



Daily Swing System

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Thank you for purchasing this system.

This system is a small part of (**The Blade Forex Strategies**), a collection of my favorite and most profitable trading systems along with an in depth view of money management and the main faults that 95% of traders make that cause them to loose consistently.

Ok lets get started, I will try to make this as short and simple as possible, nobody likes hundreds of pages of dribble. Let me start by saying

I developed this system because I used to lead a very busy life, I travelled almost all the time which didn't allow me to be in front of my computer to trade.

As you may or may not already know all indicators are lagging, they may help your trading decision but all they are doing is interpreting price action. I love price action, along with trend lines and support and resistance it is KING!

Not only have I traded the system I am about to show you for quite a while now I have also manually back tested years upon years of data. I originally tested it over 13 pairs and found that 2 of these pairs did not produce amazing results so I have cut them out and now only trade 11 pairs.

The reason I trade so many pairs is because the setup we are going to be looking at only happens on average 12 times a year per pair so once we start trading 9 pairs we get more than enough signals, in 2006 there was 113 trades.

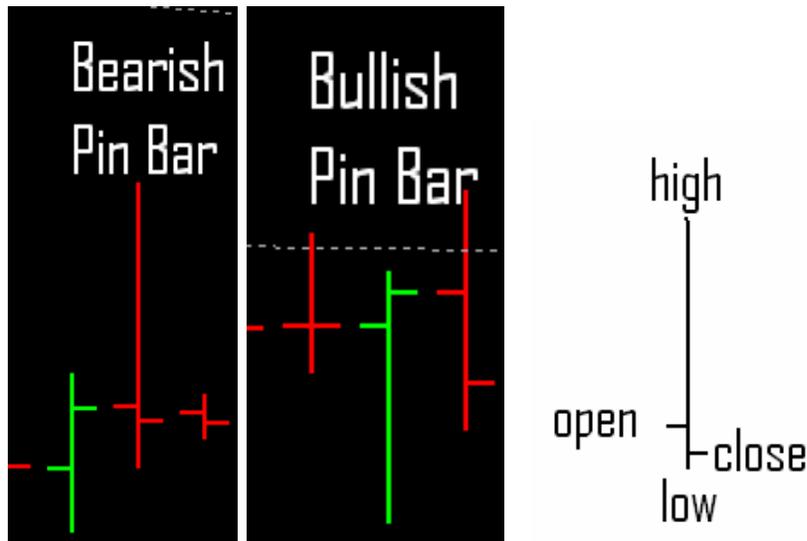
Please don't think that because you are not in the market all the time you are missing out on making money, it is in fact the opposite. We must not make shotgun trades, we must be like the silent hunter that waits in the bush until the perfect moment to sniper with one shot.

Right lets get on and learn what it's all about.

I'm sure you noticed that in my ad I stated you can trade this system with 5 minutes to spear each evening. This is the minimum amount of time you can spend on it I personally spend a little longer (about half an hour) on the evening to check for setups and note what pairs are doing.

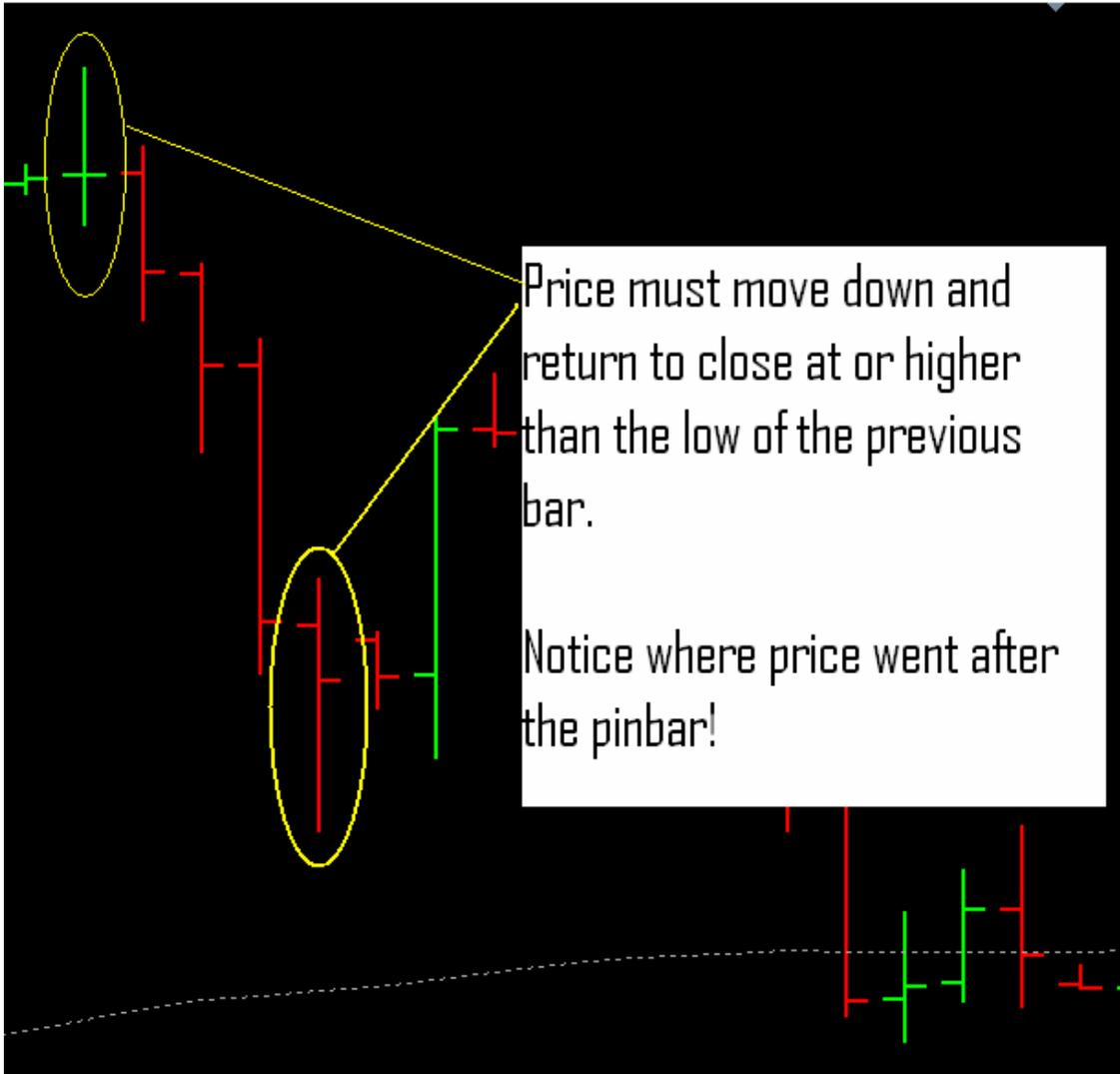
Pin Bars

The first thing you need to learn about is a 'pin bar' pin bars form on all time frames where price tries to push up or down through a resistance level but fails creating a price bar which looks like a pin see images below.



This price bar is very, very accurate at pointing out reversals on the larger time frames. In fact I know of many people that simply trade these and nothing else. The pin of the bar must be at least twice the length of the head (part between the open and close). The longer the pin the stronger the signal. The close of the pin bar must be inside the high or low of the previous bar or very close.

The first pin bar in the picture below was perfect the second only just passed as a pin bar due to the fact that its close was only just even with the low of the previous bar.



Support, Resistance & Fib Levels

I'm not going to go into huge depth about support and resistance but I will cover it quickly with some examples, if you still have no clue what I'm talking about then simply do a search on Google and you will find plenty of reading material on the subject.

Once price penetrates a support level it then becomes resistance, the same goes for resistance, once it is penetrated it will become support.

These areas are opportune areas to take a trade, price will either bounce on the trend line (or s/r line) or it will break through see examples below.

The yellow circles are areas that you will normally find pin bars.



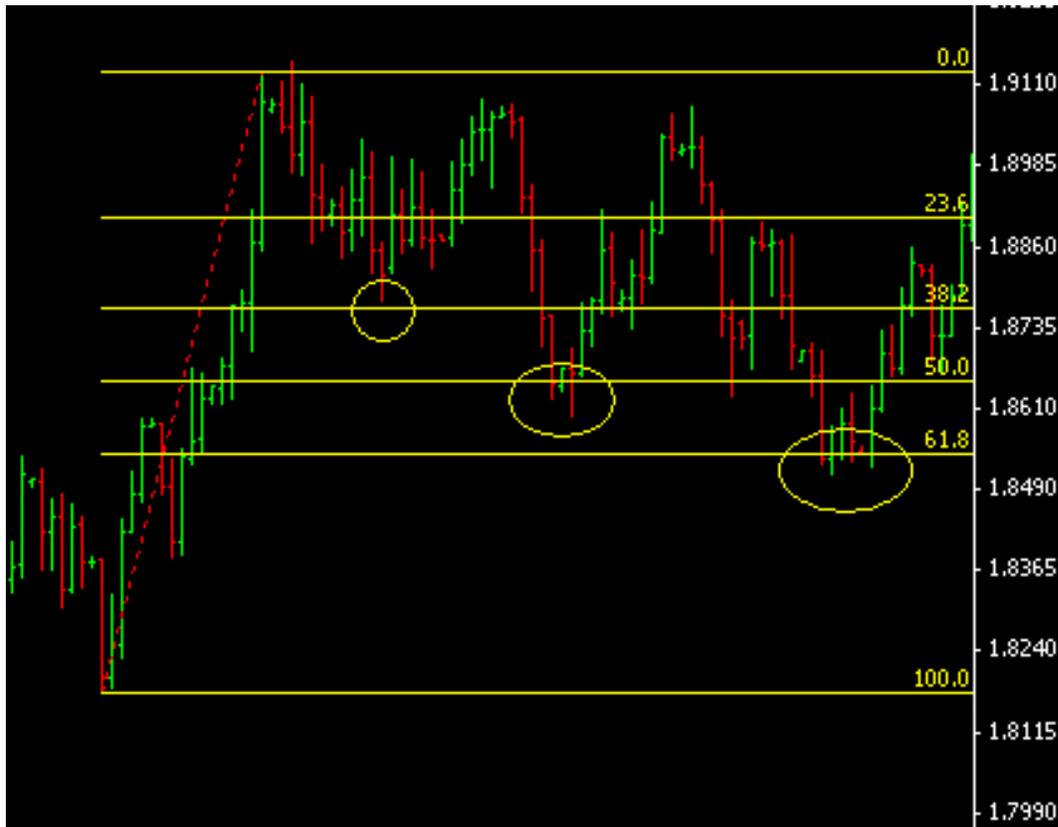


Another highly affective method I use for support and resistance is Fib levels, again I will explain it briefly but if you would like further knowledge on fib levels then simple do a search on Google.

Fib levels are measured from the top to the bottom of the most recent move down or from the bottom to the top of the most recent move up. They give you several levels where price may stall. I only use levels 38.2, 50 and 61.8 as these are more likely to make price reverse and give less false signals. I know of several trader that trade nothing else than fib entrancements.

Below are several examples where price has reversed exactly at the 38, 50 or 68 fib level.

As you can see in the picture below price bounced off all three fib levels. These are great places to look for pin bars to form.







You will also find that these fib levels can be around or in the same place as a recent support & resistance level which makes the stopping power even stronger. Once you master this it is like having a road map for price!

Putting It All Together

Once you have a grasp of the three areas I have talked about then it is time to put everything together and create the system.

First you will need a Daily bar chart, for each of the following currency pairs. USDJPY, AUDUSD, GBPUSD, EURJPY, AUDNZD, EURUSD, NZDUSD, CADUSD, EURAUD, GBPJPY, EURCAD.

The first signal we are looking for is a pin bar liked we discussed earlier. Each days new bar is created at midnight GMT or EST depending on your broker, you only need to flick through all your charts and check if to days bar closed as a pin bar. For example I use a broker on GMT but I am in EST so every day at 8.00pm EST I flick through all my charts and look at the days price bar to see if it is a pin bar, this should barley take 2 minutes. Sometimes you may not see any for a while then the next week you may get one each day.

Once we have found a nice pin bar like the one below we have to see if price is also at one or more of the following.

- Support level
- Resistance level
- Fib level
- Trend line

If you have been keeping an eye on the pairs for more than a month then you will already have marked out all the possible support and resistance levels and have a good idea what's going on.

Lets look at some examples..

Below we have a pin bar that formed on a 38.2 fib level and the red line is also a recent support level so we have more than enough reasons to take this trade. This trade was good for at least 400 pips.



Below is another example of pin bars forming on a trend line.



Below is another example of a pin bar forming on a 50% fib re-tracement.

Please take a good look at all these examples as I will be returning to them for the entry procedure.



Ok so we have a pin bar and it is also at a good resistance level, right now your probably dancing around because you are so sure you know where price is going but don't jump in the market yet! Remember 'sniper shots' not 'shotgun shots', although you could jump in the market now and have more than enough chance of this being a winning trade you would be leaving a lot of money on the table, let me explain my method for entering the market once you have a signal.

This is the real beauty of this system, most people I know that trade off of pin bars will place there buy or sell order a couple of pips above or below the pin bar with there stop the other side. I'm not saying this does not work but I am saying that there is a far better way of trading them.

I analyzed hundreds and hundreds of pin bars from all 11 pairs that I trade and I found 1 thing in common. Each time a pin bar is formed I found that more than 90% of the time price will retrace back before heading in the direction the pin bar anticipated. Out of those 90%, 80% retraced to the 50% fib retrace level of the pin bar and the other 10% retraced to the 68% fib level of the pin bar.

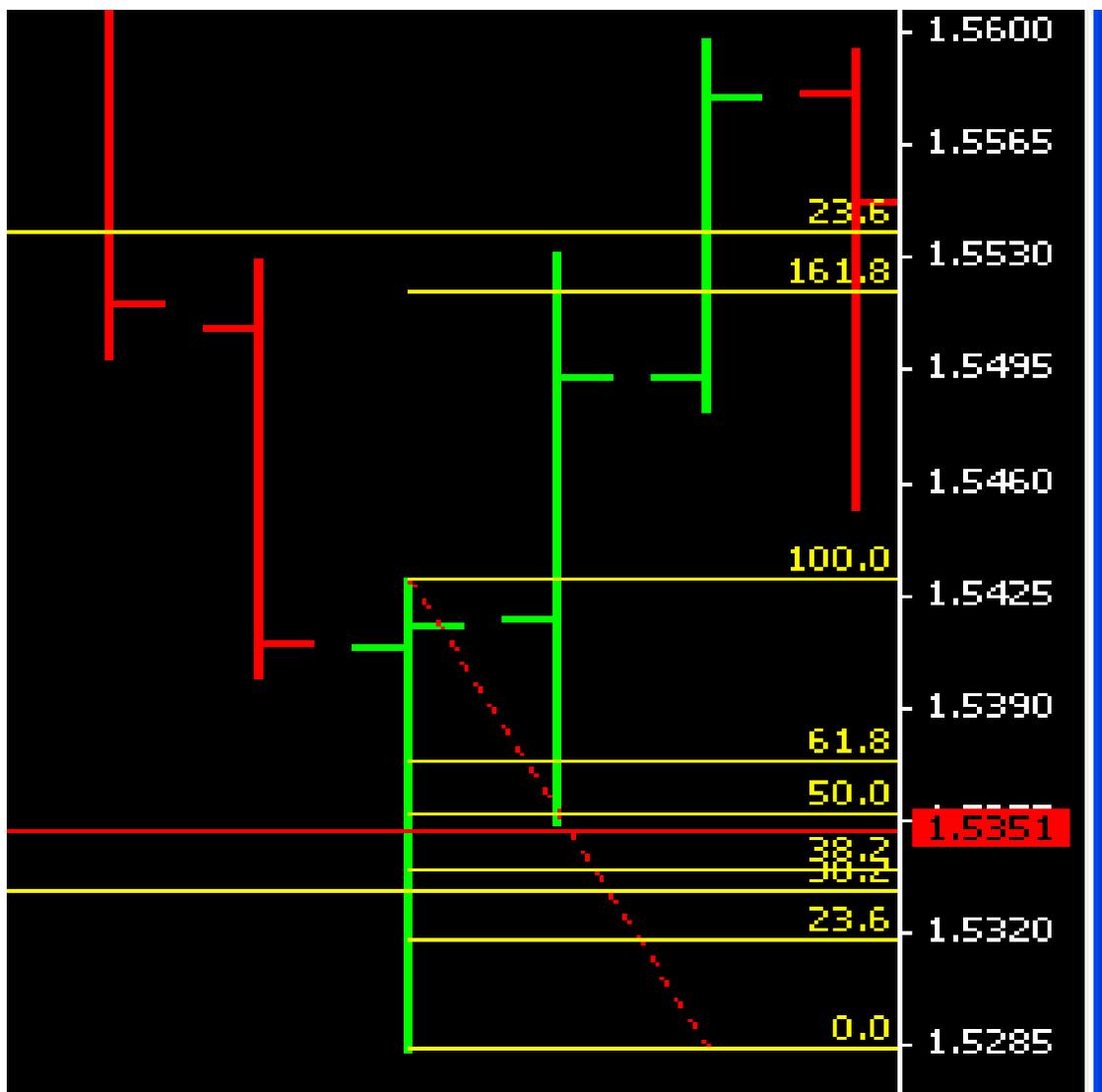
Don't worry if you are confused I will explain.

Let's take the first example I did earlier

Below we have a blown up picture of the first example I gave you earlier of the pin bar that formed on a fib level and a support level.

What I did is use the Fib tool over the whole body of the pin bar to find the 50% retrace level, the 50% fib level will be our entry.

As you can see the next days bar opened then came down to open our buy order at the 50% level, then went in the desired direction. There was almost no drawdown on this trade and everything was known the day in advance!



Look at each of the examples I showed you earlier, as you will see the same thing repeats itself over and over. Of course there will be times when price will go way over the 50% level but they are minimal.

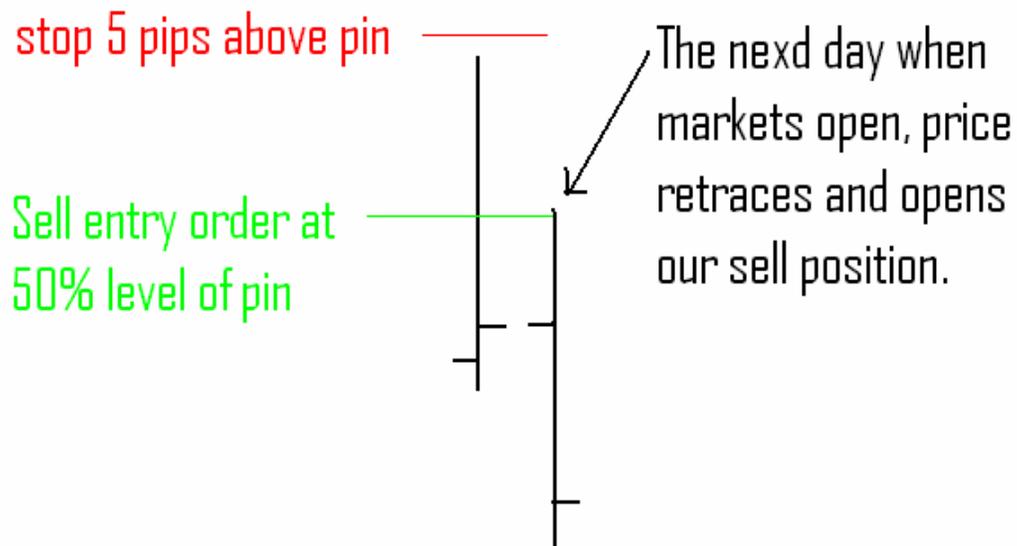
Stops are always placed 5 pips the other side of the pin bar.

By using this method of entry we have half the risk.

Here's an example. The average pin bar on the daily chart is about 100 pips in length, if we were to place our buy order 5 pips above to catch the move with the stop 5 pips behind then our risk in pips is 110 pips not inc spread. Using 3% of your account (which is what I recommend) on a \$10,000 account would be \$300.

This means price has to move 110 pips for you to make back your initial 3%. Now with my entry method our risk in pips would be 55 pips so price only has to move 55 pips in our direction for us to have a profit of 3%. Considering I have had moves of 500 pips risking 50 pips your account can grow faster than you think! On that particular move it was a profit of 30% of my account risking 3%.

Below is a diagram of a pin bar with the entry and stops drawn on for a sell position, it is exactly the same for a buy position except the opposite way around.



Trading 5 minutes a day.

There are several ways to exit this system all depending on the amount of time you have to monitor your trades. I started with very little time to trade so I used to check my charts every evening for a pin bar as the midnight GMT daily bar closed and the new one opened.

If I didn't find one I didn't trade, simple!

When I did find one I just set my entry order at the 50% fib level of the pin bar and my stop just 5 pips the other side of the pin bar. Then because I couldn't monitor my charts until the next evening I set my Take Profit at 6%. Meaning if My risk was 55 pips then my Take Profit was 110 pips in profit.

Even the bad pin bars often make this before going the wrong way.

Doing this enabled me to trade forex and make money while only checking the charts for 5 minutes each evening.

The first few times you set up a trade it may take you a little longer but it won't be long before you can do this in 5 minutes.

I advise you to use micro lots if your account is below \$10000 and mini lots thereafter, as stated in the Success Secrets book, the reason for this is you can get the 3% risk on your account more acutely.

For eg.

Say your account was at \$8,935 and you want to find how many lots you should trade.

3% of \$8,935 is \$268.05

Now divide the \$268.05 by the risk in pips which is 55 pips give us how much we should be trading per pip which is \$4.87

So you could use 48 micro lots, each lot is .10c

Trading more than 5 minutes a day

If you have more than 5 minutes a day to monitor your trades I suggest you do as I am doing at the moment and don't use a set Profit target.

I keep an eye on my trades and lock in profits with a trailing stop.

Once I have reached the 3% profit I will bring my stop to break even or take a little profit, then I keep an eye on where price is heading and what support and resistance levels are coming up. If I don't think its going to well I may take my profit off the table.

Also keep an eye on the weekly chart for levels of support and resistance.

It is not uncommon to get moves of over 500 pips!

Many people ask if this would work on a lower time frame and I think It would work on the 4H chart with decent results if you know what you are doing, I wouldn't recommend it on anything lower though.

Lets run through the rules once more.

- Check each chart when the daily bar closes for a pin bar.
- Make sure It is bouncing off of a support and resistance level or a fib level.
- If it is a confluence of support or resistance levels then all the better.
- Set the 50% fib level of the pin bar to find your entry.
- Work out your risk for 3% of the account.
- Set your entry order at the 50% level and place your stop 5 pips the other side of the pin bar.
- If you don't have time to monitor the trade set you Take Profit at 6%.
- If you do have time to monitor the trade then don't set a Take Profit and keep an eye on what price is doing, bring your stop to break even as soon as you can.

This is one of my bread and butter system It makes the vast majority of my pips and it will for you too. Just remember to be patient, you don't have to take every trade, wait for the A trades. Give yourself time to get used to trading this way, and soon enough your account will be growing.

Advanced Techniques

I was unsure whether to add this section or not as it may only confuse some of you newbie's but I want to offer everything I can in this system and give you your moneys worth so here's the deal, I will explain other candle patterns you can trade with this system IF you promise not to trade them until you have well and truly mastered the daily pins first.

Trying to trade everything at once will only bring confusion and losses.

Right then, there is one other very profitable way I trade daily charts but this is very discretionary. Once price has penetrated a strong support/resistance level price normally comes back to test it again before moving on.

See chart below.

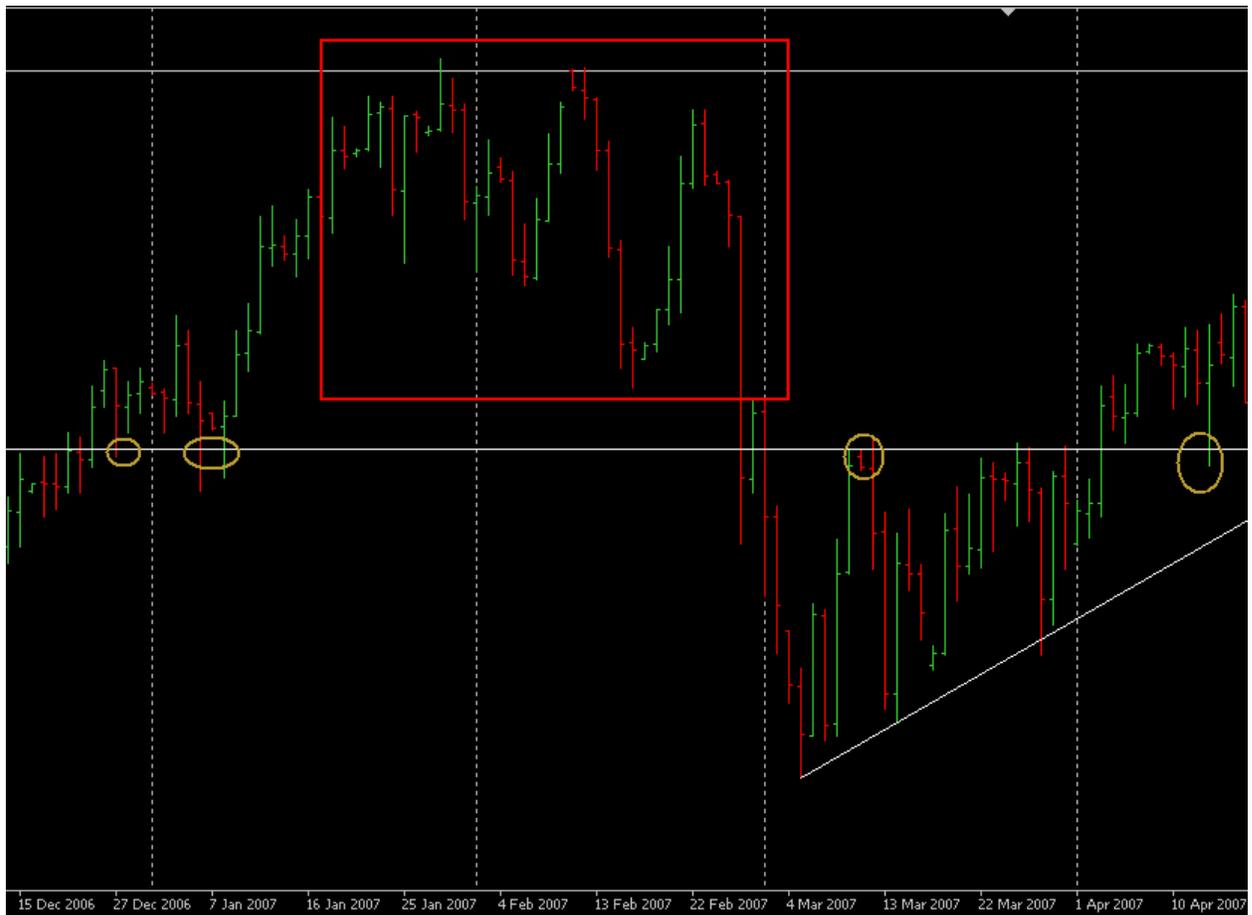


Every yellow circle on this daily chart of the USDJPY is where price has gone through a strong support and resistance level and then returned to retest it. Sometimes it may not return for a few days and sometimes it will retest it on the very next bar. Once I have identified strong support/resistance levels I wait for price to go through it, once price has closed above the level and the daily bar is over I place a pending order right at the level that was just broken so when price retest that level my order will be taken.

Stops are also discretionary, each pair has different volatility so you can't use the same stop for all pairs, I tend to use a 40-50 pip stop on most of the USD pairs but other pairs like the GBPJPY I would have to use around 100pip stop.

This way of trading is a lot harder to master than the pin bar, but once you have mastered it you will reap the rewards.

Below is one more example of trading retests of support/resistance.

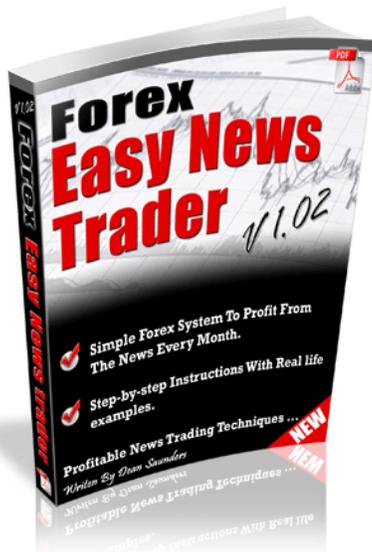


What you want to see is lots of bars close together before a push through the level, if you look at the re rectangle you will see that the market is really swinging around with no good support/resistance levels to work with. Then as we get further to the right of the chart the bars get closer together showing that emotion is building up ready for a break out. This is what we are looking for, wait for the break out and close of the bar then set your orders at the support/resistance level price just broke through.

Always move your stop to break even after you are in profit by the same amount you risked.

Well that brings us to the end on this system, I hope that I have opened your eyes to a way to trade forex with a limited amount of time. Please don't hesitate to contact me if you have any questions what so ever.

Dean Saunders



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