

Forex Anvil

By Russ Horn

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Introduction

Welcome, and I m very happy that you took the time to test drive my new trading system. I am confident that you will really like this system. It's easy to use and the reults you will get from it are nothing short of amazing!

This is what the Forex Anvil trading system looks like:

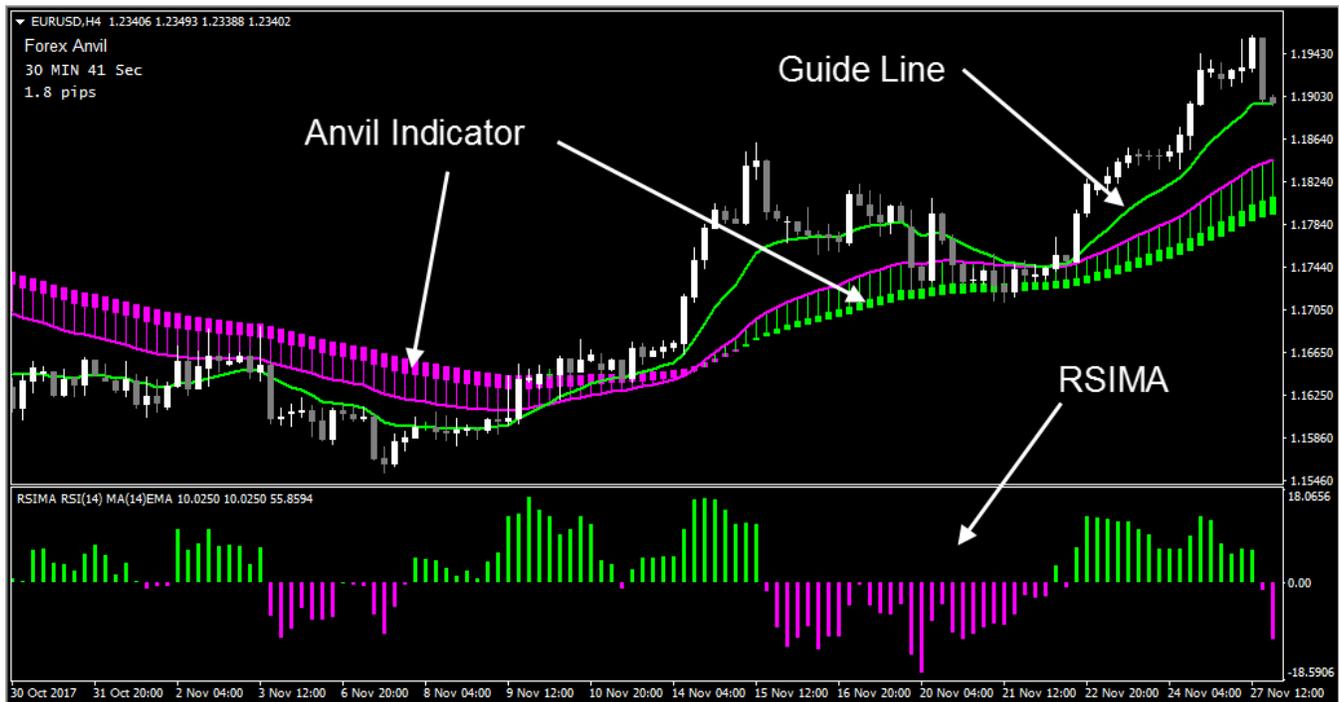


The system is easy to use, and a quick glance at a cart will have you getting a good idea how the system operates. We will take a look at the rules in just a minute, but first, let's take a look at the parts.

Here is the same image as the previous page, but with it's components labeled.

It is composed of 3 main indicators:

1. Guide Line
2. Anvil Indicator
3. RSIMA



The Anvil Indicator and the Guide Line work together to help determine the direction we should be looking to trade. The Anvil Indicator will present us with the overall trend direction while the Guide Line will tell us the strength of that trend. As long as the Guide Line remains on the trending edge of the Anvil Indicator, the trend is strong enough to be taking trades, The Anvil Indicator will be a critical component in determining a trade setup.

The RSIMA is a really interesting indicator. This is a histogram version of an RSI with a moving average running through it. The RSIMA is what we will be using to get trade signals.

With everything put together, we have all the information we need to:

- Determine the market bias.
- Give us accurate trade setups.
- Give us high probability entry signals.

Targets and stop losses will be largely determined by recent price action. We want to look to where the market has been in order to accurately place our exits.

Bias

Before anything else, we want to know what direction we should be looking to trade. The Anvil Indicator is the tool for that job. The Anvil Indicator will double as the overall bias as well as give us the setup criteria that must occur before a trade can even be considered.

The Anvil Indicator will determine whether we trade long or short.

- When the Anvil Indicator is Lime, we only look to take long (buy) trades.
- When the Anvil Indicator is Magenta, we only look to take short (sell) trades.

In the image below, we can clearly see when the Anvil Indicator is in buy mode or in sell mode.



It's important to have a market bias. The overall market direction will have stronger momentum in one direction over another, and to have an indicator like the Anvil Indicator helps in determining that momentum.

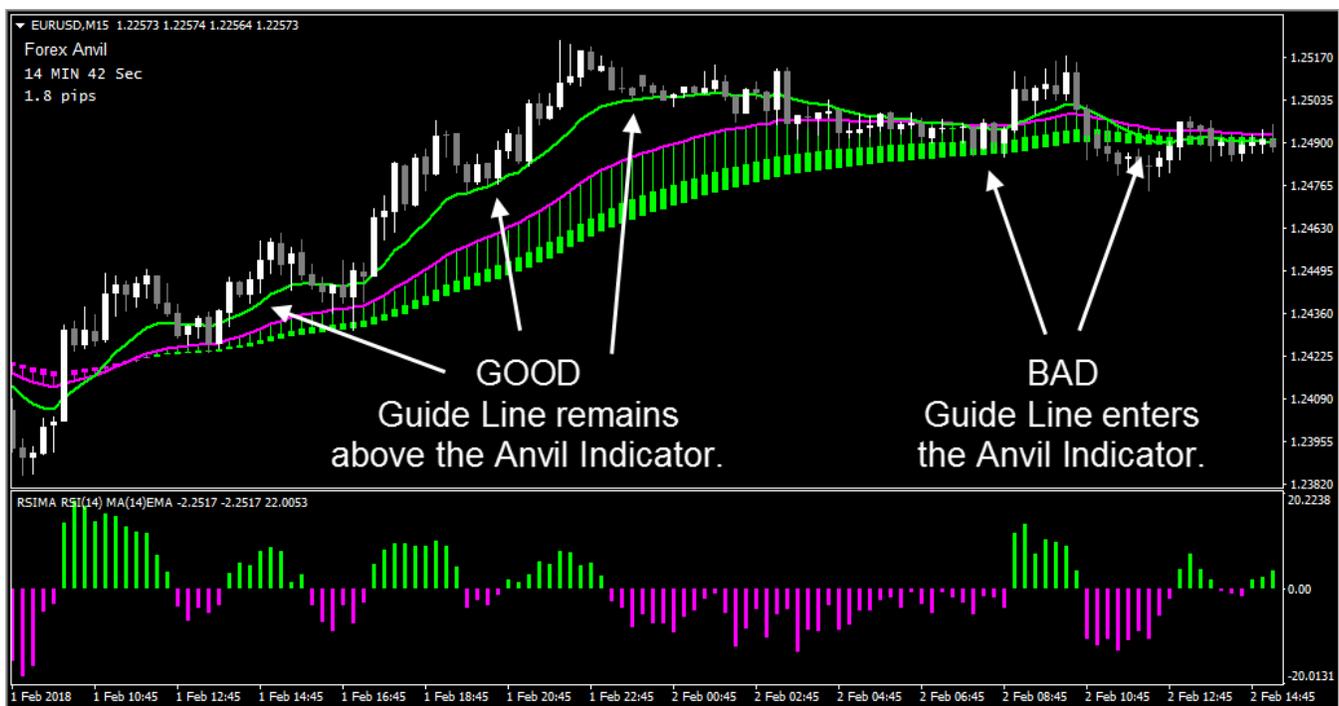
Most market moves in the opposite direction will be smaller pullbacks, or corrections. These are often small, insignificant moves that can lead to losses if traded. The market movement in the direction of the Anvil Indicator will generally be stronger and have a greater potential to move farther.

Guide Line Strength

The Guide Line is an important aspect to the overall trend of the market. The Anvil Indicator gives us a longer term market direction, while the Guide Line gives us a more specific current market strength. We want to trade only when the market strength is still strong.

The way we get this information is by comparing the placement of the Guide Line to the Anvil Indicator.

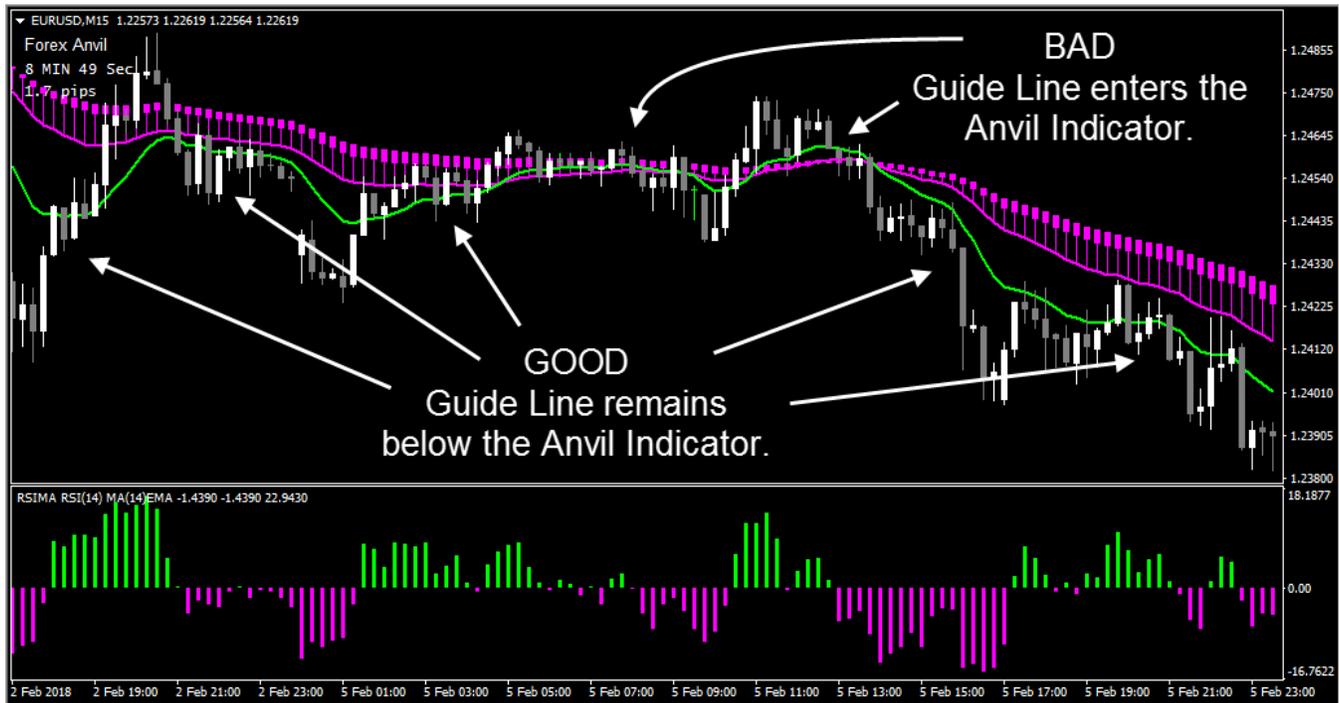
- In an uptrend, or long market bias, we want the Guide Line to remain above the Anvil Indicator during the setup and trade signal phases of a trade.



As long as the Guide Line is above the Anvil Indicator, the market momentum is still strong.

We can take trades after the Guide Line dips into the Anvil Indicator, but these trade setups become more aggressive and have less chance of working out. At the point when the Guide Line enters the Anvil Indicator, we can consider the market momentum to be weakening.

- In a downtrend, or short market bias, we want the Guide Line to remain below the Anvil Indicator during the setup and trade signal phases of a trade.



As long as the Guide Line is below the Anvil Indicator, the market momentum is still strong.

We can take trades after the Guide Line pops up into the Anvil Indicator, but these trade setups become more aggressive and have less chance of working out. At the point when the Guide Line enters the Anvil Indicator, we can consider the market momentum to be weakening.

In the image above, you see there is a section where the Guide Line actually moves above the Anvil Indicator. This is still a bad scenario to pace a sell trade as the bearish momentum is very weak. Before the trend changes direction, the Guide Line will change sides of the Anvil Indicator, so it's a good chance that when the Guide Line does this, we could be seeing the change of market direction.

RSIMA

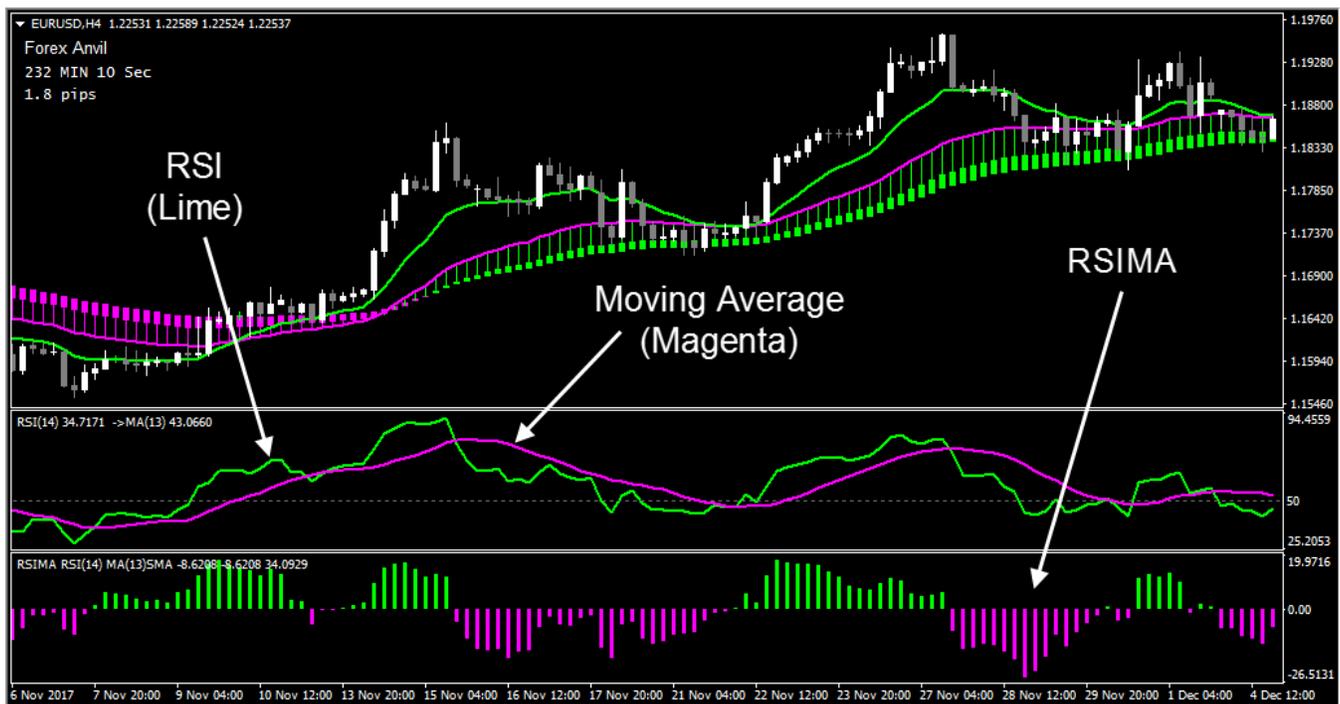
Our signal indicator is called the RSIMA. This is a combination of the RSI and a moving average of the RSI.

Generally, we take our signals from the RSI indicator when it crosses the 50 level, but I have found that is often too late for a good signal. What I have done is inserted a moving average over top of the RSI to create its own, faster version of the RSI. The moving average acts as a type of dynamic 50 level giving us faster signals while maintaining the integrity of the standard RSI.

- A buy signal on the RSIMA is when the RSI is above the moving average (Lime histogram)
- A sell signal on the RSIMA is when the RSI is below the moving average (Magenta histogram).

To make this distinction easier to see, I had an indicator built to show the histogram version of this event, and so the RSIMA was born.

In the image below, I have broken the RSIMA into its original components, the RSI and a moving average of the RSI. In the histogram version below it, you can see that when the RSI is above the moving average, the histogram is Lime, and when the RSI is below the moving average, the histogram is Magenta.



Forex Anvil Conservative Trades

Let's take a look at the trade setups for the Forex Anvil conservative trades.

Anvil Long Conservative Trade

Setup

- Anvil Indicator must be Lime.
- Guide Line must be above the Anvil Indicator.
- RSIMA histogram is Magenta.
- Price must touch the top of the Anvil Indicator.

Signal

- RSIMA histogram turns Lime at the close of the signal candle
- Guide Line has remained above the Anvil Indicator.

Stop Loss

- Place initial stop loss below the most recent swing low made by the market.

Target

- Place target same distance as stop loss (1:1 reward to risk ratio).



Anvil Short Conservative Trade

Setup

- Anvil Indicator must be Magenta.
- Guide Line must be below the Anvil Indicator.
- RSIMA histogram is Lime.
- Price must touch the bottom of the Anvil Indicator.

Signal

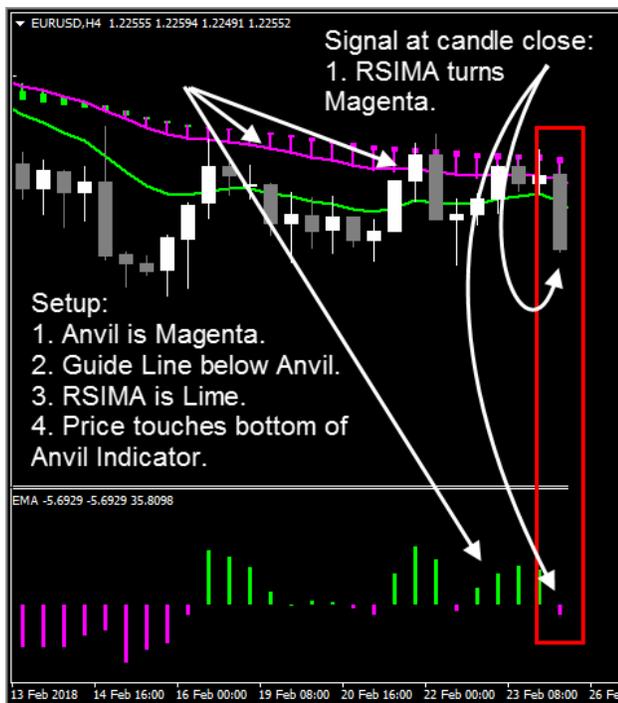
- RSIMA histogram turns Magenta at the close of the signal candle
- Guide Line has remained below the Anvil Indicator.

Stop Loss

- Place initial stop loss above the most recent swing high made by the market.

Target

- Place target same distance as stop loss (1:1 reward to risk ratio).



Forex Anvil Aggressive Trades

Let's take a look at the trade setups for the Forex Anvil aggressive trades.

Anvil Long Aggressive Trade

Setup

- Anvil Indicator must be Lime.
- Guide Line can drop into or below the Anvil Indicator.
- RSIMA histogram is Magenta.

Signal

- RSIMA histogram turns Lime at the close of the signal candle.
- The Anvil has remained Lime.

Stop Loss

- Place initial stop loss below the most recent swing low made by the market.

Target

- Place target same distance as stop loss (1:1 reward to risk ratio).



In the example above, the Guide Line drops into the Anvil making this an aggressive trade.

Anvil Short Aggressive Trade

Setup

- Anvil Indicator must be Magenta.
- Guide Line can rise into or above the Anvil Indicator.
- RSIMA histogram is Lime.

Signal

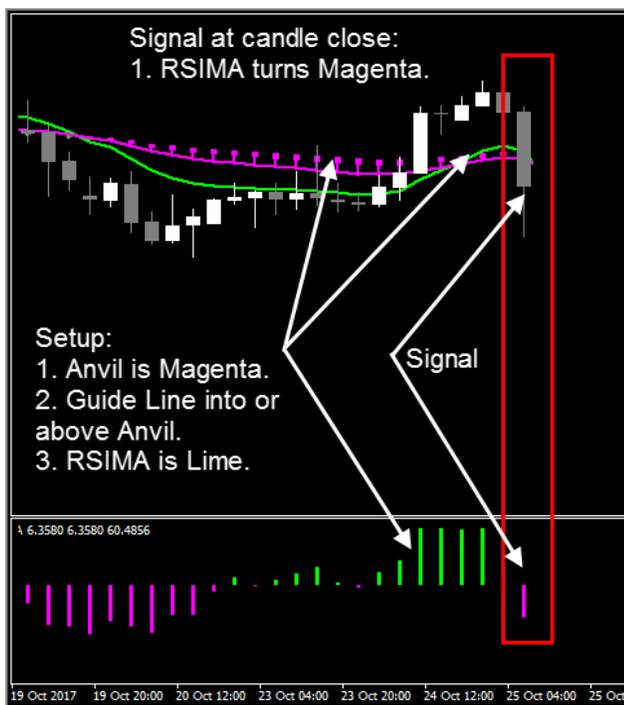
- RSIMA histogram turns Magenta at the close of the signal candle.
- The Anvil has remained Magenta.

Stop Loss

- Place initial stop loss above the most recent swing high made by the market.

Target

- Place target same distance as stop loss (1:1 reward to risk ratio).



In the example above, the Guide Line rises above the Anvil Indicator making this an aggressive short trade.

Conclusion

The Forex Anvil system is a powerful and complete trading system than you can use to take profits from the market on a regular basis.

The Forex Anvil system takes advantage of the fact the market want to return to a center of balance, and the Anvil Indicator does a great job showing us where this balancing point is. The leading edge of the Anvil is an important feature and you will benefit from this indicator in any system you use it in.

Please don't confuse the fact that it's free with a system that doesn't work, the Forex Anvil system works incredibly well. Try it out on a demo for several trades, get a feel for it and then once you are satisfied, trade it live.

The Forex Anvil system uses the essential components to a great system:

- Trend Direction (market bias).
- Clear entry signals.
- Clear exit criteria.

Once you have mastered the system, you shouldn't need another trading system for as long as you trade. Regardless, try it out and see what you think, I know you will be pleasantly surprised.

Best of luck to you and in your trading career!

Russ Horn