

## Spud's MTF FIB Breakout System **Spud's MTF FIB Breakout System**

Ever since I learned about Fibonacci numbers they have interested my pure mathematical statistical side into a compulsiveness. Having said that, it seems for such a simple sequence of numbers they can lead to very complicated methods of trading.

Here's a simple day trade system with stochastics and Fibonacci numbers that may give you a winning edge in your trades.

Indicators:

Stochastics 5,3,3 and 14,3,3 (high/low, simple) ....use only %K line and overlay in one indicator window.

Fibonacci set levels to:

0 label as 100

.764 label as 23.6

.681 label as 38.2

.500 label as 50.0

.382 label as 61,8

.236 label as 76.4

1 label as 0

Always draw the Fib line from the previous days low to high.

### Set-up

At the close of the trading day (call this the previous day since this day is now over) draw you Fib line from the previous day's low to the high and draw it so the level lines extend into today (i.e. set your chart up with a shift)

### Entry

Look for the price to break the 100 or 0 level of the Fib. You can do this by watching or setting a long order a little above the 100 level or a short order a little below the 0 level. You want the price to pass the 100/0 level not just touch it.

Meanwhile.....take a look at the stochastics....when/prior to/or just after the price breaks the 100 Fib line you can almost be certain the stoch is breaking the 80 line or higher....well we want it to be or we will wait for it to do it and then we enter the trade. Similarly if the price breaks the 0 line we want the stochastic in the 20 or below area.

You can take a few more risks. In a long; if the stochastics are climbing together after a down move and a turn up; or if the stochastics have crossed 20 and are moving up.

### Exit

When the price breaks 100 (long as an example), move your FIB line up so that the 0 line is where the 100 line was. Exit when you hit 23.6 (123.6), 38.2 (138.2) and/or so on.

Let the stochastics be your guide....if they both or one stays above 80 keep riding the trade.

The 14,3,3 stochastic has more bearing on the trade than the 5,3,3, however both together is perfect harmony.

### What's MTF and Where is It?

MTF = multiple time frame and it is in the 5,3,3 and 14,3,3 stochastic.

### Time Frame

I use the 1H chart for daily. You can use the 4H chart but then you are trading weekly then. I would not use a smaller time frame than 1H as you start to lose the reliability of the Fib.

### Currencies

This is universal, but I love the GBPJPY. You want pairs that have some good daily range as you want wide Fib numbers so you can make some pips!

If you are trading the smaller day range pairs, use the 4H/weekly fib.

### **Umm...Isn't This Just A Breakout Above Yesterday's Hi/Lo?**

Well it is if you just trade the breakout and use the stochs....but ohhhh laddie there is sooo much more to this simple system.....


The Fib levels give you exit targets, use the Fib/stochs and get used to it....you won't be sorry and you'll understand what comes next (in a little while) a whole lot better.

Here's a picture...hopefully it speaks a 1,000 words:

*Attached Image*



- [Post 2](#)

-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting sepak.orang](#)

hi spud, thanks for your latest method.

one question here, why must we draw fib from low to high? your chart example showing the gj is moving up. so we draw the fib from low to high. when it's moving down so we draw the fib from high to low? am i right abt this spud?

im sorry if this is a silly question. im still learning. especially the fib thingy.



I only draw from low to high to make the level labels make sense...i.e. they will always be 0 at bottom and 100 at top. Not too important now, but there is reason to my madness.

- [Post 4](#)



- [Post 5](#)
- [Cleanup](#)
- [Quote](#)

• May 17, 2007 10:17am | Edited May 18, 2007 10:05am



• [Spudfyre](#)

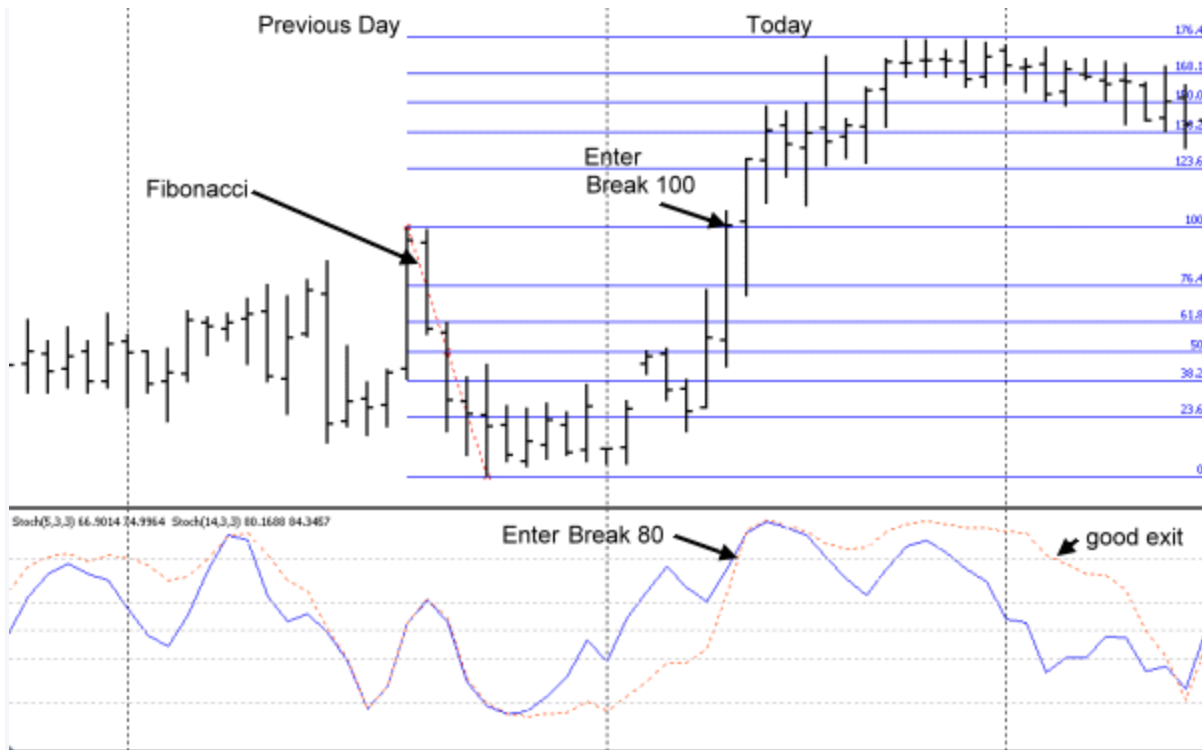
• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)


Here's another long example...notice the stochastic exit indication.

Also I've added a few Fib levels to make life easier. The Fib levels are now:

-1 label as 200  
-.764 label as 176.4  
-.681 label as 168.1  
-.500 label as 150.0  
-.382 label as 138.2  
-.236 label as 123.6  
0 label as 100  
.236 label as 76.4  
.382 label as 61.8  
.5 label as 50.0  
.681 label as 38.2  
.764 label as 26.4  
1 label as 0  
1.236 label as -23.6  
1.382 label as -38.2  
1.500 label as -50.0  
1.618 label as -61.8  
1.764 label as -76.4  
2 label as -100

*Attached Image*



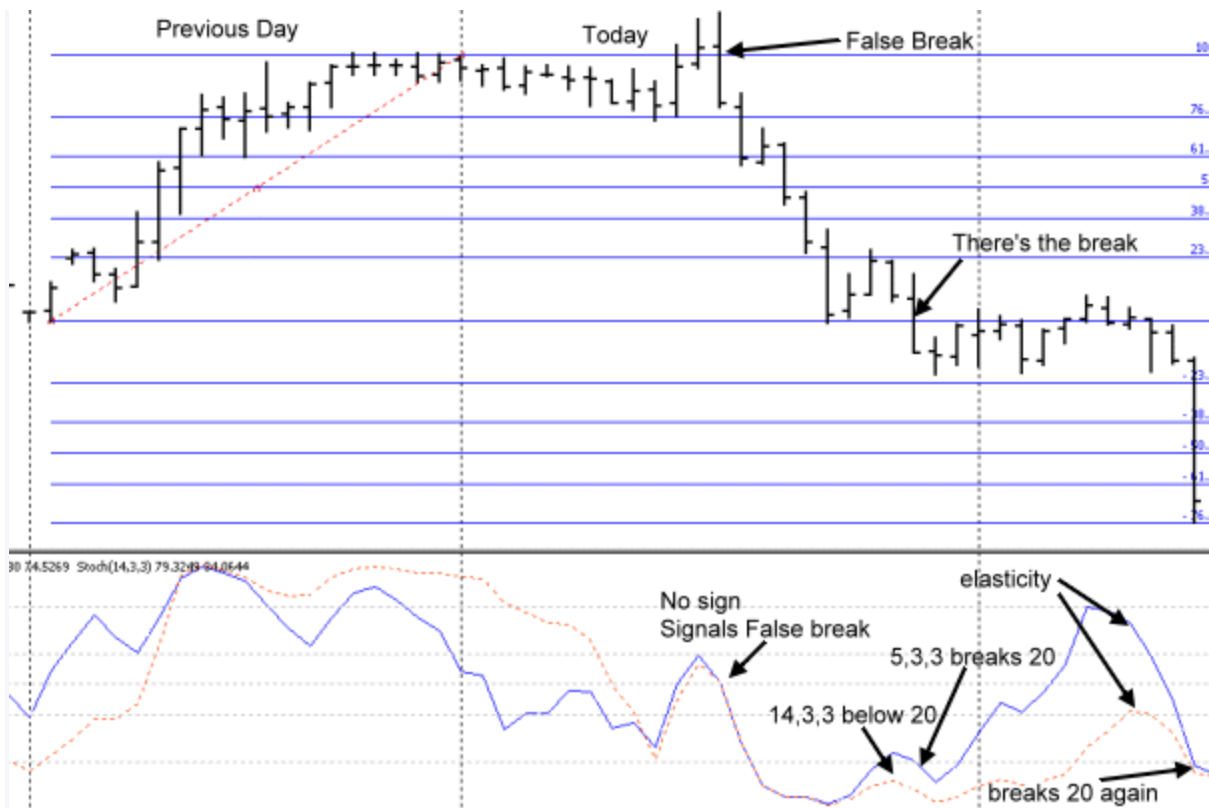
•  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

The following 3 charts on next 3 posts are for 3 consecutive days...show how you can follow a continuous down trend...like could this be any easier!

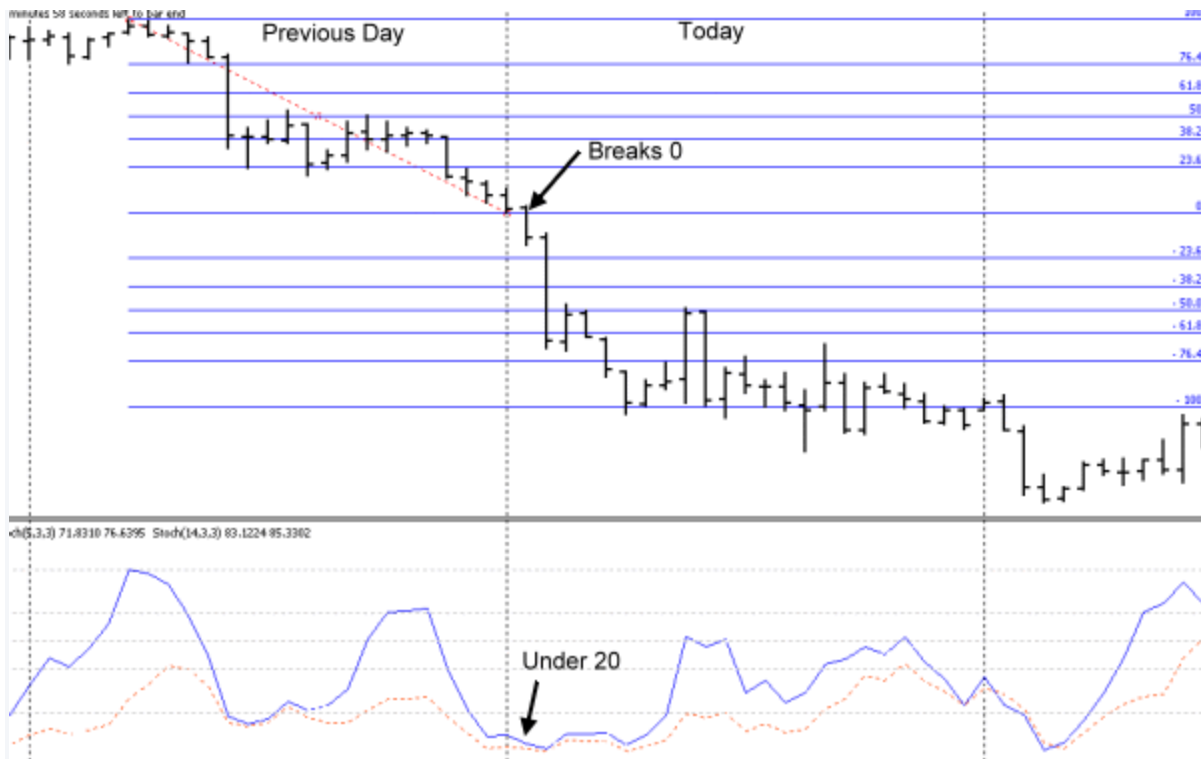
Notice on this chart there is a fake break above 100...see the stochastic...stochastics never lie (well most of the time).

*Attached Image*




- [Post 7](#)
- [Cleanup](#)





- [Post 9](#)
- [Cleanup](#)
- [Quote](#)
- May 17, 2007 10:43am

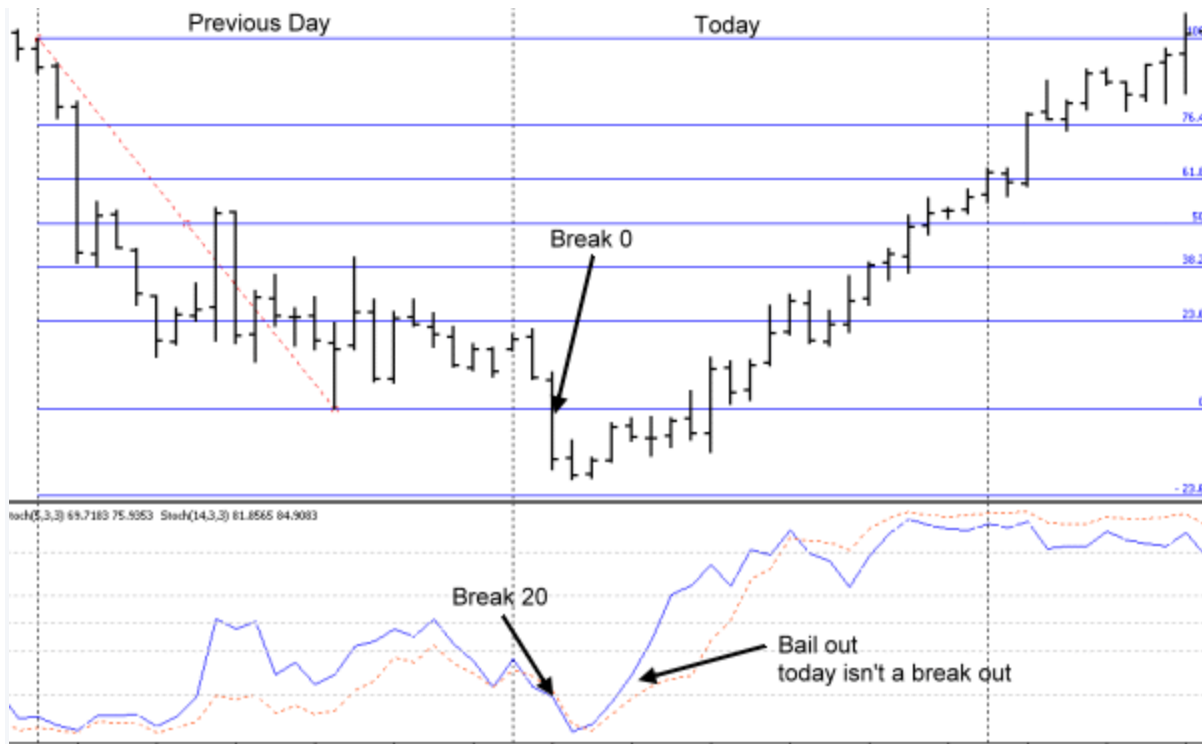
-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Again the stochastics don't lie.

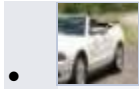
We get a good entry but the market goes against us in this chart. We get plenty of warning from the stochastics and depending on how long you waited your losses would be fairly small if any...you may have even gained a few pips.

*Attached Image*



- [Post 10](#)
- [Cleanup](#)
- [Quote](#)

• May 17, 2007 10:54am



• [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here's today so far....

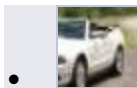
We had a good long entry signal but that signal is fading as the stochastic begins to droop below 80. I grabbed 5 pips and decided to get out and wait to see what develops.

*Attached Image*



- [Post 11](#)

- May 17, 2007 11:46am



- [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

#### Quoting Westie

hey spud good stuff, couple questions,

1. You said 1hr is like daily timeframe, I thought the 1hr with 14,3,3 is like a 4hr chart, I'm just confused by this.

2. How many pips do you consider enough for the break of the hi or low.

Thanks

The 1Hr is for "day trading" and you are using the "previous day" hi/lo for the Fib.

The 4Hr uses the previous week hi/lo for the fib and you'd be trading on the week.

The 14,3,3 is "like a" longer" time frame compared to the 5,3,3 stochastic. On the 1H it is like a 1H 5,3,3 and 3H 5,3,3...."like" is a big word here because it is not exactly like using a 3H chart and a 1H chart with 5,3,3 stochastics.

How many pips for a break? Well I just eyeball it and look at the space between 100 and 123.6 and look for price to go past about 5-10% of that distance. Obviously you don't want to wait too long in case we need to bail

out or take profit at 123.6. Getting in too early isn't really an issue, as long as you wait for at least a 1 pip past the 100 level entry. Too early may mean riding it a bit longer. Let the stochastics be your guide too.

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

The chart below is from March 1st 2007.

The first thing to notice is that at the break at the first break at 100 we did not jump in. Honestly, it wouldn't matter if we did as our losses would be insignificant because we'd bail out soon after once the 1H stochs dived below 76.3 However, the 30M stochs are saying this is a no good trade because they are both falling.

More significant is a little later on where the "short entry" arrow is pointed. Notice price has crossed and closed below 100 on the Fib level after having been above it.

The 1H stochastics are at 38.2 (5,3,3) and 76.4 (14,3,3)....nice how that works out.

The 30M stochastics are at 38.2 (5,3,3) and 50 (14,3,3).....I'm not making this up!

What is also really important is that both sets of stochastics are moving down.

Now, just like our MTF stochastics where the stochastics love to move from 80 to 20 or 20 to 80.....so our price loves to move on the fib scale from 100 to 0 and 0 to 100.

The 4 most common moves of price and fib are (in no particular order):

1. Break 100
2. Break 0
3. Move from 100 to 0
4. Move from 0 to 100

The MTF stochastics nicely present us with which move price will make.

So as we move along the chart the stochs hit 23.6. In MTF stochastics this would be an exit (at 20).....but now that we have the Fib we now are going to stay in unless our 14,3,3 on the 1H rises above or hits 23.6.

You can use the 30M 14,3,3 rising above or hitting 23.6 as an exit...but in the long run...14,3,3 is much better.

Now..moving along..our price breaks 0 and our stochs are below 23.6...so now we either ride the break or enter a new trade for the break at 0.

As said we exit when the 14,3,3 hits or rises above 23.6. We don't have to be ultra picky on this...you can anticipate...you can wait until you see a definite cross....or you can exit a little earlier. We can use our MTF stochastic knowledge to try and find this moment....but the moment is around the 14,3,3 crossing 23.6!

200 pips to play with here...so lots of room if you don't get the entries and exits bang on.

[Attached Image](#)



-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Ok, so we made 200 pips following some pretty simple rules. Even if we missed the first entry and just went at the break, we would have had 50 pips.

So, let's move on to the next day. Well this is a no brainer for 450 pips. Heck just wait for these no brainers and we'd do well every month.

Price breaks 0, stochastics below 23.6 and a clear exit when the 1H 14,3,3 crosses 23.6.

I can't make this one any more complicated or clearer for entry and exit.

*Attached Image*



- [Post 39](#)
- [Cleanup](#)
- [Quote](#)

• May 18, 2007 9:28am Edited at 9:40am

-  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Well a nice weekend with 650 pips to party with. It must be Monday so will things get ugly?

Well if you had a bad hangover you might miss this early entry...it pretty much starts right at the open...we might get in on this a little late and reduce our pips a good deal...but if we stuck to the rules we'd be in right at the open.

Price breaks 0, both stochastics below 23.6 and the exit is again plain as day when the 14,3,3 crosses above 23.6. Take 375 pips.

So that was 3 days. With no tricks, no wishy washy entries and exits and 1025 pips to grab. If you went for 20 pips a day that would leave you a 1025:60 margin of error on your entries and exits....but we'd be pretty numb to miss 50% of these pips.

My next group of entries will concentrate on failures...so you can see what happens when things do go wrong.

*Attached Image*

Quick question, in my MT4 version I have Low/High and Close/Close as options in my parameters settings. I noticed in your first post that you stated you use High/Low, is this correct and if so do I need to acquire another SO to use?

My mistake...Low/High is the proper term. Doesn't matter...it is just calculating of the highs and lows and not the closes.

- [Post 42](#)
- [Cleanup](#)
- [Quote](#)
- May 18, 2007 9:34am

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

*Quoting ssotiro*

First of all, thaks again Spudfyre for yet another great system.

I have been following yours and TEB's thread on MTF trading, which now are the backbone of my trading. As far as this one goes, I only have one question:

Do we enter as price breaks the barrier, or wait for the candle to close and enter at the open of the next?

For hard rules..best to trade after the close and on the open of the next candle...then you have no fudge factors in the stochastics or fib levels. There is such a large margin for error here on entry and exit that I would just stick to the hard rules and forget trying to grab an extra 20 pips by anticipation...but that's easier said than done for us trader types.

-  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

March 15 2007, the chart below shows the "typical" failure...this by the way was the first failure in March 2007.

The entry follows the simple rules of a Break at 0 and the stochs below 23.6. However, the 14,3,3 stochs on the hour rise above 23.6 and we drop about 50 pips.

Right after that there is an entry for a 200 pip gain....so the failure is pretty short lived....about 3 hours of crying in all....then back to happy mode.

These are what most failure will resemble....whipsaws. They happen and that's the nature of having hard rules. However these failures are not common and amount to small fractions of the gains.

Your losses are only as far as the 14,3,3 1H stochastic takes you....let it be your guide to exiting trades good and bad.

*Attached Image*



- [Post 46](#)
- [Cleanup](#)
- [Quote](#)
- May 18, 2007 10:02am

•  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting PiPr Pro](#)

here were my setups last nite - can't wait to study Spud's new info !!

Great information Pipr! We all have lots of studying to do now 😊 Thank you for your input and sharing your strategies.

- [Post 48](#)
- [Cleanup](#)
- [Quote](#)
- May 18, 2007 10:37am | Edited at 11:03am

•  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

From here on I'll be posting daily events forwards. There will be more things discussed as we go because I believe it is the only way to show what to look for as we advance.

So here is today's chart. On the chat last night I entered GJ short at 239.54.  
I exited at 238.34 for a net of 112 pips after spread. I exited on the 14,3,3 stoch coming up past 23.6.

On the earlier short trade, I entered because the price moved from 100 to 76.4 on the fib. When price moves 2 levels on the fib it is common for the price to continue in that direction (123.6 to 76.4)....I don't use this as a hard and fast rule but it is a check mark towards entry.

The 1H stochs were together at 50 and moving down together after a peak. The fact that they are together is a check mark, the fact that they are at 50 or below is a check mark and the fact that there stochs are moving from a peak is a check mark. So now have 4 reason to enter.

The 30M stochs are much easier as they crossed from 76.4 so taking a ride to 23.6 on those is a strong compulsion to enter the trade with the 1H stochs headed down.

The break at 0 is a sigh of relieve and since stochs are breaking below 23.6 all that is left to do is wait for the 14,3,3 to rise above 23.6 and count the pips.

Right now there is no trade...stochs are too low for any clear indication price will continue to rise. Being Friday and later in the morning, I won't enter any more trades as I don't like to get stuck on weekend carries.

Arguably and I forgot to mention that you could trade the long from when both stochs crossed the 23.6....my decision in not doing so was simply because I was asleep 😴

Attached Image



Quoting Lou G



Spudfyre

The chart below is an example of a typical retrace scenario where we enter a short trade, it exits early for a loss and then we enter long on the retracement and in this case make a much bigger gain than what we loss.

The first cross is at 0 with the stochs crossing 23.6 down. The 30M stoch is just above 23.6 but the stochs are tight together and have a nice down move so this is an entry. We could simply wait for the next 30M candle to close to see if the stochs actually cross 23.6...but that is being ultra conservative here.

This entry is short and the market moves against us and signals an exit with a loss of about 50 pips.

At the same time the price has crossed and closed above 0 and the stochs have both crossed (1H/30M) above 23.6. So now we have a new long entry. This we ride until we get an exit signal...which comes with a 125 pip gain. So we net 75 pips for the day.

This is a tricky trade since it is on the Thursday before Easter and to make this trade means riding the holiday weekend out. A 50 pip loss won't kill us over the month so whether we choose to enter a trade over the weekend is individuals choice.

Anyways, weekend issue aside...this is pretty typical of a retrace entry...where you need the same rules to apply that the cross close and the stochs line up.

*Attached Image*



[Quoting Porkpie](#)

Thanks for all your efforts spud. Just 1 question. The first short trade on the chart shows price on Stock 1h and 30min above the 23.6 But you previously said stoch had to be breaking through the 20 level (now the 23.6). As long as stoch is trending down is this still a trade above 23.6?

Thanks

I'm not sure if you have read my MTF Stochastics journal? That may help better explain these type of moves.

A legitimate long signal can be a price cross 100 level (previous high) with stochastics crossing up from 23.6 as an example. There is a "normal" tendency for stochastics to cross "20" and rise to "80" or to cross "80" and fall to "20". This is better statistically when multiple time frames are synchronized in this movement. Generally 4H/30M or 1H/30M when moving in tandem will yield a very high tendency to make this move.

- [Post 68](#)

[Post 69](#)Joined Nov 2006 |



[Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting tdion](#)

Greetings.

I have searched the thread, and don't think this question has been answered:

Do you ignore stoch crosses, and use only closed bars for the Stoch signal? I noticed you said to use closes for fibo breaks a few times, but never saw anything for closes on Stochs.

Thanks.

I don't advocate stoch crosses as they are usually as good as they are bad. If using multi-time frames, there is no need to wait for the 1H to close if 3x15M stochs are giving a favourable impression and 30M as well...so 1x30M and 3x15M is providing a good insight into 3/4 of the 1H. However, the safest route is to trade on the close of the stoch and price, if one is not experienced with stochastics and mutli-time frames.

- [Post 79](#)
- [Cleanup](#)
- [Quote](#)
- May 20, 2007 8:29am



[Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

I am getting a lot of these in my PM box..this being the latest....

*"....I can't base a good system on one month of 800+ pips. There seems to be some discretion in your trades too.... which bothers me a little."*

If anyone who reads this system hasn't done so...please read my journal about MTF Stochastics. You'll find I am a strong advocate against large pip taking. When I report 800+ pips it is because it is what was there to be taken....nothing more.

My goal is 20 pips per day ....because I live on Forex.....if i can grab more and there is no reason not too...I

will....but things have to be in my favour to even considerate it. I trade on making my pips worth more and taking less than trying to trade for small pip values trying to grab 100 pips a day. Sorry if i insult anyone...but to make a living at Forex is not going to be done chasing 100's of pips.

Having said that....if I get 100 pips in a day, that's like 5 days of trading for me. I advocate if there are 100 pips to be had in a day then I have a HUGE margin of error to be right in my trade...recover from a bad trade and not stress about it.

I am extremely reluctant to report 800+ pips a month for the very reason that it sounds like being a snake oil salesman....Again....I don't advocate trading for all the pips...just where the pips are and what signalled them and what signals an exit.

I realize there is a lot of discretion trading MTF stochastics that cannot be put in a document but comes from studying a learning stochastics for years and 1,000's of hours.

With regards to discretion.....let me remove the discretion and give hard rules. The only real brain intervention is knowing if the stochastic lines are close together and moving in the same direction over 2 time frames for some trades...for most that even won't matter.

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Attached are charts from the first 10 trading days of April 2007. These trades are strictly by close of price candle. I've only included the 1st 10 days because it took a lot of time to edit the charts to be non-discretionary, so there are no discretionary trades.

I have coded the files as such

April 27 2007 50 x100x76x76

Date Pips Cross 100, 1H stoch cross 76.4, 30M Cross 76.4

Also there are "b0" = bounce off zero "x0" = cross 0 and "b100"=bounce off 100.

Anything like April 27 2007 F40 means a failure and loss of 40 pips

From April 2 to April 13 there were 8 trades over 10 trading days...

5 trades gained pips(325)

1 trade broke even(0)

2 trades loss pips(-85)

This includes spread and rounding down to make the pips "even" numbers.

6 of the 8 trades were simple x0 or x 100 trades of which in all cases the stochastice were above 76.4 (long) or below 23.6 (short).

There are some arguable gains:

...April 13...the 1st breakout came on Easter weekend...trading without discretion would mean entering the trade on the last day before the weekend and carrying it over the holiday weekend...if you are opposed to trading over weekends and not following the system...then you lost 125 pip gain for not following the system....

....April 5....the breakeven trade was discretionary because there was no exit signal but a trader trading safely could have grabbed 20-40 pips and a trader watching the stochastics would have exited long before the breakeven and still gained pips.....at worst without discretion and waiting for complete reversal the loss would have been about 30 pips...

....April 10....this trade is based on MTF STochastic rules from my journal...it is not dicretionary if those rules are applied where there is an upward cross by both stochastics and well defined upward movement...so arguably these 55 pips are gained from early entry and only count as 20 pips when the price crossed 100 and the stochastics crossed 76.4 which is a non-discretionary entry...

Otherwise, all other trades are all closed entries and clearly identifiable.

A reminder, this is a breakout system. The first 10 trading days really haven't had any great breakouts...the highest being 125 pips and the next 80 pips. So, arguably this non-dicretionary method still shows we can trade for the breakout and not be suffering any losses while we wait...and we have gained a few pips along the way.

*Attached File*

- [Post 82](#)
- [Cleanup](#)
- [Quote](#)
- May 20, 2007 9:16am

- [simonr](#)

- | Joined Dec 2006 | Status: Member | [17 Posts](#)

Hi Spud

Thank you for sharing this system. It's look greate.  
I would like to know what SL you take when you enter a trade?  
How do you put the M30 stochastic with the 1H?

Regards  
simon

- [Post 83](#)
- [Cleanup](#)
- [Quote](#)
- May 20, 2007 9:43am

-  [Spudfyre](#)

- | Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting Lou G](#)

I'm not sure I understand why the inner levels are necessary. I don't see that they are used anywhere in the method, unless I'm missing something.

The inner levels are a visual tool. Don't be too quick to ignore those inner levels and discard them. There is a huge amount of information there. Trade with them. There are lots more details to extract more pips from inner levels and to use inner levels for entry exit reasons, However, the biggest use of inner levels is they tell us what is going on and where things are. Unfortunately that use comes with experience in using them.

For example....does price crossing 2 fib levels on close matter? (The answer is most likely it can signal direction)....but one must study those moves to use them. It becomes an added indication for decision making and can be discretionary in its use.

- [Post 84](#)
- [Cleanup](#)
- [Quote](#)
- May 20, 2007 10:32am

-  [Spudfyre](#)

- | Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting simonr](#)

Hi Spud

Thank you for sharing this system. It's look greate.

I would like to know what SL you take when you enter a trade?

How do you put the M30 stochastic with the 1H?

Regards

simon

"Withdrawal" from a trade is based on stochastic movements or xross/bounces that reverse our direction.

"Stops" are used to protect our account so they are moving with market conditions. I use rather big stops because I don't want to lose and exit a trade simply from price movement during a candle's high/low. Whether one chooses to use a figure like 2% of the account, this is how stops should be used.....given your account is large enough.

Money management is a whole different subject and an arguable one. I don't use "stop loss" in trading because that is creating a point of acceptability to draw down rather than trading the market conditions.

To trade with a "stop loss" is trading one system to enter based on market conditions and another system based on fear from draw downs that is subjective to our emotions rather than the market conditions. It is counter productive.

However, trade with a stop to protect the overall account. In most of my trades that is 2% of the total account. It means I will have to suffer 50 straight horrific (extreme) losses to lose my account....simply impossible since my winning percentage is above 85% and such a strong move down by the markets will be seen long before my 2% is reached...unless it just drops straight down....the odds of that being almost nil.

In the long run whatever market events triggered those horrific losses are rare....probably less than 1%. Market gains will always out perform any such horrific losses if I stick to trading my system and use market conditions to stay in or withdraw from a trade....I'll probably benefit from 50% of the horrific price moves in the long run.

Stop losses (losses caused by hitting stops) increase with less margin...it is a simple formula. Trade with \$500 in your account at \$1 a pip and you must use at least 20-25% percent stops to protect the account...meaning 4 bad trades and you need another \$500. Whereas a \$10,000 account with 2% stops means 4 really bad trades lose \$800 but you have 200 pip stops and lose only 8% of the account. With \$500 accounts you will make more bad decisions protecting from draw downs because you simply are totally focused on protecting losses. Whereas with \$10,000 the losses won't even make a dent....you won't like them....but you never even thought about them,the focus was the exit for pips and that leads to more wins.

I strongly suggest at minimum \$2000 with 5% stops...it's not great but far better than refilling your account 4 times with \$500 trying to trade with 5% stops. The goal being to pump that account up as fast as you can and keep lowering the percentage rate for the stop until you get to 2%. I can bet every \$500 trader has said this to themselves..."if I only rode out that trade a little longer I would have made 50 pips".

It is soooo hard to trade Forex if your exits are controlled by fear of draw downs vs what your system is telling you.

I trade with "dynamic" stops usually starting at 50 and adjusting with the market...but never to exceed my 2% of the account...well almost....there has to be an extremely good reason to stay in a trade when my 2% level is reached. I rarely stop out if ever. I always decide to get out based on market conditions.

Sorry I rambled but I think it is a point lost on so many.

- [Post 85](#)

- [Cleanup](#)

- [Quote](#)

- May 20, 2007 11:17am



• [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

As I have posted in my journal, the journal will be used to chart the trades and the chat session on tradingrooms.com will be where the live trades will be conducted. The journal being the summary of each trade.

Analysis of the trades will happen in this thread. This is where the trades will be dissected for failures and successes and what indications existed. Also this thread will be used to focus on indicator development or added rules and methodology.

As much of MTF stochastics are a part of this system, it is highly recommended that anyone reading this thread also become a solid reader of my journal <http://www.forexfactory.com/showthread.php?t=22105>

Hi guys, I am a little confused. I know we go long when stochs are over 80 and short when stochs are below 20 and we have the break of the 0 or 100 Fib Line...so heres my question. I am reading a book for the second time by Dr. Alexander Elder called Trading for a Living and it says "Do not buy when Stochs is overbought and do not sell short when it is oversold. This rule filters out most bad trades." According to this system however that is what we are supposed to do right? I am not doubting the system in anyway as I see many people are succesful with it. I am just wondering if *I am not understanding something completely. Thank you in Advance....Joe*

You have it bang on Joe! However, here's the one and only reason we trade when stochs are above 80 (actually 76.4) and below 20 (actually 23.6).

### **When price moves big time, it will happen here!**

Unfortunately, simply trading in these extreme areas every time the stochs enter it is a recipe for disaster. Hence this is why this is called a breakout system.

### **Breakout System**

I cannot emphasize this enough. This is a break out system. Meaning we are looking for timing...timing of a breakout to happen. It won't always happen but when it does we want to be there to catch it. Along the way we want to minimize losses from trying to catch the breakouts.

MTF Stochastics trades the "norm" the area from "20-80"...this is the most dependable trading...this is what we trade when there are no breakouts.

If you like, we are now trading the entire stochastic scale in a manner designed to make pips 😊 However the rules change when we get above 76.4 and below 23.6 when the fibs are at their extreme with the stochastics.

Remember that the fib scale is a representation of the stochastic scale....except that the fib scale is helping us measure price movement and the stochastic scale is helping us measure momentum in a direction of movement.

I haven't gone into the topic of the fib scale between 23.6 and 76.4...but a brief glance will tell you that most of the movement is in this range similar to stochastics. Like stochastics there are reliable price moves here.

MTF Stochastics is for trading 20-80 on stochastics. MTF Fib Breakout is for trading the above "80" and below "20" extreme.

So yes, Dr. Elder is right but only in a limited and basic way with regards to stochastics and I'm sure that his reasoning was to keep people out of trouble....I support the same rule in MTF stochastics because you simply cannot enter every trade above 80 or below 20 without a whole lot of grief following you....we need to aim for the best possible timing to grab pips in the extreme.



• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Harmony, the universe is all about harmony...planets are in harmony with the sun, flowers in harmony with bees...just imagine if bees horded the pollen!

Anyways, for purposes of naming a methodology I call this "Harmonic Stochastics" and it should answer a few questions about inner fib levels.

### **Spud's Harmonic Stochastics**

As mentioned, the fib levels are a representation of the stochastic levels. This is why I emphasized placing the 0 Fib at the bottom and the 100 Fib at the top...so it looks like the stochastic scale.

Trading MTF stochastics usually has the huge pitfall of entering too early...because stochastics are by nature an early warning system...price and stochastics work in harmony.

So, what if we create a pseudo stochastic indicator with price and fib levels?

Add 2 MA's to your price chart:

EMA 3 and EMA 6

These represent 30 minutes (3) and 60 minutes (6)....harmony of numbers.  
(you can play with MA values, but I like 3 and 6 because they make sense in an MTF setting...you just don't want them too large or they become meaningless)

The EMA 3 represents the 5,3,3 stochastic and the EMA 6 the 14,3,3 stochastic. On price and the fib levels they behave just like MTF stochastics and all the MTF stochastic rules follow. However, now we have the power of MTF stochastics on price and momentum...(evil laugh).

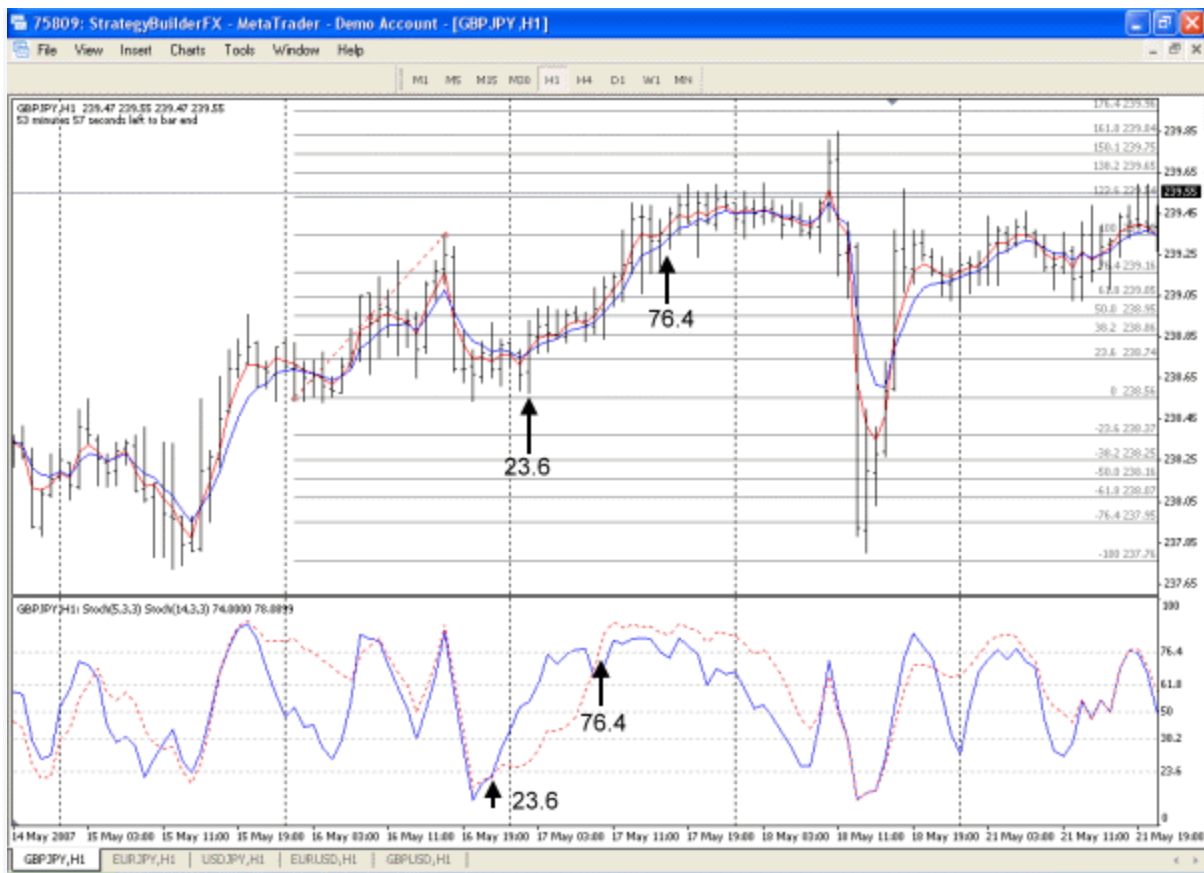
Alrighty let us look at the chart below. It is the 1H chart with the Fib line drawn from lo to high on May 16th 2007. So we are looking at May 17th as our trading day.

Notice anything harmonic? Like how the stochastic moves from 23 to 76 and the price moves from 23 to 76?

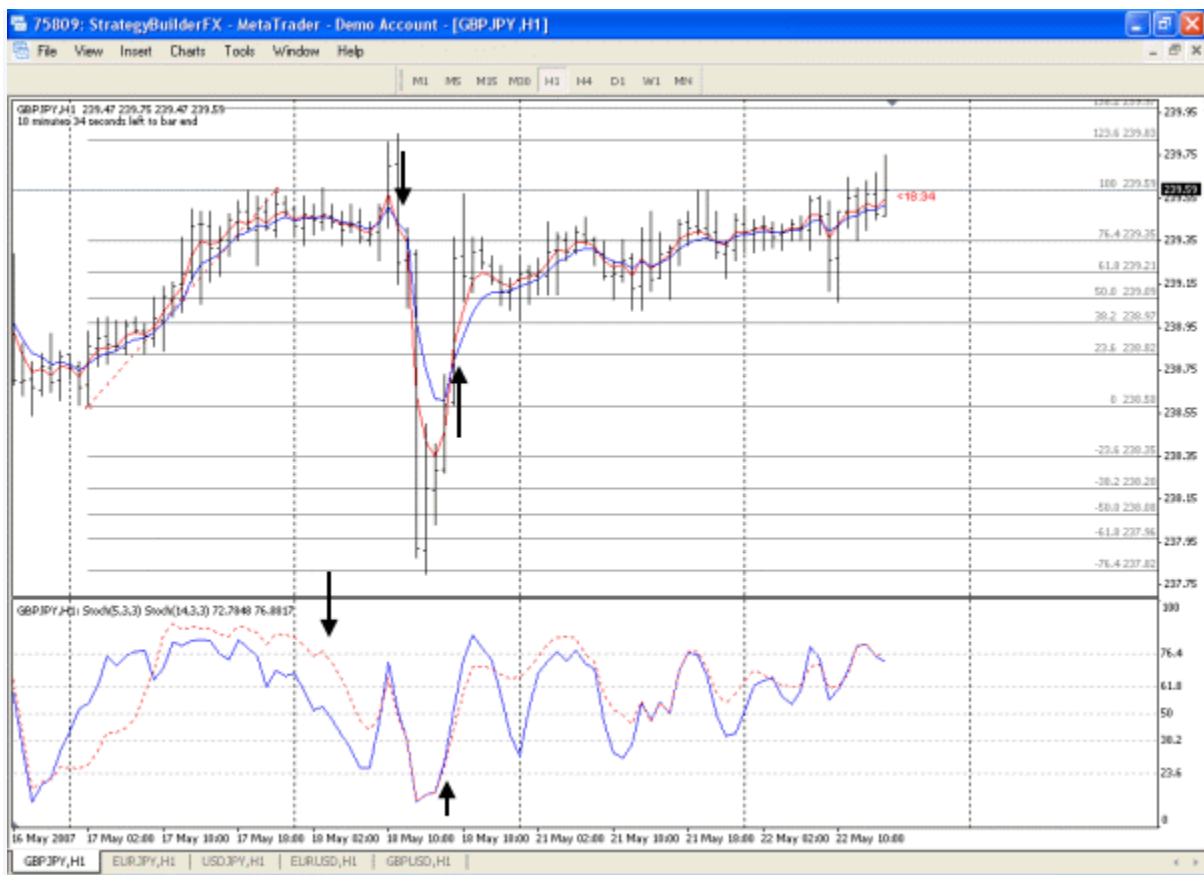
Notice something else? Notice how the stochastic moves first? ---ahhh no wonder we are always early with MTF stochastics!

If you read my MTF journal this is the 80/20 rule in true harmony. How can we go wrong with Fib numbers and stochastics?

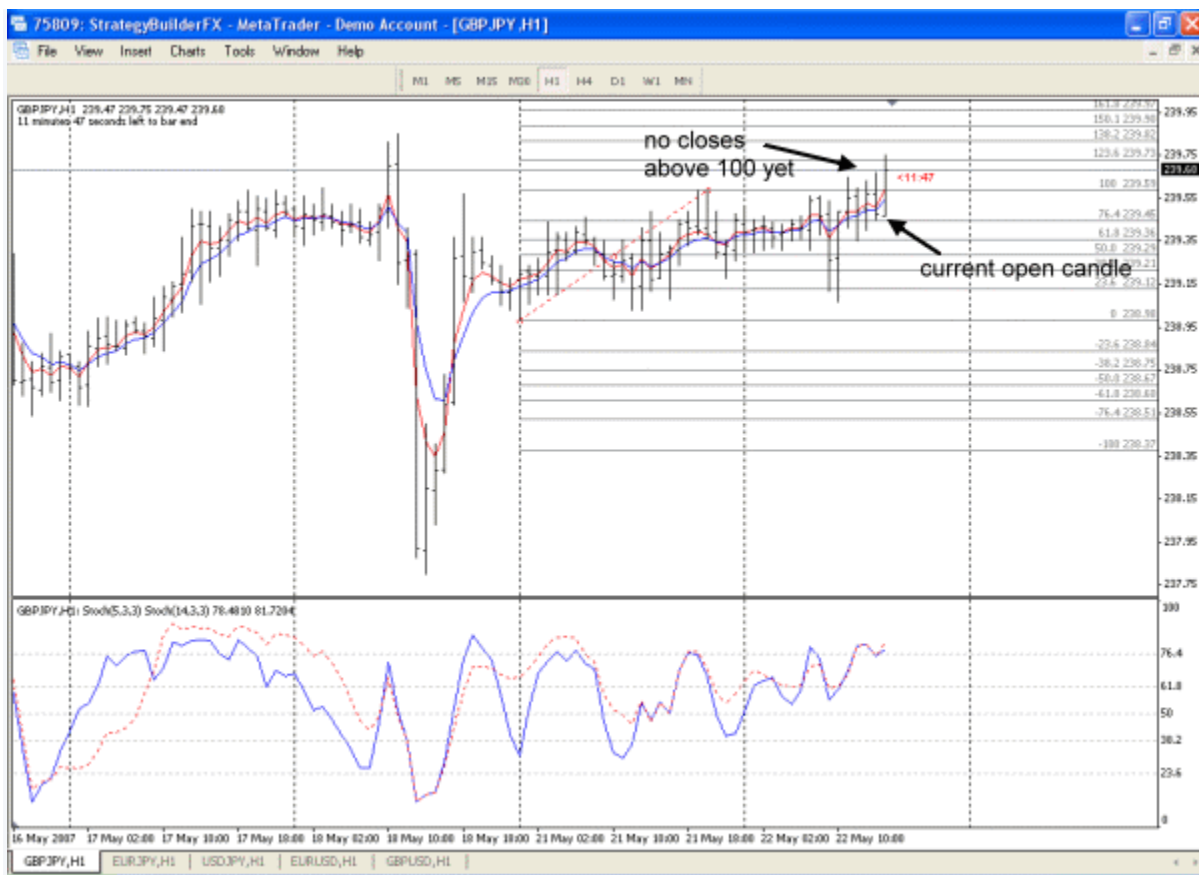
[Attached Image](#)



- [Post 111](#)



- [Post 112](#)



- [Post 113](#)

Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

A little discretionary but if you were in it short, you'd have a good idea what to do.

*Attached Image*



- [Post 116](#)

- May 22, 2007 2:17pm



- [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

#### Quoting PiPr Pro

Hi Spud, I have a dear friend that cannot clear her trades through the bank due to asset minimums. Which retail broker do you recommend? I have seen negative reviews on many of them. Thanks in advance, PiPr Pro

I can't make recommendations, but I can tell you who I use and my experience. I use [FXCM](#) and Man Financial which just moved me to FXCM UK due to Canadian margin rules.

Although I have read lots of negative things about FXCM, I have never experienced anything bad and their service has been outstanding. FXCM UK is new to me, so will have to see but Man Financial was very good to me too.

I have had no issues with either broker...other than technical about twice a year...but they have honoured and covered losses from trades due to those difficulties on a voluntary basis without me having to call them on it.

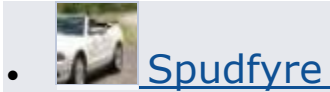
- [Post 119](#)

- [Post 124](#)

- [Cleanup](#)

- [Quote](#)

- May 23, 2007 8:45am



- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting pjimmyinahouse](#)

Hi guys,

I am struggling with this chart posted by spud.

From what I can see: the price drops dramatically and retraces in the following bar. As the opening price (after the drop) is below the previous day low, and the stochs are both below the 23.6 mark, should this not dictate a short entry?

-I am looking at the chart in context of this thread (breakout system).

Am I missing the significance of the 2 x MA's?

If so please could someone enlighten me.

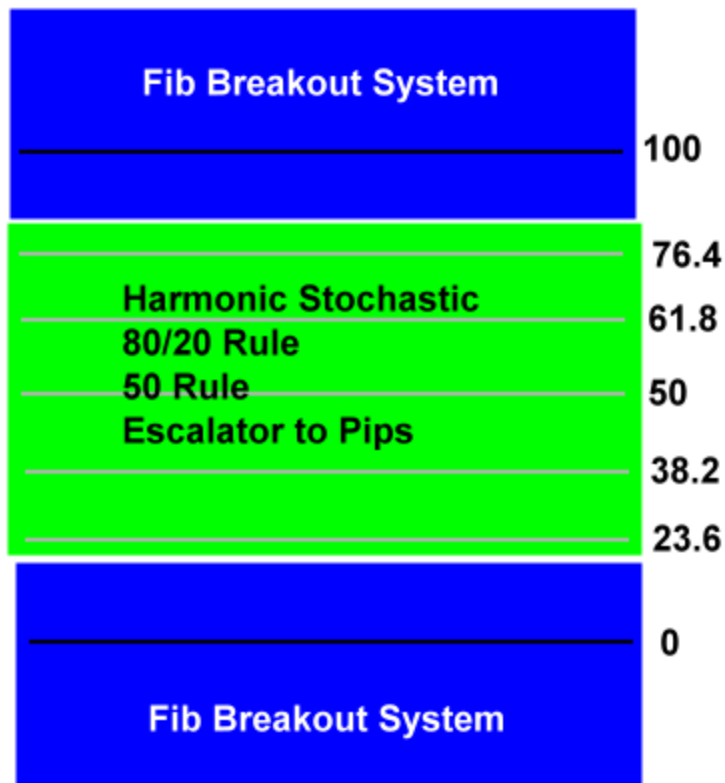
Regards

Paul.


I've included a graphic that may clear up your question. Once we cross the 76.3 or 23.6 boundaries we are into a different world than the area between 23.6 and 76.3. So the rules change. My example was just showing one segment of trades but in the dip you would have applied the Fib Breakout rules when price closed below 0.

*Attached Image*

### When to Use Spud's Systems



- [Post 125](#)
- [Cleanup](#)
- [Quote](#)
- May 23, 2007 8:49am

-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

#### Quoting David-T

Hi spud could you please tell me if we should wait for bar close to exit or exit if the stoch just goes above 23.6 or below 76.4 i understand that the safest way to enter is to wait for bar close.

With Many Thanks


David-T

You can do both, but I suggest bar close. Bar close takes out any discretion. Having said that, there are live circumstances that make discretionary trades obvious at the time and the more experience you are trading these methods the more obvious they become.

For "argument" sake or for lack of "arguments" I state using the close so there are no discretionary moves....especially when you back test.

I would estimate that by trading with discretion which is more prone to error and simply using the closes will make little difference to the bottom line in the long run.

- [Post 126](#)
- [Cleanup](#)
- [Quote](#)
- May 23, 2007 9:06am

-  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

#### Quoting Porkpie

Spud, I need to clear something up please. You mention in your basic techniques to exit at the 80 for long or 20 for short, levels. However, for the fib breakout you exit when price crosses back over 80 or 20.

Firstly, if there is opportunity for more pips when price crosses back over (after penetrating the area), why is the exit strategy different for the basic system compared with the fib breakout system?

Secondly, which line do we rely on for the exit, the 14,3,3 or the 5,3,3.

Many thanks for your hard work.

Your question is probably answered in post 124, but I'll address it just in case.

Stochastics do not function in the same way above 80 or below 20 as they do between the 20-80 area. This is because stochastics are extremely reluctant to hit 0 or 100....how many times do you see it? (almost never). In otherwords, there is no reliable way to read stochastics above 80 or below 20...a move up or down in these extreme zones are full of divergences or fakes and have almost no visual relation to price moves.

However when the stochastics leave these extreme zones we are back into the "normal" world where stoch moves and price relate.

The 14,3,3 exit on the 1H crossing below 80 or above 20 is a "slow" average of the stochastic when it was in the extreme zones and therefore is our most reliable source as an exit signal when trading the fib breakout.

When trading between the 23.6 and 76.4 zone the best move is to "get out" of a normal trade as the time frames start hitting the extreme entry ranges of either 23.6 or 76.4.

The problem of the extreme range before price levels cross the 0 or 100 Fib and stochs are floating in the extreme zones is that the stochastics are extremely unstable. This means that just about anything can happen.

If you trade long, say from 23.6 (using the 80/20 rule) and then hit 76.4, you can either exit and wait for a Fib Breakout, use the Fib breakout exit rule when the 1H 14,3,3 recrosses 76.4 (and hope a breakout occurs inbetween), or exit and then re-enter when the breakout rules come into play.

- [G-Man](#)
-  [Spudfyre](#)

[Quoting senbanda](#)

Hi Spudfyre

Thank you again for the great system. I am following your instructions and getting very good results

This question is for banzai

Please dont think this is a dumb question but what is the purpose of the b-clock?

Senbanda


The b-clock just provides how much time is left until candle close....in this way you can live by the hour and time your coffee breaks etc. Purely for life functionality vs trading functionality.

• [Post 135](#)

• [Cleanup](#)

• [Quote](#)

• May 23, 2007 1:10pm

•  [Spudfyre](#)

[Quoting nitrofx](#)

Hi Spud,

I want to confirm if this is a valid entry from earlier today on the GY. Price closed above the 100 fib, and the 5.3.3 and 14.3.3 stochs were above the 76.4 level. If so and this is a valid entry, then we should be up 120ish pips since the 14.3.3 has yet to cross back down over the 76.4 level.

Thanks!

They don't come much more defined than that. GU did the same by the way a little later.

*Attached Image*



- [Post 139](#)
- [Cleanup](#)
- [Quote](#)
- May 23, 2007 6:02pm | Edited at 7:38pm

•  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting pjimmyinahouse](#)

Thanks for the cool image Spud. But doesn't that confirm the short entry from post #111?

[IMG]file:///C:/WIP/MA2.jpg[/IMG]

My apologies, I had thought I had put this in the Forum but I had answered in a PM.

Anyways, my scale ends at +200 and -100 for good reason, this is where I pretty much limit my trading as the number of times price exceeds these boundaries is quite rare.

Although this meets the criteria for signals, the fib break is well done before we get a signal to enter, so best to wait for the next one. In this example the break is almost at -76,4 before we get a signal, leaving little room for pip gains.

[Attached Image](#)



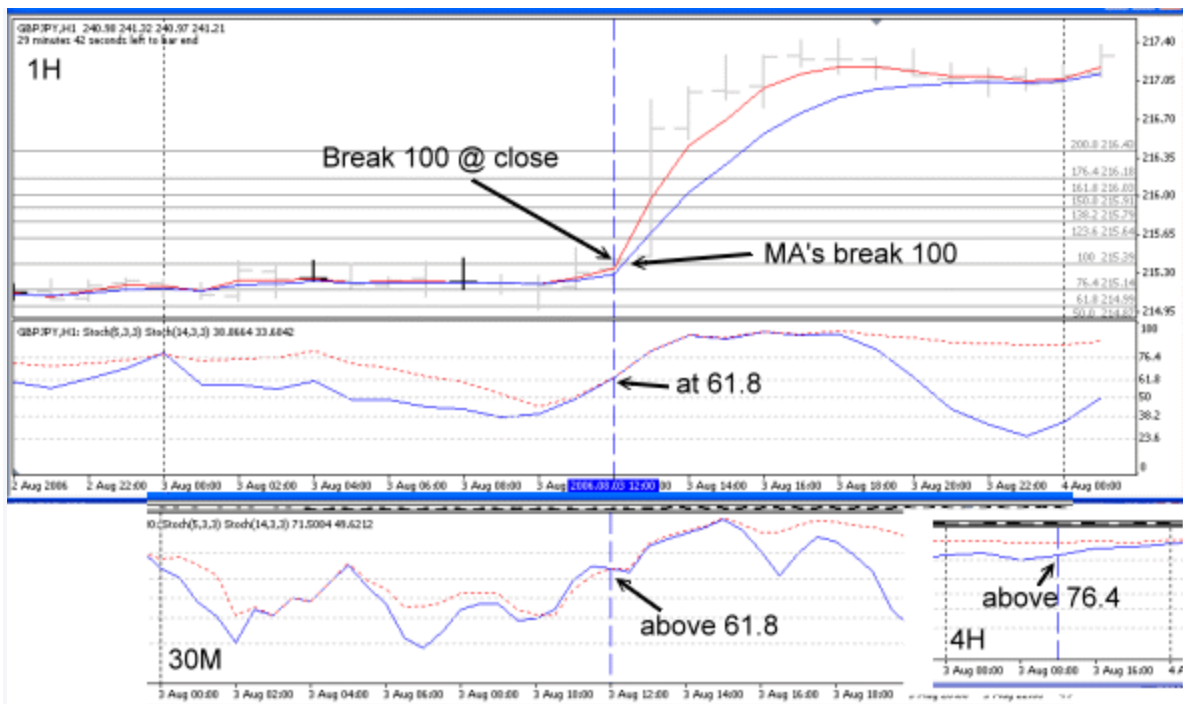
- [Post 145](#)
- [Cleanup](#)
- [Quote](#)
- May 24, 2007 8:09am

•  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)


Here is a chart from Aug 3, 2006 for a Fib breakout. Notice that the 1H and 30M stochastics are not above 76.4. However, a trained eye in stochastics would recognize this as a fairly reliable up pattern. To filter, we can use the 4H chart and check those stochastics which are above 76.4. The longer the time frame the more influential the signal. We can also look at the moving averages. Although they haven't crossed the 100 level on the price chart, they are very close.

[Attached Image](#)



Price breaks 100 Fib level at close, 1H and 30M stochastics at or above 61.8 level and 4H stochastic above 76.4. Moving averages crossing 100.

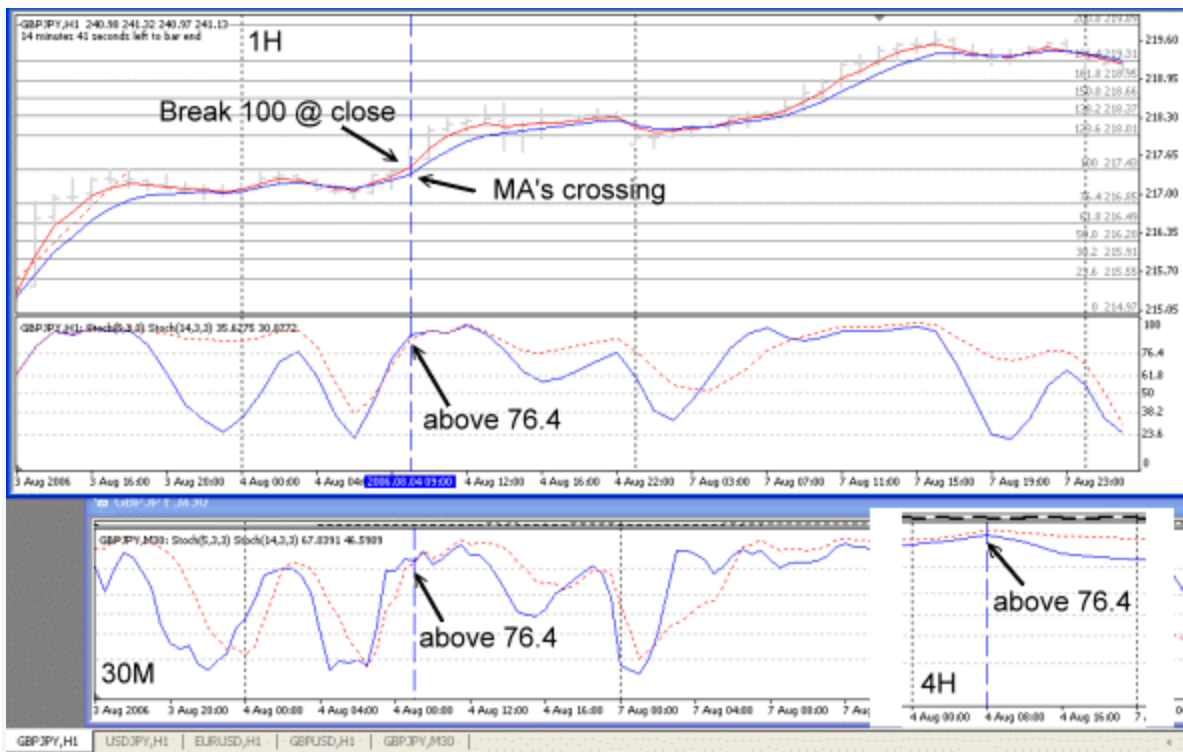
- [Post 146](#)
- [Cleanup](#)
- [Quote](#)
- May 24, 2007 8:12am

-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here is Aug 4, 2006. Looks almost identical to August 3rd.

*Attached Image*



Price breaks 100 at close. Moving averages moving to cross 100.  
30M, 1H and 4H stochastics above 76.4

Breakout Long.

## • [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here is Aug 2, 2006. This is much more complicated and help show the use of multiple time frames in trading. Wait for the ducks to line up and you will have less failures.

The first trade (1) is a typical 80/20 rule opportunity except that in the 80/20 rule the 4H must be in agreement. In this case it is not so there is no trade entry with the 80/20 rule. There are also no Harmonic Stochastics with the MA's in the price with the Fib level...the MA's are high at 61.8 Fib level when the stochastics are crossing at 23.6. So overall there is a lot going against the first trade to use the 80/20 rule.

The second trade adds more complexity. We have what appears a perfect Fib Breakout when price crosses 100 and the 1H and 30M stochastics are above 76.4. However the 4H stochastic is sagging below 76.4. Also, notice the MA's in the price never cross 100.

So here we had a choice. Go with the FIB Breakout rules and suffer a small lose when the 1H 14,3,3 stochastic crossed down below the 76.4 level....or use the 4H and/or MA's as an added filter.

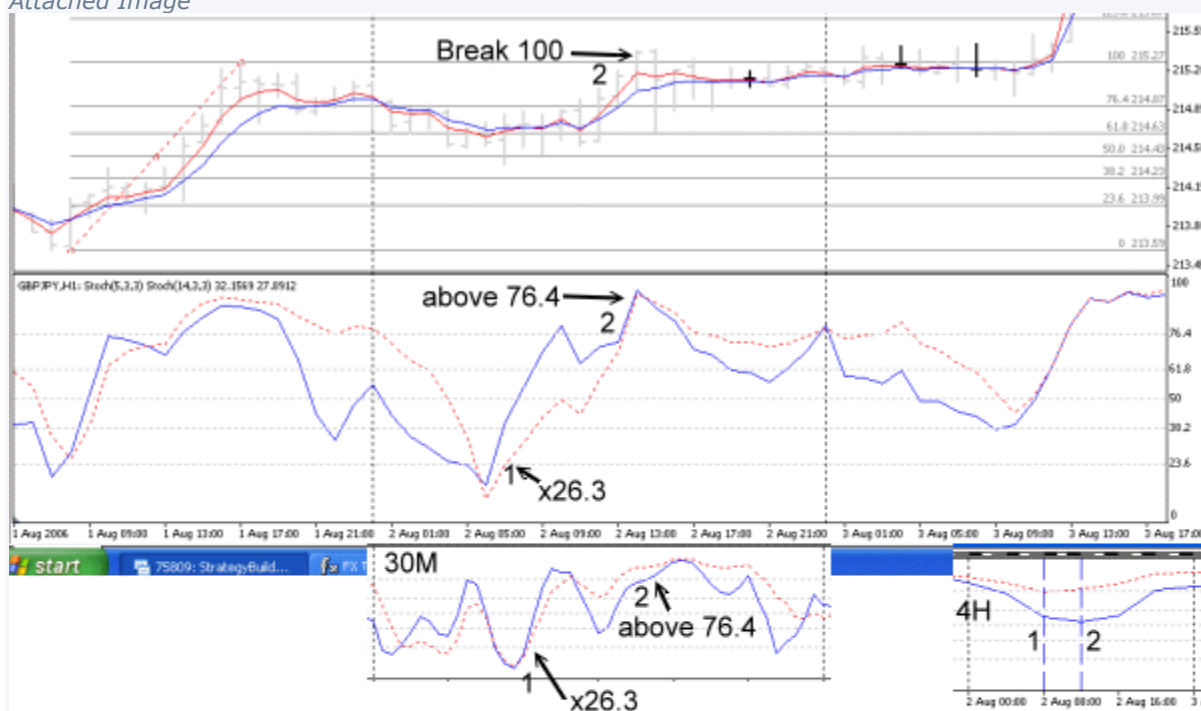
The problem with too many filters is that we will miss many trades that are good. The statistics behind the Fib Breakout rules is that those rules will encounter less wins but the losses are small enough to have little effect on net pips. However, using the filters and having them confirm entries like on Aug 3 and 4th can offer us the opportunity to be a more efficient trader...perhaps when the added filters confirm entry we trade extra lot on that entry. Perhaps we just sit and wait for perfect entries if we can't stand losses.

Again as we practice we "see" more and recognize these patterns and they help us determine our best entries.

The rules as I lay them out are defined to provide simple trading strategies that statistically, if followed properly, should result in positive pips over the long run.

However, all these rules follow some very few and basic concepts that are based on MTF stochastics. MTF stochastics is based on core fundamentals of stochastics. All these fundamentals can be used together to signal and filter trades. Some of us will be artists with these tools and others can't hammer a nail straight...the more we practice with the tools the better we will be using them.

*Attached Image*



1. 1H & 30M stochastics cross 26.3 upwards, however 4H stochastic signals downward move, so no trade entry (80/20 rule)

2. Price breaks 100 Fib level at close (yesterday's high), support from stochastics as both are above 76.4, however 4H stochastics not in agreement (Fib Breakout)

Here's a Harmonic Stochastics example.

Remember that the Fib scale on the price chart represents the stochastic scale in a stochastic indicator. The EMA 3 represents the 5,3,3 "%K" line and the EMA 6 represents the 14,3,3 "%K" line.

We can use Harmonic Stochastics when the "price stochastic" lines up with the "true" stochastic indicators.

You can see in the chart below, that as usual the "true" stochastic indicators lead the way of the "price" stochastic to give us an indication to trade a long from 23.6 to 76.4 (80/20 rule).

In this example after the stochastics broke through 76.4 we switch to the FIB Breakout rules. Choices are to stay in the trade at the breach of 76.4 or exit and re-enter as per the Fib breakout rules.

With Harmonic STochastics we are always looking for the "price" stochastics to line up with the "true" stochastics to make some pip music. This always trades in the range between 23.6 and 76.4 and follows the rules of MTF Stochastics as explained in my journal.

*Attached Image*



- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

*Quoting sepak.orang*

thank you for the explanation Spud. nice example.

one question here, according to the above example of Harmonic Stochastic, it means that 4 hOur Stoch will be totally ignored for confirmation?

am i right abt this spud?

I didn't chart it, but we could. The 4H was making indications of rising above 23.6.

In this case, say the 4H was at around 61.8-50 and coming down, I would probably question the entry. If the 4H was above 76.4 I'd enter without a doubt. If the 4H was rising anywhere between 23.6 and 76.4, I'd enter.

With the 4H below 23.6 and rising...chances are pretty good still but I am then weighing statistics over the 4H and most times I'll go with statistics and grab the trade on the 1H and 30M with price data.

[Quoting ergon](#)

Yes, your right. None of the the numbers you and I quoted are fib numbers. Fib numbers are actually integers. But we traders tend to use ratios of fib's although I don't think using the ratios is the best way of using fib values for determining a TP. I prefer to use the integer value. Sorry to have taken this thread off topic. I won't say any more about this. 😊

Actually it was a good question so here's how we come to use 76.4 and 23.6:

The Fibonacci number sequence is:

{1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89, 144, 233, 377, 610, ... } It is the first number + the next number equals the 3rd number....so  $233+377 = 610$

Since stochastics are on a percentage range from 0-100, I wanted the Fibonacci numbers in the price chart to represent 0-100% as well. I also wanted to use a scale based on Fibonacci...because I love Fibonacci numbers.

So to get a percentage with Fibonacci numbers one must divide a group of numbers that derived the Fibonacci numbers....so  $233+377 = 610$  then  $233/610=0.382$  and  $377/610 = 0.618$ . As you can see we will always get 100% this way... $0.382+0.618 = 1$  is the same in percentage as  $233+377=610$ .

So to get 76.4 and 23.6 (which are Fibonacci percentages):

Take the sequence 144,233,377,610

$144/610 = 0.236$

and to get 76.4 take the sequence 89,144,233,377,610

$(89+144+233)/610 = 0.764$

There's more to it, without explaining how numbers converge the Fibonacci numbers always converge to (in percent);

23.6%, 38.2%, 50%, 61.8%, 76.4%

so

$23.6\%+76.4\% = 100\%$

$38.2\%+61.8\%=100\%$

[Quoting PiPr Pro](#)


Hi Spud, I did not take this short trade thankfully. A few hours later the price turned long. Would you care to comment on the attached chart for 21 March 2007. The top chart is H1, the middle chart is M30 and the lower chart is H4. Thank you in advance.

I am a little confused or perhaps I have confused people? I marked on your chart the indications but this is indicating a long entry. You indicate you were looking for a short trade from this?

[Attached Image](#)



- [Post 173](#)
- [Cleanup](#)
- [Quote](#)
- May 27, 2007 8:08am

•  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting PiPr Pro](#)


Another potential trade on 21 March I did not take. Can you comment here also?

I assuming you were looking for a short entry here too? Again this would have been a long entry where price crossed the and closed above 100 and all stochs on all 3 time frames are crossing or above 76.4.

[Attached Image](#)



- [Post 174](#)
- [Cleanup](#)
- [Quote](#)
- May 27, 2007 8:35am

•  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here's my take on the MArch 21st entry for a long break out.

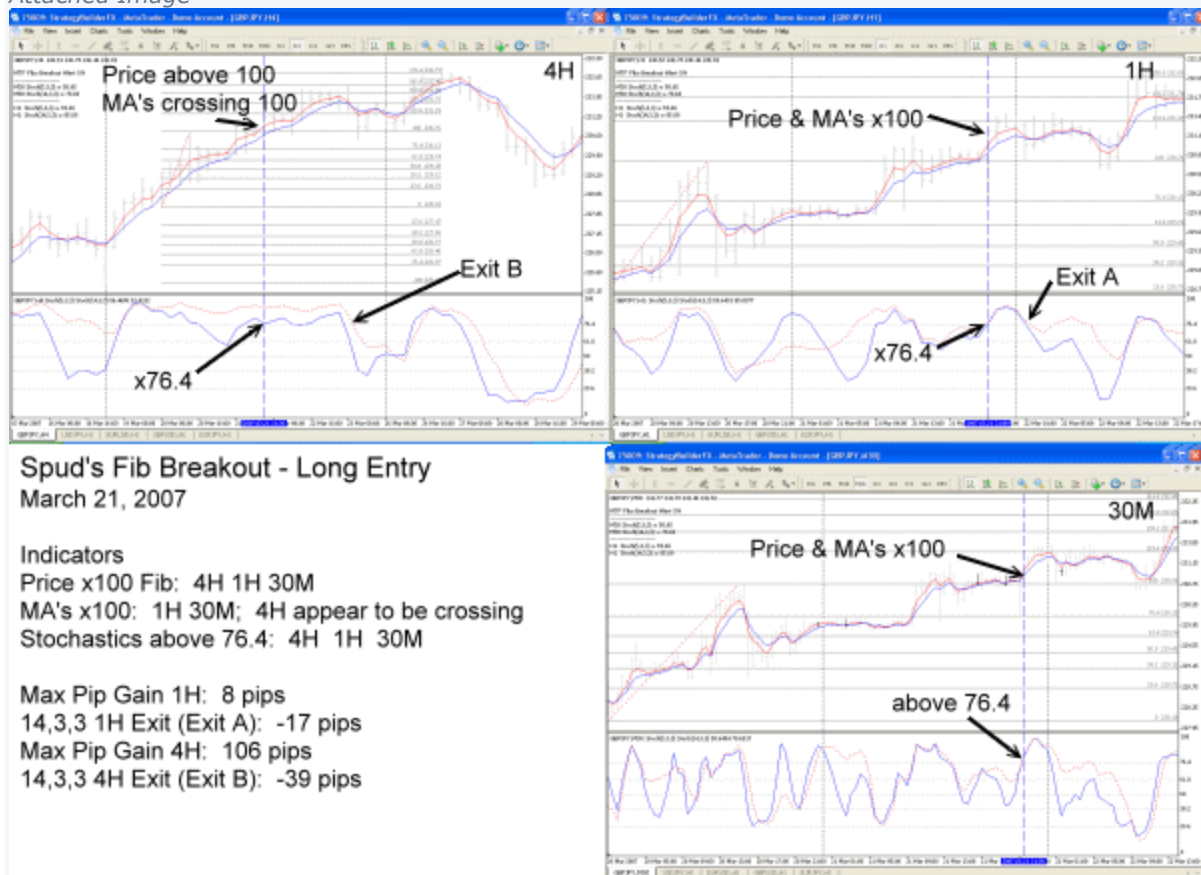
The moving averages above 100 Fib level is a good sign for an entry.  
The price closed above 100 Fib level  
The stochastics on 30M, 1H and 4H are all above 76.4

The 1H time frame trade would have lost 17 pips + spread since the 1H 14,3,3 stochastic came back across 76.4


The 4H time frame trade would have had an opportunity to grab over 100 pips before the 4H 14,3,3 stochastic crossed 76.4. If we were greedy then we ran the 4H stoch to 14,3,3 cross and lost 39 pips.

The end result was that there was no real breakout here and with the 1H as our standard exit point we would have lost 17 pips + spread on this one.

Attached Image



- [Post 175](#)
- [Cleanup](#)
- [Quote](#)
- May 27, 2007 10:42am

•  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

From the various communications I have had with other traders, it is difficult for those working or who cannot trade full time to use some of my methods.

As such I've been developing a 4 hour trading method of the MTF FIB Breakout system, which I call MTF FIBOx4. It provides the option of using the 4 hour close and 4H time frame trade window so that the trader need only check every 4 hours for trade entry/exit. It also includes some upgrades I have been working on to help filter trades. This system also includes the 1H exit strategy as well.

FIBOx4 Rules:

3 time frames: 4H, 1H, 30M  
 Entries are on 4H close only

#### Indicator checklist:

Price must cross and close above 100 or below 0 Fibonacci as per regular MTF Fibonacci rules

Moving Averages must be near, close to or already above the 100 or below the 0 Fibonacci. "Near" means it appears the MA's will cross. This is more common on the 4H time frame. It is best that either the 1H or 4H time frame has the MA's across before entering a trade.

Stochastics should be above 76.4 with price above 100 or below 23.6 with price below 0. More emphasis is with the 14,3,3 stochastic than the 5,3,3 stochastic. It is viable to enter with the 5,3,3 not in the entry range, but best to have at least 2 time frames with all stochs in the entry range.

Candle Indicator: This is new. Simply any candle with the same open and close price on the 4H or 1H that appears at or before entry is a good sign for the trade. This is a "feel good" indicator rather than a decision making indicator, so don't restrict entry in a trade if the CI is not present.

#### Exit options are:

When you have made some good pips.

4H when 14,3,3 crosses 76.4 down (long) or 23.6 up (short).

1H when 14,3,3 crosses 76.4 down (long) or 23.6 up (short).

When MA's reach +200 or -100

When price crosses +200 or -100

Best exit is always being pip positive! So use trailing stops or move the stops up to keep some profit if we don't want to risk taking a loss.

#### Some Tips:

I find the MA's to be more important than price for crossing.

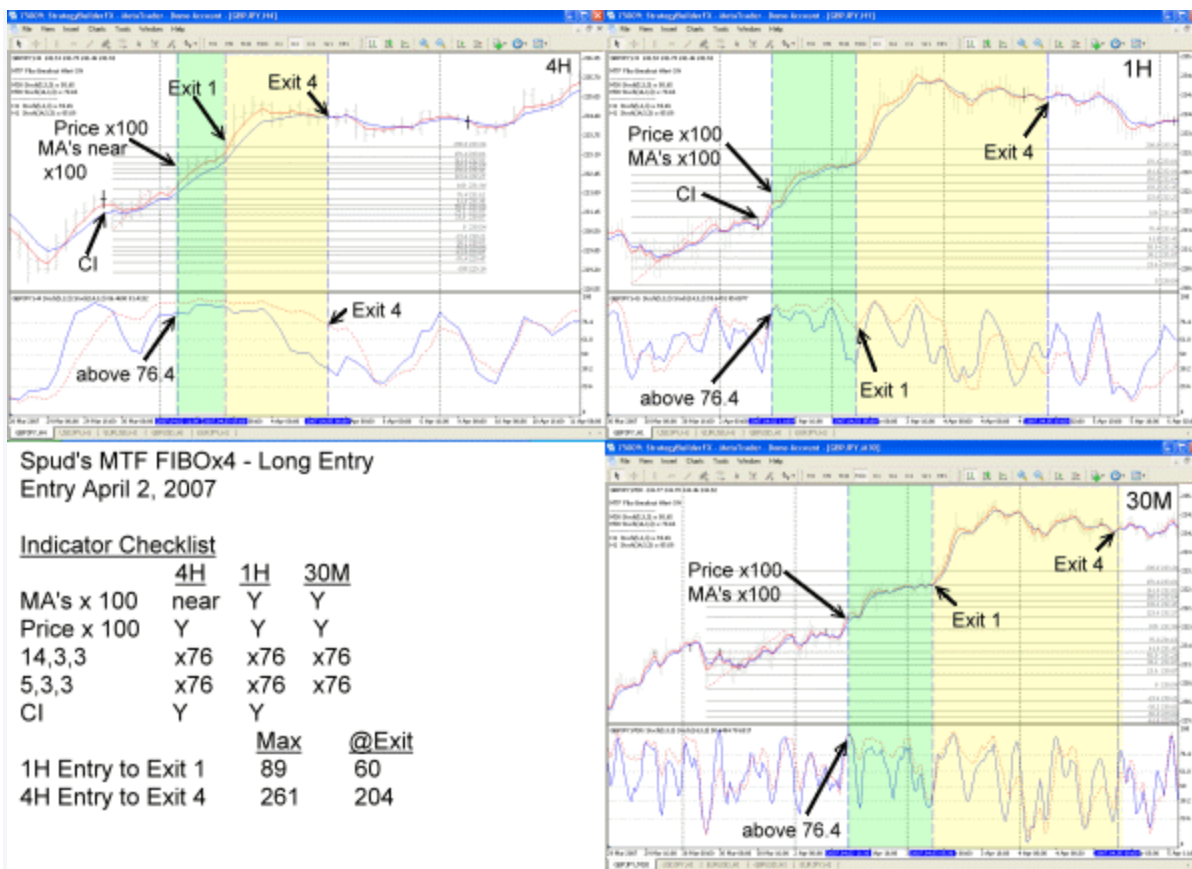
Price candles almost always touch the MA's, so when entering and exiting trades this information is useful for timing.

If the entry at close of candle is too far (i.e. above 150 or below -50) it may be a good idea to pass on the trade as "bad timing" since there won't be many pips to grab anyways. If trend continues we will grab the break on the next day and timing may be better.

Entry can be made on 1H close with 30M support.

The green area on the chart represents the 1H entry and exit and the green and yellow areas combined are the 4H entry and exit.

*Attached Image*



•  [Spudfyre](#)

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

#### Quoting jlowder

After looking at this chart and comparing it to mine, I realized we had identical feeds, yet I'm having a hard time coming up with the 375 pips you mention which makes me think I'm missing something with my entry or exits.

If I understand correctly (which you clearly state two or three posts later) you should enter on the open of the next bar after the cross of the 0 and 23.6 lines. You then exit when the 14,3,3 crosses back up above the 23.6. Now given that you only see the stoch values associated with price at the close of a bar, I'm guessing you're talking about the close? In this case I can see only 150 pips. If I closed out at the open of the bar I'd be at 264 pips.

I don't mean to be anal about this, as in any rate it was a good trade, but I wanted to make sure I was clearly seeing things your way. How did you come by 375 pips for this trade? My platform is on FXDD which showed identical bars and stochs..

Thanks,

Jason

Note: I'm referring to post 39 if you want to see the image.

I actually peg the trade around 600 pips but I was actually trying to cut the pips down a bit taking into account missing perfect entries and such.

Only error I can think of is perhaps you have the Fibs in the wrong spot?

Here's a simplified chart:

### Attached Image



- [Post 209](#)I prefer just trading GBPJPY...that's my bread and butter. Any other pairs is just for fun.
- [Post 210](#)

### Quoting aktaurus

Should we now take these 2 trades? Signals are here but there is a week-long rally here too...

The FIB breakout system is like a slot machine...plug your nickel in and pull....so you need to trade every trade opportunity or you will likely miss the one trade that breaks out and makes you the big pips. Oh....the odds are way better on the breakout system!

Don't second guess it...just pull when you have the opportunity to pull. Your losing nickels against large pip gains....just don't stop once you start..until you win.

This is why I tend to stick just to GBPJPY as I can follow it easily...but that's me.

- Jun 6, 2007 7:15am



[Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

### Quoting FTPippen

Spud,

Was this a good entry for this trade? The trade was a sell at 241.59.

1. The price broke the 0 and the 5,3, 3 and 14,3,3 were below 26.3
2. Was it just a fake or a bad entry?

Thanks

This chart may help you see the trade better (I've removed some things for clarity). This is a chart with the 15M,30M,1H and 4H stochastics on it. The red shaded area is when the trade should have been - a short from the 100 to 0 Fibonacci.

The bounce is tradeable but riskier since we don't have the 4H stochastic with us. Here you might have aimed for 0-50 on the Fib scale and only adjust to go higher if the 4H turned up with the rest. Otherwise, probably leaving the bounce trade would have been a good idea.

The odds of the price dropping below zero dwindled when the 15/30/1H crossed up over 23.6. So the best trade here was from 100 to 0 and call it the day.

The breakout at the 100 up earlier on should have had us going long and we should have suffered at worst only a few pips lost by the time we saw the stochastics and the 4H trend going against us. If we were on our game we might have even grabbed a few pips from that quick long. Either way, the losses from that move would be insignificant to short that followed.

The move from 100 to 0 in the stochastics is actually the perfect "Escalator to Pips" move that I discuss in my journal.

*Attached Image*



- [Post 223](#)
- [Cleanup](#)
- [Quote](#)
- Jun 6, 2007 7:36am

-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here's today's chart. The stochastics favour the price will keep going down after the zero break. The thing to watch for is if our 15/30/1H stocks rise up above 23.6 and if the 4H is still going downwards or starts to turn up at the next close. The 1H is still strong below 23.6. The 15M and 30M may whipsaw.

We should know direction IF the price comes back to 0 and where the stochs are.

PS. This is GBPJPY and in my rush to get the chart out I put the Fib in backwards....so the break line is the 0 line.

*Attached Image*



-  [Spudfyre](#)

- Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

[Quoting senbanda](#)

Hi Spudfyre

In the above chart you have stochastics of all time frames in one chart.

Is it a new indicator? If so I missed seeing it in the thread. Would you kindly direct me to the page.

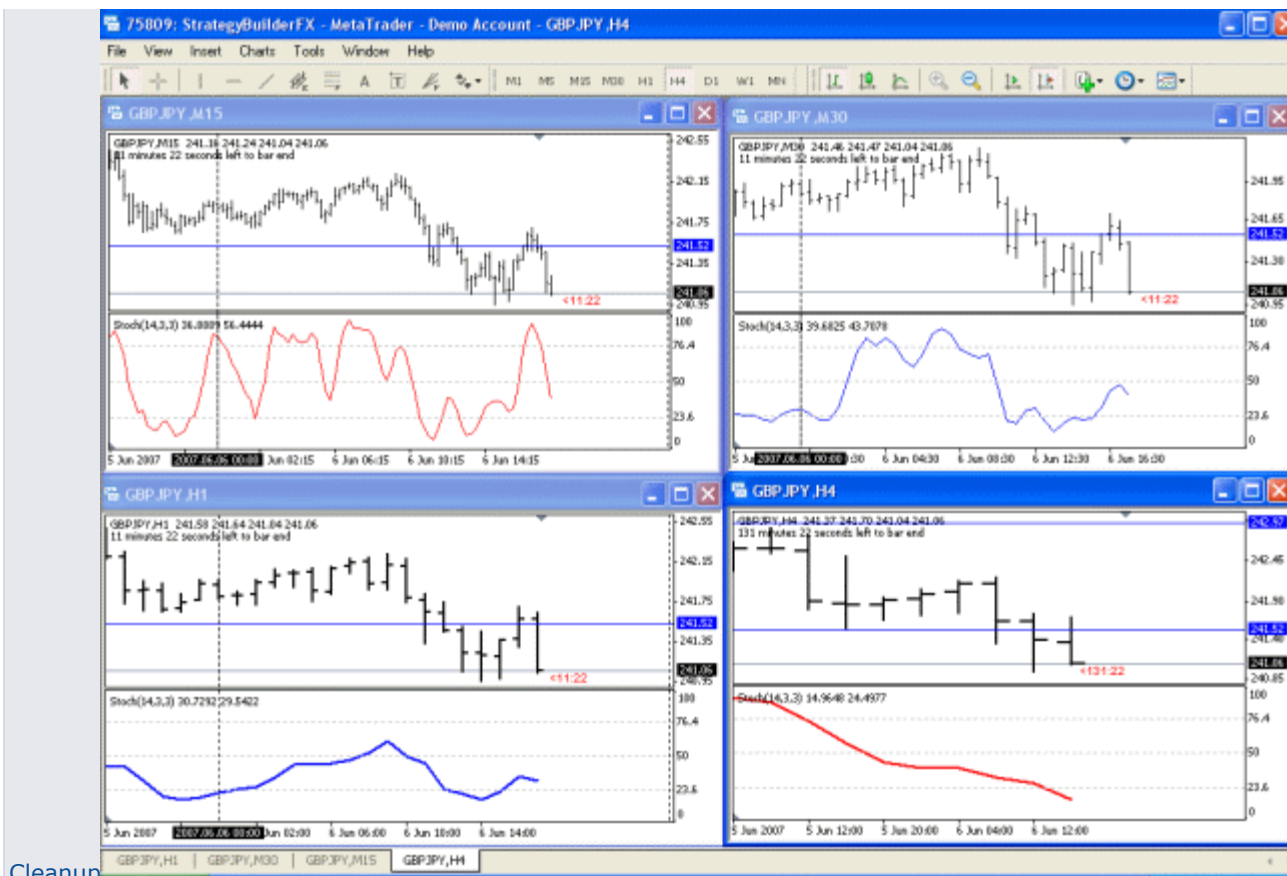
Thank you

Senbanda

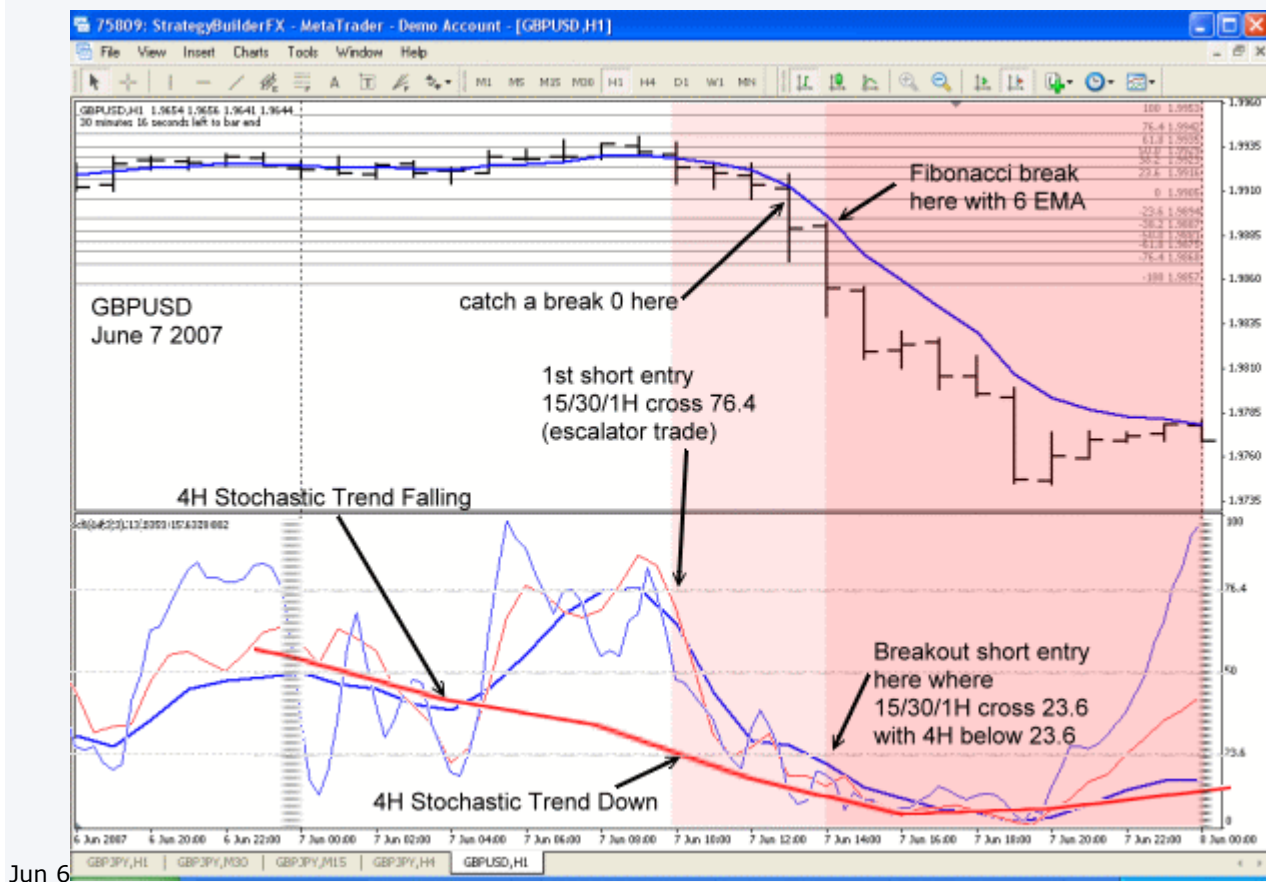
I'm sorry I should have explained the stochastics in the chart.

The stochastics are all 14,3,3 (%K line only). Each is period is taken from its period chart...so 15M is taken from 15M chart, 30M from 30M chart and so on. I have then cut and pasted them onto one chart using a graphics program. I am hoping that this provides everyone with a little more clarity in seeing multiple time frame stochastics and how they work together.

Unfortunately there is no indicator yet that can produce this kind of chart where the real stochastics for each time frame are accurately represented. I believe this is a huge short-coming in trading platforms given the importance of multiple time frame trading.



Cleanup



## Spudfyre

• Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Here's a really good chart and although it does not show a FIB breakout, it shows why there was no FIB breakout and the other trades that could have been made in a 2 day period.

At the start of June 5th the 4H stochastic is below the 23.6 level meaning we are in a down trend. The 15/30/1H are all spaghetti up near the 76.4 level but they have not converged so there is no short trade there. If we missed the convergence and traded short it didn't hurt us.

The 4H crossed up at 23.6 meaning we are now in a long trade situation. The 15/30/1H converge and cross the 76.4 up with the 4H rising. In this circumstance this is a good long trade opportunity when the 4H is climbing. So we have a long trade here until the 1H crosses back down below 76.4

It looks like we could pull an escalator to pips trade with the 15/30/1H crossing the 76.4 headed down but the 4H is way too high to make a short trade. Again if you entered the short trade it wouldn't have hurt you....but that is a risky trade.

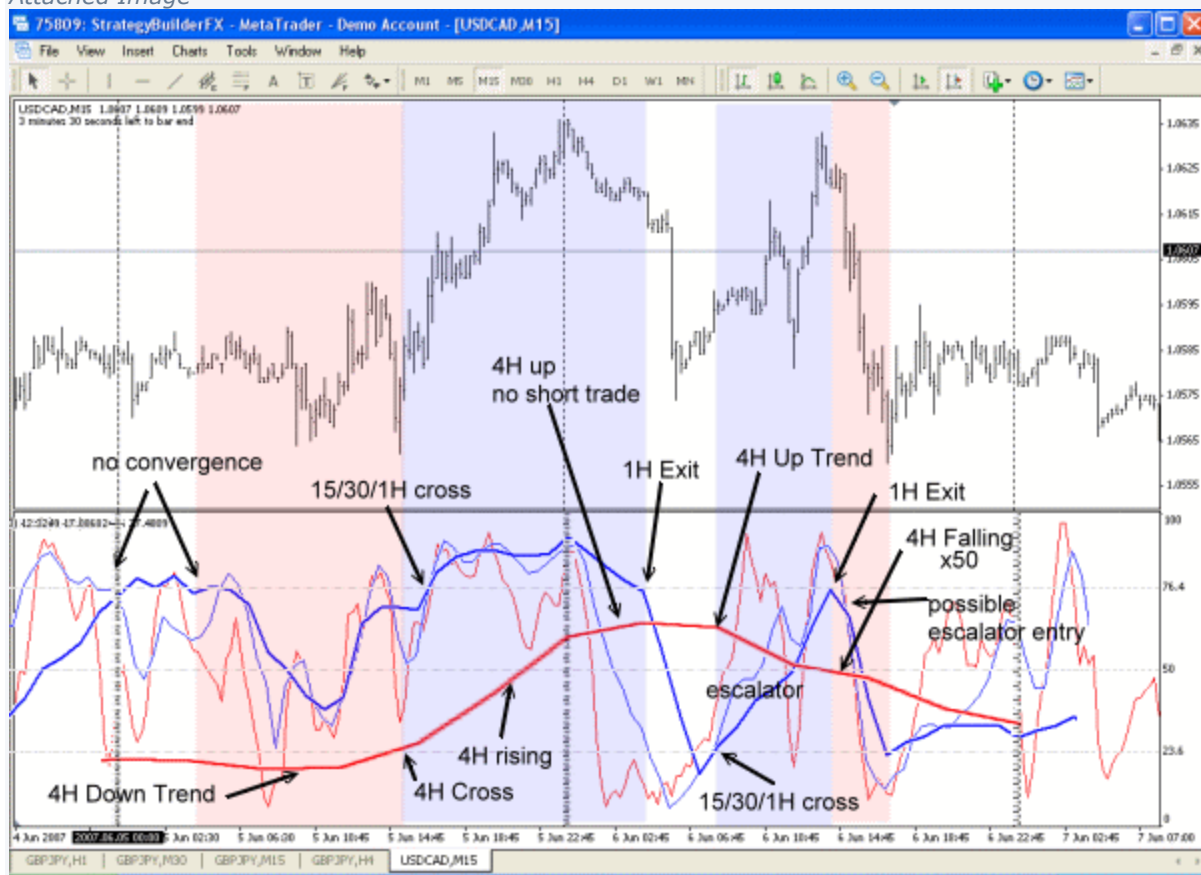
When the 15/30/1H cross the 23.6 on the way back up, the 4H is still high and in a long rising stance, so this would have been a signal to go long in an escalator trade. When any of the 15/30 or 1H hit 76.4 it would be time to exit since the 4H was falling and we had good pips.

There is a possible short entry with the reverse of the 1H but it doesn't quite cross the 76.4 line but the 4H is crossing the 50 level and falling, so this would have been a short but not clear entry.

Watching all this happening would have given some good indications timing a Fib Breakout but even without a breakout there was plenty of opportunity to pip.

When the 4H stochastic is on the move like this, trading can be a little trickier and playing the 15/30/1H going from 20 to 80 and back to 20 will give good returns....just follow the 4H.

Attached Image



[Spudfyre](#)

Joined Jan 2007 | Status: MTF Stochastics and Volume/Price | [1,127 Posts](#)

Quoting moneda

Spud,

First let me thank you for your unconditional generosity.....

I have been studying the MTF Stoch approach and I have one basic question:

It seems to me that after the confirmation of the 80/20 or 76.4/23.6 cross in the 4hr. that the if we look for confirmation on the smaller timeframes further into the cross there is less of a chance for whipsaws. Of course this would be more of an issue with the 15m than the 1hr. So in other words, maybe if I am shooting for 20 pips, it would be wise to wait for the 15 min cross to develop further down before entering.

One more question... If the 15/30/60 timeframes are giving you a short signal and the 4hr is given you a long signal (see the 9:00gmt on the 8th of June) is that tradeable?

No great discovery, but perhaps a sign that I am beginning to understand stoch and think for myself.

The most important trait is convergence of the stochastics crossing the 76.4 (80) or 23.6(20) levels with the 15/30/1H and hopefully pointed to move to the 4H.

Re: June 8th. I'll post a chart soon but in the mean time; It is not a short trade I would chase since the 1H is not well timed and down quite a bit from the 15/30. The other big negative is the 4H looks like it will cross and rise above 23.6 leading to a long. The trade here is not until the long trade at 12:00 gmt and even though the 1H isn't taking off from below 23.6, I'd put the weight behind the 4H crossing the 23.6 and rising since the 15/30 have joined in too....bound to make a few pips.

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Summery

### **Spud's Multiple Time Frame Stochastic Fibonacci Break Out Method (FIBO)**

Just call it FIBO for short. The FIBO method is really the cumulative effort of multiple time frame trading with stochastics. All the previous rules and systems apply in FIBO but now we deal with what happens when the stochastics break into the 76.4 to 100 range and the 0 to 26 range.

The FIBO method is an extremely powerful way to make pips but there are rules to follow and this method requires patience as most trades will last over a 2 day range.

The Hi/Lo From Yesterday Breakout

For some phenomenal reason price breaks out when it crosses the high of the previous day, the low of the previous day. Price will also bounce off this previous day high or low.

As such if we draw a Fibonacci line from the low of the previous day to the high of the previous day we can create a percentage scale for the price moves of today. Yesterday is between 0:00 GMT and 24:00 GMT.

The Fibonacci Levels

When using the Fibonacci indicator we want to create 3 "0-100%" scales. The first is from the low to the high of yesterday and is between 0 to 100.

The second is for above yesterdays high and is between 100 to 200.

The third is below yesterday's low and is from 0 to -100.

The Fibonacci levels are:

-100, -76.4, -61.8, -50, -38.2, -23.6, 0, 23.6, 38.2, 50, 61.8, 76.4, 100, 123.6, 138.2, 150, 161.8, 176.4, 200

*Attached Image*

## Spud's Multiple Time Frame Stochastic Fibonacci Break Out Method



### Spud's Multiple Time Frame Stochastic Fibonacci Break Out Method (FIBO) continued

The fundamental rules about FIBO is that we are looking for a price move on the Fibonacci scale from:

0 to 100  
100 to 200  
0 to -100  
100 to 0

These moves are extremely common and the only thing we need to figure out as traders is if the price will break or bounce when it hits 100 or 0. So when price reaches 100 it only has 2 directions to go; up or down from 100 to 200 or 100 to 0. The same when the price hits 0; 0 to 100 or 0 to -100.

The Indicators for Direction

Stochastics over multiple time frames is our key indicator. Primarily we are using the 4H and 1H charts with the 30M or 15M chart for timing.

We also can utilize the direction of the Fibonacci line from low to high. If the Fibonacci line is with the low first and the high following, this is called a "trending" Fibonacci line and the price will tend to follow this trend the next day when price hits 100 or 0. If the Fibonacci line is with the low following the high from the previous day, this is called a "retrace" Fibonacci line and price is likely to bounce or retrace in the opposite direction of the price movement when price hits 100 or 0.

[Attached Image](#)



## - [Post 8](#)continued

Entry For a Long Breakout (Use the 1H chart)

1. The price must cross the Fibonacci 100 level (at any time) and should cross it by at least 5 pips headed up.
2. The Fibonacci line should be in a trending direction
3. Price should be trending upwards....this may be a short trend or long trend but overall the recent move by price should be headed up....if there is a long down direction and the upward move is a reverse to this downward trend than it is not wise to trade the upward breakout.
4. The 14,3,3 Stochastics should be near or above the 76.4 level. Best if the 4H is in agreement too but give the 4H a little more room. It is always better if the 1H and 4H stochastics are above 76.4.
5. Set the stop at the 50,38.2,23.6 or 0 level with 3-5 pips extra and add your spread in. I recommend the 23.6 level or 38.1 level but it depends on the pips involved. Let the stochastics guide you.

### The Trade

There is a very high percentage that price will move from 0 to 100. So much so we should simply set our Take Profit at 200 (less spread), give the trade stop room and let it ride. I strongly recommend this approach.

The alternative is to watch the stochastics and let them be your guide using any of the MTF stochastic methods. This is a more conservative approach.

### Stops and Draw Downs

Keep in mind price will rarely move in a straight line and will have moves against us. Even a stop at the 0 level is a 1:1 risk reward ratio but it is rare for the price to move beyond the 38.2 level against us. The number of successes will far out number the failures so my suggestion is to run with the trade to 200.

Don't be too greedy! If we are up 100 pips and stochastics move against us, grab the 100 pips.

### Stochastics

The 14,3,3 stochastic should be our main guide in following the the trade and at entry.

### Exit

Always exit a long breakout at the 200 level. If the upward trend continues we will have a new entry the next day. We can use the 14,3,3 stochastic as our signal as an optional choice.

NOTE: When setting the Fibonacci line and the trade continues in the next day, we still use these original

Fibonacci levels until we reach our target. Alternatively, we can use the new levels to change our exit on the new days Fibonacci levels if price has dipped. However, each trade should follow it's original Fib level target until it is hit or stops out.

#### [Post 9](#) continued

#### Entry For a Short Bounce (Use the 1H chart)

Bounces are not as common as breakouts and usually they will offer pips in both directions (up or down).

1. The price must cross the Fibonacci 100 level (at any time) and should cross it by at least 5 pips headed up.
2. The Fibonacci line should be in a retrace direction
3. Price should be trending upwards....this may be a short trend or long trend but overall the recent move by price should be headed up....if there is a long down direction and the upward move is a reverse to this downward trend than it is not wise to trade the upward breakout.
4. The 14,3,3 Stochastics should be near or above the 76.4 level or near or below the 23.6 level. We want the stochastics to look like they may follow the 80/20 rule or be in an oversold position.
5. Set the stop at the 150,161.8,176.4 or 200 level with 3-5 pips extra and add your spread in. I recommend the 161.8 level or 138.2 level but it depends on the pips involved. Let the stochastics guide you.

#### The Trade

Odds are price will move either way and this trade relies heavily on our MTF stochastic rules. Our ability to read the stochastics for a bounce move will lead us to more success. Bounces can be tricky so ignoring the opportunity can be an option. Don't be afraid to exit early on a bounce if you have some pips in hand.

#### Exit

Target is the 0 level. However use the 14,3,3 stochastic as our signal as an optional choice.

#### SHORT BREAKOUTS and LONG BOUNCES AT THE 0 LEVEL

These are set up reverse to the long entries.

NOTE: I strongly suggest hunting for only 1 trade entry in a day with the FIBO method. Price may cross and recross the 100 or 0 levels after an entry but we stick to our original trade.