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Get 20 + pips
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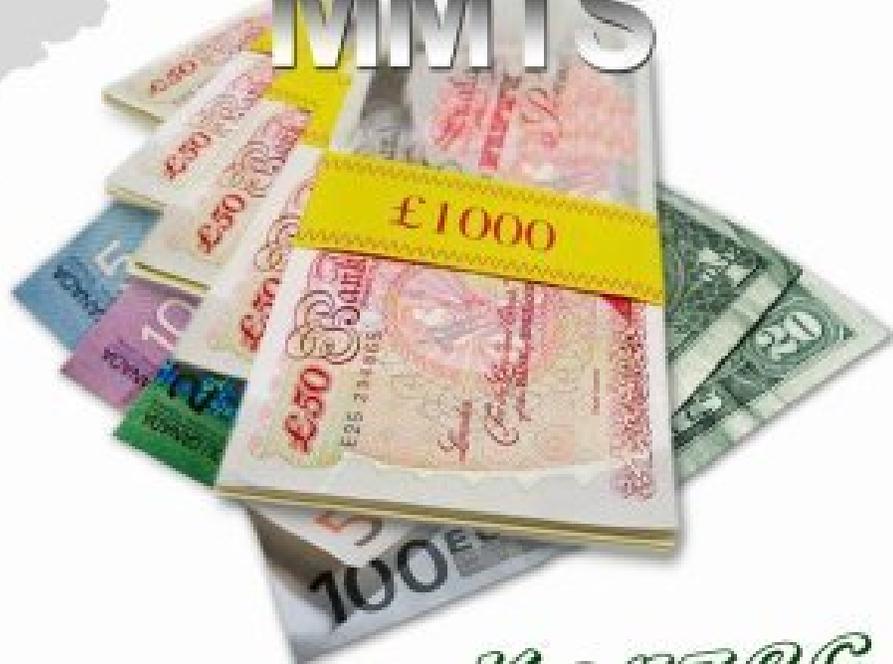


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Forex Trading

Get 20 + pips per day using

MMTS™



Forex Trading MMTS™

Monika Korzec

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1. Credits/Legal Notice

Credits

I would like to thank everyone involved in this project, especially all the people that helped me with the back testing of these systems.

Special “Thank You” goes to:

Glen Goncalves from Imx Marketing Group Inc – designer of the cover for this book, and one of the editors of the book (www.4bookinfo.com).

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Mark Braun, professional trader and teacher – contributor of some tips for the technical exits section (www.mjbraun.net).

Neal Hughes, professional trader and teacher - contributor of some tips for the technical exits section (www.fibmarkets.com).

Legal Notice

Please be aware that trading currencies involves risk and you are solely responsible for your actions. The possibility exists that you could sustain a loss of some or all of your deposited funds and therefore you should not trade with capital that you cannot afford to lose. Any suggestions, or other information contained in this book is provided as general information, and does not constitute as an investment advice. Monika Korzec, the contributors, or the editors assume no responsibility for inaccurate information and shall not be liable for any special, indirect, incidental, or consequential damages, including without limitation losses, lost revenues, or lost profits that may result from these materials. Past trading results are no indication of future results.

Web site addresses: Please note that all posted links are valid at the time of writing this book. Given the nature of the Internet, these addresses may change over time.

2. Introduction

Thank you for purchasing this book. I am sure that you will find it very useful in your trading career.

I am not going to talk here about forex history, reveal any awesome secrets, or promise that you will become rich overnight.

In my short (so far) trading experience I have met many people who thought that trading forex is an easy job and that you can make tons of money overnight.

Trading forex is not easy, but once you master this skill, the rewards are great.

You need to learn a lot to be successful. You also need to make realistic goals. You need to become a VERY patient trader. You need to know how to deal with fear, and with losses.

Before we even start thinking about trading, we have to prepare our body and our mind for the job.

The Body

It may sound funny, but we need to take care of our bodies to produce good results in our trading. We need to have sufficient rest, good diet, and we need to exercise. It is impossible to make good decisions when our eyes are barely open. Trading the forex market (or any market) requires a lot of concentration and we need to fuel our body properly so it can work at its best. We need our bodies to be relaxed so we can become patient trades.

If you catch yourself saying: “I should have waited a little bit longer” on a regular basis, you need to work on your patience. If you have small kids or teenagers they

will definitely help you to master this skill. If these resources are not available to you, try this simple exercise: get in a car during rush hour and try to drive through areas that are “under construction”. Repeat this exercise until you can honestly say that you have all the time in the world, and you don’t care how long it will take you to get thru this construction zone.

The Mind

In my opinion this is the most important factor in a trading career.

Your mind decides if you become a successful trader or not.

Think positive, and learn how to deal with fear.

Sooner or later every new trader finds himself/herself at a spot where there are a few losses in a row, after which, he or she is afraid to pull the trigger again.

I know how it feels because I have been there...

In order to deal with the fear you need to know something about it. I found it very useful to have the following quotes sitting right beside my monitors:

“Do the thing you fear to do and keep on doing it... that is the quickest and surest way ever yet discovered to conquer fear.”

”Take a chance! All life is a chance. The man who goes farthest is generally the one who is willing to do and dare. The sure-thing boat never gets far from shore.”

“You can conquer almost any fear if you will only make up your mind to do so. For remember, fear doesn't exist anywhere except in the mind.”

Quotes from Dale Carnegie

“Fear is only as deep as the mind allows”

Japanese proverb

”FEAR:

F—FALSE

E—EVIDENCE

A—APPEARING

R—REAL”

Quote from Veer Sharma

“Nothing in life is to be feared. It is only to be understood”

Quote from Marie Curie

”You don't face your fears, you stand up to them”

Anonymous

Just take my advice and read these quotes every day, or read them slowly ten times when you feel like your fingers are frozen and you can't push “that” button because of your fear. Nothing is perfect in this business and losses will happen. Once the body and the mind are in agreement, we need to setup realistic goals, have the right tools to do the job, and have a good money management strategy.

3. Trading Tools

Broker

Get a good broker!

You need to find a company that has all the required licenses; deals with a reputable banking institution; can be reached by a phone, and has a good spread and good tick data. Research, research and research before you open a real trading account.

Charts

There are many charting systems available to you. Some are free of charge and some have a monthly fee. I suggest that you try at least three different packages so you can get the feel for each one, then pick the one that you like the best.

My preferred charting package is the Fibonacci Trader™ software developed by Fibonacci Trader Corporation. If you would like to give it a try, go to my website at www.korzec.ca and sign up for the free trial version.

4. Money Management

I know that you are anxious to make good money here, so you can quit your regular job but please don't rush anything. Nothing good comes out if you rush anything. Unless you are doing well in your demo account and you have a solid understanding of the rules of this market you shouldn't start big.

You really don't need to have a lot of money to start with, and you can still make a decent yearly income starting with only \$500 US and having good money management rules.

My Golden Rule for being successful in this business:

Aim for 10 pips per day (this sounds so little, but, 10 pips per day will become very powerful once you trade multiple lots).

Move your goal to 20 pips per day once you master 10 pips per day.

Using this technique and putting additional muscle behind it (more lots) will produce great results.

Here is an example of what 10 pips would do to your account in one year, if you started with \$500, trading one mini lot, and making 10 pips per day.

	Day	Lots	500	10 Pips
Apr	1	1	510	10
Apr	2	1	520	10
Apr	3	1	530	10
Apr	4	1	540	10
Apr	5	1	550	10
Apr	6	1	560	10
Apr	7	1	570	10
Apr	8	1	580	10
Apr	9	1	590	10
Apr	10	1	600	10
Apr	11	2	620	10
Apr	12	2	640	10
Apr	13	2	660	10
Apr	14	2	680	10
Apr	15	2	700	10
Apr	16	2	720	10
Apr	17	2	740	10
Apr	18	2	760	10
Apr	19	2	780	10
Apr	20	3	810	10
Apr	21	3	840	10
Apr	22	3	870	10
May	1	3	900	10
May	2	3	930	10
May	3	3	960	10
May	4	3	990	10
May	5	3	1,020	10
May	6	4	1,060	10
May	7	4	1,100	10
May	8	4	1,140	10

May	9	4	1,180	10
May	10	4	1,220	10
May	11	4	1,260	10
May	12	4	1,300	10
May	13	5	1,350	10
May	14	5	1,400	10
May	15	5	1,450	10
May	16	5	1,500	10
May	17	5	1,550	10
May	18	5	1,600	10
May	19	6	1,660	10
May	20	6	1,720	10
May	21	6	1,780	10
May	22	6	1,840	10
Jun	1	6	1,900	10
Jun	2	7	1,970	10
Jun	3	7	2,040	10
Jun	4	7	2,110	10
Jun	5	7	2,180	10
Jun	6	8	2,260	10
Jun	7	8	2,340	10
Jun	8	8	2,420	10
Jun	9	9	2,510	10
Jun	10	9	2,600	10
Jun	11	10	2,700	10
Jun	12	11	2,810	10
Jun	13	12	2,930	10
Jun	14	13	3,060	10
Jun	15	14	3,200	10
Jun	16	15	3,350	10
Jun	17	16	3,510	10

Jun	18	17	3,680	10
Jun	19	18	3,860	10
Jun	20	19	4,050	10
Jun	21	20	4,250	10
Jun	22	21	4,460	10
Jul	1	22	4,680	10
Jul	2	23	4,910	10
Jul	3	24	5,150	10
Jul	4	25	5,400	10
Jul	5	26	5,660	10
Jul	6	27	5,930	10
Jul	7	28	6,210	10
Jul	8	29	6,500	10
Jul	9	30	6,800	10
Jul	10	31	7,110	10
Jul	11	32	7,430	10
Jul	12	33	7,760	10
Jul	13	34	8,100	10
Jul	14	35	8,450	10
Jul	15	36	8,810	10
Jul	16	37	9,180	10
Jul	17	38	9,560	10
Jul	18	39	9,950	10
Jul	19	40	10,350	10
Jul	20	41	10,760	10
Jul	21	42	11,180	10
Jul	22	43	11,610	10
Aug	1	44	12,050	10
Aug	2	45	12,500	10
Aug	3	46	12,960	10
Aug	4	47	13,430	10
Aug	5	48	13,910	10

Aug	6	49	14,400	10
Aug	7	50	14,900	10
Aug	8	51	15,410	10
Aug	9	52	15,930	10
Aug	10	53	16,460	10
Aug	11	54	17,000	10
Aug	12	55	17,550	10
Aug	13	55	18,100	10
Aug	14	55	18,650	10
Aug	15	55	19,200	10
Aug	16	55	19,750	10
Aug	17	55	20,300	10
Aug	18	55	20,850	10
Aug	19	55	21,400	10
Aug	20	55	21,950	10
Aug	21	55	22,500	10
Aug	22	55	23,050	10
Sep	1	55	23,600	10
Sep	2	55	24,150	10
Sep	3	55	24,700	10
Sep	4	55	25,250	10
Sep	5	55	25,800	10
Sep	6	55	26,350	10
Sep	7	55	26,900	10
Sep	8	55	27,450	10
Sep	9	55	28,000	10
Sep	10	55	28,550	10
Sep	11	55	29,100	10
Sep	12	55	29,650	10
Sep	13	55	30,200	10
Sep	14	55	30,750	10
Sep	15	55	31,300	10

Sep	16	55	31,850	10
Sep	17	55	32,400	10
Sep	18	55	32,950	10
Sep	19	55	33,500	10
Sep	20	55	34,050	10
Sep	21	55	34,600	10
Sep	22	55	35,150	10
Oct	1	55	35,700	10
Oct	2	55	36,250	10
Oct	3	55	36,800	10
Oct	4	55	37,350	10
Oct	5	55	37,900	10
Oct	6	55	38,450	10
Oct	7	55	39,000	10
Oct	8	55	39,550	10
Oct	9	55	40,100	10
Oct	10	55	40,650	10
Oct	11	55	41,200	10
Oct	12	55	41,750	10
Oct	13	55	42,300	10
Oct	14	55	42,850	10
Oct	15	55	43,400	10
Oct	16	55	43,950	10
Oct	17	55	44,500	10
Oct	18	55	45,050	10
Oct	19	55	45,600	10
Oct	20	55	46,150	10
Oct	21	55	46,700	10
Oct	22	55	47,250	10
Nov	1	55	47,800	10
Nov	2	55	48,350	10
Nov	3	55	48,900	10

Nov	4	55	49,450	10
Nov	5	55	50,000	10
Nov	6	55	50,550	10
Nov	7	55	51,100	10
Nov	8	55	51,650	10
Nov	9	55	52,200	10
Nov	10	55	52,750	10
Nov	11	55	53,300	10
Nov	12	55	53,850	10
Nov	13	55	54,400	10
Nov	14	55	54,950	10
Nov	15	55	55,500	10
Nov	16	55	56,050	10
Nov	17	55	56,600	10
Nov	18	55	57,150	10
Nov	19	55	57,700	10
Nov	20	55	58,250	10
Nov	21	55	58,800	10
Nov	22	55	59,350	10
Dec	1	55	59,900	10
Dec	2	55	60,450	10
Dec	3	55	61,000	10
Dec	4	55	61,550	10
Dec	5	55	62,100	10
Dec	6	55	62,650	10
Dec	7	55	63,200	10
Dec	8	55	63,750	10
Dec	9	55	64,300	10
Dec	10	55	64,850	10
Dec	11	55	65,400	10
Dec	12	55	65,950	10
Dec	13	55	66,500	10

Dec	14	55	67,050	10
Dec	15	55	67,600	10
Dec	16	55	68,150	10
Dec	17	55	68,700	10
Dec	18	55	69,250	10
Dec	19	55	69,800	10
Dec	20	55	70,350	10
Dec	21	55	70,900	10
Dec	22	55	71,450	10
Jan	1	55	72,000	10
Jan	2	55	72,550	10
Jan	3	55	73,100	10
Jan	4	55	73,650	10
Jan	5	55	74,200	10
Jan	6	55	74,750	10
Jan	7	55	75,300	10
Jan	8	55	75,850	10
Jan	9	55	76,400	10
Jan	10	55	76,950	10
Jan	11	55	77,500	10
Jan	12	55	78,050	10
Jan	13	55	78,600	10
Jan	14	55	79,150	10
Jan	15	55	79,700	10
Jan	16	55	80,250	10
Jan	17	55	80,800	10
Jan	18	55	81,350	10
Jan	19	55	81,900	10
Jan	20	55	82,450	10
Jan	21	55	83,000	10
Jan	22	55	83,550	10
Feb	1	55	84,100	10

Feb	2	55	84,650	10
Feb	3	55	85,200	10
Feb	4	55	85,750	10
Feb	5	55	86,300	10
Feb	6	55	86,850	10
Feb	7	55	87,400	10
Feb	8	55	87,950	10
Feb	9	55	88,500	10
Feb	10	55	89,050	10
Feb	11	55	89,600	10
Feb	12	55	90,150	10
Feb	13	55	90,700	10
Feb	14	55	91,250	10
Feb	15	55	91,800	10
Feb	16	55	92,350	10
Feb	17	55	92,900	10
Feb	18	55	93,450	10
Feb	19	55	94,000	10
Feb	20	55	94,550	10
Feb	21	55	95,100	10
Feb	22	55	95,650	10
Mar	1	55	96,200	10
Mar	2	55	96,750	10
Mar	3	55	97,300	10
Mar	4	55	97,850	10
Mar	5	55	98,400	10
Mar	6	55	98,950	10
Mar	7	55	99,500	10
Mar	8	55	100,050	10
Mar	9	55	100,600	10
Mar	10	55	101,150	10
Mar	11	55	101,700	10

Mar	12	55	102,250	10
Mar	13	55	102,800	10
Mar	14	55	103,350	10
Mar	15	55	103,900	10
Mar	16	55	104,450	10
Mar	17	55	105,000	10
Mar	18	55	105,550	10

Mar	19	55	106,100	10
Mar	20	55	106,650	10
Mar	21	55	107,200	10
Mar	22	55	107,750	10
			107,750	

Not a bad number...

Don't forget to take money out of your account as you progress.

Your broker will not like you when you make withdrawals, as they prefer to have as much money in their business as possible. But think about yourself, and make regular withdraws. That will keep your sanity intact, and you will never be in a position where you lose all of your account, because you were tempted and bet all of it on one trade that turned out to be a loser.

Now we are ready to enter the world of forex trading.

5. Fundamental and Technical Analysis

There are two schools of thought that are frequently used to make trading decisions: fundamental analysis and technical analysis. It is good to know both strategies; however, if you can learn to read candles and patterns, you will be able to see what the fundamental traders are telling you. All of the information is represented in the charts; practice and experience are required to recognize this information.

Fundamental Analysis

Each trader should be aware of the main macroeconomic factors that affect the price of a currency:

1. Unemployment rates

This is a key indicator of the economic strength. A high unemployment rate leads to a decline in the currency value.

2. Interest rates

If a country has a low interest rate, it usually leads to a depression in the value of that country's currency.

3. Industrial production

We need to see good numbers posted in this section to make the currency pair strong.

4. Geopolitical events

Events such as terrorist attacks would cause a decline in the currency value, as investors pull out money because of the uncertainty.

Besides the main factors, each currency has its own indicators that affect its value. Pick one or two currency pairs, study it, and find out what the events are that would drive the currency higher or lower. Knowing when to expect major news releases will aid you with making more educated trading decisions. Here are some examples for the five main currency pairs:

EUR/USD

When the dollar gets weaker it drives the EUR/USD pair higher.
When the dollar gets stronger it drives the EUR/USD pair lower.

GBP/USD

High Yield and good growth in the UK drives the GBP/USD pair higher.
Interest rate differential in favor of the euro dollar against the euro sterling deposit drives the GBP/USD pair lower.

USD/CHF

Global stability and global recovery drives the USD/CHF pair higher.
Geopolitical instability drives the USD/CHF pair lower.

USD/CAD

When the Canadian economy is under performing against the US dollar it drives the USD/CAD pair higher.
Higher interest rates and good employment rates in Canada will drive USD/CAD lower.

USD/JPY

Japanese government intervention to weaken their currency sends USD/JPY pair higher.
Demand for Japanese assets and gains in the Nikkei drive USD/JPY pair lower.

It is good to know what the fundamental factors are; however, we are not required to know all the details, as the price action shows the end result. This is why technical analysis is very important, and this is why your main indicator should be the price itself. All other indicators are lagging... They show what already happened, and we already know it too. The trick is to find a solution that will help us predict where the price is going. Once we have a rough idea of what will happen next, we can use an indicator or two to help us to exit the trade with maximum profit. First I am going to talk a little bit about information that is already being used by serious traders, and then I am going to present some ideas that will be brand new to most readers of this book.

Technical Analysis

There are hundreds of books written about all of the technical indicators that are available in the trading market, and we are not going to go thru all of them. Maybe they are useful, but I don't see a reason why we should clutter our charts with many different indicators. Plot no more than three or four indicators on your charts. If you plot too many, you won't be able to see where the price is going. Remember that **price action is the most important indicator** that we should be looking at.

In this section I am going to concentrate on what I believe is the most important information required for making successful trades.

Trendlines: support and resistance

Trend is simply the overall direction in which price is moving. It goes up, or down, or it creates a channel (you can call it flat).

The general rule of thumb is to buy the dips in an uptrend and to sell the rallies in a downtrend.

It is a very simple concept, but very hard to implement as we need to deal with different levels of resistance and support, plus many different chart timeframes. Sometimes, not all of the charts are in agreement, so it takes a lot of imagination and analytical thinking to see the overall picture.

Support and resistance levels will have the major impact on deciding which way the trend is going.

Support levels are an area where traders find that it is difficult for the market to penetrate through with a lower price. In other words, buying interest is strong enough to overcome selling interest.

Resistance is the opposite of support, and represents a price level where selling interest overcomes buying interest.

You can find these levels using Pivot Point or Fibonacci theory.

You can also determine support and resistance areas by looking at the price behavior, although that will take some practice.

The best way to predict trend direction is to wait for a channel (sometimes called a consolidation band) to form, and then waiting for price to break through that channel.

Once price breaks through the channel, and goes up, we should wait to see if three higher lows are established. If they are, we can be pretty confident that buying the next dip will generate good results, and that the up trend is going to stay with us for awhile before it makes a reversal, and goes in the opposite direction again. You can apply this rule to all time frames. If you are trading using the 15-minute chart you can expect the price to go in the direction of the trend for the next 6-12 hours (see Figure 5.1). If you are using hourly chart you can expect the price to go in the direction of the trend for the next 12-24 hours.

If price breaks the channel in the opposite direction, and goes down, it should create at least two lower highs. We should enter the trade at the third high.



Figure 5.1. Higher Lows

It is also important to know how to draw trendlines correctly, as they will act as support and resistance levels. In an uptrend we always draw them by connecting dips that are making higher lows. In a downtrend we connect tops that are making lower highs.

Let's take a look at Figure 5.2 where support lines are drawn in the blue color, and resistance line is drawn in the red color:

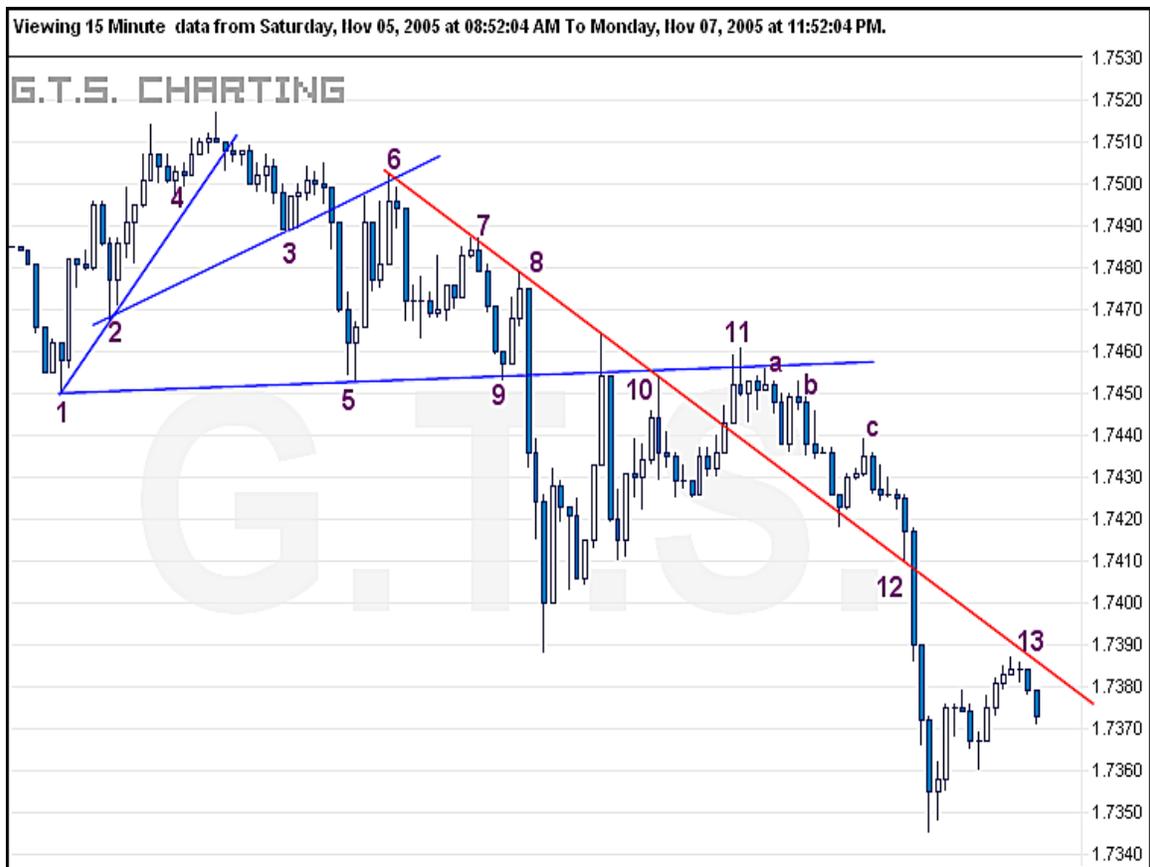


Figure 5.2. Trendlines

How many trendlines can you count? I illustrated only some of them.

Case 1

Point 1, is our first cycle low (dip), point 2 is our second cycle low, when we connect these two points we get a new trendline, in this case, it is our support level. The more candles we have on both sides of the candle that made the low, the better. Usually four or more candles on each side of the candle that is the lowest in the cycle indicate a strong cycle. Connect that to another cycle low of the same magnitude and you get strong trend indication. Trendlines are dynamic; they change with each new lower low (dip) or higher high (peak). We have another opportunity to draw a new support line that goes from point 2 to point 4. When we drew our new trendline from point 2 to point 3, it was penetrated and price went down. It created a new cycle low, so we got a new trendline. Notice how price went up after that happened and was stopped at our previous support, which now is the resistance.

Case 2

Support line drawn from point 1 to 5 was also penetrated at point 9. Price went down, and backed up again to test the old support, which now turned into resistance.

Case 3

Resistance line drawn from high points 6 to 7 to 8, got broken, and turned into support, however, price didn't go up too much because it got halted at point 11 by a line, that previously acted as a support and later on as a resistance.

When price was rejected, it started to create small tops at a, b, and c. Once the third top (point c) was created it was a time to go short (sell) as we entered a downtrend. Also, the same situation happened at points 6, 7, and 8. Point 8 was our third top, and another good place to sell.

If you can see what is happening in this picture you are on your way to financial freedom.

Knowing how to draw trendlines, and knowing how they transfer from support to resistance and from resistance to support, is the most crucial part in technical analysis. Once you know where support and resistance is, you have much better chances at making the right trading decision.

Price Projections

Projecting where price is most likely to go will help you hang onto a successful trade for more profit. A projection may also let you know that it is time to get out if you entered the trade at the wrong side of the market.

There are many different ways of predicting where price is going. My favorite price projection formula tells us to measure the distance from the highest point to the lowest point of the two cycles that created a new trend line. Once the trendline is broken we project the distance in the opposite direction.

We are using the same chart as in a previous example, and by connecting our point 1 and 2, we get a new support line (see Figure 5.3a). Now we need to locate the highest and lowest point that was established before price created cycle low at point 2. Red dots represent the data that we use to determine the price projection. Now we measure the distance (the up arrow) and we project that price once the trendline gets penetrated at point 3 (the down arrow). As you can see price followed our projection beautifully.

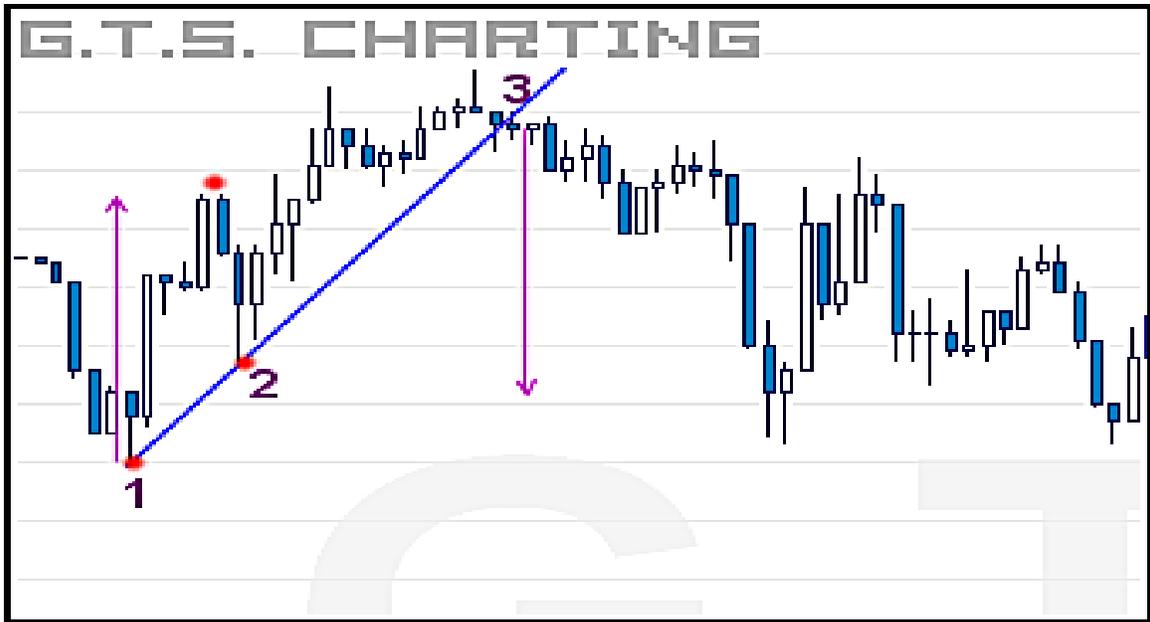


Figure 5.3a. Price Projection Example 1

The next example (see Figure 5.3b) shows the same idea. We measure the distance from point 1 (the first cycle low, to point 3, the highest point in the distance from point 1 to point 3. Again, price goes in the direction that we anticipated.

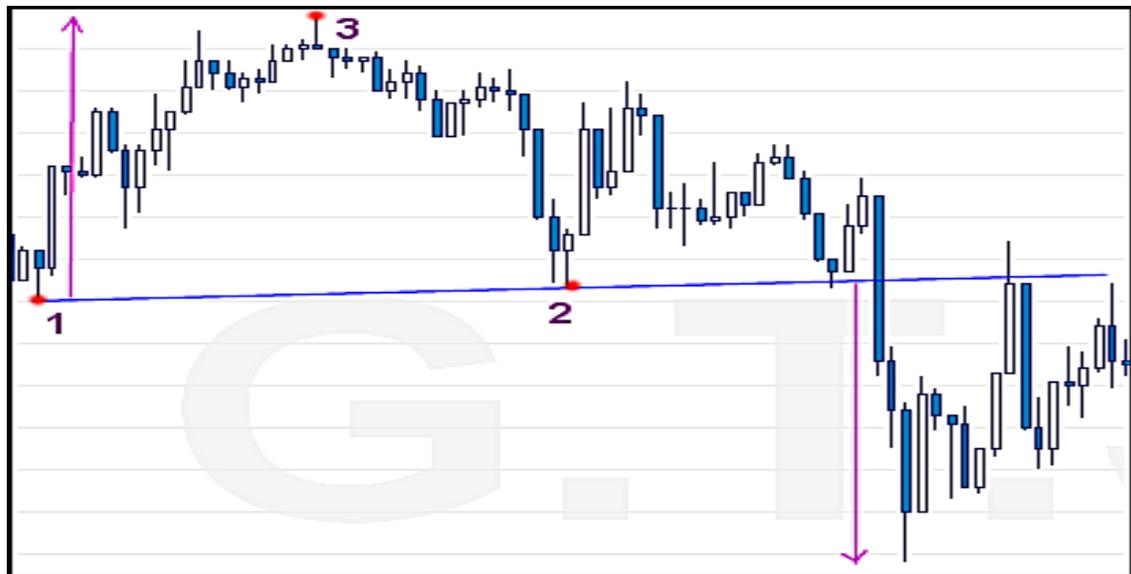


Figure 5.3b. Price Projection Example 2

I only used two trendlines from our first chart. As an exercise, you may want to go back to that chart and practice price projection on the trendlines that I didn't use. If you can understand this concept, you can probably understand why we don't need to clutter our charts with many indicators.

Trendlines and price projection are so powerful that we only need a couple more indicators to confirm in what direction the price may be going, and which trendline is most likely to be broken.

Candle Sticks

I would have to write another book if I wanted to explain the dynamics of Candle Stick patterns, how they work, and the interpretations of all of the possible combinations. I have to admit that candlesticks inspired me to create my own trading system. My suggestion is that you read the text Candlesticks Explained written by Martin J. Pring (published by McGraw Hill, 2002), if you need to know more about this topic.

Chart Patterns

Chart Patterns are also a good subject for another book, so please go to the following site: <http://chartpatterns.com/> if you need further education in this area.

123 Top / 123 Bottom

123 Tops and Bottoms seem to be some of the most accurate formations. They are also pretty strong reversal indicators as they have the tendency to “appear” in very oversold or overbought market conditions.

A 123 Top looks like an “M” where the first peak is higher than the second one, as shown in Figure 5.4a.

In this case we would sell once price penetrates point 2.



Figure 5.4a. 123 Top

A 123 Bottom looks like a “W” where the first dip is lower than the second one, as shown in Figure 5.4b.

In this case we would buy once price penetrates point 2.



Figure 5.4b. 123 Bottom

We may have three or four or more candles forming the 123 pattern, however, **the more bars that are involved in the formation of 123 Tops or 123 Bottoms the bigger the move.**

The 123 Top and Bottom patterns are very powerful on the higher time frame charts. If I see a 123 pattern forming on a daily chart or hourly chart, I am pretty confident that I can grab at least 20 pips pretty much without any risk. My rule of thumb is to enter 5 pips above/below the point 2. Many traders enter the market as soon as point 3 is formed. For me that is too risky. You never know at that time if price will form 123. If it does, good for you, you just made some additional pips, but if it doesn't ... well, too bad... you lost. This is why patience is so important in this endeavor.

As an exercise, open a daily chart for a currency of your choice and try to locate the 123 Top and Bottom configurations. You will see that once point 2 gets broken, price puts a lot of "free" pips on the table. Once you start moving to the lower chart time frame, you will notice that 123 Tops or Bottoms do not always work. They are most successful on the hourly and daily charts. Don't get discouraged if they don't work. Nothing in the currency trading market works all of the time.

Figure 5.5 shows an example where we got many bars involved in the formation of the 123 Bottom. This is a 15-minute chart, and a very powerful 123 formation:

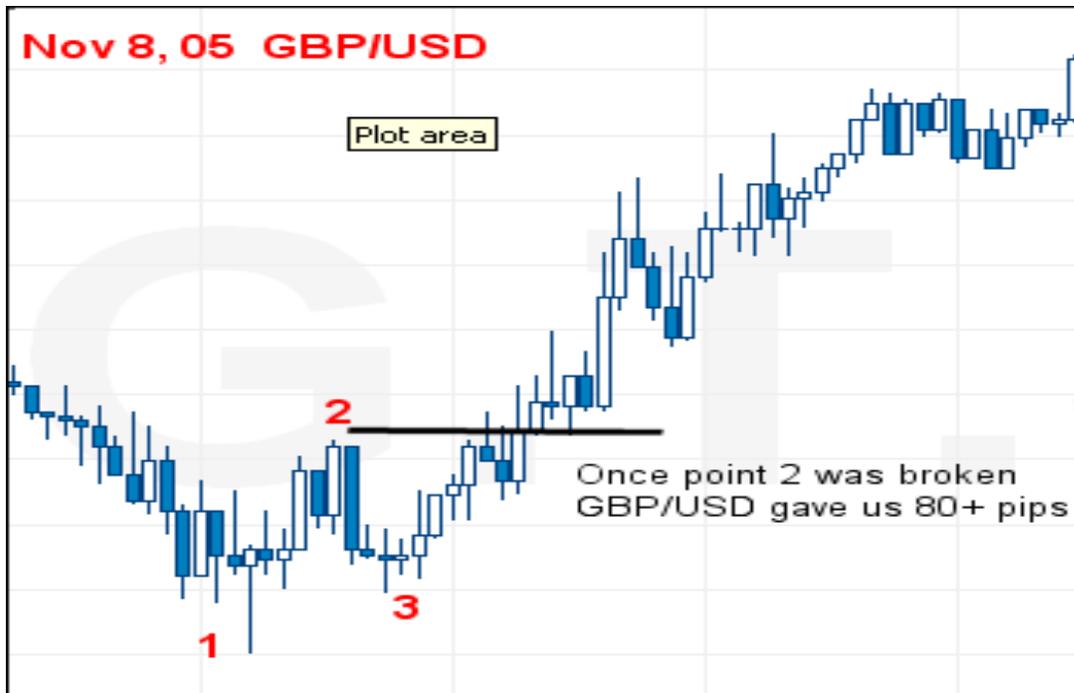


Figure 5.5. GBP/USD 123 Bottom

Leg1/Leg2 Setup

The Leg1/Leg2 setup is a very powerful setup that happens frequently after major news releases. Price goes up or down very fast, and then it consolidates and goes in the same direction for about the same number of pips that it put on the first run. When price breaks out of the consolidation it is time to enter the market (buy or sell depending on where the break out happens). Most of the time consolidation has a triangle pattern if it is a short hold in price. When consolidation starts turning into a rectangular shape it will last longer and it has more chances to reverse, instead of continuing movement in the direction that occurred prior to the formation of the pattern.

Let's take a look at the Leg1/Leg2 setup, which is shown in Figure 5.6:



Figure 5.6. Leg1/Leg2 Setup

Notice how price went up (see green arrow called Leg 1), then it consolidated creating the “blue” triangle, then it temporarily broke out of the triangle and created another “purple” triangle pattern. Once the price broke from the purple triangle it went up again (see green arrow called Leg 2) completing our Leg1/Leg2 setup. Our “buy” signal was generated once we broke the blue triangle, however,

the formation of the second (purple) triangle made the trade even stronger and break out of it could have been also considered as another “buy” entry.

If you ever notice formation of the “triangle” pattern followed by another “triangle” pattern, you may have a very strong indication of where the price wants to go.

The above example showed a price breakout in an “uptrend” situation, however, the same idea is applied if we are dealing with a “downtrend”. The Leg1/Leg2 setup works on all time frames, but it has the best results if it spotted on the 15-minute chart.

Indicators

Charting packages include many technical studies.

The following site is a good reference: <http://www.iqchart.com/101/>

The web site has an excellent explanation of what all the indicators mean and how they should be used.

Don't clutter your charts. Pick two indicators, study them in depth, and then use them as a “side dish” in addition to your “main meal” which is the price action itself.

Now, let's discuss a new indicator that you might find quite useful.

Monika Korzec Session Trendlines **(called MKS trendlines or MKS system)**

A Session Trendline is not your regular trendline that connects lows and highs, but instead is a time-sensitive trendline that connects price action between two different timeframes.

I have discovered that four of them work extremely well. Some of the minor ones are not as good, so those will not be discussed. I checked the behavior of these trendlines using the following currency pairs: GBP/USD, EUR/USD, CHF/USD, USD/CAD and USD/JPY. Based on the fact that they work on the above-mentioned pairs, I believe that they will also work with other pairs.

The “discovery” of these trendlines happened when I was researching the price behavior around the times when major news is released and around the times when the main currency markets open. These trendlines should be used on the 15-minute charts, as they are good for day trading strategies only. MKS trendlines can be used to create visual representation of the trend happening during current trading session. We need to watch them at specific times of the day to see on which side of the trendline price will close and then we need to follow the price in the direction.

You can use the MKS trendlines as a stand-alone indicator, however, if there is a confluence of two or three other events, you get a pretty strong trade.

These trendlines are described below, with all times given in Eastern Time (ET), and are designated as follows:

MKS-1 trendline

Connect the **5:45** pm candle with the **12:15** am candle

MKS-2 trendline

Connect the **5:45** pm candle with the **2:45** am candle

MKS-3 trendline

Connect the **3:15** am candle with the **8:15** am candle

MKS-4 trendline

Connect the **8:15** am candle with the **2:15** pm candle

1. MKS-1 trendline

To draw the MKS-1 trendline, we need to have a 15-minute chart opened, and we have to connect the “closing price” of the candle that starts at 5:45 pm ET with the candle that starts at 12:15 am ET (see Figure 5.7).

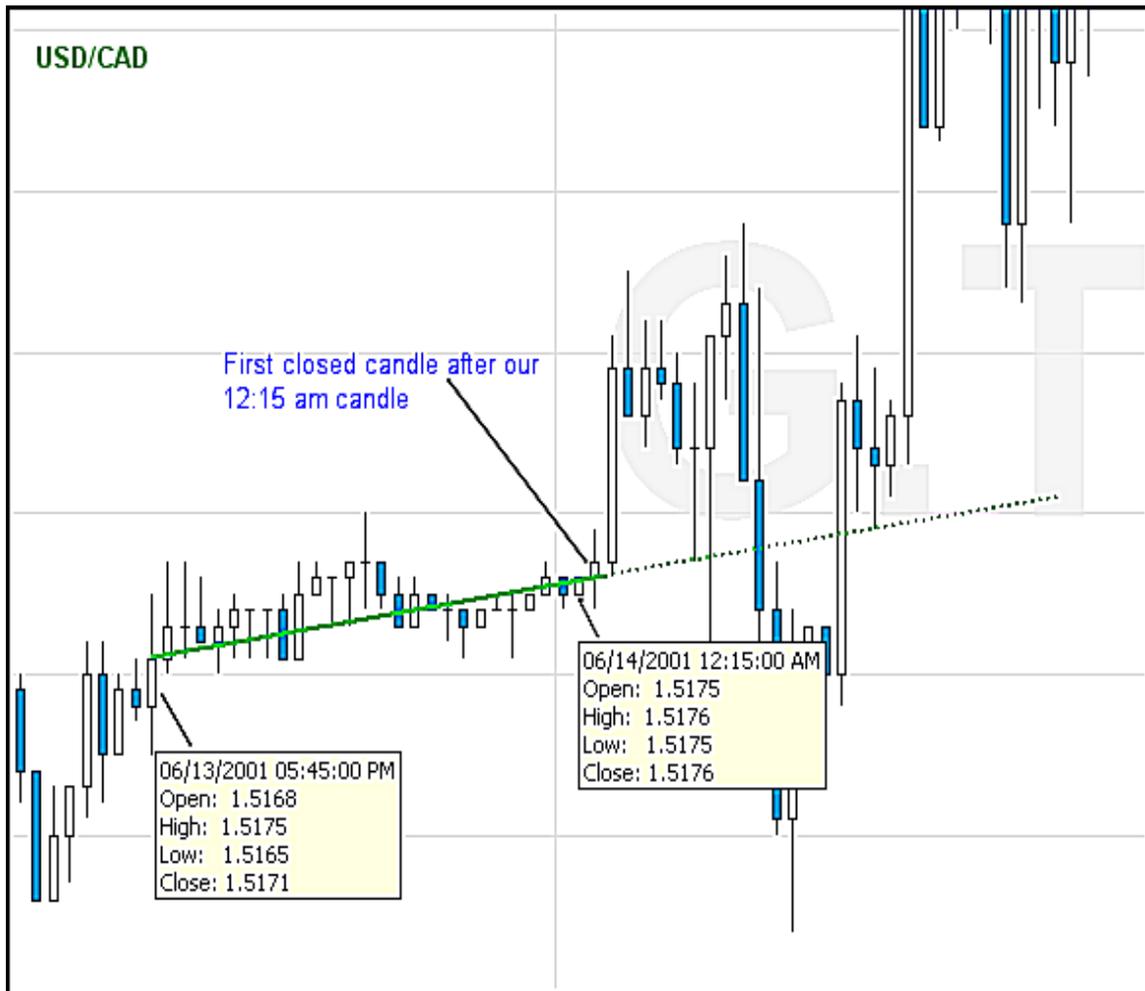


Figure 5.7. MKS-1 trendline

2. MKS-2 trendline

To draw the MKS-2 trendline, we need to have a 15-minute chart opened, and we have to connect the “closing price” of the candle that starts at 5:45 pm ET with the candle that starts at 2:45 am ET (see Figure 5.8).

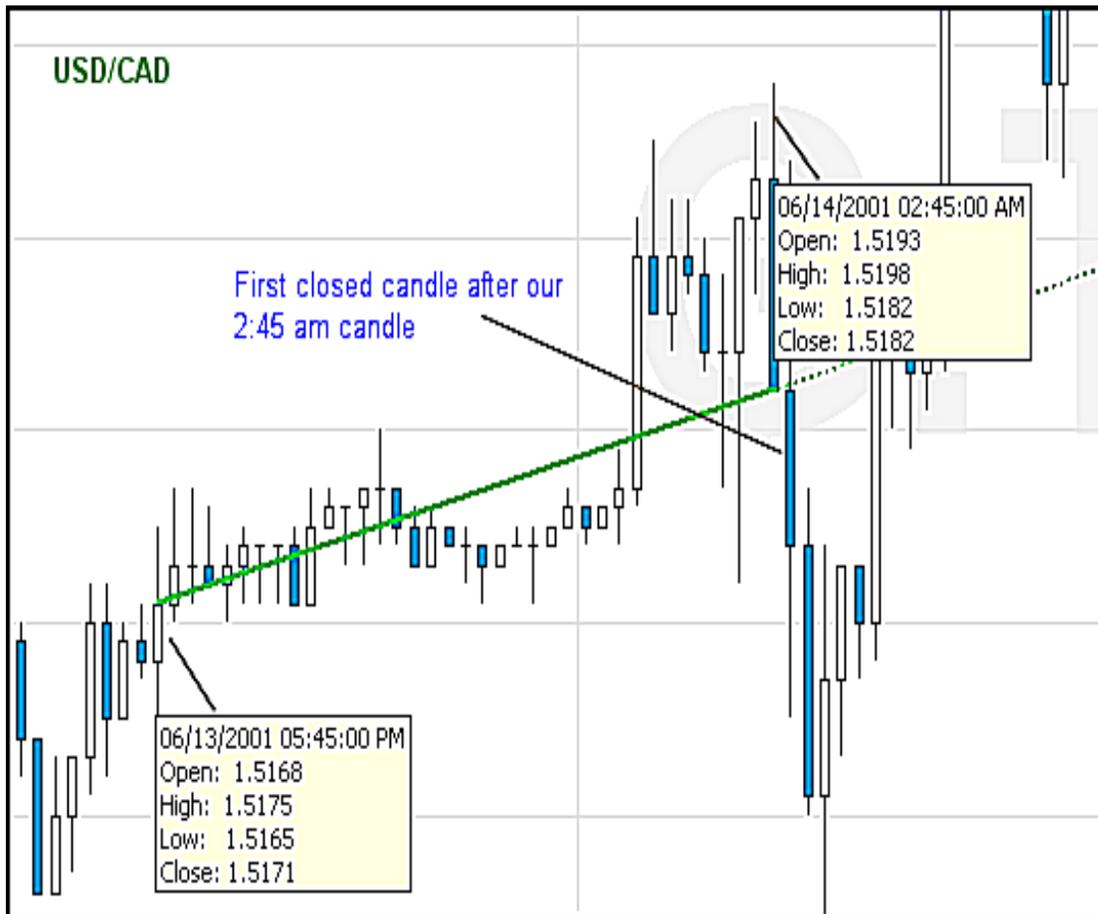


Figure 5.8. MKS-2 trendline

3. MKS-3 trendline

To draw the MKS-3 trendline, we need to have a 15-minute chart opened, and we have to connect the “closing price” of the candle that starts at 3:15 am ET with the candle that starts at 8:15 am ET (see Figure 5.9).



Figure 5.9. MKS-3 trendline

4. MKS-4 trendline

To draw the MKS-4 trendline, we need to have a 15-minute chart opened, and we have to connect the “closing price” of the candle that starts at 8:15 am ET with the candle that starts at 2:15 pm ET (see Figure 5.10).



Figure 5.10. MKS-4 trendline

The idea behind these trendlines is to enter a trade at the closing price of the first candle that forms after our trendline is established. If the candle closes below the MKS trendline, we go short, if it closes above the MKS trendline we go long.

The only time when we would not take a trade using these trendlines is when the first candle that formed is a doji. (A Doji is a candle that has the same opening and closing price.) We can also use the MKS trendlines to make another trade if price goes thru the trendline and closes below/above it before the next trendline is established.

Let's discuss the four examples that I used to describe the MKS trendlines, and then we will discuss an example showing how these trendlines work with each other:

1. The first candle that closed after our MKS-1 was established, closed above the trendline. In this case, we should be buying USD/CAD at the price at which the candle closed. This trade was good for approximately 60 pips, using an approximate 30 pip stop (review Figure 5.7).
2. The first candle that closed after our MKS-2 was established, closed below the trendline. In this case, we should be selling USD/CAD at the price at which the candle closed. This trade was good for approximately 20 pips, using an approximate 30 pip stop (review Figure 5.8).
3. The first candle that closed after our MKS-3 was established, closed below the trendline. In this case, we should be selling USD/CAD at the price at which the candle closed. This trade was good for approximately 90 pips, using an approximate 15 pip stop (review Figure 5.9).
4. The first candle that closed after our MKS-4 was established, closed below the trendline. In this case, we should be selling USD/CAD at the price at which the candle closed. This trade was good for approximately 30 pips, using an approximate 15 pip stop (review Figure 5.10).

Using these trendlines is a very efficient way of catching at least 15 pips, on average, with each setup. Since there are four major setups, we should be getting at least 60 (4 x 15) pips per day.

In the next example I am going to explain to you the best usage of this trading system. For each trade we will have three possible stop targets and two possible exit targets.

Our three types of stop-loss levels:

1. Use a default 30 pip stop-loss, **or**
2. Set the stop-loss value four pips above the previous cycle high or four pips below the previous cycle low, **or**
3. Exit the trade as soon as a 15-minute candle closes above/below the MKS trendline, and the candle closes in the opposite direction of our trade

Our two types of profit (exit) targets:

1. Use a default 15 pip profit target, **or**
2. Exit the trade as soon as price comes back again to our trendline or meets with an old or just-formed new trendline

***Note:** You can always add a third profit target: your preferred indicator, such as an overbought/oversold reading on Stochastics*

Let's take a look at a GBP/USD 15-minute chart (see Figure 5.11) and analyze what happened on Monday, October 31, 2005 and Tuesday, November 1, 2005.

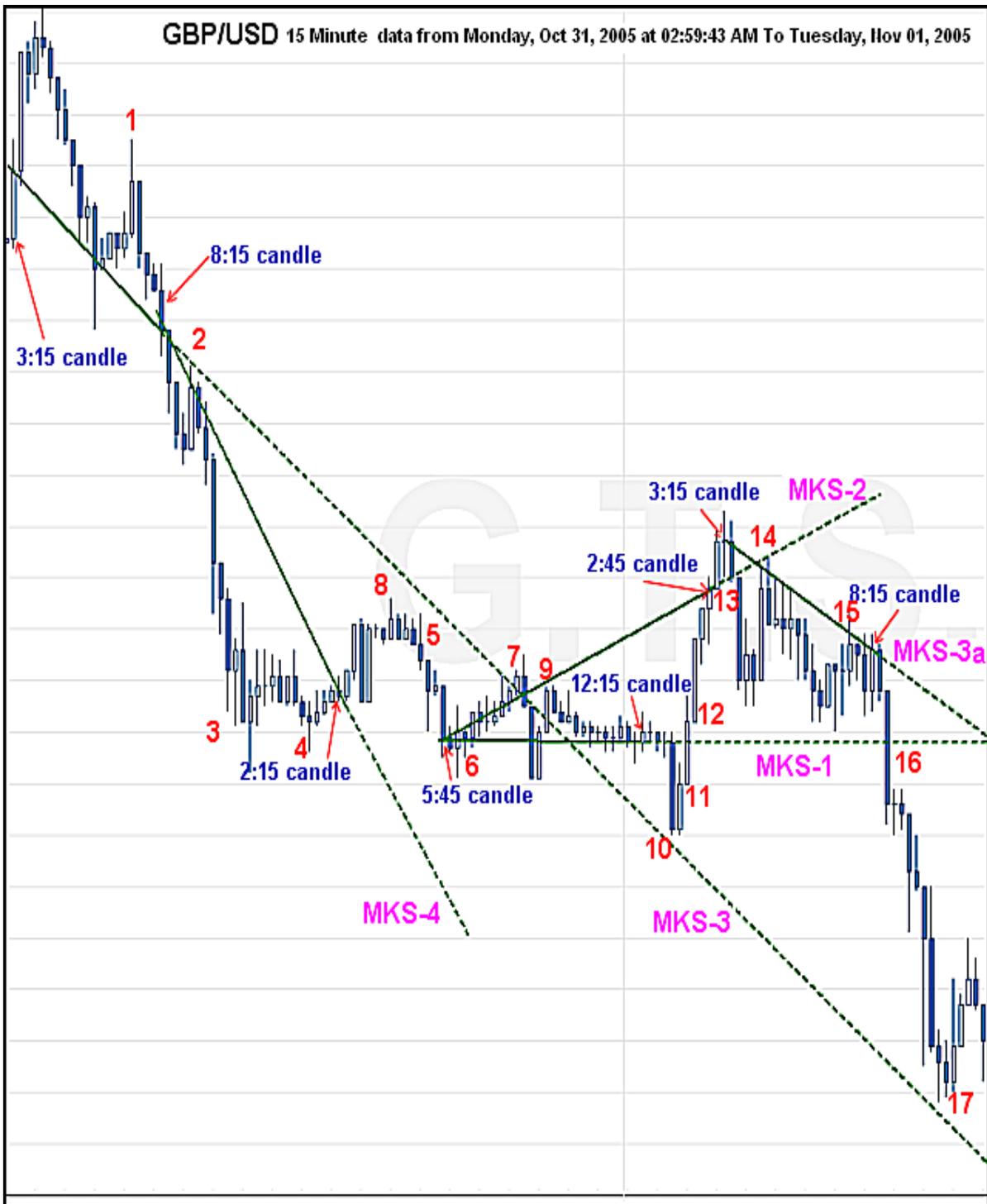


Figure 5.11. MKS trendlines in action

Trade 1

We are starting our day with the MKS-3 trendline connecting the close of the 3:15 am candle with the close of the 8:15 am candle. The first candle, after the trendline was formed, closed as a bearish candle. In this case we go short.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle high plus four pips (see Point **1**), which in this case is a 50 pip stop-loss, **or**
- bullish candle closing above the MKS-3 trendline.

Our target is 15 pips, or the first pass thru MKS-3 trendline, or any other existing or new trendline that we meet.

Our short trade is going fine only for a moment and then it starts to reverse. It gets to Point **2**, meets with the extended (dashed) MKS-3 line, and then it goes down again. If the price went through the MKS line and closed as a bullish candle that would be our signal to exit the trade if you wanted to keep the risk to a minimum.

Finally, we are sitting at 15 pips of profit. At this point we can exit the trade, or we can move our stop to break even and stay in it until we meet a current or a new MKS line.

Around 11:00 am our trade is entering a consolidation phase. If we are still holding the position, we need to be careful now. Since we don't know in what direction price will break out after this consolidation, we can exit at Point **3** (with 70 pips profit), or we can stay in the trade until we meet a MKS trendline.

At 2:15 pm, a MKS-4 trendline is established and the first candle that closes after the formation of MKS line is a bullish candle. It is a definite exit signal at this point, if we are still in the trade. We are exiting with 60 pips of profit.

This trade went well.

Trade 2

The MKS-4 trendline generated a “buy” signal, so we are entering a long trade at the close of the 2:30 pm candle.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle low minus four pips (see Point **4**), which in this case is a 20 pip stop-loss, **or**
- bearish candle closing below the MKS-4 or the MKS-3 trendlines.

Our target is 15 pips or the first pass thru the MKS-3 trendline or any other existing or new trendline that we meet.

The trade is going fine, we are sitting at 14 pips of profit, and we are getting close to the extended MKS-3 line (see Point **8**). Price is starting to reverse. Our 15 pips target is not met, and we can clearly see that MKS-3 trendline is keeping the price contained below it.

We are not sure what is going to happen. If we want to keep our risk to minimum, we can exit this trade at Point **5** with only one or two pips of profit. However, we can stay in until we meet with an MKS trendline, and we get a bearish close or until our stop is hit.

As time goes on, price gets to point **6**, which is where our 20 pip stop-loss is set. If you are going with this stop, this is the end of the trade, and we have a loss. If we are going with a 30 pip stop-loss, we are still in, but not for very long. At Point **7** we are getting a bearish close below the extended MKS-3 trendline so we have to exit with a seven pip loss.

This trade could generate up to 14 pips in profit. However, at the time when we had this profit, we didn't know what would happen down the road, and we decided to stay in the trade. We ended up with a loss, but we can be proud because we followed our rules.

***Note:** It is OK to create your own default profit and stop targets. You can have your fixed profit target set to 10 pips or to 20 pips. It is your personal decision.*

Trade 3

At Point **7** we are getting a bearish candle closing below the MKS-3 trendline. This is a sell signal, with a short entry at the closing price of the candle that penetrated the trendline.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle high plus four pips (see Point **8**), which in this case is a 20 pip stop-loss, **or**
- bullish candle closing above the MKS-3 trendline.

Our target is 15 pips, or the first pass thru MKS-4 trendline, or any other existing or new trendline that we meet.

We entered our short position; price is going lower, and we are sitting with 14 pips of profit when a reversal begins. We are getting a bullish candle closing above the MKS-3 trendline. For a minimum risk trade we can exit right now with a five pip loss, or we can stay in the trade if you are comfortable with your other choices for stops.

The trade is starting to move in our direction again. At Point **10**, we have approximately 25 pips of profit, and we are getting close to the MKS-3 trendline. We can exit now, or we can stay in, as it looks like the trendline may get penetrated and price may go lower.

We have decided to stay in. The MKS-3 trendline was not penetrated and we get a nice bounce off of it. Since our profit is starting to shrink, it is a good idea to exit at Point **11** and keep our 15 pips of profit. At this point, we don't know what will happen next, and the price rejection by MKS-3 trendline is a sign that price may go up.

This trade was a successful one for anyone willing to risk 20 pips.

Trade 4

The MKS-1 trendline did not generate any signals right after it was established, since the first candle that formed was a doji formation.

The first candle that penetrated this trendline closed as a bearish candle, however, it closed too close to the extended MKS-3 trendline, and it wouldn't be wise to enter the trade at this moment. When this happens, we need to wait for the next candle that closes either below the MKS-3 line or above the MKS-1 line for an entry signal.

At Point **12**, **the** MKS-1 is penetrated and we get a bullish candle closing above this trendline.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle low minus four pips (see Point **10**), which in this case is a 25 pip stop-loss, **or**
- bearish candle closing below the MKS-1 or the MKS-3 trendline.

Our target is 15 pips, or the first pass through any existing or new trendlines that we meet.

In this example, price meets with the MKS-2 trendline when we are sitting with a 25 pip profit. Again, we could have exited earlier with our 15 pips, but it is also alright to stay in the trade until the new trendline is met.

This trade was fast and we didn't have to deal with any stop options.

Trade 5

When the MKS-2 trendline was formed it generated a "buy" signal.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle low minus four pips (see Point **10**), which in this case is a 60 pip stop-loss, **or**
- bearish candle closing below the MKS-2 or the MKS-1 trendline.

Our target is 15 pips, or the first pass through any existing or new trendlines that we meet.

Unfortunately, this trade is not giving us any profit before it changes direction. First, it penetrates the MKS-2 trendline (see Point **13**) going straight for our 30 pip stop-loss. It consolidates for a while, then goes back up to retest the extended MKS-2 line. It bounces off of the MKS-2 trendline (see Point **14**) sending us a message that this trade may not go well. This is another option for exit with approximate 18 pip loss.

So far, we had two opportunities to exit this losing position, but we decided to give it a chance and we held on to our 60 pip stop-loss.

Time goes on. This trade is not doing well, and we are still in a losing position when a new MKS-3a trendline gets formed and it comes with a “sell” signal (the MKS-3a trendline is a regular MKS-3 line, however, I put an “a” at the end so we don’t confused this trendline with previously established MKS-3 trendline). Now we can also see how the trendline contained the price (see Point **15**). But we are stubborn, and we are still holding onto our losing position.

Price keeps going down, and we are closing below the extended MKS-1 trendline (another opportunity to exit the trade with a 50 pip loss). We are still using the “hope indicator” and we keep the losing trade until it finally hits our 60 pip stop-loss.

This trade was a losing position, but it didn’t have to be a 60 pip loss. We had enough warnings to exit the trade with a loss of 30 or fewer pips. I kept going on with this trade to show you all the possibilities that were available.

Note: *If you get two or three signs that tell you to exit, don’t wait until your largest stop gets hit. It is alright to stay in a trade if we only encounter one exit condition, and it is contained within our 10-20 pip stop-loss range.*

Trade 6

When a new MKS-3a trendline was formed it generated a “sell” signal.

We have three options to set up our stop-loss:

- default 30 pip stop-loss, **or**
- previous cycle high plus four pips (see Point **15**), which in this case is a 12 pip stop-loss, **or**
- bullish candle closing above the MKS-3 trendline.

Our target is 15 pips, or the first pass thru MKS-3a trendline, or the rejection by any other existing or new trendlines that we meet.

This situation is a little bit tricky, as we got our sell signal very close to where our extended MKS-1 trendline is. We can enter a short position at the closing price of the first candle that was occurred after the MKS-3a trendline was established; however, it is in our best interest to wait and see if we get a close below the MKS-1 trendline before proceeding.

The MKS-1 trendline was penetrated successfully (see Point **16**), and it is now a safe place to enter our short position.

Our target of 15 pips is met very quickly, so we can exit now, or we can hold on to this trade until we meet with our old MKS-3 trendline (see Point **15**) generating approximately 60 pips of profit.

This trade was fast and very profitable.

***Note:** If you are going to stay in a trade for more than 30 pips of profit, move your stop to at least the break-even point, or use a trailing stop once you have 30 pips. By doing this, you protect yourself from turning a profitable trade into a loss.*

Let's take a look at one more example (see Figure 5.12). This time we are dealing with the USD/CHF pair.

I am going to point out the MKS trendlines and the trigger candles; however, I will leave the explanation to the readers as a homework assignment. Write down when and why you would enter the trade, and specify your profit targets and stop-loss values. Go through this exercise, and if you have any questions, please email me at: forex@korzec.ca

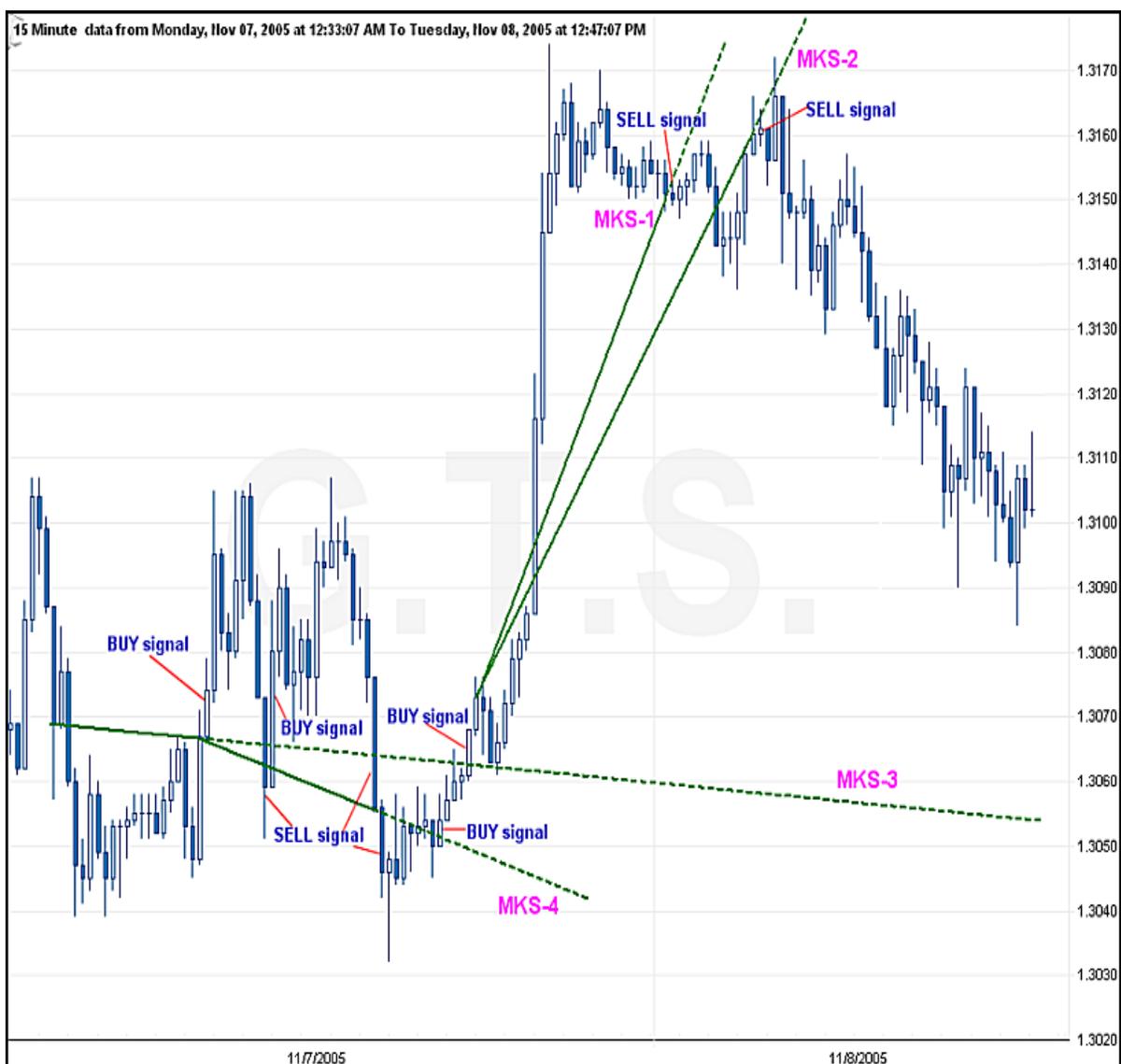


Figure 5.11. USD/CHF, November 7-8, 2005

I also suggest that you always keep the last four or five MKS trendlines on your chart. It is important to see where we may encounter an old support or resistance levels. Learn the proper usage of the MKS trendlines using a demo account. Once you are doing well, you can apply this knowledge to trade your live account.

Here are my suggestions for practicing this trendline concept:

1. Each time that you enter a position, buy or sell using two lots (standard or mini).
2. Have a 60 pip “emergency stop” on each lot (in case there is a power outage, or issues with your Internet connection), and set the first lot for 15 pips of profit, and use the second lot for learning how to exit your trades using knowledge about the MKS trendlines, regular trendlines, price projections and chart patterns.
3. Once you are at a 15 pips profit, your first lot should be closed and you should move your stop up on the second lot.
4. Let the trade run for 30, 40, or more pips, or let it be stopped out by a trailing stop or stop-loss.

The idea of this exercise is to learn how to recognize exits properly. Once you are good at it, you can let the trade run for as much profit as you can achieve. You should also learn to apply the exit techniques to use them as stops so if the trade is not going in the right direction, you can recognize it very fast and exit with a smaller loss (20 or 30 pips instead of 60 pips).

In the next section of this book, you will learn some tips for exit techniques that are used by two great traders and teachers: Mark Braun and Neal Hughes.

I will also share with you my own rules.

6. Technical Exit Strategies

Exit Strategies Using Fibonacci Expansions

(prepared by Neal Hughes)

So much time is spent on entering a trade, however we also need to focus on some exit strategies. This is not a full Fibonacci course, so if you don't understand the basics I suggest that you visit my website for help with those aspects.

Human nature makes trading very challenging. Sometimes you want to exit a trade too quickly when it goes against you, and to cling on to a winner too long. Too often a winning trade will reverse, taking back most of your profits, or even going into a loss. On the other hand if you exit too soon, you risk missing some big profits. You may find that you're sitting on the sidelines while the market continues well beyond your exit.

In this section, I'll show you how to bank those profits before they turn against you.

First look at the JPY hourly forex chart (see Figure 6.1).



Figure 6.1. JPY hourly chart

Let's imagine that you were clever (or lucky) enough to enter long near point "A". You're feeling pretty good when price reaches "B". So good that you don't want to exit, because the up-thrust just before "B" give the impression that this market wants to go further.

Before you know it, the market reverses and heads towards "C". Right at "C" you get scared and bail out with a little profit. Not much profit compared to exiting at point "D" or even at "F".

You exit near "C", and feel relieved until you see the market heading (thrusting) up to point "D". You stop kicking yourself long enough to enter when it breaks above "B", just a little before the high at "D".

Soon after your entry near "D", the market retraces to "E", and on the way breaks below the high of "B". Breaking below the high of "B" feels scary because you're

thinking this chart could be back at "A" in a flash. So you exit at "E" licking your wounds with a loss in this trade.

You start to notice more frustration now, when you enter somewhere between "E" and "F". You're feeling good near "F", but then the chart dives to "G" and you're stunned! This is a losing day for your account, and it's beginning to hurt.

By this time you feel like the whole market is watching your trades, and they're doing exactly the opposite of what you are doing. You start thinking that they wait for you to enter before they slam you and empty your account.

You have now wasted your emotional capital, and you don't want to trade any more. You don't have the stomach to consider shorting the rally after "G" to take profits at "H".

There must be a better way!

You should seriously consider using profit targets to improve your trading performance. There are several ways to do this; my preference is to use Fibonacci techniques.

On the following chart (see Figure 6.2), I have added a Fibonacci expansion using points "A, B, C". This provides us with three profit targets. They are at 116.52, 116.93, and 117.59 (see the blue arrows). These values represent 61.8%, 100% and 161.8% of the distance between point "A" and point "B", when measured from point "C". See my website for more details on how to calculate probable market turning points.



Figure 6.2. JPY hourly chart with Fibonacci expansion levels

If I add another Fibonacci expansion using points "C, D, E", then two more profit targets are added, at 116.87 and at 117.22. I have not added those studies to the chart, in order to keep things simple for now. You will notice the 116.87 target is quite close to the profit target at 116.93 in the above paragraph. And the 117.22 target is remarkably close to the swing high at 117.32 which is between E and F. We'll ignore those for simplicity; just remember that Fibonacci is excellent at predicting probable turning points.

The trick with Fibonacci is that the market sometimes blows right through a profit target. So what do you do then? Simple - you stay in the trade! But sometimes the market reverses shortly after a profit target.

Sometimes the market respects a certain Fibonacci level, sometimes not. Some Fibonacci levels are "stronger" than others. Advanced Fibonacci techniques are able to help determine which have more validity, but that is beyond the scope of this lesson. What mechanism could you use to exit the trade?

One practical method of timing a trade is to use an oscillator. Another is to use a moving average. When an oscillator shows a decline of momentum, or when price crosses a moving average, you could exit the trade. Let's explore the "oscillator" option in the following chart (see Figure 6.3).



Figure 6.3. JPY hourly chart with Oscillator values

In that chart, I have removed the Fibonacci studies (less clutter), leaving the blue arrows for profit targets. At the bottom I have added the default Stochastic per eSignal charting software. I have added a red vertical line whenever the Stochastic "fast" blue line crosses the "slow" red line just after price rises above the Fibonacci target. If you exited when price reached those vertical red lines, you'd be a happy trader!

Already you can see the potential of using profit targets with an exit trigger.

You may want to research the following:

- Possibly exiting a partial position at each profit target.
- Consider entering long again on the dips, when the chart begins to rally again.
- Consider using multiple time-frames, perhaps Fibonacci studies on the hourly chart, and exit triggers on 5 minute charts.

If you would like to become an expert at trading with Fibonacci, see Neal's trading seminars at his website: <http://www.fibmaster.com>

Exit Strategies Using Fibonacci Price and Time Projections

(prepared by Mark Braun)

How many times have we asked ourselves, “How much can I expect from this trade? Where can I place a logical profit target without asking too much of the market, or too little?”

An understanding of the geometry of price and time, plus practical Fibonacci and Gann techniques, can help you set profit targets before you enter a trade. These targets have the benefit of being self adaptive; they’re based on recent market activity and not just an arbitrary number which may have no bearing on what the market is willing to give you at this point in time.

Most of us are familiar with the use of Fibonacci retracements to find support or resistance areas prior to entering a trade. Figure 6.4 shows the 15-minute GBP chart that demonstrates this principle.

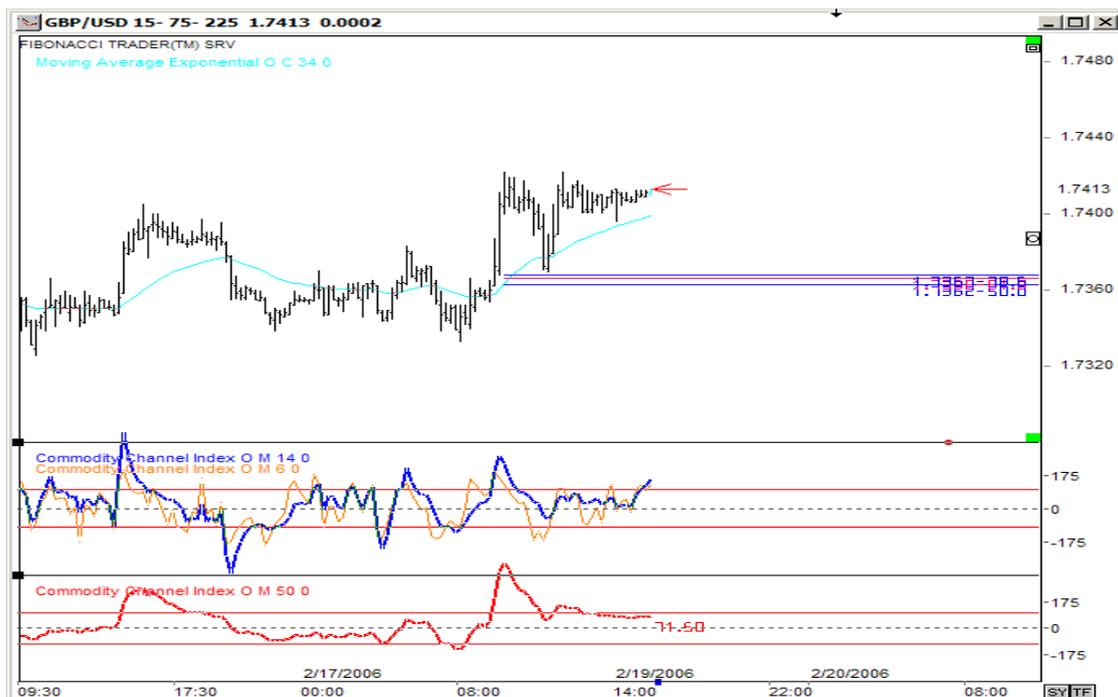


Figure 6.4. GBP chart with Fibonacci Retracement

The support zone on the chart is a cluster of three Fibonacci ratios established by taking several prior lows and connecting them to the highest high on the chart. These overlaps, or clusters, provide excellent support areas for long entries when combined with a momentum based indicator. They can also help to keep you in a trade by indicating a likely turning point in the market. I use the CCI (Commodity Channel Index) indicator, which in this case was confirming a return to upwards momentum as the market approached the Fibonacci support cluster.

But did you know that you can also use Fibonacci tools to project where a swing is likely to terminate or pause?

Wouldn't it be helpful in setting targets if you had this information?

We call these 'Fibonacci Extensions". An extension is a retracement which is larger than the swing being measured. Commonly used Fibonacci retracement values such as .618 and .786 are great for measuring support and resistance when you're looking at pullbacks. A retracement, since it is a fraction of a prior swing, must by nature land between a previous high and low.

But what if you're making a new high on the timeframe you're using for trading?

Just as those retracement values represent likely turning points on pullbacks, the extension values of 1.272 and 1.618 are great for showing when the market might say "okay, that's enough for now".

Figure 6.5. shows the same chart as Figure 6.4, but with extension targets.

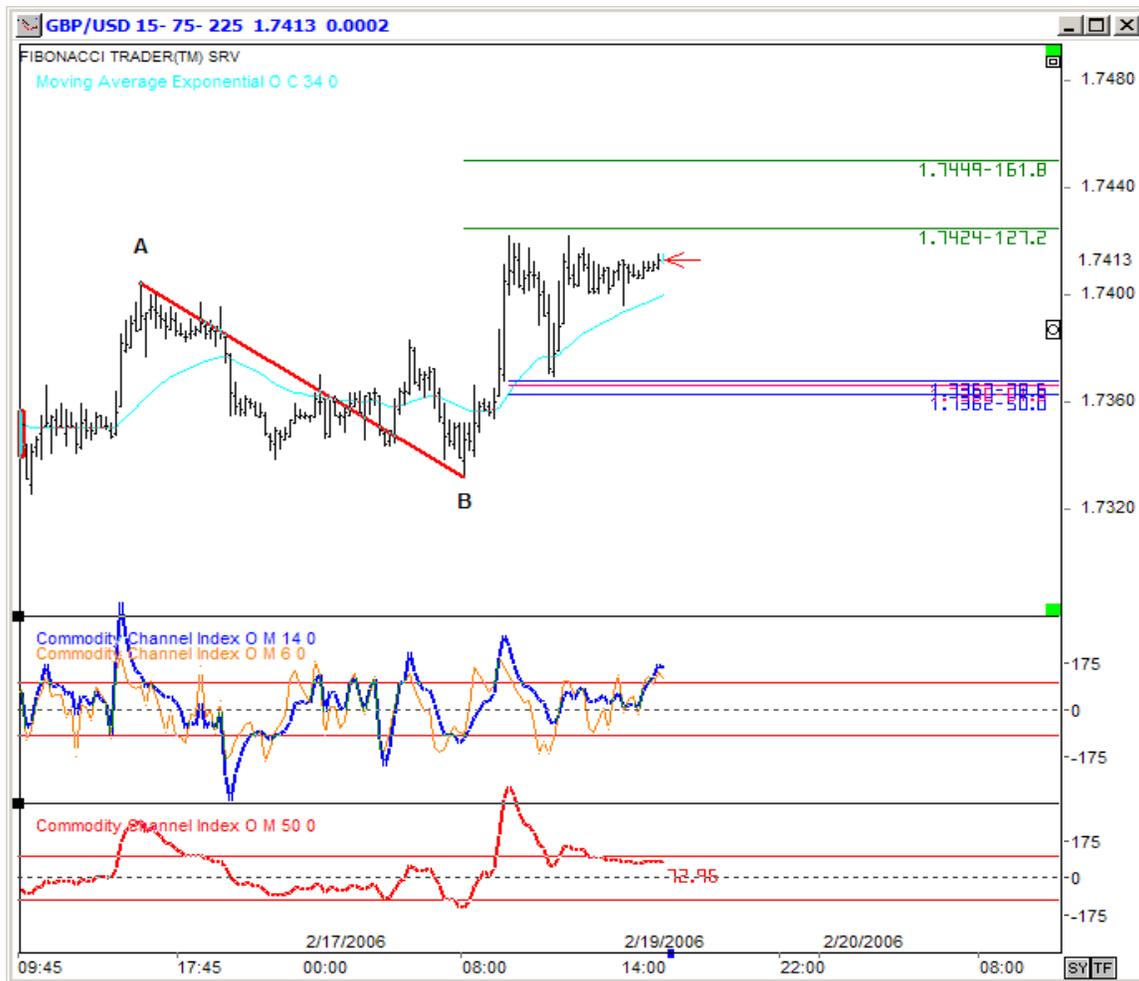


Figure 6.5. GBP chart with extension targets

By setting a retracement tool to the values of 1.272 and 1.618, we're able to put that question to the market directly, "If the rally resumes, where is it likely to terminate or at least pause again?" In the case of a rally, connect a prior high (Point A) with the current low (Point B) to project those extensions above. As you can see, the market rallied to within a couple of pips of the first level. The CCI also showed substantial divergence, indicating a loss of upside momentum. An excellent place to take profits!

Let's discuss now Figure 6.6, which shows a 15-minute CHF chart.

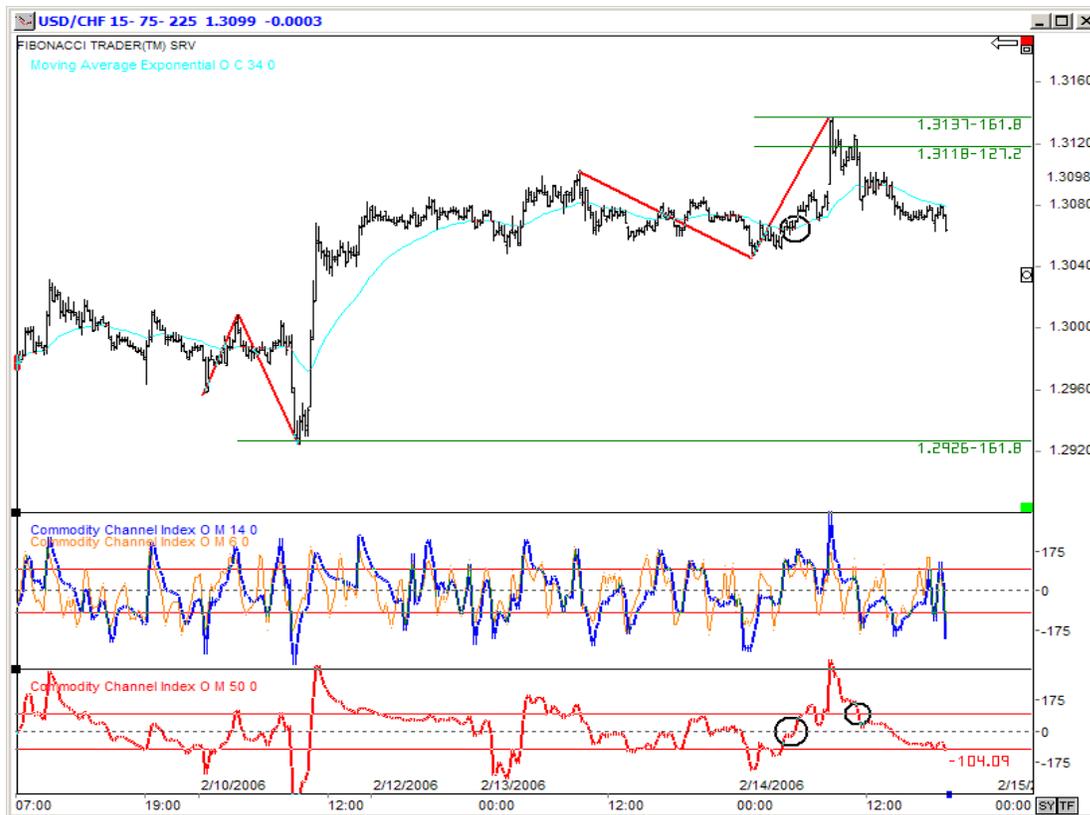


Figure 6.6. CHF chart

Extensions can often help pinpoint the end of a major move before any other signs of reversal. On the left of this chart, you can see that the market was in a downtrend. In this case, by taking the prior low to the high after it with the retracement tool (again set to 1.272 and 1.618), we were able to forecast where this possible “U-Turn” had a high probability of pause or termination. As you can see, in this case it was termination of the decline! Note that the only price points necessary to project this extension were the prior low and high. Support was in place well before the market traded near that price. The example on the right of the chart shows a long trade. I’ve omitted the Fibonacci support in order to keep the chart clear. When the lower CCI, longer term, crossed above its zero line and price crossed above the moving average it indicated a return to upwards momentum (see the black circles). This would be a good entry. At that point, connect a prior high to the current low to project the extensions above. Price rocketed through the first extension. A test and rejection of the second level while

the CCI began to hook downward indicates a good place to take at least partial profits. If there were another entry signal, the partial could be put back on. In this example, the worst-case exit on the balance would be when that longer term CCI proved unable to maintain the +100 line. At this point it would be prudent to exit the balance of the position. But even waiting that long on covering the balance, a part of the position returned the most profit possible on the entire swing!

This next example (Figure 6.7), a 60-minute USD/CHF chart, shows a particularly powerful pattern.



Figure 6.7. CHF chart

When a market is coming to the end of a trend, it will often make a series of smaller swings into new highs or lows. In the case of this rally, it was possible to plot several “U-Turns” with the extensions as projected by a retracement tool.

Each time the market made a new high and low, the retracement tool was used (from high to low) to project the extensions above. They overlapped, which is common near the end of a major trend.

Also, a Fibonacci Timing tool was applied to the same pivots to discover whether these highs and lows were cyclic in nature. A strong cycle is indicated by a near overlap, within one bar, of three Fibonacci time relationships. The center of that overlap is at 0700 hours near the top of the chart, since there were also timing factors at 0600 and 0800. With an overlap of both price and time factors, there's a very high probability of the market reversing or pulling back substantially if price meets the extensions during the timing overlap. That's exactly what happened in the example above. Combined with the very visible CCI divergences, it's an excellent place to cover a long position, maximizing profits from even a longer term trade.

These overlaps in both price and time can be found in any market, on any timeframe. By all means, experiment with tools in your charting package. You'll be amazed at what you'll find when you look for those "U-Turns"!

If you would like to become an expert at trading using these techniques, see Mark's trading seminars at his website: [http:// www.mjbraun.net](http://www.mjbraun.net)

Additional Exit Strategies using Technical Indicators

I work with the 15-minute chart and have the following indicators plotted on the chart:

- 3x3 SMA (Simple Moving Average with period value “3” and an offset value “3”)
- Live Fibo Range (Fibonacci tool available only with the Fibonacci Trader software)
- Murrey Math levels (more info about MM levels can found on the Internet if you do a search for it. A basic explanation of how these levels should be used can be found at:

http://www.foretrade.com/MM_description.htm

Most of the time, my exits are based on a combination of two or more of the indicators that were discussed above. For example, if I am holding a long position and price gets below the 3x3 SMA and it is also sitting on the live fibo range resistance level, those are clear signals to exit my trade. The more exit signals you have, the better. It means that price is about to change direction and it is best to take whatever profit that you have. If I am holding a short position, I do the opposite: I exit when price gets above the 3x3 SMA and it is sitting a live fibo range support level.

I also take chart patterns into consideration. For example, if I am holding a long position and 123 Top is forming or Leg 2 from the “Leg1/Leg2” setup is completed, it is time to exit the trade.

Another exit strategy to remember is the price projection based on broken trendlines, which was discussed in Section 5 . In addition, I typically don't hold on to my position for a very long time, this is why I am using the 15-minute chart. You can try to implement what I am doing on a higher time frame (such as the hourly chart) if you don't mind staying in a trade for few hours, or for a couple of days.

At this point we are ready to discuss the London Open and New York News Time systems. The London Open system can be applied to any currency pair, however it works best with the GBP/USD pair. The New York News system is good only for trading the GBP/USD pair, as it deals with a motion that is very specific to that pair.

7. MMTS for New York News: 8:30 am, trading GBP/USD

As you all probably know, everything in our world has to deal with numbers. The most successful trading theories are based on mathematical calculations and functions. The science of math created Pivot Points that are widely used on trading floors, Fibonacci ranges that are used not only in trading but in other aspects of life as well. All technical indicators are based on different mathematical formulas and averages.

I looked at all the numbers that are generated in the forex market during times with high momentum, such as news times. There is a very clear connection between the last 15-minute before news and the first 15-minute of news. Because we do not always get news at 8:30 am ET, I also monitored price action during these times. Based on my observations, I came up with the following rules for trading the New York news at 8:30 am:

1. Use a 15-minute chart
2. Calculate the spread of the 8:15 am candle or the candle that is formed from 8:15 am to 8:30 am (high to low, not open to close - see Figure 7.1a)

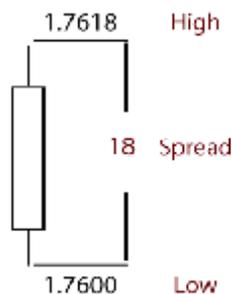


Figure 7.1a. The 8:15 candle

- Calculate the spread of the 8:30 am candle or the candle that is formed from 8:30 am to 8:45 am (high to low, not open to close - see Figure 7.1b)

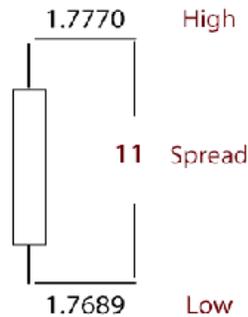


Figure 7.1b. The 8:30 candle

- Calculate the spread of the 8:15 am to 8:45 am time frame (8:15 and 8:30 candle – see Figure 7.1c)

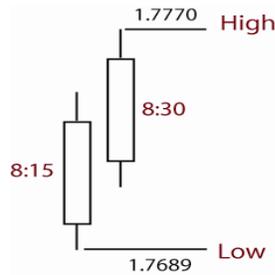


Figure 7.1c. The 8:15 to 8:45 time frame

- Get the high and low of the 8:15 am to 8:45 am time frame (see Figure 7.1d)

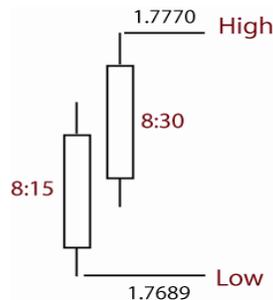


Figure 7.1d High and Low of the 8:15 to 8:45 time frame

Before we buy or sell, we have to make sure that none of the following conditions are in place:

Do not enter the trade if:

- The spread of the 8:15 candle, the 8:30 candle, and the spread of the time frame from 8:15 am to 8:45 am is the same: e.g.: 16, 16, 16.
- The spread of the time frame from 8:15 to 8:45 is 14 pips or less.
- The spread of the 8:30 candle is 10 pips or less.
- The spread of the 8:15 candle is 13 pips or less AND spread of 8:30 candle is 13 pips or less.

Once we know that none of these conditions are in place, we have to get ready for some action. Price will move in one of the three ways: up, or down, or it will stay in the 8:15 to 8:45 range. Spread cost is included in our target and stops.

Our target is 19 pips, and our stops are as follow:

- We use a 20 pip stop if the spread of the 8:15 candle is less than 40 pips AND if the spread of the 8:30 candle is less than 40 pips.
- We use a 40 pip stop if spread of one of the candles is over 40 pips.
- We use a 25 pip stop if the spread of the 8:15 candle is less than half of the spread of the 8:30 candle, e.g.: the 8:15 candle is 12 pips long, and the 8:30 candle is 36 pips long (12 is less than 18 [half of 36]).
- We use a 45 pip stop if the spread of the 8:30 candle is less than half of the spread of the 8:15 candle, e.g.: the 8:15 candle is 36 pips long, and the 8:30 candle is 12 pips long (18 [half of 36] is more than 12).

Sometimes, after we buy or sell, the market may go to consolidation state and may not move much. In this case we will exit our trade if four or five consecutive bars open and close in the same range. Try to exit at a break-even point.

I have created different setup situations to help us make the most accurate entry. You have to get familiar with these setups as our entry maybe happening within few seconds after the close of the 8:30 candle and many times you will have to buy or sell at market entry. The “Buy” entries are designated in green color, the sell entries are designated in red color and neutral in black color.

This system gets extra strength when it overlaps with the direction of the MKS –3 trendline.

If there is a confusing message between these two systems, e.g. we should buy according to the trendline and sell according to New York News setup, I would suggest skipping the trade.

USE SETUP # 1 FIRST, if this entry does not happen before 9:00 am, this setup is no longer valid and we have to look for other setups. The next most popular entries are Setup 4, Setup 6, or the MMTS 1 rules.

MMTS 1 rules

Buy GBP/USD 4 pips above the high of the 8:30 am - 9:00 am time frame or sell GBP/USD 4 pips below the 8:30 am-9:00 am, whichever comes first. If one of the 15-minute bars from this time frame is larger than 50 pips, do not trade this system.

Setup 1

We will enter our trade 1 pip above the high of the 8:15 am to 8:45 am time frame (long) OR we will enter 1 pip below the low of the 8:15 am to 8:45 am time frame (short), whichever comes first. If this entry does not happen before 9:00 am, this setup is no longer valid and we have to look for other trading setups. The next most popular entry is setup 4 or 6.

Setup 2

First Friday of the Month Rule (The Non-Farm Payroll report)

1. Caution: we should not use this trading rule in May. I backtested this rule for the last three years and noticed that it never worked in May.
2. If the 8:15 candle is less than 17 pips (spread from high to low) or more than 40 pips (spread from high to low) we do not take the trade based on this rule, otherwise, we enter in the direction of the 8:15 candle. If the 8:15 candle closes as a bullish candle (white or green) we go long, if it closes as a bearish candle (black or red) we go short.
3. We do not trade this setup if 8:15 candle is a doji.
4. We enter exactly at 8:30 am when the news hits.
5. Our stop is always 85 pips; our target is always 75 pips.

I noticed that when we have a major news release, such as the Non-Farm Payroll report, many times the true direction of “where the price will go” is “shown” by the 8:15 candle that forms just before the release.

We have to use wide stop in a trade like that, as price action tends to go high and low in both directions before it settles down. A large stop will keep us in the trade, and will give us the maximum profit. During all 12 months in 2005, this rule did not produce a loss, however it produced situations where the rule could not be applied because conditions were not met.”

Setup 3

If you are looking at this setup, you know that the 8:45 candle didn't break the high or the low of our 8:15-8:45 time frame, but if the following setup was created we will SELL (short) at the price at which the 8:45 candle closed.

These are not your regular candlesticks but they represent the highs and lows of 8:15, 8:30 and 8:45 candles. If the tree candles on your chart look similar then we have a setup number 3.

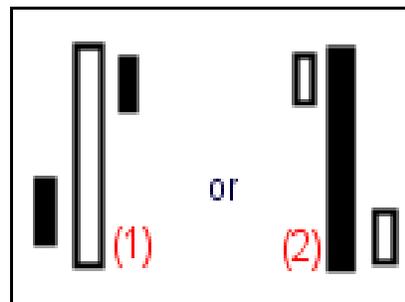


Figure 7.2a Setup 3

Figure 7.2.b and Figure 7.2.c show examples of Setup 3 that happened on January 7, 2005 and June 10, 2005.

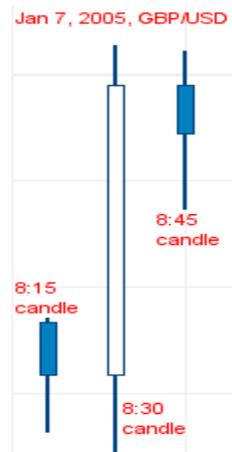


Figure 7.2b GBP/USD Jan 7, 2005

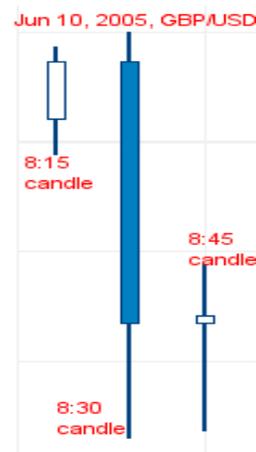


Figure 7.2c GBP/USD Jun 10, 2005

Setup 4

When the 8:15, 8:30 and 8:45 candles form something that looks like “123 Top” pattern (see Figure 7.3a), we will be SELLING (shorting) at the price at which the 8:45 candle closed.

It really doesn't matter how the three candles look like, as long as they form “roofs”. We need to have a clear indication that the formation looks like 123 Top.

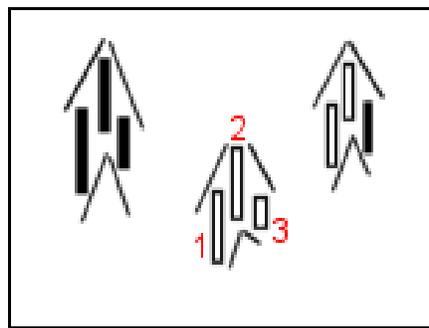


Figure 7.3a Setup 4

Figure 7.3b and Figure 7.3c show examples of Setup 4 that happened on March 18, 2005 and April 26, 2005.

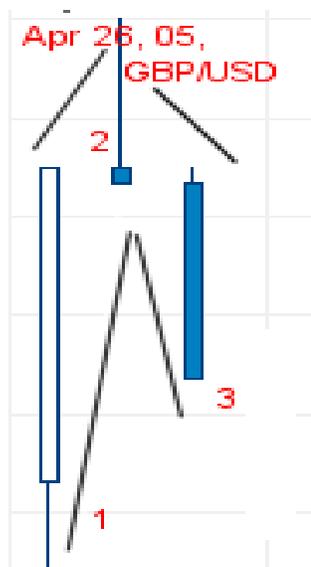


Figure 7.3b GBP/USD Apr 26, 2005

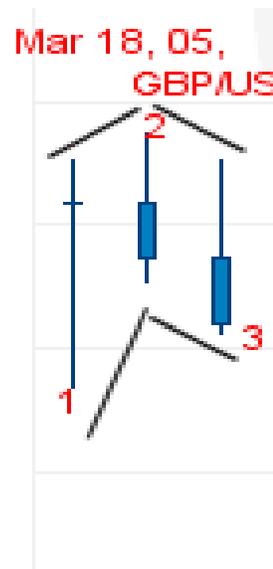


Figure 7.3c GBP/USD Mar 18, 2005

Setup 5

When the 8:15, 8:30 and 8:45 candles form the pattern shown in Figure 7.4.a, we will be BUYING (going long) at the price at which the 8:45 candle closed.

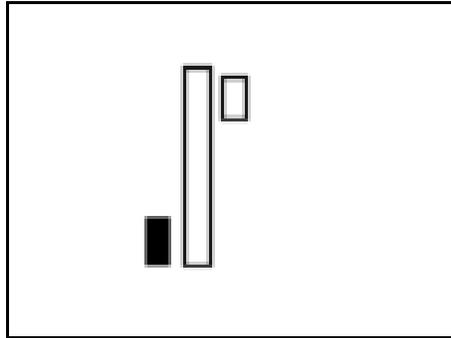


Figure 7.4a Setup 5

Figure 7.4b shows an example of Setup 5 that happened on January 12, 2005.

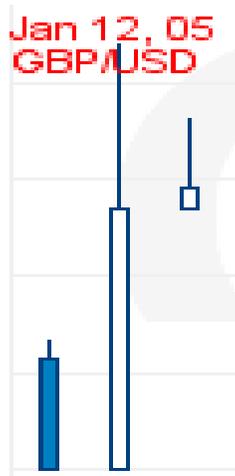


Figure 7.4b GBP/USD Jan 12, 2005

Setup 6

This setup is the opposite of Setup number 4. We are looking for a pattern that looks like 123 Bottom (see Figure 7.5a). If we get it we will be BUYING (going long) at the close of the 8:45 candle.

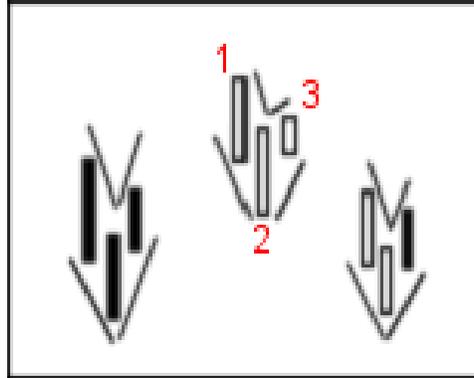


Figure 7.5a Setup 6

Figure 7.5b shows an example of Setup 6 that happened on January 25, 2005.



Figure 7.5b GBP/USD Jan 25,2005

It really doesn't matter how the three candles look like, as long as they form "V". We need to have a clear indication that the formation looks like 123 Bottom.

Setup 7

If the 8:15, 8:30 and 8:45 candles happen to have the same “lows” or the same “highs” we are going to skip the trade. This indicates market indecision, and we will be better off relying on technical analysis to determine if a trade is appropriate (see Figure 7.6a).

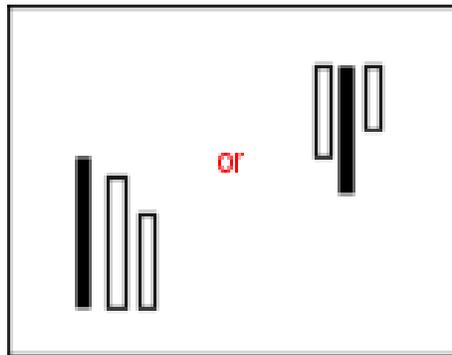


Figure 7.6a Setup 7

Figure 7.6b shows an example of Setup 7 that happened on April 4, 2005.

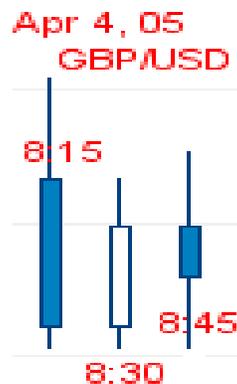


Figure 7.6b GBP/USD Apr 4, 2005

Setup 8

This setup looks almost like 123 Top, except that the 8:30 and the 8:45 candle share the same “high”. Pattern shown in Figure 7.7a generates SELL (short) signal. In this case we will be SELLING (shorting) at the price at which the 8:45 candle closed.

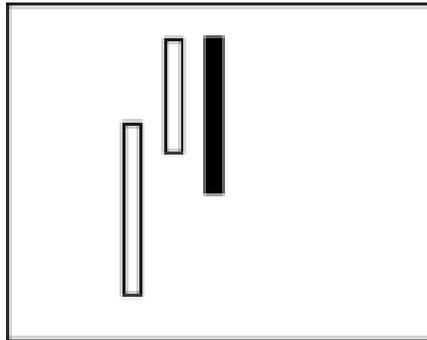


Figure 7.7a Setup 8

Figure 7.7b shows an example of Setup 8 that happened on September 7, 2005.

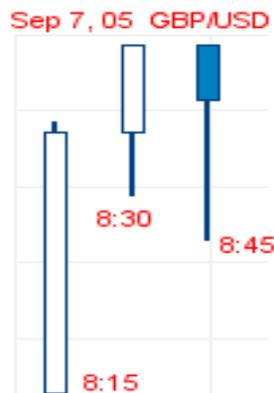


Figure 7.7b GBP/USD Sep 7, 2005

Setup 9

This is another example of where we are going to skip the trade. The 8:15, 8:30 and 8:45 candles have highs and lows that are very close to each other (see Figure 7.8a). We may see some dojis in this setup. Again, if it is consolidation, we are not sure which direction price will go.

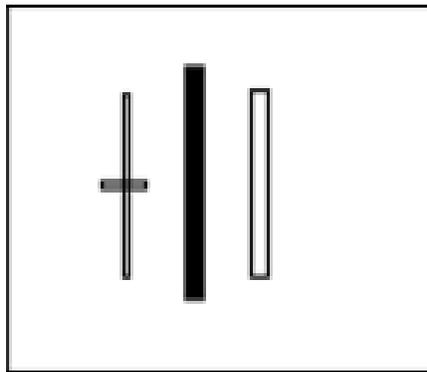


Figure 7.8a Setup 9

Figure 7.8b shows an example of Setup 9 that happened on September 14, 2005.

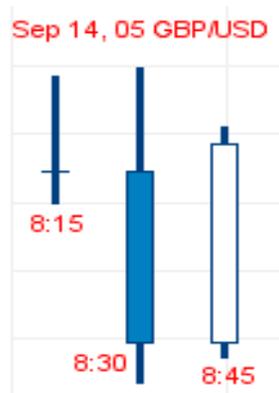


Figure 7.8b GBP/USD Sep 14, 2005

Setup 10

This is any easy one.

If you see candle formation that is not on this list, that means that we have NO SETUP. In this case, we skip the trade.

Setup 11

We have another formation that is the opposite of Setup 8.

We are going to see the 8:30 and the 8:45 candle share the same “low” creating pattern that looks like 123 Bottom (see Figure 7.9a). This setup generates BUY (long) signal, and we should enter our trade at the price at which the 8:45 candle closed.

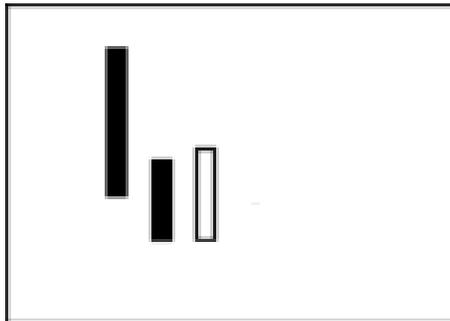


Figure 7.9a Setup 11

Figure 7.9b shows an example of Setup 11 that happened on September 19, 2005.

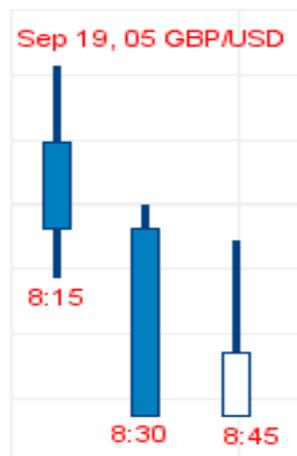


Figure 7.9b GBP/USD Sep 19, 2005

Setup 12

Another situation where we will be SELLING (shorting) at the price at which the 8:45 candle closed (See Figure 7.10a).

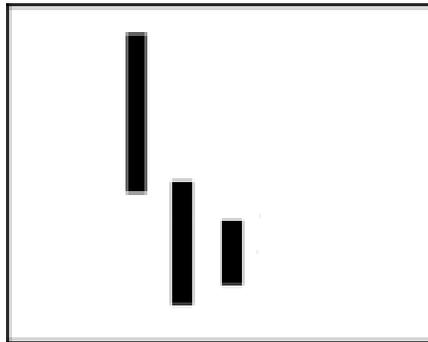


Figure 7.10a Setup 12

Figure 7.10b shows an example of Setup 12 that happened on October 7, 2005.

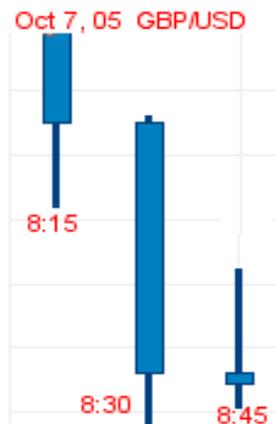


Figure 7.10b GBP/USD Oct 7, 2005

Setup 13

Nobody wants to be unlucky, so we are skipping this one 😊

Setup 14

With this setup (see Figure 7.11a) we will be BUYING at the price at which the 8:45 candle closed.

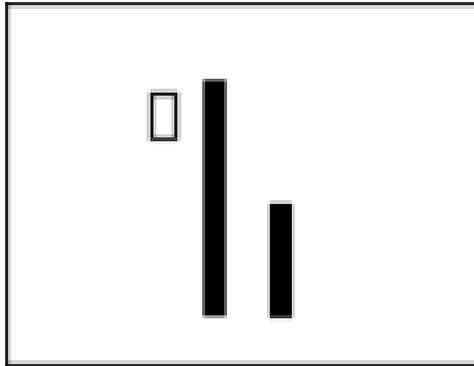


Figure 7.11a Setup 14

Figure 7.11.b shows an example of Setup 14 that happened on October 13, 2005.

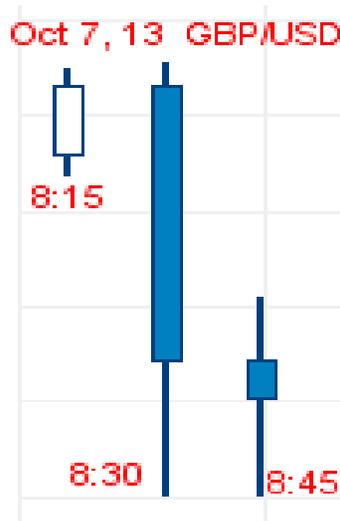


Figure 7.11b GBP/USD Oct 13, 2005

Setup 15

With this setup (see Figure 7.12a) we will be BUYING at the price at which the 8:45 candle closed.

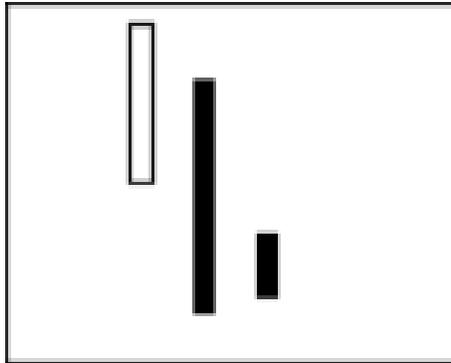


Figure 7.12a Setup 15

Figure 7.12b shows an example of Setup 15 that happened on October 19, 2005.

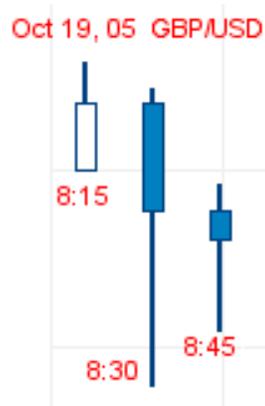


Figure 7.12b GBP/USD Oct 19, 2005

Setup 16

With this setup (see Figure 7.13a) we will be SELLING (shorting) at the price at which the 8:45 candle closed. The 8:30 candle should look like a hammer. If it doesn't it may be a losing trade from time to time.

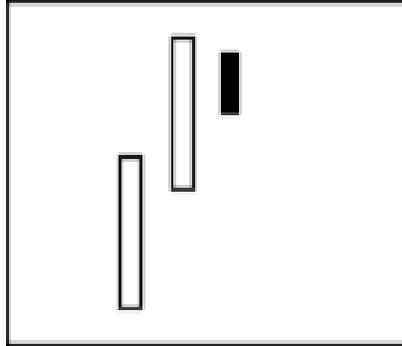


Figure 7.13a Setup 16

Figure 7.13b shows an example of Setup 16 that happened on February 15, 2005.

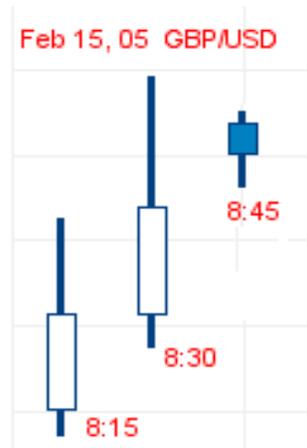


Figure 7.13b GBP/USD Feb 15, 2005

Setup 17

With this setup (see Figure 7.14a) we will be BUYING at the price at which the 8:45 candle closed.

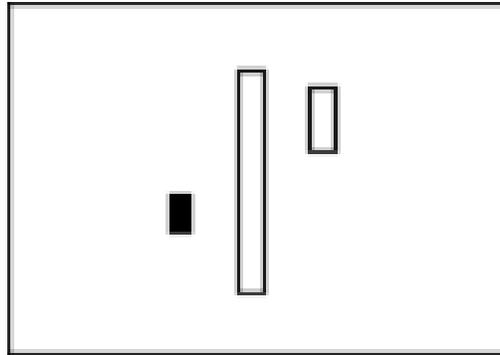


Figure 7.14a Setup 17

Figure 7.14b shows an example of Setup 17 that happened on March 4, 2005.

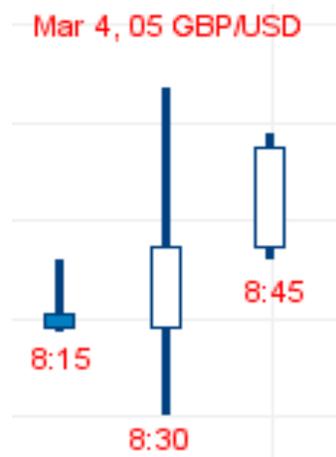


Figure 7.14b GBP/USD Mar 4, 2005

Setup 18

This is very similar to setup number 16 (see Figure 7.15a). With this setup we will be SELLING (shorting) at the price at which the 8:45 candle closed. We do not need to see three white hammers, but every hammer adds strength to this configuration making the trade more likely to succeed.

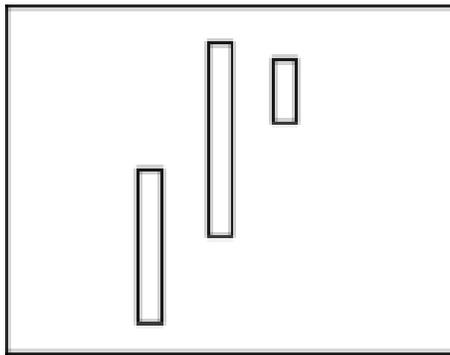


Figure 7.15a Setup 18

Figure 7.14b shows an example of Setup 18 that happened on March 10, 2005.

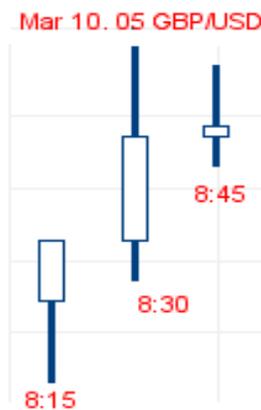


Figure 7.15b GBP/USD Mar 10, 2005

Setup 19

This is also “123” like pattern (see Figure 7.16), except the 8:45 candle has higher low than the 8:30 candle. With this setup we will be SELLING (shorting) at the price at which the 8:45 candle closed.

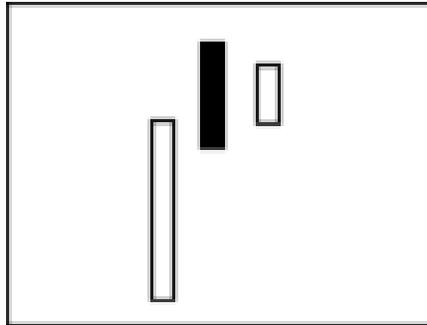


Figure 7.16

8. New York News Setups Summary

Use Setup number 1 first. If this entry does not happen before 9:00 am, this setup is no longer valid, and we have to look for other setups. The next most popular entries are Setup 4, Setup 6, or the MMTS 1 rules.

Figure 8.1 summarizes the setups that are discussed in Chapter 7.

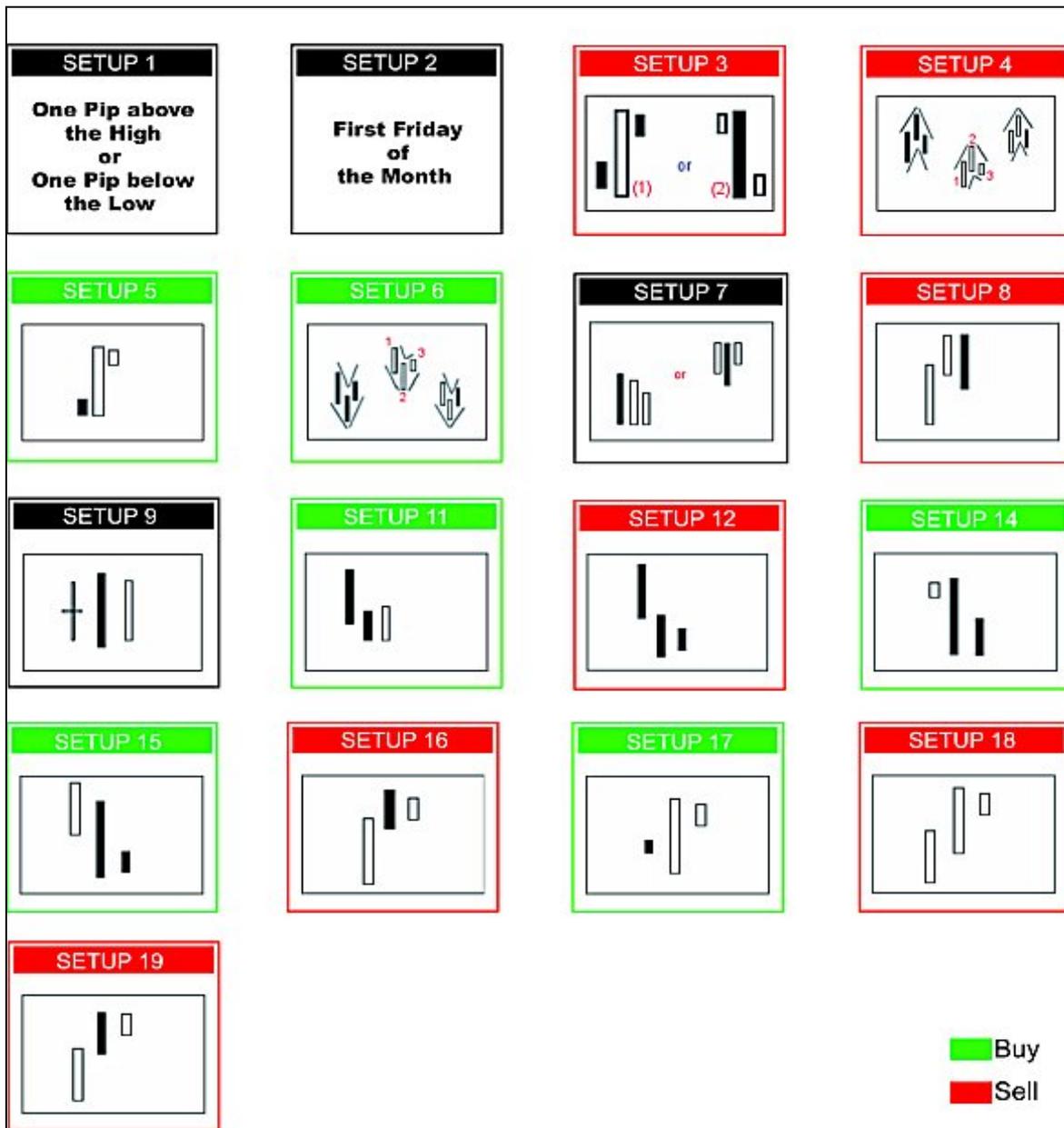


Figure 8.1. New York News: Setups

9. GBP/USD System for 8:30 am News, 2005 Trading Results

These results are based on trading one lot every day when there was a setup in place (The mechanical entries do not include MKS trendlines analysis.)

Total for 2005

MMTS 2.0

Mechanical Entry & Exit

1,713 Pips (Spread cost included in the number)

MMTS 2.0

**Mechanical Entry & Manual Exit Using
Technical Analysis**

3,569 Pips (Spread cost included in the number)

MMTS 2.0 Mechanical Entry & Exit

Average Number of Pips Per Month: 143

Number of wins with 19 pips: 142

Number of wins with tech analysis: 142

Number of 20 pips losses: 27

Number of 25 pips losses: 5

Number of 40 pips losses 8

Date	SETUP	MMTS 2.0 WINS	MMTS 2.0 LOSSES	WIN with TECHNICAL EXITS
3-Jan	1	19		50
4	10	0	0	0
5	1	19		90
6	1	19		30
7	2	75		90
10	1		20	
11	4	19		19
12	5	19		40
13	1	19		10
14	1		20	
17	1	0	0	0
18	4	19		40
19	1		25	
20	4		20	
21	1	19		40
24	1	19		30
25	6		20	
26	1	19		30
27	1	19		90
28	1		40	
31	1	19		50
1-Feb	11	0	0	0
2	1	0	0	0
3	15	19		30
4	2	75		80
7	1	19		90

8	1		20	
9	1	19		40
10	6	19		80
11	1		20	
14	1	19		20
15	16	19		80
16	10	0	0	0
17	10	0	0	0
18	10	0	0	0
21	1	0	0	0
22	1	19		30
23	1	19		20
24	1		20	
25	1	19		40
28	1	19		30
1-Mar	1	19		20
2	1	0	0	0
3	1	19		30
4	10	0	0	
7	11	19		40
8	1	19		40
9	1	19		20
10	18	19		40
11	10	0	0	0
14	1			
15	19	19		90
16	1		40	
17	1		20	
18	4	19		20
21	1	19		40

22	1	19		20
23	1		40	
24	16	19		20
25	Holiday	0	0	0
28	1	19		20
29	1		20	
30	1	19		20
31	16		40	
1-Apr	2	75		80
4	7	0	0	0
5	1	19		30
6	6	19		20
7	10	0	0	0
8	10	0	0	0
11	1	19		30
12	1	19		40
13	1	19		20
14	1	19		40
15	10	0	0	0
18	1	0	0	0
19	1	19		40
20	15	19		80
21	10	0	0	0
22	1		0	
25	1	0	0	0
26	4	19		30
27	1	19		20
28	10	0	0	0
29	1	19		20
2-May	1	19		40

3	1	19		30
4	9 or 10	0		0
5	18	19		20
6	10	0	0	0
9	6	19		20
10	6	19		30
11	10	0	0	0
12	1	19		20
13	6	19		10
16	1		20	
17	1		25	
18	1		25	
19	1	19		20
20	1	19		40
23	1	0	0	0
24	1	19		40
25	1	19		50
26	4		20	
27	1	19		30
30	1	19		20
31	1	19		30
1-Jun	1		20	
2	4	19		30
3	4	0	0	0
4	10		0	0
7	10		0	0
8	10		0	0
9	1		20	
10	3	19		50
13	1	19		20

14	1	19		10
15	6	19		80
16	1	19		30
17	1		20	
20	1	19		20
21	1	19		40
22	9			
23	1	19		20
24	1	0	0	0
27	1	0	0	0
28	1	0	0	0
29	1	19		40
30	1	19		20
1-Jul	10	0	0	0
4	Holiday			
5	1	19		20
6	10	0	0	0
7	1		20	
8	10	0	0	0
11	1		20	
12	6	19		70
13	1	19		70
14	1	19		20
15	1	19		20
18	1			
19	1	19		40
20	10	0	0	0
21	6		40	
22	10	0	0	0
25	10	0	0	0

26	10	0	0	0
27	1	19		40
28	10	0	0	0
29	1		40	
1-Aug	10	0	0	0
2	1		20	
3	1	19		20
4	1	19		80
5	1	75		80
8	10	0	0	0
9	11	19		
10	1	19		20
11	1	19		40
12	1	19		40
15	18	19		30
16	1		20	
17	1		25	
18	1	19		40
19	10	0	0	0
22	1	19		30
23	10	0	0	0
24	1	19		20
25	1	19		30
26	6			30
29	10	0	0	0
30	1	19		20
31	1		40	
1-Sep	1	19		80
2	10	0	0	0
5	Holiday	0	0	0

6	7	0	0	0
7	8	19		40
8	1	19		20
9	1		20	
12	1	19		40
13	1	19		30
14	9	0	0	0
15	10	0	0	0
16	1	19		40
19	11	19		20
20	1	19		30
21	4	19		40
22	1	19		40
23	1	19		50
26	1	19		30
27	4		20	
28	1	19		20
29	1	19		30
30	1		25	
3-Oct	1			40
4	6	19		20
5	1	19		20
6	1	19		50
7	2	75		75
10	1	19		20
11	1	19		30
12	1	19		30
13	14	19		80
14	1	19		70
17	6		20	

18	10	0	0	0
19	15	19		80
20	6	19		70
21	1	19		20
24	1	0	0	0
25	1	19		40
26	1	19		20
27	1		20	
28	1	19		30
31	1	19		40
1-Nov	1	19		40
2	1	19		40
3	10	0	0	0
4	2	75		80
7	1	19		20
8	1	19		20
9	1	19		30
10	1	19		40
11	10	0	0	0
14	1	19		20
15	1		20	
16	10	0	0	0
17	10	0	0	0
18	10	0	0	0
21	1	19		35
22	10	0	0	0
23	1		20	
24	10	0	0	0
25	10	0	0	0
28	10	0	0	0

29	1	19		30
30	10	0	0	0
1-Dec	10	0	0	0
2	10	0		0
5	8	19		30
6	10	0	0	0
7	1	19		20
8	10	0	0	0
9	1	19		20
12	8	19		20
13	1		20	
14	1	19		20
15	10	0	0	0
16	1		20	
19	1		20	
20	1	19		50
21	10	0	0	0
22	10	0	0	0
23	1	19	0	20
27	10	0	0	0
28	1	19	0	80
29	10	0	0	0
30	1		20	

10. MMTS for London Open, Trading GBP/USD

This system is very simple. Our target is always 30 pips; our stop is always 50 pips. We enter our trade at the close of the 3:15 bar (or at 3:30 am ET).

This system gets extra strength when it overlaps with the direction of the MKS –2 trendline.

If there is a confusing message between these two systems, e.g. if it is a buy according to the trendline and if it is a sell according to the London Open setup, you may skip the trade. However, the trendline alone is a very strong signal, so if you can find one more reason to go with the trendline signal go with it, and skip the London Open signal.

Before we do anything, we need to watch the formation of the 2:45, 3:00, and 3:15 candle. Once we know which pattern it formed we will buy or we will sell. Don't worry if there is a day without a setup. I will be probably updating this system, as I develop new setups that may show up in our trading. As you know we are dealing with the forex market where nothing works 100 percent of the time. As long as we are making more trades that are winners than losers, we are going to make money in this business. Don't rush anything. There is an old saying: "Good things happen to those who wait." Believe me, learn to be patient, wait for a setup to happen, and you are on your way to financial freedom. Just don't rush anything and don't make unrealistic goals of making \$1,000,000 a year.

I grouped all the combinations according to the following system:

- Section A: white candle, white candle, white candle
- Section B: white candle, white candle, black candle
- Section C: white candle, black candle, white candle
- Section D: black candle, black candle, black candle
- Section E: black candle, black candle, white candle
- Section F: black candle, white candle, black candle
- Section G: black candle, white candle, white candle
- Section H: white candle, black candle, black candle

As soon as we have a doji formed as one of our three candles, we won't be taking trades using the London Open system (with some exceptions that are listed in the setups).

Technically, we have a doji formation when the opening and closing price of the candle is the same. However, we will modify this definition a little bit, by giving the same name to a candle where there is a one-pip difference between the opening and closing price.

Here is an example on how to quickly determine the correct setup:

1. If the 2:45 candle is white, and the 3:00 candle is black, we will know that only setups from Section C or H may happen. So we are not going to look for answers anywhere else.
2. When the 3:15 candle is almost finished, we should have an idea if it is going to close as a white or black candle. If it looks like a black formation we will concentrate on setup H.
3. At this point we have to think fast, because we will be entering our trade at 3:30 am and you need to know which setup is in place, and if this is a sell or buy setup.

All candles shown in the pictures below represent Highs and Lows (not the opening or closing price), and sentiment: bearish (black) or bullish (white). They do not represent how the candles on your chart will look like. On my charts you will see bullish candles marked as white, and bearish candles marked as blue.

We enter a long position when we have a “green setup” (B), or we enter short position when we have a “red setup” (S).

It is important to understand that we have to see how the highs and lows of the candles are in respect to each other.

Please study all setups shown in Figure 10.1 through Figure 10.8 to familiarize yourself with the formations of the candles that create the buy and sell signals.

Section A:

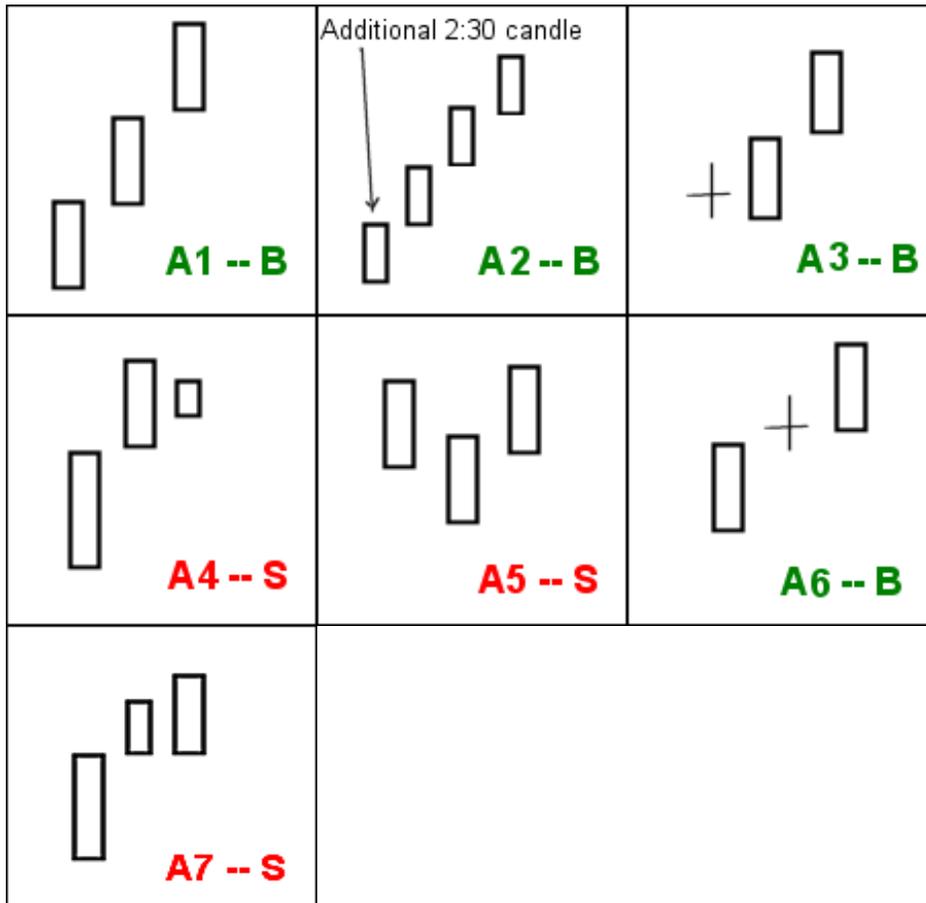


Figure 10.1 Group A

Section B:

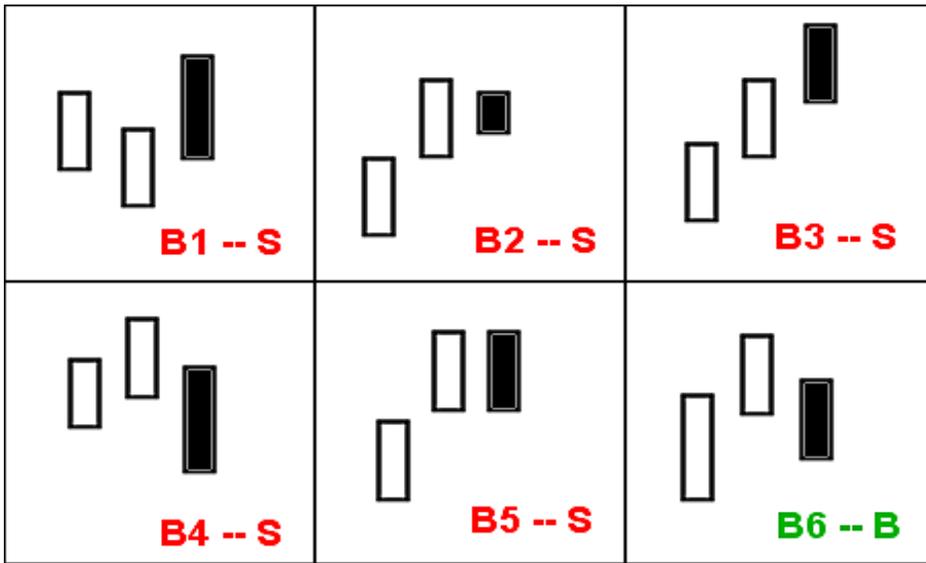


Figure 10.2 Group B

Section C:

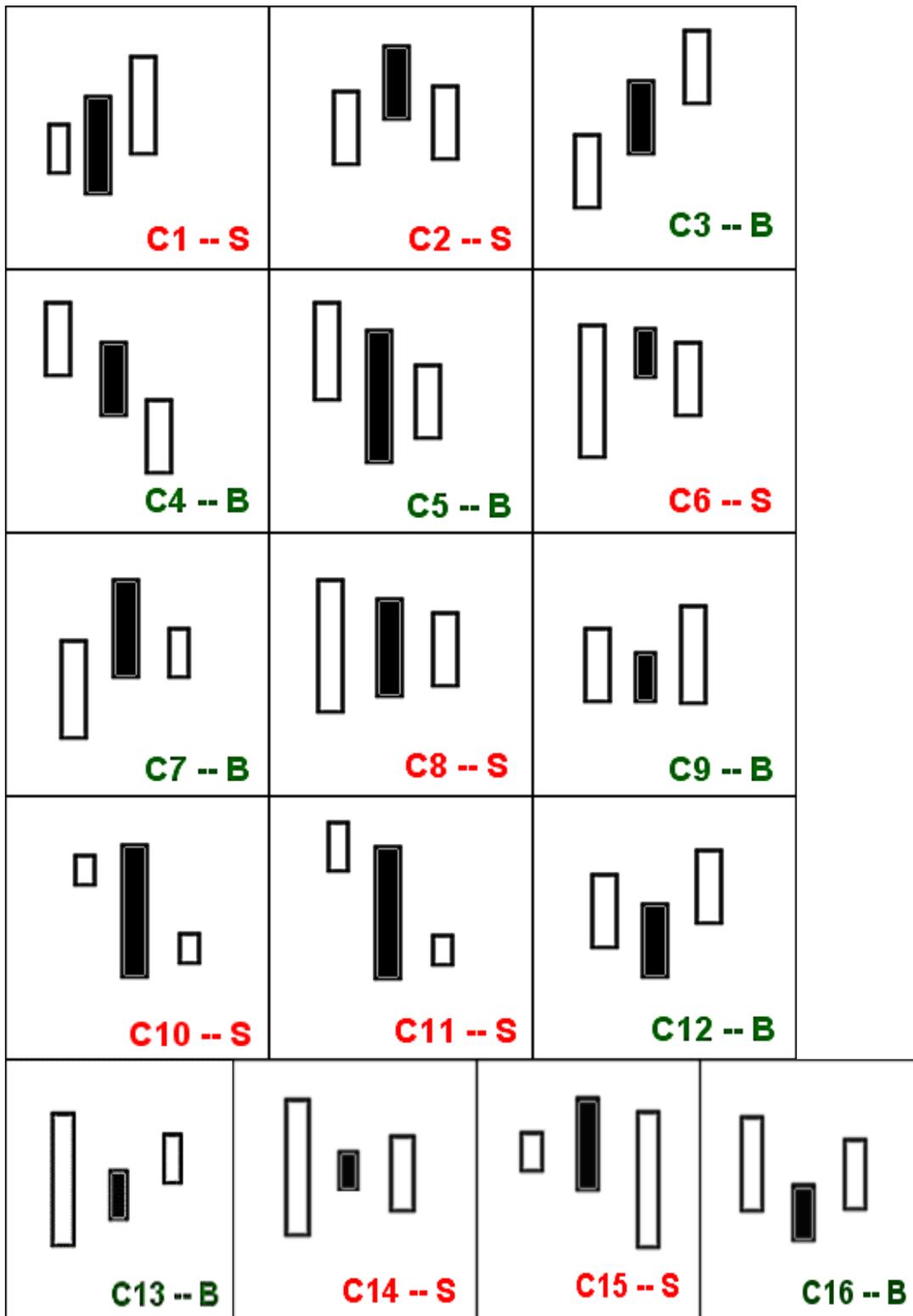


Figure 10.3. Group C

Section D:

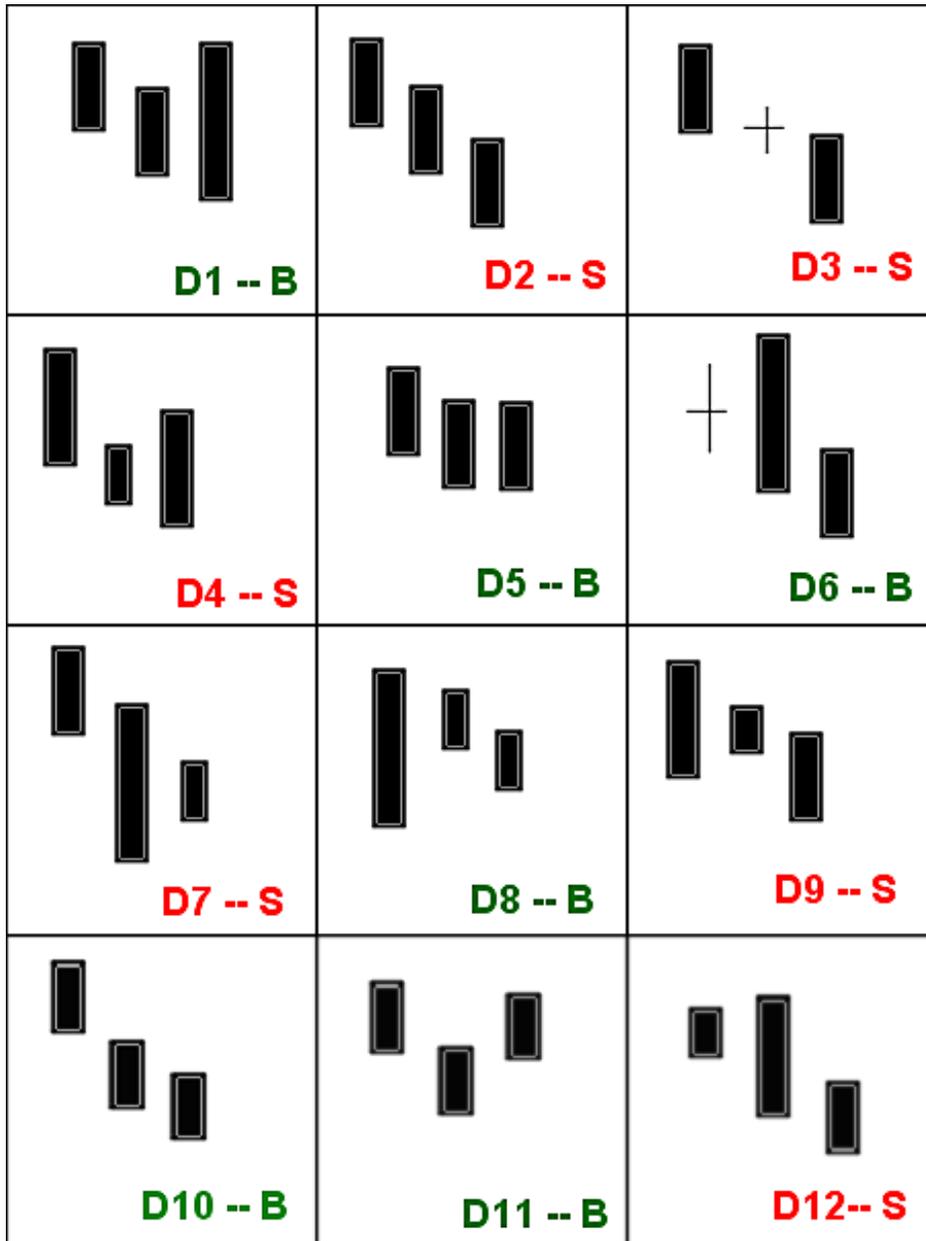


Figure 10.4. Group D

Section E:

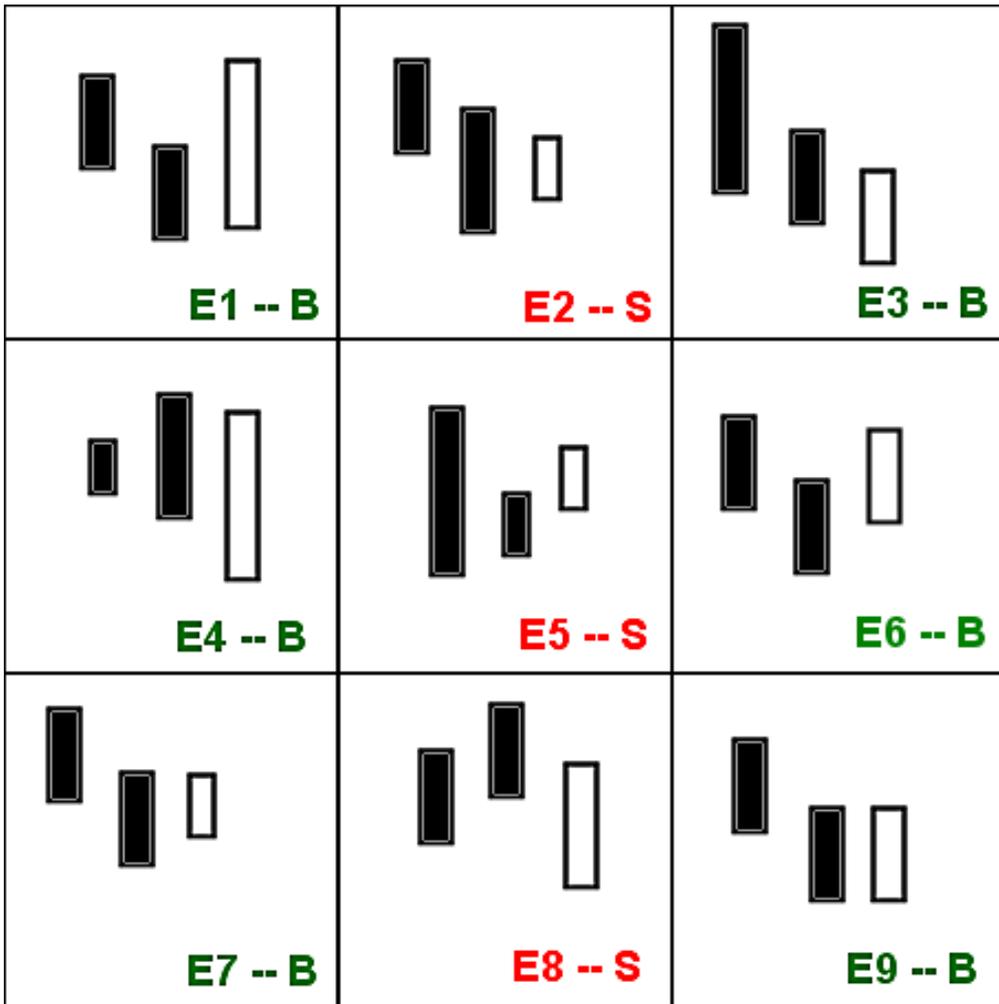


Figure 10.5. Group E

Section F:

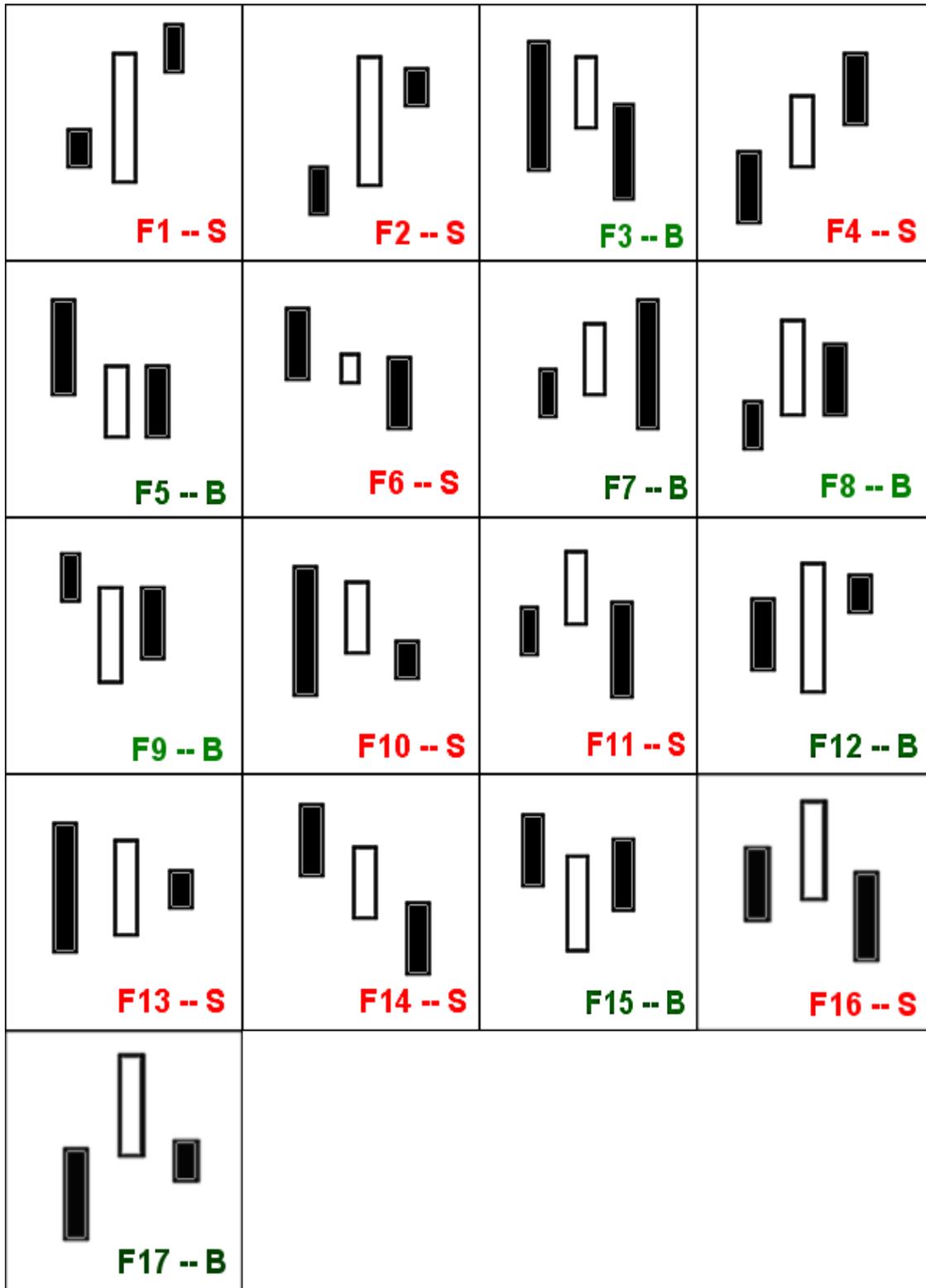


Figure 10.6. Group F

Section G:

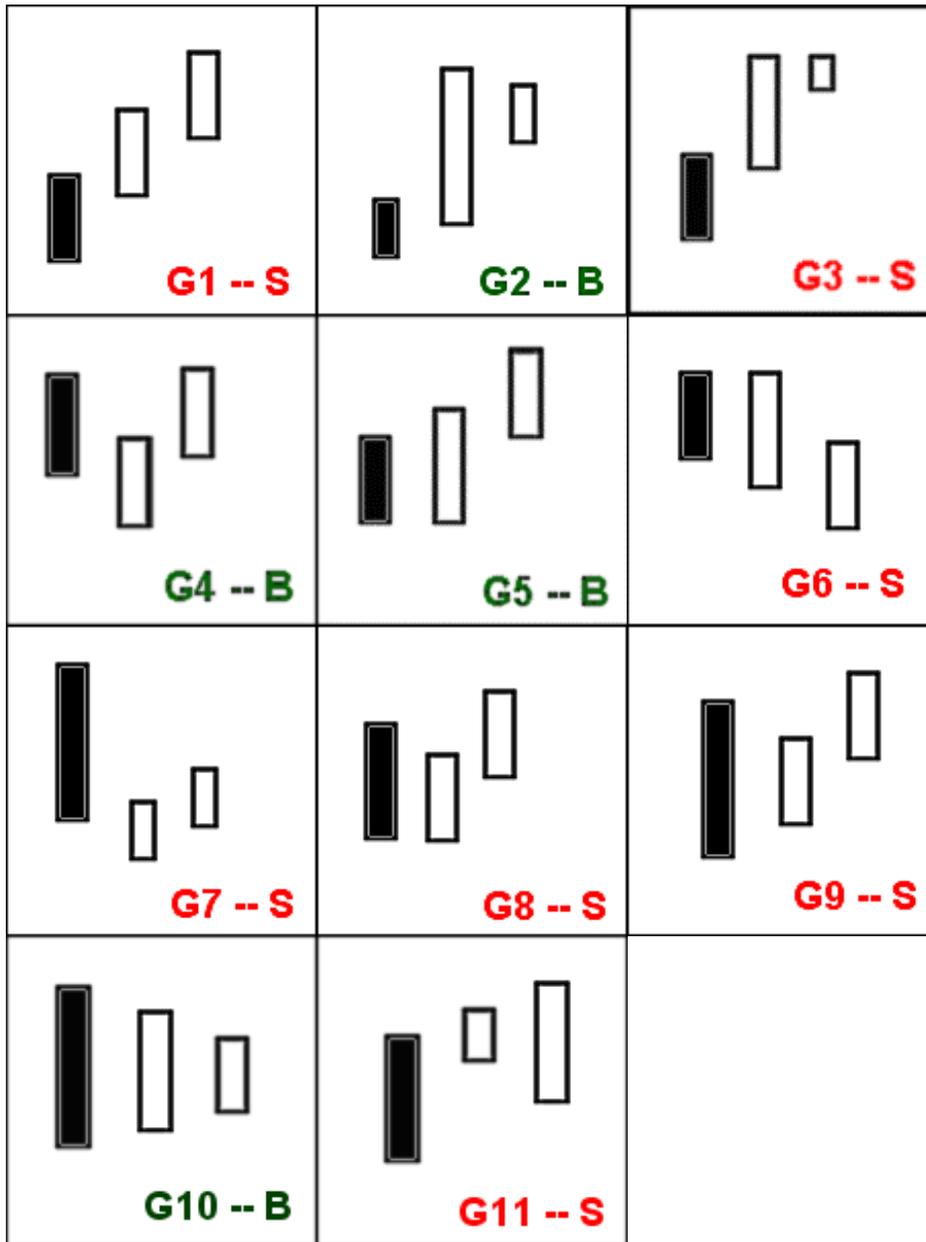


Figure 10.7. Group G

Section H:

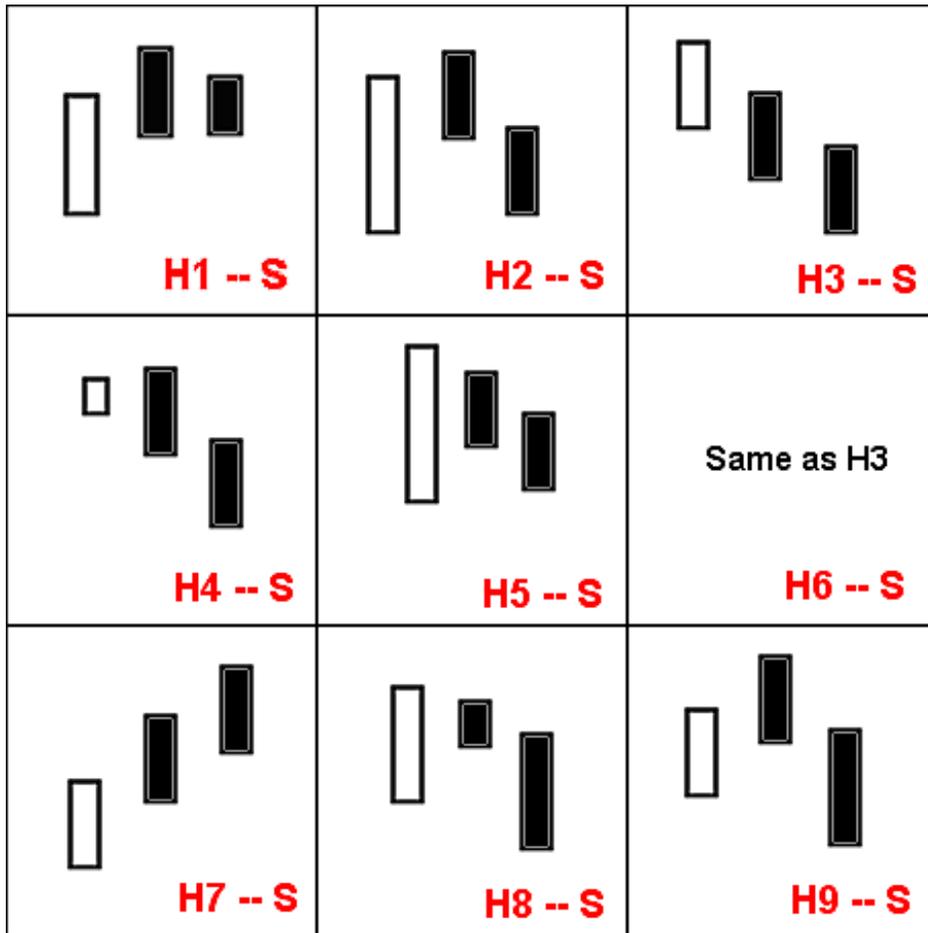


Figure 10.8. Group H

Examples:

1. Complete explanation of how the London Open system works:

On November 11, 2005 we had a H1 setup.

Please notice how the highs and lows of all the candles are in relations to each other (see Figure 10.9). Our second and third candle has the same low, and they have highs that are higher than the high of the first candle. Also, the third candle has a lower high than the second candle.

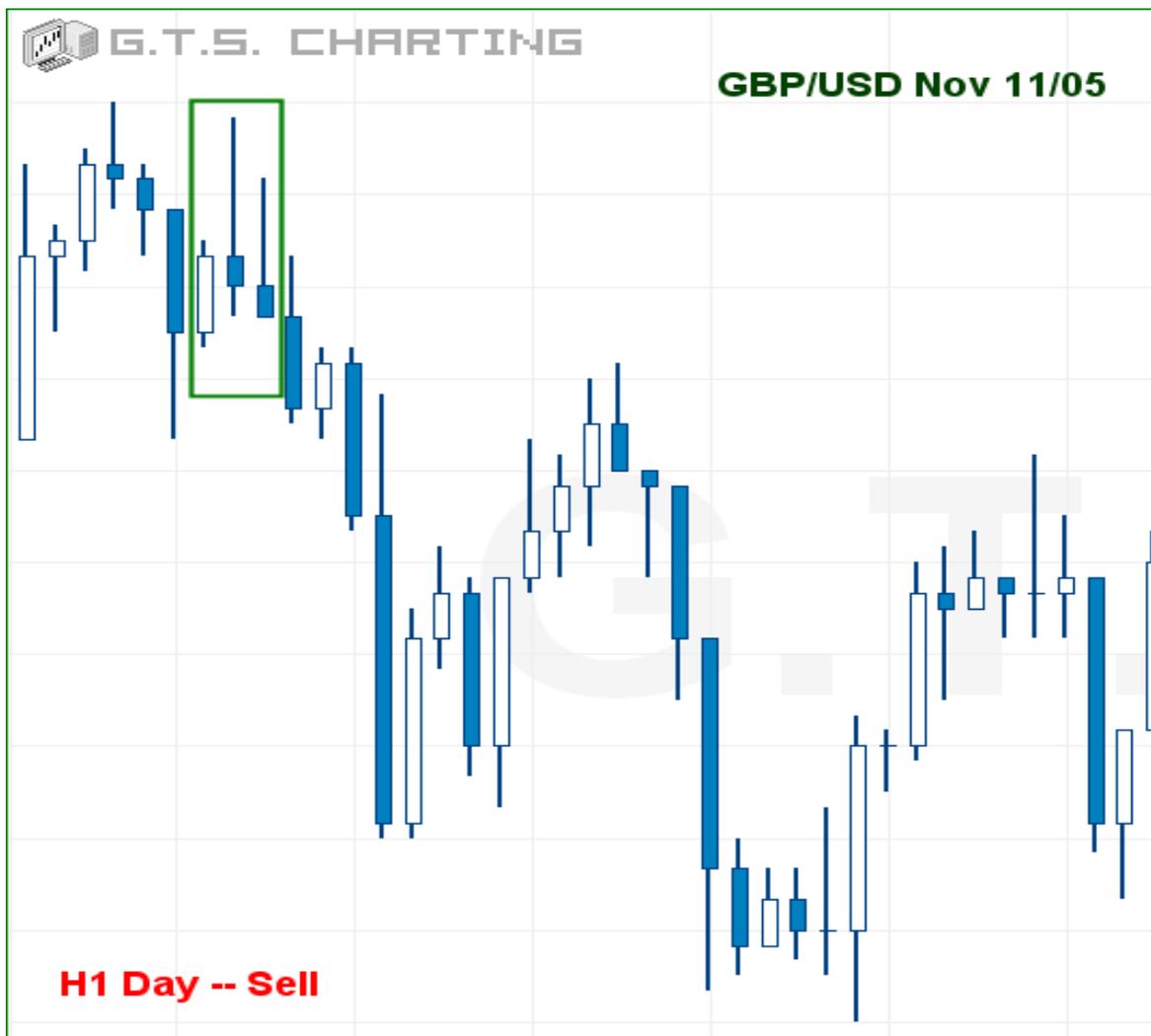


Figure 10.9. H1 setup example

2. Additional charts with the London Open setups:

Figure 10.10 shows how the candles from the E4 setup relate to the candles on your chart.

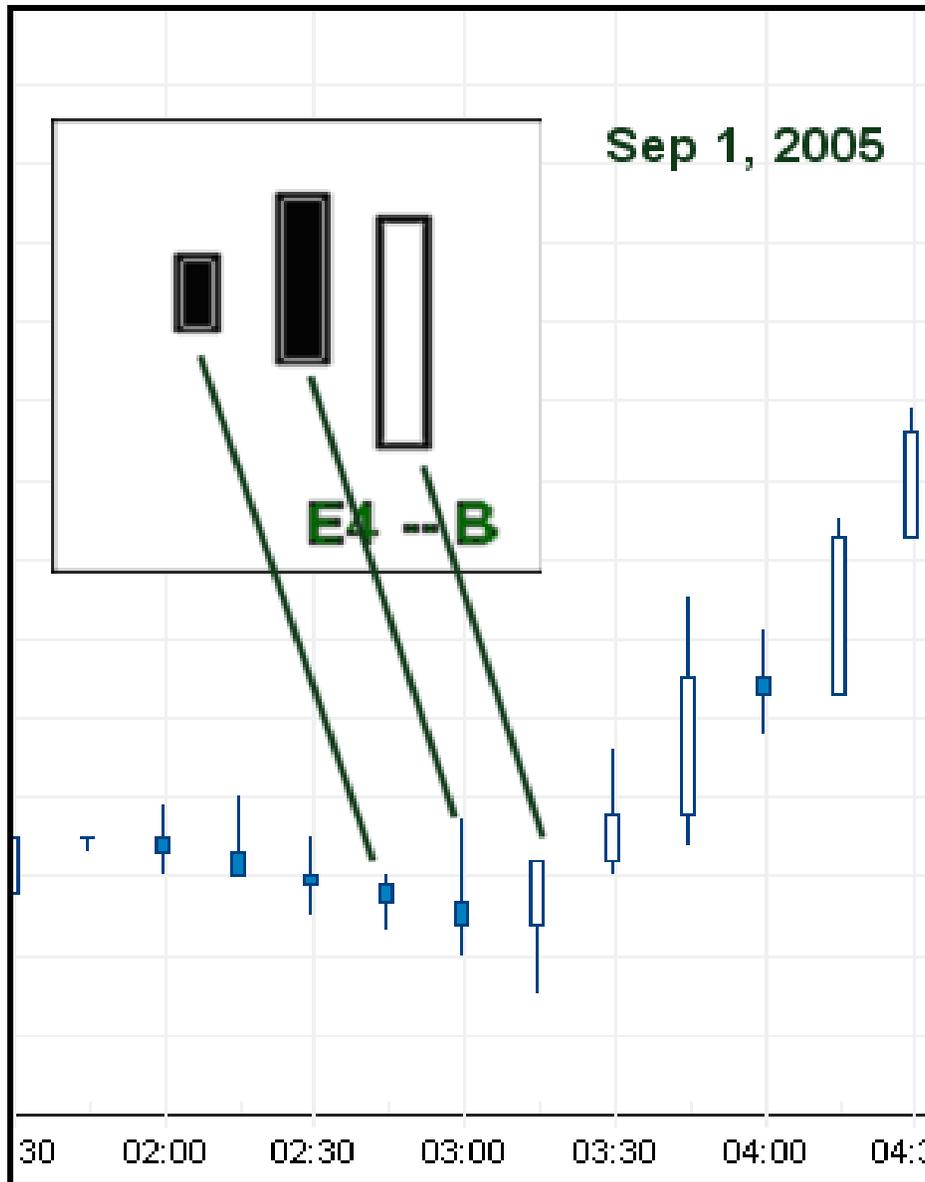


Figure 10.10. E4 setup example

Figure 10.11 shows how the candles from the C7 setup relate to the candles on your chart.

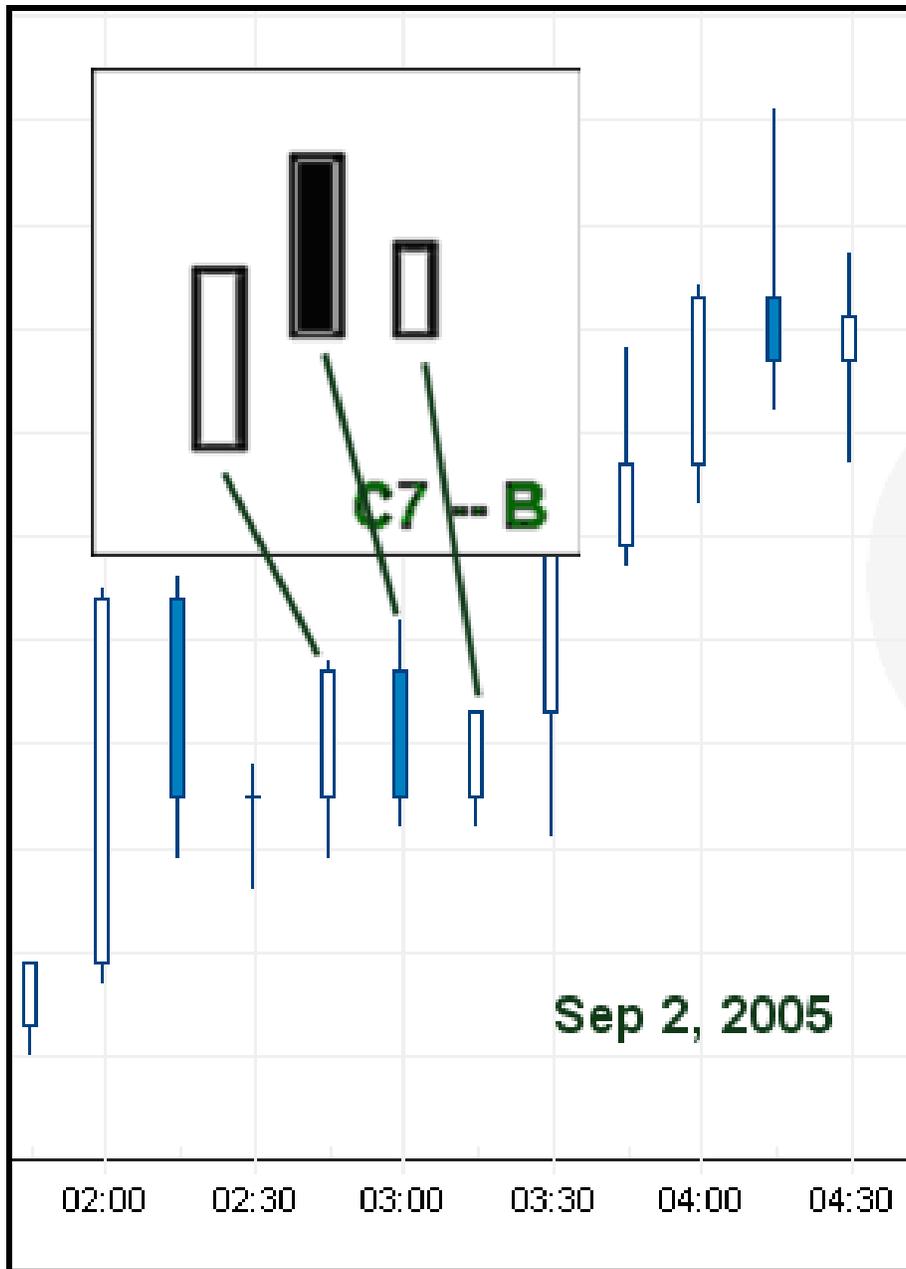


Figure 10.11. C7 setup example

Figure 10.12 shows how the candles from the C2 setup relate to the candles on your chart.

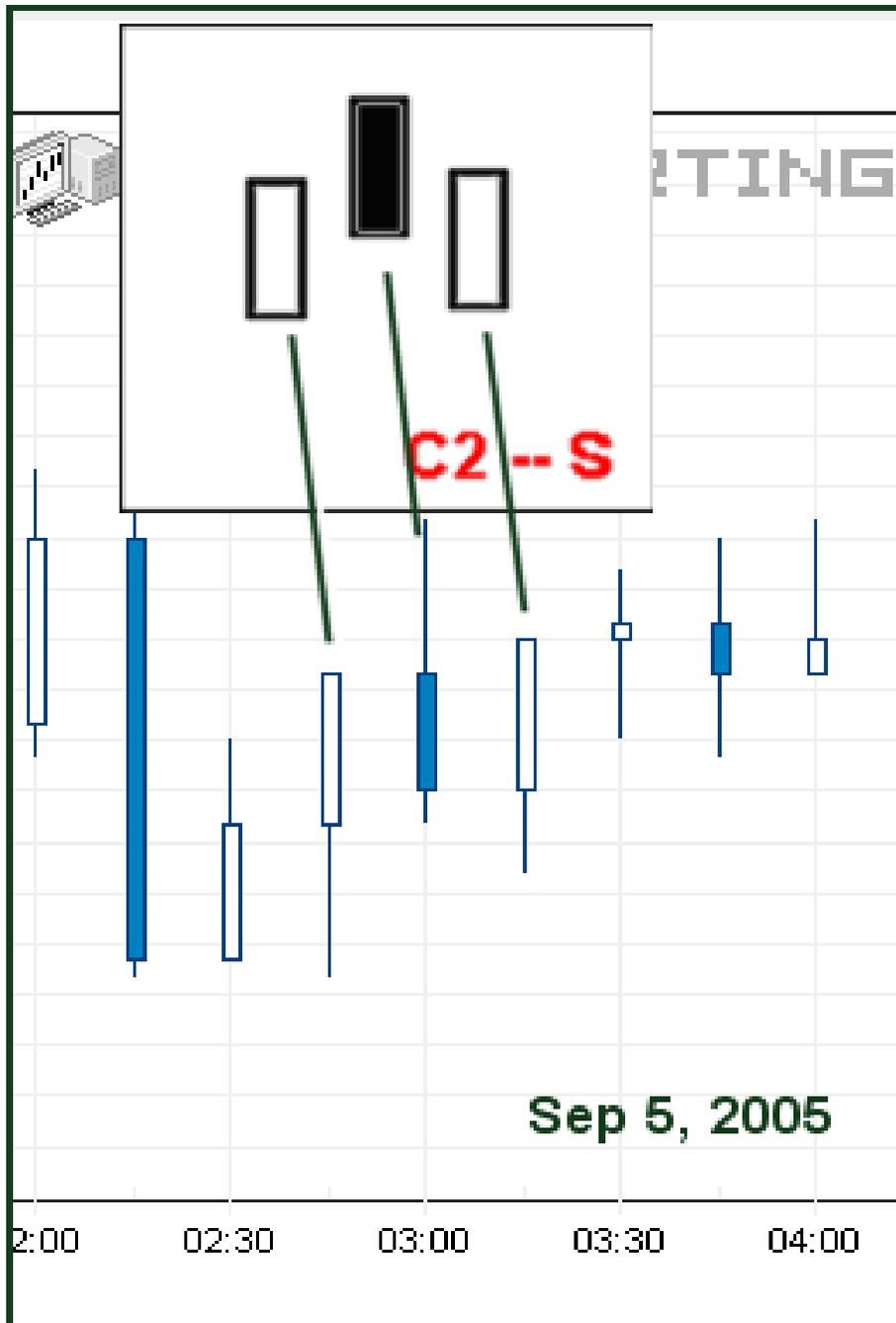


Figure 10.12. C2 setup example

Figure 10.13 shows how the candles from the F7 setup relate to the candles on your chart.

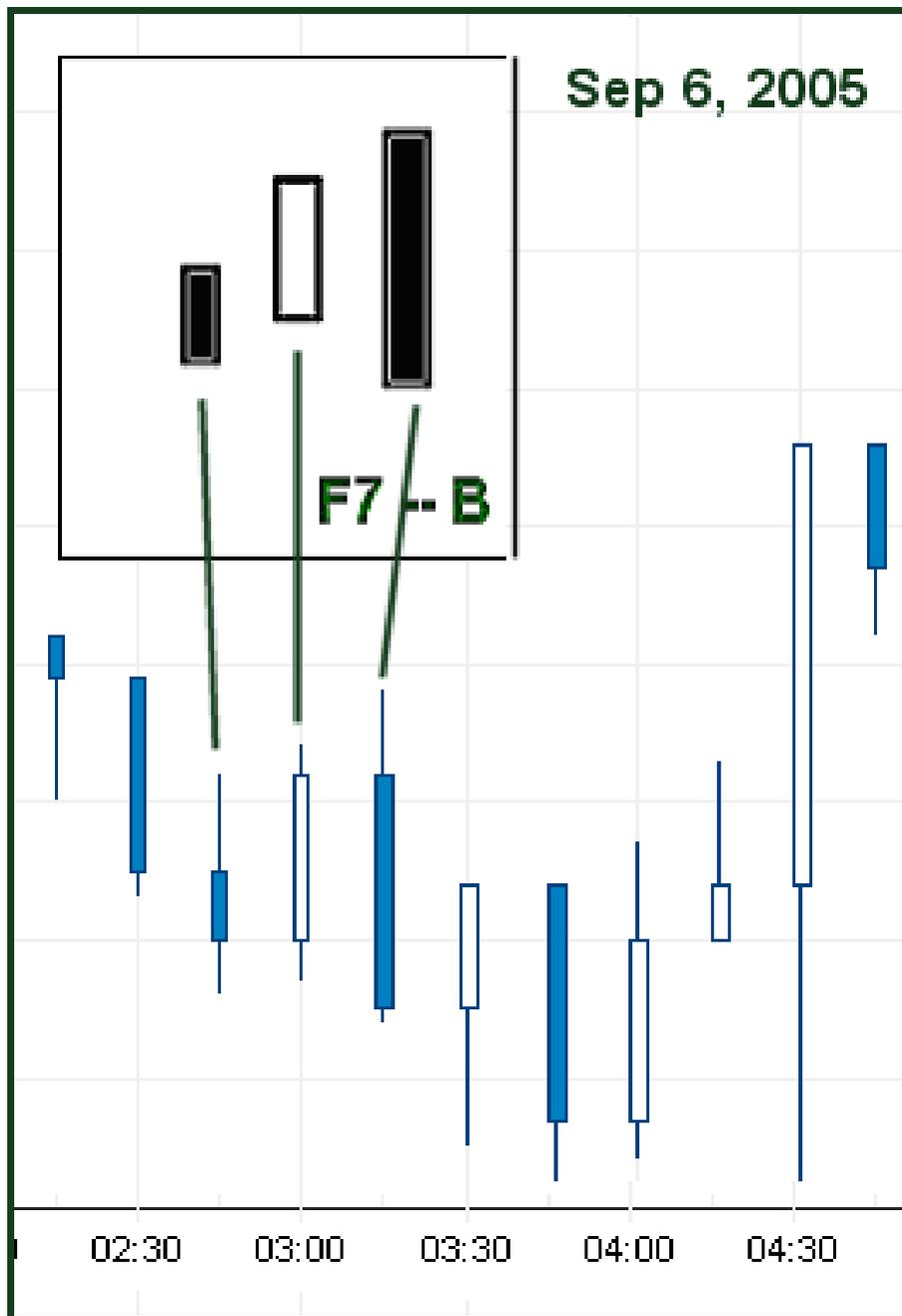


Figure 10.13. E7 setup example

11. GBP/USD System for London Open, 2005 Trading Results

These results are based on trading one lot every day when there was a setup in place.

Total for 2005

MMTS 2.0

Mechanical Entry & Exit

3,170 Pips

(Spread cost included in the number)

MMTS 2.0

**Mechanical Entry & Manual Exit Using
Technical Analysis**

10,561 Pips

(Spread cost included in the number)

MMTS 2.0 Mechanical Entry & Exit

Average Number of Pips Per Month: 264

Number of 30 pips wins: 174

Number of 50 pips losses: 41

		WINS with	MMTS 2.0	MMTS 2.0	Time Needed
DATE	Setup	TECHNICAL	WINS	LOSS	To Complete
		EXITS			Trade (in hours)
3-Jan	B2	80	30		6
4	E2	160	30		7
5	B3	60	30		2
6	H8	50	30		2
7	N/A				
10	B2	40	30		2
11	D4			50	
12	D6	190	30		7
13	D2	100	30		5
14	D3	60	30		1
17	F2	110	30		5
18	F5	140	30		3
19	C3	100	30		4
20	D2			50	
21	H5	90	30		1
24	A4	50	30		5
25	N/A				
26	F12	130	30		6
27	H8	40	30		3
28	D9	40	30		4
31	E8	60	30		3
1-Feb	E3	50	30		18
2	C13	30	30		3
3	A6	70	30		3
4	N/A				
7	N/A				

8	F16	40	30		3
9	D2			50	
10	H9	90	30		5
11	C14	70	30		4
14	G1			50	
15	N/A				
16	H9	160	30		7
17	G4	30	30		2
18	N/A				
21	A1	60	30		20
22	H9			50	
23	F17	50	30		1
24	D2	40	30		1
25	A1	40	30		6
28	E1			50	
1-Mar	A3	30	30		2
2	B2	90	30		2
3	N/A				
4	H4			50	
7	D2	66	30		2
8	A1	141	30		11
9	C1	112	30		6
10	N/A				
11	F9	70	30		5
14	D2	70	30		8
15	G1	40	30		1
16	A4			50	
17	G8	60	30		5
18	D2	40	30		1
21	D4	140	30		10

22	A1	20	30		8
23	D3	152	30		5
24	A4	56	30		3
25	N/A				
28	A1	39	30		7
29	G5	77	30		20
30	D8	43	30		1
31	F2			50	
1-Apr	N/A				
4	B3	50	30		2
5	F12	60	30		6
6	F9			50	
7	F13	150	30		11
8	G8			50	
11	C7	70	30		1
12	E2	100	30		8
13	H4	50	30		6
14	G1	120	30		7
15	A3	130	30		7
18	A6	100	30		9
19	A1	140	30		8
20	E3			50	
21	F14	130	30		5
22	G4	60	30		3
25	E1			50	
26	E2	50	30		4
27	F15	90	30		6
28	E7	60	30		6
29	F3			50	
2-May	G9	110	30		7

3	A5	50	30		4
4	H3			50	
5	N/A				
6	H4	80	30		5
9	G9	60	30		6
10	G7			50	
11	C6			50	
12	F3	52	30		5
13	D2	120	30		10
16	H9	80	30		6
17	G5	50	30		3
18	C4	40	30		6
19	N/A				
20	B2	120	30		9
23	G4	40	30		13
24	C5	45	30		6
25	D2	35	30		1
26	C13	50	30		3
27	G4	30	30		5
30	A1			50	
31	G9			50	
1-Jun	D2	100	30		5
2	A2	40	30		2
3	G1	30	30		5
6	N/A				
7	C12	50	30		9
8	H2	140	30		11
9	N/A				
10	E1	60	30		2
13	N/A				

14	A2	60	30		5
15	G8	30	30		1
16	C10			50	
17	N/A				
20	H8	40	30		7
21	N/A				
22	H5	120	30		3
23	E5	50	30		6
24	N/A				
27	E6	30	30		4
28	D2	60	30		9
29	N/A				
30	H8	80	30		5
1-Jul	H6	50	30		2
4	G1	50	30		5
5	C12	70	30		2
6	E5	40	30		2
7	F10	100	30		3
8	D7	60	30		
11	N/A				
12	B12	100	30		11
13	E3			50	
14	H7	50	30		3
15	E5	110	30		7
18	F11	40	30		1
19	E3	40	30		2
20	N/A				
21	B2	30	30		1
22	B4	180	30		9
25	D8	130	30		9

26	G7	70	30		2
27	D2			50	
28	D7			50	
29	G8	30	30		1
1-Aug	A1	100	30		7
2	E1	40	30		1
3	A1	130	30		3
4	H4	30	30		1
5	B2	70	30		2
8	A1	100	30		6
9	H3	40	30		4
10	F8	60	30		1
11	A1	45	30		6
12	C2	50	30		6
15	A1			50	
16	A4	85	30		6
17	F9	80	30		6
18	N/A				
19	F3	70	30		2
22	B2	40	30		3
23	D2	30	30		3
24	C9	80	30		6
25	H5	90	30		5
26	A1	30	30		7
29	C10	120	30		9
30	C11	90	30		5
31	E3	200	30		9
1-Sep	E4	230	30		22
2	C7	50	30		22
5	C2	60	30		22

6	F7	80	30		22
7	A1			50	
8	C12	50	30		6
9	N/A				
12	D2	46	30		6
13	G10	40	30		1
14	E9	50	30		5
15	F6	66	30		2
16	F11	80	30		7
19	G5	40	30		5
20	F6	70	30		12
21	H8			50	
22	N/A				
23	F6	87	30		8
26	G5	45	30		9
27	N/A				
28	C15	60	30		3
29	E2	60	30		7
30	D10	120	30		5
3-Oct	E3			50	
4	A4	35	30		1
5	N/A				
6	F6	60	30		2
7	D2	115	30		6
10	F4	100	30		8
11	D11	76	30		3
12	F4			50	
13	H8			50	
14	B5	76	30		4
17	H8	150	30		8

18	B2	80	30		3
19	F15	120	30		2
20	B3			50	
21	E6			50	
24	C6	30	30		6
25	A1	100	30		2
26	D12	50	30		5
27	B5	49	30		1
28	G11	40	30		3
1-Nov	N/A				
2	N/A				
3	B2			50	
4	E1			50	
7	G4			50	
8	F14	70	30		12
9	C12			50	
10	N/A				
11	H1	40	30		4
14	G4	30	30		1
15	B3	60	30		3
16	G1	120	30		6
17	C5	30	30		2
18	D2			50	
21	G4			50	
22	N/A				
23	H5	30	30		2
24	N/A				
25	E2	40	30		6
28	N/A				
29	F12			50	

30	B3			50	
1-Dec	A6			50	
2	N/A				
5	N/A				
6	N/A				
7	A4	50	30		3
8	A1	150	30		8
9	N/A				
12	N/A				
13	H3	60	30		3
14	N/A				
15	B3	30	30		5
16	N/A				
19	C1	40	30		3
20	N/A				
21	N/A				
22	N/A				
23	D3	50	30		5
27	B2			50	
28	N/A				
29	B4	40	30		2
30	B3	40	30		4

12. Additional Trading Ideas

MMTS tip for trading news times regardless of time or currency pair (called the “News Candle” Strategy)

Watch the 15-minute candle that is forming just before a major news release. If the candle is not a doji, and it is not very small (under 10 pips) or not very long (over 30 pips) it usually sets the direction in which the market will move when the news is released.

For example, if the candle is white, we should expect the price to go up once the news is out. If the candle is black we should expect the price to go down. I don't have any real testing data behind this theory, but I saw this setup in action, and most of the time it works very well.

Trading the “1 pip candle”

This is another small formula that can be applied to any currency pair at any time. You can usually get 10-20 pips trading this system. Stop is always at the last cycle low/high +/- 10 pips. In this example, the bullish candle is represented as a white candle and the bearish candle is represented as a blue candle.

You need to watch the 15-minute chart, and you have to look for candles where the difference between the open price and close price is only one pip.

Once you locate a candle like that take a look at the previous candle.

We have to make sure that the body of that candle is at least four pips (length from open to close).

If this condition is met we do the following:

- If the “1 pip candle” is white, and the previous candle is at least four pips from open to close, we are going to buy at the close of the “1 pip candle”.
- If the “1 pip candle” is blue, and the previous candle is at least four pips from open to close, we are going to sell at the close of the “1 pip candle”.

Short version:

White candle – BUY

Blue candle – SELL

Now let's look at Figure 12.1.

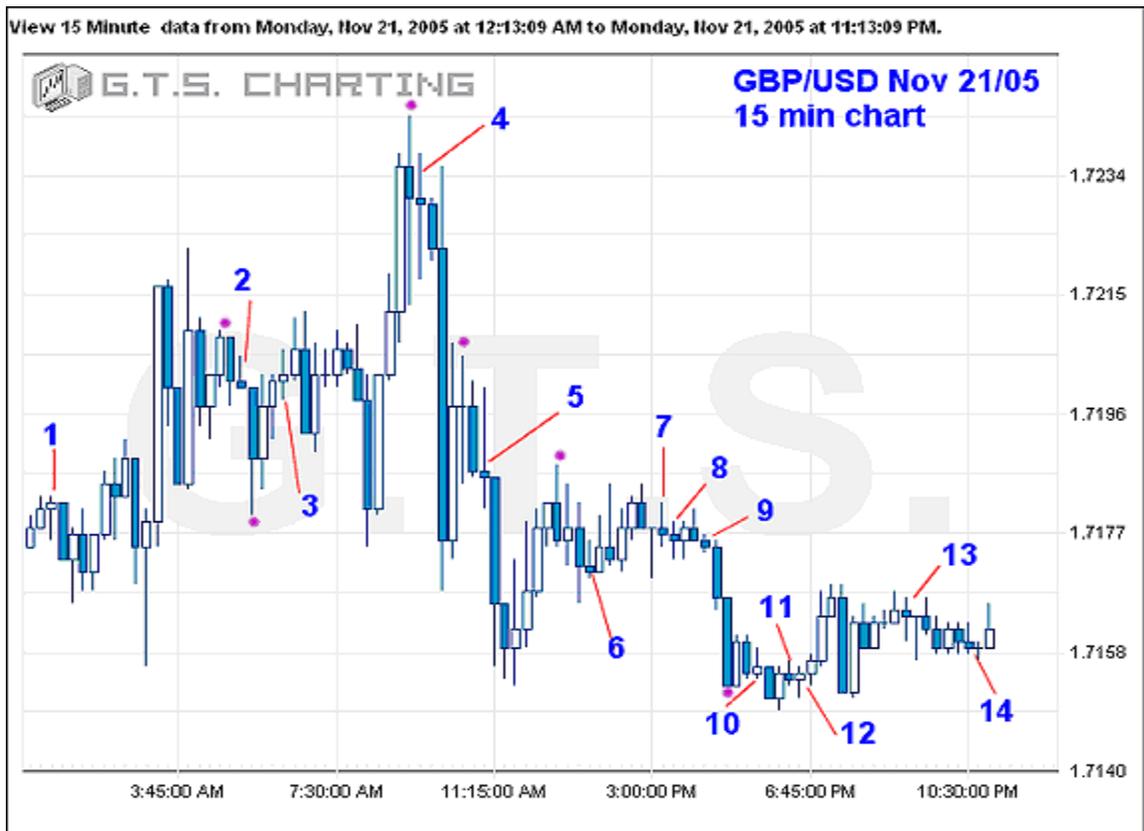


Figure 12.1. GBP/USD “1 pip” candles

The purple dot on this chart represents the “top” and “bottom” that we have to use for our stops. Go 10 pips on top of the high/low number to get a true stop value.

For example, for the trade number three, the low point in the last cycle low is at 1.7180 so we need to go 10 pips below that number. In this case, our buy entry is at 1.7202 and our stop is at 1.7170.

1. We have a white candle, which is followed by a white “1 pip candle”. This is “no trade” situation for us because the first white candle has a body that is less than four pips (open to close is only three pips).
2. We have a blue candle, which is followed by a blue “1 pip candle”. This is a “sell situation”. In this case the trade was good for a maximum of 19 pips.
3. We have a white candle, which is followed by a white “1 pip candle”. This is a “buy situation”. In this case the trade was good for a maximum of 37 pips.
4. We have a blue candle, which is followed by a blue “1 pip candle”. This is a “sell situation”. In this case the trade was good for a maximum of 61 pips.
5. We have a blue candle, which is followed by a blue “1 pip candle”. This is a “sell situation”. In this case the trade was good for a maximum of 33 pips.
6. We have a blue candle, which is followed by a blue “1 pip candle”. This is a “sell situation”. In this case the trade was good for a maximum of 22 pips.
7. 8. 9.No trade situation, as the body of the previous candle is less than four pips.

10. We have a blue candle, which is followed by a white “1 pip candle”. This is a “buy situation”. In this case the trade was good for a maximum of 13 pips.
11. We have a “loss” on this trade. Our stop is at previous cycle high +10 pips (1.7161+10 = 1.7171). Our short entry is at 1.7154. In this case we lost 17 pips.
12. No trade situation as the body of the previous candle is less than four pips.
13. No trade situation as the body of the previous candle is less than four pips.
14. No trade situation as the body of the previous candle is less than four pips.

As you can see we had six good trades and one loss on November 21. If you took only ten pips per trade, your total for the day would have been 43 pips (6x10 – 17). This is not bad.

If you would like to keep the trade for more than ten pips I suggest that you watch the 5-minute chart after you enter the trade. Watch what RSI and MACD are doing. I use the default settings for the above-mentioned indicators, but you can use your own settings. If RSI is oversold/overbought and if MACD is crossing, or about to do so, exit the trade.

Let's take a look at one more example (see Figure 12.2). This time we are dealing with the USD/CHF pair.

I am going to point out our buy and sell entries, but I will leave the explanation to the readers as a homework assignment. Go through this exercise, and if you have any questions, please email me at: forex@korzec.ca

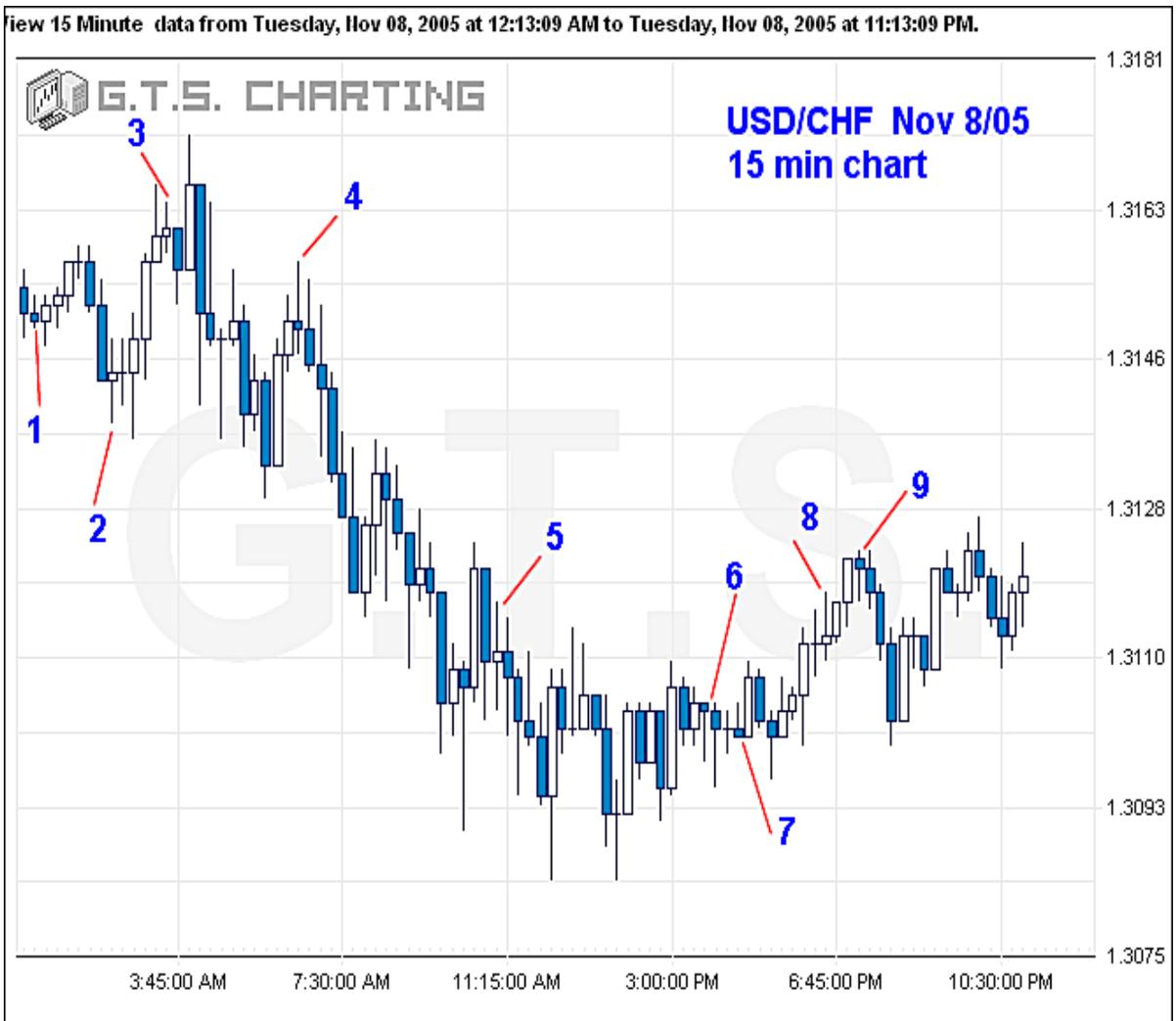


Figure 12.2. USD/CHF “1 pip” candles

13. Trading Sheet

It is very important to know why you enter, or exit, your trade.

You should know where and why you would like to exit your trade before you pull the trigger in the first place. If you enter a trade, and you have no clue at that moment where you are planning to exit – skip it, don't take it. It is best to wait for a clear setup.

Have your trading plan always beside you, and write down all that you can see on your chart. Once you can transfer all of your observations into a structured plan, you can get a clear buy or sell signal. During consolidation time it is possible to have a “buy” and a “sell” signal at the same time, so prepare your entry accordingly, and let the market decide which way it wants to go.

Always have your entry ready and waiting for the price to reach it, don't chase the price. If you have to chase the price it means that you were not prepared for the trade and it is best to leave it alone. The market always gives us the opportunity to enter a new trade, we just need to be patient and wait for it.

Here is a small spreadsheet that I am using for all of my trades. You can use it as it is, or you can modify it to your meet your individual needs.

Plan for entering/exiting trades.

	Setup	Chart				Price Projection
		5 Min	15 Min	Hourly	4 Hour	Based on Pattern
Entry 123 Top 123 Bottom Double Top Double Bottom Leg1/Leg2 MMTS 1 MMTS 2 MKS Trendline 1 pip rule News candle Extra Indicator Extra Indicator	London Open / 8:30 News 1/2/3/4 Bullish/Bearish					
Exit 123 Top 123 Bottom Double Top Double Bottom Leg1/Leg2 Price Projection met 3x3 SMA Live Fibo Range Fibo techniques Time Projection MM Level Extra Indicator Extra Indicator	Above/Below price Support/Resistance Retracement/Expansion					
Stop						
Summary						
Profit/Loss	<input type="text"/>					
Comments	<input type="text"/>					

14. Conclusion

Spend some time studying these systems, look at charts and learn to recognize patterns.

At the beginning these systems can seem overwhelming, but really, they are very easy to master.

These systems are supported in the currency chat room where I spend most of my trading day. You can become a member by signing up at www.korzec.ca/chat