

## Strategy III – (SMA + Trendline + P-SAR)

### 1. Basis of the Strategy

- Tendency of the price to move up when a Fast Moving Average (MA) crosses *above* a Slow MA and to go down when a Fast MA crosses *below* a Slow MA.
- Tendency of the price to continue moving up once it rises *above* the next support bottom formed by the Fast SMA, and to continue moving down once it falls *below* the next resistance top formed by the Fast SMA.
- Tendency of the price to move up once the P-SAR dot appears *below* the price bar and to go down when the P-SAR dot appears *above* the price bar.

### 2. Requirements and Limitations

- Currency – Any pair, including those with moderately large spreads. Yield is usually large when the signal is caught early.
- Time frame – 30 mins and above.
- Not suitable during periods of increased volatility.

### 3. Setup

- Fast SMA (period = 5, price = close), Slow SMA (period = 10, price = close)
- Trendline – drawn by connecting two or more support bottoms formed by the F-SMA (BUY), or two or more resistance tops formed by the F-SMA (SELL).
- Parabolic SAR (step = 0.02, maximum = 0.2)

### 4. How to Use the Strategy

BUY when:

- Connect the tips of the bottoms formed by the F-SMA by a trendline. The trendline *should tilt slightly upward*. Ensure that the trendline is clear of the S-SMA.
- Wait for the F-SMA to cross *above* the S-SMA. If a crossover does not occur, ignore the pattern. Else...

- P-SAR dot appears *below* the price bar.

SELL when:

- Connect the tips of the tops formed by the F-SMA by a trendline. The trendline *should tilt **slightly** downward*. Ensure that the trendline is clear of the S-SMA.
- Wait for the F-SMA to cross *below* the S-SMA. If a crossover does not occur, ignore the pattern. Else...
- P-SAR dot appears *above* the price bar.

You may experience a momentary retracement moments after you enter a position. That comes about while you were waiting for positive confirmations from the indicators. Hold on to your position and the price will soon resume its forward move.

## **5. Take-Profit Strategies**

- BUY order – Set an appropriate take-profit or exit when the P-SAR re-appears *above* the price bar, or when the F-SMA re-crosses *below* the S-SMA, or price bar closes *below* the F-SMA.
- SELL order – Set an appropriate take-profit or exit when the P-SAR re-appears *below* the price bar, or when the F-SMA re-crosses *above* the S-SMA, or price bar closes *above* the F-SMA.

## **6. Stop-loss Strategies**

You should set an appropriate stop-loss. Note however that any stop-loss less than 50 pips may not be realistic as your stops may be taken out in a few retracement ticks before the big profitable move forward.

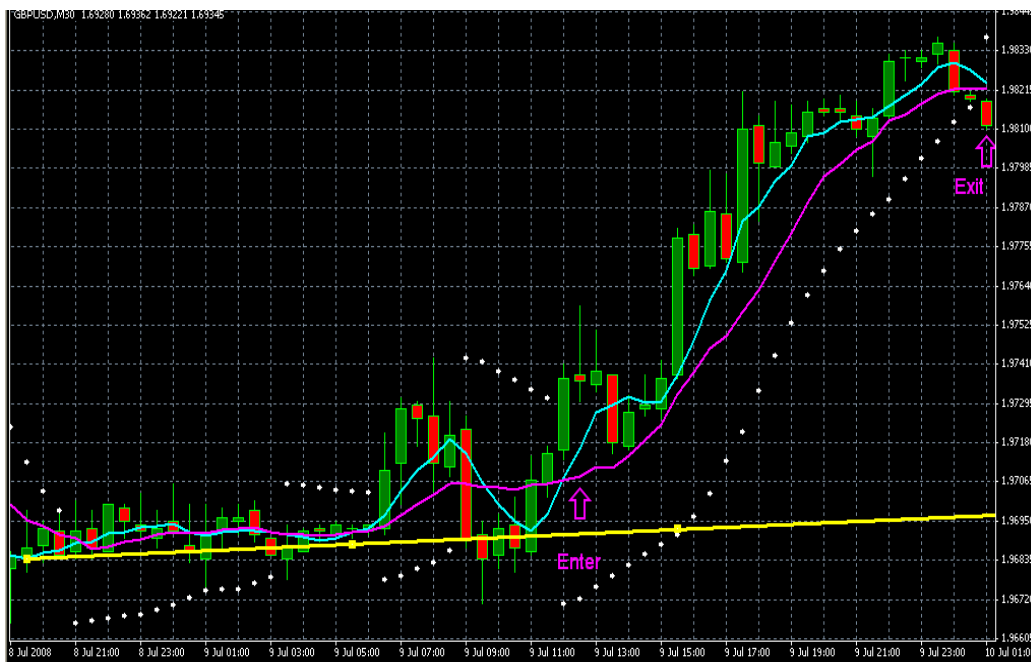
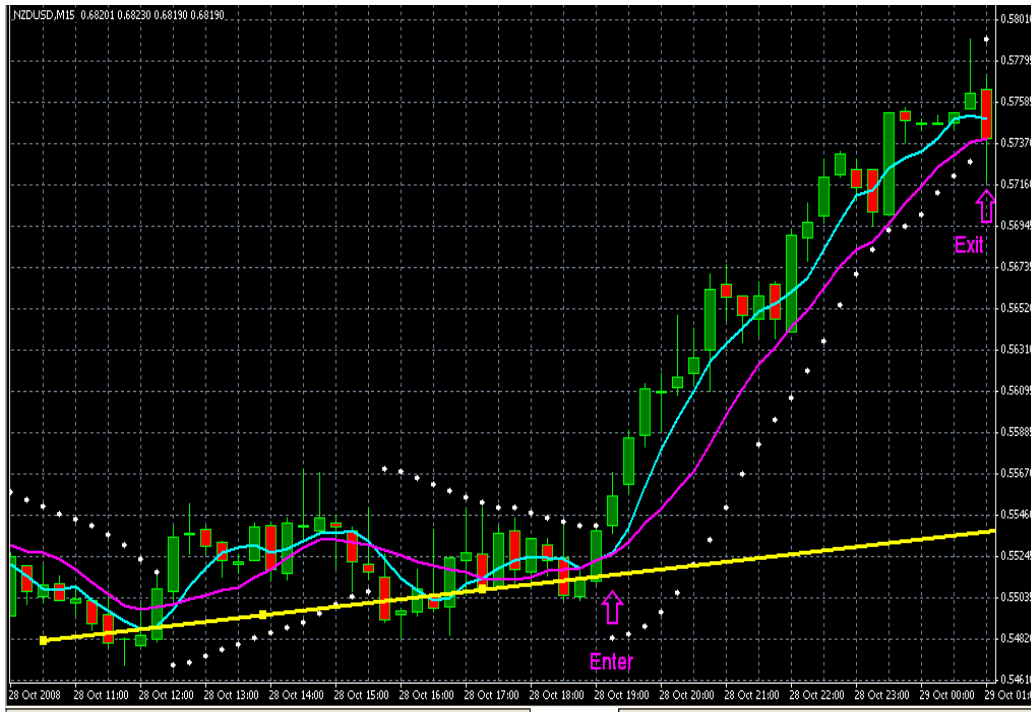
## **7. Exit Strategies**

Manually exit your position if one of these conditions occurs:

- The F-SMA re-crosses the S-SMA.
- The P-SAR re-appears on the other side of the price bar.

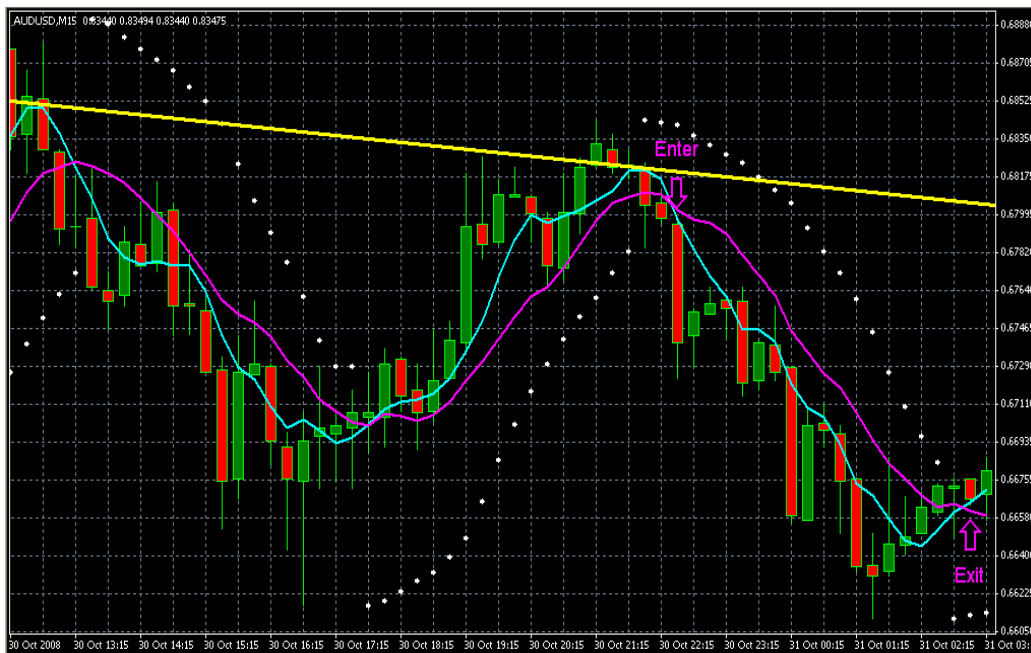
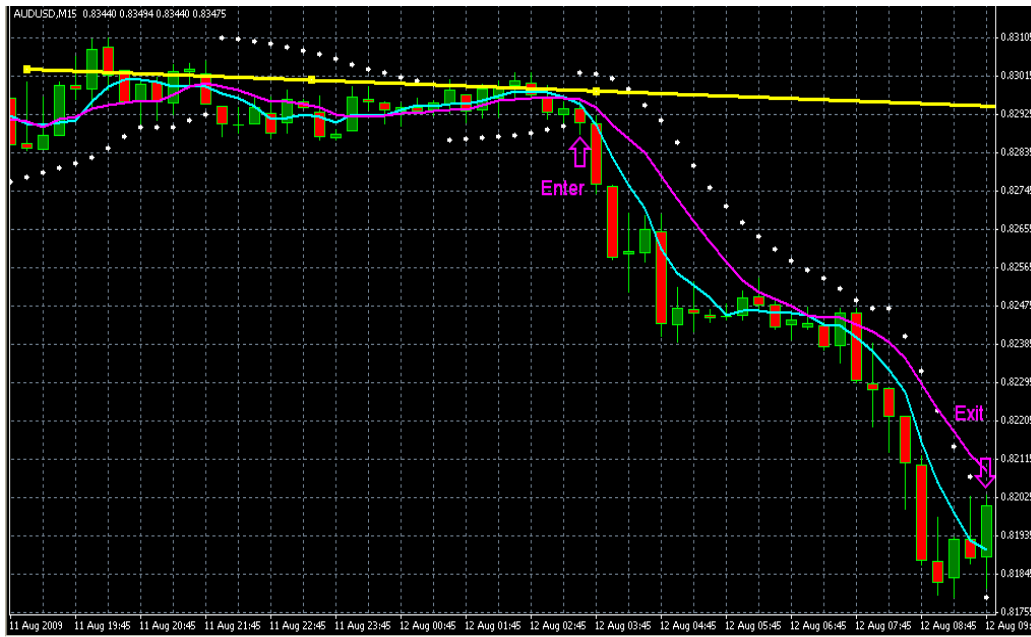
## 8. Sample Signals in Action

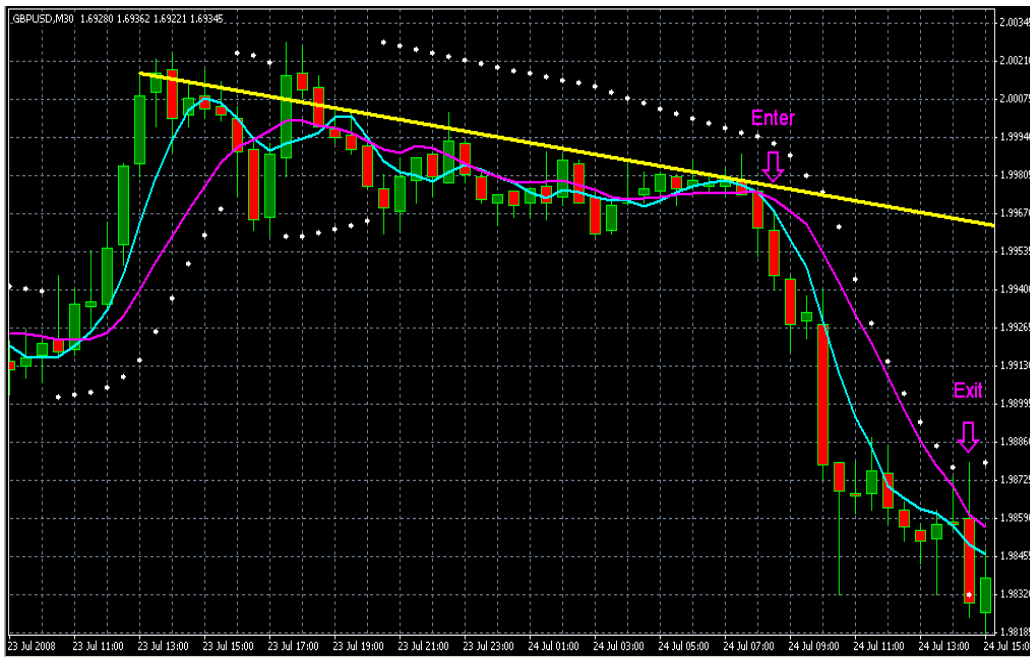
- Bullish signals





- Bearish signals





To Your Success!!