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Rob Colville
The Lazy Trader

CLEAR-CUT PATTERNS WITH A PROVEN TRACK RECORD FOR RESULTS

Dear traders,

Have you ever noticed that there's always some hot new method or indicator that's becoming all the rage, or a cutting-edge pattern or set-up that's stealing all the headlines, or even an innovative trading system that traders can't wait to get their hands on? Now...nothing against modern trading tools and technology, but let's all ask ourselves, *"Just what's so bad about the age-old (and battle tested) trading methods we already have?"*

My name is Rob Colville and I've been affectionately called "The Lazy Trader" by my colleagues and students across the globe, not for my work ethic, but mostly for my belief in keeping things simple when it comes to trading the markets.

You see, I don't believe in using complex chart patterns, ultra-short time frames, or stacking up multiple indicators. I think—no, actually, I know—that there are easier ways to isolate clear and repeatable chart patterns across every market and plan and execute trades with more clarity, less pressure, and better results than most traders will ever get while toiling away on intra-day time frames or chasing results while switching wildly between newfangled patterns and methodologies.

But I'm not here just to talk about it. Today, in partnership with my friends at The Traders Expo, I'm delighted to have the opportunity to show you some of my best and most favored trading patterns:

- Like my *go-to* signal for buying dips in an overall uptrend…
- And a quintessential range play that kept me trading throughout low-volatility conditions…
- And even how I identify and trade those dreaded *false breakouts*...and more

I really trade these patterns. And using real trade examples, I'm going to show you how you can trade them, too. So stop perennially searching for what's new and start trading clear-cut and easy-to-follow patterns that already work. Trust me, this is one time it'll really help to be a bit more lazy with regards to your trading.

Sincerely,

Rob Colville, AKA "The Lazy Trader"
TheLazyTrader.com

A CLASSIC SIGNAL FOR BUYING THE DIP IN AN UPTREND

At what point should a trend trader buy after a retracement in a bull market? That is the million dollar question that ***Rob Colville****—AKA "The Lazy Trader"—addresses today by citing a recent currency pair trade example to illustrate his point.*

For any self-respecting trend trader, it makes perfect sense to buy the dip in an uptrending market (as well as to sell the rally in a downtrend). The million dollar question, though, is this: At what point should we buy after a retracement in a bull market? Let's use a recent trade in USD/CAD as an example.

As seen below, a classic buy signal on the weekly time frame of USD/CAD appeared back in June, which turned out to be a *textbook* example of a price-action-based long play after a sustained pullback in this popular currency pair.

Figure 1: Pullback in Weekly Uptrend in USD/CAD

As you see, in June, and after a 10-week complex retracement, we still had objective confirmation that USD/CAD was in a strong uptrend, as evidenced by the speed and momentum and thanks to the order, angle, and separation of the 20-, 50-, and 200-period exponential moving averages (EMAs).

The close of the *low testing* pin bar at the close of the week (June 15) gave us a revealing entry point (see below chart) at an efficient price in our attempt to ride the wave and successfully *buy the dip* in the overall uptrend.

Figure 2: Identifying a Proper Entry Point in USD/CAD

Notice two key components of the last weekly bar on the above chart:

- It opened and closed in the top 50% and…
- It had a tail

Both components suggested that bulls were overpowering bears. And, in terms of market cycle, price had made yet another higher low, which is also indicative of bullish sentiment.

To trade the long side in USD/CAD, we placed our buy order (risking 2% of total account value) above the break of the weekly pin bar's high at 1.2363. This would mean we would only be triggered into the trade if the bullish momentum followed through in the week ahead (which it ultimately did).

In this case, we then placed our protective stop-loss below the low of the following week's candle instead of using our standard technique, which would be to place the stop below the low of the trigger week. This gave us greatly improved reward:risk profile of 2.7:1 thanks to the drastically reduced number of pips (149) between our entry and stop-loss.

Using the previous swing high (at 1.2770) to represent our high probability profit target gave 407 pips of profit potential, which was achieved after four weeks once the trade triggered on July 13, ultimately yielding a reward of 5.4%.

Figure 3: Target Levels for This USD/CAD Long Trade

The simplicity of this trade set-up, coupled with both favorable probabilities and high profit potential, further supports the notion that *low-hanging fruit* really does exist on the weekly charts, which are all-too-often underrated or overlooked by most retail traders.

A QUINTESSENTIAL RANGE PLAY THAT WORKS IN EVERY MARKET

In this trading lesson, ***Rob Colville****—AKA "The Lazy Trader"—uses an ideal range play on this currency pair to illustrate that some of the most reliable and profitable patterns in all of technical trading need not be difficult to see or require multiple, complex indicators.*

While the business of trend trading could be summed up as simply buying dips in uptrends and selling rallies in downtrends, a range trader's plan of attack is a bit different. That could be explained, in layman's terms, as selling when price reaches the top of the range and buying when price reaches the bottom.

As it happens, a quintessential range play presented itself this past June—and seemingly on a silver platter—as EUR/GBP reached the top of a well established range on the daily chart (see below), with a confluence of factors also in play on the pair's weekly chart (not shown).

Figure 1: Range-Based Short Set-up in EUR/GBP

As shown below, on June 9, a close of a *high testing* pin bar gave us a good sell confirmation as well as a short entry signal. The fact that this bar had opened and closed in the bottom 50% and below the resistance level, yet had a tail which poked above it, was indicative of a false breakout to the upside. This, even by itself, was as an excellent clue that the bears were back in town.

Figure 2: Entering and Setting Up This EUR/GBP Short

Not only would this give us an opportunity to speculate that price would bounce and fall to the bottom of the well established zone of consolidation (formed between March and June), but it would give us an ultra-efficient entry for a long-term sell if price broke below the bottom of the range (level of support).

We placed our sell entry below the low of our *signal bar* on the evening of June 9 at 0.7325, with a protective stop-loss above the high at 0.7393 (risking 68 pips) in anticipation of a potentially sizable move to downside.

Within 24 hours the trade was triggered and 14 trading days later our conservative, initial profit target at the bottom of the range was hit (0.7063), giving us 262 pips of reward.

This *classic* range set-up and outcome is no exception to the norm. These occur frequently across all asset classes, serving as further proof that some of the most reliable and profitable patterns in all of technical trading need not be difficult to see or require multiple, complex indicators.

ONE VALUABLE WAY TO TELL A BREAKOUT FROM A FAKE OUT

Though pin bars rejecting a key level can be a good indication of a potential change in tide, ***Rob Colville****—AKA "The Lazy Trader"—points out that a pin bar formation after a false breakout (where a low testing pin bar's tail breaches the level) can often provide a powerful launch pad for entry.*

Most professional traders, when not trading a reaction to a technical level or a pullback, are trading breakouts, where price breaks a key level of support or resistance or escapes a zone of consolidation (or indecision) on the chart.

But what if a breakout fails and results in an opportunity to take advantage of a bounce in the opposite direction instead? A *false breakout* of that kind was seen October 15 on the daily chart of USD/JPY and it just so happened to be a fantastic opportunity.

As shown below, not only had price reached an efficient price to buy—thanks to its proximity to a key level of support (unbroken since February)—but the daily bar—which closed on October 15—gave us buy confirmation after bulls were proven the dominant force in the market after a false breakout, known as a *fake out*.

Figure 1: A *False Breakout* on Daily Chart of USD/JPY

After the New York market close, the formation of a *low testing* pin bar with its open and close above the key level of support (the *floor*) at 118.63 revealed to us that price had—intra-day—attempted to break the level to the downside but failed as the bulls came charging back into the market. Notice how the day's candle opened and closed above the key support level in the top half of the bar, with its tail below that same key level.

A low testing pin bar off a key support level is a valuable entry signal, especially if it agrees with the prevailing direction of the trend.

Figure 2: Key Price Levels for This USD/JPY Trade

After the close on October 15, we placed a buy order above the high of that daily bar at 119.18, with our protective stop-loss tucked below the low of the day at 118.04 (114 pips risk), risking 2% of our trading account's value. Our first target was the top of the zone of consolidation at 121.25, giving reward potential of 207 pips.

Typically, pin bars rejecting a key level can be a good indication of a potential change in tide. However, a pin bar formation after a false breakout (where a low-testing pin bar's tail breaches the level) can often provide a powerful *launch pad* for entry. As you can see below, after four consecutive buy days, USD/JPY went on to hit the initial price target.

Figure 3: The *False Breakout* in USD/JPY Confirmed

A HIGH PROBABILITY SET-UP FOR WHICH CANDLES DON'T MATTER

*Professional trader **Rob Colville** points out that even though candlesticks can—and regularly do—act as confirmation signals prior to entering the market, some set-ups—like the example he shares—are not based on any candlestick pattern, but on a more aggressive style of trading.*

When the FTSE index reached its then all time high back in January of 2015, it came as yet another prime opportunity to sell. This sell set-up, however, was not based on any candlestick pattern; instead, it was a far more aggressive style of trading based on supply and demand.

For many traders, candlesticks can—and regularly do—act as powerful confirmation signals prior to entering the market. But nonetheless, we can't negate the fact that the price levels on the charts have their own memory as well...as evidenced by this early-year price action in the FTSE index:

Figure 1: FTSE Index Again Testing All Time Highs

As shown, the 6874 level had previously held firm, proving to be a highly profitable barrier (or level of supply) after it obstructed price from going up any further on multiple occasions throughout 2014.

Starting in February 2014, when the level was confirmed with three tests, we were able to adhere to a strategy of simply placing sell orders just below the level in anticipation of another fall in price. In May, June, July, and September, we were able to profit by doing this and placing our sell orders at 6874 and our stop-loss 50 points above.

As you can see above, every time price reached the level, it subsequently fell, enabling four winning trade outcomes out of four set-ups.

This goes to show that as technical traders, we work with probabilities. If we were able to achieve four wins out of four tries based on exactly the same strategy, then not trading the fifth set-up would be an opportunity squandered… especially if, in the end, it amounted to yet another win.

That's why, on January 26, 2015, we placed our order to sell in advance of the 6874 level with a protective stop-loss 50 points above. There was no candlestick confirmation for such an aggressive entry. After all, this level had held up for months prior and price simply bounced off of it to the downside on multiple prior occasions.

Figure 2: A FTSE Sell Set-up with No Candle Confirmation

The target for this trade was 6533 (the next level of support), giving us scope to potentially profit 341 points. As I'm sure you'll agree, risking 50 points to gain 341 (a reward:risk profile of over 6:1) was a worthwhile proposition.

Figure 3: The Results—and Invalidation Point—of This FTSE Trade

We were triggered into this trade on February 3 and waited for price to snake down, which it did. However, on February 18, price surged back to the upside and closed above the key price level. This was the first warning signal to flash with regard to the trade. The next day price breached the prior day's high and it was at this point when the trade was rendered invalid. As a result, we exited the trade for a small loss rather than waiting around and risking a full hit.

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