

"Kolachi Method of Trading

Name: This Method be called as "Kolachi Method"©

Method: Use 1H chart. Use wma5 and ema21. Use MACD or CCI for better understanding. Place 55 ema, 100 ema and 200 ema on your chart.

Signals: when wma5 changes its slope place the entry. Wait for the pull back to ema21. If it crosses through it then be patient and exit on next change of slope. If it is repulsed then exit as soon as possible preferably with some profit. Repeat the process again on change of slope.

Whipsaws: Unlike other crosses this method has very few possibilities of whipsaws. The reason being the difference in the period of two MAs. Moreover our entry is not the cross itself but the change of slope of wma5. In case of whipsaw you will see the repulsion of wma5 from ema21 but you have already break even or locked few pips.

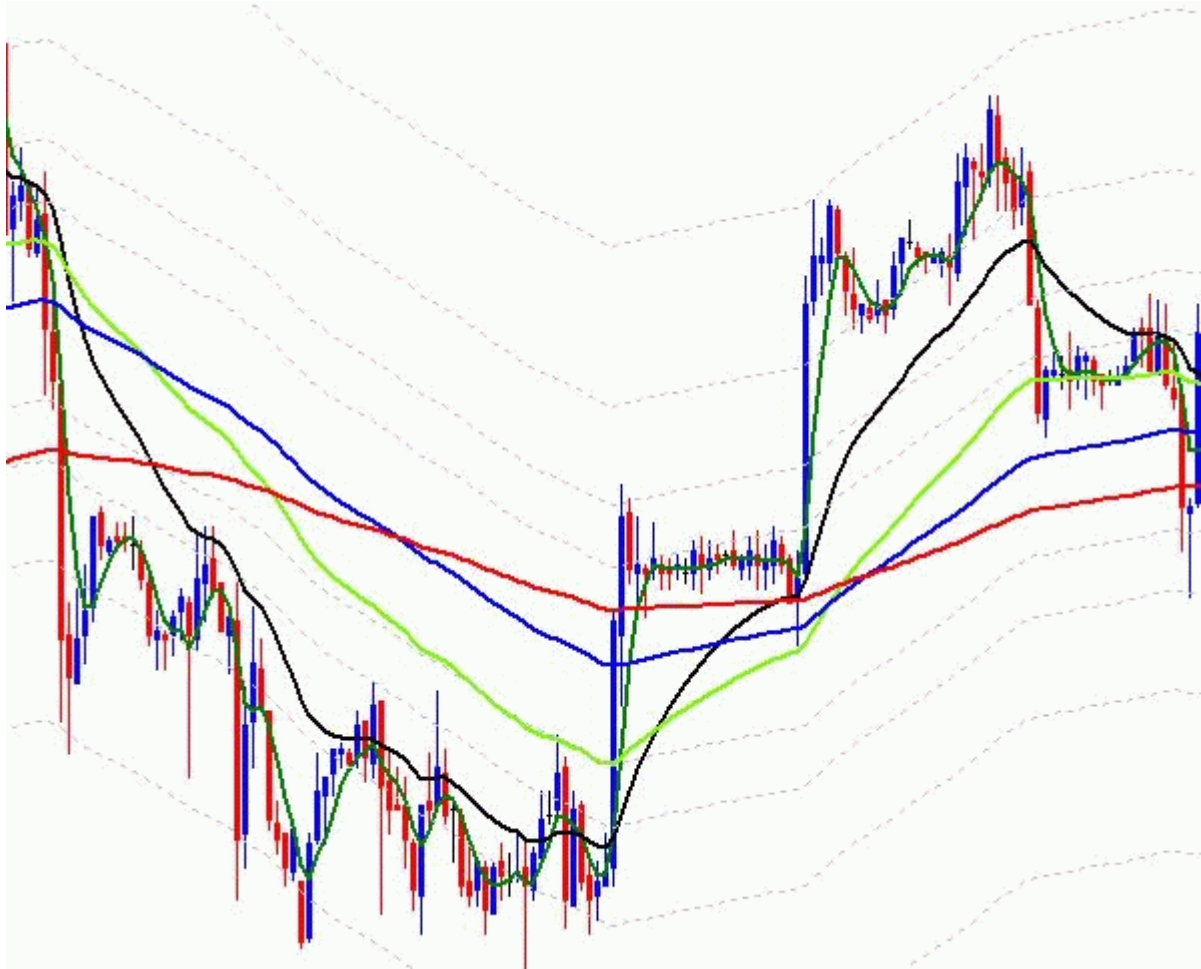
Axis: wma5/ema21 has an axis of pullback which is 200 ema. It goes to a certain level away from it and then it is pulled back for obedience till it is allowed to cross otherway to certain extent.

Comments:

- 1) You will mostly see that wma5 is repulsed from ema21 on the first attempt mostly.
- 2) On second attempt it will mostly cross and may be stopped by ema55 which is a strong resistance and support in my system.
- 3) Once price has breached it then it will face ema100 as next level and the last one is ema 200.
- 4) Once wma5 has crossed an ema it is usually not the routine that it will cross back the same ema unless it has crossed some other higher level prior to that.
- 5) Tackle repulsion from ema55 carefully bcoz it means price has equal probability to cross it again as emas have habit of rejecting once at least.

Chart of Kolachi Method

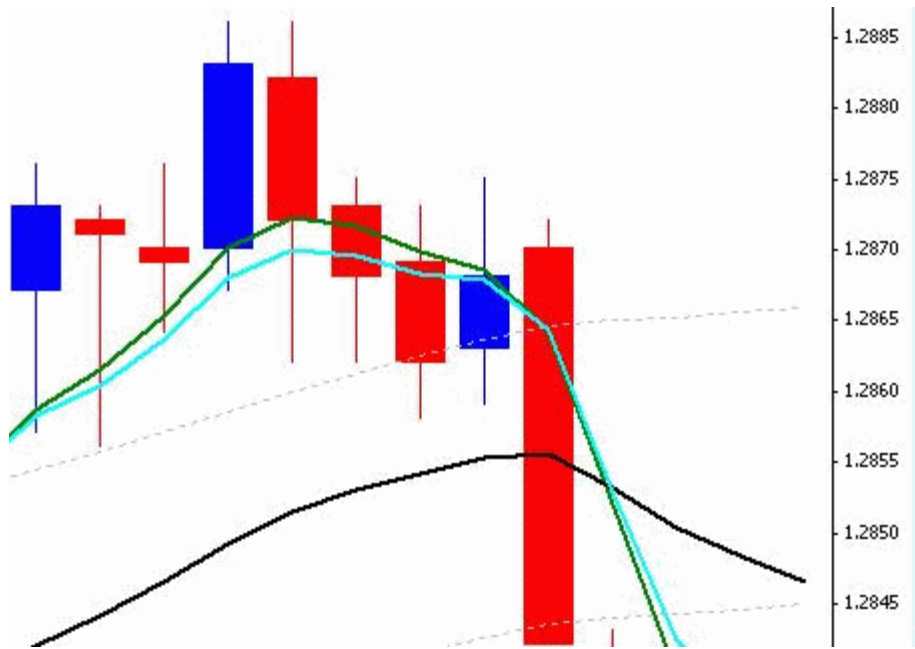
Just to give you a visual presentation I am posting this chart of euro 1H. wma5 is dark green, ema21 is black, ema55 is lime green, ema100 is blue and ema200 is red. You can see red line as axis and repulsion of wma5 from emas.



Reason to select wma5

The reason why wma5 was selected by me is that it is more sensitive to price action. I have posted chart which plots ema5 in cyan for comparison.

The meaning of slope change is nothing but price action confirming the change of direction. It is easy to see a line of MA changing direction rather than everytime seeing the price bars/candles itself.



A Trade Against Daily Trend

Please look at the chart below. It was a trade in gold. It was started at 613 and closed at 619 when wma5 got repulsed. It gave me 500 pips of gold.

Caution:

It was a counter trend trade so any person new at forex must not try such risky trades.

For newbies go to daily chart and establish the trend direction which you can easily guess from wma5 and ema21 setup.

Always try to take those trades which are in direction of daily main trend.

Playing with minor retracements is not an easy game.

I will be posting daily in my journal or here my trade charts: Few before trading and few after trade is closed.



Median Price and Close Price MAs

Before it is late and a new experimenting trader may hurt himself, let me explain bona fide the difference of close price MAs and median price MAs.

There is no better alternative to a chart as visual presentation is more effective than many a words. The charts below show the difference between two MAs prices used. I always use median price which saves me from many false crosses or repulsion of wma5 and ema21. good trading,



Graph of Close Price MAs

Kindly look at the close price MA below.



Protocols of emas of Kolacchi Method

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When I started trading I used to hate weekends as in my view they snatched from me the opportunity to get rich quickly. With the time I settled down like any trader and came to know that it were not weekends which were hurdle in my getting rich but it was me myself. Slowly I realized that if I cant be rich in five days then I cant be even in seven days.

Now I love weekends because they give me a nice opportunity to sit back and read some

good material to enhance my tools of trading.I love to read materials posted by veterans here in FF.

Anyhow let us analyze next week situation and make a strategy to start the next working day with.

I can see the chart posted below which is crying out to traders hold on a little bit and be patient.wma5 crossed ema100 but had to go back as ema21 was not allowed by ema55 to cross at the first attempt.Yes emas have their own protoclos.But soon you will see it will cross down ema55.

Leaving the protocols aside, wma5 has strong resistance by combined effect of ema55 and ema21.It does not seem that it will be able to pierce through. Keep in mind I am talking about wma and emas, not price candle.It may happen that candle may spike up 50 pips and wma do not move few pips even.The presence of Hour tunnel is adding spice to the situation.the price is destined to go lower in long term as i can see(probably as God knows future) ema55 crossing down ema 100 and ema100 attempting to cross down 200 which may be a failure but attempt will be there.

To cut short, I will wait for the price action to confirm repulsion of wma by all these resistances,then I will try to put entry on slope change keeping in view the golden rule that we need to look for some pips for breakeven and need not place entry only on slope change blindly.good trading



Money Management in Kolachi Method

Definition:

The methodology through which capital is preserved from excessive exposure to risk in trading is called

[Money Management in Kolachi Method.](#)

Purpose:

The purpose of Kolachi Method is to preserve capital from exposed risk.

Rules:

- 1) Never expose more than 10 percent of your capital to risk.
- 2) Never take more than 2 percent risk on any single trade.
- 3) Pyramiding is allowed in Kolachi Method under certain conditions.
- 4) Martingaling is also allowed in Kolachi Method under strict controlled conditions.
- 5) Risk reward ratio to take a trade must be less than one.
- 6) Placing multiple lots in Kolachi Method is not preferred unless covered in rule 3 or rule 4.
- 7) A genuine effort should be made to lock one pip profit in the trade as soon as possible.
- 8.) A distance of pips equal to 2 percent risk should always be maintained unless locked one pip profit.
- 9) Once profit is locked then a maximum distance allowed for locking profit is ATR of the currency on relevant time frame.
- 10) Once profit is locked then Kolachi Method suggests no minimum distance to lock the profit but advises the use price action to decide it.

Emotions: Greed and Fear

There are two emotions which control forex: **Fear and Greed.**

When any trader places a trade while considering that bulls are dead and he is with the bears. He should know that always the dying entity gives the last spell/the last struggle before giving in.

What happens a trader seeing that his position is vulnerable, he is overtaken by the fear and closes a trade which after going few pips higher comes back in the anticipated direction of the trader.

Remember market tests your nerves in fear and greed both. Let a trade mature as it is no more than a seedling which needs time to grow into a tree.

Traders mostly say that cut your losses quickly. I say yes but it should not be based on blind faith following but on correct judgement. If a doctor says that amputation is very important for stopping cancer from spreading, then he is right but it does not mean that cut every coming person's hand or leg in the name of saving his life.

Be wise with your trades and give them breather to grow.

Bi Directional Trading & Hedging

Bi Directional Trading:

I do not call my method as hedging but I call it bidirectional trading. One more important thing is that I keep trading in one currency. It is not neutral at all but very effective if MM

is kept in mind.

I have posted down 1H chart of euro which covers approximately whole month of August. I have marked highs and lows with alphabets.

Let us start with A. Suppose I place a short trade at A whereas price goes up. Rather than closing my position I open a long trade not necessarily equal to the short one in lot size but depending on MM in the account. I ride on long till B and bear with short's draw down.

At B I exit my long and wait for price action to confirm direction. Then I place short trade. I ride till C. At C I could average up my both short trades but I do not believe in averaging as I trade my trades as independent events. I exit my second short trade with profit but still bear with my first short trade.

When price goes up the red line at C, then I put a long trade and ride till D and close it with profit.

Here suppose at D I am undecided about direction, I keep away from trading and wait till it reaches F. Here I quickly close/ lock little profit on my first short trade as price has crossed down the position at A.

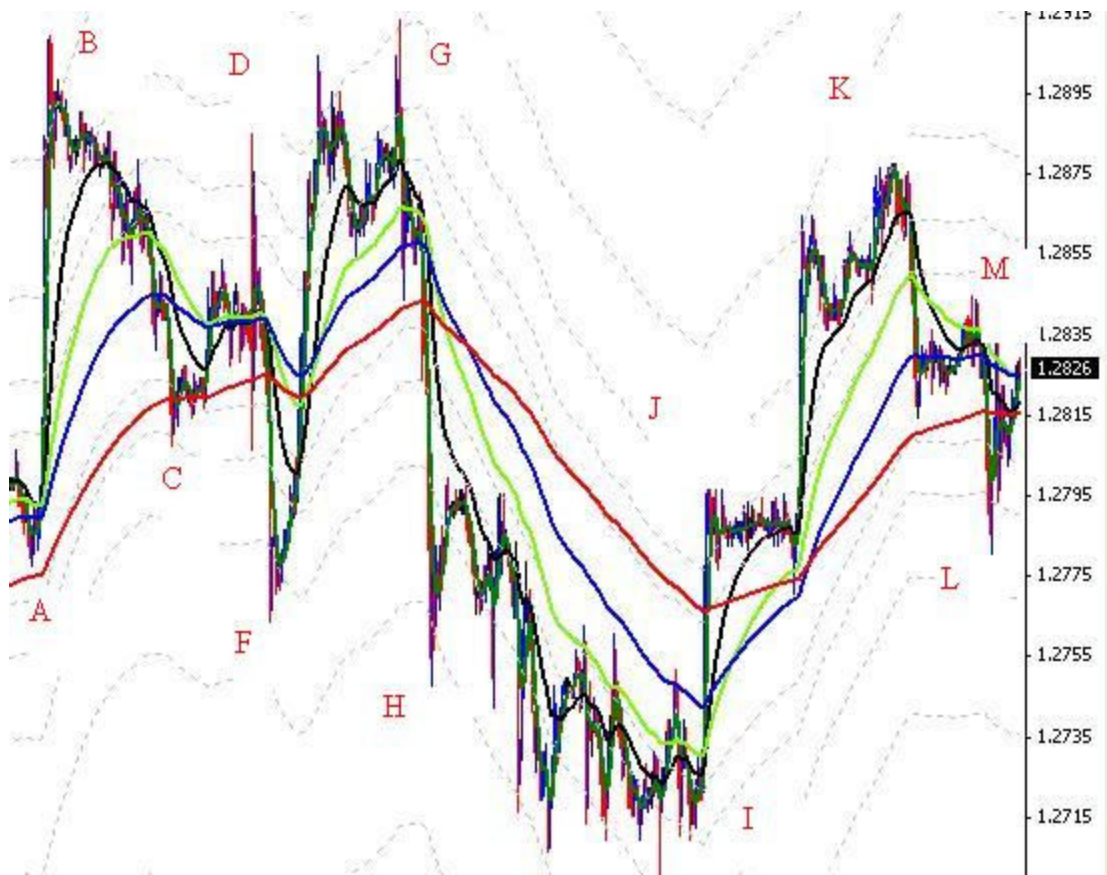
When WMA5 again flattens and turns up at place above F, I place long again and exit at G. To cut it short let us come at J. Here I place a short trade whereas price goes to north and I was lazy enough to break even. Now I put long trade as price jumps up. I take profit on long at K and bear with my short trade initiated at J. Ultimately when price reaches L, I close short trade.

Conclusion is that playing birectional is very effective. Only you need to have MM. I place few long trades in one account and short in other. Before placing a trade I calculate that at least I have enough margin to cover drawdown of 1500 pips to bear with. In this way I keep away from over trading. In interest negative trade I may have to pay interest for a week or so but who cares if it is closed with more profit.

Worst ever scenario is when price goes away from that point and never comes back again. Rest assured that price will come back again there because it cannot run away from the chart to somewhere else. Only take care that each trade is placed in small size and once a small profit is locked then a new pyramiding trade is opened.

One example: If suppose I had put long trade at 1.3600 and price has never gone back there since Dec 2004 and I would have faced drawdown of 2000 pips when price touched 1.1640. But when I would have felt that price is heading down then I would have continued playing short since then and I would have earned profits on my shorts which would take care of my funds which are stucked up in the drawdown. Calculate that my drawdown is straight forward 2000 pips but how many times price has swung up and down and I have cashed the swings. I earn dozen times more than my drawdown. It happens once in 5 years that price does not come back.

I will appreciate any comments or suggestions.



Diplomatic Channel of Kolachi Method

When price is stuck up in the ema21 and ema55, a multiple rebounding process occurs for price. I call this channel formed by emas as diplomatic channel. It needs diplomacy to deal with it so the name. The beauty of this channel is that it beats price from both side to get out.

I have posted chart below and hope if any one follows Kolachi Method will not suffer at all.

wma5 became flat on blue candle whose close confirmed its flatness. It was 1.2872. Placed entry here. Next red candle made low at 1.2866. The last bull candle crossed ema21 which was high time to lock few pip profit. This candle made 1.2884 high. Hence no whipsaw in Kolachi Method.

If you were not stopped out then good luck.

BTW weak hearted shooters should try to close their deal as soon as they get

opportunity. Reset once price comes out.

