50 EMA Williams Strategy

by Admiral Markets Trading Camp

Contents

About the Author

Nenad Kerkez is a full time trader and dedicated analyst, well known on numerous websites for Forex trading as Tarantula. His Forex blog thread has gained over two million visits which currently puts Nenad's thread on the top 3 most visited topics.

Nenad has been a professional trader for numerous years and his simple strategies will help you in establishing your own trading career.

Entry Position

BUY

Price must cross above the 50 EMA High Williams Percentage Range crosses above the -20 level. The Stochastic Oscillator is above its Signal line and level 60; When all the conditions agree, you place a Buy order.
Set the Stop Loss a few pips below the most recent swing low point.
Set the Take Profit level twice the amount of the stop loss, or close the trade when price closes below the 50 EMA High.

SELL

Price must cross below the 50 EMA Low. Williams Percentage Range crosses below the -80 level. The Stochastic Oscillator is below its Signal line and level 40. When all the conditions agree, you place a Sell order.
Set the Stop Loss a few pips below the most recent swing low point.
Set the Take Profit level twice the amount of the stop loss, or close the trade when price closes above the 50 EMA Low.

TAKE PROFIT and STOP LOSS

Targets around Pivot Levels Stops above/below last high/low

Exponential Moving Average

Pivot Points

Buy example

Pivot Points

Sell example

Exponential Moving Average

Do you start noticing the pattern of Break OUT and REVERSE before moving in a direction of a crossover? Great! Also keep in mind that some times crossover happens directly on a breakout, which is the best signal for a trade.

A few things to know in adjusting the MA:

- The smaller the N period numbers, for example 1, 3, 6 the more movements on the chart, hence the more unreliable the signals are.
- If you want to eliminate the noise, use bigger moving averages numbers like 50, 100, 200 etc, since they give a complete picture of a trend without any interruptions.
- A combination of smaller and bigger moving averages can give the best outcome in trading.

Williams Percent Range

Williams Percent Range

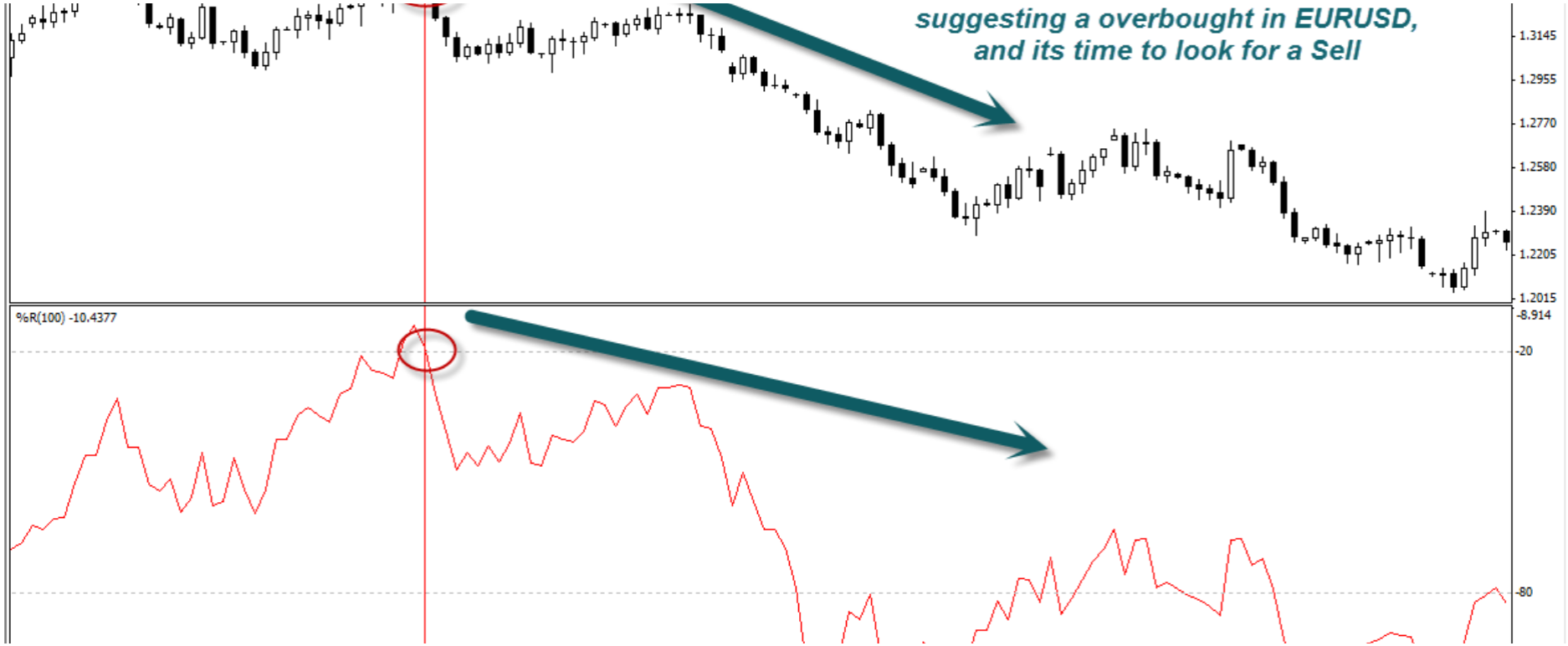
The Williams Percent Range is a momentum indicator (similar to the Stochastic Oscillator), which identifies overbought and oversold market conditions. It is plotted on an inverted scale ranging from 0 to -100. Readings from 0 to -20 are considered to be overbought, and readings from -80 to -100 are considered oversold.

The indicator should not be used in isolation – interpretation is dependent on the dominant underlying trend, which can be identified using e.g. a moving average. Signals tend to be more reliable in a trending market, the indicator does not work so well in a sideways market. In a bull market, a reading below -80 would signal a buy opportunity. In a bear market, a reading above -20 would signal a sell opportunity.

Williams Percent Range

Buy signal on Williams Percent Range

Williams Percent Range



Sell signal on Williams Percent Range

Stochastic

Stochastic

The stochastic oscillator is a momentum indicator that relates the location of each day's close relative to the high/low range over the past n periods. Developed by George C. Lane in the late 1950s.

Readings below 20 (above 80) are considered oversold (overbought). However, readings below 20 (above 80) are not necessarily bearish (bullish). Lane believed some of the best sell (buy) signals occurred when the oscillator moved from overbought (oversold) back below 80 (above 20).

Stochastic

Buy (sell) signals can also be given when %K crosses above (below) %D. Crossover signals are quite frequent however, which may result in whipsaws.

Pivot Points

Pivot Points

The pivot point (daily pivot or DP) is the level at which the market direction changes for the day. The pivot level, support and resistance levels calculated from the previous day's range are collectively known as pivot levels. These points can be critical support and resistance levels. The reason pivot points are so popular is that they are predictive as opposed to lagging. You use the information of the previous day to calculate potential turning points for the day you are about to trade (present day).

The general idea behind pivots is to go long above the daily pivot and short below the daily pivot. The mood of the market (bull or bear) should be used when deciding whether to go long or short at the pivot point. In addition, the first time the pivot point is violated (to the upside or downside) is the most important crossing of the pivot. Subsequent crossings are less meaningful.

The three most important pivot points are R1, S1 and the DP – Daily Pivot. The general idea behind trading pivot points are to look for a reversal or break of R1 or S1. By the time the market reaches R2 or S2 the market will already be overbought or oversold and these levels should be used for exits rather than entries.

Pivot Points

A perfect set would be for the market to open above the pivot level and then stall slightly at R1 then go on to R2. You would enter on a break of R1 with a target of R2 and if the market was really strong close half at R2 and ride the trend with the remainder of your position.

Please take a notice that the examples given in this book are a more idealistic, and that in real time situations, traders might need to consider the other less perfect signals by described indicators.

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Conclusion

Rating

4.00/5.00

Conclusion

Good system which exploits momentum above or below 50 EMA channels. It also uses Williams Indicator for additional confirmations. Suitable for less and more experienced traders. It requires testing on H4 timeframe. Its advantage is that it can be traded on all Intraday timeframes.

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