

DANCE/CHOROS PRINCIPLES

GENERAL

The Dance follows trends. It defines a trend by the relationship of price to the 35SMA and the 50EMA. Price > 35 and 50 then uptrend. Price < 35 and 50 then downtrend.

The Dance finds moves away from the trend which then bounce off of support or resistance back in the direction of the trend. Trades enter at the point of the bounce (or nearby).

The Dance mainly uses the 10EMA, the 35SMA, the 50EMA and Round Numbers for support and resistance. It operates mostly off the M15 chart.

MOVING AVERAGE RELATIONSHIPS

The Dance likes:

- 1) Steep MAs. The steeper the better. A shorter period MA needs an even steeper slope.
- 2) Close MAs. MAs that are close together and moving in the same direction provide a better signal. Widening between MAs, especially between the 35 and the 50 signals the likelihood of reversal or price swings back and forth between the MAs (ping pong).
- 3) MAs in sync. It's best to have the MAs all moving in the same direction. The more they approximate the same direction, the better the signal.

LONGER TIME FRAMES

The Dance uses the M15 to take primary trades. It looks to longer time frames mainly for trend confirmation. It also looks to longer time frames for additional areas of support and resistance. It's also possible to take a signal from a longer time frame, but these are not primary dance trades. A signal from a longer time frame may be stronger than a Dance signal. It also typically will require a larger stop.

SHORTER TIME FRAMES

Shorter time frames (M5 AND M1) do not belong to the original dance. They have proven useful for fine tuning entries, by waiting for confirming price action on a shorter time frame. And the M5 is now sometimes used for taking signals by some dancers.

ROUND NUMBERS

Round numbers provide stationary levels of support or resistance. The dance uses the x00 level and the x50 levels.

OTHER SUPPORT AND RESISTANCE

LOOK TO THE LEFT. The charts themselves will reveal nearby levels of support and resistance. These will appear on the M15 and on longer time frame charts either as areas where price has shown respect to a particular level, or often as the tops and bottoms of pin bars.

DOUBLE TOPS AND BOTTOMS Any point where the exact same price is the high or low for different candles deserves particular attention.

CHOROS ADDITIONS FOR SUPPORT AND RESISTANCE

People have had success adding other levels of support and resistance. These include:

- 1) 62EMA (SMA?)
- 2) H1 10EMA, 35SMA, 50EMA or their M15 Equivalents
- 3) H4 10EMA, 35SMA, 50EMA or their M15 Equivalents
- 4) D1 10EMA, 35SMA, 50EMA or their M15 Equivalents
- 5) Daily Open, Daily High and Low
- 6) Daily and/or Weekly Pivot Points, with S1, S2, R1, R2
- 7) Fibonacci voodoo
- 8) Bollinger Bands? I think I've seen these on Dance charts.

CONFLUENCE

The dance loves confluence. Confluence occurs when price approaches different types of support or resistance that have all bunched together. For example, the MA 35 and MA 50 are on top of each other, and right at the level of a Round Number. The more confluence, the better.

EXITS

Stops stay tight. Never more than 19 pips according to original dance. Stop moves to break even quickly. Exit strategy varies. Some exit quickly at around 15 pips. Others split trades into 2 or more portions. Others hold longer. The original dance recommended moving quickly to break even and then trailing stops candle by candle.

Support and resistance can also supply the basis for an exit. So can price action, in the form of an unfavorable candle formation, or perhaps just in the form of hesitation.

PRIMARY ENTRANCES

1) CONSTRAINTMENT

A constraintment occurs when price hugs a Moving Average, or other Support/Resistance level for three or more consecutive bars. (There is some difference of opinion about which part of the candle needs to be constrained, the body or the wick.)

A constraintment signal is better when the hugging bars are either small or getting smaller.

Constraintment trades can be taken against the 50EMA, the 35SMA, the 10EMA, or even against round numbers.

A constraintment signal will be better to the extent it follows the general principles:

- 1) Steepness of the constraining MA
- 2) MAs moving in sync.
- 3) Confluence of constraining MA with other areas of support or resistance.
- 4) Larger time frame shows trend in direction of constraintment trade.

NOTE: Frankfurt/London Opening. Towards the end of the Asian session, price typically stalls, and the chart will often show a constraintment here. It's probably worthwhile to wait for some movement before trading this type of constraintment.

Price Confirmation. When there is no additional support from other general principles for a constraintment trade, then wait for confirmation from a favorable signal on a lower time frame (candle pattern or price momentum) before entering a constraintment trade. (Some will always wait for this kind of price confirmation.)

STOPS: very tight, can be as low as 5 pips plus spread. If price doesn't respect the constraintment, then the signal has failed.

2) TOUCH TRADES

A) BOUNCES

Bounces are touches off the 35SMA or the 50EMA. Here all the general principles apply: Steepness, closeness, and sync of the MAs is better. Confluence of other support/resistance even better. Steepness: 20 degrees or more. Closeness, less than 10 pips (at least enough so stop covers a touch of both). If flat, then look for even more closeness.

First touch is strongest. Be careful with later touches.

Price confirmation on lower time frame is optional, but a very good idea, especially if there is another level of support or resistance for price to test beyond the one you are trading. (For example, the 50 and 35 are 10 pips apart. Price is approaching the 50. Wait for price confirmation of a bounce before entering the trade, or else price might go on to test the 35.)

STOPS: 10-15 pips, unless more needed to include a support/resistance level within the stop.

B) 10EMA TOUCH

Enter off of a touch of the 10EMA in a good trend. 10EMA should be very steep -- recommended to be 45 degrees, and steeper is better.

The retrace back to the 10EMA must be at least 15 pips.

The retrace back to the 10EMA must take two bars or less.

Confluence helps.

Price Confirmation: Optional, used mostly to guard against blow throughs of the 10EMA.

SECONDARY TRADES

A) 5MIN 5 or 10 EMA Entries.

EMAs are steep and parallel to each other. Price retraces in one bar to the 5 or 10 EMA. Trade the touch. Credit to Endroute.

B) Touch or Bounce Trades from Higher TFs

These are exactly what they sound like. They are not strictly dance trades. They use the same rules as dance trades, but on higher TFs. Typically, they will need a bigger stop loss, but will also have larger take profit.

C) 10 EMA Touch Counter Trend

Very steep angle on 10 EMA which is moving in opposite slope to the 35, the 50 or both. If the angle is steep enough, it can justify a trade on a 10 EMA touch even against the trend. This is especially true if price has already made a "clear break" through the 35 and the 50.

D) PING PONG

There is a wide separation between the 35 and the 50. (Better if on the H1.) The separation should be wide enough so a bounce from one MA to the other is 15 pips plus spread. Trade bounces back and forth between the two MAs.

E) OTHER SUPPORT AND DISCRETIONARY TRADES

The dance primarily looks at price as it moves around support and resistance levels. Any of these support and resistance levels can form the basis, or additional support, for a secondary trade.

A primary trade generally looks to 1) Steepness of the MAs, 2) The extent they are in sync with each other, 3) Confluence with other areas of support. Strength in one area can make up for weakness in the others. Thus, lots of confluence can justify a trade even when the MAs are relatively flat. Or, as in the countertrend 10EMA example, a very steep EMA can override the EMAs being out of sync with each other.

COUNTERINDICATIONS

NEWS

Some think the Dance is relatively immune to the news. Trade near the news at your peril. Wild price moves are not the main problem. The big problem with trading news is the possibility of a stop not being filled. Trading near big news = gambling.

PORCUPINE

The dance thrives on orderly, trendlike behavior. When candles start repeatedly having large wicks on either side, the porcupine has struck and its time to stay out.

SUPPORT/RESISTANCE AHEAD

Be careful of trading into a confluence of support or resistance. For example, a touch long on the 10EMA might not be a good idea if just ahead there is 1) a round number, 2) a Pivot Point, and 3) a pin high from a daily candle, etc... Be aware not only of what makes the entrance good, but also of what can block the trade ahead.

DANCING PAIRS AND TIMES

The Dance needs movement. Best to trade when multiple markets are open for the pair being traded.

The favorite appears to be GBPUSD, for London open through close. At same time, EURUSD is also possible.

For the Asian market time frame, Clay used AUDJPY. Leemonk seemed to do well with CHFJPY. GPBJPY is also possible. The important thing is to trade a pair that moves during the time you trade it.

It's less clear what one would trade from London close to New York close.

STICK WITH ONE PAIR. At least to start. It's best to get to know how a pair behaves. It will build confidence and consistency.

FIDELITY

It's best to pick a strategy and stick with it. If choosing the Dance, then choose it. You can extend this to particular types of trades. If you want to get good at constraintment trades, then focus on them pretty much to the exclusion of other entries. Get good at them, and then add something else to your repertoire. If trading starts going badly, return to the fundamentals.

MONEY MANAGEMENT

Small stop losses allow for bigger lot sizes. That is one of the secrets to the success of the Dance. Small pip gains can lead to large account gains.

Set a firm amount of risk per session. Kostas used to use 3%, but has cut this to 2.5%. The level of risk/session could even be as high as 5% (or more). The important thing is to set the risk and stick to it.

Set a clear rule for when to stop trading with winners. This could be by number of pips won, number of trades won, percentage growth in account. Again, each person can differ here. The important point is to have an obtainable goal, and to stop when the goal has been reached. Examples: 30 pips, 5 winning trades, 3% gained in account.

Non Dance: Pay yourself. Kostas is now withdrawing E1000 for every E2000 gained. Until money comes out of the trading account, treat it as unrealized gain. You haven't made anything in Forex until you have pulled it out of your account. Accounts blow up all the time. Brokers go bankrupt. Gains only count for real when they have been realized.

It's probably best to start a program for paying yourself early on, to get in the habit. Kostas' approach is one way. Another possibility would be to give yourself 25% of the money gained every time the account grew 20%. Thus, if you had an account worth \$4000 and it grew to \$4800, you would withdraw \$200 and bring the equity back down to \$4600. Then at \$5520, you would pay yourself \$230, and so on.