

# Trendsignal Trading Strategy

Firstly, it is important to understand that Trendsignal's unique indicators can be used however you wish. We have our favoured way of trading and we have formalised some setups into rules for your convenience. The below manual is designed to support the training videos within the website and help you to get started spotting good quality **entry points**.

## Basic Swing

**A basic swing isn't a trading opportunity in itself**, but it is the foundation for 3 of our setups. The setup attempts to identify key turning points in the market, looking for potential directional changes.



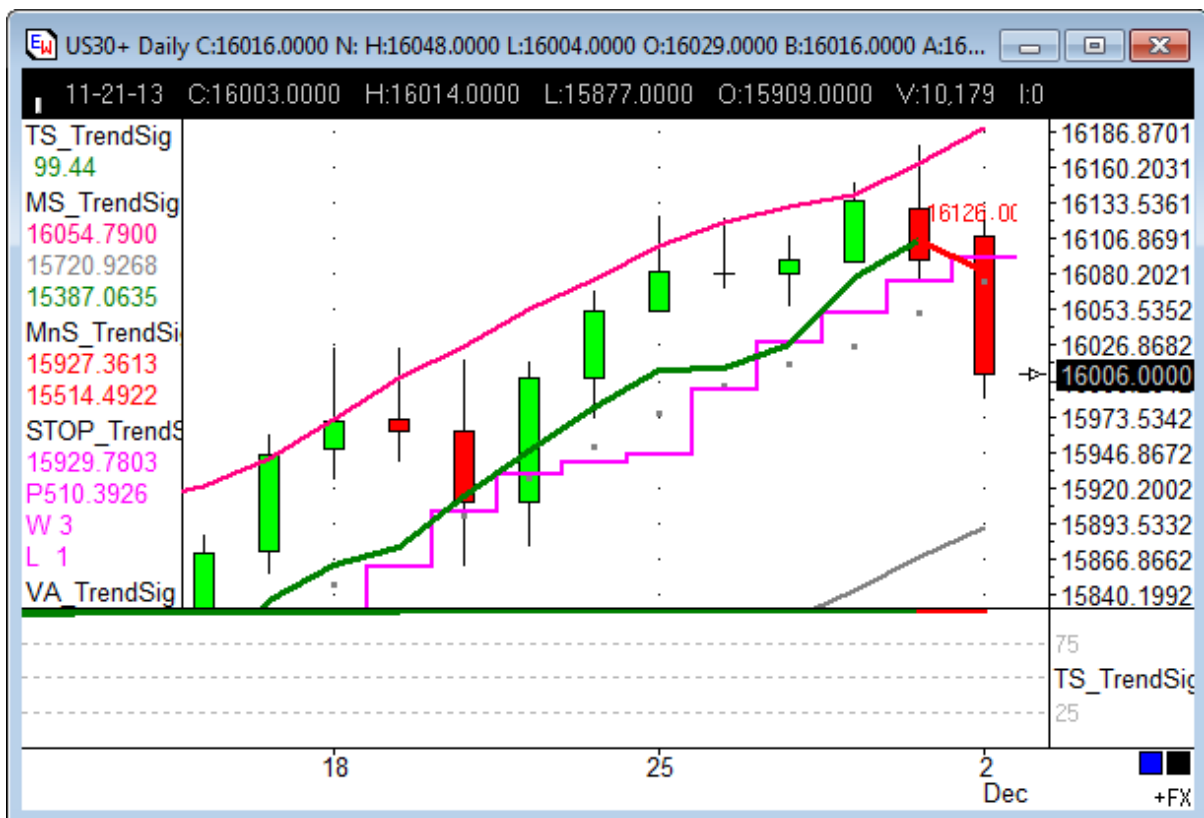
The above chart shows three swings where the markets have moved from the bottom to the top of the Price Envelope (PE) and all the way back down again. It is this type of movement that the Sniper, Swing and Pivot trading strategy looks to capture.

## Criteria

The criteria are quite simple, and we can break it down to a simple check list. What you will notice is that in having these 4 elements, we are likely to have several other Trendsignal indicators in our favour too, thereby making entry decisions a little simpler for new users.



## Short Swing Trade (Looking for a fall in prices)



### 1) Trendsignal Indicator (TS) above 75

Here we look for the TS indicator being in overbought territory, with the indicator as overbought as possible. 75 is the lowest level for which we would consider a Short Swing trade. (i.e. the TS line has peaked above 75)



### 2) Trendsignal Indicator (TS) Red

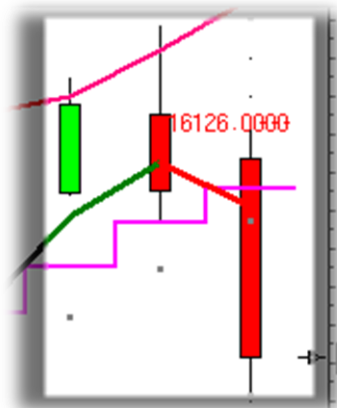
The momentum shift is defined by a change in the colour of the Trendsignal indicator.

### 3) Vector Average (VA) Red

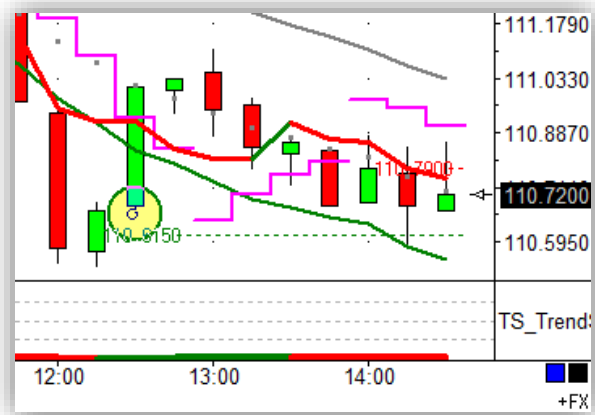
The change in the direction of the Price Trend is demonstrated by the change in colour of the VA line.

### 4) Price close below the Red VA

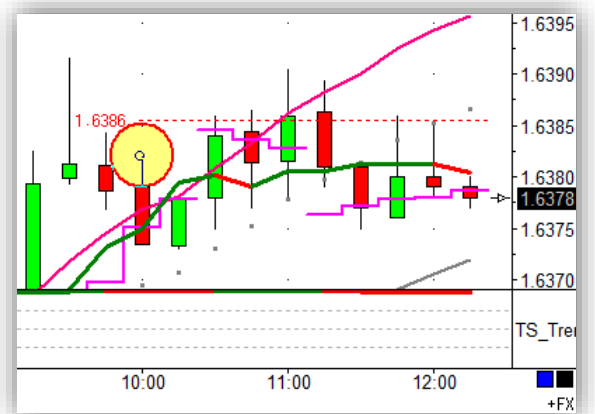
It is essential that you wait for the current candlestick to complete before placing a trade. It is also imperative that the price for the entry candlestick closes above the Green VA.



Notice the chart to the right. The TS turned GREEN at 12:30pm However, it was 4 candlesticks later that the VA turned GREEN, but you will notice that this is a false flick of the VA, because the 13.30pm candlestick didn't close above the VA. Therefore, no swing trade was confirmed, **no trade**.



The chart to the right gives another example of a trade setting up but taking a long time to confirm. You can see from the chart that the Sniper comes in at 10:00 as the TS lines turns red. The VA turns RED as a false flick at 10:45, however even if it was a proper close below the RED VA, it wouldn't yet be a trade since the TS has turned back GREEN. The trade is then confirmed on the far right hand candlestick as both indicators finally line up RED in line with the Sniper.



The above rules of course apply to any Swing trade, regardless of whether there is a Sniper circle or not.

### Exercise 1

Choose a market to go through and identify 3 recent swing trades. Send an email to [info@trend-signal.com](mailto:info@trend-signal.com) detailing the below:

- i) Market
- ii) Timeframe used (15 minute etc...)
- iii) Date & Time of trade
- iv) Entry Price

### Confirmation Criteria (Recommended)

Whilst the above criteria can pick up some excellent trading opportunities, on its own, results can be erratic and inconsistent and is therefore NOT ENOUGH to justify entering a trade. You should always consider whether you "SHOULD" enter the trade before executing. To do this, you should add in an extra element to the check list. This will ensure better and more likely opportunities. The above is a 2 step checklist and by adding a 3<sup>rd</sup> step, we can get better results.

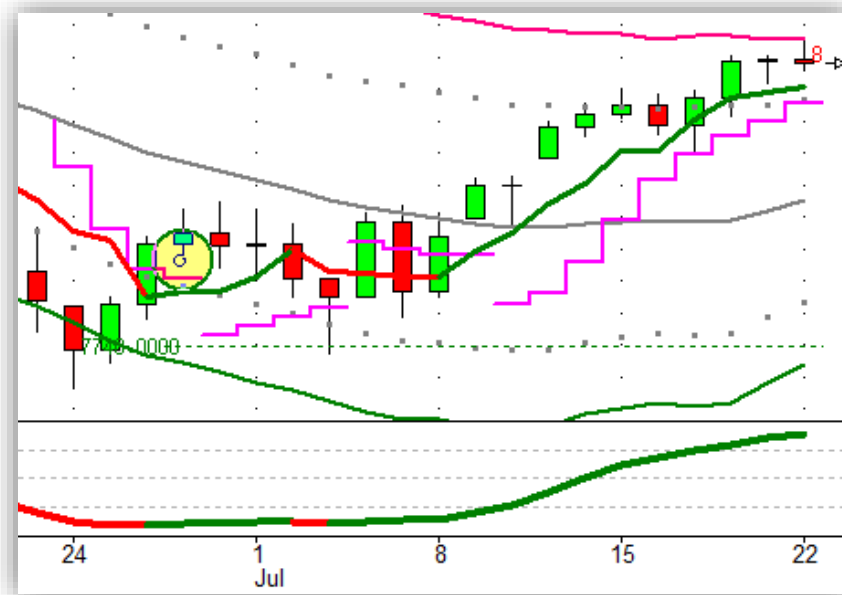
So, what could that 3<sup>rd</sup> step be?

- 1) A Sniper circle
- 2) The Trend
- 3) Rejection from a support or resistance pivot

Of course, having more than one of the above is even better. For example, a buy swing trade, with a sniper and in an uptrend.

### Confirmation: A Sniper (Easiest to identify)

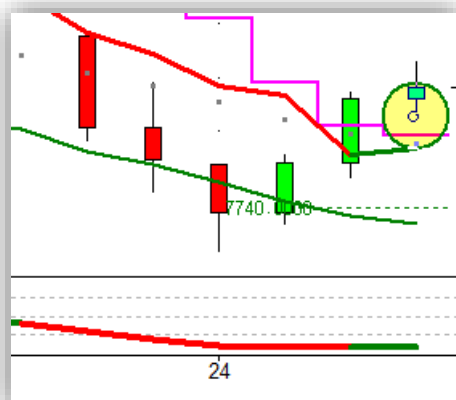
The sniper circle will identify those turning points where the markets are really overstretched and due a pull back. Essentially, the Sniper circle helps identify the turning points where Trendsignal believes there will be enough of a change in direction to allow for a profitable. In summary, it allows us to filter the above Swing Trade to the more likely opportunities.



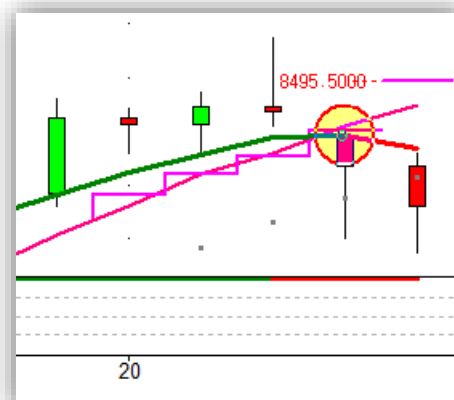
This is the easiest confirmation element to identify. You are looking for a sniper to appear at the turning point. Take a look at the Sniper Manual within the Customer area of the website.

The Sniper will generally first appear at the same point as the TS line changing colour. Since it is independent of the VA, it can often come in before or after the VA also changes colour. You must ensure the TS and VA indicators are still RED or still GREEN to confirm a short or long trade:

See below: Sniper appears at the same time as the TS and VA turn GREEN



See below: Sniper appears as the TS turns RED, but the VA turns the next bar. The trade is confirmed at the close of the right hand bar.



## Confirmation: A higher timeframe is confirming the trend (advised) (Known as a Swing Trade)

Markets move in trends within trends. For example, The Daily chart moves in it's pattern, as does the Monthly chart. Of course, the monthly trend is likely to be stronger as it is assimilating more data.

The key is to step back and look at where the bias is. If you can see from the longer term chart that the market is more likely to move in a particular direction, then that is the direction to focus on, and to be more critical of trades in the opposite direction.

In the below example, look at the bottom chart first. Look at the colour of the VA for the last completed candlestick (marked A, the first green candlestick, not the one bisected by the black vertical line) and you can see the VA is Green. This means, for this 4 hour period, we should favour long trades and should be more critical of shorts.



Having established the market direction, you can then use this as the basis to take Swing trades.

The better you analyse the overall market direction, the better your trading will be. It is all about confidence.

### Exercise 2

Choose a market to go through and identify 3 recent swing trades, following the higher timeframe.  
Send an email to [info@trend-signal.com](mailto:info@trend-signal.com) detailing the below:

- i) Market
- ii) Timeframes used (E.G. 15 minute for Entry and 240 minute for Trend)
- iii) Date & Time of trade
- iv) Entry Price

## Confirmation: Look for key structural support or resistance (more discretionary)

Whilst the VA can be very useful, of course trends change. These often occur having tested a previous support and resistance level. Our view is, if you are to trade against the VA of the higher timeframe, do it at a key level, i.e. a level of support or resistance that is likely to hold price.

In the example below, we have identified a pivot point at 0.9986 on the 240 minute chart. From that you can see 2 areas where the market has tested that level and reversed. The reversals may not be huge, but enough to generate profitable Swing trading opportunities from the 15 minute chart. You could apply the same technique to the Daily and Monthly charts.



In summary, look for a key support or resistance level. Look for a bounce from that level. If a Swing trade sets up, then the probability of it being a successful trade is increased.

### Exercise 3

Choose a market to go through and identify 3 recent swing trades, where the entry has been confirmed with rejection from support or resistance. Send an email to [info@trend-signal.com](mailto:info@trend-signal.com) detailing the below:

- i) Market
- ii) Timeframes used (E.G. 15 minute for Entry and 240 minute for resistance pivot)
- iii) What the support and resistance was
- iv) Date & Time of trade
- v) Entry Price
- vi) A screenshot would also be helpful (CTRL + PRINT SCREEN and attach to an email)



# SWING TRADES - Checklist



## Long Basic Swing

- 1) TS below 25
- 2) TS turns **GREEN**
- 3) VA turns **GREEN**
- 4) Entry Candlestick closes above **GREEN** VA

## Short Basic Swing

- 1) TS above 75
- 2) TS turns **RED**
- 3) VA turns **RED**
- 4) Entry Candlestick closes below **RED** VA

At least one of the below:

- 5) **GREEN** Sniper
- 6) VA on higher timeframe is **GREEN**
- 7) Bounce from major support

- 5) **RED** Sniper
- 6) VA on higher timeframe is **RED**
- 7) Bounce from major resistance

## Continuation Trade

The Continuation Trade attempts to identify the resumption of a strong and established trend.



The above chart shows three classic Continuation Trades where the markets has continued in one direction for much of the day, posting a pattern of lower lows and lower highs. It is this type of movement that the Continuation Trade strategy looks to capture.

## Criteria

The basic entry criteria are quite simple, but are required to analyse 3 different timeframes. This may sound complicated at first but the initial rules are simple in practice.

Short Continuation Trade (Looking for a fall in prices, perhaps to a new low)



- 1) We start by looking at the higher timeframe. This tells us which way the market is more likely to go. When day trading, start with the 240 minute chart. When position trading, start with the monthly chart.

It is the VA that gives us our trend. Consider the colour of the VA for the last completed candlestick. This tells us the directional bias for the next 240 minutes. If Red, it tells us to trade favouring short trades. If Green, it tells us to favour long trades. (Beware false flicks!)



- 2) Moving to the 60 minute chart (Use the Weekly chart for position trading) we look for the same thing. We need to see the VA moving in the same direction of the higher timeframe. This shows us that we have a strong and convincing trend in place, which is likely to continue.



- 3) Moving now to the Entry timeframe, we are now looking for a resumption of the trend. This is identified above. Again, we are looking for the VA to turn Red and the candlestick to close below the Red VA.

#### *Exercise 4*

---

Choose a market(s) to go through and identify 3 recent continuation trades. Send an email to [info@trend-signal.com](mailto:info@trend-signal.com) detailing the below:

- v) Market
- vi) Timeframes used (15 minute etc...)
- vii) Date & Time of trade
- viii) Entry Price

#### **TIP**

---

- 1) The more powerful the trend, the more likely the profit. Ensure you have confidence in the trend by looking for clear and smooth higher timeframes.
- 2) Is the market approaching key support or resistance? If so, it may invalidate the trade
- 3) It is good to sell weakness and buy strength. Look at the entry candlestick for rejection.
- 4) Markets have a natural range. Consider how far it has already gone before entering the trade.
- 5) When day trading, consider the time of the trade. Continuations are more profitable during the trading session. As the main session comes to an end, the market is less likely to continue with the same ferocity. An example would be trading FX after 4pm London time.

# CONTINUATION TRADES - Checklist



## Long Cont. Trade

- 1) High time VA **GREEN**
- 2) Medium time VA **GREEN**
- 3) Entry time VA turns **GREEN**
- 4) Entry Candlestick closes above **GREEN VA**

## Short Cont. Trade

- 1) High time VA **RED**
- 2) Medium time VA **RED**
- 3) Entry time VA turns **RED**
- 4) Entry Candlestick closes below **RED VA**

## Recommended

- Smooth & dependable trend?
- Near key support or resistance?
- Check entry candlestick
- Is the time of the trade right for a continuation pattern?
- Have you checked for data releases?
- Is the risk / reward enough?