

# EURO FRACTAL TRADING SYSTEM

## Frequently Asked Questions (FAQ)

### 1. On economic news releases, how do you know which way the market is going to go?

*Nobody knows the future, so that question is impossible to answer. However. If you know what the 'experts' are expecting the market to go, then at least you have more understanding behind your decisions. Click on the yahoo economic calendar for a minute:*

<http://biz.yahoo.com/c/e.html>

Calendars: [U.S. Earnings](#) | [Conf. Calls](#) | [Surprises](#) | [Mergers](#) | [Splits](#) | [IPO](#) | [Economic](#)

Economic Calendar									Week of April 26, 2004
Date	Time (ET)	Statistic	For	Actual	Briefing Forecast	Market Expects	Prior	Revised From	
Apr 26	10:00 AM	<a href="#">Existing Home Sales</a>	Mar	-	NA	NA	6.12M	-	
Apr 26	10:00 AM	<a href="#">New Home Sales</a>	Mar	1228K	1160K	1173K	1128K	1163K	
Apr 27	10:00 AM	<a href="#">Consumer Confidence</a>	Apr	92.9	87.5	88.5	88.5	88.3	
Apr 27	10:00 AM	<a href="#">Existing Home Sales</a>	Mar	6.48M	6.30M	6.20M	6.13M	6.12M	
Apr 29	8:30 AM	Chain Deflator-Adv.	Q1	-	2.0%	2.0%	1.5%	-	
Apr 29	8:30 AM	Employment Cost Index	Q1	-	1.0%	0.9%	0.8%	-	
Apr 29	8:30 AM	<a href="#">GDP-Adv.</a>	Q1	-	5.3%	5.0%	4.1%	-	
Apr 29	8:30 AM	<a href="#">Initial Claims</a>	04/24	-	340K	343K	353K	-	
Apr 29	10:00 AM	Help-Wanted Index	Mar	-	41	41	40	-	
Apr 30	8:30 AM	<a href="#">Personal Income</a>	Mar	-	0.4%	0.4%	0.4%	-	
Apr 30	8:30 AM	Personal Spending	Mar	-	1.0%	0.7%	0.2%	-	
Apr 30	9:45 AM	Mich Sentiment-Rev	Apr	-	93.2	94.0	93.2	-	
Apr 30	10:00 AM	<a href="#">Chicago PMI</a>	Apr	-	60.5	61.0	57.6	-	

More in-depth information is available from [Briefing.com](#), including "live" intra-day market analysis of the U.S. stock and bond markets, technology stocks, economic releases, earnings reports, and day trading highlights.

*Under 'Statistics' the particular economic news release is hyper linked. If you click on those links, they will explain the importance of the release and how serious they are for the markets. If you look under the Market Expects and under Prior. You will see last release of that kind and what the experts believe will take place.*

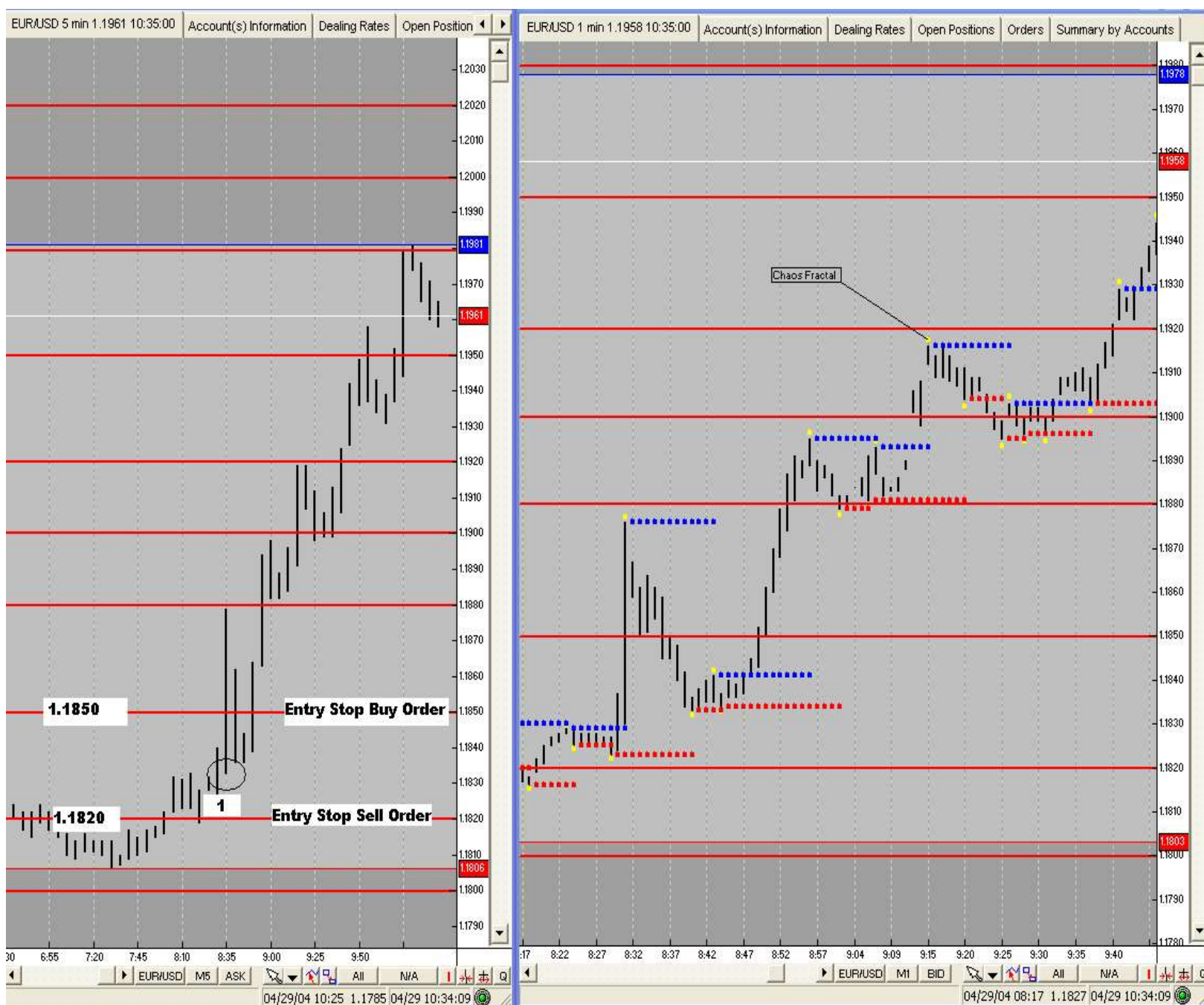
***\*\*Usually if the release is the same as market expectations or better than the price are good for the US Dollar. If the release is worse than expected it usually means that people will sell the Dollar and buy the Euro.***

## **2. How do you know which key levels to place your Entry Stop Buy or Sell orders before an economic news release?**

*You can place 2 orders. On the key level above the current exchange rate before the news release you can place an Entry Stop Buy order. On the key level below the news release you can place an Entry Stop Sell order. This way you don't have to guess. You simply know that if the news is good or bad with an important release, the dollar will jump or drop. If you look on p16 when I took a screen shot from my live account, I actually had an Entry Stop Buy order ready at 1.2350 just in case the news release was bad for the dollar and good for the euro.*

*Here is a screen shot of this mornings EUR/USD action when the GDP was released at 8:30 AM EST on 4/29/2004.*

*Screen shot next page*



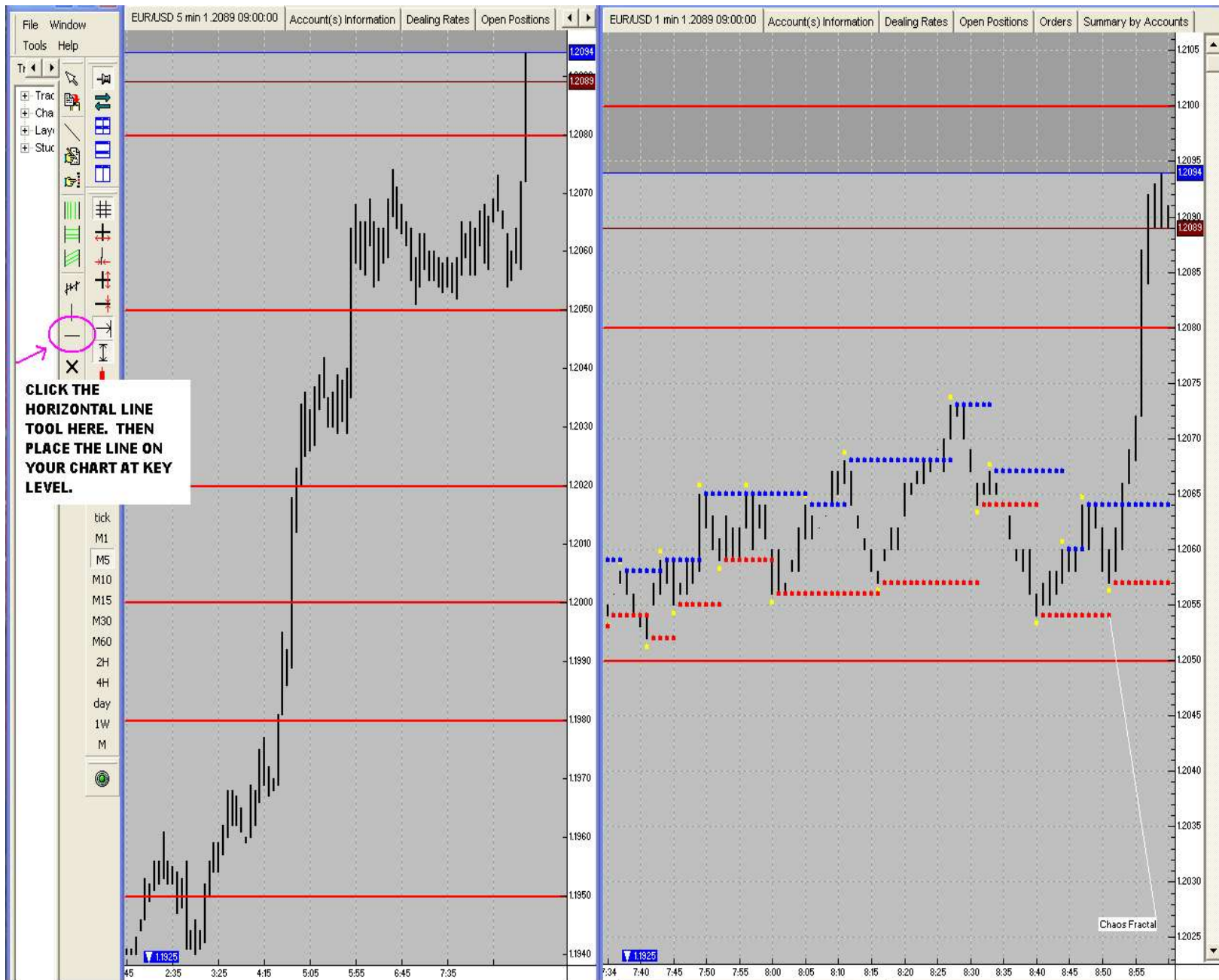
Above the number 1 is the level that the exchange rate was at before the GDP was released (1.1830). At this time you could have set an Entry Stop Sell order at 1.1820 (key level below) just in case the news was good. Or at 1.1850 an Entry Stop Buy Order just in case the news was below market expectations. In this example the news was not as good as the market expected and the Euro gained ground. \*\*Using a larger stop (20 pips) than 15 pips is a good idea if you want to try this strategy. In this example if you took an entry stop buy order at 1.1850 the exchange rate retracted to 1.1833 (17 pips) before moving over 100 pips higher!

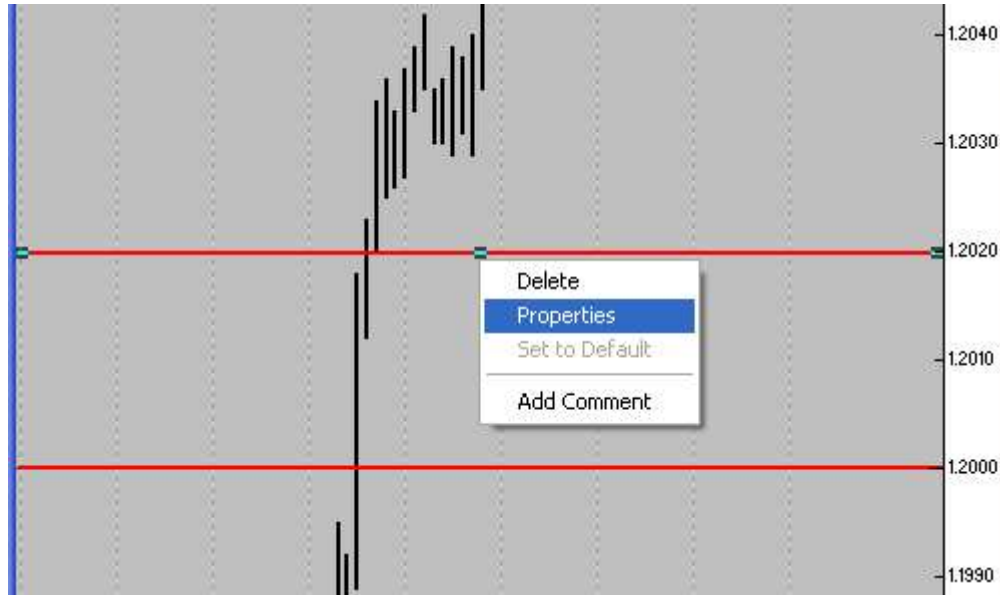
**3. I want to place red horizontal lines on my charts like you have in your examples. How do I do this?**

*Firstly, It is helpful to learn the VT platform by reading the pdf manual to get a better understanding for how to manipulate your charts, add studies and change colors. You can access the VT platform manuals from [www.cms-forex.com](http://www.cms-forex.com).*

**[CLICK HERE FOR THE VT MANUALS](#)**

The below examples show how to place the horizontal lines and change color.





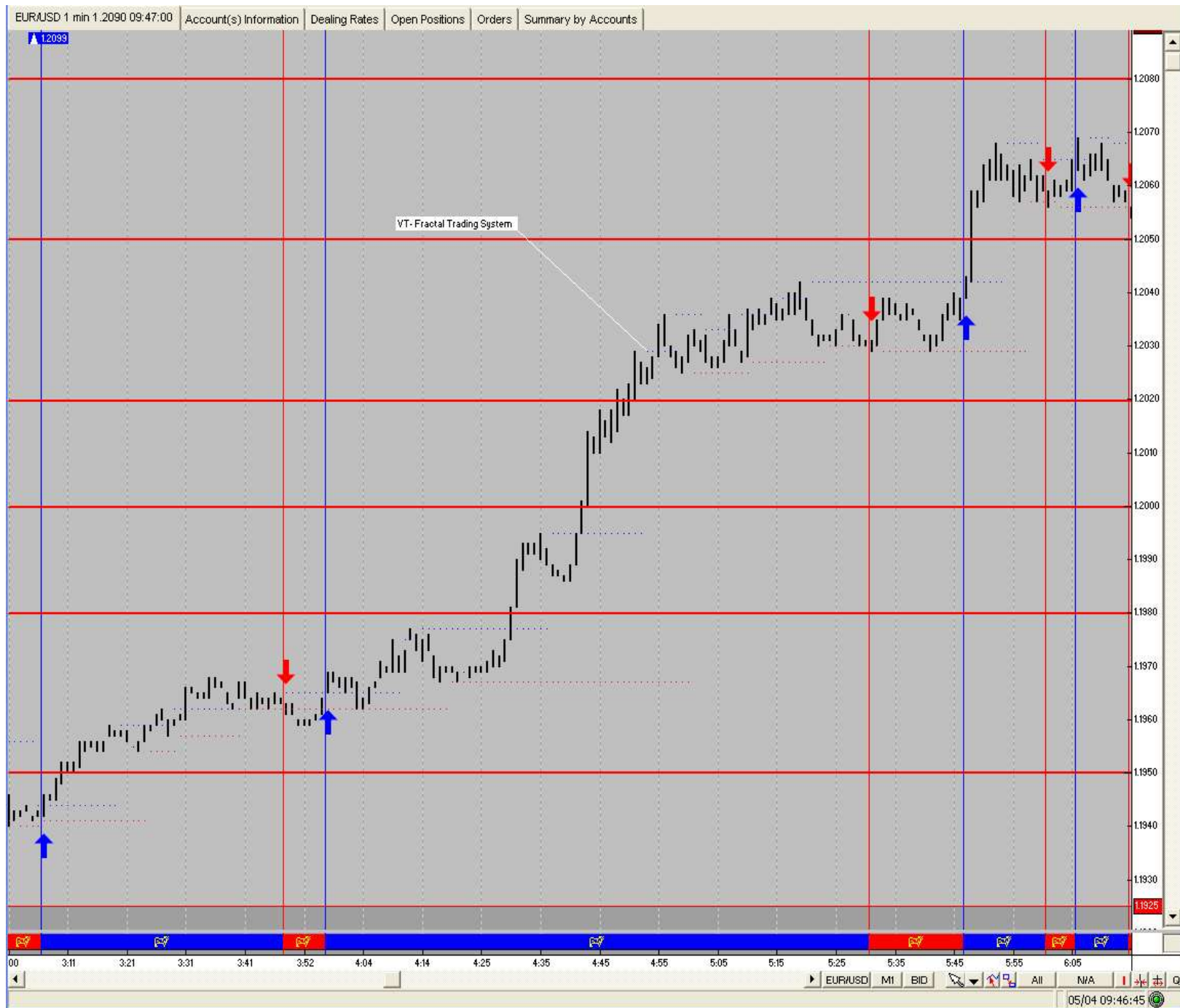
Right click on line, scroll down to properties and there you will be able to change thickness and color.

**4. I noticed that the VT platform has built in trading systems. One of them is called the VT Fractal Trading System. Should I use this?**

*The built in VT Fractal Trading System is helpful, because it signals on the chart with arrows when to go long or short when a fractal breakout occurs. The only thing you need to watch is that it will signal EVERY fractal breakout, not just the ones that happen at key levels, which is extremely important.*

*To add the VT Fractal Trading System to your 1 minute chart simply right click your chart. Scroll down to Add trading system, then VT-Fractal Trading System. This is what your chart should look like. I maximized the 1 minute chart to fill the whole screen:*

*Screen shot on next page:*



Notice how the VT fractal trading system signals long or short depending on when the last fractal breakout occurred. This tool can be extremely helpful—just watch out for the false signals that happen in the middle of the key levels.

**5. What if 'up' fractals and 'down' fractals form at the same key level. How do I know when to go long or short?**

*Sometimes the exchange rate flattens out a key level with **both** up and down fractals forming. These types of situations are true of any trading system, when it is hard to decide when to go long or short. To help you make a decision I suggest that you use a 'filter'. A filter is an indicator that can be used to confirm whether you should go long or short. In this case, a helpful filter that we teach in our beginner course ([www.daytradingforex.com](http://www.daytradingforex.com)) is the 50 EMA on the 5 minute chart.*

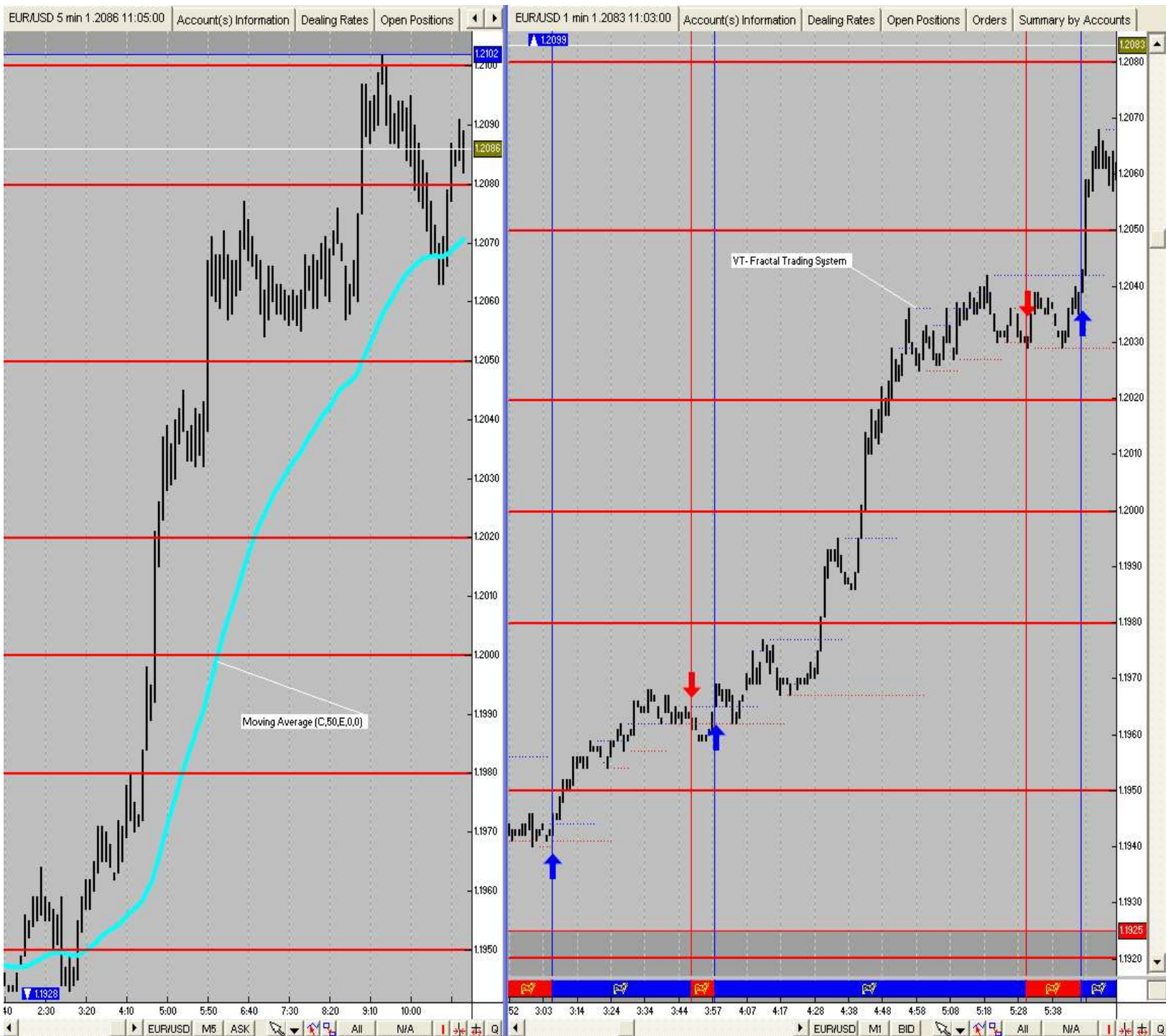
*The 50 EMA on the 5 minute charts represents the exponential average of the past 4 hours (approximately) of data, an important moving average to follow.*

*The 50 EMA (Exponential Moving Average) can be added to your chart by right clicking, scrolling down to Add Studies, and then Moving Average. Set your parameters color and thickness of the line.*

*This is how you can use the 50 EMA as a filter: **Only go long when a fractal breakout occurs at a key level AND the exchange rate is GREATER THAN (>) the 50 EMA. Only go short when a fractal breakout occurs at a key level AND the exchange rate is LESS THAN (<) the 50 EMA.***

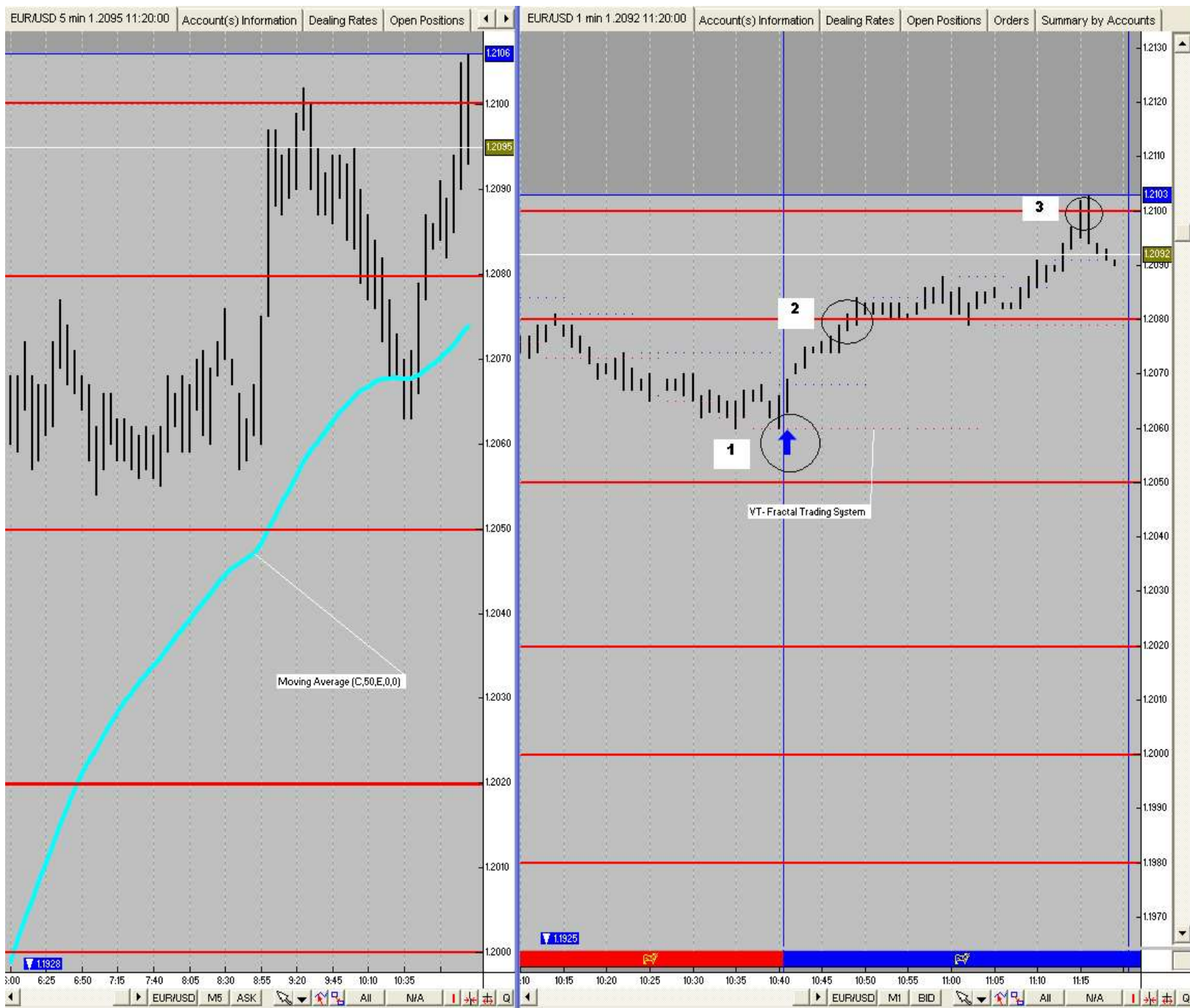
*Example on next page:*





In this example, the 50 EMA is light blue on the left chart 5 minute chart with the VT Fractal Trading System on the 1 minute chart to the right. You would only take long positions during the above European session, because the exchange rate is GREATER THAN the 50 EMA.

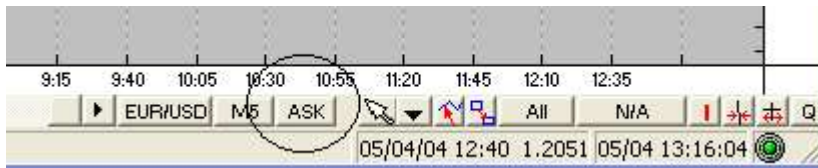
Here is another example of the US Morning Session:



- 1 The VT Fractal Trading system signaled an 'up' fractal breakout.
- 2 Go long at key level and because the exchange rate is greater than the 50 EMA.
- 3 Take profit at next key level.

## 6. What is the difference of a chart set at 'ASK' and a chart set at 'BID'?

Like I have explained in the course I like setting up my charts with the 5 minute chart on the left side and a 1 minute chart on the right side. I set the 5 minute chart to 'ASK'. You can do this by clicking the bottom of the chart:



When you see a Forex quote it is always quoted with 2 rates. For example:

Rates	Advanced	2004 05/04 13:20	
Quotes	BID	ASK	
EUR USD	1.2070 ↑	1.2073 ↑	
USD JPY	109.97 ↓	110.00 ↓	
GBP USD	1.7887 ↓	1.7891 ↓	
USD CHF	1.2843 ↑	1.2848 ↑	
EUR CHF	1.5505 ↑	1.5510 ↑	
EUR JPY	132.74 ↓	132.78 ↓	
GBP JPY	196.70 ↓	196.78 ↓	
EUR GBP	0.6747 ↓	0.6751 ↓	
USD CAD	1.3689 ↓	1.3694 ↓	
AUD USD	0.7283 ↑	0.7288 ↑	
EUR CAD	1.6525 ↓	1.6535 ↓	
EUR AUD	1.6566 ↓	1.6578 ↓	
GBP CHF	2.2972 ↓	2.2982 ↓	
CHF JPY	85.56 ↑	85.66 ↑	
AUD CAD	0.9971 ↓	0.9981 ↓	
AUD JPY	80.08 ↑	80.18 ↑	
NZD USD	0.6320 ↓	0.6325 ↓	
CAD JPY	80.29 ↑	80.35 ↑	

The 'BID' which is always the lower number and the 'ASK' that is always the higher number. For example When you set your chart to the BID it plots the exchange rate 3 pips lower than if you set your chart to the ASK (using the EUR/USD pair.) Notice EUR/USD 1.2070/1.2073 The 3 pips in between is referred to as the 'Spread'. **I like using both, because sometimes the ASK quote will hit a key level, but the BID quote will just miss it—or vice versa. That is why I always use 2 charts with BID and ASK.**

**7. Can you use the Euro Fractal Trading System and Key Levels with other currency pairs?**

*You can definitely use fractal breakouts with other currency pairs. In fact, you can set up the VT-Fractal Trading System to signal long or short on any currency pair. The Key Levels work well with USD/CHF because it mirrors the EUR/USD. When the EUR gains strength on the charts by moving UP the swiss franc (CHF) moves down on the chart. These two pairs have been the instruments that I have traded over the years.*

*As far as the key levels with GBP/USD and USD/JPY, I haven't researched if 00,20,50,80 seem to be significant or not, considering I don't trade these instruments.*