

# **The Forex Bounce Trading Strategy**

**Niko Mermigas**



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## Why you should read this book:

Before I start I need to share this... English is my third language so I hope you'll kindly forgive me for the occasional mistakes in grammar.

If you're new to the exciting and fast paced world of forex trading you're probably...

\*Looking for the fastest and safest way possible to make money trading forex.

\*Looking at forex trading as a way to supplement your income or even better as a way to get out of your day job.

\*Feeling overwhelmed, not knowing where to start as there are hundreds of books and courses available all claiming to have the "Holy Grail".

Well, I have some good news and some bad news! I'll start with the bad news. There is no "Holy Grail" trading system that takes 5 minutes to learn and magically makes money for you all day long while you lounge around the pool. Sorry. :-(

The good news is that I've been trading for 15 years and professionally managing money for the past seven years so...

While I can't tell you how to get rich quick, I can offer you some of the shortcuts that I've learned that work week in and week out for me and my students.

This book is not meant to teach you everything I know about 'Bounce Trading', instead it's primer that will teach you all the basics to using this powerful technique.

While I made it easy enough for newbies to learn, please don't underestimate the simplicity of it! Even if you've been trading for years you'll find this a profitable strategy to add to your trading arsenal.

## About The Author:



My name is Nikos Mermigas and I am a full time trader, Capital Manager, the Spartan Trader FX Academy founder and author of several eBook & workbooks, like: Master Trading – Simple & Effective.

I was born and grew up in Germany. 1993, at age 21 I started to work as a musician and later on as music teacher. Yes I am that old but you know what they say, "Age brings Reason!"

As a Music teacher I spent many years travelling with my job and juggling my family life. I finally came to the realization that this was not the life I wanted and along with a close friend I searched out that perfect job that would give me back my life and freedom.

I had experimented with the Stock market and through my quest for something better I discovered that the Forex Market very nicely met my "Freedom" Criteria. I have to say it was love at first sight. But I am sure you probably know by now, falling in love is the easy part, working on the relationship can be the hardest thing you ever do!

Since I had made up my mind that this was going to be my future I was determined to master the Forex Market and although mastering it meant much sacrifice on my part I was determined to succeed.

Just like many of you I struggled through many books, courses, systems and coaches but did not achieve the mastery I knew would buy me back my freedom.

As I studied and practiced I took the information I thought useful, and started creating my own rules and subsequently my own trading system. It took me a while to perfect but I created rules and followed them with patience and discipline.

Remember I was in love and we all know when you are in love patience is a very difficult

virtue to summon. That being said my patience finally paid off, things started to turn in my favor. When I doubled my account I knew I had succeeded! I believed in myself and my rules.

Looking back, I now see that trading is not hard to learn at all. It truly can be very easy.

We all have the tendency to complicate things without having a real reason to do so and that, in my opinion, is why so many people lose in the Forex market.

Many people have asked me why I teach if I am successful at trading and the answer is very simple: I absolutely love trading but remember my profession is that of a teacher so it is inherently in my blood.

Some of my friends approached me to learn my system and eventually I created a site to help facilitate teaching them.

Before I knew it, word of my system started spreading like a grape vine and I had to start formalizing the training just to keep up with varying schedules and demand.

Without planning it, the school ( [www.spartantraderfx.com](http://www.spartantraderfx.com) ) was born and so here we are and here you are. How it happened was unplanned but I am very happy it turned out this way as I have made many new friends and I get to do the two things I love doing, trading and teaching.

Have a great day

Nikos Mermigas

## Why Bounce Trade?

The reason I suggest to add these proven bounce trading strategies to your trading plan is very simple:

You can take advantage of bigger ranges, enter a trade “early” and often turn a day trade into big powerful swing trade.

To bring it to the point; you get high probability setups and can make a lot of profits if you do it right!

Bounce trade setups appear also almost every day on almost every product. You can use my bounce trade strategies on forex as well as stocks, options, metals or anything else; as long as you have charts for it.

You can also adjust these strategies to your own trading style. It works great for swing traders, but also for day or even scalping traders.

As always, you need to get used to the rules and practice on live charts if you are to master bounce trading 100%!

# What is Bounce Trading?

As bounce traders, we are looking for a setup that suggests with a high probability, that the price will reject an important support or resistance level and move again away from it.

Think of this like a ball hitting the ground from high above or hitting the ceiling if thrown upwards.

There are main 2 types of bounce trades that I like to take.

Bounce Trade Type 1: This is when the market is stuck in a trading range and we look to sell the overhead resistance levels as they bounce off of them and buy the bounces off of support levels

Bounce Trade Type 2: This is where the market is clearly trending and then pulls back to either a previous support or resistance level, then bounces in the trend direction. It can also occur very early on in the early changes of a new trend direction.

We usually look for bounces in ranging markets and on major support and resistance levels found on daily and weekly charts as they often get large explosive moves seemingly out of nowhere.

The trick is to do your top down approach and find these very important key support and resistance areas first!

In a nutshell the "Top Down" approach is where you use the daily and even the weekly charts to look for the strongest support and resistance levels. Once you establish these levels then it's possible to fine tune your entry on a faster chart like say the 1 hour or 4 hour.

The next step is to have clear trade entries, exit and money management rules to grow your trading account steadily and with less stress!

I personally also like to trade bounces on the EMA 200 and EMA 633. I will explain in much detail exactly why and how I do that later on in this book!

I will also share a couple of other chart patterns that I like to trade.

## Tools of the Trade:

As mentioned earlier I'm all about simplicity. In order to get started you just need a few things.

1. You need either a live account or a demo account with a broker that offers the MetaTrader(MT4) platform. I use and like [Tallinex](#). Click on the links to open a demo account if you don't already have one.
2. Add Heikin – Ashi candles to your charts (blue for up and red for down moving candles)
- 3) Add four different EMA settings (12-36-200-633).

NOTE: If you add the template I offered at the beginning of the book then the Heikin-Ashi bars and the EMA's will be added to your charts automatically.

[Here's The link For The Template](#)

## How to Get the Most Out Of This

Here are some quick tips so that you get up to speed quickly...

1. Please read all the details on the following charts many times and pay attention to the price action, lines and comments.
2. If as you are studying, you are not sure about something, go back to the previous charts and start over again.
3. Repetition is the best way to understand and clear things up fast!
4. Watch the free training video that I mentioned in the beginning. Learning is so much easier when you can see and hear me explain things.
5. Even though this may be basic stuff to some of you with experience, don't dismiss it as it really works well. Don't forget that the world's top athletes always revisit the basics at the start of a new year.

IMPORTANT! As mentioned, this book is an introduction to Bounce Trading. I've taught live workshops lasting a month just to teach all there is to know. Traders who attended the workshop received this e-book as a reference guide to what they learned.

For that reason I've included an instructional video that will go into more detail about the principles taught here.

Make no mistake, this isn't one of those deals where I tease you with a bit of info and then tell you that you need to spend hundreds or even thousands to get all the details.

As it stands you can take what I've included and find profitable trades.

Yes I do offer other classes and trading programs but... As I said this is more than enough to help you trade more profitably.

Ok let's jump in...



## How To Identify Trading Ranges

Now it's time to dig in and the first thing you need to do is learn how to locate a trading range. In order to find a trading range its first important to understand what a trending market looks like.

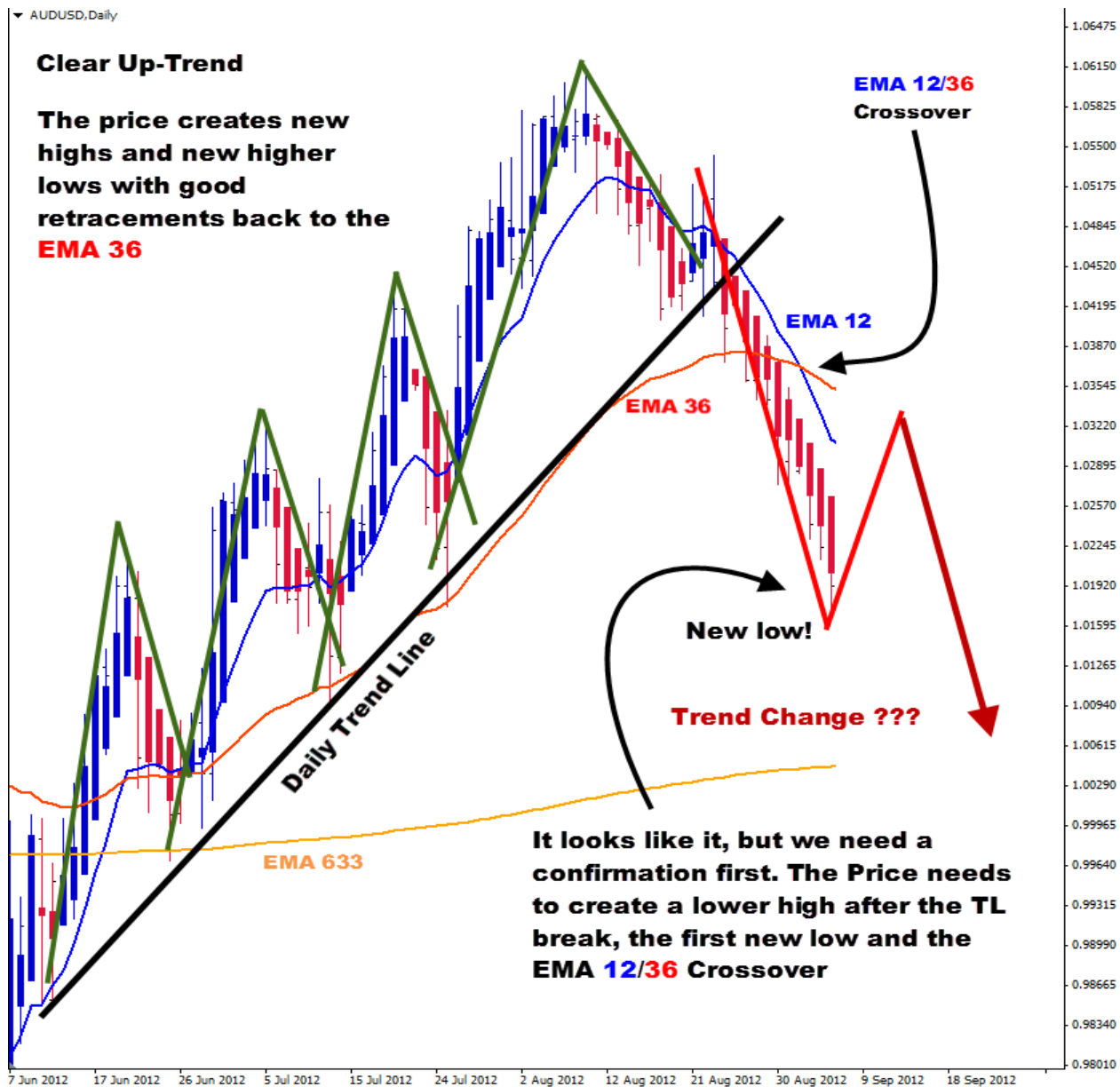


CHART 1: This chart demonstrates what the classic uptrend looks like. it then goes on to show how the uptrend is broken which may lead to a new trend change to the down side.



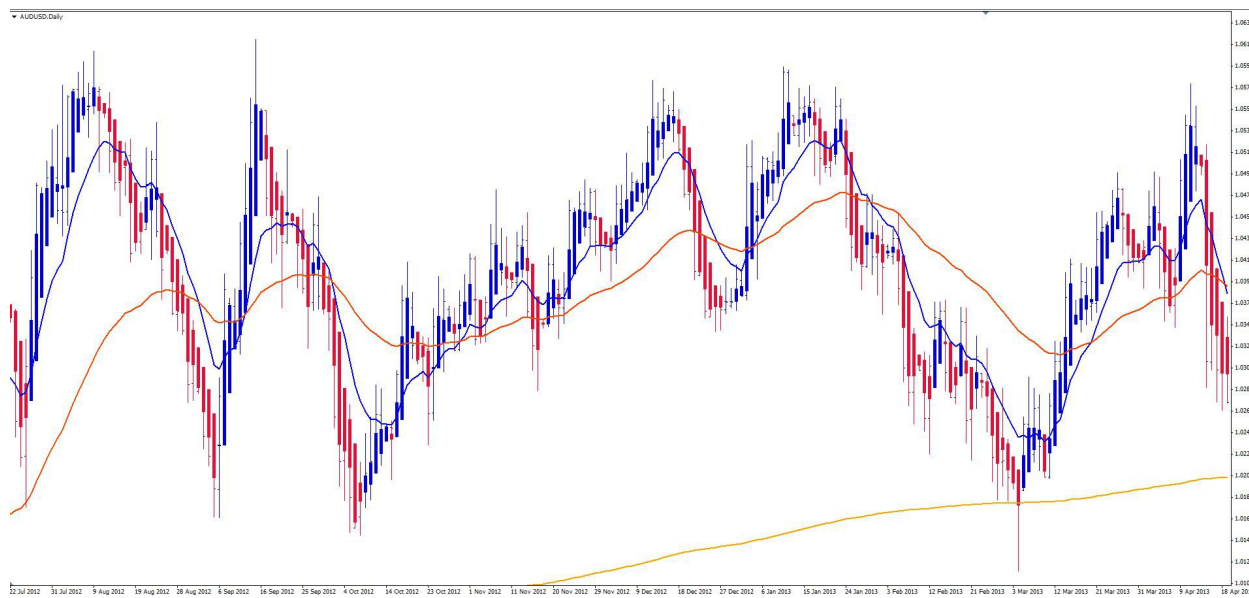
CHART 2: This chart demonstrates shows how what appeared to be a potential new trend change to the downside in Chart 1 never happened and instead the uptrend remains intact.

AUDUSD, Daily



**CHART 3:** This chart demonstrates shows how what appeared to be a continuation of the uptrend shown in chart 2 has now formed a double top and become a valid trading range.

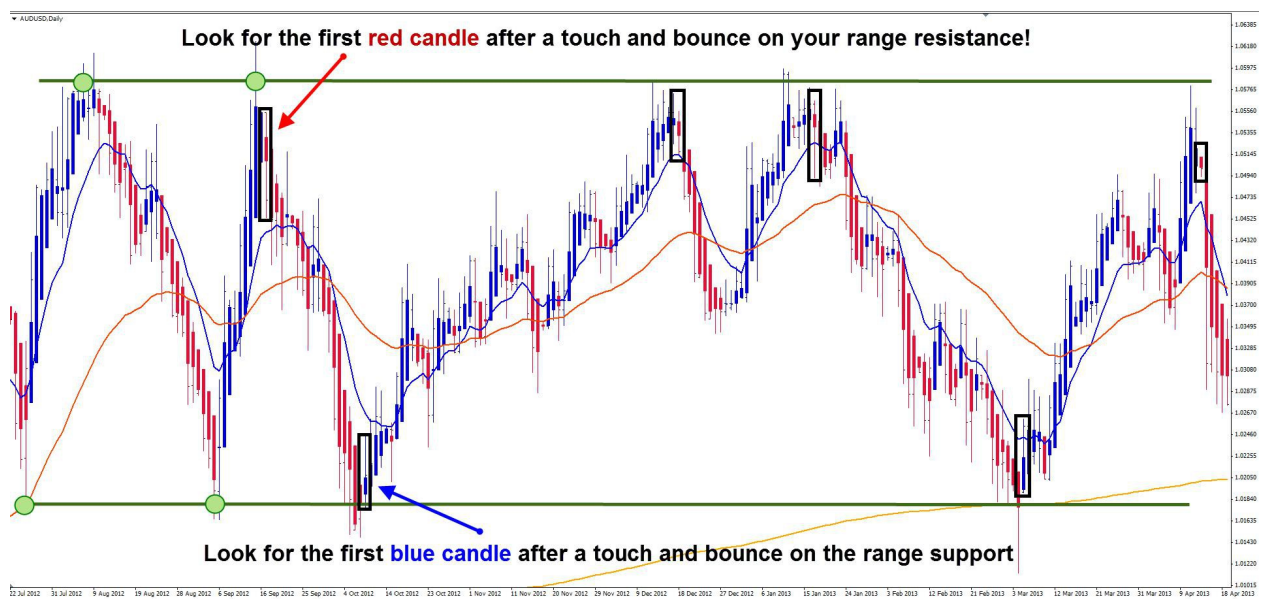
## Bounce Trading Exercise:



**CHART 4:** On the chart above pick the areas that you consider the key support and resistance levels.

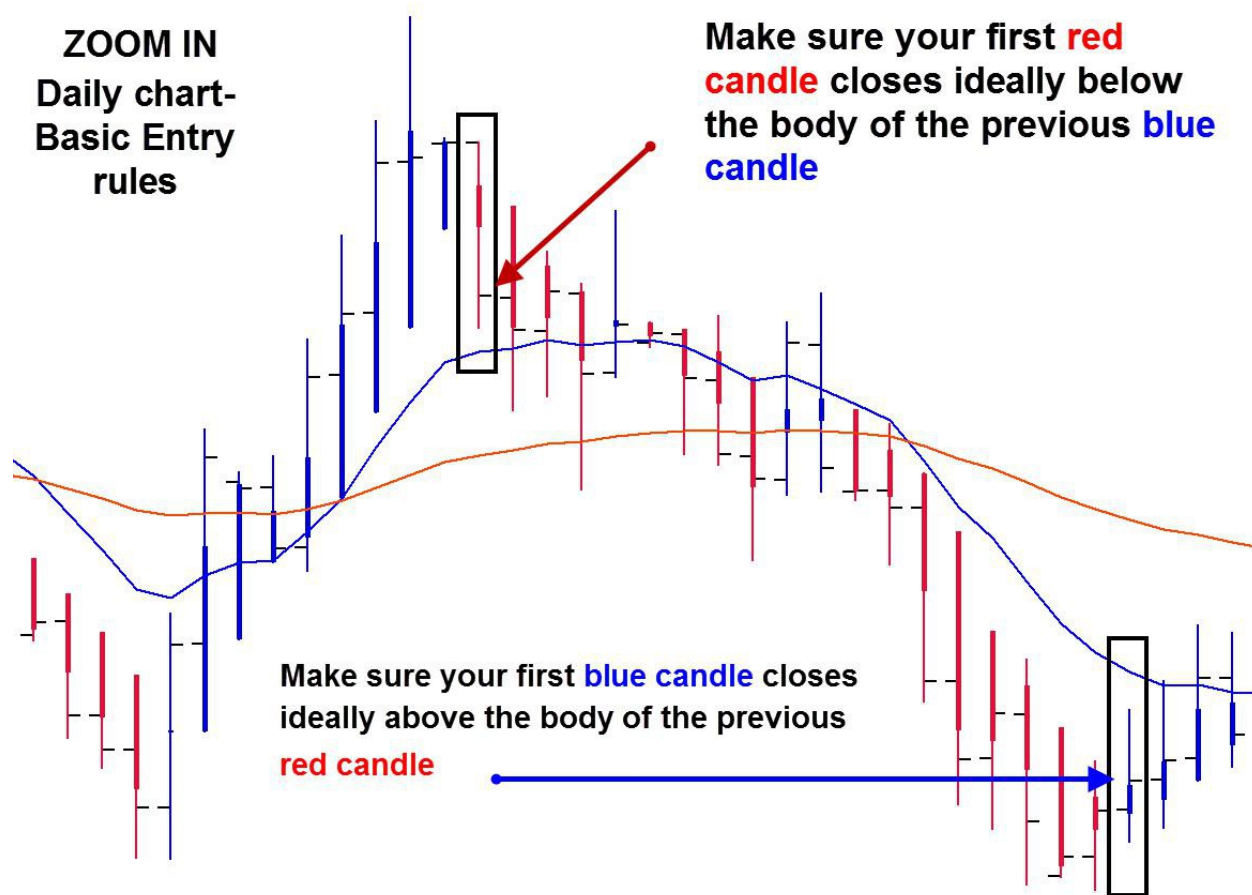


**CHART 5:** On the chart above I've marked all the key support and resistance levels. Did you pick the same ones?



**CHART 6:** The chart above demonstrates the entry bars for both selling at overhead resistance and buying on support down below.





**CHART 7:** The chart above shows the entry candles in more detail.



**CHART 8:** The chart above demonstrates the entry points along with the initial stop loss levels. It also shows I implement money management.

# Bounce Trading Ranges: Cheat Sheet

Now that you know how to identify your range let's look at the Bounce trading rules:

1. Identify your range first.
2. Look for 2-3 support and resistance touches.
3. Wait for candle color change after the bounce on support or resistance.
4. Wait also for the candle to close.
5. Split your position into 2 parts and place your trade after the close of your signal candle.
6. Place your stop below your range support or resistance line and never expose your account to more than 1 -2 %.
7. Target the high or low of your range (depending of course on if you are short or long).
8. Close half of your position if the price reaches the middle of your range (if you feel a bit stressed).
9. Be thankful for a good trade and if the trade is closed.
10. Look for the next setup or price range.

Trading Tip: Never forget that you need enough space between your entry and your targets, so it's trade worthy. A bad scenario would be if you find a bounce trading signal with a stop of for example 50 pips but the range is only 40 pips wide. The target is just too small and the risk therefore too high. Conclusion; avoid the trade!



## Bounce Trading Trends

As mentioned earlier the markets only trend 15% of the time and that is why it's vital to have a strategy to trade the other 85%. Well that's what the technique you just learned is all about.

In this next part you will learn how to take the same principles to trade trends.

Both the 200 and 633 EMA are very powerful tools when it comes to bounce trading.

You can often trail and track bigger trends using these two EMA's, but I found that there are times that price is more likely to bounce here; for example, when price has moved away from the EMA 200 or 633 for a long time period, there is a great likelihood that you will get a bigger bounce.

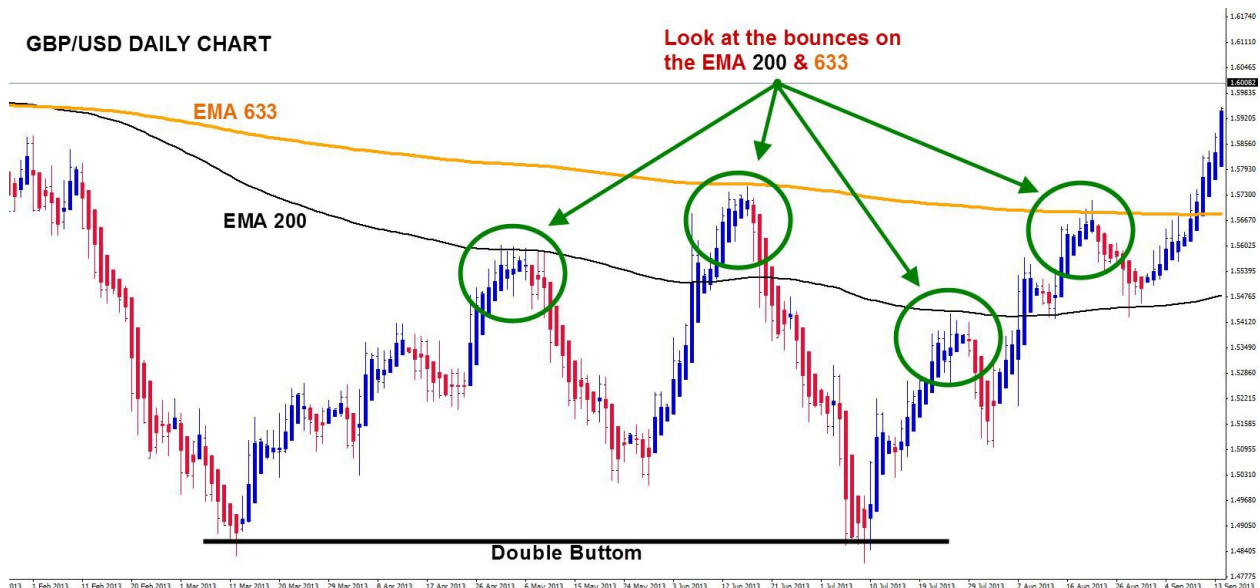
The reaction (bounce) is usually very powerful and easy to spot on the chart. Price may sometimes even break the EMA 200 or 633 a bit before it bounces.

It is important to note that on some occasions i.e. if there is fundamental news, price may not bounce at all!

But that is ok, because if we do not see a bounce, there will not be a bounce trading setup or entry according to the rules.

Ok, so what does this look like on a chart and very importantly; what are the rules?

The following charts will help you understand the basics...



**CHART 9:** The chart above shows how the market will bounce off of both the 200 EMA and 633 EMA. They offer strong support in uptrends and strong resistance in downtrends. This happens on all time frames and in every market.

## AUD/USD Weekly Chart

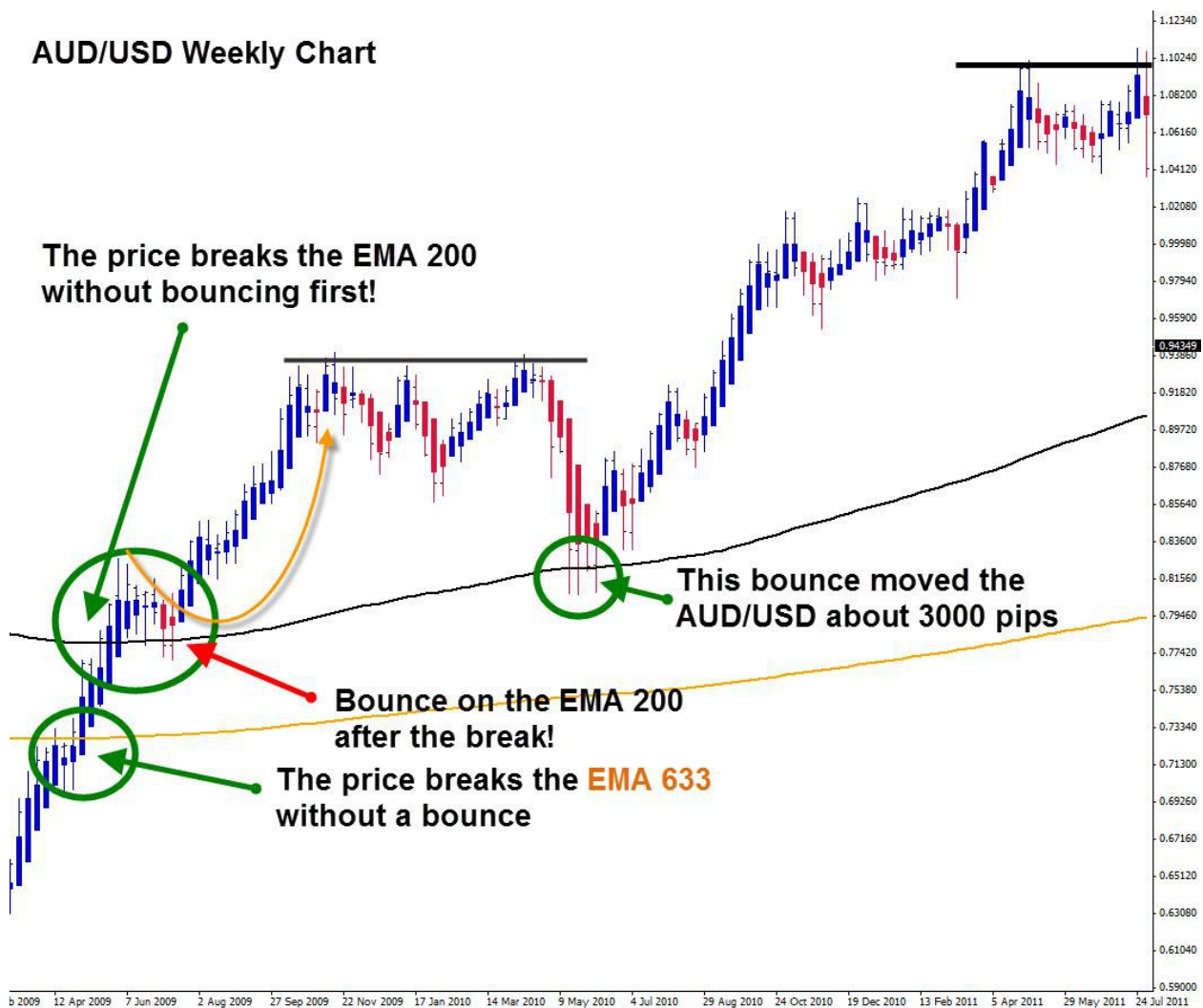


CHART 10: The chart above shows how the moving averages can switch from resistance to support levels.

## GBP/USD 4 H CHART

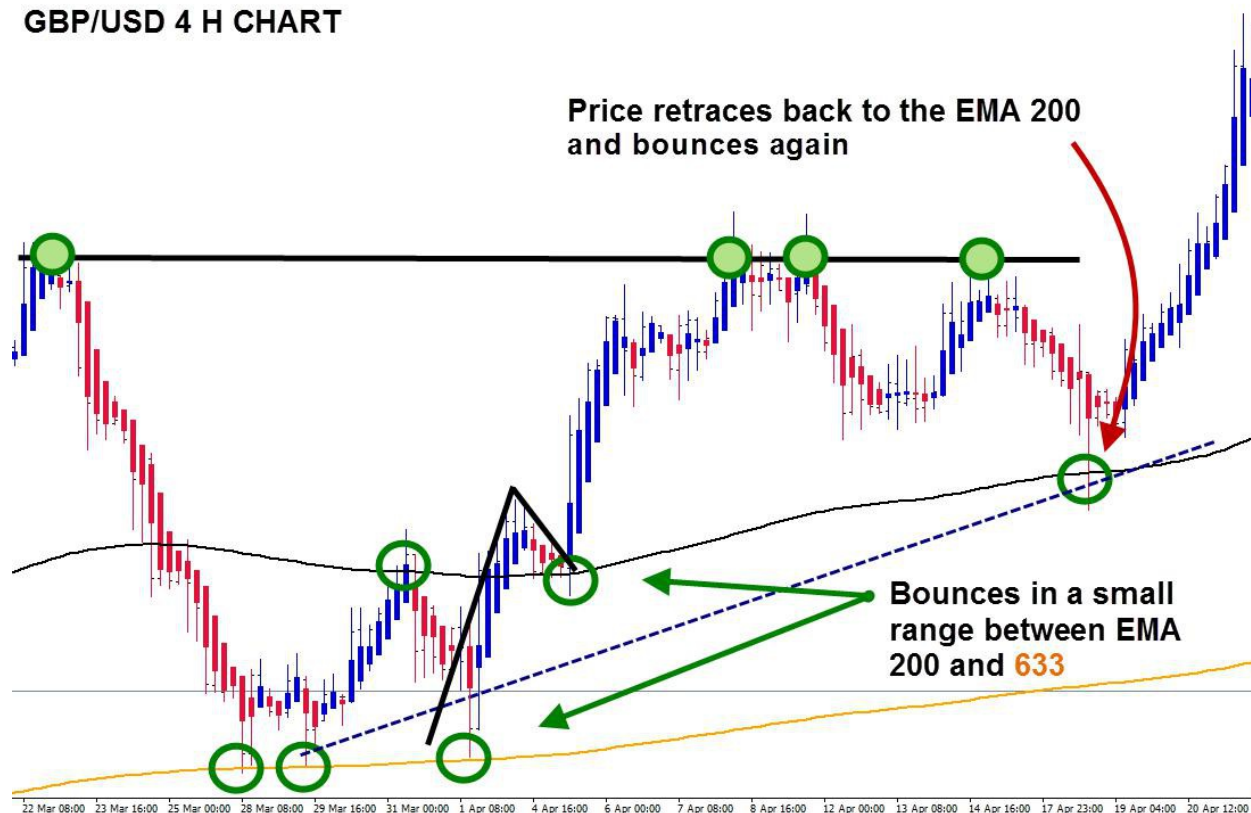
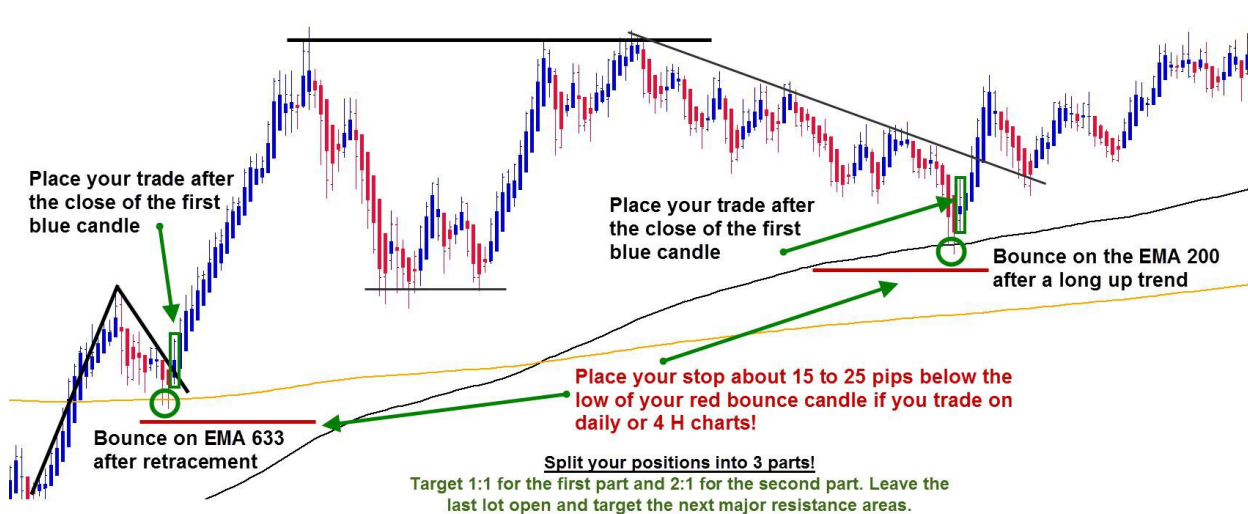


CHART 11: The chart above shows how the market can switch from trend trading to range trading and then back again.

## The Basic EMA Bounce Trade & Management Rules

1. The price should touch the EMA 200 or 633 after a bigger move or trend.
2. If the price comes from above the EMAs, wait for the bounce and the close of the first blue (long) candle. If the price comes from below the EMAs, wait for the bounce and the close of the first red (short) candle.
3. For a buy trade place your trade after the close of the blue candle (make sure the candle closes at a higher price than it opened). For a sell trade place your trade after the close of the red candle (make sure the candle closes at a lower price than it opened). Open three separate lots for three different targets
4. Place your “account protection order” as we call it (or stop loss) below the low of the red bouncing candle (between 15 -25 pips on a 4H and Daily chart and 10 -15 on all lower timeframes)
5. Now target 1:1 for the first lot. This means that if you have a 15 pips stop loss, go for 15 pips profit. Aim for 2:1 for the second lot and target the next major resistance area with your remaining lot.

Study the following chart until it is clear to you what is happening...



**CHART 12:** The chart above shows trade entries and trade management.

## Bounce Trading In a Channel

Channel trading is a bit of a hybrid in that it trades the trend but also bounces up and down over rising support and resistance levels in uptrends and falling support and resistance levels in downtrends.

The trading rules again as a reminder:

1. Identify your range first.
2. Look for 2-3 support and resistance touches.
3. Wait for candle color change after the bounce on support or resistance.
4. Wait also for the candle to close.
5. Split your position into 2 parts and place your trade after the close of your signal candle.
6. Place your stop below your range support or resistance line and never expose your account to more than 1 -2 %.
7. Target the high or low of your range (depending of course on if you are short or long).
8. Close half of your position if the price reaches the middle of your range (if you feel a bit stressed).
9. Be thankful for a good trade and if the trade is closed.
10. Look for the next setup or price range.

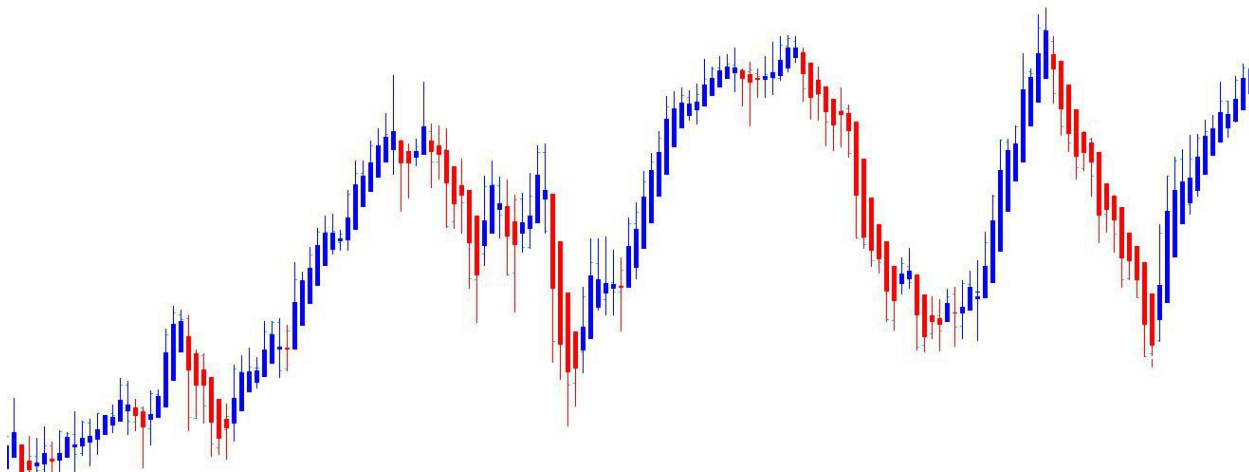


CHART 13: On the chart above see if you can find the significant bounce levels.

## Bounce Trading in a Channel

*WS 30  
Daily chart*

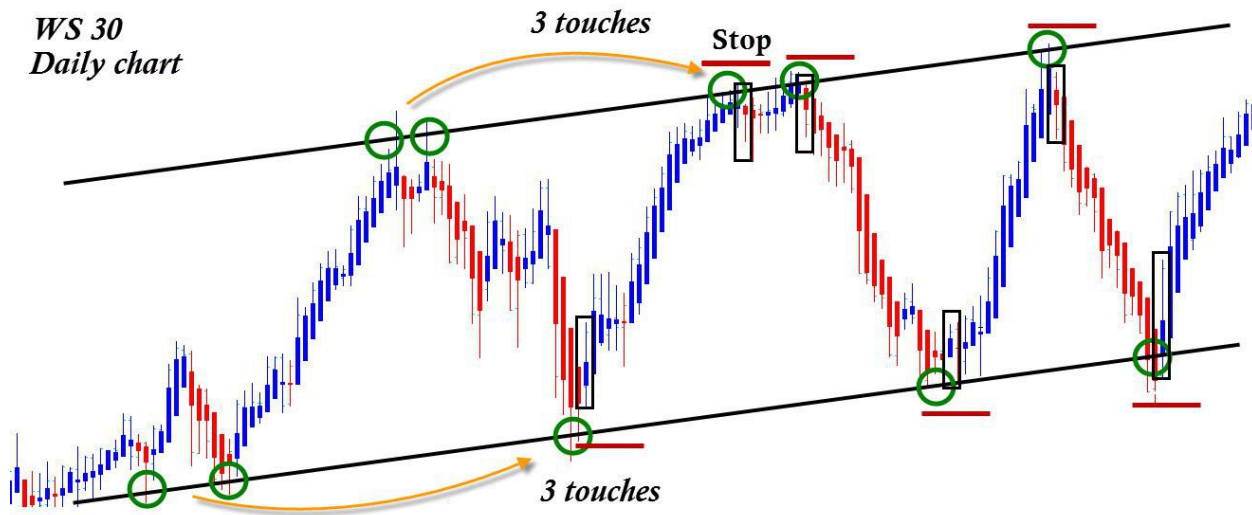


CHART 14: The chart above shows all the significant support and resistance levels that provide ideal bounce trades. I've also added the entry bars and stop levels.

\*\*\*Trading Tip: Never forget that you need enough space between your entry and your targets, so it's trade worthy. A bad scenario would be if you find a bounce trading signal with a stop of for example 50 pips but the range is only 40 pips wide. The target is just too small and the risk therefore too high. Conclusion; avoid the trade!

## Bounce Trading In a Wedge

Another common formation that we look for bounce trades is in the wedge pattern.

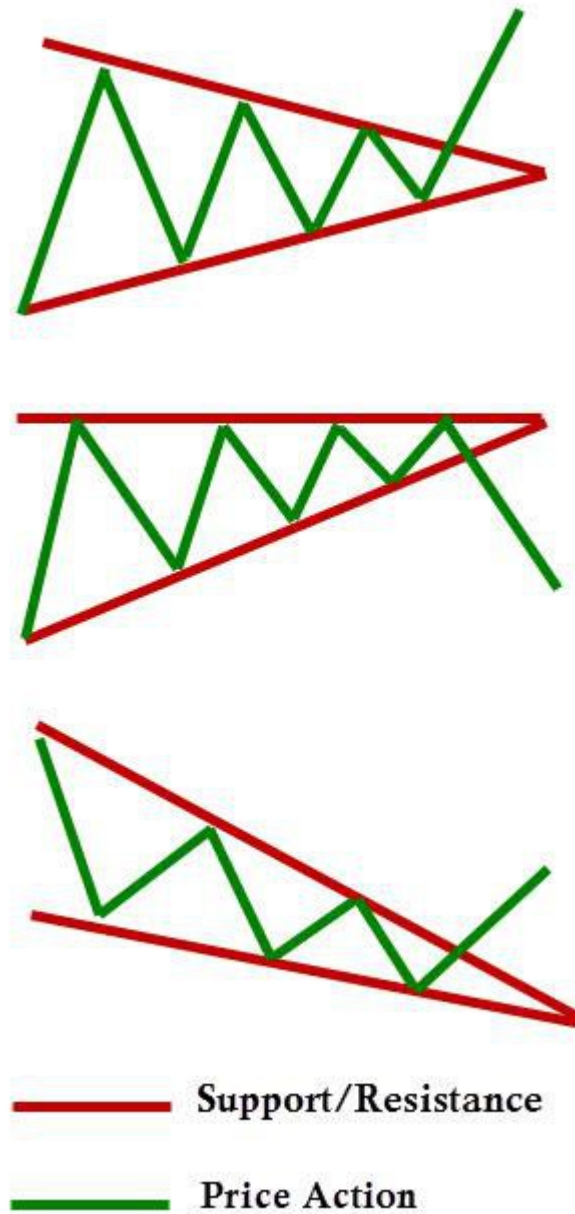


Chart 15: The chart above shows what a wedge looks like.



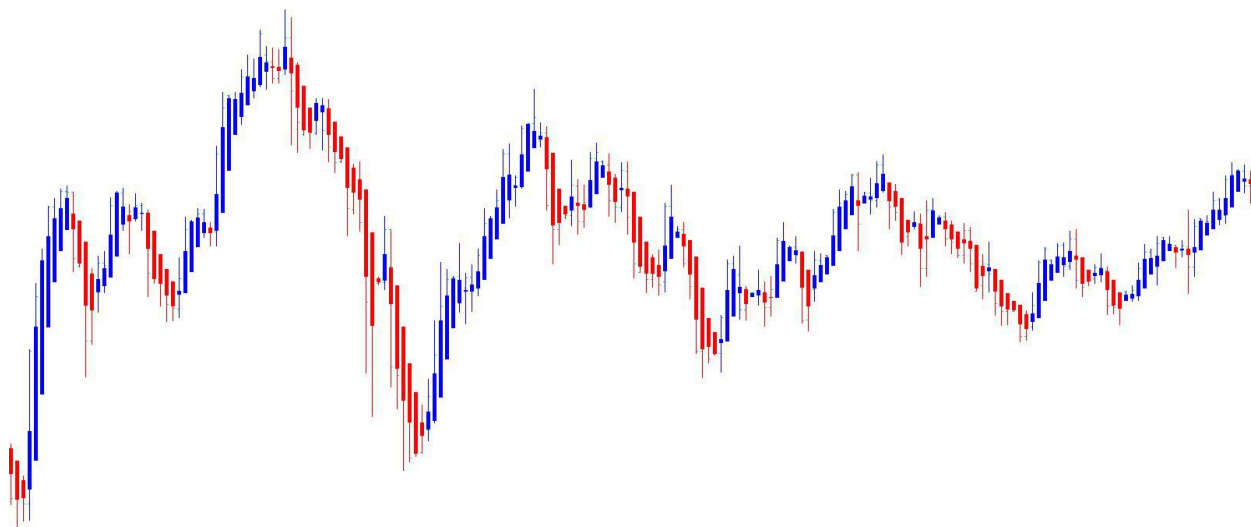


Chart 16: Take a look at the chart above to see what a wedge looks like. You need to draw your support and resistance line to spot the clear range in a wedge, so make sure you find again your 3 touches on both sides. Have some fun with the exercise...

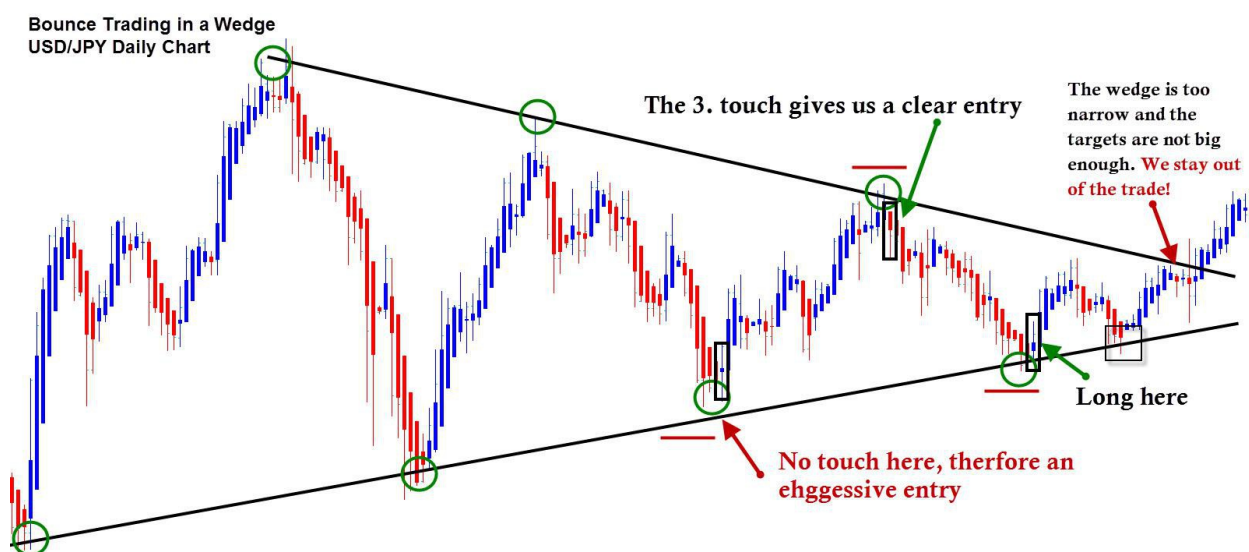


Chart 17: The chart above shows all the important areas. How did your chart compare? You will notice that the price gets actually squeezed between support and resistance before the breakout. The price has to break out of the range eventually, so avoid trading when the wedge becomes too narrow. The rules for entries, stops and targets do not change.



## Bounce Trading False Breakouts

A false breakout in a range is something very common and easy to trade. You only need to train your eye a bit and look for spikes at range support or range resistance.

For example; the price moves and bounces between two levels in a classic range, but there are times where the price comes out of these levels, and it often looks like a powerful range break. But watch out! This could be a fake breakout and it is not difficult to identify one!

As mentioned in the beginning; a fake breakout is easy to spot on your chart, because it usually comes with a spike on your “breakout” candle!

The rules for entries, stops and targets are the same as usually, but please practice on the following chart...

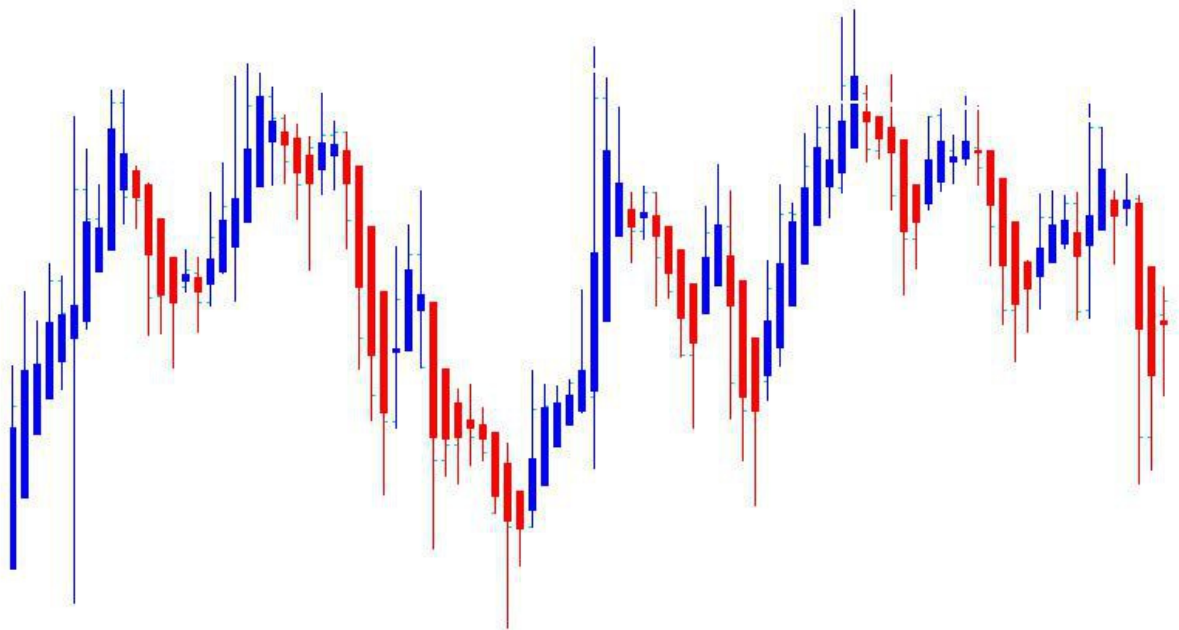
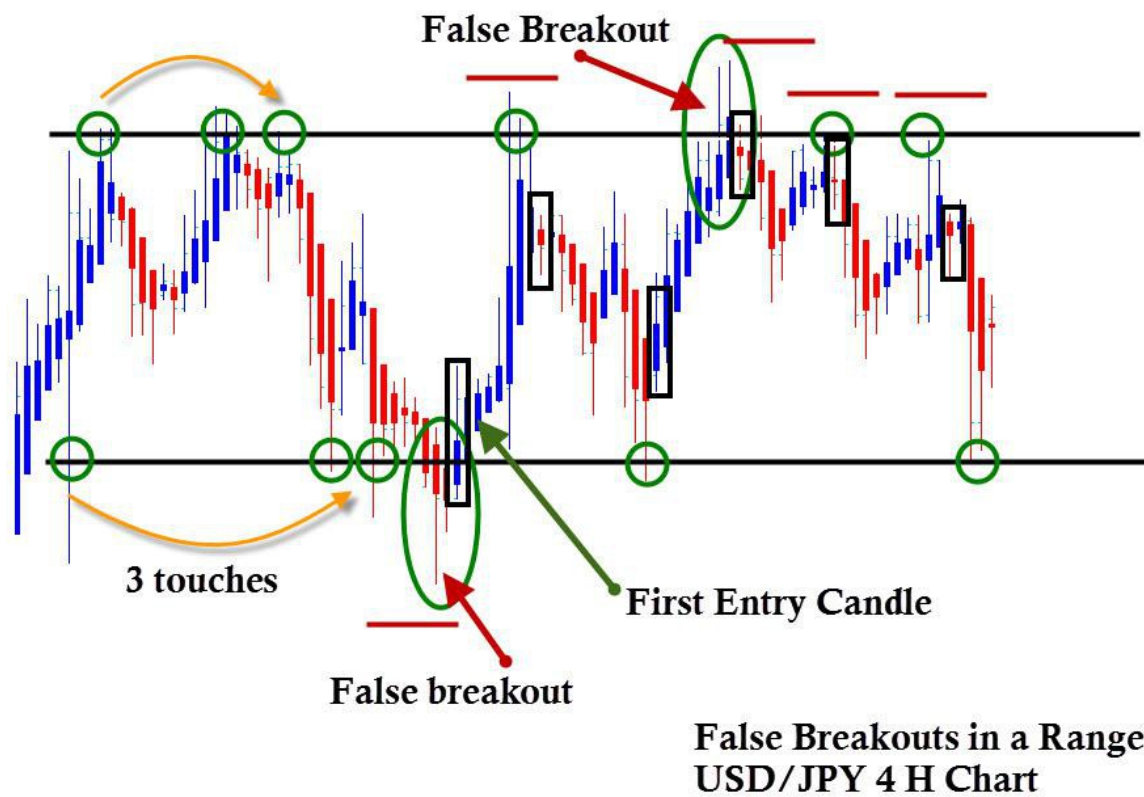


Chart 18: On the chart above practice and see if you can find all the key areas.



**Chart 19:** On the chart above take a look at how I did my analysis. How did yours compare?

## Rules to Prosper By

Before I go, I want to share 5 simple "Trading Truths" that will help you be more successful.

1. Despite what all the hype says, there is no get rich quick in trading. The fact is 95% of traders get poor quickly! I much prefer to help you slowly but steadily build your account.
2. There is no secret indicator that will allow you to call every market top and bottom. Over the past 15 years hundreds and hundreds of indicators and high tech software programs have been offered and yet 95% of traders still fail.
3. There is nothing new under the sun when it comes to trading. We all look at the same data and the markets can only move up, down or sideways.

The only difference in what I do is that I've developed a very clear focus on what's important and thrown everything else out.

I'm not a "Market Wizard" or "Trading Guru". I'm just a guy that has been able to take all the tools available to everyone and put my own twist on it and in a way that delivers repeatable results.

4. Simple is best! It's tempting to fall in love with all the fancy trading software but once again, it doesn't give you an edge. As the saying goes: "Keep it simple stupid!" Do this and you'll be way ahead of the crowd.
5. While having a sound system is important, what's more important is how you manage your trades and your emotions. Time and time again I witness traders blow out their accounts due not managing these 2 things.

## A Personal Message

The most crucial and technical point is of course your money management policy. It does not matter what trading style you prefer. You need to apply good money management rules to survive the markets and to grow your trading account over the long run.

Please never expose your trading account to more than 1-2%. So even if you have for example three trades open, make sure you never risk more than 1-2% on all positions combined.

Another example; let's say you trade one forex pair at a time, but you split your trade into two or three parts. Make sure you do not risk more than 1-2% with all three lots combined. I hope you get the point.

Too much risk will cause fear and stress, which is pure poison for the serious trader. In other words; don't join the dark side of the force...lol

You will find that this is only a very small eBook with the basic bounce trading strategies and rules that I personally use for my trading, but please do not underestimate this. You can be a very successful trader just by using the following strategies!

Please read this book and study the charts more than only once to ensure that you understand the basics of our Spartan Trader Academy bounce trade strategies!

Happy and healthy trading  
Nikos Mermigas

P.S. I hope that you really enjoyed this introduction to bounce trading and would like to ask you a small favor. Can you please leave a review on Amazon. Thank you.

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