TraderTom

Rule of 4

FOMC ANNOUNCEMENTS – FAST MARKETS – MECHANICAL ENTRY

Big News Night

We have all been there – waiting with great anticipation for a big news event like the FOMC interest rate announcement – and then we didn't know how to trade it because the price action was so erratic.

Here is a solution: The Rule of 4

1. I have watched practically every single big news item in the market for 23 years.

2. Initially for 10 years as a broker – where I noticed how often clients would bet the wrong way.

3. Then as a trader – trying to figure out why I was just like my old clients.

4. Then it dawned on me! I lost because I was afraid to “buy high and sell higher” or I was afraid of “shorting low and covering lower”.

5. But it wasn’t the whole story. I needed a reliable entry method.

6. I downloaded every single “FOMC night” I could get my hands on.

7. I tested everything from tick charts to the 15min chart.

8. I found something interesting in the 10min chart. That is what this document is about.

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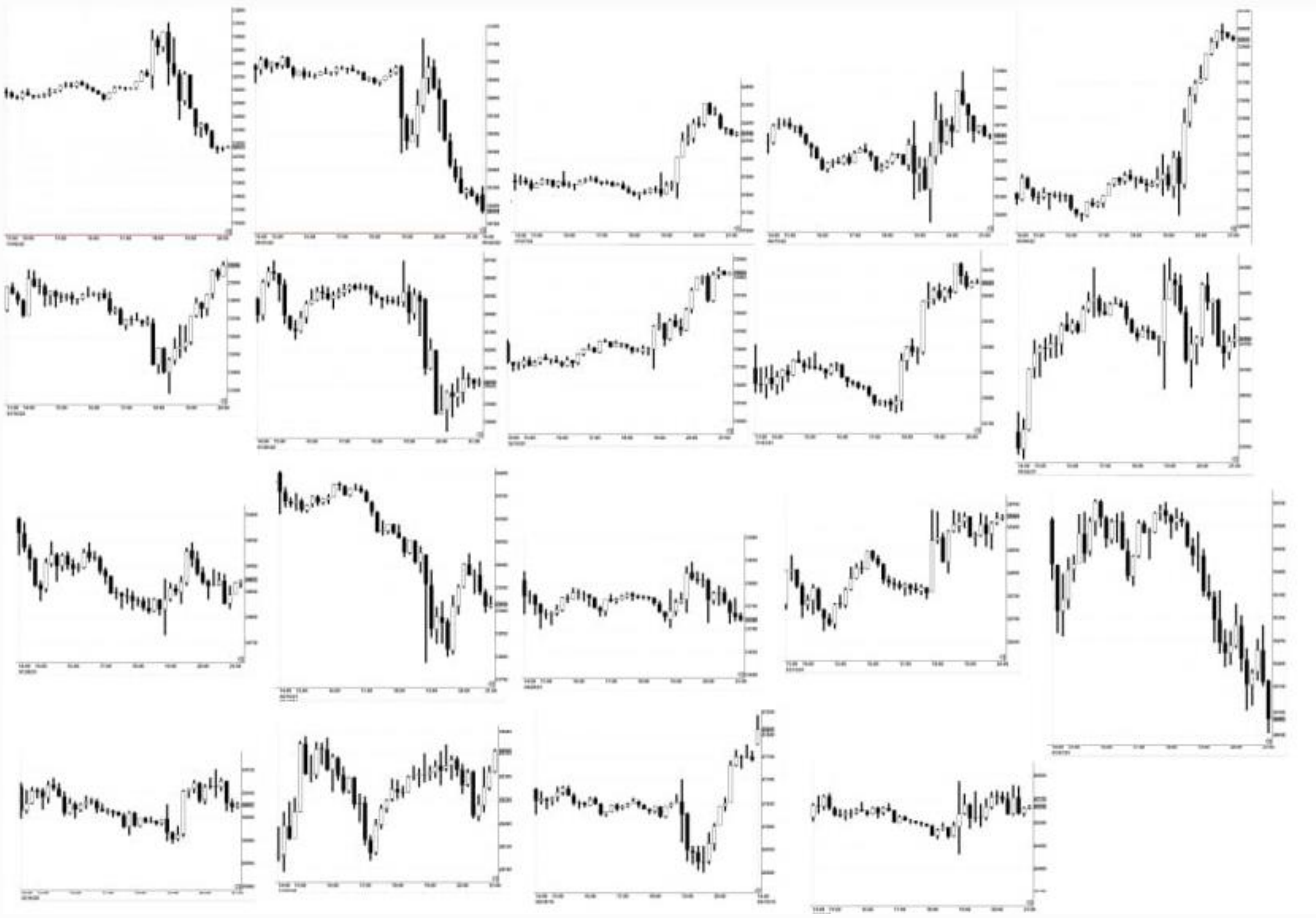
FOMC TRAINING

A Breakdown of a Strategy

FOMC DATA SAMPLE



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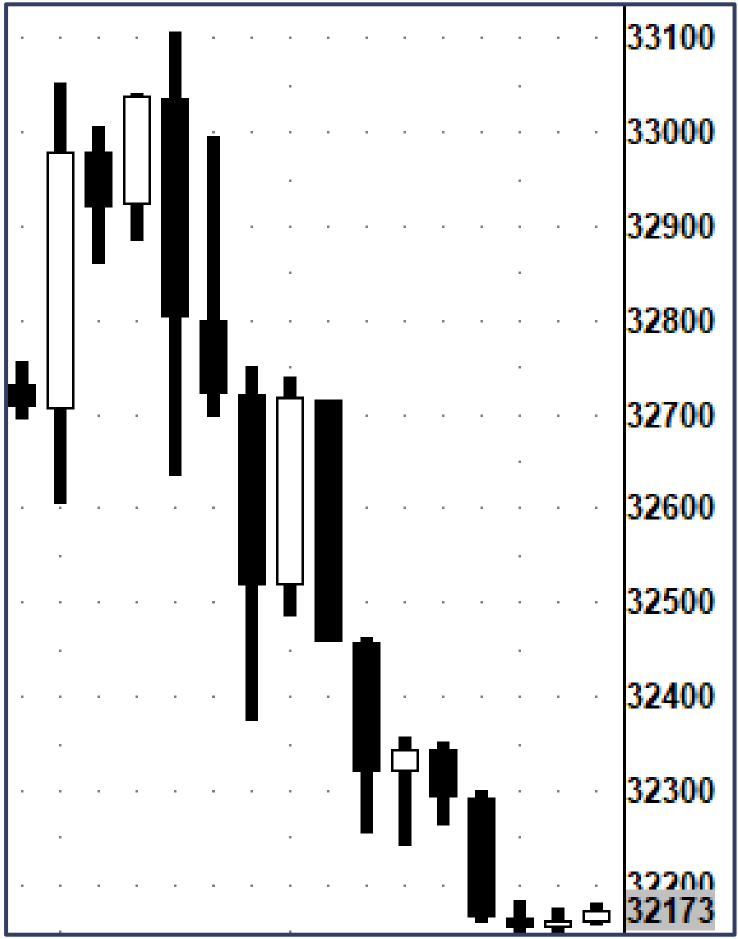
Example 1

Chart to the left is Dow Index on a 10min chart. The chart to the right is the same chart but zoomed in on the part where the FOMC announcement has been made – still on a 10min chart.

Now go to the next page.



Point number 1 represents the first 10min bar.

Point number 4 represents the 4th 10min bar.

My research suggest that bar number 4 is a reliable bar to “bracket”.

This means this is the bar I want to place buy orders above and sell orders below.

Let me show you the data and you can judge for yourself.

Point number 4 makes a new high and closes off its lows.

Now I can place buy orders above and sell orders below the extremes of bar number 4.

Bar number 5 comes and goes with no orders being filled.

Bar number 6 fills the short orders.

I take profit when I sense the momentum is running out of steam.

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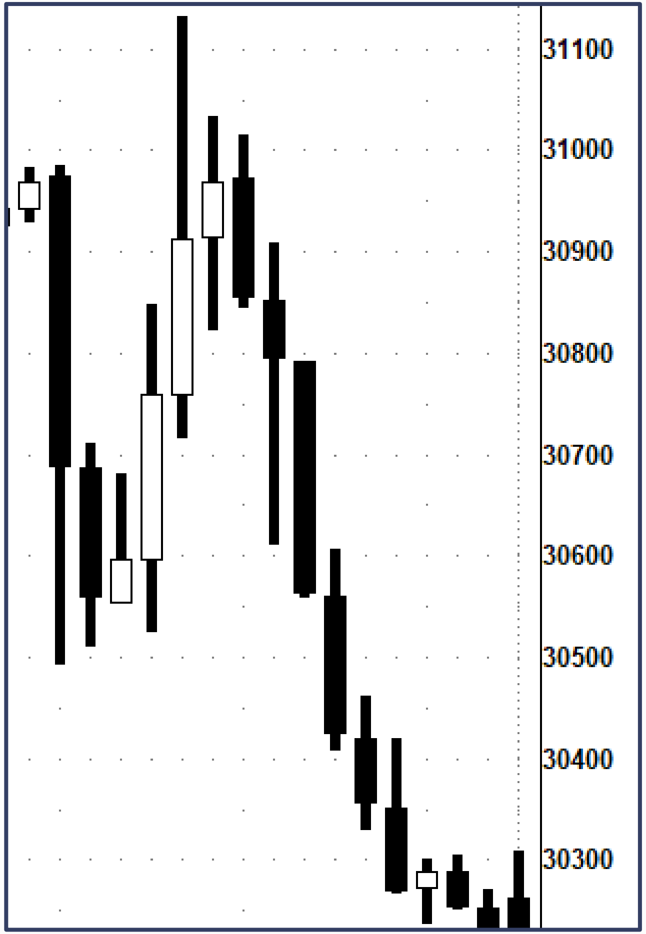
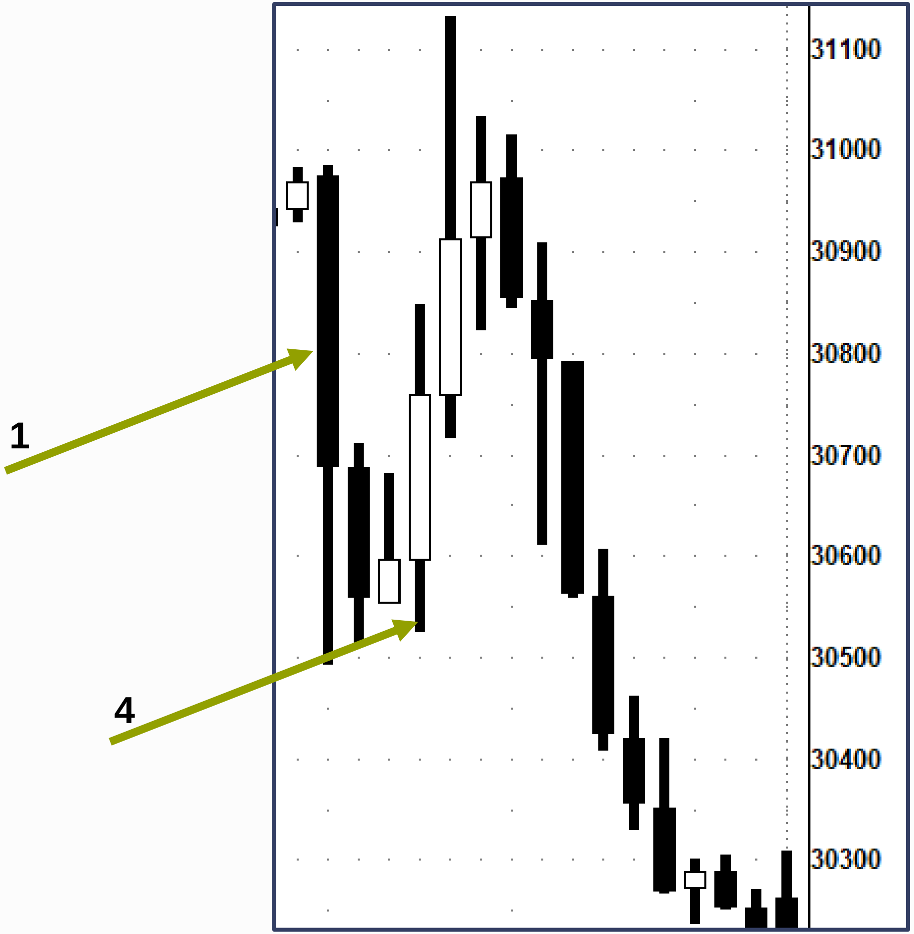
Another Example



Close Up



Point number 4 completes and I input orders above and below.

The long side is triggered. It is profitable.

The short side is also triggered later.

It is also profitable.

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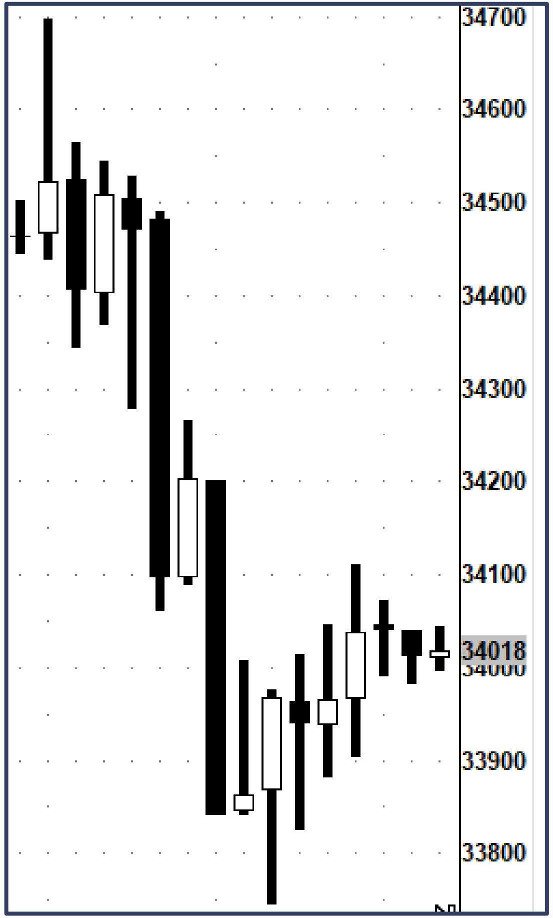
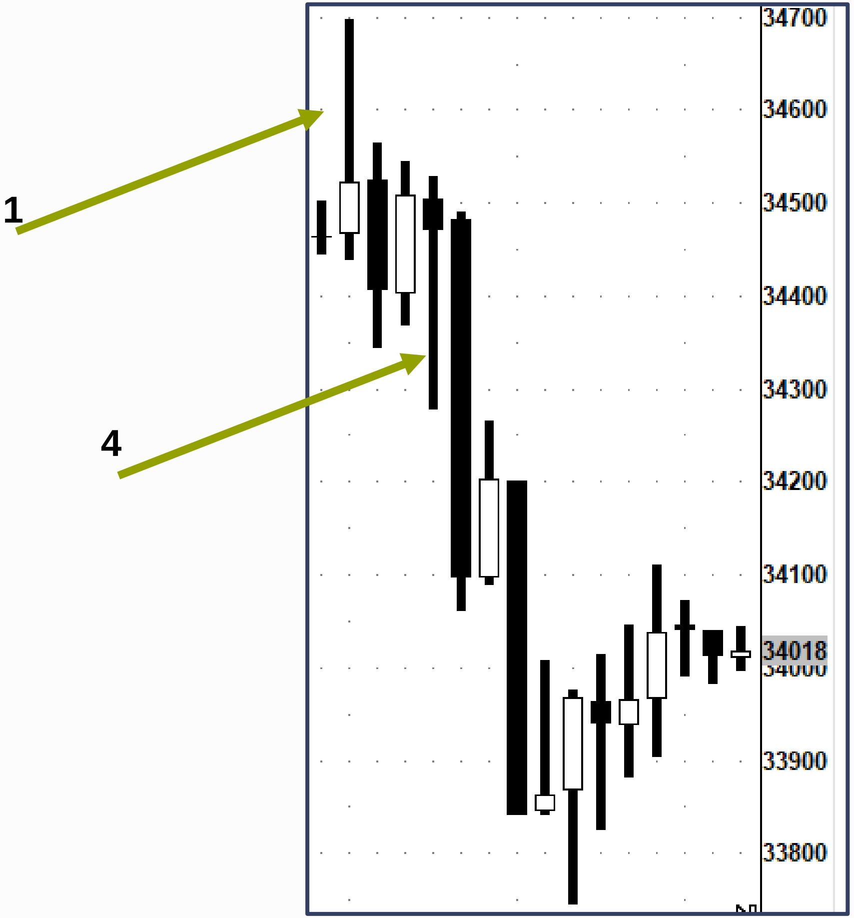
Another Example



Close Up



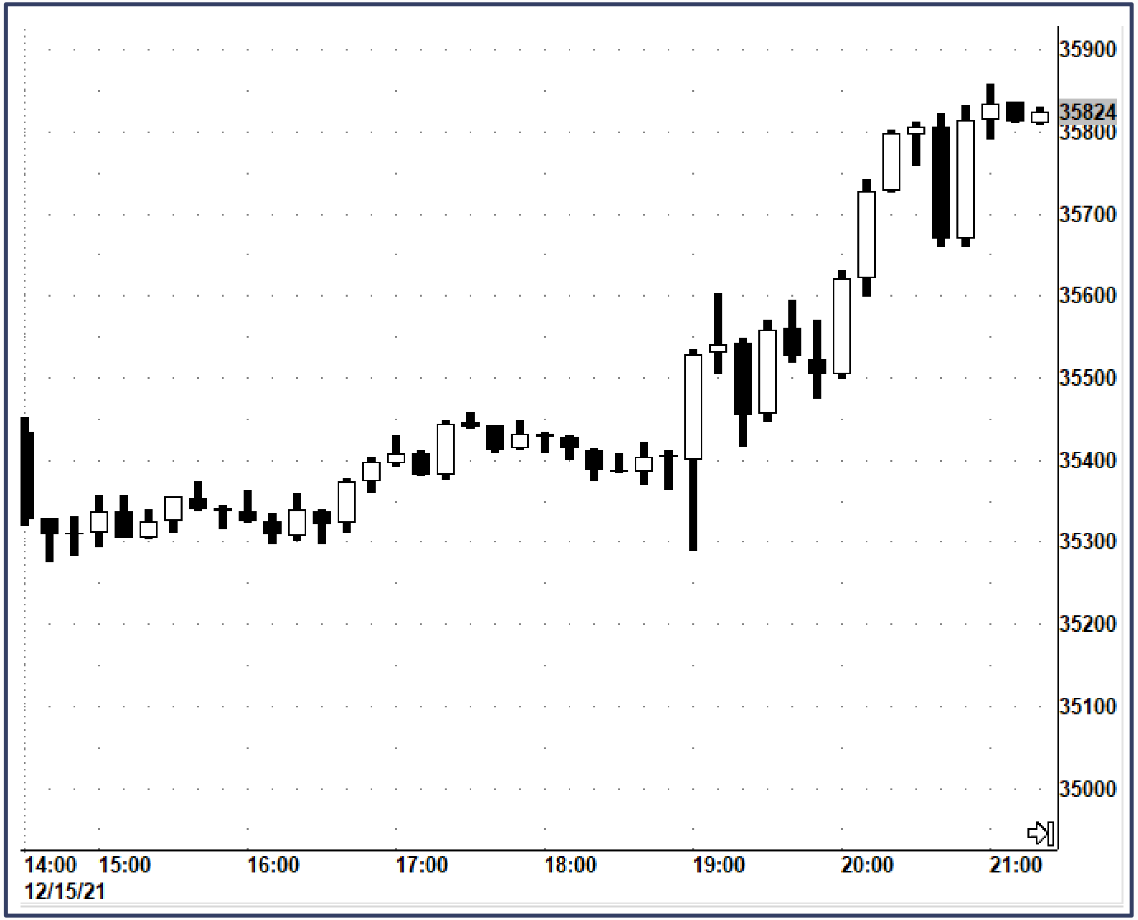
Point number 4 completes and I input orders above and below.

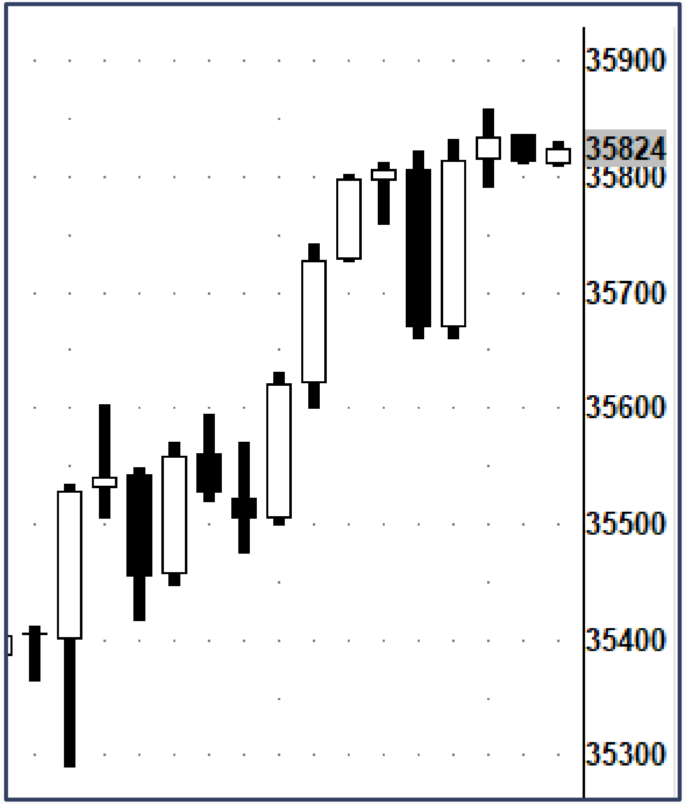
The long side is never triggered.

The short side is triggered.

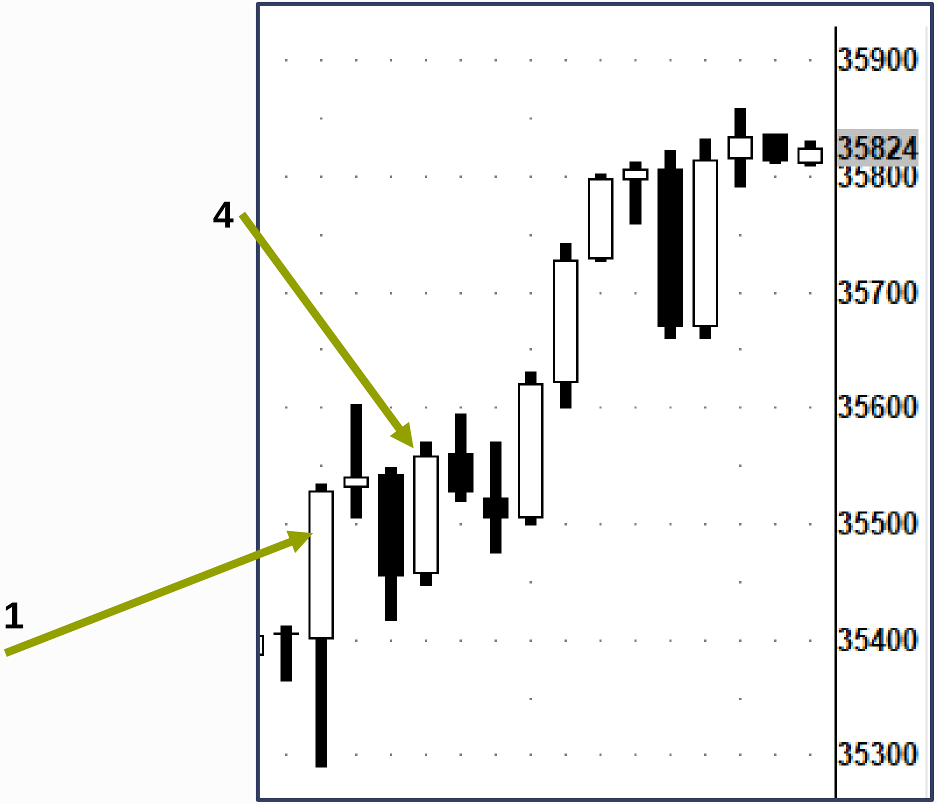
It is profitable.

Another Example





Close Up



Point number 4 completes and I input orders above and below.

The long side is triggered.

The short side is never triggered.

You have two bars of waiting – after which the position comes good.

It is profitable.

You may need to adjust your trading size to account for the larger stop loss you need.

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History repeats itself, but in such cunning disguise that we never detect the resemblance until the damage is done.
— Sydney J. Harris —
AZ QUOTES

Perfect Practise – what others called "Deliberate Practise" - does not mean to aimlessly look at charts – hoping to uncover the next gem like School Run Strategy – or Sniper Mum (empowering the other sex in this channel) – but to design a specific question, such as "how do I trade FOMC". That is perfect practise.

From FOMC 22nd March 2023

1. I have now traded the “**FOMC Rule of 4**” two or three times in my live Telegram channel. I have had no losing trades using this approach. Please do not read that as “this is an infallible strategy”. There are no infallible strategies.

2. But it is a good strategy, and it is good for more than one reason. It keeps you disciplined at a time when the market is going haywire. It keeps you focused on your time frame, which means that the fear of “missing out” is unlikely to come over you.

3. It is mechanical in entry. It is not mechanical in exit. That is where your instincts as a trader comes in.

4. Can you trade it in SP500? Yes of course. Dow and SP500 are usually highly correlated.

5. Can you trade it in Nasdaq? I don’t know. I haven’t tested it. I haven’t traded it. Let me show you tonight's Nasdaq.

NASDAQ - From FOMC 22nd March 2023

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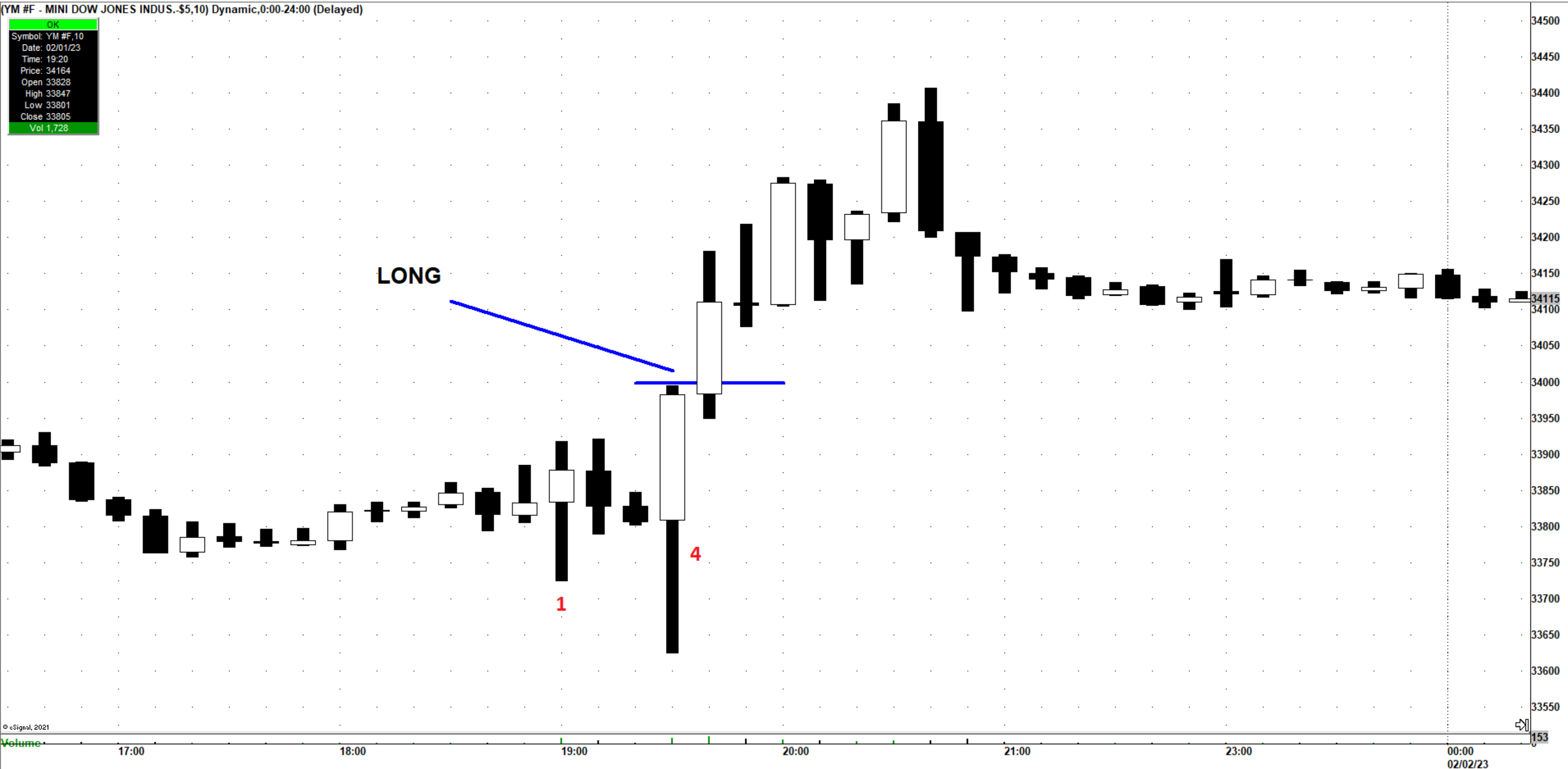
Dow From FOMC 1st Feb 2023



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ENJOY

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