

Setting up your charts

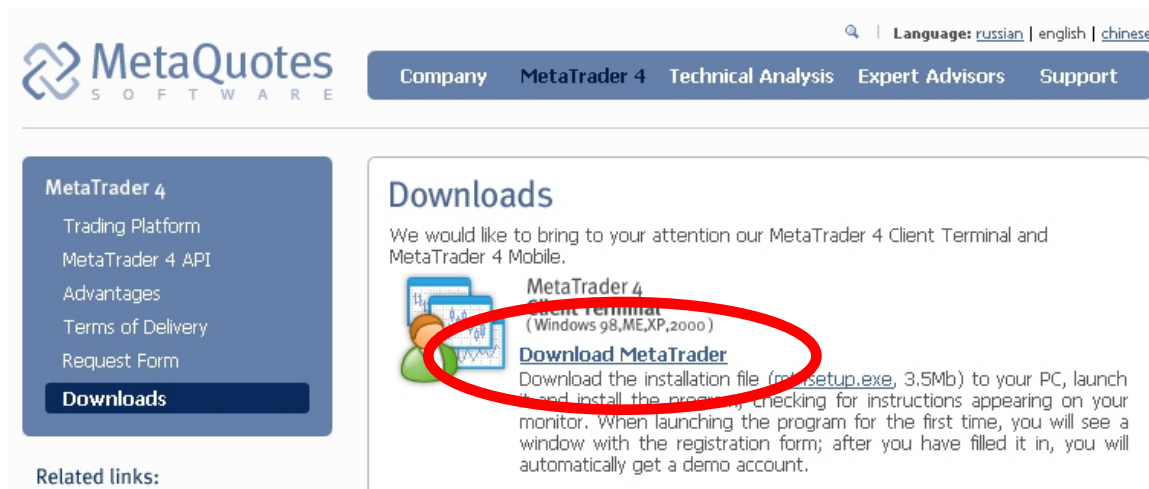
In this section I will show you what I do to set up my charts. I will take you through, step by step, to demonstrate the process I go through.

It's important to note that I use Meta Trader 4 charts and the indicators that are supplied to you for the Forex Rebellion trading system are also for the Mt4 charting platform.

MetaTrader charts are very widely used and are FREE! I Download my charts from here:

<http://www.metaquotes.net/downloads/>

Then click the Download MetaTrader link



The screenshot shows the MetaQuotes Software website. The header includes the MetaQuotes logo and a navigation bar with links: Company, MetaTrader 4, Technical Analysis, Expert Advisors, and Support. The main content area is divided into two columns. The left column, titled 'MetaTrader 4', lists links for Trading Platform, MetaTrader 4 API, Advantages, Terms of Delivery, Request Form, and a highlighted 'Downloads' link. The right column, titled 'Downloads', contains a message about the MetaTrader 4 Client Terminal and Mobile versions. It features a red circle around the 'Download MetaTrader' link and the text '(Windows 98, ME, XP, 2000)'. Below this, it provides instructions on downloading the installation file (mt4setup.exe, 3.5Mb) and launching it to get a demo account.

MetaQuotes
SOFTWARE

Language: [russian](#) | [english](#) | [chinese](#)

Company MetaTrader 4 Technical Analysis Expert Advisors Support

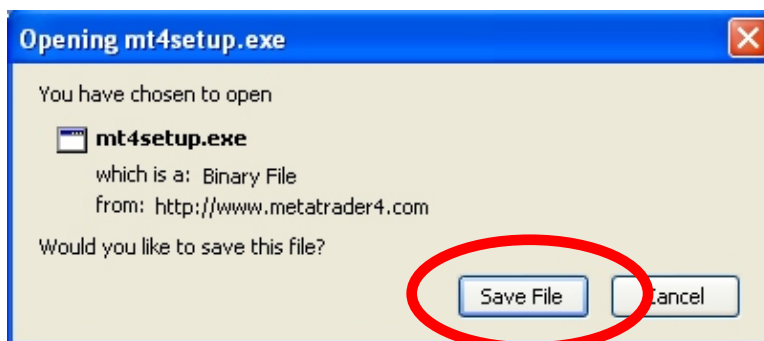
MetaTrader 4
Trading Platform
MetaTrader 4 API
Advantages
Terms of Delivery
Request Form
Downloads

Downloads
We would like to bring to your attention our MetaTrader 4 Client Terminal and MetaTrader 4 Mobile.

MetaTrader 4 Client Terminal
(Windows 98, ME, XP, 2000)
Download MetaTrader
Download the installation file (mt4setup.exe, 3.5Mb) to your PC, launch it and install the program, checking for instructions appearing on your monitor. When launching the program for the first time, you will see a window with the registration form; after you have filled it in, you will automatically get a demo account.

Related links:

Click Save File

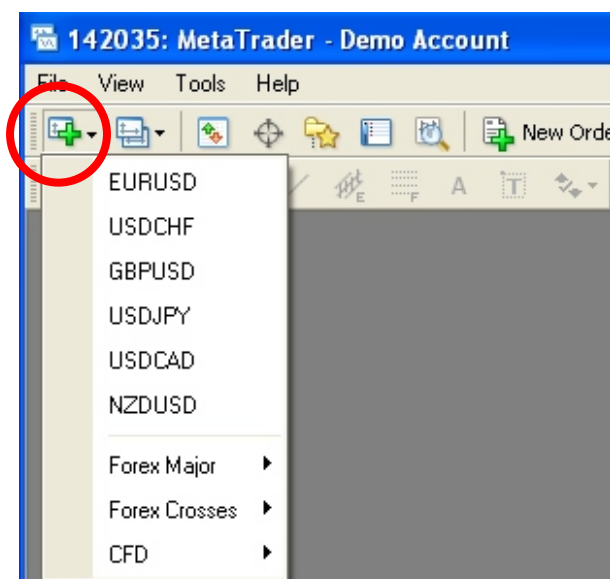


And then Run the mt4Setup.exe file.

Simply run through the installation setup clicking next as you go. You will get to the end and you will be asked if you want to launch MT4. Click YES, you will then be presented with open charts and an “Open An Account” box. This is a one time registration form. Fill out the info and then be sure to check the box at the bottom right that says “I agree to subscribe to your newsletters”. Click Next, and now you will be presented with a Trading Servers window. Click Next. A registration window pops up, charts load and you hear a nifty sound effect and you are presented with Login/Password/Investor info. Click Finish and you are all set up with a fully functional MT4 Platform. I close all the charts and open windows and start from a totally naked platform.

To open your charts, click the New Charts icon in the top left corner and select your currency pair. Select as many or as few as you want.

Next, I will show you how I go about turning those default charts into the ones you see throughout this manual.



FOREX REBELLION

When you open a new chart in MetaTrader 4, you will get the default settings. Your chart will be a green bar chart on a black background set to the 1 hour timeframe.



Of course you can choose any colors you want, but what I will do here is show you what I do to get a chart to look like the one I use in the examples through out this manual. They will be a white chart with red and blue candles instead of the bars.

First- I will magnify the bars by clicking the magnifying glass with the plus sign in it a couple of times.

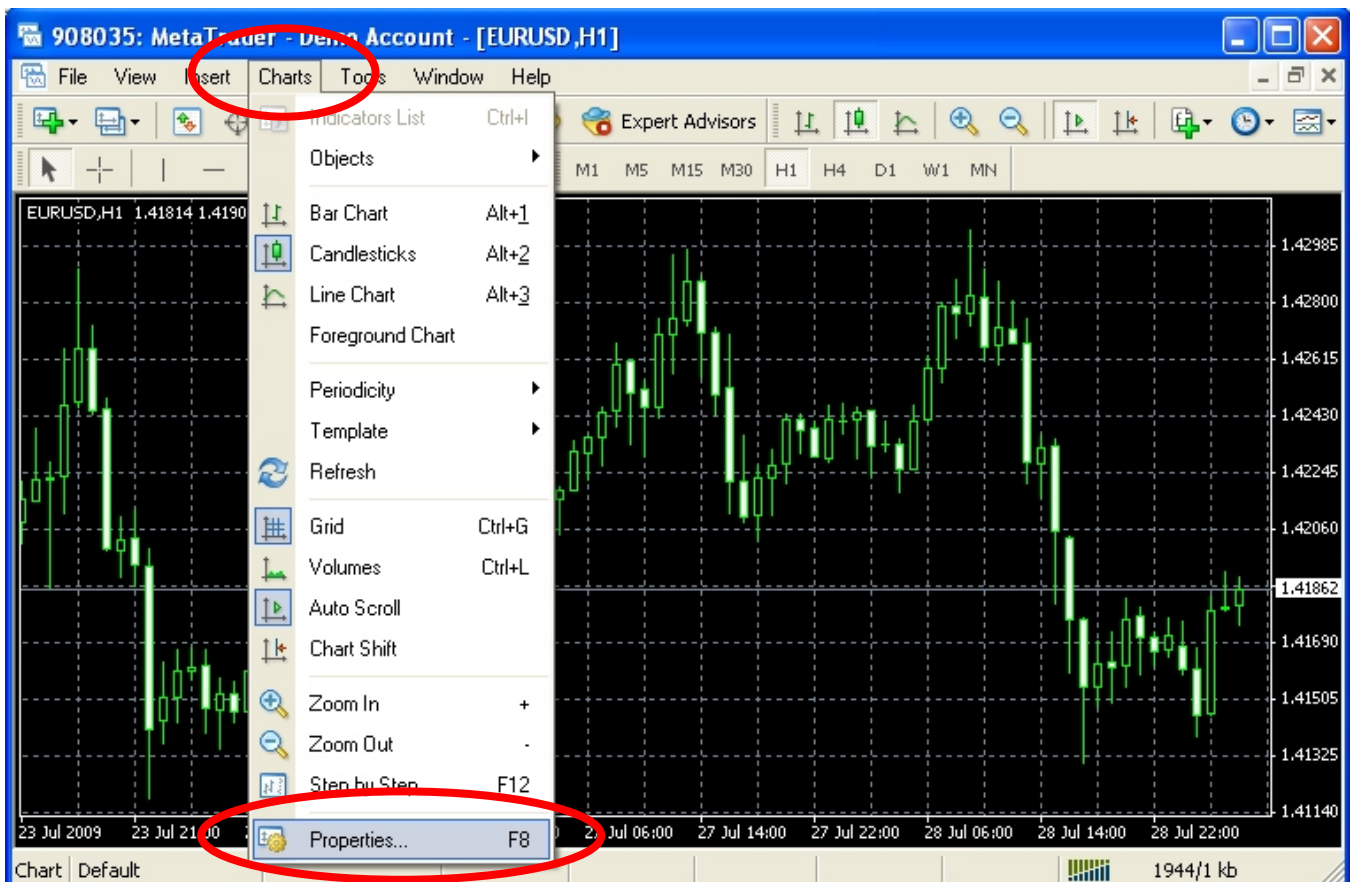


FOREX REBELLION

Second- I will click on the icon of a candlestick to change the chart from a bar chart to a candlestick chart



Third- I will click on the Charts tab and then select Properties

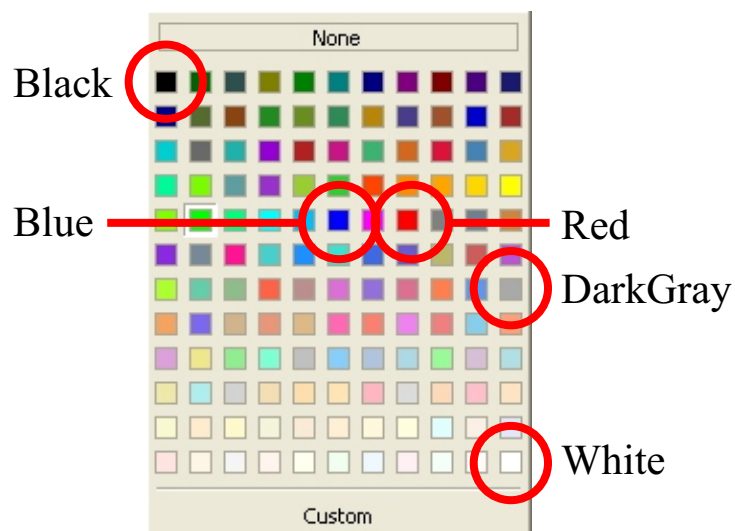


FOREX REBELLION

A chart Properties box will pop up, this is what it looks like. You will be clicking on the arrows next to the colors to bring up a color menu.



The menu will look like the image below. I will use these colors to create my charts



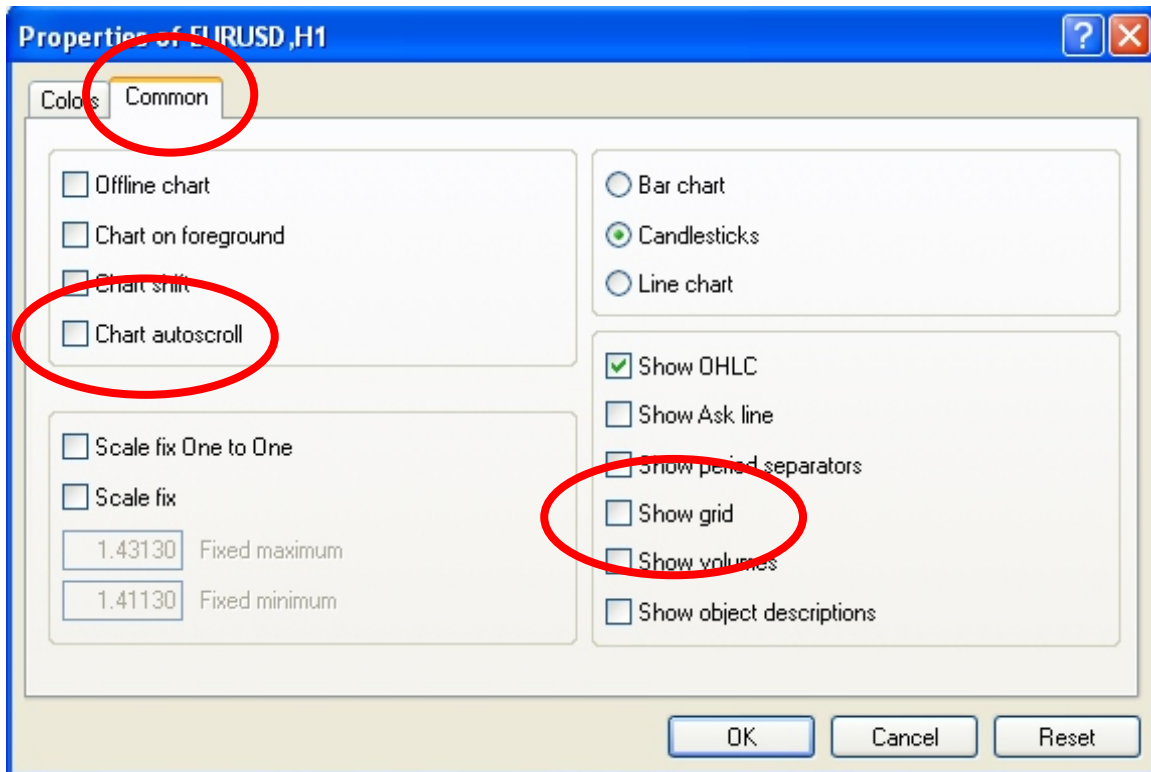
FOREX REBELLION

I've changed the colors in the boxed portion of the properties box, no need to alter the remaining colors



FOREX REBELLION

Next, I click on the Common tab in the top left corner and I *uncheck* the “Chart autoscroll” box and the “Show grid” box



The only thing checked will be the “Candlesticks” radio button and the “Show OHLC” box.

Now click OK

I now have a chart that looks like this.

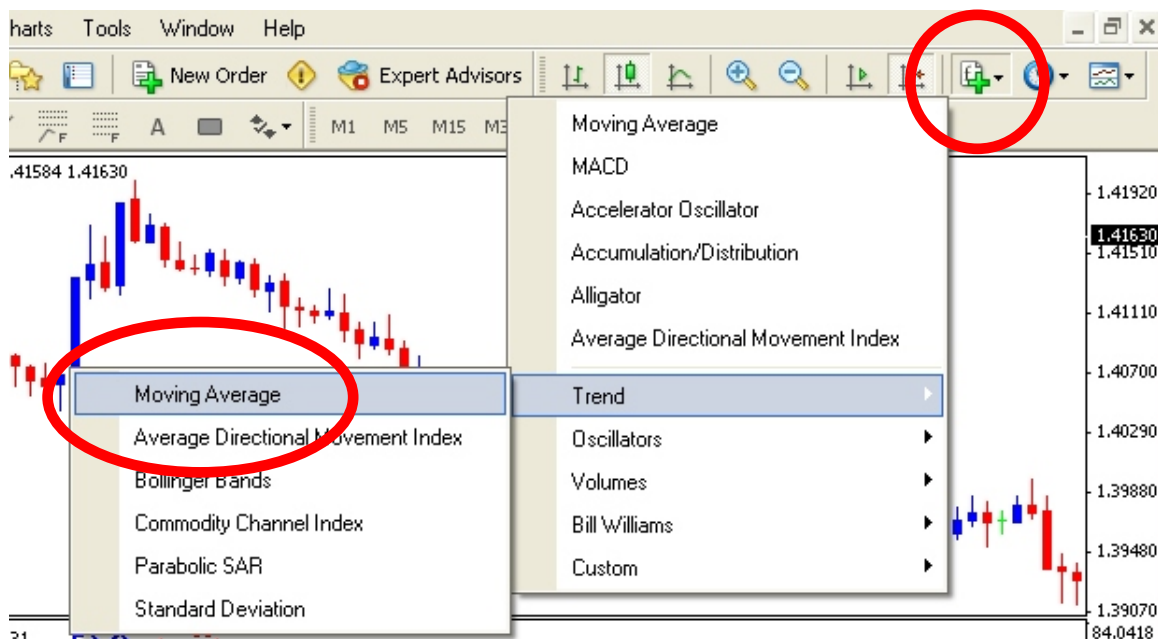


I am a strong believer in keeping my work space as clean and simplified as possible. Too much clutter and mess makes it difficult for me to focus on the task at hand. Keeping things neat and tidy helps keep my mind alert and focused on the task at hand, and making good trades is a pretty important “task at hand”.

The 5 EMA Shifted 5 Periods



This indicator is located right in your MetaTrader 4 charts. First, click the “Indicators” tab, then click Trend, and from there you select Moving Average.



FOREX REBELLION

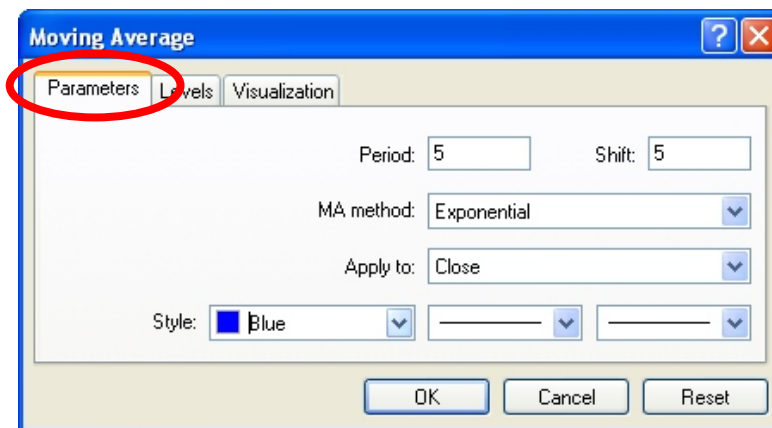
A Moving Average properties window will pop up. Here you place your parameters:

Period: 5

Shift: 5

MA Method: Exponential

Apply To: Close

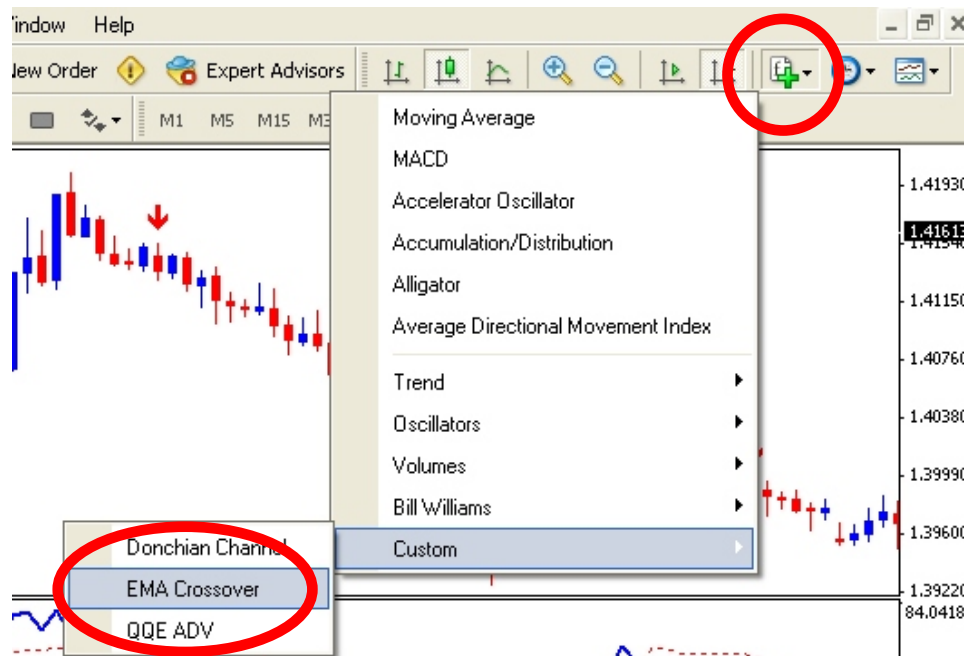


Once you have filled out the fields so it looks like the one above, click the OK button and you will have your 5 EMA on your charts.

The 4/5 EMA Crossover



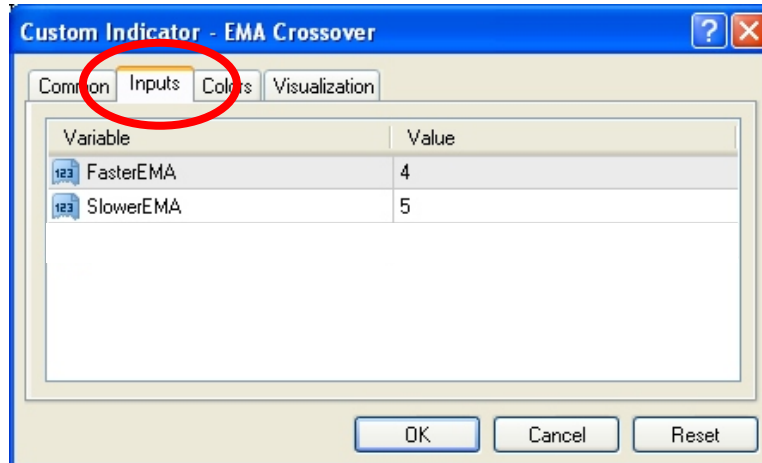
This indicator is located in the custom section of your indicator list. Click your Indicators tab, then click on Custom and select EMA Crossover.



An EMA Crossover properties window will pop up. The parameters will already be set to the appropriate settings, but if they are not, set them to:

Faster EMA: 4

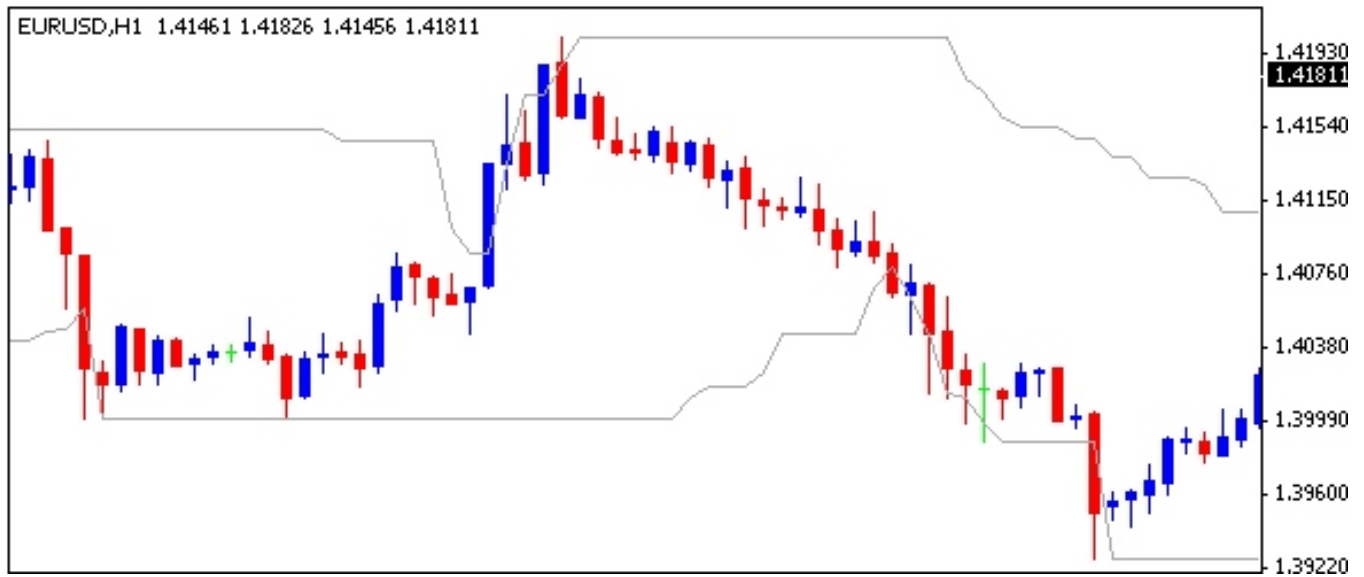
Slower EMA: 5



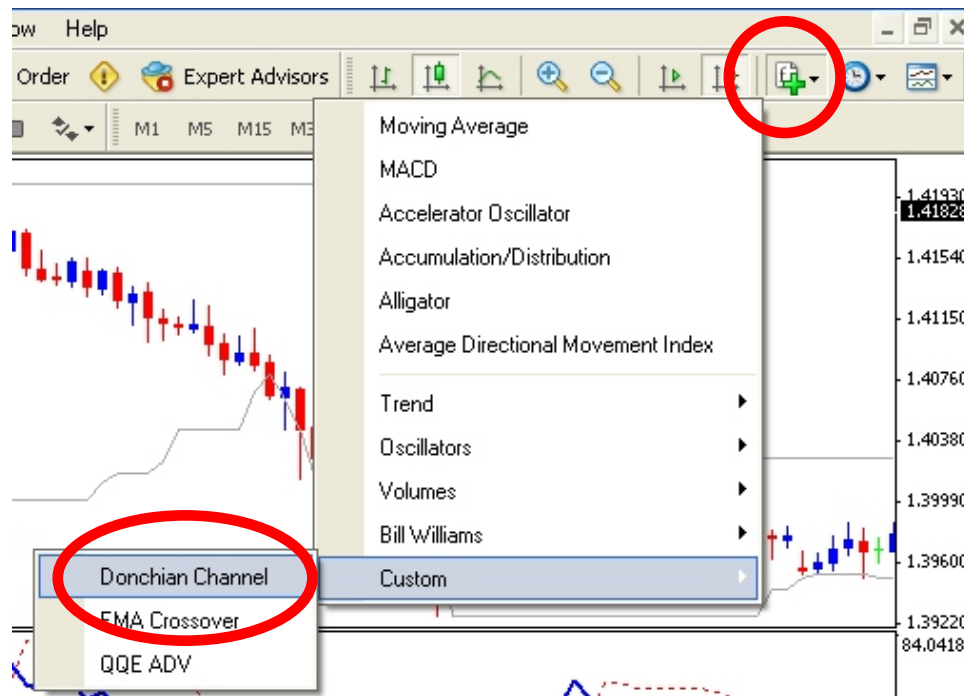
Once you have filled out the fields under the Inputs tab so it looks like the one above, click the OK button and you will have your EMA crossover arrows on your chart.

You can change the color of your arrows by clicking on the Colors tab in your EMA Crossover properties box.

The Donchian Channel

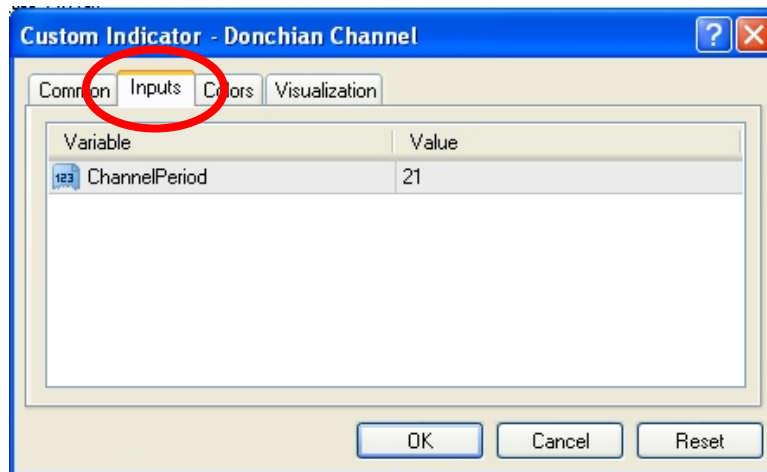


This indicator is located in the custom section of your indicator list. Click your Indicators tab, then click on Custom and select Donchian Channel.



The Donchian Channel properties window will pop up. The parameters will already be set to the appropriate setting, but if they are not, set it to:

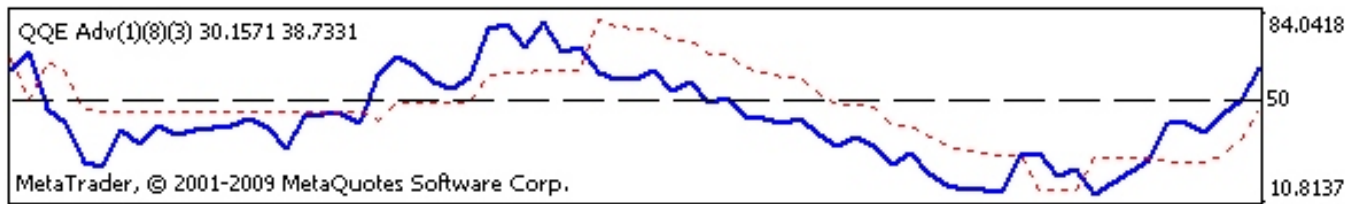
Channel Period: 21



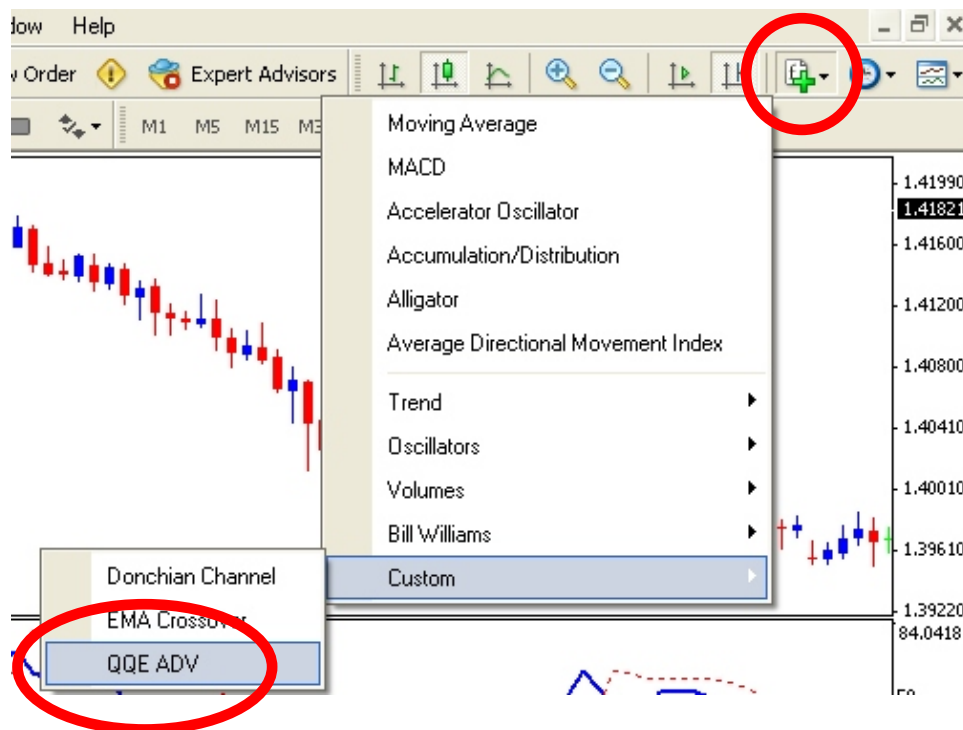
Once you have filled out the fields under the Inputs tab so it looks like the one above, click the OK button and you will have your Donchian Channel on your chart.

You can change the color of your channel walls by clicking on the Colors tab in your Donchian Channels properties box.

The QQE



Again, this indicator is located in the custom section of your indicator list. Click your Indicators tab, then click on Custom and select QQE ADV.



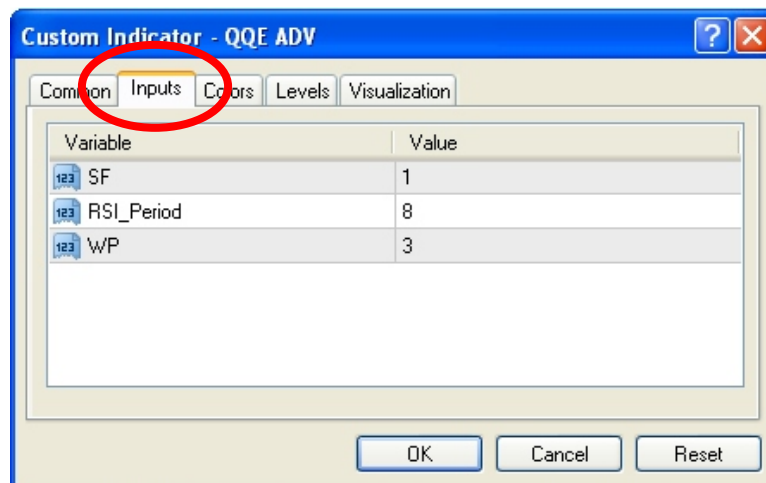
FOREX REBELLION

The QQE ADV properties window will pop up. The parameters will already be set to the appropriate settings, but if they are not, set them to:

SF: 1

RSI_Period: 8

WP: 3



Once you have filled out the fields under the Inputs tab so it looks like the one above, click the OK button and you will have your QQE ADV on your chart.

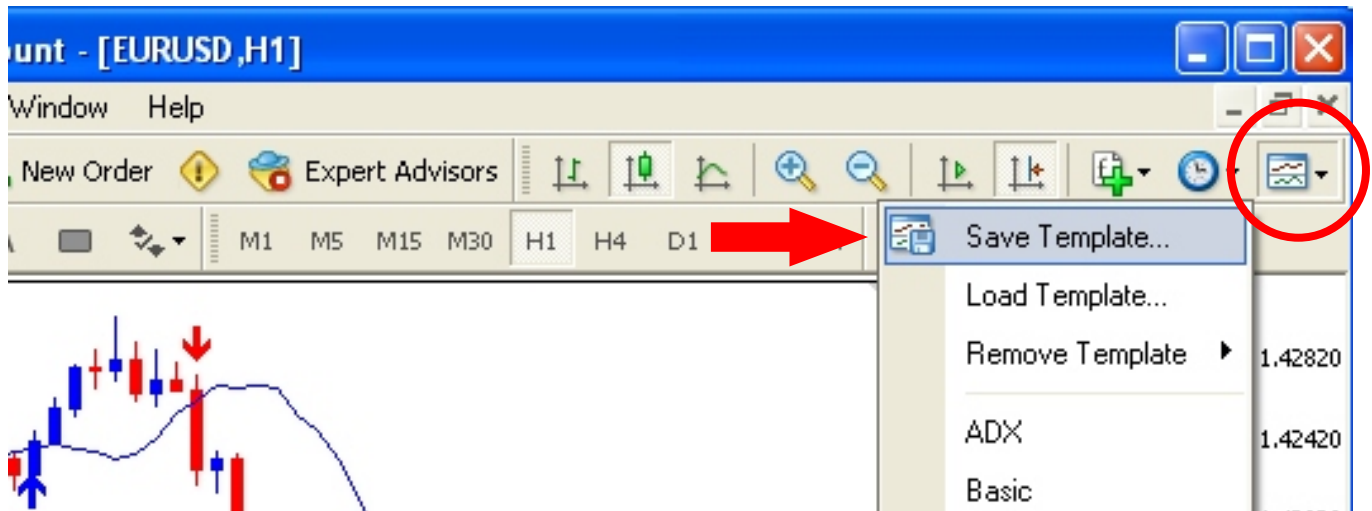
You can change the color of your indicator lines by clicking on the Colors tab in your QQE ADV properties box.

Congratulations! Now your charts will have the 4 different indicators on it ready and waiting for you to trade!

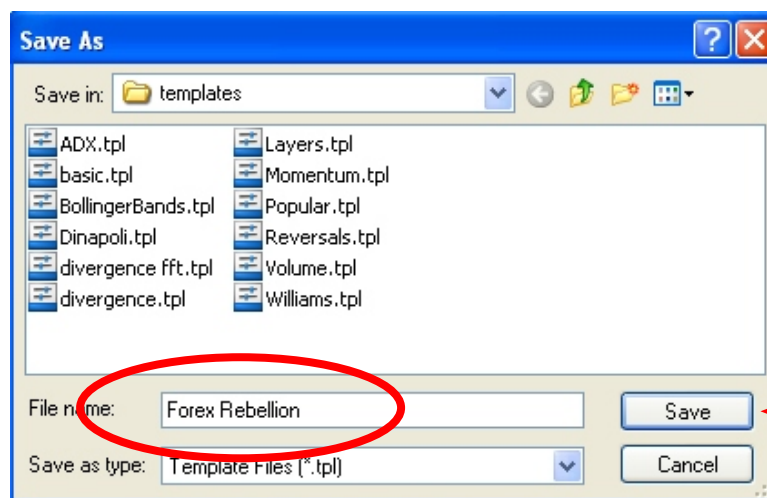
The next thing to do, now that you have your chart set up with all the indicators is to save it as a template. You will be able to apply this template to new charts you open, saving you the tedious work of having to apply all the indicators individually.

FOREX REBELLION

Now that i have my chart the way i like it, i will save these settings as a template so that i can apply these settings to other charts with a click of the mouse. Click the Template icon in the upper right corner of the Mt4 platform and then select Save Template.

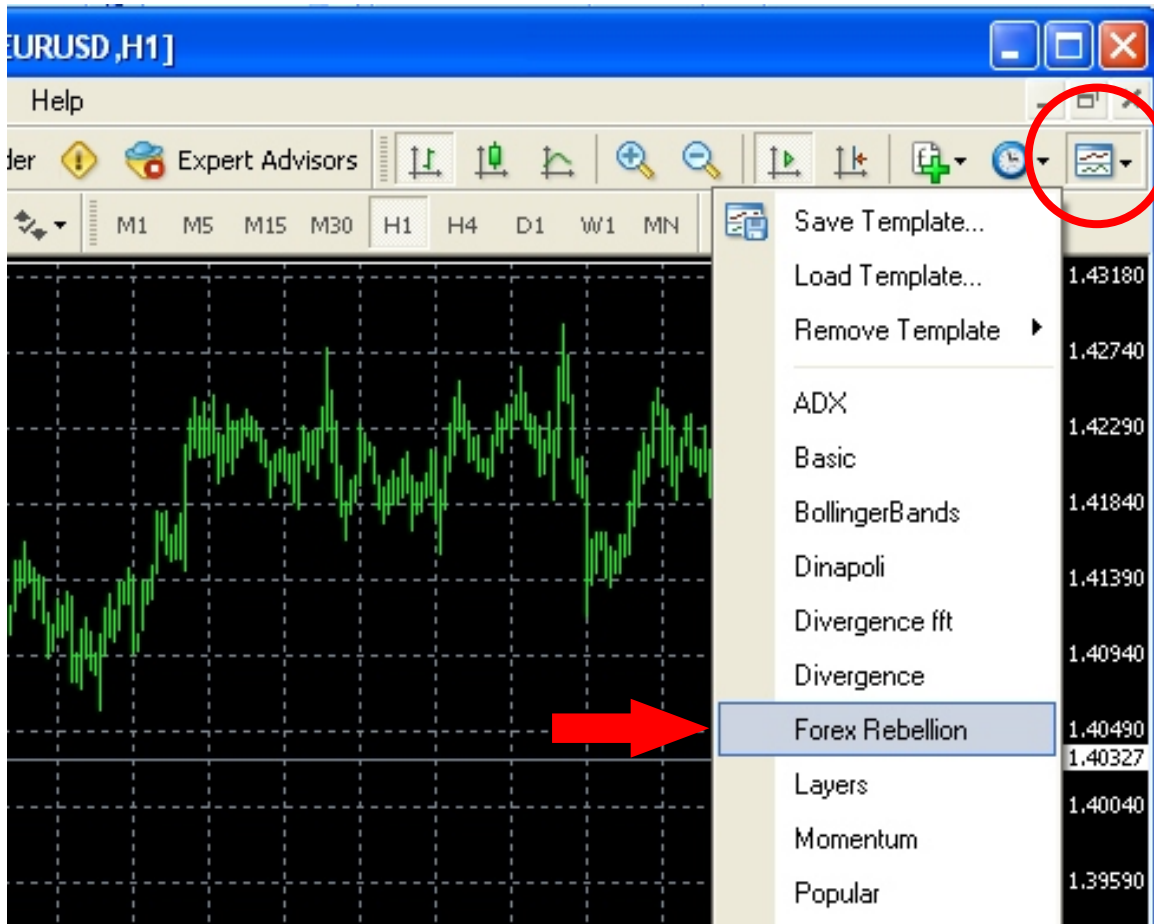


Call your template Forex Rebellion and click Save



FOREX REBELLION

To apply the template to a new chart, click the Templates icon in the upper right corner and you'll find it in the drop down menu that appears. Click on Forex Rebellion and your chart will magically be altered to the Forex Rebellion settings.



Now that we got all that out of the way, time for the Forex Rebellion system RULES!

System Rules

In this section we will cover the rules for the Forex Rebellion trading system. We will cover the entry requirements and the 3 different exit strategies this system encompasses. You have your charts with the proper indicators set to the correct settings, you're ready to start trading.

There are 4 subsections to the System Rules section.

1. Overview of indicator signals
2. Identifying Entries
3. Placing your stops
4. Exiting the trade
5. Putting it all together

System Rules

Overview of Indicator Signals

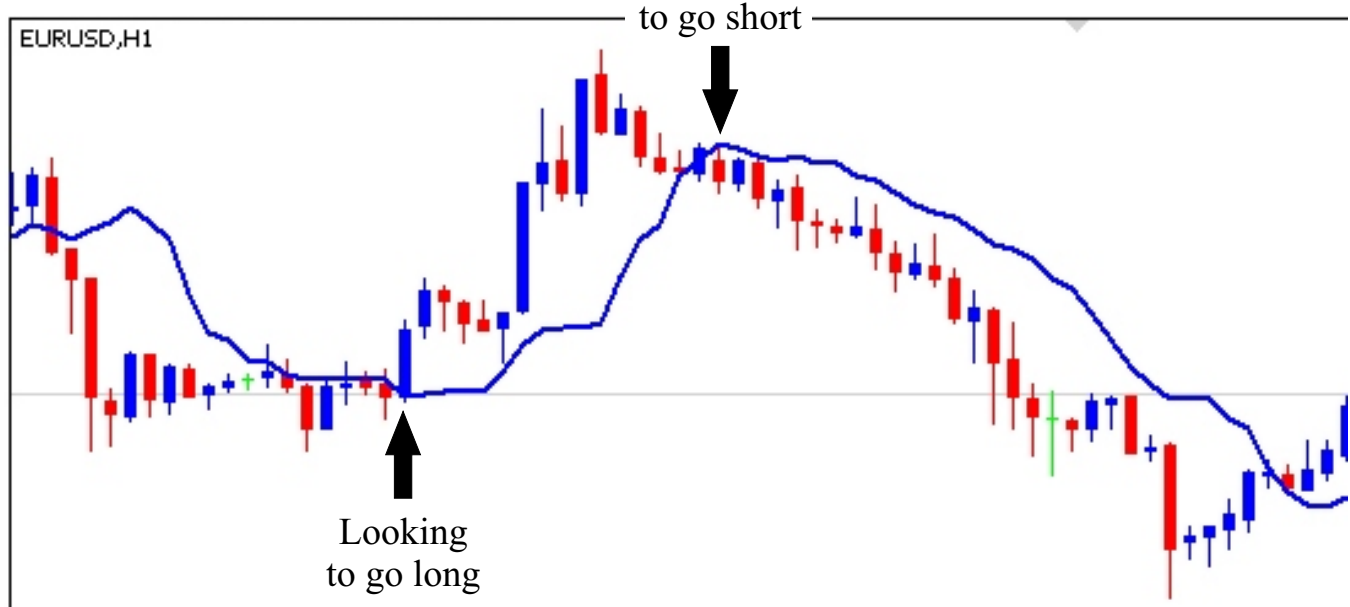
The 5 EMA

The 5 EMA shifted 5 periods is in buy or sell mode depending on which side the price is on.

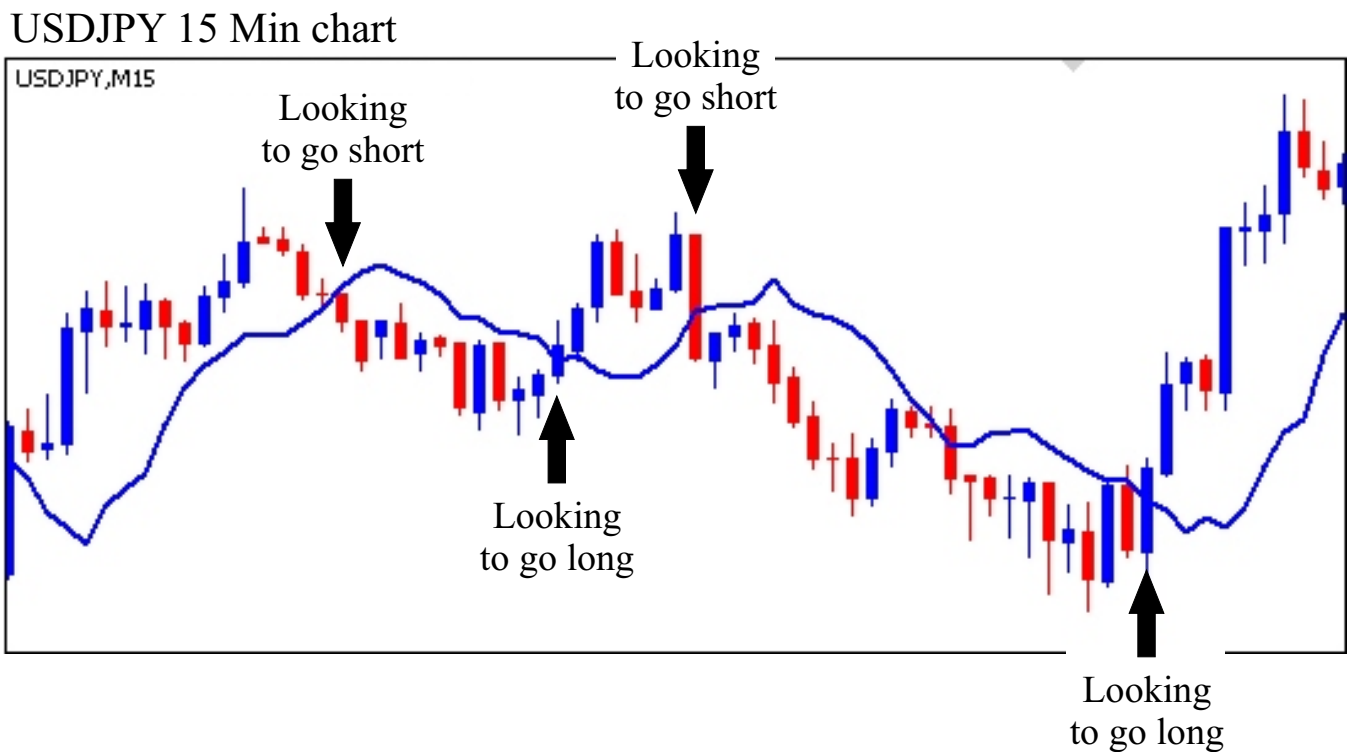
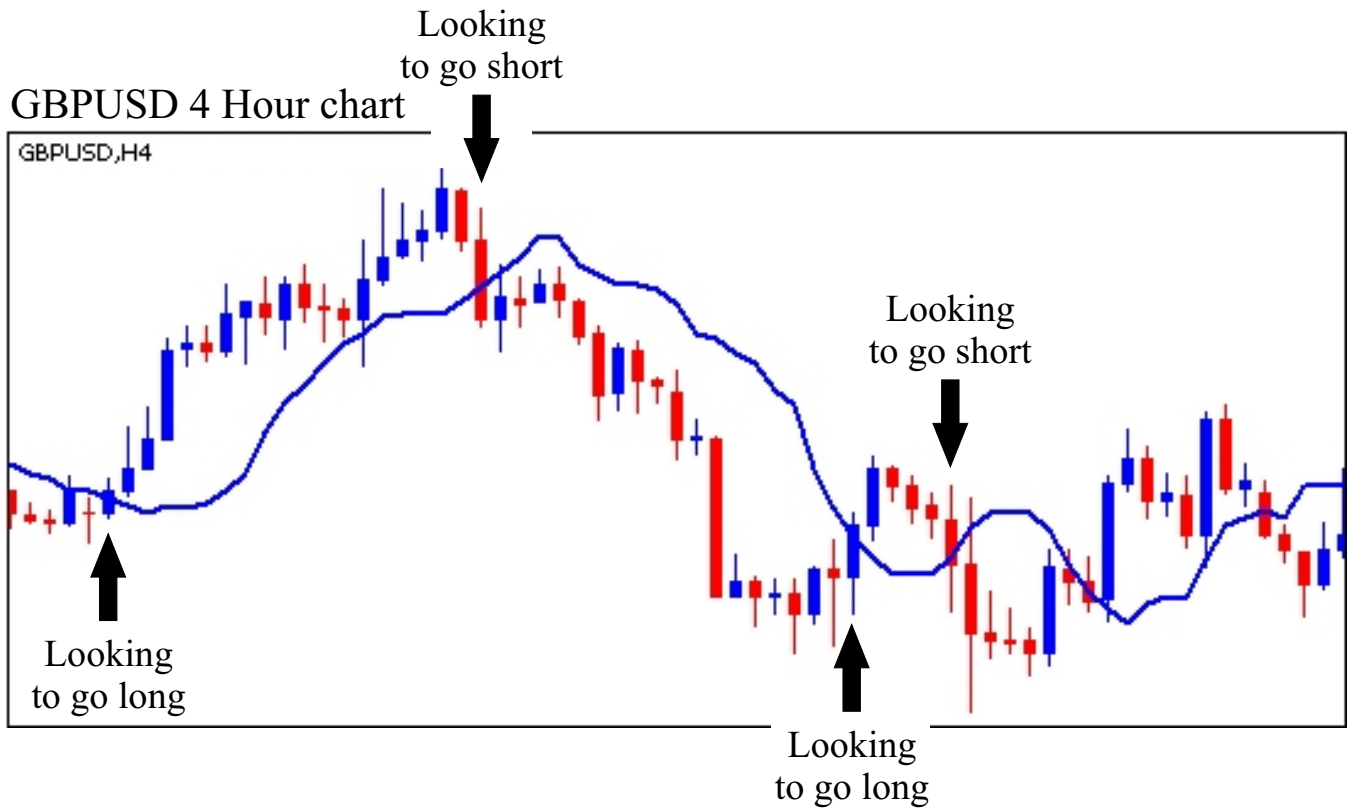
We look for the price to close above the 5 EMA from below to consider a long trade. We would look for opportunities to buy.

We look for the price to close below the 5 EMA from above to consider a short trade. We would look for opportunities to sell.

EURUSD 1 Hour chart



FOREX REBELLION

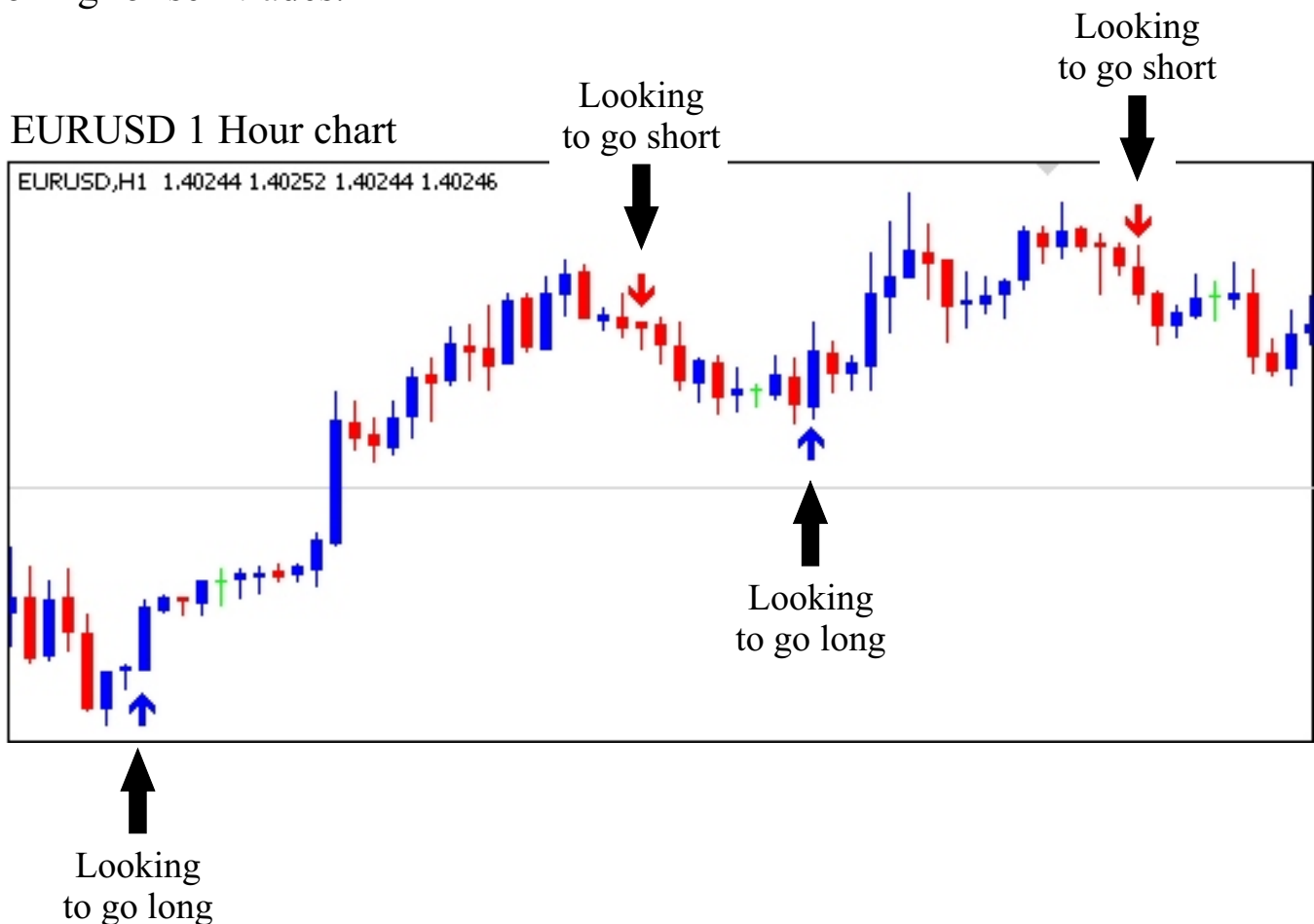


The EMA Crossover

The EMA Crossover indicates the direction of the very short term trend. This indicator is made up of a 4 EMA and a 5 EMA. When they cross an arrow is shown on the chart. The actual EMA's are not shown and this is strictly to keep the charts free of too much clutter. The arrows are unmistakable and this works very well.

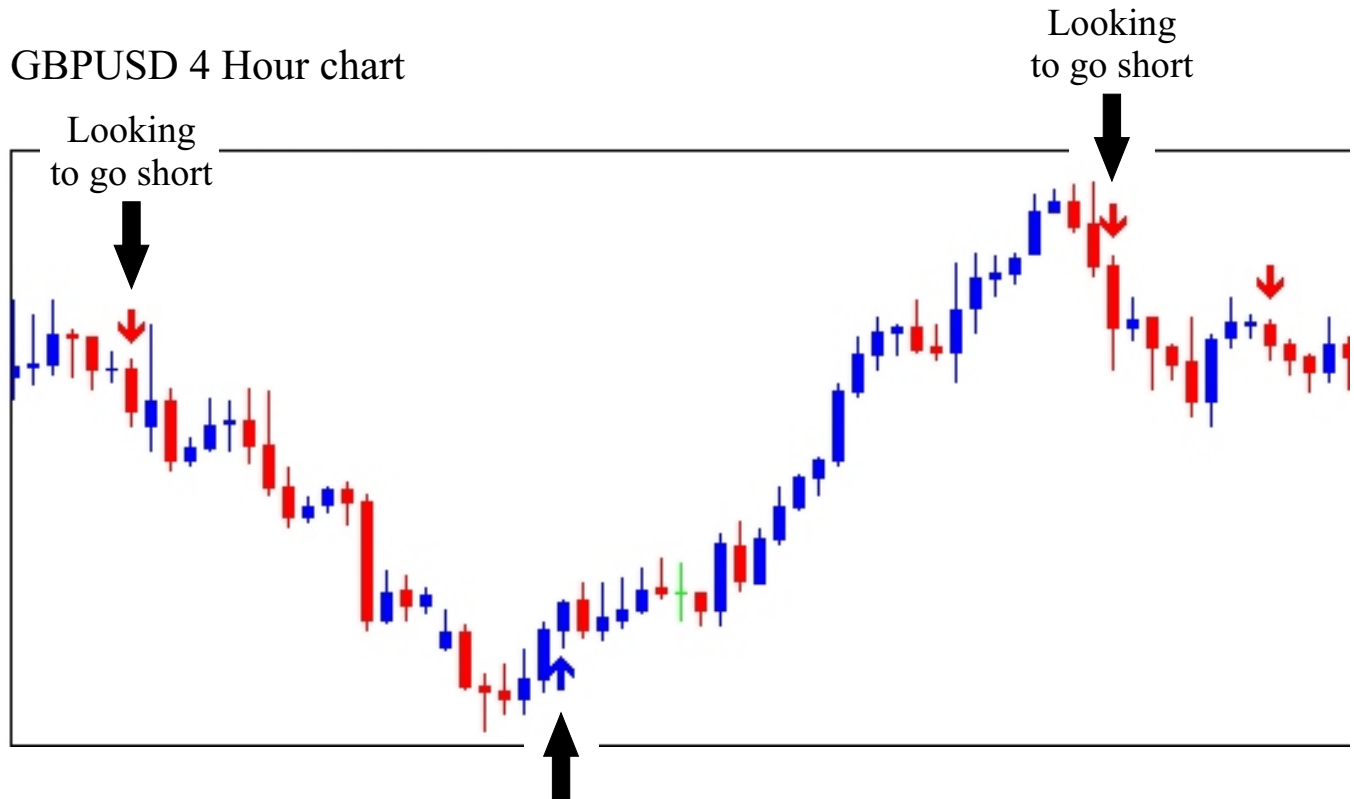
When the 4 EMA crosses above the 5 EMA a blue arrow is shown below the candle that caused the crossover and this indicates a long direction. We would be looking for buy trades.

When the 4 EMA crosses below the 5 EMA a red arrow is shown above the candle that caused the crossover and this indicates a short direction. We would be looking for sell trades.



FOREX REBELLION

GBPUSD 4 Hour chart

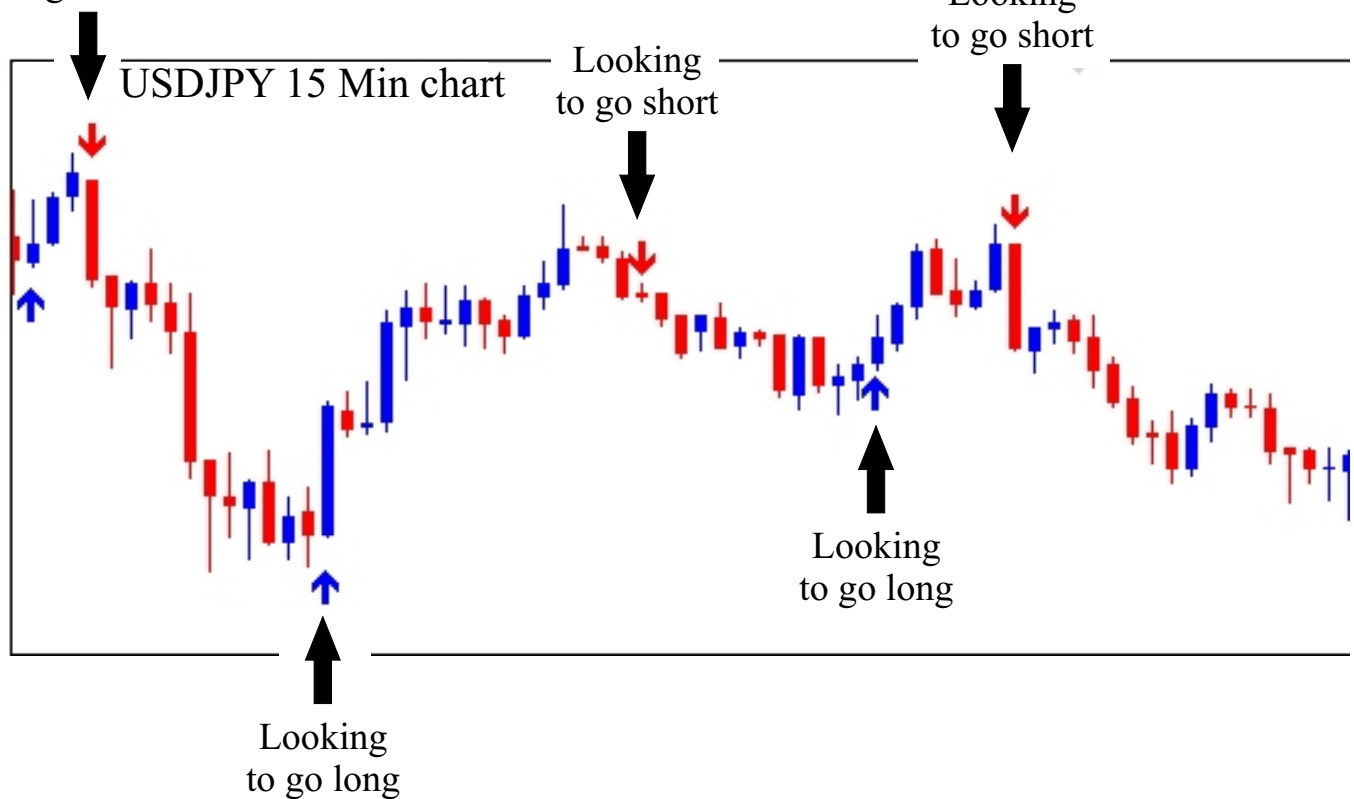


Looking to go short

Looking to go long

Looking to go short

USDJPY 15 Min chart



Looking to go short

Looking to go short

Looking to go long

Looking to go long

The QQE Adv

The QQE Adv is short for the Quantitative Qualitative Estimator Advanced. This indicator is an advanced modification of the QQE, hence the QQE Adv. This powerful indicator has the ability to eliminate, or filter out, a lot of bad trades.

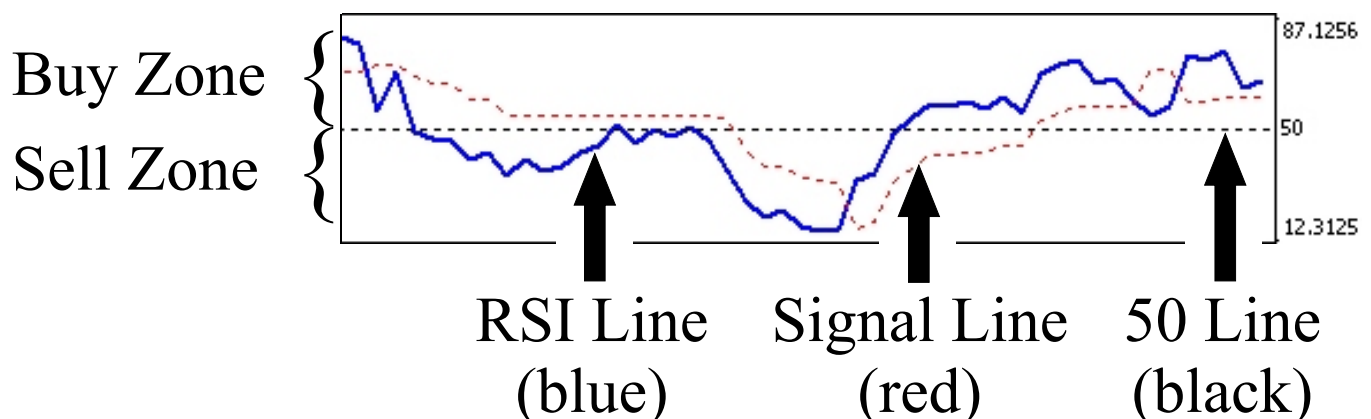
This indicator is fairly simple to use but does need some explanation. The QQE is essentially a smoothed RSI indicator with a signal line. The signal line is a smoothing average known as a Wilder's Period. Together the two lines work like that of a Stochastic Oscillator or a 2 line MACD. The lines have to be in the right order on order for a trade signal to be valid. There is a line drawn through the middle of the indicator window and this is called the 50 line. The trade signal is given when the RSI line crosses the 50 line and the 2 lines are in the right order.

The area above the 50 line is referred to as the "Buy Zone" and the area below the 50 line is known as the "Sell Zone"

A trade to the long side happens when the RSI line crosses above the 50 line from below and the signal line is below the RSI line.

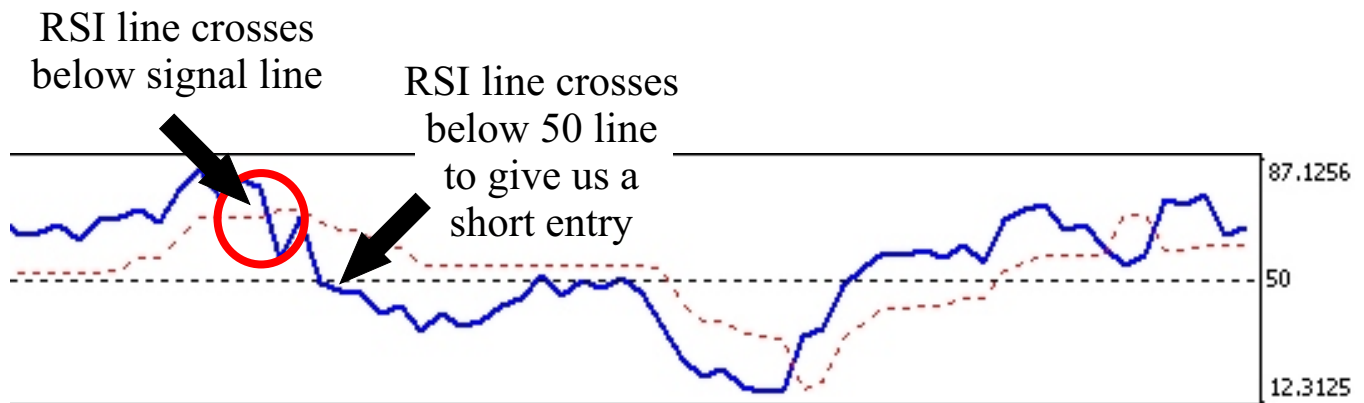
A trade to the short side happens when the RSI line crosses below the 50 line from above and the signal line is above the RSI line.

The QQE indicator as a whole



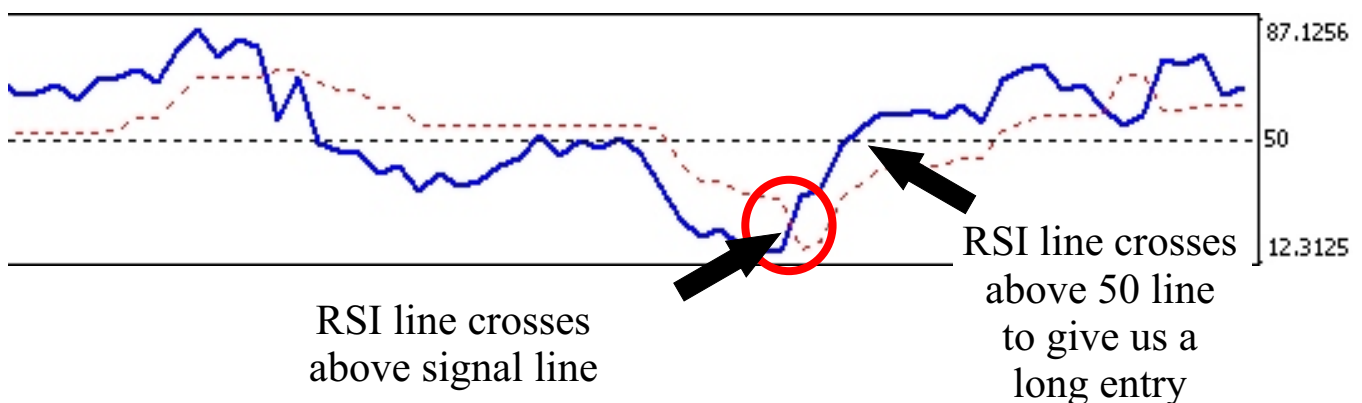
A SELL signal:

We look for the RSI line to cross beneath the signal line and to then cross below the 50 line at the close of a candle. These 2 requirements often happen at the same time



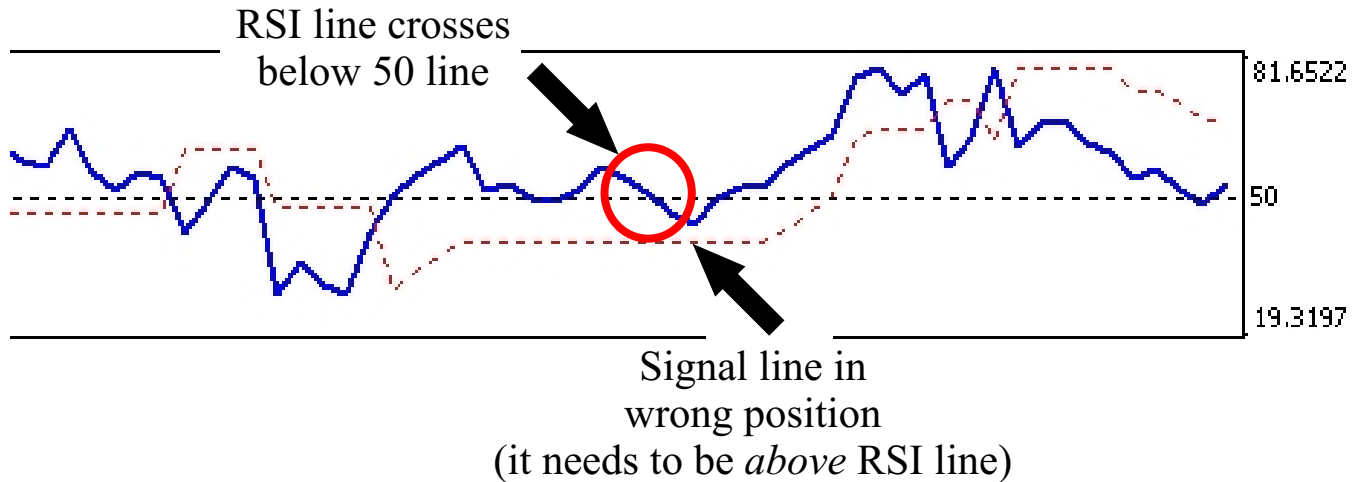
A BUY signal:

We look for the RSI line to cross above the signal line and to then cross above the 50 line at the close of a candle. These 2 requirements often happen at the same time



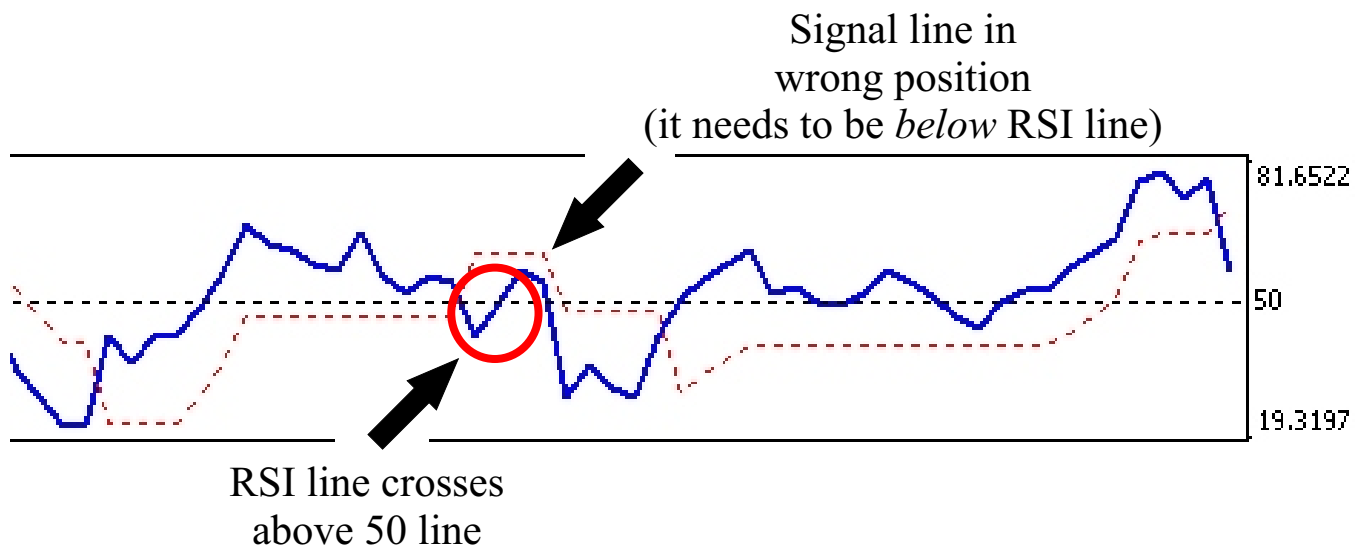
NOT A SELL signal:

We DO NOT take a sell trade if the *RSI Line crosses below the 50 line with the signal below the RSI line*



NOT A BUY signal:

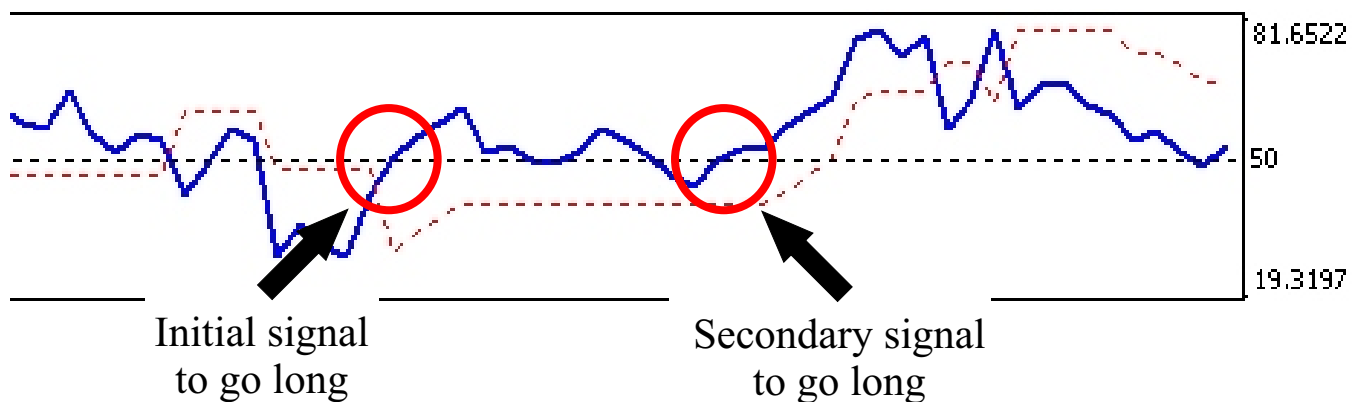
We DO NOT take a buy trade if the *RSI Line crosses above the 50 line with the signal line above the RSI line*



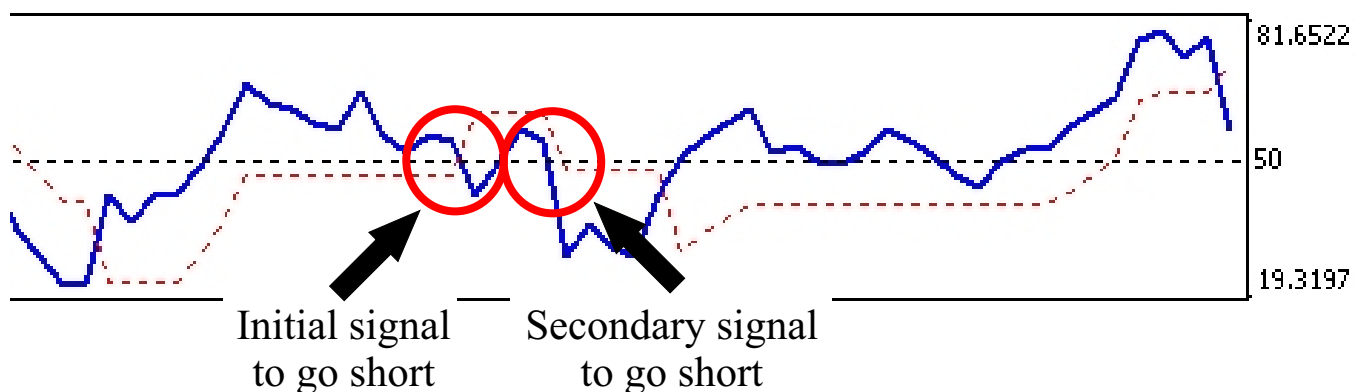
Secondary buy and sell signals:

There is such a thing as an additional buy and sell signal after the initial signal is given.

For example, when you get the proper signal to go long, (the RSI line is above the signal line and then crosses over the 50 line), very often the RSI line will drop back down below the 50 line. The secondary signal is given when the RSI line crosses back of the 50 line for a second time. It makes for a nice re-entry or an addition to a position, or an entry if you missed the first one.



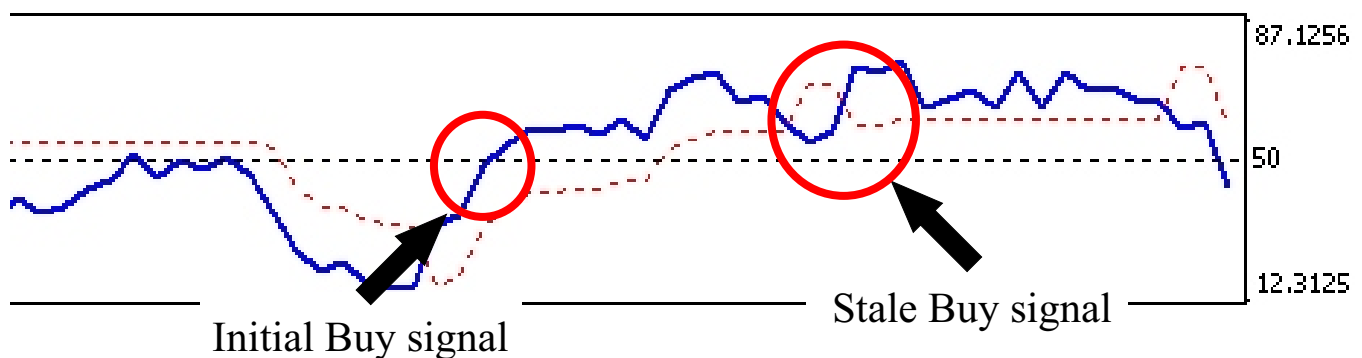
Below is an example of a Secondary signal to go short. The initial entry is given and the price makes a small retracement bringing the RSI line back above the 50 line. The price then carries on in the intended direction generating a Secondary signal.



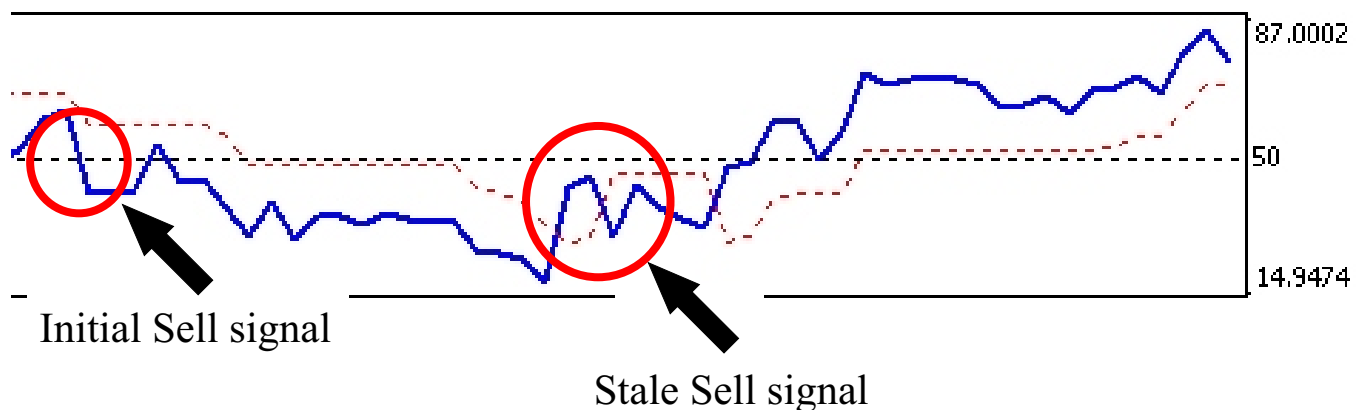
Stale buy and sell signals:

You now know what an ideal buy and sell signal looks like on the QQE. There are times when you get a delayed buy or sell signal, these are called “Stale signals”.

A Stale Buy signal occurs when the RSI line is above the 50 line but under the Signal line, and then the RSI line crosses up over the Signal line. This signal can sometimes work out very nicely, but often it will not. Chances are, the price action was missed and what you get is the tail end of the movement. I very rarely will enter a trade based on a Stale signal, there would have to be very convincing other factors involved.



A Stale Sell signal happens when the RSI line is below the 50 Line but over the Signal line and then those lines cross. The RSI line crosses below the Signal line generating a Stale signal.



System Rules

Identifying Entries

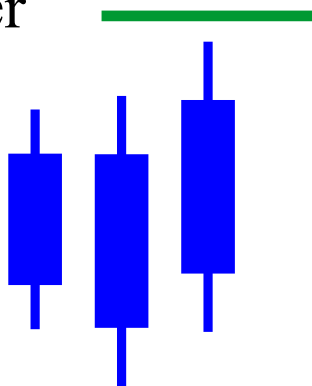
We've covered the entry criteria of each of the 3 indicators. We went in deeper with the QQE, but now you know what to look for for each. It's now time to use all 3 indicators together to trigger entries into the market.

All 3 indicators will filter one another in an attempt to limit the losing trades.

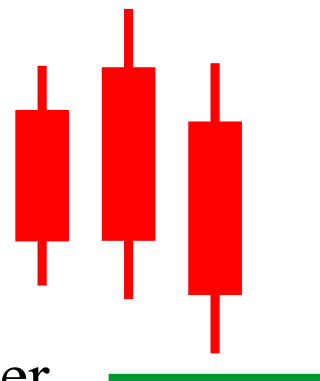
In this section we look at all 3 indicators working together to filter, and ultimately identify, entries into the market. Indicator signals should be unmistakable. A close of a candle right on the 5 EMA is questionable, so is a QQE close right on the 50 line. If these signals are not 100% clear, the entry is not valid.

Once an entry has been determined, we place an entry order a few pips above the candle that made the buy entry signal and a few pips below the candle that made the sell entry signal. This method will save us from the occasional sudden reversal.

Buy Order

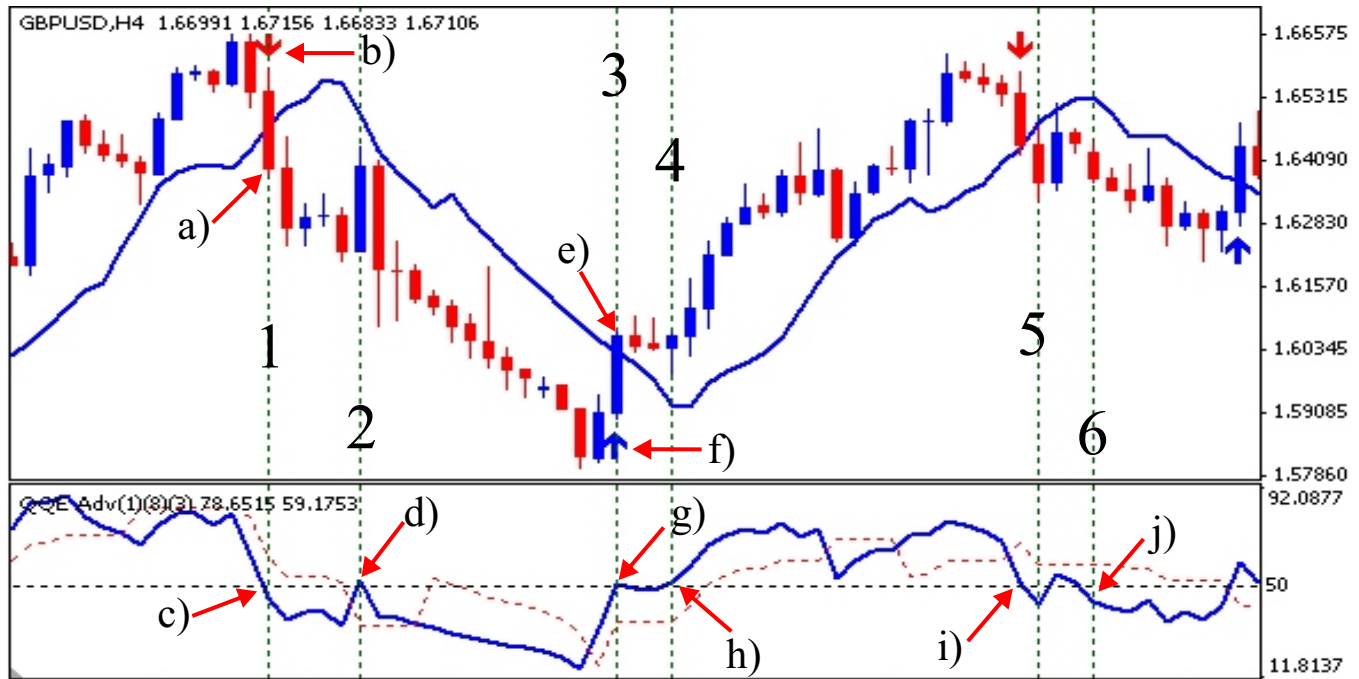


Sell Order



Here we will go through many examples of valid trade entries.

FOREX REBELLION



1 - Trade taken

- a) There is a cross and a close of the price below the 5 EMA
- b) There is a 4/5 EMA cross signaled by the red arrow
- c) The blue RSI portion is below the red signal line and has crossed the 50 line.

2 - Trade NOT taken

Even though there was a cross up of the QQE (d), no other signals were generated. There was no close of the candle above the 5 EMA and no blue up arrow.

3 - Trade NOT taken

Even though there was a nice close above the 5 EMA (e) and a blue arrow present (f), the QQE was in question (g). The cross of the 50 line was not clear.

4 - Trade taken

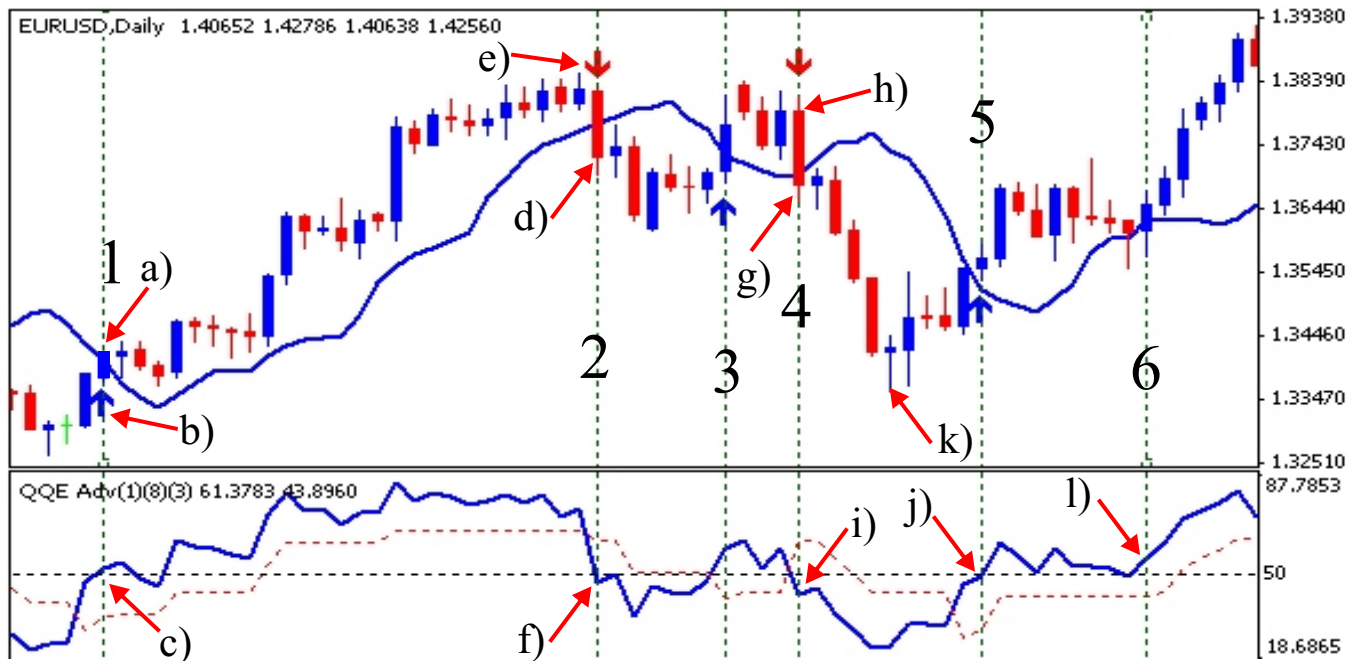
- h) We got the cross of the QQE confirming the signals in example 3.

5 - Trade Taken

All the signals for a short trade are present. The candle previous was close but the close below the 5 EMA and the cross of the 50 line were in doubt (i).

6 - QQE's Secondary signal to go short (j)

FOREX REBELLION



1 - Trade taken

- a) There is a cross and a close of the price above the 5 EMA
- b) There is a 4/5 EMA cross signaled by the blue arrow
- c) The blue RSI portion is above the red signal line and has crossed the 50 line.

2 - Trade taken

All the requirements have been met for a short trade. The close below the 5 EMA (d), the red arrow (e) and a cross of the 50 line by the QQE (f).

3 - Trade taken

All the signals were in order, however this trade was triggered at the end of the trading day on Friday. This is not usually a recommended trade. If we took this one, it would have been a loser.

4 - Trade taken

All the signals were present for a short trade. A Close below the 5 EMA (g), the red arrow (h) and the cross of the 50 line by the RSI portion of the QQE (i).

5 - Trade possibly taken

All the signals were present, however, the QQE caused some question as to the validity of the cross of the 50 line (j). Six candles prior, there was a nice Doji candle formation (k) leading us to believe that the signal could have merit. Following strict entry rules, we would have entered on the next candle.

6 - (l) the QQE's secondary entry signal to go long

FOREX REBELLION



1 - Trade taken

A good entry after the QQE was in buy and the candle closed well above the 5 EMA. There was a blue arrow telling us the short term trend was up.

2 - Trade taken

All the requirements have been met for a short trade. The close below the 5 EMA, the red arrow and a cross of the 50 line by the QQE. Unfortunately this trade was a loser.

3 - Trade taken

All the signals were in order, however, the close of the candle was not clearly above the 5 EMA. The trade was entered on the next candle.

4 - Trade NOT taken

There was a close of the candle below the 5 EMA and there was a red arrow showing us the trend was down. We didn't enter this trade because even though the RSI portion of the QQE was under the signal line, it did not cross the 50 line.

5 - Trade taken but never got filled

All the criteria were met, the close below the 5 EMA, the red arrow and the cross down of the QQE. We then enter the trade a few pips below the low of the candle that generated the entry signal and in this instance it never got filled.

6 - Trade NOT taken

We have the close above the 5 EMA, the blue arrow and the close over the 50 line on the QQE... however, the signal line was not in the right position. It needed to be below the RSI line and in this case it was not.

7 - Trade taken

Finally all the signals lined up for an entry to the short side. The price closed below the 5 EMA, the red arrow was in place and the QQE gave the sell signal.

This last chart has several great example how all the different indicators work together to filter out several of the losers. Combined with the entry order strategy, we saved ourselves from a handful of lost pips.

System Rules

Placing Your Stops

Before you enter any trade, it's important to know where you will be getting out if things go horribly wrong and the trade goes against you. There are several reasons why a trade would go against your wishes, but simply put, there are so many things going on in the world at the exact same time, all of them weighing in on market direction and sentiment. There are monster sized players that take a huge position in the market, there is some crisis in the world that investors just discovered, the head of the Federal Reserve Bank utters something, some enormous company makes a currency conversion... I could go on and on.

Being the responsible traders that I know we all are, guarding against any sizable loss is uppermost in our minds. Losses happen to all of us, that's part of trading. The idea is to minimize those losses and protect our accounts so we can live to trade another day.

Before we go any further, I would like to show you a picture of a graph, it's something we've all seen in a bank or on some investment ad somewhere. This graph seems perfectly reasonable too, but I'm going to dissect it just a little bit.



FOREX REBELLION

If your account growth were to look similar to the graph, you would be a happy trader. It started at point 1 and rose up to point 2... Very nice. Looking closer at the graph you see the jogs in the middle, a zig zag type of pattern. Those areas where your growth took a bit of a hit. These areas are from losses, losses that every trader experiences. Overall, your growth is good, but you will occasionally experience a loss or two or many. Placing stop losses will ensure that your losses are kept small and manageable. A friend of mine once told me that every big loss starts out as a small loss, how true it is.

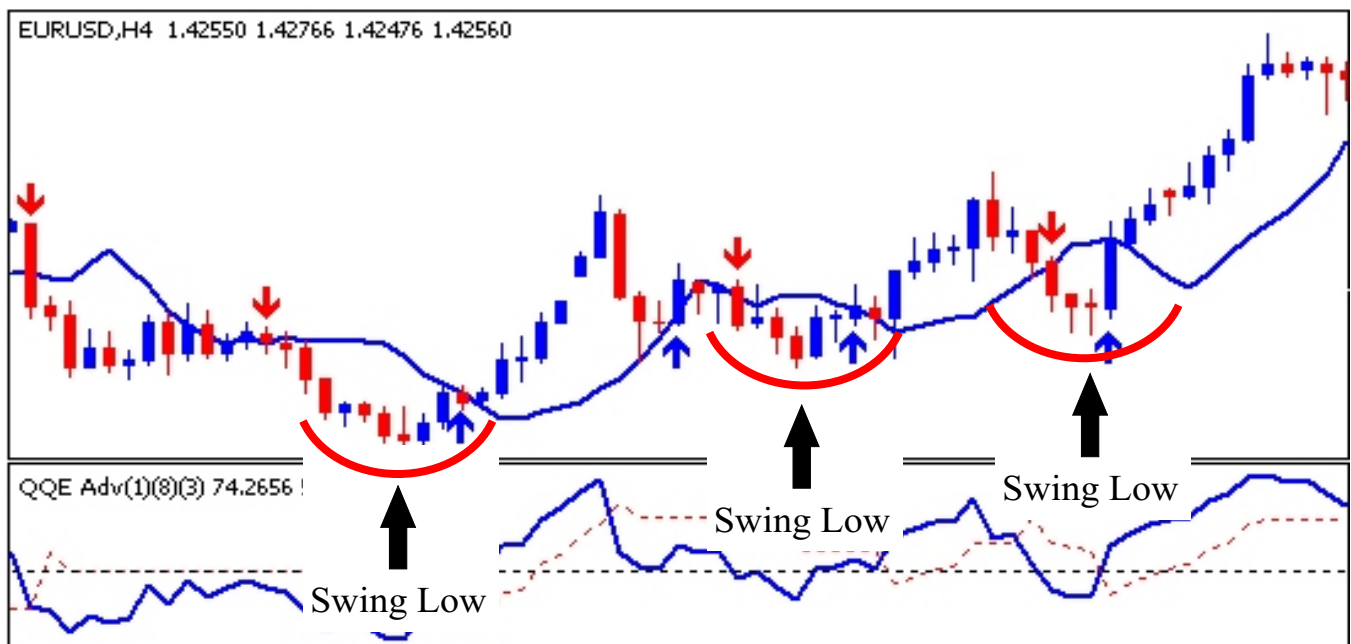
Ok, now that my little spiel is out of the way, let's move onto implementing a stop loss. We will be looking at how to place an initial stoploss (the stop you place when you enter a trade) and then how to properly move it to reduce your risk, then to break even (moving your stop to the same place you entered that trade)

Placing your initial stoploss

Finding the best place to put your initial stop is fairly simple, but I have 2 options for you.

The first option is the safest way to place a stop. Once you have entered the trade, you place your stop above or below the most recent swing high or swing low.

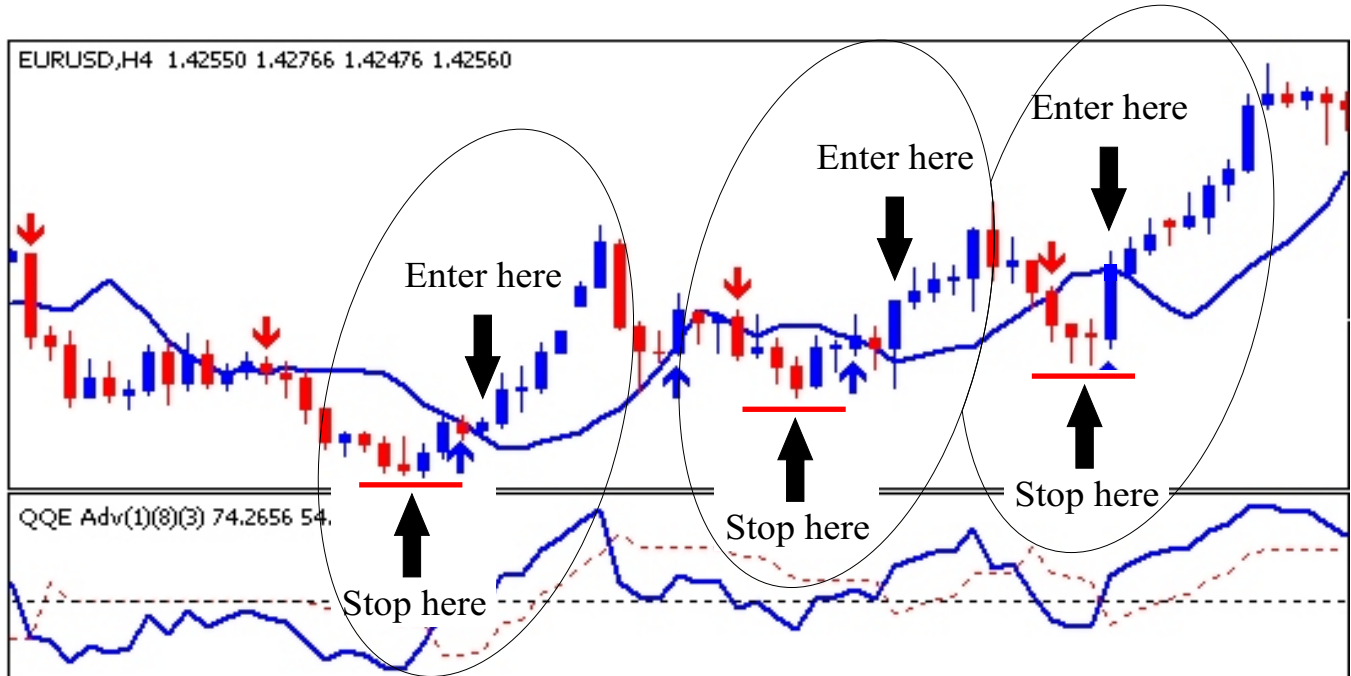
If you are entering a long trade, your stop will go a few pips (2-10) under the most recent swing low. On a 15 minute chart you could place your stop 3 pips below and on a 4 hour chart, you could go 10 pips below.



FOREX REBELLION

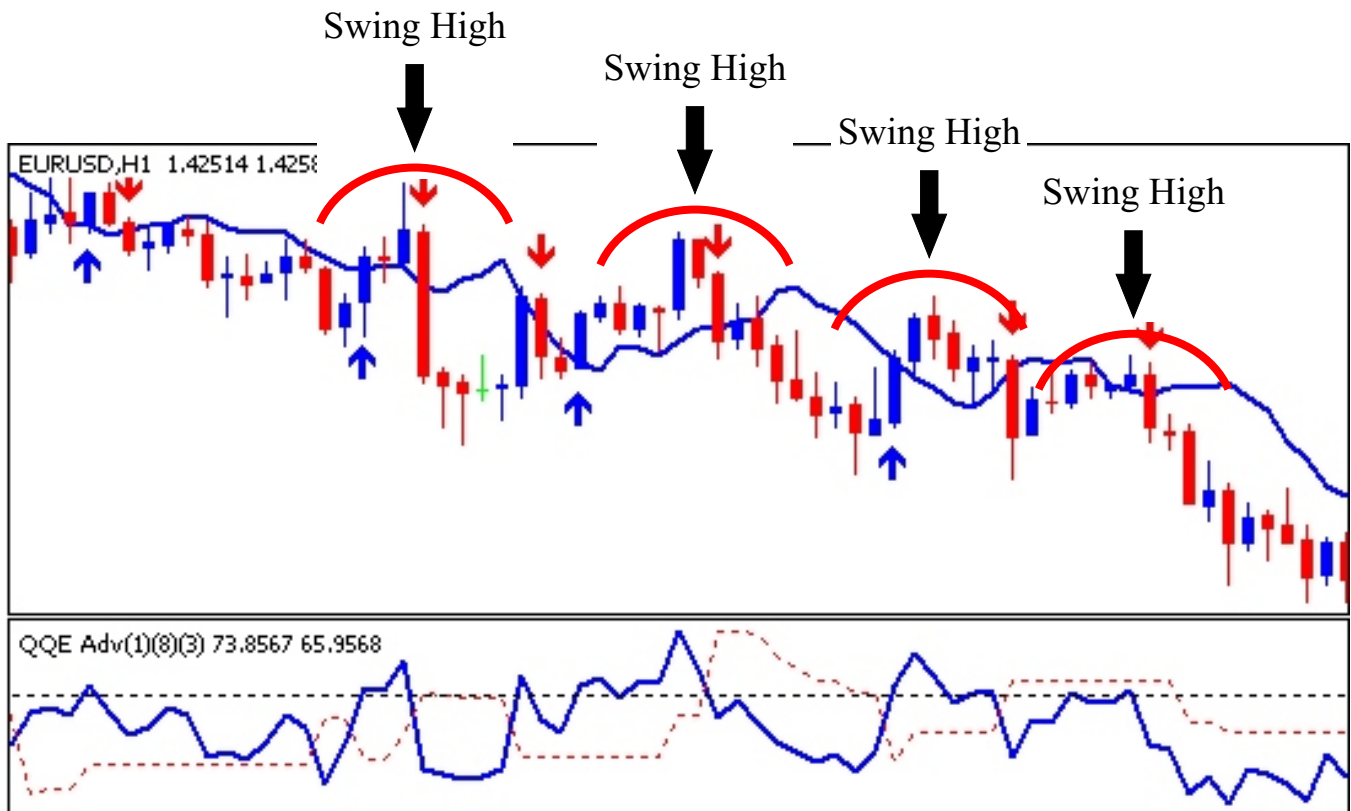
As you'll notice, as the price zig zags it's way upwards, the swing lows are safe from getting hit by the price. This makes the swing lows in an uptrend a safe place to put your stops.

Below are some examples of where a good stop would go in a series of long trades.



FOREX REBELLION

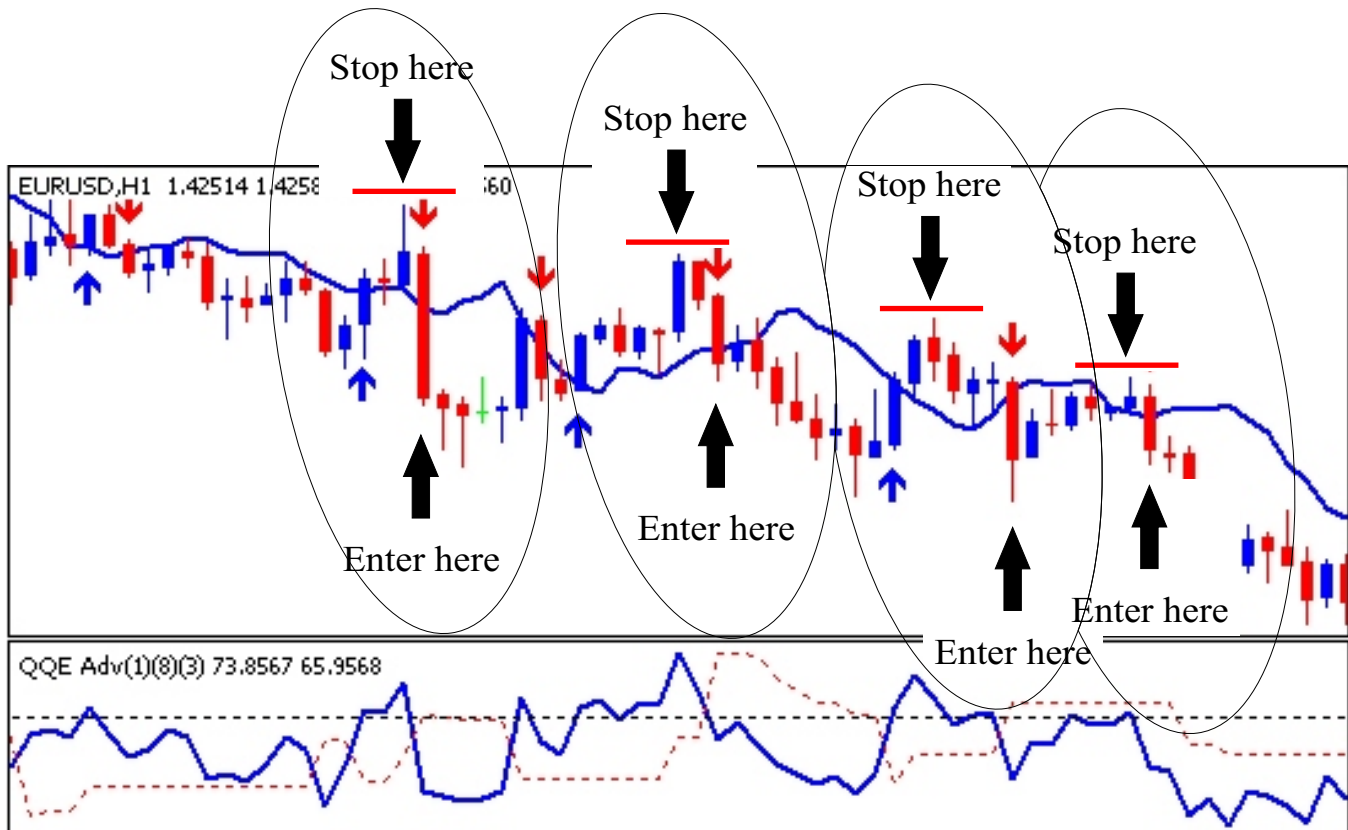
The opposite is true in a down trend. The swing highs are the safest place to put your stoplosses.



FOREX REBELLION

As you'll notice, as the price zig zags it's way downwards, the swing highs are safe from getting hit by the price. This makes the swing highs in an downtrend a safe place to put your stops.

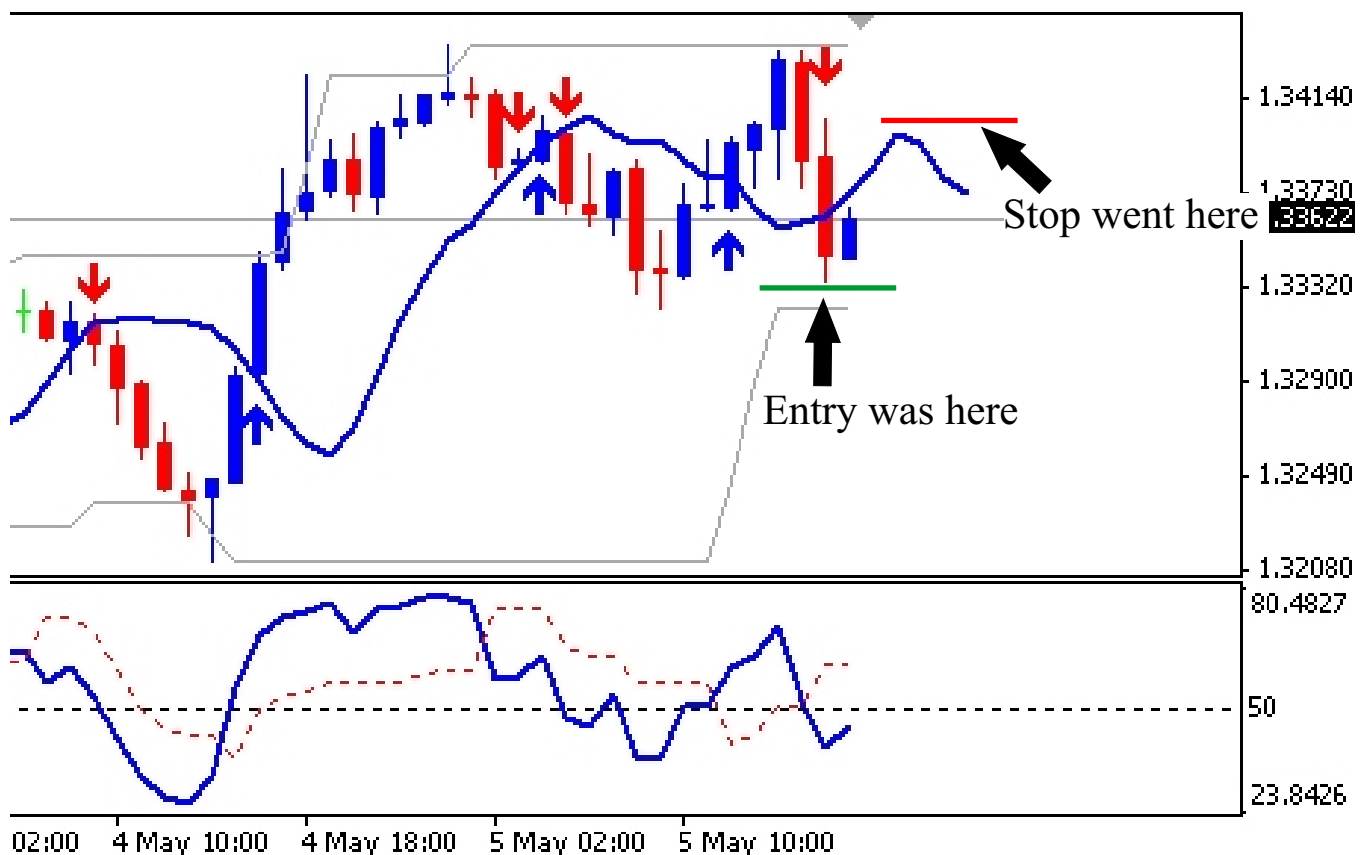
Below are some examples of where a good stop would go in a series of short trades.



FOREX REBELLION

The second way to place your stops is by using the 5 EMA as a guide. Instead of placing your stop over/below the recent swing high/low, use the high or low of the 5 EMA.

The example below is a screenshot of an actual live trade in progress. The signal to go short was given and I had to determine where to place my stop. I could place it above the Swing High, that would be a good place to go, but I was willing to risk a little more and place my stop above the 5 EMA high. Because the 5 EMA is shifted 5 periods forward, the high is out in front of the actual price.



As long as the 5 EMA isn't too close to the price action, it is a good place to put your stops. This will shorten the distance between your stop and your entry making your profit targets much more likely to be hit.

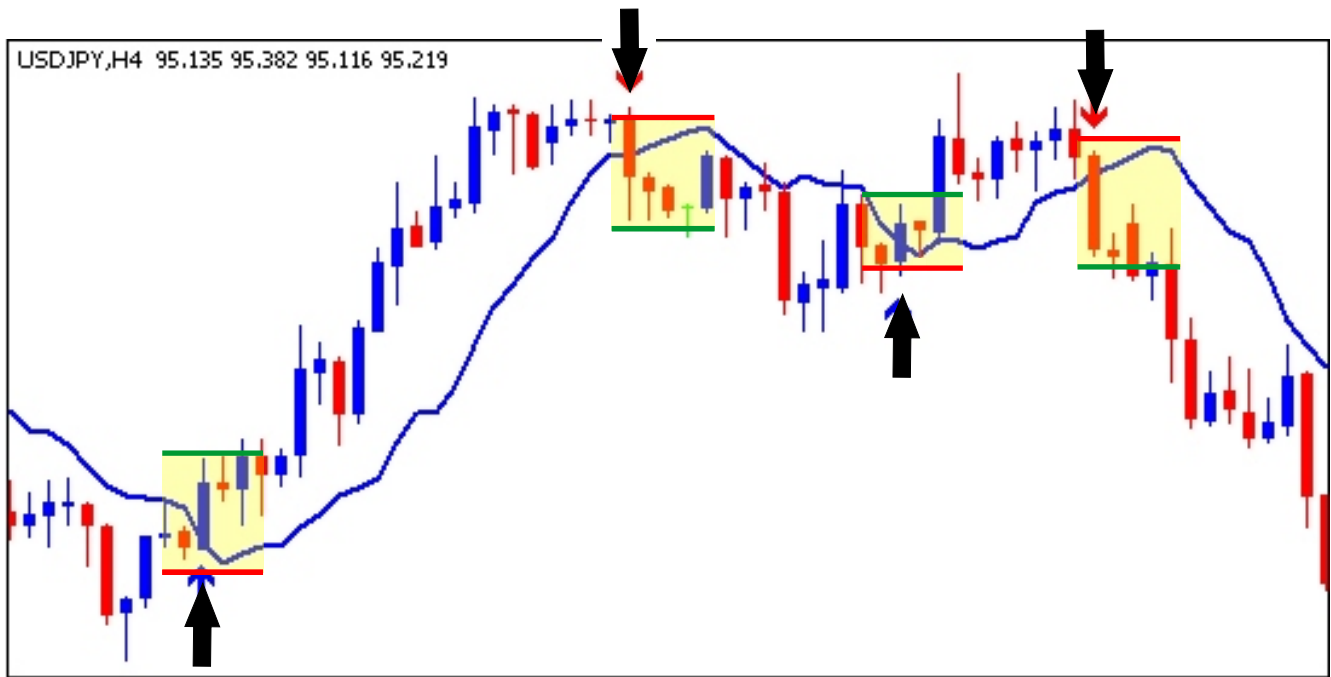
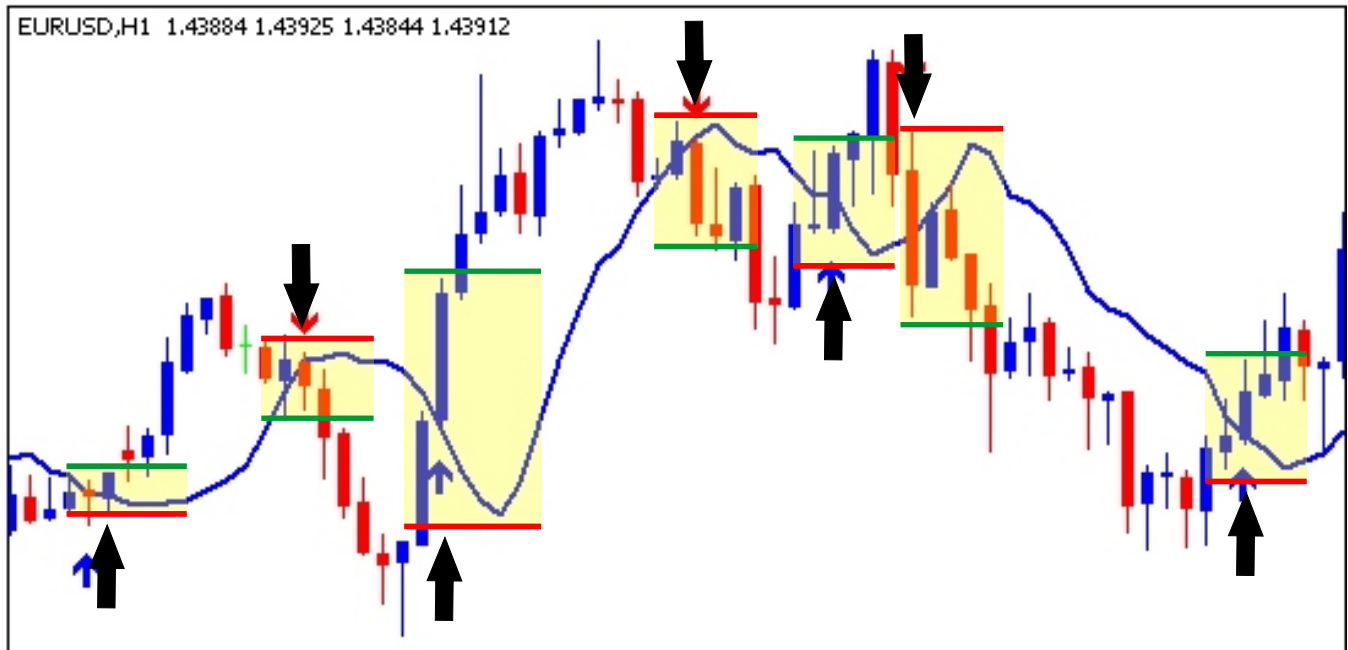
FOREX REBELLION

The chart below is the same trade a few hours later. As you can see, the trade is in profit and the price never got close to taking out the stop.



FOREX REBELLION

Take a look at the chart example below. Every time you could have taken a trade and place your stop above or below the 5 EMA, there were no times where your stop was at risk. In the examples, the red line is the stop loss, the green line is the entry and the arrow points to the entry candle and indicates the trade direction.



Moving Your Stops

It's important to not only place your initial stop loss, but to also move your stop loss in the direction of your trade in order to minimize, and then totally eliminate, your risk on the trade.

Here you will learn how to go about taking a 100 pip initial stop to a 50 pip stop and then to break even. This will reduce your risk from 2% to 1% and then to 0% giving you a free trade. (I trade with a 2% risk on any given trade so I will use this 2% risk in my examples).

In this example, we will be using a 100 pip stop.

First, we start out with our initial stop loss. From there we make an imaginary target of the same amount in profit. If our stop is 100 pips, then we draw an imaginary target at 100 pips in profit and then another at 50 pips in profit (this is half of our stop loss).

Once we get a close at (or very near) the 50 pip level, we will move our stop loss to 50 pips (instead of the original 100). Then, as the trade progresses and we get a close at (or very near) the 100 pip level, we move the stop loss to break even. At this point we have a free trade... We are risking nothing but have a profitable trade in the works.

This may sound complicated but it's really not.

Here are some examples:

FOREX REBELLION

The example below is a live trade of the USDJPY 1 hour chart. An entry was given and I placed an entry order at 97.80 (the black line). The stop loss went below the 5EMA at 97.60 (the red line). The distance between the two is 20 pips.



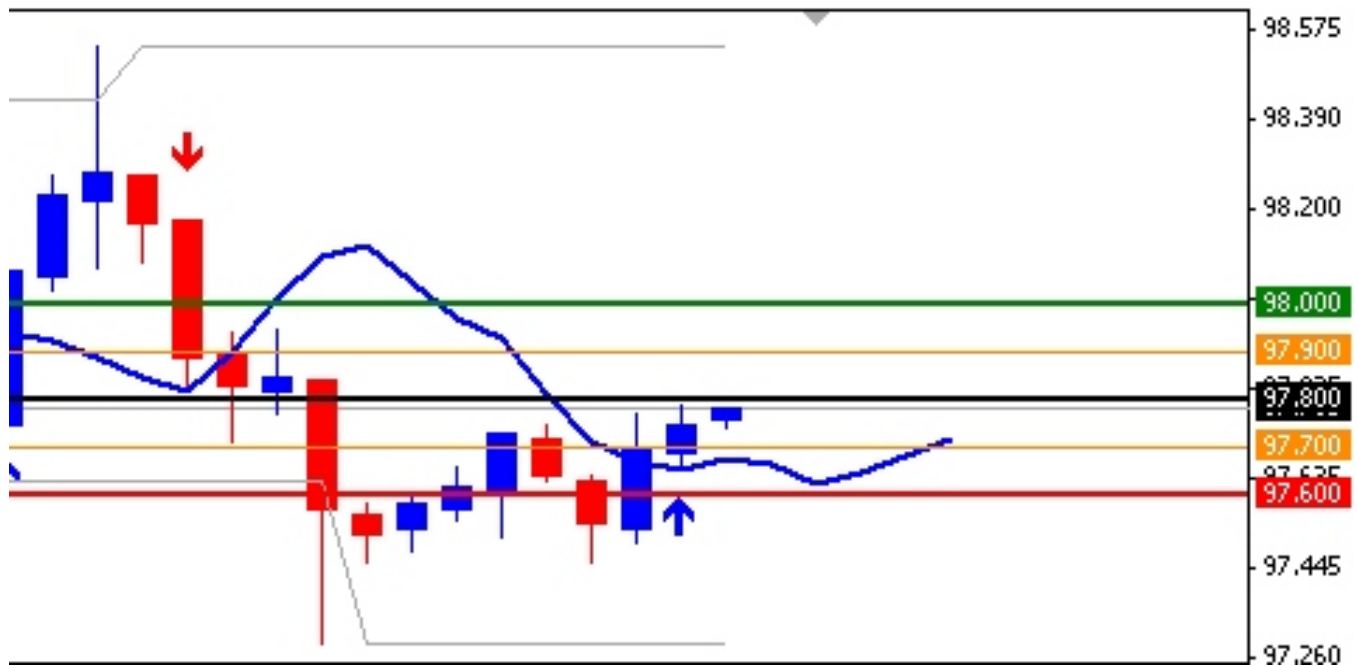
Now I will place a line 20 pips into profit.
Then I will place a line 10 pips into profit.
Then I will place a line 10 pips into the negative.

Once the price closes at or very near to the 10 pips into profit line (97.90), I will move my stop loss from -20 pips (97.60) to -10 pips (97.70)

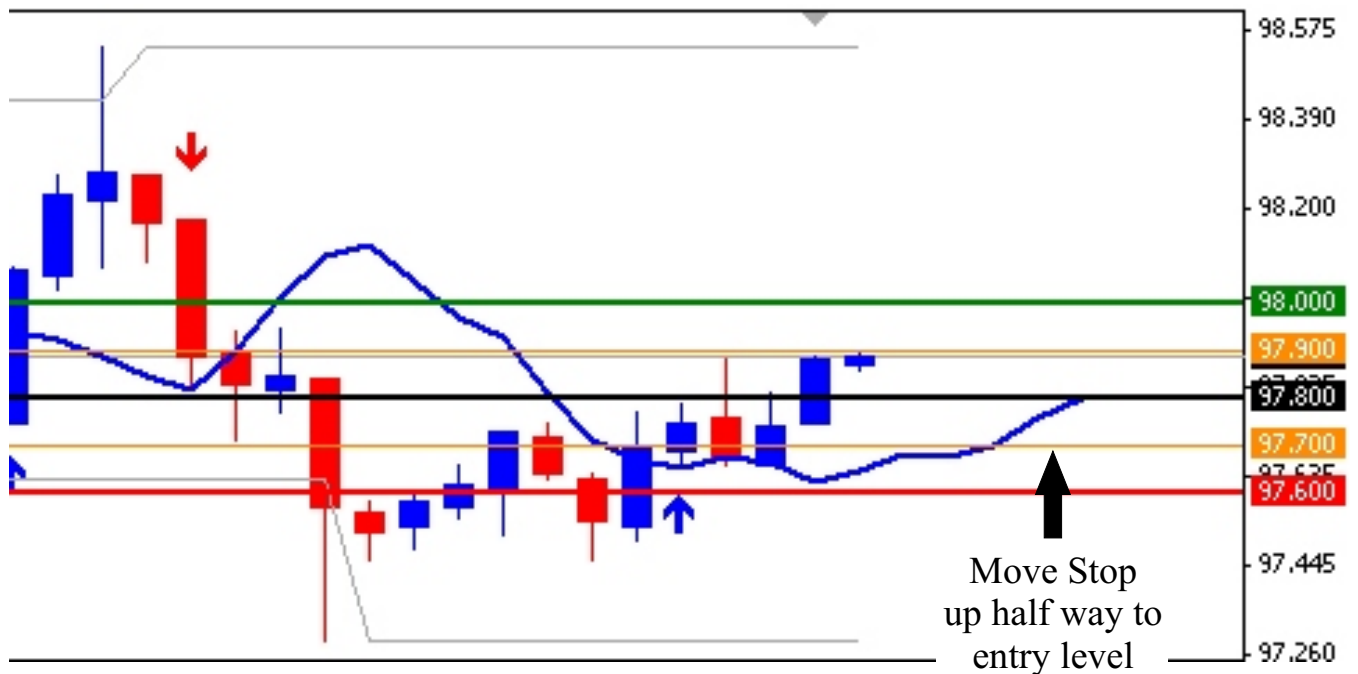
Next, once the price closes at or very near to the 20 pips into profit line (98.00), I will move my stop to break even (97.80).

FOREX REBELLION

The chart now looks cluttered and messy because of all the lines. This is a procedure that I generally do in my head. I'll place the green target line on my chart, but the orange 50% lines I will simply visualize.



As the trade progressed, we have a close within 1 pip of our 50% line. At this point, I move my stop loss up to 97.70, half way to my entry level, cutting my risk in half.



FOREX REBELLION

At this point, there was a close right at the 100% level, the same distance of 20 pips that I had originally risked. It is now that I move my Stop to break even.

From here on out I am in a risk free trade. If my target doesn't get hit and i hang on to the trade, the worst thing that will happen is i get stopped out at break even, i won't have lost anything on the trade but the spread.

If your stop loss is a little wider than 20 pips, feel free to move your breakeven level into profit by whatever your spread is. If your spread on the trade was 3 pips, move your breakeven into profit by 3 pips, ensuring that you truly do not lose any money on the trade.

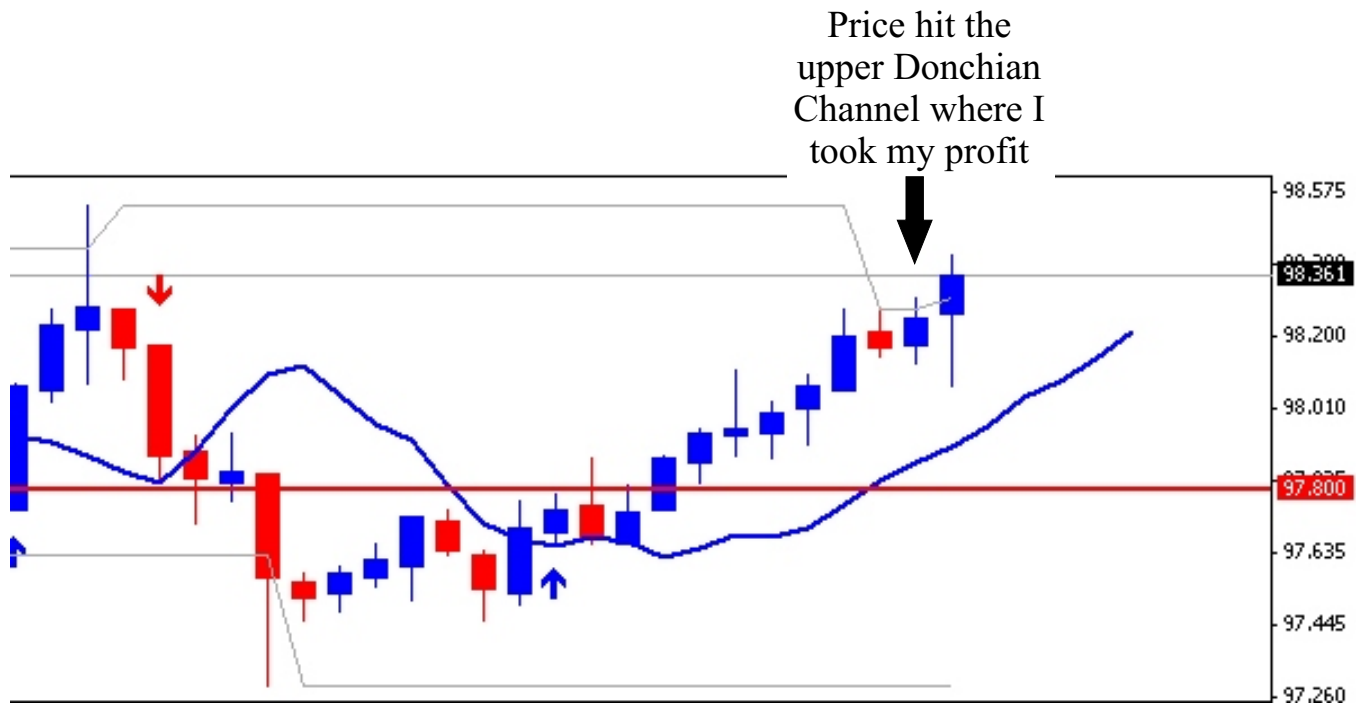


Now I get rid of all my profit level lines and move my stop loss up to follow the 5 EMA or take profit at the upper Donchian Channel.

If you I was trading the 100 as a target, I would be out of the trade now but if I are using the 1 point 5 exit strategy, my target will very likely get hit.

FOREX REBELLION

This trade then went on to hit the upper Donchian Channel and i was happy to take my profit there.



System Rules

Exiting the Trade

Some would argue that knowing when to get out of a trade is more important than knowing how to get in to one. Most of the systems out there are bent on showing you how to get in, but without knowing how to get out, you could lose all you have gained and then some.

This section will give you 3 different exit strategies. All are good. In the current time of chaotic sideways movement, there are 2 ways built to help you bank your profit before the market takes it back. The other exit strategy will help you stay in a trade if you believe the market will trend.

This is where you decide if you are a trend riding trader or a profit target trader. Either way, here are the different ways to exit the market.

Exiting the Trade

The 100 and the 1 point 5

Both these methods are good reliable exit strategies. They are essentially the same, just the percentage is different. The 100 and the 1 point 5 are target strategies.

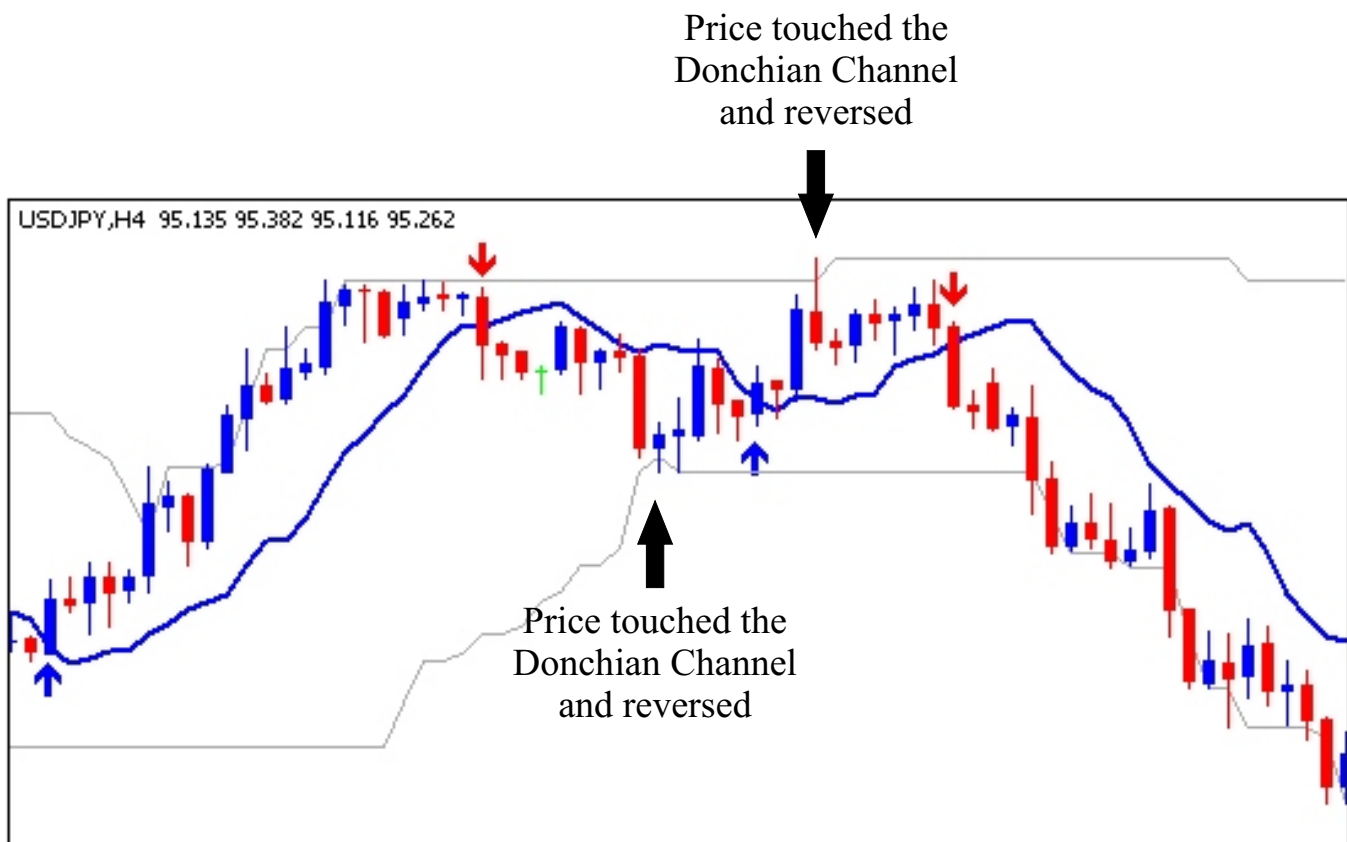
The 100: Once you have determined where your entry is going to be and where your stop will be, your target will be the same distance as your risk. If you are risking 100 pips on a trade, your target will also be 100 pips. Generally I will add in the spread, so in a 100 pip risk trade and the spread is 3 pips, I will aim for a 103 pip target. This exit strategy works well in a choppy sideways market, but it's not one that I use very often. With the 100, one loss cancels out one win.

The 1 Point 5: This is the exit strategy that I use the most often. Similar to the 100 strategy, the 1 Point 5 is one and a half times your stop loss. If your stop loss is 100 pips, your target will be 150 pips. This method works well and because of the ratio, you can lose 3 trades, win 2 and break even.

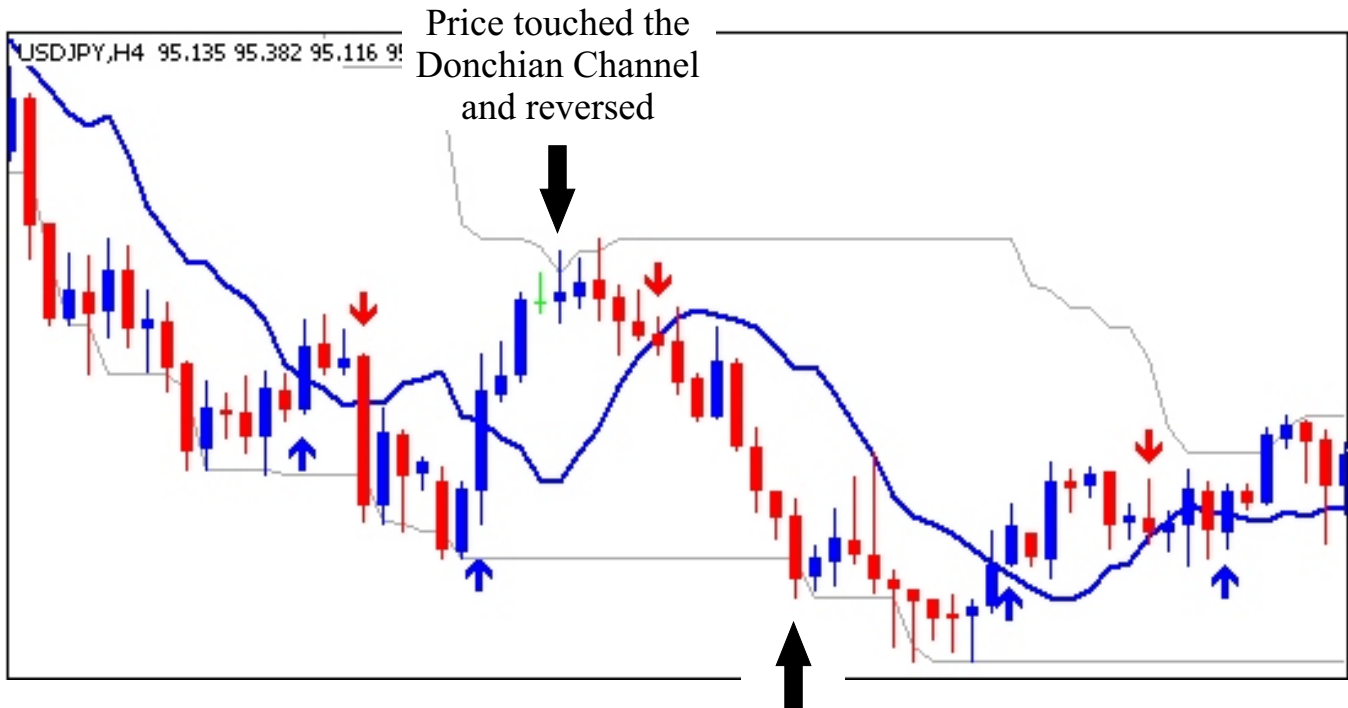
Exiting the Trade

The Donchain Channel

The Donchain Channel is the indicator that you installed earlier on. It will show you the highest high and lowest low over the last 21 candles. It makes for a good dynamic target. It shows levels of support and resistance and price often obeys these levels, either with a reversal or at least with a period of consolidation.

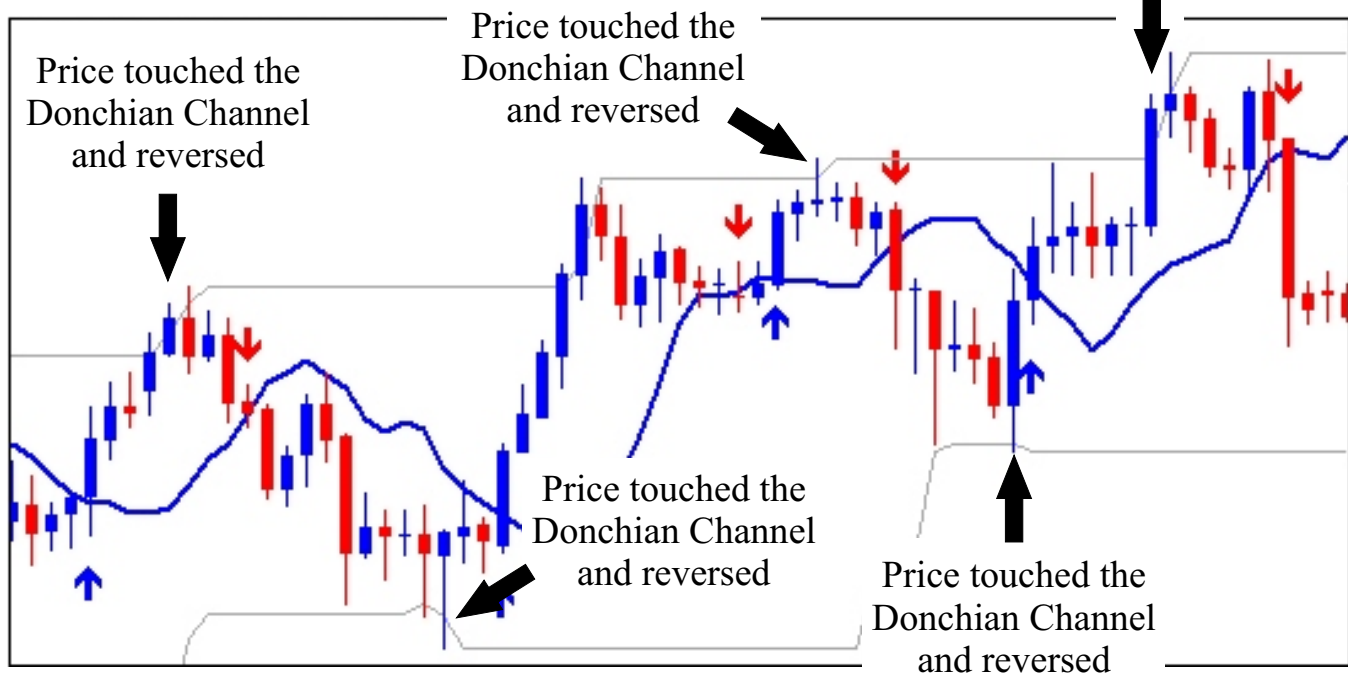


FOREX REBELLION



Price touched the Donchian Channel, dropped a bit, and reversed

Price touched the Donchian Channel, rose a bit, and reversed



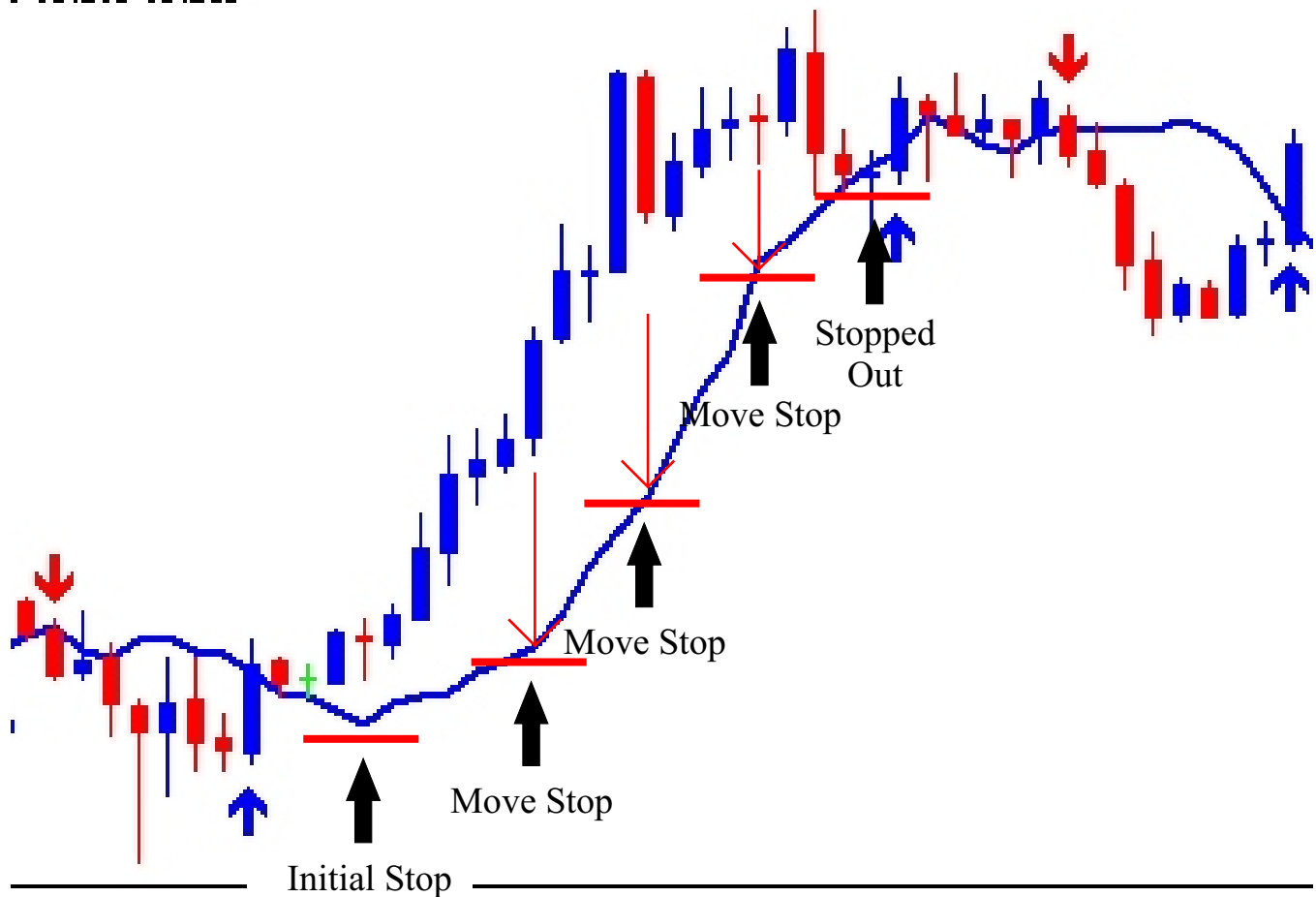
Exiting the Trade

The 5 EMA

Not only is the 5 EMA a good indicator to help us get into a trade, it can also be used to help us get out of a trending trade.

In a long position, follow the 5 EMA up by moving your stop a few pips under the 5 EMA every candle or 2. As the price rises further, the 5 EMA will rise further pulling your stop further into profit.

3 95.203 95.215



FOREX REBELLION

The chart below is of a live trade. I'm short the YEN and my stop is following along the 5 EMA. I put my stop 5 pips on top of the EMA and I move it as every new candle closes.



My stop eventually took me out.



FOREX REBELLION

When considering your exit strategy, keep in mind the recent market conditions. If the market is very choppy and is going sideways, following the 5 EMA may not be your best bet. Possibly the 100 or a shot at the Donchian Channel will work better for you.

You have 3 different ways to make an exit, each of them will serve you well if you take in to consideration what has been going on.

In all your trades, being aware of the 5 EMA will do you well. If price crosses back over the 5 EMA before your target gets hit, you may be looking at the possible end of your trade. Consider closing your trade with a profit or a small loss rather than allowing your stop loss to be hit with the full amount you are risking.

Never feel bad about capturing a profit and then finding out that the market continued in your direction. If you knew that kind of info ahead of time, you wouldn't need to trade the markets at all, just buy a lotto ticket. The forex markets are unpredictable, that's why we use systems to help us determine the markets next likely move. Nothing is written in stone and there is absolutely no "sure thing".

System Rules

Putting It All Together

By this point, you have learned how to use the indicators and what to look for, you have learned how to place your stops and you have learned how to exit a trade. In this section we'll go through some examples of how everything works together.

This example below took place June 10, 2009. Here we have a good signal to go short. There is a close below the 5 EMA, there is a red arrow pointing down, there is a cross of the 50 line on the QQE with the signal line in the right position. We know our entry, a few pips below the red candle.

Now, where do we place our stop. The high of the 5 EMA looks good, it's not too close to the entry that a little bit of movement will stop us out, but closer than the most recent swing high.

What kind of target do we look for.

FOREX REBELLION

This example below took place June 10, 2009. Here we have a good signal to go short. There is a close below the 5 EMA, there is a red arrow pointing down, there is a cross of the 50 line on the QQE with the signal line in the right position. We know our entry, a few pips below the red candle.

Now, where do we place our stop. The high of the 5 EMA looks good, it's not too close to the entry that a little bit of movement will stop us out, but closer than the most recent swing high.

What kind of target do we look for. Judging by the recent market activity, I think a target of 1 point 5 would be a good option. The market has been moving quite nicely and not stuck going sideways. The Donchian Channel may be a little closer than we'd like but it's a good idea to keep a close eye once we get to the channel.



FOREX REBELLION

Our entry is at 1.4052

Our stop is at 1.4112

That give us a 60 pip stop loss.

Our target then would be 1 Point 5 (1.5) of 60 pip and that would be 90 pips (60 x 1.5) so our target would be 90 pips lower than our entry giving us a target of 1.3962.

Since our stop loss is 60 pips, we will want to move our stop to 30 pips after we get a close at or around 30 pips in profit. After that we will move our atop to break even once we get a close very close to 60 pips.

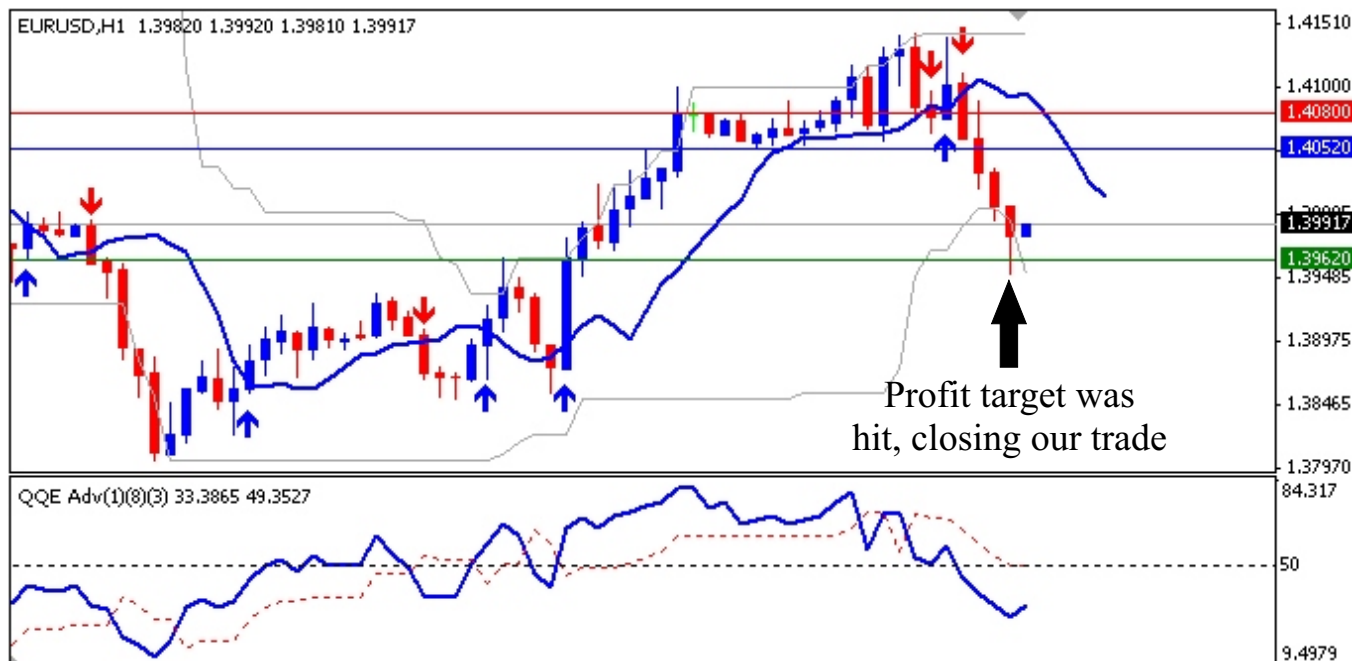


FOREX REBELLION

The price closed below our 30 pip target, so now we move our stop loss to 30 pips instead of 60 pips.



And then our profit target was hit closing our short position.



FOREX REBELLION

Later the same day, June 10, we get the next trade signal is to go long. There was some good movement earlier in the market so I'm liking a 100 target for this one now. I would love for it to reach for the Donchian Channel, but given the time of day, (very late in the NY session) I don't believe the market has the steam for any real kind of distance. Right now the candles are small which gives us a tighter stop loss, meaning a shot at the 100 is the most likely.



FOREX REBELLION

Our entry is at 1.4010

Our stop is at 1.3970

That give us a 40 pip stop loss.

Our target then would be 100 % of 40 pips which is 40 pips. My spread on this trade is 2 pips, so I will reach for a target of 42 pips putting it at 1.4052.

Since our stop loss is 40 pips, we will want to move our stop to 20 pips after we get a close at or around 20 pips in profit. After that, the target will be hit and we'll be out of the trade.



FOREX REBELLION

We have a close very near the half way mark, so now we move the stop from 40 pips to 20 pips.



The target was hit. The market was moving nicely and there is a very good likelihood that even a 1 point 5 target may have been hit. Regardless, considering the time of day, i was very happy with this trade.



FOREX REBELLION

Later the same day, June 10, we get the next trade signal is to go long. There was some good movement earlier in the market so I'm liking a 100 target for this one now. I would love for it to reach for the Donchian Channel, but given the time of day, (very late in the NY session) I don't believe the market has the steam for any real kind of distance. Right now the candles are small which gives us a tighter stop loss, meaning a shot at the 100 is the most likely.

