7 Great Simple-N-Easy ways to EXIT profitable trades in the Forex Market

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Introduction

The exit is often described as the most difficult part of Forex trading. The reason for this is that when an entry is made there is normally an alignment of signals that trigger the entry. Once the entry has happened this alignment is of very little value as the price heads into the blue. Often totally different factors determine the exit of a transaction than those used to enter the deal.

The General guide is however that whatever trading method is used to enter deals or determine the differences between Sell and Buy Zones should be used as the main motivation for exits. A simple example would be that if you are using a moving average crossover approach to enter deals a moving average crossover can be used as the exit trigger.

The chart above shows the alignment of no less than 8 sell signals to enter at the trendline violation. After that, staying in trade would have been very difficult due to the big and continuous retracements as the price went through the 180 pip trend. How would you have stayed in this deal and how would you have exited? Hopefully the exit methods presented will help you

The Challenge with exits

As always the eternal question of Forex trading applies. Will the price continue or bounce back. This question is made all that more difficult due to the fact that there are generally fewer reference signals you can use in an active deal than the point of entering a deal.

Forex trading moves happen in waves that extend and retrace all the time. This applies to 1 minute charts right through to the weekly charts. There is always a risk that a simple retracement turns into a new trend in the other direction.

Is there the possibility of a perfect answer? Is it possible that you can enter and exit a transaction at exactly a perfect time? Again this is highly unlikely and improbable. Certain channel traders and support and resistance traders achieve this but it takes incredible skill, patience and luck to get it perfectly right. Below is an example of a recent successful deal.

So at best we can look at signals that will tell us that the trend is getting exhausted. There are also events that could confirm the likelihood of the trend to continue. If the trend is motivated by an unexpected announcement result or the break of a major resistance and support level the trend can continue more strongly.

The Forex market changes from day to day and news and announcements influence the market continuously. A market which trends freely one week can be trading sideways in a nervous whipsaw manner the next. One trading technique will not continuously and consistently work all the time.

Often you will require knowledge of a number of forex trading techniques to make the optimal exit. There are a number of approaches to exit – some **manual** (watching for an indicator signal) and others **automatic** (programmed following stop).

Currently 2 versions of the 7 Simple-N-Easy EXIT methods have been identified (14 methods). Chose the ones that make sense to you.

1 Using Moving Averages to exit trades

One of the most common methods of exiting is using a moving average crossover. Moving averages are trending indicators. They identify a trend and when the price moves over and closes on the other side of the moving average it is normally a sign that the trend has become exhausted and could change. You can use any setting which captures trends and gives you good exits based of back trades experience. This can be applied to all timeframes and you would exit when the price closes on the other side of the moving average. When the price is below the MA it is in a sell mode and above it is in buy mode. In general, moving averages give optimal exits at trending times of the day. The smaller time frames, such as 1 minute, may get you out of deals prematurely.

The example below shows this principle using a 3 period simple moving average shifted 4 periods into the future.

You can use any setting which captures trends and gives you good exits based of back trades experience. The example below is the same chart using a simple 8 moving average – no shift.

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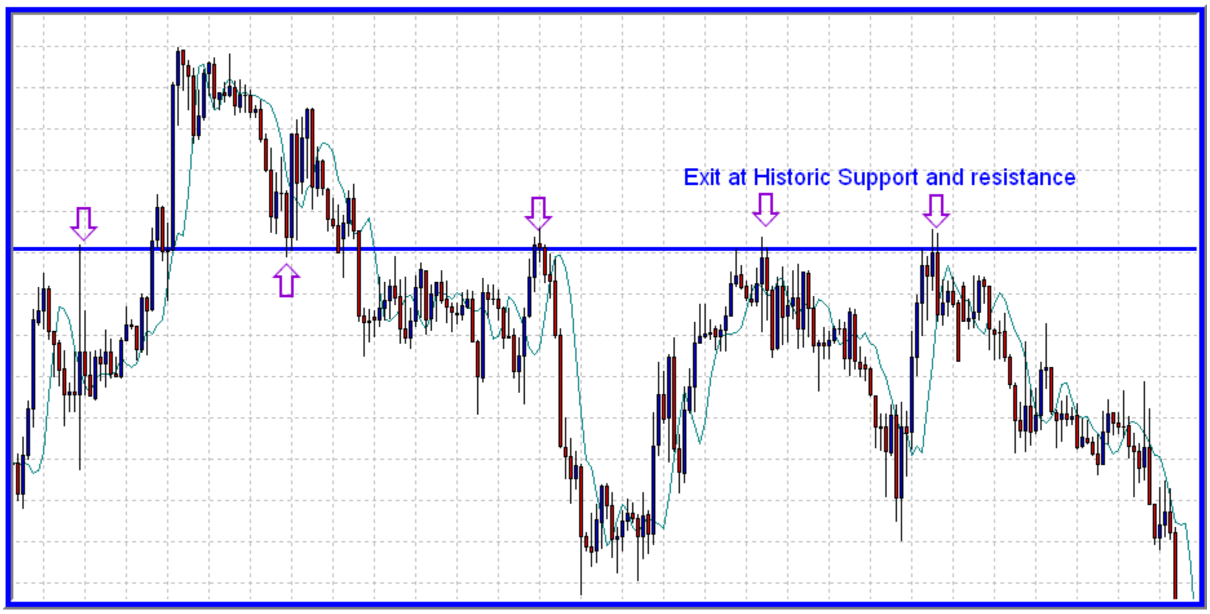
2 Using Bollinger Bands to exit trades

Bollinger bands reflect the level of volatility of the price movement. When they are wide apart the price is trending and when they are narrow the price is trading sideways. What better way of telling when a trend is over than using Bollinger bands. Bollinger Bands give 2 warnings of trend exhaustion. The 1st signal happens on the other side of the trend (this means if the trend is up, look at the lower Bollinger band and vice versa) and is a hook (a sharp change in direction) in the Bollinger Band. The 2nd confirmation signal happens soon afterwards on the band that is on the same side as the direction of the trend. See the example shown below using a Bollinger Band setting of 13 with 4 deviations. Again you can use any settings which give you the desired signals. You would exit on the close of the candle after the 2nd signal has hooked.

3 Using support and resistance to exit trades

Support and resistance is a vast topic which will be covered in other modules in this Simple-N-Easy Forex series. We will not cover support and resistance in great detail but I will give you a few examples to illustrate the use of horizontal and non horizontal support and resistance.

Some of these levels are visible price levels (e.g. historic support and resistance) whereas others are calculated levels (e.g. Fibonacci levels and Pivot Points)



4 Using predetermined expectations or targets to exit trades

Most of the EXIT techniques discussed in this Simple-N-Easy series are based on events that occur after the deal has activated. Often it is possible to determine the probable price level the price is likely to reverse at or most likely to reach. These can be determined before the deal is entered so this also provides an opportunity to automate the entire transaction.

Most forex traders enter deals with a stop and a target in place at the time of the entry. This is a good habit to get into as sometimes the price spikes to your target and if you do not have an exit order in place you could easily miss the opportunity to close your deal manually. There are many ways of determining possible targets

Predetermined targets are often determined in the following ways:

- Fixed targets
- Support and resistance
- Price patterns expectations

Fibonacci levels determine target and exit levels

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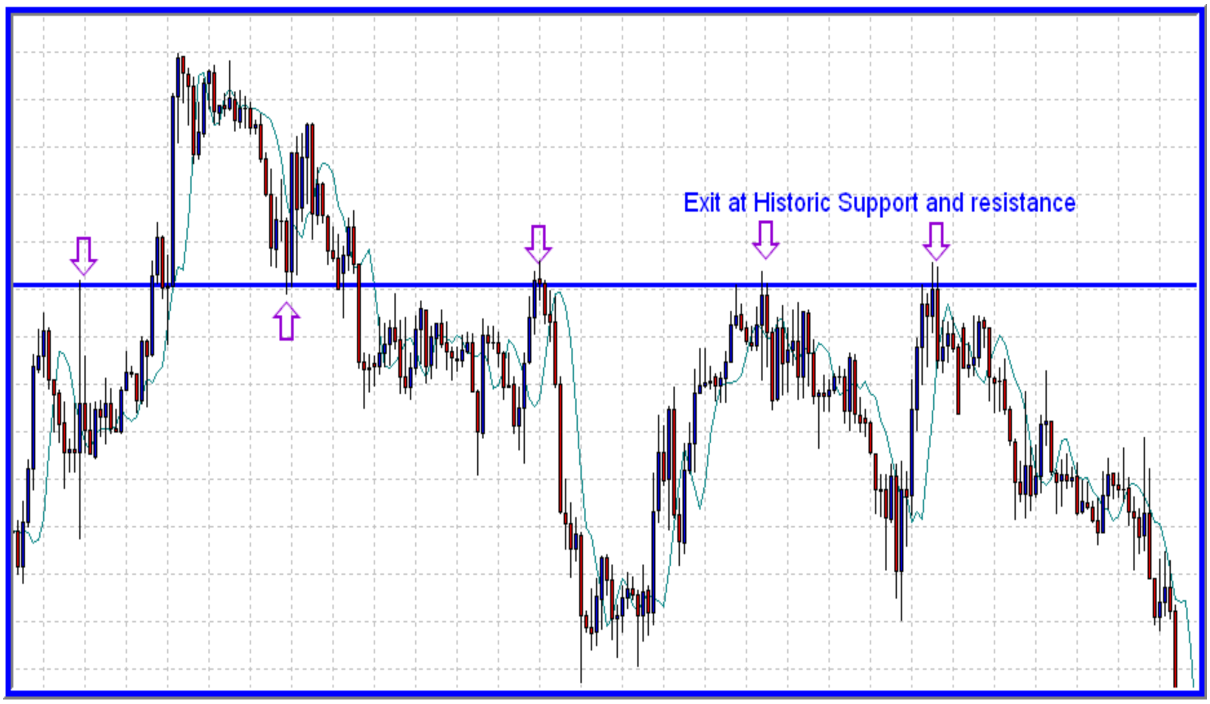
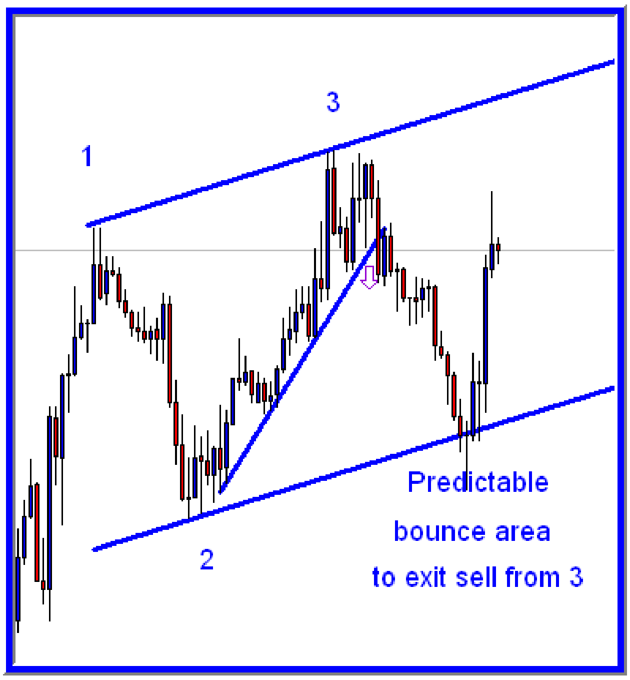
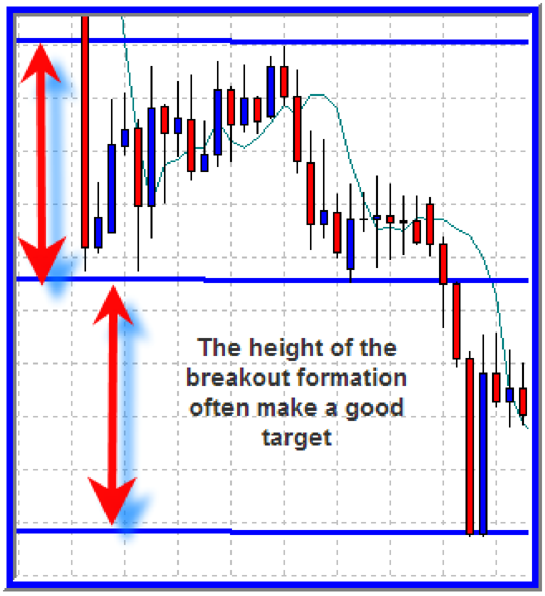
Horizontal historic support and resistance creates exit points



Bounce area determines the exit using channel trading



The height of the breakout formation makes a good target



5 Using following (trailing) stops to exit trades

Following stops are often used to automate exits. A programmed following stop will automatically move the stop closer to the current price levels as the deal goes positive. Once the stop has been moved closer to the current price level it never move backwards – the result is a constant reduction in stop levels and locking in of gains made.

One important factor when using following or trailing stops is to determine if the following stop is located on your own computer (MetaTrader ones are) or located on the Brokers server (e.g. FXCM). If it is located on the Brokers server you do not have a problem. If the following stop is located on your computer, you may have to keep your computer on and connected to the internet during the entire time your deals are active.

The other factor to consider is the method the following stop uses. The most common ones are a pip by pip following stop. This means that the following stop will move every time the price makes a bigger high or a bigger low. The other type of following stop is one which moves in blocks of say 10 to 30 pips and the price has to move in blocks before the stop moves up. For example if the block was 30 the price would have to move to +60 before the stop is moved to +30.

The advantages of following stops are that they are automated and can lock in profits. The disadvantage is that you can be stopped out of good moves if they are set too small. Using the best following stop settings is mainly determined by experience but a following stop which is between 30% and 50% of the target has produced the best results.

Trailing Stop (Extracted from Alpari – Help)

Stop Loss is intended for reducing of losses where the symbol price moves in an unprofitable direction. If the position becomes profitable, Stop Loss can be manually shifted to a break-even level. To automate this process, Trailing Stop was created. This tool is especially useful when price changes strongly in the same direction or when it is impossible to watch the market continuously for some reason.

Trailing Stop is always attached to an open position and works in client terminal, not at the server like Stop Loss, for example. To set the trailing stop, one has to execute the open position context menu command of the same name in the "Terminal" window. Then one has to select the desirable value of distance between the Stop Loss level and the current price in the list opened. Only one trailing stop can be set for each open position.

After the above actions have been performed, at incoming of new quotes, the terminal checks whether the open position is profitable. As soon as profit in points becomes equal to or higher than the specified level, command to place the Stop Loss order will be given automatically. The order level is set at the specified distance from the current price. Further, if price changes in the more profitable direction, trailing stop will make the Stop Loss level follow the price automatically, but if profitability of the position falls, the order will not be modified anymore. Thus, the profit of the trade position is fixed automatically. After each automatic Stop Loss order modification, a record will be made in the terminal journal.

Extracted from FXCM help:

Dynamic Trailing Stop

The trailing stop feature allows traders to place a stop loss order, which automatically updates to lock in profit while the market moves in your favor. Trailing stops can be placed by clicking the "**advanced**" button in the "**Create Market Order**," "**Create Entry Order**," or "**Stop Order**" window. Please keep in mind that this feature does not protect against losses.

Trailing stops in the FX Trading Station are dynamic, meaning they continually follow the market as it moves in your favor... even when the market moves only 1/10th of a pip. To set a trailing stop, you must first set a stop. This is the initial level where your stop order will "start from." To make the stop order a trailing stop, simply check the "**Trailing Stop**" box. Then, for every 1/10th of a pip the market moves in your favor, the stop will move the same amount. So, if you bought, your stop will move up when the currency pair rises. If you sold, your stop will move down when the currency pair falls.

Example: You buy EUR/USD at 1.5492(1) and place a 20-pip stop at 1.5472(1). You then check the "**Trailing Stop**" box to activate the trailing stop.

The EUR/USD then rises by 30.2 pips to 1.5522(3) **with every single 0.1 of a pip**, your stop automatically moves up to 1.5502(3), locking in your profits. **The stop will continue to rise if the EUR/USD rises. If the EUR/USD falls, the stop will remain at 1.5502(3). If the EUR/USD falls to 1.5502(3), your stop will execute, and close your trade.**

Re-Cap of Trade
Market Order: **1.5492(1)** with Stop **1.5472(1)**
If Market goes up 30.2 pips on EUR/USD

1.5492(1)
+ 30(2)
1.5522(3) **New Market Price**

Then the new stop price with Dynamic Trade Stop will be:

1.5472(1)
+ 30(2)
1.5502(3) **New Stop Price**

Goal: Although trailing stops do not protect you from occurring losses, stop will automatically move up when the market moves in your favor to lock in profits.

6 Using momentum signals

Momentum indicators can be used to make good entries in a sideways market but are unreliable in a trending market. They can however be used very well for exits in a trending market. You can use the 50 line crossover as your exit – this approach keeps you in the trend for a long time. Conservative traders even use the 25 or 20 line exit for buys or the 75 or 80 line exit for sells.

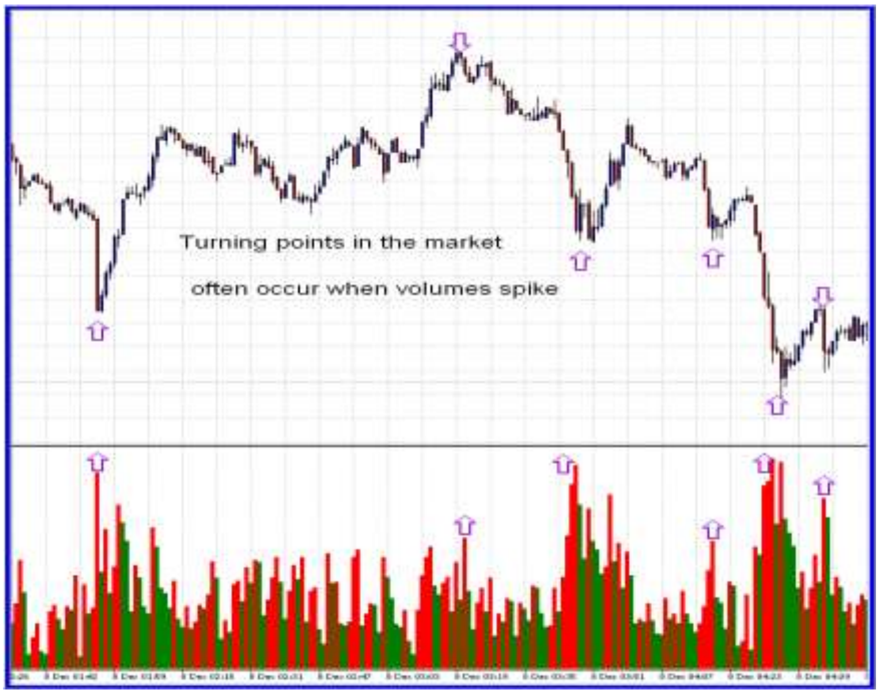
The chart below shows the 50 line cross over exit for a 950 pip trend in the EURUSD – the RSI setting is 4 but you can alter the setting to give you the signals you want.


Momentum 50 line
cross overs often make
good exits (and entries)
2010.09.14 16:00
15 Sep 12:00
16 Sep 04:00
16 Sep 20:00
2010.09.20 04:00

7 Trading Volumes

When you are in a short term deal, or scalping, it is always a good idea to have the 1 minute chart open showing the volumes being traded. A huge increase in volumes while the price is trending can 1) slow the trend down, 2) stop it or cause it to reverse.

When you are in a deal and you see a huge increase in volume you should consider exiting your deal and as a reversal is likely



Selecting a method

After the above review you will have a good idea of the various ways of exiting deals. Over your Forex trading career there is a very good chance that you will use most of these techniques when the circumstances are appropriate.

Above 7 exit methods were reviewed. The decision which method to use is dependent on the circumstances existing in the market at the time your deal is active.

If the market is trending quite strongly you will want to use a technique that keeps you in a trend for as long as possible i.e. Moving average crossover technique.

If the deal you are in looks like a trend reversal you would consider using a technique which gets you out of the deal faster rather than slower without giving too much back to the market, such as a following stop.

7 More Simple-N-Easy EXIT techniques

Below are some other exit methods which will be covered in a future Simple-N-Easy Forex trading Module.

1 Candle stick formations (Candle stick formations)
2 Price Patterns (Reversal formations)
3 Risk events (Announcements)
4 Portfolio exits (Status of overall portfolio)
5 Time of day factors (Open or close of trading session)
6 Price levels (Round numbers)
7 Historic exhaustion levels (Vibration rates)

The Simple-N-Easy Series is brought to you by Expert4x Forex Group. Below are details of this Group's other Forex trading products and services.

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The Expert4x Group has grown over the last few years and offers a very wide range of Forex product and services to online Forex Traders. Below is a summary of these services and links to more information. You will find information on:- Forex trading techniques, Systems, Courses, Live Trading Webinars, Alerts services, Indicators, Support webinars, Free courses, linked account information, **our EXPERT4X Traders Club**, Mentorship and special deals where you can get most of these services for FREE.

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Please use the links provided for more detailed information about these services. Our web pages are quite comprehensive so should supply all the details and information you require. If you still have any questions please contact us at info@expert4x.com.

Club benefits

Club benefits	Experts4x traders CLUB	Website Links	Brief Description
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x x	Entitlements over time	Club Next Mths	Benefits enjoyed by Expert4x from their 2nd month xx

	Forex trading Techniques & Courses	Website Links	Brief Description
x x	Long Candle Forex Trading	LC Forex	Forex Course - Psychology, Money Management & 12 Forex techniques are shown
x x	Good Vibrations	GV Forex	Session trading technique use the rhythm of the market
x x	Viennese Waltz	VW Forex	Time of day Forex trading patterns
x x	WATO	WATO Forex	Multi currency, Multi timeframe swing and scalping
x x	Magic MA	Magic MA	Way of making money using a moving Average
x x	Magic Momentum	Magic Mom	Ways of making money using the markets momentum
X	MT4 Basic Charting and dealing	MT4 Basic	A basic trading and dealing skill course

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	LIVE Trading Webinars	Website Links	Brief Description
X	Daily US Analysis Webinars	US LIVE	45 Live trading webinar finding 24 hr set and forget trades
X	Daily European Webinars	Euro LIVE	45 Live trading webinar finding 24 hr set and forget trades
X	Daily Asian Webinars	Asian LIVE	45 Live trading webinar finding 24 hr set and forget trades
X	Good Vibrations	GV LIVE	2 to 3 hour Live trading sessions using the GV method

	Daily Alert services	Website Links	Brief Description
X	Daily US Alerts	US Alerts	24hr Set and Forget emailed alerts daily
X	Daily Euro Alerts	Euro Alerts	24hr Set and Forget emailed alerts daily
X	Daily Asian Alerts	Asian Alerts	24hr Set and Forget emailed alerts daily
X	Daily Grid alerts	Grid Alerts	Access to the GRID trading website showing traded GRIDS

Indicators and EA's	Website Links	Brief Description
4x- edge indicator	4x-Edge	This indicator gives the relative strength of all currencies
Grid trading EA	Grid EA	This EA automated the grid trading entries and exits

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Free courses	Website Links	Brief Description
Maximum Lot course	Max Lot	Double your trading account in 3 trades using this method
Exact tool	Exact Tool	The tool gives you exact entry and exit values
Free videos	Free Videos	Access free Forex trading videos on any topic
Become a Forex Investor	Invest in Forex	Learn how you can INVEST in great Forex traders

	Support Webinars	Website Links	Brief Description
X	Long Candle Forex Trading	LC Forex	Support webinars for purchasers of Expert4x methods
X	Good Vibrations	GV Forex	Support webinars for purchasers of Expert4x methods
X	Vienesse Waltz	VW Forex	Support webinars for purchasers of Expert4x methods
X	WATO	WATO Forex	Support webinars for purchasers of Expert4x methods
X	GRID Trading	Grid Forex	Support webinars for purchasers of Expert4x methods

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One on One mentorship services	1on1 Forex	Personal webinar guidance from experienced traders

Linked Forex Accounts	Website Links	Brief Description
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Hedged Forex	Hedged Forex	Site used for Hedged Forex services such as the GRID
Expert4x Blog	Expert4x Blog	Forex trading Blog
Long Candle Forex	Long Candle	Site used for Long Candle Forex
Forex Trading Video	Forex Videos	Forex Video site
Forex edge	4x Edge	Website for the Forex edge indicator

FaceBook & Twitter	Website Links	Brief Description
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