Putting it all together. (This is a very good post I found on M/Tec)
http://www.moneytec.com/forums/showthread.php?t=14057&page=2&pp=8&highlight=Hold+indicator

Hi, this is Ed Ponsi, currency trading instructor for FXEducator. Thanks again for joining us for today's seminar. In today's fifth and final segment of our presentation, I'd like to touch upon a variety of subjects, including the proper use of time frames, some examples of technical-based trades, setting goals for your trading, and how to obtain and keep the right frame of mind to become a successful trader.

So far, we've talked about technical analysis, fundamental analysis, money management, and psychology. Today, we'll attempt to combine various aspects of these topics and touch on some other important points as well. Let's start by first identifying a popular misconception, and then take a look at we can neutralize this false belief so that it cannot negatively affect our trading.

Trading isn't always what we think it is, or what we believe it will be, or especially what we want it to be. Often, preconceived notions get in the way of successful trading. Ask any trader what they want out of trading, and they will usually say, "I want to make money." That's fine, but problems appear when a trader wants to be successful on terms that make success less likely. For example, I seem to come into contact with a lot of people who only want to trade on very short time frames. There seems to be a preconceived notion, perhaps left over from the glory days of NASDAQ Level II trading several years ago, that traders will find their fortune by focusing only on very short-term charts.

Relationship Between Long and Short term Time frames

Now, there is nothing wrong with trading on short time frames, but **the activity on the shorter time frame should always be within the context of what is happening on a longer time frame**. The reasoning that I always hear is, "I don't have time to trade in longer time frames." What this trader is really saying is, "I want to make money, but I don't want to pay attention to longer time frames."
(He is also saying " I want profit NOW!!")

Now what would you think if someone were to say to you, "I want to lose fifty pounds, and I also want to eat an entire chocolate cake every night." You would probably say that this person has a slim chance at success.
Yet this is exactly what I am reminded of when a student suggests to me that, since he or she is placing trades based on a five, ten, or fifteen minute chart, it is not necessary for him or her to pay attention to the corresponding daily chart.
The fact is it is much easier to trade intra-day charts and shorter time frames when you are aware of key levels on the daily chart. Support and resistance levels that are located on the daily chart are stronger than levels that are only visible in very short time frames. And remember, just because you are using a support or resistance level that appears on the daily chart, this does not mean that you must **hold** onto the trade for days. Often, these levels are tested repeatedly on an intra-day basis.

Let's examine how a trade can be placed by using an intra-day chart in conjunction with a daily chart. For our example, let's take a look at a setup that occurred on March 18, 2005. The currency pair is the EUR/USD. First we will look at the daily chart (See chart 1). We can see that on March 8, 2005 the pair blasted through resistance at about 1.3275, which signaled a breakout from an **ascending triangle**. (Other price patterns can be found on the web) Once the exchange rate has broken through that level, **former resistance becomes support**. It's not unusual for the exchange rate to come back to the breakout level to test the support, and that is exactly what happens on March 18, 2005. The exchange rate comes down to 1.3265, testing both the support level from the breakout and the rising trend line. Remember,

support is an area, not a specific price. (how true !!)

Now let me ask you something. Does that support area of 1.3275, which we can see clearly on the daily chart, also exist on the thirty-minute chart? **You'd better believe it does**. There are forty-eight thirty-minute candles in every twenty-four hour period. So when you think about it, a thirty-minute chart is nothing more than a daily chart broken into smaller pieces. This is true of all the shorter time frames.

Now let's take a look at the thirty minute chart (see Chart 2). We can see that at the same time the exchange rate is testing support on the daily chart, the Relative Strength Index (RSI) on the thirty-minute chart is giving an oversold reading. As the exchange rate finds support and begins to change direction, the RSI **indicator** rises above 30, creating a buy signal. MACD also gives a buy signal, confirming the Relative Strength buy signal a short time later.

So, the daily chart gave us the support level that was the basis for our trade, and the thirty-minute chart allowed us to pinpoint our entry. Since the original support level is based on a daily chart, does this mean that I must now **hold** the trade for days? Of course not, the trade itself exists on the thirty-minute chart and on other shorter time frames as well.
Since this entry occurs on a Friday, just a few hours before the dealing desk closes for the weekend, there is an excellent chance that the trader closed the position prior to the market close.

Identifying a major support or resistance level on the daily chart can lead to some great trades in the shorter time frames. Here's another example, this time in a non-trending market. The USD/CAD currency pair had clearly established major support at the 1.2000 (see Chart 3), bouncing up from this level numerous times. While the 1.2000 support level exists on the daily chart, the pair was also using this level as support in range-bound trading on the shorter time frames. On the four-hour chart, we can clearly see that a range had been established between 1.2000 and 1.2100 (see Chart 4).

Just to clarify, here's how I use the Relative Strength Index (RSI): a buy signal occurs when RSI rises above 30 after having fallen below 30, and conversely, a sell signal occurs when RSI falls below 70 after having risen above 70. I've marked the buy entry opportunities with a "B", and the shorting opportunities with an "S." Trades that represent the best opportunities for success are marked with a green letter, and trades that were most likely losing trades are marked with a red letter. On the fifteen-minute chart (see Chart 5), we can see how RSI gave five buy signals, four of which were excellent opportunities to go long. RSI also gave two sell signals, but the better opportunities were the trades that incorporated the 1.2000 support level that is so clearly demonstrated in all of the time frames.

The most common excuse that traders give for avoiding longer time frames is that they don't have the time, or it is too much work. The fact is trading in longer time frames is less labor-intensive than trading in shorter time frames. Some of my strategies only require that I move a stop once a day, when one daily candle closes and the next daily candle begins. This is much less work than scalping. Scalpers can make good money too, but the good ones trade with an eye on developments on the daily chart. This way they can be sure that they're not selling short just above a major support level, or going long just below resistance. This gives their trades an added dimension and improves their chances of success.

Proper Goal Setting

It’s understandable that traders sometimes get excited and “shoot for the moon” when they first get involved with trading. After all, a successful trading career presents us with the opportunity for an unparalleled lifestyle, short work hours, and most important of all, freedom. Freedom to be your own boss, freedom to set your own schedule, freedom to travel to far away places and stay there for as long as you wish. I’m sure that we would all like at least a little bit more freedom in our lives, and more control over our own destiny.

Because the prizes are so fantastic, it’s easy to get excited and lose objectivity regarding trading. The problem that this presents is that excitement is an emotion that clouds our judgment, and often leads to unrealistic expectations. Trading requires that we keep ourselves free of emotion, so that we can make clear, rational decisions. This can be difficult when you are dreaming of owning a large beach house or a Gulfstream jet.

Traders who are trying to change their lives overnight often do so, but usually not for the better. So many traders enter the game with high expectations and are quickly vanquished. Remember that more traders fail than succeed, and the failure rate is especially high among new traders. What is needed is a common sense method for setting goals.

The first thing we must do is to **rid ourselves of unrealistic expectations**. Often we obtain these expectations from things we have seen, read, or heard. For example, perhaps you’ve heard stories from a friend who bragged about making some outrageous amount of money, and you’ve decided that if he can do it, you can do it. I think that what you will find over time is that the truly good traders rarely talk about their gains. They know that the market has a way of humbling traders who get “carried away” or form too high of an opinion of themselves or their trading. There are many traders who appear on the scene and immediately achieve great returns, only to give that money back to the market later. Anyone can make money in the market over a short period of time with a little luck, but this is because they are probably using methods that have a high probability of short-term success but a very low probability of long-term success. These new traders haven’t learned the difference between a good trade and a winning trade. A good trade isn’t always a winning trade, and a winning trade isn’t always a good trade.

Instead of setting your sights too high, **set goals that are attainable**. The seeming contradiction here is that you can achieve some lofty goals if you are willing to break those goals into smaller pieces. So, instead of asking, “how much time will it take to double my account”, which is well within the realm of possibility if you are using methods that are geared toward long-term success, why not break that goal into smaller pieces? Does a gain of 1.5% per week excite you? If you could consistently increase your account by just 1.5% every week, you would double your account in one year. The good thing about taking this approach is that you don’t have to take crazy chances with your account to meet this goal and reap substantial gains. Traders are much more likely to violate their risk management rules when trying to achieve an unrealistic goal.

Good Trades, Winning Trades

Always remember that in trading, the ends do not justify the means. Or to be more precise, the outcome of your trade does not necessarily justify the method used to achieve that outcome. Some traders take the attitude that no matter what rules they break, as long as the trade is a winner, there is justification. But the fact is, a winning trade is not always a good trade, and a good trade is not always a winning trade. It’s possible to do everything wrong and still achieve a winning result on a particular trade, just as it’s possible to do everything correctly and still lose on any given trade.

Would you rather be a good trader, or a lucky trader? **Strive to be a good trader**, because anyone can be a lucky trader – for a while. Don't judge your trading on any particular result, but on whether you are following proper procedure. Did you follow a pre-determined plan? Did you place the stop correctly and sensibly? Do you have an exit strategy? If you are doing all of these things correctly, and still are not trading successfully, at least you will then be able to determine that the problem lies not with your execution but with the plan. Plans can be modified. But if the problem lies with us, for example if we always get out too soon, or trade without stops, or just enter and exit on a whim, then we'll eventually fail, even though the plan itself is not at fault. A good plan is useless if it's being executed improperly.

This is where so many traders go wrong; they want to succeed so they create a plan, then they randomly change the plan because they don't have the discipline to follow it. Then when they fail, they blame the plan when the fault is not with the plan, but lies in their failure to execute properly.
Such a trader moves from one technique to the next (because the techniques "don't work") when in reality they have no way of knowing if their plan works. When you successfully follow your plans properly, do everything that you can to reinforce that behavior, regardless of the outcome of any particular trade. The outcome is not within the realm of your control, but you can control your ability to follow a plan. Conversely, never congratulate yourself for a 'winning' trade outcome that comes as a result of ignoring your plan or trading without a plan. Instead, consider yourself lucky and realize that in the long run, you will not succeed in this manner.

Keeping It Simple

As we mentioned earlier, many traders who fail to follow a plan often discard that plan because they feel it "doesn't work', and then move on to another plan. One thing that I've noticed, especially among highly intelligent traders, is that they feel that a plan must be complicated in order to succeed. They become drawn into a world of increasingly obscure and complicated techniques, use super-secret indicators, and keep burrowing deeper into the fringes as if searching for some secret that has eluded them. The more complicated the plan is, the better it must be, correct? Of course this is not the case. Can complicated techniques work? Absolutely! But simple techniques can work just as well, if they are executed properly. It is always a fun intellectual exercise to learn about new and various trading methods, but this does not mean that simple methods cannot work. If you have faced difficulty while using simple methods, there is a good chance that either the plan was not a good one, or perhaps the plan was not properly executed.

Physical vs. Mental

I don't think that any overview of trading would be complete without touching on the subjects of physical fitness and mental attitude. In this profession, it's easy to wear down physically and mentally, especially when dealing with a twenty-four hour market. It's really important to get some exercise whenever possible, because the physical stimulation can actually increase your mental sharpness and improve your decision-making capabilities. Try to get to the gym or at least get some kind of exercise every day; you'll feel better and chances are, you'll trade better too. It's not healthy to sit at a computer all day every day, so be sure to plan an intra-day break from trading.

There are plenty of books and materials available that are designed to improve mental attitudes, and you should approach these with an open mind. I was surprised to learn that many successful traders enjoy these types of materials. It's been my experience the beliefs of the reader will impact the results of the study. What I mean by that is, if you think that reading these types of books will have a positive impact, you are correct and if you believe they will not, you are also correct. This is why it is necessary to have an open mind when studying these subjects.

Remember, if you allow yourself to get too tired and to wear down, your body will rebel against this behavior. Psychologists believe that individuals who work too hard often subconsciously sabotage their own work, in order to get away from the work and back to a sense of normalcy. This occurs to traders all the time, for example in the form of a trading error. When you find yourself sitting at your computer for sixteen hours a day, placing endless trades, be sure to remind yourself of why you got involved in trading in the first place. I'm certain that the idea was to improve your quality of life, not to diminish it. It's like my father says, "Don't forget to enjoy your life!"

In closing, I'd like to thank you for joining us for the fifth and final session of this seminar. I'd especially like to thank everyone for all of your kind emails and remarks, and I apologize if I haven't found the time to write back but I will try to answer your emails. I have attempted to answer some of the more common questions that I have received in today's presentation. Feel free to contact me if you have any questions. Thanks again, it has been a pleasure as always.