



MAX DAY TRADING



Element #2

ICS BALANCES

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April 2020*

ELEMENT #2: INDIVIDUAL CURRENCY STRENGTH BALANCES

HOW WE CALCULATE THE STRENGTH OF INTRADAY TREND MOMENTUM TO MAXIMISE TRADING POINTS

The Max Day Trading Domino Effect technical analysis gives us a 'domino category' (Dom Cat) of intraday trend duration strength and direction. However our conclusions can be further bolstered by the individual strength of currencies within pairs. It's this 'divergence' (opposites) of strength between each currency that gives us trends within pairs in the first place.

As an example if you were trading the GBP/USD *long*, the ideal scenario would be a strong GBP and a weak USD. The combined weakness of the USD against the strong GBP would give a relentless long trend with strong 'up' momentum.

Trading the GBP/USD *short*, the ideal scenario would be a weak GBP and a strong USD. The combined strength of the USD against the weak GBP would give a relentless short trend with strong 'down' momentum.

Unfortunately it's not just a simple case of 'strong verses weak' that causes a trend. There are always varying levels of strength and weakness within currency pairs,* so having prior knowledge of this can make us aware of the strength or weakness of the *momentum* of the trend in either the long or short direction *before* we start trading.

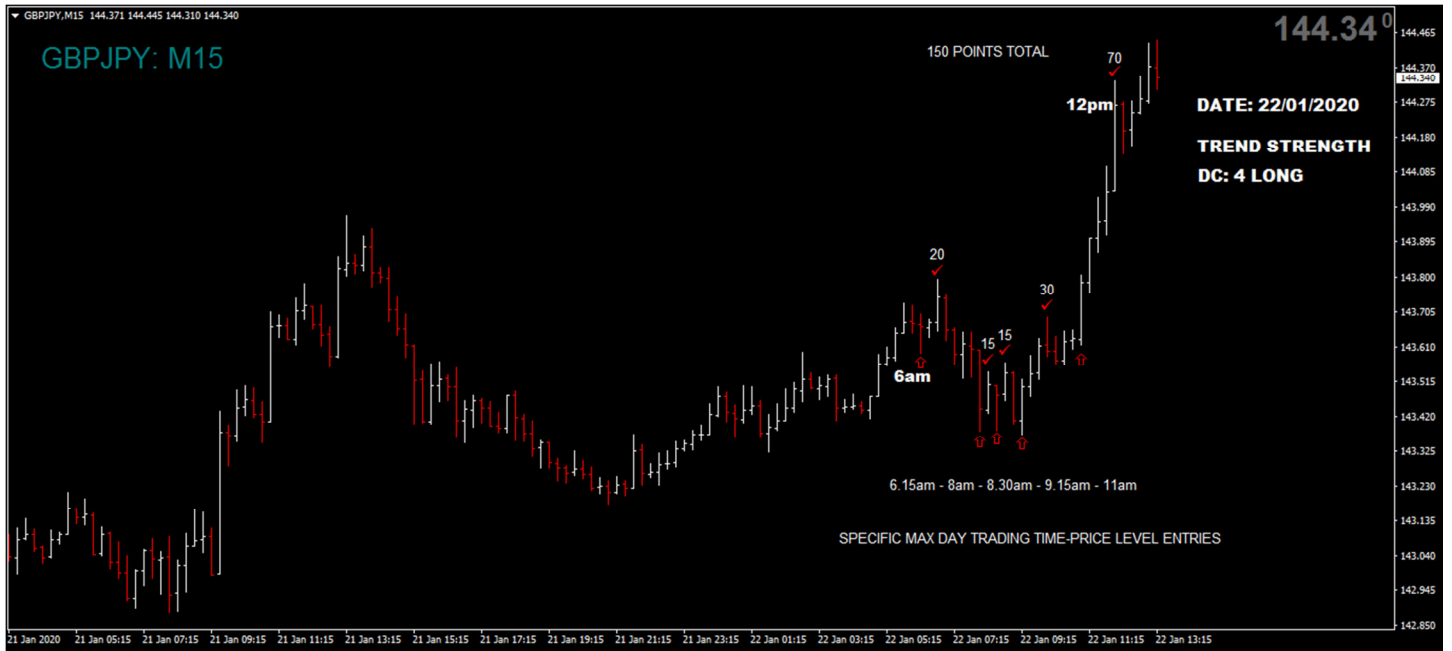
*(*Strength index conclusions are my own personal opinions at the time. Strength order: Weak - Weak Plus - Weak Ish - Flat Minus - Flat Plus - Strong Ish - Strong Minus - Strong).*

This balance effectively acts as an additional indicator to our Dom conclusions and can greatly improve our trade entries and the amount of points yielded per trade by allowing us to choose the instruments that have the best divergence at the time.

Therefore in a long intraday trend; full divergence of currency strengths (strong primary, weak secondary) within the pair at the London open will see the price rise more quickly with strong momentum and end up generally much higher with more points available come the US open (7am EST, 12pm GMT).

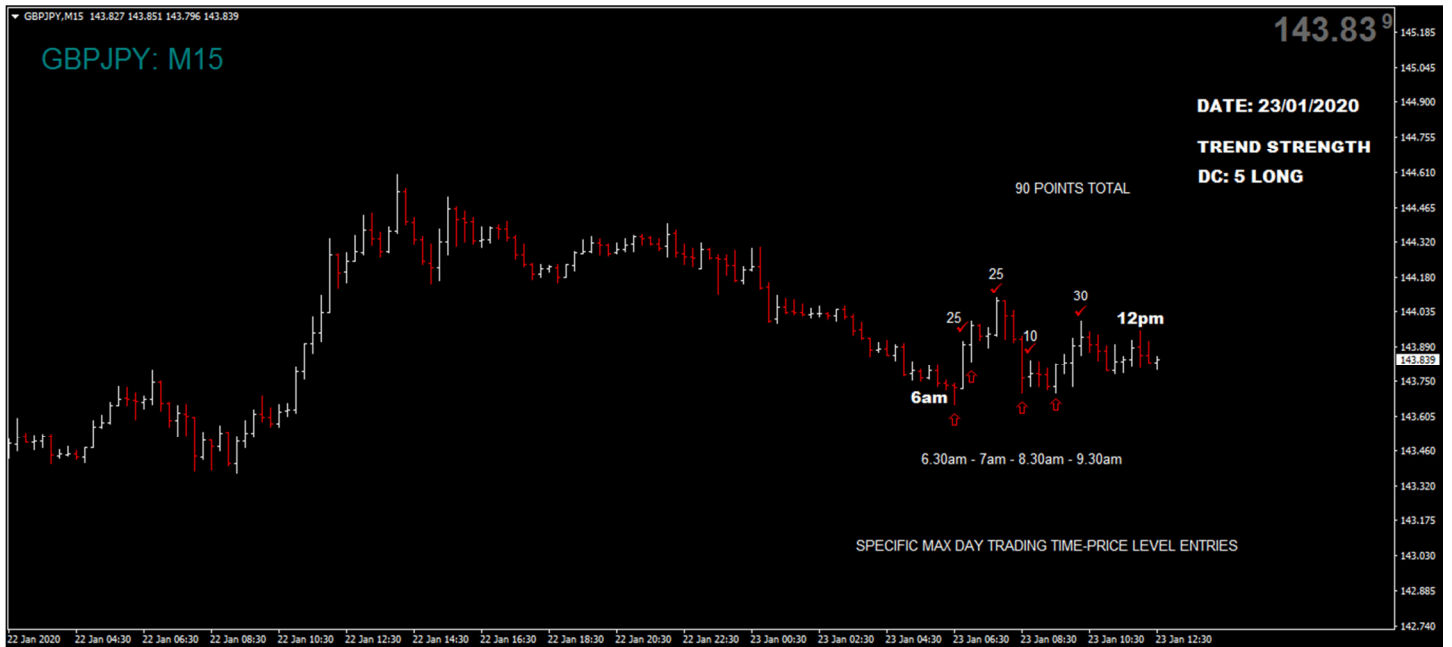


FULL DIVERGENCE OF CURRENCY STRENGTHS (STRONG GBP & WEAK JPY)



Conflicting or converging strength balances within the pair will still see a long trend but the price movement can be manic and will see the price rise less quickly with weaker momentum, ending up generally less high with fewer points available come the US open.

CONVERGING CURRENCY STRENGTHS (STRONG GBP & FLAT PLUS JPY)



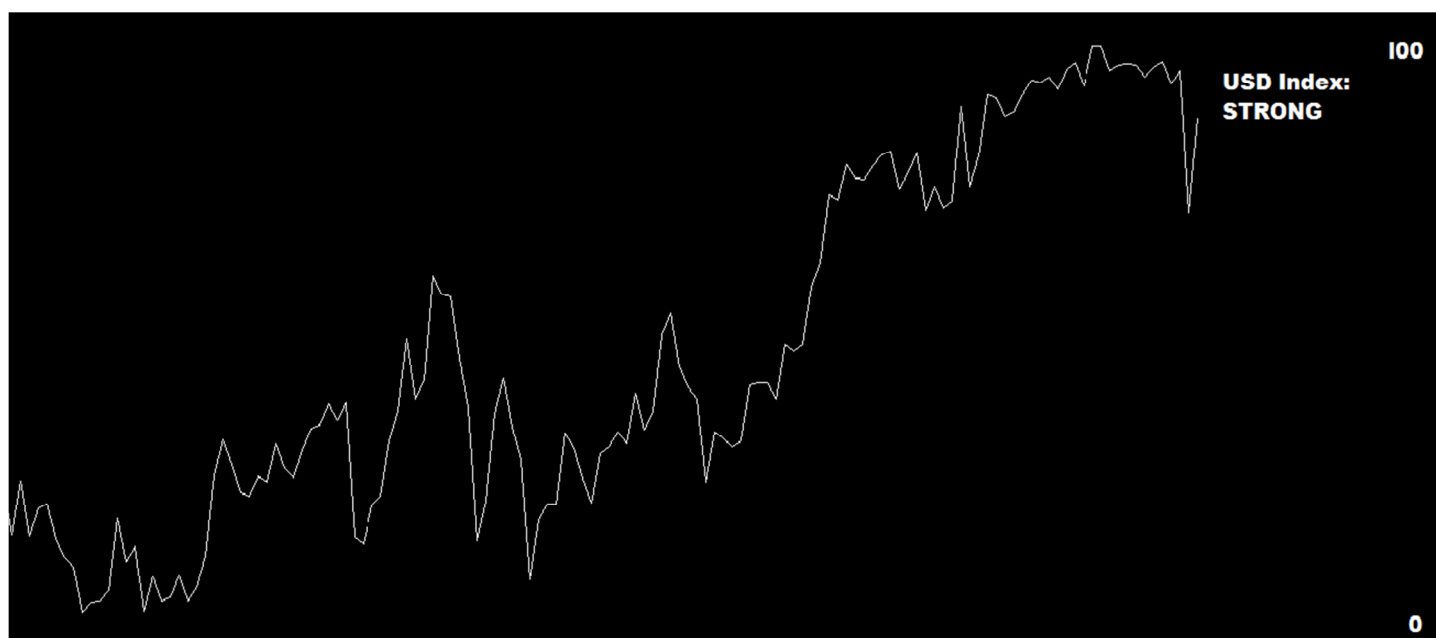
So for example, if we have a Strong GBP and a Flat Plus JPY as above, we would still see a long trend but because of the conflict, the price can be manic though the overall intraday or intrasession trend direction will still be long.

I call these Individual Currency Strength Balances (ICS Balance) of which have been absolutely invaluable to my trading and this strategy.

These are derived from a unique and exclusive 'in house' indicator which effectively acts as a currency strength 'index' for each currency within the pairs we trade, somewhat similar to the Dollar Index. These have been back-tested over several months and have shown to be by far the most accurate over the full course of a trading session.

There is a scale on the right hand side of the chart ranging from 0 on the bottom to 100 at the top. It's the finishing level on the right of the chart that's important.

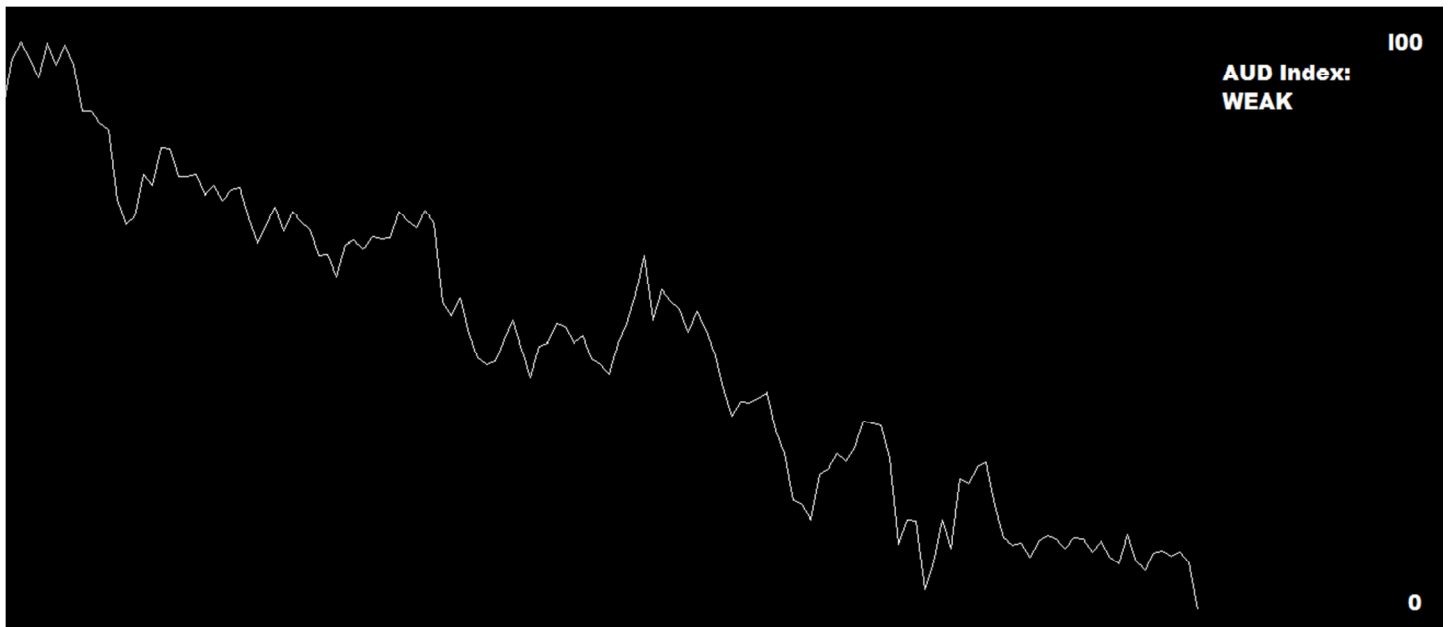
So if we see an overall *incline* from left to right at the London open and the level is in the top half of the chart, this indicates strength that will normally continue until the US open (7am EST, 12pm GMT), even if the level started off close to, or at 100.



A *decline* from left to right at the London open with the level in the bottom half of the chart indicates weakness that would normally continue until the US open, even if the level started off close to, or at 0.

NB. Fundamentals may temporarily strengthen or weaken individual currencies after the UK open so please be aware of any news items or pending economic data releases relating to each. Any significant strength changes will be updated and re-posted for your information.



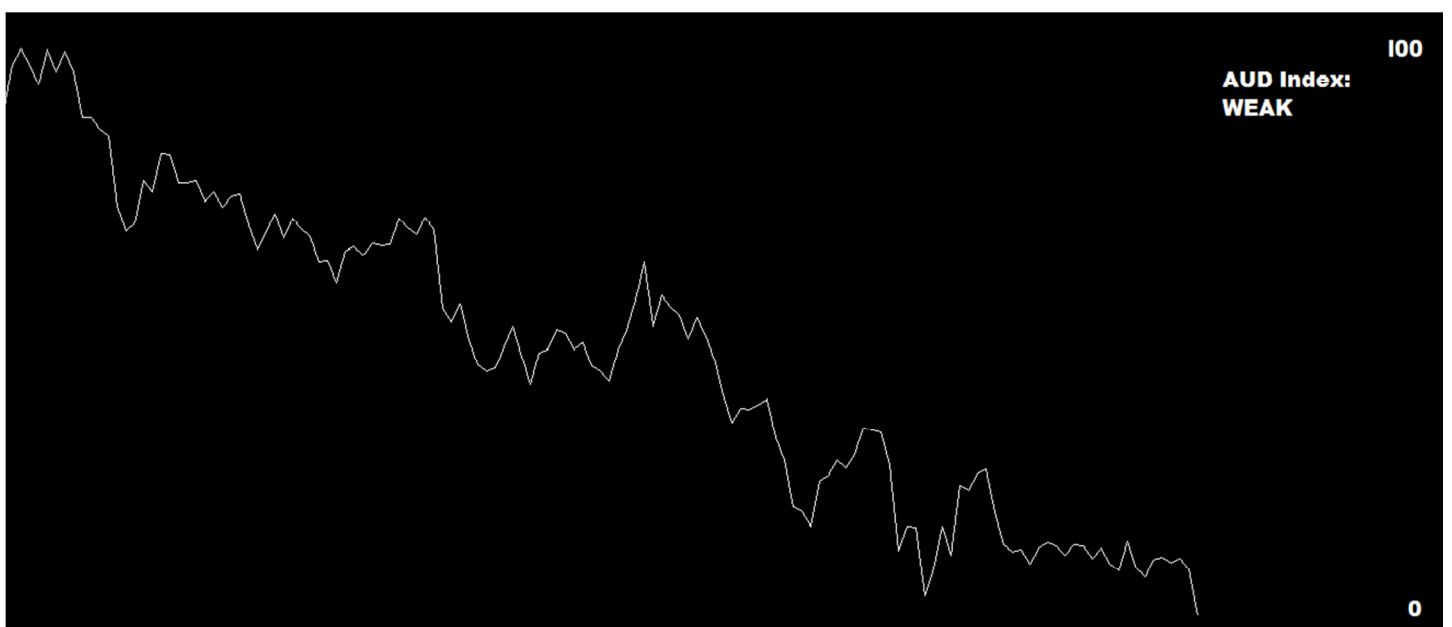


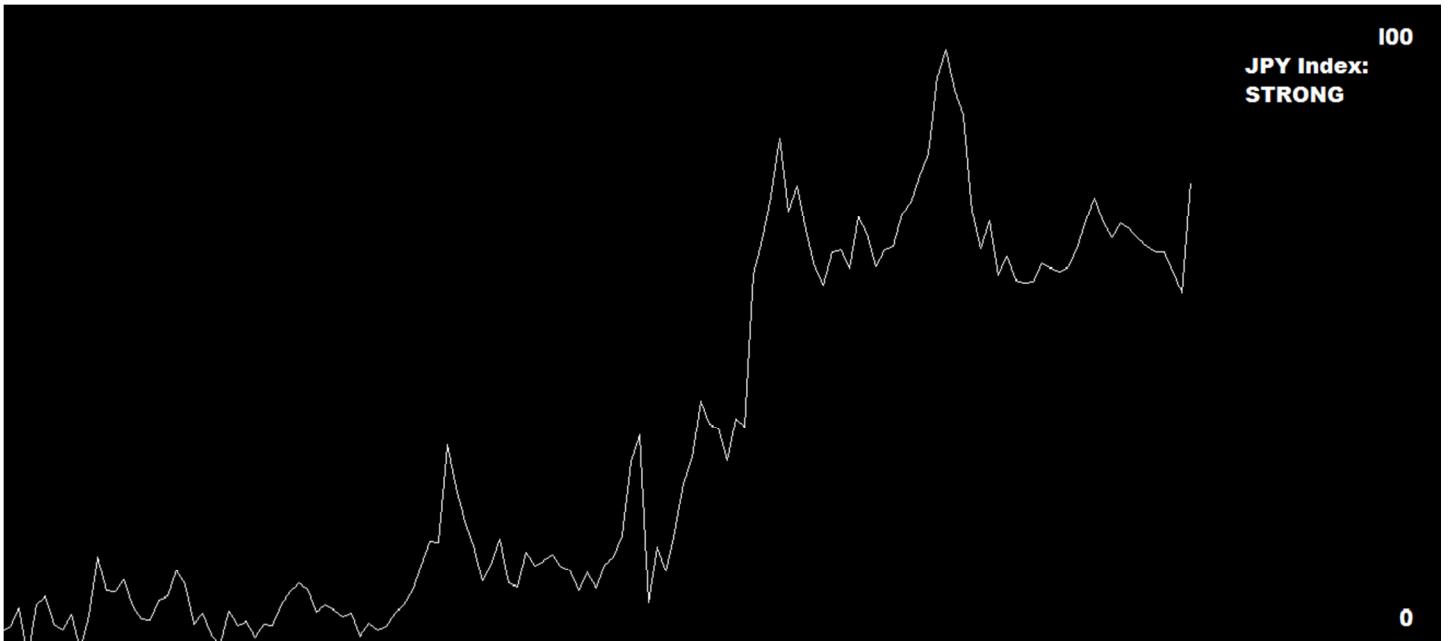
These give us a reliable indication of the general strength of each individual currency within all our pairs. From this we can then see the trend momentum of each separate pair **before** we are about to trade.

This process allows us to accurately predict how much (or little) momentum will be expected due to the divergence of strength, or lack thereof within each currency. Once we have our conclusions, we can pick and choose the best instruments with the most momentum to trade at the time and which to avoid.

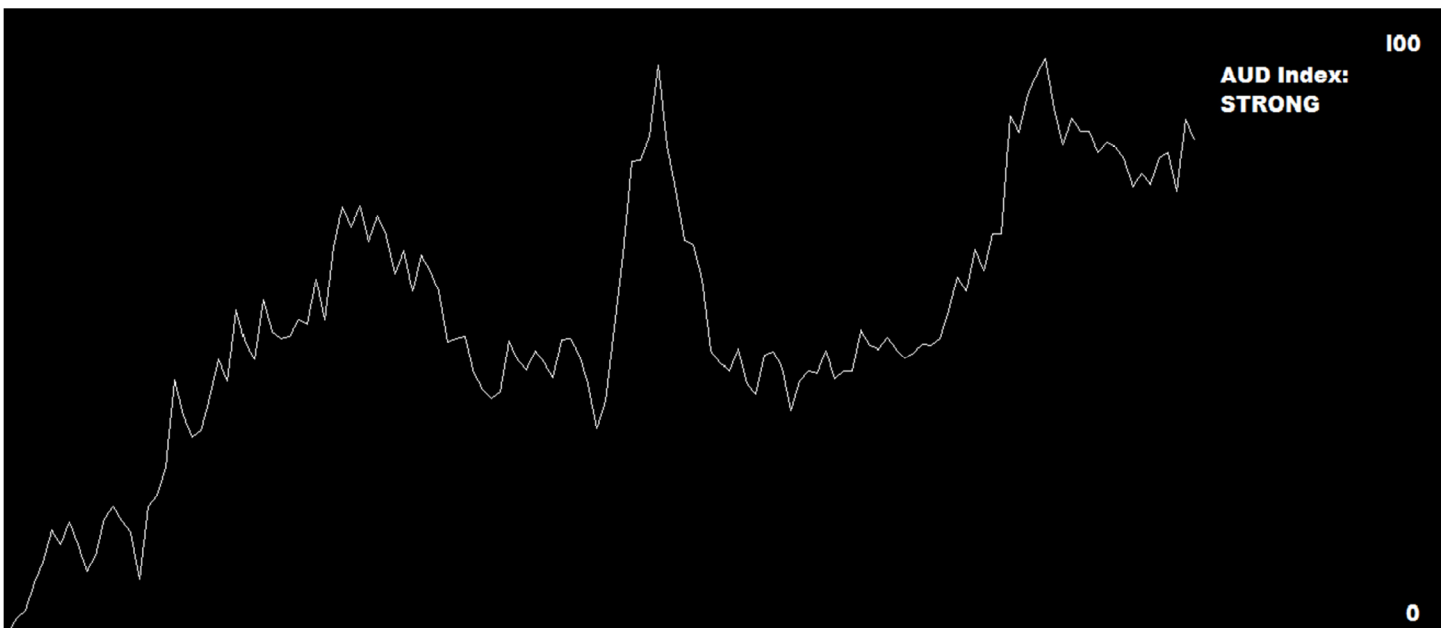
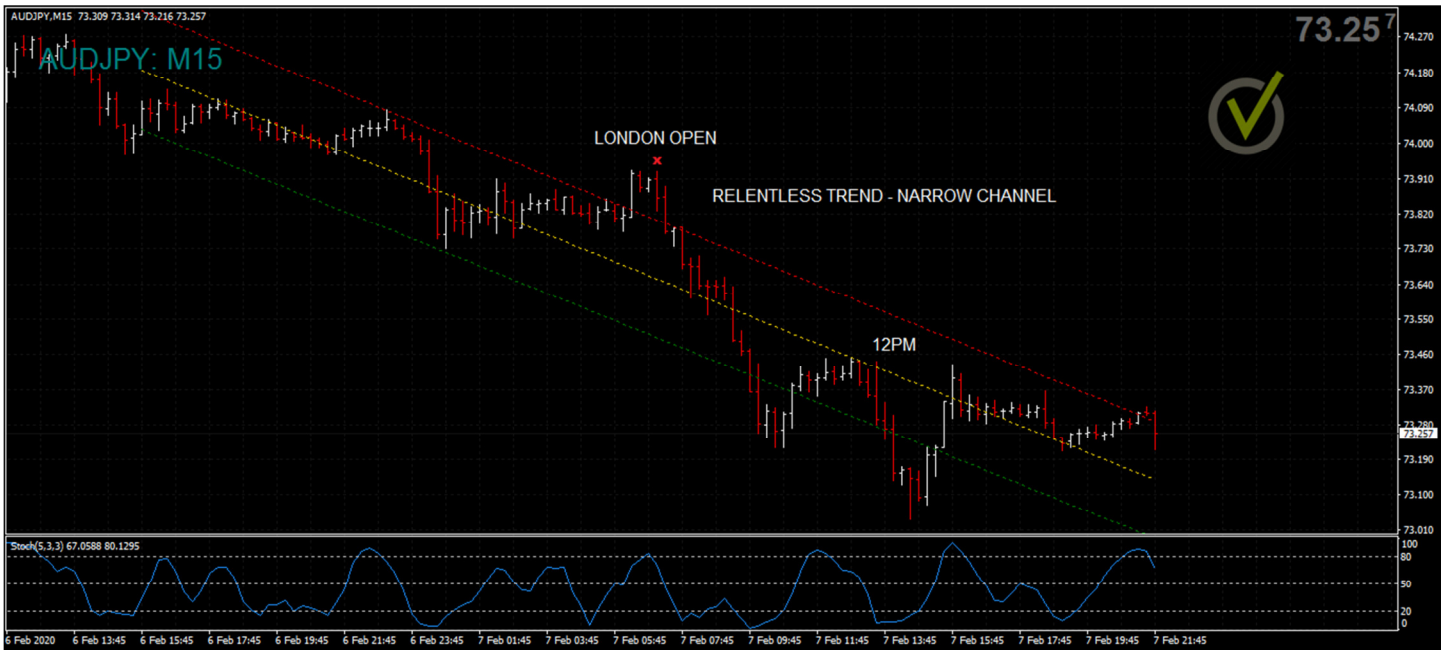
To reiterate, what we are looking for is a divergence (opposites) of strength within currency pairs, *in conjunction* with the Domino Category duration strength.

The following examples show good divergence of strength between the AUD and the JPY when trading this pair short and also the same pair when trading long.



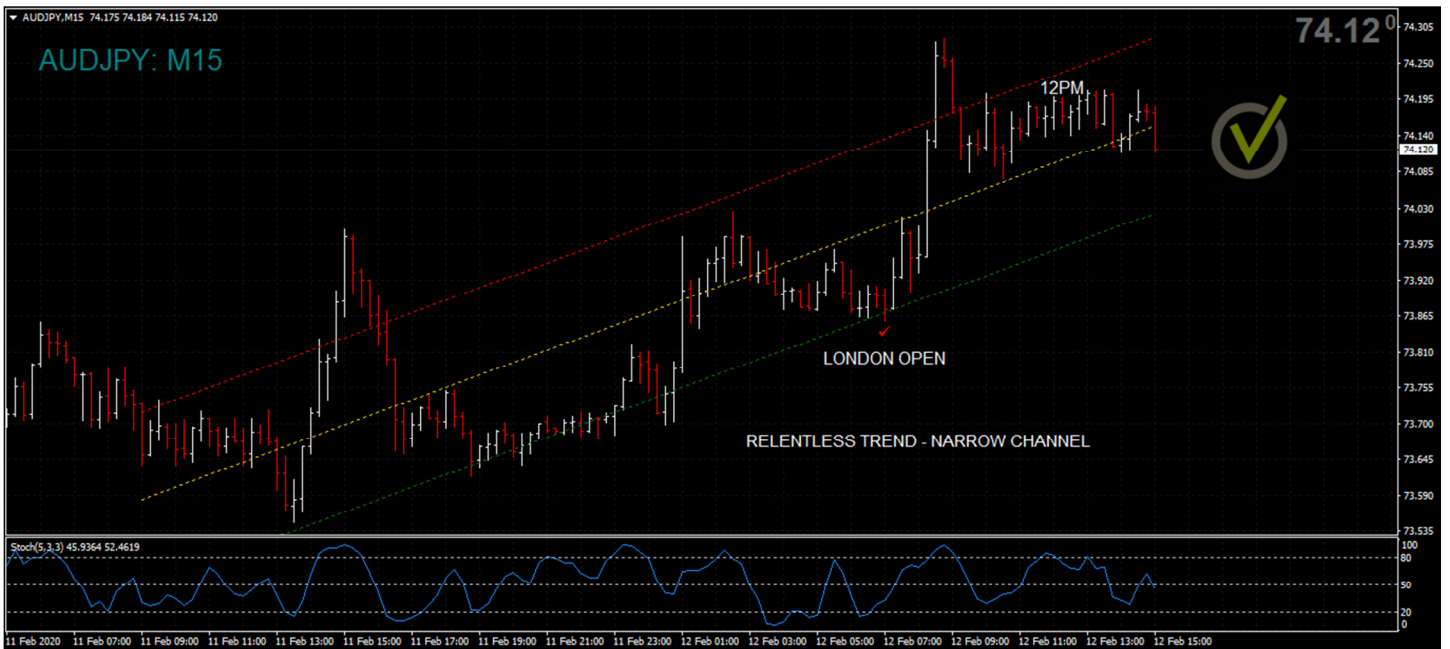


AUD/JPY SHORT DOMS (WEAK AUD & STRONG JPY)





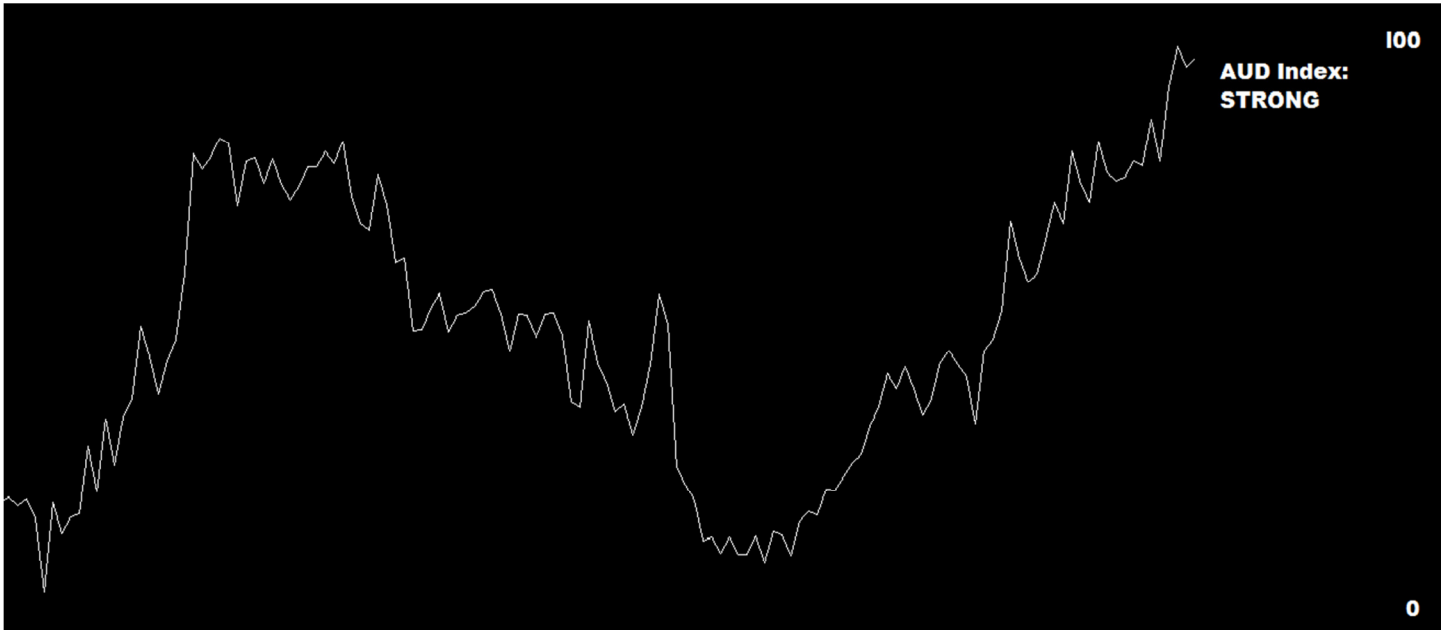
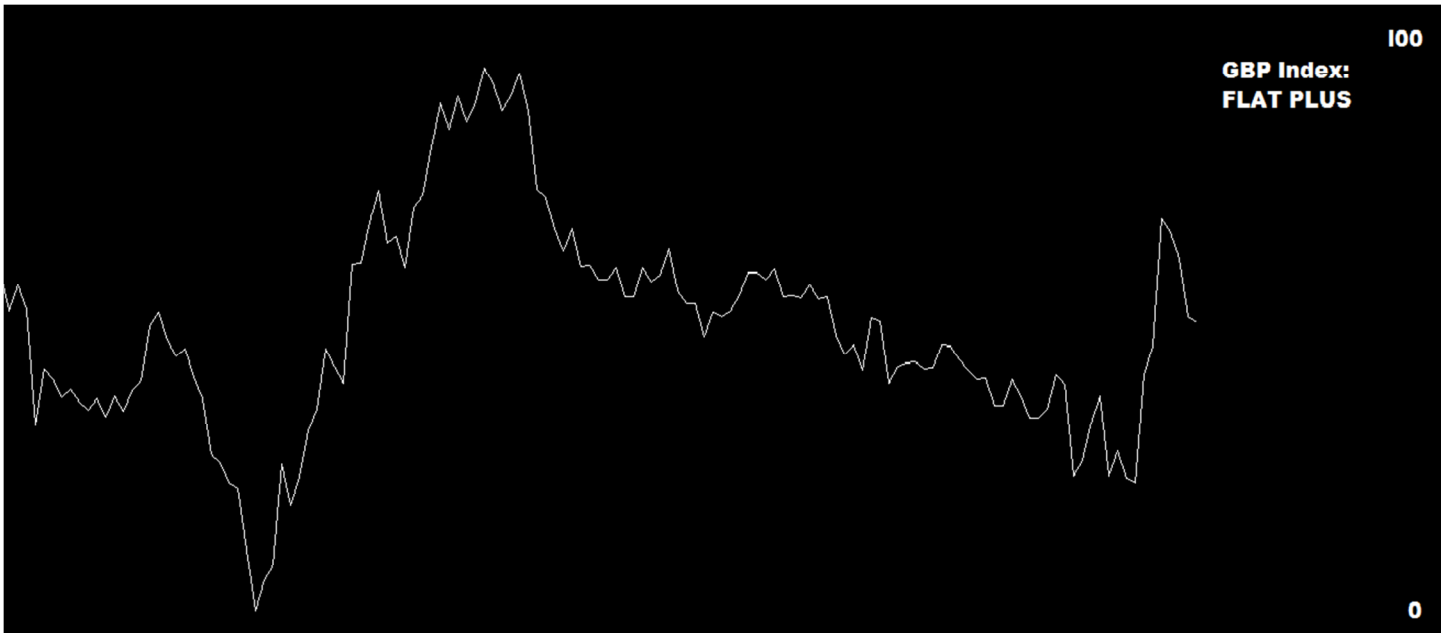
AUD/JPY LONG DOMS (STRONG AUD & WEAK JPY)



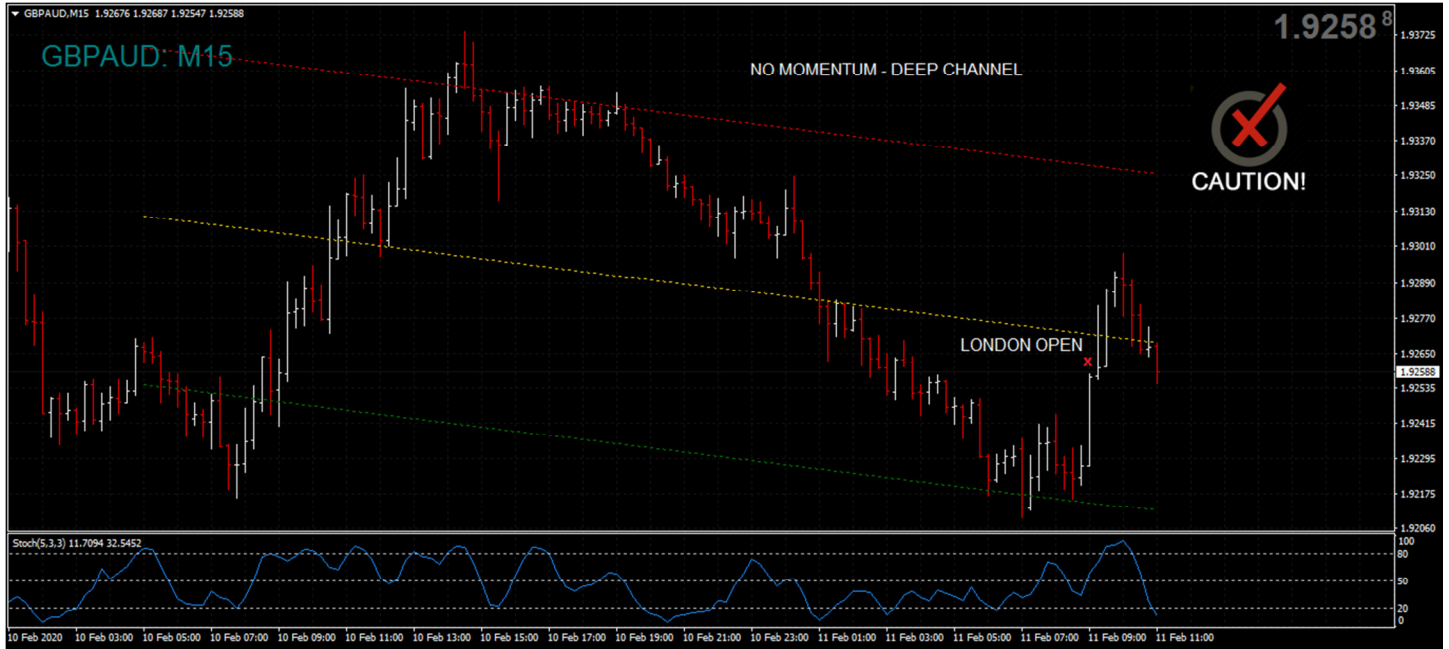
Below is an example of conflicting strengths when trading the GBP against the AUD. As you can see, we have a 'Flat Plus' or strengthening GBP against an already Strong AUD.

This resulted in a 'ranging' GBP/AUD which actually started the London open as a Dom Cat 4 Long but as the session continued it became a Dom Cat 5 Short and proof that there was going to be no momentum from the outset.

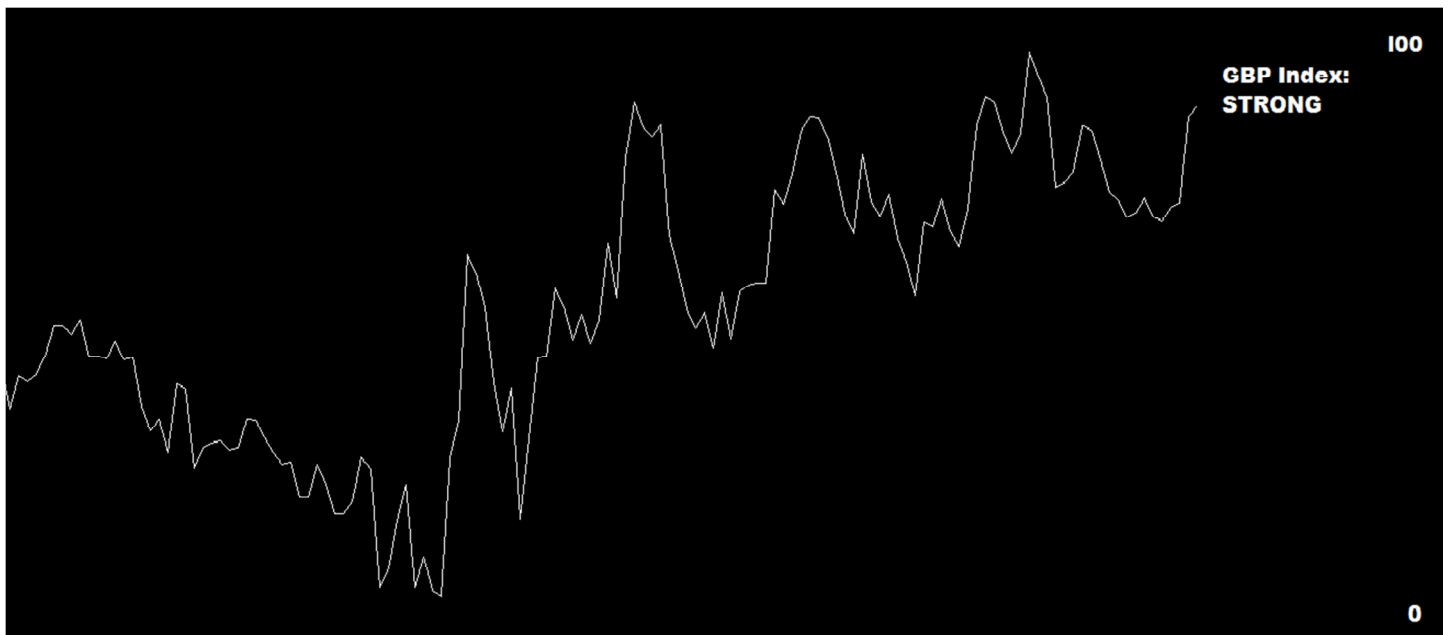


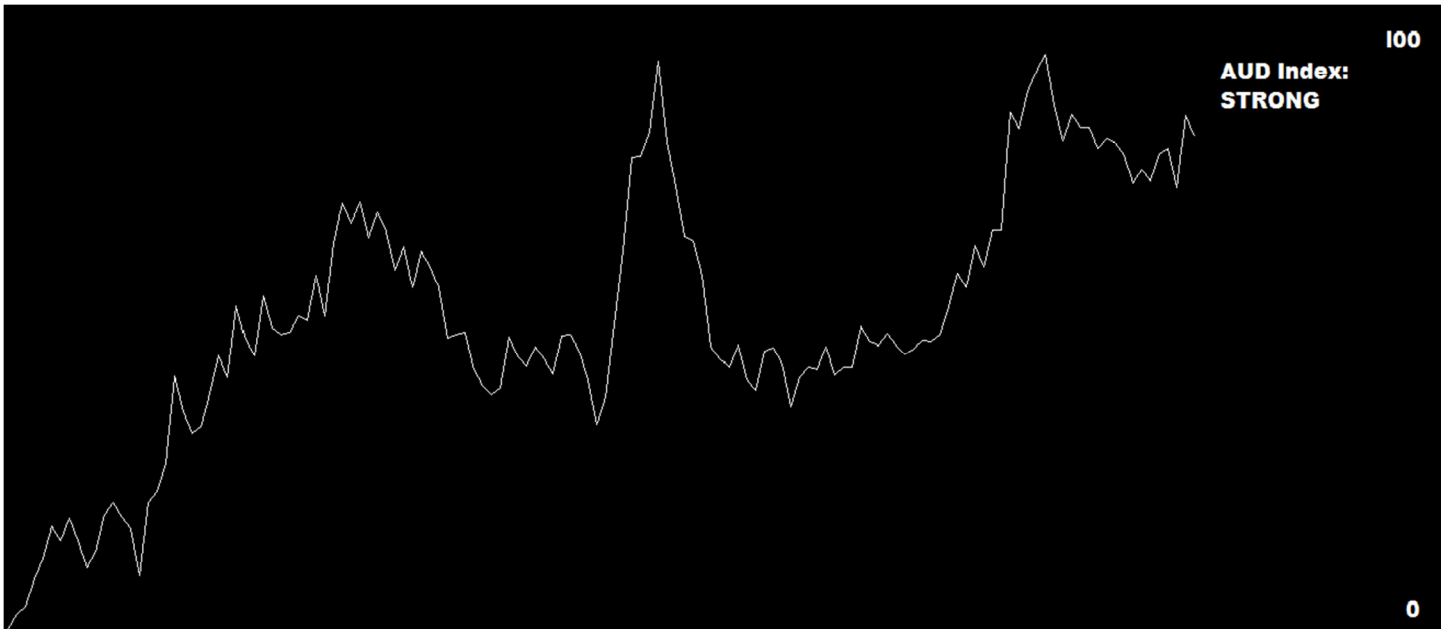


GBP/AUD INITIALLY LONG DOMS (FLAT PLUS GBP & STRONG AUD)

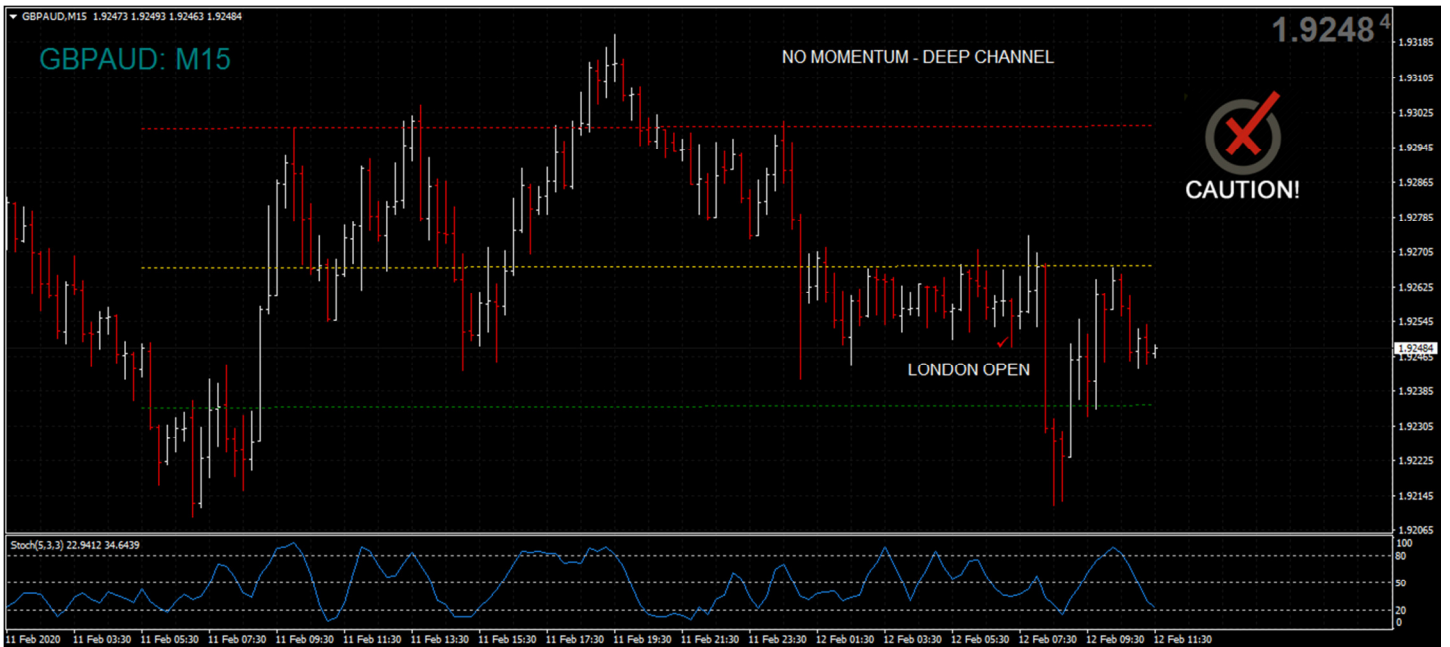


Below is another example of conflicting strengths but this time *both* currencies are strong and our official technical Doms were a Category 5 Long.





GBP/AUD LONG DOMS (WITH A STRONG GBP & STRONG AUD)



In the above example there were still specific Max Day Trading time/price level entry trades in the long direction but as you can see, there was no momentum and the price level was literally the same come the US open (7am EST, 12pm GMT).

There are days when these indexes may show a specific currency within a pair to be flat or ranging. This could be due to consolidation periods before economic data releases or fundamentals which can hinder trends. However if the opposite of the pair is trending definitively strong or weak, this will reflect in the technical Dom conclusions and trade entry and exits will still be good.

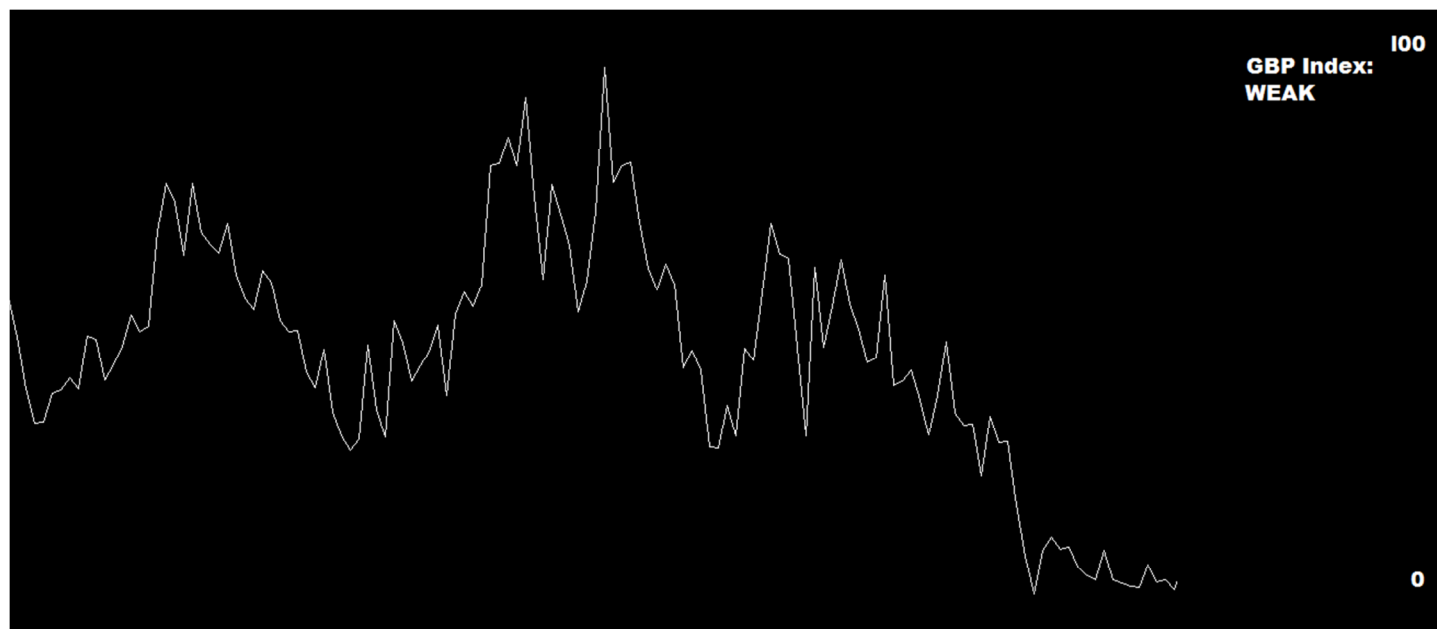
On some occasions if *both* currencies within the pair are flat or ranging, trade entries can be difficult to spot and overall point gains reduced. The good thing is, we are fully aware of this before it happens.

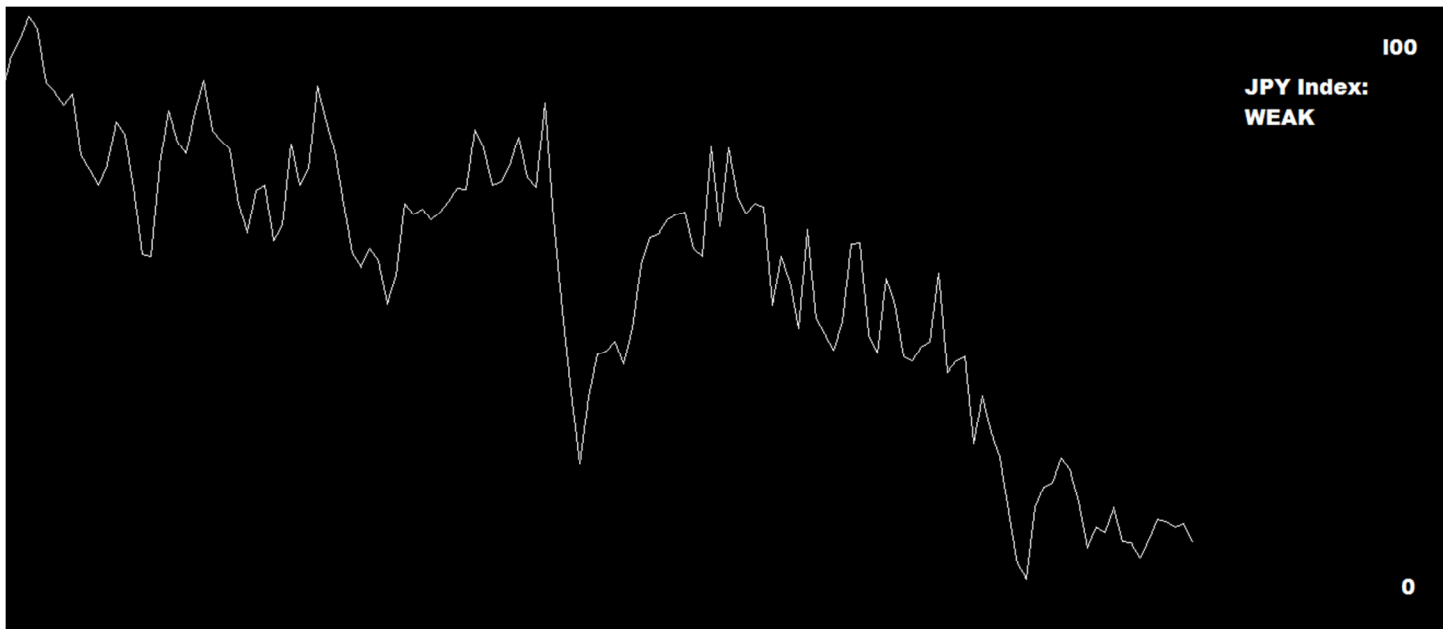
In these scenarios and on the vast majority of times, 'the Doms always rule' even if for just a couple of hours after the London open, where most of our points in this session are derived from. However these are probably best avoided and pairs with better divergence should be considered.

AND FINALLY...

In this final example below, the GBP and the JPY were both weak and our official technical Doms were a Category 5 Long at the London open. This caused a more ranging than manic price movement and the channel remained fairly narrow.

To clarify, each individual currency may be weak but our official Dom trend is long. The reason for this is the 'balance' of strength, or lack there of between both currencies. In this scenario, the primary GBP was *less weak* than the secondary JPY. This slight additional strength in the primary GBP gave us our long Doms.





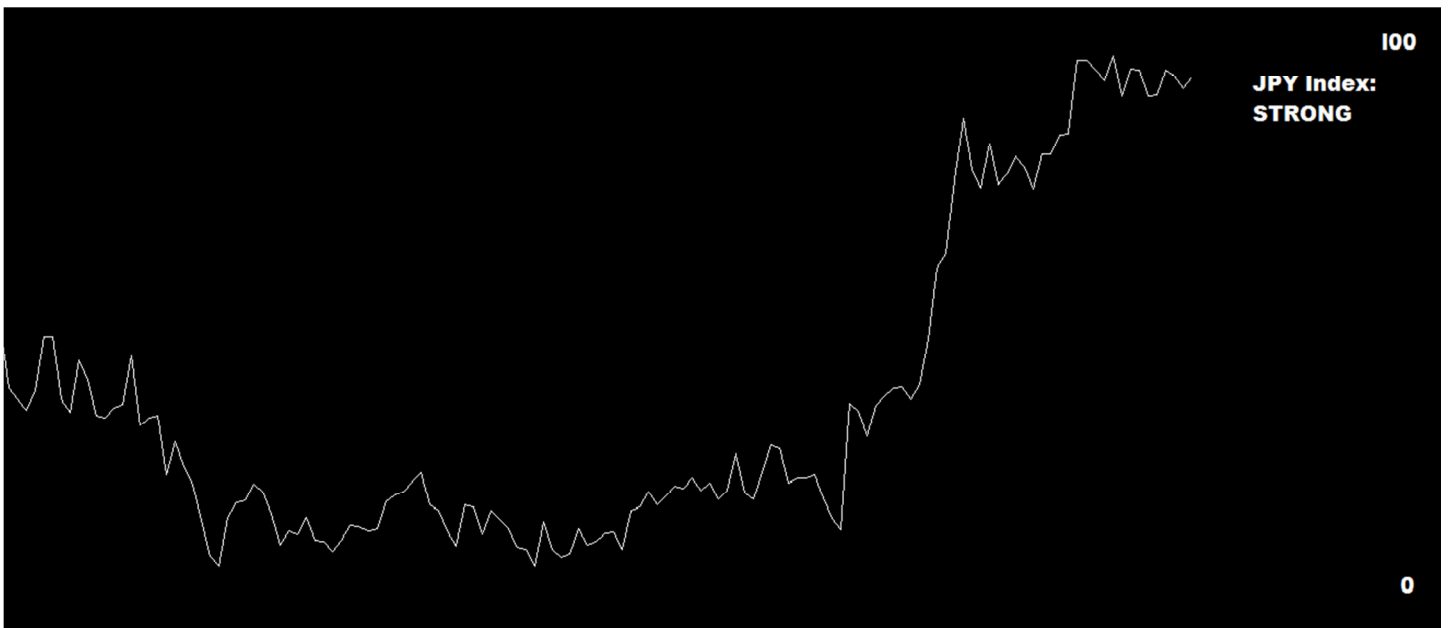
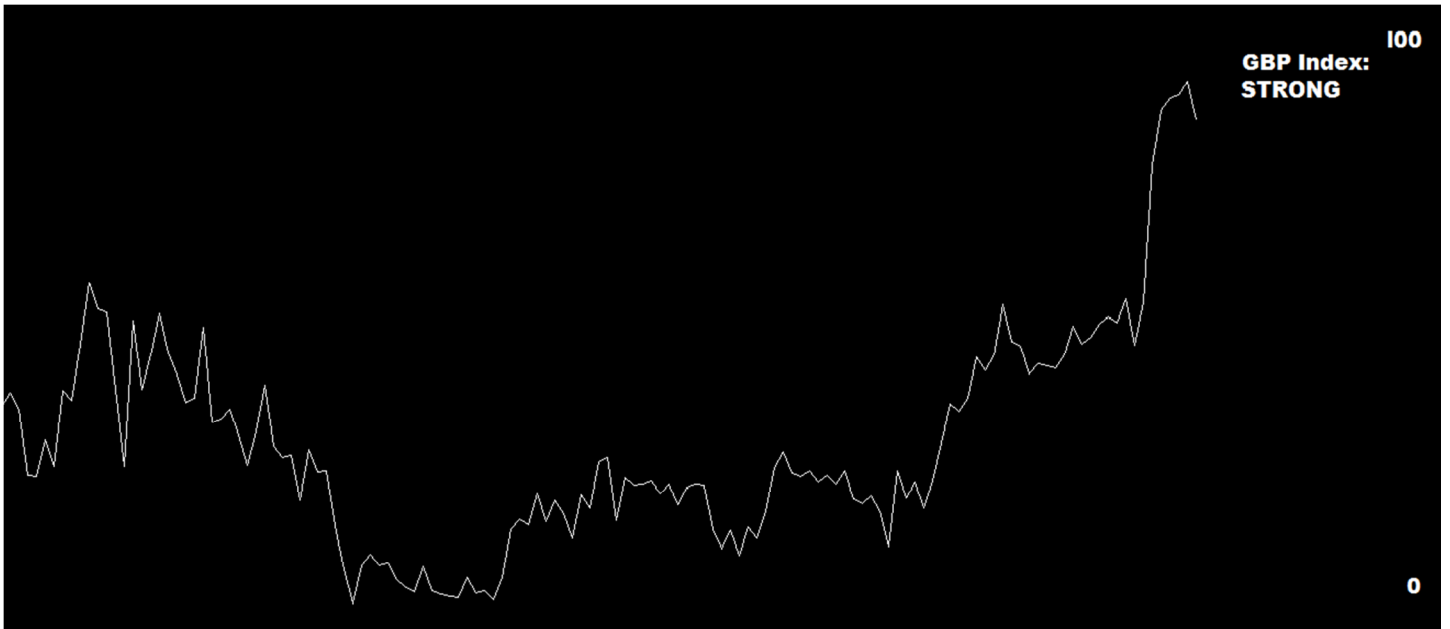
GBP/JPY LONG DOMS (BUT WITH A WEAK GBP & WEAK JPY)



As you can see, the price still rose but with little momentum. However there were still several specific Max Day Trading time/price level entries and good points available in the long direction, confirming the accuracy of our Domino Category technical analysis conclusions.

We can also have a 'vice versa' of the above scenario where both currencies are strong and the official Dom trend is short. Here, the primary GBP was *less strong* than the secondary JPY. This slight additional weakness in the primary GBP gave us our short Doms.





GBP/JPY SHORT DOMS (BUT WITH A STRONG GBP & STRONG JPY)



As you can see, the price still fell but with little momentum. However there were still several specific Max Day Trading time/price level entries and good points available in the short direction, again confirming the accuracy of our Domino Category technical analysis conclusions.

The ICS Balances can be used for any combination of the illustrated currency indexes below. However we limit our own combinations to include the highest volatility with the lowest brokers spreads to maximise point gains, as portrayed in our Dom Proof Telegram channel; Trade Forex With MaxDayTrading. To reiterate, these pairs are; GBP/JPY, GBP/AUD, GBP/USD & EUR/AUD. We also trade the German Dax owing to high volatility and low spreads, making up our five instruments in total.

THE CURRENCY STRENGTH INDEXES FOR THE GBP, JPY, AUD, USD, & EUR WILL BE PUBLISHED MONDAY TO FRIDAY BEFORE UK 7AM & THEN AGAIN BEFORE UK 12PM. THESE ARE EXCLUSIVE AND ONLY AVAILABLE IN OUR SILVER AND VIP TELEGRAM GROUPS

Any deviations due to fundamentals etc. will be immediately posted as updates.

The above ICS Balance analysis shows us the trend momentum strength *within* the 'trend duration' of our Domino strength categories.

However we also have a 'trend state.'

Under certain circumstances, an apparent strong trend duration (Dom Cat 3 or above) can suddenly 'flip' and counter-trend against our Dom conclusions. This is usually only temporary until the circumstances that caused it correct themselves.

Therefore being able to identify these scenarios before we trade gives us warning flags which act as additional filters. Some flags can indicate either caution within an apparent strong long or short trend, while other flags will indicate additional strength.

This is the third element which I call; Trend State & Warning Flags and this goes to further bolster the conclusions of the Domino strength category and ICS Balance.



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