



# *Chifbaw Oscillator*

## *User guide*

[www.chifbaw.com](http://www.chifbaw.com)



***Indicator and document revision: 1.2***

***Known bugs:***

- The alert function system gives sometimes a fake alert when the indicator is initiated on a given currency pair. Once initiated this bug does not appear and the email/sound signals are correct.
- Sometimes both red and green bars are displayed. For the current bar, this is normal. For historical bars (older bars), this is a bug. Changing time frame and reverting back to the original time frame usually removes the bug.

**Please read carefully the content of this user guide since it will allow you to maximize the benefits of this indicator.**

If you have further questions or remarks regarding the indicator, please send us an email at [info@chifbaw.com](mailto:info@chifbaw.com)



## ❖ Introduction:

If you are not familiar with the procedure to install indicators in Metatrader 4, please refer to this [youtube video](#). We also recommend reading our general considerations regarding trading Forex that you can find [on our site](#). Below a summary description of the indicator:

**Platform:** Metatrader 4.

**Strategy:** Trend following.

**Time frames:** Any time frame. 4H, Daily, Weekly, Monthly time frames give best results.

**Symbols:** Any symbol. EURUSD, GBPUSD, AUDUSD, USDJPY, EURJPY, USDCAD, NZDUSD, USDCHF give good results. Can be used with all other currency pairs. Can be used with all commodities and stocks but accuracy is reduced due to discontinuities in price.

**No repaint:** this indicator does not repaint or redraw.

**Email alerts:** Yes.

**Sound alerts:** Yes.

## ❖ The Chifbaw Oscillator:

The Chifbaw Oscillator is an oscillator which provides sharp signals for trend following. Many indicators available on the market tend to provide trend following signals very late: the trend is already well established when they give their signals, and this means that the chances are high that you enter close to or at the end of the trend. The Chifbaw Oscillator provides many good signals for short or long trades very often early in the trend allowing to catch the majority of the move.

Below is a first illustrated example of the power of the Chifbaw Oscillator and how it works. The oscillator is represented at the bottom of the chart with green and red bars that oscillate around the zero line. When the price is in an uptrend, the oscillator shows green bars. When the price is in a downtrend, the oscillator shows red bars. When the oscillator changes sign, it is a signal to enter the market (trend changes direction). If the oscillator changes sign from positive (green bar) to negative (red bar), one has to sell. If the oscillator changes sign from negative (red bar) to positive (green bar), one has to buy. The recommended stop loss level is the low (if buy signal) or the high (if sell signal) of the bar that has generated the change in sign (see lines with the word "SL" on the chart). Other stop loss approaches can be as well used as for instance, instead of taking the low/high one can take the open/close. Another approach is to have a fixed stop loss size depending on the time frame. Stop loss management is an important part of the money management. The exit strategy is discussed lower.



On this daily chart of the AUDUSD currency pair, we can see that over a period from September to November 2011, our oscillator gave excellent signals and would have generate up to +3500 pips or more than a +1000 pips per month. This is truly amazing!



Chifbaw Oscillator ex.1



The second example illustrates again how this oscillator can very well catch trends. On this example, the oscillator would have allowed us to gain up to +2000 pips, that's the equivalent of 20k\$ if one trades with one standard lot!



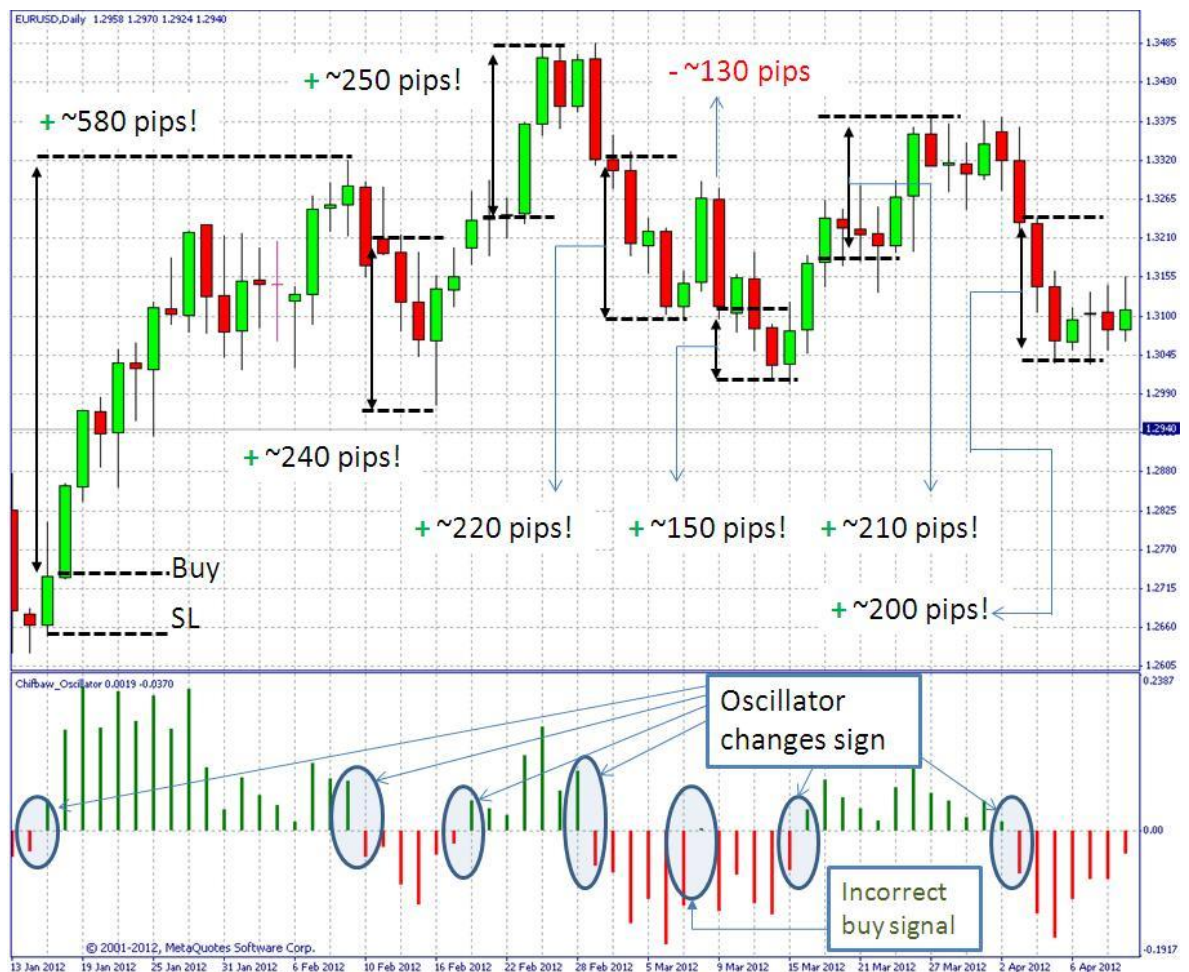
Chifbaw Oscillator ex.2

**FOREX**  **WINNER\$**





A third example, a bit more complicated shows the profits generated by this indicator for the EURUSD currency pair during the period between January and April 2012. As one can see, using our oscillator you could have gained around 1700 pips in a market that was mildly trending. Note that out of 8 entry signals provided by the indicator, only one was not correct (success rate of 87 %!). Of course, the success rate greatly varies depending on the periods.



Chifbaw Oscillator ex.3

The main weaknesses of this indicator are trendless markets and spikes. Spikes tend to show up as small bars (see fake signal given on previous example). These spikes represent corrections that ended up dying on some key technical levels. We strongly recommend to use classical technical analysis to complement this indicator. For instance the most basic candlesticks patterns and trend line analysis will be very helpful. This will allow you to manage better your entries and your exits. Below several important recommendations for a better use of this indicator:

- Daily time frame is preferred.
- Bearish engulfing candlestick or doji after a strong move up adds significantly to a sell signal.
- Bullish engulfing candlestick or doji after a strong move down adds significantly to a buy signal.
- Rebound on a resistance or support (trend lines, Fibonacci levels, moving average) adds to a buy or sell signal.
- *Signals given while the price is in a clear range should be avoided or a dynamic stop-loss approach used. This is the most difficult part. See example below.*



Chifbaw Oscillator ex.4



Also we would strongly recommend reading [our daily analysis](#) and [update of mathematical models](#). This will give you a better view on the market and where potential opportunities are located.

The charts below show an example where candlesticks help confirm the signal from the oscillator. As we can see, the bullish engulfing candlestick at the bottom of a downtrend gave us a high probability buy signal.



Chifbaw Oscillator ex.5





On the next example, we show how this oscillator gives confirmation signals for classical candlestick patterns, providing a higher probability of success of the trade. In these cases one can consider to take the risk of entering the trade while the confirmation bar is in progress. Alternatively, once the oscillator has generated a buy signal, one can wait for a pull back during the day to enter with improved risk reward ratio (smaller stop loss).



Chifbaw Oscillator ex.6



Finally the last example shows how even when the market is stuck in a range, the Chifbaw Oscillator can still be very beneficial. The first bullish engulfing is not an ideal one, and can be considered a pin. The third engulfing pattern is also not an ideal one.



Chifbaw Oscillator ex.7





## ❖ Exit Strategy:

Exit strategy is the most difficult thing in trading. And this is independent of indicators or strategy. In fact, no system can accurately predict when the exit is most optimal. And this is a consequence of the fundamental unpredictability of the market. This is why finding the best exit level is the main work that a trader has to do: it requires following market news and economic calendar, checking and permanently reassessing the technicals and trying to use intuition. Exit strategy and money management are the key elements to be successful. Below, we provide several well known strategies that can be used, but as mentioned above, they can give good results but they will not be always optimal:

- Exit your positions when your profit is superior to at least twice your stop loss.
- Exit your position when a doji has been formed at a top or at a bottom.
- Exit your positions when the Chifbaw Oscillator gives a signal in the opposite direction. Using smaller time frames can sometimes improve the timing of the exit.
- Exit your position when the parabolic SAR has changed sign. Using smaller time frames can here also sometimes improve the timing of the exit.
- Exit your position when the price has broken important trend line support or resistance, key moving average.





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