I have been a forex trader since more years. From time to time I still trade, but my trading times have increasingly dropped since I feel its more and more boring waiting for the market to give you a proper signal all day. The main reason why I am writing this article is because I do not like to sit behind my desk all day. So I have decided to give it to all of you who want to benefit from it. Price for my system was three hundred dollars, but due the relativity of success in the forex market I now have decided to give away my system information for free.

Winning the forex market depends 70% on the trader, the other 30% is the system, so I think it was not fair selling my system even if it has a high probability rate. If you win or lose depends a lot on your personality and feelings so one might lose even if he has the best system in the world. The system was designed during careful analysis of the market in the time of more than six months. It does not need any improving, nor changing. It is fully optimized for trading, so do not attempt to change any indicators or settings! Trade it as it is, demo trade it for at least two months to get a proper feeling of all the indicators and the system altogether. Last but not least, I am not responsible for any financial loss or benefit this information will bring you. You as a trader cary full responsibility for what happens with your money!

Time frame: 5 minutes
Trading time: From EU open until US close
Recommended Forex Pairs: USD/JPY, USD/CHF, GBP/USD, EUR/USD, USD/CAD, AUD/USD, EUR/JPY and Gold

Trend Follower© - Master the markets with correct timing and executing rules

This is not a "get rich quick" scheme. Real efforts are required to learn trading this system. As always try to demo or paper trade the system first before using real money. Trading the forex market has large potential rewards and as such also large potential risks. You must be aware of the risks and willing to accept them in order to place responsible, informed trading orders. It is strongly advised not to trade with money you can not afford to lose.

Introduction

Trend Follower is a trend following system. If you ever heard the saying Trend is your

friend, this system will show you the mechanics behind these words. Its unique approach to the market will give you a great understanding of market movements and allow you to see that what happens is not random but an underlying order behind price movement. Through practicing these exact rules with which the system was designed, you will get a more clear picture of the market and begin to reap the financial rewards.

Trend Follower is unique in that it doesn't attempt to predict the future but rather a tool that helps you to recognize the current trend and lets you go with the current flow. Mastering the system will give you greater peace of mind because you won't need to keep up with the economical events, trying to figure out the meaning of numbers, or opinions of experts. Unlike most other trading systems Trend Follower does not depend on past performance and should work on every market. Its formulas are not based on pattern recognition and random selection of indicators, but rather a clean understanding and timing of the market.

The system was created from a need not only to trade profitably but also to give the traders a more clear picture of what they are doing and why they are doing it. Many commercial or public system just consist out of indicators without giving a clear understanding of price movement and inform the trader with signals without him knowing why he got the signal and why he should enter the trade. This way a trader will not thrust the method and as a result he will have a hard time being consistent. If you don't know exactly what you are doing, you can not thrust the system and if you can't thrust the system to follow the exact rules, you will not be profitable. Trend Follower ensures that the entries and exits are clearly defined and at the same time allow the trader to be able to explain why he took the trade!

Traders are no longer subjects of spikes, volatile markets or rallies that mess up many good systems. Money management is also a very important aspect of the system and you should take a good look at some articles on the Internet or in a book about it, although we have covered exits and entries in the rules section. Without proper money management one is bound to fail in the long term! MONEY MANAGEMENT! Burn these words into your head.

Components of The System

First we are going to take the system apart and provide a little description of all the indicators.
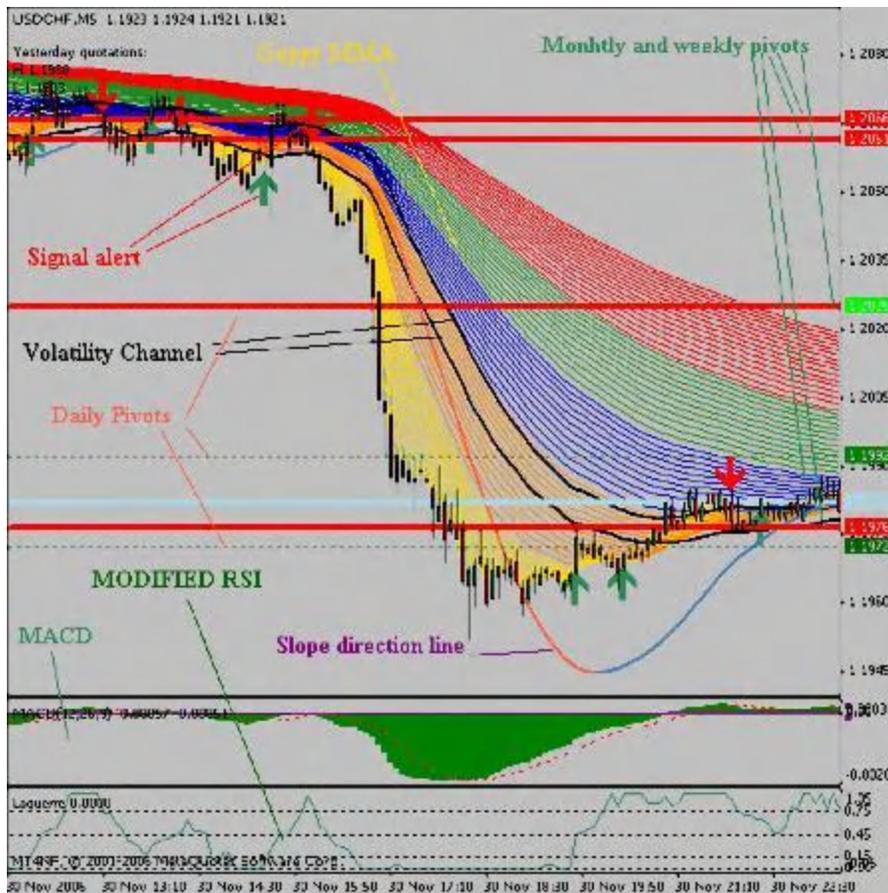
The indicators are:

a) Signal Arrows
b) MACD
c) Volatility Channel
d) Laguerre
e) Slope Direction line
f) Pivot Points
g) Guppy Multiple Moving Averages (GMMA)

Signal Arrows

The alert is produced by a cross of two Exponential Moving Averages. Faster EMA is 4 and slower EMA is 8.

MACD Histogram

The default settings are (our system uses 5,35,5) :

* Slow moving average - 26 days

* Fast moving average - 12 days
* Signal line - 9 day moving average of the difference between fast and slow.
* All moving averages are exponential.

The signals from the MACD indicator tend to lag price movements. The MACD Histogram attempts to address this problem by plotting the distance between MACD and its signal line. Because of this, the histogram signals trend changes well in advance of the normal MACD signal. It however should not be used alone, therefore we have other indicators to confirm our signal.

Volatility Channel

This is a technique that measures volatility. It consists of 34 EMA high and 34 EMA low. It is not really a part of the system, but I like to see it, especially if I look for confirmation on longer time frame.

Laguerre

This is an advanced form of RSI indicator. The Laguerre Transform provides a time warp such that the low-frequency components are delayed much more than the high-frequency components. Globally, latest bar data has more weight than previous bar data a bit like an exponential moving average.

Slope Direction Line

The name says is it all. Its a line that measures the slope of the trend and direction as well. The direction is shown as red for a downtrend and blue for an uptrend.

Pivot Points

Traders use pivot points to find intraday support/resistance levels. Pivot points are found by a simple calculation which involves the open, high, low and close for the previous day of any particular stock or index. It is said that when a price hovers below a pivot or pivot support/resistance and breaks up through it then its a buy signal (or vice versa for a sell signal). Or if the prices are above the pivot it is considered bullish and if they are below then bearish. The most common way to use pivot points are as reference points for entering trades if your other favorite indicators are also giving the same directional signal. Market Makers can use the pivot points to create a market by shifting the price around between levels to entice buyers or sellers of a stock into a trade. This can best be seen on low volume trading days as the prices fluctuate between the calculated points.

Many variations exist for calculating the pivot point and its related support and resistance levels. The Traditional Method:

* Pivot point = (H + L + C)/3
* First support = (2 * Pivot) – H

* First resistance = (2 * Pivot) – L
* Second support = Pivot – (H – L)
* Second resistance = Pivot + (H – L)

In our system we mainly use pivots for exits. You don't need to know these calculations as they are automatically calculated in the software, its more just for informational purposes.

Guppy Multiple Moving Averages GMMA

The Guppy MMA is a combination of moving averages and is optimized to allow for smoother and more accurate moving averages that are not easily spiked by sudden market movements.

The biggest fallacy of basic moving average crossover systems is that they can and will be very choppy when markets are not trending. At the same time when using basic crossovers systems the traders have little or no idea of underlying trend. Is the trend continuing or is it about to end. The Guppy MMA will answer all this questions and will give you the reason why you entered the trade so you can improve on your trading skills.

The importance of this indicator can not be emphasized enough! You must agree with what it is that it is telling you. The original guppy method was created by Darryl Guppy and is called the guppy. The original consists of 3,5,8,10,12 and 15 EMA for the short term moving averages (traders) and 30,35,40,45,50 and 60 EMA long term moving averages (investors).

The time frame is not important with this indicator, in the Trend Follower system we use it in 5 minute markets, but it can be used anywhere from 1m to monthly charts. It is just as accurate in any time frame. In our modified guppy we use 5 different colors for each different type of trader. When you are trading it is important that you know the underlying trend, hence you have to know what other traders are doing. Using the colors you are able to tell what other market participants are up to and as such make better trading decisions.

1. Yellow - short term traders (Mainly going for quick pips and not interested in holding positions)
2. Orange - short term traders (Those hold on the positions a little longer than the yellow)
3. Blue - mid term traders (Mainly swing traders, usually hold on the positions longer than previous 2)
4. Green - long term traders (Will hold on to their positions longer than mid and short term traders)
5. Red - long term traders or investors (They hold on to their position the longest)

The MMA reveals the relationship between short term traders and investors. Traders (yellow and orange) probe for weakness in the underlying trend and always lead the next trend or current trends. As they are going for quick profits, they are in and out of the

market very quickly. Investors on the other hand are slow to move. However for a trend to succeed, the support of investors (red and green) is essential.

As a trend trader, you will be looking for situations where all the traders agree on the direction of the market (Yellow, Orange, Blue, Green & Red moving averages). If all the traders are in agreement, then that is the direction to trade. Any disagreement means you do not trade. By correct interpretation of the MMA, you will be able to identify the trend, possible trend exhaustion and also possible trend changes. Overall, you will be able to make better trading decisions.

Breakouts

Though we avoid trading breakouts, the guppy MMA shows us exactly when this is happening. Once a breakout has occurred whereby the yellow lines cross the red lines but the green lines are still below the red, we would expect the yellow lines to retrace back. This is the point where we would be waiting to place our new positions in the direction of the new trend. Please note that you DO NOT place trades during a breakout but after the prices have retraced which is denoted by the green and red lines changing positions.

Long Breakout:

The red lines had been above the green lines then the yellow crossed the red lines and soon the price retraced to the other lines. The green are now above the reds and they show a long trend.

Short Breakout:

The red lines had been below the green lines. This was indicating a long trend. Then the yellow lines crossed the green and red lines. Once the green lines have been below the red lines we can say that we are in a short trend now and we can wait for signals.

USDCHF,M5 1.1953 1.1955 1.1953 1.1954

Yesterday quotations:
H 1.1966
L 1.1878
C 1.1923

MACD(9,18,9) 0.00053 0.00046

Laguerre 1.0000

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Remember the positions of GREEN lines and RED lines. For a trend to be considered long the green must be above the red lines, and for short the green lines must be below the red lines.

False Breakouts

False breakouts can be more easily identified with the Guppy MMA. This also is one of many benefits of this indicator. False breakouts can be financially and emotionally draining to a trader.

If the yellow or orange color lines cross the reds but the green lines still remain in their previous direction, then we are most likely facing a false breakout. For a trend change all lines especially the greens must change positions with the reds. You should especially be

careful with volatile pairs such as GBP/USD.

The Rules

Trend Follower - The Rules

All the criteria must be met at the bar with signal or one after! If everything is not met at the signal bar or one after, leave it alone! It might eventually go the right way, but in the long term it will give more false trades. Only take trades where at the signal bar or one after all these rules apply! We enter the next bar after the signal.

Long\Buy

ENTRY: First We wait for a long signal alert
GUPPY MMA: The green lines must be above the red lines! Green, Red and Yellow lines must agree and head north. All the lines must be going in the same direction!
LAGUERRE: Laguerre line must cross the 0.15 from below and head up
MACD: This is important! When you get the signal MACD must be above 0

STOP LOSS: 5 points (+spread!) below recent LOW
ALTERNATE STOP LOSS: 20 points on default pairs and 25 point on more volatile pairs such as the GBP pairs and crosses. Choose whatever SL method fits you best
EXIT (combined): When you open a position you can then choose to close half of the position on the first pivot point and let the other half run till the slope direction line goes red
ALTERNATE EXIT: You can choose your own method and close positions at pivot points or when slope direction line goes red after a move, or when price (a new candle) opens on the other side of the volatility channel
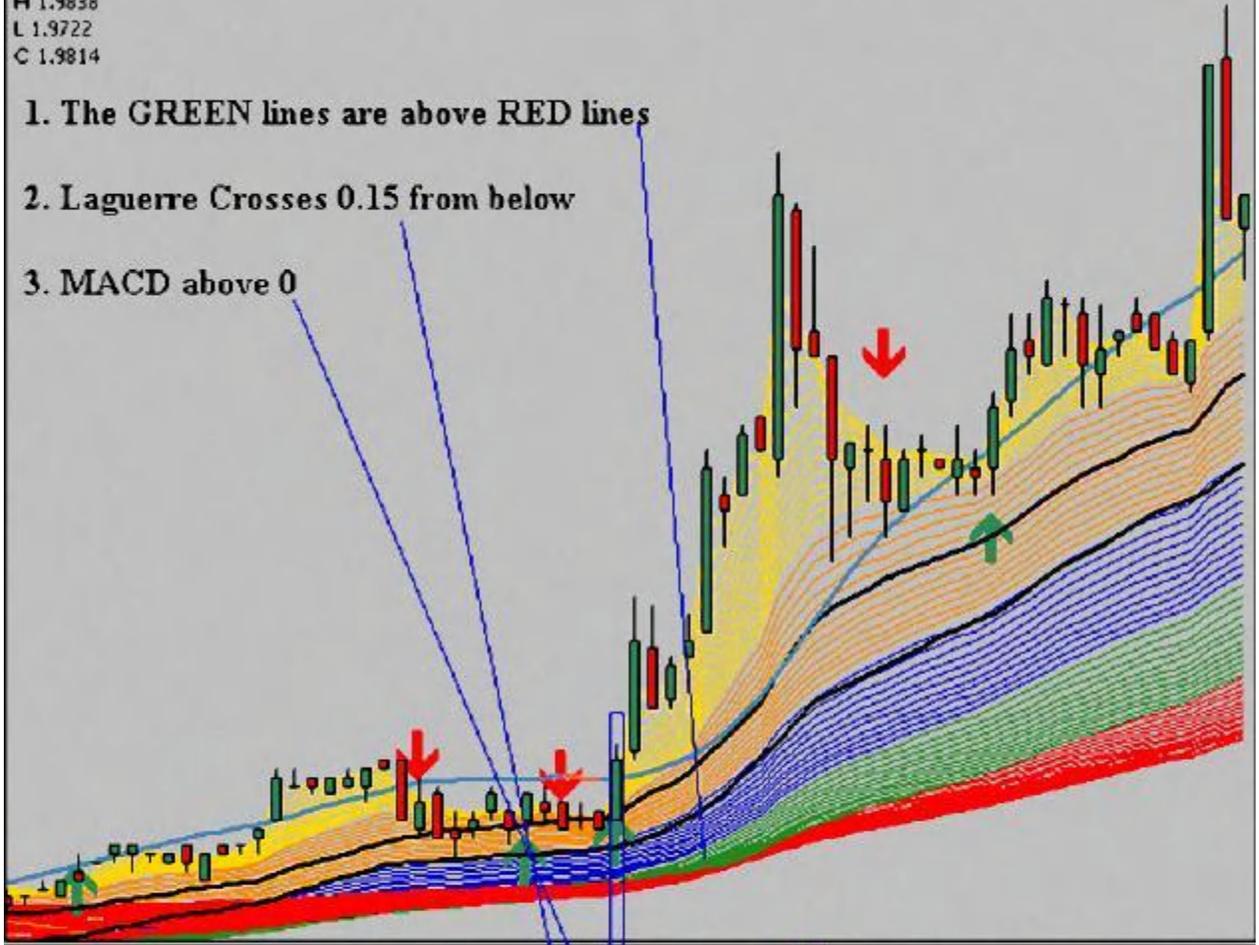
GBPUSD,M5 1.9761 1.9761 1.9759 1.9761
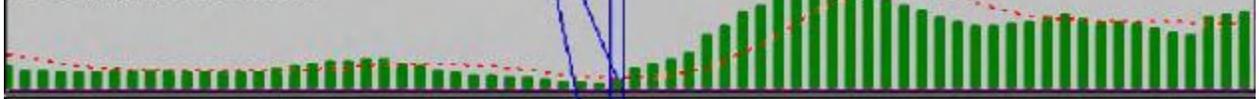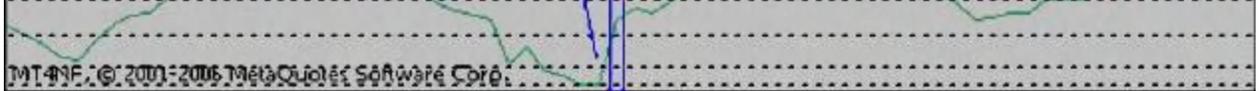
Yesterday quotations:
H 1.9838
L 1.9722
C 1.9814

1. The GREEN lines are above RED lines

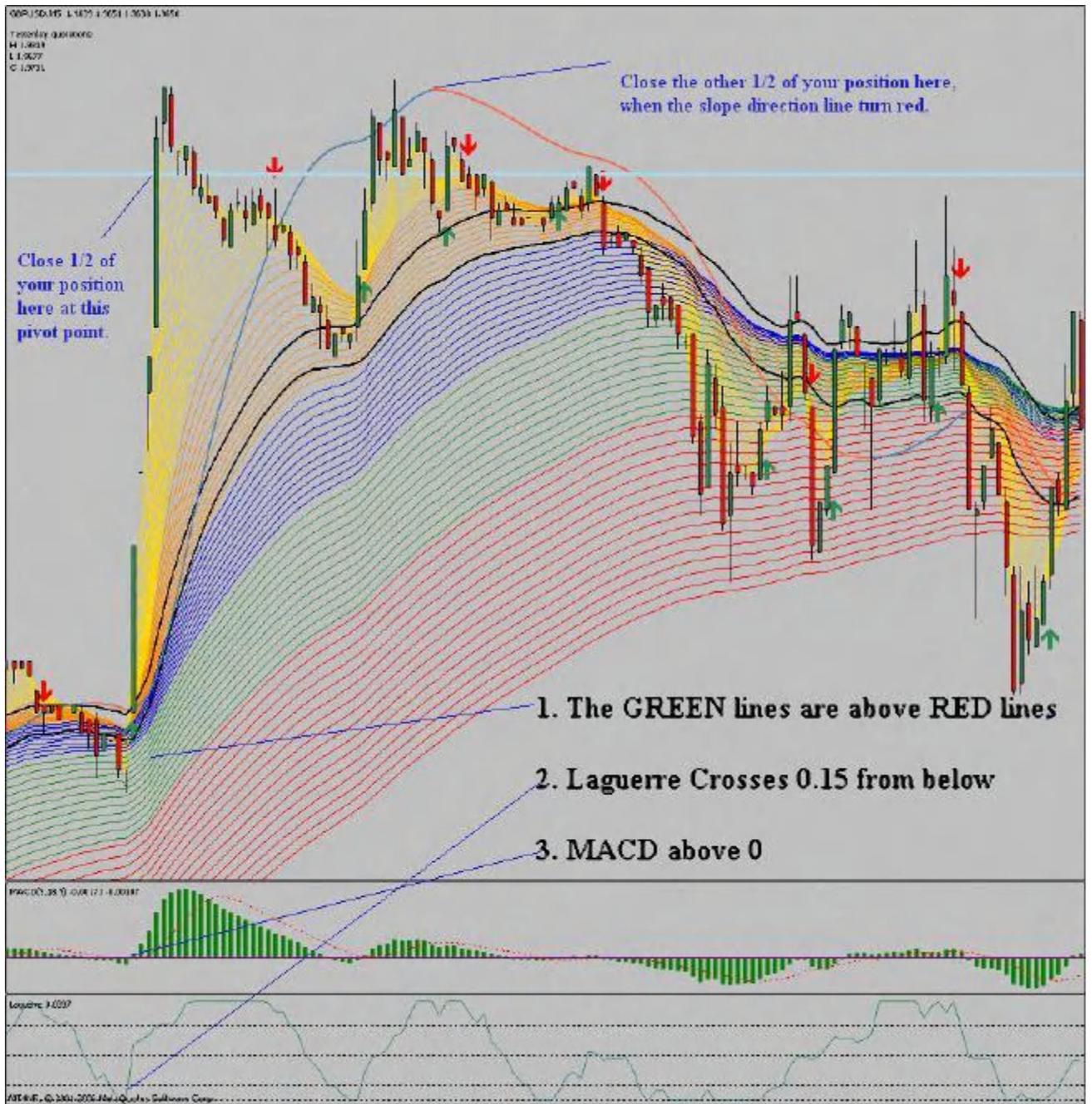**2. Laguerre Crosses 0.15 from below**

3. MACD above 0

MACD(9,18,9)) 0.00004 0.00007

Laguerre 0.5170

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Short\Sell

ENTRY: First We wait for a short signal alert
GUPPY MMA: The green lines must be below the red lines! Green, Red and Yellow
lines must agree and head south.All the lines must be going in the same direction!
LAGUERRE: Laguerre line must cross the 0.75 from above and head down
MACD: This is important! When you get the signal MACD must be below 0

STOP LOSS: 5 points (+spread!) above recent HIGH
ALTERNATE STOP LOSS: 20 points on default pairs and 25 point on more volatile pairs such as the GBP pairs and crosses. Choose whatever SL method fits you best
EXIT (combined): When you open a position you can then choose to close half of the position on the first pivot point and let the other half run till the slope direction line goes blue.
ALTERNATE EXIT: You can choose your own method and close positions at pivot points or when slope direction line goes red after a move, or when price opens on the other side of the volatility channel.

SUMMARY

That's it, I hope you enjoyed the reading and that it was presented with words easy to understand. May this method help you to be more profitable and better trader.