

The R*G*E*M System

"Everything We Do"

After determining the Overall Stance (OS) for each currency and which currencies we will trade this week based on fundamental analysis, we now look for entry signals based on our technical trading strategy as summarized here.

The Swing Trade

The foundation of our technical trading strategy is based on Swing Trades off the 34 EMA. The 34 EMA, also known as "The Wave" was first introduced by Raghee Horner in her 2004 book, "FOREX Trading for Maximum Profit," and we like it because of its relation to important FIB levels.

Harmonic Patterns

Harmonic patterns play a key role in our trading. We use harmonic patterns in conjunction with "The Wave" to find entry levels as well as to identify key stop loss and profit target levels. While we never enter a trade based on harmonic signals alone, we look for higher probability trade setups where the entry signals from harmonics and "The Wave" align at the same general price level.

Volume Spread Analysis

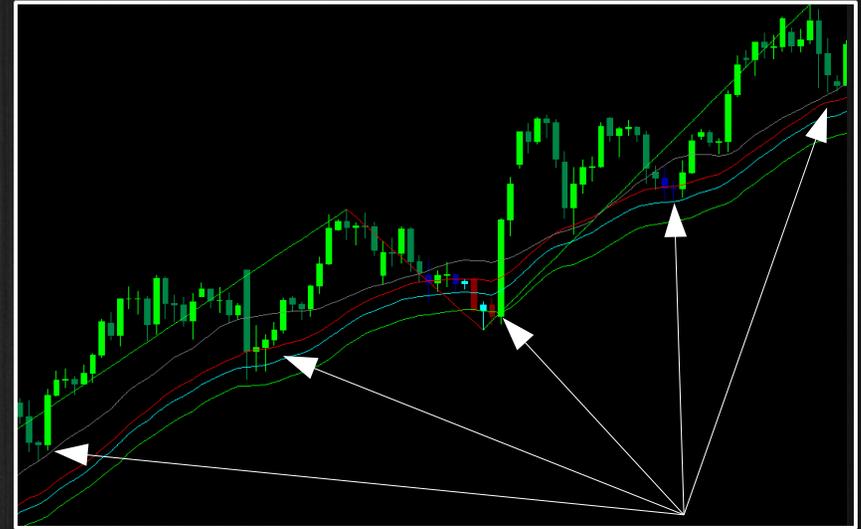
Volume Spread Analysis (VSA) is critical to our trading as it provides us insight into the trading activity of Smart Money (SM). Since SM are the ones moving large amounts of money and are able to manipulate the market forces of supply and demand, we want to be on same side of the trade as SM. VSA is routinely used to identify accumulation/distribution zones, breakouts or reversals, as well as determining the general strength of a trend.

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The Swing Trade

Buy Signal

When a pair is in an uptrend directional bias, we look to buy on the swing. The Wave must be between the 12 and 2 o'clock angle. Valid entry order(s), in order of aggressiveness, would be at the 20 period simple moving average (MVA), the 34 EMA high, 34 EMA close, and 34 EMA low.



Valid Buy Signals

Sell Signal

When a pair is in a downtrend directional bias, we look to sell on the swing. The Wave must be between the 4 and 6 o'clock angle. Valid entry order(s), in order of aggressiveness, would be at the 20 period simple moving average (MVA), the 34 EMA low, 34 EMA close, and 34 EMA high.



Valid Sell Signals

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Harmonic Patterns

We constantly keep an eye out for harmonic patterns including the Bat, Butterfly, Crab, Gartley and Shark. While we use harmonic patterns for a variety of aspects in our trading, one of the most common setups we scan for are ones where the potential resistance zone (PRZ) aligns with a swing entry signal off the Wave on a higher time frame.

As you can see in the example presented here, a Bearish Gartley pattern formed on the 1H chart with a PRZ that falls within the Wave of the 4H chart. This can be considered a high probability trade setup since we are utilizing 2 individual entry signals on 2 separate time frames that align at the same price level.

We also use harmonic patterns to identify profit targets and stop loss levels as well as to manage our open trades.



Harmonic Sell Signal
+
Swing Sell Signal
=
100 pips profit

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Volume Spread Analysis

Volume Spread Analysis (VSA) is an advanced methodology in trading that has several applications. Here, we provide an example of using VSA to identify a breakout.



A-D: The pair is forming a descending channel. At the channel support (A&C), there was a spike in volume as buyers came into the market to push the pair higher. At the channel resistance (B&D), we see an increase in volume as the sellers come into the market to push the pair lower. Notice how each spike in volume is higher than the previous.

E: Here, we see that price was unable to reach the channel support before the influx of buyers came into the market. Volume is also higher than the previous influx of sellers, providing the first indication that the bulls are gaining power and could force a breakout of the descending channel.

F: When price approaches the channel resistance, there is a significant lack of volume, indicating that the bears are no longer participating. Consequently, price was able to break through the channel resistance and continue its move higher.

*Note: we would not trade this breakout, but instead, would have already been short the pair (swing sell signals) and taken this as a signal to take profit and close the trade.

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