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# D.O.T.S. – Guppy
## Trading Method

# QUICK START

Dean Malone
www.compassfx.com/dots

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# DOTS-Guppy Trade

## Topics Covered

- Setting up the Chart Template
- Creating Session Templates & Profiles
- Understanding Guppies
- DOTS-Guppy Trade
- Trade Entry Rules
- Trade Management

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# D.O.T.S. & Guppy Filter

## Setting up the Chart Template

1. Close MetaTrader 4.0.
2. Go here to get Sonny's GMMA template: http://www.compassfx.com/dots/guppy/sonnys_guppy_mmas.tpl
3. Save to it to your desktop.
4. Copy and paste or move the template into you MetaTrader 4.0 templates folder: C:\Program Files\MetaTrader\templates
5. Open MetaTrader 4.0
6. Open a new 15-minute chart.
7. Click on the Template button in the top menu bar and select the template.

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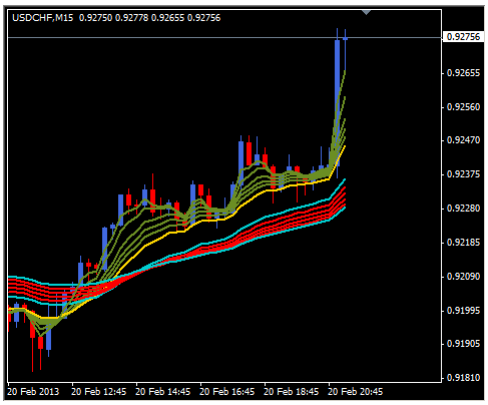
# D.O.T.S. & Guppy Filter

## Setting up the Chart Template

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# D.O.T.S. & Guppy Filter

## Creating Session Template & Profiles

1. Open MetaTrader 4.0
2. Open a new 15-minute chart.
3. Apply Sonny's GMMA template.
4. Apply the DOTS with the Australian Open.
5. Save the chart as a new template… DOTS_Sonny_Australian Open.
6. Open a number of different charts and apply this template.
7. Arrange the charts the way you want.
8. Click File > Profile > Save As … then name the Profile.
9. Change DOTS to European Open…Save European Profile.
10. Change DOTS to New York Open…Save New York Profile.

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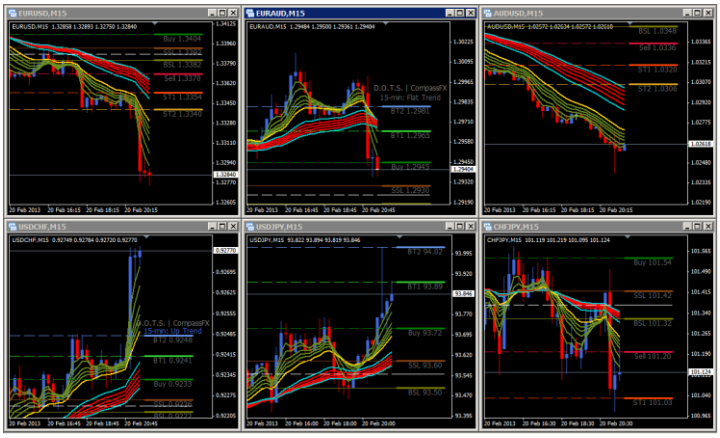
# D.O.T.S. & Guppy Filter

## Creating Session Template & Profiles



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# Guppy Overview

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# Guppy MMAs

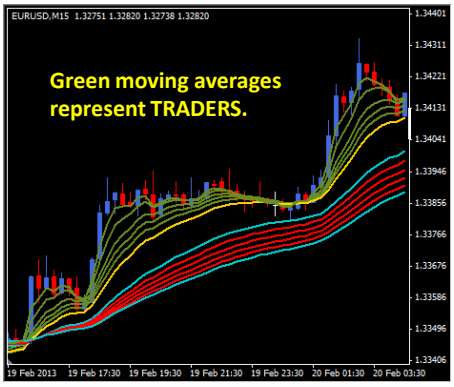
Understanding the GMMA

**Short-term GMMA = Traders**

The traders always lead the change in trend.

Their buying pushes up prices in anticipation of a trend change or continuation.

The trend survives only if other buyers also come into the market.

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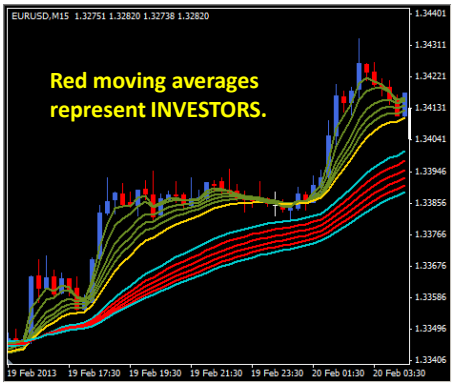
# Guppy MMAs

## Understanding the GMMA

**Long-term GMMA = Investors**

Strong trends are supported by long term investors and institutions.

The investor takes more time to recognize the change in a trend but he always follows the lead set by traders.

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# Guppy MMAs

## Understanding the Guppies

- The Guppies, alone, do NOT initiate an entry or an exit.
- The Guppies allow a trader to understand the market relationships shown in the chart and trend activity.
- Traders should not attempt to make the Guppies "work" in all conditions. In other words, do NOT force a trade because you "think" you see a setup.
- Wait for the proper Guppy setup that corresponds to a DOTS entry level…then TEST the trade setup!

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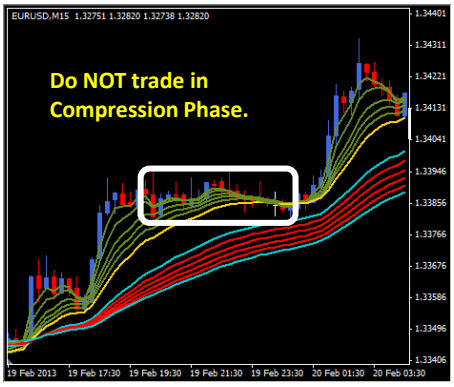
# Guppy MMAs

## Understanding the Guppies

**Compression Phase**

Means "Caution"…suggests there is an agreement among traders and/or investors at a price level.

Traders and/or investors are potentially exiting positions… and possible competition between traders and investors.

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# Guppy MMAs

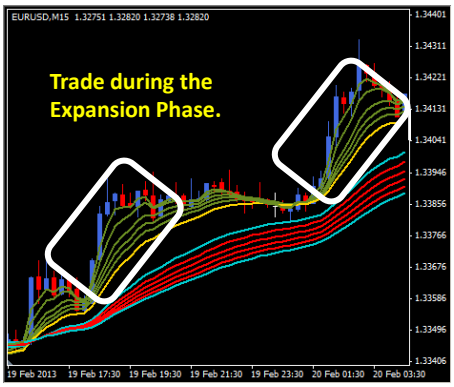
## Understanding the Guppies

**Expansion Phase**

Means "Buying or Selling" in the direction of the trend.

Often there is significantly greater movement seen in traders.

Expansion seen in investors is a sign of continued strength in the trend.

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# Guppy MMAs

## Understanding the Guppies

**Penetration Phase**

Means "Change"…traders moving in opposite direction from investors.

If investors are reluctant to change, traders are pushed back into the original trend direction. But, if investors fail to continue with trend, then expect change in the trend.

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# Guppy MMAs

## Understanding the GMMA

**Braiding / Weaving**

Means "Price Agreement" from traders and investors.

No clear trend direction seen from traders or investors.

Traders are the first to move.

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# DOTS-Guppy Trade

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## DOTS-Guppy Trade

"Sonny Setup"

- Identify Long-term Guppy Multiple MAs
- Identify Short-term Guppy Multiple MAs
- Wait for trade setup – Trade Entry Checklist
- Use DOTS levels for Entries & Exits.
- Integrate a trade management plan.

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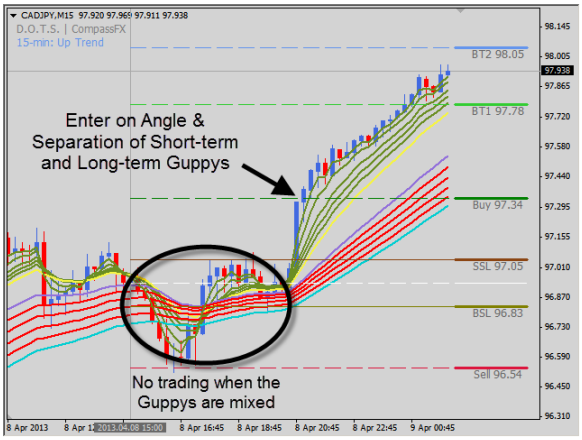
# DOTS-Guppy Trade

"Sonny Setup"

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# DOTS-Guppy Trade

Sonny's Entry Criteria

1. MUST have good Angle and Separation *(DOTS-Guppy Pattern)*
2. Trade the Short-term Guppys in the direction of the Long-term Guppys.
3. Set Pending Orders… *pending orders take fear out of pulling the trigger.*
4. Trade after the news! No pending orders around RED news announcements.
5. Look to take valid entries on currency pairs of 5-pip spread or less.

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# DOTS-Guppy Trade Entry Checklist

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## DOTS-Guppy Trade

### Trade Entry Checklist

- Angle
- Separation
- Alligator Mouth
- Trend Direction
- Higher Time Frame
- Previous High/Low
- Long-term Rollover
- Average Daily Range
- Support & Resistance
- Previous DOTS Session
- RED News
- Market Sentiment

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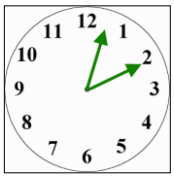
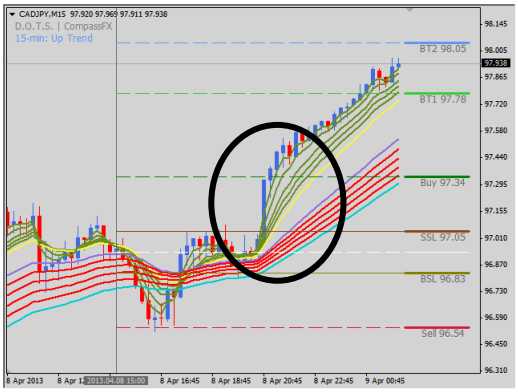
# Angle

## Slope of the Short-term and Long-term Guppies




Long Trade
Angle of Guppys between 12:30 & 2:00

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# Angle

## Slope of the Short-term and Long-term Guppies

Short trade
Angle of Guppys between 4:00 & 5:30

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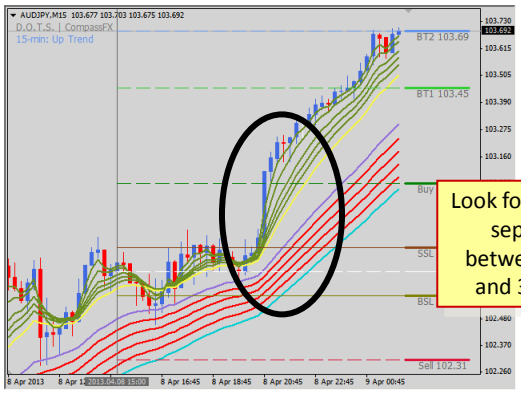
# Separation

Increasing distance between Short-term Guppies…
Even better probability with Long-term Guppies




Look for increasing separation between the 15 and 30 EMAs.

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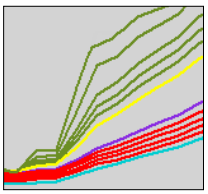
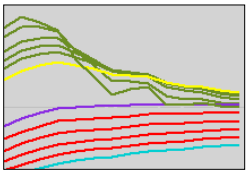
# Separation

There are two elements of Separation:
**Expansion** and **Compression**



**Expansion** – increasing separation between the moving averages.

**Compression** – decreasing separation between the moving averages.



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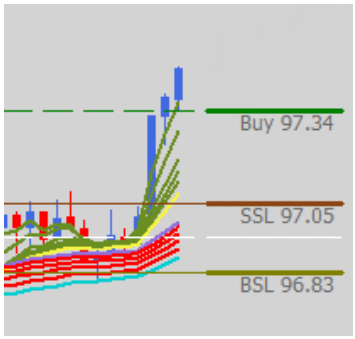
# Alligator Mouth

A distinguishable separation between the 15 EMA and 30 EMA.
Look for strong “rising” or “declining” angle of the 15 EMA.

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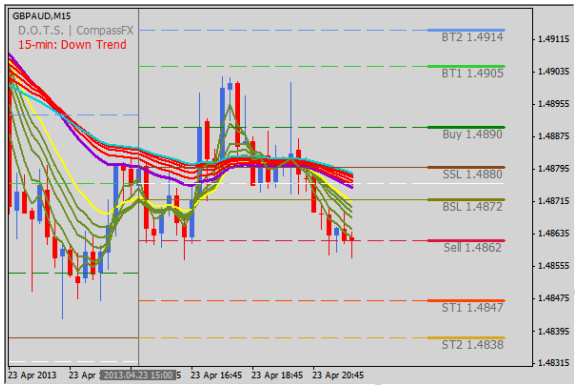


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# Trend Direction

Consider Slope & Direction of
Short-term & Long-term Guppys.

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# Trend of Higher Time Frame

Look for agreement between 15 and 30 minute charts.

15-minute

30-minute

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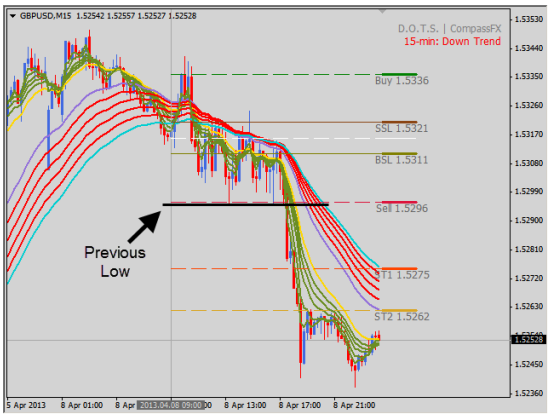
# Previous High or Low

Consider the break of a Previous High or Low near a Buy Entry or Sell Entry as addition trade confirmation.

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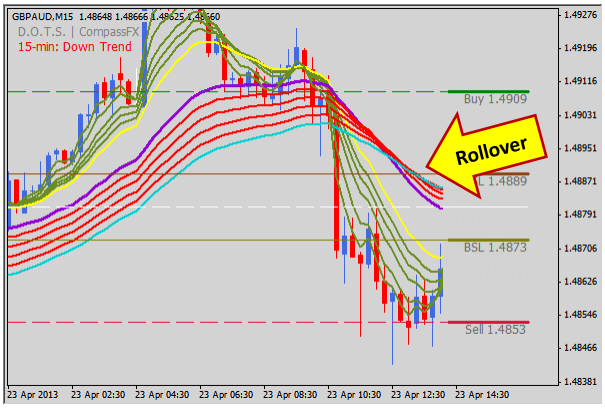
# Long-term Rollover

Monitor 30 EMA & 55 EMA Rollover

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# Test of the Long-term Rollover

*After a 30 / 55 rollover, **EXPECT** the market to test the Long-term Moving Averages!*

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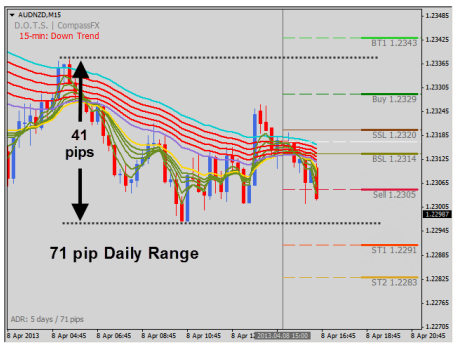
# Average Daily Range

*Compare the Range of the Day to an Entry Level.*

- Consider the distance of price movement from High to Low over the session or day, then compare to the ADR.
- If the market has hit or surpassed the ADR, look for possible retracement.
- If the current Buy Entry or Sell Entry is near the ADR, re-evaluate the entry.

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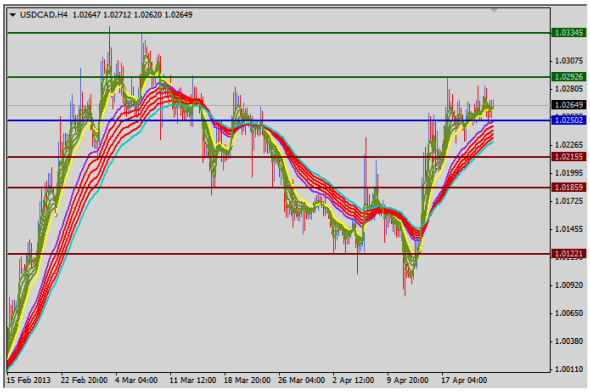
# Support / Resistance

*Price has the tendency to trade between major and minor Support and Resistance levels.*

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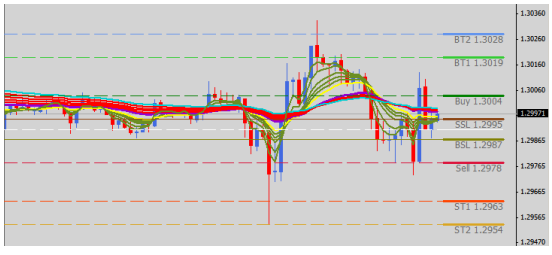
# Previous DOTS Sessions

*Previous DOTS Sessions can influence following DOTS session.*

- Check the previous sessions.
- Look for executed or still valid 15 minute charts.
- Note: If price is range-bound between the Buy Entry and Sell Entry from one session to the next, then maintain the previous sessions DOTS levels.

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# High-Impact **RED** News

*High impact new events can cause temporary price spikes.*
*Avoid trading 30 minutes to 1 hour before **red** news.*

Be aware of these news events:

- Interest Rate Announcement & Central Bank Minutes
- Employment / Unemployment (NFP)
- Gross Domestic Product (GDP)
- Consumer Price Index (CPI)
- Purchasing Managers Index (PMI)
- Trade Balance
- Home and Retail Sales

*Avoid trading at the Open of a session… price can quickly spike only to retrace to session open. Be patient and allow the market to test levels.*

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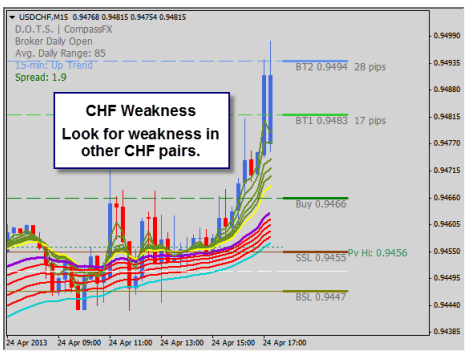
# Market Sentiment

Sentiment is the prevailing market attitude as a result of the overall economic assessment, fundamental and technical factors and market reaction to world events.

*Monitor the market for currency strength or weakness.*

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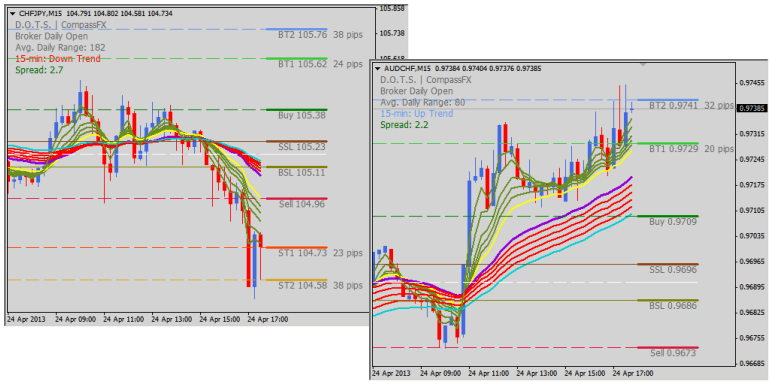
# Market Sentiment

CHF Weakness… affects other CHF currency pairs.

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# Trade Management

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# Trade Management

1. Set a daily profit goal and loss limit.
2. Keep focus on the trading process.
3. Plan ahead & use trading resources.
4. Review your trades.

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# Sonny's Trade Management

- Risk 2% or less of account per trade.
- Follow trade with Stop Losses... or use a trailing stop loss
  - + 10 pips after Entry … move to breakeven + 2 pips.
  - Price beyond Target 1 level … move to Target 1 + 2 pips.
  - Price beyond Target 2 level … move to Target 2 + 2 pips.
  - Then… use a 13.5 or 15 pip trailing stop.
- At entry, set the Stop Loss at the DOTS Stop Loss level.
- If after entry the trade "looks weak", kill the trade.
  - Guppy's breaking down / pinching / crossing of small MAs
  - Yellow Guppy line going flat
- Don't double dip
- When the pattern is "breaking down"... look to exit.

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# Stop Loss

A stop loss is a pre-determined price to exit the market if the market moves against the trader.

- Place stop loss at the DOTS Stop Loss level.
- Place Stop Loss beyond the 30 EMA or 55 EMA.
- Place stop loss below the last Low of a long Alligator Mouth or above the last high of a short Alligator Mouth.

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# Stop Loss

A stop loss is a pre-determined price to exit the market if the market moves against the trader.

- Place stop loss at the DOTS Stop Loss level.
- Place Stop Loss beyond the 30 EMA or 55 EMA
- Place stop loss below the last Low of a long Alligator Mouth… or above the last high of a short Alligator Mouth.
- Place a stop loss above/below a major resistance or support line.
- Place stops a few pips above the last Swing High for a Short trade, or a few pips below the last Swing Low for a Long trade.
- Place a stop loss just beyond a Fibonacci level.

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# Trailing Stop Loss

One of the most effective ways to protect profits is to use a Trailing Stop Loss order. A Trailing Stop Loss maintains a stop-loss order at a precise distance or percentage away from the market price.

1. Place a Trailing Stop Loss a certain number of pips away from the current price such as 11.5, 13.5, or 15 pips.

2. Place a Trailing Stop Loss a certain percentage away from the current price such as 2.5% to 5%.

Regardless of the specific technique, the use a trailing stop to follow a trade and lock in profits as well as modifying the Limit (take profit) order is a disciplined approach to trade management.

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# D.O.T.S. – Guppy
## Trading Method

# QUICK START

*Got questions: Email support@compassfx.com*

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