
"Trading Made Simpler"

An Attempt to Understand the Traders Dynamic Index Indicator and Develop a Trading Method

simpler comparative of **sim·ple** (Adjective)

1. Easily understood or done; presenting no difficulty.
2. Plain, basic, or uncomplicated in form, nature, or design; without much decoration or ornamentation.

Trading Forex Risk Disclaimer:

Trading FOREX (foreign exchange) on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to invest in foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.

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Whatever is the trading strategy, you decide to employ, don't forget to test it first in demo. Also be aware that past performance is no guarantee of future results.

Foreword:

The inspiration to start this thread primarily comes about because I was following the thread "Trading Made Simple", and now I am unable to post there any longer (see below) even though I have answers for the questions posted there. It commenced as a 4-Hour method, using the well known indicator - Traders Dynamic Index (**TDI**) - but has now collapsed into scalpers' paradise, using short time frame charts, with the usual plethora of additional indicators, without any regard to applying useful technical analysis to achieve their goal. It is not my intention to upset anyone here; I fully support the Traders Dynamic Index method, and will be using. I think it can be greatly enhanced with chart reading skills, therefore making it more than capable to hit home run trades. It is my opinion that the use of the Traders Dynamic Index Indicator is poorly presented and supported in that thread; your opinion may vary. This discussion can be continued later.

Speaking of support, attention new members, rest assured, I will offer support for any questions you may have, and continue to answer them until you understand completely. You will **NOT** be brushed off and intimidated with the comment **"READ THE WHOLE THREAD"**. Why should you have to **READ THE WHOLE THREAD**? If, indeed it is, **Trading Made SIMPLE**, surely it can be presented in the first 5, 10 or 20 posts (including charts), could it not? Ask yourself, why do I need to read 5,000+ posts of people telling all how good they are because they got 14 pips? I will personally undertake responsibility to post charts to fully demonstrate to you the methodology (and my intended use of it) until you understand, to your satisfaction, any questions of this methodology. In addition, I will update Post #1 as required for future readers; and I will maintain a FAQ list for frequent posting.

Now to explain my inability to post in other threads; for whatever reason, the Forex Factory Moderator(s) have deemed me to be a "Commercial Member" and as such; I can only post in threads of my own making. I assure you that I am not here to sell you anything, or direct you to a website that will sell you something; I am here with an idea, proposing that we work together and be successful. You can form your own opinion of the situation by reading this thread –

Another reason to commence this thread is to keep myself focused on just one method. In the past I have been jumping from strategy to strategy, changing charts, changing indicators, changing time frames; perhaps you know what I mean? Rather than start a journal that no one may read or follow, I thought I would post here in the systems section.

Lastly, no, I am not trading this live; I am still in the evaluating and learning process. I am not that desperate that I need to jump in and start scalping right now. Many people are following this method in the previously mentioned thread, and others before that, and claiming great success, although not necessarily on the time frames I intend to pursue. However, I do have a demo account and currently experimenting with various entries and exits, to finalize my trading plan. I suggest that anyone interested in this method also practice with a demo account. This way, you can do your own research, reach your own conclusion; and then we can share our results with no loss of capital. It is up to you to examine the chart examples given, question them and the method. Observe the charts day by day; ask questions, do the indicators give accurate results? Do you understand the entry, exit & stop loss levels? These are the things you must do before you decide whether this will work for you or not.

Remember this, whether or not a trade makes money is not the measure of whether or not you should have taken it. Forex currency trading is a zero sum game and those traders with a trading plan and the necessary discipline to stick to it will succeed over those that trade without one. STOP! If you want to be on the positive side of this game, start with your trading plan – it is your most important weapon against your opponents.

PREREQUISITES:

- Computer
- Internet connection
- Metatrader 4
- Intermediate computer skills
- Intermediate Metatrader 4 skills
- Intermediate internet skills
- Intermediate trading skills
- Ability to tell time
- Ability to think and act on your own
- Ability to write a Trading Plan
- Ability to recognize chart patterns

BASIC OUTLINE:

- Medium to long term Forex trading method
- Signals utilizing the Traders Dynamic Index Indicator
- Price action pattern recognition
- Seeking to recognize low risk entry with maximum reward potential

MARKETS & TIMES:

- EUR-USD, GBP-USD, AUS-USD, EUR-JPY
- USD-CHF, USD-JPY, USD-CAD, GBP-JPY
- Any currency pair analysed on your suggestion
- Any close of a 4 Hour candle that gives a tradable signal, however, most traders follow the closing times matching the London market times of 8 am, 12 pm, & 4 pm (depending on Daylight Savings)

CHARTS, INDICATORS & PURPOSE:

- Monthly & Weekly
 - ADX – determine major trend direction & strength
 - 100 EMA, Close – trend determination & reference point, price could be above or below, trending towards or away; also, watch the slope angle of the line
 - Average Price Bar Candles – smoother price action, direction indicated with color
- Daily & 4-Hour
 - Traders Dynamic Index – trading signals (to be explained)
- 1-Hour & 15-Minute
 - Market Session Indicators – observe price action, breakout entry levels
- Optional
 - 100 EMA, Close on Daily
 - Candle clock – time left until new candle (4H, 1H, 15M)
 - Daily lines & boxes to highlight the trading sessions, assist with entry (1H, 15M)
 - Daily Range Indicator – monitor market volatility (1H, 15M)

CHART & INDICATOR PATTERNS:

- Double Top / Double Bottom
- Head & Shoulders (top & bottom)
- Support & Resistance
- Consolidation
- Breakout
- Higher highs, higher lows
- Lower highs, lower lows
- Triangles (symmetrical, ascending, descending)
- Flags
- Wedges (rising & falling)
- Trend Lines
- Divergence
- 1-2-3 Pattern
- Hikkake Pattern

EDUCATIONAL RESOURCES:

TDI Indicator Video: http://www.compassfx.com/video/flash/TDI_2011/TDI_2011.html

Video Index: <http://www.compassfx.com/synergy/commentary.htm>

Personal World Clock: <http://www.timeanddate.com/>

Forex Market Open Times: <http://www.forex4noobs.com/forex-tools/forex-clock/>

Chart Patterns: <http://stockcharts.com/>

More Chart Patterns: <http://www.chartpatterns.com/>

Hikkake Pattern: <http://www.chartsecret.com/content/trading-hikkake-candlestick-pattern>

Breakout Trading: <http://www.forexfactory.com/showthread.php?t=257876>

Flag Trading: <http://www.forexfactory.com/showthread.php?t=280673&highlight=flag+trading+trend>

Daily Line Boxes: <http://www.forexfactory.com/showthread.php?t=256848>

The Traders Dynamic Index Indicator (**TDI**) is part of a trading system developed by Dean Malone many years ago. It is freely available on the internet under its current name of Synergy, and I believe it was previously called the E.A.S.Y. System. If you are not familiar with these terms, please Google for more information, and also as read the attached documents.

The Synergy system comprises of several indicators and you can use as many or as few of them as you choose. I am mainly interested in the Traders Dynamic Index Indicator. The main signal it gives is the - **crossing of the Red line over the Green line**, a term which seems to be confusing many, many traders no matter which time frame they are trading. The GREEN line is the RSI line; it crosses the RED line, which is called the Market Signal Line. There is another line, YELLOW, called the Market Base Line; think of it like the "50" line except it moves. And watch for trend direction by which way it points.

The basis for my proposed method of trading the Traders Dynamic Index Indicator (**TDI**) to find low risk, high reward trades by dividing the signals into two groups with two levels. These are: With the Trend, Primary and Secondary signals, and Against the Trend, Primary and Secondary Signals.

Steps to find SIGNALS, LONG, WITH the TREND, not entries!

1. Identify the main trend direction as UP (Monthly & Weekly)
2. Wait for a recognisable pullback & oversold condition (Daily & 4-Hour)
3. Observe a Primary TDI signal below, at, or very near the "32" line on the Daily chart
4. Observe the next TDI signal, also below, at or very near the "32" line on the 4-Hour chart
5. Observe subsequent, Secondary TDI signals at or very near the "50" line on the 4-Hour chart

Steps to find SIGNALS, SHORT, WITH the TREND, not entries!

1. Identify the overall main trend direction as DOWN (Monthly & Weekly)
2. Wait for a recognisable pullback & overbought condition (Daily & 4-Hour)
3. Observe the Primary TDI signal above, at, or very near the "68" line on the Daily chart
4. Observe the next TDI signal also above, at or very near the "68" line on the 4-Hour chart
5. Observe subsequent, Secondary TDI signals at or very near the "50" line on the 4-Hour chart

Steps to find SIGNALS, LONG, AGAINST the TREND, not entries!

1. Identify the overall main trend direction as SHORT (Monthly & Weekly)
2. Wait for a recognisable oversold condition (Daily & 4-Hour)
3. Observe the Primary TDI signal below, at, or very near the "32" line on the Daily chart
4. Observe the next TDI signal, also below, at or very near the "32" line on the 4-Hour chart
5. Subsequent, Secondary TDI signals at or very near the "50" line on the 4-Hour chart

Steps to find SIGNALS, SHORT, AGAINST the TREND, not entries!

1. Identify the overall main trend direction as UP (Monthly & Weekly)
2. Wait for a recognisable overbought condition (Daily & 4-Hour)
3. Observe the Primary TDI signal above, at, or very near the "68" line on the Daily chart
4. Observe the next TDI signal also above, at or very near the "68" line on the 4-Hour chart
5. Observe subsequent, Secondary TDI signals at or very near the "50" line on the 4-Hour chart

The presence of a TDI trade signal on the 4 Hour chart does not mean you just enter at market. The price action has to be analysed for a logical entry; don't worry you will have plenty of time to enter the market.

On the other hand, absence of an immediate TDI trade signal on the 4-Hour chart immediately after the Daily signal does not mean there is not an entry. All available technical analysis can be utilized; by applying our knowledge of the aforementioned chart patterns, we can be assured of a low risk entry without chasing the market.

I will demonstrate an ENTRY using a chart example of the most recent LONG setup on the EUR-USD; see if it matches your understand of chart patterns, because this is where you will have to put some time, thought and effort into the trade. And then the subsequent short trade after that; let me know what you think.

If you are new to Forex trading and you think this will be the way to instant success by adapting it to the 5 Minute and 15 Minute charts, here is how I picture it – you are the guy in the ski mask, in the security video, robbing the store for \$50! On the other hand, I am “Ocean's Eleven”, going for the big score! Remember that the Daily candle is the outcome of the entire days trading (scalpers, hedgers, swing traders, trend traders, institutions, and 1,001 types of other traders), so if you spot a setup on a 4 Hour chart, it's much more accurate than smaller timeframes.

So please, do not post charts about short term trading and scalping; at the least, they will be ignored, at worst, you will be put on the ignore list and be unable to make further posting in the thread. Thanks for your consideration, John aka TheSnowman ☺

As I post these charts, I will also post the routine list of questions that I run over as I look at the chart; obviously, you don't have to do this every day for the monthly & weekly charts. Also, I have not marked up any trend, support or resistance lines on the charts, but I normally have them on there and will show example of that also as time goes on.

Here is the Monthly chart, same questions for the Weekly.

- What is the trend?
- Are the candles above or below the 100 EMA?
- Is price moving away or towards the 100 EMA?
- Any recent color change in the candles?
- Any obvious resistance or support levels nearby?
- Any obvious patterns?
- What trend does the ADX indicate?
- What strength does the ADX indicate?
- Is it increasing or decreasing?