LR Thomas

The 10XROI Trading System

The 10XROI Trading System

by LR Thomas

Trading the financial markets has large potential rewards but also large potential risks.
You must be aware of the risks and be willing to accept them in order to invest in the financial markets. Don't trade with money you can't afford to lose. No representation is made that any account is likely to or will achieve profits or losses similar to any information found in this book. The past performance of any trading system or methodology does not necessarily indicate future results.

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Why the 10 x ROI System Will Work for You

The 10 x ROI system has a built in solution to the biggest issue faced by losing traders. Their losers are larger than their winners. The broker FXCM conducted a survey that showed that the winning traders all had one thing in common; their winning trades were much larger than their losing trades. Thus even if they had a low winning percentage e.g. only winning 30% of trades they still came out ahead.

There are many reasons why traders have larger size losses than wins, mainly psychological.
One of the biggest psychological reasons for taking profits too early which I have never seen mentioned in any of the trading books that I have read, is the uncertainty about the size of the move. If you have no idea where the trade is going, it is very tempting to take profits when price starts to pullback and you see your profits dissipating before your eyes.

The 10xROI method solves that problem because as its name suggests it is designed to have a large FIXED risk to reward ratio which takes away the uncertainty from the trade.
Another problem losing traders have is their losses are large compared to their wins. The 10xROImethod solves this problem by having small stop losses built into the system. An entry is only taken when the conditions of the stop loss are met.

Yet another problem faced by traders is not knowing when to move their stop loss to break even. Quite often if the stop loss is moved too quickly price will pull back and take the trader out at the entry, before continuing in the original direction of the trade. The rules in the 10 x ROI system for moving the stop loss to break even are there to prevent this happening while at the same time giving the trader as much protection as possible.

So to recap, the 10xROI system solves the problem of small wins by having fixed take profits. It solves the uncertainty of when to move to breakeven by entering at a point where the price is unlikely to return and having clear breakeven rules. It solves the problem of not taking losses until they build up to a large losses by having clear entry rules which depend on a small but clear stop loss area being created. The stop loss is only placed after a proven support or resistance area has been found together with a confirming candle pattern.

If this strong support or resistance area was breached then it would likely mean that this trade was not working. This provides clarity when placing the stop loss and solves the problem of letting losses compound because the trader talks themselves into moving the stop loss further away. The solution is to select the stop loss area in a way that leaves no doubt.

Fixed Take Profits

The second biggest issue traders have besides letting their losers become too big, is not letting their winners run. I solved this problem by having fixed take profits.

Having a fixed take profit means that there is clarity when trading because the results fall into three categories.

Loss, break even or a 1-10 win

The downside however is that you could see price move to a 1-6 ROI only to turn round and stop you out at a loss or more likely break even.

This is emotionally extremely painful; however this pain is what stops traders letting their winners run in the first place. When they see their trade in profit traders feel so much pain when they see price turning on them, that they alleviate the pain either by closing the trade or by taking some profits. The problem with both of these methods is that the return on the trade is reduced.

A typical method of taking profits is to take a third or a half off at the first pullback and then take a third off at the second pull back and let the rest run. This can mean that the profit on a trade is reduced to as little as a 1-1 ROI; this means that the win ratio has to be extremely high to profit.

Dealing With Uncertainty

The other issue is the uncertainty. In an uncertain environment a trader is likely to do what relieves their emotional pain. Unfortunately this is usually the wrong thing to do, by having clear stops and fixed take profits this uncertainty is removed. Although it doesn't remove the pain of seeing price take out a stop, or turn around after reaching a 1-5 Risk Reward it makes it easier to bear the pain and actually make a profit.

Remember in trading there is going to be emotional pain whatever you do, if you get stopped out at a stop loss there will not be as much pain as if you had let your stop run and decimated your account. If you take profits too early you will feel pain when price turns round and continues in the direction of the trade just as you will feel pain by taking profits too late. You will always feel that you could have done better that is the nature of the uncertain environment that is trading.

Trading is psychological warfare; you are always fighting with yourself. However by being aware that there will be pain whatever you do and by focusing on execution and not results, you can trade in a way that makes profits.
(Having said all this at around the 1-8 mark I do start moving my stop loss from break even and looking out for signs of reversal. If I see a huge area of weekly support or resistance combined with a parabolic move to this area, I will exit at the end of the parabolic run even if I am at a 1-8 or 1-9 ROI.)

The 10x ROI Mind-Set

Mind-set and psychology are hugely important in trading and are the most underestimated part of trading.
Unfortunately trading can be a highly frustrating endeavour and can easily lead to what is known in poker as 'Tilt' which is where the trader loses all objectivity and starts revenge trading after a series of losses or overtrading after a series of wins.
My approach to this issue is to have a certain mind-set which is switched on every time you start trading. In other words you create a particular trading mind-set which is like a parachute used when jumping out of an airplane. Just as you would never jump out of a plane without a parachute, so you never trade without adopting your mind-set. What this means is if you cannot have the right frame of mind then you don't trade.

So how do you get the right trading mind-set to trade?
Well this goes back to how a professional trader thinks. All the stresses of ordinary life and the stress of having to earn a living through trading affect the professional trader. But during the trade the professional trader is able to cast off all those thoughts and focus purely on the trade with no thought of the consequences of the outcome of the trade.
Note I said no thought of the consequences, if you have the thought at the back of your mind, if I lose this trade then that means I won't be able to be a winning trader, which means I won't be able to leave my job or feed my family then you are focused on the consequences of a losing trade and are not in the correct mind-set to trade.

So how do professional traders think, they are focused on their performance, not on the results. They have faith that if they perform right, that the results will take care of themselves. Thus they focus on finding the right setup, the right entry point and the right exit. They feel all the emotions that ordinary traders feel, but they do not let it affect their performance, By the way I don't recommend you try to earn a living through trading until you have been a winning trader for at least 6 months. You need to have faith in your own abilities before putting yourself under this type of pressure.

So to recap, the difference between an incorrect mind-set and the correct trading mind-set is that the correct mind-set focuses on the process of trading and the performance of the trade and the incorrect mind-set is focused on the results of the trade and the consequences of that result.
The truth is that the performance mind-set is the key to success in any endeavour where the outcome is uncertain. That could be athletic performance (which is why athletes often do well in trading) or even weight loss, where focusing on eating right and exercise has to be done long before significant changes are seen.

The 10 x ROI system is designed to help with mind-set by only using the daily and hourly charts which helps to eliminate the day trading gambling mentality. By using longer timeframes, it is much easier to gain self – control.
The 10xROI method is a simple but robust system, but you need to trust it in order to trade it well and make it your own. I suggest you go back as far as the charts on your trading platform will allow and back test the system.

Only after you have seen for yourself that it works, will you have faith in the system and you need to have faith as part of your trading mind-set.
Equally use a demo or a micro account to forward test the system to increase your faith in the 10xROI system. by seeing profits accrue in your account. When looking back over your trading records you may find that it has better results on one currency pair than another. Eliminate the pairs that do not perform as well and keep the strongest pairs.

Go for the best quality trades even if they don't come as often as you would like. The correct trading mind-set is focused on finding high quality trades and lets the substandard trades go. The other option is to trade much less on trades that are of lower quality.

Remember the right mind-set is process oriented, if you find yourself feeling that there is a shortage of high quality trades and you start taking inferior setups, that is results thinking and will ruin your overall profit curve. Be professional and only take the best set ups.

So to recap if you find yourself thinking of the results of a trade and how if you lose a trade that means you are a trading failure which means that you won't have the lifestyle you want blah, blah,blah , that is results thinking and is a losing traders mentality.
If you focus on selecting the best trades, and waiting for the best entries, following the rules and on your overall performance, knowing that great execution is what counts, win or lose. If you have faith that if you perform your trading plan well the results will take care of themselves, then that is process based thinking and is the correct trading mind-set.

Only trade when you are able to don your process mind-set and avoid trading if you have a results mind-set. Your process mind-set is your trading parachute which will enable you to trade safely. To help with your trading psychology I have written a book called 'Control Your Inner Trader' which details the process I use to gain the correct trading mind-set. Go to the resources section at the end to get the details.

Trading the 10 x ROI System Around a Job

The 10xROI system is designed to need minimal chart time; however it can be adapted even further to trade comfortably around a full time job.
The 10 x ROI system uses the daily chart to find the setup and the one hour charts for entry. Depending on your work setup this system can be traded around a job.

The correct levels are found the night before at 10pm -12am GMT time or 5pm-7pm US time. I have found that it doesn't seem to make any difference what times your charting platform ends the day.

Text alerts are set, so the charts don't have to be looked at until a text alert is received. Then after the alert is received an hourly check is needed. Your smartphone or tablet can be enabled for charting, but ideally use a netbook laptop with a mobile dongle which gives you much better multi-charting ability with Metatrader.

When the correct entry setup is seen on the hourly chart, the trade is taken, with the stop loss and the take profit already put in , and no more checking is needed till the end of day when you get home from work. So during a working day when there is a trade setup which may be between one and four times per month you will need to be able to check your laptop hourly after a text alert has been received.
I use IG index spread betting platform for their free text alerts and I think you can open a free account with IG wherever you are based; otherwise you need to find a platform which sends price based text message alerts.

The ‘Trade Around Your Job System’

If you are not able because of your work commitments or you simply don’t want to do the hourly checking necessary in the 10XROI System, there is another high ROI system I use which uses daily and four hour charts only. I call this the ‘Trade Around Your Job System’ which only requires checking every four hours during the working day. It can be adapted so the four hour checks can line up with am/ before work, lunchtime and after work by finding a version of Metatrader where the four hour candles finish at these times.

You can find the book on my Amazon author page here is the link.

http://www.amazon.com/LR-Thomas/e/B00GKOJXSA

http://www.amazon.co.uk/LR-Thomas/e/B00GKOJXSA/

The Tools I Use

The tools you need are very basic.
A Metatrader 4 or 5 charting platform
A trading account
A smart phone or mobile phone to get texts and do your hourly checks using a trading app.
I also use a net book with a dongle to see multiple charts lined up the way I like them on Metatrader

The 10xROI System Money Management

There is a well-known axiom in the trading world which is to never trade more than 1 or 2% of your account on one trade. This is a cautious money management method which guards against a string of losses and enables you to last until you have the big win which makes up for the losing trades and puts your account back in profit.
In the beginning until you know your numbers it would be wise to stick to risking 1% only of your account on each trade and starting to trade with a relatively modest account. That way you are not risking your families' future, so even if you lost your whole account, it is not the end of the world. Never risk more than you can easily handle in trading.

So how can you build up this small account into a much larger account? After you have been trading for a while you will have some numbers to relate your money management to, at this point you can start to trade higher amounts if it makes sense, for example if the particular setup has a very high winning percentage (which is why I emphasize going for high quality trades).
For example let's say you open an account with $500 a very small account. 1% of $500 is $5 with an average stop loss on the 10x ROI System of 25 pips that would be 0.2 micro-lots or 20 cents a point. Let's say after trading for 3-6 months you find that you have a winning percentage of 50%.

You also notice that the wins and the losses tend to come in streaks. You can manipulate your money management so that you are only risking 1% on trades in losing streaks but you compound gains on winning streaks going back to 1% when you start losing again.
You have three choices, you can stick to 1% risk money management method which over time will build up your account or you can start adding larger amounts of money to your account to build it faster, or you can start betting larger amounts of money on trades after a win in hopes of a streak. Another option is you can have 2 accounts (which is what I recommend), one account for using the conservative money management 1% method, a

second account for the speculative compounding gains method.

In fact you can open a second account using the wins from the conservative first account keeping your overall risk limited to the amount of funding for your first account. You can then move winnings from the more speculative account into the conservative account to help grow it faster.

Examples of Trading Sequences

Here are 2 examples of possible 20 trades
Winning and losing sequences.
Account size $1000

Trading sequence 1 with a 50% win /loss ratio
L,L,L,W,W,W,L,W,W,W,W,L,W,W,L,L,L,W,L,L,

USING 1% RISK PER TRADE
-1%,-1%,-1%,+ 10%,+10%,+10%,-1%,+10%,+10%
+ 10%,+10%,-1%,+10,+10%,-1%,-1%,-1%,+10%,-
1%,-1% (Profits =$1345a gain of 134%)

Compounding money management method starting with $1000 and dividing wins and betting on next trade, going back to 1% after a loss.
1000,990,980,970,1067,1552,3977,2765,3041,4421,
11321,45821,28571,31428,45713,38571,38185,
37803,41583,39693,39296
(Profits=$31296 a gain of over 3000%)

Trading sequence 2 with a 50% win loss ratio
L,W,L,W,L,L,L,L,W,L,L,W,L,L,W,W,W,W,W,W,

TRADING 1%
-1%,+10%,-1%,+10%,-1%,-1%,-1%,-1%,+10%,
-1%, -1%,+10%,-1%,-1%,+10%,+10%,+10%,
+10%,+10%,+10%
(Profits =$1345 A GAIN OF 134%)

Compounding money management method starting with $1000 and dividing wins and betting on next trade, going back to 1% after a loss.
990,1089,1040,1144,1092,1081,1070,1059,1165,

1112,1100,1210,1155,1143,1257,1830,7569,36267,
179760,897228,4483571,
(Profits =$4,482,571 a gain of 44,300 %!!)

Although the above examples are hypothetical you can see how compounding your gains can grow your account quickly. I have used a very high re-investment of 50% on winning trades however you can test these numbers and drop down to 25% or even 10 or 5% depending on your risk tolerance. Remember you should delegate separate accounts specifically for higher risk money management strategies.
You can easily ignore compounding and just use the 1 or 2 % risk strategy on your trading and still build your account in a very respectable fashion. Never risk more than you can easily afford to lose in your overall trading account capital!

The 10xROI System

The 10XROI System is based upon a specific candle pattern that I noticed a few years ago. I use the pattern on the daily chart but I have seen this same pattern on all time frames.

In explaining how the 10XROI system works, firstly I will cover the candle pattern and its variations. Then I will go over the trading context or the specific trading conditions that need to be in place before we start looking for entries.

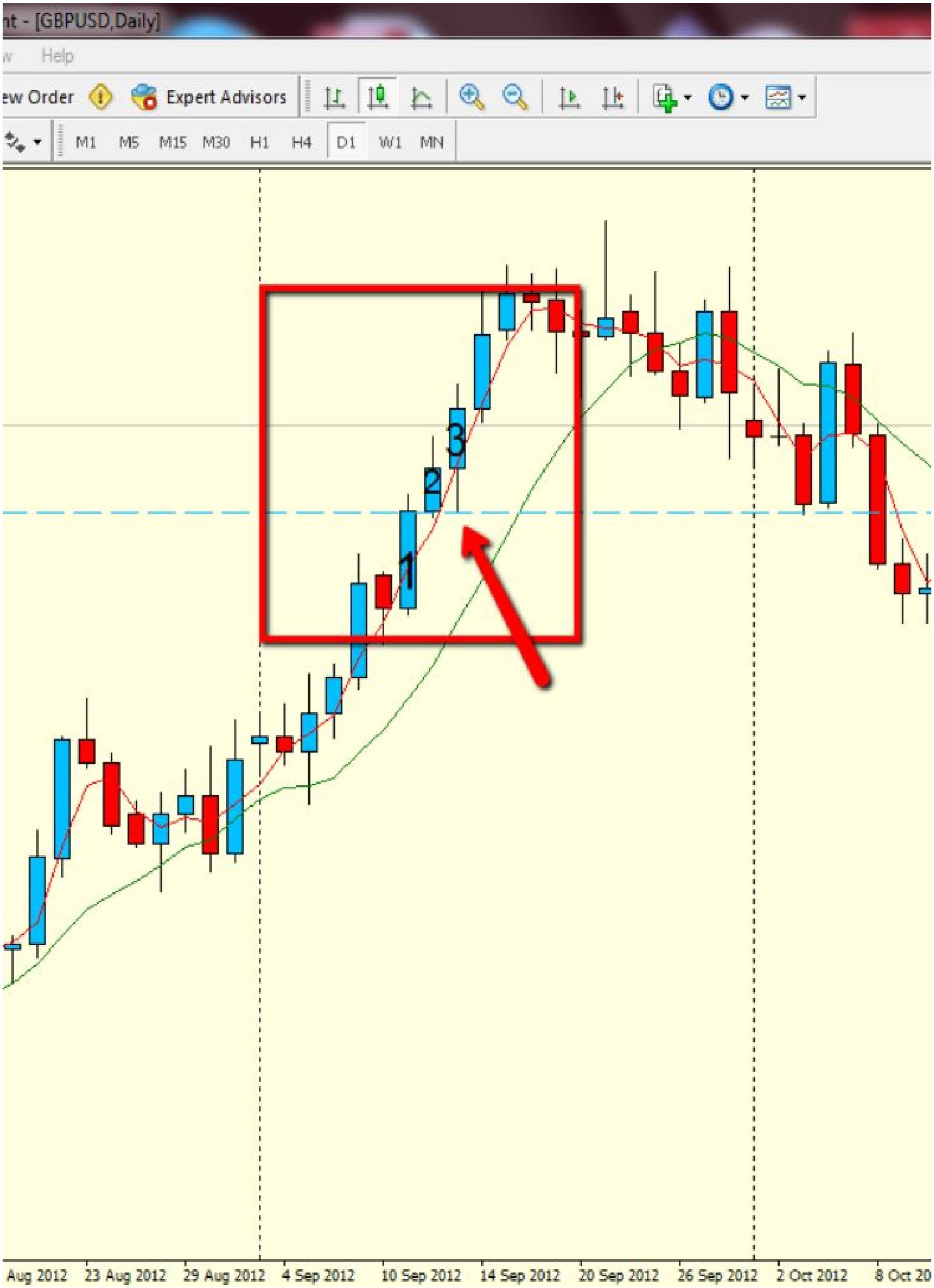
I also give plenty of examples of trades showing the daily charts with the candle pattern and the right trading conditions. I also show the hourly entry chart showing the specific entry conditions that need to be in place for us to enter the trade.

The Push Pull Candle Pattern

The 10XROI System uses a proprietary candle setup I call the push-pull candle pattern. The reason for the name is that price 'pushes' hard in strong momentum forming 1 or 2 long candles. Price then pulls back to the close of the candle before the previous candle, which is where we look for hourly entries. There are a few versions of this particular candle pattern and for the 10xROI system we use the daily chart to find the pattern and the one hour charts to fine tune entries and stop losses. This is a very visual pattern and hard to describe using words so I have included plenty of examples below so you can instantly recognize a potential candle setup when you see it; however there are conditions to be met when taking this trade which will be covered later. The candle pattern by itself should not be taken unless the right conditions are present

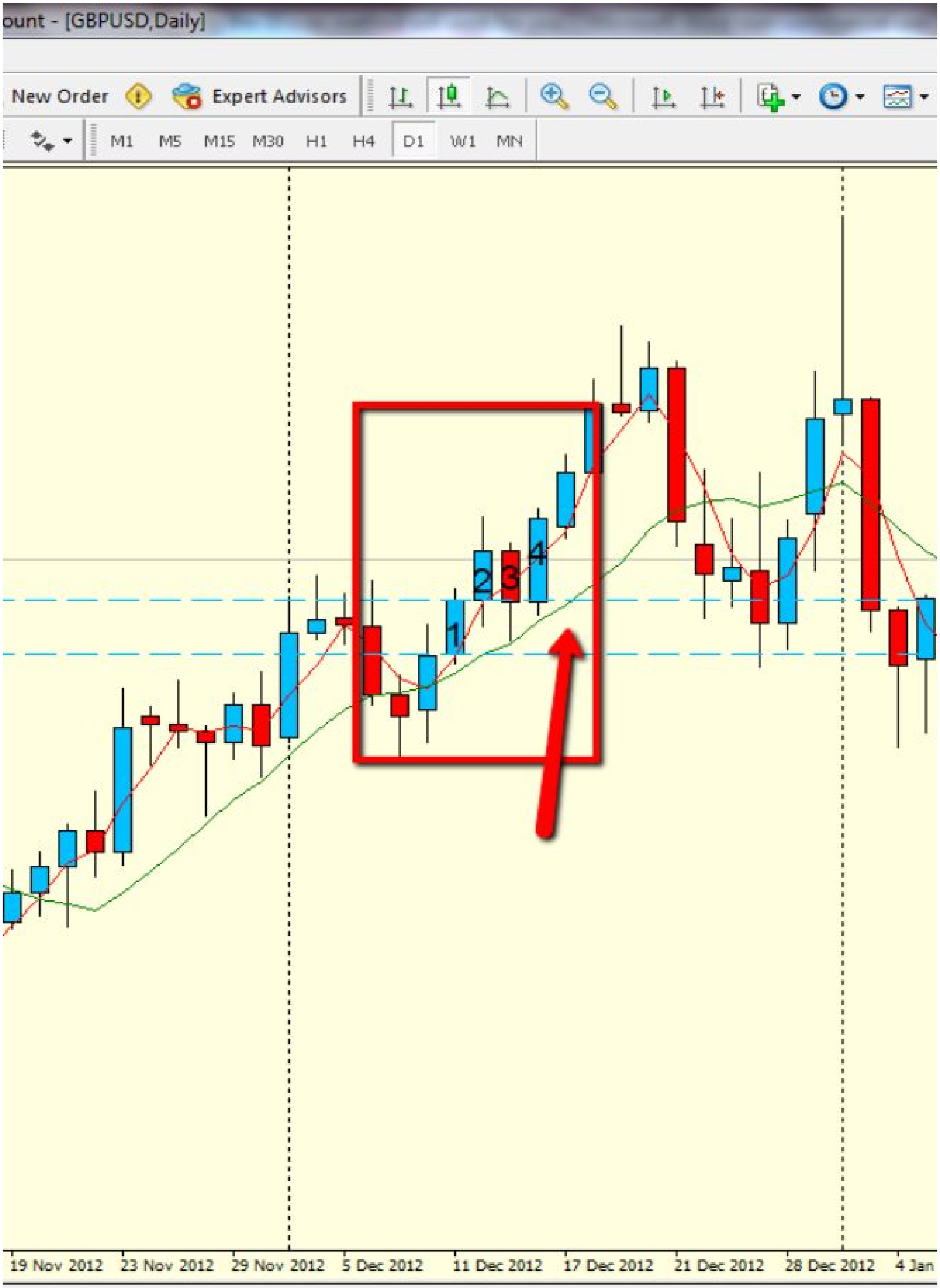
The 2 Candle Push Pull Pattern

In the next chart, candle 1 is a large directional candle followed by candle 2. Notice that candle 3 pulls back to the dotted line at the close of candle 1. That is the 2 candle push-pull candle level; we look for hourly entries as near to the dotted line area as possible.


nt - [GBPUSD,Daily]
Help
ew Order
Expert Advisors
M1
M5
M15
M30
H1
H4
D1
W1
MN
1
2
3
Aug 2012
23 Aug 2012
29 Aug 2012
4 Sep 2012
10 Sep 2012
14 Sep 2012
20 Sep 2012
26 Sep 2012
2 Oct 2012

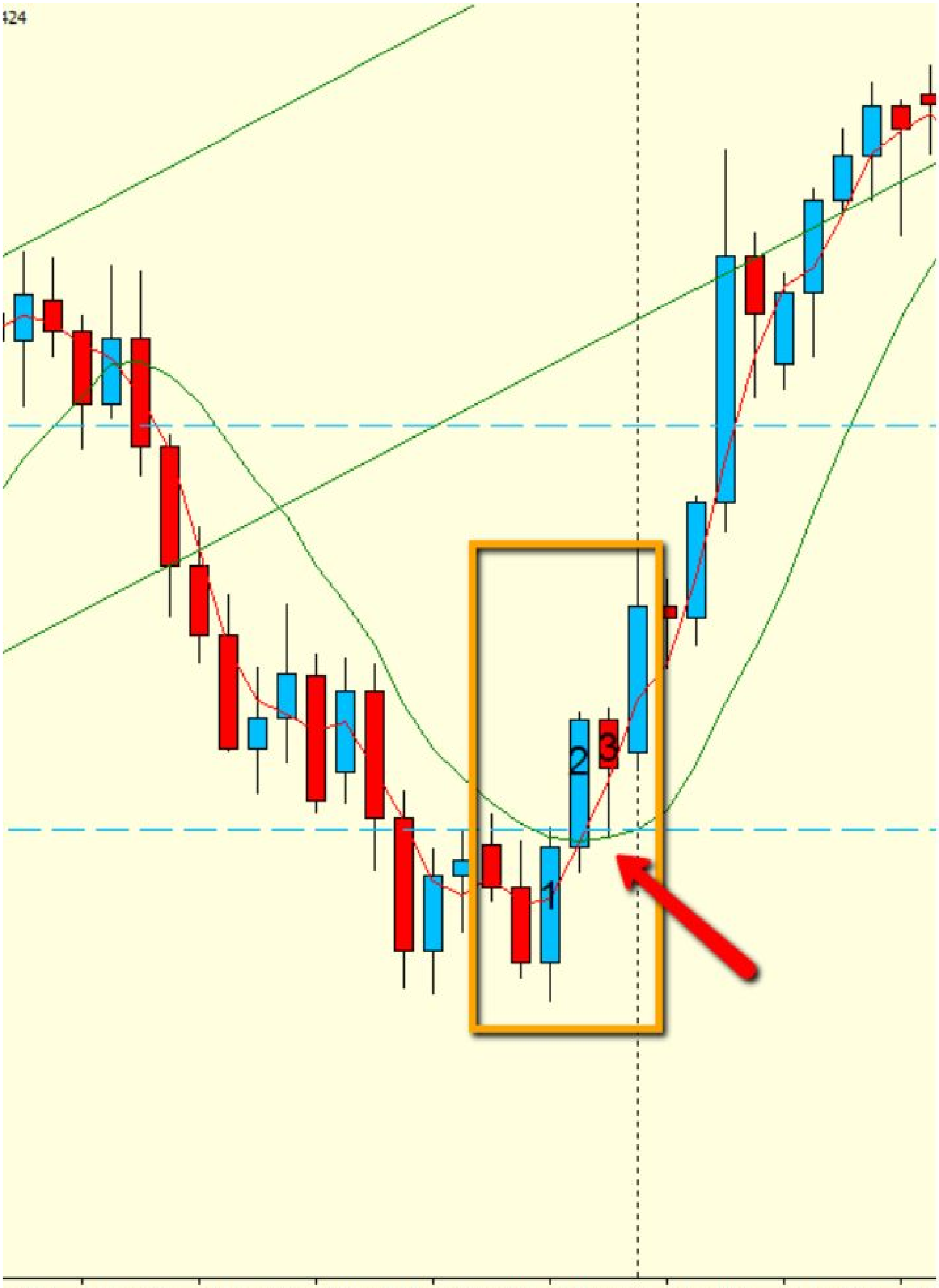
Multi Candle Push-Pull Set Up

In the next chart, Candle 3 has pulled back to the close of candle 1 (in fact it nearly reached the open which is good) however day 3 closed at that level and so we look for hourly entries on candle 4.


ount - [GBPUSD,Daily]
New Order
Expert Advisors
M1 M5 M15 M30 H1 H4 D1 W1 MN
1
2
3
4
19 Nov 2012
23 Nov 2012
29 Nov 2012
5 Dec 2012
11 Dec 2012
17 Dec 2012
21 Dec 2012
28 Dec 2012
4 Jan

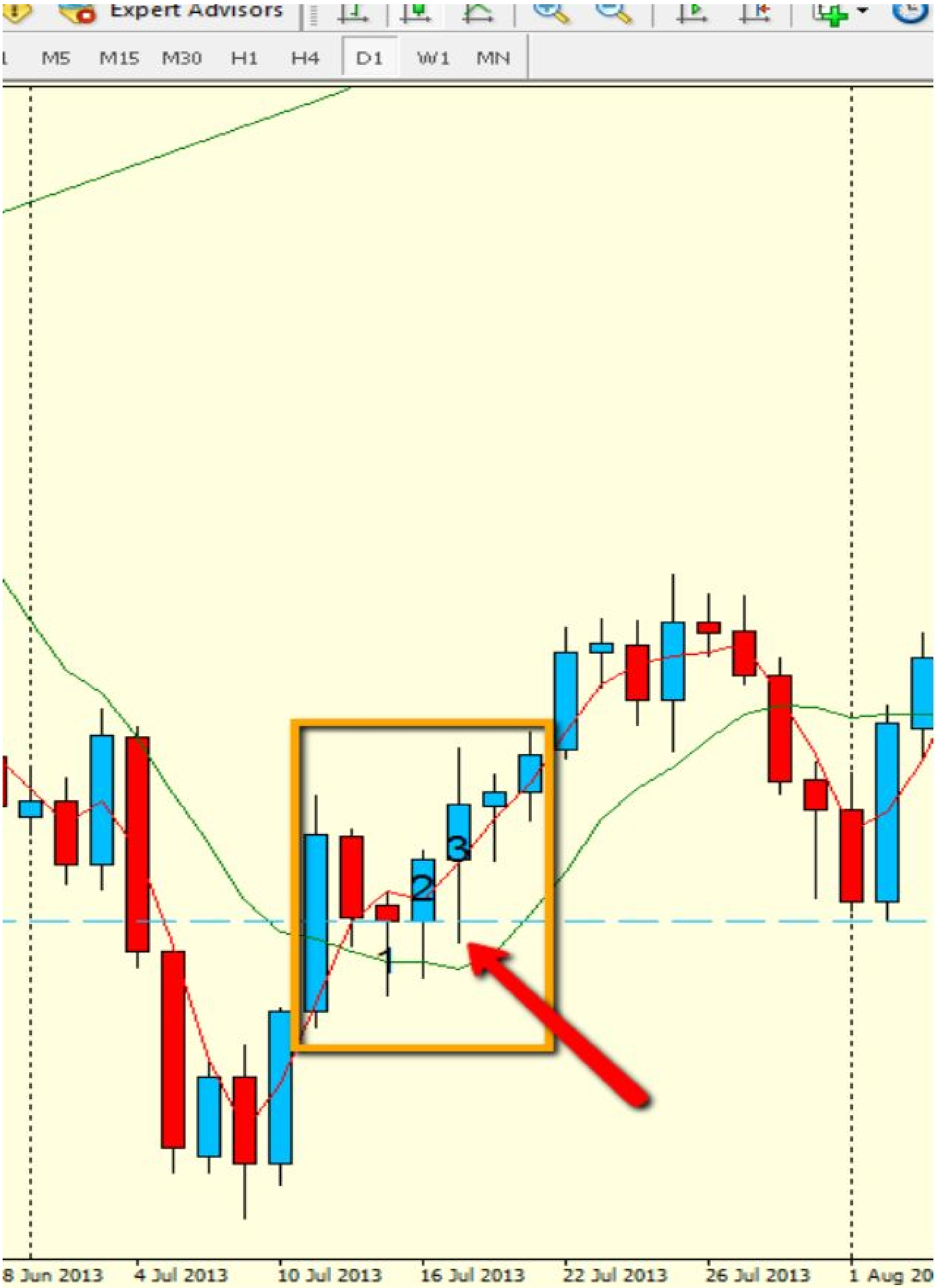
2 Candle Push Pull Setup in Reversal

In the next chart, notice the large candle 1 followed by candle 2.
Candle 3 pulls back to within 9 pips of the close of candle 1 which is acceptable (notice the dashed area of support to the left which explains why the pullback did not go all the way to the close of candle 1) we look for entries as near to the bottom of candle 3 as possible.


1
2
3

Push-Pull Candle Setup After Pull Back

The next chart shows a different variation on the push pull pattern, it occurs after a pullback. The breakout candle is candle 2 which has broken up from the pull back and candle 3 pulls back to the close of candle 1 which is a pin. We want to enter as near the bottom of candle 3 as possible.


Expert Advisors
M5 M15 M30 H1 H4 D1 W1 MN
1
2
3
8 Jun 2013
4 Jul 2013
10 Jul 2013
16 Jul 2013
22 Jul 2013
26 Jul 2013

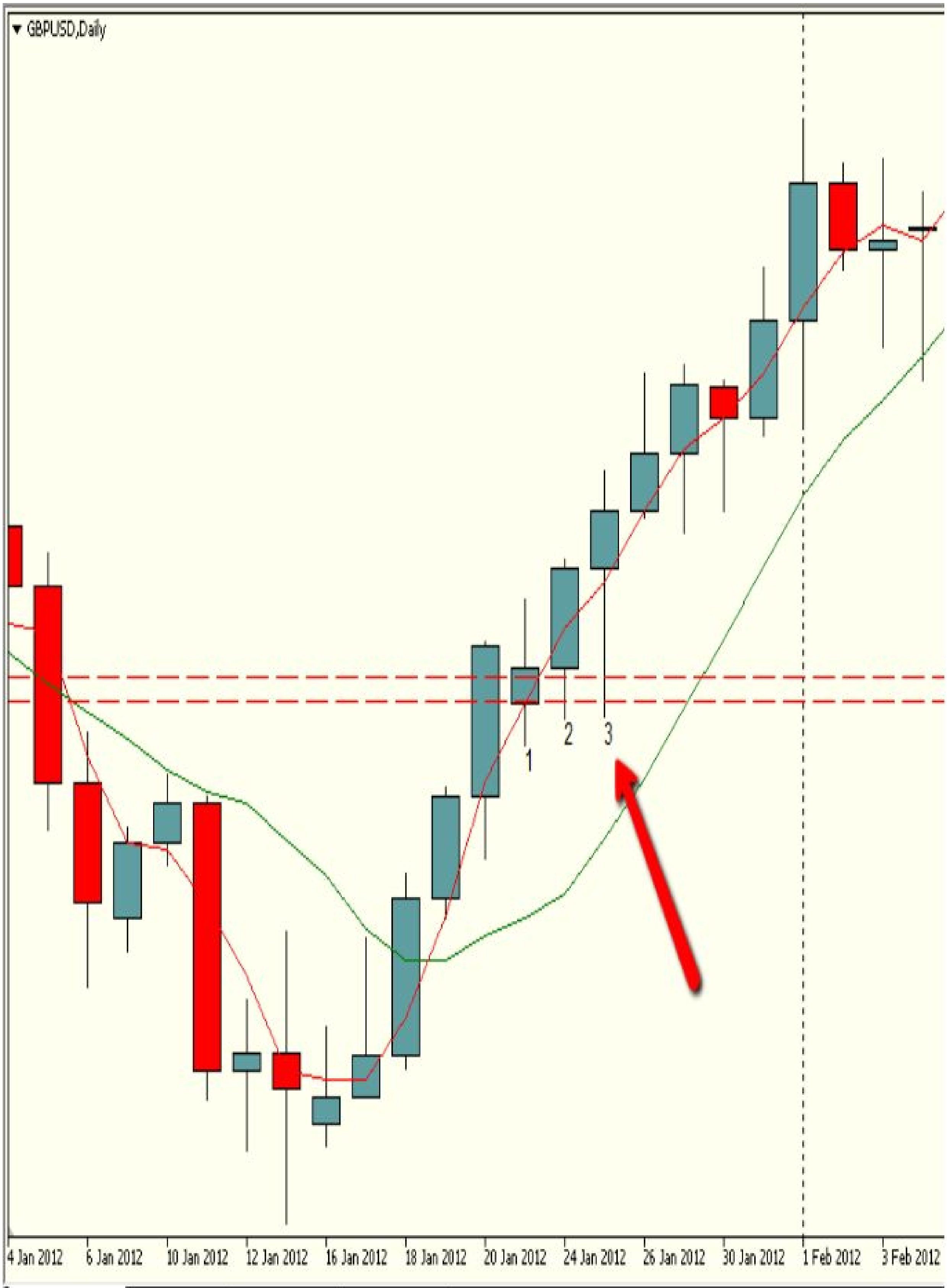
The One Candle Push Pull Pattern

This is a variation of the pattern, candle one does not push in the direction of the momentum, it is either a doji or goes in the opposite direction, however candle 2 makes the strong directional push, followed by candle 3 which pulls back to the close or open of candle 1.
In the next example price pulls back to the close of candle 1 at the end of day 3 so we look for entries on day 4.


1
2
3
4
30 Apr 2013
6 May 2013
10 May 2013
16 May 2013
22 May 2013
28 May 2013
3 Jun 20

1 Candle Push Pull Pattern With Doji

In the next example candle 1 is a doji candle, candle 2 is a long ‘push ‘ candle in the direction of momentum and candle 3 pulls all the way back to the open of candle 1. We want to enter as near to the low of candle 3 as possible.


GBPUSD,Daily
1
2
3
4 Jan 2012
6 Jan 2012
10 Jan 2012
12 Jan 2012
16 Jan 2012
18 Jan 2012
20 Jan 2012
24 Jan 2012
26 Jan 2012
30 Jan 2012
1 Feb 2012
3 Feb 2012

Ok so we know what a push pull candle pattern looks like. Why is this pattern so powerful?
The level is predictable; we don't have to watch the chart waiting for the level to be hit. We set a text alert the night before and don't even start watching the charts unless price hits our level.

We are entering at extreme pullback points on the hourly chart which gives us a much better chance of not being stopped out by price retracement.
We have a much bigger risk to reward ratio and if we don't hit our target then we have a very good chance of hitting break even because of our entries. Think of price being an elastic band that is pulled back to its maximum. We want to get in as close to the extreme where price is stretched to our maximum so we can ride the snap back in the direction of momentum.

So this pattern is very powerful, however to make sure that we have the best chance possible of having a high ROI result there are a number of conditions that we need to see on the daily charts before we even look for a candle pattern.

The Importance of ‘Context’

In order to have the best chance of the push-pull working in our favour we have to look at the ‘context’ of the trade. That means that there are a number of conditions that need to be in place before we even consider taking the push-pull candle setup.
On the Daily Charts the first condition is ‘Strong Momentum’. We need to know that the price is moving so strongly that if we can hop on the trade at the right moment we have an excellent chance of the trade moving to our take profit. So what types of conditions create strong momentum?

Parabolic Moves

When price moves in one direction very strongly with little or no pullback, that is what I call a parabolic move. Parabolic moves usually move very strongly when they change direction.

Here are some examples...


parabolic
move up.
notice the
long candles
previous
parabolic rise in
price indicates a
parabolic drop on
the other side


0.90171 0.90438 0.90047 0.90197
strong drop the other side
parabolic rise


90438 0.90047 0.90198
parabolic rise
strong fall

CHF,H4]
Expert Advisors
M1
M5
M15
M30
H1
H4
D1
W1
MN
rise
fall
rise
fall

Breakouts

Breakouts on a daily chart are generally accompanied by a very strong momentum particularly when price moves down.
We are interested in three types of breakouts, horizontal reversal breaks, horizontal continuation breaks in a trend, wedge and flag breaks in a trend and trend line breaks.
As a rule short trades tend to move much faster than long trades, I personally prefer taking short trades for that reason.

The next two charts show a horizontal reversal break after a parabolic move up.


notice the parabolic rise and fall either side of the horizontal break


22 Aug 08:00
23 Aug 16:00
27 Aug 00:00
28 Aug 08:00
L: 88.815
C: 88.815

Horizontal Continuation Break Out

The next chart shows a horizontal break in the direction of the previous move after an extended sideways move.
Notice the long candle break of resistance confirming momentum and the way the candles hug the fast moving average providing further confirmation of momentum.
The next chart shows a horizontal break in the direction of the previous move after an extended sideways move.
Notice the long candle break of resistance confirming momentum and the way the candles hug the red moving average providing further confirmation of momentum.


Window Help
New Order
Expert Advisors
M1 M5 M15 M30 H1 H4 D1 W1 MN
large candle pushes through with strong momentum after extended sideways move
previous strong move

Horizontal break out

In the next chart, note the strong move previous to the horizontal break which indicates at least a similar size move after the break. The breakout after a sideways move usually means good momentum ahead. Notice price hugging the fast moving average because of momentum.


File View Insert Charts Tools Window Help
New Order
Expert Advisors
M1 M5 M15 M30 H1 H4 D1 W1 MN
GBPUSD,Daily 1.61716 1.61798 1.61310 1.61474
price has broken out of a sideways move indicating possible momentum
price hugging the red '3' moving average, that means price is moving at speed

Flag or Wedge Breakout in Trend

In the next chart we can see that when price is moving strongly in a direction, it often moves sideways and forms a flag pattern before breaking out and continuing the move. The second leg of the move is often similar in size to the first leg of the move which gives us an idea of how much our reward is likely to be and what we can risk in a trade, which is very useful.


465 pip drop
481 pip drop
1

Trend Line Breaks

In the next chart after the first trend line break price moves sideways forming a new trend line which breaks with strong downward momentum. Notice the second dashed line forming support which was preventing the initial move after the first trend line break.

(That’s why we avoid trading short into a support level)


M30 H1 H4 D1 W1 MN

In the next chart notice the long candle that breaks down through the trend line indicating strength.


M30
H1
H4
D1
W1
MN
16 Feb 2010
26 Feb 2010
10 Mar 2010
22 Mar 2010
1 Apr 2010
13 Apr 2010
23 Apr 2010
5 May 2010
17 May 2010

Patterns Trend Line Bounces and Pull Backs

Certain chart patterns which are not breakouts also signify potential high momentum moves approaching.

Trend line Bounces in a Wide Channel

In the next chart you can see a megaphone pattern which is a type of channel pattern which allows for a larger take profit due to the increasing width of the channel. We don’t enter at the trend line bounce because the risk is too large. We look for hourly entries after it has started to break down as in areas 2 and 3.


New Order
Expert Advisors
M1
M5
M15
M30
H1
H4
D1
W1
MN
1
2
3
horizontal support resistance combined with trendline bounce
take profit area
does not hit take profit area
20 Apr 2011
12 May 2011
3 Jun 2011
27 Jun 2011
19 Jul 2011
10 Aug 2011
1 Sep 2011
23 Sep 2011
17 Oct 2011
8 Nov 2011
30 Nov 2011
22 Dec 2011

After a trend line break you will often see price pull back and retests the trend line. This usually means that when it is rejected by the trend line it can move in our direction with strong momentum. In this next chart notice the parabolic move back to the trend line, this further confirms future momentum.

This does not mean that we should not look for setups after a trend line break in case it pulls back to the trend line. Because of our low risk and high ROI even if it does pull back we may have taken our profit or at least exited at break even.


6 Mar 2013
18 Mar 2013
28 Mar 2013
9 Apr 2013
19 Apr 2013
1 May 2013
13 May 2013
23 May 2013
4 Jun 2013
14 Jun 2013
26 Jun 2013
8 Jul 2013

Support and Resistance Levels

In the next chart notice how price pulls back strongly to new support level after it has been broken resistance. In a long trade we would be looking for opportunities near to the support zones.
Notice the push-pull setup near a support area.

pushpull setup near support
shaded area is a support zone, notice how the candles form pins and close at the top of the zone, the bottom of the pin forms the lower boundary of the zone.
0 Dec 2012
20 Dec 2012
3 Jan 2013
15 Jan 2013
25 Jan 2013
6 Feb 2013
18 Feb 2013
28 Feb 2013
12 Mar 2013
22 Mar 2013
3 Apr 2013
15 Apr 2013
25

High Momentum Candle Patterns

Look out for sideways consolidation on the daily chart with dojis and spinning tops.
The tighter the channel the more likely there is to be high momentum after a break.
See the next chart for example.


sideways moves including dojis and
spinning tops. Usually a setup for a
horizontal break.
19 Apr 2013
25 Apr 2013
1 May 2013
7 May 2013
13 May 2013
17 May 2013
23 May 2013

Using Moving Averages to See Momentum

The 10xROI Method uses 2 moving averages, the faster moving average is a simple 3 period ma and the slower moving average is a simple 10 period ma.

The next chart example enables us to see the strength of the move. The first arrow highlights a push pull set up in a strong momentum environment.


Expert Advisors
M15
M30
H1
H4
D1
W1
MN
93.540
93.160
92.780
92.400
92.020
91.640
91.250
90.870
90.490
90.110
89.730
89.340
88.960
88.580
88.200
87.820
87.430
87.050
86.670
86.290
28 Aug 04:00
29 Aug 12:00
30 Aug 20:00
3 Sep 04:00
4 Sep 12:00
5 Sep 20:00
9 Sep 04:00
10 Sep 12:00
11 Sep 20:00
13 Sep 04:00
16 Sep 12:00

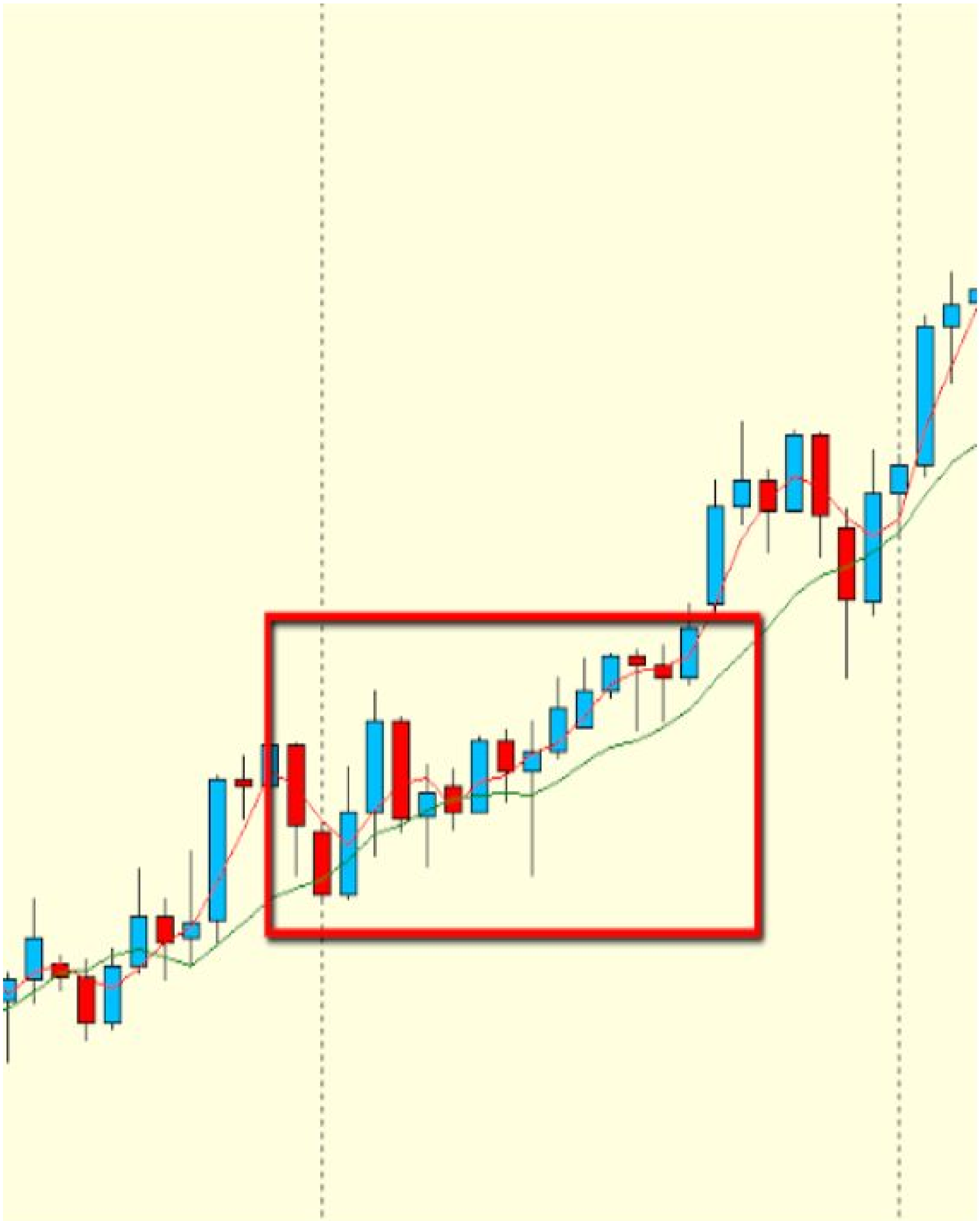
Notice how the candles hug the fast moving average and don't even touch the slower moving average. The second leg of the move highlighted by the second arrow also shows strong momentum tightly hugging the red moving average.

Ideally we would want to see this separation of the moving averages with candles hugging the red moving average after breakouts before we look for a push pull set up.

However this does not apply if we are looking for pull back entries in areas near support or resistance or in patterns. In this situation there is no point using moving averages and you will notice I don't show moving averages in the earlier examples of support resistance or channel chart pattern.

Weak Momentum

In the next example we again have an upward move but the momentum is poor. Notice how the candles hug the fast and slow moving average and frequently pierce the slower moving average. We would not look for setups in this type of weak momentum environment.



Recap of the Push-Pull Set Up

We look for conditions that indicate high momentum

Parabolic moves either in a reversal or in a continuation.

Horizontal breaks in direction of the setup

Trend line breaks in the direction of the setup

Trend line bounces in a confirmed wide channel pattern (Pattern is confirmed after second bounce off trend line)

Price continuation after pull back to a trend line after a previous trend line break.

Sideways candle patterns including dojis and spinning tops forming a breakout zone.

Pull backs to areas of horizontal support or resistance

Hugging of the fast moving average when move is underway.

We want to see as many of the above confirming factors present as possible in order to decide whether a push-pull candle setup is worth pursuing.
Once we find these conditions present and we have set our alert and the correct push-pull level has been reached then it is time to fine tune our entry and for this we use the hourly charts. Here we are looking for safe low risk areas to enter the trade and place our stop loss.
When we take the trade we also want to bear in mind the time of day. Ideally we would want our hourly entry to line up with the time of day that there is often a change of direction. The London or New York session.

Setting the Stop Loss

We fine tune our entries on the hourly chart by finding a strong area of support if going long or resistance if going short on a trade. These areas should also have confirming candle patterns and thus provide a clear level of entry and an obvious area to place a stop loss.
If we don't find this type of clear entry then we don't take the trade. Think of it like catching a bus, if a bus didn't stop at a bus stop you wouldn't dream of chasing after the bus and throwing yourself onto it because it would be too dangerous. You would wait for the next bus to come along and only get on the bus when it had come to a safe stop. Likewise when taking a trade you wait for price to come to a safe place to hop on before it carries on with its journey.

Moving Our Stop to Break Even

Because of the high risk to reward ratio we can afford to take losses and therefore inbuilt into the system is a way of getting to break even which takes into account that price may pull back to the entry level before carrying on.
It can be very frustrating to move your stop loss to break even only to find that price pulls back and stops you out before carrying on in the direction of the overall move.

The 10xROI system is designed for an entry in a price area where price has already pulled back so it is unlikely that the price will pull back again to take you out at entry. However in this system we still act as if we expect price to pull back to the entry point and we don't move to break even until after the price has made its' first hourly pullback.
The large ROI on the system allows us to do this and still make an overall profit if we are stopped out for a loss.
(Many professional traders solve this problem of the pullback to entry by taking some profits early in the move. The problem with this approach is that overall profits are greatly reduced and so a higher winning percentage is necessary. Even if the plan is to re-enter the trade this requires taking on more risk and adds to the uncertainty)

Our entries are so precise that we usually find that price will race away without pulling back, however sometimes price will pull back to our entry point before carrying on its journey. The choice is to either move the stop to break even before the first hourly pull back or to wait until price has continued moving in your direction.
If you move the stop early you could find yourself missing trades because you get stopped out before the trade gets moving however you will have less losing trades overall. Equally by only moving the stop when price has pulled back and then continued on its way you will get more losers but also more winners.

This is why the system has a fixed method of moving to break even which is to wait until after the first hourly pullback. If price pulls back after this and you get stopped out at break even you will likely find that the trade would not have worked out anyway.

Taking Profits

We set a fixed profit target usually of 10 times our risk including the spread. Thus if we risk 25 pips total on a trade our take profit would be 250 pips.
There are some exceptions to this however, if the stop loss is at 40 pips and we are on a a currency pair like the EURUSD with a smaller daily range then we should move our take profits to 1-8 which would mean price needs to travel 320 pips to reach our profit target which is a reasonable run for this pair. This is why we look for set ups where there are clues as to what the potential take profit on the trade may be. For example,trading megaphone channels, or the opposite sides of a parabolic rise, or a continuation after a flag breakout. When measuring the length of a move, measure from the close of the candle not the low or high.

The more clues we have when taking the trade, the better. I have included lots of trade examples some of which show potential take profits before the trade is taken.

Trade Examples Using the Daily and Hourly Charts

Example 1...Daily Chart

In the next example we see a push-pull 2 candle set up after a pullback. The highest dashed line is the push-pull level at 1.2837. Notice there was a previous horizontal break indicating upcoming momentum and the second large candle in the push-pull is hugging the red line.

The lower dashed lines represent the outer boundaries of the sideways move before the breakout.


push-pull 2 candle pattern
horizontal break
3
2
1
1.35230
1.34405
1.33580
1.32755
1.31930
1.31105
1.30280
1.29455
1.28630
1.28374
1.27805
1.27402
1.26980
1.26129
1.25330
1.24505
1.23680
1.22855
1 Apr 2013
5 Apr 2013
11 Apr 2013
17 Apr 2013
23 Apr 2013
29 Apr 2013
3 May 2013
9 May 2013
15 May 2013
21 May 2013
27 May 2013
31 May 2013

Hourly Entry

The higher dashed support line on the hourly chart is 1.2837, the same as the push-pull level. Notice where price hit this level previously. A good entry would have been in the afternoon session at the arrow 1 area or after the breakout at arrow 2. The stop loss represented by the small ‘x’ is directly below the strong support area.

This trade had an initial stop loss of between 27-40 pips including the spread and would have reached a 1-10 take profit in less than 10 days. The EurAud has a large daily range so even with a 40 pips stop loss it would have been a 1-10 ROI. This trade was on the EurAud chart 9th May 2013.


H1
H4
D1
W1
MN
1.30070
1.29890
1.29710
1.29530
1.29350
1.29170
1.28990
1.28810
1.28630
1.28450
1.28370
1.28270
1.28122
1.27910
1.27730
1.27550
1.27370
previous support

Trade Example 2 Daily Chart

In this next example notice that it took 2 candles to reach the close of the large pin candle which was candle 1 in this push-pull example. The candles were hugging the fast moving average with even the pullback not touching the slow moving average, signifying strong momentum.

There had also been a break of a previous horizontal resistance level which had formed strong support which lined up with the close of candle 1 and the push-pull level. The push-pull level is 1.3066 on the EurUsd on 18th July 2013.


EURUSD,Daily
multi candle push-pull
horizontal break and pullback to support.
1.30664
1.29931
6 Jun 2013
12 Jun 2013
18 Jun 2013
24 Jun 2013
28 Jun 2013
4 Jul 2013
10 Jul 2013
16 Jul 2013
22 Jul 2013
26 Jul 2013
1 Aug 2013
7 Aug 2013
13 Aug 2013
19 Aug 2013
23 Aug 2013

Hourly Entry

In the next hourly chart example, the push-pull level is the lowest dashed line and the rectangle forms the strong hourly level of support above. There was also a micro level of support within the rectangle which is the second dashed line from the top. There were multiple opportunities to enter, some falling the following day on the 19th July when price pulled back twice to the support area.

Notice that on the 19th I put in more aggressive stop losses inside the support area below the micro support as well as below the rectangle.

Depending on the entry the stop losses would range from 15 pips all the way up to 40 pips including the spread. When the stop loss is at the 40 pip level it is probably wise to reduce the take profit to 1-8 ROI which is still a hefty reward as this is the EURUSD with a smaller daily range. (Notice there is usually more than one opportunity to enter a trade. If an entry is missed or not right it is worthwhile to wait, up to and including the following day as more entry opportunities open up.)


EURUSD,H1
trendline break
and pullback
entries
previous support
1.32150
1.32035
1.31920
1.31805
1.31690
1.31575
1.31460
1.31345
1.31230
1.31115
1.30912
1.30771
1.30540
1.30425

Trade Example 3 Daily Chart

In this next example the bounce of the upward trend line off the daily channel combined with the trend line break inside the channel confirms future long momentum.

The horizontal line represents the push-pull level reached by candle 3 which moves past the close and reaches the open of candle 1.

When the pull-back to the close of candle 1 is not large enough to represent a good pull-back opportunity. Then we look for a pullback to the open of candle 1.

The opposite side of the channel where price is headed provides a good area to profit take.


push-pull level
2
3
4
1
trendline break
daily channel

So now we need to find a safe place to enter the trade.

In the next hourly chart we see where the daily candle 3 is on the 15th and closes at the push-pull level lowest solid line, so we look for entry the following day (daily candle 4) the 16th. Entry 1 is a closed candle break of the bottom of the red rectangle which acts as previous resistance. Entry 2 is after the break of the red resistance (the upper rectangle line) when price pulls back and forms a pin bar at the new support. Entry 3 is on the 17th with the sideways candles which are all easily rejected by the previous support of the closed pin of the second entry.

The 'x' represents a safe stop loss area for each entry. The stop loss was 21-25 pips including spread. As I write this, price has reached 185 pips profit. It may have been wise to take profits at the 1-8 level because of the parabolic rise and hourly sideways movement at the end of the move, however this trade is still on-going, it has pulled back but not retested the entry level and may yet reach a 1-10 take profit. (See chapter on take profits).

A tight trailing stop loss at this area will make sure we retain our profits. The target is just shy at the other side of the channel at the 136 level to get a 1-10 ROI. Either way this is a very profitable trade.


EURJPY,H1
entries

Trade Example 5 AUDUSD Daily Chart 9th May 2013

The dashed horizontal line is the push-pull level at 1.0247. This level is also a resistance level formed from previous support. There is also a trend line break in this area.

Candle 4 pulled back to the push-pull level. It is very important to make sure there is a confirmation on the hourly chart as directly after a daily trend line break price can be volatile.


AUDUSD,Daily
1
2
3
4
trendline break
push-pull setup
pullback to resistance
AUDUSD Daily
AUDUSD,H1
AUDUSD,H4
AUDUSD,M5

Hourly Entry

The next chart shows a solid line at a previous resistance point which lines up with the push-pull level. The three lower dashed lines mark where the hourly candles are forming support and resistance areas and the arrows mark appropriate entry points.

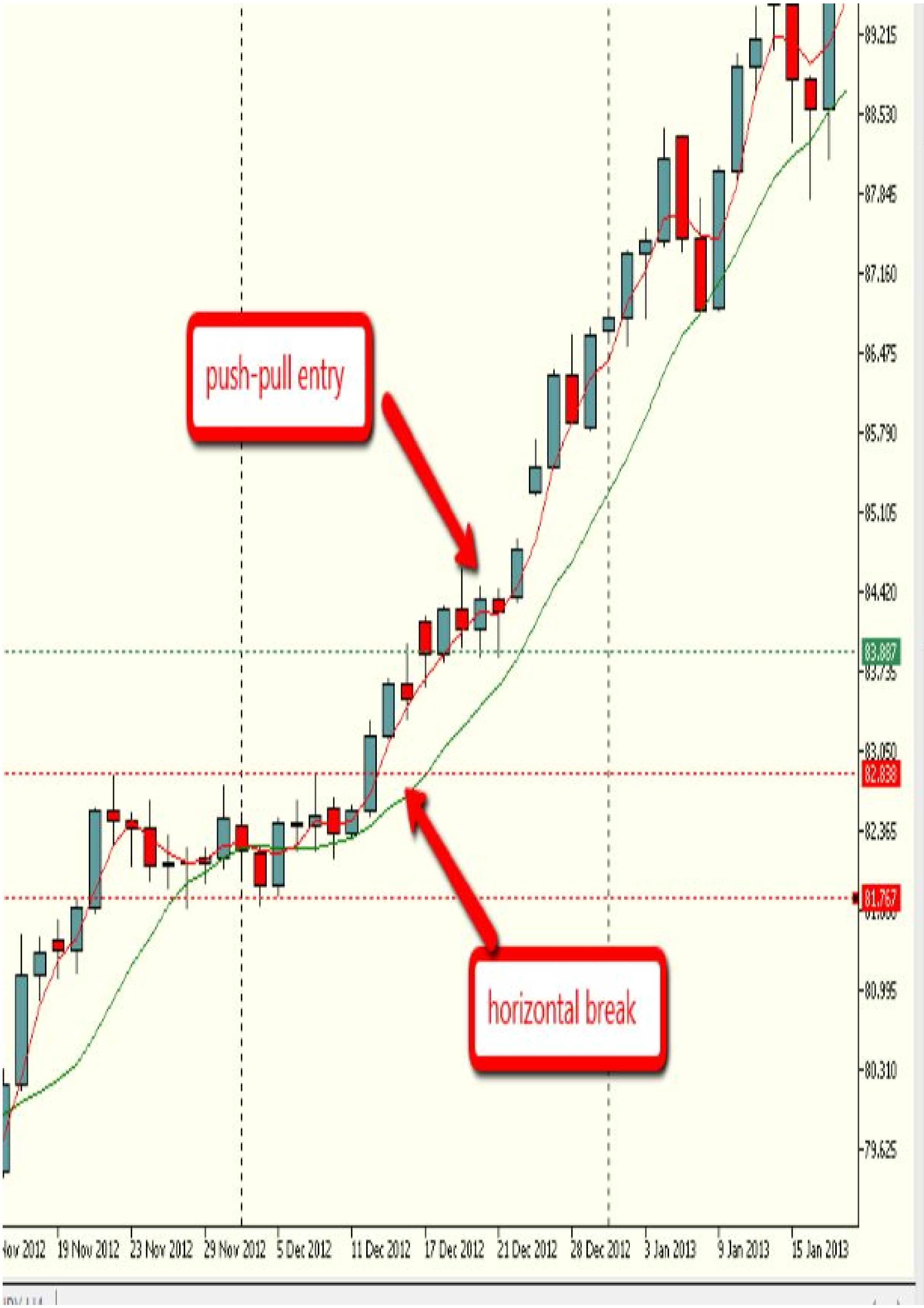
Notice a trend line break after the momentum had started which gave a definitive large candle entry, another opportunity if we had missed the first one.

The size stop loss was large for the AUDUSD which does not have a very large daily range so I would have gone for a 1-8 risk reward ratio, even though it would have easily reached a 1-10 ROI on this particular trade.


AUDUSD,H1
previous resistance
entries
trendline break

Trading Example 6 USDJPY Daily 20th December 2012

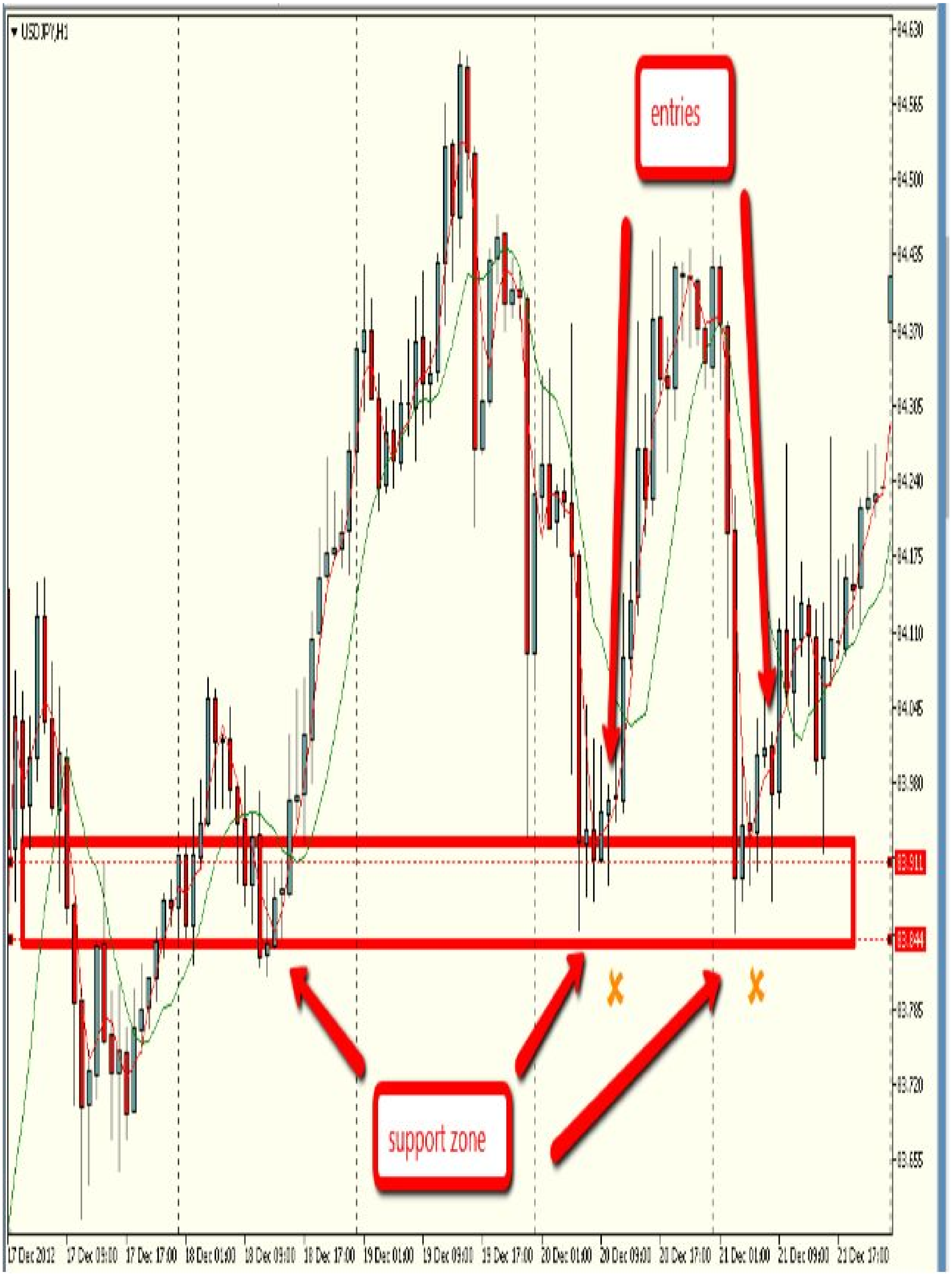
In the next chart the push-pull setup turns into a sideways move, however entering at the right hourly spot and not moving the stop loss until after the pull back to the entry point turns this trade into a 1-10 winner.


push-pull entry
horizontal break
89.215
88.530
87.845
87.160
86.475
85.790
85.105
84.420
83.887
83.735
83.050
82.838
82.365
81.767
80.995
80.310
79.625
19 Nov 2012
23 Nov 2012
29 Nov 2012
5 Dec 2012
11 Dec 2012
17 Dec 2012
21 Dec 2012
28 Dec 2012
3 Jan 2013
9 Jan 2013
15 Jan 2013

Hourly Entry

In the next chart the push-pull level cannot be seen but it is just above the lower thick line of the support zone.

On the 20th a parabolic hourly candle drove price into the support zone where it moved sideways for a few hours. Best time to take this would have been at the 4th candle after the support had proved itself. An even better entry would have been at the same level the following day. By this time the support had proven strength. In any case if the first entry was taken, the stop loss would only have been moved after the pull back. The stop loss ranged from 18-20 pips including spread. The 1-10 ROI target was easily reached 26th December (Boxing Day!)


USDJPY,H1
entries
support zone
84.630
84.565
84.500
84.435
84.370
84.305
84.240
84.175
84.110
84.045
83.980
83.911
83.844
83.785
83.720
83.655
17 Dec 2012
17 Dec 09:00
17 Dec 17:00
18 Dec 01:00
18 Dec 09:00
18 Dec 17:00
19 Dec 01:00
19 Dec 09:00
19 Dec 17:00
20 Dec 01:00
20 Dec 09:00
20 Dec 17:00
21 Dec 01:00
21 Dec 09:00
21 Dec 17:00

Losing and Break Even Trade Examples

I am including losing trade examples because it is very important to remember that many of the trades in this method will be losers. This is where the 10xROI method comes into its own. Using the simple 1% risk money management method detailed earlier you could lose 70% of trades and still make a very comfortable profit. The fussier you are about the trades you take the more likely you are to reach a 50% win ratio. At that point you can implement the 2 account strategy and use more aggressive money management to grow your accounts faster.
Equally you may have a losing entry on a trade that gives you a winning opportunity later on.

Break Even Trade

There are two trades in the next daily chart. Trade one is the better trade as it is nearer to the trend line break and daily resistance. Trade two is still a valid trade but the momentum is not as strong as the move is older. The ideal is to look for trades near the source of momentum. We are looking at trade two.


USDJPY,Daily
trade 1
trade 2
80.580
80.395
80.210
80.025
79.840
79.655
79.470
79.285
79.169
79.100
78.915
78.794
78.730
78.545
78.360
78.175
77.990
77.805
24 May 2012
30 May 2012
5 Jun 2012
11 Jun 2012
15 Jun 2012
21 Jun 2012
27 Jun 2012
3 Jul 2012
9 Jul 2012
13 Jul 2012
19 Jul 2012
25 Jul 2012
31 Jul 2012
6 Aug 2012
10 Aug 2012

Hourly Entry into Break Even Trade

The next chart shows an example of price moving back to the entry point in trade 2 of the previous daily chart. By not moving the stop loss until after the first hourly pull back the trade has an opportunity to play out. However in this case (due to the daily momentum petering out) another hourly pullback past the entry point took out the stop loss.


entry
pullback, move stop to break even
stopped out at break even
78.791
78.500
78.464

Losing Trade Examples

The next chart looked like a good potential trade. There was a trend line break after a significant sideways move and a pullback to a secondary trend line and previous horizontal support now acting as resistance. As you can see the trade did in fact break down with two huge candles. However the first entry into this trade was a loss. There was a second chance trade which turned out a winner.


XAUUSD,Daily
trend line break
price pulls back to secondary trend line which lines up with daily resitance (previous support)
push pull setup
1
2
3
4
1612.65
1594.24
1576.09
1557.42
1539.01
1520.60
1502.19
1483.78
1465.37
1444.12
1428.55
1410.14
1391.73
1373.32
1353.30
1336.50
1 Feb 2013
27 Feb 2013
5 Mar 2013
11 Mar 2013
15 Mar 2013
21 Mar 2013
27 Mar 2013
3 Apr 2013
9 Apr 2013
15 Apr 2013
19 Apr 2013
25 Apr 2013
1 May 2013
7 May 2013
13 May 2013

Hourly Entry 1

In the next chart the horizontal support line is at exactly the same level as the push-pull level which adds confirmation to the support level. Price pulls back to the previous support which is now resistance and is rejected, then breaks through and closes firmly below the trend line. A perfectly good entry which just didn't work. However I was on the lookout for another chance entry which arrived the following day.


entry after break
stopped out here
price pulls back to the previous support and then breaks the trend line.
1589.77
1588.08
1586.39
1584.70
1583.01
1581.32
1579.63
1577.94
1576.09
1574.56
1572.87
1571.18
1569.49
1567.80
1566.11
1564.42
5 Apr 20:00
8 Apr 01:00
8 Apr 05:00
8 Apr 09:00
8 Apr 13:00
8 Apr 17:00
8 Apr 21:00
9 Apr 02:00
9 Apr 06:00
9 Apr 10:00
9 Apr 14:00
9 Apr 18:00
9 Apr 22:00
10 Apr 03:00
XAUUSD,H1

Hourly Entry 2

In the next chart you can see the price made a classic parabolic reversal pattern with a huge candle up followed by a sideways move, followed by a horizontal break. On the daily chart this looked like candles moving sideways and struggling to break the resistance line and trend line above.

The entry risk was 650 points including the spread which easily made 10 x ROI in fact Gold fell 24,000 points!

parabolic move up
then sideway move
before the break
second chance trade

Losing Trade Example

The next chart shows suitable conditions for trading, albeit rather messy looking, large parabolic candles on the way up, a trend line break and distinct break out from a level of support at the high of the move.

Candle 1 was a pin candle with a large push down by candle 2. Candle 3 and 4 are where we look for trades. What this chart also demonstrates is that you can be right about the direction and still have a losing trade. In the 10 x ROI system the entry area is key to the success or failure of the trade. However as you will see on the hourly chart even with a perfect entry news spikes or stop hunting can take you out.


AUDNZD,Daily
trend line break
horizontal break
push-pull set up
1
2
3
4
large parabolic candles
25 Jul 2013
31 Jul 2013
6 Aug 2013
12 Aug 2013
16 Aug 2013
22 Aug 2013
28 Aug 2013
3 Sep 2013
9 Sep 2013
13 Sep 2013
19 Sep 2013
25 Sep 2013
1 Oct 2013
7 Oct 2013
11 Oct 2013
17 Oct 2013

Hourly Chart

In the next chart there was a trend line break after an extended move, a pin bar a resistance that showed where to place the stop loss and a definitive large candle that broke the trend line.

The entry was at the close of the trend line break.

As you can see a spike stopped out the trade, (the US FOMC announcement).

There was also another spike pullback at the NZD GPD announcement at the 10 pm candle.

However even if I had wished to re-enter this trade there were no further entries to be had, and price moved in the correct direction with strength.

This is part of the frustration of trading, however it is vital to accept these stop outs as in the larger scheme of things they have nothing to do with making a profit. It is the large ROI on the winning trades that make up for these losses.


stopped out for loss
entry on close of trend line break candle

Implementing the 10xROI Method

Test out this method before you risk your hard earned money on it. Back test and forward test using a demo or micro account. Then when you have tested out the method to your satisfaction
You can start slowly increasing the size of your account.
My advice is to find one methodology that works for you and then stick to that. Many a trader has wasted years searching for the holy grail of trading systems that never lose… but there is no such thing.
Instead find a trading system that fits around your life style and suits your personality, where the wins are much larger than the losses.
When you find the right system that makes you a consistent profit, stick to that system and don't get distracted. Just focus on continual improvement and execution of your system and you won't go wrong.

I have provided you with the 10XROI method as a short cut to developing your method but the truth is that every trader has their own twist on a trading system and as long as it is profitable that's OK!

So use this system, take what speaks to you and lose the rest and I hope it helps you create your own high ROI trading system.

If there is anything I have left out that you would like to see in the book then please email me lrthomasauthor@gmail.com.

If you have found this book useful, then please leave me an Amazon review. As a thank you for taking the time to do this I will send a free PDF version of this book for you to print out.

Conclusion

I hope you find the 10 X ROI Method useful. Even if you only take some of the principles in the method and adapt it to your own trading you will find that your profitability increases.

I really appreciate Amazon reviews so if you found this book worthwhile and you leave me a review, then let me know by email lrthomasauthor@gmail.com and I will send you a PDF copy of this book as a thank you.

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If you leave a review on my book, send me an email to lrthomasauthor@gmail.com and I will send you a free PDF copy of this book by return as a thank you.
Below you can find links to trading courses by two traders I really respect.

The Hector trader course is based on longer time frames using the four hour and daily charts.
The London close strategy is by an amazing student turned teacher Shirley Hudson who is a fantastic short term trader with a 94% accuracy rate. If you are by nature a short term trader then this a great course.

I have also provided a link to some great and easy to use back testing software that I use to test adjustments to my systems.

I do get paid a commission if anyone buys one of these courses through my links.

If you purchase through these links just send me the confirmation to my email address lrthomasauthor@gmail.com and I will send you by return PDF copies of my other books.

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