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80 Trading stategies for forex

I got this off Peter Bains site. It's more geared towards the beginner, so enjoy and maybe you might learn a thing or two!

Enjoy.

Please pour over the 80 currency trading strategy items on the checklist below that the big dogs use. You'll be glad you did. Please pick up on the fact that you only need four tools to trade the forex with, using my approach – "reading bars," MACD divergence, pivot points, and trendline analysis. That's it. Nothing more! Plain and simple. Don't let the naysayers have you believe otherwise. The world is full of "Doubting Thomases" who are everybody's armchair quarterback, but have never made a dime in this business. They "sell shovels." They don't use them.

Currency Trading Strategy Number One:

When you are just starting out, strive to carve out 20 pips per session, and that's it. Then, turn it off, and study some more. When you get really good at it, you can then "graduate" to higher returns. So, set your goal at 20 pips and stick to it, until you are a grand master at this wonderful "business" called forex trading. I stress the word business. This is not a game, especially where your "hard-earned money" is involved.

Currency Trading Strategy Number Two:

Spend most of your time on the 15-min chart.

Currency Trading Strategy Number Three:

When you first start out in any particular session, look at the 1 hr chart to get an overall perspective on trend from one session to the next, and what it's likely shaping up to be at the beginning of the upcoming new session.

Currency Trading Strategy Number Four:

Only look at the 5 min chart if you absolutely have to see what's behind the current 15 min bar – especially where the bar is elongated, and may have just penetrated a pivot point; in other words, is price reversing course on the 5 min chart, which would obviously not yet be reflected on the 15 min chart?

Currency Trading Strategy Number Five:

Don't dwell on the 5 min chart, as it contains a lot of "noise" that will whipsaw you to death.

Currency Trading Strategy Number Six:

MACD rules on the 15 min chart. Even if MACD is, say, trending up on the 1 hr chart, if it is trending down on the 15 min chart, that's what you take your cue from. That's not to say a shift in price direction is not in the works. It just means it's coming, but not yet. In the meantime, you don't want to miss what's happening "in the now," which is what is reflected in the 15 min chart.

Currency Trading Strategy Number Seven:

If MACD is trending down on the 15 min chart, and price is wanting to go north, price will sooner than later head south as it perhaps bounces off a pivot point, or gets turned around at a juncture caught by one of the other three "tools" you should be using ("reading bars," MACD divergence, or trendline analysis). Same thing if MACD is trending up, and price is trying to head south.

Currency Trading Strategy Number Eight:

Only use MACD for divergence, not for buy or sell signals. It is a lagging indicator, and as such is useless as a trigger. It is too slow for that in the forex world.

Currency Trading Strategy Number Nine:

Again, MACD divergence on the 15 min chart is more significant than what you see on the 1 hr chart in the near-term. For those of you who don't understand what divergence means, keep looking at my own personal forex trading examples on this page on a daily basis for examples of divergence. Basically, what it means is where you see MACD waves "waving" in the opposite direction to price action. That's why I connect the top of the waves (in a downtrend) and the bottom of the waves (in an uptrend) to illustrate that the waves are "waving" higher in an uptrend and lower in a downtrend – in the opposite direction to where price is going.

Currency Trading Strategy Number 10:

Always "protect" your money by using 20-30 pip stops. Mental stops are okay, but not if you are dead serious about using a "disciplined" approach to managing your money. You will lose three out of ten trades. The three losses should be kept to 20-30 pips. Your wins will by far surpass your small losses, and that's what stop-losses are all about. Don't be afraid to lose. Even professional batters strike out six out of 10 times. Lions are only successful 20% of the time in their chase for the kill. Professional golfers lose 95% of the time. Professional poker players lose 50% of the time. So, your chances are better at trading the forex, using my system of course, than in any other venue. Even businesses have "bad inventory." And, life in general is not always "100%" for sure.

Currency Trading Strategy Number 11:

That all said and done, if you entered a trade close to a pivot point, or a particular significant bar pattern (like a double top, for instance, or a trendline breakout), place your stop on the other side (but not too close to) the event that caused you to take action. This is because price has a tendency to snap back to that situation that caused it to bolt away from it in the first place. If you follow the 20-30 pip stop rule, but a 33 pip stop on the other side of that event would safeguard you against such a reaction, then so much the better. So, yes the stop rule is 20-30 pips, but within reason of course.

Currency Trading Strategy Number 12:

Stops (read "stop-loss") are for insurance purposes only – not necessarily for taking profits. However, you can most certainly employ "trailing stops," whereby you keep moving your stop up (or down, whichever the case may be) to protect your profits, as price advances, or declines.

Currency Trading Strategy Number 13:

Only use "reading bars," MACD divergence, pivot points, and trendline analysis in your forex trading toolkit. That's all you need for this market. Be a technical bigot. Focus on pure technical analysis, and avoid funnymentals. Even news is factored into price action, so you don’t need to be up on it each and every nanosecond. If you don't have my .pdf file on reading bars, please send me an e-mail, and I'll forward it to you: prbain@tradingsmarts.com As was pointed out to me by a client, "reading bars" includes spotting double, or even triple, tops and bottoms.

Currency Trading Strategy Number 14:

And now for the tough part. I know my documentation says that the forecast low and high for the next trading session can be M1/M3 or M2/M4. However, trading is shades of gray. It is not a black and white business. If it were, the world would be paved in gold, and everybody would be rich. Now, we wouldn’t want that would we? The forex would be nothing more than a Church at the end of a road connected to a river bank at the other end with nothing in between. The point I am trying to make is that the “actual” low and high for the next session could very well be any combination of M1, M2, M3, and M4. It could be M1/M4, M2/M3, or combinations of the other five pivot points. The M1/M3 and M2/M4 calculations are just guideposts, but are not poured in concrete. Price is the number one indicator. It will determine what the low and high are going to be. And one other thing, you should use these forecasts in conjunction with the other three “tools” in your forex trading toolkit – “reading bars,” MACD divergence, and trendline analysis. In other words, if price has been trending down from the past session into the current one, price is trading at, say, M3, and price is still going down, then M3 may very well be the high for the new session, regardless of the fact that my system may have called for M4 to be the high. So, use the pivot points in conjunction with other three possible signals – “reading bars,” MACD divergence, and trendline analysis. I have seen it happen, as in the example just given, where price was trending down from one session to the next right through M3 at the open of the next session – simultaneous with the formation of a “double top” bar pattern. Well, there you have three indications that price was headed south for sure. And, I believe MACD was also trending down in that particular case. So, that was another clue that the high for the session had probably already been put in.

Currency Trading Strategy Number 15:

When you are first starting out, pick one currency of the four major pairs (EUR/USD, USD/JPY, GBP/USD, and USD/CHF) to trade, and become a specialist in it. I would personally recommend the Euro, especially if you are going to be asking me questions, as that's what I focus on with my clients around the world. Get to know its rhythm. When you are doing well with it, then move on, and trade the other three major pairs, as you see fit. When you are in learning mode, you will have your hands full trying to figure out what to look for, and how to manage your trades – enough so that you don't want to be skipping back and forth between currencies.

Currency Trading Strategy Number 16:

Keep a log of all your trades – both good and bad. Analyze where you went right and wrong, and vow not to repeat those situations that could have been done better. This is all part of being organized as a "professional" trader - with good habits. This is not about gun-slinging and winging it with "Hail Mary" passes.

Currency Trading Strategy Number 17:

Important point here: If price action opens in the upper end of the projected range for the session (all the way up to R2, and beyond) – in other words, in the sell area (that area above the central pivot point) – and there are other suggestions that price is too high (such as a particular bar reading, MACD divergence, or trendline breakout), then price has probably achieved the upper end of its price range for the session. The same holds true where price action opens in the lower end of the projected range for the session (all the way down to S2, and beyond) – in other words, in the buy area (that area below the central pivot point) – and there are other suggestions that price is too low (such as a particular bar reading, MACD divergence, or trendline breakout), then price has probably achieved the lower end of its price range for the session.

Currency Trading Strategy Number 18:

If there is nothing to do, then don't do it. Don't just do something because your "gut" tells you to. That can get you in a lot of trouble in this business. Only react to bona fide signals provided by the four indicators talked about above – "reading bars," MACD divergence, pivot points, and trendline analysis.

Currency Trading Strategy Number 19:

Only use an "industrial strength" market maker with the lowest pip spread in the industry. If you would like more information on this, please send me an e-mail: prbain@tradingsmarts.com

Currency Trading Strategy Number 20:

Occasionally, you will see a huge spike up in price, as we did 11 May 03. This just happened to be on a Sunday, shortly after re-commencement of trading, after the weekend respite. Ordinarily, I would take the OHLC numbers from Friday, but given the nature of the wild swing up that evening on one of the 15 min bars, I would then use the OHLC numbers from Sunday night's session close to get a better reading on support and resistance levels for the next session. This is, of course, if you are using a market maker that delineates its break between trading sessions in the late evening - anywhere between 20:59:50 and 24:00 (midnight).

Currency Trading Strategy Number 21:

I often get asked by fellow traders why my pivot points aren't the same as theirs. Good question. The answer is, of course, that you may be using a different market maker, where a daily 24-hour session is "cut off" at a different time. Some end at 20:59:50. Others at five pm. Where you take your OHLC from will have a direct bearing on the pivot points that you calculate using my program. The results will obviously not be the same. But, that is okay – because you want to use the pivot point calculations that are reflective of the last 24 hours at the market maker you are trading with. That way, the resulting numbers will be truly indicative of the support and resistance levels you should be working with during the next session. If you are trading with a firm that cuts off at 5 pm, and using OHLC figures from another source that cuts off at a different time, your figures will be "out-of-sync." I hope this all makes sense. If not, please send me an e-mail: prbain@tradingsmarts.com Also, in your message, you can ask me how to get a copy of my program, if you don't already have one. You can also ask me where you should be trading – i.e., which market maker you should be using. I only recommend "select" providers, after considerable research, and feedback from my clients.

Currency Trading Strategy Number 22:

Former stock traders take note: I say former because I don't honestly know why you would ever want to go back to stocks after having tasted the forex. Don't over-trade the forex. This is not a scalping market! If you have to scalp, do it in slow motion. Currencies trend well. Don't buy too soon in a downtrend, and don't sell too soon in an uptrend. Watch for trendline breakouts to know when to make your move.

Currency Trading Strategy Number 23:

You cannot succeed at trading the forex unless you are TOTALLY committed to trading, and trading it. This is not something to be played with. If you are not going to take it seriously, then try something else.

Currency Trading Strategy Number 24:

Put your emotions in your hip pocket. This is a business, and should be treated as such. If you have any bad habits, the forex will fix them real quick.

Currency Trading Strategy Number 25:

Important point here: If you deem the major trend for the current session, based on everything you have learned to this point, to be down, then think DOWN. Sell rallies. Don't look to buy, or you might get whipsawed to death. Likewise, if you deem the major trend for the current session to be up, based on everything you have learned to this point, then think UP. Buy the dips. Don't look to sell. Former stock traders fall prey to wanting to have it both ways. Maybe, when you get real good at this, you can try. But for now, think one way, and save yourself the grief.

Currency Trading Strategy Number 26:

Another important point here: The major rally for the Euro begins after two am New York time. These are the London hours – the busiest in the forex, bar none. The Euro always – session after session – puts in, on average, 76 pips during the first 12 hours from that time forward. Whether you want to believe it or not, the Euro, once it makes up its mind what the major trend is going to be during those 12 hours, will "drive" to the other end of its range (76 pips) within those 12 hours. So catch the trend, and ride it. Now, it won't be a straight line, of course. Even an airplane taking off or landing encounters some bumps along the way. Same too with the Euro. Once it picks its direction, it will meander all the way to the other end of its range. This will "fake" the dumb money out. They never know what happens to them. To conclude: If the Euro wants to have a down trend during those 12 hours, it will achieve its 76 pips south of where it started. So, think DOWN. If the Euro wants to have an up trend from during those 12 hours, it will achieve its 76 pips north of where it started. So, think UP. The Euro either goes up or down during those 12 hours – not both. Here, I am talking about the major trend, of course. Ah yes, there will be rallies or dips along the way, depending on the direction of the trend (down or up), but like I said earlier, SELL THE RALLIES IN A DOWNTREND, AND BUY THE DIPS IN AN UPTREND. That's all there is to it.

Currency Trading Strategy Number 27:

Something to think about: If you get the above strategy - number 26, then you're going to love this one. It will test your nerve. If you buy into the idea of the major trend unfolding during those 12 hours (check it out here every day, and you'll see living proof), then why not try to get in when it starts to unfold, and "ride it." That will take nerves of steel, because the Euro will go against you from time to time – but not enough so to take out your initial stop. From a risk/reward ratio point of view, you are risking 20 pips to gain 76. Not a bad ratio. What I am trying to say here is why not just put your trade on, set the stop, and go clean the swimming pool while the Euro meanders its way to the end of its range. What spooks a lot of people out is when they stare at price action after they have engaged their trade, and they over-react every time the Euro hiccups. Just leave it alone. So, what's the worst that can happen? You can get stopped out right? Chances are you won't. If you catch the major trend, chances are very much in your favor that you will be richer by at least US$760 per lot. If you trade the action all the way through the trend, you may get beat up real bad, and lose anyway. Let the Euro lead you, not the other way around.

Currency Trading Strategy Number 28:

Every once in a while, I would encourage you to step back from the daily intraday action, and have a look at it from 30,000 feet. Sometimes, we can get too close to it, and not see the trees in the forest. On the daily chart, if you plot trendlines and look for divergences, you will learn a lot about where price is going to go "next." Of course, that's what we all want to know, right? Not only do trendline breakouts and MACD divergences tell a "big" story, but where a daily bar closes will offer up a clue as to where price will likely go in the next session. Study the chart, and you'll see what I mean.

For those of you who don't know what this is all about, the little line pointing off to the right of a price bar is the "close" for the daily session. The little line pointing off to the left is the "open" for that session. In the forex world, the close of one session automatically becomes the open for the next session, as this is a very liquid market, and there are no gaps in trading.

I just thought it wise to pause and reflect at a higher level from time to time. Looking at things top-down is sometimes healthy, and a wise thing to do. We can sometimes get caught up in the minutiae of the daily flurry of price movements, and lose perspective of the bigger picture unfolding above us.

Currency Trading Strategy Number 29:

To reiterate, there are just a "few" things you have to watch out for, and be "patient" for set-ups to occur. Don't just pull the trigger because you "think" it's time to do so. Wait for bona fide "signals." There are only "four" clues you have to look for: "reading bars," MACD divergence, pivot point breakthroughs/tests/violations, and trendline breakouts. That's it folks. That's all it takes to succeed in this wonderful business called forex trading. No other bells and whistles or toys are required, contrary to what you may have learned before. The hardest part for you will be to "unlearn" everything you knew about trading before. Just give your head a shake, and it will go away.

Currency Trading Strategy Number 30:

Although I have said that there are only four clues that you have to look at for price direction – "bar reading," MACD divergence, pivot points, and trendlines – there is actually a fifth. It's called "price." Price is the number one indicator in the sky. It will tell you where it wants to go. Let it point the way. It's like playing cards. Wait for it to reveal its "hand." You just have to be patient and wait. It's called "following the leader."

Currency Trading Strategy Number 31:

I was asked recently about multiple lots – in other words, buying or selling more than one lot at a time. You can either "load up the boat" at your entry point, or you can go at it one at a time – adding additional lot(s), as price moves through each successive pivot point, as it "reaches" for the end of its range. If you are confident that you are "with the trend," and are using good money management techniques, then there is nothing wrong with taking more position(s) along the way. Or, you can do both – load up to begin with, and buy/sell more, as price progresses through pivot points in its tear to the finish line. Don't bail too soon. Remember, currencies trend well (especially the major trend), and price knows where it wants to go. Let it take you there. Use the "five" indicators – "reading bars," MACD divergence, pivot points, "price," and trendlines – to make your trading decisions.

Currency Trading Strategy Number 32:

Be careful about taking trades in between pivot points. This is NO MAN'S LAND, and dangerous territory. Better trades are made in and around pivot points.

Currency Trading Strategy Number 33:

Make sure to take the time to draw pivot points on your 15 min chart, which should be your main focus. This is like the radar screen in the cockpit of an airplane. It is difficult to trade (fly) without points of reference to look at. You don't need to draw them all. They probably won't all fit anyway. At least have those that are close to price action plotted on the chart. You can also plot lines on the 1 hr and 5 min, but you shouldn't be spending much time there, so it may be a waste of time. But, can't hurt. You should also draw trendlines. Where price breaks a trend at a juncture with a pivot point, this is very powerful evidence that price is going the other way. Plot your MACD divergences. The more you see on the screen, the better your trades will be. Draw a line down the screen (on the chart of course) delineating start of session, and where you got your OHLC from to calculate the pivot points for the current session. I think you get the "point," pardon the _expression.

Currency Trading Strategy Number 34:

Just to re-hash and beat an old drum, the 5 min chart is like the trim tab on a sailboat, for you sailors out there. It is small and insignificant, seemingly, but very powerful as it assists in "steadying" the course. Same too with trading, looking at the 5 min every once in a while will give you some insight into what is happening "underneath" the current 15 min bar that is forming. This is important, especially at the end of a run, where price might be trying to do an "end run" or "sneak attack" in the opposite direction to what you're thinking, while you're not watching, of course. But, like I say, don't dwell in "5 min land" as ex-stock traders are wont to do. They are scalpers by nature, but will very quickly get scalped by the forex, as one of my new customers has recently found out the hard way. He now puts a trade on (with stop in place for sure), and goes to the airport to pick up company, or goes outside to clean the swimming pool – only to come back, and see how much money he has made by not obsessing over every little movement. I'm not saying don't pay attention, but what I am saying is too close is too close. Once you catch the trend, and enter a trade because you saw something in "reading bars," MACD divergence, pivot points, trendlines, or price action, let price steer the course, and "wait patiently" for the next event that will cause you to take action. Of course, that action will be taken again because you saw something in "reading bars," MACD divergence, pivot points, trendlines, or price action. If you don't see anything significant, then DON'T DO ANYTHING. Sit on your hands. Don't press enter whatever you do! Oh, and before I leave this point, with a market maker I recommend, you don't have to leave the 15 minute chart to "peek" at the 5 min chart to see what's going on at that lower level, because they show the tick-by-tick action right on the 15 min chart, as the next 15 min bar is waiting to form.

Currency Trading Strategy Number 35:

I was recently asked how many signals he should wait for before pulling the trigger. As you recall, I earlier said that you should only take direction from "reading bars," MACD divergence, pivot points, trendlines – and price itself. Now, how many of these should fire before you engage your trade? Well, certainly, one is enough to set the tone – but all the more convincing where you have a couple or more all lining up and saying the same thing. For example, recently the Euro was in a downtrend from the session just ending, entering the new session still in a downtrend, when price did a double top at the nearest pivot point as the new session started. Well, there you have three things telling you what to do – go short, of course. We had the downtrend, the double top, and the double top banging its head up against the pivot point. Lots of evidence that price was southward bound. I think you get the point. An analogy here: If you're sitting in your car at home waiting to go to work in the morning, and you are waiting for all the street lights to turn green on the way to work before you start the car, you will never get to work. So, the more green lights the better, but one is enough to get you going.

Currency Trading Strategy Number 36:

And now for some psychology. For you newbies out there, your self-esteem will grow the more trades you make. You will not always be right. You will make mistakes. That's only normal when you are first starting out, and even after you have been at it for a while. Don't beat up on yourself when you fail. Just say to yourself, "Next!" You must move on. If you are using wise money management techniques, like 20-30 pip stops, you will survive to see another trade. This is all about preserving staying power. Don't second-guess your indicators (remember, "reading bars," MACD divergence, pivot points, trendlines, and price). You wouldn't dispute the dials and gauges in a plane, or you'd crash and burn. So, why doubt what your indicators are telling you. You must believe in them, and take "action" when they tell you to do so, BUT ONLY WHEN THEY TELL YOU TO DO SO! Have the courage to do so. And, now for the big one. NEVER LISTEN TO ANYBODY ELSE. TAKE YOUR OWN COUNSEL. CLOSE YOUR EARS WHEN YOU ARE TRADING. IT'S YOU AND YOUR CURRENCY. YOU HAVE NOBODY ELSE TO TURN TO. SO, DO IT. AND, STAY AWAY FROM NEGATIVE PEOPLE. DON'T TALK TO ANYBODY ABOUT THIS BUSINESS, UNLESS THEY ARE AS DEAD SERIOUS ABOUT IT AS YOU ARE. OTHERWISE, THEY WILL DRAG YOU DOWN. AND, BE HUMBLE. SAVE YOUR BRAGGING RIGHTS FOR LATER. THE FOREX WILL TAKE YOU DOWN, IF YOU TRY TO BECOME LARGER THAN LIFE. And, finally, focus on success. Be careful what you think about. Your thoughts will mould your actions and outcomes. If you are committed to the end result being successful, then you will get there. If you are always fearful, that affect your psyche. When you stumble and fail, just pick yourself up, dust yourself off, and get on with it. Don't be intimidated by a mistake, or a wrong decision. You will get better at this, especially if you keep a journal of all your trades, and study it to death. Be a professional. Be prepared.

Currency Trading Strategy Number 37:

I recently had a customer ask me what to do when price had headed north through all the pivot points for quite a run and lots of money in the bank, stalled at R2, and then continued its journey north. Answer: R2 is normally resistance. When price penetrated R2 headed north, and couldn't fall back through R2, R2 became support. It was a buy signal when price decided to continue its trek north. Remember, price is King. It will go where it wants to go. You must follow its lead, even if it already has put in quite a tear in one direction – even beyond its average daily range. It will keep going in that direction if it wants to. Remember, currencies trend well. Don't buy too soon, don't sell too soon. Wait for convincing evidence that it has made up its mind. In this case, price played with R2, but never punched down through it with any sort of notion that it wanted to reverse course. Once it made up its mind to continue the journey north, all you had to do was follow suit. Don't fall prey to oxygen starvation at high altitudes like R2. Trust your indicators. Do what they tell you. This isn't about falling for your gut feel that price has gone "too far" up. It could go even further – a lot further, in this case – if it wants to.

Currency Trading Strategy Number 38:

"The more I practice, the luckier I get." (Wayne Gretzky)

Currency Trading Strategy Number 39:

You should not execute trades, as a general rule, in between pivot points. That area is NO MAN'S LAND. Wait for price to make up its mind on direction at a support or resistance level, supplemented by other indications of price direction – "reading bars," MACD divergence, reaction to pivot point, trendline breakouts.

Currency Trading Strategy Number 40:

Don't use MACD for anything other than divergence. Recently, MACD on the 15 was trending up, leading unsuspecting traders to believe that price was headed north. However, price did a u-e at the main pivot point, and headed south to find the other end of its range at S1. You wouldn't see this sudden shift in MACD, because it is a lagging indicator. So, to summarize, just use MACD for divergence and nothing else.

Currency Trading Strategy Number 41:

You should only take trades in and around pivot points – not in between, as stated previously. When price action centers around a pivot point, then take a look at the five minute to see what's going on behind the scenes. Because, you should have been focused on only the 15 min up to the point of price interaction with the pivot point. Now, you want to pay attention to what price has up its sleeve. In the above example (40), price faked out unsuspecting trades when it trended up through the main pivot point, only to tank as it did a price rejection bar on the 15 min chart. Of course, you wouldn't have seen this coming if you were only looking at the 15 min. You would have seen the price reversal on the 5 min, and been ready to head south with price.

Currency Trading Strategy Number 42:

The absence of divergence between MACD and price simply suggests that MACD is confirming that the price trend is intact. But, don't be fooled by this synergy. Please review strategy number 40 to see what I mean.

Currency Trading Strategy Number 43:

Resistance levels (M3, R1, M4, and R2) are levels (or sell zones) where sellers can be expected to outnumber buyers, and push price lower. Correspondingly, support levels (S2, M1, S1, and M2) are levels (or buy zones) where buyers can be expected to outnumber sellers, and push price higher. These expectations are based on my program's interpretation of buyer/seller interaction in the last session. I think you will agree, after close inspection of the results of my pivot point calculations, that price hesitates, pauses, and decides on its course of action in and around pivot points. That's why you should never enter trades in between pivot points, while price is in transit, and in a state of transition.

Currency Trading Strategy Number 44:

Don't let anybody scare you off the forex by saying it is too risky. It is actually less risky than trading any other market, that is exchange-based. The forex cannot be "engineered," as stocks and commodities can be. Also, being a true seamless 24-hour market, there is less of a chance of your stops not kicking in. That's because the forex is highly liquid, trading ~US$1.5 trillion each and every day. It is the most liquid financial market in the world, bar none. And, you get good fills, with fast execution times.

Currency Trading Strategy Number 45:

On May 23, we have had a rather unusual day, in that price "reached" beyond its average range to put in 135 pips in two hours, just above R2, after starting its climb at the main Pivot Point. The Euro reversed course at the double top, and broke down through R2, to mark the end of its run to achieve its average daily range, or better in this case, within 12 hours of the start of trading for the current session. You would have noticed, of course, that the double top formation was also a "railway tracks" bar formation (if you just happened to have been looking at bars, instead of candles). Those two patterns occurring at the same time are a pretty powerful indication that price has run its course. So, keep your eyes peeled for price patterns per se, but also for combinations of patterns occurring at the same time.

Currency Trading Strategy Number 46:

May 23 was supposed to be an M2/M4 day, given the up-close for the last session. But, the actual range came in at Pivot Point/R2. Trading is "shades of gray" ladies and gentleman. Pivot points are not cast in stone. But, they are usually pretty close.

That day, the combination of Pivot Point and R2 achieved better than the average daily range for the Euro, well within the confines of logic behind my pivot point definitions. The central Pivot Point becomes a buy point (read, support), when it is breached to the upside convincingly, and so it became a reasonable starting point for price to commence its "range-finding mission" for the session. Likewise, R2 is a sell point (read, resistance), and so it was a viable target for selling pressure, as the Euro exhausted its "search" for the end of its range for the session.

The main point in all of this is that the full range for the Euro was achieved within the parameters of the pivot point logic and rules, which is the most important point to get out of all of this. By that I mean that the four pivot points below the middle pivot point are all "buy" candidates, and the four pivot points above the middle pivot point (including R2) are all "sell" possibilities. Achieving the full range, or more than that as was the case May 23, is what it's all about, more so than strictly adhering to the M1/M3 or M2/M4 windows of "buying" and "selling" opportunity.

I hope you are beginning to see the power of pivot points in action. You only buy and sell in and around them – not in between, which is what we call "NO MAN'S LAND." Not the place to enter trades. The only caveat here is where price forms patterns like we saw that day above R2 with the double-top/railway tracks combination. Such a reversal phenomenon, especially with two distinct formations occurring at the same time, cannot be ignored.

But, what is significant here is the fact that this "double whammy" took place after price had penetrated R2 to the upside, which to me looked like an exhaustion area – considering the fact that the last point of resistance had been broken. Then, you look for convincing evidence that price is going to continue its trek north, or do a u-e, as it did in this case, and head south.

There are important lessons to be learned in all of the charts I post at this site. So, please study them carefully. There are parallels, as I am sure you can see, between one session's price action and that of the previous one. In fact, given the nature of currencies trending well, every day pretty much looks the same, except for different actual ranges and different low and high points (read, iterations of the nine possible pivot point lows and highs).

Price will always determine which set of pivot points it is going to work with, and that is why you always follow price's lead. That's also why I call price the "fifth indicator," and perhaps the most important one of the five I work with. By now, you will have learned more about the other four indicators, as you studied the previous currency trading strategy tips.

Please study the charts I post at this site on a daily basis, as they offer important clues that occur each and every day! If you understand what you see in those charts, you can't help but prosper with your trading on a consistent basis.

Currency Trading Strategy Number 47:

Don’t be greedy. I heard it said recently by one of my clients that he walked away from a session with only 150 pips in his pocket, and left a lot on the table. Boy, for somebody coming from the stock world, as he did, he should been thankful for his catch of the day. The point is, if you start out as a newbie looking to carve out only 20 pips per session, then anything beyond that is gravy, and it will surely come over time.

But, don’t forget the old adage, “Nobody can argue over profits in the bank.” If you see a profit, and want to take it, then do so, and be happy. You’ll live to see another day, and take some more profits. Just don’t always grab for the brass ring. This isn't about always hitting home runs. This is about having staying power, and taking one base at a time. When you have good reason to exit a trade, make your move, and be done with it.

Currency Trading Strategy Number 48:

Former Cleveland Brown's coach, the legendary Paul Brown, taught his football players a systematical/methodical procedure of understanding tasks to attain successful results in face of unforeseen, variable difficulties.

So too with foreign exchange trading. Forex trading requires adherence to a set of currency trading strategy rules, which I have set out at this site.

A wide body of research in behavioral finance shows that traders consider the loss of $1 twice as painful as the pleasure received from a gain of $1. That's why they take more risks to avoid losses than to realize gains. They end up buying high and selling low, contrary to conventional wisdom. Follow my currency trading strategy rules, and you'll avoid getting a closely cropped haircut when the forex tanks on you, as it did May 28.

Currency Trading Strategy Number 49:

I had somebody ask me why I waited until 03:00:00am New York time to make my move, in the mean time missing potential in advance of that timeframe. The answer is quite simple. That is when London trading kicks in, and that is generally the busiest session on the forex. You will notice that is when the Euro usually starts its major trend to find its average daily range of 76 pips. Those pips are usually put in within the first 12 hours of trading. Check it out for yourself. It happens each and every day, over and over again.

Currency Trading Strategy Number 50:

"Ascending Triangle": Price forms higher lows, and looks like somewhat of a horizontal line on top and a rising lower trend line. This formation is normally bullish. You take its height at its highest point, and measure that distance from the upper line to obtain the upside target. If you want to see an example of this type of triangle, please send me a note: prbain@tradingsmarts.com and reference May 26/03.

Currency Trading Strategy Number 51:

By combining "pivot point readings" with other signals – like divergence, multi-tops, trendline breakouts, triangular patterns, etc. – you can pretty much tell where price is going next. Normally, I would say that you should only enter trades in and around pivot points. But, given the large distances that can sometimes happen between pivot point areas, you then have to be on the lookout for other evidence of future price direction.

Like I keep saying, trading is "shades of gray." Nothing is always black and white in this business. Trading is as much an art as it is a science. That all said and done, when price does encounter a pivot point, you can see that that point has a powerful influence over price. So, always be on the alert for that next point of interaction with the next pivot point, as it will have a distinct bearing on what happens next.

Currency Trading Strategy Number 52:

If you are trying to catch the major trend that unfolds during the London hours, but are afraid of getting your entry point figured out correctly, wait to catch the next entry point, as the Euro "reaches" for its average daily range of 76 pips. The next entry point will occur in and around the next pivot point that price passes through. Or, you may catch price as it tries to retest the pivot point it just went through. That way, you won't run the risk of getting in too early, when the trend tries to unfold in early trading. Sometimes, price fakes you out, and goes in one direction for a while, and then reverses course, before finally picking its direction. My favorite saying is, "He/she who procrastinates wins." What you are giving up, of course, are those initial pips of the trend, which may amount to, say 30 give or take, but you are more sure of capturing the remaining 46, as the major trend of the session matures.

Currency Trading Strategy Number 53:

I would like to remind you that the pivot points above the central "Pivot Point" have a "sell" bias, and the pivot points below the central "Pivot Point" have a buy bias. These biases hold true unless price action turns a pivot point's bias from sell to buy or buy to sell – i.e., from resistance to support or support to resistance.

On June 6, 2003, you would have observed from price action that M3 held its bias, but the pivot points below the central pivot points were turned from buy, or support, points into sell, or resistance, points. Of course, price action determined this.

The other important point to make is that when the major trend reveals itself, as it did on that day (and does every day, within 12 hours of the start of trading for the session), you should think along the lines of the bias. That day's bias in early trading was "short." Meaning, you should have forgotten how to spell the word "long." Scalpers want it both ways, but that doesn't work in the forex – unless, of course, you want a short haircut. I say this because currencies trend well. Don't second-guess the trend until it reverses itself with bona fide signals. In other words, don't sell to soon, and don't buy too soon.

Currency Trading Strategy Number 54:

Keep those trading journals going! If you always trade the way you always traded, you'll always get what you always got.

Currency Trading Strategy Number 55:

There is nothing that says you have to trade often, or even every day. In other markets, most professional traders catch only three to four really great trades a week, if that! Not so with the Forex. Here, the timeframe is more like a day. However, if you don't see any "ironclad" trades, then don't trade. Turn if off and go golfing.

Slow down, and drive the speed limit. This isn't a race. After all, you are in control of the market, not the other way around. Don't feel pressured into doing something you feel uncomfortable about. Wait for those "perfect set-ups" to make your move. Same goes for those "bad-hair days." If you are feeling out of it, sit on your hands, or go do something else. Take charge of your trading life, before it takes charge of you, and your money.

Currency Trading Strategy Number 56:

I often get asked what parameters I use for MACD. I use the standard default settings. They work just fine. After all, all you should be using MACD for is divergence.

Currency Trading Strategy Number 57:

I have said it before that you should only trade in and around pivot points. The only exception to that rule is if you see a trendline breakout or a bar pattern, like price rejection, that gives a clear signal that price is about to reverse course. If price is in between pivot points, and you are not sure what to do, don't do anything! If there's nothing to do, don't do it. Patience is the hardest thing to master in the forex, or any market for that matter.

Currency Trading Strategy Number 58:

The major trend for the Euro usually starts revealing itself as the London hours kick in. Up to that point, price may "bait and switch" you into thinking it is going one way, when in fact it is setting up to go the other way. It can easily fake you out, before the London hours start to unfold. So, be patient and wait. Look for clues coming out of the previous session as to where price might be going ultimately. Did you see a "head and shoulders" pattern? Did you see a triangle pattern? Do you see price trending in any one direction over a period of time. Do you see any divergence in MACD (on the 1 hr and 15 min charts)? Do you see any channels, where price is looking to break either way? Play Sherlock Holmes. A little bit of detective work will go along way before you dive into the new session. Like the Boy Scouts say, "Be prepared!" Be in charge of your trading. Put your emotions in your hip pocket, and save them for later. Run your trading as if you were running a "bricks and mortar" business. Same principles and rules apply. No different. This is not about betting and gambling. This is serious business. After all, your hard-earned money is at stake. Protect it at all costs.

Currency Trading Strategy Number 59:

I have people asking me all the time why I don't post my trades in real time, or why they can't call me while I am involved in my own trading activities. The answer is quite simple. This page is dedicated to my belief in the old adage: "Give a man a fish, and feed him for a day - teach him how to fish, and feed him for a lifetime!"

Plus, it would be very stressful and time consuming for me to take time away from my own work (and quiet time) to interact with a discussion forum. I am sure you will understand my position on this. I have customers in over 30 countries, and it would be a nightmare for me to react to each and every nuance that came along. A chat room is in our business plan, but at this writing, I don't have any idea of when that might happen. When it does, I will certainly give you lots of advance warning.

I teach people how to fish. I don't give them the fish. I can remember when I first learned how to trade. I had my mentor sitting right by my side each and every step of the way. Then one day he upped and moved, and changed cities. He actually moved to a remote and secluded island to get away from city life. Nice move for him, but it left me in a state of panic. How could I possibly survive on my own? I can tell you, ladies and gentleman, that I really learned how to trade when I had to do it on my own, and those were real drops of sweat rolling down from my forehead all over my face.

This is about you and the market, and you mastering your innermost psyche. Anybody can learn to trade the forex my way. But, what will get you every time is that little inner voice doubting your every move. And, then there's fear and greed that will bite you real hard too. It's the psychology of your mind that you must master. You must become disciplined and patient to a fault. You must react only to bona fide signals, that I teach here. Otherwise, you would be better off heading out to your local casino, and taking your chances there.

The forex is not about gambling. It is about running a business, where there will be gains and losses. Your every effort and constant struggle should be to get a grip on those times when price goes against you. You are in charge. You can get the upper hand on price by trading "smartly," and using good money management techniques, that I also teach here. You won't win every time. But, with my system, you should come out ahead seven out of 10 times. The trick is to limit your losses to small ones, and let your profits soar.

Getting back to going solo without an instructor at your side during each and every step of the way, I recall a friend of mine telling me how he learned to fly. After several practice flights with his instructor in the cockpit with him, they landed back at the airfield, and the instructor turned to Pal and said, "Now, it's your turn to take it up. I'm getting out. You're on your own buddy." Talk about anxiety and stress. Well, Pal took off and landed all by his little 'ole lonesome. But, he was pale and his knees were knocking when he got out of the plane back at home base. He has soloed ever since. It's his passion now. There's something about being able to do it yourself, without a partner holding your hand all the time. It's called "confidence boosting." If you can fly or trade by yourself successfully, there probably isn't anything else in life you couldn't do equally as well. Actually, Navy pilots who land on aircraft carriers make the best traders. But, that's another story for another time.

I can tell you my friend learned more about flying in that one solo session than he did all the times his instructor went up with him. Same with trading. You can do it. Just believe it so. Dedicate yourself to becoming a master at it. Analyze, read, study, think. Ask questions. There is no such thing as a stupid question. Become passionate about your trading. Don't think of it as a get-rich-quick scheme. Do it because you love it. Do it as if you would do it anyway, even if you weren't making money. There has to be an element of fun in it for you. If it's all work, and no play, well you know the answer to that one.

Don't get me wrong. I am here to answer your questions whenever you need my help. I am dedicated to your success, and your happy times with your family. Nothing would give me greater pleasure than to get an e-mail from you telling me how this has turned your life around, and that you are now happily making money trading the forex my way.

Currency Trading Strategy Number 60:

Don't get hung up on reading bars when you think you have caught the major trend. Once the trend is unfolding, you then look for a place to enter - around a pivot point. You look to reading bars to signal a change in the direction of the major trend.

A double top in a downtrend means nothing. A double bottom does. So, a price rejection bar or double bottom in a major downtrend would signal a short-term reversal, and that's all. But, once you see the major trend unfolding – say, on the short side – you pretend you don't know how to spell the word long. Stick with the overall major trend that is unfolding.

These comments relate specifically to the beginning hours of London trading, which is when the major trend reveals itself.

Currency Trading Strategy Number 61:

You need to get to the point where, when you look at a chart without any visual aids, you see indications as to where price is going. This has to become "second nature." At that point, you can trade with ease. And, your stress level will go down, because you will be in control of the market, not the other way around. This only comes with practice, day after day. This takes patience, and staying power. You must hang in there until you get it. Winners never quit; quitters never win.

Currency Trading Strategy Number 62:

At first, if you are fearful, don't trade until you see what you consider to be an ironclad set-up that you are familiar with – an easy one. That may mean waiting out a session or two, but that's okay. There's no rush. I find with some people they seem to have to prove something to themselves or someone else. Some people think they have to scalp all day long for some reason that is beyond me. After all, you are in control. Take your time. Relax. Enjoy it. Sooner or later, you will see a bona fide set-up that you recognize, and bingo you're in. When in doubt, do nothing. When there is no doubt, do something, do anything – pull the trigger.

Currency Trading Strategy Number 63:

Unfortunately, you will not always get all the signals you need to pull the trigger. After all, this is as much an art as it is a science. You cannot always be 100% sure that you are doing the right thing. If you wait forever to get all your ducks lined up, you may wait a long time. My favorite analogy goes something like this: Pretend you are sitting in your garage at home wanting to go to work, but you are waiting for all the street lights along the way to turn green before you pull out of the driveway. Guess what folks? You'll never get to work. Same with trading. Sometimes, you just have to make an educated guess (based on the currency trading strategy recommendations contained at this site) and go with it. You won't always be right, but this isn't about being right. It is about making a decision, sticking with it, and reversing course if you have to. Accept getting stopped out as God's way of kicking you to a higher level. Just one more step to success.

Currency Trading Strategy Number 64:

Thanks to Tom for this: There are two choices to be made – LONG or SHORT when a certain point in the session(M1, S1, R2, Pivot ... etc.) is reached. The BASIC rule is BUY (go long) below the pivot in the S1, S2, M1, M3 zone and SELL (go short) above the pivot in the Zone R1, R2, M2, M4. Obviously it isn’t as simple as this and other indicators such as MACD divergence, reading bars, trends, and patterns all add to the question LONG or SHORT. Bang on Tom! Way to go!

Currency Trading Strategy Number 65:

I have said previously that you should make your buy/sell decisions around pivot points. However, for example, if price is meandering in between pivot points and then does a double top, that would lead me to believe that price is going down. So, there are times when you would want to make your move before waiting for a pivot point to be hit. Of course, there's nothing wrong with waiting for price to do so and then reacting.

Currency Trading Strategy Number 66:

Thanks to Harry for this one: He indicated that I sometimes refer to "price rejection." And, what does that mean. It simply means that a price reversal bar has formed, causing the bar in the middle to have a higher high than the bars on either side of it. The price bar in the middle is essentially a key reversal bar. And, what you have is a "swing change." That is, price is reversing course, and heading south. The same holds true when price is reversing and heading north. You then have the bar in the middle of the three-bar pattern with a lower low than the two on either side, and the one in the middle is the key reversal bar.

Currency Trading Strategy Number 67:

Repetition is the key to success in any endeavor in life, including trading the forex. The more you practice trade, the more you trade real money, the better you get. You just have to keep at it - over and over and over again. Persistence is the key. You're bound to get better at something if you do in constantly and don't quit. Don't let the market psyche you out. When you have a down day, just treat it as experience. Lessons learned. But, try to learn from your mistakes. Keep those journals going. If it's not written, it doesn't exist.

Currency Trading Strategy Number 68:

I get the impression that some of you are not paying enough attention to trendlines. They are very powerful. Price WILL change direction when it breaks the trend, regardless of what other indicators may be telling you. So, draw them, and let them be your guide. REMINDER: In an uptrend, as we saw June 25/03, as long as the trendline holds, buy the dips. In a downtrend, sell the rallies. In an uptrend, don't look to go short EVER! In a downtrend, don't look to go long EVER! Plain and simple.

Currency Trading Strategy Number 69:

Thanks to Stu G. for this one. I have been harping on using MACD only for divergence. But, Stu is right. I do on occasion, as I did June 26th/03, use MACD to confirm the trend. If the price trend has been consistently down over a period of time, then it could very well be that when price tries to go counter-trend, it may just be a retracement or a temporary move in the opposite direction. I usually like to stick with the major trend. In a downtrend, sell the rallies; in an uptrend, buy the dips.

Currency Trading Strategy Number 70:

I was asked by some of my readership what happened Friday, June 27, with all the wide-range bars on the 15-min chart. That was a tough day to trade, even for seasoned professionals. Lots of whip-sawing. Lots of stops got taken out. Trading patterns were dominated by end-of-quarter positioning. A good day to stand clear. So, be prepared for the next end-of-quarter, and the one after that, and the one after that, etc. Mark those dates on your calendar. Trading is as much about being organized and prepared, as it is about being good at it.

Currency Trading Strategy Number 71:

Marathon runners have only one thing on their mind when they are running – to cross the finish line. They NEVER look back. Same too with trading. You should focus on surviving for the long haul. Sure, you will stumble and fall. But, just pick yourself up, just yourself off, and carry on. Winners never quit, and quitters never win.

Currency Trading Strategy Number 72:

Beware of holiday situations like the long July 4th weekend. Trading tends to be thin, and it is difficult to produce meaningful pivot points. Best to just go golfing, and forget about it. There's nothing that says you have to trade every day. Get a life.

Currency Trading Strategy Number 73:

If you are having trouble with your entry points, I suggest you try waiting until you see a hammer or a spinning top, and then pull the trigger. You may wait a long time, but at least you will be sure of getting a good entry point, as these particular candles are powerful precursors to a shift in price direction. Have a look at any chart and see how many of these candlesticks you can pick out. You might be surprised at how many there are. For more information on these bar formations, please read my August, 2003 edition of my newsletter: www.tradingsmarts.com/newsletter0803.htm Obviously, if you click on that link after August 1, 2003 the newsletter will be there. Before then, it won't.

Currency Trading Strategy Number 74:

I just returned from a meeting with a group of young traders who have been at the forex for the past two and a half months. They are making steady progress, and I am extremely proud of them. I thought I would pass along their observations that may prove helpful to your own trading. They have backed off short-term trading, and are more into position trading the forex – using a longer timeframe – taking cues from the 1 hour chart. They also believe that signals that occur on that chart are more powerful than those on the 15 min. For example, a signal on the 1 hour would have more weight than an indication on the 15 min. Basically, what they are saying is that you should wait on a trade for confirmation on the 1 hour chart before pulling the trigger, unless of course you see an ironclad setup on the 15 min chart. Trading is shades of gray ladies and gentlemen. These ideas are working for them. That doesn't mean to say you can't experiment on your own. If you do and find something that works for you, please let me know, and I'll share it with the rest of the gang.

Currency Trading Strategy Number 75:

Clarification re Aug. 22/03 chart, thanks to Bill: Bill quite rightly pointed out in the chart for August 22/03 that there were hammers at 3:01 and between 5:01 and 6:01 that didn't take. My answer to him was that such a candle should be complemented by some other indication of a shift in price direction. For example, in the cases he cited above, price did not break the down trendlines - so, in effect, the hammers' supposed effect was nullified. To conclude, bar formations that should signal a change in price direction should be accompanied by other signals, including pivot points. In other words, what happens to price around a pivot point when you see a hammer? Does the pivot point support what the candle is saying? Thanks Bill for this.

Currency Trading Strategy Number 76:

I was recently asked where one could find volume figures for a currency. None of the popular sites carry it. Nor is it necessary as the Forex is a very liquid market. Volume is somewhat redundant anyway in that regard. You just need to use technical analysis to trade the Forex.

Currency Trading Strategy Number 77:

Pay attention to that news. I had been calling for an advance in the euro and Swiss franc and, sure enough, they both popped on bad unemployment news in the U.S. September 5, 2003. News is not noise in the Forex.

Currency Trading Strategy Number 78:

There are “talking” bulls and bears and there are “real” bulls and bears. The real ones are reflected in volume and open interest. But, these numbers are not available for inter-bank currency trading. However, they are reported for futures markets, which represent a good proxy for sentiment because they are primarily a vehicle for speculation.

Turning points in currency markets often coincide with extremes in open interest levels, which represent extremes in speculation. The key here is to watch for extreme levels and extreme changes in both open interest and volume to signal a possible change in trend.

Open interest numbers are of little use intraday. However, knowledge of a change in trend or extreme speculation in a particular currency based on open interest and volume can be valuable information for any trader in any time frame. That’s where an understanding of how COT works can improve your chances of detecting the underlying bias to a particular FX currency based on its futures counterpart, and anticipating its next move.

As at September 2/03, the commercial traders were extremely long with their net futures positions on the euro FX and the Swiss franc FX, versus the funds, which were extremely short. When you see such extreme divergence between these two camps, you know that price will probably follow the commercial traders' lead.

The euro FX and Swiss franc FX represented good position trades to the long side at that time. A good buy-and-hold situation for position traders. Sure enough on September 5/03 we had bad unemployment numbers coming out of the U.S., and both currencies popped. Who could have guessed?

Currency Trading Strategy Number 79:

I think there is a misconception out there that you have to trade only the 15 min chart. You can also trade off the 1 hr and daily charts. It just lengthens the cycle. For example, when I called the euro and Swiss franc to rise, you could have taken a position on the daily chart and rode it up. That's all I'm saying. Likewise, you can wait to take a position until you see a valid entry point on the 1 hr chart. Etc.

Currency Trading Strategy Number 80:

For newbie traders, it is probably best to steer clear of Mondays, the day after a holiday weekend and end-of-quarters where there is a lot of position squaring going on.

Of course, there's more to be learned about currency trading strategy in my original book on trading and the two e-books on trading the forex – available only at currency trading strategy You automatically get all three when you order at that link. If you are reading this page, you probably already have these books, and are reaping the benefits.

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