

## Martingaling in Kolachi Method

### Martingale Entry in Kolachi Method:

Martingaling in gambling and trading is quite different. In gambling, the gambler doubles the bet with a hope of winning all lost money.

In trading martingaling is adding money to a losing position. In [Kolachi Method](#) entry is never a blind entry or jump in the market. When a Kolachi Trader has a reason to believe then he enters. For some reason price went the other way. Now there are two possibilities: trader comes to know that his analysis was wrong and he accepts it. The other is that trader knows he is right but price is taking time to go his way. It is the time when martingaling is allowed.

Let us say I saw a bullish Divergence on chart. The slope of WMA changed and I entered long. But the price turned and fell down more. I am still positive that MACD is supporting me so I wait for the slope up again. Price makes another low and MACD did not fall that low. It is time to martingale the position because you have reason to believe that price will head up soon.

You again see that price fell down once more and MACD still is up. You can martingale one more time on slope change.

The second martingale is the last martingale allowed in [Kolachi Method](#). Now you can't enter more lots.

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## Pyramiding in Kolachi Method (c)

### Pyramiding in Kolachi Method:

Rules of Money Management in [Kolachi Method](#) say that Pyramiding is allowed in certain conditions. It means that in ordinary conditions it is not allowed.

Let us consider what is pyramiding. To understand it we will have to understand what pyramid is. We know that pyramid has a wide base and its sides are tilting toward axis which connects base to the tip of pyramid.

As we rise from the base the cross sectional area of pyramid perpendicular to axis starts decreasing and as we reach half way up, the cross sectional area is reduced to half. When we reach the tip, cross sectional area becomes zero.

In trading the cross sectional area is in fact our risk reward ratio. When we locate a trade, we are at the base of a pyramid. There can be different risk reward ratios in trading. Similarly there are pyramids of hundreds of dimensions. But here we are discussing any such pyramid.

When we place a trade, we have maximum risk reward ratio available to us, which means we have hundred per cent cross sectional area of pyramid. When trade reaches 50% of the target then our risk reward ratio for a new trade at this point is reduced to half. And at the target itself there is no question of taking a new trade.

[Kolachi Method](#) has only motto: to preserve your capital from excessive exposure.

As per [Kolachi Method](#) when we place a trade we must have a risk reward ratio less than one to take a trade. We cannot use pyramiding on a trade with such risk reward ratio.

1) When we have a trade in which we have a ratio is 1/3 then we can pyramid it one time prior to or reaching at half way through.

- 2)The best place to pyramid is diplomatic channel if it satisfies above the above rule.
- 3)When price moves against your trade in Kolachi Diplomatic Channel and touches the ema and wmac changes slope place the pyramid trade.
- 4)When price has crossed the half way to target, pyramiding will be suicide.

In **Kolachi Method** only one pyramid trade is allowed in every 1/3 ratio. Kolachi Method does not consider pyramiding technique as good one. It exposes you with more risk than you were exposed at the outset.

Now by opening a new trade you have averaged down the cross sectional area of pyramid and thus exposed yourself to an unnecessary risk in greed of few more pips.

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### **Factors Affecting Kolachi Analysis**

#### **Factors Affecting Kolachi Analysis:**

There are various factors which affect the analysis which include but not limited to the following factors:

- 1)Higher charts profile
- 2)general slope of emas.
- 3)Angle between two emas.
- 4)distance from Median Lines
- 5)height of MACD histo lines.
- 6)previous lows and highs
- 7)BBs
- 8)Info about same currency form crosses like euro guessed from eurosterling and euroyen profile.