Super Trading Strategies

Tapping the Hidden Treasure in the Markets

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SAMPLE

A Multiple EMAs Strategy

One Way by Which a Trader Makes Money

Some think that following the line of least resistance comes with less accuracy which may make us experience some roll-downs. The reality is that a major trend tends to experience equilibrium phases and at the same time experience frequent corrections that allow smart speculators to enter the market at better prices – in the direction of the major trend. The multiple moving average strategy mentioned here shows one way of entering the markets at better prices, while making logical attempt to follow the dominant biases, especially during those transient retracements.

A Clearly Defined Trend

The FX markets remain the best trending markets in existence. When a particular currency pair or cross is trending strongly in one direction, it is easily identified on a daily chart or 4-hour chart when the EMAs (exponential moving averages) with different periods settings are sloping in the same direction. It is not prudent to trade against such a significant trend. Rather, it is prudent to look forward to joining the trend when the price temporarily gets corrected lower (or when it rallies temporarily in a clean downtrend). On MetaTrader, there are line charts, bar charts and candlestick charts. We prefer candlestick charts for this trading system.

It should be noted that experienced speculators feel their strategies are so powerful that they can enjoy prolonged pips accumulation. This feeling is justified when gains are realized from riding a long-term trend. What has become a secret of the institutional trader can also be used successfully by the retail trader. In the life span of every bias, there will be a period when there is a counter-trend move which may cause the bias to lose momentum or pause temporarily prior to continuation. Anything can lead to a counter-trend movement. Fundamental analysts will always find reasons for that. A counter-trend movement may come because speculators are no longer interested in a particular direction and are therefore pulling out their stakes. Yes, not all those who follow the same market direction will make money because of different entry prices, wide or tight stop-loss levels, wide or tight take profit levels and different trading expiration dates. In order to remain logical in our action, we must ponder these facts.

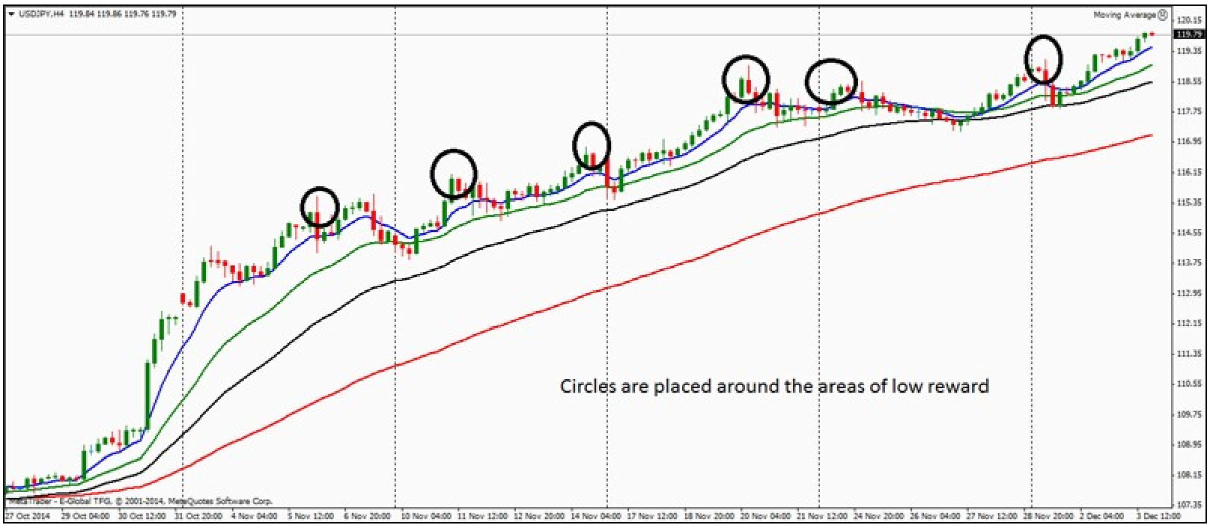
Examples

In the charts, these are the colours that are used for the EMAs:

- EMA(8) = blue
- EMA(21) = green
- EMA(40) = black
- and EMA = red

In order to see this system in action, let us look at Figure 1. We can see the USD/JPY in a very strong uptrend (4-hour chart). In 2014, this currency pair assumed one of its strongest bullish runs in recent times. The bullish movement started in July 2014 and ran till the end of that year. We want to go long in this kind of market. Nevertheless, it should be remembered that our risk is high and reward is low if we go long when price is above EMA(8). In Figure 1 you can see that the price tended to trade lower once it went above the EMA. The areas where these happened have been circled. We do not want to trade when price is above EMA(8).

F1) High Risk Entry Points



We want to go long in this kind of market.

Strategy Snapshot	
Strategy Name:	A Multiple EMAs Strategy
Strategy Type:	Trend-following
Time Horizon:	4-hour charts for full-time traders, and daily charts for part-time traders
Indicators:	EMAs 8, 21, 40 and 100
Setup:	Seek long trades only when EMAs are sloping upwards; seek short trades only when EMAs are sloping downwards
Long Entry:	When a bullish candle has formed after the price has pulled back into EMA(21) or (40)
Short Entry:	When a bearish candle has formed after the price has rallied into EMA(21) or (40)
Stop-Loss:	100 pips when price has bounced off the

	EMA(21) or the EMA(40). 200 pip-stop is recommended for Gold and Silver
Position Size:	0.01 lots for each $2,000
Take Profit:	200 pips (or 400 pips for Gold and Silver)
Breakeven Stop:	Can be set after a gain of about 80-100 pips
Trailing stop:	Can be set after about 50% of the target has been achieved
Exit:	Any open position can be smoothed manually after 30 days