

EWB's Modified DM E.A.S.Y. Trading System

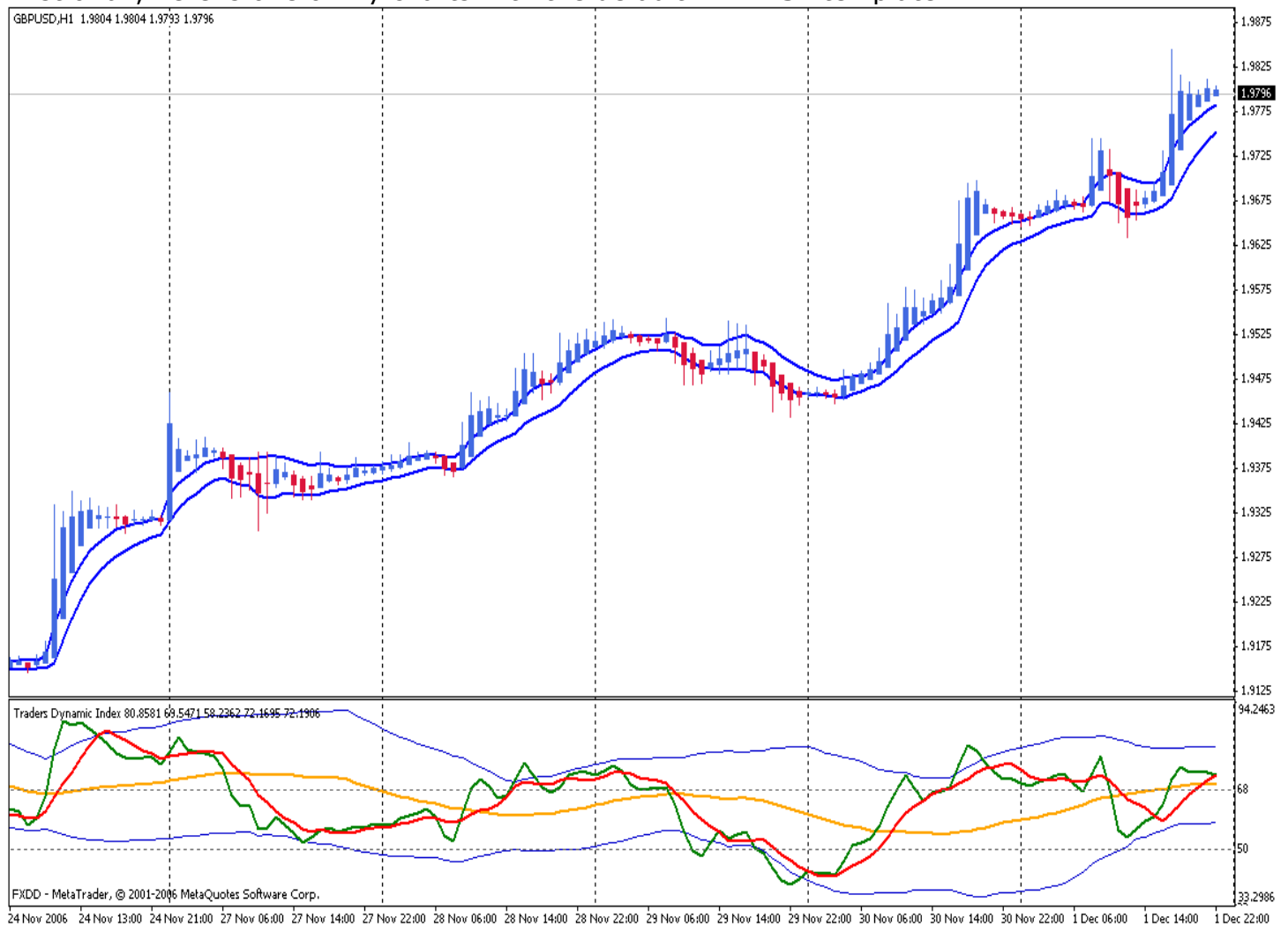
I've seen this floating around on the forums for quite a while now. I've also posted this system in my yahoo group. I thought, since it was so popular, and this system actually works, I'd chime in on how I've been using it.

Dean Malone works with CompassFX. He has a long history with Forex and investing. Dean is also my IB for my IFX account and I, and my private trading group, know him personally. He is an honest man and extremely knowledgeable as to what works and what doesn't work in Forex trading. He's been on the inside of many dealing desks and knows the ins and outs of the industry. He devised this system and teaches it to his clients.

When I last spoke with Dean a few weeks ago, he explained how he uses this system to trade. Yes, that's right, he personally uses this system to trade with and also, CompassFX uses it as well in their managed accounts, along with a few other techniques that are not disclosable (not even to me). Without even asking he told me I could give this system away to anyone who is interested. So that's what I'm doing.

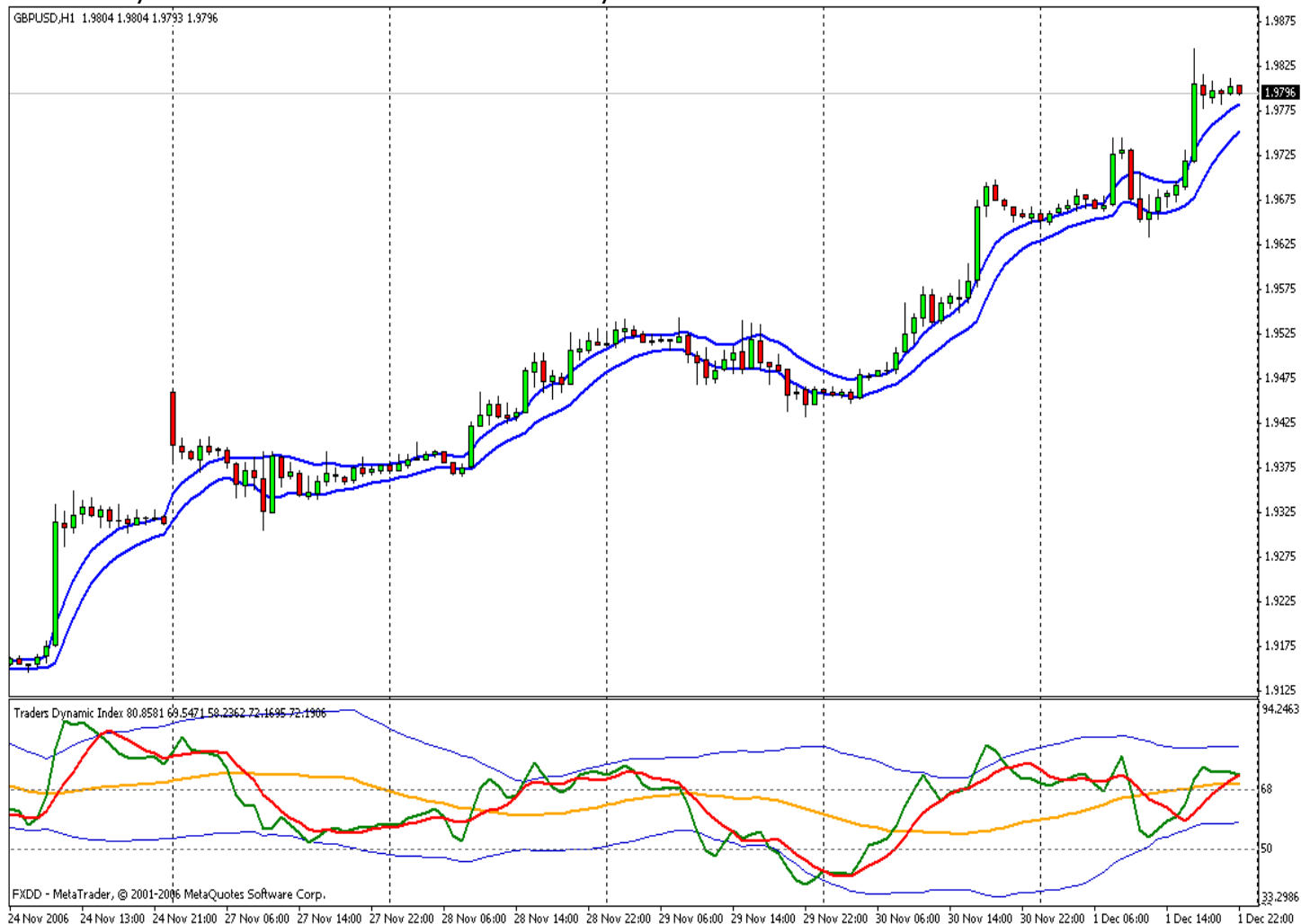
What I'm also doing is explaining how he told me to use it and how I've personally been using it since the beginning of 2006. I've also added a custom version of the Trader's Dynamic Index indicator which will alert you when the RSI has crossed the 50.

First of all, here is one of my charts with the default DM EASY template...



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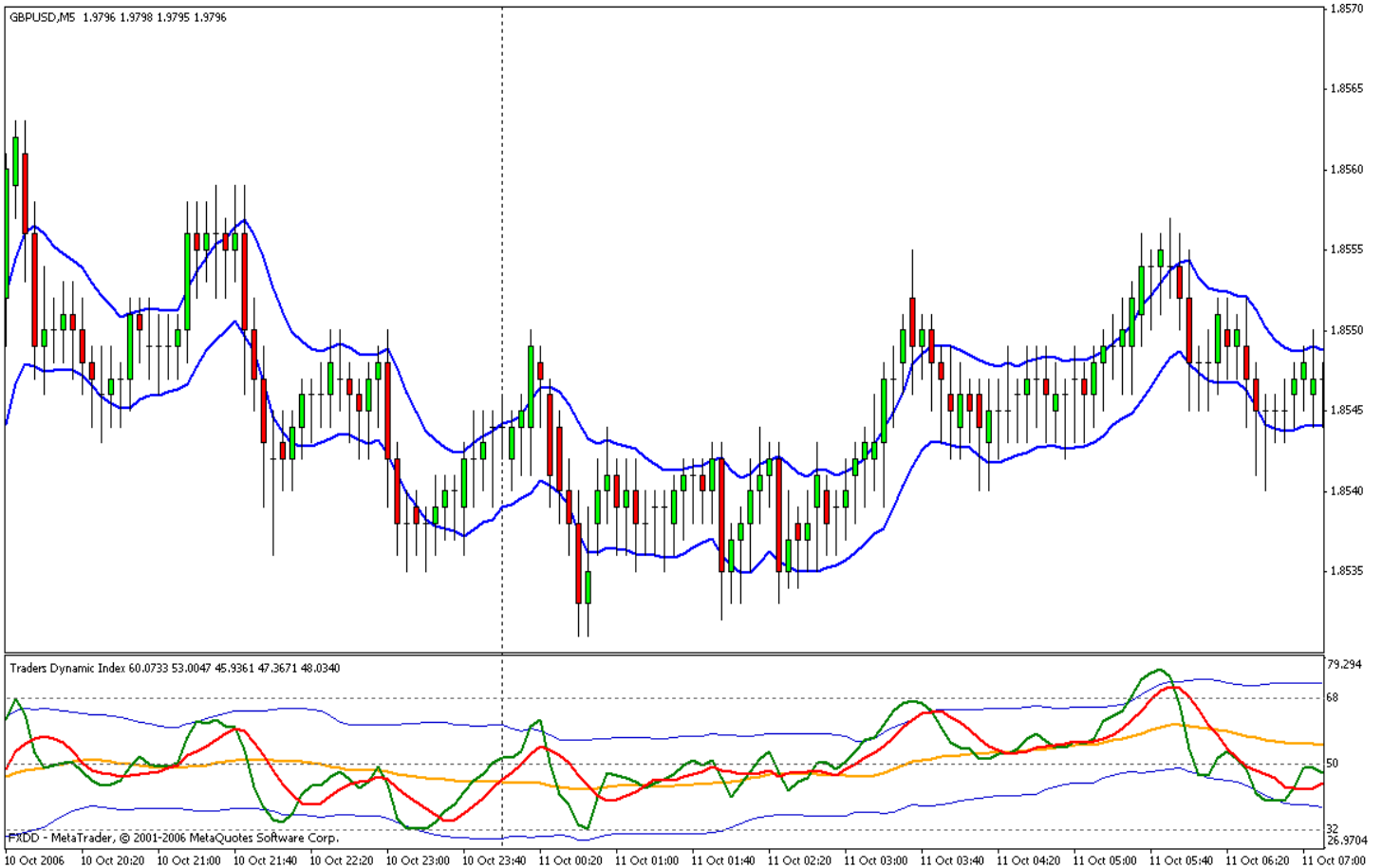
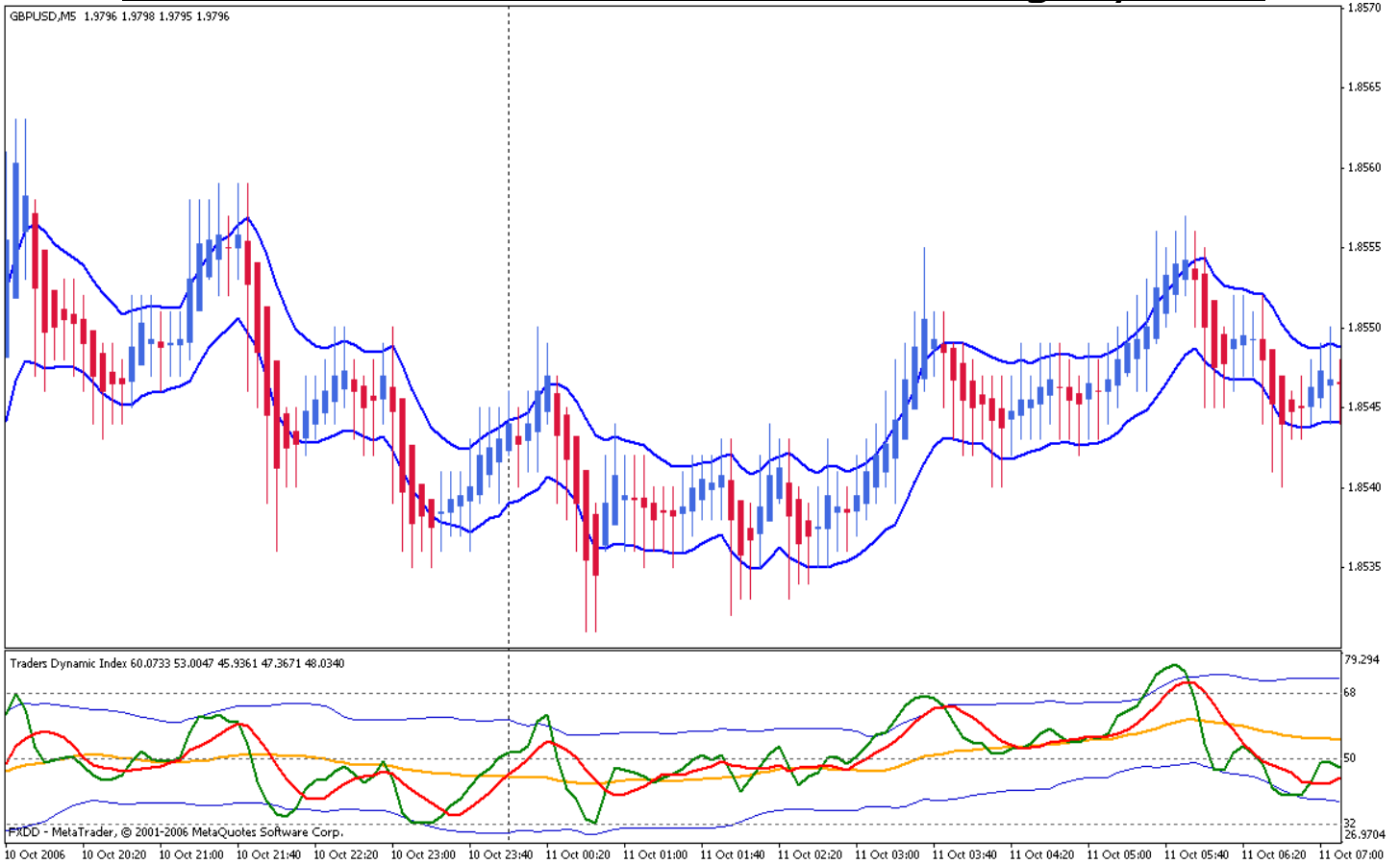
Here is my basic chart version of the same system...



Not much difference is there. I removed the Heiken Ashi bars and only reference it when I need it. Honestly, using the Heiken Ashi bars is very helpful, but sort of deceiving if you don't know what you are looking at. The price will not always be where you think it should be. With candlesticks, the price is either at the open or closing area of the candle, depending on if it is a bull or bear candle. With the Heiken Ashi, it could be anywhere. So I need the candlestick to see where the price is actually going. However, that is just me.

In my experience, this system works best on the 1 and 4 hour time frames, with the daily time frame being an excellent choice as well. Do not use this on the lower time frames such as the 5M or 1M alone. The reason is because these time frames should only be used to confirm specific entry and exit points with confirmation from a higher time frame. Take a look at the 2 charts below. They are of the identical time. Notice how the Heiken Ashi bars can give the inexperienced trader a false sense of market direction in this 5M chart. The chart on top with the Heiken Ashi bars looks great. But look at the chart below with the candlesticks. Notice how most of the buy/sell signals from the candles closes are deceptive. I just won't work on the lower time frames at all. You need something more long term with this strategy.

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When I began using this system, I noticed there were a lot of false signals when using just 1 chart. I tried many different many different indicators to try to alleviate this and came up with a few good ideas that help keep me out of bad trades. So here's what I've done to modify the system...

- Use at least 2 time frames such as a 5M & 30M or 15M & 1H in conjunction with each other. The must agree or at least be close in order to enter a trade.
- Use a 55EMA (green) as a trend indicator.
- Use the TFX Reversal Indicator at the default settings.

Here are my 2 charts (15M & 1H) with these indicators added...



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I personally use a 15M & 1H for this strategy. I also pay attention to the trend very closely. If the price is above the 55EMA and a short is signaled, if I decide to enter, I will only use ½ as much money as I would if the trend agrees. A lot of times the 55EMA will act as a level of support or resistance as well.

Here are my rules to this system...

Long Trade Entry Criteria

- Both short and long time frames must be in agreement with trend and channel break
- Candle closes above 5LSMA
- RSI above signal line crosses above 50 level in TDI Indicator
- TFX Reversal signal close to entry time on higher time frame
- If the above is met but price is below 55EMA, if entry is taken, use only ½ as much money

Short Trade Entry Criteria

- Both short and long time frames must be in agreement with trend and channel break
- Candle closes below 5LSMA
- RSI above signal line crosses below 50 level in TDI Indicator
- TFX Reversal signal close to entry time on higher time frame
- If the above is met but price is above 55EMA, if entry is taken, use only ½ as much money

The reason these channels work so well is because institutional and bank traders will utilize similar channels to make trading decisions. And when the price moves out of the channel, these traders get into the market and move it heavily. It works best on the GBP/USD so take advantage of it.

That's about all for this strategy. It works very well with these modified rules. I've also included my templates and profile for this strategy. Please contact me if you have any questions.

Good fortune to you!



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