

# Forex Diversity System

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Hi, it's Shawn Williams from "Forex Pips Finder" and I will join you in the next few minutes and share with you a cool trading system that helped some Forex traders – including myself - to make a decent number of pips every single week.

Before we go onto the system in details, let me share with you something very interesting... Six years ago, when I was first introduced to Forex trading... I witnessed both sides of the "Forex dream". I had friends who made great profits each and every day. And I also knew people who lost more than 50,000 USD in one night.

At this time, I found myself facing that monstrous fear of losing my hard earned money overnight, and at the same time...I was looking forward to see and live the financial freedom that I always wanted.

That's when I stopped all my trading activity and started to study and read and test all books, systems, indicators, courses that I can find, online and offline.

As an old wise man once said... "To get the right answer, you must ask the right question".

And my goal at that time was to find an answer to one simple question:

**How to get maximum profits, with minimum risk?**

And the answer was:

**Profitable Trading System + Money Management**

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**Money management** in my opinion is the most important factor, and it's the "Hidden Secret" of success in Forex trading. Many talk about it but very few actually use it!

Your account's size, leverage, lot size, stop loss, target... all these are parts of your money management plant. Each part should be carefully calculated and each number you get, you must use with each trade.

Why?

To keep your risk under your full control all the time.

The second most important part in the profitable trading system is using both **technical** and **fundamental** analysis.

You must have both eyes open, one focused on the chart and the other is focused on the economy of the countries related to the pair you're trading. Allow me to explain...

When you trade stocks, and you buy a specific stock you're actually investing in the company that issued that stock. If the company is doing well, you will make money. If the company falls you will lose the money you invested in that company.

When you're trading Forex, you're doing the same thing but instead of investing in the financial status of a company, you're investing in the economy of a whole country vs. the economy of another country.

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For example, when you buy EUR/USD... that means you believe that the European economy is stronger than the U.S economy that's why you expect the EUR to rise over the USD.

I suggest that you to keep this link open while you're trading:

<http://www.dailyfx.com/calendar/>

This calendar would provide you with today's economical news releases dates and times. With detailed explanation of how to read it and how to know the impact of each event on the economy.

However, in this video, I won't be sharing with you about fundamental analysis, instead I'll let you have **one of my highly profitable technical trading systems** for free. Remember that the system you're about to learn is NOT for trading the news.

I call this system '**Forex Diversity System**', as it is a full trading system that takes into account all market conditions. That means you can make money if price is trending, reversing or even when it's moving in sideways! With this, you can easily make **tons of pips every single week**. And it works better than most of high-priced robots or rehashed systems out there that you've been bombarded with everyday.

And today I'd like to share with you this system, 100% free. In a moment, you will get all the details, so please pay close attention from this point onward...

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Before we talk about the system itself and go through the trading rules... let's first talk about **each element and trading method** used with this system.

These are simple elements and trading methods that you might or might not know before. And regardless of your trading background, I'll show you in the next few minutes how to integrate them together to have a system that make you pips nicely.

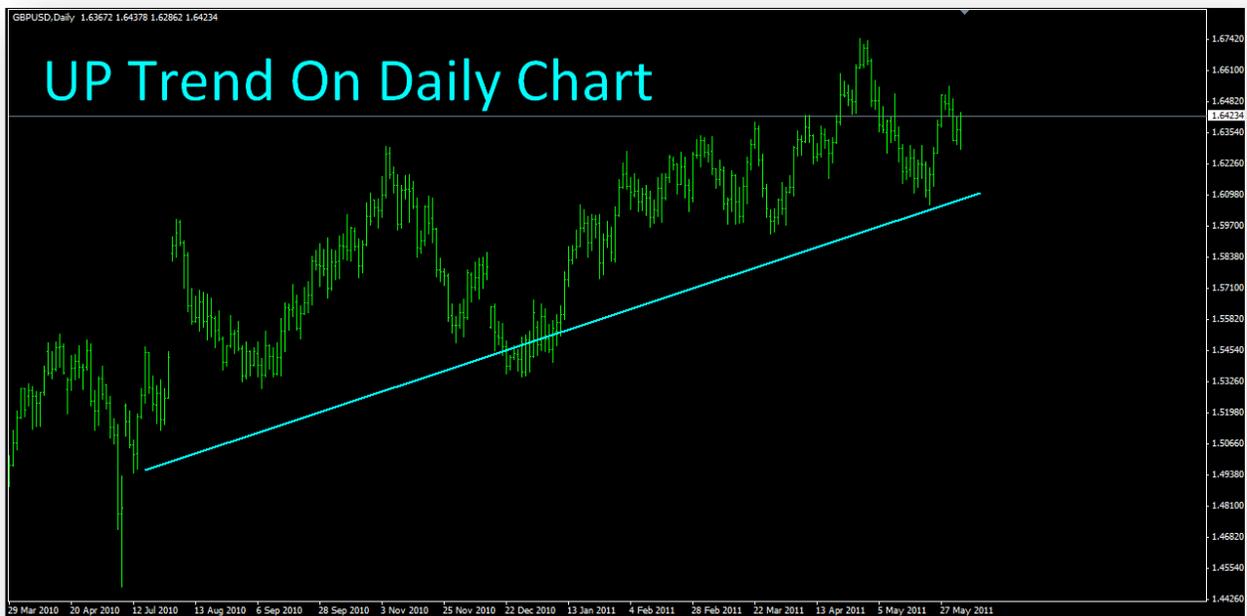
## **The 1<sup>st</sup> Element is: "Trend is your friend"**

You probably have heard this magic sentence "Trend is your friend" over and over. It means **"Always trade in the direction of the trend"**.

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The trend is simple the direction that price is taking for a specific period of time. What makes this a little confusing for many traders is that, for each time period, you would see different trends.

For example, price maybe in up trend on daily chart, while it's in a down trend on 1H chart. So... which trend is "The trend"?!



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The easy answer would be to **wait until both trends** (larger time frame trend and smaller time frame trend) **to be on the same direction**.

If you followed this rule you will do just fine.

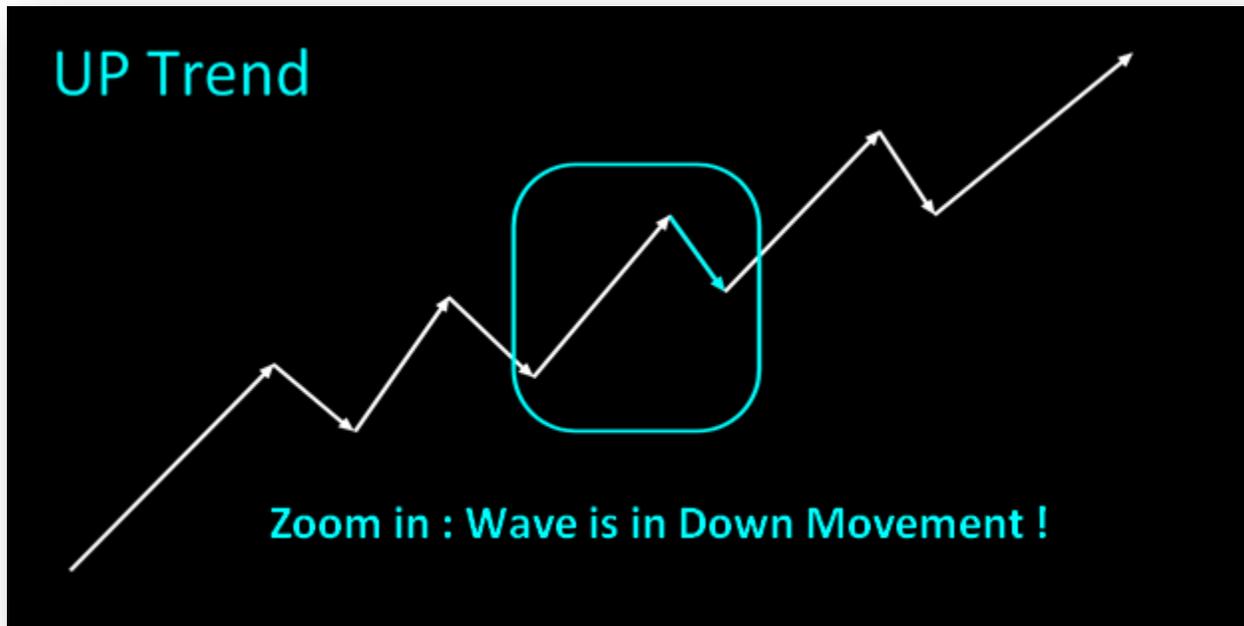
But... if you want to really know how this works, then you should know that the smaller trend is actually NOT a trend!

It's only part of the larger trend's waves.

You see, price doesn't move in a straight line. It moves in waves. And each wave is created from two opposite movements. Up movement, and down movement.

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Take a look at this chart:

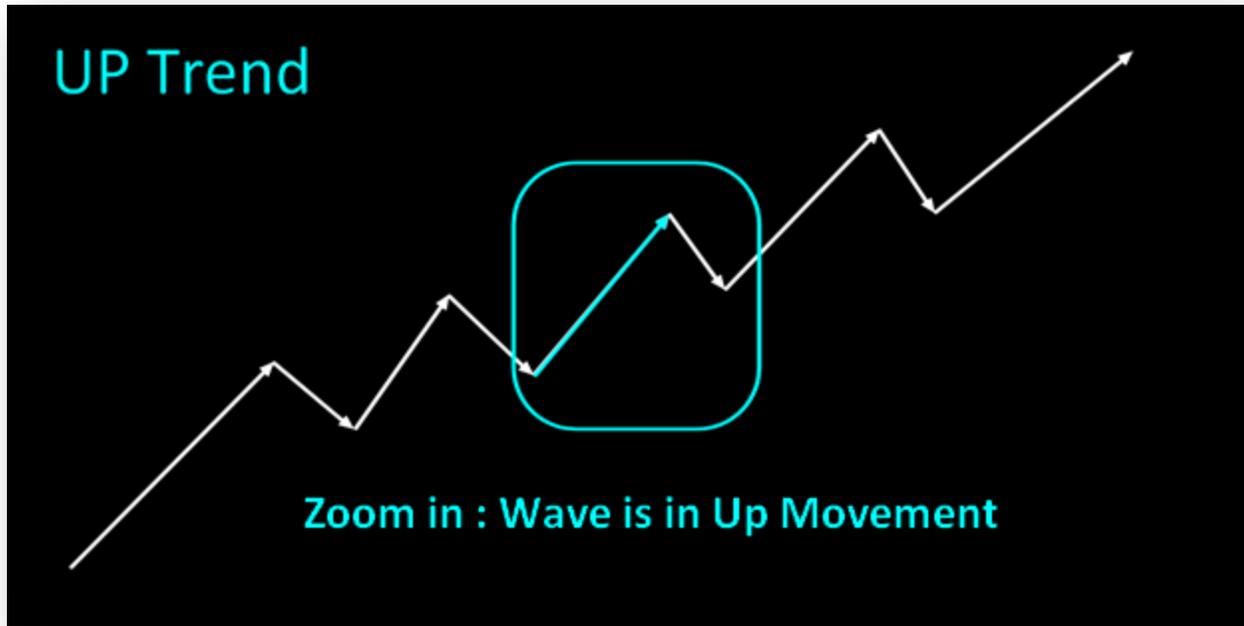


This example is for the trend on a daily chart or the trend on a larger time frame. In general, price is moving upwards, but if you zoom-in you will find that each movement is in **two opposite directions**.

Now, if you move to smaller time frame you would see the smaller down trending movement within that large trend, and that would give you the illusion of uptrend- down trend conflict. While in reality, the smaller “trend” is just part of the large trend’s wave.

In this case, you can just wait until the wave takes the direction of the trend, or... you can simply zoom-in again to smaller time frame.

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That's why it's very important that you start your trading day by checking the trends-waves on multiple time frames.

The time frame you will mainly trade and the larger time frame. And only trade when both are on the same direction.

If your main trend is – for example – on Daily chart, that means you will have to wait for few days or even weeks. But if your main trend is on 1 hour chart, while your trading 5 minutes chart, then you may just wait for an hour, or sometimes immediately after you open your trading platform, you can already see your mainly traded chart and the larger time frame chart are on the same trend direction.

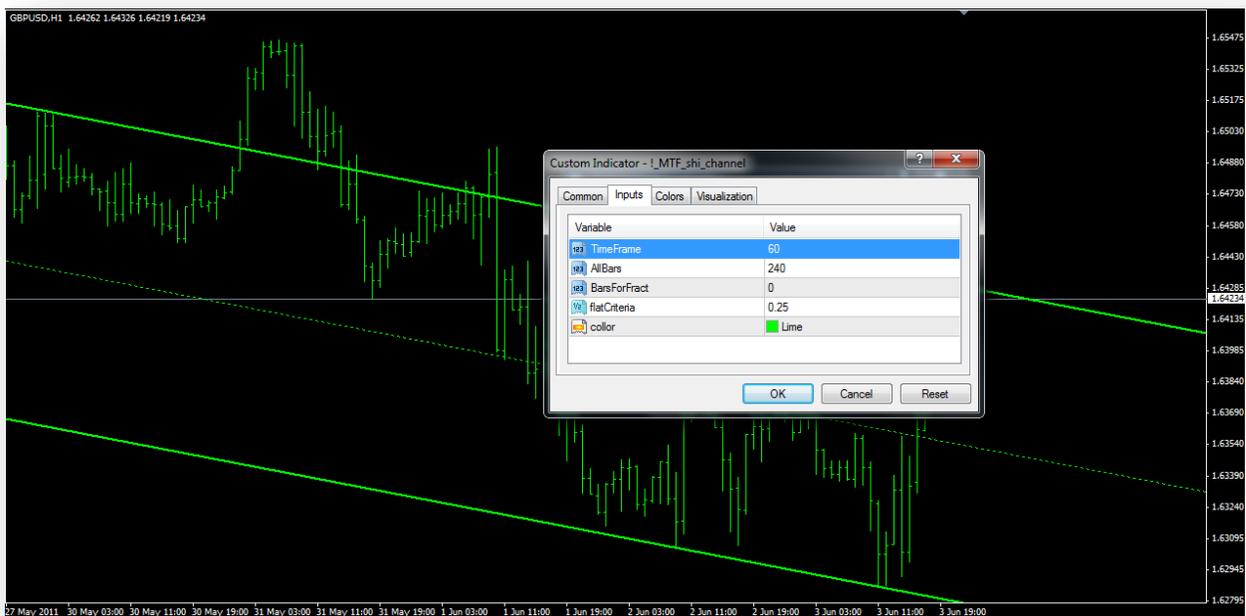
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## Trend Channel indicator

To make things easier for you, we are going to use **Trend Channel indicator**. This indicator uses fractals formula and can work on multiple time frames.

That means you can be watching the daily trend on 1 hour time frame without any need to switch or change your chart.

Okay, to use this indicator, just download the indicator installation file below. After installing the indicator, all you need is to attach it to the chart like this:



The default time frame is 60 minutes (1 Hour trend ) but you can change that to any time frame you would like to use.

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For example, if you are trading on the 1 hour chart, but you want to see the daily trend, then all you need to do is to attach this indicator on 1 hour chart, and modify the TimeFrame to 1,440 minutes (which is 24 hours).

To change the time frame, simply right click and go to the indicator's setting window then change the "time frame" value.

### **RSI-bars indicator**

Another indicator that we are going to use to visually follow the trend is an **RSI-bars indicator**.

Again, please download the RSI-bars indicator by clicking on the download link below.

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The RSI indicator shows the current trend this way:

**Red bars below 0 line = Down trend**

**White bars above 0 line = Up Trend**

Very simple to understand, isn't it?

I also want to show you a trick that will save you a lot of trading time.

Let's say that you don't want to "Wait" until price corrects its direction and want to trade right now.

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In this case you must use a reversal based strategy. And the best strategy for this kind of trading – and the easiest – is to use **Divergence trading**.

Usually when there is a correction on the larger trend, you would see a reversal on the smaller time frame. This reversal movement can be detected by using Divergence trading.

## **So, What is Divergence?**

Divergence simply means that price and the technical indicator are going in opposite directions.

In this training, the indicator that we're going to use to detect the divergence is Awesome Oscillator indicator (A.O). So to detect a divergence, Price and the A.O indicator should be going in opposite directions.

For Example, let's open up a new chart

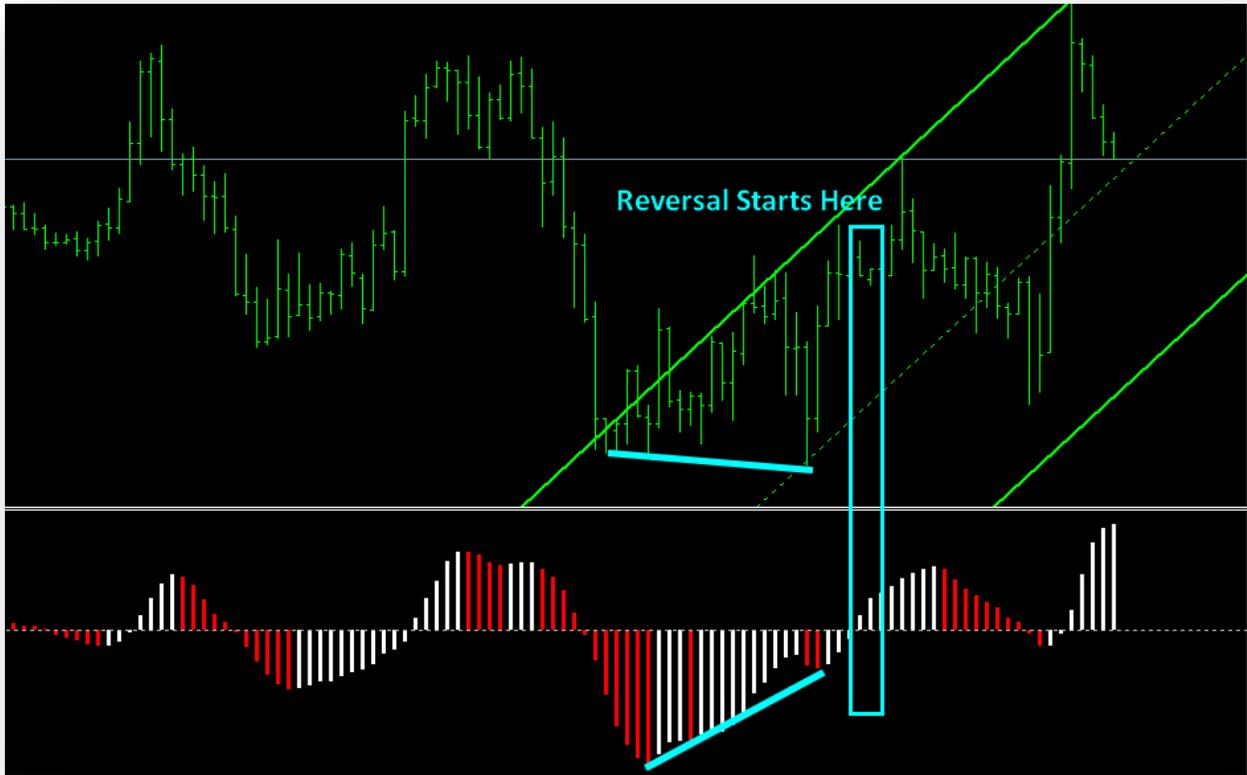
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We see that the price is on an uptrend, meanwhile the Awesome Oscillator indicator is on the downtrend. So we possibly detect a divergence in this situation. The divergence or the actual reversal signal happens when A.O bars gone below 0 line. That means price can now be confirmed to reverse from up trend to down trend.

Let's take another example...

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In this example, price reversed from down trend to up trend. This reversal movement was detected by an A.O divergence signal.

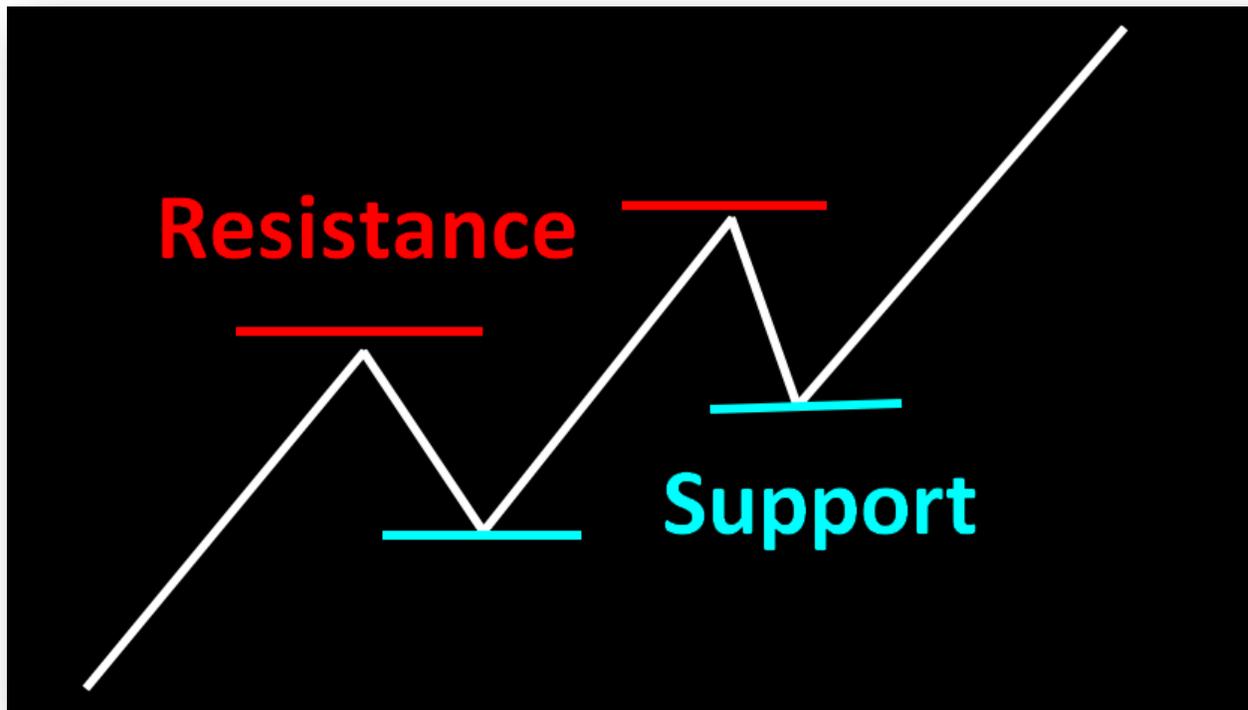
Notice how the signal started when the A.O white bar started to move above 0 line.

We finished discussing about trading the trend, which is the first element in my 'Forex Diversity System' here. And we go ahead with the second element, which is

## 2<sup>nd</sup> Element: Support & Resistance Trading

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We are going to use support and resistance levels to determine entry/exit points, and to know the best levels to place our stop loss and targets.



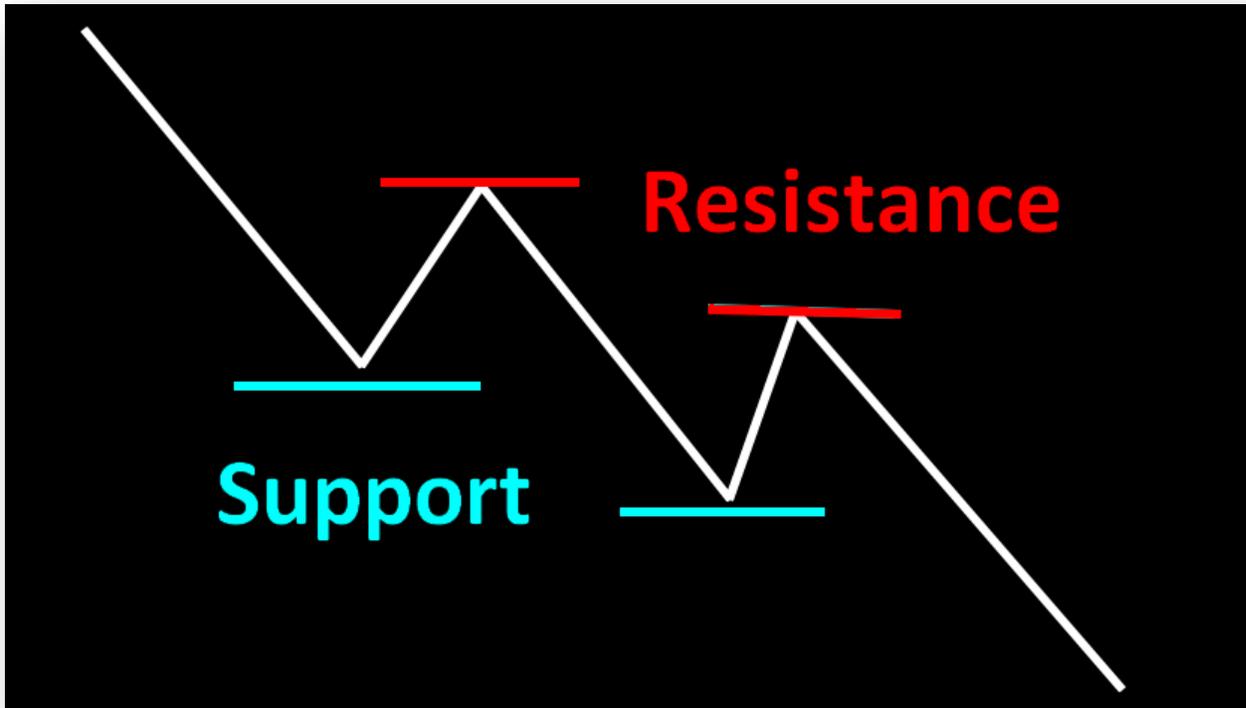
If we open up any chart, we can see that the zigzag movement represents price movement. And as you can see it's making its way up (bull market) then pulls back. The highest point reached before it pulled back is a resistance.

When the market continues to move up, the lowest level reached before it started back is called support.

That's why resistance and support are continually formed as the market moves all the time.

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The opposite is true for the downtrend movement.



Just like trends, the larger the time frame is the more stable and powerful these support&resistance levels are.

For example, support and resistance levels on a daily chart are more powerful than support and resistance levels on 1 Hour chart or 30 Minutes chart.

### **‘Support Resistance Detector’**

With our system we are going to use an indicator to detect support and resistance levels. It is called as **‘Support Resistance Detector’** as you can find below. Just attach it into your trading chart like this:

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Ok, here's how to use the indicator:

**In Up trends, it's best to buy after a new support is formed. And it's best to exit the trade after a new resistance is formed.**

**While in down trends, it's best to sell after a new resistance is formed. And it's best to exit the trade when a new support is formed.**

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Let's explore another chart example... we can see that the trend is up, so we buy after a new support is formed, and exit the trade after a new resistance is formed.



As I mentioned before, these levels would be much stronger on higher time frames than smaller time frames.

**The best stop loss level in Up trends would be the last support. And in down trends the best stop loss level would be the last resistance.**

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For Example... the trend is up, so we enter buy here and we place a stop loss here



**Notice that we don't place the stop right on the indicator's level. But on the lowest price before the support level. The opposite is true in down trends, we should place the stop on the highest price above the resistance signal.**

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After learning each element behind the system, it's time to **put it all together** and see how we are going to trade and how we are going to deal with any market condition. Let's dive into the **'Forex Diversity system'** right now.

## **'Forex Diversity system'**

I'm going to use Metatrader platform to demonstrate the system. However you can use this system on different platforms. Besides, if you are using a broker that doesn't support Metatrader, you can also install Metatrader to generate trading signals then you can place trades on your broker. Anyway, it's all up to you!

Okay, now you can download all the indicators and template files which are necessary for this system by using the links below.

I already prepared the installation file for you so that you can install the indicators and template with just a few clicks. The installer will automatically copy the indicators and template into your MetaTrader folder.

Now, let's get started! To display the system indicators onto your chart, right click on chart then choose: **Template >>>> Forex Diversity** – just like this!

Now your chart should look like this one:

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Before we move to the trading rules, you must check one thing first...

**You must specify the time frame you want with the Trend Channel indicator.** As I said before, the Trend Channel indicator is to show the trend of the higher timeframe on your mainly traded timeframe. The default parameter TimeFrame of the indicator is 60 minutes. But you can also use higher time frame like 4 Hours ( 240 ) or daily ( 1440 ) If you wish to use higher trend than the default time frame. For example, if you want to trade on 30 minutes or 1 hour timeframe, you'd want to check the trend on the Daily timeframe, so you set the TimeFrame parameter to 1440.

Now everything is ready so let's start trading !

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**The first step is to check the main trend you're going to follow.**

Let's make a sample trade to illustrate the Forex Diversity system. We will trade EUR/USD on 1H chart. So all we need to do now is to open higher time frame. For example, the daily chart.

Okay, so let's open the daily chart and only check the daily trend (don't forget to change the time frame for the Trend Channel indicator to 1440 )...



**What can we see on daily chart?**

We can see that **the trend is in a clear/strong up movement** and we can also see that **it's leaving a clear support level and moving upwards.**

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We also have **white candles** and the **A.O indicators shows white bars** ( or up trend movement ).

Oh I almost forgot, the red/white candles you can see on the chart are plotted using the Volatility Quality candle indicator. Anyway, you don't need to understand about this indicator. It is used to filter out some noises on your chart and it's mainly used here for visual confirmation of entry points.

Okay, by looking at all the indicators on the chart, we can come to the conclusion: EUR/USD main trend is Up Trend.

That's all that we need to know from the daily chart. Next, we should move back to 1 Hour chart, or the chart that we are mainly going to trade with.



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Now we know that we are going to whether:

- **Trade in the direction of the trend ( Buy only ) or...**
- **We are going to trade the reversal ( if a divergence is detected )**

As you can see from the sample chart here, there is no divergence detected at this time. So we are going to simply follow the trend and only open buy orders.

**In the next training video, I'll give you a few more indicators that make all the tasks become much easier and help you to trade much faster. I will also give you more live trading examples so you can understand this system much better. So don't forget to check back this page or look out for my next email. The next training video will be very interesting!**

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Now we should check the price on our main trading chart which is 1 hour chart, and let's see what we got.

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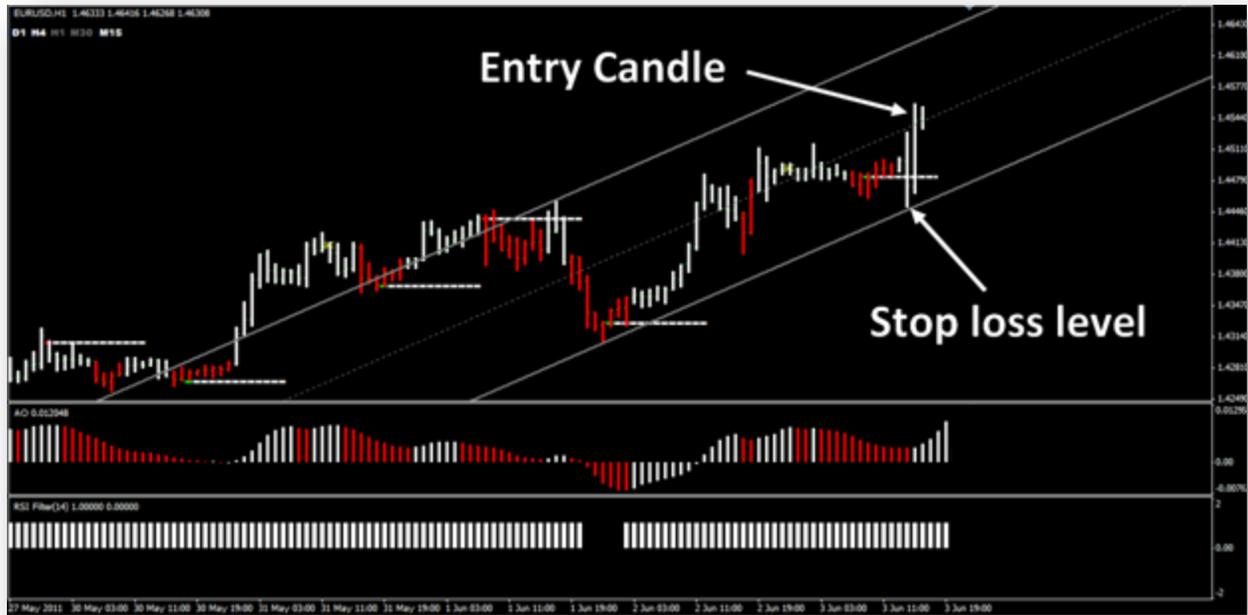
Okay, again we can see on this 1 hour chart, **the trend is up**. We also can see that the price has just formed a new support and it's leaving a clear support level and moving upwards.

**The price candles are white, the A.O indicators shows white bars, the RSI bars also indicate uptrend.** As you can see, price is almost screaming "BUY NOW" 😊

So all we need to do is to follow the signals and open a buy order.

And here is where we should enter and place our stop loss:

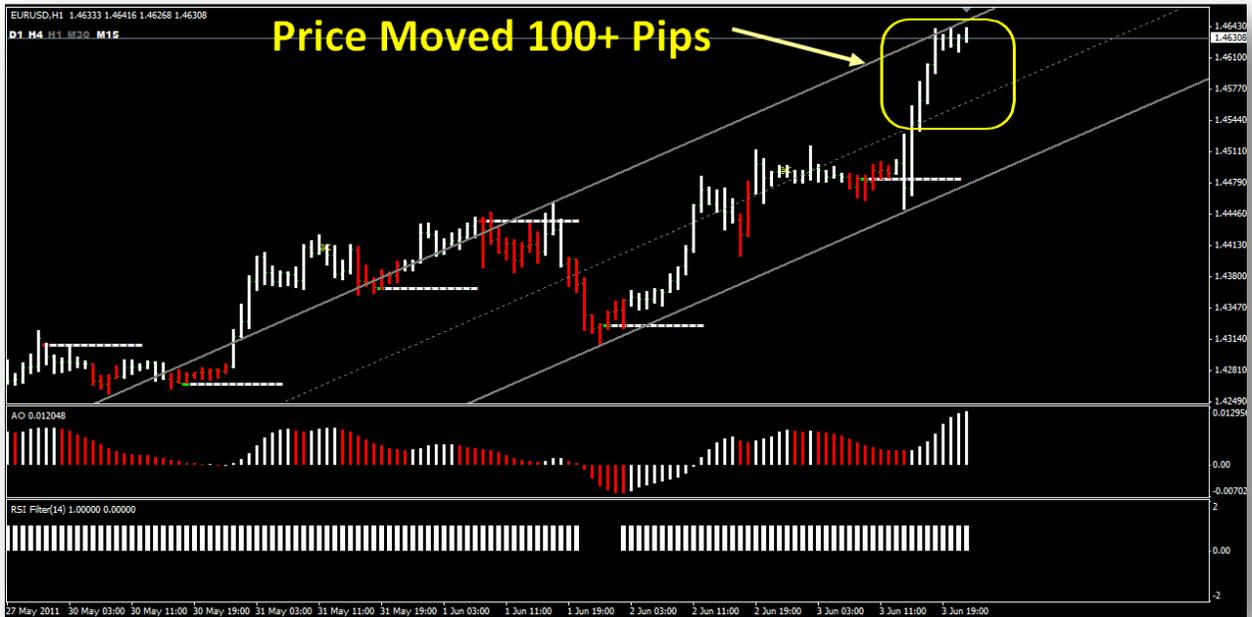
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Remember, as I mentioned before that we don't place the stop right on the indicator's level. But on the lowest price before the support level.

Okay, let's see what happened a few hours later ...

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The price moved upward as we expected and 100 pips have been made in a single trade.

So now, next to another important factor...

## When to exit the trade?

There are many options and all are effective and profitable, here are few that you can use with this system...

### Option 1 is:

You can wait until a new support/resistance is formed and exit right after the new level is created.

For example, let's go back to the previous trade: we can see a new resistance is formed, so we exit right there.

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Notice that not only a new resistance is formed, but it was formed after price hit the upper channel's trend. That means it's a powerful resistance and closing the trade at this point would be the best choice.

Sometime the support/resistance indicator would show a sign like this one :

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This sign simply shows you the best place/time to exit the trade. When you see this sign, wait for 1 or 2 bars to be formed after it and if the sign remains, close your opened trade.

### **Now, let's go to exit option 2:**

This option is to use fixed numbers of pips for take profit. This number could be static ( never changes, for example .. 40 pips per trade ) or dynamic ( changes according to changes in another element .. for example, Target is twice as Stop loss ).

Okay, I have finished sharing with you **how to trade in the direction of the trend** using my Forex Diversity system.

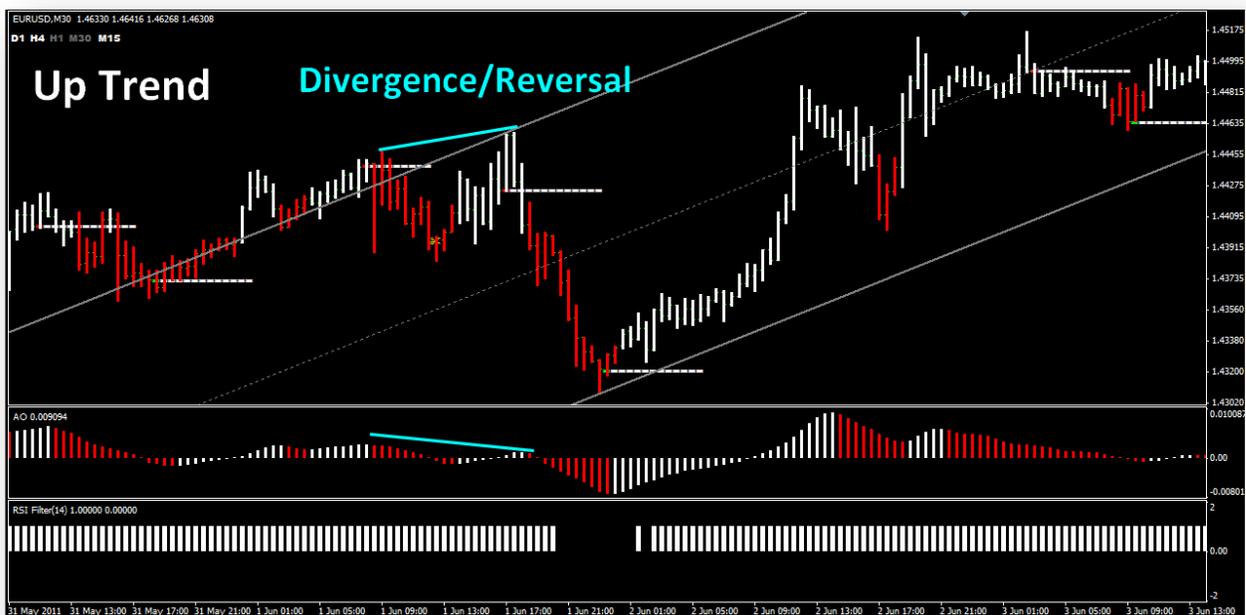
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Now I'm about to explain with you how to trade the reversal ( if a divergence is detected )

In the previous examples we discussed how to follow the main trend. In this example we are going to see how to trade if a divergence was detected.

In this case, the trend indicators could show a clear trend (for example , up trend ) but at the same time, the A.O indicator would show a divergence or a possible reversal (down trend).

Here's an example...



Here we can see that the price is trending up. RSI bars and the Trend Channel indicators also confirm the up trend. However, take a look at the Awesome Oscillator, it's trending down. If you choose to trade the divergence, you are going to open a sell trade based on the divergence

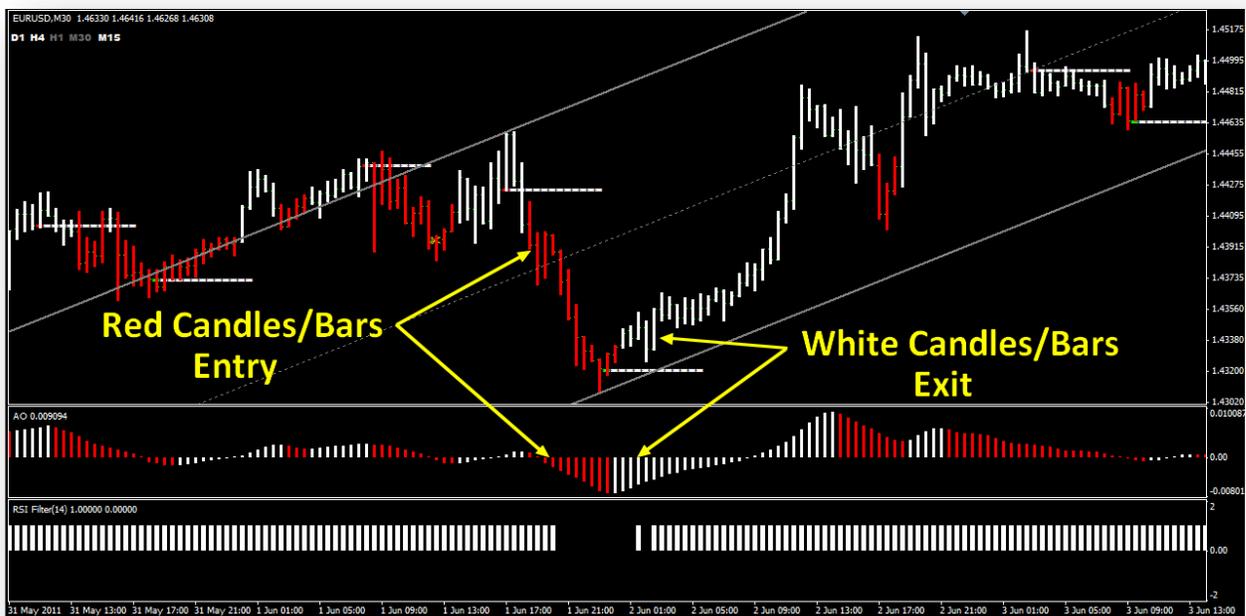
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signal. You'll want to open the trade when the AO bar becomes negative.

**Entry and exit is the same as the trend following rules.** Wait until a new support/resistance is formed, open trade, then close after a new support/resistance is formed.

Notice that in this case, you should see **similar colors in price candles and A.O bars to confirm your entry/exits.**

Here's how we confirm the entry/exits...



Okay, so the divergence happened. And we can see the AO bar become negative here (at the same time the price candles are also red). So we can confirm the SELL entry here.

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Now, many bars later, you can see the trade went smoothly and you can get some nice profits from the SHORT trade. But you can see a new support level was formed, so it's time to exit the SHORT trade. Also the AO bars and the price bars now have same white color. So this confirms it's time to exit now!

Because you would be trading against the trend, it's recommended that you exit your trade as fast as possible and don't keep the trade open for long time.

**In the next training video I'll give you a quick summary of all the trading rules of this 'Forex Diversity system'. Plus I'll also give some free indicators to make all the tasks become much easier and help you to trade much faster, such as the Multi-timeframe Trend Explorer. I will also give you more live trading examples so you can understand this system much better. So please stay tuned for the next training video in the series.**

I hope you enjoy this video. In this video, I've just shared with you a system that works in different market situations. This is just a small gift from me to you, to show that I really want to help you make profits from forex trading. In the next few days I'll be sharing with you a much more powerful forex trading system and software that will improve your trading profits much more than ever! Thank you for your attention!

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