

Forex

Trend Line Strategy

The key to increase your odds of winning
and reduce unnecessary losses

by
Kelvin Lee



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Introduction

Trend line forms the foundation to a good technical analysis. The purpose of drawing trend line is to show you areas of support and resistance where the bulls and bears fought with each other. With this information, you can better decide whether you should buy or sell a currency pair. Being a technical trader, you must definitely know how to draw a proper trend line that can help you in your trading. Similarly drawing an incorrect trend line can prove to be a disaster for your trading as well.

Some of you may find trend line drawing too basic to learn but it is usually things that appear to be basic which cause you your hard earn money. Most people thought that trend line is all about connecting various swing highs or swing lows. In fact, there are a lot of ways you can make use of trend line in your trading and this is exactly what you are going to learn in this book.

It took me years of trading and learning to know there are so many ways you can trade with trend lines and you are going to have this valuable information within the next few hours of reading. First of all let me ask you the following questions:

Have you ever experienced this before?

- You enter a trade after a trend line break but the price suddenly reverses after a few candles



- You enter a trade after seeing trend line break but the price did not move to your target profit and then reverse to take back all your profit



If you ever have any one of the above experiences, it is usually due to your problem with drawing trend lines and your ability to do proper price projection.

In this book, I will be going through with you the following

Section 1: Trend Line Analysis

- How To Draw Conventional Trend Line
- Rules For Drawing Conventional Trend Lines
- Types of Conventional Trend Lines
- How To Draw Tom Demark Trend Line
- How To Determine The Strength of Your Trend Line
- How To Verify a Valid Trend Line Break
- How To Do Proper Price Projection

Section 2: Trend Line Trading System

- How To Trade Using Multiple Trend Lines
- How To Trade Support Turn Resistance

Section 3: Trading Examples

- EUR/USD Currency Pair
- GBP/USD Currency Pair

With the following knowledge, you will be able to draw the best trend line and then trade profitably with it.

Section 1

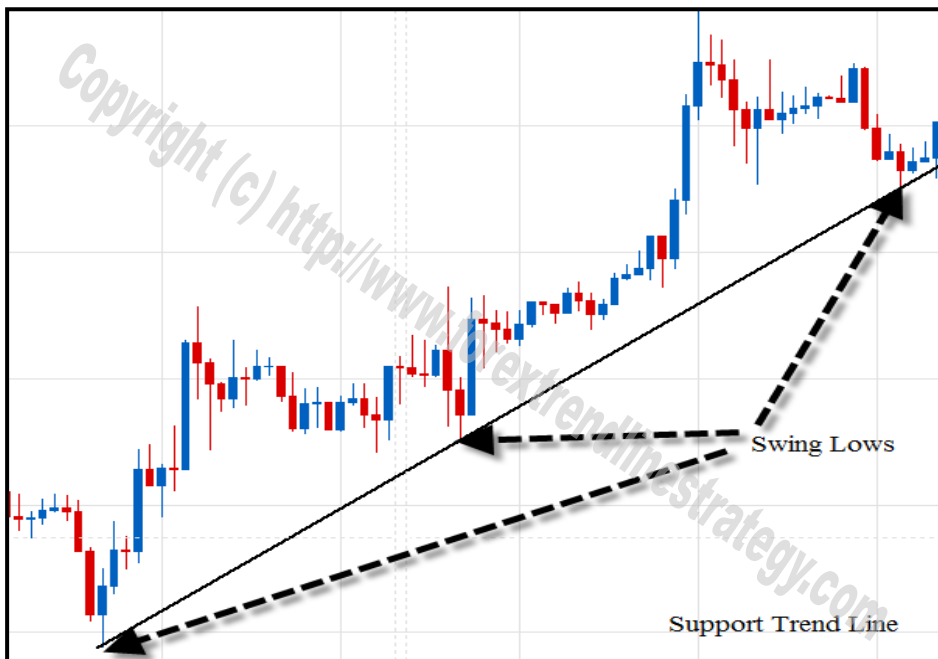
Trend Line Analysis

1.1 What are Trend Lines?

A trend line represents a supply and demand among traders. According to Wikipedia, A trend line is a bounding line for the price movement of a security.

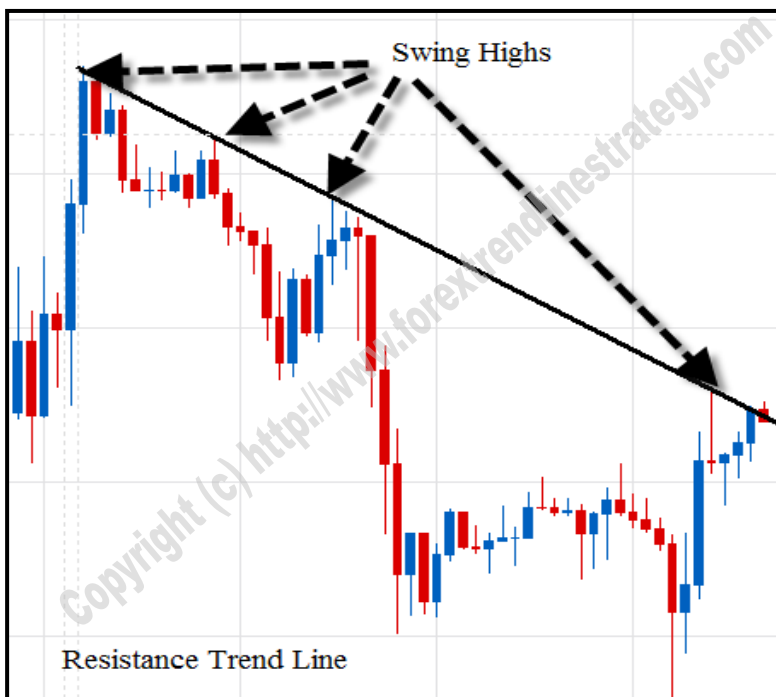
A support trend line is drawn by connecting several swing lows and a resistance trend line is drawn by connecting several swing highs.

Example of Support Trend Line:



A resistance trend line is drawn by connecting several swing highs

Example of Resistance Trend Line:

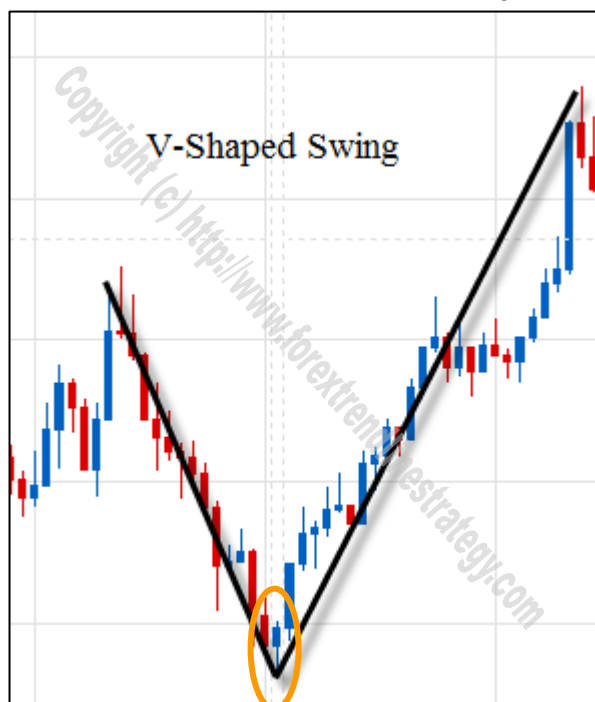


So first of all, let me go through with you how to locate a swing high and swing low before we start to draw a trend line.

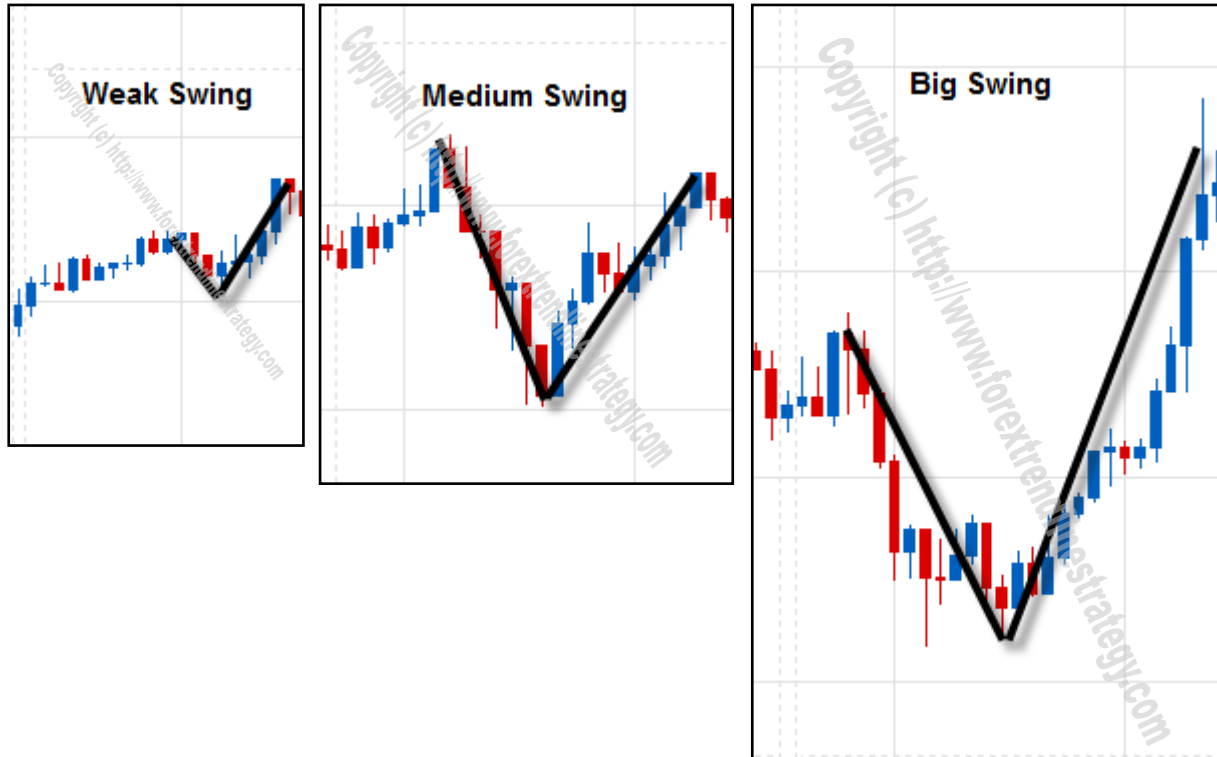
Swing high is basically an N-shaped formation with several candles on the left and right side of a single high candle.



Swing low is basically a V-shaped formation with several candles on the left and right side of a single low candle.



However we are not interested in all swing highs and lows when drawing a trend line, we are only looking out for those that have more weightage as this will produce trend line that is more significant. Below is the level of weightage for each formation



Once you have identified all the medium to big swing highs or lows, you can start to plot your trend line. There are 2 types of trend lines you can draw and we will be going through all of them in this book. They are

- Conventional Trend Line
- Tom Demark Trend Line

You need to have a good knowledge of these 2 different trend line drawing methods as you will need to combine them to have a better trading experience.

1.1.1 Conventional Trend Line

A conventional trend line is also known as a common sense trend line. The conventional trend line consists of 3 types of lines mainly

- Long Term Trend Line (BLACK)



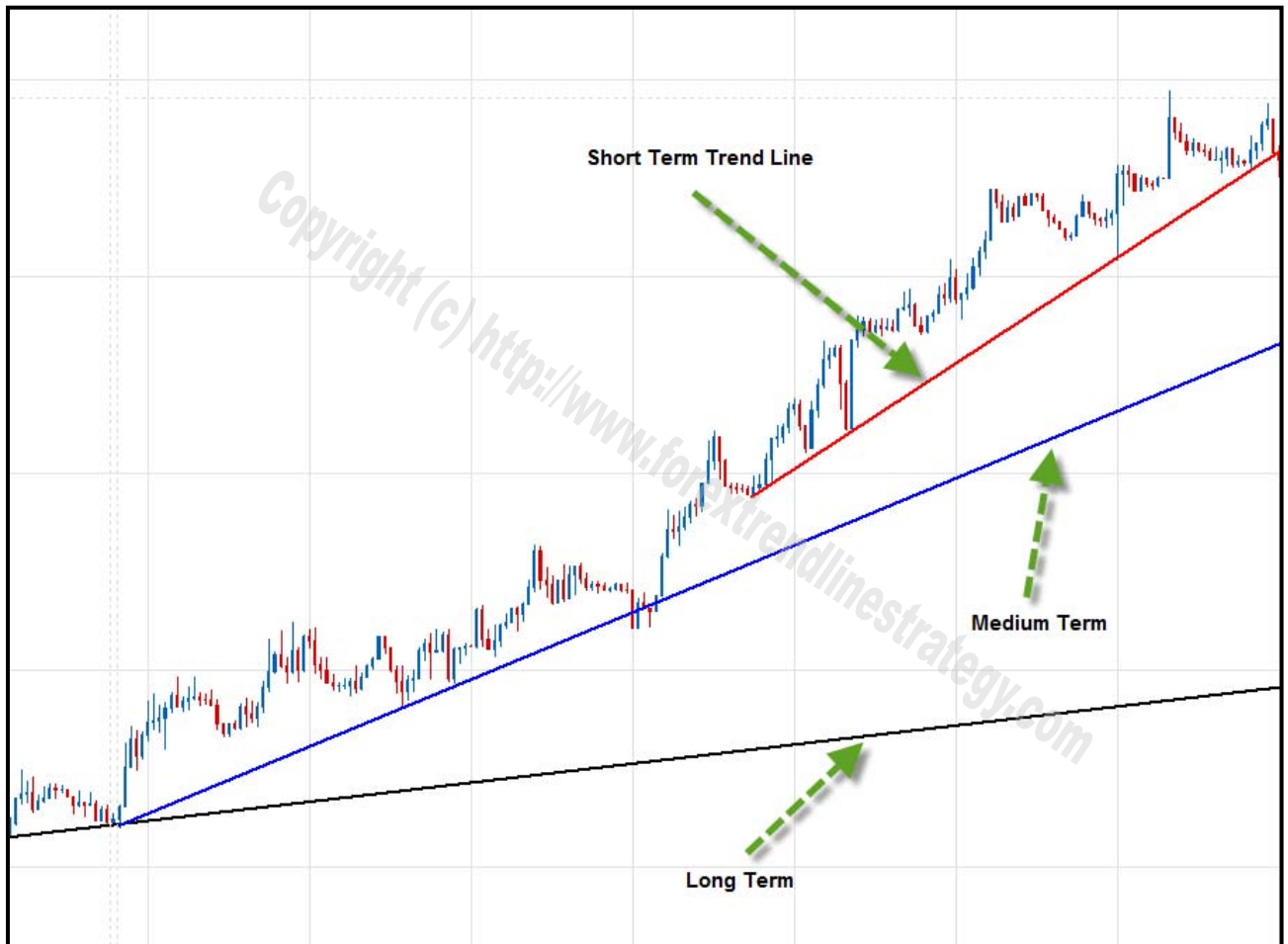
The long term trend line is drawn over a longer period of time. Due to the higher weightage of each swing high or low, the long term trend line will usually have more power than the medium and short term trend line. This means that the price will most probably bounce off the long term trend line for the first few times before it can break through it.

- Medium Term Trend Line (BLUE)



The medium term trend line is simply part of the long term trend line. From the last point of contact of the long term trend line with the price, you can draw a medium term trend line. As compared with the long term trend line, the medium term trend line passes through lesser candles and thus has lesser weightage.

- Short Term Trend Line (RED)



The short term trend line is the most recent trend line and you will be using it to trade most of the time.

Some of you may think that the long term trend line must be drawn from a higher time frame and short term trend line is drawn on a lower time frame. In fact, all the long to short term trend lines are drawn on the same chart.

The difference between the various types of trend lines lies in the number of candlesticks or period that the line passes through. For long term trend line, it has to be drawn over a longer period of time while the short term trend line is usually drawn over a shorter period of time. As for the period to draw, there is no specific guideline you should follow.

Rules for Conventional Trend Line

- The Best Trend Line Is One That Connects The Most Swing Highs or Lows
- Once The Support Trend Line Is Broken, It Will Turn Into Resistance Trend Line
- Once The Resistance Trend Line Is Broken, It Will Turn Into Support Trend Line

Steps to Drawing Your 3 Types of Conventional Trend Line

Step 1: Shrink your selected time frame to a smaller size until you see the start of your current trend.

If the currency pair you are trading is currently in an up trend, you simply have to shrink your chart until you can see the beginning of the up trend.

Example: (EURJPY 15 Minutes Chart)



Step 2: If you are in a down trend, look for major swing highs and if you are in an up trend, you should look at the major swing lows. (To draw a strong trend line, you need to have at least 3 points of contacts which means that you need at least 3 swing highs or lows)



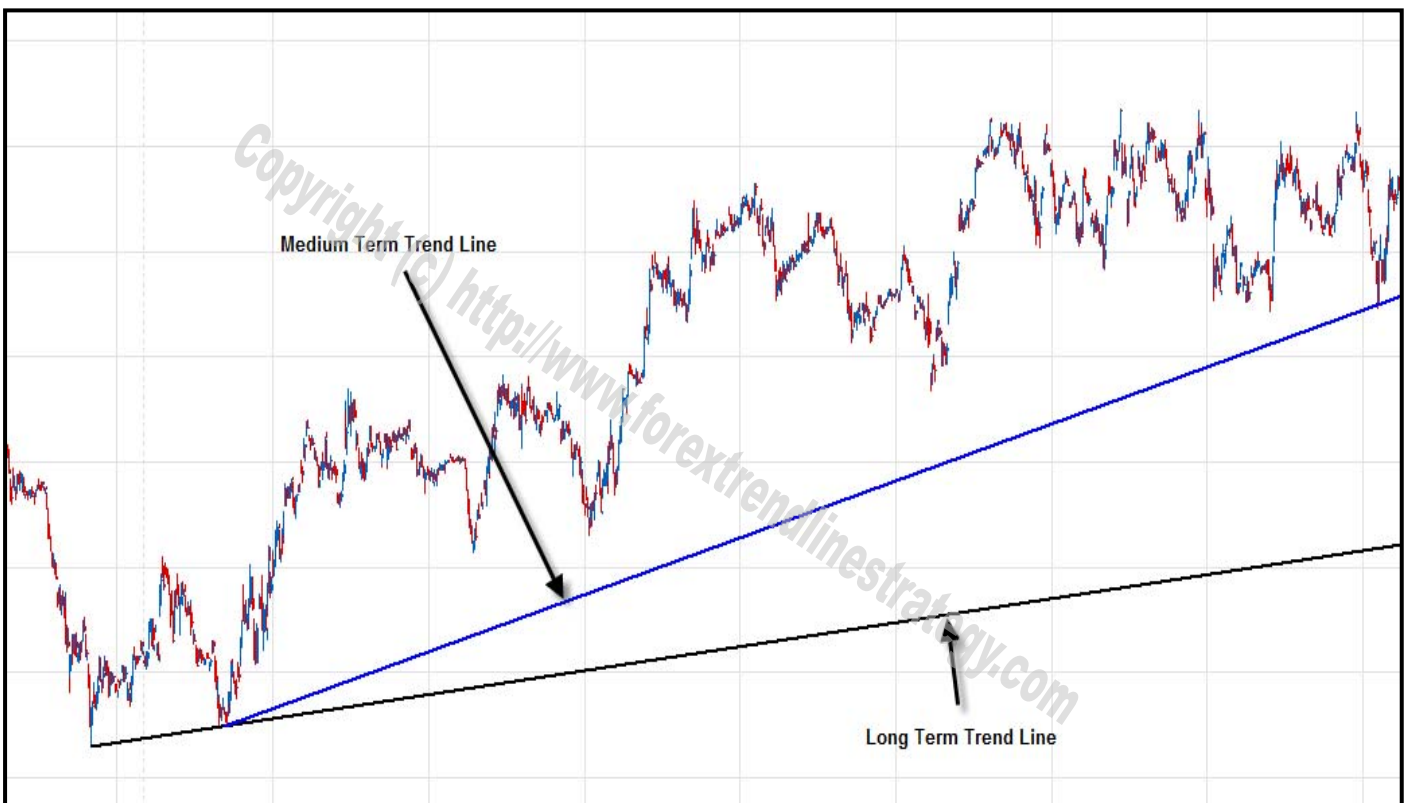
Step 3: Connect at least 3 swing highs or swing lows to form your long term trend line



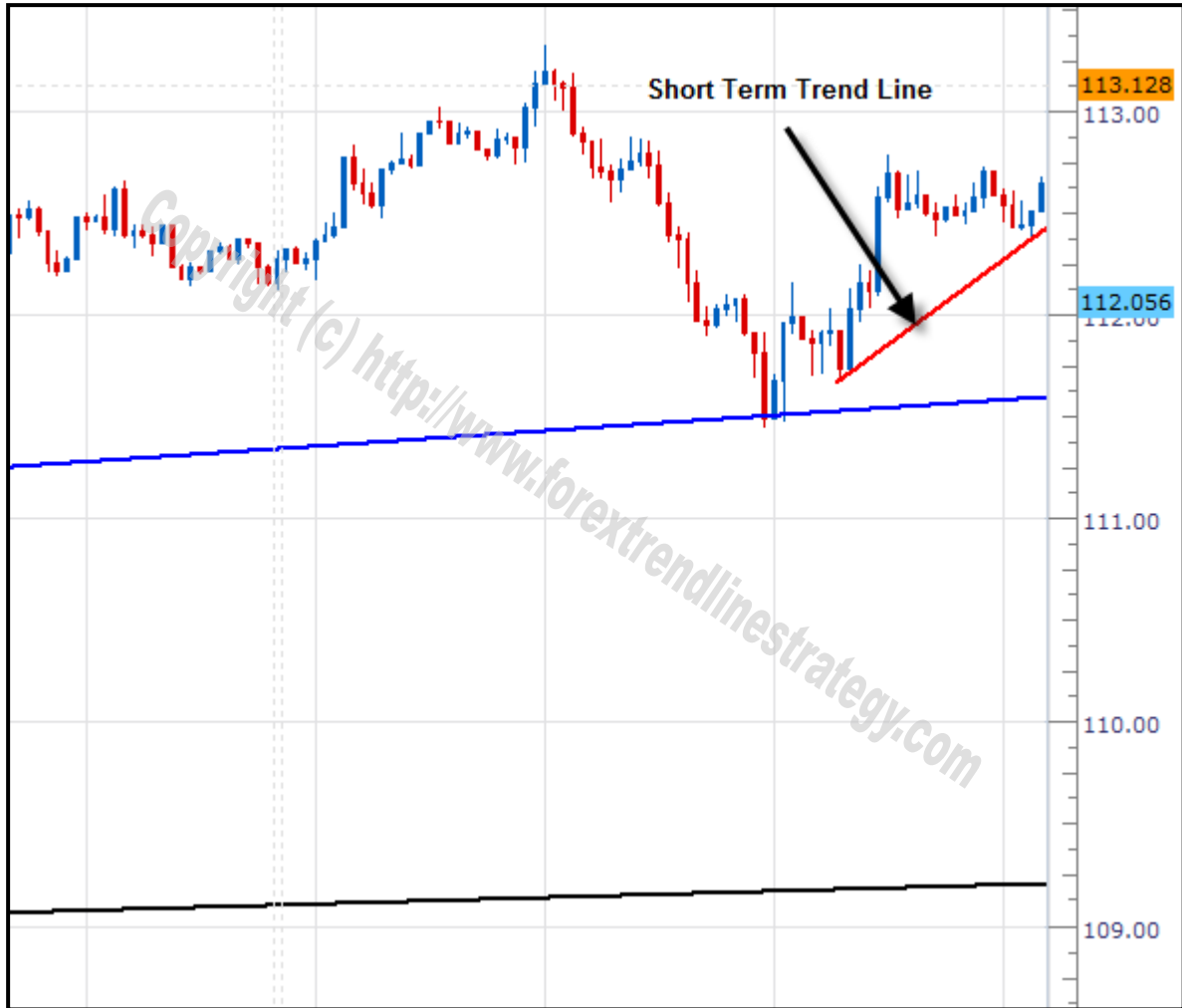
Step 4: Expand your selected time frame and look for major swing high or low after the last point of contact for the long term trend line.



Step 5: Connect those swing highs and lows that you have found in step 4 and you will get your medium term trend line



Step 6: Look at your recent candlesticks and draw the necessary trend line and that will be your short term trend line



1.1.2 Tom Demark™ Trend Line

The Tom Demark™ trend line is in fact created by a professional trader name Tom Demark. He has written a book to talk about it and you can find it at the last page of this book. When he is trading, he used to communicate with his partner through the phone and every time when they talk about trend line; he finds it very hard for them to be talking about the same trend line as the conventional trend line is very subjective. Every trader can draw different conventional trend line as everyone of us sees thing in a different way.

Therefore he tries to study ways to draw trend line that does not depend on the individual point of view and he came out with Tom Demark™ (TD) trend line. It is a very dynamic trend line as it will change with the market movement and this gives the trader the most recent line to trade with.

Compared to the conventional trend lines, this TD™ trend line is more systematic and not based on common sense or personal judgement.

Steps to Drawing Your TD™ Trend Line:

Step 1: Pick 2 **most** recent swing highs or lows (For TD™ trend line, the swing high and low needs not be major. It is simply the most recent swing highs and lows)



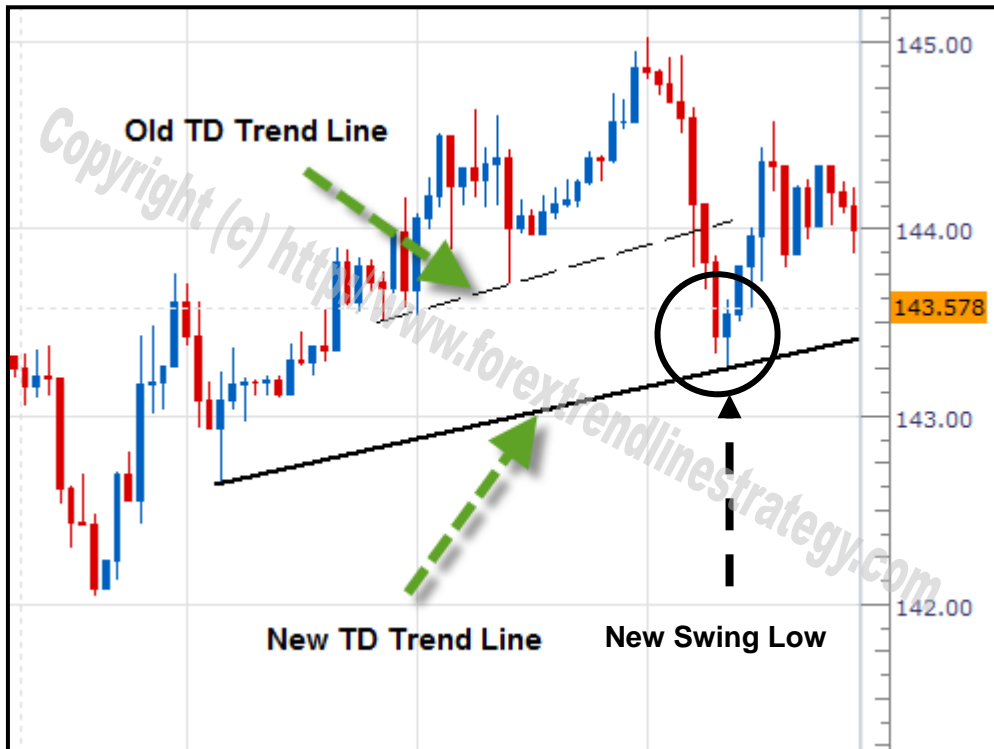
Step 2: Connect them and you will have your most recent TD™ trend line



As more new candles are formed, the TD™ trend line will change and you have to constantly follow up to get the best result.

More Examples on TD™ Trend Line





With the Tom Demark™ trend line, it's time to combine it with the Conventional trend line to get better result. The TD™ trend line is only used to draw the short term trend line but the way to draw the medium and long term ones stay the same. Do note that the TD™ trend line will constantly change as new swing high or low is being formed. Although it is pretty tedious to have constantly draw new trend line, it can give you the best and most recent trend line to trade with.

1.2 How to Determine The Strength of Your Trend Lines?

Knowing the strength of the trend line that you have drawn can be beneficial to your trading.

If the trend line that you have drawn is strong, there is a high chance that the market will respect it and get repelled by it when it touches the line.

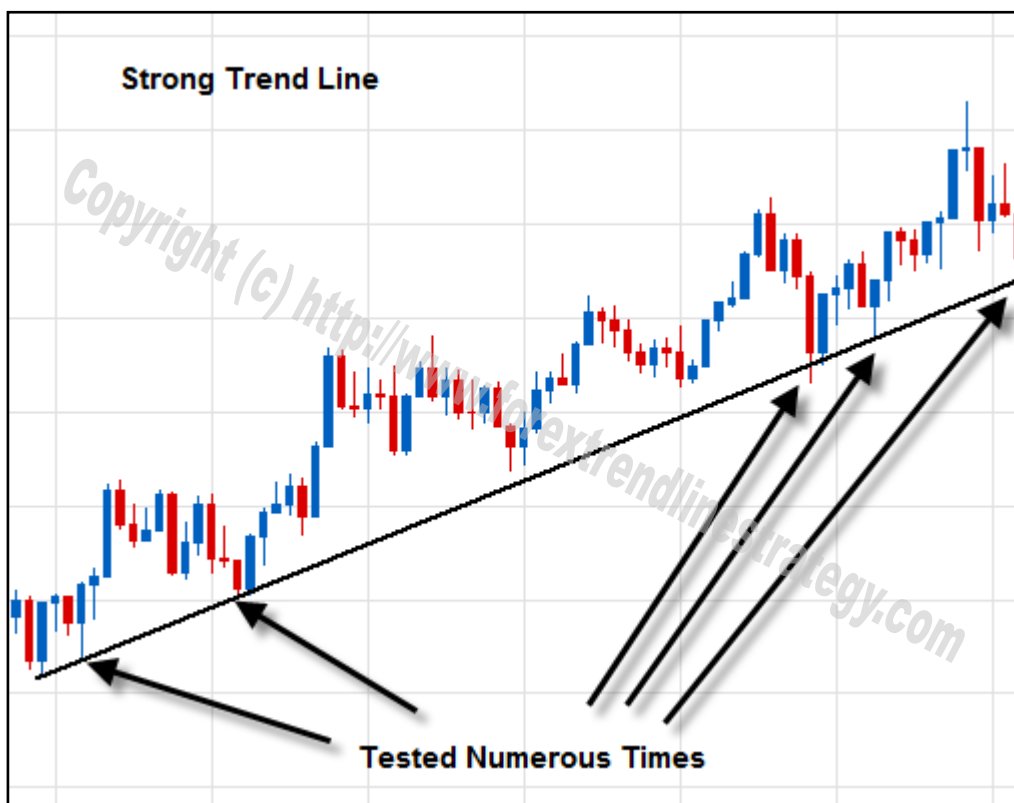
Drawing trend lines that are insignificant is equivalent to not drawing any trend line. You will find that the price usually does not respect these levels and therefore it cannot be used to help you in your trade.

Below is how you can determine the strength of the trend line

Number of times the trend line has been touched α The strength of the trend line

The more time the trend line has been tested by the price, the stronger is the line and the more likely it will be able to hold!

Example: (Strong Trend Line)



The strong trend lines are usually used as exit or entry position. Most traders enter a trade when the price successfully breaks through the strong trend line (Do take note of fake out which is very common in trading, I will go through with you in the later section of the book on how you can minimise the impact of fake out to your trading account) and exit their position when the price hits the strong trend line.

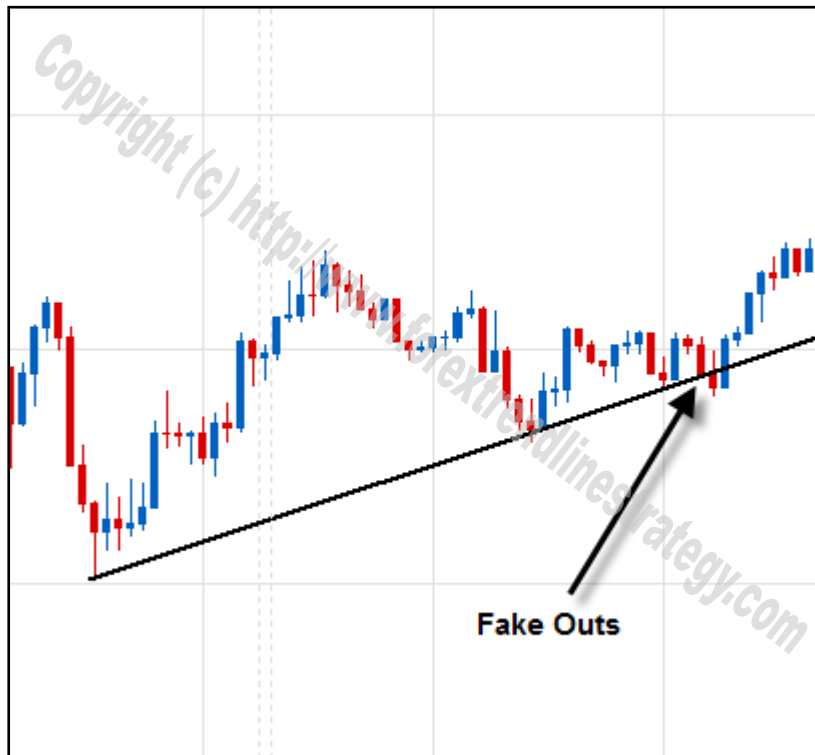
Example of Fake out:



In both of the examples, you can see the price breaking out of the trend line making you think that the breakout has occurred.

After a few candles later, the price reverses and stops you out.

Example of Fake out:

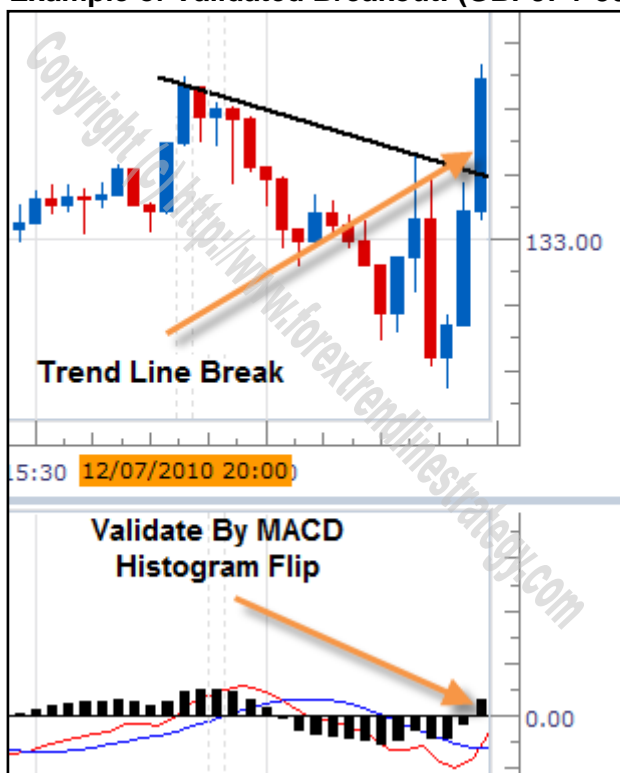


1.3 How to Confirm a Trend Line Break

The best way you can validate a breakout of trend line is through the use of MACD indicator. The MACD indicator is made up of a MACD line, a Trigger line and a histogram that shows the difference between these 2 lines. For the confirmation of trend line, you simply have to make use of the default MACD setting in your trading platform and you can adjust the sensitivity to suit your trading style.

In order to validate a breakout, you must make use of the histogram of this indicator. When you see the price breaking below a trend line, you should check your MACD to see if the histogram flips to the downside. If it did not, this is usually an indication that the breakout is a fake out and you should refrain from entering a trade. If the breakout is validated by the MACD flipping to the other side, you can then enter a trade. Do not rush into a trade when you see the histogram flips to the other side and you should always wait for the second bar to be formed on the MACD before confirming the flip over. There are times where the histogram may flip to the other side but eventually flip back up in the end invalidating your breakout.

Example of Validated Breakout: (GBPJPY 30 Minutes Chart)

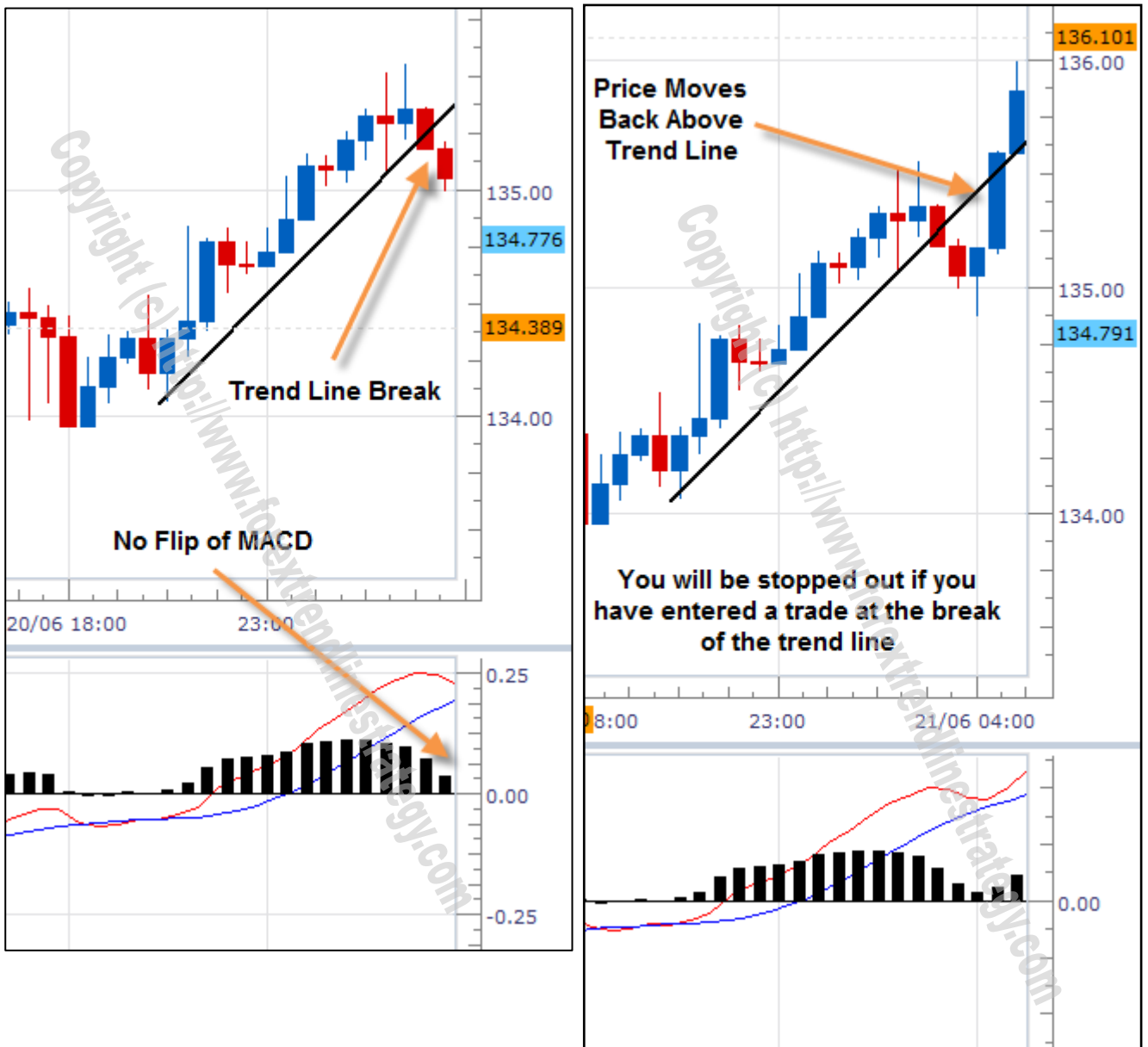


After the trend line break has been validated, the price moves back to retest the support trend line and then moves up.

Example of Validated Breakout: (GBPJPY 30 Minutes Chart)



Example of Fake out Captured by MACD: (GBPJPY 30 Minutes Chart)



You can also apply this technique to triangle breakout or any other breakout strategy. Fake out is sometime that is very common in trading and you must definitely try to minimise your losses due to it. Although this method is able to help you minimise your losses due to fake out, it is not possible to be accurate 100% of the time. There is nothing 100% about trading and you simply have to accept losses as part of the game.

1.4 How to Do Proper Price Projection

Now that you know how to draw conventional trend line and Tom Demark™ trend line, you are now able to plan your entry using the trend line. However a trading plan is never complete without a properly planned exit strategy, you can have the best entry technique but you will continue to struggle in your trading if you do not know when the best time to exit your strategy is.

From the moment you enter a position until you exit it, it is a complete cycle and you have to make sure that you have it all plan out if you want to win most of your trades. The main reason why most traders are losing despite them having a good strategy is because of their lousy exit plan. This is one section that most traders tend to neglect and this is what we are going to talk about in this section of the book.

The beauty of trend line is that it allows you to do some price projection which can help you to know when you should exit your position. There are a total of 2 price projection techniques that I will go through here so that you can make full use of all of them to perfect your trading plan.

First of all, let us go through the price projection technique that I always use for trend line break trading.

Here are the steps:

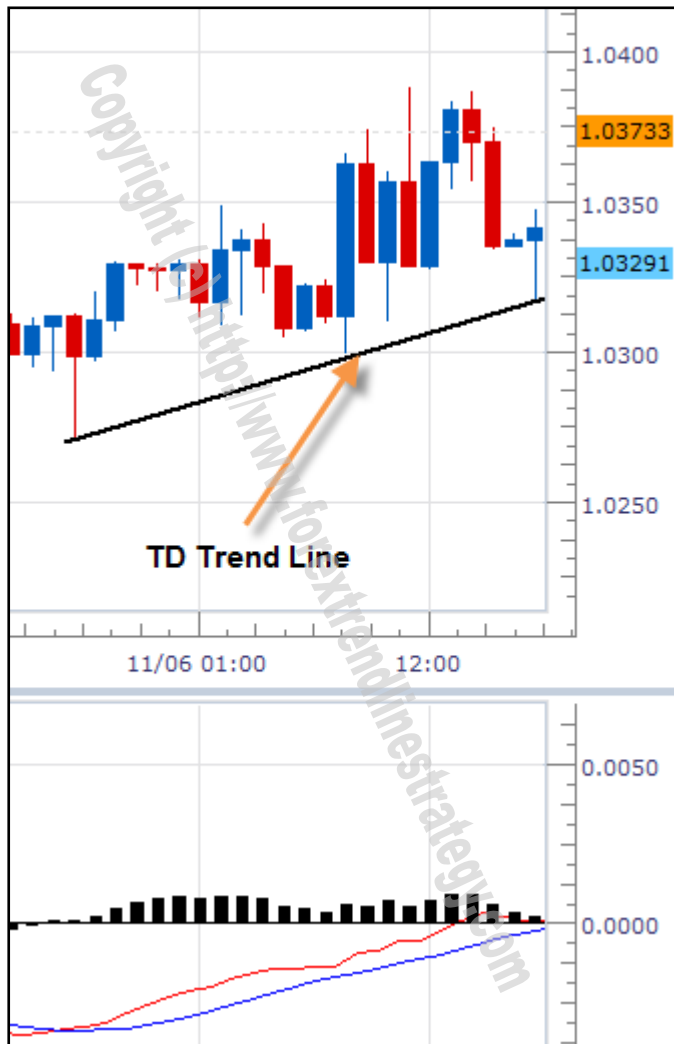
Step 1: Draw a TD™ trend line

Step 2: For a downward breakout, you should project a vertical line from the top of the highest candle within the trend line to the trend line. For an upward breakout, you should project a vertical line from the bottom of the lowest candle within the trend line to the trend line.

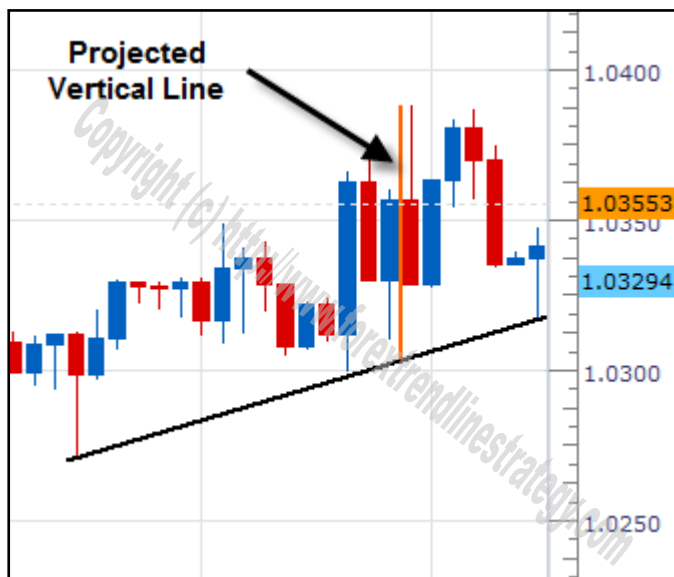
Step 3: From the point of breakout, place the line you have projected on Step 2 to see the projected movement of the price.

Example: (USDCAD Hourly Chart)

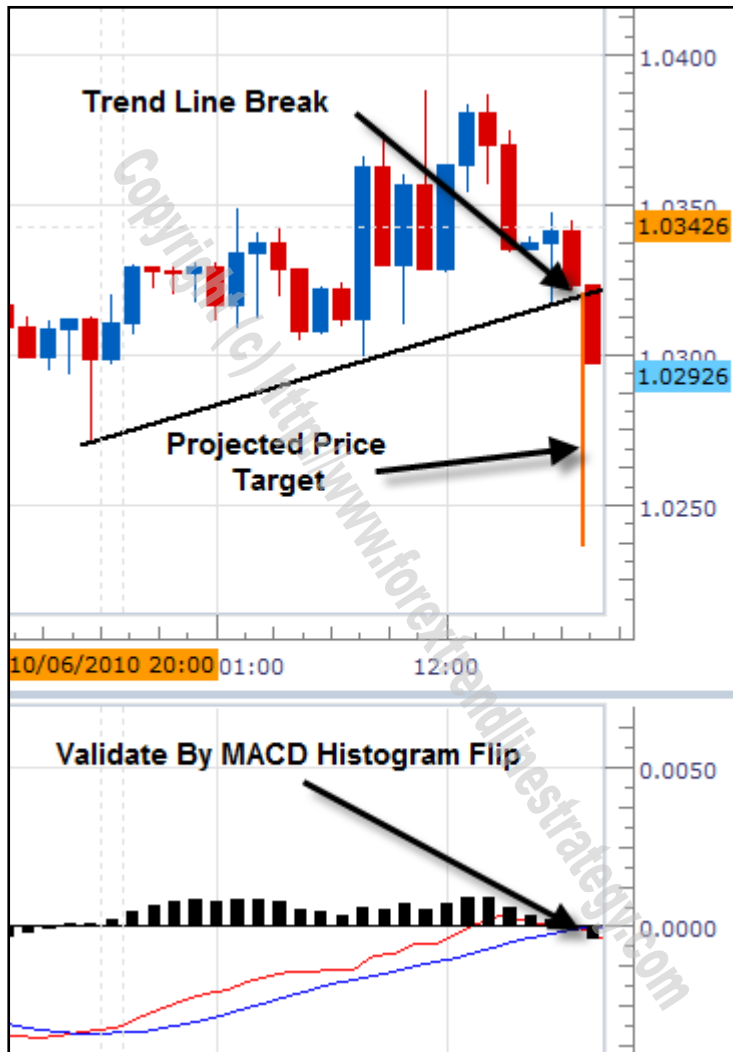
Step 1: Draw a TD™ trend line



Step 2: Project a vertical line from the top of the highest candle within the trend line to the trend line.



Step 3: From the point of breakout, place the line you have projected on Step 2 to see the projected movement of the price.



See how the price moves after that



The above is a more conservative method of price projection and I sometime may go for more adventurous projection which will give you more profit but at the same time increase the risk of price moving back to take back all the profit you have accumulated.

Here are the steps:

Step 1: Draw a TD™ trend line

Step 2: For a downward breakout, project a vertical line from the top of the highest candle within the trend line to the lowest point of the trend line. For an upward breakout, project a vertical line from the bottom of the lowest candle within the trend line to the highest point of the trend line.

Step 3: From the point where the price broke out of the trend line, place the vertical line and you will get the projected movement of the price.

Example: (GBPCHF 15 Minutes Chart)

Step 1: Draw a TD™ trend line



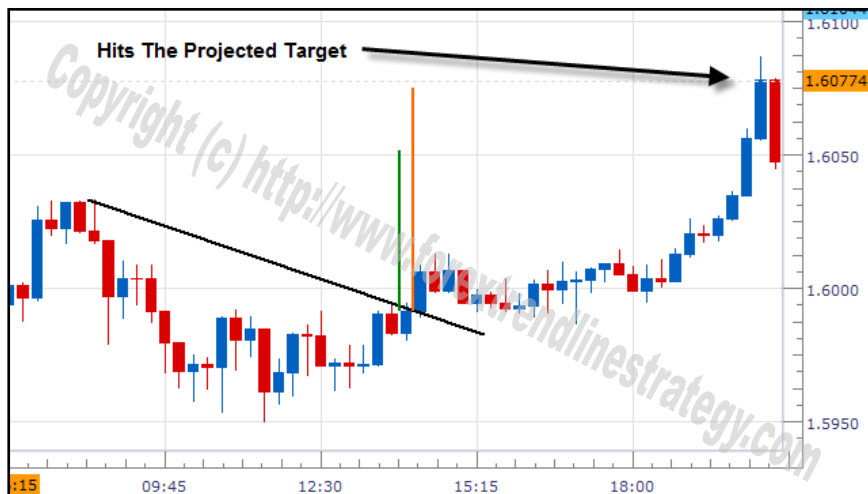
Step 2: Project a vertical line from the bottom of the lowest candle within the trend line to the highest point of the trend line.



Step 3: From the point where the price broke out of the trend line, place the vertical line and you will get the projected movement of the price.



See how the price moves after the validated trend line break



With the price projection techniques, you have already learned a good exit strategy for your trade. In the next section, I will be sharing with you 2 trend line trading systems that you can put to use in your trading.

Section 2

Trend Line

Trading System

2.1 How You Can Trade Using Your Trend Lines?

Method 1: Multiple Trend Lines Trading System

This is the part where you will be most interested in as I will be showing you how I use multiple trend lines in my trading. For short term trading, you can make use of your short term trend line for entry purpose. Whenever you see the price breaching the short term trend line, you should immediately check whether it is a valid breakout using the technique taught in Section 1.3. If it is indeed valid, you should then enter a trade in the direction of the breakout.

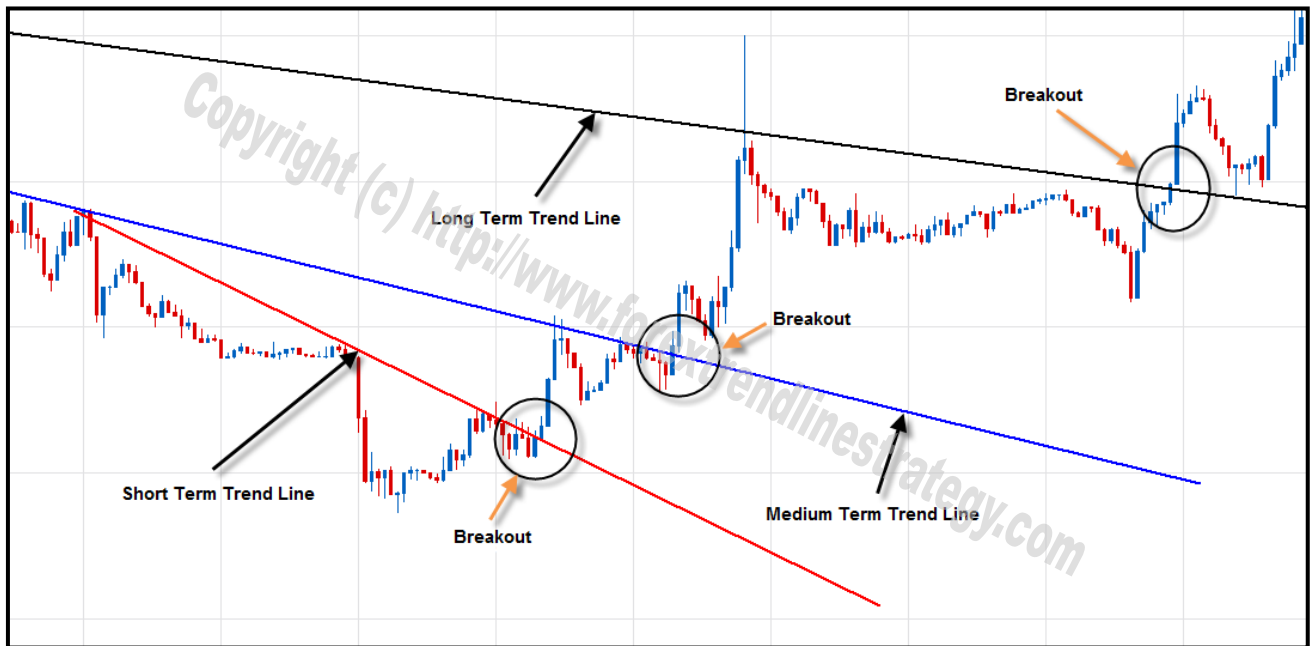
As stated in Section 1.4, a strategy is not complete if you do not have a clear exit point. For this trading system, you can then use the medium term trend line as an exit target as the price will most probably respect that trend line and get repelled by it.

Example: (EURUSD 15 Minutes Chart)



In addition, you can also use the medium term trend line as an entry signal. When you see the price breaking below the medium trend line, you can make use of the long term trend line as your exit target.

Example: (EURCHF 15 Minutes Chart)



See how the price breakout of the short term trend line (**RED**) and then moves toward the medium term trend line. After the price hovers around the medium term trend line (**BLUE**), it eventually broke through it and then moved toward the long term trend line (**BLACK**).

Similarly, you can see the price hovering around the long term trend line before breaking through it.

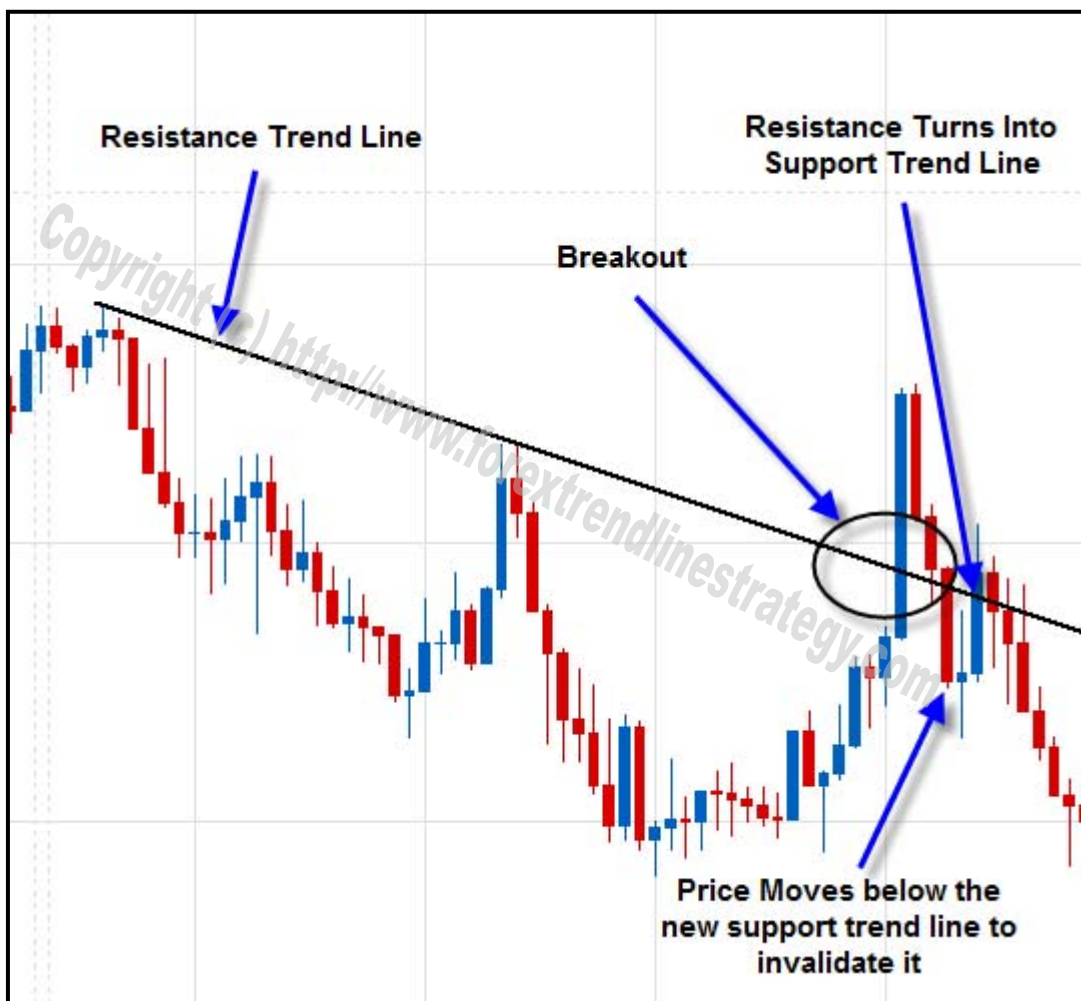
From the above example, it shows that you can make use of the medium term trend line and long term trend line as your exit target. This technique can be combined with swing trading and breakout trading. When you enter a swing trade or breakout trade, you can use the medium or long term trend line as your exit position.

Method 2: Support Turns Resistance Trading

The second system that I want to share with you is the support turns resistance trading system. If you have been looking at the forex movement, you will find that the price often bounces off past resistance or support.

This is because when a price moves past a resistance trend line, the resistance trend line will immediately turn into a new support trend line and you will most of the time find the price coming back to retest this support trend line. If the new support trend line is indeed valid, the price will bounce off it and if the price cuts below the new support trend line, it will be considered as an invalid support and you have to find and redraw a new trend line.

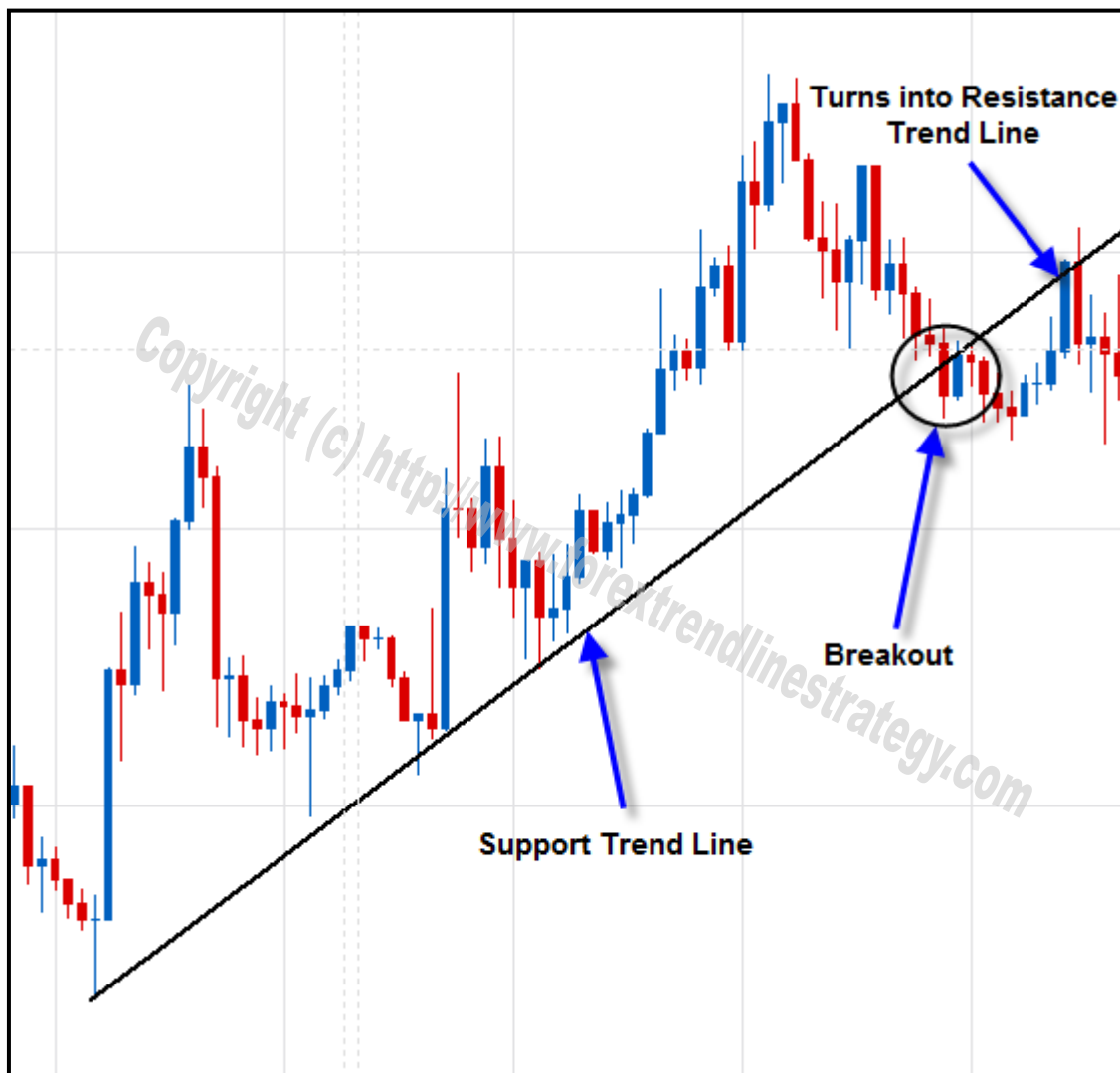
Example of Invalid Resistance: (GBPCHF Hourly Chart)



The above demonstrates an invalid resistance turns support and below I will be showing you a valid support turns resistance and how you should trade this pattern.

As what we have gone through above, when the price breaks below or above a trend line, it will most probably move back to retest the trend line. Let's take for example that the price breaks below the support trend line. At the point of breakout, the support trend line has turned into a resistance trend line. As the price moves down, it will eventually moves back to retest the new resistance trend line before it moves to its full projection. Below is an example of valid support turns resistance.

Example of Valid Resistance: (GBPCHF Hourly Chart)



For this trading strategy, you can always wait for the price to come back to retest a trend line before you enter a trade. This can give you higher probability of success as compared to entering a trade at the point of breakout. For this method of trading, it is more conservative as traders will wait for the price to retrace to retest the trend line before entering their trades.

However there are times where the retest of the trend line is not successful and the price move back into the trend line again. This will invalidate the new support or resistance trend line and you need to redraw a new trend line.

Section 3

Trading Examples

Trading Example #1: EURUSD

In this trading example, I will be using the EURUSD on the 30th June 2010; 15 minutes chart to show you how to trade multiple trend lines system.

First of all, let us draw the long term trend line for this pair.



Next, let us draw the medium term trend line.



Finally, let us draw the short term trend line and start to look for trading opportunity.



From the chart, you will see that there is a formation of a new swing high and according to Tom Demark™ trend line drawing technique; you will have to redraw a new TD™ trend line to replace your current one.



From the chart below, you will see the first breakout of the trend line but you should not rush into trade as you have not yet validate your trend line break. With the MACD indicator, you can see that there is no flip of histogram as the histogram is already above the zero line and therefore the breakout is invalid. Therefore I will not enter a trade and continue to wait for other setup that is valid.



The next few candles produce a new swing high and you have to redraw a new TD™ trend line.



Below is how you should draw your new TD™ trend line



Wow, we have another breakout happening here but we have to check if it is valid or not.

From the MACD indicator, you will see that this breakout is again invalid as there is no flip of the histogram.



A few candles later, a new swing high has been formed and you have to draw another new TD™ trend line.



With the formation of a new swing high, it is a must to redraw a new TD™ trend line so that it can give you the most recent trend line to trade with. Below is the picture of the new TD™ trend line drawn after the formation of the new swing high.



After a few candlesticks, the third trend line break occurs again and this time the breakout is validated by the flip of the MACD histogram and you should now enter a trade.



Next, you should start to set your stop loss and target profit. For the stop loss, I usually set it below the most recent swing low and for the target profit, there are 2 ways you can go about doing it.

- 1) *The Medium Trend Line*
- 2) *Price Projection Technique*

Depending on your preference, you can pick any one of the above as your target profit. In this case, I will do both to show you how to do it.

Price Projection Technique



Alternatively, you can make use of the medium term trend line to exit your first lot and the second lot at the long term trend line. This is what happened after our entry.



The price indeed reaches our target profit and makes us 40 pips.



2 hours 15 minutes later, the price moves up to hit our second profit target and make us 106 pips.



In total, this trade makes us 146 pips in profit. However not all trade will unfold in the manner that benefits us, there may be times where we will be stopped out by the market without any explanation. As long as we make sure that the strategy that we are trading has a high risk

reward ratio and high winning percentage, we will be profitable in the long run even if we face some losses.

However there is no way you can win all the time without a single loss as losing is simply part of the game. There may even be time where you will experience consecutive losses that may dampen your confidence.

Trading Example #2: EURUSD

In this trading example, I will be using the EURUSD on the 25th May 2010; 15 minutes chart to show you how to trade multiple trend lines system.

The first thing you must always do is to draw a long term trend line.



After you have drawn your long term trend line, you should start to draw your medium term trend line.



Once you have drawn your medium term trend line, you should go ahead to draw the short term trend line to look for trading opportunity.



After a few candles, a new swing high is formed and you will need to redraw the latest TD™ trend line.



Below is how you should draw a new TD™ trend line.



Again a new swing high has been formed and a new TD™ trend line is being formed.



Next a breakout of trend line occurs and you have to check the MACD histogram to see if it is confirmed.



From the flipping of the MACD histogram, you can see that the trend line breakout is confirmed. According to the second method of using trend line, when the price breaks above the resistance trend line, the resistance trend line has turned into a support trend line.

After a few up candles, the price started to retrace back to retest the new support trend line.



After the price successfully retested the trend line, it started to move up swiftly until it hits the medium trend line and this is where you can exit your position. For those of you who have miss the chance to enter a trade at the point of breakout, the retesting of support trend line will give you another chance to enter your trade.

See how the price retraces back after hitting the medium trend line.



For those of you who have entered several lots, you should now exit some of them while shifting the stop loss of the remaining lots to breakeven point.

See how the medium trend line stopped the movement of the price



After several candles, a new TD™ trend line can be drawn.



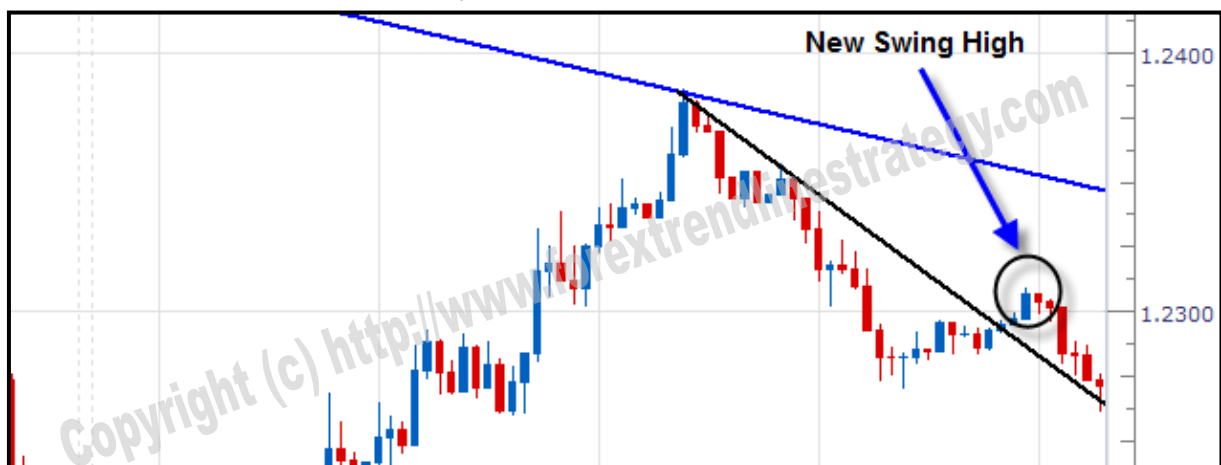
Several candles later, the price breaks above the trend line and is confirmed by the MACD histogram flips over. As the price breaks above the trend line, the resistance trend line has now turned into a support trend line.



The price then retraces to retest the support trend line and at this time, the stop loss of most traders will be hit as the price retraces below the recent low. (This is to show you that losses are simply part of the game. You can have the most perfect setup and find yourself being stop out.)



At this point, a new swing high is again being formed and you need to redraw a new TD™ trend line in order to continue with your trade.





After several candlesticks, there is another breakout of the trend line which is validated by the MACD histogram flips over. This is where you can enter another trade to grab the profit.



If you have entered any trade, you can aim to exit them at the medium term trend line again.



This trading example can go on forever as new trend line will always be formed and new breakout will be occurring. The below picture will show you how the price eventually break above the medium trend line and hits the long term trend line. *(See the power of this method!)*



As a whole, these 2 examples are meant to help you better understand how you can trade with trend lines. Some of you may think that the trend line strategy is too simple and may not be practical.

In fact, this is a very reliable trading system and whether you can profit from it or not depends on the amount of practice you have done and your discipline in carrying out the strategy. I hope that I have provided you with a good trading strategy so that you can make your 20 pips per day.

Conclusion

Trading is a game of probability and as a trader; we should always try our best to create an edge over the market by increasing our winning probability. It can be done through the fine tuning of our trading strategy as well as improving our ability to execute the strategy.

But no matter how hard we try, there is no way you can win 100% of the time. I seriously hope that you are able to accept loss as it is part of the whole trading game. In order to be profitable in trading, you should always strive to improve your winning percentage as well as increasing your risk reward ratio.

The trend line trading strategy that is taught in this book is a simple and easy to execute strategy that traders of any experience can use. I hope that you put what you have learned in this book to practice and eventually make constant profit from it.

If you have any queries regarding this strategy, do feel free to email me with your questions. However please try to understand that it is impossible for me to answer all questions one by one as I have to handle so many of you.

Last but not least, I will like to express my gratitude to all of you who have purchased my book and wish you all the best for your trading.

A handwritten signature in black ink that reads "Kelvin Lee". The signature is written in a cursive, flowing style with a large initial 'K' and 'L'.

Other Useful Resources for You:

These are most read articles on my blog and I have decided to place them here so that you can benefit from reading them. I have spent at least an hour to write each of my post, finding the best image for you to see and I seriously hope that you can become a successful trader one day.

Do spend some time to read through them and digest the information.

Article 1: Best Forex Scalping Indicators Revealed

(Extract From <http://www.forexindicator.org>)

Scalping the forex market has become a popular way of trading among traders. This is because it allows the trader to take profit fast by getting out of the market within minutes. Due to the short term trading involved, the entry and exit of your trading position can make a big difference. In order to be able to conduct effective scalping, you need the help of several forex scalping indicators that can help you create an edge over the market.

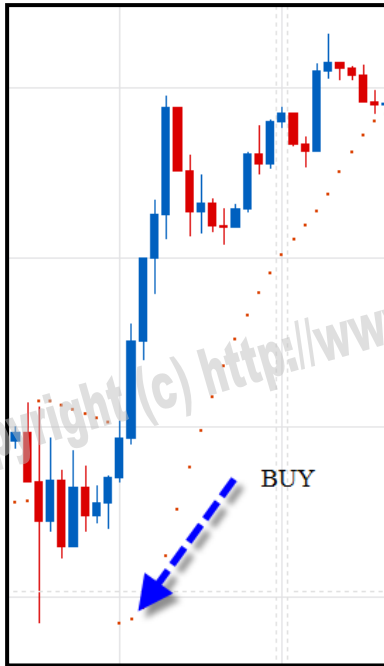
In this post, I will be sharing with you several forex scalping indicators that I use during my own scalping trade. These indicators perform different task to ensure you have a better winning probability. Do note that using these indicators does not 100% guarantee that you will make profit as trading is a game of probability.

Below are the forex scalping indicators to use

1) **Parabolic SAR Indicator**: The PSAR is a tool that can give you an entry or exit signal. What you need to look for is for the PSAR to flip to the side in your favour before you can enter a trade.

As for exit, you should exit your trade whenever you see the PSAR flipping to the side that is against your position.

BUY Signal



SELL Signal



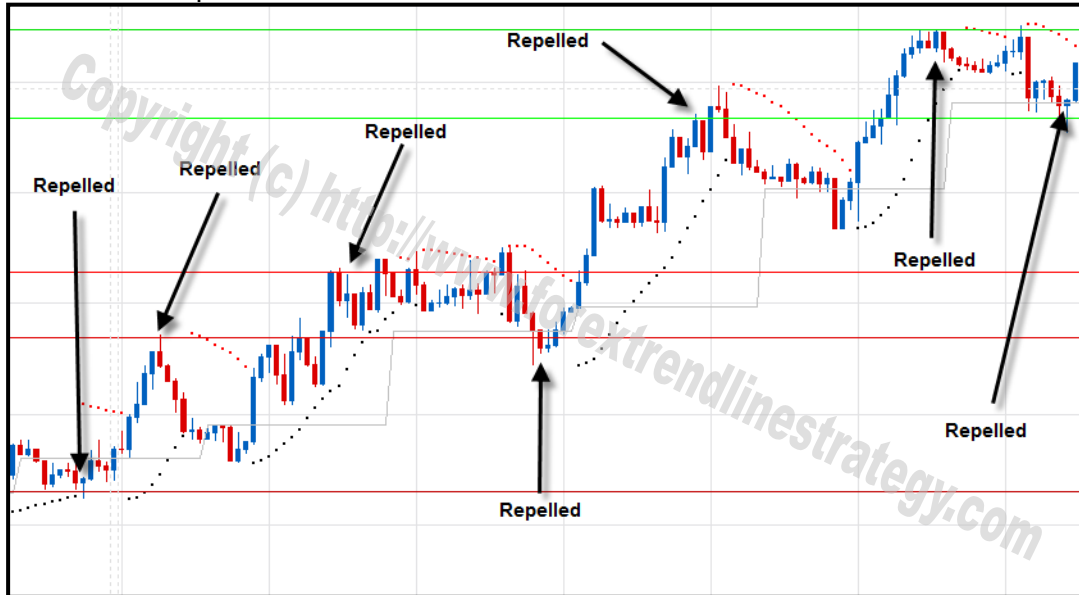
2) **Stochastic Indicator**: To improve your trading accuracy, you can make use of the stochastic indicator to help you map out the current situation of the market. There is no point in you entering a long position when the market is already overbought and therefore this indicator can be used to help you prevent such low winning probability trade.

Whenever the stochastic hits the overbought or oversold zone and reverse, the price will usually retrace and this is the best time for you to scalp the movement. With the help of the stochastic, you will be able to know when the retracement is going to occur.

3) **Pivot Point**: There is nothing more important than support and resistance for a scalper. Whenever the price hits a support or resistance, there is a chance for it to be repelled and this is what a scalper is looking for.

Other than those previous highs and lows which can be used as a level of support and resistance, you can make use of the daily pivot point to help you identify major [support and resistance](#). The reason why the pivot point is so powerful is because it is usually used by those commercial traders and thus has more significant than other levels.

Pivot Point Repulsion



When you see the price approaching the pivot levels, you should be ready to take a look at the stochastic and PSAR to look for entry. To find out more about [forex scalping system](#), you can read one of my previous posts that talk about how to scalp the forex market.

The most important thing for a trader is to wait patiently for a confluence of events to occur before pulling the trigger. This can greatly increase your chance of winning and avoid unnecessary losing trade.

Article 2: My Favourite Forex Trend Indicators

(Extract From <http://www.forexindicator.org>)

Being able to enter a position in the direction of the trend can be very profitable for your trading. If you have been in this field for sometime now, you will understand that the trend is your friend. However the problem with most traders is that they are unable to identify the trend.

Therefore I will like to share with you some forex trend indicators that I often use to help me in identifying the trend.

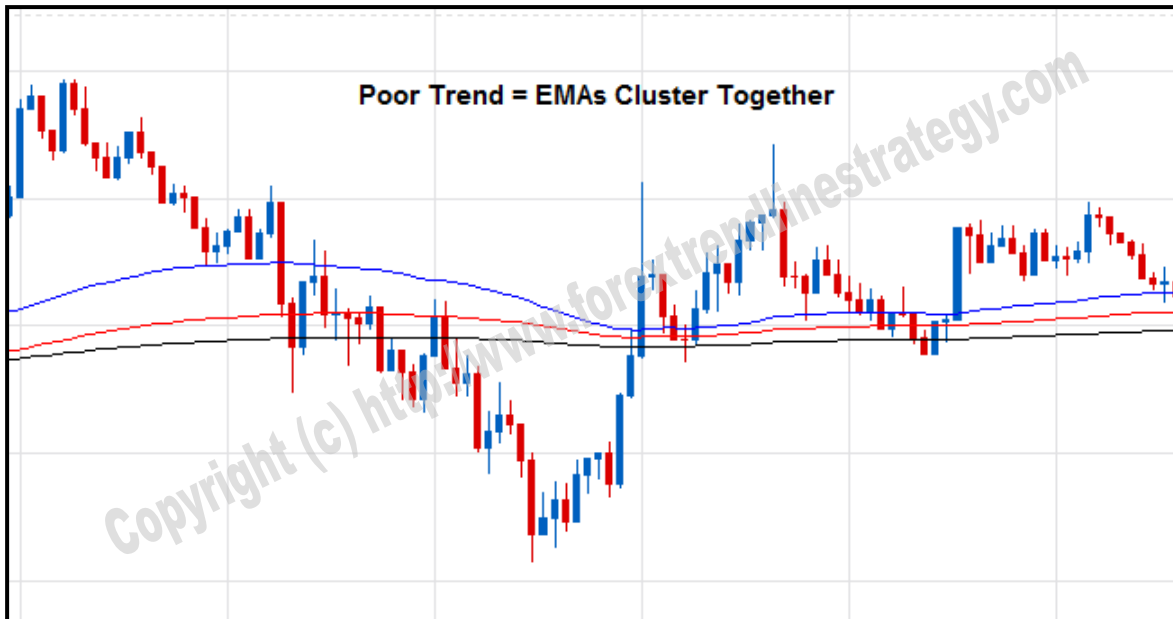
Here are what I usually use

1) Multiple Moving Averages – If you want to make use of the multiple moving averages to help you to identify the trend, you can do the following setup on your chart.

All you need to add is a 100EMA, 200EMA and 400EMA. If the 3 EMAs are sloping in a particular direction with good angle and separation, you are in for a good trend. However if you see the 3 EMAs flat and clustering together, you are in a period of consolidation.

Strong Trend



No Trend

If you want to know more about how to trade using moving averages, you can take a look at my previous post.

2) **MACD Indicator** – This is the next indicator you can use to help you to tell the trend. The setting for this indicator can be as default and all you need is to check whether the MACD and its trigger line is above or below the zero line.

MACD Trend

If you see the 2 lines above the zero line, you are in an uptrend and if you see the 2 lines below the zero line, you are in a downtrend.

3) ADX Indicator – This indicator is not really considered a trend telling indicator. However it can be used to tell you the strength of the trend that you have obtained from the above 2 indicators.

Whenever you see the ADX pointed upward, you are in a strong trending market. Let's say that you see the multiple moving averages pointing down with good angle and separation and you see the ADX indicator pointing up, you are in a strong trend.

ADX Indicator



The above forex trend indicators are what I usually used to identify a trend and I hope that it will be useful for you as well.

Article 3: Forex Pivot Point Trading Strategy

(Extract From <http://www.how-to-trade-currency.com>)

Forex pivot point trading is what some people call "**Big Dogs Trading Method**". This is because pivot point is usually used by those traders in the banks and big institutions. As these groups of people make up a large volume of the transactions, they are usually causing the movement in the price.

So what exactly is pivot point?

The pivot points are considered to be major levels of [support and resistance](#) where you are likely to see repulsion of price.

What It Consists of:

Resistance 3 (R3)

Resistance 2 (R2)

Resistance 1 (R1)

Pivot Point (PP)

Support 1 (S1)

Support 2 (S2)

Support 3 (S3)

How to Trade Pivot Points?

The pivot points can serve as a good [entry and exit indicator](#). There are different ways you can trade with pivot point depending on the type of traders you are.

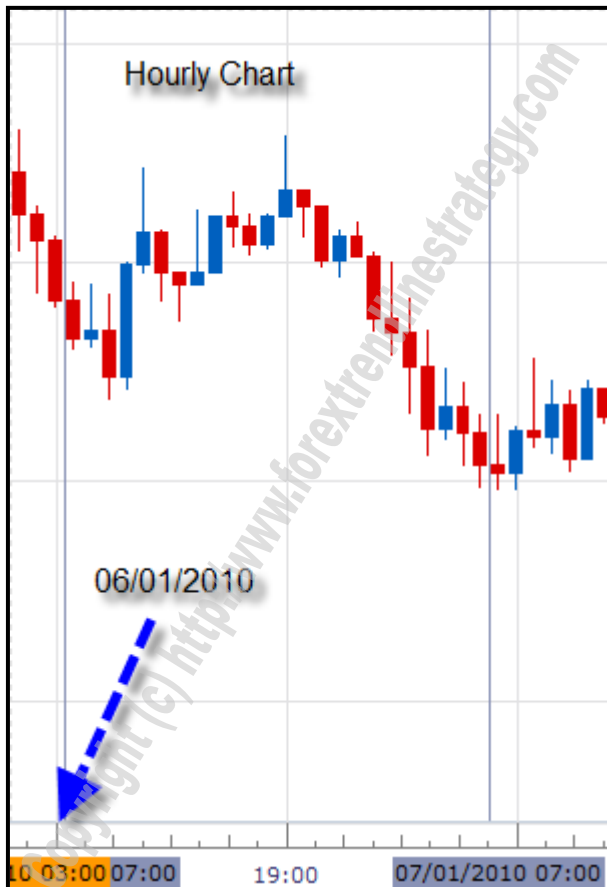
Do not worry about the calculation and the formulas as there are numerous pivot calculators out there that you can use to help you calculate all the levels.

In this post today, I will go through the step on how you can set up pivot points on your chart.

Step 1: Go to your Hourly chart (Each candle represent an hour)

Step 2: Select a time that you are trading and then back date 24 hours (Example: if you are trading at 7th January 2010 7am EST, you will also need the data on the 6th January 2010 7am EST.)

Hourly Chart Setup



Step 3: Place your cursor on the 6th January 2010 7am EST candle and record down the OPEN (O) value

Record OPEN Value

Step 4: Look for the highest candle within the 6th January to 7th January and then place your cursor on the candle to record the highest (H) value

Record HIGH value

Step 5: Look for the lowest candle within the same period as step 4 and then place your cursor on the candle to record the lowest (L) value

Record LOW value



Step 6: Place your cursor on the 7th January 2010 8am candle to record the OPEN (C) which is the closed value for the day

Record CLOSE value



Step 7: Go to your pivot point calculator and then enter the OHLC value to calculate the pivot levels

This Pivot Point Calculator can be used to calculate pivot points for forex, futures, bonds, commodities, stocks, options and any other financially traded instrument that has a high, low and close price in any time period. Not every pivot point calculator is the same. The pivot point calculator lets you select the formulae you want to use and remembers your choice.

Enter The Recorded Values Here

| | |
|-------|---------|
| Open | 1.59821 |
| High | 1.60586 |
| Low | 1.58964 |
| Close | 1.59071 |

Calculate

Decimal Decimal
 32nds
 64ths

Decimal Places

Quick Change Formula Set
 Classic

Ads by Google

[Free Options Tutorial](#)
 Trading Option Contracts Explained Step By Step Guide, Download Now
www.TheTrendRider.com

| Formula | |
|---------|----------------|
| R4 | PP + RANGE * 3 |
| | midpoint |
| R3 | PP + RANGE * 2 |
| | midpoint |
| R2 | PP + RANGE |
| | midpoint |
| R1 | 2 * PP - L |
| | midpoint |
| PP | (H+L+C)/3 |
| | midpoint |
| S1 | 2 * PP - H |
| | midpoint |
| S2 | PP - RANGE |
| | midpoint |
| S3 | PP - RANGE * 2 |
| | midpoint |
| S4 | PP - RANGE * 3 |

Here are the calculated Pivot Point Levels

Next you can then plot the pivot points on your trading chart and see how the price respects them.



Article 4: **Forex Breakout Trading Made Easy**

(Extract From <http://www.how-to-trade-currency.com>)

There are only three ways any forex traders can trade the market. Either you decide to go for Forex Range Trading, Forex Breakout Trading or [Forex Swing Trading](#). Anyone of this can be equally profitable if you know how to trade properly.

In this post, I will be focusing on talking about forex breakout trading and how you should go about trading this kind of situation.

What is forex breakout trading?

It is the sudden burst of price movement in a particular direction after a period of consolidation. Forex breakout is usually accompanied by a breach of trend line or trend wall after a period of price moving sideways. The price will then move considerable in the breakout direction and this is when you are going to bank from.

How to profit from forex breakout trading?

Step 1: Setup a Bollinger Band – This can help you check if the market is currently moving sideways or trending. Forex breakout trading works best for consolidating market. When the Bollinger Band is very narrow, then the market is at the stage of consolidation and you should be watching out for the breakout trade to occur.

Step 2: Draw a Trend line or a Trend Wall – What a trend line or trend wall does is to show you the range the price is currently moving and allows you to have a gauge of knowing the direction of the breakout.

Step 3: Watch out for sudden expansion of Bollinger band and breach of trend line – When the Bollinger band suddenly expand after a narrow consolidation and the price also breach the trend line at the same time, you should be entering a trade based on the direction of the breakout to grab your profit.

Below is a picture of a typical forex breakout trade:



These are the three simple steps you can take to profit from forex breakout trading.

I have written another post [forex breakout trading](#) made easy part 2 that will teach you how to increase your odd of winning using breakout strategy by minimising something known as fake outs.

Article 5: Is Trading Forex For a Living Possible

(Extract From <http://www.how-to-trade-currency.com>)

I have received several emails from readers of my blog asking me whether trading forex for a living is achievable. Therefore I am going to answer this question here on this post so that anyone reading this blog will benefit from it as well.

If you have been following my blog, you will know that I have always been playing down talks about how easy forex trading is. There are a lot of sales letter telling you how easy forex trading can be and you can make money simply with a click of a button. If you are having this kind of mentality at the moment, you should refrain from trading and start to re-adjust your mindset. I have met people who are trading forex for a living and all of them actually make it with considerable amount of effort and time.

Although it is not easy to become a full time trader or even make extra income from trading, it is something that is achievable and worth putting effort for. Forex trading is a recession proof income and it is something that no one can take away from you once you have learned and know how to trade profitably. Therefore in this post, I will highlight to you several facts that you need to know about the journey to trade for a living.

1) Time: Unlike what is usually seen on advertisement, forex trading is not a get rich quick scheme and you will not be able to make thousands of money from a robot or software. If the robot or software is so capable, do you think that you can get it for just a couple of hundred dollars?

After talking to other traders in this field, I can roughly tell you the time required for you to be able to make money **CONSISTENTLY** from trading forex. The key here is not to simply make one or two winning trades; it is to be able to generate consistent income months after months from trading. I personally take about 9 months to a year and several people that I know takes about a year to 2 to achieve consistent income. Therefore you need to give yourself at least

3 to 6 months to learn, 3 to 6 months to practice on a demo account before you start to trade live with you money.

2) Focus: New traders tend to jump from one strategy to another without giving a particular strategy a chance to perform. In order to be able to find a strategy that you can use permanently, you should spend sometime to try out the strategy on a demo account and measure its accuracy and profit. The problem with most people is they give up on a strategy once they see it producing a losing trade and then quickly move on to find another so call 'better' strategy that is perfect.

To be frank, there is no strategy that can give you 100% winning trade. As a trader, you need to understand that losing is simply part of the game and it is something that you have to accept. Therefore it is very important for you to focus on a strategy by trying it out on various market conditions and across different currency pairs. This can give you a good understanding on how to execute it and what kind of returns you can expect from it.

3) Discipline: This is also a very important point you have to take note if you are serious about trading forex for a living. There is no use for you to put in a lot of effort in learning and testing out a strategy but never really adhere to it when you are trading. There are a lot of people who are eager to get into a trade and enter trade even when there is no setup that is needed in their strategy. This is why there are a lot of losers in this field as compared to winners.

Having the discipline to stick to your plan is extremely important as consistency is the key to trading success. As long as you stick to your tested trading strategy and exercise good money management, you will definitely be able to make consistent income from trading.

4) Money Management: As stated in point number 3, exercising good money management can make a difference in your trading success. Often you will hear people talk about money management but did not really understand what it is all about.

The main difference between a gambler and a trader lies in their money management. A gambler simply bet based on their emotion and does not really care if they are able to trade another day. A trader always take note of their account to make sure that they are able to continuing trading even if they lost a few trades consecutively. Read this post on money management for more information.

The above are 4 things you must take note if you are serious about trading forex for a living. I believe that anyone can make consistent profit from trading as long as they are willing to put in the required effort and time.

If you like the above information, you can find them at my blogs

<http://www.how-to-trade-currency.com>

<http://www.forexindicator.org>

Other Recommended Resource

- 1) The New Science Of Technical Analysis By Tom Demark

