

Strategy II – (BB + SMA + P-SAR)

1. Basis of the Strategy

- Tendency of the price to continue going up whenever the Fast SMA crosses *above* the Slow SMA in the *upper* Bollinger Band channel.
- Tendency of the price to continue going down whenever the Fast SMA crosses *below* the Slow SMA in the *lower* Bollinger Band channel.
- Tendency of the price to continue going up when the P-SAR appears *below* the price bars, and to move down once it appears *above* the price bars.

2. Requirements and Limitations

- Currency – Any pair, preferably with low spreads.
- Time frame – 15 mins and above.
- Not suitable during periods of increased volatility.
- Also not suitable during periods of consolidation.
- Trade the trend. That is, float with the prevailing trend.

3. Setup

- Bollinger Band (period = 20, deviations = 2, shift = 0)
- Fast SMA (period = 5), Slow SMA (period = 10)
- Parabolic SAR (step = 0.02, maximum = 0.2)

4. How to Use the Strategy

BUY when:

- F-SMA crosses *above* S-SMA in the *upper* BB channel.
- P-SAR dot appears *below* the price bar. If it has not appeared yet, wait for it to do so.

SELL when:

- F-SMA crosses *below* S-SMA in the *lower* BB channel.

- P-SAR dot appears *above* the price bar. If it has not appeared yet, wait for it to do so.

5. Take-Profit Strategies

- BUY order – Set an appropriate take-profit or exit when the price bar closes *below* the F-SMA.
- SELL order – Set an appropriate take-profit or exit when the price bar closes *above* the F-SMA.

6. Stop-Loss Strategies

Better to use exit strategies (specified below) for this system as you would lose about 10–15 pips when the two conditions specified in the Exit Strategies would have occurred than setting, say, a 40–50 pips stop-loss.

7. Exit Strategies

Exit when:

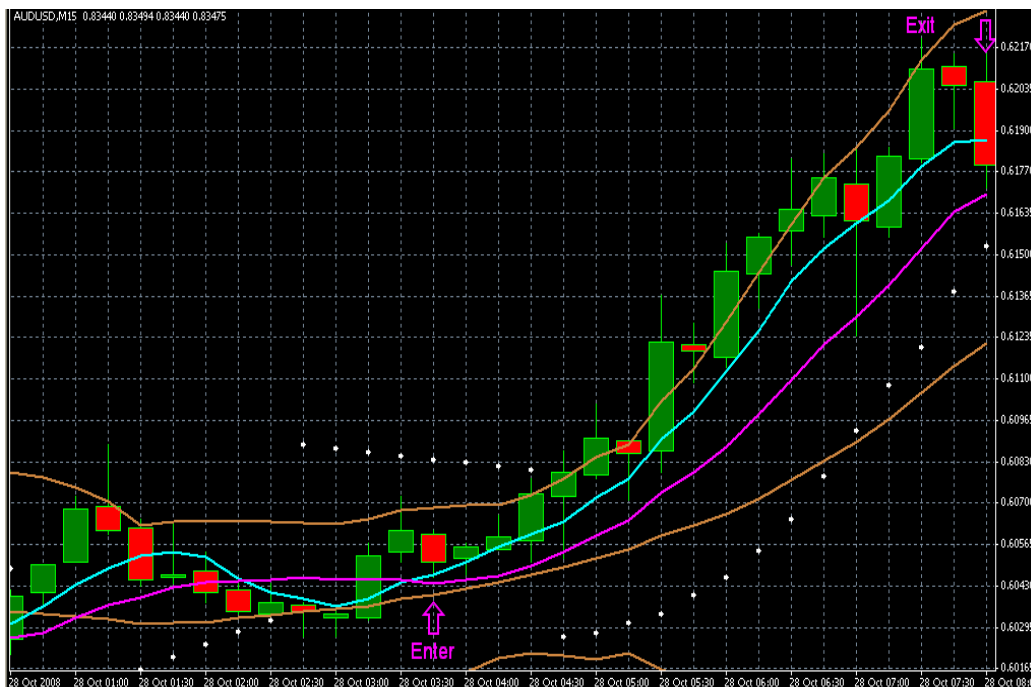
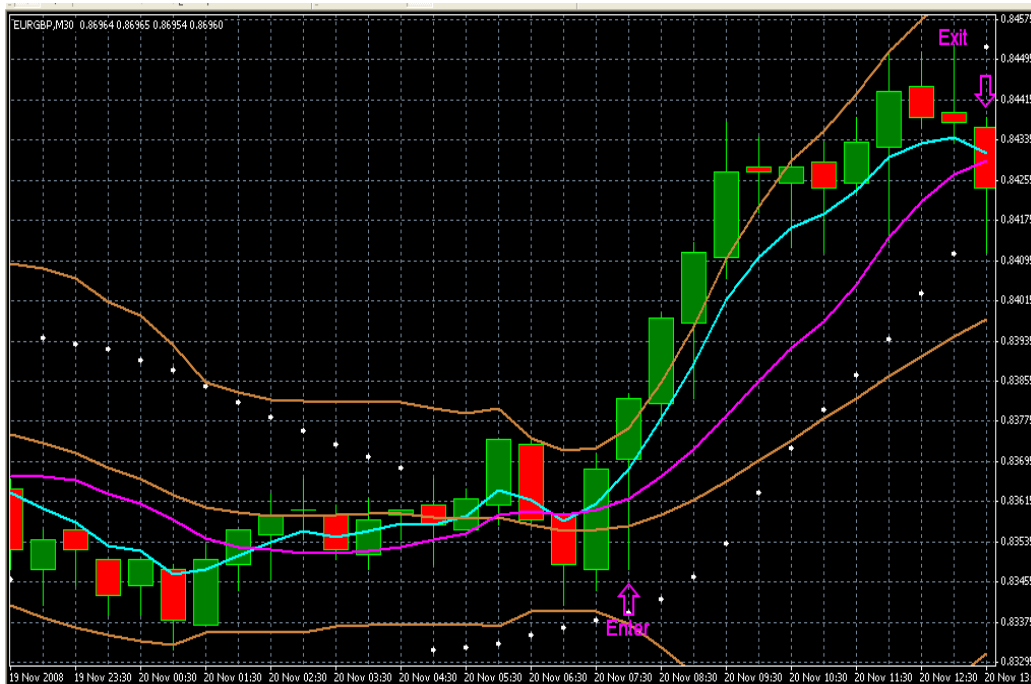
- F-SMA recrosses *below* S-SMA.
- P-SAR re-appears *above* the price bars.

8. Sample Signals in Action

- Bullish signals

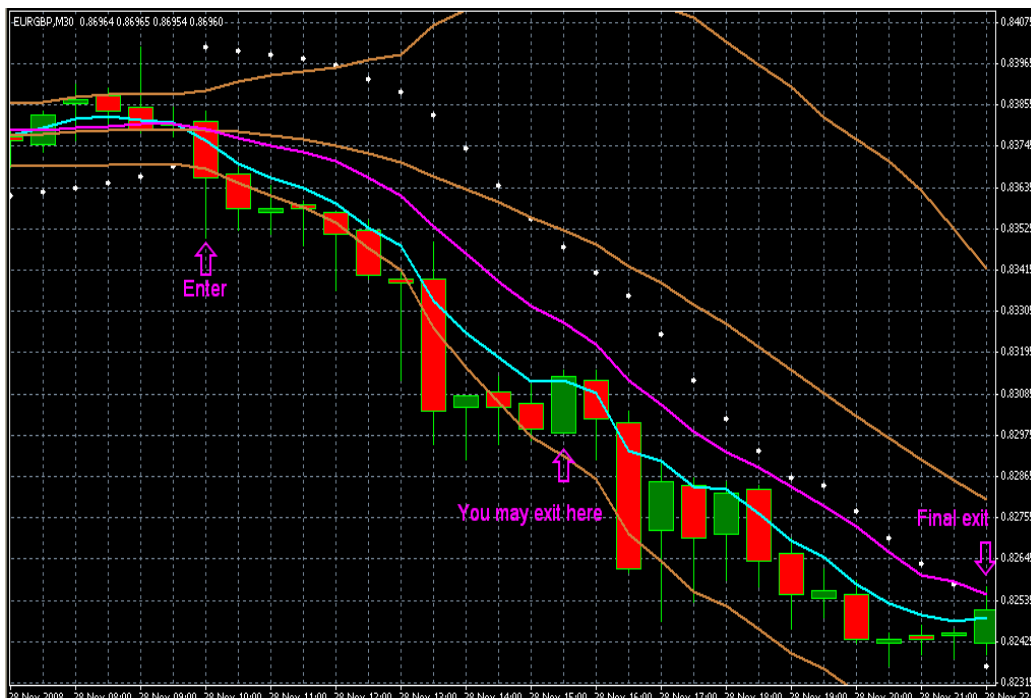
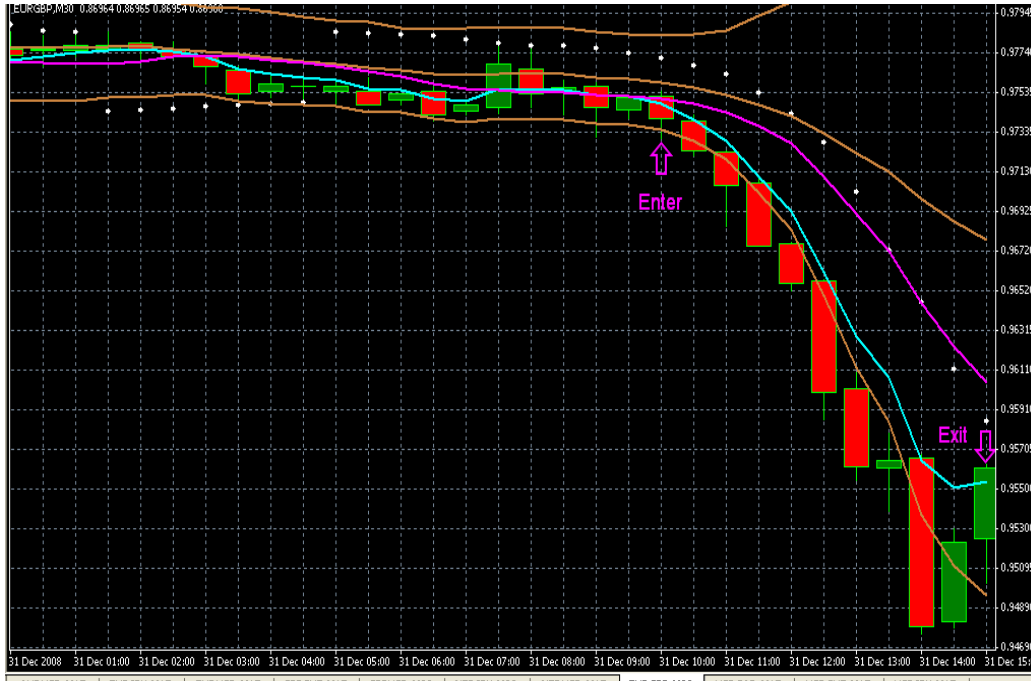
Please see next page.

BE SURE TO OBSERVE THE SMA CROSSOVER IN THE *UPPER* BB CHANNEL. THIS IS THE BASIS OF THE STRATEGY.



- Bearish signals

DO NOTE THE SMA CROSSOVER IN THE LOWER BB CHANNEL. THIS IS THE BASIS OF THE STRATEGY.



To Your Success!!