2) MOR - The Monthly Opening Range

There is a video to accompany this section

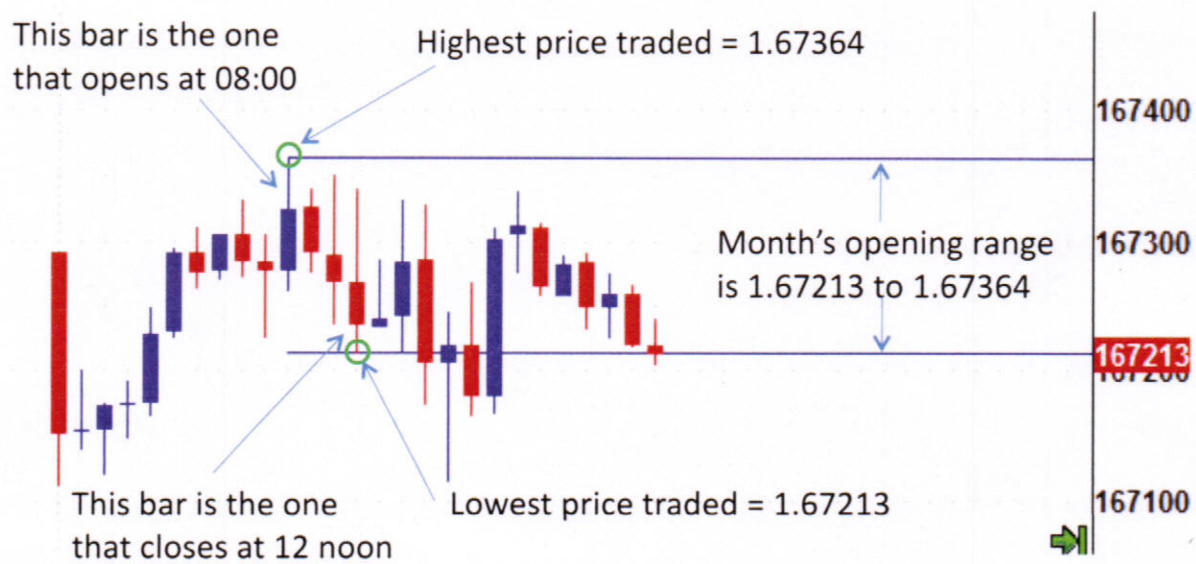
The Monthly Opening Range (MOR) is how we set a baseline from which to gauge the directional bias of the market. We try to be buyers above the MOR and sellers below the MOR.

If we trade in line with the monthly bias, and enter trades when the weekly bias also falls in line, we're keeping ourselves on the path of least resistance.

What is the Monthly Opening Range (MOR)?

- The Highest price traded between 08:00 and 12 noon on first trading day of calendar month = MOR high
- The lowest price traded between 08:00 and 12 noon on first trading day of calendar month = MOR low
- If the first day of the month falls on Saturday or Sunday, the first trading day will be the following Monday.
- Use London time (be aware of daylight saving time changes)

On the night of the first trading day of the month, draw horizontal lines on your chart marking this month's opening range high and low. Extend the lines to cover the entire month.



Finding the MOR on a 60 minute chart

3) WOR - The Weekly Opening Range

There is a video to accompany this section

The Week's Opening Range (WOR) is our filter for entering trades. If the WOR high is above the MOR high we can look to enter a trade as the market continues higher. If the WOR low is below the MOR low we can look to enter a trade as the market continues lower. If the WOR falls completely within the MOR we can trade a breakout in either direction.

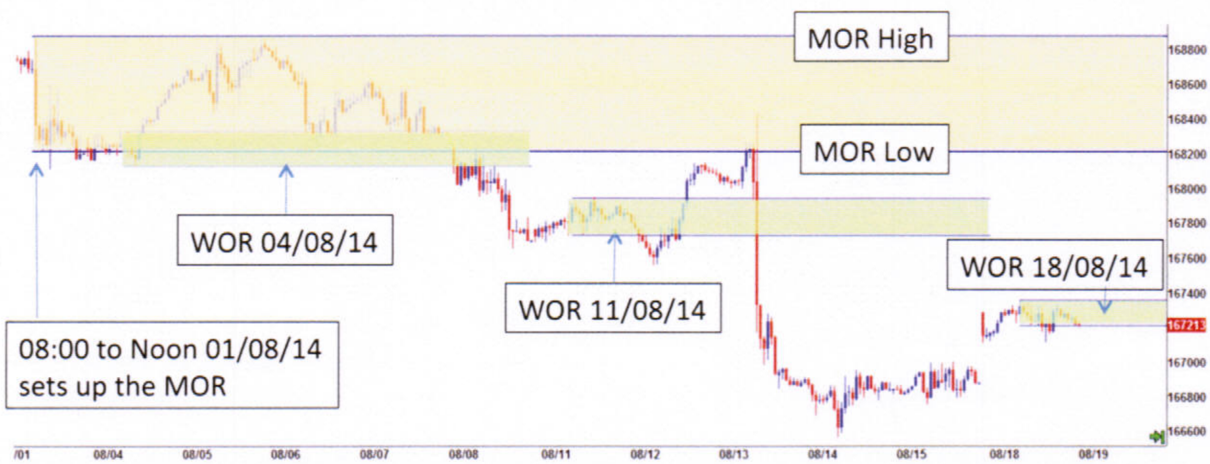
What is the Weekly Opening Range (WOR)?

In a similar way to how you found the MOR...

- The Highest price traded between 08:00 and 12 noon each Monday
  = WOR high
- The lowest price traded between 08:00 and 12 noon each Monday
  = WOR low
- Use London time (be aware of daylight saving time changes)
- On Monday night, draw horizontal lines on your chart marking the WOR high and low

We'll use the week's opening range to help find entry points for the trades

How it looks with the MOR & WOR in place:



Here we have the MOR (I've coloured it yellow) and three consecutive WOR's (coloured green). In this example the WOR lows printed below the MOR low so the strategy would have kept us trading to the short (sell) side.

4) 25% extension levels

There is a video to accompany this section

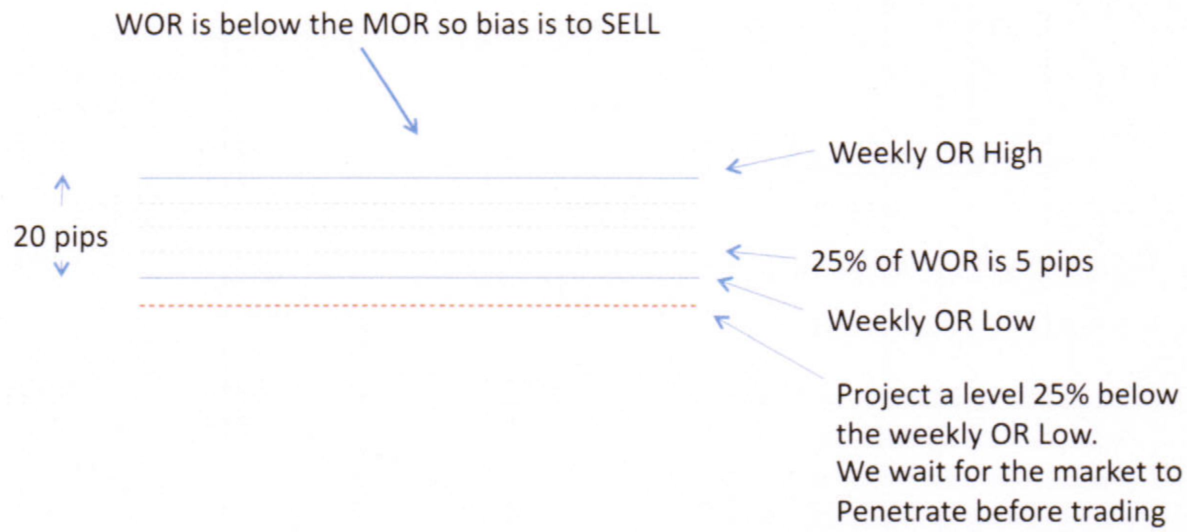
Now you know how to plot the two main reference points - the MOR and the WOR, let's have a look at finding the trade entry point.

The first thing you need to do is plot a trigger level just outside the WOR. It gives us a good way to gauge that the market is ready to make a move. We don't use the high and low prices of the WOR itself because it is often probed by the market without making a solid break through, it gets used as a level of support or resistance instead. We want the market to prove it's got a bit of strength behind a breakout move. So here's what we do...

We take a measurement of the WOR and project 25% of that value above or below the WOR itself. If we're trading below the MOR (looking for trades to the short side) we use the 25% level below the WOR as a trigger point. If we're above the MOR (looking for trades to the long side) we use a level 25% beyond the WOR high.

The 25% extension lines then become a trigger point for our trade entries

Here's how to it:



Once you've got your trigger level in place you can look for the price action that tells you when to place an order. We'll look at that next.

5) Entry orders - when to buy and sell

There is a video to accompany this section

Remember we start by using the month's opening range (MOR) as a directional filter...

- Buy only (trade to the long-side only) when WOR high is above the MOR high
- Sell only (trade to the short-side only) when WOR low is below the MOR low
- Be prepared to trade either way if WOR is engulfed by MOR

We're trying to enter trades on a breakout of a breakout of the week's opening range. It shows the market has potential to continue along the current path of least resistance.

- Buy as the market breaks out higher
- Sell as the market breaks out lower

After 10pm Monday night...

1) Open up a 60min chart for each of the markets you want to follow

2) Draw the month's opening range (MOR) on your chart if you haven't already got it

3) Draw the week's opening range (WOR) on the chart

3) Draw the relevant 25% extension level from this week's WOR. Are we above or below the MOR? If above you need the 25% level above your WOR. If we're below the MOR you need the 25% below your WOR.

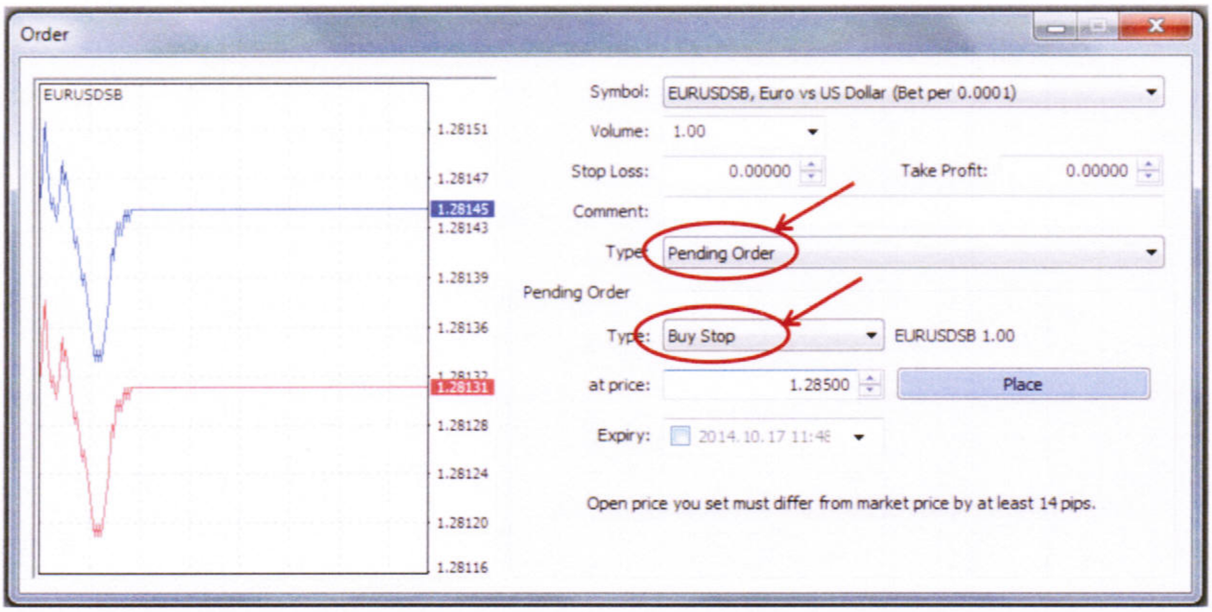
Including Monday's entire price action, even the early morning bars from before 8am (you can look at the daily chart for this if you like) see if the market has already traded beyond the 25% extension level you drew above or below this week's WOR.

a) If yes – that's a breakout we can try to trade directly. Now place a STOP entry order 3 pips above or below the price extreme that penetrated the WOR

b) If no – Now place a STOP entry order 3 pips above/below the 25% level itself and wait to catch a breakout as it happens.

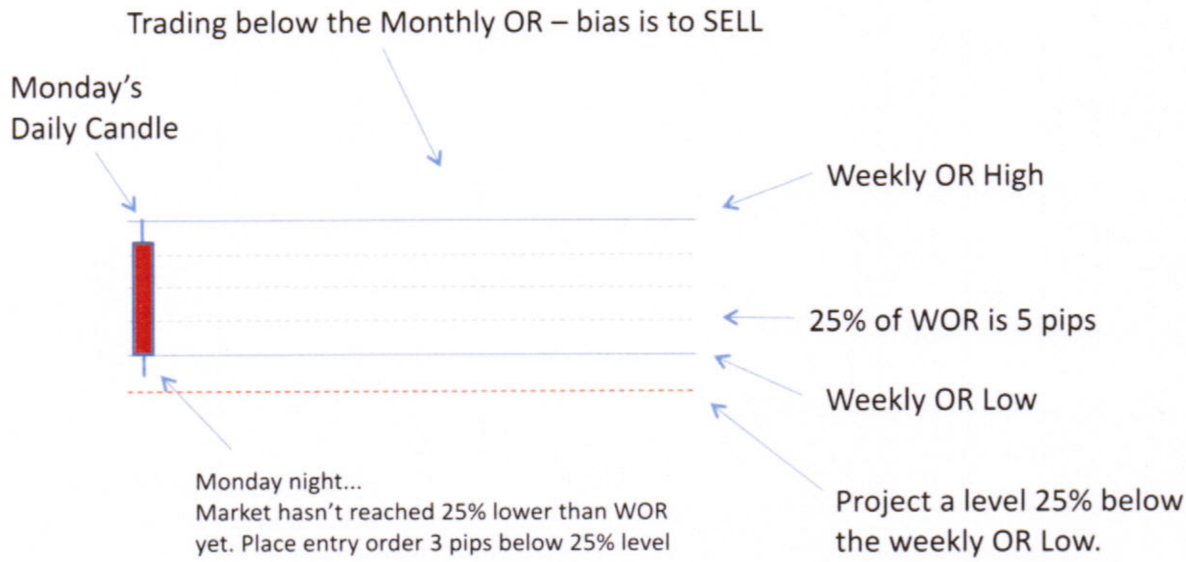
IMPORTANT: The order type we use to enter the trades is a STOP order. You specify the price and the trade activates as the market moves through that price. You can set it all working at arm's-length at night and just leave the market to do its thing.

You'll find the BUY STOP and the SELL STOP under the 'Pending Order' type if you're using the Metatrader platform (provided by most brokers).

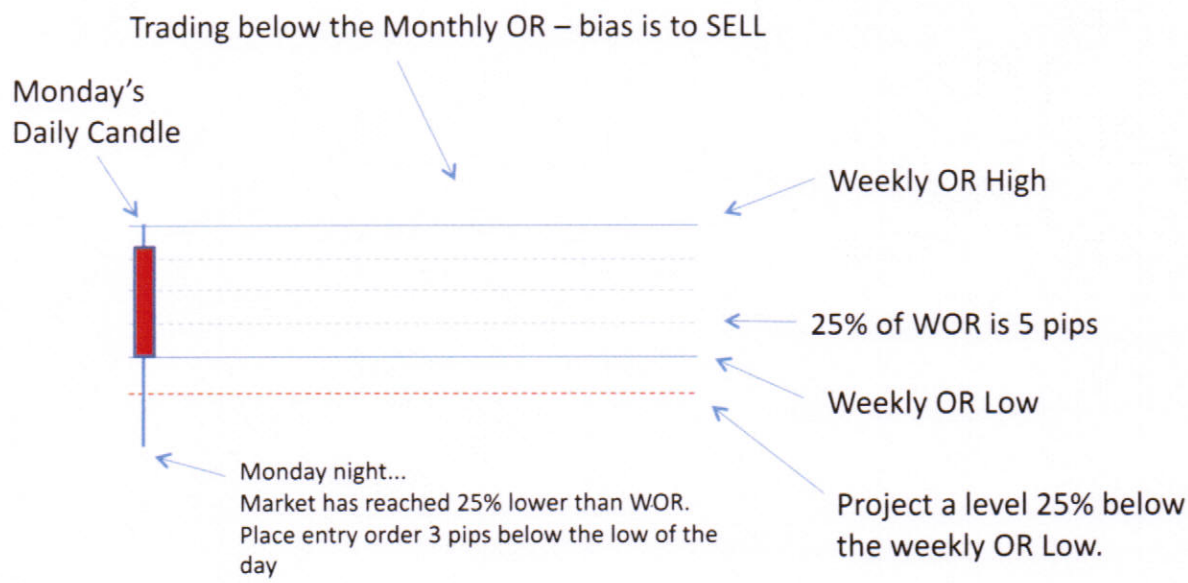


Here's an example showing how you'd place the two different kinds of sell entries...

Has the market traded 25% lower than the WOR yet? - No...



Has the market already traded lower than the 25% level? - Yes



Special entry situations to be aware of

The last thing you need to do before pressing the button on your entry order is make sure you've taken the following five situations into account...

1) Make sure the trade entry point is outside the boundaries of the MOR

Always make sure actual trade entry point is outside the boundaries of the MOR. We want to see some directional bias before trading. It might mean standing aside in a particular market if there's no clear bias in weeks where the WOR & MOW overlap.

2) Filter out mid-month changes in directional bias

Obviously, the markets don't always play into our hands and keep trading in the same direction all month. They can often show a strong direction into mid-month before the trend fizzles out. And there'll sometimes be months that have you trading with buy orders above the MOR to begin with, and then switch you to sell orders as the price action switches polarity and drops below the MOR.

We can gain an extra edge by trying to filter out mid-month changes in directional bias. Here's how we do it...

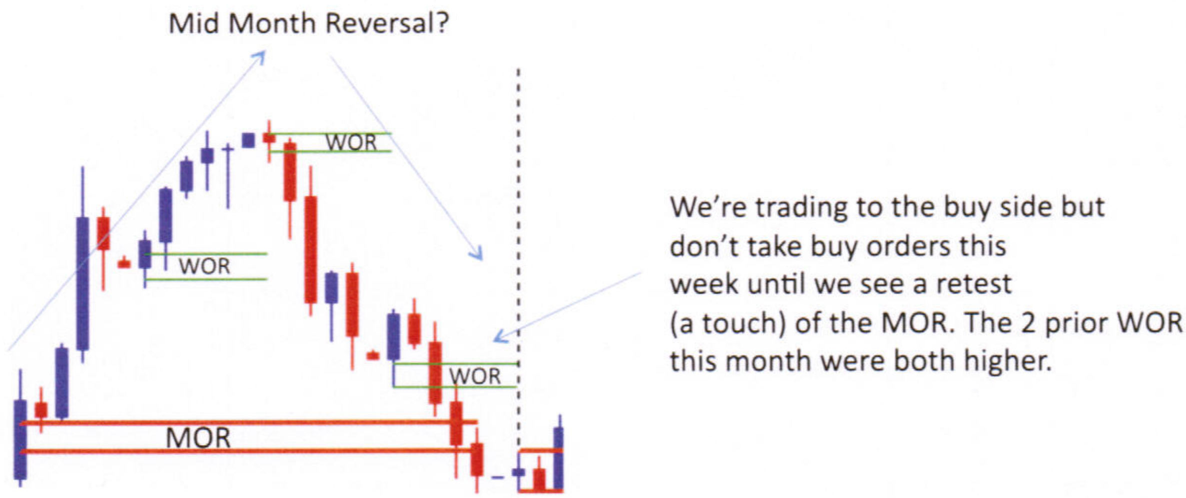
> **a) When above the MOR:** If the current WOR high is not above the *two immediately previous WOR highs* this month, don't place more entry orders until the market has first retested the MOR.
>
> **b) When below the MOR:** If the current WOR low is not below the *two immediately previous WOR lows* this month, don't trade until the market has retested the MOR.

We take the relationship of each month's WOR's into account because when they start to print out of sequence it gives you a clue that weakness of the current monthly trend may be present.

Now if the market does make it back to the MOR that can often provide good support or resistance. It can bounce the market back in the original direction with renewed vigor. So you can then resume trading.

The alternative of course is that the market trades through to the opposite side of the MOR. In that case you'd need to wait for a new WOR to print and can then start looking for trades as per the normal rules.

Here's an example where we're above the MOR but unable to place buy entry orders - the two immediately previous WOR's are above the current one.



3) Avoid trading gap opens until they are filled

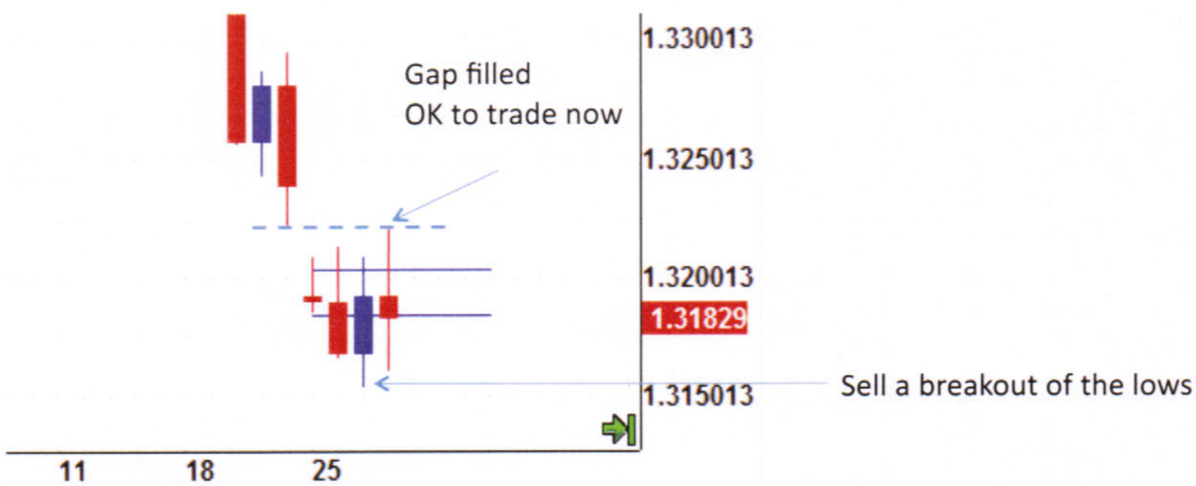
If Mondays high/low shows a 'gap' between Friday's high/low, wait for the market to fill the gap before taking trades in the opposite direction

Over 80% of the time, the market will move to fill this gap. The risk is that you can be triggered into a trade which then quickly heads the wrong way as the market moves to fill the gap.

In this example we're below the MOR and looking for trades to the downside, but we must wait for the gap to fill first. We can then go ahead and sell a breakout lower.

<u>On occasions where the market would need to travel through a gap to be able to trigger your entry order you might choose to avoid the trade</u>

completely. Again, the risk is that your trade is triggered only for the market to quickly reverse once it has done the job of filling the gap.



4) Monthly Rollover Week

There are some special rules to use during the week when one month rolls into the next...

a) If the first trading day of the month is a Monday: use the MOR as the WOR for that week. Take an entry signal either side, but only take entries from price action penetrations of the 25% extension levels. Don't use the orders 3 pips above/below the 25% levels themselves when you're trading directly off the MOR.

b) If the first trading day of the month is Midweek: the MOR establishes a new WOR for the rest of the rollover week...

E.g. 1st of June is a Tuesday – start taking trades off the MOR Tuesday night for the rest of that week.

Stand aside completely actually *on* the 1st of the month and wait for the new MOR to print. You can manage any positions you're already holding but don't place any new entry orders actually on 1st of the month – too much adjusting of institutional positions goes on which can really churn the market around - wait for the new MOR and place trades based on that on the night of the 1st.

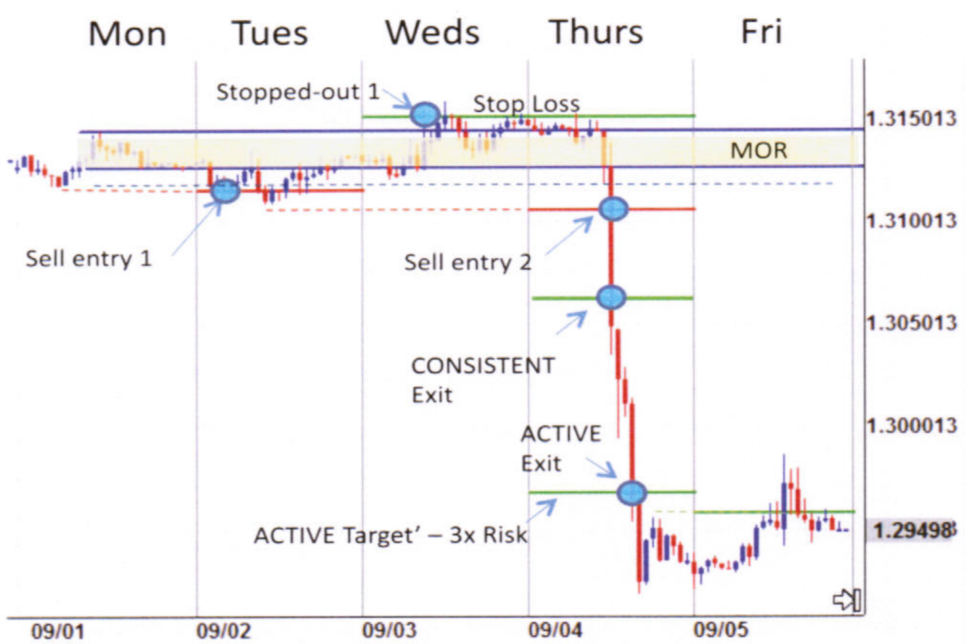
5) Second entry after a losing trade

If the market triggers an entry order and almost immediately moves against you to hit the stop loss be prepared to re-enter the trade.

Providing the market travelled outside the WOR by less than 1.5 times the size of the WOR itself we can look for a second entry. The market has not shown a definite breakout yet.

e.g. If the WOR is 20 pips in size, the market cannot already have moved 30 pips above/below if we are to look for a second entry.

Here's an example:



Here we see that Sell Entry 1 triggered on a break of Monday's lows (price action beyond the 25% level) but the trade almost immediately went against us and hit the stop loss.

But since the market hadn't yet explored new territory below the WOR - it hadn't already covered distance greater than 1.5 times the size of the WOR - we can look for the second entry. The market still has the potential to make a breakout along the path of least resistance.

In this example you can see Sell Entry 2 - which was taken 3 pips below the new lows - did trigger and went on to hit both the CONSISTENT and ACTIVE targets.

6) Exit orders - when to get out of the trades

There are 2 videos to accompany this section

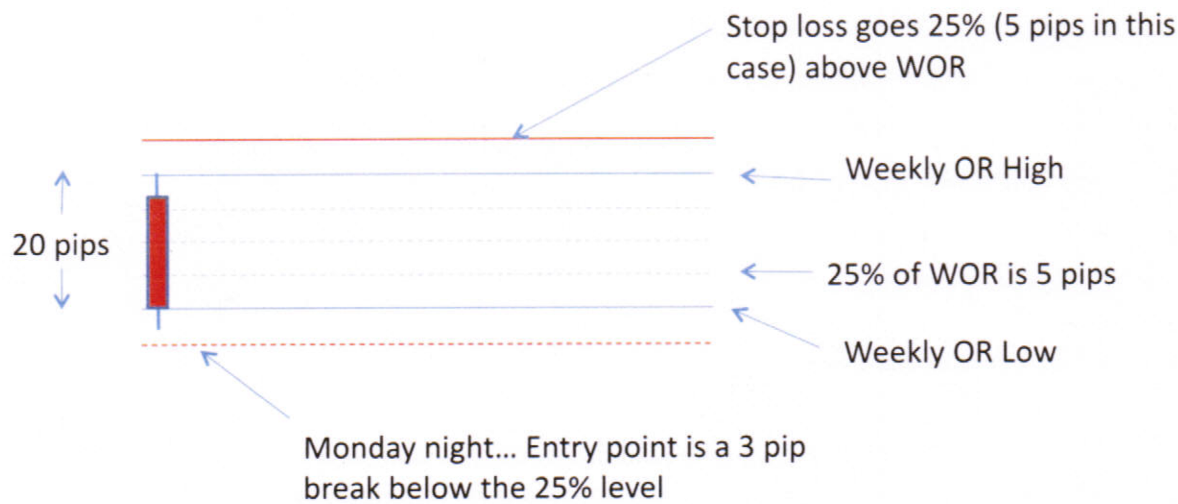
Now you know how to get into the trades we need to complete the circle and get out. Hopefully loaded up with profits!

But you also need to know how to bail out when trades don't work in your favour. So let's start by looking at the initial Stop Loss order. This is what will protect you from a move against your position and get you out of losing trades quickly.

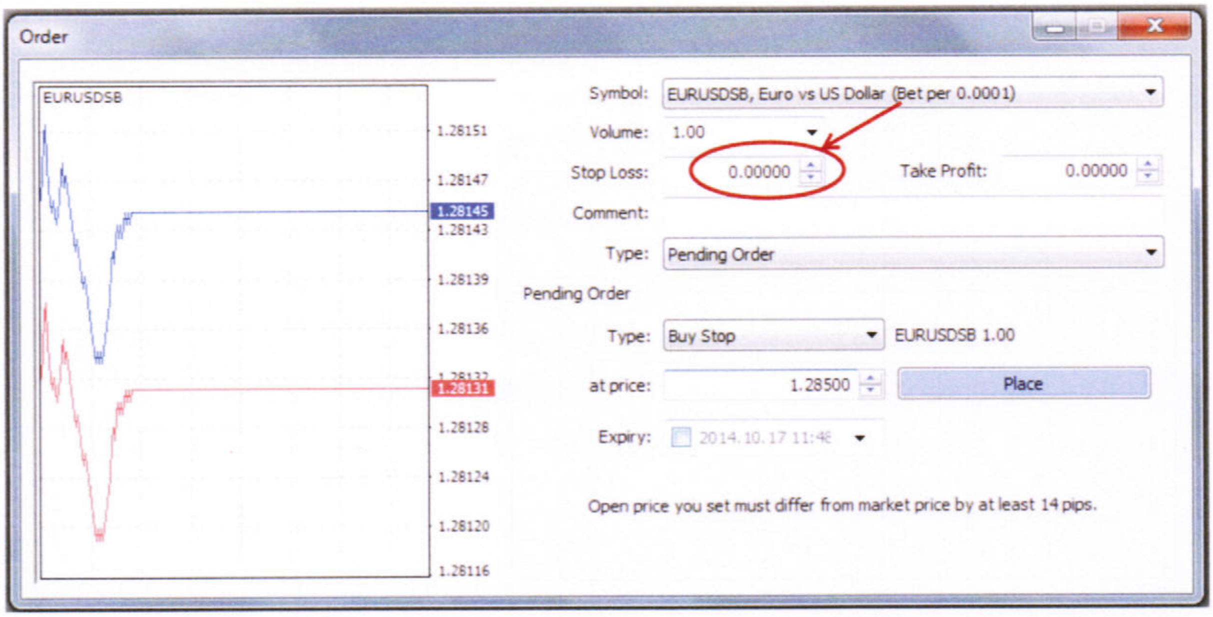
Initial Stop Loss

The location for the stop loss is on the 25% extension level on the opposite side of the WOR to the entry point. This gives the trade a bit of breathing space and also keeps the WOR in between the entry point and the stop loss which can give support/resistance in favour of our trade.

Here's an example of where you'd place your initial stop loss for a short (sell) trade:



And here's where you'd enter it on your Metatrader order ticket. You'd specify it at the time you place your entry order. It only goes live once your entry trade is executed.



So providing the trade doesn't hit the stop loss (remember, it does happen from time to time!) we can get on with the business of managing the trade as it moves in our favour and make some money!

There are three ways to exit trades that develop in your favour...

Exit Type 1 - The Hard Target

Here's where we need to decide which setting to use - CONSISTENT OMT or ACTIVE OMT.

The only difference between the two settings is they use a different value for their hard target.

Let's take a look at them individually:

A) CONSISTENT OMT - Uses a 1:1 reward to risk target:

Take the distance between your entry price and your stop loss (this is your initial 'exposure' on the trade) and place your Hard Target equidistant from your entry price. It gives you a potential 100% return against initial risk on each trade.

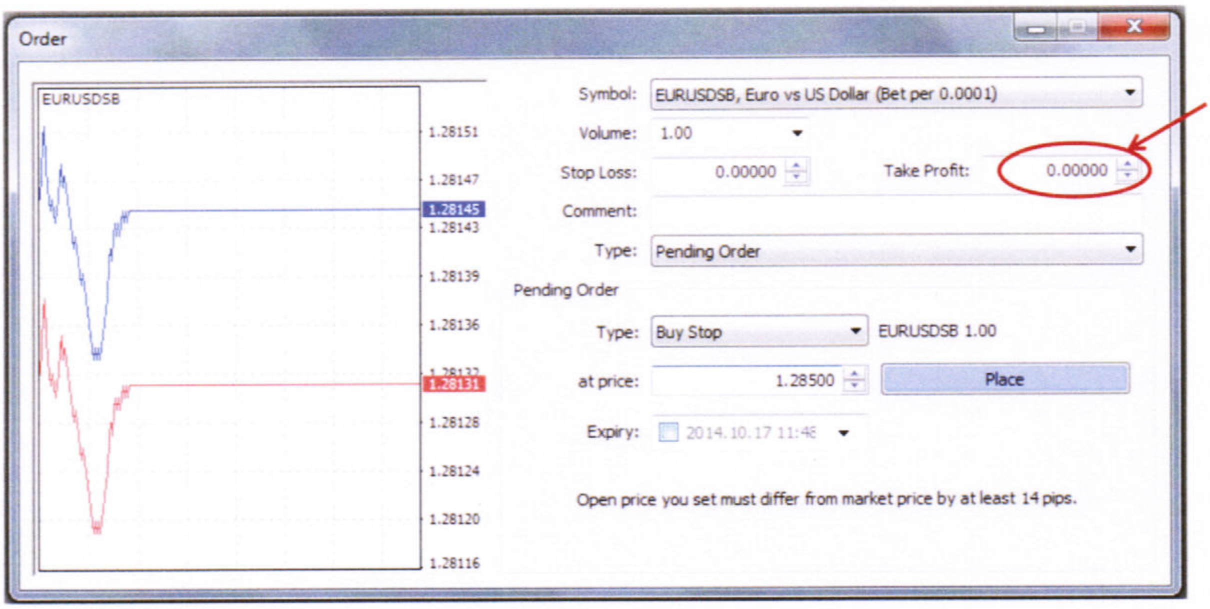
E.g. If your risk (distance between entry and stop loss) is 30 pips, place your Hard Target 30 pips away from your entry price.

B) ACTIVE OMT - Uses a 3:1 reward to risk target:
Take the distance between your entry price and your stop loss (this is your 'exposure' on the trade) and multiply it by three. Place your 'Take Profit' order this distance from your entry price. It gives you a potential 300% return against your risk on each trade.

E.g. If your risk (distance between entry and stop loss) is 30 pips, place your take-profit order 90 pips from entry.

You won't hit a 300% target on every trade that reaches the 100% of CONSISTENT OMT, that's why you can go through those short periods of lower returns. But a 300% return on just a handful of trades can make a big difference to your monthly or quarterly results!

Here's where you'd key in your Hard Target price in Metatrader. You can do it at the same time you place your entry order:



Exit Type 2 - Trailing Stop

By moving the initial stop loss in your favour as the market price moves away from your entry price you'll start reducing your exposure on the trade - always a top priority - and then start locking in bigger and bigger chunks of profit as the trade develops.

Use the high/low swings on the 60 min chart to find good locations and simply move your stop loss to sit 3 pips above/below them (see the walkthrough of trades for blow-by-blow examples). Be prepared to make the necessary adjustments to your trailing stop each night.

What you'll find is a lot of your trades get closed using the automatic trailing stop method. If you focus on locking-in profits as the market moves you be will eventually be rewarded when the market takes out your order and closes the trade on your behalf. You'll make varying amounts on every trade depending on the setting you're using - CONSISTENT or ACTIVE... so sometimes it might be a 262% return on the trade, sometimes it might be 146%, and sometimes it might be a smaller profit like 73%. But the key is to let the market run towards your hard target and follow along behind it with your trailing stop. That's the way to maximise the potential of each trade.

Exit Type 3 - Friday close

The final exit method is to close all open orders (including any unfilled entry orders) on Friday evening. We don't go into the weekend holding any positions. Remember, we start each week with a fresh WOR so if you have trades that have not hit the hard target and have not hit the trailing stop by Friday evening, simply log into your account and close the trade manually with a market order.

There's no hard and fast rule on the timing, the markets tend to have quietened down and exhausted themselves for the week by late Friday afternoon anyway. I close down any positions and shut up shop at 7pm. You might like to do it a bit earlier or a bit later, it's not going to have a noticeable effect on your results.

7) Your position size

This is where we work out how much to risk on each trade.

The secret to achieving smooth growth in your account equity is to standardise the position size you take on each trade. It's no use staking a flat amount per pip on every single trade because they'll all have a different initial stop loss size and therefore a different amount of initial exposure.

Say you staked £1 per pip on trade A and it's got a 50 pip stop loss. That would be an initial exposure of £50. Along comes trade B and that might have a 100 pip stop loss. If you staked the same £1 per pip on Trade B you'd have an initial exposure of £100 - twice as much as trade A.

Trade A might give you a 200% profit against your risk (£50 X 2 = £100 profit). And trade B might lose (£100 loss). That means you'd be left at breakeven across the two trades. £100 profit - £100 loss = £0.

But if you'd standardised the position size - staking £2 per pip on trade A to give both trades an initial exposure of £100 each - you'd have made £100 profit...

(£100 x 2 = £200 profit on trade A) - (£100 loss on trade B) = £100 net profit.

That's the way to keep the positive probability of trading systems with a profitable edge working for you. If you didn't do this your net returns would be all over the place. There would be no standard 'unit' rewarding you in an equal manner for each profitable trade you participate in.

So you need to try and get it so each trade's initial exposure has around the same overall £ value even though the pip size of the stop loss will vary on each.

Here's how you do it...

Firstly, I suggest you risk between 3% and 5% of your overall account on each trade. If you're trading a small account you might need to risk slightly more while you're getting started building your bank. Just be sure to scale your position size down to 3-5% as soon as your accumulated profits allow.

So work out 5% of your account equity so you know what you can risk on each trade.

If you have a £1000.00 account it might look like this...

- £1,000 ÷ 100 X 5 = £50.00 maximum initial risk available per trade.

Next, work out the number of pips you'll need to risk on the trade you're currently working on. Calculate the difference between your entry price and your initial stop loss price. Here's the risk on an example Long EURUSD trade:

- Entry (1.29635) - Initial Stop Loss (1.29155) = 0.00480 (that's 48 pips)

If you then divide the amount of £ risk available by the number of pips needed by this trade, you'll see how much you can stake per pip:

- £50 ÷ 48 pips = £1.04 available to stake per pip.

When you come to place the trade you'll find that you'll be restricted by the fixed increments in which your broker will let you trade. In this example you'd probably have to round it down to £1 per pip.

So you'll often be rounding to the nearest stake your broker accepts but the key is to get the exposure on all your trades in line best you can. Try to keep them inside that 3-5% target zone.

I also suggest calculating your 3-5% stake size each Monday before you place your orders for the new week. It means adjusting your opening account balance with results from the previous week and then re-calculating the 3-5% figure. You can then use that risk figure on each of your trades for the current week.

Step by step overview

Now you're familiar with all the bits and pieces of the strategy, here's a step-by-step overview of the entire process:

OMT Objectives: To trade in a logical, easily accessible, and profitable way. Use price action alone to secure a chunk of profit from momentum moves that may occur each week.

OMT Daily operations: Monday night to Thursday night...

1) Between 10pm and Midnight open 60min charts for each of these markets you want to follow: GBPUSD, EURUSD, EURGBP, USDJPY & AUDUSD.

2) Draw this month's opening range (MOR).

3) Draw this week's opening range (WOR).

4) Use the MOR as a trade filter - look for Long (Buy) trades when above MOR, look for Short (Sell) trades when below MOR.

5) Beginning on Monday night look for a breakout at least 25% higher/lower than the WOR that happened during the day. Include the price action that took place before 8am Monday. Look to trade a breakout of that high/low otherwise place an order to trade as the market moves through the 25% level itself.

   - make sure there are no Gaps to consider
   - make sure the entry point is outside the MOR
   - make sure this week is not the 'wrong side' of two prior WOR's during this calendar month

6) Place a STOP order to get you into the trade 3 pips beyond the high/low of the 25% breakout, or if no breakout has happened yet, 3 pips beyond the 25% level itself. **We're trying to trade around that first breakout of the 25% level each week.**

7) Place an associated STOP LOSS order 25% above/below the WOR (on the opposite side to your trade entry order).

8) Place your 'Hard Target' TAKE PROFIT order according to the strategy setting you are following.
- CONSISTENT OMT uses a 1:1 reward to risk target
- ACTIVE OMT uses a 3:1 reward to risk target

9) Risk per trade should ideally be no more than 3-5% of account equity. Calculate your stake per pip accordingly.

10) Trail your stop loss to lock in profits. Put it beyond the extremes of recent swings higher/lower on the 60min chart. Adjust your stop when you do your nightly analysis and continue to move it as the trade develops in your favour.

11) Let the market take you out of the trade at the Hard Target or via the (trailing) stop - whichever comes first. Failing that, exit all open positions on Friday evening. Go into the weekend flat, with no unfilled orders still working.

12) Special rules for rollover week (start of a new calendar month):
- If first trading day of the month is Monday you will have a combined MOR & WOR for the first week... Buy above it, Sell below it.
- The MOR establishes a new WOR for that week. If first working day of the month is Wednesday, use Monday's WOR and then replace it with the MOR on Wednesday night. This then becomes your new WOR to be used until the end of the rollover week... Buy above it, Sell below it.
- Wait to see an **actual price-action penetration** of the 25% levels before placing entry orders off the MOR's. Don't use 3 pips above/below the 25% levels to trade off MOR's - there's a heightened risk of shakeouts/false breakouts as the market explores the new monthly opening range.
- Don't actually enter new trades on the 1st day of the month (but do manage open trades with trailing stops as normal).

13) Special rules for taking a second entry after a losing trade:
- Providing the market travelled beyond the WOR by less than 1.5 times the size of the WOR we can look for a second entry. The market has not shown a definite breakout yet. If the WOR

is 20 pips, the market cannot already have moved 30 pips above/below if you're looking for a second entry.

Example trades

So you've seen each of the strategy components in detail and you've seen how it all comes together in the step-by-step summary.

Let's now have a look at some real OMT opportunities. You'll see exactly how the trades set-up and how they are managed.

Starting on the next page, I'll walk you through a full month's worth of trades plus I'll also include an overview of the 'rollover' week. It should help you really understand how to manage that process as we move from one calendar month to the next.

I'll show you results each of the settings achieved in terms of net pips won and also the return on the overall account (based on the most conservative position size of 3% of the overall account).

Remember, we need to keep focussed on the total % return each trade makes on your account. That's the standard unit that lets you gain an equal opportunity from all trades even though they might have different amounts of pips at risk initially.

Here's an example of how I'll show the results:

CONSISTENT: **71 pip profit (3% return)**

This means a trade using the CONSISTENT setting won 71 pips on this particular trade and most importantly the return on the overall trading bank was 3%.