Let's Pause and Recap the Updates:

We have relaxed or altered three major elements of the original course which greatly changes the potential for profit of this strategy. The cumulative effect of these changes can be summed up in these five points…

1. No need to wait for a new trend. We can come after a push-forward is well under way and still find an entry, provided there is room to trade up to TP2.

2. Earlier ‘F’ chart confirmation. Much quicker ‘F’ chart lead-time-to-entry as we no longer wait for ‘F’ chart EMAs to cross - although we still require a good star-rating to decide if the ‘F’ chart move is a ‘quality’ ‘V’ shaped, steep move.

3. More pairs to select. Relaxing the 1:4 rule gives more ‘F’ and ‘T’ chart pairing options.

4. Earlier entries, more trades, more pips. We no longer have to wait for an 8-EMA-touch to register as a pull-back for the ‘A’ candle. The first pull-back after the EMA cross is where we take the ‘A’ candle from.

5. Fewer negatives & safer trading - because anchoring the grid at the earliest trend pull-back, ensures that TP1 and TP2 are fixed in a position that is as far within the ‘safer’ body of the push-forward as is humanly possible. Thus cutting the margin-for-error of end-of-push retracements and reversals.

So, let’s look at a typical scenario where we would can bring all of these benefits to life.

We come to the computer to look for a potential set-up. We’d love to see something coming to the end of a trend and closing on an historic barrier that will send it shooting in the other direction. That ‘other direction’ is that brand-new trend we would love to find.

We see a possibility in the daily chart as price approaches an old bounce point. We look in the 8 hour and it looks like it’s going to happen, maybe tomorrow, maybe in two days time. We’ll certainly put that in the notebook for another look tomorrow.

We change currencies, and immediately see in the weekly that there are several small candles going sideways. In the 12 hour chart this looks like a real range up and down - and sure enough, in the 4 hour chart we do have a 100 pip range and price seems to be almost half-way between the bottom and the top with about 60 or 70 pips to go.

In this 4 hour chart, the EMAs are pointing upwards and converging, but not yet crossed. The candles are of a good size with small wicks and there is a nice ‘V’ shape. I’ll give the ‘V’ shape 5-stars, I’ll give the candles 4-stars, and the steepness 4 stars too. I’m going to call it a 5-star ‘F’ chart…
I really need to find a ‘T’ chart because so far this looks OK. I find the 1 hour chart looks best. Using the star grading again, I do have a ‘V’ but not as sharp, so I’ll give it 4 stars, the price-action candles are 5-star and well inside the 8 EMA, the array has fanned out and is still wide, and what’s great is that I see 5-star steepness here.

Now, I want to emphasize just how important this star-grading is. It makes me actually come to conclusions on how many stars for the ‘V’, the price-action candles, and the steepness of the trend. It makes me THINK and focus on ‘quality.’ And let me tell you just WHY this is important.

In mentally awarding those stars (it’s OK to note them down too) a very important process takes place deep down. Almost without conscious thought - my gut-feeling is saying “This LOOKS good.”

Now, it could equally well be saying, “This doesn’t look fabulous, but I think I’d better do a manual entry, it’ll be safer.” Or your gut may be saying, “Whoa, I can only give this a 1-star for steepness.”

Get the picture? This is about developing what I’ll call a ‘gut-feeling’ for trading. The best way to develop the ‘gut-feeling’ that makes good traders, is to use the 5-star grading system. It WILL help you to develop your own gut-feelings.

Don’t you think it would be great, to just glance at a ‘T’ chart and say, “NO Way! I’m going to take the dog for a walk and come back later?”

But let’s get on. My gut is saying, “Yep - this one is on.” I’m also thinking, “Good job I don’t have to wait for the ‘F’ chart EMAs to cross.”

And while those thing zip through my mind, I’m also thinking, “It’s a good job I don’t have to wait for a candle to pull-back and hit the 8 EMA any more too.” So now, I look for a pull-back near the cross in my ‘T’ chart and get my ‘A’ candle sorted.

Now I find the first pull-back after the cross, select my ‘A’ candle and draw in my grid.

I have come quite late in the trend, far too late to use the stop and entry I laid down in the grid, so I can forget about the first two lines of the grid altogether. Although TP1 and TP2 are fixed and established, obviously, I now need to find my own stop and entry for this trade.

I look back, and a few candles away, I see quite a long wick, I’ll designate that as my live-trade ‘A’ candle, and mark my stop and entry lines according to that candle (the old ones are now defunct).
Now I have established an entry point, there are two very important questions to ask before clicking submit to enter a trade.

Question 1: How close is my entry to TP1 and/or TP2?
Question 2: Are there any barriers between my entry and my target?

1. How close is my entry to TP1 & TP2?

- If my entry is close to TP2, I cannot take a trade. TP2 is the limit of my trading room in this push...
- If my entry is spaced between TP1 and TP2, I may decide to tightly control a trade using market-orders, knowing that TP2 is my limit...
- If my entry is at TP1 or just past it, I would have no hesitation in trading to TP2, and I would use market orders or not, as the feeling of the trade hit me...
- If my entry has viable trading-room up to TP1, I trade as normal...

I trust you see the logic in fixing TP1 & TP2 at the grid. Placing them randomly from a later grid would mean a far more dangerous trade.

2. Are there any barriers in the way?

- The collective word ‘barriers’ describes historic points where price has been rejected previously on it's never-ending perambulations up and down the charts as it loses or gains value.
- These historic points tell us where we may expect bounces and reversal. They are invaluable in telling us where we can expect a major or minor reversal that allows us to forecast a new trend before it actually happens. But that is too complex a subject for this course at this time.
- However there is a very simple way to use the principle of barriers. Drawn as horizontal trend lines at prospective entry points, they help us inspect the crucial path of a trade, between entry and target, to see whether there are any historic reversal points that may cause us to have a negative result.
- Ideally, we want to see a clear path between entry and target that doesn't contain any barriers. Barriers mean reversals, and reversals can mean negative trades. Bearing in mind that many trades proceed unmonitored as confidence grows and we trade in longer term charts. Unmonitored reversals mean the trade being stopped out (falling back to the stop) which can mean 2% losses. Something that is not acceptable.
- So detecting historic barriers is important for safe trading. Please watch this short video. Click here: https://forex4training.com/3tf/v/L4entbar.mp4
So - Looking At The Big Picture…

- TF trading is a strategy for taking pips by entering and exiting between retracements in trends, ranges - and other longer moves in a single direction.
- We can trade old or new trends provided we anchor the grid to the first pull-back.
- We only trade quality moves as dictated by the 5-star grading system.
- And we trade, only after checking the path for barriers between entry and target, using the horizontal trend-line method, shown in the video.
- Although not yet discussed, the choice between using Entry-Orders or Market-Orders is one of personal choice according to circumstances.

Let’s talk for a moment about TTM (Take The Money). It is never wrong to TTM early or at some reversal that makes you nervous, but it’s best not to take this to extremes. We do want to be safe and TTM sometimes - but not at the cost of good pip gains.

Do remember that this is not a scalping situation as we understand it. If you follow the guidelines set out in these lessons - yes - you will get negatives (all traders get negatives) but your positives will far outweigh them.

However, there is a typical ‘rookie’ syndrome that rears it’s head here. Once we have two or three big negatives, we tend to become so nervous that when we do get a positive, we cut it off too quickly in case it goes the other way for another negative. This is murder because we end up with big negatives and tiny positives. That won’t work - believe me. I’ll repeat, this is a very well-known syndrome indeed.

So, we have to be able to let the winning trades run, even though there may be pull-backs that worry us. It’s a question of getting the balance right between TTM and getting the most out of a good strategy. Don’t be rigid, allow yourself to grow into it.

So let’s look at how we getting that balance right, next…

The TF Trading Stop Loss

If you come to this strategy from scalping with tight stops, the size of the stop is most probably going to scare you to death. So you have to take a deep breath, and open your mind up to an alternative way of thinking about this kind of trading.

This isn’t an easy thing to do if you have been as concentrated on fast exits and tight stops as I know some of you have been in the past. So we’ll take a little time to talk about this.

We’ll use an example of an actual trade to make the point that pull-backs during a trade should not scare you into TTM too quickly. Only trade quality and let quality run…
Here is a close up of the ‘T’ chart with which we ended the last lesson (do go back and look Page 8 of Lesson 3).

Geoff took a successful trade from a nice fall, using a 4 hour ‘F’ chart.

Immediately after the ‘A’ candle (1), came green candle (2), then candle (3), and the entry order was triggered by candle (4).

Let’s examine this for a moment. After candles 1, 2 and 3 --- candle 4 opened at the bottom of the red body of candle 3.

It then went down, as a red candle until it trigger the entry order.

Then, it shrunk back up to leave the wick we see - and at that time, it continued on up, passed it’s open open point and continued on up as a green candle and just touched the 8 EMA.

It was during this time in the life of candle 4, that Geoff expected to be stopped out, After touching the EMA, it started down, left a wick behind, turned red as passed it’s open point and ended as you see it above.

Now - you may be asking, why have I bothered to describe all the detail of this move?

I have elaborated because of what Geoff said in his report. “The candle [candle 4] then bounced up 9 pips. I stayed in the trade out of curiosity. I was minus 13 pips at one point”

Geoff’s implication is that he almost expected candle 4 to stop him out for a full loss as he was sitting there watching it - “he stayed [to see what would happen] out of curiosity.”

But although candle 3 did pull back - it did not hit the stop. And I have a very important point to make about this. Provided you are...

1. Trading 4 and 5-star, quality moves…

2. Have done good analysis and are not bumping into a barrier…

3. Using the grid system to fix TP1 and TP2...

The odds are overwhelmingly in our favor that, despite our fears - it will stop short of hitting the stop - and that is important information.
Here’s a chart you have seen before, but any decent trend that is moving well will show similar results.

There are only two instances here of a pull-back overwhelming the previous high, (yellow circles) and just a slightly bigger stop could have avoided being stopped out in the second. The first was almost certainly safe because we set stops a few pips behind the ‘A’ candle anyway.

Now, understand that I am not saying that we can never get stopped out. But I am saying that the better the ‘quality’ move you trade, (do use the star grading system) the less likelihood there is of your stop being overwhelmed by the following candle.

But do, take on board that there IS a tendency for ‘following candles’ to also pull-back, just like happened to Geoff above, and THAT’S why our stop is set a few pips behind the extreme of the ‘A’ candle.

And for THAT reason, rather than being afraid of such a big stop and the perceived risk, it’s not a terrible idea to choose an even bigger stop.

Because of the fixed ratio of our money-management strategy, while the risk is bigger in pips - it is NO BIGGER IN MONETARY TERMS which means whatever the size of the stop, our monetary risk is still exactly the same percentage of capital.

The ONLY difference between choosing a stop a little larger than a few pips behind the ‘A’ candle, apart from added safety, is that your pip value, per pip, will be a little less. But with bigger pip counts from TF trades the difference will be negligible.

That long and involved explanation is well worth getting your head around because, once you really understand it, your fear of large stops will vanish…

One more thing. As the star-rating demonstrates, the steeper the move, the safer we are from pull-backs stopping us out. We need to be much more alert if the trend is shallow.

There ARE going to be losing trades. I want to repeat: ‘If you follow the principles and instructions of this training, you will have infinitely more positive trades that negative ones.’

But negative trades are just the cost of doing business. Absolutely nobody expects 100% positive trades with NO costs. Suck it up folks - I am showing you the real business end of forex ;-) 

In this type of trading, 5-star grading helps you make better decisions, which gives you greater confidence. Understanding your stop-loss plays a part in this too and helps your confidence even more…
Managing You Stop-Loss

In forex as in most things, garbage in, means garbage out. In our world, ‘garbage’ relates purely to poor-quality trade selection.

If you use the 5 star grading system as I have demonstrated, your trades should, after settling-down, be moving well in the right direction, remembering that almost all candles have wicks, so there will always be a little to-and-fro movement in most trades.

That being the case: when should you start manually moving your stop up to protect advances and lock in profits?

If your currency is moving well, there isn’t any need to be too quick with this. Do let the trade breathe. But if the trade IS moving well, you should **look at the previous price-action** for a clue as to when and how to tighten your stop as the trade progresses.

Look at the length of candle with particular reference to the wicks. The wicks give you the clue as to how volatile the movement is. Longish candles with short or no wicks, show you that this is a pretty stable, good move. In which case you can move your stop closer to price without too much hesitation.

On the other hand, if the previous price-action has shorter candles and is ‘wicky’ with longer wicks, it shows more volatility *(more violently sharp moves up and down)* and therefore, you should not move your stop up too close too soon.

Remember, you will be trading in demo, **do not be afraid to be flexible, you will learn much more from making mistakes, than you will in any other way.**

Trailing Stops

Ideally, we would use a trailing-stop in a long trend, with TP1 closed in profit and applying it then in the TP2 leg…

This is where we would set a trailing stop with our entry-order or market-order, where it suits. But before I go into that, here is a very important note for you…

**Do not set your TP2 entry-order to match the closing price of your TP1 close-trade order. You must set the TP2 entry, at whatever the spread is, plus 2 pips.**

For instance if the spread was 2 pips, you would set your entry 4 pips **beyond the close of TP1. If the spread was 4 pips, you would set your entry at 6 pips beyond the close of TP1.**

OK, on with the trailing-stop. You should set your trailing stop according to the size of the candles and wicks you observe from price-action in the chart you are in. Candle size & regularity, wick size and frequency are the tell-tales of price-action, and can tell you a lot.

One thing is fairly obvious, if you set a trailing stop too tight, you are going to be stopped
4. Drawing It All Together

out. To get the best from TP2, you need to allow the trade to breathe, which means you have to be prepared to lose some pips.

However, how you set your trailing stop depends hugely on your ability to assess each particular move, through analysis, criteria, and observation.

One thing is certain, whilst it is great to set TP2 at exactly 2 x Risk, as my video showed you - you MUST take into account any barriers that may be in the way as shown by your analysis - and set TP2 and your trailing stop accordingly.

Everyone will be in demo in the beginning, do not be afraid to follow your gut. Making mistakes is a great way to learn.

**Adjusting TP1 & TP2 For Barriers**

I want to just touch again on this before ending the lesson. This is a trimmed shot from the video on setting TP1 and TP2 trades. It was the last slide in the video in both buy and sell directions.

The point about this slide was to tell you to make sure your TP1 trade closing point was below the barrier. This is something that I want to emphasise to you.

It’s really a principle of this kind of trading and it’s impossible to say this too often.

The mistake I made when I first introduced this strategy without instructions or reference material was that I did not explain it properly. This became obvious very quickly.

The principle of 1 x Risk and 2 x Risk became the ‘open-sesame,’ genie-out of the bottle words for, ‘we can’t go wrong if we follow this rule.’

And of course, nothing could be farther from the truth. These pip-target points are the guiding principle behind a good system if you are genuinely ‘following a new trend.’

What really matters in the final analysis here is undoubtedly, the barriers.

Where the barriers are, may cause you to reduce TP1 and/or TP2 for safety.

Without you going through the exercise of locating barriers in your path, the end result is going to be negative after negative. So analysis and common sense is critical…

As you saw in the video, this isn’t rocket science. Throw a horizontal trend-line on the chart at your proposed entry point and examine the history. Be a detective, simply look for any barriers that may be in your path from entry to target and that’s it. If you find you have to move TP1 or TP2 for a safer trade - so be it ;-)
But if you have to move your target back to avoid a barrier, what about the stop?

Below left, is another graphic. This time, I have lowered the barrier so that it sits exactly where TP1 would sit at 1 x Risk.

Obviously, if you decide you want to take pips from this move, you will want to lower TP1 to a reasonable point below the barrier.

So our TP1 point is no longer 1 x Risk, it is less than that. The question is; **what do we do about the stop** in this case?

If the profit is going to be less than the risk, doesn’t it make sense to shorten the stop by the same amount so that TP1 is still 1 x Risk?

My question to you before I give my answer is; “Does the lower profit-target, alter the thinking behind where we place the stop (pages 3, 4, and 5)?”

And of course, the answer is **that it doesn’t**.

There is no argument for altering the stop just because you shorten the target.

Now, I’ll qualify that. If you trade this strategy in the lower time frame charts, much of the time you will be taking fewer pips. You may well get more pips now and then but essentially, there will be less pips per trade.

And there is nothing wrong with that. Profit is profit and often, fast little pips are sweet. But if you have a pip target expectation of just a few pips, it is not worth lowering your TP1. Much better to sit on your hands and forget the trade that risk capital for just a few pips.

So the advice on this page is not applicable to trading in the lowest time-frames.

There is one more lesson on money-management, staking and how to report trades for analysis, help and comments. But the nitty-gritty is done.

However, I do want to emphasize that selection-of-trade, dependent on 5-star-grading and quality is the key to good trading.

So to end this lesson, on the next page, I include a couple of trades you should **NOT** emulate. I hope the reasons are clear to you…
4. Drawing It All Together