

BB Stop Rainbow Trading System

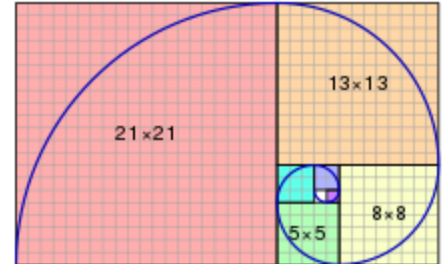
Time frame: M15

Currency: any pair

Indicators:

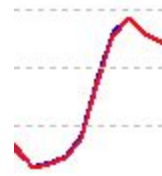
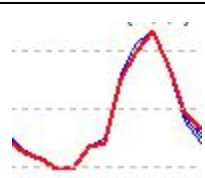
1. Bollinger Bands (21) Rainbow from standard deviation 1.0 to 2.0
2. BB Stop (21) Rainbow from standard deviation 1.0 to 2.0
3. Stochastic Thread from (6,3,3) to (24,3,3)
4. Heiken Ashi

Note: 21 is a Fibonacci number.



Bollinger Bands are used to let you see the **squeeze** easier. After the breakout, we don't need it anymore. Therefore, I colored them in light gray.

Bollinger Bands Squeeze is a chart pattern that enables you to locate strong and profitable trade setups. When the market becomes too slow and there is a low volatility, the price moves sideways and the Bollinger upper and lower bands become so close to each other. This is called "**Bollinger Bands Squeeze**". According to John Bollinger, periods of low volatility are often followed by periods of high volatility.

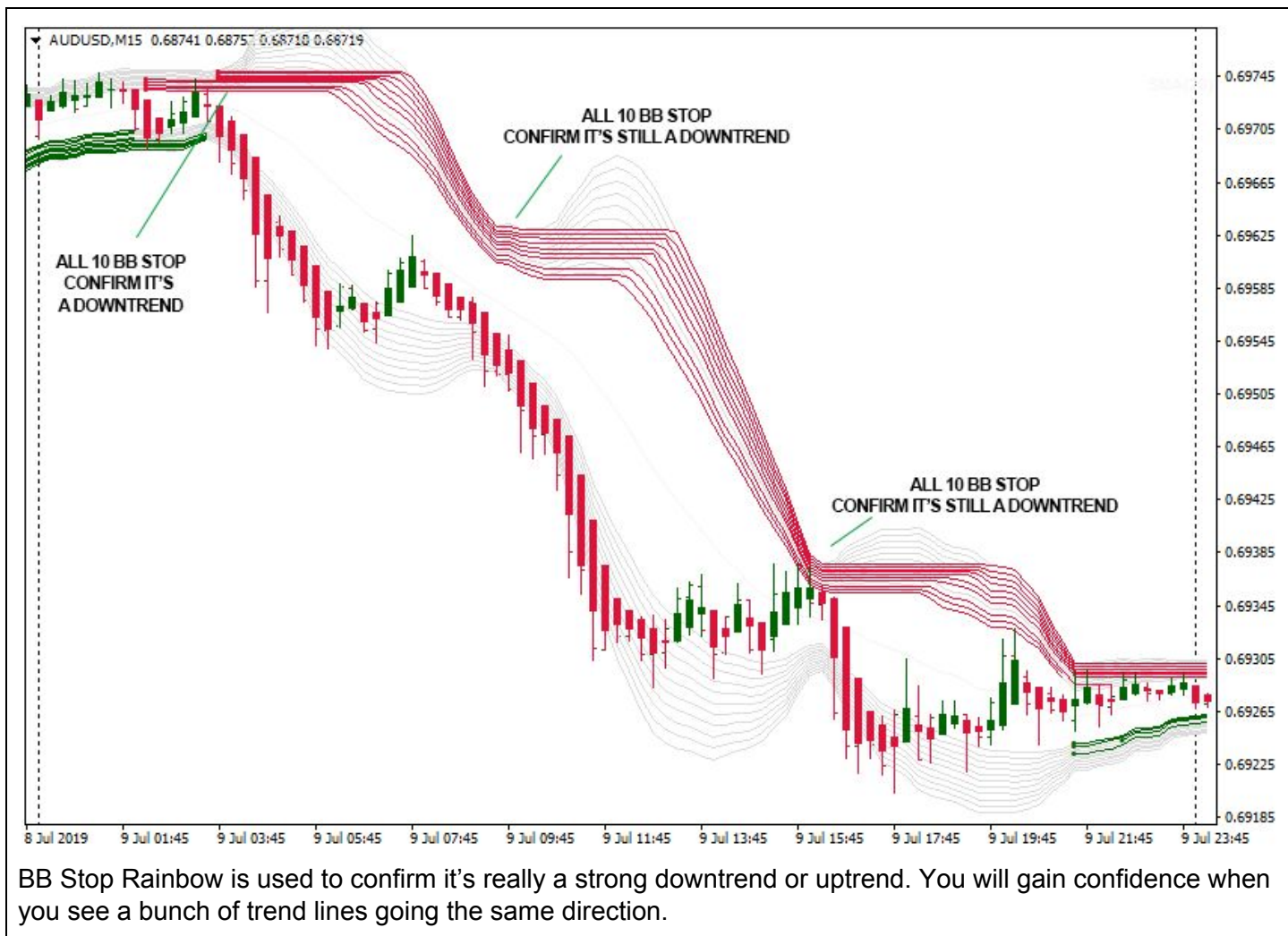


Stochastic Thread was created by Spudfyre in 2007 from Forex Factory forum and I used it to spot **whipsaw** and u-turn.

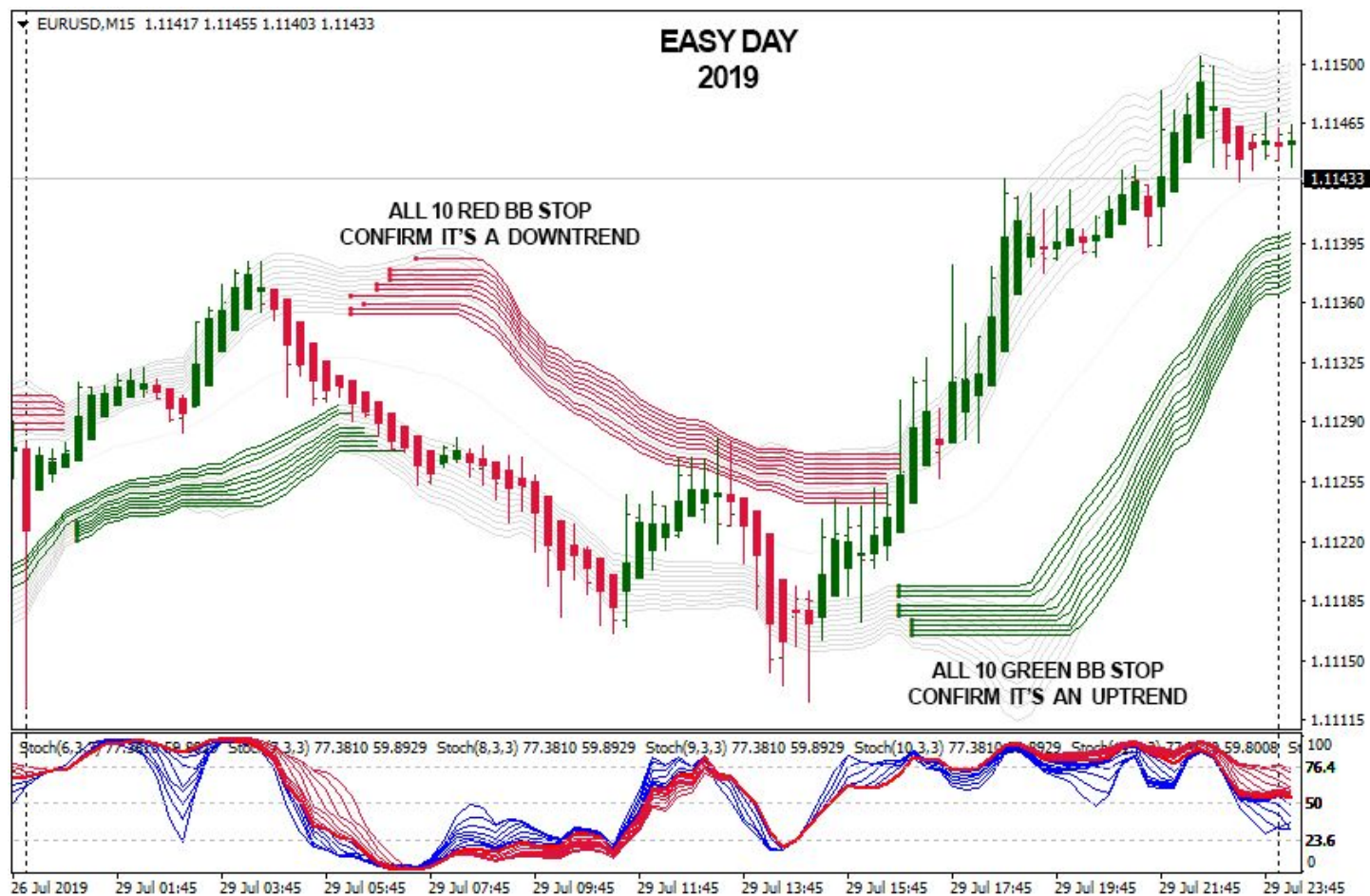
Whipsaw is a slang in forex for a condition where a sharp price movement is quickly followed by a sharp reversal in an hour.

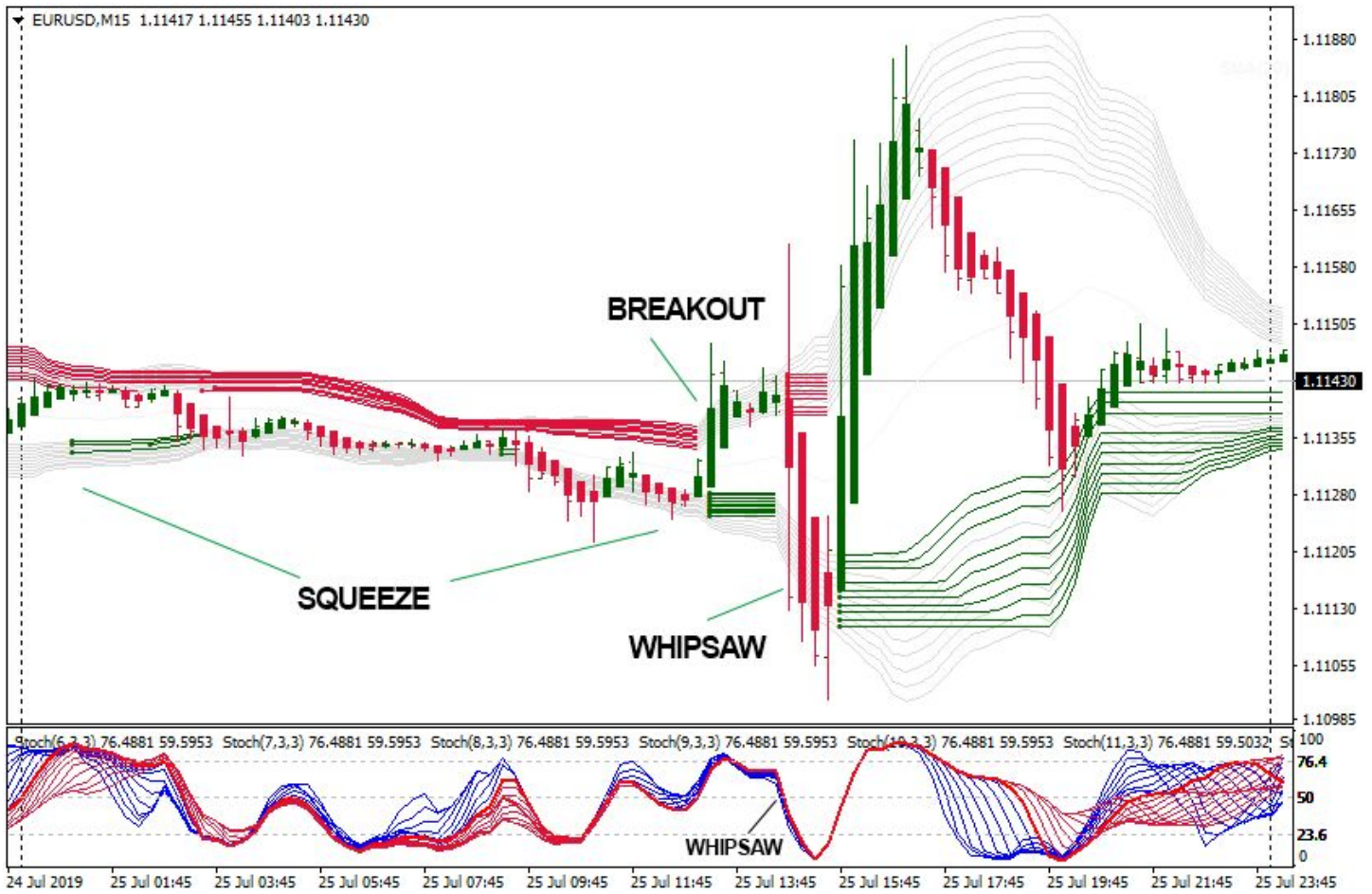
When all Stochastic combine to form a nice uniform line, that's a sign of a reversal ahead.

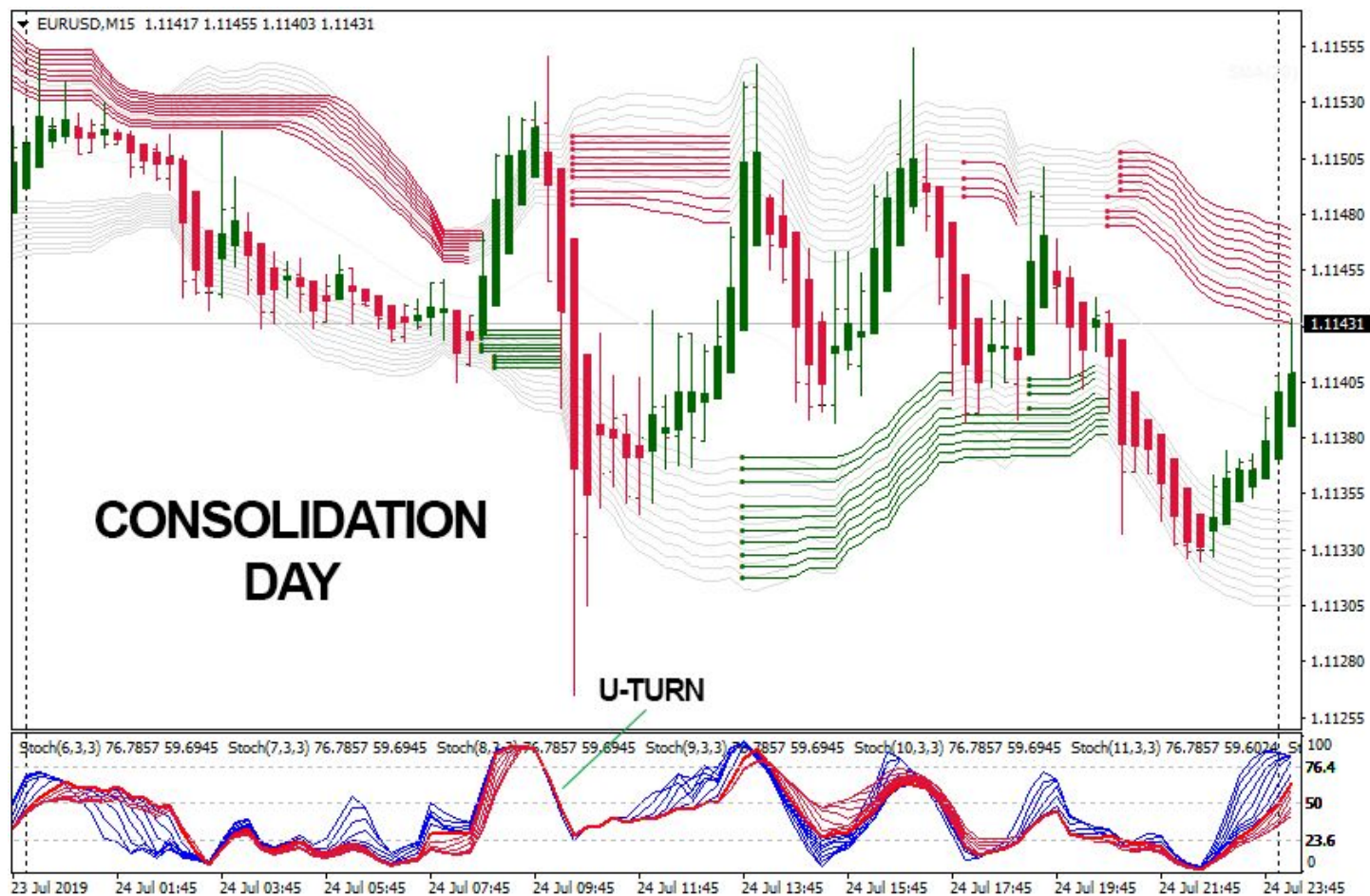
U-turn is where the price will return back but may take up to 4 hours.

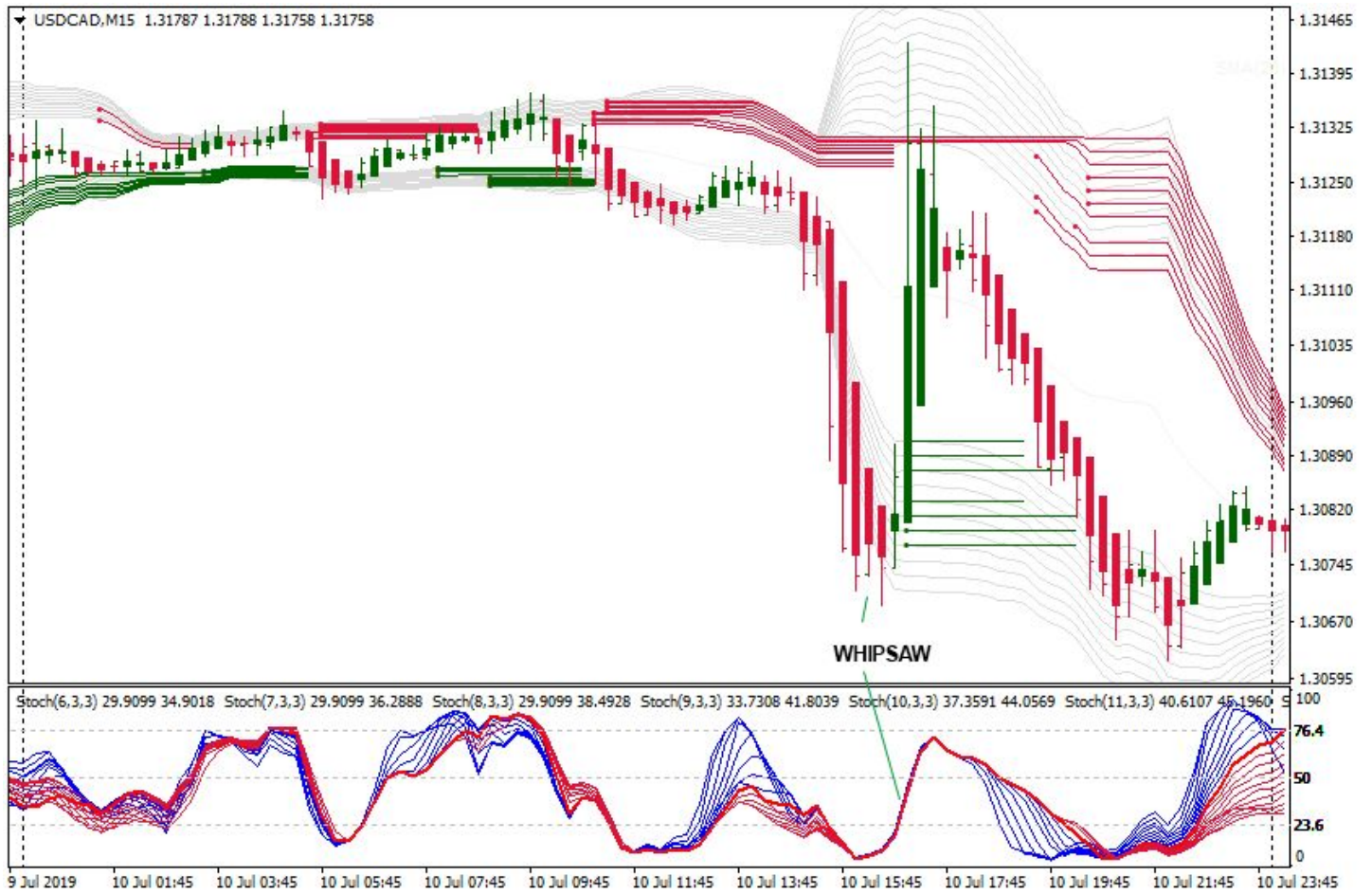


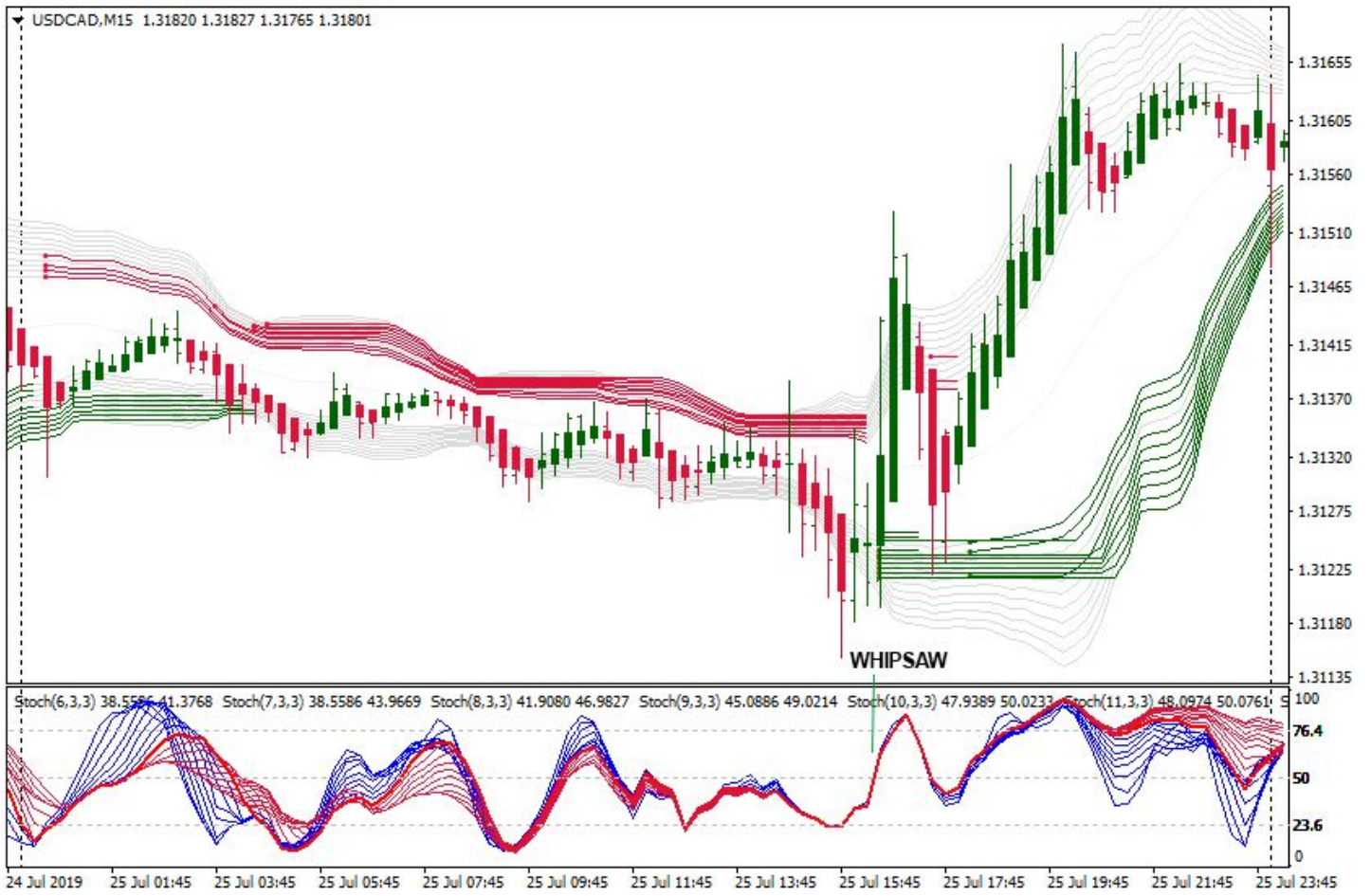
BB Stop Rainbow is used to confirm it's really a strong downtrend or uptrend. You will gain confidence when you see a bunch of trend lines going the same direction.

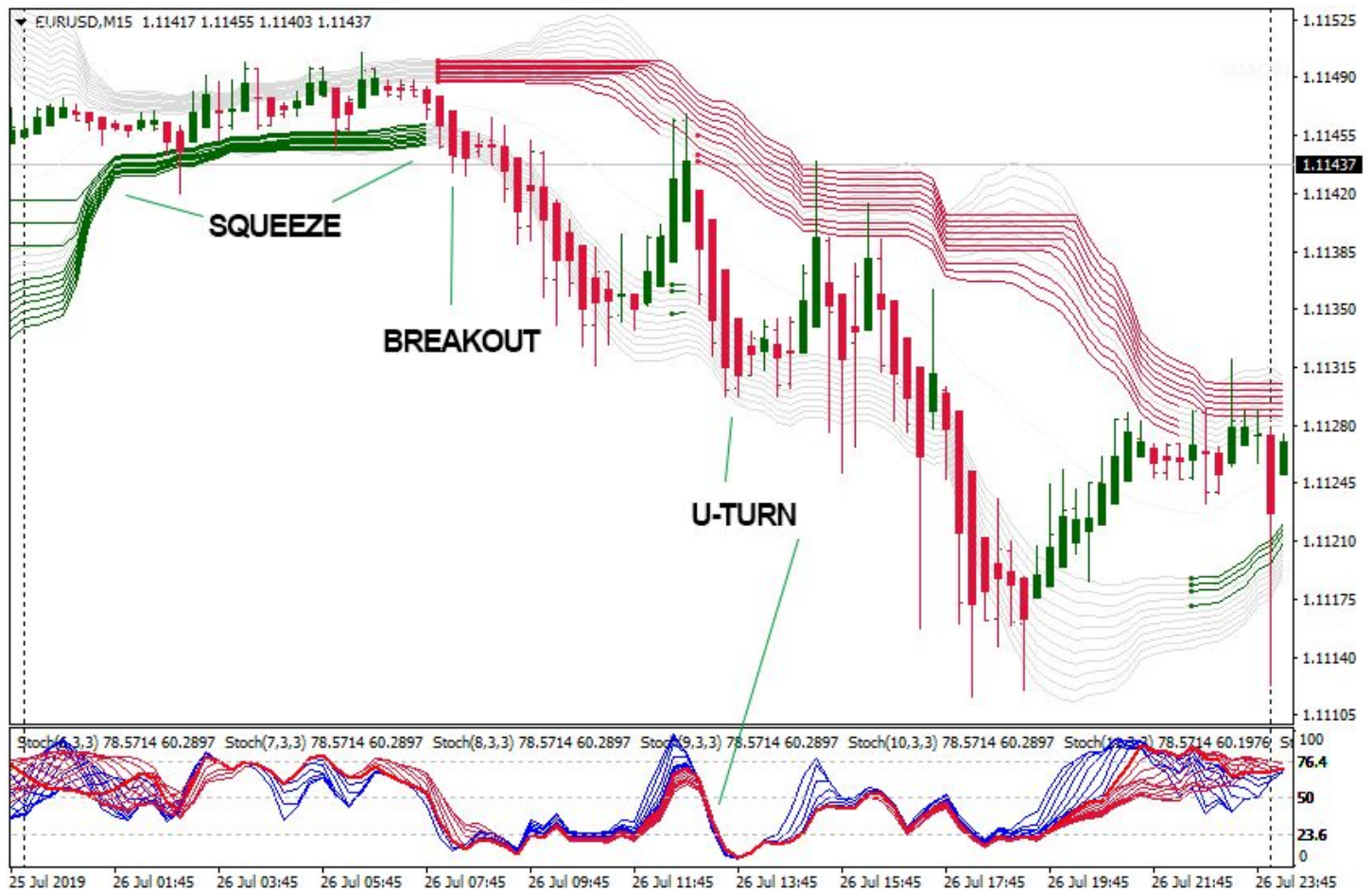












In conclusion, you still need a **Bollinger Band** to find a squeeze and wait for a breakout. You also need **Stochastic** to spot a whipsaw. Therefore, you have to include those two indicators in every trading system.

