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EXTREME

TOM STRIGNANO
The ForexConfidante
Inner Circle
Head Fake Trade
Confidential
Tading Secrets!

Head fake Trade Rules, Set up and Stop Loss!

The ground rules.

The first thing that we need to understand is exactly what a head fake is. A head fake is the measurement of how many traders are trapped at an intermediate high or intermediate low. We are looking to capitalize on their out of the money position. We must always understand that a high is made in the marketplace when the last buyer has bought. Conversely, a low is made in the marketplace when the last seller has sold. Markets tend to reverse at these points and trigger stop losses. We are looking to capitalize on that. I have developed a system that will look for these areas and enter a calculated low risk trade. I will give the parameters of this trade. You must always take into consideration money management, if the point of the stop loss is greater then your risk allotment, you must trade smaller. Always plan your trade, and trade your plan. Set your stops.

Head Fake Downside trade. Measure the distance between last 2 up closes.If close to high is greater on recent bar, its a head fake.

STEP ONE IDENTIFY!

The first step that we need to do is to identify a head fake in the marketplace. A head fake is defined by a series of up closes. If we have two consecutive up close's in a row we will measure the distance between the close and the high of each bar. If the distance between the close and the high of the most recent bar(that just closed) is greater than the close to the high of the previous bar we have a head fake on the downside. This means that we are going to assume that the top of the present bar will hold, so we shall sell the open of the next bar.(Stop Loss 35 pips above top of head fake bar.)

Head fake to the upside, is the exact opposite or we have two consecutive down closes we will measure the distance between the close in the low of the current bar(that just closed.) And the close to the low of the previous bar. If the distance between the close and the low of the present bar is greater than the previous bar we have a head fake towards the upside. So we shall buy the open of the next bar.

In the video series, you will see several techniques in order to enter this trade. I'm going to explain how we measure the head fake ***wave,*** and calculate profit levels and stop loss levels. We are going to use a simple pivot formula to accomplish this.(In an ***unconventional*** way.)

In this trading system you'll find several other trading systems, if a head fake does not work and we break a pivot point in either direction the marketplace is telling us something, we can take the opposite trade with a tight stop loss against the pivot points. It is important to be flexible in trading and realize that no system is perfect, it's just as important as what the market ***is not doing*** as to what it's supposed to do. This is an

excellent little mini trading system itself, I encourage you to go back and test this and see how the market reacts at these points. You will then be able to develop your own style and techniques which is my ultimate goal, to make you ***independent!***

Head fake pivot point formula.

The first step is to identify a head fake high or low. Once we do that we going to look for the most recent demand low or high and calculate out pivot points.

I will show you how to do this on the video, and you can experiment by going further back in time looking for deeper demand or supply points however I use the most recent to be conservative in trading. Once we identify these points we going to apply this formula. The formula is as follows:

Head fake high + recent Demand low + close of the head fake bar ÷3

This is what's going to be known as the base pivot. From the base pivot, all our support and resistance levels will be calculated. On the downside head fake we want to support levels to go to attempt to further levels down, we were use these levels to gauge market momentum if they're stalling we want to get out. On an upside head fake we want the upper Resistance levels to go and they will be used to gauge market momentum once again, if the market is stalling we will exit our trade.

This pivot point has been around for ages, it was first taught to me by an old trader that was in the market place since 1973, and he learned from a gentleman that was around since the 50s.(I give you the formula so if you wish to make a pretty excel or ***numbers***(Macs) calculator on your own, you can. You will receive a basic one with this system.)

Base Pivot same as shown above!

Pivot Point = (High + Close + Low)/3

Support 1 = 2 * Pivot - High

Support 2 = Pivot - (R1 - S1)

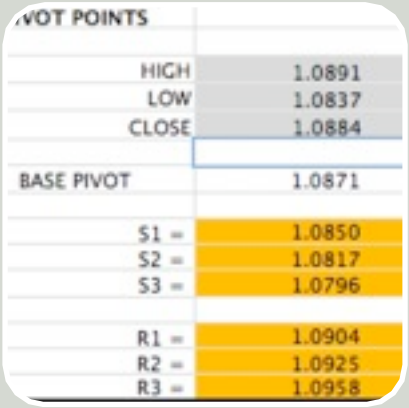
Support 3 = Low - 2*(High - Pivot)

Resistance 3 = High + 2*(Pivot - Low)

Resistance 2 = Pivot + (R1 - S1)

Resistance 1 = 2 * Pivot - Low

So there is the Math, lets go on to some examples in print.



VOT POINTS	
HIGH	1.0891
LOW	1.0837
CLOSE	1.0884
BASE PIVOT	1.0871
S1 =	1.0850
S2 =	1.0817
S3 =	1.0796
R1 =	1.0904
R2 =	1.0925
R3 =	1.0958

Measure the difference between the close and the high of the two bars.

It's an important point that we note that there are two head fakes in play here. These three up closes show two head fakes . I will use the most recent one for our example.(the first head fake was never stopped out) so now that we have identified two consecutive up closes, where the difference between the close and the high of the most recent bar is greater than the previous bar we have a potential top that should hold. You will see in the example above that the previous bars distance is only six pips from close to high. The most recent bar that ***closed***, the distance between the close in the high is 23 pips. So we have identified a head fake. The name had fake comes from the fact that there are more traders trapped up top on this recent bar than there were on the previous bar. They went for the head fake high only the fine a price retreat. They need greater demand to come and rescue them out of their position. I am looking to capitalize on their out of the money positions and ride the wave of the triggered stop losses down into profits. Picture **A** identifies the three points that we will use in our pivot calculator. We have our head fake bar (top)that we will assume will hold. We have the ***35 pip stop loss(added to the high of bar)*** if we are wrong. The green arrow identifies the most recent demand point. We will use that point as our low. We will use the top of the head fake bar as our high, we will also use the close of a head fake bar as our close. These numbers are 1.0891 High, Swing low value (green arrow) 1.0837. Head Fake Bar Close 1.0884. These points yield us the following values. First level of resistance 1.0904, second level of resistance 1.0925(right at our stop loss) and finally third level of resistance 1.0958. First level of support we need to break 1.0850.

Consecutive up or down closes

Watch momentum!

Now that we have identified our points will be watching how the market reacts at these points. Obviously I would want my first resistance level at 1.0904 to hold, actually I would prefer the trade to move straight down. These points are extremely important, they help us gauge market momentum to let us know what the market wants to do. Our first level of support at 1.0850 is the first level that we need to break. The speed and force at which it breaks the level is an indication of how powerful the move can be. If we breakdown to the 1.0817 level, all stops should be moved down to the first level (1.0850) you can then use a trailing stop loss in order to attempt to catch a bigger move if the third and final level is broken at 1.0796.

This is a trade that I took, and it took several hours before the trade finally broke level 3. I needed to exercise patience to capture a huge move in the dollar versus the Swiss franc. I closed my trade out at 1.0716. The low of the move was 1.0666 . Obviously this was an exceptional move down and an excellent head fake trade. We do get these often, but not most often. That is why it's important to gauge market momentum at the pivot points. My personal rule is if I break a pivot by more than 25 pips I'm most likely going to attempt the next pivot. Study the next chart and see how the market reacted at these pivot points. Take note on how the market speeded up its dissent once it broke level 3. There was a huge shift in supply versus demand. These of the trades that are going to make our week. That is why it is important to practice patience, and use trailing take profits. I find that a 40 pip trailer helps me capture larger moves.

Head Fake Upside

Here is an example of a head fake towards the upside. The difference between the close and the low of the present bar that just closed, is greater than the previous. I will buy the open up the next bar with a 35 pip stop loss below the bottom of this recent bar. (Green arrow)

The red arrow, identifies the most recent supply point that we will measure off of. We will import the high of that bar with the low of the present bar. We will use the close of the present bar for our close point in the pivot calculator. The points are as follows: recent supply point high(red arrow) is 155.87, head fake low is 153 .90 and a head fake close is 154.20

We will import these points into our pivot calculator. It yields the following:

PIVOT POINTS	
HIGH	155.8700
LOW	153.9000
CLOSE	154.2000
BASE PIVOT	154.6567
S1 =	153.4433
S2 =	152.6867
S3 =	151.4733
R1 =	155.4133
R2 =	156.6267
R3 =	157.3833

Targets and Stop Loss Set!

All my profit levels and target levels are now set. I'll buy the open of the next bar with a stop loss at 153.55. notice that support level 1 is just slightly below my stop loss.

My thinking at this point would be that if I get stopped out I will look to sell the break of support level 1 with a tight stop above that point.

I be risking another 35 pips towards the upside. However I would enter a smaller amount on that reversal. I would use the support levels beyond(level two and level 3) as take profits.

So as you can see there are several trading systems within this one system itself. Remember always to use money management.

If you feel uncomfortable with the reversal than don't do it. Look for another trade set up and take that trade, the system must fit your personality. Don't force anything,trade in your own comfort level or you'll commit self sabotage. Let's look at the next page to see how the trade developed

Notice how the market dips down first!

Waves Inside Of Waves!

This should be a good time to bring up the fact that there are several other down side head fake filters that also come into play as this move develops towards the upside. If we missed this bottom head fake to the upside ,there were several(downside head fakes) that occurred in between that brought us down towards our first primary target levels of resistance one. Why is that? Because there are waves inside of waves, as the market moves up and down it constantly creates these points. It is what Ralph Elliott had stressed in the Laws of Nature, and why market moves sometimes seem very elusive.

It is my philosophy that once I enter a trade and I see my first pivot or target break I will stay in the trade looking for the next level to the challenged. I'll take note of all the other wave patterns that set up(Head fakes) within my overall trading plans. As soon as I notice a head fake in the opposite direction I'll move my stop losses up to break even.

Several of my students exit the trade when this pattern develops and actually go in that direction to attempt to capture the next subsequent wave measuring market momentum as discussed previously. This is entirely up to your trading style and once again it must fit your personality type.

You personally have to have objectives as a trader, perhaps you'll develop a mix of head fake trades one set going for larger percentage gains, and others to capture a good amount of pips in the short-term to fund those longer term trades. Check out the video series for some set ups.

The big print giveth, and the small print taketh away. Warning!!

Risk disclosure

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Forex trading has a large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the Forex market. Don't trade with money you can't afford to lose. This website is neither a solicitation nor an offer to Buy/Sell Forex. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this website. The past performance of any trading system or methodology is not necessarily indicative of future results.

Trading foreign currencies is a challenging and potentially profitable opportunity for educated and experienced investors. However, before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any foreign exchange transaction. Any transaction involving currencies involves risks including, but, not limited to, the potential for changing political and/or economic conditions that may substantially affect the price or liquidity of a currency.

More over, the leveraged nature of Forex trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated and you will be responsible for any resulting losses. Investors may lower their exposure to risk by employing risk-reducing strategies such as 'stop-loss' or 'limit' orders.