



DEEP BLUE

FOREX TRADING SYSTEM

ULTRA BLUE - BONUS METHODS

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HIGH RISK INVESTMENT

TRADING FOREIGN EXCHANGE ON MARGIN CARRIES A HIGH LEVEL OF RISK, AND MAY NOT BE SUITABLE FOR ALL INVESTORS.

Before deciding to trade foreign exchange, you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some, or all, of your initial investment, and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial adviser if you have any doubts.



A simple trading system is excellent. As traders, we succeed more often when we keep things as simple as possible. The foundation of the Deep Blue system is called Light Blue. Light Blue is the manual that comes before this one, and if you haven't read the Light Blue manual, I suggest you do. It lays the groundwork and introduces you to the system itself.

THIS IS DEEP BLUE, THE ADVANCEMENT OF LIGHT BLUE.

What we will be doing is taking all the concepts introduced to us through Light Blue and adding to it. This is Light Blue on steroids.

The additional strategies discussed here offer us more trading opportunities, and provide us with additional filters to keep us out of bad trades. We want to trade more often while taking fewer losing trades, and that is where Deep Blue shines.

ADVANCED FEATURES OF DEEP BLUE:

1. RSI TRADES
2. HIGHER TIMEFRAME FILTER
3. RANGE-BOUND MARKET FILTER
4. TRENDLINE TRADES
5. ENGULFING TRADES
6. INSIDE DAY TRADES
7. BREAK-EVEN
8. TRADE MANAGEMENT
9. LETTING A TRADE RUN

The Deep Blue system is going to complete your trading approach. After you learn the features of Deep Blue, you will have a incredible edge over the market.

DEEP BLUE

Deep Blue is the evolution of the Light Blue trading system. It builds upon the basic concepts of Light Blue's already great system, giving you way more options for your trading.

With Deep Blue, we will get earlier entry signals, ways to filter out trades, a method of jumping into a missed trend, reducing the risk on each trade, jumping to a break-even trade quickly, allowing a trade to run, and more.

These all compliment the Light Blue system in a very simple, exciting, and profitable way.

If you have ever struggled to profit in the markets, this will help change that.

Enjoy the bonuses that are Deep Blue, everything you need to know about trading profitably is here at your finger tips.



SECTION #1

TRADE FILTERS

The market is open 24 hours a day, 5 days a week. Because it's open around the clock does not mean that all times are good times to trade.

There will be periods of time that the market just isn't worth trading.

We want to take the trades that will give us the best chances of success, and this means knowing when we should trade and when we should leave the trades alone.

We will use a series of "filters" to limit the trades we take to the most suited for trading.

We will look at 2 different ways to filter our trades.

- The Higher Timeframe
- Range-bound Markets

Taking both of these into consideration will limit the trade we take to the ones that will give us the highest potential of winning.

HIGHER TIMEFRAME ←

A timeframe is simply how long it takes for a candle to open and then close. A 5 minute timeframe means the candles take 5 minutes from when they begin to when they finish forming. A 1 hour timeframe means each candle you see on the chart took 1 hour to form.

We trade a timeframe like the 5 minute, the 15 minute, the hour and so on. The timeframe we trade is the "current timeframe". When it comes to a higher timeframe (HTF), we want to look at a timeframe that is roughly 4 times bigger than the timeframe we are trading. For example, if we trade the 15 minute timeframe, we would use the 1 hour as the higher timeframe.

CURRENT TIMEFRAMES AND THEIR HIGHER TIMEFRAME COUNTERPARTS:

| CURRENT TIMEFRAME | 1 Minute | → | 5 Minute | HIGHER TIMEFRAME |
|----------------------|-----------|---|-----------|---------------------|
| | 5 Minute | → | 15 Minute | |
| | 15 Minute | → | 1 Hour | |
| | 30 Minute | → | 1 Hour | |
| | 1 Hour | → | 4 Hour | |
| | 4 Hour | → | Daily | |
| | Daily | → | Weekly | |
| | Weekly | → | Monthly | |
| | Monthly | → | - | |
| | | | | |

HIGHER TIMEFRAME ←

When we are about to take a trade, we want to confirm with the higher timeframe. The higher timeframe carries more weight than the timeframe we trade, so ideally, we want the current timeframe and the higher timeframe to be in agreement.

The rules for this are very simple. We are looking for the same market conditions on the higher timeframe as we see on the current timeframe.

WHAT WE ARE LOOKING FOR

In a short trade, we want both timeframes (the current timeframe the higher timeframe) to have the trend down (13 EMA below the 34 EMA) and the RSI under the 50 level.

In a long trade, we want both timeframes (the current timeframe the higher timeframe) to have the trend up (13 EMA above the 34 EMA) and the RSI above the 50 level.

If the current timeframe does not match the higher timeframe in its direction, then we do not take the trade. The higher timeframe often carries more momentum and that's the direction we want to trade.

When both timeframes are headed in the same direction, the trade is considered a much safer and higher probability trade to take and has the potential to move farther.

HIGHER TIMEFRAME

SHORT EXAMPLE

Starting by looking at the setup on the current timeframe (CTF), we follow up by looking to the higher timeframe (HTF) to confirm that it is telling us the same story. *The grey vertical line shows the same place on both timeframes.

CURRENT TIMEFRAME

We found the setup:

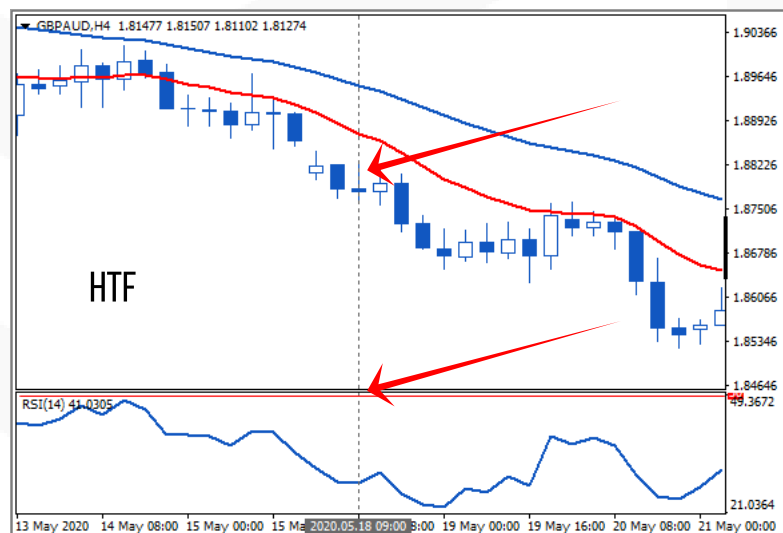
- Price is under the 13 EMA.
- 13 EMA is under the 34 EMA.
- RSI is under the 50 level.
- Price has moved up to touch the 13 EMA.



HIGHER TIMEFRAME

We confirm the direction:

- Price is under the 13 EMA.
- 13 EMA is under the 34 EMA.
- RSI is under the 50 level.



HIGHER TIMEFRAME

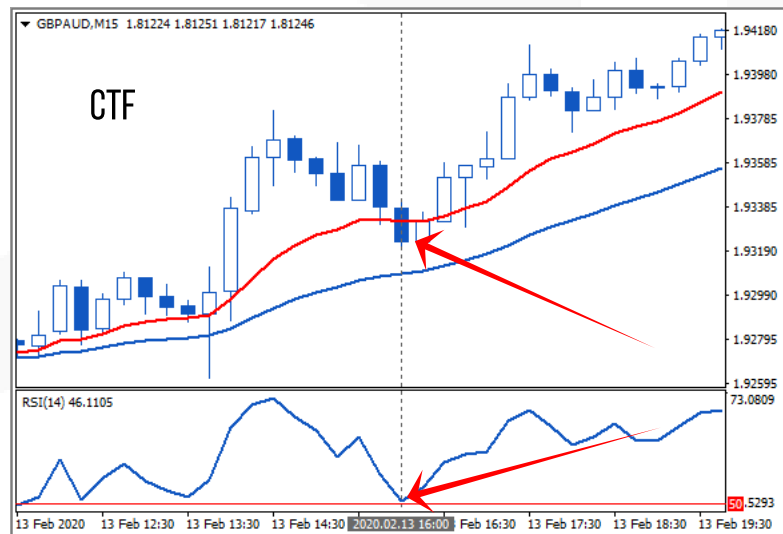
LONG EXAMPLE

Starting by looking at the setup on the current timeframe (CTF), we follow up by looking to the higher timeframe (HTF) to confirm that it is telling us the same story. *The grey vertical line shows the same place on both timeframes.

CURRENT TIMEFRAME

We found the setup:

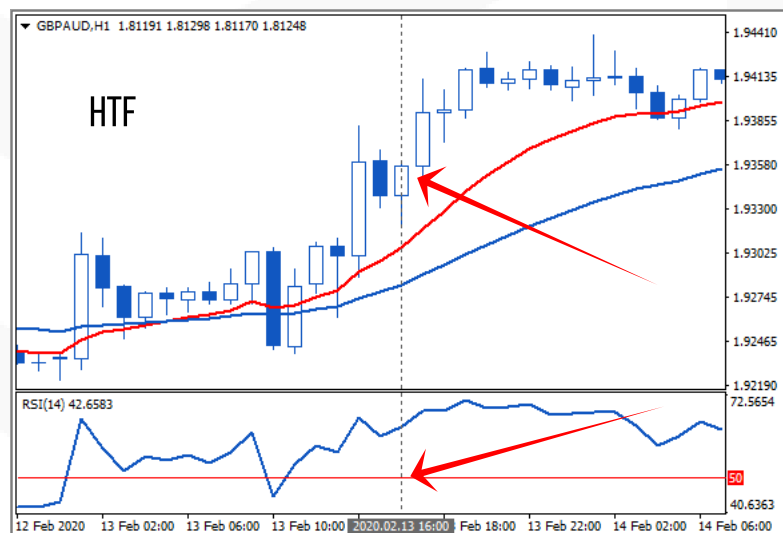
- Price is above the 13 EMA.
- 13 EMA is above the 34 EMA.
- RSI is above the 50 level.
- Price has moved down to touch the 13 EMA.



HIGHER TIMEFRAME

We confirm the direction:

- Price is above the 13 EMA.
- 13 EMA is above the 34 EMA.
- RSI is above the 50 level.



RANGING MARKETS

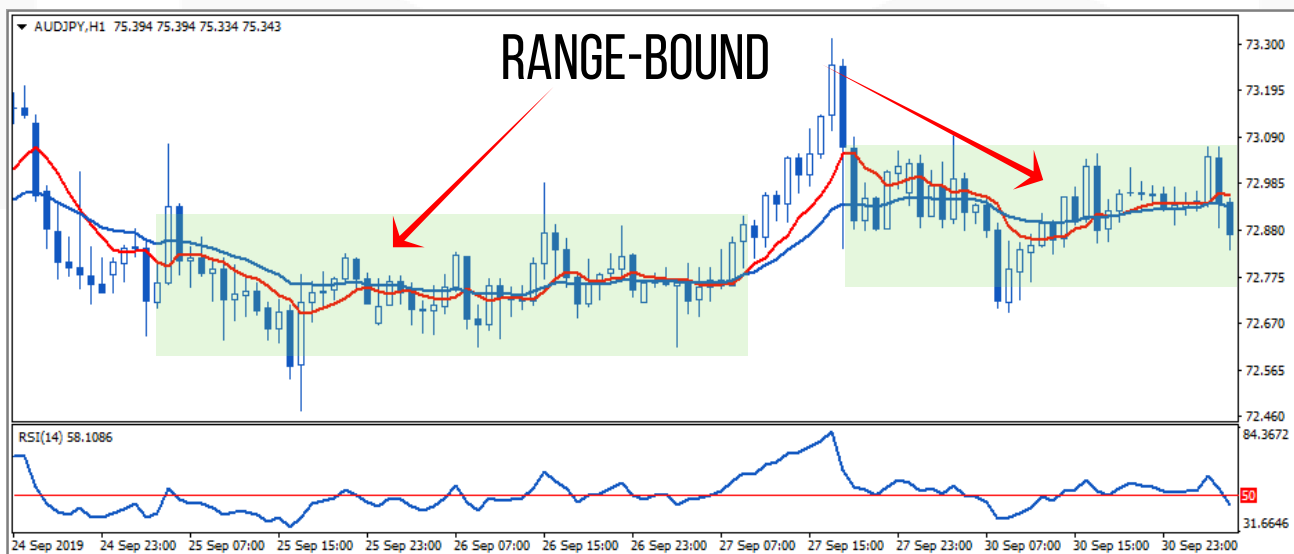
Just because we sit down in front of our charts and are ready to trade, doesn't always mean the the markets are ready to be traded.

We are looking to trade favorable conditions, we want only the best opportunities to trade. In a sense, we are cherry-picking the highest probability setups, and in doing so, we will be leaving some setups alone.

WE DO NOT WANT TO TRADE IN RANGING MARKETS.

We want to identify what a ranging market is so we can avoid them. Too many traders have several successful trades only to give their gains back to the markets because they don't know when to stay out.

A ranging market is one that is moving sideways with very minimal up and down. We can only make money in a trade if the market moves one way or the other, and a ranging market isn't moving well in either direction.



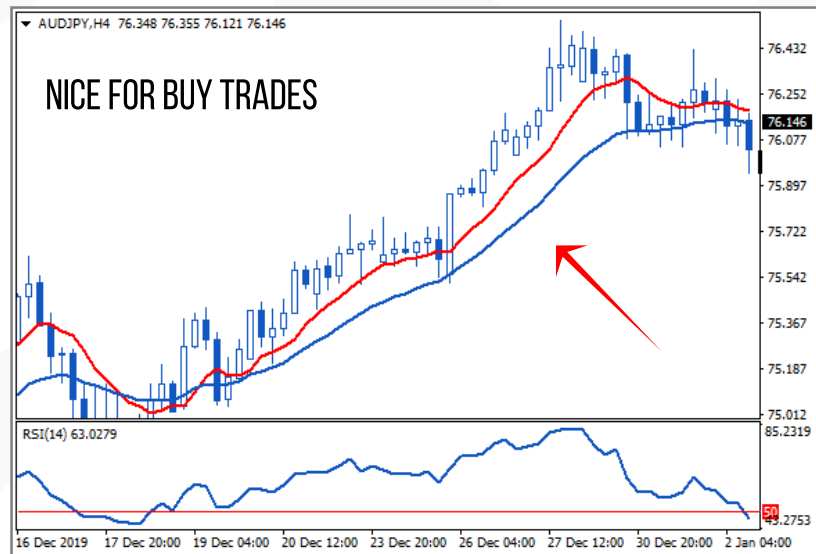
RANGING MARKETS

First, let's look at a market that is NOT range-bound.

It moves up or down, there are gaps between the moving averages, the price is above or below the 13 EMA, the RSI remains on one side of the 50 level.

BULLISH MARKET

- Market is generally moving upwards.
- Price is above the 13 EMA.
- 13 EMA is above the 34 EMA with notable separation.
- RSI remains above the 50 level for more than just a few candles.



BEARISH MARKET

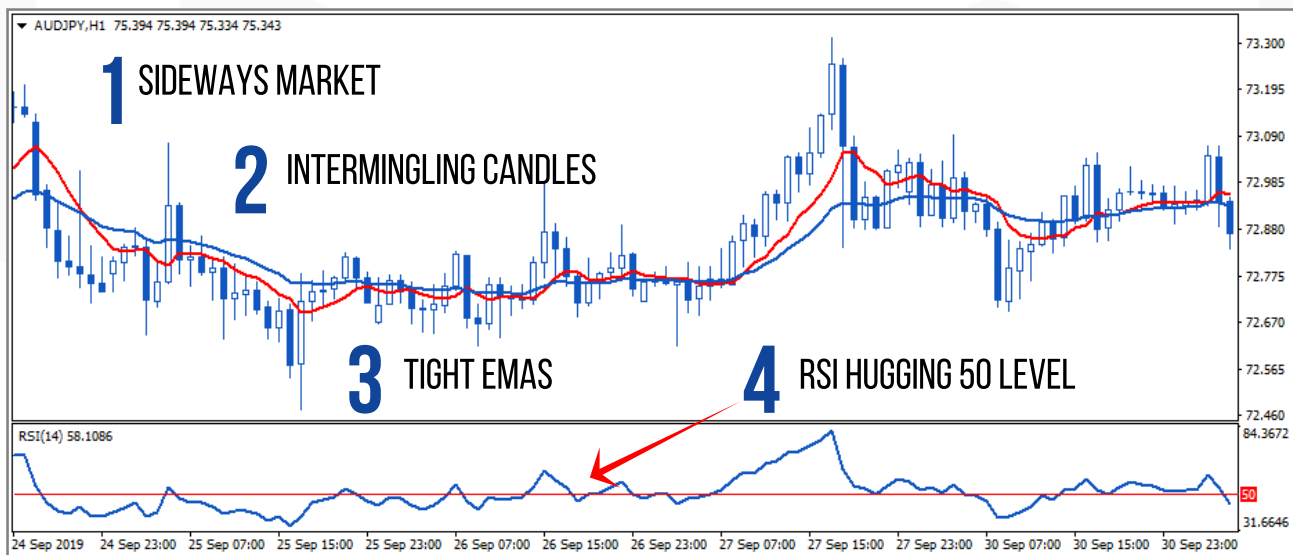
- Market is generally moving downwards.
- Price is generally below the 13 EMA.
- 13 EMA is below the 34 EMA with notable separation.
- RSI remains below the 50 level for more than just a few candles.



RANGING MARKETS

Now that we understand a little bit about what a decent market looks like, we will take the exact opposite and that becomes a range-bound market.

1. The market will not have a general direction to it, it will move more sideways than up or down. Of course it will have small up and down movements, but overall, it will be moving sideways not making any progress in either direction.
2. The candles will be mainly intermingled with the moving averages, the market won't be clearly on one side or the other.
3. The EMAs will be very close together and even switching sides. There won't be any clear separation between them, they do what's referred to as a "DNA spiral".
4. The RSI will hug the 50 level and frequently move above and below it.



SECTION #2

ADDITIONAL TRADES

The Ultra Blue trade type is a very good trade type, but using the indicators we have we can add more trade types.

These trade types are bonuses that we can plug into the existing system we don't need to make any modifications to the indicators or the system itself.

These will give you a LOT of additional trading opportunities.
The ones we will look at are:

- RSI Trade
- Trendline Trade
- Engulfing Trade
- Inside Day Trade

The Light Blue features such as the stop loss and the targets can be used with these additional trade types, these are a kind of plug-and-play.

One of these trade types might strike you in a way that the others won't. You will find one of these to be the style that fits you the best, and having these options will allow for you to refine and specialize in the perfect method for you.

TREND-ORIENTED RSI TRADE

The RSI Trade gives us a trade signal using the RSI indicator. An important feature of this trade is the direction of the trend. We want to only be trading the RSI trade in the direction the moving averages are telling us to.

As we already understand the trend is determined by the moving averages.

- When the 13 EMA is above the 34 EMA, the trend is up.
- When the 13 EMA is below the 34 EMA, the trend is down.

We are looking for the RSI to move across the 50 level in the opposite direction of the trend and then back across the 50 level into the trending direction. The trade signal will be at the close of the candle that has made the RSI cross the 50 level in the trending direction.

Ideally, the candle the closes to trigger a trade is also beyond the 13 EMA. In a buy trade, it would close above the 13 EMA while a short trade it would close below the 13 EMA. This is not a necessity, but it does increase the odds of a successful trade.

IMPORTANT NOTE

The RSI trades signal will be given at the CLOSE of the candle.

In the Light Blue trades, all we need is for the candle to move beyond support or resistance by a pip, but with the RSI trade, we want the candle to CLOSE to give us a signal.

STEP BY STEP

BUY TRADE

STEP 1: THE TREND MUST BE UP

The 13 EMA is above the 34 EMA.

STEP 2: THE RSI MUST MOVE BELOW THE 50 LEVEL

The RSI will move below the 50 level as part of the setup.

STEP 3: THE RSI MOVES ABOVE THE 50 LEVEL

The market will move back into the direction of the trend and the RSI moves back above the 50 level.

STEP 4: THE TRADE IS PLACED AT THE CLOSE OF THE CANDLE

The signal to buy is when the candle that moves the RSI above the 50 level closes.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

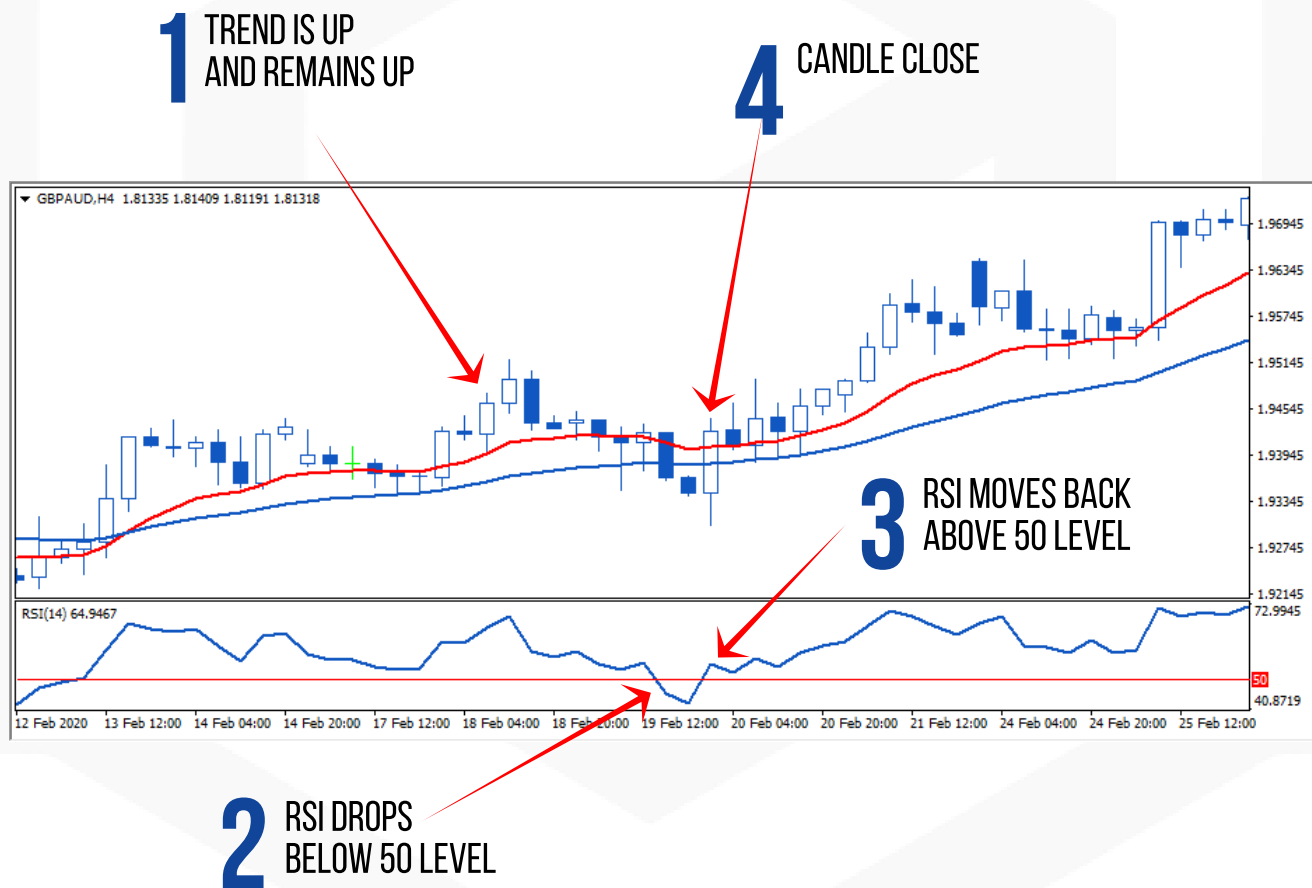
As with any other Blue buy trade, the stop loss will go just below the most recent swing low.

The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)*
- the most recent level of resistance.*

BUY TRADE EXAMPLE

1. The trend must be up, the 13 EMA above the 34 EMA.
2. The RSI must move below the 50 level.
3. The RSI moves back above the 50 level.
4. The candle must close to trigger a buy trade.



NOTE:

The signal candle closes above the 13 EMA which is preferable to a close below it.

STEP BY STEP

SELL TRADE

STEP 1: THE TREND MUST BE DOWN

The 13 EMA is below the 34 EMA.

STEP 2: THE RSI MUST MOVE ABOVE THE 50 LEVEL

The RSI will move above the 50 level as part of the setup.

STEP 3: THE RSI MOVES BELOW THE 50 LEVEL

The market will move back into the direction of the trend and the RSI moves back below the 50 level.

STEP 4: THE TRADE IS PLACED AT THE CLOSE OF THE CANDLE

The signal to sell happens when the candle that moves the RSI below the 50 level closes.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

As with any other Blue sell trade, the stop loss will go just above the most recent swing high.

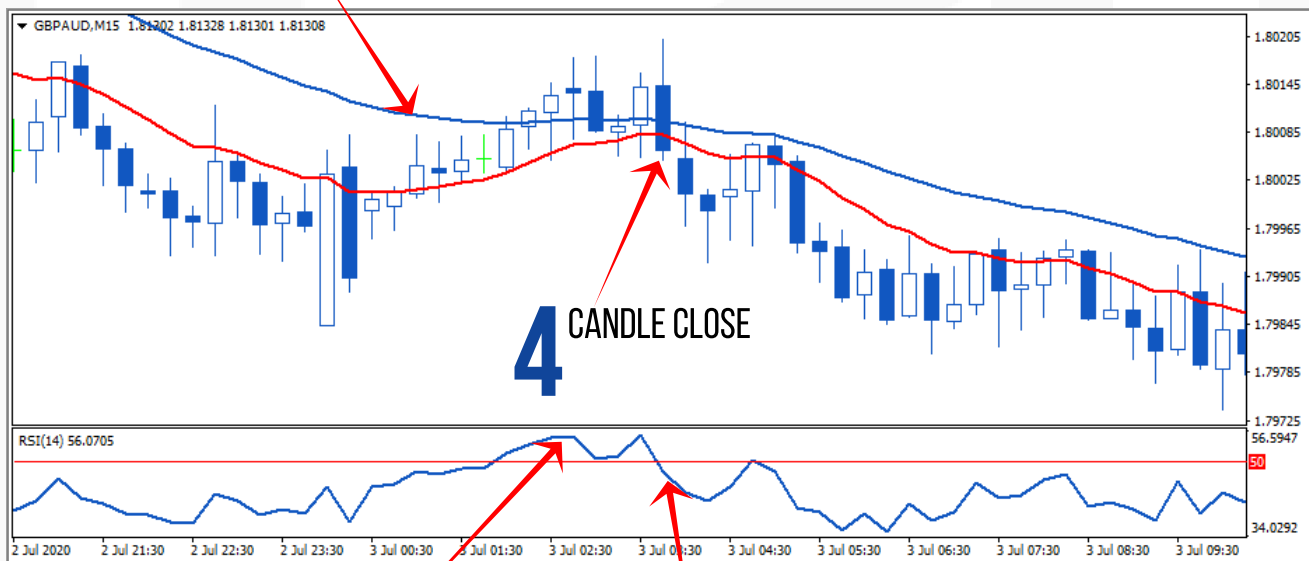
The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)*
- the most recent level of support.*

SELL TRADE EXAMPLE

1. The trend must be down, the 13 EMA below the 34 EMA.
2. The RSI must move above the 50 level.
3. The RSI moves back below the 50 level.
4. The candle must close to trigger a sell trade.

1 TREND IS DOWN
AND REMAINS DOWN



2 RSI MOVES
ABOVE 50 LEVEL

3 RSI MOVES BACK
BELOW 50 LEVEL

NOTE:

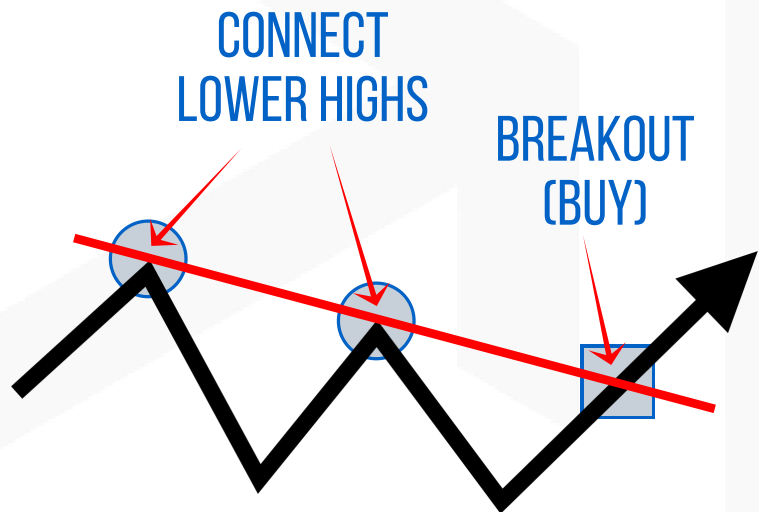
The signal candle closes below the 13 EMA which is preferable to a close above it.

TRENDLINES IN A TREND

Trendlines are a great way to get into a trade earlier than if we were to use general support and resistance levels. A trendline trade won't always be present, but when they are, we can make good use of them.

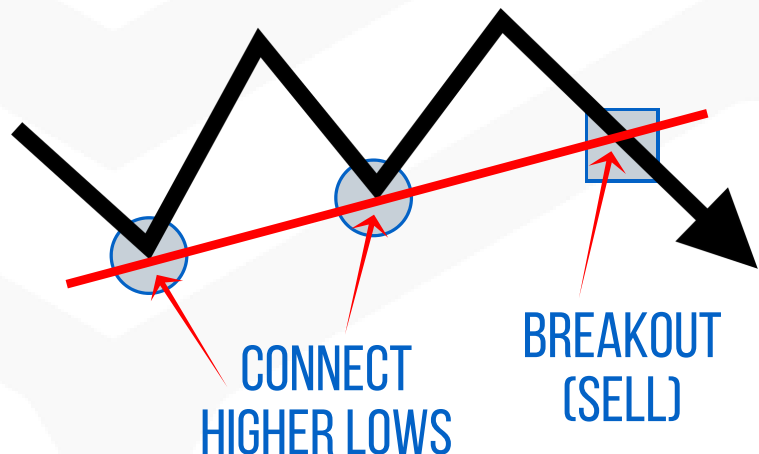
BULLISH TRENDLINE

With the trend being upwards (13 EMA above the 34 EMA), we look for the price to make a lower high. We connect the highs to form a downward sloping trendline. When price closes above the trendline (breakout), we can buy.



BEARISH TRENDLINE

With the trend being downwards (13 EMA below the 34 EMA), we look for the price to make a higher low. We connect the lows to form an upward sloping trendline. When price closes below the trendline (breakout), we can sell.



STEP BY STEP

BUY TRADE

STEP 1: THE TREND MUST BE UP

The price is above the 13 EMA, the 13 EMA is above the 34 EMA.

STEP 2: THE PRICE MAKES A LOWER HIGH

As price makes a lower high, a downward sloping trendline can be drawn above the price connecting the progressively lower highs.

STEP 3: RSI MUST BE ABOVE THE 50 LEVEL

Price moves down to touch the 13 EMA, the RSI remains above the 50 level.

STEP 4: THE PRICE CLOSES ABOVE THE TRENDLINE

The signal to buy is when a candle closes above the trendline.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

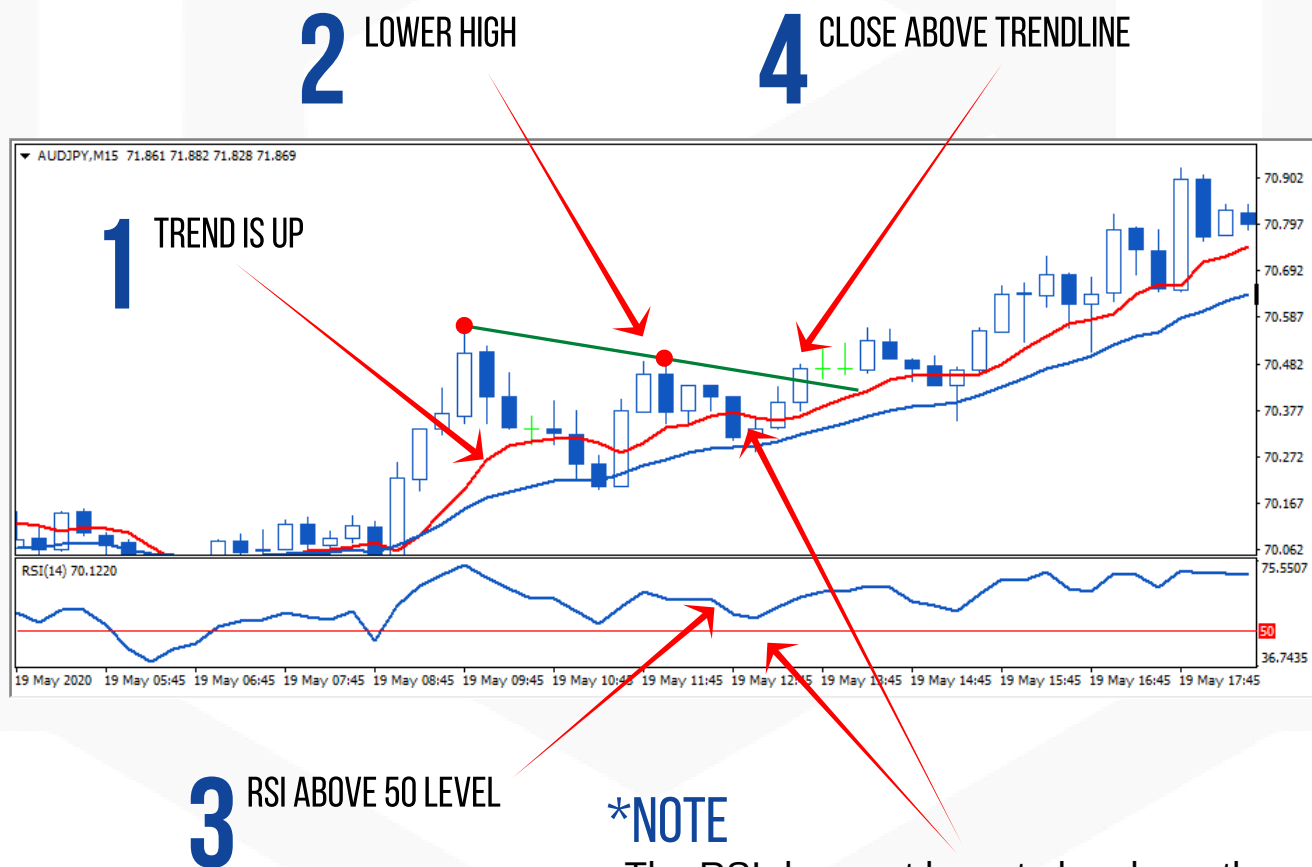
As with any other Blue buy trade, the stop loss will go just below the most recent swing low.

The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)
- the most recent level of resistance.

BUY TRADE EXAMPLE

1. The trend must be up, the 13 EMA above the 34 EMA.
2. The price must make a lower high.
3. The RSI must be above the 50 level.
4. Price must close above the trendline.



*NOTE

The RSI does not have to be above the 50 level the entire time, as long as it's above the 50 level at the point of the final touch of the price to the 13 EMA. before the close above the trendline.

STEP BY STEP

SELL TRADE

STEP 1: THE TREND MUST BE DOWN

The price is below the 13 EMA, the 13 EMA is below the 34 EMA.

STEP 2: THE PRICE MAKES A HIGHER LOW

As price makes a higher low, an upward sloping trendline can be drawn under the price connecting the progressively higher lows.

STEP 3: RSI MUST BE BELOW THE 50 LEVEL

Price moves up to touch the 13 EMA, the RSI must remain below the 50 level.

STEP 4: THE PRICE CLOSES BELOW THE TRENDLINE

The signal to sell is when a candle closes below the trendline.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

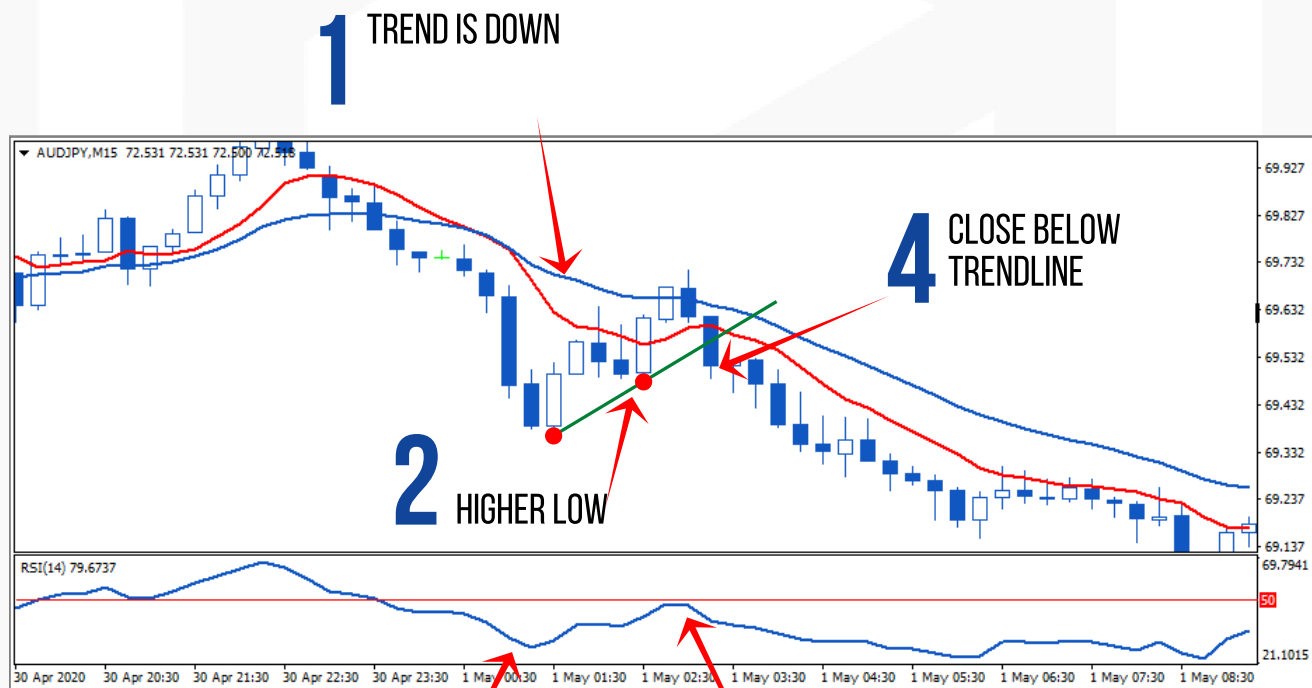
As with any other Blue sell trade, the stop loss will go just above the most recent swing high.

The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)
- the most recent level of support.

SELL TRADE EXAMPLE

1. The trend must be down, the 13 EMA below the 34 EMA.
2. The price must make a higher low.
3. The RSI must be below the 50 level.
4. Price must close below the trendline.



3 RSI BELOW 50 LEVEL

***NOTE**

The RSI does not have to be below the 50 level the entire time, as long as it's under the 50 level at the point of the final touch of the price to the 13 EMA. before the close below the trendline.

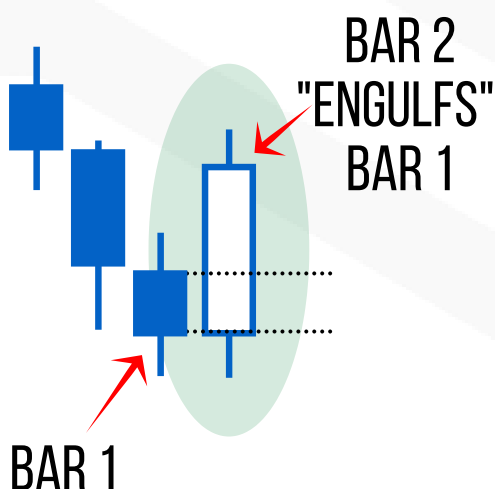
ENGULFING BAR

This trade is triggered by a pattern called the Engulfing Bar. It's a 2 candle pattern where the signal candle's body is the opposite color and completely engulfs the previous candle's body. We aren't too concerned about the candle wicks, only that the second candle's body is larger and "engulfs" the body of the previous candle.

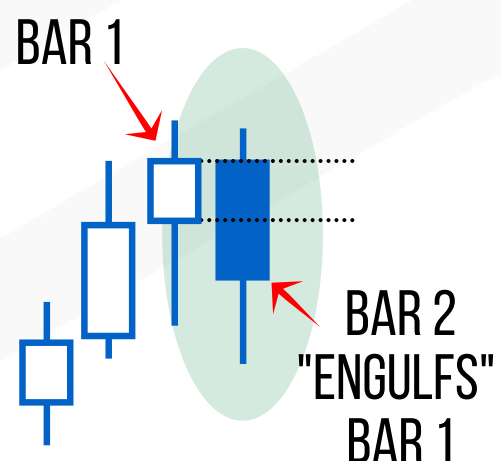
It's a pattern many traders look for, but like most candles patterns, it needs some kind of reason to work. We want there to be a kind of "structure" present, and for us, the structure we are looking for is a pullback to the 13 EMA.

Once price has pulled back to the 13 EMA, the market is likely to resume the trend if it forms an engulfing candle. This shows the market momentum has picked up in the trending direction and the trade is a fairly safe trade to take.

BULLISH ENGULFING



BEARISH ENGULFING



STEP BY STEP

BUY TRADE

STEP 1: THE TREND MUST BE UP

The price is above the 13 EMA, the 13 EMA is above the 34 EMA, the RSI is above the 50 level.

STEP 2: THE PRICE PULLS BACK TO THE 13 EMA (OR BELOW)

The market makes its pullback to the 13 EMA, it's ok if the price moves below it.

STEP 3: A BULLISH ENGULFING CANDLE FORMS

We look for a Bullish Engulfing candle to form, the body of this candle will be bigger and completely envelope the body of the previous candle.

STEP 4: THE TRADE IS PLACED AT THE CLOSE OF THE CANDLE

Once the Bullish Engulfing candle closes, we can place a buy trade.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

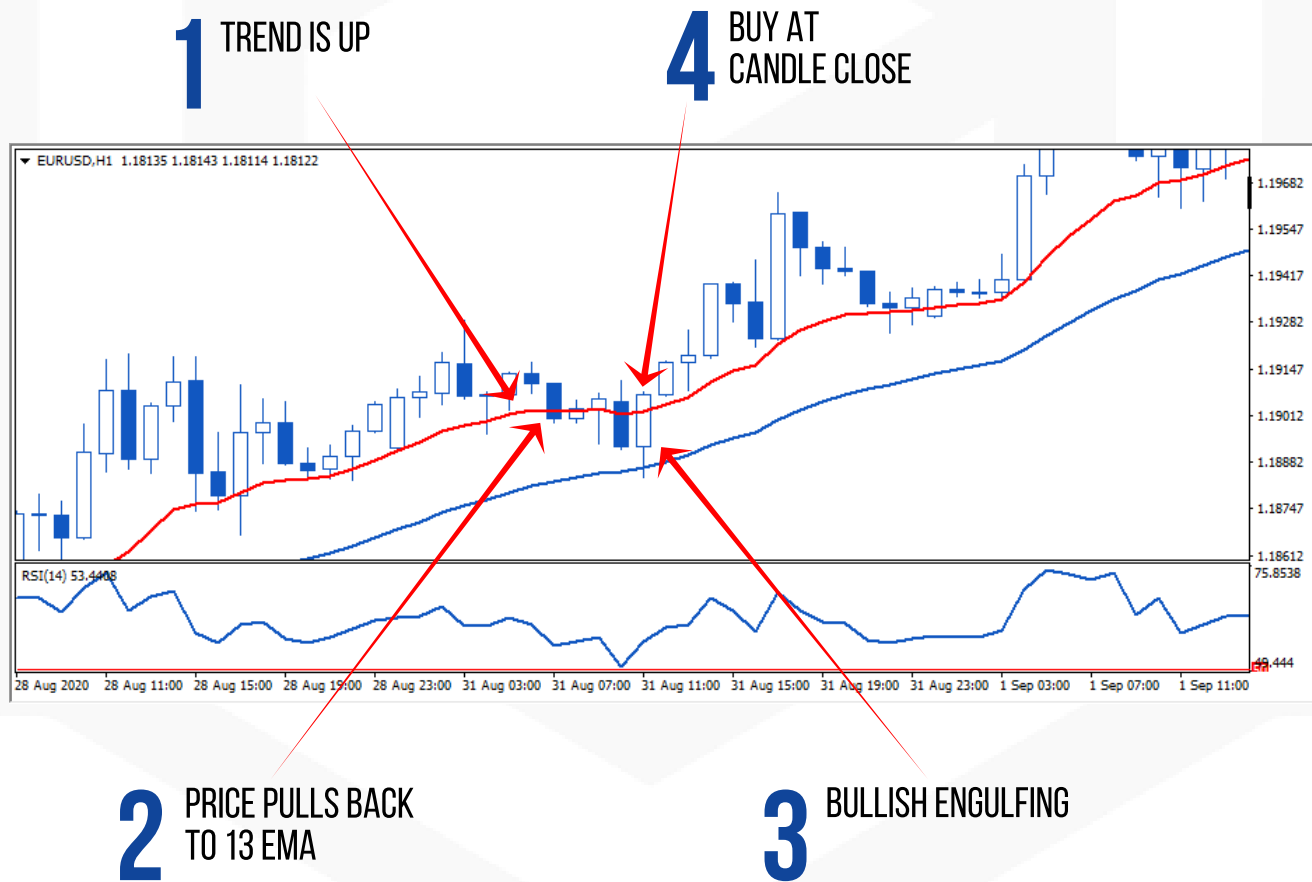
As with any other Blue buy trade, the stop loss will go just below the most recent swing low.

The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)*
- the most recent level of resistance.*

BUY TRADE EXAMPLE

1. The trend must be up: The price must be above the 13 EMA, the 13 EMA above the 34 EMA, and the RSI is above the 50 level.
2. The price pulls back to the 13 EMA (or below it).
3. The market makes a Bullish Engulfing candle.
4. The candle must close to trigger a buy trade.



NOTE:

The candle closes above the 13 EMA which is preferable to a close below it.

STEP BY STEP

SELL TRADE

STEP 1: THE TREND MUST BE DOWN

The price is below the 13 EMA, the 13 EMA is below the 34 EMA, the RSI is below the 50 level.

STEP 2: THE PRICE PULLS BACK TO THE 13 EMA (OR ABOVE)

The market makes its pullback to the 13 EMA, it's ok if the price moves above it.

STEP 3: A BEARISH ENGULFING CANDLE FORMS

We look for a Bearish Engulfing candle to form, the body of this candle will be bigger and completely envelope the body of the previous candle.

STEP 4: THE TRADE IS PLACED AT THE CLOSE OF THE CANDLE

Once the Bearish Engulfing candle closes, we can place a sell trade.

STOP LOSS AND TARGET (REFER TO LIGHT BLUE MANUAL)

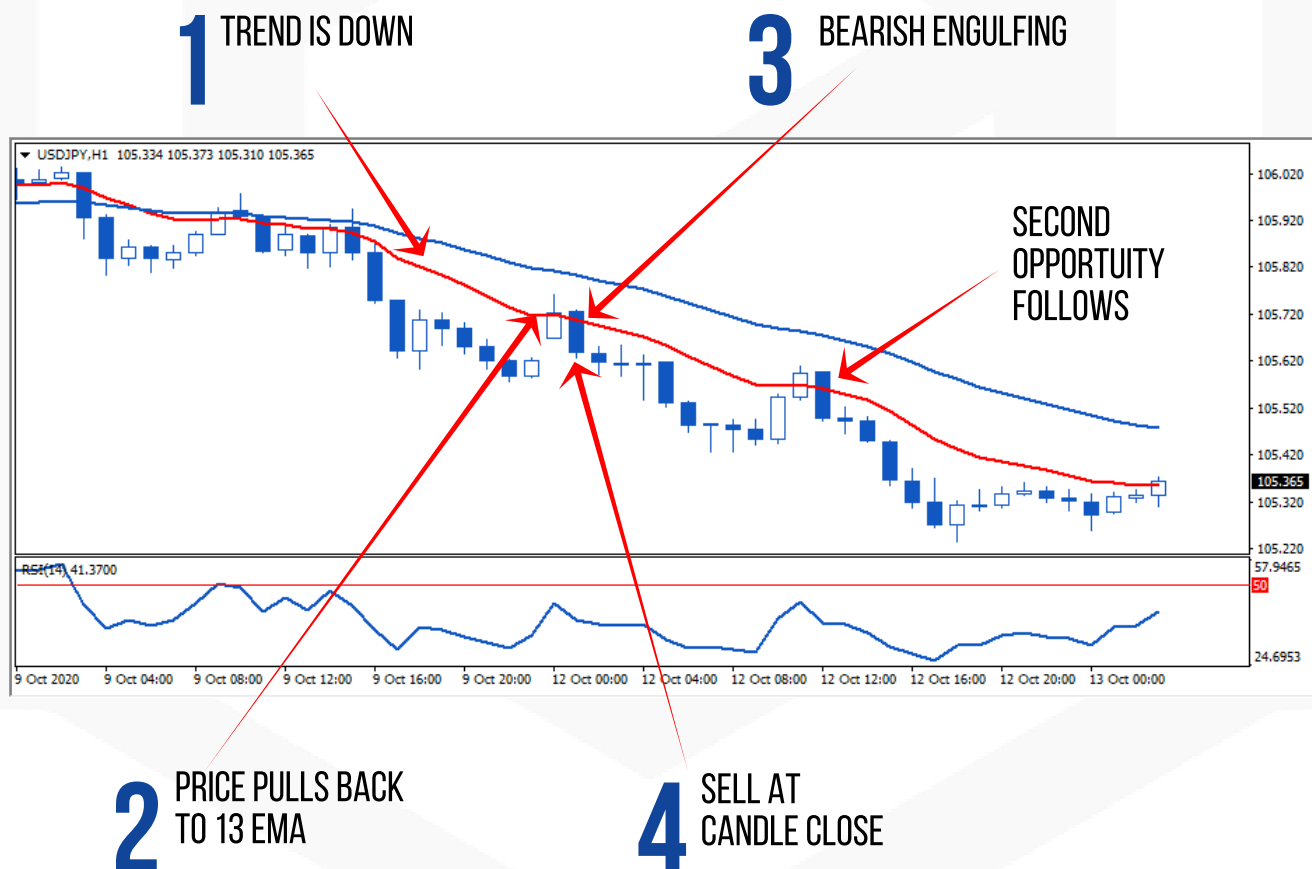
As with any other Blue sell trade, the stop loss will go just above the most recent swing high.

The target can be:

- 1:1 ratio, meaning the target is the same number of pips as the initial stop loss (you can also use different ratios such as 1.5:1, 2:1 and so on)*
- the most recent level of support.*

SELL TRADE EXAMPLE

1. The trend must be down: The price below the 13 EMA, the 13 EMA below the 34 EMA, and the RSI is below the 50 level.
2. The price pulls back to the 13 EMA (or above it).
3. The market makes a Bearish Engulfing candle.
4. The candle must close to trigger a sell trade.



NOTE:

The candle closes below the 13 EMA which is preferable to a close above it.

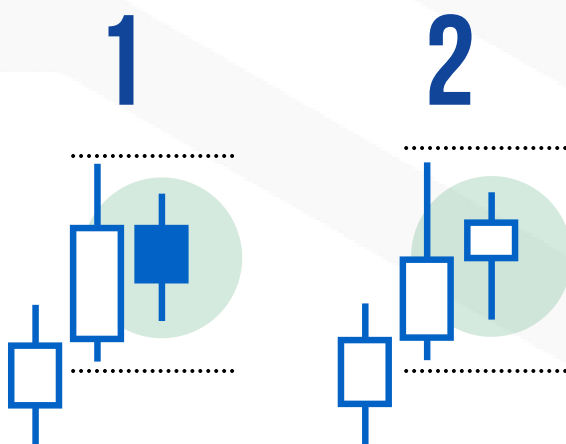
INSIDE DAY TRADE

The Inside Day is a candle formation that many traders overlook. The Inside Day is a simple setup and has a high percent win rate, but because of its simplicity, traders seem to dismiss it. Once you learn how it works, you will see successful trade setups all over the place!

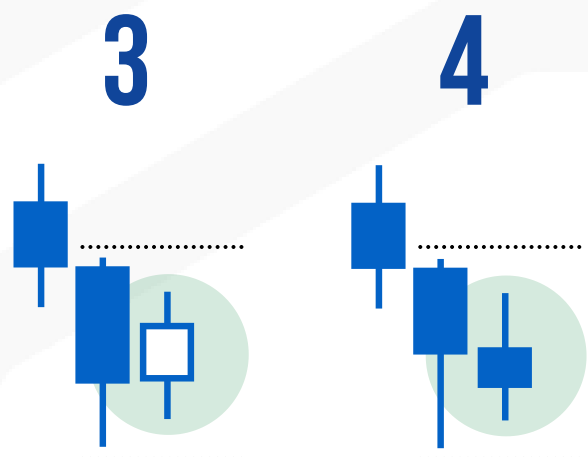
The setup is called Inside Day, and this goes back to the time when trading the daily timeframe was the only option there was. The Inside Day is a formation that works on whatever timeframe you like to trade, but I do prefer the higher timeframes (1 hour and above) using this pattern.

The Inside Day is a 2 candle formation and happens when a candle forms entirely inside the previous candle's high and low. The Inside Day candle can be the same, or opposite, color of the previous candle. As long as the candle forms inside of the previous candle's range, we have a potential trade.

BULLISH INSIDE DAY



BEARISH INSIDE DAY



INSIDE DAY TRADE

The Inside Day candle formation is one we are looking to trade in the direction of the trend, we are still trading with the overall market movement. The moving averages must be in order and the RSI will be on the correct side of the 50 level.

The trend direction is how we determine if we are buying or selling. We buy in an uptrend and we sell in a downtrend.



UP / DOWN TREND

An uptrend is then the 13 EMA is above the 34 EMA and the RSI is above the 50 level.

A downtrend is when the 13 EMA is below the 34 EMA and the RSI is below the 50 level.

STEP BY STEP ←

BUY TRADE

STEP 1: THE TREND MUST BE UP

The 13 EMA is above the 34 EMA and the RSI must be above the 50 level.

STEP 2: THE FIRST CANDLE MUST BE BULLISH

In an uptrend, the first candle of the Inside Day formation must be a bullish candle.

STEP 3: A CANDLE FORMS INSIDE THE RANGE OF THE PREVIOUS CANDLE

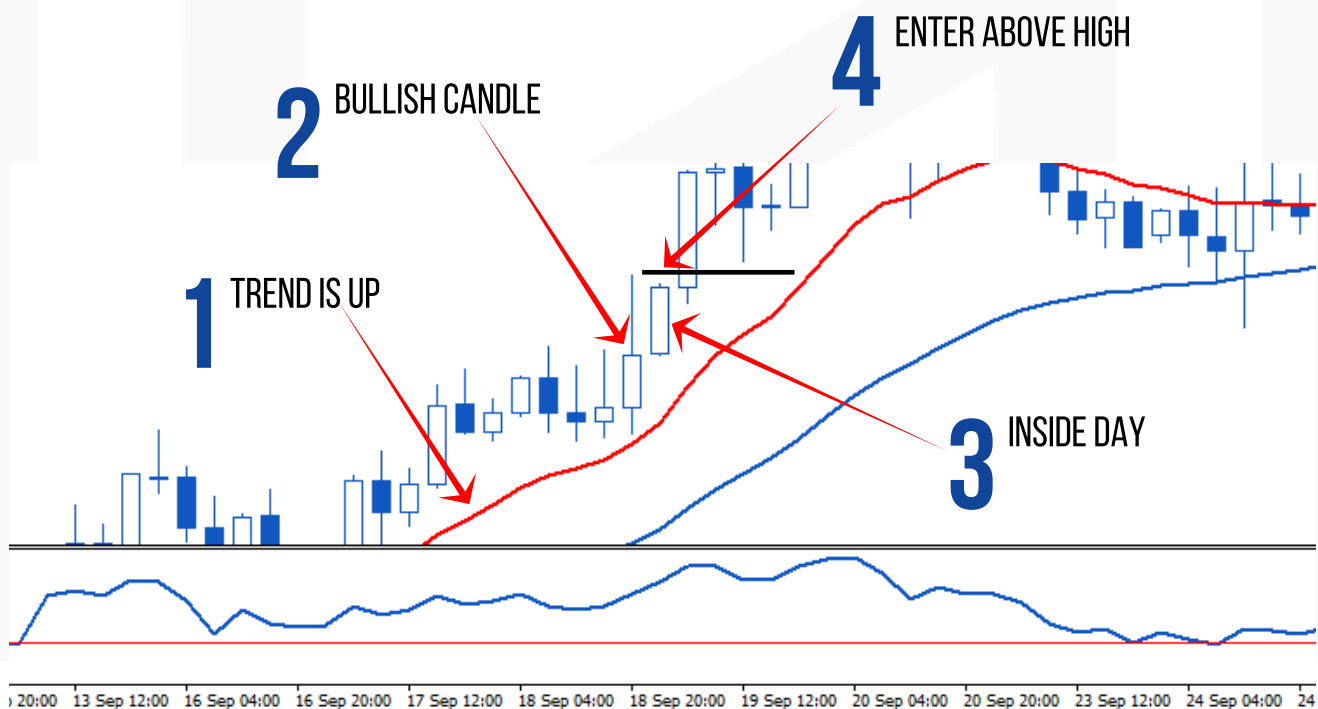
The Inside Day signal candle can be bullish or bearish. The candle's high must be lower than the previous candle's high, and the low must be higher than the previous candle's low.

STEP 4: THE TRADE IS TRIGGERED ABOVE THE HIGH OF THE INSIDE DAY CANDLE

An entry order to buy can be placed 1 pip above the high of the Inside Day candle. This can be placed manually as a market order, or set as a buy-stop order.

BUY TRADE EXAMPLE

1. The trend must be up, the 13 EMA above the 34 EMA and the RSI above the 50 level.
2. The first candle of the formation must be bullish.
3. A candle forms inside the range of the previous candle.
4. The trade is triggered above the high of the Inside day candle.



STOP LOSS

Stop loss can go below the low of the Inside Day candle or below the previous candle's low.

BUY TRADE GRAPHIC

BULLISH FIRST CANDLE

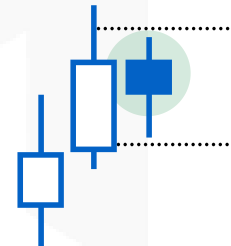
With the trend up, (the 13 above the 34 and the RSI above 50) the first candle of the formation is a bullish candle. We might see several of these before we get the second candle of the formation.



AN INSIDE DAY CANDLE PRINTS

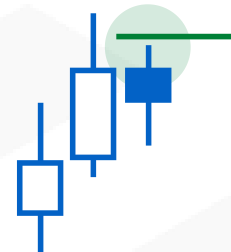
The candle has a lower high than the previous candle.

The candle has a higher low than the previous candle.



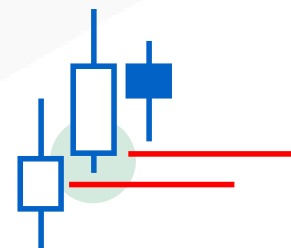
A BUY STOP ORDER IS PLACED

An order to buy is placed just above the high of the Inside Day candle. This can be placed manually or you can use a buy stop order.



A STOP LOSS IS PLACED

The stop loss can be placed below the previous candle's low (conservative), or below the low of the Inside Day (aggressive).



STEP BY STEP ←

SELL TRADE

STEP 1: THE TREND MUST BE DOWN

The 13 EMA is below the 34 EMA and the RSI must be below the 50 level.

STEP 2: THE FIRST CANDLE MUST BE BEARISH

In a downtrend, the first candle of the Inside Day formation must be a bearish candle.

STEP 3: A CANDLE FORMS INSIDE THE RANGE OF THE PREVIOUS CANDLE

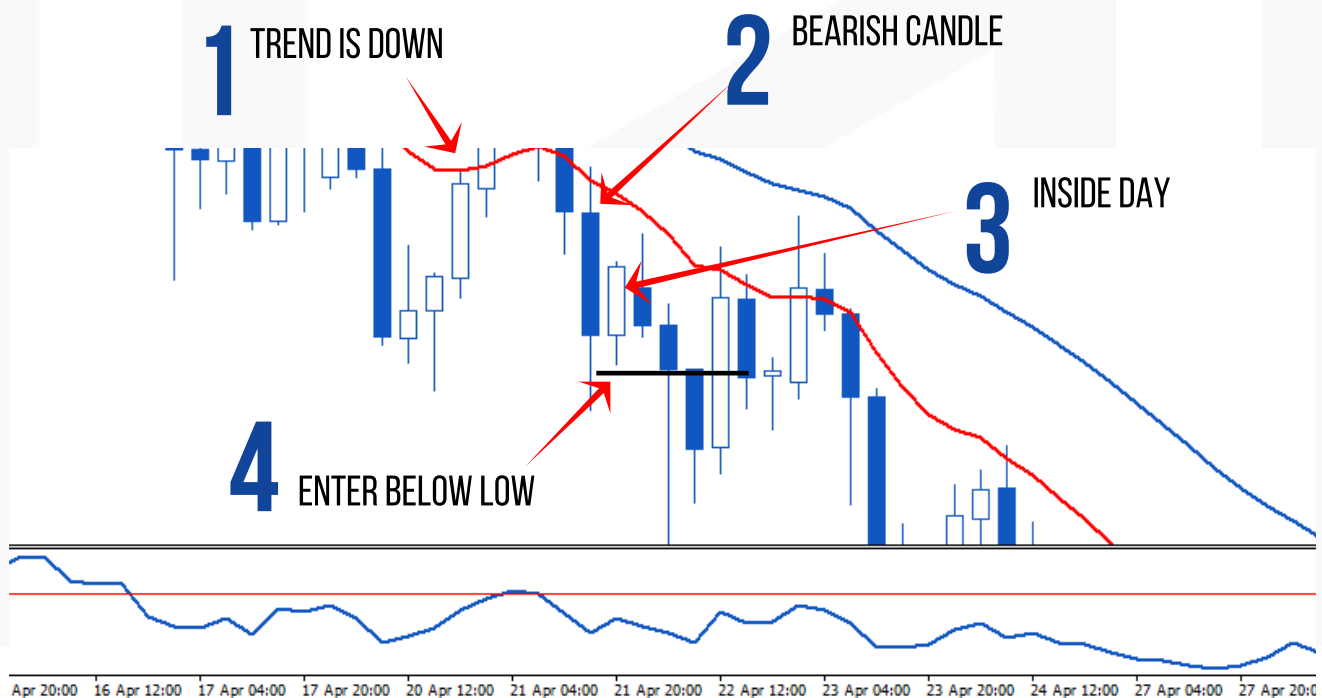
The Inside Day signal candle can be bullish or bearish. The candle's high must be lower than the previous candle's high, and the low must be higher than the previous candle's low.

STEP 4: THE TRADE IS TRIGGERED BELOW THE LOW OF THE INSIDE DAY CANDLE

An entry order to sell can be placed 1 pip below the low of the Inside Day candle. This can be placed manually as a market order, or set as a sell-stop order.

SELL TRADE EXAMPLE

1. The trend must be down, the 13 EMA below the 34 EMA, and the RSI below the 50 level.
2. The first candle of the formation must be bearish.
3. A candle forms inside the range of the previous candle.
4. The trade is triggered below the low of the Inside Day candle.



STOP LOSS

Stop loss can go above the high of the Inside Day candle or above the previous candle's high.

SELL TRADE GRAPHIC

BEARISH FIRST CANDLE

With the Trend down, (the 13 under the 34 and the RSI under 50) the first candle of the formation is a bearish candle. We might see several off these before we get the second candle to the formation.

AN INSIDE DAY CANDLE PRINTS

The candle has a lower high than the previous candle.

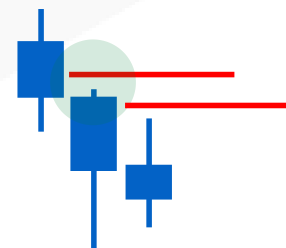
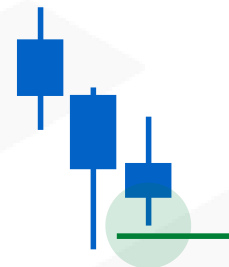
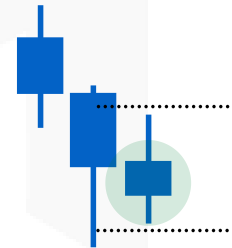
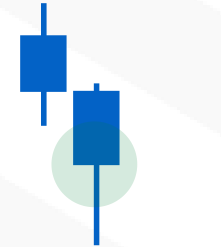
The candle has a higher low than the previous candle.

A SELL STOP ORDER IS PLACED

An order to sell is placed just below the low of the Inside Day candle. This can be placed manually or you can use a sell stop order.

A STOP LOSS IS PLACED

The stop loss can be placed above the previous candle's high (conservative), or above the high of the Inside Day (aggressive).



SECTION #3

BREAK-EVEN

One of the more important parts to trading successfully is keeping our money.

When we make a profit, we don't want to give it back if we don't have to. Of course we will have to risk the money for each trade we take and the chance we lose the trade is always there.

If, on the other hand, we can find a way to prevent a loss from ever happening, we put the odds of making money much more into our favor. The less we can give back, the better it is for us.

There is a saying:

**“ IT'S NOT HOW MUCH YOU MAKE,
IT'S HOW MUCH YOU DON'T SPEND. ”**

A terrific way to not give money back is to move the stop loss to our entry price. Once we get a chance to do that, there is no longer a risk on the trade. We will either make money or not, but we won't lose money.

BREAK-EVEN STOP LOSS ←

To be successful at trading, we want to have an edge over the market. We are looking to implement procedures that will allow us to essentially "cheat". Moving our stop loss to break-even is one of those "hacks" that would be seemingly unfair to the market. If we were in a casino, it would be like placing our bet, and then taking our money off the table, but still have the chance to win.

Moving our stop loss to break-even means we will move the stop loss to the entry price of the trade. When the stop loss is at the entry price, if we get stopped out, we will get stopped out where we got in, resulting in no money lost.

The only time we get an opportunity to move our stop loss to break-even is when we are in profit. The market needs to move in our favor some distance. We can't move to break-even until we get that room.

There are a couple methods to move the stop loss to break-even.

1. MOVE TO BREAK-EVEN WHEN THE PRICE GETS TO 1:1

This means that if your initial stop loss is 25 pips, we move the stop loss to the entry price when the market moves us 25 pips into profit.

2. ISOLATED CANDLE

I discovered this when I was looking for a unique and ultra-fast way to get my trade to safety. It's an aggressive way to move your stop loss to break-even, but I like this method very much. We will have a level drawn at the entry price, and when a candle forms in its entirety beyond that level, we move the stop to break-even.

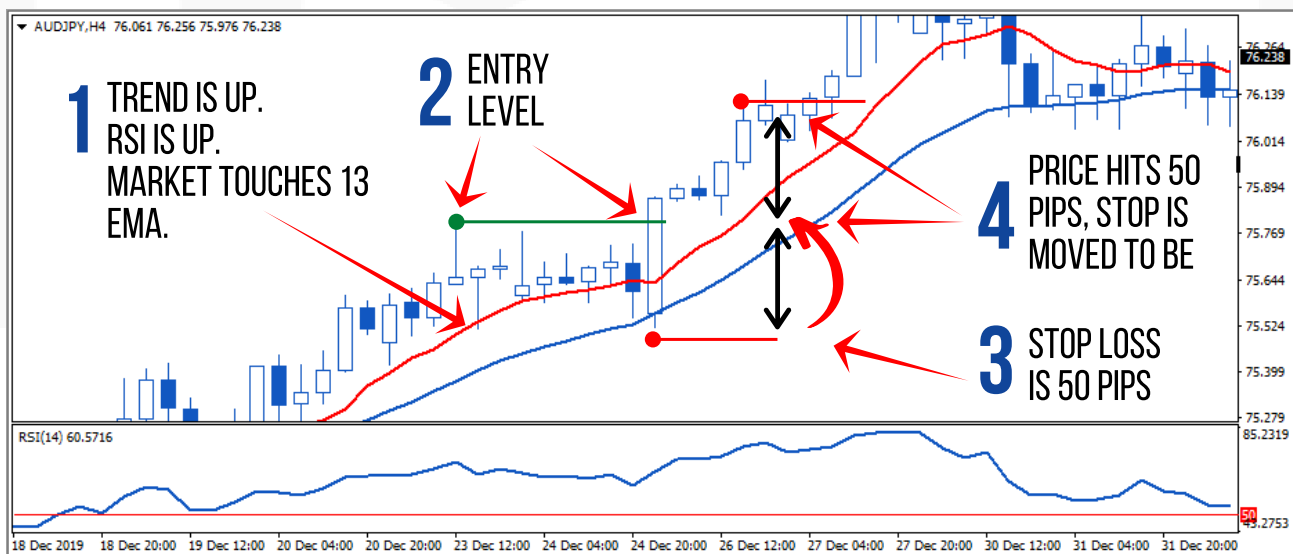
1:1 RATIO ←

If you have been trading for any length of time, you will likely be familiar with this kind of break-even maneuver. We use the distance of our initial stop loss to determine when we move the stop to break-even.

In this example, we are using a 1 to 1 ratio, but it can easily be any ratio you prefer.

With the 1:1 ratio, if the initial stop loss is 50 pips away from the entry, we will move our stop loss to break-even when the trade gets to 50 pips in profit.

Below is a buy example. All the criteria is met for a long trade and the stop loss is 50 pips. When the price reaches up into profit by 50 pips, the stop loss is moved to the entry level.



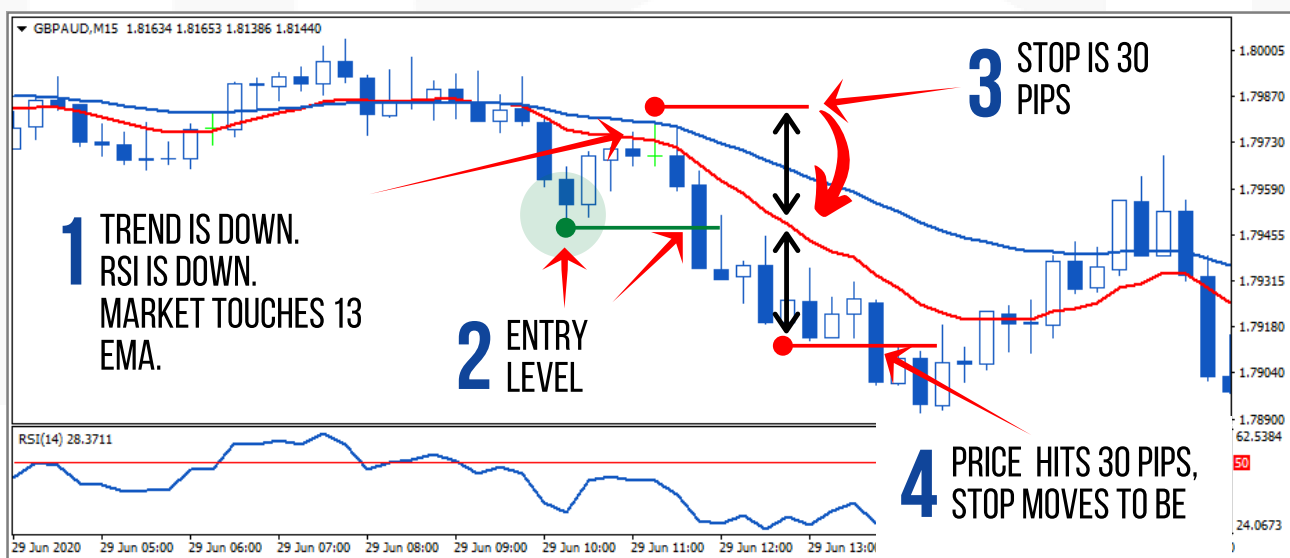
BREAK-EVEN

1:1 RATIO ←

Below is a short example of the 1:1 break-even.

When the market drops by the same number of pips the initial stop loss is placed, the stop loss is moved to the entry price.

The candle does not have to close before the stop loss is moved, the market simply has to reach a certain number of pips. In the example below, the initial stop loss is placed 30 pips away from the entry. The instant the trade reaches 30 pips into profit, the stop is moved to break-even.



ISOLATION CANDLE

This is perhaps a little more aggressive break-even approach, but this is one that I like quite a bit.

What we are looking for is a candle to form in its entirety above or below the entry level (depending if it's a buy or sell trade).

The entry level will be the price that the trade was taken. We want to wait for a candle to form completely outside of the level. As the first few candles of a trade develop, they will often move above and below the entry level as they form, so we won't get the chance to move to break-even immediately.

This method will work the same if we are using the market swing highs or lows as the entry level in the basic trade type, or if we are using the candle closes as in the trendline or the RSI trade types.

IN A BUY TRADE:

We want a bullish candle to form with its low above the entry level.

IN A SELL TRADE:

We want a bearish candle to form with its high below the entry level.

ISOLATION CANDLE COLOR

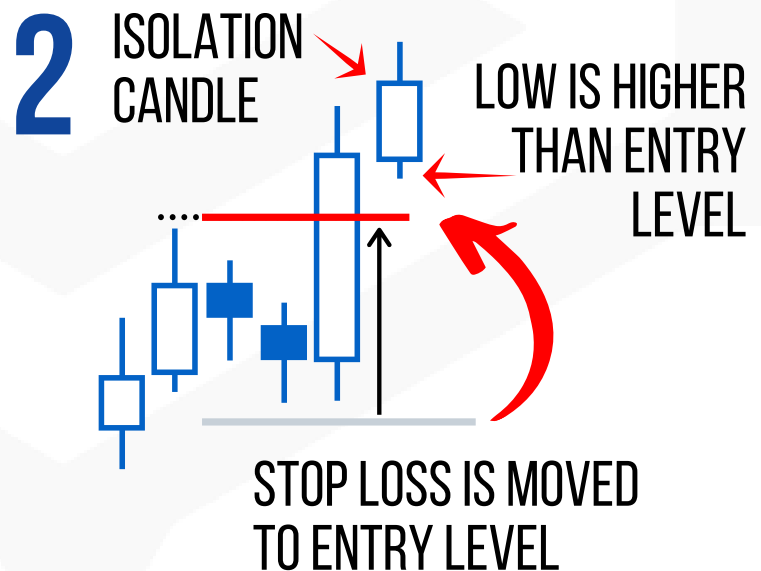
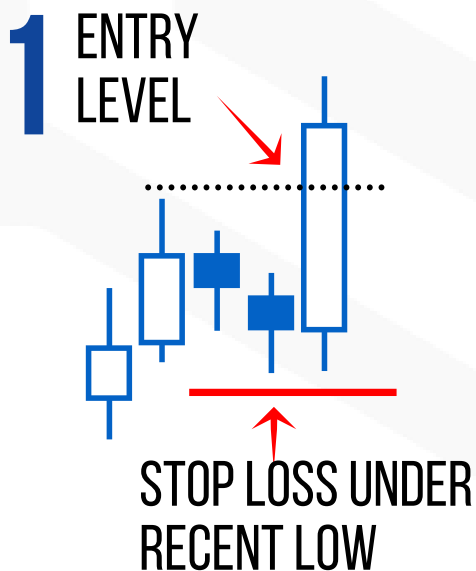
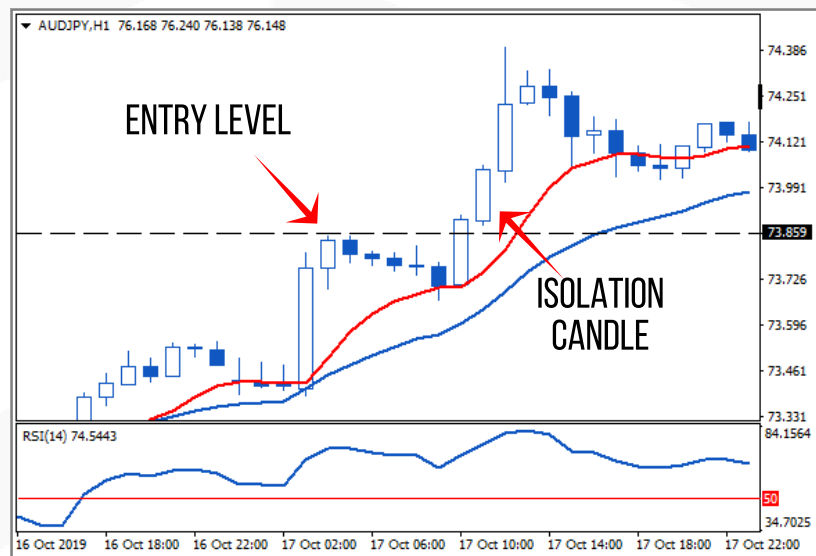
It's important that we wait for the appropriate candle color to form. An isolation candle in a buy trade should be bullish and in a sell trade it should be bearish. If the candle is the opposite color, it is likely to bring the current price too close to the entry and not allow for enough "clearance" between the entry and the price. We could get stopped out prematurely.

ISOLATION CANDLE

We will look at an example of an isolation candle and the move to break-even in a buy trade using resistance as the entry signal.

BULLISH MARKET

- We will have entered the market, the stop loss below the most recent swing low.
- Move to break-even when the first bullish candle closes and the low of that candle is higher than the entry level.

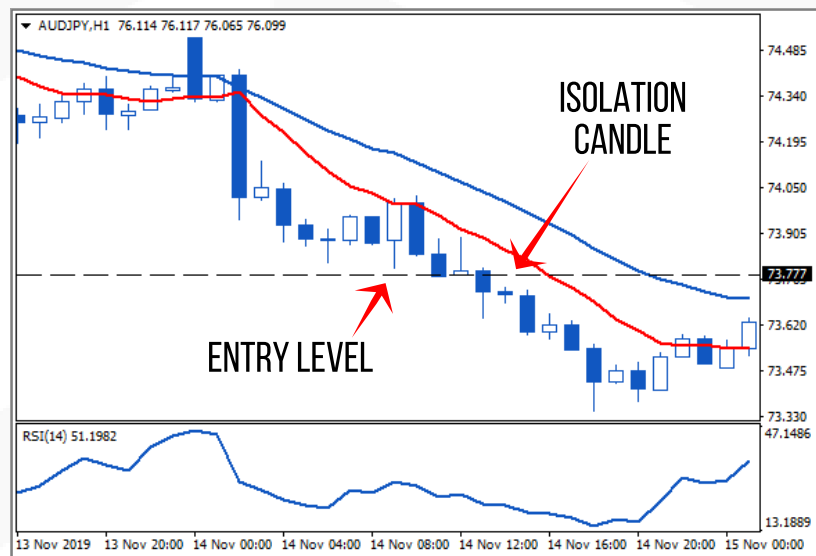


ISOLATION CANDLE

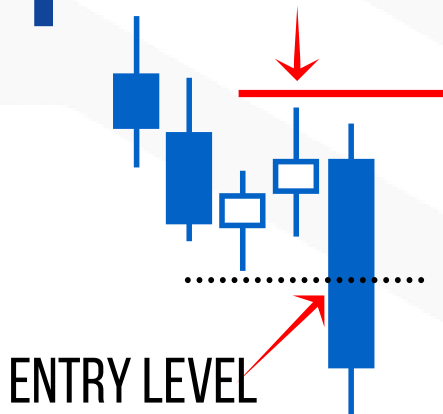
We will look at an example of an isolation candle and the move to break-even in a sell trade using support as the entry signal.

BEARISH MARKET

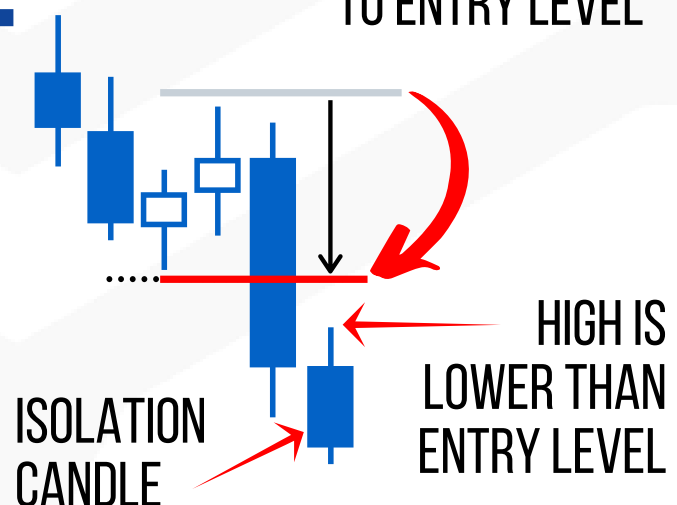
- We will have entered the market, the stop loss above the most recent swing high.
- Move to break-even when the first bearish candle closes and the high of that candle is lower than the entry level.



1 STOP LOSS ABOVE RECENT HIGH



2 STOP LOSS IS MOVED TO ENTRY LEVEL



SECTION #4

TRADE MANAGEMENT

Limiting the risk on as many trades as we can is one of the greatest secrets to success in trading.

I am not a huge fan of something dubbed as "set it and forget it". This means we place our trade including stop and target, and one or the other gets hit. The loss on these trades are the biggest loss we can have, but we would prefer to have a loss that is smaller than the total loss.

Managing the trade is the way we limit the loss.

We may not get the opportunity to move the stop loss to break-even, but on almost every trade, we can move the stop loss marginally closer to the entry level. Through trade management, we can reduce the loss from potentially 100 pips, to 80, or 50, or to 25... and so on.

MANAGING A TRADE ←

One of the important factors to being successful at trading is to have an edge over the market, and trade management is one of the tools we can use to "cheat" the market.

Our stop loss is a very powerful tool that can make us a lot of money if we use it correctly. We have previously discussed methods to move the stop loss to break-even, and in this chapter, we will look at how we can reduce the risk on our trade and even GUARANTEE ourselves some profit by moving our stop loss ahead of the entry level.

1. REDUCE THE RISK ON THE TRADE

By managing the trade, we can start with moving the stop loss towards the entry level. Our initial risk on the trade might be 2% of our account, and by managing the trade, we can reduce that risk to 1.5%, 1%, or even less.

2. LOCKING IN PROFIT

We can use our stop loss to prevent any loss on the trade at all. We will be looking to manage the trade in such a way that we eventually move the stop loss ahead of the entry level. This will lock in profit guaranteeing money will be made on the trade no matter what happens.

→ **NOT EVERY TIME** ←

Managing a trade to reduce the risk is something we will be able to do on most of our trades, but there will be times where our initial stop loss is hit.

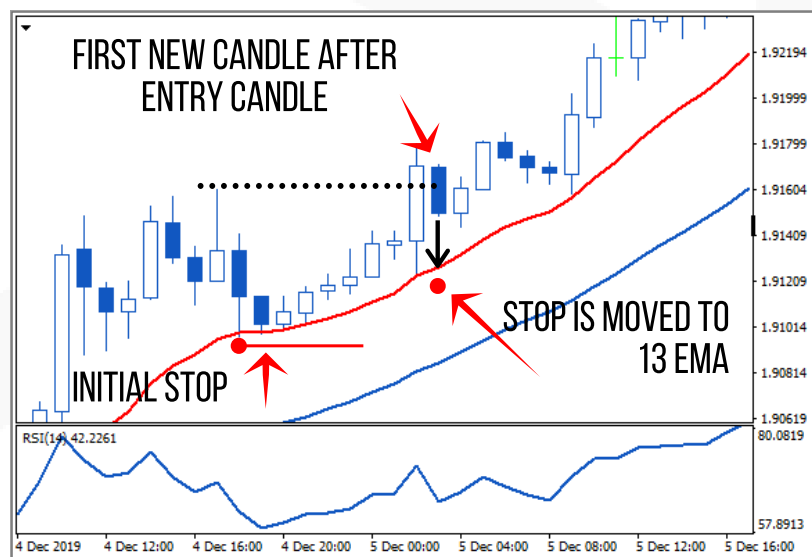
Moving our stop loss into profit is more likely to happen if we are allowing our trades to run, or if we are aiming for greater than a 1:1 profit target.

LIGHT BLUE BUY TRADE - 13 EMA

Using the Light Blue buy trade in this example, we use the swing high to enter a trade and the entry candle has not closed. The initial stop is placed below the swing low, and when the entry candle closes, we move the stop loss to just below the 13 EMA of the new candle. The stop is then moved to the new position of the 13 EMA for each newly opened candle until the trade is closed.

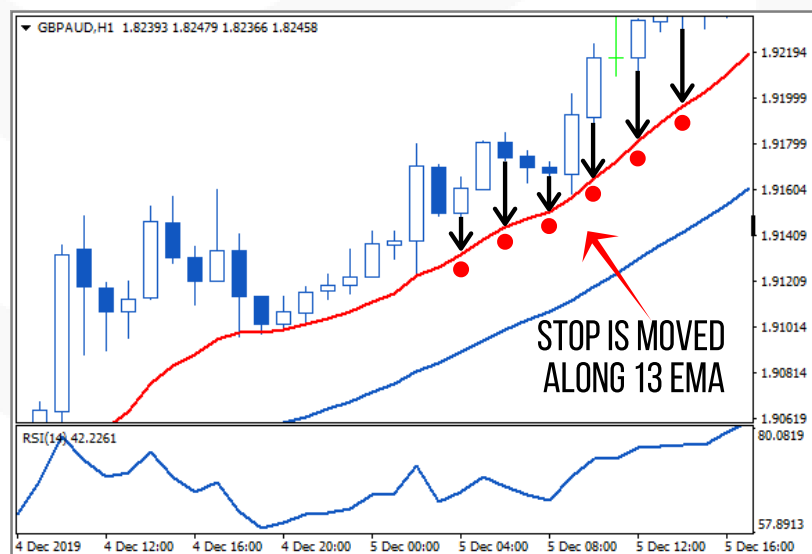
FIRST MOVE

- When entry candle closes and new candle opens, move stop to 13 EMA of the new candle.
- The stop loss, in this case, is reduced by half with the one simple move.



TRAILING

- As each new candle opens, move the stop loss to just below the 13 EMA under the new candle.
- This process continues until the trade is closed by the stop loss, the target, or a manual closure of the trade.

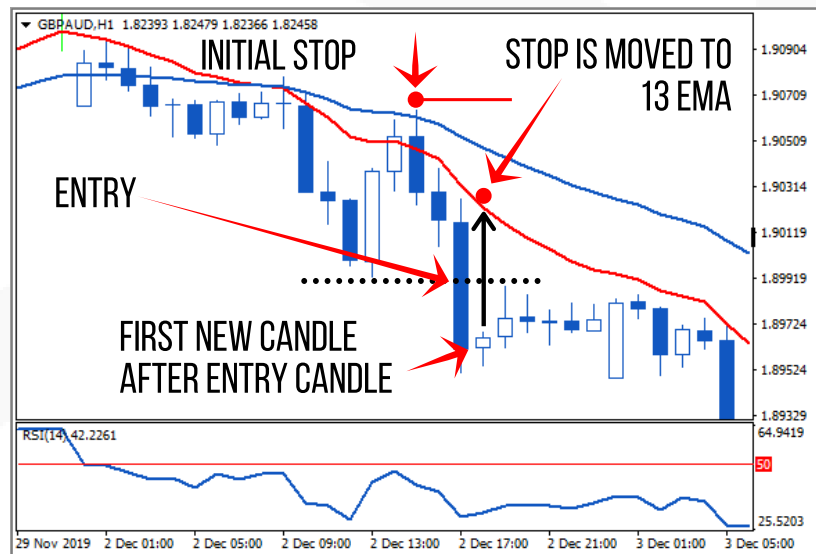


LIGHT BLUE SELL TRADE - 13 EMA

With the Light Blue sell trade, we use the swing low to enter a trade and the entry candle has not closed. The initial stop is placed above the swing high, and when the entry candle closes, we move the stop loss to just above the 13 EMA of the new candle. The stop is then moved to the new position of the 13 EMA for each newly opened candle until the trade is closed.

FIRST MOVE

- When entry candle closes and new candle opens, move stop to 13 EMA of the new candle.
- The stop loss is reduced by half with the one simple move.



TRAILING

- As each new candle opens, move the stop loss to just above the 13 EMA above the new candle.
- This process continues until the trade is closed by the stop loss, the target, or a manual closure of the trade.

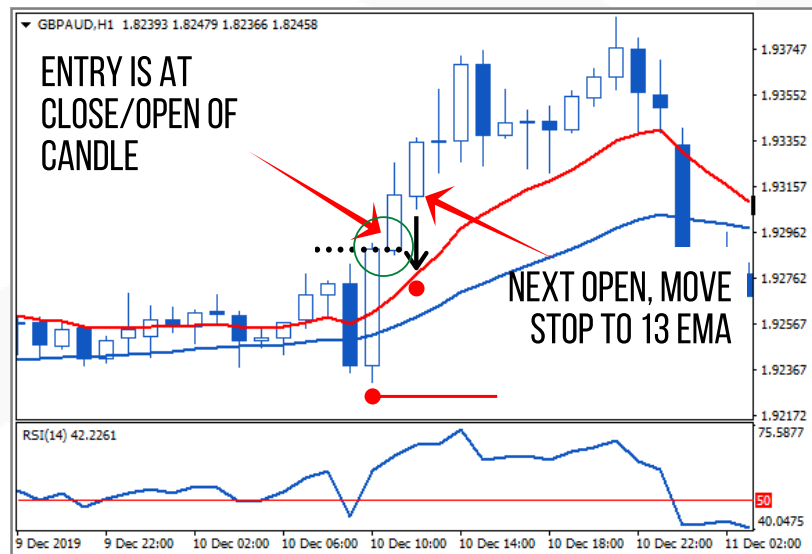


ENTRY AT CANDLE CLOSE - 13 EMA ←

Trade management when the entry is at the close of a candle is very similar to the entries we take mid-candle with the basic support/resistance type entries. The one difference is when we move the initial stop loss to the new position along the 13 EMA. When we enter at the close, we are technically entering at the open of the next candle. We want to wait for that candle to close, and when the candle after that opens, we get the go-ahead to move the stop loss.

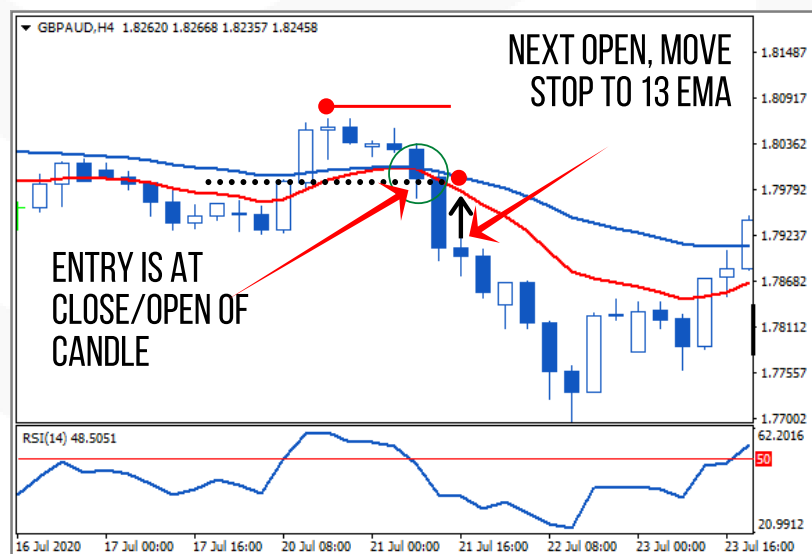
BUY TRADE

- When candle closes, we get the entry signal, this is also the open of the new candle.
- Wait until the open candle closes, then the next candle opens and we move the stop loss to the 13 EMA of the new candle.
- The process repeats for each new candle after that until trade is closed.



SELL TRADE

- When candle closes, we get the entry signal, this is also the open of the new candle.
- Wait until the opened candle closes, then the next candle opens and we move the stop loss to the 13 EMA of the new candle.
- The process repeats for each new candle after that until trade is closed.



SECTION #5

LETTING A TRADE RUN

There are times when we want to get as much from a trade as we possibly can.

The markets do have a tendency to trend, or move in one direction for a relatively long period of time.

There is a way to catch quite a lot of that market movement while at the same time limiting the loss on the trade.

We will be using the stop loss to secure profits as the trade runs, but we want to be sure that the stop loss isn't too close to the market when we do make the adjustment.

We will not use the 13 EMA as we would in trade management, but instead, we will be using the market itself to show us where to position the stop loss.

LETTING A TRADE RUN

When a trend takes hold, the market can go for a long way. The trouble is that if we manage the trade using the trade management tools we have (the 13 EMA), the trade will get stopped out before we can get the bulk of the trade.

We need a better way to let the trade run. we want to give the market the room it needs to make the pullbacks along the way without stopping us out. The way we do this is to use the market itself. we will use the market swings to tell us how to place out stop loss.



LETTING A SELL TRADE RUN ←

We start the trade as usual, however we decide to get into the trade. For this example, we will use the light blue entry past support.

1. THE INITIAL STOP LOSS IS PLACED ABOVE THE SWING HIGH.

The initial stop loss is placed above the most recent high before the entry.

2. IDENTIFY THE NEXT SWING LOW.

In this case the entry level will have been a previous swing low. Whether using support / resistance, a trendline, or a candle formation to enter the trade, there will be a recent swing low just before it. Once price moves beyond that low, it will bounce back up creating a new swing low.

3. STOP LOSS IS MOVED WHEN PRICE DROPS BELOW THE NEXT SWING LOW TO THE MOST RECENT SWING HIGH.

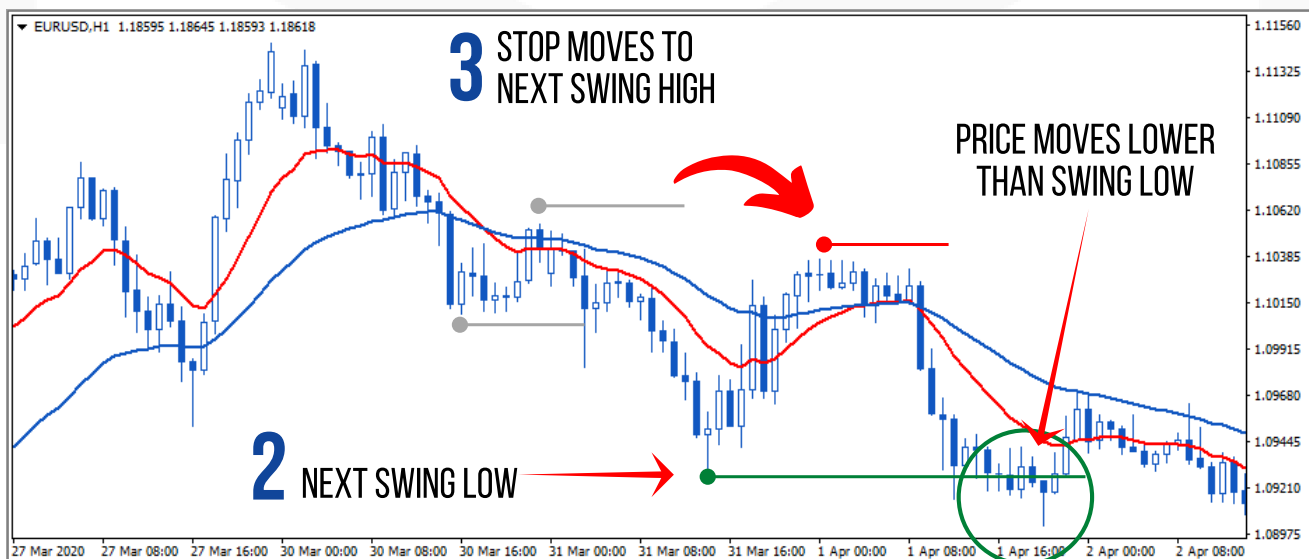
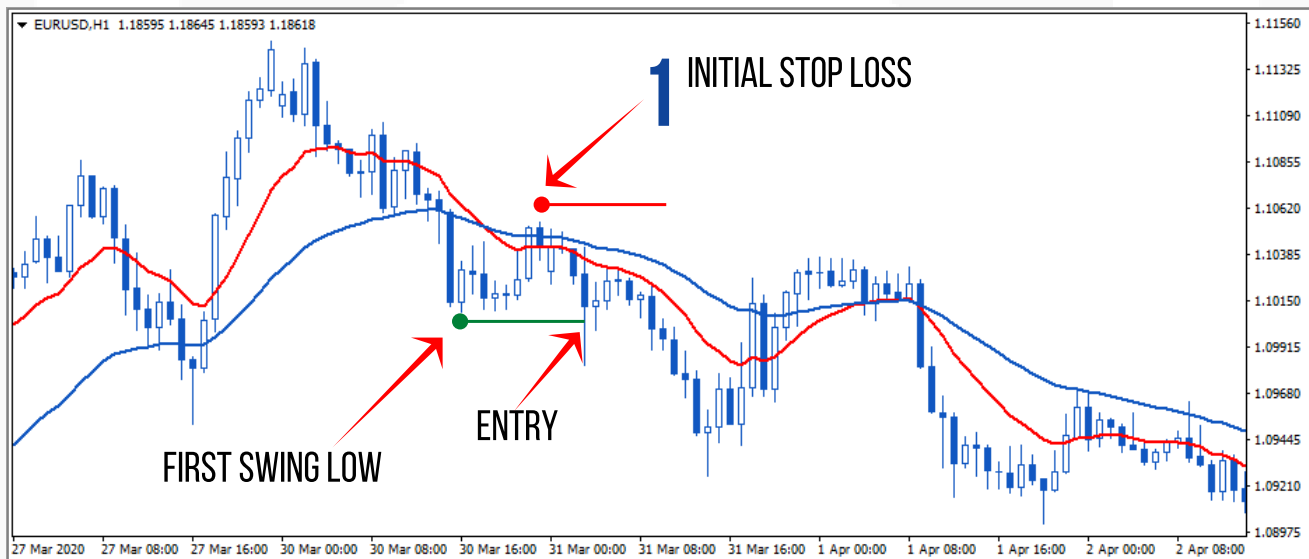
Once the market has moved lower than the recent swing low, it will have created a new lower swing high. The Initial stop loss is moved from its original position to just above the new lower swing high.

4. THE PROCESS REPEATS.

As the market moves lower than the most recent swing low, the stop loss is moved to the newer, lower swing high. This process will happen over and over until the stoploss is eventually hit and the trade is closed.

LETTING A SELL TRADE RUN

1. The initial stop loss is placed above the recent swing high.
2. Identify the next swing low.
3. The stop loss is moved when price drops below the next swing low to the most recent swing high.
4. The process repeats until the trade is closed.

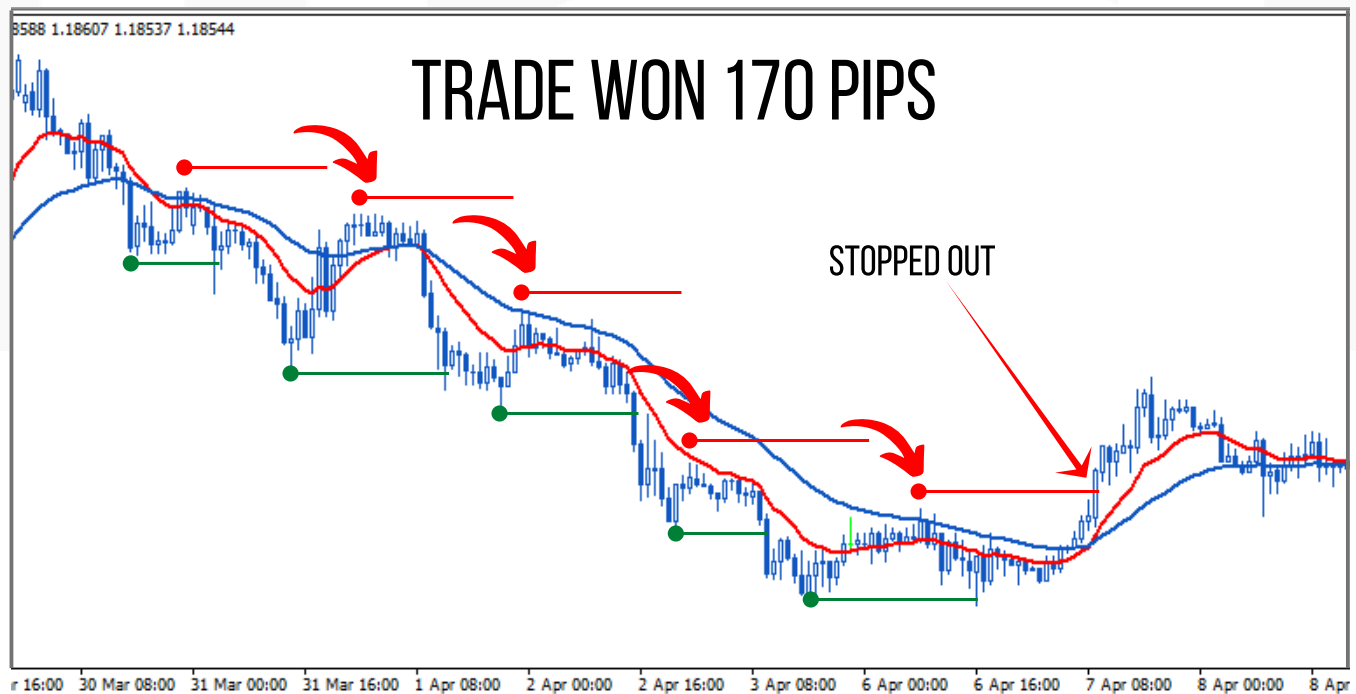
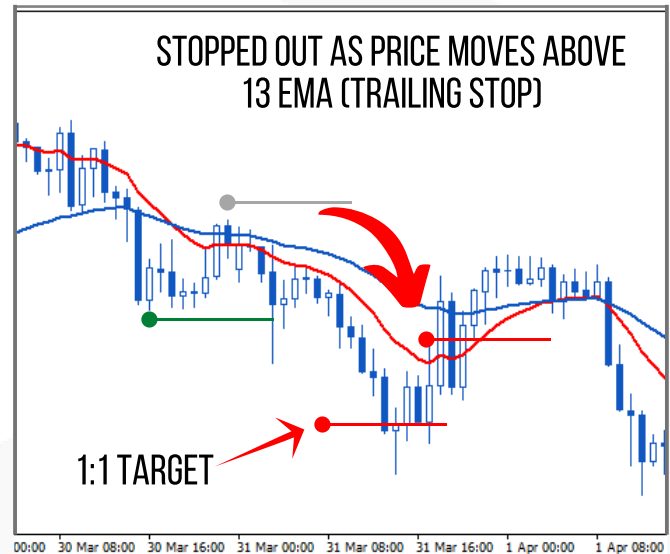


LETTING A SELL TRADE RUN

Original Trade could have been closed in 2 ways:

1. 1:1 target was hit gaining 55 pips.
2. Trailing stop closed trade at 15 pips.

Letting the trade run allowed the trade to move farther than it would normally go. The stop loss eventually stopped us out at 170 pips.

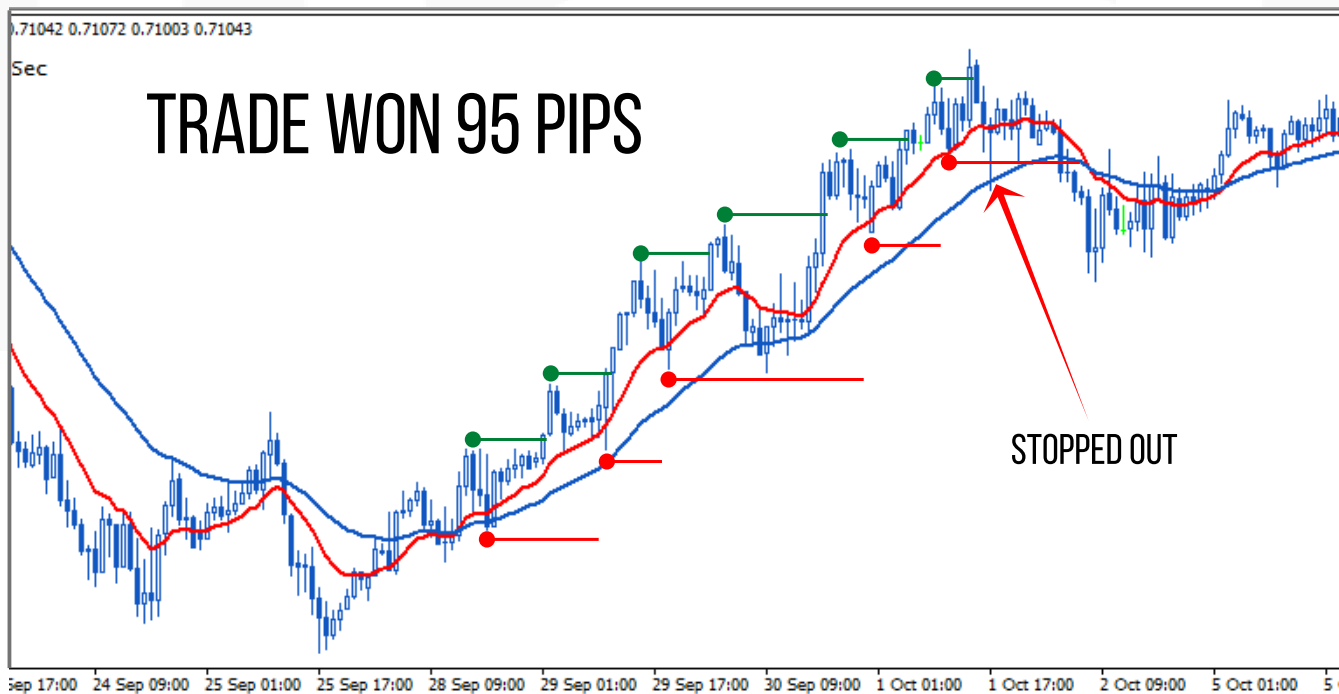
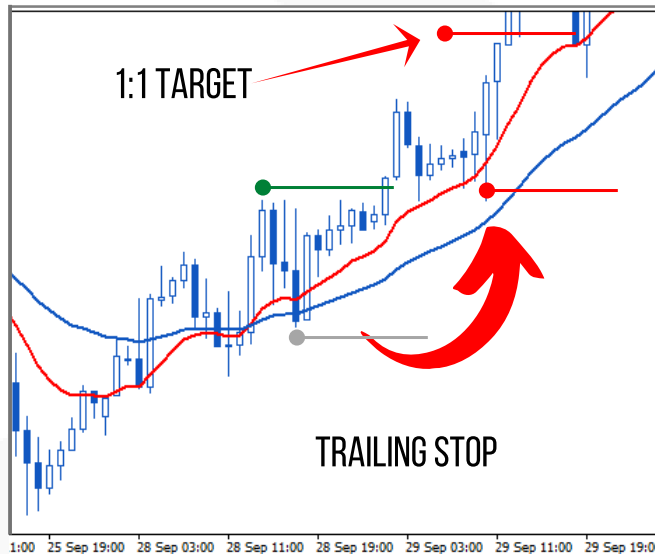


LETTING A BUY TRADE RUN

This is the same, but for a buy trade. The original trade could have been closed in 2 ways:

1. 1:1 target was hit gaining 40 pips.
2. Trailing stop closed trade at -2 pips.

Letting the trade run allowed the trade to move farther than it would normally go. The stop loss eventually stopped us out at 95 pips.



WRAPPING IT UP ←

You are now fully equipped to make all the money you want to from the market. The Deep Blue additions build upon the Light Blue system and template, so if you haven't read the Light Blue manual, please do so... Deep Blue will make more sense afterwards.

With the Deep Blue additions, you have learned:

1. Trendline Trades
2. Trend-Oriented RSI Trades
3. Inside Day Trades
4. Higher Timeframe Filter
5. Range-Bound Market Filter
6. Break-Even
7. Trade Management

The features of Deep Blue give you a distinct edge over the market, there should be no reason why, if you stay focused and disciplined, you won't become a profitable trader.

Stay consistent, stay focused, and stay disciplined. You will be amazed what you can do as a trader. These methods are time and battle-tested, every wildly profitable trader uses these methods in one variation or another. The simplicity of Deep Blue will have you making money before you know it.

Best wishes to you and your trading!

Russ Horn