



The Blade Forex Strategies

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Introduction



Welcome fellow forex trader.

This system package is a collection of systems I have been using over the years with exceptional results. I would like to share them with you and hope they give you plenty of pips.

I first became interested in the currency markets at the age of 16, I opened my first live account when I turned 18 and have been trading forex ever since.

As with all my e-books I have tried to cut to the chase and make this manual as short and simple as possible while still including everything you need to know in order for you to make consistent money with these systems

I'm sure like me years ago you tried just about every system you can think of trying to make a decent buck out of the currency markets. I hope this material will put a stop to that search and you will start to see the light at the end of the forex tunnel.

Please read the entire manual at least twice before emailing me with any questions. I receive constant emails asking me questions which are clearly answered in the manual for the system.

Please do not risk any money with any of my systems before you have proven that you do understand it and trade it successfully on

demo. None of my systems are 100% mechanical and I do not believe there are any mechanical systems that prove to be profitable over a long period of time, if trading was that easy then everyone would be rich, instead 95% of traders fail and blow out their account.

Ok with all that out of the way lets get cracking..

These systems are all completely different, some are trend following using a certain breakout entry formation and some are entries are trading against the trend.

These methods can be traded on any pair at all. I watch around 10 pairs to look for setups.

If you are planning on trading this many pairs it is very important that you keep in mind the correlation of each pair, for example you do not want to have a long position on the EURUSD and USDCHF as these pairs are strongly correlated so all you are really doing is doubling up on your position.

Note: correlation means that the pairs move in either the same direction or the exact opposite.

Each system will be discussed in its own section with real examples of trades taken.

Before Making A Trade



There are a few things I want to discuss with you before you even consider taking a trade. Although right now you may consider the trading system to be accountable for 90% of your success I am afraid you are wrong!

50% of success is the system the other 50% is made up from money management and psychology.

Money Management

The importance of money management is highly underestimated amongst traders everywhere.

It is almost like people are missing the whole point of trading. Too much time is devoted to finding the perfect trading system but any trading system without money management is doomed to failure, even the best one!

Every trader has to incorporate money management into there trading system with the objective of controlling risk.

Let's go over a simple conservative money management system using an account of \$20,000 for this example.

Each lot traded on the EURUSD is \$10 per pip so to risk 1.5% of the account we can risk \$300 on each trade. In pips we would be risking 30 pips.

Now for every \$2,000 the account increases we can add another mini lot to the trade size. If the account grew to \$22,000 then we would be trading \$11 a pip and risking \$330 on each trade.

No matter what the size stop is on your trade even if it is 200 pips you must not risk more than 1.5% of your account.

On the other hand if the account decreased from \$20,000 TO \$18,000 you would then have to reduce your risk per trade to \$9 per pip to keep the risk of the account under 1.5%.

You could also reduce your trade size if you feel that you are not trading well during a certain period of time, I know of many traders who do this and I think this is a great way of protecting your account.

Take a small sticky note and write "You must always protect your account" now stick it on your monitor.

Over Trading

I thought this deserved to be in here because it is a problem every trader is confronted with at some time or another.

I'm sure you know the feeling of losing a trade and wanting to get back into the market as soon as possible only to have it happen again and again. Over trading is addictive and can destroy a trader if it gets out of hand. It is a fact that 95% of traders would be more profitable if they took only 1 trade a month or none at all. Just one good trade, they would be forced to plan and perfectly execute a trade.

I suggest this to every trader I meet that is losing consistently and you would be surprised how well it works!

I set a maximum number of trades I can take per month, once I have reached that number I am no longer allowed to take any trades until the next month. This helps me focus on waiting for the very best setups.

Cutting losses and letting profits run

In my early trading years this was one of the main reasons I used to lose at trading overall, as soon as I saw any profits in my trade I could not resist to take them. Although this may not seem like a bad thing to do, if you are risking 50 pips and taking profit at 30 pips you have to maintain a huge win % to stay ahead in the long run.

For example if you risk 50 pips to get 25 pips you need to have a 66% winning trades just to break even not to make any money!

Now if we risk 50 pips to get 150 we now only need to have winning trades 25% of the time to break even. Don't you think that would be easier?

Can you see how important this can be to your success?

Make a trading plan

I have never come across a professional trader that does not have a trading plan, this could be the most important part of trading. Unless you are a robot you will need a trading plan to keep you from making silly mistakes throughout your trading day.

I recommend creating a pre trade check list, an during trade check list and a exit trade check list.

Your trading plan does not need to be complicated, simply state bullet points with your rules.

Below is an example of the kind of things you would expect in your check list.

Pre trade Check List

- If a news report is within 30mins do not trade.
- Are you trading with the trend?

- Have you determined your risk on the trade?
- Ect
- Ect

Exit Check list

- Is my desired risk reward ratio met?
- Does the trade have more room to move?
- Am I letting greed take control?
- Ect

Always run through your rules before, during and after a trade.

Recording your trading results

From the start of your trading career you should be recording every trade you make. This is the fastest way to fix your trading faults.

What I want you to do is start a journal and make notes for every trade you make, state the reason for entering the trade and reason for exiting along with what you are feeling throughout the trade.

After every week of trading I want you to read over your trades, I think you may be shocked by some of the trades you made. Put a green mark by every trade you feel that you traded according to your rules and place a red mark by the trades that you feel were a result of emotion and desperation of missing out on a move.

After several weeks of this exercise you will start to see patterns in your behavior and will in the future be able to avoid them easily.

Be careful with winning

Winning is what we are trading for however almost all traders (even professional traders) will encounter a problem after having many consecutive wins.

The feeling of over confidence can be disastrous, this is when you are most likely to break your rules and over leverage your account resulting in a sever loss. I find that after a certain % gain in my account per week/month it is a great idea to take some time off and regain a sense of respect for the market. Remember it can be taken away as fast as it gave it. Try to keep level headed after a great streak of wins, getting cocky can ruin a trader.

Back testing

Another thing that I believe was the turning point for me into profitability was when I started back testing. I think of myself as a back tester who trades once in a while.

Whatever system you decide to use you should be back testing and listing your results in spread sheets. Start from the beginning of the year and move forward on your specified time frame candle by candle making notes of your entries and exits.

This will give you an immense sense of confidence in your system and you will be able to recognize the setups far easier. I can not recommend this highly enough, I know it is some work but you will love the feel of knowing the exact odds of a trade being profitable.

I must point out that back tested results are only a basis for your trading results. Highly profitable trading comes from experience and

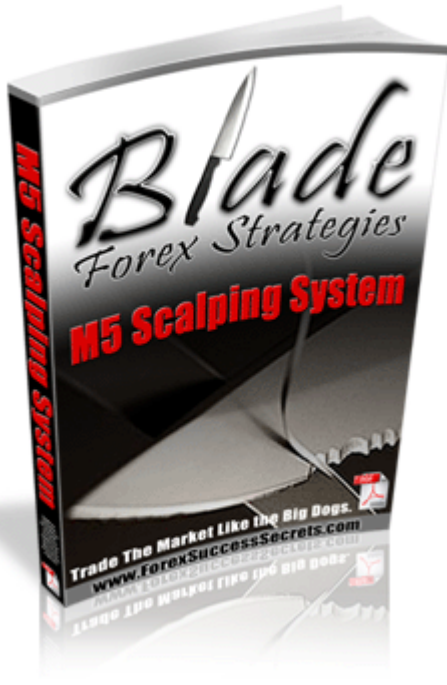
getting a feel for your trading system, these cannot be back tested and require time to learn.

For example, I have a system that I know is profitable in back testing but with the use of my candlestick formation knowledge for entries I can increase the win %.

I could go on with this section for 100's of pages but the fact remains that most people will not read it and jump straight to the system section. Therefore I wanted to keep this nice and short while still pointing out the main points that need to be considered in order for you to succeed in this business.

I would advise you to read through this section twice before proceeding and keep each point in mind while trading. If you don't already then start a trading journal and make notes of every trade you take.

M5 Scalping System



This system is very simple and profitable for scalping the market during the London and New York sessions. I have used this system for a long time and it continues to provide great consistency.

It is important to remember that you must not over trade with this system, wait for the right setup at the right time and it will pay off big time in the long run.

Setting up your charts

Open a 5 minute chart for the EURUSD and add a 10ema a 21ema and a 50ema that's it, told you it was simple! Choose different colors for each moving average, for the purpose of this eBook I will use

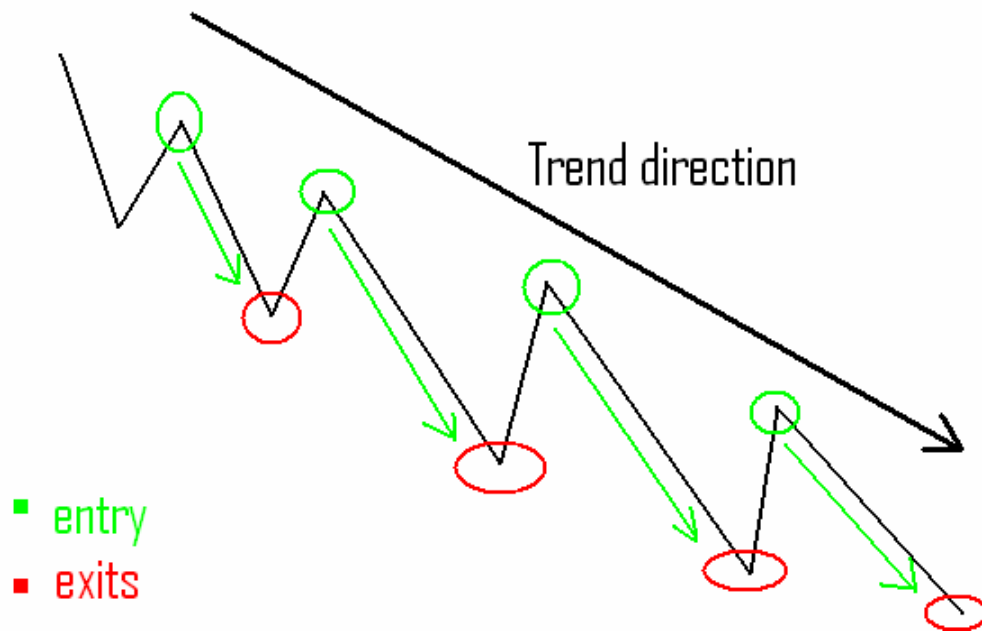
Blue = 50ema

Green = 21ema

Red = 10ema

The 10ema and 21ema act as strong support & resistance when the market is trending throughout a session, in a strong trend we can use this to our advantage and scalp the market while insuring we are trading in the direction of the short term trend giving us a good trading edge to take some quick pips.

See diagram below for an example of scalping with the trend.



System Rules

The rules of this system are very simple.

1. Wait for a trend to show on the 5 minute chart, higher highs in a up trend and lower lows in a down trend, look at the 50ema for trend strength and direction.
2. Make sure you are not in the Asian session or at the end of the London or US session.
3. Check there is no major upcoming news about to come out before you place a trade, your broker should have a calendar of this with times.
4. Once price enters half way into the zone open a trade, sell for downtrend and buy for up trend.
5. Set stop loss at 5 pips + spread.
6. Move stop to break even at +5 pips.
7. Set take profit at 10 pips.

Trade Examples

Lets look at some examples of the moving averages in action in a good trend.



If you look at the above example you can see that a nice trend was in place making higher highs and returning to the 10ema, when price

finds support on the 10ema this generally means that the trend is strong, what we are waiting for is a retrace back between the 10ema and the 21ema, I call this space between the 10ema and the 21ema the ZONE, see picture below for a diagram of the zone.



The Zone is our heads up area, when all conditions are met and price enters the zone be ready to make a trade. The Blue 50ema is our gauge for the strength of the trend, in a good strong trend it should be pointing up or down at about 30 degrees from horizontal.

Let's look at some trade examples and see how to enter and place your stops.



In the above example price shot up at the London open due to a news release. Price eventually made its way into the zone where we are looking to enter into a buy trade. For an entry to be valid price must make it half way into the zone, most of the time it will almost touch the 21ema before taking off again. Make sure you have your trading platform ready to initiate a trade as soon as price makes it half way into the zone, price will not normally hang around here for long. Our stop was placed 5 pip back + spread so in my case I have a spread on the EURUSD of 1 pip so my total risk on this trade is 6 pips. Take profit of +10 pips was also set as soon as the trade was opened which was hit 15 minutes later.

This session only had one trade setup but there are many session with 2-3 setups, although this is not a set in stone rule I don't like to take more than 1 trade per session weather it is a win or loss, over trading is a very bad habit to get into and can result in the loss of your account if you don't control it.

Below is another example of a trade during the London session, the first retrace back into the zone was not quite far enough to be classed as a buy trade so it was not taken. The second retrace was a perfect setup that missed the profit target by 1 pip, the trade then reversed and promptly stopped us out at break even.

If you look carefully at the end of this trend you will notice that they are barley managing to make new highs, this is an early warning that the trend is running out of steam so it may be a good idea to settle for 5 pips profit.



The key to trading this system profitably is to be sure only to trade the London or NY session. You must not take any trade as ether one is opening, you must not make any trades as ether one is closing. Never take any trades in the Asian session.

On the chart below I demonstrate how to spot the perfect trend forming at the beginning of a session. As you can see the Asian session is generally in a range with no trends forming at all, this is the reason we never trade this session. About 1 hour after the London

open the 50ema was pointing up and price has clearly broken out of the Asian range signaling a good up trend. Price came nicely back into the zone for the first buy trade which easily made our target of 10 pips. This is personally the point I stop trading for the day with this system, after 1 trade win or lose I'm finished for the day!

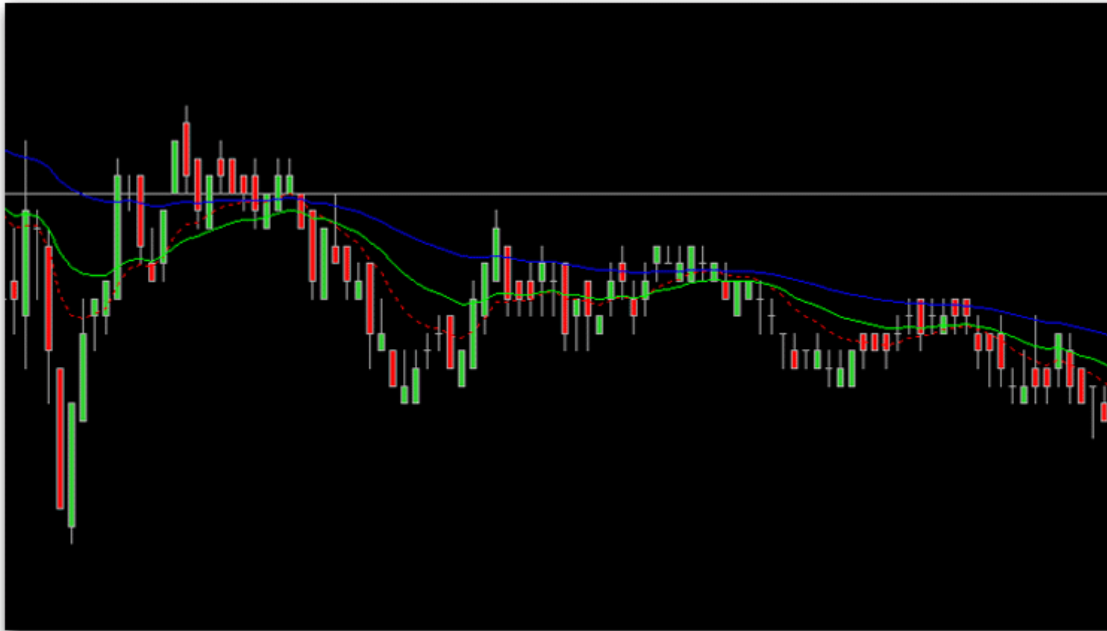
There was a second buy trade if you were still not happy with only 10 pips profit for the day which also resulted in a profit after a shaky start but notice how the trend was struggling to make higher highs! Good idea to take a small profit and get out.



Below is a perfect trend in the NY session with 3 beautiful entries each one hitting its target easily.



Ok so we know when we should be trading now its time to look more at times we should not be trading. Below is an example of a session you do not want to be involved in at all. The 50ema is sideways and you should focus on longer term charts or go out and close your platform.



News

You will need to keep an eye on the news reports due to be released each day you are trading. You can find this information usually with your broker.

Do not take any trades just before a news item is to be released, normally the best setups occur after a new item has been released. The market tends to take a sudden move when news is released then retrace into the zone before shooting off again.

Patience

If you are a patient person you will find yourself excelling with this system. It requires a lot of patience and discipline to not start over trading on every tick of the market.

Remember to try and take one trade a day win or lose it does not matter, this will keep you from revenge trading which inevitably leads to loss of capital.

As you get a feel for the system and learn to follow the rules your win % will increase.

I would like to point out that you can not expect to trade this system every day; you will have many days with no trend or a weak one.

With **The Blade Forex Strategies package** you will be focusing on the longer term charts mainly for your large pip gains, this little scalping system should only be used when you have a obvious trend in place otherwise stick to planning and using the other core systems.

Below are two tables for the opening and closing times of each session, the first table is if you live in the UK or GMT, the second table is if you live in The U.S or EST.

If you live in London	Starts	Ends
London Trading	8:00	17:00
New York Trading	13:00	22:00
Tokyo Trading	22:00	9:00

If you live in New York	Starts	Ends
New York Trading	8:00	17:00
Tokyo Trading	19:00	4:00
London Trading	3:00	12:00

Advanced Techniques

I recommend that you concentrate on the basic part of the system for a while first before you start using anything from this advanced section.

In this section I am going to explain how you can ride you're scalping trades for longer to gain more profit, please understand that the basic system works perfectly well without these advanced techniques.

Using the average daily range of a currency pair you can estimate how much further a trend may go in that day. For example let's say we have entered a trade on the EURUSD and we are in profit, the trend looks good and the London session has recently opened. The average daily range fore the EURUSD is around 70 pips so far in this session the daily range is only 30 pips this means that we have a good chance that price could go a lot further. In these situations it can be very profitable to hold onto a winning position until the end of the day or until you have substantial profit. Quite often I may protect 4-5 pips profit and let the trade ride.

To give your trades even more probability of success you can trade confluence of support and resistance with the zone, see picture below for example.



As you can see in the example support once broken often become resistance, if you get this along with a zone setup in a trend you are golden!

The last advanced technique I want to share with you will fit in with the other core systems from **The Blade Forex Strategies package**. Basically you will be keeping an eye on strong trend lines and looking for a break, it is like an early warning sign that if you do get an entry after the break of the trend line and your trade goes into profit you may want to hold on for a longer run than normal. See example picture below of a 4 hour trend line that broke downwards if you saw this and a good setup that occurred on the 5 min to take a Short on the day of the break you know that you have a very good chance of making lots of pips provided your position does not get stopped out at break even.

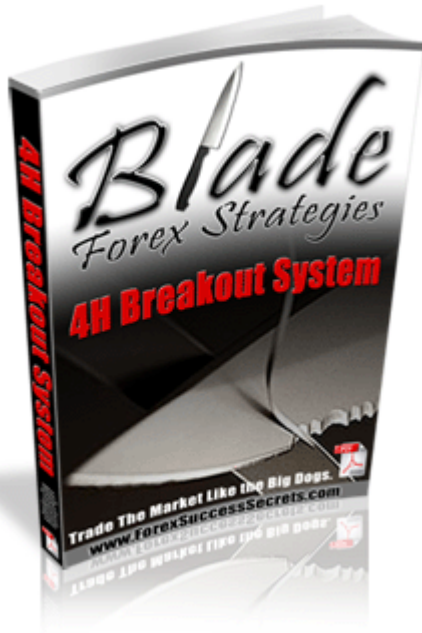


Conclusion

Although this system is very profitable I do not recommend you use it as your main source of income. Try to focus on a longer term system from this package and use this one only when you see a really good opportunity. If you miss some good trades so what? You are here to make consistent money not gamble on every tick of the market.

Keep the 5 minute chart up on your screen throughout the day and watch for the trends on average you will get 2-3 good days a week with nice trends per pair, pairs with high spread are not as easy to profit from.

4H Breakout System



The 4H breakout system is designed for traders like me who don't wish to spend all day long in front of their monitor. Once Mastered this system will reward you for the rest of your trading career.

This is trend following system using a breakout entry formation that usually has great results. Although I mainly use this system on the 4 hour charts

it works equally as well on 1 hour charts and daily charts.

This method can be traded on any pair at all. I watch around 10 pairs to look for setups. If you are planning on trading this many pairs it is very important that you keep in mind the correlation of each pair, for example you do not want to have a long position on the EURUSD and USDCHF as these pairs are strongly correlated so all you are really doing is doubling up on your position.

Note: correlation means that the pairs move in either the same direction or the exact opposite.

Setting up your charts

Lets start by setting up your chart of your favorite pair, mine is the EURUSD, open the chart and add the following exponential moving averages.

30 (green

150 (orange)

200 (blue)

365 (red)

This is the basis for all the entries in this system, you will not need to change your chart at all from now on.

30ema

The 30ema is the trend indicator, when price is in a good trend it tends to pull back to the 30ema and move away, the 30ema must be sloping up or down before we make any trades.

150, 200 & 365ema

The 150, 200 and 365ema act as super strong dynamic support and resistance. Go ahead and look at them on your chart and you will see how price bounce's off these lines more often than not. You will often get a breakout formation after price has bounced off of one of these moving averages. They are also very useful as target areas for profit taking on open positions.

Your chart should now look like the one below, you can use any colors you wish for the moving averages but I will stick to these colors for demonstration purposes. (Notice how price bounced off of the green 30ema!)



Trading Breakouts

If you are feeling a little overwhelmed by the first system in this package then take a break and come back later with a fresh mind. There is nothing worse than trying to learn it all at once only to become frustrated because it doesn't make sense.

Trading breakouts is one of my favorite trading techniques of all. You will find after trading this system for several trades that you will easily begin to spot the trades with no momentum and close them with a small loss instead of letting the trades run into your stop loss. The name of the game is to have wins larger than your losses.

As I said earlier I watch 8-10 pairs for setups, this provides me with plenty of entries so I can take only the very best ones.

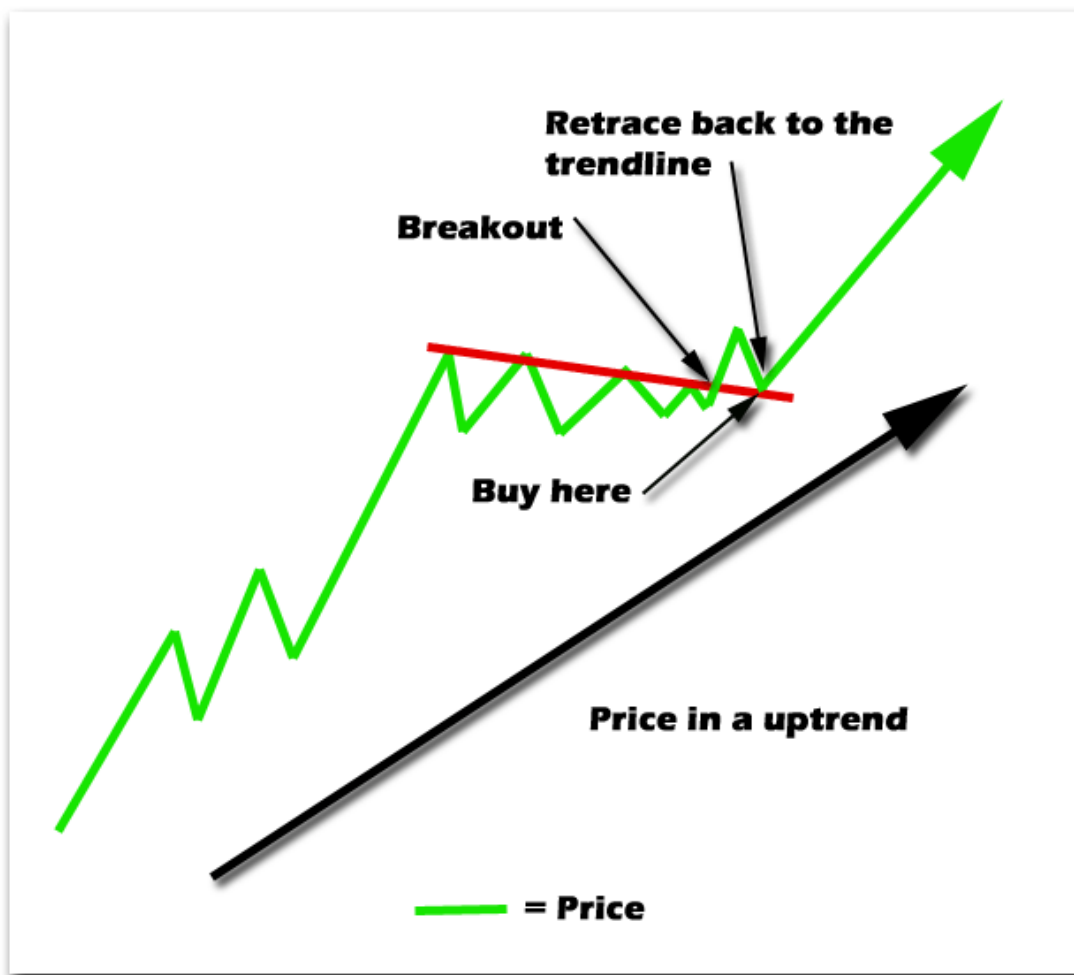
Trading with the trend already places the odds in your favor all you need then is a place to enter into the market with high odds of encountering little draw down.

Consolidations and breakouts happen all the time in trends and are perfect high probability places to enter into the market.

The most common way to enter with a break out is right on the break of support/resistance, however if you have ever tried this then you know it is very hit and miss. The Majority of the time you will get false breakouts which take out your stop and leave you wondering why you entered into the market in the first place.

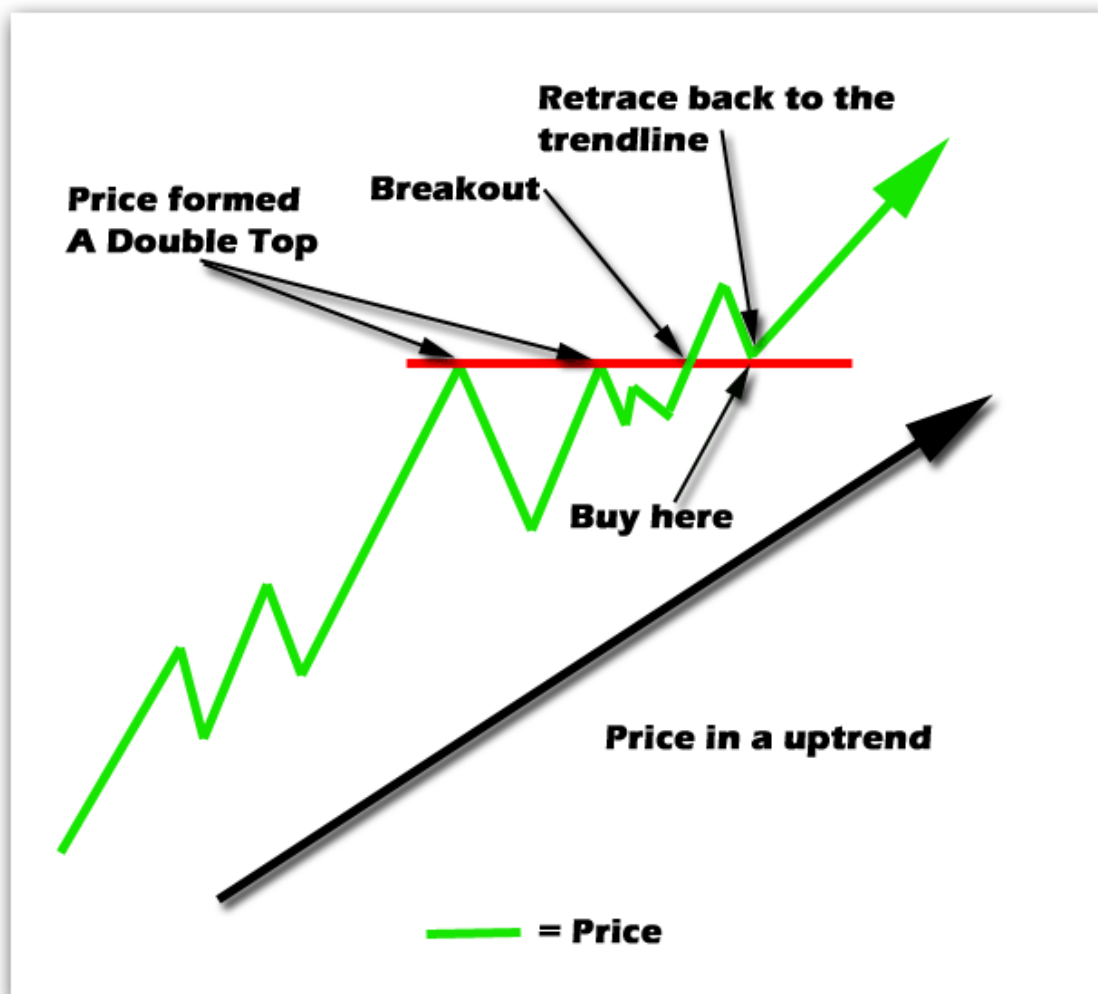
This is the fools way to get into the market, what you need is a place of low risk high reward, read on and discover one of the best techniques I know of. There are 2 types of breakouts that I trade one is more reliable than the other, it is up to you if you choose to trade both or not.

The first is a trend line breakout see diagram below for example.



As you can see price is in a up trend and formed a trend line against the trend. Price then broke out and retraced back to the trend line giving us a fantastic opportunity to buy In the direction of the trend.

The second and more reliable setup is a double top/bottom breakout see diagram below



In this diagram price is in an up trend and formed a double top against the trend. Price then broke out and retraced back to the trend line giving us a fantastic opportunity to buy in the direction of the trend. I find this setup on average more profitable than the previous.

System rules

Let's run through the simple rules of this entry technique and then look at some trade examples.

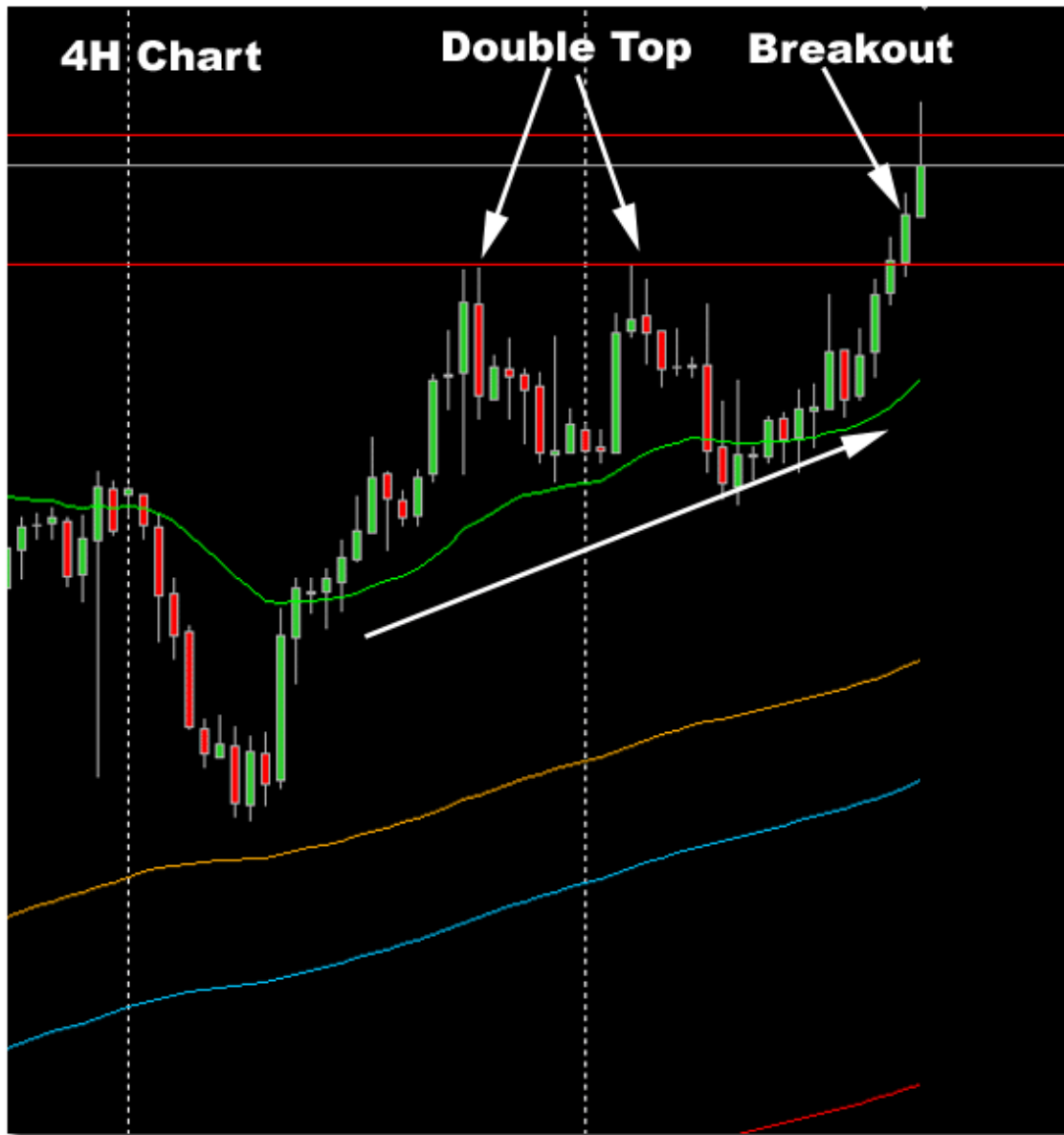
1. Monitor your pairs for an obvious up/down trend (check the 30ema for slope direction).
2. Once you have a trend in place look for consolidations, support in a down trend and resistance in an up trend.
3. Wait for a break of the consolidation, this is usually in the form of a large bar indicating volume.
4. Watch for a retrace back to the support/resistance line that was just broken (sometimes it may happen fast so keep an eye on the lower timeframes if you can).
5. If you get a retrace enter on the touch of the support/resistance line that was just broken (you can use pending orders if you are not able to be at you pc).
6. Place your stop well behind the support/resistance line.
7. Move your stop to break even after you are in profit by the same amount you risked.
8. Stops can be trailed by a pip amount or trailed manually behind bar lows in a up trend and bar highs in a down trend.

The first thing we need to know is if price is in an up trend, down trend or going side ways. The gauging of the trend direction is not mechanical, you need to look at the overall picture, stick to the 4 hour chart and just look to see where price is in relation to the 30ema.

The 30ema is where price tends to be around on a breakout.

Trade Examples

Lets look at a 4H chart of the EURUSD so I can explain a little further.



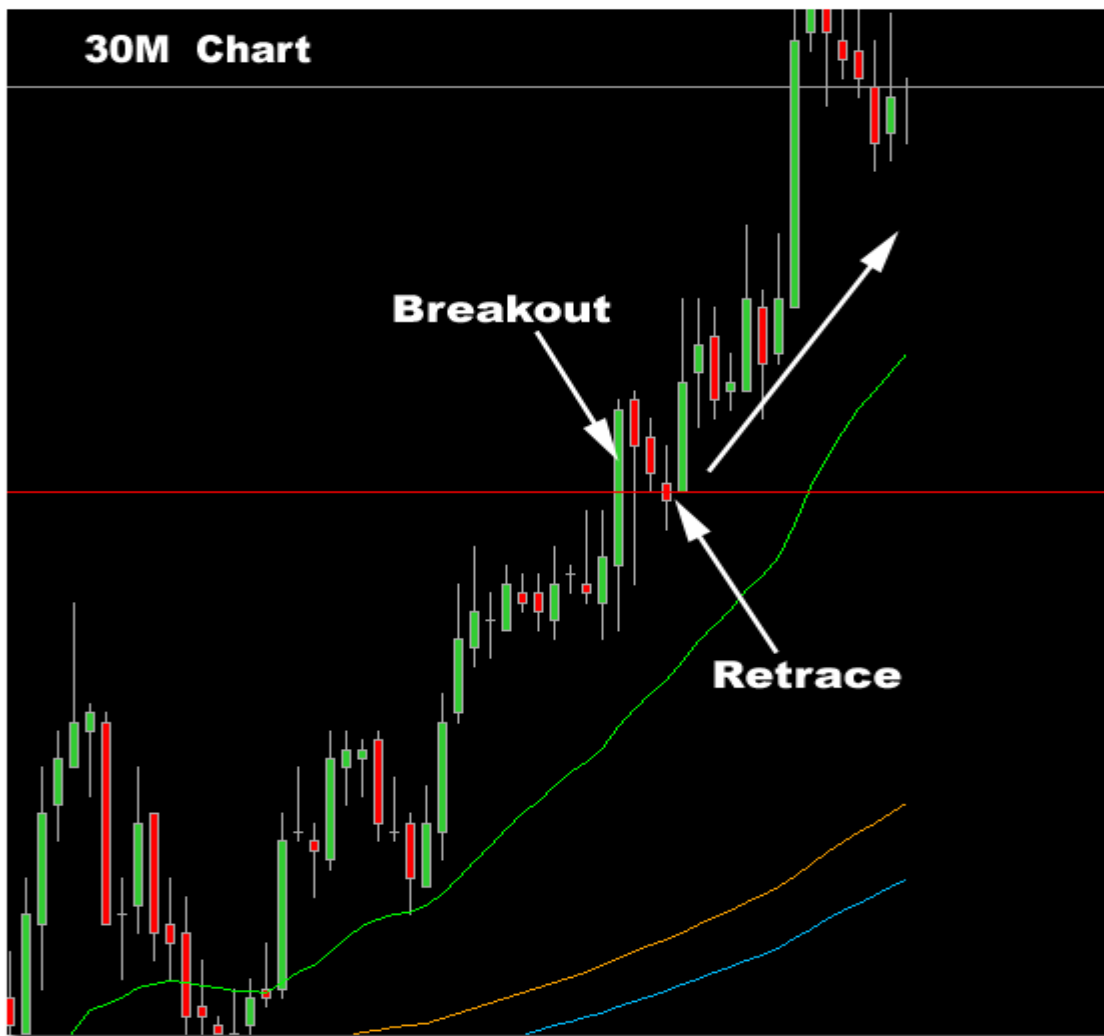
As you can see the above chart is in a clear up trend, price is moving away from the 30ema and staying above it most of the time indicating a strong trend. Once we have a clear picture of the trend direction

we look at support/resistance areas for consolidation, this can be trend lines or horizontal lines for double tops/bottoms.

If you are not familiar with trend lines and support and resistance then please do a quick search on Google, you will have plenty of reading on the subject too keep you busy for hours.

Look at the bottom red line on the chart above, this is the resistance created at the double top. After many attempts price finally made a break of the double top and we had ourselves a trade opportunity.

Sometimes you will have to take the trade on a lower time frame as the retrace is too fast to notice properly on a 4H chart. Lets see the 30M chart of the trade above.



The chart above is still the same trade as the previous chart except now we have moved to the 30M timeframe. Normally I would not have bothered to do this, I would have taken the trade from the 4H chart however it is simply easier for you to see the retrace on this particular trade.

Not long after the break there was a retrace back to the resistance line which has now become support at the red line.

Once price touches the red line its time to pull the trigger, enter a buy trade and place your stop 20-25 pips behind the red support line.

Are you starting to see the \$ signs yet? The beauty of this setup is the risk reward ratio is huge at around 1-3, so what does this mean to us?

1-1 = 50% wins to break even.

1-2 = 33% wins to break even.

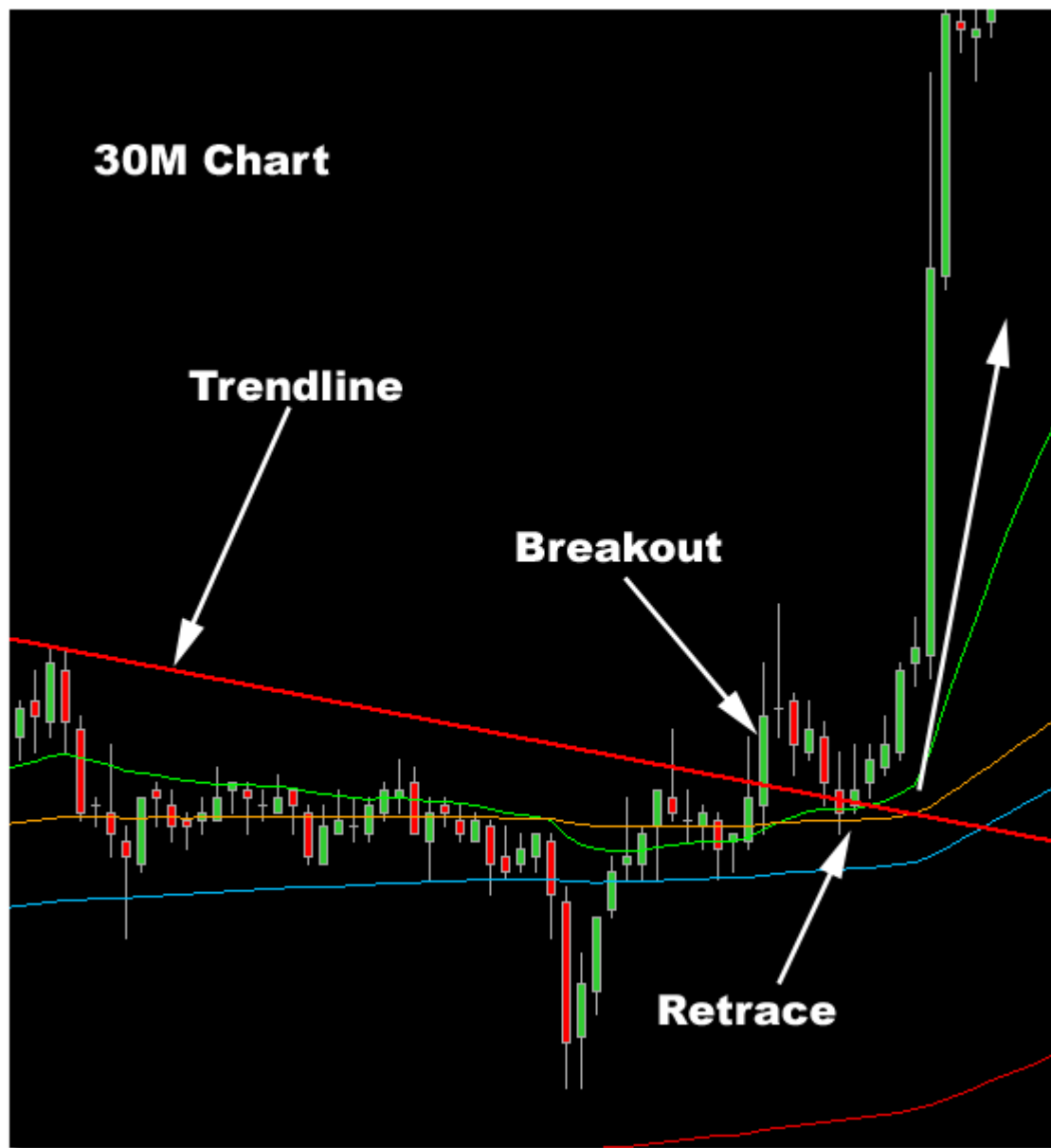
1-3 = 25% wins to break even.

So as long as you win more than 25% of your trades you are making money!

Lets have a look at another example of a trade setup, this time I will show you the same setup on a trend line breakout.



On the above chart there is a lovely upwards sloping trend, price is clearly above the green 30ema and is consolidating below the trend line. If you look carefully at the breakout on this chart you will see that price shot up then retraced as the candle closed. On the opening of the next candle price took off to the moon, lets checkout the lower time frame again.



Above is a 30M chart of the same setup, now you can see the breakout and retrace perfectly.

This entry technique requires a lot of patience as many times you will miss a huge move because price didn't retrace back before taking off in the direction of the trend. In these times there is nothing we can do but look for another setup, remember we are in this business to make

money not give it away, don't get caught up in the moment and start trying to trade the initial breakout!

The beauty of this entry technique is that your trade generally moves into profit very quickly. Once you gain experience trading this setup you will be able to spot them a mile off.

When you enter a trade at the retrace you should be in profit within the next couple of candles if not sooner, if there seems to be no movement then get out with a very small loss. Try to keep you losses as small as possible on trades that don't look right.

As I am writing this I made a trade on the USDCAD I would like to show it to you because it is a great example of the setup I am explaining.



Above is my current live trade on the USDCAD, as you can clearly see the pair is in a downtrend and below the 30ema.

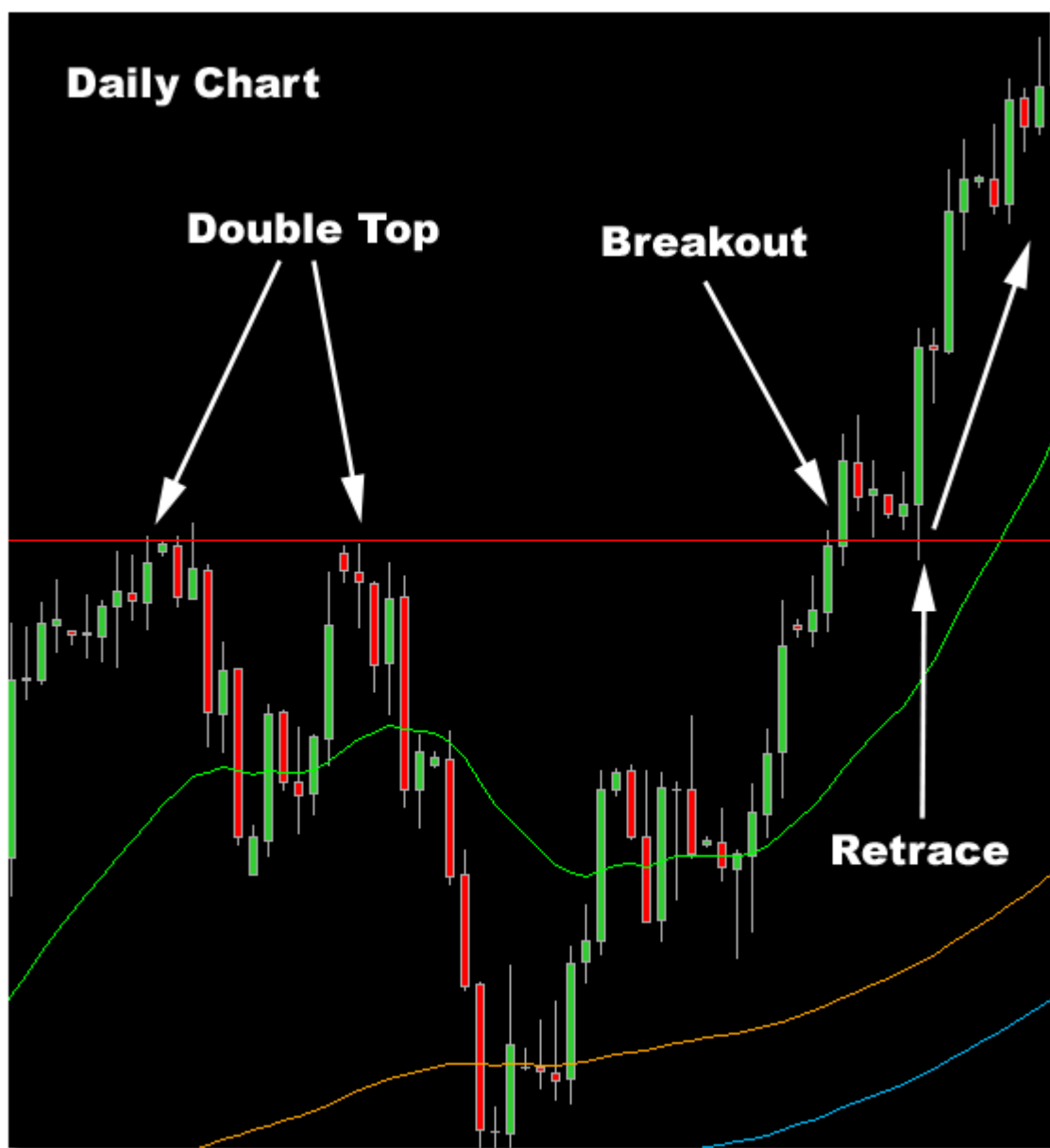
I have been keeping an eye on this pair for the past few days since there was enough low points to create a trend line (you need at least 2 points to create a trend line, 3 is better). Price broke down yesterday during a news announcement, and then retraced today back to the trend line where I opened my position. The green dashed line is my entry and the red dashed link is my stop, I placed the stop further away than I normally would on this trade due to the fact that price could test the major trend line that is drawn on the chart.

The trade rocketed into 23 pips profit and then came back against me a little when I took the screen shot of the trade.

News is due out tomorrow morning so once I'm in profit by 30 pips I will move my stop to break even. I am targeting the previous low point on the chart which is 90 pips away and if that is broken then I think the down trend will continue and I will hold on for a few hundred pips.

This setup can also be used on daily charts with very good results although I tend to stick to double tops as they perform far better than trend line breaks. This is due to the fact that every trader place's a trend line in a different place so the breakouts are less reliable with everyone seeing the breakout in a different place where as a horizontal line can not be misinterpreted so easily.

Ok more examples you need to learn this stuff, let's check out a setup on a daily chart to see what I'm talking about.



This is a recent trade I took on the EURUSD, a very clear double top was formed a while back and I have had my eye on it ever since. After a huge drop off price fought back and broke through the resistance created by the double top. Two days later price fell back to the support line (resistance becomes support once price breaks through) where I had my buy position waiting with a small stop loss of

40 pips. The trade only went against me by about 20 pips before making my trading account much happier :0)

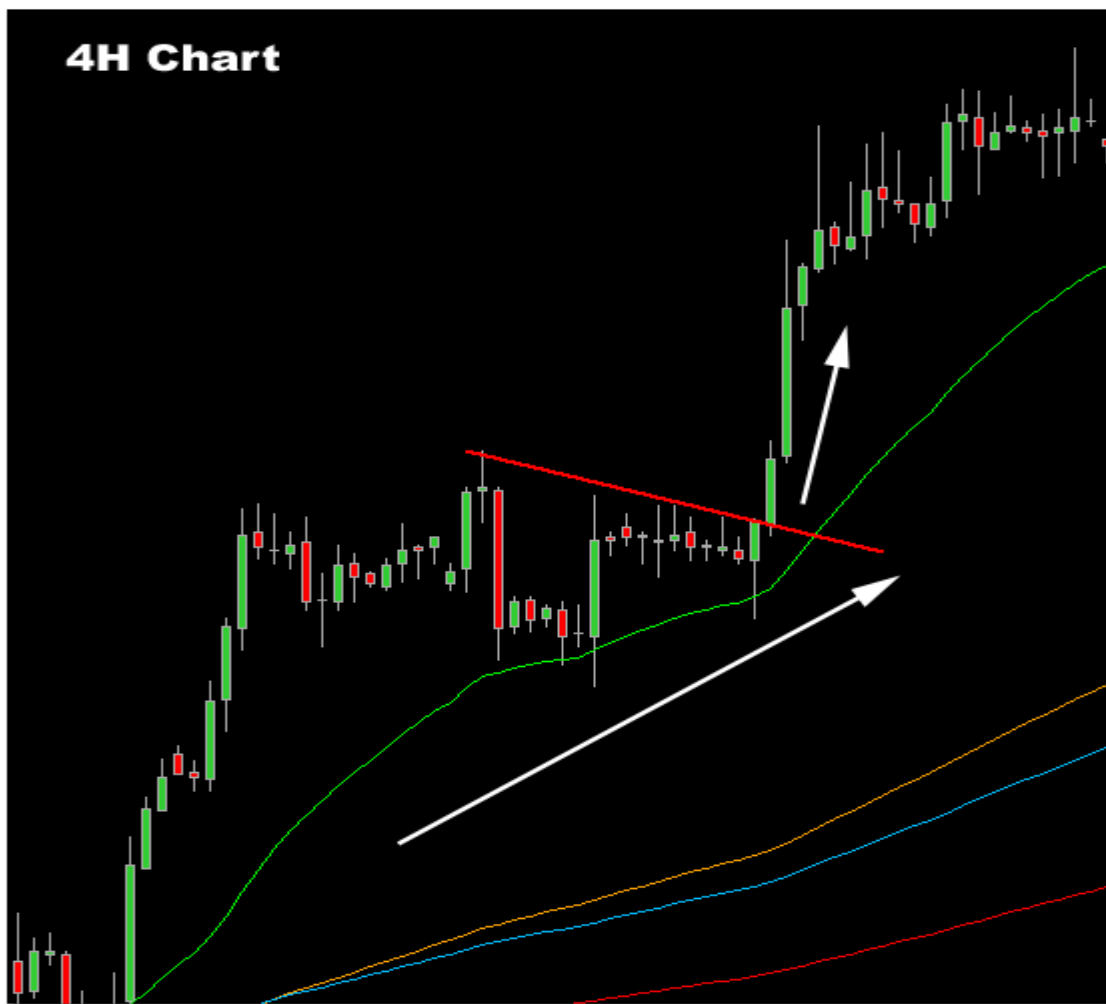
I would like to point out that with horizontal support and resistance lines you can use smaller stops than with a trend line I find that if the horizontal line is severely broken I get out of the trade as soon as possible because the chance of the trade being a success is almost none existent.



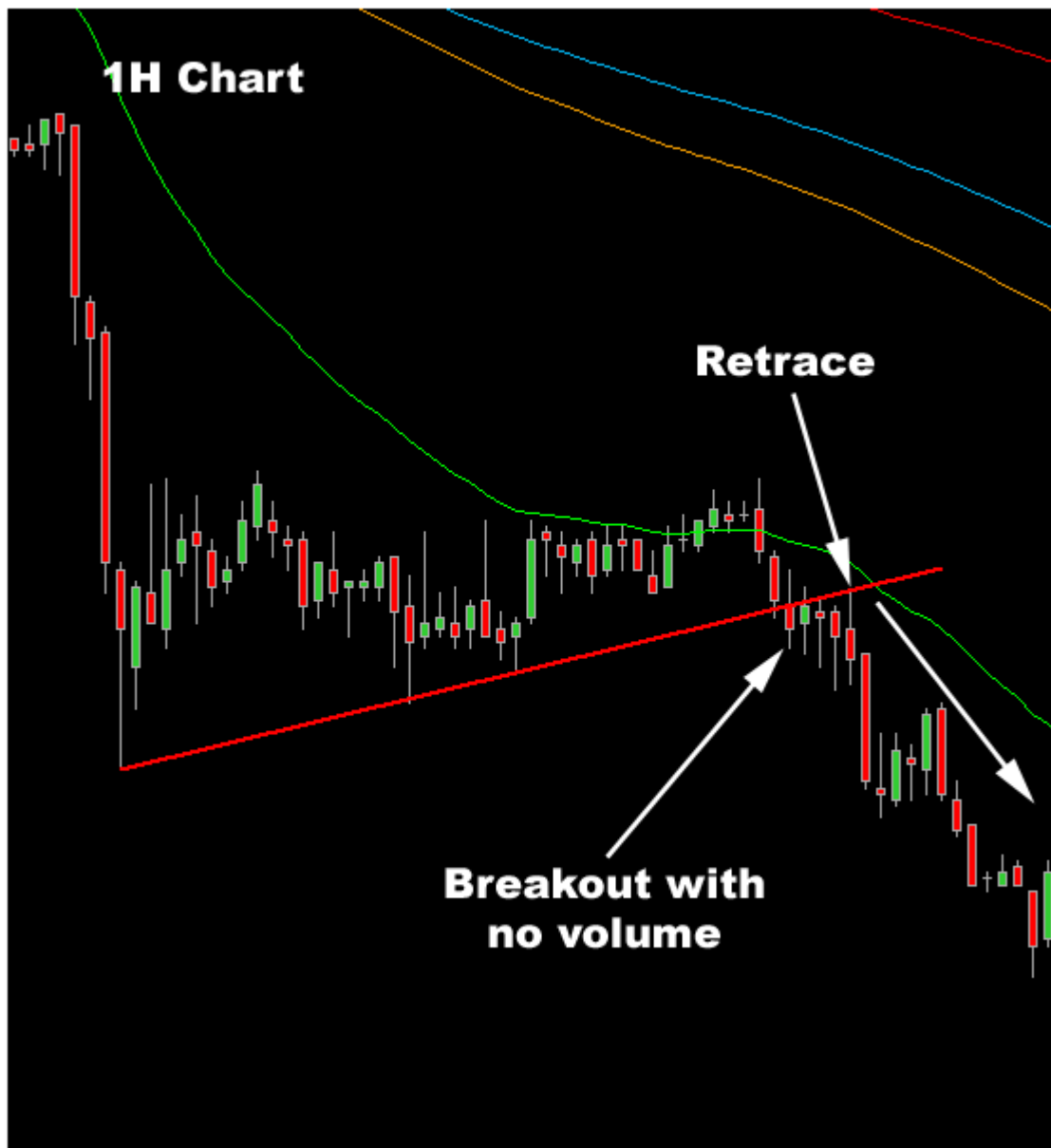
The chart above is a trade spotted on the daily chart with a strong trend line. However I initiated the trade from the 4H chart as usual, see how price kept banging against the trend line on the retrace?

Normally I would have been stopped out on this trade at break even because after the initial retrace price came back to test the trend line again but I knew this trade may need a little room to breathe as the trend line was from the daily chart.

Ok so we have seen a few good trades let's see some that we couldn't take because price wasn't cooperating.



Above there is a perfect consolidation forming above the 30ema with a trend line. Price broke out and I had my buy order ready at the trend line but unfortunately price left without me on board. This will happen sometimes and It's a fact of trading you cant win them all. Be patient because like busses there will always be another one coming along soon.



Above is yet another example of this setup in action, this is a 1H chart which I spotted and entered the trade. I moved my position to break even very quickly as this trade looked like it had no volume and moving sideways. Not long after I moved the stop to break even the trade fell out of the sky making my trading account happy again :0)

You may be wondering what the other moving averages are for?

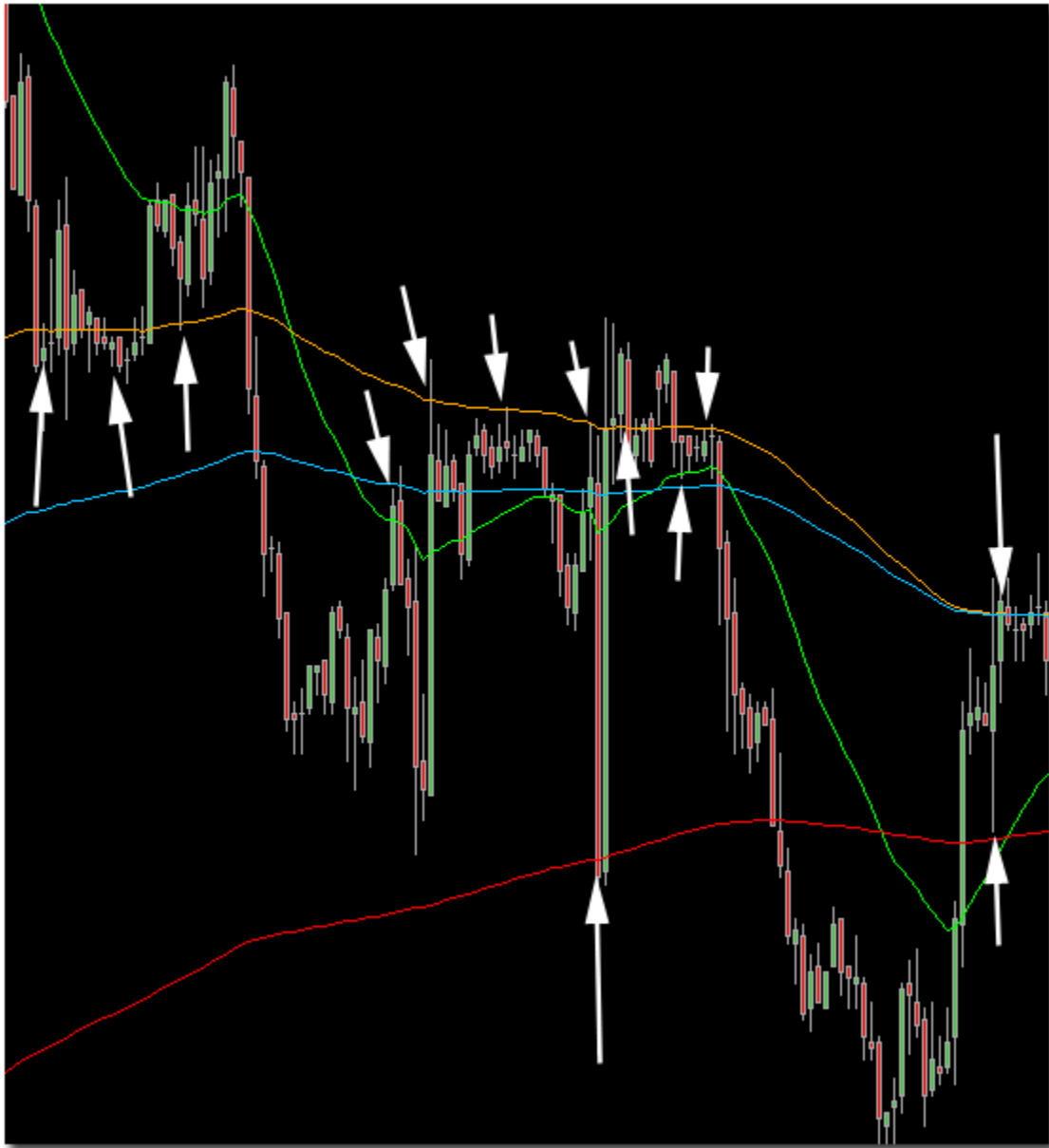
Well they are not essential to the main system and setup but they are very useful as targets when price is passing through them.

The 150,200 and 365 ema's are watch by traders and institutions all over the world and therefore price reacts to them as it approaches.

I highly recommend you use them during the planning of placing stops and taking profits.

For example if the 365ema was below you and you were planning on taking a sell trade from a break of a double bottom it would be wise to wait until the 365 is broken or miss the trade altogether.

Lets have a look at a chart so you can see exactly what I'm talking about.



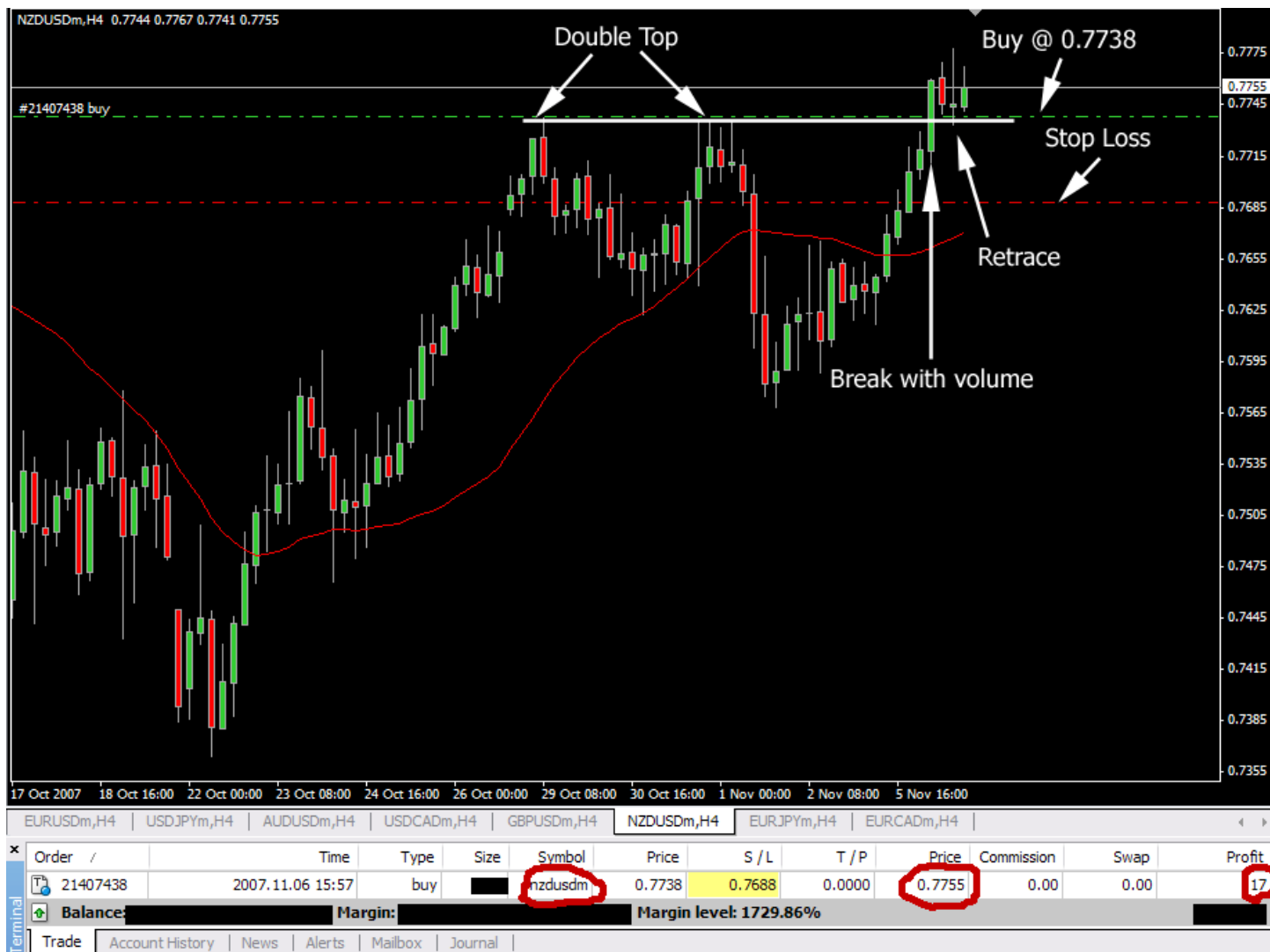
On the chart above I have marked with a white arrow every point that price has bounced off of one of the ema's. As you can see they act as a pivot point to price, usually stopping it dead in its tracks. Generally the 365ema has more importance than the 200 and the 200ema has more importance than the 150.

TIP: If you see all the moving average come together be ready for a large move, this doesn't happen very often.

Step by step live trade

I wanted to show you the process of taking a trade with this system from start to finish so I decided to take 4 screen shots of a live trade I recently took as it was happening, each screen shot is a different stage of the trade.

The screen shot below is just after I entered the trade, NZDUSD created a lovely double top in an up trend. The double top was broken with a volume candle and then retraced back to the support line triggering my order. I placed a 50 pip trailing stop to lock in profits and a profit target chosen from the daily chart if it gets that far.



A hour later we are in profit by 50 pips which means the trailing stop has moved to break even, this trade is now a free ride! I have nothing to do now but collect whatever profits the market makes available to me, the trailing stop will make all the calls from now on eliminating the need for human interference which will only cause us to lose profits due to fear and greed.

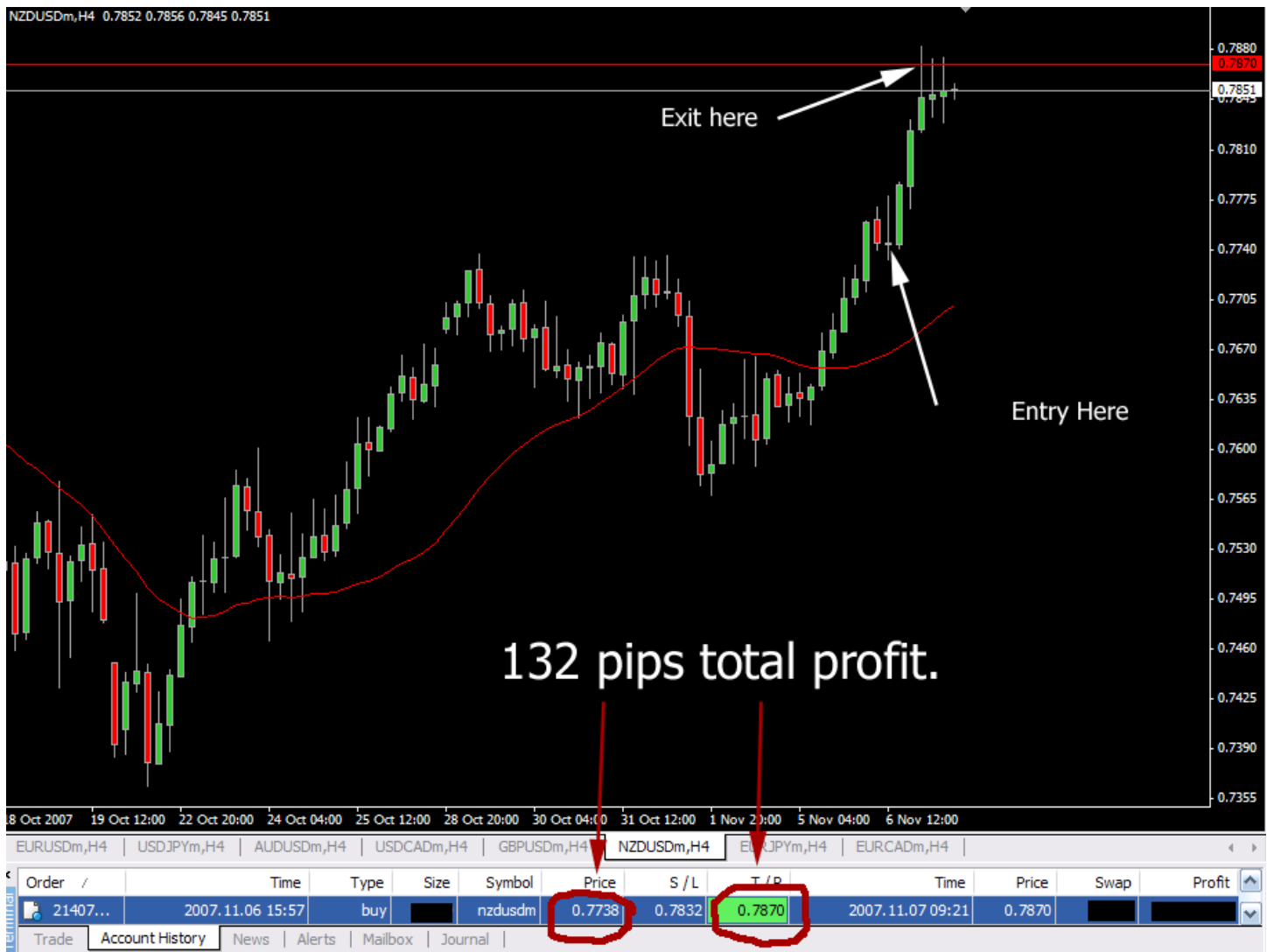


The last 4 hour candle has closed as a very large bullish candle indicating volume, we are currently around 100 pips in profit and the trailing stop has locked in 50 pips for us, lets see how far this move will go, will it get to our profit target of the strong resistance on the daily chart?



12 hours after the trade was initiated we hit our profit target of 132 pips my weeks trading is over!

This trade never went negative on me by more than 5 pips.



Conclusion

As you can see using this method of entry is very profitable and gives plenty of good trades every month.

I would like to point out that you should not ever follow a trading system blindly, as you gain experience with a trading system you will begin to get a feel for the good trades and bad ones alike.

Once you get the hang of trading these setups I highly recommend that you study candlestick formations to use as your entries, a small section on candle stick formations is located at the end of this book.

The 4H Knife System will slowly but surely build you trading account. All you need to do is keep your discipline under control and don't try to trade too many pairs at once.

Divergence System



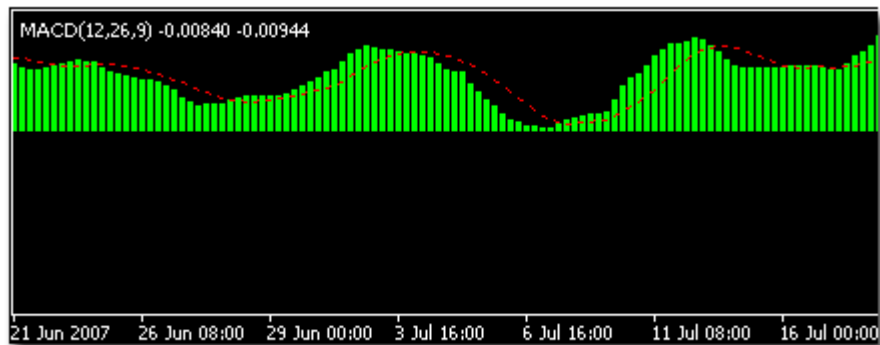
The Divergence system is another fantastic way to trade the longer term 1 hour and up charts. I have personally manually back tested this system on many currency pairs. Some perform better than others GBPUSD is the best followed by EURUSD. All other are still profitable but the above 2 pairs are the superstars.

MACD divergence

Now I know from experience that MACD divergence is not easy to understand and spot straight away, especially for newbie's.

However please be patient as the patterns will jump out at you eventually.

First lets take a look at the MACD, below is a picture of the MACD indicator. MACD is probably the most common indicator ever used next to moving averages so you should not have any problem locating it on your charting platform.



As you can see it forms waves up and down like hills and valleys. Now let's have a look at MACD along with price. If you look at fig 1 below you can see that the MACD does not always follow price there are occasions where MACD will show a lower high or a higher low while price is doing the opposite. These patterns are signals that price is running out of steam and may change direction soon. Can you spot it on fig 1?

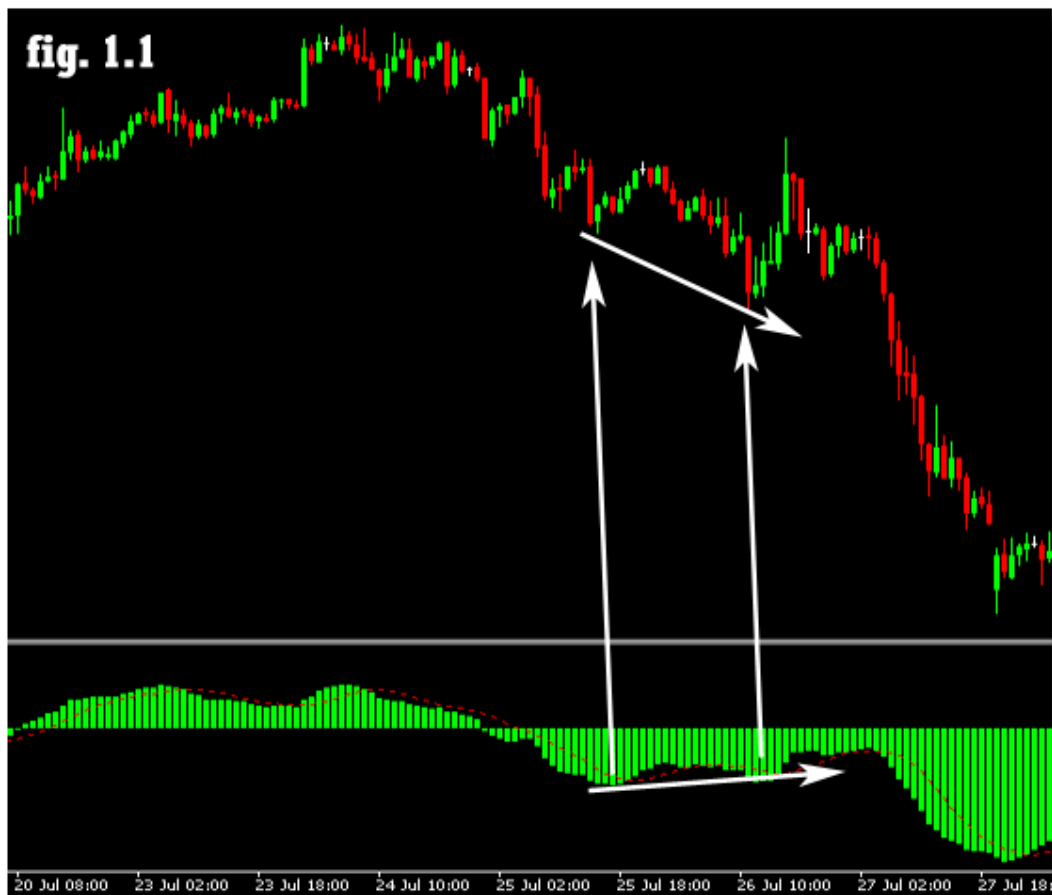


di-ver-gence (d -vûr j ns, d -)

n.1: A moving or spreading apart in different directions from a common point.

In trading, “Divergence” is a term used to describe the phenomenon of price making one pattern, and an indicator making the opposite.

Let's look at fig 1.1 below with the divergence pointed out. On the chart fig 1.1 you can see I have marked that price is making a lower low while MACD is making a higher low. This is divergence and we are going to exploit it. For it to be a valid MACD divergence MACD must make a clear lower high or higher low consisting of two hills with a valley between.



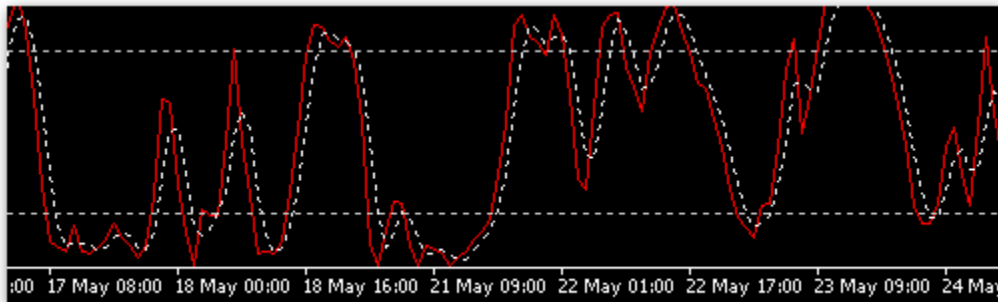
Below in fig 2 I have marked another example of MACD divergence price made a higher high move while MACD made a lower low indicating that price is out of steam and due for a small reversal.



You can find MACD divergence on basically any time frame, all of the above were on the GBPUSD 1 hour charts. If you are totally lost with finding divergence then I recommend you do a Google search for MACD divergence and look at some more explanations.

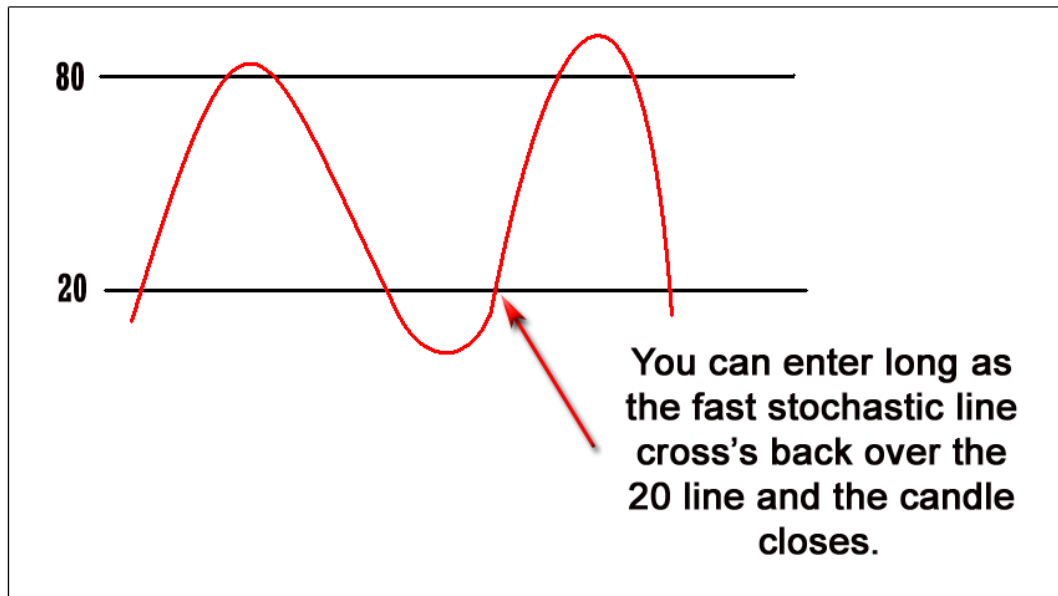
Stochastic oscillator

The stochastic oscillator measures over bought and over sold situations in the market. We are going to use this as our entry into a divergence setup. Below is a picture of the stochastic oscillator, we will be using the setting K%9 D%3 Slowing 3.



The upper and lower horizontal lines going across the oscillator are our trigger lines. These lines are set at the values of 20 and 80.

What we are basically looking for is the stochastic oscillator to be over bought above the 80 line if we are planning on going short and over sold below the 20 line if we are going long. Let's say we have MACD divergence and we are looking to go long we then have to wait for the stochastic to go below the 20 line see example drawing below.



Once the fast stochastic line has passed though the 20 line you MUST wait for the current candle to finish to ensure it is a cross.

The same rules apply to the 80 line for a sell trade.

You may be thinking how do I tell which is the fast line on the stochastic? Well its easy, it will be the fist one to pass through the lines the slow stochastic will be behind it.

Once you have added this to your chart with the MACD indicator lets go over the rules of the system and start looking at some actual trades.

System rules

The rules to this system are short and simple, I am going to list them below in the order before you can take a trade.

1. Look for MACD divergence against price. Price must be making higher highs or lower lows while MACD is doing the opposite.
2. Stochastic must be below the 80 line if you are looking to buy or above the 20 line if you are looking to sell.
3. Open trade once the fast stochastic line has passed though the line and THE CANDLE HAS CLOSED. Check that price has not already moved along way in your direction, if so you may want to consider leaving the trade.
4. Place your stop behind the most recent high/low or if that is too far set a stop x number of pips away. Usually around 30 pips if you are on the 1 hour charts.
5. Once price has gone in your favor by the same amount that you risked and the stochastic has moved to the other side you may want to consider moving you stop to break even or protecting some profit. I generally trail my stop and try to shoot for twice what I risked on the trade.

Trade examples

In fig 3 below there was a higher high on price while MACD formed a lower low. Once we see this all we have to do is wait for stochastic to move above the 80 line so we can initiate our short trade. The White arrow pointing down on fig 3 is the point at which stochastic went above the 80 line and the candle closed. On the open of the very next candle we open our sell trade with the stop above the high point. Below in fig 4 there is another example of a divergence trade,



remember you cant make the trade until the candle has closed!



Below in fig 5 is another example.



Below is another example but in this example we had two setups that worked out very well.



Conclusion

Although this system trades against the trend which is something I normally would not advise It has proven to be very profitable over the past few years that I have used it. I have found the 1 hour and 4 hour to be my favorite time frames to trade and I keep an eye on a few pairs to give me plenty of options.

Many people struggle when first learning to spot divergence, don't worry if your one of them. Keep looking for examples on your charts and compare them to those in this book, it wont be long before you will be trading divergence like a pro and reaping the rewards.

As with the previous system you will benefit greatly by using candlestick formations as a second confirmation for entry which will be discussed in the next section.

Candlestick Formations

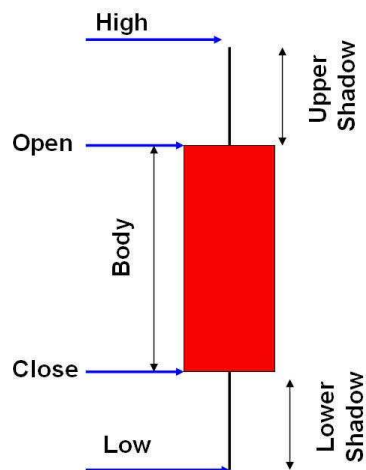


Welcome to the candlestick formation section of the book. Please become familiar at trading the systems of this book before attempting to use this section to increase your trading accuracy.

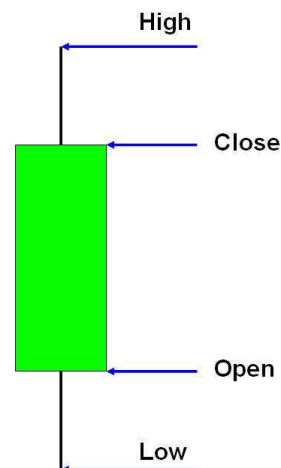
These formations are only a second confirmation for entry placing a higher chance of success on the trade. I find candlestick formations to be most accurate on the 1 hour charts and above, I would not bother using any of these formations for the scalping system.

Candlestick formations are used to identify the underlying physiology of the market, usually with a reasonable accuracy.

Below is an example of a normal falling and raising candlestick.



Falling Candle



Rising Candle

When a candlestick tries to make a new high/low but fails to close at those levels it gives some clues as to who is in charge, the bulls or the bears. There are literally hundreds of candle stick formations used by traders all over the world to profit from the markets. We are only going to focus 4 formations here in this section, these are the formations I found to be most profitable and occur regularly.

Doji's



The Doji is generally a small candle indicating a period of indecision with not much movement, the open and close should be at the exact same price but it is acceptable within a pip or two.

This small candle if seen after a good move is a strong reversal signal, with confirmation it is very reliable entry point. You will often see the Doji when trading the divergence system, usually when the stochastic is topping/bottoming out, a great confirmation that you are on the right side of the market.

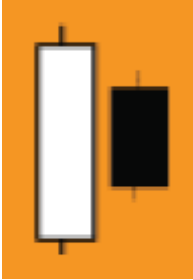
Engulfing



An engulfing candle is a strong change in momentum in the market often seen off of breaks of support/resistance. For a buy confirmation the first candle would be red followed by a green candle that completely engulfs the previous one. For a sell confirmation the first candle would be green followed by a red candle that completely engulfs it.

You will often see engulfing candles with the 4H breakout system on the break of the support/resistance line, this indicates good volume and momentum in the market.

Inside candle



The inside candle formation is basically the complete opposite of the engulfing formation, the second candle is formed completely inside the body of the previous candle. This formation gives us a heads up that the bears/bulls are losing steam and the market may be thinking about a reversal. This formation often happens just before a strong move or breakout, be sure to have your eye out for this formation when trading the divergence system.

Pin formation

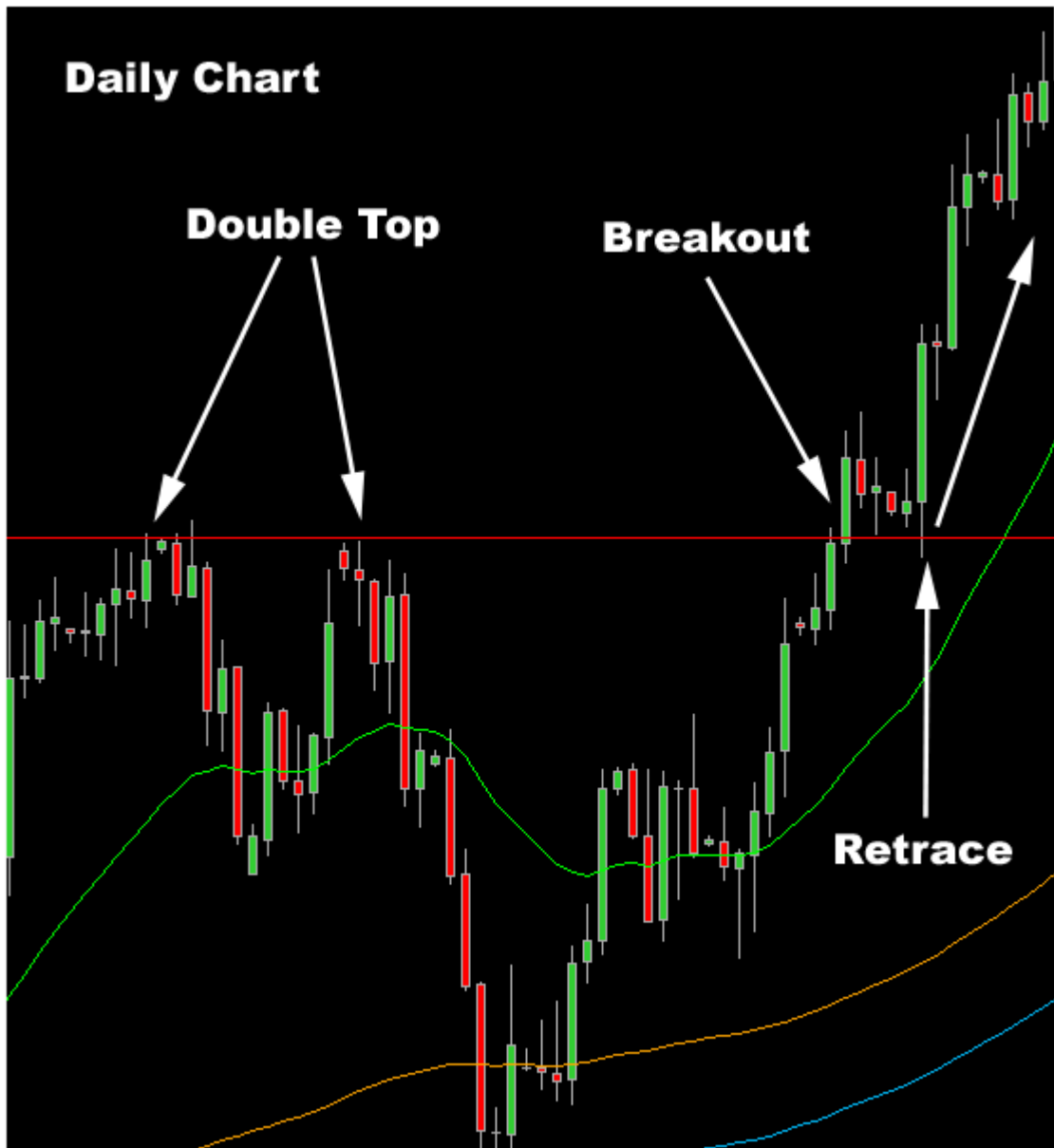


The pin formation is one of my favorites, it shows huge emotion of the market indicating a sign of a reversal, in this case the bulls pushed the market high but failed to hold it so price returned back to around the open leaving a pin formation. The pin always points away from where price may be heading, the opposite is true for a bullish pin formation. You will often see these formations after a breakout on the 4H breakout system when the retrace takes place.

These formations take some getting used to in the beginning but with a little practice will help you trading decisions immensely.

Examples

Lets take a look at some of the previous examples in this book and see if we can spot some candlestick formations giving us a heads up of what is about to come.

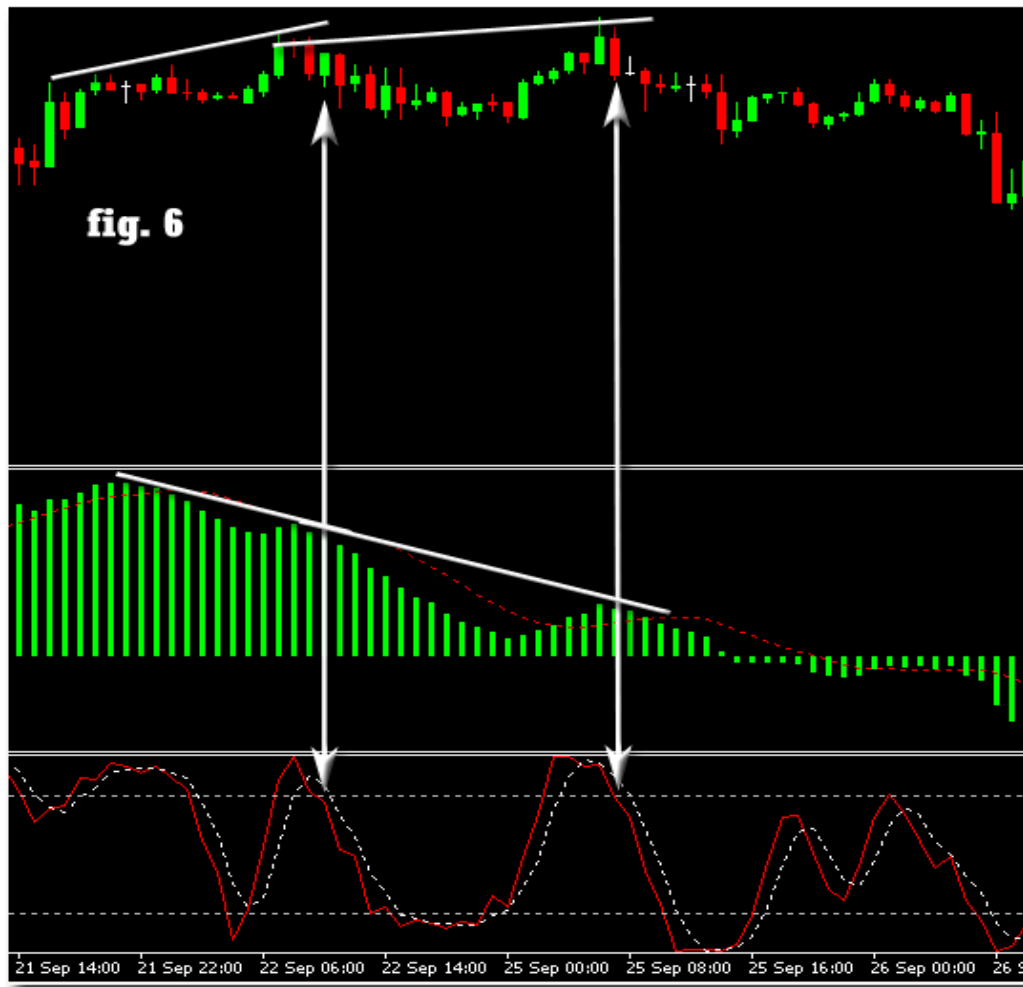


The chart above is an example form the 4H breakout system, after the breakout occurred we were looking for a retrace. If you look at the

retrace you will see a pin formation giving us a heads up that price was being rejected and this was followed by a Doji.



Above is another example from the 4H breakout system, as this breakout was about to take place we had a pin formation that also totally engulfed the previous Doji candle. Looking now you can easily see the momentum in the breakout. Look how many Doji candles formed against the resistance line.



Above is an example form the divergence system, on both of these entries we had confirmation from candlestick formations. The first trade was taken off of a Doji candle which is difficult to see in this picture due to the trend line covering it, but I assure you it is there. The second trade was taken off of a bearish engulfing candle. Once you get to know these 4 formations you will see them everywhere its like reading a book!

This brings us to the end of the Blade Forex Strategies, I hope you have enjoyed reading about my system if you have any questions at all then don't hesitate to contact me at.
contact@forexsuccessecrets.com

Yours in trading success

Dean Saunders

A handwritten signature in black ink, appearing to read 'Dean Daw' with a stylized flourish at the end.

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