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Introduction

Welcome to the Forex Logica trading system.

Forex Logica is a straight forward approach to trading the FX markets. We are going to find the overall market direction and we will use a very safe method to take a high probability trade.

The Forex Logica system takes an interesting approach to identifying a potentially sideways and choppy market, so with this method, we will know when to avoid taking trades. It's just as important to know when NOT to trade as it is when to trade.

Forex Logica will use indicators that you are already familiar with, and this is encouraging because we can make money without needing to use tools we don't understand.

The way the system is put together, the indicators used and the settings of each will provide trading opportunities on a regular basis. We don't have to wait very long to get a clean signal.

Timeframes

The Forex Logica trading system works well on any timeframe. This means that you don't have to leave your comfort zone and attempt to trade a timeframe that doesn't suit your needs. Remember, we want trading to fit into our schedules as best as possible, not the other way around.

If you are fond of the 5 minute timeframe, the Forex Logica system will find you several trades during your trading window. If you prefer the daily timeframe, you will find a trade several times a week as the Forex Logica system is quick-paced and will find frequent opportunities on whatever timeframe you choose to trade.

Let's take a look at the system itself.

What The System Looks Like

Below you will see what the Forex Logica system looks like when we apply it to the chart. It's a very affective system and contains several safeguards by using the indicators in a specific way.

You might be able to see how the system works, it is quite user friendly, but this manual will make sure you have no questions about the system rules and it's functionality.
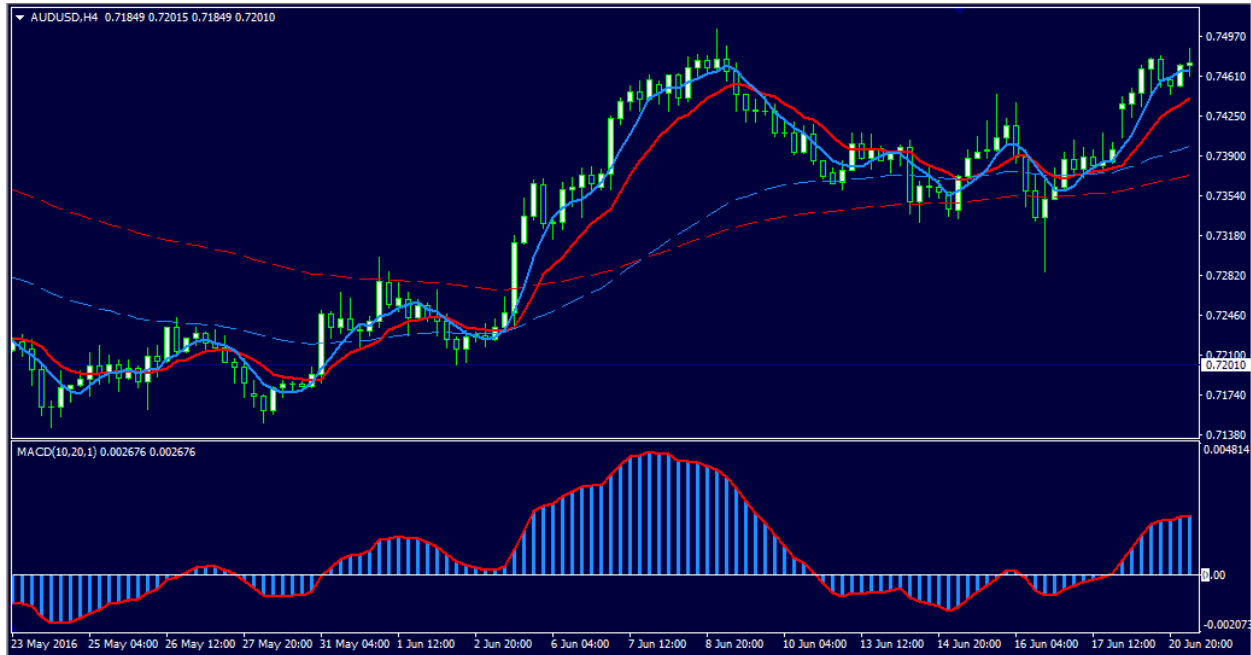

With the indicators we will be using, we will know:

- The direction we want to trade.
- What sections of the market need to be filtered.
- The entry signal.
- The initial stop loss.
- The trailing stop.
- The exit in profit.

The Forex Logica system is a complete system that will tell us everything we need to know in regards to every component of a trade.

The Indicators

There are 3 basic indicators used with the Forex Profit Point system:

1. Trade Lines (blue and red solid moving averages)
2. Nav Lines (Navigation Lines - blue and red dashed moving averages)
3. MACD
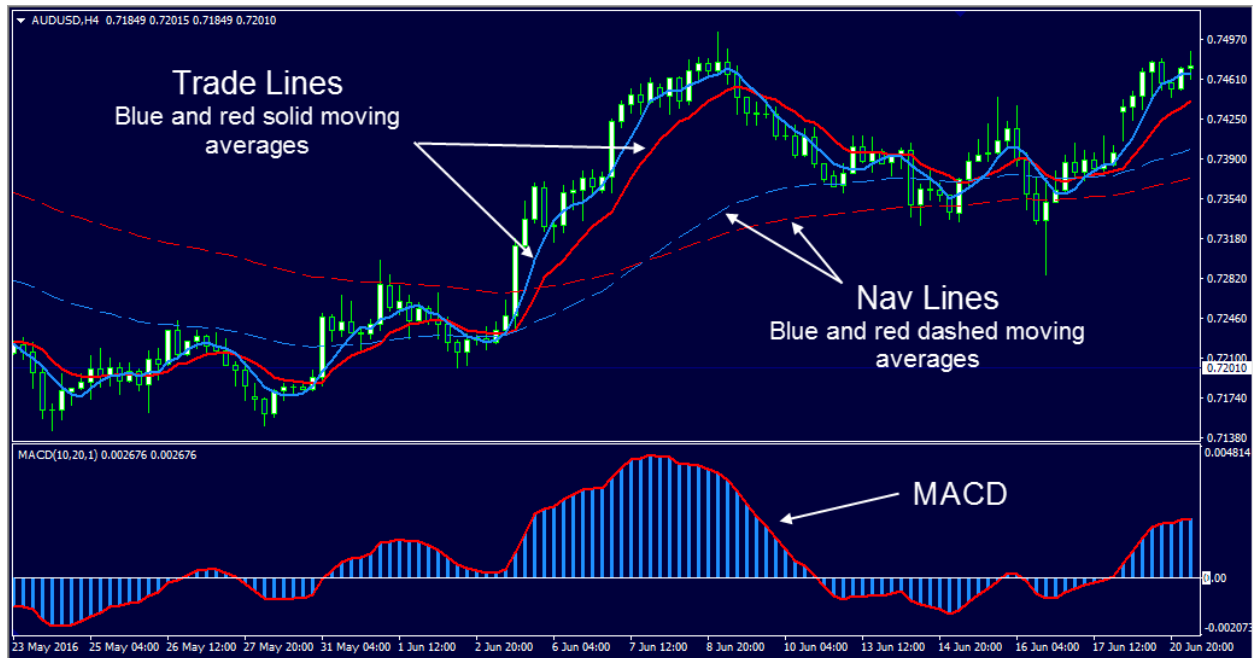
There isn't really one indicator that carries more weight than the other indicators. They all work together in a nice harmony. We want to see all the aspects of the Forex Logica system work together, and in doing so, we will have properly timed signals giving us the highest probability trades.

Trade Lines

The Trade Lines are the blue and red solid moving averages.
The settings for these moving averages are:
- Blue - 5 SMA
- Red - 10 EMA

We use simple moving averages for the blue 5 period MA opposed to the standard EMA that most traders use. The SMA is smoother, and because of that, it has a built-in filtering mechanism in its smoothness.

The Trade Lines will give us the active pieces of any trade. With the Trade Lines, we will get:
1. Setups (in the bounce trades)
2. Entry signals
3. Trailing stop
4. Exit (for running trades)
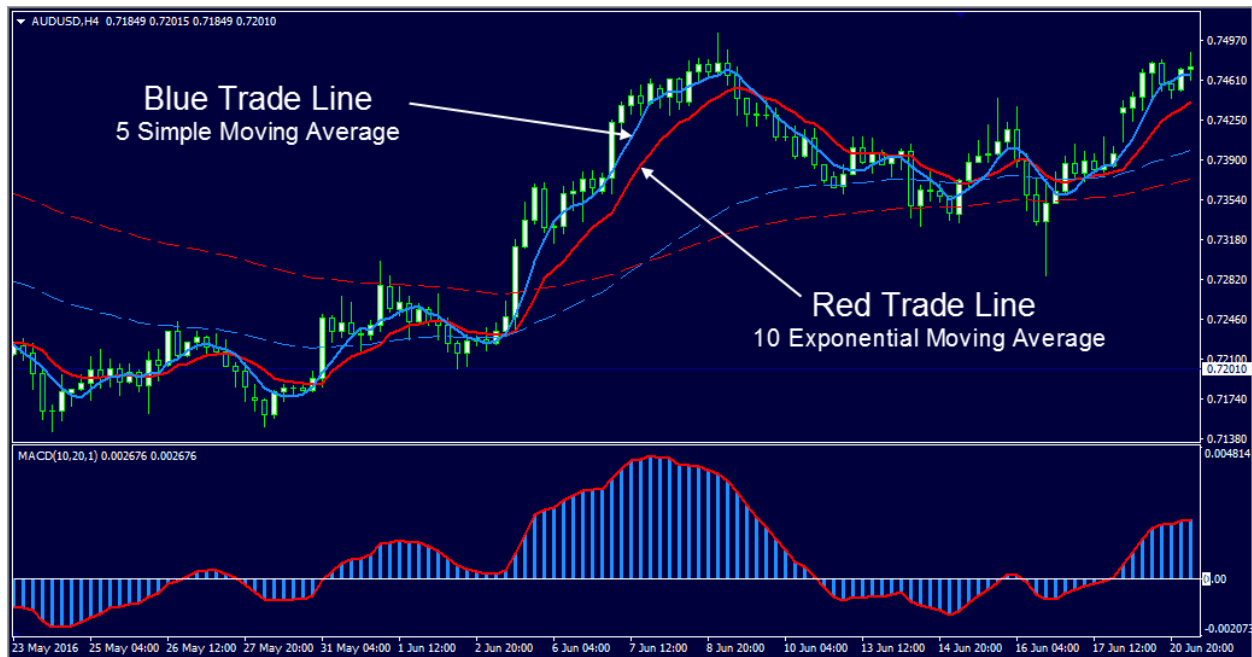
The blue Trade Line (5 SMA) is the faster of the two lines, it will hug the price closer than the red Trade Line (10 EMA). As the price moves, the blue line will move and adjust itself quicker than the red.

This is also the case with the Nav Lines, the blue line is the faster of the two lines and will remain closer to the market than the red line.

Trade Line Bounce

With the Trade Line Bounce, we will be looking for the market to touch the red 10 EMA.

- When the blue 5 SMA is above the red 10 EMA, we want the market to touch the red 10 EMA from above.
- When the blue 5 SMA is below the red 10 EMA, we want the market to touch the red 10 EMA from below.

The bounce is a setup for a particular kind of trade type. Of course there is more to it than simply the touch of the red 10 EMA, but when we get that touch, we will be looking for the trade signal. Some touches won't be valid, others won't produce a signal, but a good portion of them will result in an awesome trade!
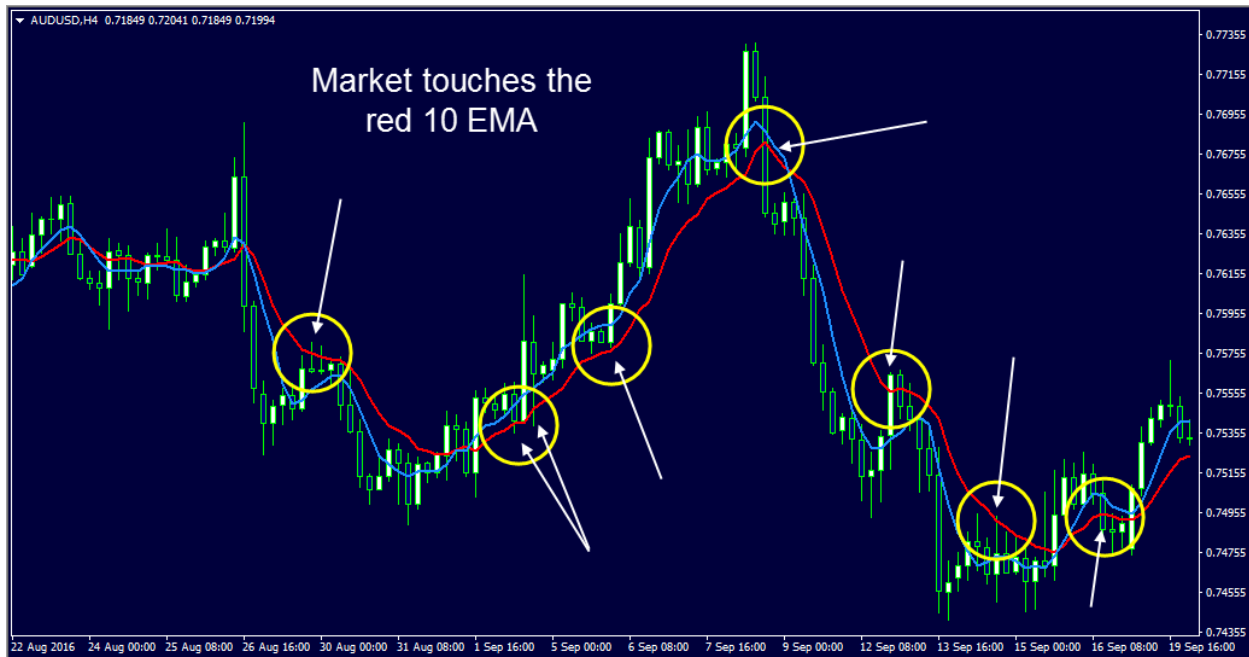
Trade Line Trailing Stop

The red 10 EMA is the indicator we will use to manage the trailing stop loss. Once an entire candle closes outside of the red 10 EMA (entirely above the red 10 EMA in a long trade and entirely below the red 10 EMA in a sell trade), we can start to move the stop loss along the red 10 EMA.

- In a short trade, the stop loss will be trailed above the red 10 EMA. As each new candle opens and the new section of the red 10 EMA appears, the stop loss will be adjusted to the new location.
- In a long trade, the stop loss will be trailed below the red 10 EMA. As each new candle opens and the new section of the red 10 EMA appears, the stop loss will be adjusted to the new location.

Trade Line Bounce Entry

With the Trade Line Bounce, we will be looking for the following entry. The bounce off the red 10 EMA is the setup and the close past the blue 5 SMA will be the entry.

- **Setup for a buy:** When the blue 5 SMA is above the red 10 EMA, we want the market to touch the red 10 EMA from above.
 **Entry:** We are looking for a candle to close above the blue 5 SMA to give us the signal to enter a long trade.

- **Setup for a sell:** When the blue 5 SMA is below the red 10 EMA, we want the market to touch the red 10 EMA from below.
- **Entry:** We are looking for a candle to close below the blue 5 SMA to give us the signal to enter a short trade.
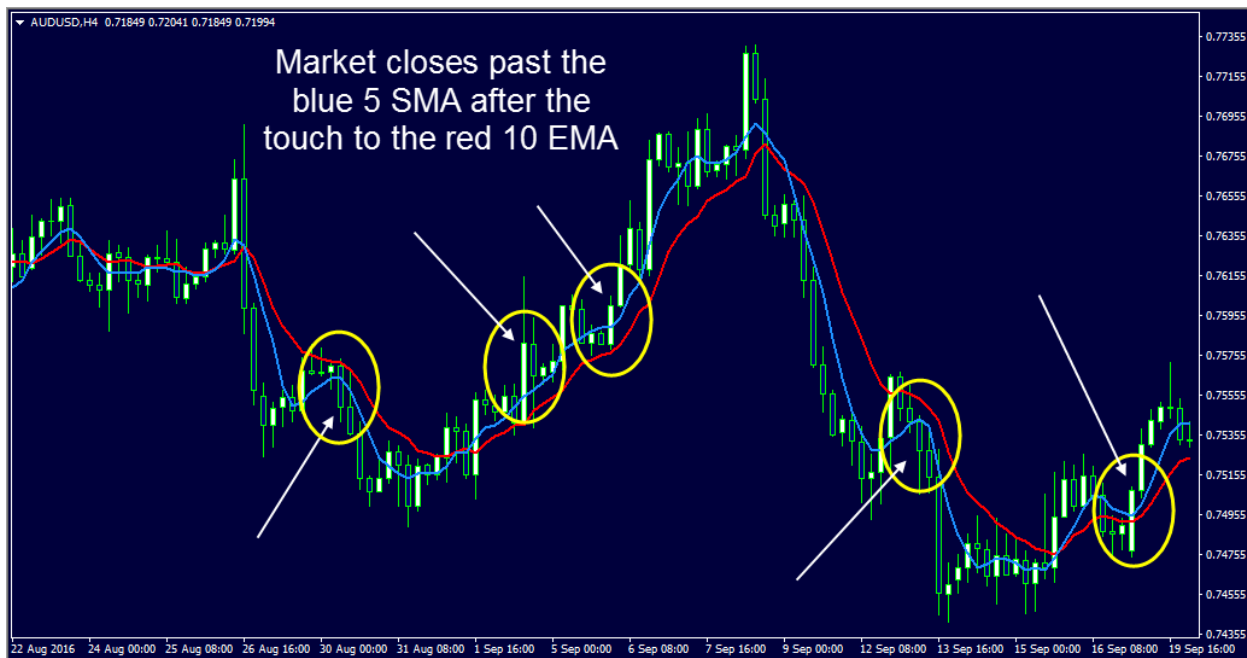
I must mention that there are other components to this trade setup, but this is how the actual signal will look when all the other conditions are properly met.

Trade Line Running Exit

We have the option to let a trade run. When allowing the trade to run, we would exit the trade when a candle closes on the opposite side of the red 10 EMA.

- In a buy trade, we will exit the position when a candle closes below the red 10 EMA.
- In a sell trade, we will exit the position when a candle closes above the red 10 EMA.
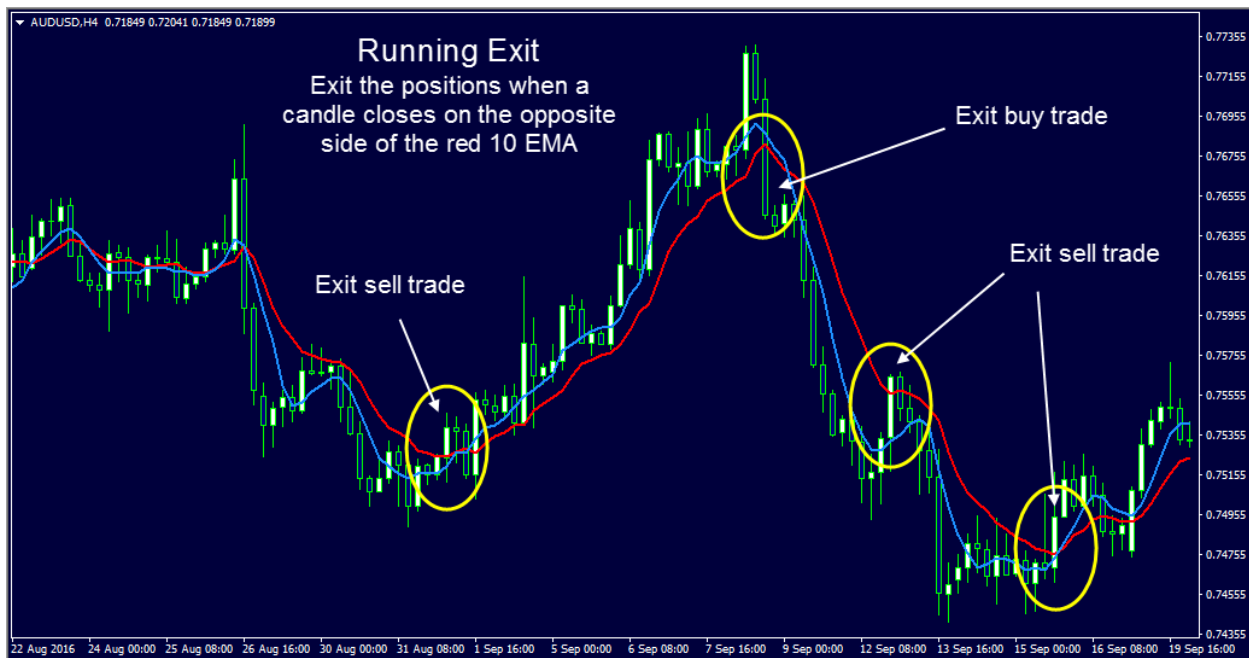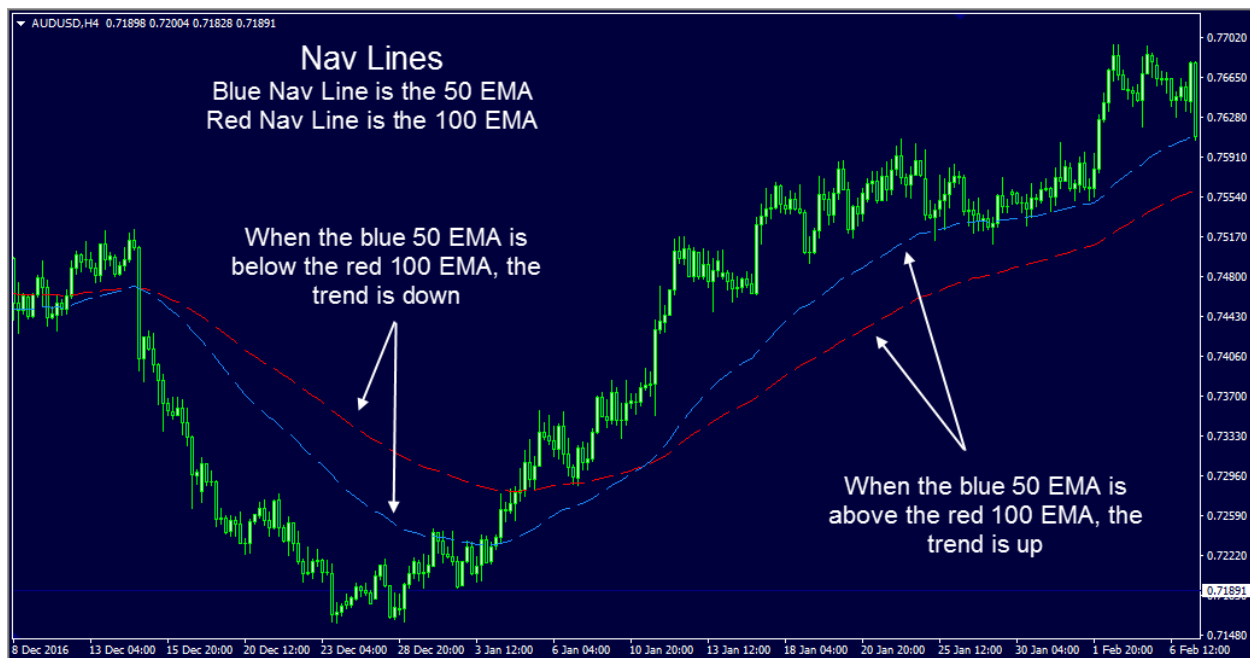
Nav Lines

The word "Nav" is short for Navigation.
The Nav Lines are in place to help us determine the direction we should be trading.
It's a long term bias, or trending direction. When we know the trend direction, trades we take in that direction are much more likely to work out than if we were to trade against the trend.

The Nav Lines are a great filter eliminating a lot of the trades in the wrong direction.

- When the blue 50 EMA is above the red 100 EMA, the trend is up.
  When the trend is up, we look only to take buy trades.

- When the blue 50 EMA is below the red 100 EMA, the trend is down.
  When the trend is down, we look only to take sell trades.

The Nav Lines are the first part of a 2-part bias filter. We will couple the Nav Lines with the MACD.
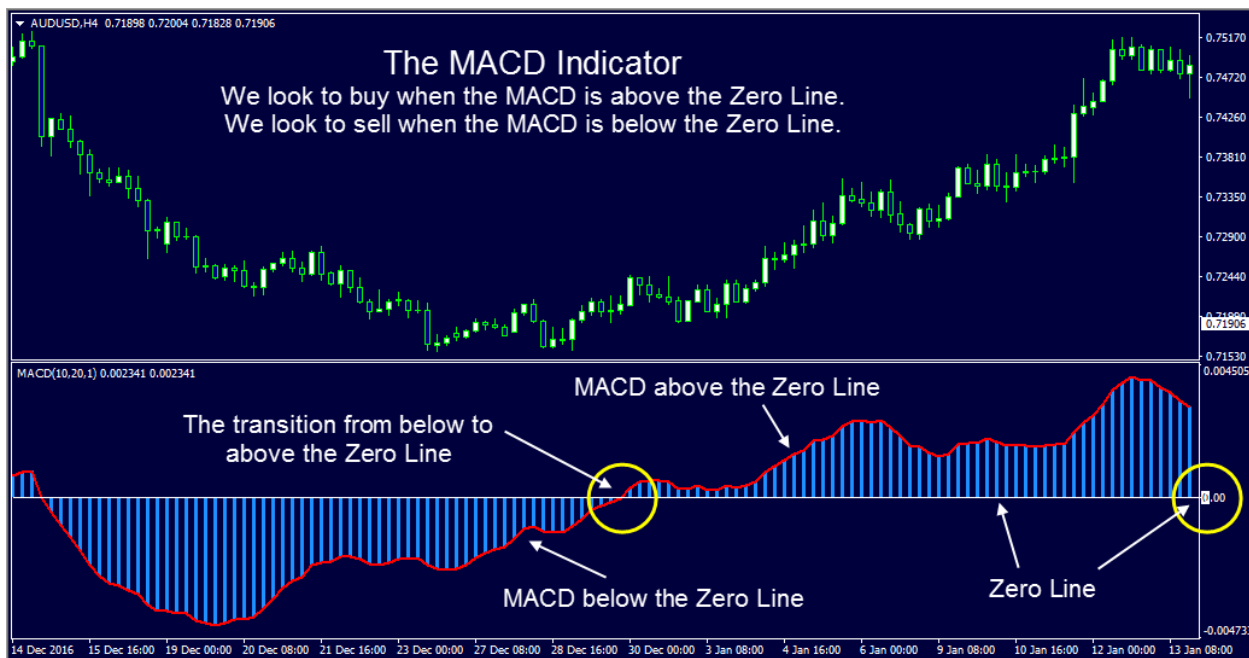
MACD

The MACD is short for "Moving Average Convergence Divergence".
The MACD is the tool we are going to use for a shorter term market bias.
The MACD is an oscillating indicator that moves back and forth, above and below a center line. The center line is something called the Zero Line.

The MACD looks at 2 moving averages on the chart that are invisible. We will be using the 10 EMA and the 20 EMA settings, and the MACD looks at the separation between these moving averages. Basically, all we need to know is that when the 10 EMA is above the 20 EMA, the MACD indicator will be above its Zero Line, and when the 10 EMA is below the 20 EMA, the MACD indicator will be below its Zero Line.

- When the MACD is above the Zero Line, we look only for buy trades.
- When the MACD is below the Zero Line, we look only for sell trades.

The MACD has a red edge to it so we can easily see it, and it's the edge we are paying attention to. If it's above the white center line (Zero Line) we will only buy, and if it's below the Zero Line, we will only sell.

Bias

Now we are going to look at the market bias.
The market bias is the overall trending direction. If we place trades in the direction of the trend, we are more likely going to have trades that work out. Taking trades against the bias are low probability and higher risk. Counter-trend trades (against the bias) won't usually move very far, so we will avoid those all together.

To determine the bias using the Forex Logica system, we are going to use both the Nav Lines and the MACD. When they are both oriented in the same direction, we have a bias and a direction we will look to trade.

It's important to note that the Nav Lines and the MACD will not change direction at the same time.

Long Bias

We are looking for the periods of the market when the Nav Lines are bullish. The blue 50 EMA will be above the red 100 EMA. At the same time, we want the MACD to be bullish as the MACD is above its Zero Line. When we have both of these indicators oriented upwards, we can look for long trades.

In the example below, inside the yellow square we have a section of market where the Nav Lines and the MACD are both bullish. This is when we look for buy trades. The MACD soon after crosses below its Zero Line ending the upwards bias.
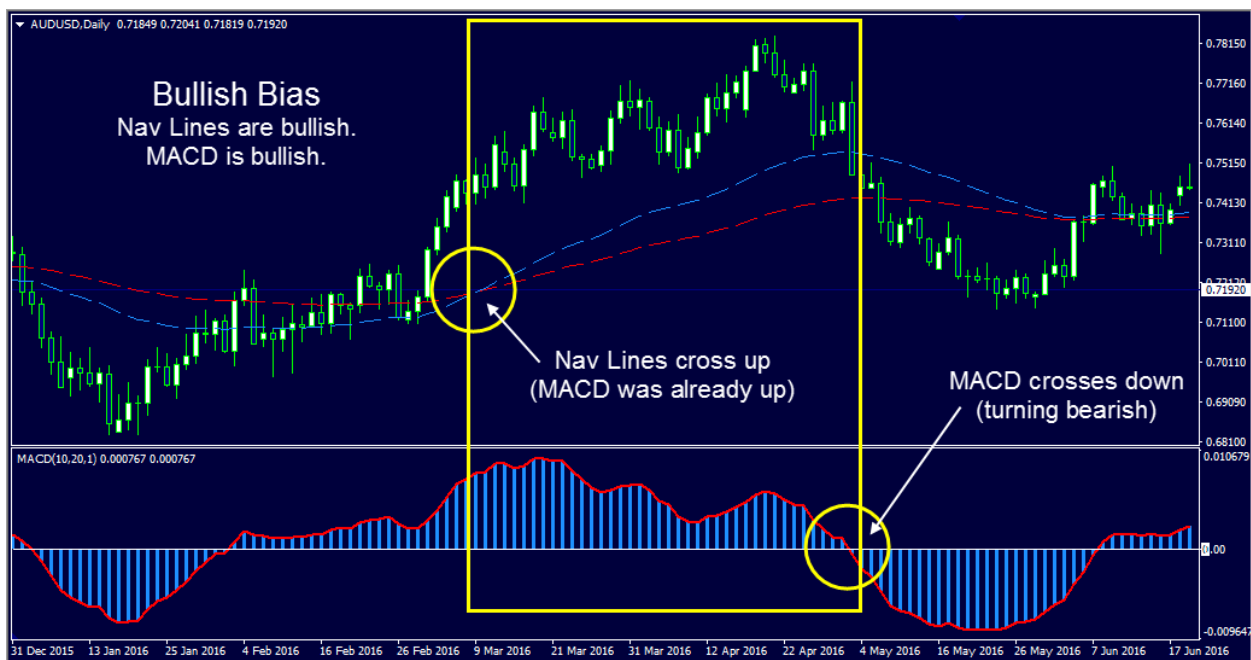
Short Bias

In the example below, the Nav Lines are bearish through the entire image. The blue 50 EMA remains below the red 100 EMA. What we are waiting for is the MACD to also become bearish, and in the yellow square, we get that. The MACD crosses below the Zero Line becoming bearish, so at this point we will start to look for short trades.

Although the Nav Lines remain bearish, the MACD does turn bullish as the MACD moves above its Zero Line. When this happens, the Nav Lines and the MACD no longer agree and there is no bias. If there is no bias, there is no trading.

The Nav Lines and the MACD will usually not change direction together, one of them will need to catch up with the other, usually the MACD is the indicator that changes first. It is much more sensitive to the trend direction so we will find it moves back and forth above and below its Zero Line more frequently than the Nav Lines will change direction.

No Bias

There will be a lot of times when the Nav Lines and the MACD are not headed in the same direction. One will be bullish while the other one is bearish. In these situation, we don't trade at all.

When there is no bias, you can find the market to be difficult to trade as it is often sideways or choppy.

In the image below, the center section of the market is without a directional bias. The Nav Lines are bullish as the blue 50 EMA is above the red 100 EMA, and the MACD is bearish as it is below its Zero Line. There is a disagreement on what direction the market is likely to go, so during this period, there is no trading.

Once the Nav Lines cross downwards, the bias becomes bearish and we can start to look for short trades.

Initial Stop Loss

When we place a trade, we need to also place a stop loss. The location we place our stop loss at the time of the entry is called the Initial Stop Loss. Our stop loss will never be farther away from the entry than it is at this point.

The initial stop loss is easy top place, there is nothing complicated about it, no fancy formula or candle counting.
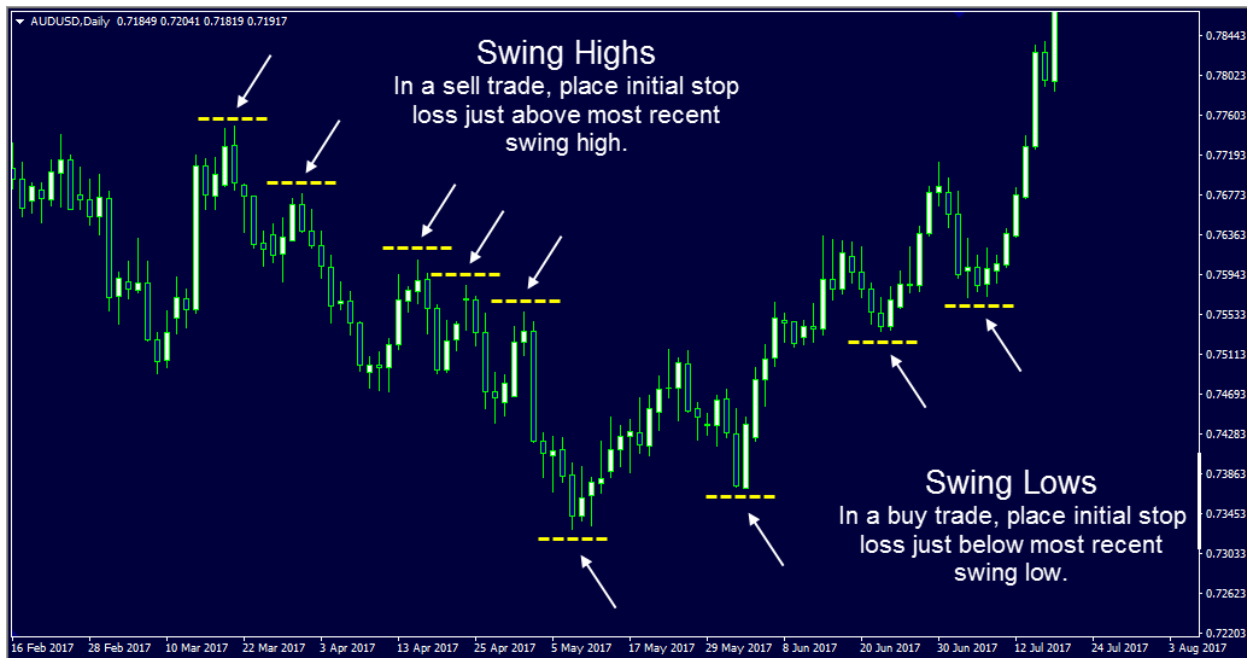
For a buy trade:
The initial stop loss will be placed just below the most recent swing low prior to the entry signal. The market moves in zig-zag fashion, and the stop will be placed under the most recent zig (or is that zag?). This will be a distinct V shaped pattern the candles make as they create the "swing low".

For a sell trade:
The initial stop loss will be placed just above the most recent "swing high" prior to the entry signal. This swing high will appear like the peak of a mountain. These highs are quite distinctive as they are also subject to the zig zag pattern the market makes.

In the image below, you can see the zigs and the zags made by the market.
The first set of highs are locations you could place the initial stop loss for sell trades. The second set are of lows, these are good locations for your initial stop loss for buy trades.
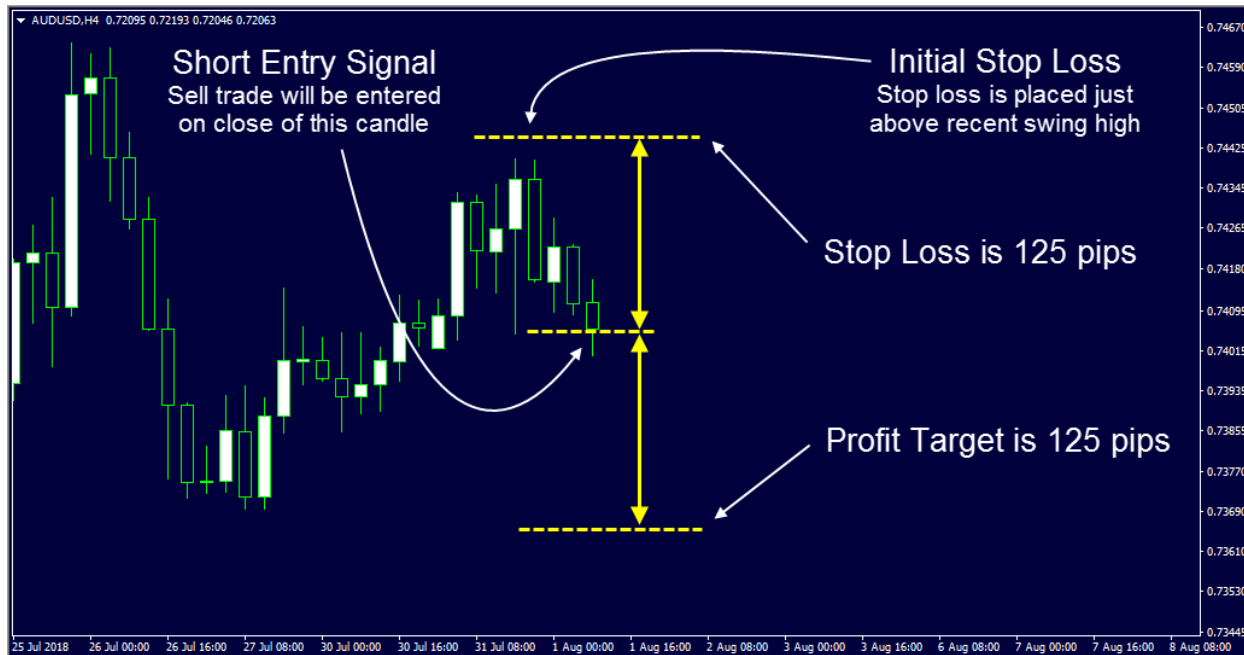
Target

The target for the Forex Logica trading will be using the traditional 1:1 target.
This means that the profit target of the trade will be the same size as the initial stop loss that was placed.

In a buy trade:
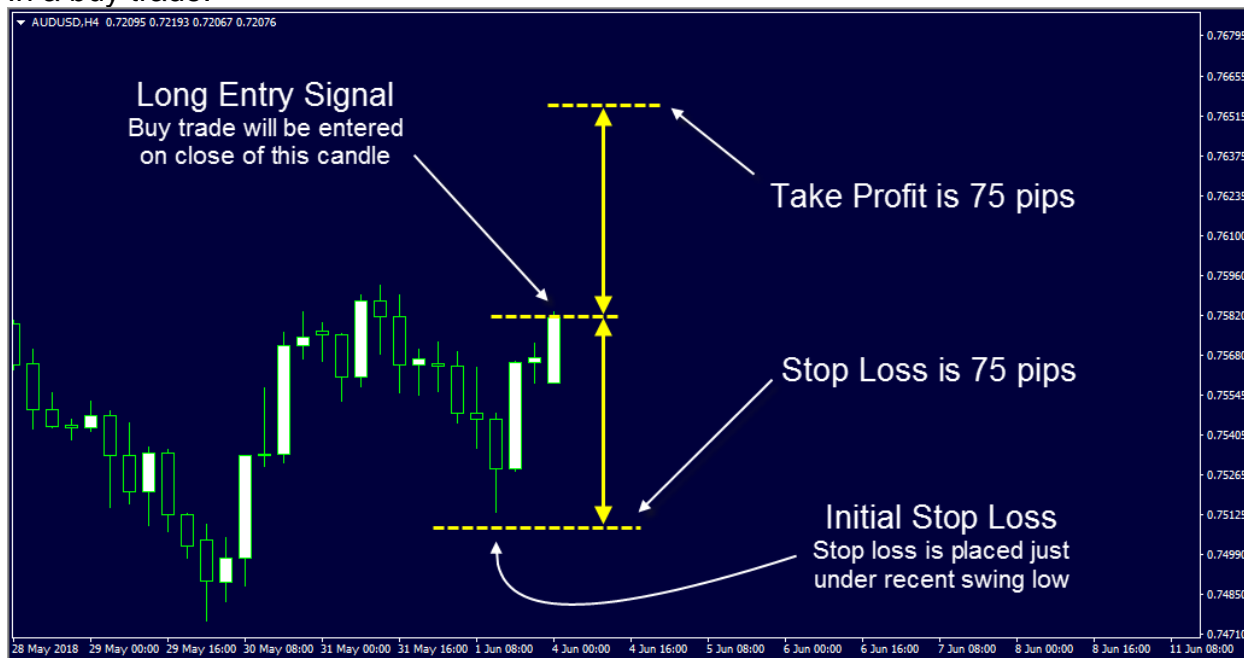

In a sell trade:

Buy Trade Rules

Setup:

1. The Trade Lines are bullish. The blue 5 SMA is above the red 10 EMA.
2. The Nav Lines are bullish. The blue 50 EMA is above the red 100 EMA.
3. The MACD is bullish. The MACD is above the Zero Line.
4. The market drops down to touch the red 10 EMA.

Signal:

5. Candle close above the blue 5 SMA.

Management:

6. Buy trade is placed.
7. Initial stop loss is placed under the most recent swing low.
8. Once a candle forms entirely above the red 10 EMA, stop loss is managed under the red 10 EMA of each new candle that opens.
9. For a hard target - Profit target is 1:1.
   For a running target - Exit trade when candle closes below the red 10 EMA.
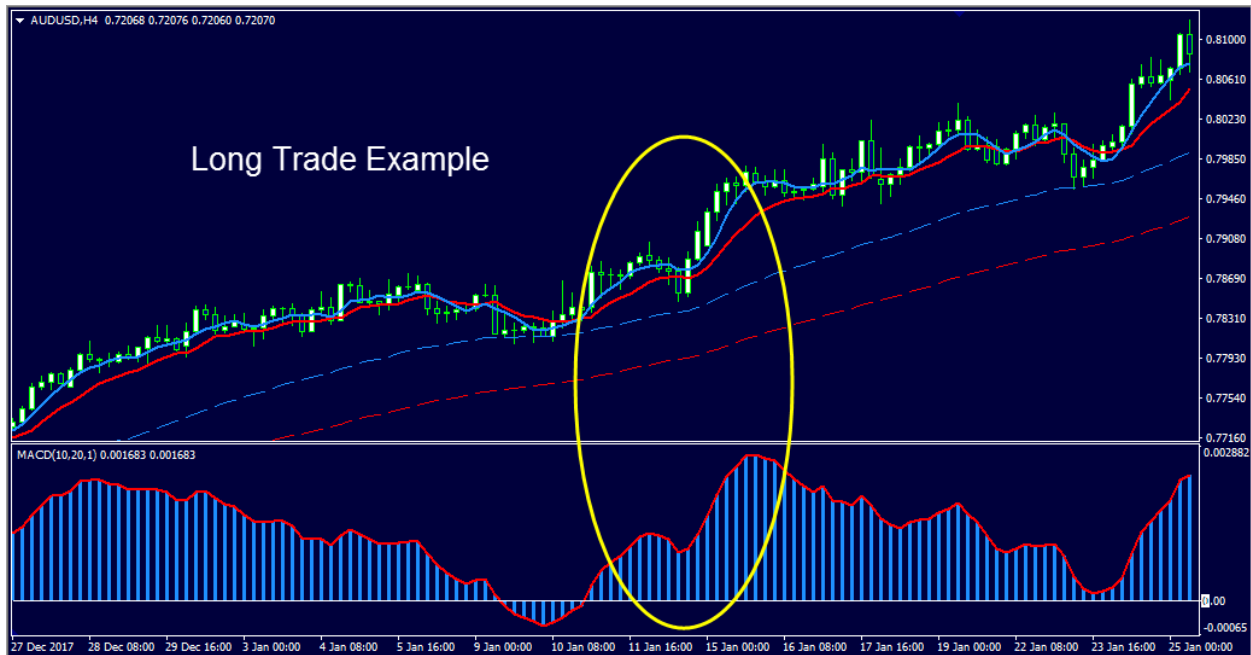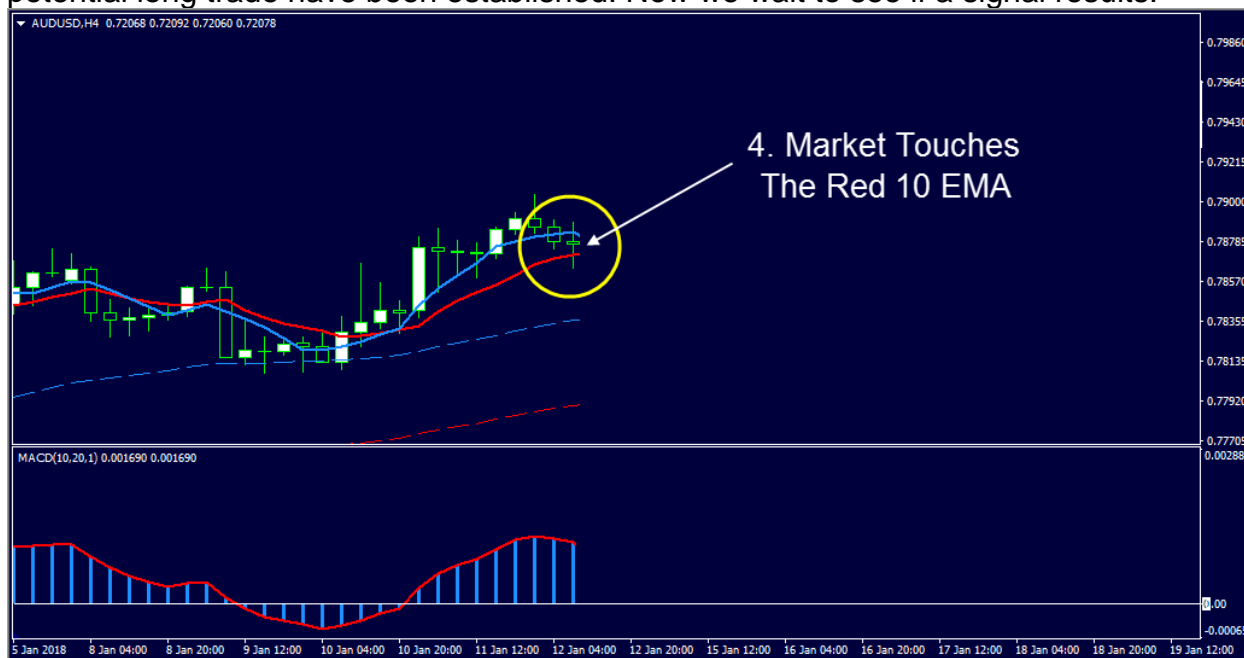
Number 1, 2, 3:

Setup phase of the market.

The Trade Lines, the Nav Lines and the MACD are all bullish. The price is above the Trade Lines, the red 10 EMA specifically.
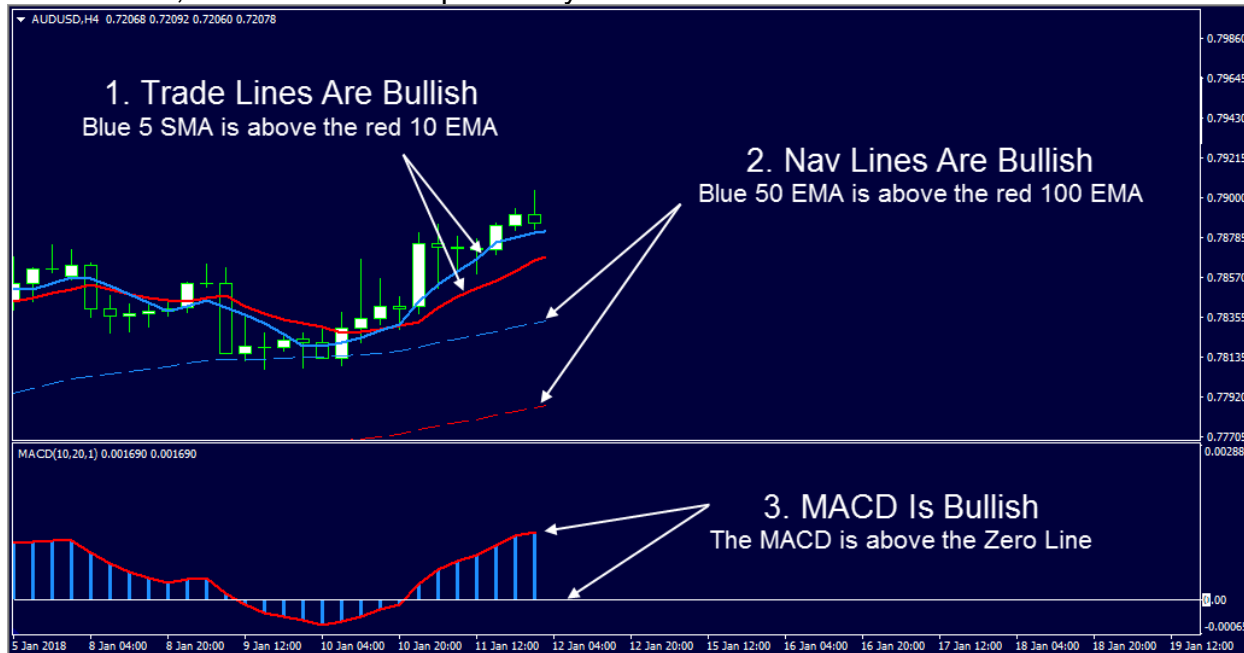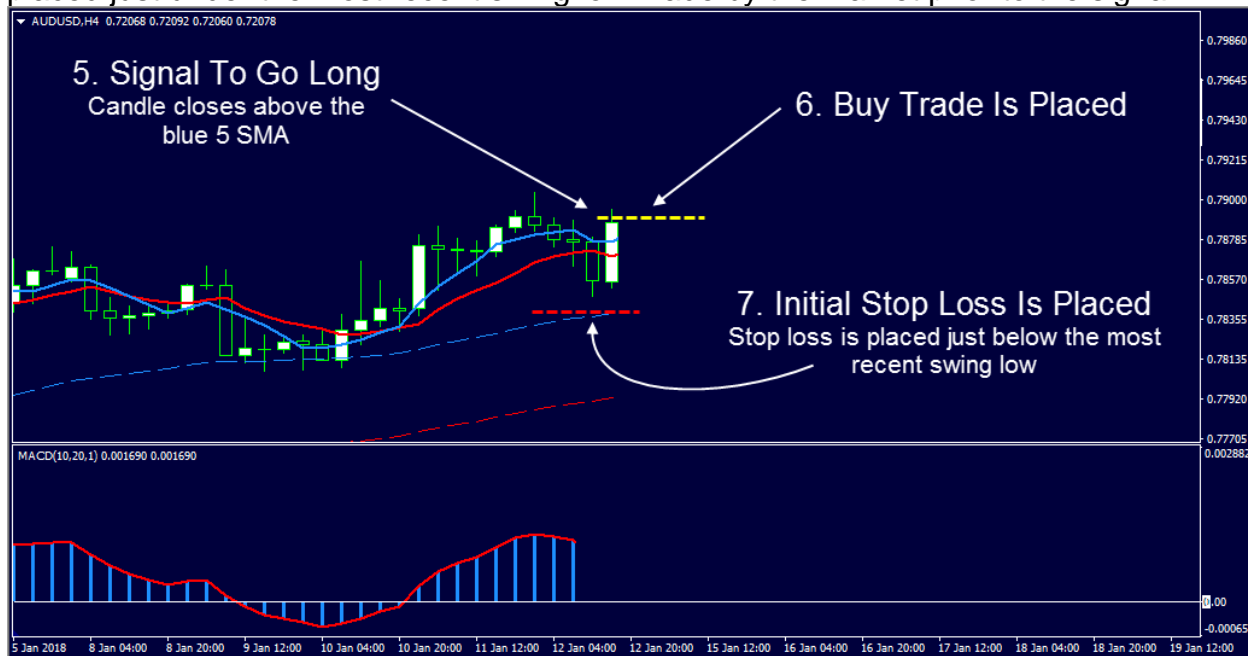

Number 4:

The market touches the red 10 EMA. It's at this point all the pieces to the setup for a potential long trade have been established. Now we wait to see if a signal results.

Number 5, 6, 7:

A candle closes above the blue 5 SMA, the buy trade is entered and the stop loss is placed just under the most recent swing low made by the market prior to the signal.

Number 8, 9:

When a candle forms completely above the red 10 EMA, the trailing stop can start to move. The 1:1 target has been set for a hard target, and for those who want to let the trade run, the exit will be when a candle closes below the red 10 EMA.
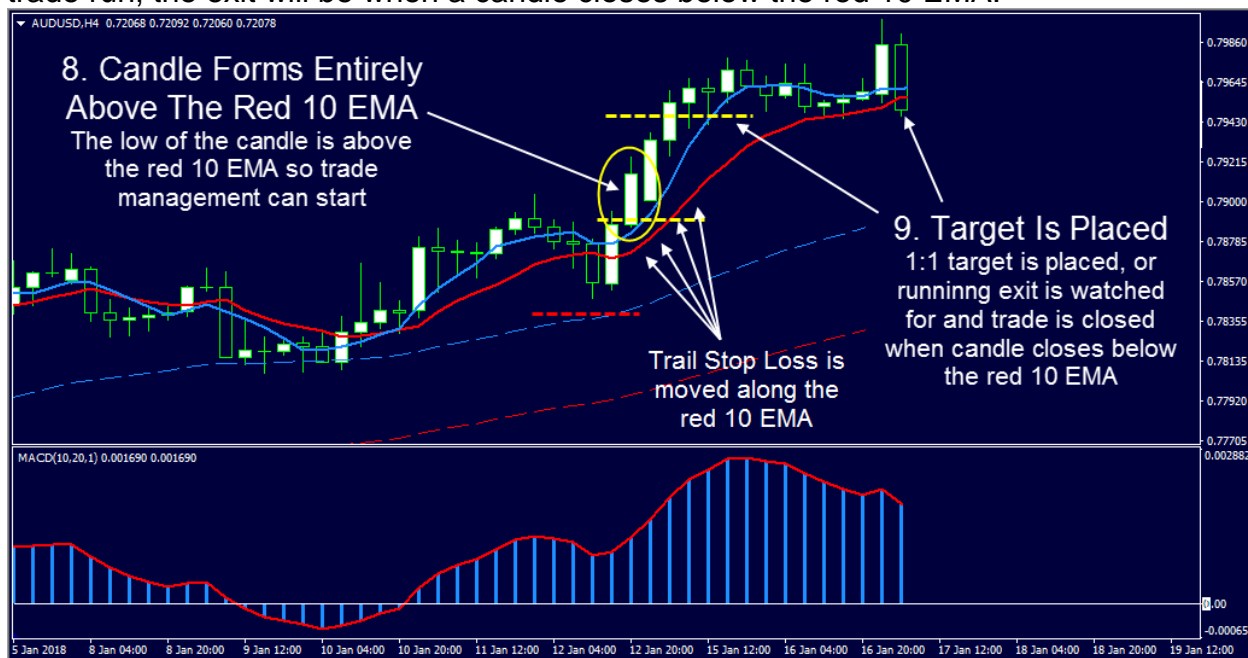
Sell Trade Rules

Setup:

1. The Trade Lines are bearish. The blue 5 SMA is below the red 10 EMA.
2. The Nav Lines are bearish. The blue 50 EMA is below the red 100 EMA.
3. The MACD is bearish. The MACD is below the Zero Line.
4. The market climbs up to touch the red 10 EMA.

Signal:
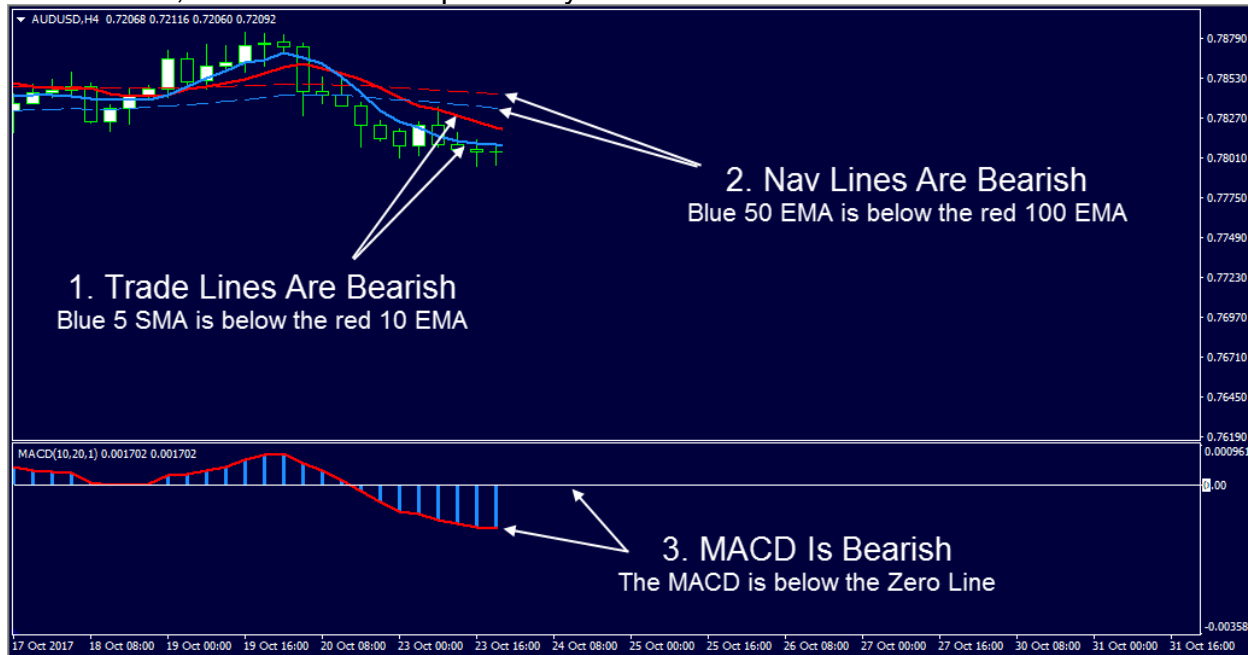
5. Candle close below the blue 5 SMA.

Management:

6. Sell trade is placed.
7. Initial stop loss is placed above the most recent swing high.
8. Once a candle forms entirely below the red 10 EMA, stop loss is managed above the red 10 EMA of each new candle that opens.
9. For a hard target - Profit target is 1:1.
   For a running target - Exit trade when candle closes above the red 10 EMA.
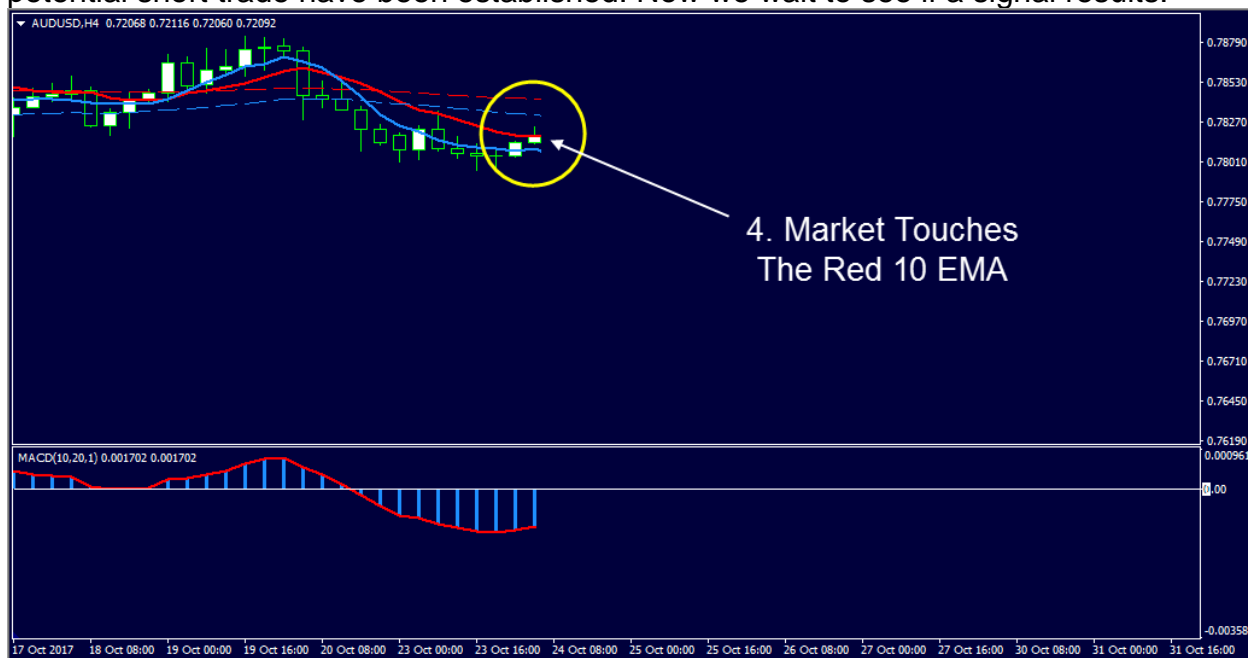
Number 1, 2, 3:

Setup phase of the market.

The Trade Lines, the Nav Lines and the MACD are all bearish. The price is below the Trade Lines, the red 10 EMA specifically.
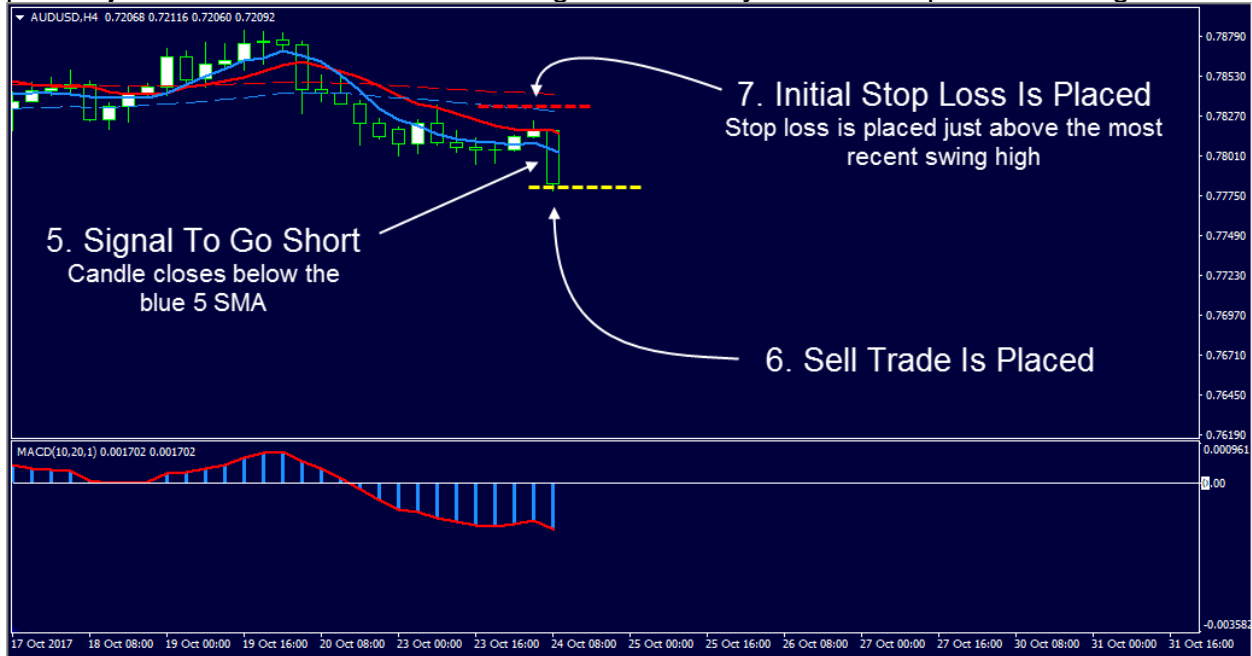

Number 4:

The market touches the red 10 EMA. It's at this point all the pieces to the setup for a potential short trade have been established. Now we wait to see if a signal results.

Number 5, 6, 7:

A candle closes above the blue 5 SMA, the buy trade is entered and the stop loss is placed just under the most recent swing low made by the market prior to the signal.

Number 8, 9:

When a candle forms completely above the red 10 EMA, the trailing stop can start to move. The 1:1 target has been set for a hard target, and for those who want to let the trade run, the exit will be when a candle closes below the red 10 EMA.
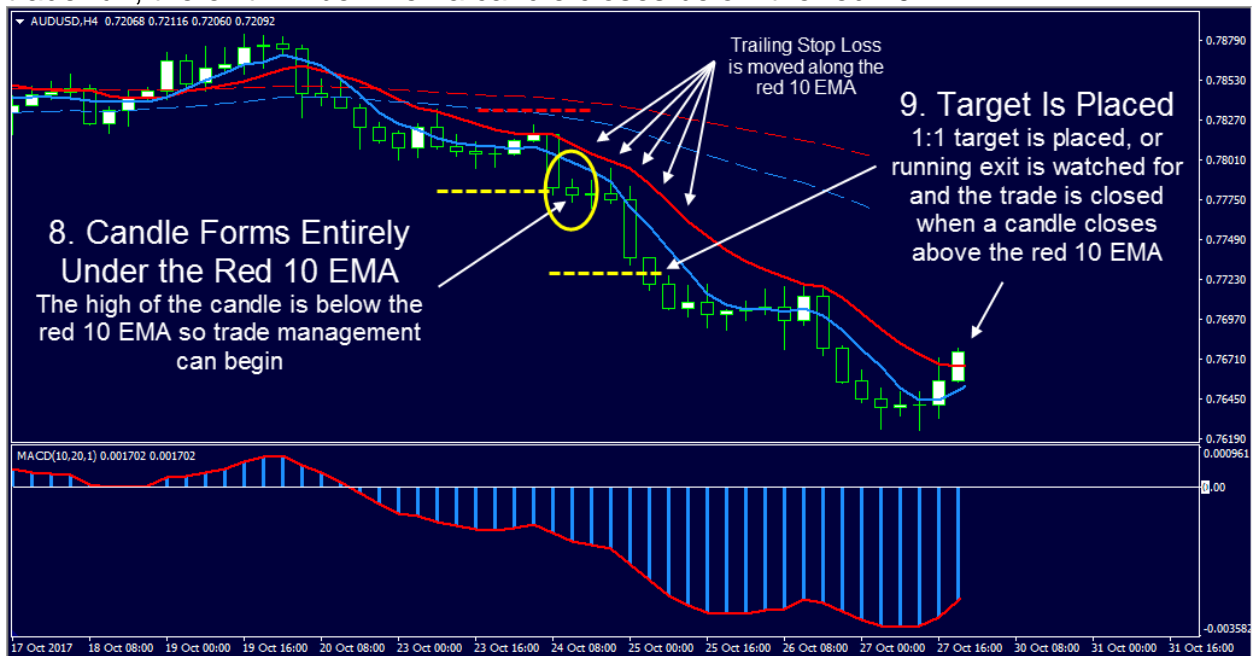
Conclusion

The Forex Logica is a nice simple system that takes advantage of the way the market bounces as it moves. This is the truest sense of the phrase, "buy the dips and sell the rallies". Establish a trend, look for dips or rallies, profit. It doesn't need to be any more complicated than that.

Before you go live with the Forex Logica system, make sure that you can trade this system profitably on a demo account. I don't want you to lose any more money than you absolutely need to, and trading live with a system you are unfamiliar with is always a risk.

Watch the videos that accompany this manual and be sure you understand the rules.

When you are ready to trade it live, trade with the smallest lot size you can, generally 0.01 lots (1 micro lot) to start with. As you gain more confidence in the system, start adding more to your account, or start using larger position sizes.

Thank you once again!

Best of luck to you and in your trading career!

Russ Horn