

CHAPTER 6 – Back to Basics

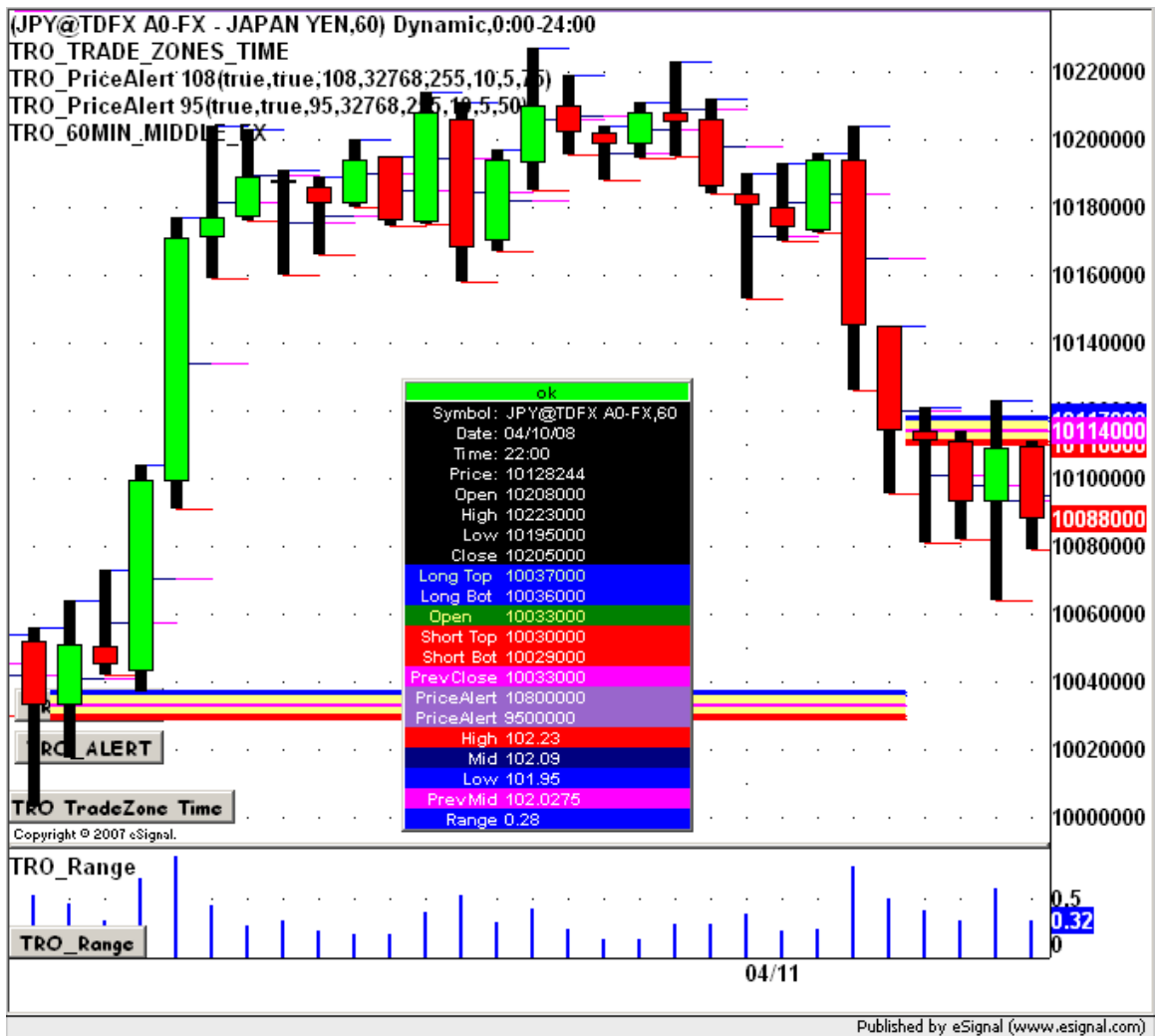
Originally, the Buy Zone was plotted at the market open. The idea was to take advantage of the daily range. The Buy Zone was plotted at the London, NY and Sydney opens. Each day had 3 Buy Zones.

Next, the Buy Zone was used at the open of each hourly candle. The idea was to take advantage of the hourly range. This is where most traders have problems. They complain about getting “whipsawed.”

Common sense would dictate that if the price is above the daily open and the average daily range has not been reached then the trade direction (bias) would be long. Conversely, if the price is below the daily open and the average daily range has not been reached, the bias would be short.

Of course, ANYTHING CAN HAPPEN, and that’s the main reason we have to use statistics along with COMMON SENSE when we trade.

The following hourly chart shows the USDJPY with the Buy Zone plotted for the NY open.



The USDJPY went through both the long and short zone before closing. The price closed ABOVE the NY Open Buy Zone.

Statistics and common sense tell us that our trade bias is long until the price closes below the market open OR until the average daily range has been exceeded.

Looking at the chart you can see that the next 5 long trades triggered by the hourly Buy Zone would have all been winners.

It is only after the USDJPY exceeded its daily average range that trading long would have become less profitable.

The next day (4/11/08), you can see the USDJPY closed below the NY open the first hour. The next 3 short trades would have been profitable. Had you gone long on the third candle, it would have been a profitable trade so long as you were not greedy!

You can see there are many "perfect Buy Zone" trades, where only one trigger was tripped and the trades were profitable.

Traders should also note what hours of the day are most likely to yield perfect Buy Zone Trade.

Remember, you only need a few profitable trades per day to make a nice profit. You don't have to trade all day/all night. In other words, **DON'T PUSH IT!!**

Once you find what works for you, **STICK WITH IT** until it stops working. You only need **ONE EDGE** in trading. In other words, **BE CONSISTENT.**

The moral is to apply what you know about the currency's price behavior along with some common sense.

ABOUT THE BUY ZONE

The Buy Zone manuals and indicators are FREE.
They can be downloaded at www.kreslik.com

The Buy Zone for Dummies indicator for MT4 and the TRO DIGITAL COMPASS indicators for MT4 are sent to people who have donated to my PayPal account as a THANK YOU for showing support.

If you wish, you can make a donation to my PayPal account at www.paypal.com

therumpledone@gmail.com

Donations usually range from \$50 to \$1,000.

Thanks again for your support.