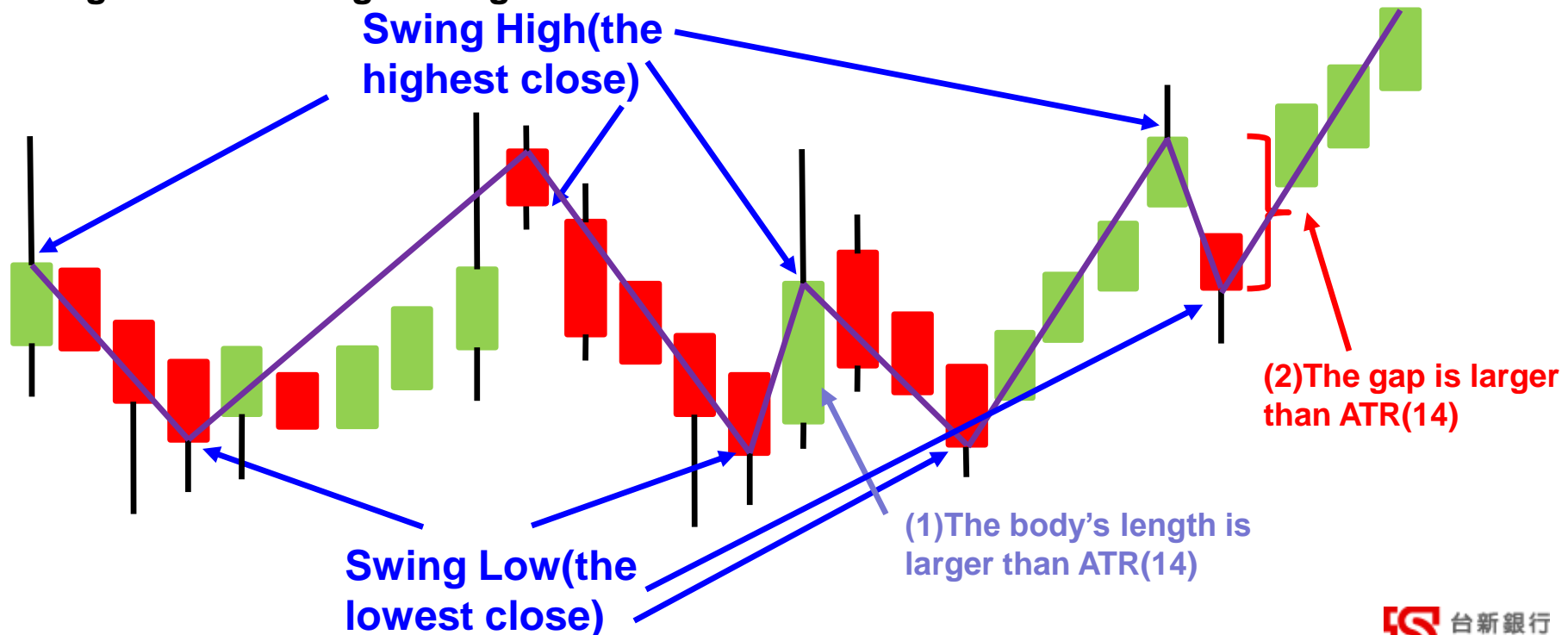# US Government Bond Advanced Pull Back Trading Strategy

Introduction

1. This is a rule-based and objective method with clear and not ambiguous entry and exit rules.
2. We don't use indicators to generate entry and exit signals, instead they're just used as filters(Bollinger Band(20) and RSI(14)).
3. Bollinger Band(20) is used to check whether it's overbought or oversold when entry signal appears.
4. RSI(14) is used to check whether divergence occurs or not when entry signal appears.
5. Use ATR(14) to decide the stop-loss level and set Risk/Reward Ratio=1 to decide target level.
6. We don't optimize parameters of the indicators so no overfitting.
7. We can use trailing stop method to improve the performance.
8. It's almost a following-trend method but can also decide when the trend will reverse by the form of double top/bottom.

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How to Draw a Line Graph

1. **Start at the point of the close price of a candlestick which is the swing high/low, but it's not necessarily a bullish/bearish bar.**
2. **Draw a line to the point of the low/high price of a candlestick whose close price is the swing low/high.**
3. **There should be at least two bearish/bullish bars in each pull back. The exception is if either (1)only one bar in the pull back but its body is larger enough than ATR(14), or (2)the gap between 2 opposite bars' close is larger than ATR(14), it can also be regarded as swing low/high.**
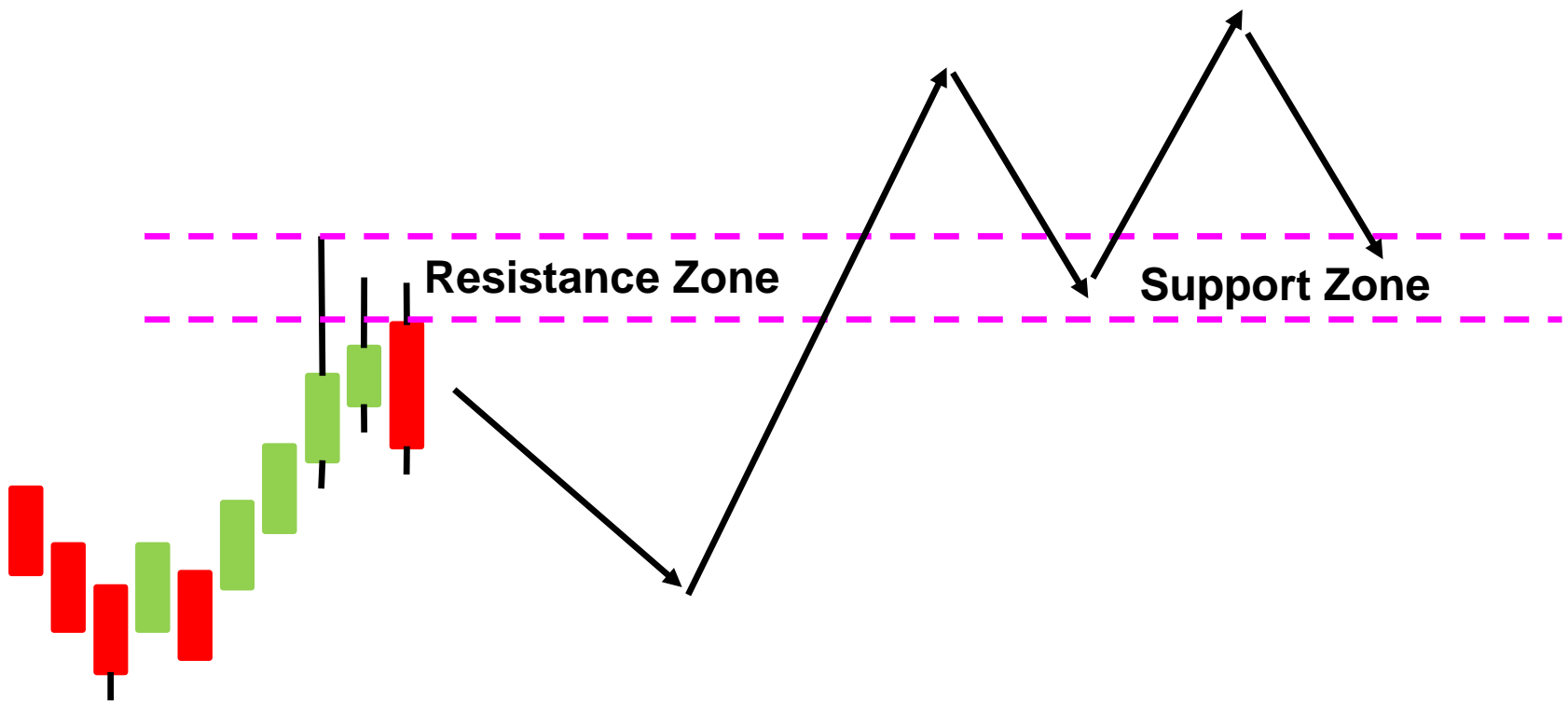
Swing High(the highest close)

Swing Low(the lowest close)

(1)The body's length is larger than ATR(14)

(2)The gap is larger than ATR(14)

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How to Draw a Line Graph

Advanced Pull Back Trading Strategy

Resistance Zone & Support Zone

Resistance Zone

Support Zone

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Advanced Pull Back Trading Strategy(Long)

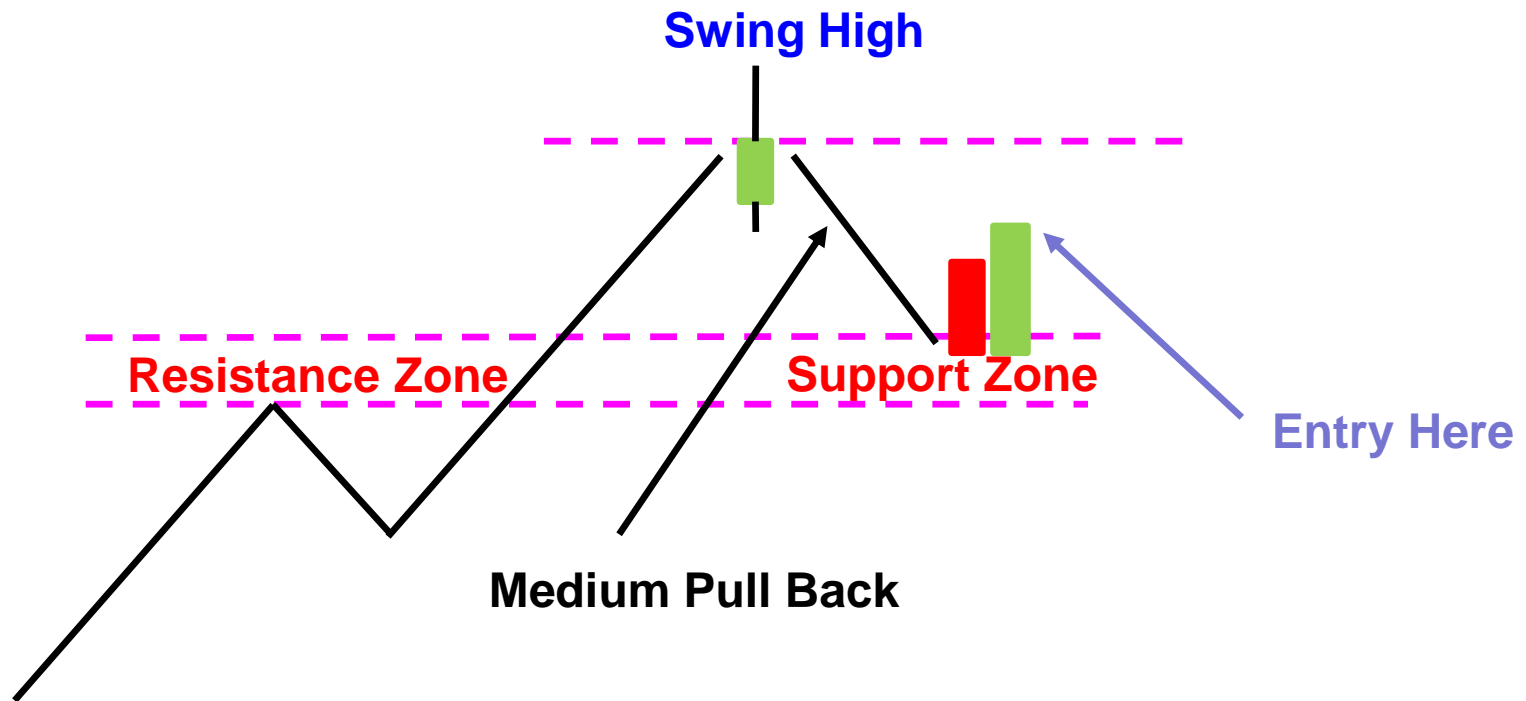**1. Shallow Pull Back Entry: When the pull back doesn't touch Support Zone and prices go up then, enter at the close if this close is higher than the body of Swing High.**

Swing High

Entry Here

Resistance Zone

Support Zone
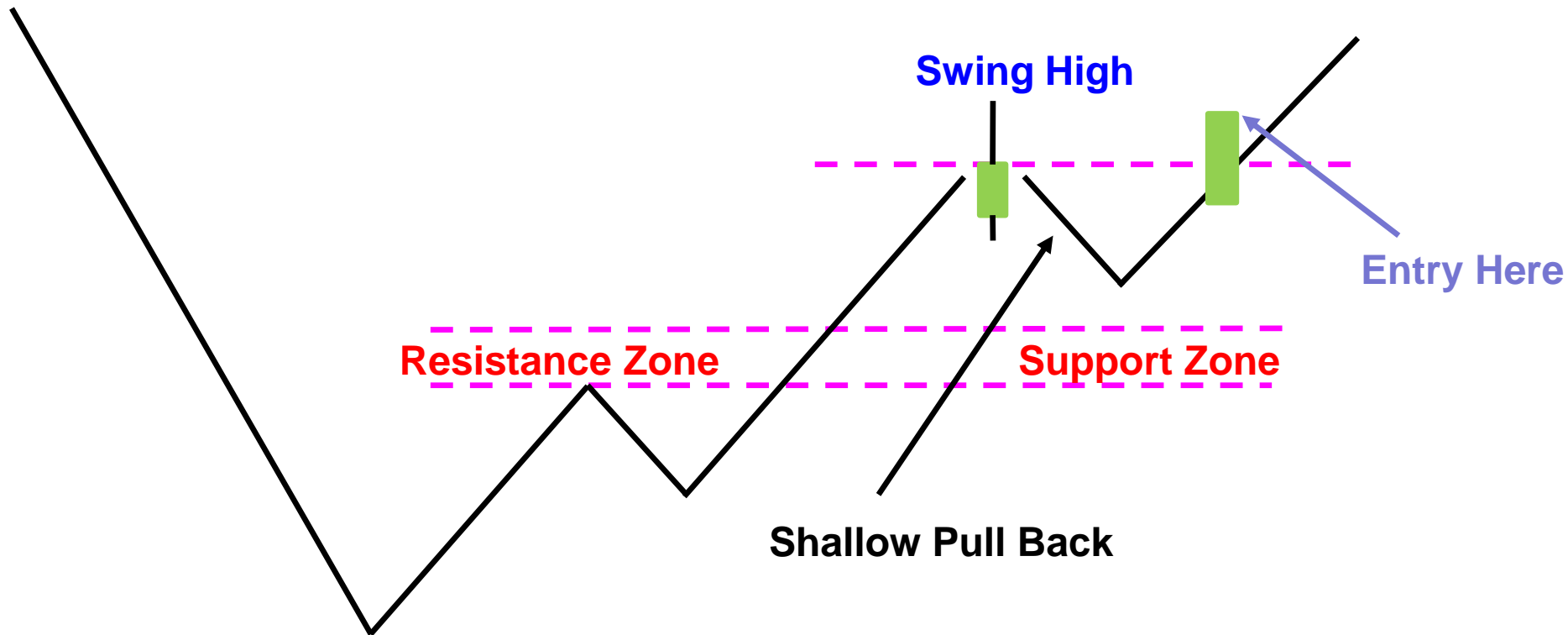
Shallow Pull Back

A shallow pull back in an uptrend must have at least two bearish bars(the last one's close must be the lowest and lower than the previous bullish bar's close) or one bearish bar with the length of its body larger than ATR(14) and its close lower than the previous bar's close.
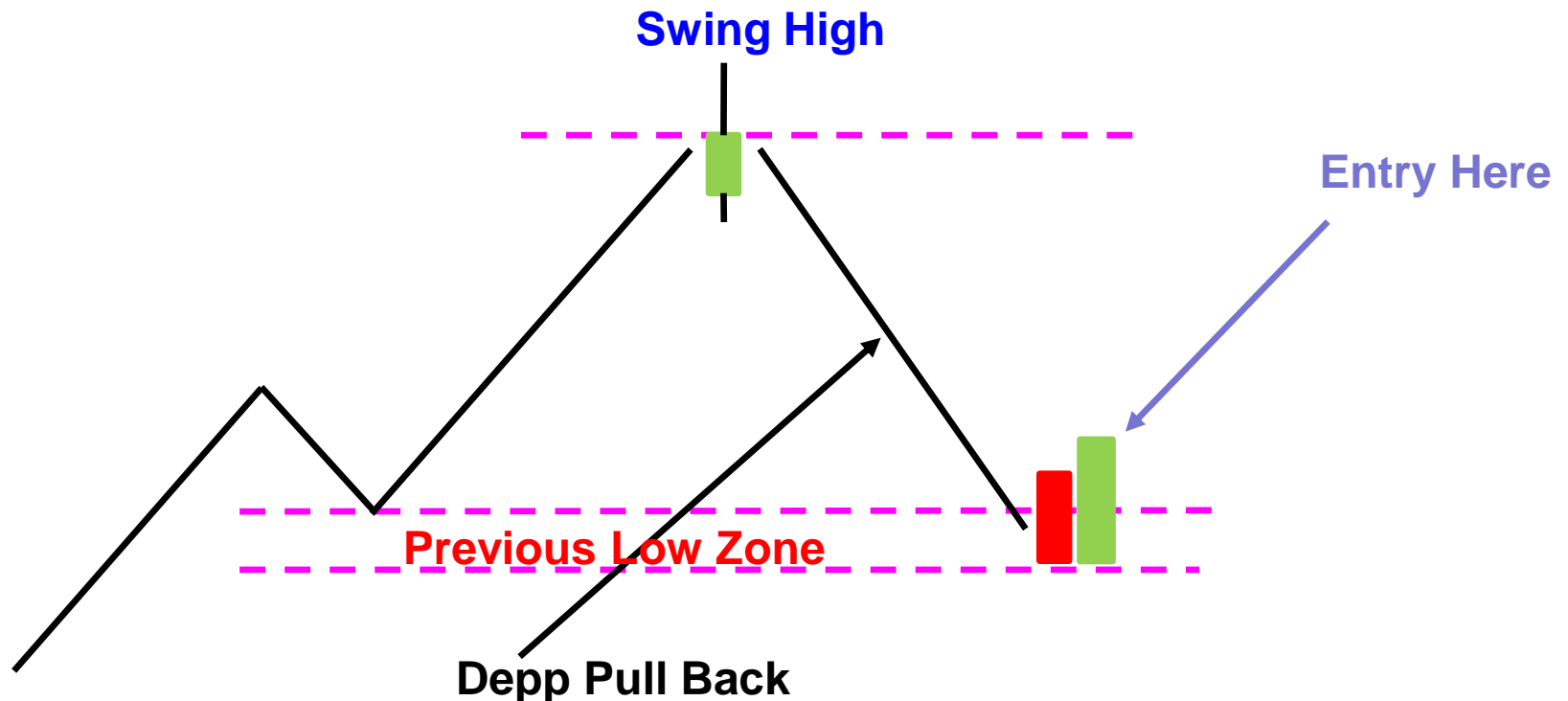
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Advanced Pull Back Trading Strategy(Long)

2. Medium Pull Back Entry: When the pull back touches Support Zone and the prices rebound with a hammer or bullish engulfing or double-bottom pattern…., make a long entry then.

Swing High

Resistance Zone

Support Zone

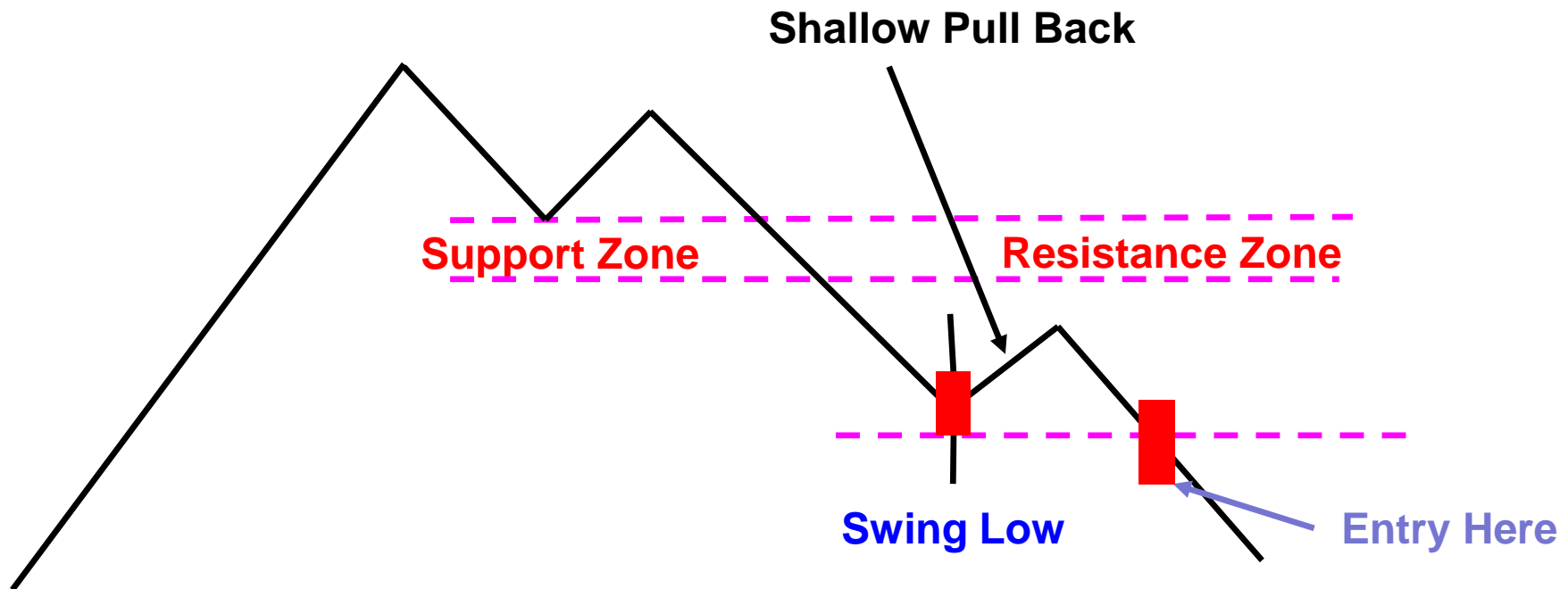Entry Here

Medium Pull Back

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Advanced Pull Back Trading Strategy(Long)

3. Deep Pull Back Entry: When the pull back touches Previous Low Zone and the prices rebound with a hammer or bullish engulfing or double-bottom pattern…., make a long entry then.

Swing High

Entry Here

Previous Low Zone

Depp Pull Back

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Advanced Pull Back Trading Strategy(Short)

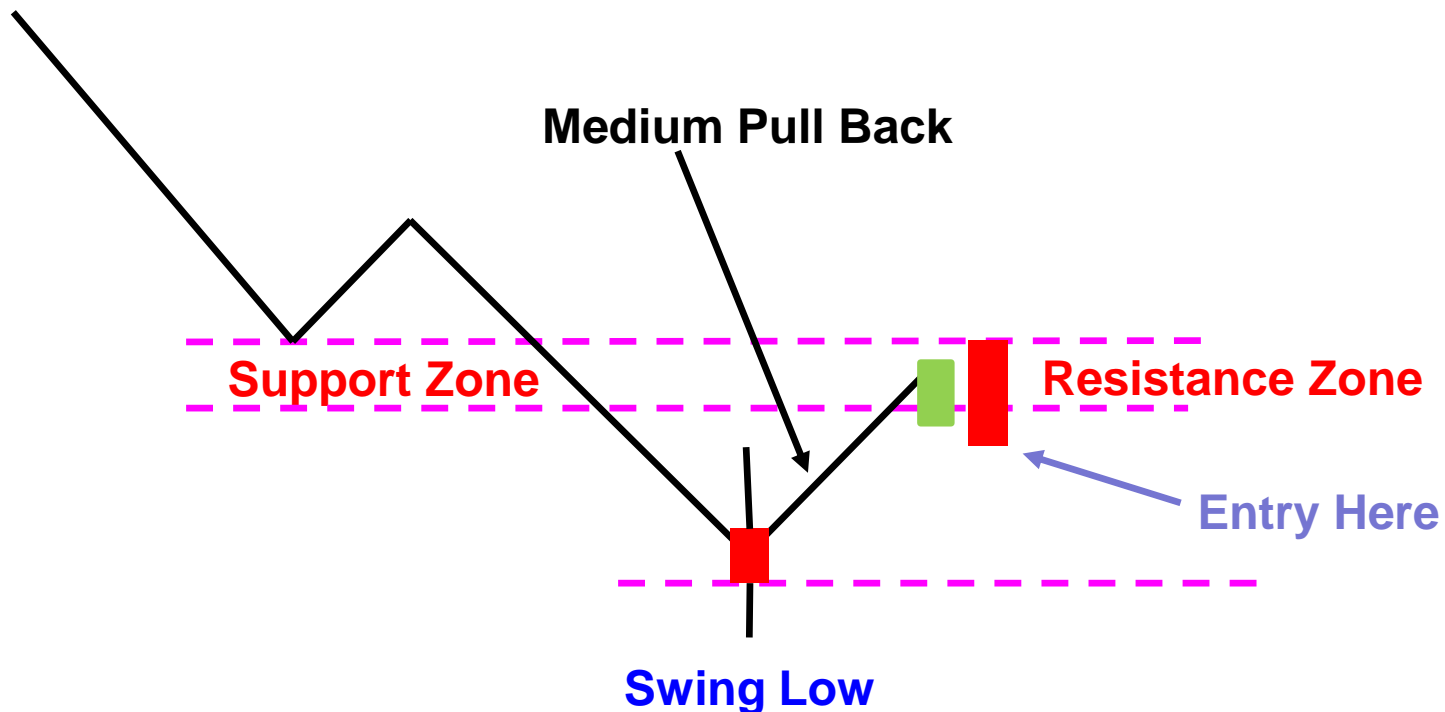**1. Shallow Pull Back Entry: When the pull back doesn't touch Resistance Zone and prices go down then, enter at the close if this close is lower than the body of Swing Low.**

Shallow Pull Back

Support Zone

Resistance Zone

Swing Low

Entry Here

A shallow pull back in a downtrend must have at least two bullish bars(the last one's close must be the highest and higher than the previous bearish bar's close) or one bullish bar with the length of its body larger than ATR(14) and its close higher than the previous bar's close.

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Advanced Pull Back Trading Strategy(Short)

2. Medium Pull Back Entry: When the pull back touches Resistance Zone and the prices rebound with a shooting star or bearish engulfing or double-top pattern…., make a short entry then.

Medium Pull Back

Support Zone

Resistance Zone

Entry Here

Swing Low

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Advanced Pull Back Trading Strategy(Short)

3. Deep Pull Back Entry: When the pull back touches Previous High Zone and the prices rebound with a shooting star or bearish engulfing or double-top pattern…., make a short entry then.

Deep Pull Back

Previous High Zone

Entry Here

Swing Low

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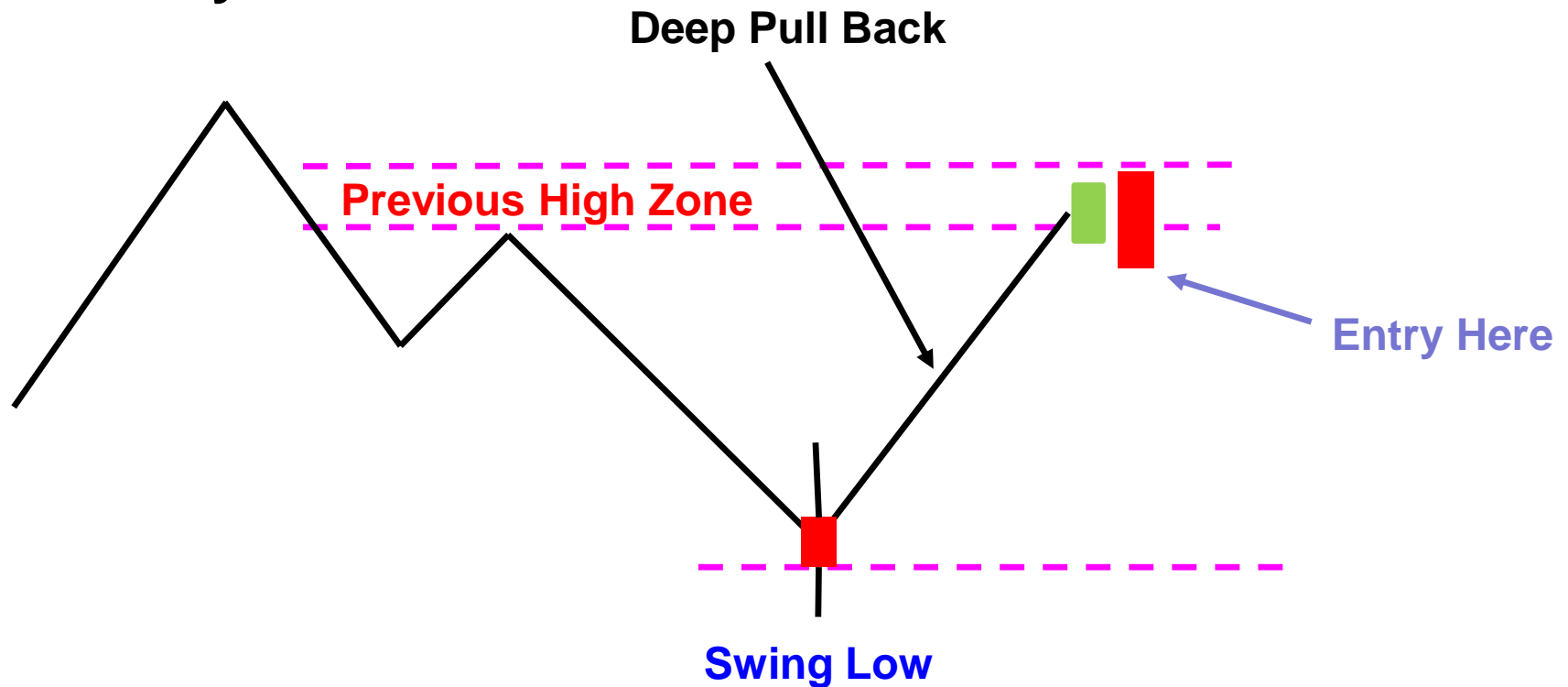
Notice

1. In an uptrend, if either lower low or lower high happens, it should not be regarded as an uptrend anymore.
2. In a downtrend, if either higher high or higher low happens, it should not be regarded as a downtrend anymore.
3. If close>=Bollinger Upper Band(MA+2*sigma), don't make a long entry.
   If close<=Bollinger Lower Band(MA-2*sigma), don't make a short entry.
   The exception is the direction of band is opposite to the entry signal(e.g. long signal appears when upper band goes down).
4. If an entry signal occurs but there is RSI divergence, we can not enter.
5. There're 2 counter-trend strategies we can use as following:

   (1) It forms double bottom and both bottoms are below MA of BBand(20), make a long entry if (a)the 2nd bottom forms bullish engulfing pattern or a gravestone/shooting star(aggressive), or (b)the close breaks out the neckline of this double bottom but below Bollinger Upper Band (conservative).

   (2) It forms double top and both tops are above MA of BBand(20), make a short entry if (a)the 2nd top forms bearish engulfing pattern or a dragonfly/hammer(aggressive), or (b)the close breaks out the neckline of this double top but above Bollinger Lower Band(conservative).

RSI Divergence

If an entry signal occurs but there is RSI divergence or the close is below the lower band, we can not enter.
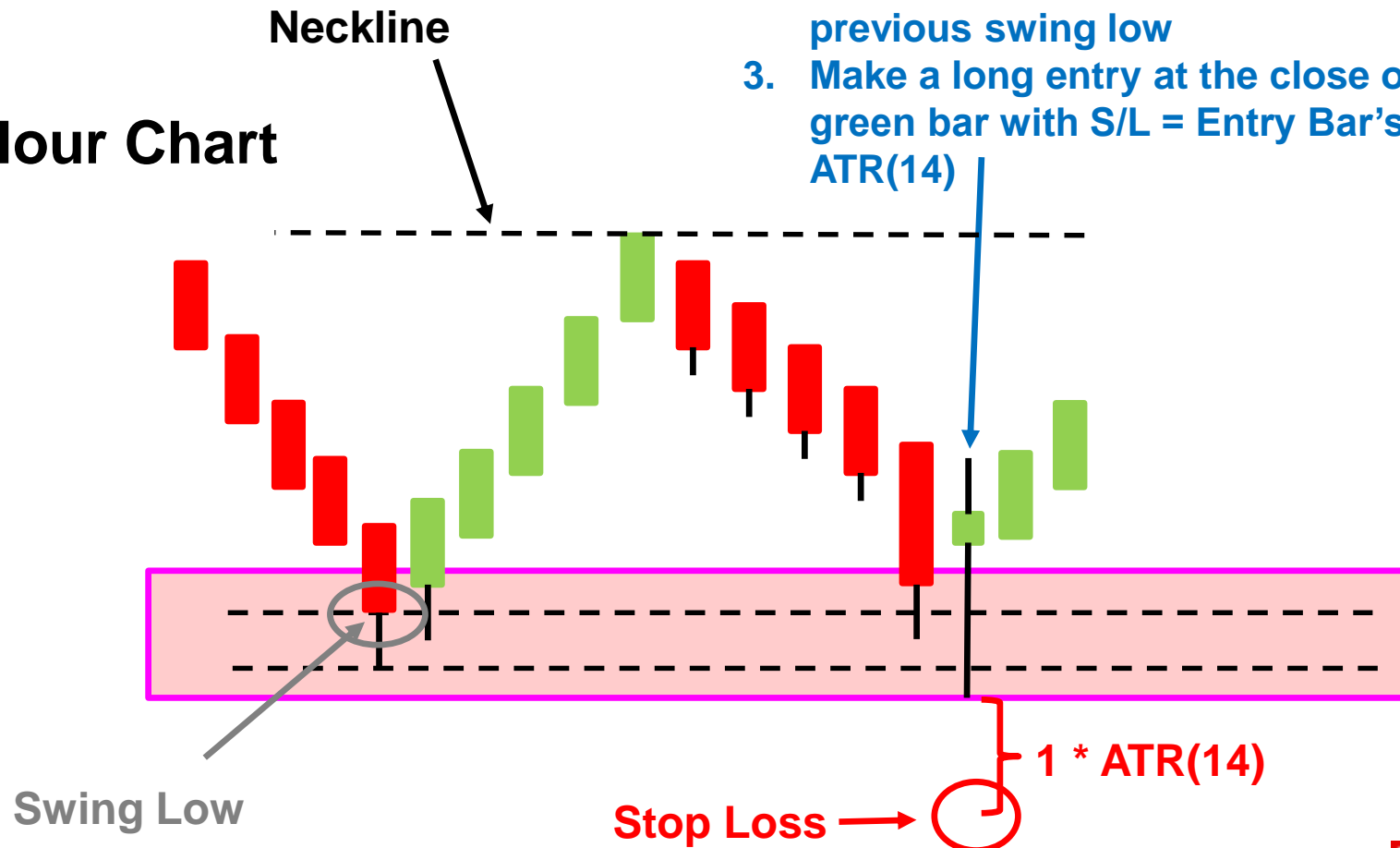
Double Top / Bottom

*Standard:

1. The body can be lower than the previous swing low's body but can't be lower than swing low
2. The lower wick can be lower than the previous swing low
3. Make a long entry at the close of this green bar with S/L = Entry Bar's Low – ATR(14)

Neckline

4-Hour Chart

Swing Low

Stop Loss

1 * ATR(14)

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Double Top / Bottom

*Advanced(Engulfing):

Neckline

4-Hour Chart

1. The engulfing bar's body can be lower than previous swing low's body but can't be lower than previous swing low
2. The engulfing bar's lower wick can be lower than previous swing low
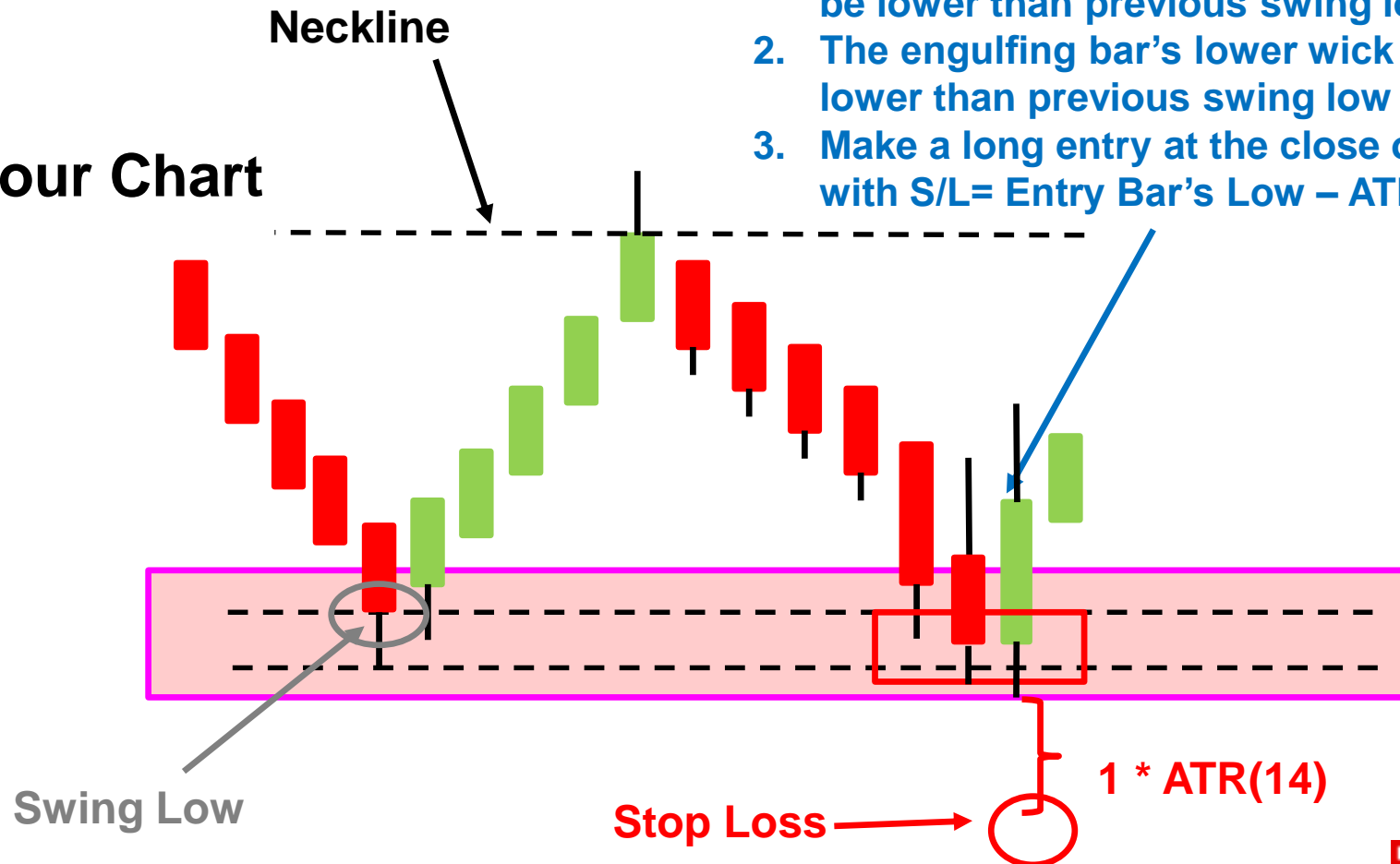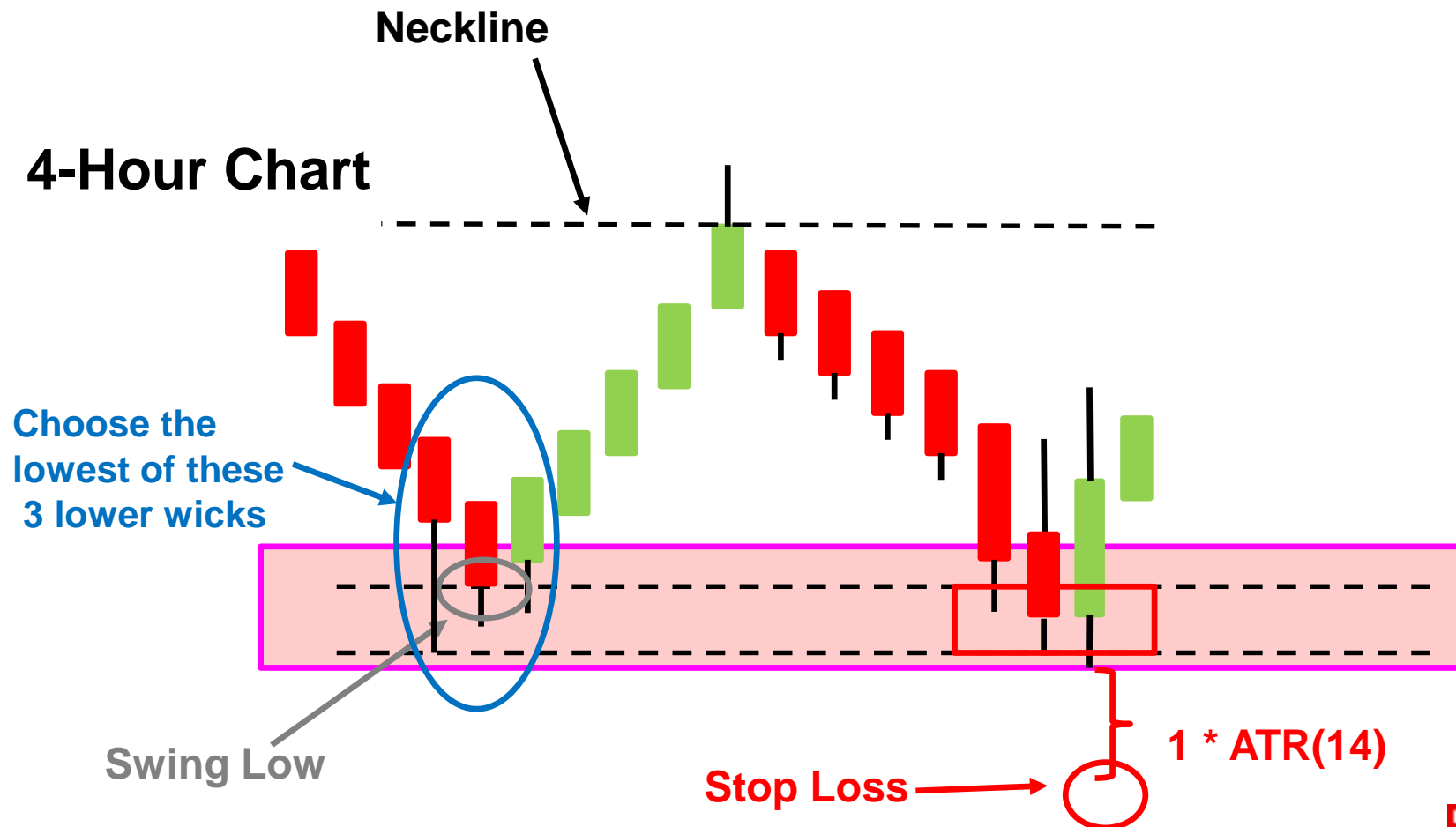3. Make a long entry at the close of this bar with S/L= Entry Bar's Low – ATR(14)

Swing Low
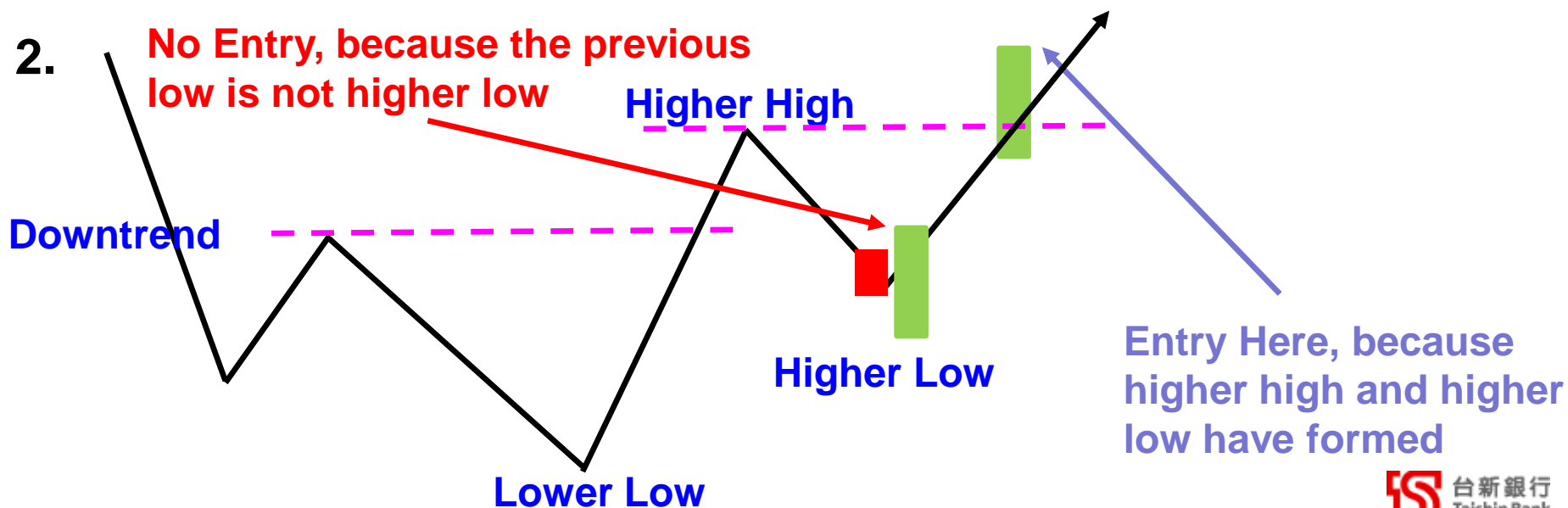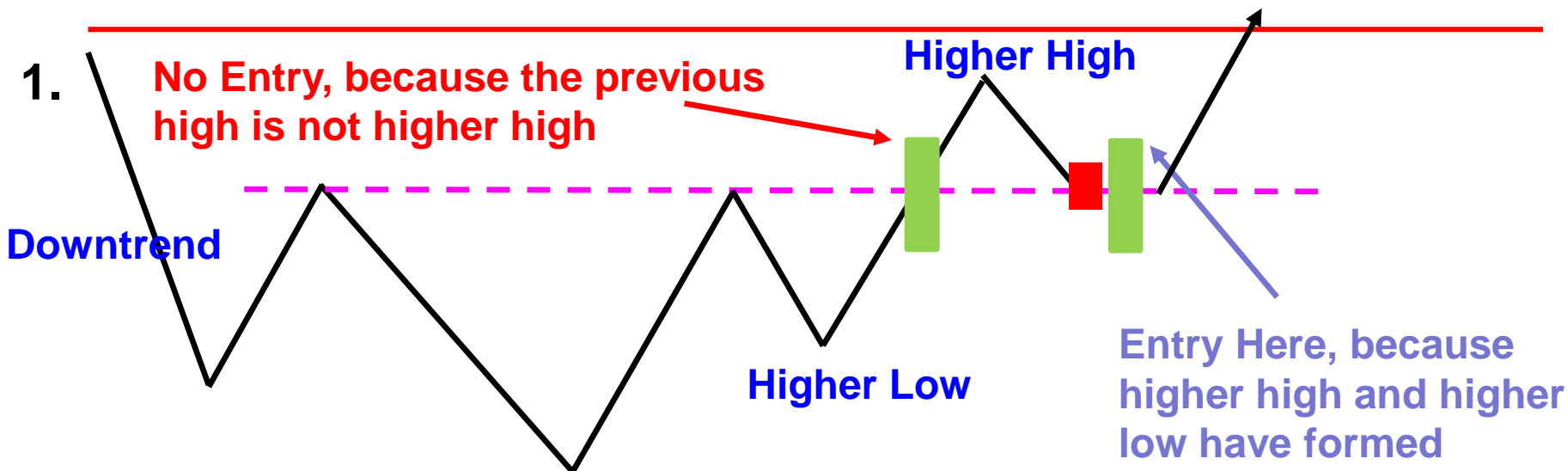
Stop Loss

1 * ATR(14)

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Double Top / Bottom

*Special Case:

Neckline

4-Hour Chart

Choose the
lowest of these
3 lower wicks

Swing Low

Stop Loss

1 * ATR(14)

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Examples

1.

No Entry, because the previous high is not higher high

Higher High

Downtrend

Higher Low

Entry Here, because higher high and higher low have formed

2.

No Entry, because the previous low is not higher low

Higher High

Downtrend

Higher Low

Lower Low

Entry Here, because higher high and higher low have formed

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Examples

3.

No Entry, because the previous high is not lower high

Higher High

Lower High

Downtrend

Higher Low

No Entry, because the previous low is not lower low

4.

No Entry, because the previous high is not lower high

Higher High

Lower High

Downtrend

Entry Here, because lower low and lower high have formed

Lower Low

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Examples

Examples

Back-Testing

US10Y 4-Hour Chart, Green Line=Gain, Red Line=Loss, S/L=Entry Bar Low/High -/+ ATR(14), R/R Ratio=1, Win Ratio=71.43%, 56 Signals from(2020 Aug to 2021 Aug)