

Conservative Day Trading Strategy for Forex

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Please note:

THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION. THE HIGH DEGREE OF LEVERAGE THAT IS OFTEN OBTAINABLE IN COMMODITY TRADING CAN WORK AGAINST YOU AS WELL AS FOR YOU. THE USE OF LEVERAGE CAN LEAD TO LARGE LOSSES AS WELL AS GAINS. PAST RESULTS ARE NOT INDICATIVE OF FUTURE RESULTS. HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT.

Introduction

In the following examples we will use the **\$EUR-USD** to illustrate our CONSERVATIVE day trading strategy. All trading strategies are based on **our ingenious template** (www.rockwelltrading.com):



The basic rules are:

- **Light Green Bar:** Potential Uptrend
- **Dark Green Bar:** Uptrend
- **Light Red Bar:** Possible Downtrend
- **Red Bar:** Downtrend
- **Blue Bar:** Possible change of direction from Uptrend to Downtrend or Downtrend to Uptrend.

Summary of the rules:

Preparation:

- Apply **Template No. 2** of the **ingenious template** (www.rockwelltrading.com) to a 15 min chart of the currency market you want to trade

Entries

- Enter long at the close of a **dark green bar** if **all three confirmation lines** are pointing up.
- Enter short at the close of a **dark red bar** if **all three confirmation lines** are pointing down.

Exits

- Use a 10 pip stop loss.
- Use a 20 pip profit target.
- Exit the trade at the close of a **blue bar**.
- Exit at 1PM CST if still in a trade

Goals

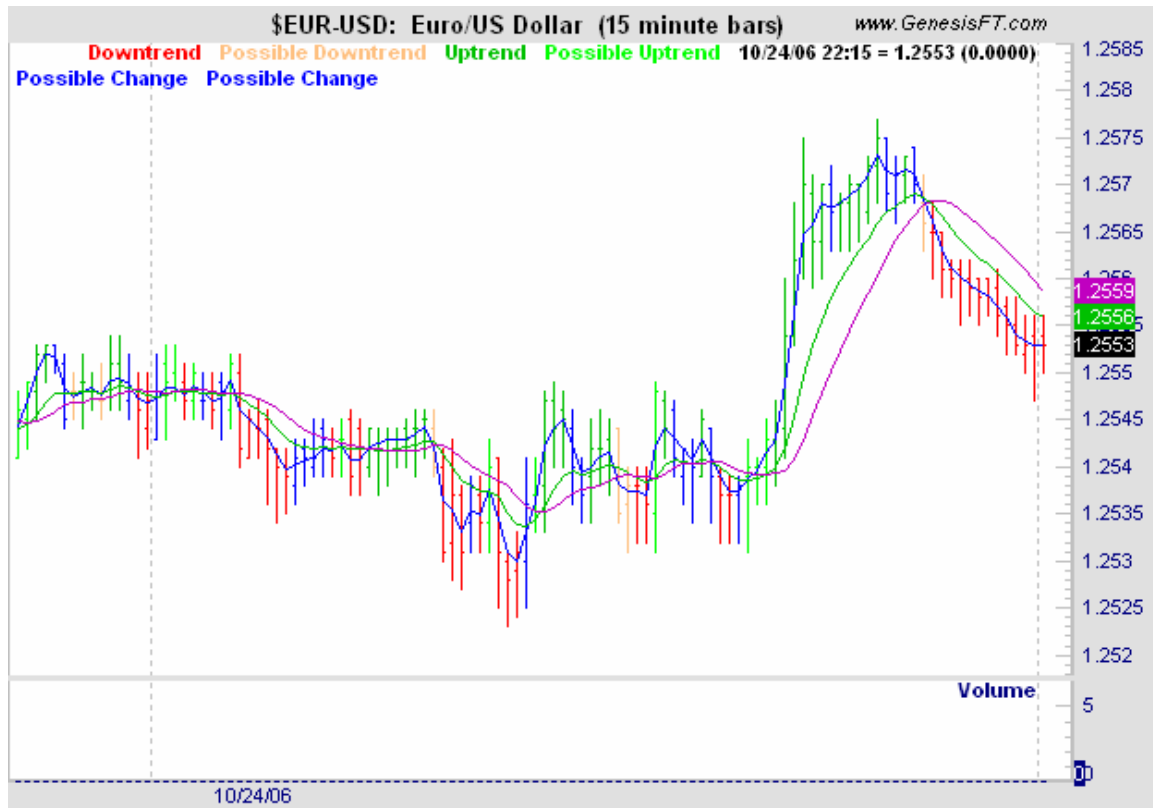
- To identify a trending opportunity in the currency markets.
- To take ONE high probability conservative directional trade a day.

PLEASE NOTE:

Although these strategies offer nice high probability opportunities to take advantage of directional moves in the market, the **FULL POWER** of our template is discussed in our coaching sessions. This includes additional filters and ways to use our Level III template to maximize your trading results.

Example

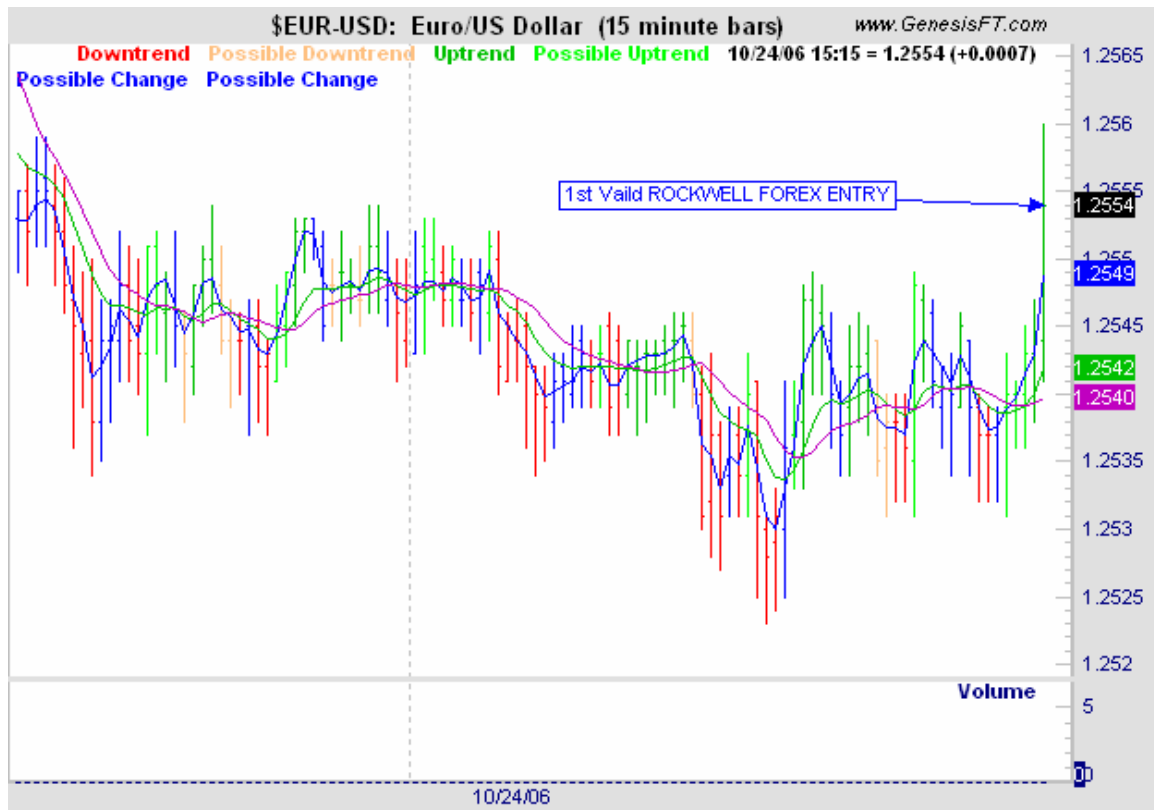
We apply **Template No 2** see <http://www.rockwelltrading.com>) to the 15min chart of the \$EUR-USD, which shows the colored bars and **confirmation lines**:



We will trade a conservative trading strategy on October 24, 2006*.

*** Although the currency markets are traded 24 hours a day, there are specific timeframes that will increase a trader's ability to trade the currency markets successfully. These are discussed in detail during our coaching sessions.***

Here's what we saw at 10:15 AM CST on October 24th...



This is a nice entry showing a **dark green bar** that is confirmed by the 3 confirmation lines pointing up. At the completion of this 15 minute bar our conservative trading strategy calls for a **long trade**.

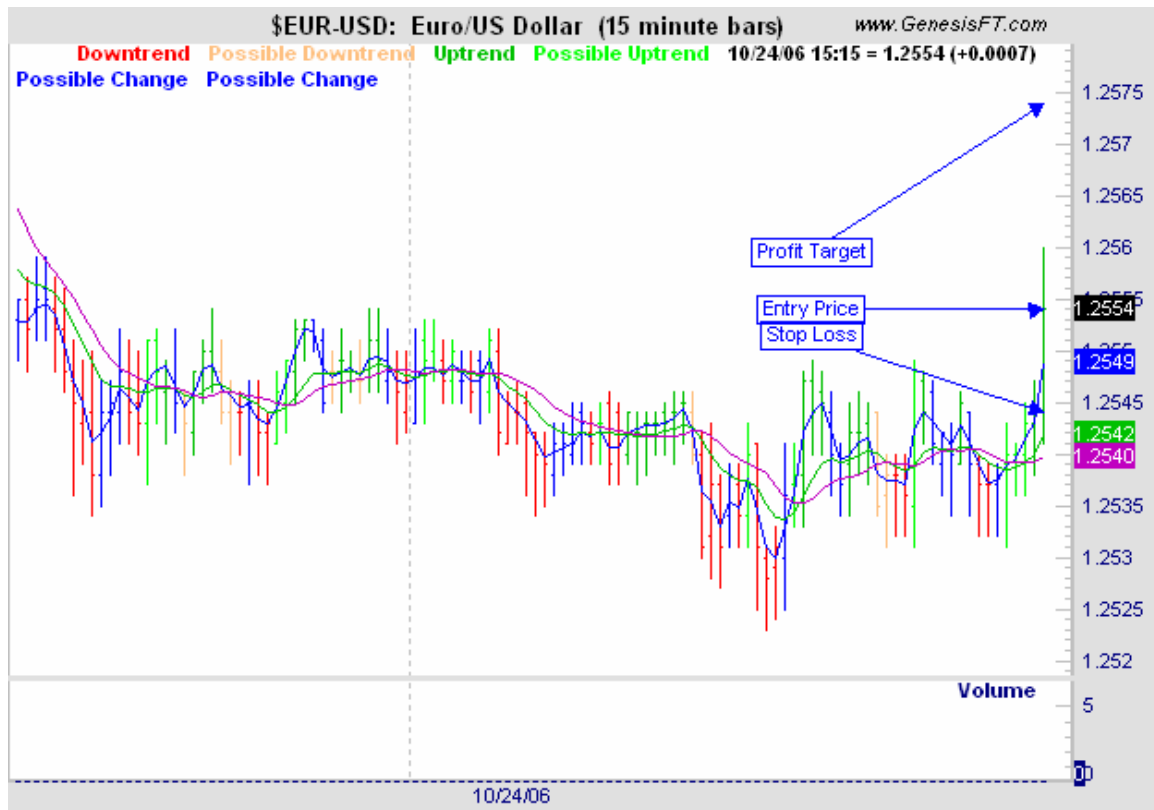
We place a buy order as soon as the bar is complete:

Buy the \$EUR-USD.

We receive our fill at 1.2554.

Our goal using the conservative strategy is to capture a nice conservative move in a directional trend. We set our **profit target at 20 pips (=approximately \$200)**. We will set our **stop loss at 10 pips (=approximately \$100)**.

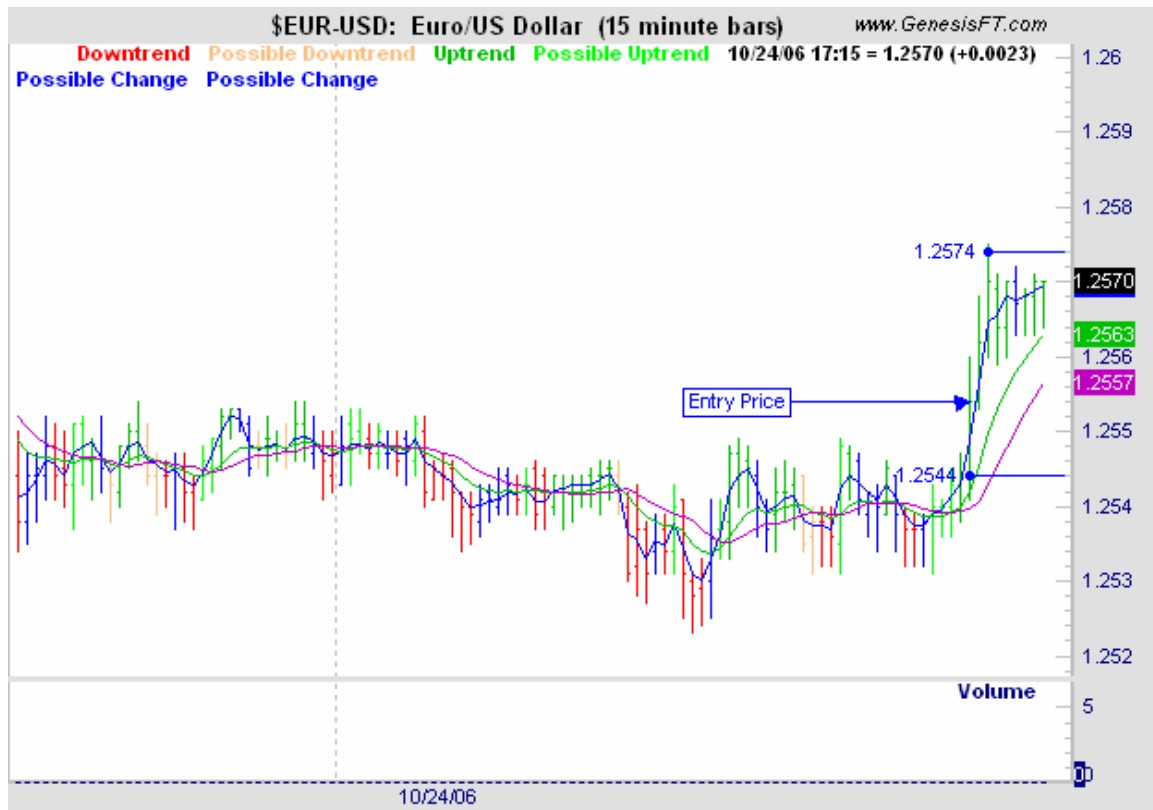
By using a 2-1 profit to loss ratio in the FOREX markets we can easily compensate for a losing day with a winning day.



This chart above shows the following orders:

- We went **LONG** at 1.2554
- We place a **stop loss** at 1.2544:
SELL \$EUR-USD at 1.2544 STOP
- We place a **profit target** at 1.2574:
SELL \$EUR-USD at 1.2574 LIMIT

We now see a nice continued move to the upset that just hits our profit objective.



Our profit target of 1.2574 is hit as price moves to 1.2575 and we make 20 pips (=approximately \$200) in profits.

As soon as our profit target gets filled, we **MUST** cancel our stop loss order at 1.2544. Otherwise that order would be filled if the market turns around and we would find ourselves in an unwanted position.

Using a conservative approach, our profit target was hit on one nice trending opportunity for the day. Since we are using a conservative strategy we are done trading for the day. We **CANNOT** have a daily winning percentage better than 100%.