

Red Light Green Light

I have been using this system now for 6 months. It has allowed me to enjoy the feeling of positive gains in my trading instead of the many losses I was getting. The system started with just the Moving Average (MA) indicators and following price action. I added other indicators to help hedge my trading by showing me when a possible trend reversal or a breakout was going to occur. After much testing, I found success pairing up MA with ADX.

The system works on any pair and time frame (TF) but for this submission, I have focused on EURUSD / M15. The M15 TF provided more trading opportunities than a longer TF. It was also less volatile than the shorter TFs.

The system uses EMA with a period of 9. I wanted a MA that would be more responsive to recent price action. The two directional indicators (DI+ & DI-) of ADX are used in conjunction with EMA to establish your Entry and Exit points.

Chart Setup

Chart: EURUSD

TF: 15 minute

Indicators: EMA9, ADX14, ATR14

Entry Rules

Long Entry:

Price is coming up from below EMA9. Candle Closes above EMA9

ADX DI+ > 20 AND ADX DI+ > ADX DI-

Short Entry:

Price is coming down from above EMA9. Candle Closes below EMA9

ADX DI- > 20 AND ADX DI- > ADX DI+

Exit Rules

Long Exit:

Candle Closes below EMA 9

-or-

ADX 14 DI+ < ADX 14 DI-

Short Exit:

Candle Closes above EMA 9

-or-

ADX 14 DI- < ADX 14 DI+

Stop Loss

Set your Stop Loss to the value of ATR14 at the time of the order placement.

Trailing Stop

If using a Trailing Stop, set it also to ATR14.

Take Profit

Set your Take Profit to 1.5 to 2 times ATR14.

Money Management

Risk = 2% of Free Margin

