CHAPTER NINE

WORLD'S SIMPLEST 5 PIP SCALPING METHOD

For a book that was intended to help you build your confidence, itôs spent a long time instead discussing various trading methods and systems.

But there is a very good reason for that (aside from the need to fill up some pages with content):

All of the methods discussed so far have an extraordinarily high win rate when compared to your average $97 Clickbank system.

And when your confidence level is suffering after slogging through a series of losing trades, there is no better prescription for a return to the Higher Level of Confidence you once enjoyed than winning a few trades in a row and washing off all that Loser Dust you picked up earlier.

And of all the methods discussed so far, none is any better than this ultra-simple 5 Pip Scalping System.

The Rules are easy to follow:

1. Trade the EUR/USD on the 1 Minute charts;
2. Apply the OsMA Indicator to your charts, using the ñ12,26,9ò settings;
3. For Buy trades, enter as soon as the first OsMA bar closes ABOVE the ñ0ò line;
4. For Sell trades, enter as soon as the first OsMA bar closes BELOW the ñ0ò lineô
5. Exit when you see 5 pips profit.

While this method will work with pretty much any pair, I strongly recommend you limit it to the EUR/USD, for two reasons: first, the spread on the EUR/USD is normally the smallest, no matter who you trade with, and this gets you to +5 on the trade much faster than with pairs that traditionally have a spread of 2-3 pips; and second, the EUR/USD is traditionally a pair that does not experience quick, wild swings in price, increasing the chance that any one trade will move 5+ pips after the OsMA ñ0ò line is crossed.

Of course, all the usual rules of trading still apply: trade during times of higher volume (the London and New York sessions) and do not get into a trade right before a scheduled news release (it just isnôt worth the risk). Iôve found the first hour of the London session (3 a.m. eastern time) and a two hour period after the U.S. session begins (9-11 a.m. eastern) are the most consistent, and have had plenty of days where I scored 5 out of 5 winning trades.

That does NOT mean you will win every trade during those particular hours. It just means Iôve found that this method works best during those 3 hour segments. Losses can and do still occur. But there have normally been more wins than losses, and I normally end the session with a positive pip count.

Other than that, there are no other limitations on the trade. Just get out at +5 and wait for the next trade to set up. Other than those random days when the EUR/USD is trending strongly in one direction, there are usually enough trades in any two hour segment to easily make your +20 for the day.

As for a stop loss, either apply a 10 pip stop-loss, or manually get out at either -10 pips, or when the first OsMA bar closes on the opposite side of the ñ0ò line (this will usually save you 2-3 pips over waiting to see -10).

For myself, I usually set a daily limit of 20 pips, simply because Iôve reached that point in my trading life where Iôm trying to develop some non-forex related interests, and by limiting myself to 20 pips (or 2 hours) of trading, I can achieve all of my financial goals and have plenty of time left over to pursue those other interests.

But more importantly for anyone who has just suffered a string of losing days, 20 pips a day is an achievable goal that allows you to start building up momentum, as well as your trading account, while also allowing you to manage all of those negative emotions that surface when you find yourself mired in a losing streak.

I know of a semi-professional poker player who follows the same path whenever he suffers through a few losing sessions. He normally plays $20/40 Hold óEm, where the pots regularly exceed a thousand dollars. But after he gets smacked around by the other players, he goes online and plays in a bunch of $2/4 and $5/10 games, against players of a lesser caliber.

All it takes is three or four winning sessions at his lower level, and he is back on his game and ready to resume playing in the bigger money games.

As he explains it, itôs not about the money (and there is obviously a lot less at stake in a $2/4 game than there is in a $20/40 game).

Itôs about winning pots and reminding himself he really does know how to play the game at a very high level.

The same applies to Forexð the best way to break a losing streak is to rack up a series of smaller wins and remind yourself you really do know how to trade; you just got caught up in circumstances and needed to break free of that losing cycle.

Winning 4-5 trades in a single session, scalping 5 pips at a time, will go a long way towards breaking that cycle.

Here are three chart captures from last Friday. The first is from the opening of the London session at 3 a.m. eastern time. The next two are from 9 a.m. and 10 a.m. eastern time. Friday was a very good trading day, and this simple method worked like gangbusters. On days when trading is less active, this method still will work well, but you may see fewer trades, and you will definitely see smaller price moves than the ones demonstrated here.

But the purpose of these charts is not to convince you to trade this method. They are merely demonstrations of when and where you enter a trade (with the exit pre-determined at +5 pips).

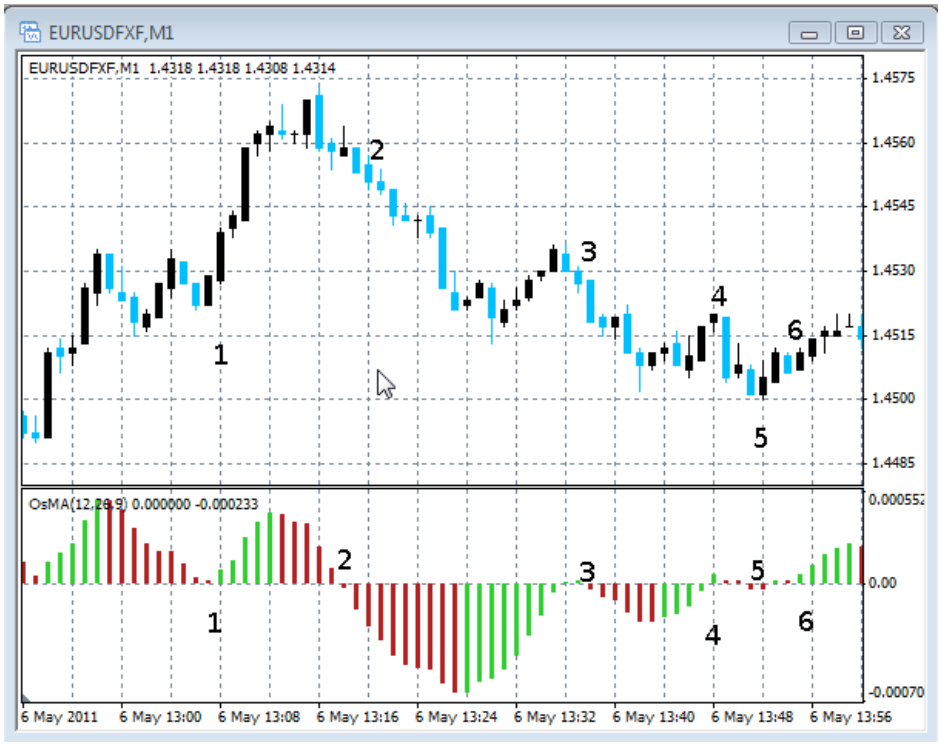
Pic 9A

5 trades.

5 winners.

25 pips net.

What more need be said?



Pic 9B

Trade #1 on the above chart demonstrates a situation that can and does occur with some frequency. You can tell from the downward slope of the OSMA bars starting just prior to 13:00 that price is moving down and that a Sell trade is likely to be signaled in the next few minutes.

However, as you can see at #1 above, price rallied and the OSMA bars began to start moving back up, without ever once crossing and closing below the zero line. This is just as valid a signal as if the bars crossed and closed over the zero line for the first time. You may go days without seeing this happen, and you might see it happen more than once during a single session (as we do here at both #1 and #3).

Trades #4 and #5 also demonstrate something important. Sometimes this method gives you a (GASP!) losing trade. Here we racked up 2 losers in a row for 10 pips each.

4 winning trades x 5 pips = +20
2 losing trades x 10 pips = -20

Net for this session: 0 pips.

Some days (or sessions) just turn out this way. It really is NO BIG DEAL!

No one wins every trade. NO ONE! Get used to losing a trade now and then because itôs going to happen no matter how hard you work or how much you pray. As long as you

are using solid money management, losses should never be a big deal. You just shake them off and keep moving forward.

Pic 9C

Trade #3 went nowhere fast and cost us 10 pips, but the other 4 trades netted 5 apiece.

4 winners x 5 pips = +20 pips
1 loser x 10 pips = -10 pips.

Net gain for the session: +10 pips.

For the day: +35 pips (25 +10 + 0 = 35 pips).

How fast would you be quitting your real job if you were knocking out 35 pips gains on a daily basis?

Thatôs a rhetorical questioné donôt answer it. My point is, there are some very simple trading methods out there that if you stick with them, youôre going to end up making money as a Forex trader.

All you have to do is make up your mind youôre going to stick with one of them and actually start placing trades.

Real money trades.

The rest will pretty much take care of itself.

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I hope you found this Chapter to be both entertaining and informative. The ñ5 Pip Scalpò has long been a tool I fall back on when I find myself stuck in any kind of a losing streak (and yes, I get into losing streaks just like everyone else). Itôs a quick way to right the ship and get start heading back in the right direction.

If youôd like to learn some additional high-probability trading methods, along with some unique but very effective money management and trading psychology tricks and tips, visit my website at www.sensible-forex.com and pick up a copy of my latest book, ñSensible Forex.ò