

DETERMINE THE SUPPORT AND RESISTANCE LINES ON LAST DAILY CANDLE

Example on how to draw the Support and Resistance lines:

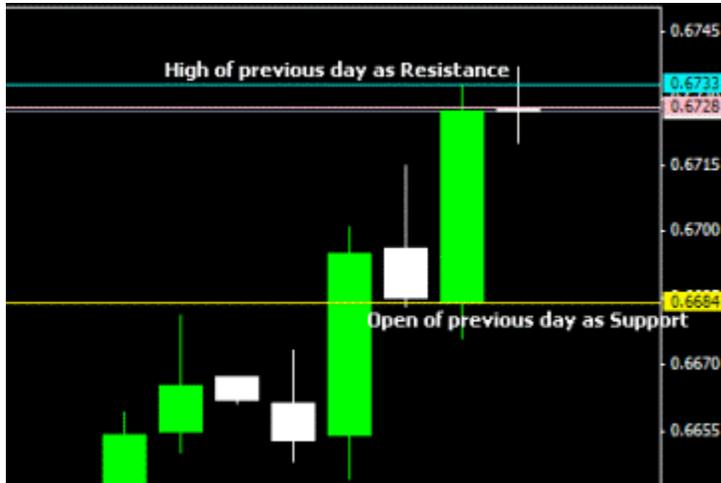
Open your chart and switch to daily time-frame

Scenario 1 – Bullish candle (price close above Open)

Ignore the Low of the Day and Closing Price

High of the Day 0.6733

Open Price 0.6684



*Draw the line on High (0.6733 as Resistance) and draw the line on Open (0.6684 as Support).

Scenario 2 – Bearish candle (price close below Open)

Ignore the High of the Day and Closing Price

Open 1.6276

Low 1.6212



*Draw the line on Open (1.6276 as Resistance) and draw the line on Low (1.6212 as Support)

ENTRIES AND EXITS

If you have the time to look at the chart... do the following:

Long

Enter the trade when the 5-minute bar penetrates and *close higher than* the Resistance level.

Short

Enter the trade when the 5-minute bar penetrates and *close lower than* the Support level.

Stop-Loss

Exit the trade when the 5-min bar closing price is greater than your stop-loss value. For example if your stop-loss on EUR/USD is about 20 pips and if it closes more than that, exits the trade.

Take-Profit

My risk-reward ratio is 1:1 so if I set my SL to 20 pips, my TP would be 20 pips. However, if you want to make more pips than that, I recommend entering with 2 or more lots and then exit the first TP target of 20 pips then move your SL to breakeven in order to let the winner runs.

If you don't have the time to look at the chart... do the following:

Long

Set a buy order at the Resistance level with a SL and TP target.

Short

Set a sell order at the Support level with a SL and TP target.

Stop-Loss

Your preset SL target will handle itself.

Take-Profit

Your preset TP target will take care of itself.

Recommended Stop-Loss and Take-Profit target

EUR/USD – 20 pips

GBP/USD – 30 pips

GBP/JPY – 50 pips

WHICH CURRENCY PAIRS TO TRADE?

I've tested on EUR/USD, GBP/USD and GBP/JPY successfully. The numbers of winning trades were overwhelming during my testing period. I believe this technique can be executed on more pairs but that would require further testing to confirm it. The three pairs that I mentioned should be enough to quench your thirst for pips.

EXAMPLE OF A DOSR PLAY

EUR/USD pairs dated 16th February 2007



On the first red circle, I did not enter the trade even though it touched the previous day support at 1.3117 because it did not close below the Low. As the next movement moved back to the low, it crosses the support and I entered the trade. After that it went down a little then went back as high as 1.3137 which is my recommended stop-loss, however, it did not close above the stop-loss level so I did not close the trade. Next 5-min bar you see that it went all the way down and subsequently hit the take-profit target with a gain of 20 pips.

Personally, I would say this DOSR technique has been very profitable if you were to trade according to my entry and exit strategy here.

WHAT IS THE DIFFERENCE BETWEEN THIS OPEN-SR LINE AND PREVIOUS HIGH-LOW LINE?

I believe this Support and Resistance provide a better entry point (although it is riskier) than the High and Low of previous bar. Sometimes you get a wider distance between the high and low and you miss a good opportunity to gain pips on that day. But with this Open-SR, you can get more pips out of a trade.

That's all for me now. Keep the faith and happy trading!