

Trading Method Using RSI Reversals, RSI Reversal Statistical Data and the RSI Pro Forex Trading System

EURUSD Hourly

Level 2

7am to 1pm EST

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Trade Method: Level 2 Trade U.S. Trading Session

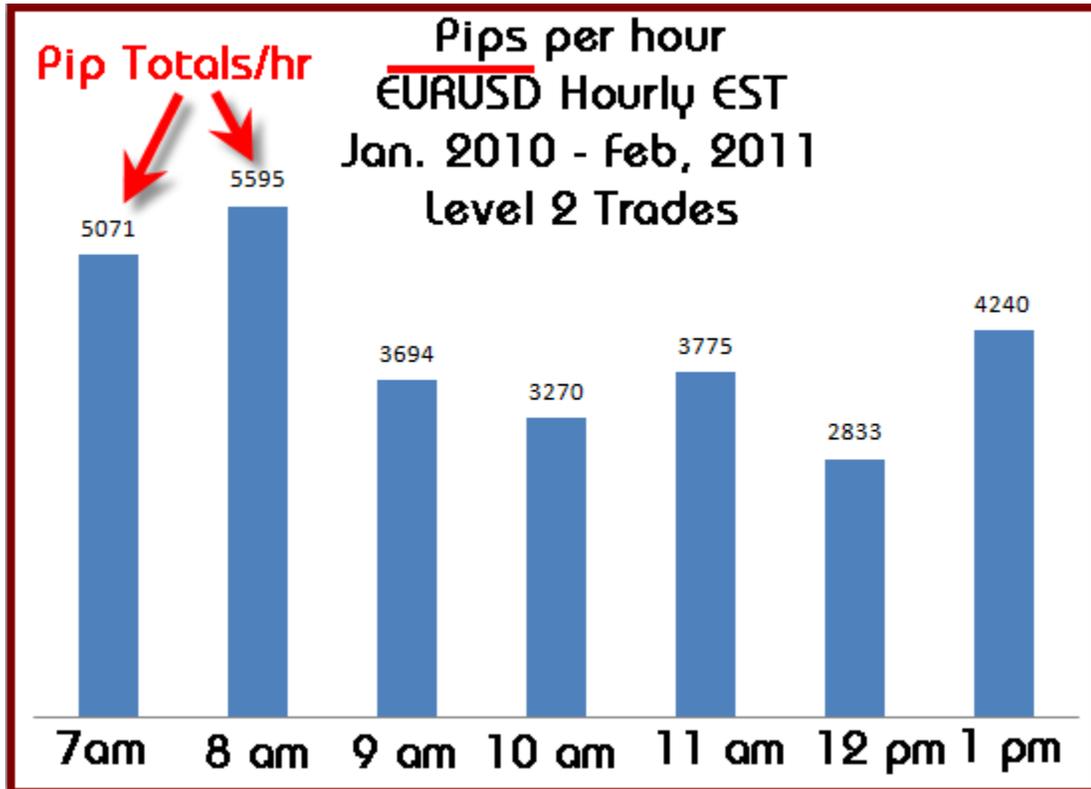
Time: 7am to 1pm EST

Pair: EURUSD

Time Frame: Hourly

Data: Collected from the [RSI Paint Indicator](#) Data Collection Tool a proprietary tool used to collect a variety of information from RSI Reversal Signals.

Objective: Trade Level 2 trades based on the Levels of Success, 1 through 4 described in RSI Fundamentals: Beginning to Advanced included in the [RSI PRO Forex Trading System Professional Package](#), or in this [link](#) on the website. Trades will occur in the U.S. Time Frame.



Best Results Criteria For Trading RSI Reversals

1. Determine major trend from Daily time frame
2. Trade Negative Reversal in downtrend – for best results
3. Trade Positive Reversals in uptrend – for best results

Additional Notes: This method is based on the statistical data for RSI Reversal trades from January 1, 2010 thru February 23rd, 2011. The data was broken down to include trades that occurred between 7am and 1 pm, EST.

The data was then further broken down to include Level 1 and Level 2 trades from the Levels of Success as defined by the [RSI PRO Forex Trading System](#). (See **Appendix A - [Levels of Success](#)**).

Always consider the direction of the trend when trading. [RSI Reversals](#) signal in successful cases the continuation of the existing trend.

This data does not take into consideration the direction of the trend therefore, if that is taken into consideration, it could/should be an improvement in the trading outcome.

Last, always take into consideration momentum and market sentiment before trading which includes the placement of the trade around economic data.

STATISTICAL DATA

Negative Reversals

Positive Reversals

Negative Reversals Tables For EURUSD Hourly Trades

Level 2 Trade During U.S. Trading Session 7 am to 1 pm.

Pips	%
30	100%
50	100%
100	94%
150	80%
200	71%
250	63%
300	51%
350	41%
400	35%
450	29%
500	25%
550	18%
600	14%
650	14%
700	10%
750	10%
800	6%

RSI Negative Reversal
TABLE 1 – Profit Table

% DD	% Occurrence
0%	0%
10%	32%
20%	51%
30%	53%
40%	58%
50%	68%
60%	81%
70%	94%
80%	96%
90%	100%
100%	100%

RSI Negative Reversal
TABLE 2 – DrawDown Percentage

Positive Reversals Tables For EURUSD Hourly Trades

Level 2 Trade During U.S. Trading Session 7 am to 1 pm.

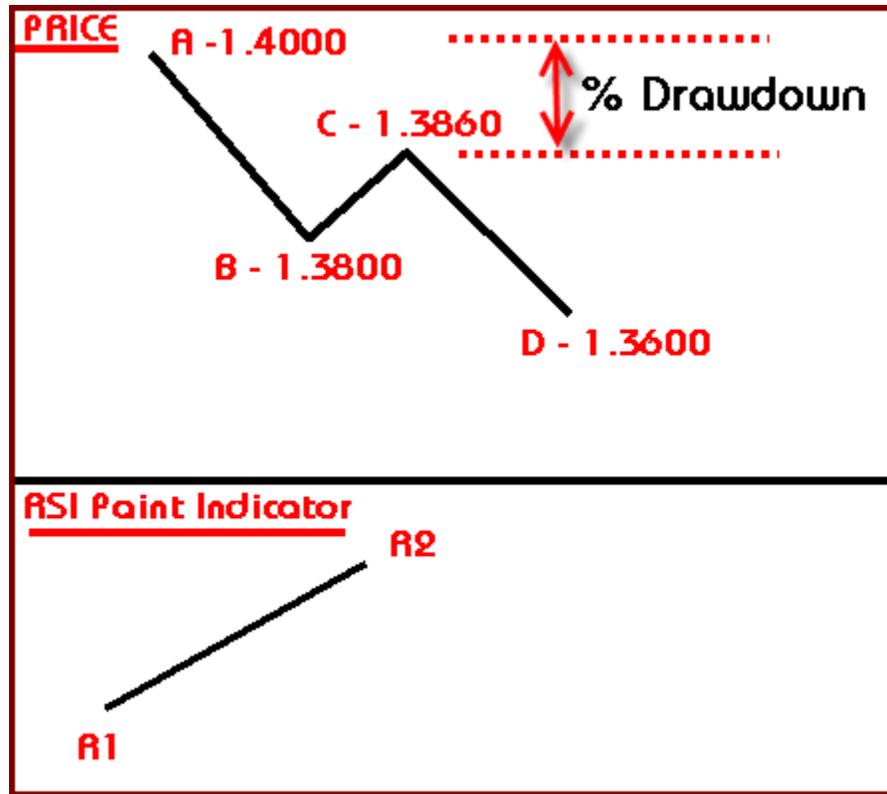
Pips	%
50	98%
100	87%
150	68%
200	57%
250	45%
300	40%
350	34%
400	26%
450	21%
500	15%
550	9%
600	4%
650	2%
700	2%
750	2%
800	2%

RSI Positive Reversal
TABLE 1 – Profit Table

%DD	% Occurrence
0%	2%
10%	27%
20%	45%
30%	55%
40%	67%
50%	76%
60%	88%
70%	92%
80%	92%
90%	100%
100%	100%

RSI Positive Reversal
TABLE 2 – DrawDown Percentage

Trade Method Example for Negative Reversal Trade



METHOD 1

Step 1: Calculate the distance from A to B (200 pips)

Step 2: Calculate the distance from B to C (60 pips)

Step 3: Calculate the distance from C to A (140 pips)

Step 4: The distance AB is our target. Look at **Table 1** and locate the closest pip amount equal to target of AB. Then look at the percentage next to it. (71% chance to make 200 pips)

Step 5: If your RRR (Reward to Risk Ratio*) is 3 to 1. Divide AB (200 pips) by 3.

($200/3 = 66$ pips).

Step 6: Now divide your Risk (66 pips) by your Reward (200). ($66/200 = 33\%$).

Step 7: Go to **Table 2 %DD column**. Locate the percentage closest to your Risk Percentage (30%). There is a 53% (**% Occurrence**) chance that based on past data that your trade will succeed at this risk level.

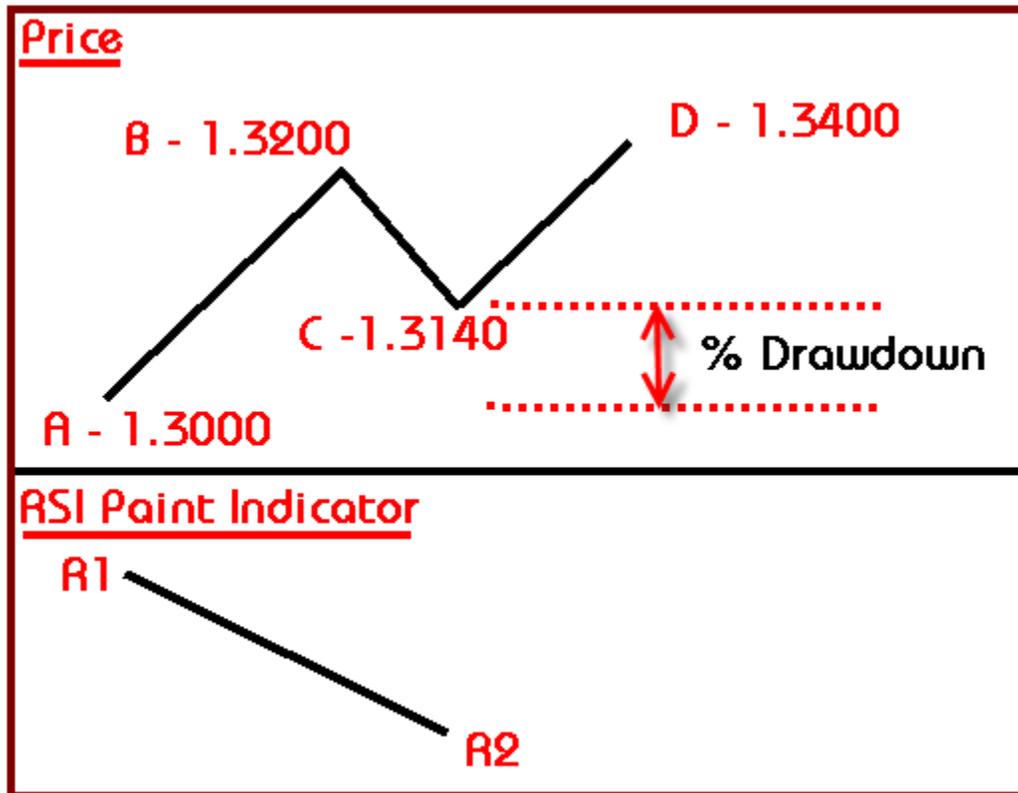
METHOD 2

Follow Steps 1 through 6, then go to your **Table 2 - % Occurrence** and match it up with your Table 1 percentage.

Step 8: Based on this statistical data you can decrease or increase the level of your risk

***Determine what your RRR is before you trade as part of your money management system.**

Trade Method Example for Positive Reversal Trade



METHOD 1

Step 1: Calculate the distance from A to B (200 pips)

Step 2: Calculate the distance from B to C (60 pips)

Step 3: Calculate the distance from C to A (140 pips)

Step 4: The distance AB is our target. Look at **Table 1** and locate the closest pip amount equal to target of AB. Then look at the percentage next to it. (57% chance to make 200 pips)

Step 5: If your RRR (Reward to Risk Ratio*) is 3 to 1. Divide AB (200 pips) by 3.

($200/3 = 66$ pips).

Step 6: Now divide your Risk (66 pips) by your Reward (200). ($66/200 = 33\%$).

Step 7: Go to **Table 2 %DD column**. Locate the percentage closest to your Risk Percentage (30%). There is a 55% to 67% (**% Occurrence**) chance that based on past data that your trade will succeed at this risk level.

Step 8: Based on this statistical data you can decrease or increase the level of your risk

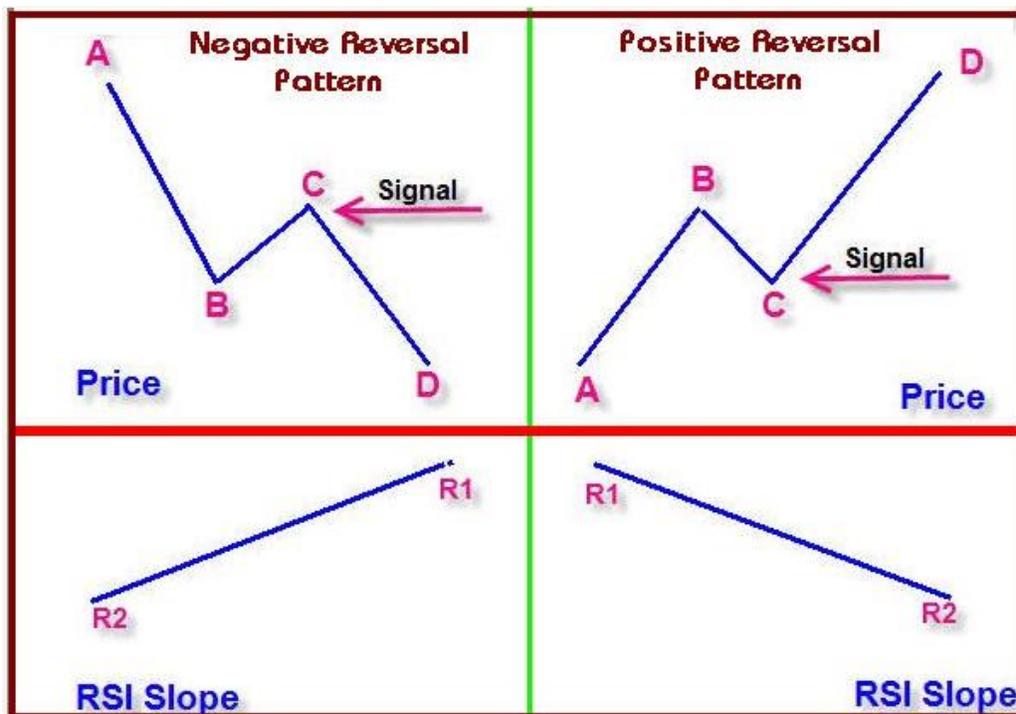
METHOD 2

Follow Steps 1 through 6, then go to your **Table 2 - % Occurrence** and match it up with your Table 1 percentage.

***Determine what your RRR is before you trade as part of your money management system.**

APPENDIX A

The Definitions of the 4 Levels of Success



Level 1 Success – When the Reversal signal occurs at C, price goes to D so that $CD = AB$ in length with no drawdown. This is the best trade because there is no drawdown at all.

Level 2 Success – When the Reversal signal occurs at C, price goes to D so that $CD = AB$ in length but there is a drawdown of some amount between point C and point A. This, as you will see, is the most productive trade and the one that you will experience the most when trading this system.

To **summarize** then between these two points, Level 1 is a Reversal signal with no drawdown in which the length of $CD = AB$ and Level 2 is the same but with some amount of drawdown.

Level 3 Success – When the Reversal signal occurs at C and price exceeds D before A is taken out. In other words, this trade makes money but before it reaches $CD = AB$, it turns around and goes back through point A. A trader trading RSI PRO Forex can be very successful with this type of trade by exiting early or by always taking profits off the table as price moves in the direction of D.

Level 4 Success – When A is taken out before D can be achieved. This is the failure scenario.

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