. Then search for Maximum Favorable Excursion pdf and read and apply to maximize take profit points.

Here's an example pdf for the Maximum Favorable Excursion discussion:

http://www.taloneight.com/resources/...ns/maximum.pdf

There is a book Maximum Adverse Excursion by John Sweeney that you can download and it goes deeply into this subject. You can find much discussion of this subject on the web.

Your homework is to read up on these subjects and collect the data you need to optimize your trading. Then your special project is to try to trade one week with no losses (not even one) due to good trades turned bad, expected spikes or moving stops too close to price action too fast. That only leaves unexpected spikes (very rare) and bad entries to deal with. Bad entries are actually easy to fix if that's all you have left to concentrate on. You only need good entry rules and to follow them with discipline. As you improve entry rules, this source of loss will tend to go toward zero. Unexpected spikes will be all that remain and they will be rare. There are things you can do for unexpected spikes too, but I don't believe that's your problem right now. Without knowing the source of your losses or stop outs, I can't say what to do about them, but you can figure that out easily and then the solution should be clear. Let me know if you have additional questions 😊

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RenaLa, I don’t know of a single method that works all the time so I use several methods. Sometimes plotting fibo levels reveals price is bouncing off a fib level. Sometimes price bounces off a remembered high or low from the past. Monthly highs and lows are the strongest and weekly highs and lows will form supports and resistances also. Sometimes price follows a trendline or channel up or down. Sometimes price bounces off the 100SMA or 200SMA. Sometimes price bounces off big round numbers like 1.2000

Greg over at FXDD goes through all these levels several times a day in his videos at:

Forex News | Forex News and Commentary by FXDD

I also look at pivot points occasionally. Those are calculated for you at:

Forex Pivot Points

Sometimes I see price bouncing off a a point over and over and I can’t for the life of me see why it has picked that number to bounce off of. While I consider all these points as I trade, I do not base my trading off them. My entries are based on retracement trend line breaks or valid CBL's and these support and resistance levels are secondary. I also watch carefully the formation of higher lows or lower highs across several timeframes as I trade.

My exits are based off taking profit from a peak profit point after I have generated a good risk reward ratio. I don't try to pick the absolute all time peak profit point since there is no way to know when or where that will occur. I just pick a peak profit point on a timeframe I'm watching after a good risk reward for that trade has been generated and take profits
there. Sometimes I do get the absolute best exit and sometimes I exit and see the price move to a better profit point after I exit, but that doesn't matter as long as I exited on a peak profit for my trading duration with a good risk reward ratio. As you practice all this you get better at it and your numbers improve and it slowly gets easier.

Page 133 Post 1324

Originally Posted by fartist
Thank you graviton, i have that book and im currently reading it right now!

I know what's my problem. It is actually more of an emotional state of mind rather than my SL.
Every time a good trade turns bad, i probably exit with 1 or 2 pips profit.
Then i see the trade retrace even further more. However as the trade turns around and comes back, im too afraid to pull the trigger once more. And somehow that trade is always the one that made the profits!!

This is because the basis of your trade was sound, but you entered too early and were thrown out with a short retracement on a short time frame. Use lower time frames to time your entries to prevent this from happening. Wait for the completion of the formation of a new lower high on a lower timeframe to enter a down trend.

This has happen all the time this week.
I gave myself a rule. 2% MM for each pair. I will keep re entering the trade until my 2% is hit, if not i just keep re entering like you said.

The trade can turn from good to bad as many times but i will earn profit of 1 to 2 on those trade, till i finally get the one that goes all the way right?

You are right if you are trading in the direction of the trend, but if it takes more than 2 or 3 tries to get a good entry, something is wrong with either the trade basis or your timing of the entry. If you have a very high good entry percentage overall, it shouldn't take more than 2 or 3 tries to get a good entry on a good trade.

Correct me if im wrong, but when our trade starts retracing back and forth between our entry price and SL, it simply means the bull and bears are fighting. Thus whenever it reaches back our re- entry price again, the chances of it going our direction gets even higher as the bears are being wiped out?
After a couple of times, most bears are wiped out thus the PA will go into our direction?
That's my own theory, is there any truth to it?

You are probably right, but it's difficult to base trades on that observation. I just go by the numbers. I have a very high good entry percentage. If I don't get a good entry after a few tries, I assume there is something wrong with the trade and look for what I'm missing. If I see it I may try again, but if not I'll move to another pair. I'll never suffer more than two losses trying to enter any trade. That's just one of my trading rules, but you have the tools to create your own and test them, right?

And by the way, what do you mean by "if the basis of the trade is still the same"? , i usually
Would enter on the very same cbl entry that I started off with.

Suppose my three good reasons to try to enter the trade were, a valid cbl, a break of a retracement trendline, a fundamental piece of information. If all three of those good reasons are still valid and I just picked a bad moment to enter, I will try again but I'll put more attention into shorter time frames to try to improve my timing. Timing is very important.

What about you graviton?

Thank you once again 😊

Did I answer all your questions?

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It depends on your win loss ratio. This is a key indicator of your trading performance and you should track it weekly and monthly and seek to improve it. If your win loss ratio is 33.3%, any trade better than a 1:2 risk reward ratio is good as it will produce profits over the long haul, 1:3 would be very good and 1:4 would be excellent. If your win loss ratio is less, you need to only take higher r/r trades to be profitable over the long haul. If your win loss ratio is higher, you can take lower r/r ratio trades and still be profitable. Even though I have a good win loss ratio, I do not take trades with less than a 1:1.5 r/r ratio as I don't consider them to be worth my time and tying up my margin. If you don't calculate your win loss ratios and r/r ratios, you are flying blind and will probably lose. You can improve profitability by either improving win loss ratio by taking higher quality trades, or by improving r/r ratio by taking only those trades where you calculate you have a better chance at making a better return.

I constantly work on both these ratios, looking for little things I can do to improve w/l or r/r ratios. Of course, I can improve those ratios by taking far fewer trades, so I also have to watch the big picture of increase in trading account balance. I can have great ratios, but take so few trades that account balance grows more slowly that it would if I took more trades with slightly lower ratios. So that balance must be optimized. Does that make sense?

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Yes, that's because your first entry was a bit too soon. You need to watch lower time frames more carefully and time your entries better. It sounds as if your basis for the trade is good, but your timing is a bit off. I'll post some more ideas that might help.
I had 4 trades this week, if I had re entered on all 4 according I would have made profits. However the emotional part held me back and I didn't pull the trigger again. Resulting in losses instead due to the retracements.

When you get burned in a retracement, you will be timid about going back in. Of course, the best cure is to not get burned in retracements. I'll discuss this some more too, but if it happens, take some time to review your trade basis. Make sure you understand what just happened. I often have to try two or three times to get a good entry, but I rarely lose much if anything on those trys. I'll discuss this trick more.

I suppose my mindset needs to be tuned for the fact that re entry is normal. I am used to the mentality that once I enter the trade, I either make it or break it. With you new teaching now I need to fine tuned again.

Yes, you have the same mindset as most new traders, all or nothing, make a million or hit the stop loss. Given only those two options, you'll hit the stop loss almost every trade. I owe you another option. Don't let me forget to give it to you.

I'm old, I forget things 😊

I'll let you know how's it going, I tell myself the maximum I will lose on a pair is 2% of mm. And I will keep re entering as long as the opportunity arise as long as my 2% is not met. You need to greatly reduce your risk. My entry risk is about 10 pips on a 1H trade. That's why it doesn't bother me to have to try to enter a couple times. I'll discuss this more.

From my understanding, when you let a pair retrace would you exit at a max of 0.5% since you use a 1% mm? So meaning you will let it retrace you out to the maximum of 2 times before you call it quits for the pair?

Lord no. 1% is my max stop loss setting. It's only for quick spikes that I can't get out of manually. Usually it's actually much less than that. I only hit a stop loss rarely on unexpected spikes. On entry for a 1H I risk about 10 pips, on 4H about 20 to 35 pips. That might not be the right number for your method, pair, time of day etc., but you can greatly reduce your risk with better entries. I'll work with you on this as others are having the same problem.

By the way, base solely on cbl entry on 1HR AND 4HR TF and trading with the trend, I find myself having 6-8 trades a week only.

About 1/3rd of my trades are based on CBL's, about 1/3rd are based on breaking of retracement trend lines and about 1/3rd are based on other direct price action confirmations. Every trade will include direct price action confirmation of the entry and at least two other good reasons to enter the trade.

But I do understand more trades does not mean more profits, I'm just saying know, it seems pretty little.

There are lots of things that need to be covered here. I'll put getting more good trades on my list. Don't let me forget to get back to it. I want to cover entries first though.
Usually everyone hits a wall just before the light bulb comes on. None of this would make sense if you hadn't experienced it all first hand. Now that you have, I'm in a good position to shed some light on these subjects. I'll try to do so in my next few posts. Keep asking good questions and I'll try to give the best answers I can 😊

Page 136 Post 1346

Originally Posted by hachiko
I'm being careful on this one. Lot's of chatter in the market about big names, options and asian central banks playing with EUR over the last couple of days. EUR/USD uptrend not really supported by fundamentals, according to some pundits. 😐

Wow! Good thing someone told me that. I made 736 pips today on eu,ej,gu,gj. I guess I have to give them back. Who should I give them to? The pundits?

Just kidding. I listen to the pundits too. But I realize they are only correct 45% of the time. Any that are right more than 50% are already trading for a living. Just something to keep in mind

Page 136 Post 1351

Originally Posted by hachiko
Yeah it was fun for a while today wasn't it. I was long EUR/USD, made some good pips. Got out around 1.27 on a small retracement and then was too scared to get back in because I looked at some (obviously wrong in hindsight) news feeds talking about 1.28 being a resistance point. 😐

It wasn't till later that I found out all the big players had been buying EUR since Wed. The question now is; will it blow past 1.3 or retrace. Keeping my powder dry for now and see what happens when Tokyo opens.

I was also short on USD/JPY and got out of that too soon as well. 😞

I need to get back to discussing profit taking soon. I've taken off 1/3rd of my lots at good profit now. I'm letting 2/3rds run for the moment as I expect eu to test 1.3000 Whether it bounces off or blows through will depend on two things, the euro and the dollar. I amuse myself.

Seriously, right now, many US banks are willing to lend dollars to good customers at very low rates. The euro is paying great intrest and there is no sign that the ecb is going to drop rates any time soon. So borrowing dollars at very low rates and buying euros to purchase high euro interest bonds and commercial paper is like printing money. Unless there is some terribly bad news on the euro that we don't know of (unlikely), or some great USD news that we don't know of (also unlikely), the euro will continue to rise. There will be retracements on bits of news now and then, but these fundamental trends tend to run for months. The retracements make great buying opportunities once they end. Make no mistake about it, we have transitioned to an uptrend in the euro. Just look at the eu monthly, weekly and daily charts. They scream long term trend change to up trend. The way to trade the euro is buy on upward breaks of retracements down, and sell on peaks up top. Buy low, sell high. This stuff is simple, eh?
Originally Posted by gasanvill

Yes graviton, you are absolutely right! I won't let Friday take all my profits back! and besides I want to give my mind and body some rest 😒 I will leave my soul and my heart next week so I can finish positive!

thanks!

textual content:

how many years took you to be positive two weeks in a row? and 4 weeks?

A year to get two weeks positive in a row. Two years to get four weeks positive in a row. I suppose some are quicker, but most quit and never get there at all, so I'm probably about in the middle somewhere.

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Entries

Let's go back to the beginning for a moment. I've had many questions lately about timing of entries, risk reward ratios and entry losses. These items are all interconnected. For instance, you can improve your risk reward ratio one of two ways, by finding trades with better reward possibilities, or by reducing entry risk. Either works just as well, but you can do things to reduce your entry risk. You are in complete control of how much you choose to risk on an entry. You can't force more reward out of a trade than the market is willing to give, so let's look at reducing entry risk.

If you look at an old chart, it's easy to see where the perfect entries were in hindsight. Those tall peaks on a down trending pair would make perfect entries. Looking at the 4H chart you can see many peaks where you could have made a perfect entry for just a few pips risk and made hundreds of pips. Of course, none of us are perfect, so we will rarely enter on that most perfect point, but most of us can improve if we understand the goal and have some basic tools and a good way to measure our progress. If I make a mistake, feel free to correct me. So let's get started.

Your entry risk is related to the efficiency of your entry. As we noted, if you were perfect, you would only enter at the very highest peak in a downtrend. You'd still need a stop loss, just in case of an unexpected spike caused by some unexpected news, but you would be entering so well the price would go in your direction right away so you wouldn't need to depend on the stop loss to take you out of the trade if it goes against you. Measuring how far we are away from that goal, having the tools to work toward that goal, and measuring our progress will be the subject of this post.

First we'll look at the measurement tool. You'll remember that long ago I told you to collect data on how far each entry moved against you, whether you won or lost the trade. I called that a Maximum Move Against, but since others (John Sweeney) call it a Maximum Adverse Excursion, we'll use that MAE term. This term is just price movement. Don't include spread as that changes from pair to pair and will mess up the calculation. Of course, if you hit your stop loss on a losing trade the MAE=SL, but if you don't hit your stop loss and at some point the price goes say a maximum of 6 pips against you before turning in your favor, the MAE for that trade is 6 pips. You can just average the MAE for a week's trades and get a pretty good idea of your true risk per trade, or you can calculate it a little more accurately as I try
to do below. You will naturally face more risk for a 4H chart trade than for a 1H chart trade, so to use the MAE more effectively you need to record which time frame is your home chart for the trade. Since different pairs trade differently in different times of day, you also need to record the ATR of your home chart at the time of entering the trade. Any other data you will need, like your stop loss setting and win or lose should be recorded in your platform trading logs. You’ll need a spreadsheet program like excel to help with these calculations.

So now let’s measure exactly where we are. I’ll do this a bit simpler than the academics would. I haven’t had time to check this well, so someone out there that’s a math wiz check it for me, ok? First separate your trades by home chart time frame. Now, for a single time frame, say 1H, we will adjust the MAE for volatility; call it MAEv, by dividing each MAE by the ATR at the time of entry to the trade. So the higher the volatility at the time of the trade, the less MAEn will be. So the result for a trade with an MAE of 20 and a ATR of 30 would be an MAEv of 0.6667, or 20/30.

Now we will add all the MAEv’s together and divide by the number of trades to get an average MAEv. We will now renormalize that avg MAEv by adding all the ATR values, and dividing by the total number trades to get an average ATR. We then multiply the average ATR by the average MAEv. This gives you a number that is normalized for volatility at the time of the trade, call it MAEn.

In my simple example of 1 trade above, MAEn would go back to 20, but if you have many trades, it will represent your average MAE for a trade adjusted for volatility. This is your measurement tool. We will work to reduce this measurement to as near 0 as possible. Of course, if you had all perfect entries, MAEn would be 0. You won’t get quite there, but you’ll be surprised how far you can go to improve that number once you start measuring it.

You’ll want to plot your MAEn each week on a chart. Looking at your MAEn, you will see that the greatest contributor is when you hit a stop loss. The easiest way to reduce your MAEn is to reduce your stop out losses. I wrote several posts on that and you might want to read them over again. You will need to keep track of which of the four categories your stop losses fall into and work on reducing that category to reduce your MAEn. If you have questions about any of that I’ll try to answer. In the end your goal is to trade without ever hitting a stop loss. I’ve managed to do it this week. Last week I was caught with a quick spike and stopped out for 20. NB has traded the entire week without a loss, so don’t think it can’t be done.

Now we’ll go into more depth on the main cause of stop out losses and large MAE’s, that is, bad entries. The main reason for bad entries is over trading. Over trading is stopped immediately on the spot if you always require three good reasons to enter a trade. One reason must be a direct price action confirmation of the entry, like a CBL or the breaking of a retracement trend line. The other two can be anything that makes sense to you, but keep a record of the reasons to enter a trade and you’ll find some work better than others. Keep using those that work for you and toss those that don’t.

It’s not enough though to just not hit stops, though that will greatly reduce the MAE’s. The trades must be entered at just the right moment to minimize the MAE. Timing is everything. It doesn’t help to have done great analysis and have a trade go 80 pips in your favor if it goes 30 pips against you and hits your stop first. So how do we keep that from happening? Timing is the key. To time an entry, get everything lined up as you usually would but just before entering; quickly start dropping down time frames. Say it’s a trade on the 1H, drop to the 30M and verify it’s going in the right direction for your trade, if it isn’t, wait until it is, when it is, drop to the 15M and verify it’s moving in the direction of your trade, if it is
continue, if not wait until it is, then drop to the 5M and verify it’s moving in the right direction, if it is continue, if it’s not, wait until it is, finally move to the 1M, if it is moving in your direction, enter, if it’s not, wait until it is then enter. This is all there is to timing an entry. Moving down one timeframe at a time and making sure each is going in the right direction for the entry. There’s no guarantee price won’t reverse the moment you enter, but the odds are sure a lot less than if two or three time frames below you are already moving against you at the moment of entry. If you time every entry, you find that the majority will go in your favor upon entry, at least a little. Practice makes perfect, so practice it on every entry.

So say a good entry moves 100 pips in your favor before it moves 10 pips against you. If you look back in your journal and you’ve been tracking when you get a good entry and when you get a bad, look at the win loss and you’ll see many more losses come from bad entries than good, and many more wins come from good entries than bad. So the odds are against you if the price goes 10 pips against you on entry. It only costs a few pips in spread to get out quick and you can always re-enter. So why let the trade run against you to the stop loss? It makes no sense. You are risking 20 or 30 pips in stop loss to save 3 pips in spread. Exit the trade quickly and cut your loss as short as possible. Evaluate your trade and re-enter only if you decide you just were caught in a little retracement. Go through the whole timing exercise again. If you get two bad entries in a row, just move to another pair, something is wrong. Don’t waste your time and margin.

But suppose it’s a good entry? With practice you can get mostly good entries. It goes in your favor right away. Lots will turn back around on you. Never let those go negative. There’s no reason to take a loss on a trade that was a good entry. You should have zero of those losses. You may have to exit with one or two pips profit, but don’t let it go negative.

That’s all I know about entries. There’s probably a lot more to learn, but up to now it’s been enough to work well for me. I measure my MAE’s and work to minimize them. I exit early with small pips profit on lots of trades. On about half I re-enter again and most of those are good entries. On a few trades I take a small loss. I never wait out a bad trade until it hits my stop. I never take a big loss. Never again. If you have any questions or corrections, fire away. Happy trading.

Page 136 Post 1360

Originally Posted by fartist

Hi graviton, you mentioned that you look down intro lower TF and get optimal entry. You would wait till the lower TF are turning upwards before entering the trade right? What about our cbl entry? The specific entry that we have set for ourselves. If we were to screen into lower TF, wouldn’t we miss our CBL entries to wait for that optimal timing?
Please shed some light on that, thanks.

And also, you mentioned on 1HR TF you would let a trade go against you about 10pips. And you set your SL at 1%, so may i know the 10pips is how many % of your total SL? Say around 0.2?

And to add on to you earlier post, i realised for each pair to its own. Before an entry, i will look at the earlier cbl entries of the pair im currently trading on that TF. I will want to know how much it retraces before heading my direction. Some pairs retrace at most half, but the more volatile ones can retrace 3/4 or more. That’s one thing i look out for too, similar to your mae teachings.
Thank you once again 😊

A cbl is valid until a more extreme candle is set or price hits the opposite BB. If a more extreme candle is set, it means price reversed just after the cbl was made, in which case you don’t want to enter and watching the lower TFs kept you out of a bad trade. To hit the opposite BB, the price must have gone a long way in the direction of your trade and there would have been many times along the way that the lower time frames would have lined up in your direction for a good entry. So the answer is no, using the lower tf charts for timing an entry will not keep you from taking a good cbl entry, it can only keep you from taking a bad entry. Therein lies it’s power to improve your entries.

I’ll usually enter a 1H trade with a SL from 20 to 35 pips, depending on volatility of the pair at the time of entry. Sometimes less, like 15 pips in a very slow market. The goal is to keep the sl outside the normal volatility while the trade develops. Please understand, I can’t tell you where to set your stop loss. It depends on too many factors, including your own personal entry efficiency, or MAEn number, the pair, time of day, volatility of the market, etc. I have given you some round starting numbers and the tools to figure that out for yourself. You will have to use the tools given and figure this out for your particular trading method and style. How far you let price run against you before declaring it a bad trade and exiting is also a number you have to figure out for yourself. I know at 10 pips it's a bad entry because of everything I’ve done to time and perfect my entries. That number may be 7 or 15 or 20 for you. Collect your data, and do your analysis and decide where you should cut your losses. This may take weeks of analysis to perfect for your particular trading style. Remember you can always re-enter the trade for just a few pips spread, so risking a 20 pips stop loss to save 3 or 5 pips spread is a very poor risk return ratio, even if you are right. To get a 1:4 risk reward ratio on that bet with a 4 pip spread, you would have to see the trade turn back in your favor and go on to produce a win something like 90% of the time. That's unlikely, but you can examine your own trading and see how often that occurs. Work out the numbers for yourself. If you can't figure it out, tell me and I'll do the math for you one time, but it's best if you work it out yourself.

You will get very few major retracements just after entry if you follow the three good reasons to enter a trade rule and time your entries using lower TF’s. For those that occur, you will be much better off exiting early and letting the retracement complete and if the trade basis is sound re-entering again. I don't know how else to say it. I do this 5 to 10 times a day so it's second nature to me. Trying to give hard and fast rules that fit everyone in every situation is a lost cause (quick prayer to St. Jude, patron of lost causes).

All I can do is give you the tools to work it out for yourself. If you don't understand how to use the tool to figure this out for yourself, I can probably help with using the tool, but doing the analysis to the depth it needs to be done would take lots of data and many days of work for each trader. I simply don't have the time to do that. But I will answer any questions as to how to use the tools you need to implement to work it out for yourself. This is one of those cases where I can teach you how to fish, but I can't catch your fish for you.
I have a question: when do you consider a good trade and move your SL to BE so you don't lose in case it reverses. When it moves 5 pips in your favour? 10 pips, 15 pips? I ask you this because my rule tells me to move my SL at BE, but sometimes my SL is 15 so I have to wait 15 pips to move my SL to BE.

My stop loss is never set to capture profit or even get me out at BE. It does a horrible job of that since it will always take you out at a profit minimum or a loss maximum. I capture profit by manually exiting on a peak profit point. That is a totally different process. Another process is I manually exit before BE if a good trade turns bad.

My stop loss has one purpose and that is to take me out of a trade in case a spike is so quick I can't exit manually. So on a good entry, I will manually exit before BE is crossed, even though the stop loss is set to be just outside the normal volatility of the trade and may be way on the negative side of BE.

So essentially, there are three processes going on early in a trade. First, an emergency stop loss is set to be outside the normal volatility of the trade, say 15 to 40 pips for a 1H trade, but usually around 30 pips. That stop loss should be hit very rarely and only in the case of a quick unexpected spike against my trade, maybe only once every two weeks. As you perfect your entry technique, you will find you can tighten up that initial stop loss and still only have it hit very rarely, yielding less loss on the rare occasion when it is hit.

Second, I determine if the entry is good or bad. I quickly exit bad entries. For a good entry I will always exit with a profit. This is where your question lies. I don't move my stop loss to break even. I keep it trailing outside the normal volatility of the trade. The longer I'm in a trade, the more volatility I'm exposed to, so I will let the stop loss grow as the trade moves more in my favor. Just the opposite of what you are asking.

Instead of moving the SL to BE, I manually exit before BE if a trade turns against me. This requires discipline and agility, but it's not complicated. A SL is also a terrible substitute for trading discipline. That's the difference in a rare quick spike, where I can't manually exit with a profit, and a more slowly forming retracement where I can manually exit with a profit, even if it's small. Those slowly forming retracements happen many times every day. So for every trade that moves 30+ pips in my favor, I will early exit 3 or 4 with only 1 to 15 pips profit and I'll have maybe one bad entry that I'll exit with a 10 pip loss. The bad entry exits and the early exits with profit almost exactly cancel out (in perfect trading they do exactly), so what I'm left with are only trades that move 30+ pips profit and a very rare spike out loss.

The third process is taking profit at profit peaks. I implement that process at around +30 pips profit. Usually the stop loss has moved to close to BE at that point, but that has nothing to do with taking profit. Profit is taken out on profit peaks, but I will always take at least 1/2 profit when I have switched on the profit taking process. That's just in case the trade turns against me and there is no new peak formed to take out profit as it wastes away. Of course there was a peak, but it was above 30+ pips profit and I simply missed it this time. After you practice this 10,000 times, you get better at taking out your profit on peaks. You should chart your progress at doing this using the tool for measuring profit taking efficiency. I'll rename that tool PTE so as to not confuse it with PE price to earnings ratio. I'll also rename the maximum profit available (the maximum profit peak during the duration of the trade) to Maximum Favorable Excursion, to be in agreement with the common name for it. So the tool is, PTE = AP/MFE or, Profit Taking Efficiency equals Actual
Profit divided by Maximum Favorable Excursion. I’ll do a whole separate post on this later as it's a bit off topic right now.

Did I answer your question?

Page 137 Post 1363

Originally Posted by gasanvill
GRAVITON! Your re-entry technique really works!

I made a couple of entries today long at usd/chf but got stopped out because of bad timing, of course I didn’t let the price hit my stop loss (I exit at half). Then I made a third one and bingo! Is already paying the spread of the last two bad trades and also making some actual profits! 😊

Great that you no longer are hitting stop losses. If you hit more than one every two weeks, you have strayed from the path of righteous trading. Yep, you are getting the hang of it. Just be careful. When the light comes on it can blind you.

Document everything in your trading plan and journal. That way you won't stray from the path and get lost later. Once you have a method that is working, changes should be evolutionary to better fit your personal style and method, not revolutionary.

There is only one thing that now stands between you and professional trading glory, the big monster loss. It's out there, just waiting to gobble up all your profits and destroy your self confidence. You must never ever ever encounter it. To avoid that horrible encounter, never move a stop loss against the direction of your trade. Never increase your stop losses to stay in bad trades. Always exit a bad trade before you hit your stop loss.

These rules sound simple, and they are, but violating these rules has sent many a good trader to working in a cube all day at a job she hates every waking moment of her life. I can't say your life depends on it, but in a sense it does. Stay alert, don't get hurt.

Page 138 Post 1371

More Entries

Some have noted they aren't getting enough entries off CBL's on just the 1H and 4H charts, so I will touch on that a moment. Another method I like is breaking of a retracement trend line. It's simple and reliable. All it requires is that you identify what the long term trend is in a pair and watch for retracements against that trend. A retracement that runs a half day to several days is perfect for this type of entry. I rarely trade retracements but I will draw in their trend lines just to remind myself they are there. After having traded these for so long I don't need to draw in the trend line as I can just visualize it by looking at the chart, but the trend line reminds me it's there and to watch it. When the retracement ends, as the vast majority will, and the trend line is broken and price is returning to the direction of the long term trend, a perfect entry on a peak point is generated. Often on some time frame a cbl will be generated at the same time. Getting a strong retracement trend line break and a cbl at the same time is like finding free money. I usually can easily find a third good reason to enter the trade, like fundamental information or an s/r line that the price bounced off in the first place to break the retracement trend. If there is an s/r line that price just bounced off
of, I can place the stop just on the other side of the s/r line for a tight stop and enter for maybe a 20 to 30 pip stop and often make 100 or more pips on the trade. It takes a bit of practice, but it's simple really and it's good direct price action confirmation of an entry point.

There are many other good entry methods and when trading is slow you can try them out in demo. DO NOT try new entry methods in your good account as you will mess up your good account with them. It takes months to practice a new entry method before you go live with it. Even then it is suspect until it has proved itself with W/L and R/R ratio analysis and produces MAE's and MFE's as good as your other methods. Each method's results need to be broken out separately and carefully analyzed to determine which are performing the best.

Now I'll go into the hardest entry method I know, joining in on a trend in progress. This is very difficult for me and for anyone I know that has tried it, but with LOTS of demo practice and LOTS of patience it can be done. I only know how to do this when the trend in progress is on a longer term chart, like the 4H, daily or above. I've tried it on the shorter term charts like the 1H and below, but it's just not been reliable, for me at least. Don't try this live. Practice it 100's of times in demo before trying to take it live.

The point is what looks like a steady trend on a longer chart, like a 4H or daily chart, can look like up, down, sideways or ranging price action on a shorter TF chart, like 1H, 30M or 15M. The goal is to enter say a strong 4H, daily or weekly trend in progress by making the entry on a shorter TF.

Say the 4H is strongly trending up. If you wait long enough you might get a valid up CBL on the 1H chart, but you might have to wait a very long time, and you might never get one at all. You can drop down to a 30M chart and you might get one twice as fast, or you might not ever get one in a strongly trending market.

Of course, a 1H CBL would be perfect to enter in the direction of a strong 4H trend. I spoke to one trader who used this method exclusively with wonderful success not losing a single trade this week (I could use a nice Rolex, not sure what Tymen wants, maybe audio equipment? 😁). But often you just won't see a good 1H cbl in the direction of a strong 4H trend for a very long time unless you just happen to get lucky, so I'll look down. For instance, I'll look at the previous 24 hours or so of price action on the 30M chart. If there hasn't been a valid CBL, I figure I might have to wait longer and I'll move down to the 15M chart. If I see CBL's occurring there every few hours or so, that will be my target entry chart. Usually about two time frames below the strong trend are all I can reliably handle. Occasionally I can make a 5M entry work for a 4H chart, but it's a lot of work and unreliable. So let's say I've decided to try to enter this 4H trend in progress two full timeframes below, on the 15M chart.

First of all, I don't want to enter if the time frame above me, the 1H, is going the wrong way. If it is, I have to wait until it turns, in which case sometimes I will get a good entry on the 1H chart on the turn anyway. But if not, and I'm intent on getting in on this 4H trend, I'll make sure the 1H is trending in the direction I want to go and wait for a 15M CBL or retracement trend line break in the direction I want to go. When I get both a valid CBL plus a retracement trend line break, it's almost always good if traded right. I'll time my entry by looking at the lower timeframes as previously explained and enter the 15M trade.

Now what I'm hoping for is this peak good entry point on the 15M chart will also correspond to a peak good entry point on the 1H chart and that will also correspond to a peak good
entry point on the 4H chart. But I know from having tried this about 2,000 times that this peak good entry point on the 15M chart will only correspond to a peak good entry point on the 1H chart about 1 in 5 tries, and a peak good entry point on the 1H chart will only correspond to a good entry point on the 4H chart about one in 5 times. So the chances that this entry point on the 15M chart will provide a good entry on the 4H chart is only about 1 in 25. Does that mean that all is lost and we should give up? NO! We are traders, we never give up.

Due to the fractal nature of price action, what works on the 1H and 4H time frames also works on the 15M time frame. It's just that on the 15M time frame, profits are 1/4 of what they are on the 1H time frame per trade and spread takes about 4 times a bigger bite out of the profit margin. But that's OK here since we didn't want to trade the 15M timeframe anyway; we just wanted to get a very reliable and cheap entry into the 4H trend already in progress. Anyway we don't have any choice, we are in a 15M time frame trade and we have to trade it to squeeze out every pip of profit possible. Essentially, at this point we forget the 4H or 1H time frame even exists. We are trading the 15M time frame to minimize risk and maximize profit and all the rules apply. We don't change the rules of our winning system just because we have a dream of joining a 4H trend in progress. We trade it as though we wanted to trade the 15M TF all along. Of course, everything that makes our system win on longer time frames must be adjusted for the shorter 15M time frame. That's another reason to trade this entry for a few months in demo. Everything is different on the shorter TF, MAE's, MFE's, stop loss, take profit points, etc. It takes a lot of demo trading to get the reliability in a 15M trade that you get in another longer timeframe if you have always traded longer TF's. It can be done though and some people do quite well at it and really prefer it.

Now if we employ the exact same rules as we would use trading a higher time frame with adjustments to the numerical values, due to the fractal nature of price action, we should get the exact same W/L ratio and Risk Reward ratio, ignoring spread as we know it will take a slightly larger bite out of profit. But it turns out that difference is smaller than you would at first think and we can discuss why some other time. So we can do this 25 or more times if need be and make good pips while doing it. It will probably take me more like 50 entry tries because of all the early exits I make. But that's OK, I have a plan and I'm making pips trading my plan. I could get lucky and get what I want in just a few tries. That just happens sometimes.

Eventually, say after about 10 good entries or so and having made good pips on the 15M TF, I will find myself in a trade that provides a good 1H entry point. Essentially, the good entry on the 15M chart also turns out to be a good entry on the 1H chart. The 15M trade will run far enough that I can kick in the 30+ pip take profit rule on the 1H chart. That is the point I usually leave my entry process behind and switch on my take profit process, as described earlier.

How cool is that? So I jump up a time frame to the 1H chart, switch on my 30+ pip take profit rule and trade it just as if I was smart enough to pick this odd but good 1H entry point in the first place. I trade it with all the rules and values I would normally use in a 1H chart trade that has gone +30 pips in my favor, and I should get the same results as I normally would in a 1H chart trade. I'll pocket at least 15 pips and probably more and be a happy trader at the end of the trade, as I usually am.

However, odds do not favor this good 1H trade becoming a good 4H entry trade in just one try. Odds are, my good 1H trading rules will take me out of the trade before I can call it a good 4H TF entry with +90 pips or so. Remember that once I'm in the 1H trade, I forget the 4H exists. The 4H won't help me win a 1H trade once I'm in it and I always trade to win. So
odds are I'll be expelled on the 1H trade by my 1H trading rules before I can ever call this particular entry a good 4H entry as well. That's OK in that whatever happened in the 1H trade, over the long haul I'll make 4 times the profit (with 4 times the duration) as in the 15M trades, but with less spread bite. And since the true risk, the MAE, of the 15M trade that I entered with is much less than that of entering a 1H trade directly, my risk to reward ratio is great for this type of entry.

The only problem is, now I've been expelled from the 1H trade by my 1H trading rules, with profit of course, and I'm probably not at a point for a good entry back into another 1H trade in the direction of the 4H trend, that is, no cbl or retracement trend line break. So I have to go back down to the 15M and start all over again. After another 10 or so tries and 5 or so good entries making small pips on the 15M chart, I'll find myself at another good entry on the 1H chart with +30 pips ahead, so I move back up and trade the 1H chart again.

I keep doing this over and over until at some point the 1H trade goes +90 pips or so, the point where my usual take profit rules kick in on a 4H trade, and I move up and trade the 4H just as if I had entered it at just a perfect entry point in the first place. That is, if the 4H trend hasn't ended by then.

Of course, at any point where all my trading rules are satisfied for a 1H entry, like three good reasons to enter with one being direct price action confirmation of the entry, I can skip the 15M chart and go directly to the 1H chart.

Well, that's the way it's done. It's a long tedious difficult process that may only yield a few pips off 15M chart trading all day, or can rarely yield hundreds of pips reward for about 12 to 15 pips risk. OK, if you read all this, you deserve to know the really cool thing. The really cool thing, the positively fantastic thing, is the same process allows you to trade the 1H chart as you normally would and rarely, about once every month or two, get a really good and really cheap entry into a strong daily trend that will run for months and yield 1000's of pips. It may take weeks or a couple months of 1H trading to get that cheap entry, but hey, what else are you going to do, just jump in the daily and lose 300 pips on a hunch? Not my style. I'm cheap, really cheap. As always, let me know if you have any questions or corrections 😊

Page 138 Post 1375

Well, as i promised i will post my results of the week. I´ve been using this method to take profits:

at R:R = 1 move my SL to BE
R:R = 2 lock 25%
R:R = 3 lock 33%
R:R = 4 , close the trade.

I took 12 trades this week, and i´m attaching the result (JPG).
Average profit efficiency = 76%

Win/loss ratio = 60%

risk/reward= 0.2

Increased my account in 0.5% (My account size allows me to trade mini lots, but i ´m trading microlots 0.01 until i get the hand of it).

Next week i ´m incorporating ATR to my analyses so i can calculate the MAE.

As you can see the results for this week were good. This is the first time that i feel that wasn ´t luck. I have a feeling that every profit i made in the last months, i was just lucky. I will try to have another winning week, i know the king knog effect will be there, but i wont let it win! 😃

Thanks Graviton for taking the time and giving as such great advices!

Page 138 Post 1376

Originally Posted by fartist 🎉
Yes i totally understand what your last sentence means. Im on my own on this journey and you can only show me the door. I have to open it myself.

I have been recording my journals and entries and i ´ll add the max adverse excursion one
as well. Thank you very much, look forward to the next lesson!

Fartist, please check out Tymen's thread and his latest posts on using simply PSAR and BB Midband for stoploss and Take Profit points. Read it through about three times and study his examples carefully until it is crystal clear. I'm demo testing his ideas now. As Tymen said, PSAR and the 20SMA have been around for years and I've used both extensively in the past, but Tymen has formed them up into a simple rule based system for stop loss and take profit. I'll be looking at this carefully in demo over the next week or two, but the initial look shows it is simple and effective. If you have a good system that is working for you now, DON'T let this mess you up. But if you are still having problems setting stop losses and taking profits efficiently, you may want to try Tymen's system in demo and evaluate it using the tools I have suggested.

The good thing about Tymen's system is that it is purely mechanical, so emotions shouldn't affect your stop loss and take profit decisions at all. I believe once you get over the emotions of your trading, you'll do fine. Everyone has trouble with that in the beginning, and everyone gets over it if they just don't quit and give up. I hardly see any traders who have been trading 5+ years that still have a problem with emotions affecting their trades.

Be patient with yourself 😊

Page 138 Post 1380

Originally Posted by gasanvill

Wow Graviton! I feel like you read all my mind! it took me almost three years to discovered it!

My home chart is the 15 min and i take CBL entries only when the daily and 4H charts are in the same direction. The key is to buy on the dips (uptrend) and to sell on the rallies (downtrend). One of the things that helps me a lot is candlestick patterns, i look for candlestick patter in the daily and 4H chart for confirmation. If the daily is up and the 4H is going down, as soon as i see a hammer i get prepared for the trend to start going up again. I dont know if you incorporate candlestick in your analysis, but i find very useful tu just take a look at the sometimes.

I want to ask you why you dont trade retracements?

Not trading retracements just has to do with my own personal style and nothing more. Many trade retracements and do quite well. I use the break in a retracement trend line as an entry point to the long term trend. I do occasionally trade retracements when they are well established, but for me it's rare. Like I said, many trade them and do quite well, so each to their own on trading retracements. Note though that every retracement except the last one ends eventually and returns to the long term trend.

Page 139 Post 1382

Originally Posted by RenaLa

Hi Graviton

Can I ask same questions?
What do you use as benchmark for direction of movement upper and lower Bbands or do you do it by highs and lowers or you just see the last candle is it bullish or bearish?

Please include a chart example with your question. I'm not sure of it's meaning. I use higher lows and lower highs, BB midband and whether the price is above or below it, direction of the last 5 to 10 candles and stoch and RSI to determine if price is going up or down in a timeframe for timing entries. I think that is the reason for your question. Making a clear headed decision on which way price is going at any point in time is a critical skill in trading. It gets easier with practice.

How long you can wait until all charts are lined up if you trade 1H charts? I need to know because when I am waiting I think that it takes forever.

I wait as long as it takes for the price to line up. Usually I'm trading several pairs at the same time, so I have plenty to do. I have multiple screens, so I throw that chart up on a screen and just glance at it as the new candle is formed for the TF I'm waiting on. So if I'm waiting for the 15M TF to turn up, I'll glance at it every 15M. When it does, I'll drop down and check the 5M, when it does I'll drop down to the 1M. It's not unusual for me to wait for 4 hours or even days for a set-up to be perfect. At that point I'm watching it very closely, maybe continuously to get my very best entry moment. But like I said, I'm multi-tasking on looking for setups and monitoring trades in progress and waiting for set-ups to give the right signals on about a dozen pairs at any one time. It's very intense and I never get bored. Sometimes when things are very slow, I have a few minutes to make these posts or trade live in the chat room, but it's always very busy here at the Graviton Central Command 😊

Is there a situation for instance when 1H, 30 min H are up, but 15 min is down and 5 min and 1 min is up or its impossible?

Yes, it just means the 1M and 5M have turned up, but that hasn't turned the 15M yet. In that case, you wait until the 15M has turned in the direction of your trade before entering. It can be in 30 minutes or in 4 hours, you just have to be patient and wait.

Do I understood correctly if 1H chart is moving up, 30 min and 15 min charts are also moving up and they will continue to move in this direction until 1min chart is starting to move down

In common any particular chart will continue to move up until next “dropping down chart” changed its direction is it right?

Yes. A 15M candle is just the sum of three 5M candles, so the 15M cannot go down
unless the last three 5M candles went down. If the last three 5M candles went up, the 15M must continue go up. That is a mathematical fact. I went through all this at the beginning of the thread. I guess you forgot? You are way to young to be forgetting things. Give it another 40 years before you can use that as an excuse 😊

If I make a trade off 1H chart Is it enough to watch only 30min and 1min charts to go in the direction of a trade?

You can try that, but I go down in TF's as I said. So if the 30M chart is going down, it can’t go up unless the 15M chart goes up. If the 15M chart is going down, it can’t go up unless the 5M chart goes up. If the 5M is going down, it can’t go up unless the 1M goes up. That’s the reason I time entries by going from highest to lowest, and stop on any TF that’s not going in the right direction and wait, Does that make sense? Now occasionally, the 5M will go up so long, by the time it turns down, it has already turned the 15M up. In that case, I have to go back up a TF to the 15M and wait for it to turn down again. More rarely, the 15M went up so long it turned the 30M up, so I have to go up to it to wait on it before working back down again. Sometimes the 30M will turn the 1H up, in which case I just avoided entering a bad trade which was destined to turn and go the wrong way on me. That is the basis for timing every entry or additional lot. It keeps you from taking many trades at a bad moment, and it keeps you from taking some bad trades altogether. So there is a very logical system to what I’m doing. With practice this gets very easy. OK?

When you do cbl entry how much pips do you allow going against your trade (meaning its not amount of your SL) on 30 min, 1H chart, 4H chart and Daily charts?

I've discussed this a lot before. As your entry efficiency improves from picking better trades and timing your entries better, your average Maximum Adverse Excursion for a particular time frame will reduce. Your average Maximum Adverse Excursion for a particular timeframe is the best possible measure of your entry efficiency. If you aren’t keeping that data, start now. I won’t be able to help you improve your trading if you don’t have the data to show me. You will want to use a stop loss that will contain about 90% of your individual Maximum Adverse Excursions for a time frame. You can do the statistics and work that out with standard deviations from the mean, or you can just do it quickly by eye. If you have recorded MAE’s for 20 trades, your stop loss should be set so only 2 MAE’s are larger than your stop loss, or go out side your stop loss and would have stopped out. The more trades you record your MAE for, the better your data and the more accurately you can set your stop loss. Don’t forget, in my trading system, your goal is to almost never hit a stop loss. In reality a quick unexpected spike will stop you out maybe once every two weeks or so, but as your MAE’s get smaller by better trade selection and entry timing, your stop loss can come down and you will lose less and less on those rare unexpected spikes.
My stops and numerical settings have nothing to do with your trading. No need to ask me about them again. Instead, collect your own data and ask me how to use it to best set your numerical values. That is something I can help you with. OK?

When we set SL isn’t it purpose and distance that we believe to give the PA some room to change its direction back to favor of our trade which also protects the trade from spikes? By closing trade before PA hit SL (while price is moving against) how do we know that its wrong direction but not expected (unexpected) spike?

You can’t know that, but you don’t need to know that. All you need to know that if a trade is going in your direction, it has a higher probability of continuing to go in your direction than a trade that is going against you. Then you trade that probability. Does that make sense?

I also would like to ask you, if you can see at the bottom of this page there is reviewpips.com. As I understood there is a live trading rooms can be set up to make a live trades and see it on the charts directly. Can you setup one for practice please?

We already have a live trading room set up. I go in there several times a week and give live trading lessons. Tymen also does almost every day, sometimes twice a day. Many of the traders that you see in these threads show up there. You are invited to join up and trade with us. The trading chat room for mine and Tymen’s threads is located at:

**Bollinger Band DNA - FOREX Trading using the Tymen Bollinger Band Strategy**

Tymen gives lessons on his stuff and I give lessons on my stuff. While that might seem as if it would be confusing, it turns out we think a lot alike and it works out. You are invited and welcome to join in 😊

I hope I have answered all your questions. If anything is not clear, feel free to ask it again with a chart example. I value your questions since many others probably have the same question but are too shy to ask it, so keep the good questions coming, preferably with chart examples to make them easier to understand. We may have different first languages, but the chart looks the same to everyone.

Happy Trading 😊

Page 139 Post 1386

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Next week i ´m incorporating ATR to my analysis so i can calculate the MAEn.

As you can see the results for this week were good. This is the first time that i feel that wasn ´t luck. I have a feeling that every profit i made in the last months, i was just lucky. I will try to have another winning week, i know the king knog effect will be there, but i wont let it win! 😊

Thanks Graviton for taking the time and giving as such great advices!
Great trading Gasanvill. I can see your progress in just one week. I'll suggest that along with ATR you also record the home chart TF of each trade. If you always trade the same home chart TF, or the same combination of TF's, then it's not necessary. Usually when you first start this process you can make huge improvements in your trading right away and you can become profitable quickly. Of course, quick is relative to a degree in Denistry that takes 8 years. After months of improvements though, your improvement starts to flatten out. You'll be making steady bank by then, so no worries. The tracking must continue the rest of your trading career though to keep you from going astray. Let me know how next week goes for you.

Another Note: I believe your pips won or lost includes spread. You need to record spread so you can back it out of those numbers. It will need to be backed out of all your numbers including MAE and MFE for more accurate tracking. If your spreads are fixed, just record the pair traded and you can do that anytime. Otherwise different spreads will mess up your calculations. You need to record pair traded, stop loss used, and time of day also, long or short also, but those are all in your platform trading log, so you can go back and enter that later if need be.

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Nforex, I was surprised when I first gave an example of a 30 pip SL and people thought 30 pips was the stop loss I was recommending for everyone in every trading situation. I’ll dive into this hot button issue, but any examples are for illustration purposes only and not recommended for everybody in every situation.

I can't see enough detail to say just how I'd trade that entry on Tymen's chart, but yes, odds are I would have exited once on a down turn and re-entered when price turned back up and recrossed that same point, or maybe a little sooner. The cost of doing that is about 3 to 5 pips in spread. You can easily calculate if this makes sense for your particular trading. Opposite of what we’d think, it makes more sense to cut losses quickly at higher TF's than lower ones since spread takes a smaller bite out of profits and stops are larger at longer TF's. I believe that might account for part of the difference in the details of the entry method. It’s easy to calculate if this makes sense for you. I'll do a really quick estimate here and the math wizards can play with it a little if they like. Sorry, I just don't know how to trade without at least a little math.

Roughly, suppose your win loss ratio is 70%, which is considered good. Say you enter a trade with a 4 pip spread and a 45 pip SL and it goes immediately against you. Say the trade goes 15 pips against you and you exit early. You should examine your own trading to see what your Win Loss % is after the trade goes 15 pips against you immediately on entry, but your Win Loss rate probably drops to about 50% at that point since price is now moving strongly against you. That means if you stay in the trade you have a 50% chance of losing 20 pips, or an expected loss of 10 pips. If you exit and re-enter at the same price if price turns around in your favor again, it costs you a spread of 4 pips, but that's only if you re-enter. There's a 50% chance the price will go on to the stop loss and you won't re-enter since that would set a new extreme candle and invalidate the trade you were in. So your expected spread loss of exiting early on a down swing is about 2 pips. Real quick and rough, you can see that staying in yields an expected stop loss of about 10 pips and exiting early and re-entering yields an expected loss of 2 pips spread. If your numbers work out something like this, you should practice early exiting and re-entering the trade. It does take some practice and nothing works all the time. If your numbers are different, it may not be worth the bother. It works for me and that's all I can guarantee.
Now you can say that if you stay in, you might have a much higher expected value of a big win, but that doesn't matter if you intend to re-enter if price turns back around in your favor. Since all the original reasons to enter the trade are still valid, and price is now moving in your favor, there is no reason not to re-enter. I will re-enter all these trades when price movement changes back to my favor, so I never throw away a big winning trade because of a small move against me. That would change everything and make this strategy a big loser.

You could ask the question then, why even enter with a 45 pip stop loss if I intend to exit anyway with a 15 pip move against me on entry. My answer is, in my particular style of trading, not Tymen's and probably not right for everyone, my stop loss only has one purpose, to take me out of a trade when a quick spike against me occurs that I can't manually exit out. It is calculated based on ATR, MAE, and the previous higher low in a long trade, which is almost always the bottom wick of the extreme candle on entry. My early exits on entries are based on calculations similar to the one I did above, but with a little more detail. I look at them differently and I trade them differently. Like I said, it works for me. I know it works for some others, but I can't say it works for every method, so you really have to examine your entries in great detail and find out what works best for you.

Tymen has said that what I do doesn't work best for him, but I don't trade Tymen's system just exactly as he does, so I'm not surprised we get different results. While I still have enough flexibility to incorporate a new entry or exit signal into my trading plan after lots of testing, I can't change the basics of the way I trade and still expect to get the same results. I doubt Tymen can change his style and produce the same results either. Once you have enough data and have carefully analyzed and optimized your trading over a long period of time, I doubt your final result will be exactly like mine or Tymen's, though it may contain elements of both. If you had an identical twin, and you were both trained to trade at the same firm, over time I doubt the two of you would trade just exactly the same. Anyway, that's my own personal opinion and I'm sticking to it.