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This is a result of a post from cesarnc here on Forex Factory based on trading the 1 minute chart timeframe. I just more or less took the ball and ran with it, period. I make no claims to the success rate from trading this method nor do I advise anyone to trade this method. If you find this method of trading useful, great. If you think it is a waste of time than read no further and save a tree (or a branch) and don't print this out. For those interested parties....

This is just a method, nothing more, nothing less. The key issue to remember here is that this method focuses on the 1 MINUTE TIMEFRAME. The targets (pips) for trading this method MUST be small. The shorter the timeframe, the shorter your pip target should be, get in and get out. How many pips are we talking about? Maybe 3, 5, probably 7 at the most. These targets are not set in stone, you are free to do what you wish with this method. Again, this method is not mine. I just noticed a few 'things' that look interesting. I've learned a lot here at the Forex Factory so it's time to give something back. Here we go.....

**\*\*\* THIS IS A 1 MINUTE TIMEFRAME. KEEP PIP TARGETS SMALL! \*\*\***

You will see this 'reminder' quite frequently by the way.

### **Chart set-up:**

#### **1 Minute timeframe:**

Candlesticks  
Bollinger Bands set to 18, exponential close  
EMA set to 3, close  
MACD, default settings  
RSI set to 14  
Volume

#### **5 Minute timeframe:**

Set up just like the 1 Minute timeframe and add:

Fibonacci retracement levels from the most recent high and low  
Pivot points, main and mid-levels  
Current trendlines  
The 5 Minute timeframe is where I have made some 'suggestions'. I'll get to that a little later.

Why Fib #'s and pivots? We all know the significance of these areas. Now, some people will argue that you can plot horizontal lines at random on a chart and price action will act the same way around these lines as they would Fib #'s or pivots and it's all nonsense. This is not an exercise on Fib #'s or pivots, if you don't want to plot them, then don't. But, just know that price action can act in a certain way around these numbers. Since we are trading on a 1 minute timeframe I think it's a good idea to know where these are. There's no need to plot them on the 1 minute, just put them on the 5 minute so the 1 minute chart stays as 'clean' as possible.

### **15 Minute timeframe:**

Set up just like the 5 Minute timeframe

This timeframe is up to you if you want to use it or not. But, for possible higher pip target entries I'll have this chart open...just because. I'll refrain from having any 15 minute charts here because the focus is on the 1 and 5 minute charts.

Chart #1: This is what your 1 and 5 minute charts should look like. Choose whatever colors you want...



Because people plot trendlines differently, I'll leave those out of the charts.

OK, the original rules state to go long or short when the 3EMA crosses above or below the middle Bolinger Band as long as the and the RSI is above or below 50 and the MACD is above or below the zero line, and they 'line up' or are trending in the same direction with a long or short entry.

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## 5 Minute chart ‘reasoning’:

This is what I ‘see’. By having the 5 minute chart set up also, this can act as a filter to increase the success rate of your trades in the following manner:

- 1) When the 5 Minute RSI is above 50, take only longs on the 1 Minute.
- 2) When the 5 Minute RSI is below 50, take only shorts on the 1 Minute.

Take a look at Chart # 1 again:



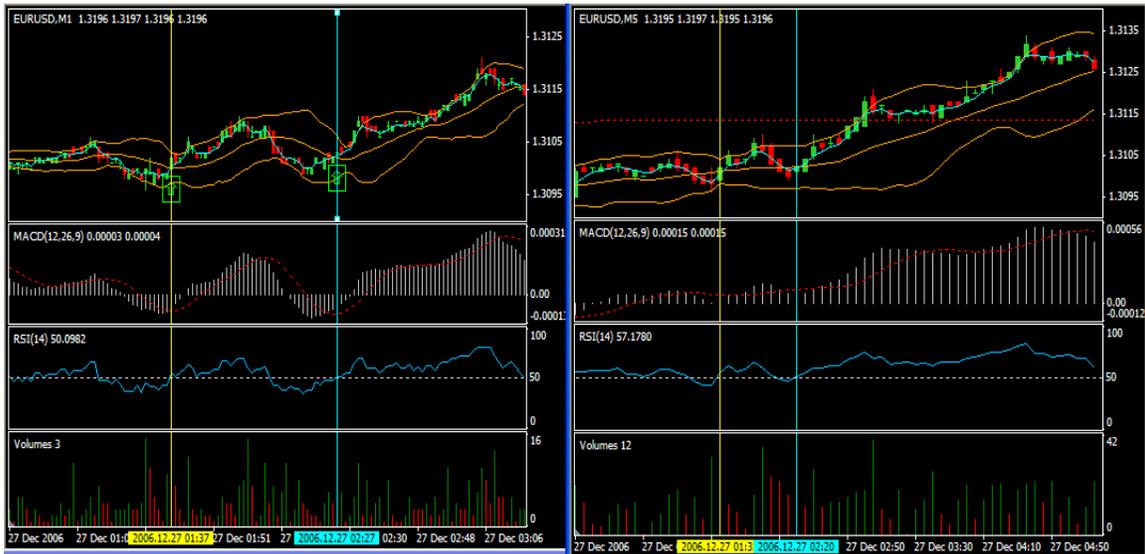
The white box on the 5 minute shows where the RSI is below 50. The red down arrow on the 1 minute shows the first entry for a short. But, both the RSI and MACD are sloping up before the arrow when they should be sloping down. This is where I give more weight to the 5 minute RSI above or below 50 rule.

Chart # 2: some more short entries on the 1 minute.



The first white box has the MACD and RSI sloping up and you may have passed on this trade with the original rules. The blue box shows a valid original rule entry (without the 5 minute RSI filter) and the last white box with the yellow line through it shows where the MACD is actually above the zero line. But, look at the 5 minute chart and the RSI, it's below 50 during the short entry (red arrows) on the 1 minute.

Chart # 3: long entries.



Again, the yellow line on the 1 minute shows the cross of the 3 EMA up through the middle BB but the RSI is right at 50 and the MACD is below zero. But, the RSI on the 5

minute chart (yellow line) when the cross happened on the 1 minute chart shows the RSI is above 50. This is the same for the blue lines as well.

**The take home point here:**

There may be too many missed entries if you strictly follow the original rules. The RSI above or below 50 on the 5 minute chart may be a 'better' rule to follow for entries on the 1 minute chart when the when the 3 EMA crosses above or below the middle BB regardless of where the RSI or MACD is on the 1 minute chart.

**\*\*\* IMPORTANT \*\*\***

As soon as you open an order and have a fill, select that order ticket and either open your close order or modify order selection. Why?

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When you have an order open I think you need to pay more attention to your current P/L (position) for that ticket versus watching the chart now. We're looking for just a few pips here, okay? So, after the fill open that ticket to either close it or modify it. What I'm talking about is the following. You need to be able to close (exit) that order as soon as possible. You need to have your finger on the mouse button to close that order when you are a few pips to the plus side. If you see price action really taking off you can modify the order to put a stop loss (you still need to be quick about this) in as long as you are so many pips away from the current price. Brokers have different rules regarding how far away a stop loss can be from the current market price. If you're in good and are 10 to 15 quick pips to the plus side your broker may still only allow you to put in a stop loss no closer than 10 pips away from the current market price. So, if you're long from 1.3025 on the EUR/USD and the current price is 1.3040 you may only be able to put a stop loss in at 1.3030 if your broker will only allow stops at 10 pips away from the current price. You've only got 5 pips locked in here with the stop and you're leaving 10 pips on the table...uh remember...

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Annnnnnd, remember the spread? My broker 'normally' has a 2 pip spread on the EUR/USD but I've seen that widen to 4 pips during normal market hours with no news events in sight. There's a lot to think about when, I hate to say it, your thinking of scalping pips here and there. Demo this first because it's a very different 'feeling' when trading in this fashion.

Note:

Be aware of news events. This has been stated many times before but avoid having a position open before an economic news event is released. Wait for the 5 minute chart to calm down before you take a signal on the one minute. How long can that take, 15 minutes, half an hour, an hour? Let the charts tell you when it's time to get back in.

The London open. Sometimes this can act like a news event as well. Let that early session develop first.

Can this be applied to a longer timeframe? A chart is a chart is a chart. I haven't looked at that yet but I don't see why it couldn't be.

You're only looking to bank a handful of pips per trade..what a waste! Leverage leverage leverage. If 4 pips are worth \$20, \$40, \$400, \$4000...I'll gladly take it if you don't want it.

Risk per trade has not been mentioned....how much do/should you risk per trade? That is up to you and what your risk tolerance or money management rules tell/allow you what to do.

Volume. Keep an eye on that. An increase in the volume with the direction of a trend usually leads to a continuation in that trend. There is not necessarily a spike in volume when a signal has developed on the 1 minute. The 5 minute volume/trend may show more validation for that rule.

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**Cheers!**