

# **EURO TRADING STRATEGY**

## **STRATEGY #1 : The BB Gun Strategy Rules**

### **The Set Up:**

The Bollinger Band (BB) Gun Strategy utilizes two pairs of Bollinger Bands - one set at 3 Standard Deviations and the other set at 2 Standard Deviations. Both Bollinger Bands use the standard 20 period simple moving average as the key setting. The strategy is applied to hourly candlesticks charts. In this particular example the strategy is applied to 100K (standard lots) but it can also be applied to 10K (mini) lots just as well. The premise is that the inner Bollinger band acts as a screen for trend reversal or reversion to range trading scenarios. Going long just when prices touch the lower BB can lead to many large losses, especially if prices are trending. When prices cross the inner (2 standard deviation) Bollinger band, we get a clearer signal of a reversal.

### **Currency Pairs to trade this strategy with:**

EUR/USD  
EUR/CAD  
EUR/JPY

### **Chart Setup:**

- Use a 1 hr candlestick chart
- Plot one set of Bollinger bands using a standard deviation of 2 and 20 period simple moving average (SMA)
- Plot a second set of Bollinger bands using a standard deviation of 3 and 20 period simple moving average (SMA)
- Plot a 20 period simple moving average (SMA)

### **Rules:**

1. Price first needs to touch the 3rd standard deviation Bollinger band indicating extreme market conditions.
2. The currency pair then needs to reverse and cross the 2nd standard deviation Bollinger band.
3. A candle then needs to form between the 2nd standard deviation BB and the 20 period moving average. For sell signals, this means that the high of the candle is LESS than the value of the 2nd standard deviation Bollinger band and the low is GREATER than the 20 period moving average. For entry signals, the low of the candle needs to be GREATER than the 2nd standard deviation Bollinger band and the high needs to be LOWER than the 20 period simple moving average.

4. The strategy then looks to make sure that 3 candles back or less the price touched the 3rd standard deviation Bollinger band. ONLY IF that condition is satisfied then the strategy enters a trade, 2 lots separately, at market on the open of the next candlestick. This filter is present in the system to assure the trader that a “spike” bottom has in fact occurred. If the price fails to rally beyond the 2nd standard deviation Bollinger band after 3 periods, this can signal that a continuation of the trend is likely and that we should avoid entering a position.

5. The regular stop in the strategy is set at the 3rd standard deviation Bollinger band. As time progresses, we use the value of the 3<sup>rd</sup> standard deviation Bollinger band from the previous hour as our stop.

6. If price manages to reach the 3rd standard deviation Bollinger band, we close one lot for a profit. This piece of the strategy is designed to capture part of the profits at the points of extremely favorable price movement.

7. The trailing stop is managed dynamically in the following way. Once the initial target is triggered (the 3rd standard deviation Bollinger band is reached) and we stay in the market with only one contract, we trail the stop with the 20 period simple moving average (SMA) allowing part of the position to participate in the rest of the move should it continue in trader’s direction.

**Time Frame:**

Best used on Daily Charts which will often provide stronger and more meaningful signals, but can also be used on intra-day basis on hourly charts with smaller stop losses and shorter targets

**Market Conditions:**

This strategy typically work in quiet ranging markets, but can actually be used very effectively after major news announcements surprise the market. Because this strategy essentially tries to pick a “turn” in a trend, it will often reflect the quick change in market sentiment caused by surprising new information. That’s why shorter-term traders should monitor market news to understand and gauge its impact on price and act accordingly if the strategy signals and entry.



## **STRATEGY #2 :RSI Fade Strategy**

### **Pairs and Time Frames:**

EUR/USD 12am EST-12pm EST

EUR/GBP 12pm EST-12am EST

EUR/CHF 12pm EST-12am

EUR/JPY 8pm EST-8pm EST

### **CHART:**

1. Use a 1 hour chart with a 14 period RSI
2. Identify the high and low prices for the previous 24 hour period from 5pm to 5pm.

### **Rules to buy:**

1. Look for the RSI to move below 30 in 1 of the last 3 candles/bars.

NOTE: (there are times when the closed RSI level will not be below 30 but if the RSI was below 30 at any time during the 1 hour candle, this is valid for a trade signal.)

2. Buy 2 lots separately when the price is 10% above the bottom of the range.
3. Determine 50% of the range. Now take that number and subtract it from the entry price and this is where the stops should be placed on both lots.
4. A limit should be placed on one lot to exit this trade at the high of the previous day. There is not a limit order for the second lot. It will be trailed with a manual stop.
5. When the first limit is hit, the stop on the remaining lot should be moved to breakeven.
6. For the one remaining lot, when the price reaches a level that is equal to 2X the value of the range from the low of the range, we place the stop at a level that is equal to the range plus low of the range. Every time the price moves higher in increments of the value of the range, we trail the stop by the value of the range.

Example: The high of the range is 1.2100 and the low is 1.2000 with the range being 100 pips. Our first lot is limited out at 1.2100. As the price moves to 1.2200 (2X the value of the range from the low) we place the stop for our second lot at 1.2100 (the high of the range). As the price moves higher in increments of 100 pips (the value of the range) we raise our stop by 100 pips. So if the price moves to 1.2300, our stop is now moved to 1.2200. We continue to trail the stop in this manner until either the stop hit or a signal in the reverse direction is given.

**Rules to sell:**

1. Look for the RSI to be above 70 in one of the last three candles/bars.

NOTE: (there are times when the closed RSI level will not be above 70 but if the RSI was above 70 at any time during the 1 hour candle, this is valid for a trade signal.)

2. Sell 2 lots separately when the price is 10% below the top of the range.

3. Determine 50% of the range. Now take that number and add it to the entry price and this is where the stops should be placed on both lots.

4. A limit should be placed on one lot to exit this trade at the low of the previous day range. There is not a limit order on the second lot. It will be trailed with a manual stop.

5. When the first limit is hit, the stop on the remaining lot should be moved to breakeven.

6. For the one remaining lot, when the price falls to a level that is equal to 2X the value of the range from the high of the range, we place the stop at a level that is equal to the low of the range. Every time the price moves lower in increments of the value of the range, we trail the stop by the same value.

Example: The high of the range is 1.2100 and the low is 1.2000 with the range being 100 pips. Our first lot is limited out at 1.2000. As the price moves to 1.1900 (2X the value of the range from the high) we place the stop for our second lot at 1.2000 (the low of the range). As the price moves lower in increments of 100 pips (the value of the range) we move our stop lower by 100 pips. So if the price moves to 1.1800, our stop is now moved to 1.1900. We continue to trail the stop in this manner until either the stop hit or a signal in the reverse direction is given.





### STRATEGY #3: The Slingshot Strategy

#### Pairs to trade with this strategy:

- EUR/USD
- EUR/CAD

#### Chart setup:

- 1 hour candlestick chart
- 10 period EMA using the high price
- 10 period EMA using the close price
- 10 period EMA using the low price

## **Long (buy) Trade Rules**

1. Buy one lot when a candle closes below the 10 period EMA high but above the 10 period EMA close and the previous candle closed above the 10 period EMA high.
2. The stop for this lot is placed at the 10 period EMA low.
3. While we are long one lot and ONLY IF the price closes above the 10 period EMA, we add 2 additional lots, each separately. We are now long 3 lots.
4. Move the stop on the first lot to break-even.
5. The stop on the second lot should be placed at the 10 period EMA close.
6. The stop on the third lot should be placed at the 10 Period EMA low.
7. There are no limit orders used with this strategy and positions will only be closed when the stops are hit. Lots 2 and 3 should be trailed by the 10 period EMA close and the 10 period EMA low, respectively. When the 10 period EMA low is equal to the breakeven point for the first lot, we should now be trailing the stop on the first lot with the 10 period EMA low. This means that at this point, lots 1 and 3 should be trailed by the 10 period EMA low and lot 2 should be trailed by the 10 period EMA close.

## **Short (sell) Trade Rules**

1. Sell one lot when a candle closes above the 10 period EMA low but below the 10 period EMA close and the previous candle closed below the 10 period EMA low.
2. The stop for this lot is placed at the 10 period EMA high.
3. While we are short one lot and ONLY IF the price closes below the 10 period EMA low, we add 2 lots, separately. We are now long three lots.
4. Move the stop on the first lot to break-even.
5. The stop on the second lot should be placed at the 10 period EMA close.
6. The stop on the third lot should be placed at the 10 Period EMA high.
7. There are no limit orders used with this strategy and positions will only be closed when the stops are hit. Lots 2 and 3 should be trailed by the 10 period EMA close and the 10 period EMA high, respectively. When the 10 period EMA high is equal to the breakeven point for the first lot, we should now be trailing the stop on the first lot with the 10 period EMA high. This means that

at this point, lots 1 and 3 should be trailed by the 10 period EMA high and lot 2 should be trailed by the 10 period EMA close.

