# TRADING METHODOLOGY

# &

# TRADING RULES

This document will give you in detail the charts I use, the indicators I use, and the time frames I use. You MUST spend time to study this material by watching the market on the right edge. By doing so you will see my trading approach deliver multiple winning trades throughout every day. If you are not successful finding the winning trades it is almost certain you are not following 1 or more of my rules.
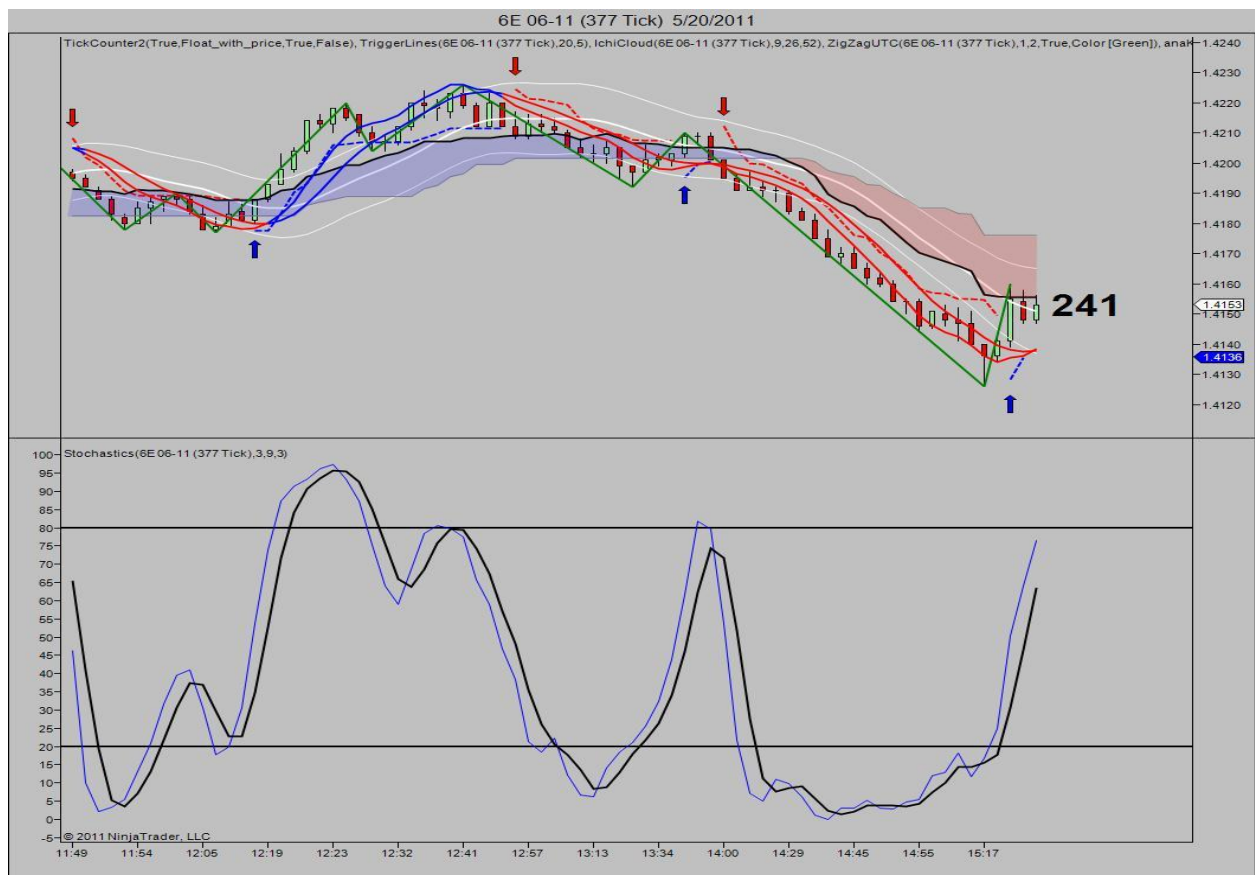
# CHART SETUP

I use 2 charts to trade, I use a 377 tick chart which is used for placing trades and I use a 1508 tick chart for trend direction.  Let's setup our charts -

# 377 TICK CHART

1. Chart background set to - SILVER

2. Keltner Channel  - set at period 21. Multiplier 1.5

3. Tick Counter 2 - set display position  to "Float with Price"

4. Trigger Lines - set to period "20", TrigAvg "5", set in Plots - Up Color "Blue" Down Color "Red"

5. IchiCloud - use default settings, under plots set the line width on the SENKOUSPANA to 2

6. ZIG ZAG UTC - Set Show to 1, Span to 2, Use High and Low to true, Color to yellow

**7.  Stochastics set  Period D at 3, Period K at 9, Smooth 3**

**8. ana Super Trend - set indicator to default settings**

**9. Optional a 55 EMA many trades will setup off this MA**

**After applying these indicators your chart should look like this  - this picture was taken at Friday's close**
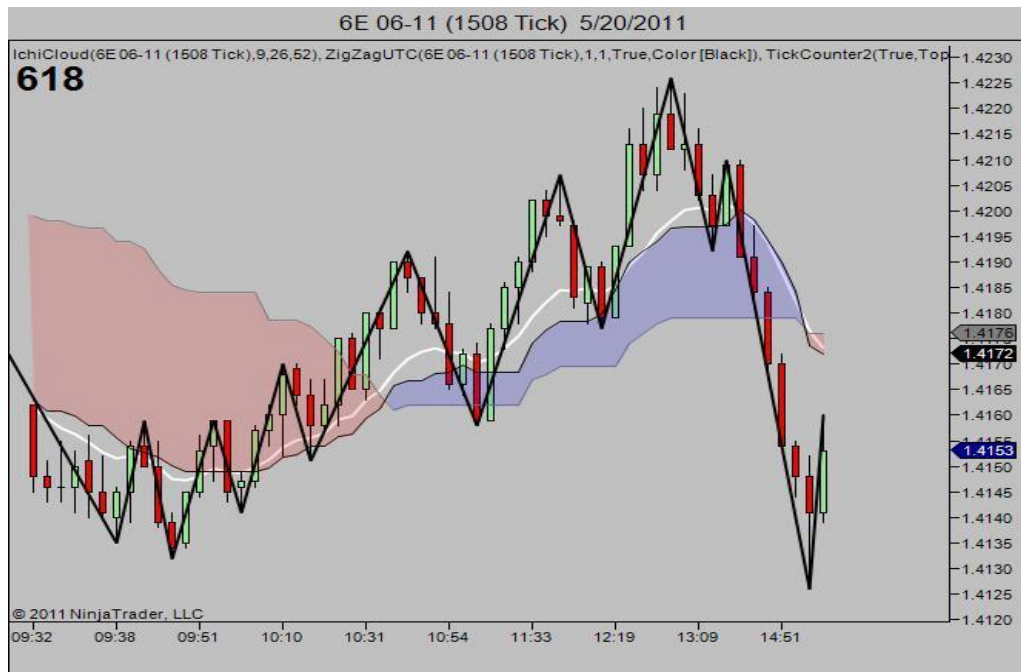


**If your chart does not look like this go back and review the chart setup rules and make corrections until it does**

look right.  You cannot trade by my rules if don't follow them from the start.

# 1508 TICK CHART

1. Chart Background color set to "Silver"

2. IchiCloud - set indicator at default settings

3. 13 EMA set to color "white"

4. Tick Counter 2 , set display position to "Top Left"

5. ZigZag indicator set show & Span both to 1

After applying these indicators your 1508 Tick chart should look like this

**If your chart does not look like this make changes until it does.**

# TRADING RULES

**The following will be the specific rules that MUST be met to qualify a trade. These rules however many there are is not a majority vote. Every rule must be met to take a trade if only 1 rule is violated in the setup you pass the trade regardless of the setup or result.**

**NO absolutely not, as in ZERO, any counter trend trades are taken in this methodology. This is a strictly trend trading methodology that requires patience and discipline to wait for the market to set up.**

**Patience and Discipline is NOT taught it is obtained by time, effort, and probably a lot of lost money in the past.**

**Long trades rules and Short trade rules are on separate pages in this document.  I suggest you print this and use those 2 pages as a checklist when evaluating a trade setup.**

# LONG TRADE RULES

**1. 1508 chart candles MUST be making HH/HL illustrated by ZigZag either inside red cloud or above blue cloud**

**2. 377 tick candles Must be closing above cloud**

**3. ZIG Zag must be making higher highs/higher lows**

**4. Trigger Lines if RED and spaced apart a bar must close inside or above  them at entry**

**5. 1508 candles MUST retrace to 13 MA or cloud**

**6. 377 chart ZigZag CANNOT make a lower low before trade occurs. If it does you MUST get a double bottom confirmed by a Stochastic divergence**

**7. Entry bar MUST close  above a Spinning Top, Doji, or Hammer bar .**

**8. Entry price MUST allow stop to be 12 ticks or less. Initial stop placement must be below top of cloud.**

**9. Trade exit occurs if profit target of 21 ticks is reached or a candle closes back inside the cloud whichever comes 1st.**
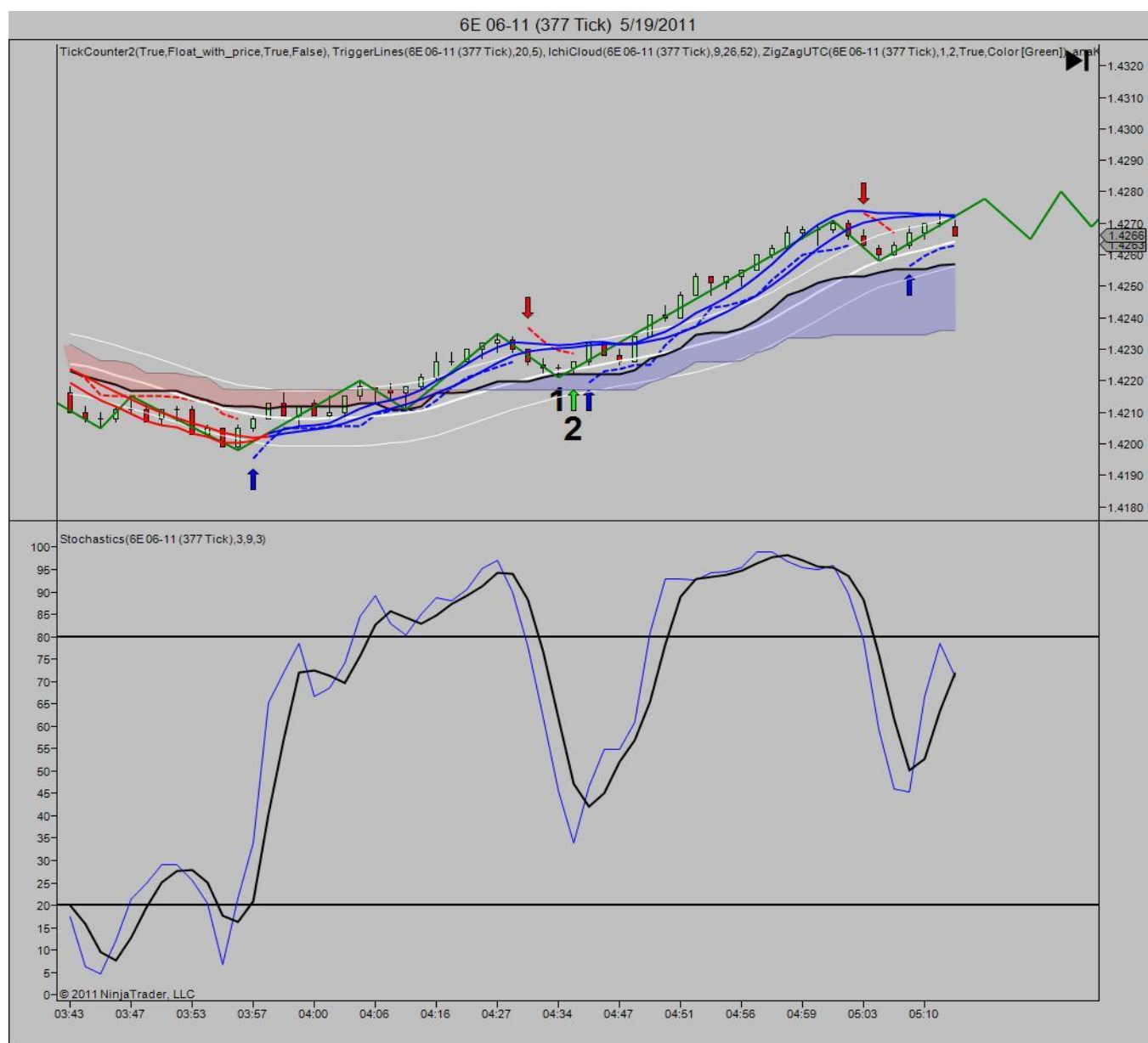
# LONG TRADE EXAMPLES

Again, print this document if you can.  Examples are shown as numbered steps you would go through in considering a trade.  It would be helpful to see the picture as you are reading the numbered steps.

All examples are with the 1508 tick chart in an uptrend - I will discuss the 1508 chart and how to interpret trend later in the document.
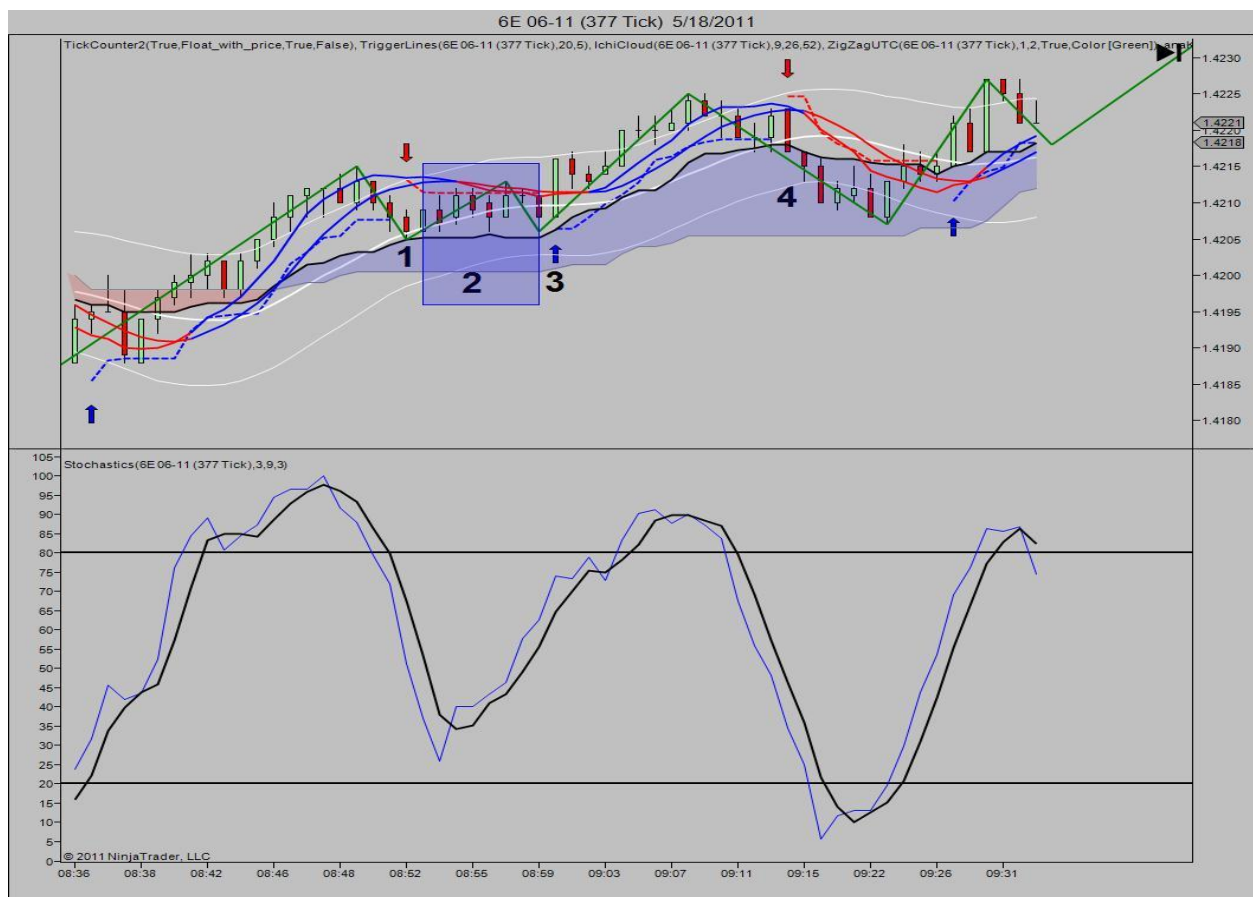
# Example 1

# 1. Doji after retrace

# 2. bar closes above Doji

## Example 2

**1. 1st spinning top after retrace**

**2. Series of spinning tops and a bar never closes above them in blue shaded area**

**3. Wide breakout bar above setup bars highs a trade none the less**

**4. Exit here, bar closes back inside cloud - I never allow stop to be hit.  trade result +1 tick, exit or stop will usually get hit**
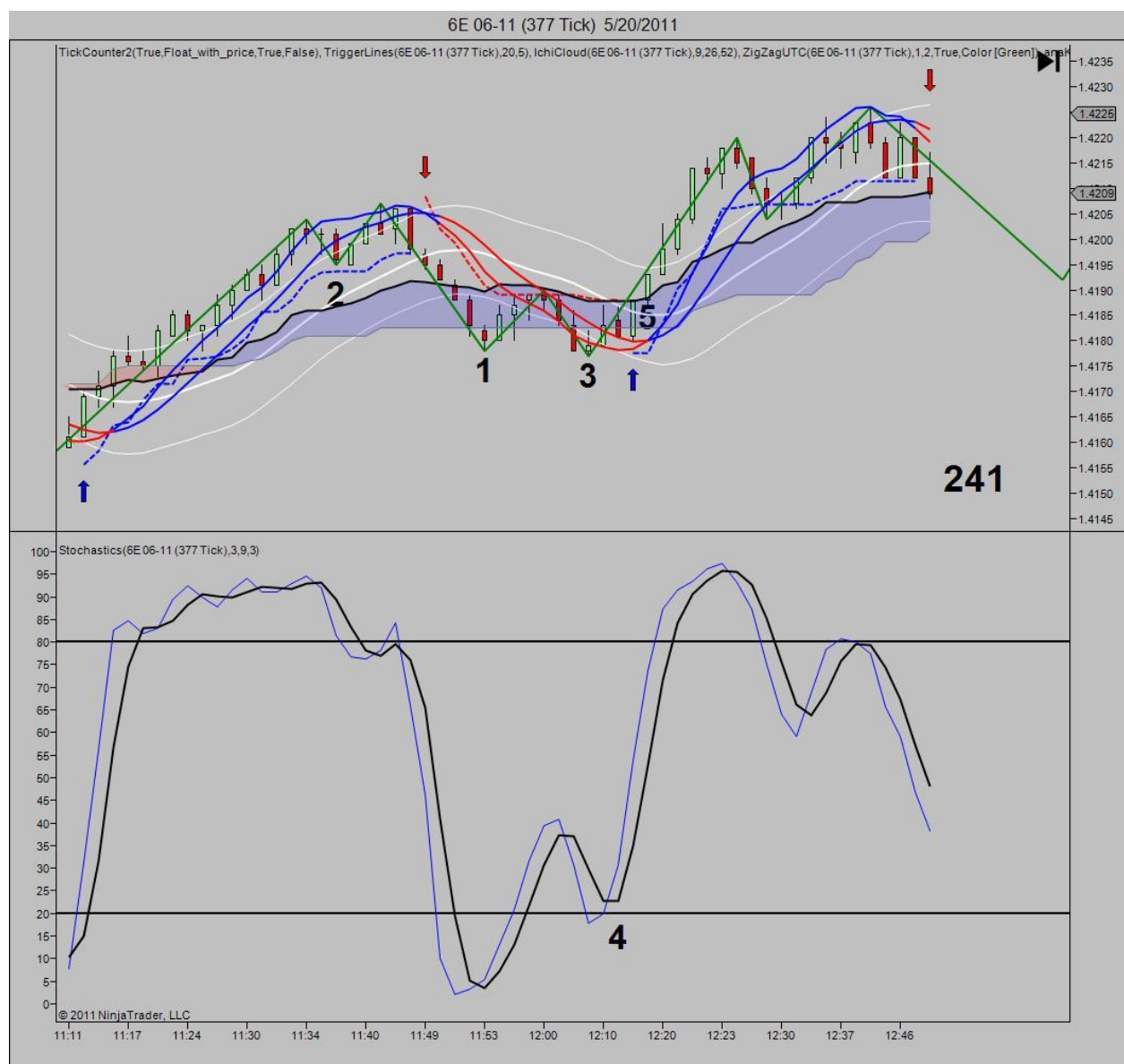
# Example 3

## 1 ZigZag makes lower low during retrace see points 1&2

## 3. ZigZag makes double bottom

## 4. Double bottom confirmed by Stochastic divergence

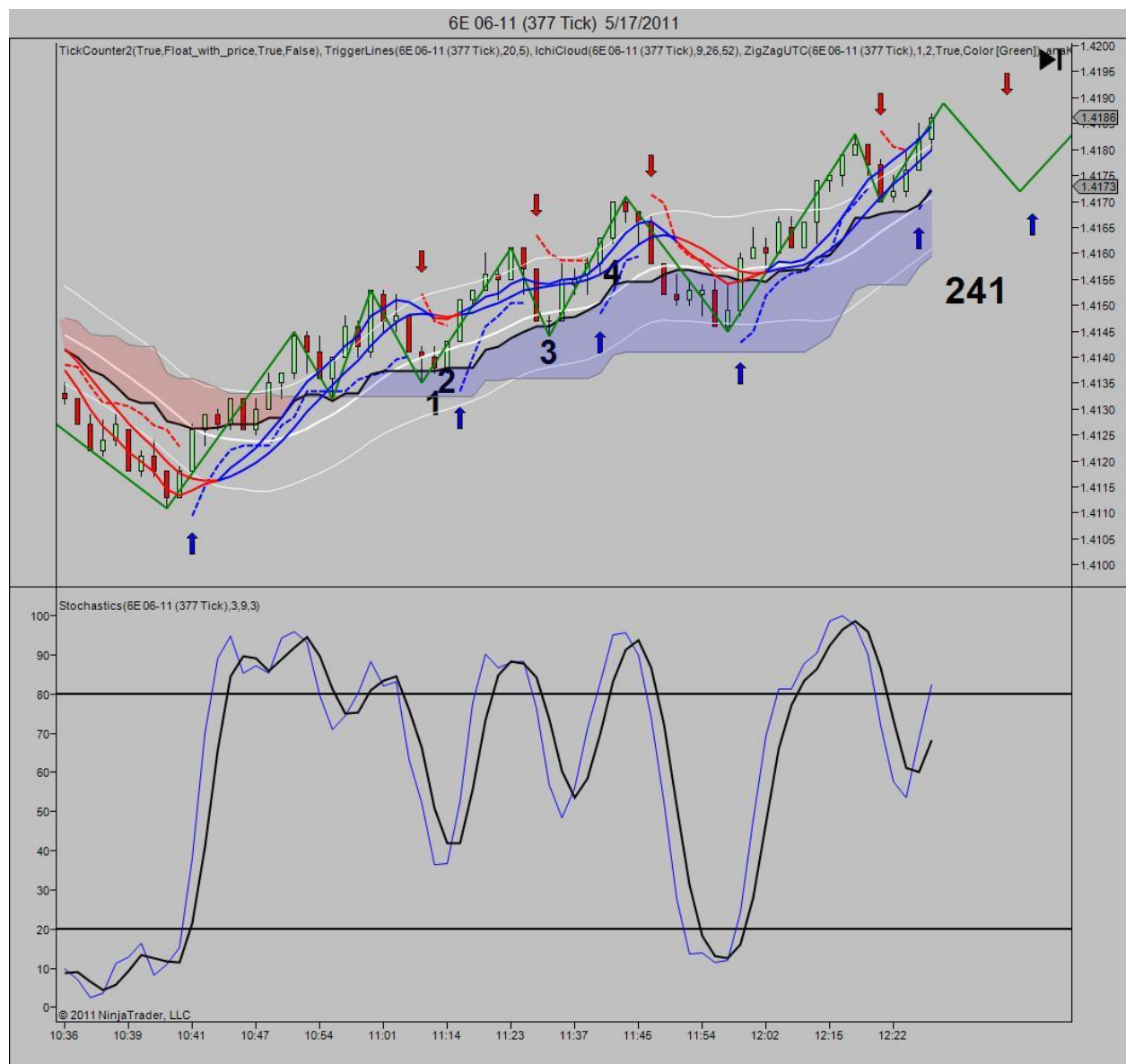## 5. entry confirmed as bar closes above cloud

# Example 4

## 1 spinning top at bottom of retrace

## 2 entry bar closes above high of spinning top

## 3. No bar closes inside the cloud hold the trade

## 4. Profit target achieved on this bar

# SHORT TRADE RULES

1. 1508 chart candles MUST be making LL/LH illustrated by ZigZag either inside blue cloud or below red cloud

2. 377 tick candles Must be closing below cloud

3. Zig Zag must be making lower lows/lower highs

4. Trigger lines if blue and spaced apart a bar must close inside or below them at entry

5. 1508 candles must retrace to 13 MA or cloud

6. 377 chart ZigZag CANNOT make a higher high before trade occurs.  If it does you MUST get a double top confirmed by a Stochastic divergence

7. Entry bar MUST close below a spinning top, Doji, or Hammer bar

8. Entry price MUST allow stop to be 12 ticks or less. initial stop must be above bottom of the cloud

9.  Trade exit occurs when profit target of 21 ticks is reached or a candle closing back inside the cloud
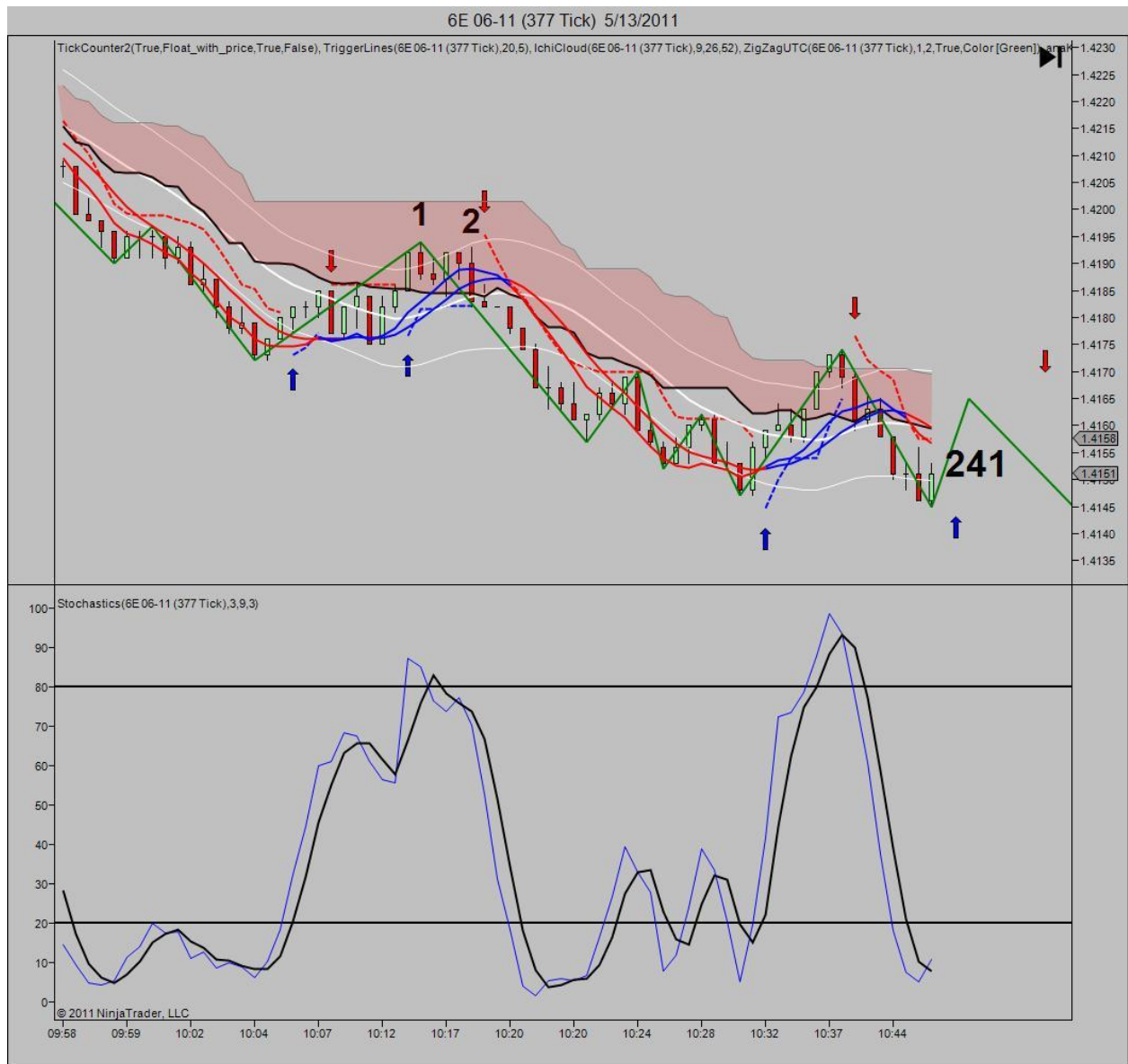
# SHORT TRADE EXAMPLES

**Again, print this document if you can. examples are shown as numbered steps you would go through in considering a trade. it would be helpful to see the picture as you are reading the Numbered steps.**

**All examples are with the 1508 tick in a down trend. I will discuss the 1508 chart and how to interpret it later in the document**
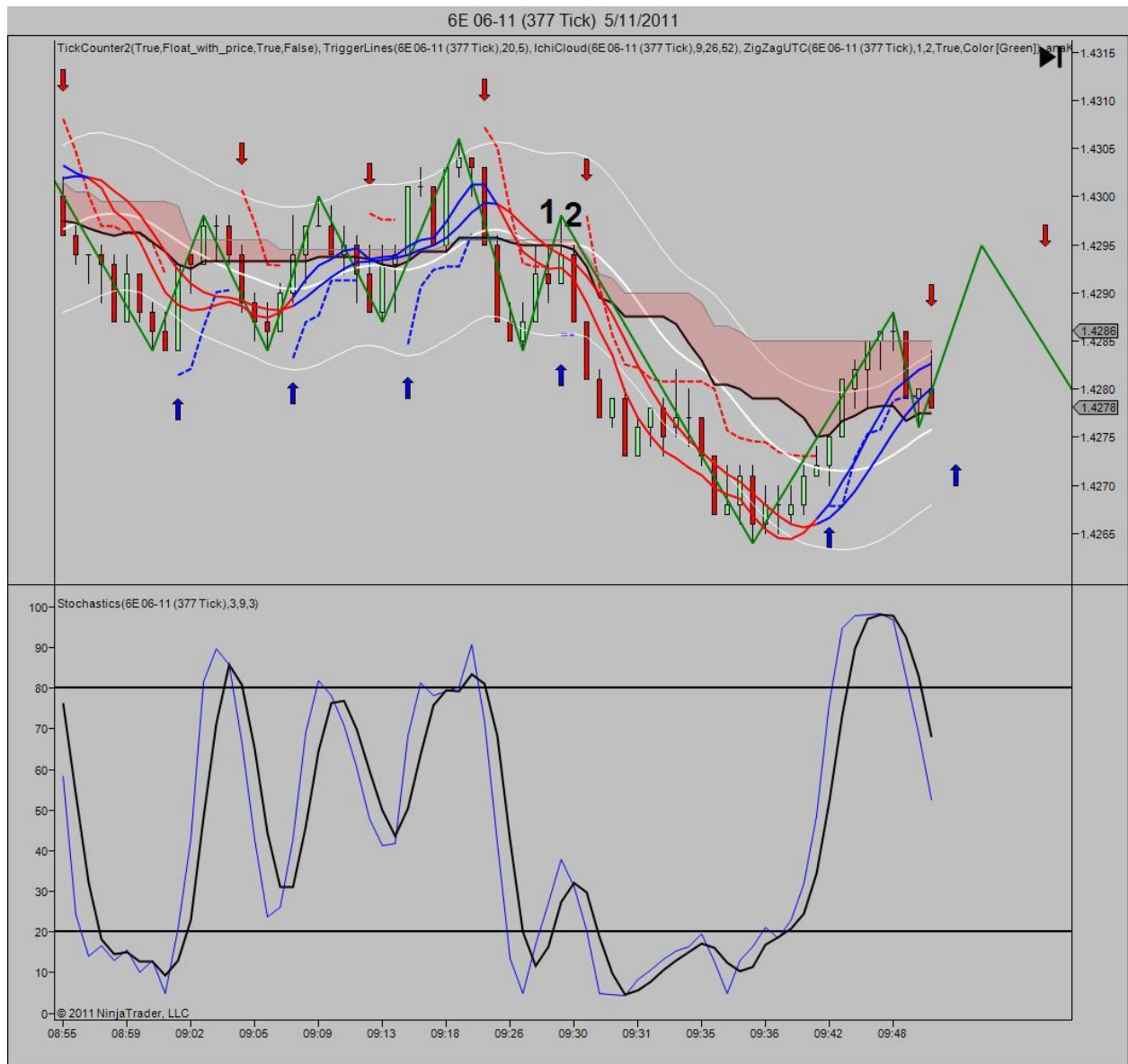
# Example 1

## 1. spinning top at top of retrace
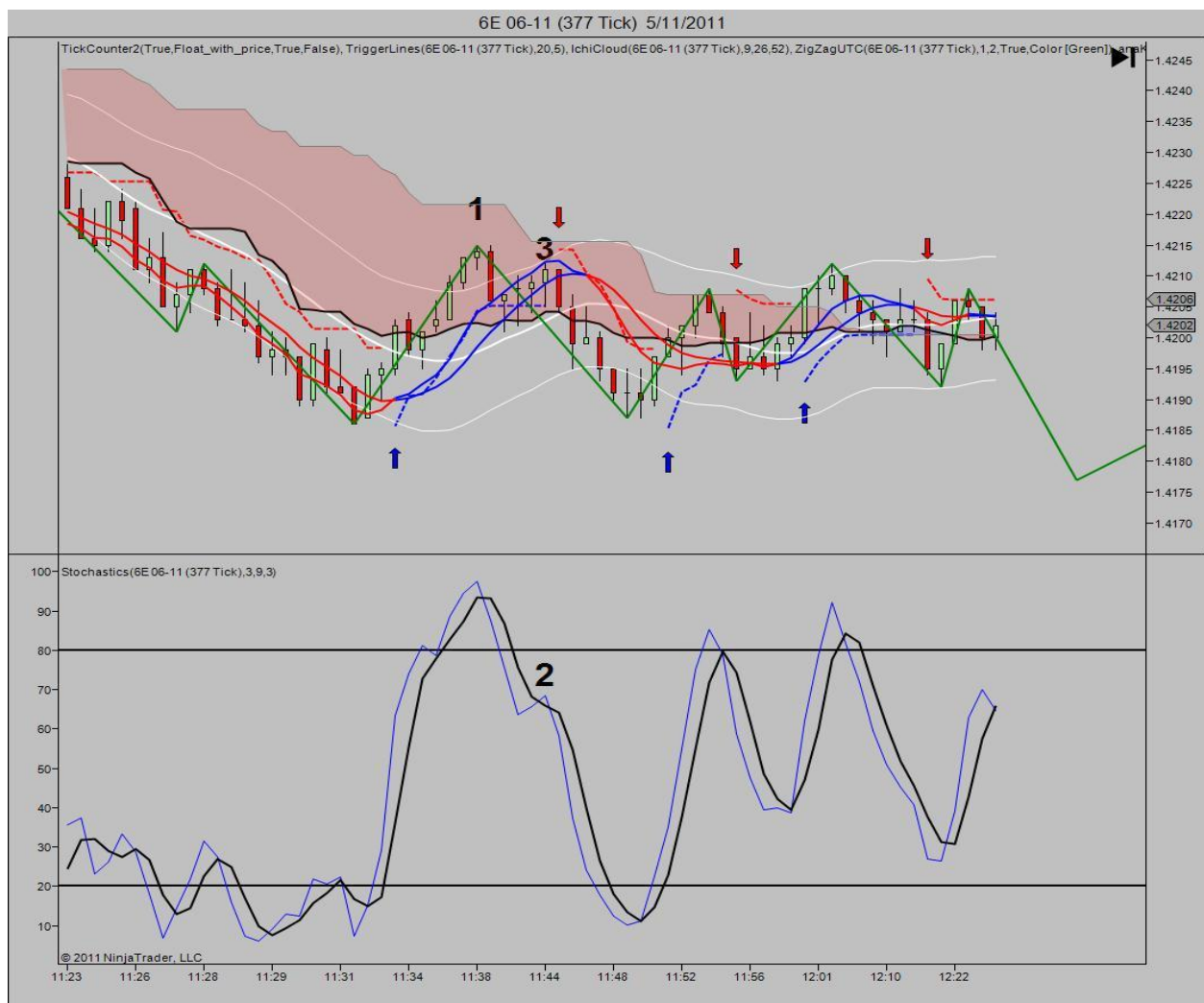
## 2. Entry bar closing below cloud

# Example 2

## 1. Spinning top in retrace off a LL
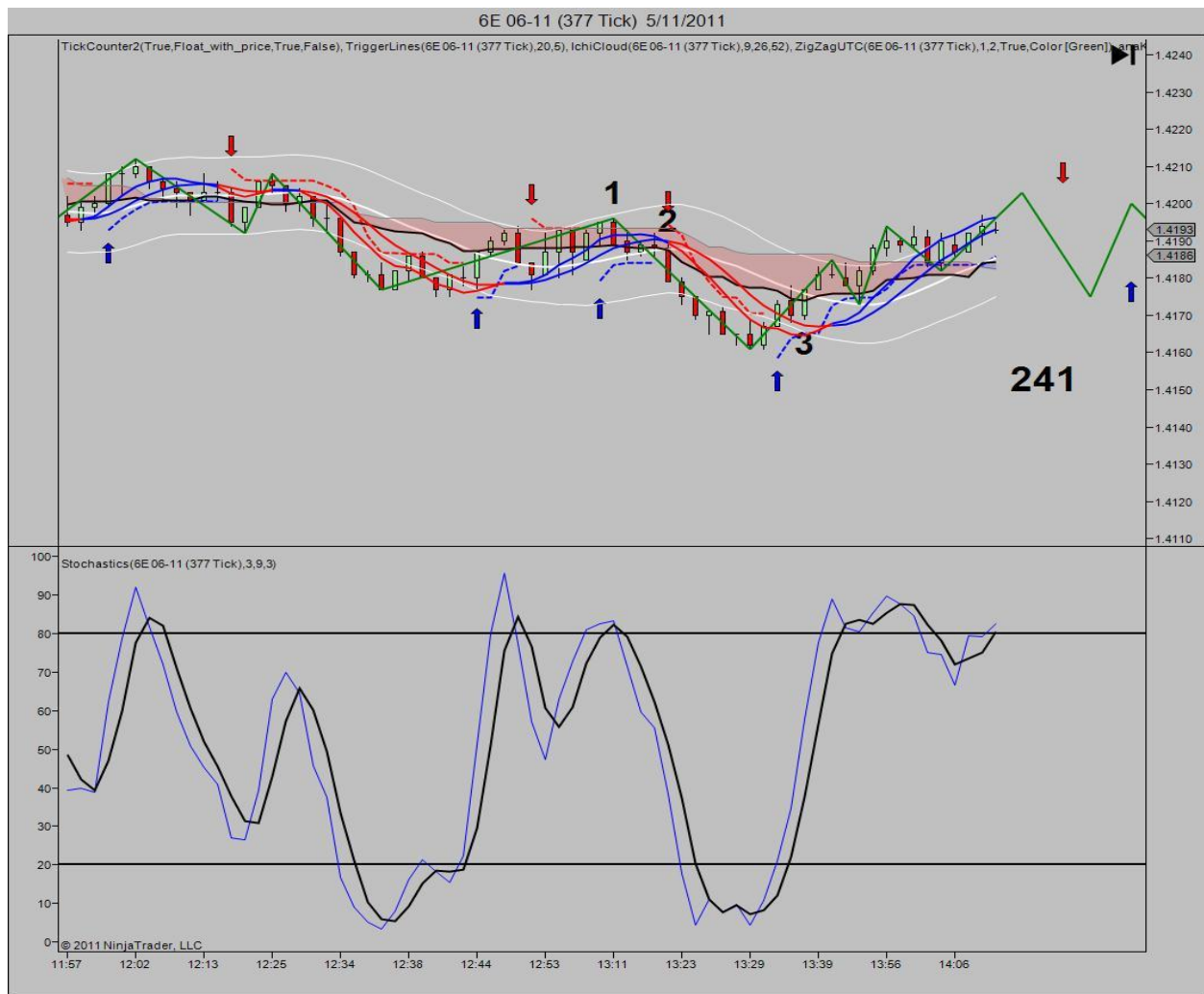
## 2. bar closing below its low

# Example 3

## 1. ZigZag makes a higher high in retrace

## 2 . Stochastic appears to make a divergence as price turns higher

## 3. Price does not make a double top this is a lower high

## 4 DO NOT take this trade

# Example 4

**1. Notice as price retraces blue trigger lines are spread apart**

**2. Wait for price to close under trigger lines and lines roll over. entry bar below Doji's low**

**3. Exit here close inside cloud, lose 2 ticks. That's nothing compared to reward potential**



copyright 2011,charles booth
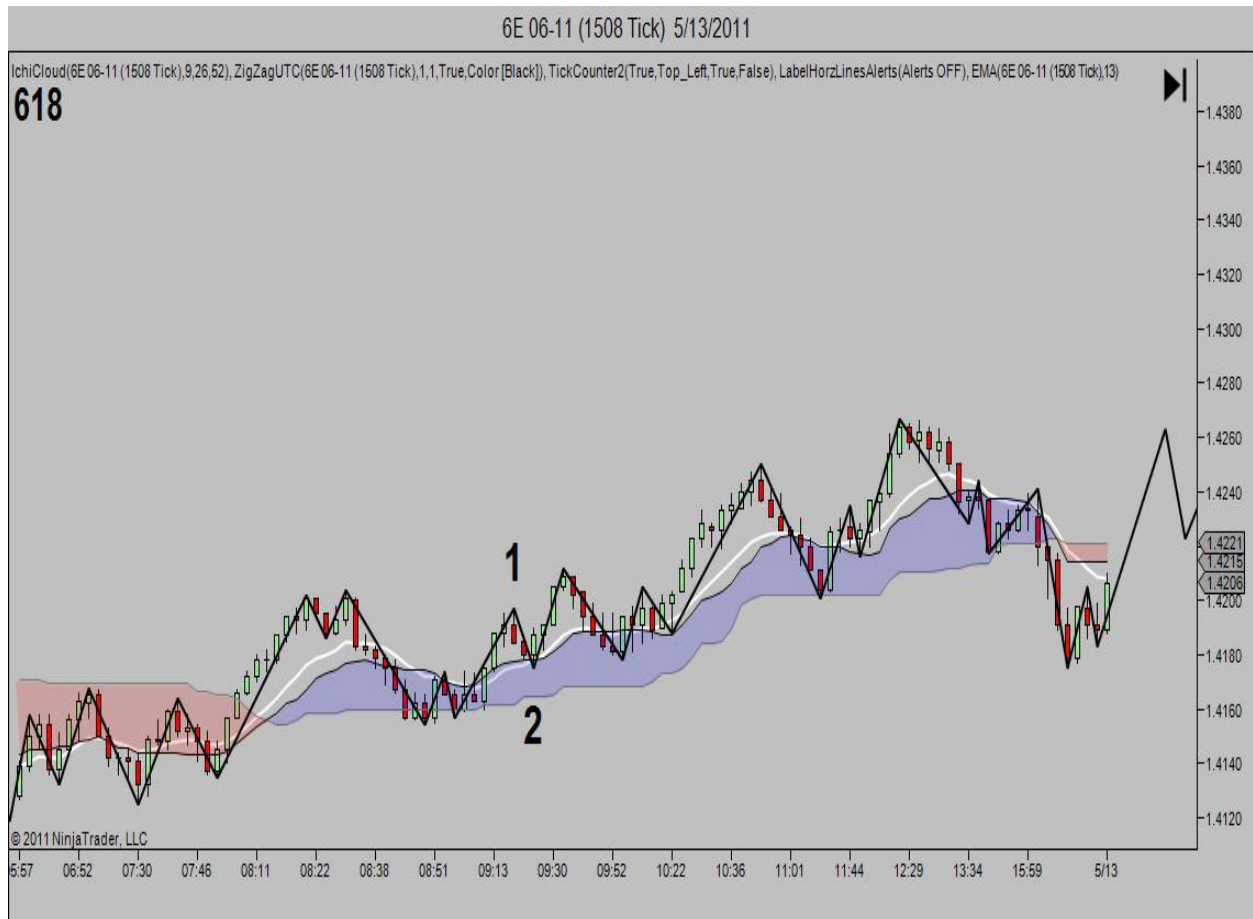
# UNDERSTANDING

# 1508 TICK CHART

While trading this system 90% of your attention needs to be on watching the 1508 chart. the 1508 chart MUST set up properly before EVER considering if you have a valid trade on the 377. Trading the 377 as a stand a lone chart will wipe out your account as it is too volatile and gives way too many false signals.

I am not hoping to trade every swing in the market. Some moves will not set up right and you will miss it, some trades will lose a few ticks, but there will be enough good ones in the Euro that each day you should make money if you learn and follow these rules.

# example 1

## 1. Price MUST be making higher highs

## 2. Price retraces to either the 13 MA or the cloud. be watching the 377 chart as price approaches the cloud or MA for an entry here
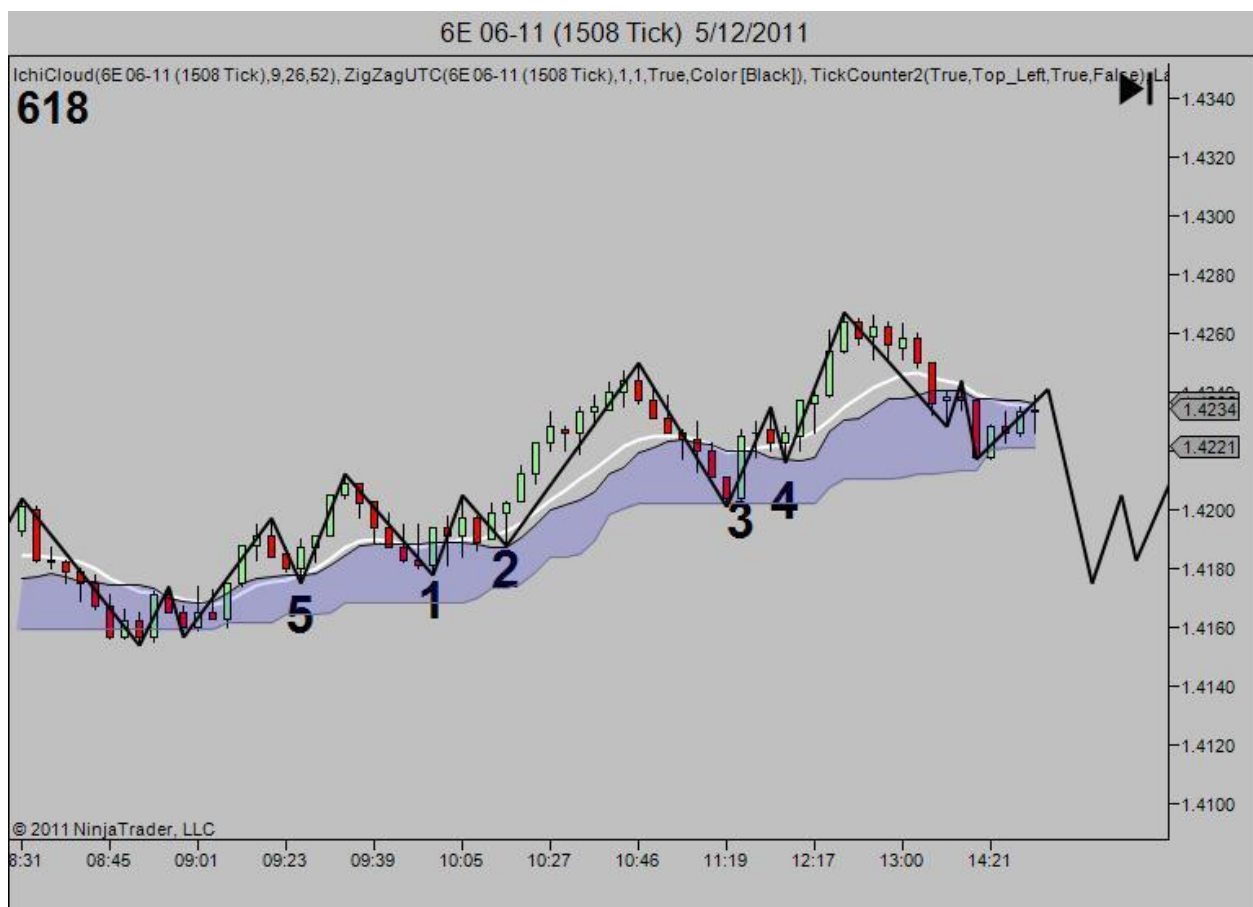
# examples

## 1. look for an entry here

## 2. here is too late price has made a lower high see ZigZag

## 3. possible entry here

## 4. not here see ZigZag

## 5. entry here

3 of those possible locations the 377 tick chart may have triggered a trade.  If only 1 of them did you just made $525 trading 2 contracts.

Again we are not looking to jump on every swing we are looking to take the best from the best locations.

More examples

1. price does not make a lower low see point 2

3. Still no lower low stay out of the chop

4. finally a lower low - time to wake up

5. look for entry here on the 377

6 & 7 again not making lower lows

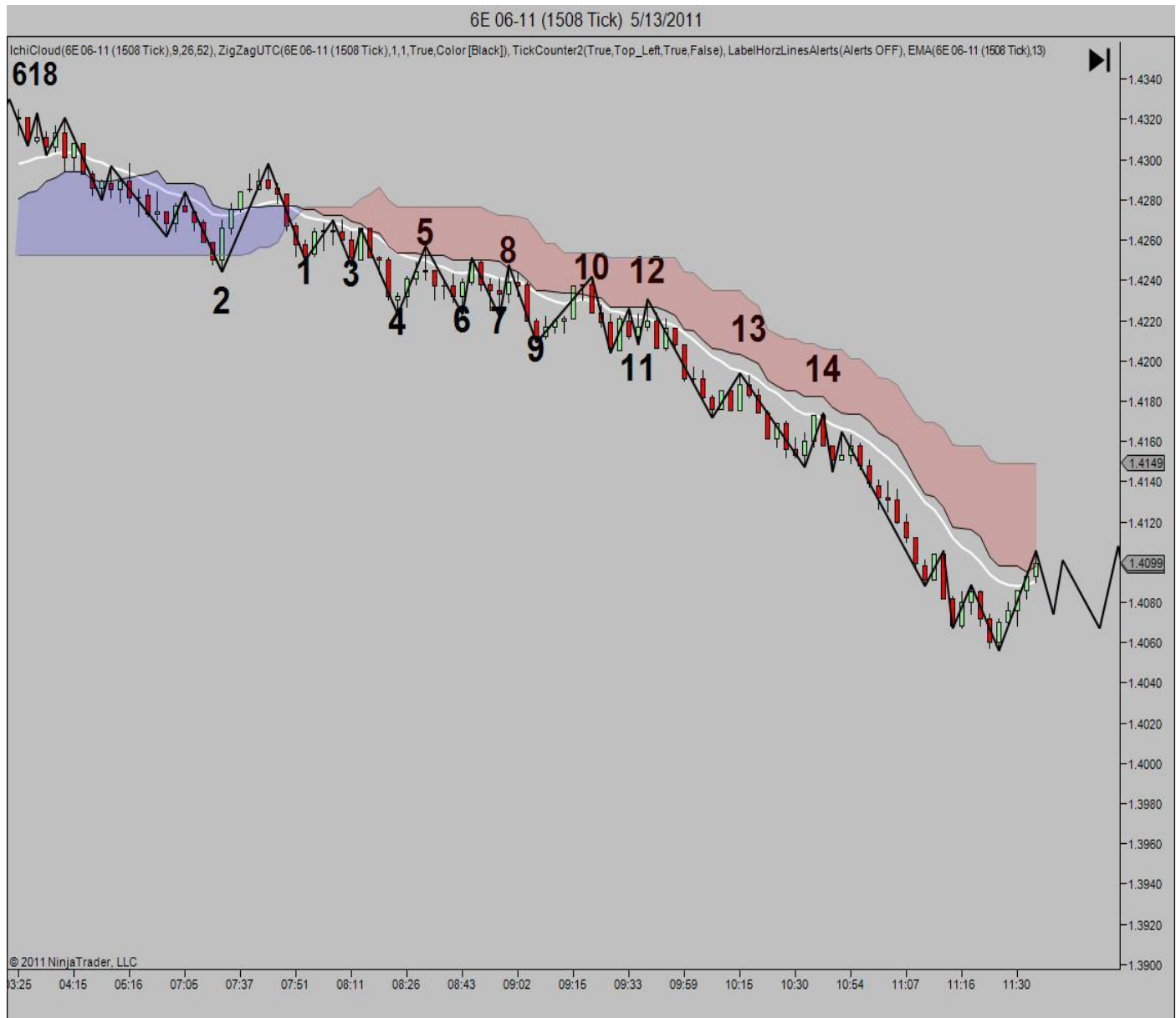8. stay out of chop this is where the losing trades are

9. new lower low

10. look at 377 chart for entry

11.  This is what's called an ABCD retrace also known as stop running.  1st retrace up fails to be followed by a lower low, 2nd retrace up takes out stops but more important is the same length as the 1st move up.  These moves are VERY STRONG trend continuation setups

**learn to see them especially when they occur on a high time frame.**

**12. short here as well as points 13 and 14**



**Study this chart well you will see this a lot**

Now we will look at how to trade a POTENTIAL trend reversal that is already in progress.  We NEVER attempt to buy the lows or sell the highs of a trend.  We want some confirmation at least that the trend may be reversing to the other side

The 1st sign we need of a trend change is for price to go inside the cloud and make a higher high or lower low on the ZigZag.

2nd we need the retracement candles to close INSIDE the cloud and then get a trade signal on the 377 chart.

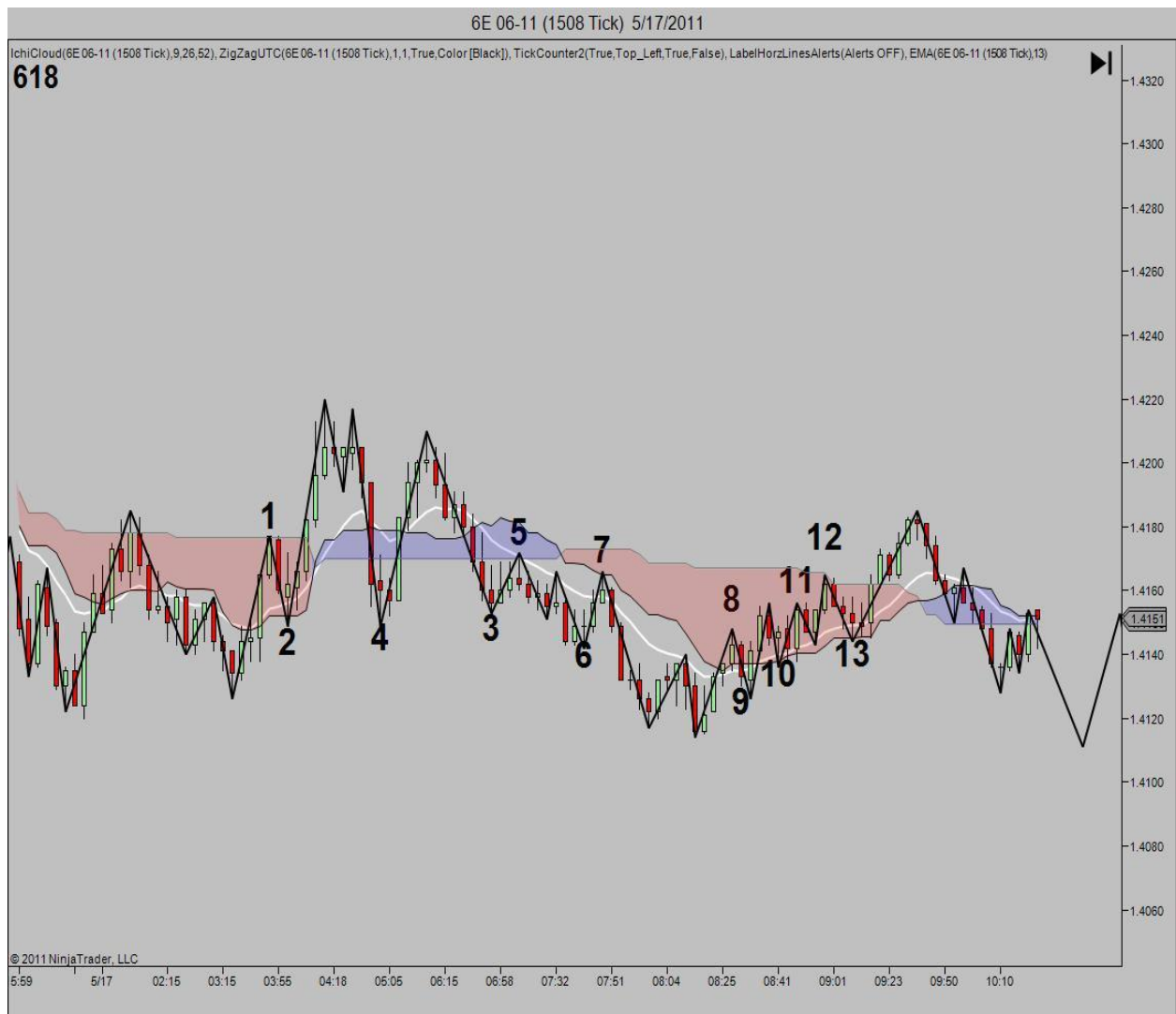these trades are aggressive but many times are the more explosive moves

examples

1. 1st higher high after down trend inside the cloud

2. candle bodies stay inside cloud during the retrace, look at the 377 for a trade entry here

3. this is not a lower low, see point 4 do not trade point 5

6. lower low

**7. look for short trade here, a little review from previous section**

**8. 1st higher high after down trend**

**9. Red candle closes below cloud no reversal signal**

**10.  look for trade here candles remain in cloud after another higher high**

**11. If trade had setup on the 377 at point 10 it was probably a losing trade not every one wins but I think you can see most of them do. point 11 is lower high no trade on the retrace.**

**12. Another higher high**

**13. Candles retrace, bodies stay inside cloud look at the 377 for a trade entry - explosive move**

6E 06-11 (1508 Tick) 5/17/2011

618

This is my strategy that is making me money every day. Study it and see if you can make money with it also. Some will say this is not price action or market structure trading. I disagree. no indicator on these charts are telling you when to enter a trade, price action and the

structure of it is telling you when to trade and when to stand aside.

If you want to look at this further and have questions about it feel free to send me charts and questions to boothcj@comcast.net

Good trading,

Charles Booth