The Lindencourt FX System

LINDENCOURT
Foreign Exchange Trading

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Contents

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Andrew Searle, 30 Harrington Gardens, London, SW7 4LT, England

1. Introduction

Firstly, I want to say a big thank you for buying the Lindencourt FX Trading System.

The Lindencourt FX System has proven to be a very powerful and successful trading system for me, and I am confident that once you have read through this Manual and practised trading with the system for a number of weeks, you too will be ready to start making real money successfully in the Forex market. I hope your experience of this system will prove to be a successful one too.

My name is Andrew Searle and I have been trading the financial markets for over 25 years. I am a full time currency trader based in London, England, although I have a base in Germany and currently spend most of my time there. I am also currently in the process of developing a private European investment fund which will be focused on trading Forex with this system.

My introduction to the investment world originally started with trading in stocks back in the mid 1980s. After I graduated from University in the late 1980s, I went on to work in the City of London, first as a trainee Chartered Accountant and later as in Investment Analyst for various financial organisations. In the mid 1990s I left my last employer, Barings Bank, to complete an MBA and vowed that I would soon return. Literally weeks after I had left, the bank had been destroyed and there was no job to go back to. Despite my decision to spend a few years working as a business consultant for some large global corporations, I never really left the investment world as I continued to trade and invest in the markets for many years later. I ended up running a London-based property investment company from 2001 to 2007 and I have been a full time self-employed currency trader ever since then.

Despite having a formal financial education and background, nothing prepared me for live trading the Forex market. Like most people in the world of Forex, during my early days of trading I had experienced emotions that I never knew I had. I also had the great experience of draining my trading account on more than one occasion. However, from day one, I was hooked, and over the last few years I have worked at it, studied it passionately, and have looked for every possible way to get an edge on the market. That is, until recently. I can now say that I have become a Forex market success, based on my developing a winning trading system that gives me that edge over the market.

And during the last 12 months, I have certainly seen some extreme trading conditions in the global financial markets. However, as I have been so fortunate to develop something that has proven to be a highly successful trading tool under all sorts of market conditions — I decided to share this system on a face-to-face, one-to-one basis with a number of private traders who had been seeking a tool to help them become more successful in the Forex market. I have now decided to share the system with anyone via the Lindencourt website.

I want to stress that this system has not, and will not bring success on its own. It is just a trading tool and it is the combination of the trader with this system that will bring success. Now, I cannot teach you to be successful in the Forex markets, but I can teach you a trading system that will enable you to be successful in the Forex markets. I will nevertheless go through some useful information in the next section that focuses on what makes a successful trader, since not all of us can be, or will be one. That is just a fact of life. However, as you are reading this Manual instead of buying the next $97 one-minute Forex wonder, you are far ahead of the rest of the game. I hope the following section will be useful in helping you to analyse yourself and to decide whether Forex trading is really for you in the long term.

The System Features

The Lindencourt FX System is an intra-day trend-following trading system, meaning that it is a trading system that can only be traded in the direction of the trend. In this System the trend is identified by moving averages – and there are a number of them in this system –so if you don't know what a moving average is, you are going to be in trouble! The system has been developed to be used on my favourite timeframe of 15 minutes ("15M"), although it can be traded on lower, as well as higher timeframes.

The system is also used to trade mainly the GBPUSD, although it works on any other currency pair (unquestionably some currency pairs will be better than others). The system has been designed to keep you in a trade until the current trend has run its course. It also has a clear exit mechanism to ensure that you don't see your gains get washed away. This is clearly a big advantage as many traders simply do not know when to exit a trade and this is also an area that many other trading systems pay little attention to.

Despite having a number of important strict rules to be followed, the system is also flexible in places – you will note that parts of it have been designed to allow you to make important decisions, for example when to take partial profits, where you can mould it to your own personal preferences.

Finally, the system has clear money management rules which are designed to help you to minimise your losses and to maximise your gains over the long term. This is not a system that has been devised to make you a fortune overnight, but it will help you to achieve an impressive return on your capital in the long term.

Help and Assistance

Please contact me if you require further assistance or understanding with any part of this Manual. I know that in parts the text may be a little heavy, so I strongly suggest that you spend time re-reading the bits that you might not fully understand. If you would like to discuss any aspect of the Manual or System with me, please do not hesitate to contact me since my aim is to help you succeed as a trader. I am happy to telephone you to discuss any issue if you so wish.

Finally I am always looking at ways to improve the system, so any feedback or comments for improvement will always be welcome.

I wish you great trading success.

Andrew Searle
October 2009

2. What it Takes to be a Successful Forex Trader

There are two types of trader – winners and losers. Which one are you? Obviously you are a winner since you bought this trading system! Seriously though, not everyone will make it as a successful Forex trader, since just like in almost any other sphere of life, there will always be those that excel or who are better at certain things than others.

Forex, as an investment or business opportunity, has some pretty strong and unique features and characteristics which attract many people, but repel others. Therefore, and not surprisingly, those who excel at trading in the Forex market tend to display certain traits that make them stand out from those who are not quite so successful.

There are plenty of amateur statisticians around that tell us that it is only one in ten Forex traders that actually become successful, which means a substantial number of people are losing money in the Forex market. But incidentally, where does this statistic come from since no one source could ever know how many people have tried trading Forex and failed? Well, after some research I can tell you that this statistic probably stems from a controversial research report on day-trading written a few years ago now by NASAA (the North American Securities Administrator's Association) which concluded from sampling and interviewing that only 11.5% of day traders were actually successful, whilst the rest lost money. However, 10% is near enough and sounds slightly more dramatic! Anyway, despite this sidetrack, we can assume that most traders who indulge in Forex trading, fail. So what are the traits of those who are successful compared to those who are not?

Traits of an unsuccessful trader

Having an appropriate trader's mindset is fundamental to your success. Unfortunately, there are far too many traders entering the Forex market with a get-rich-quick mindset these days, caused no doubt by the relentless stream of marketing and promotion of automated Forex trading systems entering our email in-boxes with misleading suggestions insinuating that you only need to invest a small amount of money and within a short space of time you can turn it into a fortune. I have recently received a promotional video by email from one nameless Forex robot promoter claiming that I could see "a six figure monthly income" from using their robot in no time! Really! Now we know that trading Forex in the real world is nothing like this. Not surprisingly many people who are not cut out to be traders disappear again once they have had they fingers burned. Unsuccessful traders also tend to lack any real dedication or a strong desire to win at Forex trading. They think that all they need is a successful trading system and little else. When things don't quite go to plan unsuccessful traders tend to give up easily, or blame the trading system, or everybody else around them, but never themselves. Unsuccessful traders tend to try every $97 trading system available in the marketplace, and when one does not produce the instant results they expect, they move onto the next Forex wonder product. Unsuccessful traders, do not practise money management or if they do, it tends to be too little or inappropriate. Placing stop losses also tends to be an inconvenient chore. When it comes to placing trades, unsuccessful traders tend to second guess the market and enter when there is not a confirmed entry signal (irrespective of which trading system is being used) and fail to exit when there is a confirmed exit signal. One other key point is that unsuccessful traders tend to lack the motivation to improve their knowledge or education of the subject matter in hand. With these kinds of traits it is no wonder that many traders fail.

Traits of a successful Trader

Successful traders on the other hand tend to demonstrate a completely different set of traits. They treat it for what it is - a business. Successful traders tend to be dedicated, if not passionate about their trading, always willing and wanting to improve themselves and their ability to trade successfully. They know that they need to work hard at it just like learning to ride a bicycle – one just perseveres and sticks with it until one finally gets it right – when have you known a successful musician, sports personality, entrepreneur or artist for example who is not passionate and dedicated about what they do and who works incredibly hard at their specialism? Successful traders are focused, which means that they eventually stick to one system and make it work, not try one and if it does not work, try another, and another. Successful traders are disciplined and organised, they plan ahead, can exercise patience and can control their emotions. They know and accept that there will be losses without getting too emotional about it; they also know that whatever the outcome of a trade, it was their decision and they accept responsibility for their actions. Successful traders also exercise sound money management in all their trading activities and know that they are unlikely to make a fortune overnight.

So which group do you put yourself in? Which ever group you feel more closely related to, it does not mean that you cannot aspire and achieve many of the traits or characteristics of a successful trader if you don't already possess them. If you can at least recognise your weaknesses relating to any of the areas I highlighted above, this is a big step in the right direction.

Although I cannot advise you on changing your specific mindset, how you deal with emotions, your attitude towards risk, etc., here are some areas that you can nevertheless work on to make yourself into a better trader over time.

- **Exercise sound money management** – this is an easy one. A simple yet highly effective set of money management rules have been set out in this Manual. You don't have to follow my money management rules, but as long as you have a set of rules which you stick to, this will be a great contribution to your success.
- **Always look to improve your experience, education & skills** – Forex is a subject whereby you cannot fail to learn and experience something new every day. A willingness to learn and experience new things will also help you in your quest. You have already taken a major step in your education and skills development by buying this trading system.
- **Always aim to be consistent in your trading** – stick with one trading system and try and master it. Not all systems will fit all, so it is important that you find a trading system that you feel confident using over the long term. Also try to stick to trading a specific time frame and at specific times. Focus, Focus, focus. The more focused you are with your trading, the greater your knowledge and experience will become.
- **Only trade with money you can afford to lose too**. This is self understanding.
- **Improve your discipline.** If you cannot stop yourself from entering doubtful trades, for example, when there is no clear entry, perhaps trading is not for you. But discipline can be changed. I know this is easier said than done and it won't happen overnight, but over time you can become more disciplined in your trading activities. You will simply have to practice greater restraint and patience. Essentially what I am saying is you will have to learn to stop yourself from doing things that are based on emotion, intuition and gut feeling instead of on logic, fact and commonsense.

- **Be organised** – stemming from the above point, successful traders tend to be organised. They plan ahead. They have a trading plan or roadmap and know where they are going and how they are going to get there. Set yourself some SMART goals – Specific, Measurable, Achievable, Realistic, Time restricted. For example, this is smart: "aim to turn $50,000 into $100,000 over a period of 12 months, trading with the Lindencourt FX system by trading each day between the hours of .....etc"

Can everyone be a successful trader?

There is so much information available these days about trading and trading psychology, whether in a bookshop or even on the net. I have found a lot of it to be very useful information, but like most things, amongst the good stuff there is also quite a lot of distorted, misleading information and general psychobabble written by armchair experts. Whilst carrying out my own research over the past few years I came across one such story, which you will no doubt have come across too, is the story of the Turtle Traders, whereby a successful American commodities futures trader called Ron Dennis believed he could turn a random group of people with no trading experience into great traders. This story is one that has been over-hyped and distorted over the years. Proponents of the story claim that the story proves that anyone can become a great trader. This is rubbish in my view. It is simply not true that anyone can be a successful trader, just like we all cannot be a great scientist or golfer –nor was it exactly true with the Turtle Traders – out of 1,000 or so applicants, Ron Dennis and his business partner vetted everyone to see if they had what it took –so it was not a random selection. In addition, after the initial vetting process, they interviewed only c.80 candidates, of which 13 were chosen. Three dropped out or were asked to leave during the first 12 months of the "experiment", so they were finally left with just 10. Despite the fact that the group collectively made tens of millions of dollars during the "experiment", the remaining ten traders in the group were given many millions of dollars each to trade with from day one. Not all of the ten traders that remained even made a profit!

Another social experiment I recall from a few years ago involved 40 PhD graduates who were given a trading system and ten thousand dollars to trade with. 38 lost the lot! Why? They adopted the gamblers mentality of get rich quick where the statistical odds were against them but they nevertheless went for the fast buck. That also tells us that great traders are not necessarily the ones with a greatest amount of intelligence either. In my view it is predominantly having the correct mindset that separates the successful trader from the unsuccessful.

Hopefully this introductory section has been of some use to you. I have no doubt that if you take heed of the information and advice in this section, combined with the Lindencourt FX trading system you will be on a path to long term success, wealth and hopefully happiness.

3. Lindencourt FX System Overview

I expect many readers of this Manual are eager to find out what is included in the Lindencourt FX system. Well here is a quick summary of the system's components. I am including this summary section here as it will provide you with an overview of what you will be installing on your computer in the next section. If for whatever reason you do not have access to all (or any) of the indicators required to trade with this trading system, then please take note as these are the indicators that you will need. They are all freely available on either MetaTrader 4, or on the internet.

Let's start with a chart showing a typical Lindencourt FX System set up. The chart below might look similar to some other Forex trading systems available, but I can assure you the following combination of technical indicators is quite unique.

Let's go through the essential system components:

- **3 x Exponential Moving averages** – on the 15M charts they are EMA(7), EMA(21) and EMA(84). These MAs are the equivalent to the 5M EMA (21), 15M EMA (21), 1H EMA (21) – more later.
- **Commodity Channel Index** - CCI (5). I have found the FX Sniper T3 CCI Alert (5) to be the best CCI indicator to use because of the smoothness of its lines. If for whatever reason you install the standard CCI indicator that comes with MetaTrader it will need to be set to "8", not "5".
- **RSI (13) Histogram** - This is the Relative Strength Index (RSI) turned into a histogram indicator. You will also note that there is a line at +10 and at -10 on the right-hand scale. This is critical to this system's performance. You never enter a trade unless an RSI Histo bar has exceeded +10 or -10.

  You will note that the Fibonacci number sequence features quite prominently in the indicator settings chosen above. Fibonacci numbers are in fact quite a prominent feature of the whole Lindencourt FX System.

That is the core system. However, in the above diagram you will notice there are three other components that I have added. These additional components are not essential for the workings of the system but they are very useful to have. These are:

- **Sessions Indicator** – this is the shaded area on the charts which indicates the Asian (pink), European (green) and the American (blue) trading sessions. I find this to be a very useful visual help when trading.
- **Candle Clock** – this is the red number to the right of the current candle which tells you how many minutes and seconds to the end of the current candle. Again I find this a very useful indicator when trading.
- **Fibonacci Pivot indicator** – this indicator displays the daily Fibonacci Pivot levels. I find this to be such a valuable indicator in determining potential price targets, and areas of support and resistance. I have found them to be remarkably accurate targets for where price action reaches.

That's the system. Let's now install the various components and then go through the whole system in more detail.

4. Setting up the System

This trading system has been designed to work with the MetaTrader 4 trading platform. So before you go any further, you should install MetaTrader 4 if you do not already have the software installed.

Once you have MetaTrader installed on your computer, you will need to install the Lindencourt FX template which contains all the indicators that this system uses, as well as the additional indicators which are not included in the standard set of indicators that come with the MetaTrader software.

The following sections will help you to install these three components.

4.1 Installing MetaTrader 4

MetaTrader is a Forex trading platform developed by Metaquotes Inc. A copy can be freely downloaded directly from their web site. Alternatively, nearly all Forex brokers that use MetaTrader 4 as their trading platform allow you to download a copy of MT4 directly from their web sites if you open a demo account with them. A number of Forex brokers that use MetaTrader can be found on the Lindencourt Web site or at http://www.forextradingsuccess.co.uk/brokers.html. The MetaTrader platform is essentially the same wherever you obtain your copy, however the two main differences will include the time zone in which prices are shown (eg ODL MetaTrader is based on GMT, Alpari is based on GMT +2) and the range of currency pairs and other financial products that are tradable (eg ODL Markets offers a large range of currency pairs, but also offers oil, gold, silver, a range of indices and some US, European and UK companies' stocks to be traded via MetaTrader).

Most brokers offering MetaTrader have installation guides with screenshots to help you successfully install their version of the software. Alpari, for example provides a very good installation guide on their web site if you need help at http://www.alpari.co.uk/en/new_to_markets/trade/mt4_userguide/getting_started.html

For those who would like a video demonstration of installing MetaTrader 4, YouTube has a selection that you can view.

4.2 Installing the indicators

Once you have installed the MetaTrader 4 software, you need to install the additional indicators needed in the system. These are included along with this system manual. There are 5 indicators used with the Lindencourt FX system which are not included in the standard list of MetaTrader indicators.

The five indicators are:

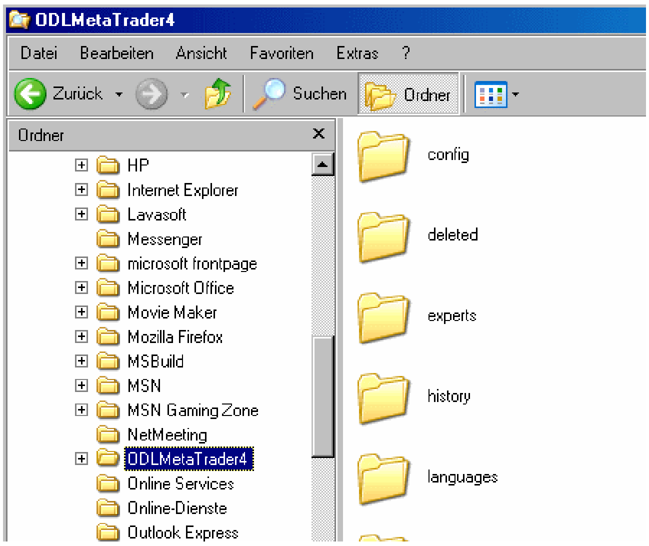
1. RSI Histogram Indicator (essential)
2. Sniper FX CCI Alert (essential)
3. Sessions Indicator (useful)
4. Fibonacci Pivots indicator (useful)
5. Candle clock (useful)

You will find these indicators on the web page where you downloaded this manual. If however you are having problems accessing or downloading them, please contact support@lindencourt.net as soon as possible for assistance.

The actual names of the 5 indicator files that you will need to install are (respectively):
LC RSI_Histo3.mq4
LC FX Sniper's T3 CCI Alert.mq4
LC i-Sessions pst.mq4
LC Pivots.ex4
LC b-clock.mq4

Please follow these instructions to install these indicators:

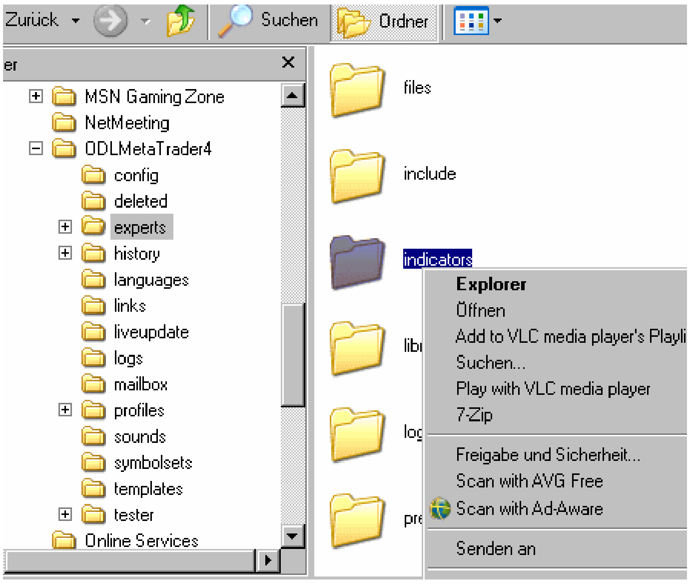
1. Ensure that your copy of MetaTrader is shut down.
2. Open Windows Explorer and go to the folder or directory where you saved the indicators on your computer.
3. Right click on one of the indicator files and then left click on **Copy**, so it is on your clipboard
4. Still in Windows Explorer, go to where you have installed MetaTrader on your computer. Usually it is installed in C: / Program Files / [*Your MetaTrader file name*]



In my example above, my MetaTrader folder is called *ODLMetaTrader4*.

5. Double click on this and you will see a number of additional subfolders appear on the right.

6. Double click on one called **experts.** This will open up a number of other subfolders.



7. Right click on the **indicators** folder to get the grey options display (above) and then left click on **paste.**
8. Repeat these steps until all five indicators have been copied and pasted into the indicators folder.
9. All five indicators should now appear in the left-hand Navigator box of Metatrader under Expert Indicators.

4.3 Installing the template

Finally, to enable any currency pair to be shown on the MetaTrader platform in the required Lindencourt FX System format, including all the necessary indicators, the Lindencourt FX template needs to be installed. This is quite simple and similar to the previous steps for the indicators.

1. Go to the directory/folder where the Lindencourt template file is saved. The name of the template file is **lindencourt-template.tpl**
2. Right-click on the file and then left-click on **Copy** in the menu table.
3. Again, go to where your MetaTrader application software is stored
   eg : C / Program Files / [*MetaTrader file name*]. See diagram in point 4 above.
4. Double click on the MetaTrader 4 folder to display a number of sub folders on the right.
5. Right-click on a folder called "Templates" and then left-click on **Paste**.
6. You are finished. You can now open Metatrader.

To check that everything has been installed correctly, open the chart of any currency pair and then right-click on the chart with your mouse. Scroll over/ down to **Template** and a number of templates will be displayed. Left-click on **Lindencourt-template** and the chart should reformat itself with the Lindencourt FX template layout.

5. The Lindencourt FX System in Detail

We briefly went through the Lindencourt FX system components in the earlier System Overview section. In this section, I shall go into more detail on each of the indicators so you know exactly what they do and what role they play within the system. Don't worry, I will not go into too much technical detail as this manual is not the place for that, but I do want you to understand what follows. Please ask me anything that you do not understand in any of our one-to-one support sessions. If you would like further technical information on any of the indicators, please contact support@lindencourt.net or search on Google for additional information.

IMPORTANT

Please note that throughout this System Manual all references to trading refer to trading the System from 5.45hrs GMT to 16.00hrs GMT on the 15 minute charts, unless I specifically express otherwise.

5.1 The Technical Indicators

To provide us with a greater degree of certainty, or probability, as to where future price action of any currency pair is likely to go, we use technical indicators. There are hundreds, if not thousands of trading methods or systems developed which incorporate various indicators to help traders predict where price action is heading. I have spent a huge amount of time researching literally hundreds of indicators and combinations of indicators to provide me with a set that will provide the greatest probability of a winning trade and I have finally arrived at a unique set of indicators that provide me with successful trades, time and time again. The indicators I have chosen are a mixture of "lagging" indicators and "leading" indicators. I think it is important to have a mixture of these two types of indicators in any trading system. Sometimes when a signal from a lagging indicator conflicts with the signal from a leading indicator (and vice versa), this is a strong indication that it is best not to trade. We therefore look to trade with the Lindencourt FX System only when all lagging and leading indicators are essentially saying the same thing.

To summarise what I wrote earlier, the Lindencourt FX System consists of a combination of Exponential Moving Averages - MA(21) and variations of MA(21) covering various timeframes - a Commodity Channel Indicator (CCI), and an RSI Histogram indicator. I will now provide some information about each indicator used in the Lindencourt FX System. Take a deep breath.

Moving Averages – MAs

A "moving average" consists of two parts – "moving" and "average". "Average" refers to the average (or "mean") of a series of numbers, in our case it is the average of the closing prices of a series of price candles. "Moving" refers to the fact that the "average" changes with each new candle as we move from one candle or time interval to the next. A 21-period moving average - written as "MA(21)" is the average price of the closing prices of the last 21 candles and moves with the opening of each subsequent candle. If we refer to the hourly ("1H") candles, this would refer to the moving average of the closing price of the last 21 hourly candles - “1H MA(21)”. The MA(21) figure will change with each subsequent hourly candle.

A moving average is a type of momentum or lagging indicator and is used predominantly to tell us the direction of the trend. Currency prices rarely move in a straight line, so a moving-average is used to help us identify more easily the direction or trend as it helps to smooth out raw price data. Moving averages lag price because they are obviously based on historical price data and are therefore only useful after a period of time when a pattern, or trend, can be identified. A trend is usually said to be confirmed when different moving averages cross each other. However, some traders (like me) take the immediate slope (or gradient) of a single MA to indicate the direction of the current trend.

There are different types of MAs, including simple moving averages, exponential moving averages, linear weighted moving averages, etc. There are pros and cons with each type, but I will not spend time going through them in this Manual. For the Lindencourt FX System we only use exponential moving averages, or EMAs.

The moving average (MA) is a very important indicator in the Lindencourt FX System. We use them for the following:

1. to tell us the direction of the current trend
2. we also use two of them to signal when a trend has changed and thus when it is time to enter a trade; and
3. to help us identify when it is time to <u>completely</u> exit a trade.

Trend Direction

The Lindencourt FX System is a trend following system, meaning we only enter trades in the direction of the trend. So what exactly is the trend? I am sure you have come across many definitions of a “trend”, some more accurate than others. There is no one single correct definition, but we can nevertheless assume that when a series of price candles show increasingly higher highs and higher lows we can regard that as being in an up-trend, and when they show increasingly lower highs and lower lows we are in a down-trend. This is not always easy to see visually, so we use a moving average, which smoothes out the collective movement of individual price candles. So which MA do we use? The Lindencourt FX System actually defines several MAs as it depends upon which timeframe we are referring to. We know that the general direction of price candles on a 4H chart can be quite different from the general direction of candles on the 5M chart for example. So for this system we shall define the trend as being the slope (or gradient) of the following exponential moving averages (EMAs).

Immediate Trend = 15 minute MA(21) moving average, or 15M MA(21)
Short Term Trend = hourly MA(21) moving average, or 1H MA(21)
Medium Term Trend = 4-hourly MA(21) moving average, or 4H MA(21)
Longer Term Trend = Daily MA(21) moving average, or Daily MA(21)
Long Term Trend = Weekly MA(21) moving average, or Weekly MA(21)

So if the MA we are using is sloping up from left to right, the trend is UP; if the MA is sloping down from left to right, the trend is down; and if the MA is completely horizontal, the trend is flat.

For the Lindencourt FX System we use the MA(21) on the next higher time frame from the current time frame as our "relevant" trend line for trading purposes. To clarify: if we are looking at the 15M charts for trading, the "relevant" trend line on this chart is represented by the 1H MA(21), which is the short term trend, as defined above.

This may now be confusing for many. How can the 1H MA(21) be the relevant trend line on the 15M charts? Quite easily. We can simply convert any higher MA trend line (eg, an hourly MA trend line) to the current time frame (the 15M time frame). Let me explain.

Let's take a 15M chart. We now know that the trend line is represented by the hourly MA(21). Now the hourly MA(21) is the average of the last 21 hourly candles. For simplicity, we just add up the closing price of the last 21 candles and then divide by 21 to get the current average or MA(21). Now, for each hour there are 4 x 15 minutes, so for each hourly candle there will be 4 x 15 minute candles or 4x15M candles. So if you have 21 hourly candles in a row, for the same time period you will have 4 times as many 15-minute candles, ie, 21 x 4 x 15-minute candles = 84 x 15M candles. Thus, for this system, you can equate the 1H MA(21) as being the same as 15M MA(84). So over a period of 21 hours you will have 21 x hourly candles or 84 x 15M candles. So on the 15M charts the MA(84) is our short term trend line (always represented by a RED trend line).

We can also represent the medium term trend line on the 15M charts too. How will this be shown? The same method is used again. The medium term trend line is defined as the 4-hour or 4H MA(21), or the MA(21) on the 4H chart. There are 16 x 15-minute candles for every 4H candle, so for every 21 x 4H candles there are (21 x 16) 15-minute candles or 336 x 15-minute candles. Therefore the medium term trend can be shown on the 15M chart as the 15M MA(336). This is the yellow MA line in the chart example above.

Please spend some time going through the above. You might also wish to spend some time looking at the price charts on different timeframes on MetaTrader and look at the equivalent MA on different time frames. You will notice that they are almost identical.

The Lindencourt FX System only uses the 21-period moving average - the MA(21) - on all charts, or an MA(21) equivalent. You might ask why is the MA(7) used on the 15M charts. With a bit of careful thinking, you will realise that the MA(7) on the 15 minute charts is effectively the same as the MA(21) on the 5-minute chart.

The 21-period moving average or MA(21) is represented in the following table on all time frames. As an example, you can see that the Daily MA(21) is effectively the same as the MA (504) on the 1H or hourly chart – during a period of 21 days there are 504 hours. Please note that the 30 minute or 30M chart is never used with this system and is included here for reference only.

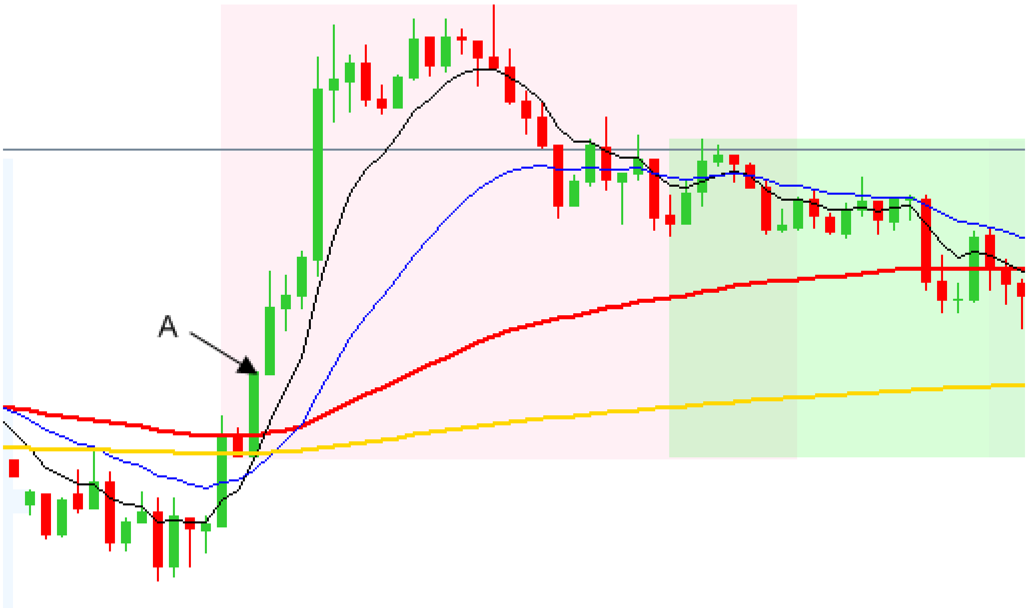
21-Period Moving Average Table

Monthly	Weekly	Daily	4H	1H	30M	15M	5M	1M
21	84	420						
5	21	105	630	2520				
	4	21	126	504	1008			
		4	21	84	168	336	1008	
			5	21	42	84	252	1260
					21			
				5	11	21	63	315
						7	21	105
							4	21
								5

Colours above correspond to the colours of the MA lines on your charts.

So how do we use the trend?

With the Lindencourt FX System, we trade only with the trend – never against it. Remember, our No.1 objective is to preserve capital, and the risk is deemed too high to trade against the trend. So, if you are trading using the 15M charts, you will only enter a BUY trade when the MA(84) (the red line) is sloping up, and current price is above the line. Vice versa for a SELL trade. Let me put that another way: **Never enter a BUY trade if the current price is below the short term trend line** and **NEVER enter a SELL trade if the current price is above the short term trend line**. I will also add that for there to be a valid entry on a BUY trade, a 15M candle needs to have closed above the (red) trend line; for a valid SELL trade, a 15M candle needs to have closed below the (red) trend line. The reason for this is that it helps to filter out false changes in the trend.



A candle needs to close above the red MA for a potential BUY trade. Notice also the black MA crossing the blue MA sowhen this happens get ready for a possible trade.

In the above example you can see that price was not only above but had also closed above the red MA(21) at point A. We would have therefore entered a trade at point A. You will notice that the second candle before point A was momentarily above the Red MA(21) but it did not close above. It could have easily rebounded back down and continued with the down trend. The trend, as it happened, continued changing direction and was confirmed when the black MA crossed the blue MA just before point A.

These above MA rules apply for all time frames, so for example, if you wish to trade using the 4H charts, you will need to wait until the current price is above/(below) the 4H MA(126) (which is the relevant trend line for the 4H charts) if you wish to enter a BUY/(SELL) trade. Likewise, if you are trading the 5M charts, you will need to wait until the current price is below/(above) the 5M(63) (which is the relevant trend time for the 5M charts) if you wish to enter a SELL/(BUY) trade.

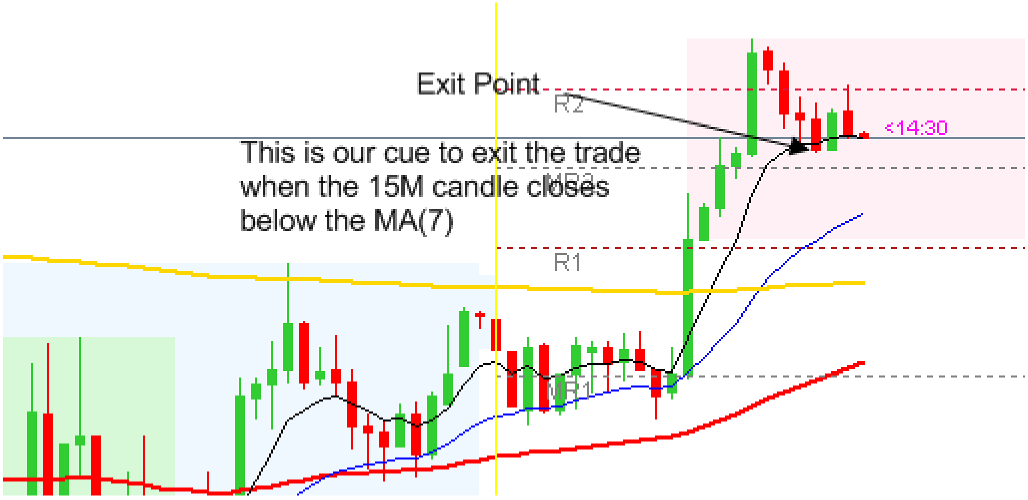
Indicating a change in the trend

Another trading condition using the MA(21) with this System is that MA(21) on the current time frame needs to cross with the MA(21) on the next lower time frame to signal to us that a change in the direction of the trend has occurred. So on the 15M charts the relevant MA(21)s will be the crossing of the MA(7) with the MA(21) – ie, the crossing of the black MA line over the blue MA line. This can also be seen in the previous chart example above – the black MA crossed over the blue MA before price finally closed above the red MA.

With the Lindencourt template, the two relevant MA(21)s in every time frame are clearly identified as they are always the two **blue** and **black** MA lines. These are also colour coded in the MA(21) table a few pages earlier.

MA Used to Exit a Trade

Although this is covered in the future session on Exiting a Trade, I will introduce it to you here. Basically, we use price crossing the lower time frame MA(21) as our exit signal. So, on the 15M time frame, when a price candle closes below the MA(7) it is a signal to exit a BUY trade – and vice versa for a SELL trade. However, we wait for confirmation from the CCI before we finally exit. More later, but see the example below.



This was a heavy session. I hope you were able to follow it. I suggest you spend some time going through this section until you understand it. Please ask me for assistance if you need further help. We can discuss it on the telephone or via email if you need further help.

Now let's go through the remaining details on the Lindencourt FX system.

Commodity Channel Index – CCI

If you installed the CCI indicator (officially FX Sniper CCI T3 Alert) as provided, no further changes should be required. If you are unsure of your settings, please refer to Appendix 1. If you make any changes to the settings, don't forget to save the Lindencourt Template too so all future templates will reflect your updates/changes.

The CCI is a type of leading indicator or oscillator that oscillates between one pole and another, frequently crossing a zero mid level line. The aim of this oscillator is to provide an indication that a recent movement or trend has run its course and has come to an end and is about to reverse.

The CCI is used in the Lindencourt FX System to signal to us when to enter AND when to exit a trade. We only enter a trade when the CCI indicator is over the "0" line in the direction of the short term trend. So if the trend is down we would only consider entering a trade if the CCI has crossed the "0" level to the downside. It is the opposite for an uptrend.

The CCI Indicator is a great price momentum indicator and as long as price is moving or trending in one direction it will help to keep us in that trade. When price momentum falls, the CCI level will move closer back to "0" until it finally crosses that line.

In the above example you can see that the CCI crossed over at A. As other System conditions were met we would have entered the trade. As the CCI crossed back over the “0” line at B (and other exit criteria was met) we would have ensured that we would have completely closed any positions open in this trade. It was possible to net 90 pips on this EURUSD trade in early October 2009.

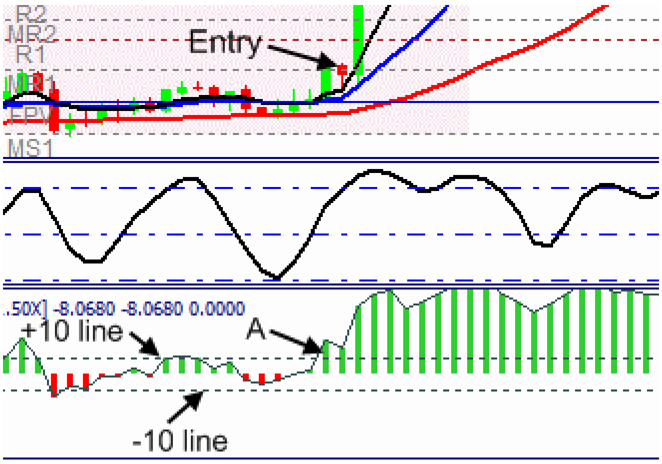
I have just mentioned that the CCI is also used to signal to us to EXIT a trade. You will find that the majority of trades on the 15M charts that they do not run to 100+ pips. It simply does not happen often. So we should be content to capture a decent number of pips on trades within a smaller range. The CCI “0” cross-over is an excellent mechanism to signal to us that the current trade is over – at least for now. Too many people stay in a trade expecting it to continue moving with the trend, but it doesn’t continue and they eventually end up losing money. A major reason why so many people lose money trading Forex is that they don’t know when to quit a trade. Now you do! There are exceptions to every rule, which we will go through in the “When to Exit” section, but for now please take this CCI crossing back over the “0” line as your main signal to exit a trade.

Relative Strength Index - RSI

If you installed the RSI Histogram indicator as provided, no further changes should be required. If you are unsure about your settings, please refer to Appendix 1. If you make any changes to the settings, don’t forget to save the Lindencourt Template too so all future templates will reflect your updates/ changes.

The Relative Strength Index or RSI is another type of leading indicator or oscillator that oscillates between one pole and another, using a scale between 0 and 100. Usually the RSI is used to determine overbought or oversold levels when the indicator shows a level greater than 70 (overbought) or a level less than 30 (oversold). I have used a variation of the RSI indicator in this system and have been able to obtain the RSI indicator that has been converted into a Histogram form, and by adjusting the way the RSI is calculated it oscillates on a scale between -50 and +50.

This indicator is a key part of the Lindencourt FX System and is set at the Fibonacci number of "13". In addition to this setting, I have introduced two parallel lines set at + or -10 on the right side scale. The RSI Histogram indicator is used simply to signal a possible trade entry. A trade can be entered only after a Histo bar has closed on or above the +10 level, or on or below the -10 level. To confirm: only enter a trade at the start of the next 15 minute candle once the Histo bar of the current candle has closed on or over the +10 or -10 level.



In the above diagram you can see that at point "A" a green RSI Histogram bar closed above the +10 level. As the other criteria for entering a BUY trade were met, a trade would have been entered at the start of the next 15M price candle.

The only other role of the RSI Histo bar indicator with this system is to assist you with a possible re-entry trade after a price retracement. You would only consider re-entering a trade in the direction of the short term trend if the RSI Histogram bars are still over the +10 or -10 levels.

I have found the RSI Histogram indicator to be an excellent tool for keeping me out of trades that I might otherwise have taken with other trading systems. **Remember: NO ±10 LEVEL = NO TRADE.** Just look at this example on the GBPUSD – the RSI indicator kept me out of trading the currency pair all day (in the European session).

Fibonacci Pivot levels

If you are using MT4 based on the GMT time zone (eg ODL Markets MT4) you should not need to make any changes. If you are using another version of MT4 with another time zone you will need to make a small modification to the Fibonacci Pivots indicator settings. Please see Appendix 1. If you make any changes to the settings, don't forget to save the Lindencourt Template too so all future templates will reflect your updates/changes.

Fibonacci Pivot levels are just one of a number of different variations of daily pivot points that can be used for trading. I have found Fibonacci Pivots to be the most accurate and most useful of the various types and they usually act as strong levels of support and resistance. They are used primarily with the Lindencourt FX System to determine appropriate places to exit a trade, but they are also used to determine whether a trade is taken or not when a signal has been given. When a signal has been given to enter a trade, but the current price is very close to one of the Fibonacci pivot levels (particularly the blue Pivot or PV1 line), it is best to wait until the pivot level has been broken as these pivot levels can prove to be strong support and resistance levels.

There is some debate as to what exactly is the start of the Forex day when calculating the daily pivot points. Is it 00.00 hrs GMT or is it whatever your version of MetaTrader is set to? Well, the generally accepted correct start of the Forex trading day for calculating daily pivot points is in fact the end of the New York Session. The Forex trading week starts on Sunday evening @ 17.00hrs in New York and ends on Friday night also at 17.00hrs in New York. The daily Fibonacci pivot level indicator needs to be adjusted to reflect this. You might need to make a small adjustment to your indicator according to the time zone of your version of MetaTrader. Please see Appendix 1 for adjusting your settings.

Session Indicator

If you are using MT4 based on the GMT time zone (eg ODL Markets MT4) you should not need to make any changes. If you are using another version of MT4 with another time zone you need to make a small modification to the session indicator settings. Please see Appendix 1. If you make any changes to the settings, don't forget to save the Lindencourt Template too, so all future templates will reflect your updates/changes.

This is one of the nice-to-have indicators. It informs you of exactly where you are in terms of the trading day, by a simply visual glance of the trading screen. It tells you which trading session is coming to an end and which trading session is about to start. As I trade the system in the European session and recommend that you do so too for best results (06.00hrs GMT to 16.00hrs GMT) you simply need to look at the green shaded areas to tell you exactly where you are in terms of the trading day.

If you do not like the indicator or simply want to remove/change it, right-click on the trading screen, left-click on **Indicators** in the menu and in the next grey box that appears, scroll up to "i-sessions" and then click on either **Edit** or **Delete**, then **Save.** Do not forget to re-save the Lindencourt template too if you wish to make your changes permanent so all future templates will reflect your changes.

Candle Clock

This is another nice-to-have indicator. It tells you exactly how much time is left until the end of the current candle.

If you do not like it and would like to remove it, right-click on the trading screen, left-click on **Indicators** in the menu and in the next box that appears, scroll up to **c-clock** and then click on either **Edit** or **Delete**, then **Save.** Do not forget to re-save the Lindencourt template too if you wish to make your changes permanent, so all future templates will reflect your changes.

5.2 What to Trade

Currencies

This system can be traded with virtually any currency pair. However, every currency pair has its own characteristics – personality even - and you may prefer to trade some currencies over others.

I have found that some currencies are prone to whipsaw actions such as the Scandinavian currencies so I leave these well alone. Also currencies can change their behaviour under different market conditions. During the 2008-2009 financial crisis, there were times when we saw the GBPUSD move over 450 pips in a day and even 100+ pips in just one 15M interval. These were crazy times and trading was sometimes very difficult. So be prepared to move from one currency pair to another. I would also suggest that you have a mixture of fast moving and slower ones. I personally have two fast moving currency pairs (GBPUSD, EURJPY), and two slower ones (USDCAD, AUDUSD.

You may have your own favourite currency pairs to trade, but whichever pairs you decide to focus on, please spend a long time practicing using this System with those currency pairs. Every day is a different day in the currency markets and trading patterns do change over time, so if you are not happy with the results of a currency pair using this trading system, try another currency pair that you are happy with.

Without doubt, under normal market conditions the GBPUSD has proven to be the most profitable and successful currency pair with this system. I would recommend this pair to use as one of the preferred pairs that you work with. My second choice is the USDCAD.

Currency pairs that I personally use and have found success with include the following:

GBPUSD	EURGBP
USDCAD	EURJPY
USDCHF	EURAUD
EURUSD	AUDUSD

One last point on what currencies to trade, I would suggest that you do not trade more than two currency pairs at any one time, particularly if you are trading on a lower time frame such as with the 15M charts.

Other Financial Instruments

The Lindencourt FX System can be used to trade numerous financial instruments other than just currencies. The specific technical indicators that make up this system are not uncommon and can be found and implemented on to other trading platforms than just MetaTrader. It is therefore possible for those traders wishing to trade financial instruments other than currencies to do so using this trading system.

You might have noticed that Forex brokers tend to list different currency pairs. However, some brokers list financial products other than just currencies. Many include gold and oil now, for example, as standard. ODL Markets go much further with their MetaTrader platform and include global stock indices, other metals and even a selection of major US, European and UK stocks as possible tradable instruments. The Lindencourt FX System can be used to trade any of these and I have included some examples on the Lindencourt web site. The ODL MetaTrader download link can also easily be found on the Lindencourt Web site if you would like to download the ODL MetaTrader platform and try their other financial products.

5.3 When to Trade

Timeframes

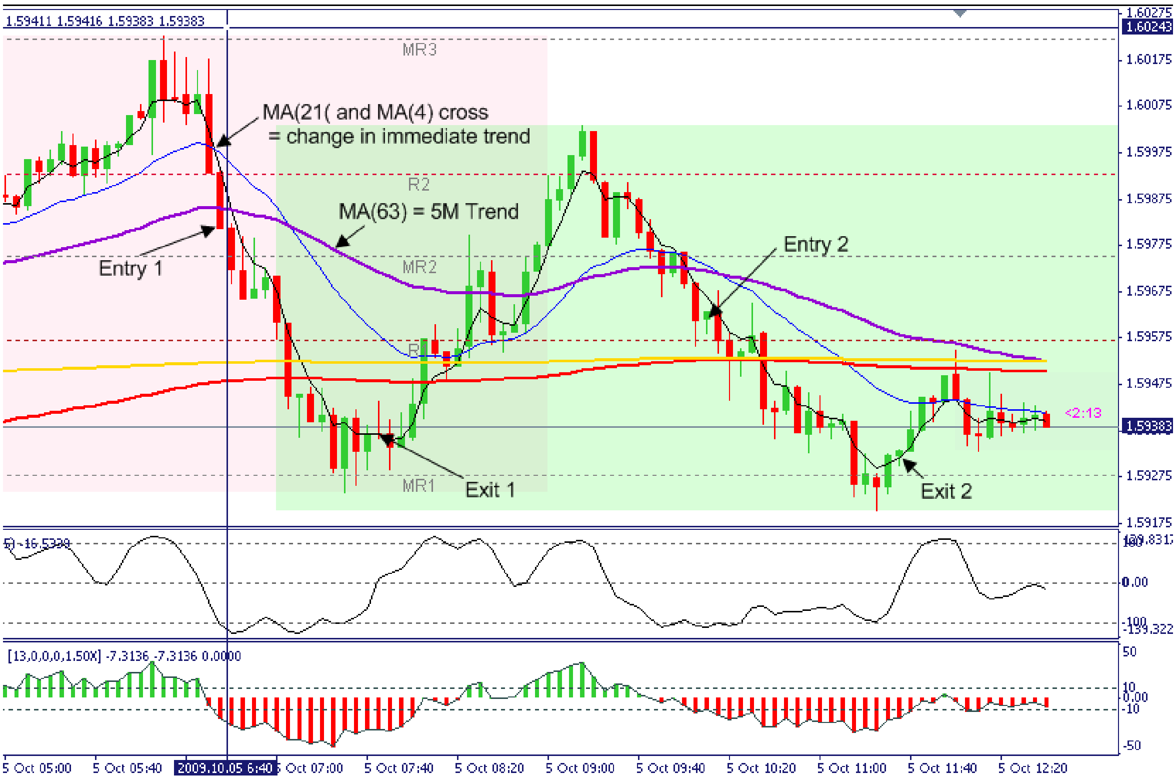
The timeframe you choose to trade is a personal choice based on where you are located, the time you have available to trade, particularly if you have a full or part time job, your personal circumstances, your personal preferences, etc, etc. The system can be adapted to be used on any time frame, although I have developed the system with the 15minute time frame in mind. I find that if you trade on higher time frames, you tend to enter a trade later, and exit later too. Excellent profits can be achieved on all time frames and I urge you to practice using the system on the time frame of your choice. I would like to reiterate that from my experience that I have found that trading the GBPUSD on the 15M time frame to be the most profitable combination. I would be very happy to hear of your experiences on other time frames with other currencies, as the same trading rules or principles apply.

I would not advise trading with the 1M charts, although it is certainly possible to do so. The reason I say this is because of the erratic nature of price movements on this low timeframe.

I actually started trading this system using the 5M charts and have had great success with this time frame. It certainly offers more trading opportunities than any other time frame. Although I now use the 15M timeframe as my preferred choice, the 5M offers a number of excellent opportunities to trade when the short-term trend on the 15M charts has potentially come to a halt and price has started to retrace or reverse. When I see price on a 15M chart stalling after a long run in one direction, I sometimes look on the 5M charts for opportunities to trade in the opposite direction since every trend will stall and reverse at some point. It is at these points that there is unlikely to be a trade on the 15M charts for some time. Now I want to stress that this is NOT trading against the trend as I am trading with the 5M and NOT with the 15M charts. The System rules are to enter a trade when a trend is deemed to have changed direction, identified when the current timeframe MA(21) and the next lower timeframe MA(21) have crossed – on the 5M charts this will be when the Blue MA(21) and the Black (MA(4) have crossed – and only then enter when price has crossed and closed over the trend line – on the 5M charts, the trend line will be the immediate trend line which is the Purple MA(63) line.

In the example below you will see on the 15M chart that price had been trending up for quite some time and had eventually stalled, and further price gains were not looking strong. A trade in the opposite direction based on the 15M charts was not an option because none of the 15M entry criteria was valid. However, on the 5M chart you can see that there were in fact two good trading opportunities. This might make much more sense once you have read Section 6 – "Putting it All Together", so you might want to come back to this bit later and re-read it.

You can see on the 15M chart above that price had stalled after hitting the Fibonacci MR3 pivot level and had started to retrace quite strongly. A change in the trend was also indicated by a cross of the two lower MAs. However, a trade in the opposite direction was not yet a possibility since price was still quite far above the red trend line and the (red) short term trend was still sloping up. The 5M chart however, showed a different picture. Note: the MA(63) on the 5M chart = MA(21) on the 15M chart.



On the 5M chart above you can see that the Lindencourt FX System entry criteria were met on two occasions and resulted in two quite decent trades. The first trade can be seen at Entry 1 when price finally closed below the immediate trend line, the MA(63) after the two lower MAs has crossed indicating a change in the immediate trend (ie, the MA(63) trend line). We can see that our final exit point was at Exit 1 when price had closed back above the black MA(4) line and when the CCI was crossing back over "0". Suggested partial profits would have been taken at the dotted Fibonacci pivot lines. You can see another trade opportunity occurred at Entry 2 after price had retraced for a while. At Entry 2 you can see that the CCI was below "0", the RSI Histogram had at least 1 bar close below -10 and price had closed below the MA(63) trend line.

Although there are more opportunities to trade with the 5M charts, I would exercise more caution with any 5M trade. Prices on the lower timeframes tend to be more erratic than with the higher time frames and are sometimes prone to relatively larger price swings and therefore there is a higher probability of getting stopped out. My trading motto of "little and often" particularly applies with trading with the 5M charts.

Time periods

The Lindencourt FX System's performance is at its best when there is a greater change of price momentum or movement in the market due to the number of market participants being active in the markets. I have found that the best time to trade is therefore when two geographical markets are open at the same time,:

- When the European Market opens at 8.00hrs in Frankfurt/Zurich/Paris (7.00 hrs GMT) the markets start to become much more active due to the greatly increased number of players in the market – this is also the time when the Asian market session is still very active. An hour later at 8.00hrs GMT the London market also officially opens and it is during these early few hours of the day that we tend to see major activity in the currency markets.
- The second specific time of the day when the markets tend to be more active is when the New York/American market opens at 13.00 GMT and joins the European/London markets.

It is also worth mentioning that economic news announcements are also major catalysts for making currencies move in one direction or another due to the increased number of market participants entering the market. News is good for the Lindencourt FX System's performance, although it is best to wait until at least 15 minutes after a news announcement before considering entering into any trade to reduce the risk of a price/short term trend reversal.

I personally only trade the European market hours and find that a number of good trading opportunities or signals are given on the 15M candle 15 minutes before the European market opens at 8.00hrs (although I start to enter trades at 6.45hrs GMT/5.45hrs GMT in Summer).

Another point worth highlighting concerning when to trade is that some days tend to be more active than others. The busiest trading days of the week are Wednesdays and Thursdays. Monday is generally by far the quietest day of the week for all major currency pairs. Friday also tend to be a quieter trading day. These are however, generalisations based on historical performance.

Finally, to conclude this Section, I would like to stress that there is no mileage in trading any currency pair during the latter part of the New York Session until the Asian Session opens. The currency markets are normally almost completely dead and thus lacking any real momentum. I would therefore strongly suggest you find other more appropriate times to trade with the Lindencourt FX System

NB All times in this Manual are subject to adjustment depending on whether daylight saving time is applicable.

6. Putting It All Together

We have now gone through all the components of the Lindencourt FX System. Each component has conditions to be met before a trade can be taken, so let's put them all together and define when to enter and exit a trade with the Lindencourt FX System.

6.1 When to enter a BUY Trade

The following conditions need to me met on the 15M charts to enter a BUY trade. If any one of the conditions has not been met, there is simply NO TRADE. I just want to remind you that one of the main reasons why most traders lose money rather than make it, is because they do not follow a system's rules or conditions, so please don't be one of the losers and skip any of these conditions necessary for a valid trade using this System.

Condition 1

The black line MA ("MA(7)") needs to have crossed above the blue MA (ie, the "MA(21)") indicating a change in the trend.

Condition 2

A price candle needs to have crossed and closed above the short-term trend line - red MA (ie, the "MA(84)" line) for a BUY trade.

TIP: the closer the cross of the black and blue MAs to the red MA, the stronger the trade is likely to be.

Condition 3

The CCI(5) needs to be on or above the "0" line at the <u>start</u> of a 15M candle (not part way through the 15min time period) for there to be a valid BUY trade.

Condition 4

The RSI Histo (13) indicator must have at least one 15M bar closed above the +10 level line for a valid BUY trade.

Let's now put this all together and look at a typical BUY trade on a 15M chart. Please spend some time going over the chart. In time you will be able to evaluate a chart in just a few seconds whether there is a valid trade or not.

6.2 When to Enter a SELL Trade

The following conditions need to be met on the 15M charts to enter a SELL trade. If any one of the conditions has not been met, there is simply NO TRADE. I just want to remind you that one of the main reasons why most traders lose money rather than make it is because they do not follow a system's rules or conditions, so please don't be one of the losers and skip any of these conditions necessary for a valid trade using this System.

Condition 1

The black line MA ("MA(7)") needs to have crossed below the blue MA (the "MA(21)") indicating a change in the trend for a valid SELL trade.

Condition 2

A price candle needs to have crossed and closed below the short-term trend line - red MA (the "MA(84)" line) for a SELL trade.

TIP: the closer the cross of the black and blue MAs to the red MA, the stronger the trade is likely to be.

Condition 3

The CCI(5) needs to be on or below the "0" line at the start of a 15M candle (not part way through) for there to be a valid SELL trade.

Condition 4.

The RSI Histo (13) indicator must have at least one 15M bar closed below the -10 level line for a valid SELL trade.

Let's now put this all together and look at a typical SELL trade on a 15M chart.

6.3 When to Exit a Trade

Knowing when to exit a trade is just as important as knowing when to enter a trade; however, exits are one of the things which many other trading systems pay little attention to. Another point with exits is that many traders end up either selling themselves short by exiting a profitable trade too early or they kid themselves that a trade will keep on rising and therefore they stay in the trade until all profits have drained away. This section will provide you with conditions that will ensure that your losses will be kept low and your gains maximised. With this System's exit rules, you will be able to capture those big moving trades – that's when a currency pair makes a big move. Don't forget, we are always at the mercy of the markets and if we go through a quiet ranging period, no trading system will help you make you millions.

There are only two conditions when we will exit any trade –

- When a trade goes against us, and
- When it is deemed prudent/sensible to take some profits out of a trade.

Let's now go through each of these conditions.

6.3.1 When a trade goes against us

Every trade we enter will turn against us at some time or another. Sometimes it will turn against us quite quickly - much earlier than we had hoped – and we simply get stopped out, or we close the trade early; but most of the time with this System it will move in our favour and continue to move with the trend, before it inevitably runs out of steam and turns against us.

Getting Stopped Out

This first situation is why we have stop losses. We will never get every trade we take right. There will always be losers. To ensure we keep our losses to a minimum, I recommend that a stop loss should be placed on every trade, but no more than 40 pips away from the entry price. There is no exact or precise stop loss level, but for general guidance I suggest the following:

Faster moving currency pairs eg, GBPUSD, GBPJPY, EURJPY	35 pips is sufficient
Slower moving currency pairs eg, EURUSD, AUDUSD, USDCAD	25 pips is sufficient

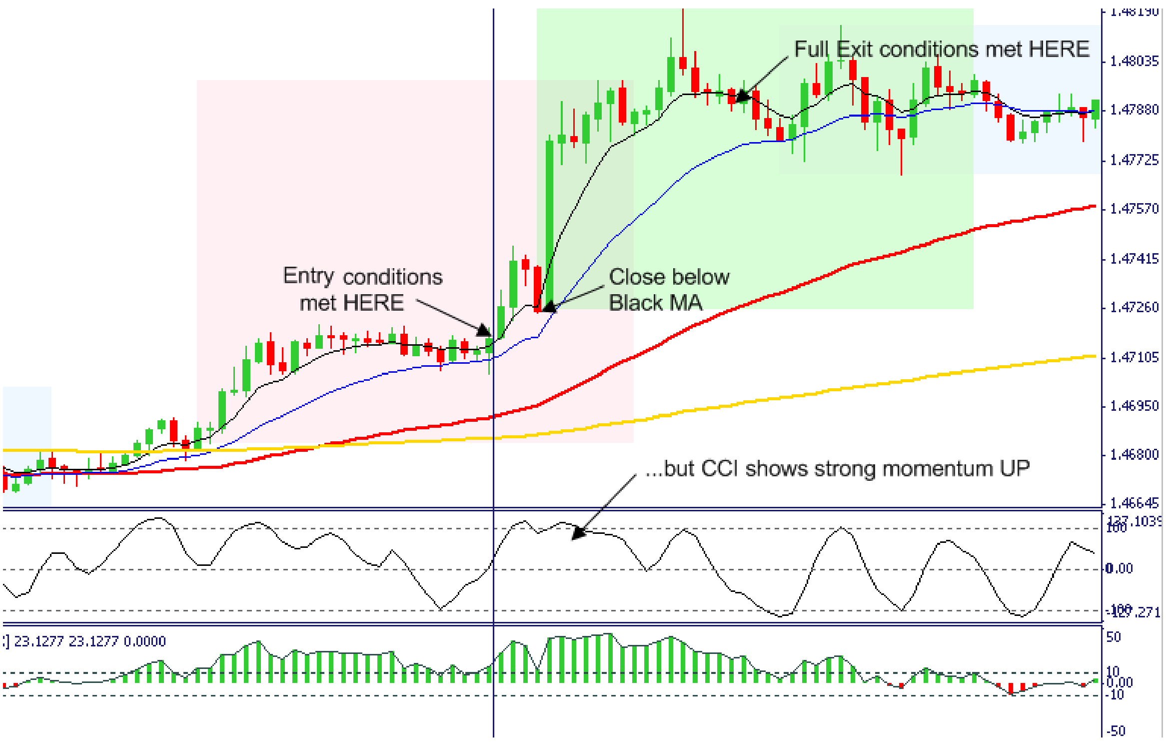
These figures may need to be adjusted by ±5-10 pips depending on trading conditions. For example, if a Pivot level is just a few pips away from the stop level, it may be prudent to move the stop on to the other side since the pivot levels can prove to be strong support/resistance levels and there is no point getting stopped out unnecessarily.

These figures for placing stop losses are suggested for 15M charts. If you are trading on other timeframes the stop losses should be increased or decreased appropriately. I would caution reducing them much more than those above however, due to regular but erratic fluctuations in short term price movements.

Price turns against us when in profit

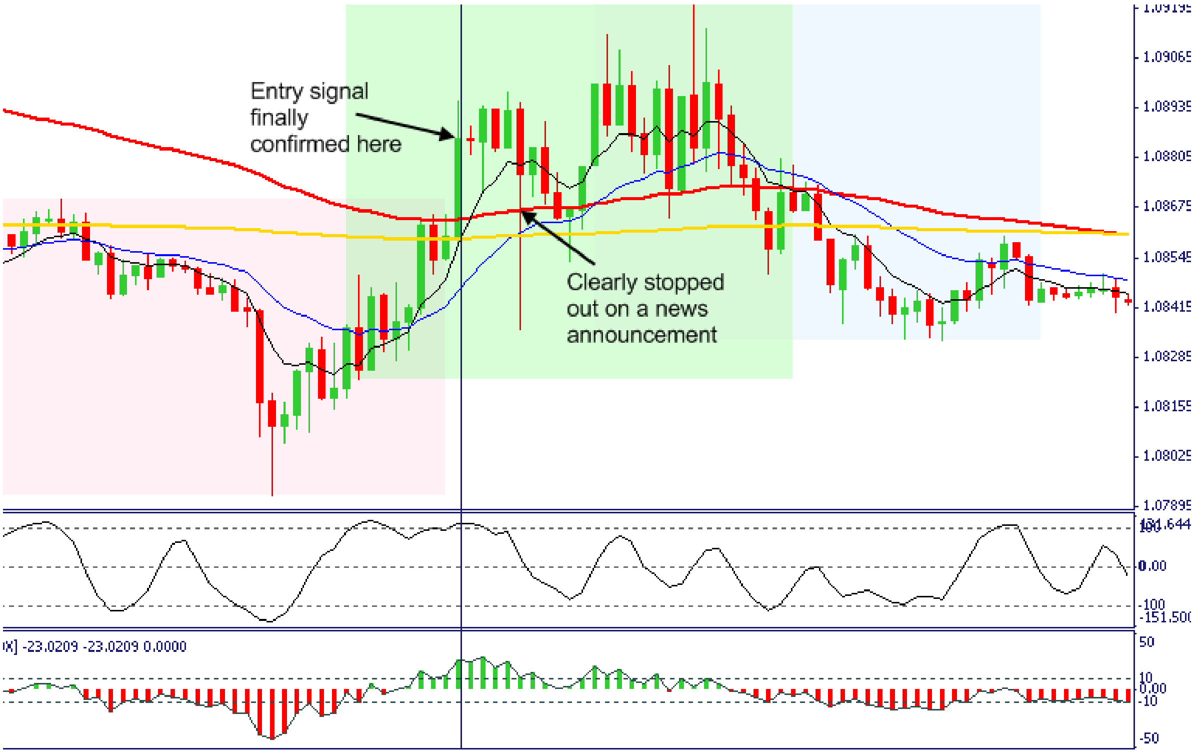
The second situation fortunately occurs with most trades based on the Lindencourt FX System. Although we will see a trade we placed in profit most of the time, at some point in time momentum will simply run out of price action and we will eventually see price start to move against us. We therefore need to know when it is time to close out a profitable trade. We determine this point when we have a candle on the current timeframe, close below the black MA line. So on the 15M charts, our black line is our MA(7) and we look for a candle that closes back over it. Now, there is still one more condition that should be met before you close out your trade completely. We should only close out a trade when the CCI (5) has crossed back over the "0" line. If you spend some time looking at your charts or at some of the numerous examples in this Manual you will see numerous examples when a 15M candle has closed back below the black MA line on a BUY trade (opposite for a SELL trade) but the CCI is still far from the "0" line. This implies that there is still strong momentum in the market that will keep pushing price up (down) and you will usually see price action rejoin the direction of the trend. Let's look at some examples.

The above chart shows a very good trade with the GBPUSD recently, producing over 200 pips before the System signalled that we should finally close any open positions remaining on the trade. You can see that the candle at the exit closed above the black MA line and the CCI also moved back over the “0” line. (A re-entry trade down was possible 2 candles later for another good trade.)



In the above example you will see that a signal to close the trade was given shortly after entering the trade. However, the CCI still showed very strong momentum upwards so the trade would not have been closed. You can see where all the exit conditions were eventually met. A great trade was eventually achieved on the 15M charts.

Finally here is one of the less glamorous Forex trades where we would have clearly got stopped out for c. 30 pips. Notice the big green candle!



6.3.2 When it is deemed prudent/sensible to do so

The previous subsection explained when to exit when price - sooner or later – moved against the trend. However, it is always prudent to take some profits off the table gradually, as we never know when price will move against the trend, for example when price may spike against the trend following an economic news announcement. I am a great believer in taking a little and often. Those who don't take gradual profits out of the market, but instead prefer to hold their positions for the large moves in the markets are going to be disappointed since the majority of short term trades on the 15M charts are less than 50 pips before the short term trend changes direction. It is normal to hope that your next trade will end up as your "winning lottery ticket" and make you rich, but that is simply not realistic. I my advice is: don't hold the position too long without taking some profits or you will end up giving all your profits back to the market. Greed is one of the biggest killers of Forex profits and of Forex traders' careers. Always be grateful for a profit even if it is just a few pips, the larger pip gains will come, but not all the time.

So when should we take some profits? There are no hard and fast rules for specific exits with this system other than when you should be completely out of a trade as explained in the last section. However, I have come up with some alternative partial exit suggestions that will help you profit substantially from the markets in the long term. What method you choose will depend on your personal preferences.

I am a great supporter of Fibonacci pivot points as key levels to partially close out a trade. You will notice by looking at your charts that price has a great fondness of Fibonacci pivot point levels and regularly move up, or down, until a pivot level has been reached. I tend to use them as guide price levels for partially exiting a trade. However, I also require that a certain minimum amount of gains to have been achieved before I partially exit a trade. For example, I wait until at least 25 pips profit has been made before partially closing a GBPUSD trade and at least 15 pips profit on the slow pairs.

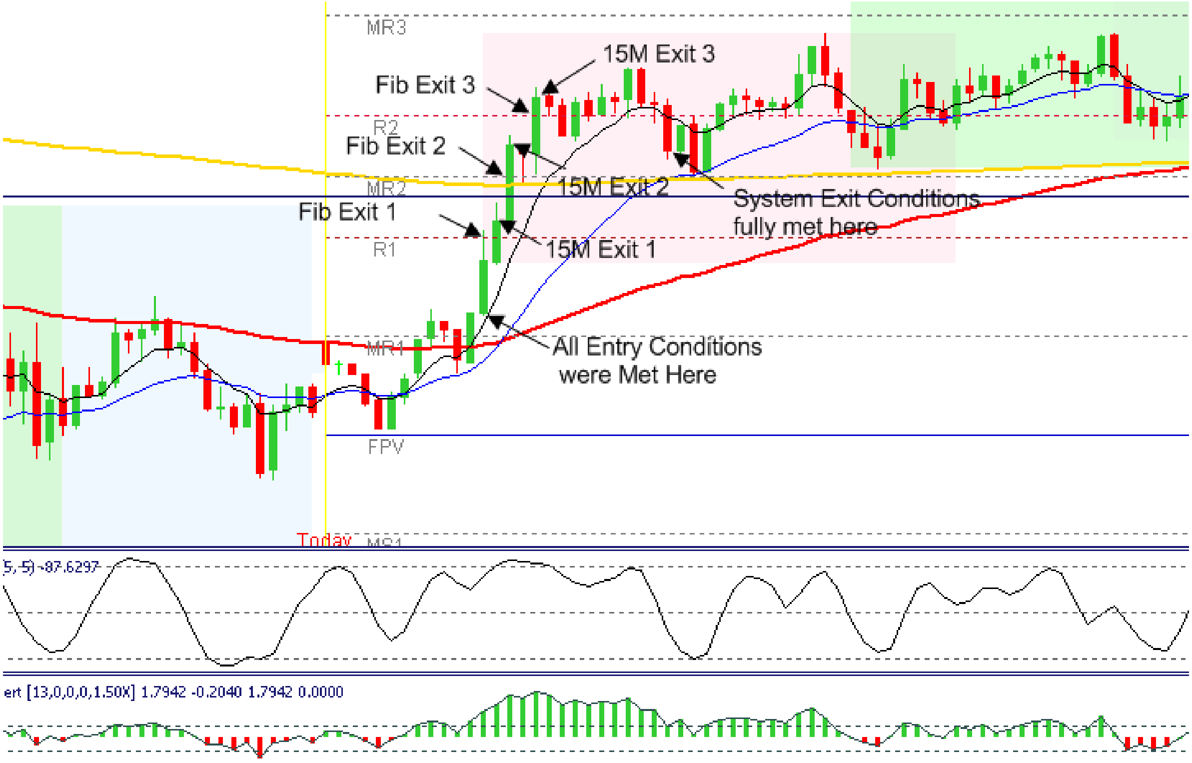
On the Lindencourt Web site you will notice that I tend to close out most of my GBPUSD trades when gains exceed 30+ pips. I would recommend at least 25+ pips profit be achieved before partially closing out a trade on the faster moving currency pairs like the GBPUSD, EURJPY, GBPJPY, etc. For the slower moving currency pairs such as the EURUSD, AUDUSD, USDCAD, I would recommend at least 15+ pips profit be achieved before closing part of a trade. If you don't think a trade you are considering taking will achieve these kinds of gains **don't take the trade!** I will stress that I am referring to 15M charts here, so our expectations of profits must be both relative and realistic. If you refer to some of the recent Lindencourt FX System performance results published on the Lindencourt web site you will recall that in May 2009 it was possible to achieve 50 pips or more on about 50% of all trades possible with this System. That meant that it was not possible to make more than 50 pips on half of those possible trades. The results I published for August/September 2009 showed that it was only possible to make 50 or more pips using the Lindencourt FX system on a third of trades during this period. So please be realistic and follow my "little and often" guidance.

Here are some suggested methods for making partial exits with this System

Trading on 15 minute Internals

Day trading may appear to be glamorous, fun, exciting to some, but the reality is that for much of the time it can be rather dull and boring. During these kinds of trading conditions, we simply don't want to stare at a motionless computer screen all day. I personally therefore tend to trade on 15 minute intervals. I check my screens at least once every 15 minutes unless there is something more interesting happening in the markets and I will watch price action. I ensure that I am alerted just before every 15 minute interval by repetitive alarm software that makes both a sound and visual alert on my screen every 15 minutes, which is very useful if I am on the telephone, answering emails, or am away from my trading screens, for example. You will notice on the Lindencourt Web site that the daily GBPUSD example trades that I post are usually both opened and closed out at the close of a 15 minute period using this method. The repetitive alarm software I use is Cool Timer and was included with the indicators. It is also freely available to download from the Internet.

In the following chart you can see two alternatives of partial exits. These are taking partial trade exits based on 15 minute intervals (but using the Fibonacci pivots as guides) and on using predefined partial exit targets based on exiting when a Fibonacci pivot level has been reached.



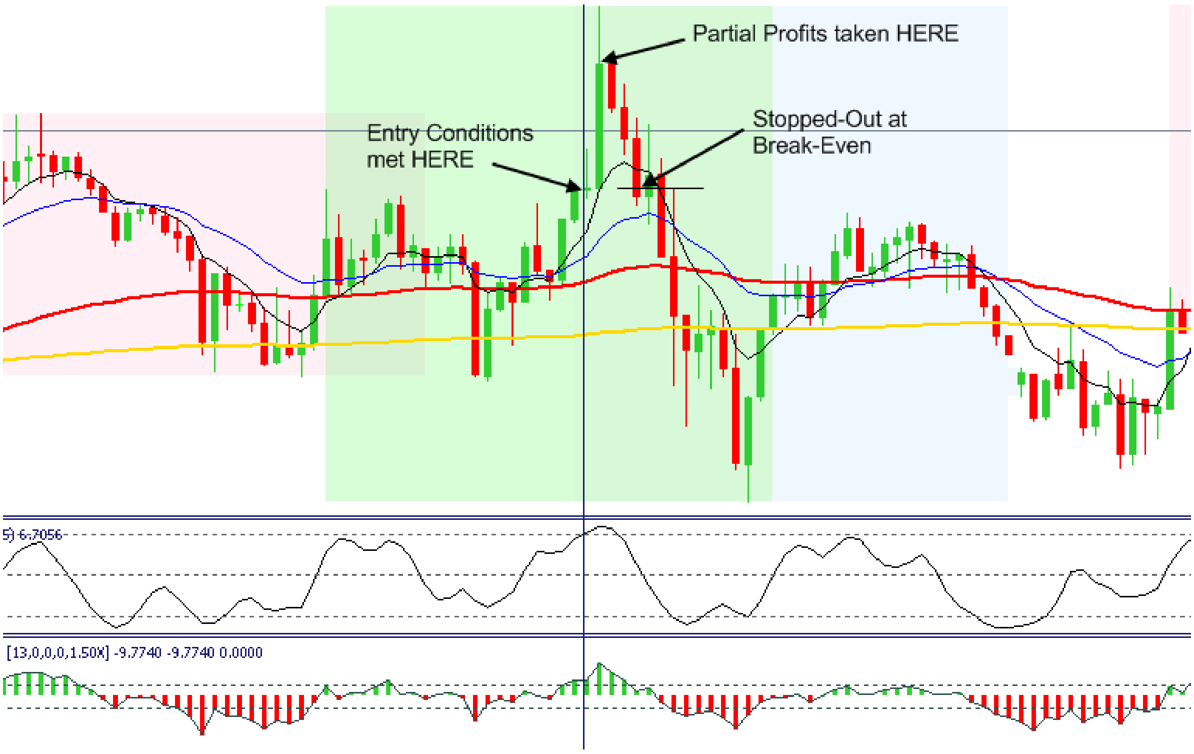
Pre-set partial EXIT Targets are indicated above on the left (these are R1, MR2, etc). On the right shows alternative possible exit points based on price closing above a Fib pivot level at the close of a 15M candle. I prefer to use the second alternative in my trading.

Setting Defined Exit Targets

Another method you may wish to use for partial closing out trades involves using pre-determined exit levels. These can be either regular numerical levels from the entry point eg +20 pips profit, +40 pips profit, +60 pips profit, etc, or they can be based on the Fibonacci Pivot levels that I personally use as partial exit guide levels (although I combine these with my 15 minute interval trading method described above). Partial exits based on price reaching or exceeding specific Fibonacci pivot levels are shown in the chart example above.

The Break Even Exit

One final exit level which is important to go over is the break-even level exit. There will be times when our trade(s) will show a reasonable profit, so it is therefore a shame to see that profit go to waste and to see a trade turn into a loss. As part of this System's risk management rules, I strongly suggest you move the stop loss level to break even once the first partial profits have been taken – but not before current price is at least 20-30 pips away from the entry price, as you need to allow a trade to breathe. If a stop is placed too close to the current price too soon, you will frequently get stopped out unnecessarily. No matter what happens after this point, once a stop has been moved to your trade entry price (ie, the break even position) you will have a virtually risk-free trade remaining. Nice. This not only protects your existing capital, locks in any gains made so far on the trade, but it also provides a little psychological relief.



In the above example, the Lindencourt FX System entry conditions were met and partial profits were taken, but price momentum could not be sustained and the currency pair fell back towards and crossed the red trend line. This example is a typical trade with this System, there will be many trades like this; not all will go to 100+ pip gains. This is the reality of day-trading the Forex markets.

7. Real Trade Examples

So far we have looked at

- How to trade
- What to trade
- When it is best to trade
- When to enter a trade
- When to Exit a trade

Let's now look at a number of real trade examples. I have not spent a great deal of time selecting the best or most appropriate examples in this section to impress you, like most other trading system developers. It is all very well seeing great BUY and SELL trades using the Lindencourt FX System, but we all know that a typical trading day or week will not be like that. So I have chosen four consecutive days in early September 2009 to show you how four currency pairs were traded. I believe this will be much more useful for your learning of this system.

I hope you gain a lot from reviewing these varied real charts on a range of various currencies. It will give you a glimpse of what it is really like trading in the real world with this proven, successful trading system.

I have also included charts of other financial products in the following examples. These are the detailed charts that currently appear on the Lindencourt website for 8 September 2009 and cover trades in Oil, DAX30 index, Vodafone plc, and the FTSE100 index.

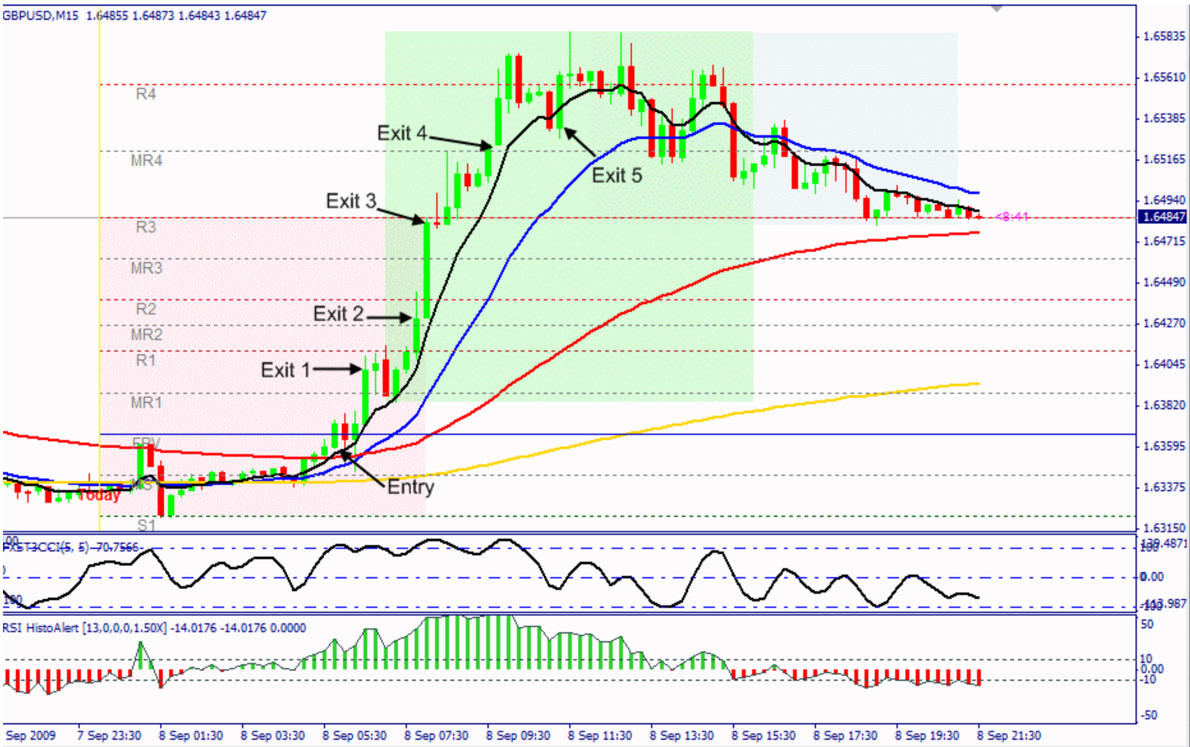
The money management rules have not been detailed on the following pages, but would apply to all trades as described in the Money Management Section. Essentially, there are partial trade exits on nearly all of the examples that follow. The following percentages would have been closed out of each trade:

Partial Exit Percentages	Standard Forex Assume trading 1 Standard Lot	Spread Betting Assume trading £10 per pip
Partial Exit 1 – 50% of stake	Exit 5 Mini Lots	Exit £5 per pip
Partial Exit 2 – 20% of stake	Exit 2 Mini Lots	Exit £2 per pip
Partial Exit 3 – 10% of stake	Exit 1 Mini Lots	Exit £1 per pip
Partial Exit 4 – 10% of stake	Exit 1 Mini Lots	Exit £1 per pip
Partial Exit 5 – 10% of stake	Exit 1 Mini Lots	Exit £1 per pip

Clearly, where the trading rules of this system indicate that a trade has run its course (when CCI crosses over "0" line and price candle closes over black "MA(7)"), the whole of the remaining stake must be closed out.

8 September 2009

GBPUSD



I have found the GBPUSD to be by far the most successful currency pair to trade with the Lindencourt FX System and you should include it as one of your preferred currencies to trade.

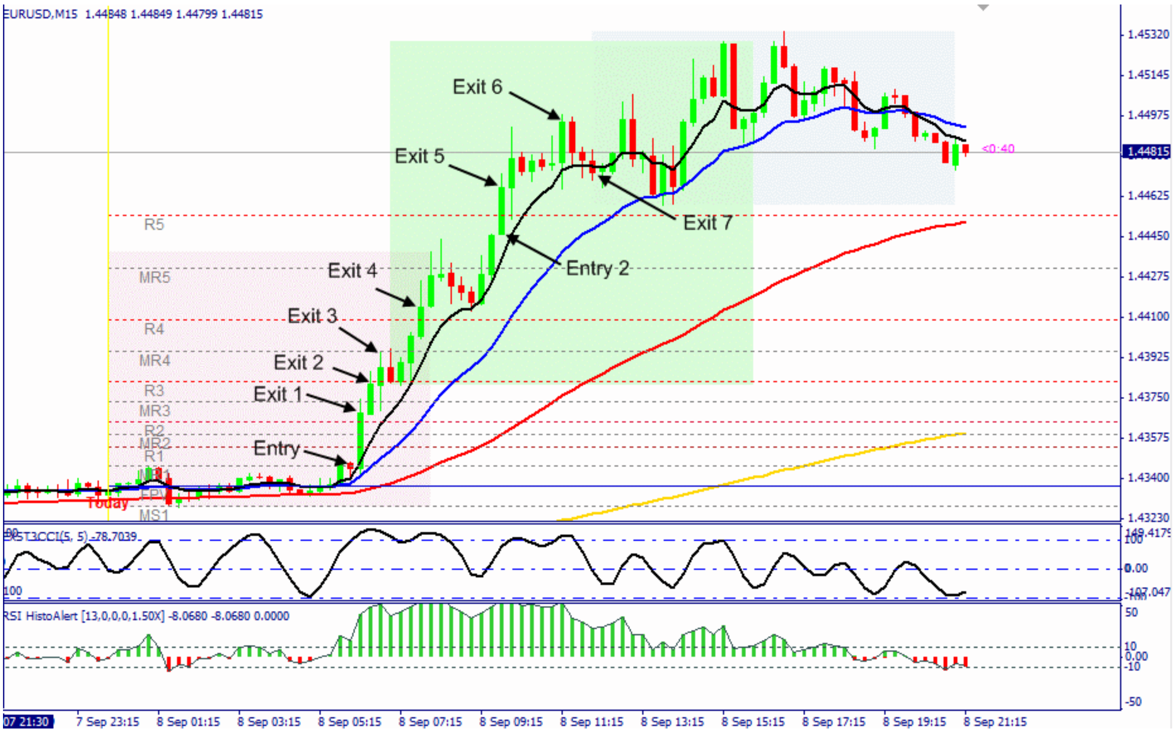
Here is a very good example of a GBPUSD trade and you will see this kind of trade quite often. Let's go through this trade.

Applying the system rules detailed in the previous sections, you can see that at 7.45 hrs (my local time and 15 minutes before the European market opened) there was a trade set up. You can see that the black MA line had crossed over the blue MA line to the upside during the quiet Asian session indicating that the short term trend was changing; you can see that the CCI indicator was above the “0” line; you can see that the RSI Histo indicator had at least one bar that had closed above the +10 line and current price had also closed above the red MA trend line. A BUY trade was entered at 1.6360.

My first partial close of this trade was made using my personal exit method (ie, exiting at the end of appropriate 15M candles when pivot levels have been reached or exceeded) which was at Exit 1 @ 1.6401 for +41 pips profit. Using the Money Management rules I would have exited 50% of the trade at this level. I also moved the stop-loss to break-even at this point too to ensure the remainder of the trade was a risk free trade.

The remaining parts of the trade were traded as follows. The next partial exit was made at Exit 2 @ 1.6430 for +71 pips when price closed over Fib level MR2. Another 20% of the trade was closed at this point. The next partial close was made at Exit 3 @ 1.6484 for +124 pips when price had just hit R3. Another 10% of the trade was exited at this point. The next partial exit was made at Exit 4 @ 1.6524 for +164 pips when price had closed above MR4. Another 10% of my trade was closed at this point. The remaining 10% should have been closed out one candle later when price had exceeded R4 but it wasn’t! The remaining 10% was closed out at Exit 5 when the System’s exit rules state that when a price candle closes below the black MA and the CCI closes back below “0”, the trade must be closed out. This last 10% partial trade was closed out at 1.6432 for +172 pips. This proved to be an excellent day trading the GBPUSD. Don’t expect all days to be like this!

EURUSD



Here is an example of a EURUSD currency pair BUY trade on 8 September 2009. You will note that the entry conditions were similar to the GBPUSD on the previous page – black MA had crossed over the blue MA to the upside indicating a change in the short term trend; price had crossed over the red MA trend line; the RSI had at least one bar crossed over the +10 line and the CCI was above the “0” line. Perfect.

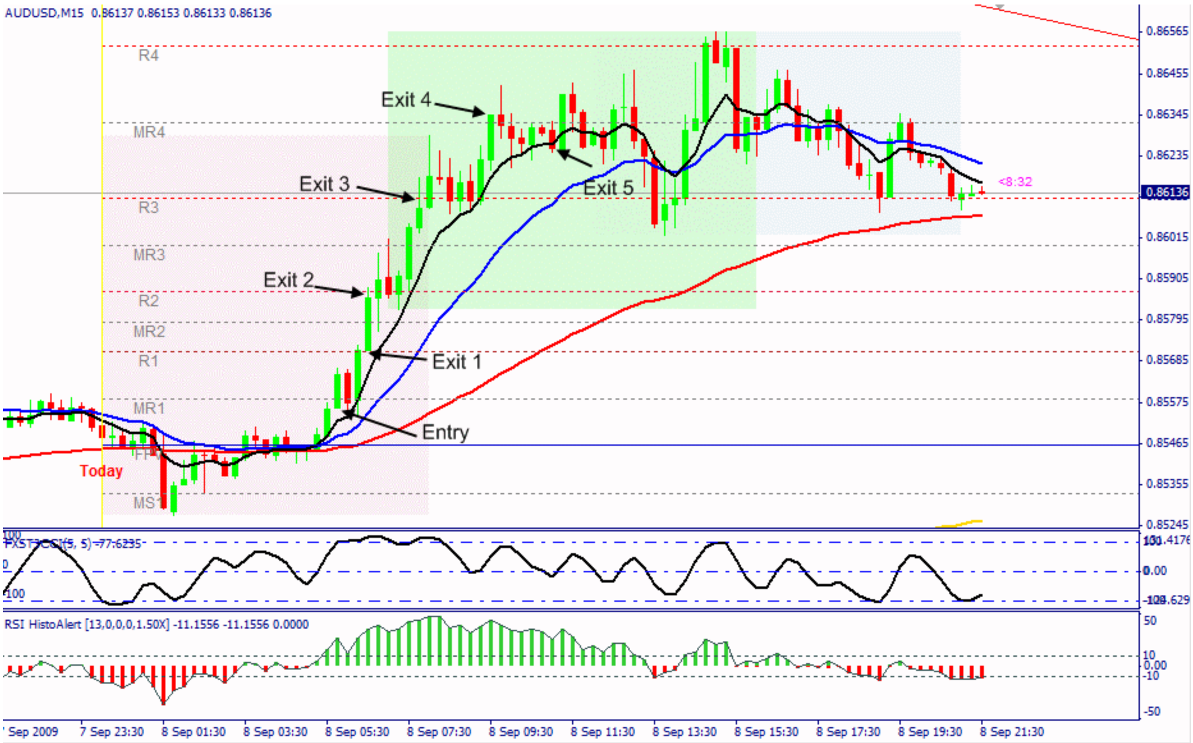
If this trade was taken, the BUY trade would have been entered at the Entry point @ 1.4342 at 7.45 hrs local time (I never enter a trade before this time!).

A partial exit would have been made at Exit 1 at the close of the 15M candle and when price had closed above the Fibonacci pivot R2 line @ 1.4364 for +22 pips profit. 50% of this trade would have been taken at this point and the stop loss would also have been moved to break even. Another partial exit would have been taken at Exit 2 when price had just crossed and closed on the R3 pivot line @ 1.4383 for +41 pips profit. Another 20% of the initial trade would have been closed out at this point. Another partial exit would have been made at Exit 3 @ 1.4400 for +58 pips when price had exceeded and closed above the MR4 pivot level. Another 10% of the initial trade would have been closed out here. Another partial exit would have been made at Exit 4 @ 1.4416 for +74 pips when price had exceeded the R4 level.

We can see just after Exit 4 that the CCI dipped below the “0” for a few candles but price momentum kept the price from closing below the black MA line so we would not have exited the remaining part of the trade.

It would have been possible to re-enter the trade at Entry 2 when all the entry conditions were again met. I would recommend that if you re-enter any trade, your fresh capital that you risk is no more than 50% of your usual risk (eg half of 1%). In the above trade the remaining 10% of the initial trade capital would have been closed out at Exit 5 when price had closed above R5 @ 1.4466 for +144 pips profit. Exit 6 would have been a suggested exit point if you had re-entered the trade with fresh capital and Exit 7 is the point that all remaining capital left on this trade would have had to have been closed according to the System’s exit rules.

AUDUSD



This is an example of the AUDUSD trade on 8 September 2009. You can see that the entry conditions were satisfied for a BUY trade – black MA line had crossed over the blue MA line indicating a change in the trend to the upside; the CCI line was above the "0" line; the RSI had a Histobar close above the +10 line and there was a price candle that had closed above the red MA trend line.

A trade would have been entered into at 7.45 hrs local time (5.45 hrs GMT) @ 0.8555. A suggested first partial exit point would have been at Exit 1 @ 0.8570 for +15 pips profit. At this point it is probably too soon to move the stop loss to break even. 50% of this trade would have been closed out at this point.

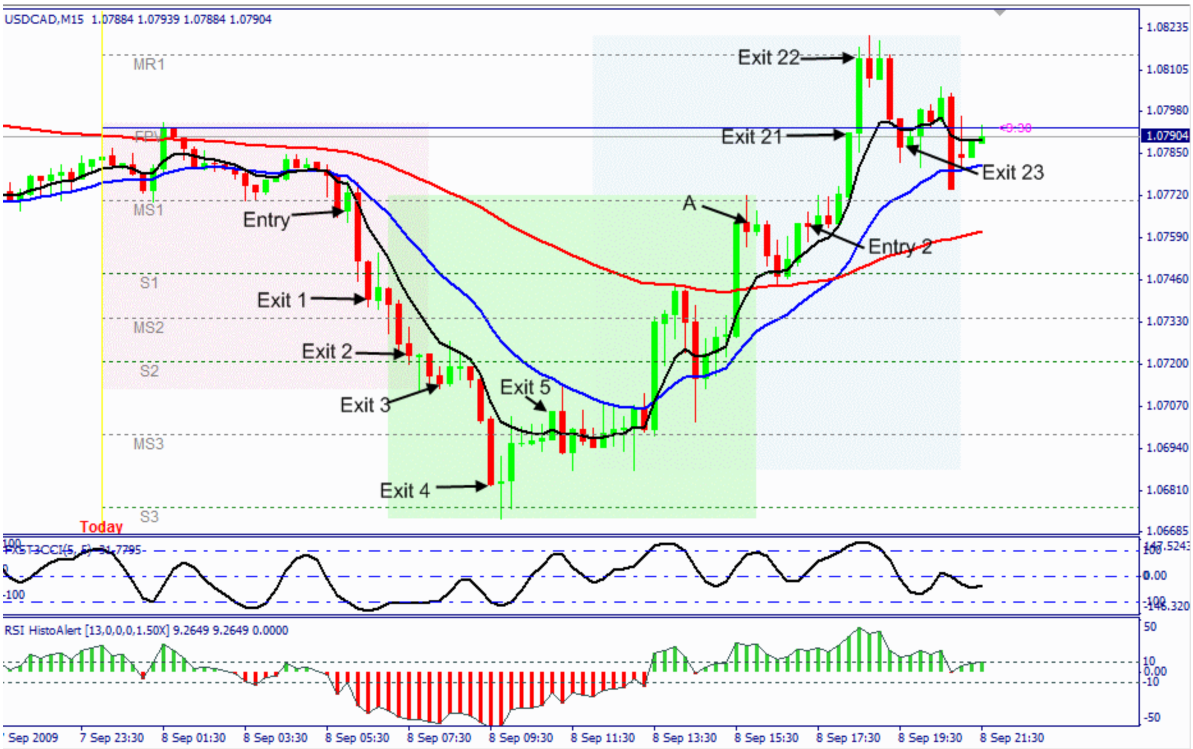
A second partial exit would have been at Exit 2 when price had reached the Fibonacci pivot R2 line @ 0.8587 for +32 pips (if using my personal exit rules of a close on a 15M candle when a relevant pivot level had been exceeded). It would be at this point that the stop loss would have been moved to the break-even position to ensure a remaining risk-free trade. Another 20% of the original trade would have been closed here.

A further suggested partial exit would have been at Exit 3 when price had crossed the R3 line @ 0.8610 for +55 pips profit. A further 10% of the original trade would have been closed here.

A further suggested partial exit would have been at Exit 4 when price had crossed the R4 line @ 0.8634 for +79 pips profit. A further 10% of the original trade would have been closed here.

The remaining part of the original trade would have been closed out at Exit 5 when both price had closed below the black MA(7) line and the CCI had moved below the "0" line.

USDCAD



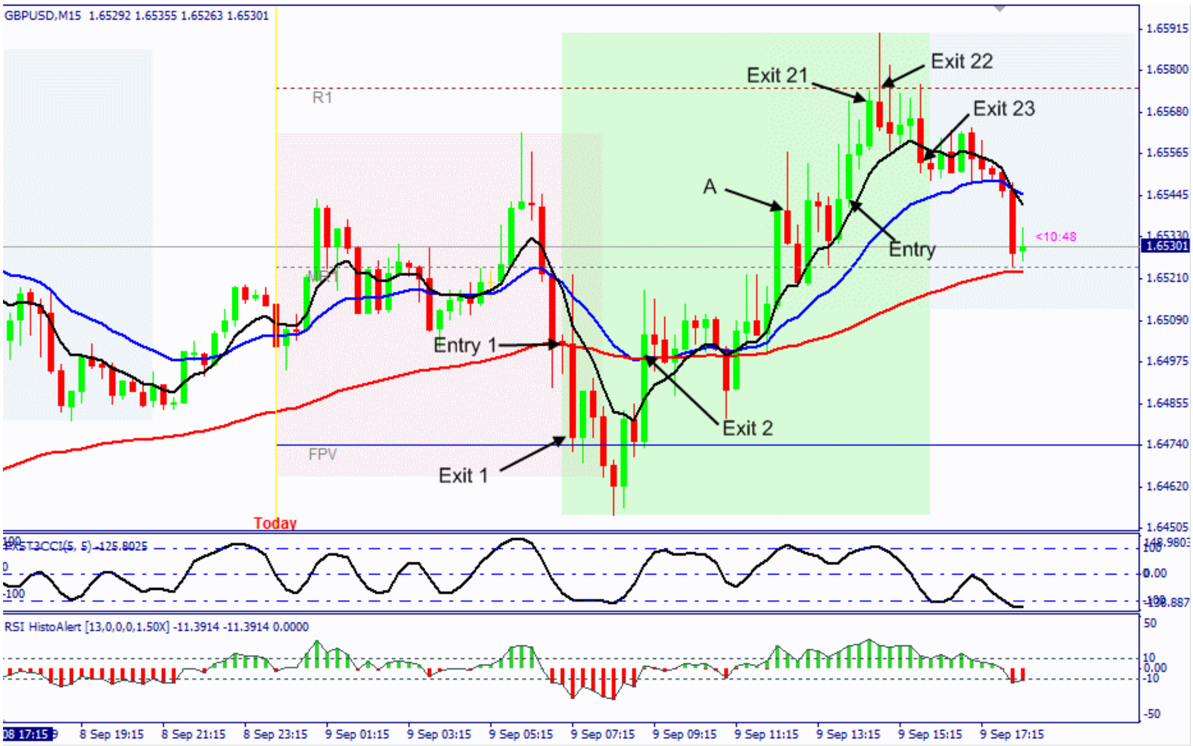
Here is an example of a SELL and BUY trade on the USDCAD. You can see that our SELL entry conditions were met at 7.45 hrs (5.45 hrs GMT), as in the previous 3 chart examples @ 1.0769.

I would have selected a partial exit at Exit 1 when price closed below the Fibonacci pivot level S1 @ 1.0736 for +33 pips profit. 50% of the trade would have been exited here and the stop would have been moved to break-even. A further suggested partial exit would have been at Exit 2 after price had hit the S2 level @ 1.0724 for +45 pips profit. A further 20% of the original trade would have been closed out here. A further exit would have been closed out at Exit 3 when price has closed below the S3 level @ 1.0711 for +58 pips profit. The next partial close would have been at Exit 4 after a close below the MS3 pivot level @ 1.0683 for +86 pips profit. Another 10% of capital would have been closed out here. The remaining 10% part of the trade would have been closed out at Exit 5 @ 1.0700 for +69 pips profit.

It was possible to take another trade on this currency pair later in the day when the short term trend had clearly changed direction. Although entry conditions were met at point A, the rather long sudden green candle just prior to this point was an indication that price could reverse (see Tips section). A more appropriate entry point for a BUY trade was when the CCI had later crossed back over the "0" to the upside at the Entry 2 point @ 1.0763. Further suggested partial exit points would have been at Exit 2.1 and Exit 2.2 on or at Fibonacci Pivot point lines. Exit 2.3 would have been the point at which all remaining parts of the BUY trade would have had to have been closed.

9 September 2009

GBPUSD



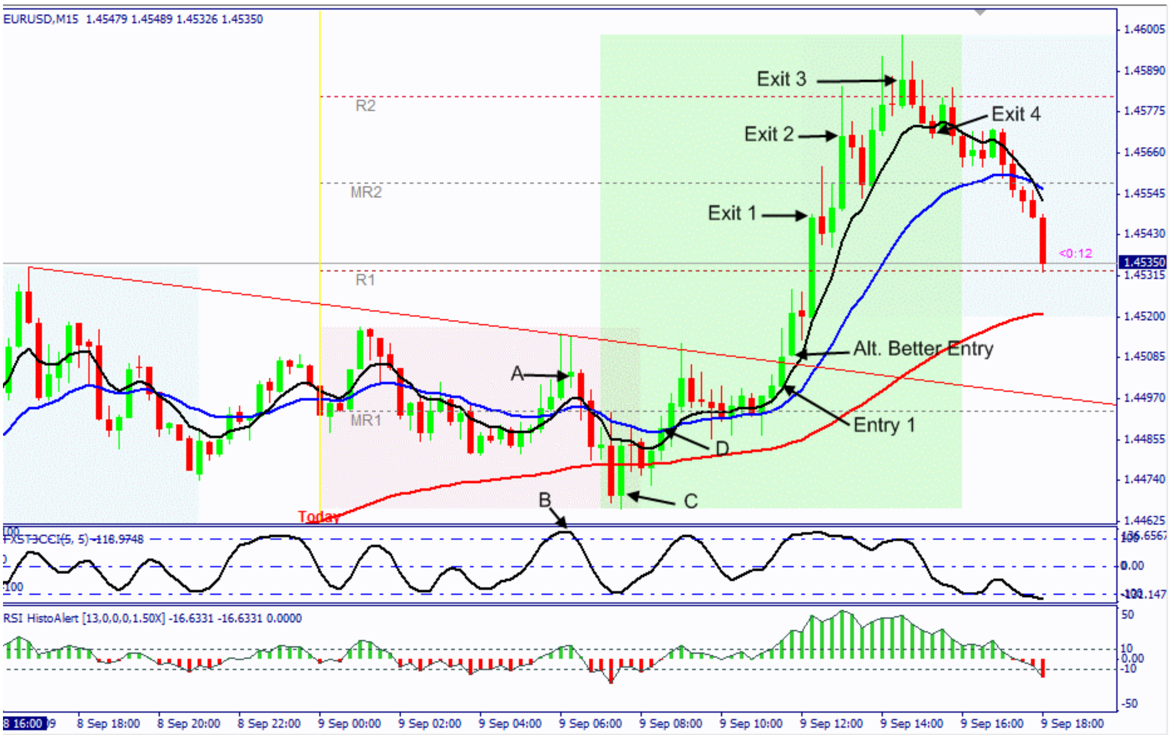
Here is an example of a trade on the GBPUSD on 9th September 2009. You can see that our entry conditions for a SELL trade were met at the Entry 1 position on the chart – the black MA had crossed over the blue MA indicating a change in the short-term trend, the CCI line was below "0"; there had been at least one RSI Histo bar closed below -10, and price had closed on or below the red trend line (ie, the "MA(84)").

Trading this chart using my personal exit method (ie, exiting at the end of appropriate 15M candles when pivot levels have been reached or exceeded) I partially exited at Exit 1 when price had hit the Fibonacci pivot level FPV and had just closed above. The stop-loss was also moved to break-even position here.

It was possible to enter a BUY trade on this currency pair later in the day when all the BUY trade conditions were met at point A. However, it can be seen at point A that a large green candle triggered the BUY trade condition. This was unquestionably a valid trade and went on to be a successful trade. If you experience large candles which trigger an entry signal, sometimes it may be wise to wait until the new trend direction has been confirmed. In the above chart example the alternative Entry point indicated would have been a good level to enter the BUY trade.

A possible partial exit points on the BUY trade was when price has hit R1 at Exit 2.1. 50% of the trade would have been exited here. At Exit 2.2, you can see that the candle had spiked up but the gains could be not be sustained. This was a sign that the short term uptrend had possibly run its course for the day, so perhaps a place to take more profits. Exit 2.3 was the point at which all remaining positions had to have been closed.

EURUSD



On this EURUSD trade it can be seen that point A was when there was a possible BUY trade as all entry conditions had been met. However a little bit of trading experience told us that this might not be the best place to enter this trade – just yet. A brief examination of the chart before we started the trading day would have told us that price had so far failed to meet the high of the Asian session and that "B" the CCI was already very high. If we had entered the trade we would simply was have been stopped out or would simply have closed the trade when price closed below the Black MA.

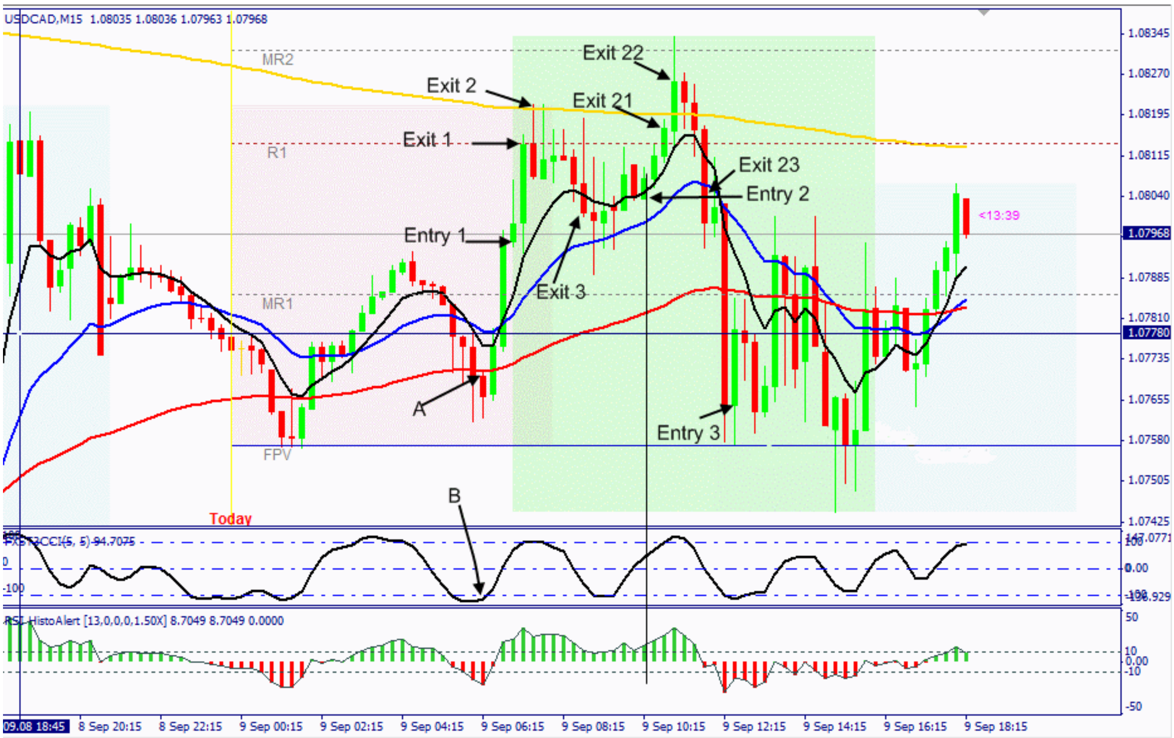
At "C" there was also a possible set up, where all our entry conditions for a SELL trade had been met. If we had entered this trade we would also have been stopped out at D since price failed to move down any further and instead reversed again. At this point if anyone had taken these two trades and got stopped out on both, my advice would be to leave this currency pair alone for the rest of the session, or even the rest of the day.

The Lindencourt FX System confirmed a fresh BUY signal at the start of the US session indicated as "Entry 1" above. However, as there had been a clear line of resistance on the chart during the past 24 hours (which I drew in red on the chart for reference), it would have been better for price to have closed above this resistance line before entering any trade, to minimise risk. An alternative and more appropriate entry point is indicated on the chart above.

Exit 1 was the first suggested partial exit point where 50% of the trade would have been closed. The stop-loss would have been moved to the break-even level at this point to ensure a remaining risk free trade.

Further suggested partial exits are indicated on the chart at Exit 2 and Exit 3. Exit 4 was the point at which all remaining positions had to have been closed according the Systems Exit rules to protect capital.

USDCAD



This was an interesting day for the USDCAD. At 8am (6.00 GMT) there was a potential SELL trade as signalled by the System at point "A". This was not a good trade to enter into. Here's why. We can see that there have already been 7 red candles in succession, which should always sound alarm bells. At B we can see that the CCI is already in the oversold area and we have not even entered into a trade yet, although this is not a reason on it own. We can also see that the prior candle to entry point had made a small spike down but was rejected and closed over half way up the candle's length. Together, these points suggested that this was not a trade to enter.

A better trade entry was signalled at Entry 1. All conditions were met for a BUY trade. If the trade was taken, the suggested first partial exit would have been at Exit 1 when price was on the R1 Fibonacci pivot line. 50% of the trade would have been closed out here and the stop-loss would possibly have been moved to break-even position.

One can see that the medium-term trend line (the orange MA(336) line) was lurking above and was a potential resistance line for price. It turned out to be so and this would have been a good place to have taken a further partial exit from this trade. Price was not able to penetrate through this resistance line and soon reversed back down. The remainder of this trade would have been closed out at Exit 3 when the price candle closed below the black MA line and the CCI closed below the "0" line.

A further BUY entry was signalled later at Entry 2 position on the chart. If this trade was taken a possible first partial exit point was Exit 2.1 but the gain here would have been too small, so a more appropriate place to have taken a 50% partial exit was at Exit 2.2. The stop loss would also have been moved to the break even level at this point too. This trade quickly reversed and the remainder of the trade was stopped out at the break-even position.

Although there was a trade signal at Entry 3, it would have been a brave trader who would have considered taking a SELL trade at this point, not least because of the large red candle prior to the entry signal.

AUDUSD

It was a similar mixed pattern on the AUDUSD currency pair on 9 September 2009. There was a valid SELL trade on this currency pair at the Entry 1 position. A suggested 50% first partial exit point would have been at Exit 1 for c.20 pips. The trade failed to make any further real progress with the short term trend downward and eventually the system's exit conditions signalled that the remaining trade should have been closed at Exit 2 for a small profit.

At the start of the US session, the System rules produced a valid BUY trade at Entry 2 position. Exit 2.1 was a suggested partial exit point for c.+25 pips since the MR1 Fibonacci pivot line had been exceeded. We would also have moved our stop loss to break even at this point to ensure the rest of the trade was risk free.

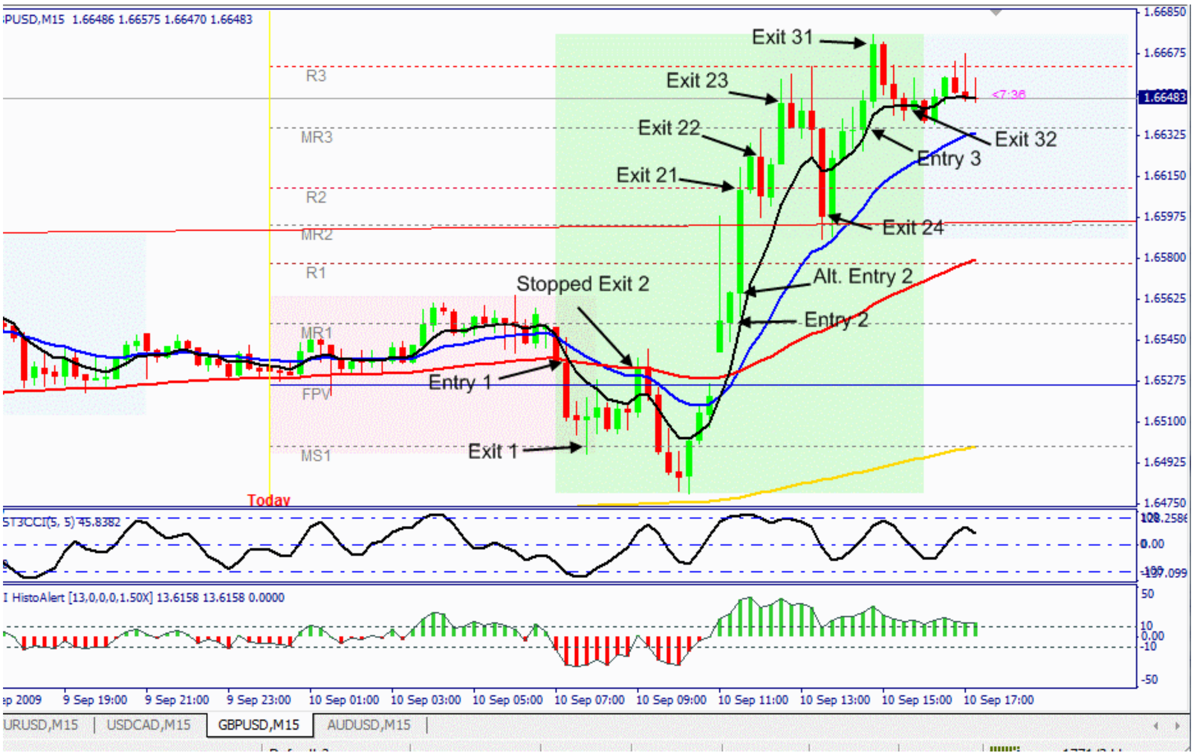
We can see that we had a potential trade exit point at "A" where the candle can be seen to have closed below the black MA line, but we can also see that the CCI was still showing strong momentum in the market, so we would not have exited this trade at this point. This was a false close signal.

A further suggested exit point was at Exit 2.3 when price had closed above the Fibonacci pivot R1 level for a further 20% of initial capital.

Exit 2.4 was the point at which all remaining positions had to have been closed, according the Systems Exit rules, to lock in capital and profits.

10 September 2009

GBPUSD



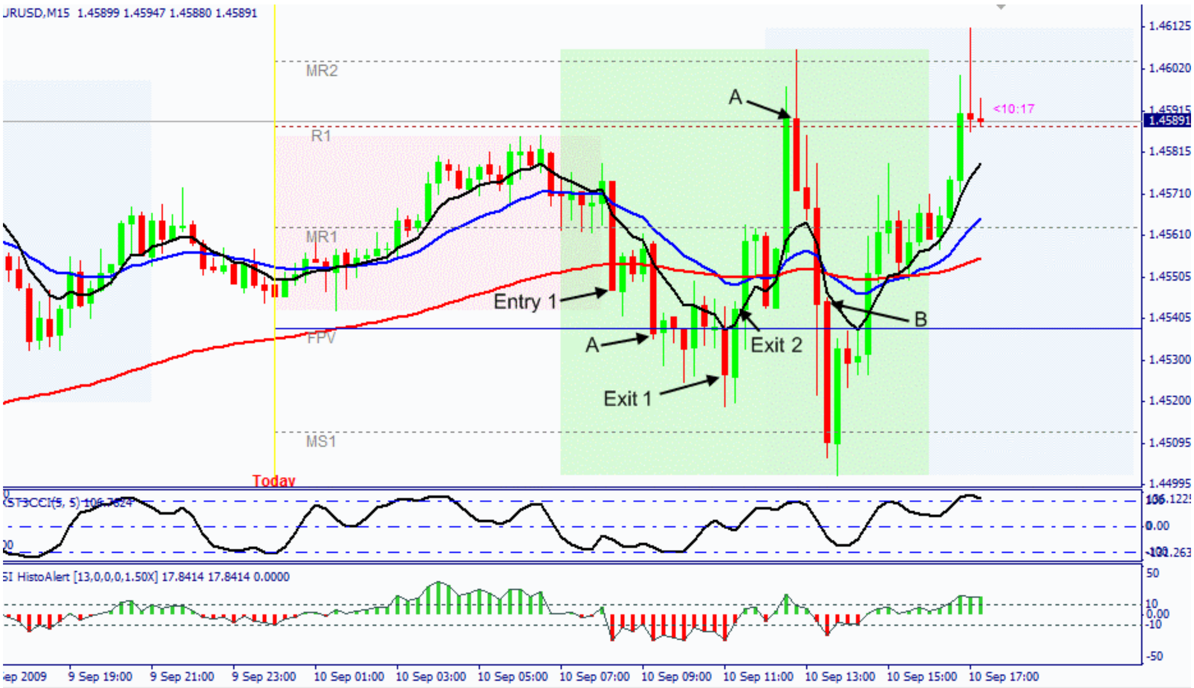
The first trade of the day on the GBPUSD was a SELL trade and was triggered at 8am London time. This trade would have been partially closed out at Exit 1 if one was lucky enough to have watched the trade when it hit the MS1 pivot level. As the pivot level was 1.6500, this was a very strong support level and any experienced trader would have expected a possible rebound off of this level. If, however, a partial exit was made at this point, at least the stop loss should have been moved to the break even position since we were c.30 pips in profit from our original entry point.
This trade would have been closed out at the break-even level at Exit 2 shown on the chart.

A second trade entry was possible with this currency pair at the start of the US session. The entry point was at Entry 2 position above, but we can see that this point was just below the day's high. A better BUY entry might therefore be when price has exceeded this potential resistance level – seen at "Alt. Entry 2" on the chart above.

The first suggested partial exit point would have been at Exit 2.1 at the R2 pivot level, closing 50% of the initial trade. Further additional partial exit points have been placed on the chart. Exit 2.4 was the point at which all remaining positions on the trade had to have been closed out, as price and the CCI had both fallen.

A third possible entry point is shown at Entry 3 a little later in the day, along with a suggested partial exit point, Exit 3.1, and the final exit point 3.2 at which all remaining positions on the trade would have had to have been closed out.

EURUSD

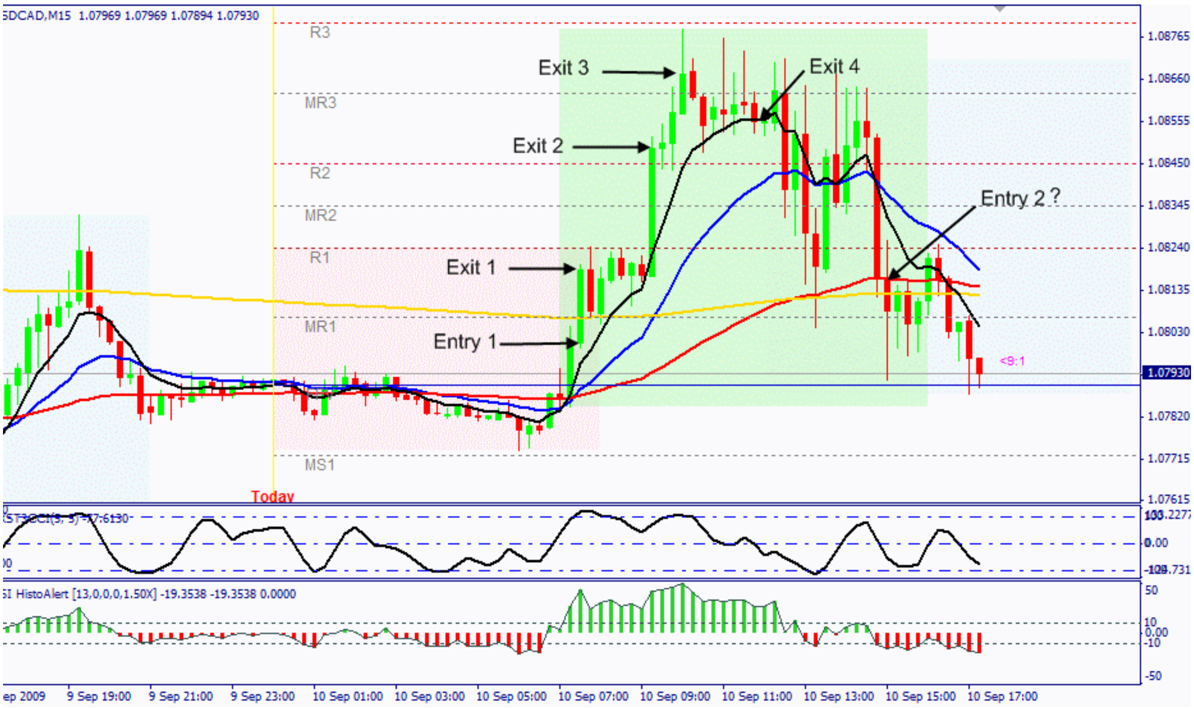


This was a varied day with the EURUSD. Finally a SELL trade was signalled on this currency pair mid morning, once price had finally fallen below the red trend line. The rather large red candle which triggered the SELL signal, and the flat red trend line indicated that this was not going to be a strong trade if it was taken.

The trade nevertheless moved down and finally closed below the FPV pivot line. Point A was too close to the entry price in order to close out any of the trade at this point. It was only at the Exit 1 position that it was deemed a sensible place to take 50% partial profits on this trade (+21 pips). The trade never went anywhere and the remaining part or positions would have been closed out at Exit 2 position, just below the original entry point for a very small profit.

Later in the day there were some wild price swings at both A and at B following news announcements. This was not an appropriate time to enter any trade. It can be seen that there was potential for losses if any of these potential trades were taken and if held for very long.

USDCAD



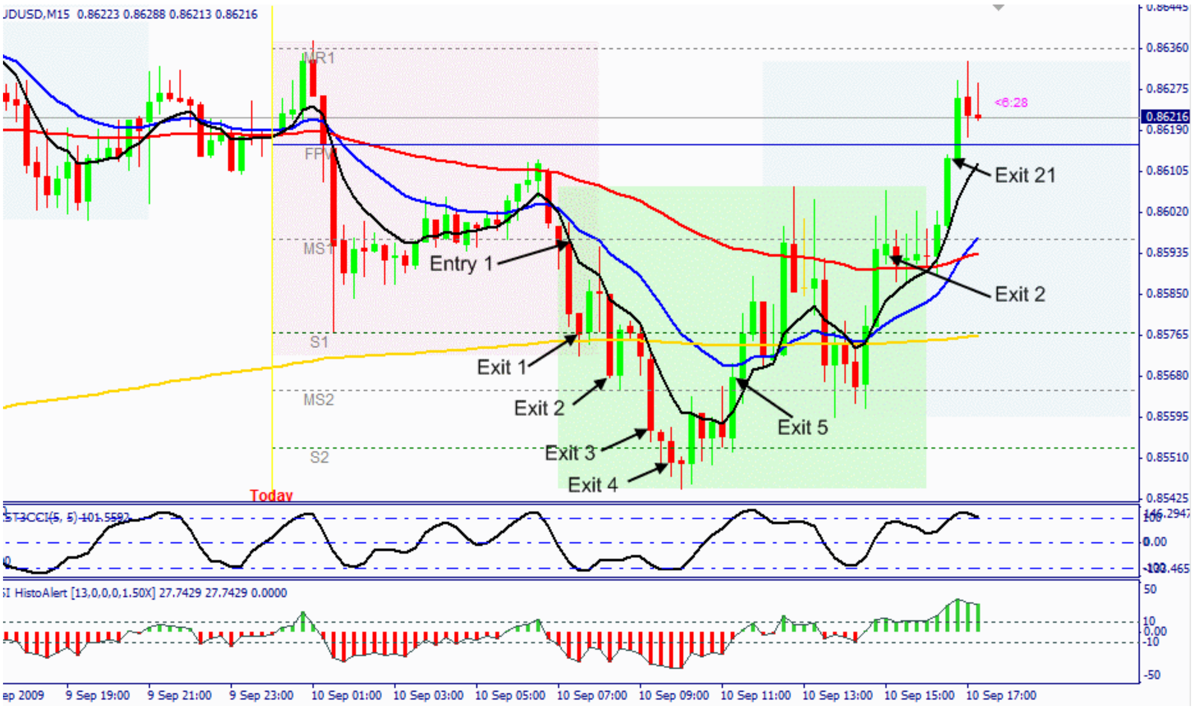
This was quite a successful day for the USDCAD currency pair. A very clean BUY set up formed early in the day with all BUY trade conditions being met. A trade would have been taken at the Entry 1 position.

The first suggested partial exit would have been at Exit 1 for c.20 pips. 50% of the trade would have been closed at this point and the stop loss moved to the break even position. A further 20% partial exit would have been taken at Exit 2 when price closed above R2, and a further partial exit would have been taken at Exit 3 when price closed above the MR3 Fibonacci pivot level.

Exit 4 was the point at which all remaining positions on this trade would have been closed out.

Later in the European session we can see that there was a SELL trade signalled by the Lindencourt FX System. However, this was triggered by news from the US market causing a rather long red candle to trigger a possible trade. Since there is a high risk associated with such candle movements this would not have been a trade for me. Nevertheless, if the trade was taken, there was only a small reward (c.+20 pips) for doing so. Clearly this was not a trade that was worth risking good capital for.

AUDUSD



This was also quite a successful day for the AUDUSD. At 8.15 hrs London time all conditions were met for a SELL trade and a position would have been taken at Entry 1.

A suggested partial exit was at Exit 1 when price had just closed down below the S1 Fibonacci pivot level. 50% of the position would have been closed out at this position and the stop loss would have been moved to the break-even position. Further suggested partial exits would have been at Exit 2, Exit 3 and at Exit 4. Any remaining part of this trade would have been closed out at Exit 5 when price had closed back over the black MA line and the CCI above "0".

For those traders still chomping at the bit and wanting to take another trade on the AUDUSD, there was a BUY signal at the end of the European session at "Entry 2". This also proved to be quite a successful trade going into the single US session.

11 September 2009

GBPUSD

This chart of the GBPUSD was not a particularly pleasant sight. The currency pair could simply not make up its mind where it wanted to go. Although it had a very good run up during the Asian session, by the time the European session opened, it had firmly run out of steam. You can see on the above chart that there was simply no BUY or SELL trade conditions met during the European session.

Look at the RSI Histogram indicator. You can see that it helped to ensure that there were no bad trades taken since not one Histo bar closed above the +10 line throughout the day. The fact that no candle had closed below the red trend line also confirmed that a SELL trade could not have been considered either.

EURUSD

This was a quiet day for the EURUSD too. The only potential trade to arise was when price fell and closed just below the red trend line earlier in the day. This was not really a true trade signal either, since the red trend line was completely horizontal, although a trend change was signalled by the black MA crossing the blue MA and price had closed below the red MA. If this potential trade was actually taken it can be seen that it went nowhere and it would have been wise to close it out to protect the capital risked on the trade, such as at exit 1.There is no point staying in a trade just for the sake of it. Sometimes we simply need to apply some trading judgement.

BUY trade conditions were met later in the morning at “Entry 2”, although this trade also went no where. The systems exit conditions would have suggested that all positions in this trade should have been closed out at Exit 2.1 for a loss of c.10 pips.

News from the US early in the US session caused some initial wild price action, which was another reason to stay away from trading this market.

USDCAD

This was another example of a messy chart. You can see instantly that price did not close at any time in the European morning above the trend line, so initially we would only have been looking for potential SELL opportunities.

At "A", conditions were met for a SELL trade. However, if we just look at how price had behaved during the previous 2 hours it should not have given you any confidence whatsoever to take a trade here. If the trade was nevertheless taken, it was unsurprisingly stopped out within a matter of minutes at point B. It was the same trading situation at point "C" – although conditions for another SELL trade were met, the experienced trader would have looked at the previous mess on the charts and decided to avoid any trades here until price action was a little clearer later in the day.

At the start of the US session a BUY trade was signalled. However, like the morning session's unsuccessful trade alerts, the chart was still looking messy, without any clear direction, although there had now been a cross of the black MA over the blue MA indicating that the trend was moving up again. It was short-lived, and if this trade signal was taken it quickly fell to a loss. It would have been wise to have exited this US Session opening trade at Exit 1, so as to protect the capital that was being risked, as the trade was clearly going nowhere.

A little later in the Euro/US Session you can see that a line of support (the red horizontal support line) that had proved difficult to break through, had finally been broken with a candle closing below it. This also produced a SELL trade signal which actually resulted in a small winning trade. A 50% partial exit would have been taken at Exit 2.1 and the remaining trade would have been stopped out at break-even, or at worst at Exit 2.2.

This trading example goes to show that you cannot just follow any Forex trading system blindly. You have to use your trading experience, your basic Forex education/training and some commonsense sometimes to help identify better trades and to help you avoid taking bad trades unnecessarily.

AUDUSD

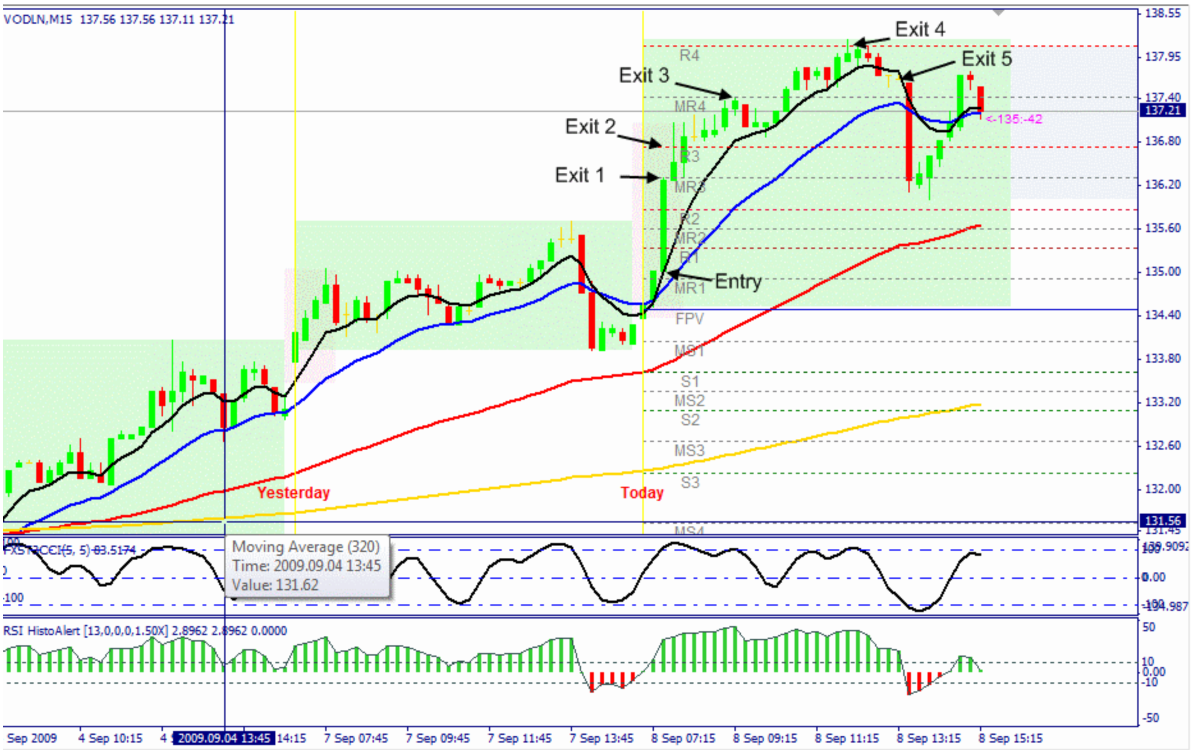
Entry conditions for a SELL trade on the AUDUSD were met as indicated on the chart. Current price was below the red MA trend line; the black MA had crossed over the blue MA indicating a change in the trend; the CCI line was below the “0” level; and the RSI Histo indicator had closed below -10. However, it can be seen that the trend (red line) had been in an up-trend and price had suddenly moved down causing the trend to become flat, if not even sloping down slightly – indicating that this would not be a good trade to enter if it was taken. Not surprisingly, price reversed and continued to move back up.

If this trade was taken it can be seen that it would have resulted in getting stopped out at Exit 1 when price closed back over the black MA line and when the CCI had also moved back over “0”. Even if this SELL trade was taken, it would have fortunately resulted in just a small loss.

A further BUY trade signal was given a number of candles later when price had established itself again in the general direction of the trend, when all entry conditions were met. Again, the trade failed to continue to trend up and quickly reversed back. It can be seen that price failed to even reach the day’s high reached in the Asian session so the trade was not looking strong. It would have been prudent to close out this trade when price had retreated and closed back below the black MA line. If this trade was not closed at this point, the trade would have been closed out 3 15M candles later for just a few pips loss when the red candle closed below the black MA and the CCI had crossed below “0”. This was not a good day for trading the AUDUSD. It shows that not all days are great days for trading forex.

Examples of Other Financial Instruments

Vodafone

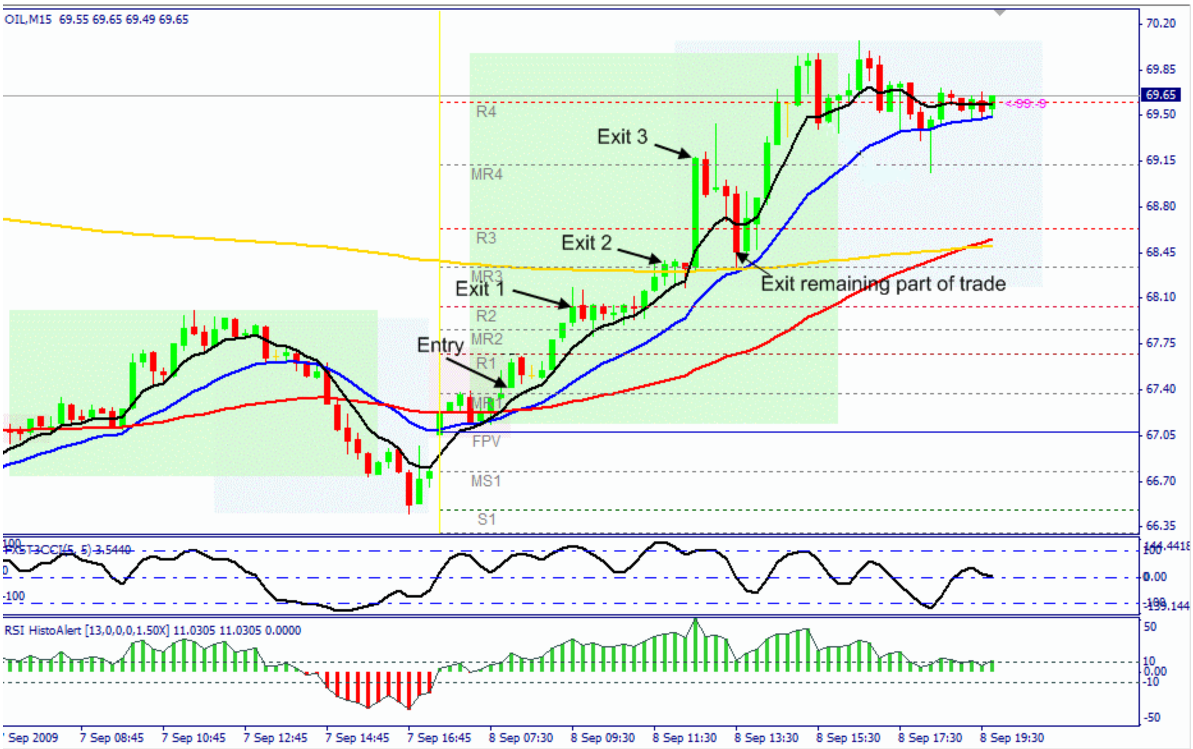


The Lindencourt FX System can be used with other financial instruments other than with Forex. Here is a trade of the British company Vodafone's shares available on the ODL MetaTrader platform. ODL makes a number of global stocks available on their MetaTrader platform tradable as CFDs. The UK stock market opens at 7.00 GMT (8am London time). In the above example, the Lindencourt FX system template was applied in the normal way to the chart.

When trading equities/stocks or indices I do not enter the market until at least the 3rd candle of the day. Sometimes there is "noise" or erratic behaviour in the first half hour of the market opening when overnight orders get filled and it is best if it is left to settle down before entering a trade. On this stock I would only have entered a BUY trade after 8.30hrs London time @ 135.00. It can be seen that Vodafone plc was still in an up-trend from the previous few days (the red MA line), but the immediate trend represented by the blue MA line had only recently changed back to an up-trend again after the blue and black MAs had crossed to the upside. The CCI and the RSI Histo indicators also met with the System's entry conditions at 8.30hrs.

If using my personal exit method (ie, exiting at the end of appropriate 15M candles when pivot levels have been reached or exceeded) I would have exited after the first 15M candle @ 136.30 when price closed on the MR3 Fibonacci pivot level. The stop-loss would have also been moved to the break-even position at this point. A further exit would have been made at the close of the 3rd candle when price closed above R3 @ 136.90. A further close would have been made when R4 had been reached. The whole of the remaining trade would have been closed out when the CCI fell below "0" and the price candle closed below the black MA(7).

Oil



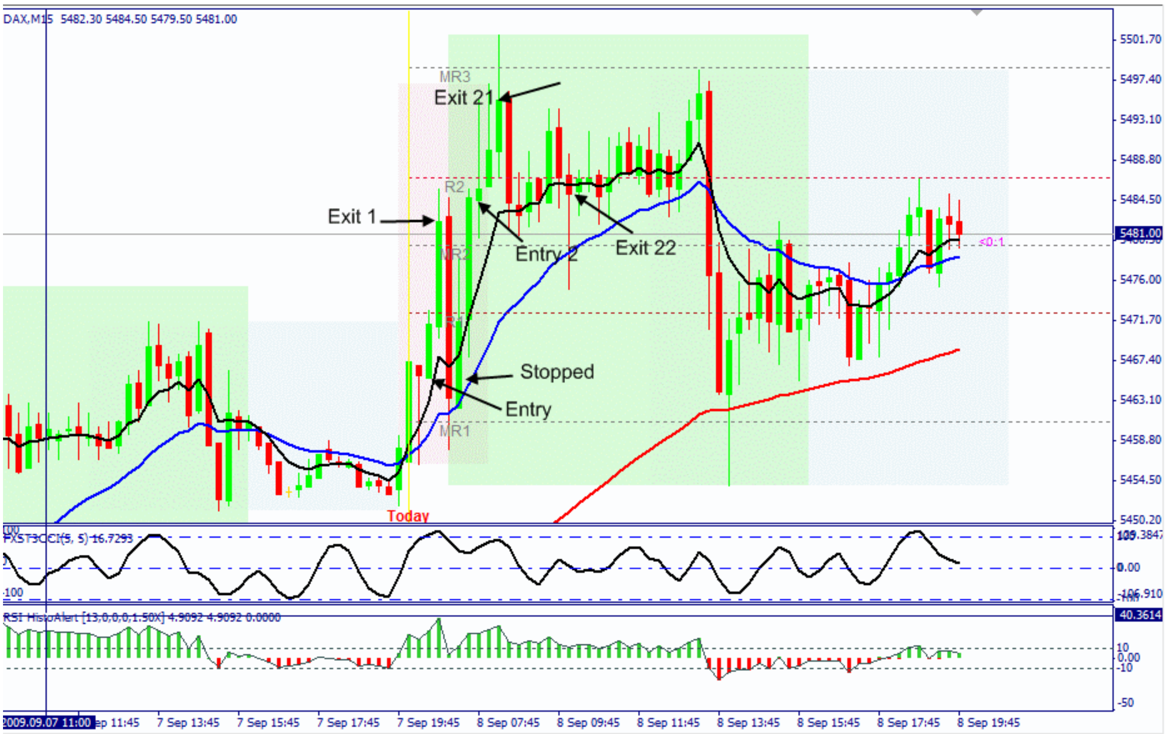
Here is a BUY trade of Crude Oil available on the ODL MetaTrader platform. ODL makes Oil (Gas Oil, West Texas and Brent Crude) and a range of other financial instruments available on its MetaTrader platform including gold, silver, a number of global indices and some global stocks. In the above example, the Lindencourt FX system template was applied in the normal way to the chart.

The Oil market in London opens at 7.15 hrs GMT (8.15 hrs London time). With this trade I would have entered a BUY trade when all entry conditions were met at 9.15 hrs London time @ $67.45. It can be seen that Brent Crude Oil had recently changed direction to an up-trend once the black MA had crossed over the blue MA and price had closed above the red MA trend line. At the point of entry the CCI and the RSI Histo indicators also met with the System's entry conditions.

First partial exit would have occurred at Exit 1 when price had reached the R1 Fibonacci pivot level. At this point the stop loss would have been raised to the break-even level. A further partial exit would have been made at Exit 2 when price had reached/slightly exceeded MR3 Fib pivot level and a further partial exit would have been made at Exit 3 level when price had reached MR4.

The whole of the remaining trade would have been closed out at the close of the 4th candle after the last partial exit at Exit 3 (at MR4) when both the price candle had closed below the black MA and the CCI was below the "0" line.

DAX 30



This is a trade of the German DAX 30 index available on the ODL MetaTrader platform. This market opens at 6.00 GMT (8am Frankfurt time). In the above example, the Lindencourt FX system template was applied in the normal way to the chart, as with any currency pair.

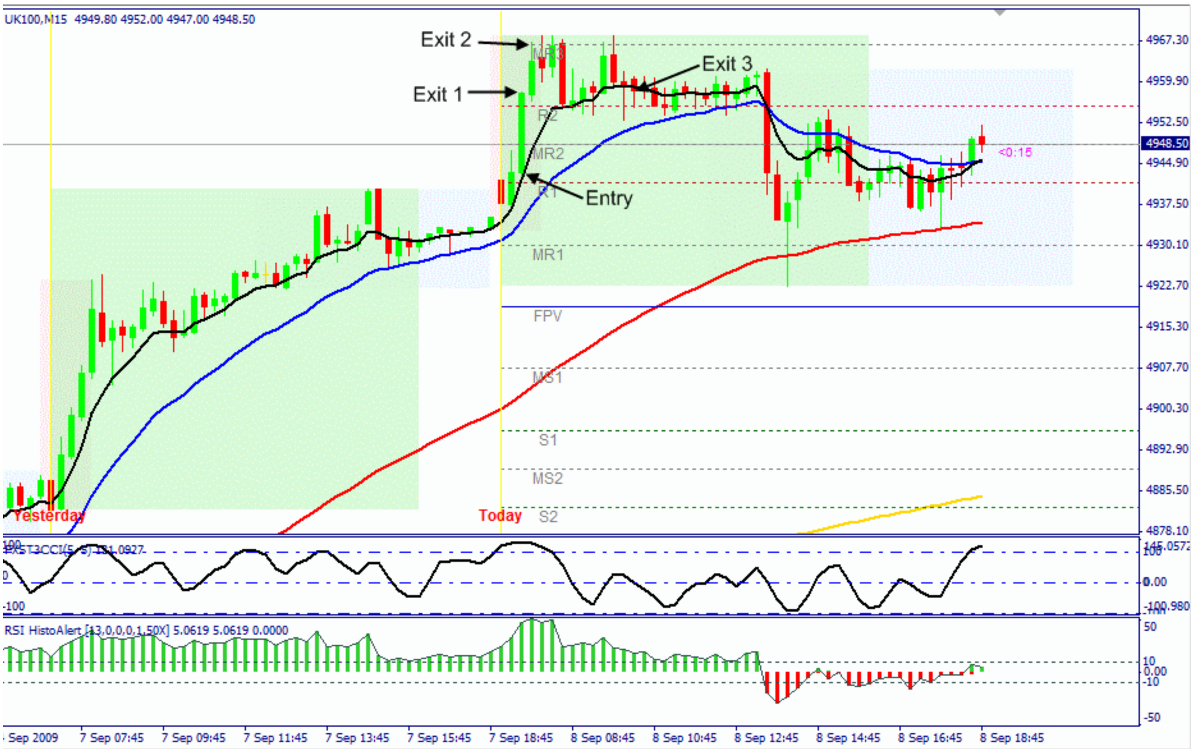
When trading equities/stocks or indices I do not enter the market until at least the 3rd candle of the day. Sometimes there is "noise" or erratic behaviour in the first half hour of the market opening when overnight orders get filled and it is best if it is left to settle down before entering a trade. On this instrument I would only have entered a BUY trade after 8.30hrs Frankfurt time @ 5464. It can be seen that the index was still in an up-trend from the previous day (the red MA line) but the immediate trend represented by the blue MA line had only recently changed to an up-trend again after the blue and black MAs had crossed to the upside. The CCI and the RSI Histo indicators also met with the System's entry conditions at 8.30hrs.

If this chart was traded using my personal exit method (ie, exiting at the end of appropriate 15M candles when pivot levels have been reached or exceeded) I would have exited after the second 15M candle @ 5482 when price exceeded and closed above the MR2 Fibonacci pivot level. The stop-loss would have also been moved to the break-even position at this point.

In the following candle, the index can be seen to have rapidly declined and the trade would have been stopped out at break-even.

As entry conditions were met at Entry 2 point, another BUY trade could have been entered into @5485. The first exit point would have been when price had closed at an appropriate level above the next Fib pivot level, indicated at Exit 2.1 @5495. The whole of the remaining trade would been closed out at Exit 2.2 position (or possibly at break-even) when both the price candle had closed below the black MA and the CCI was below the "0" line.

FTSE100 Index



Here is another different example. This is a trade of the FTSE 100 index available on the ODL MetaTrader platform. This market opens at 7.00 GMT (8am London time). In the above example, the Lindencourt FX system template was applied in the normal way to the chart, as with any currency pair.

When trading equities/stocks or indices I do not enter the market until at least the 3rd candle of the day. Sometimes there is "noise" or erratic behaviour in the first half hour of the market opening and it is best if it is left to settle down before entering a trade. On this instrument I would only have entered a BUY trade after 8.30hrs London time @ 4941 if the entry conditions were right. It can be seen that the index was still in a strong up-trend on the red MA as well as with the immediate trends represented by the blue MA. The CCI and the RSI Histo indicators also met with the System's entry conditions.

If this chart was traded using my personal exit method (ie, exiting at the end of appropriate 15M candles when pivot levels have been reached or exceeded) I would have exited after the first 15M candle @ 4955 when price exceeded the first significant Fibonacci pivot level, as seen in the above diagram. A further exit would have been taken when the index level closed on the next Fib pivot level three candlesticks later @4967. At this point the stop-loss would also have been moved to break even position.

The all remaining capital in the trade would have been closed out at Exit 3, when it can be seen that both the price candle had closed below the black MA and the CCI was below the "0" line.

8 Money Management

Money management is one of the most important sections of this Manual, if not the most important section. We are in the business of making money – lots of it - so in order to be successful at it we will need to manage it carefully. The fact that many traders try to make money in the Forex market, but pay little attention to managing their capital, is a little crazy when you think about it since trading capital is effectively our working capital. A lack of proper money management is one of the biggest killers of a trader's capital, so this is an area to which you must pay a lot of attention. If you fail to manage your money when trading Forex, you stand just as much chance of making a killing in the Forex market as you do in the Casino.

Ok, that is enough lecturing, so let's move on. In this section I am going to suggest some simple rules to apply to your trading so that your capital is preserved as much as realistically possible. These rules will also allow your capital to grow substantially over the long term. They are as follows:

1. Trade with 2% maximum of your capital on any one trade, preferably with just 1% max per trade
2. Do not trade more than two currencies at any one time
3. Take some profits when c.20-30 pips in profit
4. Move stop loss to break even when c.30 pips in profit to ensure the remainder of the trade is risk free
5. Take regular additional profits from the trade to lock in further capital increases
6. Trade with max. 100:1 margin

Rule 1
Only trade with a maximum of 2% of your capital on any single trade. Although 2% is the maximum to risk on any one trade, I actually recommend that you trade with less. I suggest you trade with a maximum of 1% on any single trade.

My focus is on making smaller amounts of money but often, which will accumulate over time into a much larger sum. Now, although this system generally produces winning trades, there are times when there have been a number of losing trades in a row. There will always be a period of drawdown irrespective of the trading system that is being used. What we need to do is ensure that the drawdown on any trading account when there is a losing streak is kept to a minimum. The way that I suggest profitable trades are closed ensures that small amounts of capital are slowly but frequently added to the overall capital balance.

Rule 2
I recommend that you do not trade more than two currency pairs at any one time. The maximum risk you should expose your capital to is therefore 4% at any one time. As I recommend in Rule 1 that your maximum risk is 1% per trade, your maximum risk at any one time should therefore be just 2%.

Rule 3
Take profits when a currency pair is c.20-30 pips in profit. This ensures that you take something out of the trade, irrespective of where price may go from here. Less than 40% of trades with the Lindencourt FX System achieve over 50 pip gains on the 15M charts before the system's exit rule applies, so it is wise to take some profits early, but also to allow some capital to remain in the trade to help maximise gains.

Rule 4
Move your stop losses to break even when a currency pair is in profit by c.30 pips. This ensures that your capital is preserved and you can now focus on only increasing your capital balance.

Rule 5
Take further gradual profits by closing out partial trades at defined intervals eg at Fib pivot levels
Close out your trade according to the following percentages -

Partial exit 1 - 50%
Partial exit 2 - 20%
Partial exit 3 - 10%
Partial exit 4 - 10%
Partial exit 5 - 10%

The exact amounts or percentage of the trade that should be partially closed out is not cast in stone, meaning you can be flexible with them. From my own personal results using the GBPUSD and other additional research, I have found that these % figures tend to produce the maximum returns. For your information, someone who was recently introduced to this system closes 20% of their trade out at each progressive stage. The results have proved to be very similar to the ratios that I use.

Rule 6
Trade with 100:1 maximum risk. Don't try and be clever and attempt to trade Forex successfully with margin of 400:1 or more. Although you might succeed, you might fail too. Using a very high margin ratio clearly does not put preservation of your capital as your No.1 trading objective. Take the long term view of trading, not the get-rich-quick approach.

How much to trade per trade
Now that we have some money management rules, let's put this into a hypothetical trading scenario. Let us assume we have trading capital of $30,000. I have gone though stop loss sizes in the section on exiting trades, so I will not go through this again here, but let us assume that we are taking a stop loss position of 30 pips on a trade. Let's now apply the rules to this trade.

We have $30,000 capital and we will risk 1% = $300 risk.

Since we have determined our stop loss position is 30 pips, our position size will be 300/30 = 10.0
This equates to taking 1 standard Lot on a GBPUSD trade.

If you are trading Forex via a spread betting account (strongly advisable if you are a UK resident, but available to anyone except US citizens) then the above calculation would also apply and you would "bet" $10 per point on a GBPUSD trade.
(I will not differentiate between $ or £ or € here in this example, since it will not really make a lot of difference to what I am showing you).

Let's now go through a real trade example based on our calculated figures.

Let us assume we entered the above GBPUSD trade in the Asian session when our entry criteria were met at 1.5954. Let us also assume we set our partial exit positions based on Fibonacci pivot levels. Within 30 minutes of entering the trade our first partial exit position was triggered or taken when price reached the MR1 pivot level @ 1.5475 for a 21 pip profit. The currency pair later went on to reach the next Fibonacci pivot level target so we took another partial exit @ 1.5997 for a +43 pip profit. At this point we would have moved our stop loss to break even to ensure the remainder of the trade would be risk free.

Price momentum was not sustained in the market and price fell back until we reached our final exit position (according the System Exit rules) when the price candle closed below the black MA @ 1.5983 for a profit of +39 pips.

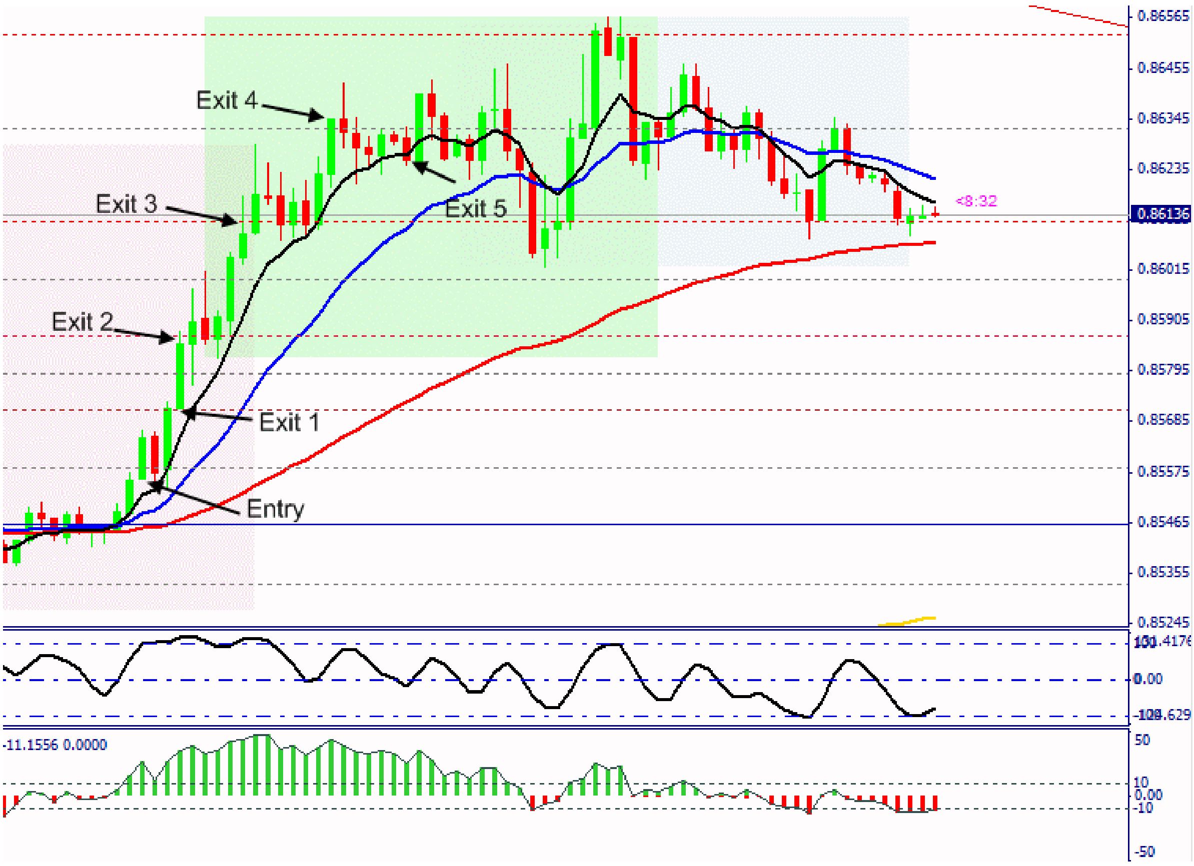
So, applying Money Management Rule 5, the profit on this trade was:

21 pips x (50% x 1 Lot, or 5 mini Lots) = ($5 x 21) = $105
43 pips x (20% x 1 Lot, or 2 mini Lots) = ($2 x 43) = $86
39 pips x (30% x 1 Lot, or 3 mini Lots) = ($3 x 39) = $117 (30% being the residual capital left = 100% - 50% - 20%)

Total = $308 profit

If you were trading this GBPUSD trade using a spread betting account the result would have been the same, except that the whole gain of $308 would be completely free of all UK taxes (for UK residents).

I will go through another example with you, based on the same capital, stop loss and risk conditions. Let's assume we entered the following AUDUSD trade.



We would have entered the above BUY trade when all entry conditions were met @ 0.8554, trading 1 standard lot or trading at $10 per pip if spread betting. Let us assume again that we would have taken partial exits when price hit pre-determined Fibonacci pivot levels.

- We would have partially exited the trade at Exit 1 @ 0.8570 for +16 pips profit
- We would have partially exited the trade at Exit 2 @ 0.8588 for +34 pips profit and moved our stop to break even position
- We would have partially exited the trade at Exit 3 @ 0.8612 for +58 pips profit
- We would have partially exited the trade at exit 4 @ 0.8632 for +78 pips profit
- We would have closed out the remaining element of the trade at Exit 5 @ 0.8625 for +71 pips profit

Our profits on this trade would be as follows:

Exit 1 - 16 pips x (50% of 1 Lot, or 5 mini Lots) ($5 x 16) = $80
Exit 2 - 34 pips x (20% of 1 Lot, or 2 mini Lots) ($2 x 34) = $68
Exit 3 - 58 pips x (10% of 1 Lot, or 1 mini Lots) ($1 x 58) = $58
Exit 4 - 78 pips x (10% of 1 Lot, or 1 mini Lots) ($1 x 78) = $78
Exit 5 - 71 pips x (10% of 1 Lot, or 1 mini Lots) ($1 x 71) = $71
Total = $355 profit

If you were trading this AUDUSD trade using a spread betting account the result would have been exactly the same, except that the whole of the $355 profit would be completely free of all UK taxes (for UK residents).

I hope these two examples above clearly show how these simple money management rules work with this system. If, however, you would like further examples or further explanation of these money management rules, please contact me personally at andrew@lindencourt.net.

9 Trading Tools

I have included a few of the most common trading tools or concepts in this section to help you when either placing or exiting a trade using this system. However, as you are probably an experienced trader, I will not spend time detailing the basics in this section as I am assuming that you already have some basic knowledge of the tools covered. If you need further information on any of these trading tools mentioned, I suggest you might carry out a Google search, as there is a great deal of free information available on these popular trading tools and concepts.

One other point worth mentioning – although we are technical traders and rely on technical analysis to provide us with guidance on our trading decisions, there is always a risk of "paralysis by analysis" with any trading system and our charts can so filled up with shapes, lines and levels that we cannot clearly see price, so bear this in mind when applying any of the trading tools below.

9.1 Support and resistance levels

Support and resistance levels are price levels that can cause currency pairs to stop moving in their current direction, turn around and start moving in the opposite direction. Support levels act like a floor for a currency pair - as the price of the currency pair drops down to a support level, it tends to stop, turn around and move higher. Conversely, resistance levels act like a ceiling for a currency pair - as the price of the currency pair rises up to a resistance level, it tends to stop, turn around and move lower.

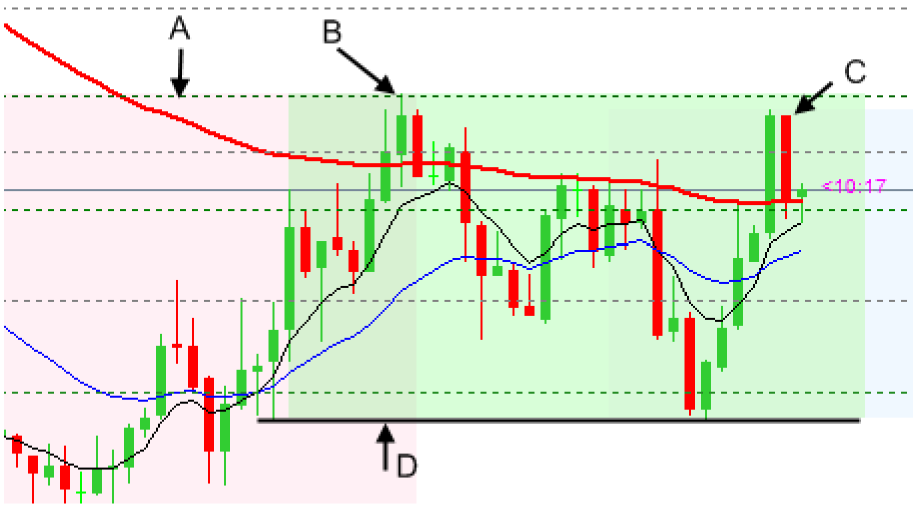
Support and resistance levels can come in various guises. Here are just a few examples that you will come across.

- Fibonacci retracement and extension levels, based on recent price highs and lows – see next section below
- Pivot points - pivot points are widely used by traders to help identify key levels of support and resistance on a currency pair, where the direction of price movement can quickly change. In the Lindencourt FX System we use Fibonacci pivot points as potential price targets, since at these levels price can reverse and result in a trade getting stopped out.
- Price highs and lows – recent price highs and lows can act as barriers to price movement, as well as price highs and lows from some previous time period; for example, the yearly high price of a currency pair from the previous year may also prove to be a strong resistance level for current price, so it is sometimes a good idea to view currency pairs covering a longer time period so that these potential levels can be identified.
- Whole price numbers – whole price number of currency pairs can prove to be strong levels of support and resistance, eg, in 2007/8 the whole number of 2.0000 proved to be a very strong resistance number of the GBPUSD currency pair, likewise 1.6000 proved to be a very strong resistance barrier for the EURUSD. More generally, levels rounded to the nearest 100 generally prove to offer short term support and resistance eg, 1.5300, 141.00, etc.

- Moving averages act as support and resistance barriers – our moving average lines can act as both support and resistance levels for price. However, as price tends to trend, these support and resistance levels also tend to rise and fall and the MAs lines act as barriers rather than levels of support and resistance.
- Trend lines are sloping support and resistance lines and act as price barriers just the same as horizontal support and resistance levels.
- A support/resistance channel is formed when there are two trend lines – one forming a line of support and one forming a line of resistance to price.

It is important to note that when a key support level has been broken on the downside, that level will sometimes become a key resistance level. Likewise, a key resistance level that is broken on the upside will sometimes become a key support level.

If we can identify support and resistance lines in what ever form they may take, they can give us useful information on when to exit or enter a trade. Here are a few examples.



In the above chart the Fibonacci pivot level line A acted as strong resistance to price at point B. You can see that a horizontal support line was formed at level D by price action, which proved difficult for price to break through. You can also see that the different MAs acted as both support and resistance lines in this example.

9.2 Fibonacci Levels

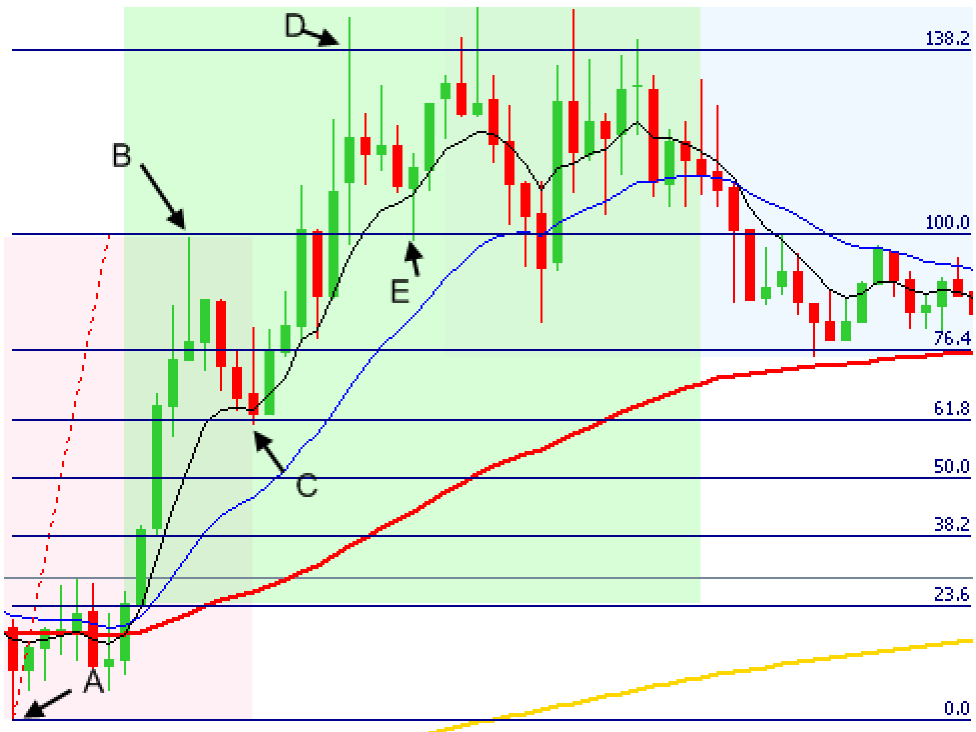
Fibonacci levels are simply levels of potential support and resistance derived from recent high and recent low price levels. We use Fibonacci to help us forecast potential levels to which price may fall or rise, and thus provide us with potential exit or entry levels.

Fibonacci levels are based on a series of numbers known as the Fibonacci Sequence, which was developed by an Italian called Leonardo Fibonacci. He was a 12th century Italian mathematician who discovered the Fibonacci sequence, which consists of following number series

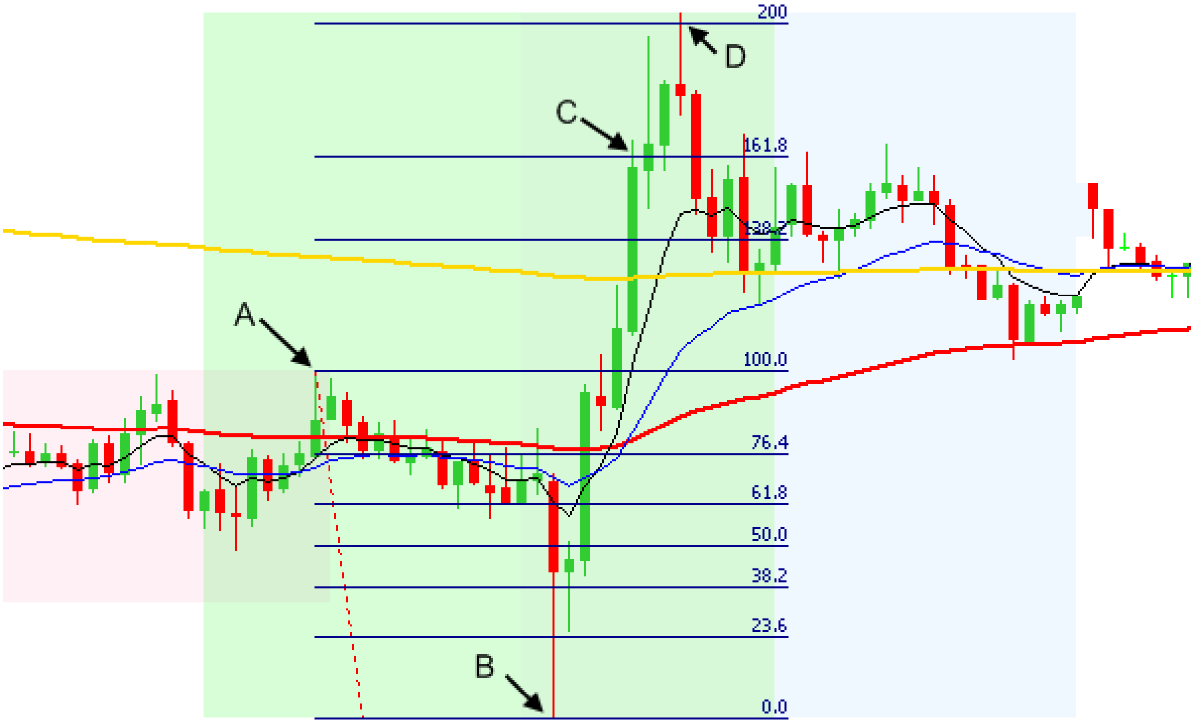
1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89,144...

You can probably see that the next number in the sequence is formed by adding the latest number in the sequence to the previous number. These numbers exhibit a number of significant relationships, the most important of which is that the ratio of any number in the series to the next higher number tends to compute to “0.618”. In addition, the ratio of any number to the next lower number in the sequence tends to compute to “1.618”, which is the inverse of 0.618. Similarly constant ratios exist between numbers two apart, three apart, and so on. The most significant Fibonacci ratios are 23.6%, 38.2%, 61.8% and 78.4%. We also use the 50% level with this series.

How do they help us with currency trading and with this system? As I stated in the previous paragraph, Fibonacci can be used to provide us with an indication as to where price action may fall or rise, whether as a retracement or as a trend continuation. In both cases Fibonacci levels can provide us with a target level for entering or exiting a trade if confirmed with this system. Here are some recent examples.



In the above example the Fibonacci lines were formed by placing recent low and high price points at points A and B respectively. The Fibonacci ratio lines were automatically drawn using the Fib drawing tool in MetaTrader. If we drew these after price had started to retrace at point B we could have estimated that price would rebound when it reached the significant pivot retracement level of 61,8% - the Golden ratio level – at point C. As C proved to have been the resistance level that we might have expected, we might have considered (rightly) that price action might wish to rejoin the trend. Price continued to climb with the trend until it had reached and had just exceeded the 138.2% pivot extension level at point D where it continued to remain in a support-resistance channel formed by the 100% and 138.2% Fib levels for several hours later. When we saw hit price hit D we might have considered closing out more of any open positions remaining to lock in profits.



In this second example above, the pivot lines were created from the recent high and low points at "A" and "B" respectively. If we had later entered into a BUY trade we might have clearly wanted to exit some of our position at "C" which was the major 161.8% fib level. We can see price continued to increase right up to "D" at the 200% pivot level and this would certainly have been another exit point for our BUY trade.

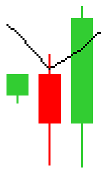
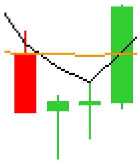
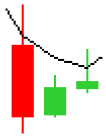
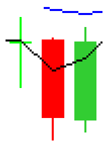
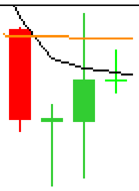
9.3 Candlestick Patterns

I am not the greatest fan of candlestick patterns, but I concede that they can be a useful tool to help confirm whether there is a change in price direction in the markets, particularly on the higher timeframes. However, their usefulness can only be taken into account with other technical analysis techniques. Candlestick patterns are unquestionably less effective on lower timeframes.

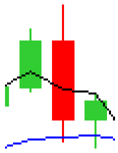
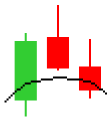
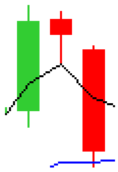
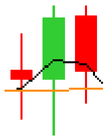
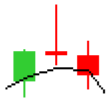
There are many candlestick patterns but I will only include a few of the most popular ones here. Here are 10 candlestick patterns worth looking out for.

The following patterns are divided into two parts: Bullish patterns and Bearish patterns. These are reversal patterns that show up when there may be a change in direction and they can be used to help us confirm a change.

Bullish Candlestick patterns

<table>
<tr><td></td><td>Engulfing: This pattern consists of two candles. The first candle is a narrow range candle that closes down (red). Sellers are still in control but because it is a narrow range candle and volatility is low, sellers are not very aggressive. The second (green) candle is a wide range candle that “engulfs” the body of the first candle and closes much higher. The buyers have overwhelmed the sellers (demand is greater than supply). Buyers of the currency are ready to make a move back up.</td></tr>
<tr><td></td><td>Hammer: The candle opened, then at some point the sellers took control of the currency pair and pushed it lower. By the end of the candle time period, the buyers won and had enough strength to close the currency pair at the top of the range. Hammers can develop after a cluster of stop loss orders are hit. That’s when professional traders come in and start buying at a lower price and push the currency pair up.</td></tr>
<tr><td></td><td>Harami: When you see this pattern the first thing that comes to mind is that the momentum preceding it has stopped. On the first (red) candle you see a wide range candle that closes near the bottom of the range. The sellers are still in control. Then on the second candle there is only a narrow range candle that closes up for period.</td></tr>
<tr><td></td><td>Piercing: This is also a two-candle reversal pattern where on the first candle you see a wide range candle that closes near the bottom of the range. The sellers are in control. On the second (green) candle you see a wide range candle that has to close at least halfway into the prior candle. This can set up a powerful reversal.</td></tr>
<tr><td></td><td>Doji: The doji is probably the most popular candlestick pattern. The candle opens and goes nowhere throughout the time period and closes right at or near the opening price. Quite simply, it represents indecision and causes traders to question the current trend. This can often trigger reversals in the opposite direction.</td></tr>
</table>

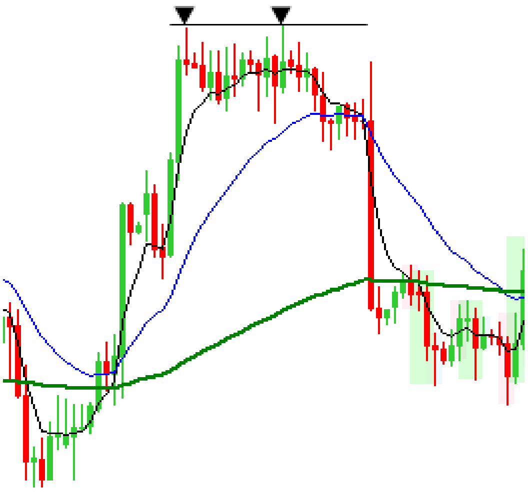
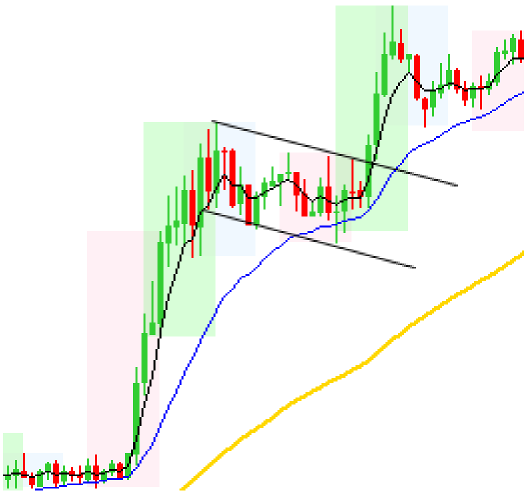
Bearish Candlestick Patterns

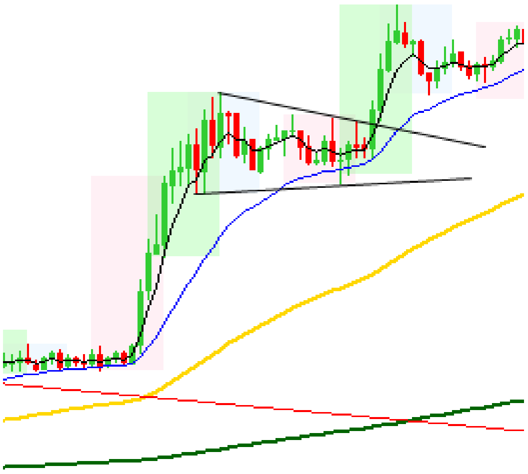
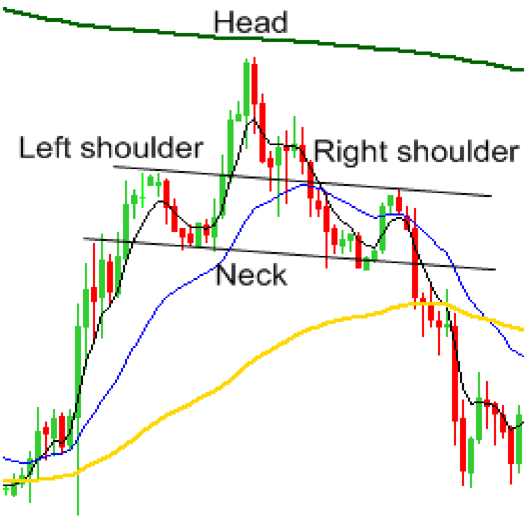
	**Engulfing** This pattern consists of two candles. The first candle is a narrow range candle that closes up (green). Buyers are still in control but because it is a narrow range candle and volatility is low, buyers are not very aggressive. The second (red) candle is a wide range candle that “engulfs” the body of the first candle and closes much lower. The sellers have overwhelmed the buyers (demand is greater than supply). Sellers of the currency are ready to make a move back down.
	**Shooting Star.** The candle opened, then at some point the buyers took control of the currency pair and pushed it higher. By the end of the candle period, the sellers won and had enough strength to close the currency pair at the low of the range. Shooting Star candles can develop after a cluster of stop loss orders are hit. That’s when professional can traders come in and start selling at a higher price and push the currency pair down.
	**Harami**. When you see this pattern the first thing that comes to mind is that the momentum preceding it has stopped. On the first candle you see a wide range candle that closes near the top of the range. The buyers are still in control. Then on the second candle there is only a narrow range candle that closes down for the period.
	**Dark Cloud Cover.** This is also a two-candle reversal pattern where on the first candle you see a wide range candle that closes near the top of the range. The buyers are in control. On the second candle you see a wide range (long) candle that has to close at least halfway into the prior candle. This can set up a powerful reversal.
	**Doji**. The doji is probably the most popular candlestick pattern. The candle opens and goes nowhere throughout the time period and closes right at or near the opening price. Quite simply, it represents indecision and causes traders to question the current trend. This can often trigger reversals in the opposite direction.

9.4 Chart Patterns

Chart patterns are like candlestick patterns in that they are only really useful in my opinion when viewed on a higher time frame. The shorter the time frame they are used, the less useful they tend to be.

I briefly cover some of the most popular chart patterns in this section; these can be used to help confirm trend direction and thus possible trade entries.

<table>
<tr><td>Double Top (4H chart)

This is a reversal pattern. In this example you can see that price hit a resistance level on two occasions but failed to break through on the second attempt. Price then expectedly started to drop. A large price fall can be seen above. We might have been looking for a System set up on the downside on the 15M charts after price was rejected a second time.</td>
<td>Flag Pattern (1H chart)

Flags are short-term continuation patterns and are among the most reliable of all continuation patterns, they are formed when there is a sharp price movement followed by a consolidation phase (sideways action), thereafter the previous up or down trend is expected to resume. When we get a break of support or resistance we look for entry in the trend direction on the 15M chart.</td></tr>
</table>

Wedge (1H chart)	Head and Shoulders (4H chart)
	
Wedge formations are bullish continuation patterns and look similar to triangle patterns because of the converging trend lines (support and resistance) and narrowing price ranges(thus forming a cone shape). One looks for a break of support or resistance (here break of resistance) to confirm a continuation and look for an entry on the 15M chart.	The Head and Shoulders formation marks a "reversal" pattern in an uptrend market and is extremely popular. The pattern consists of 2 Shoulders, 1 Head and the Neckline (support): 1) The left shoulder - occurs as the price of the currency pair in a rising market hits a high and then fall back to the neckline. 2) The head - happens when prices rise to an even higher high and then fall back again to the neckline. 3) The right shoulder - occurs when prices rise again but don't hit the high of the head. 4) A key element of the pattern is the neckline and can be horizontal, slope up or slope down and is formed by drawing a line connecting two low price points of the formation. We look for a break of the neck line to confirm a new downtrend and potential entries on the 15M chart.

Trippple Top (Daily chart)	**Descending Triangle (Hourly chart)**
	
Triple Top formations are reversal patterns and are identified by three consecutive highs of similar (or almost) height with 2 moderate pull backs in between. This pattern is not often seen. One looks for trend reversal confirmation with the MAs to enter SELL trades. Triple Bottoms also apply, but in reverse.	The descending triangle chart pattern shows two converging trendlines (support levels & resistance levels) and is a bearish formation that usually forms during a currency pair downtrend as a continuation pattern. Here it proved to be a reversal pattern when price broke through the support line of the triangle. Ascending triangles also apply but in complete reverse.

Pennant (1H Chart)	**Ascending Triangle (1H chart)**
	
Pennants are short-term continuation patterns and are among the most reliable of all continuation patterns. They are formed when there is a sharp price movement followed by a consolidation phase (sideways action), thereafter the previous up or down trend is expected to resume. The Pennant pattern consists of two converging trend lines that begins wide and converges and is a short term Symmetrical Triangle. Look to trade in the direction of the trade when price breaks out of the support or the resistance lines (as in the case above).	The ascending triangle chart pattern is usually a continuation pattern. It shows two converging trend lines (support levels & resistance levels) and is a bullish formation that usually forms during a currency pair uptrend as above. Here one looks for a confirmed break of resistance before looking for possible BUY trades.

10 General Trading Tips with this System

In this section I highlight a number of general trading tips that should be taken into account when trading with the system.

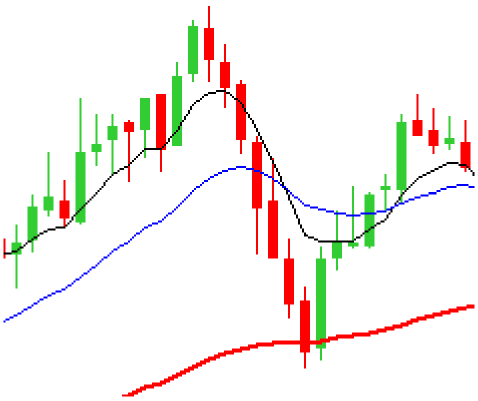
In your day-to-day trading activities you will undoubtedly experience situations that are not covered in this Manual. However, I am including in this section a number of tips and bits of advice which I hope will help you to make better trading decisions and avoid making some costly mistakes. They are not detailed in any particular order, so I suggest that you take time to read all of them.

1. Big Candle Movements. Watch for big single candle movements which provide you with a trade entry signal. I am not saying that a trade will <u>not</u> turn out to be profitable, but from experience there is a much greater probability of being stopped out from a large single candle movement than with a number of smaller ones because they are prone to reverse quite quickly. This is another reason why we should avoid trading at the same time as important economic news announcement are made. Not only are the first reactions of the market invariably wrong when major news comes out, but it can also lead to quick and rapid price reversals leaving some traders nursing large losses. I know, I've been there.

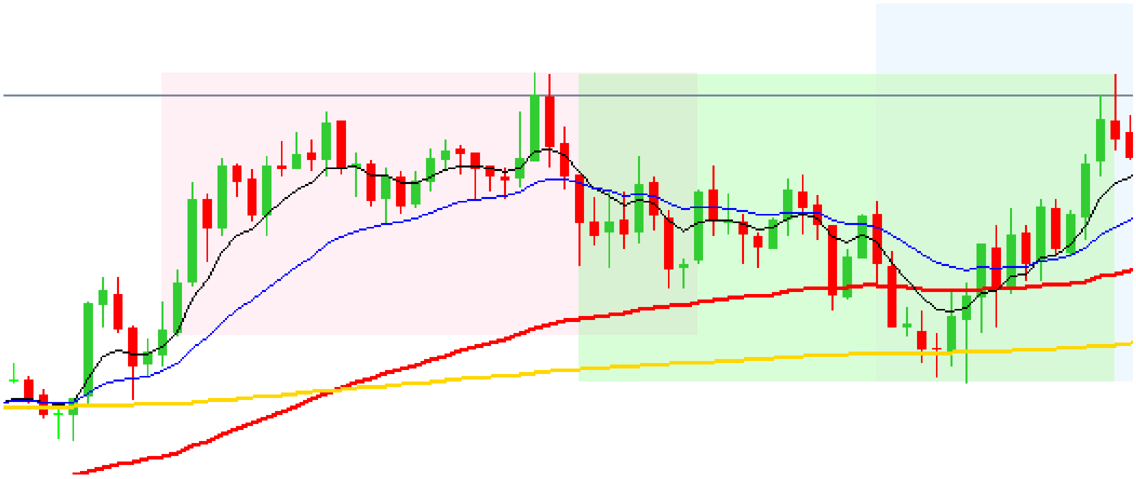
On the next chart you can see that I was fortunate in getting into a trade which followed with quite a large candle movement on 8 October 2009. Within 15 minutes of entering a BUY trade price movement took off quickly extending by +65 pips at one point until I partially closed 50% of my trade out for +57 pips. The trade then slowly reversed until I closed it out for a profit when a candle closed below the black MA(7).

2. Always take note of general price action during the previous few days. It is wise before you start your trading day to look at the charts of the currency pairs that you follow on a higher timescale such as the 4H or daily to gauge an overview of where price has been and to give you an idea of where it might be going. Higher time frame charts provide important information regarding long-term cycles. You can get a correct perspective regarding the long term direction of the market, and the strength or direction of the current trend occurring within that trend. Use the higher timeframe charts to ask yourself whether the trend is stalling, whether it is showing signs of reversing, etc. It is also rare for a currency pair to experience higher highs and higher lows for 5 for more days in a row without there being some kind of retracement. Also, if there has been a steep movement in one direction during the previous trading day without any retracement, be aware that there may be a retracement or mini correction looming in the market. Just watch for the signals so you are prepared. Much of this will come in time with experience.

3. Always be on the lookout for a number of candles of the same colour in sequence, before you make a trade – usually 7 or more spells danger. It could signal that a retracement could be just around the corner.



4. You will find that short term trend changes from one trading session to the next are very common. For example, if the GBPUSD has moved up quite rapidly during the Asian session, just be aware that it might just retrace during the European session or during the American session. It has to stop eventually, so you might wish to wait until there is a new opportunity instead of trying to catch a ride on an existing movement. In the chart below you can see price moved up strongly during the Asian session, but paused for breath during the European session before moving up again during the American session. Note the slope of the blue 15M MA(21), which I defined as the immediate trend line.



5. The best trades are generally to be found on the 15M charts when the MA(7) and the MA(21) cross on or very close to the MA(84); for those who are colour blind, this is when the **black** MA crosses the **blue** MA line, on or very close to the **red** MA. See the example below.

Converse to the situation above, when the blue/black MAs cross quite a distance away from the red MA, there is a strong possibility that the trade will be a poor one.

6. Always be careful entering any trade when the current price is close to an important Fibonacci pivot point level as there is a higher probability of price hitting the pivot level and then rebounding. The daily Fibonacci Pivot Point (the blue line or FPV line) in particular tends to show strong support and resistance. There are numerous examples on the various charts in this Manual as reference.

7. Always keep in touch with economic and political news. Some news announcements can have dramatic effects on the currency markets in general and on specific currency pairs. In addition to this, it is sometimes good to get Forex market technical analysts views on specific currency pairs. However, I would strongly caution taking any BUY or SELL "tips" they give, because they are invariably wrong. They give such recommendations to encourage you to trade with their firms, not because they are being nice to you. Base your trading decisions not on a tip or recommendation, but on your own analysis!

8. When there is a public holiday in Japan, the USA, Germany or the UK, take a holiday from the markets too. I have found that the markets can be very dull and lifeless on most occasions when there is a public holiday. On the same subject of a dull, lifeless market, there will be days when hardly anything seems to happen with your favourite currency pair(s). It is therefore advisable to monitor at least four currency pairs which are varied, eg, your selection includes a commodity currency pair, such as the AUDUSD or USDCAD, and at least one currency cross eg, EURGBP, AUDJPY, etc. This may help in finding at least one currency pair to trade. However, always let a trade come to you; if there is simply no trade signalled on any of your charts, don't trade! No trade is better than a losing trade.

9. It is always a big step progressing from trading with a demo Forex account to trading with a real, live cash-filled trading account. There is no comparison. Your psychological state, your confidence, your ability to think straight will be impaired. My recommendation is to consider trading with a Micro-trading account with just a few hundred $,€, £, etc, instead of jumping into trading with a large real account, so that you build up your trading confidence and experience without losing a fortune. You will still experience the same emotions as trading with a large account, but without the same financial pain if you happen to go to pieces with your trading.

10. Note that it is very rare to see price on any currency pair to exceed R4 or MR4 or S4 or MS4 levels on the daily Fibonacci pivots on any trading day, let alone reach and exceed MR5/MS5 or R5/S5. If you happen to be in a trade and you are at these dizzy heights, be happy to take your profits at these levels, as these price levels will not be sustained for long.

11. I strongly advise you not to trade more than two currency pairs at any one time. Furthermore, I also advise never placing more than 2% of your trading capital on any one trade. Two trades that go wrong can add up to 4% of your capital disappearing, so exercise restraint on how much you trade.

12. When considering entering into any trade with the Lindencourt FX System please take into account support and resistance levels. I have mentioned Fib pivot level support and resistance, but there is also daily highs and daily lows, channel line support and resistance and also Fibonacci levels based on recent highs and lows in the markets. Also, please note that whole numbers of currency pair prices can act as natural support and resistance levels. Eg, 1.6000, 1.4250, 131.00, 98.00, etc.

13. If you are unsure about entering a trade (your gut reaction says “no”), but the Lindencourt FX System indicates that there is a trade to be made, do not be afraid to follow your instinct. There will always be another trade coming along. It is never wrong not to take a trade, whether it turns out good or bad. It is important to have confidence in your trades, so if you have had a few losing trades in succession you might want to take a break, or trade using a demo account until you can build your confidence back up.

14. Finally, I will make a comment on making profits. Always be happy with a profit – any profit. It is so easy to say after the event what we should have done, but we can be too hard on ourselves sometimes, particularly when we have exited a trade early for a small profit only to see price run away for a large gain after we have sold. Remember, you exited for a reason and the price could have gone in the opposite direction. It is just how it happens sometimes. We are in this business – and I mean “a business” – for the long term, so exiting early on one trade is not a problem. Also, don’t forget I suggest focusing on a net 35 pips per day with this system. It may be difficult achieving this consistently, but the Lindencourt FX System goes a long way in helping you achieve this goal. 35 net pips equates to a substantial increase in your capital over a year, so we need to be realistic about our short term achievements. Remember, a little and often.

11 Spread Betting

Financial spread betting is both an alternative and attractive method of trading financial markets. Although it has been very much a British trading activity since the 1980s, spread betting - or "spread bet trading" as it is also known - is actually available to virtually anyone worldwide[1].

Spread betting, as the term rightly implies, is a form of "betting" or "gambling". Although this fact may even give the impression that "spread betting" is a down-market, poorly regulated relation to the more established methods of trading financial products, spread betting is in fact a highly regulated (by FSA) professional activity in the UK and offers individuals and companies an alternative means to make a great deal of money in the financial market. What is more, the profits from spread betting are completely tax-free for UK citizens, as well as for citizens in some other countries.

Until recently, spread betting has predominantly been a British preserve, but in fact almost anyone can now spread bet and the number of people from all corners of the world entering the spread betting arena has been growing rapidly.

As the term implies, spread betting is speculating about the outcome of some future event, and financial spread betting is specifically concerned about betting (or "trading") on the expected future price of a financial instrument – in our case a currency pair. You are essentially betting (ie, trading) on where you believe the underlying price of a financial instrument (eg the GBPUSD) is likely to go over a defined period of time. It is worth pointing out that unlike traditional betting, for example on a horse race where the outcome is a simple win or lose scenario, with spread betting you are rewarded based on the accuracy of the outcome of the bet - the more accurate you are with your prediction the greater the reward.

The key characteristics of spread betting

Spread betting is tax free

In the UK, where spread betting is predominantly based, all profits generated through spread bet trading are tax free for UK residents. At the time of writing it is also the case with some other countries like Sweden. This means there are no capital or income taxes payable. This can be a double-edged sword as any realised trading losses are not tax deductible. The tax position of trading gains made via spread betting for traders who are not UK residents is likely to be different, so non-UK spread betting traders should contact the tax authorities in their own respective country to clarify how spread betting gains are dealt with for tax purposes.

Spread betting is a margined product
Spread betting is a margined product - just like normal Forex trading - meaning that a position can be taken with only a fraction of its full value required as the initial deposit. The result of which is that the same very large profits can be made from a relatively small initial stake. In order to place a trade, an initial deposit called "initial margin requirement" (IMR) needs to be paid. This margin payment can be as small as 1/10th or even 1/100th of the full value of what is being purchased. Margin trading therefore allows a trader to take a much larger position than would otherwise be taken with the amount of the initial stake, which can result in much greater profits than would otherwise be achievable. Conversely, it could also mean much greater losses than would otherwise be incurred.

Spread betting is (almost) fee free
With spread betting there are no broker commissions or stamp duty (UK) fees to pay. Although there are no direct fees payable, spread betting companies, or firms, make their profits from the spread offered, which in most cases nowadays is similar to the spread size on the underlying financial product being traded. However, it is worth pointing out that if a spread bet trade is held overnight there is usually a small overnight financing charge payable.

Spread betting is possible on a vast range of financial products
The majority of spread bet trades are taken on equities (stocks), but because the range of financial products that can be traded via spread trading has greatly increased in the last few years the percentage of equity (or stock) spread bets have decreased relative to other spread trades placed. Other popular spread bet trading products now include Forex (both Spot Forex and Forex Futures); global stock indices, eg, DAX 30 index, FTSE100 index, NASDAQ index, the Dow Jones; individual financial stock sectors, eg, Banks, Telecoms, Pharmaceuticals; individual global stocks, eg, individual companies on the S&P500 or FTSE 250; futures and options; commodities and even interest rate futures. It is also possible to spread bet on the value of residential house prices!

Trade on International Financial Markets with No Currency Exchange Risk
When you place a spread bet trade on any financial instrument for example on stock listed on a foreign stock exchange, you will place a bet, or trade, using the base currency of your chosen trading account (£, $, or €) held with your spread betting company. The whole of the trade will be handled or processed in your chosen currency thereby removing any potential currency exchangerisk.

Forex Trading Example

Up until now I have been fairly general in my description of what spread betting actually is, since this Section is based on an article that I wrote earlier this year. However, as this Manual is all about trading Forex, let's just look at a simple example of how we would trade Forex via spread betting. You will see that it is not rocket science. In fact it is very much like trading Forex in the usual way, but even simpler - even I can do it.

Quite simply all you do is "bet" or trade an amount per pip in one or other direction from the immediate spread. For example, the EURUSD Is currently quoted at 14789-91 (the spread is virtually the same as with your usual Forex broker, in some cases it is even more competitive with spreads of 1 pip or less on the majors). You decide to SELL at $5 per point @ 14789. After 2 hours the price has fallen to 14767-69 and you decide to close out the position. To close out your position you need to BUY $5 @ 14769.

Price to Open Trade	14789
Price to Close Trade	14769
Gain	**+20 pips**

The difference is +20 pips so your profit is +20 pips x $5 = **$100 profit.**

NB. one of the benefits of spread betting is that it would not make any difference if you traded in €, $ or £ the profit would be 20 pips x your chosen currency. So if you undertook this trade using your Euro-based trading account, your profit would be 20 points x €5 = €100. Likewise if you traded with a Sterling-based trading account, your profit would be 20 points x £5 = £100. There are no exchange differences unlike with standard Forex trading. So put your pip calculator away as it is not needed with spread betting.

In the above example if the price moved against you to, say 14797-99 and you decided to close out the trade, your loss would be as follows:

Price to Open Trade	14789
Price to Close Trade	14799
Loss	**+10 pips**

The difference is -10 pips so your loss is -10 pips x $5 = **$50 loss.**

This has been a brief introduction to spread betting to those who know little or nothing about it. I hope this provides you with a useful introduction to this great alternative to trading Forex in the usual way. If you are a UK citizen, I strongly advise you to trade Forex with the Lindencourt FX system using spread betting, not least because of the tax advantage afforded to you.

Appendix

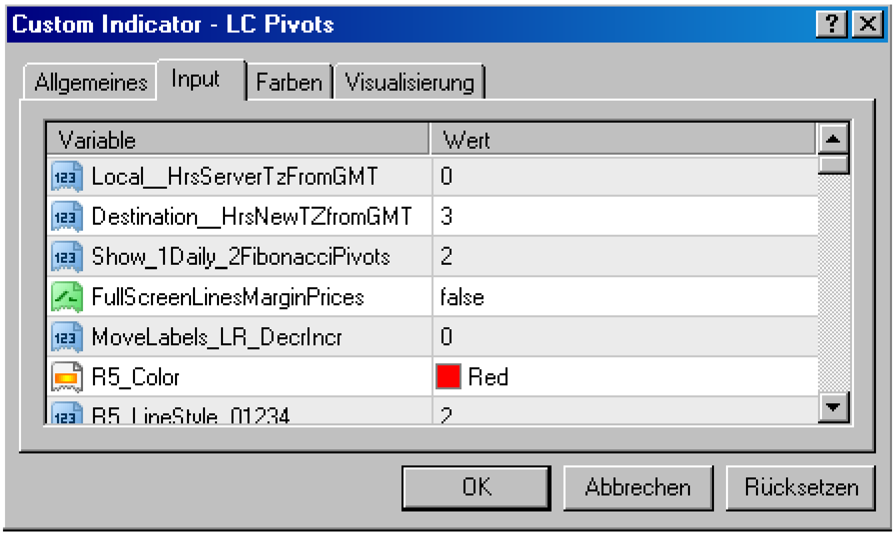
Appendix 1

Indicator Settings

Fibonacci Pivots Indicator Settings

MetaTrader with "GMT" Settings -(IBFX, ODL, CMS, Forex Ltd, Cantor Fitzgerald)

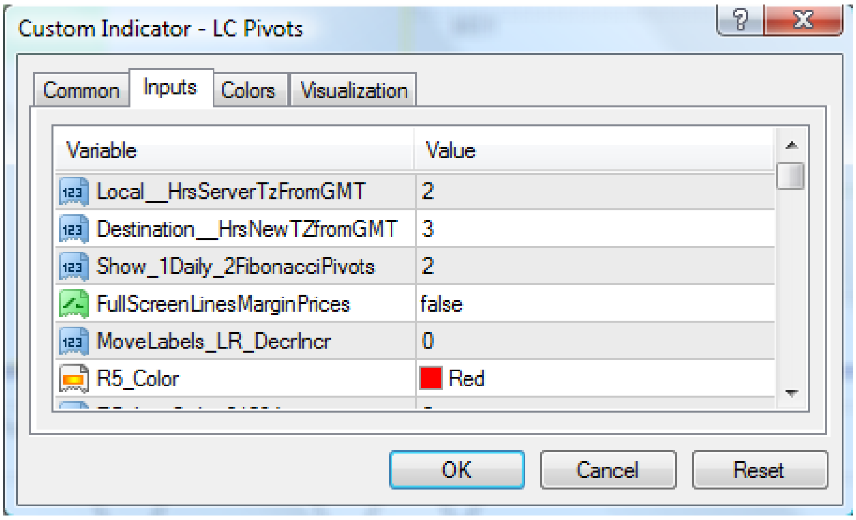
To amend the Fibonacci Pivots Indicator level right-click on a chart and select **Indicators List**. Scroll up and select **LC Pivots**. If your MT4 platform time scale is GMT please ensure the settings under the **Input** tag are as per the image below. Only the first 3 rows are relevant. Please leave the rest of the settings as per the default settings. This will ensure the Fibonacci indicator starts at the close of the New York Session.



NB The figures above will need to show "0", "2", "2" during winter time (when the +1hr daylight saving time adjustment does not apply)

MetaTrader with "GMT+1" Settings - (FXCM, MIG, Alpari, Varengold)

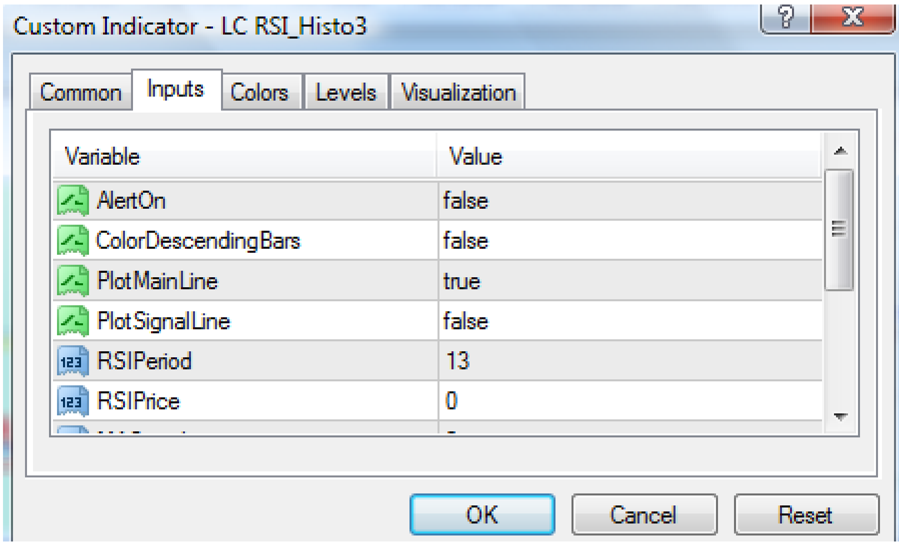
To amend the Fibonacci Pivots Indicator level right-click on a chart and select **Indicators List**. Scroll up and select **LC Pivots**. If your MT4 platform time scale is GMT+2 please ensure the settings under the **Input** tag are as per the image below. Only the first 3 rows are relevant. Please leave the rest of the settings as per the default settings. This will ensure the Fibonacci indicator starts at the close of the New York Session.



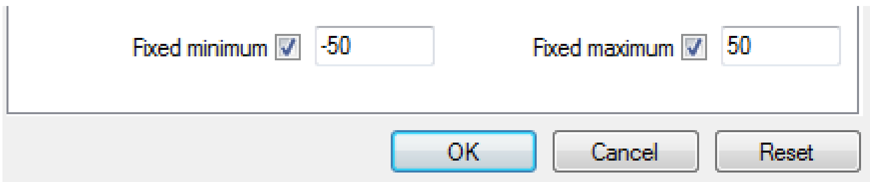
NB The Figures above will need to show "1", "2", "2", during winter time (when the +1hr daylight saving time adjustment does not apply during early Nov - end March).

RSI Histo Indicator Settings

To amend the RSI Histo Indicator, right-click on the indicator itself and left-click on **RSI HistoAlert**. The following box will appear. Ensure the **Inputs** Tag is as per the box below. Please also ensure that **Fixed Minimum** and **Fixed Maximum** boxes under the **Common** Tag are also checked and ensure -50 and 50 are entered in the numerical fields next to the check boxes.

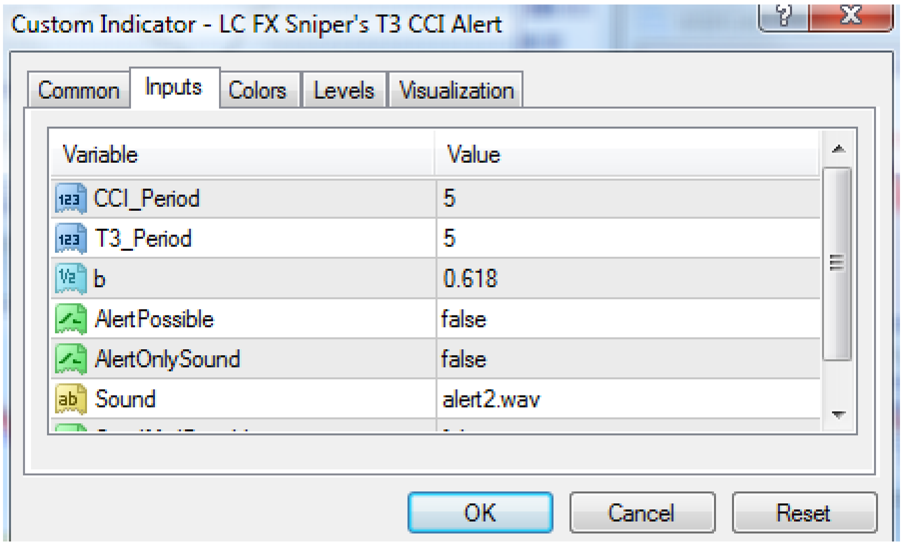


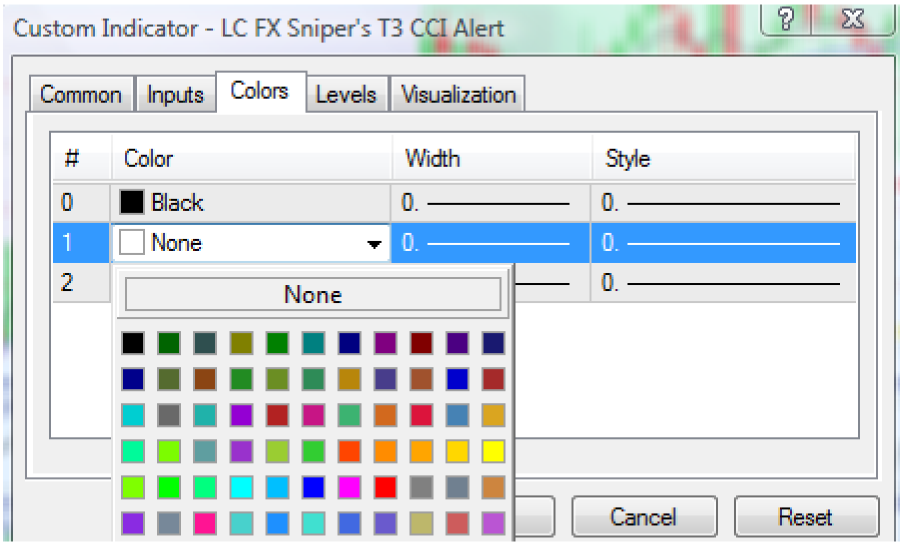
Common Tag...



CCI Indicator Settings
(FX Sniper CCI T3 Alert)

To amend the CCI Indicator, right-click on the indicator itself and left-click on FXST3. The following box will appear. Ensure the **Inputs** Tag is as per the box below. Please also ensure that under **Colors** that) is Black, and 1 and 2 are blank (double click the Color cell and select "None")





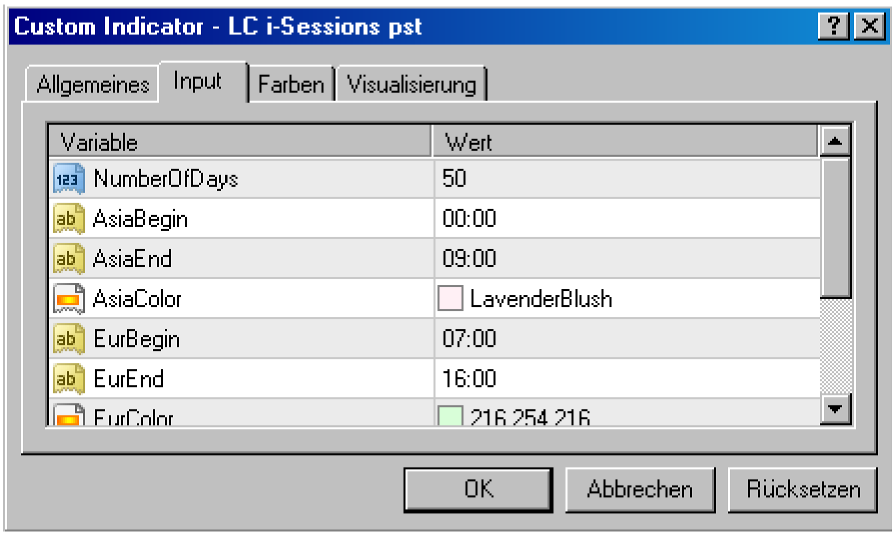
i-Sessions Indicator

GMT Settings
(eg ODL, IBFX, Forex Limited, CMS, Cantor Fitzgerald MT4 platforms)

To amend the i-Sessions Indicator level right-click on a chart and select **Indicators List**. Scroll up and select **LC i-Sessions**. Select **Edit**. If your MT4 platform time scale is GMT please ensure the settings under the **Input** tag are as per the image below. Only the Asian European and American Begin and End session times need amending according to your MetaTrader time Zone. Please leave the rest of the settings as per the default settings.

Setting for GMT are	**Hrs**	**Summer Times (adjust for Daylight Saving Time)**	
Asia Begin	00.00	00.00	
Asia End	09.00	09.00	
Eur Begin	08.00	07.00	(Covering both Frankfurt and
Eur End	17.00	16.00	London market sessions)
US Begin	13.00	12.00	
US End	22.00	21.00	

Screenshot of summer settings



NB Asia start/end time can change according to whether one refers to Tokyo or Hong Kong opening times. Also please note that there is no Daylight Saving Time changes for Asia.

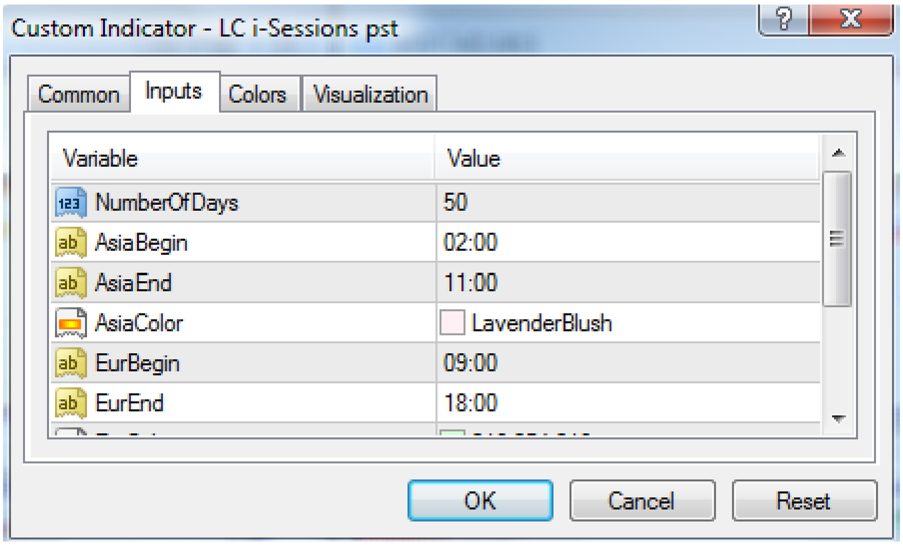
GMT+1 Settings (+1hr daylight Saving Time April - November**)**
(eg FXCM, Alpari, MIG, Varengold)

To amend the i-Sessions Indicator level right-click on a chart and select **Indicators List**. Scroll up and select **LC i-Sessions**. Select **Edit**. If your MT4 platform time scale is GMT please ensure the settings under the **Input** tag are as per the image below. Only the Asian European and American Begin and

End session times need amending according to your MetaTrader time Zone. Please leave the rest of the settings as per the default settings.

Setting for GMT +1 are	**Hrs**	**Summer Times (adjusted for Daylight Saving Time=GMT+2)**	
Asia Begin	01.00	02.00	
Asia End	10.00	11.00	
Eur Begin	09.00	09.00	(Covering London market session only)
Eur End	18.00	18.00	
US Begin	14.00	14.00	
US End	23.00	23.00	

Screenshot of summer times:



NB Asia start/end time can change according to whether one refers to Tokyo or Hong Kong opening times. Also please note that there is no Daylight Saving Time changes for Asia - this ended in 1951!

Other MetaTrader Time Zones

If your MetaTrader version is different from GMT and GMT +1 covered above, please amend accordingly. If you need help, please contact support@lindencourt.net .