

Combination 1 - Crossovers

All Stochastics are %K Only.

M5 Chart

100,3,3 Stochastic as our Price Line

14,3,3 Stochastic as our Origin Line

levels at 76.4% and 23.6%

M5 Chart

14,1,1 stochastic only (hide price)

levels every 10%

M15 Chart

14,3,3 stochastic only (hide price)

levels every 10%

Theory:

Shorter time frame stochastics will cycle more between 0 to 100% than longer term stochastics. Play the 14,3,3 Origin line to lead the 100,3,3 Price line in movement direction when these lines are together or if the Origin Line is spread from the Price Line, that the Origin Line will return to the Price Line. Use the Price and Origin Lines when they have exhausted themselves at the upper and lower limits to minimize down draw. The M5 and M15 Stochastics crossovers are used as a high percentage confirmation of price movement in the direction we want. The levels are used to help protect against over markets or take advantage of over markets.

Short Entry Options:

1. Origin line has crossed down below Price Line and 76.4% level. Price line must be above 76.4%. M5 must have crossed down below M15. M5 is below 80%. M5 and Origin Line must be pointed down, M15 and Price Line can be pointed in any direction, but better if either or both are pointed down as well.
2. Origin Line is below Price Line, Origin line crosses down below 76.4% and Price is above 76.4%. M5 has crossed down below M15. M5 is below 80%. M5 and Origin Line must be pointed down, M15 and Price Line can be pointed in any direction, but better if either or both are pointed down as well.
3. Price Line is below 23.6%. Origin Line was above 76.4% and has moved down across the 76.4% level. M5 must have crossed down below M15. M5 is below 80%. M5 and Origin Line must be pointed down, M15 and Price Line can be pointed in any direction, but better if either or both are pointed down as well.

Short Exit Options:

1. M5 reaching below 10%
2. Reverse cross of M5 crossing above M15 and M5 pointed up
3. Exit when the Origin price OR Price Line hit 61.8, 50, 38.2, 23.6 or 10% levels. The lower you go the more risk of reversal but more oppoortunity for gain. Use M5 and M15 crosses as your guides, but there may be several reverse crosses along the way. Whatch for direction change of Origin Line.
4. Exit at trargeted PIP level..use small PIP levels (5-10) for entry #3 and larger PIP levels (10-30) for entry #1 and #2.

Stop Loss:

Hit or Miss. Use high of close of entry candle or previous entry candle as Stop or add 5-20 PIPS maximum to this. Never exceed 50 Pips. Bring Stop Loss down to break even on 5-10 PIP gain, chase at 50% of gains, never exceed 20 PIPS on the chase always leave yourself profit PIPS once they exceed 10 Pips.

Dangers and Strategies:

Over bought market can reverse against our entry early. Be extremely wary of reverse M5/M15 reverse crossovers until M5 hits below 20%, then M5 over sold is in our favour and look for M15 to go below 20...ride out M5 and even M15 if they are below 20 until they pop over 20. Picking the M5 to pop over 20 is much safer than waiting for M15. Dangers exist early on as you must give trade some room in stops. Don't be afraid to exit and re-enter with small PIP losses..odds are always in your favour that a move will come down and it is a matter of entering on each entry single until the right one takes off. Increase your lot size if you must to recover...just don't go crazy.

Long Entry and Exits are the exact opposite.

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Combination 2 - The Over Market Filter

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M1 Chart

14,3,3 Stochastic

levels at 76.4% and 23.6%

Theory:

The M1 in an overbought market at entry will improve the reliability of a long trade with price in an oversold market. The M1 in an oversold market at entry will improve the reliability of a short trade with the price in an overbought market.

Trading for the reversal of price out of an overmarket condition offers the most opportunity for entering a trend at the earliest stage. However, entering reversal trades when price is in an overmarket condition can lead to many false entry conditions. As such a filter is required to eliminate as many false entries as possible without affecting good "real" entries.

How To Use the Filter In Short Reversal Trades.

The filter is used at entry of a reversal short trade.

A reversal short trade in this instance is considered any trade where our price is in an overbought market

(above 76.4% or 80%).

When we enter the short trade our M1 indicator must be below 23.6% (or 20%) in an oversold market. It does not matter when the M1 entered, what direction it is pointing...it must just be in an oversold position. This M1 level can be adjusted, but I do not recommend M1 being higher than 30%. Obviously the lower we set this filter the more trades it will filter and a level too low will filter out too many real trades.

Long Reversal Trade Usage is the opposite.

Crossovers With Filter Example



The 3rd Combination Intro

The 3rd combination is simply a perpetual increase in time frame from Combinations 1 & 2. To be fair, and so you know I have no cards up my sleeves, I took the last big drop that completed (only a few hours ago) as my demonstration. This demo trade using Combination 1, 2 and 3 covers a trade lasting almost 24 hours and will gain us anywhere from 160-240 Pips depending where we decide to exit or how long we can stay awake 😊

I've edited down into about 14 charts that follow it from beginning to end. What you will see is Escalator to Pips on a short trade...and I'm sure many light bulbs will go off in your heads once you see how almost magically all our stochastics seem to flow. There is no magic..it's just pure mathematics at work in the markets. In the end this is why I call it Predictive Multi-Time Frame Stochastics. You will also see that again, there is nothing new here, you are just seeing the same thing from a different perspective.

This will seem perhaps like information overload...it is not. It is Combination 1 & 2 repeated over and over..we simply move from M5 to M15 to M30 to H1.

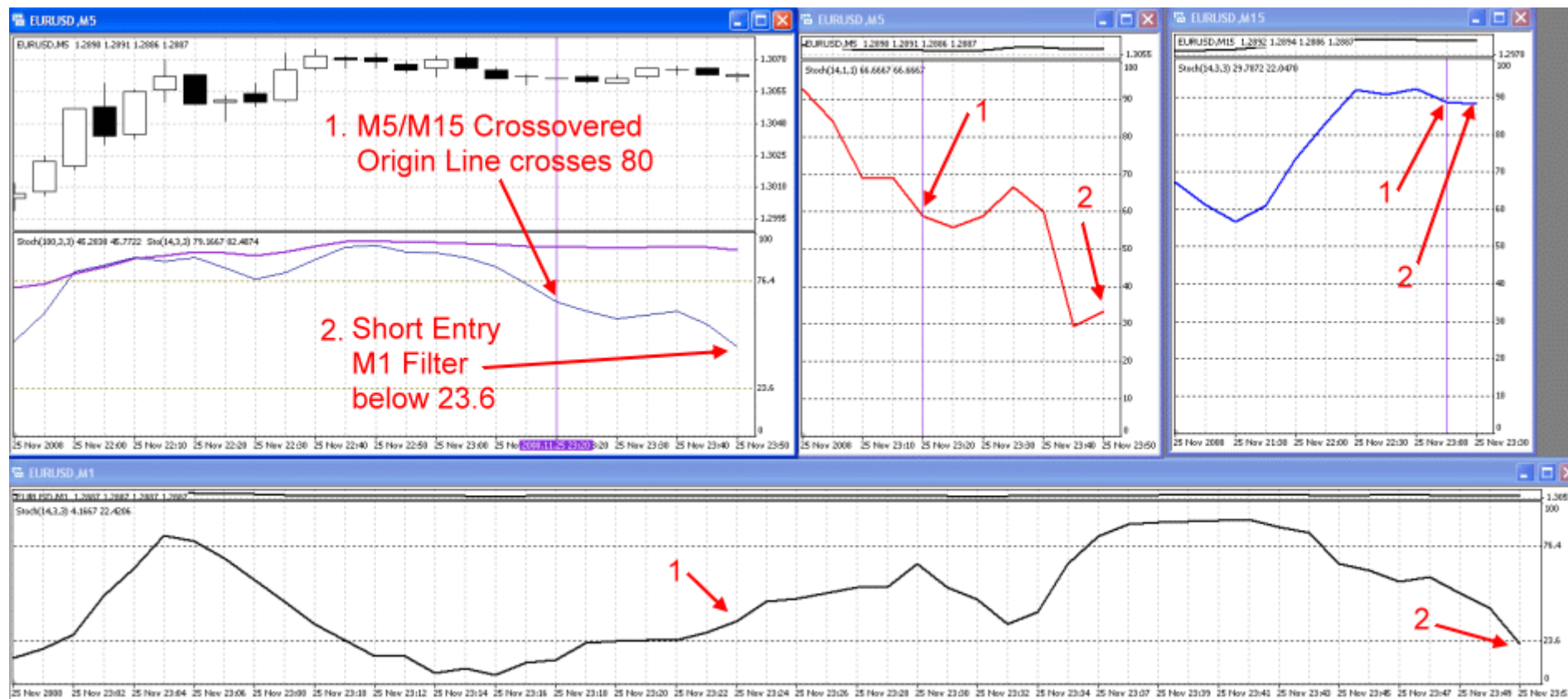
So give a few moments..or hours...or maybe days (I gotta life and trade too) to fill this thread with the examples and then I'll set the Combination 3 rules in place.

Combination 1 & 2 Short Entry

This trade starts at EST +7 Chart time 23:20 November 25th.

We can use Combination 1 & 2 as both a reversal indicator and a trend indicator. When it comes to trend trading, I strongly recommend you hide the candlesticks and use only the stochastic 100,3,3 and 14,3,3 as your price guide if you are not confident in this system. This is because there are going to be candlestick moves in the trend that will scare you...even make you exit long before you are due. There is nothing wrong with falling for this price action and making pips, but if you truly want to trade what I am going to show you, then your doubt will always come from the price action. So, my advice, practice with this without looking at the candlesticks and see where you end up.

So here we go. Our entry is pretty basic. We used the Crossover to detect our entry signal and then waited for the M1 to fall below 23.6% before our actual short entry. (you will be amazed how often this filters out bad trades....not all of them..just many of them). On the chart below Point 1 is where the Origin line crossed below 76.4% and the M5 has already crossed from above to below the M15 (above to below is very important). At Point 2, our M1 filter finally hit below 23.6% and so we enter short. The Price chart is M5, the stochastic to the right is M5, further right is M15 and the chart at the bottom is the M1.

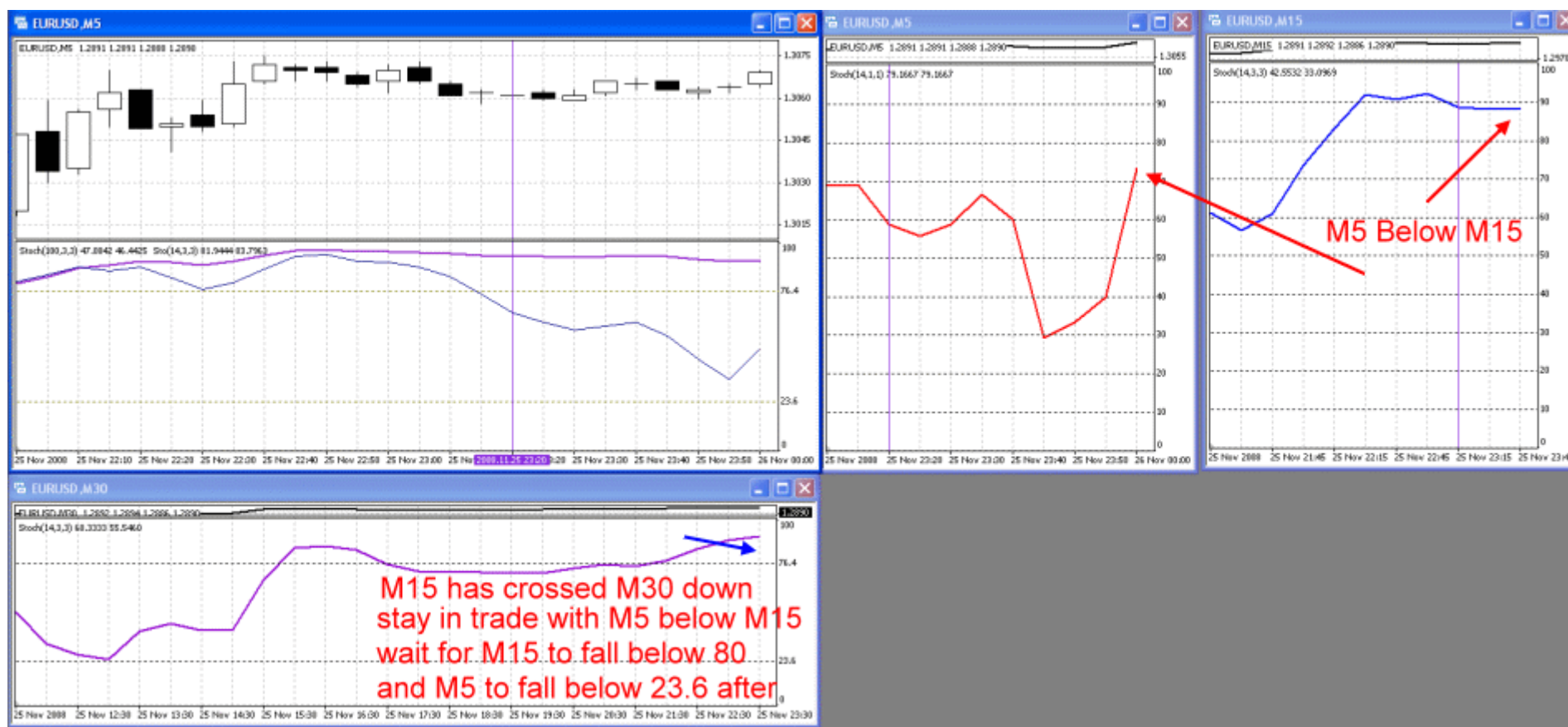


Danger?

Here we have what looks like a reversal with M5 climbing. Notice that M5 is still below M15. What we need to look at is M30, which is the bottom chart now, replacing M1 (M1 has done it's job and we are finished with it). Notice M15 has crossed from above and down over M30. We could also look at the M15 price chart (not shown) and we would see it looks very similar to our M5 price chart just further behind. We have 3 reasons then to stay short:

1. M5 is below M15
2. M15 crossed down below M30
3. Our M15 100,3,3 and 14,3,3 stochastics support our short position in our expectation that our Origin line will keep falling.

The final support is that this is not a long entry, so why not stay short.



Switching From M5 to M15

Up to now we have followed the trade and seen M15 cross M30 (the same way as M5 crosses M15). We now use the same Combination 1 & 2 rules for M15 and M30.

We switch our price chart to M15

We use M5 as our filter (Combination 2)

We use M15 and M30 as our Crossover.

Since we are already in a short trade we don't have a physical short entry to make. Instead we are determining whether we will stay in the short trade or not by satisfying the Combination 1 & 2 entry rules.

Fortunately for us, we will usually see this develop as:

M15 crosses down below M30

M15 crosses below 80%

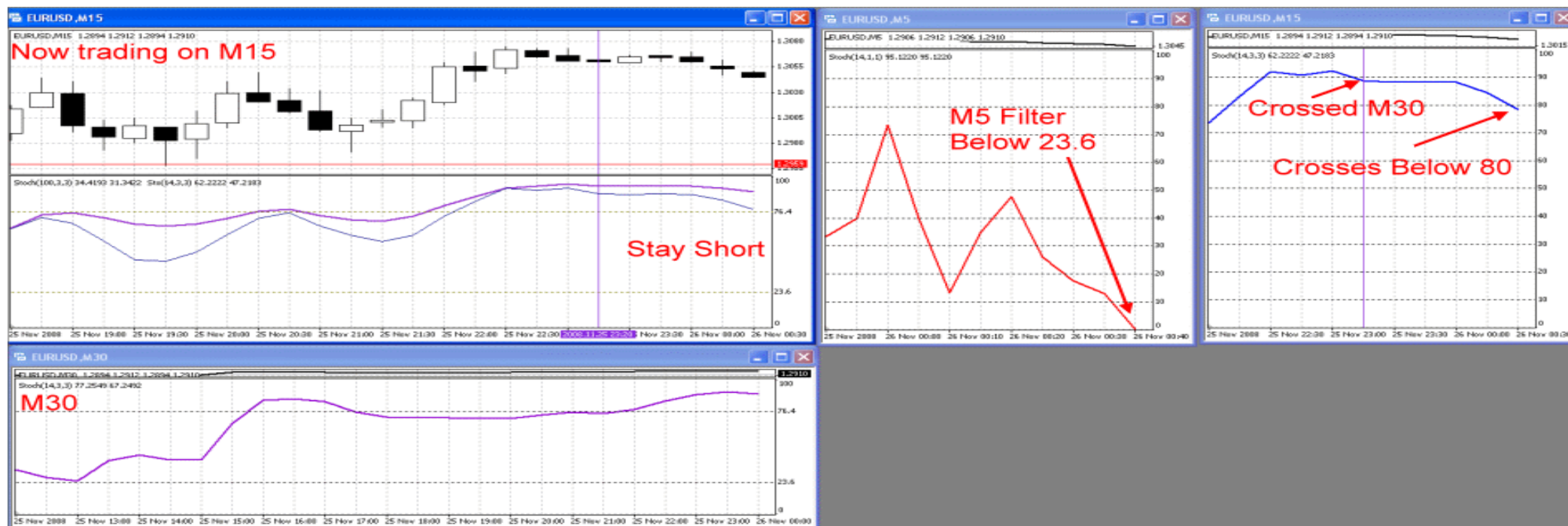
The Origin Line crosses below 76.4%

The Price Line remains above 76.4%

The M5 Filter falls below 23.6%

All this being true means we stay in the short and as such are trading on the M15 price chart now.

Notice how all our rules for the M5 chart remain the same and how these higher stochastics now follow the



same movement on the M15 chart as our M5 chart....it is like watching a re-run.

Getting Ready to Switch Price Charts

Here I will explore the actual switching of time frame charts a little more closely.

In the previous chart we had the Combination 1 &2 set up like this:

M15 Price Chart

M5 Filter

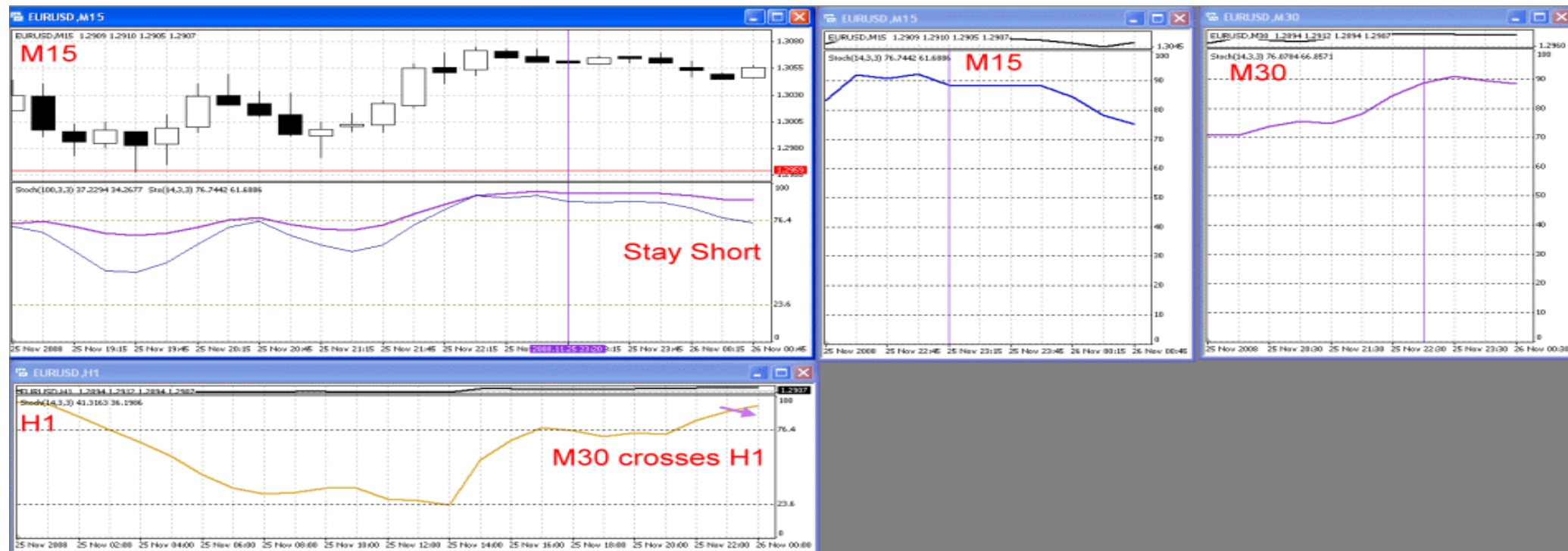
M15 and M30 Crossover

The filter is always one time frame below our lowest crossover and price chart.

In the chart below we are transitioning to the next higher time frame for Combination 1 &2. (Time is frozen from last post).

First we change our stochastics to the next higher time frame, the M5 becomes the M15, the M15 becomes the M30 and the M30 becomes the H1.

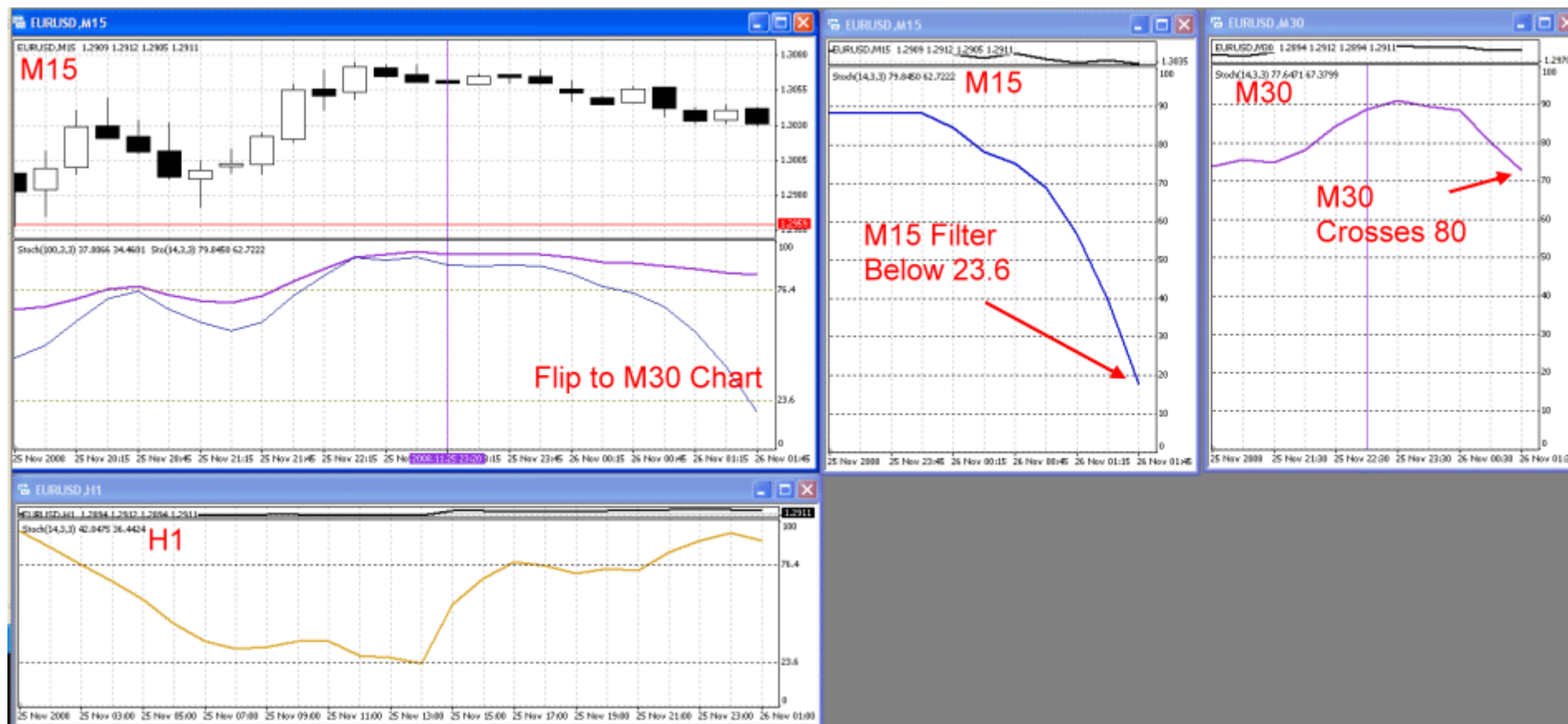
We can clearly see the M30 crossing the H1. So we need to set up our M15 filter and in the next post we will switch our M15 price chart to the M30 price chart.



You can flip the price chart to M30 now, and I will flip the price chart back and forth between M30 and M15 as I watch the M15 filter form.

Notice M30 has crossed below 80% and we are now just following the M15 filter. In this instance the M15 filter and M30 hitting below 80 happens at the same time.

Okay so let's look at the M30 Price Chart...cuz it is gonna be kewl!



The M30 Price Chart

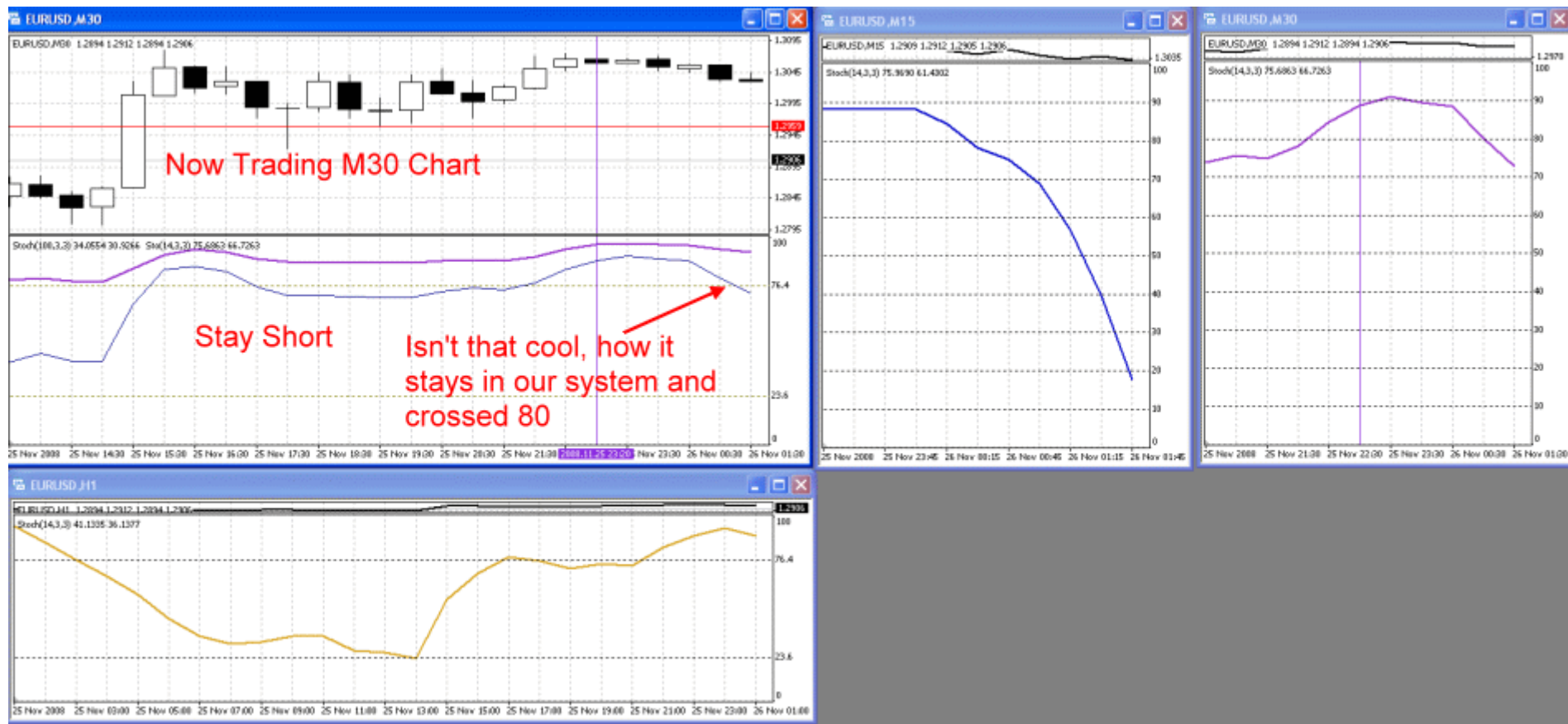
Okay you gotta admit looking at the M30 price chart that this is pretty cool. The Origin Line (14,3,3) Stochastic has crossed below 80%, we again have satisfied a short entry now on the M5 price chart, the M15 price chart and the M30 price chart following the Combination 1 & 2 rules to the letter, without any variation, or grey areas.

And yes, this means we stay short in the trade.

Notice again how are M5, M15 and M30 setups all look almost exactly the same. (Those familiar with Escalator to Pips should have those light bulbs on in their heads about now).

So, we now are showing the M30 price chart, the M15 filter the M30 and H1 stochastics and we have achieved a short entry signal.

One last comment before we move....notice I have not once mentioned price or candlestick movement. That is because our Price Line is just where we want it above 76.4%. Ignore the candlesticks!



Change the Stochastics

So here we go again,

Change the stochastics...M15 to M30, M30 to H1 and H1 to H4.

Wow! Look at that H1 crossed H4.



Now it is just getting repetative

H1 crosses below 80 and we are now following our M30 Filter down waiting for it to go below 23.6%. We will be looking at our M30 and H1 price charts...here I'm watching the M30 price chart just to keep my bearings.

Ohhh if you were trading this live....if you live in Canada.... this would be a good time to send someone out for a Timmy's double double...your gonna be awake for a few hours of trading.



M30 Filter Hits 23.6%

Our M30 Filter is below 23.6%.



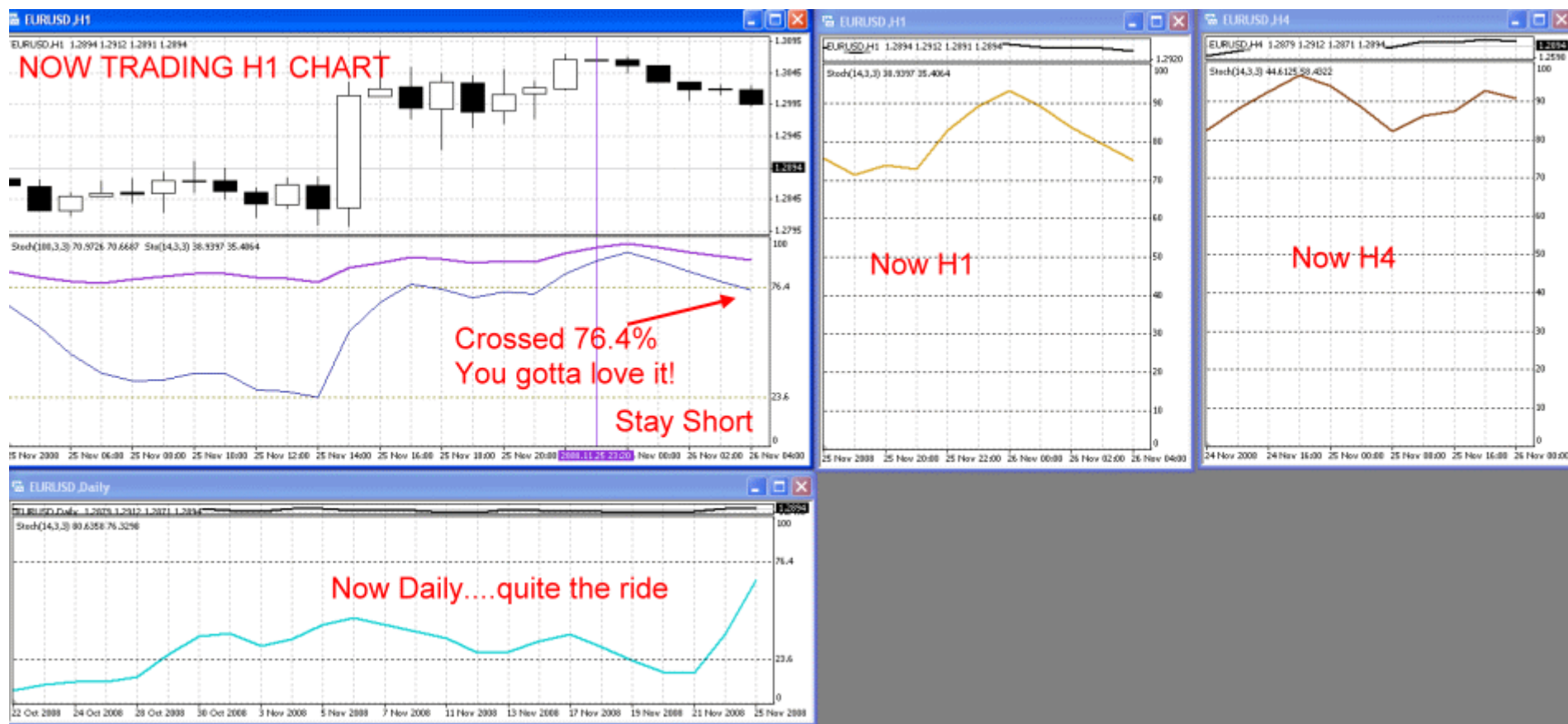
Where Have We Seen This Before?

Here we are, looking at the H1 Price Chart.
Does this not look exactly like our M5, M15 and M30 entry?

The only exception is that H4 has not crossed the daily. That is to be expected since the daily is really gonna lag behind our H4 much more than any of our lower time frame combos.

The H1 is the last price chart I will trade. You need a hefty bank account and be a lot braver than me to chase the H4 chart...a bad reversal bump could kill everything you made and by now you probably are fighting the decision between sleep and a few more pips.

I usually follow the Origin Line down through the Fib levels and when I see a reversal, I'm done. Or, if I'm up 100-200 Pips I'm done. Other options are to follow the H4 crossover over the daily, follow the H1 filter down, or see if the Price Line falls and follow it through the fibs. Or anything else that makes you nervous...yes you can even look at the price action now.



If you look at the M5 chart this is what we traded and it almost took 24 hours.

Notice the Price Action in the middle that would make you scared....notice you didn't notice it trading through the time frames and concentrating on the Price Line and Origin Line. Those price actions are there to scare you out of the trend....someone wants you to bail out so you don't make PIPS...stick to the system.

If you stuck to the system, you would easily have made 200 PIPs..certainly 150 PIPS. If you timed it just right and hung in there you could have bailed at 240 PIPS.

