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The RSI PRO Scalping Strategy

From You Learn Forex
www.youlearnforex.com

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Introduction

The goal of The RSI PRO Scalping Strategy is to make money in an efficient manner using short time frames.

Peyton Manning, quarterback for the Indianapolis Colts is an example of efficiency in a short time frame. He is prepared for every game and every play. He knows what he is going to do, when he is going to do it and he has a vision of success that more often than not, he carries out.

That is how I view being a successful Forex trader; someone who comes to work each day just like any professional, does their job well and then goes on about their day.

One of the problems however in Forex, just like in football, is that everyone is not going to be Peyton Manning. We don't all have the physical skills to play in the NFL. However, in Forex, we can acquire the skills to be a successful trader. I am a case in point. I didn't grow up to be a trader, I never thought of trading Forex until I was in my 50s. In fact, I did not even know what the term Forex meant.

All of us can play in the game of Forex however and with the right strategy we can succeed. Will we all succeed? No. The odds are hugely stacked against us. Why? Not all of us will do what is necessary to become a success.

In my years of teaching myself Forex I have met many people who have called themselves traders. Most, I learned, weren't.

One of the main reasons was that most people never really see themselves as traders, they only hope they can be one, thus they never commit.

Secondly, to win you need to be with a good team and you must have a winning strategy. Most Forex trading strategies are built on false premises. Anyone who has read much of my work knows that most indicators are used incorrectly and many just aren't valuable enough to bother with.

However, go to most books or trading schools and seminars and you will learn most of the techniques that will teach you to do one thing; fail.

My goal in starting You Learn Forex was to find a method of trading the foreign currency market that would allow nearly anyone to succeed. In the first two years of teaching the true concepts of RSI I have seen many traders begin to make money for the first time in their trading careers. Many of those people are beginning to catch the vision that they could trade for a living at some point in the future. This is very gratifying but it also tells me I am on the right track when it comes to a trading system that anyone can trade and make money.

My goal was to make it simpler and easier. Yes, I think it is possible to make trading simple. I actually think that is what Peyton Manning has done, but many years of practice have gone into it. In his mind, the game of football has become simple.

I think The RSI PRO Scalping Strategy is the next step in simplicity. I would like to make a disclaimer here however, that any trader who comes across this trading method without having read RSI Fundamentals: Beginning to Advanced (second edition) as a must, and suggested reading of RSI PRO: The Core Principles and RSI Trading Examples Vol.1 will be at a huge disadvantage. In addition, it would be impossible to be efficient at trading this method without The RSI Paint Indicator.

To properly address this method and to give you the best chance at success in using it, I will not just lay out a set of trading rules and steps. The basis of any successful trading system must have a philosophy behind it. To that end we will develop the entire system so that you are not just doing something without understanding, but you have understanding as well.

I trust that once you have completed reading this eBook you will have a greater understanding of trading Forex, that you will carefully implement this strategy, and you will find success as a “true” Forex trader.

Proverbs 2.2

PRINCIPLES

Trading the foreign exchange market is perhaps one of the most challenging things that anyone can undertake in the financial trading world. The foreign exchange market is the largest financial market that exists in the world and it grows larger each day. The 2007 currency report showed that \$4 trillion was traded every single day. That comes to over \$600 per day for every man, woman and child on the planet.

There are thousands if not tens of thousands of ways to trade currencies but most fall into one of several groups; scalping or short-term trading (minutes), short-term to medium term (hours to several days), medium-term to long-term (days to weeks and longer).

This eBook will spend its time on the first of those listed, scalping; in many ways perhaps the most difficult of all methods of trading, the most used, and the least understood.

That is an opinion based on many years of trading. One of the primary reasons for the difficulty in trading is what is called “noise”. Noise in the market is created by the plethora of traders trading at the same time with multiple objectives. It is increasing according to many as the market grows larger. This is from an article that I wrote at www.ezinearticles.com recently,

“Regardless of what we think, technical analysis may or may not lead to solid trading results. Price spikes created by noise from smallish price positions can move markets and create uncertainty thereby rendering many day trading or scalping systems, including automated trading systems useless.” Richard Olsen, Ltd

This causes prices to move at what appears to be a random motion. The randomness only comes from the fact that so many orders are being sent from actual retail traders, automatic trading software, speculators of large banks, commercial institutions, and governments. As a result there is virtually no way that most traders can win consistently.

But we do not need to win consistently to make money in Forex. On the day I wrote this, using this scalping system, I won 10 times and lost 7. That is a good year if I was a baseball pitcher, but in Forex trading wins and losses doesn't tell the whole story. The question is, What was the size of the losses and what were the sizes of the wins? A comparison to pitching might be the number of pitches a pitcher took to collect his record. That too however, may not be the best method of keeping score, in particular if you are thinking of becoming a fulltime trader.

The best way to keep score is to determine your daily return on investment (ROI). Suppose you were to trade an account of \$3,000 and your goal was 1% each day. That would be \$30 dollars the first day if you were trading standard lots on the EURUSD and it would take you 3 pips to make that money. Here is the formula for ROI.

$$\text{ROI} = \frac{(\text{Profit} - \text{Investment})}{\text{Investment}} \quad \text{ROI} = \frac{\$3030 - \$3000}{\$3000} = 1\%$$

One percent a day for a year of trading days, roughly 240, is a lot of money. You would double your trading account more than three times. If you left that money in the account imagine how large you could grow it doing the same thing each day with just steady progress. The point is you should have a goal of the percent of money you want to make each day; then work backward realistically toward how many trades that will take, with a realistic number of trades. It may take you 10, 20, 30 or more pips based on your money management and risk setup to reach your goal but set a goal and then work to attain it.

Regardless of whether you scalp, this should be your goal but scalping has its advantages. Here are just a few.

The Advantages to Scalping

1. **Instant Gratification** - In many people's minds scalping allows them to see results in a short period of time. We all seem to like immediate results. I would rather have the doctor give me the bad news "now" than wait a day or a week for test results.
2. **Limited Time** - Most Forex traders have a job when they hear about trading the foreign currency market. That means trading before work, after work or during work if you have the type of job and employer that allows it. Regardless, scalping allows you to trade for an hour or two and call it a day or an evening. Bottom-line? Less sleepless nights.
3. **Volatility means Inefficiencies** - The volatility of the market. While this can be a disadvantage in some trading methods, it can be a benefit in scalping. Markets are said to be efficient but without going into market theory, they can't be as efficient at the lower levels meaning there are many places to make money quickly. If gold, for example, begin to plummet in value while you are sitting at your computer it usually means that the U.S. Dollar is going to go up. While the market reacts, you make money until the market stabilizes another word for efficiency.
4. **Smaller Losses** - Typically a scalping strategy is based on tighter stops. Smaller stops typically means smaller losses. Scalping is a numbers game, just like any other form of trading but multiple trades with small stops is vitally important.
5. **Large Position Size** – Smaller drawdowns means larger position sizes; the ability to risk more. This however is not a must.
6. **Momentum** - Scalping, if in the right time of the day, allows the trader to take advantage of momentum in the market.

This is just a brief rundown of the benefits of scalping. There are of course disadvantages. Many small losses with no large wins typically means that you will lose money rather than make it. The scalper has to have the mindset that there will be:

Small Losses – Occasionally you will strike out or get thrown out at first.

Small Wins - A base hits are important; doubles are better.

Big Wins – Out of 10 at bats it should be routine to get 2 or 3 of these; a triple and/or a home run.

That is why scalping is a numbers game.

CONCEPTS

RSI Scalping Strategy Overview

1. Scalping the RSI will be slightly different from the typical way that we use RSI in the RSI PRO Forex Trading System. You will still and enjoy the use of the RSI Paint Indicator but you will learn that there are more entry points that will give you more times to trade.
2. Signals can come from any of the RSI Signals but the signals are not the only places to enter and exit a trade.
3. Stops can be treated in several different ways and can be tailored to a trader's individual style.
4. Filtering methods will be used to help determine when to enter.
5. Momentum and Price will be handled in a slightly different manner to deal with the speed of the market.
6. Range Shifts will occur more often on smaller time frames.
7. You will be able to trade M1, M5 or M15 depending on how much or how often you would like to trade.
8. The method we will be using will be explained on the M5 chart.

APPLICATION

SCALPING STRATEGY FOR UPTRENDING MARKET

Look at the EURUSD M5 chart below. In the area that is highlighted, (the uptrend) and without the benefit of The RSI Paint Indicator, where would you enter trades?



Chart 1

I have blocked out the areas on the left and right to make it easier to see the area that we are looking at. Using just RSI momentum and price, where would the logical places to enter?

Now go to the next page and look at the entry points I have located with arrows.

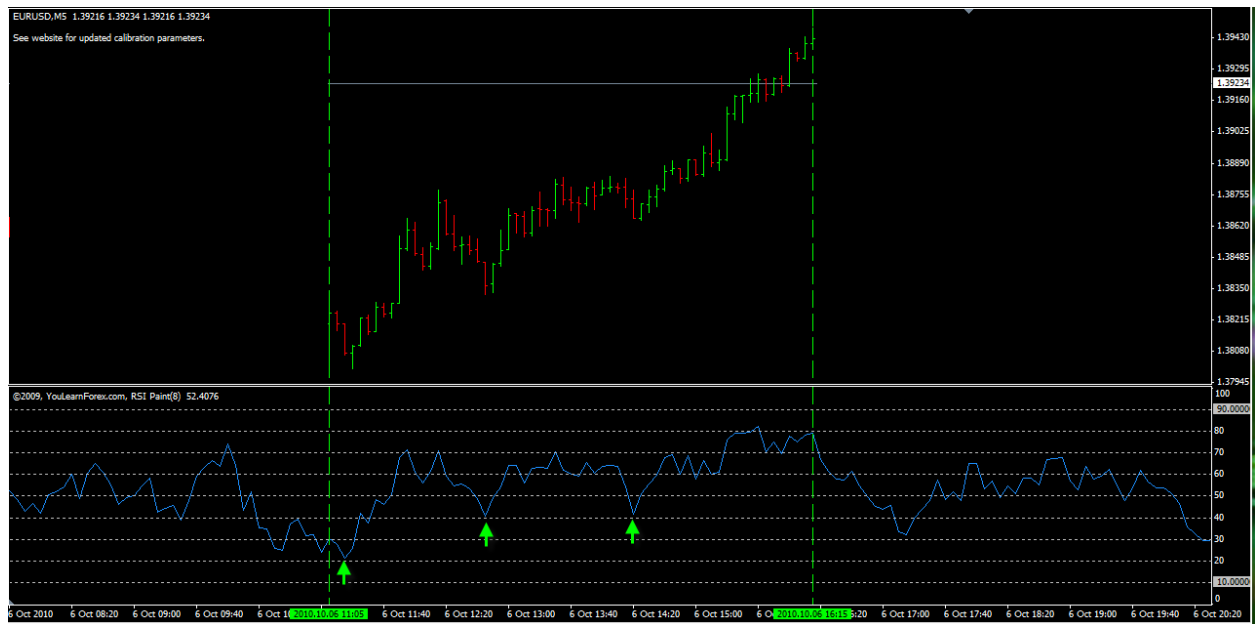


Chart 2

There are 3 obvious spots. If you chose these you would be correct. But this is looking at data after-the-fact.

Let's add The RSI Paint Indicator.

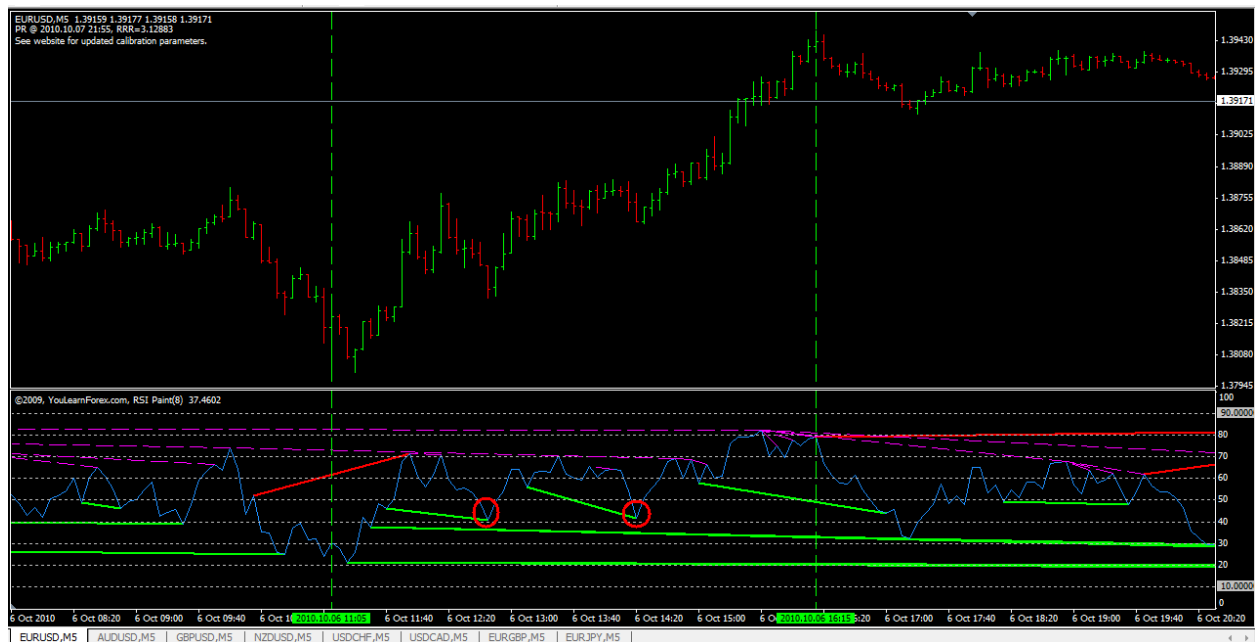


Chart 3

The red circles captured two of the signals. These are Positive Reversals (PRs) as you would expect. We know that in an uptrending market that PRs are going to be more successful than Negative Reversals.

We also know that trading with the trend regardless if it lasts a few minutes on a short time frame is good trading methodology just as it is on longer time frames.

Look at the chart below minus The RSI Paint Indicator again.

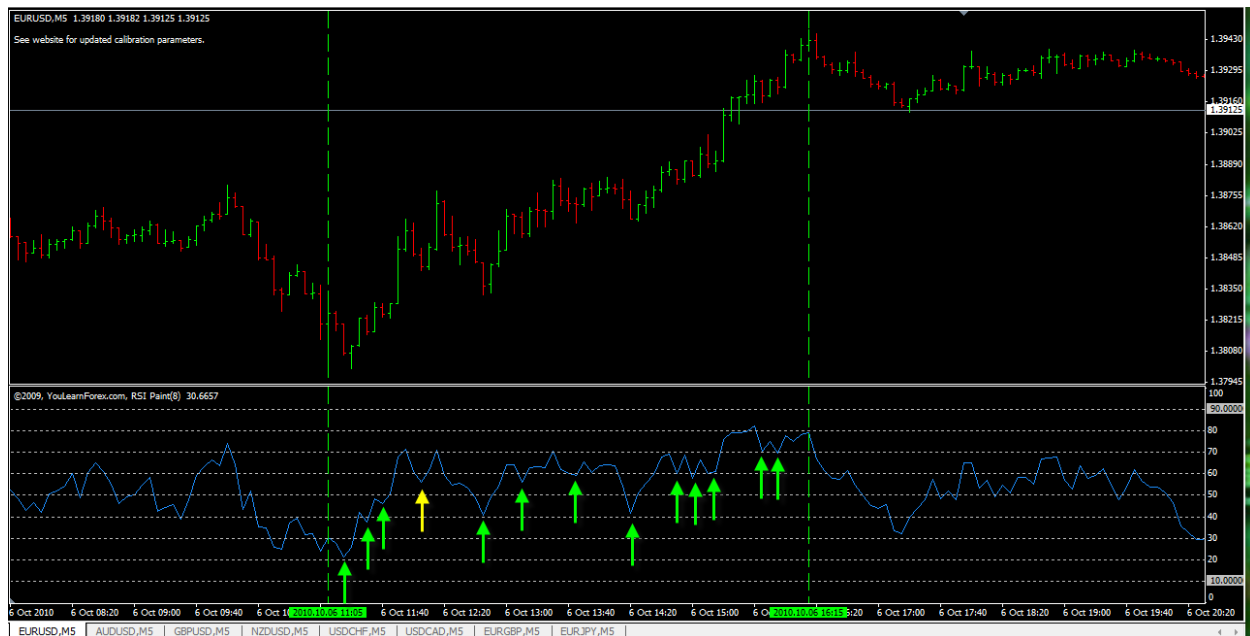


Chart 4

This is the same chart as all of the above. The period that we are looking at is a 5 hour period from 7am EST to 12pm EST. The green arrows point to 13 entry points.

Would you have taken all of them? Probably not, but you could have entered and exited at almost all of these places and made money, all with the exception of the yellow arrow.

Here are two of the key aspects of scalping as a trading strategy.

1. Multiple Entry Points - One of the key aspects of scalping is multiple entry points. When you compare Chart 3 with Chart 4, there are 11 more places to enter the market. Does that mean The RSI Paint Indicator isn't of value? The RSI Paint Indicator still is extremely valuable as it will give the main information for the flow or direction of the trade and the major momentum and price flow.
2. Tight Stops - It is difficult to see on this chart but nearly every one of these trade entries has almost no drawdown. "Almost no drawdown" means about the minimum stop location that MT4 will allow you to place. That means you can increase your position size as opposed to lowering it because the stop was tighter. The ability to place tight stops is an important concept in scalping to limit losses and to increase profits.

What is the methodology then for this scalping strategy?

As we are now talking about an uptrend the first principle is . . .

In an uptrending market enter trades whenever a valley forms with both momentum and price pointing upward.

Notice that regardless of how high the RSI went, price continued to move upward. But this is hard to judge or see without some additional visual aid.

To help we will add some things that will help you.

But before we do you should be asking what RSI period are we using? Because we are trading on a short time frame we are lowering the RSI to 8 periods. This means that the look back period for momentum is 40 minutes.

Look at our chart below. Again we are using the same chart as above. We have added a Moving Average to RSI. The Moving Average in this case is 3. (An explanation of how to add a Moving Average is in the Appendix of this eBook as well as the input suggestions for The RSI Paint Indicator.)



Chart 5

What advantage will this give us?

The yellow line is a moving average of price. The blue line is the RSI which measures momentum. Now we are comparing price to momentum on the RSI chart. We want to trade when momentum and price are moving together and with the trend. The green arrows show the broad areas where momentum and price are working together.



Chart 6

Here is a close up of the above charts. Notice that in the first set of arrows that momentum (green arrow) moves up first and then the next period confirms. In this case we saw two additional opportunities above this where momentum turned down but price stayed up. These could have been entry points as well. Remember we are under the assumption that this market is uptrending so when we see a “peak” at the red arrow we may want to exit in particular when we see price drop also. Entering at the next “valley” would have seen a stop out unless we had given ourselves more room, which is an option we will discuss later (See Appendix C). Price and momentum turn down again but because we are trading in an uptrend we will ignore that because it is a “peak”. We wait for the next “valley” of both momentum and price, and enter.

Now, one more look at our chart with the RSI Signals placed back on by The RSI Paint Indicator.

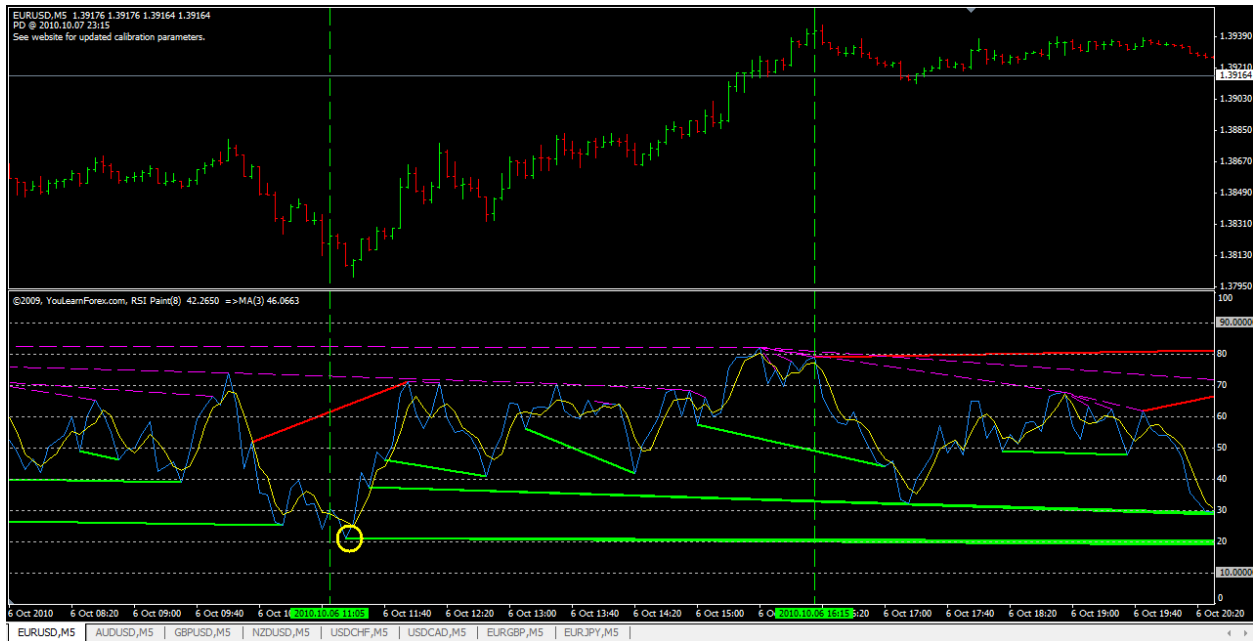


Chart 7

Notice that at the point where price retraced the most, an NR formed. On a M5 time frame, reversal signals of either kind should be respected. This means that if a trade had been entered at the valley identified by the yellow circle, an exit would be indicated at the NR if the momentum and the price moving average both turned down. The NR signal indicates by virtue of definition that momentum dropped but if price does not, then it is an indication that price is stronger than momentum at that particular moment. To stay in this trade the stop may need to be softened.

[Note: Notice how many of the valleys in this particular span are connected to the “A” of the ABCD Level of Success diagram discussed in RSI Fundamentals: Beginning to Advanced. Also, scalping is tied directly to how you decide your perspective of money management. Without risk, there is no reward. The greater the risk, the greater the reward but the opposite is also true. Taking profit when you can is often the best trading methodology. A good scalper learns to get a feel for the currency they are trading. Rest stops are often places to take profits.]

One more thing before we move to an example of a downtrending trade.

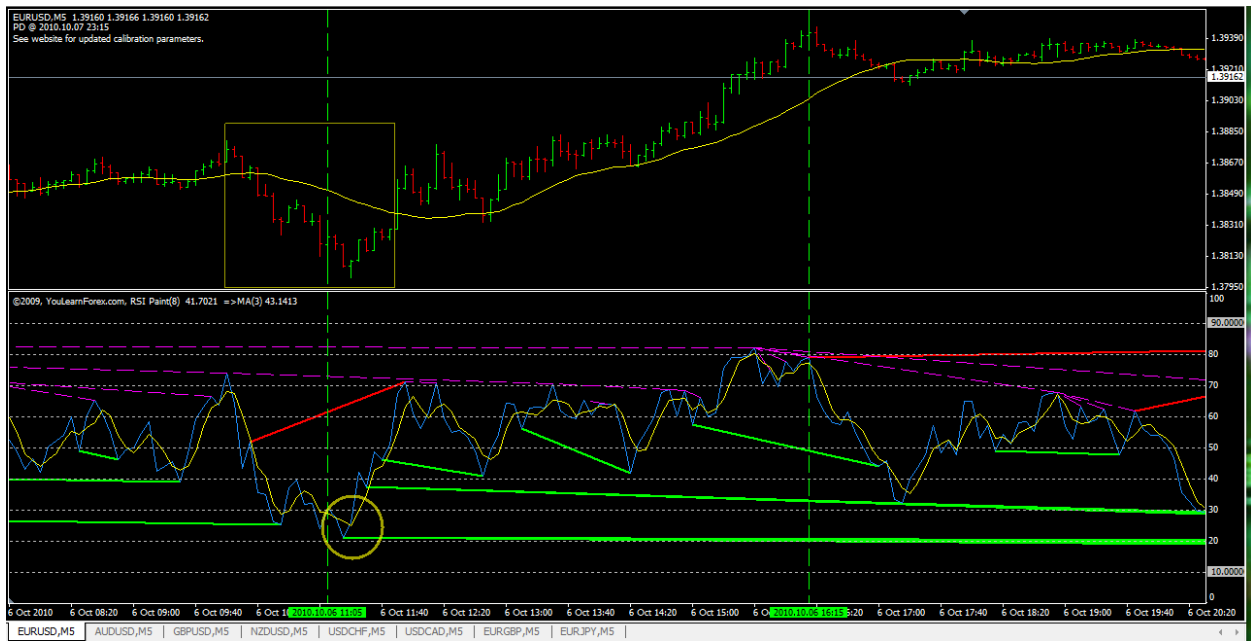


Chart 8

We know that trading PRs is best when the market is uptrending and because we do not want to bother with drawing straight trend lines, we will add a Moving Average on price for the sole reason of market trend direction. Because we are trading the M5 we will use a 24 period moving average equaling two hours of data.

In the chart above we see that the moving average did not turn up immediately in the beginning. What two clues or signs might we have utilized to help us make the decision that price was going to move to the upside?

First, everything that we can see to the left of that point would have been PRs and NDs. This is a sign as an RSI PRO trader we are familiar with, that we are in an uptrend. Further confirmation can be made by the trader simply by moving up another time frame, in this case to the M15.

Here is what that would have looked like.



Chart 9

The area in the yellow box does not have one sign that the market is moving down. Every signal is either a PR or an ND. Although this is not 100%, it is a strong indication of market direction.

Second, a valley was created with momentum and price pointing upward (see Chart 8).

[Note: on Chart 8 we also see that a PR failed previous to our area of concern. In scalping do not expect to win every trade. Good scalpers understand that scalping is a numbers game. Had the rest of these signals been followed, the trader would have come out on top. Typically a trading day of several hours will often require 6 to 10 trades. One trade does not make a day of trading, the scalper has to enter multiple trades in most cases to allow the numbers to work in his or her favor.]

As you can see, this method of scalping takes advantage of the ability to enter the market a multiple number of times within a short time frame.

We have seen that we can enter trades with tight stops which minimize losses and allows us to trade larger positions if we so desire. This is not a requirement and for new traders to this method, it is not recommended. Any new trading method should be tested with a minimum of 100 trades in demo or in extremely small amounts to get a complete understanding of the strategy. Then moving to live accounts and then moving to larger position sizes.

Fundamentals create market conditions that drive price and momentum. It is the global market place that determines the direction of the trend. Fighting the trend will typically end in losses. The reason is simple, to win at scalping you must minimize your losses and loss sizes, you must win a number of average sized trades, and you must win one or two trades with maximum runs. The maximum runs are more highly probable in a trending market.

SCALPING STRATEGY FOR DOWNTRENDING MARKET

Now, let's look at a downtrending market so we can see how this works in reverse.

Here we see about the same span of time on the same chart only the following day and during the same period of time 7am EST to 12PM EST. Again this is a time frame where the market is driven by fundamentals. Our job as a trader/scalper is to determine which way the market is going and “hitch” a ride.

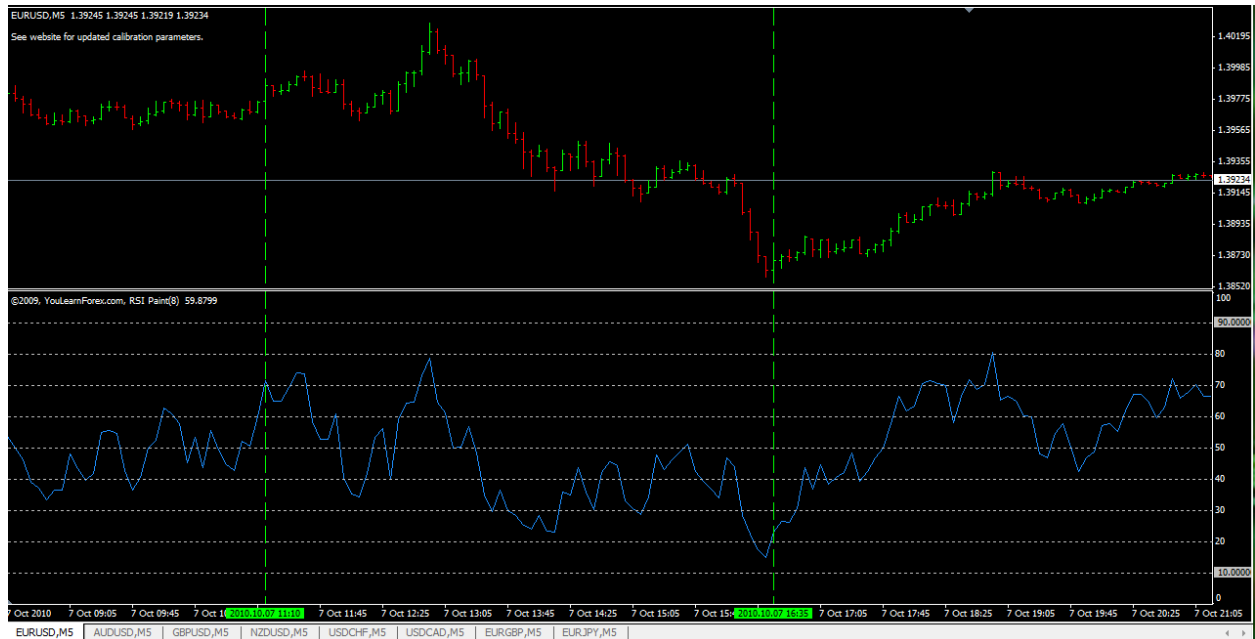


Chart 10

Where are the entry points for this downtrending market? From our discussion above you will do a much better job this time at seeing where they are located. Remember we are going down in price so we will be looking for “peaks” not “valleys”.

These would be the possible points of entry if we do the opposite and place short trades in a downtrend at the “peaks” of RSI.

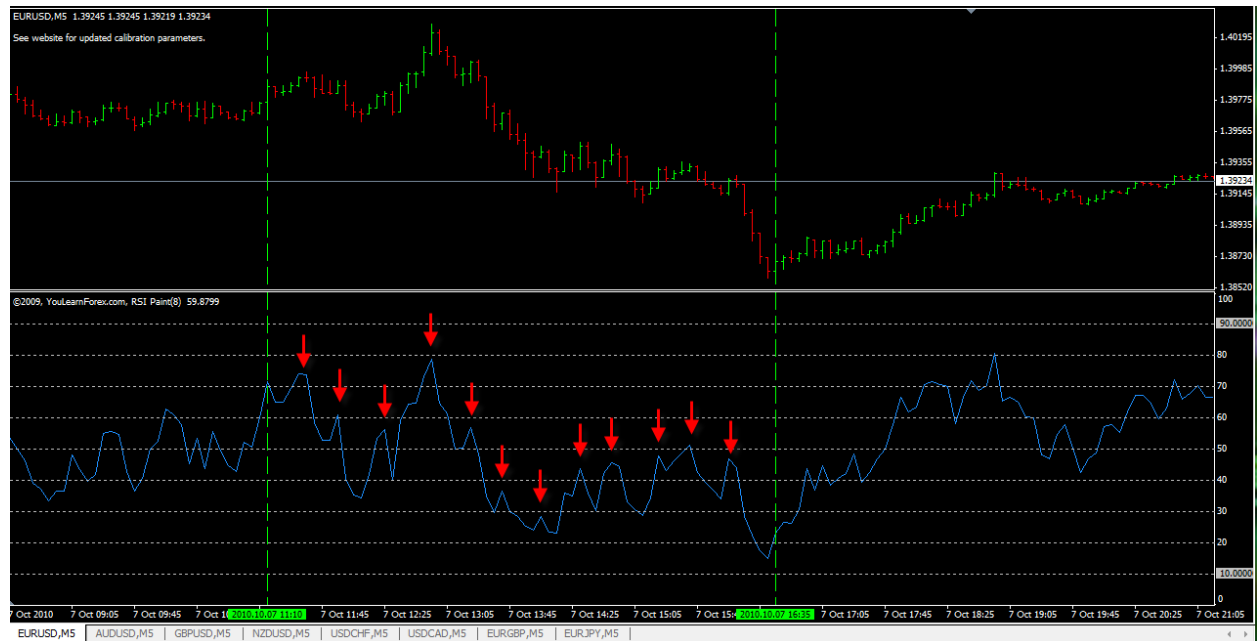


Chart 11

We can see that in this span of time, price and momentum movement is not as clear. The first three arrows might possibly have been losses or very small profits at best (or were they?). Nearly every trade after that however, either moves downward or sideways and then downward without a large stop requirement. This time frame would have given the trader/scalper many opportunities to capture some part or all of 148 pips.

Now a look at the same chart with RSI Signals.



Chart 12

Two NRs formed, one very early and one very late. In fact if we had been trading this as we normally do, we would have been trading this chart as if it were an uptrend. And until the peak above on price we would have been right.

The test comes then when market conditions change. On this particular day, market conditions changed. One of the key traits of scalping is being constantly aware of the global market conditions because they are magnified at the time frames in which scalpers trade. Typically the best time to scalp is when things are less volatile but the market has a particular direction.

The best thing we have as a trader is our mind and the ability to assess how certain events will affect the next 30 minutes, hour, two hours, etc.

I chose this example because the market **WAS** trending up. The early morning news at Bloomberg and other news sources was another bad day for the Dollar. In fact gold was up to record highs. Anyone who has followed my trading philosophy for very long has heard me say, when “Gold is up, the Dollar down and when Gold is down, the Dollar is up.”

But the early economic news turned out to be good for the Dollar and price broke in that direction and stayed in that direction.

This is where you have to analyze your biases “in the moment” (without second guessing yourself). You must make a new assessment, commit to your new assessment and look for trades that correspond.

Obviously there are many ways to fail in trading of any kind, not just Forex, but incorrect assessment of the market would be near the top of the list.

Let's add the price line on the RSI as we did with the earlier charts; a 3 period Moving Average.



Chart 13

The green arrows show the trend direction preceding the news and following.

If you had been early to the party, one of the dedicated new traders in the office 😊, you might have taken the first arrow when momentum turned up and price followed. Why? Because all of the information technically on the charts and fundamentally coming out of the London trading session was bad for the Dollar.

That would have been a nice start to the day with about 25 pips and no drawdown. Using the large position, zero drawdown strategy, that could have been almost your daily quota for the day. A small move of 25 to 30 pips with a large position strategy can be a powerful money making strategy. However, it should be done only after a great deal of “live” trading using the same strategy with small positions. As can be seen, price before this was rolling like the waves out on the ocean; a nice up and down movement.

Using The RSI Paint Indicator (Chart 12) the next move to the upside would also have been a solid move; a minor drawdown and 50 pips.

Most of us would have called it a day with around 75 pips. That is a good week for many but if you continued to trade in uptrend, you might have lost some of your hard earned equity.

The first drop was at 9am EST and the smart trader would have not only checked the economic data but also the headlines.

[Note: It is typically best to be out of the market before these announcements. The market moves will often take a trader out of their position even if they were trading in the right direction. Only occasionally does the market move without some kind of a whiplash.

The news was good for the Dollar, but how good? At this point you might have still been a long biased trader.



Chart 14

As you can see from this chart price dropped and formed a valley in the yellow circle but price was down. Regardless of your bias at this point, this was not a place to enter.

However, in the same circle a peak formed with momentum down and with price still pointing down. A check of the Dow Futures and the direction of Gold and you would have been right to take this trade short.

So here is the corresponding principle to the uptrend.

In a downtrending market enter trades whenever a peak forms with both momentum and price pointing downward.

Let's add our RSI Signals with The RSI Paint Indicator to get the full picture.

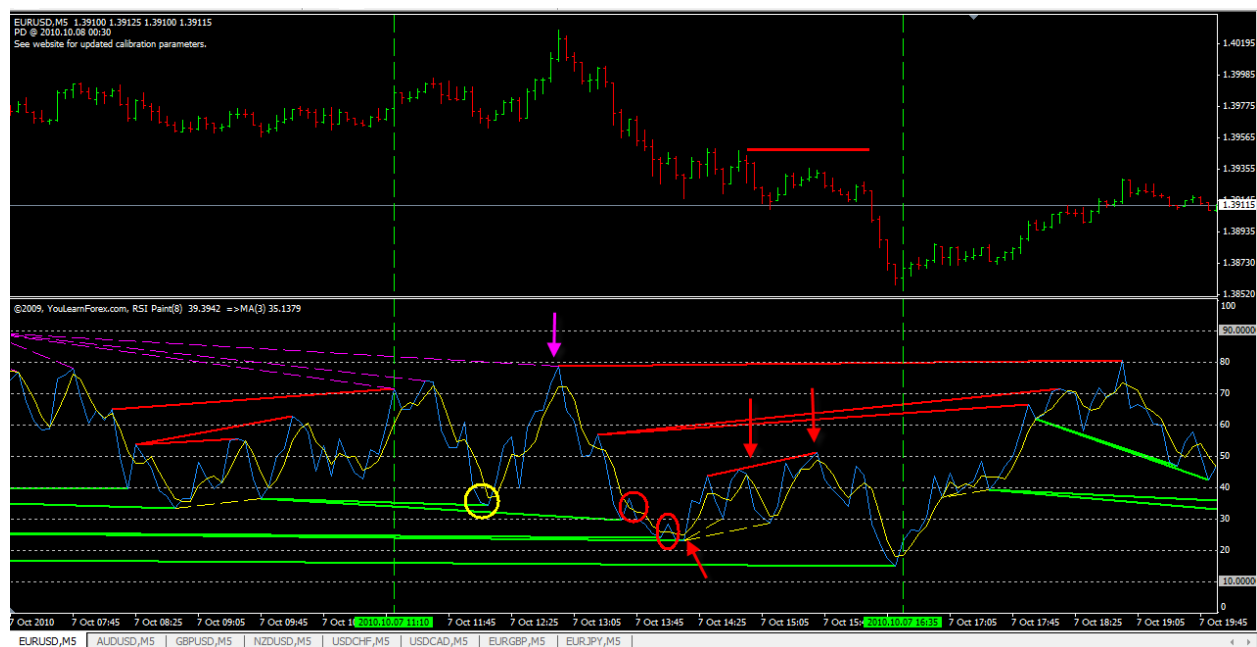


Chart 15

First let me point out in scalping The RSI Paint method any RSI Signal can have profit value either as an entry or an exit.

Here taking the ND at the purple arrow would not have been incorrect. I have said that divergence trades can be good trades in particular if the strategy is that some portion of these trades lead to a large quantity of pips as most Range Shifts are started with divergences. In shorter time frames Range Shifts can appear to be happening more often. In this case, the ND signal turned out to be a 150 pip trade if held on to the entire time.

[Note: The scalper mentality however is not to hold too long so this would probably not have happened, still the trade is a good one if the stop is tight and the expectation for success is not too great.]

What did the 24 period MA on price look like?



Chart 16

With all of the information we had by the time price got to the red arrow we should have known that price was moving downhill and with our new scalping entry points there were plenty of places to enter and re-enter this trade.

So, to wrap up, here are the Basic Elements to this trade strategy.

1. Determine the overall trend direction technically and fundamentally.
2. Depending on the trend direction, look for either “valleys” or “peaks” on the RSI.
3. Peaks and valleys are created by the movement of momentum and price. When they are both pointing in the direction of the prevailing trend, trade in that direction.
4. Be aware of where you are in the day in regard to news. If something dramatic happens for which you are at a loss to explain go to a news service like The News Viewer at www.marketwatch.com and read through the headlines to see what has occurred.
 - a. Is the reason for the price change long-term or just a momentum burst?
 - b. Assess the change and commit to your assessment.

Conclusion

In the book, The Invisible Hands, The Philosopher says this about the currency market, *“The market is not a truth mechanism, but rather an interaction of human beings whereby their expectations, beliefs, hopes, and fears, shape overall market prices.”*

More than the strategy we employ, our attitude and the understanding we have of how things work make us, in the end, better traders. The market does seem to lie to us but this is no different than the catcher and the pitcher in a baseball game who know what and where the pitch is going. The batter has to guess. This is much like what you as a trader are up against when you enter the market each day. It is the freest and most capitalistic financial model in the world. It is dog-eat-dog. You have to bring your “A” game every day or it will defeat you.

Understanding how people think when they trade is translated on to charts. It is our job to make a determination of what we think they are thinking and then make our plan and commit to our plan.

This is true in sports, politics and business. The successful professionals know their plan and stick with their plan.

One of the first questions that should come across your mind each day is, “What kind of market are we in today.” When you turn on your computer and pull up your trading platform you are getting ready to walk out into the traffic on the busiest financial roadway in the entire world. The prices on your screen represent millions of people doing the same thing you are doing. As a Forex trader you have the chance to use your mind and your wits to outplay the best trading minds in the world, and best of all, no one but you and who you want to tell will know about it.

Take the time before you trade to get a grasp of the market sentiment.

1. What does Bloomberg have to say? What are the headlines?
2. How are the equity markets reacting to world conditions?
3. What are Dow Futures at?
4. What is gold trading at? Oil?
5. How are all of these things shaping the *“expectations, beliefs, hopes, and fears, (of) overall market prices?”*
6. What currencies will you trade? How does their relationship to each other shape the view you will take?
7. Will you only watch the technical data as you trade or will you keep one eye on the fundamentals?

All of these things will move you toward being a better trader. I hope that this eBook and scalping strategy will give you opportunities for success. Please feel free as always to email me your questions.

Paul Dean

You Learn Forex

APPENDIX

APPENDIX A: Set UP for The RSI Paint Indicator

Periods = 8

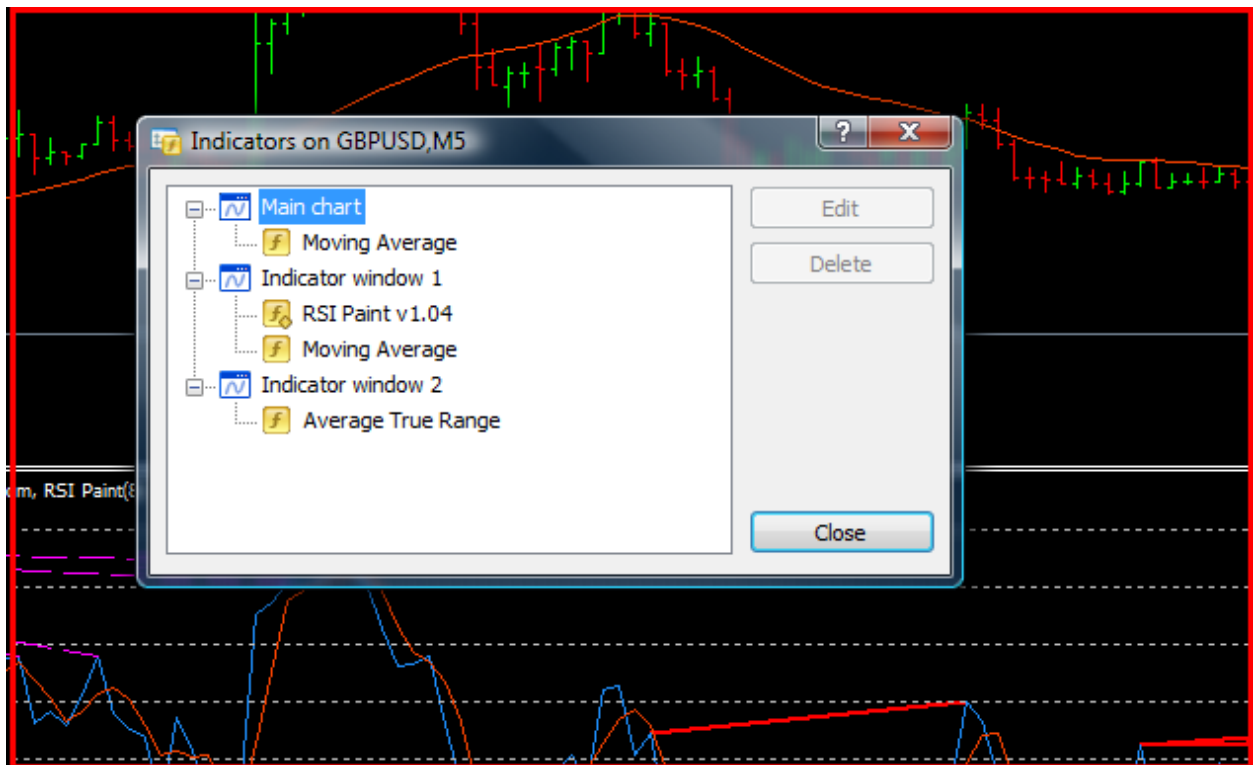
RenderBars = 100

RRR_Bold_Value

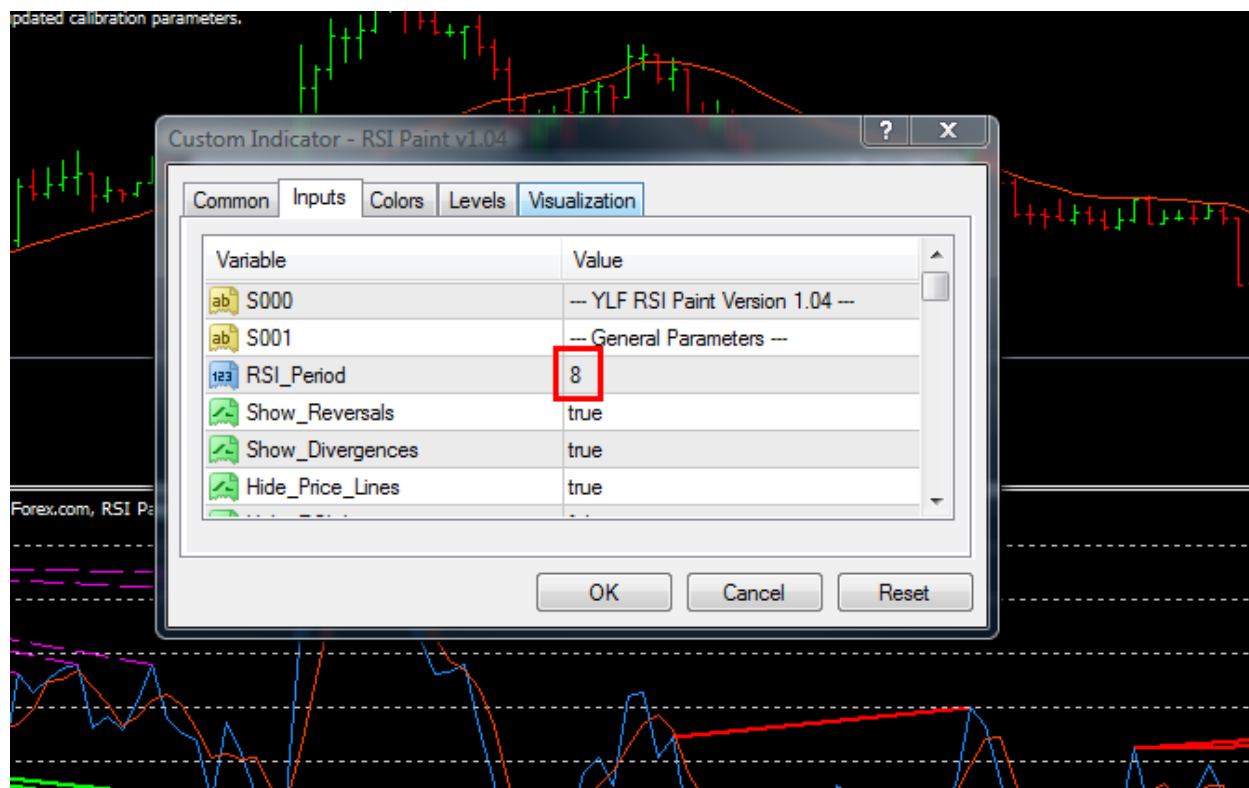
We will be changing the inputs of The RSI Paint Indicator as we are trading shorter time periods.

To change the inputs you will right click on your MT4 Chart and select Indicators.

A list of indicators will appear.



Select RSI Paint v1.04

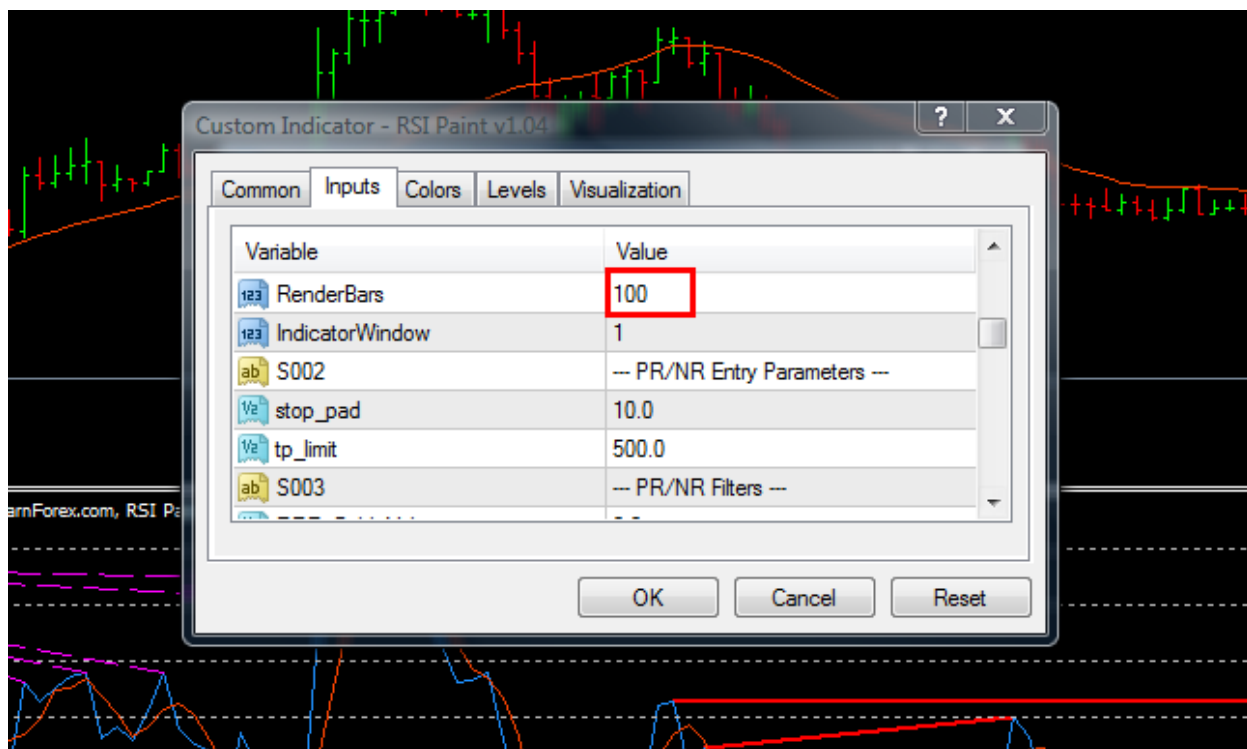


Your screen will look like this. If you are using the default RSI_Period it is 14. Change it to 8.

[Note: I will not get into a long discussion about why 8 periods is the best choice for RSI. Basically it allows a good indication of momentum movement without being too long or too short. We want momentum and price to follow closely so that we can maximize our profits and minimize our losses.]

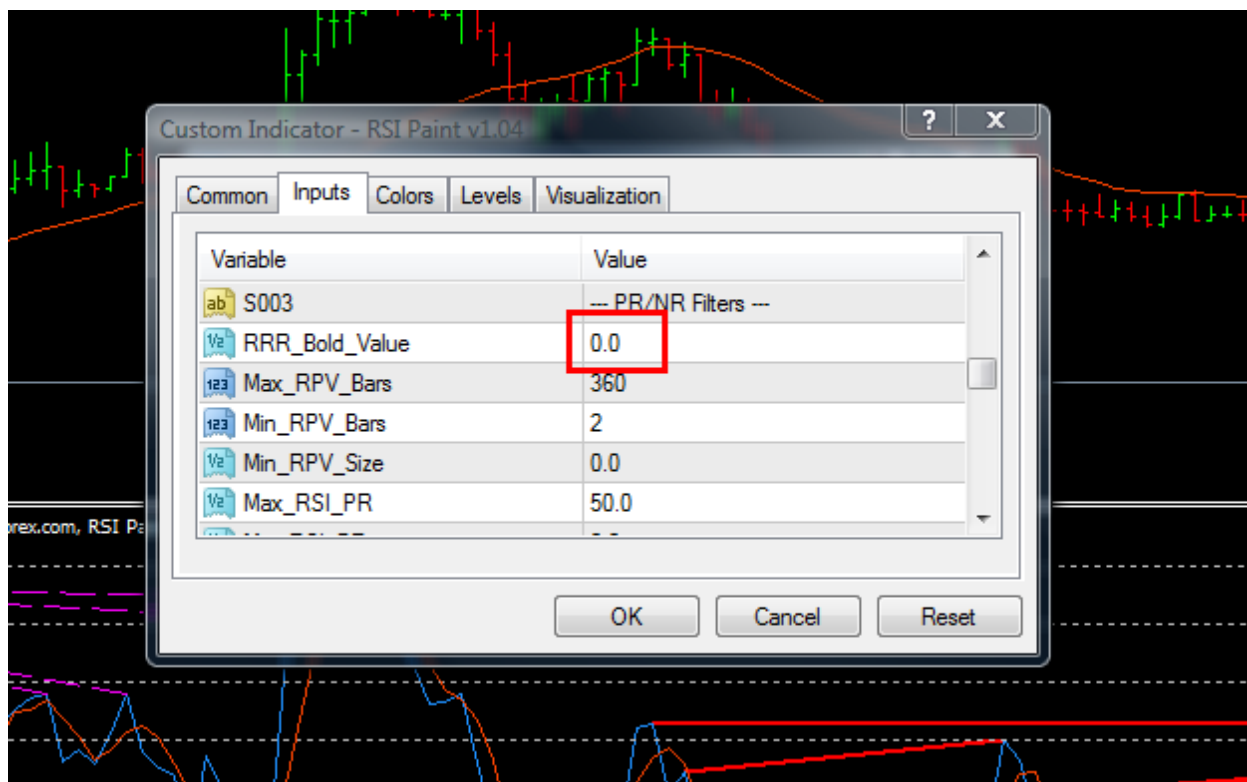
[Note: I do not trade with price lines on my charts as I find it confusing. If you wish to have them on change "true" to "false" next to the variable, Hide_Price_Lines.]

Scroll down to Render Bars.



This tells RSI Paint how many bars to look at when painting or drawing the signals. Change your number to 100. Trading shorter timeframes does not require looking back at other signals and if you have multiple currency pairs up on your screen it will speed up the trading platform.

Scroll down to RRR_Bold_Value



Here change the number to 0. This will tell RSI Paint to look at all of the signals regardless of RRR.

Last we will add two Moving Averages to the screen. Egads! What is going on?!!

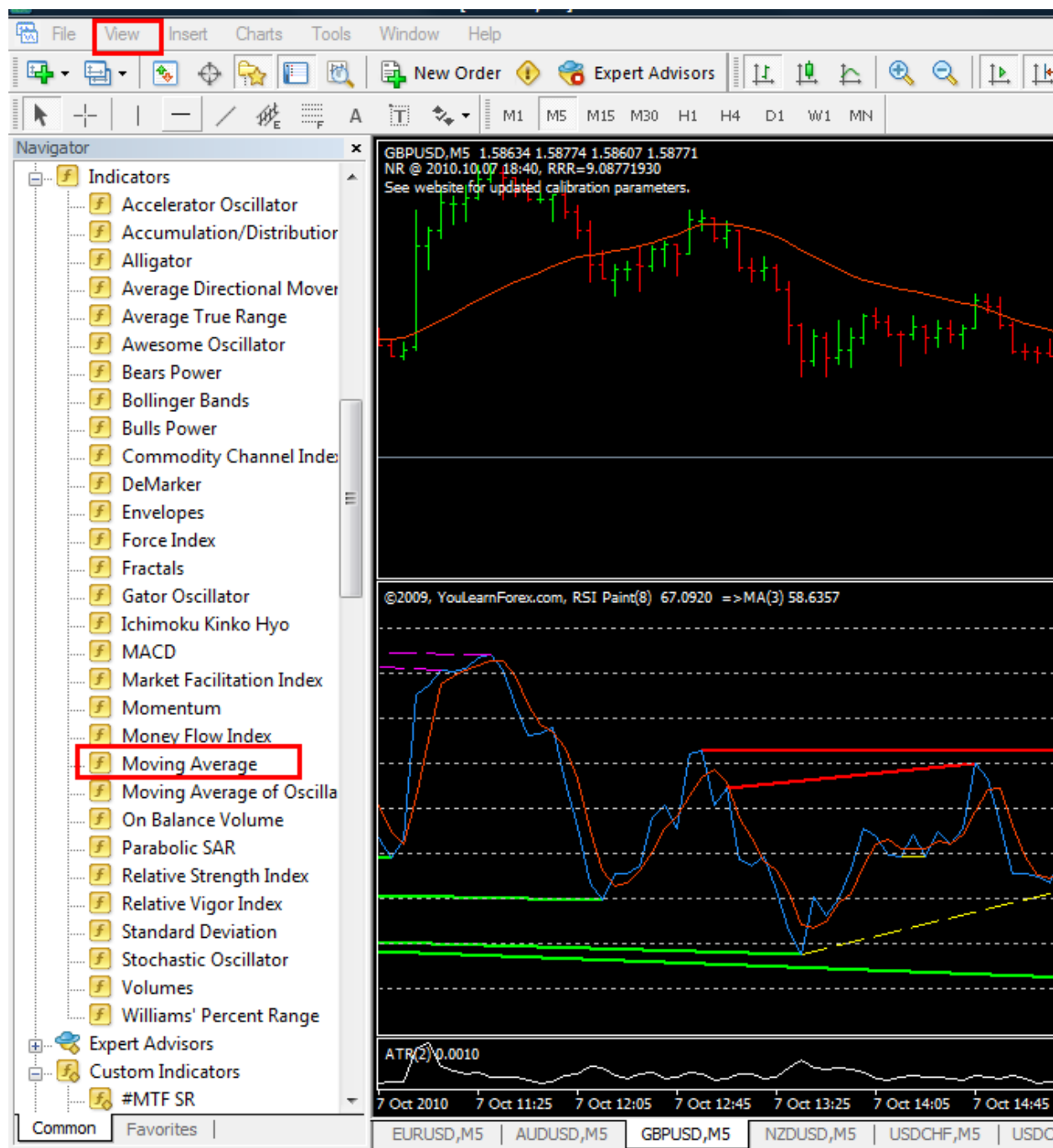
Not to worry, the Moving Averages will act to tell use the major trend at the moment so that we can avoid drawing trend lines and it will tell us the short term direction of price in relationship to momentum.

APPENDIX B: Moving Average to RSI

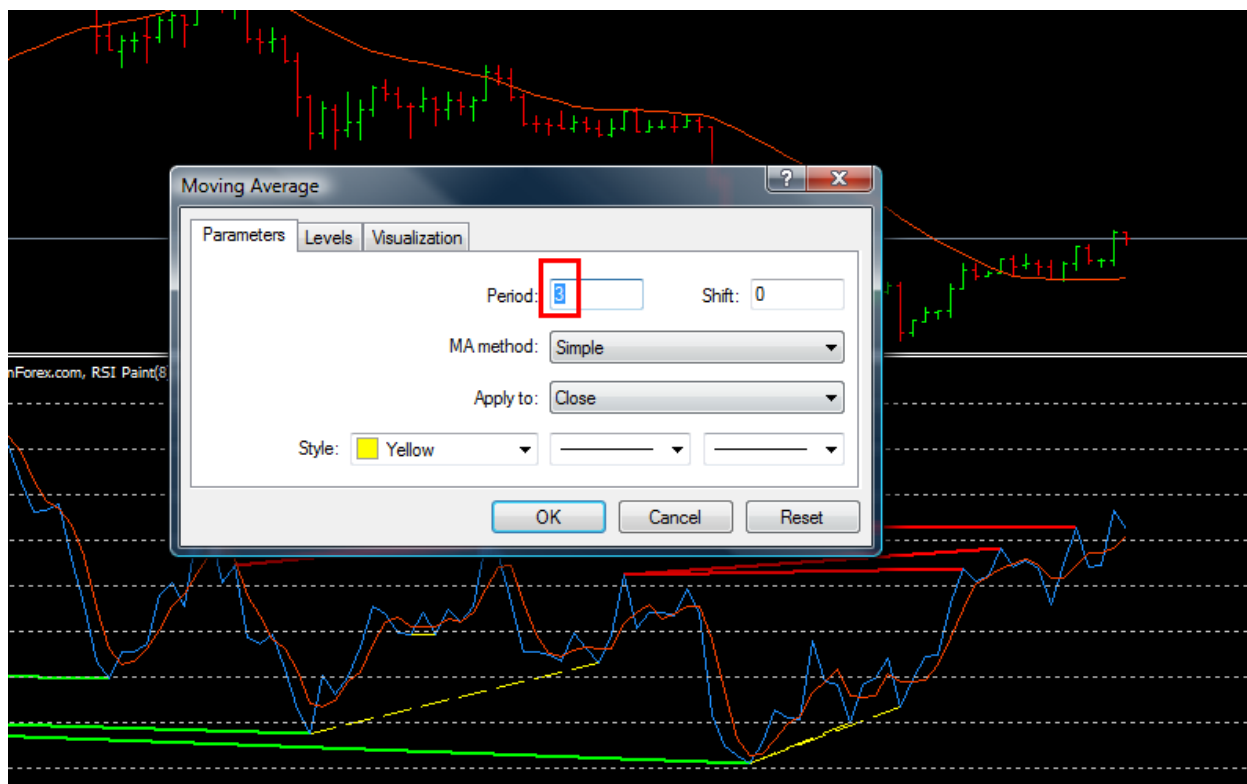
MA 3 on RSI

Go to View on your MT4 chart. Open it and select Navigator.

Your screen will look something like this.



Drag the Moving Average indicator to RSI



Change period to 3.

Leave MA on Simple. Select any color you like but not the same as the RSI color.



Click on Close and a drop down box will appear as above.

Select, First Indicator's Data. Then close the box. The MA will appear on the chart. If you need to make changes you can right click on the screen and select "Indicator" and then Moving Average.

Now, add a standard MA to price with a period of 24.

[Note: 24 periods is the selection for M5 time frame so that it will yield the trend result for the last 24 periods or 120 minutes/2 hours.]

That completes the set up.

APPENDIX C: STOPS

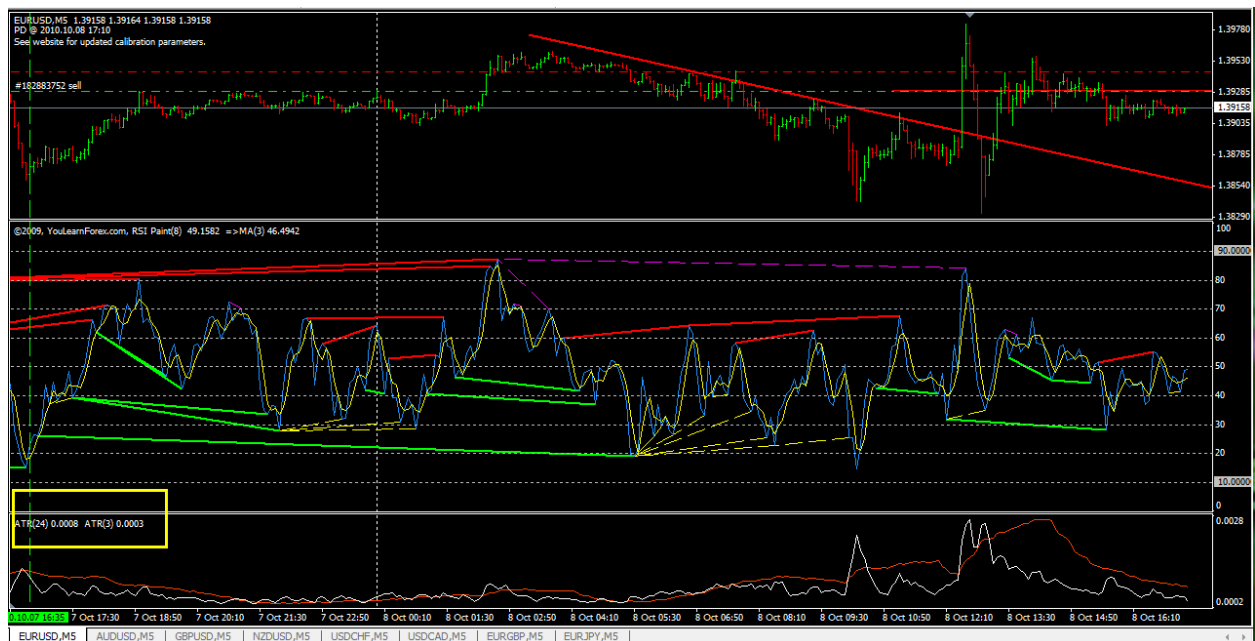
Stops are perhaps one of the most crucial aspects of trading, in particular when you are scalping.

One of the advantages to trading the RSI PRO Scalping Strategy is that many of the signals react immediately to price and momentum with very little drawdown.

Regardless this may not be a strategy that you want to employ so I have an alternative method of helping you set your stops.

This is a method that requires adding the ATR (Average True Range) indicator to your chart and making the input 24. Then adding a second at a 3 period input.

Here is what your chart would look like



I have put a box around the ATR numbers on the left. The first ATR is the 24 period ATR and tells you the average range of price over the last 2 hours of trading. The second ATR is the 3 period which corresponds to the MA on RSI which is also 3 periods. The number you most want to look at is the 3 period as it is the range that the currency pair is trading in at the moment of the trade. My rule of thumb for using this in my stop location is to take the 3 period ATR range and add it to the spread that MT4

adds as your minimum when you set your stop. This gives you a cushion of the trading range. You can experiment with this depending on the currency pair you are trading.

DISCLAIMER

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Moreover, the leveraged nature of Forex 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 and you will be responsible for any resulting losses. Investors may lower their exposure to risk by employing risk-reducing strategies such as 'stop-loss' or 'limit' orders. You Learn Forex, and any of its affiliates, will not be held responsible for the reliability or accuracy of the information available on this site. The content provided is put forward in good faith and believed to be accurate, however, there are no explicit or implicit warranties of accuracy or timeliness made by You Learn Forex or its affiliates.

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