

By Islander 3rd August 2013

## Trading with The Three Dragons Part 2

So far I have only mentioned trading UsdJpy and as the alert followers of Sonic's thread will have noticed, I have posted screen shots showing four different usually 5 min charts – EurUsd, GbpUsd, UsdJpy and one other chart, which with either be the € or Gbp Yen Cross – or UsdChf.

Whilst I believe that UsdJpy is the single Forex pair that (currently) offers the most consistent trading opportunities, there are times when one of the others will offer better opportunities. This is especially valid when either the 5m Dragon of either Euro or Cable (GBP) starts to **slope in the same direction** as the 5 min Dragon on the UsdJpy chart – viz: these Two Dragons are in **harmony** with the result that the Yen Cross (EurJpy or GbpJpy) will move considerably more than either basic pair as the cross is the multiple of its two components.

So my fourth chart will normally be UsdChf as a proxy for “pure” US Dollar movement as the actual Swiss Franc itself is a very stable currency and thus movements in UsdChf are almost always due to changes in the value of the US Dollar. When I see a potential for Euro or Cable harmony with UsdJpy I will change the fourth chart to the appropriate cross – EurJpy or GbpJpy

My four 5m overview charts are all on one monitor and from my overview I will drop to my other monitor and onto my 1 min trading chart – see post

Whilst I am following with interest TAH's “work in progress” and his views on what the MMs are doing, this has little or no influence on trading the Three Dragons, since we are only interested in catching the intra day moves that the MMs are making as they move prices up and down whilst building their own huge positions. However, once a “move for profits” begins, we are ideally placed to take advantage of the move by staying in the move as it blasts straight through the smaller S&R levels. Here, experience in reading the price in relation to the 1m & 5m Dragons **AND** their outer bands is essential if we are to maximise our profits from such an opportunity.

The posted 1m chart shows how patience was rewarded yesterday after the FOMC announcement...

During the three weeks since I posted my first document I have posted further charts confirming that, basing entries around my proxy for the 5m Dragon – the 1m 120 EMA – there are more than sufficient opportunities during the London Session to bank sufficient pips to achieve my **minimum** weekly target of 250 (full sized) pips = 25,000 of the micro pips currently being most frequently posted. In fact – as previously suggested by Sonic in one of his earlier documents – that can often happen during the three hours following the London Open as this is – excluding Central Bank Releases and similar – the most active trading period during the day. Also, as other traders have posted, my minimums are frequently exceeded especially on more volatile days.

So the objective for any trader following this methodology is to move as quickly as possible to trading in Standard Lots (\$10 / pip) which means 2 Standard Lots / trade, thus making the weekly minimum target worth \$5,000

For US based traders limited to 50:1 gearing / leverage this means a minimum capital of \$2,000 / standard lot and – given that we use ~ 10 pips Stop Loss, I would work with \$3,000 as a “real life” minimum to be used **ONLY** once a trader has gained experience with this methodology and achieved several 250 pip weeks trading mini lots and multiples thereof.

Next I will make a collection of some of my recent posts which I hope will assist traders who wish to trade with the Three dragons.....

