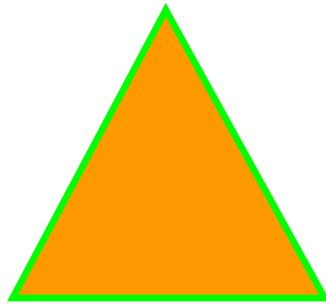# BrainTrading® System 7.0

Manual

Version 7.0
TrdeStation (Omega Research Prosuite 2000i) Edition

BrainTrading®
Solutions

BrainTrading® Solutions

E-mail: sales@braintrading.com
http://www.BrainTrading.com

CONTENTS

I. Welcome to BrainTrading System

Congratulations! You have just purchased one of the best selling trading software on the market.
BrainTrading System provides computer-generated buy/sell/exit signals. Signals are timely for both real-time or end-of-day market data. No more guesswork in trading.

With many years of collective feedback from BrainTrading System users worldwide and continuous endeavor in research, we have now brought the BrainTrading System to a new level of excellence. The new BrainTrading Software **version 7.00** is now available for TradeStation Platform.

II. General Trading Rules

Outline:

- Buy at strength and sell at weakness
- Be more than willing to take small losses
- Be more than willing to switch positions
- Stick with the big trend till BrainTrading System says to exit
- Always place stops immediately after entering a trade
- Only move stops in the desired direction
- Turn your mental power into profit

III. Getting Started

A. Requirements To Run BrainTrading System

Computer with Minimum Requirements:
Intel compatible 500 MHz CPU computer
64 MB RAM
10 MB free hard disk space
Win95/Win98/WinNT/Win2000/Win2003Server/WinXP
Platform Requirements: TradeStation (5.xx, 6.xx, 7.xx, 8.xx) or Omega Research ProSuite 2000i (TradeStation 2000i)

B. Getting Familiar with Your Platform

Before install BrainTrading System, please make sure that Windows, TradeStation are installed and running properly and you are familiar with the following topics:

1. Installing new indicators.
2. New "Chart Window" setup.
3. Receiving real time data.
4. Inserting indicators to a chart
5. Formatting indicators

The above six topics are basic and essential for using TradeStation and BrainTrading System. If you have any questions about these issues, please read the TradeStation help or call TradeStation Software technical support lines.

IV. Installation Procedures

You may find BrainTrading Software installation instructions with your setup package.

IMPORTANT: **One license of BrainTrading System can only work at one specific computer. You may not transfer BrainTrading System to another computer. Make sure which computer to use before doing this installation.**

V. How To Use BrainTrading System

BrainTrading System indicator package includes four main independently calculated indicators: **BrainTrend1**, **BrainTrend1Stop, BrainTrend2, BrainTrend2Stop** and four auxiliary indicators
used for pictorial presentation of main indicators: **BrainTrend1Sig**, **BrainTrend1StopLine, BrainTrend2Sig, BrainTrend2StopLine**.

IMPORTANT!
(BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine),
(BrainTrend2, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine),
(BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine, BrainTrend2Sig,
BrainTrend2Stop, BrainTrend2StopLine) are priority groups of indicators of the BrainTrading System

BrainTrend1 and BrainTrend2 are market "DIRECTION" indicator. It shows trend direction by colors, when the market changes to or stays in an up-trend, the bars become or remain BLUE. When the market changes to or stays in a downtrend, the bars become or remain RED. When the market goes sideways or is not strong on either side, the bars become or remain GREEN. **BrainTrend1** and **BrainTrend2** indicators can work with any time bar charts.

IMPORTANT! Don't use BrainTrend1 and BrainTrend2 indicators on one chart at the same time.
You need to use **BrainTrend1** indicator as main on all charts and use **BrainTrend2** as confirmative indicator in separate chart window.
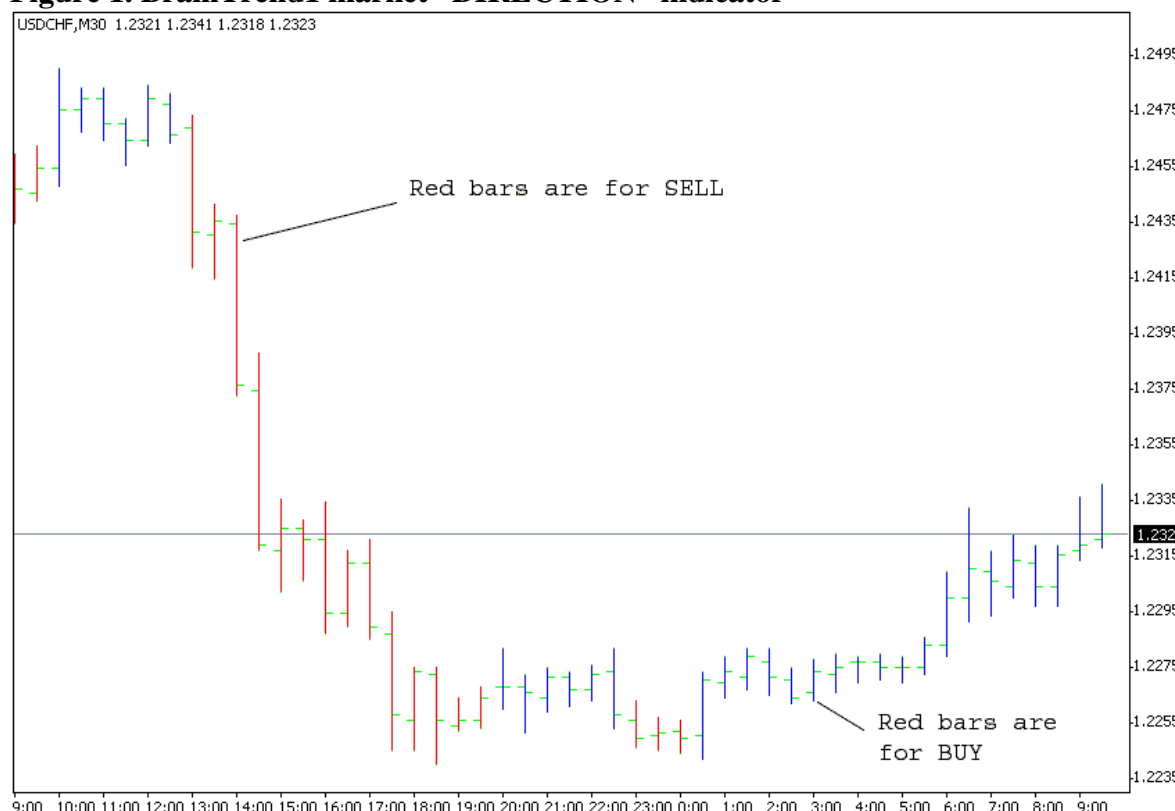
Figure 1. BrainTrend1 market "DIRECTION" indicator

Figure 1. BrainTrend1 market "DIRECTION" indicator

Figure 2. BrainTrend2 market "DIRECTION" indicator

BrainTrend1Sig and BrainTrend2Sig are semi-system indicators, which integrates the time-proven BrainTrading trading rules and generates BUY or SELL signals.

BrainTrend1Sig will provide a buy signal with a big Cyan dot when buy conditions are met. The value of the big cyan dot is the initial stop for the position. **BrainTrend1Sig** will provide a sell signal with a big Magenta dot when sell conditions are met. The value of the big dot is the initial stop for the position.

BrainTrend2Sig will provide a buy signal with a big Blue dot when buy conditions are met. The value of the big Blue dot is the initial stop for the position. **BrainTrend2Sig** will provide a sell signal with a big Red dot when sell conditions are met. The value of the big Red dot is the initial stop for the position.
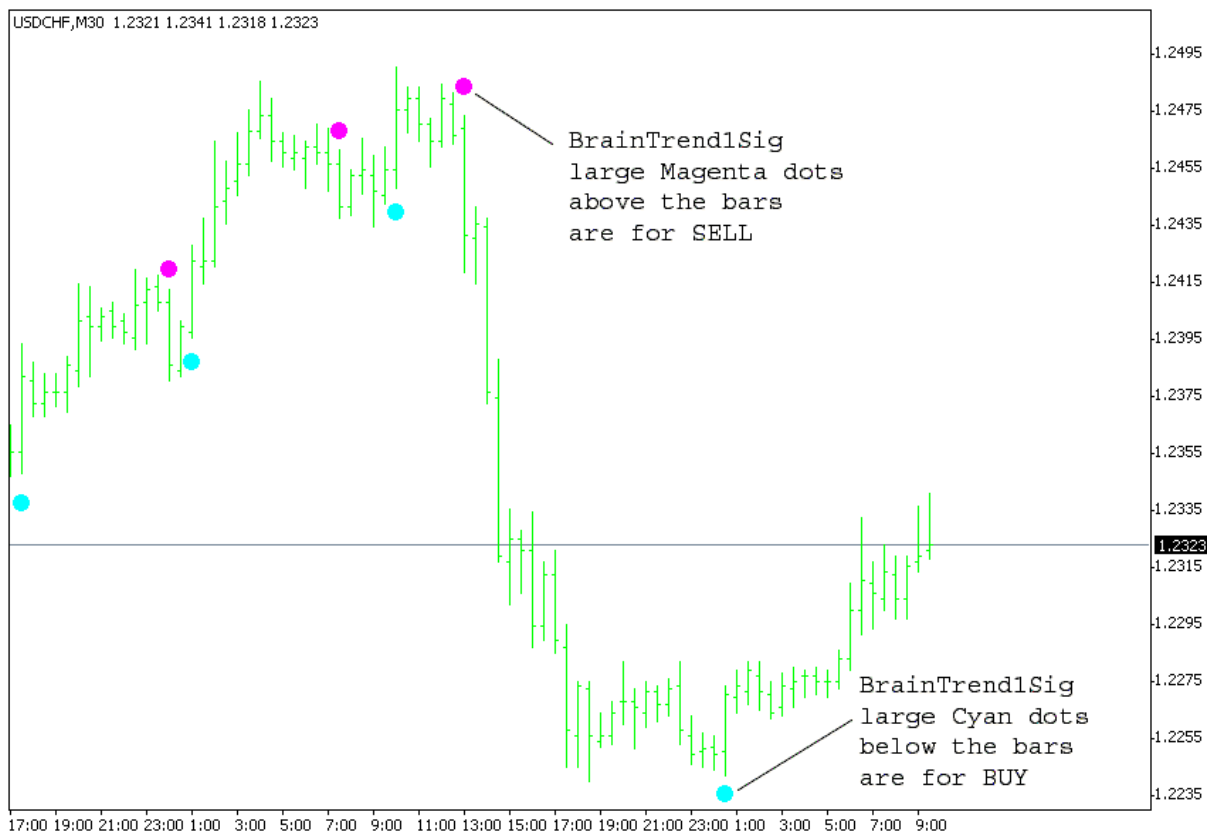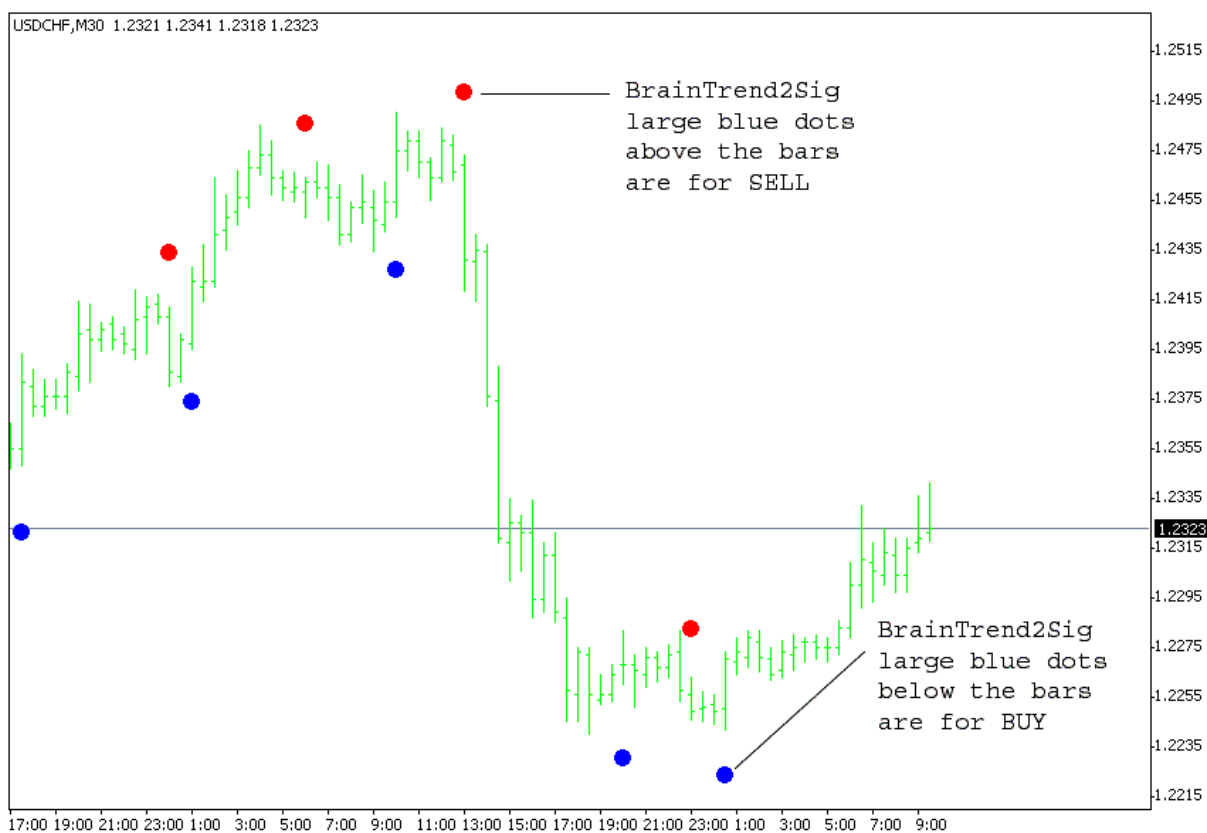
Figure 3. BrainTrend1Sig Buy/Sell Signals

Figure 4. BrainTrend2Sig Buy/Sell Signals

BrainTrend1Stop and BrainTrend2Stop are trend-stop indicators, and are demonstrated by multicolored dots. For distinguishing purposes, **BrainTrend1Stop** uses Cyan and Magenta dots, and **BrainTrend2Stop** uses Blue and Red dots.

IMPORTANT!
BrainTrend1StopLine and BrainTrend2StopLine are the same as **BrainTrend1Stop** and **BrainTrend2Stop** but in form of Line for pictorial presentation of **BrainTrend1Stop** and **BrainTrend2Stop** indicators. You may use these indicators or not.

Both **BrainTrend1Stop and BrainTrend2Stop** must identify a trend first then begin to paint the dots. This is why you may not see any dots sometimes.

Cyan or Blue Dots below the lows of the bars indicate two things:
(1) the market is in an up-trend;
(2) the values of the Cyan or Blue Dots are the protection stops or the profit target stops (if the position had profit) for the <u>long</u> position. The value of the Cyan or Blue points can be seen in the Data Window after moving your mouse pointer to this indicator point.

The Magenta or Red Dots above the highs of the bars indicate two things:
(1) the market is in a down-trend;
(2) the values of the Magenta or Red Dots are the protection stops or the profit target stops (if the position had profit) for the <u>short</u> position. The values of the Magenta or Red points can be seen in the Data Window after moving your mouse pointer to this indicator point.
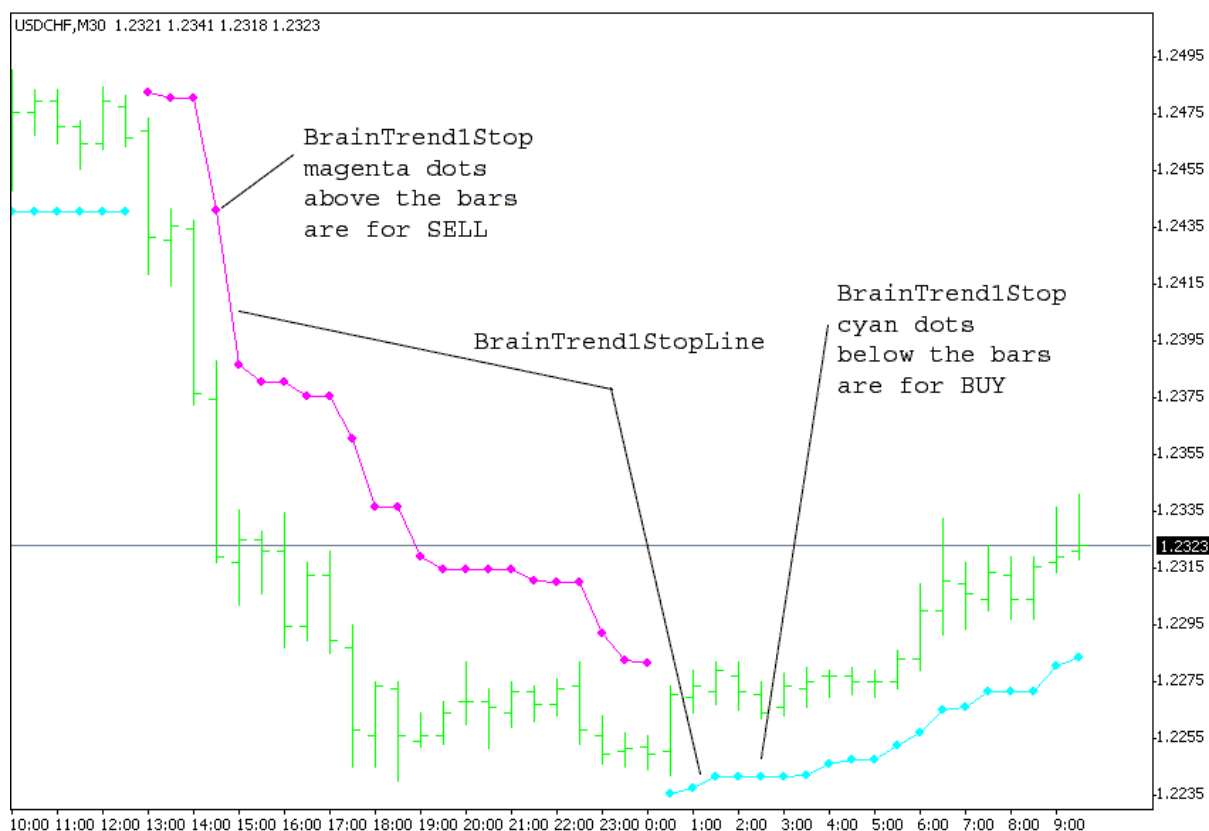

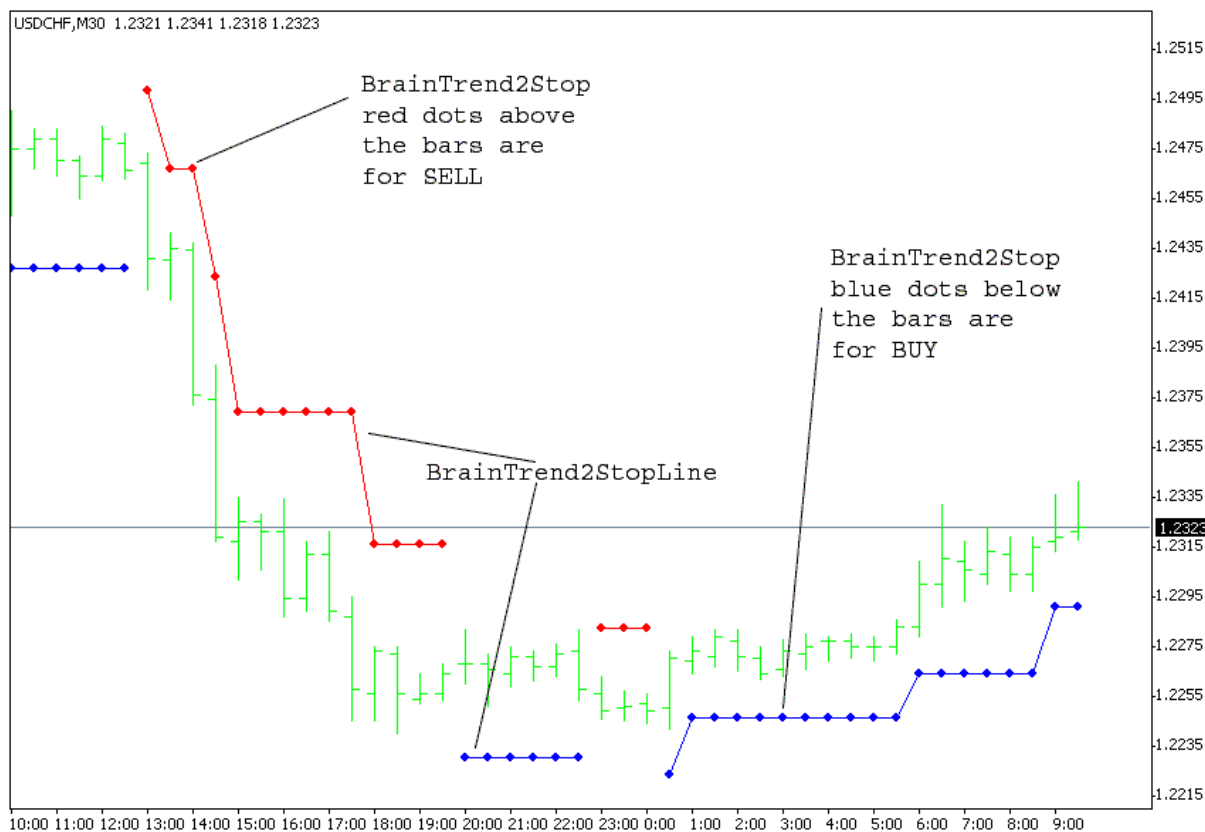**Figure 5. BrainTrend1Stop (BrainTrend1StopLine) Stops**

Figure 6. BrainTrend2Stop (BrainTrend2StopLine) Stops

Many studies reveal that it is more difficult to know how to exit the market than to enter the market. One can get into the market at any time if one knows how to get out of the market. **BrainTrend1Stop** and **BrainTrend2Stop** are **TREND-STOPS** indicators which are precisely and objectively defined by the market's own prices. They help traders enter and stay in the right market direction with minimal risk. You can back test **TREND-STOPS** with the historical data**.** Use **BrainTrend1Stop** and **BrainTrend2Stop** to enter the market and as trailing stops.

BrainTrend1Stop and BrainTrend2Stop work in very similar ways, but the trend definition and stop calculations are different. **BrainTrend2Stop** is about 30% more sensitive than **BrainTrend1Stop.** We recommend you to use **BrainTrend2Stop** indicator on small time frames (15 minutes or less) as trailing stops and use **BrainTrend1Stop** to enter the market on this time frame.

Also we recommend you to use **BrainTrend2Stop** indicator on big time frames (30 minutes or more) as choppy market identificator only and use **BrainTrend1Stop** indicator on this time frames as entry and exit tool. Don't trade when there are conflicting stop signals (**BrainTrend1Stop** and **BrainTrend2Stop** stop signals above and below the highs and lows of the bars at the same time). Wait for **BrainTrend1Stop** and **BrainTrend2Stop** stop signals will be both above or below the highs or lows of the bars. And if you see very many signals on small time frame so use bigger time frames (for example, change your 15-minute time frame for USD/CHF or USD/JPY to 30-minute or more) and use on this big time frames **BrainTrend1Sig** for signals and **BrainTrend1Stop** as stoploss line. And we have rule for practically without risk of loss using of our indicators: when you see CYAN dot buy and when you see MAGENTA dot, sell **EVEN WITHIN ONE BAR** !!! (but we recommend to use this rule for time frames from 30 minutes and higher because if you will use less time frames you will have very many signals within one bar and you will need more time to follow this simple rule).
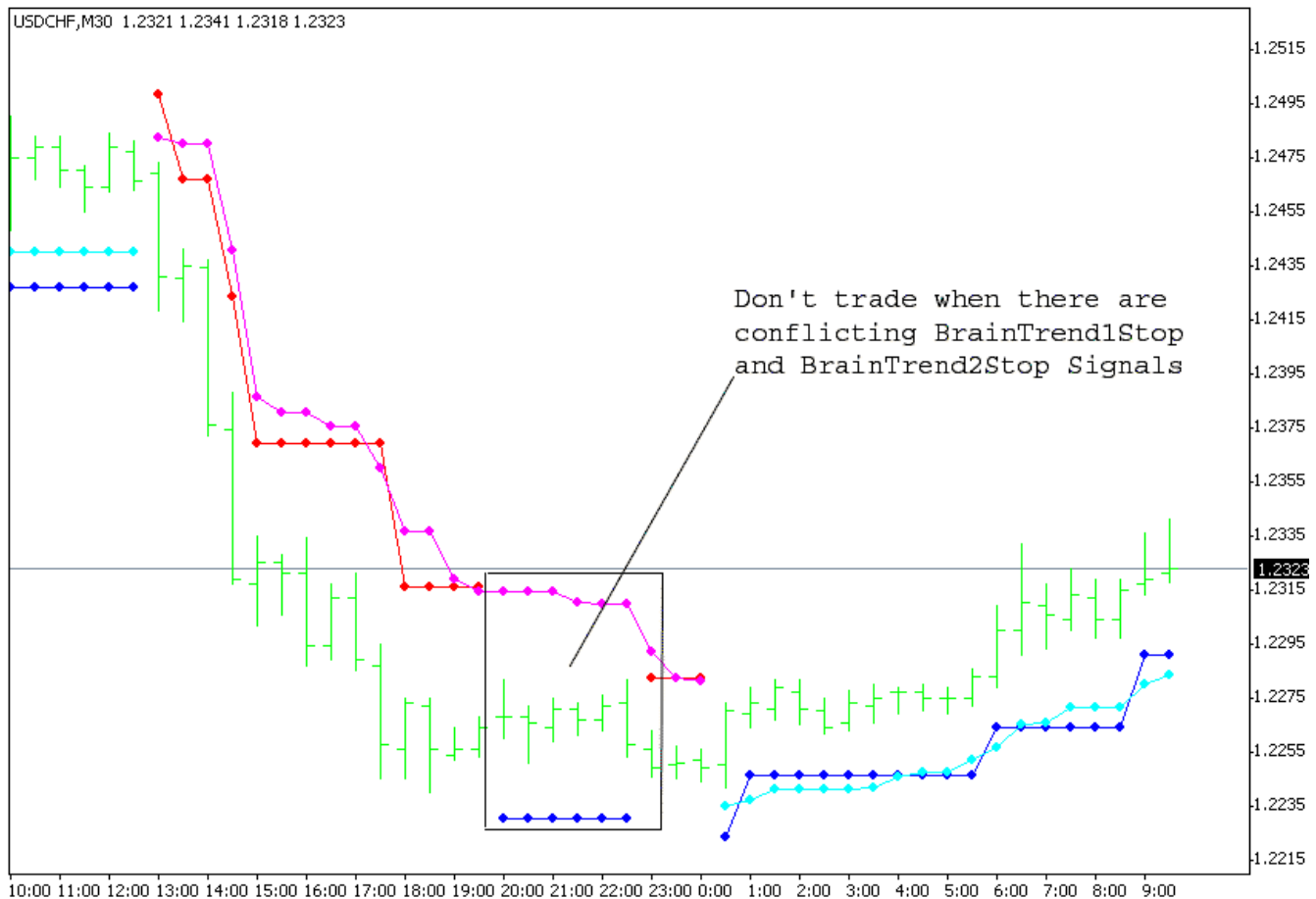
Figure 7. Conflicting BrainTrend1Stop and BrainTrend2Stop signals

The beauty of **BrainTrading System** stops is that the stops change along with the market. The stop values are determined by the market's prices objectively. When you enter the market, the stops will continuously indicate the optimal stops guiding you to lock in your profit, and to approach maximum profits step by step.

All **BrainTrading System** indicators can work with any time bar charts.

Priority groups of indicators of the BrainTrading System

(BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine),
(BrainTrend2, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine),
(BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine, BrainTrend2Sig,
BrainTrend2Stop, BrainTrend2StopLine) are priority groups of indicators of the BrainTrading System.

1. BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine
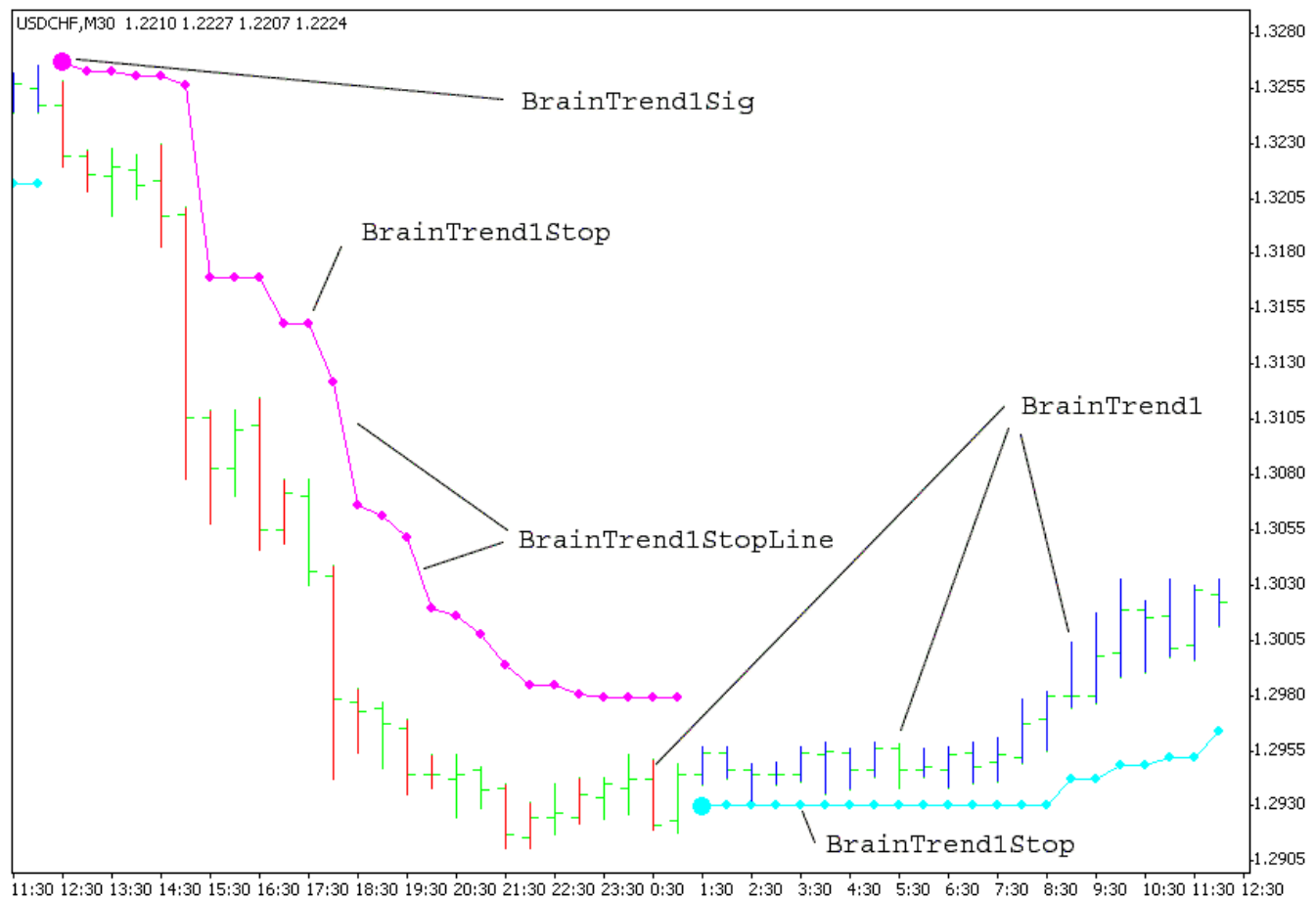

Figure 9. BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine

2. BrainTrend2, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine
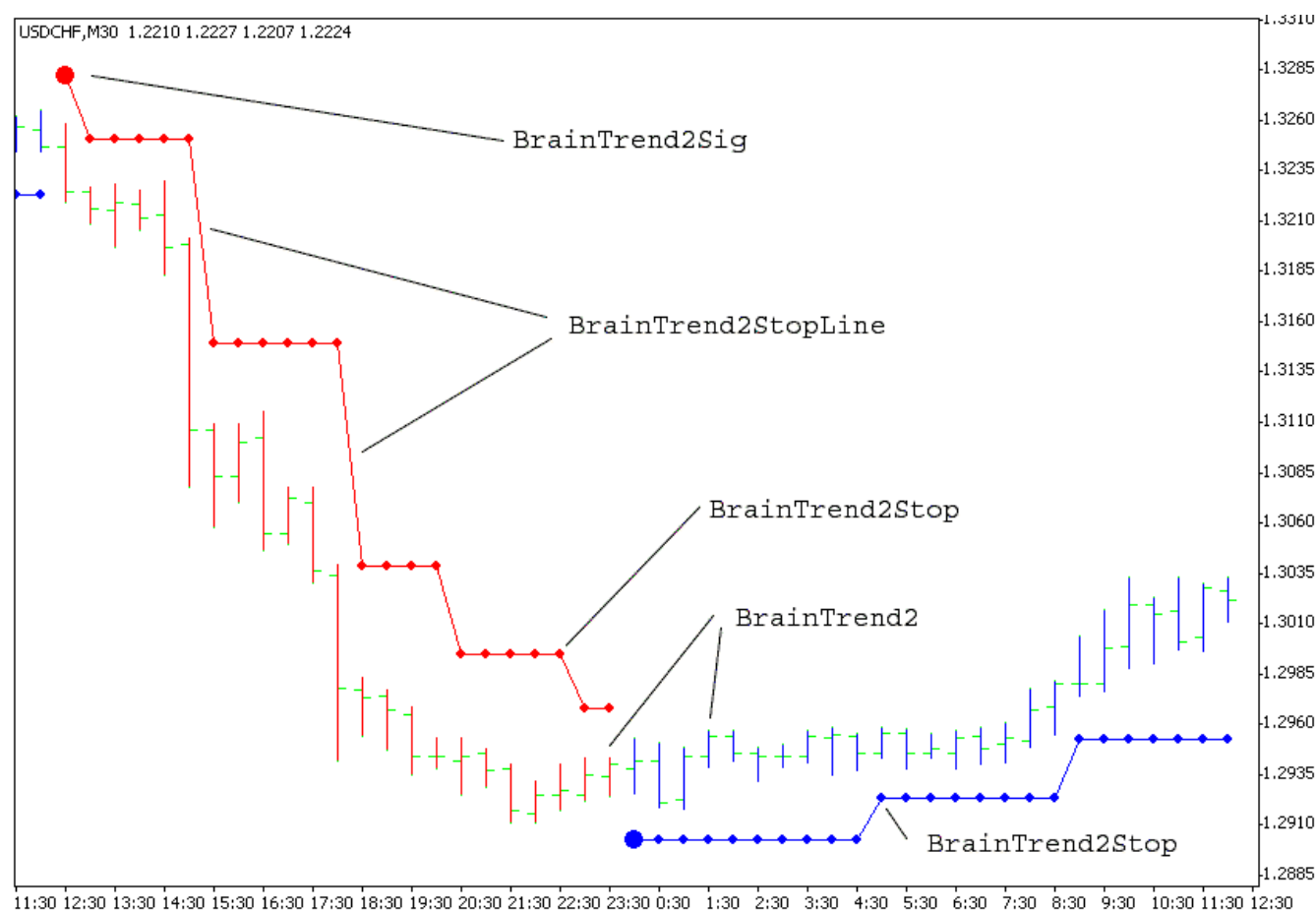

Figure 10. BrainTrend2, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine

3. BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine
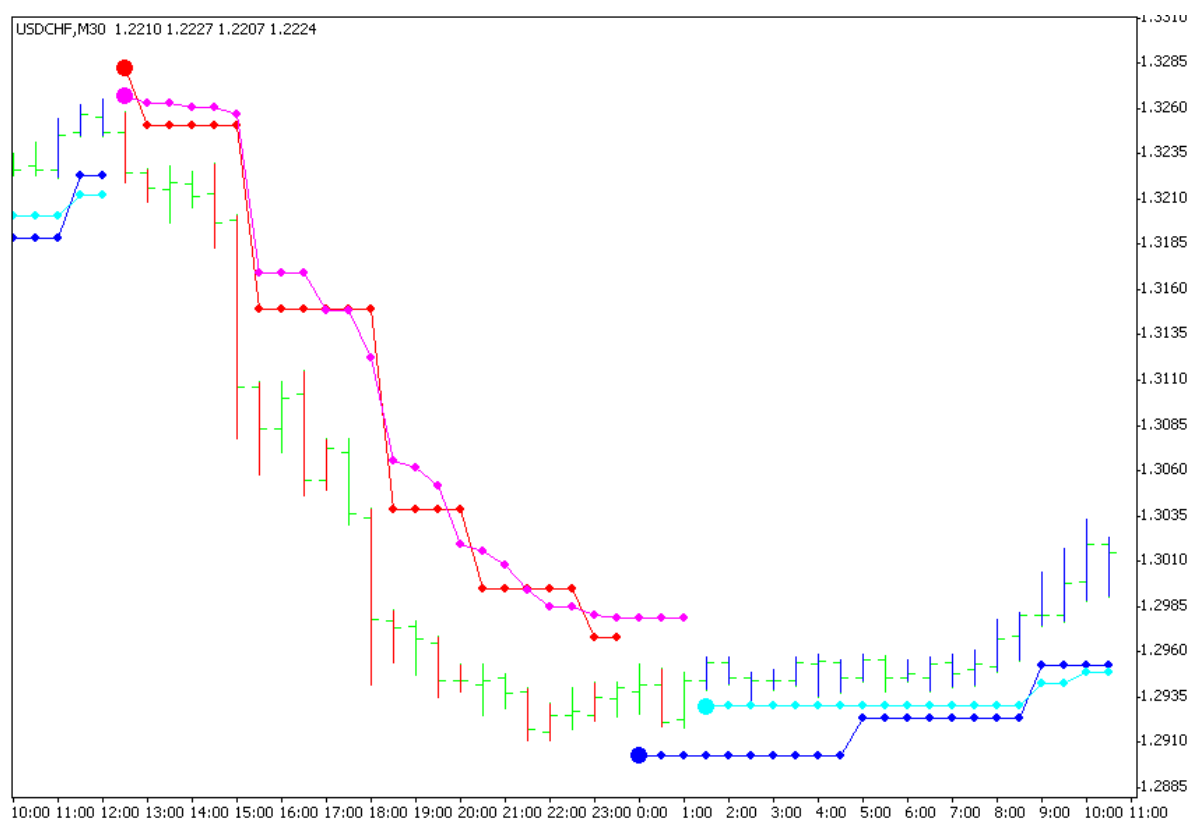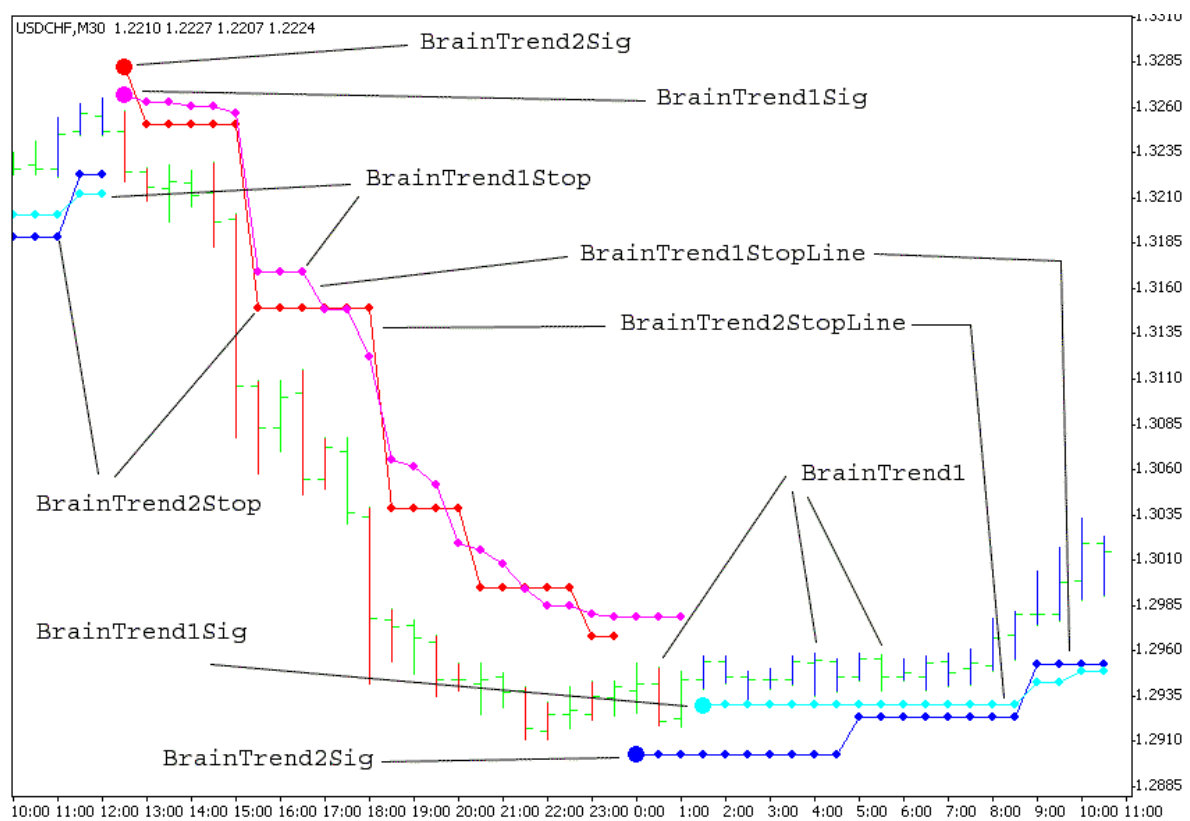

Figure 11. BrainTrend1, BrainTrend1Sig, BrainTrend1Stop, BrainTrend1StopLine, BrainTrend2Sig, BrainTrend2Stop, BrainTrend2StopLine
Entry Rules Using BrainTrading System

A. Trend-Stop (TS) Agreement Entry

This method is good for day trading, short term and long term position trading.

• For a TS Entry, first open a workspace with two ***charts*** (windows) on the same workspace. Set up a chart with **BrainTrend1, BrainTrend1Sig, BrainTrend1Stop and BrainTrend1StopLine** added on. And then set up another chart with **BrainTrend2, BrainTrend2Sig, BrainTrend2Stop and BrainTrend2StopLine** added on (see **Figure 9** and **Figure 10**).

• Buy at market when the first chart shows the blue bar and cyan dot, and the second chart also shows the blue bar and blue dot.

• Sell at market when the first chart shows the red bar and magenta dot, and the second chart shows the red bar and red dot.

• The winning chance for this entry is very good especially for position trading, because four independently calculated indicators confirm a trade: you must see each signal of **BrainTrend1, BrainTrend2, BrainTrend1Stop and BrainTrend2Stop.**

• For those seeking the early stage of the trend, and willing to take chances with small stops, buy at market at blue bar and cyan dots of **BrainTrend1Stop**, and sell at market at red bar and magenta dots of **BrainTrend1Stop**.

B. Short Term And Long Term Agreement (SL) Entry

• For day trading, if the 1-hour and the 30-min bars remain the same color, 15-min bar become the same color as the 30-min and the 15-min bars, and 5-min **BrainTrend1Stop** dot moves one step up (or down) in favor of the color of the bars, take a position in the direction of the color.
You may back test in your historical data for this rule.

• For position trading with end-of-day data, only trade in the direction of weekly bars. If weekly bars keep blue, watch the daily bars turning green or red, wait the daily bar coming back to blue to enter the long position. Another way, if both weekly and daily bars are blue, wait the **BrainTrend1Stop** stop moves one step up to entry the long position.
Conversely, a similar rule applies for a down-trend.

B. Low Risk (LR) Entry

• One of the features of **BrainTrading System** is that it never misses a big move.
Once a big move is on its way, the **BrainTrading System** stops do a very good job in optimizing profit, yet keep you in the big move until the end.
To test this fact, open a page with **BrainTrading System** stops on and find out how they performed during the big moves in the past. If your parameters are set properly, you should come to the same conclusion, that is, **BrainTrading System** never misses a big move. By knowing this fact, you can greatly increase your leverage capacity in hedging your positions if you are trading multiple contracts.

• The best time for a LR entry is when a trend is established. For example, in an up-trend, you see both blue bars and blue dots as the market moves up. Suddenly, you see the market shift into a countertrend, moving back very close to the cyan or blue dots (stops), but the bar is still blue. As soon as you see the market move up again, go ahead with the LR Entry or add a long position. Since over 75% of **BrainTrading System** stops can not be hit, your chance of winning is very high.
Use **BrainTrading System** stops as your protection stops. With this entry your risk is significantly low. Many times, you may even see a $200 stop for daytrading, or a $500 stop for position trading.
Conversely, a similar rule applies for a down-trend.

• For day trading, it is suggested that use 30-min or 1-hour bar charts.

• For position trading, it is suggested that use weekly, daily or 4-hour bar charts and use BrainTrading System stops with the default settings.

• If you miss a trade at the early stage of a trend, you can enter the market by the Low Risk entry and place the stop according to the **BrainTrend1Stop** or **BrainTrend2Stop** dot. If you have one position with some profit, and you trade multiple contracts, you can add a position with smaller risk at this point. In fact, there is usually no risk, because your first trade's profit has already covered the small stop of the second. Remember that good traders take advantage of direction and duration. A trend is not a trend until it's on its way. Act on what the market is doing, rather than what you assume it to be.
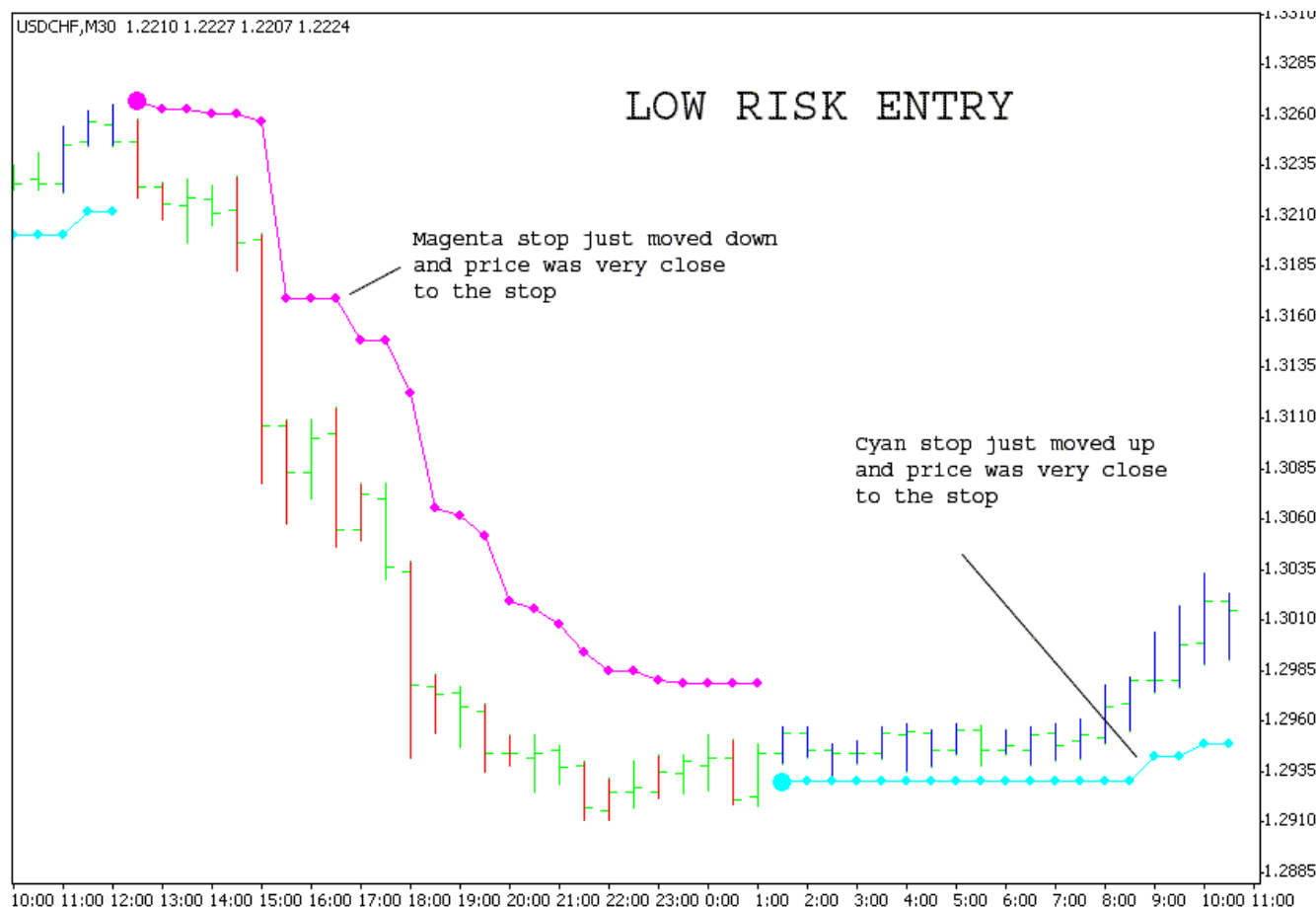

Figure 12. A typical Low Risk (LR) entry example. BrainTrend1Stop had formed on the chart. Enter a buy position when the BrainTrend1Stop cyan dot moved up and price was very close to the cyan stop. Inversely, enter a sell position when the BrainTrend1Stop magenta dot moved down and price was very close to the magenta stop. The feature is that the risk for this entry is low, and you will know your position right or wrong very soon.

D. BrainTrading System Signals

• The buy and sell signals generated by **BrainTrend1Sig** or **BrainTrend2Sig** is only a part of the **BrainTrading System** trading rules. For the best trading result, use **BrainTrend1Sig** or **BrainTrend2Sig** along with the other four **BrainTrading System** indicators to confirm a trade.
• When **BrainTrading System** gives a BIG CYAN or BLUE dot in a long time frame (ig. 30-min or more chart) it's a precondition to buy. Go to a short time frame chart, wait for a retrace to enter the market. If you use end-of-day data, enter a buy position the next day when **BrainTrading System** gives a BIG CYAN or BLUE dot, you may pick a better price when the market retraces towards the stop.
• When **BrainTrading System** gives a BIG MAGENTA or RED dot in a long time frame (ig. 30-min or more chart) it's a precondition to sell. Go to a short time frame chart, wait for a retrace to enter the market. If you use end-of-day data, enter a sell position the next day when **BrainTrading System** gives a BIG MAGENTA or RED dot, you may pick a better price when the market retraces towards the stop.

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It is the way to ignore false signals from your BrainTrading System Indicators.
• Entry points are also effected by the settings of the time frame. The longer the time bars, the higher the accuracy. The time frame controls the trading frequency too. If you use the end-day data, you may use daily bars for position trading. If you have time to watch the markets during day time, use the 60- or 120-minute bars for better entry price. 15- or 30-minute charts are commonly used for day trading to determine the direction.

Generally, use the longer time bars to determine the direction that you want to enter; use the shorter time bars to pinpoint the entry.
Specifically, enter a long (buy) position when:
1. Current longer time bar must be blue;
2. Current shorter time bar just changed color from green or red to blue;
3. The retracement of a few bars ago does not break the BrainTrading System stops;
4. Low of the shorter time bar is greater than the low of one bar ago;
5. Use RSI(2) (i.e. 2-bar average RSI) or any other your favorite oscillators to confirm the entry;
6. Place your protection stop below the low of one bar ago.
The opposite set of conditions should be met for short (sell) position.

For example, you may use 1-hour chart to guide the direction and use 30-min chart for entry or exit for daytrading. Wait the market pulling back, but not penetrating the BrainTrading System stops to enter.

Retracement Entry can be used to do position trading by using delayed data. This method has a great advantage of getting better filled for position trading. Use the longer time frame, such as the 4-hour bar, to determine the direction, and use a short time frame, such as 1-hour or 30 minute, to determine the entry point. For example, if the 4-hour bar is blue, prepare to buy, but wait for the 1-hour or 30 minute bar to turn red. Estimate the normal retracement duration for your market. If the normal retracement duration is 4 bars on the 30 minute chart, then wait for 4 red bars, and if the 4th red bar does not penetrate the BrainTrading System stop, enter a long position at the market. You get a better filled price as well as a favorable market position, since the market did not penetrate the stop after a normal retracement period.
You may use 4-hour chart to guide the direction and use 1-hour chart for entry or exit for position trading. Wait the market pulling back, but not penetrating the BrainTrading System stops to enter.

Retrace Or Reversal?

Is the current pullback a retrace or reverse? That is the key in determining the entry. **BrainTrend1Stop** on a 30-Min chart can help to identify a retrace from reversal. After the 15-Min chart form a pivot low, go back to the 30-Min chart to see if the **BrainTrend1Stop** stop on 30-Min still exist or not. If **BrainTrend1Stop** 30-Min stop disappeared, it is more likely that the market reversed, if it still exists, it's more likely a retrace. To test this phenomenon, open a 30-Min chart for USD/CHF market with **BrainTrend1Stop**, exam the early stage of the moves, you will find that **BrainTrend1Stop** does a good job in distinguishing a retrace from a reversal. What time frame is the best in distinguishing retrace from reversal for your market? A simple test can help. Change time frames on the 30-Min chart with historical data, look at the early stage of trends, to see **BrainTrend1Stop** on what time frame can best distinguish between retrace and reversal.

Confirmation Rules Using BrainTrading System

Knowing how to hold a position is more difficult than entering a trade.

• Should we hold this position?
• Should we exit now or when?
• Should we take profit now or when?
• Should we switch our position now or when?

At each and every moment after we enter a trade, these questions are asked time and time again in our mind. We wish we could hear the answers directly from the market! Basically, each of BrainTrading System indicators is calculated independently. Sometimes, near turning points or in a choppy market, you may see conflicting indicators, such as a magenta dot above a blue bar or a red bar with no dots showing or both blue and red bars showing up for the same bars, etc. In real trading, time is everything. We can not wait for all these indicators to confirm each other, then enter the markets. Therefore, "entry rules" are different from "confirmation rules". You take a risk and enter the market according to "entry rules" mentioned above. As soon as you initiate a position (long or short), the next thing is to closely watch the indicator's confirmations. If your trading positions are not confirmed by one of the following confirmation rules within a certain time, you should consider exiting the positions. What is the certain time? It depends on the specific market, on whether you are daytrading or position trading, on the time bar frame used, etc. You need to decide for yourself, though typically the best time is about 4 to 8 bars. Avoid entering the market near the current high or long term Resistance Line, even when you get a buy signal from short term chart and confirmed by long-term chart.

There are four simple confirmations for positions which you are holding:

1. **Trend and Trend-Stop confirmation**:
If you are in a long (buy) position, watch for Cyan or Blue dots showing below the blue bars, or if you are in a short (sell) position, watch for Magenta or Red dots showing above the red bars. Here is essential for this confirmation.
2. **Short term bar chart and long term bar chart confirmation**:
The short time bar chart is 30 minute bars, and long time bar chart is 1-hour bars. When an uptrend begins, the 30 minute bar changes to blue first while the 1 hour bar is still red or green. If the 1 hour bar begins showing blue, this is called confirmation of the up-trend by long term bars. It is the opposite for the downtrend.
You may confirm this entry by your favorite oscillators or MACD.
3. **Trend-Stop Moving confirmation**:
While holding a buy position, watch the cyan or Blue dots "moving up" to confirm holding the long position. While holding a sell position, watch the magenta or Red dots "moving down" to confirm holding the short position.
4. **Inter-Market Agreement confirmation:**
Due to quick development of the information highway and modern communication, all markets are related to each other more than ever before. Inter-market analysis has been one of the top issues in market research.
Now **BrainTrading System** provides a powerful tool for you to test and decide upon the most related markets and to use them as a filter to eliminate some of the false trades.
For Swiss Franc, the most related markets are Euro and British Pound. You do not need to wait for all related markets to show the same colors to enter a trade. However, if the trade is in the right direction, you should see the confirmations from other markets soon.

What if after entering the market, the market turns sideways?

When you begin to see green bars, pay attention to the stop dots. Green bars indicate a sideways market. We don't know which way the market will turn. There are two ways to react:
1. With some profit, or at least to break even: take a chance by holding the position using **BrainTrading System** stops. Then, begin to use longer time bars to help determine the market direction.
2. Without profit: simply **exit** the market.
In terms of making profit, you don't need to become an expert in all these rules. Begin with one rule that best fits you and concentrate on your trading using only this rule. Build your confidence with it. Then add more one step at a time. Once you master the rules that help you win, you can repeat them again and again.

How to avoid choppy market

The key to success in day trading is to know when not to trade. BrainTrading System and all indicator packages have their unique ways to show you the choppy market.

How to define a choppy market? If the bars change colors frequently within last bars, the price action has a small range, and trend-stops are mixed above and below the small range of prices, this is considered to be a choppy market. In order to best identify important trend changes in a choppy market, try using longer time frame bars. For example, if you normally use a 30 minute bar chart for daytrading, you should use a 1-hour (or longer) bar chart in a choppy market.

At the end of a choppy market, suddenly you see the market breaking out of its static price range and hitting the stops of **BrainTrend1Stop** or **BrainTrend2Stop**. This shows the market is waking up. **Go with the direction of the market breaking out**. Place your protection stops according to **BrainTrend1Stop** or **BrainTrend2Stop** trend-stops as soon as your order is filled.

Because the cyan dots and the magenta dots are well defined by the market's own price, the probability of the market going in the breaking direction is very high.

Here are some rules:

1. Don't trade when the bar colors are green. Sometimes, you have several signals in agreement. But the bar color is green.
2. Don't trade when there are conflicting stop signals (**BrainTrend1Stop** and **BrainTrend2Stop** stop signals above and below the highs and lows of the bars at the same time).
3. Don't trade when large size bars are opposite to each other.
4. Don't trade when the bar colors keep changing.
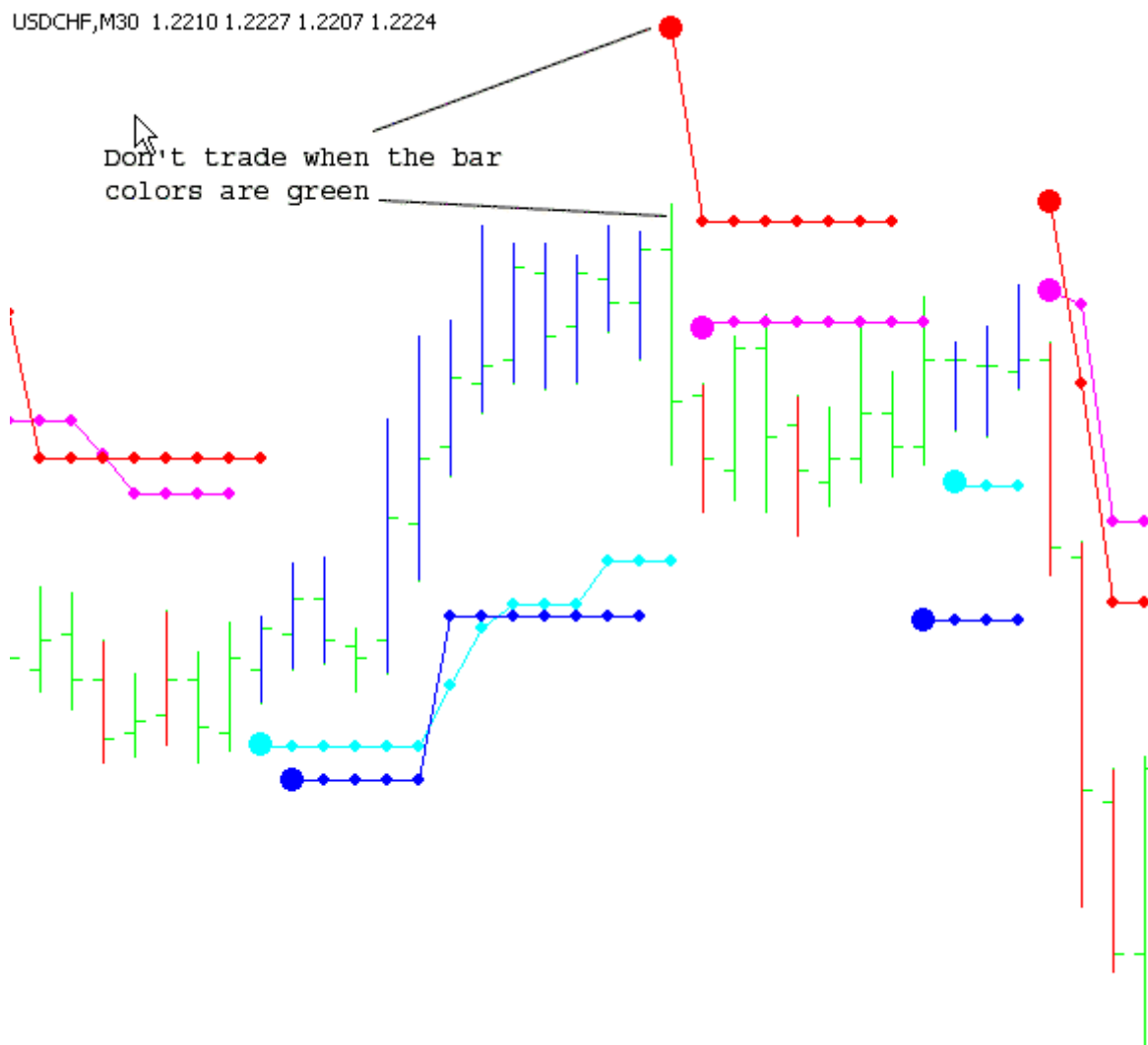5. Don't trade in non liquid time (GMT evening and night for currencies).

Figure 13. Don't trade when the bar colors are green. Sometimes, you have several signals in agreement. But the bar color is green.
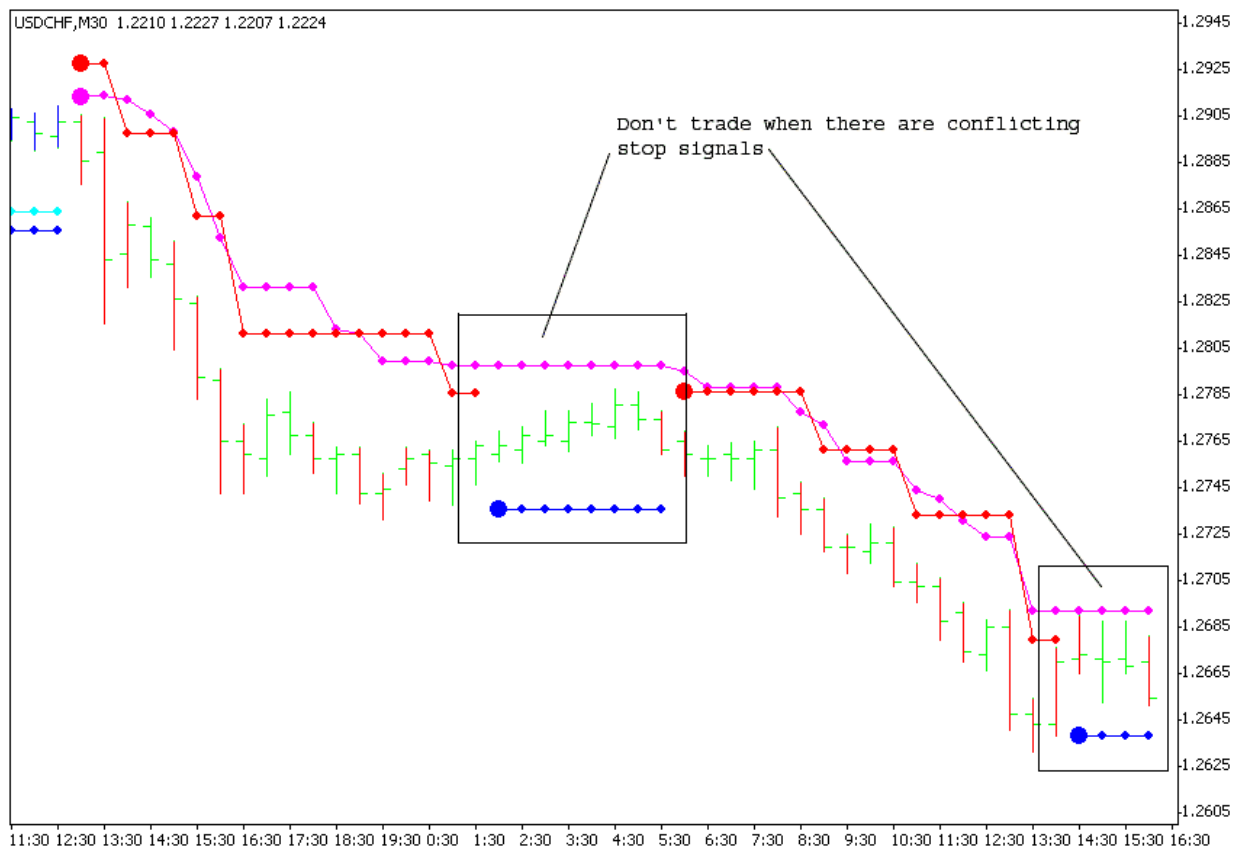
Figure 14. Don't trade when there are conflicting stop signals (**BrainTrend1Stop** and **BrainTrend2Stop** stop signals above and below the highs and lows of the bars at the same time).
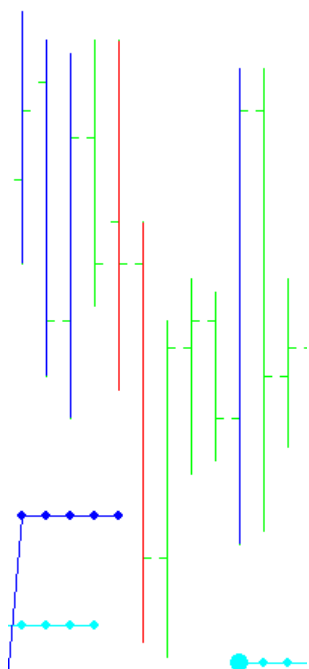

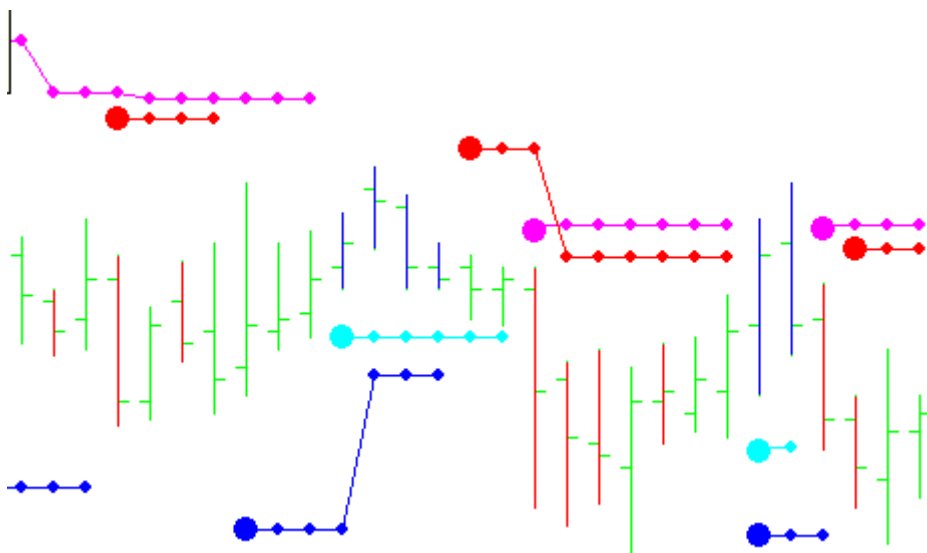**Figure 15.** Don't trade when large size bars are opposite to each other

Figure 16. Don't trade when the bar colors keep changing

Trading Tips

The trading tips revealed here are intended to enhance your winning probability. Any trading rules, however, have certain limitations based on which market you refer to, what kind of confirmations you are using, what time frame is being used, and so on. You need to test the rules with your specific market before applying to real trading. To apply BrainTrading System indicators with consideration of different market conditions is very important.

BrainTrading System is ideal for both daytrading and position trading. BrainTrading System help you to focus on the most essential information on markets. BrainTrading System indicators provide market directions, provide trend and stops, provide buy and sell signals. With BrainTrading System you now have immediate access to the river of information about the major trend changes, buy and sell signals, and stops for large number of market symbols. BrainTrading System is revolutionizing the very nature of trading. People have lived for so long without information at their fingertips that they don't realize what they're missing. With BrainTrading System you have the power that even some professional traders would never imagine before.

A. BrainTrend1/1Stop/1Sig Entry Rules

1. BrainTrend1/1Stop/1Sig agreement.
1) **BrainTrend1** blue bars are for buy; **BrainTrend1** red bars are for sell.
2) **BrainTrend1Stop** cyan dots below the bars are for buy; **BrainTrend1Stop** magenta dots above the bars are for sell.
3) **BrainTrend1Sig** large cyan dots below the bars are for buy; **BrainTrend1Sig** large magenta dots above the bars are for sell.
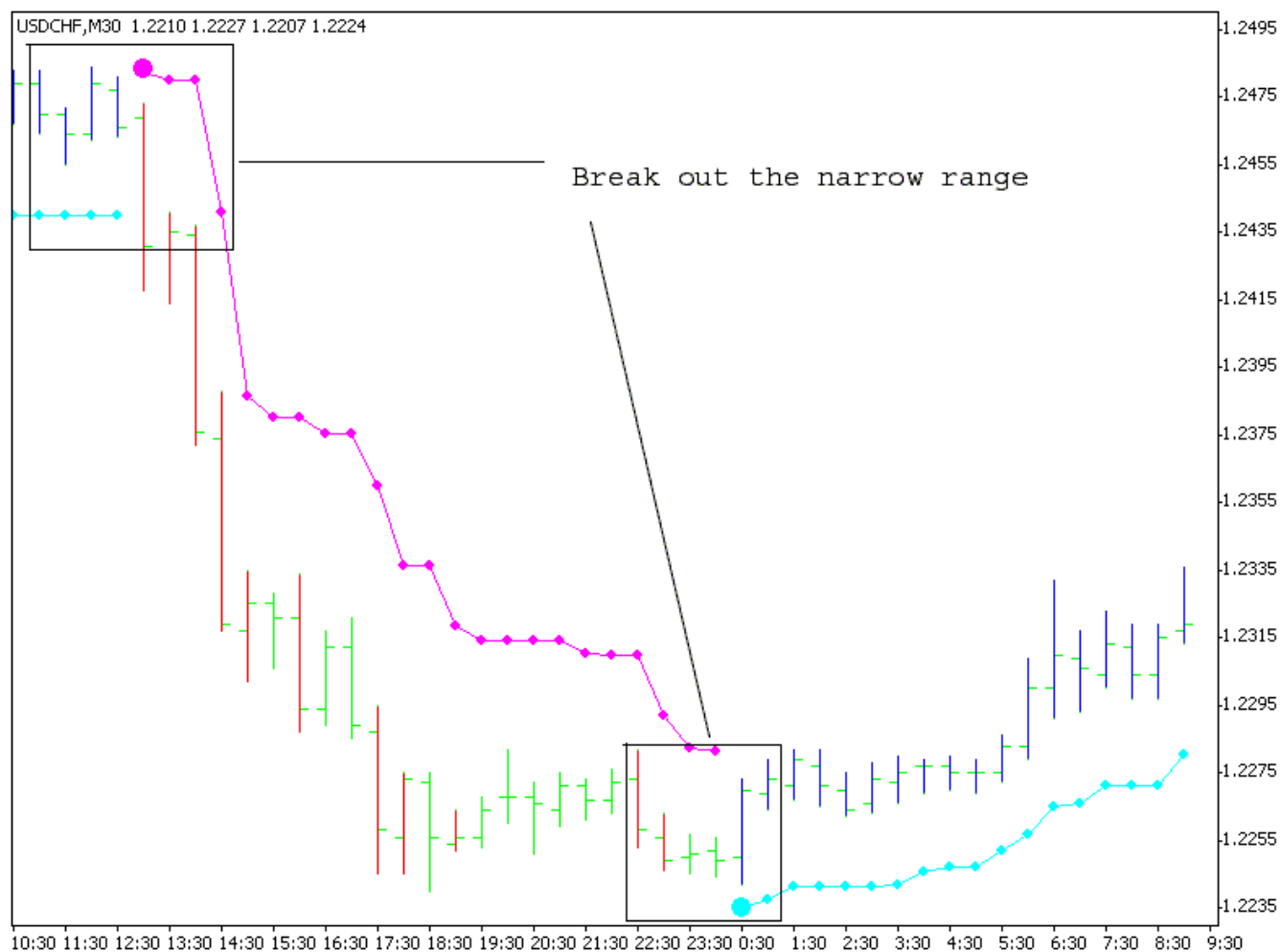**2. And break out the narrow range of the current 5 to 9 bars.**

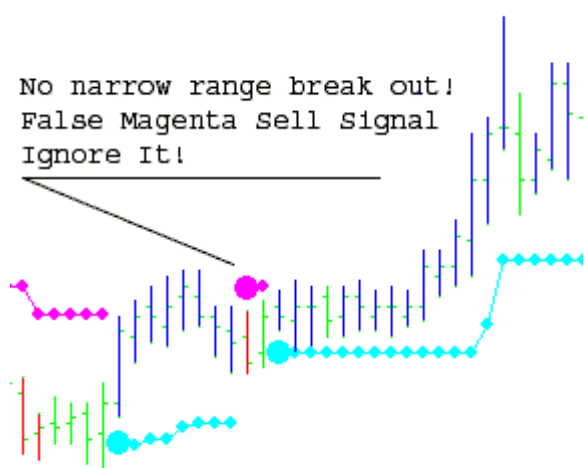**Figure 17.** Break out the narrow range of the current 5 to 9 bars

Figure 18. "FALSE SIGNALS" identification

B. BrainTrend2/2Stop/2Sig Entry Rules

1. BrainTrend2/2Stop/2Sig agreement.
1) **BrainTrend2** blue bars are for buy; **BrainTrend2** red bars are for sell.
2) **BrainTrend2Stop** blue dots below the bars are for buy; **BrainTrend2Stop** red dots above the bars are for sell.
3) **BrainTrend2Sig** large blue dots below the bars are for buy; **BrainTrend2Sig** large red dots above the bars are for sell.

2. And break out the narrow range of the current 4 to 6 bars.
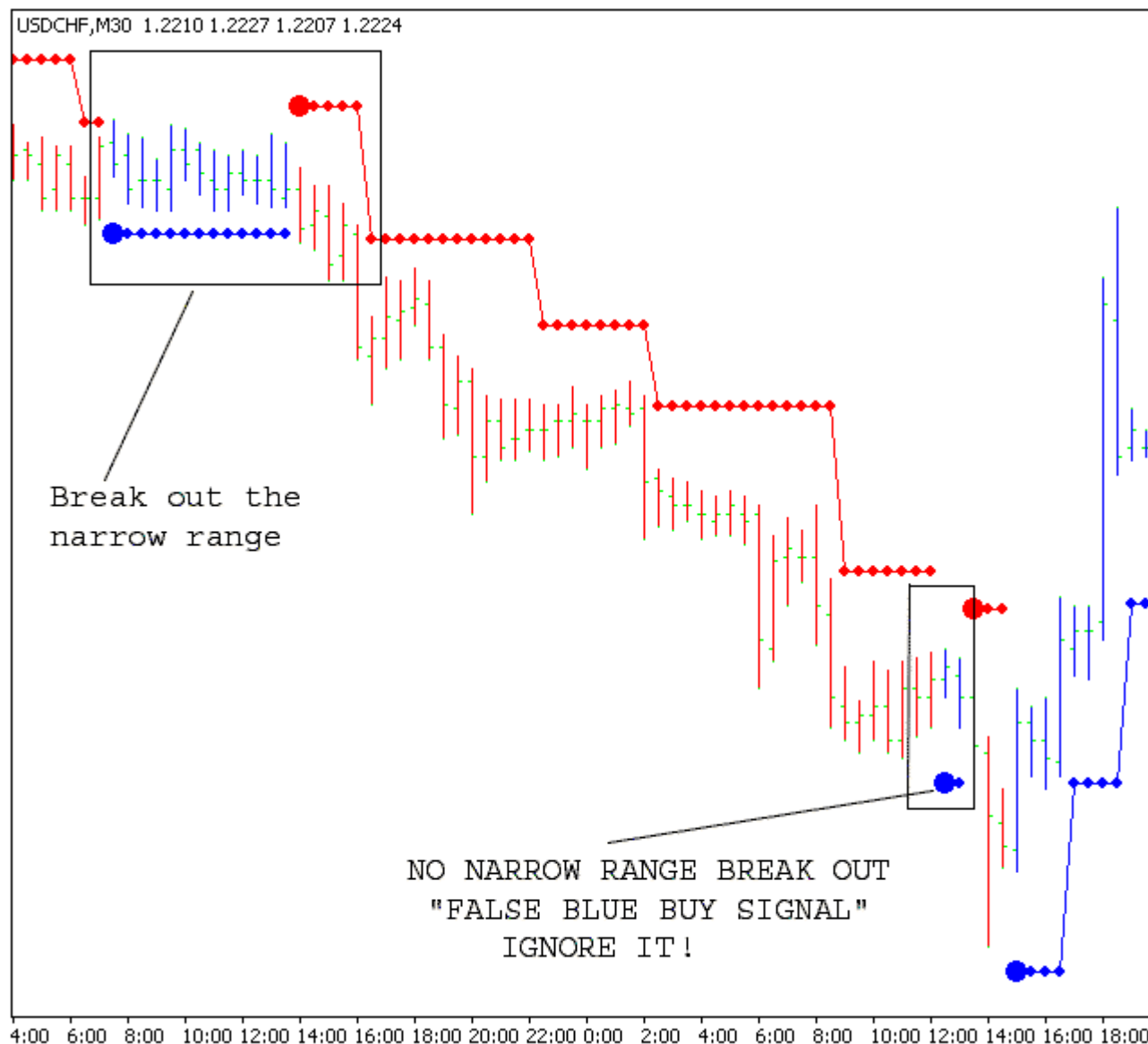
Figure 19. "FALSE SIGNALS" identification

C. BrainTrend1/1Stop/1Sig/2/2Stop/2Sig Entry Rules

1. BrainTrend1/1Stop/1Sig/2Stop/2Sig agreement.
1) **BrainTrend1** blue bars are for buy; **BrainTrend1** red bars are for sell.
2) **BrainTrend1Stop** cyan dots and **BrainTrend2Stop** blue dots below the bars are for buy; **BrainTrend1Stop** magenta dots and **BrainTrend2Stop** red dots above the bars are for sell.
3) **BrainTrend1Sig** large magenta dots and **BrainTrend2Sig** large red dots below the bars are for buy; **BrainTrend1Sig** large cyan dots and **BrainTrend2Sig** large blue dots above the bars are for sell.

4) Don't trade when there are conflicting stop signals (**BrainTrend1Stop** and **BrainTrend2Stop** stop signals above and below the highs and lows of the bars at the same time).

2. And break out the narrow range of the current 4 to 6 bars.

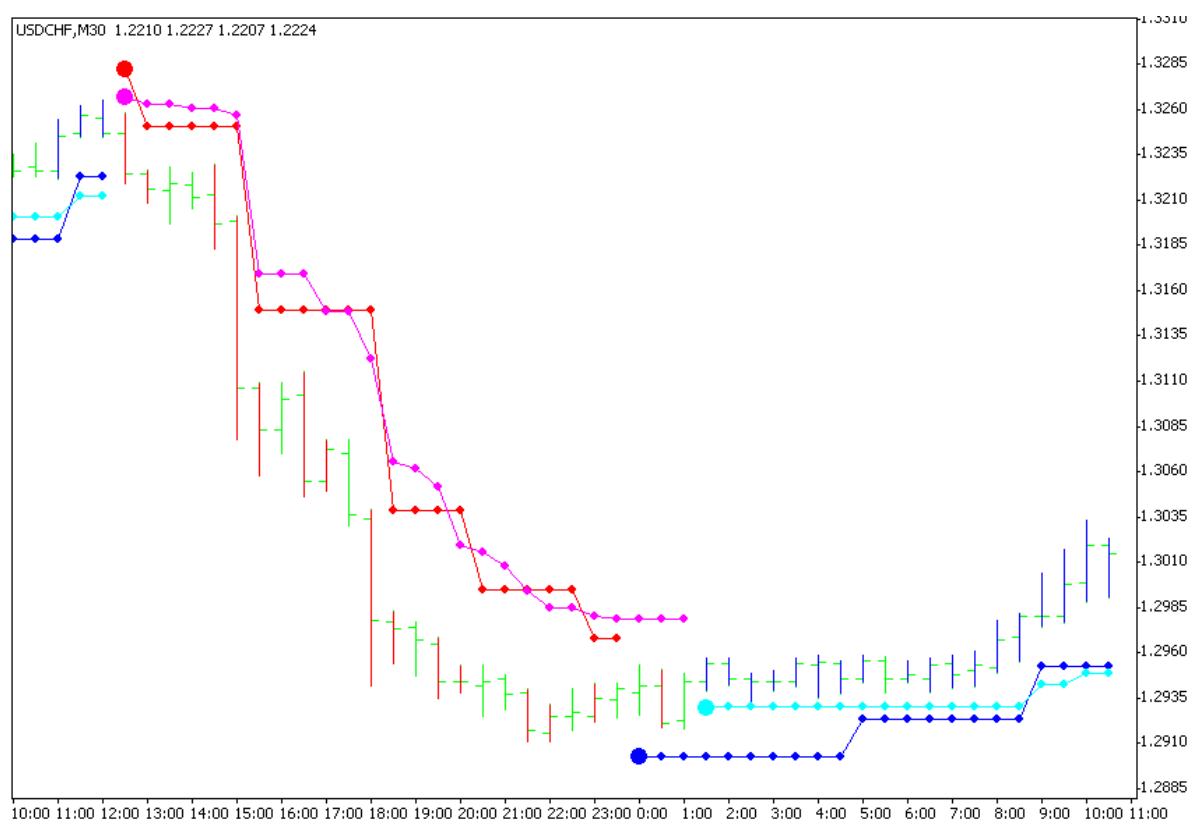**Figure 20. BrainTrend1/1Stop/1Sig/2/2Stop/2Sig Agreement**

Note: If you are a new user and don't know which dot is **BrainTrend1/1Stop/1Sig** or **BrainTrend2/2Stop/2Sig** or **BrainTrend1/1Stop/1Sig/2Stop/2Sig**, please create some charts and apply one indicator to each chart so that you will know which is which when you apply **BrainTrend1/1Stop/1Sig** or **BrainTrend2/2Stop/2Sig** or **BrainTrend1/1Stop/1Sig/2Stop/2Sig** to one chart in trading.

1. Since **BrainTrend1/1Stop/1Sig** are relatively short term price move direction (blue is up and red is down) before you reach a key support/resistance, try to hold your position if the bars are still blue when you hold a long position or the bars are still red when you hold a short position. Get ready to tighten the stops after you have seen green bars.
2. Give more weight to the reappearance of the same color bar, e.g. after a relatively large red bar and followed by several green bars, then you see a red bar again, this is the reappearance of the same color bar. It is significant if the new red bar can break the previous low/support. The same is true for the blue bars.
3. Give more weight to **BrainTrend1/1Stop/1Sig** right after a strong pattern in a quick moving market, e.g. a sell **BrainTrend1/1Stop/1Sig** after a double tops.
4. Give more weight to the fresh **BrainTrend1Stop** (the first few dots or move to a higher value in a up trend or move to a lower value in a down trend) and give less weight to the late part of a long line of **BrainTrend1Stop**.
5. Due to the accuracy of **BrainTrend1Stop**, try not to place trades against **BrainTrend1Stop** direction unless there is a very significant price action (key support/resistance rebound with strong volume and pattern, etc.).
6. Try to be aggressive in taking trades at the end of a long period of narrow range consolidation (**BrainTrend1/1Stop/1Sig** agreement at the end of a flat line is the best). Try to be very conservative in taking trades after a significant market price movement.

7. Try to be very aggressive in the morning and afternoon sessions when the volume is up. Try to be less aggressive in the lunch hours, especially after a significant price movement.

8. Normally, the trend is up if you see higher highs and higher lows and the trend is down if you see lower highs and lower lows.

9. The volume can be used to qualify some potential trend development. E.g. when you see volume build-up for the up-tick bars in a potential up trend formation and you see smaller volume for the down-tick bars in a potential up trend formation, the up trend has a high likelihood to be real. Volume needs to be viewed for a group of bars. Relatively large volume associated with a single bar may be misleading since the outcome could be uncertain. It will be ideal to see the breakouts with volume support and follow-through price actions.

10. Don't be afraid of missing out since you always have more opportunities ahead of you. You need to find the best time to enter. You need to control your emotion and plan a trade, then execute with discipline.

11. Don't trade if you feel that you are compelled to trade by the market price movement instead of your intention (plan). Stop trading (cooling off) if you are making several trades in a very short time frame. Don't trade if you don't see a clear volume association with the trend development. Don't trade if you cannot clearly define a trend (higher highs and higher lows for up trend/lower lows and lower highs for a down trend). Don't trade if you don't see the **BrainTrend1/1Stop/1Sig** agreement with range breakouts.

VI. Money Management

Money management is extremely important to being a successful trader.

Without it, you will rarely succeed in the long run.

As a rule of thumb, it is generally a good guideline to never trade more than 10% of your account capital.

When in a trade, you should never risk to lose more than 5 to 8% (absolute maximum) of your account capital on one trade. That's saying, if your account is $ 25,000.00 and your margin is $ 500.00 per lot, you would not want to trade more than $ 2500.00 (10% of account capital), or 5 lots.

This means you could have 5 lots of the $/JPY and have your stop/loss set at 35 points. If the trade went against you and you were stopped out, you would lose approximately $ 1662.00 (6.6% of capital) if the rate per pip was $ 9.50 This would meet the criteria of the above guidelines.

Trading with this formula in place will keep you from risking too much on one trade and thereby protect your capital and keep you actively trading. It's imperative to have a good system but if you have nothing to trade with, it's pointless.

There is no system or trader in the world who doesn't have losses. Some "professional" and profitable traders are right only about 50% of the time yet highly profitable. This is made possible because of strict money management and avoiding excessive risk.

Proper money management should address three things: Risk and reward and the overall efficiency of the system (as opposed to a per trade efficiency ie stop loss - protection).

Money management is something that pertains to your margin account as a whole and is not gauged on a per trade basis.

Contrary to popular belief futures trading is not gambling. For example in a casino, risk is artificially manufactured and engineered in favour of the house. In futures markets we are dealing with natural risk

associated with the production and consumption of the materials that make life possible and worthwhile - food, metals, finance and energy products.

The trader decides what he is going to trade based on back testing the system on the securities or commodities that he wants to trade. He then has a positive expectation based on this historical testing.
We cannot bend those risks to our will but we do have tools to manage them. Unlike gambling I believe we can move the odds to our favour. To do this we must be disciplined and have a predetermined plan. Read more . . .

There are other money management methods out there and they are lumped into some categories.

Larry Williams money management formula
Larry Williams money management formula: (account balance *risk percent) /largest loss = contracts or shares to trade.
Larry said: "There are probably better and more sophisticated approaches, but for run-of-the-mill traders like us, not blessed with a deep understanding of math, this is the best I know of. The beauty of it is that you can tailor it to your risk/reward personality. If you are Tommy Timid, use 5 percent of your bank; should you think you are Normal Norma, use 10 percent to 12 percent; if you are Leveraged Larry, use from 15 percent to 18 percent; and if you are Swashbuckling Sam or Dangerous Danielle, use in excess of 20 per cent of your account ... and go to church regularly.
I have made millions of dollars with this approach. What more can I tell you-you have just been handed the keys to the kingdom of speculative wealth."

Martingale and Anti martingale

Martingale Category simply states that as the value of an account is decreasing, the size of the following trades increases.
This is gambling and has a high degree of risk of ruin. This is a method employed by gamblers trying to take advantage of streaks. This method seems highly improbable of long term success. And for that matter has no basis in mathematical certainties.
In short gambling is a no win expectation situation and no amount of money management will survive in these circumstances.
ie Flip a coin 100 times. You have a choice to bet on either heads or tails up on each flip. However, when you win, you only win $4. And when you lose, you lose $5. This is a negative mathematical expectation. If you were to bet $5 on every flip of the coin, you would lose $50 after the 100 flips.

Anti martingale Category states that as an account increases, that amount at risk placed on futures trades also increases.
The main characteristics of anti martingale methods are that it causes geometric growth during positive runs and suffers from asymmetrical leverage during draw downs.
ie If a 20% draw down is incurred, a 25% gain is required to get back to even.
If a 10% draw down is incurred, a 11.11% gain is required to get back to even.

Some common names of anti martingale methods

Fixed fractional -Optimal F subcategory of fixed fractional - Secure F subcategory of fixed fractional -

Fixed Ratio- my method of choice

Fixed fractional method (It must be stated for reference here that that margin account as a whole is the subject for discussion - not a per trade risk or reward system).

Pros
Geometric growth is possible with higher percentages (risk % higher per trade)
Risk is controlled with lower percentages (risk % lower per trade)

Cons
Using higher percentages subjects the margin account as a whole to more risk
Using lower percentages takes too long (subjective I know) and is inefficient
You would think that a median could be maintained between what is considered too high and too low of a percentage but in reality there is always a trade off between the two points. At least in my opinion.
I won't get into the details of all the money management methods out there but I believe that money management can make or break a trader. Suffice to say that I have implemented a system that I am comfortable with. And the reason I am comfortable with it is because it is proven mathematically. It is the

Fixed Ratio System Addresses the relationship between growth and risk.
On a direct scale comparison Fixed Fractional and Fixed Ratio the Fixed Fractional method the geometric growth of the Fixed Fractional (FF) is almost double that of the Fixed Ratio (FR). Although that is a direct comparison that doesn't take into account risk and the fact that FR has less risk.
.
As the number of contracts increases within the FR method the amount required for the next increase in contracts increases exactly proportionally. As a result, the risk decreases far below that of the FF method.
A basic comparison between Fixed fractional and fixed ratio (For this comparison 10,000 level must be reached before another futures contract can be traded).
FF It will take 19,375 in profits based on a single contract to reach 70000
FR It will take almost 40000 in profits based on a single contract to reach 70000
For Fixed Fractional method a standard of 10000 per commodity contract must be gained before another commodity contract is traded. (for reference) The same goes for a decrease in the margin account 9999 and less and one contract is traded.
Because the Fixed Ratio method has less risk a smaller fixed ratio may be used. That is a delta of 5000 for every commodity contract traded(margin of contract must be below 1500). Without getting into too much detail this will decrease the risk on the long end of trading as opposed to the fixed fractional method. And still allow for substantial geometric growth.
With this example, The FF is using one contract for every 10000 in the account and the FR is using a delta of 5000. As a result, it took the FR 20000 to reach the 60000 level instead of 40000 to reach the 70000. Further, another 5000 in profits would take the account to 85000. Therefore the geometric growth is starting to kick in.
.The formula for calculating the levels at which contracts are increased is as follows:
.

Previous required entity + (number of contract x delta) = Next Level
10, 000 + (1 x 5, 000) = 15, 000 to increase to two contracts
if the account balance goes above 15, 000 then 15, 000 becomes the previous level in the equation
15, 000 + (2 x 5, 000) = 25, 000 25, 000 + (3 x 5, 000) = 40, 000 40, 000 + (4 x 5, 000) = 60, 000

.
Rate of decrease for the fixed ratio method is independent of the rate of increase.(as opposed to the fixed fractional method) The purpose of this relates to profit protection and geometric growth enhancement.
Faster decrease in the number of contracts traded negatively affects the accounts ability to make up the decrease in profits! Therefore a slower decrease in the number of contracts traded does not adversely affect the accounts ability to make up the loss (to a point that is).
The rule of thumb that is implemented in the Momentum Profile System is to decrease number of contracts traded at half.

Scenario

20,000 account that will increase to two contracts traded at 25,000 level.

At 23,000 a winning trade puts account to 25,000 and 2 contracts are now traded. Next trade is a loser @ 1,000 but for two. Account is @ 23,000 again. (Back to one contract traded). Next trade is a 2,000 winner Account back to 25,000 (Back to two contracts traded). Next trade is 1,000 loser again but for two . . . back to 23,000 again and 1 contract traded. See the cycle.

Same scenario but don't decrease number of contracts traded.
.
20,000 account that will increase to two contracts traded at 25,000 level.
At 23,000 a winning trade puts account to 25,000 and 2 contracts are now traded. Next trade is loser @ 1,000 but for two. Account is @ 23,000 (no decrease in contracts traded) Next trade 2,000 winner but for two. Account is 27,000. Next trade 1,000 loser and for two . Account is @ 25,000. Point is that progress is slowly being made with the slower rate of decrease.
I am comfortable with this FR method of money management. It allows the greatest amount of growth in relation to the amount of risk required.
I utilize a delta of 5000 and a draw down decrease of 2500.

Risk Taking

When people start out trading they often start small. As they get better they trade more. They might start trading 1 contract and then move to 10 contracts. As time progresses, they reach a certain comfort level and maybe they never reach trading 100 contracts or 1,000 contracts.
Remember you want to try to keep things in constant leverage terms. You always want to trade the same as your equity increases. When you employ the Fixed Ratio money management approach you are never afraid of getting big. You are prepared. You know what you will do in advance as your account grows. This is a key to successful money management.

VII. General Exit Rules

A. Taking profit at major support/resistance line
 Exit at major support resistant line. For intra-day trading, in the morning, yesterday's high, low, midpoint, and close could be today's major support or resistance line. In the afternoon, morning's high, low and midpoint could be support or resistance line. For position trading, weekly or monthly major support/resistance line will be good place to exit.
B. Exit half of the positions, let the other half run
 You may take profit at support/resistant line for half of the positions, and let the other taking their chance. This method taking care of the losses first, and let the profit grow with no concerns. Normally, you can hold a good position much longer and more objectively.
C. Exit when the market turns side ways without profit
 After entering the market, if the market goes sideways for 3-4 bars, and you hold a position with no profit or even a small loss, exit.
D. Trailing Stop Exit
 Here is a highly used effective exit strategy and the choice of many professional traders. It allows you to take advantage of the market movement by continually placing your stop behind the market, constantly locking in your profits if the market continues to trend.