

D4HR System

Introduction

This system is a simple system that follows the overall trend of the market. I must say though, these settings are only optimized for EUR/USD...yes they should work similar on other pairs, but my goal is to find the right settings/numbers for each pair. As I mentioned before, I want the help of people to test this system out with other pairs to determine the correct goals, indicator settings, and things like that. I will mention throughout the system what will possibly be edited if traded with another pair. Last year, on the daily chart...there was less than 10 trades and that are including losses, but it grossed a good profit...this year is even performing better (even through these “bad” economic times).

Setup

Prior to setup, you must determine which time frame you want to trade. For the sake of this “guide” I will use 4 hour chart examples...but trust me, the daily is exactly the same—it does tend to trend more thus making it a tad easier to trade (plus less screen time). Also realize that this is optimized for EUR/USD, I will highlight with red things that might need to be edited for other pairs (or might not).

Timeframe: 4 Hour or Daily

Chart Type: Candle Stick

Indicators

68 EMA set on High

1 SMA set on Median

240 LWMA set on Close (If you have the #MA_in_color or similar indicator this is best)

Accelerator Oscillator—on top of—Awesome Oscillator

Awesome Oscillator—on top of—Accelerator Oscillator

Now before all yall anti-indicator people go to preaching, I must say this is only to make things visual and easy to spot. It provides that technical validation. Trust me, you are just trading the trend, some people just need to see it more than others



Fig 1: This is the basic chart setup. MT4 is the only software that I know that has all the indicators needed. But I guess I should note, I will probably never trade with any MT4 brokers. But, hey never say never.

Entries

All entries are determined by the close of the last candle and executed at the open of the next candle. You will be opening two trades per entry, since I only trade 1 currency pair; I allocate my lots as 2 lots per \$10,000 of equity. So, with a \$50K account, I would open two trades, 1 trade with 5 lots and another trade with 5 lots. One of your trades will have a set take profit of 100 Pips (150 Pips for Daily) and the other trade will ride. This is to prevent severe losses in the case of sideways movement/whiplash. Of course, with further testing those numbers may change.

Long

The following criteria must be met in order to enter long on the next open candle.

240 LWMA must be going in up direction

1 SMA must be greater than 68 EMA (its better when the closing setup candle validates this, but this can also be true for the open of the next candle [the candle you actually place the trade])

Candle (setup candle) must close above 68 EMA

Both Oscillator overlays must have a solid green line on the open of the next candle (the actual trade candle)

****There is one exception to the long criteria. If the 240LWMA is going down, but the candle closes above it (as if it was the 68 EMA) and all the other criteria is true, then enter the trade as normal****



*Fig 2: Here is a regular long entry. Notice the 240 LWMA is going up (I have the colored one so it's blue), the setup candle (the long candle) closed above the 68 EMA. The trade candle 1SMA is above the 68EMA. And both oscillator windows have a solid green bar at the trade candle. You would then enter long here with two trades. With the first trade at a TP of **100** (**150** for daily)*

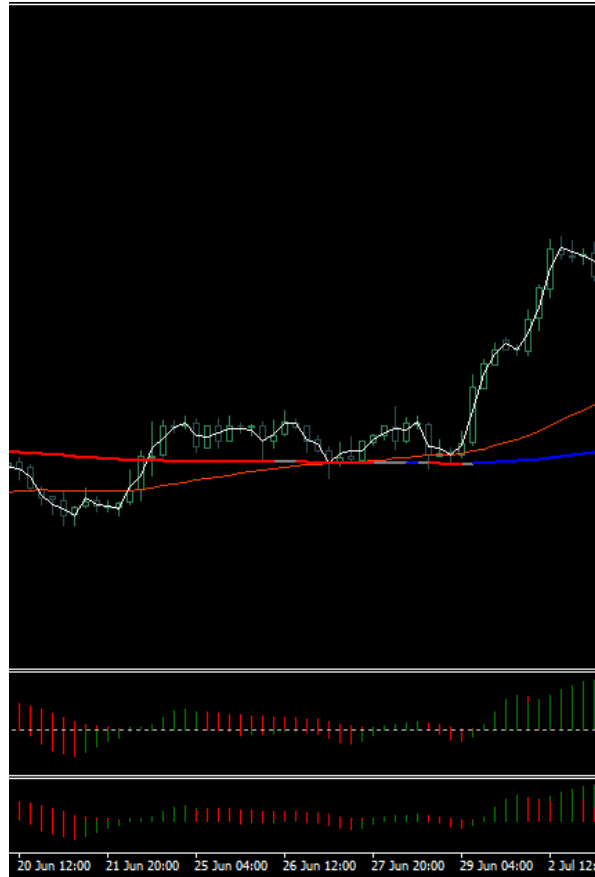


Fig 3: Here is an exception trade, notice all the conditions are true except the 240LWMA. As you can see, this trade ended up being a profitable long trade. To remind you the exception trade is when the candle closes above the 240LWMA as if it was the 68EMA, even if the 240LWMA is heading down.

I must say, I wouldn't do the exception trade if there is a strong trend. I would only do it if I saw that the trend was reversing or at least settling down.

Short

The short trade is practically the same but the opposite (duh)...here are the images just for clarification.



Fig 4: Notice the short trade (actually one fake out, and one real one). Same rules apply except you look for a close below, 240LWMA going down and a solid red bar on the trade candle.



Fig 5: Here you see an exemption trade which actually turned out to be a very profitable short.

Stop Losses and Taking Profit

Now all this talk about profitable trades must have you thinking...when in the heck is my trade actually profitable!? And how do I protect myself from losses!? I will sum this up rather quickly (hopefully).

Stop Loss

Stop loss rules are simple. At the execution of the trade, the stop loss is the low (if long) or high (if short) of the setup candle (not the trade candle). As the trade progresses, the stop loss is each sequential peak (if short) or valley (if long) as the price moves in waves. You would also obviously exit the trade if the candle closes back on the other side of the 68EMA. Please refer to the image below for examples:



Fig 6: Ok, wow that chart looks more confusing than I thought it would. But you get the idea. You basically want to follow the trend down, setting tops at significant support/resistance and when you see a significant reversal, like a close above that s/l point, then it's time to get out. This was a long (and nice) recent short trade, I forgot to actually place a few stop loss lines at the end, but I just want you to get an idea on how you should follow the trend.

Take Profit

Obviously, your take profit is either when you stopped out with the trend....or the original 100 pip goal safety trade as I call it.

Some additional points

I want to point out again you are actually taking two positions at the start of any trade, with the first position being closed out rather early just in case of whiplashes. This first position amount should equal to the average initial stop loss amount + or – a few pips.

The main point of this system is to follow the trend. If for example, your trade is far from crossing back over and or hitting a stop loss, but yet you are starting to get strong opposite waves (IE the price is making movements up), then it's probably in good mind to start looking for a place to exit. Of course that depends on how strong the trend is (sorta discretionary), but either way you should end up ok.

I am sure I have probably not been totally clear on all things so please ask questions and or bring up concerns. I trade this naturally, you (probably) don't, so I need to make sure you understand where I am coming from.

The things I need help in are determining correct settings with other pairs on each time frame, such as EMA LWMA settings, and the safety trade TP.

If I think of anything else, of course it will be posted on this thread.

To remind you, I trade 2 lots per 10K of equity (well really 1 lot, but I am including the safety net trade). This is only because I currently only trade this pair. Earlier versions of this system, I traded on 8 pairs, so obviously I did not trade so many lots per 10K...more like 1 lot or less (since all 8 pairs didn't give a signal at once). As long as you get out the trade when signs show it (close on opposite end of 68EMA, initial SL is hit, or secondary SL's are hit) then you should be find in the long run.

That all I have for now guys, I wrote this up in an hour or so, so please forgive any typos, grammar errors etc. I am sure I am going to think of things I should of added later on...and when I do you all will know.

Thanks

-Nip

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