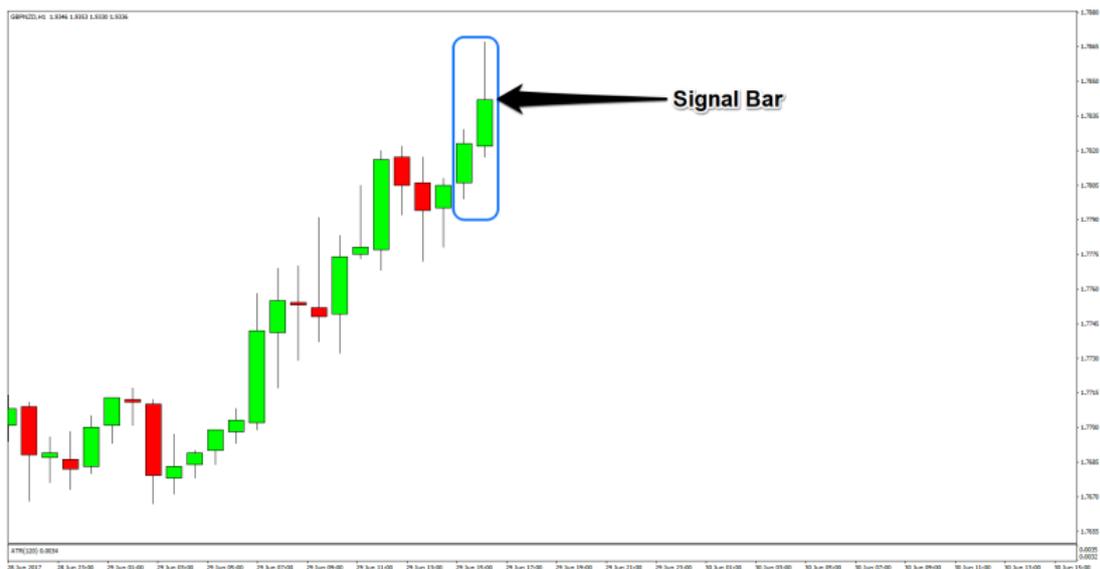


The Core Patterns

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:

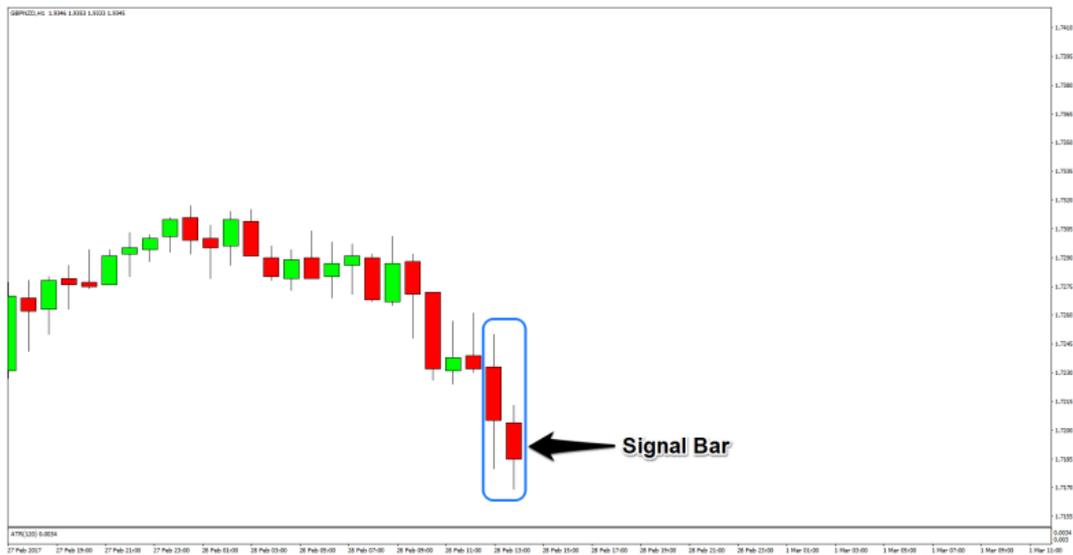
- The high of the recently closed candle **must be higher** than the high of the previous candle
- The low of the recently closed candle **must be higher** than the low of the previous candle
- The recently closed candle is designated as the signal bar
- Here's an example:



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

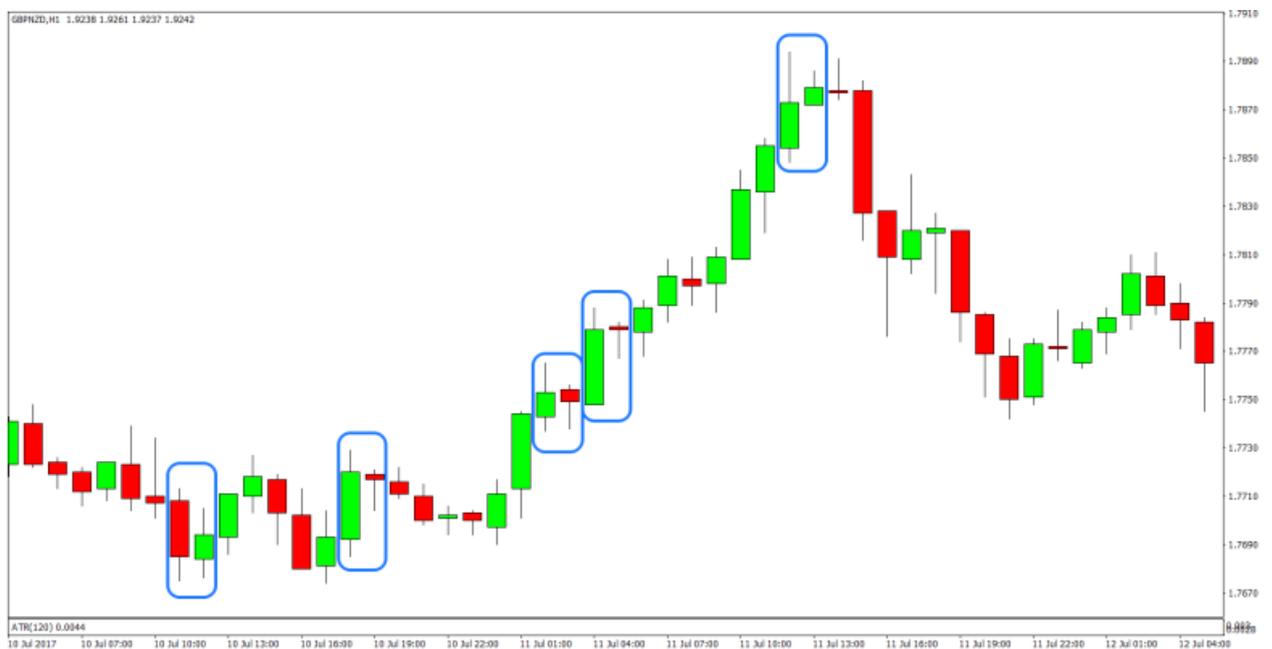
And here's an example:



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

- 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
- SW – small win; instead of getting out of a profitable trade at breakeven, we get out with a small win
- SWT – small win trigger, price level the pair needs to reach before you can move your SL to SW
- P1 – this is simply a 1-pip filter for our entries
- RSL – reduced stop loss; basically just reduces risk by half
- RSLT – reduced stop loss trigger; price level when you can move your SL to RSL

Computing for TP, SL, SW, SWT, RSL, RSLT

Okay, here is how we compute for our TP, SL, SW, SWT, RSL, and RSLT.

If going long:

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

If going short:

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

Trading Rules for Long Positions

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 a buy stop order at $\text{Bar1 High} + P1 + \text{spread}$
- After that, compute for and place the SL and TP
- **Note:** If putting a buy stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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 $(\text{Bar1 High} - \text{Sbar Low})$ is greater than or equal to $(1.5 \times \text{ATRH})$, then orders 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

Long Entry Type 2 (LHLL Within LHLL)

- If an LHLL pattern forms
- And another LHLL pattern later forms inside the LHLL pattern
- Then set a buy stop order at Bar1 High + P1 + spread, based on the newer LHLL pattern
- After that, compute for and place the SL and TP
- **Note:** If putting a buy stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT and RSLT so that you know when to reduce risk
- **However**, if the buy stop order is not triggered **12 hours after the SBar of the new LHLL pattern formed**, then cancel the buy stop order
- **Note1:** Place buy stop orders for all subsequent LHLL patterns, as long as price does not go higher than (Bar1 High + 2 pips) or lower than (Sbar Low - 2 pips) of the original LHLL pattern and as long as the newer LHLL pattern did not form consecutively
- **Note2:** You can only open orders based on the subsequent LHLL patterns 12 hours after the original LHLL pattern formed. If an LHLL pattern forms after the 12-hour time limit, they need to comply with the rules for Entry Type 1, even if the original LHLL pattern that's the basis for Entry Type 2 is still intact.

Long Position 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 a buy stop order at the high of Bar1 + P1 + spread
- After that, compute for and place the SL and TP
- **Note:** If putting a buy stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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 everything

Long Position Entry Type 4 (IB Within IB)

- If you find an IB pattern that complies with the rules for Entry Type 3 or Entry Type 5
- But if a new IB pattern consecutively forms inside the IB pattern
- Then set a buy stop order at the high of Bar1 + P1 + spread, based on the newer IB pattern
- After that, compute for and place the SL and TP
- **Note:** If putting a buy stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT and RSLT so that you know when to reduce risk
- **However**, if the buy stop order is not triggered **1 hour after the SBar of the new IB pattern formed**, then cancel everything
- If yet another IB pattern forms within the second IB pattern
- Then place a buy stop order based on the newest IB pattern
- **Note:** The 1-hour time limit applies for each subsequent IB pattern, which means that the pending orders based on the older IB patterns are promptly cancelled.

Long Position 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 + (2 x P1) + spread
- After that, compute for and place the SL and TP
- **Note:** If putting a buy stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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

Trading Rules for Short Positions

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 a sell stop order at Bar1 Low -P1
- After that, compute for and place the SL and TP
- **Note:** If putting a sell stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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 or equal to (1.5 x ATRH), then orders 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

Short Entry Type 2 (HHHL Within HHHL)

- If an HHHL pattern forms
- And another HHHL pattern later forms inside the HHHL pattern
- Then set a sell stop order at Bar1 Low – P1, based on the newer HHHL pattern
- After that, compute for and place the SL and TP
- **Note:** If putting a sell stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT and RSLT so that you know when to reduce risk
- **However**, if the sell stop order is not triggered **12 hours after the SBar of the new HHHL pattern formed**, then cancel the sell stop order
- **Note1:** Place sell stop orders for all subsequent HHHL patterns, as long as price does not go lower than (Bar1 Low – 2 pips) or higher than (Sbar High + 2 pips) of the original HHHL pattern and as long as the newer HHHL pattern did not form consecutively
- **Note2:** You can only open orders based on the subsequent HHHL patterns 12 hours after the original HHHL pattern formed. If an HHHL pattern forms after the 12-hour time limit, they need to comply with the rules for Entry Type 1, even if the original HHHL pattern that's the basis for Entry Type 2 is still intact.

Short Position 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 a sell stop order at the low of Bar1 – P1
- After that, compute for and place the SL and TP
- **Note:** If putting a sell stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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 everything

Short Position Entry Type 4 (IB Within IB)

- If you find an IB pattern that complies with the rules for Entry Type 3 or Entry Type 5
- But if a new IB pattern consecutively forms inside the IB pattern
- Then set a sell stop order at the low of Bar1 – P1, based on the newer IB pattern
- After that, compute for and place the SL and TP
- **Note:** If putting a sell stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT and RSLT so that you know when to reduce risk
- **However**, if the sell stop order is not triggered **1 hour after the SBar of the new IB pattern formed**, then cancel everything
- If yet another IB pattern forms within the second IB pattern
- Then place a sell stop order based on the newest IB pattern
- **Note:** The 1-hour time limit applies for each subsequent IB pattern, which means that the pending orders based on the older IB patterns are promptly cancelled.

Short Position 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 a sell stop order at the low of Bar1 – (2 x P1)
- After that, compute for and place the SL and TP
- **Note:** If putting a sell stop order is impossible because price is too close, then just be ready to use a market order to get in at the precalculated price level
- Make sure to compute for SWT 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