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Forex Pips Gizmo

Forex Scalping Blueprint – Transcripts of "Details of Forex Scalping Bluprint"

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Hello, everyone. Welcome to this video. Let's look at the details of the Forex Scalping Blueprint. In this video, we're going to look at the details of the system, like the entry rules and the exit rules, what is a good time to trade, which currency period can be traded on, and all of the related details.

Let's look at the fundamentals of the Forex Scalping Blueprint. As we all know, all currency pairs always move in a wave fashion, where it moves up, establishes a new high, goes below, establishes a low, then moves up and moves low. If the market is moving up, it keeps on going to a particular point until the time when there is a fundamental reason for the currency pair to reverse the direction.

For example, if the federal bank decides that the interest rates have to be changed on the USD, definitely it will have some long-term impacts on the direction of the currency pairs that are USD based. The other reason can be that there is a common understanding between the traders.

By common understanding, what I mean is, for example, if the currency pair is about to touch a major support/resistance level, at this point it will see some activity happening amongst the traders, but a lot of traders will close their trades, and that will push the currency pair down, moving in the other direction. Or when the currency pair is about to hit an important Fibonacci level, at that time you will also see some activity happening with new traders that open a trade or close an existing trade and the currency pair will fluctuate in terms of the direction.

During the reversal, the currency pair establishes new reversal levels or honors existing reversal levels. By this, I mean that it will hit a Fibonacci level or extensions or Fibonacci retracements or some existing pivot points. If we are able to identify these levels accurately, they can be utilized to have some quick profits.

This is so because, like I mentioned earlier, if, for example, the currency pair is about to hit the Fibonacci level, it is also a major support and resistance level from some other trend. That is definitely a good point at which most of the traders will start to realize their profits or they will try to open a trade in the opposite direction, because they are expecting the market to bounce at this point.

So at this point, it would be a good time to enter a trade because we are assuming that the market is going to change direction, but changing the direction can be for a longer time or it can be just for a few minutes. It is a good point to enter the market, realize some profits, and get out. The key is to identify these levels precisely.

If your level identification is not good, scalping can never work. You have to be very precise in identifying at what level you feel the currency pair is about to change direction. The change in direction can be for a long time, or it can be just for a few minutes, but these levels have to be identified very precisely.

Let’s look at the details of the Forex Scalping Blueprint. The trades using the Scalping Blueprint methodology are based EUR/USD or GBP/USD. The reason I have chosen these currency pairs is because first of all, they are very liquid. These are the two most active currency pairs in the entire market. I think GBP/USD is the highest in terms of the overall momentum. They have about 140 or 150 pips in a day. For EUR/USD, the average trading range is about 125 or 130.

Secondly, EUR/USD and GBP/USD spreads are very tight. I think most of the brokers nowadays have started offering about 2 pips to 3 pips spread on the EUR/USD and about 4 to 5 pips on GBP/USD, so that’s good. In scalping, since our profit targets are going to be not as high as day trading or swing trading, you need to make sure that we trade only on the currencies which are extremely liquid and have very tight spread.

It is only on a 15-minute chart or a 30-minute chart. This will come as a surprise for some of you because you believe that scalping can be done only on a one-minute chart or a five-minute chart, but there is too much noise at that level. The technical indicators don't function as well as they work on 15 or 30-minute charts. So the Forex Scalping Blueprint is on EUR/USD or GPB/USD on a 15 or 30-minute chart.

Trading should be done only when the volatility is high. By that, what I mean is between 1:00 a.m. EST and 3:00 p.m. EST, so you have a window of about 14 hours a day. One o'clock a.m. EST is the time when the British session is in full swing, and at about 8:00 a.m. EST, the New York session opens, which typically remains very active until 3:00 p.m. EST.

The first thing every morning, you have to set up the charts using a methodology called confluence. You cannot carry over the charts left on the previous day to the next day. Every morning when you are about to start your trading, open your charts, set up the levels using the confluence methodology, which we are going to cover next. This has to be done on a daily basis. Don't worry—this doesn't take more than 5 to 6 minutes. You will see examples in the next videos. This setup is something you can use for the rest of the day.

What is confluence? Like I mentioned in the beginning of this video, there are various forms of levels where the market undergoes a reversal, like during the support and resistance levels, which could be a previous high, a previous low, or some zero-zero values. For example, if the EUR/USD currency pair is about to reach 2.0000 value, there's a high probability that you will see some form of reversal.

The next is Fibonacci retracements. These are some of the most reliable indicators you will come across. Next is Fibonacci extensions. Pivot points are more like a common understanding across multiple traders in some areas where they all feel that the market will behave in a particular fashion. Fifty exponential moving average (EMA) and 200 EMA—you would be really surprised by looking at all of the currency pairs we have at 50 EMA and 200 EMA.

What we have to do is draw all these important levels and identify the key areas where reversal probability is high. We are going to take up a chart, draw the important support and resistance that we feel, important Fibonacci retracements and extensions, 50 EMA and 200 EMA. In time you will see that there are a lot of lines which have been drawn because we are going to chart a lot of areas.

It will feel that the chart has way too many lines, but after that, we are going to use some rules to decide which levels to keep and which of the lines to delete. You are going to keep only some of those lines which you have drawn on the chart and delete the rest, because for these remaining lines, we don't feel the probability of reversal is high, so we will delete them. We are only going to keep the levels which we feel have a high probability of reversal.

You can start by drawing support levels and Fibonacci levels on a 60-minute chart. This is not a mandatory thing. You don't have to start with a 60-minute chart; you can start directly on a 15 or 30-minute chart and draw the important support and resistance levels, followed by Fibonacci levels. By Fibonacci levels, what I mean is Fibonacci retracement or Fibonacci extensions.

Also you are going to draw the 50 EMA and 200 EMA. Once the levels are drawn, the levels that are deemed important are ones where more than one trend lines meet at or around the same point. For example, if you feel that a particular level is a Fibonacci level as a low, then definitely that's going to be considered extremely important.

Next, there can be a chance where you will see that the currency pair hits a particular point, makes a low, then again tries to break the previously established high followed by reversals. This is more like a double top. The currency pair hits a high, changes in direction, makes a low, then again goes back up and tries to break that previous high.

This kind of resistance area is extremely important because we have already seen that the currency pair tried to break that level and reversed, so this level is considered to be important and we will definitely keep it on the chart. Once such levels are identified which we feel are going to be important in terms of the reversal, we are going to delete the extra lines that we feel are not going to be required.

Let me show you an example. This is a EUR/USD 15-minute chart. I'm not going to draw the full chart here; I'm going to give you an idea of what I mean by the confluence levels. We are going to draw the highs, like for example, this is a high. This is a low. If you look here, this is one low, then the currency pair tried to go up but couldn't, and it tried to break this low but couldn't, and then tried moving up again.

To avoid any confusion for a line that has been here twice, I would suggest that you take the next low and make a line. We know that these areas are very close to each other and it's definitely going to be an important support area. This is another resistance line. This is a good support. This is also a good support. This is an important high followed by another important high.

I think you are getting the idea of how to draw the support and resistance. Now to draw the Fibonaccis, go to Fibonacci retracements high and low. For example, let's take this one—this is a good trend—I'm going to use this for the Fibonacci. I am also going to use this low and make another Fibonacci. I am also going to take another swing from here to here and make another Fibonacci. Now I am going to take from here to here—that's another Fibonacci. Then I am going to take from here to here and draw another Fibonacci retracement.

The next thing is to draw some extensions. By this, what I mean is 127 and 161.8 extensions. For example, I am going to take this one and draw the 127 and 161. These are important levels. Then I can even take this one and draw some extensions, but that will go way beyond here. Basically in this example, I am showing you to give you an idea of how to draw the lines.

The next thing I am going to do is delete the lines which are unnecessary. For example, as you see here, this is a stand-alone line. I am going to delete it. This is also a stand-alone and I am going to delete it. Look at this area—this is important—you have got one, two, three Fibonaccis and two support and resistance. So this area is important and we are definitely going to keep it.

This whole area is also important because this is a Fibonacci. This is the resistance area here. So we are going to keep this and delete this one. I am going to delete this one. I am going to keep this because there are two different Fibonacci levels meeting here, but I am going to delete he one below. I am going to keep this one; I am going to just delete one of them to avoid confusion. I am just going to keep these two lines to show the daily range.

Out of these, this is just a big cluster, I'm going to remove this one and keep this. So now as you can see, the chart looks to be much clearer than what it was when we were drawing all sorts of lines. This is how you are going to draw the various confluence levels. These are the areas where you are going to see some big reactions.

What are the entry rules for scalping on a 15-minute chart? The first one is: open the trade in the direction of the reversal once the currency pair reaches the key reversal level. By this, what I mean is, as soon as the currency pair is going down and it is about to hit the key reversal level, we are going to open a buy/trade as soon as the price hits that particular level.

We are not going to wait for the candle to close. As soon as the price touches the confluence area, you may open the trade in the reverse direction. So if the currency pair is going down, we are going to open a buy/trade. We are going in the opposite direction of the current direction. Why is that? Because we assume that as soon as the currency pair touches the confluence area, it will have some sort of reversal.

It will either have a reversal which is going to continue for days or weeks or hours, or it is just going to last for a few minutes. Within this particular span of time, we are going to open a trade, make some good profit, and get out of the market. We are going to place this stop-loss 15 pips away from the key reversal level.

For example, if you are opening a buy/trade, your stop-loss should be 15 pips below the entry place. Our target is 15 pips per lot so if you are trading using two lots, you should expect a profit of 15 pips per lot. As you can see, the money management ratio here is about 1:1, which is necessary in scalping. In scalping, I've seen people keeping a risk/reward ratio to be high which is extremely risky.

For example, if your profit target is 15 pips, they will keep a stop-loss of 45, 50 or 60 pips, which I am not in favor of. I require very strong trade management principles. My stop-loss should not be more than one is to one (1:1). We are going to set the trading stop-loss at 10 pips.

You will be really amazed how accurate a 10-pip stop-loss looks. You will see the trades which are going to end in loss—a lot of those trades end in loss of just 5 pips because we have kept a stop-loss of 10 pips. So the risk to reward ratio using the Forex Scalping Blueprint is Excellent.

Like I said earlier, don't wait for the candle to close because this is not something we are entering for a long time. We don't know how long the reversal trend is going to continue once the currency pair hits the confluence area. We are going to open the trade as soon as the currency pair touches the confluence area and we are going to get out of the market once our profit target of 15 pips is hit.

The same set of rules apply to the 30-minute chart. Open the trade in the reverse direction and place the stop-loss 30 pips away, and the profit target is 30 pips. It is easy to remember: on the 15-minute chart, your profit target is 15 pips; on the 30-minute chart, your profit target is 30 pips. Again, we are going to keep the trailing stop-loss at 10 pips, and we are not going to wait for the candle to close; we are going to open the trade as soon as the currency pair touches the confluence area.

There are some important points: Like I mentioned easier, we are not going to wait for the candle to close. In case the trail lines at key levels are very close to each other, for example, if you look here, these two levels are very close to each other—they are not overlapping, but pretty close—what you can do is have the currency pair, once it touches the upper red line, you can open a trade and have your stop-loss 15 pips below the lower confluence area, the lower line.

This way, your stop-loss will be close to 20 pips. It may not be exactly 15 pips, but this will make sure that if the current market is realizing the lower level of the confluence area, you don't miss out on a profitable trade. You can keep the stop-loss 15 pips below here, or if you're not very comfortable with that, you can just keep one line and have the stop-loss below 15 pips from that line.

Out of these two lines, you can delete one and have the 15 pips stop-loss from the line where you're entering the trade. If you decide to keep both the same, you can have the 15 pips stop-loss below the lower line and have that trade open as soon as the currency pair touches the upper level.

The next thing I must tell you is don't trade 30 minutes prior, 30 minutes after or during a fundamental announcement. Why is this? Because just before the fundamental announcement is going to roll out, you will see that the market has dried and there is not enough volatility. The currency pair will just move in the rate of 5 to 10 pips, so there's not enough volatility to implement the Forex Scalping Blueprint.

After 30 minutes, you will see once the fundamental announcement is released, from that moment to the next 30 minutes, you will see that the market will move in a large range. For example, in a matter of seconds, 70 pips or 150 pips is very typical during a fundamental announcement. It will also reverse in a matter of minutes.

So 30 minutes prior to, during a fundamental announcement and 30 minutes later, it is not a good time to trade, not just for scalping, but for any kind of system, day trading or swing trading. Just make sure that your trades are not open during this particular one-hour window. If you are not into a trade, that's good, but if you have an open trade, just try to close it 30 minutes prior to the fundamental announcement.

Before we go through the trade closing rules, I'll try to show you the chart and explain what I have discussed so far. If you look here, this is our confluence area. Once the currency pair touches, for example, this level, as soon as the price is at 1.4976, you have to open the trade immediately. You shouldn't wait for the candle to close.

You have to open the trade immediately when the currency pair touches 1.4976. It's a matter of confidence. Typically in day trading or swing trading, it's more like a symbol of confirmation that the levels are holding up. Since this is scalping, we cannot wait for the candle to close. You have to open the trade immediately as soon as the currency pair touches this level.

Your immediate stop-loss should be either below the lower line if there are two lines close to each other, or it can be just below the line where you have opened the trade. You can choose to delete this one, but I would suggest you keep the stop-loss below the lower line.

Your trading stop-loss should be 10 pips, so once you're into the trade, as soon as you make 15 pips profit, at this point, we are going to close the trade. As you can see, this trade didn't last for even 15 minutes. You open the trade here. As soon as you make 15 pips profit, you will get out. The rule is the same for the 30-minute chart also. This strategy is something you are only going to use on the EUR/USD and GBP/USD currency pairs.

Now let's look at the trade closing rules. The first obvious rule is that you can close a trade, in fact you must close a trade, as soon as the profit target is met. It's very difficult if you are into profit and you have to close a trade immediately, but since this is scalping you have to maintain some high discipline.

A lot of traders don't follow this rule and after they keep their trade open, soon they will see that the market is again moving in the opposite direction and all the profit they've made is lost immediately. So it's very important that you close the trade as soon as the profit target is met, which is 15 pips on a 15-minute chart and 30 pips on a 30-minute chart.

Another trade closing rule is that you can close the trade as soon as the stop-loss is set. The third is, if the trading day is about to close, don't let the trade carry over to the next day. If you are opening the trade before 3:00 p.m. EST, it's very unlikely that your trade will last for more than one hour, so by 4:00 p.m.

EST, either your profit target would have been met or you would have met the stop-loss, but in case it has not, try to close the trade by 5:00 p.m. EST. The fourth trade closing rule is, if your trade is open 30 minutes prior to the fundamental announcement, please close the trade immediately.

I'm going to cover some examples and show you how to establish the charts in the next video. Feel free to approach me if you have any questions. Thanks! ♦