Trade Forex with Support and Resistance Strategies

By Walter Peters, Phd.
BestMetatraderBroker.com
Important Risk Disclaimer

ALL INFORMATION CONTAINED IN THIS COURSE IS FOR EDUCATIONAL PURPOSES ONLY AND IS SOLELY THE OPINION OF THE WRITER. NO SOLICITATION TO BUY, SELL OR TRADE ANY SECURITIES, COMMODITIES, CURRENCIES OR OPTIONS IS CONSTITUTED BY THIS COURSE. THE INFORMATION SHOULD BE TAKEN AT THE READER’S DISCRETION AND IT IS STRONGLY RECOMMENDED THAT OTHER SOURCES BE CONSULTED BEFORE TRADING ON ANY INFORMATION WRITTEN IN THIS MANUAL. TRADING FUTURES, OPTIONS ON FUTURES, AND FOREIGN EXCHANGE INVOLVES SUBSTANTIAL RISK OF LOSS AND MAY NOT BE SUITABLE FOR ALL INVESTORS. YOU SHOULD CAREFULLY CONSIDER WHETHER TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR CIRCUMSTANCES, KNOWLEDGE, INVESTMENT OBJECTIVES, RISK APETITE AND FINANCIAL RESOURCES. MOST IMPORTANTLY, DO NOT INVEST MONEY YOU CANNOT AFFORD TO LOSE. TRADING FOREIGN CURRENCIES IS A CHALLENGING OPPORTUNITY FOR EDUCATED AND EXPERIENCED INVESTORS.

BACK TESTED AND HISTORICAL RESULTS ARE NOT INDICATIVE OF FUTURE PERFORMANCE. OPINIONS, MARKET DATA, AND RECOMMENDATIONS ARE SUBJECT TO CHANGE AT ANY TIME.
Preface from Best Metatrader Broker:

Dear Trader,

One of the greatest advantages to being in the Forex business is that we constantly speak with and monitor thousands of Forex traders. In order to provide you with the best resource section possible we decided to contact some of our top traders to bring their most effective strategies to you.

We expected that many traders would be using extremely complicated systems, algorithms and indicators. We also were nervous because we thought that traders would be unlikely to share information about their trading strategies.

Some traders did, in fact, prefer to keep their strategies private and we respect their privacy. However many traders were eager to provide us with great tips and even details about their trading strategies.

One of the reasons that they were so eager to share information is that their strategies were actually fairly straight forward. Although most strategies had a unique twist, hardly any custom indicators or complicated algorithms were used. What stood out among these traders is very diligent risk management, very selective trading, and very careful planning.

Although these strategies are simple, in our opinion it will take a lot of discipline and hard work to follow them. This is due to the fact that they guide you to use proper risk management and to be very selective in the trades you place and when you trade. The strategies also require a lot of preparation and planning. Therefore discipline is essential to success. And we all know that it is not easy to stay disciplined.

This course will outline two foundation strategies. These strategies do not generate trading signals often, however when properly set up they can provide you with excellent trade opportunities.

Please keep in mind that in order to achieve the most success from this course you need to have a basic knowledge of placing trades, the Forex market, and basic chart analysis. If you need to get acquainted with the basics of Forex trading you will greatly benefit from our complimentary Forex tutorial section on our website.

Of course, as you know these strategies are for educational purposes only, so please keep in mind that Forex trading can be very risky with any strategy. Basically don’t risk money that you cannot afford to lose.

We hope this course helps and I hope that you find our other products useful.

To your trading success,

Best Metatrader Broker
About the Course Developer

Walter Peters is a professional Forex trader with more than eight years of trading experience. With a doctorate in psychology, Walter is keenly interested in trading psychology and in helping other traders overcome the psychological barriers to trading success. Walter specializes in risk management and simple yet effective Forex trading strategies. Walter is currently the money manager of a private Forex fund.

Course Introduction

This course is intended to show how simple concepts of support and resistance can potentially generate successful trades. You probably already know about support and resistance as it is a fairly common idea in Forex trading. In this course you will gain a unique insight into how to use support and resistance in a creative way to potentially improve your trading. Along with these several basic concepts and theories, you will also be introduced to some of our proprietary trading strategies.

If Forex trading is new to you, you can use the Best Metatrader Broker free Forex education section to get up to speed. This section contains a plethora of great free information that would most likely cost a lot of money from many other sources.

To learn how to use the Metatrader trading platform, you can view our comprehensive Metatrader Platform Tutorial.

In order to gain the greatest benefit from this course please read the material very carefully and practice the analysis on Forex charts. Although this course is technical in nature many traders believe a combination of technical and fundamental analysis is necessary in Forex trading.

There are some common themes throughout this course that are very important to pay attention to. First, this course is just a guideline. The methods outlined here can be effective but the idea is to pay attention to the overall theme of support and resistance in conjunction with a confirming catalyst. You can build on the foundation by applying other technical or fundamental principles. In addition there are two crucial aspects of the course that you need to pay attention to. First, be very selective of the trades you take and make sure that the trade set up is perfect relative to your rules. Secondly, use proper risk management. Make sure that your trade is small enough to make another trade in case you are wrong. The bottom line is, if you want to be successful do not gamble. Keep in mind that trading Forex involves a high degree of risk. You should never trade more money than you are willing to lose.

We also suggest that you practice these strategies on a demo account before risking your money.
Support and Resistance Theory

This section seeks to teach you the concept of support and resistance, as well as the reasoning behind its effectiveness. Increasing your knowledge and understanding of support and resistance is a vital element. The better you understand the concepts and theories, the more effective you will be in applying the concepts taught in this course to your actual trading.

You will also be presented with various triggers that when combined with support and resistance knowledge can generate outstanding trade setups.

The majority of Forex traders have heard about support and resistance, and many of these traders use support and resistance in their trading. However, very few understand the true potential that support and resistance presents in the Forex market.

Using the concepts taught in this course, you will be able to create trade setups that have great potential and will be able to help you identify where and when you should enter and exit your trades.

However, to do this you must first become proficient at identifying support and resistance levels.
The Pizza Incident

To remind yourself of how support and resistance works, think of a freshly baked pizza.

Have you ever tried to pull a pizza out of the oven only to encounter the pain of a hot pan? Your first reaction may be to pull your hand away from the pan and it will take you a while before you attempt to pull the pizza out again. When you attempt to do so again, you will most likely proceed with more caution than before, and will likely test to see if the pan is still too hot.

Similar to the pizza example, prices in the Forex market react to “hot” zones. Take the example of the AUD/USD. In August of 2003 the pair approached the .6340 price area only to find that it was too hot to handle:
Continuing with the pizza metaphor, the pair approached what it thought was a ready pizza, only to burn itself on the hot pan (in this case the .6340 price level). The difference in this case however, is instead of eventually coming back to the .6340 level, the pair decided it was too hot to handle and continued to move away.

Often when a currency pair reaches a level of strong psychological or technical importance, it often pauses to test which direction it should move in. Often times major trends will end when they meet resistance from areas of importance. Above is an example where the AUD/USD broke its downward trend and reversed direction, creating a new upward trend.
The unique aspect of resistance zones is that once they are broken they can often act as a new support level of the price. The same is true for support zones as they often become resistance once broken. This is why you see here, the zones are referred to as both support and resistance. The AUD/USD demonstrates a perfect example. It breaks the .6340, a proven support level, only to find resistance when trying to break back above it.
The Depth and Breadth of Support and Resistance

Support and resistance zones are visible in many different markets and time frames, and do not just relate to one particular chart or pair. Below is an example of the EUR/USD on a 4 hour chart:

The EUR/USD touches 1.5820 three times

Disclaimer: Past performance is not indicative of future results

The 1.5820 zone is a clear area of resistance for the pair. You can mark three specific times that the pair attempted to break through this level only to fail. Since this is such a strong resistance line, you can also expect it to provide strong support if the pair eventually breaks through. Below you can see this is the case as the pair finds support from the level that was previously a resistance area.
Another important idea about support and resistance zones is that they create imprints, or memories, on currency pairs. A strong support and resistance line is something that will stay with a pair for a long time and chances are the next time the pair approaches it, whether it be in a week or a year, the pair will pause before deciding which way to move.

*Disclaimer: Past performance is not indicative of future results*
Nothing is Guaranteed in the Forex Market

This being said, one thing that often confuses many Forex traders is that support and resistance lines are not effective 100% of the time. Support and resistance lines do not ALWAYS affect the market, and many times there are other factors that can drive the price straight through a support or resistance line without any delay.

The EUR/USD pushes through the 1.5820 support/resistance area twice without pausing

Disclaimer: Past performance is not indicative of future results

In these two examples above you’ll notice how the price does not even momentarily pause. Instead it moves straight through as if the area has no significance at all. This can confuse a
lot of Forex traders because they make the assumption that once a price reaches a support or resistance area it HAS to bounce away. Remember there is no such thing as a sure thing in Forex, only probable outcomes.

Support and resistance lines help improve your odds by outlining a more probable outcome, but in no way should you take this as a 100% guarantee. To successfully trade Forex you need to be able to create a strategy that will maximize your chances of winning, yet leave room for losing trades. One of the most important lessons a Forex trader must learn is how to successfully balance wins and losses. This requires tons of knowledge regarding risk management strategies, money management, system control, and various other aspects that go along with successfully managing your account.
What is the Point Then?

In order to best take advantage of support and resistance zones, additional trade triggers need to be applied. You will learn two Forex trading strategies that combine support and resistance with other potentially effective trade catalysts.

So what is the point of support and resistance if it does not give us 100% accurate predictions? The key is not to focus on placing a trade every time a support/resistance zone is hit. To be successful you need to be correctly positioned for the times support and resistance does prove to provide valid entry points and use proper risk management to maximize your profit during those times. You do not need to know how the price will react every time it approaches a support/resistance zone. You simply need to have rules in place that will enable you to make more money on your winning trades than you lose on your losing trades.

Once again it is important to remember that being a successful trader does not mean winning every trade. Losing is a normal part of trading. However, in order to be a successful Forex trader, it is critical to be able to properly take advantage of your pre-planned trading setups. By doing this you are able to increase you odds and with proper risk management can enhance your trading success. It is important to note here that historical performance is not indicative of future results.

There are several different ways to determine whether a price will react to a support or resistance zone. In this course you will learn two basic methods that have been found to be effective in Forex trading. These methods can provide successful Forex trading set ups when correctly applied and diligently followed. These trade setups do not occur very frequently, so it is imperative to have patience and wait for your entry formation. However the 2 trading strategies described in this course can be very effective. It is encouraged that you back-test and forward test these methods and to see how they work for you.
Applying Support and Resistance

Determining Support/Resistance Zones

Before applying the Forex trading strategies outlined in this course you will need to properly determine support and resistance zones. In this section you will be taught the basics of finding Support and Resistance zones on your charts. You will also learn various characteristics that determine the strength of a support/resistance area.

Support and resistance zones can be effective on any time frame chart; 15 minutes and up. However, just like the 2 trading strategies in this course, support/resistance zones hold more weight on higher timeframe charts. Since the Forex strategies described in this course do not provide very frequent setups on higher frequency charts it may be in your best interest to practice them on smaller time frame charts, such as the 15 minute or 30 minute time frames. This way you will be able to demo trade these strategies and see the trade setups form.

It will be in your best interest to draw support/resistance zones on your Forex chart from the monthly time frame down to the timeframe you are trading on. You can draw each formation in a different color. This way when your trading formations take place you will know which support/resistance area they are near and be able to use it as a guide. To reiterate, the longer timeframe that the support and resistance lines are drawn on, the more significant the line.

There are 6 rules which can be used to draw effective support and resistance lines:
Applying the Rules: Rules 1-3

**Rule 1.** Support and resistance lines are zones, not specific points. Expect prices to reverse in this general area; do not expect prices to turn about instantly. These areas of resistance can easily range up to 30-40 pips in size.

A general rule is that the higher the time frame chart used to draw a support/resistance zone, the greater the resistance of that area. Thus a line drawn off a 4 hour chart would have more significance than one based off of a 15 minute chart.

**Rule 2.** Wait for confirmation of a price reversal before jumping head first into a trade. Just because you setup an area where price is likely to reverse does not mean you should enter a trade the second the price hits this zone. Instead, wait for a signal that price is reversing and then enter your position.

It is critical to have some form of indicator or confirming signal to let you know price is indeed retreating from the resistance area. There are several different indicators, (MACD, RSI, CCI) signals, and candlestick formations that can be used to confirm a reversal in the Forex markets. A few basic ones are covered only in this section.

**Rule 3.** Instead of mentally noting where an area of resistance is, use a thick solid line that can be found in almost any Forex charting package. Play with the positioning of the line and choose the position that visually fits the Forex chart best.

Concentrate on fitting the line to the curves and tops of trends. Play around with your Forex charting package. Sometimes a particular charting style offers too much information. Take the example below:

*Disclaimer: Past performance is not indicative of future results*

Now if you were to take this same chart and change it to a line chart you would get the following:
A line chart may help to make the zones obvious.

Disclaimer: Past performance is not indicative of future results

Play around with the different Forex charts and different styles to optimize the view that works best for you.
Applying the Rules: Rules 4-6

**Rule 4.** Identify support AND resistance areas. Find areas that not only exhibit support or resistance but ones that act as both a support and a resistance zone.

Look for areas that have shown both supporting and resisting characteristics over a period of time. These will be the best lines as they show strength on both sides and because of this, reinforce the validity of the line.

**Rule 5.** The best support and resistance areas have been around for a long time. Like a good wine, support and resistance zones only get better, or in this case stronger, with age.

The longer a support/resistance line has been around, the stronger that line tends to be. This proves specifically useful when a currency pair approaches an area it has not traded near for a long time.

In addition to that, support and resistance lines are stronger on longer time frames. That is to say that a support/resistance zone on a daily Forex chart is stronger than a support/resistance line drawn on a 15 minute chart.

![Chart showing support and resistance areas](chart.png)

The GBP/JPY found resistance here in 2007, but 1998 was the last time it touched this zone

*Disclaimer: Past performance is not indicative of future results*

It is important to remember that just because a support or resistance line is old, does not mean it is out of date. On the contrary, the older lines are, the more important the support and resistance zones are.

**Rule 6.** Add your own rules and filters that you find helpful.

These rules are intended to help you find significant support and resistance zones, but by no means are they the only rules that you should or could use. Play around with different Forex charts and different time frames and see what you find most useful and most productive. Create rules that are simple and easy for you to follow. This way you can continue to apply them later on in your Forex trading career as well as easily adapt them if you come up with different ideas.
You can also modify the rules present above to fit your own Forex trading style. There are many different ways to apply these rules, and the one thing that many successful traders possess is the ability to adapt what they are taught and customize it to their own specific needs.

If you find that you need to modify these rules to fit your trading style, then you should do exactly that.

Remember that regardless of the trading strategy having properly organized support and resistance lines and pivot points drawn on your chart can be a very useful guide in your trading. Now that you have your key zones marked on your chart you can begin to apply them with the two Forex trading strategies you are about to learn.
Head & Shoulder Trade
The head and shoulder formation is a commonly known technical trading pattern. The typical Head and Shoulders formation involves two lower highs and one higher high. It gets its name because it forms a pattern that looks similar to two shoulders with a head in the middle. According to technical analysis theory, this formation indicates a potential reversal in the Forex market. The adaptation you will learn in this course could benefit many Forex traders. It can likely lead to more successful trades because of its analysis of the head and shoulders formation relative to support and resistance zones.

You can potentially enhance your Forex trading success with this formation by simply using support and resistance zones to complement the pattern.

Head and shoulder formations occur on many timeframes. The strategy you will learn in this section is effective on any timeframe; 15 minutes and up. Please keep in mind that the formation will be more effective on larger timeframes like the 4 hour and daily charts. However, because these trades occur infrequently, it may be a good idea to practice on lower timeframes to learn the strategy. Also, keep in mind that on a longer term timeframe, you will be looking for a larger profit, and the trade will often take longer to finish.

Below, the 4 hour USD/CHF chart shows that the 1.2500 level has provided resistance for the pair.

Disclaimer: Past performance is not indicative of future results
Also the 1.2500 level served as support for the USD/CHF based on the chart below.

Because of this you should pay particular attention to when the pair approaches this level in the future.
The above chart shows a Head and Shoulders formation. Notice how the pattern forms right on the support and resistance zone of 1.2500. Finding the Head and Shoulders formation is one thing, but when you can combine it with a strong support and resistance line you have an exceptional Forex trade setup.

If you take a look at a longer timeframe (in this case the daily chart), you can see that the Head and Shoulders formation has forced the price through the support/resistance zone only to later show weakness and retreat back towards the neckline.
After the fall back towards the resistance zone, the price makes a bounce upwards and creates the last part of the Head and Shoulders formation.

Once you have identified that the Head and Shoulders formation is on a support and resistance zone, you must decide when to enter the trade. There are two potential entry points on this formation.
Entering the Head & Shoulders Trade

The first entry for the formation is to sell when a price trades below the neckline, which in this case will also be the support and resistance zone. To be more specific; sell on the open of the candle following the candle that closed below the neckline (this is also the S/R line) of the formation.

*When trading the Head and Shoulders formation off of a support/resistance zone, the support/resistance zone will always be the neckline.*

In this example we see that the most recent bar has closed below the support/resistance zone.

Below is another way to enter the trade:
Instead of selling on the first break, you may also decide to wait for the market to break the neckline with more conviction. In this case you should wait for the price to break the neckline a second time before entering your trade. Once again you will enter on the open of the candle that follows the second candle that closes below the neckline. In addition to this you should place a stop loss a little bit above the top of the last shoulder formation.

This is not the only point that we would consider a sell on the USD/CHF in this example. We could also wait for the pair to break through the neckline and retrace back up to the neckline. Here we could enter the trade.

*Disclaimer: Past performance is not indicative of future results*

Although this will not always occur, there is a good chance that when the price attempts to re-touch the neckline it will bounce off. This allows us to enter the Forex trade at the neckline after the price has already crossed over.

Please keep in mind that head and shoulders formations are not always flat. They can often be at a slope. You can still find valid entry signals in conjunction to support/resistance lines even with sloped head and shoulder formations. However, many traders do prefer to use the traditional strategy of a flat line Head and Shoulders formation.
Exiting the Head and Shoulders Trades

Exiting the Head and Shoulders trade is fairly straightforward. For this Forex trade you’ll want to first find the difference in pips from the neckline to the top of the head. Then, take that number and set it as your profit target. See the Forex chart below for a perfect example of this:

![Forex chart with annotations]

**Disclaimer:** Past performance is not indicative of future results

For this course please keep in mind the following rule of thumb: Never risk more than 5% of your account on any single trade. For example if you have a $10,000 account the most you can risk is $500. Therefore if your stop loss is 100 pips the biggest your trade size can possibly be according to this rule is 5 mini lots or $50,000. This is calculated by dividing your max dollar loss by the number of pips you can lose if your stop loss gets hit. It is typically much better to risk even less more along the lines of 2-3% of your account on each trade.
Another example of the Head & Shoulders Trade
Here is another example using the USD/CHF.

On the 4 hour chart you can see that the 1.1680 price exhibits support and resistance zone qualities. The pair has found resistance at this level several times making it a valid zone.

Disclaimer: Past performance is not indicative of future results

Later, we see that the 1.1680 level provides support (and more resistance) for the USD/CHF.

Disclaimer: Past performance is not indicative of future results
Now we see the formation of a Head and Shoulders, however in this case it is a mirror opposite. This is referred to as an inverted or reverse Head and Shoulders.

On the daily chart you should see that price has penetrated the neckline which is also the support and resistance zone in this case.

Now you need to wait for the price to break the neckline to trigger your trade setup. Place your stoploss just beyond the last shoulder’s low and you should be all set.
The distance from the top of the head to the neckline is 248 pips, this will be the profit target and you should place a take profit order at 248 pips above the neckline.

A quick note: Notice how in this instance there is no re-touch of the neckline. The price simply pushes through the neckline very quickly and hits the profit target. Often you will see the re-touch, which will allow you to enter the trade, but other times you will not. Like all trade setups, you will not always meet the trade criteria. If you are careless or force trades, you will quickly find yourself regretting it. The bottom line here is if you miss a trade do not chase it.

From a risk management stand point it is important to maximize the effectiveness of the trade by using the proper reward risk ratio. This is necessary in both of the strategies taught in this course. A great way to figure out your proper trade size is to use a risk to reward calculator.
THE FIRSTY TRADE
In this section you will learn how to use support and resistance areas to determine the beginning of new trends and thus create potentially rewarding Forex trading opportunities. It will show you how to combine these zones along with the Firsty Trade setup.

This strategy works well for any time frame, from a 15 minute Forex chart to the daily or weekly chart. This strategy will be more effective on longer term time frames like the 4 hour and daily charts. However it is a good idea to practice it on the shorter term timeframes as you are learning.

The most important aspect for setting up this trade is properly placing your support and resistance lines on the chart.

**Place 3 Moving Averages on Your Chart**

Once you mark your chart with appropriate support/resistance hot zones you need to add a trend indicator. In this case it’s the moving averages.

For the Firsty Trade, you will have to add 3 moving averages. These moving averages are:

60 exponential moving average calculated on the close
150 exponential moving average calculated on the close
365 exponential moving average calculated on the close
60 ema is blue
150 ema is red
365 ema is green

Disclaimer: Past performance is not indicative of future results
Wait for the Moving Averages to Expand

Once your support and resistance zones and your moving averages are set, you simply wait and watch for the trade setup to occur. The first sign you need to keep an eye out for is the expanding gap between the moving averages. This indicates a new trend forming and an opportunity is nearing.

Generally there are two ways a trend begins. One is when the market eventually moves out of a tight range that it has been trading in. The other is when the Forex market reverses off a key area and begins to move in the opposite direction.

The first example, a pair breaking out of a tightly traded zone, can be seen below. You should notice how the Forex market is trading in a tight range, which is confirmed by the fact that the moving averages are so close together.

Eventually the market makes a sudden move, and the moving averages start to spread out. This is our first sign that a trend has started to develop.
Moving averages are spread out

Disclaimer: Past performance is not indicative of future results
Notice the support and resistance zone at the 1.5950 area. Once the price breaks below this area, the trend begins to form.
The price has broken the support level and the moving averages have begun to spread apart. However before the trend continues, the price moves back to retest the support and resistance zone it recently broke. This is where you will enter your trade. Below are detailed instructions on how to complete this trade.

The beauty of the Firsty Trade is that you can enter a trend after it has already started. Because price will often try to revert back past an old support/resistance zone before continuing down, you are able to position yourself back into the trend near the top. You can do this without having to catch the very beginning.

When placing your trade you should enter a stoploss of 10 pips beyond the high or low of the price bar that triggered the trade. For the above example, the stop would have been placed 10 pips above the high of the entry bar. Additionally it helps to see a candle signal that confirms your entry, such as a morning star for a sell entry.
To recap the setup to the Firsty Trade:

1. Draw your support/resistance zones.

2. Place 60 ema, 150 ema and 365 ema on the chart. (ema refers to exponential moving average)

3. Wait for the moving averages to separate

4. Wait for the price to pull back and touch one of the moving averages AND a support/resistance zone.

5. Enter the trade in the direction of the trend after a bullish candle (for an uptrend) or a bearish candle (for entering a downtrend)

6. Place the stoploss 10 pips above the high or low of the trigger bar

Take a look at another example of the Firsty Trade:

Disclaimer: Past performance is not indicative of future results

Support and resistance zones are found on the 1hr USD/CAD chart.
Price has found both support and resistance at the 1.0560 level on the 1 hour USD/CAD chart.

Further down the road the price confirms that this is a valid support and resistance zone.

Now you should watch the 60, 150 and 365 exponential moving averages on the chart. Wait for the moving averages to separate; this will signal that a trend might be forming.
The moving averages are together

......waiting for a trend to begin

Disclaimer: Past performance is not indicative of future results
Disclaimer: Past performance is not indicative of future results

Now you can see that the moving averages have started to separate. You should now be preparing for the price to pull back and if it does you might be able to setup your trade.

We see the moving averages separate, so we know a trend is now beginning.
Recap of the Firsty Trade continued...

Price has come down and touched the 365 ema AND the support/resistance zone, and has printed a bullish bar.

Disclaimer: Past performance is not indicative of future results

The price has touched both the ema and the support and resistance line. You are now able to enter your trade once the bar has closed.
As you can see the trend continues and would not hit the stop loss you should have entered. This is a prime example of a Firsty Trade; however it is definitely not the only example. This being said, the most important keys to success with the Firsty Trade strategy is your discipline. Trends in the Forex markets do not change very often especially near a support and resistance zone. This means that you will constantly be tempted to place trades by your emotions. To be successful you need to be very selective and make sure that your trade sets up perfectly from a technical stand point. This may mean that you will not trade very often. Although trading often is tempting and can be more exciting, it cannot be stressed enough how selective you must be in order to successfully implement the Firsty Trade.
Exiting the Firsty Trade

Getting into the trade is one thing. However if you are not able to get out of the trade in a profitable manner, than all the hard work you did setting the trade up was for nothing. Below are the suggested methods for exiting a Firsty Trade.

**Exit Strategy 1: Trailing Stop**

After entering the Firsty Trade simply apply a trailing stop and let the trade continue until it hits the stop. Many Forex traders prefer this method because it allows the trade to go with the trend until it starts to fade.

The biggest drawback is that if you do not apply a trailing stop that is wide enough, you can quickly get forced out of a trend on a minor pull back. On the other side if you have a very large trailing stop, you are effectively giving up a large portion of the trend and will be further away from exiting the trade at its peak.

**Exit Strategy 2: Previous high/low**

A second method for exiting your Forex trades is to exit at the previous high or low of a price. This often occurs near a support or resistance zone and often Forex traders exit a trade because of the uncertainty near this area. You can see this on the next diagram.

**Exit Strategy 3: Two Profit Targets**

The last method uses two different targets for your trade. The first target you set at a specific level and close out half your position. The other half you leave to continue with the trend and attach a trailing stop to the remaining position. By doing this you allow yourself to take a quick profit, while at the same time keeping a portion of your trade open and potentially capturing the remainder of a trend.

Below is an example of this exit strategy:
Disclaimer: Past performance is not indicative of future results

Sell here where price touches the support/resistance zone and the moving average

First target is the nearest support/resistance zone
After the first target is achieved you may decide to leave a trailing stop on the remaining position, or you may move the stoploss to breakeven on the remaining position and see how far it can go in your favour.
Disclaimer: Past performance is not indicative of future results.
Conclusion:

So there you have it; two simple yet highly effective trade setups that can be used by any Forex trader who can successfully apply discipline and patience.

Please use these strategies as a guideline to the overall themes of this course. If you are a successful trader you will do further research and look for ways to expand on these strategies. The key themes that you should have attained from this course are as follows:

- Use support and resistance lines to enhance your chart analysis regardless of the trading signal you use.
- Be very selective in your trading and make sure that your trade setup is formed before pulling the trigger. Basically don’t chase trades and gamble.
- Use proper risk management and understand that you do not have to be right every time. You just need to put the odds slightly in your favour.

Hopefully you find the Firsty Trade and the Head and Shoulders Trade useful. Many traders use these very same setups and are able to produce successful results. Although the setups are very effective they do not occur too often. It cannot be stressed enough how important patience and discipline play in both of these strategies. It is also important to note here that trading Forex carries a high degree of risk. You should never trade more money than you are willing to lose.

As mentioned before there are other effective trading setups that utilize support and resistance. Some of these trading systems and trade setups occur much more frequently than the Firsty Trade and the Head and Shoulders trade. For example, the Wammy and Moolah trades occur much more often than the Head and Shoulders trade setup. In addition you will learn a plethora of valuable Forex trading information. Here is just a sample:

- Learn a detailed strategy for drawing support and resistance lines on your chart.
- Learn valuable risk management concepts that can be applied to any trading strategy or automated system.
- Learn candle stick formations that when combined with support/resistance, trend lines and pivot points provide great trading opportunities.
- Read our in depth trading psychology section and many other features

For more information on trading strategies and all your trading needs contact us at:

www.bestmetatraderbroker.com