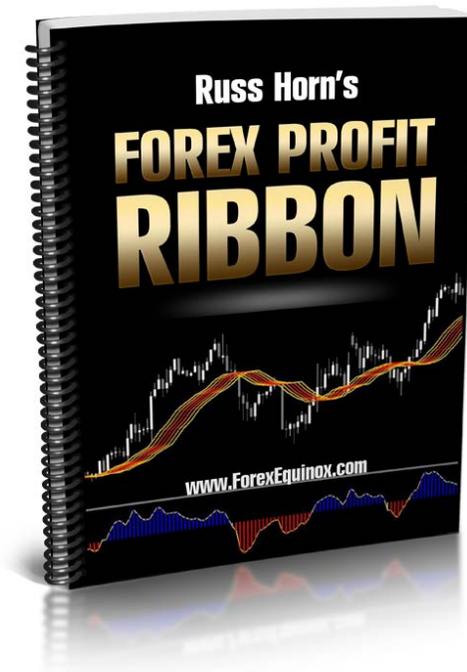


Russ Horn Presents

# Forex Profit Ribbon



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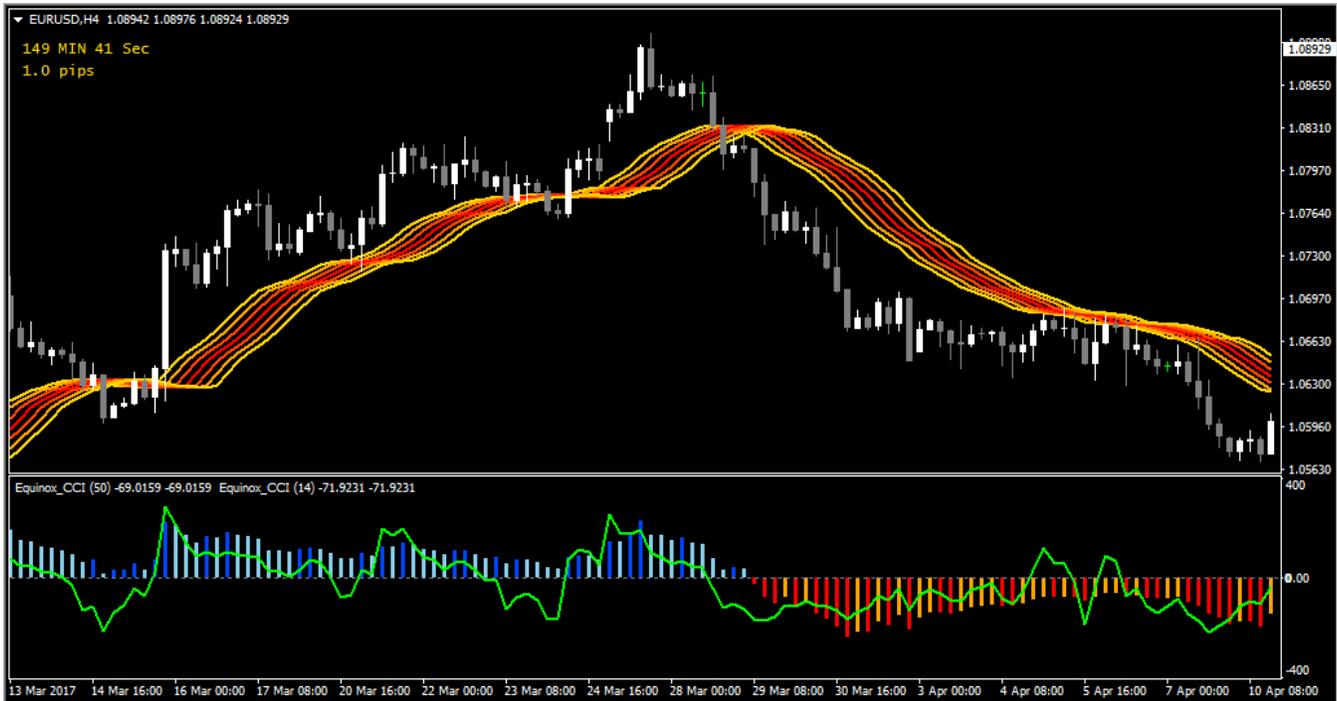
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# Introduction

Thank you for checking out this trading system. I think you will like it a lot, it's a very effective and can be a quite profitable system.

This is the Forex Ribbon trading system.

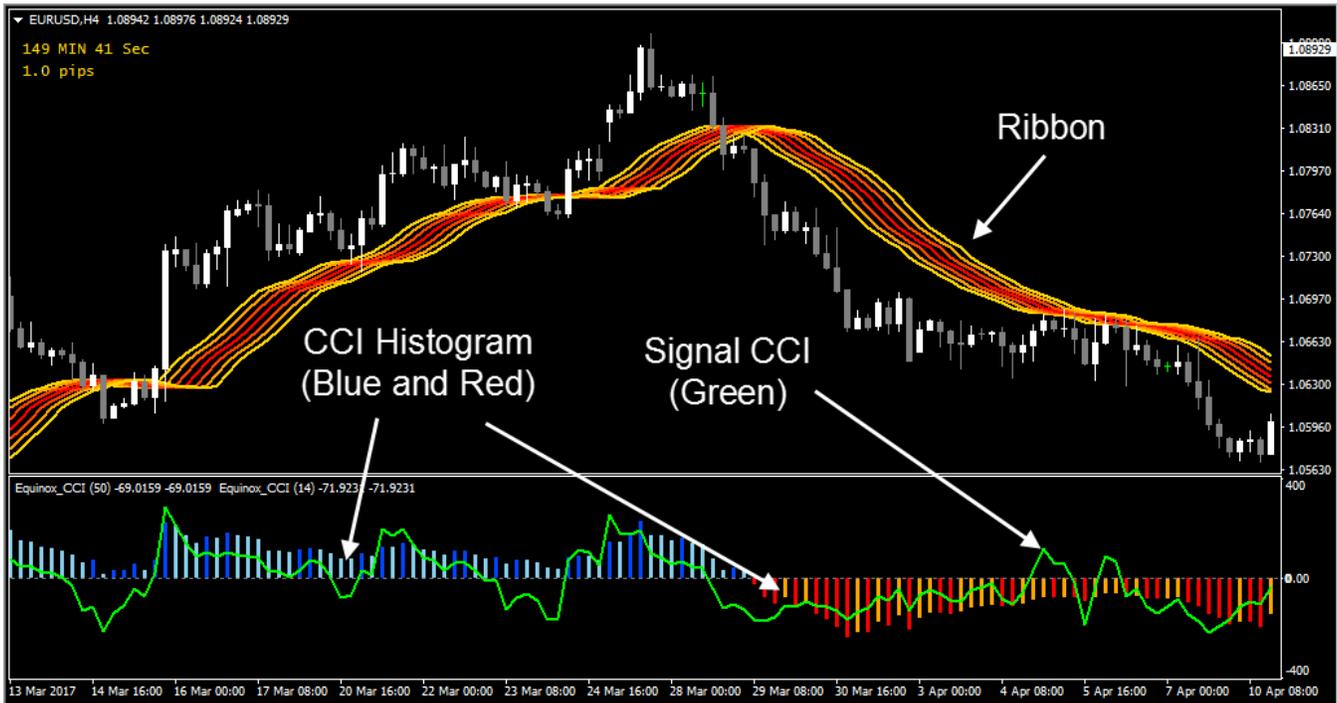


Just by looking at it you can see at a glance how effective it can be. I will get into the components and the rules in a moment, but right now, let's take a look at the parts.

Here is the same image with it's components labeled.

It is composed of two main indicators:

1. Ribbon
2. CCI



The Ribbon is a series of 7 moving averages, each one shifted 1 period farther than the previous. It will be the way we determine whether we take a trade or not. In order for a long trade, price must close above the ribbon. For a short trade, price must close below the ribbon.

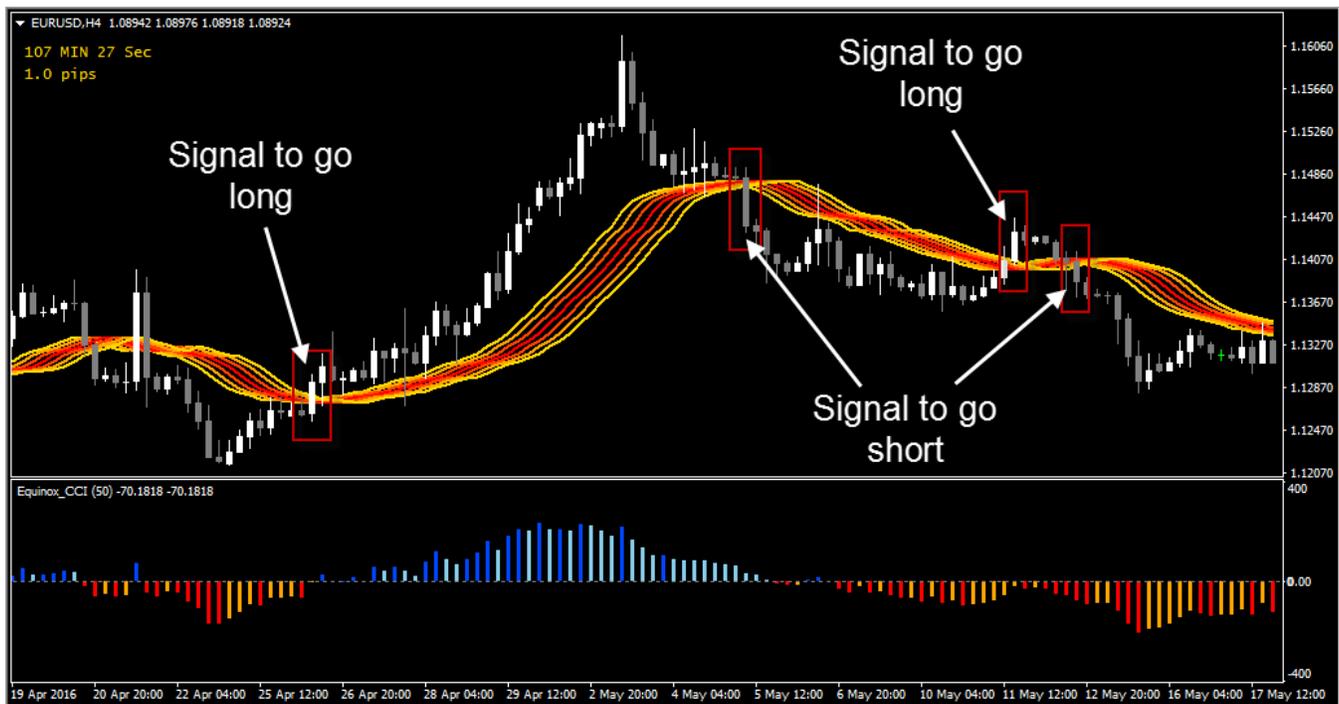
The CCI is composed of 2 parts:

1. The CCI Histogram which is the red and blue bars.
2. The CCI Signal Line which is the green line that runs through the histogram.

# Ribbon Signals

When the Ribbon gives off a signal, it can be at the close of a candle above or below the Ribbon itself.

- The first candle close above the Ribbon is a signal to go long.
- The first candle close below the Ribbon is a signal to go short.



In a nicely moving market, this can be all the signal we need, but the unfortunate truth is that the market doesn't always move so nicely. This is why we will look at other factors beyond the Ribbon.

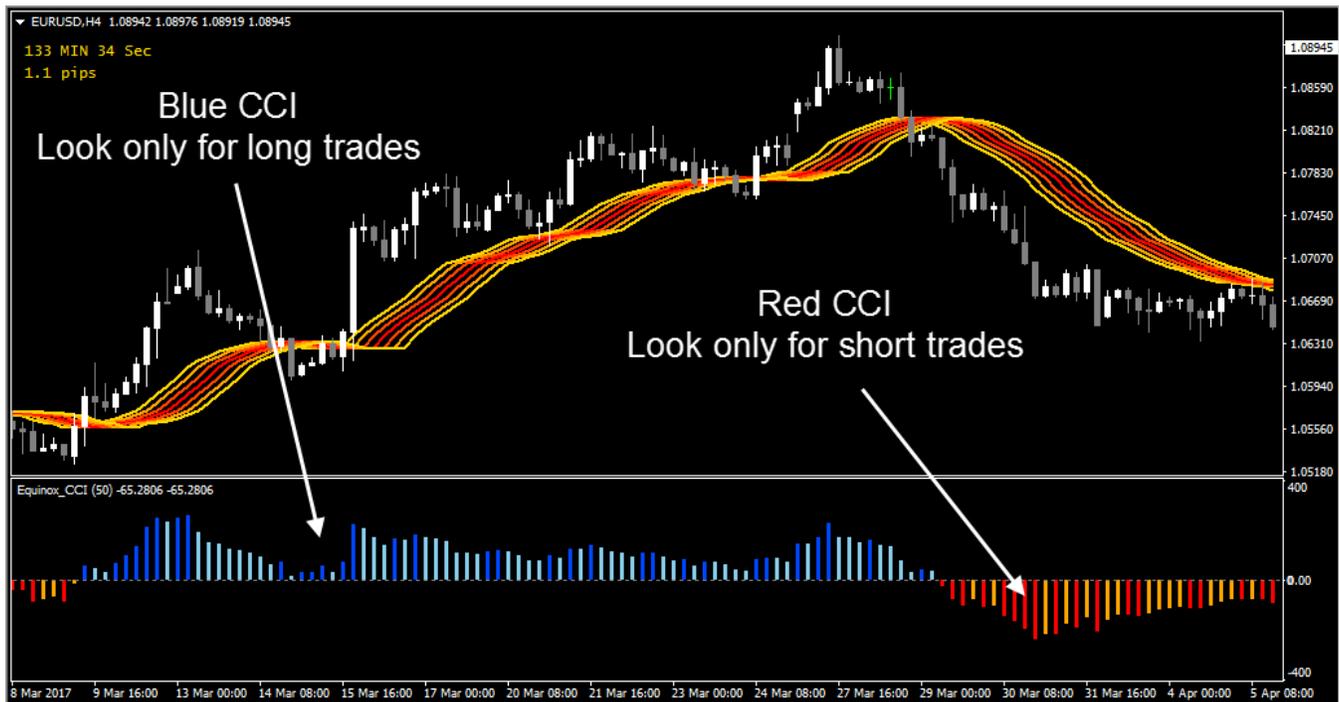
First, we will look to the CCI for the overall market direction. By confirming the market direction with the CCI, it will help us filter the good trades from the bad trades.

# Direction

We will be guided by the CCI Histogram to tell us what direction to trade.

- When the CCI Histogram is blue, we will only be looking to take long trades.
- When the CCI Histogram is red, we will only be looking to take short trades.

In the image below, I have removed the CCI Signal Line so we can clearly see the CCI Histogram.



The change in color of the CCI Histogram can be a signal to take a long or short position.

- If the price is above the Ribbon and the CCI Histogram turns from red to blue, we can go long.
- If the price is below the Ribbon and the CCI Histogram turns from blue to red, we can go short.

These are rules we will discuss as we proceed.

# Filtering

The Ribbon is our main signal generator, but we use the CCI Histogram as our filter mechanism. Not every signal generated by the Ribbon is going to be a good signal. There are times when the market is choppy and could use the assistance of a filter to help weed out some of the bad trades.

This is where the CCI Histogram comes into play.

In periods where the market has closed below the Ribbon, we could see a signal for a short trade, but if the CCI Histogram does not agree by turning red, then we cannot take the trade.



# Ribbon Trades

Let's take a look at the trade setups for the Ribbon Trades using the CCI Histogram.

## Ribbon Long Trade

### Setup

- Price must be below the Ribbon.
- CCI Histogram can be either blue or red.

### Signal

- Candle must close above the Ribbon.
- CCI Histogram must be blue.

### Stop Loss

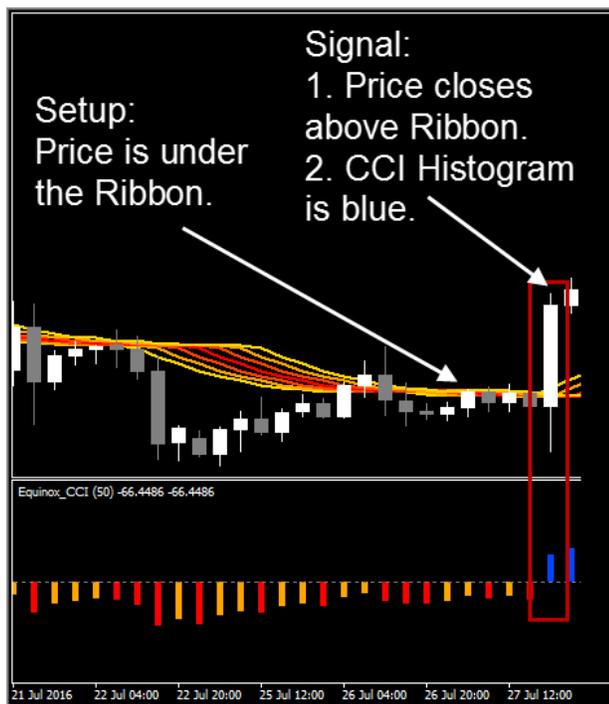
- Place initial stop loss below the Ribbon of the signal candle.
- If the Ribbon is flat, you can place stop below recent swing low of the price.

### Target

- Place your target the same distance as the stop loss.

### Early Exit

- Close the trade if price closes back inside, or below, the Ribbon.



# Ribbon Short Trade

## Setup

- Price must be above the Ribbon.
- CCI Histogram can be either blue or red.

## Signal

- Candle must close below the Ribbon.
- CCI Histogram must be red.

## Stop Loss

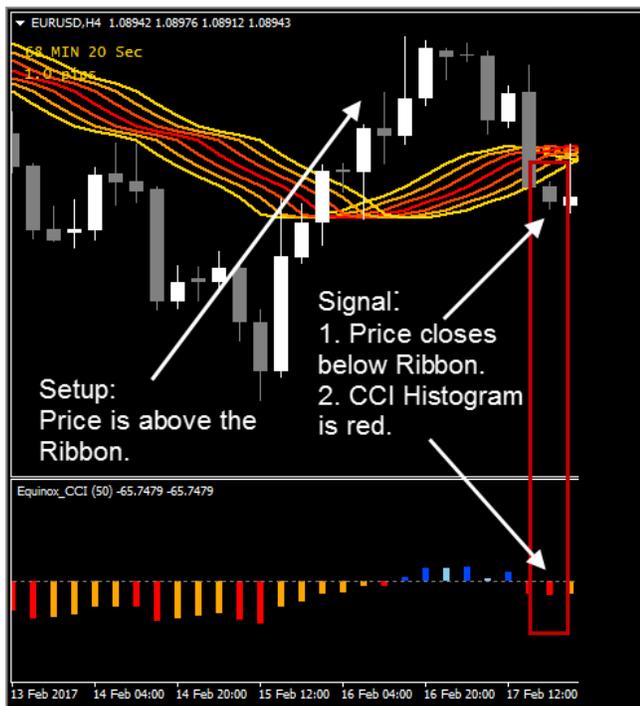
- Place your initial stop loss above the Ribbon of the signal candle.
- If the Ribbon is flat, you can place stop above recent swing high of the price.

## Target

- Place the target the same distance as the stop loss.

## Early Exit

- Close the trade if price closes back inside, or above, the Ribbon.



Sometimes the CCI Histogram will turn the right color a few candles prior to the entry signal when the candle closes across the Ribbon. You can take the trade if that happens.

Sometimes the CCI will have never turned the opposite color, and this then becomes a trend following trade. Once you get the close across the Ribbon in the same direction as the CCI Histogram, you can take the trade as you get the signal.

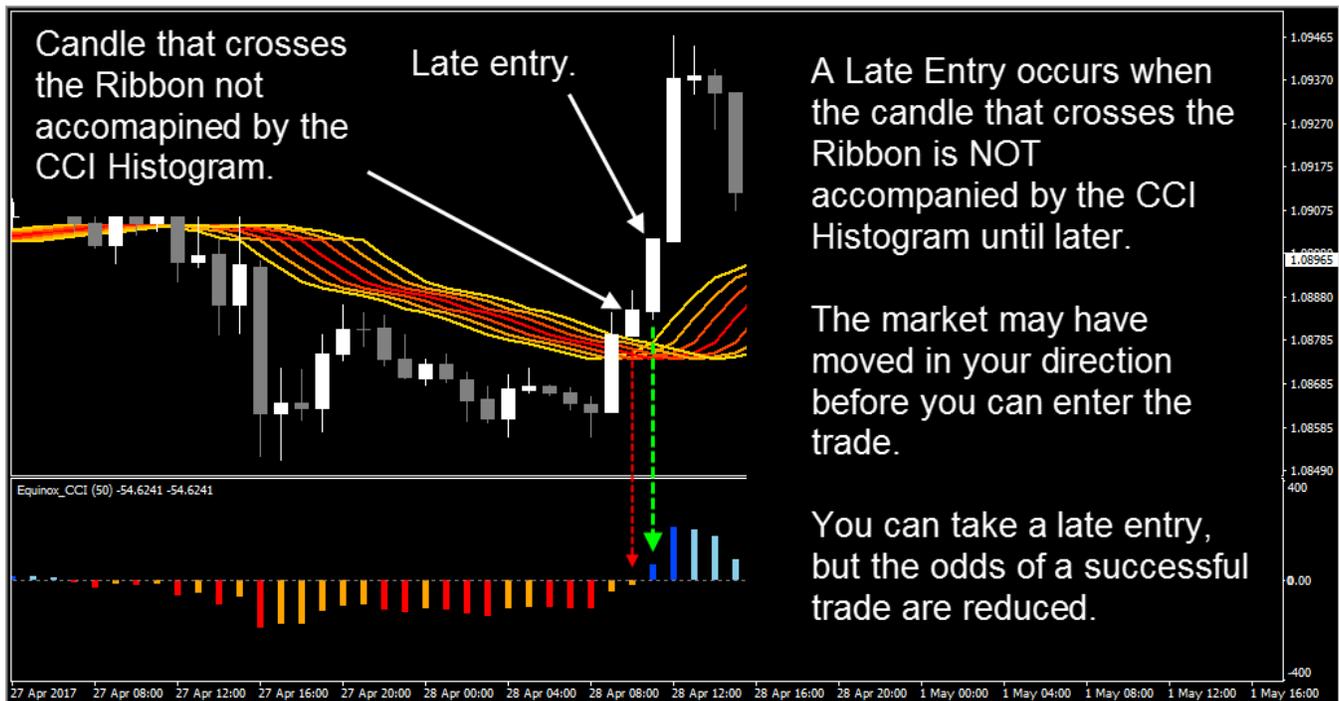
Sometimes the CCI Histogram will be delayed and won't change color on the same candle that crosses the Ribbon.

When this happens, you can decide one of two things.

1. Enter the trade when the CCI Histogram bar turns the proper color.
2. Wait for the next setup.

The ideal trade occurs when you get the first candle that closes across the Ribbon. An entry on a candle after that is considered a "late entry." It's OK to take a late entry as long as you are aware that the trade might not reach the 1:1 target.

Below is an example of a late entry:



Have no fear, if you miss your CCI Histogram Ribbon trade, you can catch the next type of trade:

The CCI Signal Line trade.

# CCI Signal Line

This is where we put the CCI Signal Line back onto the CCI Histogram. We will use the CCI Signal Line to catch additional trades that follow the trend.

Once the CCI Histogram has established a trend, we know what direction to trade. The CCI Signal Line will allow us to trade pullbacks in that trend.

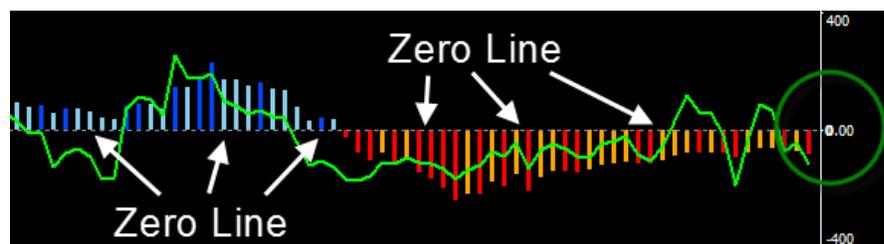
What we are looking for is:

The CCI Histogram to be oriented in one direction and then the signal line to cross the 0 Line in the opposite direction, and then the signal will occur when the Signal Line crosses back in the same direction as the Histogram.

Below is a chart where I marked off 5 Signal Line trading opportunities:



The **Zero Line** will be referenced in the following pages. The CCI Zero Line is the flat edge that the CCI Histogram emerges from. It's the center of the CCI indicator.



# CCI Signal Line Long Trade

## Setup

- CCI Histogram must be blue.
- Signal Line must be below the CCI zero line.

## Signal

- Signal Line must close above the zero line.
- Candle must close above Ribbon.

## Stop Loss

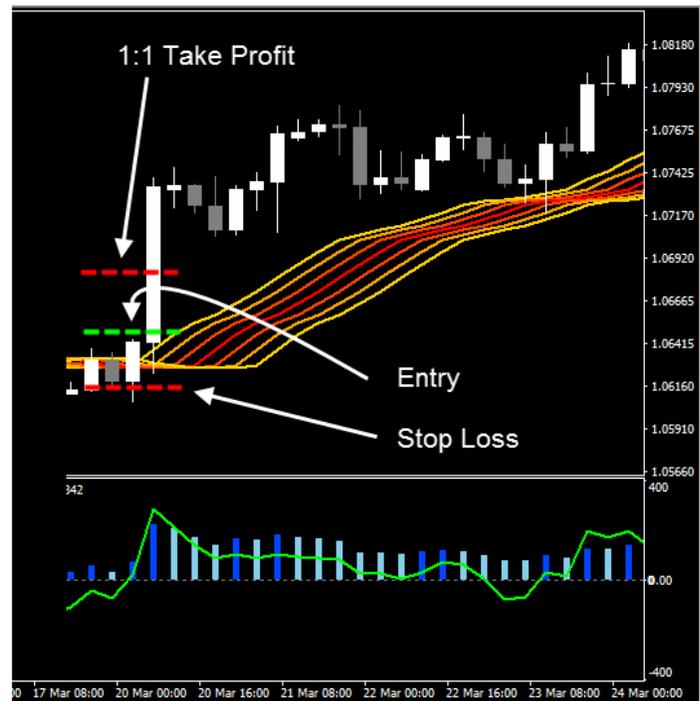
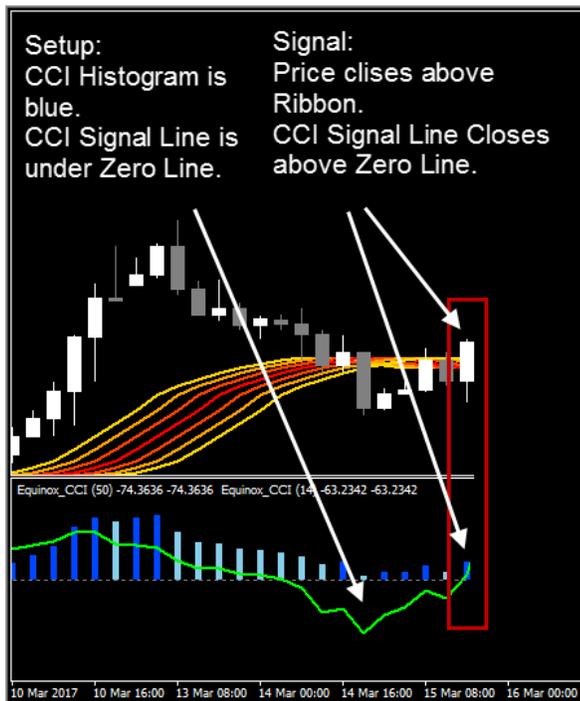
- Place the initial stop loss below the Ribbon of the signal candle.
- If the Ribbon is flat, you can place the stop below the recent swing low of the price.

## Target

- Place your target the same distance as the stop loss.

## Early Exit

- Close the trade if price closes back inside, or below, the Ribbon.



# CCI Signal Line Short Trade

## Setup

- CCI Histogram must be red.
- Signal Line must be above the CCI zero line.

## Signal

- Signal Line must close below the zero line.
- Candle must close below the Ribbon.

## Stop Loss

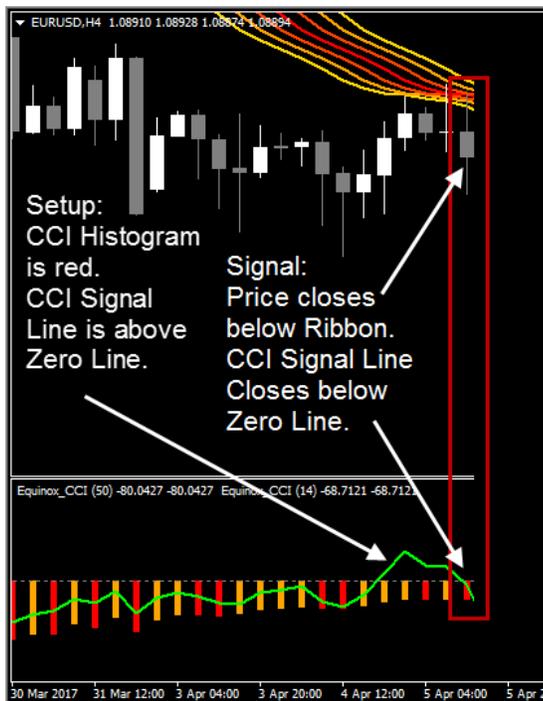
- Place the initial stop loss above the Ribbon of the signal candle.
- If the Ribbon is flat, you can place the stop above the recent swing high of the price.

## Target

- Place your target the same distance as the stop loss.

## Early Exit

- Close the trade if price closes back inside, or above, the Ribbon.



## Close Trades Early

You have probably noticed in the rules that there is an option for an early exit. This will occur when the price closes back inside the Ribbon, or on the opposite side of the Ribbon.

An early exit isn't something you have to do, but it is a good tool to use to keep potential losses as small as possible.

Before the market changes direction, it has to enter and cross the Ribbon. Closing a trade as it enters, or closes on the other side of the Ribbon, will reduce the loss in the event that the market does change direction.

This is an event that will generally only happen when the market has become very choppy and sideways. This is a good environment to stay away from regardless, so the early exit is a good sign of things to come.

Best of luck to you and in your trading career!

*Russ Horn*