

# THE CRAIG HARRIS METHOD

(The Natural Flow of the Market)

## BASIC RULES

If you haven't already, you will want to watch these videos to get acquainted with the basics of this method:

<http://www.the-natural-flow.com/back/backfut.html>

- These rules & settings are best suited for the GBP/USD on the M15 TF. This trading method however, works with all TFs and all currency pairs, even with other markets. Each TF and pair (or other market) will have varying degrees of risk and market swing sizes, so this set of rules is intended for the GU on the M15.
- Ideal times to trade this method are during the London and/or New York sessions.
- (The heart of this method is to **trade with the natural flow of the market** and to trade from swing to swing when all criteria is met and gives confirmation.)
- This trading method is not intended to be traded around news. Generally if you are within 5-10 minutes of a news event, stay out of a trade and wait 5-10 minutes after the news event to trade the next swing.
- Check the major trend to know which direction the big swings will be in.
- Optional: Use Fractals & S/R indicator to visually see and measure swings.
- Place the Tokyo Channel on your chart (using either a sessions indicator or by manually drawing a channel from 22:00 GMT to 05:00 GMT).
- Do not begin trading until a minimum of at least 40 pips of movement (with a retrace to a fib level) has been established from the beginning of the Tokyo Channel. Once a minimum of 40 pips has been met, we look for a break of consolidation to enter a trade. (The Tokyo Channel will/may act as S/R for the rest of the day as/if price moves to and from these levels. ***If the Tokyo Channel is less than 40 pips don't trade the pair until it has moved a minimum of 40 pips.***)
- Swings should average 20 to 40 pips or more on the M15. (Ideally swings can average 30-60 pips).
- **Trade out of consolidation.** Consolidation is 2 or more candles in a given area with generally the same price point hi/low. Always trade out of consolidation and away from the most recent swing (**and away from the MAs**). When there is going to be a reversal, there will (usually) be a new color candle. Enter on the break of the reversal candle if Stochastic is in agreement.
- You can also Enter or Exit at **big numbers**. (The goal should be to take profits at 2 or 3 levels of BN's—or Mid Range Numbers—beyond where you entered your trade).  
Big Numbers are: 00 20 50 80  
Mid Range Numbers (50% fib between the Big Numbers) are: 10 35 65 90  
**All 8 Numbers: 00 10 20 35 50 65 80 90.**  
These numbers are (or can be) both your target levels and entry levels. When you use BNs or Mid Range numbers as an entry, you should always have the Stochastic in agreement with your trade direction. Because the market has 2 basic forms of movement; Trending, or Channeling, you must know how to trade in each type of market. You can use BN entries in either.
- When you have a losing trade: Re-enter on the next swing doubling your lot size. If you lose the second trade; go back to normal lot size.

## FURTHER NOTES

- The best odds to make profit are to trade the London and/or NY sessions. Trading the session opens can be profitable. Generally it may vary 15 minutes either before the open or after the open, however nothing is certain in the Forex and the good swings can come at odd times. However, you will get longer and better swings at these times.
- When Craig trades his swings he waits for the first reversal candle to close and then enters on the break of that reversal candle...if it breaks to the correct side. His goal is 20+ pips per Trade. (See the Numbers and Entry video which shows you what he aims for.) He always trades with a stop loss. His stop loss is at the (top or bottom) of the 1st reversal candle or at the top of the most recent swing high/low...or at a general 35 pip level. As he states on one of the videos... if it doesn't go a minimum of 20 pips and reverses on him... he will let the stop loss take him out. At that point if stochastic lines up with the next swing... he doubles his lot size and enters on that next swing. He normally makes his loss back plus extra pips. If the second trade is a loser (which isn't often the case), he goes back to normal lot size on the next trade. *99% of the time he has winning days with very few losing days using this method.* **So his rule is: If you lose a swing; double the lot size for the next swing trade. Very Important!**
- Here are some highlights & adjustments (from Craig Harris' recent webinars):
  1. His average S/L is normally 35 pips.
  2. He usually targets his Big Numbers for entry and exit targets (00, 20, 50, 80)... shooting for 20+ pips per swing.
  3. When there is a long run (say 60-100 pips) the next swing is often small.
  4. Once any pair runs its normal daily range the swings usually become smaller.
  5. After the London close the G/U tends to range.
  6. Craig trades the 1st three hours of the London session for himself—then takes a nap—then does his mentoring for 3 hours after the London close while the NY session is still open.
  7. Most pairs have two long runs per day.
  8. Really stressed how important it is to wait for the Tokyo Channel to be 40+ pips before trading any pairs.
  9. Retracements often start at the London close on G/U. After London close, if price is in the upper or lower quarter of its daily average range; look for a move to the 23.6% Fib level.
  10. At the London close if Price Action is in the upper or lower quarter of the Tokyo Channel; look for retracements.

## TIMES TO TRADE

- Personal Note: I (Big E) start looking for set ups 2 hours before the London Open when the Tokyo Channel has already moved at least 40 pips by that time.
- Normally I don't trade during the day. I'll trade the N.Y. open for an hour or two and then I stay out until the EURO opens.

## BIG E's NOTES

- I put my stop about 6-7 pips under/over the reversal candle and I enter on the initial reversal candle whether it's on my 5 min, 15 min or 60 min chart and it's successful most of the time. Why? Thank You Tokyo Channel!. Because we wait to trade a pair until the Tokyo Channel spread is over 40 pips... we get great Pip swings! Tokyo Channel is so important.
- Craig will let price come back and take him out at his SL if he doesn't get a 20 pip or greater profit. That's his trading style. He then doubles his lot size on the next swing and normally wins more pips than he lost. **However I do it a little differently:** Let's say I'm up 17 pips and at that point it starts to reverse on me. **I NEVER LET ANY**

**TRADE REVERSE ON ME MORE THAN 5 PIP'S BEFORE EXITING. NEVER! Why? I avoid losing trades even if I make only a couple of pips.** How do I gauge that? On my 15 minute chart that this thread is teaching... your crosshair is about 5 pips. Use it to estimate quickly. I don't want to give back any more pips to the market than it steals from me already.

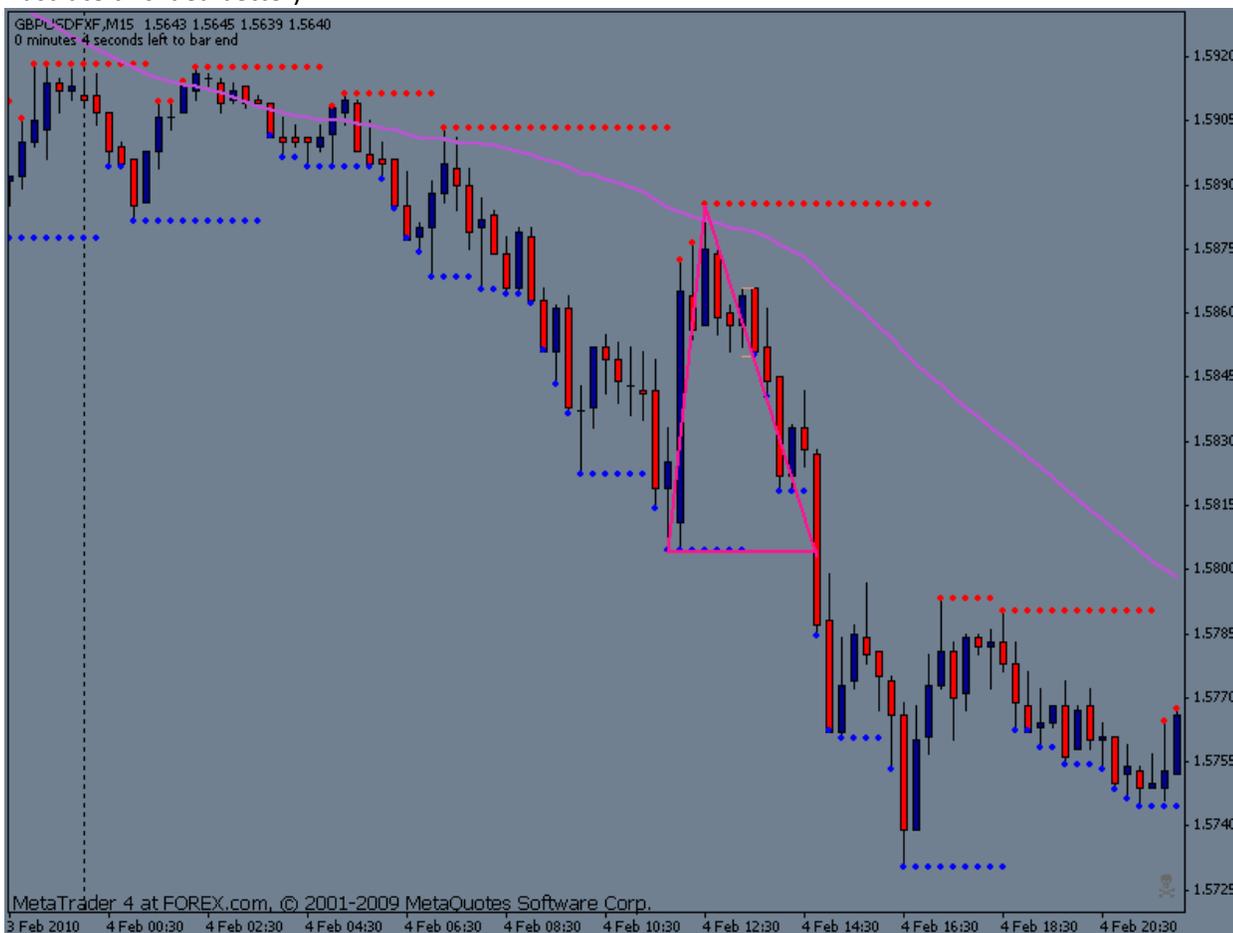
- When I enter the trade it's usually a market order. I set the S/L and enter. Immediately I right click my active trade and select "Close" bringing up a Close Entry window box and I put it on the left side of my monitor window... resting my arrow on the Close button. If it suddenly reverses 5 pips I'm out.
- (When using Heiken Ashi candles): A 15 minute chart trade will normally go 3-6 candles or more when you have a 40 pip spread on the Tokyo Channel.
- If I have a candle that is longer than 3/4 to 1 inch on my 24" Monitor... I will usually close the trade if it drops 5 pips and enter another trade in the opposite direction. Look back on your chart at tall candles with long wicks after the trade has been going for a while (Ex. 5-8 candles) ... almost always a reversal area. Not recommending this for you but it works for me. (Big E uses Heiken Ashi candles.)
- While studying the way the charts breathe... mostly E/U and G/U, I discovered that on the 1 hour chart it "almost" always moved 2-3 candles or more before reversing. What did that mean to me?—Swings are larger on the 1 Hour charts obviously... well just knowing that information gave me an edge. We are always looking for an edge as traders. I still trade them with a 6-7 pip S/L when they reverse. Maybe I get taken out a couple times because my timing was off a little bit... So what. I expect small losses and you should too. The edge tells me it's gonna run normally 30-60 pips per candle and usually 2-3 candles minimum before it turns on me. Ex. 40 pip's average... times only two candles is 80 pip's partner... it's an edge. And I can use Craig's system with it too... just check the ole chart once an hour about 10 minutes before the hour is up... until it's shouting at you; "I'm gonna turn, I'm gonna turn... get ready... here it comes!"
- Learn to study new and old charts. They mostly move the same way when they're getting ready to turn... get the edge... earn the pips because you took the time to observe and learn.
- (TDI. For those interested in trying the TDI indicator along with Stochastic, you can pick up a copy of the indicator in the thread and place it on your charts.) Note how the Stoch crashes flat on top but the TDI takes you smoothly up until you reach the top. I often follow the red and green lines to find my exit area. Generally when it crosses I am in the next swing trade. On the stoch indicator you're blind when it hits top or bottom but TDI continues to feed you information. I always use it.
- The trade might start 30-45 minutes before or after the open but so what. Look back every day for 30 days. You could make a living only trading opens.
- I find that at most Market Opens (or close to it) a reversal takes place. As you know, nothing is 100% in the Forex. The E/U is my most favorite pair to trade... always.
- By the way... I was doing some research this morning on the A/J and it looks pretty promising on the 1 hour chart where you get longer swings to offset the 5 pip spread I have.
- Please don't forget that the 1 hour chart is my own personal preference to trade on. The Heiken Ashi candles also run smoother on that higher timeframe than on the 15 minute. Always use a SL. You can add a trailing stop and go to bed... and trade the market as you sleep. Often I let the trade gain 12-15 pips, move my S/L up to break even or BE + the spread and let the trailing stop & S/L watch my trade and go to bed... Knowing the N.Y. open is only 5 hours away and I want to trade it too.

- (Regarding the TDI) I remove all the lines except for the green and red. I enter a trade when green crosses red and exit when green starts to curve over. On Craig's system I always make sure that PA lines up with the stochastic.

### OTHERS' NOTES

- (PipTalk) Ok..For this week... First of all keep it simple!!!! Dont worry about all the indicators!!Its what I like about the CH method,,,,This is how I trade his system. Good ,Bad or Ugly!! Time frame 15 min,,Stay out 15 min before and 15 min after a news release,,.Look for swings in the 50 - 60 pip range or more,, Stoch os/ob ,,Wait for candle color change,,.Enter break over or below round #s ie. 20, 50, 80, 00, Money Management rules are as follows, Risk 2-3%,,,Or whatever your risk tolerance is,, Initial stop should be placed above or below the previous swing candle,,,15-20pips in profit? Then sell half your position and either let balance run or take your profit at the second tier round #s,If you get stopped out on your first trade then double up your lots for the next swing, ,,If you get stopped out again then wait until the next session and start over,,,Depending on your time zone,,,,Trade,,1st 3 hours London session or 1st 3 or 4 hours of the NY session,,,,Or the 1st 1 or 2 hours of the Asian session,,,Thats it!!..... BTW,,,I go the breakeven on the stop after the taking profit on the first position,,
- (PipTalk) I know stoch can either mean ranging or trending,,,,But the way I approach is wait for os/ob preferably above or below 80/20 lines,,,,But not an exact science,,,,Also **a swing of 50 pips or more is a red flag for retracement**,,,,Like CH said is to take advantage of the natural flow of the market,,,If you follow the flow you should get a 65-75% accuracy. And maybe even higher as we fine tune our skills. .and THATS A VERY PROFITABLE TRADING SYSTEM!!,,,,As our confidence grows so will our wallets!!,,,,Continue to take partial profit that your comfortable with and then go to breakeven for capital preservation,,,,Let the balance run or take profit by the second big# tier,,
- (NeoRio) One way you can enter your trade is by using a pending order. Once the reversal candle closes you can set a Buy Stop or a Sell Stop above or below the reversal candle. However, only allow the trade to be triggered if you have Stochastic agreement (and all other criteria are met). The Stochastic position is crucial to a valid entry.
- (NeoRio) You always want to be trading away from the MAs. CH uses custom MAs (most likely the equivalent of an SMA 240 and an SMA 20 on the M15). His custom MAs change settings when you change TFs; one faster MA and one slower. In general, you always want to trade away from the MAs, ideally when they first cross or first start their move in a direction. If you are looking to trade towards the MAs (countertrend), then you want to be sure to have a good distance between where price is and where the MAs are...like 35 pips, or thereabouts.
- (NeoRio) What direction should you trade in?—if the pair you are trading (i.e. the GU) has a daily average range of 150 pips a day—once the market (any currency pair) has done more than 70 pips in a trading day—USUALLY, the market is going to move another 80 or 90 pips in that direction.
- (NeoRio) Swings are generally bigger during the London session than during the NY session.
- (BullsAndBear) Something I've noticed is; the swings we look for are very much time based as well as s/r based. I almost got shaken out of a trade last night on g/u but since I was out in the middle of nowhere in the session time wise and had not made a full 30 pip swing so I anticipated that it was a fake out by the brokers. A false move up. Well the indicators did show that too and sure enuff it turned back to finish its path to s/r and then a reversal at the appropriate time. I'll try to post live charts on this, but it pays to really pay attention to the time, if the current swing move finished its course (30-60 pips), and if u are at s/r level or just in between.
- (Moxy UK) I watched a few of the webinars (again) the other day and picked up on this topic (counter trend trading). Trading with the trend wasn't specifically mentioned but Craig did make a point of saying he would take counter trend trades when a pair has reached its average daily range. I didn't pick up on this the first time of watching, but did this time round. It makes perfect sense too...for me the trade psychology of this is; the pros see a pair has moved hard into its ADR near the close of a session & would prefer to bank profits rather than let ride.

- (BPips) I have started to see what CH sees with the swings; they make triangles. If it's a swing high in a down trend you short (at the top of the swing high) and target the base of the (previous) swing (low). (Here's a picture to illustrate this idea better):



- (CH) This system is solely based on trading out of consolidation. You can draw as many fibs, SR lines, pivots etc but you will never know whether to go long or short at these points until you see consolidation. So why bother drawing them on your chart (lines, fibs etc)? All you need to look for is consolidation. What is consolidation? It's a group of candles no longer making HH/HL (up trend) LH/LL (down trend).



- (CH) One of the golden rules of trading is to trade away from moving averages. There are many moving averages that are promoted by traders. No matter what moving average you use, the rule is always the same; i.e. trade towards a moving average at your peril. If you look at a CH M15 chart, there are two moving averages. With trial and error you should be able to determine that the blue MA is the 60 period MA from the H1 time frame (240 on M15) and the 60 period MA from the M5 timeframe. So following the golden rule, only trade away from these averages. If you are to risk trading towards one (counter trend trade) make sure there is enough distance to profit before hitting either MA. Good trades are shown with yellow arrows. 'no go' trades are red arrows (unless you're comfortable that you can get 20 pips before hitting MA)



- (CH) As Big E stated previously, trading H1 candles can be very profitable. So why not add an indication of the previous H1 candle to the M15 chart? While you're at it, may as well add the previous H4?



- (CH) This is why trading toward the MA's is not a good idea. See how price consolidates/bounces off these 2 MAs





- (carlen68) Here is my gift to you. After studying the webinars from 12/17/09 I figured out Craig's 12-3pm EST strategy. Here it goes: He talks about how he gets at least one perfect trade a day from the pairs he trades (gbpsd, eurUSD, usdcad, audUSD, and eurjpy). This is a counter trend trade after the close of the London session. He takes a fib of the whole day (from open to 12pmEST) from the highest high point to lowest low point, or from the low to high. He is looking for price to be at the lower 1/4 or upper 1/4 of the day's range (within the 0-23.6% Fib retracement area) at the end (or around the close) of the close of the London session. Then he trades back to the 23.6% fib area (and/or beyond) for profit (a counter-trend trade). Remember after the London session closes; only the US session is open. You should back test and see the results yourself. He is correct on getting at least 1 trade per day from all the pairs that he trades. That is it. Enclosed is a screen shot from his webinar.



1. He watches for any news. If news after 12 pm EST then no trades. Usually there is no impact news after 12pm, until the start of the new day.
2. Price has to be in the lower 1/4 or upper 1/4 of the day's range. If price has already made its move back towards the 23.6% for the day (at around 17:00 GMT), look for another pair to trade.
3. Then he trades from the 0 until the 23.6% fib (also watches Big Numbers 00, 20, 50 80 areas for take profit) counter-trend.

4. He uses the same breakout strategy as usual. (Reversal candle pattern with stoch agreement), then takes the trade back to the 23.6% for profit.
  5. He usually gets 1 trade per day from all his pairs that he trades.
  6. I usually get 1 trade a day from the USD pairs (plus the EJ). Seems Tuesday, Wednesday and Thursday are the best days for these retracement trades.
- (castlebrook) Between 0800 and 0900 GMT the low or the high of the day is often put in (esp when no big news). It is statistically significant. Go through last 20 days and check it out. (I've not done but it is normally the case). When a low or a high is formed enough times, you should watch and wait before jumping in.
  - (castlebrook) **00, 20, 50 and 80** are sometimes called Sweet Spots. These can be good support and resistance levels. The market tends to slow down or consolidate at these numbers especially with the GBP/USD and EUR/USD (most of the other Majors too). They are good for profit targets and also excellent points to enter the market. Sweet Spots are ideal technical areas for placing stops especially if they coincide with recent highs and lows. These are used extensively in my methodology in preference to pivot points. Why do Sweet Spots work? – The forex market price action and S and R levels are the sum of all the human psychology of those people taking part in it. As humans we like order and we like round numbers. Just think about it.
  - (The Real Craig Harris) Important to watch the SS and if you see oversold/overbought but for a long time.....over an hour or so.....then you might not want to take what would be a counter trend trade, but instead wait for the pullback and then look for the next entry.