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The markets are not a gathering of lines and arrows, it is a gathering of emotional people feeding of each other. Let's look at discovering the emotion of the markets.

BY AKUMA99

Using the Bollinger Squeeze to time your entry in today's markets is one thing, but how do you know the direction in those quiet times, let's have at how I use some indicators to help?

Background

Before I get into what I do to try to take advantage of the insight into market timing that the Bollinger Squeeze indicator can provide, first I thought it best to explain where this system came from in the first place.

When first trading the Forex markets, I did so with very little indicators, as, not coming from a mathematical, economical or trading background, the different coloured lines, histograms and arrows meant very little to me. I spent the first six months trading, what I learnt later was to be called, "naked", i.e. without indicators. During these first six months I was at times disheartened, discouraging and disillusioned as I had nothing to put the blame on, no indicator to tweak thinking it was it's fault, but in hindsight it was the best thing I could have done to get started on the right foot.

What this did, was made sure, that I added indicators to aid me in identifying the different components of the market that I was trying to interpret through price action alone, rather than add indicators for the sake of adding indicators. Each indicator in this system is there to help to quickly identify a market component in an easy, visually pleasing way. I make no apologies for the fact the charts that come with this system, are colourful and elaborate, they are this way to make it easy on the eye, and more inviting for the brain to process.

> "To view a chart as just a series of lines and colours is to not recognize what underlies all the marketplaces in the world ... "

The Market Is Alive

Anyone who has watched Big Brother, one, has little taste in television :), and two, will understand what it feels like to be on the outside looking in. The charts we look at every day

is essentially a small window into the large universe that is the economic market place.

To view a chart as just a series of lines and colours is to not recognize what underlies all the marketplaces in the world is one thing, *people*.

From shopping markets to economic markets, it is still the same thing, people exchanging one item they have for another item another person has. Without this, a marketplace does not exist.

Anyone who is in a relationship will understand that a person can be an emotional being; fear, anger, elation, depression, sadness, they are all what make us uniquely us. It is because of this that I view reading emotion to be a vital component of trading successfully. If you can get a sense of the emotion of the market, then you can devise an appropriate trading strategy to take advantage of that emotion.

There is no better time to ask my wife to watch a football game than when I can read that she is happy, predictable and calm. I take the same techniques I use to read my wife's mood into the marketplace, if my system is going to hold it's own, it needs to be able to tell me what the market mood is, what it's excitement level is, and what it is thinking.

> ## "The trend can be your friend ... if your friend is the trend ..."

So with this on board, there are three things I look at to determine the mood of the market; Trend, Acceleration and Volatility. Let's look at these one at a time.

Market Mood: Trending or Ranging

If you have trader for longer than five minutes, chances are you have heard the phrase *"The trend is your friend"*. If you have traded longer than 5 weeks, you are more than likely sick and tired of hearing that exact same phrase.

It is a phrase however that has a sound financial basis, and should be noted, however I think should be expanded slightly to; "The trend is your friend ... if your friend is the trend".

What I mean but that is the trend is only your friend, if the

trading system you employ is set-up to take advantage of these trends. A trend useless to you if your method is looking changes of emotion in the market. Some examples of this are breakout strategies, price exhaustion strategies and reversal trading.

A strong trend is like a strong current in the ocean, it is something that should not be swum against, as all you will do is tire yourself physically, emotionally and mentally, so that you will be to exhausted to take advantage of things when the current subsides, or changes.

If a current (trend) is weak however, you may be able to get a head start on the other swimmers, if the target (shore) is near. A calm ocean, with no current, i.e. a market with no trend, should be the easiest swimming conditions of them all, yet continually many flounder under those conditions as they try to swim with a current that is no longer there. These three trending conditions need to be identified, and the trading strategy adjusted accordingly.

I may have lost some with the whole ocean analogy but the point is, how the market is feeling needs to be identified. If the market is comfortable, happy and emotionless this is when you will see consistent trending conditions where straight trend lines and fibonacci levels are honoured.

If the market is moody, depressed or angry, this is where you will see ranging, whipsaw action that will leave traders still trying to trade a trend (swim with a current that isn't there) beating their heads against a wall wondering why their system is broken. It isn't broken of course, the market just isn't in the mood for a trending system. It is out of energy, frustrated and indecisive, best to just tread lightly and let the market rest.

Market Excitement: Acceleration

Most of the time, this would be the area that we talk about Momentum rather than Acceleration. Momentum is something that is mentioned in most trading systems. However the scientific definition of momentum is *"The mass of an object multiplied by it's velocity"*. For me this doesn't really fit in a trading context, especially in the currency market as the mass of the market, i.e how many traders are on board, can't really be measured due to the lack of accurate volume information.

Instead, I would suggest we are not looking at momentum at all, but rather **Acceleration**, which is defined as *"the rate of change of velocity of an object with respect to time"*. The object of course is price, and price can certainly be measure against time in the trading environment. The quicker price moves up or down, the great the acceleration of price, it is perhaps a small thing, but it can help to know what we are really looking at.

Acceleration is a sign of the excitement levels of the market. Think of a 5 year old, tell that 5 year old that over on the desk is a piece of broccoli, can they please go over and eat it. What do you think that child would do (after the tantrum)? Most likely walk slowly at best, there is no reason to rush as there is nothing exciting to be found.

Tell that same child that their is a bag of lollies however, and most likely they would be in a full sprint before you can finish the sentence, why? Because they are excited of course, is so the speed they travel to their destination is quicker.

An accelerating market is the same, it is buzzing with excitement, something is going to happen, or has happened that has excited the market so much that price is racing along at breakneck speed. If this happens out of a period of congestion, we may be seeing the start of a new trend, if we are at the end of a prolonged trend, we need to be wary this could be the last exhaustive run before the market collapses in a heap and sleeps, lollies in hand.

Market Thinking: Volatility

Volatility is something that can easily be overlooked as a random phenomenon in trading, however it is the core of this system and I think something you overlook at your own peril.

I always bring up this example when explaining volatility that helped convince me that it is something worth including.

Think about a time when there was an important decision to be made in your life, be it marriage, children, choice of high school subjects, girlfriend, prom date, etc. etc. What do you do before making that decision?, my guess would be you "stop and think". If something is viewed as being important, you usually don't want to rush in and make a decision on that issue until you are sure you have all the facts.

It is no different in trading, you see it almost every week, a period of *relative* quiet, before an explosive move in a particular direction. For those that follow fundamentals, this is almost always seen in the day(s) leading up to a major economic news announcement, such as inflation figures and interest rate announcements, but is also seen at other times, where there doesn't seem to be any other reason other than the market is resting, or stopping to think.

For the technically minded you will see this phenomenon on an intra day basis around important support and resistance areas, such as round numbers, trend lines and pivots, and quite often form the well known technical patterns of double tops and bottoms, head and shoulder formations, triangles and changes in polarity.

> "The quiet before the storm has never held truer than in the trading environment."

Summary

So that's it, we want a system to be able to tell us what mood the market is is, if it is excited or depressed and what it is thinking. The market is a moody beast that is impossible to tame in truth, but knowing it's mood will get you trading a market during the least dangerous times, when the odds are stacked in your favour to come out the other side relatively unscathed.

The following pages will list some indicators the "Not So Squeezy" method uses and why they are used, it is not a hard and fast rule that you have to use each indicator suggested, you may find a different indicator serves you better, but remember what the indicator is measuring in the first place.

Illustration 1: Bollinger Bands with Keltner Channels

Indicator 1: Bollinger Squeeze

Settings: 20,2,20,1.5
Download: -
Measures: Volatility

I won't go into the nuts and bolts of what the Bollinger Bands are here, if you really want to know, the best place to look is http://www.bollingerbands.com where you will find a great explanation on where they originated from. The main thing to realize is that Bollinger Bands provide a relative definition of high and low, and they can be used to measure the relative volatility of an instrument.

The Bollinger Squeeze indicator is a combination of the Bollinger Bands, and another envelope indicator called the Keltner channels (more information can be found here). The premise is, when market activity quietens enough for the Bollinger Bands to move inside the Keltner channels, the time is ripe a big move.

This is the scenario I mentioned early, when I talked about big decisions and the tendency for people to "stop and think". It is a sign that something major is on the horizon,

whether it be through a news release, approaching major support or resistance levels, or at times more commonly, simply a change in market sentiment.

Have a look at **Illustration 1** above, on the main chart are the Bollinger Bands and Keltner channels on a chart together. You can see the yellow highlighted areas are where the Bollinger Bands have moved inside the Keltner channels, and a subsequent move has followed.

Below the main chart is a version of the Bollinger Squeeze indicator that is most commonly seen around the trading world. In this chart, the blue dots correspond to when the Bollinger Bands are inside the Keltner Channels, where the red dots are when the Bollinger Bands are outside the Keltner Channels.

Now you may think I have done the usual authoring thing, and carefully chosen an appropriate chart from some time in history to demonstrate my point, but this is an extremely common looking chart, I could have chosen any of the majors and showed you a chart that looked very similar. Pull up any chart you wish you will see the same patterns just about every day, go on try it :)

I have previously testing this on things like the NASDAQ, SP500, Gold and various other commodity charts, and the patterns are the same. As a demonstration, **Illustration 2** is the SP500 chart as I write this manual, marked in yellow are areas where moves were predicted.

Why are they the same in all markets?, because the squeeze is a measure of emotion, of when people have "stopped to think" and all markets are driven by the ultimate in emotional beings, us.

The Bollinger Squeeze is far from a new concept, indeed it is as old as the Bollinger Bands themselves, combining them with the Keltner channels is a slightly newer concept, but again not something that isn't widely used, we are not trying to break new ground, we are just trying to find something that will tell us when the market has stopped to think, and I have found nothing better.

Now before you all go off excitedly, there is one major flaw in the Bollinger Squeeze, Keltner Channel method, while it provides excellent timing, it doesn't indicate the most important factor, that being direction. Times when volatility is so low give little to indicate which way the market will go.

The reason why is the very reason the squeeze is in place in the first place. It is because everyone has stopped to think, as they try to figure out which way the next strong push should go. The decision may be that change needs to be made, or it may be that things were fine the way they were, it is something we will explore a little later.

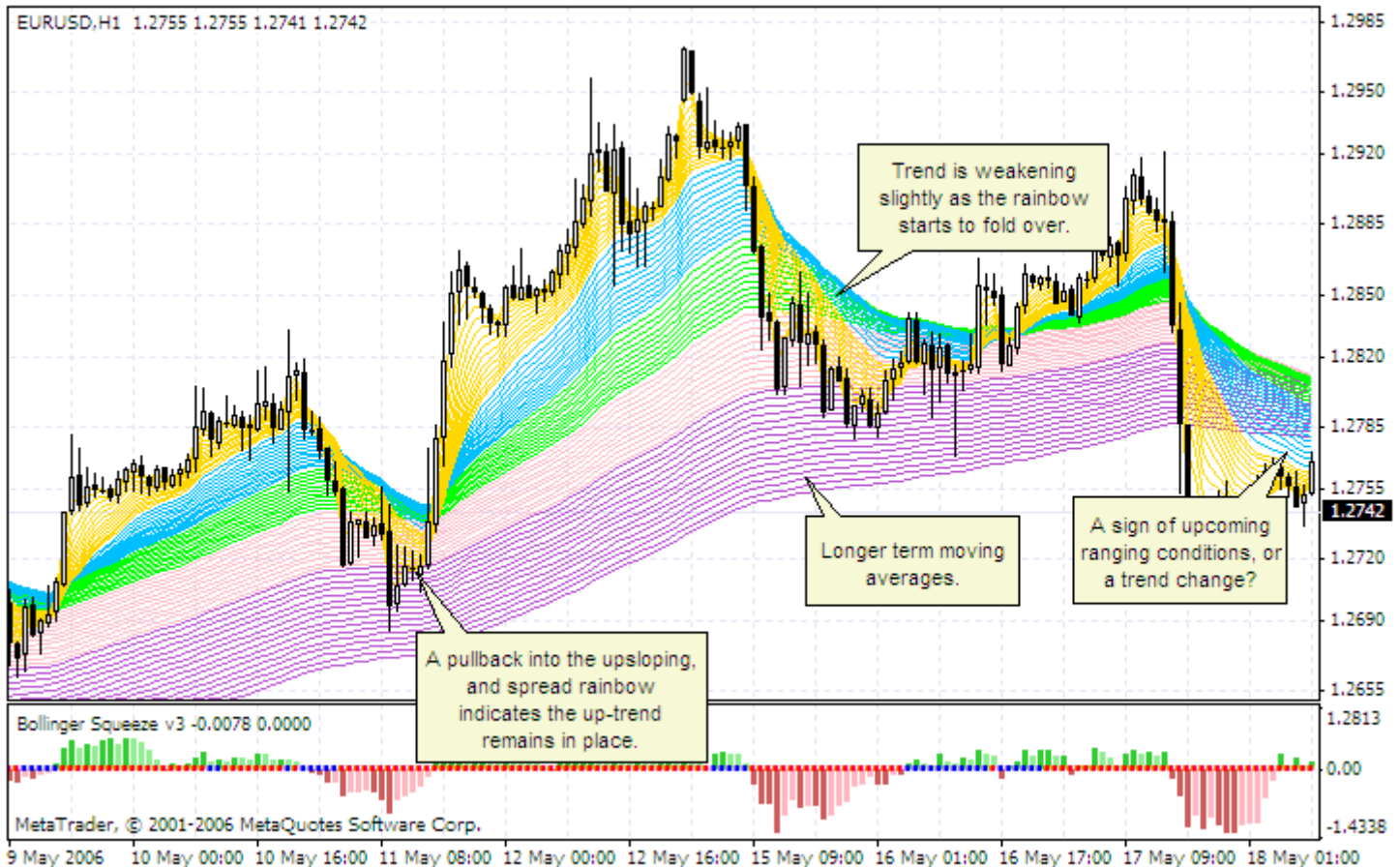**Illustration 2:** Bollinger Bands with Keltner Channels on the SP500

Illustration 3: The Rainbow Multiple Moving Averages (RMMA)

Indicator 2: Rainbow Multiple Moving Average (RMMA)

Settings: N/A
Measures: Trending vs Ranging conditions

The next indicator used is something I call the Rainbow Multiple Moving Average (RMMA). It is, essentially not really an indicator in the traditional sense, it is actually just eighty eight Exponential Moving Averages (EMA's), all on the same chart coloured like a rainbow, hence the name.

An Australian stock trader named Daryl Guppy introduced a now very popular method of trading called the Guppy Multiple Moving Average (GMMA) technique, and with this introduced the concept of using the appearance of these moving averages, and how they are spread, compressed or overlapping to measure the long and short term sentiment of the market, the speculators and the investors as he called them. His book "Trend Trading", goes into this further and is well worth a read.

I use the same concepts from the GMMA to trade the RMMA, I only use the RMMA to make my charts look more pleasing to the eye. I make no apologies for this, if I am going to stare at a chart for a couple of hours, it might as well be pleasing to the eye.

The basic idea of the RMMA is to identify if there is a trend, and if so, in what direction and how strong. Those that consider themselves as trend traders, do so on the idea that they should only be wrong once, i.e. when the trend changes, so if a trend can be identified, or lack there-of, then an appropriate trading plan can be put in place.

Have a look at **Illustration 3** above, this is the same EURUSD chart from Illustration 1, this time with the RMMA. You can see that the slope of the RMMA tells us the direction, in this case an uptrend. How spread out the averages are from each other tells us if the trend has some strength to it, and areas where the averages compress, fold over or get jumbled together indicate a possible weakening trend, or upcoming ranging conditions.

The RMMA is a clear visual indication of the trend.

Indicator 3: Simple Moving Average (SMA)

Settings: 100SMA and 200SMA on Close
Measures: Support, Resistance and Barriers

Moving averages are very commonly seen in most systems, usually either as an indication of trend, or used as an entry signal when one moving average crosses over another. The RMMA above of course takes this to the extreme, using 88 different averages to paint a picture of the trend, however using moving averages as crossover entry signals alone has been proven time and time again to be slow and clumsy, especially in ranging conditions.

Another use however is to use these averages as dynamic support and resistance areas. You may be familiar with straight line trend lines acting as support and resistance areas, but Moving Averages work just as well, if not better sometimes.

Illustration 4 is an example of the different picture you get when using a moving average as your trend line for support, resistance and target setting, rather than the traditional straight trend line (which has it's own merit mind

you). A case in point is area C, where it appears we have a trend line break, and could very well have triggered a short trade, expecting a trend reversal. If however, you knew there was the 200SMA below offering another area of support, you may have waited for a close below that before entering short. Of course you can see what happened when it hit the 200SMA.

Areas A and B are examples of the 100SMA acting as a support area, and in this case, they corresponded to a signal or two from the Bollinger Squeeze indicator. For those wanting to trade against the trend, these longer term SMA's can act as a nice guide to profit taking areas also, as shown below on the 10th of May, where a Squeeze signal trigger a sharp drop. Hindsight is the clearest sight of all of course, but the 100SMA might have been a nice area to close half a position, with the 200SMA the final target.

Just a quick note as to why the 100SMA and 200SMA, these are used purely because they are used by others. They are watched in most analyst reports you find on the net, and so get quite a following. If you know what everyone is watching, then you know the areas that may be defended.

Illustration 4: Traditional trend lines vs Moving Averages trend lines.
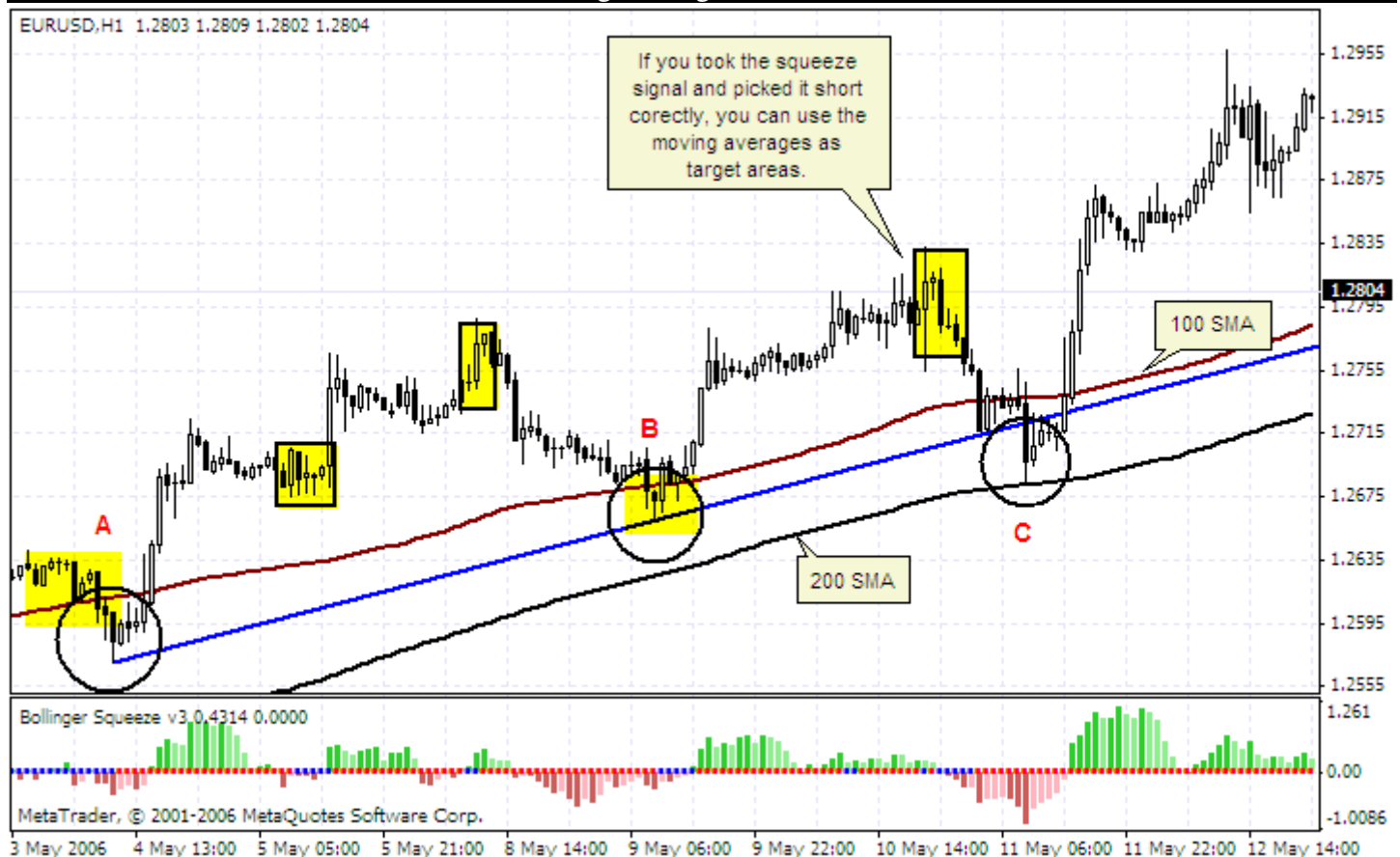
Indicator 4: Bollinger Bands

Settings: 20,2,Close
Measures: Overbought, oversold conditions

It may seem odd that we are essentially, using the Bollinger Bands twice in the system, once with the Keltner Channels to define the squeeze and again here. However they have two distinct uses.

Anyone who has used oscillators know the concept of overbought and oversold conditions. Oscillators attempt to tell us when price is relatively oversold or overbought compared to recent history. Once these conditions are met, then we are taught to look for a reversal in price.

It is my view however, and the view of other well known traders, that these signals are no better than a 50/50 bet, through back testing has proven this time and time again. Like I read the other day, even a broken clock is right twice a day. All is not lost however with this mode of trading, it is acknowledged that oscillators work better in ranging conditions, and they also work better if you only take the

signals in relation to the trend, for example only trade oversold signals in an up trend.

We can tell when the market is in ranging conditions through our use of the RMMA as mentioned earlier, but I have found oscillators struggle to provide overbought signals in a strong down trend, and oversold signals in a strong up trending market.

So instead I like to use the Bollinger Bands, overlayed directly onto price to find those overbought and oversold areas. **Illustration 5** shows the correlation between the Bollinger Bands and a default Stochastic Oscillator. At times they give you a little extra, such as on the 9th of May below where the Stochastic is showing oversold conditions but we are not at the upper Bollinger Band.

Once the trend direction is established via the RMMA, we can look for signs of reversals at the appropriate Bollinger Band, if the trend is up, we look for long triggers at the bottom Bollinger Band and vise versa. If the market is ranging, or directionless, we can think about trading both sides of the Bollinger Bands until a sign of a trend is evident.

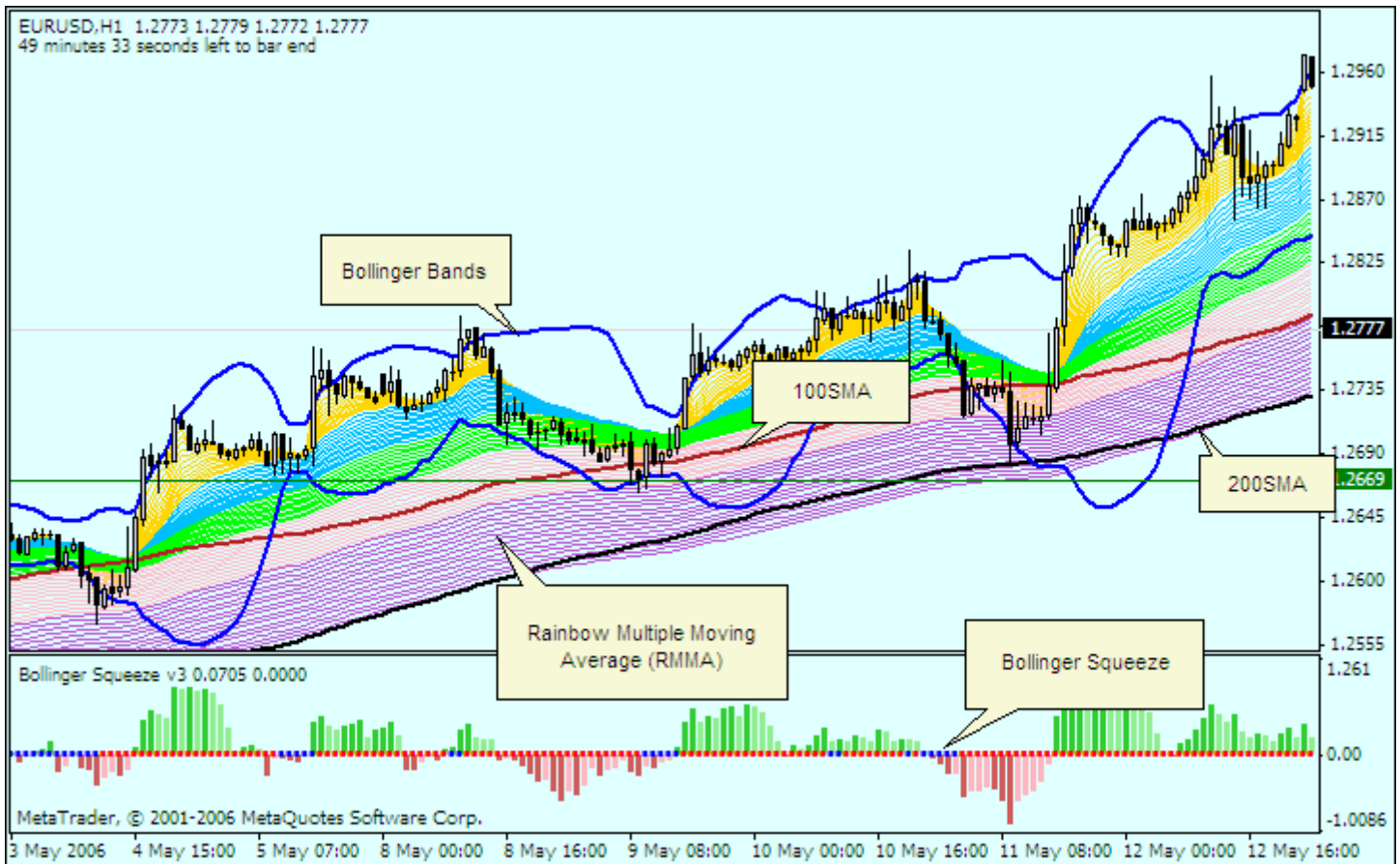**Illustration 5:** Using the Bollinger Bands to show overbought and oversold areas.
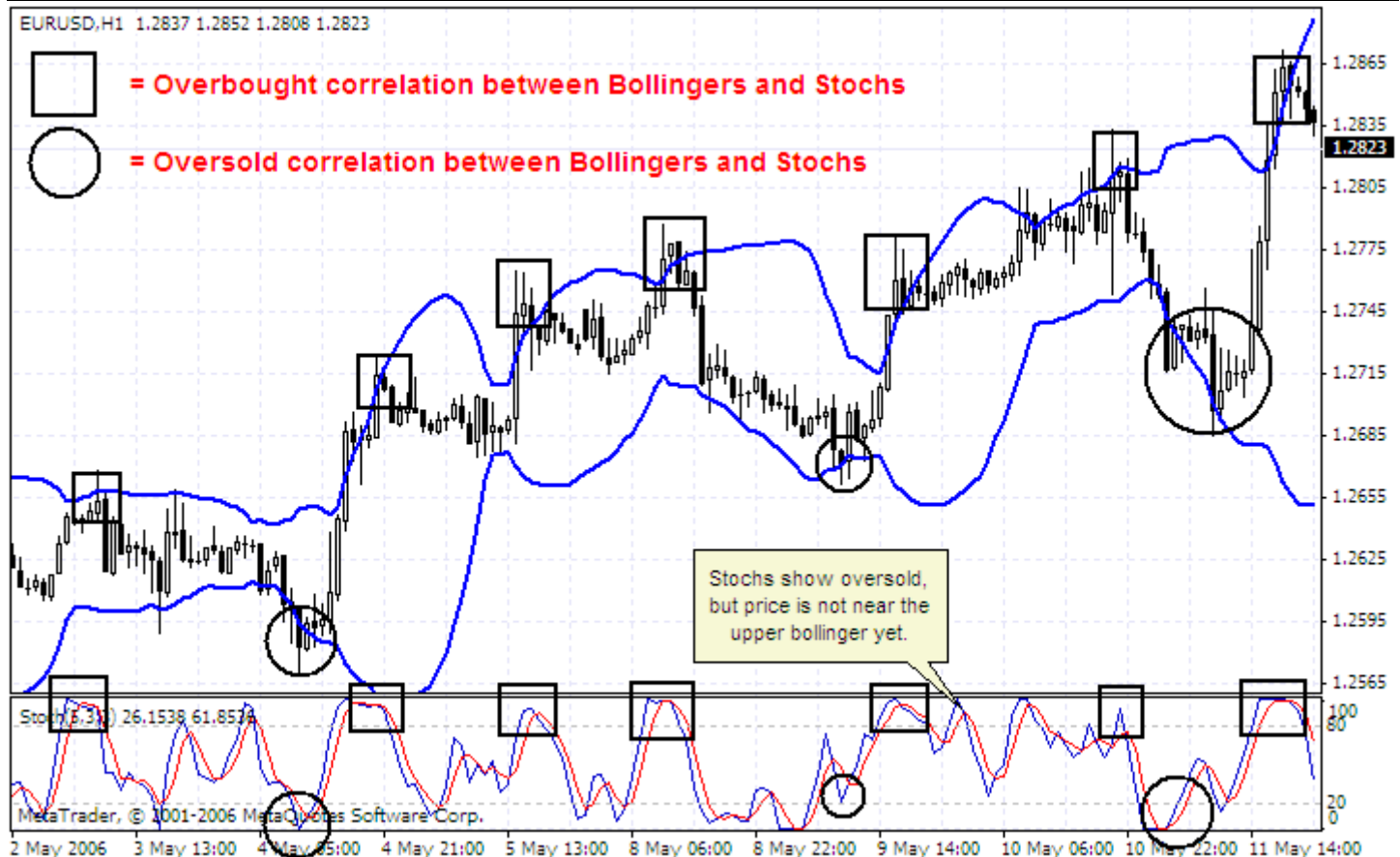
Illustration 6: Putting it all together, the Not So Squeezy method.

Putting it All Together

Now that we know all the components, let's put them all together on the one chart and see what we can find out. **Illustration 6** shows the same charts as before, but with all the indicators together.

I have marked all the different components that make up the *Not So Squeezy* trading system, remember there is a reason for each indicator on this chart, see if you can remember what component of the market each is attempting to measure.

It so happened that while writing the manual, the market happened to be in a nice up trend, you can see through the separation of the rainbow how easy this is to see, the longer term moving averages (in purple) are clearly sloping up and well separated, as are the middle averages in red, showing the underlying strength of the trend. This is a classic example of a current not worth swimming against.
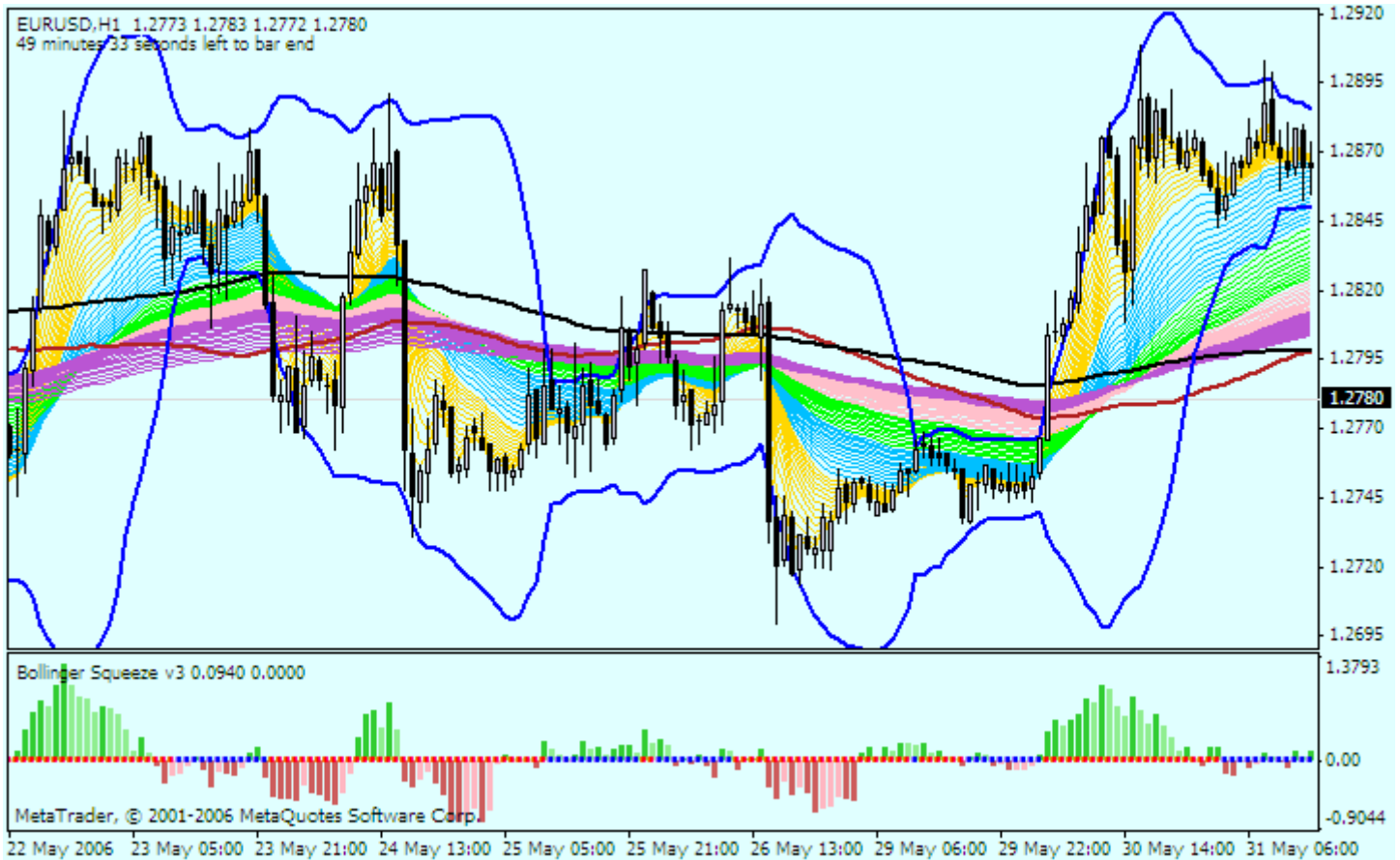
There are four clear trading opportunities in the above chart, all of which would have turned a nice little profit with some very basic money management rules. See if you can

find them, look for trending conditions, oversold areas and areas where the market has stopped to think and you will find all four opportunities.
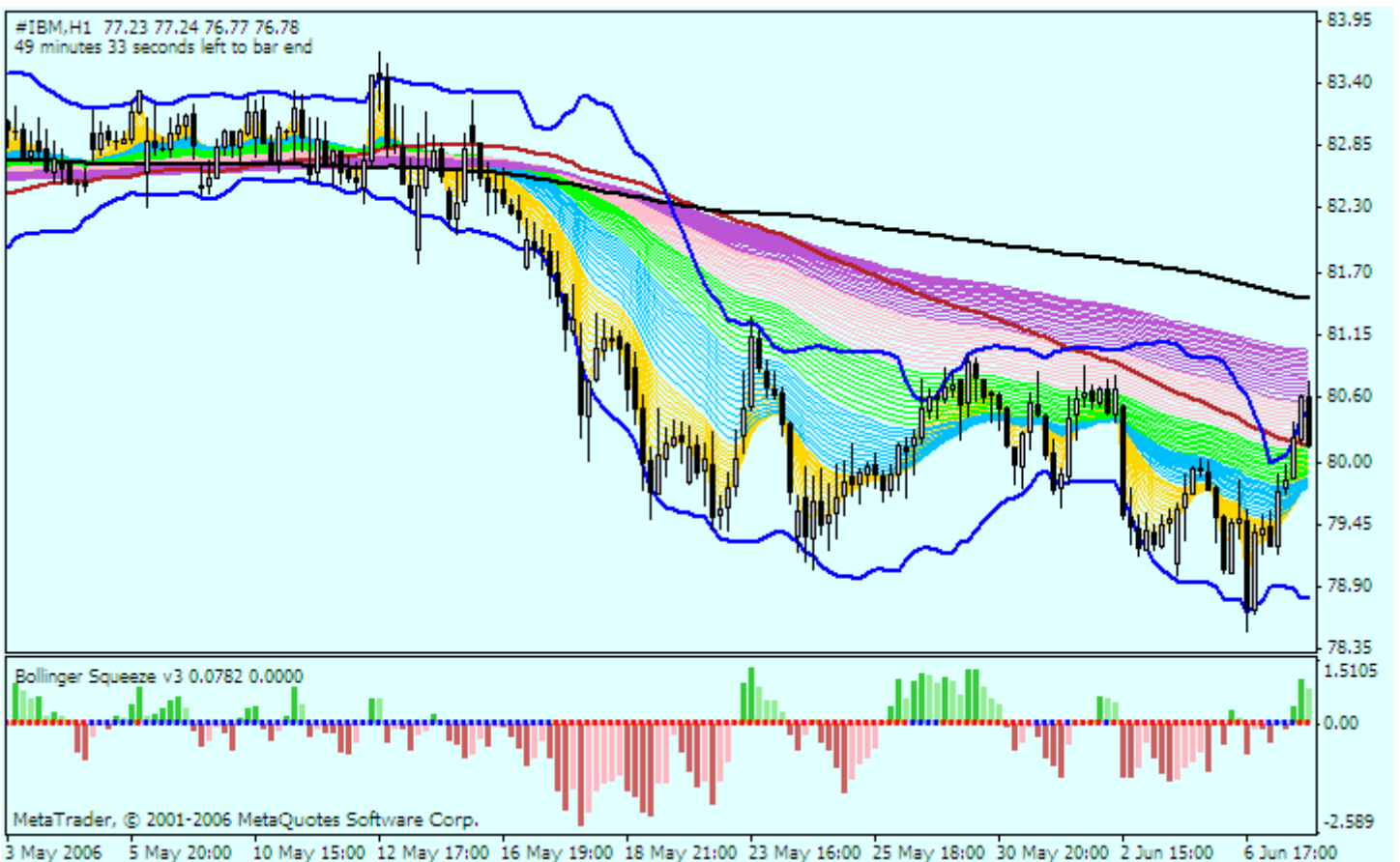
The following pages contain various charts of different markets and time frames and conditions, see if you can find the trading opportunities in these charts. At the end of the document are the same charts with what I consider to be good trades, importantly this does not mean they are always successful trades, but rather trades that have sound logic behind them.

Some may want to take these principals and extend them to different trading conditions, such as counter-trend trading for example. I have one condition if this is done, let me know because it is doing my head in! :)
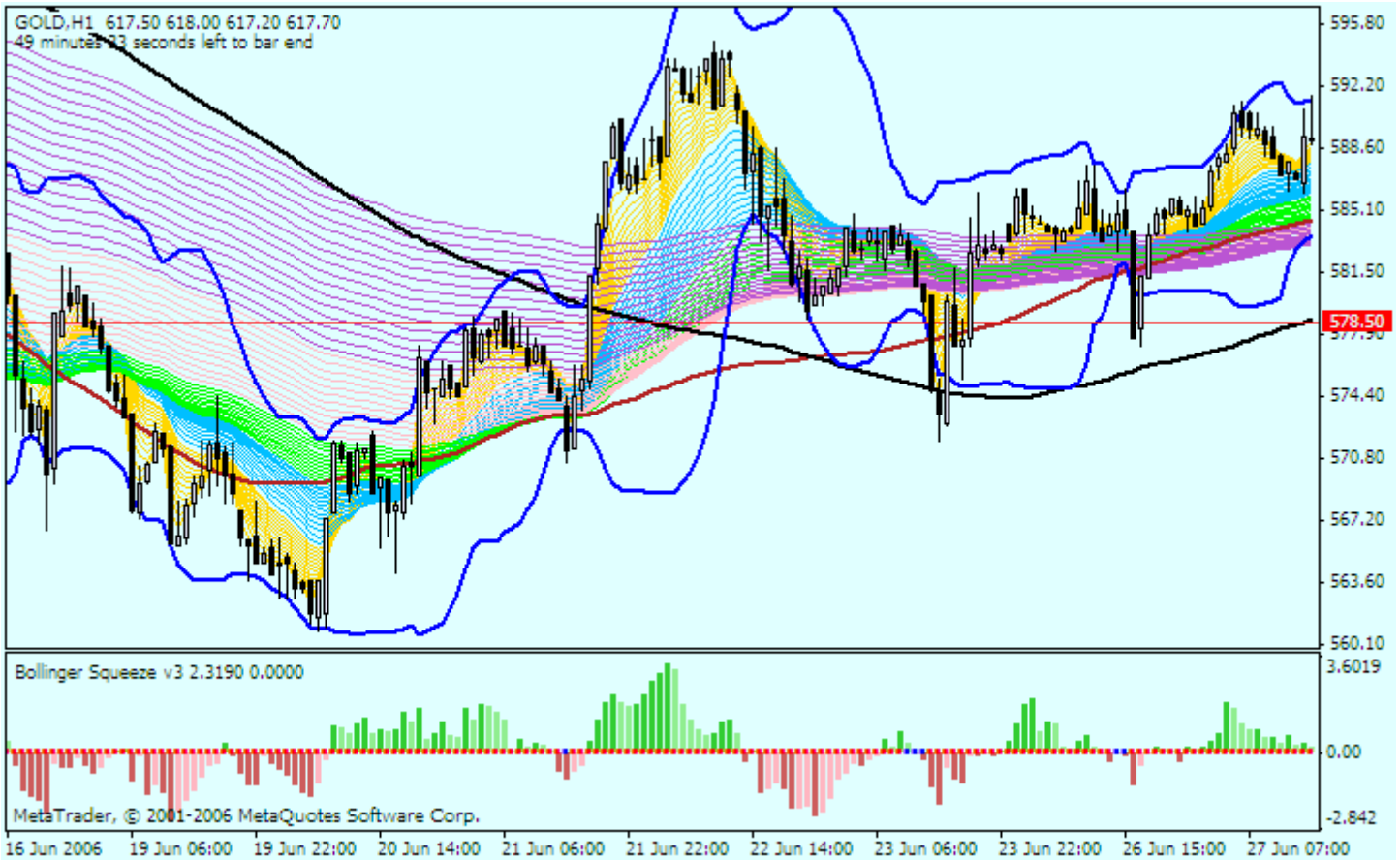
A link to where you can find the indicators for this system for Metatrader 4 (http://www.metaquotes.net) is at the end of this document.

EURUSD,H1 1.2773 1.2783 1.2772 1.2780
49 minutes 33 seconds left to bar end

Bollinger Squeeze v3 0.0940 0.0000

MetaTrader, © 2001-2006 MetaQuotes Software Corp.

Example 1: EUR/USD 1 Hour

#IBM,H1 77.23 77.24 76.77 76.78
49 minutes 33 seconds left to bar end

Bollinger Squeeze v3 0.0782 0.0000

MetaTrader, © 2001-2006 MetaQuotes Software Corp.
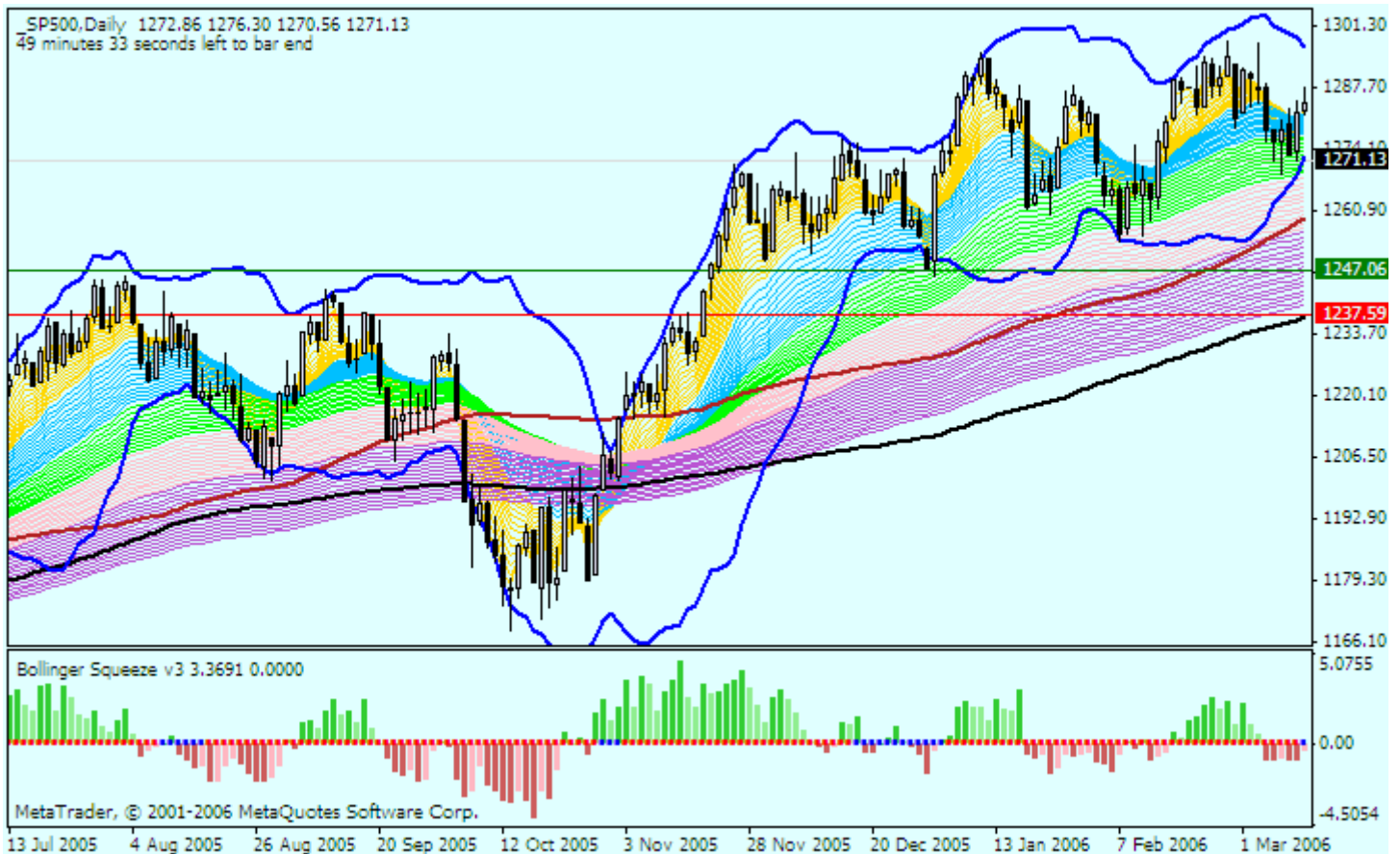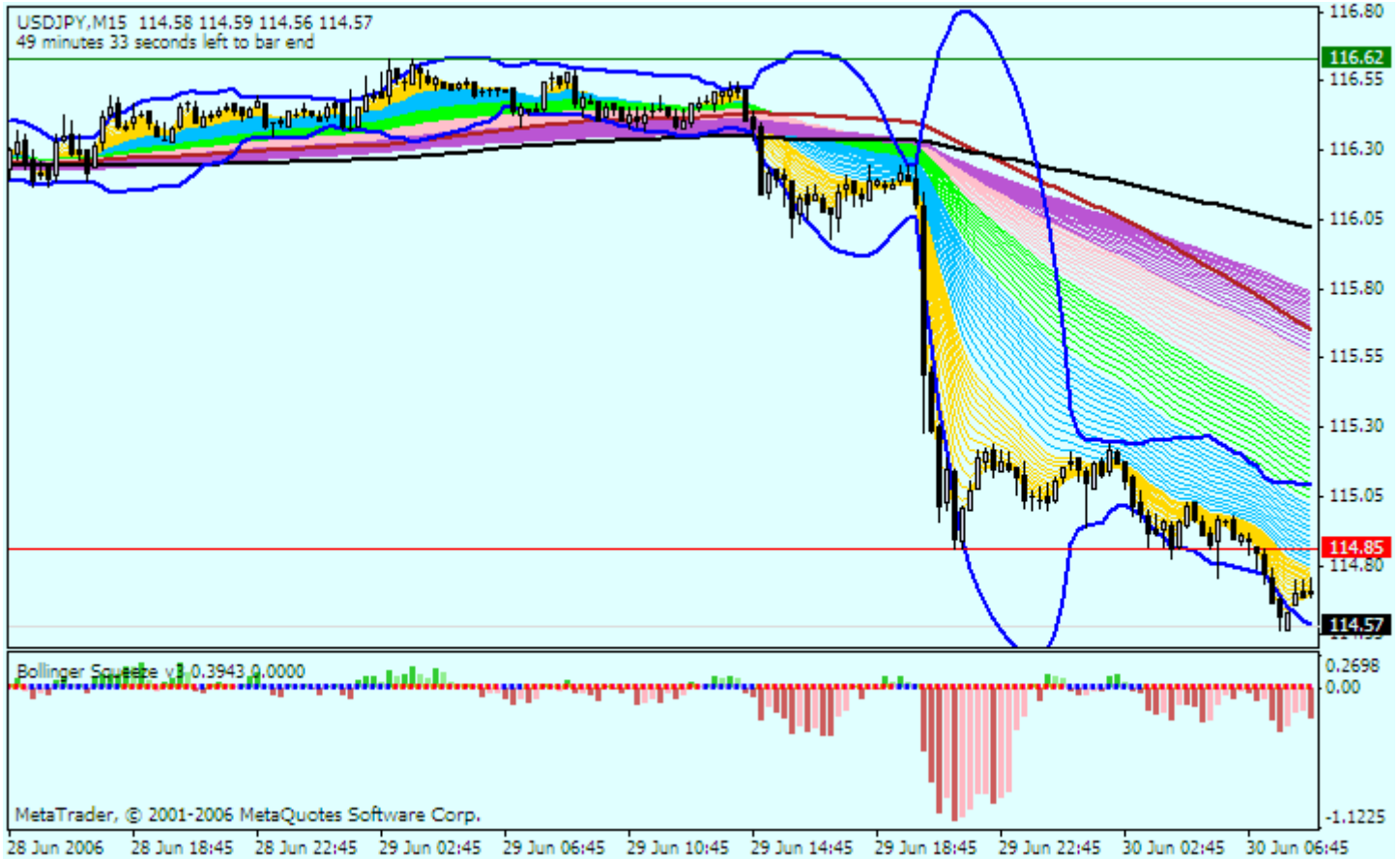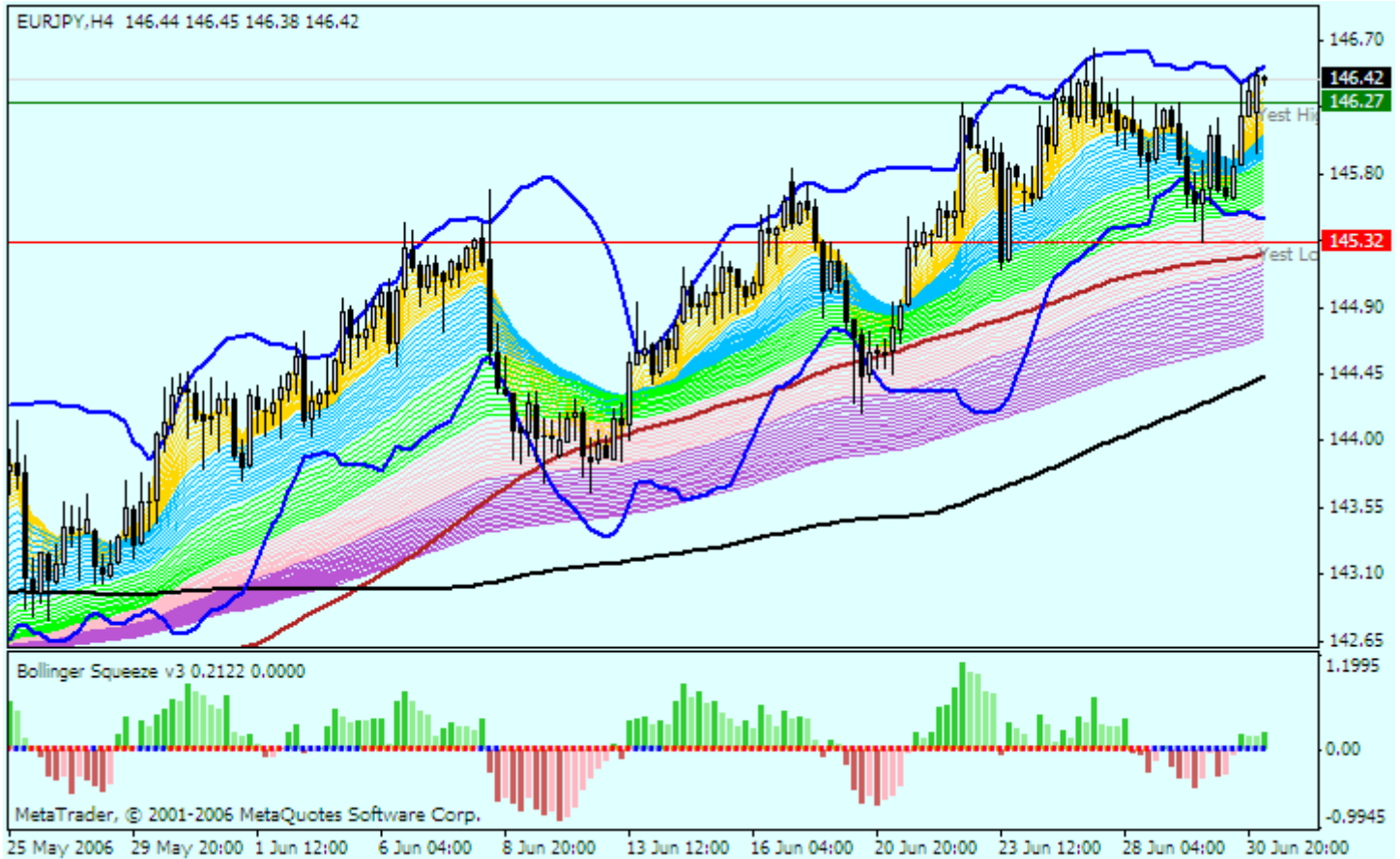
Example 2: CFD: IBM 1 Hour

Example 3: Gold 1 Hour

Example 4: SP500 Daily

Example 5: USD/JPY 15 Minute

Example 6: EUR/JPY 4 Hour

Triggers / Entries

Now that we have the framework for knowing when a good trade is approaching, how do we know when to pull the trigger. When do we enter a trade long or short, what gives us the reason to push that buy or sell button?

Hindsight is a wonderful thing, and looking at historical charts, such as the those on the previous few pages, is a great way to help your brain process the various repeatable patterns that form each day in the marketplace. However what it also does is trick you into thinking you will be able to spot those turning points in real time, when trading off the right edge of the screen instead of from the middle, and it isn't until live trading that you realise, just like a sporting event, that things look much different live.

Unless you have an established criteria for actually pulling the trigger, the pressure of time will become to great and you will make hasty trading decisions that, on balance will most likely prove disastrous.

There are many different ways of identifying when to enter and exit a trade, and the Not So Squeezy framework can let you know when the time is approaching to enter a trade, but we need to know when to actually hit that magic button. I will put forward a couple of techniques that I have used with this system, but really the trigger you choose should be the one you are most comfortable with.

Trigger Type 1: 50CCI

The Commodity Channel Index (CCI) indicator is probably made famous most by a chap named Woodie, who trades without any price bars, using only a combination of three different CCI indicators (http://www.woodiescciclub.com).

In essence the CCI is simply a representation of price in relation to the moving average specified in the CCI settings. A cross of the zero line corresponds to price crossing the 50EMA, a move to the 200 line show price has burst away from the moving average a long way and is perhaps due for a correction. I would recommend having a look at woodies site and others for all the different trigger types.

Illustration 7 again is the same chart from before, this time with the 50CCI shown and triggers labelled. You can
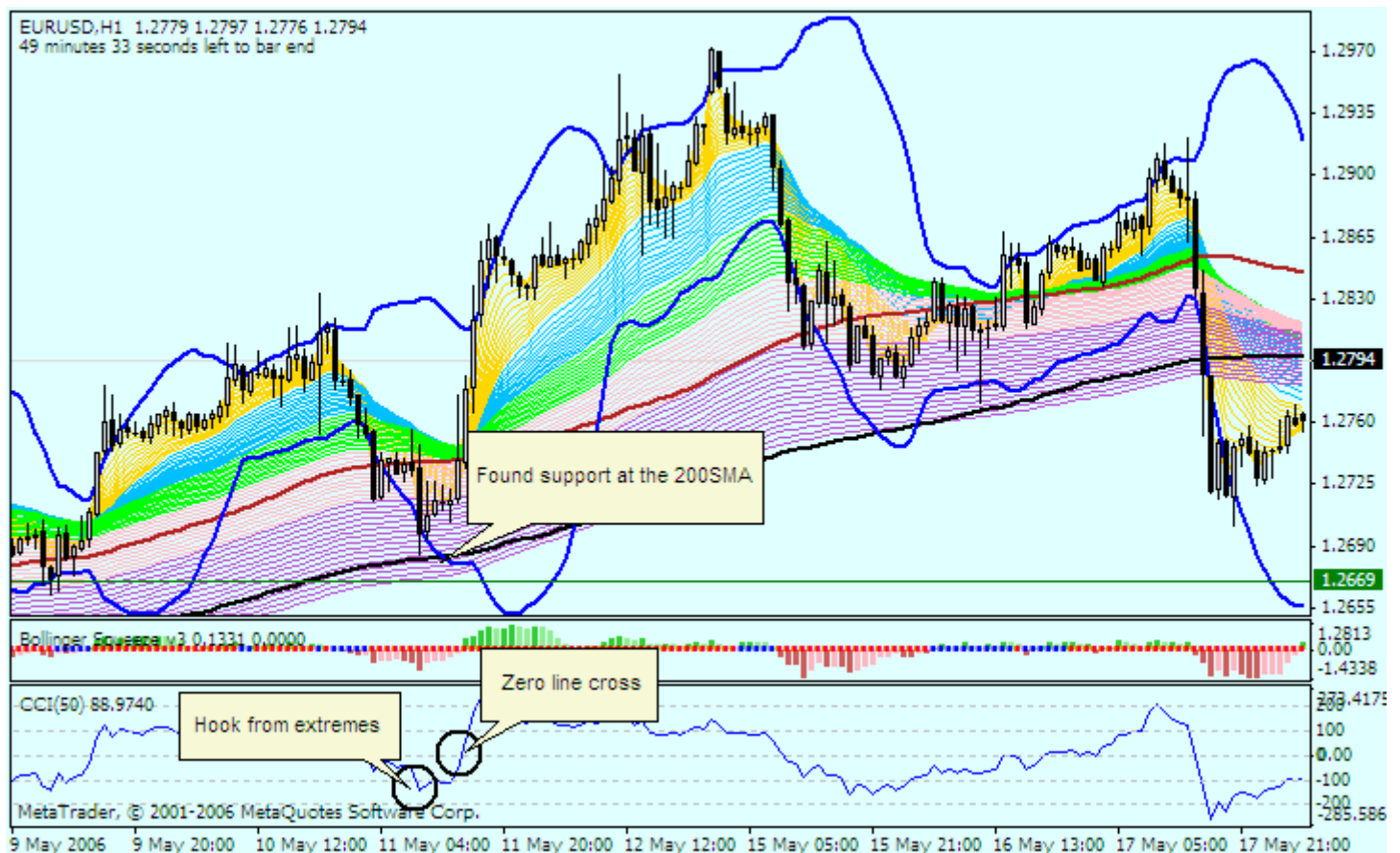

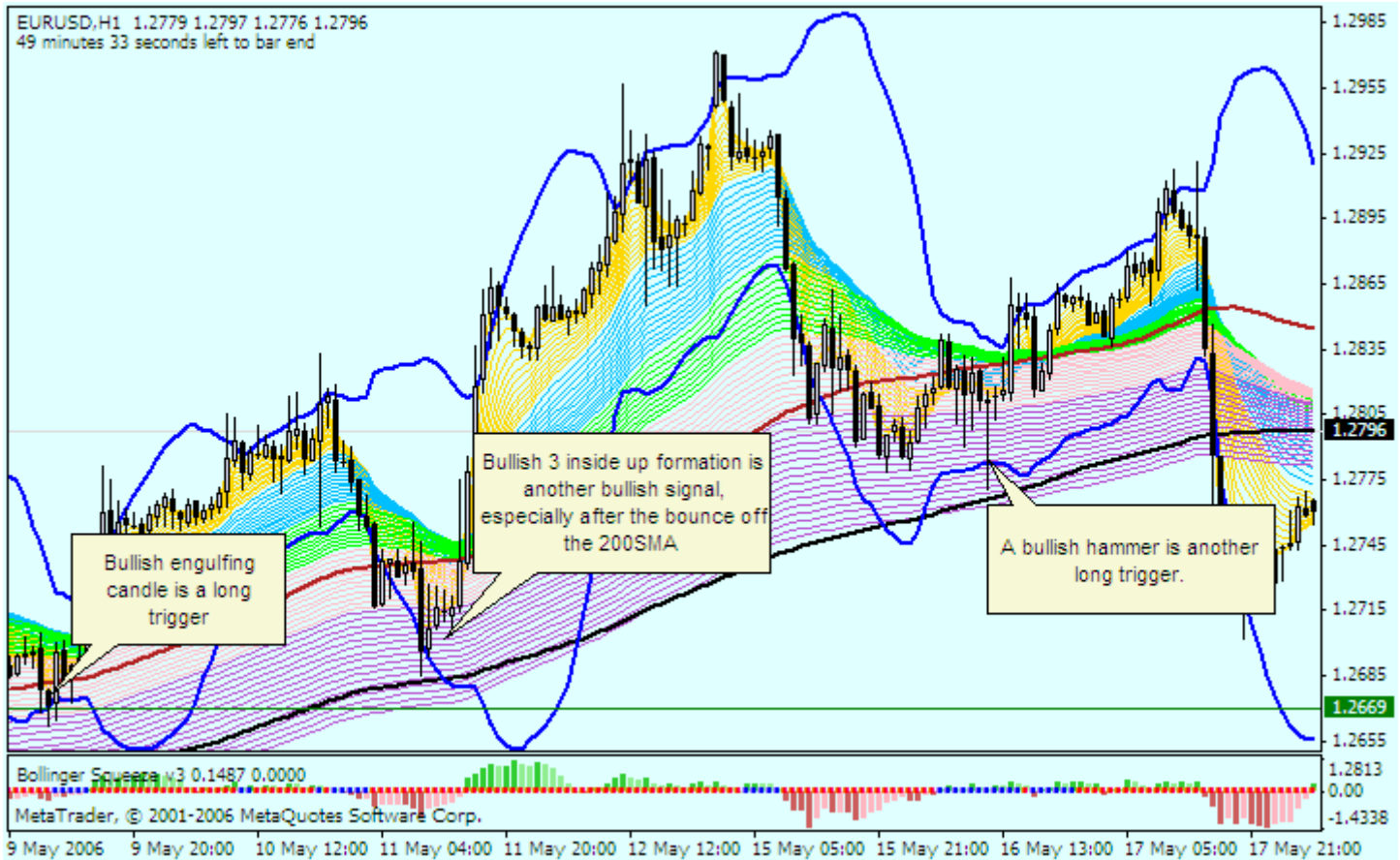**Illustration 7: Using a 50 CCI trigger**

Illustration 8: Using a 50 CCI trigger

see where the triggers and moves correspond. The 50CCI can provide some reliable signals, however in a fast moving market, it can lag behind price a fair way such as the zero line cross at the end of the below chart.

If you want an indicator to tell you when to pull the trigger, the CCI can be a handy tool. Whether you use the 50CCI or another setting is up to you, Woodie uses a 14 and a 6 I believe, so see which one gives you the best results.

Trigger Type 2: Candlestick Formations

The most basic of triggers, and perhaps the most reliable when learnt properly is price itself. In recent times the most popular way to read price action is through candlestick charts.

Candlesticks charts are essentially no different to traditional bar charts, other than the fact that each period of time is shown in a different, easier to read format. No new information is presented through a candlestick chart, but the idea is that it is quicker and easier to read that information. From my experience I cannot argue against that idea.

There are a multitude of different candlestick formations out there that are supposed to give a bullish or bearish signal when completed. A nice basic rundown of candlesticks can be found at http://www.hotcandlestick.com/ while a list of different formation can be found at http://www.litwick.com/glossary.html

Let's look at **Illustration 8**, yep the same chart again (sorry if you are sick of it!), but instead of taking the CCI as our trigger, let's look for some candlestick formations instead. These are but only a small sample of the different formations that exist, but it should give you an idea.

The first long signal marked is a bullish engulfing candle. This is where the body of the bull candle is somewhat larger, and more than covers that of the preceding bear candle. The fact this happened at the same time as a squeeze signal, at the lower Bollinger Band and it closed above the 100SMA, is a very strong trigger signal to go long with the prevailing trend.

The second is a more advanced formation call the Bullish 3 inside up formation, where we have two inside days (where the entire candle is contained within the preceding candle) right above the 200SMA and at the lower Bollinger Band (remember it is an indication of oversold conditions).

The third is a basic single candle formation called a bullish hammer, where the body is very small, with a long lower wick. This shows there was an attempt to push prices lower, but they were quickly rejected. Again this is at the lower Bollinger Band, and we have a squeeze signal, so time to go long.

These are only three of the many other formations out there, for the astute reader, you would notice that there are a fair few counter trend formations that form at the upper Bollinger Band as well, this is a more advanced method of trading this system that I myself don't feel comfortable with, but explore it at your leisure.

These are just two trigger methods, try to find yours.
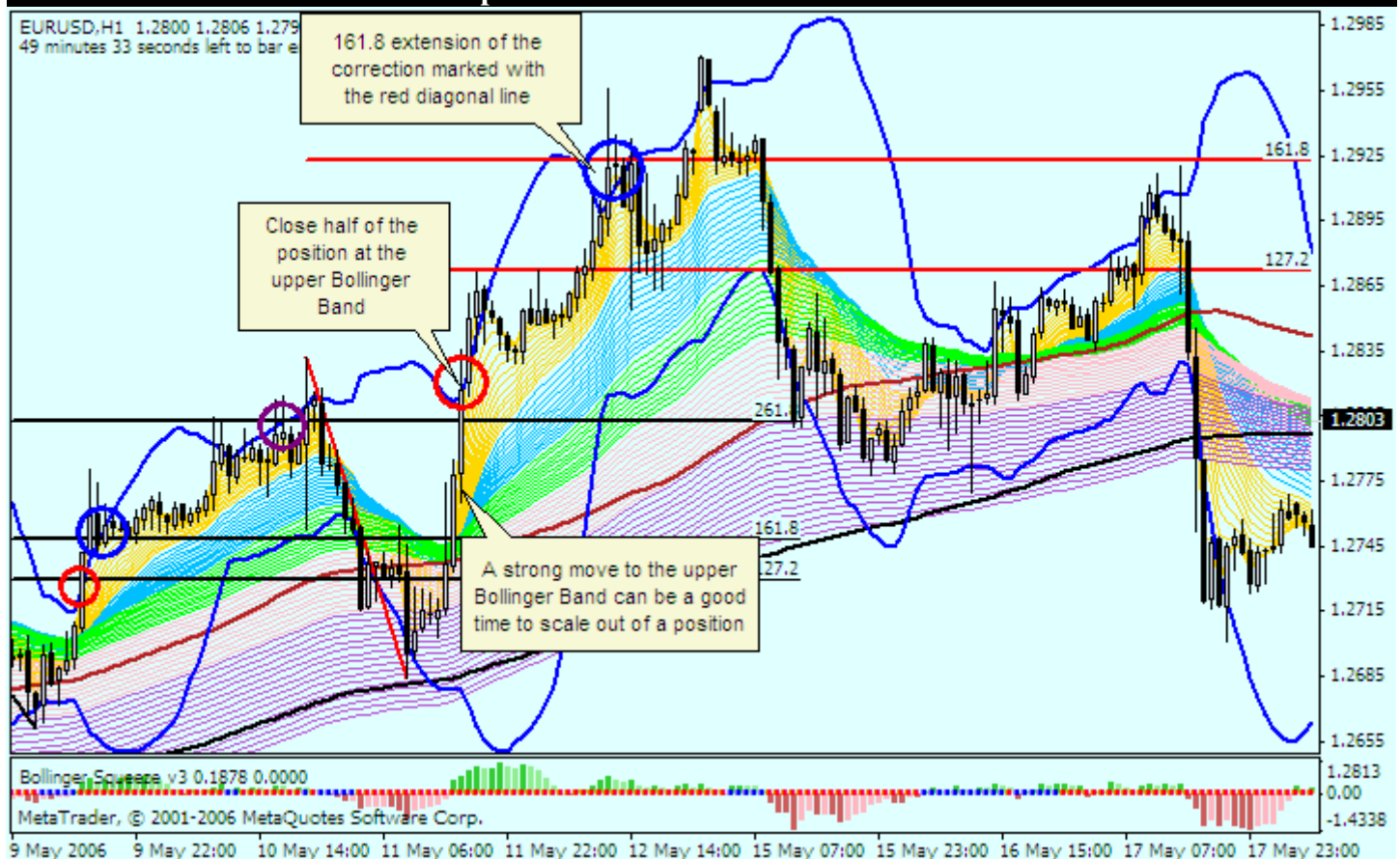
Exits

Entries are so often the focus of most traders systems, with the assumption that as long as there is an opportunity to make a profit (i.e. as long as the trade goes my way), then all will be ok. Unfortunately in practice this is often not the case, knowing when to exit is harder than knowing when to enter as greed can be a more powerful force than anything the market can throw at you. Bad exits can be the cause of most frustration for beginners especially when closing a trade with a small profit only to see it take off straight after that.

Having set exit rules, with the discipline to stick to it, as well as the knowledge that you may give up some potential profits to protect yourself against much larger losses is one of the greatest trading challenges for the early trader. Remember, you can lose money from a profitable trade as well.

> "Exits should be the most pleasurable part of your trading, it is after all when you make your money ..."

Illustration 9: Red circles show exit points

The *Not So Squeezy* method has only one hard and fast rule for exits, and one optional exit strategy. The hard and fast rule is to close at least half of your position at the opposite Bollinger Band. In Illustration 9, these exits are marked with red cicles, and as the trend is shown to be up, these are all long positions.

The optional exit rule is to let half of your position run for the 161.8 fibonacci extension level. This is especially relevant if the move from one Bollinger Band to the next has high acceleration (excitement).

The main thing is to stick to your exit strategy as closely as your entry strategy, you should not let elation, greed or ego let you forget that the market can turn on you just as quickly as it is currently rewarding you.

For those not familiar with fibonacci extensions it is simply the height of the correction, or the swing into the main move, multiplied by a derivative of the golden ratio (0.618). So in Illustration 9, we have a swing down, before the major move up as shown by the red diagonal line. That swing down multiplied by 1.618 results in the line that

corresponds to the blue circle (exit level). (more info at http://www.investopedia.com/articles/trading/05/AdvFibonacci.asp)

If this optional strategy is employed, be sure to lock in at least +1 (might as well make something) with that last half lot you have open, we don't want to make an otherwise winning trade a losing one.

Stop Loss Placement

Stop loss placement is one of the most widely disputed aspects of trading. Where to place stop losses? Should we place stop losses? Do people hunt stop losses? etc. etc.

First of all, stop losses **are** hunted, especially in the Retail Forex world, there is no hiding that fact, and no use winging about it either, as it has been going on as long as Adam was a boy. **Illustration 10** shows areas where stops runs occurred. This fact makes some believe then that it is best not to place a stop at all, but instead place a mental stop so they brokerage houses don't know where your stop is sitting.
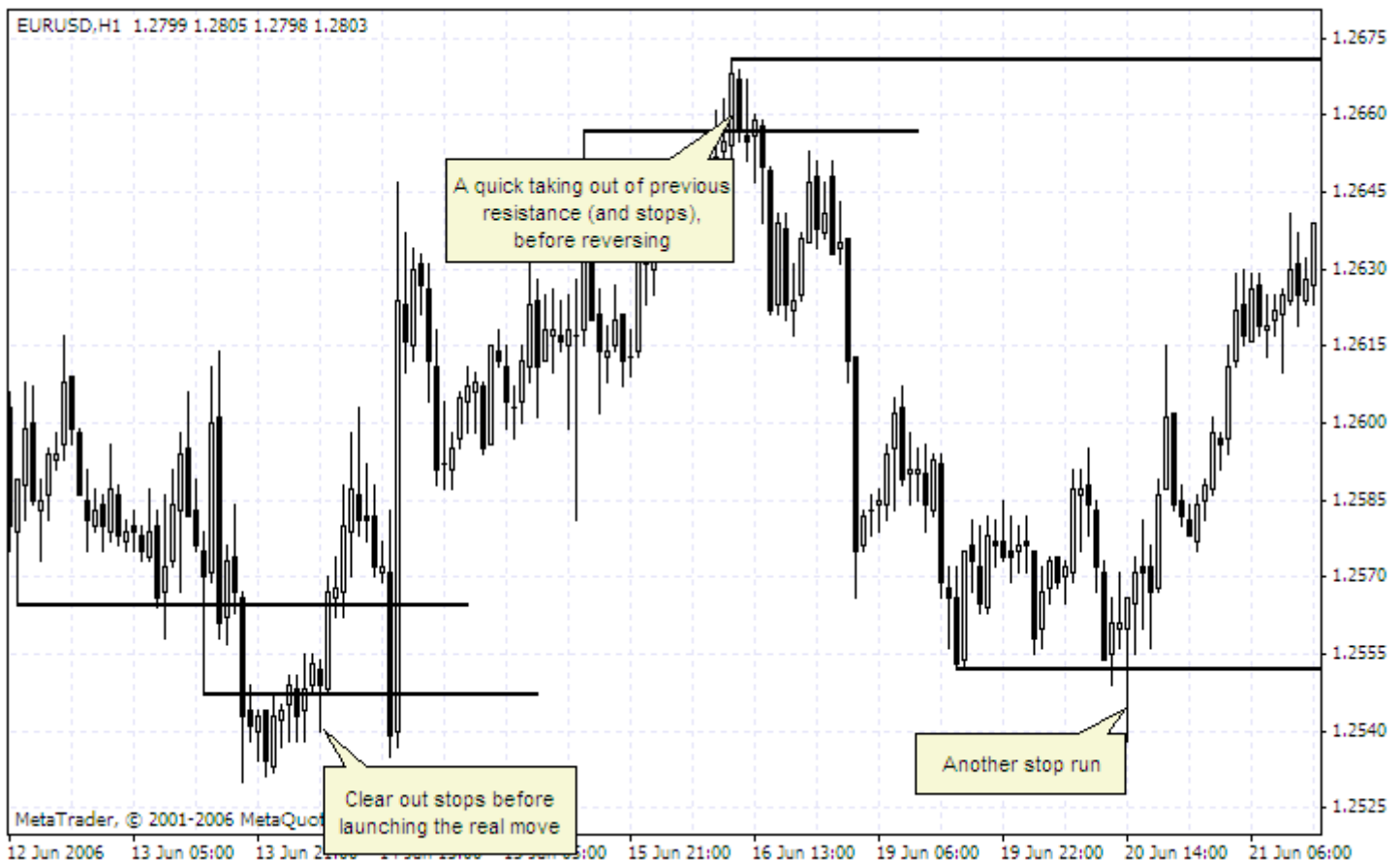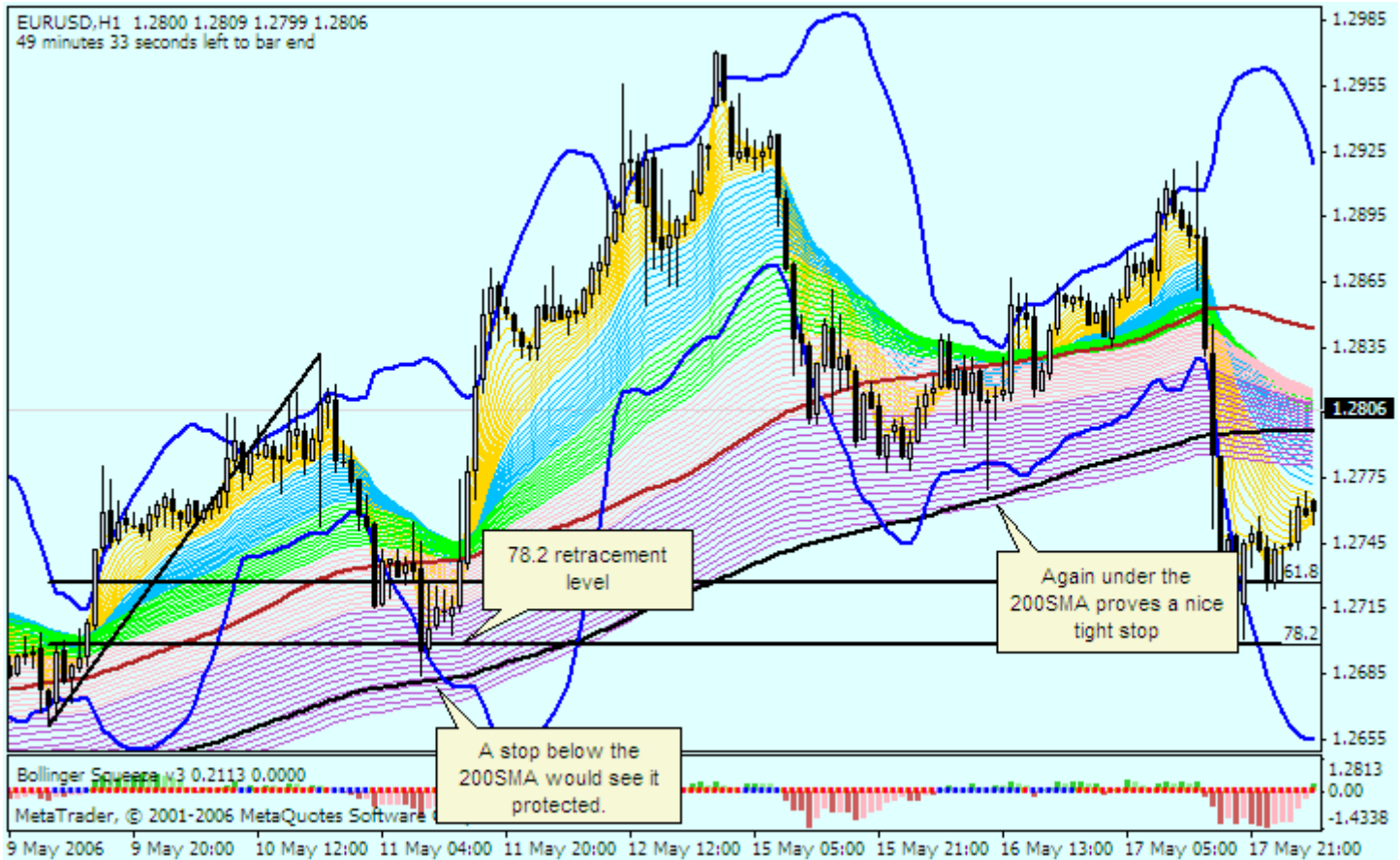

Illustration 10: Stop running

Illustration 11: Stop loss placement

There is some merit to this, however there are many more failings of this thought process, especially if you are not an experience trader with an iron will and unfaltering discipline. First of all there is the question of whether you actually **will** close the trade as you have promised yourself, ego can be a very strong force, and it is against human nature to admit defeat.

Secondly, what happens if there is a sudden news event, natural disaster or economic event that sparks a sudden violent move against you? If you are away from the computer you will not see it and the first you know if it is a margin call from your broker (and a dressing down from your partner). If you are in front of the charts at the time, your chances of getting a closing price right where you want it is slim. This is the classic time for retail brokers to re-quote, widen spreads and suffer "server problems" as they watch client accounts dwindle away. The sheer volume of traders trying to do what you are doing means you need a lot of luck and quick fingers to get out with your pants on (excuse the pun).

Stop losses should be placed at a point you view your trade idea to be wrong. I am not a fan of necessarily placing

stops right behind chart patterns such as previous peaks and valleys. If price has moved that far, in most cases chances are your trade idea was wrong and you are now relying on luck. Also, these are the exact areas market makers try to move price to trigger stops and liquidate their positions, every man and his dog (smart dog) has a stop there, so it becomes an attractive target.

This is where the 100 and 200SMA can come in handy, placing a stop behind these levels provide a small level of protection, without necessarily being where everyone else's stop are. Another area might be the 78.2 retracement level of the current move, to me a point of no return if price is going to bounce.

Illustration 11 shows some possible areas to place stops on different trades, in this case mainly behind the 200SMA. Which area you choose is up to you according to your risk profile, where the trade is opened, and market conditions, but remember, place a stop where you view the trade idea has been proven wrong.

Conclusion

What is contained in this document is the very basics of the Not So Squeezy system. I have not touched on Money Management, Risk/Reward or Trade Management, however below are some links that should help you in those areas.

I make no claims that it is the blueprint for your road to riches, but I hope it gives you an insight into how I think when placing a trade. Feel free to add, take away and hack this system to death, until you feel ownership of a system, you won't truly be able to trade it with the confidence that is needed to be successful in this business.

I do not view this as being complete, my research continues on different ways to get the edge we are looking for in the markets. This system does not break new ground, but it tries to utilise the known factors of human behaviour, that ultimately, runs all marketplaces around the world.

In coming months, I will look at extending this document to incorporate one main factor I feel is ignored in mainstream trading systems, that being time. The markets move to a beat, that much is clear to me, but utilising that to trade profitably is a challenge I am yet to conquer.

I wish you all luck in your trading expeditions, remember you do not need to be smart to be successful in trading, you do not need a PHD in mathematics, to pay for expensive courses or mentorship. What you need is determination, discipline and an undying faith that you will succeed.

All comments, suggestions, ideas and corrections can be either sent to me at akuma99@beginnertrader.com or shoot over to Forex Factory where a trading diary and discussion is already underway at http://www.forexfactory.com/forexforum/showthread.php?t=5174.

Happy trading!
Akuma99

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http://www.beginnertrader.com
http://akuma99.blogspot.com

Links

Not So Squeezy Indicators
http://www.forexfactory.com/forexforum/showthread.php?t=5174.

Money Management
http://www.trader-soft.com/money-management/index.html
http://daytrading.about.com/od/educationtraining/a/moneymanagement.htm
http://daytrading.about.com/cs/educationtraining/l/aa092799.htm
http://www.babypips.com/forex-school/money-management.html

Forex Basics
http://www.babypips.com/
http://www.beginnertrader.com
http://www.babypips.com/forex-school/market-hours.html
http://www.refcofx.com/education/what-moves-rates.html

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http://www.fxstreet.com/
http://wn.com/s/forexcapitalnews/index.html
http://www.forexcentral.net/

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http://www.trade2win.com/
http://www.forexfactory.com/
http://www.tacticaltrader.com/
http://www.strategybuilderfx.com/
http://www.forex-tsd.com/

Trading Blogs
http://tradermike.net/
http://www.thinkingstuff.com/blog/
http://www.dismally.com/
http://globetrader.blogspot.com/
http://www.dopeness.org/

Example 1 Answer

Example 2 Answer

Example 3 Answer

Annotations on chart:
- The end of a mature downtrend
- Ranging conditions as the rainbow compresses.
- Ranging conditions so can trade both sides of Bollinger Bands.
- Nice entry on the 200SMA on a collapsing downtrend.
- Notice the squeeze signal for this counter-trend trade. This is something I have not mastered some rules for.

Example 4 Answer

Annotations on chart:
- Take profit at upper Bollinger Band
- Long near 100SMA
- Stop below 200SMA
- Established up-trend
- Bollinger Squeeze signal, expect a move.

USDJPY,M15 114.58 114.59 114.56 114.57
49 minutes 33 seconds left to bar end

Sit your stop begind the
100 and 200SMA

A developing downtrend.

Ranging conditions again with a very
compressed rainbow. Either stand
aside, or trade both sides of the
Bollinger Bands.

Look for a fibonacci
extension for half of the
trade to maximise profits.

Bollinger Squeeze v1 0.3943 0.0000

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28 Jun 2006   28 Jun 18:45   28 Jun 22:45   29 Jun 02:45   29 Jun 06:45   29 Jun 10:45   29 Jun 14:45   29 Jun 18:45   29 Jun 22:45   30 Jun 02:45   30 Jun 06:45

116.80
116.62
116.55
115.80
115.55
115.30
115.05
114.85
114.80
114.57
0.2698
0.00
-1.1225

Example 5 Answer

EURJPY,H4 146.44 146.45 146.38 146.42

Remember to take profit at
the upper Bollinger Band.

The 100SMA acts as the
lower Bollinger Band this
time, a more advanced trade.

A developing uptrend, so
only go long.

A nice trade, but no squeeze
signal, this is something you
could look into.

200SMA acts as the
bottom Bollinger Band in
this case.

Boll

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25 May 2006   29 May 20:00   1 Jun 12:00   6 Jun 04:00   8 Jun 20:00   13 Jun 12:00   16 Jun 04:00   20 Jun 20:00   23 Jun 12:00   28 Jun 04:00   30 Jun 20:00

146.70
146.42
146.27
145.80
145.32
144.90
144.45
144.00
143.55
143.10
142.65
1.1995
0.00
-0.9945

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