

Trading the Daily

I've opened this thread at the request of many of my students as well as my Fibonacci thread readers that simply can't trade Intraday or have the time to sit in front of the CPU trading every day, whether it be a day job or time zone it doesn't matter everyone still has the opportunity to trade.

I've traded the Daily chart before in this very same manner and the heart of it still Fibonacci. If you are unfamiliar with Fibonacci you can read through my other thread and get the basics of trading the breaks, bounces and rejections from fib levels.

Here with this type method we will use a simple stochastic indicator to aid in making the entry and sometimes the exit positions. The object of the Stoch is to help verify that a bounce, rejection or break of the fib levels is occurring.

We will also use a basic support and resistance tactic as an entry and exit signal and use the fib levels as a reference to where price is potentially heading.

As soon as I can I will also make a quick video on the method here and post the links here in this first post.

If you do have the time to trade this on an intraday level I will post the 4hr and 1hr relation to trading the Daily and how it can improve your entry sometimes, as well as sometimes provide a second entry position when price does retrace or move against your initial entry, As soon as possible I will get these posted in the first post of the thread. It's not necessary to do this when trading the Daily but you must be prepared for more drawdown and larger stop losses than you are normally accustomed to since the Daily waveforms are a much larger scale than trading intraday and 4 hr type setups. I know with Cable, which I will use as the examples you need to consider sometimes your stop of at least 100 pips the norm. I do not use a set number for a stop loss I use previous lows and highs from the Daily chart itself, later into the trade I will adjust the stop loss to the conditions unfolding.

As with everything in trading never expect to win every trade its not logical to assume every trade is going to be a winner, losses are part of this game its how you handle the losses and manage your trades that will keep your balance growing. Another thing is to stop worrying how many pips I will make, it's never been about how many pips you make it's about the account balance nothing else matters.

The Chart setup

1. **Daily chart**...bars or candles doesn't matter I prefer candles.

2. **Stochastic**... settings %k=5
 %D=3
 Slowing=3
 Price Field= Close/Close
 Ma method=Exponential

The stochastic settings we use (exponential) as the ma method to increase the speed at which the indicator will react to price. ((Shown in Figure 1))

The purpose as we will show later is only as an aid in making the entry positions and sometimes the exits.



3. Fibonacci tool, we will use the same fibs as seen on my Fibonacci trading thread but those unfamiliar with it the setting are these. If you do not know how to setup the Fib tool and change the descriptions and add price to the levels you can view my video on (You Tube) on how to set up the tool.

0	Low
100	High
.382	Short
.50	Pivot
.618	Long

The extensions are

-.382	Target 1
-.618	Target 2
1.382	Target 1
1.61	Target 2

The extensions are labeled Target 1 and Target 2 in both directions since it doesn't matter at that point they are in the same place in either direction and serve the same purpose.

There are 3 major fib tool sets we use

1. the Up Trend
2. the Down Trend
3. the Retracement

They pretty much are self explanatory except the Retracement fib which confuses a lot of people but its purpose is to measure the movements that run counter to the current trend that price is in. We are using it for its targets if the current

trend continues. In a short trade we pull the high until there are no more highs to pull it too and its levels are tested when they fail it gives the next Daily target range when the original trend continues. The reverse is true in an up trend. To relate this to what you see in my other thread the up and down trend fibs would be the Intraday and the Retracement the Swing fib. The Daily is just a much larger scale and the same rules apply. (Figure 2)

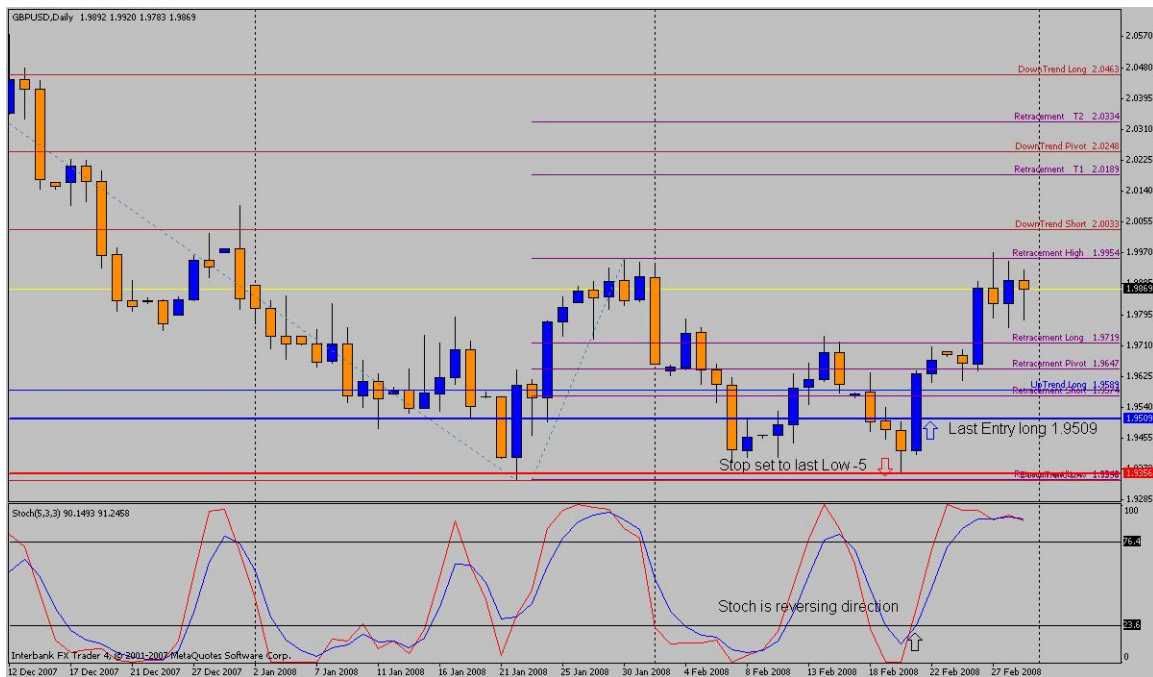
It will help sometimes to follow price with an additional Swing fib in the same manner we use in my Fibonacci thread, set to the same settings.



4. The Entry and Exit Lines. We will use 2 horizontal lines to mark our entry and follow price with the other to use as an exit and possible stop and reverse action. (Figure 3)

A. Red horizontal line.... to use as a Short entry marker, secondary purpose is to follow the lows of Daily candles to use as a stop for a Long trade and possibly reversal point.

B. Blue horizontal line... to use as a Long entry marker, secondary purpose to follow the highs of Daily candles to use as a stop for a short position and possibly reversal point.



Entry's

Long entry. When price is going down in a down move we follow along behind the Highs of each previous Daily candle with the Blue horizontal line, a basic price action move as we are looking for a previous high to be broken as a signal price is possibly reversing. We follow along behind as an entry into a Long position paying close attention as price reaches one of our Fib levels, In a down move if price is to bounce from a fib level we wait until the previous high is broken and that is our entry Long. At that point we look for a previous support or low on the Daily as the stop loss and mark this point with the Red horizontal line we do this because as each new daily candle opens we will most likely be moving our Red line up to the new low from the previous day thus raising our stop loss with it. (Figure 4)

Once price has reached a fib level and looks to fail to break it we look for the Stoch to confirm this by turning flat or showing signs of crossing in the opposite direction. If so we move our stop loss to the low of the previous candle regardless if its in profit at that point or not, its better to exit the trade with a loss than suffer a large drawdown, more opportunity's will unfold and the losses can be made up. The next order of business is do you want to stop and reverse at this point, this is all up the individual as this can be traded as an always in type method. The key factors being the trend, current economic conditions and news releases, where price is in relation to other fib levels and or support and resistance levels and is there room to profit from a stop and reverse situation.

Short Entry. A short entry is opposite of the Long entry. When a previous low is penetrated by the -5pips the Short is triggered especially coming off a fib level. The blue line is placed to the previous high and moved as new lower highs form each day. The stoch will also be in agreement by topping out running flat or

showing signs of reversing by a crossing down, but not counted on as the indicator shows the movement after the fact and is only used as confirmation

To compensate for the Spread I use +8 to the high of a candle and -5 below the low of a candle to position the entry and reverse position lines.



Taking Profits. As for taking profits I will exit a trade if its extensions are met and look to reenter on another break in either direction. Some discretion is needed as some waveforms or movements will be small in comparison to others and will only provide small targets from entry if you measure each waveform with fibs.

Once in profit you have to ask yourself how much is enough and do I want to begin scaling out after a certain number of pips have been made, again up to the individual and you need to do your own back testing and forward testing with a demo before trying to learn something new with real money. Don't worry time isn't going to run out if you take some time to test a method and develop your own personal strategy with it. The market isn't going anywhere it will be there when you are ready.

Stop Loss. No set number I prefer to use the previous low point of support or resistance then move it up or down with each Daily candle that forms. This is subject to each individual's tolerance for loss and you will have to perform your own back testing to decide what is best for you, but you will most likely come to the same conclusions.

Notes

As you trade you will see many different conditions arise in the market and all cannot be accounted for nor can they all be explained in text format, it's up to the individual trader to interpret the market based on the way they trade and the method or strategy used, the only way to become successful is to gain experience

using something over time instead of method hopping just because you get 2 losses in a row.

This is by no means a perfect system or method you will have to gain experience with it and make the adjustment you find work for you and that you can trade it successfully. You do this by back testing and forward testing.

Feel free to use trendlines or whatever you're comfortable with using that you feel will aid in your trading.

Zoom your Daily chart out to the Weekly ever so often to get a look at the weekly with the same settings here as the Daily to get the weekly direction. You may have to do this sometimes anyway to get your fibs drawn.

You will have to do some experimenting with this to get the feel for it since this is only a guideline so to speak of how the Daily chart can be traded and just set it up everyday when the new candle for the day opens. You're going to find you can get into the big moves and make a lot in 1 trade, you will also find during ranging conditions you will be lucky to survive with positive trades. Most of the times the bad trades can be minimized by following with your stop in this manner.

Use smaller lot sizes since this is a Daily chart and the draw downs can be more than if trading Intraday.

This is very simple but can be very effective and as you gain experience it will become easier and more profitable, since being human we learn from our mistakes.

This can be traded by simply setting this up at the Open of each new day, but me I have to check on it periodically during the day to check on the progression and look for possible problems with the trade.

Please do not trade this live until you have practiced the use of it in Demo. Everyone will see this differently, for me being a Fib trader it comes more natural for me to trade this way and this may not be for everyone.