THE TREND MASTER SYSTEM

Introduction

This trading system combines Trend Trading with Level Trading. It is a combination of Breakout trading and Range trading. It is simple, yet powerful enough to deal a good punch.

It includes only three technical indicators for trend trading;

- Heiken Ashi (for basic entry/exit)
- Moving Average (for monitoring the trend)
- MACD (for entry/exit confirmation, entry/exit filter and divergences)

For level trading, it makes use of trend line studies;

- Support & Resistances
- Channels
- Chart patterns
- Fibonacci retracements

It combines elements of the best-selling Forex Cobra System and the famous CobraFX THV System.

This system is developed to provide stress-free trading, yet helping the trader to carry out high-grade technical analyses to identify areas of high trade probability. Such analyses are only available to the big guys and successful traders, and we want to be among them. This is why our package is called FOREX TRADE TRADITION.

Detailed Components of the system

The Trend Master System is made up of the following components;

1) Line Chart + Magenta
2) Heiken Ashi + Green + Red
3) Moving Average (24, Smoothed, Typical price) + Blue
4) Moving Average (72, Smoothed, Typical price) + Yellow

5) Moving Average Convergence Divergence (12, 24, 6, Typical price) + Blue Histogram + Red Signal line.

6) Trend line studies: Support & Resistance levels, Channels, Fibonacci retracement levels, and chart patterns.

7) Currency pairs/commodities: All Currency pairs, Crude Oil CFD (Brent, WTI, Light sweet).

8) Time frame: Hourly (H1) primarily, and four hourly (H4) periods.

Explanation of each component

1) The line chart is for monitoring the real price levels (close) for us to correctly place our line studies during analyses. Line studies and the price levels they generate are very important. This is because most of the big time profitable traders, trading houses, and even large banks around the world are watching these levels. This is also why these levels are called Psych Levels (psychological price levels) since most big traders respond to price activity around those levels, and it is these big traders that are collectively moving the market. Simply put, price breaking a support (or resistance) and closing below it indicates a possible downtrend, and price breaking a support (or resistance) and closing above it indicates a possible uptrend. The same goes for the trend lines (upper and lower) of a channel and any chart pattern. Fibonacci retracement levels are used to measure the retracement(s) of a trend and provide safe stoploss levels for re-entry. Chart patterns include symmetrical triangles, wedges, double top/bottom, triple top/bottom, head & shoulder, king's crown, etc (you should be educated enough in trading to identify all these, if not, there are books in the package that deals with technical analyses, take your time to study them before you even think of beginning to trade; there is no substitute for knowledge and hard work!). Chart patterns are extremely important in trading.

2) The Heiken Ashi indicator replaces the traditional candlestick chart, and the Heiken Ashi candles will be our reference candlesticks. Heiken Ashi provides primary buy/sell signals. We enter a buy immediately after the close of the bullish candle which comes after a bearish candle or a series of bearish candles. Similarly, we enter a sell immediately after the close of the bearish candle which comes after a bullish candle or a series of bullish candles. Use not less than 50 pips stop loss.

3) The Moving Average indicators (24 SMMA and 72 SMMA) show the trending condition of the market. The 24 SMMA shows the trend on a smaller outlook (one day trend) while the 72 SMMA show the trend on a larger outlook (three day trend). The Moving Averages also act as dynamic support and resistance. If price “breaks” a Moving Average from below and closes above it, we immediately consider going long (buy). If price “breaks” a Moving Average from above and closes below it, we immediately consider going short (sell). A valid “break” is when price crosses the Moving Average and closes with the current candle entirely above (or below) it and no shadows of this candle are touching the Moving Average line. The same rule must apply to the next candle, and in particular, this next candle must not be a reversal candle.

4) The MACD indicator act as trade entry confirmation and exit filter to the Heiken Ashi indicator. The MACD also monitors market top and bottom thereby detecting divergences.

5) The Trend Master System can be used for any Currency pair, though we recommend all Japanese Yen pairs and the AUDUSD pair because these move smoothly with few price spikes which may disturb our trades and create bad trades. The system can also be used on the Crude Oil commodities (Brent, WTI, Light sweet). The Crude Oil we mean here is CFD, not Futures.

6) The primary time frame for this system is the hourly period (H1). The secondary time frame is the four hourly period (H4). The primary time frame is for the analyses and placing of trades, while the secondary time frame is ONLY for Line Studies and Chart Pattern analyses on a

larger outlook, we do not consider the trending “whatever” on the H4 charts. After drawing our Line Studies and marking out our Chart Patterns on the H4 chart, we switch back to the H1 chart and continue our analyses considering the trending situations as well as the important price levels/zones on the H1 time frame. We only become even more careful when the market trades near (or breaks) any H4 derived level/zone. These H4 derived levels/zones should be drawn with thicker lines than their H1 counterparts (or given a different color for clarity sake).

The Routine of the Trend Master System (The Rules)

This trading system seeks to identify trades of varying probability, and thus, position sizes will vary according to the trader’s discipline and money management. We are only prepared to risk not more than 4% on any trade. We are also trading not more than four securities (currency/commodity) at a time.

With what we have said from the beginning of this manual, you would not be expecting a straightforward “buy here/sell there” rule. As an aspiring successful trader you are expected to make in-depth analyses before committing your hard-earned money to the market. You should trade this system carefully on demo account for at least 2 months of everyday trading before you even think of going into trading on a live account.

The following are a summary of the trading system principles, be sure to understand them very well or go broke;

1) Buy immediately after the close of the bullish candle which comes after a bearish candle or a series of bearish candles, and sell immediately after the close of the bearish candle which comes after a bullish candle or a series of bullish candles. Make sure the entry candle is entirely above (for buy) or below (for sell) the Moving Average lines as well as any of the Line Studies and the shadow of this candle is not touching them. Use not less than 50 pips stop loss.

2) The MACD should confirm your entry (histogram above signal line for buy, and below signal line for sell) within two to three candles of the trade, else close the trade, it is not valid. In this way, the MACD will filter out wrong entries and save you from fake-outs.

3) Exit should be based on the agreement of the MACD and the Candlestick, not on the candlestick alone. In this way, the MACD will filter out false exits and save you from whipsaws, making you stay longer and get the most out of the trend.

4) Use the Fibonacci retracement tool to measure retracements of a trend and prepare to re-enter after the market bounces off any of the retracement levels. Be prepared also to re-enter when the market bounces off any of the Moving Averages in the direction of the previous trend (re-establishment of the trend). Be careful of trading the retracement of a trend. It is better not to trade a retracement but to re-enter the trend at the end of the retracement. Also be careful of holding your position when a retracement starts. Depending on your discipline, you could hold your position until the end of the retracement and enter another trade in the direction of the trend when it resumes. You could alternatively exit at the beginning of the retracement and re-enter at the end of it, i.e. when the trend resumes.

5) Be alert to monitor divergences of the market from the MACD. Trading divergences is very important and profitable. Be sure to base ALL trading analyses ONLY on the H1 time frame.

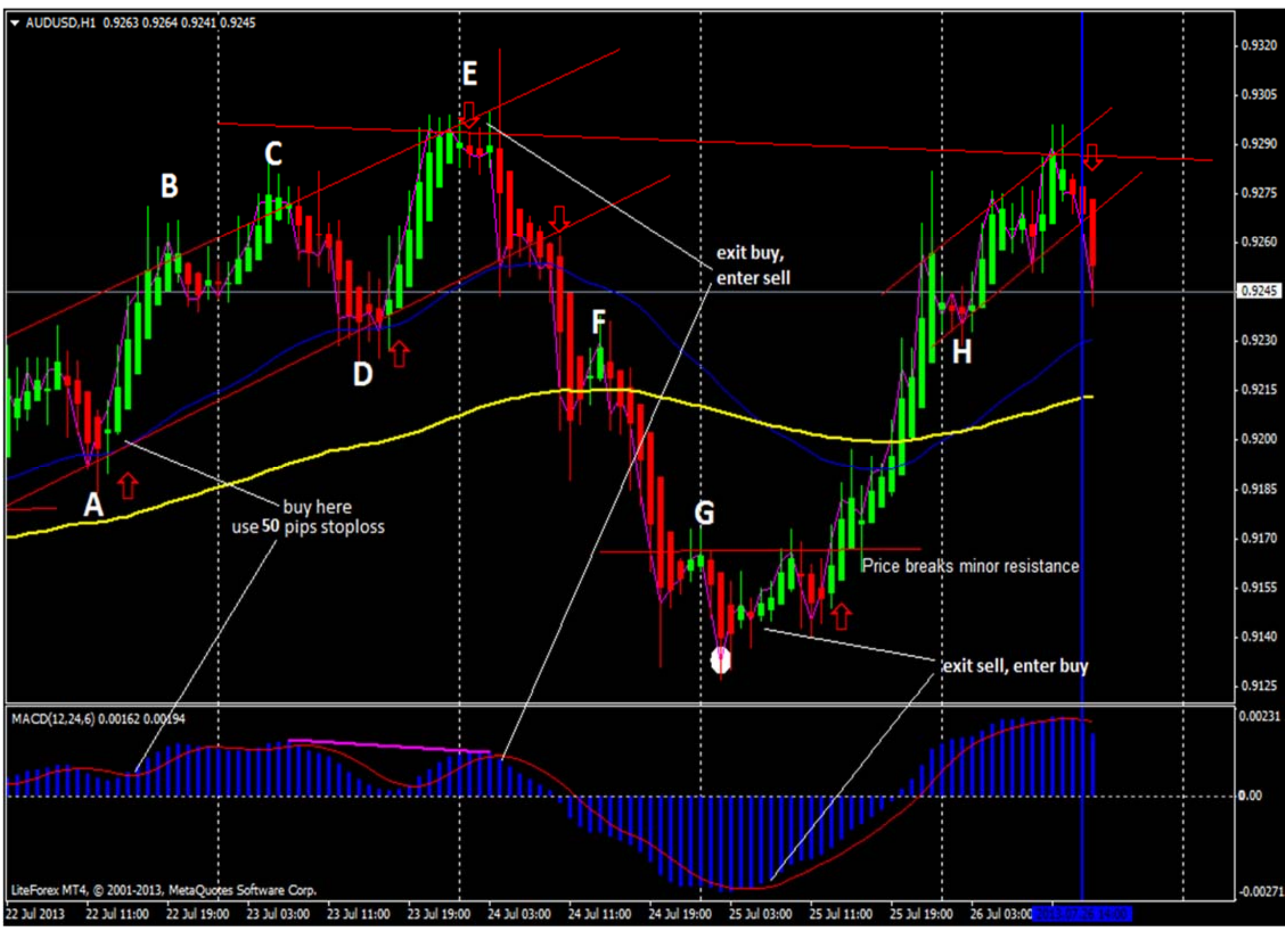
6) When Trend line analyses (Line Studies) and Chart Pattern analyses go contrary to the existing trend as shown by the Moving Averages, we ignore the trend, however, ALL trades would be entered according to Rule 1, and confirmed by Rule 2.

7) Use good money management always. If eventually, you did not succeed with this trading system, it is due to your bad money management. One truth you must accept is that there will always be bad trades (due to erratic/strange/unanticipated market moves) in ANY trading system because trading is based on probability, but with the fair chance of this system, good trading discipline and good money management, you will be successful in the long run. Remember, use not less than 50 pips stop loss.

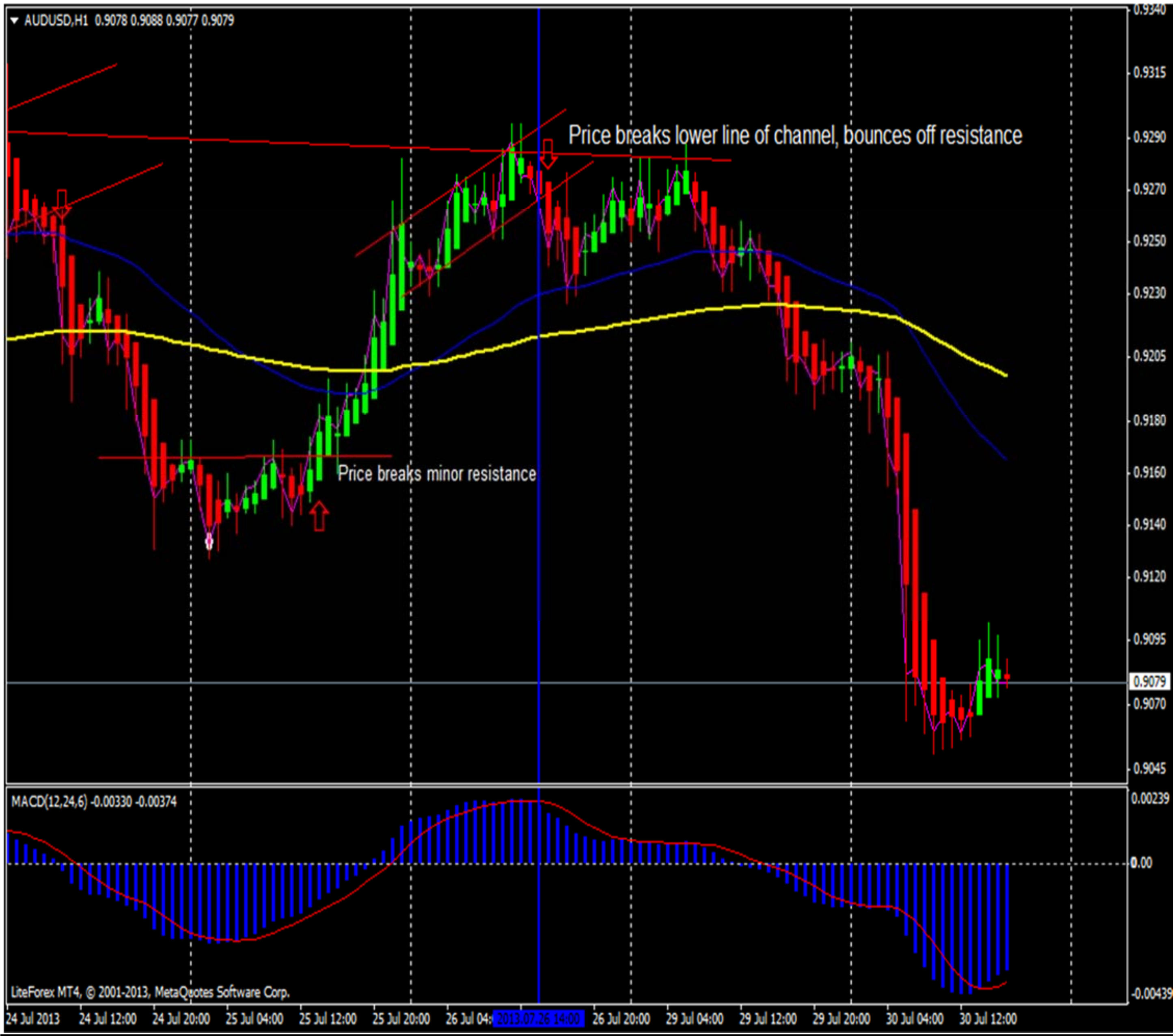
Examples of trades and analyses

In this final section of the manual, we shall be demonstrating the system with the charts of some trades and the analyses that led to them;

Example 1 (AUDUSD H1)



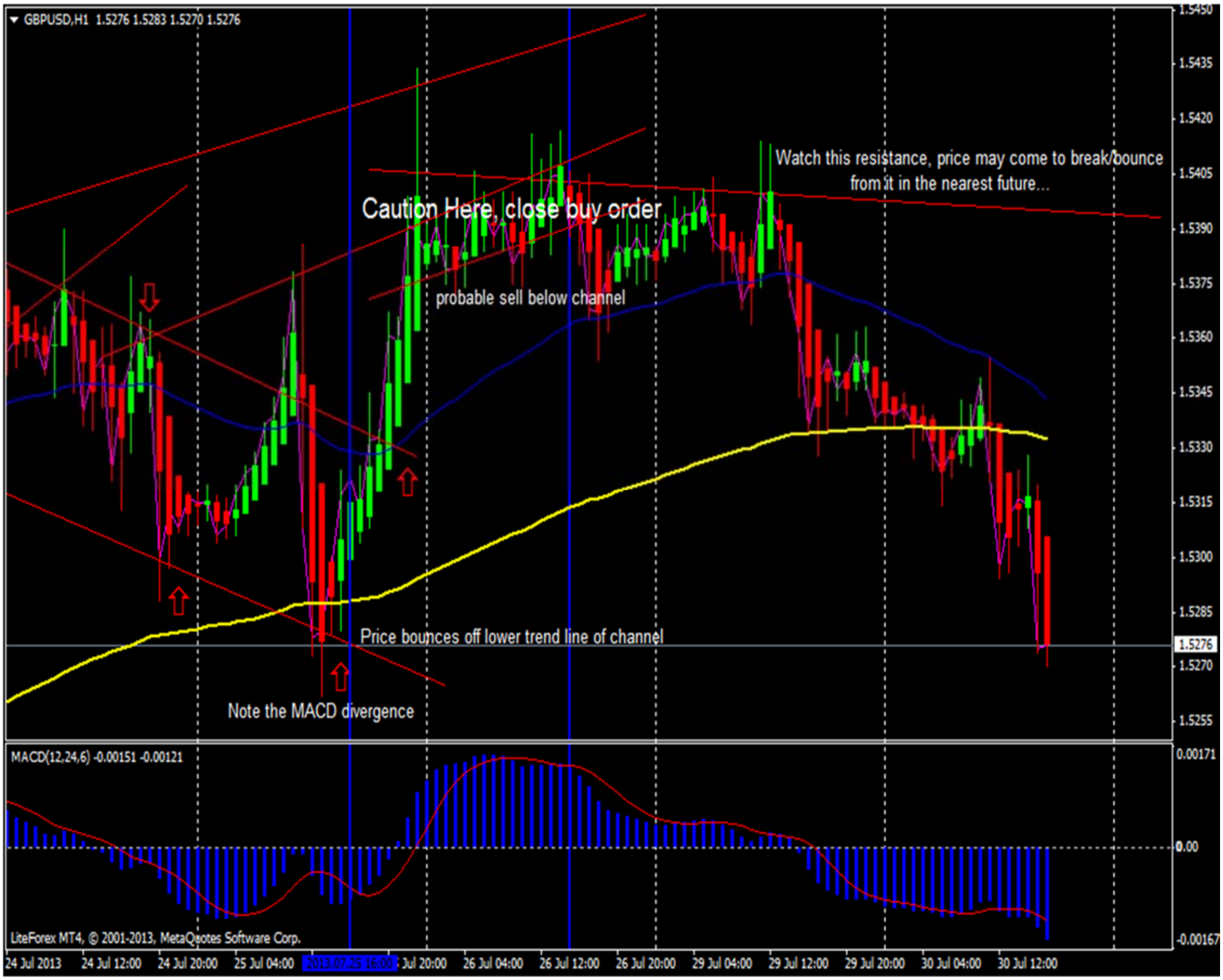
Later on …



AUDUSD,H1 0.9078 0.9088 0.9077 0.9079
Price breaks lower line of channel, bounces off resistance
Price breaks minor resistance
MACD(12,24,6) -0.00330 -0.00374
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

Example 2 (GPBUSD H1)

Later on ...


GBPUSD,H1 1.5276 1.5283 1.5270 1.5276
Watch this resistance, price may come to break/bounce from it in the nearest future...
Caution Here, close buy order
probable sell below channel
Price bounces off lower trend line of channel
Note the MACD divergence
MACD(12,24,6) -0.00151 -0.00121
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

Example 3 (USDCHF H1)

Later on ...

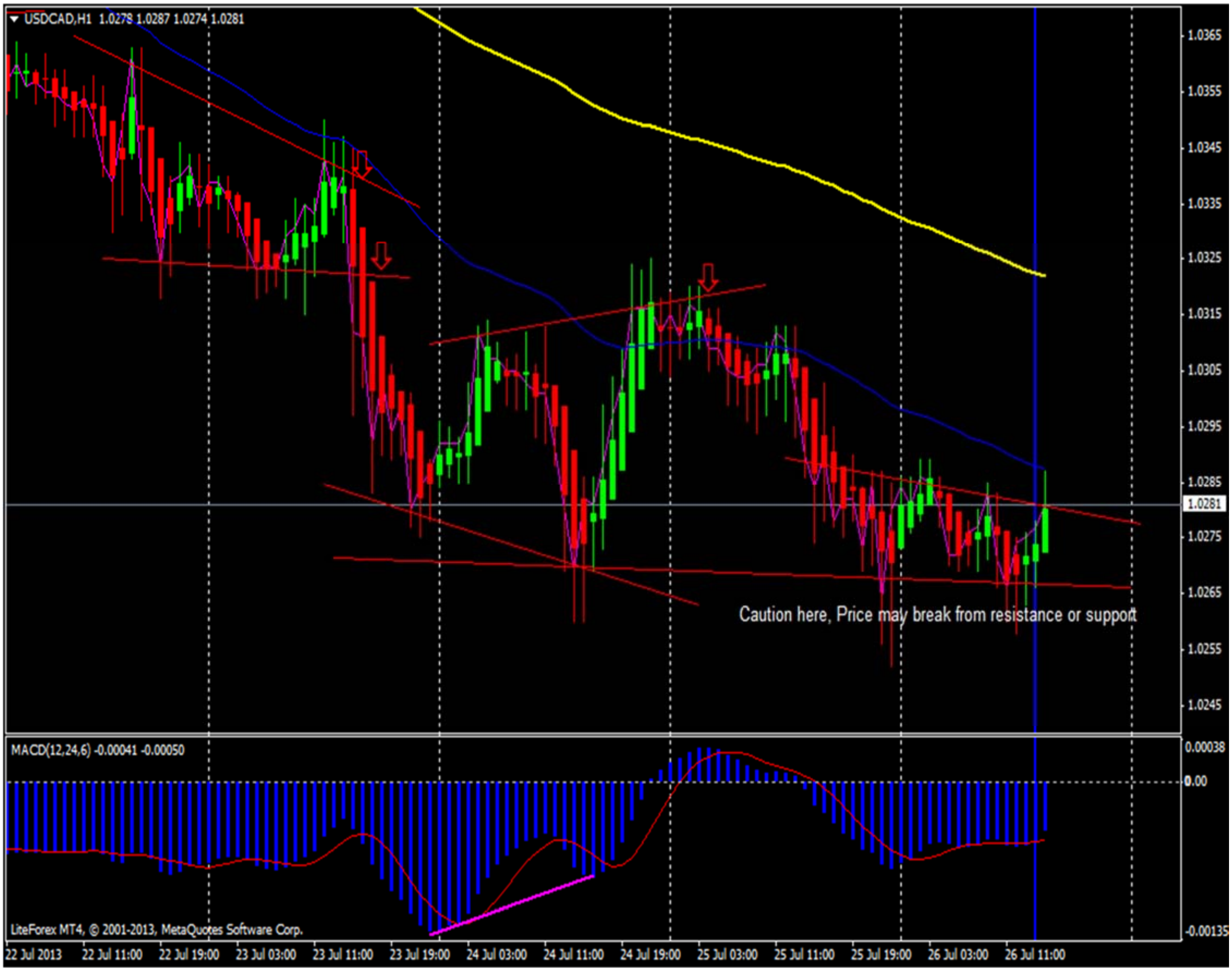

USDCHF,H1 0.9292 0.9295 0.9285 0.9293
price breaks lower trend line of channel
close buy, enter sell
probable buy above channel
Close Sell Order here
MACD(12,24,6) -0.00031 -0.00010
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.
0.9405
0.9390
0.9375
0.9360
0.9345
0.9330
0.9315
0.9300
0.9293
0.9285
0.9270
0.9255
0.00071
0.00
-0.00181
24 Jul 2013
24 Jul 12:00
24 Jul 20:00
25 Jul 04:00
2013.07.25 15:00
25 Jul 20:00
26 Jul 04:00
26 Jul 12:00
26 Jul 20:00
29 Jul 04:00
29 Jul 12:00
29 Jul 20:00
30 Jul 04:00
30 Jul 12:00

Example 4 (USDJPY H1)

Later on ...

USDJPY,H1 98.18 98.21 98.07 98.14
price breaks lower trend line of channel
Care! price is trying to bounce off 24 SMMA
Consider selling this pair for now
Take note of the diverging MACD
MACD(12,24,6) 0.001 0.006
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

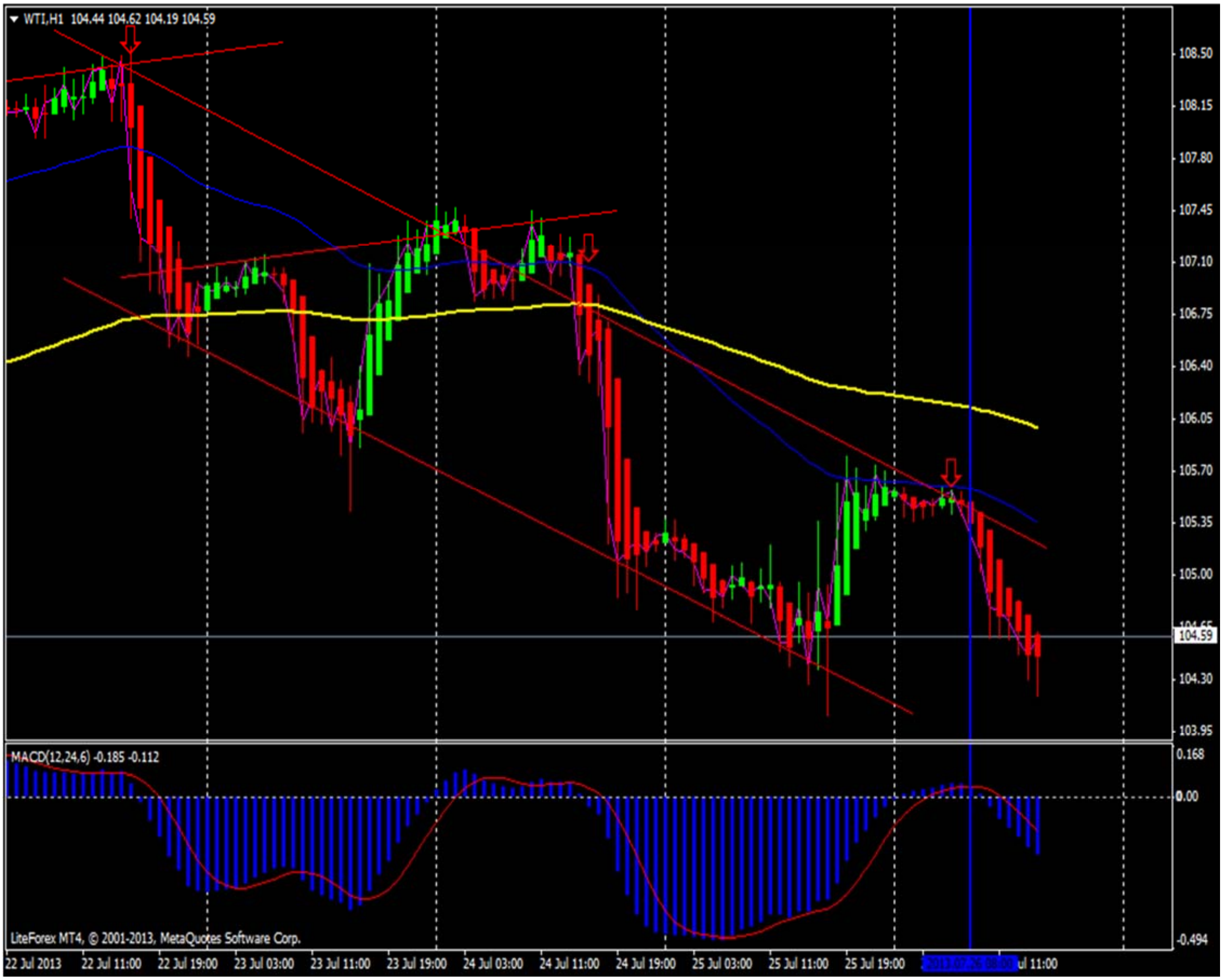
Example 5 (USDCAD H1)



Later on ...

USDCAD,H1 1.0270 1.0274 1.0265 1.0273
Watch this resistance very well
If price bounces off it again, the sell will be high
Caution here, Price may break from resistance or support
If price breaks this support, we sell big, eh?
MACD(12,24,6) 0.00002 0.00011
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

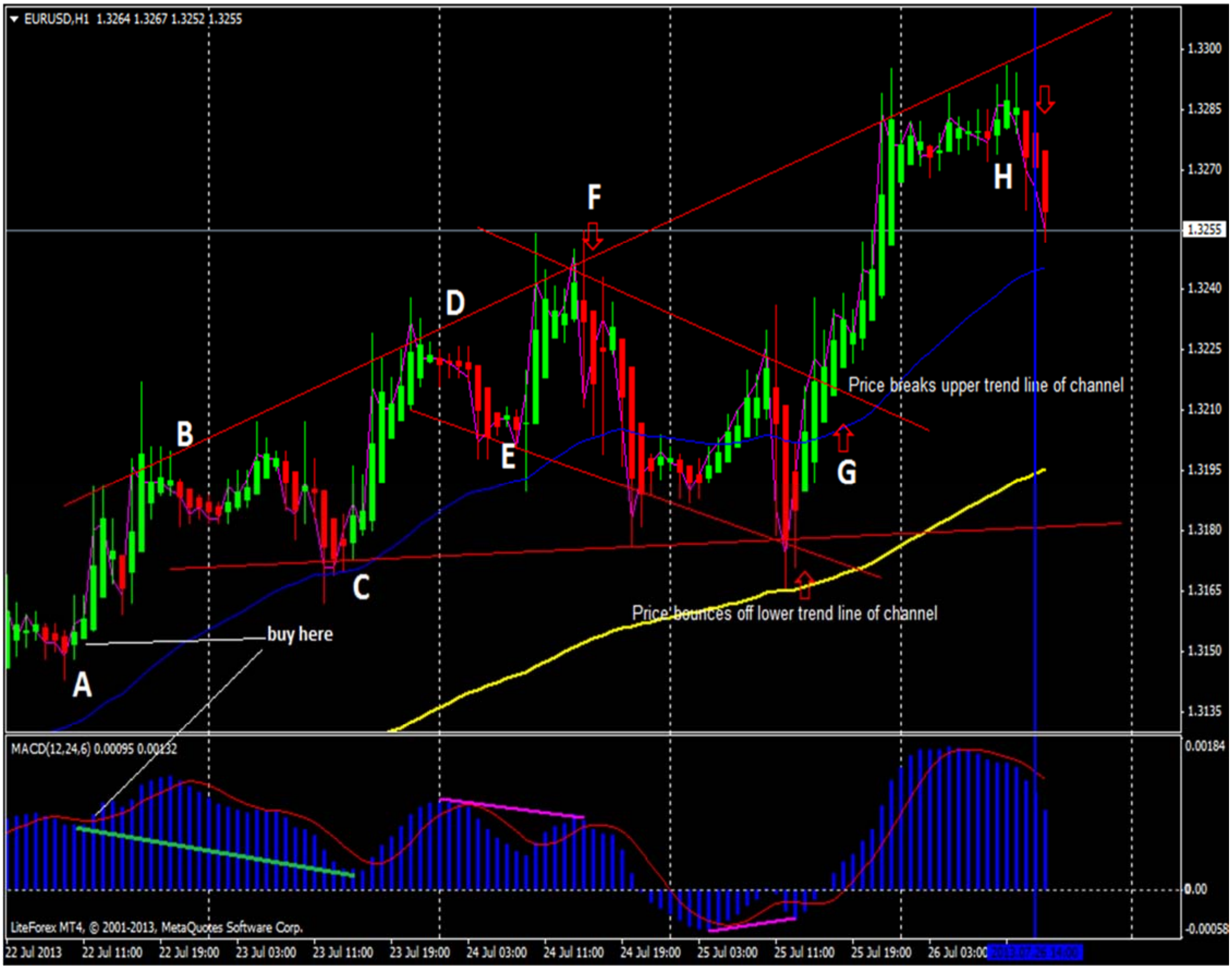
Example 6 (WTI H1)



Later on ...


WT1,H1 103.47 103.52 103.35 103.35
Price bounced off 24 SMMA, time to sell eh?
MACD(12,24,6) -0.226 -0.181
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

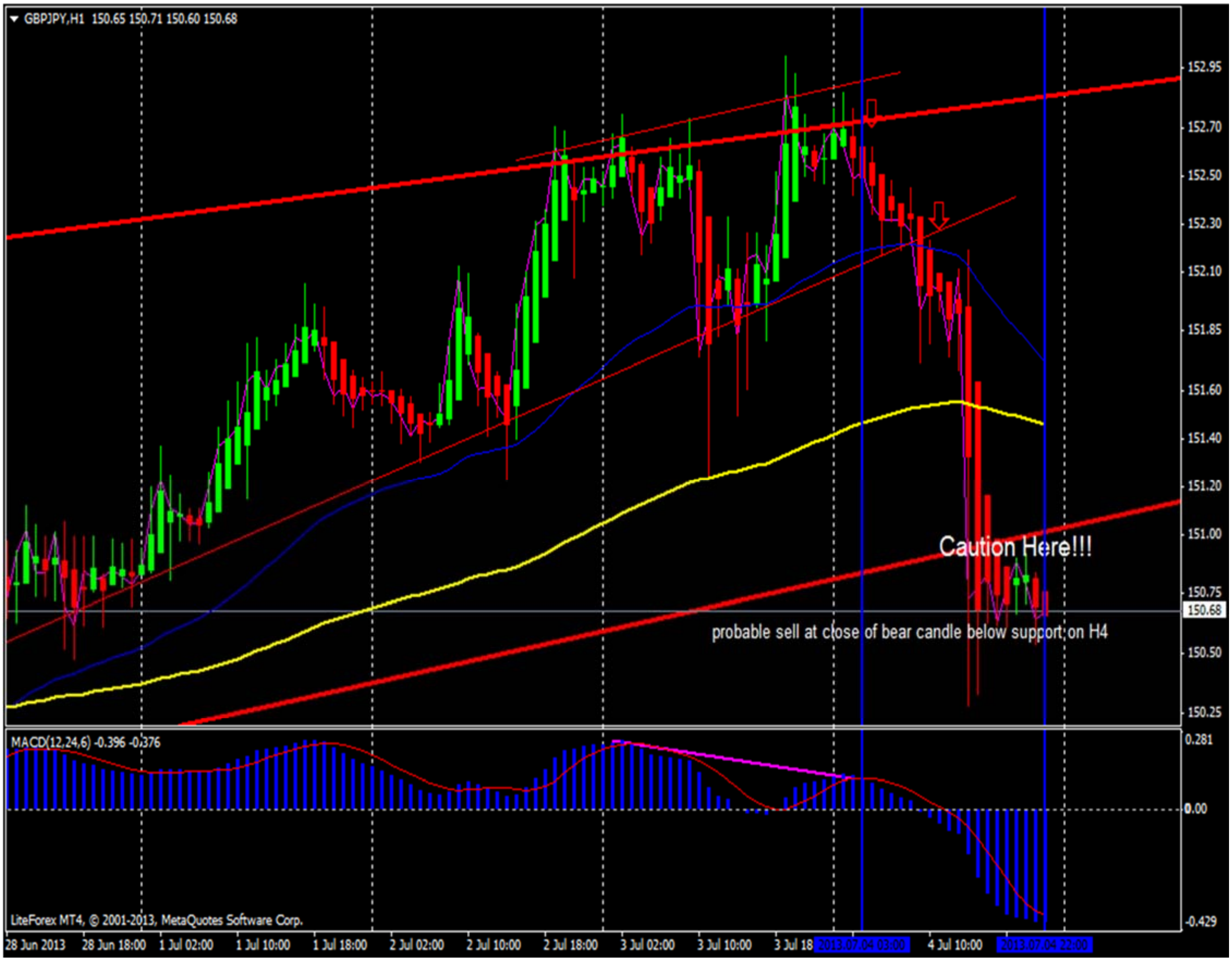
Example 7 (EURUSD H1)



Later on ...


EURUSD,H1 1.3268 1.3276 1.3267 1.3270
Price breaks this resistance and we buy, eh?
Price breaks upper trend line of channel
Also watch this support level
MACD(12,24,6) 0.00026 0.00012
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.
1.3300
1.3285
1.3270
1.3260
1.3245
1.3230
1.3215
1.3205
1.3190
1.3175
1.3165
0.00184
0.00
-0.00058
24 Jul 2013
24 Jul 12:00
24 Jul 20:00
25 Jul 04:00
25 Jul 12:00
25 Jul 20:00
26 Jul 20:00
29 Jul 04:00
29 Jul 12:00
29 Jul 20:00
30 Jul 04:00
30 Jul 12:00

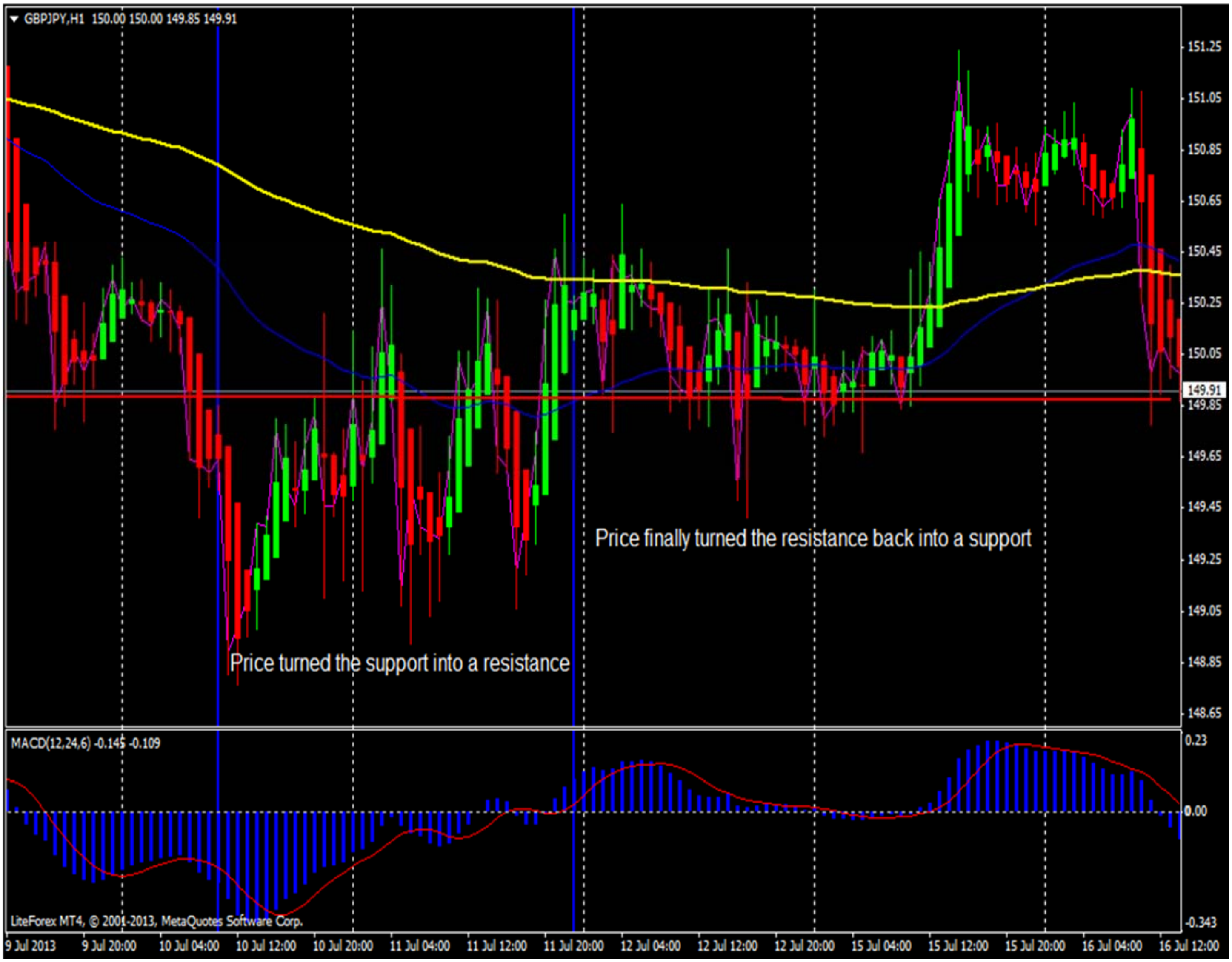
Example 8 (GBPJPY H1)



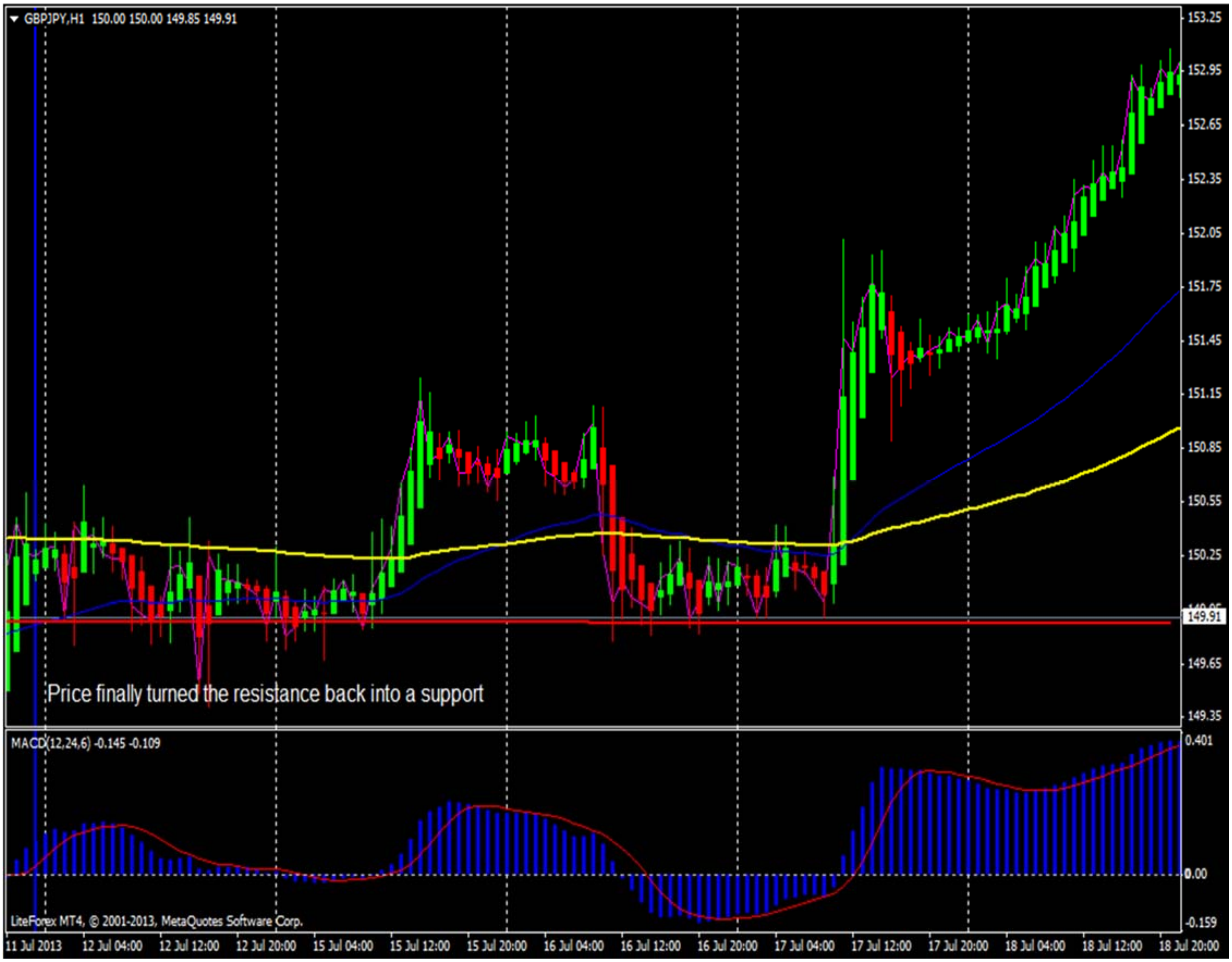
Later on …


GBPJPY,H1 150.00 150.00 149.85 149.91
Price broke this support
Caution Here!!!
probable sell at close of bear candle below support on H4
Price created this support
MACD(12,24,6) -0.145 -0.109
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.
153.20
152.85
152.50
152.15
151.80
151.45
151.10
150.75
150.40
150.05
149.91
149.70
149.35
149.00
148.65
0.154
0.00
-0.422
3 Jul 2013
4 Jul 08:00
5 Jul 08:00
5 Jul 16:00
8 Jul 00:00
8 Jul 08:00
8 Jul 16:00
9 Jul 00:00
9 Jul 08:00
9 Jul 16:00
10 Jul 00:00
10 Jul 08:00
10 Jul 16:00

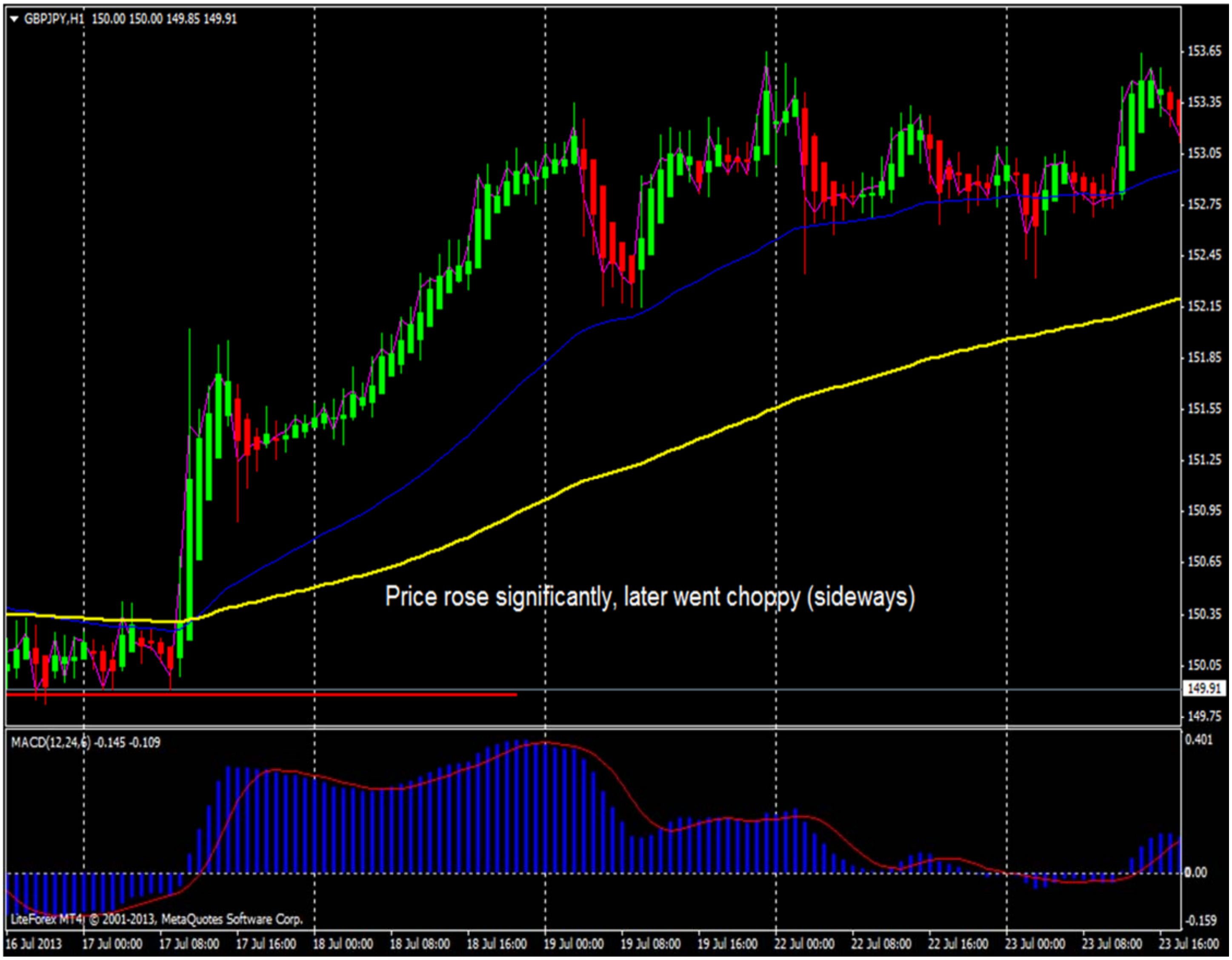
And later on …


GBPJPY,H1 150.00 150.00 149.85 149.91
Price turned the support into a resistance
Price finally turned the resistance back into a support
MACD(12,24,6) -0.145 -0.109
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

And later on …


GBPJPY,H1 150.00 150.00 149.85 149.91
Price finally turned the resistance back into a support
MACD(12,24,6) -0.145 -0.109
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.
153.25
152.95
152.65
152.35
152.05
151.75
151.45
151.15
150.85
150.55
150.25
149.91
149.65
149.35
0.401
0.00
-0.159
11 Jul 2013
12 Jul 04:00
12 Jul 12:00
12 Jul 20:00
15 Jul 04:00
15 Jul 12:00
15 Jul 20:00
16 Jul 04:00
16 Jul 12:00
16 Jul 20:00
17 Jul 04:00
17 Jul 12:00
17 Jul 20:00
18 Jul 04:00
18 Jul 12:00
18 Jul 20:00

And later on ...


GBPJPY,H1 150.00 150.00 149.85 149.91
Price rose significantly, later went choppy (sideways)
MACD(12,24,6) -0.145 -0.109
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.

And later on ...


GBPJPY,H1 150.00 150.00 149.85 149.91
Relying on the magenta coloured resistance would not have been too bad, however we have to update the resistance as the market updates itself by drawing the red coloured resistance of the unfolding channel.
and price broke the support of this new-born channel.
and also broke the 24 SMMA and 72 SMMA
154.05
153.85
153.65
153.45
153.25
153.05
152.85
152.65
152.45
152.25
152.05
151.85
MACD(12,24,6) -0.145 -0.109
0.364
0.00
-0.23
LiteForex MT4, © 2001-2013, MetaQuotes Software Corp.
19 Jul 2013
19 Jul 13:00
19 Jul 21:00
22 Jul 05:00
22 Jul 13:00
22 Jul 21:00
23 Jul 05:00
23 Jul 13:00
23 Jul 21:00
24 Jul 05:00
24 Jul 13:00
24 Jul 21:00
25 Jul 05:00
25 Jul 13:00
25 Jul 21:00
26 Jul 05:00

And then later on ...

Example 9 (Brent H1)

Example 10 (AUDJPY H1)

This last chart was deliberately not annotated so that you can go back in time and see how your analyses would have looked like.

Note how price broke the 24 SMMA and 72 SMMA lines on 24th July 2013 and turned them into resistance zones. The next day, price bounced off these lines and established a downtrend. Finally, note the minor retracements on 26th and 29th July 2013. We would have been whipsawed twice if we had traded in the direction of these retracements/pullbacks (believing that they were reversal signals). This is avoided by exiting out our trade, pulling a Fib on the trend we are trading and measure the retracement, then watch the market bounce off any of the retracement levels, and re-enter.

Final words

Timing Your Trades (very important):-

This is the life blood of your trading system. This is the Practical Demonstration of the Secret of successful trading. This is where you have to make time-sacrifices for your trading business so that trading opportunities will not elude you. This practical demonstration is called Market Timing or Trade Tracking. This is also what makes trading a job and not a hobby or a game. It is again the main reason why many traders use very good trading systems and fail with it. You have to make time-sacrifices for trading because trading is not leisure or pleasure; it is a great business. Business before pleasure!

You must set close time intervals to check on your trades since we are not talking about a “set and forget” system here. I recommend checking on your trades every 2 to 3 hours. If looking for entry, check every hour, yes, every hour. Great timing skill is the key to ANY trading system, this is a fact!

Don’t forget to use not less than 50 pips stop loss for any trade and remember to use good money management.

I wish you a happy and successful trading career!

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