1min system Tricolor V2

This variation attempts to combat several things

1. Attempts to capture more trading opportunities due to the some times weak rally or retracement of price when looking at the long term stochastic which in reality will not get to that oversold or overbought condition
2. Attempts to capture more signals which would otherwise not be triggered due to the fact that the quickest MA of the 3 can whip up and down destroying the correct alignment for a trade
3. Uses a sliding stop to attempt to capture larger risk reward opportunities.

This is not a recommendation just a variation that some may prefer.

Time frame   1min

Swaps used   EURUSD,GBPUSD,USDCHF

Indicators used

165 exponential ma apply to close

63 exponential ma apply to close

Stochastic colour

K..15 Slowing..1   D..6
Linear weighted
close/close
OB 80   OS 20

Envelopes
Period 8
MA simple
Deviation 0.02%

General outline

Using the 2ma's which look at the trend
On a 5min chart the 165ma represents the 34ma
On a 5min chart the 63 ma represents the 13ma…. both fib numbers

Envelopes – locate pull backs and rallies within the trend
Stochastic colour – used as entry trigger

Long signal

63 above 165 ma
Lower band below 165ma.. can be both bands
Price below bottom MA
Entry candle below bottom MA
Stochastic ticks from below to above 20

Short signal

63 below 165 ma
Higher band above 165ma.. can be both bands
Price above top MA
Entry candle above top MA
Stochastic ticks from above to below 80

Stop loss

Stop loss is always 1 pip above the last swing hi for a short or 1 pip below swing lo for a short

In the above short it would be the hi of the 3rd candle back from the signal candle

In the above long it would be the lo of the 1st candle back from the signal candle

Our stop loss is always a % of our account size,I personally use 5% this is down to personal prefernce the more confident in the system the higher amount of % you may wish to risk

The industry standard is 1-3%

TP

With the tricolor V1 I advocated the use of 10% tp 5% risk

Advantage often gets 10% on decent move
Disadvantage - Can get to + 8 or 9% and then end up losing 5%

The below trys to avoid that by moving the stop loss.I havnt got enough recorded figures to prove one way is best over the other so user feed back would be help full

The TP is graduated and I use a fibonacci Retracement tool
Set up like the following

0   -   SL –5%
1   -   Entry
2   -   5%
3   -   10%

etc etc

We place the Entry line on our actual market fill
We place out SL line on our Stop loss (1 pip above or below swing hi or lo)

Stop Loss movement

When price hits 5% we move stop to entry
When price hit 10% we move our stop to 5%
When price hits 15% we move our stop to 10%

Etc etc

Here is a trade that triggered at 4.50pm today 6th Jan 2012 on EUR USD
10 mins before London close

This trade gained me 25% return on account follow down the lines on the
Fib tool

Trading Times

Lets not get bogged down with server time local time etc etc

I set my market lines to show

London Open 8am UK time
London close 5pm UK time

A simple look at the chart on a 5 or 15min time frame will show very poor movement before London open and often poor movement after although you will always get the exception to the rule and see some very nice signals

Placing the trade

I use a spread betting company to place my trades as I can stipulate £10 per pip across all swaps, which makes life easy

You could stipulate £1 per pip or £100 per pip depending on account size

There are many available with decent spreads, some even use MT4 as a plateform

<u>Notes</u>

Never reverse, always stay with a trade to its conclusion

We should end up with either

A winner
A loser
A trade that break even

Paulus