
Money Management Strategy ideas

Trading Made Simple 5-Method is a rule-based discretionary trading method. To make it into your own trading system, you need to work on a money management strategy that will help you turn this method into your own winning system and to achieve your trading business objectives.

Money Management strategy for a Rule-based trading method

In the following posts #43,375, #43,413, #43,919, #44,120 and #44,425,

<http://www.forexfactory.com/showthread.php?p=7853580#post7853580>

<http://www.forexfactory.com/showthread.php?p=7856261#post7856261>

<http://www.forexfactory.com/showthread.php?p=7871312#post7871312>

<http://www.forexfactory.com/showthread.php?p=7879669#post7879669>

<http://www.forexfactory.com/showthread.php?p=7890423#post7890423>

I shared my D chart trades for the months of Oct and Nov using Multiple Entries and Multiple Exits strategy.

This is how a small group of active TMS traders worked on a Money Management strategy for a Rule-based trading method in a development project named “TMS-II”.

Entry and Exit

Trading the market is about entries and exits. You will find four different entry and exit methods in the book title “Day Trading and Swing Trading the Currency Market” by Kathy Lien. I posted some pages of that book in pdf in my post #18,422.

<http://www.forexfactory.com/showthread.php?p=6645849#post6645849>

You can click on the link above and download that short pdf.

The most common is the Single Entry Single Exit SE/SE– you get a market entry and let the market decide to hit your Exit, that can be your Stop Loss or your Target Profit.

In the other method - Single Entry Multiple Exits SE/ME, the scaling out of one single trade entry into two possible target profit TP exits will result in overall less money in profits. This is known but what we should then look at the average of both exited TP and calculate the average Risk Reward R:R of that one single entry trade.

However, when we use a two lot entry, and two TP exit points, the amount of profits in money not necessary is lesser because each entry lot will come with its own risk ‘R’. The profit per lot is then measure by the R-Multiple’.

Multi-Lot Entry

In the TMS-II development project, the team also studied and tested the multi-lot entry to improve their intraday trading . The details are explained in post #33,512, I wrote about how the multi-lot entry can help improve trading.

<http://www.forexfactory.com/showthread.php?p=7357782#post7357782>

Read that post and the attached pdf.

Multiple Entries Multiple Exits and Market Types

This ME/ME method works best for me when I do 4H short swing trading and position trading using the H4 and D1 charts.

We all know by now that TMS works best in trending market type. The other market type where TMS will work is the wide range sideways market type and this is when I would be trading the 4H swing during the week. 4H swing trading usually last 3 to 4 days within the week. Being a conservative trader, I target to capture only 60% of the average weekly traded range. Entry is to wait for the reversal to happen and then confirm the trend on H4 chart. Trade only when there is an established trend in H4. Trading the reversal candles which are usually the APB#1 and APB#2 after a TDI cross is very risky unless there is high probability setups using Price Action at Support and Resistance aka PASR. To trade PASR, it requires a bit more work in technical analysis and in doing trade plan. I do my top down analysis and Big Picture Plan every week and every month.

TMS and price swings:

We learned from eelfranz that most of the trending move results in price swing of 3 to 8 APB candles. This is true when we observe our higher timeframe charts H4 and D1 charts. In those cases where we see a strong trending move, the number of APB candles will be more than 8. We need to study the volatility and range of the currency pairs we chose to trade. Therefore, knowing the average trading range of the currency pairs and when trading the D1 chart TF and higher, we can make our money work for us and maximize the number of pips gain in each of the larger price swings. This is when the use of Multiple Entries will work out with our Money Management strategy. In such as cases, the amount of do pips matters and I did not say that you should be carried away with the number of pips. Read snarlyjack's post#47,652.

<http://www.forexfactory.com/showthread.php?p=7960584#post7960584>

In his post he mentioned how eelfranz traded with full lot standard account and the pip \$value per pip.

You need to know the pip \$value for each of the currency pair you decide to trade.

There is a tool in the mataf.net website which provide the pip value calculated for most avoiable currency pairs.

<https://www.mataf.net/en/tools/04-02-pip-value>

Using a Multiple Entries method, you enter the market using the same risk model you had defined in your trading business. I use the same risk of between 1% to 2% of equity for the first trade for each of the currency pairs I decided to trade. Once the first position is in profit and protected, I will then use the same risk and enter the second position. I repeat the same for the second position and continue carefully place the next position entry as the previous trades are all in profit and protected either a breakeven or with some floating profits.

You must have on your charts where the major historical price swings are and use them for planning your entries and exits. You have the options at any time to close some positions for profits and not return to much to the market during the corrections/retracements and you can re-enter or open more new positions at suitable price levels during the 'dips' ... "buy the dips" or "sell the rallies".

This is one way to grow a trading account with minimal risk in a manageable way.

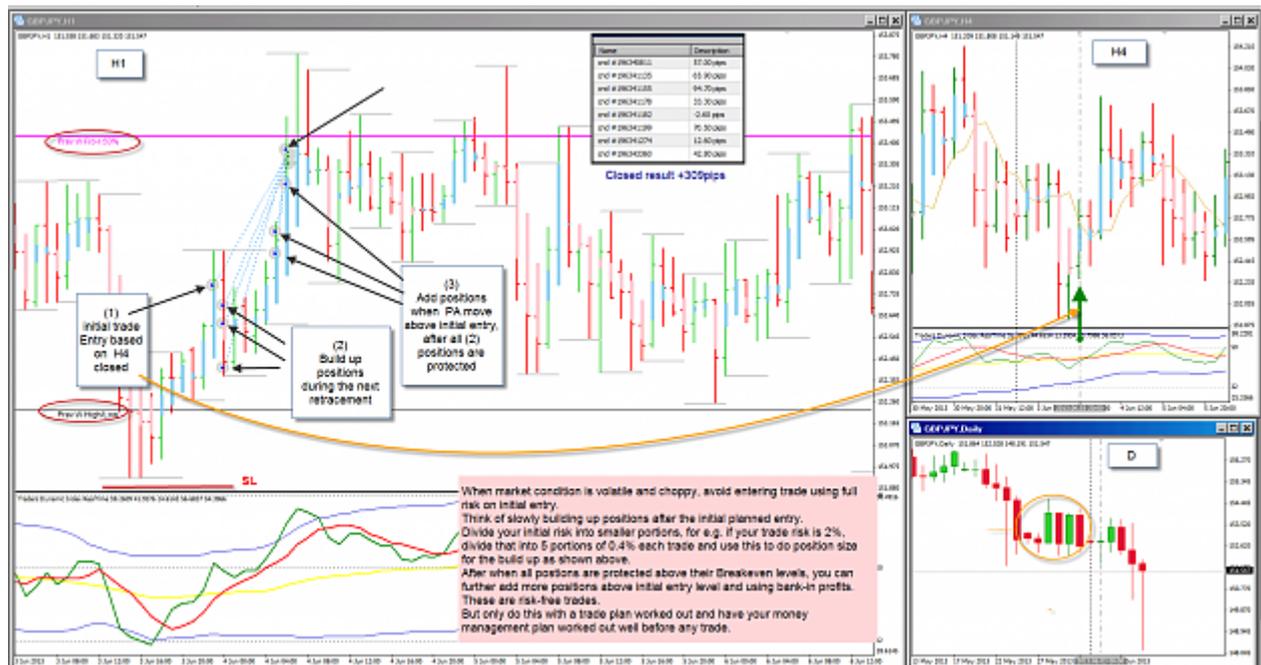
How to Build a Position

Please go to post #20,342 link below.

<http://www.forexfactory.com/showthread.php?p=6739091#post6739091>

In that post, I explained how we can build up our position in the market with small initial risk.

This is useful when we do longer term position trading on D1 and W1 charts. On higher timeframe charts, we may not want to miss an entry after the TDI cross. But in most cases, the next candle after the TDI cross will retrace and we can use this retracement to build up our position instead of entering at full risk.



There is an attached pdf "How to Build a Position" taken out of the book title 'How to Beat the Forex Dealer' by Agustin Silvani.

Conclusion

All these money management techniques mention here requires you to do some thinking into the details and work them on paper to appreciate how each of these can help you develop a strategy for your trading business. When you have questions and need help, please write and post in the TMS thread. That is the best way to learn and also it will benefit more members when we use that thread for all questions and answers.