KISS FX Breakout Strategy

Keep It Simple Stupid

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1 KISS FX breakout strategy

This guidebook provides a complete trading strategy for forex intra-day traders. The target audience of KISS FX breakout strategy is intra-day traders, who find using indicators complex and difficult. KISS FX breakout strategy is an indicator free trading strategy. Using KISS FX breakout strategy continuous profits are possible without any mathematical indicators.

The key elements of KISS FX breakout strategy are market patterns and breakouts. Trading doesn't have to be complex so the strategy focuses only on the most obvious market patterns, especially support & resistance. Market patterns are the key for profiting in forex and breakout trading is one of the simplest modes of trading. The money management rules are also crucial for succeeding with KISS FX breakout or any other trading strategy.

KISS = Keep it simple stupid

1.1 Foreword

KISS FX breakout strategy can be used by anyone interested in forex market. However, this guidebook is targeted for intra-day forex traders, who already have the basic knowledge of the market. Forex School offered by babypips.com is recommended for beginners. The author of this guidebook is a graduating BBA student, not a professional trader. It is not recommended to go on a live account without testing the strategy on a demo account at first. The author will not take any responsibilities in case the strategy doesn't work for someone. This guidebook is free and it can be freely forwarded to anyone interested in forex trading. However, it is forbidden to copy this guidebook without the permission of the author.

1.2 Introduction

KISS FX breakout strategy is concentrated on market patterns and on support & resistance levels + breakouts in more specific. Mathematical indicators (such as RSI, MACD or Stochastic) aren't needed if one realises the idea of market patterns. Price action itself provides all the information needed for trading.

Some traders believe that to make a successful trade they have to see something from the chart that no one else is seeing. They couldn't be more wrong. The idea of market patterns is that a trader wants to spot the most obvious market patterns that many other traders notice as well. If many other traders (especially the big players such as banks, hedge funds etc) notice the same patterns, and predict the price to move to the same direction that you are trading, you will get profit. This is the reason why a trader should be moving with other traders, not against them.

Remember that losses are part of the game. Even the best traders take losses. Money management section will explain, how to control the losses so that you will *live to trade another day*.

ALWAYS RECORD YOUR TRADES BY KEEPING A TRADING LOG. WRITE DOWN WHY YOU ENTERED A TRADE AND LEARN FROM YOUR MISTAKES!

"The main reason Bob trades on-line is his dumb mistakes remain anonymous."

2 Magic of compounding

Before going into details with the trading strategy, everyone should understand the concept of *magic of compounding*. To be a successful trader, one doesn't have to make huge profits right away. Being persistent is what makes the success in forex.

Example 1

Imagine that someone would tell you that he would give you two options to gain money. The first option would be getting $1 million dollars right away and the second would be getting 1 cent now, and doubling it every day during a 30 day period. Which one would you choose?

Table 1. Example 1 and magic of compounding described.

Day	Deposit	Capital	
Day 1	1	2	cents
Day 2	2	4	cents
Day 3	4	8	cents
Day 4	8	16	cents
Day 5	16	32	cents
Day 6	32	64	cents
Day 7	64	128	cents
Day 8	128	256	cents
Day 9	256	512	cents
Day 10	512	1024	cents
Day 11	1024	2048	cents
Day 12	2048	4096	cents
Day 13	4096	8192	cents
Day 14	8192	16384	cents
Day 15	16384	32768	cents
Day 16	32768	65536	cents
Day 17	65536	131072	cents
Day 18	131072	262144	cents
Day 19	262144	524288	cents
Day 20	524288	1048576	cents
Day 21	1048576	2097152	cents
Day 22	2097152	4194304	cents
Day 23	4194304	8388608	cents
Day 24	8388608	16777216	cents
Day 25	16777216	33554432	cents
Day 26	33554432	67108864	cents
Day 27	67108864	134217728	cents
Day 28	134217728	268435456	cents
Day 29	268435456	536870912	cents
Day 30	536870912	1073741824	cents
	After 30 days in usd		$ 10 737 418

Starting with 1 cent and doubling the capital daily during a 30-day period one would end up having nearly $ 11 million dollars. Currency trading is not for people, who want to get rich quick. However, tremendous profits can be achieved by being persistent and relying on to magic of compounding.

Table 2. Magic of compounding explained in terms of forex. A trader starts with an initial deposit of $ 2500 dollars. He would risk 3% of his capital on every trade placed and trade 16 days per month. His monthly gain would be 15 %. After every month the trader would withdraw 50 % from his trading account into his personal account for living expenses. He would obey this money management during 3 years (36 months).

Month	Bank	15 %	per month	per day	50 % drawing
1	2 500$	2 875$	375$	23$	188$
2	2 688$	3 091$	403$	25$	202$
3	2 889$	3 322$	433$	27$	217$
4	3 106$	3 572$	466$	29$	233$
5	3 339$	3 839$	501$	31$	250$
6	3 589$	4 127$	538$	34$	269$
7	3 858$	4 437$	579$	36$	289$
8	4 148$	4 770$	622$	39$	311$
9	4 459$	5 127$	669$	42$	334$
10	4 793$	5 512$	719$	45$	359$
11	5 153$	5 925$	773$	48$	386$
12	5 539$	6 370$	831$	52$	415$
13	5 954$	6 848$	893$	56$	447$
14	6 401$	7 361$	960$	60$	480$
15	6 881$	7 913$	1 032$	65$	516$
16	7 397$	8 507$	1 110$	69$	555$
17	7 952$	9 145$	1 193$	75$	596$
18	8 548$	9 831$	1 282$	80$	641$
19	9 190$	10 568$	1 378$	86$	689$
20	9 879$	11 361$	1 482$	93$	741$
21	10 620$	12 213$	1 593$	100$	796$
22	11 416$	13 129$	1 712$	107$	856$
23	12 272$	14 113$	1 841$	115$	920$
24	13 193$	15 172$	1 979$	124$	989$
25	14 182$	16 310$	2 127$	133$	1 064$
26	15 246$	17 533$	2 287$	143$	1 143$
27	16 389$	18 848$	2 458$	154$	1 229$
28	17 618$	20 261$	2 643$	165$	1 321$
29	18 940$	21 781$	2 841$	178$	1 420$
30	20 360$	23 414$	3 054$	191$	1 527$
31	21 887$	25 170$	3 283$	205$	1 642$
32	23 529$	27 058$	3 529$	221$	1 765$
33	25 294$	29 088$	3 794$	237$	1 897$

34	27 191$	31 269$	4 079$	255$	2 039$
35	29 230$	33 614$	4 384$	274$	2 192$
36	31 422$	36 136$	4 713$	295$	2 357$

The growth of $ 2500 dollars obeying money management and achieving goals explained above. After 3 years the trader would have more than $31 000 dollars in his trading account and he would be able to withdraw almost $ 2500 dollars into his personal account on a monthly basis. If he had started with $ 5000 dollars, he would be able to withdraw about $ 7000 dollars on a monthly basis. And the trader stars with daily gain of $ 23 dollars only!

Obviously forex trading will not ever be as easy as it is shown in the table above, but 15 % monthly gain is highly achievable with risking only 3% of the capital on every trade. At some point the trader would also reconsider lowering the 3% he is risking on every day, because he doesn't want to risk several thousand euro on one trade.

MAGIC OF COMPOUNDING REALLY WORKS!

3 Chart-setup

This chapter explains the chart-setup for the KISS FX breakout strategy. It is not required that everyone's chart-setup should look exactly the same, but the important thing is that the charts are kept as clear and as understandable to oneself as possible.

KISS FX breakout strategy's main timeframe 15min. However, one should be aware of the entire picture (also other timeframes) of the market. This strategy will apply to any other time frame as well, but 15 min is recommended because of the possibility to small stop losses.

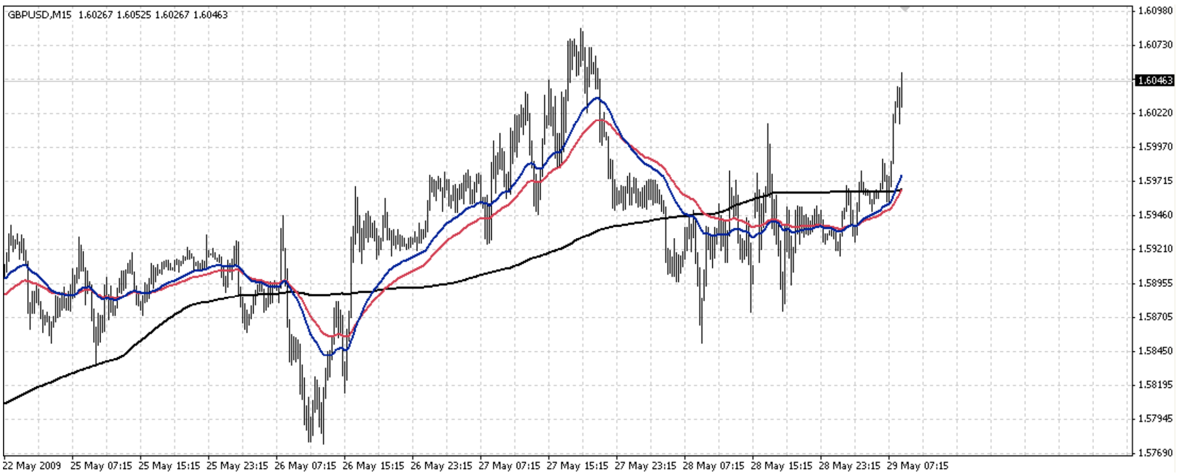

Figure 1 shows the chart setup for KISS FX breakout strategy.

Choose either bar chart or candlesticks as long recognizing the most obvious market patterns is possible. Make the chart easy to read. The chart includes the following technical indicators (moving averages):

- 200 SMA black line
- 34 EMA blue line
- 55 EMA red line

Moving averages are used for the following purposes:

- to identify trends
- as a moving level of support & resistance
- to follow the interaction of lines (but wont base trading decisions on crossovers of the lines)
- to identify exit points and for stop loss placement.

KISS FX breakout strategy doesn't use any technical indicators besides moving averages, as they simply are not needed to make profit in forex. In case someone is interested adding other technical indicators to their own strategy, the author recommends following indicators: pivot points & Fibonacci retracement levels (to identify other possible support and resistance lines) and MACD & volumes (for confirmation of entry and exit signals).

NOTE! The moving average indicators (nor other technical indicators) should never be used alone as a trading system, because they don't pay any attention to other market variants like other participants for example. Technical indicators don't spot market patterns or support & resistance lines.

4 Trend is your friend

Number one mistake in any financial market is trading against the trend. One should always recognize the direction of the trend. Ask yourself a question “is the trend going up, down or sideways?” The price moves always in trends and trends are always more likely to continue than reverse. This means that the odds are on your side, if you trade on the same direction that the trend is. Prices do make corrective retracement moves, but they will continue their main direction most likely than reverse.

Simple moving average 200 (SMA 200, the black line) helps identifying the trend. If the trend is not obvious, the high- and low points of the price action can be marked to price chart. During an uptrend the price action produces higher highs and higher lows, and during a downtrend lower highs and lower lows. When there is no clear trend the market is moving sideways. Market doesn’t produce clear higher lows or lower highs. When using the KISS FX breakout strategy, it is not recommendable to trade at all during unclear trends.

Figure 2. A nice upward sloping trend in EURUSD currency pair (15min timeframe).

During an uptrend price action produces higher highs and higher lows (marked with a red lines). 200 SMA (black line) is clearly going up.

Figure 3. A downward sloping trend in EURUSD currency pair (15min timeframe).

During downtrend price action produces lower highs and lower lows (marked with a red lines). 200 SMA (black line) is going down.

Figure 4. An unclear trend with sideways movement.

Without a clear trend trading is not recommendable because it is more difficult.

ALWAYS WAIT FOR A CLEAR TREND AND NEVER TRADE AGAINST IT!

5 Market patterns

Market patterns are key elements for KISS FX breakout strategy. Instead of technical indicators, the entire "trading-system" is based on market patterns. Trader using market patterns will have a possibility to keep the charts simple and look for the same things than the big players (banks, hedge funds etc) are looking for from their price charts. If trader moves on the same direction with big players he will most likely win than lose. Market patterns are formed over and over again in charts hence they create many trading possibilities.

5.1 Support & resistance

Support & Resistance are the base for market patterns. Most of the readers are probably already familiar with the concept of support & resistance, but here is the idea:

The market forms high and low points of the price action to the price chart. High points are points, where the price refuses to go any higher. Low points are points, where price refuses to go any lower. Depending on the trend (up, down or sideways) points will be formed either upward sloping, downward sloping or vertically. Traders can draw lines between these points on their trading platforms. These points are formed in price charts every day. However, notice that the contact points don't always have to be 100 % perfect. The sizes and durations of support and resistance lines are always different.

Sometimes traders can draw only a support line, sometimes only a resistance line. Sometimes the price action forms a *channel-pattern,* where both support and resistance lines are represented. An interesting thing about support and resistance lines is also the fact that previous support usually becomes resistance and vice versa.

When price reaches the line (support or resistance) it will either bounce back to the opposite direction or break out through the line.

Figure 5. shows two red lines representing support and resistance lines.

The price hits support at least 6 times and resistance at least 5 times in this example. Finally the resistance line is broken and the price continues going upwards.

Figure 6. An example of support & resistance lines.

This time the lines formed a clear channel pattern, which was eventually broken with a big move upwards.

Figure 7. A resistance line and also the concept of previous resistance becoming support (red circle).

A trader doesn't always have to draw both support and resistance line. Notice how price bounces back down always after hitting the resistance line before the breakout.

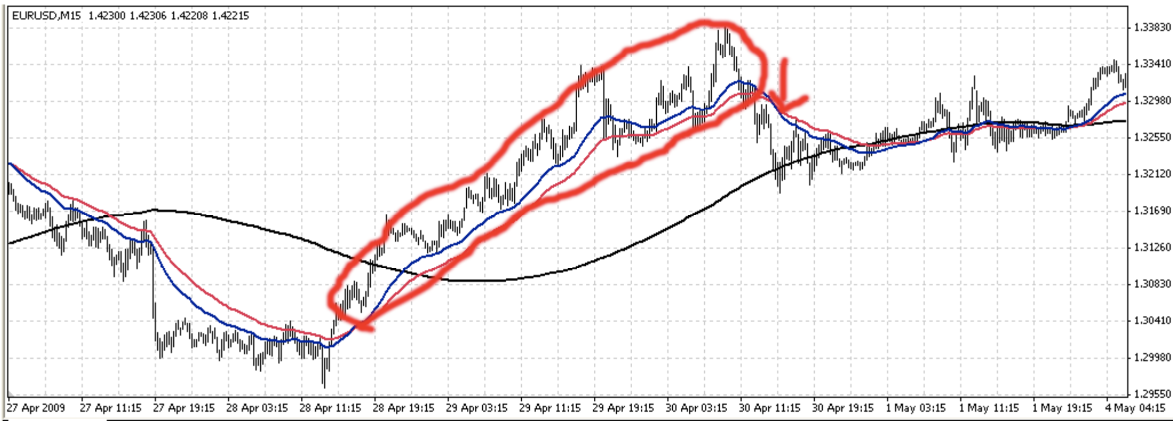

Figure 8. An example of moving averages (EMA 34 and EMA 55) acting as a moving support line.

TRY SEARCHING SUPPORT AND RESISTANCE LINES FROM YOUR OWN PRICE CHARTS!

5.2 Other market patterns

KISS FX breakout strategy is mainly concentrated on support and resistance lines and channels. However, there are also other market patterns that are worth of taking a look.

Figures 9&10. Examples of triangle patterns.

Triangle patterns are also channel patterns, but they form a triangle on the other end.

Figure 11. A flag pattern with a flagpole.

Flag is also a channel pattern. This time the flag patterns is downwards, but there clearly is a flagpole, the flag and finally a breakout from the flag. Flag patterns usually include a profit target, as the breakout is often as long as the flagpole.

Figure 12. A double top. Double tops form a nice vertical resistance line.

Figure 13. A double bottom. Double bottoms are obvious support lines.

5.3 Breakouts

The easiest way to base trade market patterns is to wait for breakouts. One can also trade the bounces off the support and resistance lines, but KISS FX breakout strategy trades only breakouts. Breakouts occur often enough to give a trader continuous profits in the market.

The price action, where the price forces itself out from a pattern (support or resistance line), is called a breakout. These breakouts occur in every currency pair and on every timeframe on a daily basis. It is recommended to leave old support and resistance lines in place, as previous support often becomes resistance, as explained earlier. These lines can help in stop loss determining.

For breakout traders it is important to have a strategy for breakout confirmation, as false breakouts occur every now and then. Breakout confirmation is explained later on in this guidebook.

Figure 14. A breakout of a resistance line.

This figure is also a perfect example of how previous resistance becomes support as the price hits the previous resistance line at first after breaking through it.

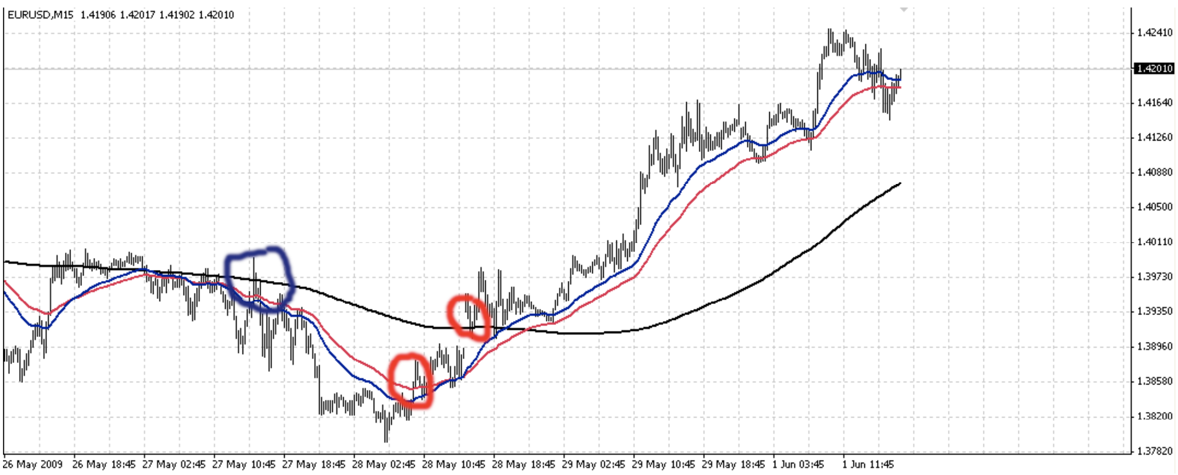

Figure 15. A false breakout and a breakout of moving averages (red circles).

The blue circle shows a false breakout. Two red circles represent breakouts of moving averages (first the prices go through 34 and 55 EMA´s, and in the second circle the price crosses 200SMA).

Figure 16. A double top (resistance line) and a support line.

These lines together form a triangular channel. The price breaks through the resistance line on the third time, when price reaches the resistance line (double top).

6 Money management

Apart from what many beginners think, in forex money management is far more important than a good entry point. Money management is the biggest single factor for successful forex trading. This fact cannot be stressed too much. This chapter provides money management rules for KISS FX breakout strategy.

MONEY MANAGEMENT IS WHAT ENSURES YOUR CONTINUOUS PROFITS AND MAKES SURE THAT YOU WILL LIVE TO TRADE ANOTHER DAY!

6.1 Risk-to-reward ratio

All the upcoming calculations are based on the following situations:
- Capital $ 5000 dollars
- Traded currency pair EURUSD (pip value 10 USD, standard lot size 100 000) (Pip value is different in different currency pairs)
- Used risk percentage per trade 3 %
- Used stop loss +- 30 pips
- Leverage 1:100
- Timeframe used 15 min

1. Determine the risk

At first, let's determine how much we are willing to risk from our total capital to a single trade. It is recommended to risk 1-3% of capital on a single trade. KISS FX breakout strategy uses the risk percentage of 3%.

Let's calculate the amount at risk we are willing to put on a stake on every trade (*Account balance X Risk percentage=Amount at risk*):

5000 x 0,03 = 150. $ 150 dollars is the risk of every trade.

2. Determine the trade size

To determine the trade size, we can afford to take (so that they risk wont get too big) we need to determine where to put the stop loss. KISS FX break out strategy uses stop losses of about 30 pips depending on the market pattern. The pip value must also be known to be able to figure out, how much money we will lose with every pip (if the trade goes against us). A pip value on EURUSD currency pair is $ 10 dollars.

http://www.goforex.net/pip-calculator.htm is recommended for calculating pip values.

Let's calculate the trade size *Amount at risk / (pips at risk X value per pip) = number of contracts*:

150 / (30x10) = 0,50. The lot size we can afford with the capital of $ 5000 dollars is ½ lot. This means that we are not buying complete lots (and when trading, the pip value will be only 5 dollars per pip)

As the lot size is ½, every pip we win or lose will be worth of $ 5 dollars. If we place the stop loss to 30 pips, we will risk $ 150 dollars. Take profit will be put to 30 pips as well. If the trade goes in our favour, we will win $ 150 dollars. Hence the risk-to-reward ratio is 1:1. This means that 50 % of the trades we make have to be correct to break even. No one does trading just for sake of for breaking even, the meaning is to make money. Using KISS FX breakout strategy it is possible to achieve at least 70%-80% win rate.

The stop loss placement varies according to the market pattern our trading decision is based on. Sometimes you have to use bigger stop loss, but try to achieve 30 pips or smaller stop losses.

BY PLACING STOPP LOSSES ACCORDING TO THE MONEY MANAGEMENT RULES, YOU WILL ALWAYS ENSURE THE ABILITY TO TRADE ALSO TOMORROW. THIS IS IMPORTANT BECAUSE YOUR WINNING RATE WILL NOT EVER BE 100%.

Table 3. Examples of risk-to-reward ratios, and how often a trader should be correct in his analysis.

Risk-to-reward ratio (in pips)	Win Ratio required to Break Even
40/20 (2:1)	67 %
40/40 (1:1)	50 %
40/60 (1:1.5)	40 %
40/80 (1:2)	33.5 %
60/20 (3:1)	75 %
100/100 (1:1)	50 %

Table 3 show that to break even with risk-to-reward ratio, 50% of the trades has to be profitable. 70%-80% win ratio is achievable with KISS FX breakout strategy.

7 How to trade?

This chapter describes entry-, exit- and trade management strategies for KISS FX breakout strategy. Before considering a trade, a technical trader must be aware of the upcoming news releases. The author recommends www.forexfactory.com for following upcoming news releases.

BE CAREFUL ENTERING TRADES BEFORE IMPORTANT NEWS RELEASES, AS THE PRICE CAN EASILY CHANGE THE DIRECTION BECAUSE OF ECONOMIC NEWS!

This trading strategy applies to any currency pair. However, it is recommended to trade major currency pairs with low spreads. For the sake of simplicity it is recommended to concentrate only on two or three currency pairs simultaneously. If one tries to follow all the currency pairs available, the process of trading will be a total mess. Don't worry about losing trading chances because of not following all currency pairs available. Two or even one currency pair will provide enough trading changes to make continuous profits in forex. Remember that *A loss of chance is better than a loss of capital.*

7.1 Entry strategy

To enter a position one must a have a good reason for it. It is not wise to trade just for the sake of trading. Entering a position without a good reason is called overtrading, which is one of the main reasons why many beginners in forex fail. They get too confident and trade "because the last trade was a winning trade as well".

Before a trade can be opened pay attention to the points below:

1. What is the trend? (What is the direction of moving averages? Is the market producing higher highs and higher lows or lower highs and lower lows? What is the direction the price is most likely going to go?)
2. Is the price above or below the moving averages? (Don't sell if the price is above moving averages, don't buy if the price is below moving averages).
3. LOOK FOR THE MOST OBVIOUS PATTERNS! Are there clear support and resistance lines or market patterns (channels, triangles, flags etc) with many contact points?

For clarity, check also bigger picture from other timeframes to be sure that there are no support or resistance lines you cannot see from the timeframe used.

4. WAIT FOR A BREAKOUT!
5. WAIT FOR BREAKOUT CONFIRMATION! When a price bar closes above/below support or resistance line, wait for confirmation of price closing outside the support- or resistance line and going 3 pips above/below the previous high- or low point.

RULES FOR ENTERING A TRADE

BUY

- Trend is upwards
- Price is above moving averages
- It is also preferable that shorter moving averages (34 & 55 EMAS) are above the 200 SMA
- There is are clear resistance line
- Breakout upwards is about to take place
- BREAKOUT CONFIRMATION: Price closes above the resistance line. After a closed bar, the price must go 3 pips above the previous high point.

SELL

- Trend is downwards
- Price is below moving averages
- It is also preferable that shorter moving averages (34 & 55 EMAS) are below the 200 SMA
- There is a clear support line
- Breakout downwards is about to take place
- BREAKOUT CONFIRMATION: Price closes below the support line. After a closed bar, the price must go 3 pips below the previous low point.

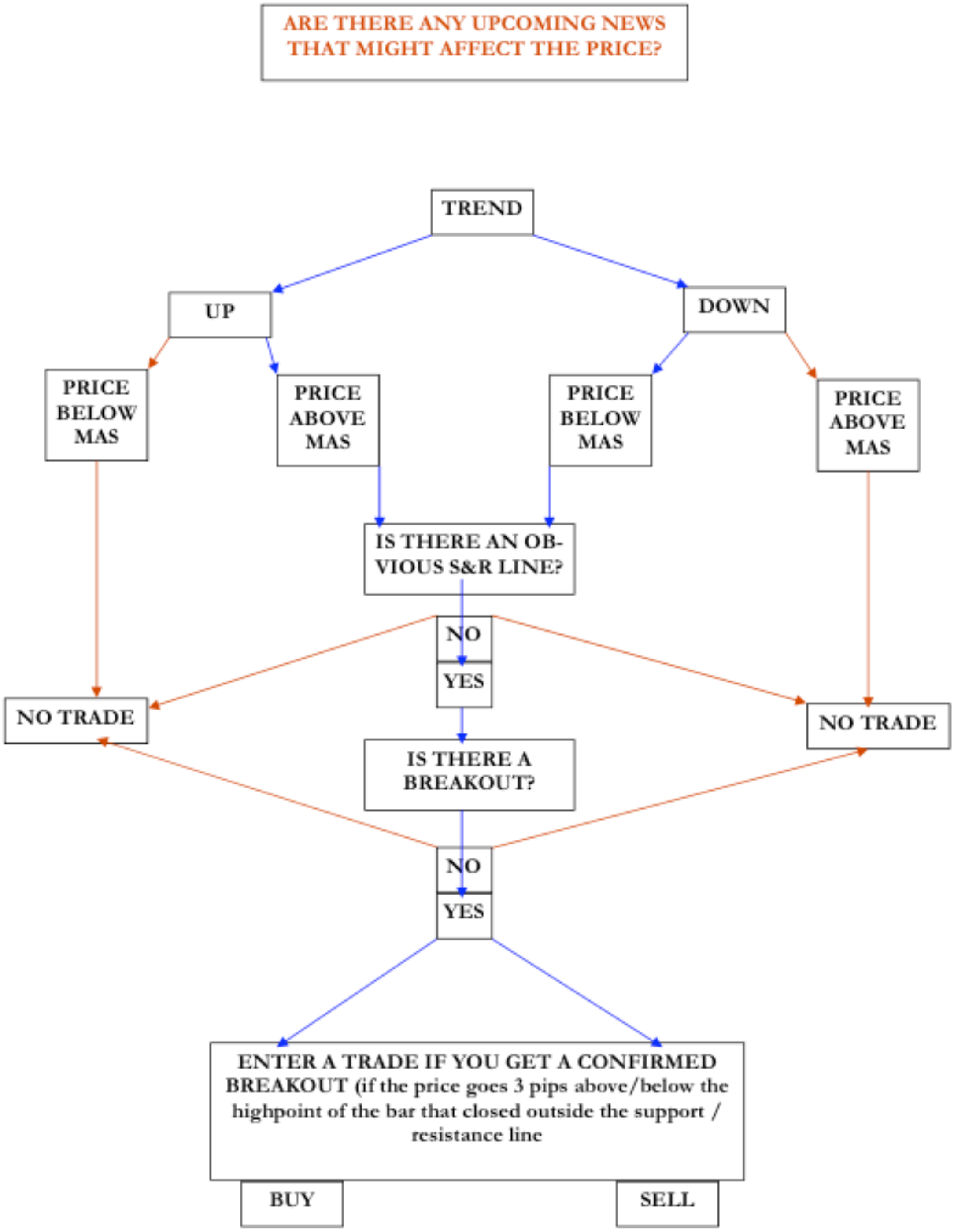

Figure 17. Factors to take into account before a trade can be taken.

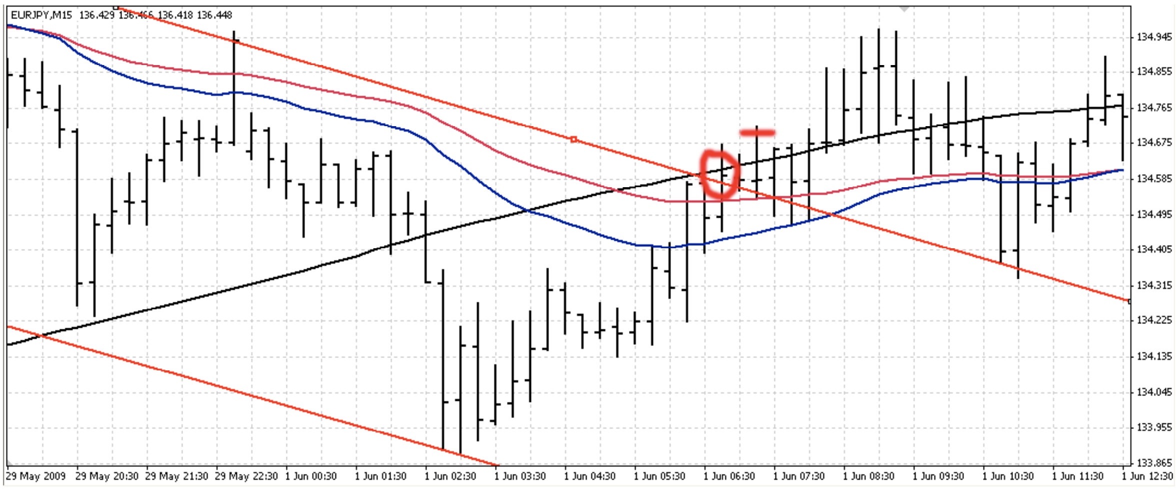

Figure 18. The confirmation of a breakout.

When the bar closes above the resistance line (red circle), we enter 3 pips above the high point (red line).

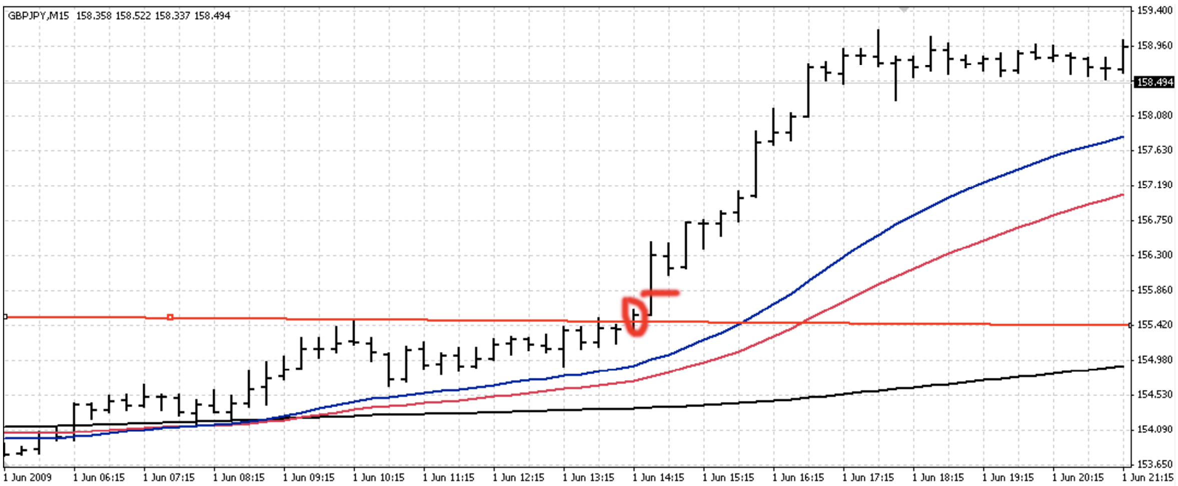

Figure 19. An example of a confirmed breakout.

The bar closes above resistance line and we would have entered 3 pips above the high point.

7.2 Trade management

Determine stop loss- and take profit points before a trade is opened. As the aimed risk-to-reward is 1:1 the stop loss and take profits are set to similar pips distances. KISS FX breakout strategy uses about 30 pips stop loss and take profits (conservative traders can set their profit targets to even 10 or 20 pips).

The stop loss and take profits will not always be the mentioned 30 pips. If a breakout from a resistance line occurs, a good stop loss point is right below the broken resistance line (because previous resistance becomes support). If a breakout of a support line occurs, stop loss would be placed above the broken support line (because previous support becomes resistance).

REMEMBER TO KEEP YOUR PROFIT TARGETS SIMILAR TO STOP LOSSES!

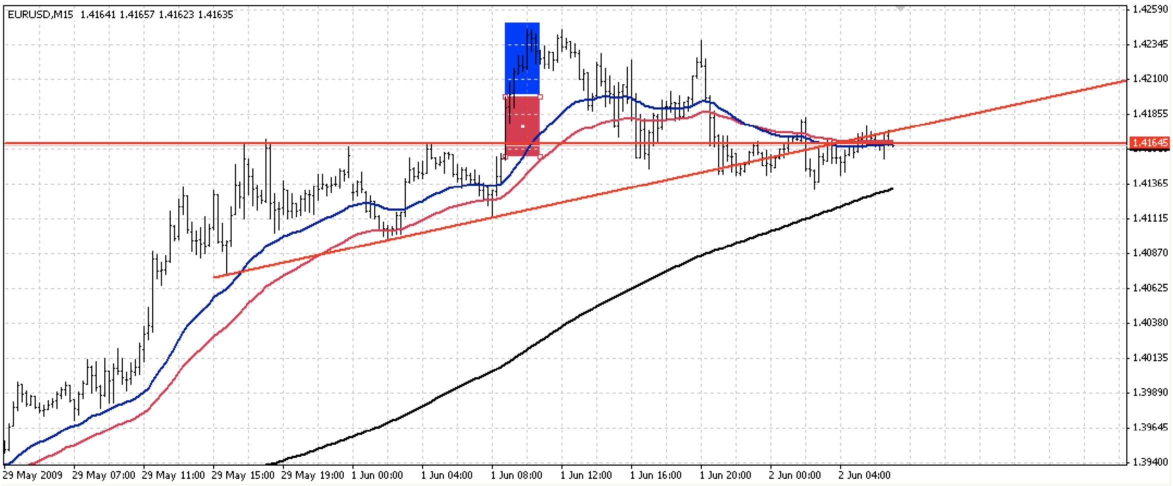

Figure 20. A possible trade on EURUSD.

We would have entered 3 pips below the previous high after confirmed breakout (the white area between red and blue box). The stop loss would have been right below the broken resistance line (about 33 pips) and the profit target at the top of the blue box (about 34 pips).

Minimize the losses and let your profits run. The first part means using stop losses ALWAYS and the second part means exiting positions partly after profit target has been reached. Lets say we determine stop loss- and take profit-points. They will both be 30 pips (according to risk-to-reward ratio). Once we are following the trade it finally reaches the 30 pips we wanted. At that point we close only 80 % of the trade, move the stop loss to break-even and let the 20% run until we get an exit signal. These remaining 20 % can bring massive gains, but don't forget to move the stop loss point so that the trade wont go against you. In case the trade continues gaining pips, move the stop loss further and ensure profits. (For example after every 40 pips of gain). This kind of exit strategy is called *partial exits.*

NOTE! WHILE YOU MOVE YOUR STOP LOSS, PLEASE MAKE SURE THAT THE PRICE HAS ENOUGH ROOM FOR MOVEMENTS!

Example 2

You go long (buy) in EURUSD at 1.4000. Stop loss and profit target are 30 pips away, so SL 1.3970 & TP 1.4030. When the price reaches 1.4030 exit 80 % of the position and take profits. Then move the stop loss to break-even 1.4000. 20 % of the position is still running as the price reaches 1.4080 (your 20% has gained 80 pips). At this point you want to take some profits so you move your stop loss to 1.4040, that ensures 40 pip gain for the 20% as well. As the price goes further up, keep moving the stop loss after every 40 pips of gain, until you see an exit signal.

7.3 Exit strategy

As mentioned already in previous chapter, KISS FX breakout strategy uses partial exits to ensure gained profits. Set profit target for the bigger part of the trade (80%). Set the profit target to 10-30 pips depending on personal willingness to risk and risk-to-reward ratio.

As the magic of compounding chapter shows, even 10 pips per day can make massive gains in the long run. Exit the 80 % after the profit target is reached. Move the stop loss according to money management rules. Exit the 20 % from the trade, when 34 EMA rolls over.

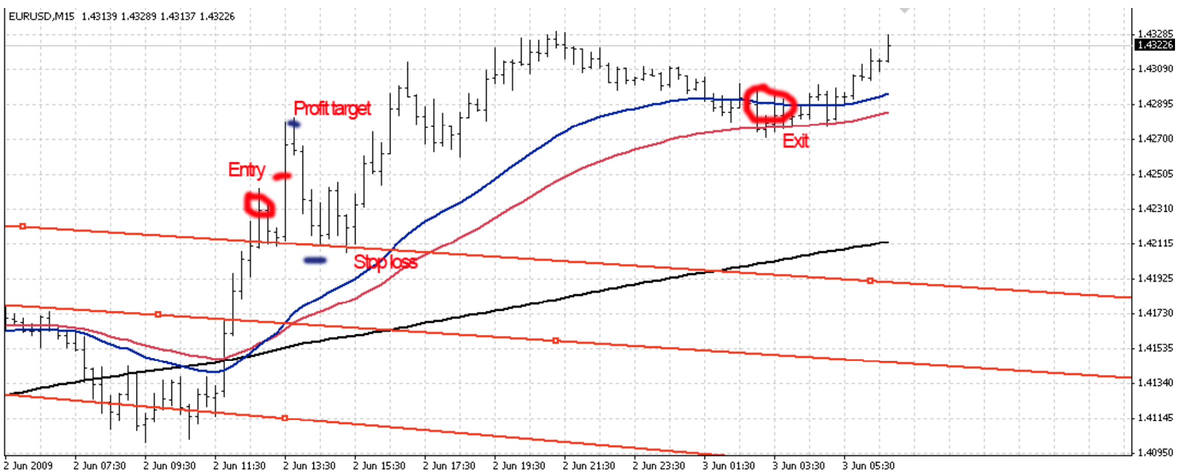

Figure 21. An example of a good trade entry, trade management and exit.

We entered 3 pips after a confirmed breakout and set the stop loss 5 pips below the resistance line (about 40 pips because the first above resistance line closed bar was quite long). Then we set our profit target to 30 pips (Note that risk-to-reward ratio of 1:1 is not completely reached). The profit target was soon reached and we exited the 80 % of the trade. The 20 % of the trade was running until the 34 EMA turned downwards. (Note that if we would have moved stop loss, the 20% of our position would have been stopped out soon after profit target was reached).

8 Example trades

Look carefully at the examples shown below. There are examples of good and bad trades. These examples are not live examples, but the meaning is to give the reader a clear picture of the things to look for before entering a trade.

Example 1 GPBUSD 15 min

Figure 22. Example 1 GBPUSD 15 min.

The pattern formed is almost a flag pattern. Flagpole can usually be used as a profit target of a breakout. We saw the pattern forming, the price was above moving averages so we were expecting a breakout upwards. We got a confirmed breakout and entered.

Example 2 EURUSD 15 min

Figure 22. Example 2 EURUSD 15min.

A perfect example of a trade we wouldn't have taken. The triangle pattern is very clear and we do get a breakout as well. However, the trend is very unclear and the price bounces on both sides of the moving averages. No trade in this case. Remember to obey the entry rules every single time.

Example 3 EURUSD 15 min

Figure 23. Example 3 EURUSD 15 min.

A clear market pattern. Would we have taken this trade? No. The price is below all the moving averages so we were expecting a breakout downwards. The trend is also very unclear.

Example 4 EURUSD 15 min

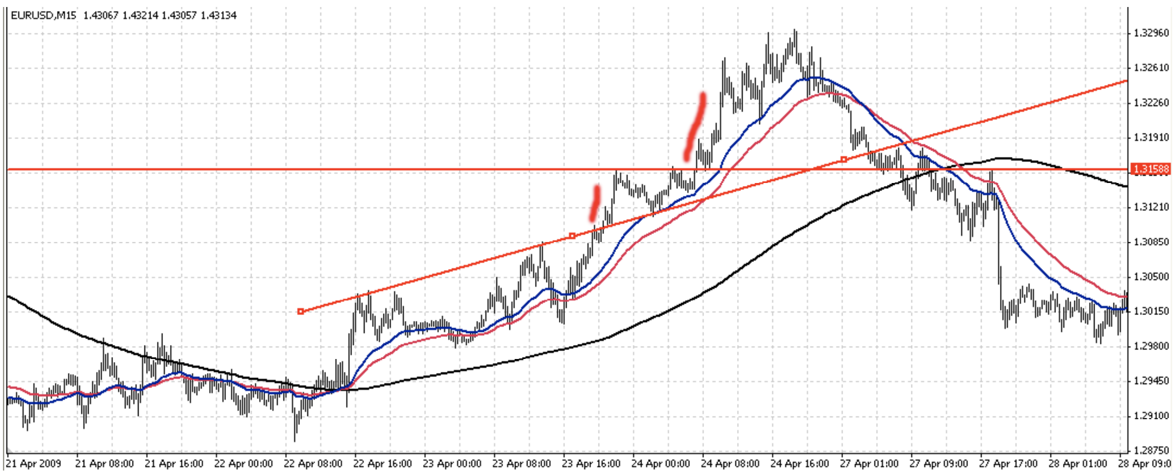

Figure 24. Example 4 EURUSD 15 min.

A perfect example of support & resistance + a breakout trade. We can actually spot two breakout trades from this figure. The first breakout occurred and we made profits. We left the old resistance line in place and eventually the price came back down and found support from the old resistance line. Then the price formed a double top before a breakout and we made profits from the second breakout too.

Example 5 EURUSD 15 min

Figure 25. Example 5 EURUSD 15 min.

A nice descending channel. The moving averages are also acting as a sloping resistance line. The prices were nicely below all the moving averages. However, the breakout occurred upwards so we didn't enter, as we were expecting a downward breakout.

Example 6 EURUSD 15 min

Figure 26. Example 6 EURUSD 15 min.

A very obvious uptrend with many market patterns. Trading can be easy, when an uptrend like this is found. This particular example included four very obvious breakout trade possibilities during 3 days.

9 Final word

The trading method described above can be a highly profitable method in forex. Remember to obey the rules given and be patient. Don't worry about losses, because every trader will face also losses. Winning trades will follow losers if one sticks persistent and relies on the strategy. Just cut your losses short and wait for the next winning trade. Remember to follow the money management rules so the trading is possible the next day.

Special thanks to Pipthefx.com forex community forex course!

Enjoy and happy pipping!

10 Book recommendations and sources

The author recommends following books for everyone interested in forex. These books have also been used as sources of this strategy.

Tim Knight. 2007. Chart Your Way to Profits. John Wiley & Sons Inc, Hoboken, New Jersey.

James Dicks. 2004. Forex Made Easy: 6 Ways to Trade the Dollar. The McGraw-Hill Companies, Columbus.

John Jagerson & S. Wade Hansen. 2006. Profiting With Forex: The Most Effective Tools and Techniques for Trading Currencies. The McGraw-Hill Companies, Columbus.

Louis B. Mendelshon. 2006. Forex Trading Using Intermarket Analysis. Market Technologies, LLC, Columbus.