

Construct a template according to the following settings:

8 EMA (yellow, dotted)

12 EMA (violet)

24 EMA (cornflower blue, hence the name)

72 EMA (khaki)

Apply to H1 (conservative) or M30 (aggressive) chart only and remove the grid for clarity.

System principles

Cornflower is based on the principle that trades should be taken when the same trend presents itself on multiple timeframes. On an hourly chart, the 24 EMA obviously defines the daily trend. The 8 EMA, which is one-third the length, shows the intraday velocity of “fast” money. A 12 EMA shows the trend of the last half-day. Its value is a place at which price will typically find support when there is a dominant trend. To a lesser extent, this also applies to the 24 EMA. A long-term trend will sometimes catch a breather around this area, with big money accumulating on the opportunity to buy or sell at a substantial discount. Finally, the 72 EMA defines the dominant trend in the market. This trend will reassert itself as cumulative memory persuades traders to resume trading in its direction. If the three shorter-term averages are above the 72 EMA, we are in an uptrend and should not go short. The same applies in reverse for a downtrend.

Cornflower can be used in a number of ways by all kinds of traders. When price pulls back to the area between the 12 and 24 EMAs, the opportunity for a short-to medium-term bounce presents itself. We can enter and set a profit target based on a number of criteria, be they support and resistance areas, pivot points, or a set pip amount. Or we can enter a longer-term trade, perhaps exiting when the 12 EMA crosses down below the 24 EMA. The longer-term setups in this system are powerful and can yield hundreds of pips on a single trade that will last for up to two weeks. Cornflower will catch every major move in the market, providing multiple opportunities to take advantage of a big trend and pretend that one is a bank trader.

Basic System Rules

There are two kinds of entries using this system: pullback (conservative) and initial (aggressive). The pullback entry, which is the heart of this system, enters the market when conditions are quiet and after price has settled into the area between the 8 and 24 EMAs. The timing of this entry can either be mechanical (using either the 12 or 24 EMA) or discretionary in accordance with the trader’s judgment on whether price is moving back in the direction of the trend.

The initial entry aims to capitalize on the first movement of a new trend, defined by a thrust beyond the 72 EMA that is confirmed by a turnaround in the

shorter EMAs. It is more risky because there is always the possibility of a reversal. For this reason, it is probably better to use the M30 chart for this type of entry. Moved up by 30 minutes, one has the opportunity to take a small profit or scratch a trade at or near break-even if a reversal presents itself.

Only the H1 and M30 charts should be used with the Cornflower template. Shorter time periods will lead to whipsaws, whereas longer time periods lag behind the market too much.

The following rules are valid no matter the time of day. The quiet of the Asian session actually provides some excellent opportunities for entry, which is a boon for the trader whose day job makes watching the market during London or New York an impossibility.

Pullback (conservative) entry - use hourly chart

- 8, 12, and 24 EMAs are all above (long) or below (short) the 72 EMA
- Price has pulled back to the 12 or 24 EMA (the more aggressive the trend, the more shallow the pullback).
- Enter for 20 pips, or hold depending on trader's judgment of the strength of the trend.

Initial (aggressive) entry - use M30 chart with identical indicators

- Price has moved with authority above or below the 72 EMA. By "moved with authority," I mean a candle that has closed near the top of its range.
- 8, 12, 24 EMAs are all pointed in the direction of price, and preferably already stacked in a perfect order (8 over 12 over 24 for long, 24 over 12 over 8 for short).
- Enter for 20 pips and hold if the thrust develops into a real trend.

Using hourly and half-hourly charts, 20 pips is a realistic initial profit target, especially if one is trading GBPUSD, GBPJPY, or EURJPY. Even the other major pairs should yield this much on a properly gauged signal. By "major," I mean EURUSD, USDCHF, AUDUSD, USDJPY, NZDUSD, and USDCAD. With the possible exception of EURGBP, any pair that involves two of the seven major currencies should be tradable with this system. Cornflower is particularly well-suited for entering long positions on the yen crosses (carry trades).

Entries may be timed more precisely with a 5M timeframe.