WELCOME TO THE 10 BEST FOREX STRATEGIES!

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About Erron Adams:

“Like most traders who eventually succeed I have spent my fair share of nights lying awake in bed staring at the ceiling”

One morning back in 2012, after I'd gone to bed beating myself up for having been taken by yet another scam forex educator (this time to the tune of $10,000) I woke up, logged on to the net and registered the name AuthenticFX.com.

I just needed to feel there was ONE forex website on the Internet that wasn't devoted solely to exploiting people.

I also had some vague idea it would be a way to record all I had learned in seven years of trading, especially in regard to the pitfalls and con artists.

It was a watershed moment, even though it would be several months before I started writing the pages and blog posts for AuthenticFX. From that moment I decided if I was ever going to make it as a trader, it would be necessary to go back and analyse everything that had happened over the past seven years.

I needed to get all that had passed in perspective, and to clearly identify:

WHAT WORKS AND WHAT DOESN'T WORK IN FOREX TRADING!

The time for going around in circles, trying one system after another, trusting one guru after another, was over.

From that point on, my trading began to recover. Even at the start, I was losing far less than the highly paid "educators" had "trained" me to lose! I gradually began to put together a clear picture of everything that worked, and discarded everything that didn't. That clarity finally got me on my feet as a trader, and is the basis of everything I teach.

AuthenticFX is about that journey, and it is dedicated to helping you in yours!

I trade mostly the AUDUSD, and mostly during the Asian session, as these represent the bulk of trading opportunities available to me during my waking hours. The strategies presented here however, can be traded across all time zones and all currencies.

I’m a predominantly manual trader, although I have extensive experience trading automated systems. As a sideline, or hobby, I am always trying to create the perfect automated trading robot. The major emphasis for me currently, however is manual trading.

I have used and developed many strategies over the years, and I teach the essentials of the best of these in this short course. I currently employ ideas from several of the strategies, predominantly based around what I refer to as the Bladerunner trading strategy.
Preface

When it comes to selecting strategies to trade, you have the choice between buying one off-the-shelf or trawling the Internet for freebies. The trouble with free forex trading strategies is that they are usually worth about as much as you pay for them. They haven’t been tested, and there is little evidence of their reliability.

The strategies covered here on the other hand, are ones that either I or successful traders I know have used in a consistently profitable fashion…

So, as I said on the landing page for this PDF: "Stop Wasting Time & Money on Trading Strategies that just Plain Don't Work! Try these for a REFRESHING Change!"
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(1) The Bladerunner Trade

*Perhaps the best forex trading strategy I know is the Bladerunner and combined with price action it may just be the easiest to trade.*

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Update 2015: the technical basics of this strategy remain unchanged, but I now use the forex polarity indicator – a combination of the Bollinger mid-band and the 20 EMA – to trade it. There are other minor differences which you will notice if you read the old Bladerunner trading blogs, but the essentials are the same: the Bladerunner remains a simple EMA trading strategy. For completeness, I give an example of trading the Bladerunner using the polarity indicator at the end of this article.

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The Bladerunner is a forex price action strategy trading strategy that uses pure Price Action to find entries. We use candlesticks, pivot points, round numbers and good old support and resistance levels when trading this strategy.

No off-chart indicators (those appearing below the chart window in their own window, e.g. RSI, stochastics, MACD etc) are necessary, but you may include your favourite if you find it useful or feel more comfortable having some extra confirmation. Some people might wish to incorporate Fibonacci levels and that’s fine, too.
The only indicator I do use with this strategy is an on-chart indicator, the **20 EMA**. An alternative is to use the midline of the standard 20 Bollinger bands. Either works well, in fact you can use both to trade it as a Bollinger band EMA strategy. The examples here will be using the 20 EMA.

This setup can be traded on any pair. It can also be traded on any time frame, but the examples below are from 5 min charts.

It can be traded at almost any time of the day, but obviously some times are more reliable than others. For example, the early part of the Asian session may provide a decent break out and retest giving an entry, whereas the Asian afternoon session can be very slow. Then, when London opens the price may be too **erratic** and **volatile** to give any reasonable entries for any strategy.

Later again, after the initial flurry of news announcements has passed and price has **settled**, you may once more get a reliable entry or two. You will therefore have to adjust this strategy to the times when you are able to trade it.

*The strategy is named Bladerunner because the 20 EMA acts like a knife edge dividing price. If price is above the EMA, and respecting it, and retests the EMA, it will likely reject to the long side. And if price is below the EMA, and respecting it, and retests the EMA, it will likely reject to the short side. A few examples might help to clarify:*

![Bladerunner pic 1](c) www.AuthenticFX.com 2015
Price in range all day, wait for breakout and retest...

Having broken the range price retests confluence of:
1) Round Number
2) Old Support now Resistance
3) 20 EMA

Take Profit level 1...

Take Profit level 2...

Bladerunner pic 2
If price is **below** the 20 EMA, our bias is **short** and we would be looking for price to move up and hit the 20 EMA, reject and then move down.

However, if price pierces the 20 EMA and **closes convincingly** above it, we deem price to have switched **polarity** and now our bias changes to **long**. (This can be seen occurring at the right of the above picture). From now on we would be looking for price to move down and hit the 20 EMA, reject and then move up.

An example of one definite and one possible losing trade:
ENTRY

Essential entry parameters for this setup are:

- Price must break out of consolidation or a range prior to entry, i.e. it must be trending
- Price must then retest the 20 EMA successfully

What constitutes a successful retest?

If price is above the EMA it must bounce from and stay above the EMA; and vice versa for when price is below the EMA. More specifically: The first candle that touches the EMA should close on the same side of the EMA as it approached it from.

This then becomes the signal candle. Price has now rejected from the EMA and we are looking to see if the next candle confirms the move. If the next candle continues the move away from the EMA then this candle becomes the confirmatory candle. This is a simple way to trade the strategy; if you want to play it safer you could insist on a recognisable forex candlestick pattern occurring to confirm the trade.

n.b. if the Bladerunner seems simplistic, it is because forex price action and current fundamentals are factored into trading decisions. No entry is ever taken based purely on price having rejected from the 20 EMA.

IMPORTANT NOTES:

- Always look for a confluence of reasons to enter the trade. For example, it’s safer to have more than just a rejection from the 20 EMA. Ideally, you would like to see this happening
at the same place as an old support / resistance level, pivot level or other significant price impact point.

- Always be on the lookout for impending news announcements when trading this setup, especially on the lower time frame charts. I generally will not enter any trade within 30 to 45 mins before a scheduled news event, and will always wait at least 15 mins after the event before considering a trade.

- Always trade with the direction of the current trend, as determined by which side of the EMA or polarity indicator price is currently on.

ORDER PLACEMENT

(Note: the following parameters call for spreading your entry across two orders, but nowadays I have found that it is simpler for me to just enter one position/order per trade. However, many traders prefer to have their trade split across two positions, as this enables them more flexibility in their exits.)

A suggested approach is to open 2 orders when trading this strategy. The orders are as follows:

For a long entry:

- 2 buy stop orders are placed with entry 2 pips above the confirmatory candle.
- Orders expire at the start of a new candle. For example, if entering limit orders on the five-minute chart, those orders will expire at the start of the next five-minute candle, unless they have already been filled by price action on the current five-minute candle.
- The stop loss is placed 2 pips below the signal candle that touched the 20 EMA. This particular rule is not set in stone, you may place the stop behind a recent swing point if you believe that would give a more realistic stop size.
- The take profit for the first order is set at an amount equivalent to the risk in pips. For example, if the risk in the trade is 20 pips, the first order’s take profit target will be set at 20 pips.
- The take profit for the second order is set at an amount equivalent to double the risk in pips. So, to use the above example, the take profit on the second order would be set at 40 pips.

For a short entry:

- 2 sell stop orders are placed with entry 2 pips below the confirmatory candle.
- Orders expire at the start of a new candle. For example, if entering limit orders on the five-minute chart, those orders will expire at the start of the next five-minute candle, unless they have already been filled by price action on the current five-minute candle.
- The stop loss is placed 2 pips above the signal candle that touched the 20 EMA. This particular rule is not set in stone, I may place the stop behind a recent swing point if I believe that would give a more realistic stop size.
• The take profit for the first order is set at an amount equivalent to the risk in pips. For example, if the risk in the trade is 20 pips, the first order’s take profit target will be set at 20 pips.
• The take profit for the second order is set at an amount equivalent to double the risk in pips. So, to use the above example, the take profit on the second order would be set at 40 pips.

STOP TRAILING:

Once price has moved in favour of the trade by an amount equivalent to the initial risk, one of the orders is closed (due to its reaching take profit 1 level) and the stop loss on the remaining order is moved to breakeven. Using the above examples, once price moves 20 pips in favour of the trade, the first order is closed and the stop loss on the remaining order is set to breakeven.

This remaining order’s stop is then left at breakeven until the market closes the trade, either by reaching the profit target or by stopping out at breakeven. Again, this rule is not set in stone: there may be times when you may wish to continue trailing the stop beyond breakeven, for example, when a news announcement is imminent.

Trading the Bladerunner Using the Forex Polarity Indicator

The forex polarity indicator is my personal favourite indicator for trading this strategy. It is used much the same as if you were using the Bollinger mid-band or the 20 EMA. The band or ribbon or stream formed by the two indicators combined, gives you a little more to work with, in my opinion. As an example, take a look at the chart below:
The yellow stream is the forex polarity indicator, consisting of the 20 EMA and the Bollinger mid-band plotted together. These settings are configurable for those who like to experiment.

The white circle indicates a morning star forming at the polarity indicator. Had you only been using one or the other of the individual indicators, you may have deemed this not to be a valid signal as it may not have actually touched it. This is one advantage to using the polarity indicator. Personally, I just prefer it as a visual representation to take my bearings from.

So, that’s a wrap for the Bladerunner. Hope you enjoyed it, and if you do decide to trade it I’m sure you will find it a fascinating, easy and hopefully, profitable forex trading strategy!

(2) Daily Fibonacci Pivot Strategy

The second strategy of the series trades a confluence between daily Pivots and Fibonacci retracement levels.

The Daily Fibonacci Pivot Strategy uses standard Fibonacci retracements in confluence with the daily pivot levels in order to get trade entries. My preferred parameters are the 38% or 50% Fibonacci levels in confluence with the daily central pivot. The examples following show entries
at the 38%, 50% and 62% Fibonacci retracement levels in confluence with the daily central pivot.

As with all free forex strategies, there are many possible interpretations and variations to this particular strategy. My particular take on this strategy is to expand the opportunities provided by loosening the entry requirements in this manner:

- look for an entry on any currency pair where the **average true range** for the last five day period has been exceeded in the previous day’s trading session
- at the start of the **current** trading session draw fibs:
  - from the previous days low to high, if price is currently above the current day’s central pivot
  - from the previous day’s high to low, if price is currently below the current day’s central pivot
- look for a **confluence** of Fibonacci retracement levels with the daily central pivot
- If price retraces to the confluence identified, either enter at **market** or wait for a **confirmatory candle signal** to occur at the confluence before entry. Obviously, it is more risky to enter before getting the confirmatory signal, but such an approach gives a greater possible reward to risk ratio.

Let’s have a look at a few charts to see how this works.

The first chart shows a **long entry** at the confluence of the 38% Fibonacci retracement and the daily central pivot:
It was possible to enter either way here, either by buying at the first touch of that level, or waiting for the morning star candle formation to form. Both entries would have given a possible target at the 127% Fibonacci extension level, which was easily reached.

The suggested stop loss for these trades is behind the Fibonacci level one level away from where you take the trade. In this case it would amount to the 50% retracement level, with a few pips extra thrown in for buffering.

The next trade shows the reverse setup of the previous trade, with a sell occurring at the confluence of the 38% retracement and the daily central pivot:
This was a nice set up given the big drop that occurred in the previous trading session. That drop signified a **change in sentiment** which would have added weight to the decision to sell.

Another example, again, a sell after a **long run down** the day before:
This time the sell occurs at the 50% retracement level, although it is not in perfect confluence with the daily central pivot. Still, a nice evening star pattern occurred with both the daily central pivot and the 50% retracement level being respected prior to entry.

The last example shows a confluence of the central pivot with the 62% retracement level, plus old lows at the left of the chart:
This is an example of the fact that **any pivot level** can be used in confluence with the daily central pivot. In this case price retraced to once more retest the entry-level on the next day, but you should have had profit taken out of the trade by then, if not having exited at full profit.

As always with any new strategy, and in particular free forex strategies, remember to fully **back test** and **live test** in a **demo** account before going live with this particular play, if you decide it is a good fit for you.

(3) Bolly Band Bounce Trade

*Trading Bollinger band bounces and retests in a ranging market. Just because price is range bound doesn’t mean you have to be without trading opportunities!*
Trading an **obvious trend** is a lot more straightforward than trading when price is **range bound**, or appearing to move sideways. Many traders actually pass on the possibility of trading at all in a range bound market, standing aside until price once more takes on a definite trend. There are however strategies for coping with this much more **restricted** range of price movement. This strategy is offered as one such approach.

The Bolly Band Bounce is based on the observed behaviour of price where the Bollinger bands form a kind of limit for short-term price movement. In this respect Bollinger bands are well named, in that they almost exhibit the **elasticity** characteristics of rubber bands. Price will approach an outer band, encounter resistance and **snap** back towards the opposite band.

One way to make use of this behaviour is to trade the bounces at the **outer** bands. This is not very effective in a sharply trending market, but when the market is in a range it can be very effective indeed for short-term **scalps**.

The first thing you must do when looking to trade this strategy is to **determine** that price is indeed in a range. There are many ways to do this but with Bollinger bands I find the simplest is to check if price is staying on **one side** or the other of the **mid-band**. If so, and price is making consistently lower lows then price is trending down. And the opposite of course applies for an uptrend: if price is staying above the mid-band and making consistently higher highs then we are in an uptrend.

The following illustration shows price in a down trend at the left of the screen turning into a trending market at the right:
The signal for a possible turn from trending market to ranging market is shown circled at the bottom of the chart: a **tweezer bottom candlestick pattern** has formed. If this has occurred in confluence with other factors such as **support/resistance**, **round number**, significant **pivot level** or **Fibonacci retracement level**, the signal is stronger. It may have been possible to take a trade at this level although personally I would prefer to wait for **confirmation** that price is indeed ranging by a turn at the opposite band. This is what we see in the second illustration, with three possible entries circled:
Bollinger Bands in Ranging Market

The confirmatory signals are, in the first two instances a bearish engulfing candlestick pattern, followed by a bullish engulfing pattern. The third entry is confirmed by a near perfect evening star.

Now we come to the mechanics of entry, stop loss and take profit limits. It’s critical to understand that this is essentially a scalping forex trading strategy. The idea is to enter immediately the signal is confirmed at market, with an aggressively tight stop loss, and take profit at the opposite Bollinger band.

Once the move is confirmed by price you should move the stop loss to breakeven as soon as possible. If you don’t do this you can be easily caught by price bouncing at the Bollinger mid-band and retracing to take out your stop. This would likely have happened in the first trade had you not immediately moved to breakeven once it was safe to do so.

Of course, you will have to use your own judgement as to when exactly it is safe to move to breakeven: do it too early and you will be stopped out by normal retracements even if price is moving in the direction you wished!

As a final note, this particular strategy is best traded in a very quiet market, with no fundamental news announcements etc imminent, on a pair that is not given to spiky price action. And it goes
without saying that you should not enter trades based purely on the fact that price has reached an outer band. Look for a confluence at the outer band.

Confirmatory factors that may support an entry include:

- **Support/Resistance** Levels
- **Pivots**
- **Round Numbers**
- **Fibonacci** Levels
- **Candlestick Patterns**
- **Trend**

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(4) Forex Dual Stochastic Trade

*On its own the stochastic indicator may only be partially useful, but combine two of them – one slow, one fast – and something very interesting happens…*

The **Forex Dual Stochastic Trade** is based on combining a slow and fast stochastic and looking for occasions when these two signals are at opposite extremes. Extremes are defined as the 80% and 20% levels (illustrations below give a better indication of what is meant).

The only other indicator you need to perhaps consider for this strategy is the 20 EMA, and even it is not essential. The settings for the two stochastics are as follows:

**Slow Stochastic:**

- %K: 21
- Slowing: 10
- %D: 4

**Fast Stochastic:**

- %K: 5
- Slowing: 2
- %D: 2

For Metatrader these settings are shown in the diagrams below (the colour choices of course are up to you):

**Slow Stochastic Settings in Metatrader:**
Fast Stochastic Settings in Metatradr:

- **Parameters**
  - **%K period**: 3
  - **%D period**: 2
  - **Slowng**: 2
  - **Price field**: Low/High
  - **MA method**: Simple
  - **Fixed minimum**: 0
  - **Fixed maximum**: 100

- **Signal**
  - **Main**: None
  - **Signal**: Yellow
n.b. In the examples given below I have combined both stochastics in the one window at the bottom of the Metatrader chart. You may find this more convenient to do, and it is easily achieved. First place one of the stochastic indicators on the chart. Second, drag the next stochastic indicator from the Navigator window in Metatrader and drop it on top of the first stochastic. The dialogue box to enter the settings will come up automatically.

The basic rules are that you:

- wait for price to be trending strongly
- watch for the stochastics indicators to be at opposite extremes
- and then for confirmation of an entry look for an appropriate candle pattern that signals a reversal after a short retracement to the 20 Ema.

Note that you can also use the mid-band of the Bollinger bands as a substitute for the 20 Ema.

To go straight to a few trade examples have a look at the following chart. These examples are from one hour charts, as this is a good time frame to trade this particular pattern on.
The circles indicate possible entries for a short in a down trend. Note how the slow stochastic (yellow indicator band) is extremely oversold and the fast stochastic (blue band) has just hooked down after being extremely overbought.

The third example is a bit borderline as the slow stochastic has begun to lift from the oversold region. On the other hand, price has just made a double top and fallen away convincingly. So this would be a judgement call for you to make as a trader.
Above: A classic short entry in a confirmed downtrend. Note how flat and oversold the slow stochastic is, combined with a near copybook fast stochastic hook down from oversold. The 20 Ema has also been touched and convincingly rejected from. The bearish candle is not a classic engulfing pattern but is confirmed by later candles.
Above: The first circle indicates an near classic entry as price has now broken below old support and is falling away. An obvious winner. The second circle indicates a perfect evening star pattern at the 20 Ema, but taking this trade would have most likely resulted in a loss, or at least breakeven result. Just to show that the strategy is not always perfect. Of course, these trades are all drawn from history and we have no idea what was going on in the market at that time, which may or may not have influenced the sentiment.

I know several traders who bend the rules slightly when using this system and still do very well with it. It is an intuitive system, not necessarily to be used in a mechanical, robotic fashion. You should always use it in confluence with other signals, as indicated above, and always keeping in mind the time of day/session/Liquidity etc that is prevailing at the time you are trading.
In the illustration above neither example is perfect. In the first, the slow stochastic is not quite at overbought. In the second, the fast stochastic is not quite at oversold. Yet both represent convincing rejections at the 20 Ema after price has closed convincingly above an old support level indicated by the white line.

This is an example of where you may need to exercise your judgement, and as always, remember to trade with a confluence of other events and signals if they are available. The classics are:

- **Support/Resistance Levels**
- **Pivots**
- **Round Numbers**
- **Fibonacci Levels**
- **Candlestick Patterns**
- **Trend**

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**(5) Overlapping Fibonacci Trade**

A single Fibonacci level may be significant, but two Fibonacci retracements or extensions in confluence are a mighty combination…
The concept of **Overlapping Fibonacci** in forex trading is one that most traders come to after having used Fibonacci for some time.

Typically, they will be using Fibonacci **retracements** or **extensions** looking for a confluence of a Fibonacci level with other signals such as support and resistance, pivots etc. The idea of overlapping Fibonacci is likely to be an exciting discovery. Why?

Because very often that is all you need in order to trade: two strong Fibonacci levels at an area of known support and resistance for example, will very likely yield some kind of usable reaction. Many traders find the **simplicity** of this strategy appealing, and use nothing else in their trading.

As usual, giving chart examples will probably be the best way to illustrate the concept.

Take any chart with a reasonable run up or down in price, combined with several moderate retracements along the way, and just start drawing Fibonacci on that chart:

The above example shows two sets of Fibonacci drawn in a strong downtrend. The yellow Fibonacci lines are a result of drawing from the high at the top left of the chart and down to the swing low indicated by the first white circle. The blue Fibonacci lines are a result of drawing fibs from a lower swing high (that coincidentally formed a double top) to the same swing low as that of the yellow Fibonacci.

You can see two possible entries at the confluence of the yellow Fibonacci 38% retracement level, combined with the blue Fibonacci retracement level of 79%.
The above chart shows a similar situation in an uptrend. Again, the white circle indicates an opportunity to enter on a bullish engulfing candle pattern at the confluence of the 79% and 38% retracement levels.

Note that the confluence can consist of any of the Fibonacci retracement levels, from 38% to 50% to 62% to 79%.

There is also the opportunity to take trades based on confluences that occur at Fibonacci extension levels, and the process for arriving at those confluence identifications is the same: on any chart draw Fibonacci lines (with extension levels enabled) and look for levels that overlap.

As always, remember to trade with a confluence of other events and signals if they are available. The most powerful supporting signals are:

- **Support/Resistance** Levels
- **Pivots**
- **Round Numbers**
- **Fibonacci Levels**
- **Candlestick Patterns**
- **Trend**
(6) London Hammer Trades

Wondering how to trade the London forex open and beyond? Here’s a suggestion…

What with the volatility and indecision that characterised many of the European trading sessions in early to mid 2013, I didn't have much success finding good Bladerunner trades at the London open. I began experimenting with a new strategy for these conditions based around the way price zigzags from one edge of a tight range to the other.

I based this strategy on my favourite candlestick: The Rejection Bar or Hammer. I look for rejection bars that form at resistance after price has moved out of a narrow range. I then sell or buy depending on the direction of the hammer, with a tight stop not far behind the tail of the hammer. I aim for a 2 to 1 profit/loss ratio, moving my stop to breakeven once price has moved in profit equal to the amount of risk I have in the trade.

The chart below shows the entire day’s trading session here in Asia, beginning with the start of the week at the extreme left. Note the first hammer forming as the final candle of last week’s trading. Price gapped at the open in Asia this morning and mostly drifted sideways. The blue section towards the right of the chart indicates the open of the European session.
When London opened, a hammer rejection formed almost immediately from the daily central pivot. Note also the succession of failures just to the left of that pivot. These failures occurred at a level where the weekend gap in price had been filled, adding conviction to my feeling that price may reverse from here.

I tried to enter with a limit order two pips below the hammer candle, but mis-timed my entry slightly and ended up getting in three pips after the break below the hammer. You can see the tiny horizontal bar where my stop loss went in the white circle. I set a take profit limit at the weekly pivot indicated by the blue horizontal line, and was taken out for the full 2:1 profit quite quickly.

The third circle indicates a possible entry on a bullish hammer after price had come down and formed a bottom, rejecting three times from a monthly pivot (the dashed line at the bottom of the chart). As a side note, it is interesting how often price will come down to one level of resistance – in this case the weekly pivot – and kind of “eat” through that to be finally stopped at a second level of resistance. I left this second opportunity alone, as at that time I was still testing and observing, rather than actively trading this new strategy.

If you want to read more on the strategy of trading hammers or rejection bars, take a look at the following links:
(7) The Bladerunner Reversal: Best EMA Crossover Strategy

The Bladerunner Reversal is a variation on the Bladerunner itself. It uses the forex polarity indicator, which is a combination of the 20 EMA and the Bollinger mid-band. In fact, you could just use those two together if you don’t want to use the polarity indicator (provided free in the first instalment of this 10 Best Forex Strategies series).

This variation actually trades the crossover of the two indicators underlying the polarity indicator. The actual cross itself is not apparent in the polarity indicator, which represents the two underlying indicators by means of an expanding and contracting yellow band.

For more details on the forex polarity indicator and why you would use it as opposed to the two indicators together, see the page describing it.

The pattern we are looking for is that price breaks out of a channel and trends with some strength and for some time. It then stalls, reverses and passes through the polarity indicator before coming back to retest the indicator from the other direction.
The chart above will help to illustrate. The **Asian session** indicated by the blue area saw price gradually fall below a reasonably narrow band after having failed at the daily central pivot (yellow line) early in the session. Price then continued down punching straight through a weekly pivot (blue dotted line) before stalling and then reversing from a round number (grey dotted line).

Price then formed another indecisive band up to the end of the Asian session, where a large final surge down from the underneath of the polarity indicator occurred, right to the round number. Price then punched away from the round number and closed on the other side of the polarity indicator. At this point, the 20 EMA and Bollinger mid-band would have crossed over, representing an EMA crossover strategy signal.

Note the two white circles. The first indicates a bullish engulfing candlestick pattern and represents the first entry signal. The second indicates a further possible entry based on a quasi-morning star pattern or bullish engulfing candlestick that closed above the **current range**, indicated by the horizontal white line.

What is the difference between the Bladerunner and the Bladerunner Reversal? The Bladerunner waits for a trend to be confirmed and then trades bounces from the polarity indicator in the direction of that trend.

The Bladerunner Reversal comes into play **when this trend completes and price reverses** to close on the other side of the polarity indicator. Both strategies trade in the direction of the trend as determined by price closing on the appropriate side of the polarity indicator.

The example above shows a Bladerunner reversal traded from a **bullish** perspective. The graph at the left shows the flip side of this: a bearish trade from the underneath of the polarity indicator. Here, an upward move has completed and price has broken down to close repeatedly below the polarity indicator. An evening star pattern (circled) then forms from the underneath of the polarity indicator.
Employing both the Bladerunner and the Bladerunner Reversal together in the same session can be a good way to cope with price that is not trending for significant periods of time. In this manner they can be employed in combination as an effective EMA scalping strategy.

(8) Simple Breakout Strategy in Forex: Pop ‘n’ Stop Trades

How to trade the breakout in forex Part 1: Upside Breakout

We’ve all been in the situation where we are watching price trade in a tight range, waiting to trade the breakout from that range. Our reasoning – perfectly logical – is that since price usually breaks out of a tight range with a violent move in one direction or the other, we could make a stack of money by getting on board that move early.

Most of the time, what happens in this situation is price gets away from us: even as we watch, it bursts through the range perimeter and heads off like a sky rocket (or falling rock if it’s going down). We look at all the pips mounting up and think “I’ve missed a great move again!”

After that, the temptation to trade the breakout changes into a temptation to chase price, with usually disastrous consequences. We jump into the trade once it is underway and watch as the move begins to slowly stall and then reverse, taking us out for a loss.

The urge to trade breakouts is natural enough. We all want to hit the ball out of the park every once in awhile. But for most traders, most of the time it simply doesn’t work. The following strategy is a suggestion for those who want to try trading breakouts. It attempts to build safety into the trade by combining price action with the Rejection Bar Candlestick pattern.
The image above shows price breaking out of a range at the beginning of a trading session (the blue area beginning near the left of the screen). We may have no way of knowing what caused price to break to the upside. Perhaps it was a news announcement, perhaps it was simply a collection of large players moving into long positions. Whatever the cause, price “popped” out of the range and then temporarily “stopped” before resuming its upward move. This is why it is referred to as a Pop ‘n’ Stop Trade. The area is indicated by the first white circle.

At this point, we see two bullish rejection bars forming above and rejecting from a round number (grey dotted line). Usually, when price bursts out in one direction with a long, fast candle like this, we can expect some retracement back to the point where price exited the range. This is simply because the fast move has covered an area of sparse orders, which now present as “gaps” in the market. These gaps usually fill at some stage, and usually sooner rather than later.

To cover the reasons we would have entered this trade:

- **Time of day**: price had been quiet leading up to the start of the session where we would normally expect liquidity and therefore volatility to pick up
- Price was trading in a tight range
- Price moved strongly in a **pop and stop** fashion. At this point it could go either way, so we watch for further signals
- Price then forms a fairly convincing **rejection bar** from a significant level – the round number. A further rejection bar follows.

One way to trade the move from here would have been to place your limit order 1 to 2 pips ahead of the rejection bars. Your stop loss could have gone just below the tail of the rejection bars, if you wanted to trade it aggressively, or for a more conservative approach you could have placed it just below the highs of the range.
Just as a note of interest I have circled a second area to the right where another possible trade entry set up. Once more a bullish rejection bar formed from a significant level – the confluence of a monthly pivot (dashed line) with the top of the Pop ‘n’ Stop move to the left.

The second chart shows two possible trades. The first is a bullish rejection from a round number, the polarity indicator (the yellow stream) and an old range which is barely visible at the left of the screen. Price had earlier popped above this range and begun to form another range based just above it, much like one brick on top of another.

The second circle shows a very bullish candle with the first indications that price is beginning to stall: a substantial wick at the top. The second circled candle, a bearish one, completes a bearish Harami Candlestick pattern. If you had entered long at the first signal, this would be the sign to take profit, exit the trade or at least move your stop up.

The final confirmation of an impending move down is the bearish rejection bar whose extremely long wick rejects from the highs.

The Pop ‘n’ Stop is an interesting strategy for those tempted to trade breakouts. Some of the things to be aware of in trading it are:

- It is a comparatively risky strategy as you are counting on the gap left by the sharp move not being filled. The counter to this risk of course, is the use of rejection candlestick bars to confirm the move.
- The pop and stop is best traded in the direction of sentiment after news has caused a breakout from a tight trading range.
• It should always be traded in a highly liquid session to ensure there is enough support for the move to continue
• Beware of upcoming news announcements which can quickly reverse the sentiment and fill the gap
• Breakouts that enable this strategy often occur at the open of forex market sessions: New York and London are prime examples. In fact, I created this strategy based on research I had been doing on the London open breakout strategy I had seen discussed elsewhere. I have also seen talk about New York open breakout strategies, but the same rules can easily be applied. Suffice to say that opens are generally the best timeframe for breakout trading.
• Variations on the strategy often occur at the end of such sessions, but that is a topic for another post.
• This is a short term, scalping breakout strategy. Always set tight stops, and take profits quickly: 1.5:1 or 2:1 is generally the limit of your take profit that can be safely set. Price rarely “flies to the moon” after it pops. Don’t be greedy!
• As indicated by the second white circle in both charts above, the strategy can be traded in conjunction with a countermove strategy if price reverses savagely and fills the gap.

As always, watch your risk and trade attentively. Enjoy!

(9) Forex Breakout Trading Method : Drop ‘n’ Stop Trades

How to trade forex breakouts Part 2: Downside Breakout

This is a companion piece to the strategy dealing with support and resistance breakout trading: Pop ‘n’ Stop Trades. Since most of the principles involved are identical, I won’t cover that ground again, but simply show how the strategy also works for breakouts to the downside in forex.

To recap, this is a channel breakout trading system particularly useful around session open times, the simple rules of which I put together after studying London breakout trading and other related strategies such as the New York breakout forex strategy.
The chart above shows price breaking strongly to the upside above a narrow range at the left. There were no entries possible on this breakout using the pop and stop method. Price did however form a very nice **evening star** candlestick pattern at the blue dotted line indicating the weekly pivot. Depending on what other confluences occurred at this level you could have entered a short trade after the first long candle down.

Once price had confirmed the upside breakout and then retraced with another savage breakout to the downside, it stopped just below another weekly pivot. The action here is indicated by the white circle. At first, price rejects several times from a round number (grey dotted line) before finally confirming that the move is on with a bearish **rejection bar candle** spiking down from the weekly pivot.

To be honest, this is not an ideal trade: price has already exhausted a lot of traders in the move up and the subsequent long, sharp move down. In other words, and to put it more technically, much of the **average daily range** is bound to have been consumed by this point. There is also the issue of that round number in front of any short trade. However, I’ve provided it for the purpose of illustration, to show that the strategy can work when combined with price action.

Notice how price broke below the **round number** and then continued to come back and reject from it to the downside. Price did eventually resume its downward move but this most probably would have resulted in a breakeven trade, or perhaps a 1.5:1 winner.
The next chart shows price failing at the polarity indicator at the top of the chart and then breaking, in increasingly strong bearish candles to the downside from the range that preceded it to the left. The Drop’n'Stop occurred at the first white circle, but there was no confirmation from a bearish rejection bar to enter the trade. Exercising some judgement here, a trader could have entered after the close of the bearish candle at the right of the circle, with an entry perhaps one or two pips below the monthly pivot (dashed line).

The second white circle shows another drop and stop scenario, again with no really convincing bearish rejection candlestick to confirm the move, although the bearish candle at the right of the circle does represent a slightly risky, almost-rejection-bar candle entry.

Either of these entries, though not ideal, would have paid off. Eventually though, the move was exhausted at that round number visible at the bottom of the chart, forming lots of rejection spikes from it. Note that the final confirmation of a reversal was itself a bullish rejection candlestick from the round number. When the next candle closed above the range of this final Drop’n'Stop area, it signalled that price in all likelihood was going to drift back upwards.

As price drifted back up it eventually closed above the polarity stream (the yellow indicator). At this stage, yet another strategy presents itself: the Bladerunner Reversal.
(10) Trading The Forex Fractal

WELCOME to the FINAL instalment in our series of The 10 Best Forex Trading Strategies! The concept of The Forex Fractal is integral to everything I consider when taking a trade, and I believe is a fitting way to end the series…

“A geometric pattern that is repeated at ever smaller scales to produce irregular shapes and surfaces that cannot be represented by classical geometry“

The fractal as used here refers to areas of price channelling and consolidation that are being watched by large numbers of forex traders. More importantly, the boundaries of those channels are being watched by the Big Guns in the market, thus forming levels of support and resistance.

The dictionary definition of fractal is “A geometric pattern that is repeated at ever smaller scales to produce irregular shapes and surfaces that cannot be represented by classical geometry”.

As in Fibonacci sequences, it’s a fact in nature, art and also trading, that patterns repeat. Pick a pattern on a five-minute forex chart and you will find the same pattern repeating on higher timeframes, very often “nesting” within the same timespan on the higher timeframes.

At this stage you might be asking what is the difference between a fractal and a simple price channel? The two distinguishing features I see are:

1) It’s simple enough to identify a single price channel on a chart, but once you start stacking fractals on top of one another you begin to see that price is actually fracturing or ‘fractalling’
along a trajectory, either bullish or bearish. This is far more powerful information, as it gives an indication of

- **the Trend**, and

- **how far** price, when it breaks out from a fractal, might **surge** before it withdraws back into the body of the fractal. For example, if the fractals are each averaging about 50 pips from the lower edge to the top edge, then if price surges through in either direction we could expect that it would not go much further than 50 pips to begin with. This enables us to set stops and take profits with a little more certainty.

2) Once you study the fundamental aspects behind the construction of price fractals, you see the market and its price action dynamics with far more clarity. The fundamentals of fractal price action are tied up in the **order flows** coming out of major financial centres: the banks and trading houses and other major players.

So how can we use this information, and how does it appear on our forex charts? The two charts below attempt to give an explanation.

![Forex Fractal Trading: Fractals in Downtrend](image)

The first example shows price in a **down trend**. I have identified three fractals on this chart, indicated by the horizontal white lines.

After price had plunged at the left of the chart it formed a holding pattern and tracked sideways.

There are many fundamental reasons for this, but essentially what has happened is that **sellers have withdrawn** from the market and **price has therefore stabilised**.

After this first fractal formed price slipped through at the end of the session, indicated by the vertical dotted line. This is quite common price behaviour at session change-over times: traders
Exiting the market settle up their positions, which in this case has resulted in more longs withdrawing and a resulting drop in price.

A small gap down followed at the start of the new session and price found a new level of support at the third white line drawn.

Note the resistance formed by the underneath of the previous fractal. This old area of support now signifies an area where sellers are lined up, and as price approaches that area it twice rejects, see the two white circles in the middle of the chart. Depending on all the other usual factors that you should take into account in your trading (time of day, confluence etc.) either of these rejections represented a possible short entry.

The final circle at the right shows where price has come back and pierced the second fractal, but not managed to stay within it. The underneath of the second fractal now becomes the area of resistance where traders are prepared to enter with short orders. Their order flows concentrate around the boundaries of this fractal and the new one now forming.

*Essentially, what happens as fractals form in a trend is that the order flows created by major market players adjust to a new bandwidth or price extent. The big traders, for one reason or another, will be trading the currency pair between those two levels represented by the top and bottom of the fractal, until external factors such as breaking news cause price to move beyond the limits of the current fractal.*

The second chart shows price forming fractals in an uptrend.

By now I hope you can see how easy it is to draw in the lines representing the upper and lower boundaries of a fractal.

You don’t have to do this *physically* on your charts of course; in time it just becomes automatic for you to see these levels and to note them.
The first circle marks where price after breaking out of the first fractal (and, interestingly, surging a distance roughly equal to the bandwidth of the previous fractal, plus just a little more) retraces and rejects from the upper level of the fractal it just broke out of.

The last two circles shows similar retests as price moves into an increasingly bullish trend. As the move upwards gains momentum the bandwidth of each successive fractal extends a little.

There are two main ways to trade the fractal: the Slip Through and the Retest. Briefly, the details of these two approaches are:

- For the Slip Through, wait for a strong, preferably blunt-ended candle to close beyond the boundary of the current fractal. Place a limit order just in front of price, with a stop just behind the other boundary of the fractal. This gives you a stoploss of the width of the fractal, and that is usually a good place for your stop to go.

- For the Retest, wait until price surges beyond a fractal boundary (in other words, a Slip Through) and returns to retest the fractal boundary it just broke beyond. Ensure that it rejects from this level in the direction that it took when it surged beyond the fractal. Once more, place your stop on the other side of the fractal, i.e. beyond the furthest fractal boundary.

As always in every strategy, be sure to incorporate other signals and information into your trading decisions. Trading the boundaries of the fractal is the core of the strategy only.

Trading fractals is something I continue to find fascinating and rewarding. If you apply yourself to studying it, I guarantee positive results will show in your trading!

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I hope you have enjoyed The 10 Best Forex Trading Strategies. I compiled this list of strategies after almost a decade spent trading the markets, and I am convinced that applying yourself to a study of them will enhance your results in trading.

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I would like to take this opportunity to thank you for placing your trust in me in taking on this course of study. I wish you the very best in your trading and your life!

Erron Adams, AuthenticFX