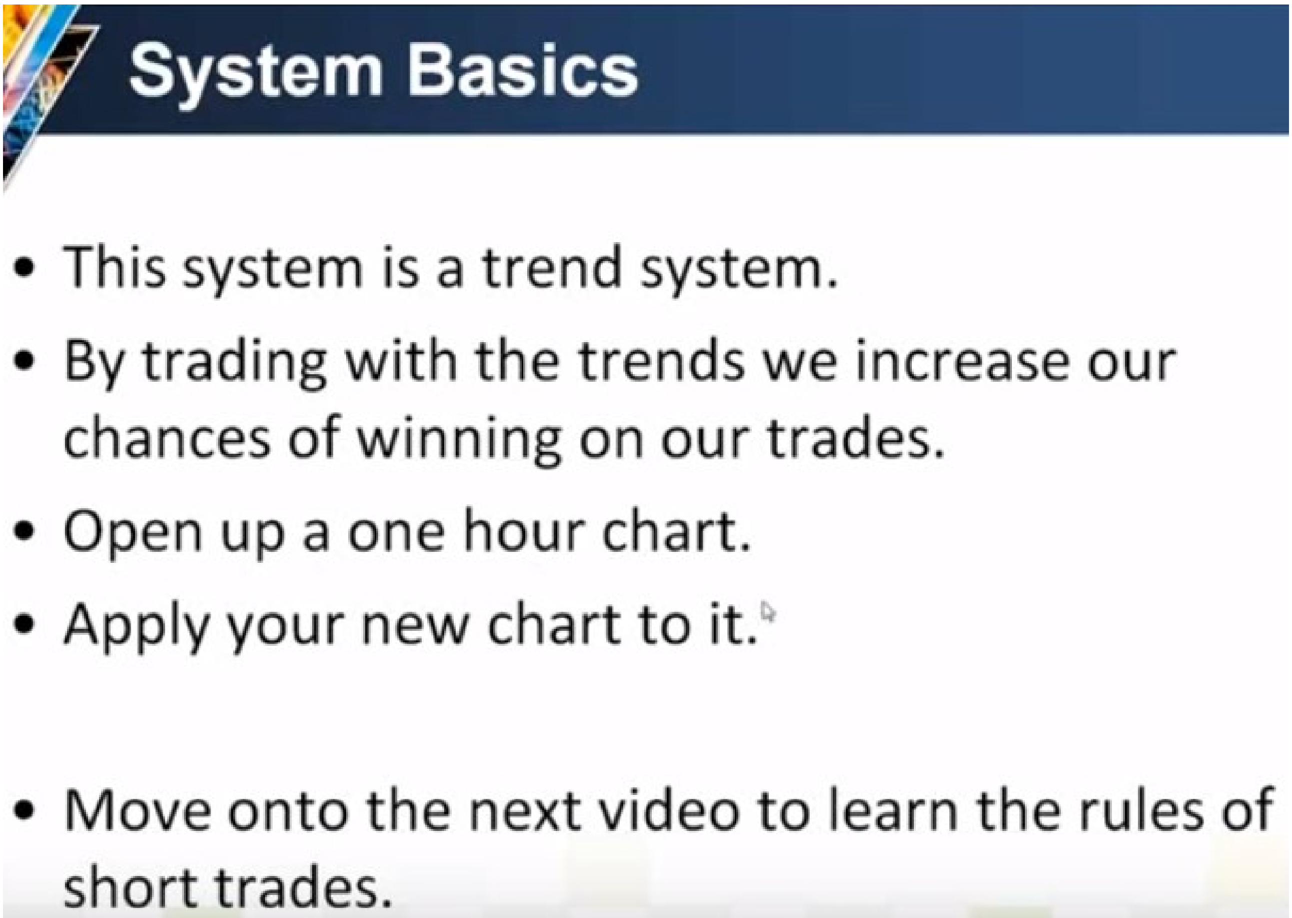
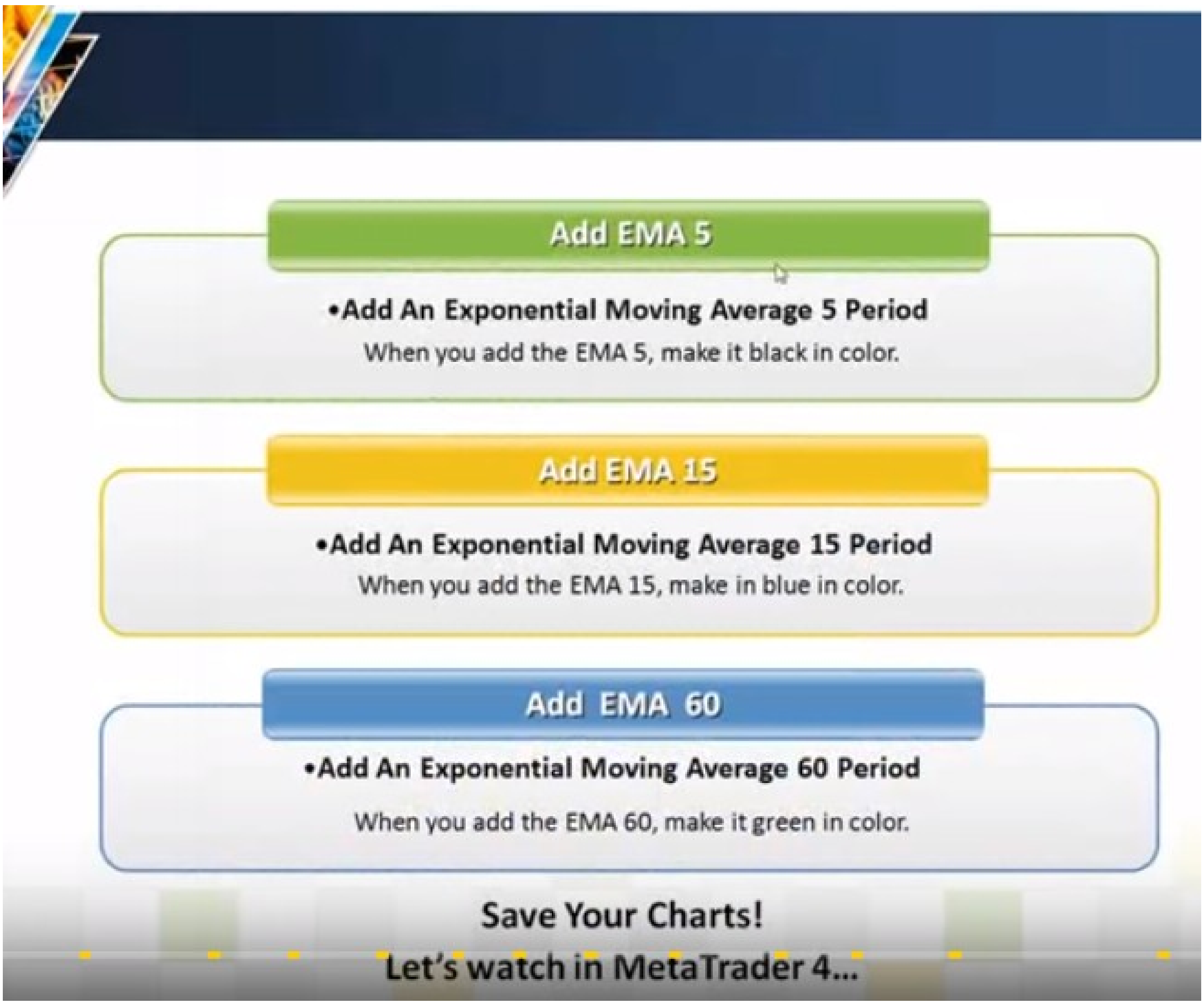
Forex trend system using the One hour chart.





Long trade rules.

Rules For Long Trades

- We establish that we're in a strong uptrend using these 3 rules:
  - 1. EMA60 and EMA15 are both pointing up.
  - 2. EMA5 is above EMA15.
  - 3. EMA15 is above EMA60.
- We wait for the price to retrace to touch the EMA 60.
- When that happens we enter the trade.

Short trade rules

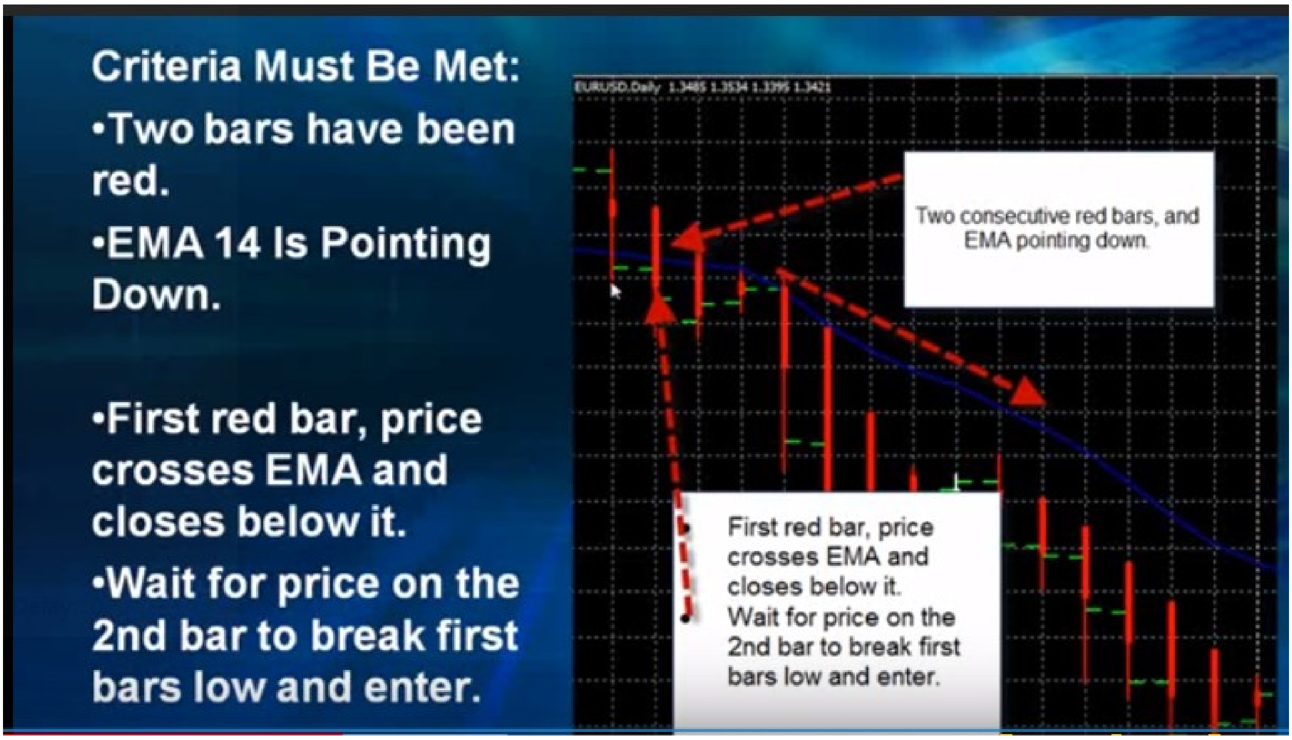
Rules For Short Trades

- We establish that we're in a strong downtrend using these 3 rules:
  - 1. EMA60 and EMA15 are both pointing down.
  - 2. EMA5 is below EMA15.
  - 3. EMA15 is below EMA60.
- We wait for the price to retrace to touch the EMA 60.
- When that happens we enter the trade.

Price Retracement for Short trade signal found

Forex Trend Trading System.

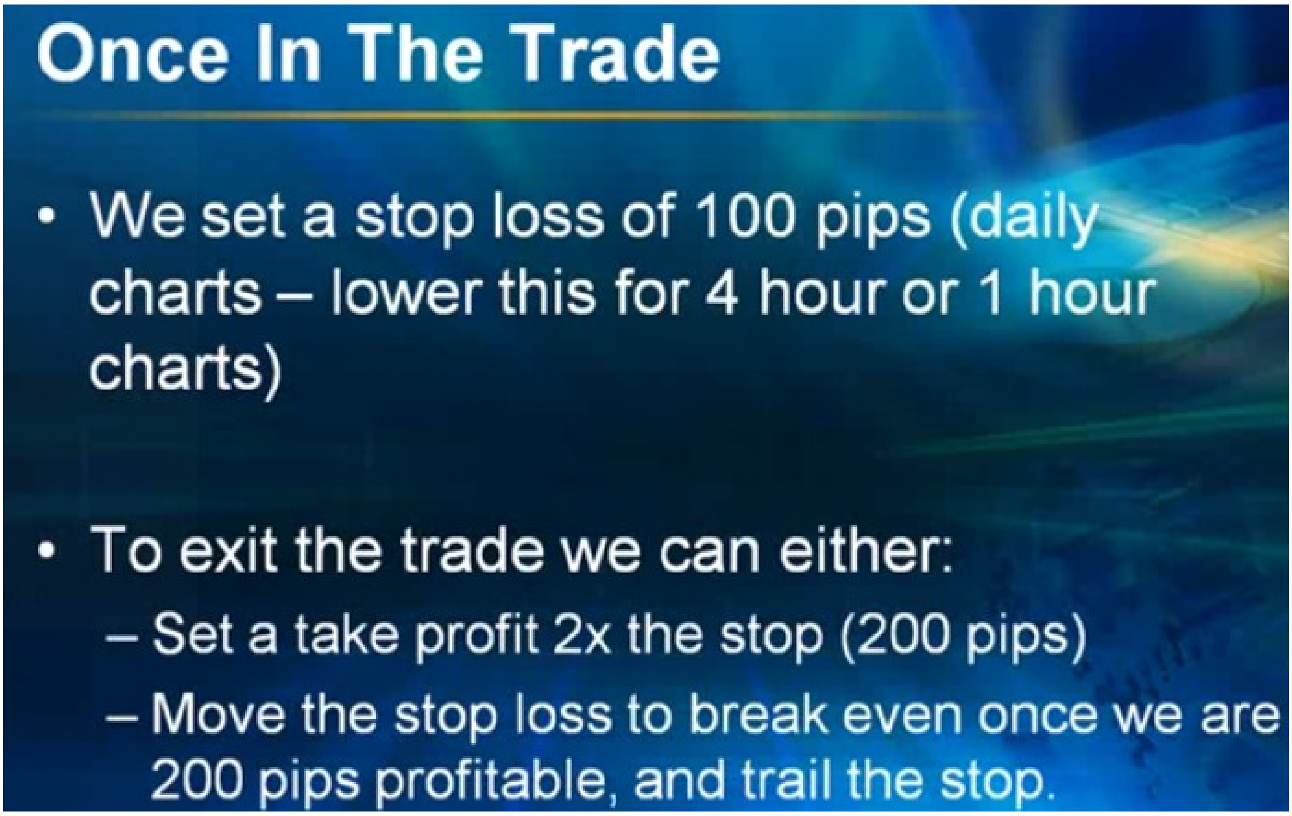
Short Trade Rules



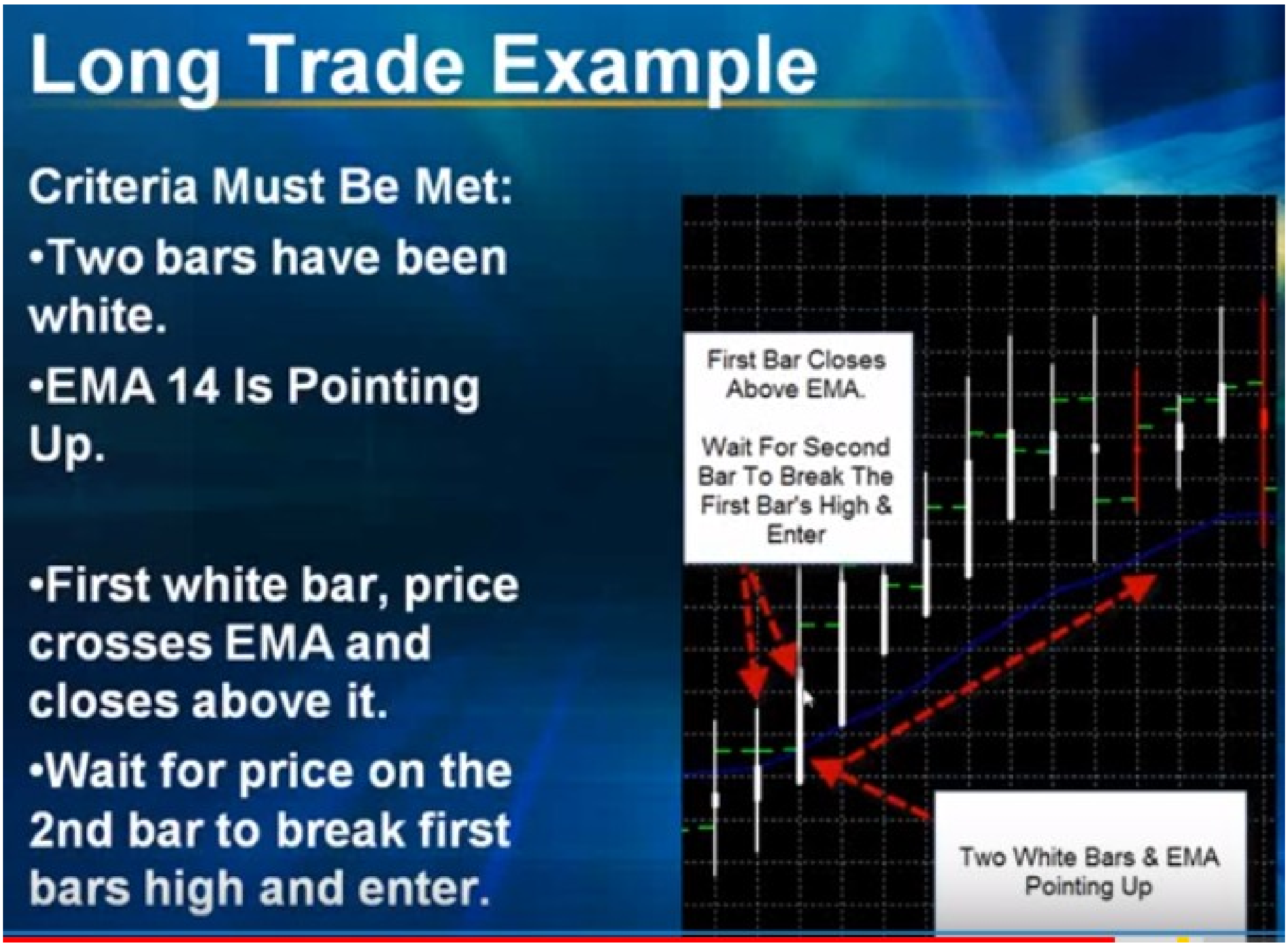
Finding A Trade

Entering The Trade

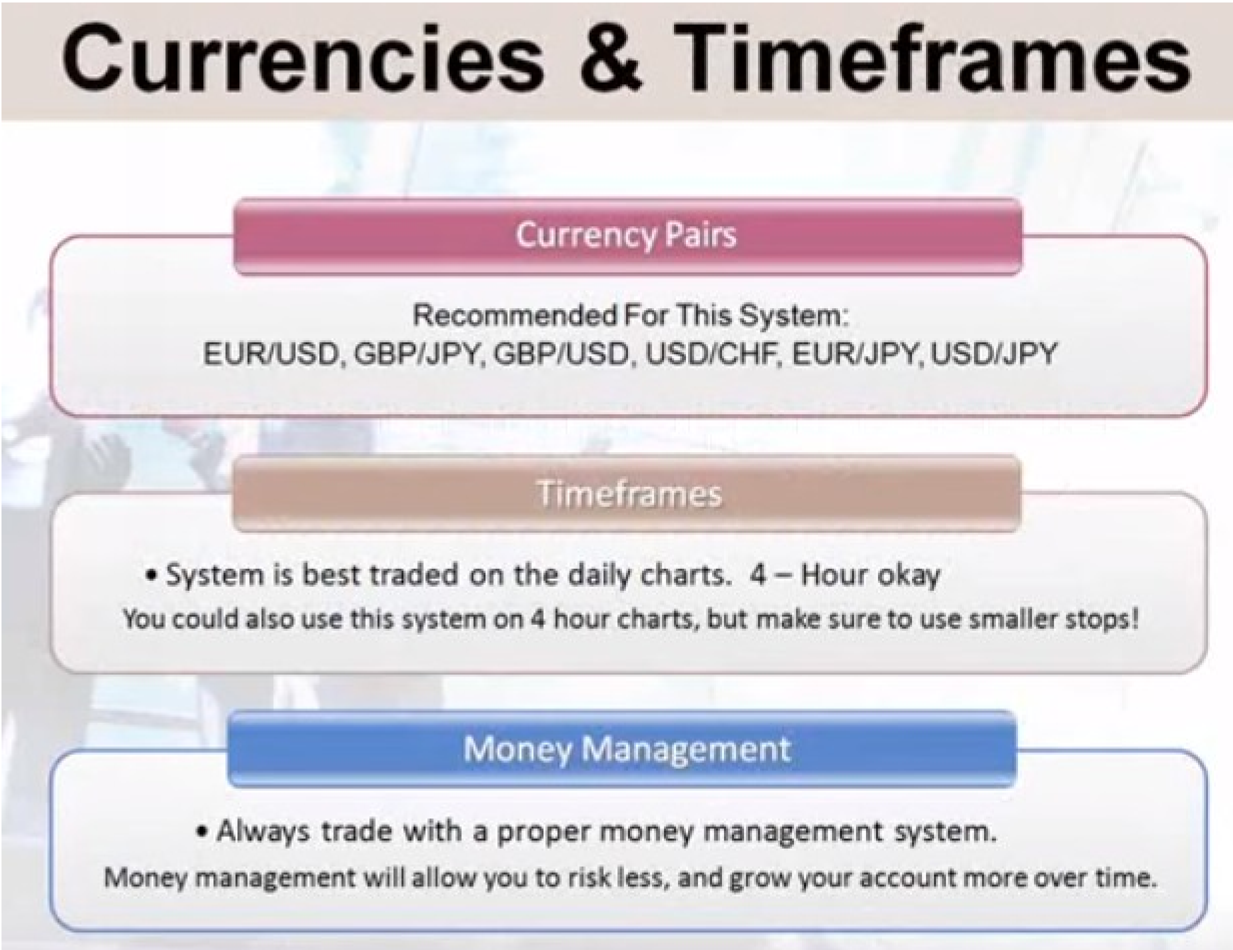
- First red bar, price crosses EMA and closes below it.
- Wait for price on the 2nd bar to break first bars low and enter.



Long trading rules



Money management



Money Management Overview

Calculate Trade Size

- Your proper trade size is calculated from your CURRENT account balance.
- We always limit our risk to 2% (more experienced traders can trade 3%).

- If our account balance was $120,223, we could risk:
  - $120,223.00 x 0.02 = $2404.46

Calculating A Per Pip Value

- (one pip, with proper decimal placement/currency exchange rate) X (Amount)

For Example With The USD/JPY

(.01/92.52) x USD100,000 = $10.8087 or $10.81

When the USD Is On The Right Side Of The Pair A Full Lot Is $10 Per Pip. A mini-lot is $1 per pip.

With Our Per Pip Value...

- Now that we have a per-pip value we can calculate how much we risk on a trade.
- Using the per pip value from before ($10.81)
- If our stop-loss is 50 pips:
  - 50 x $10.81 = $540.50
  - We risk $540.50 with every lot traded.

When you buy a currency you hope that its value will strengthen compared to the currency that you are selling.
If you are selling, you are betting that the currency you are selling will weaken compared to the currency you look to buy

For example
A trader that wants to buy EURUSD pair would be purchasing EUR and simultaneously, selling USD.
On the other hand, a trader that wants to sell US dollars would sell the EURUSD pair,
which means he would also be buying USD at the same time.

Knowing When To Buy Or Sell Curreny.

In this example, the euro is the base currency and thus the "basis" for the buy/sell.
If you believe that the US economy will continue to weaken, which is bad for the U.S. dollar, you would execute a BUY EUR/USD order.
By doing so, you have bought euros in the expectation that they will rise versus the U.S. dollar.

If you believe that the U.S. economy is strong and the euro will weaken against the U.S. dollar you would execute a SELL EUR/USD order.
By doing so you have sold euros in the expectation that they will fall versus the US dollar.

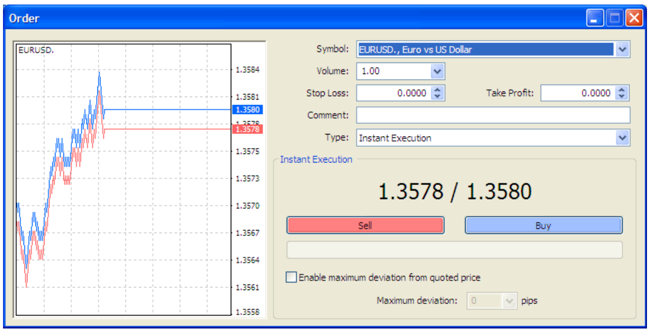
https://www.quora.com/What-is-buying-and-selling-in-forex

Forex lot sizes

Understanding Lot Sizes & Margin Requirements when Trading Forex

Lot	Number Of Units
Standard	100,000
Mini	10,000
Micro	1,000

https://www.investopedia.com/terms/b/bid-and-asked.asp



Pip is an acronym for percentage in point.

A pip is the smallest price move that a given exchange rate makes based on market convention. Since most major currency pairs are priced to four decimal places, the smallest change is that of the last decimal point; for most pairs, this is the equivalent of 1/100 of 1%, or one basis point. For example, the smallest move that the USD/EUR currency pair can make is $0.0001, or one basis point.

Calculating a Pip

The movement in the exchange rate is measured by pips. Since most currencies are quoted to a maximum of 4 decimal places, the smallest change for these currencies is 1 pip.

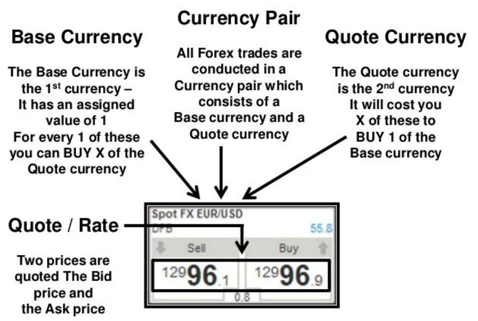
Calculating a Pip value.

The value of a pip can be calculated by dividing 1/10,000 or 0.0001 by the exchange rate.
For example, if the given quote for EURUSD is 1.1835, one pip for the currency pair is worth 1/10,000 ÷ 1.1835 = 0.0000845. If the EURJPY is quoted as 132.62, one pip for the currency pair is 1/100 ÷ 132.62 = 0.0000754.
The exception to this format is the JPY pairs which are quoted with 2 decimal places.

For currency pairs such as the EURJPY and USDJPY, the value of a pip is 1/100 divided by the exchange rate.

NOTE:
The bid price represents the maximum price that a buyer is willing to pay for a security.
The ask price represents the minimum price that a seller is willing to receive.
https://www.investopedia.com/terms/b/bid-and-asked.asp

For example, a trader that wants to buy EURUSD pair would be purchasing EUR and simultaneously, selling USD.
On the other hand, a trader that wants to sell US dollars would sell the EURUSD pair,
which means he would also be buying USD at the same time.



Forex Spread

In currency markets, each currency pair has a bid price and an ask price.
The bid price is the price that a trader can sell a currency for, and is always lower than the ask price, is the price that traders can buy a currency at.

For example, if the EURUSD bid price is 1.2860 and the ask price is 1.2864, this means that a trader can buy 1 US dollar at the offer price of 1.2864 Euro.
A trader looking to sell can do so at the bid price of 1.2860 Euro per US dollar.

The difference between the bid and ask price is referred to as the spread. The spread is usually quoted in pips, and in the example above, the spread for the EURUSD is 1.2864 - 1.2860 = 0.0004, or 4 pips.
In general, the smaller the spread, the better the liquidity.

Who Benefits from the Bid-Ask Spread?

The bid-ask spread works to the advantage of the market maker.
A market maker who is quoting a price of $10.50 / $10.55 for security A is indicating a willingness to buy A at $10.50 (the bid price) and sell it at $10.55 (the asked price). The spread represents the market maker's profit.

Forex Gains and Losses

The movement of a currency pair determines whether a trader made a profit or loss from his or her trade at the end of the day. A trader who buys, say the EURUSD, will profit if euros increase in value relative to the US dollar. If the trader bought euros for $1.1835 per euro and exited the trade at EURUSD 1.1901, the trader would make 1.1901 - 1.1835 = 66 pips on the trade.

DEFINITION of 'Position Sizing'

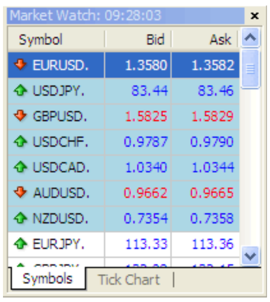
The dollar value being invested into a particular security by an investor. An investor's account size and risk tolerance should be taken into account when determining appropriate position sizing.

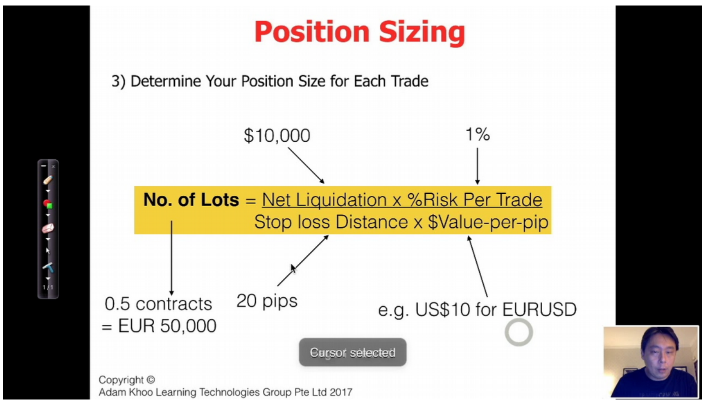
BREAKING DOWN 'Position Sizing'

Position sizing basically refers to the size of a position within a particular portfolio, or the dollar amount that an investor is going to trade.

Risk Management Rules

1. Leverage use 10:1 or 20:1.
2. Ten,twenty to one leverage means that for every $1 you have in your account, you can place a trade worth $10 or $20.
3. Use stop loss and take profit.
4.





Calculating a Stop Loss

If short the EUR/USD forex pair at 1.1569, and have a stop loss at 1.1575, you have 6 pips at risk (per lot).

How People Make or Lose Money Doing It:
What are you really selling or buying in the currency market?

https://www.investopedia.com/walkthrough/forex/getting-started/making-losing-money.aspx
https://www.investopedia.com/walkthrough/forex/getting-started/buying-selling.aspx
https://www.24option.com/eu/trade/
http://www.goforex.net/forex-basics.htm#pipvalue
http://www.forex-day-trading.com/forex-trade/
https://dailypriceaction.com/free-forex-trading-lessons/forex-candlestick-patterns
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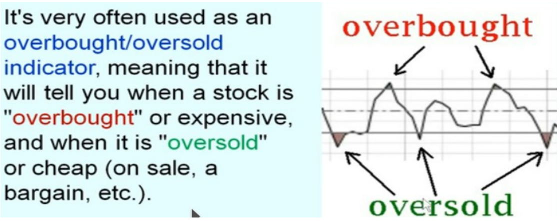
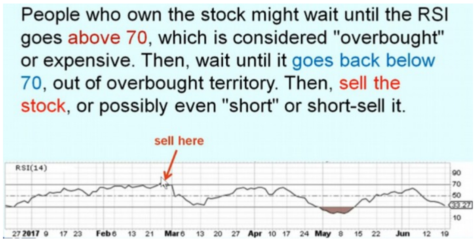
RSI Indicators





The highest the RSI can go is 100, and the lowest it can go is 0, though it rarely goes that far.

You don't have to use the 14-period RSI, as you can change the "look-back period" to any number. For example, you could use the RSI(5) to see the short-term trend, and you will get overbought and oversold signals more frequently. For a longer-duration trend, you could use a bigger number, such as the RSI(30).

How to Calculate Profit and Loss

Example 1: Profit
You see that the rate for EUR/USD is 0.9517/22 and decide to sell 10,000 EUR. Your trade is executed at 0.9517.

10,000 EUR * 0.9517= 9,517.00 USD

You sold 10,000 EUR and bought 9,517.00 USD.

After you trade, the market rate of EUR/USD decreases to EUR/USD=0.9500/05.
You then buy back 10,000 EUR at 0.9505. 10,000 EUR *0.9505= 9,505.00 USD

You sold 10,000 EUR for 9,517 USD and bought 10,000 back for 9,505.
The difference is your profit: 9,517.00-9,505.00= $12.00 USD

Example 2: Loss
You see that the rate for USD/JPY is 115.00/05 and decide to buy 10,000 USD. Your trade is executed at 115.05.

10,000 USD*115.05= 1,150,500 JPY

You bought 10,000 USD and sold 1,150,500 JPY.

The market rate of USD/JPY falls to 114.45/50. You decide to sell back 10,000 USD at 114.45.

10,000 USD*114.45=1,144,500 JPY

You bought 10,000 USD for 1,150,500 JPY and sold 10,000 USD back for 1,144,500 JPY.
The difference is your loss and is calculated as follows: 1,150,500-1,144,500= 6,000 JPY.
Note that your loss is in JPY and must be converted back to dollars.

To calculate this amount in USD:

6,000 JPY/ 114.45 = $52.42 USD or 6,000 *1/114.45=$52.42

Market Timing: when to by or sell

There are several ways that a price action trader can time a market.

5. key levels
6. Price action strategies
7. Breakouts from patterns
8. Mean reversion

Understanding Mean Reversion.
Mean = Average price
Reversion = To return to

How Mean reversion works.
It uses Moving Average to measure the markets Mean or Average.

What is a Moving Average?
A moving average is a lagging indicator because it's based on past prices.
It shows the average price over a specified period.

There are two types of Moving averages

1. Simply moving average (SMA)
2. Exponential moving average (EMA).

The simple moving average uses a straight average of past prices,
The exponential moving averages give greater weight to more recent prices.

Which moving averages we should use?
I like to use the 10 and 20 exponential moving averages (EMAs).
10 EMA is based on the previous 10 periods, or days, while the 20 EMA is based on the previous 20 days.

Overextensions
It represents a market that has made an extended move away from the mean and is, therefore, likely to revert back to the mean.

NOTE:
If the market strays too far from the moving averages, it's generally best to wait for a pullback to the mean before looking to buy or sell.

To wrap things up, let's review some of the most important points from today's lesson.

•Mean reversion is a mathematical theory that is often used in the financial markets

•The term "mean" = average price while "reversion" = to return to

•For traders, the term "mean reversion" involves the study and application of a market's tendency to move back to the average price after an extended move.

•We can use the 10 and 20 exponential moving averages (EMAs) as a mean reversion tool

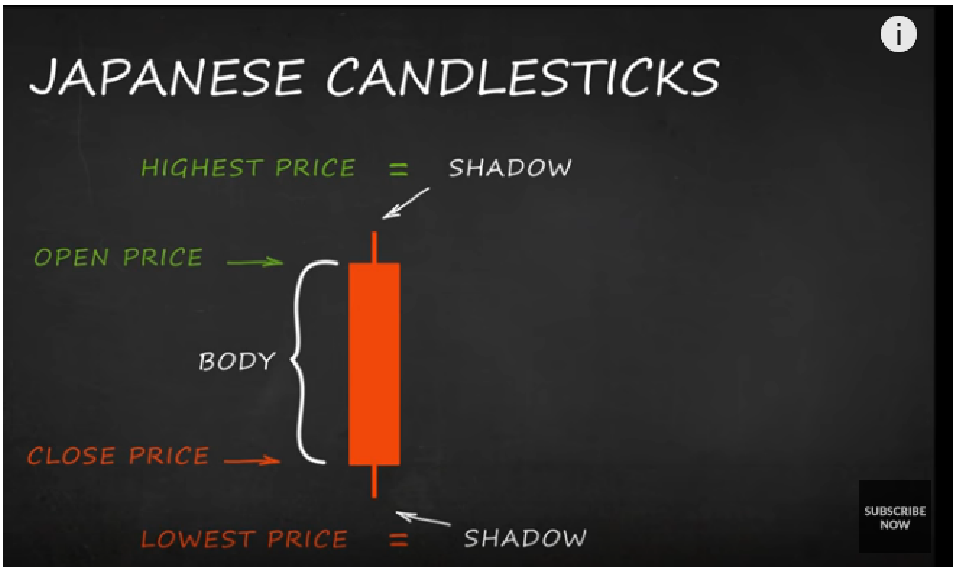
•The 10 and 20 EMAs work best on the four hour and daily time frames

•If a market strays too far from the 10 and 20 exponential moving averages, it's generally best to wait for a pullback to the mean before looking for a buy or sell signal

•An overextension is the opposite of mean reversion – it represents a market that has made an extended move and is therefore likely to revert back to the mean

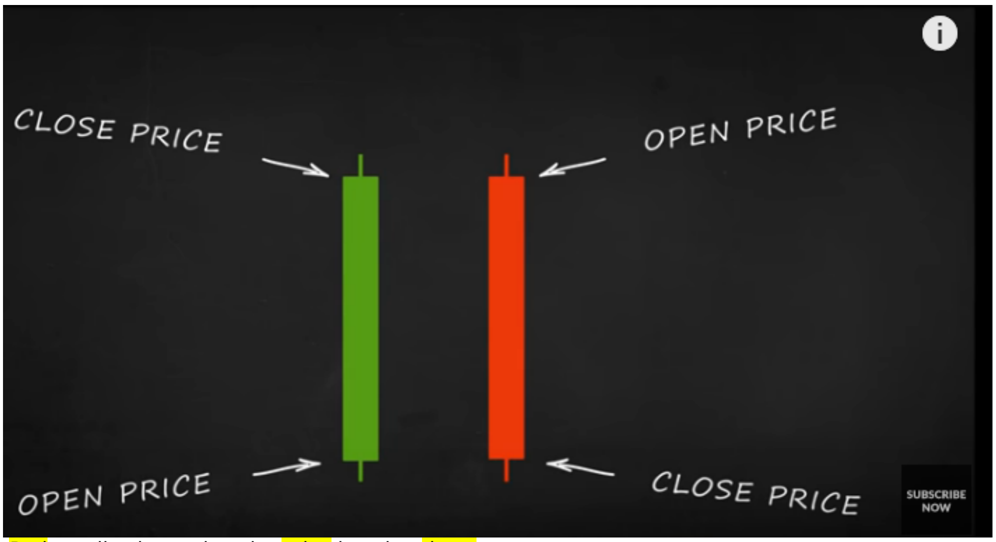
•There are three variables that affect mean reversions: the market, time frame and current conditions

•The study and application of mean reversion can help you time your entries to avoid overextensions
https://dailypriceaction.com/free-forex-trading-lessons/mean-reversion-guide-to-market-timing



Transcript

open and closed price for a specific
time frame and the shadows represent the
highest and lowest price levels reached
for the set interval Japanese
candlestick charts are easy to read a
red candle shows that the price is going
down and a green one represents an



Transcript

for the set interval Japanese
candlestick charts are easy to read a
red candle shows that the price is going
down and a green one represents an
increasing price if you're looking at a
10 minute chart each candle represents a
10 minute time interval

Red candle shows that the price is going down.
Green one represents an increasing price if you're looking at a 10 minute chart each candle represents a 10 minute time interval.

Transcript

candlestick patterns which encourage you to buy bullish engulfing the bullish engulfing consists of a red candle followed by a bigger green one which fully engulfs the red candle the pattern is an indication for a market turning

Transcript

point in simple words it's likely that the market may start going up and you can buy the indication is even stronger if the green candlestick engulfs two or three red candles hammer the name of

Transcript

shadow or no shadow at all the hammer is usually a clear indication of a declining price reversing its direction and starting to go up so you can start buying but just to be safe you could always wait for additional confirmation such confirmation is a green candle

English (auto-generated)

Transcript

opening at a new high is rare so the red

candle usually opens at the close level

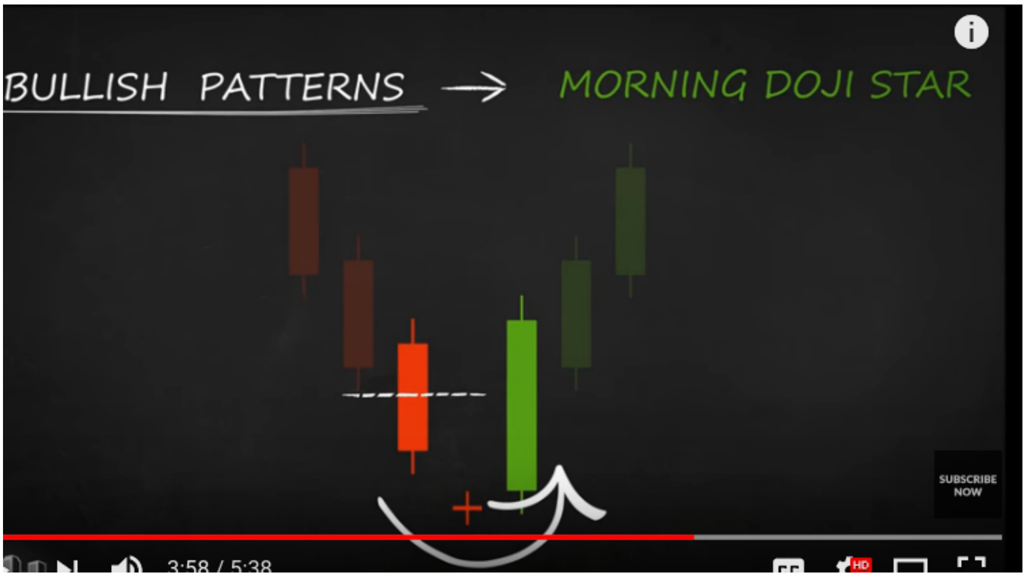
of the green one once you see this

pattern you can go ahead and sell or you

can wait for another smaller red candle

to form and confirm the dark cloud cover

shooting star the shooting star is a red



Transcript

this pattern appears when there is a

slight market movement and consists of

APRI candles a red one followed by a

doji followed by a green candle closing

beyond the middle of the first candle if

the green candle is longer than the red

one the signal is even more reliable

English (auto-generated)

Transcript

engulfed by a following red candle when

he spotted you can sell as the sellers

on the market have possibly managed to

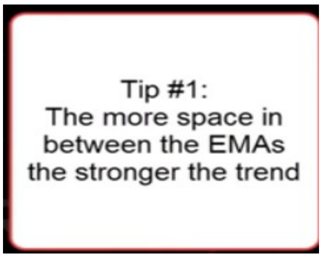
overpower the buyers and the price

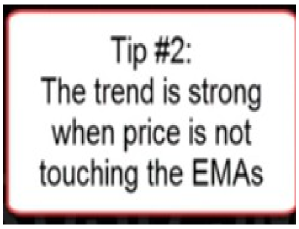
direction could reverse dark cloud cover

the dark cloud cover appears before the

price drops down a long green candle is

How to identify a strong trend





Use the following moving averages in your chart.

1. 10 period moving averages.
2. 15 period moving averages.
3. 50 period moving averages.

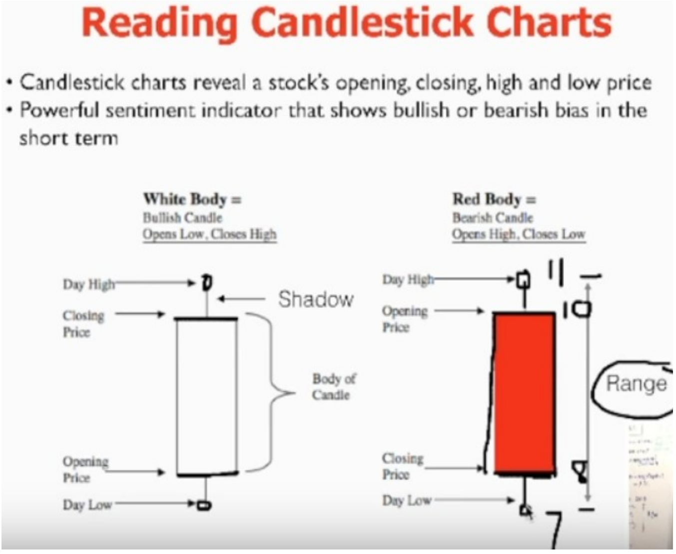
The way this strategy works.

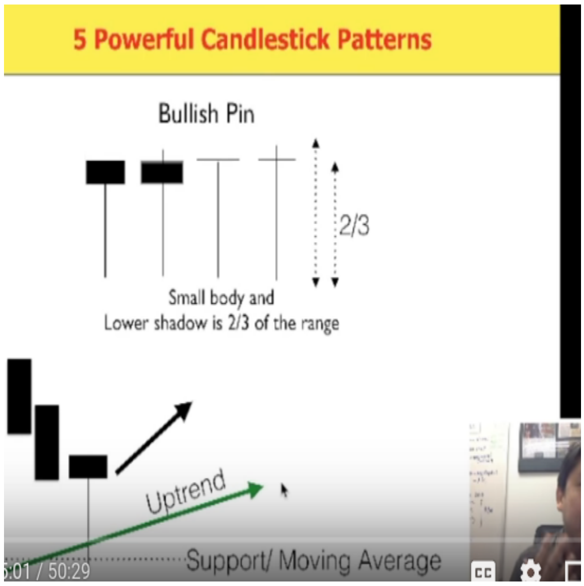
If price is underneath the 50 period moving average then you want to look to sell.

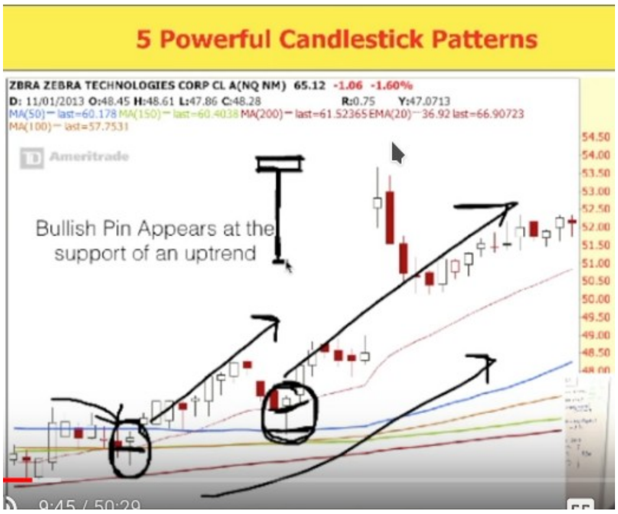
If price is above the 50 period moving average then you want to look to buy.

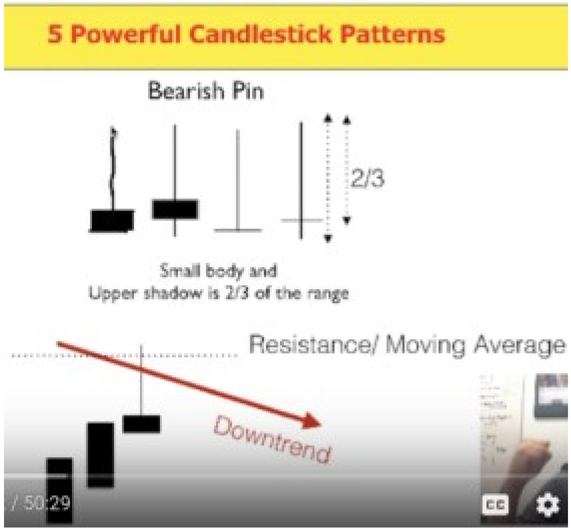
Wait until price moves above the 10 and 15 period moving averages, and then wait for it to cross below the 10 and 15 period moving averages and then enter a sale order

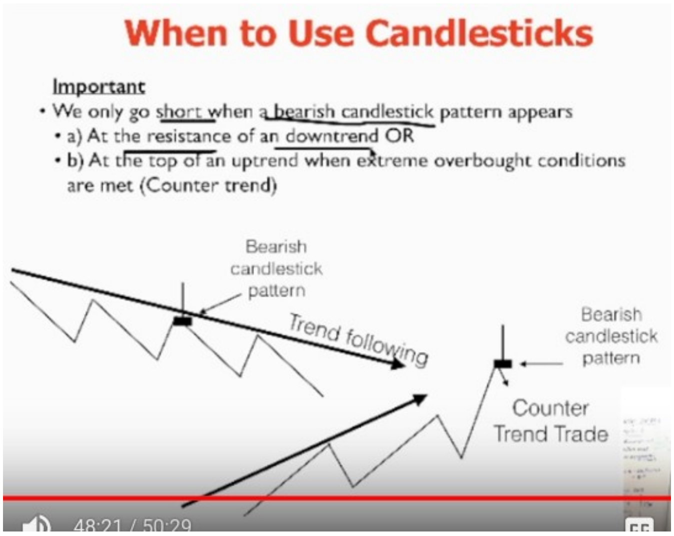
https://www.youtube.com/watch?v=3pkXGUjyrWM

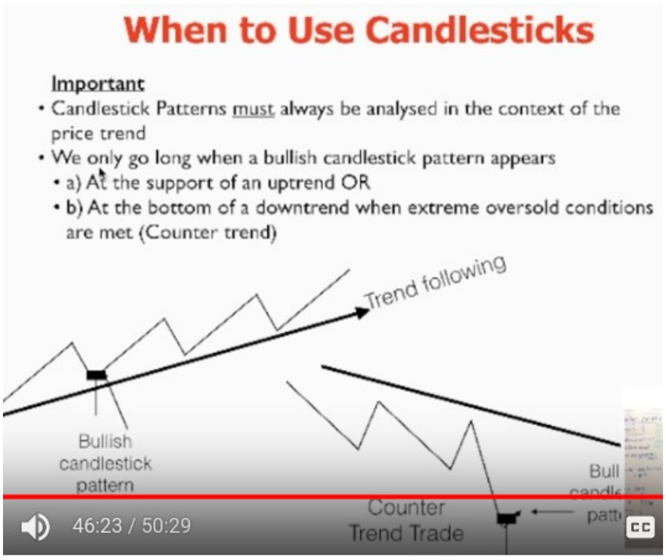












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https://www.xglobalmarkets.com/learn_center/interpreting-candlestick-patterns/

https://www.xglobalmarkets.com/learn_center/intro-to-money-management/

3 Forex Candlestick Patterns That'll Boost Your Trading Profits

/ Free Forex Trading Lessons / By Justin Bennett / 28 COMMENTS

Last Updated November 11, 2016

There is a special section in every good price action trader's toolbox reserved for Forex candlestick patterns, and for good reason.

Aside from technical chart patterns such as the head and shoulders or bull and bear flags, these candlesticks can offer you a **chance to understand the sentiment** that's driving a particular market.

Exclusive Bonus: Download the Forex candlestick patterns PDF cheat sheet to learn the characteristics that lead to profitable trades.

In this lesson, we're going to cover three of my favorite Forex candlestick patterns. I'm goir to assume that you're familiar with Japanese candlesticks. If not, you may want to visit thi post and then come right back.

By the time you finish this lesson, you'll know how to identify these formations, what make them so lucrative as well as the price structures to stay away from.

I'll be using the terms "candlestick" and "bar" interchangeably throughout this lesson. A pir bar or an inside bar can technically be called a pin *candlestick* and inside *candlestick*, but th aren't nearly as common.

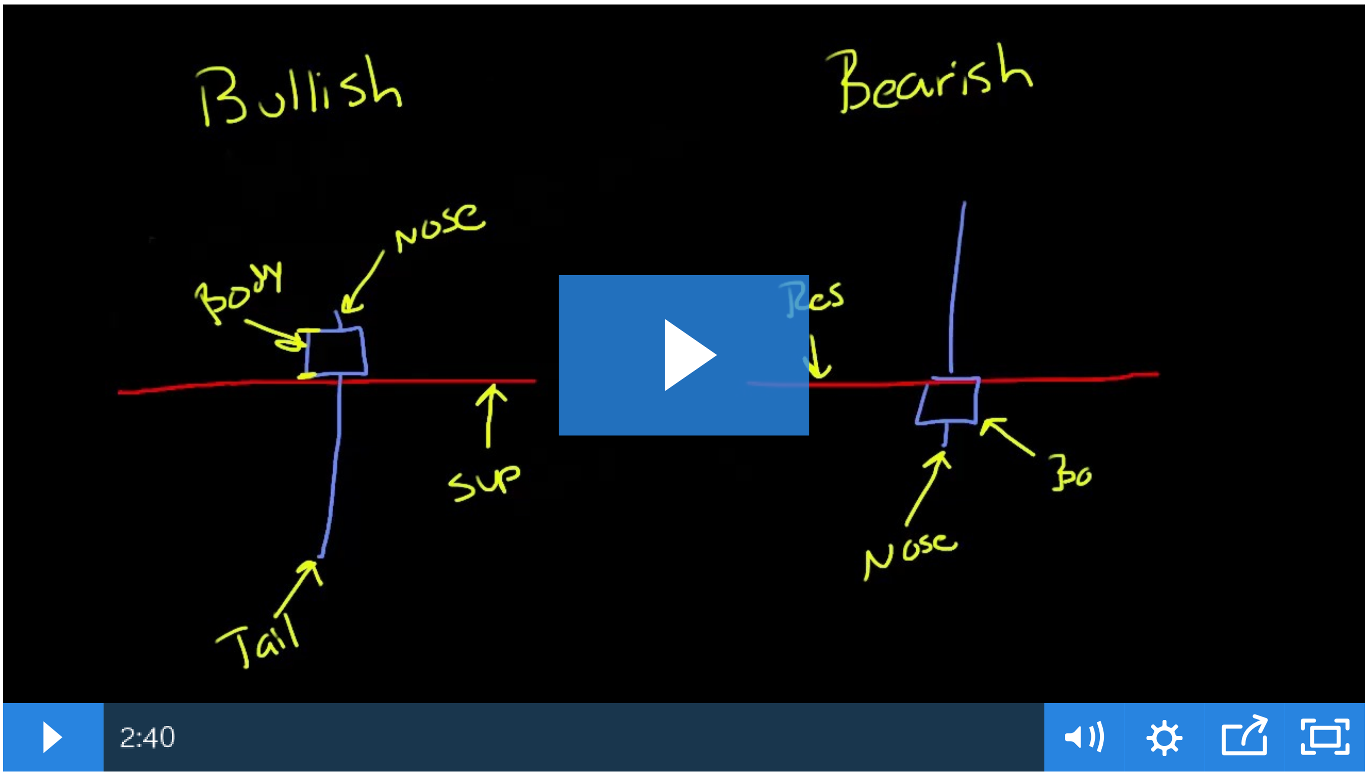
Let's dig in!

1. The Pin Bar and Its Ability to Signal Turning Point

Let's begin with my favorite candlestick called a pin bar. Like most formations, these can fo as either a bullish or bearish signal.

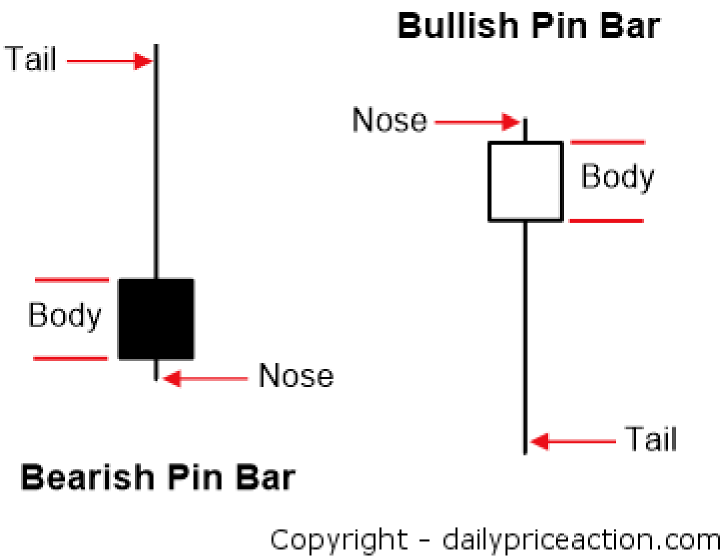
So what exactly qualifies as a pin bar?

Let's take a look…



I hope the video above cleared up any questions you may have had about the pin bar.

Here's an illustration of the characteristics we just discussed.



Before we get into why these are so powerful, let's first break down the components of the structure.

The tail of a pin bar is also called a "wick" or "shadow" and represents the most critical element of the pattern. <u>As a general rule, the tail should make up at least two-thirds of the</u>

entire pin bar. Notice how the tail on the two pin bars in the illustration above are much mo pronounced than the rest of the structure.

Next is the body. The body represents the open and close of a pin bar and can vary in size. However, there shouldn't be much space between the open and close.

The first rule about the tail should help keep you in line. After all, if the tail is at least two-thirds of the candlestick, then the body should be relatively small.

The nose of the pin bar, which is sometimes nonexistent, is important only as it relates to tail and body. If the tail follows our rule of being at least 2/3 of the entire pin bar, and the o and close are close together, then the nose shouldn't be a make-or-break characteristic.

Just know that the nose should be as small as possible, much like the image above.

Why do I trade it?

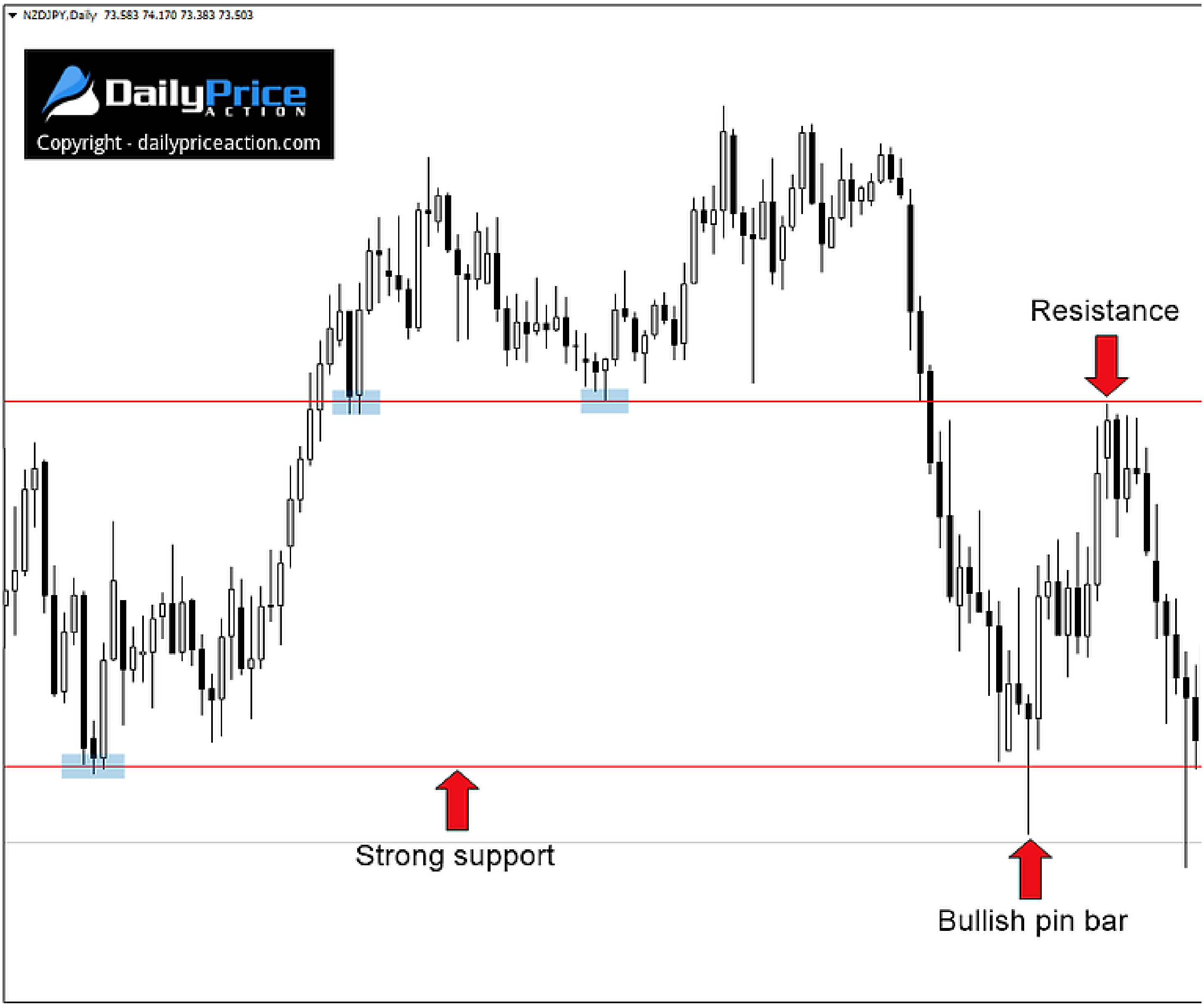
When it comes to Forex candlestick patterns, the pin bar is by far my favorite.

Here's why…

1. It's easy to spot when you have your chart setup to trade Forex price action
2. It provides a favorable place to hide your stop loss
3. The pin bar can be extremely profitable when correctly utilized
4. They are effective on both the daily and 4-hour time frames

Now that you have a firm grasp on the characteristics to look for let's get into a couple of examples.

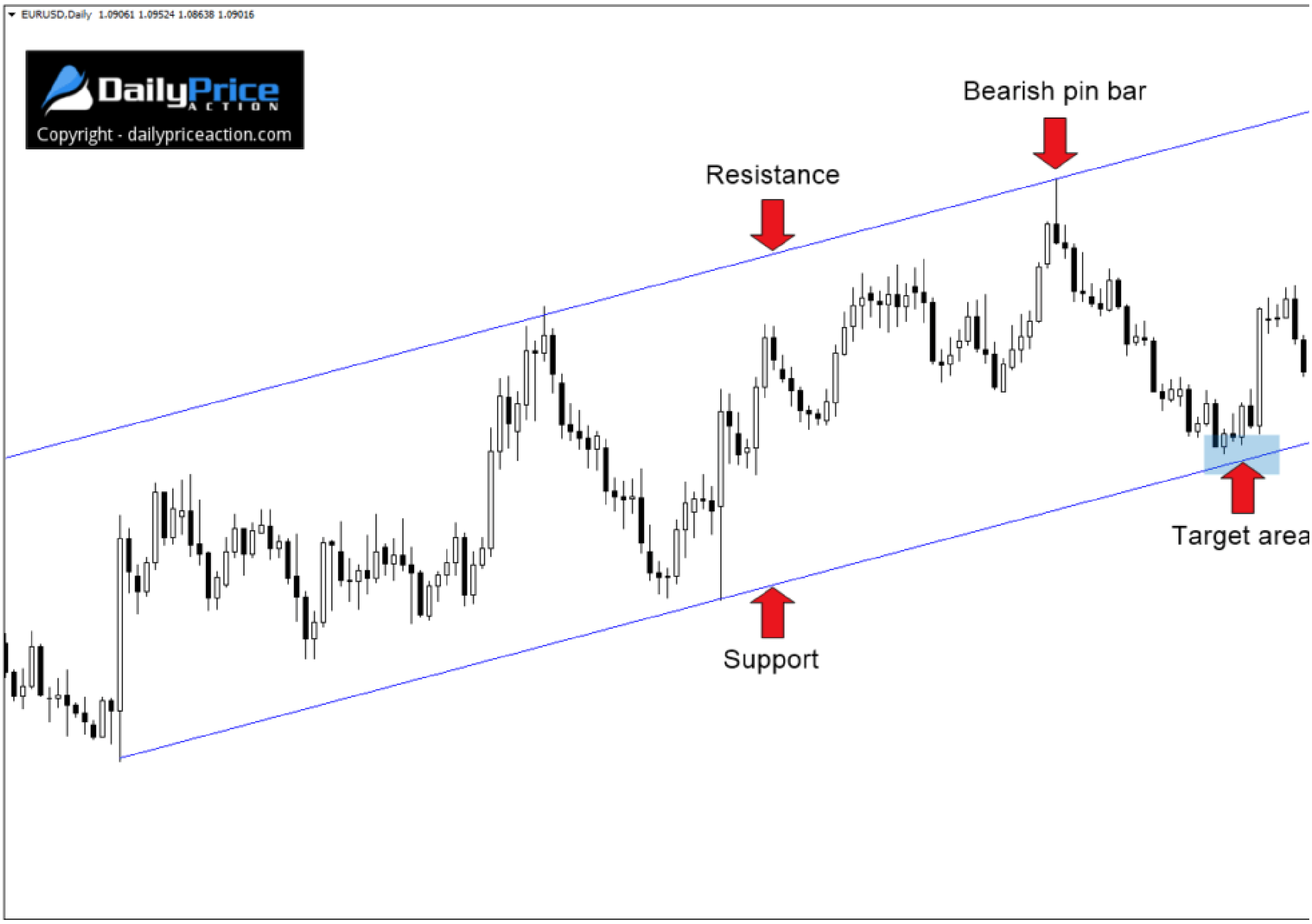
The first is a bullish pin bar that occurred on the NZDJPY daily chart.



Notice how after an extended move lower, the NZDJPY found support and subsequently formed a bullish pin bar.

This pattern triggered a sharp move higher back to previous swing lows, which acted as resistance.

Next up is a bearish pin bar that occurred on the EURUSD daily time frame.



In this case, the EURUSD had carved out an ascending channel. On the second retest of resistance, sellers came out in force and eventually formed a bearish pin bar.

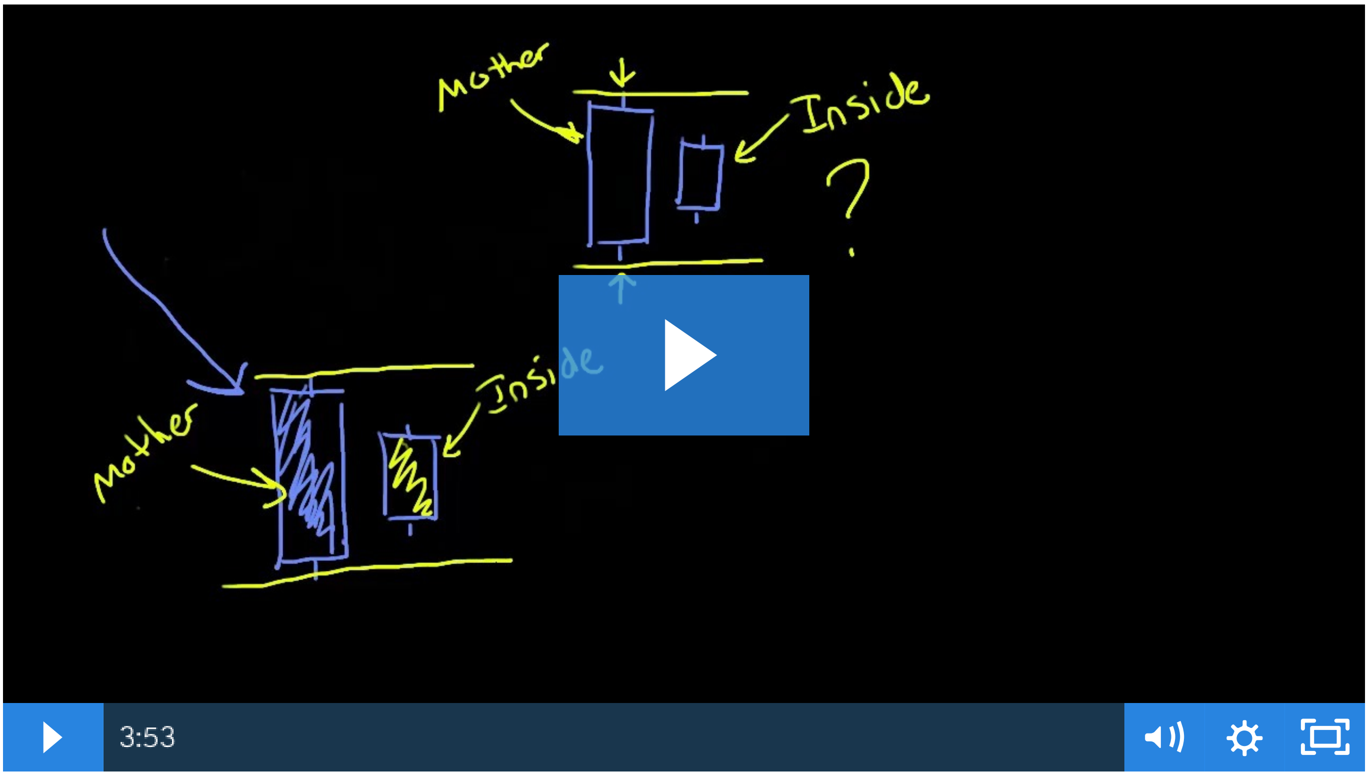
This particular candlestick formation triggered a 400 pip drop over the next eighteen sessions.

I wrote a more detailed lesson on the pin bar where I get into what makes a tradable setup well as where to place your stop loss and target.

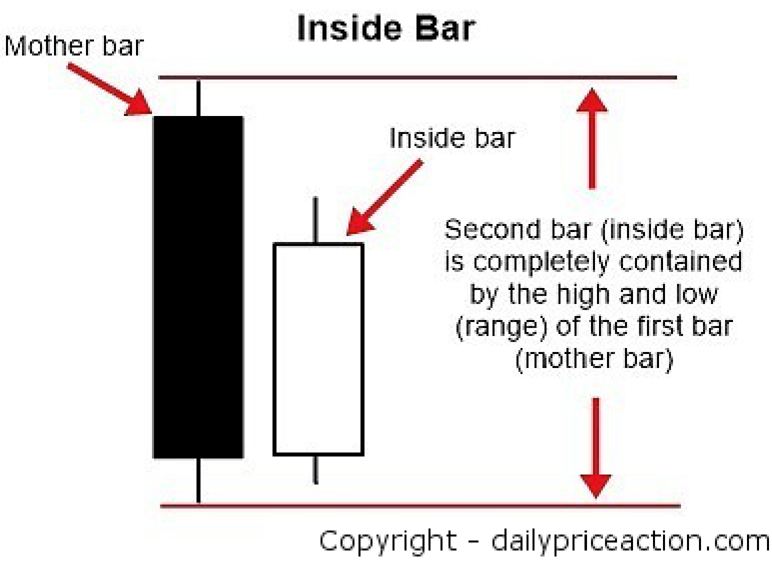
2. Nothing Says Continuation Like the Inside Bar

The inside bar is one of the more misinterpreted Forex candlestick patterns simply becaus they aren't hard to find. This observation is especially true for those trading anything less tl the daily charts.

Take a peek at the video below where I explain the characteristics of the inside bar and an easy way to determine if one is bullish or bearish.



To recap, here's an illustration showing the attributes of an inside bar:



The inside bar's range (high to low) should be engulfed entirely by the previous bar's range, also called the "mother bar."

Another way of saying it is that the mother bar should completely engulf the range of the inside bar.

So what makes the inside bar so lucrative?

When it comes to Forex candlestick patterns, the inside bar is my second favorite pattern t trade.

Here's why…

1. It can act as a profitable continuation pattern if it occurs during a strong trend
2. It provides a favorable place to hide a stop loss
3. A tradable inside bar doesn't occur often, but when it does it can be a highly effective Forex candlestick pattern

Here is an excellent example of the inside bar in action:

Notice how the inside bar in the chart above formed during a strong uptrend. **An established trend is a requirement for trading this particular candlestick pattern.**

The reason for this is that the inside bar is nothing more than consolidation. So we have a strong trend followed by consolidation which leads to a breakout in the prevailing direction

Pretty simple stuff, right?

The next chart shows two bearish inside bars that formed on the EURUSD daily chart. Note that the pair had been in a downtrend for several months, therefore these are *bearish* continuation patterns.

You could make the case that the first signal in the chart above was also a pin bar, and I wo agree. The combined rejection of former support *and* consolidation made for an incredibly profitable trade setup.

To learn more about inside bars, including which ones to trade and which ones to avoid, ch out my detailed lesson on trading the inside bar pattern.

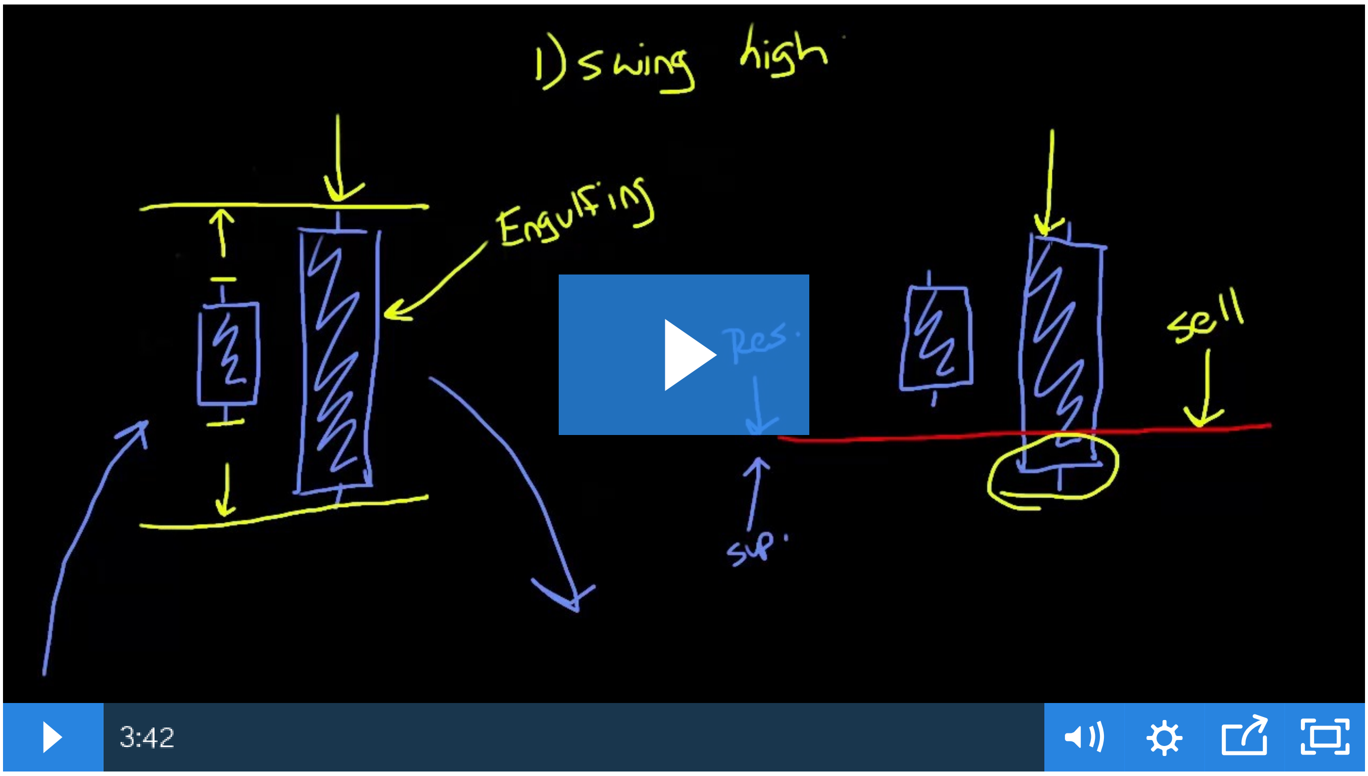
3. The Misunderstood Engulfing Bar Reversal

Last but not least is the engulfing candlestick. Unlike the inside bar that we just studied, th formation most often signals a reversal in the market.

Why do I call it a *misunderstood* pattern?

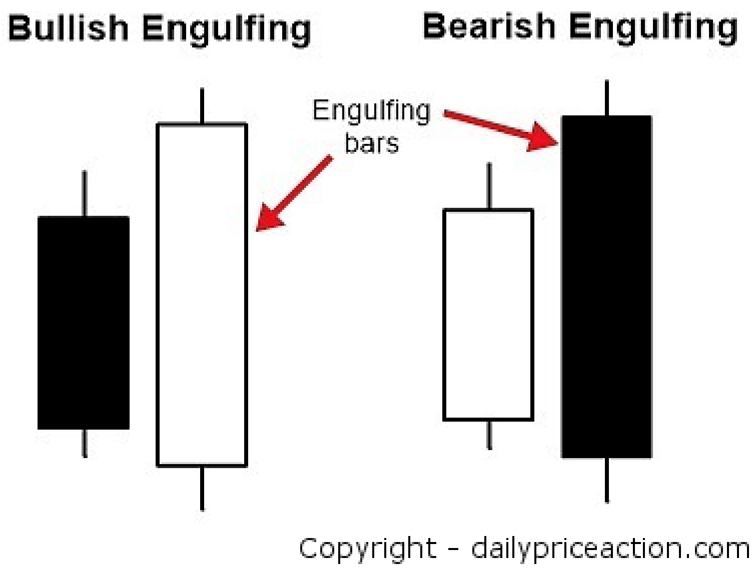
Because it takes more than an engulfing candle to warrant a position. To be considered tradable, an engulfing candle **must develop at a key support or resistance level** *and* **after a extended move up or down**.

Here's a brief video that explains what I look for…



While the video above only addresses the bearish engulfing candle, the same rules apply fc its inverse, the bullish engulfing.

For it to be profitable, an engulfing pattern **must form at a swing high or low**. Only then can be used to formulate a trade idea.



Notice how the **range of the engulfing bar completely engulfs the previous bar's range**. Hence the name, this is the most prominent and significant feature of this pattern. It's also what makes it such a lucrative signal.

While the engulfing bar pattern is my third favorite in this lineup, it can be extremely telling properly utilized.

Here are a few things to keep in mind when trading them…

1. They typically signal a forthcoming reversal

2. These patterns should only be utilized on the daily time frame and after an extended move up or down

3. If used as an entry signal, your stop loss should be placed above the engulfing bar hig for a bearish pattern and below the engulfing bar low for a bullish pattern

4. For a higher probability setup, always combine them with other favorable methods or techniques.

The bearish engulfing pattern below occurred on the AUDUSD daily chart.

In fact, there were two back-to-back formations at key resistance.

As you can see, the pair had carved out a wedge pattern. The two bearish signals formed a resistance, creating two profitable opportunities.

Know that the first candlestick in the chart above is also a bearish pin bar or at the very lea bearish rejection. It's rare, but these two patterns can sometimes overlap.

Always remember that a bullish engulfing pattern at a swing low is a **sign of potential strength**. It signals that the current downward momentum is likely coming to an end.

Alternatively, a bearish engulfing pattern at a swing high is a **sign of potential weakness**. If you see one form in this manner, the chances are good that an increase in selling pressure on its way.

Last but certainly not least, both candlestick patterns **must form at a key level** to be tradab Otherwise, you may find yourself trading a lot of false positives.

Final Words

Whether you trade using raw price action or some other means of identifying favorable set the three candlestick patterns above will surely improve your trading.

As lucrative as these formations can be, always remember that there are never any guarantees. Just like any other Forex trading strategy, the three above can and do fail, so always protect yourself.

Last but not least, the pin bar, inside bar and engulfing pattern are most useful when combined with other confluence factors. By doing this, you greatly increase the odds of a successful trade.

Now I've Got a Question For You...

Are you ready to begin using these patterns in your trading?

Then you definitely want to download the **free** Forex candlestick patterns PDF that I just pu together.

It contains all three formations above and shows you the exact characteristics I look for wl developing a trade idea.

Click the link below and enter your email to download the cheat sheet.