DISCLAIMER

Trading in the Forex market is a challenging opportunity where above average returns are available to educate and experienced investors who are willing to take above average risk. However, before deciding to participate in Forex trading, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency.

Moreover, the leveraged nature of FX trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated, without prior notice to you, and you will be responsible for any resulting losses. Investors may lower their exposure to risk by employing proper risk management practices.
INTRODUCTION

On the chart below: only 3 trades and 800 pips of floating profit, majority of profits locked and I am not out yet... and all this is in just one week. This pair was still heading down when I got its screenshot. When I closed all the 3 trades, it was more than 800 pips in total profit.

USDCHF trade: Pinpoint Deadly Accuracy. The trendline entry was taken in the 5min timeframe.
This is how it was turning out almost 7 hours later....

This is the power of the Trendline Trading Strategy and it:

- is dead-simple to use
- allows you enter high probability trades with pin-point accuracy and capture maximum profits effortlessly
- is price-driven entry based on what happens on touch of Trendlines
- is a trend following strategy that will allows you to make trades with the trend which means you have the odds stacked on your side.

**OVERVIEW OF TRENDLINE TRADING STRATEGY**

**Timeframes:** Any

**Currency Pair:** Any

**Indicators:** Nil
This is a general setup for Long Entry (or buy setup).

![Diagram of Long Entry Setup]

**GENERAL TRADE SET UP:**
--- points 1 & 2 are used to draw a trendline
--- wait for points (3) & (4) etc to happen for entry
--- points (a) & (b) are used to take profit & exit

This figure below is a general setup for Short Entry (or sell setup).

![Diagram of Short Entry Setup]

**GENERAL TRADE SET UP:**
--- points 1 & 2 are used to draw a trendline
--- wait for points (3) & (4) etc to happen for entry
--- points (a) & (b) are used to take profit & exit
You could have taken these trades shown below with almost pin-point deadly accuracy with the Trendline Strategy.

I want you to **notice how the market reacted and responded** to the trendlines drawn above.

How many times did price bounce up on the first trendline? 4 Times, therefore 4 opportunities to buy(or go long).

Trendline Trading Strategy also allows you to get in at almost the beginning of a new trend or start of market swings (tops or bottoms) or if you miss the beginning, you hop in along the way and this makes it one of the best swing trading systems simply because it does not involve indicators but just an ability to trend a trendline and use that with price action alone.

*Let me show you one more chart.*

Notice how many times price reacted and obeyed this trendline below. Would you have made money if you had gone short? Yes.

This is about **KEEPING IT SIMPLE.**
Before I get you into the rules of the Trendline Trading Strategy, you need to build a good foundation of understanding how this trading strategy works.

This includes:

- how to draw valid trendlines
- when is a trendline still valid and when does it become invalid
- understanding some common mistakes in drawing trendlines
- how to know which trendlines are most likely to hold and which ones will not
- support and resistance and how to use them to your advantage
- understanding trends and know when they may be starting or ending
- technical analysis—the best way to analyse your charts without too many indicators (matter of fact, you don’t need any indicator at all but just price)

Having a good understanding of the points listed above is very essential for the successful application of the Trendline Trading Strategy.

**HOW TO DRAW VALID TRENDLINES**

There are two types of trendlines, the upward (or uptrend) trendline and downward (downtrend) trendline. How do you draw trendlines? Easy, in 2 simple steps. Here they are:

**STEP#1:** Identify **obvious** peaks and troughs.
**STEP#2(A):** Connect a minimum of 2 peaks (or highs) with a line from left to right and you have a downward trendline.
**STEP#2(B):** Connect a minimum of 2 troughs (or lows) with a line and you have an upward trendline.
HOW TO DRAW TRENDLINES

STEP #1: IDENTIFY OBVIOUS PEAKS & TROUGHS

peak

trough

HOW TO DRAW TRENDLINES

STEP #2A: CONNECT THE PEAKS

HOW TO DRAW TRENDLINES

STEP #2B: CONNECT THE TROUGHS
Key points you need to know:

- When you draw trendlines, they would usually fall into the outer trendline and the inner trendline.
- Outer trendlines are the usually the main trendlines drawn from *much* significant peaks or troughs and they are quite obvious in the larger timeframes like 1hr and 4hr and upwards.
- Inner trendlines are trendlines drawn within or inside the outer trendlines and generally, you when you switch to smaller timeframes, you tend to get a lot of inner trendlines.
- These peaks and troughs that are used to draw inner trendlines are sometimes quite difficult to spot if you are in a larger timeframe like the 4hr or the daily but when you switch to the 1hr or the 30min and 15 min, the peaks and troughs become obvious to draw these inner trendlines.

That is how simple it is to draw trendlines.

**Now, for most beginners, the confusion begins when they look at a chart and see too many lows and highs and they just cannot figure out which two they are going to use to draw a trendline.**

The solution to this problem comes down to prioritizing which lows or highs to use and the general rule is this:

- For lows, the one with more higher candlesticks on its left and right will be more significant than the one with lesser candlesticks on its left and right
- And it works the same for highs except that it is completely opposite: you should be looking for more lower candlesticks.
The chart below makes this concept a lot clearer.

There are 3 significant lows on the chart (numbered 1, 2 & 3) and notice that on each of these lows, there are more higher candlesticks on both the left and the right sides of the low.

In other words, you look for highs and lows that are easy to spot. Let me explain further:

- When you select the 2 highs (for drawing downward trendline) or the 2 lows (for drawing upward trendline) they must be visible or obvious to everyone else. There should be no ambiguity. Everyone else must be able to see or spot them clearly.
- And if the lows or highs can be clearly seen and identified, that means that they are significant because that is where the market has been observed to reverse significantly.

On the chart below, how many “visible” or obvious...AND, therefore significant lows can you find?

I can see 4...can you?
Here they are...

So there you have it...

And this is what you get when you draw an upward trendline connecting the first two lows...and on the 3rd and the 4th low when price came back down to test the trendline, you could have entered long with very LOW risk and made good amount of profit in each trade.

Here is another one...Notice on the chart below, the Lows are obvious and therefore easy to spot (significant) and the result is you get a nice upward bounce when price came down tested the trendline that was drawn.
A downward trendline is trendline drawn when you connect a minimum of 2 peaks or highs as shown below. Notice that the peaks or highs are obvious and are easily spotted by everyone.

So now this should clear any confusions about deciding which high or lows to use to draw a trendline.
But I also notice that many great trade setups occur on trendlines drawn from insignificant lows or highs...or from combination of both significant and insignificant lows or highs...what can you say about that?

If you are a beginner...to avoid the confusion, stick to only drawing trendlines based on significant highs (peaks) or lows(troughs). As you gain more experience and confidence, you can start trading off trendlines drawn on insignificant lows or highs or combination of insignificant and significant lows or highs.

The chart below shows an example of this situation.

These trendlines drawn from insignificant peaks or troughs are simply inner trendlines.

It does take a bit of practice and skill to be able to draw inner trendlines when it comes to picking which two points to use. The more you practice, the more you will be able to do this easily.

**VALID AND INVALID TRENDLINES**

- A trendline is valid as long as it is not intersected significantly and price continues to obey it.
- A trendline becomes invalid when it is intersected significantly and this could mean that the trend has now probably changed.

How can you tell if a trendline is “intersected significantly” which could mean a trendline breakout or not?

There is no exact formula to determine that, but here are 3 things that I look for:

- #1: The candlestick that intersected the trendline, has it CLOSED above or below it?
#2: The length of the body of the candlestick (if it is long or short) that closed above the downward trendline and below the upward trendline.

#3: The CLOSE of the 1hr or the 4hr candlesticks

I will explain in detail now...

#1: The candlestick that intersected the trendline, has it CLOSED above or below it?

If a candlestick closes above a downward trendline by a significant distance then that may be a signal that the downward trendline is now violated.

The opposite is also true for an upward trendline: if the candlestick closes below it significantly, that may be a signal that the upward trendline is now violated and the price would now be heading downward.

If a candlestick just intersects but fails to close above/below a downward/upward trendline, then expect the trendline to be obeyed.

#2: The length of the body of the candlestick (if it is long or short) that closed above the downward trendline and below the upward trendline.

The longer the length of the body of the candlestick that closes above/below a downward/upward trendline, the greater the possibility that the trendline has now been violated.

Note:
If you see that a shorter length of the body of the candlestick that intersected the trendline that closed above/below a trendline, this is a likely indication that the market has lost its momentum and even though it has intersected the trendline and may close above/below it, there is great possibility that the price will continue to obey the existing trendline.

You would need additional confirmation and the best way is the use of reversal candlesticks. More on that later.

- The close of 1hr and 4hr timeframe candlesticks are very important in determining if the trendline is likely to be broken on not.
- If you see a 1hr candlestick closed below an upward trendline, there is a great chance that that trendline is now intersected and price will continue to move down.
- The opposite is also true for downward trendline.

**Generally, the 1hr close above or below a trendline has more significance than any other timeframe closes.**

That is why on many occasions, you see a trendline intersected significantly in a much smaller timeframe like the 5min, 15min or 30 min and you may think that the trendline is intersected but then the 1hr candlestick eventually closes
above (or below it for downward trendline) and then you see price continue to obey the trendline.

For example: This is the 5min chart showing the upward trendline being intersected and couple of candlesticks closing below the trendline.

The next chart is the 1hr chart of the same pair above showing the 1hr candlestick (red) which intersected BUT closed above the upward trendline...

And this is the chart showing what happened next as the result of the 1hr candlestick close...
1hr & 4hr candlestick closes are very important, remember that.

Do you understand what I'm showing you here?

Ok, one more example of using the 1hr and 4hr closes then.

In the 1hr chart below, notice that the downward trendline is intersected significantly. Remember what I mentioned above about length of the body of the candlesticks? Looks like trendline is intersected significantly because the 1hr candlestick closed significantly above the downward trendline...what do you think?
About 3hrs later in the 4hr chart, this is what happened...Now, what do you think is most likely to happen?

And this is how it turned out...

Can you see how important the closes of 1hr and 4hr closes are now?

- Start paying attention to the closes now especially when they happen around trendline entry points.
- You need to also pay careful attention to the lengths of the bodies of candlesticks around trendline entry points because they will give you an indication of the sentiment of the market.
On the chart below, there are 2 downward trendlines. In each instance, observe that the candlesticks that intersected the trendlines to the upside were very bullish candlesticks with very long body and they closed significantly above the trendlines resulting in the trendlines becoming invalid.

Notice in the chart below that the candlestick that intersected and closed above the trendline lacked upward momentum (very short body failing to close even more than 50% above the trendline) and what happened is the price is made to obey the trendline once again as the market took a nose-dive.

One more example...
What can you say about the length of the bodies of the candlesticks numbered 1, 2 & 3? Do you notice something? And what happened after that?

The first chart above shows 2 very bullish candlesticks #1 & #2 with very long bodies indicating a very strong upward momentum. Then #3 candlestick is formed, by contrast, it has a very shorter body than the first two. So we know the market is losing its steam. The second chart is what happened as a result of the #3 candlestick. Got it?

The full chart is shown below so you get a bigger picture of how this one turned out.

Now you may ask, does it always have to be short candlesticks? No, long candlesticks too can be included. But guess what? All that will be revealed soon.

Keep reading.

4 COMMON MISTAKES IN DRAWING TRENDLINES
Let me be honest here. The successful application of the trendline trading strategy depends a lot on you drawing quality and valid trendlines. You just cannot afford to mess up with this, ok? You’ve got to be precise, spot on. Here are some common mistakes I have observed from many traders asking me if they where drawing the right trendlines or not.

**Mistake#1: Drawing trendline through an obstruction.**

There should not be any price obstruction between point 1&2. This is highlighted by the blue area with an "x".

Similarly for drawing upward Trendlines. Between point 1 and 2, there must be no price obstruction.

**Mistake#2: Drawing Through Wick and Body of Candlesticks**

Some beginners draw a line through the general direction of the trend. They break all the rules here. If the trend line is drawn and crosses a lot of wicks and body of candlesticks, it does not give you any information regarding where the support or resistance level is located. This is a wrong way to draw a trendline.
Mistake #3: Not drawing a New Trendline and Keeping A Breached Trendline

This is the case where there is a FALSE break or breach of a trendline and then market continues in the original trend direction it was heading previously.

If the price breaks the trend line significantly, that trend line is no longer valid. If the market continues in the same direction then a new trend line can be drawn as shown in the chart below based on the new high (or low) that is formed.

Ok, what if the breaching is not significant? What if price forms a high (peak) or a low (trough) after breaching or intersecting a trendline (not significantly) BUT later goes back and continues to obey that trendline...should you keep the existing trendline or draw a new one?

The best practice is to draw a new trendline.
However, even in saying that:

- I usually keep the breached trendline because price is still obeying it and I would ALSO draw the new trendline using the new high or low point that was made.
- My reason for keeping the breached trendline is based ONLY on: HOW FAR the price has moved in relation to the trendline that was breached.
- If significant like the above chart, I will not keep that trendline.

Why do I do that? I will show you why. See the chart below?

Price breached and made a low under the red trendline and then came back up and started to obey this trendline again and some time later, an opportunity to Buy for a 2nd time was presented which could have resulted in a highly successful trade.

*If I had removed the first trendline (red) simply because it was temporarily breached, I would have missed out on taking a nice trade setup.*

That’s why I would still keep breached trendline depending on how far away the price has moved and also pay close attention to candlestick patterns around this kind of setup as well.

**How Far Away in Pips is reasonable to keep a breached trendline?**

Quite Difficult to give an exact answer on this because the “how many pips” also depends on the timeframes. So for example: in a 5min timeframe, keeping a breached trendline which is 5-10 pips away is still ok but wont be ok if its like 30 pips. In 1hr timeframe, 20-40 pips is reasonable. In 4hr timeframe, keeping a breached trendline 40-60 pips will still be ok because it is a larger timeframe.
Mistake#4: Drawing Trendlines that are NOT touching the peaks or troughs

This is one major mistake that I have observed a lot. What happens is that traders fail to **actually connect** the 2 peaks or troughs that are required to draw a trendline. The trendline MUST touch these two points that you use to draw the trendline.

If you fail to do this properly, you will have situations like shown on the chart below where the trendline is not touched and price moves away from it...AND...if you were waiting for a touch of trendline so that you can enter...Guess what? You will NEVER get it!

**STRONG AND WEAK TRENDLINES**

The more times price comes, touches and then is made to obey a trendline determines the **strength** of the trendline.
If price is made to obey a trendline more than once, consider that as a strong trendline.

Additionally, there is something else which I also use to give me an indication of how strong a trendline will be: the steepness of the trendline. You may also call it the slope of the trendline.

You will notice on charts that the most reliable or strong trendlines are gently sloping trendlines. The steeply sloping trendlines are generally, very unreliable.

**Question** Why are steep trendlines most often the weak or unreliable ones?

**Answer** The market cannot be sustained at this steepness for a very long time...that's why!

For very steep trendlines, price usually obeys the trendlines only once or sometimes none at all.

In the chart below, notice that price climbed up at a very steep angle, and even couldn’t obey or find support on the very steep trendline that was drawn...it just busted its way right down. Later price found a much lower level of steepness which was sustainable, and then it continued to move up again.
Price tends to react predictably on gentle sloping trendlines by obeying it than on steep trendlines.

The chart below show shows what I mean. Also notice how the market reacted and how many times it obeyed this trendline.
Here is another example...

Gently sloping trendlines are very strong trendlines so always keep an eye for multiple trendline trading setups.

**This information is very important because:**

**#1:** If you are in a trade based on a steep trendline entry on the first buy or sell setup, you should look to take your profit quickly, lock in your profits quickly or move to break even quickly because, you know that the steepness cannot be sustained for a very long period of time.

**#2:** Don’t rush to get in on a trade based on a steep trendline especially if it is on the 2nd or 3rd buy or sell setup as there is a greater probability that the market would have lost its steam by then and may start to reverse very quickly.

**SUPPORT AND RESISTANCE**

When we draw trendlines, we are operating on two very important concepts: Support and Resistance.

**Trendlines whether up or down, when drawn on a chart indicates where price is most likely to find diagonal support and resistance in the future.**

In a bearish trending market, the downward trend line provides the resistance: price go up and reverses back down from the trendline.
In a bullish trending market, the upward trendline provides support for prices: prices go down touch the trendline and bounce back up from the support provided by the upward trendline.

Trendlines are as good as long as price keeps obeying it. When price breaks or intersects a trendline that may signify a trend change.

Trendlines provide support and resistance diagonally and should not be confused with horizontal support and resistance levels.

But I will show you a technique here where you can actually combine these two for trade entry setups.
COMBINING TRENDLINE SUPPORT AND RESISTANCE WITH HORIZONTAL SUPPORT AND RESISTANCE FOR TRADE SETUPS & ENTRIES

This is one of the most powerful techniques to get into high probability trades and it is to your greatest advantage to be able to spot this setup when this happens and take trades based on that.

See chart below.

A trendline entry setup happens which also coincides with a previous resistance level intersected now turned support. Now you have two supports working for you at the same time at the same level:
- the trendline providing support and
- the previous resistance level turned support also providing support.
So what is the most likely direction price is going to go? Up!

How does a short trade setup look? Just the exact opposite! The previous support level broken becomes resistance level and the level where this happens coincides with a downward trendline entry point. A chart of this situation is show below.
Now, the two charts below show another way in which you can use trendlines and horizontal support and resistance levels. This chart below shows a trendline short trade setup that coincides perfectly with horizontal resistance levels.

The exact but opposite setup for the above chart but this time, it is the long setup based on support levels coinciding with upward trendline entry.

So now you know:
- When you are trying to enter into a trade based on a trendline setup, keep this also in the back of your mind.
- It is a good practice to check to see the level where you are entering a trade has a:
  (a) horizontal support level or
  (b) horizontal resistance level or
  (c) support level-broken-turned resistance level or
  (d) resistance level-broken-turned support level
working in your favour or not.

As a trader, you’ve got to be aware of these kinds of things and don’t take it lightly.

**THE TREND IS YOUR FRIEND**

Follow the trend and get paid big time.

**If the market is moving downward, it will CONTINUE to move in that direction until an opposite force comes into play.**

What opposite force? Support levels, upward trendlines, news. These are the things that can change the direction of the market.

Can you paddle a canoe upstream? In some cases you can but only for a short while because you are going against the current and sooner or later you will tire out and quit. Same thing in forex trading.

Plain simple concept but many totally ignore this and pay a high price for that.

The first thing when you open a chart within less than 5 seconds you should know what the present trend is and you should also know if a trend might be ending and a new one starting. This section is about that.

What is a trend? Trend is simply the overall direction in which price is moving: up, down or sideways. There are 3 types of trends. An uptrend, a downtrend and a sideways trend.

- An uptrend is where there is a consistent move higher where the market is making successive Higher Highs (HH) and also Higher Lows (LH)

- A downtrend is where there is a consistent move lower where the market is making successive Lower Highs (LH) and Lower Lows (LL).

- In a sideways trending market, prices will be contained within a price range until it breaks out. Consider this as a resting period. After resting, it usually continues in the direction of the overall trend.

The chart below is an example of a market in an uptrend. Notice the “increasing peaks” or Higher Highs and the “increasing troughs” or Higher Lows.
The chart below is an example of a market that is in a downtrend. Notice the “decreasing peaks” or Lower Highs and the “decreasing troughs” or Lower Lows.

The chart below is an example of a sideways or flat trending market.
When does an upward trend change to a downtrend and vice versa and how do I spot it?

**Question**

**Answer**

Uptrend changes to downtrend when the pattern of successive Higher Highs and Higher Lows is broken with a formation of a new Low that is lower than the previous low. This is the beginning signal of a possible trend change.

Downtrend changes to an Uptrend when the pattern of successive Lower Highs and Lower Lows is broken with a formation of a new high, that is higher than the previous high. This is a signal that the trend may be changing to an uptrend.

The chart below clearly illustrates the points made above and shows how an uptrend changes to a downtrend and vice versa.

- When a HL is broken, it gives the signal of a possible downtrend
- When a LH is broken, it gives the signal of a possible upward move
You must fully understand this concept because I believe it gives you the ability to just glance at your chart and know if you are in an uptrend or downtrend situation and also it gives you the ability to spot if a new trend has just started.

If you are wondering “how does this information fit in with the trendline trading strategy?”

You don’t need to be a rocket scientist to figure it out...there are 2 reasons for this...

**Reason#1:**
I want to be able to get in a trade at the very beginning of a trend when the signal is given that a trend change may be happening

**Reason#2:**
If I have been locking my profits and trailing stop my trade under higher lows or lower highs, it signals my time to get out or even better, the market actually takes me out!

And the very good example for Reason#1 is displayed in the chart below.

First, a HL is intersected giving a possible downtrend signal. Second, price goes up to touch the downward trendline. Knowing already that a downward trend signal **has been already given** and now that a trendline setup is happening, you should be confident to enter a short order.

What happens next? The market falls!
Am I correct to say that if a trader entered a short trade as shown, would he have entered a trade at almost the BEGINNING of a downtrend? Definitely!

This example above shows how the information on “how trends change” when combined with trendline trading strategy allows a trader to get in at almost the beginning of a new trend!

Always keep this at the back of your mind when you are analysing charts and waiting for setups.

In the chart below, notice that the Higher Low, HL, was intersected and price plummeted. Later, a Lower Higher, LH is intersected, signifying an uptrend signal. So this looks like a beginning of an uptrend happening right here.

So now you can see the importance of understanding trend changes and if you can be able to spot them and use this information in conjunction with trendline entries, it essentially allows you to jump in a trade at almost the beginning of a new trend.
SHORT, MEDIUM AND LONG TERM TRENDS AND TRENDLINES

We can further break down trends into 3 types:

- The short term trends
  Short term trends are found in timeframes anywhere from 1min up to 30mins.

- The medium term trends
  Medium term trends can be found in 1hr up to 4hr timeframes

- The Long term trends
  Long term trends can be found on 4hr, daily up to the monthly.

Based on the above, we can further classify trendlines into 3 types of trendlines:

- Short term trendlines (1min up to 30mins)
- Medium term trendlines (1hr up to 4hrs)
- Long Term Trendlines (4hr up to Monthly)

Long Term Trendlines have more significance over Medium Term Trendlines which have more significance over the Short Term Trendlines.

What this means is very simple...for example, a short term trend is down but the medium term trend is up...so as this short term downward trend approaches the level or zone of influence of the medium term trend provided by the upward trendline 2 things usually happen:

#1: The short term trend continues to move down in violation or total disregard to the medium term trend and trendline which should have acted as support...meaning the medium term trendline is intersected and now becomes invalid. In this case, this may be the start of a new downward medium term trend.

#2: The short term trend bounces up from the medium term trendline and obeys it.

Let me ask you a question:

If you put Bart Simpson and Moe in a ring, who do you think is going to win the fight?

The big ugly, never-aging old Moe is going to win...most of the time anyway...when “Big Daddy” Homer Simpson is Not around...
A similar situation happens in the markets...you go long in a 15min trendline entry and the market is going up nicely and soon you come to an opposing medium term downward trendline. The medium term Trendline has more significance than the short term trendline, therefore, the market has a very high probability of obeying the medium term trendline, even though right now the market is going up on the 15min timeframe. Here is an example of that situation.

Now you know what can happen if you ever come across this situation. Mind you, they happen frequently.

So if you are in profit based on a trade taken on a short term trendline and a situation like the above is playing out, you may:
- decide to take some partial profits off the table and leave the remaining lots running at break-even
- or move your stop loss tighter to lock your profits in case the market moves against you. If it does, it’s doing it for a good reason...as long as you have profited from the trade you took.

However, if it intersects the medium term trendline and price continues to go up, good on you...now you can ride out the trend (if you have no profit targets), just by trailing it with your stop below higher lows that form as market continues to move up.

Next example...

The chart below shows a very good example of this situation and it happens all the time. That is why it is important to understand this and have a big picture of the Long Term and Medium Term Trends and trendlines when you are entering trades in short term trends based on short term trendlines because you don’t want to be caught scratching your head and left empty handed and wonder why the market has turned against you at a particular level.
Trades taken based on Long Term trendlines and Medium Term Trendlines have a higher probability of success which means big profits when market moves in your favour.

Here are some important points:

- Trading in much smaller timeframes using setups happening in the smaller timeframes sometimes can be very stressful because you will have to spend a lot more time watching every price movement and you will not have a bigger picture of what is happening in the larger timeframes where when trends form, they override the little trends that may be happening in the smaller timeframes.
- I do not mean to say that trading in smaller timeframes like 1min to 5min it CAN’T be profitable. It can be.
- Sometimes when I am waiting for setups happening in the 1hr or 4 hr timeframes (which would be hours away from happening!), I would switch to 1min and the 5min timeframe to see if there are any trendline setups and take trades in these small timeframes and collect anywhere from 10-20 pips profits quite easily while waiting for these larger timeframe setups to happen.
- If you want to trade in smaller timeframes then it is a good practice to use 15min or even 5 min as your “larger timeframe” to draw trendlines and enter in the 5min or 1min timeframes.
- Ideally, you should focus on currency pairs that have lower spreads like the EURUSD and GBPUSD.
- My favourite entry timeframes are the 1hr and the 4hrs and I like to keep my trades running for days and even weeks if there is a good move and keep riding that move.
- But the best way is to switch to smaller timeframes to trade setups that happen in the larger timeframes. This will allow you to make fewer trades but high probability trades that have the potential to bring
massive profits because these trades are based on trendlines drawn from larger timeframes.

THE BEST WAY TO ANALYSE CHARTS

Do you know the best way to analyse a chart? If you don’t know, I will tell you now...the answer is MULTI-TIMEFRAME ANALYSIS...

My chart analysis is nothing but JUST drawing trendlines...starting from the monthly charts down to the hourly.

This is how I do it in 2 simple steps:

#1: I start off with the Monthly chart to see if I can find obvious peaks and troughs to draw trendlines there...if I can draw trendlines, I draw them and if there is no peaks or troughs to draw trendlines, I switch to the next timeframe, the weekly chart.

#2: And so the process is repeated from the weekly chart down to the hourly chart.

For the sake of clarity, you can use different coloured trendlines for each of the different timeframes you draw trendline in.

Let’s analyse a EURUSD chart as an example.

Beginning with the monthly timeframe, I see that I can draw 2 trendlines, one up and one down. Let me use a yellow coloured trendlines for this example, ok?

One thing IMMEDIATELY gets my attention! I notice that the price is very near to the downward trendline on the monthly chart...
Now to the weekly chart. Can I draw some trendlines...yes, 2 upward trendlines, I give them a blue colour...did you notice that I can even draw a downward trendline on the weekly chart if I hadn’t drawn one from the monthly timeframe? However, this has already been done in the Monthly chart so the monthly trendline must remain as it is...

![Weekly Trendlines](https://www.forextrendlinetrading.com)

Now, for the weekly timeframe chart above, I can clearly see that *Price is now very near to and approaching the downward yellow trendline drawn from the monthly chart...* so I know, maybe in the coming few days, the price will reach this trendline and I will be waiting in the 1hr or 4hr timeframes (even 5min, 15min or 30min timeframe) to get in on a trade setup that is capable of giving hundreds to thousand of pips.

Next the daily timeframe. Can I draw some trendlines? Yes, 2 trendlines, one up and one down. I give them a white colour. Notice that the yellow downward trendline drawn from the monthly timeframe... it is very close, isn’t it?

![Daily Trendlines](https://www.forextrendlinetrading.com)

Next is the 4hr timeframe. Can I draw some trendlines on this one? Yes, 3 trendlines, 2 up and 1 down. I give them a pink colour.
Notice in the above 4hr chart, a short trade setup may be happening as now the price is touching the downward pink trendline. I will go down to the 1hr chart to see what is happening there.

The 1hr chart. Can I draw any trendlines? Yes, I can draw 2 trendlines, both of them upward trendlines. I give them a red colour. I can draw a downward trendline but that has been done in the 4hr timeframe so best leave it that way...

Now, there is a possible short setup happening. I can see that the previous candlestick intersected the downward trendline but failed to close above the downward trendline which is an indication that this downward trendline may hold and price may fall...however:

- I will wait to see if the present candle will close above or below this trendline and
- I want to see whether this candle that is forming is going to be a reversal candlestick pattern
...if it closes below the trendline and it is a reversal candlestick then I will place my order to go short.

BUT!!! I know that the overall sentiment of this market is still Bullish(main trend=uptrend). Even If I go short on this setup, I should keep that in the back of my mind. These are the kind of things as a trader you should be able to know.

So now you can see what I have done and what I am thinking and LOOKING FOR when I do my chart analysis.

- I have started from the monthly down to the 1hr timeframes drawing trendlines and as I am doing so...
- I am ALSO paying attention to WHERE and HOW FAR or HOW NEAR the price is in regards to those trendlines I have drawn...why?
- Because, the closer I spot price nearing a trendline, I KNOW there is possible trade setup happening.
- Also, if I am in a profitable trade, I know where the opposing trendlines are so that I can manage my trade more effectively by moving my stop loss tighter to lock profits or may take some partial profits off instead of being caught by surprise.
- If I’m in a trade or thinking of jumping in, it also pays to know where significant horizontal support and resistance levels are on the charts. These levels also provide turning points for market reversals so don’t ignore them but work with them.
- Remember also that larger timeframes cover up many good trading opportunities that happen in the lower timeframes so having a good understanding of what is what is happening in the larger timeframe and then getting into the smaller timeframes for trade entries and trade management is part of the strategy to winning consistently.

Note: you do not need to draw trendlines everyday on the same charts. If a trendline gets intersected and invalid, that is the only trendline you remove and leave the rest to stay on your chart. Usually the Long Term and Medium Term Trendlines will stay in your chart for a long time until they get broken.

How many currency pairs do I Analyse?

I analyse ALL of them. That does not mean I take every available setup that occurs.
The following chart below gives an example of what happens when you focus ONLY on ONE timeframe without considering what happens in the larger timeframes.

Well... this is the reason why...

...so now you can see how important this approach is? So instead of pulling out your hair and wondering why because you just get glued to one particular timeframe, learn to see things from multi-timeframes.

See things from the larger perspective so you know what can happen...Get the BIG PICTURE first.
THE RULES

TRADE ENTRY TIMEFRAMES

I often use the 1hr and 4hr timeframes for my entries. I tend to switch back and forth between these two timeframes looking for high probability reversal candlestick patterns as confirmation for me to enter a trade (more on that later). I also go to the smallest timeframe possible like the 5min up to the 30min to enter a trade based on trendlines drawn from 1hr up to the monthly.

Why smaller timeframe entries? Three reasons

Reason#1: This allows me to get an early head start and if market moves in my favour, I will be in more profit than if I took a trade based on the 1hr or 4hr timeframes.

Reason#2: Minimize risk. Getting in on trades in smaller timeframes also allows me to have smaller stop loss sizes.

Reson#3: If my stop loss is small, then I can increase my lot sizes while still maintaining the same level of % risk per trade on my account. This is all about position sizing and risk management. For example, if I trade from the 1hr timeframe, my stop loss can be 20pips ($200 risk for 1 standard lot) and I can trade only 1lot but if I go to the 5 min timeframe and get in early, my stop loss can be 10 pips. So that will allow me to trade 2 lots and still keep my risk at $200. And mind you...when trade moves in your favour, you stand to make a lot of money in this way. This is the best example of using leverage to your greatest advantage!

ORDER TYPES

I use Sell Stop and Buy Stop Orders. I also use instant market orders for “aggressive entry technique” which you will soon discover.

SHORT ENTRY RULES
Rule #1:
A trendline is drawn connecting a minimum of two previous lower highs, LHs (or peaks)

Rule #2:
At the CLOSE of the candle that comes:
(a) very close to or
(b) touches or
(c) intersects the trendline but must not close significantly above it,
A sell stop order is placed just a few pips (2-5 pips depends on spread) under the low of the candle.

Rule #3:
Place Stop Loss just above the peak near the short trade entry area. Usually, the stop loss placement is above the high of the candlestick that you placed your pending order. You can place your stop loss at a distance of 5 pips above the high or if you think this is too close, you can increase the stop loss size to 10-15 pips depending on your risk tolerance level.

Rule #4:
Set the profit target within previous significant low (or trough). Switch between different timeframes to identify suitable troughs for placing profit target if you can’t find anything in the timeframe that you are entering in.

Note:
If the order is not activated, continue to move order under the Low of the next subsequent candle (that has a Higher Low) that is formed until price reverses and the sell stop order is activated. Cancel order if a candlestick closes significantly above the trendline.

LONG ENTRY RULES
Long Entry Rules in detail....

**Rule#1:**
A trendline is drawn connecting a minimum of two previous higher lows (or troughs)

**Rule#2:**
At the CLOSE of the candle that
(a) almost touches,
(b) touches or
(c) intersects the trendline but does not close significantly below it.
A buy stop order is placed just a few pips (2-5 pips + spread) above the high of the candle.

**Rule#3:**
Place Stop Loss just below the low or trough in the trade entry area. At most times, the stop loss placement is just below the low of the candlestick that you placed your pending buy stop order. By How many pips should your stop loss be placed under the low? By 5 pips. If however you think that is too close and you don’t want to get stopped out prematurely, you can increase it to 10-15 pips if you want depending on your risk tolerance level.

**Rule#4:**
Place profit target within previous Higher High or peak you can see in that timeframe. If you can’t see a suitable peak, switch to a larger timeframe, you might see something.

**Note:**
If the order is not activated, continue to move buy stop order few pips above the High of the next subsequent candle (that has a lower high) that is formed until price moves back up and order is activated. However, if a candle closes significantly below the trendline, cancel the buy stop order.

Now, the rules above are what I call the “conservative” rules or entry technique. But over the years, I began to realize and notice something interesting which I failed to grasp at that time but now has more appeal to me than the “conservative” entry rules above and from this was developed what I call as the “aggressive entry technique rules”.

www.forextrendlinetrading.com
Let’s get into it...

THE AGGRESSIVE ENTRY TECHNIQUE RULES

The Aggressive Entry Technique is entering at INSTANT MARKET ORDER immediately when the trendline is either touched or almost touched.

Stop loss is placed 10-30 pips away from entry and profit target placements are similar to the above rules.

An example of an aggressive entry technique was this trade you saw in the beginning...I took this trade while waiting in the 5min timeframe. My stop loss was only 15 pips.

Why Use Aggressive Entry Technique?

Here’s why:

Reason #1: You are getting in before the market actually turns. You are betting that the price will just come close to or touch or maybe just go up a few pips above or below a trendline and then move back almost immediately away from it to continue obeying the trendline.

Reason #2: Minimizing Risk. This is almost like entering a trade in a smallest timeframe possible so that your stop loss is quite small...well, in fact, it is! You can actually switch to a smaller timeframe like a 1min or 5min timeframe and when you see a “bounce” off the trendline, sell or buy immediately at market and place your stop loss 10 pips away if you prefer!

Reason #3: I can trade a lot more contracts because my stop loss would be quite small (just like entering in a smaller timeframe). I am using leverage to my greatest advantage without increasing my risks at all! If my risk is 2% per
trade then I can increase my lot sizes and my risk will still be 2% because I have a small stop loss distance.

**Reason#4:** *It is better to be wrong very early and suffer a little loss and be wrong late and suffer a big loss.* Trading off the 1hr or 4hr timeframes, stop loss sizes may be 20-60 pips but with this, it may be from 10-20 pips only.

![Image of Forex Trendline Trading]

Advantages of this technique:

#1: if the trendline holds, the market has a tendency to move very quickly away from your entry point allowing you to be in the positive territory (profit) very quickly. *(Therefore do not hesitate to pull the trigger, price won’t wait for you)*

#2: The quick price movement allows you to move your stop loss to break-even very quickly

#3: Less risk. You can actually place trades with 10-20 pips stop loss. But if you want that extra comfort of not wanting to get stopped out prematurely then go for 20-30 pips stop loss.

**My stops with this technique are usually from 10-20 pips and if the trendline gets obeyed then that’s some fast profits within a matter of few minutes.**

**Note:**
If you are trading pairs with larger spreads, 20-30 pips stop loss would be more appropriate.

One thing quite fascinating and amazing is this:

**If a trendline is going to hold, generally, price will not go past it by more than 1-20 pips!**
Go open up any chart and do a simple research on this and record your results of how many pips the trendline was intersected (or just touched) and then price was made to obey it again. You will be surprised.

What that means is you should expect to see price move back and obey the trendline after going past it by 1-20 pips and also, you will see price come near to trendline, just touch and obey it. Sometimes, it will come to trendline by say 1-5 pips away without touching it and then obey it.

So knowing this, you can immediately enter at market when the trendline is touched or is almost touched and put your stop loss at least 10-30 pips away from your market entry price.

By the way, I am talking about taking trades off from 1hr or 4hr trendlines here...

(But you can also test this out on much smaller timeframes, it still works as well)

Don’t take my word for it, lets see some real charts...

At the close of the candlestick above, you would have been 18 pips in profit if you entered immediately at the touch of the trendline using the aggressive entry technique and you could have moved your stop loss to break-even while the guy who traded off from the 4hr timeframe using the conservative entry technique would have to wait a very long time to move stop loss to break-even!

Here is 1hr USDJPY chart. Imagine using aggressive entry technique instead of waiting with a sell stop order...
Just touch and go for this one shown below! Profit would have been almost immediate!

Now, this chart is quite messy but just imagine using aggressive entry technique! White arrows indicate possible entries.
Another touch and go situations...

On the chart below, there were 5 long setups that would have turned out profitable and the largest amount that the price went under the trendline was 12 pips ONLY!
Are you not making it more confusing by giving us the 2 entry types: the conservative and aggressive? And what do you really recommend and also what do you use now?

First, I’m not confusing you. Why? I am giving you my experiences and you can pick either one or both of them to follow. My recommendation? If you are new trader, stick to the conservative technique and then as you get more confidence, you can try the aggressive entry technique. What do I use now? I use a combination of both.

What do I do when I enter a trade based on the aggressive entry technique and I get stopped out with a loss but later, either in the 1hr or 4hr timeframes, I see a nice reversal candlestick pattern?

Enter again based on the conservative entry technique using the reversal candlestick pattern as your entry confirmation.

What do you think would be the greatest challenge you are going to face if you practice this aggressive entry technique? I will tell you.

You mind will be screaming:

“This is a big red candle and its going to intersect the upward trendline and go down...Don’t Buy! Don’t Buy!” or “This is a big green candle, its going to intersect the downward trendline and go above it... Don’t Sell Don’t Sell!” 😊
WHAT IS THE BEST PLACE TO PLACE YOUR STOP LOSS SO YOU DON'T GET STOPPED OUT FREQUENTLY?

I know how frustrating it is when your order gets stopped out with a loss as if the market knew where your stop loss was placed and guess what happens when you are stopped out? Yes, you know it...the market moves in the direction that you predicated or anticipated it would! This sucks, doesn't it?

So what should you do? What is the best place to place stop loss? I have only one answer:

**Place your stop loss behind support and resistance levels.**

Your stop loss should be placed in such a way as to give the market a room to breathe. Don't place your stop loss too tight/close. You risk getting stopped out frequently.

**RISK : REWARD RATIO**

What should be your Risk: Reward when you are contemplating taking a trade? Honestly speaking, I really don't focus too much about the risk: reward ratio because with this system, you always have R:R above 1:3.

Ok, for the sake of those of you who would prefer to have a system then take a trade if the R:R of 1:3 or greater, meaning if a trade has a potential of giving you profit more than 3 times that what is going to be risked then take the trade.

**TAKING PROFITS-ANOTHER OPTION**

Another option to calculate profit targets or levels is to use the Fibonacci tool. The 161.8 and 261.8 levels can be used to set your profit targets.

![Fibonacci retracement levels](image)

I find that the 161.8 level is more effective. However, if there is a good market move, 261.8 level can be reached very easily too. A & B points above are used to generate the retracement levels shown.
5 COMMON TRADE ENTRY MISTAKES.

I have observed 5 notable mistakes from traders and I want to bring it out in the open so you can avoid them.

**Mistake #1: Incorrect Entries on Incorrectly Drawn Trendlines**

I have mentioned some of these mistakes in the beginning in the section about “4 common mistakes in drawing trendlines.”

Drawing through “price obstruction”. Drawing through wicks and bodies of candlesticks etc...Some traders still make the mistake of taking entries on such trendlines. You will be lucky sometimes and may get some good profits on your “fluke trades” but it is definitely not a good practice...

You’ve got to practice. Go back and draw trendlines in your charts. See how price has responded in the past. And test this on the current moving market. Do this in smaller timeframes and do this also in larger timeframes. Get a feel of how it works and see how price react to the trendlines you have drawn. Only then you will begin to understand the potential of using trendlines. This is so important if you are struggling to draw trendlines.

Furthermore, I have seen many traders, especially new traders, find it so difficult to find peaks or troughs to draw trendlines. I really don't get it why this happens when this is so simple.

Tell you what?

Just relax and connect the obvious peaks and you have a downward trendline! Connect the obvious valleys or troughs and you have an upward trendline!

**Mistake #2: Placing pending order very far away from the trendline entry point(s)**

You must attempt to get your pending stop order placed (if you are using the more “conservative” way) as close to the trendline as possible. There are two reasons for this:

#1: Avoiding large stop loss distance (minimizing risk)
#2: Getting an early head start which means some early profits if market moves in favour quickly.

In the chart below, a candlestick touches a trendline and you place a sell stop order under the low of the candlestick that touches the trendline but it does not get activated because the next candlestick forms a low that is higher than the previous low (so it does not activate your pending order). So what do you do? Continue moving your order up under each higher low until it gets activated. Make sure that the candles that form higher lows do not close significantly above the downward trendline. Do the exact opposite for long
entries. If keep your pending order far away, you are going to have a very large stop loss distance as shown.

Sometimes, a candlestick will not touch a trendline and it would be quite far away from the trendline and yet some traders will place a pending order. This practice must be avoided. Close means, “very close”, touch means just that “touch”.

**Mistake #3: Entering at point 2...how on earth?**

Some beginner traders still “find” a point to justify their entry at point 2. I just couldn’t figure out for the life of me, how and why but this happens...but some still do it. Maybe they are using Fibonacci retracement levels (well then that’s good, at least that is a reason for their entries 😊)

Remember: you need points 1 & 2 to draw a trendline. When prices touches this trendline again at the 3rd, 4th, 5th point etc... then that is a signal for entry, not on point 2 or any other point after that does not even have price coming close to it or touching it to justify entry.
Mistake #4: Jumping in late

This is a killer! This is one of the biggest mistakes from new traders and even experience traders. You see a nice bounce off from a trendline and that setup happened some hours ago and you think you might miss a good move and you jump in late taking a very reckless risk in total violation of the rules of the strategy. There is no justification for you entering there at all. By the time you jump in, the market may be due for a reversal...and guess what? You get stopped out!

The chart below was one of the charts posted by a trader in a forex forum and as you can see there are a few significant issues to deal with his trade shown here and I’ve written notes on the chart highlighting some issues.

Well, the first problem is obvious:
1) late entry with massive stop loss distance.
2) The second is the there is an opposing trendline nearby when the order was opened (not good!). There is not enough “room” for the price to move.

Never chase a trade if you see you have missed a nice trade setup hours ago. Wait and be patient, there will be other setups coming your way.

**Mistake #5: Long Candlestick Entry.**

The main problems with formation of very long or unusually long candlesticks in trendline entry areas is that:

- it does not allow you to get in a trade near to the trendline as possible
- and secondly, the stop loss distance is quite huge.

So what do you do? Best advice is not to get in. If you had used aggressive entry technique, you would be laughing!

But what if you decide to enter? No problem. You can do any of these two:

- reduce your risk by trading smaller lot sized based on your % risk per trade or if you don’t want to do that then
- switch to a much smaller timeframe to place your stop loss just above a level of resistance (peak)you find in there (for a short trade)

**ADDITIONAL NOTES ON STOP LOSS**

Stop loss for 1hr and 4hr timeframes are often very large and can vary from 20-60pips. It is therefore essential to calculate your lot size (position sizing) based on the risk % per trade based on your risk management rules.

Secondly, if you can, time your entries in much smaller timeframes like the 30min, 15min and even 5min so that you can get in early with very small risk.

Timing your entries in much smaller timeframe reduces your risk greatly. You’ve got to be a bit smart in doing this. You are not trading using trade
setups based on the smaller timeframes but you are trading in smaller timeframes based on trade setups that are happening on larger timeframes. That is the key here.

For example, if you traded from the AUDUSD 1hr chart below, your stop loss would be 27pips...and knowing that such stop loss sizes are very possible in 1hr and 4hr timeframes...

...you could have waited to enter that trade in a much smaller timeframe. Now you are being smart. So you waited in the 15min timeframe and you got into the trade with only 11 pip stop loss as shown by the chart below.

While the person who traded off the 1hr chart and whose trade is now executed and is probably having to contend with overcoming the spread to at least getting 1pip profit, you are now ahead of him by at least 16pips profit.

With this entry technique in the small timeframe, you could:

- buy or sell immediately at the touch of a trendline with a market order using the aggressive entry technique
or you can wait to see a “reaction” of price on the trendline first and then enter with a market order or pending order.

Let me zoom in on the AUDUSD 15min trade entry above and you see what I mean by "reaction."

![Chart showing trendline entry and stop loss](chart.png)

So what I mean by reaction is essentially you are looking for candlesticks that give you an indication that the price is going to go up (in this case). To be more precise, you are looking for reversal candlestick patterns. All that will be covered in this book as well.

**4 TRENDLINE ENTRY VARIATIONS**

These are not the “text book” example trade entries as far as the rules of the trendline trading strategy are concerned in terms of drawing trendlines because in these cases:

- the trendlines are completely intersected and become invalid
- the market completely moves away from intersected trendline for some time but later comes back and obeys the trendline that was intersected

They do not occur regularly but they certainly do involve trendlines and it does pay to know them and be able to spot them BECAUSE I have observed that at most times, these setups occur when it would be IMPOSSIBLE to draw a “normal” trendline and take a trade BASED on the Trendline. Look at the charts below to see what I mean.
Note that Variation 1 & 2 are opposites. Similarly for variation 3 & 4. Did you notice that it is impossible to draw a “normal trendline” but with these variations, you could have got in a trade? So keep these in the back of your mind when you are analysing your charts, ok? Let me show you some real chart examples of these Trendline Entry Variations.
Variation 1: long setup and entry

It would have been impossible to draw a proper upward normal trendline but with this setup, you could have entered a buy trade at the right time.

Variation 2: short setup and entries.

Yes, multiple trade opportunities do occur! Impossible to draw normal downward trendline to get these short setups but see with this variation you could have profited easily.
Variation 3: Long setup and entry.
Trendline intersected but later being obeyed once more.

Variation 4: Short setup and entry.

I find these variations very useful because they often occur when it would be quite impossible to draw a “normal” trendline for entries. So keep this at the back of your mind. It is something that you should look out for all the time.

TRADING BREAKOUTS OF SUPPORT AND RESISTANCE LEVELS NEAR TRENDLINES

This is also one of my favourite techniques and it is another variation of Trendline Trading Strategy and is very effective.
It is based on trading the breakout of support and resistance levels **NEAR** trendlines. Please note the bold underlined word you just passed...That is the key to this technique. The charts below explains these trade setups.

This is a short setup. Notice the location of support level to the trendline. The support level must be near to the trendline as possible.

This is a long setup. Once again, also notice that the resistance level is very near to the trendline.

Now, price does not always go back to touch the trendline after forming the support & resistance level near the trendlines. Sometimes it will do that,
sometimes it won’t. The important thing is that you can spot and identify that there is a resistance or support level that has formed NEAR the trendline.

Here is what I mean by that. This is for a buy setup. The exact opposite for a sell setup.

Now, about the stop loss options:

- Stop loss option 1 is usually the furthest distance away from the entry point and it is often the best place for you to place your stop loss if you don’t want to get stopped out prematurely.
- Stop loss option 2 placement level is quite near to the entry level.

In the case shown below, I would use stop loss option 2 as I can see the entry is not too close and it is a safe distance away. Green line indicates entry price level.
Long entry on breakout of resistance level near an upward trendline.

Where would you have placed your stop loss for the above? Stop loss option 2 level. That is a good & safe distance away from the entry level. Stop loss option 1 is way too far away and it would not give a good Risk: Reward Ratio.

Why is trading breakout of support and resistance levels near trendlines so important? Before I tell you why, have a good look at the chart below first. It is the same as above.
Here’s why...

What if you were not around when Trendline Entry 1 and 2 happened? What if you just opened your computer looked at your charts and you realized you missed trendline entry 1 and JUST missed trendline entry 2?

Well, if you did not know how to take the resistance level breakout trade setup, you would have missed big time on a very good move upward because you would have failed to notice that there was a resistance level just above trendline entry 2 where you could have placed your buy-stop order there and waited for a breakout to happen.

Another important point regarding these setups...

- Sometimes if you are watching a 1hr or a 4hr chart for a trade setup, you may not see these support or resistance levels that can also appear in much smaller timeframes like the 30min down to the 5min.
- The larger timeframes do cover up these support and resistance levels. I will give you an example here to show you what I mean by that.

For example, see the chart below.

This is the 1hr chart. There is no obvious support level shown on where the trendline entry point as shown by the arrow.
Now, the chart below is the same chart above but shown in 15min timeframe. Notice the blue highlighted area...a support level formed just under the trendline. When price fell and broke the support level, you can see what follows is a continuous downward move.

So if you are watching trade setups happening on the 1hr or the 4hr charts, it is not a bad idea to at least go to the smallest timeframes and see what is happening there. So here we are at it again: multi-timeframe analysis!

So do you understand what I’ve just shown you and how you can use this in your trading? Simple stuff but very effective.

**TRADE MANAGEMENT**

To effectively manage a trade (that is in profit) first and foremost, you need to be aware of what is against you or what can go against you. Depending on which side your trade is on, the following can be your enemy:

- Horizontal support and resistance levels
- Resistance-level-broken-becomes support level
- Support level broken-becomes-resistance level.
- Opposing trendlines
- News

For example, If you are in a Long trade, you would like to see:

- resistance levels get broken and
- downward opposing trendlines get broken and
- you also want to see resistance-levels-broken which become support levels continue to push price up
- and also you would like to have news work in your favour as well 😊
Unfortunately, it does not always happen that way. Therefore it is essential that when you come across these situations, you must learn to protect what profit you already have because the market can reverse significantly from these levels (and not forgetting news)... and if you are not prepared for that, you may suffer a loss or, walk away with a very small profit or even a break-even trade.

**Horizontal Support and Resistance Levels**

These levels can work against your trades. The chart below is for a Buy trade and you can see what happened. The exact opposite can happen for a Sell trade.

![Chart showing horizontal support and resistance levels](chart1.png)

**Resistance-level-broken-becomes support level**

The chart below is self explanatory. You enter a sell (short) trade and price moves down nicely but then bounces up from previous resistance level which was broken but now acted support level, pushing price up and intersecting the downward trendline.

![Chart showing resistance level broken becomes support](chart2.png)
Support level broken-becomes-resistance level
This is quite the opposite of above chart. You enter a buy (long) trade and trade moves nicely up but then bounces down from a previous support level which was broken but now acted as resistance level pushing price down and intersecting the upward trendline.

Opposing Trendlines
If you are in a trade and market comes to an opposing trendline, you need to be alert too. Price can make a reversal from that opposing trendline. If the opposing trendline is drawn from a much larger timeframe, you should know that it has much more significance than a smaller timeframe trendline which you may have taken the trade on. That is why, it is always important to develop your skill in multi-timeframe analysis. You should always have on your charts opposing trendlines drawn to give you a visual and most importantly, an indication of what can happen if price reaches these opposing trendlines.

News
News can impact the direction of the market. Some news have significant impact, some don’t. Be aware of when major economic news are going to be released and avoid getting into a trade when a trade setup is happening just before the news release unless you are a news trader.

It is not really a major issue if your trade entry is further away and you have at least locked some profits. Just wait and see what happens when the news happens, it might work in your favour.

LET THE MARKET DO ITS JOB
This is one of the greatest favour you can do to yourself as a trader and if you want to be successful. Once you have placed your order, shut down your computer and go and do something else. Let the market do its job. Once you are in a trade, you have absolutely not control over it except manage your risk, got it?

Honestly speaking, some of my largest profits I get come from trades I just placed and walked away. I just let the market do its job. If my stop loss gets hit. No problem. That was what I risked for that trade so be it!

When I check later, usually after 6hours or after a day, I may have 50 to even 120 pips of floating profit or that my profit target got hit.

Now, these are the problems you will encounter if you place your order, get into a trade and you hang around to see what is going to happen:
You are prone to fall prey to the above. It is surprising that you can keep these two under check when you stay away from your computer after a trade is placed and will be surprised how effective it will be.

OVER TRADING

This is the killer of all killers...the surest way to diminishing your account in the shortest possible time. Why is that? Maybe you entered a few trades and lost all of them and are now getting mad that none of them have been profitable so you are on a revenge mode to get back what you lost. Maybe you have lost so much that you think that the more you trade, the more chances you have of winning and recovering your money back. That won’t work.

LATE ENTRIES

Absolutely bad trading! Getting in late when the setup has already happened is like standing in the middle of a runway trying to stop a Jumbo jet so that you can get in and guess what? The pilot can’t see the “rat” on the runway. Save yourself mate! Do yourself a huge favour and wait for the next setup.

TRAILING STOP LOSS

What is the best technique to place trailing stop to protect your profits?

Place your trailing stop loss behind support and resistance levels for long and short trades respectively.

As you noticed, in this strategy, the initial stop loss is placed above highs (peaks) or under lows (troughs). Essentially, these are behind resistance and support levels. The two greatest advantages of placing stop loss & trailing stop loss behind areas of resistance and support is that:

• there is less chance of your trade getting stopped out prematurely
• and this also allows the market more breathing space (allow the market room to move)

And so when you are trailing stop your trade and locking in your profits as trade moves in your favour, you can ride out the trend for maximum profits by using trailing stop based on this concept.

TAKING PROFITS

Never let a winning trade become a loser. It is easier said then done because it is one of the hardest things to do for many traders because we all want BIG profits, don’t we? Taking profits does not necessarily mean that your profit target is hit 100% of the time in every single trade...far from it. So while the trade is moving in your favour learn to take partial profits off the table. Learn to protect you profit by using trailing stop loss.
There are many schools of thoughts on taking profits. Which ever you think is best for you, go for it.

Here is what you can do. Say you entered a 1 standard contract on this trade shown on the chart. As price reaches a support level, you take partial profits off. How much? At least the partial profit you take off must be more than what you risked initially. If the market has moved a great deal in your favour like 100 pips, why not take half the profit off? Then continue to lock your remaining profits as the trade moves in your favour until your profit target gets hit. Alternatively, if you don’t have a profit target, you can trail stop your trade as shown (by the blue arrows) until the market gets you out.

Why you should practice this prudently is because the market can go against you anytime.

If you are using fib retracements levels to calculate your profit targets then you can take partial profits off if 161.8 level is reached and you can leave the others running to see if it can reach 261.8 level. But if you have set take profit target on 161.8 level and it is hit, no problem. A profit is a profit.

**TRADE EXAMPLES**

In here I will post some charts so you begin to see how the trendline trading system works.

I posted this trade setup below on a forex website forum alerting the readers of a possible short trade setup that was happening in the GBPUSD as price was nearing a long term downward trendline drawn from the weekly chart.

As you can see, price was very close to it and that indicated a possible short trade setup was most likely to occur in the very near future.
I was waiting for the opportunity to go short in the 1hr timeframe and this was it...this was the moment.

And this is how it turned out...or at lest how it was turning out when I managed to save the chart of the trade in my computer. That’s 50 pips profit locked.
Get the Big Picture first...and then time your entries in the smaller timeframes!

The chart below is of a EURGBP long trade I took. Nice bounce up from the upward trendline.

Remember what I mentioned about steep trendlines? Which of these 3 trendlines below is the weak trendline?

And many hours later, this was how the EURCAD long trade (shown above) was turning out...
Here is another one...this was a short trade on GBPCHF that was having a good run.

Did you notice how price is obeying the trendlines?

I had a good run on the first trade entry on GBPJPY shown below and closed this trade with 561 pips. Just one trade...This chart was posted in a forex forum. This is a classic example of aiming for the stars and landing on the moon 😊
In the USDCAD trade shown below, notice that it is not really a “neat” entry because price actually broke the trendline to the upside went down below the trendline then went up again and broke it for the second time and was struggling to make any upward progress. But I was still rewarded nicely for this trade.

And this is how the USDCAD trade above turned out...my take profit target was hit giving 159pips profit.
Do I get stopped out in my trades?

Yes. No strategy will give you a 100% win rate...if you find one then let me know.

I did not take the couple of trades shown below but I’m just showing you these charts and setups so you can see how price has reacted and obeyed the trendlines...providing excellent setups. They happen quite frequently especially when you have more than 20 currencies to watch.

Here is another one. It is a strong trendline isn’t it? Even after being intersected significantly right after the 3rd entry, price climbed up again and bounced off the trendline twice before making a massive upward move!
Would you have made a decent profit if you had taken the trade shown below on the 1hr EURSUD chart? Decent is probably an understatement.

And this...
Pretty neat...what do you think? This is simplicity at its best.

THE 3 POWERFUL SECRETS FOR EXPLOSIVE PROFITS

I am going to reveal my 3 simple yet powerful secrets on how you can massively increase your trading account, even in a month, even by 100% or more and guess what? You don’t need to trade a lot to achieve these kinds of mind boggling results, just a few very quality and high probability trades in a day or week is all you need and when these trades are in profit, manage them properly so that you can get the most out of a trendy move. And those few trades can do you for the month!

Lets get started, shall we?

SECRET#1: TRAIL STOP YOUR TRADES AND DO NOT SET TAKE PROFIT TARGETS

Well, you know that, don’t you? But do you REALLY practice it THE WAY IT IS MEANT TO BE? If not, you are losing out BIG TIME on massive profits you could have been making!
What is the best way to trail stop your profitable trades? Easy, by placing your stop loss behind support (troughs) and resistance (peaks) levels for short and long trades respectively. This is the most effective technique that will allow you to ride the trend as long as it is still intact and the result is massive profits. The chart above shows a trade I took based on inner trendline and that pretty much explains the most effective way to use a trailing stop loss for a short entry scenario.

How many of us have been conditioned to set-profit targets? You see, it is not wrong to do so (and this strategy is flexible that it allows you to place profit targets) but why can’t you do things differently than what most traders do or strategies instruct you to do?

What I believe is that:

- Setting profits targets limits your chances for MAXIMUM profits.
- Setting profit target gets you out of a trade too quickly while the market may still have potential to keep going.

Does that mean that I never set profit targets in my trades? Yes, I do. I set them sometimes but most often I prefer to trail stop my profitable trades because I prefer to maximize my profits as long as the trend is still intact by riding the trend.

Let me illustrate this point with the chart below. If the Trendline Trading Strategy was followed with regards to setting profit targets (i.e. set your profit target within previous significant high for a long trade) you would have walked away with somewhere around 140-144 pips profit...That’s not a bad trade...in fact that’s $1,440 for one standard contract traded just coming into your account nice and easy. Cool!
But then, if you had used trailing stop as shown below, locking in more profit as market continued to move higher, you would have walked away with 373 pips profit on the same trade compared to the 144 pips profit trade. That’s $3,730 nice and easy but with a little bit more patience and waiting. Now, which is more cooler? 😊

See the MASSIVE difference this would make in your overall trading performance? Instead of limiting your profits (by setting take profit target) you have actually collected 229 ADDITION PIPS by just trailing it with a stop loss placed just under each significant higher low that formed as price continued to move higher (do the exact opposite for short trades).

Let’s do a simple calculation. The initial stop loss for the trade above would have been 37 pips. Profit was 373 pips. That is a Risk: Reward of 1:10.

**Question**  If you risked 2% of your account in this trade, how much has your account increased now after the profit?

**Answer** 20%!
How many more trades like this do you need to achieve 100% account increase?

Not a lot. Can be 2 or 5 or even 7 trades because not all trades will have the exact same profits. You can only take what the market can give you, right?

But can you see the potential here? Can you see that you don’t have to trade a lot to increase your account by 100%? In the example shown, it is only based on just one trade. The point here is this... well, I know you have heard it over and over again and I’m still going to repeat the same thing: the trend is your friend. If there is no sign of the trend slowing down or ending, why in the world would you decide to get out?

Now, you haven’t forgotten the lesson on trends, have you?

Well, this is the very application of that information at work to give maximum profits by using trailing stop loss that continues to lock in profits as trades move in favour:

We know that, as long as price is making successive higher lows, the upward trend is still intact... so why should you get out too early when the market is not giving you the signal to do so? The same but exact opposite for downward trend situation.

Let the market take you out...remember that.

You need to now REALIZE that you don’t need to take a lot of trades each day or each week to put a decent dollar into your account, but just a few trades that is managed carefully for MAXIMUM profit extraction out of the markets.

Let me put it bluntly: don’t overtrade!

Look at what could have been a very excellent trade on AUDUSD based on the 1hr chart below and see how it could have been managed to give you maximum profits. Trailing Stop Loss is used to lock in the profits by placing it above the top of each subsequent Lower Highs as the market continued to move downward. This trade would have collected 177 pips profit by just risking 20pips.
If the Take Profit option was used instead of the trailing stop, this trade could have got **ONLY** 100-107 pips profit.

But if the trailing stop option was used, the trade would have been stopped out with 177 pips. Can you calculate the risk: reward ratio for this trade? 1:8.85.

This trade would have made 9 times more profit than what was risked. If you had risked 2% for this trade, what would have your account grown by now? 18%! Least you forget: this is just one trade we are talking about here.

*You can’t get 18% interest putting your money in the bank for just a few days my friend.*

Ok, this may seem easy thing to do but it is not. Here’s why.

**You must be able to withstand the emotions that will tug at you to get out when you see your profits being eaten up as temporary retracements happen.**

This is usually true in the first few retracements right after entry but as the market continues to move further away from your entry point, it just becomes just a matter of trailing it and now you would have a lot more profit locked (and definitely you will breathe a little bit easier 😊).

The reward is great for those that can withstand this emotion and hold on. If you get stopped out? No problem...at least you would have been stopped out with a profit. There will be opportunities later. Learn to develop this kind of mind set, ok?

I don’t want average results. If I want average results then I’d rather keep my money in the bank and earn 5% per year (which would be more like 1% return when you take into consideration the inflation rate 😊 ...ahhh!!!).
Or would you like to get more out of the market when the opportunity to do so happens?

How do you do that? Well, tell you what? You are about to discover that right now...

Well actually, you have passed this secret right in the beginning but maybe you did not realize what it was. Remember this chart?

![Chart showing trading strategies]

You saw it in the beginning, but you missed a very important point...I took more than one trade on the same trendy move! I was capitalizing on that move. That is secret#2!

**SECRET#2: ADD ON!**
That’s it! This technique can literally increase your account like never before if you learn to use it properly.

**The fastest - low risk secret to increasing your trading account to mind boggling profits within a short period of time is to take several trades on the same trendy move.**

Making some sense now? If I had just been content with my first trade, I would have only collected 421 plus pips. That is average result. But I took two additional trades as setups happened along the way resulting in more than 800 plus pips total profit. **Now, that is what I want!** That is more than an average result.

This technique allows me to make such massive profits without risking more than what I would normally risk per trade and make massive returns with just a few trades.
Instead of just being content and sitting and watching and managing only one trade, I am actually adding on a few more trades based on that move and this maximises my profits greatly. Instead of walking away with 400pips profit on one trade, I might actually walk away with 1000pips profit in just 3-4 trades. Very, very possible.

Now, there are few very important points to consider when you are doing this and you MUST do them without fail every time:

- **Only** if the first trade is in profit and you have locked some profits, or you moved stop loss to break-even then open the 2\textsuperscript{nd} trade.
- That means that at any one time when you place a trade, your risk or exposure would be only 2\% (if that is what you are risking per trade)
- Similarly, only open a third trade when the 2\textsuperscript{nd} trade is at break-even or at least have some profits locked.
- If you get stopped out (with or without profit) in the second trade, that means that you get stopped out in your first trade as well...similarly, if you get stopped out in the 3\textsuperscript{rd} trade, that means you also get stopped out in your 2\textsuperscript{nd} and 1\textsuperscript{st} trades.
- Always maintain the same level of risk for each subsequent trades...that means if you risk 2\% on the first trade, then you risk 2\% on the second trade and so forth...

**Question**

Does this strategy increase your risk?

**Answer**

Not at all. You are NOT adding onto a losing trade but a profitable trade that at least have some profits locked. So that means that if the 2\textsuperscript{nd} trade gets stopped out (with a loss) the first trade would have offset some of that loss.

**Warning:** make no mistake when you are using this technique: don't increase your risk by trading larger lot sizes for the subsequent trades because you see you are in profit in the first trade. You must maintain the same level of risk for all subsequent trades that you take as you did in the first trade.

Let me show you one more example of how adding on can increase your account so fast. Assume you risked 2\% of your account in each of the 4 trendline entry trades shown on the chart below.
You would have increased your account by almost 62% and guess what? You would have done it on only 4 Trades!

How many more other trades do you think would you need to reach 100%? Maybe 1 or if not 2 or 3 or 5 trades. If you get a good run, you might achieve 100% in 1 or two trades only.

Can you see how only a few trades can significantly increase your account, even give you 100% increase?

The ability to pick “add on” trades will come with experience and it generally involves a lot of using insignificant highs and lows to draw inner trendlines and take trades based on those. It also depends on switching to much smaller timeframes to look for opportunities there.

Be confident. Be Patient. Be consistent. Be diligent. You can do it.

And to put the odds greatly on your side you need my third secret. I’ve saved the best for the last!

SECRET#3: MOMENTUM

This is my favourite...if there is anything that gives me confidence in my trade entries, this is the one. When you use momentum in your entries, you are greatly putting the odds in your favour.

The Power of Momentum

This is potentially the most important concept in Forex chart analysis. If there’s only one thing you can learn from candlestick analysis, I recommend that you learn about how to read momentum.
So what is momentum? Momentum is a measure of how strong price movement is.

Try to answer this question: Which of these candlesticks show a stronger upward price movement?

Did you choose candlestick 1? If you did, bad job! It is candlestick 2!

So why does candlestick 2 show a stronger upward momentum? Although both candlesticks have the same high-low price range, candlestick 2 shows no hesitation in upward price movement. Also, candlestick 2 shows a higher closing price.

Here’s an example of how prices moved:

Can you see how candlestick 2 shows the price moving straight up? This is an indication of a strong upward momentum.

What can you say about the momentum of the two candles shown below?

The 1st red candlestick shows a decreasing bearish momentum, lots of hesitation. Price goes up after opening, makes a high then gets pushed down and makes a low, hesitates to go down any further and comes and then closes quite a distance from the low price.

The 2nd candle opens and then starts to go bearish but for a very short distance only. The bulls came in and pushed the price all the way up to the high and closed a little bit below the high. So we see a potential change in momentum from downward to upward happening here.
“So if this was happening on a touch of an upward trendline and we see something like this happening, we should know that the downward momentum is weakening and therefore, there is a great possibility of price moving upwards”

This is an easy concept to understand, isn’t it? The above could have turned out like this:

In the above chart, you see a stronger upward momentum in the 2nd candlestick as there was very little downward hesitation and then it moved up as the bulls became stronger and overwhelmed the bears. And once the bears were temporarily defeated, prices continued to move up.

Understanding Momentum allows me to take trades like this shown below:
Notice in the chart above, how the upward momentum started to decrease as it got nearer to the downward trendline and I got into a short trade at the right time and the market fell? This is what understanding momentum can do to your trading.

And also, profits do come pretty fast too as shown on another trade I took on the chart below...

It is very easy concept to understand and implement. It is about knowing certain “signals” to look for in the price action and once you spot these “signals” then you will be able to get in on trades like shown above. It is also about being patient and waiting for the right setups to happen so you can enter these kinds of amazing trades that I have shown you.

All right Myronn, I'm convinced. But why is momentum so accurate in Predicting the direction of future price movements?

The answer is because every candlestick that is formed is a result of two forces at work: the bulls and bears. If the bulls are in control you see candlesticks that indicate strong momentum in upward price movement and the opposite if bears are in control.

Wow that's great! Is momentum 100% accurate in predicting future price movements?
If it did then I would have already beaten Warren Buffet and Bill Gates and Carlos Slim already by now... nice try 😊. Sometimes, you will see candles giving an indication of upward momentum and then immediately followed by prices moving in the opposite direction... as is often the case during the release of certain economic news announcements, or it can be just a false signal and continue to move it its original direction.

**Great, but momentum is too general, what specifically should I be looking for?**

The answer: some specific reversal candlestick patterns. This is what I meant when I said “signals”. Let’s get started in the school of reversal candlesticks, shall we?

*You better fully understand these info I am going to show you in here and learn to implement these reversal candlesticks I am going to show you in your trading because these are very important if you are really serious about making money in forex trading. These can make a whole lot of difference to your trading! Believe Me when I say this!*

There are many forex reversal candlestick patterns and some of them are quite difficult to memorize and in the beginning I have tried to understand and memorize them and use them all but this caused me a lot more confusion so I eventually realized I needed to find the most simplest and the commonly occurring patterns and forget the rest!

That solved a whole lot of problems.

I have put together here are my favourite 7 reversal candlestick patterns that are very simple and easy to recognize and honestly, these candlesticks pop up everywhere on trendline entry areas. In other words, they are the most commonly occurring reversal candlestick patterns you will find every single day on trendline entry areas. Here they are:

<table>
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<tr>
<th>Bullish Reversal Candlesticks</th>
<th>Bearish Reversal Candlesticks</th>
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</thead>
<tbody>
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<td>#1: Doji (Dragonfly, doji cross)</td>
<td>#1: Doji (Gravestone &amp; Doji Cross)</td>
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<tr>
<td>#2: Bullish Engulfing</td>
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<td>#3: Piercing Line</td>
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<td>#4: Bullish Harami</td>
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</tr>
<tr>
<td>#7: Bullish Railway Track Pattern</td>
<td>#7: Bearish Railway Track Pattern</td>
</tr>
</tbody>
</table>

Now lets study each of these reversal candlesticks so that you can understand the sentiment behind each formation.
#1: The Doji’s
Pattern Type: Reversal or Continuation

The doji comes in many forms. The dois are unusually very short candlesticks compared to the nearby and previous candlesticks. These 3 variations are similar but each has its own underlying meaning. Let’s look at each of them and what they are telling us. The first is the dragonfly doji. What happens here is the open, close and high are all the same price, but price did attempt a low that wasn’t able to stay down. This is a period of indecision, or some would say a period of agreement between the bears and the bulls that price is “fair”, at least for the time being. The fact that the low wasn’t sustained is actually a little bullish, but the other fact is that the open and the close were the same which is a bit bearish. All in all the dragonfly doji should get your attention.

**Look for dragonfly doji on upward trendline entry points to go long**

The next doji is the Doji cross. This shows us an open and close that are identical, but there was a decent high and low during that time period, and ironically price ended up closing at the open price. This is very similar to the dragonfly save the fact that price moved around a bit in both directions before closing right where it started. This also indicates a reversal is likely.

**Look for Doji cross on BOTH upward or downward trendline entry points to go long or short respectively.**

The last doji is the gravestone doji. This candlestick opened, made a nice high and then came down and closed at the open. It is the opposite of the dragonfly doji. The fact that the high wasn’t sustained is actually a little bearish, but the other fact is that the open and close were the same, which is a bit bullish. However, if this forms on downward trendline entry areas, this is a good bearish reversal signal.

**Look for gravestone doji in downward trendline entry points to go short.**

#2: Bullish & Bearish Engulfing Patterns
Pattern Type: Reversal

These two patterns are characterized by a number two candlestick that completely “engulfs” the first.

In the case of a bullish engulfing formation, the green candlestick opens below the previous close, and then closes above the previous open. This demonstrates a pretty immediate
change in sentiment. Remember that the first candlestick closes below its open. In other words it opens, and then closes lower - bearish. The next candlestick (green) actually gaps down a bit appearing initially that its going to continue the downward movement, but then suddenly reverses and closes above the previous candlestick’s open.

Note: This is a text book example but Forex is a very continuous liquid market and you hardly find gaps except maybe when markets opens on Mondays, you might see gaps. (Similar situation applies to bearish engulfing pattern)

So that means I had to find out the variations of how engulfing patterns will look like without sacrificing a lot of the main concept of engulfing patterns...

And the keys to identifying the engulfing pattern variations are:

- Not focus so much on the open and the close of the second candlestick with regards to the first candlesticks (textbook example...)
- But look at the length of the second candlestick to see if it is longer than the first candlestick and does this length engulf the length of the first candlestick?
- Then lastly, check to see if the second candlestick has a body length that is at least greater than the body of first candlestick.

That is all you need. The chart below shows some examples of bullish engulfing pattern.

Look for a bullish engulfing formation on upward trendline entry points to go long.

Next is the bearish engulfing formation. Exactly the opposite of bullish engulfing formation. The green candlestick opens, and goes on to close higher than it opened. - Bullish. The next candlestick then opens higher than the previous candlestick’s close, a bullish start, as if its going to continue the trend, but then it falls to close below the previous candlestick’s open. (Ok, this is a text book example,
and you cannot come across most of the time...) Refer to the notes on “engulfing pattern variations” above.

The chart below shows some variations of Bearish Engulfing pattern.

Look for a bearish engulfing formation on a downward trendline entry points to go short.

#3: Piercing Line and Dark Cloud
Pattern Type - Reversal

A dark cloud and piercing line are very important reversal patterns. When they occur they demonstrate a rather sharp change in sentiment.

Take a look at the dark cloud. You have a series of candlesticks making higher highs and higher lows. The last candlestick opens above the previous close, as if it was going to be even more bullish than the previous candlesticks, but then it fails immediately and closes well into the real body of the previous candlestick. The last candlestick must penetrate at least half way or more into the previous candlesticks real body. This is a bearish reversal signal.

Look for dark cloud pattern on downward trendline entry points to go short.
The piercing line is identical except it is a bullish reversal. We first have a series of lower highs and lower lows. The last candlestick gaps down as if to be more bearish, but then ends up closing beyond the 50% point of the previous candlestick.

**Look for piercing line pattern on upward trendline entry points to go long.**

Ok, the details above are classic textbook examples and besides, forex being a very liquid market, there is hardly ever any gaps (except maybe when market opens on Mondays after a sleepy weekend...). In light of that situation we have to adapt and train our eyes to be able to spot variations of this reversal pattern. Here are some examples of the “real world.”

#4: Bullish & Bearish Harami

**Pattern Type – Reversal**

The Harami reversal candlesticks do look like a woman who is pregnant. The baby is the “inside bar” or the candlestick that forms “within” the shadow of the previous candlestick. A Harami is also a very important reversal signal and it is a two candlestick pattern. It’s basically telling you that a potential change is near. A bullish Harami forms when the market is down trending. The signal candlestick then proceeds to open inside the real body of the previous candlestick, and then close higher than it opened, but lower than the previous candlestick’s open. This pattern is simply telling you that the bears are losing steam and the bulls are probably taking over.
Look for bullish Harami pattern forming on upward trendline entry points to go long.

A bearish Harami is the same thing, coming off of a bullish trend the last candlestick opens well into the real body and then closes below the open, but also higher than the previous candlestick’s open. A Harami looks like a backwards engulfing pattern. This pattern is simply telling you that the bulls are losing steam, and that the bears are probably taking over.

Look for bearish Harami pattern on downward trendline entry points to go short.

Note: I am not so much concerned with the colour of the second candlestick. The important thing is that there is an inside bar (the candlestick that forms within the shadow of the previous candle) and when I see such forming in trendline entry areas I know I have a very high probability trade setup happening.

#5: Hammer & Shooting Star
Pattern Type - Reversal

We see a prevailing downward trend, then a hammer forms, a single reversal candlestick signal, coming off a bearish trend. What also happened here is that as soon as the candlestick opened, the bears took control and drove the price down significantly to a low. But then the bulls began to take control and managed to drive the price up all the way to close above the opening price or a little less below the opening price forming the very short body. This shows a very strong bullish momentum. If the next candlestick to form breaks above the high of the hammer, that would confirm that a bullish trend may be starting. The colour of the hammer does not really matter.

Look for hammer on upward trendline entry points to go long.

A shooting star is the exact opposite of the bullish hammer, but in this case its coming off of a bullish trend. The shooting star makes a great new high but fails to close anywhere near it. Additionally the real body makes very little or no progress in the bullish direction. What makes it a shooting star is the long tail, the failed attempt at closing near the new high.
The colour of the shooting start does not matter. The formation of the next candlestick violation the low of the shooting star and closing below the shooting star is a good confirmation that a downward trend is probably starting.

**Look for a shooting star on downward trendline entry points go short.**

**#6: Spinning Tops**

*Pattern Type – Reversal or Continuation*

A spinning top is a single individual candlestick pattern that may indicate a reversal or continuation. They are usually very short candlesticks with much shorter bodies. The colour of the spinning top does not matter. It is found where there is indecision in the marketplace. Some would also call it a time when the bears and the bulls agree on price. I prefer the latter. It is a semi rare point in the market when the bears and the bulls have found some equilibrium, if only temporary. A spinning top simply represents a period where the high, low, open and close are all in a reasonably tight range. There are times when you will see many spinning tops in a row, forming a tight trading range. These tight ranges result in constricting volatility, and a breakout in one direction or the other is imminent. Now, as mentioned, the colour of the spinning top candlestick does not matter.

**Look for a spinning top (either red or green candlestick) on downward trendline entry points to go short & also the same but opposite for upward trendline entry points to go long.**

**#7: Bullish & Bearish Railway Track Patterns**

*Pattern Type-Reversal*

In the railway track pattern, you will see two candlesticks of almost the same length with different colours. Generally, the lengths of the two candlesticks are unusually long in comparison to the lengths of the previous nearby candlesticks. In a downtrend, you will see the forming of a long bearish candlestick and immediately a long bullish candlestick will be formed. This is the bullish railway track pattern. What happened here was that those traders who enter SHORT forming the long bearish candlestick realized that they are in the wrong side of the market and they immediately exit their trades and then get into the opposite side of the market causing the formation of the long bullish candlestick.

**Look for bullish railway track pattern on upward trendline entry points to go long.**
If you are in an uptrend, the situation will be opposite to what is mentioned above: those traders who entered LONG forming the bullish candlestick realized that they are in the wrong side of the market and they immediately exit their trades and get into the opposite side of the market causing the formation of the long bearish candlestick and thus resulting in a bearish railway track pattern.

**Look for bearish railway track pattern on downward trendline entry points to go short.**

Now, let me illustrate a very important concept that you need to understand every time you see a railway track pattern, whether bullish or bearish.

For example, what happens when you combine the bullish railway track pattern into one candlestick? What type of candlestick is formed? Here is an example of what happens...

What you get is a hammer candlestick (can be green or red) for a bullish railway track pattern.

And what do you think is going to be the candlestick when you combine a bearish railway track pattern? A shooting star.

This can also mean that when you view in 2 different timeframes, you can see the situation above. For example, let’s say that the bullish railway track was formed in the 30min timeframe and when you switched to the 1hr timeframe, you see a hammer giving you a very strong indication of upward momentum. And if this happens at the touch of an upward trendline, you better take notice!

**Can you show me some charts with reversal candlestick patterns listed above?**

**Sure....**

I placed a sell stop pending order after the formation of the bearish harami (almost a bearish railway track too)
And the market moved as expected...but only for a short while as price formed a bullish railway track on an opposing trendline and took me out with a loss.

Why I wanted to show you this trade is because of something important I mentioned previously about being aware of opposing trendlines. See what happened above?

So you may be thinking...why didn’t I get out of this trade when I saw the bullish railway track pattern form? Because when I switched to the 4hr time, the previous 4hr candlestick was a red shooting star and this when combined with the bearish harami formation in the 1hr timeframe for my short entry made my opinion very bearish. That was why I held on.

One thing you must do is never change your opinion too quickly once you are in a trade. If you are wrong, then you are wrong. Simple as that. What if you changed your opinion and got out of a trade only to find out later that the market moved as you anticipated? Do you ever say “Man! I was right, why did I get out?”
Here is another trade I took when I saw the bullish hammer. Notice how the market reacted to that.

The Haramis...they are everywhere! Don’t just take my word for it. Open up a chart right now and see what comes up on major market turning points.

Bearish Harami, spinning top & doji cross.

This is an example of how the market moved after a formation of a dragonfly doji (almost a hammer too). Notice also that prior to that, there is also a bullish harami formation. Double confirmation, don’t you think?
I love to see shooting stars at trendline entry points...why? These candlesticks represent a rather sharp change in sentiment from bullish to bearish and the resulting market movement is quite predictable...see what I mean here with the chart below?

I am literally showing you my techniques on how I enter high probability trades here. How you use these techniques, whether effectively or not effectively is up to you.

The chart below shows a bearish harami formation and a shooting star formation just around that area...additional confirmation...what do you think? And how did the market respond to this? Predictably! Down!
The chart below shows a nice example of a bearish railway track pattern. Notice how the market responded to this formation? Predictably! Down!

The chart below shows a bullish railway track pattern. The market responded predictably. Up! Nothing complicated here, trader. These are dead-simple stuff!
Notice on the chart below there is a bearish harami formation. And notice also that the inside candle (or insider bar) of this formation also happens to be a doji cross. You will see dojis & spinning tops forming in a harami pattern like this situation. This gives added confirmation.

This chart shows a dark cloud cover reversal pattern and look at how the market responded to this pattern? Down!
The chart below shows a piercing line formation and notice how the market responded. UP!

The chart below shows a bearish engulfing pattern. See how the market moved! Down!
Bearish Railway Track, Spinning Tops, Hammers, they happen everyday. If you know what to look for (and now you do!).
Bullish engulfing pattern shown on the chart below. Great move upward after that.

If a trendline is broken... however after 1 or 2 candles later, a reversal candlestick pattern is formed, should I take the trade?

You take the trade. This is the very purpose of reversal candlesticks. Make sure the 1st or the 2nd candles after the trendline break is very close to trendline. It should not be a significant distance away. This is the key to taking such trades...the distance.

Reversal candlesticks will allow you to capture such situations when others think it is over!

Let me give an example...In the chart below, notice that a green bullish candlestick closed above the trendline indicating a possible change in trend, however the next candle formed was an insider bar/candle, forming WITHIN the shadow of the previous green candle: A Bearish Harami Reversal Candlestick formation. What happened next? Price took a nose dive!
On the chart below, 2 candles after intersecting the trendline, a bearish engulfing pattern forms. Notice also that distance away from the trendline...it was not too far away. In fact, it was very close to the intersected trendline. So this was a good short trade setup.

This is the why you should not think “its over” when a candle intersects a trendline and closes above it (for downward trendline) and below it (for upward trendline). Just wait and watch the next 1 or 2 candles to see if you get a good reversal candlestick pattern forming.

The important factor here is the distance: it has got to happen very close to the trendline that was broken, if the reversal candlestick happens way far away from the trendline, don’t take the trade.

So there you have it. I have revealed my 3 powerful trading techniques that I use to trade the forex market. Here they are again:
#1: Don’t set take profit targets but use trailing stop.
#2: Add On! Take several trades on a same trendy move if several setups happen along the way
#3: Understand MOMENTUM using 7 powerful reversal candlestick patterns for identifying high probability trade entries.

Additional Note

I did mention briefly about the use of the Fibonacci retracement tool to calculate profit targets. This tool can also be used to determine possible market turning points and if used in conjunction with:

- reversal candlesticks
- and to see if the trendline entry points coincide with the fib retracement levels

then, the combination of these 3 two together form a very powerful entry confirmation that will allow you to take high probability trades.

In the trade shown below, notice that at point 4, there was a bearish harami formation and by using the Fibonacci retracement tool, it can be seen that the price is around 61.8 level (not exactly on that level but lets say that it is within the zone of 61.8 level...sometimes you will get on the spot reversals on 61.8 levels). So in essence, this is like a double confirmation too.

Notice the shooting star at the 61.8 Fib retracement level below. How simple could this get?
Notice the clusters of bullish reversal candlestick patterns shown by the arrows below on a buy trendline entry setup... And where do they occur???
Around the 61.8 Fib level.

The Fibonacci levels for market reversal or turning points you should be watching for are the 38.2, 50 & 61.8 levels. Preferably, use 61.8 level. I find that this is much more reliable than the other two.

Using Fibonacci will give you an added confirmation with reversal candlesticks patterns and if they occur on trendline entry points, you have the odds greatly on your side...Keep that in mind...
SUMMARY

Some important points before closing up.

- Demo trade this strategy first. Get a feel of it. Try it for 3-6 months and see what kind of results you are achieving.
- Multi-timeframe analysis: Analyse your charts from the Monthly timeframe down to the 1hr and know where the opposing trendlines are. This gives you a big picture view as well as the small one.
- Have a good understanding of trends and when a new trend starts and stay in a trade as long as the trend lasts if you want to make big money by using the trailing stop technique.
- When you are in a trade, pay close attention to opposing trendlines, and horizontal support and resistance levels as well.
- Long and medium term trendlines have more significance than short term trendlines.
- Use my 3 secrets to explode your trading profits:
  1. Don’t set take profit targets—use trailing stop to lock in more profit as trade goes in your favour
  2. Add On. Take multiple trades on a trendy move by adding on.
  3. Use the power of momentum by applying the 7 powerful reversal candlesticks as a further confirmation for entry.
- You can use Fibonacci retracement tool for further additional trade entry confirmation.
- Pay attention to the close of the 1hr and the 4hr candles to see if they close above or below the trendlines.
- Once again: for entry confirmation, check if any one of the 7 reversal candlesticks forms before you place your order. This is very important. You want to make sure you have the odds on your side before you get into a trade and there is no better indicator to do that than price itself: the 7 reversal candlesticks.
- Focus on taking trades based on 1hr and 4hr timeframes. They are much more reliable than taking trades in much smaller timeframes but remember, they also cover up good trading opportunities in the smaller timeframes. Flexibility is a good word here.
- Consistency is the key to breakthrough in forex trading. Consistency in proper risk management and consistency in following the trading strategy. Consistency in following your trading plan. You can’t afford to mess up.
- Remember, the trendline trading strategy is not really about getting 5 pips to 10 pips profit per trade (unless you are a scalper). We are getting in on trades that can last for many hours even up to 1 whole day up to 2 weeks even!
- We want big profits and big profits don’t happen in 5min or 15min or 30min timeframes, they happen over many hours and days with big trendy moves. That is what trendline trading strategy is all about: capturing those big moves and staying in as long as we can for maximum profit extraction out of the market.
• Go over your charts and draw trendlines using past price data and see how the price has responded to the trendlines. This allows you to test your skill in drawing trendlines as well as seeing how price has reacted on the trendlines you will draw.

• Go open up your charts and see what kind of reversal candlesticks are shown on where the market has turned and see if you can spot any of the 7. I can tell you, trading will be fun when you begin to see how the market responds to these 7 reversal candlesticks.

• **Don’t ever forget or ignore multi-timeframe analysis.**

This is both for drawing trendlines as well as indentifying reversal candlestick patterns & even identifying support and resistance levels so that you have the “big picture”. If you can’t see a reversal candlestick pattern in the 4hr timeframe, you can see it in the 1hr timeframe or vice versa. If you cannot draw a trendline in a 4hr timeframe, and you think that there is no setup in the level, just take a step back and go and see things from the perspective of the larger timeframes. Same thing for support and resistance levels. Multi-timeframe analysis allows you to know your surrounding environment instead of focusing on your own little world.

• **If the system says buy then buy. If it say sell then sell.**

Don’t ask, don’t reason, don’t question it, don’t analyse too much that it becomes a “critical analysis”. Just do it! If all the conditions for trade entry are satisfied, get in. Just follow the rules, Man! You’ve got to have confidence in the system! If you don’t, who will? Your pet dog? What is the point of having a system if you can’t have the confidence to follow it? You have to flawlessly execute your trades if all the entry conditions are met.

**Don’t forget** to print out the 7 powerful Reversal Candlestick Patterns below and put them up on the wall near your trading computer because: Out of sight = Out of mind.

For only a small investment of your $$ you have taken the step in the right direction by getting this trading system. This is money truly well spent. I have confidence that even one well placed trade will based on the trendline trading system will give you many times more than what you spent on this. You have seen how powerful this system is and best of all how simple it is to implement. Will you provide the motivation to succeed using it? Or will it collect cyber dust in your computer?

Your call, trader!
7 Powerful Reversal Candlestick Patterns

**Bullish**

#1: The Dojis

#2: The Engulfing Patterns

#3: Piercing Line and Dark Cloud

#4: The Haramis

#5: Hammer & Shooting Star

#6: Spinning Tops

#7: Railway Track Patterns

**Bearish**

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FREQUENTLY ASKED QUESTIONS

#1: HOW MANY TRADES SHOULD I BE TAKING EACH DAY?

The number of trades you take each day must depend on your trading plan and your risk appetite. I suggest you should look for 1-3 opportunities each day.

#2: WHAT RISK % PER TRADE SHOULD I USE?

I suggest you stick to the 2% rule. If you plan to take 2 trades each day, then maybe consider risking 1% for each trade. Or if you decide to take 3 trades a day, then you could increase your risk to 3% per day and so allocate 1% risk to each of the 3 trades you will take for that day. Remember, it is quite easy to get 1:10 risk: reward ratio with my strategy. So if you risk 1%, though you think it is small, you can end up getting 10% on just one trade. Don’t rush, be patient.

#3: WHAT ARE THE BEST TIMEFRAMES TO DRAW TRENDLINES?

The monthly, weekly, daily, 4hr and 1hr timeframes. Use them to draw trendlines. They are much more reliable.

#4: WHAT ARE THE BEST TIMEFRAME FOR ENTRIES?

The 1hr or the 4hr timeframes would do. They are more reliable than smaller timeframe entries. In the smaller timeframes, there is usually too much “noise”. But remember also that you can get good setups on smaller timeframe entries so you also need to keep an open mind on this. You can still trade in smaller timeframes and still be very profitable.

#5: DO YOU RECOMEND ANY GOOD FOREX BROKERS?

“Good” can mean a lot of things but these are some good forex brokers where you can check out:

AVA FX
eToro
Alpari UK
FXCM UK

If you want cash rebates for trading then you can go through this link and open up your forex trading account.

Get Paid to Trade-Forex Rebates with Cashbackforex
#6: WHAT LEVERAGE SHOULD I BE USING?

My leverage with my broker is at 1:100 and I suggest you should have the same. If you are following proper risk management as it pertains to stop loss size, you really don’t have anything to worry about leverage.

#7: WHAT CURRENCY PAIRS ARE SUITABLE FOR THE TRENDLINE TRADING STRATEGY?

Any. You also need to consider the spreads though. Some currencies have huge spreads.

#8: HOW MANY PAIRS DO YOU ANALYSE FOR TRADE SETUPS?

I analyse all of them. But I don’t take all the setups I see.

#9: SHOULD I SET TAKE PROFIT TARGET OR USE TRAILING STOP TO LOCK MY PROFITS?

Your choice. If you want to ride the trend, then use trailing stop loss as described as this will allow you to make much more profits if the market continues to move in the direction of your trade compared to setting a take profit target.

#10: I AM STRUGGLING TO DRAW TRENDLINES, I NEED HELP.

Read the section on drawing trendlines again carefully. And you need to PRACTICE. Go over your charts and draw trendlines on past price data and see how it works out. If your struggle is to do with identifying highs and lows that are required for drawing trendlines then I suggest that you use the swing_zz.mq4 indicator that you got also when you downloaded this eBook. This zigzag indicator indentifies PAST highs and lows that will allow you to easily draw trendlines. Very useful for new traders. Note: this indicator is for Metatrader4 charts only.

#11: STOP LOSS ON 1HR AND 4HR ARE HUGE...I CAN’T AFFORD TO PLACE A 60PIPS STOP LOSS.

Reduce your lot/contract sizes or switch to smaller timeframes to time your entries.

#12: WHAT IF I AM IN A PROFITABLE TRADE AND THE MARKET APPROACHES AN OPPOSING TRENDLINE OR HORIZONTAL SUPPORT OR RESISTENCE LEVEL?

The market can make a reversal so you need to protect your profits. You can do any of these 3 things:
- Move stop loss tighter and lock profits
• Take some partial profits off and move stop tighter to lock remaining profits or move stop loss to break-even
• Or you can decide to take all your profits off but then if this is a temporary reversal, you will miss out on a good move.

#13: DO YOU CONSIDER NEWS WHEN USING TRENDLINE TRADING STRATEGY?

Yes. I avoid entering trades when major news is due to come out soon.

#14: IF I HAVE ANY QUESTIONS REGARDING THE STRATEGY, OR NEED SOME FURTHER HELP, CAN I CONTACT YOU?

Before you do that, make sure you not asking me regarding things I have already covered in this e-book. I get so many emails asking me of things I have already covered here. But, yes. You can contact me. If I don’t reply soon, just be patient ok? I might be on holidays and don’t forget the different time zones (I might be...zzzzzz) but I will definitely reply ☺.

#15: DO YOU PROVIDE ANY MENTORING, TRADING SIGNALS AND ALERTS & ANY TRADING COURSES?

No I don’t. I value my time and want to do my own thing.

#16: DO YOU USE ANY OTHER TRADING STRATEGY APART FROM TRENDLINE TRADING STRATEGY?

Yes, I have used other trading strategies before. But now, I only use the two systems which you also have right now. Ok, sometimes, it takes a lot of testing out different forex strategies before you can come to a strategy that you’d like and that fits your personality. Only after trying a lot of strategies would you be able to come to that point but I hope you don’t and you will stick to this strategy once you begin to see how powerful it is when you use it correctly.

#17: CAN THIS STRATEGY BE USED EFFECTIVELY IN RANGING MARKET?

This is a “Trend”-Line Trading Strategy. It works effectively on trending markets. You will generally tend to find ranging markets more in the smaller timeframes, but less of that in 1hr timeframe and above as these larger timeframes tend to cover these up.

#18: CAN THIS STRATEGY BE USED EFFECTIVELY AS A FOREX SCALPING SYSTEM?

Yes, I believe so. My success with this system is not so much on the smaller timeframes but based on the larger timeframes. The smaller timeframes react to trendlines just the same in the larger timeframes. You go open up a 1min or 5min chart and see what I am talking about.
#19: CAN I USE OTHER INDICATOR(S) WITH THE TRENDLINE TRADING STRATEGY?

I don’t want you to do that. Why? Keep it Simple! Why should you do that and clutter up your charts when the REAL indicator is staring at you right in the face every time you open up your charts-PRICE!

#20: IS THIS STRATEGY STILL SOLID...DOES IT STILL DELIVER?

Yes. Strategy still delivers. But the bottom line is you got to be consistent and not being excited with just a few successful trades that give you a “high” and then you think you have mastered trading and are invincible and start getting careless in your trades.

#21: I SEE YOU ALSO TAKE TRADES ON SMALL TIMEFRAMES/TRENDLINES IN TOTAL VIOLATION OF THE MAIN TREND/TRENDLINES IN THE LARGER TIMEFRAMES. WHY DO YOU DO THAT WHEN YOU ARE SUPPOSED TO STICK TO ONLY THE MAIN TREND?

Yes, I do that and here’s why: In a main trend, there will be minor trends forming within the main trend and these minor trends, some will be going in the direction of the main trend and some won’t. Now, for me to take a trade in total violation of the main trend, this is one of the most important factors I consider: how far away is the main trend/trendline and if I take the trade, is there room to move to give me reasonable profits. If yes, then I take the trade.

22: WHERE IS THE BEST PLACE TO PLACE INITIAL STOP LOSS?

Just above/below your entry based on the trendline trading system. If the trade goes as planned, this would either form a peak (resistance level) for a short trade or form a trough(support level) for a long trade. Placing initial stop loss behind such support and resistance levels ensures you don’t get stopped out prematurely.

23: I FIND THAT I GET STOPPED OUT MORE OFTEN WHEN I MOVE MY STOP LOSS TO BREAK-EVEN WHEN THE PRICE MOVES BY THE AMOUNT I RISKED IN THE TRADE...HOW CAN I AVOID THIS?

I did mention this briefly but maybe you did not get it. Here is the answer:
Move stop loss from initial stop loss position only when support (troughs) and resistance (peaks) levels form and there are two ways to do this: first is by using individual candlesticks and 2nd is by using price swings that are making peak and or troughs.

Example (this is for individual candlesticks) : you are short in a 1hr timeframe, market falls as you expected and for the next 3hrs, the candlesticks make lower highs but then, on the 4th hour after entry, a new candlestick forms that makes a higher high. So then you move your stop loss to break even after the
close of that candlestick because the higher high signal is a potential signal that trend might change to an uptrend. Remember the lessons on trends? Pls revisit that if you have to!

#24: CAN I USE THE TRENDLINE TRADING STRATEGY AS A DAY TRADING SYSTEM? AS A SWING TRADING SYSTEM?

Yes.
Yes. It is a swing trading system.

#25: CAN I USE BOTH THE CONSERVATIVE ENTRY AND THE AGGRESSIVE ENTRY TECHNIQUE?

Yes you can. I suggest you start with the conservative entry technique FIRST. Master it first. Later as you see how prices react around trendlines and start to have confidence in the trendlines you draw then you can start to use the aggressive entry technique.

#26: I THINK THIS STRATEGY IS CRAP, THE INFORMATION IS SHIT, AND I AM NOT MAKING MONEY FROM IT...I WANT MY MONEY BACK!

Ok, ok, there is a 60days money back guarantee on this product but let me tell you a real story: I've had a forex trader who bought this trading system, tried it out for less than 10 days, made some loses, a few wins, and he reckons the system does not work and wanted his money back, which I refunded back to him as that is my guarantee to do so but my point here is this: would you in ONLY 10 DAYS of trading really tell the effectiveness of a forex trading system? And I hope you are not like that!

FINALLY, WILL YOU DO ME A HUGE FAVOUR PLEASE?

If and when you are having great success using my trendline trading strategy, I would really love to hear from you on how you are doing. Please send me an email and tell me about your success. My email: myronn_s@yahoo.com