The reason I suggest people not to enter a trade above the 80 line or below the 20 line is that there can be HUGE price movement here...good and bad. All the trouble you will ever face will almost always come from early entry before the stochastic passes the 80 going down or the 20 going up. It's a dream if it goes your way...but can kill you if it goes against you and you don't have enough margin to play with or patience to ride it out.

I suggest that because my purpose in writing all this is to make people winners at forex...slow winners...consistent winners...but winners. This is why I put in the 80/20 rule. Those that trade live with me have seen the results of breaking this rule....on their own and yes...I break it too. To my defense I break the rule with some insight into stochastics and price movement but when you see me in trouble...it came from breaking the 80/20 rule almost always.

Although MOST of the time the stochastic line goes up over 80 and down again...there are times when it bounces up and down above 80 making multiple peaks...this is where price can move way more than the stochastic shows because at stochastic levels above 80 and below 20, the stochastic is not moving in a linear fashion to price movements. That means, a small 1% stochastic movement above 80 might mean 20 pips..where below 80 the percentage move may have been 15% or more.

To compensate for this, is why I brought in the "escalator". You need not worry about what the stoch is doing above 80 on a long trade on the 15 min chart because you can go to the 30 min chart and see what is happening where the stochastic is still below 80.

To catch earlier moves simply use smaller time frames....if you want to try and gain more pips...add time frames....but longer time frames mean larger risk.

SO the basic 80/20 rule is this:

Enter a long trade only when at least two time frames (I suggest 3 to reduce risk) have come from BELOW the 20 line and risen above the 20 line and the candle is near closing or just closed (it does not have to do that in one candle). That means as an example it went from 7-10 and then 10-25 percent on the 5,3,3 stochastic...you buy at the 25 percent stochastic level on the longest of the 2-3 time frames you trade given that the earlier time frames you are using have already moved up from below 20.

If you want reduced risk....wait until the 4H time frame makes this move or is rising but still well below 80 as a confirmation of direction.

It is extremely important to pay attention to the fact the stochastic has previously passed the 20 and "peaked"...made a "v" of some fashion below 20 before you enter a long trade. If the stochastic comes down to 20 and bounces up...this is nowhere near as safe as the stochastic breaking below the 20 and coming back up.

The 80/20 rule will keep you safe....it may be tedious but you will win almost every single trade. It may be boring but you will win almost every single trade. It may not appear to often but you will win almost every single trade. It will not maximize pip gains but....well you get the idea.

If the 80/20 rule is still confusing to you or you want to be sure you have it right...I will be glad to walk it through with you on a live trade in a chat room. Just PM me here. Learn the 80/20 rule with stochastics and you will almost never lose a trade.
Attached Images