

A trend following system for dollar pairs

Components

1. A market filter
2. Set up conditions
3. An entry signal
4. A worst case stop loss
5. Re entry when it's appropriate
6. Profit taking exits
7. Position sizing

1. Market Filter

Trend following system is developed for trending markets. Therefore it is a trend following system.

2. Set up conditions

Screening criteria for this trend following system is to categorize the currencies under bullish, bearish to neutral and combine the strong /bullish/ v the weak /bearish/ pairs that are trending preferably on higher time frames like daily.

COT specs net positioning will be used to determine the preliminary bias and fundamentals or macroeconomic conditions of each currency's country will be used as a confirmation.

3. An entry signal

Major support and resistance areas will be drawn on daily and weekly charts. RSI (14:30:70) MACD (12:26:9) and Fibonacci retracement areas will be plotted on daily chart. Entries will be done from 4h chart. To avoid early entries and also for further confirmation dollar index will be used in conjunction with CRB index and gold spot chart. Long and short signal validations are relative for both dollar index and dollar pairs that are in consideration.

Long entry signal is triggered when /validations/:

- Major support on weekly or daily is tested
- RSI14 is below neutral area 50 or 30 oversold territory
- MACD (12:26:9) bullish reading

Short entry signal is triggered when:

- Major resistance on weekly or daily is tested
- RSI14 is above neutral area 50 or 70 overbought territory
- MACD (12:26:9) bearish reading

CRB index and gold spot chart will be watched closely for any divergence and to exclude the possibility of false signals from dollar index.

Trades will be entered one by one basis. If trade was placed early there won't be any adding of positions. Early entry trades will be eliminated with tight stop losses.

Winning trades will be maximized by adding positions along the way. For this make sure the following candles are with lower open, close and highs for short and vice versa for long positions.

4. Worst case stop loss

Stop loss will be placed right above or below major resistance or support level. But for this entries have to be on time. If in case there's an early entry place tighter stop loss and re enter once the correction is done.

5. Re entry

Re entries are allowed if early entries stopped out. For re entry second round of brief assessment on selection criteria will be carried out to rule out possibility of change in bias or trend direction. Long and short entry signal validations will follow.

6. Profit taking exits

Profit taking exits are relative for dollar index and dollar pairs that are in consideration.

Profits will be taken when:

- Major support or resistance level is tested on weekly or daily
- RSI14 reaches overbought or oversold territories
- MACD (12:26:9) reading change /bullish to bearish for long positions and vice versa/

*CRB index and gold spot chart will be watched closely for any divergence.