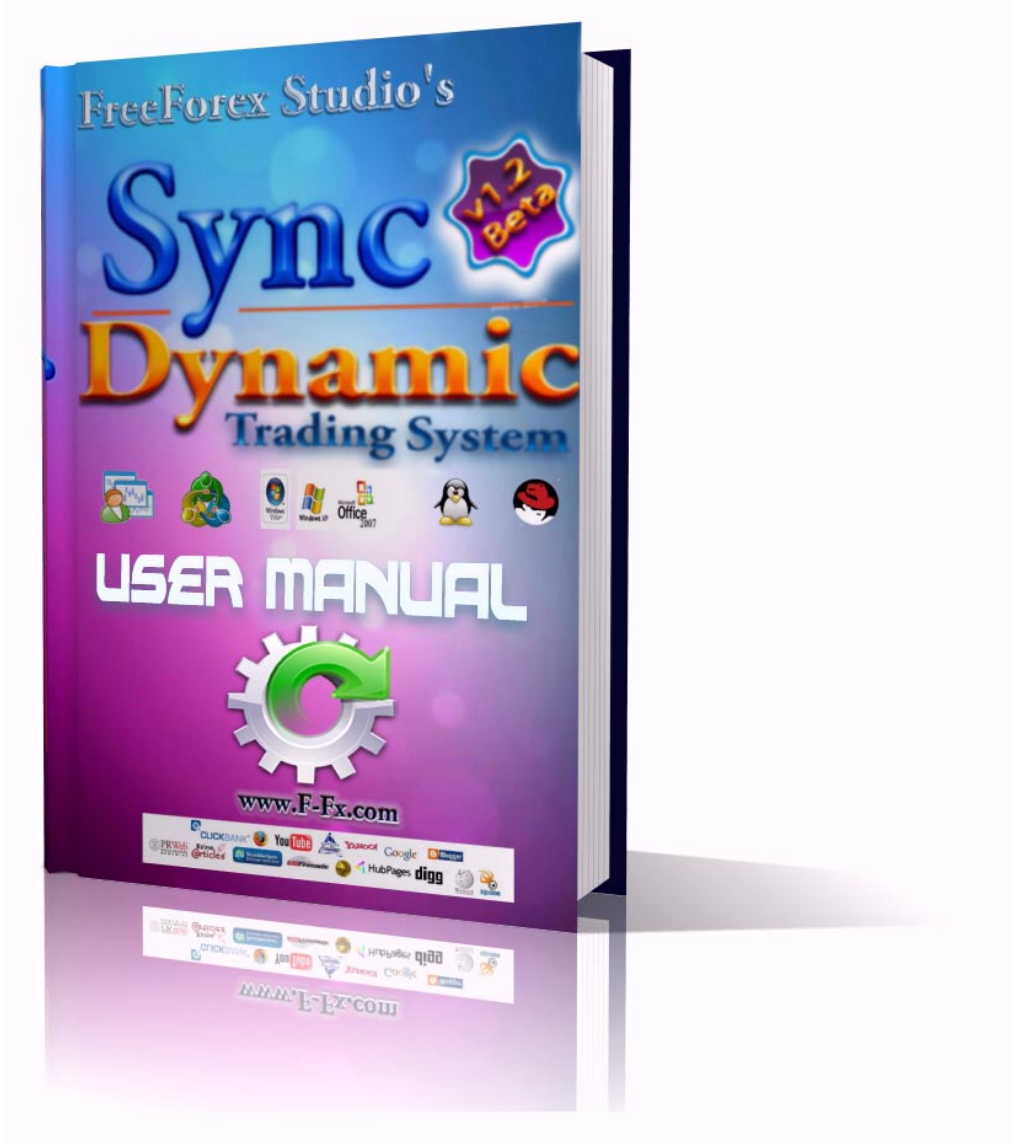
Dynamic Sync Trading System

Metatrader 4 Edition

Version 1.XX



Free Forex Studio

http://www.F-Fx.com

http://www.ForexSync.com

Contents

Welcome

Dear Trader,

Many thanks and compliments for purchasing Dynamic Sync Trading System!

This system is really powerful, yet so easy to use.

We've spent a lot of time to improve its indicators sets, but with this final release we think we have finally found a great and comprehensive instrument for trading.

Since we've decided to make public our Trading Systems, we've collected so many feedbacks from our customers worldwide and continuous endeavor in research that today makes Sync Trading one of the best selling software and most profitable strategy on the market.

Here we will explain our unique strategies for intraday, scalping and multi-currency swing trading.

You're welcome to join us in our success!

To our successful trading,

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General Setup Procedure

A. Requirements to Run Sync Trading System

COMPUTER WITH MINIMUM REQUIREMENTS:
Intel compatible 500 MHz CPU computers
64 MB RAM
10 MB free hard disk space
Win95/Win98/WinNT/Win2000/Win2003Server/WinXP
PLATFORM REQUIREMENTS:
MetaTrader by MetaQuotes Software Corp.

B. Getting Familiar with Your Platform

Before install Sync Trading System, please make sure that Windows, MetaTrader are installed and running properly and you are familiar with the following topics:

1. **Installing new indicators.**
2. **New "Chart Window" setup.**
3. **Receiving real time data.**
4. **Inserting indicators to a chart**
5. **Formatting indicators**

The above five topics are basic and essential for using MetaTrader and Sync Trading System. If you have any questions about these issues, please read the MetaTrader help OR CALL METAQUOTES SOFTWARE CORP. TECHNICAL SUPPORT LINES.

MetaQuotes Software Corp. also provides on-line support at http://www.metaquotes.net/contact.htm

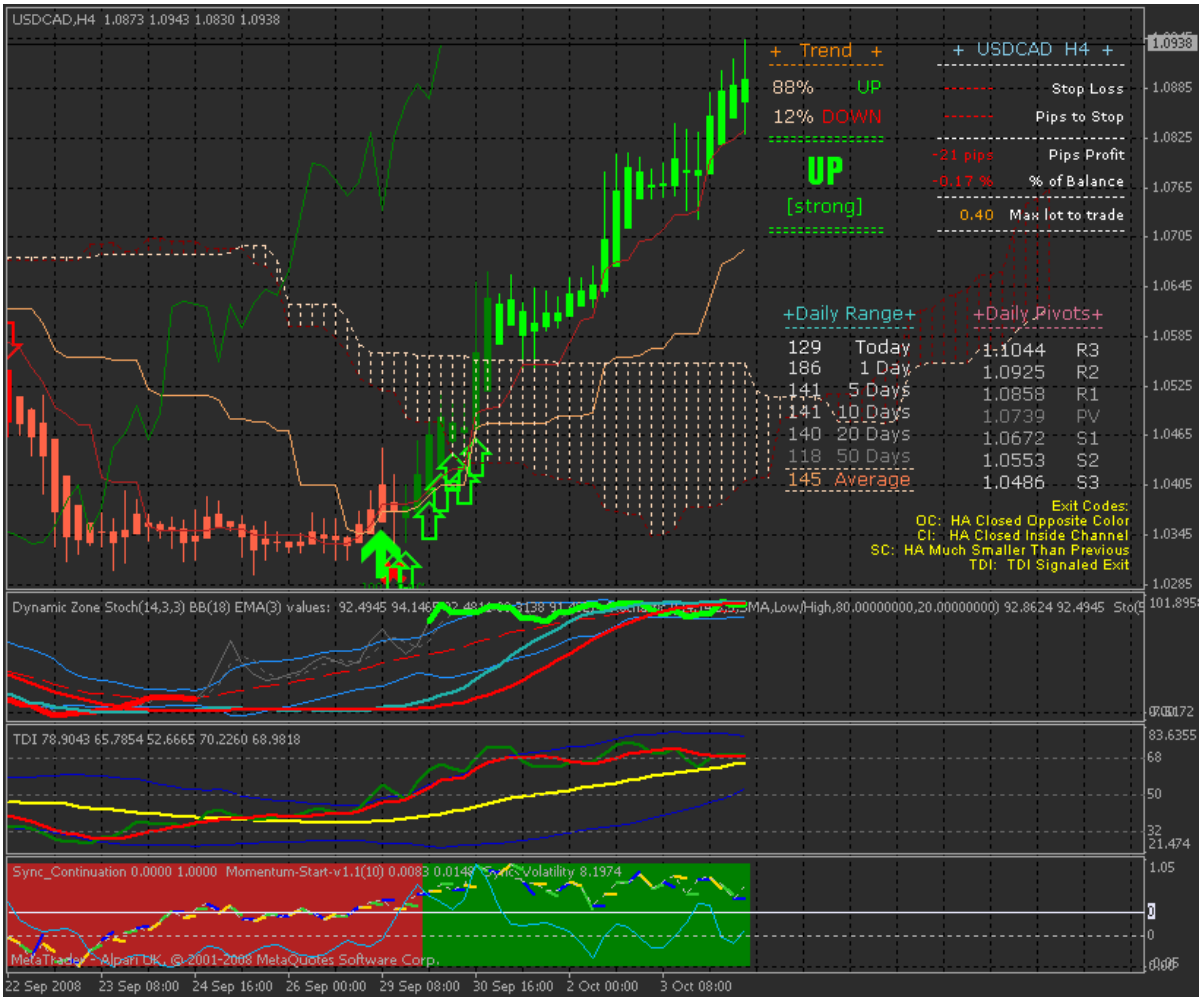
C. Installation Procedures

You may find Sync Trading Software and MetaTrader Platform installation instructions
In 'INSTALLATION.PDF' file.

System Overview

Let's see in details how Sync Trading System is built.

The heart of the system is the entry/exit indicator: arrows which signal entry points, and crosses for exit points.
Big arrows and crosses follow the same rules of T.D.I. intraday strategy explained below.
All the signals never disappear or repaint: what you see is what you get real-time.
Then under the main price chart we have two frames: on the first one we have a combination of multi-timeframe stochastic on dynamic bands, on the second we find the Sync Dynamic Zone RSI all-in-one indicator; we will see how they work.
The great thing is that all the indicators moves in sync, and confirms each other.
The last window shows the filters: Momentum, Volatility and Major Trend.
Over the price chart are plotted the Panel with Money Management system, Daily Pivot Calculator and Trend Analyzer, plus all the other indicators on which Sync Trading Strategy is based.



Why "Dynamic"?

Because this system use custom Dynamic Zone Indicators instead of traditional ones.
The Dynamic Zone indicator is best explained by describing how it solves a common trading problem. Extreme investing employs the use of oscillators to exploit tradable trends in the market. This style of investing follows a very simple form of logic: only enter the market when an oscillator has moved far above or below traditional trading levels. However, these indicator driven systems, lack the ability to evolve with the market because they use fixed buy and sell zones. Traders typically use one set of buy and sell zones for a bull market and substantially different zones for a bear market.
Herein lays the problem. Once traders begin introducing their market opinions into trading equations, by changing the zones, they negate the system's mechanical nature. The objective is to have a system automatically define its own buy and sell zones and thereby profitably trade in any market -- bull or bear. Dynamic Zones offer a solution to the problem of fixed buy and sell zones for any indicator driven systems. Dynamic Zones offer traders a different perspective on the typical trading systems. The markets are constantly changing, and if indicator driven trading systems are to remain competitive, they must learn to evolve with the markets. Dynamic Zone based trading systems can actually quantify the extremes and thereby improve the trading process. And most importantly these trading improvements can be used to increase the profit potential in any market.

Why "Sync"?

Because when specific market forces (Price Action, Trend, Momentum and Market Strength) are working in unison, the combined effect can produce higher probability trades. The Sync trading method depicts...in real-time...the interaction of these market forces providing traders the means to make trading decisions with greater confidence and less emotional hassle.
With Sync, traders identify and use two important trading components in real-time: Price Action and Sentiment.
Price Action is market movement, such as the oscillation of Open, High, Low and Close prices. Too often, traders are mesmerized by trivial price fluctuations and lose sight of the underlying trend of the market. Many traders tend to jump in and out of the market instead of staying with the trade as a trend develops. Sync is designed to eliminate price distortions. It reveals periods of market strength and trend and periods of consolidation.
Sentiment is the intuitive feeling or attitude of traders and investors in the market. For example, if the sentiment of the market is bullish, then traders and investors expect an upward move in the market. Often, sentiment is an indication of optimism or pessimism in the market based on recent news announcements or political events. The Sync method uses a hybrid custom indicator developed to show positive (buyers) sentiment or negative (sellers) sentiment.
Working in unison, Price Action and Sentiment give traders a distinct trading advantage. When both are in agreement, favorable trading conditions exist. For instance, when price action is showing upward movement with buyer's sentiment, there is higher probability of a Long position having a favorable outcome. Similarly, when price action has a downward movement in conjunction with sellers' sentiment, a short position has a favorable outcome.

Indicators

Entry/Exit Indicator – Arrow and Crosses

Sync Trading System indicator visually paint entry/exit alerts following the original Sync Strategy for intraday trading, based on TDI indicator. The strategy itself is explained below.

- **Big Arrow: buy/sell**
- **Big Cross: exit position**
- **Empty Arrow (following the Big Arrow): add to position/trend confirmation**

How to enable Email Feature

Generate your own Signals!

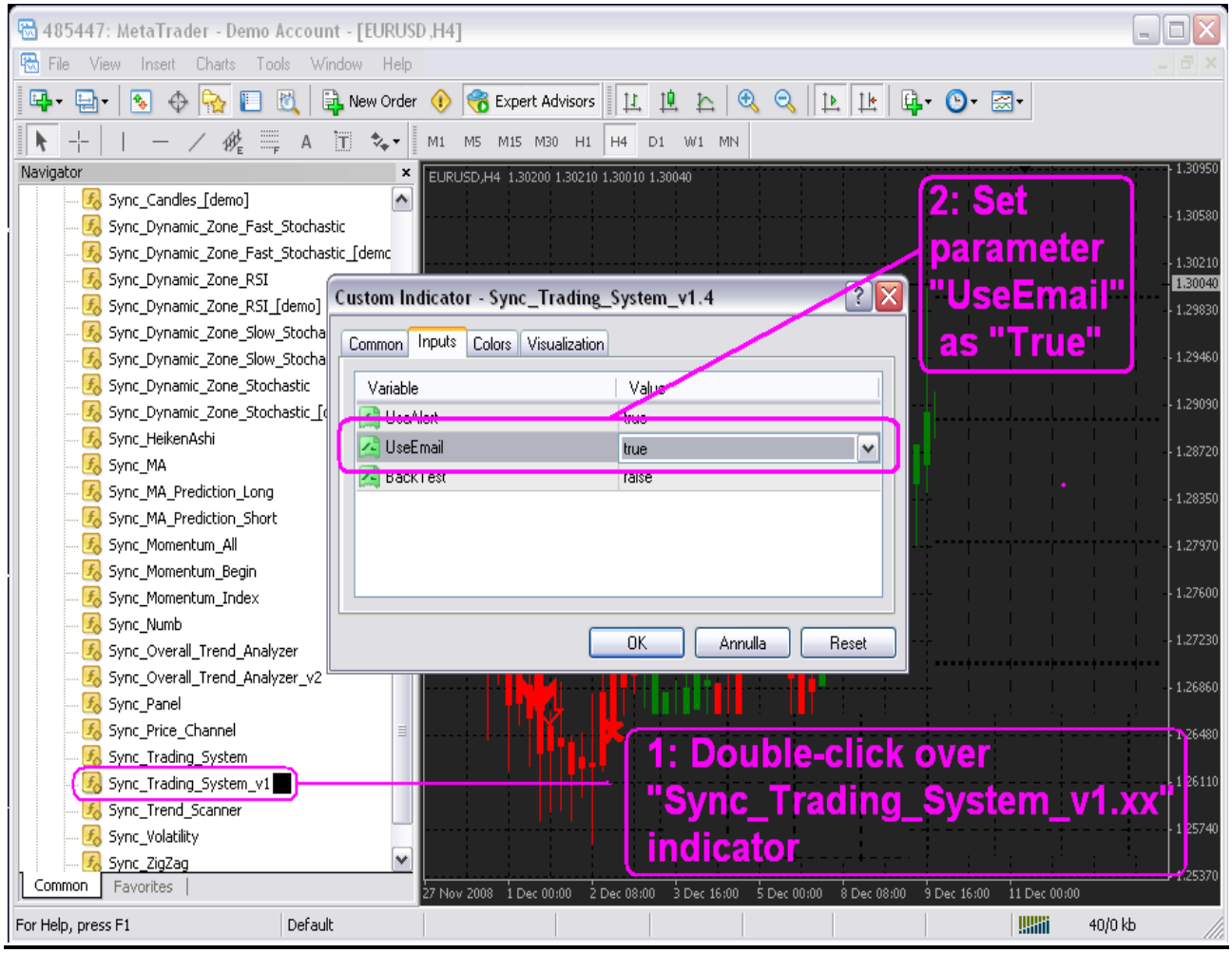
Last release of Dynamic Sync Trading system now allow you to generate your own trading signals and send them to your email or to many email addresses by redirecting the main email alert.

To setup your Metatrader client terminal to work as a signal generator, simply follow the steps below.
On your Metatrader 4 Client Terminal :

1. Right click on the chart window, where you have loaded “Sync1.2” template, and select “Indicator List”

2. A list with all the indicators will appear, select the indicator “Sync_Trading_System” , double-click on it or click once the “edit” button to set parameters.

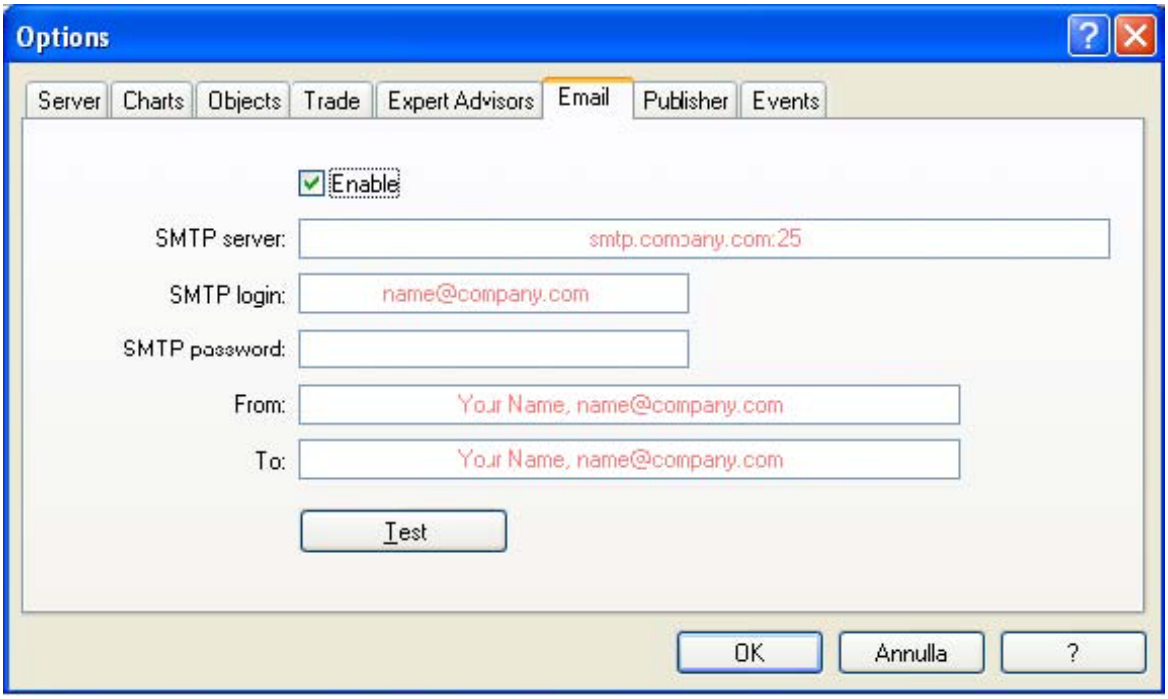
3. Set as “true” parameters “UseAlerts” and “UseMail” as shown in the picture below.



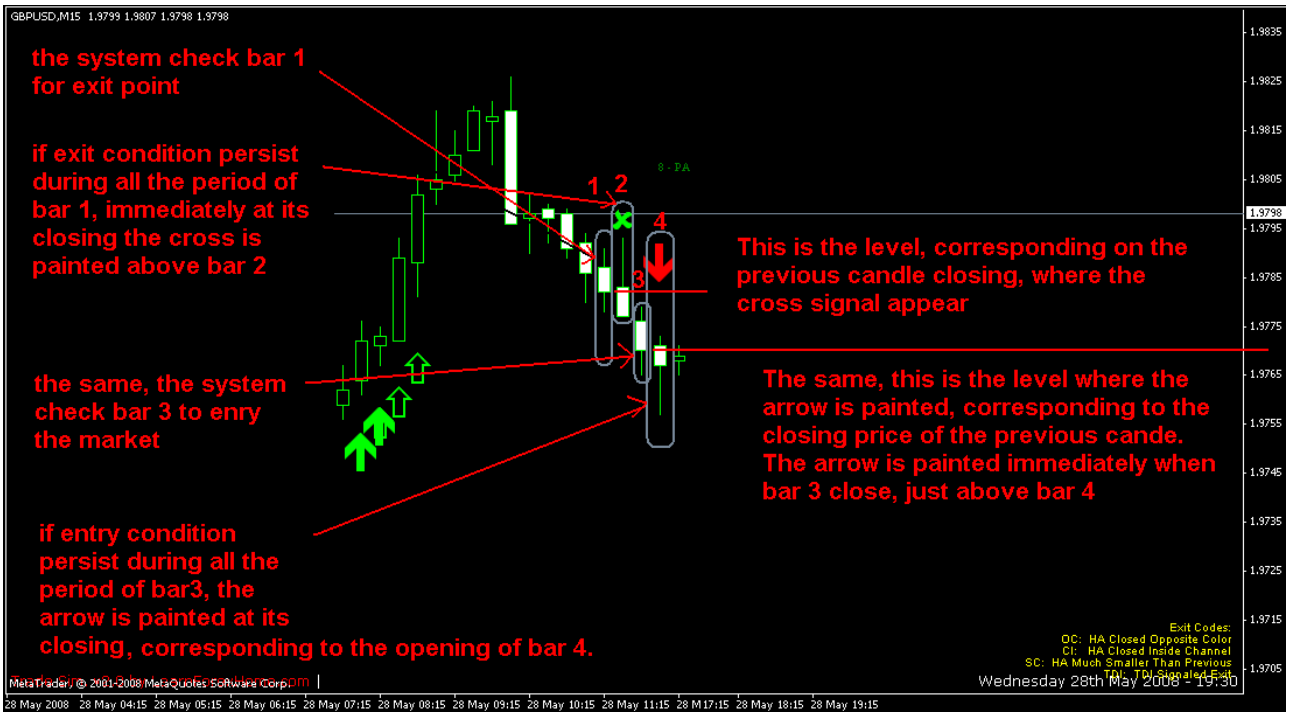
Now you have to setup your Metatrader 4 Client Terminal to send emails to your account.

1. On the top menu, select “Tools” and then “Options”.

2. On the options window, go to “Email” tab and set parameters as shown below. Kindy contact your email provider for further help on how to setup smtp server and login details.



The indicator also has a lot of useful utilities such as visual and audible alerts, and embedded email signals generator also explained above.



BACKTEST UTILITY

The Sync Trading System indicator also include a very useful utility for back test

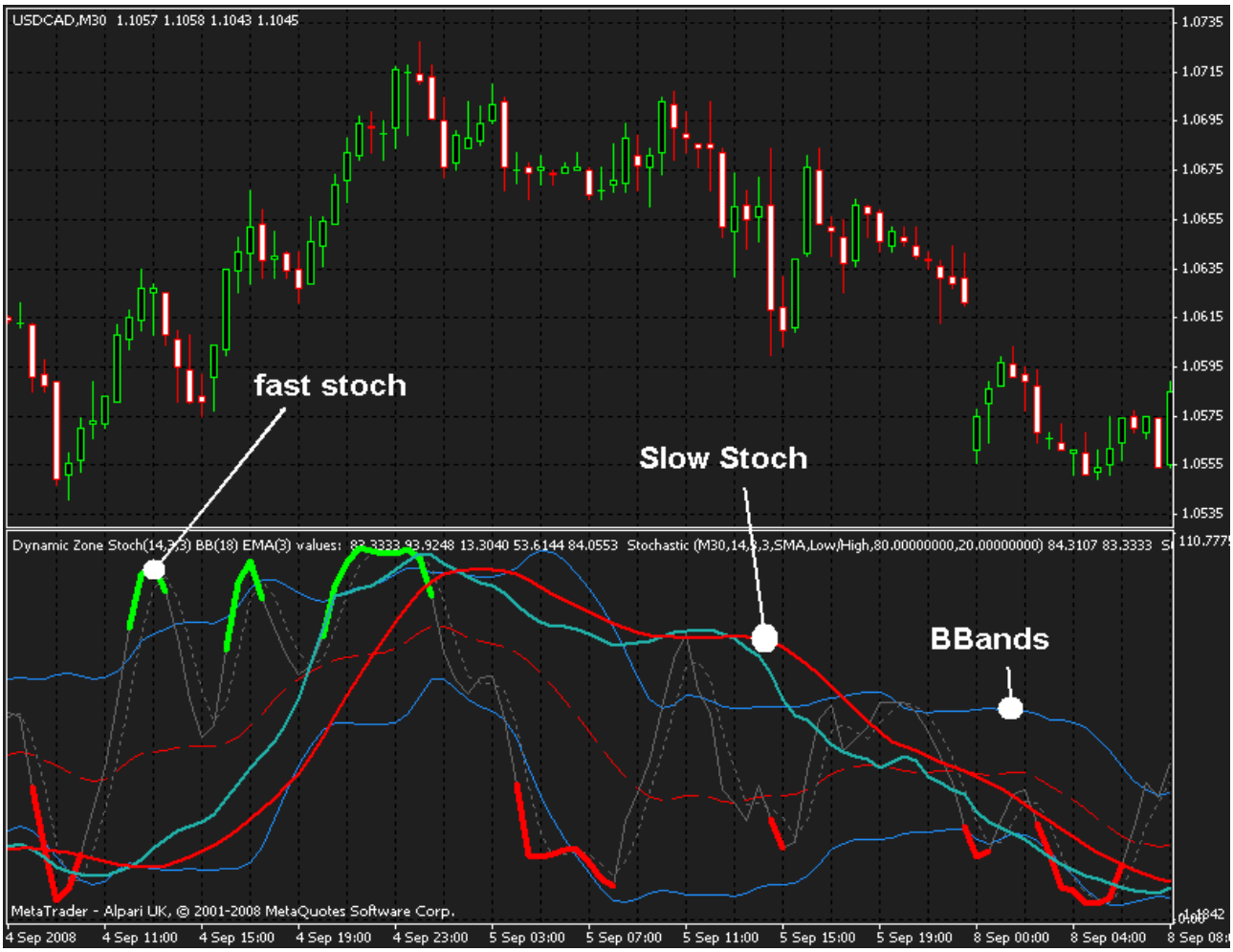
All you have to do to back test is open a chart, press the "Home" hey until the chart stops scrolling (this will get all the available data for that chart from your broker), then with the chart still scrolled back all the way, apply the indicator, then hit the "End" key to go to the most recent part of the chart, and read the total pips.

To read total pips you must set true the parameter “Back Test”.

Back tests show that the strategy works best on the 30M timeframe with the GBPUSD, EURJPY, EURUSD, GBPJPY, USDCHF, USDJPY and CADJPY.

Dynamic Zone Stochastic

A price-action analysis tool



Placed right below the price chart you have a combo frame.

This includes the Dynamic Zone Stochastic, together with a Colored Fast Stochastic and a Slow Stochastic.

The purpose of this indicator set is to visually split minor moves (pullback) during the evolution of the major trend, and to determine upper and lower boundaries and signal potential reversal or breakouts.

This will give the trader the ability of immediately estimate the power of the movement running, and decide if there's enough space to enter at the first pullback, or is better wait for the new trend.

Grey/Red/Lime line = Colored Stoch (default 14, 3, 3)
Blue lines: Bollinger Bands (18)
Cyan line = EMA (hidden by default, set 5)
Red line = median line of the Bollinger Band (18) or SMA (18)

Developed by George C. Lane in the late 1950s, the Stochastic Oscillator is a momentum indicator that shows the location of the current close relative to the high/low range over a set number of periods. Closing levels that are consistently near the top of the range indicate accumulation (buying pressure) and those near the bottom of the range indicate distribution (selling pressure).

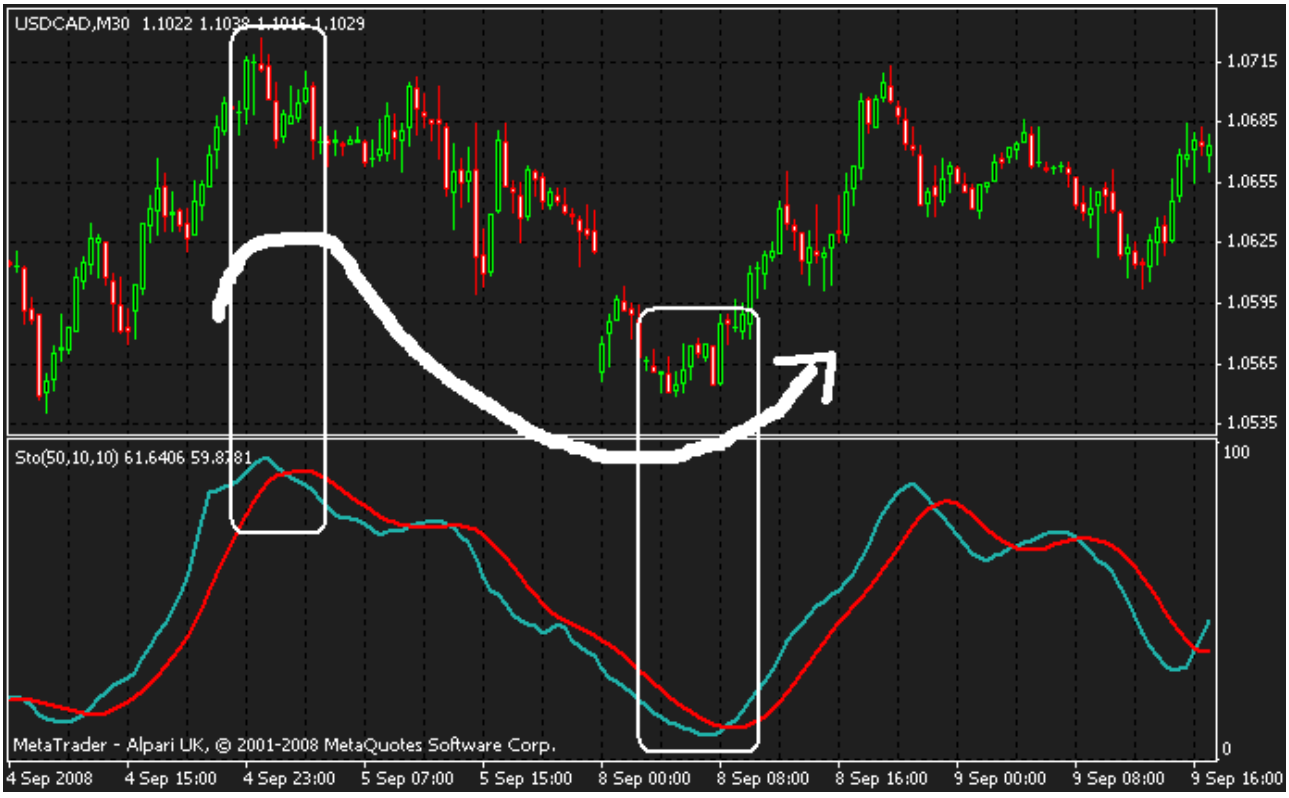
Readings below 20 are considered oversold and readings above 80 are considered overbought. Lane believed that some of the best signals occurred when the oscillator moved from overbought territory back below 80 and from oversold territory back above 20.

Buy and sell signals can also be given when %K crosses above or below %D. However, crossover signals are quite frequent and can result in a lot of whipsaws.

One of the most reliable signals is to wait for a divergence to develop from overbought or oversold levels. Once the oscillator reaches overbought levels, wait for a negative divergence to develop and then a cross below 80. This usually requires a double dip below 80 and the second dip results in the sell signal. For a buy signal, wait for a positive divergence to develop after the indicator moves below 20. This will usually require a trader to disregard the first break above 20. After the positive divergence forms, the second break above 20 confirms the divergence and a buy signal is given.

Slower Stochastic is set to follow the major trend.

When the blue trigger line cross below or above the red line in the overbought/ oversold area, the current trend is over and the new one is starting.



Dynamic Zone Stochastic is the natural evolution of the Lane's Stochastic.

It is based on a colored fast stochastic painted over a fast Bollinger Bands indicator.

Bollinger Bands are a technical trading tool created by John Bollinger in the early 1980s. They arose from the need for adaptive trading bands and the observation that volatility was dynamic, not static as was widely believed at the time.

Lane did not believe that a reading above 80 was necessarily bearish or a reading below 20 bullish. A security can continue to rise after the Stochastic Oscillator has reached 80 and continue to fall after the Stochastic Oscillator has reached 20.

The purpose of Bollinger Bands is to provide a relative definition of high and low. By definition prices are high at the upper band and low at the lower band. This definition can aid in rigorous pattern recognition and is useful in comparing price action to the action of indicators to arrive at systematic trading decisions.

Faster Stochastic will help you to follow all the pullbacks inside the trend.

This indicator set really can visually split minor moves (pullback) during the evolution of the major trend, and determine upper and lower boundaries and signal potential reversal or breakouts.

On the above pic you see 1,2,3 waves moving to the opposite side of the major trend, but always bouncing on the midline or the opposite line of BBands indicator.

The breakout arrives when price breaks the trend line.

A glance at Elliot Wave Theory

a. Overall

In technical analysis, just as in fundamental analysis, there are lagging indicators and leading indicators. One of the most reliable tools used to predict forex market swings is Elliott Wave analysis. Elliott Wave analysis can be used to identify trends and countertrends, trend continuation or exhaustion and to evaluate the potential price targets of a trend.

You can apply Elliott Wave analysis to both long and short position swing trade set ups for your currency pairs.

Elliott Wave theory is named after Ralph Nelson Elliott, who concluded that the markets moved in a repetitive pattern of waves. He attributed this action to the mass psychology of the market.

Elliott concluded that the market's movement was a direct result of the mass psychology of the time and that the stock market is a fractal. A fractal is an object that is similar in shape, but at different scales. A great example of a fractal in nature is a stalk of broccoli. The stalk and the individual branches look exactly the same; just the branches are smaller in scale.

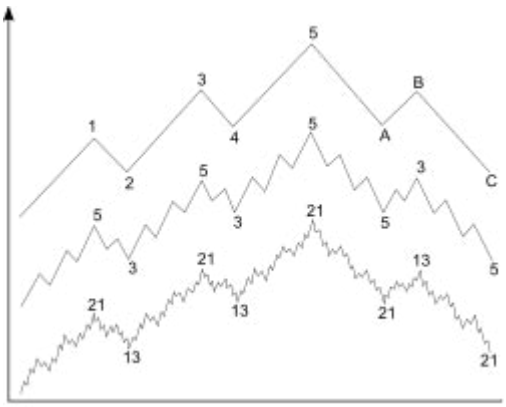
Fractals just happen to form in accordance with Fibonacci ratios. Is this a coincidence?

Elliott attributes this mass psychological move to the human trait of herding. Even though Elliott's theories were based on stock market price movements, it has been applied to evaluating Presidential approval ratings and fashion trends changes as well.

b. Waves

The wave principle posits that collective investor psychology (or crowd psychology) moves from optimism to pessimism and back again. These swings create patterns, as evidenced in the price movements of a market at every degree of trend.

Practically all developments which result from (human) social economic processes follow a law that causes them to repeat themselves in similar and constantly recurring serials of waves or impulses of definite number and pattern. R. N. Elliott, in Nature's Law: The Secret of the Universe Elliott's model says that market prices alternate between five waves and three waves at all degrees of trend, as the illustration shows. As these waves develop, the larger price patterns unfold in self-similar fractal geometry.



Within the dominant trend, waves 1, 3, and 5 are "motive" waves, and each motive wave itself subdivides in five waves. Waves 2 and 4 are "corrective" waves, and subdivide in three waves. In a bear market the dominant trend is downward, so the pattern is reversed—five waves down and three up. Motive waves always move with the trend, while corrective waves move opposite it.

c.

d. Elliot Wave Patterns

The patterns link to form five and three-wave structures of increasing size or "degree." Note the lowest of the three idealized cycles. In the first small five-wave sequence, waves 1, 3 and 5 are motive, while waves 2 and 4 are corrective. This signals that the movement of one larger degree is upward. It also signals the start of the first small three-wave corrective sequence. After the initial five waves up and three waves down, the sequence begins again and the self-similar fractal geometry begins to unfold. The completed motive pattern includes 89 waves, followed by a completed corrective pattern of 55 waves.

Elliott Wave patterns follow a sequence that the markets move up in a series of 3 waves and down in a series of 2 waves. This 3 wave impulse and 2 wave corrective sequence form the foundation of the 5 Wave impulse pattern (the opposite is true in a downtrend).

The Elliott Wave Counts are as follows;

Wave 1 - Short Covering
Wave 2 - Pullback from Short Covering
Wave 3 - Major Rally Phase
Wave 4 - Institution Pause in the Rally
Wave 5 - Retail Buying

Wave 1 is usually the weakest of the impulse waves. It is a brief rally based on short covering of the bears from a previous move down. When Wave 1 is complete, the currency pair sells off, creating Wave 2.

Wave 2 ends when the market fails to make new lows. You often see dominant reversals patterns form at the end of this wave signaling the being of the rally phase or Wave 3.

Wave 3 is the longest and strongest of the impulse waves. This signals strong currency buying or selling in the direction of the trend. This trend usually starts of slowly, but tends to accelerate as it breaks to new highs above the top of Wave 1.

Like any trend, especially a strong trend a correction will occur. Traders will begin to take profits and the currency pair will retrace. This signals the beginning of Wave 4.

Again the currency pair will rally ushering in the Wave 5 rally. Wave 5 is typically supported by the retail traders and not institutional buyers (the herd) and tends to lack the momentum generated in the Wave 3 rally. This creates divergence that can be easily measured on any technical oscillator. After the currency pair breaks to new highs above the previous Wave 3 high, the rally loses steam and changes trend.

This trend change can result in either a new 5 Wave impulse pattern or a corrective in nature.

Practitioners use symbols for each wave to indicate both function and degree—numbers for motive waves, letters for corrective waves (shown in the highest of the three idealized cycles). Degrees are relative; they are defined by form, not by absolute size or duration. Waves of the same degree may be of very different size and/or duration.

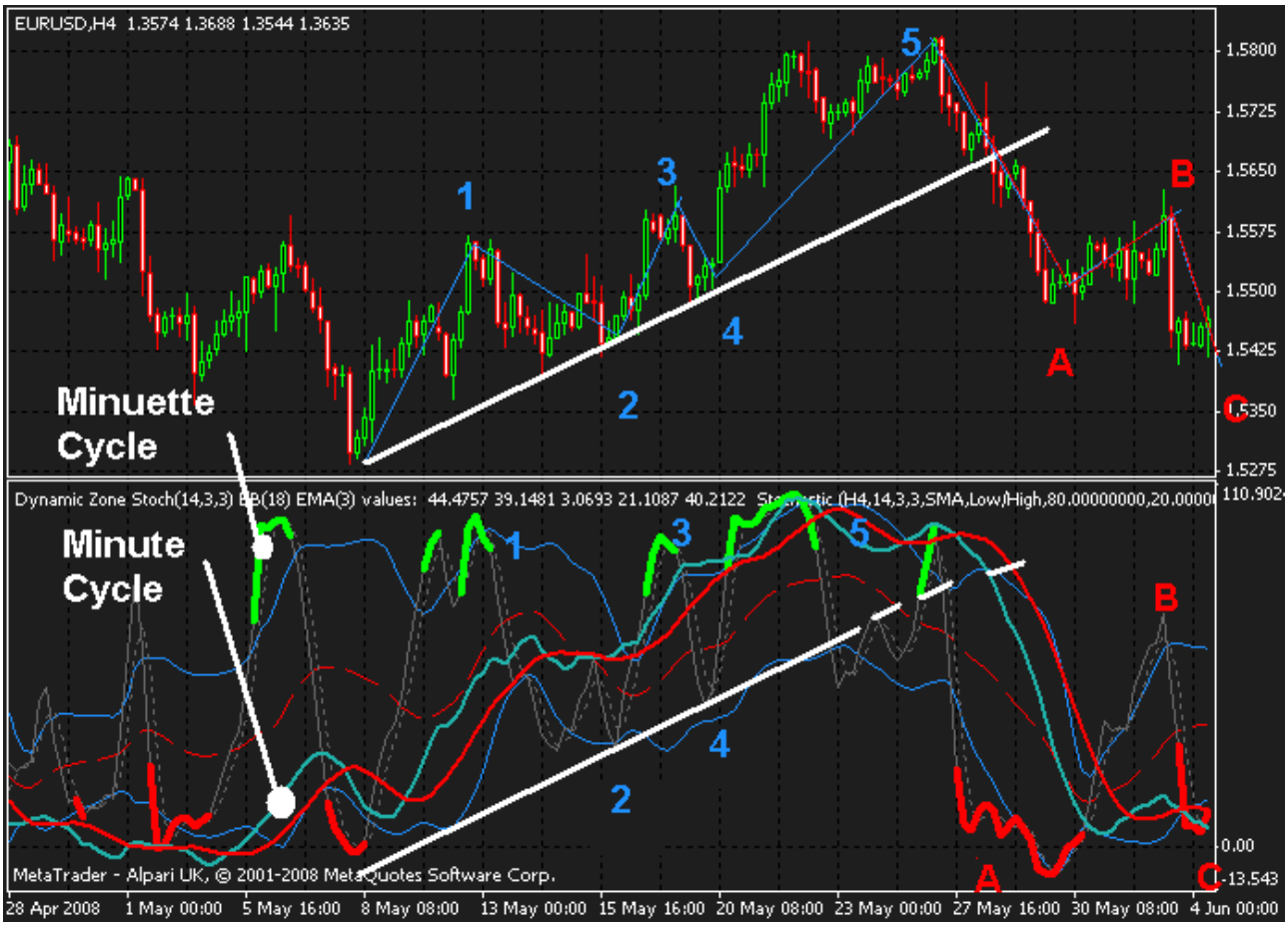
e. Cycles

The classification of a wave at any particular degree can vary, though practitioners generally agree on the standard order of degrees (approximate durations given):

- **Grand supercycle**: multi-decade to multi-century
- **Supercycle**: a few years to a few decades
- **Cycle**: one year to a few years
- **Primary**: a few months to a couple of years
- **Intermediate**: weeks to months
- **Minor**: weeks
- **Minute**: days
- **Minuette**: hours
- **Subminuette**: minutes

f. Elliot Wave Pattern Recognition Example

Let's see at the chart below. Dynamic Zone Stochastic indicator set is built to recognize wave patterns within the trend. While the slow stochastic follow the major trend (in this case, the minute cycle), the fast colored stochastic catch the moves inside it. Overbought condition of Fast Stoch is a prediction of wave ends and the beginning of the corrective one, which will ends bouncing on BBands's opposite side. Always draw a trend line to help you follow this movement. When both fast and slow stoch became overbought, consider exit position and never trade on the same direction. The next movement may be very strong.



Divergences, Compression, Channels

Technical analysis is a method of predicting price movements and future market trends by studying charts of past market action. Technical analysis is concerned with what has actually happened in the market, rather than what should happen and takes into account the price of instruments and the volume of trading, and creates charts from that data to use as the primary tool. One major advantage of technical analysis is that experienced analysts can follow many markets and market instruments simultaneously.

Technical analysis is built on three essential principles:

1. **Market action discounts everything!** This means that the actual price is a reflection of everything that is known to the market that could affect it, for example, supply and demand, political factors and market sentiment. However, the pure technical analyst is only concerned with price movements, not with the reasons for any changes.
2. **Prices move in trends.** Technical analysis is used to identify patterns of market behavior that have long been recognized as significant. For many given patterns there is a high probability that they will produce the expected results. Also, there are recognized patterns that repeat themselves on a consistent basis.
3. **History repeats itself.** Chart patterns have been recognized and categorized for over 100 years and the manner in which many patterns are repeated leads to the conclusion that human psychology changes little over time.

Forex Trader should consider technical analysis as a key factor for success. Technical analysis basic overview is historical market prices analysis for the purpose of predicting price trends or having an adequate picture of prices movement in future. The concept of Forex Technical Analysis is made up of mathematical equations along with other technical applied towards Forex prices. Deep knowledge of the Forex Technical Analysis techniques is required for profitable dealing with Online Forex Market. The traders using technical analysis invest their money thoughtfully and monitor the daily prices movement precisely that lets them reach the profit. You can choose some basic technical indicators offered at our Forex Technical indicators page among lots of other ones. You should keep in mind that theoretical knowledge added to the thoughtful strategy gives the key to good results and positive trading. You shouldn't ever use the methods you understand not clearly.

Dynamic Zone Stochastic also allow you to make technical analysis as well.
Let’s see some examples below.

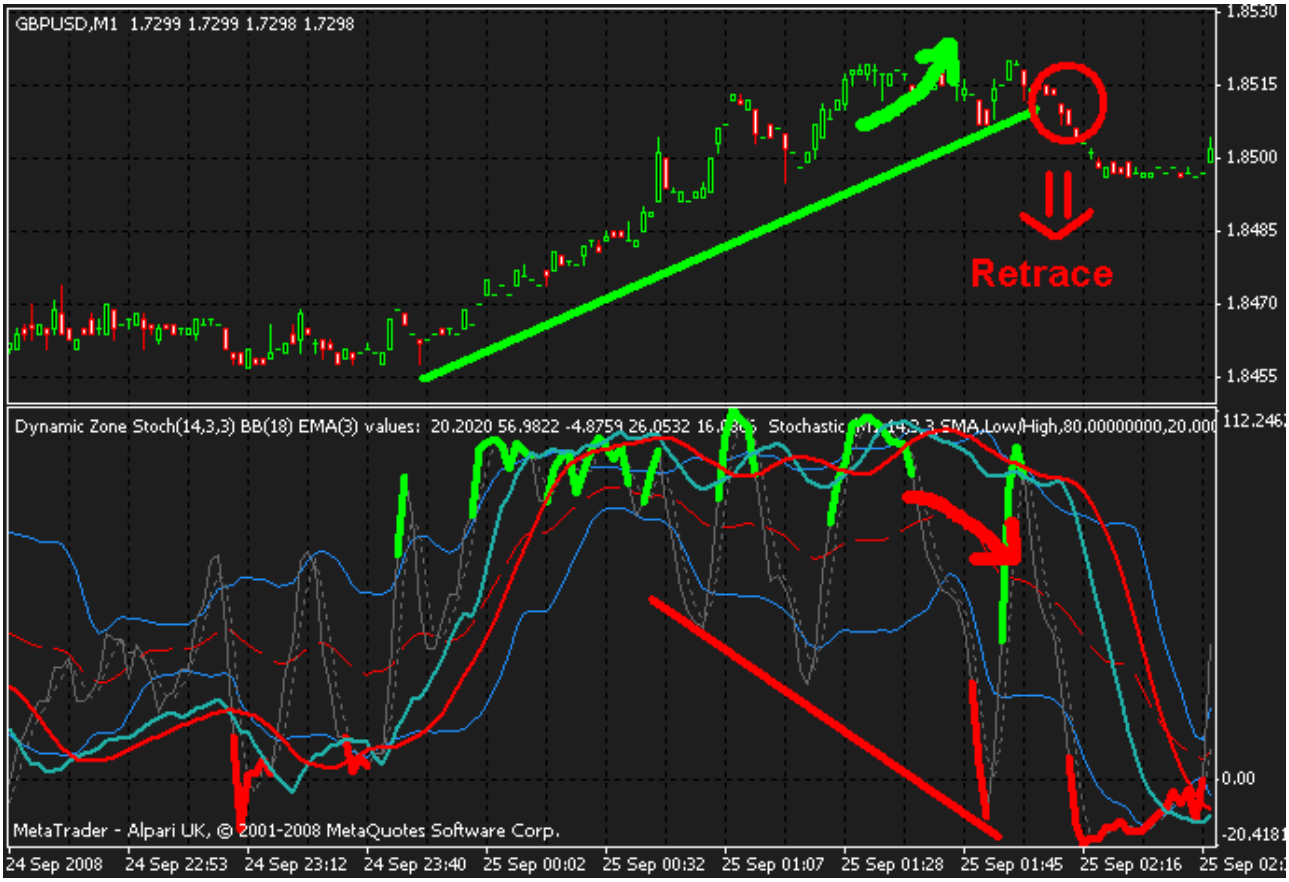
Divergences

Same chart of the previous page, look at the two top peaks in price chart: max 1 is higher than max 2, while in Dyn.Stoch.
Max 1 is lower than max 2.
This is what is called “divergence (between price and stoch)”.
This is a strong reversal signal, and price falls down strong.

Another kind of divergence may appear and is quite easy to identify since the beginning of the movement. Take a look at the chart below: at 23:40 a new trend starts: Fast and Slow Stoch are rising; BBands are squeezing on an uptrend. Price continues its movement with good momentum and Dyn. Stoch. become quickly compressed on overbought zone.
Now start technical retracements: price can't continue rising, so start fluctuate over the dynamic support of the green trend line, and we notice a particular phenomenon of dynamic stochastic: while Slow Stochastic continues to remain on the overbought zone, Bollinger Bands starts widen, and Fast Stochastic swing inside its border, forming a series of bottoms lower every times, until it reach the oversold zone (and becomes red).

At this point, as you can see from the chart below, we usually have a very fast rising peak, and as much fast retracement both of the price and the dynamic stochastic, with the trend line broken.

This movement often appears with a strong main trend, and this may be considered only as a corrective pullback. Is useful to search for this pattern in smaller time frames, to find entry points for an already established trend on the major chart.



Compressions

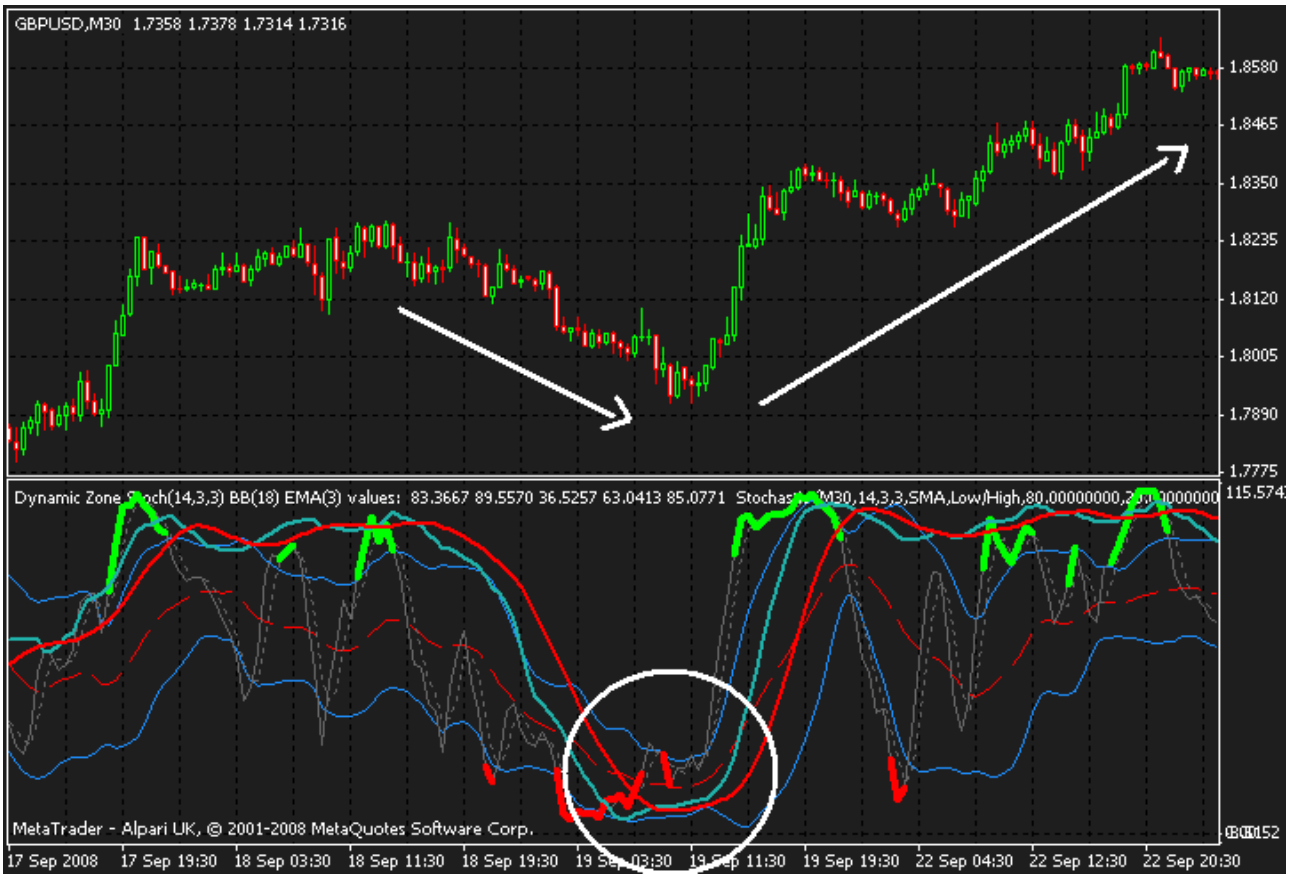
We have a compression at the end of an impulsive movement with high momentum.

It's probably the easiest pattern to recognize: all the indicators are going down or up on the same direction, until they all are compressed on a small zone.

This is a technical resistance zone and usually coincides with an important support/resistance level on the price chart. Consider closing all the existing trades here, and wait for reversal signals to enter a new trade on the opposite direction.

Signals to consider are the following:

- Slow stochastic blue line cross the red line
- Fast Stochastic moves on the opposite side of BBands
- BBands starts widening on the same direction
- Trendline of the previous movement broken



Channels

Channels are lines that are created on a chart to show the range in which a currency has been trading over a certain amount of time. They are extremely easy to produce. By looking at the chart over a time period, you simply draw a line connecting the relative high point trading prices, and another line below it connecting the relative low point trading prices. What you've done is produced a visualization of the trading range that has been occurring over the time period in question, for example six months.

When the price of a currency rises above the top channel line, this is an upwards channel break. Conversely, if the price of currency falls below the bottom channel line, this is a down side channel break. Channel breakouts can and do occur on the upside and downside.

Cannels on Dynamic Stochastic can also be used to recognize ranging markets as in the picture below: Slow Stochastic and BBands are both flat, while only the Fast Stoch is moving. In these conditions, is better wait for the new trend or move to a smaller timeframe for scalping.

Chart Patterns and Dynamic Zone Stochastic

First of all, there are many patterns that can be used in technical analysis, and many ways to present them. For example, the Candlesticks charting technique uses patterns, Point-and-Figure technique uses patterns and so on.

Chart patterns: There are a variety of charts that show price action. The most common are bar charts. Each bar will represent one period of time and that period can be anything from one minute to one month to several years. These charts will show distinct price patterns that develop over time.

Candlestick patterns: Like bar charts patterns, candlestick patterns can be used to forecast the market. Because of their colored bodies, candlesticks provide greater visual detail in their chart patterns than bar charts.

Point & figure patterns: Point and figure patterns are essentially the same patterns found in bar charts but Xs and Os are used to market changes in price direction. In addition, point and figure charts make no use of time scales to indicate the particular day associated with certain price action.

This text and Dynamic Sync Trading System is only dealing with the "traditional" price vs time charts, and only with the patterns that can be located visually on such charts.

Chart patterns are one of the most powerful tools a trader or investor can use to analyze the markets. They are the result of price action, and because price is a level playing field many people choose to trade using charts. Think of chart patterns as a land mine detector, because once you learn this, you will be able to spot “explosions” on the charts before they even happen, making you a lot of money in the process.

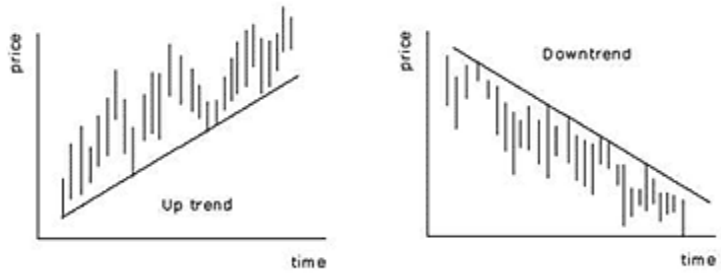
Here's the list of patterns that we're going to cover:

- **Triangles**
- **Double Top / Bottom**
- **Head and Shoulders**
- **Flags and Pennants**

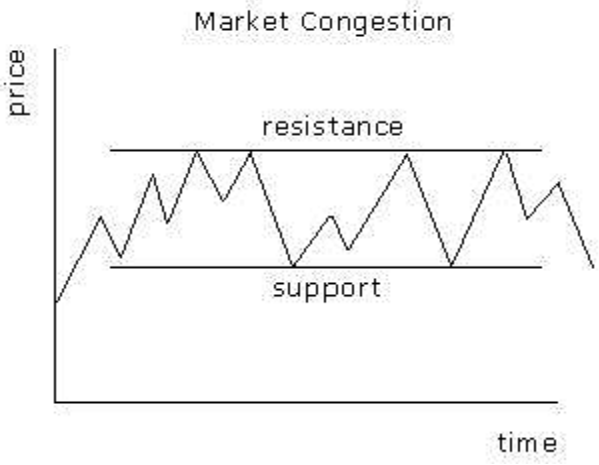
A brief introduction to Chart Analysis

a. Trend lines

1 Rule to trading, always trade with the trend.



An uptrend is characterized by a series of higher highs and higher lows. In bullish conditions, the Trendline will be drawn upwards through the lowest prices or connecting a series of higher dips. Similarly a downtrend is exemplified by a series of lower highs and lower lows. In bearish conditions, the Trendline will be drawn through the highest prices or connecting a series of peaks.



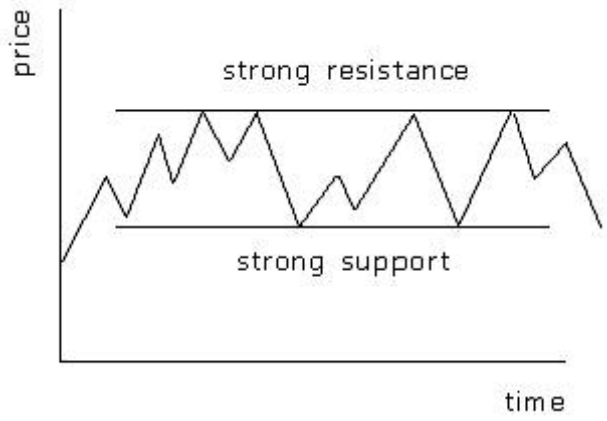
A sideways trend represents an area where prices move in a flat and narrow range for several days or weeks. This type of market movement is often termed a period of **congestion**. Rapid price movements usually follow a breakout from a period of congestion, most of the time in the direction of the original trend.

A trend line gains significance from its length (duration) and the number of times it has retraced (testing of a support of resistance level) back in its original direction. A trend line is assumed to remaining existent until it is penetrated. On a bar chart an intra-day (4 hours or fewer charts) penetration needs to be followed by a close that also breaks the trend line, otherwise it is a false break. To be absolutely certain that the trend has been broken, it is recommended that two successive closes should be outside the existing trend.

b. Support and Resistance Levels

Initially people who begin to look at the market in a technical way, but without constructing charts look for psychologically important numbers at which they think the market will look to reverse direction for a period of time. This is only one of the many approaches used in charting.

Support can be defined as the level from which prices have fallen to, made a dip in the market and then retraced. The reverse is true of **resistance** levels where price have risen to, made a peak before retracing back to the downside. The more often retracements happen at or around key levels the stronger the support or resistance level becomes.



In psychological terms these levels work because buyers or sellers remember that there was a sharp reaction from the same level last time it was seen. Therefore, at a support level sellers are tempted to take profits, new sellers are reluctant to take positions and buyers are keen to enter the market.

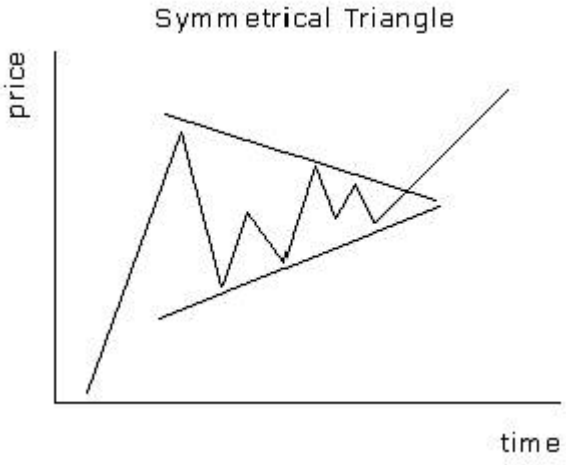
It is always noticeable however; that once a major level has been broken buying (breaking a resistance) or selling (breaking a support) will accelerate.

If a support level is broken, this will then become a resistance level for any rally, while a broken resistance will become a support level for any pullback.

Support and resistance levels take on an added significance when used in conjunction with momentum or relative strength, the latter two factors giving a good indication whether a particular level will hold or be broken. These will be covered in Universal Mathematical Models.

Triangles

The "classical" triangle has at least 5 waves, and the breakthrough happens at about 2/3 of the horizontal size of a triangle. It is not enough for the price to touch the side of a triangle, the price bar must close outside the triangle, and otherwise we might have a false signal.



During the uptrend the triangle will more likely

produce a false signal, especially if the breakthrough happened too close to the end of a triangle.

In the chart below, we can see that neither the buyers nor the sellers could push the price in their direction. When this happens we get lower highs and higher lows. As these two slopes get closer to each other, it means that a breakout is getting near. We don't know what direction the breakout will be, but we do know that the market **will** break out. Eventually, one side of the market will give in.

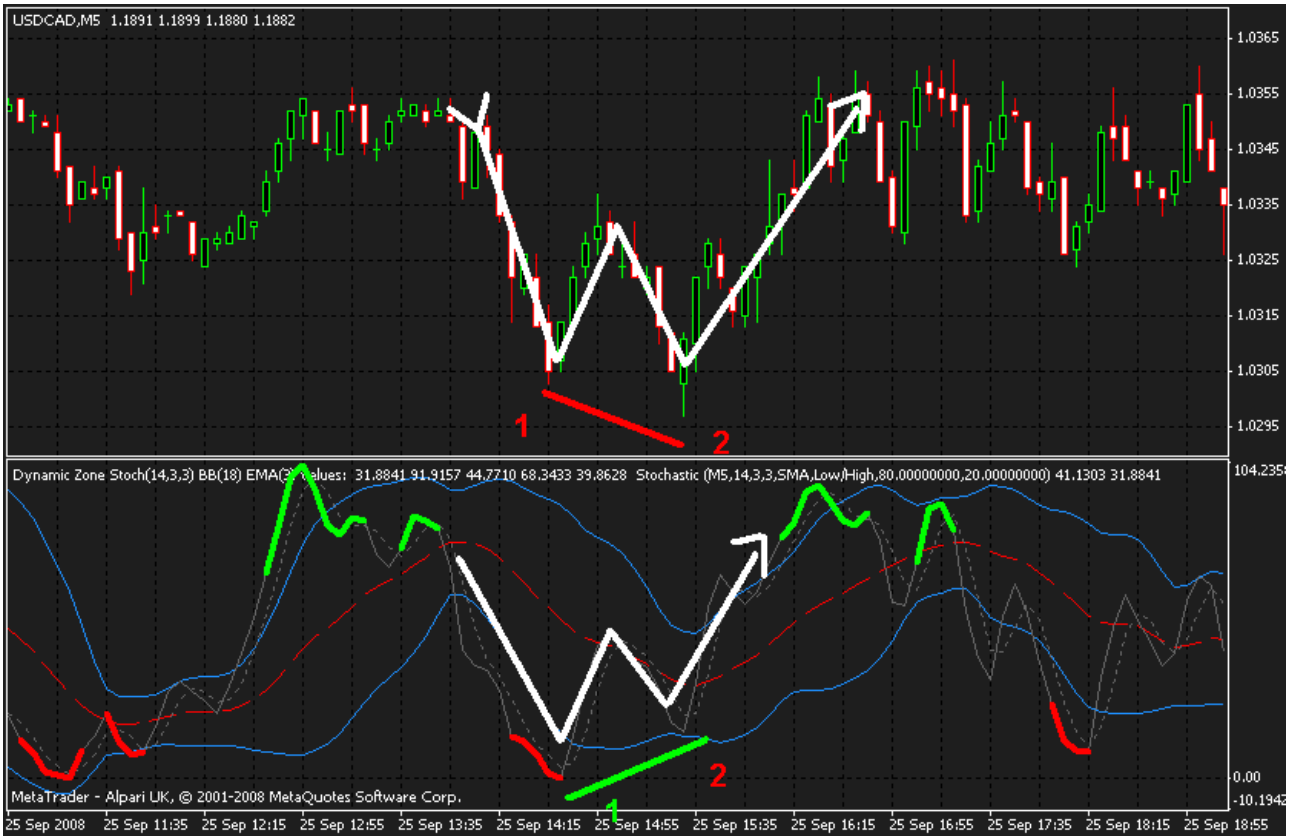
How can we take advantage of this? Simple. We can place entry orders above the slope of the lower highs and below the slope of the higher lows. Since we already know that the price is going to break out, we can just hitch a ride in whatever direction the market moves.

Dynamic Stoch will help us on doing that.

Double Top / Bottom

A double top/bottom is a reversal pattern that is formed after there is an extended move up. The “tops” are peaks which are formed when the price hits a certain level that can’t be broken. After hitting this level, the price will bounce off it slightly, but then return back to test the level again. If the price bounces off of that level again, then you have a DOUBLE top!

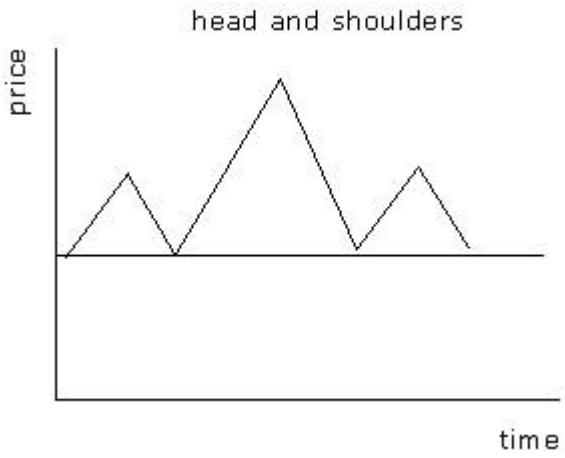
The important confirmation signal occurs when the support line is broken after the second peak.
The decline after the first peak is somewhere between 10 and 20 %.
The size of peaks is nearly equal.
The decline from the second peak may contain gaps and the volume should expand.
The support line should be broken, for the pattern to be clearly identified.
The price target equals the size of the peak.



Head and Shoulders

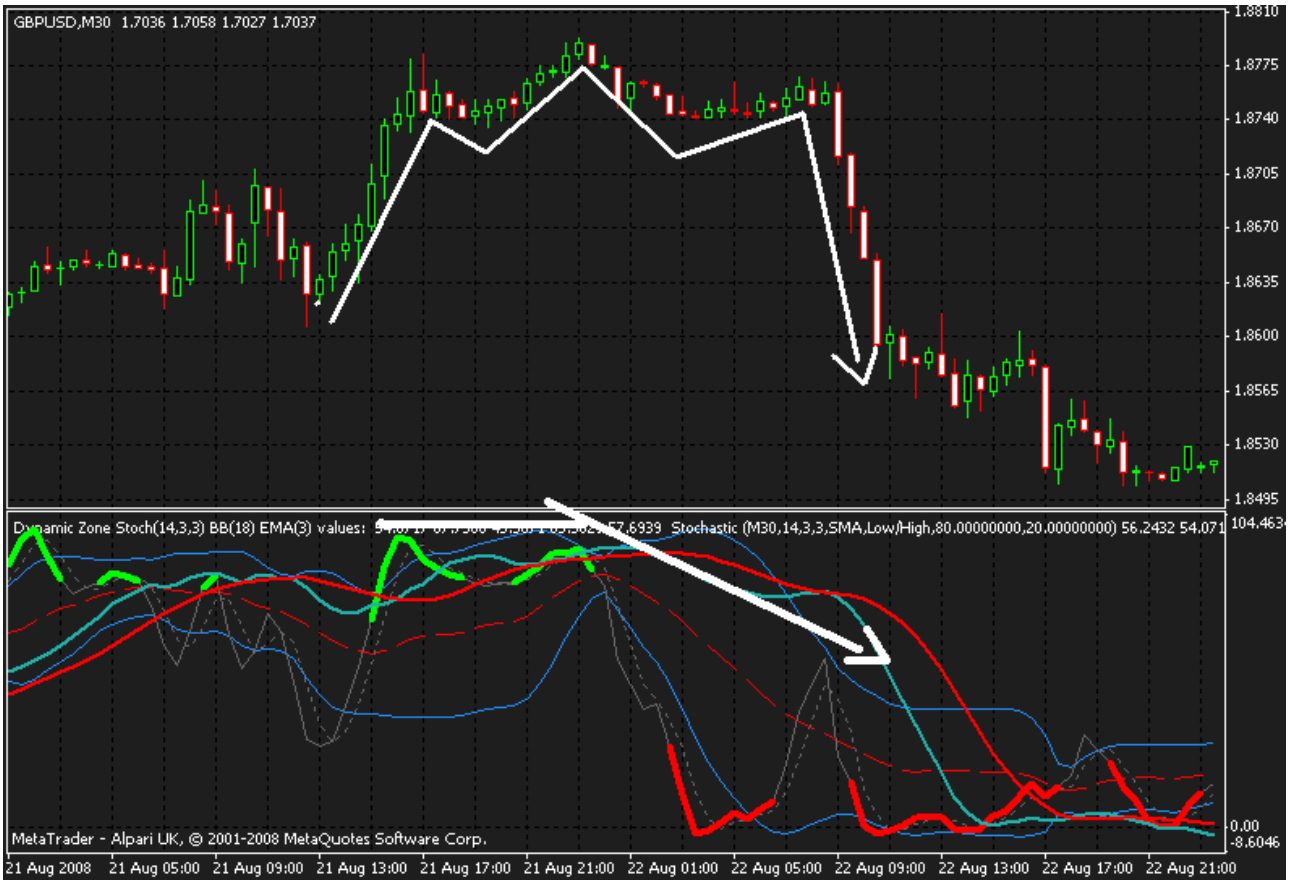
This is probably the most famous of all chart patterns, but not always the most reliable. When it works it will always be seen as a reversal pattern and consists of four phases.

The first phase is the formation of a small peak (which is the left shoulder), retraces and then is followed by more aggressive buying to create the head, which eventually retraces and tests the support (aka the neckline), followed by another attempt at a rally, which does not produce a peak as high as the head. This is then followed by another test of the neckline.



This particular pattern is seen as a reversal, in which a break of the neckline is expected and the move should be in the amount equivalent from head to neckline.

The unreliability of this move result from the fact that the final test of the neckline does not always result in a break and the move continues in the same direction as before. This means a definite break of the neckline (say 15-25 pips) should be seen before action is taken. Based on momentum, the momentum should be higher during the formation of the left shoulder than the right shoulder to confirm that this pattern is taking place and that buying pressure is decreasing.



Flags and Pennants

Flags and pennants are very short consolidation periods that appears within a fast moving trend. Both are preceded by a sharp move that is nearly a vertical line, and both show consolidation against the direction of the trend. The flag is a pattern formed by two parallel lines sloping against the trend, while the pennant is a pattern of two converging lines that appear very similar to the triangle or the wedge formation.

The breakout signal on a flag or a pennant almost always occurs in the direction of the original move, and when the market breaks out it usually moves decisively to continue the trend. Of course, since the pennant formation is in the shape of a triangle, it does fall into the category of triangles that has been previously discussed. What distinguishes the pennant, though, is the speed with which the market moves both before and after the pattern is created.

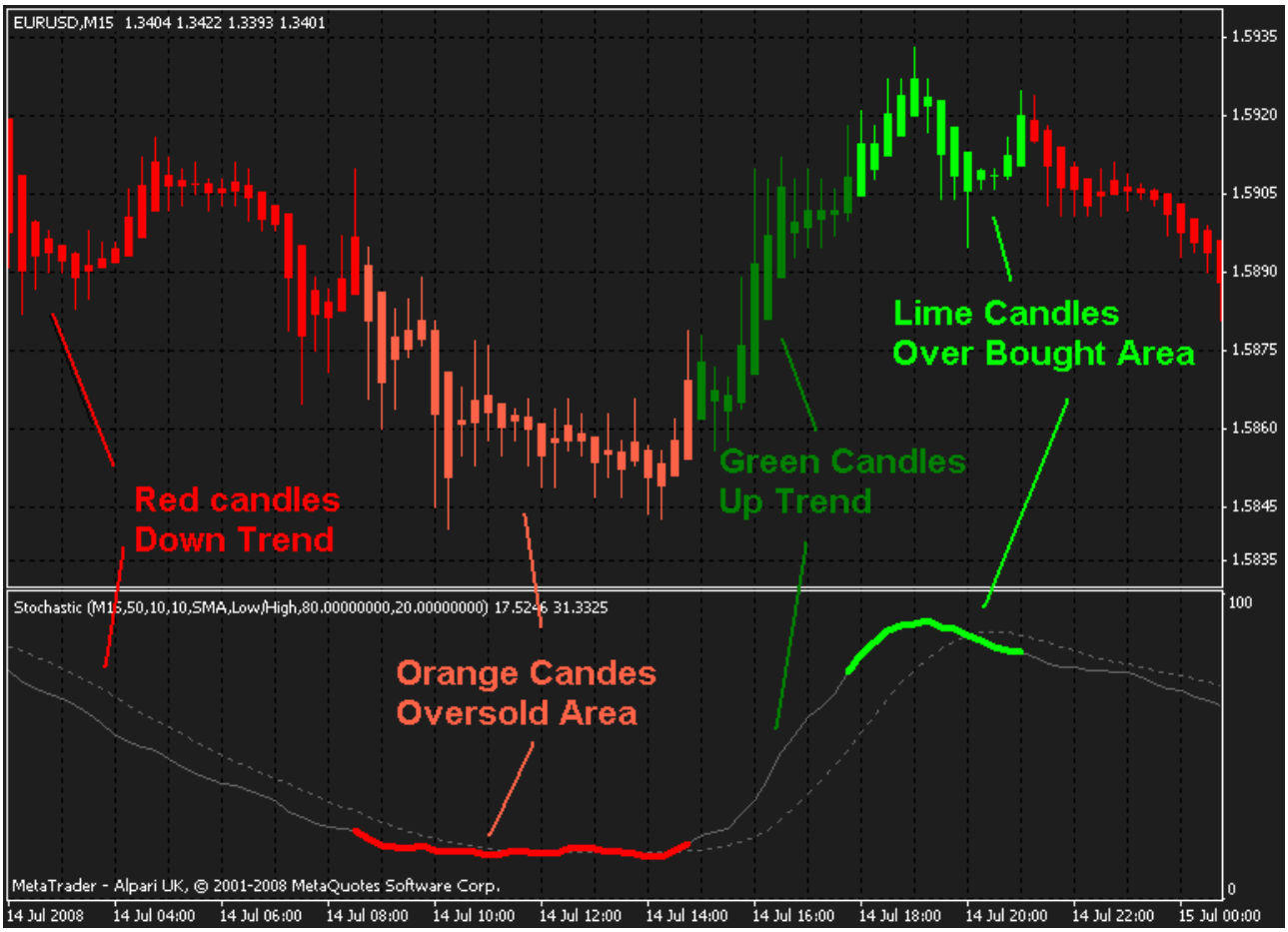
Multi-Color Dynamic Sync Candles

Dynamic Sync Multi Color Candles are a powerful tool for visual trading, based on Heikin Ashi candles filtered with Dynamic Zone Stochastic.

There is a lot that can be learned about the movement of the currency by studying the various patterns of the candlesticks.

Most profits (and losses) are generated when markets are trending--so predicting trends correctly can be extremely helpful. Many traders use candlestick charts to help them locate such trends amid often erratic market volatility. The Heikin-Ashi technique--"average bar" in Japanese--is one of many techniques used in conjunction with candlestick charts to improve the isolation of trends and to predict future prices.

In Sync we use a modified version of Heikin Ashi MA, filtered with Dynamic Zone Stochastic. When one of the stochastic line crosses the 20% and 80% levels it means it was an Overbought or Oversold market moods.



About Heikin Ashi Candles

Heikin Ashi is type of candlestick chart that shares many characteristics with standard candlestick charts, but differs because of the values used to create each bar. Instead of using the open-high-low-close (OHLC) bars like standard candlestick charts, the Heikin-Ashi technique uses a modified formula:

Close = (Open+High+Low+Close)/4
Open = [Open (previous bar) + Close (previous bar)]/2
High = Max (High,Open,Close)
Low = Min (Low,Open, Close)

The Heikin-Ashi technique is used by technical traders to identify a given trend more easily. Hollow candles with no lower shadows are used to signal a strong uptrend, while filled candles with no higher shadow are used to identify a strong downtrend.

This technique should be used in combination with standard candlestick charts or other indicators to provide a technical trader the information needed to make a profitable trade.

Constructing the Chart
The Heikin-Ashi chart is constructed like a regular candlestick chart (except with the new values above). The time series is defined by the user--depending on the type of chart desired (daily, hourly, etc.). The down days are represented by filled bars, while the up days are represented by empty bars. Finally, all of the same candlestick patterns apply.

Here is a normal candlestick chart:

Here is a Heikin-Ashi chart (already filtered with Dynamic Stochastic):

Here is a Heikin-Ashi MA chart (filtered with a Moving Average and Dynamic Stochastic):

Note: to obtain a chart design like this, in your Metatrader 4 Client Terminal go to “Chart propriety” by right-click over the chart, then change bar colors as “none” and select “Bar Chart”. This will make the normal candlesticks disappear. Now you can add the Heikin Ashi preferred.

Putting It to Use

These charts can be applied to many markets; however, they are most often used in the equity and commodity markets. Traders often program these new instructions into existing trading programs, such as MetaTrader, or use many online tools (listed in the reference section below). Finally, it can be applied via Microsoft Excel or other similar spreadsheet programs.

There are five primary signals that identify trends and buying opportunities:

- Hollow candles with no lower "shadows" indicate a strong uptrend: let your profits ride!
- Hollow candles signify an uptrend: you might want to add to your long position, and exit short positions.
- One candle with a small body surrounded by upper and lower shadows indicates a trend change: risk-loving traders might buy or sell here, while others will wait for confirmation before going short or long.
- Filled candles indicate a downtrend: you might want to add to your short position, and exit long positions.
- Filled candles with no higher shadows identify a strong downtrend: stay short until there's a change in trend.

These signals show that locating trends or opportunities becomes a lot easier with this system. The trends are not interrupted by false signals as often, and are thus more easily spotted. Furthermore, opportunities to buy during times of consolidation are also apparent.

How to trade Heikin-Ashi

There are five primary signals that identify trends and buying opportunities:

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These signals show that locating trends or opportunities becomes a lot easier with this system. The trends are not interrupted by false signals as often, and are thus more easily spotted. Furthermore, opportunities to buy during times of consolidation are also apparent.

Conclusion

The Heikin-Ashi technique is extremely useful for making candlestick charts more readable--trends can be located more easily, and buying opportunities can be spotted at a glance. The charts are constructed in the same manner as a normal candlestick chart, with the exception of the modified bar formulas. When properly used, this technique can help you spot trends and trend changes from which you can profit!

Dynamic Zone Strength Index
an all-in-one indicator

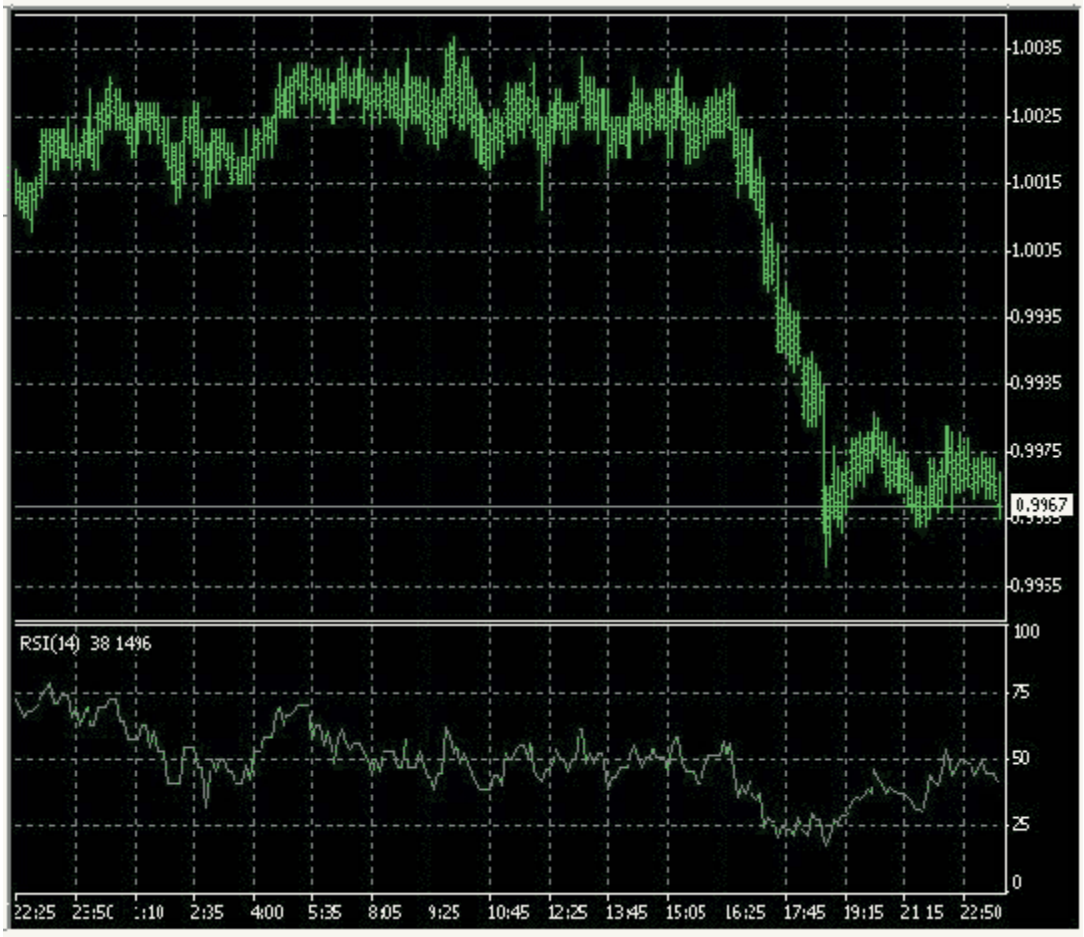
Sync Dynamic Zone Strength Index (Dynamic RSI) is the real ultimate sentiment-analyzer tool based on the traditional RSI from Welles Wilder.

RSI is a measure of investor sentiment, and as such is used to forecast shifts in trend. It is prescient in forecasting turns in the market. The RSI measures the ratio of up-moves to down-moves and normalizes the calculation so that the index is expressed in a range of 0-100.

Our Dynamic RSI is a hybrid indicator developed to indicate market conditions as trend directions, momentum, and market volatility.

The Traditional RSI

In June 1978 Welles Wilder's article introduced the Relative Strength Index (RSI), which is a widespread oscillator. Mr. Wilder's book, "New Concepts in Technical Trading Systems", also provided step-by-step instructions on counting and explaining the RSI. The name "Relative Strength Index" is slightly deceptive, because there is no comparison of the relative strength of two securities in the RSI, but rather the single security's domestic strength. "Internal Strength Index" might be a more suitable name. Two market indices, which are often known as Comparative Relative Strength, are compared by Relative strength scales.



When the RSI was introduced, Wilder advised to use a 14-day RSI, but the 9-day and 25-day RSIs were also popular. Moreover it is a chance to find the period that would be more suitable for you during the experiments with changing the number of time periods in the RSI calculation. (The unsteadiness of the indicator depends on the number of days was used to calculate the RSI - the indicator will be more inconstant, if it was used the fewer days.)

The RSI arranges between 0 and 100 and it is also named as a price-following oscillator. The best analysis of the RSI was found out: it is better to find a divergence in which a new high is being made by the security, but the RSI is going down to surpass its previous peak. This divergence means that soon the reversal will come. A "failure swing" completed, when the RSI turns down and decrease below its most recent low.

The fact that the failure swing happened proves the coming reversal. Mr. Wilder's described in his book five uses of the RSI in analyzing commodity charts. You could also use this method as the other security types.

Tops and Bottoms: Before the underlying price chart, the RSI surmounts above 70 and falls below 30 as usual.

Chart Formations: chart patterns, such as head and shoulders (page 215) or triangles (page 216) that could or could not be evident on the price chart, are often formed by the RSI.

Failure Swings (which is sometimes called support or resistance penetrations or breakouts); the RSI exceeds a previous peak (high) at this moment or falls below a recent trough (low).

Support and Resistance: sometimes more clearly than price themselves, levels of support and resistance are demonstrated by the RSI.

Divergences: As it was described earlier, divergences happen when the price goes lower (or higher) and it isn't affirmed by a new high (or low) in the RSI. Prices usually reform and follow the RSI.

It would be good to read the Mr. Wilder's book, where you could find additional information.

Calculation

The RSI Indicator is an indicator of speed of changing of price. It is calculated in the following way:

RSI = 100 / (1 + D(P,n)/U(P,n)),

Where U (P, n) - is a moving average of growing of the P price within n periods,

D (P, n) - is a moving average of falling of the P price within n periods.

There are all possible merits of the indicators situated in an area from 0 to 100. The two control levels (the higher bottom control level is above 70, the lower bottom control level is below 30) are put on the chart with the help of horizontal markers.

While the RSI increases and overcomes the top control level (above 70), the indicator displays the oversaturation of the market with buy trades, and then begins the zone of sales. Conversely, when the RSI crosses the low bottom control level (below 30), the indicator displays the oversaturation of the market with sell trades, and then starts the buying area.

Benefits of Dynamic Zone RSI

RSI can be very frustrating when it fails to reach overbought or oversold for long periods of time. Well, let's just consider what RSI is telling us and whether we can use that concept in another way.

In fact RSI is calculated by measuring the sum of the higher closes and also the sum of the lower closes and normalizing the ratio of the result within a band of zero to 100. Clearly, when price rises then the sum of the positive close movement is larger than that of the negative close movement and thus RSI moves higher. The opposite is also obviously true.

Therefore RSI is reacting to sustained directional moves in one direction. What we need try and obtain from that information is when the RSI moves sufficiently in one direction is there risk of follow-through. We actually do this type of thing with price by placing Bollinger Bands around price and looking for breaks of the upper or lower bands. It is possible to do just that with RSI.

It will look like this (compared to the original RSI on the lower frame):

Riding Bollinger Bands Breakout on Dynamic RSI

The idea we are investigating is whether breaks of either band by the RSI constitutes a valid signal. However, without even looking at price we can see that the number of occurrences where the band is broken but does not sustain a movement in that direction is quite frequent.

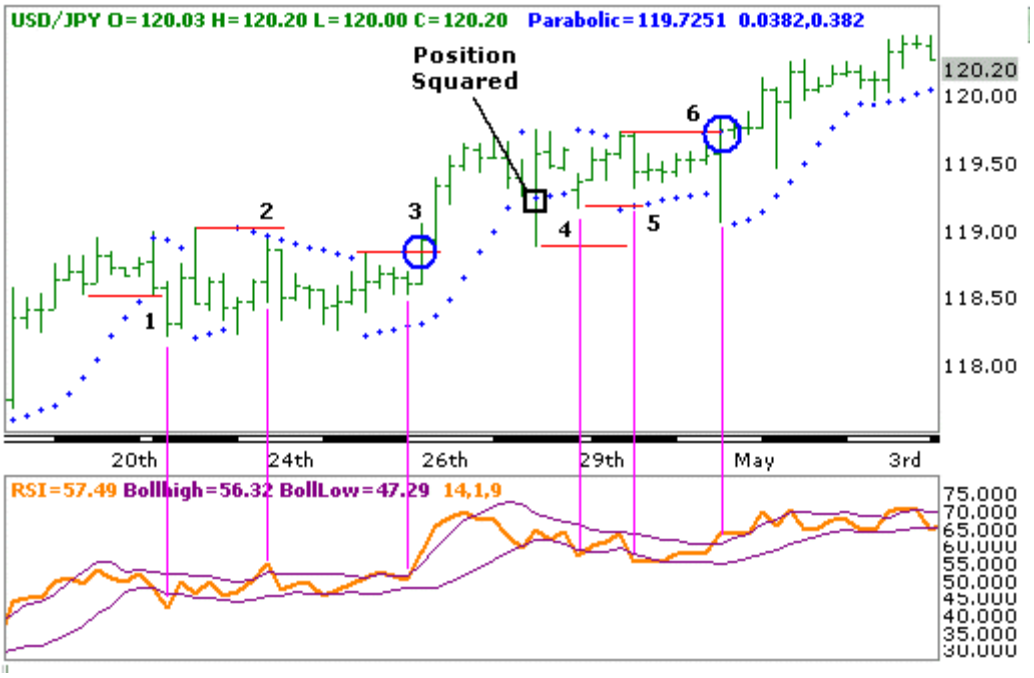
One of the most important factors when trading is to match a signal generated by a technical indicator with price. Too often the movement in price that generates a break in an indicator fails to follow through. Because of that we can buy breaks of resistance or sell breaks of support. Therefore we will include both conditions in our trading.

In this way, when RSI breaks above the Bollinger high then we will only trade if price also breaks above resistance. What we tend to look at are swing bars – that is where a peak is formed and has at least 1 or 2 lower highs surrounding it (and vice verse for a trough.) So when RSI breaks above the upper band we will want to buy at the level of the swing high. If RSI breaks below the lower band we will want to sell at the level of the swing low.

The following shows how this may look:

Breakout Trading Examples

Let's look at what we can generate from these combined signals one by one. Here you have marked swing highs and lows with a small red horizontal line:



1. RSI dips below the lower Bollinger Lower Band. However, by the time it has confirmed this (at the close of the bar) price has already dipped below the swing low – it is too late to trade.

2. RSI breaks above the Bollinger Higher Band. However, price fails to follow through above the swing high. No trade is seen.

3. RSI breaks above the Bollinger Higher Band and on the next bar price confirms this move by penetrating the swing high. We buy at the swing high level. Price continues higher and then pulls back.

4. RSI breaks below the Bollinger Lower Band. However, price does not break below the swing low. No trade.

5. RSI once again breaks below the Bollinger Lower Band. However, price does not break below the swing low. No trade.

6. RSI breaks above the Bollinger Higher Band and on the next bar price confirms this move by penetrating the swing high. We buy at the swing high level. Price continues to rally and to the right of the chart the position is still open having remains above the Parabolic.

Quite clearly the benefit of combining a signal from an indicator and from price appears to be working well, filtering out the bad indicator signals.

Spotting the trend quickly

In the picture below we see how impressive is the Trigger Line (red) to visually individuate entry/exit points.

Long Trades General Rules:

Trade LONG when RSI > Trigger Line
Add to a LONG when RSI > Bollinger bands
Exit LONG when:
RSI crosses back below the Trigger Line to the downside
RSI crosses back below the upper Bollinger Band to the downside

Short Trades General Rules:

Trade SHORT when RSI < Trigger Line
Add to a SHORT when RSI < Bollinger Bands
Exit SHORT when:
RSI crosses back over the Trigger Line to the upside
RSI crosses back over the lower Bollinger Band to the upside

Market forecasting with Overall Trend Line

The Overall Trend Line is a part of Sync Dynamic RSI. Its function is to show the overall market sentiment: bullish or bearish.

Because of its nature, it has also the ability of forecast market reversal.

The easiest pattern to recognize reversal before they happen is looking for divergences between yellow line and price chart, as shows in the picture below. Never enter a trade if you see that one of the patterns below is forming! Opposite movements may be very fast.

Technical analysis is also very powerful here: often many of the patterns discussed previously for Dynamic Stochastic indicator better recognizable over this line, so ever take a look at its movement before enter a trade.

No-Trading Zone

Contracting bands warn that the market is about to trend: the bands first converge into a narrow *neck,* followed by a sharp price movement. The first breakout is often a false move, preceding a strong trend in the opposite direction.

Is advisable avoid trading inside the neck, or at least moving on smaller timeframes for scalping. Stops can be set just over (or below) bands levels.

General Trading Advices for Sync Dynamic Zone RSI

The indicator is particularly suited for lower timeframe intraday trading and uses 3 Cross Verification techniques within the same indicator.

1. Bollinger Band's – volatility analysis
2. RSI Analysis -Momentum
3. MA Trigger – user preference – signals rising momentum

Trade Setup Signals

For lower timeframe short term momentum trading Alerts

- Initial Trigger "alert" as RSI moves above Moving Average Trigger Line
- Failure to touch outer edge of Bollinger Band on swing Low/High (possible Divergence, not shown in the example below)
- Rising RSI above 50 level for long, below 50 Level for short trade
- Bollinger Band Centre Line Support
- Fibonacci Retrace support (where Possible)

Entry may be taken in accordance with the traders personal risk profile and trade plan, a reasonable risk level is able to be achieved with the use of "cross verifications" in the trader's trade plan, a minimum of 4 cross verifications should be used to enhance success potential.

Initial stop loss: Possibilities would be a close below the fib retrace at .618, .786 (not shown) or 100%. Alternative methods normally used by the trader should also be tested

Trade Management; allow profits to run as RSI pushes through the Bollinger band outer lines and the trade is managed by monitoring in real time the relationship between rising price and RSI position to Bollinger Bands, a closer of the relationship between the Bollinger Bands and price does not necessary mean that the momentum has completely stopped, often a breather is taken and the expansion will continue. Take profits according to your trading risk profile or use an exit as described below

Exit: Conditions for exit of the trade can be as follows

- Profit targets met
- Double top in both RSI (second top inside BB's) and price action
- Candlestick formation
- RSI closes below the MA trigger Line for long trade, above for short trade
- Any other conditions normally used by the trader to exit

Summary for Sync Dynamic Zone RSI

This hybrid indicator is developed to assist traders in their ability to decipher and monitor market conditions related to trend direction, market strength, and market volatility.

Even though comprehensive, the Sync Dynamic Zone RSI is easy to read and use.

Green line = RSI Price line
Red line = Trigger Line
Blue lines = Bollinger Band
Yellow line = Overall Trend Line

Trend Direction - Immediate and Overall

Immediate = Green over Red...price action is moving up.
Red over Green...price action is moving down.

Overall = Yellow line trends up and down generally between the lines 32 & 68. Watch for Yellow line to bounces off these lines for market reversal. Trade long when price is above the Yellow line and trade short when price is below.

Market Strength & Volatility - Immediate and Overall

Immediate = Green Line - Strong = Steep slope up or down.
Weak = Moderate to Flat slope.

Overall = Blue Lines - When expanding, market is strong and trending. When constricting, market is weak and in a range. When the Blue lines are extremely tight in a narrow range, expect an economic announcement or other market condition to spike the market.

Entry conditions

Scalping - Long = Green over Red, Short = Red over Green
Active - Long = Green over Red & Yellow lines
Short = Red over Green & Yellow lines
Moderate - Long = Green over Red, Yellow, & 50 lines
Short= Red over Green, Green below Yellow & 50 line

Exit conditions

Long = Green crosses below Red
Short = Green crosses above Red
If Green crosses either Blue line, consider exiting when the Green line crosses back over the Blue line.

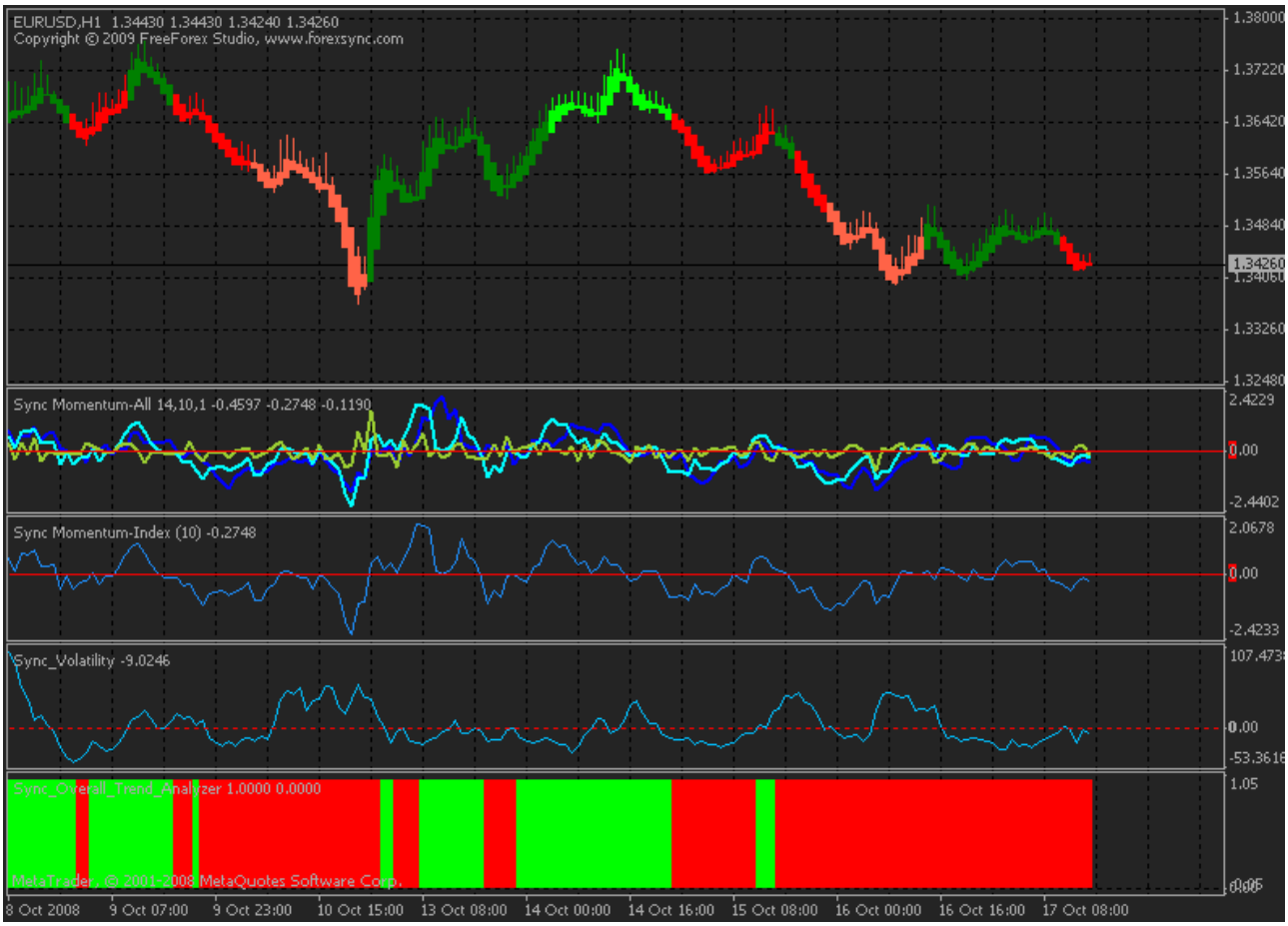
Settings for Sync Dynamic Zone RSI

IMPORTANT: The default settings are well tested and proven.
But, you can change the settings to fit your trading style.

Price & Line Type settings:
RSI Price settings
0 = Close price [DEFAULT]
1 = Open price.
2 = High price.
3 = Low price.
4 = Median price, (high+low)/2.
5 = Typical price, (high+low+close)/3.
6 = Weighted close price, (high+low+close+close)/4.

RSI Price Line & Trigger Line Type settings
0 = Simple moving average [DEFAULT]
1 = Exponential moving average
2 = Smoothed moving average
3 = Linear weighted moving average

Filters



Mechanical Trading Systems are rigid, systematic methods that base buy and sell decisions on specific price changes or price relationships. These relationships are assumed to be the ones where you can find the best probability of success.

Unfortunately, markets are not mechanical besides. Often you may find the condition to enter a trade, just to see them completely reverse in few minutes.

This may i.e. happen when price arrives near a strong support/resistance level and we have a big pressure to break the level: everything is now screaming “Buy! Buy!” (or “Sell! Sell!”), but bad news arrives and the breakout is postponed…price bounce on the level and fall down again (or start rising again). Conditions to enter the trade disappear and reverse lightning fast.

Another similar situation appears in ranging market conditions: price have “no fuel” to start a trend and continue bouncing inside a tight channel, where is impossible to make a decent trade. This slack period must simply cut off (or you can move on a smaller timeframe for scalping, if you prefer).

The same thing happens during a strong trend: even a very strong trend ever presents waves (see Elliot Theory explained above). Waves which go in the opposite direction of the main trend are generally not advisable for trading because of a non advantageous risk/reward ratio.

All the situations above are the nightmare of EAs and automatic trading systems based on fixed entry/exit rules, which often appears during them just to disappear and reverse in minutes to results in huge losses.

Because of this, to avoid mechanical system to signal false trades filters are added which cut possible false signals given according to the main strategy.

We can add as many filters we want to our strategies: filters based on moon phase, day of the week, month, market sentiment, volatility, momentum, trend, probability, horoscope and so on.

Basically we can add filters which describe every parameter we think will be influent for our trading.

One of the best forex technical analysts says that if he were more profitable in trading following solar eclipses, he would have studied that.

In Dynamic Sync Trading System, we use three kinds of filters which are proven to be very useful:

1. **Trend Filters**
2. **Momentum Filters**
3. **Volatility Filters**

The purpose of this filters indicators set is not to give the trader a technical entry/exit points recognizing tool based on price action, but instead this set will give the "general idea" on how the market is moving.

As stated, Dynamic Sync is a trend-following trading system, so the trader MUST know what the market is doing at the moment and take care of that, before enter a trade. You can't enter a short trade if all these indicators give you the idea of a strong long market condition (obviously, you can and this may be often a very profitable strategy too… but it's at your own risk and it's not according to Dynamic Sync Trading System) and is better to stay out of the market if you can't get any good information.

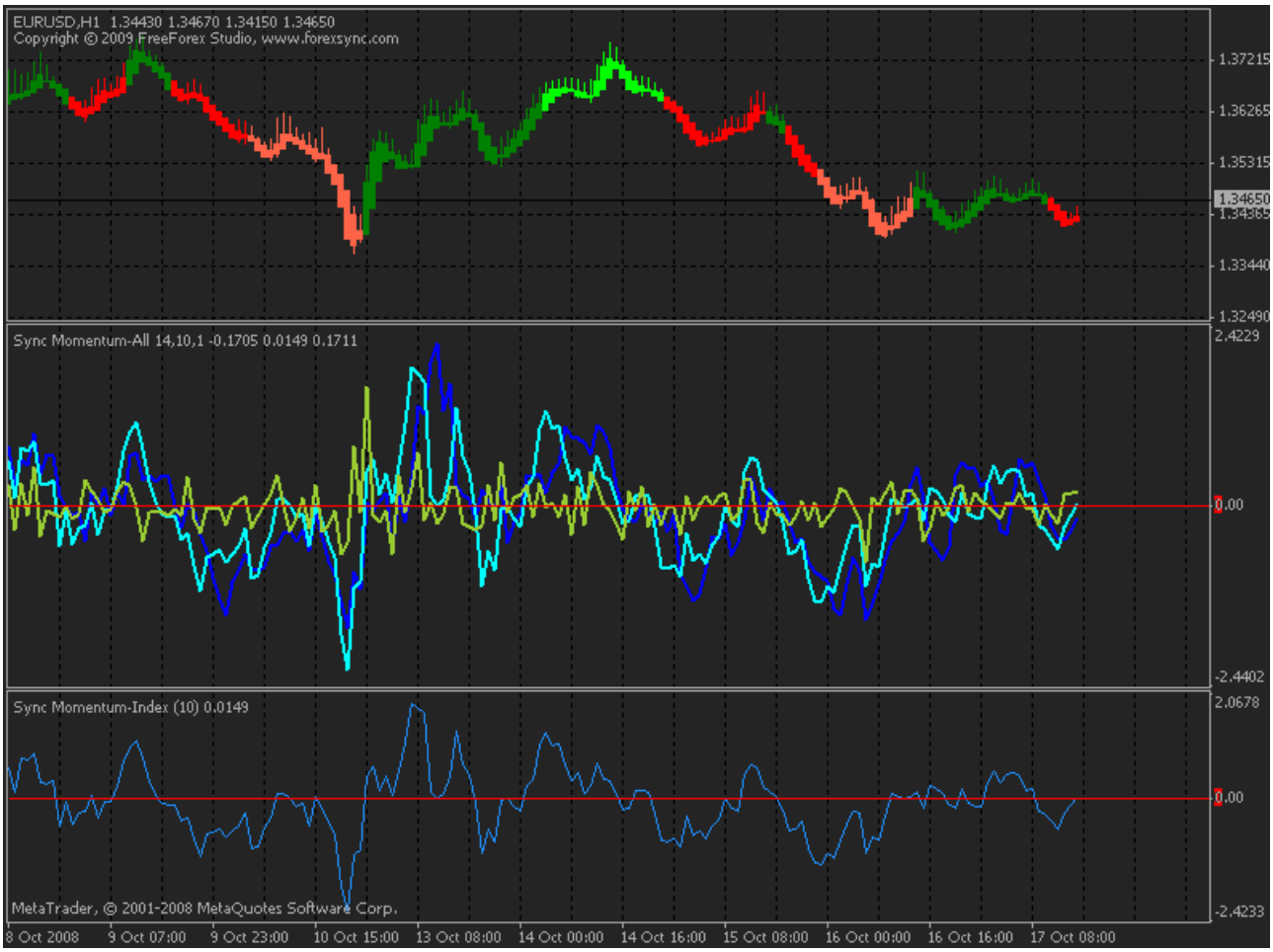
Momentum Filter

Momentum is the measure of the speed of price change, which can sometimes serve as a leading indicator of trend changes

One of the key tenets of technical analysis is that price frequently lies, but momentum generally speaks the truth. Just as professional poker players play the player and not the cards, most professional traders trade momentum rather than price. In forex, a robust momentum model can be an invaluable tool for trading.

In technical analysis, a participant in the markets using momentum to position their trade generally uses the zero center-line to mark a buy (cross above zero) or sell (cross below zero) signal. However, the usage of momentum indicators to trade typically works best in trending markets, as opposed to markets that are trading within a range. Traders look for controversy between chart prices and Indicator suggestions:

A. directional divergence between the price and momentum signals of a trend's developing weakness.
B. price spikes that occur during weak momentum are the last warning signals of the trend change.
C. also trend change should be expected during sideways moving prices and controversially strong momentum.



Why Momentum?

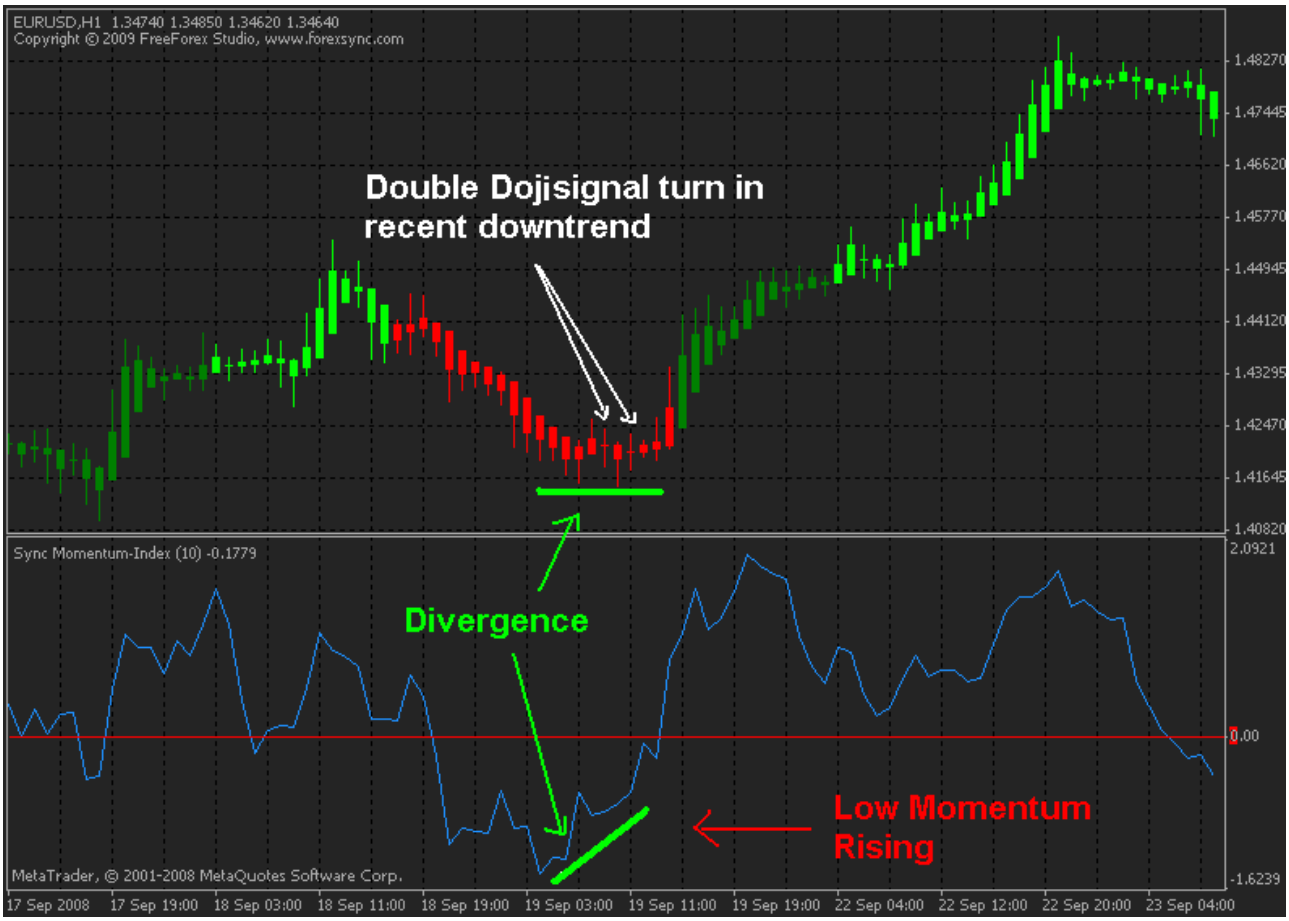
Trend-following approaches have their limitations. They lag price movement, by indicating a change in trend after the fact. Also, whipsaw effects can arise, where prices are in trading ranges.

Enter the momentum indicator, a perfect addition to your currency trading strategies (a.k.a. forex trading strategies). It is used to foretell a trend change and price reversal at support and resistance levels within a trading range. An oscillator, on the other hand, comes from a family of indicators that identify a tradable as either overbought or oversold.

First, we need to look at why momentum is so important to trading. A good way to understand the significance of momentum is to step outside of the financial markets altogether and look at an asset class that has experienced rising prices for a very long time - housing. House prices are measured in two ways: month-over-month increases and year-over-year increases. If house prices in New York were higher in November than in October, then we could safely conclude that demand for housing remained firm and further increases were likely. However, if prices in November suddenly declined from prices paid in October, especially after relentlessly rising for most of the year, then that might provide the first clue to a possible change of trend. Sure, house prices would most likely still be higher in a year-over-year comparison, lulling the general public into believing that the real estate market was still buoyant. However, real estate professionals, who are well aware that weakness in housing manifests itself far earlier in month-over-month figures than in year-over-year data, would be far more reluctant to buy under those conditions.

In real estate, month-over-month figures provide a measure of rate of change, which is what the study of momentum, is all about. Much like their counterparts in the real estate market, professionals in the financial markets will keep a closer eye on momentum than they do on price to ascertain the true direction of a move.

Confirm Momentum with Dynamic Sync Candles



As explained above, Dynamic Sync Candles are based on Heikin Ashi candles. The reason the Heikin Ashi tends to be smoother is because instead of using a simple low and high of the session to calculate individual candles, the Heikin Ashi takes the prices per bar and averages them to create a "smoother" session. This is the key because the currency markets tend to offer traders more volatility and market noise in the price than other markets. With a smoother picture, sometimes a more simplified one is easier to catch the overall trend and the momentum behind that.

Identify support or resistance: Although not a full requirement, this helps to establish a viewpoint where a directional bias can be established. This will likely help in isolating points of entry, assisting with stop placement and risk assessment.

Overlay the technical indicator: The dynamic stochastic oscillator assists in suggesting bidding support as both indicators begin to form a golden cross.

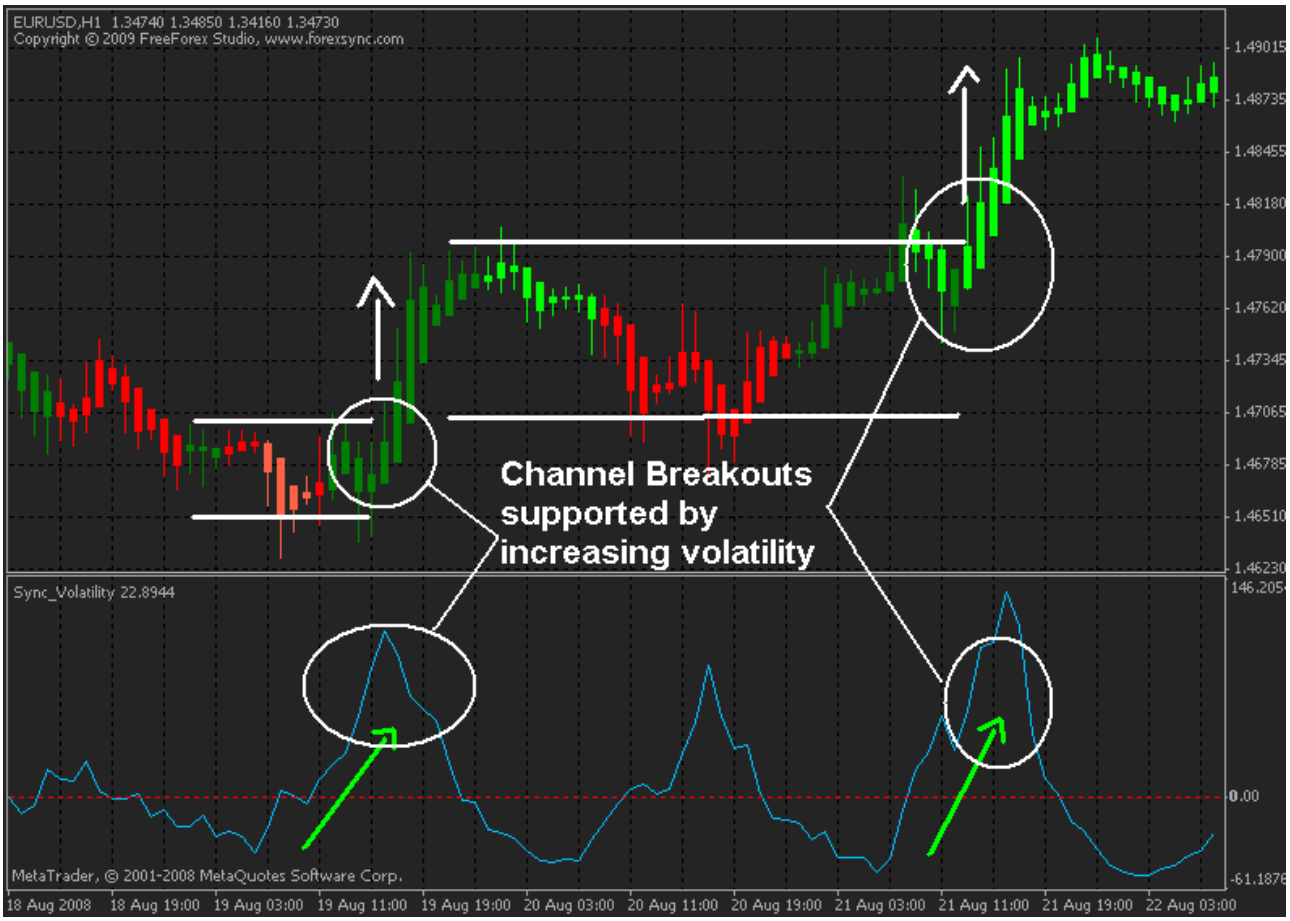
Confirm with Heikin Ashi: Obtaining the entry point off of support and the technically bullish crossover in the stochastic, the trader can confirm the strength of the nascent trend by using the smoother based candles. In the visual example, the chartist can see that the doji is indicative of the shift in momentum as sellers begin to exit the market. Simultaneously, the following longer bodied candle signifies a stronger uptrend in buying.

Volatility Filter (Chaikin)

This indicator is based on an entry in "Technical Analysis From A To Z" by Steven B. Achelis. It was originally developed by Marc Chaikin.
The Chaikin's Volatility function determines the volatility of a financial data series using the percent change in a moving average of the high versus low price over a given time.

Indicator Value
Chaikin's Volatility indicator is calculated by taking an exponential moving average of the difference between the high and low prices over the given period of time (MA Period). A percent change (or rate-of-change) is then taken for the moving average over the given period (ROC Period). The percent rate-of-change value is traditionally multiplied by 100 for e easier graphing.
Since Chaikin's Volatility uses exponential moving averages, it will have values at the beginning of the data series. However, you may want to ignore values prior to a sum of the two periods has completed.

Usage
Chaikin's Volatility indicator measures the volatility of a security. High values indicate that prices are changing a large amount during the day. Low values indicate that prices are staying relatively constant. Note that both trending and level prices can have high or low volatility.



Volatility Breakout Systems

Breakout systems can actually be considered another form of swing trading, (which is a style of short term trading designed to capture the next immediate move). In other words, the trader is not concerned with any long term forecast or analysis, only the immediate price action.

Volatility breakout systems are based on the premise that if the market moves a certain percentage from a previous price level, the odds favor some continuation of the move. This continuation might only last one day, or go just a little bit beyond the original entry price, but this is still enough of a profit to play for. A trader must be satisfied with whatever the market is willing to give.

With a breakout system, a trade is always taken in the direction that the market is moving at the time. It is usually entered via a buy or sell stop. The bit of continuation that we are playing for is based on the principle that momentum tends to precede price. There is also another principle of price behavior that is at work to create trading opportunities. That is, the market tends to alternate between a period of equilibrium (balance between the supply and demand forces) and a state of disequilibrium. This imbalance between supply and demand causes "range expansion", (the market seeking a new level), and this is what causes us to enter a trade.

Training Benefits for the Novice Trader

Trading a short-term breakout system can be one of the best exercises to improve your trading.

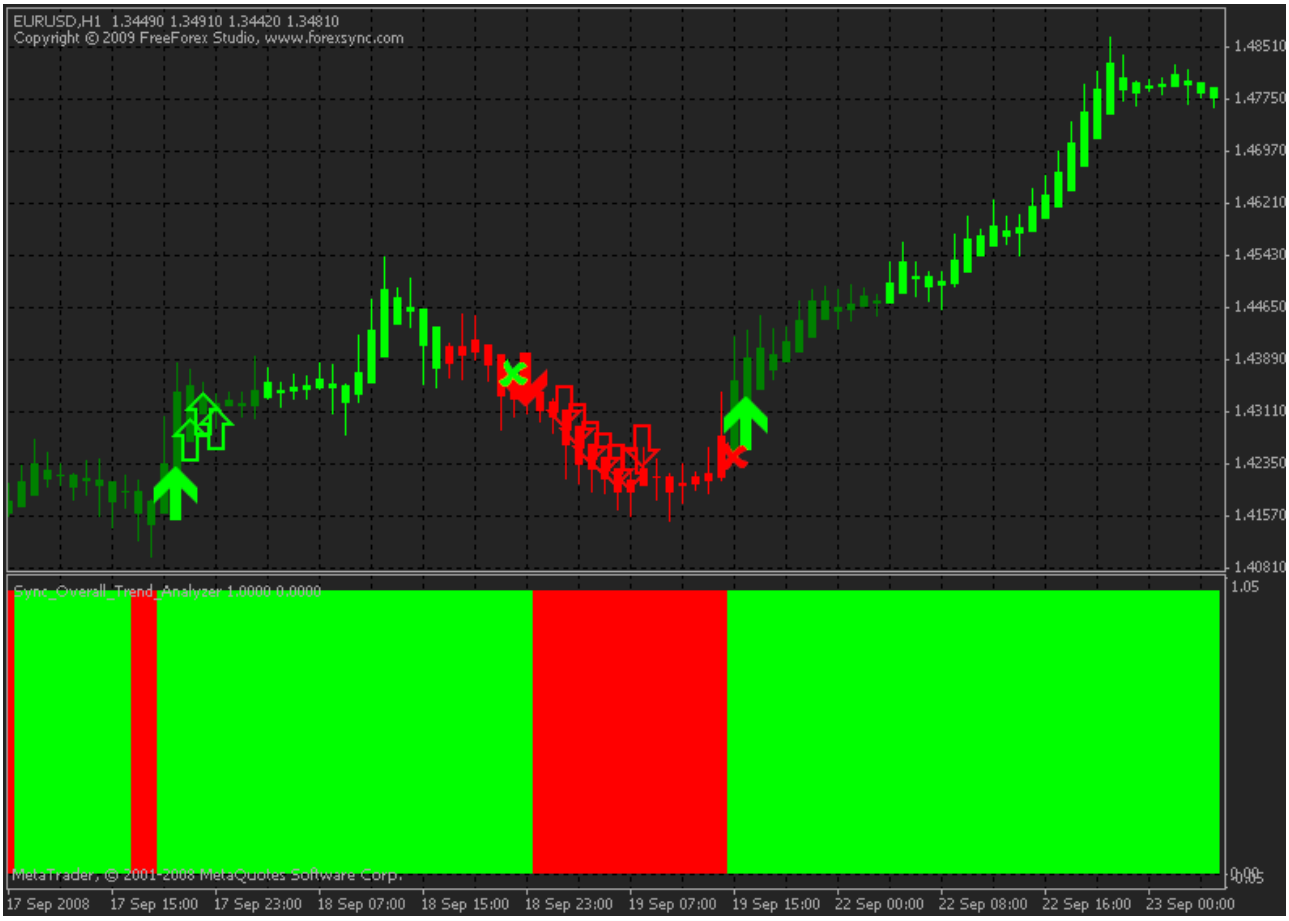
- First, it teaches you to do things that are hard to do - buying high or selling low in a fast moving market! For most people, this feels quite unnatural!
- Second, it always provides a defined money management stop once a trade is entered. Not adhering to a defined money management stop is the most common cause of failure among traders.
- Third, it teaches a trader the importance of follow-through once a trade is entered, as most breakout systems perform best when the trade is held overnight.
- Last, it provides a great means for traders to improve their execution skills. Most volatility breakout systems are fairly active compared to a long-term trend following system. A trader can gain skill in placing orders in a diverse number of markets. Having a mechanically defined entry point is sometimes just the thing needed to overcome a trader's fear of pulling the trigger. The order is placed ahead of time and the market then automatically pulls the trader into a trade if the stop level is hit.

Even if a person prefers to ultimately enter orders using discretion, trading a mechanical volatility breakout system can still be an invaluable exercise. It should at least increase a trader's awareness of certain types of price behavior in the marketplace, especially if one is conditioned to entering on counter-trend retracement patterns. It can't but help impress upon one the power of a true trend day.

Overall Trend Analyzer Filter

One of the easiest and more useful indicators for Dynamic Sync Trading System is this Trend Analyzer. It will show you the overall trend on long-term basis. It is essentially a lagging trend-following tool.

We will use it to confirm Sync trading System arrows: if the arrow appears when the stripe change color, 9o% it's a trade for a lot of good pips, so ever look at this stripe and avoid trade opposite of its color: green uptrend, red downtrend.



Trend Following Systems

Big profits are made trend following the currencies and any currency trading system that catches them, has huge potential.

While the trends look easy in hindsight, they are a little more difficult to catch in advance.

Here are some tips on building you're a forex trend following system.

Spotting the Big Trends: What actually is a trend? If you are looking at the long term ones, these typically will last for a few months to a year or more. They essentially, reflect the underlying economic cycle of the country they represent. Periods of boom and contraction last a long time and so do the currency trends that reflect them.

Using Support, Resistance and Breakouts: In trend following you will base your forex trading strategy on support and resistance, not just buying low and selling high but buying breakouts to new highs and lows. Most trends start from new highs and lows and any good forex trend following system should do the same – if you don't trade breakouts with your trading system, you won't catch the big moves and maximize profitability.

Prediction V Confirmation: Any currency trading system should be geared towards acting on the confirmation of price trends and simply following them. There are lots of systems that say they can predict prices in advance but they don't work. Prediction is simply another word for hoping or guessing and that won't get you far in any venture in life and certainly not forex trading. When trend following simply act on the confirmation as seen on your forex charts. In conclusion, trade the reality of price change NOT what you think may happen.

Profits to Losses: A good trend following system can make money on only 20% of its trades and still make big long term gains. This is a typical win and loss ratio to expect. The reason you can of course make money is - your profitable trades will be far bigger than your losses. You however need the mental discipline to keep taking small losses and hold and milk the long term profitable trends – this is the hard part and why so few people are successful at long term trend following.

The Problem for Most Trend Followers: Is they lack the discipline to hold long term trends. The bigger a profit becomes and the more volatility eats into their open profit, the more they want to take it, before it gets away. Eventually, they lose discipline and bank early. What you have to accept is that when long term trend following you will always lose a bit of profit at the end of when the trend turns and you must also have your stop back far enough, not to get clipped out buy random volatility. This takes discipline and can be every lucrative. If you have acquired both traits, you can make a lot of money.

Trading Trend Systems: If you want a currency trading system to catch long term trends then you need accept your losses are going to be frequent and you will have far more of them than winning trades. You then must have the discipline to hold and follow your winners. Your system should be based on breakouts and you should confirm each and every signal with momentum indicators – no hoping or guessing! This should be combined with stops placed at entry. Then the key to the big profits is your trailing stop loss: Don't trail to close! Make sure your stop is behind random volatility, to keep you in the trend and accept short term drawdown to win the bigger prize. A good way to trail a stop is to use a long term moving average, combined with support and resistance. Sure, you miss a bit at the end of the trend but you don't know when it's going to end anyway, so that's no problem. Keep in mind - if you caught 50% of every major top you would be very rich.

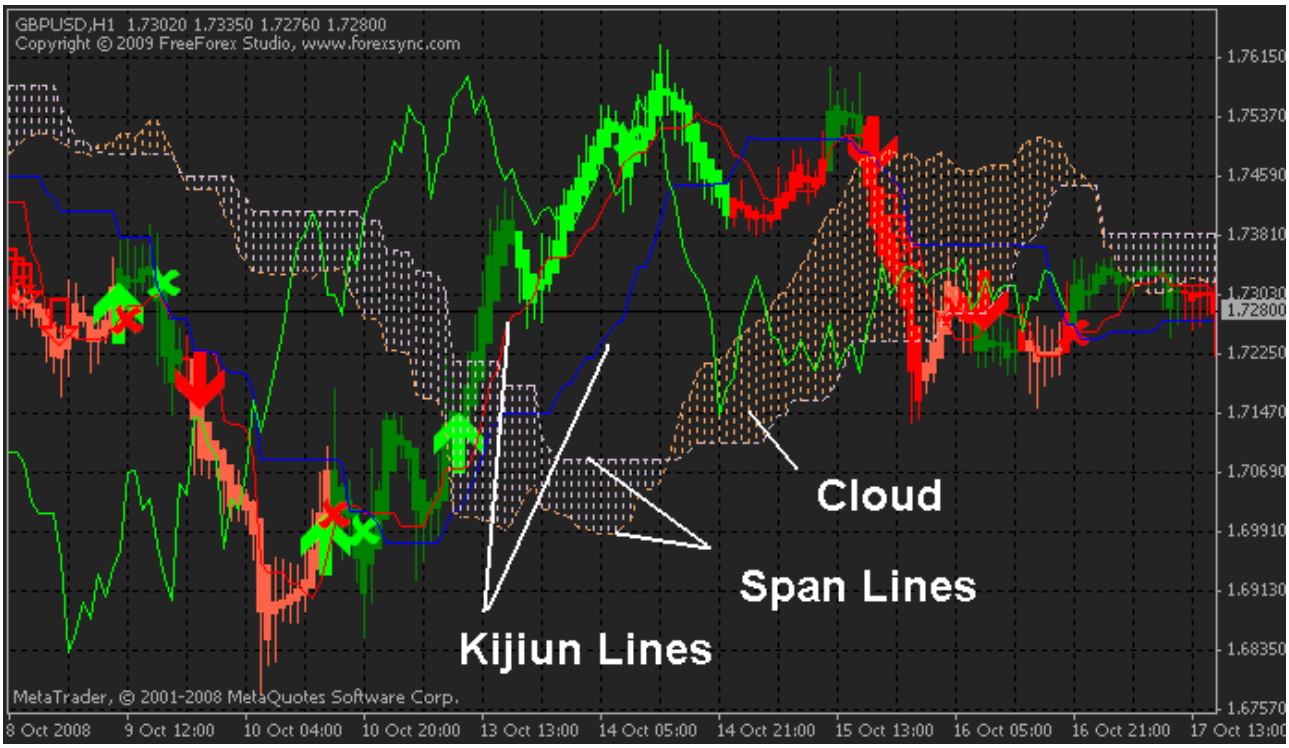
In conclusion

Long term trend following systems seem to have gone out of fashion with retail investors, with most choosing losing methods such as forex day trading or scalping.

You need patience, confidence and the discipline to hold the few big opportunities that yield the big profits and take lots of small losses however, if you have the mindset to do this, you can enjoy spectacular currency trading success.

The Ichimoku Kinko Hyo Chart (Sync Numb)

A multi-faceted indicator designed to give support/resistance levels, trend direction, and entry/exit points of varying strengths. General theory behind this indicator states that if price action is above the cloud, the overall trend is bullish, and if below the cloud, the overall trend is bearish. There are also moving averages (the Tenkan and Kijun lines) which act like the MACD crossover signals with the Tenkan crossing from underneath the Kijun as a bullish signal, while crossing overhead giving a bearish signal.



Use

Commonly used in Japanese trading rooms, Ichimoku is often applied to establish the trend for a pair and detect trend breakouts. It is decent during range bound markets and like most indicators performance often improves when used over longer time frames.

History

The Ichimoku Cloud was originally called the 'Ichimoku Kinko Hyo.' Where Ichimoku means 'one glance, 'Kinko 'balance' and Hyo 'chart.' Thus the full translation could best be described as 'one glance balanced chart.' Originally developed by Goichi Hosada pre WWII, a newspaper journalist (published in 1969) who wanted to develop an Uber-indicator that could provide the trader with various levels of support/resistance, entry/exit points, direction of the trend, and strength of the signal.

Kumo, the Ichimoku Cloud

It later became known as the 'Ichimoku Cloud' since the most characteristic feature of the indicator is the cloud (Kumo), which is designed to represent various levels of support and resistance. In developing the cloud, Hosada realized support/resistance levels were not single lines drawn in the sand, since traders were often placing their trades at various distances from the support levels. Thus, since support was many layers

deep from the offers/bids around the level, he created a cloud to represent the past levels of support/resistance. The cloud is composed of the two Senkou Span lines (A&B or 1&2) which are pushed forward in time, and when the area between them is shaded in, it makes a cloud-like shape. The most basic theory of this indicator is that if the price is above the cloud, the overall trend is bullish while below the cloud is bearish, and in the cloud is non-biased or unclear. Lastly, when the price is above the cloud, then the top of the cloud will act as a general support level, and when price is below, the cloud base will act as resistance. But remember the cloud has thickness, and thus resistance does as well, which by making these thicker reduces the risk of a false breakout.

Tenkan & Kijun Lines

The indicator goes much further than this, with using two moving average lines; the Tenkan Line and the Kijun Line, which are 9 and 26 day moving averages (exponential). The Tenkan Line is really the conversion line which is when crosses the Kijun line from underneath, is indicative of a bullish signal. When it crosses over the Kijun line from above pointing downward, it becomes indicative of a bearish signal.

Chikou Span

There is also one last line called the Chikou Span, which is representative of today's price moved back 26 periods ago. This is where the strength of the signal comes in. If you have a bearish signal (downward crossover of the Tenkan over the Kijun) and the Chikou Span is below the base, then the signal strength increases. If you have a bullish crossover (Tenkan crosses the Kijun from underneath) and the Chikou Span is above the cloud top, then the signal strength increases.

There is one last metric for the strength of the signal and confirmation for your buy/sell signal. If the crossover of the two lines (Tenkan & Kijun) occurs above the cloud, then the bullish signal strength increases and is further confirmation. If the crossover occurs below the cloud, then the bearish signal intensifies and is further confirmation. Medium buy/sell signals occur when the crossover takes place in the cloud, and weak occurs when the bullish crossover is below the cloud, while a weak bearish signal occurs above the cloud.

Formulas

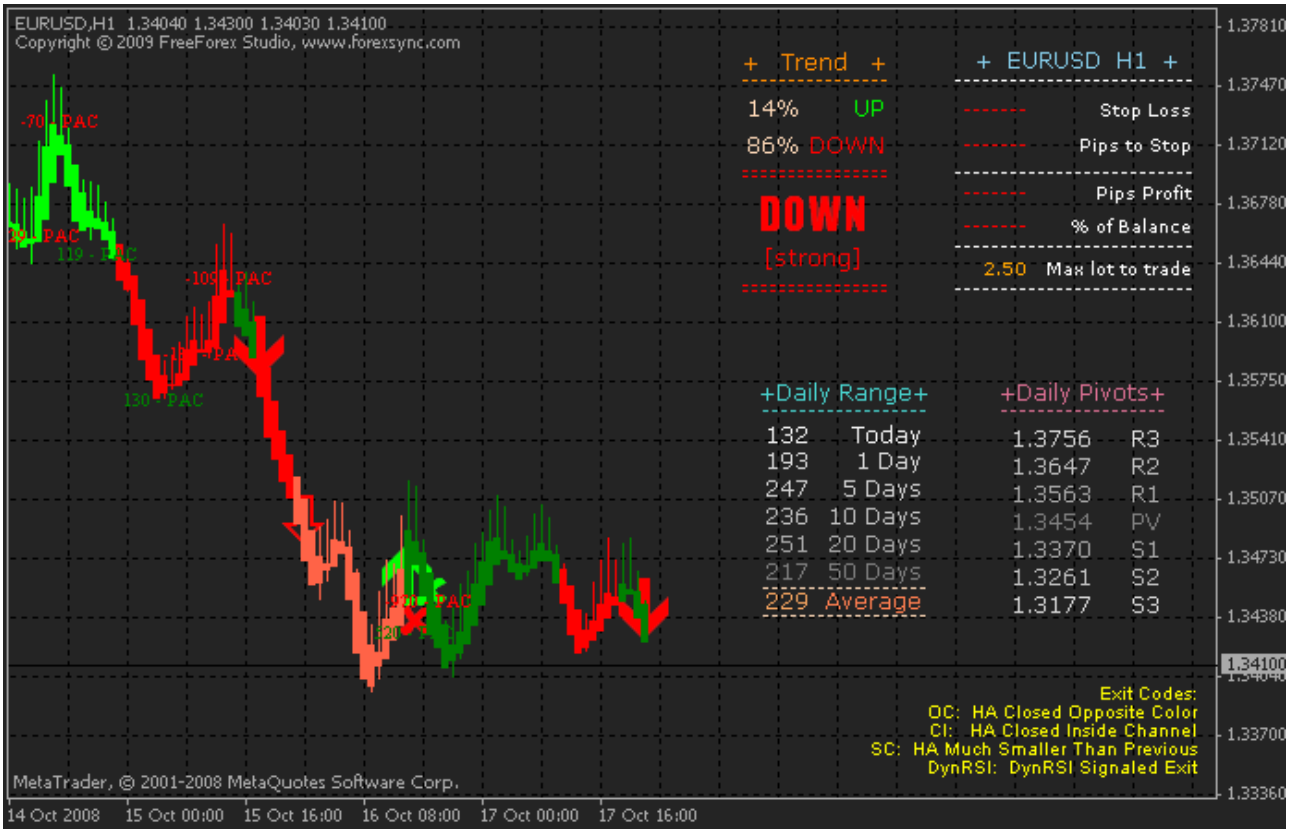
- Tenkan Line; (highest high + lowest low)/2 calculated over last 9 periods.
- Kijun Line; (highest high + lowest low)/2 calculated over last 26 periods.
- Chikou Span; (most current closing price plotted 26 time periods back.
- Senkou Span A; (Tenkan line + Kijun Line)/2 plotted 26 time periods ahead
- Senkou Span B; (highest high + lowest low)/2 calculated over past 52 time periods, sent 26 periods ahead.

Trading Tools

Dynamic Sync Trading System also includes a series of useful tools which alone can be considered another trading system too.

These include a sophisticated overall trend analyzer, a money management tool, daily range and daily pivots calculators.

All them are well organized on the right corner of the price chart and are fully customizable. You can choose to show just one of the four tools, or just two, or show one of them on the left corner, or where you prefer.



Let's take a closer look at each of these tools.

Percentage Trend Analyzer: this maybe the only tool you need to trade and so we may consider it as a stand-alone trading system. It is based on all the indicators of Dynamic Sync Trading System and will give you the real taste of the current trend. You may setup which additional indicators use for trend analysis and their parameters. Whatever your trading style is, you always need to know if you trade in the right direction. This indicator will show you not only the way but the strength of this direction.
After observing this custom indicator, you will be able to define the end of the current trend and the start of the reverse.

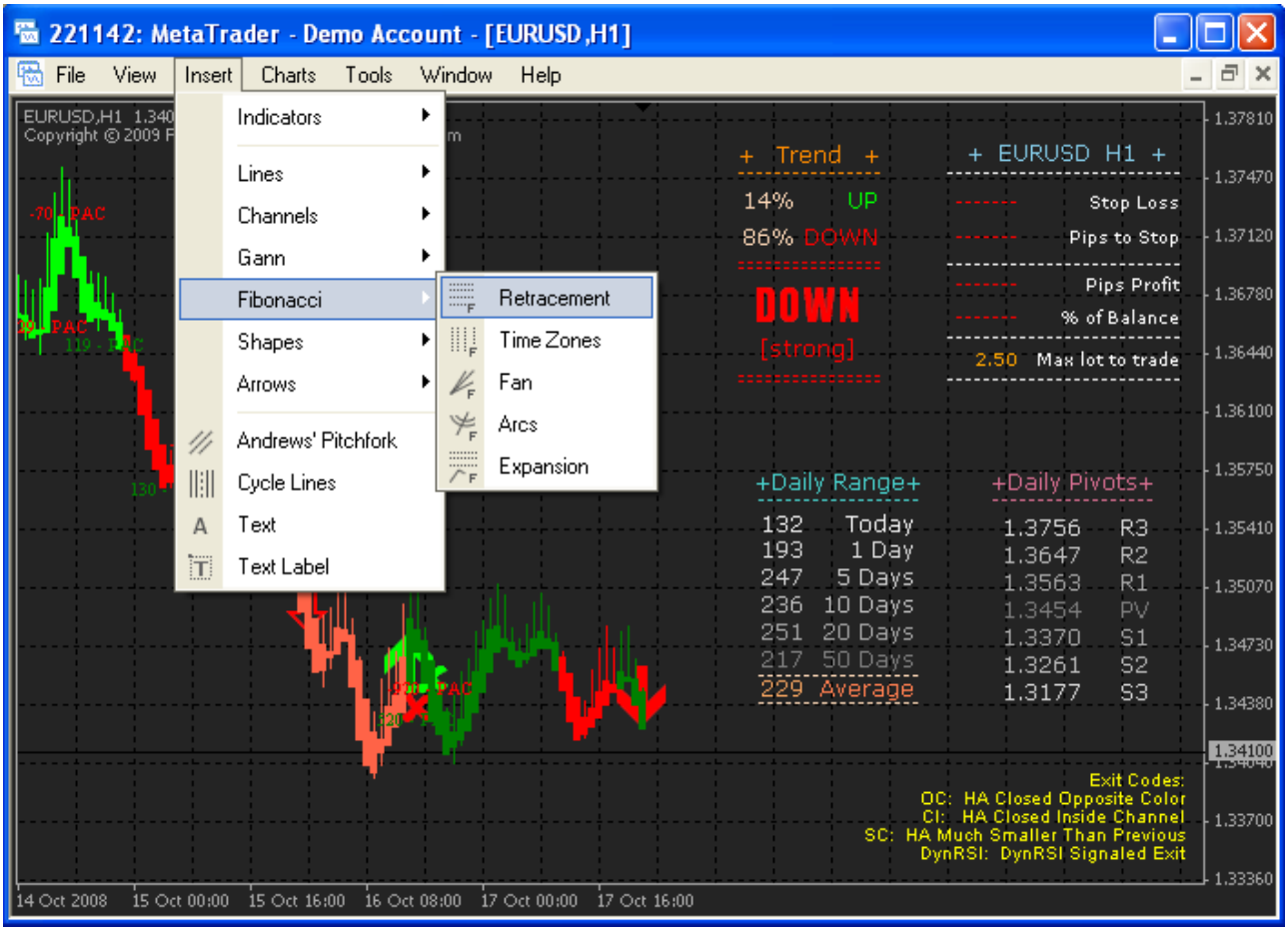
Money Management Tool: Depending on your account (equity, currency of the account) the pair you trade and the risk you accept on one trade, the program will calculate the exact position sizing you have to use for your trade. Many brokers don't allow the possibility of trading with variable contract sizes so that's the reason why we've added the number of contracts you have to trade in the table. The risk and leverage are updated for each case. Money management is extremely important to being a successful trader.
Without it, you will rarely succeed in the long run. With your paid subscription, we will give our traders specific guidelines that should be followed according to their account balance. Money management issues will be discussed below.

Average Daily Range Calculator: The Average Daily Range is a "gauge" of the maximum amount of daily market movement which can be reasonably expected. The ADR Calculator is an effective and efficient tool providing valuable market data at a glance. We believe using the ADR Calculator will greatly assist you while trading.

Daily Pivots Calculator: Forex pivots are a fantastic way to predict the future movements of a forex currency pair. There are several ways to widely exploit pivot points to minimize your risk while trading the forex market and to willingly improve you in your trading decisions. You can use the daily pivots to access where the global trade is heading, always keep an eye on them during your daily trading.
If price breaks through one of the daily pivots you can expect a retrace back to the closest support/resistance or back to the pivot point it has just broken though. These retrace are exceptional places to get into the business with the intraday trend if you catch them early in the transaction session. Quite often you will find that support/resistance will coincide with the daily pivots giving you a confluence area that if broken would be a great place to get into the trade.
Another way to apply the pivot points is to determine how far the trade may move if you are already in a position. Price may already be at the higher daily pivot point so you would want to think about liquidating your positions for the day. On the other hand if price is at one of the outer pivots, and you get a signal to go with the trend you know that your chances of success are far less due to the daily range so far in the trading session.
All in all the pivot points are defiantly something you may definitely need to consider if you day trade the forex markets, they are a very important tool used by Forex market traders to analyze the market.

About pivots: the Fibonacci Theory

Fibonacci forex trading is the basis of many forex trading systems used by a great number of professional forex brokers around the globe, and many billions of dollars are profitable traded every year based on these trading techniques.



Fibonacci was an Italian mathematician and he is best remembered by his world famous Fibonacci sequence, the definition of this sequence is that it's formed by a series of numbers where each number is the sum of the two preceding numbers; 1, 1, 2, 3, 5, 8, 13 ...But in the case of currency trading what is more important for the forex trader is the Fibonacci ratios derived from this sequence of numbers, i.e. .236, .50, .382, .618, etc.

These ratios are mathematical proportions prevalent in many places and structures in nature, as well as in many man-made creations.

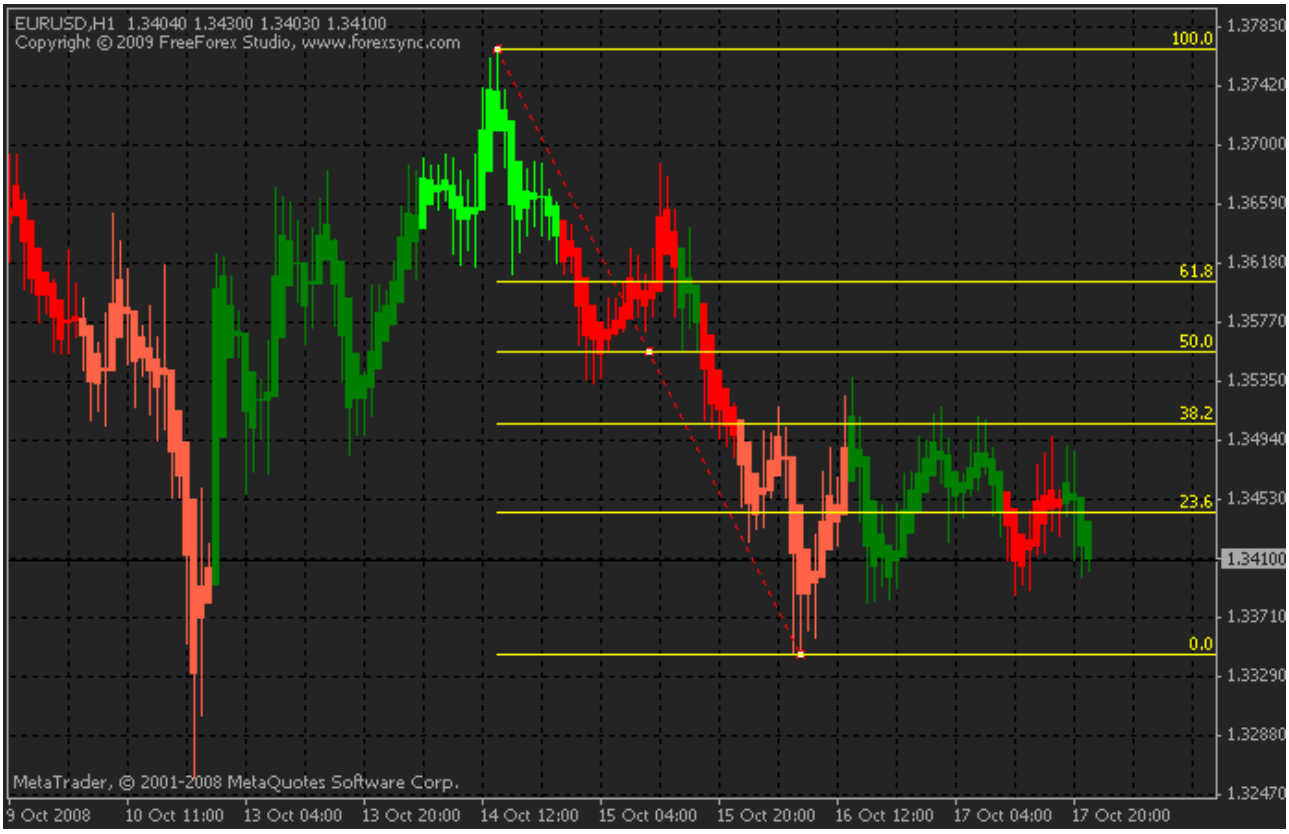
Forex trading can greatly benefit from this mathematical proportions due to the fact that the oscillations observed in forex charts, where prices are visibly changing in an oscillatory pattern, follow Fibonacci ratios very closely as indicators of resistance and support levels; maybe not to the last cent, but so close as to be really amazing.

Fibonacci price points, or levels, for any forex currency pair can be calculated in advance so that the trader will know when to enter or exit the market if the prediction given by the Fibonacci forex day trading system he uses fulfills its predictions.

Many people tries to make this analysis overly complicated scaring away many new forex traders that are just beginning to understand how the forex market works and how to make a profit in it. But this is not how it has to be. I can't say it's a simple concept but it is quite understandable for any trader once he or she has grasped the basics and has had some practice trading using Fibonacci levels along with other secondary indicators that will help to improve the accuracy of the entry and exit point for every particular trade.

Fibonacci Retracement - Fibonacci Retracements are displayed by selecting two extreme points on a forex chart, for example, a trough and opposing peak. A series of three horizontal lines are drawn intersecting the trend line at the Fibonacci levels of 38.2%, 50%, 61.8%.

After a currency moves significantly in price (either up or down), it will often retrace a portion (if not all) of the original move. As prices retrace, support and resistance levels often occur at or near the Fibonacci Retracement levels.



Fibonacci Projection - Fibonacci Projection calculation needs a total of 3 points. The first two points are used to calculate the distance of the first move (shown in example below), while the third point is the starting position of the projection. The purpose of Fibonacci Projections is to estimate where the current move may end. The following is an example of the result of selecting 3 points on the forex chart, clicking one after the other, with the last being the start of the projection. Fibonacci projection figures of 61.8 %, 100% and 161.8% (as a percent of the first move) will be shown on the chart

Fibonacci Fans - Fibonacci Fan is another Fibonacci retracement tool that takes both price and time into consideration. Comparing to horizontal Fibonacci lines it offers an additional feature — price movement projection far further in time. The price projection is based on fan-like trend lines that represent already familiar to use Fibonacci numbers: 0.382, 0.500 and 0.618.

The Holy Grail: Money Management

Put two rookie traders in front of the screen, provide them with your best high-probability set-up, and for good measure, have each one take the opposite side of the trade. More than likely, both will wind up losing money. However, if you take two pros and have they trade in the opposite direction of each other, quite frequently both traders will wind up making money - despite the seeming contradiction of the premise. What's the difference? What is the most important factor separating the seasoned traders from the amateurs? The answer is money management.

Like dieting and working out, money management is something that most traders pay lip service to, but few practice in real life. The reason is simple: just like eating healthy and staying fit, money management can seem like a burdensome, unpleasant activity. It forces traders to constantly monitor their positions and to take necessary losses, and few people like to do that. However, as Figure 1 proves, loss-taking is crucial to long-term trading success.

Amount of Equity Lost	Amount of Return Necessary to Restore to Original Equity Value
10%	*11%*
25%	*33%*
50%	*100%*
75%	*400%*
90%	*1.000%*

Note that a trader would have to earn 100% on his or her capital - a feat accomplished by less than 1% of traders worldwide - just to break even on an account with a 50% loss. At 75% drawdown, the trader must quadruple his or her account just to bring it back to its original equity - truly a Herculean task!

The Big One

Although most traders are familiar with the figures above, they are inevitably ignored. Trading books are littered with stories of traders losing one, two, even five years' worth of profits in a single trade gone terribly wrong. Typically, the runaway loss is a result of sloppy money management, with no hard stops and lots of average downs into the longs and average ups into the shorts. Above all, the runaway loss is due simply to a loss of discipline.

Most traders begin their trading career, whether consciously or subconsciously, visualizing "The Big One" - the one trade that will make them millions and allow them to retire young and live carefree for the rest of their lives. In FX, this fantasy is further reinforced by the folklore of the markets. Who can forget the time that George Soros "broke the Bank of England" by shorting the pound and walked away with a cool $1-billion profit in a single day? But the cold hard truth for most retail traders is that, instead of experiencing the "Big Win", most traders fall victim to just one "Big Loss" that can knock them out of the game forever.

Learning Tough Lessons

Traders can avoid this fate by controlling their risks through stop losses. In Jack Schwager's famous book "Market Wizards" (1989), day trader and trend follower Larry Hite offers this practical advice: "Never risk more than 1% of total equity on any trade. By only risking 1%, I

am indifferent to any individual trade." This is a very good approach. A trader can be wrong 20 times in a row and still have 80% of his or her equity left.

The reality is that very few traders have the discipline to practice this method consistently. Not unlike a child who learns not to touch a hot stove only after being burned once or twice, most traders can only absorb the lessons of risk discipline through the harsh experience of monetary loss. This is the most important reason why traders should use only their speculative capital when first entering the forex market. When novices ask how much money they should begin trading with, one seasoned trader says: "Choose a number that will not materially impact your life if you were to lose it completely. Now subdivide that number by five because your first few attempts at trading will most likely end up in blow out." This too is very sage advice, and it is well worth following for anyone considering trading FX.

Money Management Styles

Generally speaking, there are two ways to practice successful money management. A trader can take many frequent small stops and try to harvest profits from the few large winning trades, or a trader can choose to go for many small squirrel-like gains and take infrequent but large stops in the hope the many small profits will outweigh the few large losses. The first method generates many minor instances of psychological pain, but it produces a few major moments of ecstasy. On the other hand, the second strategy offers many minor instances of joy, but at the expense of experiencing a few very nasty psychological hits. With this wide-stop approach, it is not unusual to lose a week or even a month's worth of profits in one or two trades. (For further reading, see Introduction to Types of Trading: Swing Trades.)

To a large extent, the method you choose depends on your personality; it is part of the process of discovery for each trader. One of the great benefits of the FX market is that it can accommodate both styles equally, without any additional cost to the retail trader. Since FX is a spread-based market, the cost of each transaction is the same, regardless of the size of any given trader's position.

For example, in EUR/USD, most traders would encounter a 3 pip spread equal to the cost of 3/100th of 1% of the underlying position. This cost will be uniform, in percentage terms, whether the trader wants to deal in 100-unit lots or one million-unit lots of the currency. For example, if the trader wanted to use 10,000-unit lots, the spread would amount to $3, but for the same trade using only 100-unit lots, the spread would be a mere $0.03. Contrast that with the stock market where, for example, a commission on 100 shares or 1,000 shares of a $20 stock may be fixed at $40, making the effective cost of transaction 2% in the case of 100 shares, but only 0.2% in the case of 1,000 shares. This type of variability makes it very hard for smaller traders in the equity market to scale into positions, as commissions heavily skew costs against them. However, FX traders have the benefit of uniform pricing and can practice any style of money management they choose without concern about variable transaction costs.

Six Types of Stops

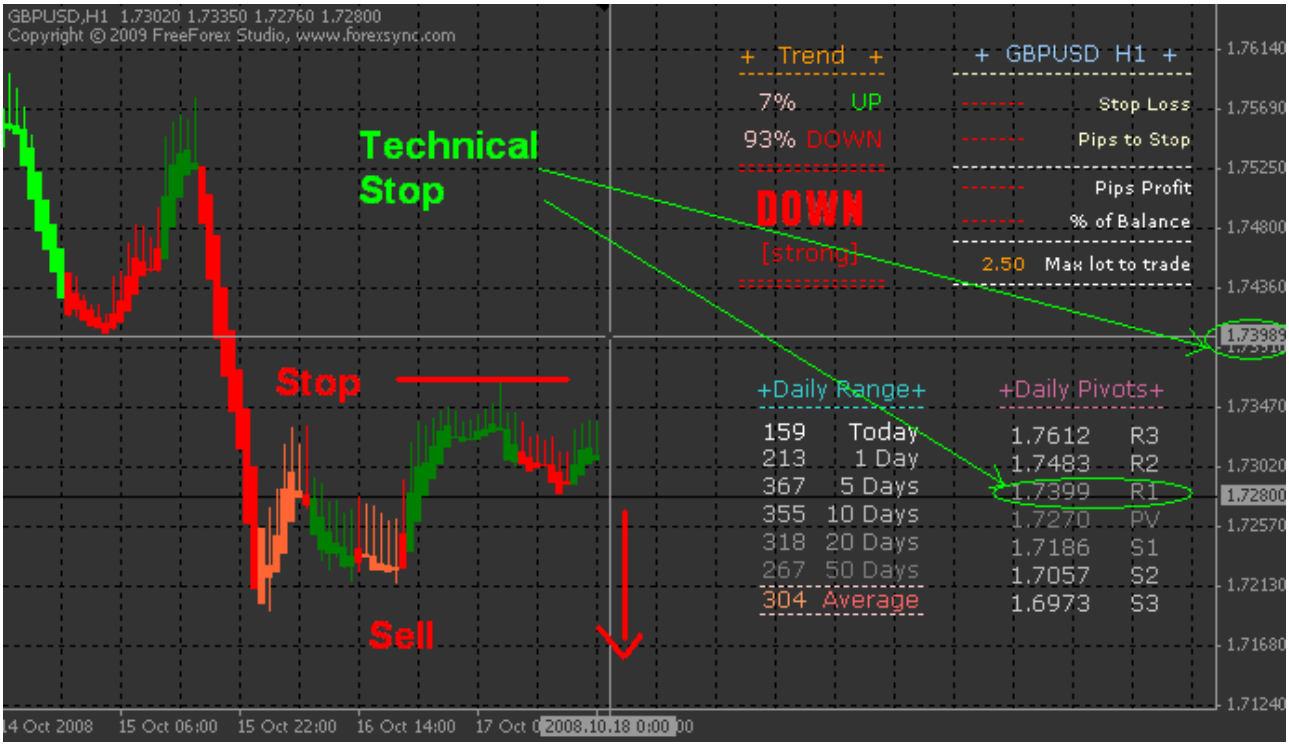
Once you are ready to trade with a serious approach to money management and the proper amount of capital is allocated to your account, there are four types of stops you may consider.

Equity Stop

This is the simplest of all stops. The trader risks only a predetermined amount of his or her account on a single trade. A common metric is to risk 2% of the account on any given trade. On a hypothetical $10,000 trading account, a trader could risk $200, or about 200 points, on one mini lot (10,000 units) of EUR/USD, or only 20 points on a standard 100,000-unit lot. Aggressive traders may consider using 5% equity stops, but note that this amount is generally considered to be the upper limit of prudent money management because 10 consecutive wrong trades would draw down the account by 50%.
One strong criticism of the equity stop is that it places an arbitrary exit point on a trader's position. The trade is liquidated not as a result of a logical response to the price action of the marketplace, but rather to satisfy the trader's internal risk controls.

Chart Stop

Technical analysis can generate thousands of possible stops, driven by the price action of the charts or by various technical indicator signals. Technically oriented traders like to combine these exit points with standard equity stop rules to formulate charts stops. A classic example of a chart stop is the swing high/low point. In Figure below a trader with our hypothetical $10,000 account using the chart stop could sell one mini lot risking 150 points, or about 1.5% of the account.



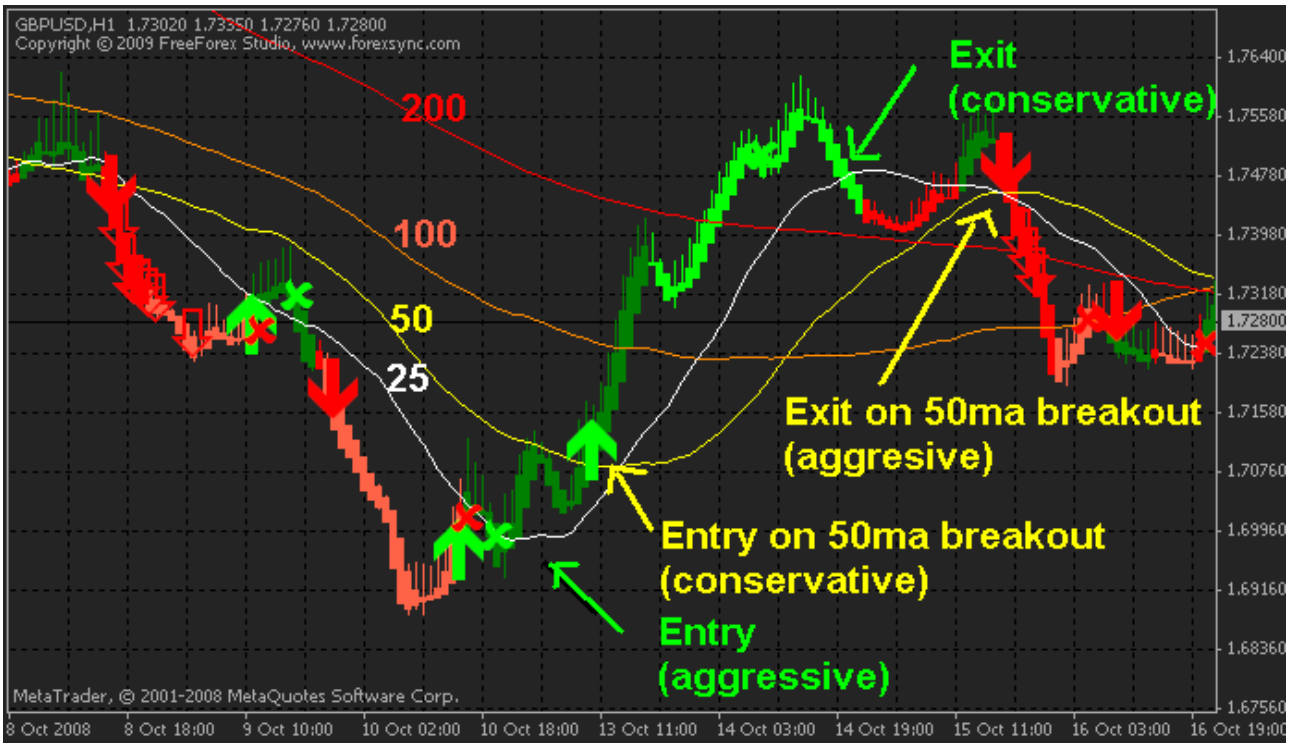
Volatility Stop

A more sophisticated version of the chart stop uses volatility instead of price action to set risk parameters. The idea is that in a high volatility environment, when prices traverse wide ranges, the trader needs to adapt to the present conditions and allow the position more room for risk to avoid being stopped out by intra-market noise. The opposite holds true for a low volatility environment, in which risk parameters would need to be compressed.

One easy way to measure volatility is through the use of Bollinger bands in Dynamic Stochastic and RSI, which employ standard deviation to measure variance in price.

Moving Average Stop

Another technical based stop technique very effective is to allow the price to move only above or below a given moving average line.
It's up to you and your trading style to choose the best period for the moving average stop line: the less the period, the minor the space of freedom for the price. Generally is a good rule to choose the MA which reflect the same inclination of the movement running, 25ma is often a good support for intraday.
Remember that 50, 100 and 200 mas are very strong support/resistance lines and price quite often bounces over them at least 2-3 times before start a new trend. If price on the last movement was following i.e. the 50ma (as in the figure below), probably will do that again at least one time in the new trend, so this maybe a good stop level.



Trendline Stop

This is not a real stop strategy: this is probably the most important thing a trader must learn: draw a Trendline over the current movement, but how to draw a Trendline? It is a basic question for the forex beginners. Plotting a trend line on a Forex chart gives very valuable information.
Not only the trend line will show a current trend (direction) of the price move, it will also depict points of support and resistance levels for market price.

In addition, it will also help to determine good entry and exit points, best positioning for profit taking and placing protective stops.
This very simple, but yet quite powerful tool will be one of the crucial indicators of possible trend reversal (when market price starts move in the opposite direction).

So, shall we learn how to draw trend line to make it our good friend in profitable forex trading?

The problem is that a trader becomes too subjective in their trend line drawing. Many traders will draw on separate occasions two totally different trend lines based on the identical information, depending on his inclination each time, thus consistency and uniformity are totally lacking. Not all trend lines are correct, in the end only one is.

Anyway, once learned and applied, trend line analysis is no longer subjective, it becomes completely mechanical. Trend line breakouts are precisely defined and price projections can easily be calculated.

In the uptrend market trend line is drawn below the pattern formation; in the downtrend — above. (That is why when the trend is going to change our trend line will be crossed, which therefore will give us a signal that the price can start moving in another direction.)

In the uptrend, Forex trend line is drawn through the lowest swing-points of the price move.
Connecting at least two «lowest lows» will create a trend line.

In the down trend, trend line is drawn through the highest swing-points of the price move.
Connecting at least two «highest highs» will create a trend line.

A trend line confirms its validity when the price respects this line. The more «lowest lows» / «highest highs» the trend line contains, the stronger it becomes

A sample of the advantage of drawing trend lines in choppy markets:

Another sample of drawing trend lines: main and inner downtrend lines.

Margin Stop

This is perhaps the most unorthodox of all money management strategies, but it can be an effective method in FX, if used judiciously. Unlike exchange-based markets, FX markets operate 24 hours a day. Therefore, FX dealers can liquidate their customer positions almost as soon as they trigger a margin call. For this reason, FX customers are rarely in danger of generating a negative balance in their account, since computers automatically close out all positions.

This money management strategy requires the trader to subdivide his or her capital into 10 equal parts. In our original $10,000 example, the trader would open the account with an FX dealer but only wire $1,000 instead of $10,000, leaving the other $9,000 in his or her bank account. Most FX dealers offer 100:1 leverage, so a $1,000 deposit would allow the trader to control one standard 100,000-unit lot. However, even a 1 point move against the trader would trigger a margin call (since $1,000 is the minimum that the dealer requires). So, depending on the trader's risk tolerance, he or she may choose to trade a 50,000-unit lot position, which allows him or her room for almost 100 points (on a 50,000 lot the dealer requires $500 margin, so $1,000 – 100-point loss* 50,000 lot = $500). Regardless of how much leverage the trader assumed, this controlled parsing of his or her speculative capital would prevent the trader from blowing up his or her account in just one trade and would allow him or her to take many swings at a potentially profitable set-up without the worry or care of setting manual stops. For those traders who like to practice the "has a bunch, bet a bunch" style, this approach may be quite interesting.

Conclusion

As you can see, money management in FX is as flexible and as varied as the market itself. The only universal rule is that all traders in this market must practice some form of it in order to succeed.

There is no system or trader in the world who doesn't have losses. Some "professional" and profitable traders are right only about 50% of the time yet highly profitable. This is made possible because of strict money management and avoiding excessive risk. Proper money management should address three things: Risk and reward and the overall efficiency of the system (as opposed to a per trade efficiency i.e. stop loss - protection).

Money management is something that pertains to your margin account as a whole and is not gauged on a per trade basis. Contrary to popular belief futures trading is not gambling. For example in a casino, risk is artificially manufactured and engineered in favor of the house. In futures markets we are dealing with natural risk associated with the production and consumption of the materials that make life possible and worthwhile - food, metals, and finance and energy products.

The trader decides what he is going to trade based on back testing the system on the securities or commodities that he wants to trade. He then has a positive expectation based on this historical testing.

We cannot bend those risks to our will but we do have tools to manage them. Unlike gambling we can move the odds to our favor. To do this we must be disciplined and have a predetermined plan.

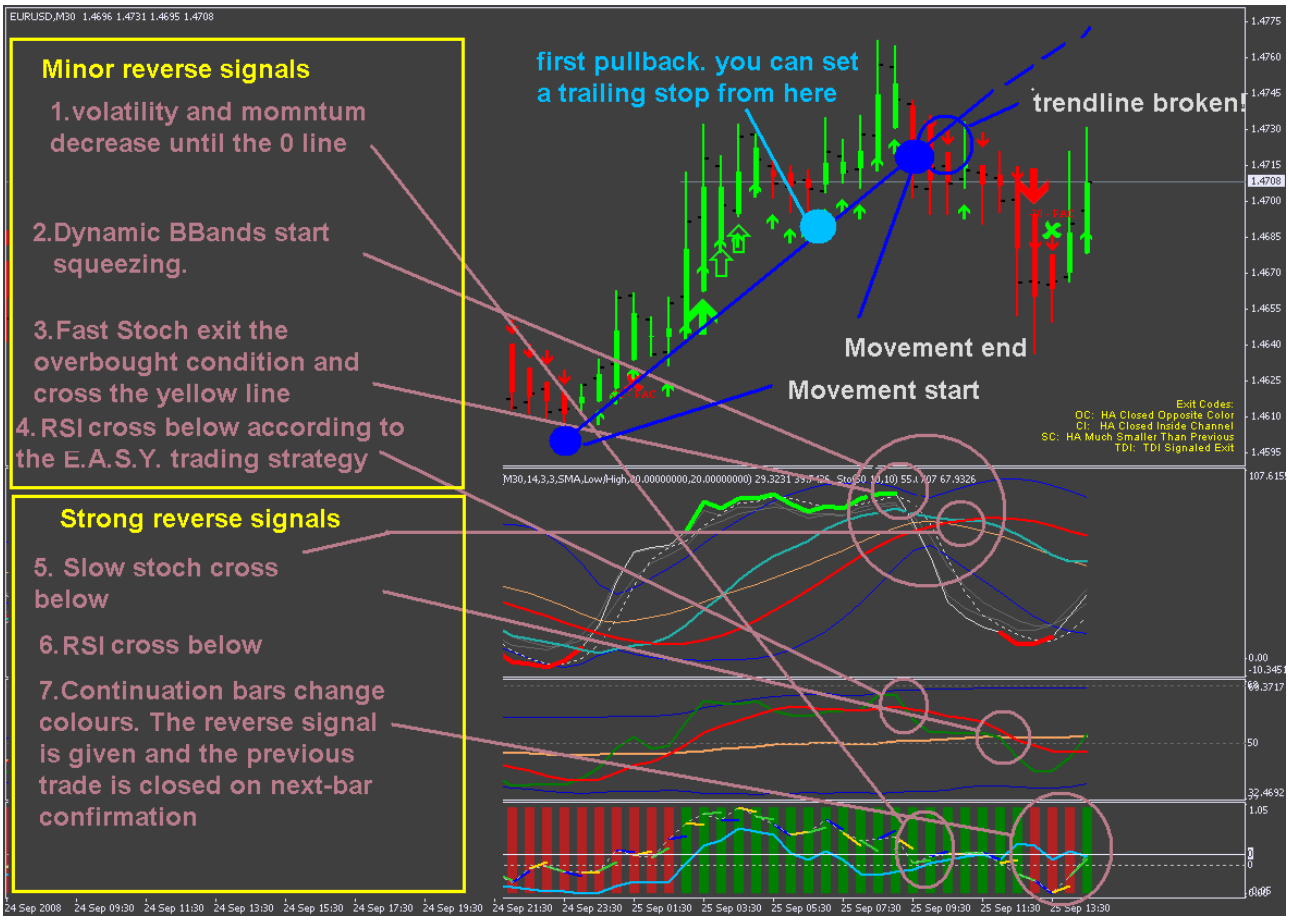
General Exit Rules

A. Taking profit at major support / resistance line
Exit at major support resistant line. For intra-day trading, in the morning, yesterday's high, low, midpoint, and close could be today's major support or resistance line. In the afternoon, morning's high, low and midpoint could be support or resistance line. For position trading, weekly or monthly major support/resistance line will be good place to exit.

B. Exit half of the position let the other half run
You may take profit at support/resistant line for half of the positions, and let the other taking their chance. This method taking care of the losses first, and let the profit grow with no concerns. Normally, you can hold a good position much longer and more objectively.

C. Exit when the market turns sideways without profit
After entering the market, if the market goes sideways for 3-4 bars, and you hold a position with no profit or even a small loss, exit.

D. Trailing Stop Exit
Here is a highly used effective exit strategy and the choice of many professional traders. It allows you to take advantage of the market movement by continually placing your stop behind the market, constantly locking in your profits if the market continues to trend.



Money Management Formulas

Larry William's money management formula

Larry William's money management formula:

(Account balance *risk percent) /largest loss = contracts or shares to trade.

Larry said: "There are probably better and more sophisticated approaches, but for run-of-the-mill traders like us, not blessed with a deep understanding of math, this is the best I know of. The beauty of it is that you can tailor it to your risk/reward personality. If you are Tommy Timid, use 5 percent of your bank; should you think you are Normal Norma, use 10 percent to 12 percent; if you are Leveraged Larry, use from 15 percent to 18 percent; and if you are Swashbuckling Sam or Dangerous Danielle, use in excess of 20 per cent of your account ... and go to church regularly. I have made millions of dollars with this approach. What more can I tell you-you have just been handed the keys to the kingdom of speculative wealth."

Martingale and Anti martingale

Martingale Category simply states that as the value of an account is decreasing, the size of the following trades increases.
This is gambling and has a high degree of risk of ruin. This is a method employed by gamblers trying to take advantage of streaks. This method seems highly improbable of long term success. And for that matter has no basis in mathematical certainties.
In short gambling is a no win expectation situation and no amount of money management will survive in these circumstances.
Flip a coin 100 times. You have a choice to bet on either heads or tails up on each flip. However, when you win, you only win $4. And when you lose, you lose $5. This is a negative Mathematical expectation. If you were to bet $5 on every flip of the coin, you would lose $50 after the 100 flips.

Anti martingale Category states that as an account increase, that amount at risk placed on futures trades also increases.
The main characteristics of anti martingale methods are that it causes geometric growth during positive runs and suffers from asymmetrical leverage during draw downs.
If a 20% draw down is incurred, a 25% gain is required to get back to even.
If a 10% draw down is incurred, an 11.11% gain is required to get back to even.

Some common names of anti martingale methods

Fixed fractional
Pros
Geometric growth is possible with higher percentages (risk % higher per trade)
Risk is controlled with lower percentages (risk % lower per trade)
Cons
Using higher percentages subjects the margin account as a whole to more risk
Using lower percentages takes too long (subjective I know) and is inefficient
You would think that a median could be maintained between what is considered too high and too low of a percentage but in reality there is always a tradeoff between the two points.

Fixed Ratio
This system addresses the relationship between growth and risk.
On a direct scale comparison Fixed Fractional and Fixed Ratio the Fixed Fractional method the geometric growth of the Fixed Fractional (FF) is almost double that of the Fixed Ratio (FR). Although that is a direct comparison that doesn't take into account risk and the fact that FR has less risk.
As the number of contracts increases within the FR method the amount required for the next increase in contracts increases exactly proportionally. As a result, the risk decreases far below that of the FF method.

A basic comparison between Fixed fractional and fixed ratio (For this comparison 10,000 level must be reached before another futures contract can be traded).

FF It will take 19,375 in profits based on a single contract to reach 70000
FR It will take almost 40000 in profits based on a single contract to reach 70000

For Fixed Fractional method a standard of 10000 per commodity contract must be gained before another commodity contract is traded. The same goes for a decrease in the margin account 9999 and less and one contract is traded.

Because the Fixed Ratio method has less risk a smaller fixed ratio may be used. That is a delta of 5000 for every commodity contract traded (margin of contract must be below 1500). Without getting into too much detail this will decrease the risk on the long end of trading as opposed to the fixed fractional method. And still allow for substantial geometric growth.

With this example, The FF is using one contract for every 10000 in the account and the FR is using a delta of 5000. As a result, it took the FR 20000 to reach the 60000 level instead of 40000 to reach the 70000. Further, another 5000 in profits would take the account to 85000. Therefore the geometric growth is starting to kick in.

The formula for calculating the levels at which contracts are increased is as follows:

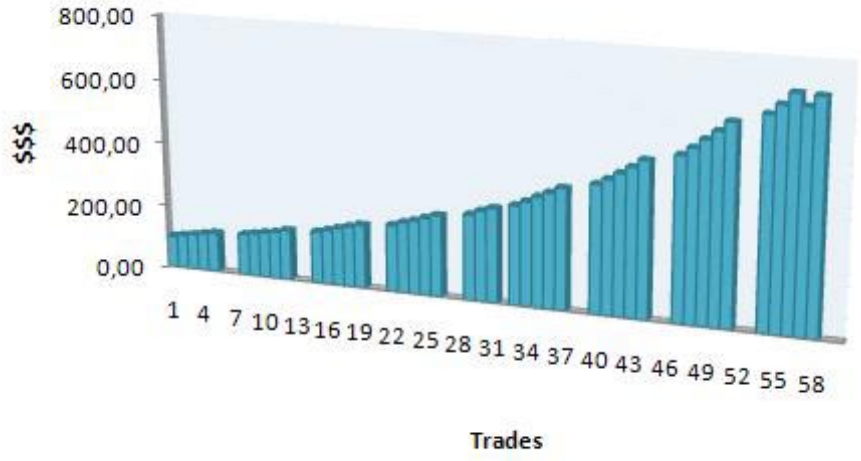
Previous required entity + (number of contract x delta) = Next Level
10, 000 + (1 x 5, 000) = 15, 000 to increase to two contracts
(if the account balance goes above 15, 000 then it becomes the previous level)

15, 000 + (2 x 5, 000) = 25, 000
25, 000 + (3 x 5, 000) = 40, 000
40, 000 + (4 x 5, 000) = 60, 000

Rate of decrease for the fixed ratio method is independent of the rate of increase (as opposed to the fixed fractional method). The purpose of this relates to profit protection and geometric growth enhancement.
Faster decrease in the number of contracts traded negatively affects the accounts ability to make up the decrease in profits! Therefore a slower decrease in the number of contracts traded does not adversely affect the accounts ability to make up the loss (to a point that is). The rule of thumb that is implemented in the Momentum Profile System is to decrease number of contracts traded at half.

Trading Strategies

How to use Dynamic Sync Trading System



In this section we will review the techniques we use ourselves for real trading with real money every day.

We assume that if you're arrived to read this page you're already skilled on all the functions of Dynamic Sync Trading System and Metatrader 4 Client Terminal.
If not, we advise you to come back to the previous section of this manual and spend a bit more time on improving your ability on read Dynamic indicators.
Also, even if it's not essential for you to became a technical analysis's Guru to achieve your first profits with this System, you absolutely need to know the grounds of the theories explained above: how to draw Fibonacci's retracements, what are and how to draw trendlines, how to read the most common indicators like stochastic, RSI and Moving Averages, how to recognize chart patterns, and most of all you need to know how all these tools can affect your trading.
Last, we assume that you already have an idea about how a good money management plan can be essential to achieve good results.

If you're a newbie in trading world and you feel confused, lost, and you don't know where to start from, don't panic: you have all the time of the world.
Forex market is open 24 hours a day, 365 days a year, and will be for many and many years coming.
So relax, turn on your favorite music, call your wife/girlfriend/mother (or your husband! Remember that many of the top traders are women!) and tell her don't worry if you'll be late for dinner then unplug the phone, make yourself a huge cup of coffee, and only now run your Metatrader 4 Client Terminal. DEMO!
Yes, remember:

ALWAYS TRY DEMO FIRST!

Forex Trading Styles:
"Scalping, Day trading, Swing Trading and Position Trading"

When trading currencies online, there are several types of trading styles that forex traders can profit from, the following is a list of the most common trade types complete with a brief description of each style of trade.

Scalping

Style of trading that is designed to capitalize on small moves, it involves the rapid and repeated buying and selling of currency pairs, the typical objective for a scalp trade is 4-15 pips. The best scalping opportunities are found when the currency market is very active (Euro open till European Close) or during News Events.

Scalp setups are typically found using charts in smaller intraday timeframes such as a 1, 5, and 15 minutes. Scalping requires a lot of market understanding and is not for the beginning currency trader.

Day trading

A day trade is a position initiated and closed out the same trading day (before 5PM NY time), the typical objective for a day trade is 15-100 pips. The best day trading opportunities are found during the EURO and US sessions.

Day trade setups are typically found using intraday charts with medium length timeframes such as a 15, 30, 60 and 240 minutes. Most online currency traders are day traders and typically, they use technical analysis (support & resistance, chart patterns, indicators,..) to set up their trades.

Swing Trading

The main difference between a swing trade and a day trade is the length in holding the open position, typically, swing traders will hold their open position(s) 2-5days looking for 100-250 pips profit potential.

Trade setups are typically found using daily charts and most common, swing traders use technical analysis (support & resistance, chart patterns, indicators,..) to set up their trades.

Position Trading

The main difference between a position trade and a swing trade is that position traders will normally have a longer time horizon than swing traders for holding a position in a currency pair, typically, position traders will hold their open position(s) 5-50days looking for 250-1000 pips profit potential.

Trade setups are typically found using daily, weekly and monthly charts, normally, position traders use both technical analysis and fundamental analysis to set up their trades.

Long - Term Trading

Long term currency traders usually hold positions for month or even years profiting from a long term trend. They usually use both fundamental and technical analysis to make trading decisions.

Forex Trading Strategies:
"Breakout Trading, Counter trading, Trend Following Trading"

Day Trading Breakouts Overview

Breakouts is the most common form of day trading styles. It involves identifying the pivot points for a stock and then buying or selling short those pivots in hopes of reaping quick rewards as the stock exceeds a new price level. Breakouts is generally the starting place for newbie traders as it provides a clear entry level and it is a trend following system.

Pros of Breakout Trading

Breakout trading has the potential for quick gains. When key price levels are exceeded it will trigger stop order which gives that initial burst. The key component of a valid breakout is that volume and price accompany the move. This will increase the odds of the trade continuing in the desired direction. Breakouts are also easy to identify. Most trading platforms provide methods for tracking volatile stocks and how close they are to their daily highs or lows.

Cons of Breakout Trading

Breakout trading is by far the most challenging form of day trading. For starters, the levels where trades are placed are the most obvious to everyone regardless of their trading style. Think about it, no matter what system you use on a daily basis, every day trading system factors in the highs and lows of the day. Secondly, the vast majority of intraday breakouts fail. This doesn't mean they don't head higher a day or two later, but if your day trading and there is no instant follow through, odds are you are in a losing trade. Day trading breakouts requires the most discipline as you have very little time to make the call as to whether you are wrong or right. The inability to pull the trigger fast and consistently will mount in to huge losses.

Counter Trading Overview

Counter trading is when a trader looks for a pivot point, waits for that pivot point to be tested and trades in the opposite direction. This type of trader has a personality where he or she enjoys going against the grain.

Pros of Counter Trading

Counter trading has a high success rate for day trading. Ask any seasoned trader and they will tell you that intraday trading is nothing more than constant zig zags and head fakes. So, the counter trader is already up in the odds department, because they are going against what the market is telling them. Another plus for counter trading is that when the market fails it often fails hard. Day traders who are able to play morning reversals can make a great living only trading the first hour of the day.

Cons of Counter Trading

While counter trading has a high win percentage, the losers can bring destruction to an account. Even if you win on 4 counter trades, if you do not cut the loser fast, a breakout could run away from you in a hurry. Another downside to trading counter is the next pivot level is too far from your entry, so you will have to set some arbitrary stop limit. Since your stop is not based on an actual price point on the stock, it could get hit quite often. Lastly, setting your price target is also a challenge. Stocks will often appear to make a double top, only to change course just as fast and reclaim the recent highs.

Trend Following Overview

When most people think of trend following, the first thing that comes to mind is a long-term hold buys and holds strategy like the Turtle System. Believe it or not, there are day traders who utilize trend trading systems. The basic method is to look for stocks that are up big in the news and then buy the pullback on these stocks after the first reaction in the morning. Lastly, the trader will place a longer moving average (i.e. 20) and sell the stock if it breaks the line.

Pros of Trend Trading

Trend trading allows the trader to ride a stock for big gains. The day trader will have a limited number of stocks to trade per day, so the commissions are low for this kind of day trading style.

Cons of Trend Trading

If every trader was able to determine which stocks are going to trend all day, there would be a new millionaire created every 30 minutes. No one knows at 10 am, which stocks are going to trend all day long. This means that at best, a trend following day trader can hope to be right 20% of the time. While this trader could still make a killing with such a low win rate there are very few traders that can stick to their trading plan with such a low win rate.

Forex Trading Approach:
"Technical Trading, Fundamentals trading"

Currency traders make decisions by analyzing technical factors and economic fundamentals. Traders must decide which style and/or combination of analysis works best for them.

Technical traders

Technical traders make their decisions using two primary tools:

- Charting tools (trend lines, support and resistance levels, etc,)
- Quantitive Trading Models (mathematical analysis to identify trading opportunities).

The goal of a technical analysis is to study historical data or past behavior of the market in order to predict future market movements. Traders may using their own charts and/or models, or use those developed by third-party providers.

Fundamental traders

Fundamental traders analyze key economic data, including news and government reports, to evaluate trading opportunities. They believe that currency exchange rates are affected primarily by economic and political conditions, and occasionally by central banks intervening in the currency markets in an attempt to influence the value of their currencies.

Some of the key figures tracked by fundamental traders include interest rates, inflation, trade balance, GDP (Gross Domestic Product), CPI (Consumer Price Index), PPI (Producer Price Index), capacity utilization, factory orders, durable goods orders, inventories, and employment statistics. They are also constantly evaluating the potential impact of military conflicts, natural disasters, and changes in political leadership.

Another factor that often influences trading decisions is market sentiment. Traders often read news, analyst reports, and Web site bulletin boards to get a sense of the general market sentiment and then trade either with or against that sentiment.

How to choose your trading style?

There are several factors that come into play when deciding what trading style works for you. These factors are: the market you choose to trade, the time (or lack of time) you have to commit to trading and, last but far from least, your personality.
Let's look at each of these components in more detail.

Different trading styles work with different markets. For instance, scalpers typically use the e-mini index futures markets to trade. These markets are extremely fast moving, liquid, have tight bid/ask spreads and often permit surgically precise intuitive or mechanical entries and exits.
The stock market is suited for a variety of styles from day trading to long term investing. In fact, the term "day trading" was initially coined to reflect the stock day trader. Very few can successfully scalp the stock market in the true sense of scalping, but it can be done with specialized software and tactics. But Level II data combined with time/sales tape make the stock market perfect for day trading.

Stock screeners and software analysis tools help make stocks all the more ideal for day trading. Decimalization has taken away much of the stock day traders edge, but the ultra low commissions of today still allow many day traders to thrive trading stocks intraday.
The stock market also lends itself quite readily for swing trading, often in combination with the day trading style where certain positions may be held overnight based on the trader's analysis and market conditions. The long term upward bias of the stock market makes this market suitable for long term trading/investing, as well.

Day trading can be done in the currency or Forex markets. However the long term trends that develop in these markets make them much better for swing or long term trading. The size of the bid/ask spreads in the Forex pairs makes scalping and day trading difficult although not impossible. I have an associate who successfully runs a retail Forex day trading business despite the need to beat the bid/ask spread. Most traders, however, would be well advised to stick with swing or long term styles when venturing into the Forex market. The EUR/USD is the most popular currency pair with the USD/JPY running a close second.

Putting in Your Trading Time

Next let's look at the time you have to commit to trading to determine the style that fits your best. The shorter your time frame, the more time you need to commit to it. At first glance this may seem counter intuitive but it makes perfect sense.

Scalping and day trading require lots of time sitting in front of the screen in order to profit. There are a miniscule number of part time successful day traders and even fewer profitable part time scalpers. These styles rest primarily in the realm of the full time, professional trader.

On the other hand, professionals do swing trade. But this style is often the domain of the part timer. Those with full time jobs and other commitments but still wish to actively trade are best suited for swing trading. Swing trading allows you to do market analysis in the evening or your spare time and still have a good shot at success.

Long term investing is normally reserved for those with strong macro-economic convictions and/or those who simply want to have a "hands off" approach compared to other, shorter term traders. For instance, a long term trader might see the devaluation of the dollar starting over a year ago, short it and ride the huge trend down that developed over a long term time frame. Another long term trader could also be bullish on certain sectors purchasing ETF's or mutual funds that mimic these sectors then just let it ride with ultra wide or no stops.

Personality is perhaps the most critical aspect of choosing a trading style. If you crave action, scalping or day trading makes the most sense. The more laid back traders, and those whose nerves are easily frayed, will fit in well with the swing or long term styles.

Trader Know Thyself

Your trading style is directly related to the market traded, time available to commit, and personality type. I divided the styles into Scalping, Day Trading, Swing Trading, and Long Term Trading/Investing with each style being ideal for a certain market, time commitment and personality type.

The key here is knowing yourself and having an understanding of what you enjoy-and where your pain threshold is. If you don't know intuitively, I suggest trying several styles on a trading simulator or simply paper trade to determine which one fits you best.
Choosing the right style is the most important decision you can make in your trading career, do it carefully!

Our Strategies for Dynamic Sync Trading System

First of all we'd like to clarify one thing: there's not any absolute "Best Trading Style" or strategy on trading with Dynamic Sync Trading System, there's only the best trading style "for you" and this is simply the one which is most profitable for you.

Assumed that, our Trading System was originally developed for Day Trading on 30min time frame, using trend-following and breakout strategies, and this way we have achieved our best results.

Over that main strategy, we have developed (and we're currently developing…) three different strategies:

1. **Scalping Strategy on 5 min timeframe**
2. **Day Trading Strategy on 30 min timeframe**
3. **Swing Trading on 4 hours timeframe**

The flexibility of Dynamic Zone indicators allow us to use them is almost every market condition, on the small high volatility 5 min looking for scalp opportunities jumping on the "momentum train", as on the very technical 4 hours chart, the land of Elliot's mathematicians analysts.

We really don't need to cares a lot about settings for our Stochastic and RSI, since the Dynamic Zones makes that hard work for us as an adaptive background for the indicators.

A very important rule you need to understand is that these three techniques are not stand-alone and independent each other, but instead they are complementary.

If you work on the 30 min, often you can move on the 5 min to spot the best entry/exit point with better accuracy or the same if you swing trade on the 4 hour you need to find an entry point on the 30 min. Also, if you're trading the slow 4 hours because usually you don't have much time and can stay in front at the pc only few minutes a day, but today you don't work and want to trade, may be quite boring to stay all the time watching a chart with a 4 hour refresh rate, you may prefer move on a shorter timeframe for some quick trades. The same situation we have during ranging markets overnight. Instead, when you scalp the 5 min never forget to watch the 30 min chart and trade according to the main trend! Trade pullbacks may results in huge and very very fast losses.

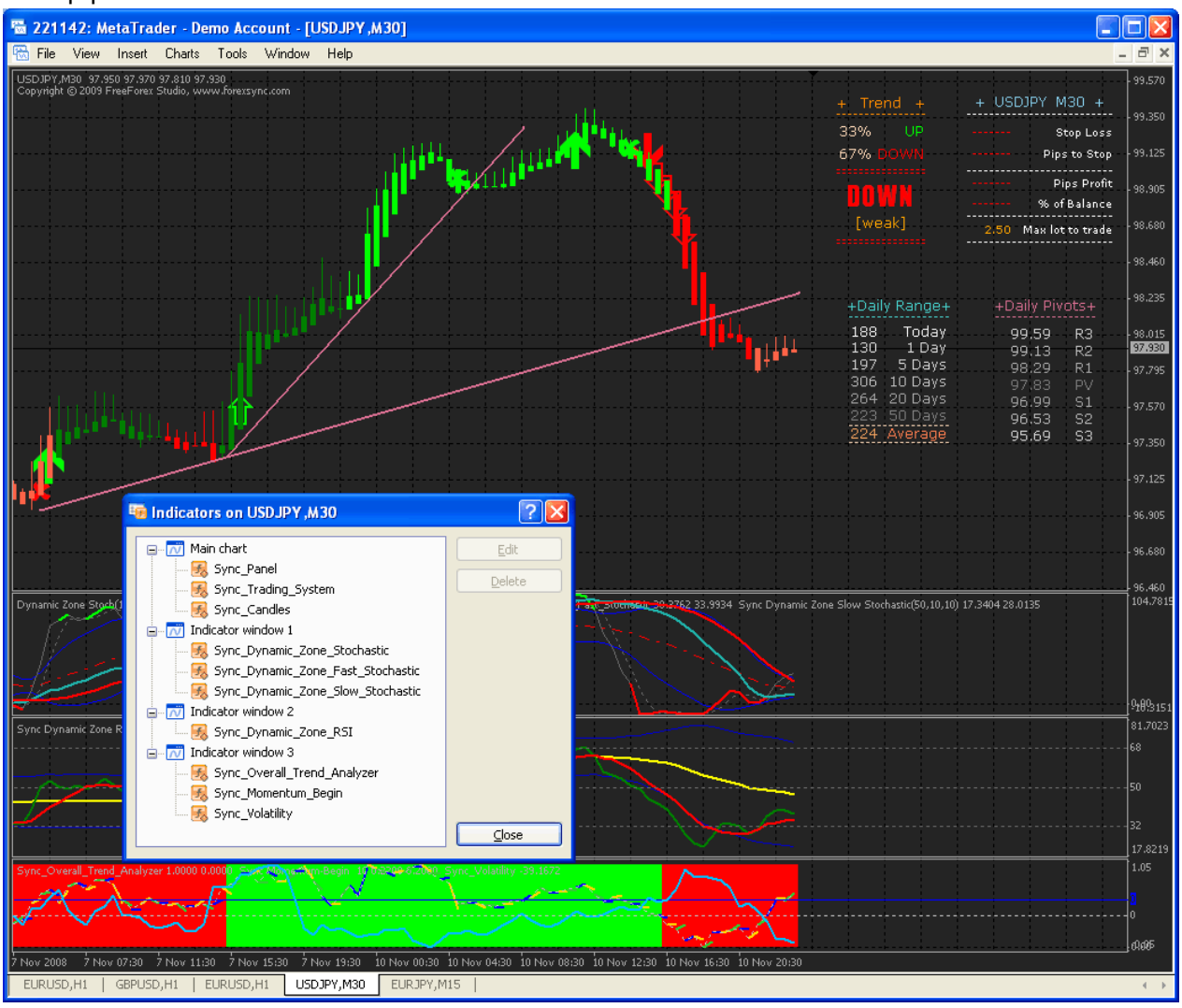
In the following chapters we will see these techniques in detail.

Day Trading on 30 minutes charts

The Main Dynamic Sync Strategy

Below you can see a typical workspace for Dynamic Sync Day trading over the 30 min chart. Also, we've put on evidence the indicators used. We will use all them.
Our main goal with this strategy is to open a position to hold for at least 2-3 hour, but often the trend found on this timeframe at the opening of euro sessions last until its closing. We will try to avoid overnight trading, but we may consider that this may happen.
The preparation of a day trade require at very least 1 hour, so if you're in hurry forget this technique.

In example, during the session below of November 10, 2008 for USD/JPY you can see three signals: the first is an "add to buy" signal given at the Monday's opening: it's confirmed by filters and from the pattern of the Dynamic oscillators, also the Candles indicate a nice long momentum to ride, so we enter long. Exit at the break of the inner trend line for +120pips gain. Second signal is given after about 10 hours: some pips of gain before closing with about -30pips loose. Trend is changed definitely with the London's session opening and we jump in the short train at 11:00, until the end of our trading day at 21:00 with a nice total of about +250pips.



Buy Strategy Check List

BUY WHEN:
Green Arrow appear
Dynamic Sync Candles hollow with no lower shadows
Dynamic Zone Stochastic Slow is rising from below area
Dynamic Zone Stochastic Slow light blue line is over red line
Dynamic Zone Stochastic Fast is over the middle-BBands line (red dotted line)
Dynamic Zone Stochastic Fast (grey solid line) is over the trigger line (grey dotted line)
Dynamic Zone Stochastic BBands (blue lines) are widening
Dynamic Zone Stochastic BBands middle line is rising
Dynamic Zone RSI (Green Solid Line) is above 50% and rising
Dynamic Zone RSI (Green Solid Line) is above Trigger Line (Red Solid Line)
Dynamic Zone RSI BBands (blue lines) are widening
Dynamic Zone RSI Overall Trend Line (Yellow Solid Line) is rising
Filter Overall Trend Analyzer is turned Greed
Filter Momentum is above the Zero line
Filter Volatility is rising

CONSIDER ADD TO BUY POSITION WHEN:
Green empty arrow appear
One candle with a small body surrounded by upper and lower appears after the first part of the move, but the next candle break the previous top level
Dynamic Zone Stochastic Fast makes a pullback over BBands middle (red dotted line) and start rise again
Filter Volatility makes a peak down while momentum remains high, and then starts increasing again
All the other conditions for entry a buy position remains unchanged

CONSIDER EXIT BUY POSITION WHEN:
Dynamic Sync Candles body becomes tight
Dynamic Zone Stochastic Slow is in overbought condition
Dynamic Zone Stochastic Fast movement becomes smaller and congested over the BBands middle line
Dynamic Zone RSI movement becomes smaller and congested over the BBands middle line
Dynamic Zone Stochastic and RSI BBands blue lines start squeezing
Dynamic Zone Stochastic BBands middle line and RSI Overall Trendline becomes flat above 50% level
Filter volatility decrease
Filter Momentum decrease

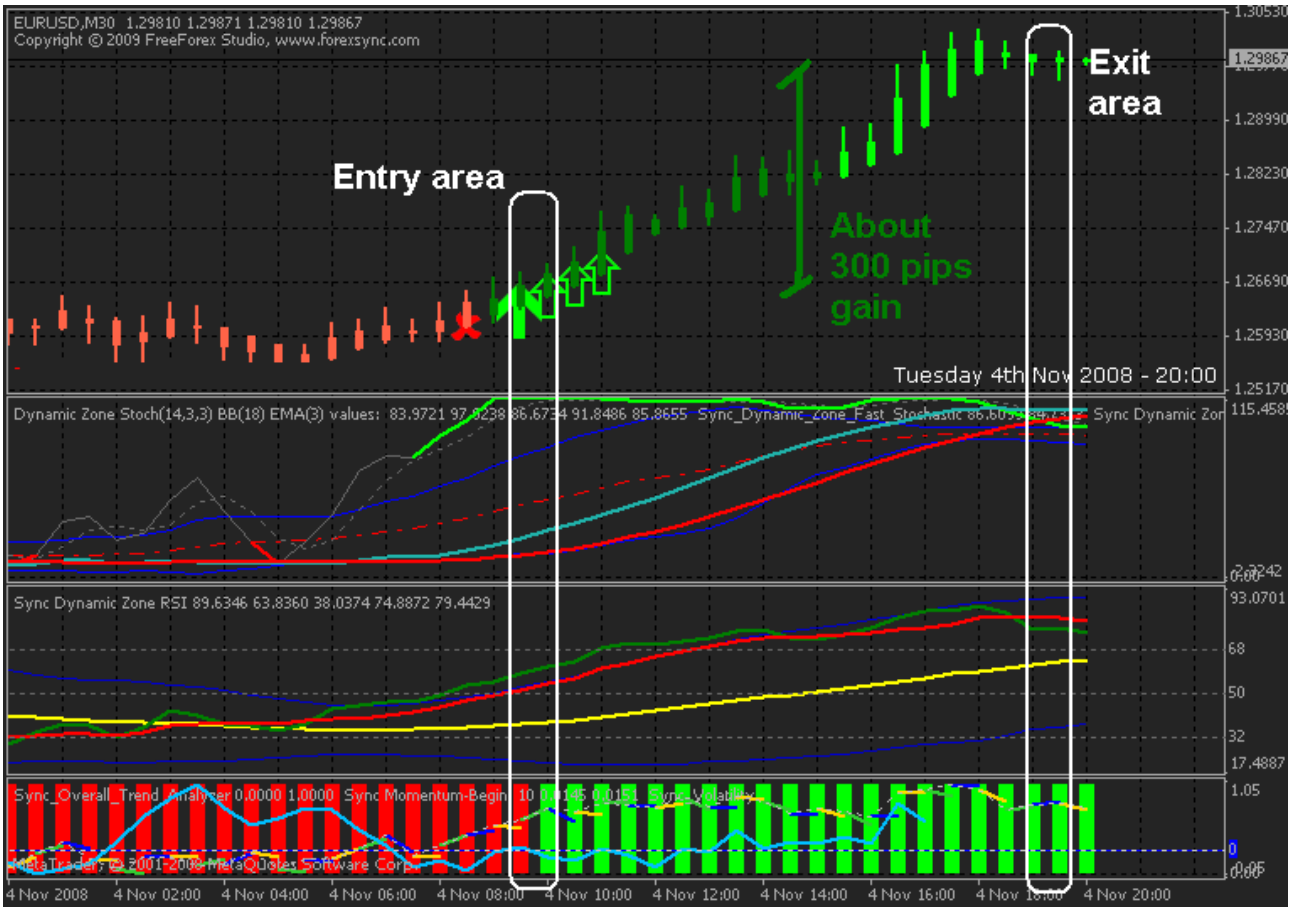
PLACE STOPS:
According to the strategies explained on pages from 63 to 67.

EXIT WHEN GREEN CROSS SIGNAL APPEARS

An example of Buy trade

EUR/USD 30 min
Session of November 04, 2008
1 Trade, about 300 pips gain.

Nice entry conditions already when the exit red cross appear, we wait until the confirmation of all the other tools and enter. Two waves and 300 pips after the slow we have the first signals of possible reverse. We close on a conservative strategy.



Sell Strategy Check List

SELL WHEN:
Red Arrow appear
Dynamic Sync Candles hollow with no higher shadows
Dynamic Zone Stochastic Slow is downing from below area
Dynamic Zone Stochastic Slow light blue line is below red line
Dynamic Zone Stochastic Fast is below the middle-BBands line (red dotted line)
Dynamic Zone Stochastic Fast (grey solid line) is below the trigger line (grey dotted line)
Dynamic Zone Stochastic BBands (blue lines) are widening
Dynamic Zone Stochastic BBands middle line is downing
Dynamic Zone RSI (Green Solid Line) is below 50% and downing
Dynamic Zone RSI (Green Solid Line) is below Trigger Line (Red Solid Line)
Dynamic Zone RSI BBands (blue lines) are widening
Dynamic Zone RSI Overall Trend Line (Yellow Solid Line) is downing
Filter Overall Trend Analyzer is turned Red
Filter Momentum is below the Zero line
Filter Volatility is rising

CONSIDER ADD TO SELL POSITION WHEN:
Red empty arrow appear
One candle with a small body surrounded by upper and lower appears after the first part of the move, but the next candle break the previous bottom level
Dynamic Zone Stochastic Fast makes a pullback below BBands middle (red dotted line) and start downing again
Filter Volatility makes a peak high while momentum remains high, and then starts downing again
All the other conditions for entry a sell position remains unchanged

CONSIDER EXIT BUY POSITION WHEN:
Dynamic Sync Candles body becomes tight
Dynamic Zone Stochastic Slow is in oversold condition
Dynamic Zone Stochastic Fast movement becomes smaller and congested below the BBands middle line
Dynamic Zone RSI movement becomes smaller and congested below the BBands middle line
Dynamic Zone Stochastic and RSI BBands blue lines start squeezing
Dynamic Zone Stochastic BBands middle line and RSI Overall Trendline becomes flat below 50% level
Filter volatility decrease
Filter Momentum increase

PLACE STOPS:
According to the strategies explained on pages from 63 to 67.

EXIT WHEN RED CROSS SIGNAL APPEARS

An example of Sell trade

EUR/USD 30 min
Session of November 03, 2008
1 Trade, about 200 pips gain.

Entry over an already established trend. Follow the movement until Fast Stochastic and Dynamic RSI start rising. We put a tight tailing stop at the beginning of the exit area, with already a nice gain.

How to avoid false signals

The first most asked question is about how to recognize good signals. The second is if it's possible to trade only following arrows and crosses, without any other kind of knowledge.

The answer is yes, you can trade only following arrow and crosses, and there are no false signals.
This may sound a bit advertising, but let me explain what I mean.

Many great traders trade only with a moving average and many others trade without any indicator at all. So if you want to trade only with Sync Trading System entry/exit indicator, there's no reason why you can't be profitable.
But where is the difference from these traders who makes gains without any technical help, and all other 99% of traders who loose even with tons of indicators flying in Star-Trek style workspaces?

The difference is the strategy.
Every profitable trader follows his profitable strategy without thinking a lot, mechanically, with discipline, with no fear and emotions. They trust in their plan, and they just follow it.

There are many strategies to trade as explained above, more or less profitably. Not all of them require the use of particular indicators. There are strategies for scalping, for news trading, for position trading holding trades for years, and so on. There's not a real constant parameter between all the good strategies in the world, with the exception of the "buy low, sell high" principle…
The only real part, the most important one which every strategy needs to have to be considered profitable is a money management plan, including a well-functioning stop loss and take profit plan.

A common mistake newbies make is to only try to enter the trade as soon as possible, risking all the capital in a sort of Texas Hold'em "All-in!", but trading is not gambling. If you want to be profitable over the long period you need to develop a profitable money management plan and apply it with discipline.

Consequently in answer to the second most frequently asked question, if you want to trade only following arrow and crosses you're free to do it and you can be very profitable! But remember that Dynamic Sync Trading System strategy is developed to be used as written in this user manual, and this includes also the money management rules already explained.

In answer to the first most frequently asked question, two things must be clarified: the first is that working on the 30min timeframe only looking at arrows for entry points, almost all signals give at least 5-10 pips gain, even if with a previous pullback of 20-30 pips. So technically, almost all the arrow signals are good. The second is that according to Dynamic Sync Trading System, before enter a trade you need not only to follow arrow and crosses (even if you can do it as written above) but also take a look at all the other indicators, so the real signal given from the entire system is only the confirmed one. These signals 96% and more of times gives at least 30 pips of gain, and are able to catch long trends which can last for thousand of pips.

Different kind of signals

We understand that when you see an arrow you take a shot at enter the trade as soon as possible, without cares about nothing else, but if you want to follow this system you must learn to read all the other indicators to confirm the arrow signal.
Also, you have to learn what kind of evolution of the trade you can expect from a given signal, when particular patterns occur.

We have already reviewed some of the most effective analysis you can make with Dynamic Zone indicators and filters, now let's take a closer look at the most common patterns of the price action which cause the appearing of the entry signal, and try to learn what kind of trade we can expect from this signal, so to apply our money management plan at best.

The "Slow and Steady" pattern

First of all, let's see where Dynamic Sync Trading System gives its best.
This system is based on the movements of some oscillators. Because of their nature, oscillators are very powerful in markets with a well definite trend with good momentum.
So we can expect the best from our entry/exit indicator when new trends start without choppiness, slow and steady.
In the picture below you can see an example of this situation: a well definite market movement and no spikes, the price seems to oscillate as a snake, and Dynamic Sync Trading System follow him perfectly.
In these cases, the best thing to do once the right trend is confirmed is to place take profits and a generous trailing stop, and let the profits run.

The "Riding the Trend" pattern

Below you see another great kind of signal, easy to recognize.
It appears only during an already confirmed trend, and confirms its continuation.
Draw a trendline as support of the main movement, or put a moving average in your chart to see immediately a possible reverse.
You can stay inside this trade until the end, when the cross appears because this is the pattern where the exit indicator works best.
As in the previous case, place your trailing stop and forget.

The "Flat" pattern

This is the typical patterns you will have inside ranging markets. When the trend is not definite, you need to be careful about this kind of signals. These are the signals which can give you a lot of pips, but which at the same time is better to take with great attention and stop losses tight and an exact take profit.
As a main rule from trading common sense, avoid trading on ranging markets without a clear trend. If you want to do that, go scalping on a smaller timeframe with the scalping technique explained in the next chapter.
Anyway if we assume to absolutely don't know when the ranging condition will be broken, many traders like to stay in the market when the price is going near a resistance line, or instead assuming that we fell able to predict the direction of the next move, many traders try to "buy low and sell high", on the opposite direction of the current trend.

So in example if price is near the support line below, but volatility is low and there are no reasons (technical and fundamental) for a breakout, we can buy when the price is bouncing over the support line, and is better to do that on the opposite direction of the last candle, to catch the best entry price, much closer as possible to the "turning point" of the support line. Stop must in this case placed few pips under the turning point, and few pips below we will place a pending sell order too, to catch the breakout movement.

This technique is called “channel trading”. As you can see from the chart below, it is very useful for the short term forex trading to make position around the trend line and to close the position for profit taking near the channel line.

Anyway, this is not our strategy. We want to follow Sync trading System signals. You need to understand one thing about how signals are generated. Sync signals are the results of the output of a set of indicators which serves to analyze the strength of the current trend. When the trend is already started and has the necessary power to supply a movement at least long as much as needed to be traded with profit, the signal is given.
Often this condition appears near important support or resistance lines: this is a natural phenomenon called “congestion”: near a turning point the price action is strong, but that doesn’t mean absolutely that a breakout is going to be made. So often the signal is given 10-20 pips before the turning point, but the indicated trend change immediately when price bounce on the resistance level and the trade reverse in a loss.
No systems in the world are able to cares about resistances and channels, this kind of work can only be made manually. So you need to learn how to do it the right way, if you want to achieve a better win/loss ratio.
Believe me, it’s not a really hard work. If you’re able to locate the button to draw a trendline into the mt4 platform, you can do it.

Ok, let’s see in the shoot below a typical flat channel with not so much space for trading, and some signals which, if traded “from arrow to cross” without thinking and no stop losses, just give us a total loss of about 50 pips.

What shall we do to avoid that?
The first thing to learn is to never be in hurry to enter a trade. If a signal is good, it will be tradable for at least the next 3-4 bars (a pair of hours), so relax and take your time to make a shoot of the situation.
Once learned that, the first thing to do is always check if there are important support or resistance lines in front of the price path indicated by the Sync Trading system signal.
In the case above, is quite easy to draw a channel around the graph, or at least note that for the first Sell signal the previous min level is few pips under the current price.

When the first Sell signal is given, the action inside the channel is already over after 3 big short candles. Note that these are real Japanese candlesticks, not Sync Channels. Normal candles will be used for the examples below for better viewing of the price action.
Our hypothetical trade goes in profit of about 10 pips, but strongly reverses when bounce on the previous min level, confirming the channel pattern drawn. The trade ends with the cross signal for a total loss of more than 20 pips.
So we can't follow only arrow and crosses here, but there are two different ways to trade these signals profitably:

1. Scalp the last part of the movement inside the channel. Entry immediately at the given signal, stop loss with a trend line (better to work with the timing 5min chart technique explained on the next chapters) over the current movement, take profit immediately at the support line of the channel. If a breakout appears, a new trade can be opened.

2. Wait for the next candle confirmation. Only enter the trade when next candles confirm the trend breaking the support level. Place the stop few pips above the support line inside the channel for a possible pullback, first take profit level is equal to the distance between the borders of the channel.

The "pullback" pattern

This pattern also appear when a signal is given just before a resistance line, and it's another good reason to follow Sync Trading system signals in a trend-following view, waiting for the confirmation of the signal from the next candle.

Some newbies users of Dynamic Sync trading System ask me how to setup the arrow signal to appear more quickly, to catch movements at the beginning.
It is possible, we can even use arrows wich appears immediately when every small movement start. But it's useless for our strategy.

They forget that 90% of the movements showed in a chart are only noise.
You're free to scalp is with a lightning-fast indicator if you want, but Dynamic Sync Trading System, I repeat again, is a trend-following system built to catch the big move behind the noise. Because of this, entry/exit indicator works as a filter and cut all the small, natural movements inside the main trend.

This kind of action involves a bit of inertia, and when there aren't good condition to let the main move begin, for istance in tight ranging markets, the signals arrives delayed and must betraded as explained above.

Another common problem caused by this inertia is the pullback which sometimes appears immediately after a given signal.
As example, you can watch at the last short signal in the previous chart.
Remember that the signal is given immediately at the closing of the previous candle so the entry price correspond to the close price of the previous candle.

In the chart of the previous page, the last signal appear after a steady short movement, just few pips above the border of the channel.
Immediately, the price makes a pullback below the midline of the channel, just to resume the main short movement until the low border.

The way to avoid this inconvenience is the same as the precedent one: avoid enter immediately the trade near a resistance line, and wait for next time confirmation.

Pullbacks appear also in trending markets, and maybe a great occasion to spot a better than indicated entry point, so we need to consider them not just a problem, but as an opportunity.

Let's see an example below of a good signal given in a trend market. I've highlighted the working levels:

1. Is the entry price. The signal is given at the end of a 1-2-3 pattern (explained below) of a Ross Hook. The trend is already established, but the lower support line (the grey line) is too much closer and there's not so much space for the movement to continue its run immediately.

2. Stop loss level for our trade. Correspond to the previous high top.

3. A small +5 pips gain immediately after the given signal. The price arrives closer to the support trendline, but fails to break it. A technical pullback start.

4. Pullback's top level. We're in loss of about 20 pips, but far from our stop loss level. We notice that the pullback ends exactly inside the downing channel of the current movement. Immediately the main trend resume strong and we reach out take profit at 1.2825, bouncing again over the grey support line.

5. Price goes in sidewinder and breaks the high resistance line. Trade is definitely closed.

Note also that corresponding to the doji candle after the pullback you get an "add to sell" signal. These signals are given exactly when the price makes a pullback or slow down in an established trend. If you feel secure with your analysis or better you've waited for next candle confirmation before enter the trade at the given signal, you can add (or enter) here with the same stop loss of the main trade.
As a main rule of money management anyway, never add to a losing position.

The "Choppy" pattern

This is the pattern we get when we trade news releases.
In this case, because of the releasing of a news, or whatever fundamental reason which can't be predicted with technical analysis alone, price makes a huge unexpected spike exiting a congestion and usually ending its running on a strong resistance level (Fibonacci retracements may help you to predict the targets of these spikes).
These movements, because of their nature, are very hard to trade with a completely mechanical system.
They are the nightmare of Expert Advisors and automated systems.

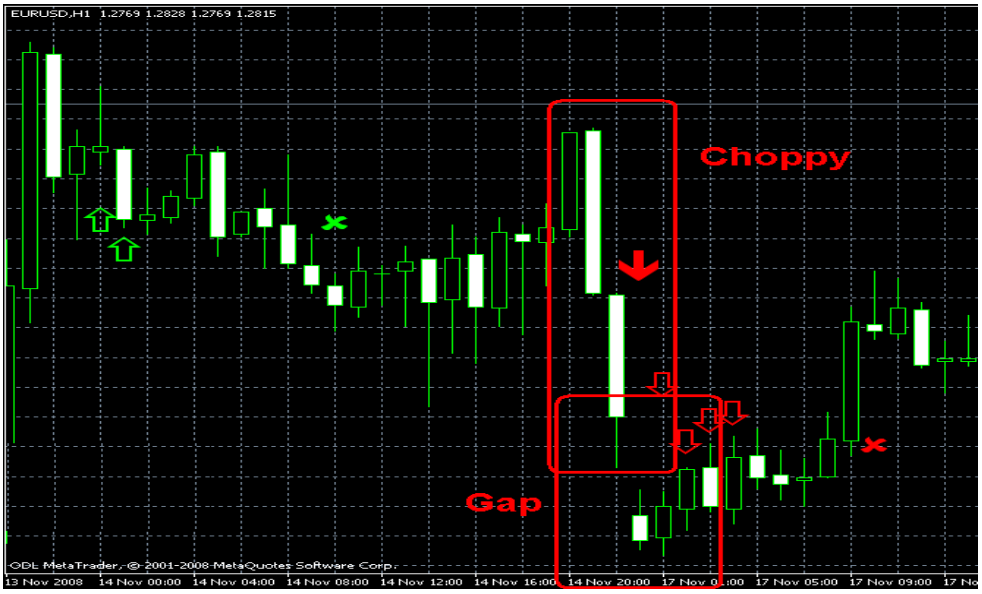
A discretional trader, instead, may also trade profitably them, but my advice is to always to avoid trading during news releasing.
This is not a really strict rule: as will be explained on the following chapters for the 4 hours strategy, news often gets the new trend under way with a synchronized breakout of congestions on all the correlated pairs affected from the news effects.
But you need to be already a good trader if you want to trade news, so, again, avoid these kinds of trades.

When a fundamental spike appears, conditions of the actual price action may change within the same bar and a reverse may always follow to the first spike (bull and bear traps, explained below). Sync trading system has no time to react at these changes, and may give a much delayed signal as in the picture below.
Here you see how 80% of the movement caused by the spike is made within the first candle, while the second, where the signal appears, just makes the other 20% and reverse immediately.

The main rule is to be very careful about signals given on a choppy pattern that is a huge candle which appears after a completely different price action (i.e. congestion into a tight channel) with small candles. If the signal appear on the candle immediately after this first spike, you need to follow the trade with a tight trailing stop, and maybe consider to wait for a pullback on the next trend (if confirmed) to enter.

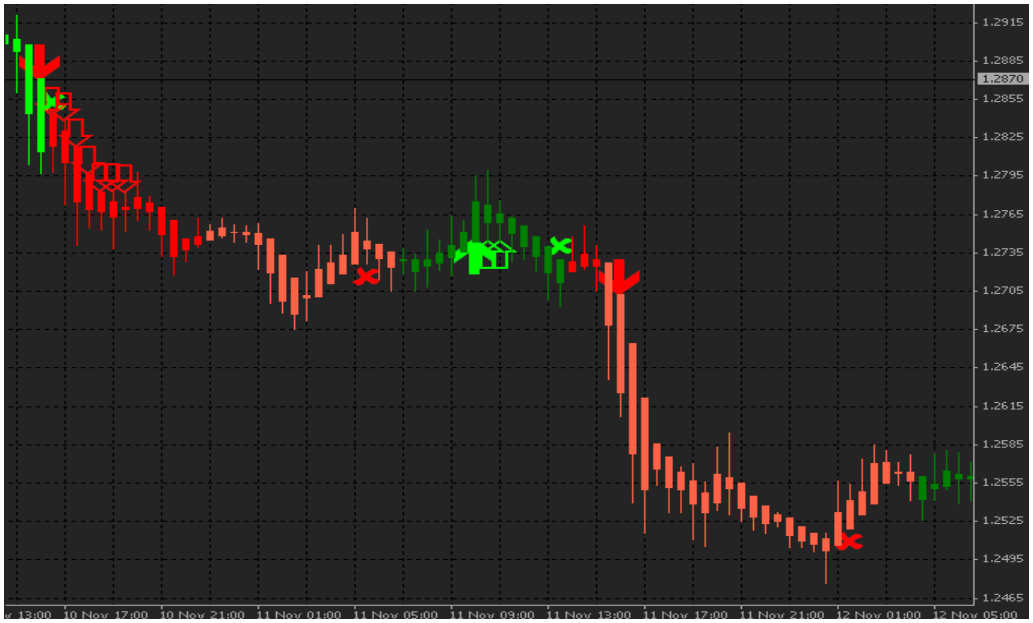
The “Gap” pattern

A sort of variation of the choppy pattern is when we have a huge gap between the previous candle and the current one, where the Sync trading system signal is given.
This may happen in very volatile market, or at Monday opening.
Here remain valid all the consideration made for the choppy pattern, and as a main rule avoid trading in these conditions.



The “Exhaust” pattern

When a strong trend is running, but actually we’re in a correction wave, Sync trading system may give a signal into an exhaust pattern.
This is when, because of a strong already existent trend, the correction even if wide as needed to be profitably traded, is not considered by the entry/exit indicator, or it take action too late.
In these cases, if you decide to enter the trade you must consider that a reverse may arrive very soon, so trade consequently.
See the picture below:



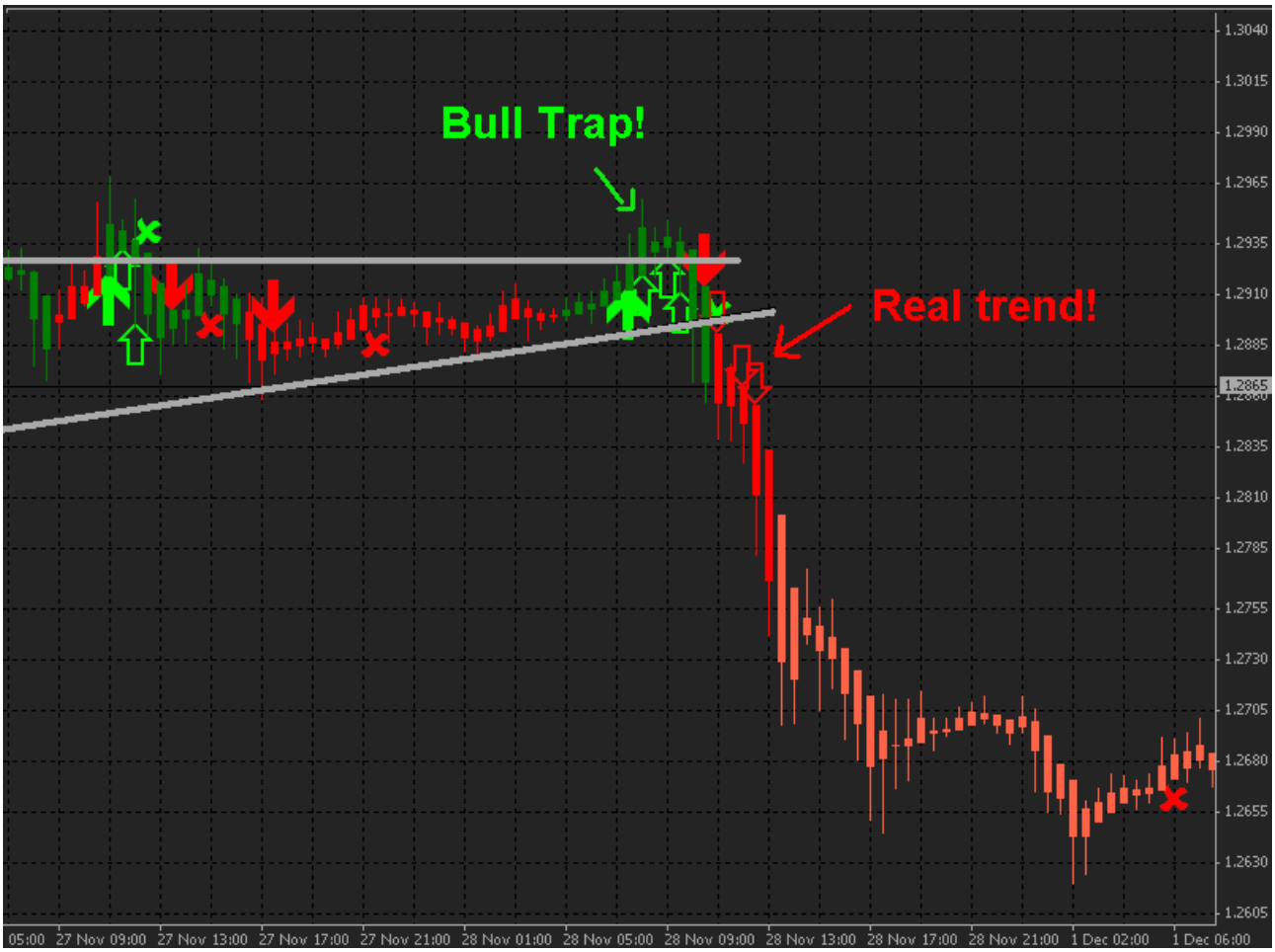
The Traps

Another pattern which appears during news release, and another reason to avoid trade in these times, is the trap.
A trap is when a market fails to follow through in the direction of a chart signal. A failed signal is among the most reliable of all chart signals, it strongly suggests the possibility of a significant move in the opposite direction.

How many times have you been caught in a bull or bear trap, where the initiate signal was given by one of your favorite reoccurring price patterns, you jumped into the market on the breakout, only to find yourself on the wrong side as the market goes off in the opposite direction?

Example
When a market breaks out of a narrow sideways channel, which is one of the most prominent and reliable market directional signals, but fails to continue in the direction of the breakout, this is what I call a "Trap."

Such price action is consistent with the market raising barely enough to activate all those stop orders lying just beyond the boundary of the trading range. When this happens, you just caught the market with its pants down, you've uncovered the secret of the channel; there is no underlying buying pressure to support a continuation of the breakout--which is a strong indication of a very weak underlying fundamental picture.
In effect, the immediate failure of the apparent buy signal can be viewed as a strong indication that the market should be sold.



Trap Trading

As a trader, have you ever been caught in a bull or bear trap, tricked into a bad trade, then felt like you had just been dealt a blow below the belt? What is a bull/bear trap, and how do we avoid them? Well, in my experience, you cannot avoid them; they will always catch you and then laugh.

The trick to traps is not to try and avoid them, but to simply learn to understand them, which allows us to change them from a negative trading experience into one of the most powerful and predictable trade signals available.

If you are going to actively trade the markets, avoiding traps is next to impossible, and not really even recommendable, yet once caught in a trap, the predictability of the trap is much easier than our previous decision which stepped us into the trap in the first place, but it is our follow through, after realizing that we have just fallen victim to a market trap, that determines whether we win or lose

The key to successfully trading traps is to always anticipate one in the first place, have your plan in place so you are ready and waiting to take advantage of the mischievous little devils.

I used to get caught in traps so often, that I stopped trading some of the most popular patterns. I got burned in bull and bear traps on 123 tops and bottoms and narrow sideways channels so often, that for a time, I stopped trading them altogether. Now, I simply reverse my position, and catch the ride going the opposite direction.

How do I reverse my position?

Very simple, if I am going long with one contract on a break up and out of a narrow sideways channel, I will place my stop loss with one contract pending order. This way, if I get caught in a bull trap, and the market quickly changes direction and goes against my initial position, my stop loss order will not only exit my long position, it will also put me into the market going short, which we just discovered is the true direction the market is moving. No more quick reversals that leave me in the dust, I'm there, ready and waiting for the market when it finally decides to reveal its true intentions.

Another example would be if I was going short on a break below the two points on a 123 top formation. When my order to go short one contract is filled, I place a stop loss with two contracts just behind the number three point. Then, if my 123 top formations are violated with a break back above the number three point, my stop loss will automatically reverse my position, and I'll be in the market long.

Consider this strategy.
When you are in the market with a successful trade, and your trailing with your stop loss order, consider trailing it with a reversal stop loss, so that when that market does finally reverse, which would generally close out your successful trade, your reversal stop loss would immediately put you back into the market successfully trading the reversal. If it is a strong enough signal to get you out of the market, it must also be a strong enough signal to get you back in the market going the opposite direction.

The 7 Candle's Trick

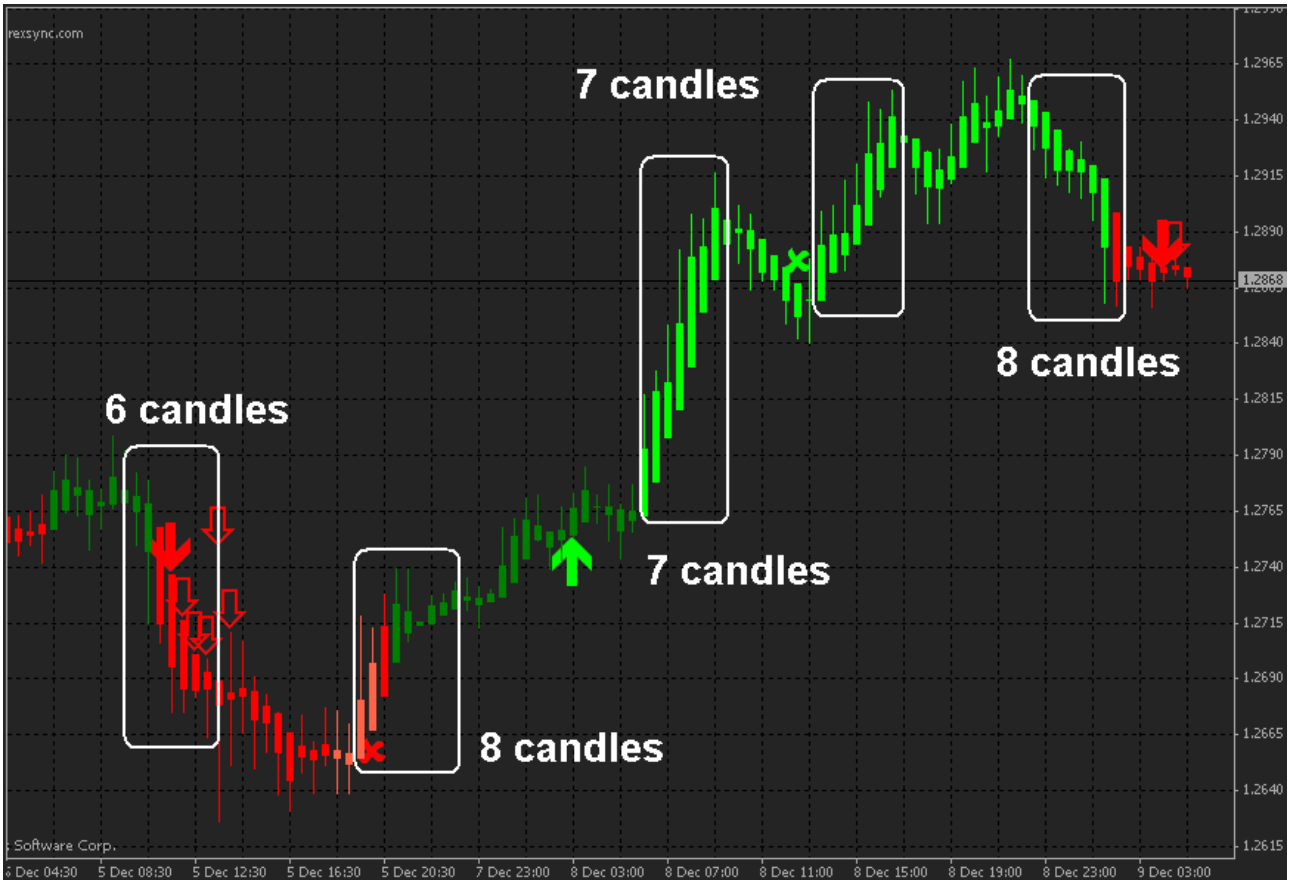
You must consider this trick not as a rule, but as an alarm bell which allow you to predetermine the best exit points, looking at the strength of the movement.

Every big movement is formed by at least 2 waves (read Elliot theory on pages 14-16). There are a lot of very complicated math formulas which theoretically allow us to calculate how long each of these waves last, and how they will evolve.

I don't see any utility to spend so much time to learn all these formulas, which if may be useful to technical analysts and trading system developers for their studies, are absolutely useless for an active intraday trader who simply doesn't have time to apply them an a real, volatile, market.

So here's a very easy trick: after 7 consecutive Sync candles in clear bullish (or bearish) configuration according to the main trend, expect a pullback.
Attention: a pullback is not a trend reverse! It's just a pause to "recharge" the confidence on the major trend, which may resume after 2-3 candles.
It's too much simple? Looks idiot? Well, it is. But works, believe me.
Remember: always KISS forex! (Keep It Simple, Stupid.)

See some examples below:



Check-list before enter a trade

Here you have a list of all the points you need to check before enter a trade, when a Dynamic Sync Trading System signal appears o the chart. We really encourage you do print this list and attach it if front of your PC monitor.

When you open the trading chart, you must:

1. Be relaxed and not in hurry.
2. Make an analysis of the situation with the techniques explained in the user manual, using the Dynamic Zone Indicators and the filters.
3. Review the news releasing plan of the week. Add a Post-It somewhere in front of you with the hours of news scheduled for today.

When you see an Arrow Signal appear over the chart, you must:

1. Wait
2. Outline the situation and try to recognize which pattern have generated the signal, between the ones explained in the "how to avoid false signal" chapter of the user manual.
3. If the signal is good, enter the trade according to your money management plan which you have already written in another Post-It somewhere in front of you.
4. If the signal seems not good, or you're late, or not sure about something, don't trade.
5. Calculate your take profits. Set your stop loss.
6. Forget.

If the trade is going well and you're making pips, you must:

1. Let your profits run.
2. Save your gain with a proper stop loss plan and never let a winner turn into a loser.
3. Find the dynamic supports of the movement in action: trendlines, moving averages, particular formations of the Dynamic Zone indicators as explained in the user manual.
4. Find the static supports and resistance levels: previous min and max, Fibonacci retracements, and so on.
5. Only when a support is clearly violated, or price hit your trailing stop, close the trade.

If your trade is gone bad and your stop loss has been hit in loss, you must:

1. Don't curse everything and destroy your pc. Remember that losses are the most important part of trading.
2. Consider enter in the opposite direction (maybe you're in Trap? Or in Ranging Market?)
3. Make an end-of-day analysis of your trade. Write a note about that. Learn something from this error.

To your Successful Trading!

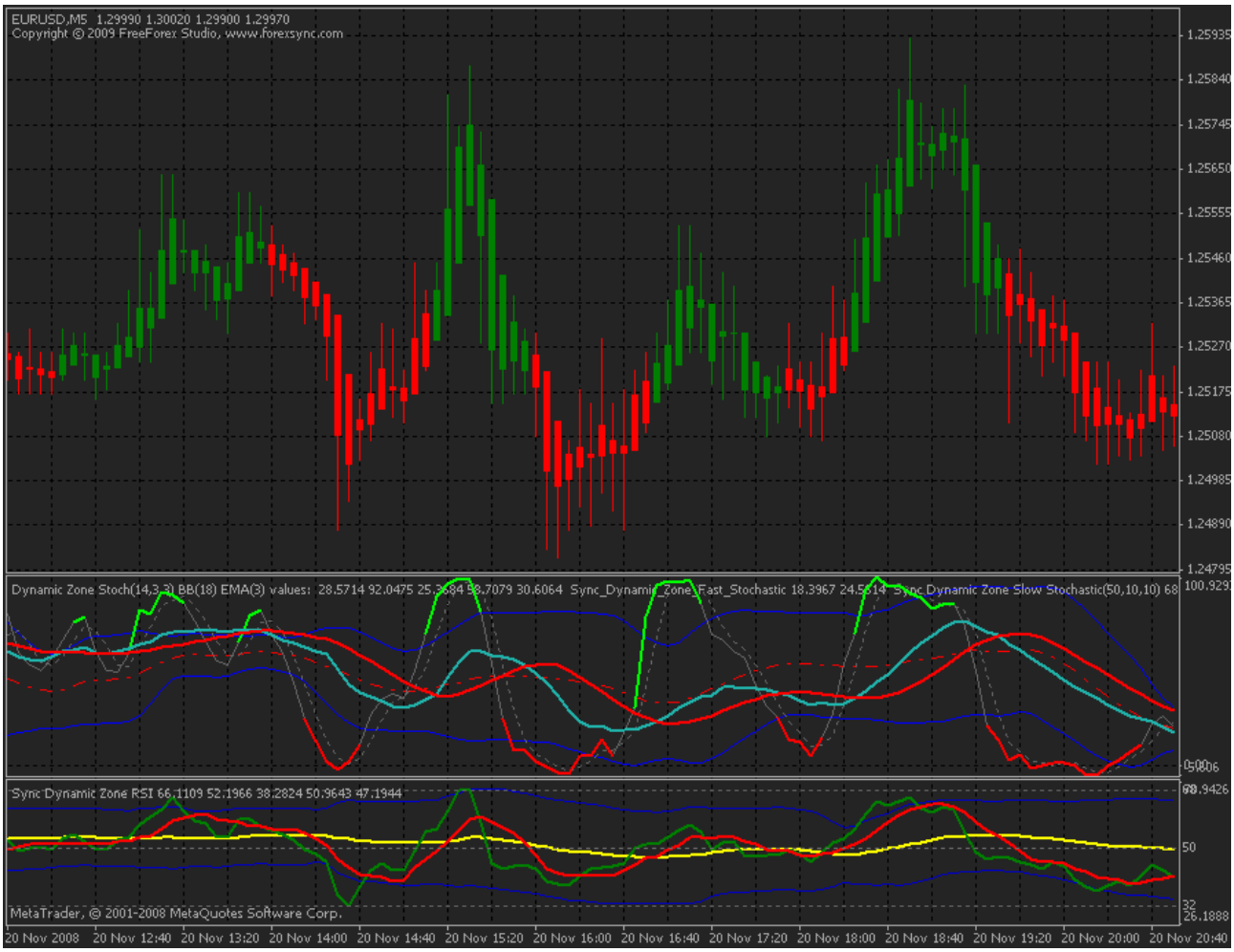
Scalping on 1 - 5 minutes charts

How to waste time on ranging markets

The one explained below is not exactly a trading strategy. It must be intended more like a set of tips and tricks to catch moves at the beginning, trading the main strategy.

Sync trading system is not designed to work on smaller timeframes. Because of its trend-following nature, it doesn't work well on charts with too much noise as the 1-5 min charts. Noise (aka "volatility") itself is not a bad thing for trading: there are many scalping systems based on volatility analysis which works quite well, but this is not our case.
Our system is coded to catch the main trend behind the noise of volatility: it works as a filter to show only the real "big" movement.
We want to make big profits following big movements, never forget that.

Anyway, we have on our workspace a lot of great tools which alone can be used to scalp the market with great results, if used properly. We will see how to use them to avoid boring on ranging markets. Absolutely avoid scalp on choppy market or during news release hours!



The NOT-TO-DO list when scalping with Dynamic Sync System

1. **Never trade during news releasing hours!**

2. **Never trade during news releasing hours!**

3. **Never trade during news releasing hours!**

4. **Try to predict the market.**
   Most novice traders think that the way to win is to predict where prices are going but that's simply hoping or guessing and you won't get far with that currency trading - you need to trade confirmation of trend changes only.

5. **Trading too often.**
   Most traders think they should always be in the market in case they miss a move but this is rubbish. You should only trade when your currency trading system tells you there is high odds trade, then and only then should you execute your trading signal.

6. **Trading too much.**
   That may seem the same do-not of the previous point, but it's not. This means that simply you can't maintain your concentration too long: even if you're young and skilled, trade only 1-2 hours, then take a break, relax, make a shower and go to your girlfriend before start to trade again.

7. **Over leveraging and Stops to Close**
   Sure you can get 400:1 leverage and trades use it and place stops within normally volatility. I often hear people talk about using a 30 pip stop! Well you may as well flip a coin; market volatility will kill your equity. You need to de leverage and give a stop that's logical.

8. **Trading without stop loss**
   Never trade without protection! Calculate before enter a trade your risk/reward ratio, put your worst case against your profit mirage, then set your trade and forget about it! Plan your trade, and trade your plan.

9. **Failure to Run Profits**
   There is a lot about said about traders not keeping their losses small, but a far bigger reason for losses is their failure to run profits. Traders get excited when they get a profit and the bigger it gets the more tempted they are to take it. Of course a few dips in their open equity, sees them snatch it - then what happens? It turns into a mega trend and goes the way they thought and their not in - this happens all the time. You need to have confidence and conviction to accept huge gains.

10. **Never trade during news releasing hours!**
    There are at least 2 good reasons to never do that: the first is that trying to predict market moves during news releasing will simply blow your account. If people could trade by following the news there would be a lot more winners than losers! Sure the stories are convincing but that's all they are stories. I love Harry Potter books but I don't think I can fly! News reflects the greed and fear of the herd and if you trade it gets ready to dump your money quickly.
    The second reason is that during news brokers set huge spread rates and sometimes platforms "magically" stop working, so just avoid trading in these condition and come back to our strategy.

Entry / Exit Rules for Scalping

Entry the trade when:

Sync Candles have formed a pattern which suggest you the trend reversal according to the rules explained on pages 29 – 32.
This is the most important thing to evaluate for our entry strategy: sync candles (but Heikin Ashi indicator in general) is a very powerful tool to visually catch momentum and scalp inside the bar. You can use this technique in every condition and timeframe: many traders like to use that on daily frame for position trading, without any other confirmation tool.

Dynamic Zone Stochastic Fast is rising from the oversold zone (go long) or is falling from the overbought zone (go short).
Be carefully: the "enter" condition appears only when the Fast Stoch is leaving the extreme zone condition, coming back inside the BBands! Unlike many traders believe, an overbought condition of an oscillator doesn't means absolutely that it must fall immediately! The extreme condition may continue for long periods, so don't be in hurry to trade opposite the current trend to catch the reversal from the beginning, while the reversal never comes and you remain on the wrong side of the movement, waiting for a pullback which never arrive!

Dynamic Zone RSI is above the trigger line, rising from the oversold zone (go long) or RSI is below the trigger line and falling from the overbought zone (go short).
Here the same consideration made for Dynamic Zone Stochastic: wait for a clear reverse signal before enter!

Additional confirmation

As written before, trading on 1 – 5 min timeframe is very difficult because of the high volatility and the fastness. Because of that, you need to have simply and clear rules for your trades, and trade mechanically according to a very good money management plan. It's not advisable to care about too much confirmation tools here; this will move your attention from price action which remains the most important thing.
Anyway, some simple rules can be followed to spot the percentage of success to expect from a trade, and many people may like to use them.

We may have more pips per order using additional confirmation.

First confirmation: Trade only in the direction of the Dynamic Zone Slow Stochastic. If it's going up, trade only long until that it doesn't arrive at the overbought zone, instead if it's going down trade short.

You can also use all the other main trend's tools to find the main direction for trading: the Overall trend line, the Middle dotted line of BBands, etc...

Second Confirmation: trade only when BBands are wide (or widening). Tight BBands indicates slow volatility and ranging market conditions, there is no enough space for trade.

Exits Rules

Stop according to the main strategy rules. Take profits of 1-10 pips.
Never let turn a win into a lose.

Scalping example

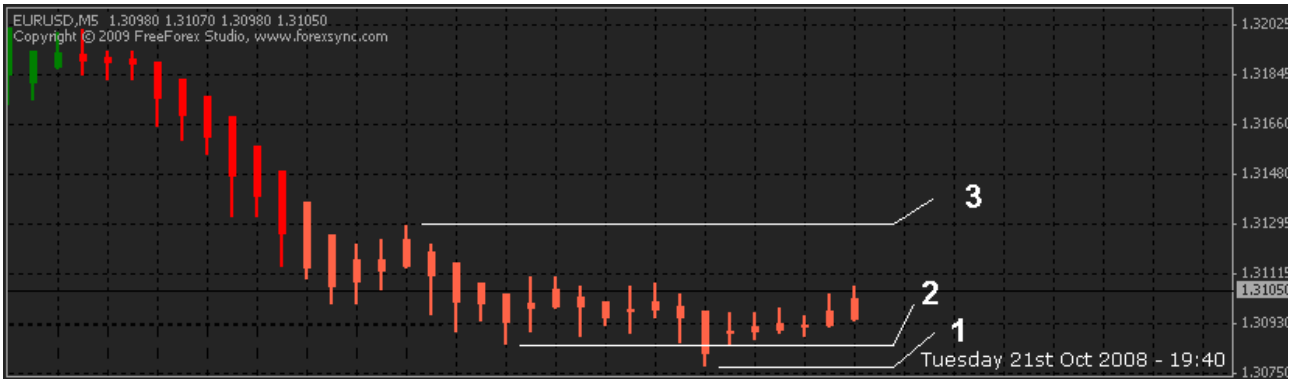
Let's see in detail a scalping trade. As stated before, you may also read this section looking for a technique to improve your entry/exit ability. To do this, simply do your work on the main 30min chart, then go down to the 5 min and follow the construction explained below.

Session 21st October 2008
Time: 19:40 GMT
EUR/USD, 5 min chart

Take a look at the situation below.
Price action is linear, not choppy. We're arriving from a good short movement during London session in the afternoon, price is going in consolidation in late hours.
Dynamic Zone Stochastic is in compression on the oversold zone, Fast Stoch is closed inside the below zone of BBands, Slow Stoch is oversold and flat.
Dynamic Zone RSI has start rising from below, just crossed a flat Overall Trend line. Bands start widening.
This is the right pattern for a long movement creation.

Now is very important to choose the right moment to enter, according to momentum oscillations. To do that, we can use Dynamic Sync Filters too, but here I'd like to show you how to do the same analysis using sync candles as explained on pages 29-32.

Let's take a closer look to the actual situation.
After the down trend, price is going in congestion at level 2. We have had a small spike below level 1, but next candles have failed to confirm this continuation, coming back to the previous min level.
Last two candles show us a nice momentum on the upside, but we're still in the congestion area. The right thing to do now is to wait next candle confirmation: if this new uptrend will be confirmed from the breakout of previous high level, we will follow the trend, instead if price bounce probably will go to break the support line, and resume down trend.
Don't try to predict the market! Let the price move first, then jump in and follow him.



Ok, now you know what the best thing to do is: WAIT.
Anyway, let's suppose we're a nervous person always in hurry and we are convinced to have the Holy Grail, so we're convinced that we can predict the market pip-to-pip and we have decided that price is going to break the resistance level.
All Dynamic Sync indicators confirm our prediction, so we enter the trade.

21Oct, 08 19:40 EURUSD Buy @1.3100 Stop Loss @1.3080 Take Profit @1.3130

We will place the stop loss 2-3 pips below the previous spike level 1, and the take profit at the previous high level 3.
Note that level 1 is our very last support: below that, price will fall against us very fast, so always place your stop here, even if mentally. On conservative basis, we may consider level 2 as a natural support and an extension over it is to be considered not alarming.
About take profit, level 3 maybe our first target for scalping, but always remember that we're working on very volatile charts, so you must absolutely consider these two things:

1. **Never let turn a win into a loose.** Secure your profits with a trailing stop. Place a stop loss when you have even 1 pip gain, you can always open the trade again if good condition persists. Don't be hungrier of profits! Built them slowly step by step!

2. **Let your profit run**. Collect money. When you enter a trade on the 5 min chart, if you're on the right side of the movement you can catch him at the very beginning, so if you buy on a very extreme low support level, and price start rising, you can make very good trades with a risk/reward ratio very low! You may consider switching your scalp trade into a swing trade, if on higher timeframes you have the right conditions!

In the picture below you see our trade running.
We're actually on loss of about 10 pips; a pullback on level 2 is in act.
We don't care about that: we've already made our analysis and placed our stops and take profits, now we have just to wait.

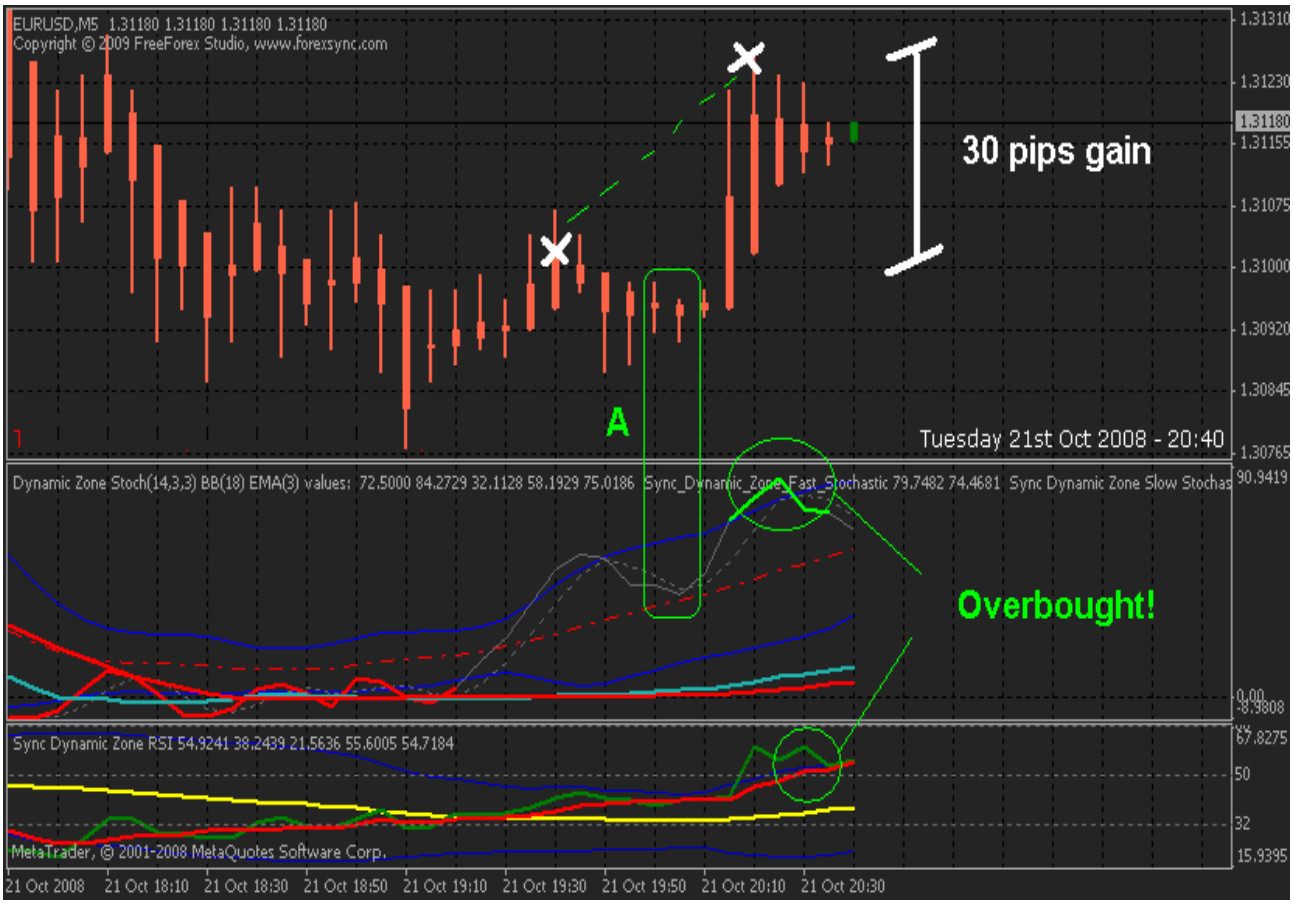
As written before, this pullback is a natural extension of the actual ranging movement; if we want to avoid that we have to enter only after the breakout of the channel as explained.

Take a look at the indicators again:

Dynamic Zone Fast Stoch is currently riding the upped board of BBands and the notice also a divergence between previous min corresponding to the min of price action, and the current one. This is a good reversing signal.

Dynamic Zone RSI continues rising, always over the trigger line.
BBands continues widening, this indicate increasing volatility and usually prepare the next movement.

Let's see what happen after:



Our analysis was the good one and market reward us with a nice +30 pips gain.
We may now choose if liquidate all the position or only half and let the second part run, with a trailing stop starting from 10-15 pips below. It's up to you and your confidence with the actual trade.

Let's make an end-of-day briefing for this trade.

Dynamic Zone Fast Stochastic and RSI are both gone on overbought zone immediately after the breakout, this suggests us that the movement generated is not so strong, and we can expect a pullback. Also, price is gone in congestion on a triangular shape, we have to wait and see where will exit.

We notice also that in the zone "A" Dynamic Zone fast Stoch have made a pullback over the middle line of BBands. We will take this as a dynamic support line, which if violated alert us of an imminent trend reverse.

Anyway, all the main trend indicators are pointing up and BBands remains wide and in uptrend, so we can try to maintain a part of our position waiting for an uptrend exit from this congestion, because actually the main view remain long.

Just for reference, here you have the screenshot of how the situation has evolved later.
As you can see, the main down trend has resumed after small long spikes, and we've scalped the small pullback under the main resistance line.
This price action pattern is very important because appears at the beginning of a new solid trend.
It's called **Ross Hook**.

After prices move down for awhile, a correction takes place.
This correction is caused by shorts taking profits. To cover their positions, they buy, thereby causing the market to rally.
At this point, other buying may come into the market by those who think the down move is about over. They may feel that prices are at support.
Buying may also come in to the market by technical traders and retracement traders who think this is the time to buy.

The rally leaves behind **a minor or intermediate low** which I have called the point of the **Ross hook**. ***The shaft of the hook is the down trend.*** The hook itself, the remainder of the formation, consists of the rally also known as a correction or reaction.
It is this correction, the move opposite to the trend that leaves behind a „pointy place on the chart. The correction can be from one to three bars in length. At times it can occur in a much more subtle way by having the correction and low occur in the same bar.
Other nuances can occur and will be shown as we progress. For now, the important thing is to understand what a hook is and how it looks.
It is the breakout of the hook that can earn us a great deal of money.

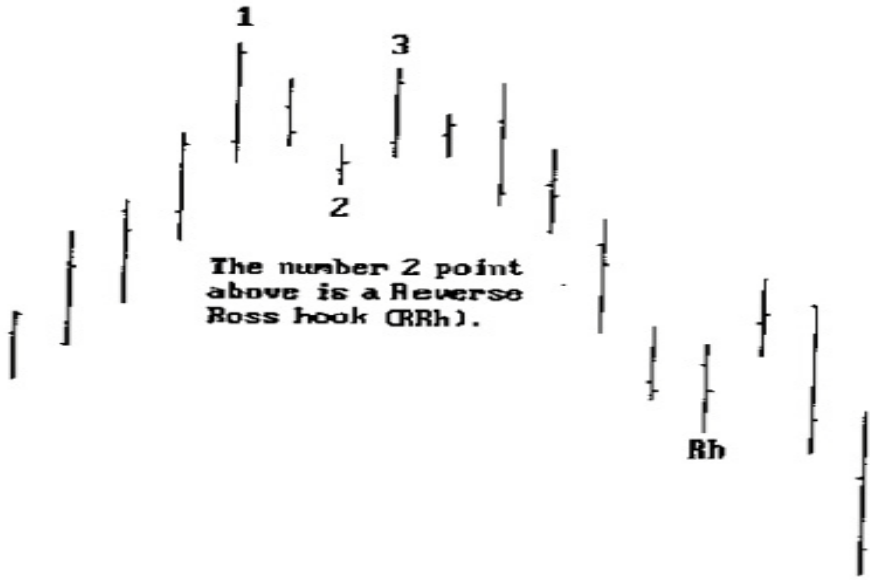
The 1.2.3 and the Ross Hook pattern

Sometimes **Ross hooks** are **1–2–3 patterns** that occur subsequent to the initial 1–2–3 formations that occur at lows and highs. Indeed, many of them are formed at the intermediate and minor lows and highs that occur in trending markets. But to call them all 1–2–3's would be to present an erroneous picture. ***Not all Ross hooks are identifiable as 1–2–3's.***

1–2–3 patterns are the direct result of certain market forces at work. Ross hooks are the result of a different market phenomenon. Then, too, there are **Reverse Ross hooks** which are a bit more difficult to see, identify, and trade. The number two point shown next is a reverse Ross hook.

You should know how to ***identify and trade Ross hooks, reverse Ross hooks, double bottom Ross hooks, and double top Ross hooks***. But at first I need to show you what these hooks look like, and also show you how they relate to, and often derive from, the basic and fundamental **1–2–3 formation**.

The following chart shows a 1–2–3, and then the subsequent Ross hook.



First, you see that the market topped out at the number 1 point. That's when prices were higher than what any additional buyers were willing to pay. At this point, there is too much supply and not enough demand.

Longs taking profits drive the price down to the number 2 point. They are aided and abetted by bears seeking to establish a short position.

Shorts take profits by buying. Renewed buying comes into the market by virtue of bullish traders who treat the pull-back as a bull market correction. This creates the number three point on the chart.

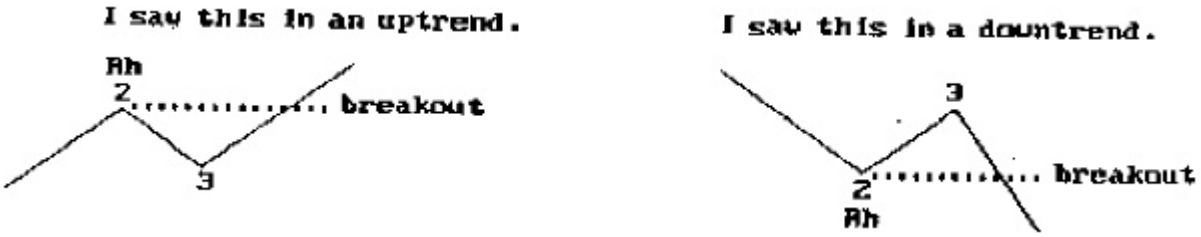
There are not enough traders willing to buy at the high prices, so the attempt to continue the upward trend fails. The market takes out the number two point, and a new downtrend is established.

The Ross hooks made subsequent to the initial breakout of the 1–2–3 low are a frequently occurring event. Yet they are often not easily categorized as **1–2–3 patterns**.

Sometimes the distance between what might be labeled as a number 1 point and what might be labeled as a number 2 point is considerable. My early discipline dictated that if I couldn't label a 1–2–3, I couldn't trade these „pointy“places on the chart.

I was missing a lot of good trades. Then I noticed that the only thing missing was that there was not necessarily a number 1 point.

The number 2 and number 3 points were always there.



It didn't matter where the number 1 point might be. The important thing was that the formation occurred in a trending market. Within reason, the stronger the trend the better, but not always so. There were also times when caution overruled all other considerations.

The next step was for me to thoroughly test the idea of trading these hooks and to simultaneously work out a managerial scheme that would enable me to cash in on their potential.

What I liked best about the concept of trading the hooks was that **they represented truth in the market**. A **breakout** represents a truth in the market. Once prices have broken through the point of the hook, they have broken out.

Even if the breakout should prove to be a false breakout, the immutable fact is that prices have broken out — generally with sufficient force to afford the opportunity to at least cover costs and allow the remaining time in the fade to be free.

Remember:

ROSS HOOKS OCCURS ONLY IN TRENDING MARKETS. There are plenty of „pointy“places on a bar chart, but not all of them are Ross hooks. It is essential to your trading them that you understand this.

Those hooks which occur in trending markets will remain as valid hooks. Often, they may be taken out more than once.

Practice with Sync (Multicolor filtered Heikin Ashi) Candles

The ability to determine a breakout's direction after consolidation is completed can give forex traders an edge over the market.

In forex trading, the candlestick pattern known as consolidation occurs when a trend loses momentum. Sometimes momentum is lost due to profit taking, when traders exit the market to lock in their winnings. In this case when action resumes, the trend is likely to continue in the same direction as before, as traders re-enter the market for further profits.

However, at other times momentum is lost when a trend is affected by an economic announcement, or simply runs out of steam. In such a case when forex trading picks up energy again, the trend may reverse direction, sometimes abruptly, and traders who miss the reversal signals, at the very least, will miss the boat.

In either case, the shift in momentum is indicated by shorter candle or Heikin Ashi bodies, sometimes with long upper and lower wicks, called doji. A number of these doji will cluster together, often in alternating colors, as the market waffles between continuing the trend or reversing it. This pause in the forex trading action is what is meant by a consolidation pattern.

Candlestick technical analysts speak of consolidation as a "battle" between the bears and bulls, with the winning side determining the direction taken by the price when the eventual breakout occurs. As the lost momentum is caused by competing sell and buys orders (supply and demand, respectively), alternately driving the price down then up, and the analogy is not a bad one.

Japanese traders, creators of Candlestick charts, didn't stop improving their technical analysis methods and tools. They worked a lot and tried to make the technical analysis and price prediction easier and faster and Heikin Ashi chart that came after the candlestick chart is one of the several different achievements of Japanese traders.

Sync Trading System candles are the result of a lot of studio around Heikin Ashi candles, trying to let them move according to all the other Dynamic Zone indicators.

I cannot say that you can predict faster using the Sync Trading System charts but it is easier than candlestick charts. Candles of a Sync trading System chart are related to each other because the close and open price of each candle should be calculated using the previous candle close and open price and also the high and low price of each candle is affected by the previous candle. So a Sync chart is slower than a candlestick chart and its signals are delayed (like when we use moving averages on our chart and trade according to them).

So why should we use a Sync trading system chart?

As I have already explained, because of the delay that the Sync Trading System chart has, it has less number of false signals and prevent us from trading against the market.

On the other hand Sync candles are easier to read because in contrast with the candlesticks they don't have a lot of different shapes and formations.

Different candles in a Sync trading system chart:

1- Bullish candles:

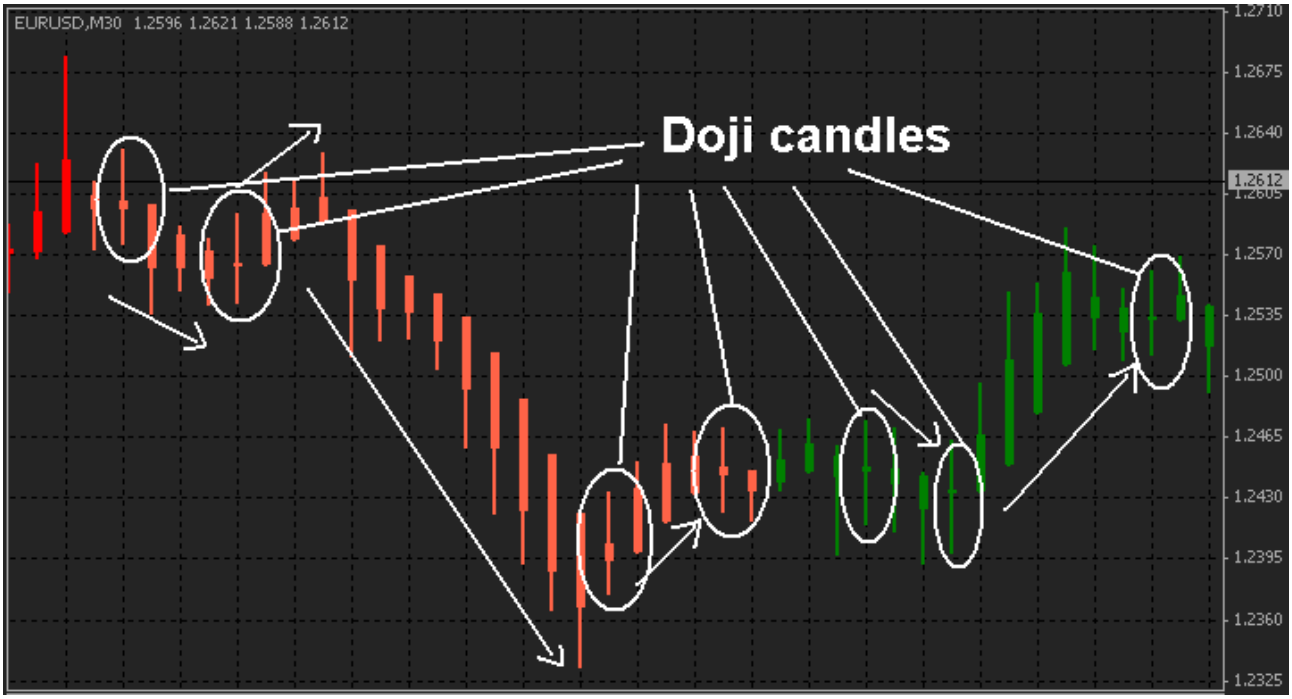
When the market is Bullish, Sync candles have big bodies and long upper shadows but no lower shadow. Look at the big uptrend in the below chart. As you see almost all of the candles have big bodies, long upper shadows and no lower shadow.

2- Bearish candles:

When the market is Bearish, Sync candles have big bodies and long lower shadows but no upper shadow. Look at the big downtrend in the below chart. As you see almost all of the candles have big bodies, long lower shadows and no upper shadow.

3- Reversal candles:

Reversal candles in the Heikin-Ashi charts look like Doji candlesticks. They have no or very small bodies but long upper and lower shadows. Look at the reversal candles in the below chart:



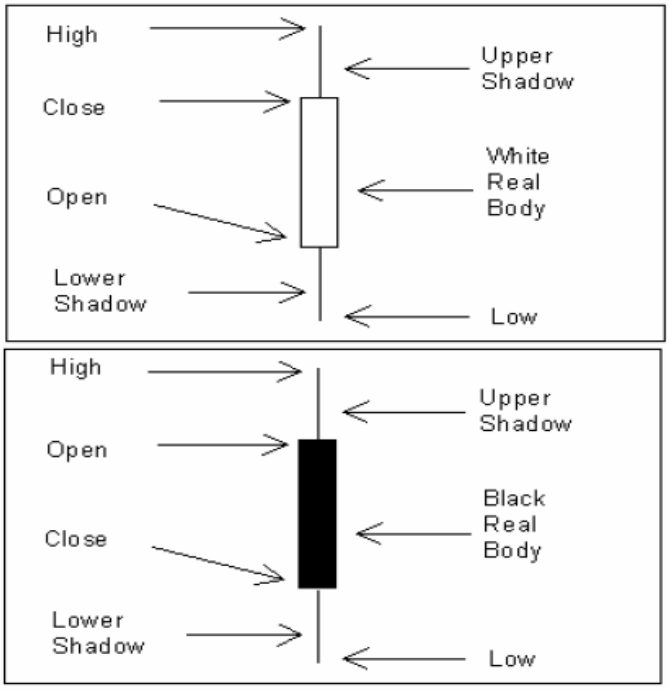
How can you use the Sync trading system chart in your trades?

As you saw Sync candles are delayed. So it is good for trading volatile currency pairs like GBP-JPY and with small time frames. It is good for intraday trading and scalping using small time frames like 1 minutes or 5 minutes. It is not suitable for big time frames like daily and 4 hours because you will be too late in many cases and so you have to close your trade before you make any profit.

Have the Sync candles on your chart and add the Dynamic Zone Stochastic. Buy when both of the Stochastic fast and slow lines go up from the oversold area and at the same time the Sync chart show reversal signals. Sell when both of the Stochastic fast and slow lines go down from the overbought area and at the same time the Sync chart show reversal signals.

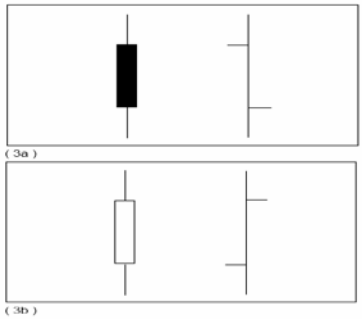
See the previous example of a scalping trade for a real case.

According to Steve Nison, candlestick charting came later and probably began sometime after 1850. Much of the credit for candlestick development and charting goes to Homma, a legendary rice trader from Sakata. Even though it is not exactly clear "who" created candlesticks, Nison notes that they likely resulted from a collective effort developed over many years of trading.



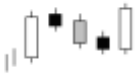
The body of the candlestick is called the *real body*, and represents the range between the open and closing prices.
A black or filled-in body represents that the close during that time period was lower than the open, (normally considered bearish) and when the body is open or white, that means the close was higher than the open (normally bullish).
The thin vertical line above and/or below the real body is called the *upper/lower shadow,* representing the high/low price extremes for the period.

Bar Compared to Candlestick Charts
Below is an example of the same price data conveyed in a standard bar chart and a candlestick Chart. Notice how the candlestick chart appears 3-dimensional, as price data almost jumps out at you.



Falling Three Methods
A bearish continuation pattern. A long black body is followed by three small body days, each fully contained within the range of the high and low of the first day. The fifth day closes at a new low.

Rising Three Methods
A bullish continuation pattern. A long white body is followed by three small body days, each fully contained within the range of the high and low of the first day. The fifth day closes at a new high.



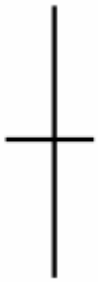
Doji

Doji are important candlesticks that provide information on their own and also feature in a number of important patterns. Doji form when a security's open and close are virtually equal. The length of the upper and lower shadows can vary and the resulting candlestick looks like a cross, inverted cross or plus sign. Alone, doji are neutral patterns. Any bullish or bearish bias is based on receding price action and future confirmation. The word Doji" refers to both the singular and plural form.

a. Dragon fly doji (Dragonfly)
Dragon fly doji form when the open, high and close are equal and the low creates a long lower shadow. The resulting candlestick looks like a "T" with a long lower shadow and no upper shadow.
Dragon fly doji indicate that sellers dominated trading and drove prices lower during the session. By the end of the session, buyers resurfaced and pushed prices back to the opening level and the session high. The reversal implications of a dragon fly doji depend on previous price action and future confirmation. The long lower shadow provides evidence of buying pressure, but the low indicates that plenty of sellers still loom. After a long downtrend, long black candlestick or at support, a dragon fly doji could signal a potential bullish reversal or bottom. After a long uptrend, long white candlestick or at resistance, the long lower shadow could foreshadow a potential bearish reversal or top. Bearish or bullish confirmation is required for both situations.

b. Gravestone doji (Pagoda)
Gravestone doji form when the open, low and close are equal and the high creates a long upper shadow. The resulting candlestick looks like an upside down "T" with a long upper shadow and no lower shadow.
Gravestone doji indicate that buyers dominated trading and drove prices higher during the session. However, by the end of the session, sellers resurfaced and pushed prices back to the opening level and the session low. As with the dragon fly doji and other candlesticks, the reversal implications of gravestone doji depend on previous price action and future confirmation. Even though the long upper shadow indicates a failed rally, the intraday high provides evidence of some buying pressure. After a long downtrend, long black candlestick or at support, focus turns to the evidence of buying pressure and a potential bullish reversal. After a long uptrend, long white candlestick or at resistance, focus turns to the failed rally and a potential bearish reversal. Bearish or bullish confirmation is required for both situations.

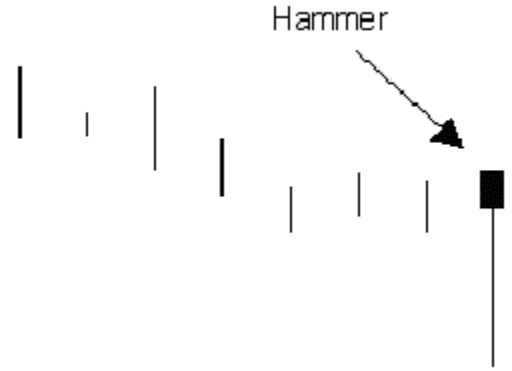
c. Long-legged doji
This line often signifies a turning point. It occurs when the open and close are the same, and the range between the high and low is relatively large.



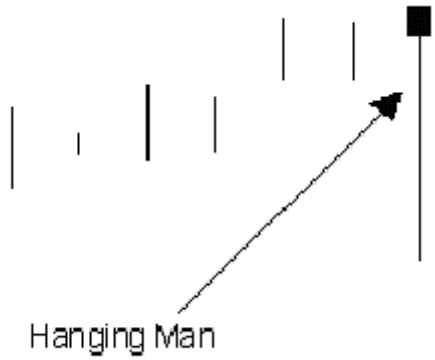
Engulfing Patterns
This structure appears when a black, real body totally covers, "engulfs" the prior day's real body. The market should be in a definable trend, not chopping around sideways. The shadows of the prior candlestick do not need to be engulfed.

Bullish engulfing lines
This structure appears when a *white, real body* totally covers, "engulfs" the prior day's *real body*. The market should be in a definable trend, not chopping around sideways. The shadows of the prior candlestick do not need to be engulfed.

Hammer
A candlestick with a long *lower shadow* and small *real body*. The *shadow* should be at least twice the length of the *real body*, and there should be no or very little *upper shadow*. The *body* may be either *black* or *white*, but the key is that this candlestick must occur within the context of a downtrend to be considered a *hammer*. The market may be "hammering" out a bottom. The hammer is a bullish reversal pattern that forms after a decline. In addition to a potential trend reversal, hammers can mark bottoms or support levels. After a decline, hammers signal a bullish revival. The low of the long lower shadow implies that sellers drove prices lower during the session. However, the strong finish indicates that buyers regained their footing to end the session on a strong note. While this may seem enough to act on, hammers require further bullish confirmation. The low of the hammer shows that plenty of sellers remain. Further buying pressure, and preferably on expanding volume, is needed before acting. Such confirmation could come from a gap up or long white candlestick. Hammers are similar to selling climaxes and heavy volume can serve to reinforce the validity of the reversal.



Hanging man
Identical in appearance to the *hammer*, but appears within the context of an uptrend.



The hanging man is a bearish reversal pattern that can also mark a top or resistance level. Forming after an advance, a hanging man signals that selling pressure is starting to increase. The low of the long lower shadow confirms that sellers pushed prices lower during the session. Even though the bulls regained their footing and drove prices higher by the finish, the appearance of selling pressure raises the yellow flag. As with the hammer, a hanging man requires bearish confirmation before action. Such confirmation can come as a gap down or long black candlestick on heavy volume.

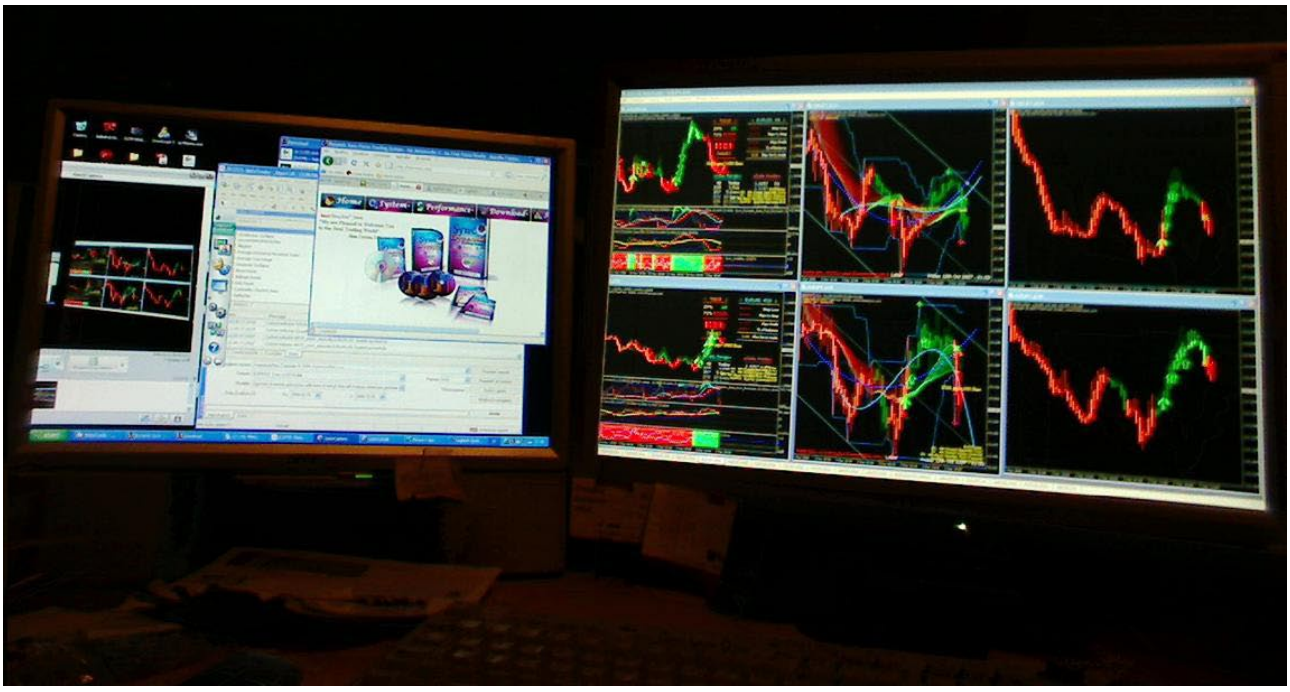
Swing Trading on 4 hours charts

Take the Helm of FOR(eign) EX(change) Market!

This strategy is an application of the main 30min Sync Trading System over a multi-timeframe workspace and over multi currency and correlated pairs.
In the next chapter will be illustrated the advantage of using different timeframes instead of the classical single chart, and how to take advantage of correlation between similar pairs.

There are a lot of different approaches to multi-timeframes technique: some traders prefer to work on the bigger one, and go to the smaller to spot better entry/exit points, some other just use that as a confirmation for scalping or intraday on 5-30 min charts.
Another technique is to trade only when both the timeframes show the same signal (i.e. only buy on 5 min if 30mi is in buy configuration).
All these techniques have pros and cons, but if traded with the necessary discipline are all very strong and profitable. We will see how to use them.

Trading with correlation is another great advantage offered by the forex market. Every experienced trader well know how powerful are the signals that we can get by observing a pair and compare it with another pair which in the past has shown a similar trend, i.e. EUR/USD and GBP/USD.
The principle is that if two pairs have moved quite in the same way in the past for an appreciable period, there is a strong probability that will continue to do the same, at least in the short/mid period. So if we see EUR/USD after a ranging period strongly breakout long but when we move on GBP/USD we have no movements yet, we can suppose that a long breakout is imminent on this pair too (maybe they're waiting for news to be released?).
We will learn how to use this great "hidden tool" to our advantage.



The advantage of using Multi Time Frames

Traders of virtually every monetary size and temperament trade the Forex market. At any given time, short-term scalpers and long-term fundamental traders are looking at the same currency pairs and are trying to determine how to place or adjust their trades. However, while they may be looking at the same currency pairs, they are not looking at the same chart time frames. Short-term traders are most likely looking at 1-minute to 15-minuted currency charts, while long-term traders are most likely looking at daily to monthly charts.

Trends, support and resistance lines and technical indicators look much different on a 1-minute chart than they do on a daily chart. For example, you may look at a 1-minute chart of the EUR/USD and see that the pair appears to be in a down trend. If you switch your chart to a daily chart, however, you may see that the currency pair has been in an uptrend for years. So which chart is right? Is the EUR/USD in an uptrend or is it in a down trend?

Successful Forex traders trade with a bias toward the long-term trend. It has had a longer time to establish itself, and it will take a large surge of momentum to change its direction. Of course, if you see the fundamentals changing for a currency or a news announcement affecting a currency, you can trade against the long-term trend if you take precautions.

You should always be aware of trends and levels of support and resistance across multiple time frames. This enables you to identify how strong various trends and levels of support and resistance are. Using multiple time frames on your charts helps you expand your technical analysis.

You should be analyzing the following three charts (time frames) in your technical analysis:

- **Trend chart (Longer-term chart)**
- **Signal chart (Chart you typically use)**
- **Timing chart (Shorter-term chart)**

Once you have analyzed each time frame, you can put them all together to confirm a high-probability trading set up.

The trend chart

The trend chart, as the name suggests, helps you identify the predominant trend you should be looking to trade with. If the currency pair in the trend chart is trending upward, you should be looking to buy the currency pair. If the currency pair in the trend chart is trending downward, you should be looking to sell the currency pair.

To identify the time frame you should be using for your trend chart, you first need to identify the time frame you typically use on your trading (signal) charts. Once you have identified the time frame of your signal chart, you should go up one time frame to find the time frame you should be using on your trend chart.

The following is a list of common signal-chart time frames you can use to identify the appropriate time frame for your trend chart:

1-minute signal chart = 15-30-minute trend chart
5-minute signal chart = 1-hour trend chart
15- 30-minute signal chart = 4-hour trend chart
1-hour signal chart = 1-day trend chart
1-day signal chart = 1-week trend chart
1-week signal chart = 1-month trend chart

For example, if you typically trade the EUR/USD looking at a 1-hour chart, you should use a 1-day chart for your trend chart. If you typically trade the EUR/USD looking at a 15-minute chart, you should use a 4-hour chart for your trend chart.

Once you have identified the time frame you should be using for your trend chart, all you need to do is determine what the prevailing trend on the chart is. You can use diagonal support and resistance levels or moving averages to identify the trend.

If there is an uptrend on your trend chart, you should be looking for buy signals on your signal chart. If there is a down trend on your trend chart, you should be looking for sell signals on your signal chart.

Once you have identified the trend, you now need to identify profitable trading signals.

Signal Chart

The signal chart is your most important chart. It provides the trading signals that tell you when to look for buying and selling opportunities based on the trading methodology you use. For instance, if you typically use the commodity channel index (CCI) to help you identify trading signals, you will use the signal chart here. You won't use the indicator on the trend chart or the timing chart.

Using a signal chart in conjunction with a trend chart enables you to more accurately identify potentially profitable trade signals. For example, if your trend chart shows the currency pair is in an uptrend, you should only be looking for buy signals on your signal chart. The best way to take advantage of a longer-term up trend is to buy the currency pair. If your trend chart shows the currency pair is in a down trend, you should only be looking for sell signals on your signal chart. The best way to take advantage of a longer-term down trend is to sell the currency pair.

In effect, the trend chart allows you to ignore the less-profitable half of the trading signals you see on your signal chart. Since these trading signals are going against the longer-term trend, they will most likely be unsuccessful.

Now that you have identified your trading signals, you need to determine exactly when to enter and exit your trades using your timing chart.

T**iming Chart**

The timing chart, as the name suggests, helps you time exactly when you should enter and exit a trade. Every pip counts when you are a Forex trader so the more accurately you can identify your entry and exit points, the more money you keep in your account.

The following is a list of common signal-chart time frames you can use to identify the appropriate time frame for your timing chart:

1-minute signal chart	**=**	**Tick timing chart**
5-minute signal chart	**=**	**1-minute timing chart**
15- to 30-minute signal chart	**=**	**5-minute timing chart**
1-hour signal chart	**=**	**15-minute timing chart**
1-day signal chart	**=**	**1-hour timing chart**
1-week signal chart	**=**	**1-day timing chart**
1-month signal chart	**=**	**1-week timing chart**

You can use one of the following two methods when pinpointing your entry and exit signals on your timing charts:

1. **You can identify the trend and support and resistance levels**
2. **You can use the same technical indicator you use to generate your trading signals**

Identify trend and support and resistance if you see a buy signal on your signal chart, you want to see the currency pair in an uptrend on the timing chart. You also want to see that the currency pair price is closer to support than it is to resistance. This tells you the currency pair has room to move higher before hitting resistance. Of course, if it has just broken up through resistance, it should continue to move higher.

Using a technical indicator if you use a technical indicator, like the commodity channel index (CCI), on your signal chart to generate buy and sell signals, you can use that same indicator on your timing chart to help you identify when to enter or exit your trade.

For example, if you did use the CCI on your signal chart and it gave you a buy signal, you would add the CCI to your timing chart and make sure it was giving you a buy signal on the timing chart as well. If the CCI is not giving a buy signal on the timing chart, you should wait until it gives a buy signal on the timing chart before you enter the trade.

High Probability Trade Setup

Let's take a look at what a high-probability trade setup looks like using the multiple time-frame trading approach. We will be looking at an example of the EUR/USD using a weekly chart as the trend chart, a daily chart as the signal chart and a 1-hour chart as the timing chart.

First, you look at your trend chart to see what direction the currency is trending. As you can see on the EUR/USD weekly chart, the currency pair has been in an uptrend for some time now. It would be foolish to fight this trend and try to sell the EUR/USD.

Next, you look at the signal chart to identify an appropriate buy signal for the EUR/USD. In this example, we are looking at using the commodity channel index (CCI) to generate the trading signal. You can see on the daily EUR/USD chart that the CCI gave a buy signal on 10 October 2007 as it crossed from below -100 to above -100. The trend on the daily EUR/USD chart was also moving higher.

Lastly, you look at the timing chart to identify an appropriate time to buy the EUR/USD. You can see on the 1-hour EUR/USD chart that the currency pair is in an uptrend at the time the trading signal was given on the signal chart. You can also see that the CCI on the 1-hour chart had just given a buy signal at approximately the same time the CCI on the signal chart had generated its signal.

Seeing the trading signal generated on the signal chart line up so well with the trend on the trend chart and the currency movement on the timing chart should give you increased confidence in the probability of your trade making you money.

Using multiple time frames provides you with more accurate trading information. Better information leads to better trades. Better trades lead to more profits and a happier you!

Multi Currency Trading

"Can I trade more than one market at a time?" - It's a common question not only asked of our system but every methodology out there (for good reason!).

The answer to that is yes. Certainly people swing trading stocks (or forex, futures, etc…) typically look at a list of potential candidates each day. Active traders (day trading) sometimes focus on one market but there's no reason you cannot look at several. Forex traders, for example, are typically recommended to look at 2-4 markets at a time since the trade's set-up fairly orderly and it helps to be diversified day-to-day.

The key, of course, is mastering the strategy and ensuring you have the right account capitalization. Not everyone is going to start with more than one market, and when you are first learning the strategy it's best to be as conservative as possible. However, as your account grows and your mastery of the Sync Trading System is finalized you'll see you have the opportunity to both buy larger order size AND trade multiple markets.

Below, an example of trades placed on strong correlated pairs (at the same time). All closed in profit after 6 hours (at the same time):
Note: trades from account #33250, Alpari UK, oct08. Trader: Livio. TS: Sync1.3 (4h)

19352429	2008.10.06 20:45	sell	0.10	eurjpy	135.32	135.80	135.20	2008.10.06 20:51	135.23	8.96
19833113	2008.10.08 13:40	buy	0.10	eurgbp	0.7819	0.0000	0.0000	2008.10.08 19:44	0.7931	193.84
19833203	2008.10.08 13:40	buy	0.10	euraud	2.0217	0.0000	0.0000	2008.10.08 19:44	2.0413	131.77
19833239	2008.10.08 13:40	sell	0.10	usdchf	1.1321	0.0000	0.0000	2008.10.08 19:44	1.1241	71.17
19833452	2008.10.08 13:40	sell	0.10	gbpchf	1.9843	0.0000	0.0000	2008.10.08 19:44	1.9458	342.49
19833860	2008.10.08 13:41	sell	0.10	gbpjpy	176.13	0.00	0.00	2008.10.08 19:44	173.23	289.83
19834085	2008.10.08 13:41	sell	0.10	audusd	0.6765	0.0000	0.0000	2008.10.08 19:45	0.6732	33.00
20138391	2008.10.09 12:01	buy	0.10	eurgbp	0.7931	0.0000	0.0000	2008.10.09 19:51	0.7932	1.73

Where to start?

It is strongly recommended that newbie forex traders focus on one currency pair. The best currency pair to start is a currency pair that has a small spread. So EUR-USD is the best. Most brokers charge 2 pips when you buy EUR-USD and recently I have seen some brokers that charge even less than one pip.

GBP-USD is so similar to EUR-USD but it has a higher spread and greater volatility. You can try the GBP-USD only after few months that you have been working with EUR-USD but if you are happy and comfortable with EUR-USD, forget about GBP-USD.

USD-JPY and USD-CAD are completely different from EUR-USD and GBP-USD because they are dependent on two different countries, Japan and Canada with different economy and situation from Europe, GB and USA.

Canada is an oil supplier and the price of oil has a direct impact on the value of Canadian dollar. So the price of oil can work as a leading indicator for USD-CAD. When the price of oil goes up the USD-CAD goes down because the value of Canadian dollar goes up.

On the other hand, Japan is an oil demander country and so when the price of oil goes up they have to pay more and so they have to increase the price of their product. So there will be less demand for their products and the value of JPY will go down. When the value of JPY goes

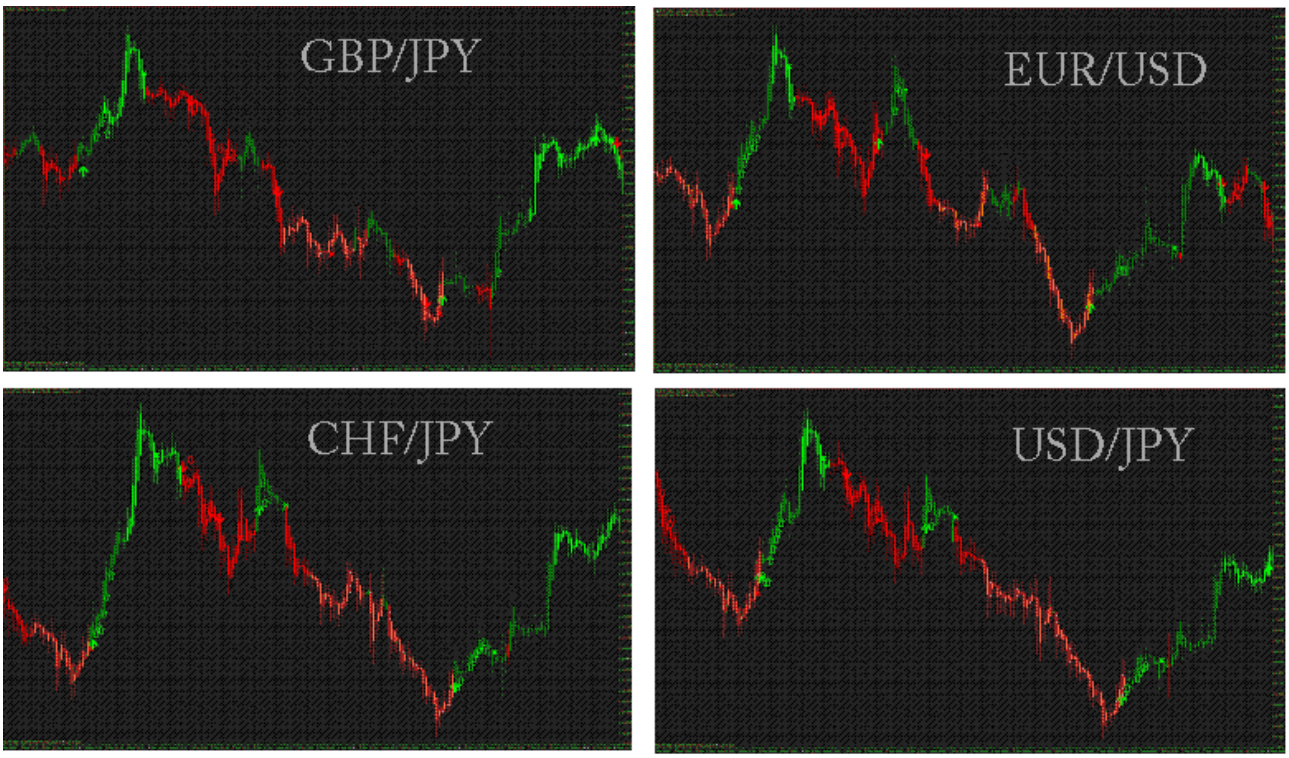
down, the USD-JPY can go up but in this case, as the value of USD has been going down too, it will be a little harder to use the oil price to predict the direction of USD-JPY.

CAD-JPY is the currency pair which has a stronger relation with the oil price because Canada is an oil supplier and Japan is an oil user and demander. So when the oil price goes up CAD-JPY goes down strongly and when visa versa. Of course countries can control the value of their currency through different ways and methods like increasing and decreasing their interest rate. It means a country like Japan doesn't let its currency value goes down very much because of the oil price.

AUS-USD has a good relation with the gold price. When the gold price goes up the AUS-USD goes up too. So if you follow the gold price and also the economy of USA, you can predict the direction of AUS-USD.

Below you can see an example of strong correlation between EUR/USD and the three major with JPY: GBP/JPY, CHF/JPY and USD/JPY. The period is from 4th to 12th of November, 2008. Timeframe 30 min.

Even if not exact because of the natural noise of news, the correlation is clear and exploitable for swing trading. For istance, on the last long wave EUR/USD seems to gave anticipated other currencies, and actually is reversing. We may suppose that all the other currencies will follow this pair (GBP/JPY has already start a pullback), and trade consequently.



Using Currency Correlation to your advantage

To be an effective trader, understanding your overall portfolio's sensitivity to market volatility is important. But this is particularly so when trading forex. Because currencies are priced in pairs, no single pair trades completely independently of the others. Once you know about these correlations and how they change, you can take advantage of them to control over your portfolio's exposure.

How a trader can use this information?

1. A very simple use is avoiding trades that cancel each other. For instance, knowing that EUR/USD and USD/CHF move inversely near-perfectly, there would be no point to go short on both positions as they eventually cancel each other (loss + profit).

2. However, there is a strategy of hedging one currency pair with another. Lets' take the same pairs: EUR/USD and USD/CHF. For example, a trader has opened long positions on both currency pairs. Since they move in opposite directions, if EUR/USD is making some losses, the other pair will go in profit. Hence, the total loss will not be as bad as if it would be without the second "backup trade". On the other hand, profits here are not large either.

3. When confident, a trader may double position size by placing same orders on parallel (moving in the same direction) currency pairs.

4. Another option would be to diversify risks in trade. For instance, AUD/USD and EUR/USD pairs have the correlation coefficient of about +0.70 which means that pairs are moving mostly in the same direction but not as perfect (which is what we need here). If we decide that USD is going to weaken, for example, we will go long and place half of buy order on AUD/USD currency pair, and half on EUR/USD. Splitting the orders will preserve trader's positions from sudden losing rallies (sudden "jumps" in price); and as these currencies move not 100% identical a trader will have some time to react adequately. Different monetary policies of different countries' banks also create an impact: when one currency will be less affected than the other and therefore will move slower.

5. A trader can use also different pip or point values for his or her advantage. Let's consider the EURUSD and USDCHF once again. They have a near-perfect negative correlation, but the value of a pip move in the EURUSD is $10 for a lot of 100,000 units while the value of a pip move in USDCHF is $8.34 for the same number of units. This implies traders can use USDCHF to hedge EURUSD exposure.

Regardless of whether you are looking to diversify your positions or find alternate pairs to leverage your view, it is very important to be aware of the correlation between various currency pairs and their shifting trends. This is powerful knowledge for all professional traders holding more than one currency pair in their trading accounts. Such knowledge helps traders, diversify, hedge or double up on profits.

Why Correlation exists?

The reason for the interdependence of currency pairs is easy to see: if you were trading the British pound against the Japanese yen (GBP/JPY pair), for example, you are actually trading a kind of derivative of the GBP/USD and USD/JPY pairs; therefore, GBP/JPY must be somewhat correlated to one if not both of these other currency pairs. However, the interdependence among currencies stems from more than the simple fact that they are in pairs. While some currency pairs will move in tandem, other currency pairs may move in opposite directions, which is in essence the result of more complex forces.

Measuring the Correlation

Correlation, in the financial world, is the statistical measure of the relationship between two securities. The correlation coefficient ranges between -1 and +1. A correlation of +1 implies that the two currency pairs will move in the same direction 100% of the time. A correlation of -1 implies the two currency pairs will move in the opposite direction 100% of the time. A correlation of zero implies that the relationship between the currency pairs is completely random.

The following tables are from http://www.mataf.net

They represent the **correlation between the various parities of the foreign exchange market** (forex).
The correlation coefficient highlights the similarity of the movements between two parities.

- If the **correlation is high (above 80)** and positive then the currencies move in the same way.
- If the **correlation is high (above 80)** and negative then the currencies move in the opposite way.
- If the **correlation is low (below 60)** then the currencies don't move in the same way.

The correlation index is calculated on the **daily and hourly data**. In other chapters of Mataf.net you will be able also to calculate the correlation of a pair compared to a basket of currencies and to study more precisely the correlation between two parities.

Correlation 1 H

	EURUSD	GBPUSD	USDCHF	USDJPY	EURGBP	EURCHF	EURJPY	GBPCHF	GBPJPY
EURUSD	100.0	48.4	-92.5	-2.6	15.0	11.9	82.4	-10.9	36.2
GBPUSD	48.4	100.0	-39.0	60.8	-79.2	19.7	75.2	78.6	96.6
USDCHF	-92.5	-39.0	100.0	22.0	-20.6	26.6	-65.4	26.1	-22.7
USDJPY	-2.6	60.8	22.0	100.0	-71.2	49.5	54.4	78.9	79.3
EURGBP	15.0	-79.2	-20.6	-71.2	100.0	-14.6	-27.9	-96.6	-84.1
EURCHF	11.9	19.7	26.6	49.5	-14.6	100.0	37.3	39.5	31.3
EURJPY	82.4	75.2	-65.4	54.4	-27.9	37.3	100.0	35.5	75.4
GBPCHF	-10.9	78.6	26.1	78.9	-96.6	39.5	35.5	100.0	86.2
GBPJPY	36.2	96.6	-22.7	79.3	-84.1	31.3	75.4	86.2	100.0

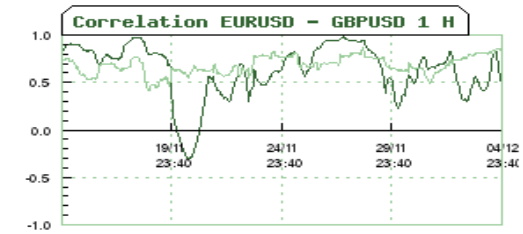
(c) www.Mataf.net - Forex Trading

Correlation Daily

	EURUSD	GBPUSD	USDCHF	USDJPY	EURGBP	EURCHF	EURJPY	GBPCHF	GBPJPY
EURUSD	100.0	92.6	-86.3	89.6	-57.8	76.5	98.0	88.6	94.1
GBPUSD	92.6	100.0	-93.8	90.6	-84.3	53.9	93.9	96.8	98.8
USDCHF	-86.3	-93.8	100.0	-83.2	80.4	-33.7	-87.1	-82.3	-91.9
USDJPY	89.6	90.6	-83.2	100.0	-68.1	61.6	96.7	88.5	96.1
EURGBP	-57.8	-84.3	80.4	-68.1	100.0	-6.8	-63.5	-82.7	-79.5
EURCHF	76.5	53.9	-33.7	61.6	-6.8	100.0	71.9	61.7	58.9
EURJPY	98.0	93.9	-87.1	96.7	-63.5	71.9	100.0	90.5	97.3
GBPCHF	88.6	96.8	-82.3	88.5	-82.7	61.7	90.5	100.0	95.9
GBPJPY	94.1	98.8	-91.9	96.1	-79.5	58.9	97.3	95.9	100.0

(c) www.Mataf.net - Forex Trading

Different charts for Correlation (mataf.net and oanda.com)



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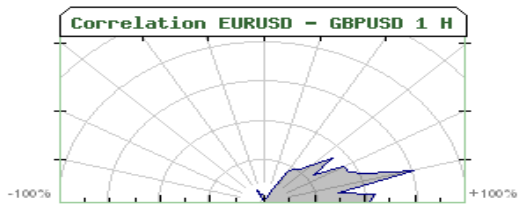

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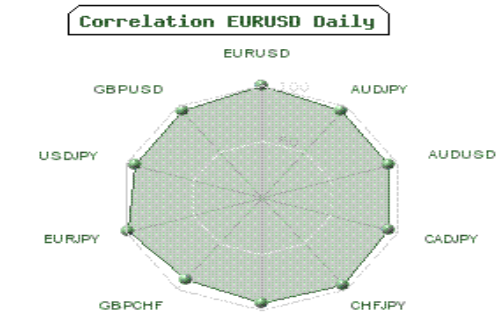

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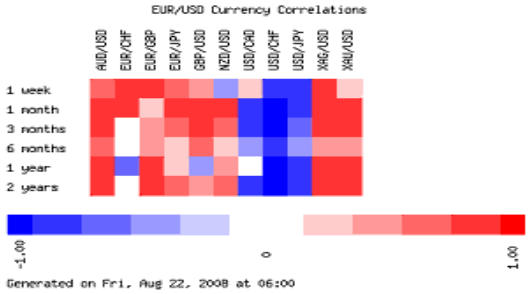


Do these relations between Currency pairs change in Forex?

Of course it does. If you compare the connection between currency pairs on a span of 1 month, it may be totally different than the relation over a period of 6 months, which may be different when compared with over the span of a year!!

It is clear then that correlations do change, which makes following the shift in correlations even more important.
Sentiment and global economic factors are very dynamic and can even change on a daily basis. Strong correlations today might not be in line with the longer-term correlation between two currency pairs.
That is why taking a look at the six-month trailing correlation is also very important. This provides a clearer perspective on the average six-month relationship between the two currency pairs, which tends to be more accurate.
Correlations change for a variety of reasons, the most common of which include diverging monetary policies, a certain currency pair's sensitivity to commodity prices, as well as unique economic and political factors.

Here a table showing the six-month trailing correlations that EUR/USD shares with other pairs:

Date	EUR/USD	AUD/USD	USD/JPY	GBP/USD	NZD/USD	USD/CHF	USD/CAD
03/29/2004 - 09/29/2004	6 Month Trailing	0.10	-0.28	0.69	0.68	-0.88	-0.60
04/29/2004 - 10/28/2004	6 Month Trailing	0.77	-0.67	0.47	0.84	-0.90	-0.78
05/31/2004 - 11/29/2004	6 Month Trailing	0.96	-0.88	0.61	0.88	-0.97	-0.89
06/30/2004 - 12/29/2004	6 Month Trailing	0.93	-0.94	0.87	0.94	-0.98	-0.85
07/30/2004 - 01/28/2005	6 Month Trailing	0.93	-0.93	0.92	0.95	-0.99	-0.86
08/31/2004 - 03/01/2005	6 Month Trailing	0.88	-0.91	0.96	0.91	-0.98	-0.80
09/30/2004 - 03/31/2005	6 Month Trailing	0.74	-0.83	0.95	0.79	-0.96	-0.58
	Average	0.76	-0.78	0.78	0.86	-0.95	-0.77

Putting all together: the Dynamic Sync Swing Strategy

If you're arrived until this page just scrolling all this useless document without reading all this "bla bla bla...", and now you see finally a real professional-looking multi-chart workspace, and you're so excited to finally feel part of the real professional traders world, stop reading and don't waste your time.

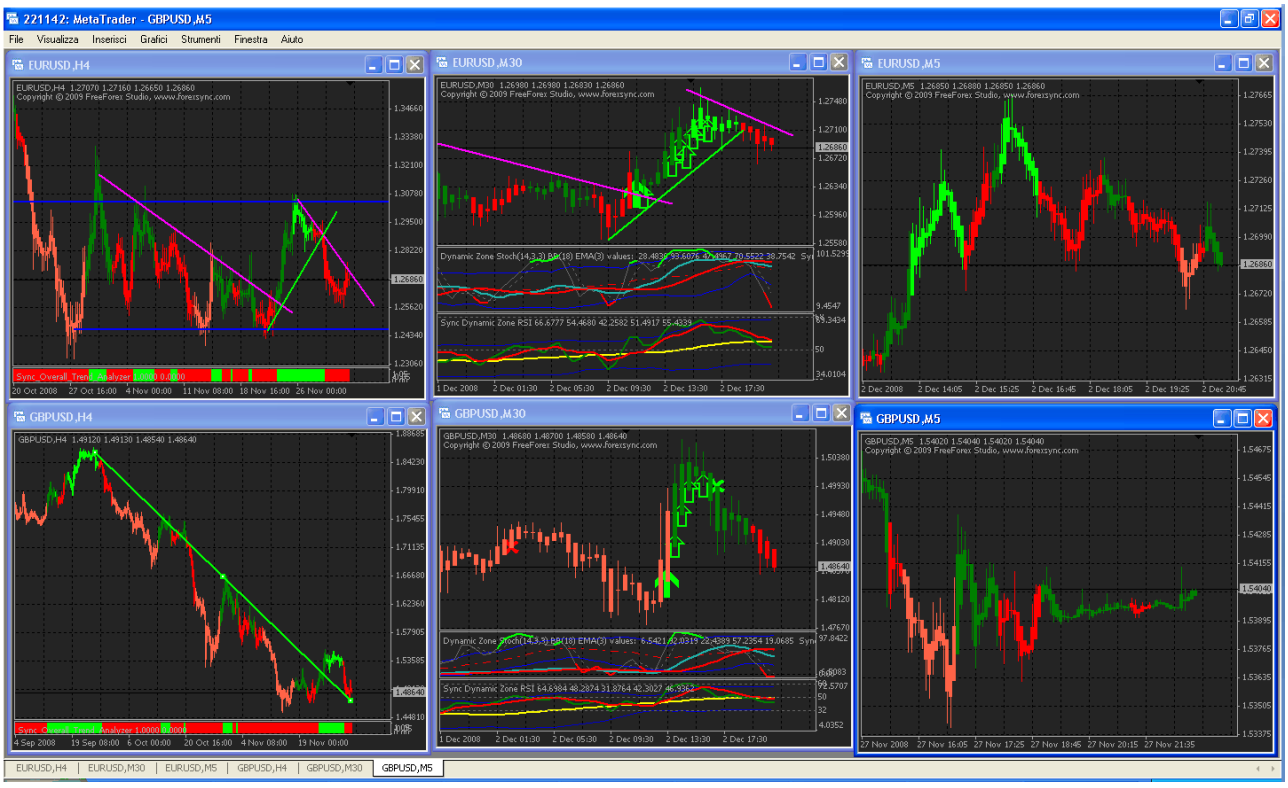
This strategy is complicated, need a lot of thinking, knowledge, iron will.

You need to be skilled on all the techniques explained in this user manual to use this strategy with profit. It requires at least a basic knowledge in technical analysis, fundamentals, money management, and common trading sense.

As written before, many and many traders are successful trading just one pair on one timeframe, so don't be in hurry to try to use 10 pairs on 3 timeframes each: it may result chaotic and make only confusion, especially if you don't have available a good wide monitor (or better 2-3 monitors) and you have to switch every charts every times.

Ok, I didn't intend to discourage you, so the good thing about this strategy is that unbelievably profitable, easy to follow, requires not so much time in front of pc, and after all, it's amazing! We have achieved strong results trading this exactly strategy with a good money management plan, and I'm sure you'll enjoy it too.

Just one last note: actually (December 2008) at FreeForexStudio (www.f-fx.com) we're developing an EA to help follow this strategy, or better the main strategy traded on multiple charts and with confirmation of multiple timeframes, but we've found that if even a bit more complicated, manual trading is a lot more profitable yet. We hope to automate this strategy in the future…



The idea behind the strategy

The main idea is quite simple… we will not look at the Sun and Moon's phase to predict the market. We will do what we are able to do with the main Dynamic Sync trading System: catch the trend and follow him.

So the question is: how to recognize the trend?

Well, everybody have a different answer, more or less useful, tradable or profitable.

Someone try to predict market turning points with Fibonacci's "magic numbers". Someone uses Gann theories about cycles. Others like to hear at fundamental news to catch big moves at changes of political and economical situation of different countries. Someone more, uses Elliot Waves for their analysis.

In our real trading experience, we've found not really useful the techniques above for a simple reason: these analyses just leave too much trading possibilities and never give a real, solid direction to trade. We believe that in a short-middle view, a typical intraday or swing trader may use this kind of analysis just as a confirmation for a more solid decisional tool of trading.

We have a hedge over all other traders; we have a great decisional tool: the Dynamic Sync Trading System. If this system works (and it works great!), why don't use that also for a longer view analysis, trying to catch the big moves and make more pips?

Assumed that, if we want to see the main situation we need a longer timeframe. We choose the 4 Hours time frame for our long-term analysis. The reason of that is that the main strategy runs on the 30 min chart, so we need to work on a chart which is in a range of a ratio between 1:4 and 1:8: 4h and 30min are in a 1:6 ratio, so it's a perfect combination! Another reason is that the daily chart is quite useless for intraday analysis (it's not really the truth, of course: the 1D chart can give us great info of possible movements in intraday, a lot of great strategies are based on daily patterns, but it's not our case) and the hourly chart is too much closer to the 30min.

For newbies this maybe a strange concept to accept, but every experienced trader well know that when we use the 4h timeframe or higher (but in my opinion the 4h is the best!) we have probably one of the best "hidden" tool offered from forex market: the correlation between different pairs!

Cut all the noise of the smaller timeframes; eliminate all the volatility caused by scalpers, fast traders, spread moves, and so on… what you get?
Simple: you get the real, nude, trend.
And the trend can be correlated as seen in the chapter above. The noise usually is not.

So when we see a new trend start on EUR/USD 4hour, we can go to all the correlated pairs on the 30min charts (or less) and wait for Dynamic Sync signal, then jump in and collect money on every market!

Trading the 4 Hours strategy

Let's start to review the workspace.
For simplicity we will see how to set the workspace for 2 correlated pairs with 2 time frames each, in one monitor. We suppose to have available one normal square monitor 19".

At the time of writing we have a strong correlation between EUR/USD and AUD/USD, so in the picture below you will see a workspace in Metatrader with four charts:

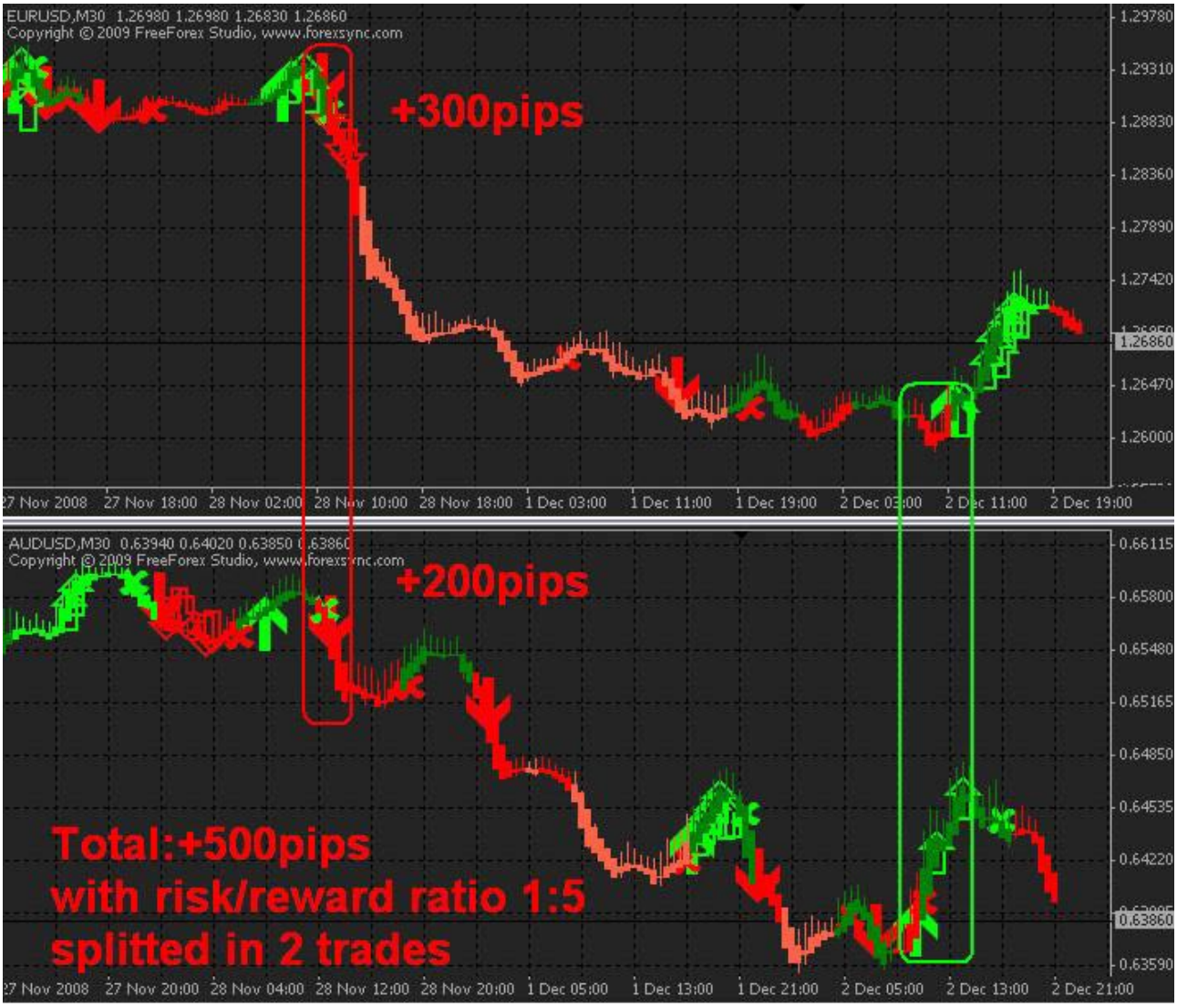
1. **Left Side: EUR/USD 4h above, AUD/USD 4h below**
2. **Right Side: EUR/USD 30min above, AUD/USD 4h below**

To place the charts this way quickly, open them normally and then go to the menu bar at the top: **Window -> Tile Horizontally**.

About the templates, open on the 30min charts the dynamic Sync Trading System template, remove Sync_Panel indicator to save space.
On the 4h charts, load the "Dynamic Sync [simple]" template and remove the entry/exit indicator.

The first thing we see is that the two charts of EUR/USD show a very similar moving with the correspondent one of the same timeframe of AUD/USD. Nice: correlation works!

Take a closer look at the 30 min charts first.
The two graphs show both a big downtrend, started at the same moment, which follows about the same route and ends at the same moment again.
All the trades indicated in both the charts gives from 10 to 200 pips of profit each with an appropriate stop loss strategy.
Traded with the normal 30min strategy, each pair may give us reasonably 150-200 pips of gain for this movement, in about 4-5 trades.



Looking more better, we notice that even if many signals are given quite “random” and don’t depends each other between the two pair, the two signals at the beginning and at the end of the big short move are given at the same time, and once appeared the price action for both the pairs became strongly correlated.

If we had only traded these two signals for both the pairs, we would be able to catch the entire big trend with just one big trade, with a risk/reward ratio very tight shared over two trades contemporaneously, with a total gain of about 500 pips.

Incredibly, doing that is more “easy” than what you think. Let’s see how.

The 4 hours Trendline Breakout's Sync Strategy

If we want to understand how this correlation of signals and price action can work for us, we need to understand the trend first. We need to learn how and where a new trend born, his life, and how and where he goes to die, and a new one born.

To do that, we leave the noise of the 30 min chart and we go to the 4 hour. There is no noise here: all the movements are absolutely technical and pre-calculated. That may seem a sort of conspiracy, but it's not. At least, not all… It's just the natural evolving of precise market rules.

This doesn't means absolutely that you can predict the market, or "crack the forex code!", how many self-claiming gurus like to proclaim. This only means that when a movement is already in action, some exact peculiarities of trading generate forces which let us understand how the market is going to evolve in the future.

This only happens in particular situations. You can't demand to ping-pong the market every pips.
The good news is that these patterns comes almost every day, so every day you have the possibility to make thousands of pips. Consequently, don't be in hurry to trade! Trade only when you're sure of what you're doing.
We will see how to recognize these patterns which let a trend start and end, and how to spot these correlated movements.

We will work over the 4hours timeframe with a technique called as "4h Trendline breakout".
It consist essentially in drawing trendlines, retracements, pivots, etc… using the 4 hour chart, which as written above is the main chart to see the real trend.
With these trendlines we will try to identify important patterns like triangles, channels, and all other shapes of technical analysis (see pp. 22-24), in order to trade the trends which start at the breakout. Once started, we will follow this trend always with trendlines and retracements and target prices.

Ok, this is the normal technical trading strategy, nothing new. I assume that you're already basically able to trade according to a drawn trend line, to recognize a breakout and a congestion, to tell a pullback from a trend reverse, and so on.
Again, you don't need to be a guru, just need to be at ease with all that.

The surprise is that we will study the 4hour's trendlines not just for one pair, but instead we're going to do our analysis over 2 or more pairs at the same time, looking for correlated breakouts!
When a turning point, a breakout level, a key support or what else is found over the 4 hour chart, we go down to the 30 min chart and when correlated signals appear after the new trend start, we split the trade on all the correlated pairs on the same direction and we ride the movement until that a correlated trend reversal signal appear.

You will be surprised of how many noise and false signals disappear looking only for big correlated moves, and how effective is this technique to reduce risk ratio splitting the trade.
You will see how many tons of pips the market can potentially bring us every single day.

How to draw trendlines over the 4 hours chart

Don't be lazy! Draw a Trendline is easy & fast! Draw a Trendline before trade!

Trend lines are universally used by almost all traders. They are a common place for all traders to begin their technical analysis. The problem is that a trader becomes too subjective in their trend line drawing. Many traders will draw on separate occasions two totally different trend lines based on the identical information, depending on his inclination each time, thus consistency and uniformity are totally lacking. Not all trend lines are correct, in the end only one is.

Anyway, once learned and applied, trend line analysis is no longer subjective, it becomes completely mechanical. Trend line breakouts are precisely defined and price projections can easily be calculated.

The first major error traders posses when creating trend lines is working from past to present, in other words working from left to right on the chart in their construction of the trend line. This is incorrect, for this reason alone: recent price activity is more significant than historical price activity.

After all, the forex market is the most dynamic market in the world, meaning it is changing all the time. This approach will seem unorthodox to most trader at first, but in actuality, this is the number one mistake that traders make when creating trend lines.

We are accustomed from children to read everything from left to right, correct? When drawing trend lines we must learn to read like the Japanese do, from right to left. Success in creating trend lines requires both an attention to detail and a pattern of consistency. Imprecision and disregard for detail are the common practice in creating trend lines, which will result in the construction of multiple trend lines forcing the trader to hope one of the trend lines will correctly define the trend.

The first step to trend line construction, and most important, is the selection of the two points to create the trend line with. As I stated above, when pursuing to construct a trend line we must read like the Japanese, from right to left. All trend line analysis will be done on the four hour chart compression.

By process of elimination of all chart compressions, I have concluded that only the four hour compression is needed. The four hour compression generates less trend line breaks and more accurate price projections than any other time compression. All analysis shown of trend lines will be conducted of the four hour compression.

In order to create a trend line, it is necessary to locate the two points to create the trend line. In this example we will be talking about a demand trend line (uptrend). An uptrend is created when demand exceeds supply; this is where the name demand line is derived from.

When choosing the points to create a demand line we are focusing on points of support. True points of support are only those which low has two candles to the left of it and two candles to the right of it which lows do not exceed the low you are using.

See the examples below for reference of true support points.

In the chart above, I have marked the two points that will be used to create the demand line, remember only two points are used to create our trend lines.

Notice how I refer to the most recent point of support on the chart as the 1st point, remember we trade the most dynamic market in the world, right to left is the key.

To find the second point of the demand line we look for the very next point of support that has two candles to the left and two to the right that do not exceed the low of the support point.

Once we have created of trend line, our next step is to use this trend line to create a downside price projection once the market opens a candle on the four hour chart below the demand line. Note I only say once the market opens a candle, mentioned nothing about close because only the open of a candle is necessary to create the price projection.

The price projection is created this way; you take the highest high created above the demand line and mark it with a vertical line. As pictured in the example below:

Next you need to take a horizontal line and mark the point where the vertical line coming from the highest high recorded above the trend line intersect with the trend line. What seems complicated at first will be much easier observed and understood in the example below.

Note the two values listed on the chart. In the next step we take the difference between the highest high recorded above the demand line and the point where the demand line is intersected by the vertical line.

(Highest High 1.9146) – (Point of intersection 1.8960) = 0.0186

We get a difference of 186 pips. This number becomes our price projection. The final step in the process is the point of application of the price projection. The price projection will be 186 pips to the downside once a four hour candle has opened below the demand line. It is key to become accustomed to this technique because price usually reacts quickly to the downside once a candle has opened beneath the demand line. Valuable pips will be lost if the trader does not react quickly in many cases.

The price projection is made at the open of the first candle to open below the demand line. For visual reasons above the candle has closed also, but the price projection should be projected immediately following the open of the candle. Remember, we don't need the candle to open and close below the demand line in order to make our price projection, only the open is needed. Above in the example, we have an open value of the first candle below the demand line at 1.9010. From this value we will subtract the 186 pip difference we got from step 2.

(Open below demand line 1.9010) - (Difference from Step #2 0.0186) = 1.8824

1.8824 becomes our price projection to the downside from the open of 1.9010. This is a 186 pip potential trade.

Notice the price projection marked at the bottom of the page. The line was place 186 pips below the open of the first candle below the demand line. Let's see the trade just one candle after entry.

Note the rapid decline in the value of the currency once it breaks the demand line. Let's see if it reaches the full price projection. Notice how price fulfilled the 186 pip price projection. What may seem at first to be a complicated task, once reviewed and practiced by traders becomes a very easy and profitable way to trade.

Trend line projections give the trader the best overall view of where the market will be going.

In the above examples we have discussed demand lines and the downside price projections once the demand line is broken. In the next section we will discuss supply lines and the upside projections that are created from supply line breaks.

The same technique is used in both instances except you are using know a supply line instead of a demand line and you will be projecting an upside breakout instead of a downside breakout.

In order to create a supply line, it is necessary to locate the two points that create the supply line. Remember that a supply line is the same thing as a down trend line. A supply is created when supply exceeds demand; this is where the name supply line is derived from.

When choosing the points to create a supply line we are focusing on points of resistance.

True points of resistance are only those which high has two candles to the left of it and two candles to the right of it which highs do not exceed the high you are using as your point of resistance.

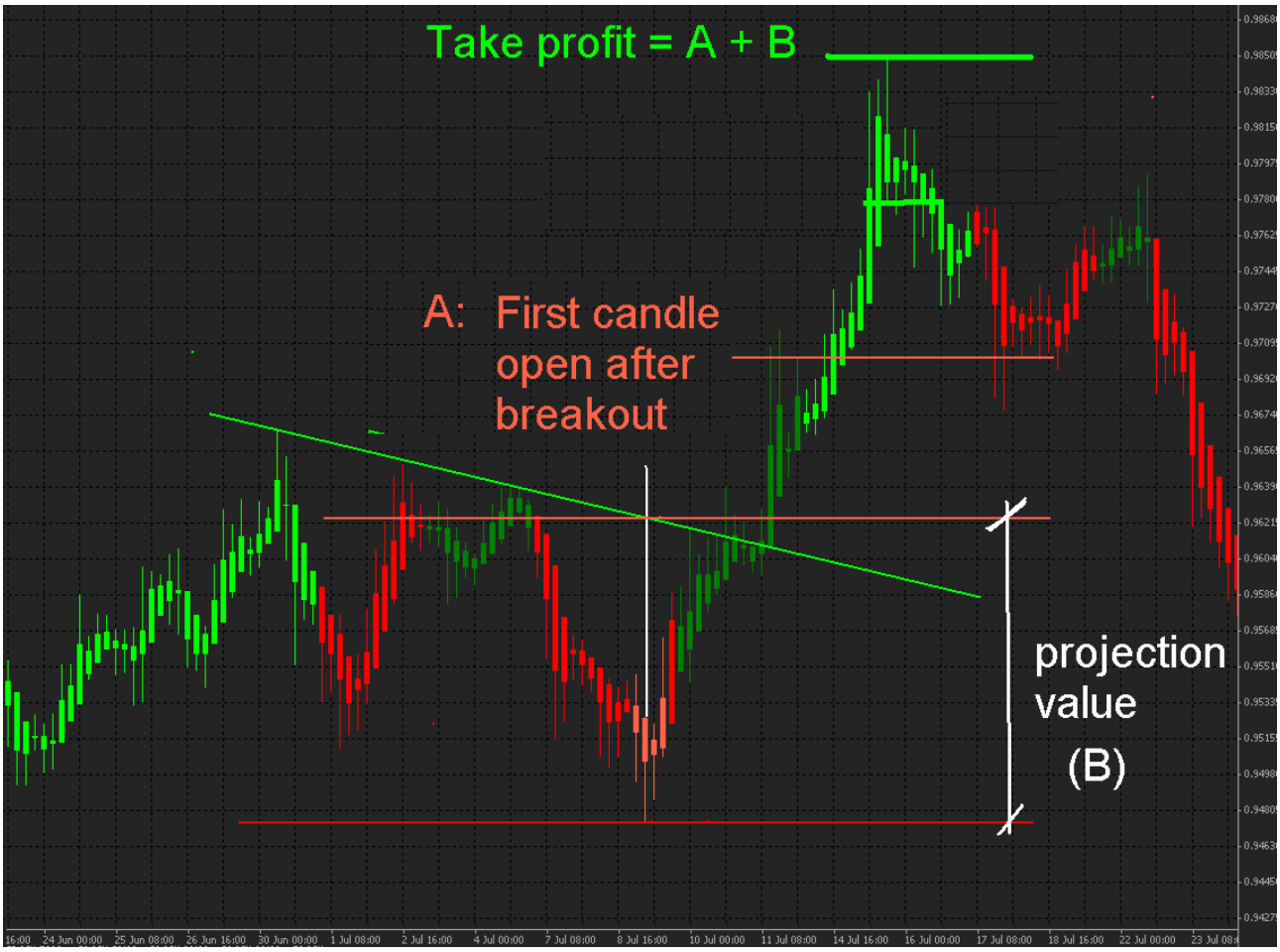
Notice how both points of resistance have two candles to the left and two candles to the right that do not exceed the high of the resistance point being used. Next we connect these two points of true resistance to create our supply line.

Once we have created the supply line we want to draw a vertical line through the candle that has the lowest recorded low below the supply line. From this line we want to record the value where the vertical line intersects the supply line and also the value of the lowest recorded low beneath the supply line.

By calculating the difference of these two values we arrive at the price projection pip value. In this example we want to perform the following equation:

Trend line low intersection 141.75 - Lowest beneath supply line 139.72 = 203 pips

We are now waiting for the first candle to open above the supply line so we can add 203 pips to that to arrive at our exact price projection.

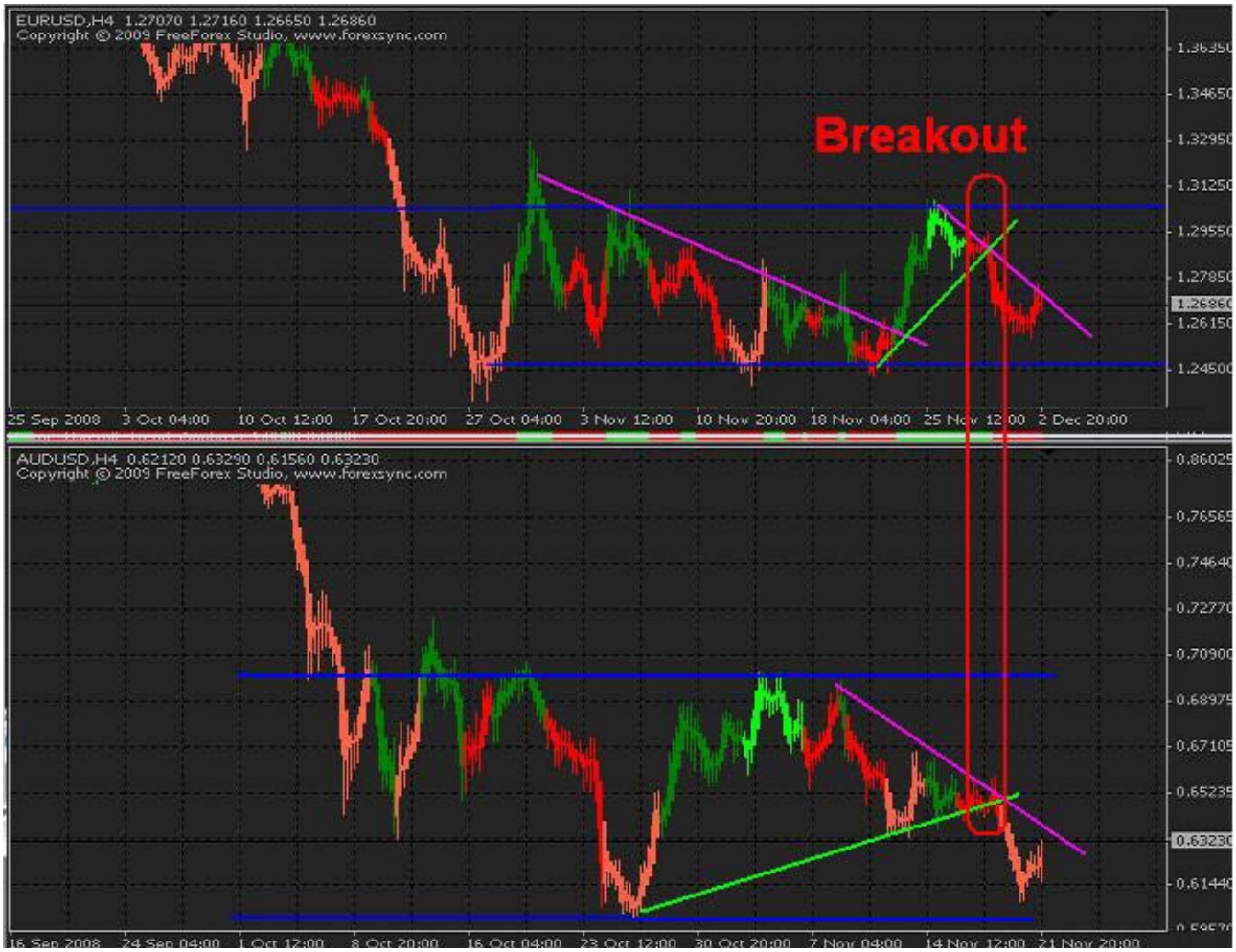


The first candle has opened above the supply line so it is possible to calculate the price projection by adding 203 pips to the open price.

Price projection of 203 pips targeted. This concludes the section on supply and demand line breaks and price projections.

Breakouts Correlation

In this chapter we introduce the concept of the breakout sync between correlated pairs, and we will see how to take advantage from them for our trading.
To do this, we start back to our workspace with EUR/USD and AUD/USD.
We've already considered how on the two 30min charts Sync Trading System signals are correlated at the beginning and at the end of the main trend.
Now let's move our attention to the 4 hours charts.



Here we notice immediately that while on the 30 min charts seems to look at the same graph because of a strong correlation between these two pairs on the very short view, the situation over the mid-term is a bit more complicated.
Both the pairs come from a strong downtrend on September until the first week of October, and then enter on a channel compression where, inside, the correlation gone lost at first sight.

Let's start out simple analysis drawing the channel in blue, and then focus the attention on the point where the downtrend is started on the 30 min chart.
What we found with just drawing a pair of trendlines over the last triangular compression inside the channels is that for both the cases the 30min movement is the direct consequence of the breakout of the support line in the current movement.

The two patterns are different, but the most important factor is timing: the breakouts are happened and evolved in sync.

Why happen that?
Well, a lot of answers can be found for a huge question as this. But do you really need to know that? Do you really need to know why every price action follows a given trendline, or why Fibonacci retracements are so effective, and so on?
If yes, probably you've forgotten the main principle of technical analysis, which says that the goal of a technical analysis is to study historical data or past behavior of the market, without cares about causes of them.
The only thing we really need to know is that different, correlated markets move and choose tuning points in sync.

An empirical answer is that if there's not a clear direction in the market and no heavy news are scheduled over the short term, and if both the correlated pairs arrive at a turning point after congestion in sync, then the less volatile pair will follow the breakout and the new trend of the most traded pair.

Not necessary both the pairs have to reach the turning point at the same time: more often, the movement of one pair anticipates the same movement of the second pair.
In this case, we use to call the main pair "the lighthouse" for the second pair.
We may use this additional information to consider the possible direction of the second breakout.

Let's see an example below always on the same charts:

Swing Trading on 4hour charts Strategy check-list

To-Do List:

1. Go to:
   www.mataf.net at mataf.net/en/tools/correlation-table
   or to:
   www.oanda.com at fxtradeinfocenter.oanda.com/charts_data/fxcorrelations.shtml
   and choose a portfolio of 2-10 strong correlated pairs on the short-middle period.
   The number of pairs to be traded is up to you and your ability to follow many pairs together. Practice with 2 pairs. 6 pairs is a good choice for an experienced trader.

2. Take a briefing over the 4 Hours chart for all the pairs with the techniques explained above, in order to find possible turning points correlated for all the pairs.

3. Follow the situation with the main Dynamic Sync Trading System 30 min strategy over the 30 min charts for each pair.

4. When you get clear correlated signals in at least 70% of the charts traded (for instance, if you trade 6 pairs you need to have a clear situation at least on 4 of them in order to consider trade the correlation), enter in the direction of the signal in all the pairs.
   To spot a better entry, you can move to the 5min chart (timing chart as explained)

Stop Loss

According to the main 30min strategy.

Take Profits

According to the main 30min strategy and the take-profit analysis over the 4hour chart. Fibonacci retracements may be useful too.

Money management

Don't over-trade your account: split your normal contract size between all the trades, so that in the end you're risking the same amount that you usually risk when you open a single trade.

A small tip for better entry

Since is quite difficult to follow all the pairs at the same time, and often there's no time to spend 5 minutes each chart to catch the better pip to enter, I've found a small trick to do that.

It's easy: open another MT4 terminal, or even another trading terminal you prefer, and open a set of trades all on the same direction, one trade for each pair traded.
The direction itself is not important. Open them on a demo account!!!

These are not real trades: we use them just to see how the total gain (or loss) from all them evolves: if it's increasing, then makes a sort of "pullback" and start to rise again, it's the moment to buy! We will trade it as a normal oscillator! Try it!

I make an example: if we have a gain series of 1000, then 1200, 1400, 1600, 1650, and here go down to 1600, 1550, 1500, just to start rising again to 1550, 1580, and so on… it maybe the right moment for the real BUY!

Conclusions

Dear Trader,

We're arrived at the end of this user manual.

I've tried to review all the same techniques I use every day for my real trading, and I hope these can work for you as well.

About Dynamic Sync trading system, here at Freeforex Studio we've really spent a lot of time to prepare all the indicators and to put all them together so they can work in sync and give reliable signals.

But the greatest work we've made was about the trading strategy. I strongly believe that there are so many techniques to trade, so different, more or less profitable, that in the end a good trader can be profitable with almost every tool or even without any tool at all.

I think that the real Holy Grail in forex trading, the only one that really makes the difference between a looser and a winner, is the trading plan.

This must comprehend a clear and solid money management plan, a stop loss and take profit strategy, an intraday working plan, and so on must regulate every aspect that stays around the trade itself.

Because of this, I've prolonged the description of my different trading strategies so you can have the entire picture of how to work with Dynamic Sync system, and hold control over it, instead of just follow it.

Remember that trading is a hard work, but you can learn how to work.

You will find that it was worth it, spending time to learn a solid trading system!

To our successful trading!

Livio

FreeForex Studio

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RISK OF FOREX TRADING

Trading in foreign exchange is speculative and may involve the loss of principal; therefore, assets placed under management should be risk capital funds that if lost will not significantly affect one's personal financial well being. This is not a solicitation to invest and you should carefully consider your financial situation as to the suitability to your situation prior to making any investment or entering into any transaction.

PAST PERFORMANCE

Past performance is not indicative of future results, as returns may vary according to market conditions.

The trading systems herein described have been developed for sophisticated traders who fully understand the nature and the scope of the risks that are associated with forex trading. Should you decide to trade any or all of these systems' signals, it is your decision.

No representation is being made that following a system's suggested signals will necessarily lead to profit. Investors may incur into a series of consecutive losses and substantial equity-draw-downs that can deplete their assets before the occurrence of any meaningful profit accumulation.

Please take note that all the figures shown herein (unless otherwise noted) represent a computer back-test of trading systems-logic and NOT an actual trading record.

HYPOTHETICAL PERFORMANCE

Hypothetical performance results have many inherent limitations. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particularly trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk. Variables such as the ability to adhere to a particular trading program in spite of trading losses as well as maintaining adequate liquidity are material points which can adversely affect actual real trading results. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to markets in general or to the implementation of any specific trading program that cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.