Episode III

WARNING: When you are not familiar with SRDC I & II, STOP READING. Go back to the I & II threads first.

SRDC Episode III
Attack of the box

Box trading is a very profitable method of capturing breakouts and filtering whipsaws. Its been used by many institutional traders all over the financial market. One of the most famous breakout system is the Big Ben strategy. It took advantage of activities made by the London Open. Another one worth mentioning is called "Trading the box". Its a system devised to capture the NY session made popular by Rob Booker. An outstanding Star Wars fan, just like me!! LOL.

In this episode, I will try to make it as simple as possible, however I must warned JajaBinks and Grandmas that this method is a little more complicated than the method deployed in Episode One.

I will be covering the basic system, entry and exit, and of course how to filter bad trades using Episode I and II. This system is not as powerful as The next Episodes but neithertheless, it can easily harvest 20pips or more. Therefore, diapers (some pee in their pants) and knee caps (will not cause you to fall off your chair) will not be necessary.

THE BASIC SYSTEM

Create a box from 00:00GMT until 08:00GMT. Basically, drawing a horizontal line from the highest and lowest of the eight hours candles. In plain english, a good trade will happen should it breakout from this box. The reason, as Frankfurt and London opens, activities will move the candle outside the box and formed a new trend either upwards and downwards.

Here is an example on my 1hr chart GBPUSD:

However, entries are done using the 15mins candles. The reason is obvious. My neighbour has a lion for his pet and I only have a cat. You don't get it? Its ok, it has nothing to do with this Episode.

The 15mins candles can detect a breakout early just in case we have a sudden move which could be a very long candle in the case of a 1hour candle. Below is an example of the same 1hr chart but shown in 15mins time frame.

Entering a trade

There are many ways to cook a monster Crab. You could BBQ it, steam, simmer or even fry it. I prefer steaming it. The flesh is soooo juicy and fresh. Just the thought of it, make me fly to Alaska and order some.

Anyway, same with the box. We could have many entry styles. The one that I will mentioned here is using price actions.

ONE:

Trade the direction of the breakout as soon as it penetrate the box.

TWO

Trade the direction of the breakout at the opening of a new candle after the box is penetrated (provided its outside the box, Daaa…..). The BLUE arrow below.

THREE:

Wait until a full formation 15mins candle finish forming. The pinkish Red arrow below

For programmers, I will help you a bit here. A full formation candle is when the LOW of a candle is > than the top box or when the HIGH of a candle is < the bottom box.

Then enter at the opening of the next candle, following the direction of the breakout. Just like the SRDC I basic and advance entry rules. The Orange arrow. Anyway, here is an example:

Exiting the trade

The Take Profit is up to you. However from experience 20pips is easy, 40pips is sweet and at times, even 100pips. Knowing the GBPUSD range will be helpful. You takeprofit can be:

RANGE – BOXSIZE

And traillock can be 2/3 of the above value.

A good exit strategy would also be at 17:00GMT or 16:00GMT, which is London close depending on daylight saving.

Trading Episode III using Episode I (Filter)

Many times, the box exceeded the Support and Resistence of yesterday's High and Low. This may be due to the strong move from the Frankfurt open, which is one hour before the London session opens.

Well, in this case, you can use yesterday's Support and Resistence as you part of your box. Should the breakout occurs on the S&R, you can initiate 2 trades at once, and this is usually a profitable move. In another words, S&R is more powerful than the EIII box.

Trading Episode III using Episode II (Filter)

The channel can also be used to trade the right breakout direction. Most of your have been in SRDC II trade, using the LRC, this experience will be very valuable. You can use your commonsense to see where is the most probable breakout direction based on the position of the box inside the channel. Below is an example. There are many SRDC I, II and SRDC III Trades here. I love SRDC.

As a side note and also a very important one. Take profit can also be determined by using the channel. When you have been trading the channel, you will know what I mean. The bottom and top channel is your final TP. Sweeeet like Orange!!

THE TRENDSETTER, CHANNEL DRAWING (FILTER)
15mins chart

This part is probably more significant for the the Episode II more than the Episode III. This is the introduction of using moving averages in SRDC method. To us, Moving averages are simply support and resistence. The right period of MA can be a good trendsetter. There are many that we use, but to keep it simple, we use the 84SMA.

The 84SMA is actually what we use to draw channel. The start and the ending of a channel is determined by the position of the opening candle (00:00GMT) to the 84SMA.

Trend is UP when Candle > 84SMA and Trend is Down when Candle is < 84SMA.

A trade can be initiated using this trendsetter. You might lose some good trade, but you will find out, you will ultimatelly filter many BAD trades. Use your discreation and the channel to decide the direction of your trade.

Channel is drawn from the last trend to the current trend. Always include the last trend unless the trend continues more than 3 days.

Can you enter a trade on both directions?

Yes, sure you can. But the box better be at the median of the channel. A more bias to the direction of the trendsetter will be use to take more profit.

Trading the news? From my experience, when im in a trade, I always move my SL to breakeven 1min before the announcement. But, when you are not in a trade, just remember this, “THE CHANNEL IS STRONGER THAN NEWS”.

STOPLOSS

Well, the 1 million dollar question. Where is the best stoploss?

There are 3 ways to set your SL.
The box size. This will cover any whipsaw but when box gets to big, it may even scare my neighbour’s Lion.
This is GBPUSD right? So, 50pips should be safe.
The 84SMA in 15mins or 21SMA in 1hr chart.
That’s it!!

There are many other ways that we use to trade this Episode. But, I think the above explaination will be enough for now. I hope this will enhanced your other SRDC trades.

//**Should any skeptics think unhighly of this Episode or the whole of SRDC methods taught here, I suggest you save you opinion somewhere else. Take your Negativity and pour it out to your spouse. Don't do it in this thread because we are not interested in your stupid opinion based on your demo and small live account with experience younger than my 14 year old eldest child!!

I say this early as I hate Negativity 100%. Im teaching and sharing here for FREE. Im not on trial here, YOU ARE!! So, drop your ego and start learning while im still doing it F.O.C!!**//

Liabilities? You click that trade yourself, so liabilities are up to you, not me, and its not even your mother in Law's fault.

Other than that. I look forward to your success and happiness in Forex trading using the SRDC way.

Love You Guys/Gals!!
Happy Pipping!!