THE TREND RIDING STRATEGY

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When it comes to trading Forex, one term you'll often here is "the trend is your friend". Put simply, the price of any currency pair can only move in one of three directions: up, down, or sideways.

In most cases the price will begin to move up or down and continue on the same path until something changes that price movement. This is known as a trend. Trading with those trends is an easy way to win more trades and in general succeed with Forex.

CURRENCY PRICES TEND TO MOVE IN ONE DIRECTION OR ANOTHER FOR A LONG PERIOD OF TIME. THIS IS KNOWN AS A TREND

Simply knowing that prices will tend to trend in one direction or another for any length of time gives you an easy way to capitalize on that knowledge by jumping on the trend. Of course there are many different ways to trade the trends, and in this guide we want to help you get started.

We'll be covering: the different types of trends, how trends may differ with timeframes, and we'll cover two ways to chart those trends and trade them well.

The key to profiting from Forex is to simply find a system that allows you to win more trades than you lose. By the time you are done here you will be ready to jump on any trend and turn it into a profit (more often than not).

TYPES AND TIMES WITH TRENDS

Before we begin talking about how to trade the trends, we need to cover a few ideas that matter. One of the most important things that you'll need to learn is that trends do not always agree across different time frames on the charts. To trade any trend system well, you need to get used to the idea of looking at more than just one chart.

For example, if you're trading the EUR/USD on the daily chart. Possibly the currency pair looks like it's in an uptrend. In fact, it looks like it has been moving up for the past week.

With that simple fact you might choose to just jump on the trend and profit from the trade. In all likelihood you'd win anyway. However, with a little more information, you could increase the chances of walking away with a profit; and you'll enable yourself to know more about when to enter and how to manage that trade.

Before any trade based on a trend system you should know what the trends are on the short term charts, the medium term charts, and the long term charts. You should also know where the major support/resistance levels are on all of those charts as well.

To clarify this, take a look at the following to snippets of the current USD/CHF pair:

Different Timeframes = Different Trends

If you looked at the daily chart, it clearly shows the currency pair in a downtrend. On a 15 minute chart taken the same day, at exactly the same time, the pair seems to be in an uptrend. This difference is important to note as you begin looking at trading with the trends.

It isn't that you would trade a 15 minute chart if you're a trend trader. You wouldn't, the charts are way to volatile at that timeframe and the trends aren't established. But, by knowing that there will be differences on different time frames charts, you can look at the bigger picture before making a trading decision. At the very least you should be looking at one time frame longer and one time frame shorter than the timeframe of the chart you're trading.

Let's further simplify this by dividing the trends into three different types.

LONG-TERM TREND

First, there is the long-term trend. This is the primary trend that may have a lifespan ranging between eight months and two years. These are the longer term, well established, trends that last a long time compared to the others. Traders who trade with these trends will usually trade the daily, weekly, or monthly charts.

Any trade made off the long term trend alone is a trade that is expected to last for a long time and require large stops and a larger amount of capital. In most cases traders will trade the mid or short term trends, but you should still be aware of what the long term trend is.

MIDTERM TREND

Within the long term trends you'll find many intermediary midterm trends. These trends can last anywhere between a month and eight months, and are clearly shown by all of the up and down trends within the longer term trend. Mid-term trends will be most apparent on the daily and weekly charts.

If you trade the mid-term trend you are known as a position trader, and you should expect to hold your trades for up eight months at time.

SHORT TERM TREND

Within the midterm trends are the shorter term trends. These smaller trends are temporary movements in price (either up down or sideways) within the larger trends. A short term trend can last anywhere from few days up to a month. These trends are affected more by the global happenings that drive the current Forex prices (such as news, trade volumes, etc), and they will be most apparent on the 1 hour, 4 hour, and even daily charts.

If you trade these trends you are a day trader, and you're most in trades for one day and up to one month.

UP, DOWN & SIDEWAYS

The next idea that we need to cover when talking about trend trading is the types of trends. There are three basic types:

1.Uptrends

2.Downtrends

3.Sideways trend

THERE ARE THREE DIFFERENT WAYS ANY CURRENCY PAIR MAY TREND

An uptrend is shown when price movement is up. Downtrends include downward price movement. The sideways trend is shown when the currency pair is trading within a range and moving sideways.

It's important to understand that under the right market conditions any of the 3 types of trends can be traded. You'll most often trade the up and down trends, but you may also find yourself trading a sideways trend at times. This is especially true when that sideways movement is the larger trend and the ups and downs fall into the midterm and short term trends.

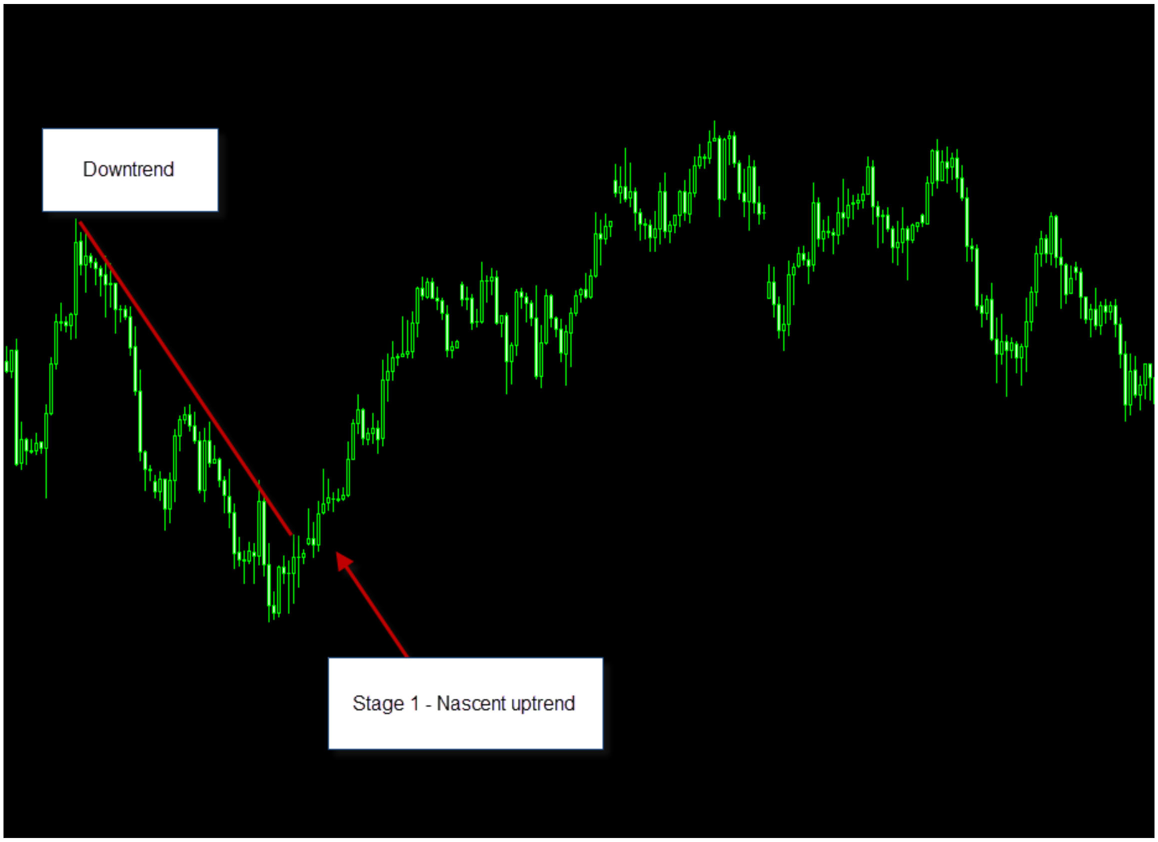
STAGES OF A TREND

When you're trading the trends, it's important to understand that there are stages to any trend. Unless something occurs to change the trend direction prematurely these stages will generally be present, and understanding them will help you to enter your trade(s) at the right time.

Let's talk about the four stages of a trend.

STAGE 1 – THE BEGINNING (THE NASCENT TREND)

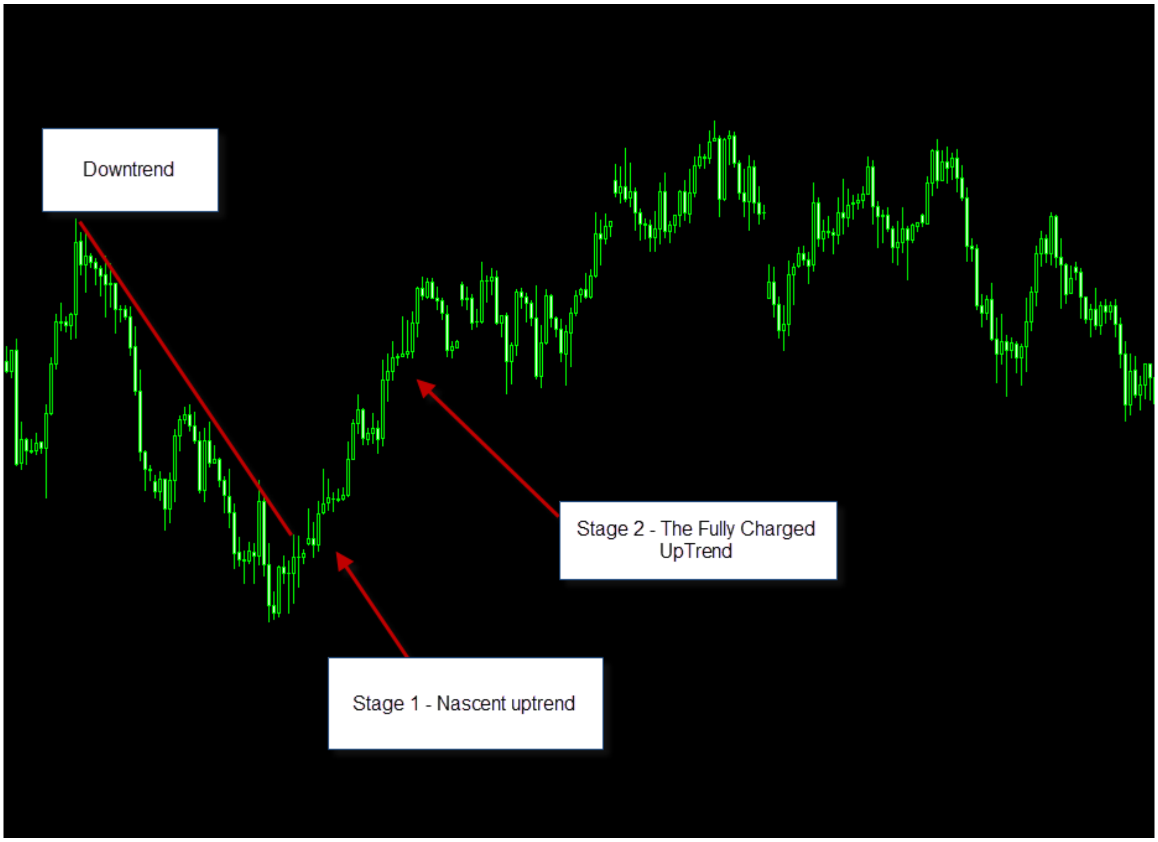
When a reversal occurs and a new trend starts, we enter the Nascent stage of the trend. The trend is just beginning and traders don't yet have confidence in the trend itself. This means you should expect large price jumps and see the price retest levels that occurred before the trend started.



This stage of the trend is where you'll find aggressive traders entering their trades. It's also the point of a trend with the greatest risk of failure. When a trend is just beginning it isn't well established yet and it is still possible for the price to turn around again.

STAGE 2 – THE FULLY CHARGED TREND

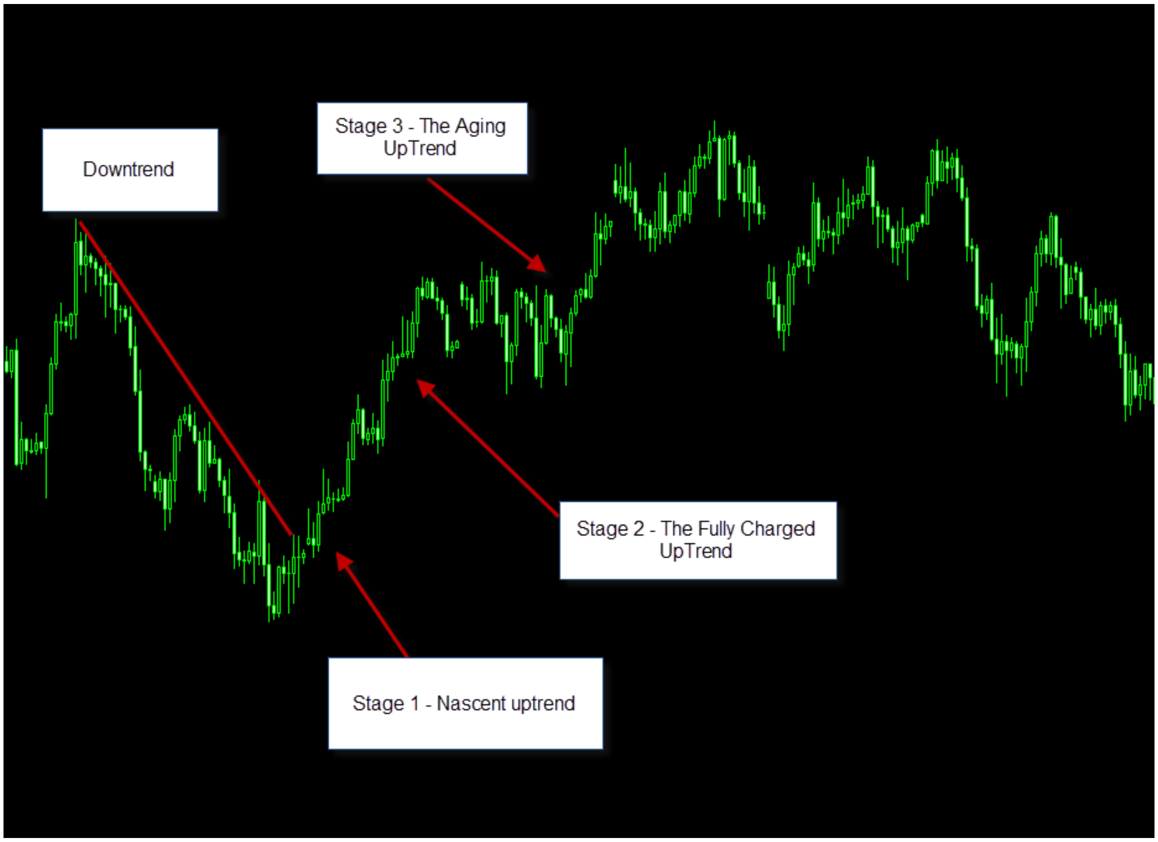
When a trend reaches stage 2, we call it the fully charged trend. The trend is established, price movement is confident, and there is little room for any uncertainty about the direction of the trend itself. Experienced and inexperienced traders alike are confident in the trend and with that their trades drive the price movement in a steady direction with the trend.



This is the ideal stage for the less aggressive trader to get in on the trend. After taking a look at the technical analysis and support/resistance levels, the trader can confidently get in on the trend with a high likelihood of a profitable trade.

STAGE 3 – THE AGING TREND

Eventually any trend gets tired. At this point you have experienced traders losing confidence in the trend and inexperienced traders still trying to jump in to grab some profits from the trend. The aging trend can be seen by stages of price consolidation and chart patterns such as double tops of bottoms.



Again, this stage of the trend is mostly traded by aggressive traders hoping to grab a few more pips from the price movement. You'll also find inexperienced traders, who don't realize the trend is aging, jumping onto the trend at this point.

STAGE 4 – END OF TREND

Finally after the slowing period of the aging trend, we find the end of the trend. This is the point where the experienced traders, and the long-term traders are taking profit. The close of all of these trades usually leads to a reversal.

Whatever the case, the trend no longer has steam to continue and you shouldn't be trading the trend at this point. The potential for continued price movement in the original trend direction is limited, and any trade at this point can go either way.

As shown by the chart on the next page, all trends have four stages. Learning how to recognize these and determine what stage the trend is in is important to be able to ride the trends profitably.

CHARTING THE TRENDS

If you're going to trade the trends, there are two things you need to be able to do well. First you need to be able to clearly see the trends on the charts. Next you need to be able to gauge trend strength and determine the best point to jump in on the price movement. Having these skills will ensure you win more trades and grow your account over time.

Luckily trends aren't really difficult to chart. You'll need the skills to draw trend lines, to see support/resistance levels, and to read a few technical indicators that will help you to determine trend strength.

To start, let's just talk about trend lines.

Trend Lines

A trend line is simply a line drawn on the charts that connects the price movement to show the trend. When drawing trend lines you don't need the line to connect to every point on the chart. We know that prices tend to move in waves, so that actually won't work. Instead you want to draw your lines so that they connect to at least three points on the chart.

Shown below, you can see an uptrend and a downtrend on the GBPUSD 1 hour chart:

It's important to note that your trendlines may change as the trend becomes more established.

Looking at the chart above if you had drawn the same trend line for the down trend earlier the trend would have had much less slope. By the same token if you have drawn the line for the uptrend at the beginning the line would have had a much greater slope.

Another important thing to note is that trends aren't just up and down. There can also be sideways trends:

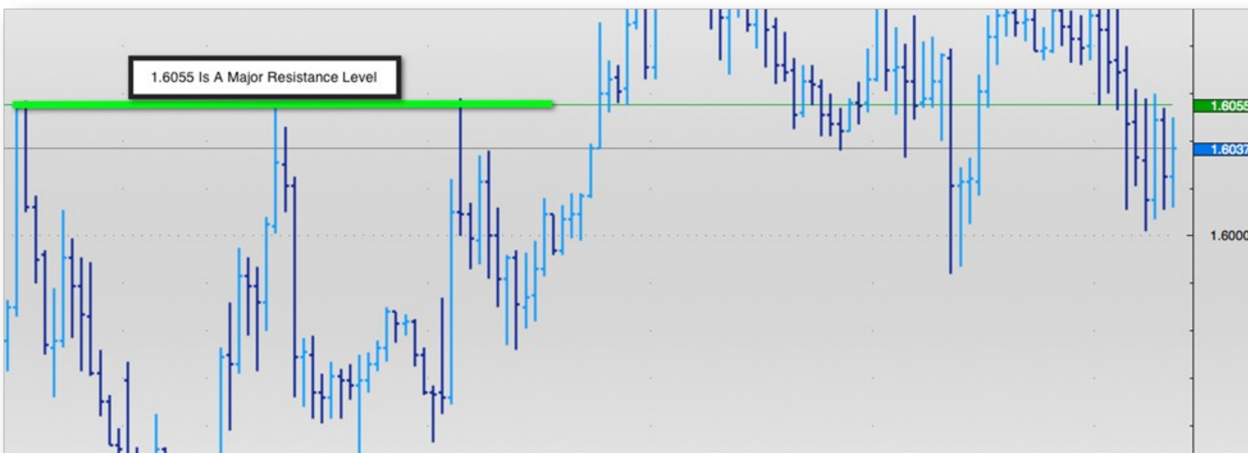
Trend lines can be useful for determining the direction of the trend obviously, but they can also help you gauge when it's best to enter the trend. We know that currency price will usually move in waves. From that, if you draw a line you can gauge how far the price is currently away from that line which will help you determine if now is a good time to enter or not.

To make it simpler to use the trend lines that you draw, you should draw a down trend line above the price, and an uptrend line below the bars or candles.

SUPPORT/RESISTANCE

Once you've drawn your trend lines, you'll also want to look at support and resistance levels. These levels will be the places where the currency price may have trouble breaking through, and entering a trade when the price is about to hit a major resistance level can lead to failed trades. Although, if the trend is strong enough, the price may break through the support/resistance, it will usually bounce first and may bounce off that level 2 or 3 times before making its way through.

Luckily, using historical data it's quite simple to chart supports and resistances. You should do this on the charts you're trading and on two time frames longer. For example if you're trading from the hourly charts you should know the major support/resistance levels from the 1 hour, 4 hour, and daily charts.



Looking at the GBPCHF chart above, it's clear to see that 1.6055 is a major resistance level. Every time the price has reached that level it has bounced.

You should list out the major supports and resistance levels before making any trade. Using the example above, the price is nearing that level again so trading now would be a bad idea.

Another important thing to note is that support/resistance levels don't necessarily have to look like straight lines on a chart. The trend lines we drew earlier also represent support/resistances as the price will tend to bounce off the line as it move up or down with the trend.

DETERMINING TREND STRENGTH

The next thing you need to be able to do is determine trend strength. This will help to ensure you get in on the trends at the right time. It will also help you when it comes to determining how to manage the trade (ie where to set stops and when to take profit).

There are basically three ways you can determine the strength of the trend, and you should be familiar with them all. The methods we'll be using are:

1. Price Action - The actual movement of the trend shown with the slope of the trend line.
2. Correction and Consolidation - How the price moves throughout the trend when it consolidates and resumes movement with the trend.
3. Technical Indicators - We'll talk about ADX, Stochastic, and MACD to help you determine trend strength.

Let's discuss these three elements in a little more detail.

PRICE ACTION

The first thing we need to talk about is the price action. This is simply a measure of how fast the price is moving in one direction or another. In the chart shown above you can see a steep trend line. There are no clear support/resistance levels, and the price has simply shot up for a period of 13 hours.

Unless you are an aggressive trader, these types of trends should be avoided. Steep trends tend to run out of steam quickly, and will cause your trades to get stopped out with share reversals. This is actually the reason we watch the price action. It isn't that you can't profit from a steep trend, it's just that most traders will profit less often in this type of trend.

CONSOLIDATION

Next we need to talk about correction and consolidation. In any trend there will be periods of correction/consolidation where the price reverses for a time and then continues on with the major trend.

These corrections are an easy way to gauge the strength of a trend. If the trend is strong, these periods of correction will tend to be short, and they won't necessarily retest previous support/resistance levels. As shown on the chart on the previous page, a strong trend will have narrow consolidations that look like a rectangle or a flag, and the reversal in price movement will be short-lived.

TECHNICAL INDICATORS

Finally to really determine the strength of a trend we use technical indicators. This will help you to determine whether or not now is a good time to enter or not, and in turn help you to avoid some of those losing trades.

ADX (Average Directional Movement)

The ADX, or average direction movement indicator, is often used with trend trading systems to show price movement and trend strength. However, since the indicator tends to lag a lot, we won't be using it here; and we're really only covering it to show why you shouldn't use it to ride the trends.

As shown on the chart above, the ADX indicator usually lags as far as trend strength is concerned. In both places shown by the arrows, the strong price movement wasn't really shown until after the best time to trade had happened. Of course you could use this indicator as some traders do to just ensure it is pointing up (to indicate strong price movement). Our preference is to use two other indicators though.

Stochastic

The Stochastic indicator can be a great indicator to help you trade the trends. It is a good indicator of price movement, and since it moves up with upwards price moves and down with downward price moves, it is easy to read and use to trade the trends.

As shown above, the stochastic indicator tends to move with the price. As the price is making higher highs in an uptrend, the stochastic is also making higher highs. As the price reverses, so does the stochastic. This makes it a simple tool to use to trade the trends.

If the price and the stochastic are on an upward slope, in an uptrend, it's a good indication of a strong uptrend. By the same token when it's on the decline in a downtrend, it's a good indication that the trend has steam left and can be traded profitably.

MACD

As an alternative to stochastic, the MACD (Moving Average Convergence Divergence) indicator can also be used to trade the trends. The idea here is similar to the one we share for the stochastic indicator. Only, in this case, we look at the histogram of the MACD.

As shown on the chart above, if you're currently in an uptrend and you're seeing strong upward price movement the histogram on the MACD is also moving up above the line. As the trend runs out of steam, or when the price rallies, the histogram moves back towards the center line.

By the same token, if you're in a downtrend strong price movement is indicated as the histogram falls below the center line.

TRADING THE TRENDS

Now that we've covered everything that you need to know about trends, let's talk about a simple system for trading the trends. The fact is that it's impossible to predict what the market is going to do, so we need to do the next best thing. By realizing that trends do become established and then riding those trends we can help to ensure we win more trades than we lose, thus growing our account over time.

Before we talk about how to trade, we first need to determine the length of time you'll trade for. Many traders like to day-trade with trades that are over in 1 day to 1 week. If this sounds like you then you should be trading the 30 minute or hourly charts.

On the other hand if you don't mind bigger stops and longer trades you may want to consider trading the 4 hour or daily charts. Your trades will last longer, but the trends will also be more established and can leave you with much larger profits over time.

Once you've determined what time frame you want to trade, you're ready to use all that you've learned to ride the trends. We'll make it a step-by-step system to make it easy to trade.

1. **Step 1 - Draw Your Trend Lines** - To find the current market sentiment, and also to set your stops if you do decide to trade, you need to draw the trend lines on the chart you are trading.

2. **Step 2 - Chart The Support/Resistance Levels** - On the same chart (and on two time frames longer) note the major support/resistance levels. If the price is very near to a major resistance or support level you should wait to trade until the price has moved through it.

3. **Step 3 - Look At Your Trend Line** - If the price action of the trend line you drew has a very steep slope, don't trade that particular trend. If you don't mind risk you actually can trade, but in general steep trends will run out of steam faster.

4. **Step 4 - Confirm With Technical Indicators** - Using either the Stochastic or MACD indicator, look to ensure that the indicator agrees with your trend (ie in a uptrend the indicator is also moving up).

5. **Step 5 - Determine The Stage Of The Trend** - Finally before you trade you should try to determine what stage the trend is in. The best time to trade is always in the fully charged stage. You can trade the beginning or

the aging trend if you don't mind a little more risk, but you should avoid trying to ride a trend that is nearing it's end.

6. **Step 6 - Make The Trade -** Enter your buy or sell order according to the trend, and set your stop loss to at least 20 pips on the other side of the trend line. This will ensure you have room to breath in the trade and allow you to ride the trend.

Once you've entered the trade you should watch your trade and exit when it looks like the trend is losing steam. Some trades like to trail their stops to protect profits as they trend continues. If you choose to do this ensure you leave enough room for the consolidation periods or you may end up losing some of those profits. At the very least you should keep your stop trailing at least 20 pips back of the trend line.

Another thing to note is when to enter the trade. Although you can enter whenever you feel it's right, one way that works well is to enter on the bounce. If you watch the price and the trend line you drew you'll see that the price tends to bounce off the line. If you enter within a few pips of the bounce (ie when the price is nearing the trend line), you can use smaller stops and still profit well from the trend.

OK, so we have gone through the first of the two different trading strategies that we want to share you. And keep in mind they're just an introduction to the concepts and strategies within our all-new Sublime Forex Champions program. The whole 2nd system will be revealed in our next installment in this video series. And I expect it'll be ready in a few days. So, be on the lookout for it.

Anyway, right now maybe you're wondering why we flat-out give you two different strategies that cater to 2 different market scenarios. You see, the reason is that I want to demonstrate every trader needs multiple trading systems, each one is built specifically for a particular market condition… and should only be applied in THAT market condition.

Well, talking about market conditions, I'm sure you have heard traders referring to certain trading conditions as being "bad", but the truth is, and I want you to note this down, read it and reread again and again until you are completely convinced. **In fact, there is no such thing as**

"bad" market conditions, there's only market environment that is unsuitable for a certain trading strategy, and thus, is considered "bad" for those particular strategies, while many other strategies may work well in that very same environment. In other words, the Forex market is very dynamic and in order to consistently profit in the forex market you'll need not only one strategy, not even two strategies, but a complete trading solution which comprises of different strategies, each one designed for a different market environment, so that you can adapt to and profit out of any given market condition.

Most forex trading systems only target and focus on a specific market environment. This leaves a trader either sitting on the sidelines waiting for the right opportunity… or letting their emotions take over -- leading to jumping into the market using a faulty strategy under wrong market conditions.

If this sounds all too familiar, we have the answers for you in our free training webinar. On the webinar, we will cover a few different trading strategies, which include the one we have gone through above, and another which will be covered in the next video of the series, but in much much more details, so that you will be able to trade with absolute confidence and pull massive amounts of profit from the forex market no matter what the conditions are. So, here's what you need to do, go to

www.sublimeforexchampions.com/webinar

… and reserve your seat right now…

I am gotta warn you up front, although it's free, the webinar is NOT for everyone, it's intensive, very intensive training, and if you are those kind of opportunity seekers who jump wagon just to look for some quick fix to mend your trading, that's NOT for you, absolutely NOT.

But if **you're willing to start transforming yourself into a strategic trader today**, meaning right now, that you're willing to put the **opportunity seeker habits of procrastination, indecisiveness and self-doubt aside** and work together with me and the unique processes that I've designed for you… together we can build up your trading arsenal and **transforming you into a forex champion.**

On the webinar, you will get to know how to **significantly cut down the learning curve and catapult your success to an expert trader,** because our purpose and complete focus for at Sublime Trading Solutions here has been developing unique processes **that transform struggling traders into massively successful forex champions in the fastest, easiest, and most results certain ways ever developed**…

And the secrets that happened to the thousands of traders we've already helped are definitely gonna work for you… during the webinar we are going to show you how to start trading smarter and more confidently **by mastering the simple, yet elegant strategies and flexibly applying them to different market conditions**…

We will also demonstrate – LIVE -- how our new training program Sublime Forex Champions incorporates all these trading strategies with top-notch, state-of-the-art pieces of software into what we called the HATS (Hybrid Adaptive Trading Solutions) to bring out the best of both automated and traditional trading solutions, and give you the exact **skills, tools, and confidence to trade like a true forex champion**. With the Sublime Forex Champions and the HATS, you will learn exactly what to do in every Possible Market Condition, to identify when the markets are transitioning to a different condition and adjust your positions accordingly.

So, now here's what you need to do: go to

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… to register for your seat.
And I'll see you in the webinar.