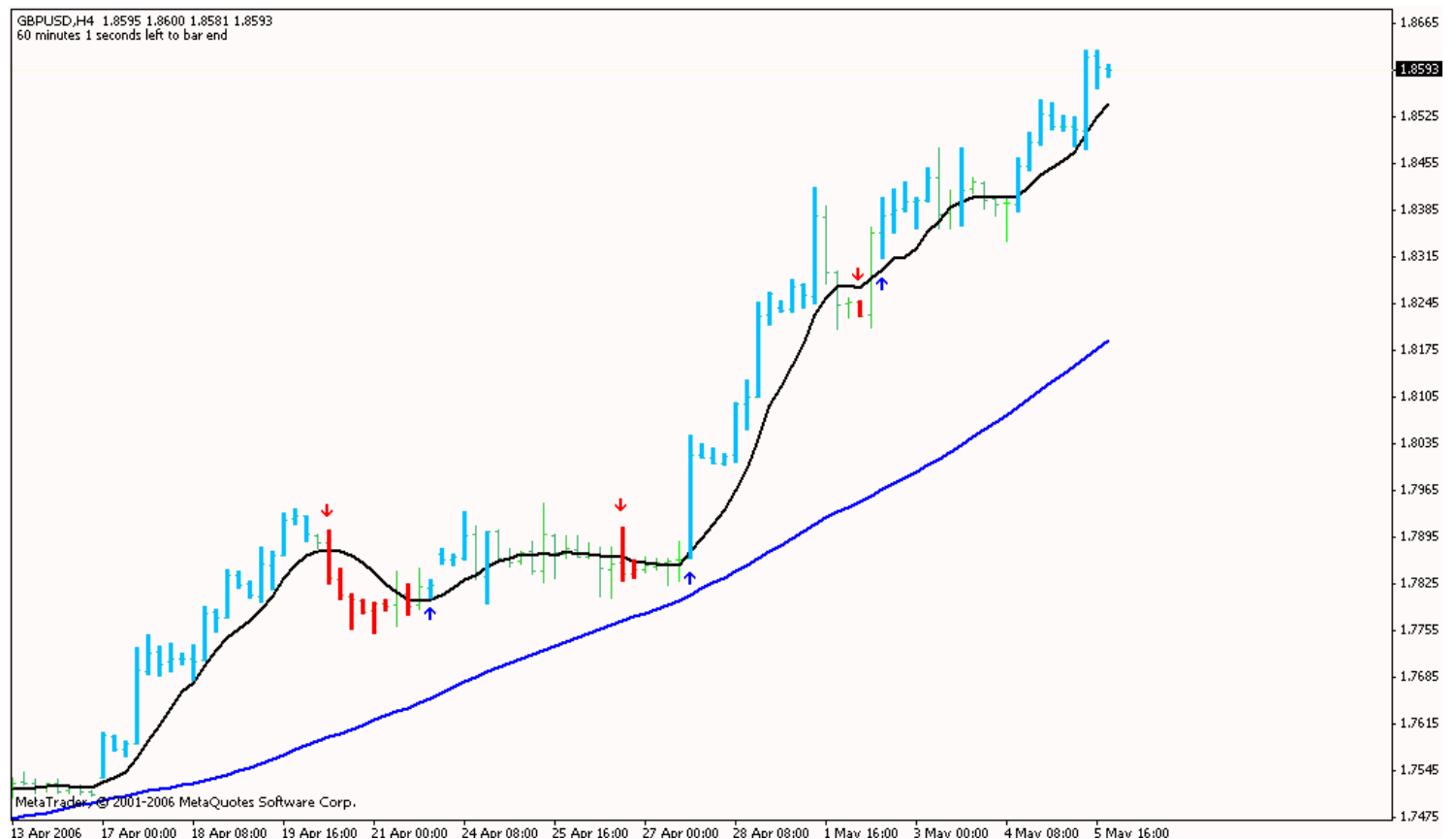


## EJ\_4H Method Part III

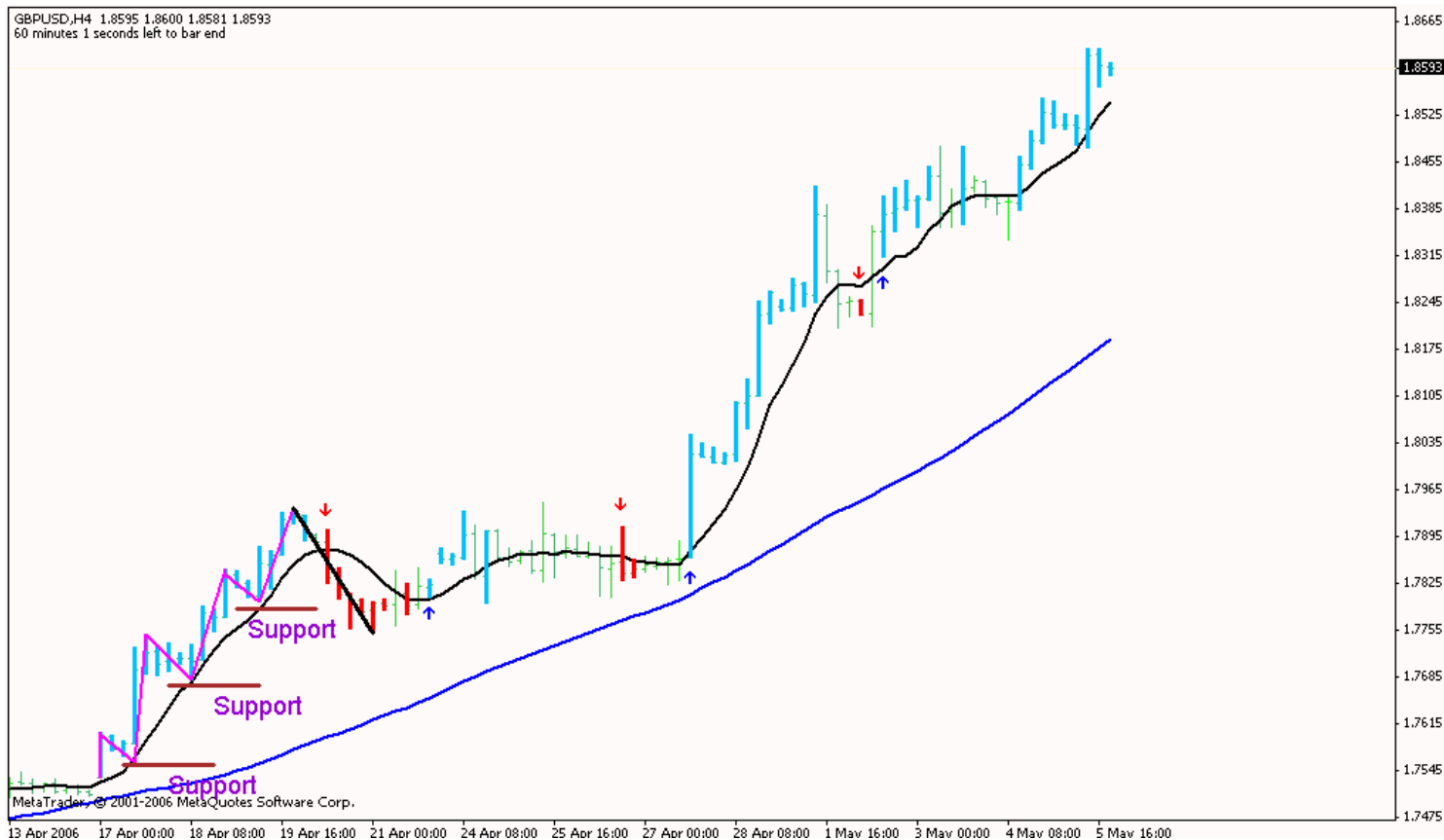
### Trailing price:

Protecting your hard-earned money against reversals or even flurries is one of the most important parts of **money management**. Most of platforms have such feature that let you to trail the price with a constant distance. This automatically follows the price by moving stop loss upper in cases that you have bought or lower in cases that you have sold. Once price reverse or retrace more than this amount (constant distance) you stop will hit and you will be out of game. For the sake of simplicity let's suppose that you have a long position on EURUSD and at the time you have 25 pips in your pocket. Of course it is not confirmed. Still price goes up and you want to hedge some of this or at least take the break-even (moving stop loss to buying price) to protect yourself of losing. But you fear that in a retracement your stop will hit and you will lose the chance of gaining 100 pips. So you think that it is better that you estimate the range of some of previous retracements to decide how many pips is better to be used as the training stop. Regarding you use H4 time scale the amount is considerable; in fact you will lose the chance of gaining this amount at the end of each trend. Totally trailing price with a constant distance is not professional. It is better for lower time scale, say 15min chart that targets are minor in comparison with H4 time scale. So what we should do?

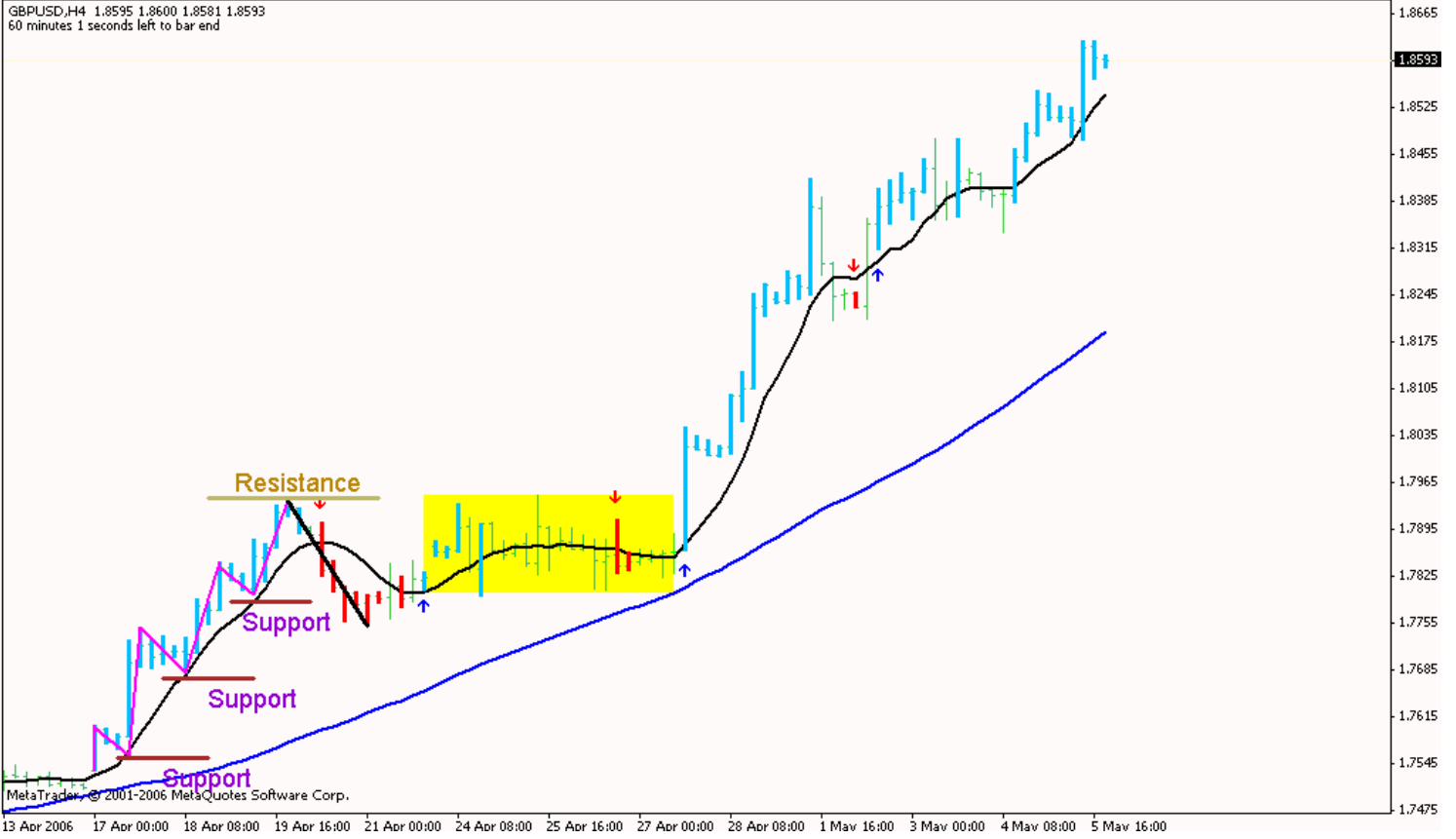
In essence this is so simple; you don't need anything except a good understanding of the support and resistance levels. Or maybe better to be said the principles of a trend. Look at the below picture. This is the most recent move of GBPUSD that is an uptrend. It starts with a very decent uptrend after some flattening again get momentum and surges to higher levels. In the mid of the second uptrend you can find two arrow signal that basically the sell one is a wrong one. It is filtered easily. The slope of 55SMA is high and the correspondent candle of sell arrow signal is not definite enough to show a sufficient momentum to get lower levels. The best that you could do is to put an order some pips below the low of that candle to get the reversal in case of happening.



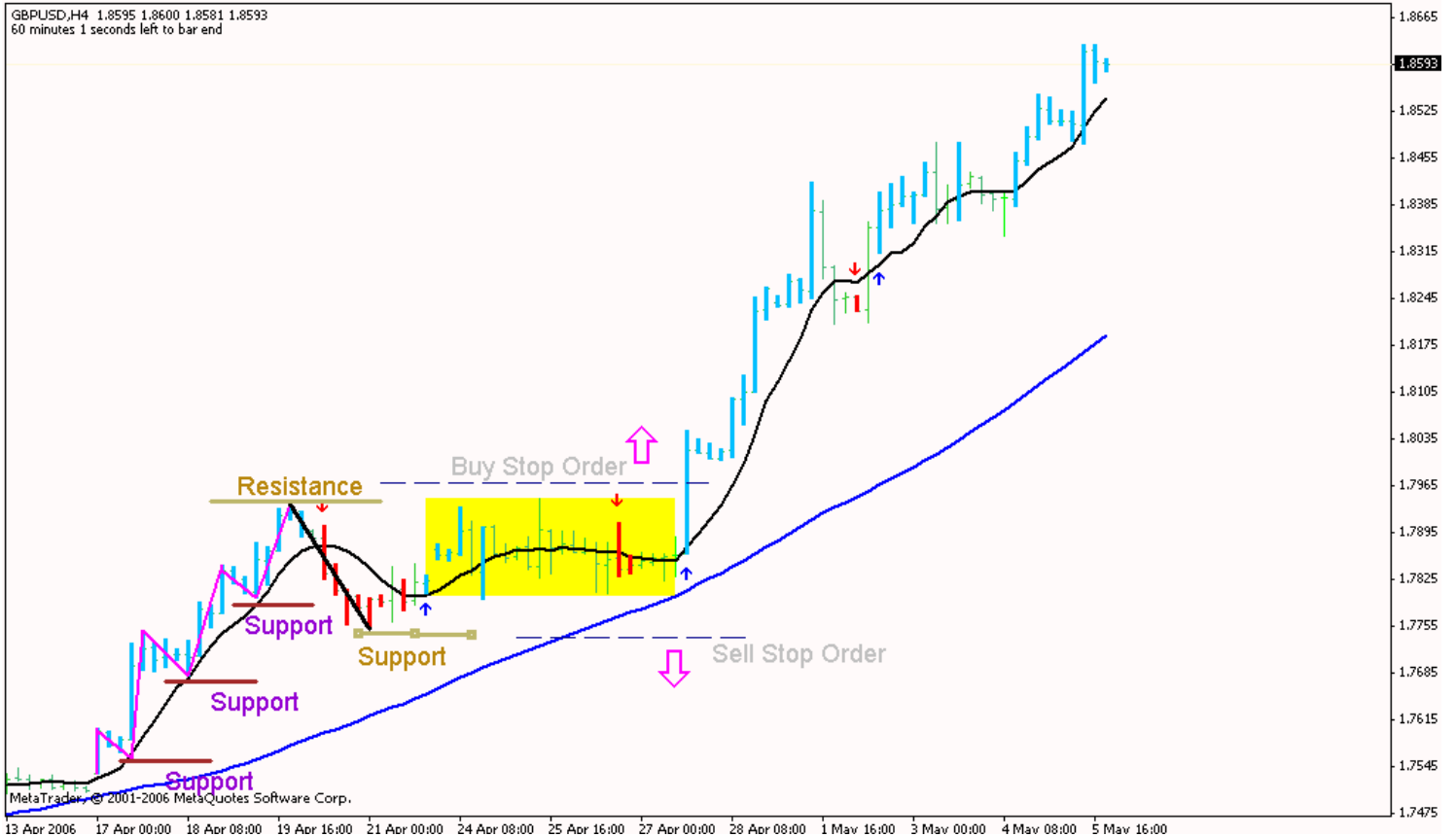
Let's back to the first uptrend. As you can see in the picture, price during its way retraces to 8SMA nicely and after that continues its way. In fact it makes some minor supports when trending up and surely will make minor resistances when trending down. Once the first minor support (or resistance in case of selling) was built you move your stop to that level, of course not exactly that level, only some pips below. The same goes for the next ones until you reach your final target or your stop hit. Forth retracement is a strong one and seems to be a reversal and definitely it should meet your stop. In this way a very good targeting is an excellence. Because you will manage your position easily till you get your final target plus you will seize some partial of the last surge. Instruments for this purpose are very diverse and using them properly needs enough experience of real working on charts. Some of methods will be discussed in upcoming parts of this method.



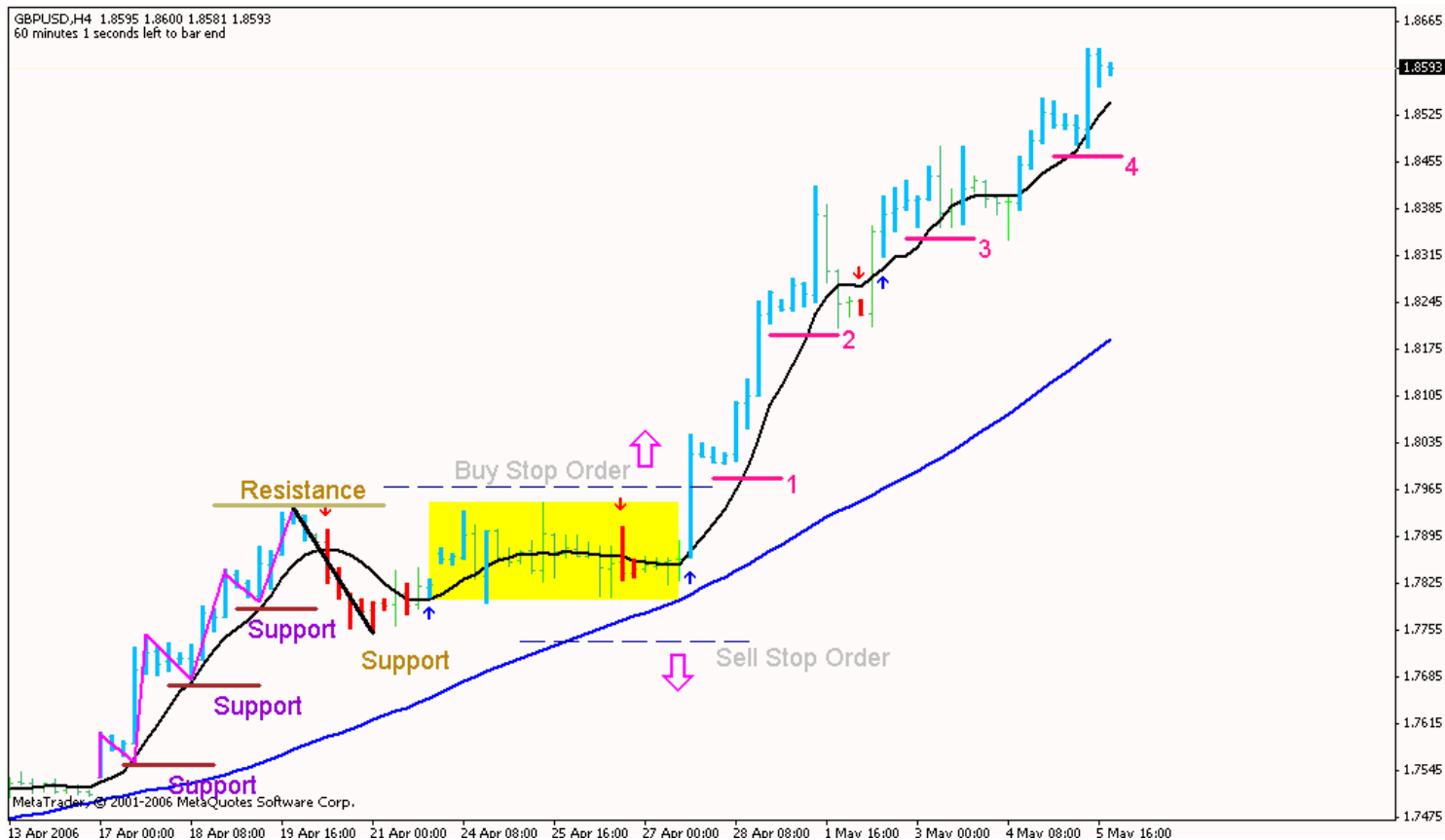
Finding another good entry after seeing your stop hit is one of the most difficult in trading. I will talk about the simple but powerful ways to reenter later on. In the picture below, you can see the rectangle that represents a ranging market (sideways) and the most recent swing. One of the best in sideways is getting in with breakout entries. Simple but very profitable, just you need to learn analyze the situation of the cases. In sideways you can use both sell stop and buy stop to get in. but in most of cases you can easily find out that the probability of which is higher then you neglect the other and take just one direction. Moreover the most important thing here is the levels that you choose for entry and stop loss. In some cases after breakout price again return and test the previous important levels and in some cases completely it impose losses. Let's keep the matter simple and just talk about the two possible orders.



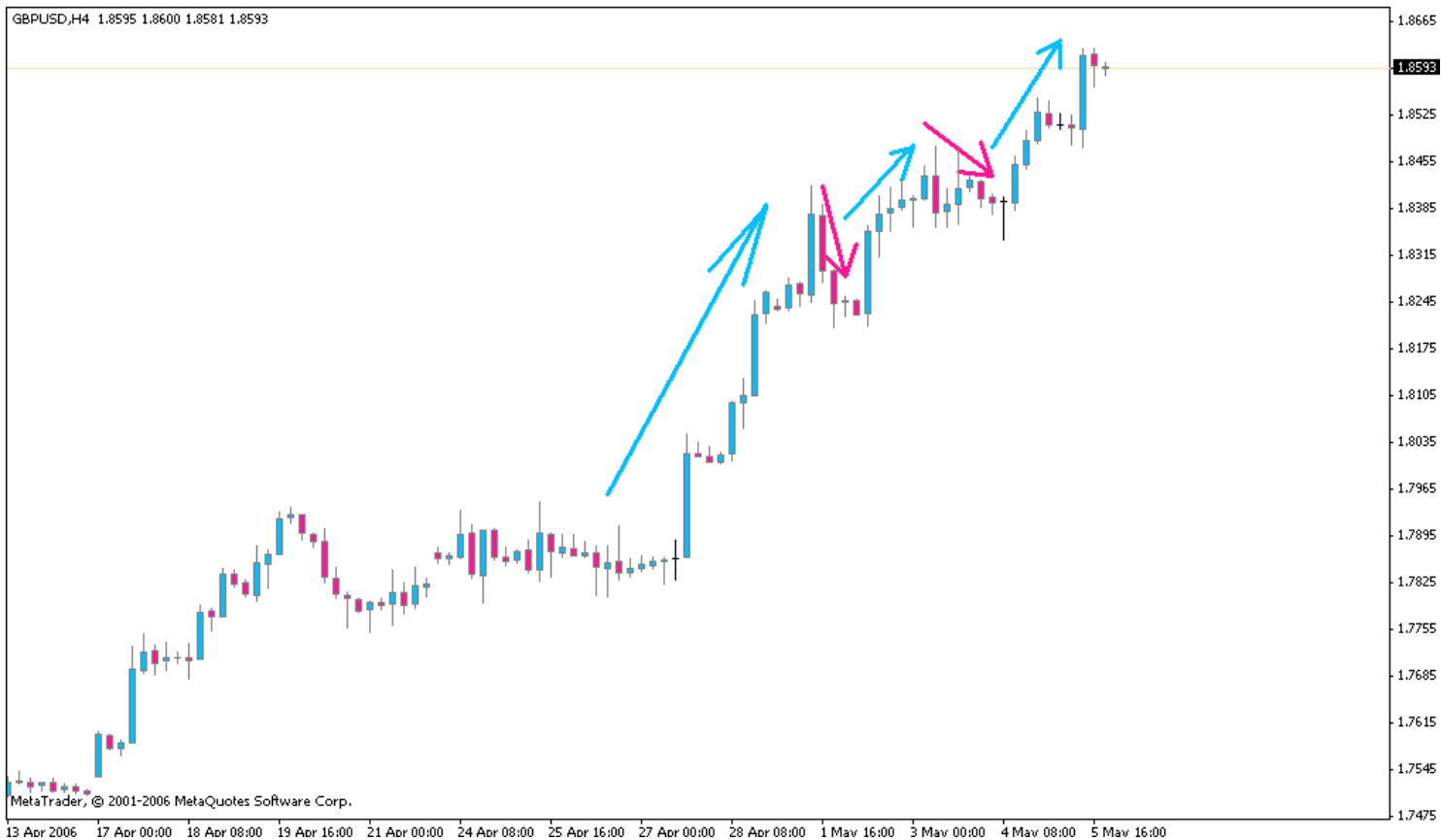
The resistance of the rectangle pattern is the same level of the last swing high. But there is a difference between support of the rectangle and that for last swing low. In this case the lower support should be chosen. Same goes for resistances in sell opportunities. In fact you should choose higher resistances to put the order.



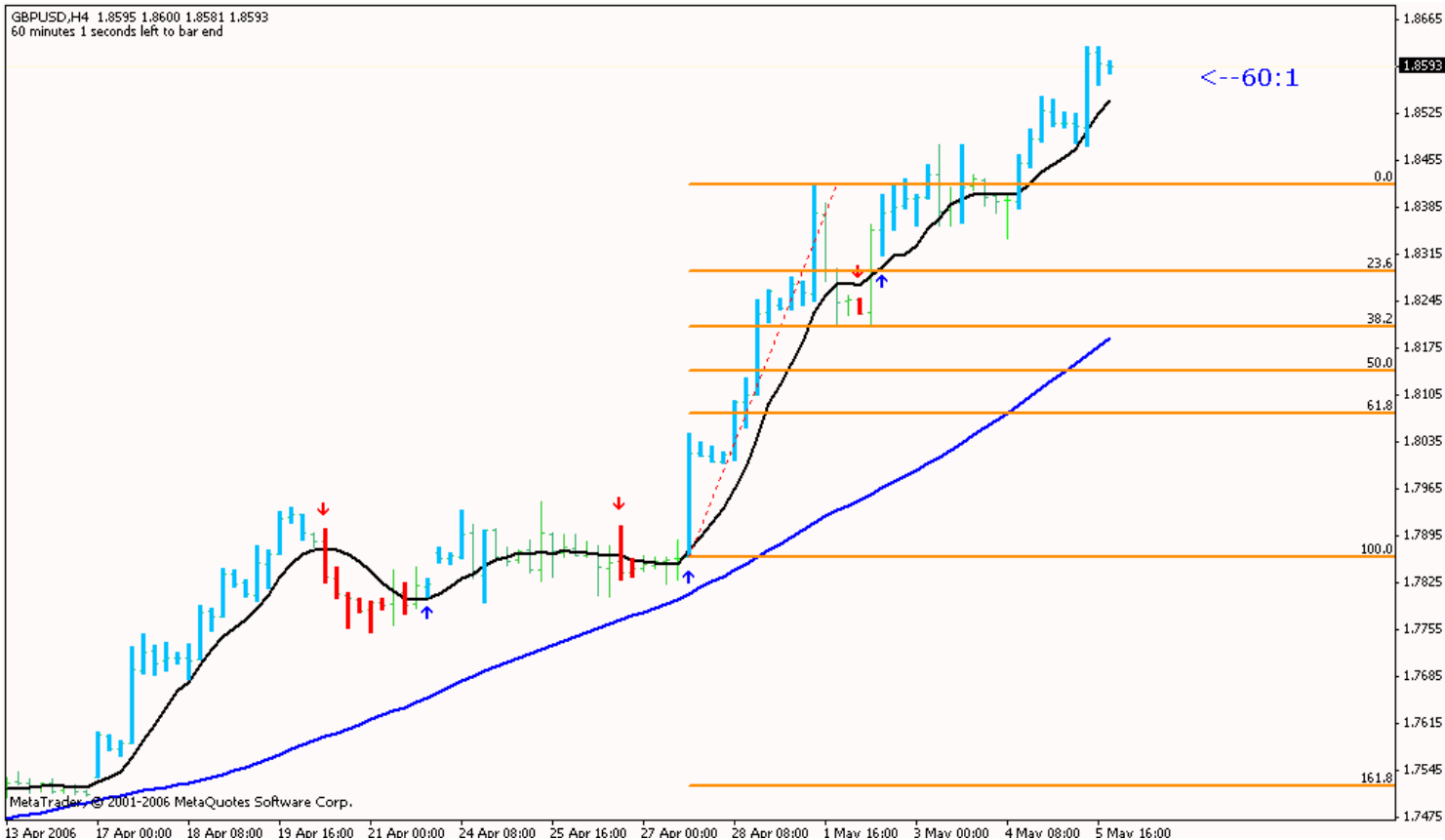
Anyway, you can see the orders, if you trade aggressively you can put both, but one could be neglected. You can say which? It is simple, remember the old proverb "the trend is your friend" so it is better never fight the trend. 55SMA indicates the main trend, its slope is enough positive. So we could neglect sell stop one. You get in once price start second uptrend decisively. You play the game again. You maybe see you stop hit in number 2 and/or 3. It is possible. As this is GBPUSD pair, that is one of the very active currency pairs trading such pairs although is very profitable but it is very risky and hard as well. Just very good competence of targeting helps you not to get worried when you see backward moves. Supports and resistances are the keys to leash the market and control the positions. They seem very simple in the first look but in practice recognizing the major and minor levels, selling at resistance and buying at supports is the simplest but very powerful strategy.



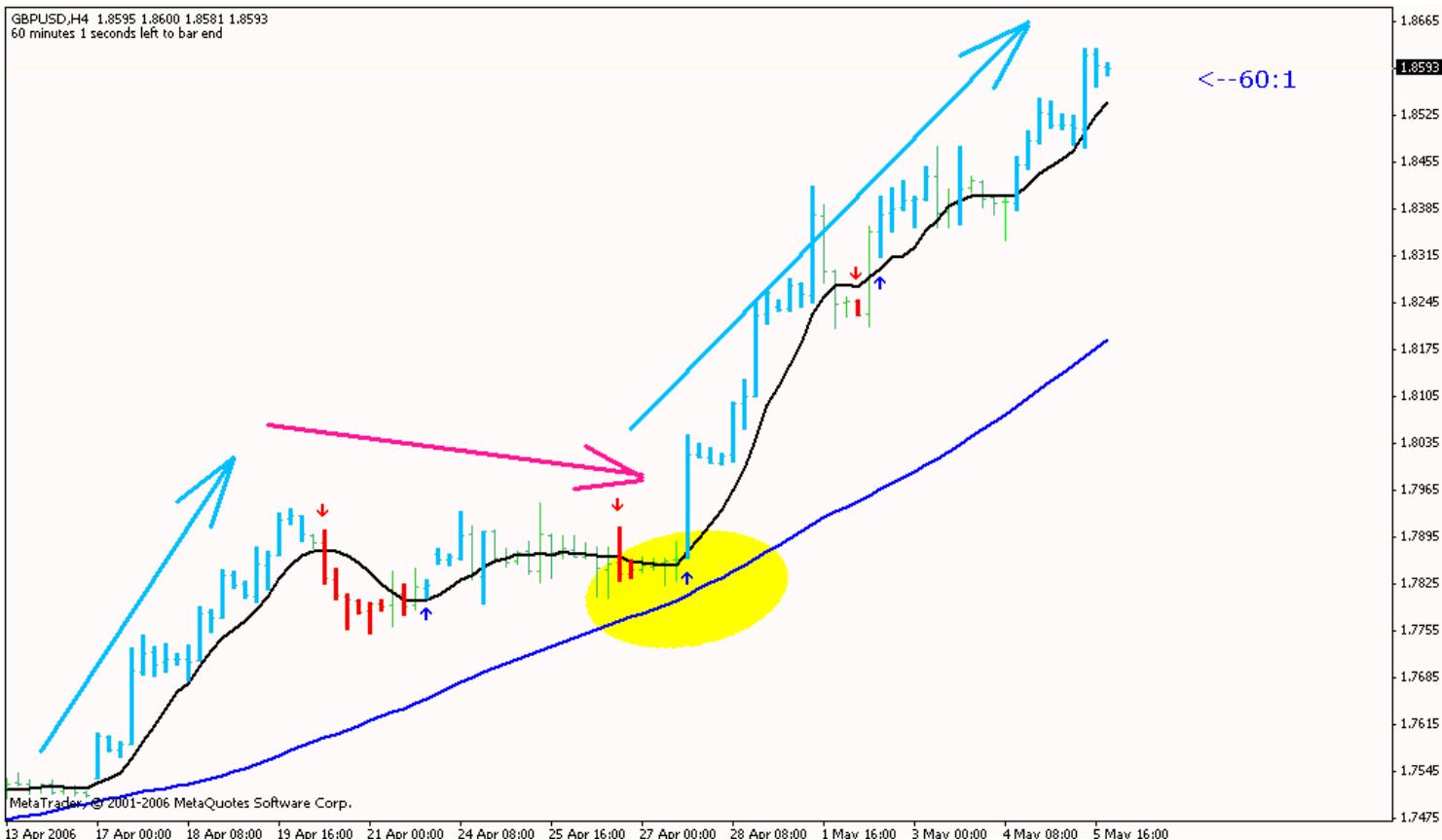
If you don't have enough experience to recognize easily the minor support and resistance levels, it is better that use plain charts like below. This is an uptrend; blue candles represent trend moves and red ones represent retracements.



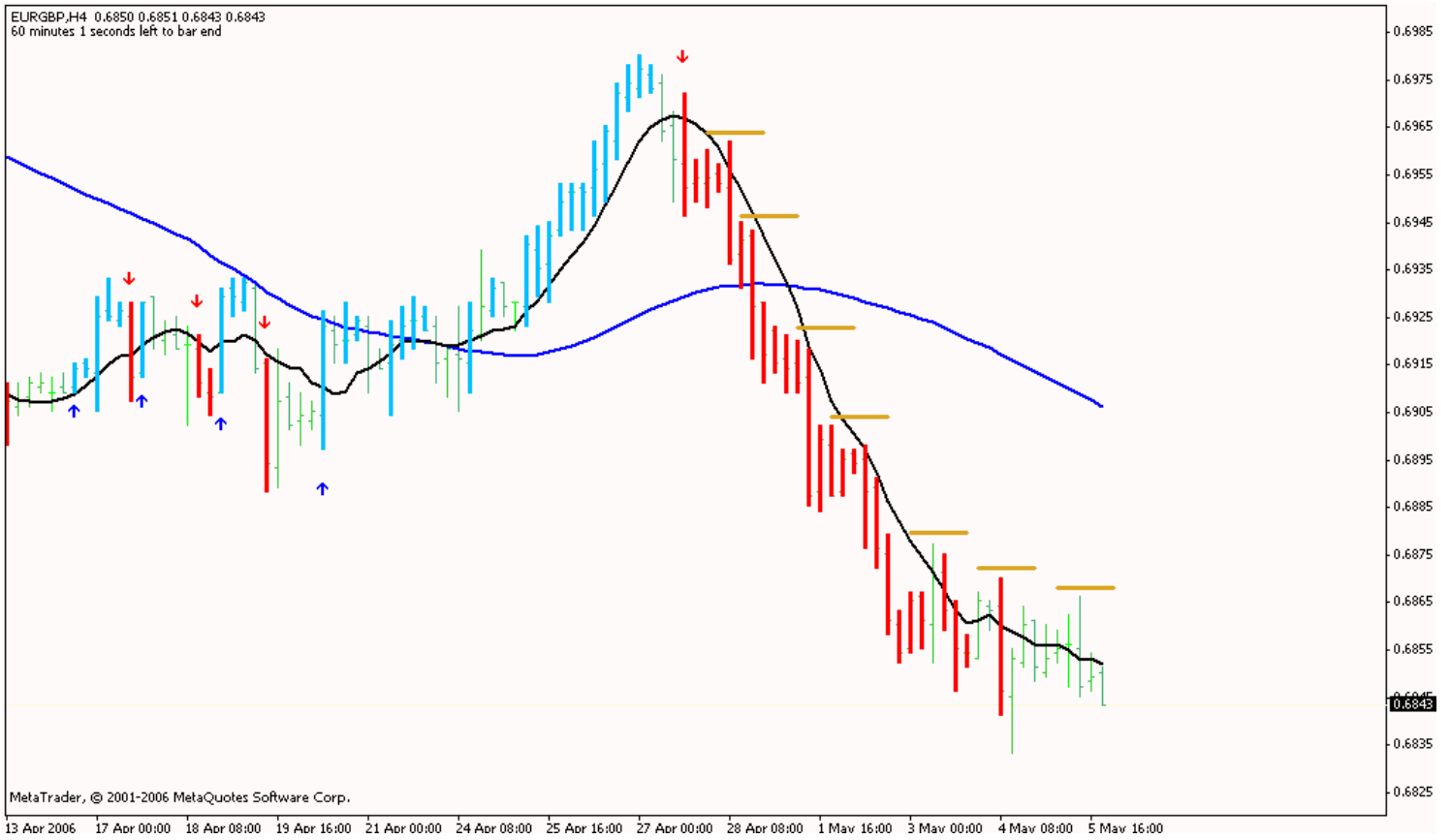
There are ways that you can estimate possible retraces to put your stops in an exact and safe level. One is Fibonacci retracement and another is pivot points. How to use them in conjunction with each other is a complete lesson. Just look at the picture below that how you could choose a better level regarding 38.2% level.



Please keep in mind that this occurs in diverse time scales. Look at the retracement of the price to 55SMA, I think you can find out now better why again we can say that it is better that just take the up direction to put an order.



Another example, EURGBP; this time you can see the trailing for a sell position.



Ibo  
06 May 2006  
[ejeddi@gmail.com](mailto:ejeddi@gmail.com)