



# SIMPLE MARKET FLOW TRADING SYSTEM

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Extracted from Forex Factory's "Simple  
Market Flow Trading System Thread by  
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# CONTENTS

INTRODUCTION .....	2
COMPONENTS OF THE MARKET FLOW TRADING SYSTEM .....	3
SUPPORT AND RESISTANCE .....	4
Trendlines: .....	5
Market Flow.....	6
CANDLESTICK PATTERNS.....	7
THE MARKET FLOW TRADING STRATEGY .....	8
EXAMPLE #1: .....	8
EXAMPLE #2: .....	9
Extra Notes .....	10

## INTRODUCTION

I am here to offer a strategy that if traded properly would always keep you in the right side of the market. This strategy is a trend trading system that offers high probability win. The best part of it is that this system is very simple and I would do my best to post charts and videos in this thread to further deepen your understanding of how to apply it. The key to winning with this system is consistency in apply the step by step processes that constitute the method involved.

Since we are always going to be trading in the direction of the trend, we are sure to always be at the right side of the market.

*One interesting fact about this unique system is that it helps you determine the direction of the trend which is one of the prime factors you must consider as a trader.* Inability to determine the trend is one of the reasons most traders are not consistent in following their trading system because most time they trade against the market.

Once you have been able to determine the direction of the trend and you have no challenge with that, the next thing you must consider in your arsenal of trading knowledge is how to accurately determine your entry. This is where many traders find forex trading tough. Knowing where to place your trade is very important, just as knowing how to determine the direction of the trend is very crucial to success in any particular trade set up. If you can successful master this concept of trade entry, then you are on your way to becoming a successful trader.

One thing you must also put into consideration is how to manage your trade until you eventually exit the market. Trade management is something you must consider because, until you exit your trade, you cannot claim that your trade set up is going to be a winner even when the trade is successfully moving in your favour.

The reason is this; market may eventually move against you and hit your stop loss. What I am saying in other words is that, **knowing where to place your stop loss and your profit target matter so much. If you do this properly, this would mark the difference between a streak of winning trades and a streak of losing trades.**

So if you want to always be in the winning side of the market, you must develop a system that always put you in a situation whereby you are always at a great advantage with the market.

If proper trade management is factored into your trading system, then you will certainly overcome the challenges I discussed above because proper trade management would

ensure that you always cut your losses and make your profit run. Also your stop loss is small compare to your profit target. One of the formula of a successful trading style is small loss big profit.

These three major factors; that is **Trend determination, Trade entry and Trade management** are all factored into the **MARKET FLOW** trading system.

In each step of the live trade set ups I would be posting, I will be describing how to determine the trend direction, trade entry and trade management. This would enable us to fully take advantage of these factors as enshrined in this winning system.

Trade entry, stop loss and trade management with this system is straight forward. The easier a system, the better it is applying it for maximum profit. This strategy completely falls into the category of simple systems that yield maximum gain.

**Click the link below to watch the Market Flow Video showing you how to apply it to your day to day trading. Live trade examples discussed in the video**

<http://www.forexfactory.com/showthre...00#post7205500>

For custom fractal and High/Low indicator, click

here: <http://www.forexfactory.com/showthre...92#post7207792>

If you want to learn how to draw trendlines effectively, [Click Here](#).

For Market Flow Break Indicator: <http://www.forexfactory.com/showthre...91#post7295391>

#### COMPONENTS OF THE MARKET FLOW TRADING SYSTEM

There are four major components that make up this trading system. These components are very common but when used properly, it offers a combination of codes that unlocks the profitable side of the forex market. These components are:[/justify]

**Trendlines**

**Fractal(Market) Flow**

**Support and Resistance and**

**Candle Stick Patterns**

Since most of you are already familiar with these individual components, I would just discuss briefly about them and then proceed to explaining more about the Market Flow trading system.

## SUPPORT AND RESISTANCE

The subjects of support and resistance are two of the most high discussed concepts of technical analysis and the reason for this is not far fetch. They are very important because price tends to react around that zone and so they are important levels most trade focus their attention on during the course of trading.

If you want to be successful with technical analysis, then it is quite expedient to factor in support and resistance into your trading method as this would guide you in trading safely.

### *What is support and resistance?*

Support and Resistance can be defined as points or areas in the market where price experiences repeated upward or downward pressure. For example, when price approaches a region of support, buying pressure tend to set into the market and if this pressure is strong enough, it would prevent the price from going lower.

The opposite is true in the case of resistance.

Attached Image (click to enlarge)



Once a support level is broken, it tends to become resistance and when a resistance level is broken it tends to become support.

See the chart below for proper understanding of what I mean.

Attached Image (click to enlarge)



## TRENDLINES:

Trendlines are diagonal lines drawn from left to right connecting two swing points.

There are two major types of trendline and they are:

The downward trendline and

The Upward trendline.

In the Downward trendline, the diagonal line which also serves as a resistance line is drawn by connecting a Swing high and the most recent LOWER swing high. Or it can be drawn by connecting a lower swing high to a most recent lower swing high. This represents the fact that the market is bearish.

[Attached Image \(click to enlarge\)](#)



In the Upward trendline, the diagonal line which also serves as support is drawn connecting a swing low, to a most recent higher swing low.

Or a higher swing low to a most recent higher swing low. In this case, the market tends to be bullish. [/justify]

[Attached Image \(click to enlarge\)](#)



We would be making use of trendlines in this strategy to determine where to place our entry on the 1H time frame.

## MARKET FLOW

Is a simple way of accessing the market using only price.

Market flow is defined by fractal swing highs and fractal swing lows.

A swing high (fractal high) is any point in a chart that have at least two lower highs before it and at least two lower lows after it.

A swing low (fractal low) is any point in a chart that have at least two higher lows before it and two higher highs after it.

We will be making use the fractal indicator to find our swing high and our swing lows.

Market flow is said to be up when price is making higher swing highs.

Market flow is said to be down when price keeps making lower highs.

[Attached Image \(click to enlarge\)](#)



Market flow direction changes when price breaks a fractal high or a fractal low.

I will do well to explain all these using a chart.

[Attached Image \(click to enlarge\)](#)



## CANDLESTICK PATTERNS

I will be making using of 5 types of candle stick patterns and they are:

Pin bar

Inside Bar

Engulfing bar

Dark cloud/Piercing line and

Railway track

I would be using the pin as example in this post because that is what I use more often with this strategy.

[Attached Image \(click to enlarge\)](#)



Notice how price reacted around the trendline

[Attached Image \(click to enlarge\)](#)



## THE MARKET FLOW TRADING STRATEGY

The first thing we do is called *top down analysis*.

And our top down analysis involves the use of two time frames. In this case, it is the daily time frame and the hourly timeframe.

The first step in this strategy is to go to the daily time frame and determine the direction of the market flow. I have discussed how to determine the market flow above. I will be posting a video soon to show you how to determine the direction of market flow properly. Having determined where market flow is heading, next, we zoom down to the hourly time frame and look out for our entry around the hourly S/R or trendline.

Like I discussed earlier, in this strategy we would be making use of candle stick pattern to accurately determine our entry.

### EXAMPLE #1:

Trade Set Up For EURUSD  
BEFORE

Attached Images (click to enlarge)



AFTER

This is EURUSD. See how price reacted around our entry area and went down to hit our potential take profit area. Though this trade was not a winner, but a good example to show you how this system works

Attached Image (click to enlarge)



EXAMPLE #2:

GBPCHF

Bias: Bullish

BEFORE

Attached Images (click to enlarge)



AFTER

Our GBPCHF went ahead to hit profit.

Attached Image (click to enlarge)



## EXTRA NOTES

### Re-Entry after a Stop Out

My rules for re-entry remains the use of candle sticks and I discussed the candle stick I use.

My re-entry is usually based on the target zone. Once price exceeds by target zone by over 50 pips, I forget about that pair and look out for another set up.

When market opens and closes below the price where we experienced a fractal break, I dump that pair and look for another set up.

Market flow can only be invalidated by a candle's body(close) and NOT wick

Entry at trendline is good. But entry at support and resistance is better. For those pairs I use trendlines, that was the closes area where price may experience reversal and so I use it. If S/R is the close, I use it.

I use all types of trendlines, be it long term, medium or short. But it is based on the hourly time frame. The stronger the trendline (trendline touched 2 times) the better.

### Invalidated Market Flow On Daily Time Frame.

*Attached Image (click to enlarge)*



Once a fractal have been broken twice on the daily time frame where we get our market flow, that fractal flow become invalid and so we will no longer make reference to it again.

*Attached Image (click to enlarge)*



A fractal break remains valid until;

1. It is broken twice--By this, it becomes invalid
2. When a new fractal forms in the direction of the valid fractal, we adopt the new fractal break and that become our reference point on the hourly time frame.

I move my SL to breakeven when when market moves in my favor. For example, if my stop loss is 40 pips, and price moves in my my favor by 40 pips, I will move my stop loss by 40 pips and will keep moving my stop loss until it hits take profit.

missed this. By Stop loss never exceeds 80 pips.