

10 PIPS SYSTEM THE 3RD CANDLE

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Before you start trading the 3rd candle system, I want you to think in term of someone who has never trade forex before. This strategy has nothing to do with knowing how to trade forex. The moment you let you knowledge of forex trading get in the way, you will only make trades base on your ideas. The key to this system is simplicity.

Goal:

- Identify the 3rd candle
- Place a trade at the start of the 3rd candle
- Take profit at 10 pips or move stop to BE at 10 pips.
- Use Stochastic as filter.

Advance Setting.

- Identify the currency trend using other tools like currency meter or FX-COMPASS
- Trade only in the direction of the trend and using Higher time

Tools

- Use any Chart or time frame. I use 5M an 15M
- Stochastic 5.3.3

Identify the first candle.

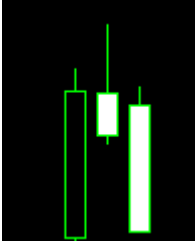
In order to find the 3rd candle, we need to know where to find the first candle. Look at the following chart: The green arrow is pointing at the first candle up or down.



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The first candle is located between 2 candles and it is the highest of the 3.



To the right of the first candle is the second candle. The following candle is our 3rd candle. This candle is very significant, so we build our strategy on that candle.



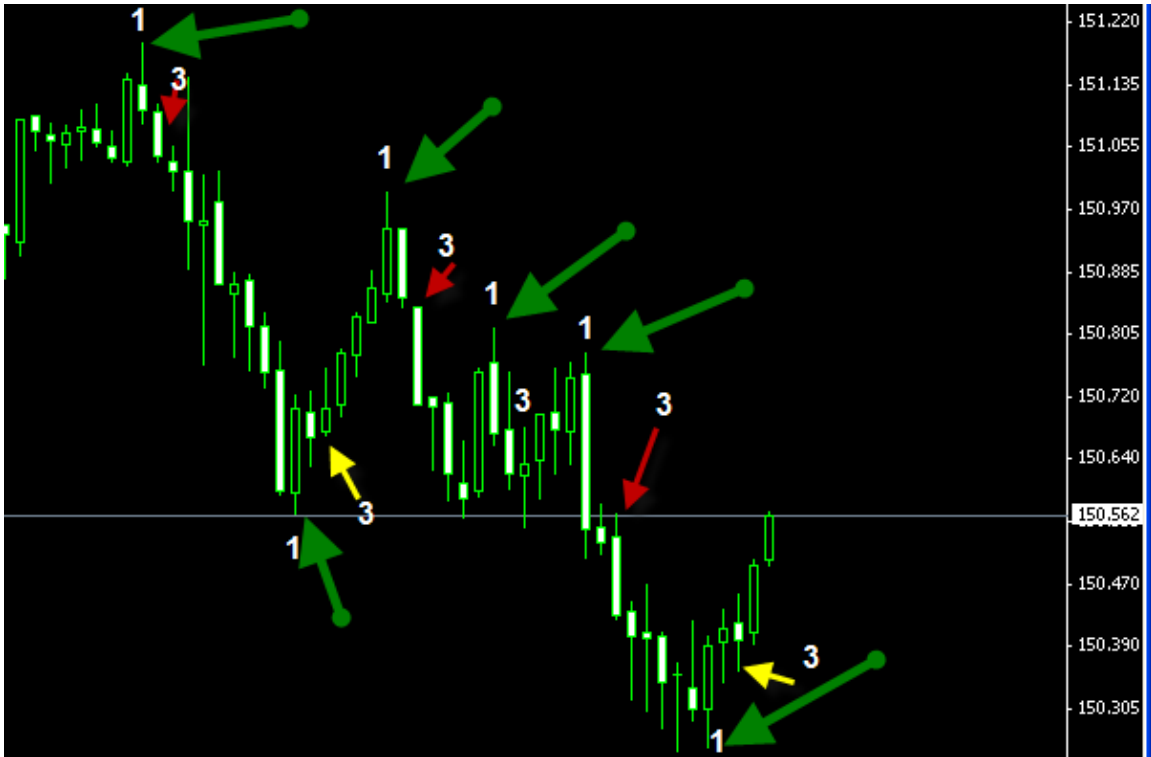
The following chart shows all possible 3rd candles.

As you look at this chart, you should notice more than one 3rd candle. All of them are great trade opportunities.

All of them produce more than 10 pips each.

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If you understand how to identify the 3rd candle, let start trading.
Red (short pointing down) arrows are your 3rd candles. SELL at the start of this 3rd candle.
Yellow (short pointing up) arrows are your 3rd candles. You BUY at the start of this 3rd candle.

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Stochastic

To help better filter our trades, I usually used a stochastic.

Buy at the cross of 20 to the upside and sell at the cross of 80 to the downside.

Stochastic is freely available on any trading platform. Feel free to use it.

Setting is 5. 3. 3

The arrow shows the relationship between the stochastic and 3rd candle. A 3rd candle usually appears while the stochastic is crossing either 80 or 20 making these 2 a perfect match.



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This CM-LEVEL is our custom design indicator based on the stochastic. You can use the regular one found in almost all trading platform and it's free.

Manage your trades

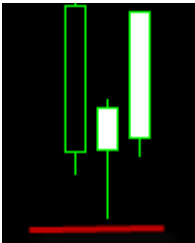
Take Profit

After you place a trade, you can manage them in 3 ways.

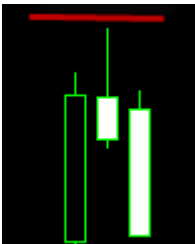
- 1. Take 10 pips profit. This is the standards.**
- 2. You may move your stop to break even after 10 pips.**
- 3. Trail you trades at 10 pips or more.**

Stop Loss:

If you are long (BUY) your stop loss should be placed below the first candle. Can you see the red line? That should be your stop loss.



If you are short (SELL) your stop loss should be placed above the 1st candle. See the red line below?



Disqualification

Not all 3rd candles are qualified to trade. Do not trade

- 1. If the second candle closes above the first candle**
- 2. If stochastic is in the wrong direction**
- 3. 3rd candles are against the main trend.**

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Pip Banking

Pip banking is strategy used by all 10 pips traders. It is a way of making sure you are on top of your game by working on a budget. You work with pip banking to help making sure that you are meeting your goal. The goal is to make 10 pips everyday when you start trading the 10 pips system

It works like this:

Monday you make 12 pips. You would put 10 pips in your pip goal for the day and 2 pips in the pip bank.

Tuesday you make 20 pips. You would put 10 pips in your pip goal and 10 pips in the pip bank.

Wednesday you lose 10 pips. You would take 10 pips from you bank to add to your pip goal.

Once you are getting better in trading, you would then start increasing your daily pip goal to 20, 30 and so on.

As you become a more experience 10 pips trader, you can then start a goal per trade. It would be the same concept, but instead of days you would use trades. You would set a goal for a number of pips per trade.

Advanced Setting

Identifying the current Trend

I am a guy who believes in the old saying: “The trend is your friend”

So we need to identify some sort of a trend in order to professionally trade. It might not be the long term trend, but we need to, at lease, have an idea where the short term trend is.

In this section we will assume that you already understand the basic of the 3rd candle. We will now try to help you identify trends so that you can make better trading decisions.

The most common indicator used by traders to locate trend are 200 SMA and RSI. I am not a big fan of any of these methods, but some people find them useful.

Price above 200 SMA they say trend is up. Price is below it, they say trend is DOWN.

Price is above 50 RSI they say trend is UP. Price is below it, they say tend is down

Feel free to use anything that you are familiar with. The goal is to identify where the trend is. Though you can trade the 3rd candle without indicators, knowing where the trend is will help eliminate false candles.

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Higher Time Frames

The 3rd candle can be used with any time frames. The rules to trade the 5M or the 15M are the same for the higher time frames. Please remember when you are trading with the higher time frame to let your trades continue to capture more pips.

MONEY

\$1000 is deposited into your account. The risk factor is 3%. That is \$30 of your money. If you take a loss, you will only lose \$30. To trade this account, you have to watch out for your lot size to allow enough margins to keep you longer in the game. For this type of account you can only trade at \$.50 to have at least a 60 pip stop loss.

I encourage traders to paper trade until they have at least \$3000 to \$10000 to trade. With a \$3000 account you 3% is \$90 so you can trade at \$1 a pip giving you a 90 pips available for stop loss.

Other way to Identify Trend

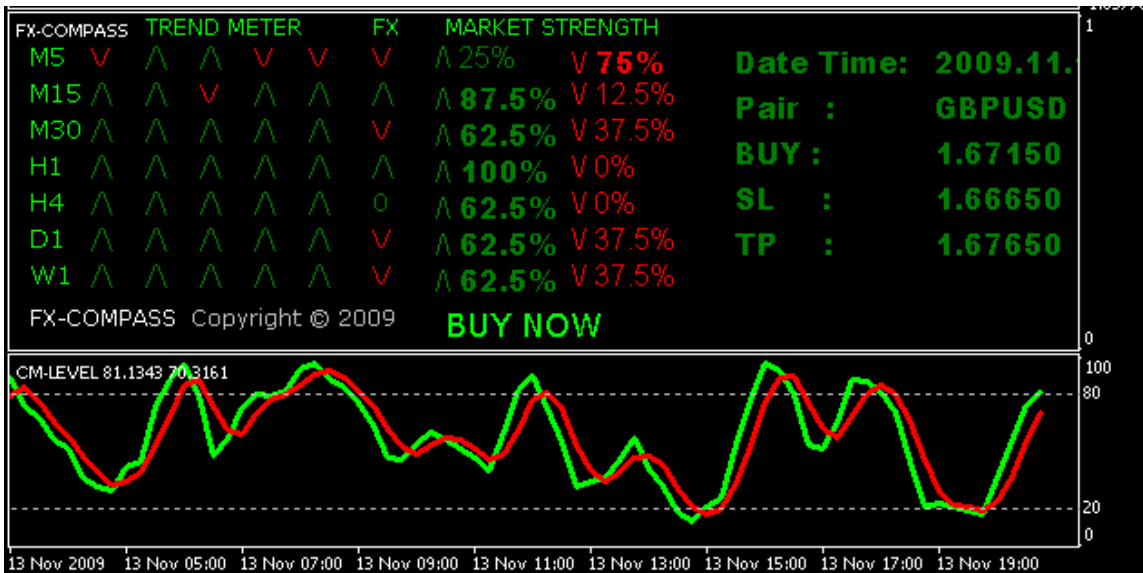
The following diagrams are only for illustrations. These indicators are not part of this system. I used them to show you how to identify trends. You can use any trend identification software or indicator that you have.

FX-COMPASS

This one provides trend information for currency in multiple time frames. Provide email alert and trade alerts are displayed on your chart.

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CM5 METER from currencymeter.com

This meter provides trend information for 24 currency pairs in one window

Currency	Meter	Value	Trend	Info Center
AUDUSD	█	100.00	∧	ALL UP <hr/> CAD NZD <hr/> ALL DOWN <hr/> JPY
AUDJPY	█	100.00	∧	
AUDCAD	█	-9.09	∨	
AUDCHF	█	100.00	∧	
AUDNZD	█	-63.64	∨	
CHFJPY	█	100.00	∧	
EURUSD	█	63.64	∧	
EURNZD	█	-100.00	∨	
EURAUD	█	-100.00	∨	
EURCAD	█	-100.00	∨	
EURJPY	█	100.00	∧	
EURGBP	█	-100.00	∨	
EURCHF	█	100.00	∧	
GBPUSD	█	100.00	∧	
GBPJPY	█	100.00	∧	
GBPCHF	█	100.00	∧	
GBPNZD	█	-100.00	∨	
GBPCAD	█	-100.00	∨	
NZDUSD	█	100.00	∧	
NZDJPY	█	100.00	∧	
NZDCHF	█	100.00	∧	
USDCHF	█	-27.27	∨	
USDJPY	█	100.00	∧	
USDCAD	█	-100.00	∨	

CURRENCY METER V5.0

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Both of these products can increase you wining trade tremendously by providing you the correct trend for all currency pairs at any given time. The items are not part of the system, just suggestion.

**This completes the training for the 10 pips system the 3rd candle.
Please watch the video by log into your account at <http://tinypipfx.com>
There is also a complete section devoted to learn the basic of forex trading on the website under lessons**

If you like this system, please post a good feedback for me.

About the Author and Creator Abner Gelin

Abner Gelin is a full time professional currency trader and forex trading tools designer. He has created many trading systems and is very experienced in market technical analysis, forex forecast, forex trading courses and trading strategies. For more information contact him at <http://abnergelin.com>

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