

Trading and Hedging with CME Currency Futures

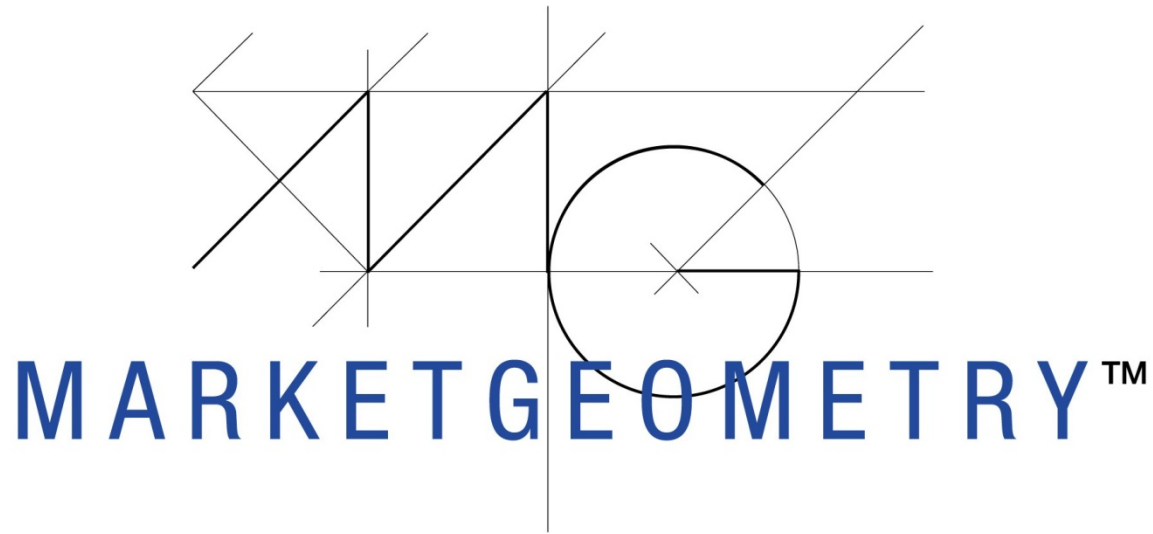


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Results

Past performance does not guarantee future results.

This is one persons experience, your experience may differ.

Results are not guaranteed, individual experiences may vary.

Market Volatility

In volatile market conditions, substantial losses may occur.

In volatile market conditions, orders may not be filled as placed.

Leverage

The leveraged nature of FX trading and Currency Futures trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated and you will be responsible for any resulting losses.

Trading and Hedging with CME Currency Futures

A simple line can be the start of everything. In this presentation, I am going to show you how to use simple lines, combined with Market Structure, the current Context of the market, and the Frequency of Price to find high probability trade entry set ups.

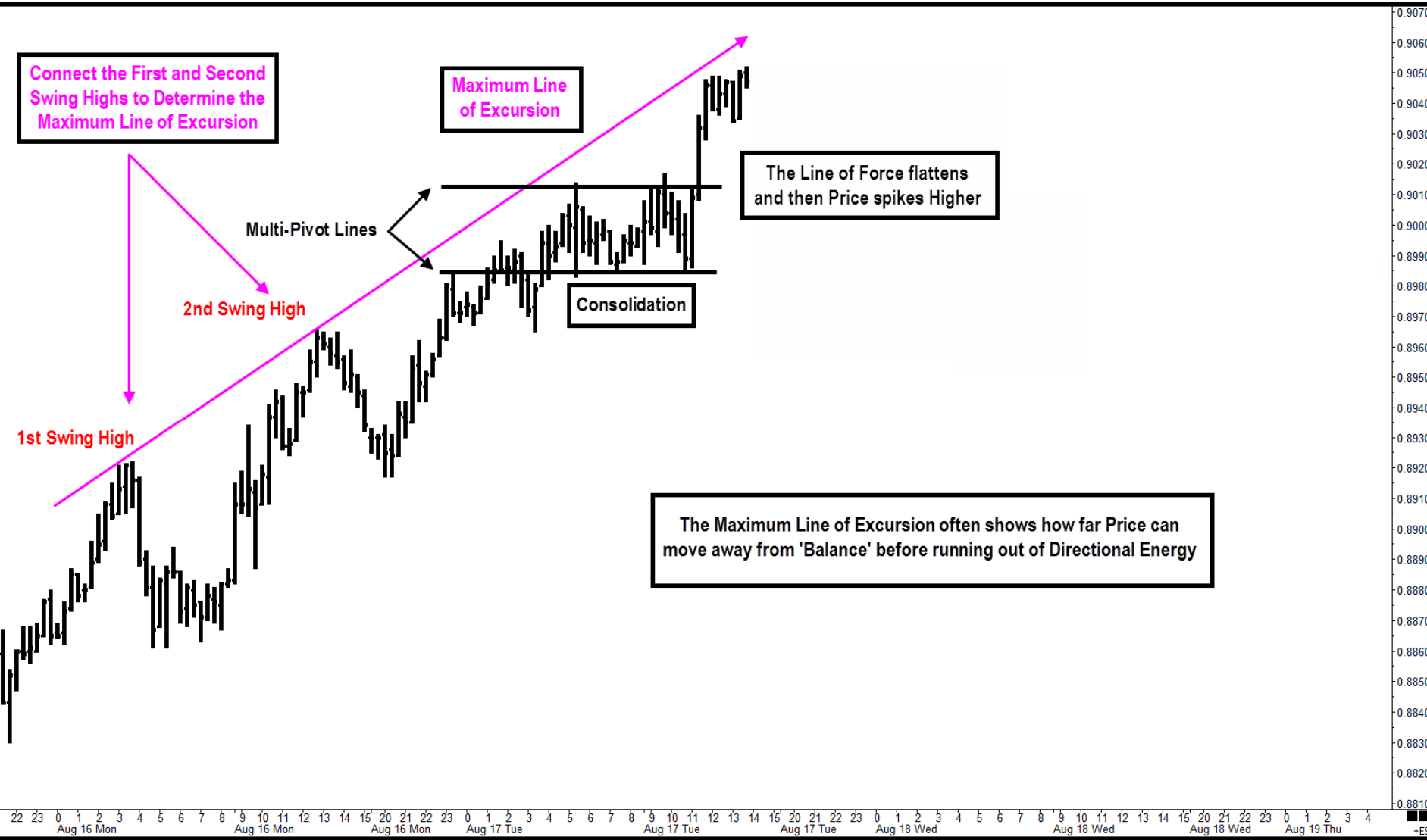
Once I show you how to identify a high probability trade entry, I'll show you how to evaluate its worthiness: How does it rank, looking at money management and the potential Risk Reward Ratio?

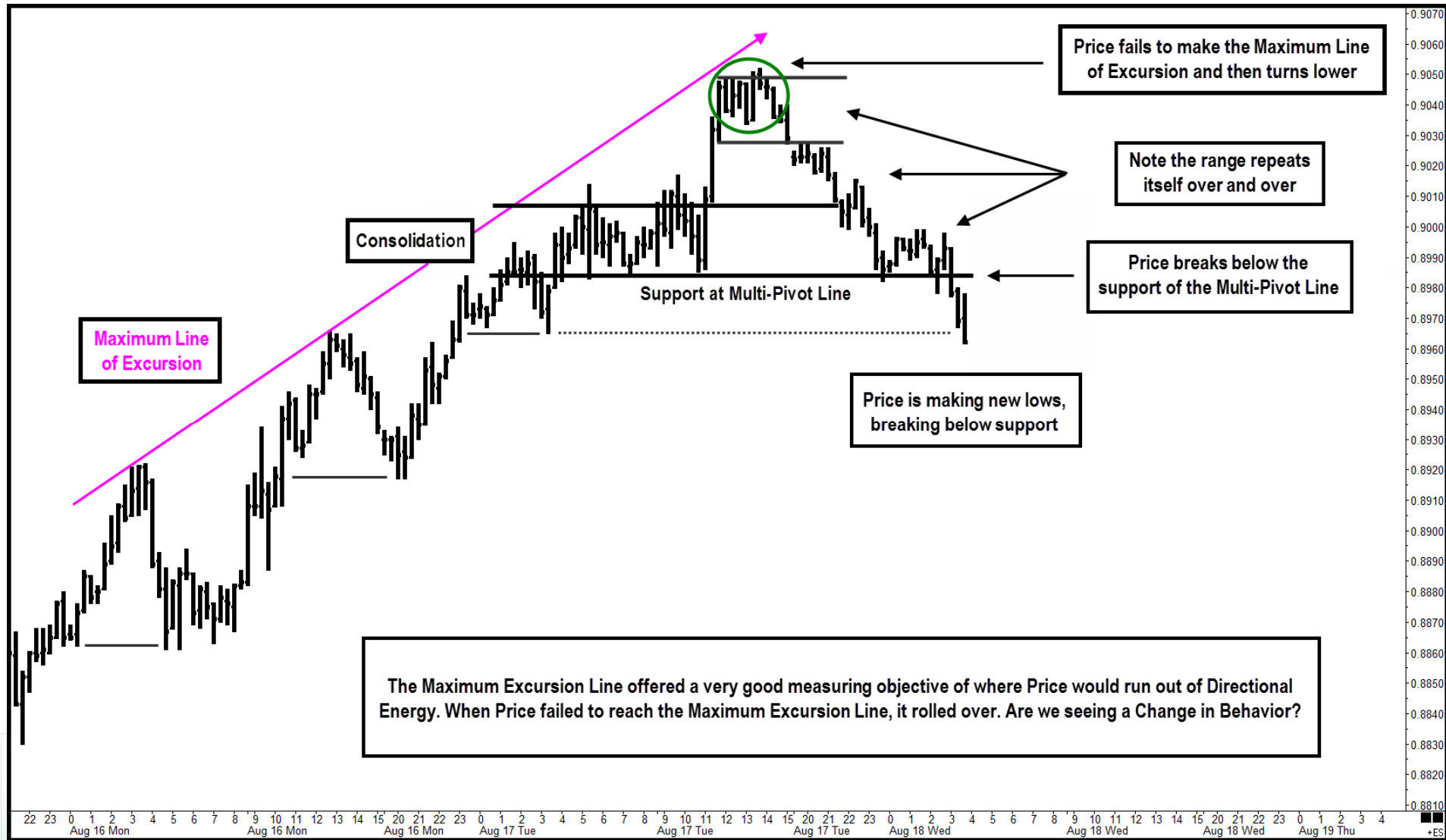
When I can identify any high probability trade entry set ups that also meet my stringent money management and Risk Reward Ratio requirements, I enter my Limit Entry Orders and Initial Stop Loss orders at the same time, then wait to see if the market allows me to enter. If my Limit Entry orders get filled, I will show you how I manage trades as a professional trader.

You will soon learn that a realistic trading plan is the key to consistently profitable trading.

Let us begin this journey with a look at a chart of the Australian Dollar CME Currency Futures filled with price bars.

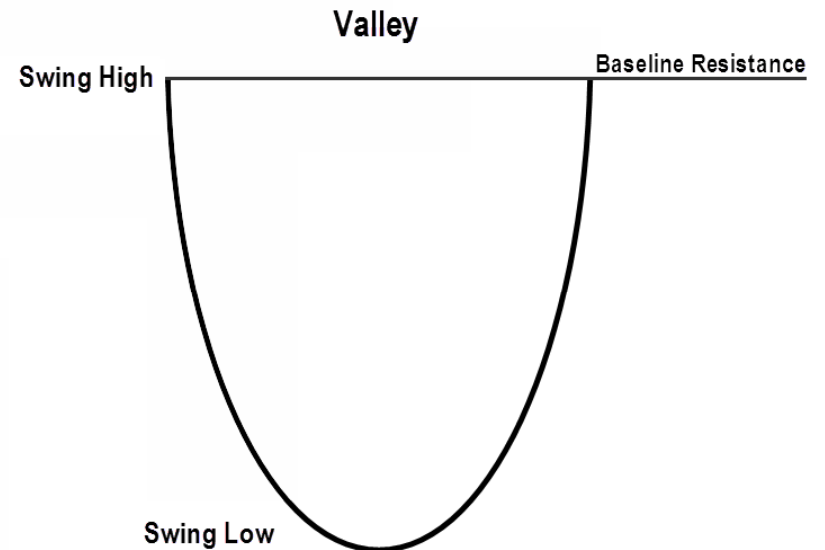
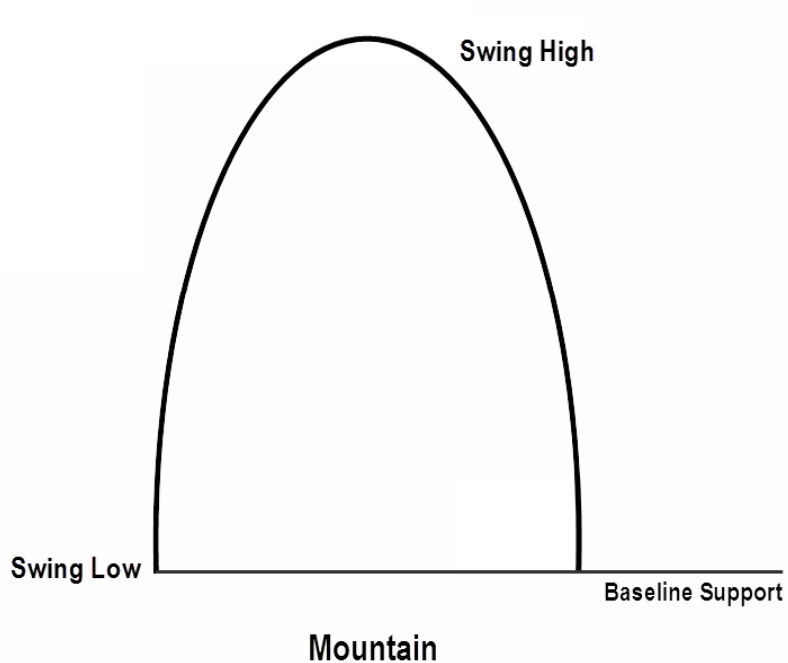


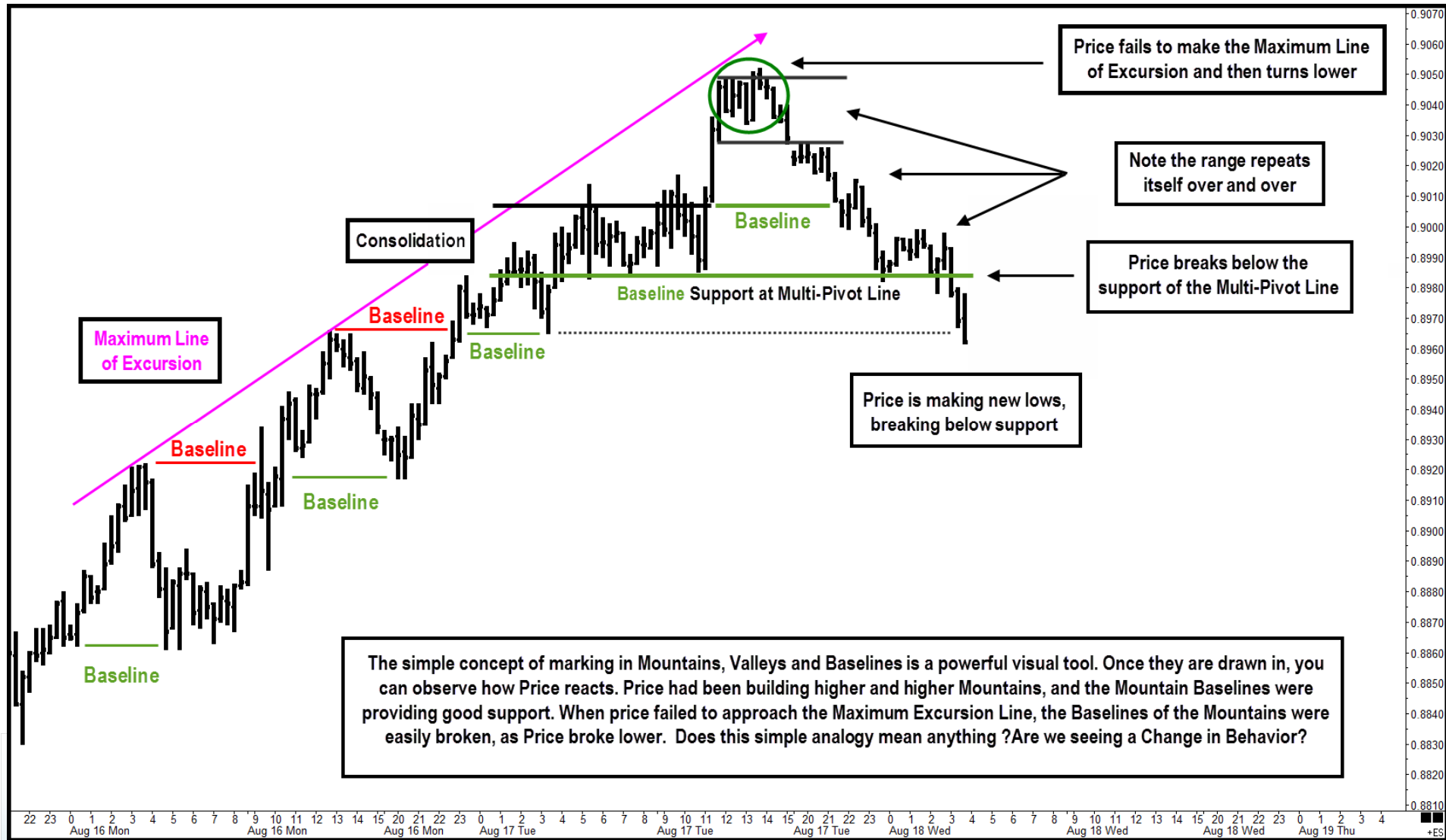




The Maximum Excursion Line offered a very good measuring objective of where Price would run out of Directional Energy. When Price failed to reach the Maximum Excursion Line, it rolled over. Are we seeing a Change in Behavior?

Nature abhors a vacuum or 'empty space'. We see Price try to fill an Open Gap regularly - Most traders not only expect Gaps to be filled, they plan trades to take advantage of this potential movement. The concept of Mountains and Valleys is partly built on this tendency but it is a more basic and reliable tendency of Price. By watching how Price builds Mountains and Valleys and IF Price fills in the Mountains and Valleys and or respects the Baselines, it is visually easy to understand Market Structure.

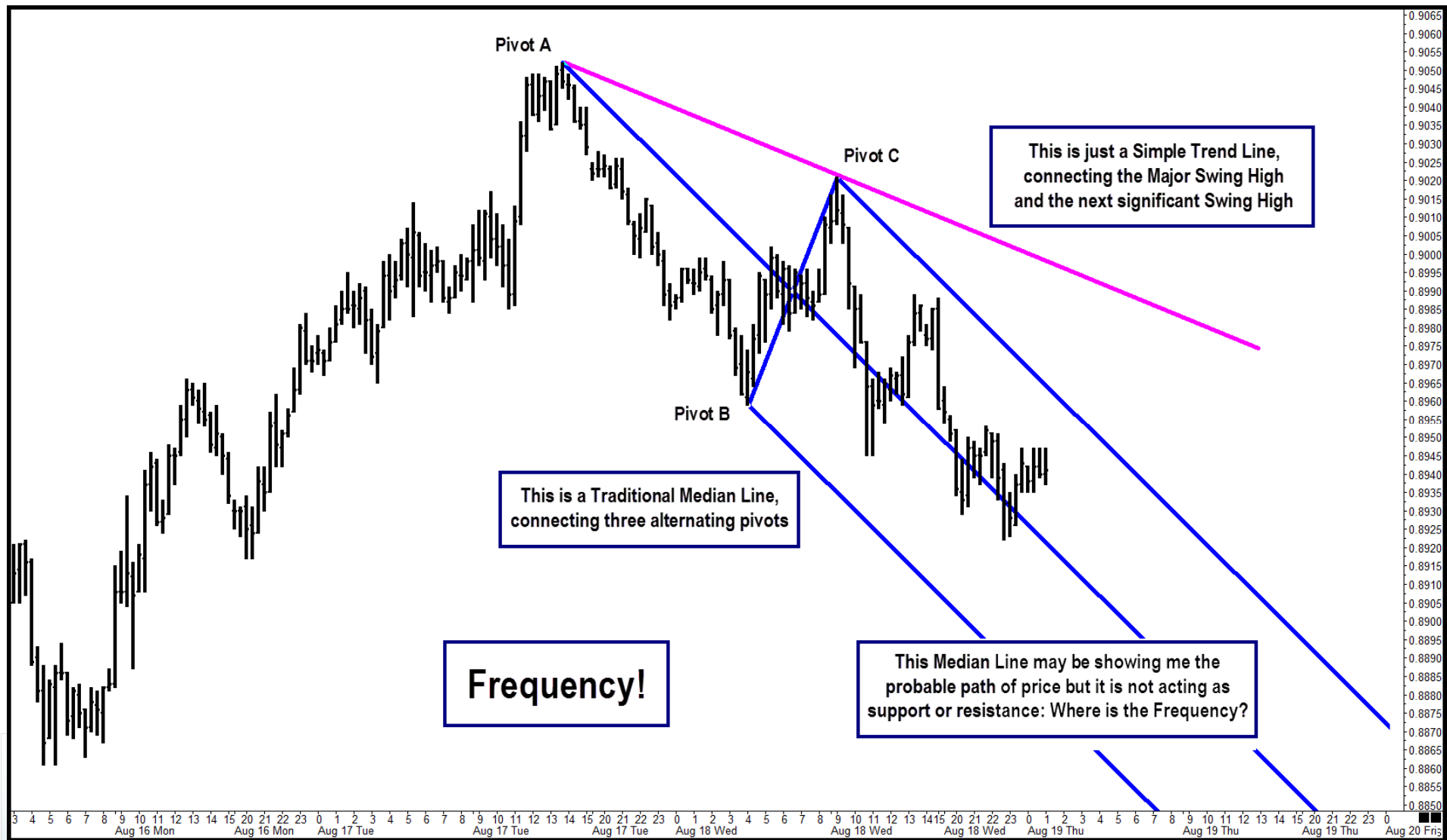


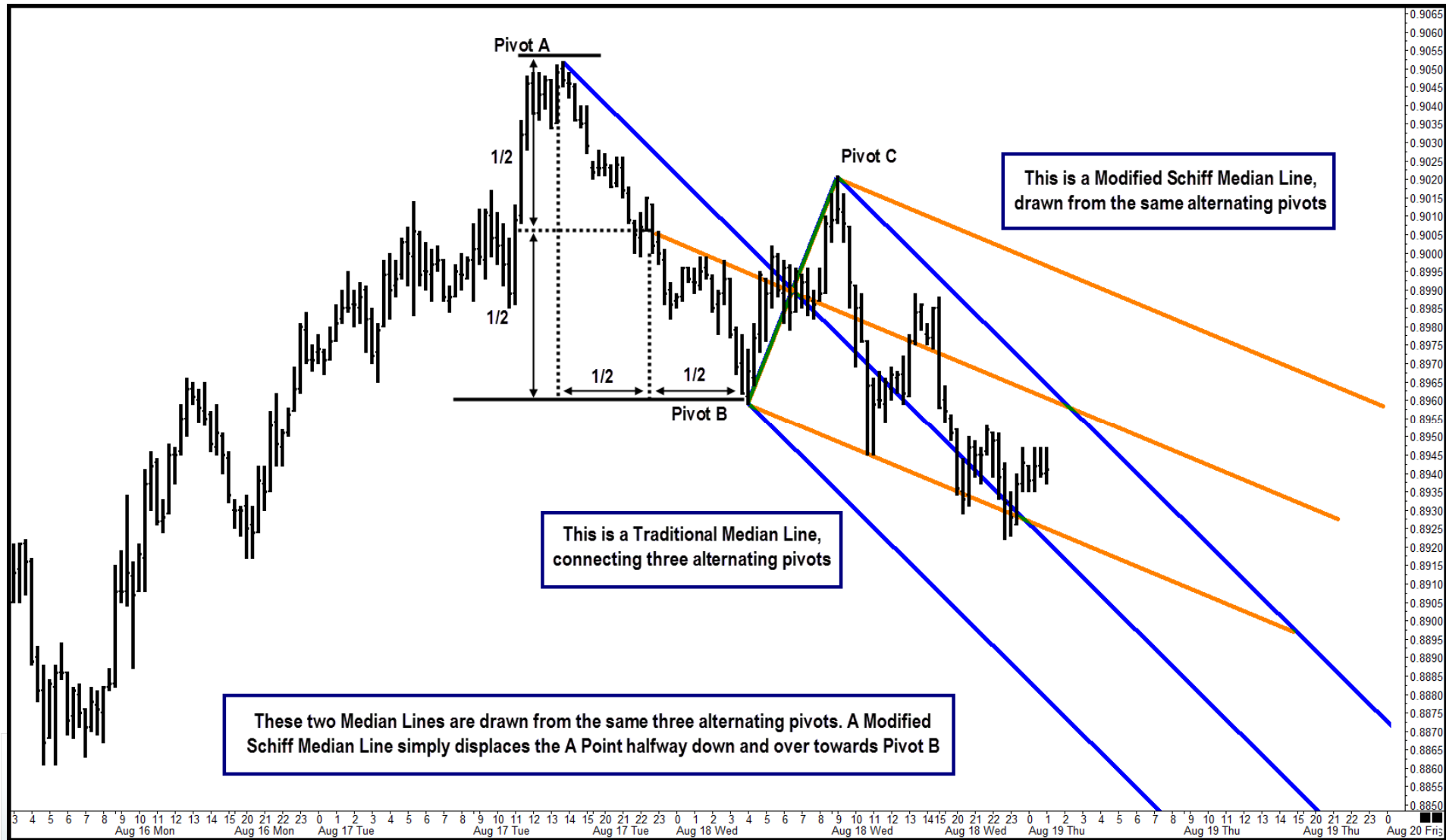




Here is the same chart, using traditional Swing High and Swing Low Analysis to look for trending markets and Changes in Behavior. On the left hand side of the chart, you can see Swing Lows acting as support; on the right hand side of the chart, you can see Price is no longer respecting Swing Lows, easily breaking below them - Now the Swing Highs are in control and acting as strong resistance to any advance in Price.



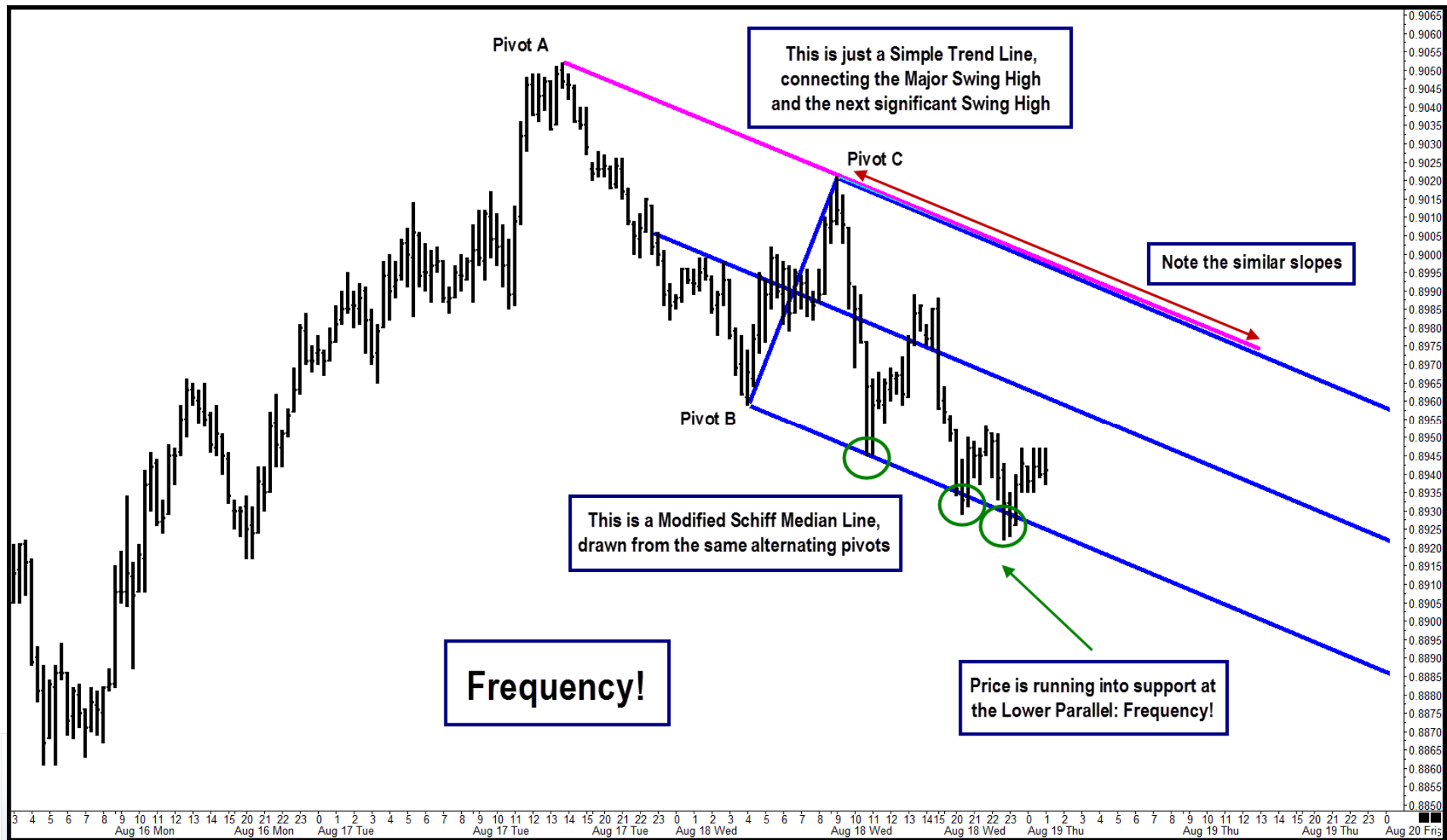




This is a Modified Schiff Median Line, drawn from the same alternating pivots

This is a Traditional Median Line, connecting three alternating pivots

These two Median Lines are drawn from the same three alternating pivots. A Modified Schiff Median Line simply displaces the A Point halfway down and over towards Pivot B



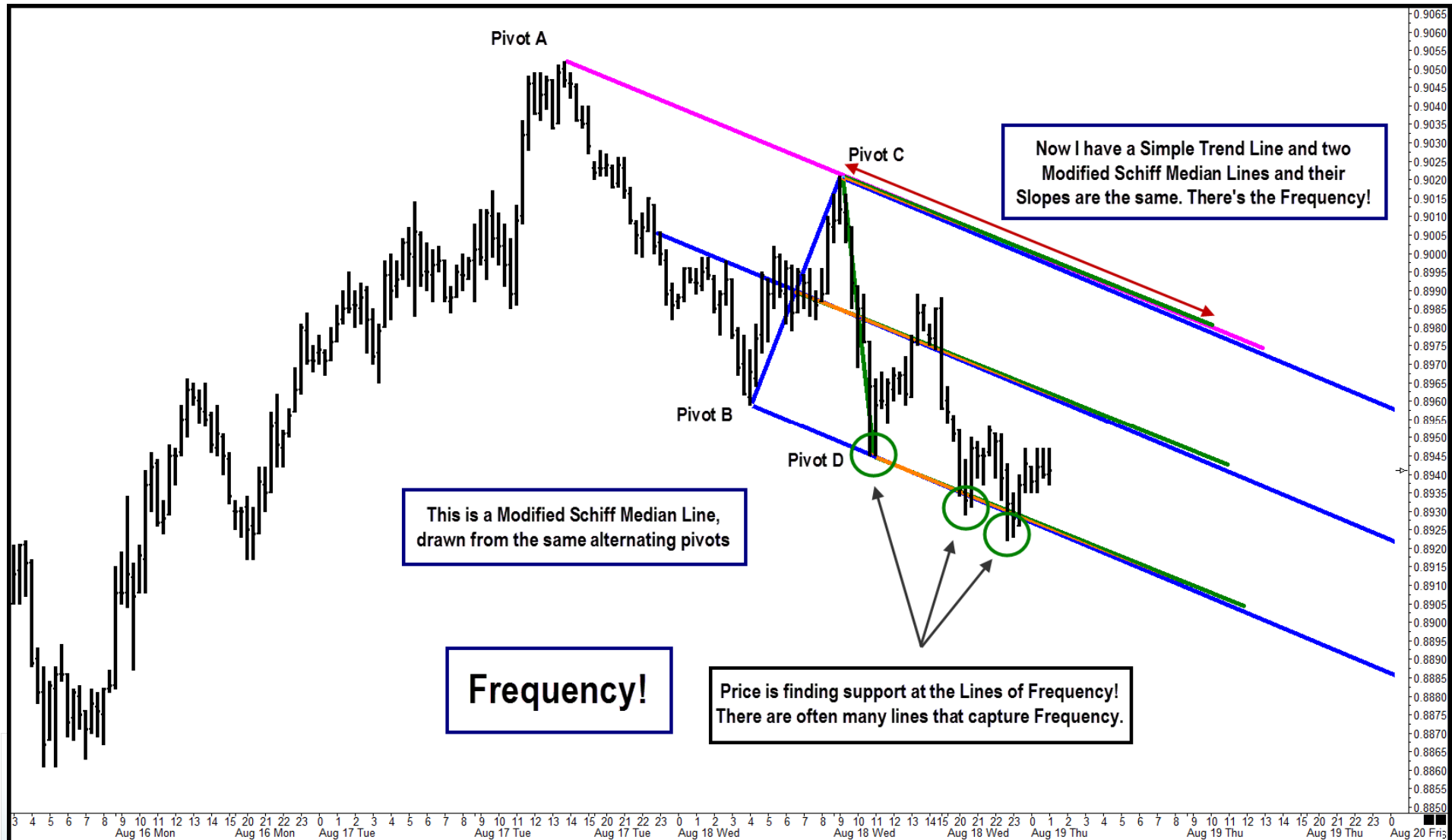
This is just a Simple Trend Line, connecting the Major Swing High and the next significant Swing High

Note the similar slopes

This is a Modified Schiff Median Line, drawn from the same alternating pivots

Frequency!

Price is running into support at the Lower Parallel: Frequency!

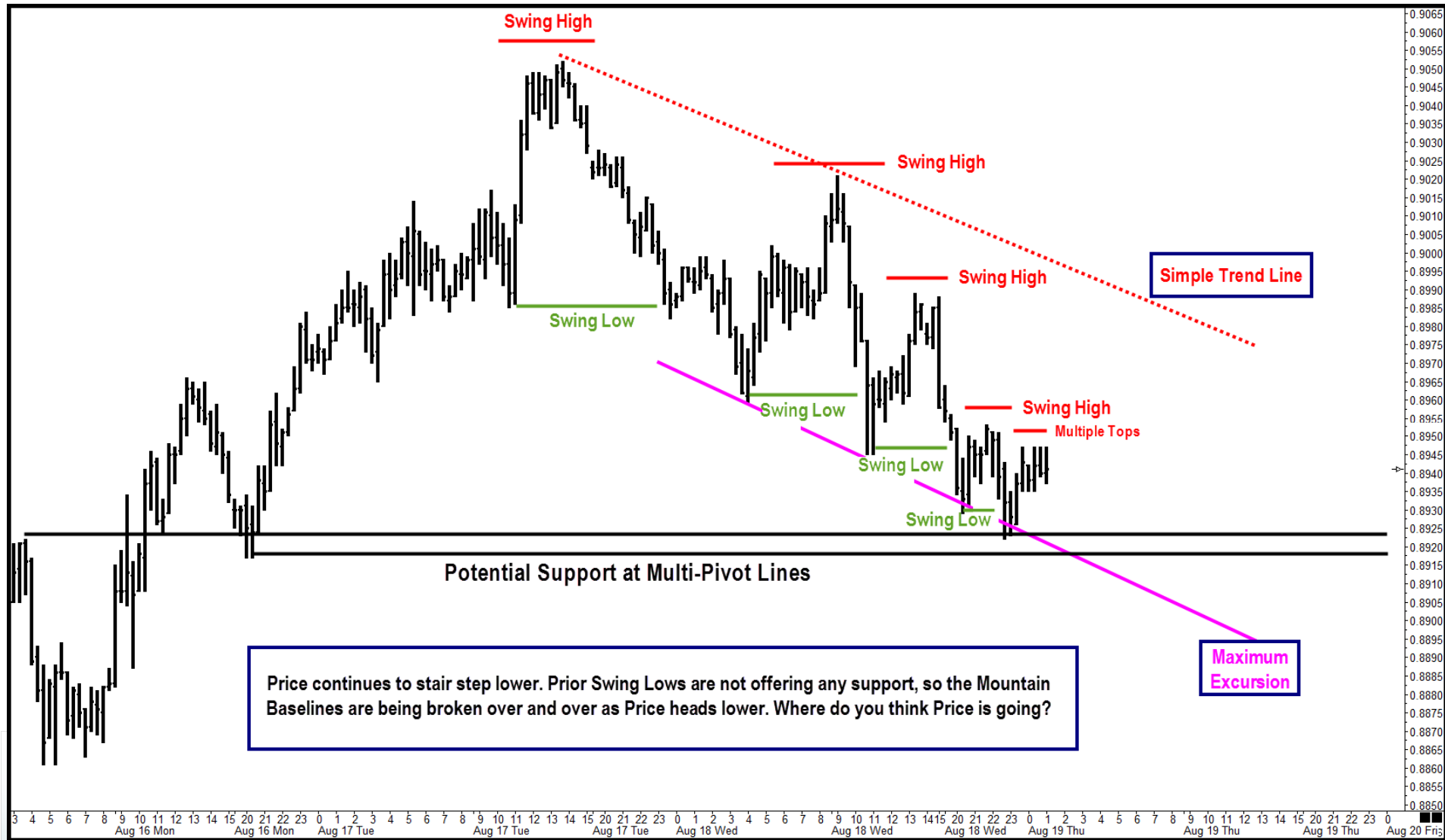


Now I have a Simple Trend Line and two Modified Schiff Median Lines and their Slopes are the same. There's the Frequency!

This is a Modified Schiff Median Line, drawn from the same alternating pivots

Frequency!

Price is finding support at the Lines of Frequency! There are often many lines that capture Frequency.



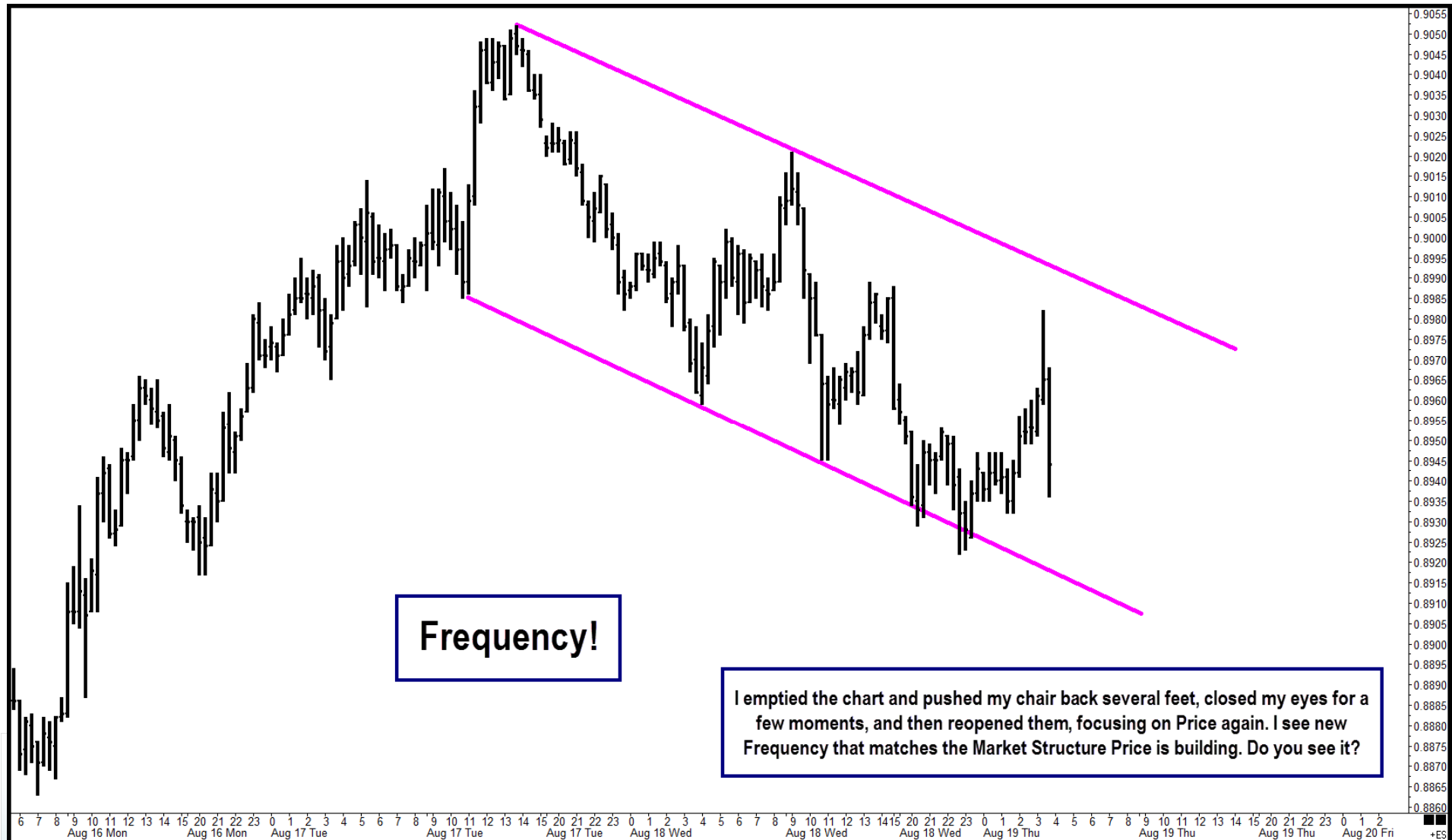


This is just a Simple Trend Line, connecting the Major Swing High and the next significant Swing High

Next Swing High

Maximum Excursion

Price failed to break and hold below the Maximum Line of Excursion. Now it has broken above a prior Swing High and is making higher Lows. Is this a Change in Behavior? Where do you think Price is going?





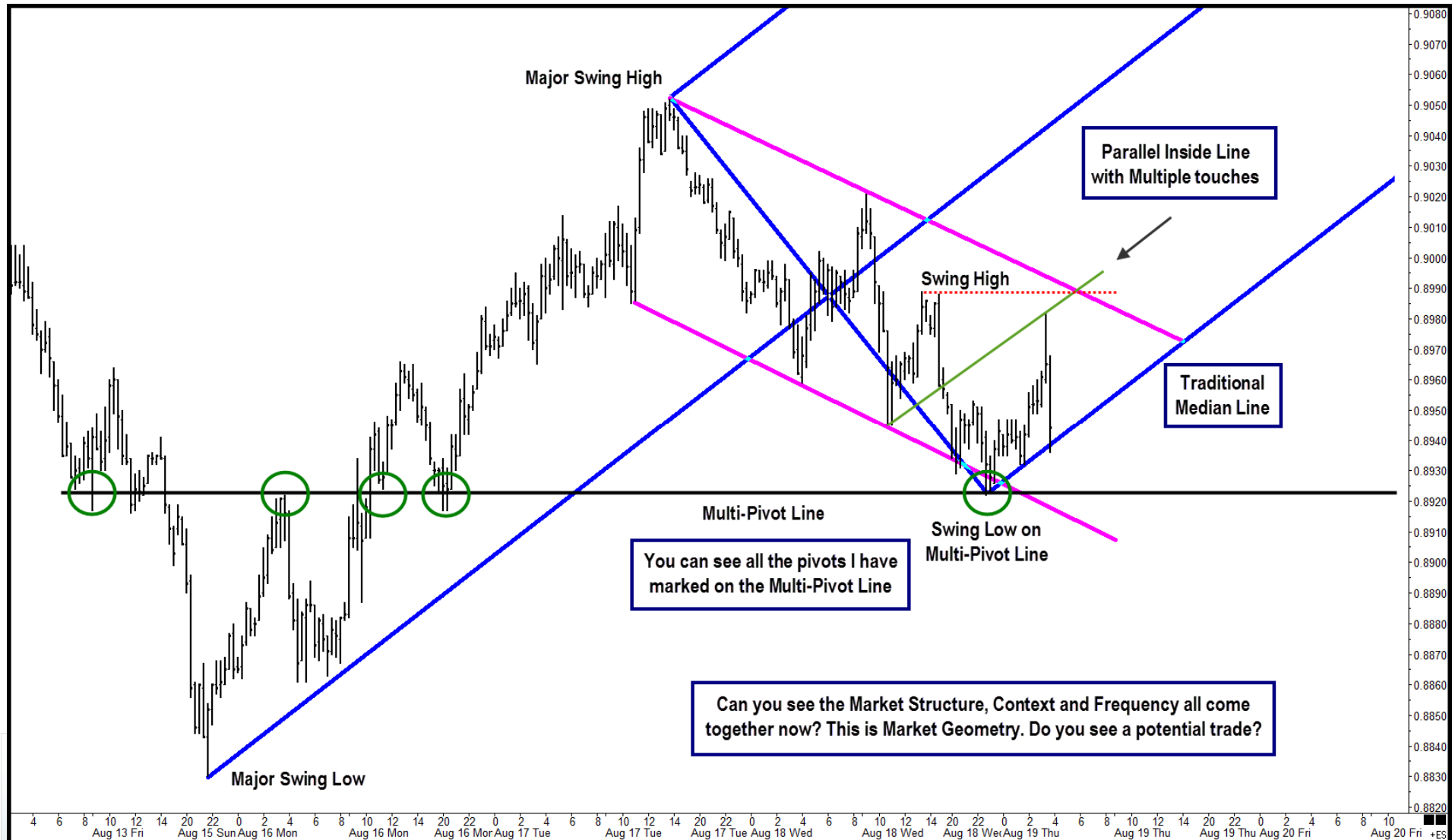
I simply connected the second Swing Low that created the Maximum Excursion Line to the recent wide range higher bar, a Swing High, looking for Frequency. The interesting parts of the charts are usually found at the extremes. Do you see the new Frequency yet? Push your chair back, close your eyes, and try it!



Did you notice that Price stopped right at this Multi-Pivot Line? Could there be resting Limit Buy Orders at this level?



I market out what seems to be upsloping frequency, based on some Market Structure and multiple touches on upsloping lines. Is this a simple pullback in a downtrend? Or is there Context that can be added here to support a potential trade?



Major Swing High

Parallel Inside Line with Multiple touches

Swing High

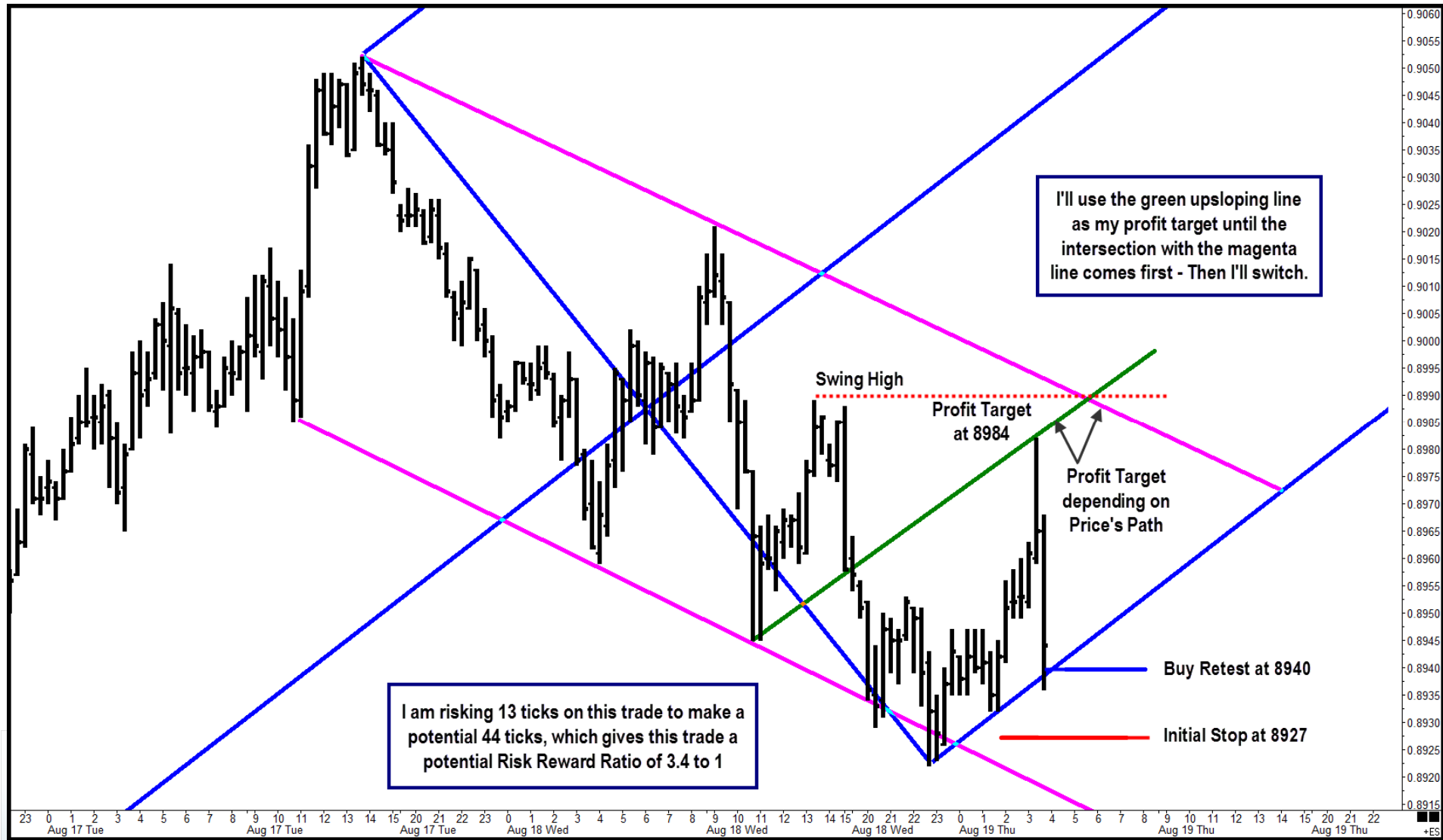
Traditional Median Line

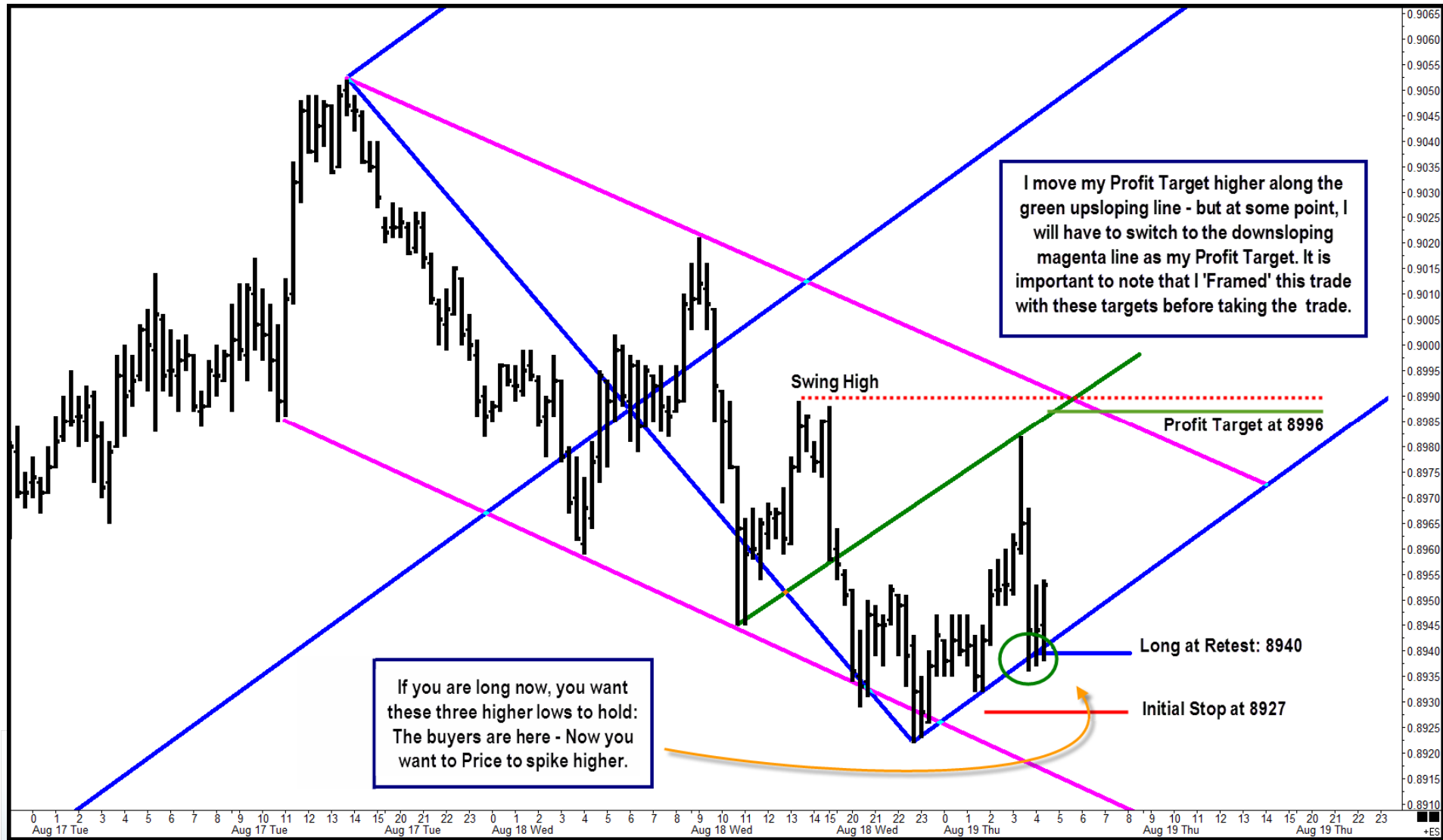
Multi-Pivot Line
You can see all the pivots I have marked on the Multi-Pivot Line

Swing Low on Multi-Pivot Line

Can you see the Market Structure, Context and Frequency all come together now? This is Market Geometry. Do you see a potential trade?

Major Swing Low









Frame the trade, Plan the Trade, Trade your plan!

These aren't long term Portfolio Trades - these are hand to hand combat trades, close to the action and you have to Frame these trades to fit this style or you will get caught without a chair when the music stops!

I am risking 15 ticks to make a potential 60 ticks, which gives this trade a potential Risk Reward Ratio of 4 to 1

Stop Loss at 8998

Sell Retest at 8983

Baseline

Profit Target at 8923

Multi-Pivot Line







Plan the Trade, Trade the Plan!

Price spikes below the three higher lows and at one point, I have a potential 33 ticks of profit in the trade. When Price closes near the high of the wide range bar, I cancel my Stop Loss order and enter a Break Even Stop.

My Profit target is not changing because I want to take profits just above the Multi-Pivot Line and the prior Swing Low

Cancel Stop Loss

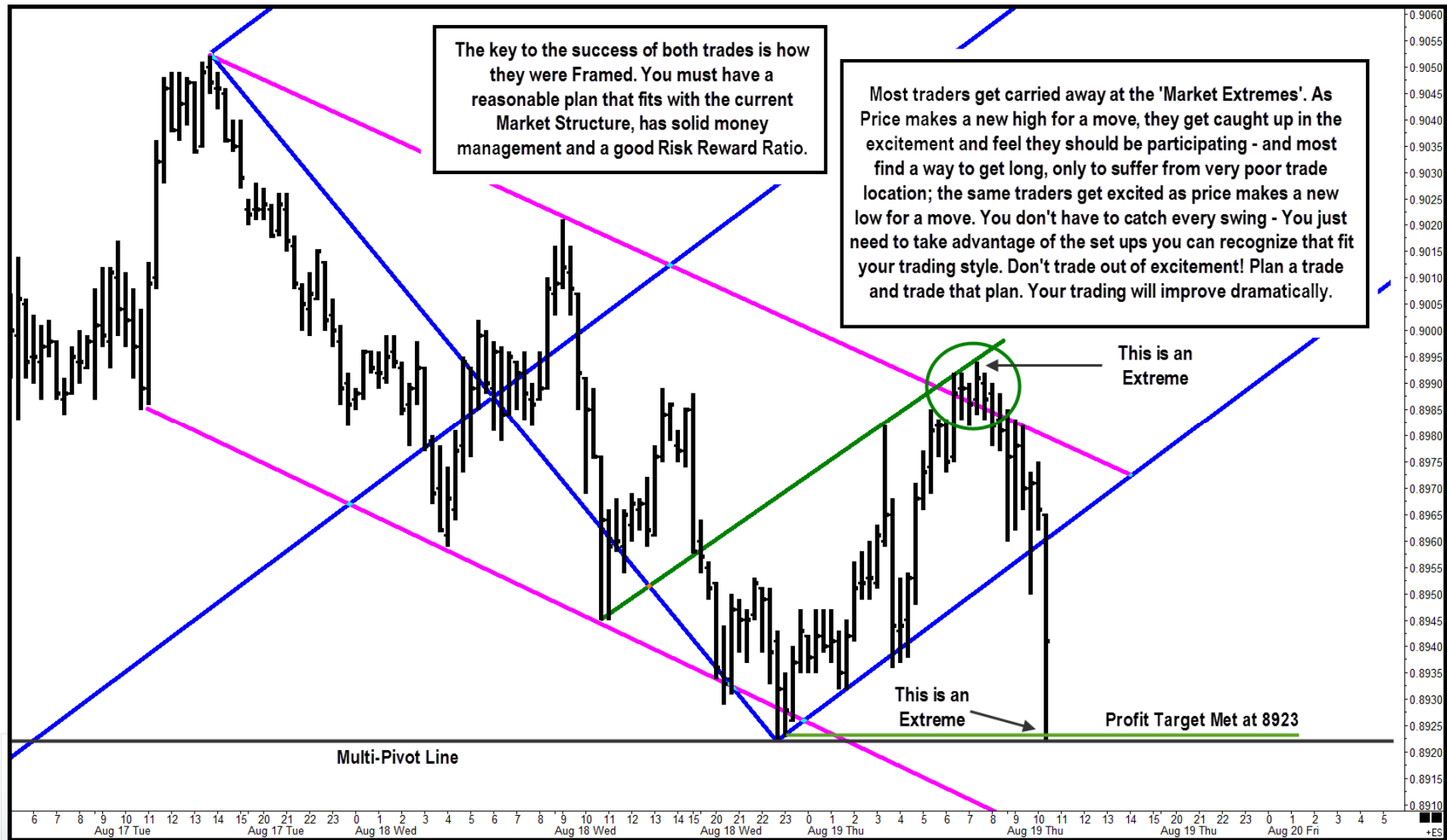
Short at Retest: at 8983

B/E Stop

Stop to B/E

Profit Target at 8923

Multi-Pivot Line



The key to the success of both trades is how they were Framed. You must have a reasonable plan that fits with the current Market Structure, has solid money management and a good Risk Reward Ratio.

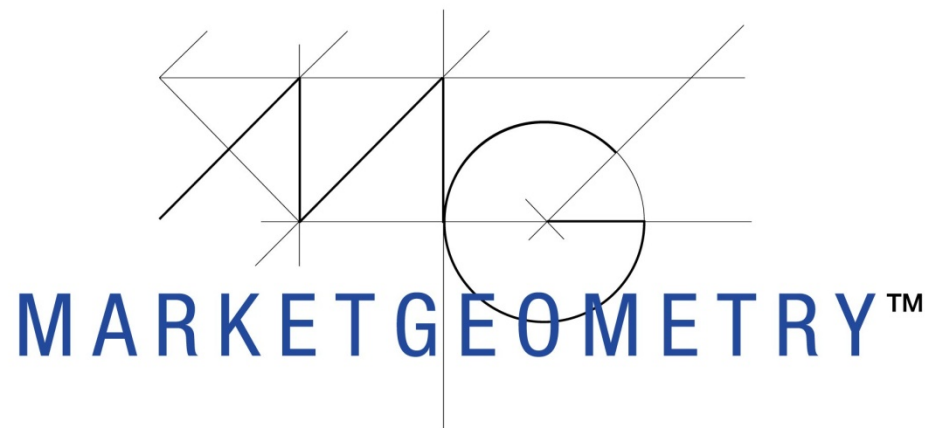
Most traders get carried away at the 'Market Extremes'. As Price makes a new high for a move, they get caught up in the excitement and feel they should be participating - and most find a way to get long, only to suffer from very poor trade location; the same traders get excited as price makes a new low for a move. You don't have to catch every swing - You just need to take advantage of the set ups you can recognize that fit your trading style. Don't trade out of excitement! Plan a trade and trade that plan. Your trading will improve dramatically.

This is an Extreme

This is an Extreme

Profit Target Met at 8923

Multi-Pivot Line



Thank You for taking the time to attend this session.

Questions?

“Master your tools, master yourself.”

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