

POWER BAND

Forex Swing Trading System

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Introduction

Greetings fellow forex trader,

Welcome to the Power Band forex trading system, In this system you are going to be lucky enough to discover something I have used for a long time to profit from the forex markets.

First let me point out that this system like any other will not bring riches overnight, you need practice and patience, the latter being the most important in my honest opinion. Demo trade for a while and get a good feel for the system before ever trading live. Take things slow the forex markets will be here long after you so there is no rush.

There are a few things that are very important to mention before we proceed with the details of this system. Please don't skip ahead this really is important.

You must not over trade, it will kill you in this business, if in doubt at all then do not trade. If you make a bad trade you must not re enter in a revenge trade to get your money back! Losses are part of doing business especially in the forex market, learn to treat wins and losses equally with your emotions and only then are you truly ready to make serious money from the market.

Always keep in mind the long term picture, maybe you had a losing trade today but in the overall picture of the month/year you will see consistent results and your account growing steadily.

Remember your primary importance it to protect your capital, no position is quite often the most profitable position to be in!

With that all out of the way lets start looking at the Power band system.

The System

I have had the most success using this system on the 4 hour charts and they are the only ones I trade with the Power Band system, however I am sure it will work well on other time frames also If you feel like testing it out.

The system works on any pair, I recommend watching maximum of 3 pairs in the beginning then add more as you become more confident in the system.

Setting up your charts

Open a 4 hour candle stick chart of your favourite currency pair and add the following indicators.

"Bollinger Bands" set to Period **20** Deviations **2**

"Stochastic Oscillator" set to %K **9** period %D **3** period Slowing **3**

Your chart should now look like the one below.



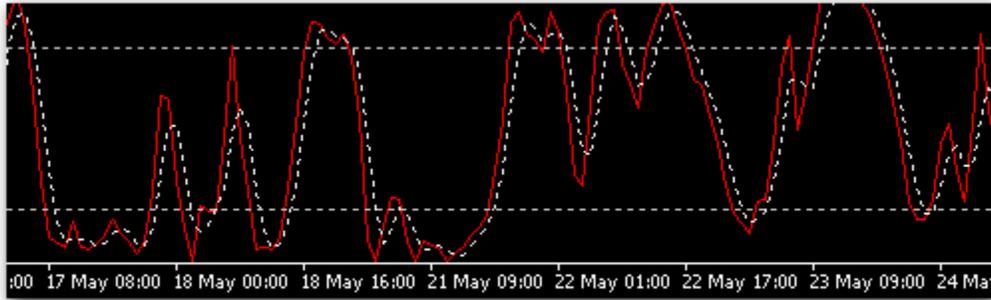
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Simply looking at this chart it is easy to see the power of this system, can you see it?

If not don't worry I am going to walk you through the whole process of making a trade but first we need to talk about the stochastic indicator.

Stochastic oscillator

The stochastic oscillator measures over bought and over sold situations in the market. We are going to use this as our entry into a divergence setup. Below is a picture of the stochastic oscillator, we will be using the setting K%9 D%3 Slowing 3.



The upper and lower horizontal lines going across the oscillator are our extreme lines. These lines are set at the values of 20 and 80 and normally come pre set with the indicator.

What we are basically looking for is the stochastic oscillator to be over bought above the 80 line if we are planning on going short and over sold below the 20 line if we are going long. Let's say we have a trade setup and we are looking to go long we then have to wait for the stochastic to go below the 20 line see if it does not then we skip the trade completely.

Bollinger Bands

The Bollinger bands act as dynamic support and resistance at oversold and overbought levels. These levels will be our heads up to look for a possible trade setup. It is important not to take any trades when the Bollinger Bands are close together, the closeness indicates indecision in the market and it is best to keep out for the time being.

The Setup

The first thing we are looking for is a very near touch or breach of the Bollinger Bands, this must not be when they are close together as the market is unpredictable at that point.

Once we have a breach or near touch of the Bollinger Bands we then have to check the Stochastic Indicator to see if it confirms our intentions. If we had a breach of the upper Bollinger bands we would be looking to go short and therefore need the Stochastic indicator to be over bought and over the 80 line.

If we had a breach of the lower Bollinger bands we would be looking to go long and therefore need the Stochastic indicator to be over sold and under the 20 line.

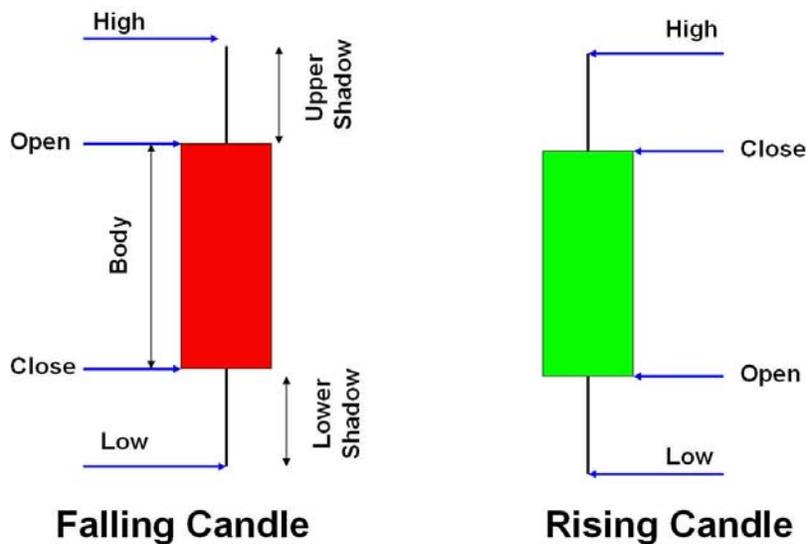
Once both of these conditions are met we look for our entry confirmation which is a candlestick formation, if we don't see one then we wait until we do, if the trades takes off without us then we wait for the next one.

Stops are placed behind the recent high / low and always moved to break even as soon as possible, usually when in profit by the same amount you risked.

Never risk more than 3% of your account on any one trade.

Candlestick formations are used to identify the underlying physiology of the market, usually with a reasonable accuracy.

Below is an example of a normal falling and raising candlestick.



When a candlestick tries to make a new high/low but fails to close at those levels it gives some clues as to who is in charge, the bulls or the bears. There are literally hundreds of candle stick formations used by traders all over the world to profit from the markets. We are only going to focus 4 formations here in this system, these are the formations I found to be most profitable and occur regularly.

Doji's



The Doji is generally a small candle indicating a period of indecision with not much movement, the open and close should be at the exact same price but it is acceptable within a pip or two.

This small candle if seen after a good move is a strong reversal signal, with confirmation it is very reliable entry point. You will often see the Doji when trading the divergence system, usually when the stochastic is topping/bottoming out, a great confirmation that you are on the right side of the market.

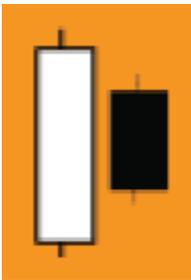
Engulfing



An engulfing candle is a strong change in momentum in the market often seen off of breaks of support/resistance. For a buy confirmation the first candle would be red followed by a green candle that completely engulfs the previous one. For a sell confirmation the first candle would be green followed by a red candle that completely engulfs it.

You will often see engulfing candles with the 4H breakout system on the break of the support/resistance line, this indicates good volume and momentum in the market.

Inside candle



The inside candle formation is basically the complete opposite of the engulfing formation, the second candle is formed completely inside the body of the previous candle. This formation gives us a heads up that the bears/bulls are losing steam and the market may be thinking about a reversal. This formation often happens just before a strong move or breakout, be sure to have your eye out for this formation when trading the divergence system.

Pin formation



The pin formation is one of my favorites, it shows huge emotion of the market indicating a sign of a reversal, in this case the bulls pushed the market high but failed to hold it so price returned back to around the open leaving a pin formation. The pin always points away from where price may be heading, the opposite is true for a bullish pin formation. You will often see these formations after a breakout on the 4H breakout system when the retrace takes place.

These formations take some getting used to in the beginning but with a little practice you will be seeing them everywhere.

I have found the engulfing and pin formations to be the most reliable out of all four so when I see this formation after the system conditions are met I have great confidence in my trade.

Trade Examples

Lets take another look at the chart I showed you in the beginning section when we set up our charts. It is a 4 hour chart of the EURUSD.



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I will start from the left and list every trade and reasons for taking it.

1. The first trade was a sell signal with a pin bar confirmation.
2. The second trade was a buy signal with reasonable pin bar confirmation.
3. The third trade was a buy signal with inside bar confirmation.
4. The fourth trade was a sell signal with another inside bar for confirmation.
5. The fifth trade was a buy signal but not a great confirmation.
6. The sixth trade was a sell signal with an engulfing bar for confirmation.
7. The seventh trade was a buy signal with a inside bar for confirmation.

Every one of these trade would have been profitable or at the very worst one or 2 might have been stopped out at break even.

Are you starting to see the \$ signs yet?
Let's look at another chart of the EURUSD.



1. Trade one was a great setup with pin bar confirmation.
2. Trade 2 there was no good confirmation so No Trade.
3. Trade three was great with pin bar confirmation.
4. Trade four was a good setup with inside bar confirmation but stopped out.
5. Trade 5 turned out to be a good trade with pin bar confirmation but the stochastic indicator only just made it over the 20 line and the Bollinger Bands were very narrow.

So again we have 5 trades 1 loss, 1 wasn't taken and 3 were very profitable.

Exits

There are so many different ways you can exit a position depending on your personality and risk level. I will explain how I exit positions and you can decide whether to use it or create your own exit strategy.

My stops are always moved to break even once I am in profit by the same amount I risked.

I generally target the opposite Bollinger band to exit my full position but if I feel that price is stalling at all then I move my stops to protect some profit just in case it reverses.

Never let a good winning trade become a losing trade.

Conclusion

This system has give me many profitable trades and always proved to be profitable over long periods of trading.

The gain is almost always double the risk if not more giving you a great advantage to ensure you will stay ahead during any bad trading decisions.

The key to consistent profitability with this system is to get to know the candlestick formations. They are the entry confirmation indicators and without them I would not enter any trades. After you get to know the formations well you will be able to spot the good formations from the bad ones giving your trades even more chance for success.

I hope this shot manual for the Power Band trading system will prove profitable for you as it has done for me in the past.

If you have any questions at all then don't hesitate to contact me at.
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Yours in trading success

Dean Saunders



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