

# *25 and 50 EMA FOREX SYSTEM*

This is a basic 25 and 50 EMA system setup;  
4 Hour Chart  
EMA 25 (Green)  
EMA 50 (Blue)  
RSI (14)  
Stochastic (5,3,3)  
ATR (100)



## ENTRY CRITERIA

Take LONG position when

1. A candle open/close above the 50 EMA
2. RSI is at or above 50 center line



Take SHORT position when

1. A candle open/close below the 50 EMA
2. RSI is at or below 50 center line



## **STOP LOSSES AND MANAGEMENT**

Stop losses in this system are relatively easy to set. From the point of entry add 1 x's or 2 x's the current ATR value.

Trade management is extremely important with this system. The initial profit taking target is between 50 and 100 pips. Regardless of what position you have open. Recommended is to close 50% of your profits at your first target and immediately move your SL to B/E.

This can sometimes lead to your position being closed out when the price retraces, leaving you out of trade and possibly missing a greater profit, but it is the safer way to trade.

Another Risk management option is minimizing your SL by 50% once you hit your initial target of 50 – 100 pips.

The remainder of the position is left to trail for profits. It is closed out either at historical S/R or at the cross/touching off Stochastic on the 4 Hour Chart. We do not trade on any time frame smaller than the 4 Hour Chart.

I recommend you move your SL from B/E to newly created S/R every time the price moves in your direction so you can better trail it. Of course you may also use an automated trailing order.

The important thing is to take profit at 50-100 pips after your entry on the candle open. Fake outs do occur, but when we take profit at 50 – 100 and move to B/E we are safe even at full price reverse.

This is an H4 System, trades will occur very often, You can expect 100 to +1000 pips.

Recommended to trade GBP JPY or EURJPY due to their volatility and NZDUSD because it trends steadily.

## **EXIT OPTIMIZATION**

In many instances you will be forced to sacrifice more pips for the safer approach to trading. I've implemented the use of the Stochastic indicator when trading 25-50 EMA System so you can pinpoint an area on the chart which will leave you exiting your remaining position at a level you normally would be able to capitalize on due to risk management.



Every time the Stochastic indicator begins touching or crossing you should consider exiting as the price may be pulling back. Naturally with this also occurs the occasion in which the price pulls back but does not close under the 50 EMA, leaving you out of a trade and probably having you wish you never exited in the first place. To capitalize on the bounce and minimize losing to many pips we take advantage of the 25 EMA.

When price corrects, it will normally test the 50 EMA, if it does not break you will be looking to reenter, however an immediate reentry or an entry off a close/open after the bounce from 50 may often be false. In order to reduce this, we wait for price to close above 25 EMA before attempting another Long in the same direction of our previous trade. I recommend having a crossing or a touching of the Stochastic Indicator complement the open/close above 25 EMA when considering a reentry. Yes.. pips will be missed, but it is the least dangerous approach to the problem.

On the next picture you will see (in order of appearance) an entry, a first exit optimization area, a trade reentry based on 25 EMA and another Ex. Op. area.





The idea here is to move your SL to a LOW every time the price breaks a High (BULLISH) and vice versa: move your SL to a HIGH every time the price breaks a low (BEARISH). Use Exit Optimizing when necessary.

Regards,  
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