

## GLOSSARY

Failure - Basically when price tries to go up or down and is rejected to the opposite direction, thereby it becomes a failure of buyers to make price go higher or sellers to make price go lower.

Sign of Strength - With higher volume the bar configuration confirms that buying is still winning/overcoming selling and vice versa. It does this by simply having higher volume than the previous bar, and being at the threshold of being a failure but isn't.

Clear Sign of Strength - With higher volume the bar configuration not only confirms that buying is not only still winning/overcoming selling and vice versa but is dominating the other side of the market – the winning side is by far away from being a failure and clearly buying or selling.

Directional Bias - The most advantageous direction to trade for the day. If the directional bias is up it does not mean that the current day's bar will finish up necessarily but that the 'strongest' direction of the day will be up (the most forceful trading will be up).

Opposite Direction of Trade – If you are selling the opposite direction is up; if you are buying the opposite direction is down.

UP Bars - close is above the close of the previous bar

DOWN Bars - close is below the close of the previous bar

## TRADING STRATEGY OUTLINE

1. I determine the directional bias for the day by analyzing the previous day's bar on the daily chart.

a. The previous day's bar must show a clear sign of strength or a failure.

I. If the previous day's bar shows a clear sign of strength the current day's directional bias will be in the direction of the strength.

II. If the previous day's bar shows a failure, the current day's directional bias will be the opposite direction of the failure. For example, if price tried to go up and was forced lower (failure of the upside), the direction of the day will be down.

2. Once I know the directional bias for the day (where to trade: buy or sell) I go down to the hourly chart to determine exactly when to trade.

a. I determine the when ONLY by waiting for a failure in the opposite direction of the day's directional bias.

I. For example, if it's a failure of the upside and price is pushed down after making a higher high (than the previous bar) and the directional bias of the day is down then a sell should be executed after this failure.

3. Once a failure has occurred and an order opened, look for the next resistance line (created by a strong bar in the opposite direction of your trade).

- a. The next resistance line, below for a sell, above for a buy, can be a daily or hourly resistance line.
  - I. For example, a sell has been opened and the next green resistance line is 30 pips below. I would close the trade just before (above) this green resistance line. If there was a red (support line in this case because the trade is a sell) in between the open of the trade and the green resistance line it should be ignored, price will not be rejected at that level.
  - II. EXCEPTION: there should be a buffer of 10-15 pips after the low of the failure bar (for an failure of the upside) and high of a failure to the downside bar.
  - III. This means if there is a resistance line 10-15 pips after a failure it should be ignored and the next resistance line ahead should be used to end the trade. It should be assumed price will break through this level.

## FAILURES

UP Bars = close is above the close of the previous bar

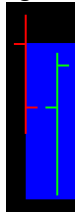
DOWN Bars = close is below the close of the previous bar

### Standard Failure

UP Bars:

1. The low of this bar is below the low of the previous bar
2. The close is above the open
3. If the bar was divided into fourths, the close must be at or above the middle point of the segment second closest to the top of the bar.
4. Volume is higher than the previous bar

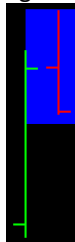
Eg.



DOWN Bars:

1. The high of this bar is above the high of the previous bar
2. The close is below the open
3. If the bar was divided into fourths, the close must be at or above the middle point of the segment second closest to the bottom of the bar.
4. Volume is higher than the previous bar

Eg.

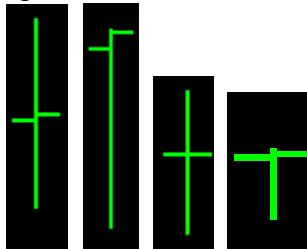


### T Failures

UP Bars:

1. The open and close must be within 4 pips of each other (for Daily within 25 pips)
2. The close must be above the open
3. Volume is higher than the previous bar

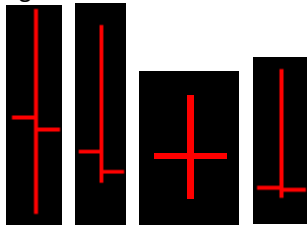
Eg.



DOWN Bars:

1. The open and close must be within 4 pips of each other
2. The close must be below the open
3. Volume is higher than the previous bar

Eg.

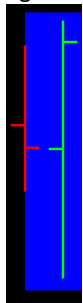


### Wall Failures

UP Bars:

1. The low of this bar is below the low of the previous bar
2. The high of this bar is above the high of the previous bar
3. The close is at or above the high of the previous bar
4. Volume is higher than the previous bar

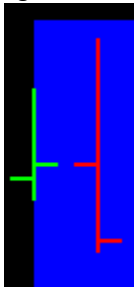
Eg.



#### DOWN Bars:

1. The low of this bar is below the low of the previous bar
2. The high of this bar is above the high of the previous bar
3. The close is at or below the low of the previous bar
4. Volume is higher than the previous bar

Eg.

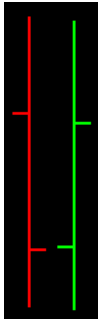


#### Reversal Failures

#### UP Bars:

1. The close of this bar is within 4 pips of the open of the previous bar (10 pips for daily)
2. The previous bar must be a down bar

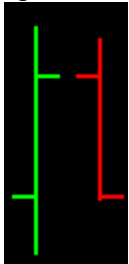
Eg.



#### DOWN Bars:

1. The close of this bar is within 4 pips of the open of the previous bar (10 pips daily)
2. The previous bar must be a up bar

Eg.

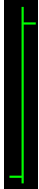


## CLEAR SIGNS OF STRENGTH

CSS for UP Bars:

1. The open is at or below the bottom third of the bar ONLY
2. The close is above the top third of the bar ONLY
3. The volume is higher than the previous bar

Eg.



CSS for DOWN Bars:

1. The open is at or above the top third of the bar ONLY
2. The close is below the bottom third of the bar ONLY
3. The volume is higher than the previous bar

Eg.

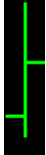


## SIGNS OF STRENGTH

SS for UP Bars:

1. The open is at or below the bottom third of the bar ONLY
2. The close in the middle of the bar, above the middle ONLY
3. The volume is higher than the previous bar

Eg.



SS for DOWN Bars:

1. The open is at or above the top third of the bar ONLY
2. The close is in the middle third of the bar, below the middle ONLY
3. The volume is higher than the previous bar

Eg.



## TRADE ASSISTANT OPERATION DETAIL

The basic idea behind the trade assistant is that it will be coded to 'appear' to trade the above strategy and display which part of the trading process the trader should be at. There should be a dashboard-like display (see below) on the chart which will alert the trader to the different stages of the trade process.

- A. TA should be able to recognize and read the lines from the support/resistance indicator attached with this document.
  - B. Dashboard should have the external option to change position on screen (right or left).
1. Trade Assistant (TA) will determine the directional bias for the day at 12:01am ET, at the open of the current day's daily bar (This should update with daylight savings time).
    - a. A red or green box in the TA dashboard will indicate the directional bias (see dashboard example below for exact location of box).
    - b. And in the first 'text command' area of the dashboard the following message should be displayed: "Directional Bias for Today is DOWN/UP".
    - c. Gradient is Neutral; Symbol display area shows hourglass.
      - i. When the mouse hovers over this text command the definition in the above glossary of directional bias should be displayed in a text box and disappear when the mouse is moved away.
    - d. Also there should be an external option to alert via email and another via popup box (option to turn on audio alert or not) with the text of whatever is in the text command area. It should be possible to turn these options on/off.
  2. At this point the TA should also display "waiting for failure of the upside" If the directional bias for the day down – and "waiting for a failure of the downside" if the directional bias for the day is up. This should be displayed in the second 'text command' area of the dashboard.
    - a. Gradient is Neutral; Symbol display area shows hourglass.
    - b. When the mouse hovers over this text command the definition in the above glossary of failure should be displayed in a text box and disappear when the mouse is moved away.
    - c. Also there should be an external option to alert via email and another via popup box (option to turn on audio alert or not) with the text of whatever is in the text command area ONLY when a new message is displayed in this area. Info in the first and second text command areas should be displayed together in the email/popup. It should be possible to turn these options on/off.
  3. Once one of the six failures outlined above occur on the hourly, the TA should display the following: "A [Standard, T, Wall, or Reversal] Failure has occurred on [NAME OF PAIR] 1HR [TIME OF BAR]" in the first text command area. And in the second text command area display the following: "Open ['BUY' or 'SELL' (depending on direction of failure)] at [price level of the close of the failure bar], Set TP at [10 pips before the price level of the next resistance line(15 for daily resistance lines)], must be SR line opposite to direction of trade - above or below the buffer area depending on direction of failure."
    - a. The TA should now put a rectangular box around the failure bar or somehow highlight it.
    - b. Put text above the TP price level (to right of screen) saying "Take Profit Here"
    - c. Highlight the area between where the trade should be opened and 10 pips before TP level (15 pips for daily resistance lines). This highlighted area should be labeled "PROBABLE TRADE AREA"
    - d. In the opposite direction of the trade put the following text at the next resistance line: "Place Second Order Here" (right of screen).
    - e. Gradient all one color; Symbol display area shows large arrow in direction of trade.
  4. There should only be one trade setup in a session, once the trade has reached its TP all data should be reset from the TA and it should return to the state it was after determining the directional bias. Namely, the first text command areas should tell the directional bias for the day and the second text command area should say "waiting for a failure of the upside/downside" – gradient neutral, symbol hourglass.
    - i. Once TP is reached, the bar highlight and trade area highlight, along with TP text and

secondary order text should be deleted.

- ii. If another failure occurs before the TP has been hit from the first failure of the session the second failure should be completely ignored - except for changing the gradient and symbol area. Only one trade per session – no new trade should be signaled.

## TRADE ASSISTANT OPERATION DETAIL – WHILE IN TRADE

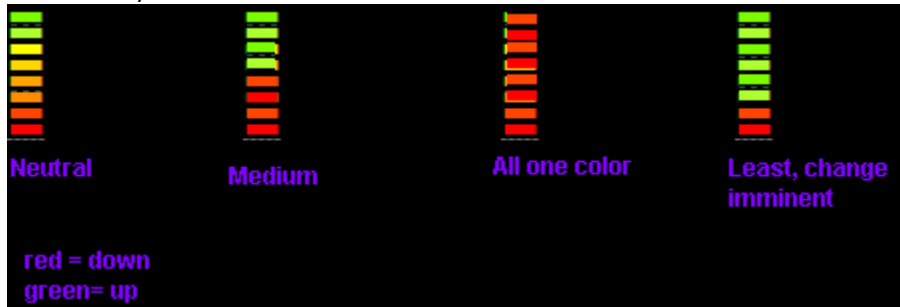
Once directional bias is confirmed and a failure occurs on the hourly, the TA should analyze each bar after the failure to determine if the trader should stay in the trade or not and give confidence.

1. Once the hourly failure happens, the TA should analyze each subsequent bar after the close of that bar and categorize it as denoting buying strength or selling strength until the TP is hit (actually 10 pip before TP and 15 pip before for daily resistance).
  - a. If a failure bar (except reversal) in the opposite direction of the trade with lower volume happens the TA should draw an arrow in the direction of the trade below this bar. For example, for a buy trade, after the initial failure of the downside, if there is an upside failure with lower volume than its previous bar an up arrow should be placed under it.
    - i. And the third text command area should display: “Weak [‘DOWN’ or ‘UP’ (whichever is the opposite direction of the trade)] Move, Smart Money Not Interested, Trade should continue to TP, STAY IN.
    - ii. Symbol display area should have a large arrow in direction of trade. Gradient medium level.
  - b. If a sign of strength bar or clear sign of strength bar with lower volume in the opposite direction of the trade happens, the TA should draw an arrow in the direction of the trade below this bar.
    - i. And the third text command area should display: “Weak [‘DOWN’ or ‘UP’ (whichever is the opposite direction of the trade)] Move, Smart Money Not Interested, Trade should continue to TP, STAY IN.
    - ii. Symbol display area should have a large arrow in direction of trade. Gradient medium level.
  - c. If a sign of strength or clear sign of strength with higher volume happens (so a normal sign of strength or clear sign of strength), in the opposite direction of the trade, the TA should draw a thumbs down symbol below this bar.
    - i. And the third text command area should display: “Strength coming in to the [‘UPSIDE’ or ‘DOWNSIDE’ (whichever is the opposite direction of the trade)], Trade Is Still Valid, STAY IN”
    - ii. Symbol display area should have a large arrow in direction of trade. Gradient medium level.
  - d. If a failure with higher volume happens (so a normal failure), in the opposite direction of the trade, the TA should draw an ‘X’ symbol below this bar.
    - i. And the third text command area should display: “Direction change imminent, consider taking partial profit when possible, keep partial order in until TP”
    - ii. Symbol display area should show a large ‘X’ Symbol; Gradient the least color denoting direction of trade.
  - e. If a failure, sign of strength, or clear sign of strength, in the direction of the trade, with lower OR higher volume happens, the TA should put an arrow under these bars that is in the direction of the trade.
    - i. And the third text command area should display: “Trade direction is confirmed and still valid, STAY IN until TP”
    - ii. Symbol area should show large arrow in direction of trade; Gradient all one color (color denoting direction of trade).
  - f. If after the initial failure none of the above occurs then an hour glass symbol should appear in the symbol area of the TA and the third text command area should say: “Neutral – Waiting for Next

Signal”

- i. Gradient shows neutral state.
2. If a failure, sign of strength, or clear sign of strength bar with higher volume happens after the initial failure that started the trade and creates a new resistance line in the opposite direction of the trade then the secondary order text label should be moved to this new level.
3. Once the TP (10 pips before actual TP, 15 pips for daily resistance lines) is hit the info in the third text command area should be deleted, gradient reset to neutral, but the symbols under the bars should remain.
  - a. As new bars are created after the initial failure the third text command area should be updated with the new analysis.

Gradient Key:



Dashboard Example:

