

# TraderBO Divergence System



Your reliable guide for profitable trading with divergences

Trading rules of the system Work on all financial markets

Performance of the system approved on FOREX (USD/CHF) for period from 19 August 2005 to 27 September 2005 is more than 2000 pips



**Very Profitable FREE Trading System**

**By Oleg A. But**

# TraderBO Divergence System

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# TraderBO Divergence System

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# TraderBO Divergence System

## Preface

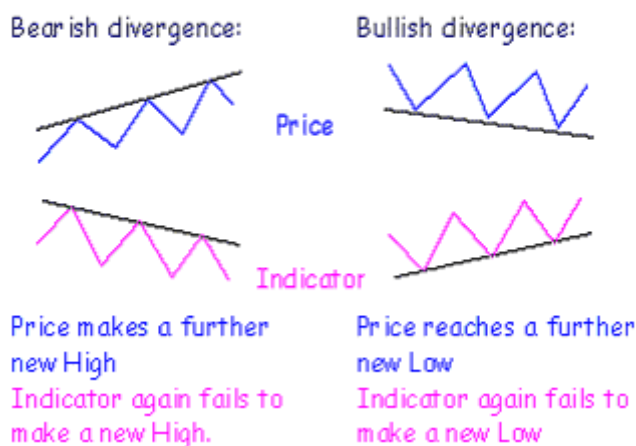
There are several types of divergences. Classic Divergence or so called Triple Divergence and Serial Divergence. There are also Hidden Divergence and Inter-market Divergence but we'll not be covering these types of Divergences in this book so as they will not be using in our trading system. Also Divergences are divided by bullish and bearish ones.

Divergence is an indication that an end to the current trend may be near occurs when the price of a security diverges from a value of a technical indicator. A bullish divergence occurs when a technical indicator is making new highs while prices fail to reach new highs. A bearish divergence occurs when a technical indicator is making new lows while prices fail to reach new lows. Both of these divergences are most significant when they occur at relatively overbought/oversold levels.

### Classic Divergence

Classic Divergence is when a price of a security diverges from a value of a technical indicator two or three times. For example, a price of a security is making two or three (Triple Divergence – the most commonly occurred divergence) new highs while prices fail to reach new highs.

#### Triple Divergence



### Serial Divergence

It is the same divergence which described above but this type of divergence just makes more than two or three highs or lows which are not confirmed by highs or lows of a technical indicator. There are even Serial Divergences which can make 7 or more highs or lows.

This book dedicated to correct using of divergences for very profitable trading.

# TraderBO Divergence System

## ***Description of Technical Indicators Used in the System***

Here we'll describe the technical indicators used in our system.

### ***Support and Resistance***

Think of prices for financial instruments as a result of a head-to-head battle between a bull (the buyer) and a bear (the seller). Bulls push prices higher, and bears lower them. The direction prices actually move shows who win the battle.



**Flat ore Side Trend**



**Up Trend**

# TraderBO Divergence System



## Down Trend

Support is a level at which bulls (i.e., buyers) take control over the prices and prevent them from falling lower.

Resistance, on the other hand, is the point at which sellers (bears) take control of prices and prevent them from rising higher. The price at which a trade takes place is the price at which a bull and bear agree to do business. It represents the consensus of their expectations.

Support levels indicate the price where the most of investors believe that prices will move higher. Resistance levels indicate the price at which the most of investors feel prices will move lower.

But investor expectations change with the time, and they often do so abruptly. The development of support and resistance levels is probably the most noticeable and reoccurring event on price charts. The breaking through support/resistance levels can be triggered by fundamental changes that are above or below investor's expectations (e.g., changes in earnings, management, competition, etc.) or by self-fulfilling prophecy (investors buy as they see prices rise). The cause is not as significant as the effect: new expectations lead to new price levels. There are support/resistance levels, which are more emotional.

## ***Supply and demand***

There is nothing mysterious about support and resistance: it is classic supply and demand. Remembering 'Econ 101' class, supply/demand lines show what the supply and demand will be at a given price.

The supply line shows the quantity (i.e., the number of shares) that sellers are willing to supply at a given price. When prices increase, the quantity of sellers also increases as more investors are willing to sell at these higher prices. The demand line shows the number of shares that buyers are willing to buy at a given price.

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When prices increase the quantity of buyers, its, at the same time, decreases quantity of investors are willing to buy at higher prices.

At any given price, a supply/demand chart shows how many buyers and sellers there are. In a free market, these lines are continually changing. Investor's expectations change, and so do the prices buyers and sellers feel are acceptable. A breakout above a resistance level is evidence of an upward shift in the demand line as more buyers become willing to buy at higher prices. Similarly, the failure of a support level shows that the supply line has shifted downward.

The foundation of most technical analysis tools is rooted in the concept of supply and demand. Charts of prices for financial instruments give us a superb view of these forces in action.

## ***Traders' remorse***

After a support/resistance level has been broken through, it is common for traders to ask themselves about to what extent new prices represent the facts. For example, after a breakout above a resistance level, buyers and sellers may both question the validity of the new price and may decide to sell. This creates a phenomenon that is referred to as "traders' remorse": prices return to a support/resistance level following a price breakout.

The price action following this remorseful period is crucial. One of two things can happen: either the consensus of expectations will be that the new price is not warranted, in which case prices will move back to their previous level; or investors will accept the new price, in which case prices will continue to move in the direction of the breaking through.

In case number one, following traders' remorse, the consensus of expectations is that a new higher price is not warranted, a classic "bull trap" (or false breakout) is created. For example, the prices broke through a certain resistance level (luring in a herd of bulls who expected prices to move higher), and then prices dropped back to below the resistance level leaving the bulls holding overpriced stock. Similar sentiment creates a bear trap. Prices drop below a support level long enough to get the bears to sell (or sell short) and then bounce back above the support level leaving the bears out of the market.

The other thing that can happen following traders' remorse is that investors expectations may change causing the new price to be accepted. In this case, prices will continue to move in the direction of the penetration.

A good way to quantify expectations following a breakout is with the volume associated with the price breakout. If prices break through the support/resistance level with a large increase in volume and the traders' remorse period is on relatively low volume, it implies that the new expectations will rule (a minority of investors are remorseful).

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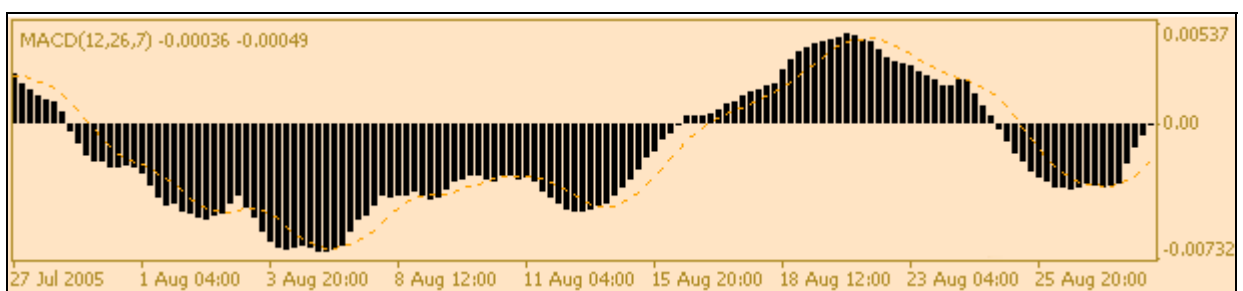
Conversely, if the breakout is on moderate volume and the "remorseful" period is on increased volume, it implies that very few investor expectations have changed and a return to the original expectations (i.e., original prices) is warranted.

## ***Resistance becomes support***

When a level of resistance is broken through by a price successfully that level becomes a support level. Similarly when a support level is broken through successfully that level becomes a resistance level.

The reason for it is that a new "generation" of bulls appears who refused to buy when prices were low. Now they are anxious to buy at any time the prices return to the previous level. Similarly, when prices drop below a support level, that level often becomes a resistance level that prices have a difficult time breaking through. When prices approach the previous support level, investors seek to limit their losses by selling.

## ***(MACD) Moving Average Convergence/Divergence***



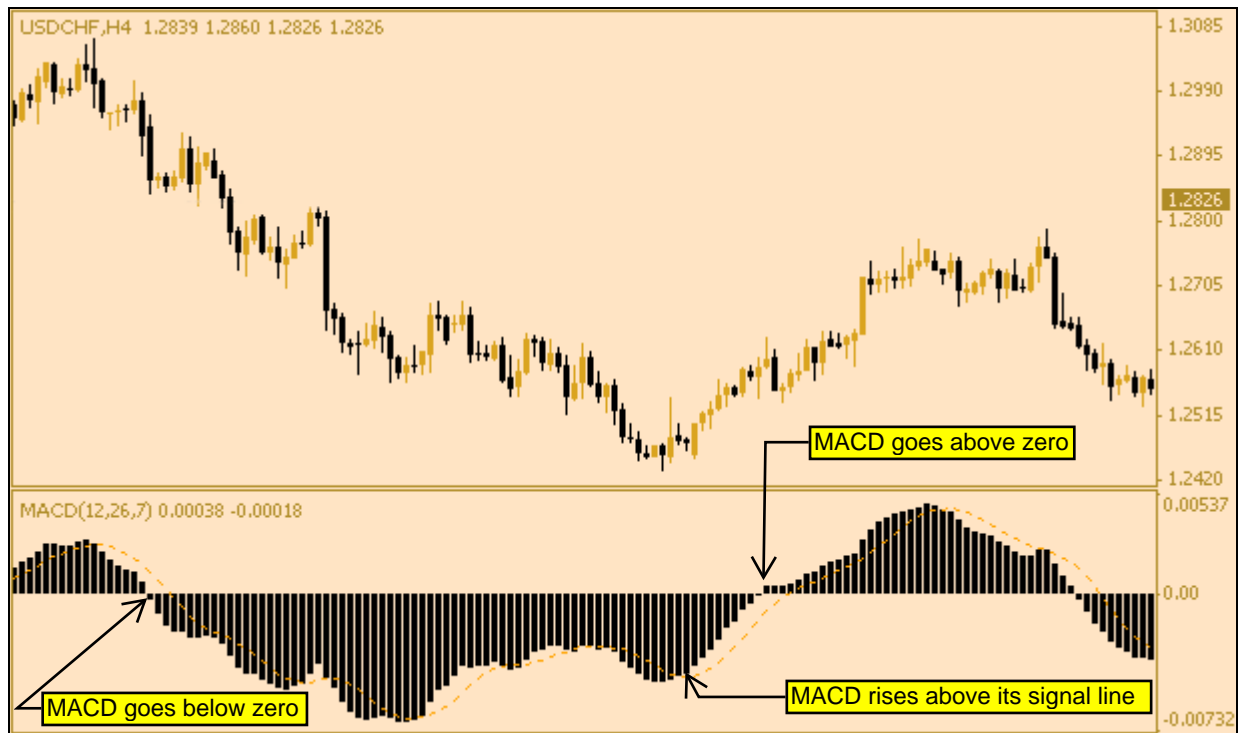
**MACD**

The MACD proves most effective in wide-swinging trading markets. There are three popular ways to use the Moving Average Convergence/Divergence: crossovers, overbought/oversold conditions, and divergences.



# TraderBO Divergence System

## Crossovers



The basic MACD trading rule is to sell when the MACD falls below its signal line. Similarly, a buy signal occurs when the Moving Average Convergence/Divergence rises above its signal line. It is also popular to buy/sell when the MACD goes above/below zero.

# TraderBO Divergence System

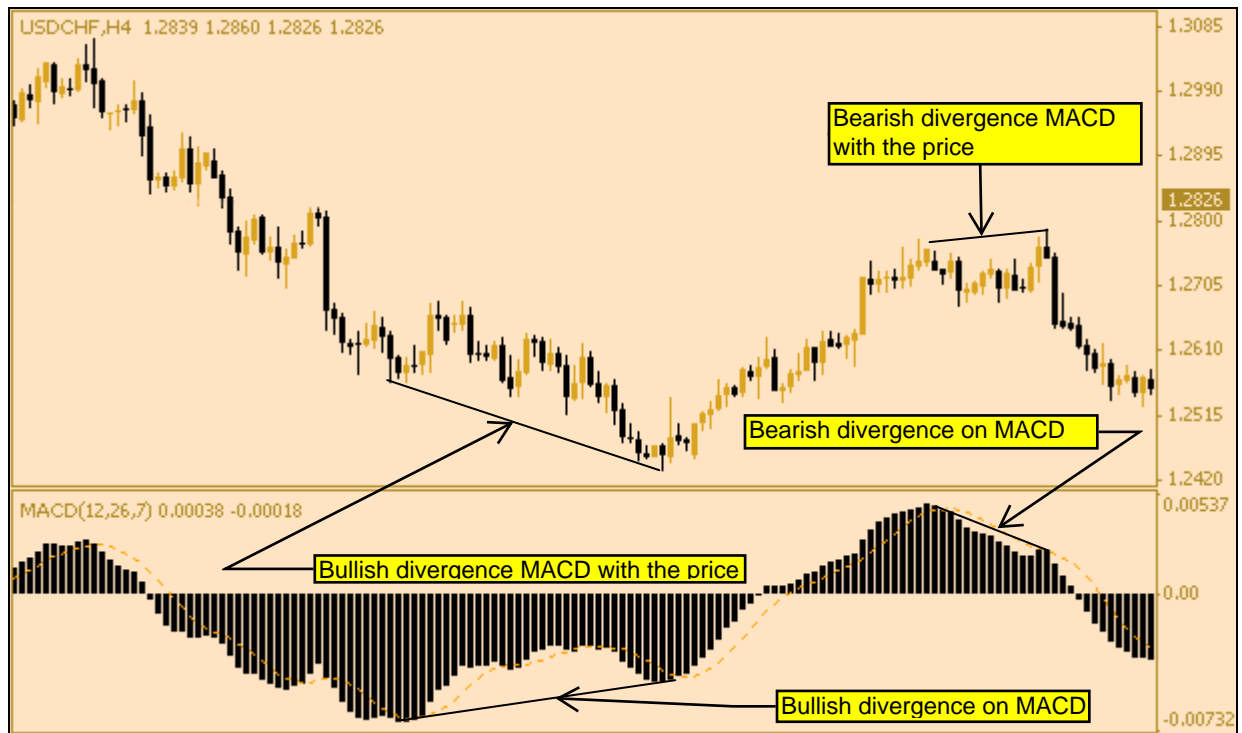
## Overbought/oversold conditions



The MACD is also useful as an overbought/oversold indicator. When the shorter moving average pulls away dramatically from the longer moving average (i.e., the MACD rises), it is likely that the security price is overextending and will soon return to more realistic levels.

# TraderBO Divergence System

## Divergence



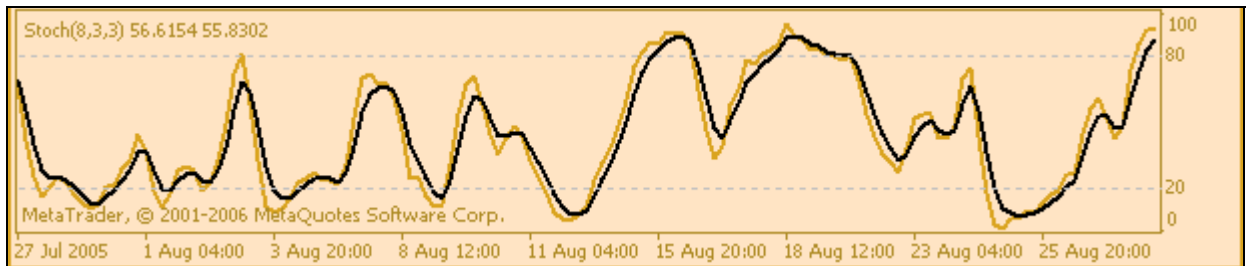
An indication that an end to the current trend may be near occurs when the MACD diverges from the security. A bullish divergence occurs when the Moving Average Convergence/Divergence indicator is making new highs while prices fail to reach new highs. A bearish divergence occurs when the MACD is making new lows while prices fail to reach new lows. Both of these divergences are most significant when they occur at relatively overbought/oversold levels.

### We'll be using MACD for:

- ❑ finding divergence with a price of currency pair
- ❑ indication an alert for opening a trade position

# TraderBO Divergence System

## Stochastic Oscillator



Stochastic Oscillator

The Stochastic Oscillator Technical Indicator compares where a security's price closed relative to its price range over a given time period. The Stochastic Oscillator is displayed as two lines. The main line is called %K. The second line, called %D, is a Moving Average of %K. The %K line is usually displayed as a solid line and the %D line is usually displayed as a dotted line.

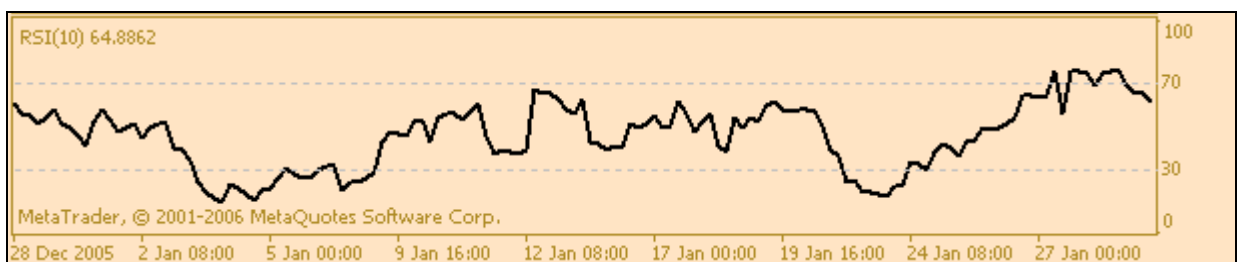
**There are several ways to interpret a Stochastic Oscillator. Three popular methods include:**

- Buy when the Oscillator (either %K or %D) falls below a specific level (e.g., 20) and then rises above that level. Sell when the Oscillator rises above a specific level (e.g., 80) and then falls below that level;
- Buy when the %K line rises above the %D line and sell when the %K line falls below the %D line;
- Look for divergences. For instance: where prices are making a series of new highs and the Stochastic Oscillator is failing to surpass its previous highs.

**We'll be using Stochastic Oscillator for:**

- finding divergence with a price of currency pair
- indication an alert for opening a trade position

## (RSI) Relative Strength Index Technical Indicator



Relative Strength Index

# TraderBO Divergence System

The Relative Strength Index Technical Indicator (RSI) is a price-following oscillator that ranges between 0 and 100. When Wilder introduced the Relative Strength Index, he recommended using a 14-day RSI. Since then, the 9-day and 25-day Relative Strength Index indicators have also gained popularity.

A popular method of analyzing the RSI is to look for a divergence in which the security is making a new high, but the RSI is failing to surpass its previous high. This divergence is an indication of an impending reversal. When the Relative Strength Index then turns down and falls below its most recent trough, it is said to have completed a "failure swing". The failure swing is considered a confirmation of the impending reversal.

## Ways of using Relative Strength Index for chart analysis:

### ❑ **Tops and bottoms**

The Relative Strength Index usually tops above 70 and bottoms below 30. It usually forms these tops and bottoms before the underlying price chart;

### ❑ **Chart Formations**

The RSI often forms chart patterns such as head and shoulders or triangles that may or may not be visible on the price chart;

### ❑ **Failure swing ( Support or Resistance penetrations or breakouts)**

This is where the Relative Strength Index surpasses a previous high (peak) or falls below a recent low (trough);

### ❑ **Support and Resistance levels**

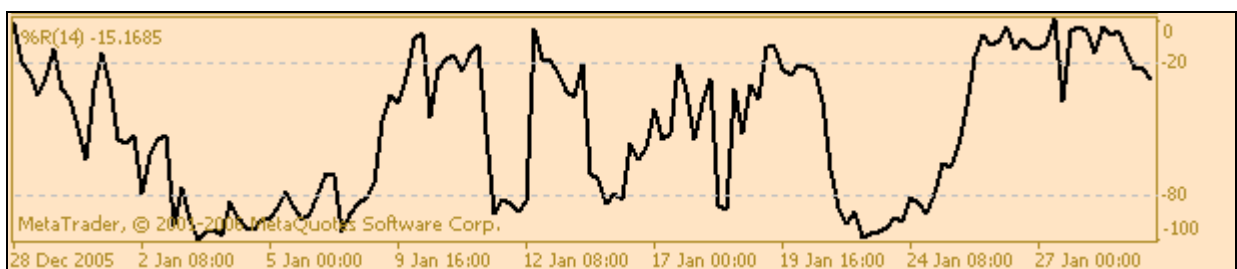
The Relative Strength Index shows, sometimes more clearly than price themselves, levels of support and resistance.

### ❑ **Divergences**

As discussed above, divergences occur when the price makes a new high (or low) that is not confirmed by a new high (or low) in the Relative Strength Index. Prices usually correct and move in the direction of the RSI.

We'll be using Relative Strength Index, as second confirmative indicator for entries and exits the trades.

## ***Williams' Percent Range Technical Indicator (%R)***



**Williams' Percent Range**

# TraderBO Divergence System

Williams' Percent Range Technical Indicator (%R) is a dynamic technical indicator, which determines whether the market is overbought/oversold. Williams' %R is very similar to the Stochastic Oscillator. The only difference is that %R has an upside down scale and the Stochastic Oscillator has internal smoothing.

To show the indicator in this upside down fashion, one places a minus symbol before the Williams Percent Range values (for example -30%). One should ignore the minus symbol when conducting the analysis.

Indicator values ranging between 80 and 100% indicate that the market is oversold. Indicator values ranging between 0 and 20% indicate that the market is overbought.

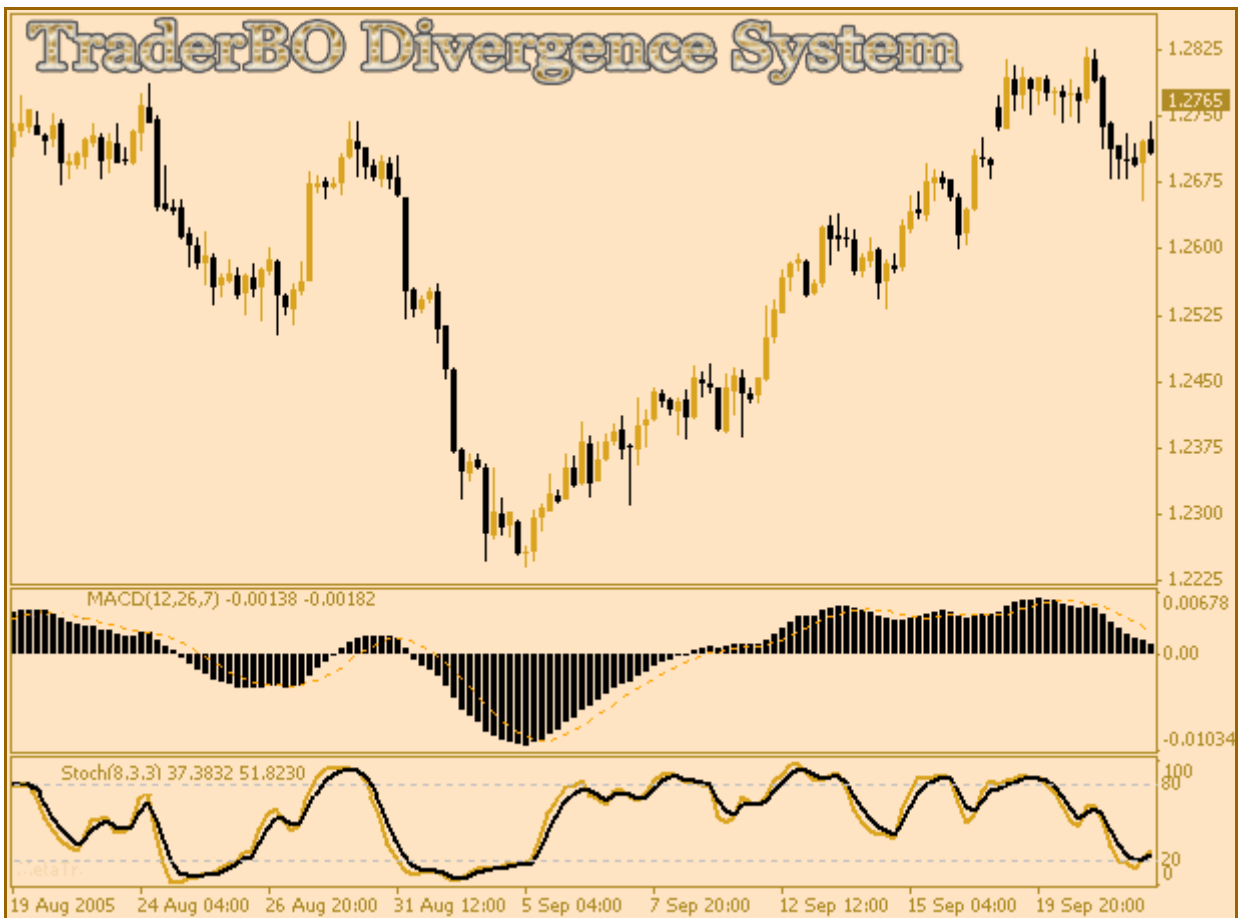
As with all overbought/oversold indicators, it is best to wait for the security's price to change direction before placing your trades. For example, if an overbought/oversold indicator is showing an overbought condition, it is wise to wait for the security's price to turn down before selling the security.

An interesting phenomenon of the Williams Percent Range indicator is its uncanny ability to anticipate a reversal in the underlying security's price. The indicator almost always forms a peak and turns down a few days before the security's price peaks and turns down. Likewise, Williams Percent Range usually creates a trough and turns up a few days before the security's price turns up.

We will be using Williams' Percent Range as overbought/oversold indicator, which will be confirming overbought/oversold levels of corresponding currency.

# TraderBO Divergence System

## TraderBO Divergence System



The given trading system represents a set of corrected trading rules for right and profitable trading with divergences.

## Money Management Rules for TraderBO Divergence System

### **Attention!**

Money Management Rules mentioned below are intended strictly for system *TraderBO Divergence System*. Use of the given rules with other trading systems can lead to unjustified losses of funds on a deposit account.

TraderBO Divergence System is intended for short-term trading with carry of opened positions to the next day or further days.

I recommend using level for Stop Loss Orders from 60-100 pips.

Now we shall very in detail consider trading rules for *TraderBO Divergence System*.

# TraderBO Divergence System

## ***Trading Rules for TraderBO Divergence System***

There is only one main rule – entering on one divergence, exiting on opposite divergence. If you enter a trade on Bullish Divergence you should exit this trade on Bearish Divergence and simultaneously to open opposite position.

### ***Looking divergences***

At first we need to find a divergence on **MACD Technical Indicator** after that we should confirm found divergence on **Stochastic Oscillator Technical Indicator**.

For this purpose we are going to use two time frames: 240 min. (4H) and 60 min. (1H).

240 min. is for looking divergences and 60 min. for confirmation of trade alerts.

### **Moving Average Convergence/Divergence (MACD)**

There are two types of divergences - **Bullish divergence** and **Bearish divergence**.

#### **Bullish Divergence**

A bullish divergence occurs when the Moving Average Convergence/Divergence indicator is making new highs while prices fail to reach new highs.

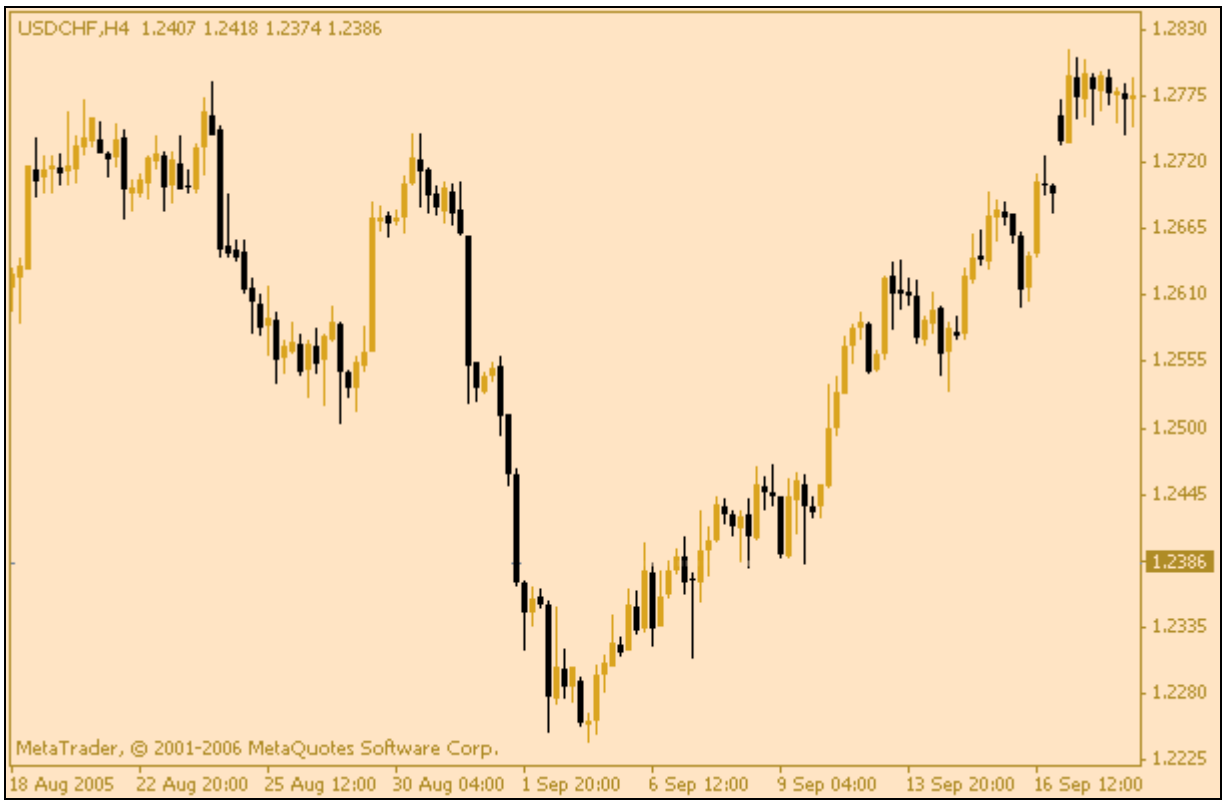
#### **Bearish Divergence**

A bearish divergence occurs when the MACD is making new lows while prices fail to reach new lows. Both of these divergences are most significant when they occur at relatively overbought/oversold levels.

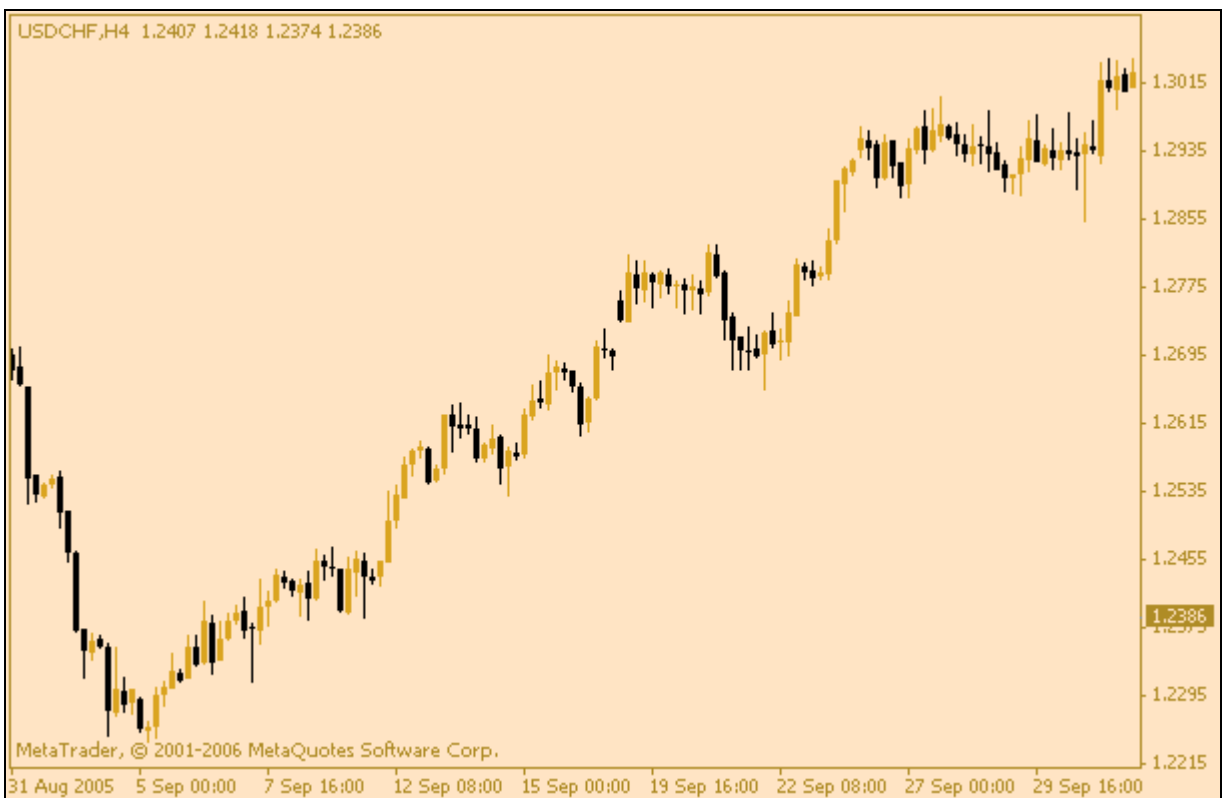


# TraderBO Divergence System

Let's consider parts of the chart below (it's been divided into two parts). We'll consider time period from 19 August 2005 to 29 September 2005.



This chart represents first part of defined time period.



This chart represents second part of defined time period.

# TraderBO Divergence System

Now let's see what trade opportunities we can find on these charts.

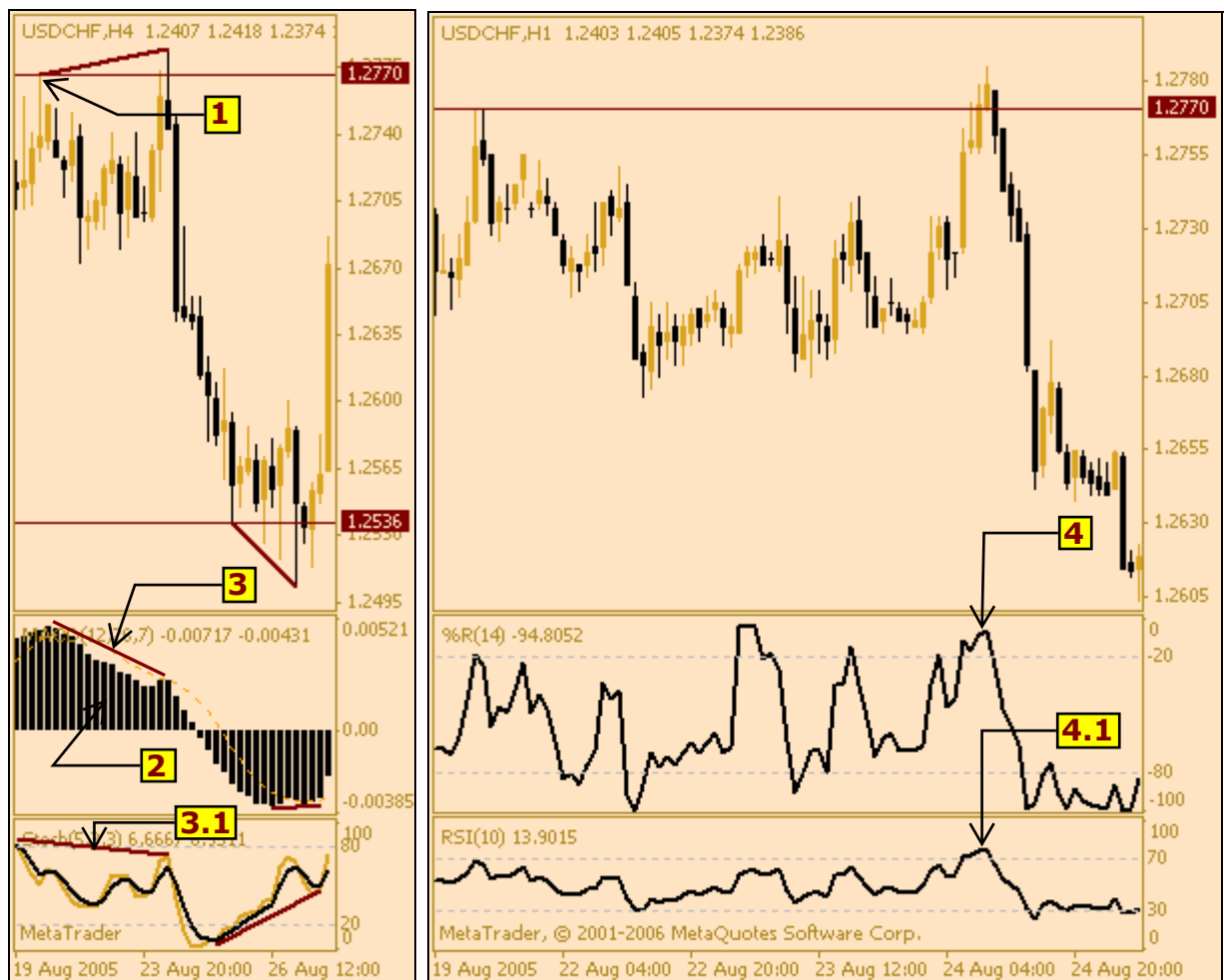
## Finding trade opportunities

First we should find divergences by means of MACD and Stoch.. After that we must confirm entry/exit points with RSI and %R tech. indicators.

**Trade 1. Entry on bearish divergence, exit on bullish divergence on 240 min (4H) time frame with MACD and Stoch., confirmation on 60 min (1H) time frame by means of RSI and %R tech. indicators.**

### Enter the trade 1

Take first part of the first chart



What we see on the chart on the left side? We see high (1.2770) [marker 1]. We may decide that after this high, price can go down. Yes, it is so! Price goes down but MACD remains positive [marker 2]. It means that we can wait for price return to the side of trend direction – up, at least to (1.2770). Therefore, we setup sound alert at price of (1.2770). 2005.08.24 our sound alert gave to us the sound signal. Moreover, to that time we see bearish divergence on MACD and Stoch. [markers

# TraderBO Divergence System

**3, 3.1].** That will not do for us. We should confirm the alert on 60 min time frame with RSI and %R tech. indicators. Ok! %R is higher than -20, RSI is higher than 70 **[markers 4, 4.1].** It is very good opportunity to open a short position and we did it.

After our entry very strong bearish movement occurred. Now we need to wait for bullish divergence, close our trade and may be open opposite position.

## Exit the trade 1

Looking opportunity to exit the trade and open opposite position.

### Note:

This chart is continuation of the previous one.



What we see on the chart on the left side? We see low (1.2536) **[marker 1]**. We may decide that after this low, price can go up. Yes, it is so! Price goes up but MACD remains negative **[marker 2]**. It means that we can wait for price return to the side of trend direction – down, at least to (1.2536). Therefore, we setup sound alert at price of (1.2536). 2005.08.26 our sound alert gave to us the sound signal **[marker 3]**. At this time we don't see bullish divergence on MACD but we see strong bullish divergence on Stoch. **[marker 4]**. That will not do for us. We should check out what is happening on 60 min time frame with RSI and %R tech. indicators. Ok! %R is lower than -80, but RSI is higher than 30 **[markers 5, 5.1]**. Of course, it is rather well trade opportunity to close previous position and open a

# TraderBO Divergence System

long position (in our case opposite position) but we don't do it so far. We need to wait till MACD will meet bullish divergence as it Stoch. does. Interesting is that now on 60 min time frame we've met serial divergence.



**Note:**

In this case you can close opened (short).position but for opening a long position it would be better to wait a little, because it is rather hard to define an end of serial divergence. But it all is up to you.

Having waited 3 days on 2005.08.29 we met trading opportunity. Now we see bullish divergence on MACD [marker 6]. %R is lower than -100, RSI is 32 but it higher than last low of the price [markers 7, 7.1]. It is very good opportunity to close opened position and simultaneously to open a long position. Unfortunately, we had been waiting for 3 days but won only 26 pips. What can I say – market is market☺. It is always better to wait a little in order to be insured twice, at least, I think so.

After our entry very strong bullish movement occurred. Now we need to wait for bearish divergence, close our trade and may be open opposite position.

# TraderBO Divergence System

**Trade 2-3. Entry on closing of previous trade, exit on bearish divergence on 240 min (4H) time frame with MACD and Stoch., confirmation 60 min (1H) time frame by means of RSI and %R tech. indicators.**

## Enter the trade 2

It is already clear that in this case exit point is used as entry point for the next trade. And so, we just enter the market at price of closing of previous position.



## Exit the trade 2 and Entry the trade 3

It is very interesting case!

What are we getting at this time? We see high (1.2686) [marker 1]. We may decide that after this high, price can go down. Yes, it is so! Price goes down and MACD still remains negative [marker 2]. It means that we must wait for development of further behavior of the price! But we as always setup sound alert at price of the high (1.2686). 2005.08.30 our sound alert gave to us the sound signal [marker 3].

# TraderBO Divergence System



Also we don't see any bearish divergence on MACD. There is only maximum value of Stoch. [marker 4]. That will not do for us. We should check out what is happening on 60 min time frame with RSI and %R tech. indicators. Ok! %R is higher than -20, RSI is higher than 70 [markers 5, 5.1].

**Note:**

Although %R and RSI [markers 5, 5.1] have maximum values, our level (1.2686) was broken through [marker 6]. Moreover, the hour candlestick which had broken through the level (1.2686) had closed higher the level. And the next hour candlestick went higher. It is indicating the way to continuous of up trend.

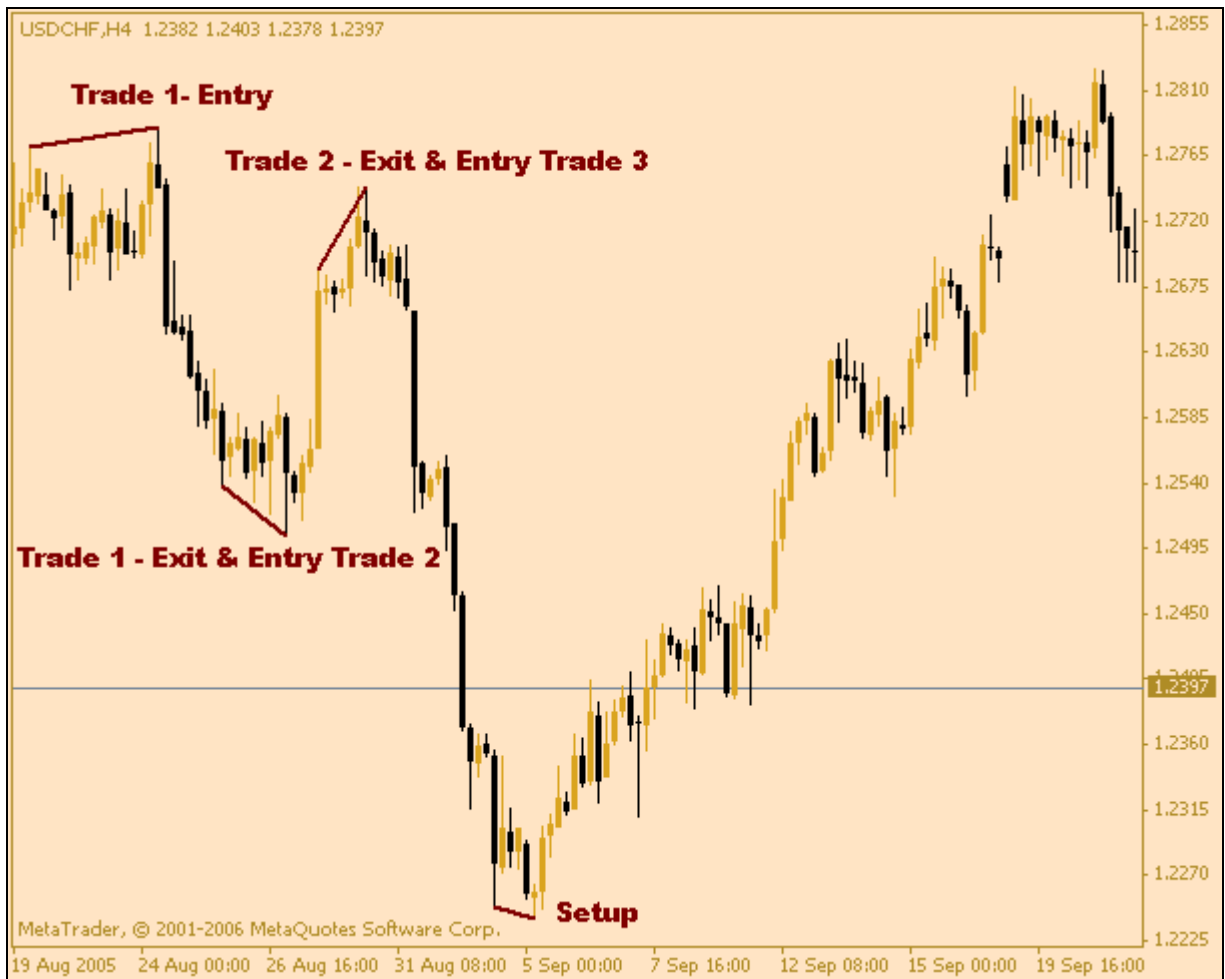
I think you understand that it is very difficult situation. Therefore, it would be better to close our long position and we did it. But at the same time we are not going to open opposite (short) position so far (see note above). It is better to wait a little. At least we should wait till %R and RSI will show maximum values one more time.

The same date 2005.08.30 two hours later we got bearish candlestick [marker 7]. %R and RSI shown maximum values [markers 8, 8.1]. Moreover, we met bearish divergence on MACD [marker 9] and noted that price is going up but RSI is not [marker 10]. Now we have opportunity to enter short position and we did it.

After our entry very strong bearish movement occurred. Now we need to wait for bullish divergence, close our trade and may be open opposite position.

# TraderBO Divergence System

Trades already done



***Trade 3-4. Exit on bullish divergence, entry on bullish divergence on 240 min (4H) time frame with MACD and Stoch., confirmation on 60 min (1H) time frame by means of RSI and %R tech. indicators.***

**Exit the trade 3 and Entry the trade 4**

Looking opportunity to exit the trade 3 and open opposite position.

# TraderBO Divergence System

**Note:**

This chart is continuation of the previous one.



What we see on the chart above? We see low (1.2247) [marker 1]. We may decide that after this low, price can go up. Yes, it is so! Price goes up but MACD remains negative [marker 2]. It means that we can wait for price return to the side of trend direction – down, at least to (1.2247). Therefore, we setup sound alert at price of (1.2247). 2005.09.05 our sound alert gave to us the sound signal [marker 3]. Unfortunately, to that time we don't see bullish divergence on MACD but we see strong bullish divergence on Stoch. [marker 4]. That will not do for us. We should find out what is happening on 60 min time frame with RSI and %R tech. indicators. Ok! %R is lower than -100, RSI is lower than 30 [markers 5, 7.1]. It is very good opportunity to close our short position and we did it. At the same time we are going to open opposite (long) position. Now I'll explain why. The hour candlestick which has broken through the level (1.2247) has not closed lower the level [marker 6] and the next hour candlestick went higher. It is indicating the way to reverse of down trend. Moreover, on 60 min time frame we can see very obvious bullish divergences both on %R and RSI [markers 7, 7.1]. It increases trade alert. Therefore, we open long position.

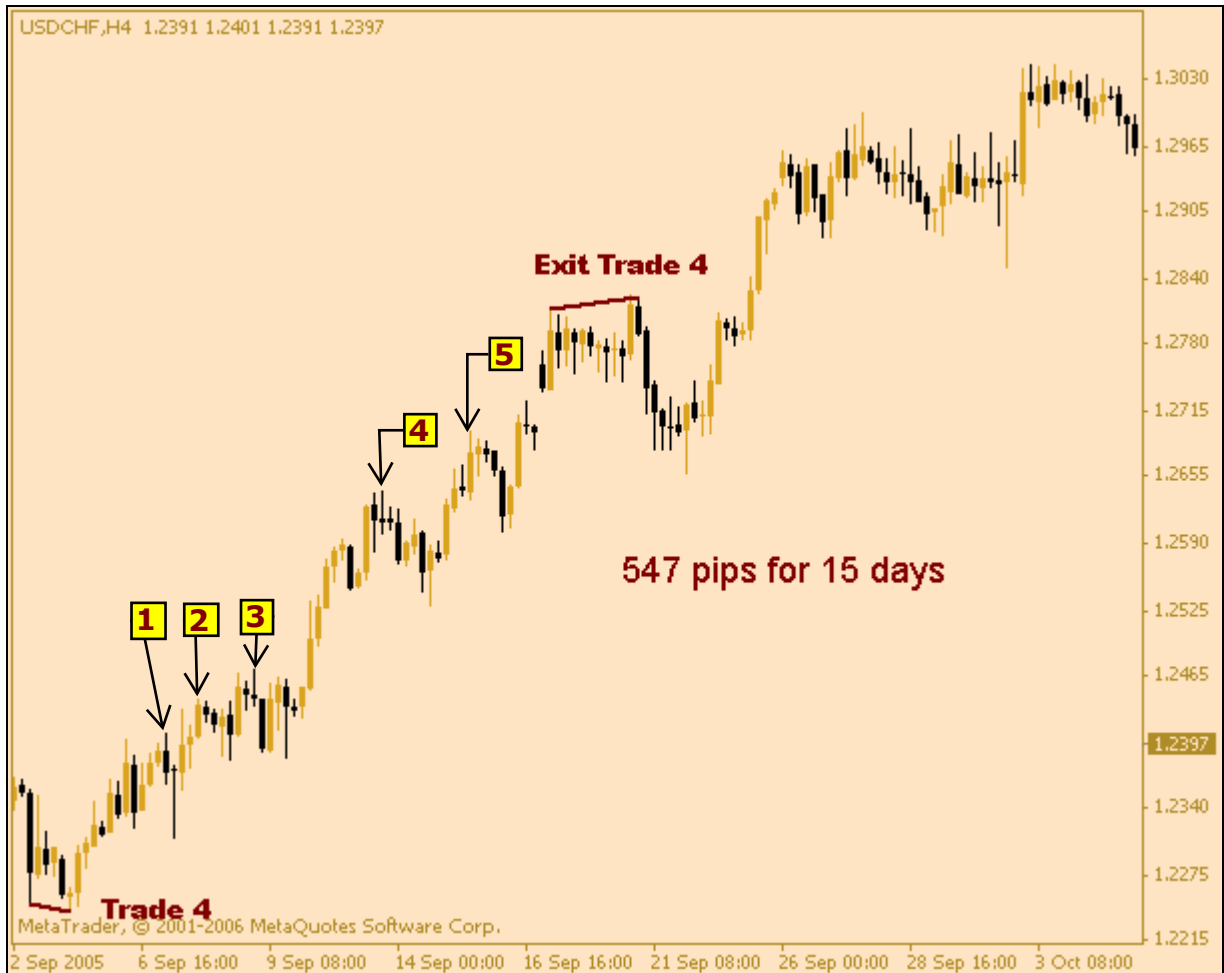
Now trade 4 is open!



# TraderBO Divergence System

After our entry very strong bullish movement occurred. Now we need to wait for bearish divergence, close our trade and may be open opposite position.

Trade 4 is the most profitable one at this manual! It lasts from 1.2262 to 1.2809. That makes up 547 pips for 15 days.



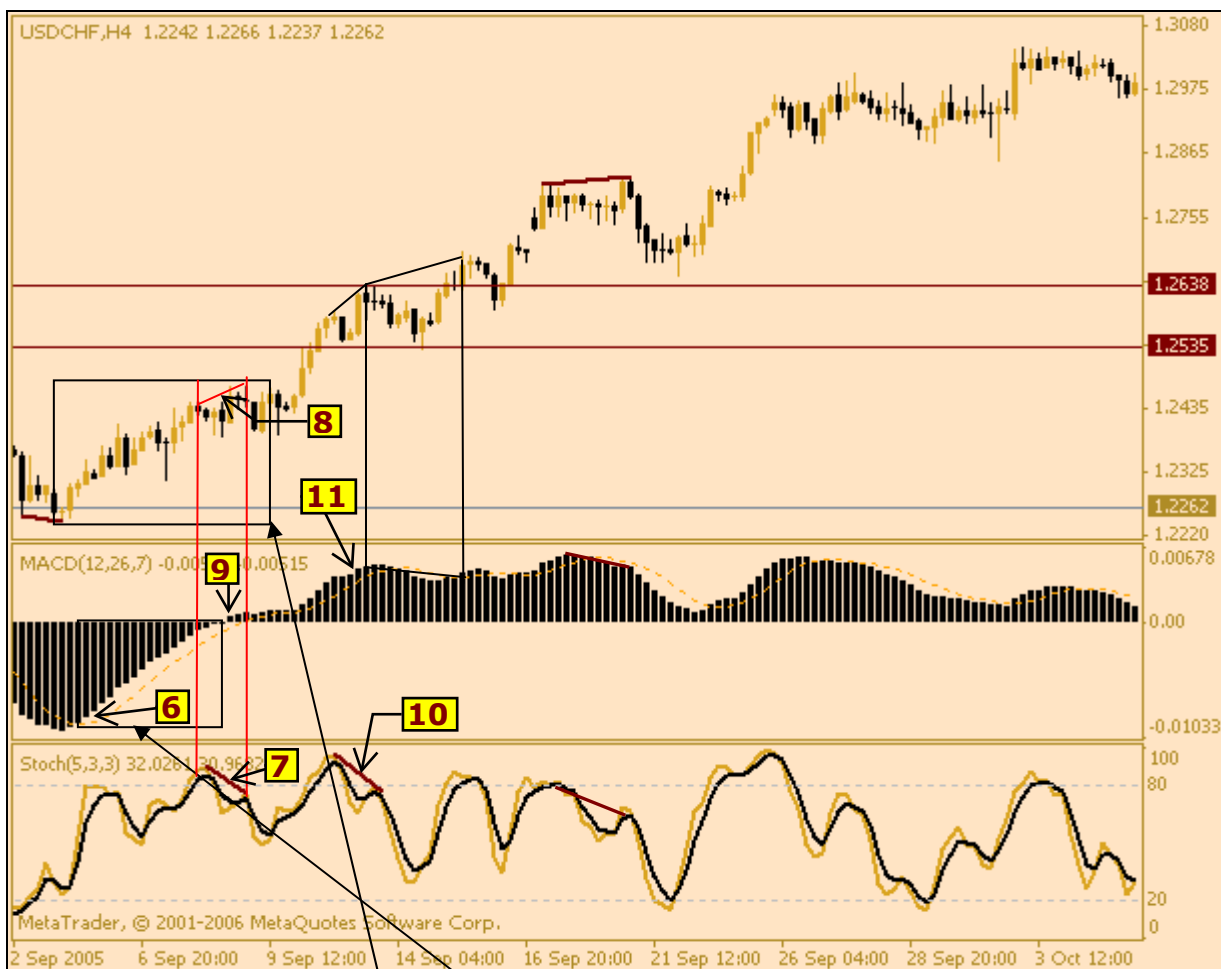
Let's consider trade 4 using image above. By the example of this transaction we shall consider a technique which does not allow leaving the transaction too early (in this technique there is no one important secret. But this secret there is in **5emas-forex-system**, which you can buy at any time☺).

**Note:**

As you can see there are no indicators on the chart so far. It is made specially.

And so, we are already in the market. It is obvious that very strong bullish trend has developed. Also we see series of highs [**markers 1, 2, 3, 4, 5**] which are potential points for exit position. Now we shall add technical indicators and understand why we are not going to exit the position to this time.

# TraderBO Divergence System



Having added indicators we get clearer image of market behavior. What we see? Start from this area of the **chart**. Yes, MACD is in negative zone but its slow MA crossed over its signal MA [**marker 6**] and **comes higher the MA**. Moreover, to this moment we don't have any divergence on Stoch. and, of course, on MACD. Further we got bearish divergence on Stoch. [**marker 7**].

First, this bearish divergence on Stoch. is very small [**marker 8**]. Second, we don't only have any divergence on the MACD, and opposite, we receive crossing over zero lane of MACD by its fast MA [**marker 9**] (bars on this representation of MACD). It indicates continuation of ascending movement. Further we got the next bearish divergence on Stoch. [**marker 10**]. But again we don't have bearish divergence on MACD. No divergence between price and MACD [**marker 11**] indicator. It means that it is very early to exit from our current position. Remember, we should wait divergences both on MACD and Stoch. indicators. Although only this bearish divergence on Stoch without confirmation of MACD could give to us about 100 pips (dark-vinous lines 1.2638, 1.2535 on the chart). It is a pity a little but **it is better to miss a trade than to lose money**.

Now let's go to other chart in order to have opportunity to consider further market condition more clearly.

# TraderBO Divergence System



To this moment a very good up trend has developed and so as we've got already three lows we can draw a **trend line**. We begin from first low [**marker 1**] and continue to the third one [**marker 2**]. Note, please, that although we have three lows we should take into account first and third lows as main ones. Therefore second low (which in this case is lower than third one) a little drops in through [**marker 3**] our trend line.

**Note:**

I've specially closed further market behavior only in this case. Very soon you'll understand me for what I did it.

And so, let's go back to our divergences. Again we meet bearish divergence on MACD [**marker 4**].

But we don't have any **divergence on Stoch..** We have very strong bullish trend which confirmation both by trend line and by MACD. Moreover, last lowering has not come to the trend line [**marker 5**]. MACD is in positive zone very long time. Everything indicates to that fact that it is very early to close our position.

Let's proceed on the next chart and page...

# TraderBO Divergence System



And only now we eventually meet bearish divergence confirmation by both indicators [**markers 5, 5.1**].

***Trade 4-5. Exit on bearish divergence, entry on bearish divergence on 240 min (4H) time frame with MACD and Stoch., confirmation on 60 min (1H) time frame by means of RSI and %R tech. indicators.***

Of course, it is the very thing situation to exit our trade 4 and entry trade 5.

## **Exit the trade 4 and Entry the trade 5**

We've already find opportunity to exit the trade 4 and of course it is the same time to open opposite position.

# TraderBO Divergence System

As you could noticed at trade 4 we were not using 60 min time frame for confirmation of alerts. My goal was to teach you how to go without them in definite situations.

Now let's look at 60 min time frame.



As we could foresee on 60 min time frame there is confirmation of our decision to exit trade 4 and enter the trade 5 - bearish divergence on RSI and addition to it maximum value of RSI [**markers 1, 1.1**]. %R has strong overbought [**marker 2**].

Ok! Open short position (Trade 5).

# TraderBO Divergence System

**Trade 5. Exit on bullish divergence on 60 min (1H) time frame by means of RSI and %R tech. indicators. Touching trend line on 240 min (4H) time frame with confirmation on 240 min Stoch..**

Trades with divergences go on but Trade 5 is our last trade in this manual. After that you'll definitely be able to find divergences on any financial market.

And so, let's finish with our last transaction.

Trade 5 will demonstrate to you one more method of exiting/entering position and it has to fill up you trading arsenal with additional trade opportunity. Speaking truth this method is very common. Only beginner at trading may not know about it.

## Close the trade 5



That is why we have been hidden future market behavior with text field - "It is supposed that we can't see further market behavior so far." Due to, now we can see how correctly our trend line is drawn (**maroon circle**).

# TraderBO Divergence System



And so, we meet clear toughing the price with trend line [**marker 1**]. It's ok! But how can we be sure that the price not keeps on down trending lower the trend line? For this we as always will turn to our 60 min chart for confirmation.

On 60 min chart we see bearish divergences both on %R and RSI indicators [**markers 2, 2.1**].

Moreover, on 240 min chart we have oversold Stoch. [**marker 3**], and MACD is in positive zone [**marker 4**].

It is absolutely obviously that we can close our trade 5 and open trade 6.

**And we, of course, do it without any apprehension.**

After our entry, very strong bullish movement occurred and we may continue trading but as I said before 5 trade is last trade in this manual.

Now I hope that you know enough to keep trading without me and close Trade 6, for example☺

# TraderBO Divergence System

As to me, I'd close the Trade 6 on price level of 1.2961

Now, for the finishing our manual I suggest to make some calculations of hypothetical profit.

## ***Calculation 1 (pips)***

- We have \$10000 initial deposit and play only 10% of current deposit. It means \$1000 from initial deposit with increasing positions size as far as increasing profit.
- Let's assume that we were entering and exiting on worse price levels that it was possible.

### **Note**

In Alpari Corp. value of one pips of USD/CHF for 1 standard lot (\$1000) is 10 CHF. In other brokerages value of pips for currency pares can be different.

For floating currency rates a value of pips is calculated like this:

Profit in pips\*10 CHF/Currency rate on close.

### **For example:**

Here we'll calculate our profit in Swiss franc (for one lot) for our first trade and profit in US dollars.

Entry Trade 1 **1.2770** Exit Trade 1 **1.2536**

Close price of our fist trade is 1.2536. Than:

$1.2770 - 1.2536 = 234$  pips – is our profit in pips. Next:

$234 \text{ pips} * 10 \text{ CHF} = 2340 \text{ CHF}$  – is our profit in Swiss franc

$2340 \text{ CHF} / 1.2536 \text{ (final rate of the trade)} = 1866,62 \text{ USD}$

### **Note**

If you want to know value of one pips for USD/CHF currency pare for 1 standard lot (\$1000), you should just divide 10 CHF by current exchange rate of USD/CHF. In our case  $10 \text{ CHF} / 1.2536 = 7.97 \text{ USD}$



# TraderBO Divergence System

## *Trades*

Entry Trade 1 **1.2770** Exit Trade 1 **1.2536** and Entry Trade 2 **1.2536**

Trade 1 - 234 pips in profit

Exit Trade 2 **1.2686** Entry Trade 3 **1.2686** and Exit Trade 3 **1.2247**

Trade 2 - 150 pips in profit

Trade 3 - 439 pips in profit

Entry Trade 4 **1.2247** Exit Trade 4 **1.2811** and Entry Trade 5 **1.2811**

Trade 4 - 564 pips in profit

Exit Trade 5 **1.2654** Entry Trade 6 **1.2654**

Trade 5 - 157 pips in profit

Exit Trade 6 **1.2961**

Trade 6 - 307 pips in profit

**1851 pips** in profit for 6 trades from **2008.08.19** to **2008.09.26**. It is for **39 days**.

If you were entering and exiting on better levels a profit would be more than **2000 pips**.

## *Calculation 2 (money)*

And so, value of one pips of USD/CHF is 10 CHF

### *Note:*

Value of pips of USD/CHF is floating; therefore final value depends on close price of currency rate.

For example, if it were fixed and costs \$8 our profit for **39 days** would be **\$14808**

# TraderBO Divergence System

## **Calculation 3 (increasing size of positions)**

Look, please! If our potential profit grows we can increase size of positions.

Due to **Money Management Rules** we use **10%** of current deposit for one trade. What do we get in this case? Ok!

Our first trade gave to us 234 pips. It is \$1867. It means that for our second trade we can use more size of a position.

$(\$10000 + \$1867) / 10 = \$1187$  i.e. 1.20 lot

In such a way Trade 2 gave to us  $150 * \$7.8 = \$1170 + (\$1170 / 5) = \$1404$  instead of \$1170 if we were play one standard lot (\$1000)

Trade 3 gave to us 439 pips which we could play  
 $(\$10000 + \$1187 + \$1404) / 10 = \$1,259$  i.e. 1.30 lot. Than:

$439 * \$8 = \$3512 + (\$3512 / 3) = \$4682$  instead of \$3512 if we were play one standard lot (\$1000)

Trade 4 gave to us 564 pips which we could play  
 $(\$10000 + \$1187 + \$1440 + \$4682) / 10 = \$1,730$  i.e. 1.70 lot (we don't take \$30 as one separate lot 0.10). Than:

$564 * \$7.8 = \$4430 + (\$4430 / 1.4) = \$7594$  instead of \$4430 if we were play one standard lot (\$1000)

Trade 5 gave to us 157 pips which we could play  
 $(\$10000 + \$1187 + \$1440 + \$4682 + \$7594) / 10 = \$2,490$  i.e. 2.50 lot. Than:

$157 * \$8 = \$1256 + (\$1256 * 2.5) = \$4396$  instead of \$1256 if we were play one standard lot (\$1000)

Trade 6 gave to us 307 pips which we could play  
 $(\$10000 + \$1187 + \$1440 + \$4682 + \$7594 + \$4396) / 10 = \$2,929$  i.e. 3 standard lots.

Than:

$307 * \$7.7 = \$2364 + (\$2364 * 3) = \$9456$  instead of \$2364 if we were play one standard lot (\$1000)

**That is real power of Money Management Rules!**

# TraderBO Divergence System

## Conclusion

I think you feel difference. Three different results:

- ❑ If to enter and exit on worse price levels and constantly using one fixed standard lot (\$1000) for one trade, we get **1851** pips ore **\$14808** (if to take round value of UCD\CHF pips (\$8) for easier calculation).
- ❑ If to enter and exit on better price levels and constantly using one fixed standard lot (\$1000) for one trade, we get about **2000** pips ore **\$16000** (if to take round value of UCD\CHF pips (\$8) for easier calculation).
- ❑ If to enter and exit on worse price levels but constantly increasing size of a position for one trade due to **Money Management Rules** (10% of current deposit), and to use right floating pips' value, we get **1851** pips but **\$28719** instead of **\$14808 in profit!!!**

Return to account is **\$10000+\$28719** that is **\$38,719** total.

Of course, the main conclusion is – if to trade divergences correctly they may be very and very profitable!!!

If you want to know how to return \$10000 into \$1000000+ for 24 months, you can buy my e-book **"Building Millions on FOREX"** which reveals secrets of my FOREX trading system – **"Semas Forex Trading System"**. I use this system everyday but weekends, of course ☺

# TraderBO Divergence System

## Introduction to "5Emas-Forex-System"

"Building Millions on FOREX ore how to return \$1000 into \$1000000 for 24 months"



## How To Become a Millionaire Playing FOREX With **5EMAS FOREX SYSTEM**

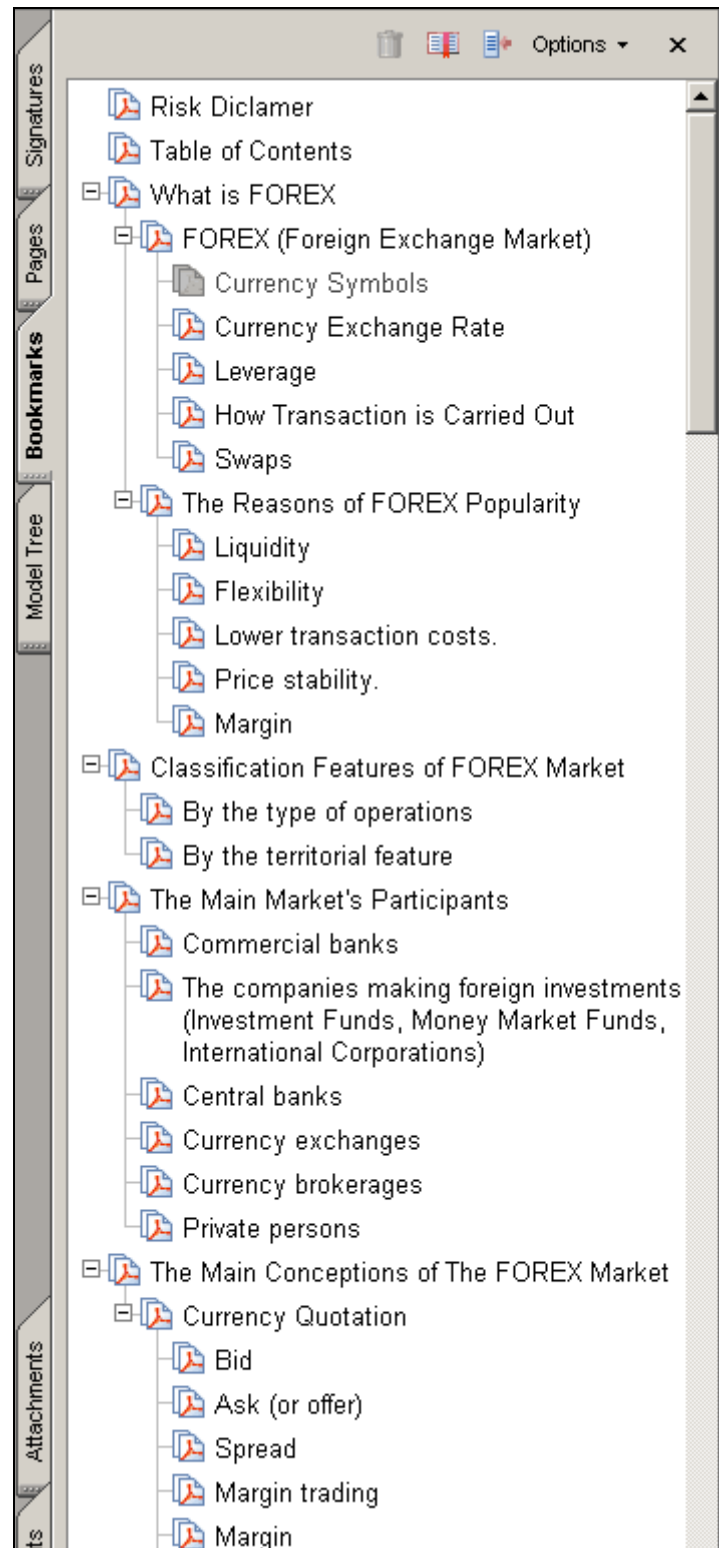
EBook "Building Millions on FOREX ore how to return \$1000 into \$1000000 for 24 months" covers basics of FOREX Market and very in detail teaches to use

Amazing Trading System "5EMAS FOREX SYSTEM"

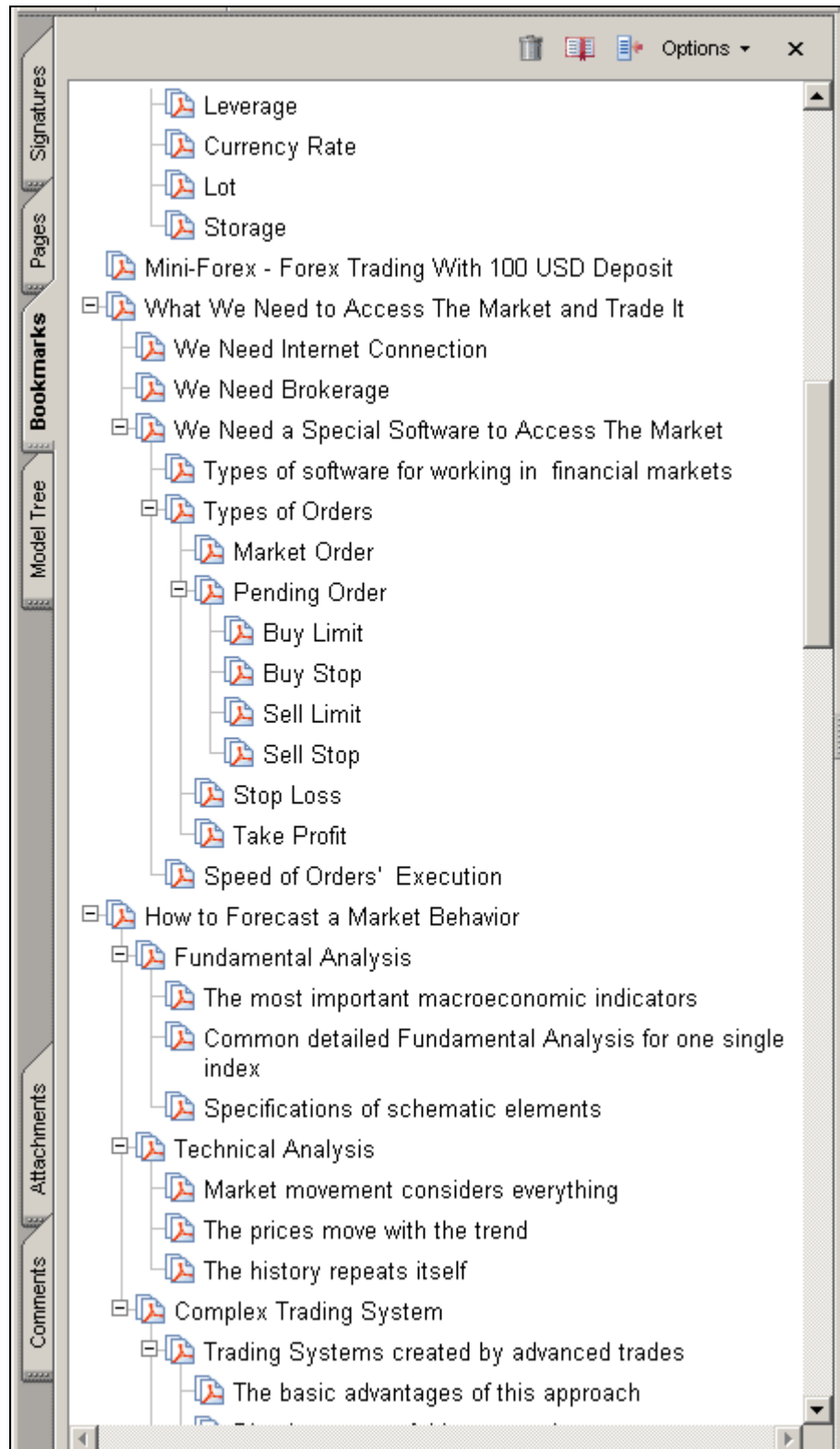
By Oleg A. But

# TraderBO Divergence System

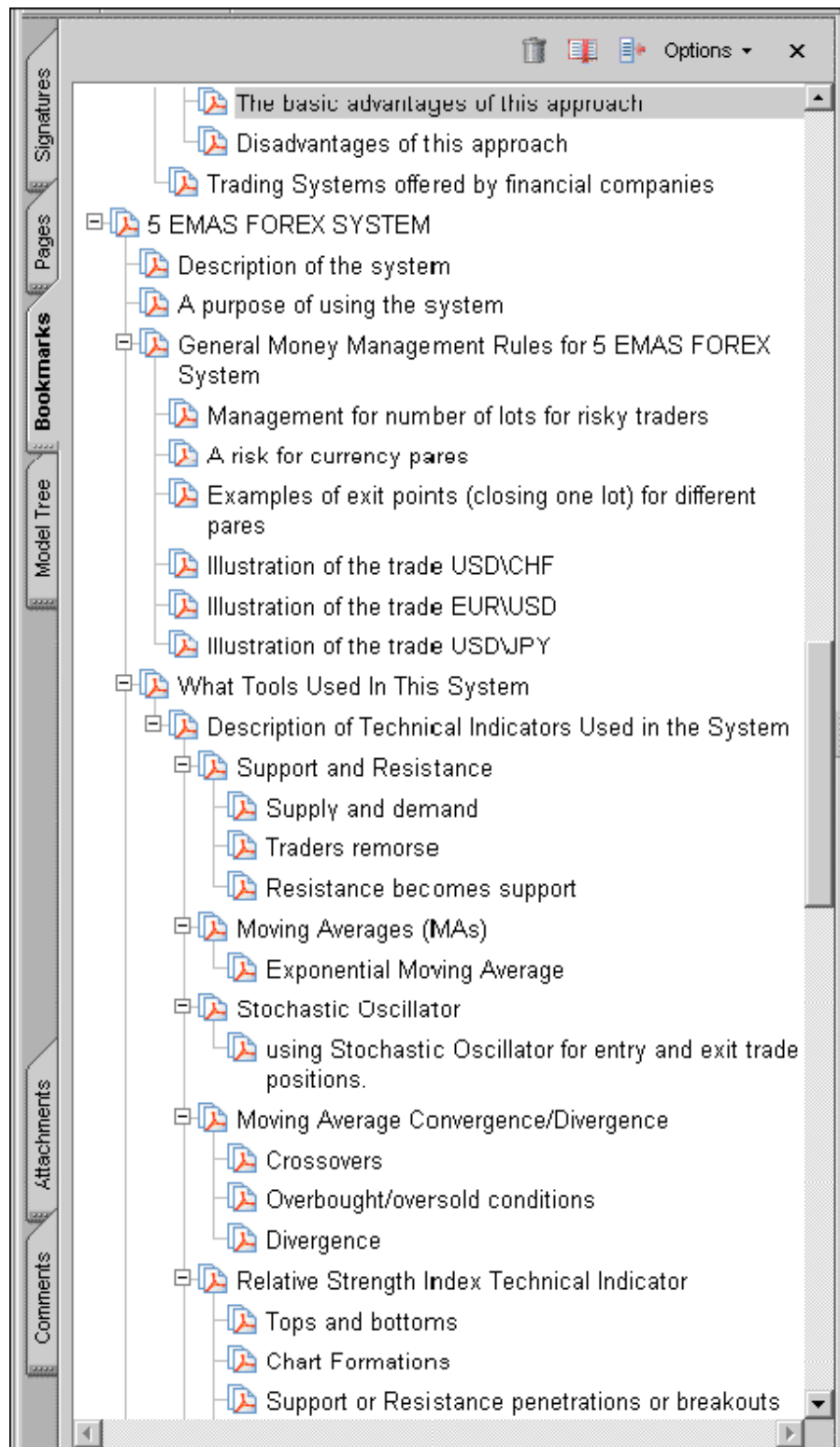
Here are images of the TOC of the book "5EMAS FOREX SYSTEM"



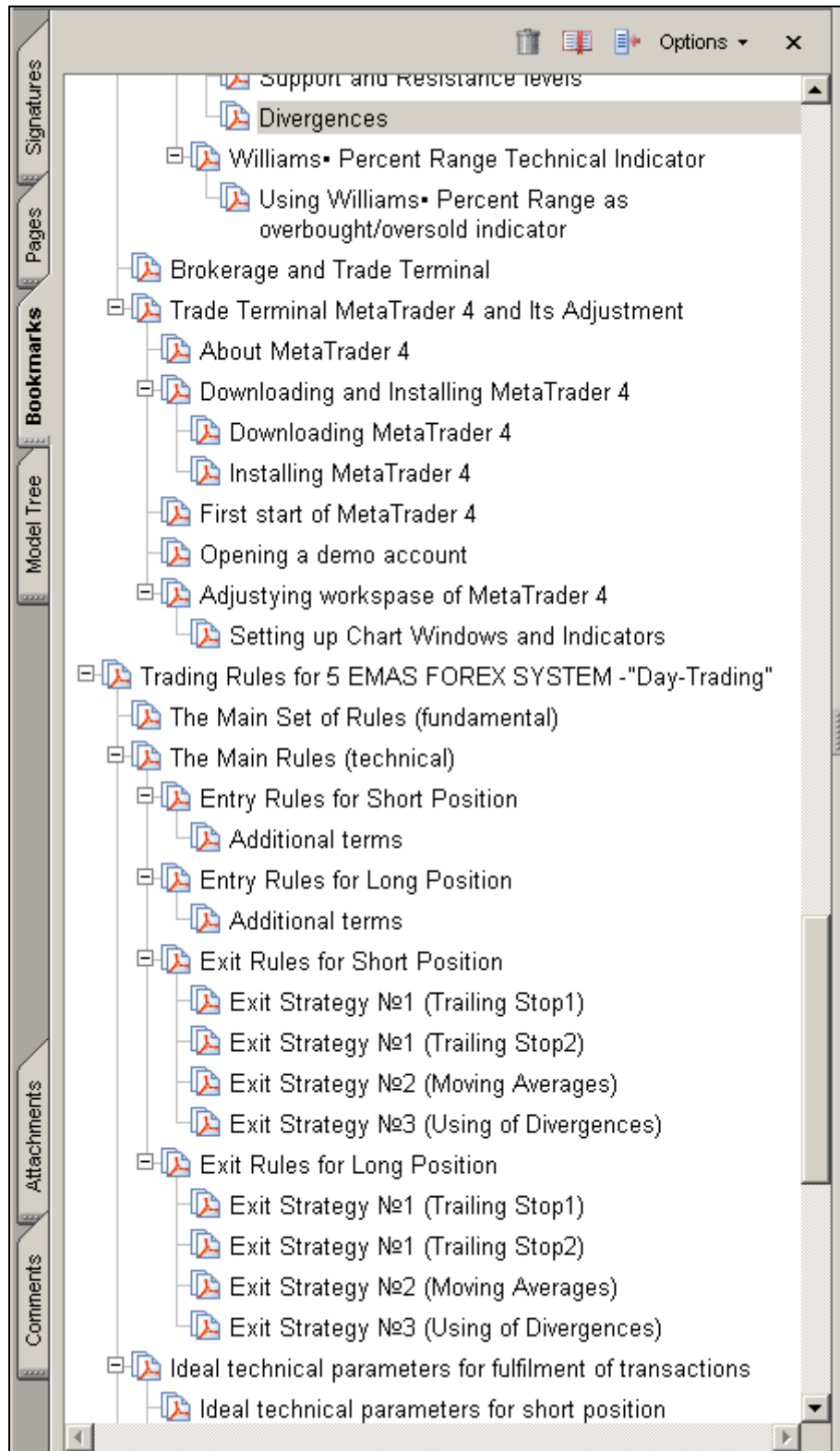
# TraderBO Divergence System



# TraderBO Divergence System

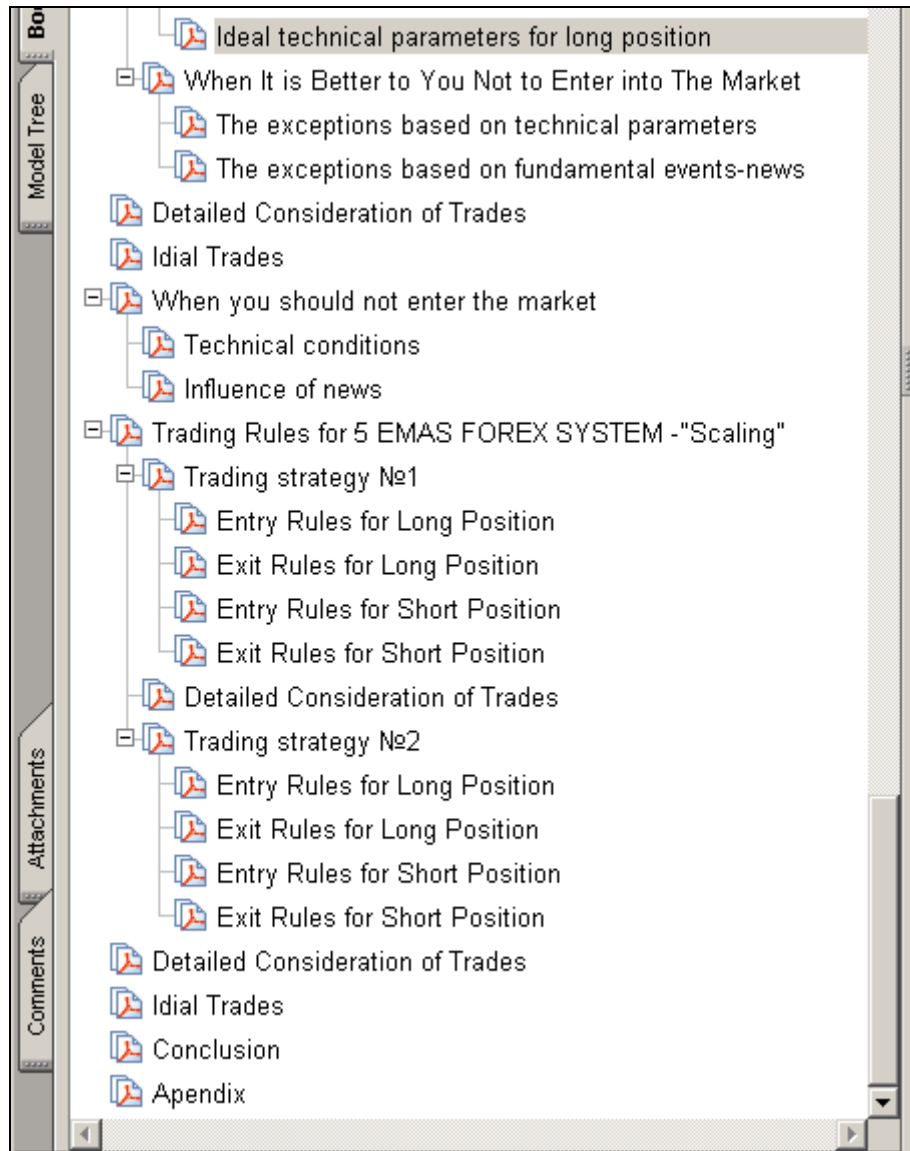


# TraderBO Divergence System





# TraderBO Divergence System

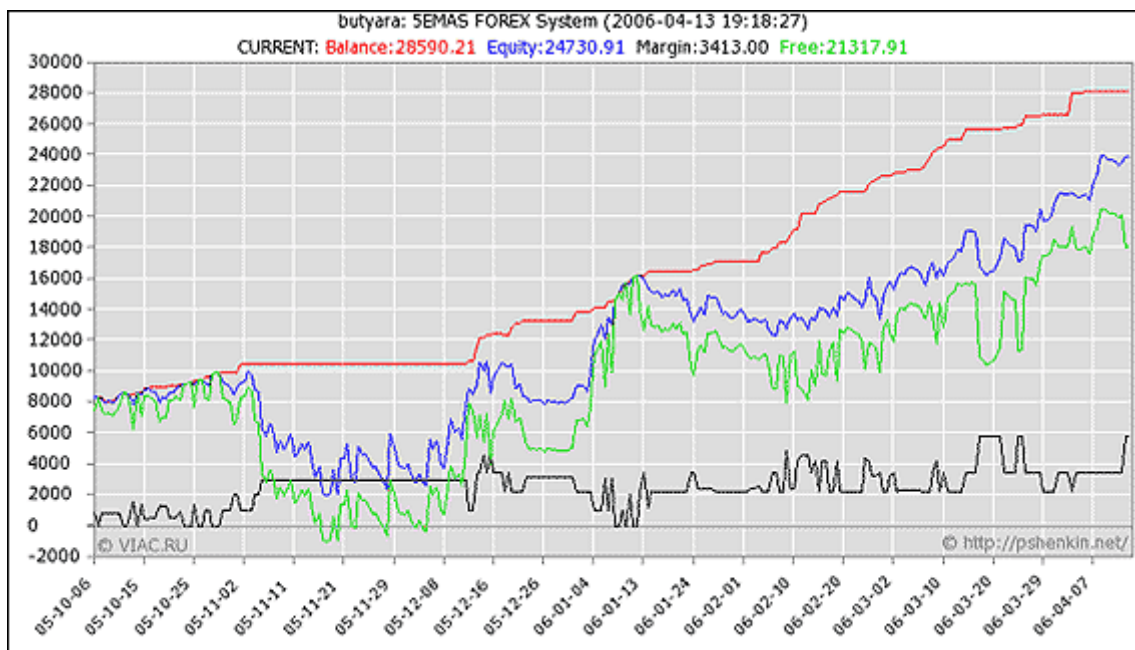


# TraderBO Divergence System

Look at real micro trades with using of Exit strategy N°1

Order ID	Type	Price	Volume	Status
27838	buy	0.0000	0.0000	Open
27839	buy	0.4000	0.0000	Open
27840	buy	0.4000	0.0000	Open
27841	buy	0.4000	0.0000	Open
27842	buy	0.4000	0.0000	Open
27843	buy	0.4000	0.0000	Open
27844	buy	0.4000	0.0000	Open
27845	buy	0.4000	0.0000	Open
27846	buy	0.4000	0.0000	Open
27847	buy	0.4000	0.0000	Open
27848	buy	0.4000	0.0000	Open
27849	buy	0.4000	0.0000	Open
27850	buy	0.4000	0.0000	Open
27851	buy	0.4000	0.0000	Open
27852	buy	0.4000	0.0000	Open
27853	buy	0.4000	0.0000	Open
27854	buy	0.4000	0.0000	Open
27855	buy	0.4000	0.0000	Open
27856	buy	0.4000	0.0000	Open
27857	buy	0.4000	0.0000	Open
27858	buy	0.4000	0.0000	Open
27859	buy	0.4000	0.0000	Open
27860	buy	0.4000	0.0000	Open
27861	buy	0.4000	0.0000	Open
27862	buy	0.4000	0.0000	Open
27863	buy	0.4000	0.0000	Open
27864	buy	0.4000	0.0000	Open
27865	buy	0.4000	0.0000	Open
27866	buy	0.4000	0.0000	Open
27867	buy	0.4000	0.0000	Open
27868	buy	0.4000	0.0000	Open
27869	buy	0.4000	0.0000	Open
27870	buy	0.4000	0.0000	Open
27871	buy	0.4000	0.0000	Open
27872	buy	0.4000	0.0000	Open
27873	buy	0.4000	0.0000	Open
27874	buy	0.4000	0.0000	Open
27875	buy	0.4000	0.0000	Open
27876	buy	0.4000	0.0000	Open
27877	buy	0.4000	0.0000	Open
27878	buy	0.4000	0.0000	Open
27879	buy	0.4000	0.0000	Open
27880	buy	0.4000	0.0000	Open
27881	buy	0.4000	0.0000	Open
27882	buy	0.4000	0.0000	Open
27883	buy	0.4000	0.0000	Open
27884	buy	0.4000	0.0000	Open
27885	buy	0.4000	0.0000	Open
27886	buy	0.4000	0.0000	Open
27887	buy	0.4000	0.0000	Open
27888	buy	0.4000	0.0000	Open
27889	buy	0.4000	0.0000	Open
27890	buy	0.4000	0.0000	Open
27891	buy	0.4000	0.0000	Open
27892	buy	0.4000	0.0000	Open
27893	buy	0.4000	0.0000	Open
27894	buy	0.4000	0.0000	Open
27895	buy	0.4000	0.0000	Open
27896	buy	0.4000	0.0000	Open
27897	buy	0.4000	0.0000	Open
27898	buy	0.4000	0.0000	Open
27899	buy	0.4000	0.0000	Open
27900	buy	0.4000	0.0000	Open

Here is pictorial representation of the systems' performance



# TraderBO Divergence System

## Appendix

If you want your money to grow on trade deposit you should not withdraw them from your trade account. It is good idea but just imagine how to live? You can ask me.

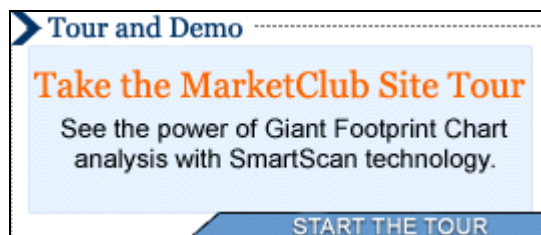
May be trading FOREX ore other financial market is my main source of revenue. But I can say with certainty, yes! You can earn extra money without taking money from trade account.

### Here is how you can do it:

1. You can resell services of companies provided trading recommendations, systems and signals. I recommend:



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Free Two Week Trial

# TraderBO Divergence System

2. For this you'll need services of hosting companies. I recommend:



**Bravnet Company** has plenty of free tools. I was surprised very much when I saw it at first time!

3. And finely you can work with powerline building companies for extra money stream. I recommend:

**CashCulture Company** and **ProBuildrPlus**

**Do some first steps and money stream will flow to your pockets without your participation!!!**



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