N O V E M B E R   2 0 0 4
Predicting Price Action
By Scott Owens with Omer Lizotte

Price action is the foundation of all technical indicators, yet most traders do little to understand it. Within trades, price action creates the most important element of context, defining inflection points that affect market entry and exit. The sophisticated investor understands price action and uses it to frame every trading decision.

ANALYSIS
- How likely is a price move continuation given varying conditions?

DATA
- See the probability of price move continuation in assorted tables.

ACTION
- Use breakouts to incorporate price action probabilities.
- Implement price action informed strategies in your trade exits.

RELATED MATERIAL
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ABOUT THIS REPORT
The Forex Report is a periodic publication that investigates advanced strategies for superior trading performance in the foreign exchange markets. These reports utilize advanced statistical and econometric modeling techniques to create new insight into the trading strategy of the average trader. This Data Brief, Predicting Price Action, is intended for traders with moderate forex trading experience and technical analysis understanding.

To learn more about The Forex Report or to register for delivery of all future reports by email, including Case Studies & Data Briefs, please visit www.fxengines.com.

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ANALYSIS

What happens when one of the major currency pairs moves 10 pips? 25 pips? 50 pips? How likely is it that it will continue for 10 more pips? 20 more? 50 more?

To find out, we took tic data for the four majors and analyzed it by trading interval and breakout level to see what the probability of these price move continuations would be.

The results of this study are insightful, but they do not substantiate any particular trading strategy specifically. Although we believe the price action of a particular currency is a major element of every trade, we leave it to each trader to determine how, if at all, these results are to be integrated with his/her trading strategy.

The goal of this study is to arm the trader with more information about price action than is currently available. When a trade has moved 10 pips in your favor, what is the general probability that it will continue to another level? We believe this is valuable information for all traders.

However, there are a number of caveats that we feel compelled to state:

- These probabilities are by no means hard and fast rules for trading. They represent a snapshot of data, some longer than others, and employ a very specific entry strategy which may be difficult to replicate in live manual trading.

- These probabilities are affected by seasonality and many other statistical conditions that may render them inaccurate in specific trading situations. In general, the shorter the interval, the greater the chance for these anomalies to occur.

- No representation is made regarding the accuracy of the prices used in this study or the probability values that result. We reiterate: this report is intended to enlighten the trader's "sense" of the market, not inform any specific trading application.

To create this brief, we employed the following assumptions:

- The data is tic data from January 2000 through May 2004. Day intervals include data through October 2004.

- Each interval includes at least 5,000 observations except the day interval. In that case, we included each daily closing price from January 2000 through October 2004.

- We studied the following intervals, in minutes: 5, 30, 60, 120, 240, 1440.

- We studied the four major currency pairs: EURUSD, USDJPY, GBPUSD, USDCHF.

- We used a "trigger value" to set the entry condition for each simulated trade. To do this, we took each interval close and observed the next 24 intervals. If the trigger was hit in either direction, we entered the market. From that point we measured the probability of hitting our continuation price targets within the 24 periods.

- We employed a stop value of 20 pips for every simulated trade.

- No spread is taken into account.

RELATED MATERIAL

For other advanced studies on the forex market, go to www.fxengines.com and see:

The Forex Report: The Six Forces of Forex
The Forex Report – Data Brief – When to Trade

D A T A

The tables below show the probability of price move continuation according to the trigger used to create entry. *See the notes and examples in each section for more information.*

PREDICTING PRICE ACTION: EURUSD 10 pip trigger
When price moves 10 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when EURUSD moves 10 pips up or down on the 60 minute interval, the probability that it will continue to +80 (+70 net) is 32.4%.

PAIR: EURUSD

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
47.5%	21.9%	12.8%	7.0%	3.7%	2.0%	1.6%	1.5%	1.2%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
83.8%	66.7%	52.7%	38.5%	28.7%	20.5%	16.1%	12.3%	9.2%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
87.5%	77.6%	67.9%	57.6%	48.3%	39.9%	32.4%	24.5%	19.8%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
89.8%	81.5%	75.1%	67.8%	62.2%	55.6%	50.2%	43.7%	38.5%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
91.4%	85.3%	79.8%	74.8%	70.8%	66.6%	63.3%	58.7%	54.7%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.1%	88.3%	83.3%	78.1%	74.5%	71.6%	68.4%	65.4%	61.4%

PREDICTING PRICE ACTION: USDJPY 10 pip trigger

When price moves 10 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDJPY moves 10 pips up or down on the 30 minute interval, the probability that it will continue to +40 (+30 net) is 35.7%.

PAIR: USDJPY

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
41.6%	17.5%	9.8%	6.9%	4.5%	3.1%	2.5%	2.2%	1.8%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
74.1%	50.8%	35.7%	25.7%	18.5%	14.0%	10.6%	8.3%	5.7%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
85.4%	68.0%	55.0%	44.7%	34.9%	28.4%	22.7%	17.8%	14.1%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
89.4%	80.1%	71.7%	63.4%	53.8%	47.0%	41.2%	35.1%	29.7%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
93.6%	87.5%	82.7%	77.7%	71.8%	67.1%	61.2%	56.4%	51.4%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.6%	89.8%	85.5%	80.6%	75.5%	71.2%	67.3%	64.5%	61.7%

PREDICTING PRICE ACTION: GBPUSD 10 pip trigger
When price moves 10 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when GBPUSD moves 10 pips up or down on the 60 minute interval, the probability that it will continue to +80 (+70 net) is 50.1%.

PAIR: GBPUSD

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
56.8%	29.2%	17.5%	9.7%	5.7%	3.2%	2.2%	1.7%	1.2%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
86.0%	69.1%	54.6%	39.9%	31.0%	23.5%	18.4%	14.0%	10.2%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
90.0%	81.3%	74.5%	67.6%	61.0%	54.7%	50.1%	43.7%	38.7%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
90.1%	82.8%	76.7%	71.1%	66.6%	61.0%	55.1%	48.8%	43.6%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
92.7%	86.1%	81.7%	77.1%	73.8%	70.0%	66.2%	62.7%	58.7%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
95.6%	92.0%	87.0%	82.2%	78.1%	74.0%	69.8%	66.8%	64.2%

PREDICTING PRICE ACTION: USDCHF 10 pip trigger

When price moves 10 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDCHF moves 10 pips up or down on the 4 hour interval, the probability that it will continue to +100+ (+90+ net) is 65.7%.

PAIR: USDCHF

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
62.6%	34.8%	22.0%	12.6%	8.4%	5.2%	3.3%	2.3%	1.8%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
87.0%	73.0%	61.7%	51.0%	41.2%	31.8%	24.8%	18.9%	14.6%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
90.8%	82.7%	75.4%	68.3%	62.1%	54.5%	47.3%	39.8%	34.4%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
92.4%	85.2%	80.4%	75.1%	70.3%	64.9%	60.4%	55.3%	50.7%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
93.6%	88.1%	84.5%	79.6%	76.5%	73.7%	71.1%	68.0%	65.7%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.5%	91.8%	88.5%	84.1%	80.5%	77.3%	75.5%	72.6%	70.3%

PREDICTING PRICE ACTION: EURUSD 15 pip trigger
When price moves 15 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when EURUSD moves 15 pips up or down on the 30 minute interval, the probability that it will continue to +60 (+45 net) is 30.9%.

PAIR: EURUSD

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
67.2%	31.4%	18.4%	10.0%	5.3%	2.9%	2.3%	2.2%	1.7%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
90.5%	71.8%	56.8%	41.6%	30.9%	23.0%	18.0%	13.7%	9.7%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
93.6%	82.6%	72.4%	61.2%	51.3%	42.3%	34.2%	25.9%	20.9%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
95.2%	86.1%	79.2%	71.3%	65.2%	58.0%	52.3%	45.6%	40.2%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
95.9%	89.4%	83.4%	78.0%	73.7%	69.3%	65.8%	61.1%	56.9%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.6%	90.8%	85.5%	80.3%	76.6%	73.7%	70.4%	67.2%	63.1%

PREDICTING PRICE ACTION: USDJPY 15 pip trigger

When price moves 15 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDJPY moves 15 pips up or down on the 5 minute interval, the probability that it will continue to +80 (+65 net) is 4.0%.

PAIR: USDJPY

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
65.9%	27.9%	15.8%	11.2%	7.3%	4.9%	4.0%	3.5%	2.9%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
85.1%	58.1%	40.7%	29.1%	20.9%	15.9%	11.9%	9.2%	6.3%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
91.6%	72.9%	58.9%	47.8%	37.4%	30.5%	24.3%	19.0%	14.9%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.8%	84.9%	75.9%	67.0%	57.1%	50.0%	43.8%	37.2%	31.5%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.4%	89.9%	84.9%	79.8%	73.6%	68.7%	62.7%	57.9%	52.8%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.9%	91.9%	87.3%	82.3%	77.3%	72.8%	68.9%	66.0%	63.1%

PREDICTING PRICE ACTION: GBPUSD 15 pip trigger

When price moves 15 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when GBPUSD moves 15 pips up or down on the 60 minute interval, the probability that it will continue to +80 (+65 net) is 51.7%.

PAIR: GBPUSD

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
74.6%	38.2%	22.9%	12.8%	7.5%	4.1%	2.8%	2.1%	1.5%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
92.1%	73.8%	58.4%	42.9%	33.2%	25.0%	19.6%	14.9%	10.8%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.9%	85.7%	78.1%	70.6%	63.6%	56.9%	51.7%	45.0%	40.0%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.9%	87.0%	80.3%	74.1%	69.3%	63.4%	57.2%	50.5%	44.9%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.3%	89.4%	84.7%	79.7%	76.1%	71.9%	67.8%	64.1%	59.9%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
97.7%	93.9%	88.9%	84.0%	79.8%	75.7%	71.5%	68.4%	65.7%

PREDICTING PRICE ACTION: USDCHF 15 pip trigger

When price moves 15 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDCHF moves 15 pips up or down on the day interval, the probability that it will continue to +40 (+25 net) is 89.9%.

PAIR: USDCHF

INTERVAL: 5 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
77.5%	43.0%	27.1%	15.8%	10.6%	6.5%	4.0%	2.8%	2.3%

INTERVAL: 30 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
92.9%	78.0%	66.0%	54.3%	43.9%	33.8%	26.5%	20.3%	15.7%

INTERVAL: 60 MINUTE CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
94.9%	85.9%	78.3%	70.9%	64.3%	56.2%	48.8%	41.1%	35.5%

INTERVAL: 2 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.0%	88.2%	83.0%	77.4%	72.3%	66.8%	62.1%	56.9%	52.1%

INTERVAL: 4 HOUR CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
96.2%	90.5%	86.6%	81.6%	78.4%	75.3%	72.5%	69.4%	67.1%

INTERVAL: DAY CHART

+20	+30	+40	+50	+60	+70	+80	+90	+100+
98.0%	93.3%	89.9%	85.5%	81.8%	78.7%	76.8%	74.0%	71.5%

PREDICTING PRICE ACTION: EURUSD 20 pip trigger

When price moves 20 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when EURUSD moves 20 pips up or down on the day interval, the probability that it will continue to +80 or more (+60 net) is 72.8%.

PAIR: EURUSD

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
46.5%	27.3%	14.9%	7.7%	4.3%	3.3%	3.2%	2.5%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
79.1%	62.1%	45.4%	33.8%	25.3%	19.8%	14.9%	11.2%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
87.9%	76.9%	64.6%	54.1%	44.3%	35.8%	27.2%	21.9%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
89.9%	82.6%	74.1%	67.7%	60.1%	54.0%	47.1%	41.3%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
92.9%	86.6%	80.9%	75.9%	71.2%	67.5%	62.5%	58.1%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
93.7%	88.1%	82.9%	79.1%	76.2%	72.8%	69.5%	65.2%

PREDICTING PRICE ACTION: USDJPY 20 pip trigger

When price moves 20 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDJPY moves 20 pips up or down on the day interval, the probability that it will continue to +80 or more (+60 net) is 71.0%.

PAIR: USDJPY

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
42.4%	24.0%	17.0%	11.2%	7.4%	6.1%	5.3%	4.3%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
68.0%	47.7%	34.1%	24.5%	18.5%	13.8%	10.6%	7.3%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
79.1%	63.9%	51.3%	40.0%	32.6%	25.9%	20.3%	15.9%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
89.5%	79.9%	70.6%	60.5%	53.0%	46.5%	39.6%	33.5%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
93.1%	87.9%	82.5%	75.9%	70.9%	64.8%	59.8%	54.6%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
94.9%	90.0%	85.0%	79.5%	74.8%	71.0%	67.9%	65.0%

PREDICTING PRICE ACTION: GBPUSD 20 pip trigger
When price moves 20 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when GBPUSD moves 20 pips up or down on the 4 hour interval, the probability that it will continue to +50 or more (+30 net) is 82.2%.

PAIR: GBPUSD

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
51.2%	31.0%	17.2%	10.0%	5.5%	3.6%	2.7%	2.0%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
79.9%	63.2%	46.6%	36.0%	27.3%	21.4%	16.3%	11.9%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
89.9%	81.7%	73.8%	66.2%	58.9%	53.3%	46.4%	41.1%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
91.4%	84.1%	77.6%	72.7%	66.2%	59.7%	52.8%	46.9%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
92.4%	87.4%	82.2%	78.4%	74.0%	69.6%	65.8%	61.5%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
96.1%	90.8%	85.9%	81.7%	77.5%	73.3%	70.1%	67.2%

PREDICTING PRICE ACTION: USDCHF 20 pip trigger

When price moves 20 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDCHF moves 20 pips up or down on the 60 minute interval, the probability that it will continue to +60 or more (+40 net) is 67.2%.

PAIR: USDCHF

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
55.2%	34.7%	20.4%	13.7%	8.4%	5.1%	3.7%	2.9%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
83.7%	70.7%	58.1%	47.0%	36.3%	28.5%	22.0%	17.2%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
90.1%	82.0%	74.2%	67.2%	58.7%	50.9%	42.8%	36.9%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
91.8%	86.4%	80.4%	75.0%	69.1%	64.4%	58.7%	53.7%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
93.9%	89.7%	84.5%	81.2%	77.9%	74.9%	71.6%	69.2%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
95.1%	91.3%	86.8%	83.1%	79.9%	78.1%	75.2%	72.6%

PREDICTING PRICE ACTION: EURUSD 25 pip trigger
When price moves 25 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when EURUSD moves 25 pips up or down on the day interval, the probability that it will continue to +50 (+25 net) is 86.0%.

PAIR: EURUSD

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
71.5%	41.9%	22.8%	11.9%	6.6%	5.1%	4.9%	3.9%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
89.5%	70.2%	51.3%	38.5%	28.7%	22.6%	17.2%	13.0%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
94.0%	81.9%	68.5%	57.1%	46.4%	37.5%	28.4%	23.0%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
95.3%	87.1%	77.8%	70.8%	62.6%	56.2%	48.9%	42.7%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
97.0%	90.2%	84.0%	78.7%	73.7%	69.6%	64.5%	59.8%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
97.0%	91.3%	86.0%	82.1%	79.2%	75.7%	72.1%	67.6%

PREDICTING PRICE ACTION: USDJPY 25 pip trigger

When price moves 25 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDJPY moves 25 pips up or down on the 5 minute interval, the probability that it will continue to +90 (+65 net) is 7.8%.

PAIR: USDJPY

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
62.2%	35.2%	24.9%	16.4%	10.8%	8.9%	7.8%	6.3%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
81.1%	56.7%	40.7%	29.2%	22.1%	16.2%	12.5%	8.6%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
87.6%	70.7%	56.5%	44.1%	36.0%	28.3%	22.2%	17.4%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
93.9%	83.9%	74.2%	63.9%	56.0%	49.0%	41.7%	35.4%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
96.4%	91.0%	85.3%	78.5%	73.4%	67.0%	61.5%	56.2%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
97.0%	91.8%	86.7%	81.0%	76.1%	72.3%	69.2%	66.3%

PREDICTING PRICE ACTION: GBPUSD 25 pip trigger
When price moves 25 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when GBPUSD moves 25 pips up or down on the 30 minute interval, the probability that it will continue to +70 (+45 net) is 30.4%.

PAIR: GBPUSD

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
72.7%	44.1%	24.3%	14.2%	7.7%	5.1%	3.8%	2.8%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
89.6%	70.6%	52.1%	40.1%	30.4%	24.1%	18.2%	13.3%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
95.2%	86.2%	77.6%	69.5%	61.6%	55.6%	48.1%	42.2%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
96.3%	88.8%	82.0%	76.6%	69.5%	62.8%	55.6%	49.3%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
96.9%	91.4%	86.0%	81.8%	77.0%	72.4%	68.3%	63.8%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
98.8%	93.4%	88.3%	84.0%	79.7%	75.4%	71.9%	68.9%

PREDICTING PRICE ACTION: USDCHF 25 pip trigger
When price moves 25 pips in either direction, what is the probability that
it will continue to the following values with the currency and interval
shown?

*For example, when USDCHF moves 25 pips up or down on the 4 hour
interval, the probability that it will continue to +50 (+25 net) is 87.5%.*

PAIR: USDCHF

INTERVAL: 5 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
77.5%	48.7%	28.7%	19.3%	11.8%	7.2%	5.1%	4.1%

INTERVAL: 30 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
91.9%	77.6%	63.4%	51.2%	39.7%	31.2%	24.1%	18.9%

INTERVAL: 60 MINUTE CHART

+30	+40	+50	+60	+70	+80	+90	+100+
95.4%	86.8%	78.1%	70.5%	61.5%	53.0%	44.6%	38.4%

INTERVAL: 2 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
96.1%	90.2%	83.6%	77.9%	71.9%	66.9%	60.9%	55.7%

INTERVAL: 4 HOUR CHART

+30	+40	+50	+60	+70	+80	+90	+100+
97.3%	92.9%	87.5%	83.9%	80.4%	77.1%	73.7%	71.1%

INTERVAL: DAY CHART

+30	+40	+50	+60	+70	+80	+90	+100+
97.8%	93.9%	89.4%	85.4%	82.2%	80.3%	77.3%	74.8%

PREDICTING PRICE ACTION: EURUSD 50 pip trigger

When price moves 50 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when EURUSD moves 50 pips up or down on the 5 minute interval, the probability that it will continue to +60 (+10 net) is 51.9%.

PAIR: EURUSD

INTERVAL: 5 MINUTE CHART

+60	+70	+80	+90	+100+
51.9%	28.9%	22.3%	21.3%	17.1%

INTERVAL: 30 MINUTE CHART

+60	+70	+80	+90	+100+
74.6%	55.6%	43.9%	33.4%	25.3%

INTERVAL: 60 MINUTE CHART

+60	+70	+80	+90	+100+
82.3%	66.8%	54.1%	41.0%	33.1%

INTERVAL: 2 HOUR CHART

+60	+70	+80	+90	+100+
89.9%	78.5%	69.9%	60.6%	52.7%

INTERVAL: 4 HOUR CHART

+60	+70	+80	+90	+100+
92.9%	86.2%	80.9%	74.2%	68.2%

INTERVAL: DAY CHART

+60	+70	+80	+90	+100+
95.0%	91.5%	87.2%	83.0%	78.1%

PREDICTING PRICE ACTION: USDJPY 50 pip trigger

When price moves 50 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDJPY moves 50 pips up or down on the 30 minute interval, the probability that it will continue to +70 (+20 net) is 54.0%.

PAIR: USDJPY

INTERVAL: 5 MINUTE CHART

+60	+70	+80	+90	+100+
65.6%	43.4%	35.5%	31.3%	25.4%

INTERVAL: 30 MINUTE CHART

+60	+70	+80	+90	+100+
71.8%	54.0%	39.8%	30.6%	21.0%

INTERVAL: 60 MINUTE CHART

+60	+70	+80	+90	+100+
77.8%	63.2%	49.4%	38.9%	30.6%

INTERVAL: 2 HOUR CHART

+60	+70	+80	+90	+100+
85.3%	73.7%	63.8%	54.0%	45.8%

INTERVAL: 4 HOUR CHART

+60	+70	+80	+90	+100+
92.0%	85.8%	78.4%	72.3%	65.9%

INTERVAL: DAY CHART

+60	+70	+80	+90	+100+
93.6%	88.3%	83.8%	80.0%	76.5%

PREDICTING PRICE ACTION: GBPUSD 50 pip trigger

When price moves 50 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when GBPUSD moves 50 pips up or down on the 60 minute interval, the probability that it will continue to +90 (+40 net) is 59.6%.

PAIR: GBPUSD

INTERVAL: 5 MINUTE CHART

+60	+70	+80	+90	+100+
57.6%	31.1%	20.6%	15.3%	11.3%

INTERVAL: 30 MINUTE CHART

+60	+70	+80	+90	+100+
77.1%	58.5%	45.9%	34.2%	24.8%

INTERVAL: 60 MINUTE CHART

+60	+70		+90	+100+
89.0%	78.1%	69.8%	59.6%	51.7%

INTERVAL: 2 HOUR CHART

+60	+70	+80	+90	+100+
92.6%	83.7%	75.8%	66.7%	58.6%

INTERVAL: 4 HOUR CHART

+60	+70	+80	+90	+100+
94.4%	88.4%	82.7%	77.6%	71.8%

INTERVAL: DAY CHART

+60	+70	+80	+90	+100+
94.8%	89.7%	84.8%	80.6%	77.4%

PREDICTING PRICE ACTION: USDCHF 50 pip trigger

When price moves 50 pips in either direction, what is the probability that it will continue to the following values with the currency and interval shown?

For example, when USDCHF moves 50 pips up or down on the day interval, the probability that it will continue to +80 (+30 net) is 89.5%.

PAIR: USDCHF

INTERVAL: 5 MINUTE CHART

+60	+70	+80	+90	+100+
66.7%	40.7%	24.8%	17.7%	14.2%

INTERVAL: 30 MINUTE CHART

+60	+70	+80	+90	+100+
80.8%	62.6%	49.3%	37.9%	30.0%

INTERVAL: 60 MINUTE CHART

+60	+70	+80	+90	+100+
89.3%	77.0%	66.4%	55.3%	47.3%

INTERVAL: 2 HOUR CHART

+60	+70	+80	+90	+100+
92.4%	84.8%	78.5%	71.1%	65.0%

INTERVAL: 4 HOUR CHART

+60	+70	+80	+90	+100+
95.5%	91.2%	87.3%	83.2%	79.9%

INTERVAL: DAY CHART

+60	+70	+80	+90	+100+
95.5%	91.9%	89.5%	86.1%	83.1%

A C T I O N

Use a historical testing system that allows you to test multiple strategies to determine the best integration of this probability "sense" with your trading strategies.

This data has had a tremendous impact upon the performance of our own trading systems, and can have a positive impact on your own strategies. To see how, we suggest the following test strategies, and hope you will add other strategies of your own creation:

- Trade using a fixed exit and limit exits to capture pips in a fixed range. Test different levels of limit exit pips to achieve your optimal success rate.

- Use breakout signals to trigger market entry for different interval price charts. For each interval, apply different exit strategies to take advantage of the probability of long or short price moves.

- Use tapering trailing exits – available only at FX Engines – to narrow your trail as your profit increases, mirroring your sense of how the price is expected to move.

RELATED MATERIAL

Test the myriad ways in which these probabilities can affect your trades using the FX Engines Back Test Multiplier. The Multiplier takes your engines, breaks them into their component parts, and tests every possible combination. It's a turbo-charged forex testing tool, available only at www.fxengines.com.

MORE INFORMATION

For more information about The Forex Report, visit www.fxengines.com or email info@fxengines.com. The Forex Report is available for distribution on third party websites as a co-branded offering. Contact us for more information.

THE FOREX REPORT

Analyzing statistical, econometric, and behavioral trends in the foreign exchange markets for insight into the optimal use of the FX Engines automated trading platform.

The information contained in this report is represented without warranty or any statement of its veracity. The contents of this report are intended to stimulate thinking on issues related to trading forex. This report does not suggest any particular action that could be utilized in live trading for profit or loss.

I can put it no better than Hoffer, who deferred to Montaigne:

"All I say is by way of discourse, and nothing by way of advice. I should not speak so boldly if it were my due to be believed."