

Weekly Setup: The first chart I look at every DAY, is the [Weekly chart](#) to see where we may be heading for the coming week. Make NO mistake, we still FOCUS on the H1-chart as we are intraday traders, but I hope to get you to see the golden link between the weekly, 4-Hourly; Hourly and finally the entry-chart which is the M5. (once I transfer the Thread to a new heading. Please note that I have "seperated-out" the 2 most important RSIs to prevent any form of confusion. These are the RSI-2 and RSI-4. Very simple and very accurate.

I have added 3 only EMAs to finish off the chart and they are: 25 / 40 and 100. Once you have them up you will immediately see the obvious and it needs no further explanation. (Presently the GBP/USD is busy "painting itself into a corner" (CT = contracting triangle) before we will see some major moves imho.)

All you have to understand here is that the RSI-2 will give you the clue as to overheating and also when there is a directional change.

The important RSI is actually the RSI-4.

The important levels for the RSI-4 are 70 and 30 respectively.

Let us take a **LONG** scenario to explain how to read the RSIs:

The WEEK of February 10th, 2008, the RSI-4 comes back up from being underneath the 30-level (bottom window for better visual effect). Secondly, the RSI-2 crosses the RSI-4 (in first window for visual) and we can now expect that the direction has changed to LONG.

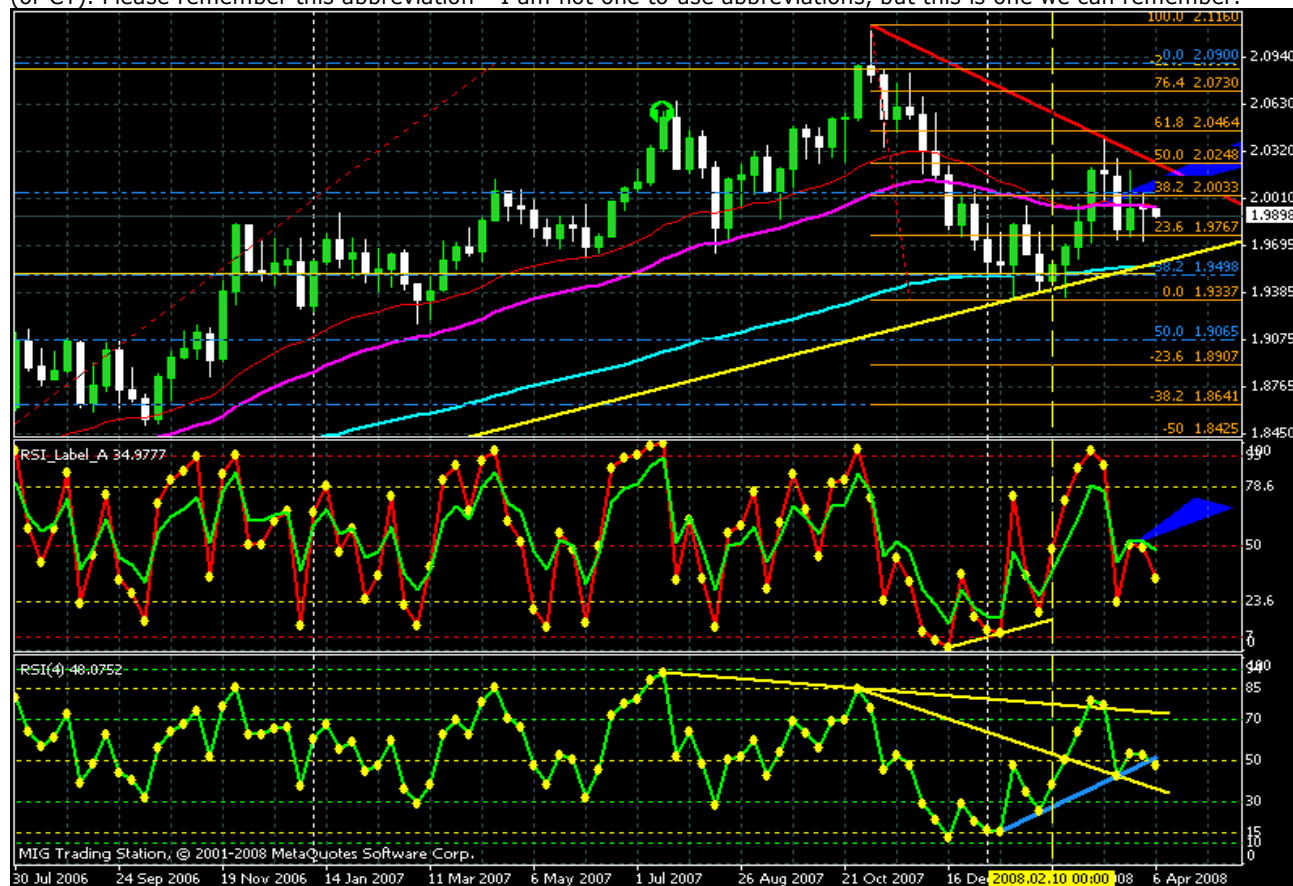
Further confirmation is the divergence on the RSI-2 and RSI-4 as marked with a Yellow-trendline in both windows.

Yet another confirmation is the fact that the price had "bounced-off" the 38% Fib retracement level and finally the 100-ema.

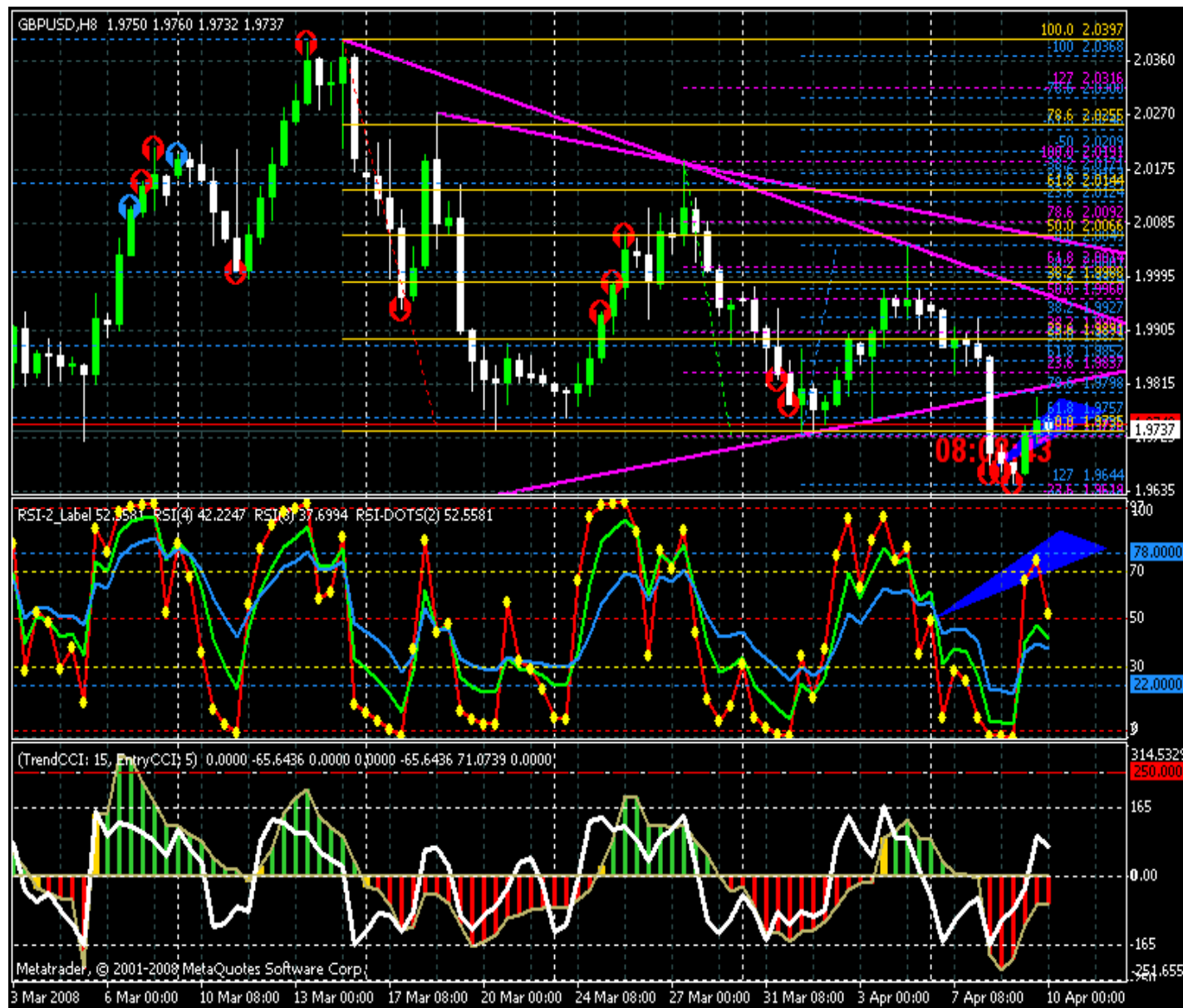
Looking at the SHORT scenario:

The week of March 2nd, closes with the RSI-2 being overheated @ 96,1% - a sure sign that a possible retrace is in the offing. The week following we see that the price do continue higher, but closes 20 pips lower than the prvious week. The RSI-4 now touches the 78.6% level from where it bounced the previous week and now drops. The following week sees the drop ensuing and ends on the 23,6% level of the RSI-2. Also the previous 23,6%-Fib-level now as SUPPORT. Interestingly, the PRICE now stays under the crucial 40-EMA and the ensuing weeks, that level is NOT broken.

This week the RSI-2 bounces off the RSI-4 and the RSI-4 is in the process of crossing the 50-line. Either the direction is SHORT for this week to come if it breaks the 23% Fiblevel @ 1.9767 or it may go sideways to complete the Contracting Triangle (or CT). Please remember this abbreviation - I am not one to use abbreviations, but this is one we can remember.



The reason behind the 8-hour chart is that on average, we trade 2 of those candles per day and that is by far more accurate than the Daily chart.



4-HOURLY set-up

Right now we are getting closer to the "real deal" and especially the RSI set-ups need to be paid attention to. Here I refer to the first TWO windows below the candles.

First window: Here we run the RSI-8 with levels of 78/70/30/21. Note that the RSI-8-Dots in Yellow, gives you the levels 70 / 30.

We also run (in dotted format) the RSI-4 over the RSI-8 to see entries better, BUT THE MOST important issues are: 1. When the price (represented by the RSI-line) moves through the 70-line, it is significant in as much as when the price comes back through the 70-line and everything else indicates that the direction has changed, we may enter at the close of that candle for a short. (Having said that, this is where the H1-chart takes us in much earlier)

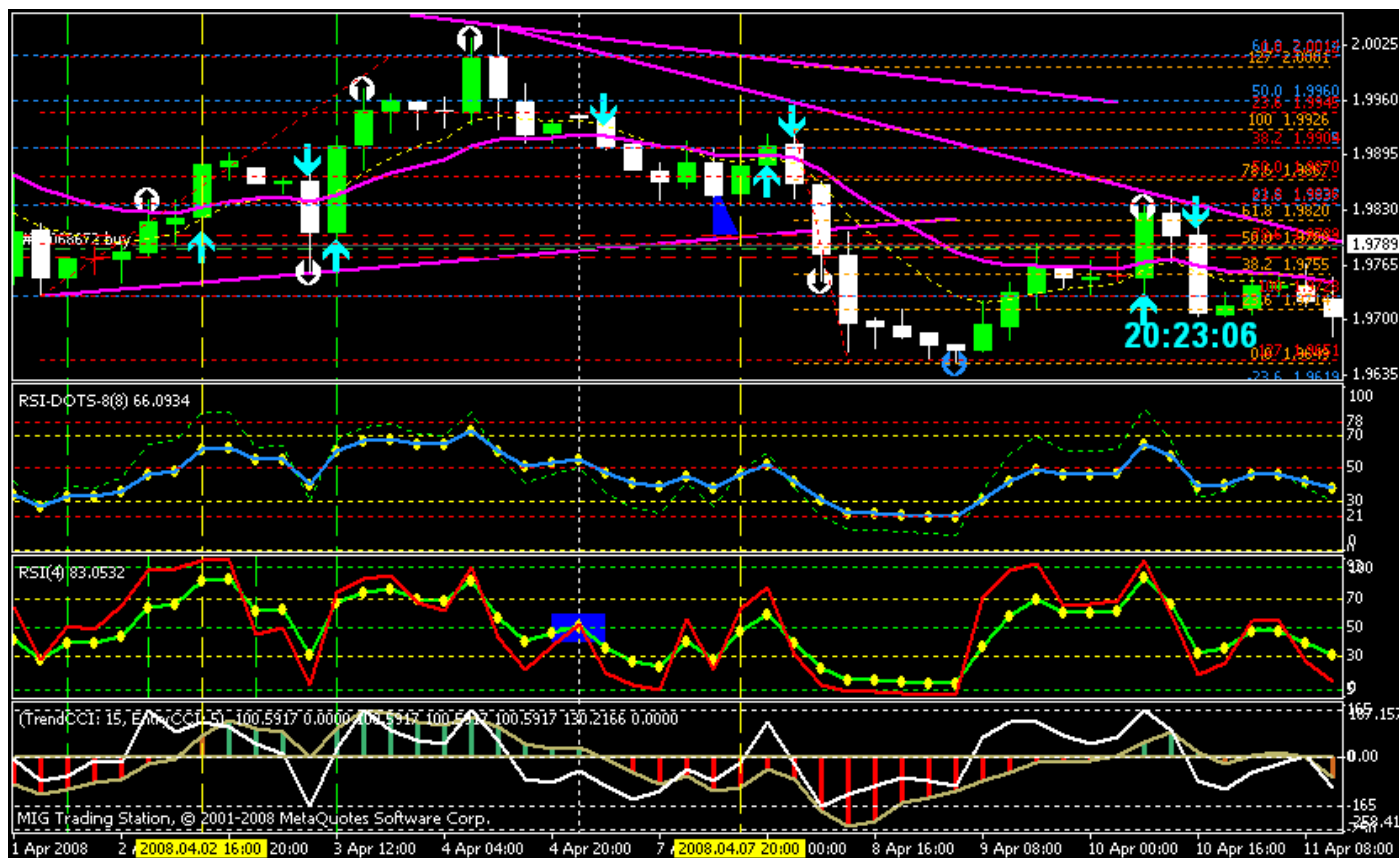
The converse is true for the LONG entry, where the 30-level serves the same purpose.

Second window: Here we run the RSI-2-Label so that you can see at what level it is at any given time. (If you cannot see the numbers to the right of the RSI-2, you have to go and adjust it by "modifying" the indicator). The RSI-2 is very important, in fact I will go as far as saying that it is THE most important RSI to show us when a retrace is imminent and when we can expect to either enter early or exit at the "right" time.

Again I run the very same RSI-5 we have in dotted format in window-1 over the RSI-2 and with also levels set @ 70 / 30 and we apply the rules as with the RSI-8. Once you get the feel for this, you will never look back. Some of you may want to drop off anyone of the RSI-4 or 8 (human nature I guess), but believe me that will be a grave mistake.

Third window: What else? Of course it HAS to be the CCI and this time the setting is 5/15 as every other one is. You treat the CCI with respect and it will reward you immensely.

Most important is the CCI-5 that will tell you when the overheating has occurred and that is when you get out or you switch direction if the RSIs concur.



H1-chart Details

Having said all of that above, here is the screen-print of the H1-chart and a very brief description of how to interpret the indicators as most of it is covered in the Post on the H4-chart.

In the H4 chart description, I forgot to mention the ENTREX-H4 indicator. This is a brilliant piece of work, but Prasz does not give us the mq4-version so be grateful we have it anyway. In the most uncanny way, when the price reaches the ENTREX, whether on H1 or H4 TFs, the price will either move sideways or retrace from it. Sometimes it "hugs" the ENTREX line for a few candles especially on the H1.

I also forgot to mention the TRO_BUYZONE_History indicators for the Daily and H4-TFs. These are indicators changed for me by my friend Gerhard (DayTrader) from the original that we found. They are Pivots and I find them excellent, especially after every 4-Hour change-over. These are excellent Resistance and Support levels. I apologize for having ommitted to clear that up at first.

The CCI-5/15 remains the mainstay for me when it comes to entries and in many cases also in exits. You should know by now how to trade the CCI effectively and if you don't, go back to the beginning of this Thread where I have described it in more detail.

For saving space, I have combined the RSI-2 / 4 and 8 in one window. It should be read in conjunction with the H-4 chart and interpretation is the same for all TFs.

The third window is the MTF-RSI set @ H4 and very accurate. It only resets itself if you either change TFs or open and close your PC. In real time it is extremely accurate and I urge you to respect it.

Lastly the XO.

Sadly (for me that is) this is the only time where I now use this incredible indicator. Settings are H1/H1/H4/H4 with KirPERs @ 6,5 / 6,5 / 4,5 / 6,5. I tend to ignore the full signal but will always obey the move from full to half which indicates that one of the TFs is in the process of changing. I will quite easily enter a trade when the RSI and CCI set-up is correct and the XO is not FULL ON yet. It has not failed me yet.

Wishing you many more pips ahead. Please feel free to discuss and/or suggest improvements that can be made. I am willing to listen and am always in the testing phase with something somewhere.



M5 chart details.....

Seeing that the market is like a prancing horse, let me place the M5-chart details here for your perusal and comments.

I no longer use the XO on the M5-TF. The reason being that it is too slow for when we really want to "raid" the market for what it produces. Should you wish to continue using the XO, than I suggest you keep the setting as for the H1-chart - believe me, I have tested it like that.

First and foremost the EMAs: I can get away with 3 EMAs in total and therefore you will see that I have coloured them distinctly. These are EMA-8 as early warning; EMA-15 as direction and EMA-28 as an indication as to when the direction may change. When these 3 are close to each other, it is best to obey the 28-EMA for entries.

The other EMAs I use, are the EMA-60; 100; 180; 336 and 660. Only the EMA-60 and 100 are shown as a double line, the others as dotted-lines to show you when the Hourly chart is hitting the major EMAs there.

The price often bounces on the 100-EMA for a directional change, but it is imperative that you look at your H4 and H1 -charts continuously so that you can determine whether or not this directional change is on.

The EMA-180 represents the 15-EMA on the H1; 336-EMA the 28-EMA and the 660-EMA the 55-EMA on the Hour.

I will move my stop along the 8-EMA \pm spread \pm 1 (in other words if the spread is 3, the stop will be 4).

Once I am positive, I will follow the 15-EMA with my stop as you will stay in the trade for much longer. I do NOT use a hard stop so that I get spiked out by the trade - instead I will only close the trade once the price closes above/below the 8-EMA. Often the price spikes through the 8-EMA but still closes well above / below the EMA, so better to use the 15-EMA as your "visual stop"

Also, remember that when the trade runs, the trend does not stop easily. Too often we are scared to let the trade run. Allow it to run until the 3 EMAs get close together before you exit the run.

Short runs have a different nature and those we can trade by just using the M5,s first 2 RSIs. It makes consistently good pips as long as you are not greedy. (This morning's run yielded +30; +17; +23 and +27 pips for a total of +97 by just using the M5-chart) 14 April @ 2:10am EST being the first entry for LONG.)

Secondly, I use the new indicator TRO_BUYZONE_HISTORY to show me the Hourly; 4-hourly and Daily-pivots. I found them to be invaluable.

The ARROW_RSI-14_Cross-50-dot tells you when the RSI-14 breaks through its 50-line. Usually it is a very good indication that the trade is safe in a trending market and I would add an extra Lot at this point, but use your discretion.

Underneath the candles are:

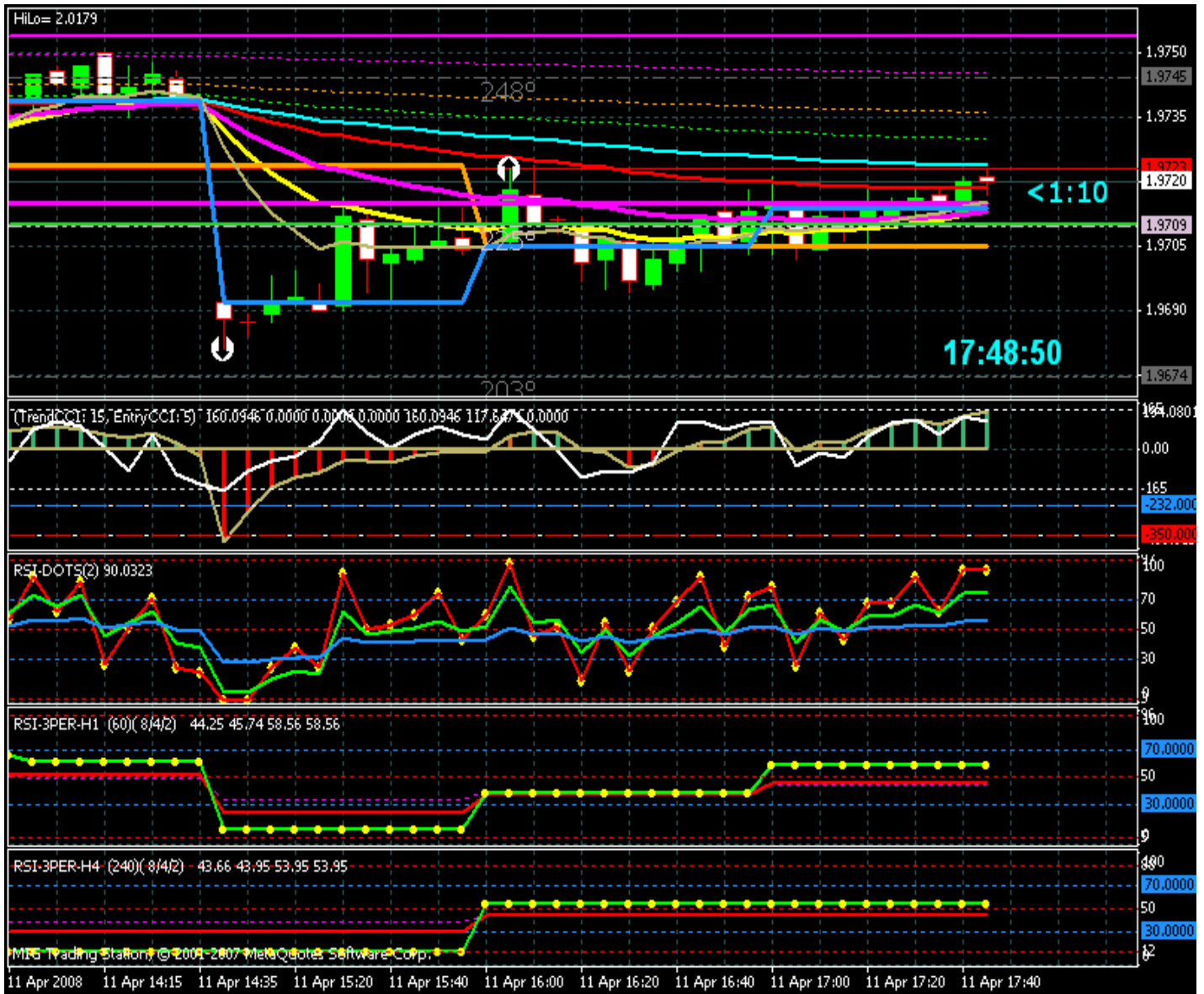
1. The CCI-15/5 with the CCI-5 clearing showing me its position to the right of my screen. This is your mainstay indicator. When the CCI-5 overheats at closing, do NOT enter. If the next candle stays in the same position and does not retrace, the price may continue upwards in which case you may enter, Read my research into this earlier in this Thread. (91% of the Time this overheating CCI-5 is correct and the price will retrace. In the other instances, it will go sideways and continue or it will pause just for one candle, before continuing, but you have at least 5M to see what might happen.

If you have read what I wrote about the positioning of the first window below the candles above in my pots, you will understand why the CCI is taking prime position.

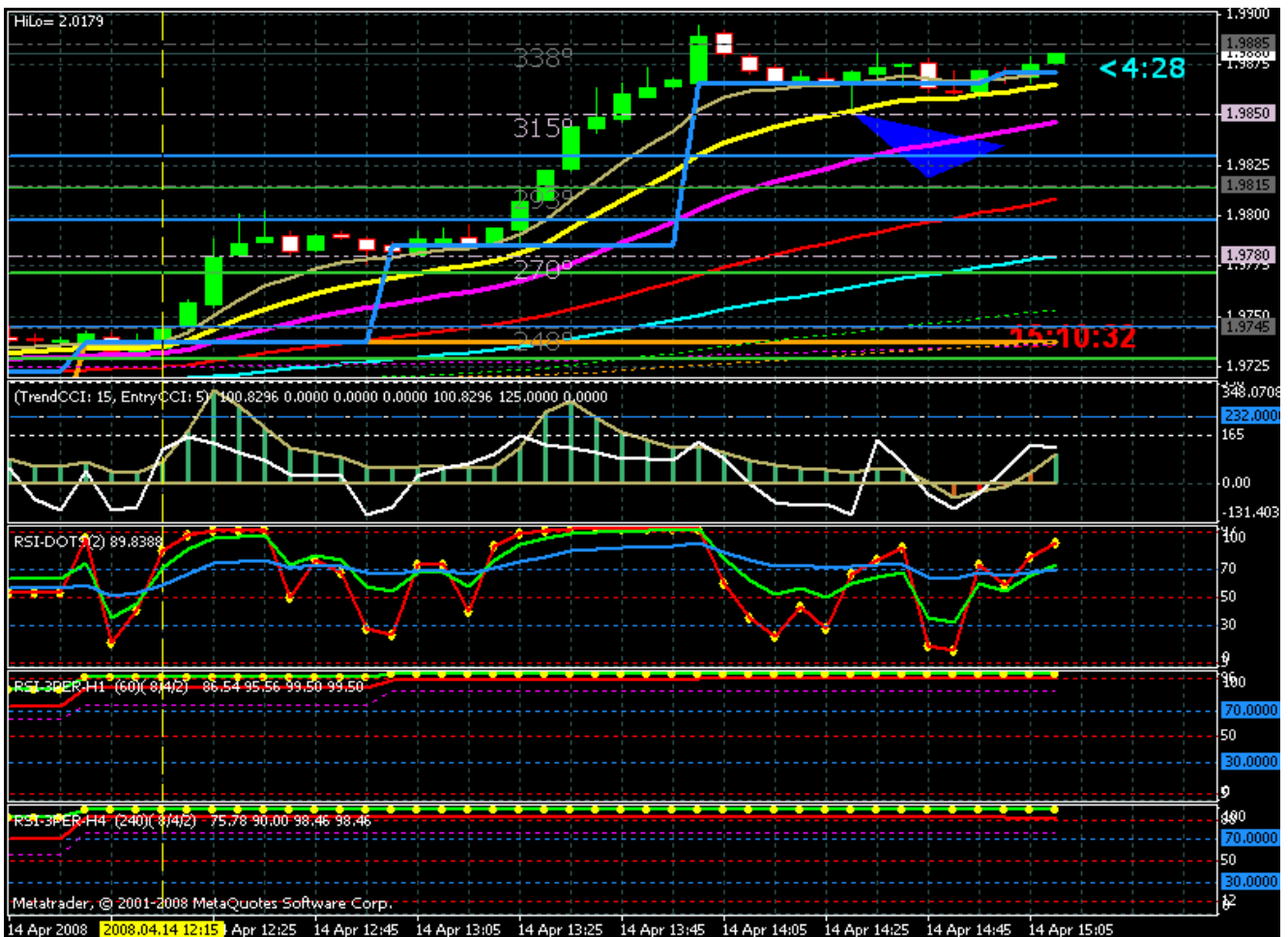
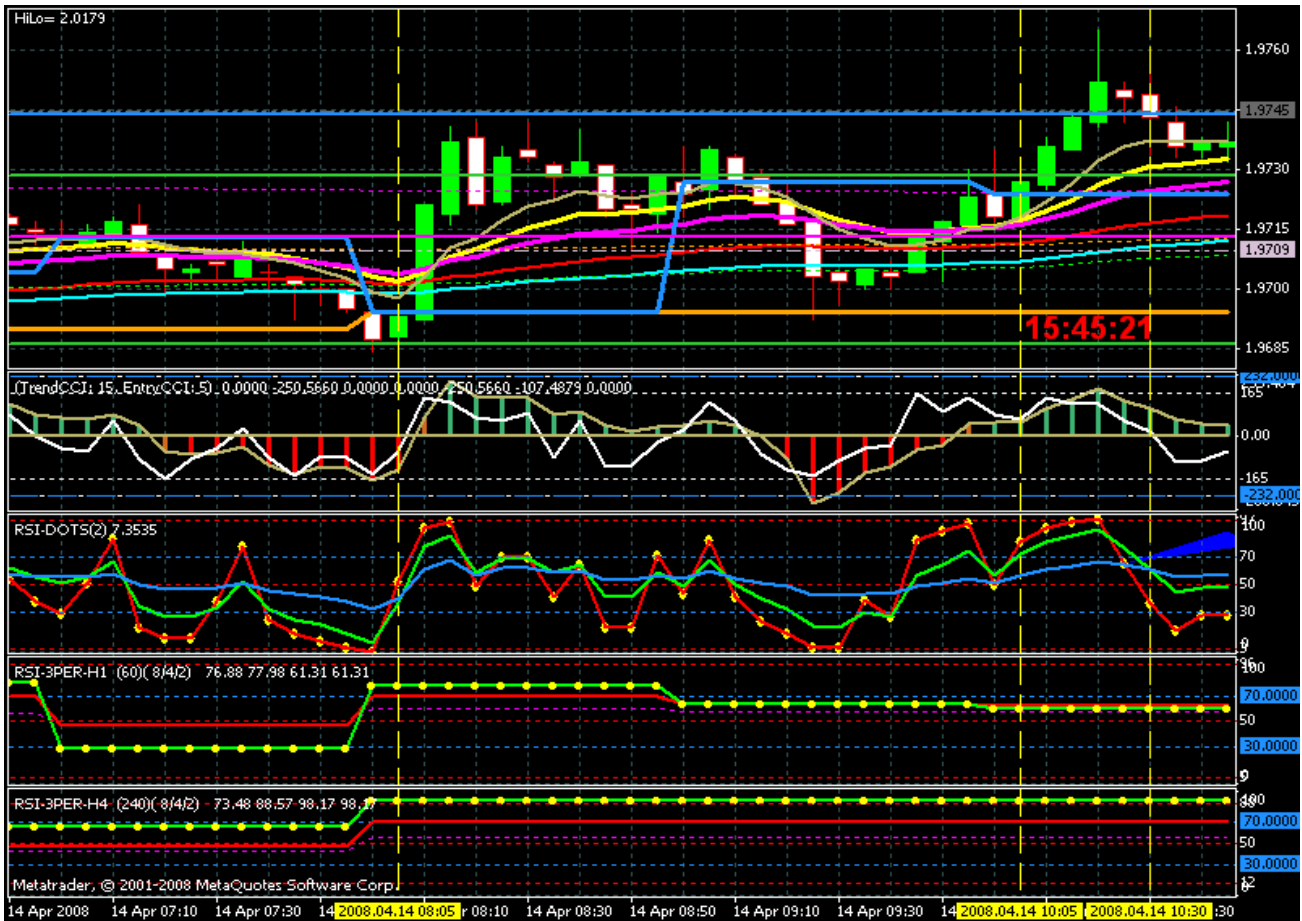
2. The RSI-14; 2 and 4 combination for the M5 chart is next. Read and trade it as per my description in the H4 chart. (Study these 2 indicators carefully and you can be very successful).

3. The Hourly chart's RSI-set-up is here. Use the RSI-8 in stead of the RSI-14 above. (8/4/2)

4. The 4-Hourly chart's RSI-set-up is here as 8/4/2.



Two 5 minute chart entry examples follow



Example Trade w/ comments 1)



My H8-chart shows that the candle from yesterday afternoon 16h00 until midnight, the RSi-2 was already below both the RSi-4 and 8. Secondly, during the night with no volume the price crept lower and the CCI-5 dropped through the Zero-line @ excellent clue where this is heading.



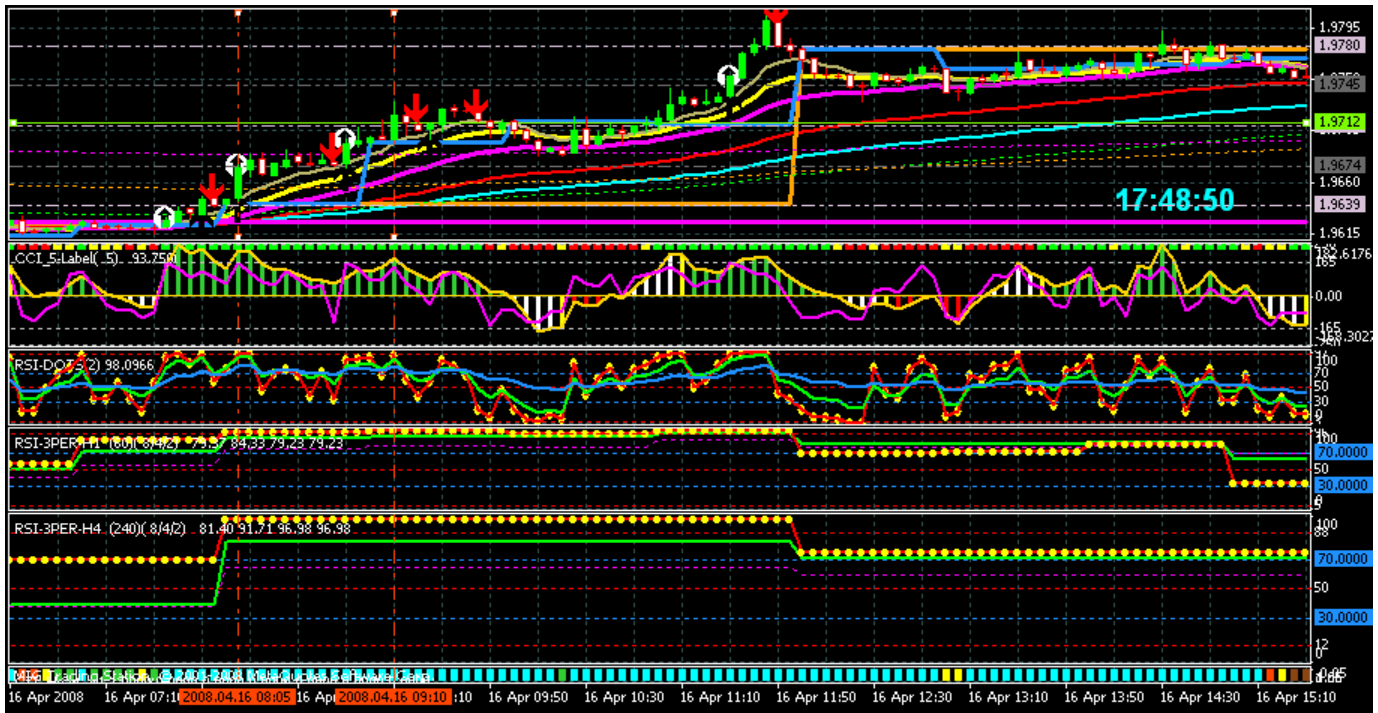
Be very careful here.....The RSi-2 was NOT overheating at the close of the 08h00-clock candle. It was only @ 20,7 on my screen and therefore enough room to move further down. At that point we were just moving into London trading time as well and one could expect some volume. To me this was good enough to enter, which I did at the close of the H1-candle. My price was 1.9732.



Price was below the EMAs!!! Very clear indication that the direction is NOT exhausted.



Shows entry candle



H1 Chart

My EXIT was at 1.9712 and the reason being 2 fold: a). The price tested R1-pivot and could not break it, with H1-chart. RSi-2 reading was 98.38 (*overheated) and CCI-5 @ 114.16.

b). H4-chart still has the CCI-5 @ fully overheated @ 166.67 and RSi-2 @ 95.95 which is also overheated. Also, the 38,2% retrace level on H4 is @ 1.9712, so chances that the price will continue to rally from here, are slim imho. I can always re-enter, if it breaks out, but +69 pips in the Bank is not to be sneezed at.

Had you followed my rules to the letter, you should have exited at the close of the 10h05 candle @ 1.9697 for +49 pips at least. Not bad for a morning's trade.



H4 chart

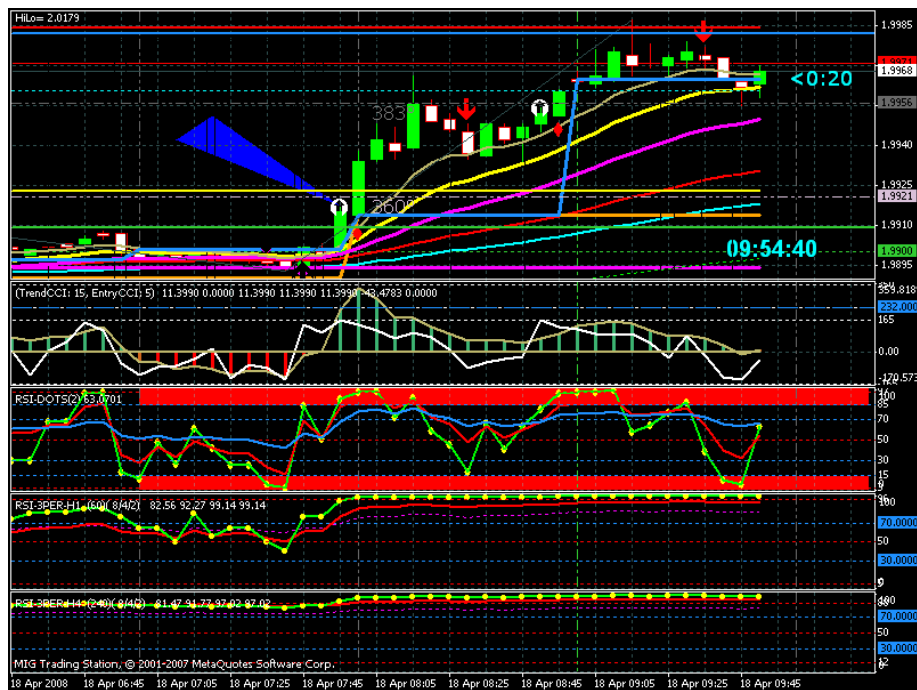


M5 chart – shows exit by rule CLOSE below 15EMA.

Another Example Trade:

This morning's signal on the M5-chart was a classic NON-entry on M5 and yet enough pips (remember this is one of the 8% of trades where you may have missed the trade that ran +50 pips)

However, IF you read carefully what I had written in the H1-post, you would have been able to trade this entry. I will explain in the next Post, but for now this is what the M5 looked like when the trade started running this morning.



M5 Chart

H1 Chart follows with additional comment from yesterday...

Just yesterday I discussed the use of the H1-chart as an entry with my friends Gerhard and Pieter. We looked at yesterday afternoon's entry which I have included in this morning's entry screen-print, and decided that this is the best way to enter trades that may otherwise run away from you when it breaks out on the M5-chart.

Yesterday's entry is marked with a Blue Triangle to the left of today's trade which is also marked with a Yellow-vertical line.

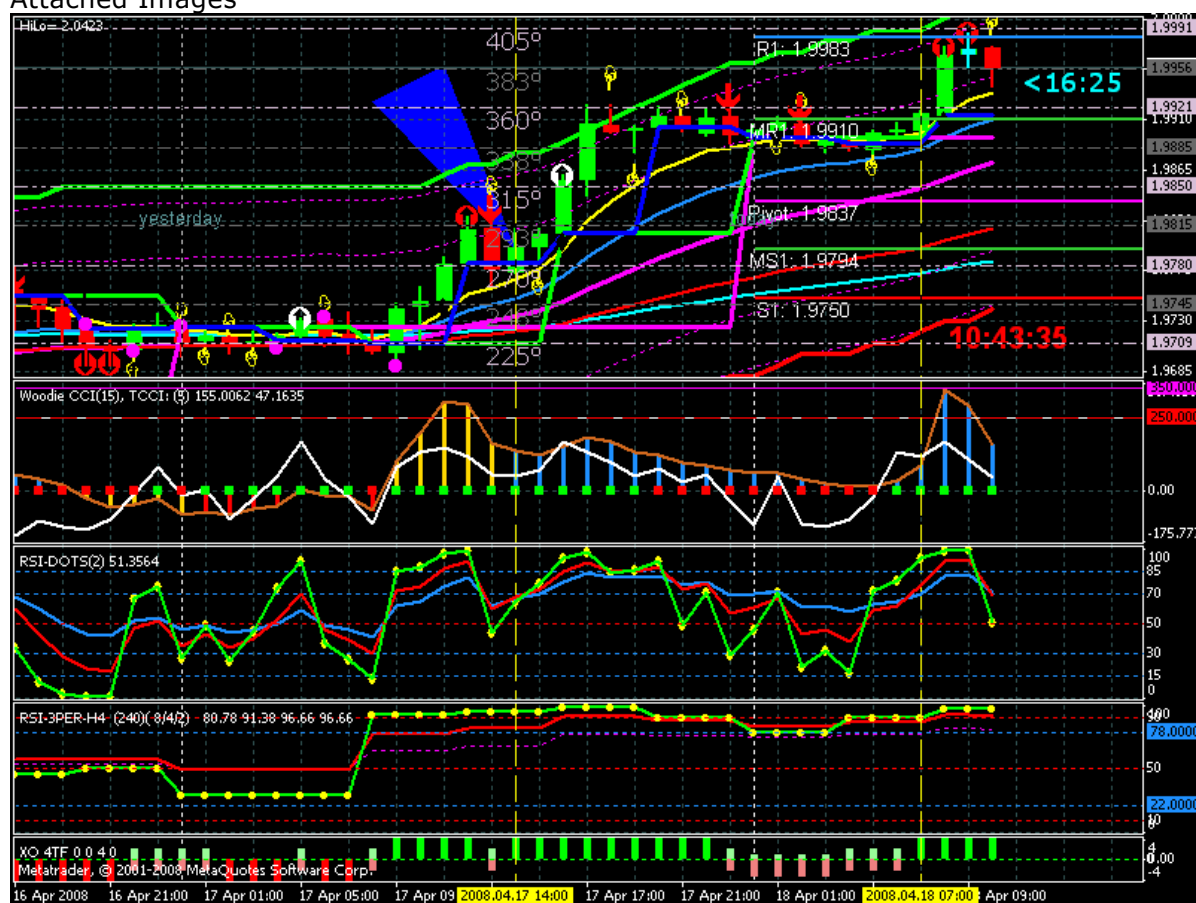
This morning's entry for +49 pips in my instance, is an example of what such an entry can mean to us.

Watch the XO giving away the entry this morning!! Secondly, the cross-over of the RSIs happened 2 candles before already and finally the close of the 7:00 candle is above the Pivot. What more could we have asked for?

Let me know if there are any questions please.

Best wishes for many more pips to come.

Attached Images



Another Entry on the H1-chart

What I want you to see is that the candle immediately after the entry at the close of the 7h00 candle (therefore entry @ 8h00) @ 1.9888 overheated the CCI-5. You may think that the price just carried on, BUT see how far it retraced first (-22 pips). You appreciate the stops @ -30 when you see these moves and then it just carries on for >100 pips.

Also, notice how the price reached the ENTREX (marked with a Blue triangle) signalling exhaustion.

Lastly, see the ZLR (Zero-Line-Reject) also marked with a Blue-triangle on the CCI on the candle just before the entry candle?? That is also a dead give-away.



Further entry on the H1-chart

Rather self explanatory but I want to point out a few things that should have alerted you to the fact that the price may break-out to the top:

1. Close of candle @ 04h00 (in other words the time was 05h00 when it closed), overheated CCI-5 and with RSI-2 @ 15%-level. The next 2 candles the RSi-2 continues to drop, BUT the CCI-5 starts to retrace. Now @ 08h00 the situation changes when RSi-2 crosses RSi-4 and we now expect the price to break-out to the top.

Dangerous if we ONLY take the H1 into consideration; we now start looking at an opportunity to enter LONG on the M5. The price falls by a margin larger than a normal stop, before the price races back up and we can enter LONG as soon as it is signalled by our M5 chart and in my case it was @ 09h10 with a price of 1.9758 for 121 pips.

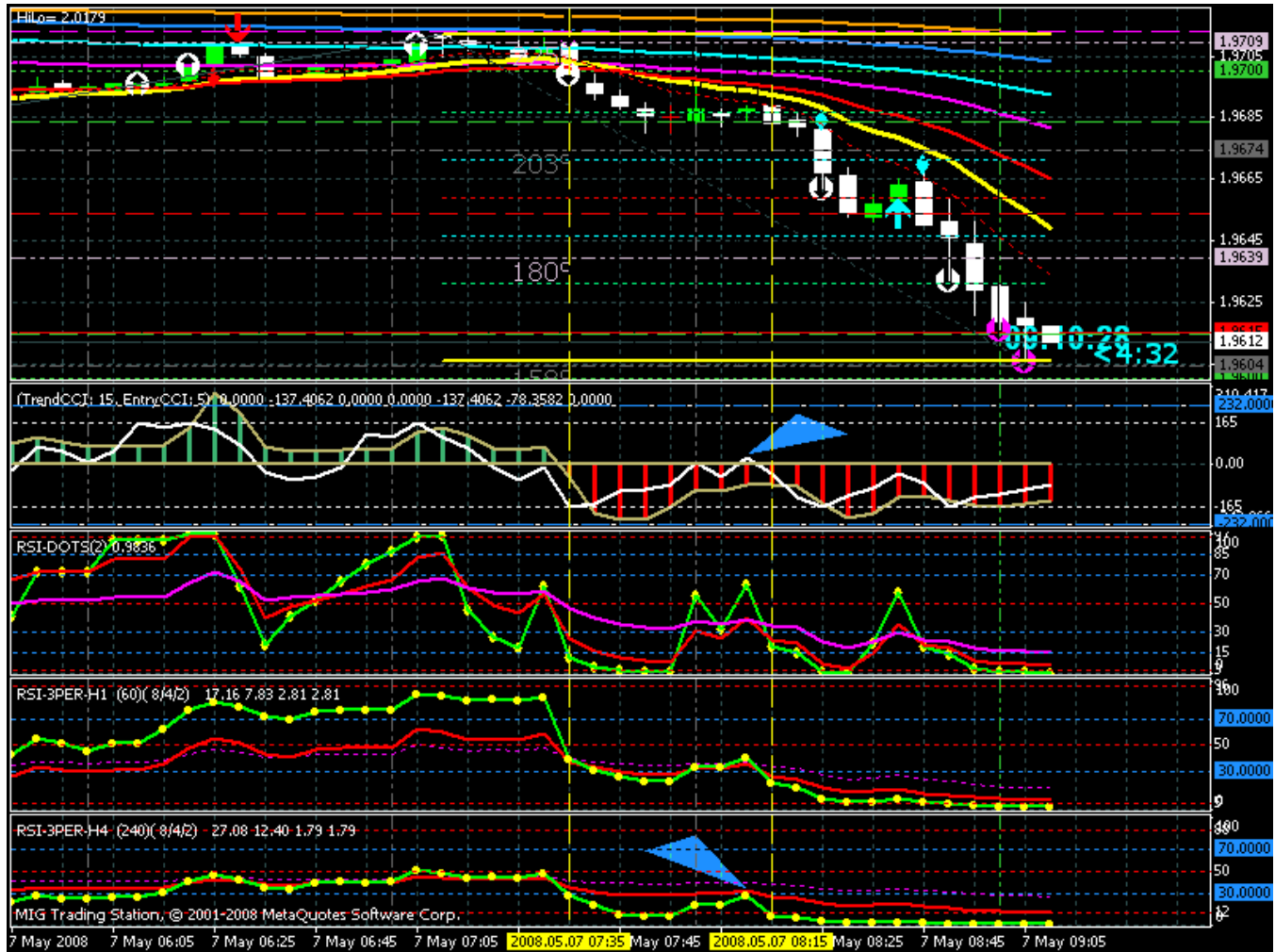
I do not trade the NFP announcements anymore have too many unfilled orders for that), so this concludes my trade analysis for this morning's trade.



Entry showing M5 and H1 setup together with commentary...

Note that the first vertical line @ 07h35 the CCI-5 overheats; so I did not trade it there. The price comes back to within 2 pips of this entry price @ 08h00, but the entry is given on the close of the 08h15 candle when all 3 the RSIs are indicating the short as well as the CCI-5 doing a ZLR (Zero-line reject) on the previous candle. The rest is just sitting on your hands and not letting your mind tell you to close out prematurely.

Here is the M5



The H1 chart for this trade follows on the next page...

The hourly chart for the above trade.....

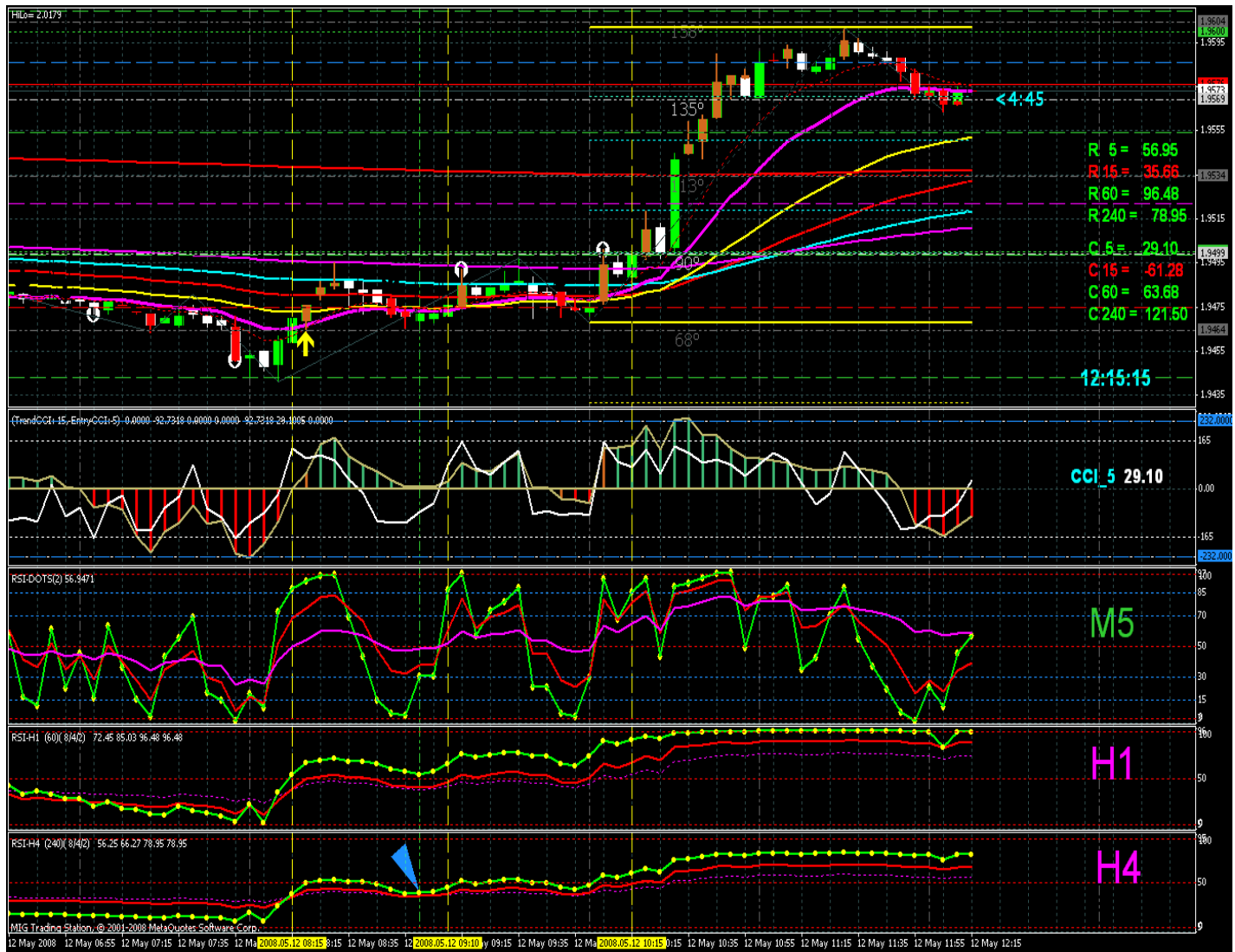
Just to complete the picture, here is this morning's trade set-up on the H1-chart.

Note that the price hit the Entrex indicator during the 10h00 candle and that usually tells me that the trade is exhausted. (Thanks again to Prasz) Note also that the Entrex and MS3 Pivot met here!! Very good TP position when that occurs.



12/5/08 M5 Entry:

My entry is marked with a Yellow Arrow @ 8h20 open @ 1.9473. Note how the price stops against the Magenta EMA (180-EMA which represents the 15-EMA on H1); the price closed below the 100-EMA though (Aqua) and breaks the 100-EMA and the 180-EMA at the same time as overheating the CCI-5 on the 10h05 candle. (Please also note that the RSi-2 was at 93.7% also TOO high for an entry) Still no entry if you were not Long already. The next candle is a white one followed by **the entry candle @ 10h15** when the RSi-2 signals the entry correctly with a reading < 90% and the RSis for all three TFs, in agreement. Had you entered here, the trade was good for +87 pips (or better).



This entry on M5.....

Just want you to see the entry on the M5-chart a few minutes ago. The entry is marked @ 08h40 candle when the RSi-2 shot through the RSi-4 on the H4-TF (marked with an arrow in DodgerBlue) This is legitimate as the H1 is not ready yet, but the H4 determines the Trend.

Concern was the RSi-2 being "overheated" on M5 TF and we would expect a retrace which came 3 candles later. Overall concern was that the H1-chart (next post) was not showing a clear direction, but if you look at the overall picture, the chances of a break-out to the top were better than short. Reason being that if you watched the H1-chart's CCI-5 during the previous candle, you would have seen that it was overheating very badly and the directional change was imminent. (Watch out for clues like that by using the CCI-5 - brilliant, brilliant, brilliant)

The trade was good for 40 pips at least and you may have stayed in if you obey the 8-EMA rule.



H1

I marked with DodgerBlue arrows (wedges if you wish) in the **first [indicator] window the H4-TF**, where the RSi-2 did not close below the RSi-4. These are extremely important clues!!

Also see the ZLR (Zero-line Reject) on the CCI on the previous candle @ 08h00. Adds fuel to the fire > patience, patience, patience!!

Had you traded the H1 chart, this entry may not have been for you, but the combination with the M5 is very accurate.

