

Dustbin Trading

Start trading to not lose money instead of trading to make money

Dustbin trades are trades smaller than 15 pips, it is a term used by some traders who worked under a particular individual who felt that a good trader must never scratch around in dustbins looking for pips.

The EURUSD pair moves in beats of 20 and setting a TP of 12 allow for some "slippage" at both ends of the short term price swings.

Start with a 15M chart and manually draw your sup/res lines, switch to 5M chart and do the same. Now look for price patterns on 5M chart around levels you may have missed or that may not be that obvious. Pay special attention to pivot points and round numbers. If your lost or don't know quite where to start your 20 pips levels, try the daily pivot first.

Look for 20 pip spacing between the lines and don't worry if the lines cut off 2-4 pips of the wicks, it is NOT crucial.

Look for typical patterns that form around levels approximately 20 pips apart when I start looking for levels for the trading day, not the highs/lows of a trading session. If it forms a confluence with the high/low...great stuff but I let the PA decide what levels it will follow and then stick with it until it forms a new range.

The beats/swings are seldom spot on 20 pips. It varies between 16-23 approximately. You will see that the levels will cut off the wicks at times. It is just a rough guide or a roadmap to try and anticipate where price is going and how it reacts at the next anticipated level.

I like to see 2 or more "established" levels before I will consider changing anything. Also keep in mind that 00 round number will normally cause some sort of reaction when PA reaches it.

I want to make sure that the levels I look at have "earned" the right to be on the chart before I start trading them. How did price behave at those levels before? There are often "hidden" levels on the charts that may not be obvious until after a pattern is formed. I note them and if a pattern repeats 20 pips up or down from that level, I will consider adjusting the current levels if it is out by more than 4-5 pips.

It does not take long to see on the charts whether your levels are correct. You will never be 100% correct with the levels because the price swings are seldom 20 pips spot on

Nothing is ever absolutely perfect. However, screen time gives one a certain feel to the rhythm at which the markets are beating its drum.

Once you have the lines on the chart, leave them on or save a template. Often the levels from 2-3 days ago will be valid today.

Additional notes:

Having a mid level chart open can be helpful on those crazy days. London may use one level and NY session like to much it up so this will help.

Using 10/20 EMA cross for trend and trigger

Go do something else if the candles are BIG

Just to complicate matters even further....

If you look at the larger waves/beats on the EU on bigger TF`s, you will see it often moves in multiples of 50 pips. I picked this up in 2009 when I started trading dustbins. Even today it still "respect" the 50 pip levels, not from 00 and 50 levels btw.

If you look at the chart attached you can see sup/res levels forming at multiples of 50 pips.

It is not as reliable and profitable to trade as short term dustbins but for longer term swing trading , it may have some merit.

I don't even buy green bananas and I make money from compounding not from the actual pips gained so I stick to the short term dustbin trading.

Just something you may find interesting.

Skype notes:

Gleneagles: if you attach your ego to each trade you will trade not to lose rather than trade to win because a loss is not part of your self image. It hurts for sure to lose but you move on and turn the wheel again because winning does not make you a better person either. It is amazing how ppl battle to follow a basic trading plan. That is why most lose. It needs a constant effort I find myself taking shortcuts at times as well and regretting it.

I still use a checklist after years of trading, it helps me not to stray lol

Consistency and Compounding Dustbin Trading

The two legs of dustbins are consistency and compounding. The first step is to feel comfortable with and establish a track record of consistent gains with your dustbin trades. Only once that is done do you consider compounding. You get spoiled with dustbins because 50-60 pips /day become the norm and the expectation. If you can do that consistently and do it with discipline, you will rake in a boatload of cash every month!

I regard 100 pips per week consistently, as a very successful trader. Using a conservative compounding model, you will double your "investment" account roughly every 6 months on 400 pips per month. Scary if you sit down and make a few sums on the calculator!

Most traders fail to understand the true benefits of compounding, i.e. trading with increased trade size without increasing the risk per trade by keeping your risk/trade constant.

It is important to accept/realize that you are not increasing your risk in line with the increase in trade size.

There are 2 options when it comes to compounding.

- 1) Compounding your trading account only
- 2) Compounding your trading account as well as your investment account

It is possible to trade multiple MT4 accounts from one platform. Start with a small "investment account" of maybe 200-300 hundred dollars. You could also transfer additional money, say 10% of the profit from your trading account every month for a few months into your investment account to give it a bit of a push. Doing it this way really helped me get comfortable with compounding and I would highly recommend this to anyone.

Compared to returns available in money market, you can't really do worse. Initially the growth will be slow but as compounding effect starts to set in, it grows beyond belief.

The idea is to stay within your comfort zone while trading and not put additional pressure on yourself.