

Strategy IX – Trend Trading With MACD, EMA and P-SAR

1. Basis of the Strategy

- Tendency of the price to continue upwards once it rises *above* the centerline of the Moving Average Convergence/Divergence (MACD), and to continue going down once it falls *below* the MACD centerline.
- Tendency of the price to continue moving up once it rises above a certain Exponential Moving Average (EMA), and to continue going down when it falls *below* the same EMA.
- Tendency of the price to continue upwards once the P-SAR dot appears *below* the price bar, and to continue going 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 consolidation.
- Not suitable during periods of increased volatility.

3. Setup

- MACD (Fast EMA = 5, Slow EMA = 21, SMA = 1, price = close)
- Upper EMA (period = 55, price = high), Lower EMA (period = 55, price = low)
- Parabolic SAR (step = 0.02, maximum = 0.2)

4. How to Use the Strategy

BUY when:

- Price *opens above upper* EMA.
- P-SAR dot appears *below* price bar.
- MACD crosses *above* the centerline, with at least *one* column up.

SELL when:

- Price *opens below lower EMA*.
- P-SAR dot appears *above* the lower price bar.
- MACD crosses *below* the centerline, with at least *one* column down.

5. Take-Profit Strategies

- BUY order – Set an appropriate take-profit or exit when the MACD column drops in height at the close of a price bar, or when the P-SAR dot re-appears *above* the price bar, or when the price bar closes *below* the upper EMA line.
- SELL order – Set an appropriate take-profit or exit when the MACD column drops in depth at the close of a price bar, or when the P-SAR dot re-appears *below* the price bar, or the price bar closes *above* the lower EMA line.

6. Stop-loss Strategies

Set an appropriate stop-loss. Remember though that any stop-loss of 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

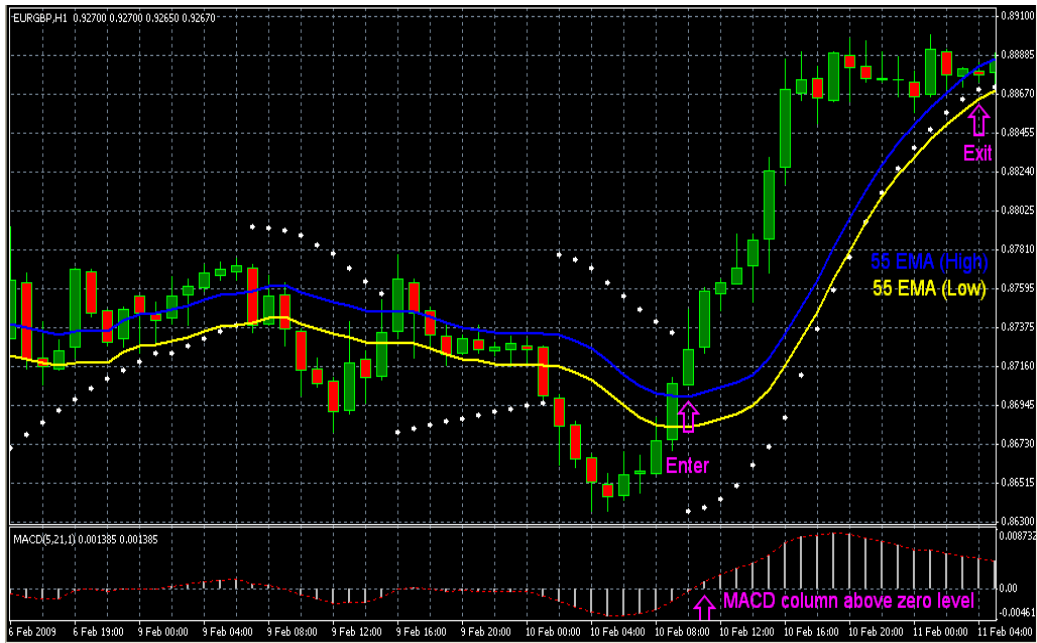
Manually exit your position if one of these conditions occurs:

- The price closes back into the EMA channel.
- The P-SAR dot re-appears on the other side of the price bar.

8. Sample Signals in Action

- Bullish signals

SEE SAMPLES ON NEXT PAGES.





- Bearish signals





To Your Success!!