# December 2011

# PRICE ACTION SCALPER

(Forex)

The easiest price action manual trading system without indicators!

### DISCLAIMER

Please be aware of the loss, risk, personal or otherwise consequences of the use and application of this book's content. The author and the publisher are

not responsible for any actions that you undertake and will not be held accountable for any loss or injuries.

U.S. Government Required Disclaimer - Commodity Futures Trading Commission Futures and Options trading has large potential rewards, but also large potential risks. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this web site. The past performance of any trading software or methodology is not necessarily indicative of future results.

CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.

No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. Hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading.

All information on this website or any e-book purchased from this website is for educational purposes only and is not intended to provide financial advice. Any statements about profit or income, expressed or implied, do not represent a guarantee. Your actual trading may result in losses as no trading software is guaranteed. You accept full responsibility for your actions, trades, profit or loss, and agree to hold Forex Mercenary and any authorized distributors of this information harmless in any and all ways. The use of this software constitutes acceptance of my user agreement.

### **COPYRIGHT**

This book is the copyright of the Price Action Scalper website (K. Dittmann) and cannot be re-written, re-published, STORED OR LINKED AT ANY FILE SHARING SITES or FORUMS or used for any other books without proper referencing without permission. The use of the books is limited to your personal use. Spreading out the copies without paying for them is illegal and protected by international copyright law.

Copyright © 2011

# Forex Scalping

Scalping in the forex market involves trading currencies based on a set of real-time analysis. The purpose of scalping is to make a profit by buying or selling currencies and holding the position for a very short time and closing it for a small profit. Many trades are placed throughout the trading day and the system that is used by these traders is usually based on a set of signals derived from technical analysis charting tools, and is made up of a multitude of signals, that create a buy or sell decision when they point in the same direction. A forexscalper looks for a large number of trades expecting a small profit each time. Scalping is a method where traders allow their positions to last only for a matter of seconds, to a full minute and rarely longer than that. (if a trader holds a position for more than a minute or two it is not considered scalping, but rather regular trading.)

## Forex Scalping Systems

A forex scalping system can be either manual, where the trader looks for signals and interprets whether to buy or sell; or automated, where the trader "teaches" the software to look for signals and how to interpret them. The timely nature of technical analysis makes real-time charts the tool of choice for forex scalpers.

# Why Scalping?

The purpose of scalping is to make small profits while exposing a trading account to a very limited risk, which is due to a quick open/close trading mode.

There wouldn't be any point in scalping for many traders if they weren't allowed to trade with highly leveraged accounts. Only the ability to operate with large funds of, actually, still virtual money, empowers traders to profit from just a 2-3 pip move.

### How do they do it?

Suppose a scalper opens a trading position of \$1000 with the EUR/USD. For each pip he will now earn 10... Closing the trade with only a 5 pip profit brings it up to 50 — not bad for less than a minute of work...

### Forex brokers for Scalping

Ask your broker if they allow scalping... Which brokers allow scalping? (Scalping - holding a position for less than 1 min)

Forex.com

MG Fin Group

InterbankFx

Oanda

MB trading

**Global Forex Trading** 

**CMC Markets** 

**IFX Markets** 

**FX Solutions** 

**Interactive Brokers** 

**CMS Forex** 

**FXCM (Forex Capital Markets)** 

### **INTRODUCTION: Price Action Scalper**

Dear traders. We all want to make fast money with Forex. There are 100's of scalping trading strategies in Forex, but 99,9% of them do not work or are just very difficult to follow.

Scalping using the mt4 indicators can be very difficult due to signal delays, lagging etc. In this case sometimes is much more profitable to use a price action scalping system that uses no indicators. The price will tell you what to do. The price is your signal and your best indicator. There is one price action scalping system that involves no indicators, no robots – only your trading screen. The following scalping system has proven to work just fine and you will be able to make a good profit if you follow all the rules and risk management recommendations.

The "Price Action Scalper" uses no complicated rules and will be very easy to use for any trader – even if you have never traded Forex before.

All you need to know is how to open a couple of trading charts on your trading terminal. The system does not require a trader to follow major Forex rules like: do not trade against a trend, ignore signals against a trend – because the system itself – confirms trend following!

Scalping is not easy for beginners, please try the system on your demo account for at least one month before going live.

# The System:

The "Price Action Scalper" is a trading strategy using 4 screens – it is a no indicators Forex strategy. It gives a good chance of profit, with proper risk management - and the possibility of a stable income.

This universal system can be used for a very short scalping trading session as well as for a regular day of trading longer trades. We will discuss both methods (when to place orders, take profit, set a stop loss) for both scalping and normal day trading.

The "Price Action Scalper" is based on a 4-screen system, and uses the H<sub>1</sub>, M<sub>5</sub>, M<sub>15</sub> and M<sub>30</sub> time frames; protective stop orders including a trailing stop, a stop loss as well as take profit levels.

In order to implement the system – all you have to do is to open (in your trading terminal) four windows with the currency pair (for example EUR/USD) timeframes of H1, M5, M15, M30. If you choose "Vertical" in the "Window" menu Metatrader 4 four screens in the terminal will be placed in adjacent windows in order.

SAMPLE:



### How it works:

The "Price Action Scalper" system based on a strong current trend confirmation entry signal which is very easy to see on your trading terminal – 4 windows (charts). You will get a signal once per hour (almost every hour).

To use this system you don't need to sit and watch the market all the time – just get ready at the last minute of the current hour – if there is a signal – place a trade, if not – you are free again for the next 59 minutes until the next trading opportunity. (if you want more signals - you can open 5-6 pairs at the same time – 4 timeframes for each) Simple and convenient!

# **BUY entry:**

- Wait for a current hour candle to close
- If all 4 of the last candles (M5, M15, M30 and 1H) closed in "green" wait for the price to go another 3 pips above the close and instantly place a BUY order.



### From the screenshot above:

- 1. On 1H chart a 9:00 candle closed green at 10:00.
- 2. On M30 chart a 9:30 candle closed green at 10:00
- 3. On M15 chart a 9:45 candle closed green at 10:00
- 4. On M5 chart a 9:55 candle closed green at 10:00

5. The price goes another 3 pips above the close. If all the above conditions met – place a BUY order at current price:



It is very important to wait until the price moves another 3 pips above the close – it is your double confirmed entry signal.

**ATTENTION**: If the price does not break 3 pips of your entry level within the first 5 minutes of the hour – Do not enter a trade! Just wait for another trading opportunity at the beginning of the next hour.

If you prefer to use the system as a scalper – make sure to keep your take profit and stop loss orders very tight. We will discuss all the scalping and/or longer day trading entries below. Enjoy great and fast profit, see the sample below (take profit and stop loss for this trade will be explained below)



An opposite rule for a SELL entry.

### **SELL entry:**

- Wait for a current hour candle to close

- If all 4 last candles (M5, M15, M30 and 1H) closed in "red" – wait for the price to go another 3 pips below the close and instantly place a SELL order.

## For example:

- 1. On 1H chart an 11:00 candle closed red at 12:00.
- 2. On M30 chart an 11:30 candle closed red at 12:00
- 3. On M15 chart an 11:45 candle closed red at 12:00
- 4. On M5 chart an 11:55 candle closed red at 12:00
- 5. The price goes another 3 pips below the close.

If all the above conditions have been met – place a SELL order at the current price!

This example is, of course, perfect. In reality, a candle, say, M15 may be closed green. In this case, other candles being red, we will have to wait for the next candle.

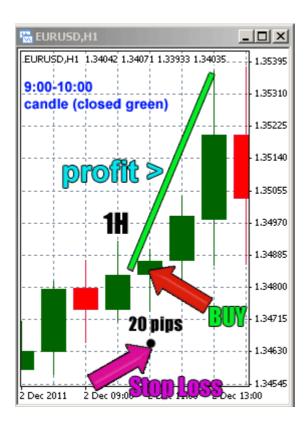
### **STOP LOSS and TAKE PROFIT**

# 3 options

1. Place a fixed stop loss at 2 pips below the low of the previous 1 hour candle for a buy trade or 2 pips above the high of the previous 1 hours candle for a sell trade. This is the best option for a short term scalping trade.



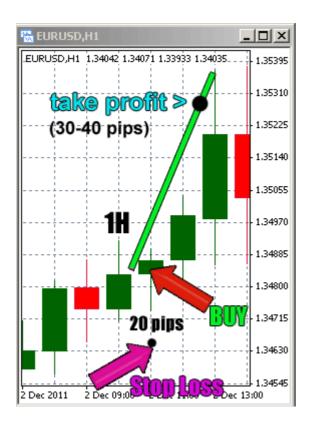
2. Place a fixed stop loss at 20 pips away from your entry point:



When the price reaches 15 pips – stop loss is transferred to breakeven. Depending on your trading preferences, you can resort to the trailing stop.

3. Place your stop loss order near the major highs/lows – major support and resistance levels. The "Price Action Scalper" system can be successful only by strict compliance with the rules. Take-profit should always be 2-3 times greater than the stop loss.

Place a fixed **take profit** at 30-40 pips away from your entry point:



Usually You can expect: 75-80+% of your trades to be profitable.

Note for This system: do not trade right before, during or immediately after major news releases.

# **IMPORTANT: Recommended setup of the "Price Action Scalper":**

I recommend to use the system on a couple of pairs at the same time.

In order to do so - trade 5-6 major pairs at the same time – in this case you will have to open 4 charts for each pair: M5, M15, M30 and 1H.

This setup will give you a lot of signals every day and 75-80% of them will be profitable.

# **Scalping tips:**

But there are several things that newer Forex scalpers must take into consideration. This is the main point of this article. So please pay attention and I assure you that you will become a proficient Forex scalper in no time flat!

### 1. Always ask if it's allowed.

This is the first and biggest thing that you need to do when scalping Forex. So always make sure your brokerage allows you to trade with this amazing style! I like to call and talk to a manager or someone important. I have asked people on the chat if scalping forex was allowed andthey all said that it was. Call and ask your broker, it was well worth it.

### 2. Scalping in numbers is the secret!

Remember earlier when I told you that scalping a single pair won't make you much money? Have you ever heard of the saying, "There's power in numbers?" Well this is a scientific fact that has been proven over and over again. When you scalp a pair make sure that you purchase a high amount. This is to maximize your profits. So if your trade makes 2 pips you can make upwards of a couple hundred to a couple thousand dollars.

### 3. Be careful.

This is probably going to be one of the most important tips ever. Along with the quick profits, you can and most likely will come across a couple losses on this magical Forex scalping journey! This is why you have to be able to accept these losses. Trading on a small scale can be easier for some. I always suggest that newer traders should really try to scalp on a demo account. Get comfortable with trading on a short term scale. I would advise that you should only scalp on a live account when you feel 100% comfortable with every trade. Imagine the demo account being your money. Imagine taking a huge loss in real life when you make a mistake. When you feel fully comfortable with everything even after a big loss, then you are ready to trade for real.

# 4. Scalp the Forex market with a plan!

This is the best way to avoid losses during your adventure. Use that demo account that we talked about earlier to find a suitable set of indicators or oscillators or even both! The demo account allows you to trade in a real time setting while trying out different systems. This can greatly increase your odds of making a good profit. Try every single combination of technical indicators. Do this until you find a pair that you like. Once you find one then you will truly be on your Forex scalping journey. Please make sure that you use my tips.

Warm regards

Karl Dittmann December 2011