

BASIC STRATEGIES - WHERE THE EDUCATION FOR ALL BEGINNER TRADERS STARTS.

Basic strategies use simple chart pattern recognition rules and one or two basic indicators. By learning to recognize and trade simple patterns, novice Forex traders will be able to make a much smoother transition to more advanced trading systems and methods.

We start from the very basic Forex trading strategies that will help beginner traders to identify entry and exit points and foresee market turns; and we will gradually advance to more advanced Forex trading systems.

Before we start: two words about Stop Loss orders – they should be set either in fixed amount of pips (you may try to use 20-30 pips with those simple Forex systems) or, if chart permits, slightly over the last highest/lowest price swing point.

Attention all traders: trading strategies are posted for their educational purpose only. Trading rules may be subject to interpretation. Planned risk levels may be increased dramatically under extreme market conditions. Use the ideas and/or modify them to suit your trading style, but only at your own risk. We recommend testing your trading system on demo account before investing real money.

Basic Forex Strategies:

- [Forex trading strategy #1 \(Fast moving averages crossover\)](#)
- [Forex trading strategy #2 \(Slow moving averages crossover\)](#)
- [Forex trading strategy #3 \(Stochastic High-Low\)](#)
- [Forex trading strategy #4 \(RSI High-Low\)](#)
- [Forex trading strategy #5 \(Stochastic lines crossover\)](#)
- [Forex trading strategy #6 \(Double Stochastic\)](#)
- [Forex trading strategy #7 \(Simple MACD crossover\)](#)
- [Forex trading strategy #8 \(EMA breakthrough\)](#)
- [Forex trading strategy #9 \(Trend line tunnel\)](#)
- [Forex trading strategy #10 \(H4 Bollinger Band Strategy\)](#)
- [Forex trading strategy #11 \(GBP/USD breakouts\)](#)
- [Forex trading strategy #12 \(3 white soldiers / 3 black crows\)](#)
- [Forex trading strategy #13 \(The Fractal Guru Strategy\)](#)
- [Forex trading strategy #14 \(ADX Power\)](#)
- [Forex trading strategy #15 \(Trend line simple trading\)](#)
- [Forex trading strategy #16 \(Picking tops and bottoms on Bollinger Bands\)](#)

Forex trading strategy #1 (Fast moving averages crossover)

Trading systems based on fast moving averages are quite easy to follow. Let's take a look at this simple system.

Currency pairs: ANY

Time frame chart: 1 hour or 15 minute chart.

Indicators: 10 EMA, 25 EMA, 50 EMA.

Entry rules: When 10 EMA goes through 25 EMA and continues through 50 EMA, BUY/SELL in the direction of 10 EMA once it clearly makes it through 50 EMA. (Just wait for the current price bar to close on the opposite site of 50 EMA. This waiting helps to avoid false signals).

Exit rules: option1: exit when 10 EMA crosses 25 EMA again.

option2: exit when 10 EMA returns and touches 50 EMA (again it is suggested to wait until the current price bar after so called "touch" has been closed on the opposite side of 50 EMA).



Advantages: it is easy to use, and it gives very good results when the market is trending, during big price break-outs and big price moves.

Disadvantages: Fast moving average indicator is a follow-up indicator or it is also called a lagging indicator, which means it does not predict future market directions, but rather reflects current situation on the market. This characteristic makes it vulnerable: firstly, because it can change its signals any time, secondly – because need to watch it all the time; and finally, when market trades sideways (no trend) with very little fluctuation in price it can give many false signals, so it is not suggested to use it during such periods.

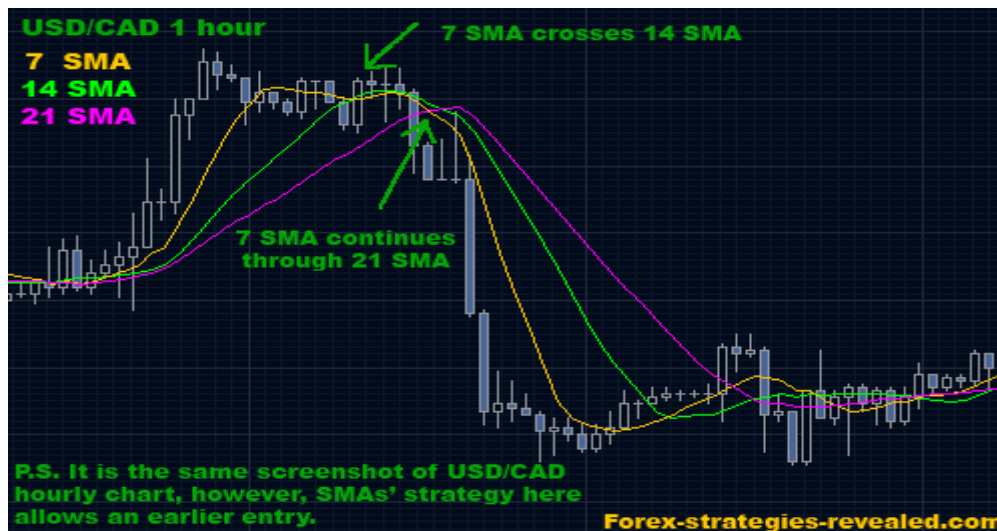
Forex trading strategy #2 (Slow moving averages crossover)

Use time frame and currency which respond the best (1 hour, 1 day... or any other).

Indicators: (multiple of 7) 7 SMA, 14 SMA, 21 SMA.

Entry rules: When 7 SMA goes through 14 and continues through 21, BUY/SELL in the direction of 7 SMA once price gets through 21 SMA.

Exit rules: exit when 7 SMA goes back and touches 21 SMA.



Advantages: again it is an easy set up and does not require any calculations or other studies. Can produce very good results during strong market moves, the system also can be easily programmed and traded automatically.

Disadvantages: System requires periodical monitoring according to a chosen time frame. SMA indicator signal can be confirmed after the current price bar has been fully formed and closed. In other words, when SMA stops changing and the signal is fixed, traders may rely on such information to open a trade.

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Forex trading strategy #3 (Stochastic High-Low)

Forex systems which adopt a Stochastic indicator for monitoring the price provide some very good tips about the situation on the market for traders that are willing to see it.

Currency pair: Any.

Time frame: Any.

Indicator: Full Stochastic (14, 3, 3)

Entry rules: When Stochastic has crossed below 20, reached 10, and then crossed back up through 20 – set BUY order.

Entry rules: Sell when Stochastic has crossed above 80, reached 90, and then crossed back down through 80.

Exit rules: close trade when Stochastic lines rich the opposite side (80 for Buy order, 20 for Sell order).



Advantages: gives quite accurate entry/exit signals in well trending market.

Disadvantages: needs periodical monitoring. Stochastic is suggested to be used along with other indicators to eliminated entering on false signals.

Forex trading strategy #4 (RSI High-Low)

Although no trading system can solely rely on RSI indicator, using it in combination with other tools and proper technical analysis can bring a new edge to your Forex trading.

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Setup:

Currency pair: Any.

Time frame: Any.

Indicator: RSI (14) with levels at 70 and 30.

Entry rules: Buy when RSI has crossed below 30, formed a bottom, and then crossed back up through 30.

Entry rules: Sell when RSI has crossed above 70, formed a peak, and then crossed back down through 70.

Exit rules: not set.



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Advantages: RSI is a very good indicator to refer for confirmation for any entry in any simple or complex trading system. For current trading method it advises well on entries, but opportunities occur not that often.

Disadvantages: monitoring is needed, still false signals take place. Strategy is suggested to be used in combination with other ones.

Forex trading strategy #5 (Stochastic lines crossover)

Here is a very basic overview of a role of a Stochastic indicator in the Forex trading. Knowing exactly what to expect from Stochastic, if you ever plan to add it to your own system, will affect trading results dramatically. For this trading method:

Currency pair: Any.

Time frame: Any.

Indicator: Stochastic (14, 3, 3)

Entry rules: Buy when the faster moving Stochastic line crosses above and up over slower moving stochastic line.

Exit rules: Sell when the opposite situation (next crossover) occurs and right after that open an opposite position. It is again recommended, once the first touch of Stochastic lines (possible future crossover) has been spotted, to wait until the following price bar on the chart has closed and only then take actions.



Advantages: can give entry and exit rules, easy to use.

Disadvantages: Stochastic is a lagging indicator – with this lines crossover system it can create a lot of false signals. Traders may want to change Stochastic regular settings for each particular currency pair to eliminate as many false signals as possible. Stochastic crossover system is good when used in combination with other indicators.

Forex trading strategy #6 (Double Stochastic)

By doubling on Stochastic analysis we are doubling on trading accuracy... However, one should remember that with each new Forex tool added complexity can appear; and a very complex approach is not always good.

Strategy Requirements:

Currency pairs: ANY

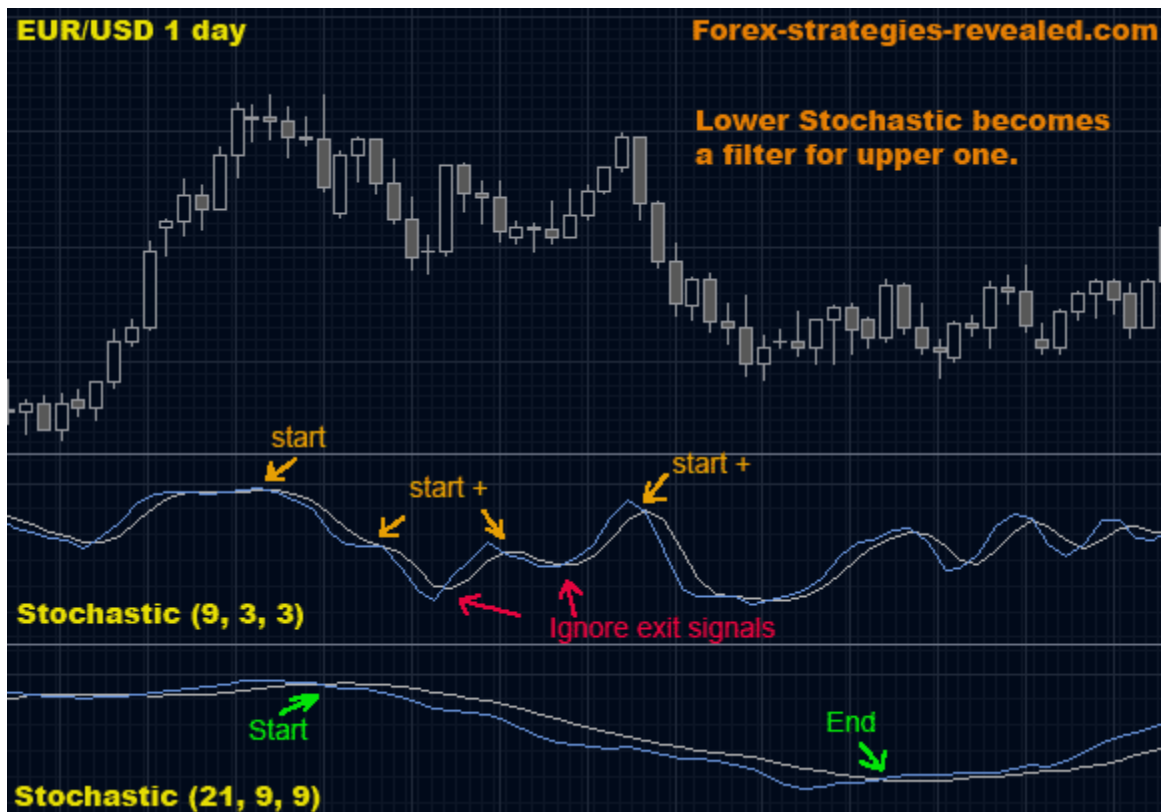
Time frame chart: 1 hour, 1 day

Indicators: Full Stochastic (21, 9, 9) and Full Stochastic (9, 3, 3).

Entry rules: When the Stochastic (21, 9, 9) lines' crossover appears – enter (or wait for the current price bar to close and then enter). It will be the major trend.

Look at Stochastic (9, 3, 3) to anticipate swings inside the main trend and re-enter+ the market again – additional entries. Also ignore the short-term moves Stochastic (9, 3, 3) that signal for exit – do not exit early until Stochastic (21, 9, 9) gives a clear signal to do so.

Exit rules: at the next cross of major Stochastic (21, 9, 9) lines.



Advantages: using two Stochastic indicators helps to see the major trend and the swings inside it. This gives more accurate entry rules and gives a good exit rules.

Disadvantages: needs constant monitoring, and again we are dealing with a lagging indicator.

Forex trading strategy #7 (Simple MACD crossover)

Trading with MACD indicator is widely used by Forex traders.

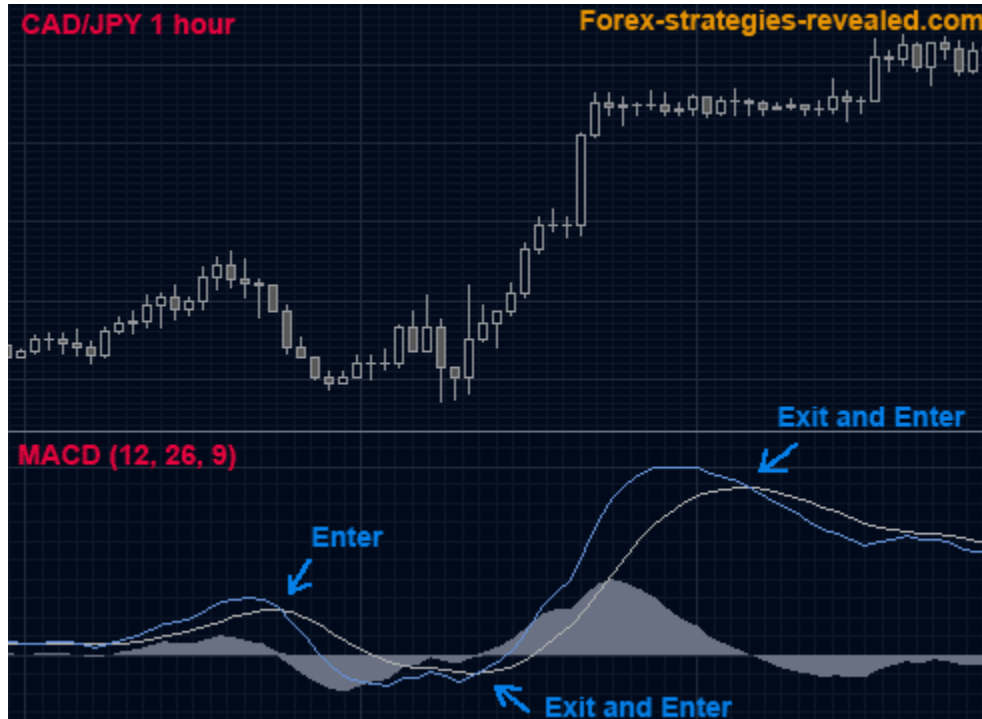
Let's take a glance at the very basis of currencies trading with MACD indicator.

We will need only MACD indicator with standard settings: 12, 26, 9.

Any time frame as well as any currency pair can be used.

Entry rules: When the MACD lines' crossover appears – enter (or wait for the price bar to close and then enter).

Exit rules: when MACD lines next crossover occurs.



Advantages: very simple approach and can give good profitable entries. Traders may want to change MACD default settings depending on the currency and chosen time frame. For example, traders may test next MACD set ups: USD/CHF MACD (04, 07, 16), EUR/USD MACD (02, 03, 20), GBP/USD MACD (02, 03, 04) for different time frames.

Disadvantages: you will need to sit and monitor it again and again. MACD has little use in sideways trading market. It is also never used alone, but rather in combination with other indicators.

Forex trading strategy #8 (EMA breakthrough)

Sooner or later all Forex traders begin experimenting with different EMA settings. Quite often very interesting combination can be spotted. Here is one Simple Forex system based on 50 EMA indicator.

Any currency pair.
 Time frame: 90 minute or 3 hour chart
 Indicator: 50 EMA.

Entry: watch for a candle to pierce 50 EMA and finally close above (to enter Long) or below (to go Short). Enter with the second candle after it makes 5 pips higher than the previous one.
 Exit: not set.
 Stop loss order: 15 pips below 50 EMA.



Forex trading strategy #9 (Trend line tunnel)

Creating a support/resistance tunnel on the price congestion and trading on the break of this tunnel is a milestone of Forex trading discoveries.

This trading system/approach needs no indicators and can be applied to any currency and traded in any time frame where coiling in a tight range is spotted.

Entry rules: Find consolidation on the chart and draw two horizontal trend lines – support and resistance. Once the price breaks trough one of the trend lines and a current price bar closes outside the tunnel – buy/sell in the direction of the breakout. (If price pierces the trend line, but did not close outside the tunnel, cancel the previous trend line and draw another one according to the new conditions).

Note: also very often happens that once the price makes it through support or resistance it rocks down/up very quickly and so, more aggressive entry can also be adopted – without waiting for the current price bar to close.

Exit rules: not set, however, it is believed, that the price after breaking the tunnel will travel the distance equal to the width of that tunnel.



Advantages: very simple and extremely effective. It can provide 100% profitable entries if short profits are taken - usually with the close of the first candle right after the entry.

Disadvantages: very accurate and well thought entry point should be picked. Orders placed very close to the tunnel can be triggered by sudden whipsaw early before real breakthrough occur.

Forex trading strategy #10 (H4 Bollinger Band Strategy)

H4 Bollinger Band Strategy

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Tools : Bollinger Bands(20)
 TimeFrame : H4
 Currency : ALL

This strategy is extremely simple and I use it to detect opportunities and it is very good.

If you open an H4 EUR/JPY chart and you insert the Bollinger Bands(20) indicator, if you observe the chart you will see that the bands are simply a Resistance and Support. The Upper band is a Resistance and the Lower Band is a Support. If you pay attention to the chart you will see that most of time the price hit the upper band then it retraces back to Lower Band, so how I trade is very easy, I wait till the price touches let's say the upper band and closes under it (not above it) and wait till the candle is formed, when it finishes and the next candle opens under the previous Upper band then I enter a Short trade with target = 100 pips or until it touches the Lower Band.

Same thing when it touches the Lower band and the candle closes above it, and the next candle opens above the previous Lower Band then I go Long with Target = Upper band or 100 pips. You can develop this strategy as I did, and you can profit a lot, I made more than 800 pips this month.

You can check my website for any further help <http://rpchost.com> . If you think in this technique and observe the chart I am sure you will develop this strategy quickly and make 99% winning trades.

H4 Bollinger Band Strategy (Part II)

Tools : Bollinger Band(20)
TimeFrame : H4
Currency : ANY

This strategy is a continuation of the previous strategy I submitted before (Forex trading strategy #22).

This strategy is very simple, and you can find more details at Rpchost.com forex forum.

First open a currency (per example EUR/USD) and H4 timeframe, issue suitable breaklines from the bollinger band (visual examples are at rpchost.com forex forum), now wait till a candle breaks the breakLine. This break is not a trade signal we must have an extra confirmation, here come the role of the bollinger band.

look at the bollinger band upper and lower, if they are both opened which means upper band is UP and lower band is DOWN, then it is a confirmation of a trade.

Profile : <http://www.rpchost.com/profile.aspx>
free forex signal : <http://www.rpchost.com/freeforexsignal.aspx>
Economic Calendar : <http://www.rpchost.com/economic-calendar.aspx>
forex forum : <http://rpchost.goboards.com/>

Forex trading strategy #11 (GBP/USD breakouts)

GBP/USD

when it is 1 hour to london open, draw lines on the highest high since midnite and lowest low since midnite, just trade the breakout and let ur stop loss be at the high of the candle that broke the low line for short trade and the low of the candle that broke the upper line for long trade

if u experience a breakout before New York Open, please target the first 30pips

if beyond New York Open before a break please target between 10 to 20 pips

Find other strategies by James at:
<http://forex-strategies-revealed.com/4-candles-strategy>

Forex trading strategy #12 (3 white soldiers / 3 black crows)

Very Simple system - simply look for 1 of 2 candle formations at or near the bollinger band (in this case the default 20)

You are looking for either 3 consecutive bullish candles for a buy, 3 consecutive bearish candles for a sell - that's it!!! - 3 white soldiers / 3 black crows formations



Things to note. On the larger moves, the price WILL retrace. Best thing to do in this situation is when you see this happen (typically 1 or 2 candles in the opposing direction) simply close the trade and re-enter when the price has returned to the point where the change started. as for exit strategy - a lot of the time you can count on approx 2 - 3 times the value of the retracement (e.g. if the price retraces 10 pips, then you are looking on the re-entered trade of a TP between 20 - 30 pips!

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You can use ANY 3 consecutive candles, however this works best when the price has just "bounced" off the Bollinger Bands.

Forex trading strategy #13 (The Fractal Guru Strategy)

Time Frame : 15mins and above

Indicators : Average Directional Movement Index - ADX (Settings : 14) and Fractals



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Background on Fractals and ADX?

ADX Indicator or Average Directional Movement Index gives you a reading of how strong the market is trending. We will use this to our favor and combine it with Fractal Indicator to pick a high probability trade. These indicators can be found by default in your indicators list on your Metatrader 4 platform. Fractals show peaks and dips. To explain it easier, a Up Arrow Fractal forms when there is a lower high on both sides of a candle. A Down Arrow Fractal forms when there are higher lows on both sides of the candle. Please note that fractals will only form when the candle closes with the given criteria of high lows or lower highs on both sides.

Understanding The Fractal Guru Strategy

When the ADX is trending by seeing the blue line rising steadily, we look for Fractals to jump in the trend. We do not take all Fractals, only the ones with tails pointing to the Fractal. Let me explain this in a bit more detail and as simple as possible with some examples. (I will also be posting a video tutorial with this to help understand this method.)

Long (Buy) Positions Using The Fractal Guru Strategy

- On the ADX, the dotted green should be above dotted red and the solid blue line should be steadily rising
- Look for a Candlestick with a tail pointing to a Down Arrow Fractal
- When you see this Down Arrow Fractal, enter Long.
- Place stops 5 pips below the low of the Fractal Candle.
- Exit using proper money management or upon the cross of the dotted green and red lines in the ADX.

Long Position Example 1 : http://www.urbanforex.com/images/forex_strategies/fractal_guru/fractal_g...

Long Position Example 2 : http://www.urbanforex.com/images/forex_strategies/fractal_guru/fractal_g...

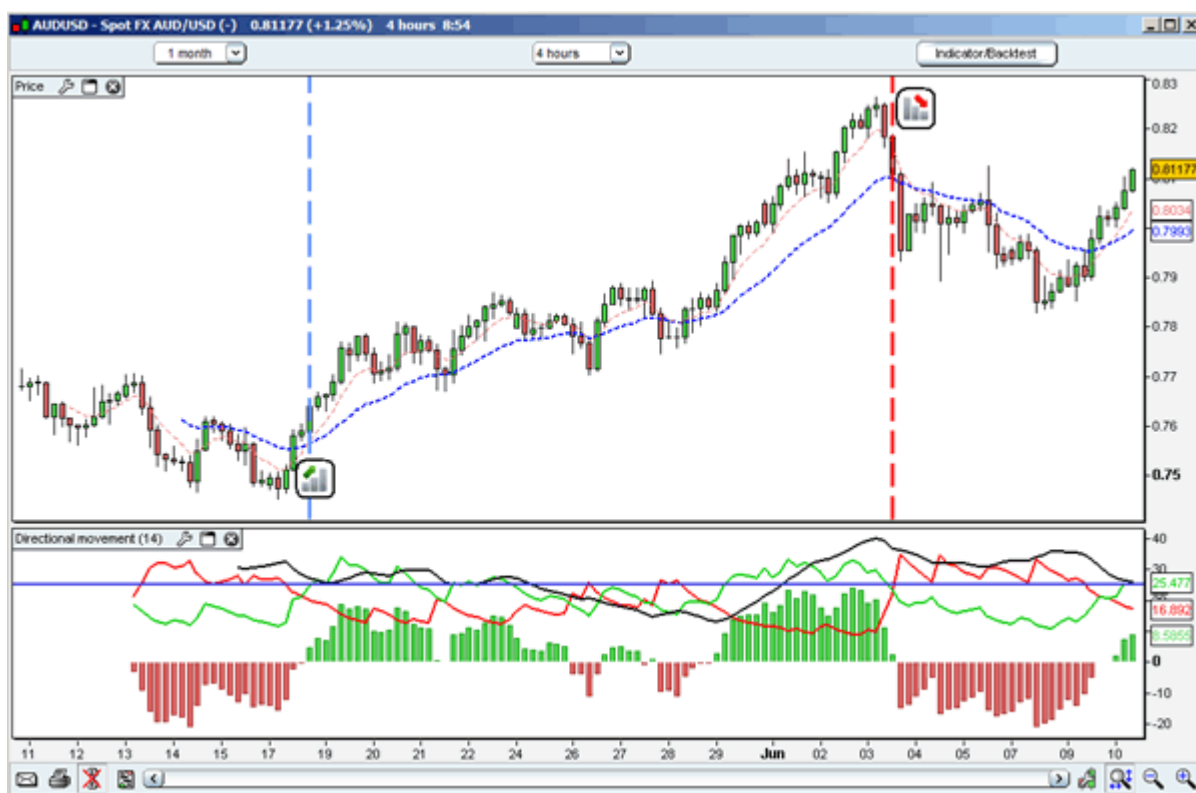
Short (Sell) Positions Using The Fractal Guru Strategy

- On the ADX, the dotted red line should be above dotted green line and the solid blue line should be steadily rising
- Look for a Candlestick with a tail pointing to a Up Arrow Fractal
- When you see this Up Arrow Fractal, enter Short.
- Place stops 5 pips above the high of the Fractal Candle.
- Exit using proper money management or upon the cross of the dotted green and red lines in the ADX.

Short Position Example : http://www.urbanforex.com/images/forex_strategies/fractal_guru/fractal_g...

Forex trading strategy #14 (ADX Power)

- Timeframe: I use it on 4 hours, feel free to use it on smaller timeframes as well
- Currency Pair: Any
- Indicators: EMA9 and EMA26 and DMI (Directional Movement Indicator with ADX)
- DMI Settings: Draw a horizontal line at 25 to watch for the crossovers of DI+ or DI-
- ADX Settings: Ignore signals where ADX is lower 20





GO LONG WHEN:

- EMA9 has crossed over EMA26
- DI+ \geq 25
- ADX \geq 20
- ADX is in between DI+ and DI-

EXIT LONG WHEN:

- EMA26 has crossed EMA9 AND
- DI- is higher than DI+

GO SHORT WHEN:

- EMA26 has crossed EMA9
- DI- \geq 25
- ADX \geq 20
- ADX is in between DI- and DI+

EXIT SHORT WHEN:

- EMA9 has crossed EMA26 AND
- DI+ is higher than DI-

WHAT TO IGNORE:

- While in Long Position: DI+ and DI- Cross-overs while the EMA9 is still on top of EMA26
- While in Short Position: DI+ and DI- Cross-overs while the EMA26 is still on top of EMA9
- While searching for Trading Opportunities: The EMAs has crossed over but the DI+ or DI- (depending on whether you're looking for Long or Short positions) are still under 25. Also, wait till the ADX has reached 20 before entering into Trade
- Price breaking the Lower EMA (EMA26 in case of Long Positions) line while the EMA9 is still on top of EMA26

I have been working on a very simple trend following system. It requires no indicators..... only a trend line. Some functions are going to be automated to address my weak points. I am in the process of getting someone to write it now.

Basic strategy:

Trendline placed and named (something simple BBB for buy SSS for sell) Necessary to identify what should be followed.

trade opened automatically in direction of trendline once price has moved 5 points above trend line in a BUY or 5 points below line if a SELL. This provides a degree of safety should the trend not go as planned.

Stop loss automatically set at 5 points below entry for a BUY, and 5 points above for a SELL. Again, a safety point.

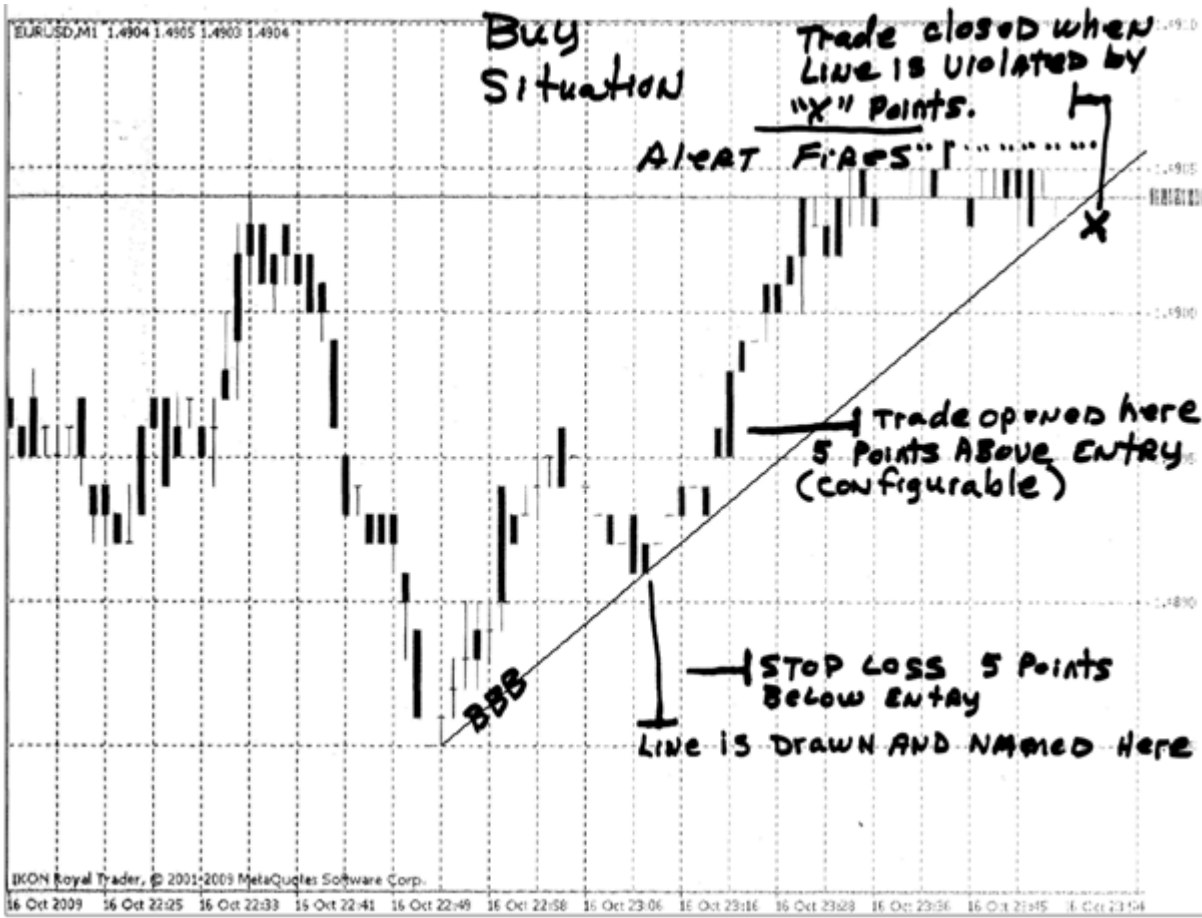
Trade will stay active until trendline is broken by X number of points (configurable) or if the stop loss is triggered.

Trailing stops not needed. It's already handled in the functions.

An audible alert when trade is closed.

Can be used for times you can stay and play or longer trends when you cannot.

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I have looked at about 1500 indicators and a lot of EA's and none were worth anything. All lagging or don't work right. Play with that stuff if you like but I'm taking a simple, fast, accurate approach. I'm looking for a way to eventually automate the process with something that will automatically draw the trend lines but that is still being researched. If anyone knows of a good, stable one, please let me know.

Forex trading strategy #16 (Picking tops and bottoms on Bollinger Bands)

Picking tops and bottoms on Bollinger Bands

By using multiple time frames and candle stick formation we will uncover how to pick tops and bottoms while trading in the trend of the bigger time frame.

We begin by looking at the daily chart to ascertain what direction we looking to trade by using the common Bollinger Band indicators middle line. A pair trading above the 20SMA is in short term up trend. A pair trading below the 20SMA is in a short term down trend.

Once we find our direction we move to the smaller time, 4hour and 1hour, there we look for weakness in a uptrend (touch of bottom bands) and strength in a down trend (top of bands).

