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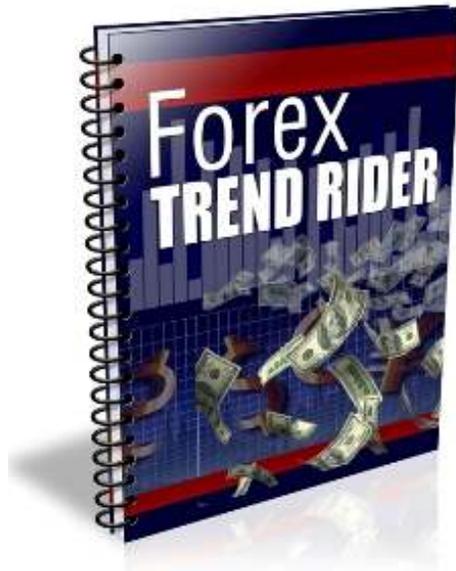
Forex Trend Rider

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Welcome to Forex Trend Rider. This forex system is based on the methodology of pre-identifying the areas where the probability of currency pair reversing in direction is high and then taking advantage of this reversal as soon as it starts happening.

Background

We all must have heard a common say "Ride with the trend..Until it bends". It is an old and popular saying that is so much true.

If I look at this sentence closely, it is made of 2 important parts –

First is "to ride a trend". Trade in the direction of the trend and you can have profitable trades.

The other part basically tells you when to stop or get out of the trade.. – "Until it bends"

Simple and straightforward to understand, *but not easy when it comes to implementing it.*

The numerous problems when trading with this approach are –

1. Often traders don't know how to recognize a trend. It is not clear if The market is moving sideways or is it trending. This has been true for a lot of people (including myself till a particular point). Identification of a trend is just not that straightforward on numerous occasions

2. Once you identify a trend, the next thing a trader needs to figure is **when should you open a trade**. What will be the precise entry point to have a profitable trade?

3. If you are in a trade, **how would you know if the "trend is about to bend"**? If the exit is not planned, you can see your hard earned profit get significantly reduced in no time.

And these are the aspects where 90% of the traders suffer. And that's because if anyone of the above areas is weak, the profitability of the trade will be questionable.

The accuracy of all the above mentioned aspects is mandatory in a profitable Trend Trading based system!

I mean imagine if any of these aspects is missing. In that case either you'll have streak of losing trades since you may be opening a position at the time when trend is coming to an end and market is about to move to other direction

Or

Your exit points will not be accurate.

That's why there are very limited good working trend based systems out there. Rest all miss one aspect or the other.

But at the same time, let me clear some notions that some of the traders carry.

See, most of the traders or at least most of the beginners feel that a trend based system is either too complicated with lot of indicators to use or it must definitely be based on some custom indicators.

Well, that's not correct and I politely disagree with them. Here is why -

1. A system or atleast a trend based system need not have too many indicators. If you think about it, just 2-3 indicators are sufficient.

There can be one indicator to identify a trend..

Other to indicate an entry point

And last to confirm the entry.

Why would I need any other indicator?

2. Next, the system (infact any system for that matter) should be least complicated. A complicated system will definitely hamper the judgment in figuring out entry and exit points of the trade which we all don't want.

And that's why the Forex Trend Rider system excels. It is not complicated in any imagination and at the same time it is highly effective.

Infact the system is based on commonly available indicators that are available in all the charting services and you don't have to pay any reoccurring subscription fee.

With that said, let us move on to the details of the system and the process behind it.

Forex Trend Rider Process

The overall FTR system is based on certain key points.

1. The 1st important key-point is to confirm what kind of trend is the market in. Is it in uptrend or downtrend or is it range bound.

   Most of the times it is very straightforward to find if the currency pair is trending or not. However in some occasions it's better to use some kind of technical parameter to gauge the strength of the trend

   We'll cover that as we go along.

2. Once we know if the market is trending, then we must identify precise entry points to ride the trend. In FTR strategy, to enter the market, we wait for a pullback.

   As we all know any trend is based on ups and down pattern. In an uptrend, market will make higher high and higher lows. In a downtrend, market moves in pattern of lower highs and lower lows.

   So, the best entry point is to enter when the market has made a low in an up-trend or if it has made an intermediate high in downtrend.

   Here is where the matter gets complicated a little. Let us take the case of a "Long trade"

   If you are looking at a chart where a pullback is in place, during the time of trade how would you know if the low made during this pullback in uptrend is the lowest for that pullback?

In the above chart where would you like to open the trade – Point A which had the trend for 57 pips or Point B with 373 pips on the table?

How would you know that Point A will result in a large trend?

Do you see where I am getting at?

What if you open a long trade based on the guess that market has made the low and is going to move up again, but instead market resumes the down trend?

So, we need some mechanism to confirm that the low made during this pullback in uptrend is probably the lowest point and from now market will start moving up again..

3. Once you have entered the trade, the rest is about the trade management and identifying when to exit the trade.

   We'll go through all these key points in the next section.

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Details of the system –

Forex Trend Rider is to be used on large time frames as it is a swing trading strategy and is targeted for large profits.

It can be used on any time frame charts which are 1 hr or above.

So,

Time Frame of the charts – 1 hr, 4 hrs, 8 hrs or Daily

Currency Pairs recommended – EUR/USD,
GBP/USD,
USD/CHF,
AUD/USD,
NZD/USD or
EUR/GBP

Indicators Used –

Forex Trend Rider uses some of the most common indicators which are –

1. Forex Candlesticks – To confirm if the pullback is over

2. A confluence of various forms of support/resistance levels –

   a. Fibonacci Retracements
   b. Fibonacci Extensions
   c. Prominent Support/resistance levels
   d. 200 EMA
   e. 50 EMA

The Confluence indicators are used to figure out areas where the probability of a pullback ending is very high!

Don't worry for all these indicators. Some of them may be removed from the charts if we find they are not going to be used in trades. We'll more about this in a minute.

But just to give you idea, here is how the chart will look like after plotting the charts correctly.

These Areas that have been identified in the above chart are having high probability where market could reverse.

(Infact in this chart, one of the areas identified later produces a trade setup where market rallies for 1100+ pips! Yes, seriously)

Forex Candlestick is one of my favorite indicators and is used to confirm if the moment is right to enter the trade or to close the trade.

For the rest of the indicators, they are used to define the entry point. This is done through a concept called **"Confluence"**

Let us learn more about **confluence** which is a very interesting!

Importance of Confluence

Each and every currency pair moves in wave pattern. If the currency pair is moving up, it moves up to a particular point till the time majority of traders place buy orders.

After reaching this particular point, the selling pressure starts gaining control and the currency pair starts the downward trend which continues till a particular level where the upward journey starts again.

And so on…

To have profitable trades, it is very necessary that these levels where currency pair changes the direction are **Pre-identified** accurately.

If you are able to identify such levels in advance, it gives you a strong edge over other traders!

Once these levels are known, then it becomes very straightforward to open trades.

For that matter, we are going to use some very well proven indicators that identify such areas of **support and resistance**.

And we are going to use these indicators very differently than how they are used by most of the traders.

Support and resistance lines come in various formats like –

1. Fibonacci Levels
    a. Fibonacci Retracements
    b. Fibonacci Extensions

2. Levels at Previous highs and lows etc.

3. Pivot Points – Since this strategy is on large time frame (1 hr or above), Pivot Points are not used. Personally I feel Pivot Points are more geared towards day trading.

Along with that I have seen that 50 EMA and 200 EMA are also good levels where market shifts the direction, even if these are not considered trend lines per se.

Let us look at these indicators in a bit more detailed even though I have covered them in the accompanied videos.

A. Fibonacci Levels

Fibonacci levels are one of the most popular indicators that are used to find out market turning points! They are based on the fundamental that market moves in a particular pattern.

The pattern being market will move up, then come down to a particular point and then move up again.

These points where market reverses are supposed to be a % of the large trend

The most popular %s that we'll use in confluence are –

      i.   Retracement – 38.2%, 50% and 61.8%
     ii.   Extensions – 127.2 and 161.8%

B. Previous High/Low levels

These are clearly the points where market gets some sort of support or resistance.

When currency pair which is moving up, reaches a particular point and reverses that is your **resistance area**

The opposite is true for **support** which is the level from where a downward moving currency pair reverses.

Infact Fibonacci Levels are also one form of Support and resistance level.

To draw Support/Resistance levels, one can simply look at the charts and identify the area from where the market has reversed in the past. Such areas are expected to again behave as reversal areas if the currency pair approaches them.

Note: If the support area is breached by a currency pair, it becomes a resistance and vice-versa for resistance!

Setting the Chart

To set up the charts correctly, it is very important that various support and resistance levels are plotted with no errors since our entry point in a trade will be based on these levels.

Here is the sequence of steps -

1. We are going to 1st plot the indicators on the higher timeframe from the one where the trades are going to be placed. So if you are trading on a 1 hr chart, plot the indicators 1st on a 4 hr time frame.

2. Once the indicators are plotted on higher timeframe, switch the chart to the timeframe where you are trading and plot the indicators.

3. This should give us clear idea of which are the prominent levels where we the market has very strong probability to getting support or resistance.

4. The remaining levels where probability is low should be deleted.

On how to setup the chart, please refer to the accompanied video

Remember, it is necessary to delete the areas where probability is low so that we don't enter the low probability trades!

Entering the trade

Once the chart is all setup, the next part is straight forward, which is to wait for the market to pull back to any of these confluence areas.

IMP: We are going to open the trade only in the direction of the overall trend!

That is why it is crucial to understand with is the direction of the trend. Incase market is moving sideways and we don't see a clear-cut trend, we'll trade in the direction of original established trend.

Here is what we have to do –

A. Once the currency pair retraces, **wait for it to hit the confluence areas drawn**.

   Importantly, the confluence areas must be hit otherwise it's a not a valid setup to open a trade.

B. Once a candlestick (Let's call it candle A) hits any of the drawn confluence areas, wait for the next candle to be formed. For a valid setup, the next candle should be a reversal candlestick

C. The next candle should be a reversal candle and should penetrate atleast 50% of the body of candlestick A, which was the candle that has hit the confluence area.

D. Incase this candle is not reversal, then within next 2 candles, the market should penetrate 50% of Candle A's body.

E. Once such reversal candle is seen, place the trade immediately at the close of the reversal candle

F. After you are in a trade, it is important that you place your immediate
    stop loss. The value of stop loss will depend on the timeframe of your
    charts. For example, on a 1 hr chart, the stop loss can be 30 pips below
    the confluence area

Let's look at an example

Example 1

The above is a EUR/USD chart. All the lines drawn indicate the confluence
levels.

As you can see, market was in a major uptrend, followed by a retracement and then it resumed the uptrend again.

So, naturally, the trades placed will be "Buy" Trades only.

Please look at the two circles **A** and **B**

They both indicate that market has bounced from one of the confluence levels.

In the **A circle**, we can clearly see that the red candle touch the confluence area and the next candle is blue candle, clearly indicating that it is a good point to enter the trade.

Though this trend lasted for just few candles and the trade would have ended in just 35-40 pips profit, it's the next bounce where currency pair moved significantly.

In the **circle B,** the 1st candle is more like a spinning top. This showed that market is getting support at this confluence area and it was fine to enter the trade at this point itself.

However, incase the trade was not opened at this candle, a person can open the trade after the occurrence of 1st blue candle. From this point, the currency pair rallied 175 pips!

Exiting the Trade

Most of the traders lose money when they don't follow any system of when to close the trade. Deciding when to close the trade is as important as deciding when to open.

In Forex Trend Rider system, we are going to close the traders when any of the below conditions are met –

1. There is a reversal signal at the established levels –
   When we are setting up the chart, we are also drawing confluence levels where the trade may close.

   Whenever those levels are hit, we must check if the currency pair is able to break those or not. Incase the currency pair breaks the level, we are going to focus on the next level for closing the trade.

   However, Incase there is a reversal seen at these levels, close the trade immediately.

2. The Stop Loss value (trailing or initial) is hit –
   In this case the trade will close by itself if the stop loss values are hit. The stop loss can either be a trailing stop loss or the initial stop loss.

How to set stop loss and take care of other money management principles, this is covered in the next section.

Money Management Principles

Managing a trade can be a real differentiator between a profitable trade and a one that ends in loss.

Infact correct implementation of money management principles can significantly improve results achieved from any trading strategy out there.

In Forex Trend Riding system, it is important that –

1. There should be a good enough initial stop loss which closes the trade incase the currency pair moves against the anticipated market direction!

   However, the stop loss should be reasonable enough. By this what I mean is that it should not be too tight where the currency pair is not having any room to breathe.

   Nor, it should be too relaxed.

2. The stop loss value should be adjusted at regular intervals as the profits in the trade increase. This is necessary so that if market reverses at any point of time, most of the profits in the trade are secured.

Below are some general values for placing initial stop loss and trailing one on multiple timeframe –

1 hr chart –

Profit	Stop Loss	Comments
0	(-) 55-60 Pips	Below entry price
40	Entry Price	
75	+35	In the direction of trade
100	+60	
125	+85	

135	+95	
145	+105	

And so forth..

4 Hr Chart

Profit	Stop Loss	Comments
0	(-) 85-90 Pips	Below entry price
60	Entry Price	
100	+45	In the direction of trade
135	+80	
170	+120	
200	+150	
220	+170	
240	+190	

And So forth…

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Now let's look at some examples –

Case Study for a Buy Trade!

This is a USD/CAD Chart. I am using it, just to show that the strategy works on a lot of currency pairs.

In this chart setup, I am showing you a lot of lines, just to show that how strong the confluence areas are for the trade.

The three rectangular boxes highlight how close all the support/resistance lines, Fibonacci retracement and extensions are. So these three levels are are strong confluence areas.

Circle A shows that currency pair has hit the confluence area which acted as resistance. Also the 200 EMA which was passing from that area, acted as resistance. So it was a good point to enter the trade.

Same with Circle B. If anyone who wouldn't have entered the trade at circle A, could have entered the trade at Point B and could have made about 252 pips

Case Study of a Sell Trade

The above is a GBP/USD chart.

I have marked to areas with **circle A and Circle B**

As you can see, at this point, market is in a downtrend. So our trade direction will be "Short Trades"

The horizontal lines denote the main confluence areas. The confluence area at circle A and Circle B is made up of a combination of 2 support lines and 1 Fibonacci 38.2 Retracement line and 1 127.2 extension line.

So, this was the area which was supposed to hold as a strong resistance.

And that's exactly what happened!

The currency pair hit the area twice and on both the occasions, the market reversed and on both the occasions had a trend of 225+ pips!

But ofcourse, with the trade management principles, during the 1st reversal (at Circle A), our trade would have ended with 185 pips, while on next, the profit would had been (255 pips)

Note: If you want to learn how to interpret candlesticks, you can use my **"Forex Candlestick Magic"** product which is manual and Video based and is available for just $37.

You can learn more about it at –

www.Forexprofitfarm.com/fsfcan

Conclusion

As you would have noted, using the confluence areas are very accurate method to place profitable trades. However, the trick lies in drawing them correctly. If they are drawn correctly, you can have a lot of profitable trades.

And by using the trade management principles, you can have high profits from a profitable trades and limited losses in the trades that end in loss.

Next thing for you is to practice drawing confluence areas. Take up some charts and draw confluence areas from the intention of understanding how to draw them, how to identify confluence areas and remove low probability areas.

At any point if you have questions, please feel free to reach out to me.

Thanks & Take Care,

Rahul