

Strategy VI – (MACD + Stoch + EMA + 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 a fast Moving Average (MA) crosses *above* a slow MA, and to continue going down when a fast MA crosses *below* a slow MA.
- 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 – All time frames, including scalping.
- Not suitable during periods of consolidation.
- Not suitable during periods of increased volatility.

3. Setup

- Fast EMA (period = 3, price = close), Slow EMA (period = 13, price = close)
- Parabolic SAR (step = 0.02, maximum = 0.2)
- MACD (Fast EMA = 5, Slow EMA = 21, SMA = 1, price = close)
- Stochastic (%K = 14, %D = 3, slowing = 3, price field = Low/High)

4. How to Use the Strategy

BUY when:

- F-EMA crosses *above* S-EMA.

- P-SAR dot appears *below* the price bar.
- MACD crosses *above* the centerline, with at least *one* column up.
- Stoch is not in *overbought* condition.

SELL when:

- F-EMA crosses *below* S-EMA.
- P-SAR dot appears *above* the price bar.
- MACD crosses *below* the centerline, with at least *one* column down.
- Stoch is not in *oversold* condition.

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 F-EMA re-crosses *below* the S-EMA, or price bar closes *below* the S-EMA.
- 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 when the F-EMA re-crosses *above* the S-EMA, or price bar closes *above* the S-EMA.

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.

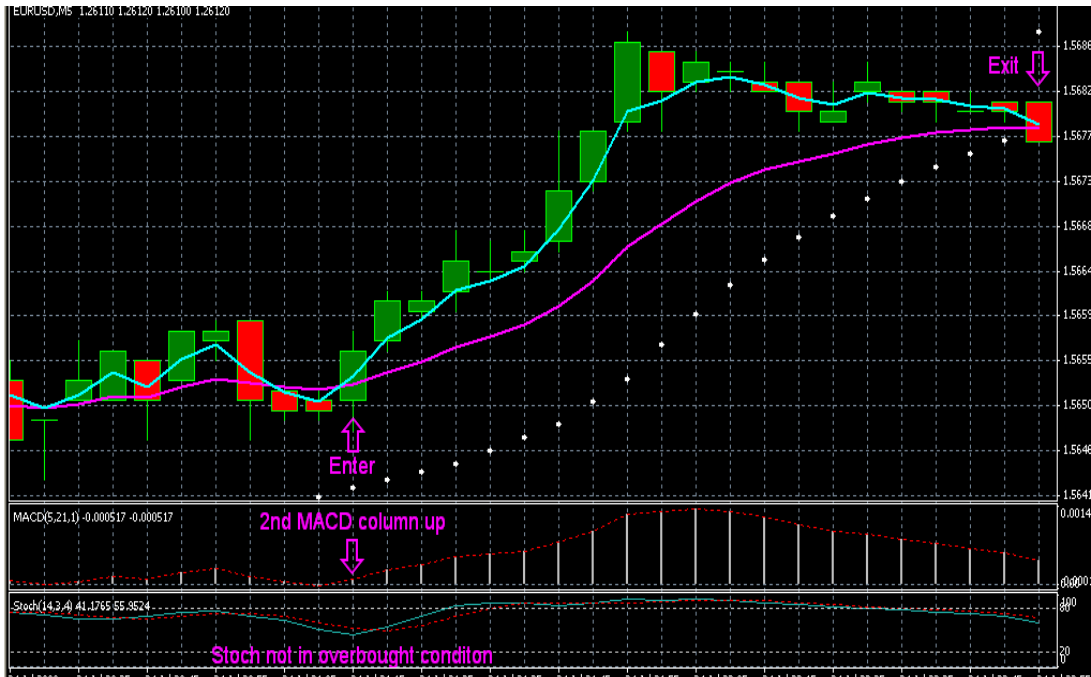
7. Exit Strategies

Manually exit your position if one of these conditions occurs:

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

8. Sample Signals in Action

- Bullish signals



- Bearish signals



To Your Success!!