

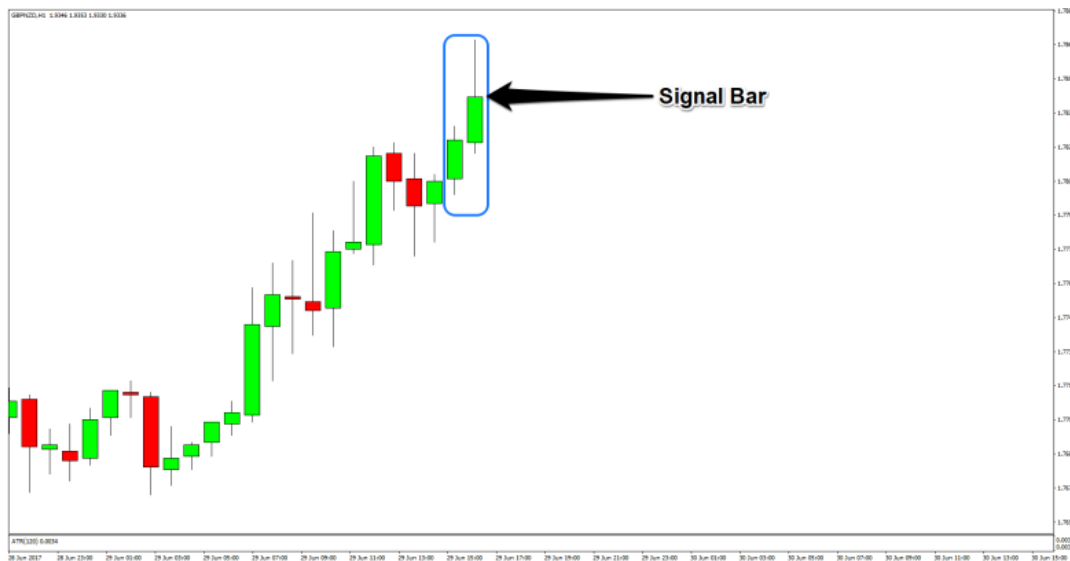
The Core Patterns

This trading system uses price patterns known as **Higher Highs, Higher Lows (HHHL)** and **Lower Highs, Lower Lows (LHLL)**, as well as the **Inside Bar (IB)** pattern to enter trades.

The HHHL pattern has the following elements:

- The high of the recently closed candle **must be higher** than the high of the previous candle
- The low of the recently closed candle **must be higher** than the low of the previous candle
- The recently closed candle is designated as the signal bar

Pretty simple, right? Here's an example to help you out:

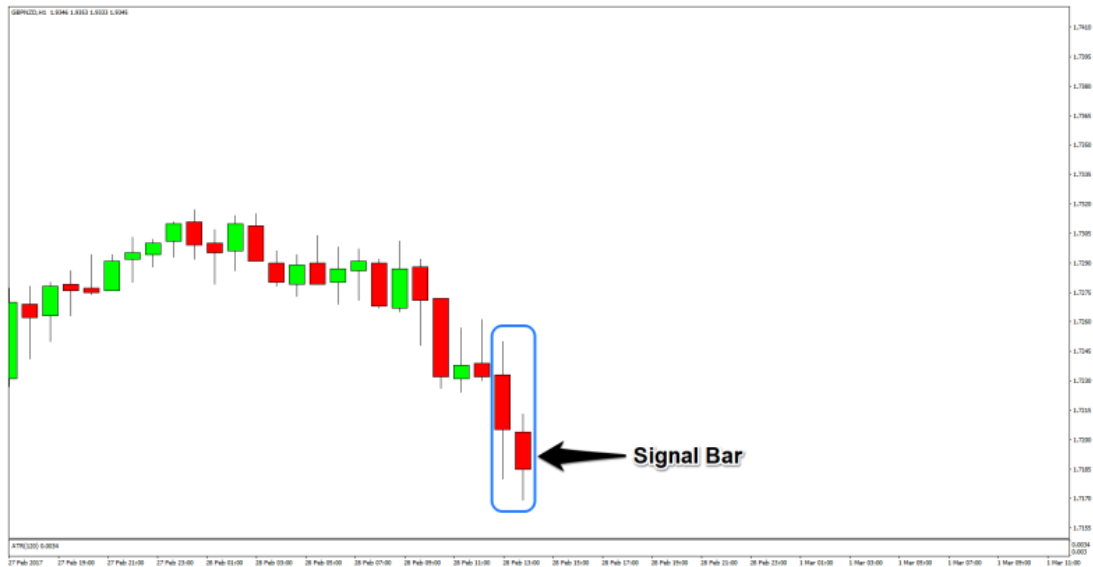


The LHLL pattern, meanwhile, is just the opposite of the HHHL pattern, and it has the following elements:

- The high of the recently closed candle **must be lower** than the high of the previous candle
- The low of the recently closed candle **must be lower** than the low of the previous candle

- The recently closed candle is designated as the signal bar

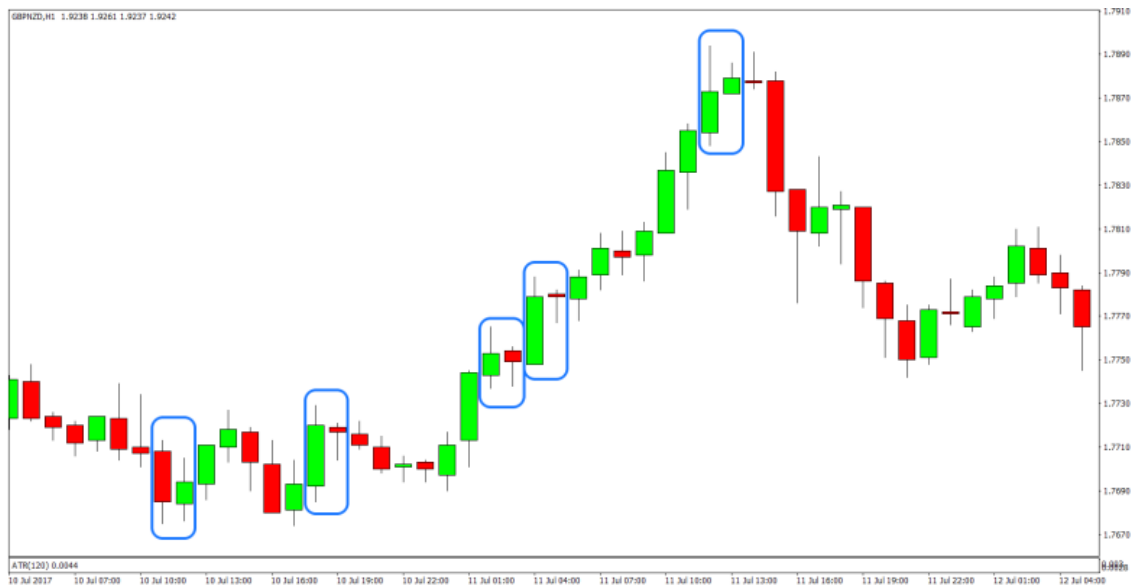
And here's an example:



As for the IB pattern, it has the following elements:

- The high of the recently closed candle **must be lower** than the high of the previous candle
- The low of the recently closed candle **must be higher** than the low of the previous candle
- The recently closed candle is designated as the signal bar

Basically, we're referring to these candlestick formations:



Definitions

Take note of the following since I'll be using them constantly when explaining the rules of the system.

- HHHL – Higher Highs, Higher Lows candlestick pattern
- LHLL – Lower Highs, Lower Lows candlestick pattern
- IB – Inside Bar candlestick pattern
- ATRH – 120-period **average true range** on 1H chart
- SBar – Signal Bar or candle
- Bar1 – the previous candlestick; the candle to the left of the signal bar
- Bar2 – the candle previous to Bar1
- Bar3 – the candle previous to Bar2; you get the idea...
- SL – stop loss level
- TP – target profit level
- Break – price level the pair needs to reach before you can move your SL to breakeven
- P1 – this is simply a 1-pip filter for our entries
- RSL – reduced stop loss; basically just reduces risk by half
- RSLT – price level when you can move your SL to RSL

Computing for TP, SL, Break, RSL, RSLT

If going long:

- $TP = \text{Entry} - \text{spread} - P1 + (ATR_H \times 1.9)$
- $SL = \text{Entry} - \text{spread} - P1 - (ATR_H \times 1.3)$
- $\text{Break} = TP - (ATR_H \times 0.2)$
- $RSL = \text{Entry} - \text{spread} - P1 - ((ATR_H \times 1.3) \times 0.5)$
- $RSLT = \text{Entry} - \text{spread} - P1 + ATR_H$

If going short:

- $TP = \text{Entry} + \text{spread} + P1 - (ATR_H \times 1.9)$
- $SL = \text{Entry} + \text{spread} + P1 + (ATR_H \times 1.3)$
- $\text{Break} = TP + (ATR_H \times 0.2)$
- $RSL = \text{Entry} + \text{spread} + P1 + ((ATR_H \times 1.3) \times 0.5)$
- $RSLT = \text{Entry} + \text{spread} + P1 - ATR_H$

Trading Rules For Long Positions

This trading system uses FIVE entry methods. And here's a brief description of what these entries are all about:

- **Long Entry Type 1** – this is the standard entry for the LHLL pattern; we're basically expecting an exhaustion and reversal in price movement and position ourselves accordingly
- **Long Entry Type 2** – if an LHLL pattern forms within an LHLL pattern, then these rules apply
- **Long Entry Type 3** – we use the IB pattern pretty much like we do the LHLL pattern – as a reversal pattern
- **Long Entry Type 4** – if an IB pattern forms inside an IB pattern, then these rules apply
- **Long Entry Type 5** – these rules allow us to jump in if price continues moving higher; in some cases, you'll find that Long Entry Type 5 and Long Entry Type 3 are both active at the same time

Long Entry Type 1 (LHLL)

- If an LHLL pattern forms

- And the lows of the four candles prior to the SBar are higher compared to the low of the SBar
- Then set buy stop order at Bar1 High + P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk
- **However**, if the buy stop order is not triggered **12 hours after SBar formed**, then cancel the order
- **But** if (Bar1 High – Sbar Low) is greater than (2 x ATRH), then the buy stop order should be cancelled after 2 hours, not 12 hours
- **Moreover**, if a new LHLL pattern forms after the previous one, and the existing buy stop order hasn't been triggered yet, then reset everything based on the newer LHLL pattern
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an HHHH pattern
- The new SL = Bar1 Low of the HHHH pattern less (ATRH x 0.2)

Long Entry Type 2 (LHLL Within LHLL)

- If an LHLL pattern forms that complies with the rules for Entry Type 1
- And another LHLL pattern later forms inside the LHLL pattern
- Keep the old buy stop order
- But also place a new buy stop order based on the newer LHLL pattern
- **However**, if the new buy stop order is not triggered **12 hours after the SBar of the new LHLL pattern formed**, then cancel the order
- Place buy stop orders for all subsequent LHLL patterns, as long as price does not go higher than Bar1 High or lower than Sbar Low of the original LHLL pattern and as long as the newer LHLL pattern did not form consecutively

Long Entry Type 3 (Reversal IB)

- If an IB pattern forms
- And the lows of the four candles prior to Bar1 are higher compared to the low of Bar1
- Then set buy stop order at the high of Bar1 + P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk

- **However**, if the buy stop order is not triggered **1 hour after SBar formed**, then cancel the order
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an HHHL pattern
- The new SL = Bar1 Low of the HHHL pattern less (ATRH x 0.2)

Long Entry Type 4 (IB Within IB)

- If you find an IB pattern that complies with the rules for Entry Type 3 and/or Entry Type 5
- But if a new IB pattern later forms inside the IB pattern
- Then place a buy stop order based on the new IB pattern
- **However**, if the buy stop order is not triggered **1 hour after the SBar of the new IB pattern formed**, then cancel the order
- If yet another IB pattern forms within the second IB pattern
- Then place a buy stop order based on the newest IB pattern
- The 1-hour time limit applies for each subsequent IB pattern

Long Entry Type 5 (Continuation IB)

- If an IB pattern forms
- And the highs of the 12 candles prior to Bar1 are lower compared to the high of Bar1
- Then set buy stop order at the high of Bar1 + P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk
- **However**, if the buy stop order is not triggered **1 hour after SBar formed**, then cancel the order
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an HHHL pattern
- The new SL = Bar1 Low of the HHHL pattern less (ATRH x 0.2)

Trading Rules For Short Positions

As mentioned earlier, this trading system uses FIVE entry methods. They're basically the opposite of the rules for entering long, but here's a brief description of what these entries are all about:

- **Short Entry Type 1** – this is the standard entry for the HHHL pattern; we're basically expecting an exhaustion and reversal in price movement and position ourselves accordingly
- **Short Entry Type 2** – if an HHHL pattern forms within an HHHL pattern, then these rules apply
- **Short Entry Type 3** – we use the IB pattern pretty much like we do the HHHL pattern – as a reversal pattern
- **Short Entry Type 4** – if an IB pattern forms inside an IB pattern, then these rules apply
- **Short Entry Type 5** – these rules allow us to jump in if price continues moving lower; in some cases, you'll find that Short Entry Type 5 and Short Entry Type 3 are both active at the same time

Short Entry Type 1 (HHHL)

- If an HHHL pattern forms
- And the highs of the four candles prior to the SBar are lower compared to the high of the SBar
- Then set sell stop order at Bar1 Low – P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk
- **However**, if the sell stop order is not triggered **12 hours after SBar formed**, then cancel the order
- **But** if (SBar High – Bar1 Low) is greater than $(2 \times \text{ATRH})$, then the sell stop order should be cancelled after 2 hours, not 12 hours
- **Moreover**, if a new HHHL pattern forms after the previous one, and the existing sell stop order hasn't been triggered yet, then reset everything based on the newer HHHL pattern
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an LHLL pattern
- The new SL = Bar1 High of the LHLL pattern plus $(\text{ATRH} \times 0.2)$

Short Entry Type 2 (HHHL Within HHHL)

- If an HHHL pattern forms that complies with the rules for Entry Type 1
- And another HHHL pattern later forms inside the HHHL pattern
- Keep the old sell stop order
- But also place a new sell stop order based on the newer HHHL pattern
- **However**, if the new sell stop order is not triggered **12 hours after the SBar of the new HHHL pattern formed**, then cancel the order
- Place sell stop orders for all subsequent HHHL patterns, as long as price does not go lower than Bar1 Low or higher than Sbar High of the original HHHL pattern and as long as the newer HHHL pattern did not form consecutively

Short Entry Type 3 (Reversal IB)

- If an IB pattern forms
- And the highs of the four candles prior to Bar1 are lower compared to the high of Bar1
- Then set sell stop order at the low of Bar1 – P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk
- **However**, if the sell stop order is not triggered **1 hour after SBar formed**, then cancel the order
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an LHLL pattern
- The new SL = Bar1 High of the LHLL pattern plus (ATRH x 0.2)

Short Entry Type 4 (IB Within IB)

- If you find an IB pattern that complies with the rules for Entry Type 3 and/or Entry Type 5
- But if a new IB pattern later forms inside the IB pattern
- Then place a sell stop order based on the new IB pattern
- **However**, if the sell stop order is not triggered **1 hour after the SBar of the new IB pattern formed**, then cancel the order
- If yet another IB pattern forms within the second IB pattern

- Then place a sell stop order based on the newest IB pattern
- The 1-hour time limit applies for each subsequent IB pattern

Short Entry Type 5 (Continuation IB)

- If an IB pattern forms
- And the lows of the 12 candles prior to Bar1 are higher compared to the low of Bar1
- Then set sell stop order at the high of Bar1 + P1
- After that, compute for and place the SL
- Make sure to compute for Break and RSLT so that you know when to reduce risk
- **However**, if the sell stop order is not triggered **1 hour after SBar formed**, then cancel the order
- **Do note** that you should also compute for TP but don't set the TP because this variant has no TP, relying on a trailing method instead
- The trailing method will only activate once price hits the TP level
- You can only move your SL every time there's an LHLL pattern
- The new SL = Bar1 High of the LHLL pattern plus $(ATR_H \times 0.2)$