

The 15 – 50 Trading System

Main Premise:

This is considered to be one of the most straight forward systems for a live trading style for day- and/or intraday trading. The 50 SMA is one of the most commonly used moving average numbers by technical traders and works as a good indicator of intraday trend direction. Discretionary trendlines (and/or channels) are extremely effective in indicating breakout direction changes. **There are many variations to this system so we have tried to provide a good guideline for maximum potential while keeping it within Trading Post's KISS guidelines.**

Key Elements:

- 15 min. chart (five or ten Day)
- 50 Simple Moving Average
- Trading Post Financial (TPF) moving average trendlines – the green and yellow lines (or equivalent 12 Exponential or Simple Moving Average)
- Diagonal trendlines – drawn at the traders discretion, on the most recent trend over the last 6 hours to 3 days



How to set-up the charts: Note, these instructions are for Trading Post Financial Desktop or Pro-Charts. The set-up is similar on the web-based charts as other charting systems.

Let's address:

- **What is an MA or SMA?**

Simply put a **Moving Average** is the calculation of the average price of something over the period defined. The **S** means "simple" so it is not weighted with any filters. We are using the number 50 so the **SMA** displays the average price over 50 candles.

- **What is a Trendline?**

A trendline is a diagonal line on a chart that indicates what direction the current trend is moving in. It is placed diagonally at the extremes of such movements. Either up or down.

How to place SMA's and trendlines on your charts:

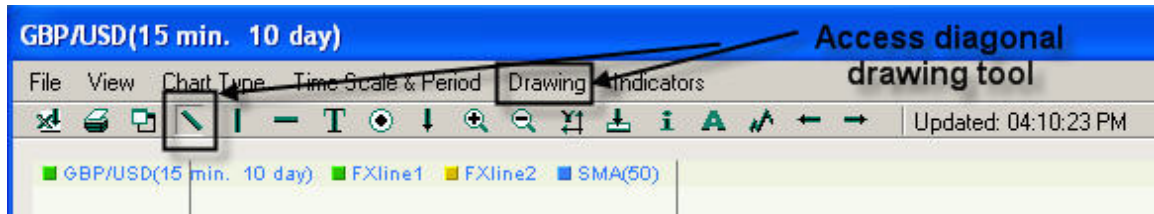
- **Placing indicators**

In order to place the 50 SMA, click on **"Indicators"** then choose **"Moving Average,"** then **"Moving Average Simple,"** then **"New"** and a pop-up box will appear. Simply input the number 50 then choose a color and line thickness.

If you choose to not use the Trading Post Financial (TPF) lines, then do the same for a 12 SMA. We suggest you make it a different color.

- **Drawing trendlines**

Diagonal trendlines are a very good indicator for directional change of short-term and long-term patterns. They are simply drawn using the **"Add Line"** function on your charts. You can access this on the **"Drawing"** drop-down menu or by clicking on the diagonal line button in the tool bar.





In order to determine where to place your diagonal trendlines you simply draw across two or more points in an upward or downward trend.

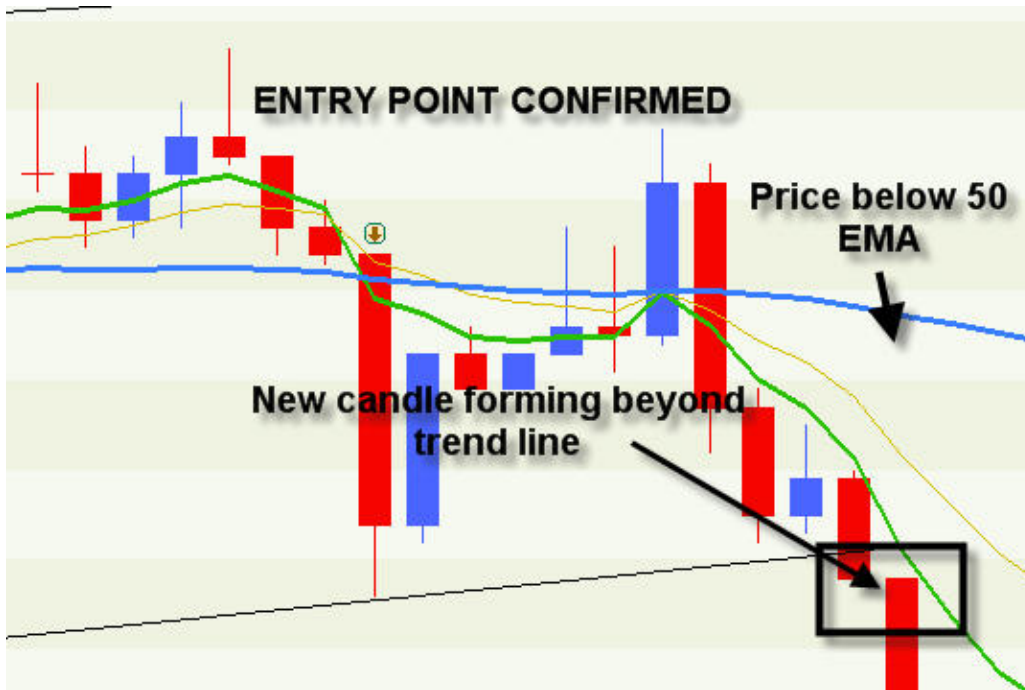
- **When to take the trade (Entry Points):**

Now you're ready for the next trading opportunity that comes along. This will most likely happen very shortly after an economic announcement. What you are watching for are three key rules:

1. The trade is taken on the opposite side of the 50 SMA – meaning that you enter sells below and buys above.
2. Only enter a trade in the direction of breaking both the 50 SMA and your trendline.
3. Only enter a trade if there is a clear break of the trendline – meaning that a candle should close outside the line and the next candle should not touch the line at all.



This example scenario is the perfect set-up for a sell trade. The next candle determines whether you place a sell market order right here. As always, what works going down works equally going up. The reverse pattern would set up a buy trade.



This is the entry point for a sell trade as the following candle is forming below the trend-line, below the 50 MA and below the 12 MA.

- **Stop-Loss:**

In this type of trading, stop-losses can be set very small. It is rare that the trendline is broken in the reverse direction **if candles have started forming on the opposite side**. And, when it does come back over the line it is almost always a false breakout and it is best to be out of the trade at a small loss. So a stop placed about 10 pips inside the trendline is usually best. Taking into consideration your entry point will likely be about 15 pips outside the trendline. This means **a target of 20 to 25 pips total for a stop-loss** is suitable.



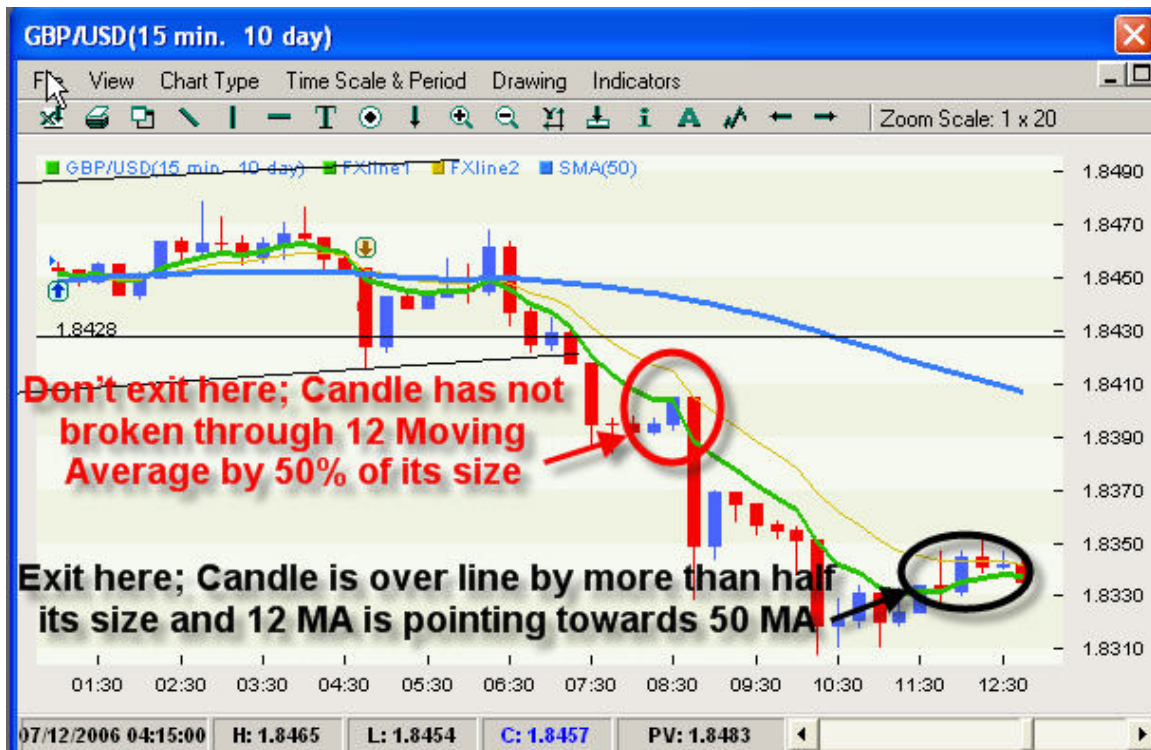
Note that the stop-loss is set at 10 pips inside the trendline and not above the 50 SMA.

- **When to Exit:**

One of the most difficult aspects of trading is choosing an exit point when in profit. Psychology always plays a role in either prompting us to exit too soon or in exiting too late trying to pick up 100% of the move. So a very solid interpretation of your exit strategy has to be in place. Here are our recommended guidelines. You should exit **when you see these three occurrences combined**.

1. When you reach a greater profit than your stop-loss risk (when beyond a 1:1 ratio). So if your stop-loss was 25 pips then consider exiting once beyond 25 pips profit.

2. Use the 12 Moving Average (the green TPF line) as your primary indicator for exit. We recommend that you exit if a candle reverses over this line(s) by more than 50% (half) of its size (including wicks).
3. When the 12 Moving Average (The green TPF line) turns to point towards the 50 SMA or points to 3 o'clock.



Note that the blue candle did not cross the 12 MA (green line) by more than half its size so try to hold off on exiting here. As well, the currency had yet to move 20 pips below the trendline. You can almost always count on this as a minimum when the line is broken.

- **Tips and other info on using this system:**

The system relies on good volume and some volatility. So look for breakouts to happen at peak times just following an economic announcement. The system works very well on all pairs trading with the USD and, although not tested, it is likely it would work equally well on cross-pairs. Of course the disadvantage to cross-pairs is the higher cost of each trade, so we recommend you stick to the USD ones.

We also suggest that you add an additional indicator of your choice such as MACD, RSI, Awesome Oscillator, Slow Stochastic, etc. This is to help confirm the breakout.

We recommend you set-up a specific tab in your Desktop/Pro-Charts just for 15 min. charts for several of the pairs. This way you can easily see which ones are setting up and you are ready to go when a breakout

occurs. Limit yourself to two or three pairs. As always, practice this in your demo account, and then with just one lot at a time when moving to live trading.

As far as using this system on different time frames, it works there too. However you would need to adjust stop-loss and profit ratios based on the type of trade being either swing or position. We do not have guidelines for this at this time.

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Quick Reference

Set-up

- 15 min. chart (five or ten day)
- 50 Simple Moving Average
- TPF moving average trendlines (green line or equivalent 12 Moving Average)
- Diagonal trendlines – drawn at the traders discretion, on the most recent trend over the last 6 hours to 3 days

Entry

1. The trade is taken on the opposite side of the 50 SMA – meaning that you enter sells below and buys above.
2. Only enter a trade in the direction of breaking both the 50 SMA and your trendline.
3. Only enter a trade if there is a clear break of the trendline – meaning that a candle should close outside the line and the next candle should not touch the line at all.

Stop-Loss

- Ten pips inside the trendline
- Total target of 20 to 25 pips from entry

Exit

When you see these three occurrences combined:

1. When you reach a greater profit than your stop-loss risk (when beyond a 1:1 ratio). So if your stop-loss was 25 pips then consider exiting at or beyond 25 pips profit.
2. If a candle reverses over the 12 MA (TPF green line) by more than 50% (half of its size including wicks).
3. When the 12 MA turns to point towards 3 o'clock and is no longer parallel or pointing away.