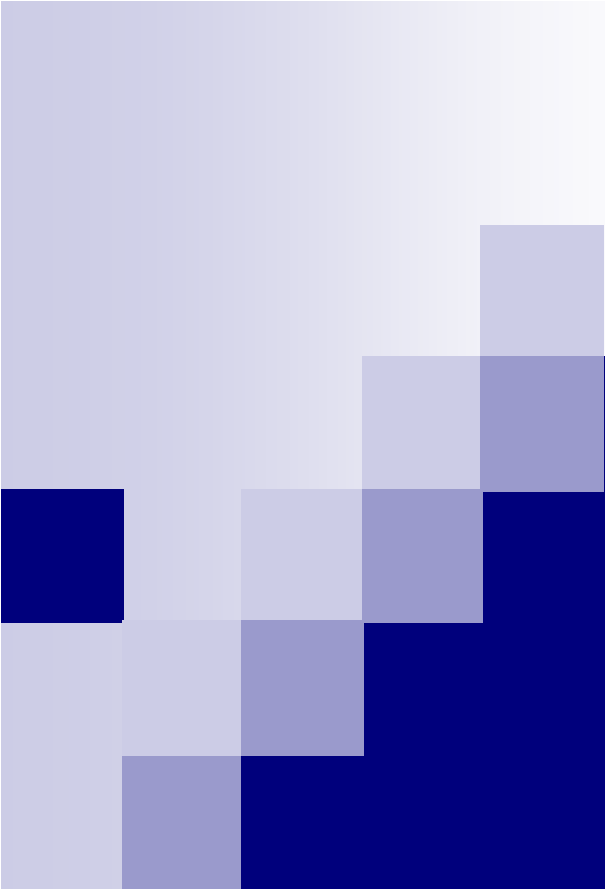




A Working Man's Forex Position Trading System



A WORKING MAN'S SYSTEM

with Alan Benefield & the Forexmentor Team

A WORKING MAN'S Forex Position Trading System

- Trading System for people who have day jobs.
- For people who can't watch the market.
- Who want a position trading system.
- Don't want to spend hours at there computer.

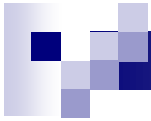


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A Common Challenge...
day jobs and trading

The Answer:
Longer Term / Position Trading



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Position Trading Pros & Cons

The Pros

- Don't need to worry about news.
Do look at major news events
- There is much less market noise.
- No need to watch the market for hours.



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The Cons

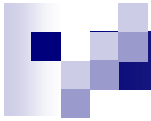
Need a larger stop.

100 -150 pip stop

Need to have a larger account.

2-3% risk

Not as many trades to take.



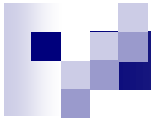
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“Daily 3 Stochastic System”

My system is designed to be used by someone who works a day job and can not watch the charts during the main sessions.

It does not take months to learn this system. I feel that anyone can learn this in a few hours. We will be spending most of our time looking at the daily chart and the weekly chart.



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“Daily 3 Stochastic System”

The Daily 3 Stochastic System is a quick visual method of finding good long term trading setups at first glance at a chart.

We will be using **15 EMAs** (Exponential Moving Averages) with 5 indicators color coded on our charts.

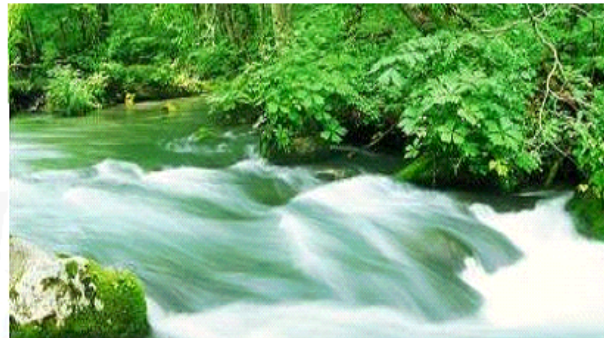
This sounds like a lot of indicators to worry about but you will see that I have made this extremely **simple** to apply them all.

We only use 3 when first **looking** for trading opportunities and then 2 more for **confirmation**. The two confirmation Indicators are optional, the system can be used with only the main indicators but I suggest you use all of them.



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I want you to think of the trend, as water flowing in a river. Think of price action, as a row boat. It's much easier to row with the stream then it is trying to row against it!



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Those EMAs can be thought of as dams, walls or rocks. You don't want to crash into that in your little boat. I like to think of the 200 EMA as the “Great Wall of China”.



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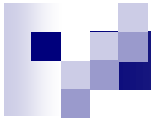
Color Code

The Daily 3 Stochastic System uses a system of color to show up and down.

Blue or Baby Blue = UP

Green = UP

Red or Black = Down



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Indicators of this System

Guppy Multiple Moving Average (GMMA)

89, 144, and 200 EMAs

Stochastic Oscillator (STO)

Stochastic Momentum Index (SMI)



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Saving and Loading Templates

For more information, please download the Quick Manual at

<http://www.cbfx.com/charts/chartsdemo.htm>

The same link for the **IT-Finance Charts**



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Chart & Indicator Settings

Exponential Moving Averages

Applied to Close of price
200 EMA make this a black thick solid line
144 EMA make this a black thin long dash
89 EMA make this a black thin dotted line

Guppy EMAs (GMMA)

Applied to Close of price
6 fast blue Thin Solid EMA lines 3, 5, 8, 10, 12, 15,
6 slow red Thin Solid EMA lines 30, 35, 40, 45, 50, and 60
I like to plot these in another price window by themselves to expand them over the whole chart.

Stochastic "STO" 8, 3, 3

8, 3, 3 Ndr periods 8, %K3, %D3
Up movement blue for both lines and down movement red for both lines, (make them thick so it's easy to see). Horizontal Line at 50 mark dotted line.

Stochastic Momentum Index (SMI) 10,3,5,3

Make SMI 1 color up green and color down red and #3 thickness solid line. Make Signal 1 invisible. Signal method simple and apply to close.
*Note this indicator is hard to find, it's at the IT-Finance charts, and you will need to see if it's at any other charts. Add line at +60 and -60 a dotted line.

Stochastic Momentum Index (SMI) 50,15,5,3

Plot this on the same window as the 10,3,5,3 above. Make SMI color up green blue and color down black #2 thickness solid line. Make Signal #2 invisible. Signal method simple and apply to close.

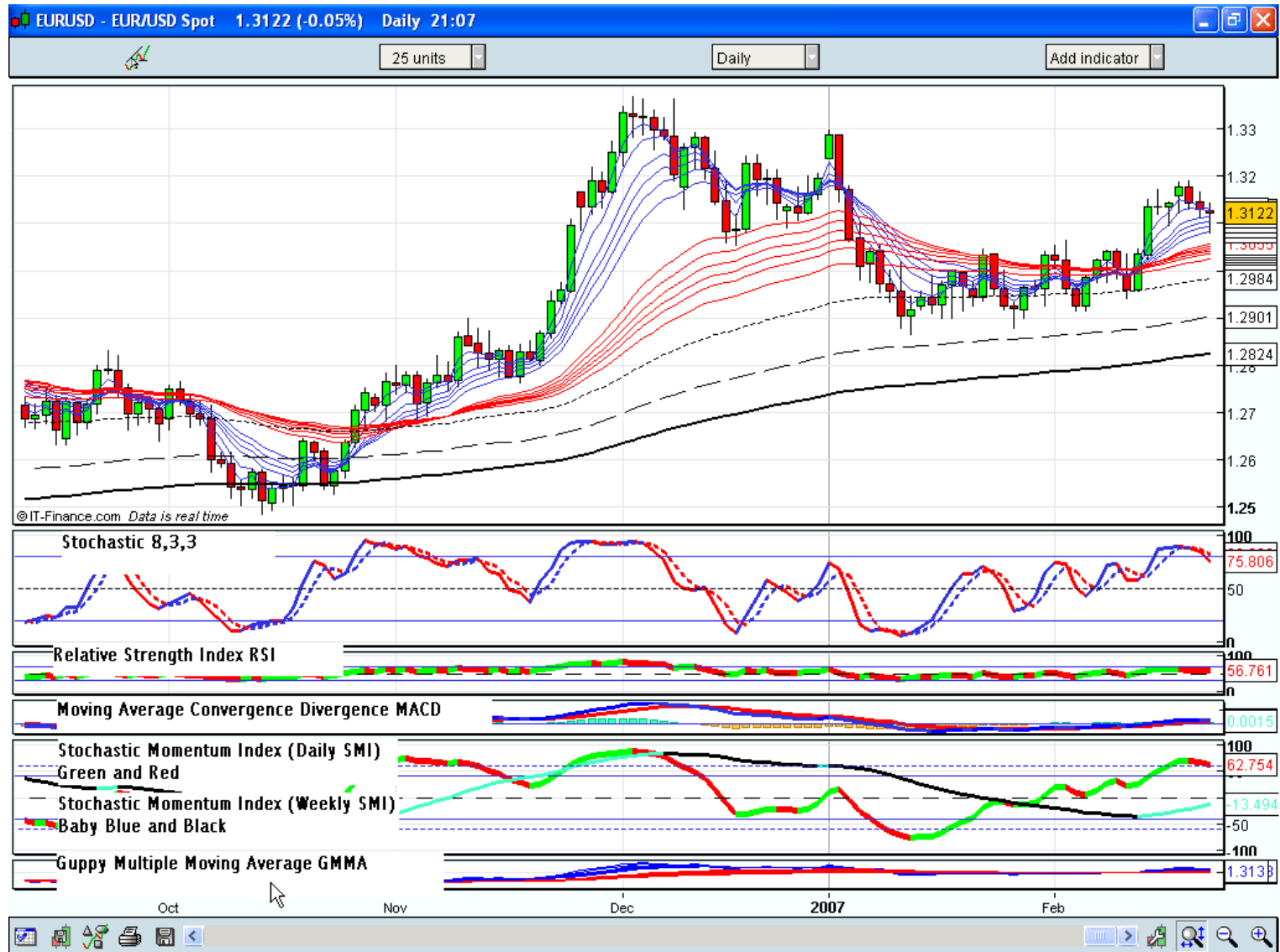
Optional Confirming indicators

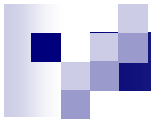
Relative Strength Index (RSI)

RSI 14 make up green and down red, make line very thick so easy to see. . Horizontal Line at 50 mark dotted line.

MACD Moving Average Convergence/Divergence 12,26,9

short term MA 12, Long term MA 26, Signal ndr periods 9, Make Signal line red solid line #3 and MACD line blue solid thickness #3. MACD Histogram make up light green and down light orange.



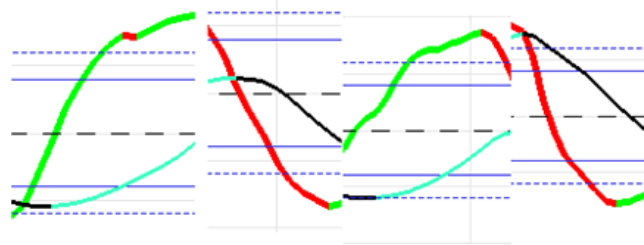


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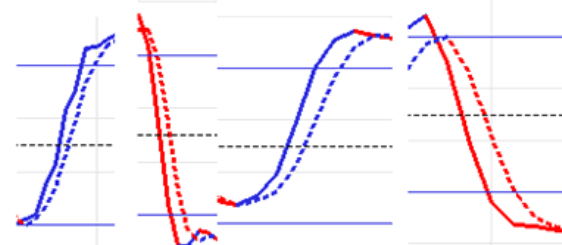
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Good Angle & Separation Examples

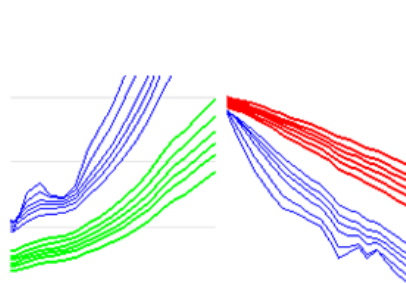
Stochastic Momentum Index (SMI)



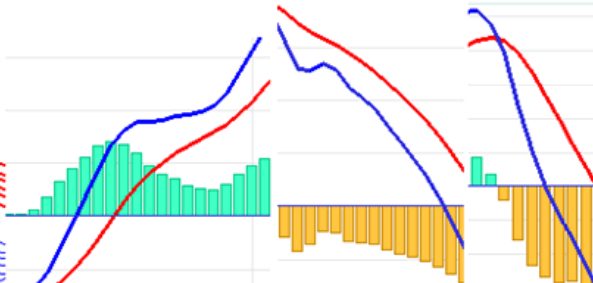
Stochastic



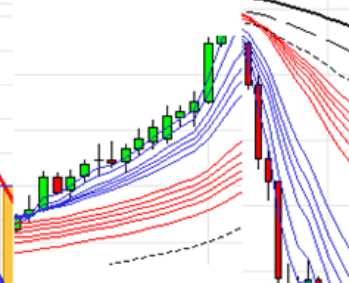
GMMAs



MACD



Price Action





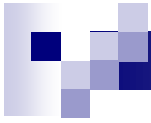
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The Guppy Multiple Moving Average (GMMA)

Daryl Guppy is the inventor of this Multi Moving Average System using 12 Exponential moving averages. Six slow EMAs red with six fast EMAs blue. We can think of the Red slow EMAs as the water flow in our river. For more about Daryl Guppy visit his website at

<http://www.GuppyTraders.Com>



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GMMA Analysis steps

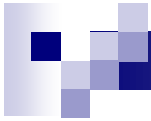
Long term group character reds

Short term group character blues

Relationship between the two groups







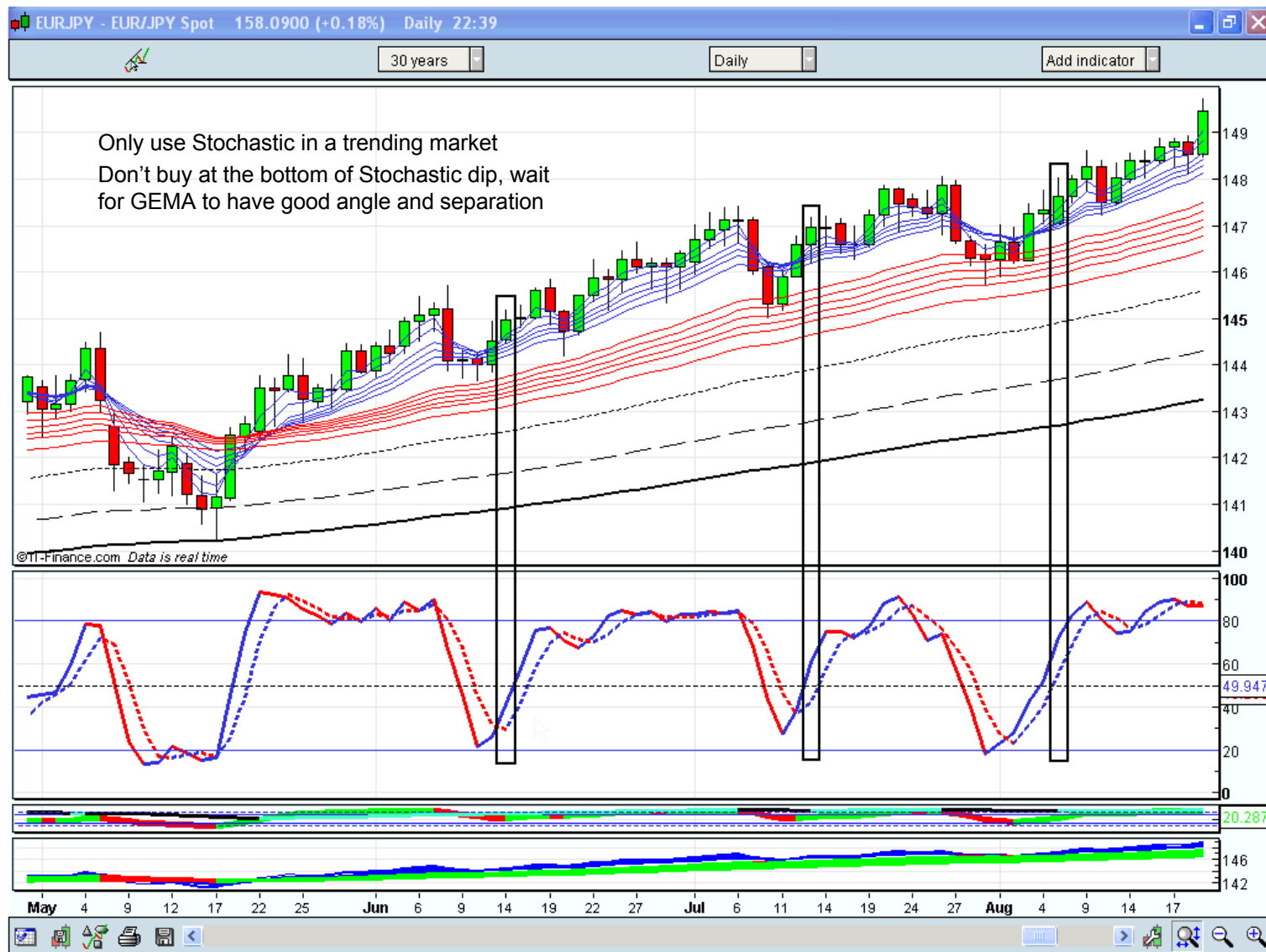
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The Stochastic Oscillator

The Stochastic Oscillator was developed by Dr. George Lane to help track market momentum. Stochastics tells us when the market is overbought or oversold. I use it in a trending market to buy the dips in a uptrend or for selling the rallies in a downtrend.

We use stochastic in a trending market.







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Stochastic Momentum Index

SMI is a **smoother** version of George Lane's original Stochastic Oscillator. The Stochastic Momentum Index (SMI) was developed by William Blau and was first introduced in the January 1993 issue of "Technical Analysis of Stocks & Commodities magazine"

The formula for Stochastic Momentum Index makes for a much smoother oscillator or less erratic then the same period Stochastic Oscillator. In order to smooth out George Lane's Stochastic Oscillator, most people would stretch the period say from 5, 3, 3 to 10, 3, 3. So the Stochastic Momentum Index is a naturally smoother indicator at a quicker setting then the Stochastic Oscillator.

We use SMI in both trending and non trending markets.







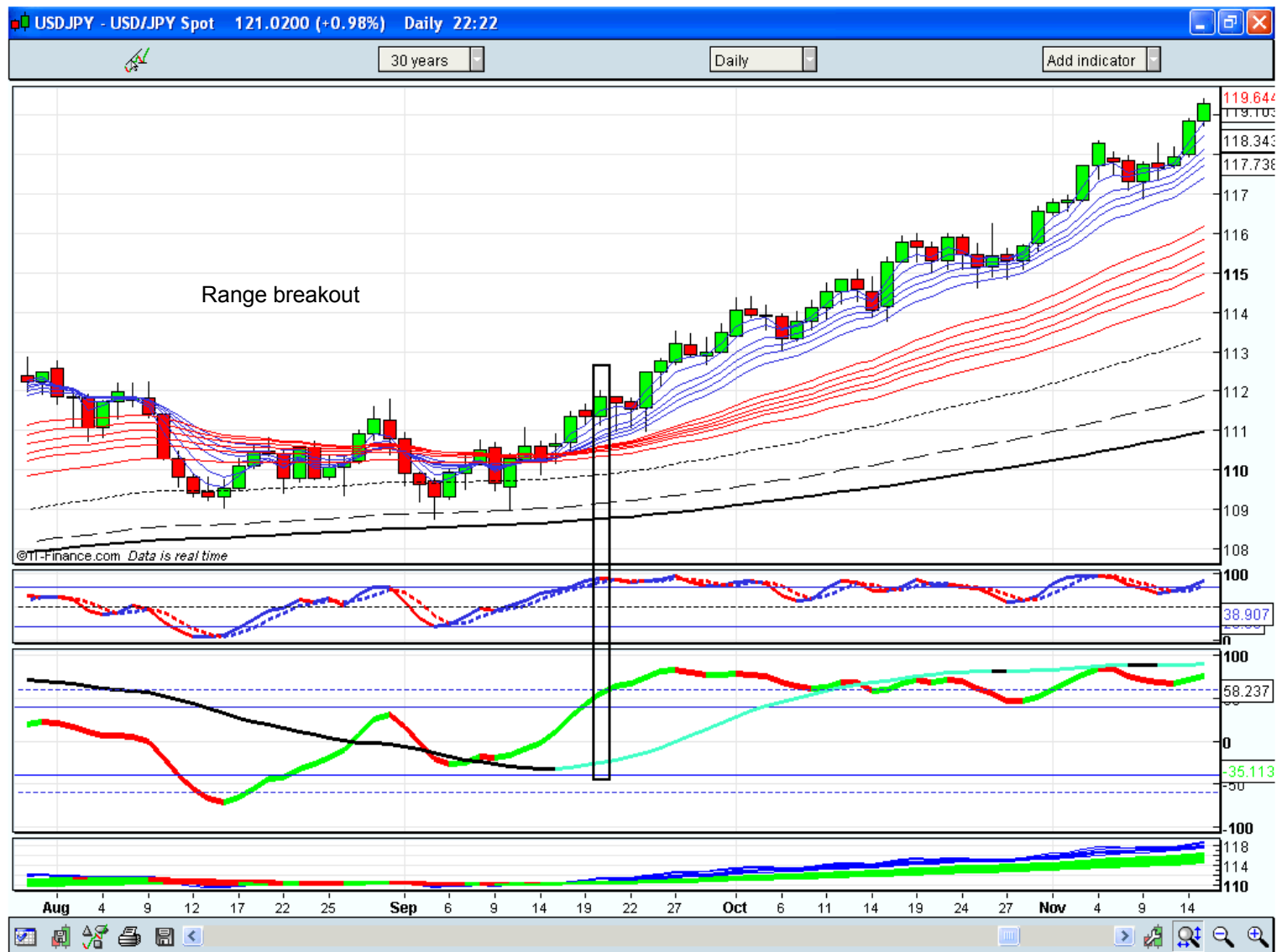
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SMI Daily & SMI Weekly Reflection

The daily stochastic momentum index is set at 10,3,5,3 so to show the weekly SMI on the daily chart we multiply the daily by 5. There are 5 days in a week so the weekly SMI is set to 50,15,5,3. Don't change the last 2 numbers.

We use the daily SMI and the weekly SMI together non trending markets.







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Overbought Oversold SMI Levels

SMI Daily SMI +60 and – 60 levels

SMI Weekly +80 and – 80 levels







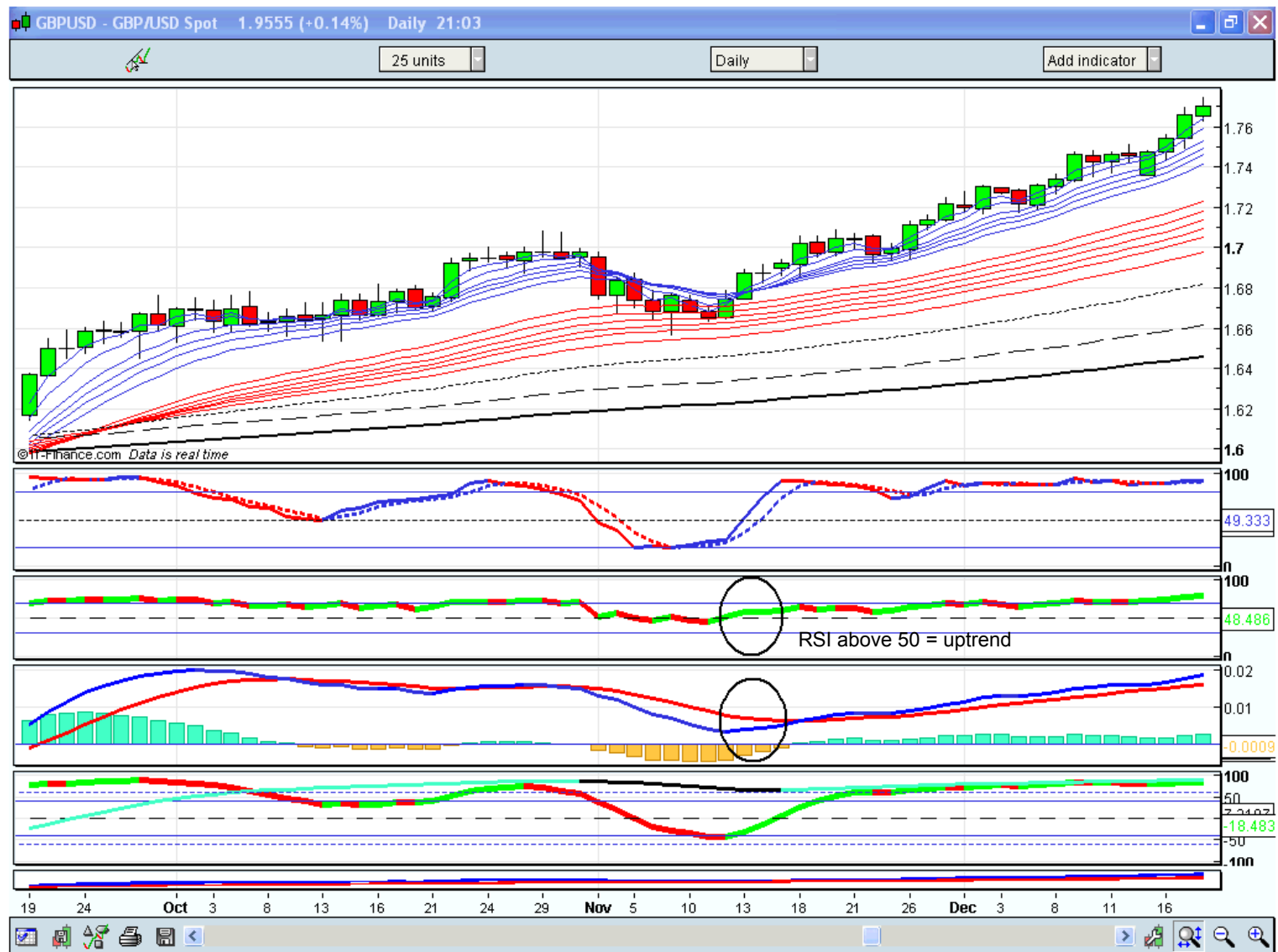
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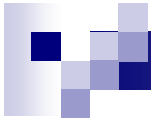
Confirming Indicators

Moving Average Convergence Divergence MACD

Relative Strength Index RSI







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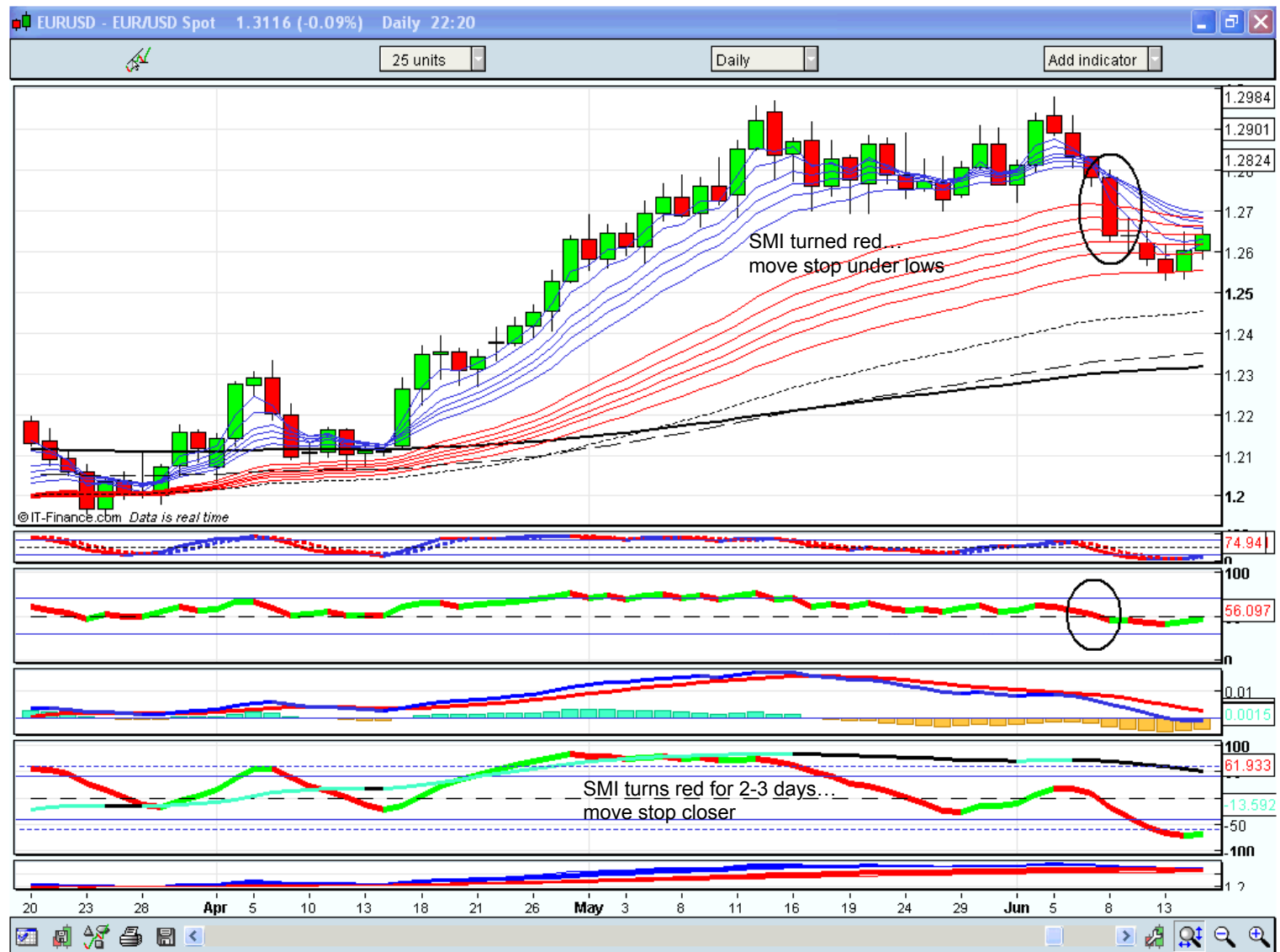
Exit Signals

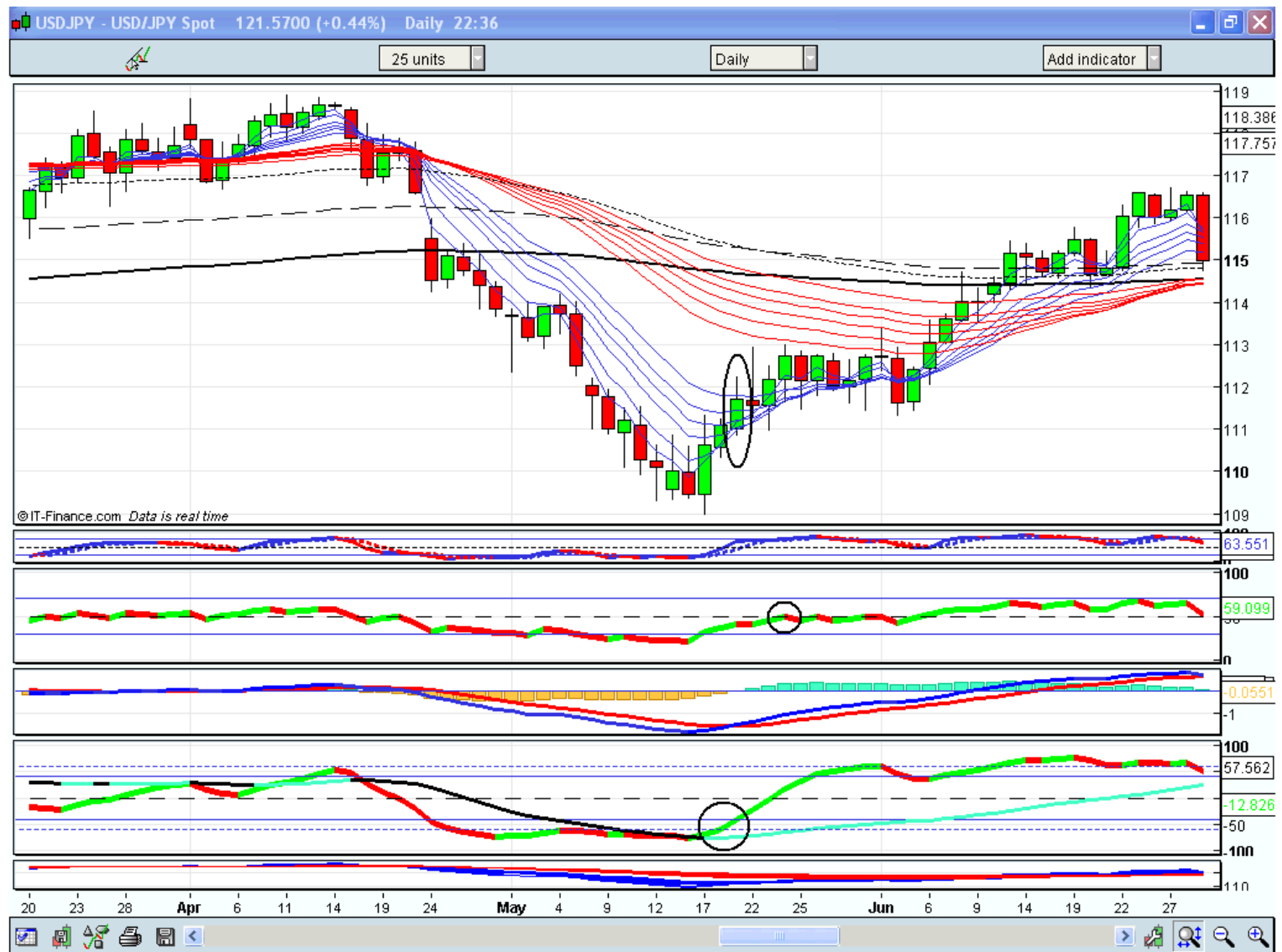
Exit when RSI moves in the opposite direction past the 50 level line.

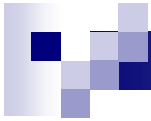
Exit when the Blue GMMAs compress or penetrate into the Red GMMAs.

Above two are too slow. Use trailing stops

Or move stop up close and let price action take you out of the market.







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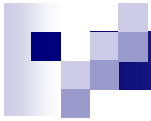
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System Rules and Trade Steps

Daily 3 Stochastic System Trading Rules.

Trade Steps and Decision Guide.

Example trade using the Guide.



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Daily 3 Stochastic System Trading Rules

Trending market (Red GMMAs are showing good angle and separation)

1. Use 100 to 150 pip stop loss.
2. Price action must not be heading for 89, 144, or 200 EMAs or Red GMMAs. (Running into walls or dams).
3. Only buy or sell going with the trend, buy the dips in an up trend or sell the rallies in a downtrend. Never enter a position in a counter trend market, trying to row upstream.
4. Buy or sell when Stochastic Oscillator and SMI daily are all going in the same direction and the **Blue GMMAs show angle and separation.**
5. Extreme overbought oversold rule. Don't enter a trade if Daily SMI is past +-60 level or if the Weekly SMI (reflection) is past +-80 level.
(Note this will mean that the 10,3,5,3 SMI on the Weekly chart is at +-60)
6. Confirm with MACD histogram moving in the same direction. RSI above 50 line for bullish (up) or below 50 line in bearish (down). Confirm by analyzing the weekly chart the same way you did the daily.



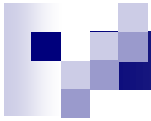
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Daily 3 Stochastic System Trading Rules

Non trending market (Red GMMAs together not showing angle and separation)

1. Use a 100 pip stop loss.
2. Price action must not be heading for 89, 144, or 200 EMAs or Red GMMAs. (Running into walls or dams).
3. Buy or sell when SMI daily and the SMI weekly reflection are all going in the same direction and the **Blue GMMAs show very good angle and separation**. (Note don't use the Stochastic Oscillator because it works best in the trending market.)
4. Extreme overbought oversold rule does not apply.
5. Confirm with **MACD showing good angle and separation**. RSI above 50 line for bullish (up) or below 50 line in bearish (down). Confirm by analyzing the weekly chart the same way you did the daily.



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Trade Steps and Decision Guide

Start here with the daily chart

1. Red GMMAs
2. Blue GMMAs (Good Angle and Separation)
3. 89, 144, 200 EMAs

What type of Market is it? Pick A, B, or C

- A. Trending Market
- B. Non Trending Market
- C. Counter Trend (No Trade!!!)



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Trade Steps and Decision Guide

A. Trending Market

1. Stochastic Oscillator STO (same direction)
2. Stochastic momentum Index Daily SMI (same direction)
3. Confirm MACD Histogram
4. Confirm RSI
5. Confirm (Weekly Chart)

If all the above is true, then you can make the trade



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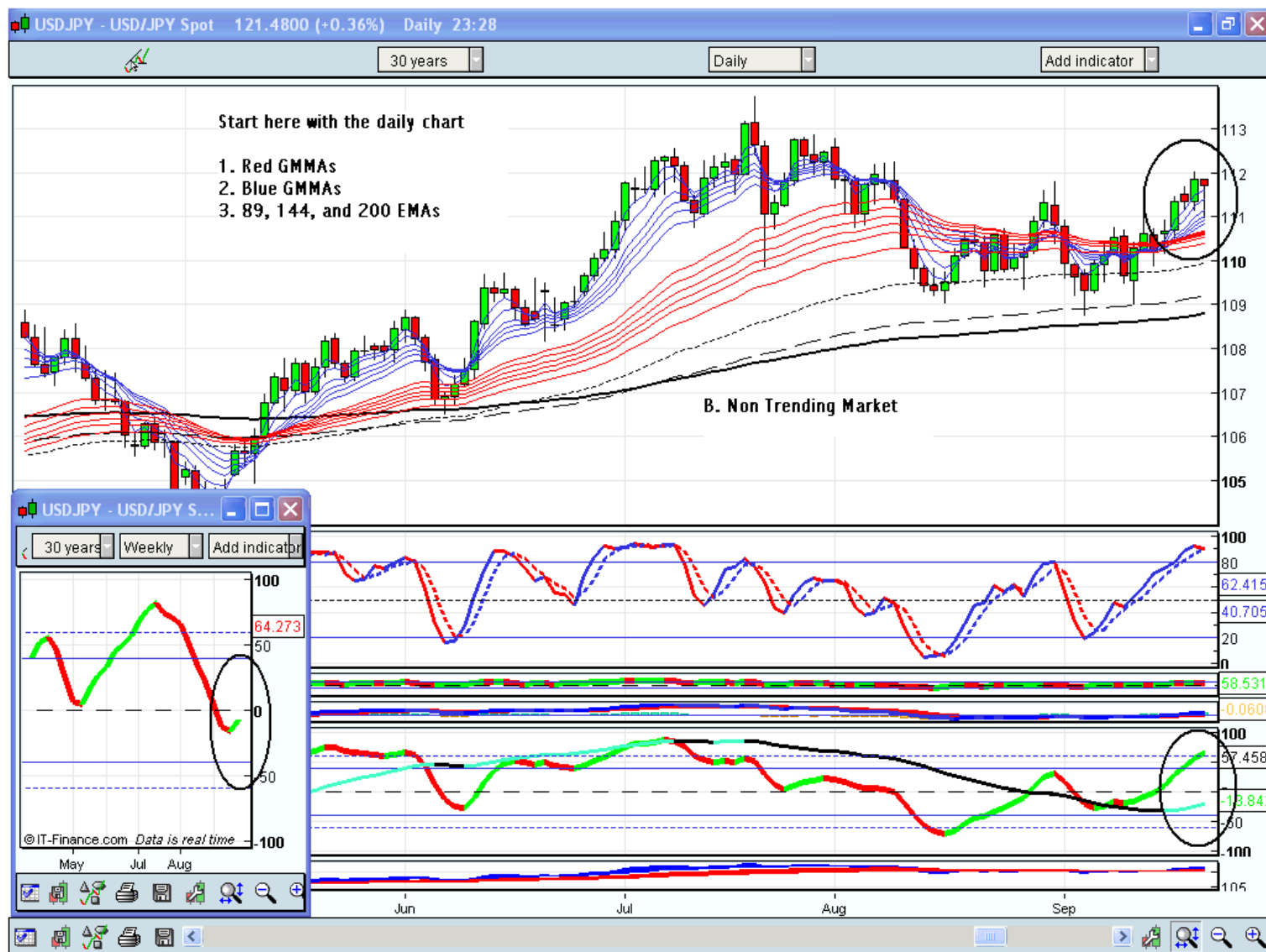
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Trade Steps and Decision Guide

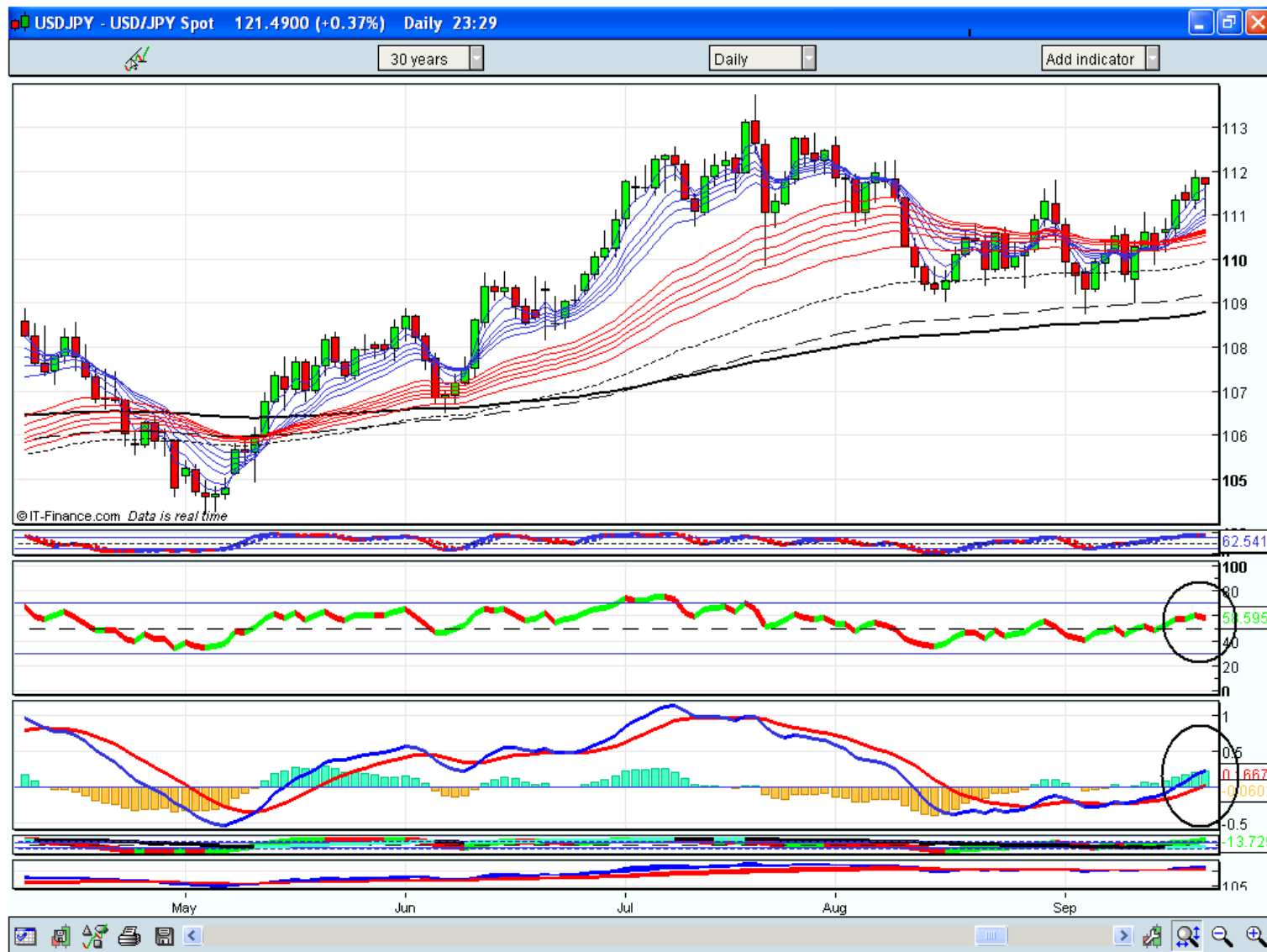
B. Non Trending Market

1. Stochastic momentum Index Daily SMI (same direction)
2. Stochastic momentum Index Weekly SMI Reflection (same direction)
3. Confirm MACD (Good Angle and Separation)
4. Confirm RSI
5. Confirm (Weekly Chart)

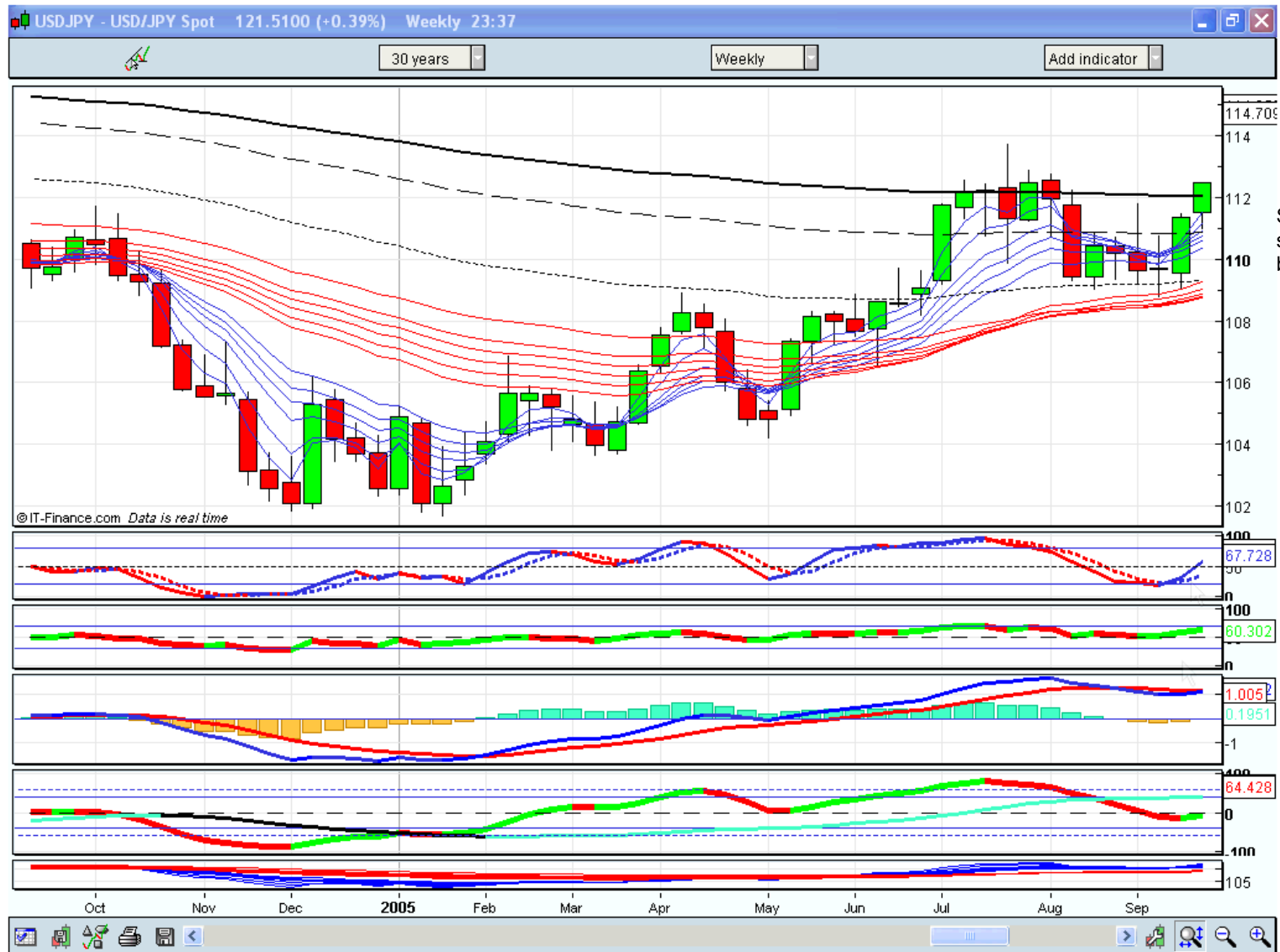
If all the above is true, then you can make the trade

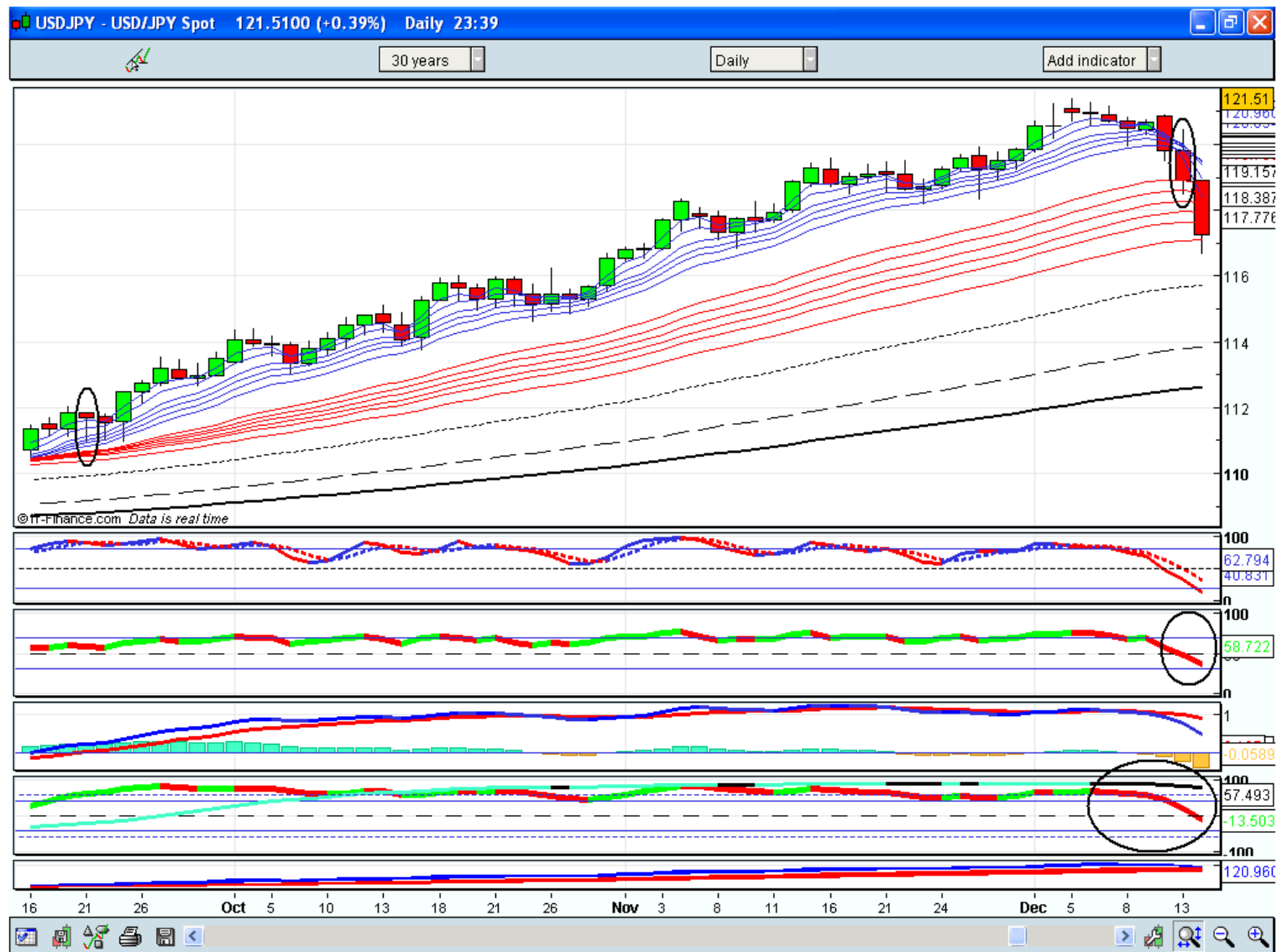


Look at Red GMMAs. Not great angle and separation but are moving up. 2. Look at Blue GMMAs. Are showing good angle and separation. 3. Price moving away from EMA's. Blues have penetrated the reds so we are in a non trending market. 4. In non trending market look at SMI Daily and weekly. Both are heading up. 5. Ignore Stochastic Indicator in non trending markets. 6. Look at weekly SMI – which is starting to turn up.



7. Look at the confirming indicators – RSI above 50, MACD has good angle and separation. Everything on the daily chart is confirming the trade.





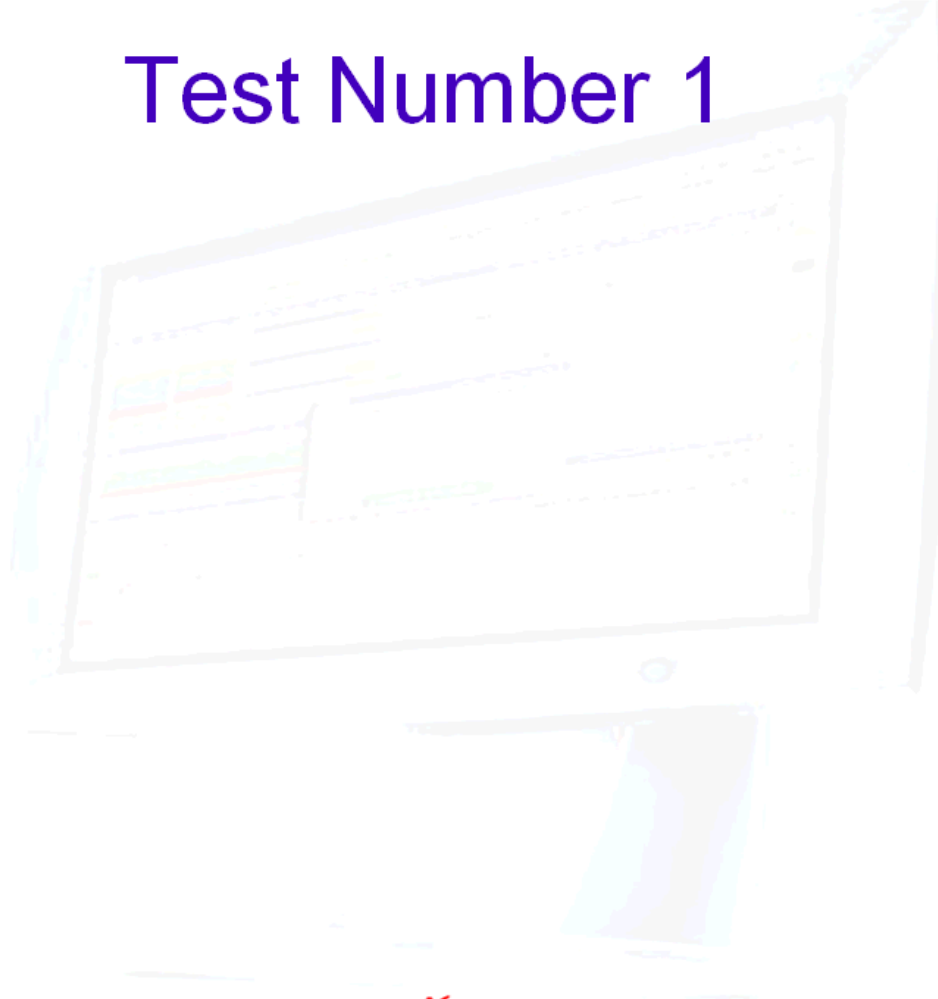
Daily SMI
turning Red
for 2 bars.
Move stop
100 pips
under lows

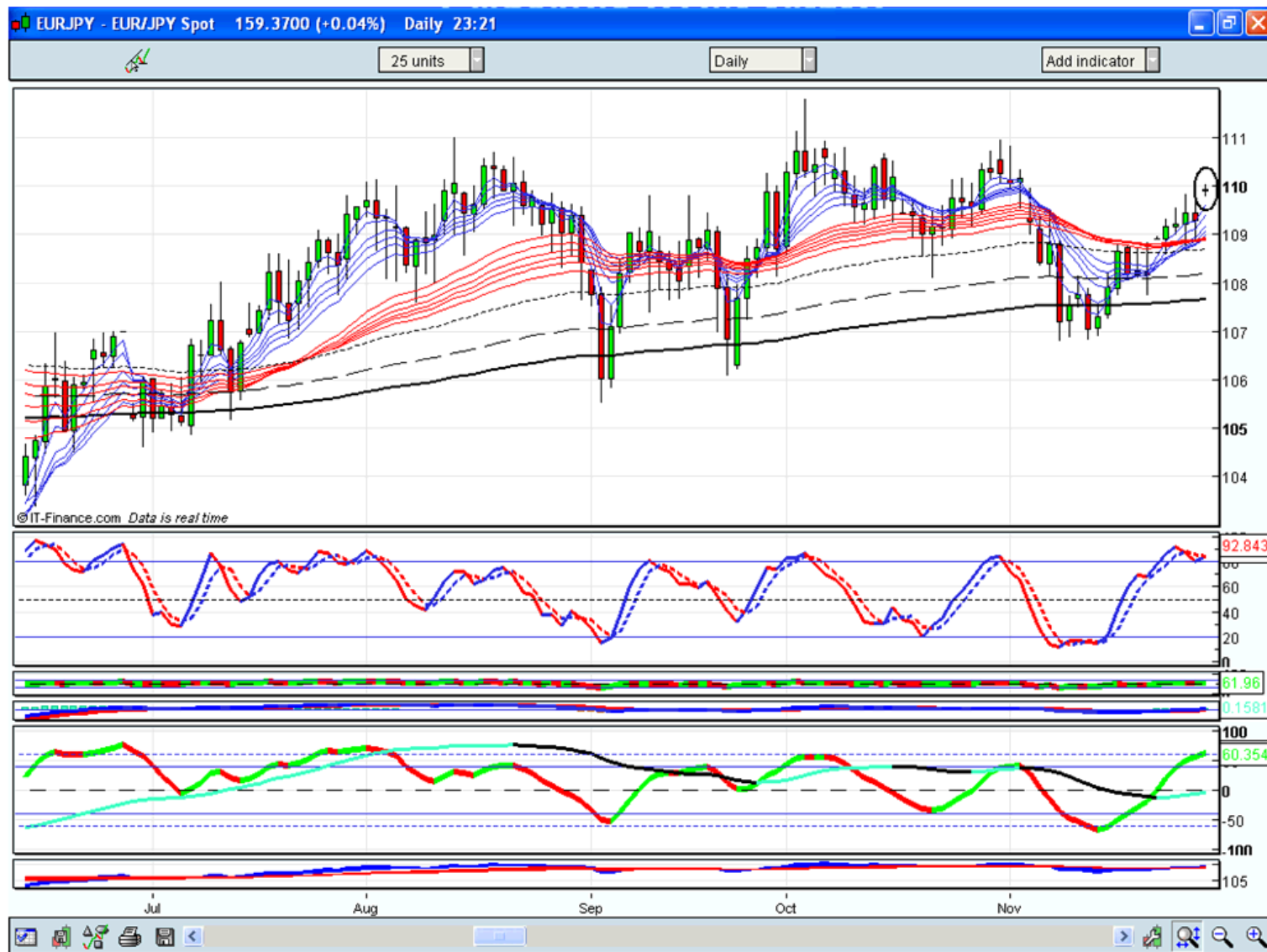


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Test Number 1

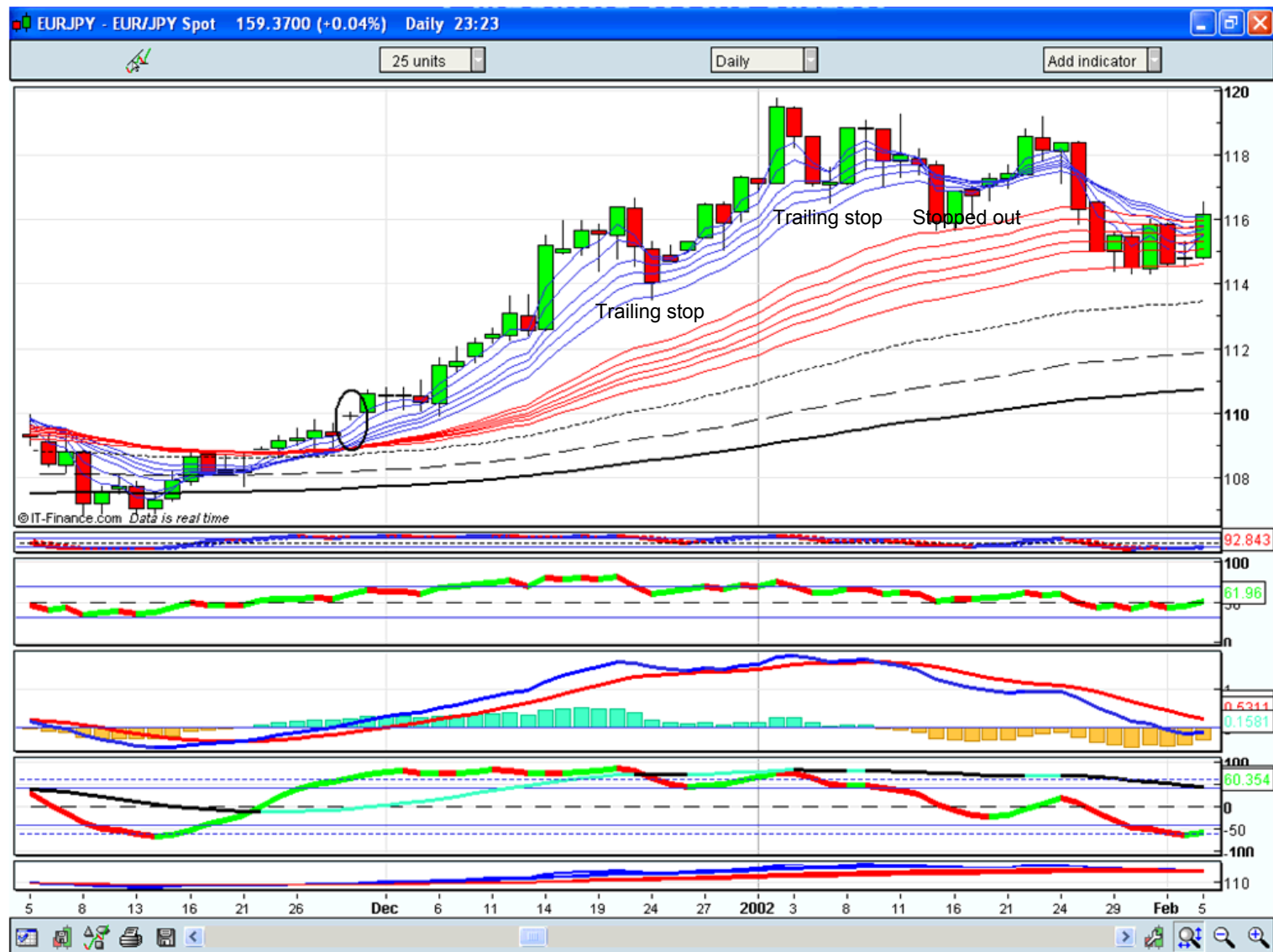




Red GMMA's. no angle or separation but are heading up. 2. Blue GMMA's. Good angle and separation. 3. Price moving away from EMA's. Blues have penetrated the reds so we are in a non trending market. 4. SMI Daily and weekly, both are heading up. 5. Ignore Stochastic Indicator in non trending markets.



6. Confirming indicators – RSI above 50, MACD has good angle and separation. Everything on the daily chart is confirming the trade.

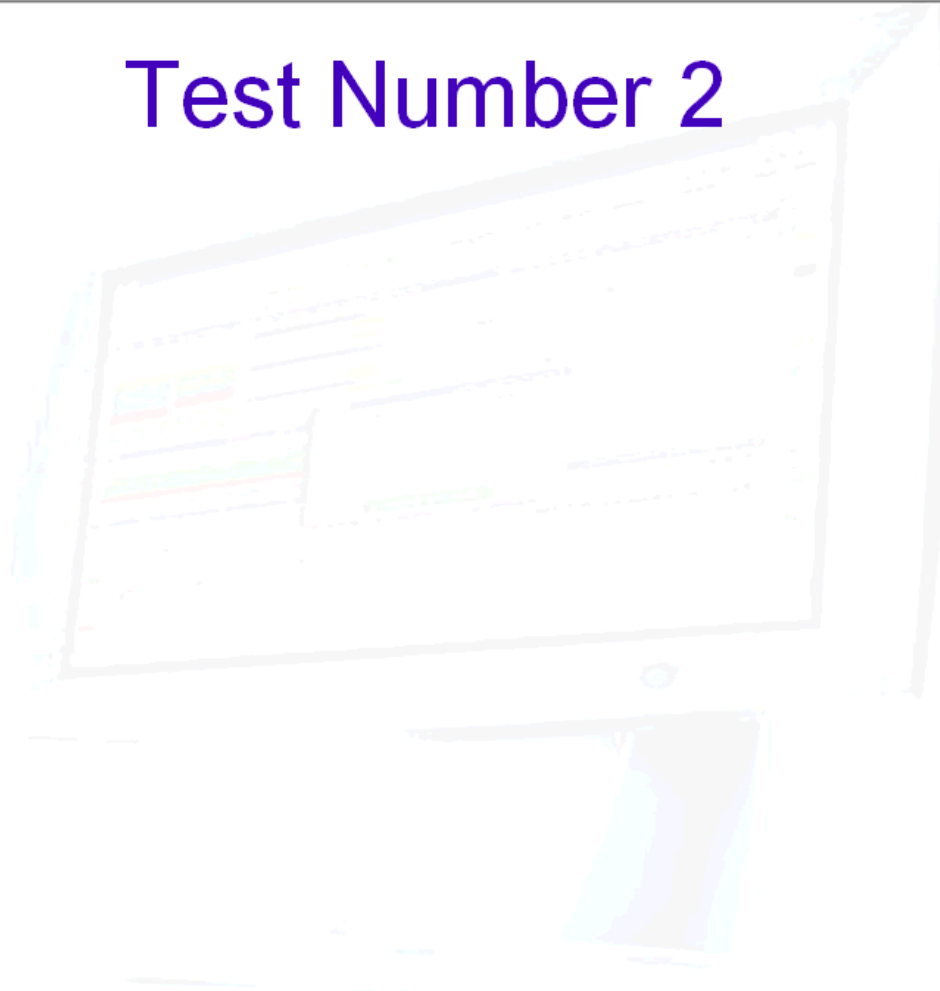


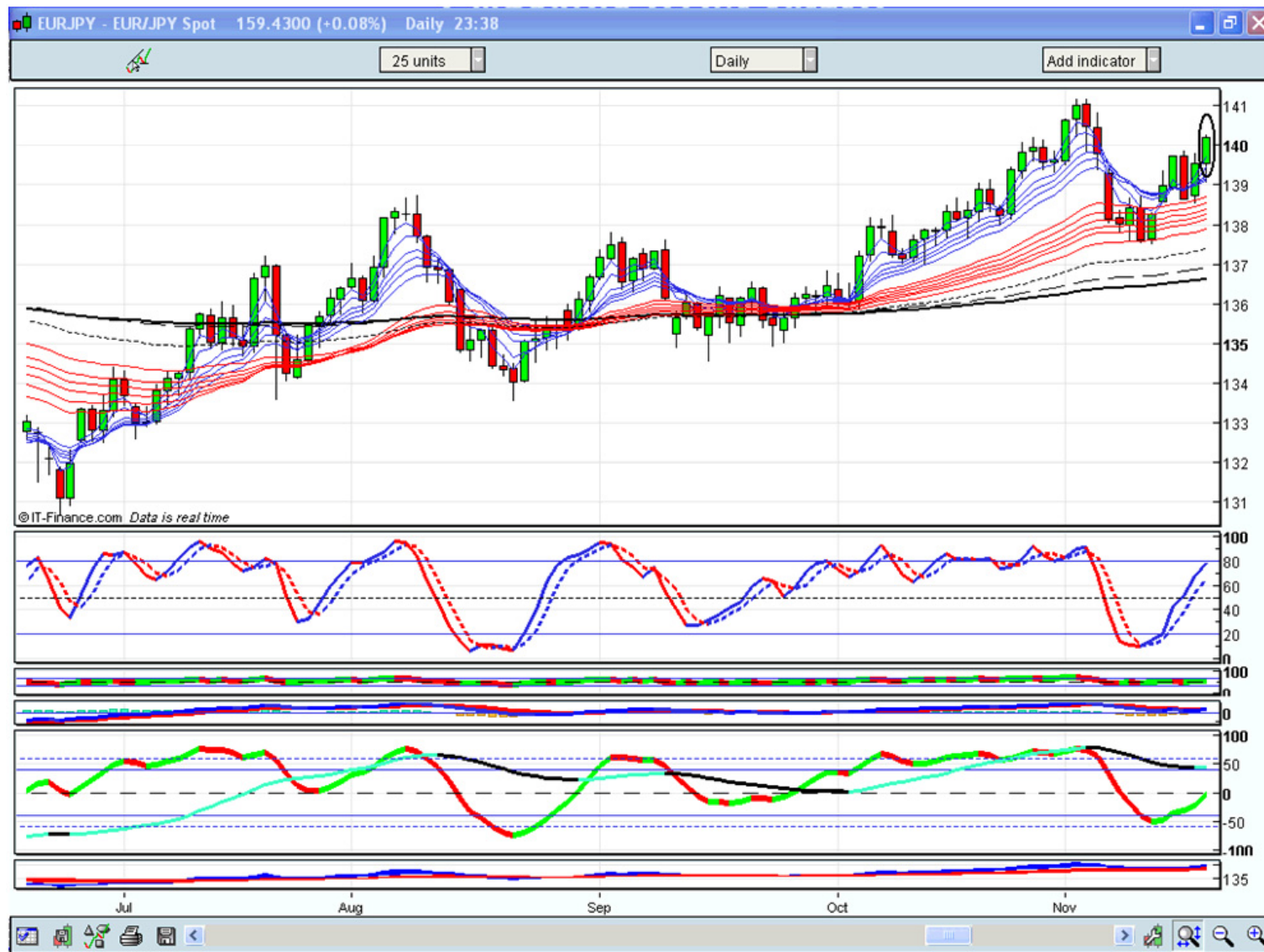


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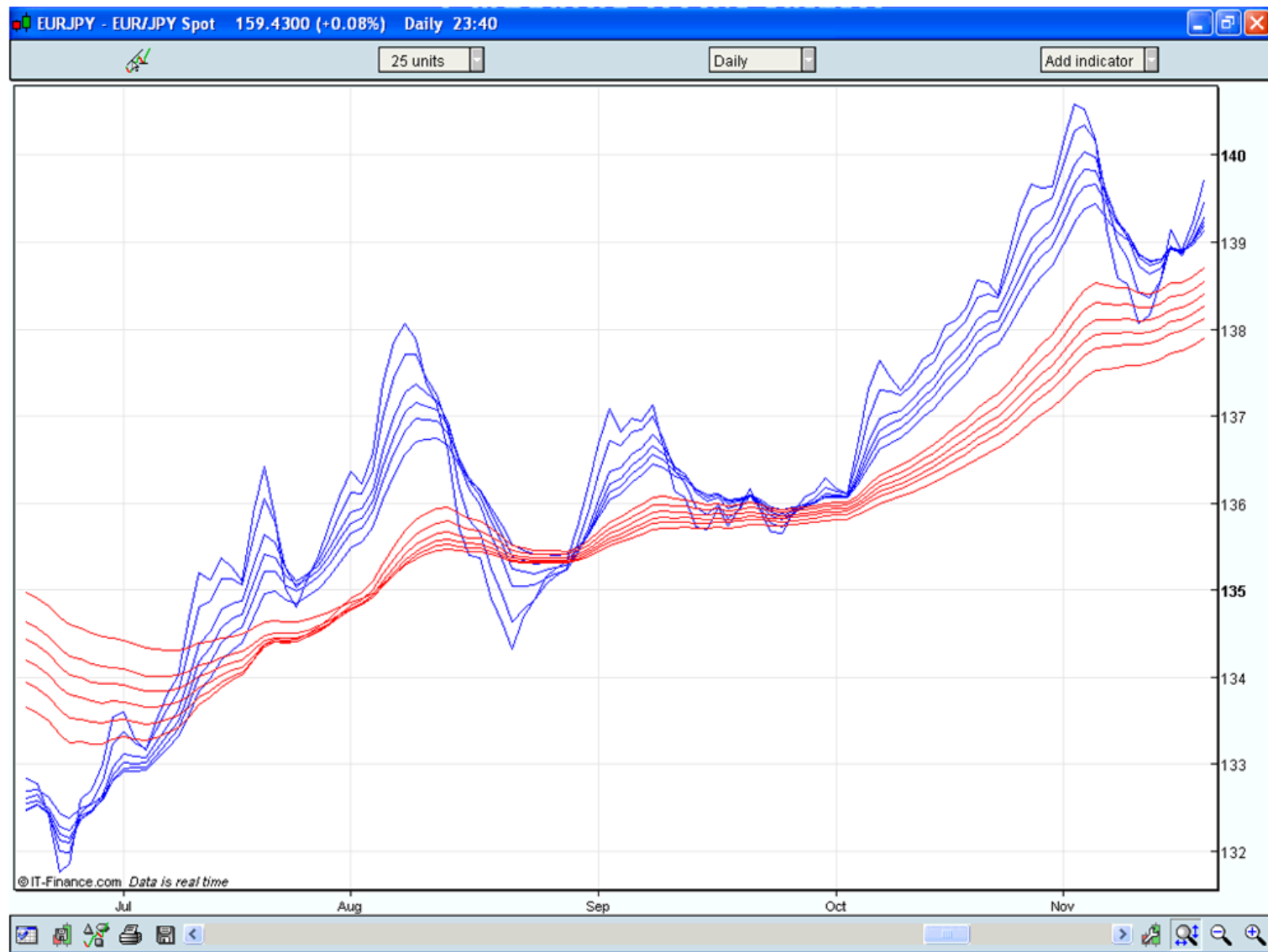
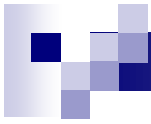
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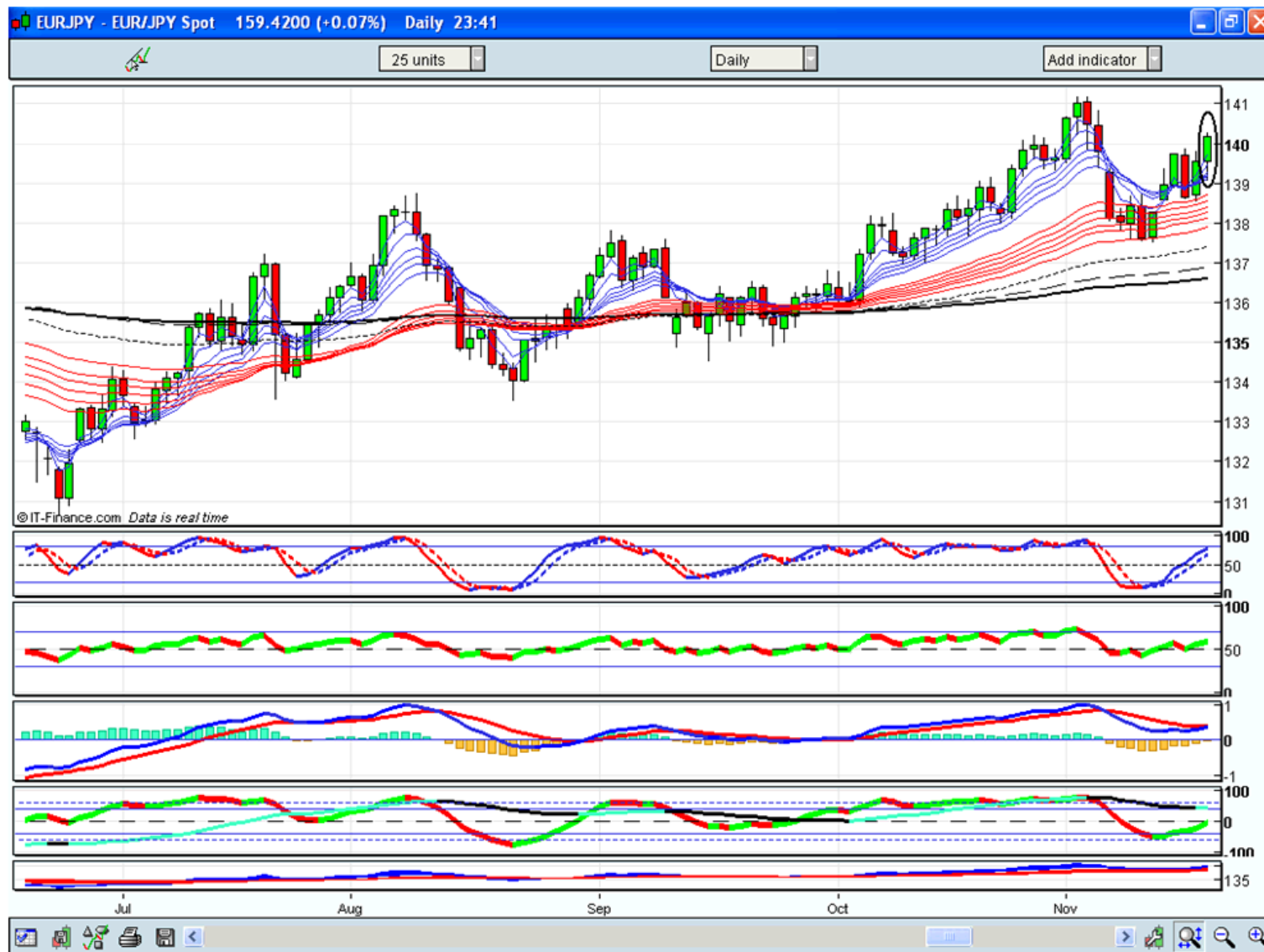
Test Number 2



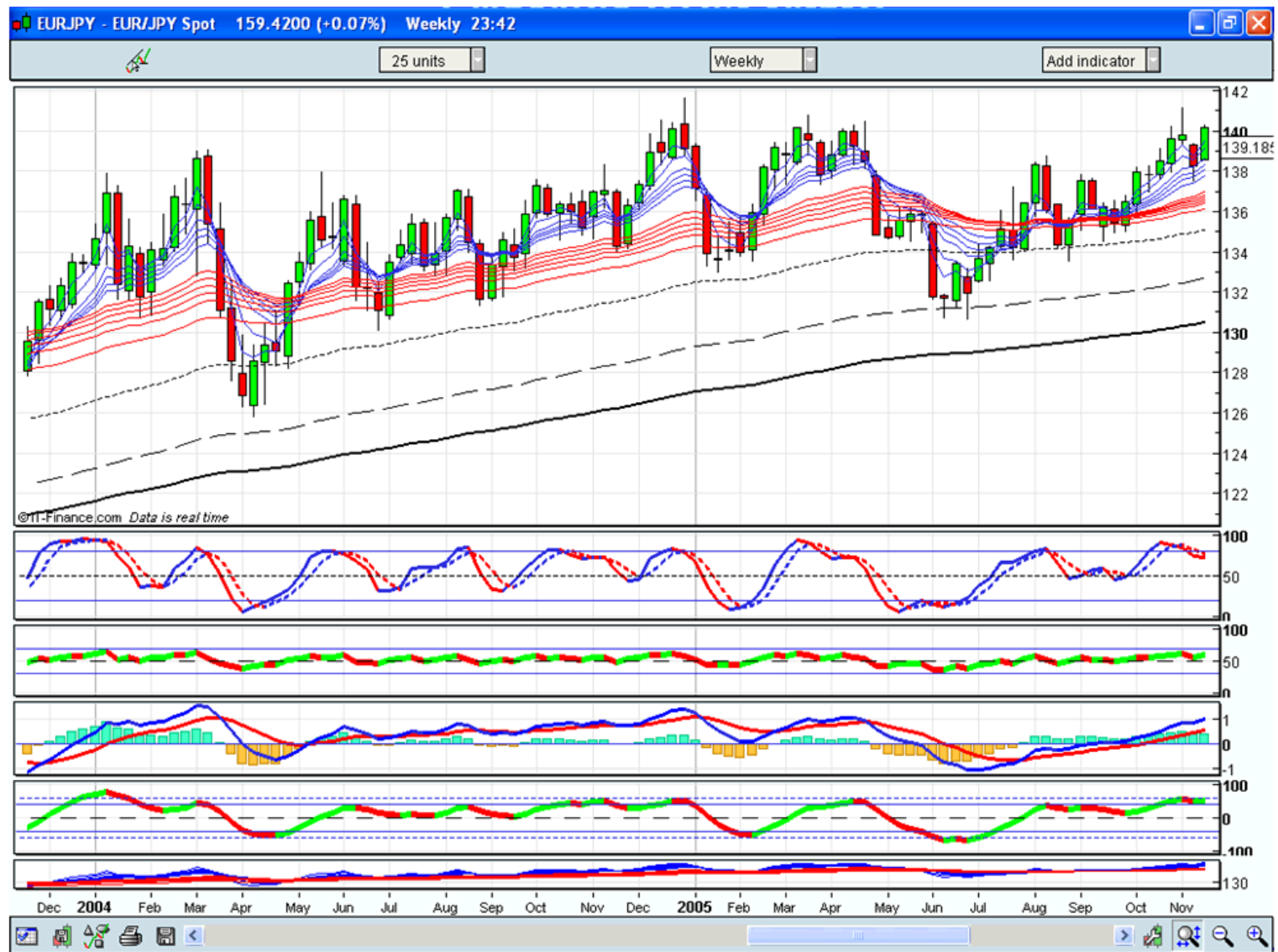


1. Red GMMA's. good angle or separation.
2. Blue GMMA's. Good angle and separation.
3. Price moving away from EMA's. In a trending market.
4. SMI Daily and weekly, both are heading up.
5. Stochastic Indicator in blue and heading up.

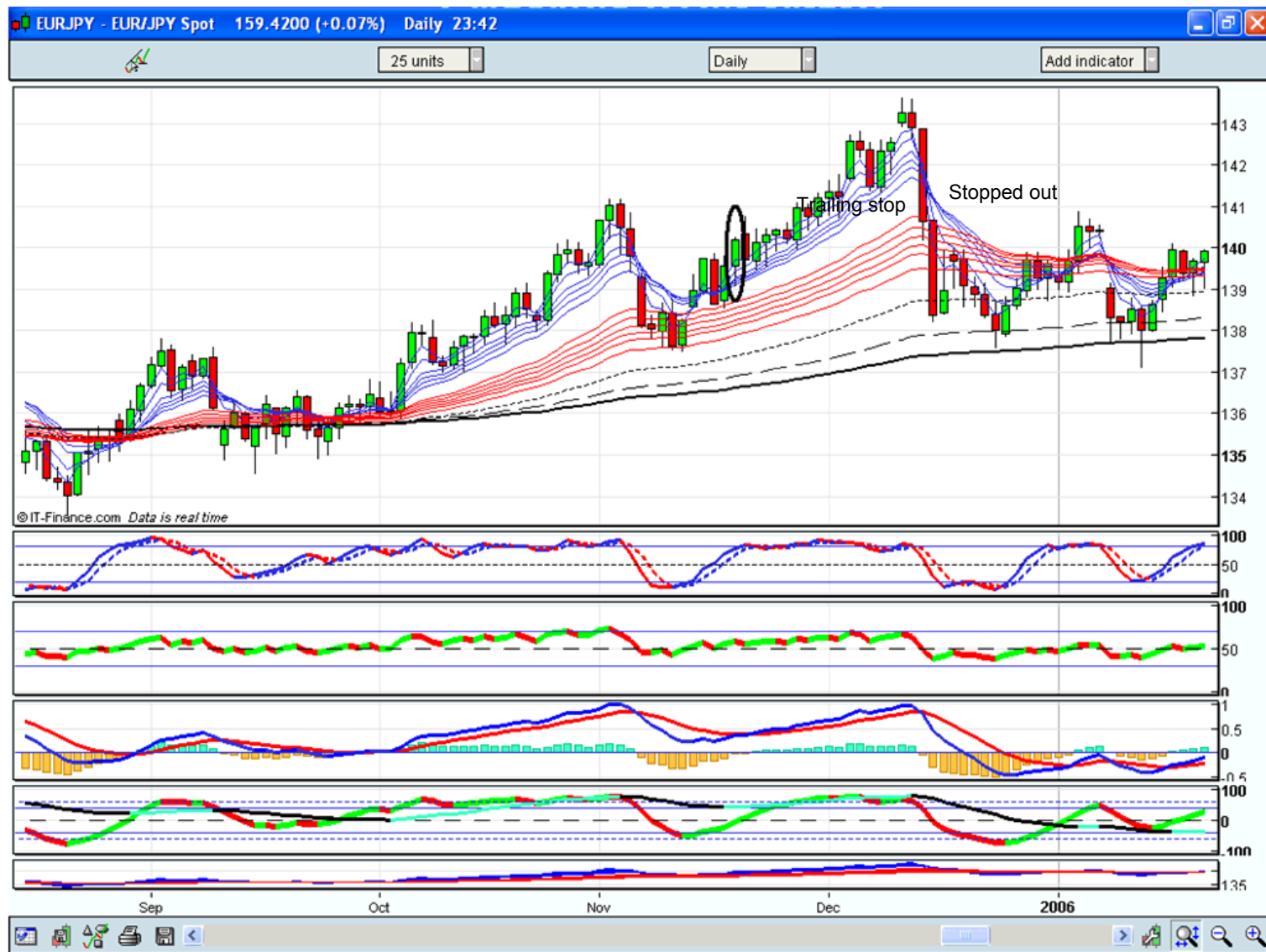




6. Confirming indicators – RSI above 50, MACD turning up. Everything on the daily chart is confirming the trade.



1. Red GMMA's. good angle or separation.
2. Blue GMMA's. Good angle and separation.
3. Price moving away from EMA's. In a trending market.
4. SMI weekly heading up.
6. MACD is bullish

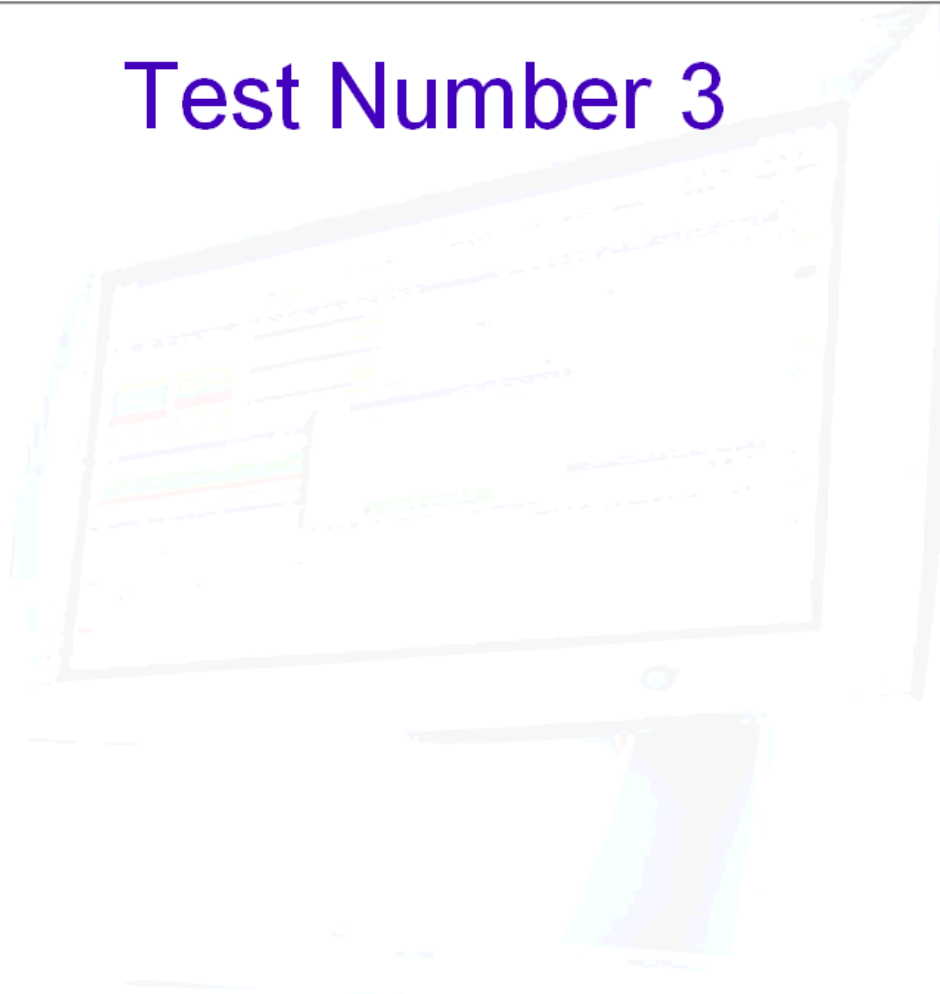




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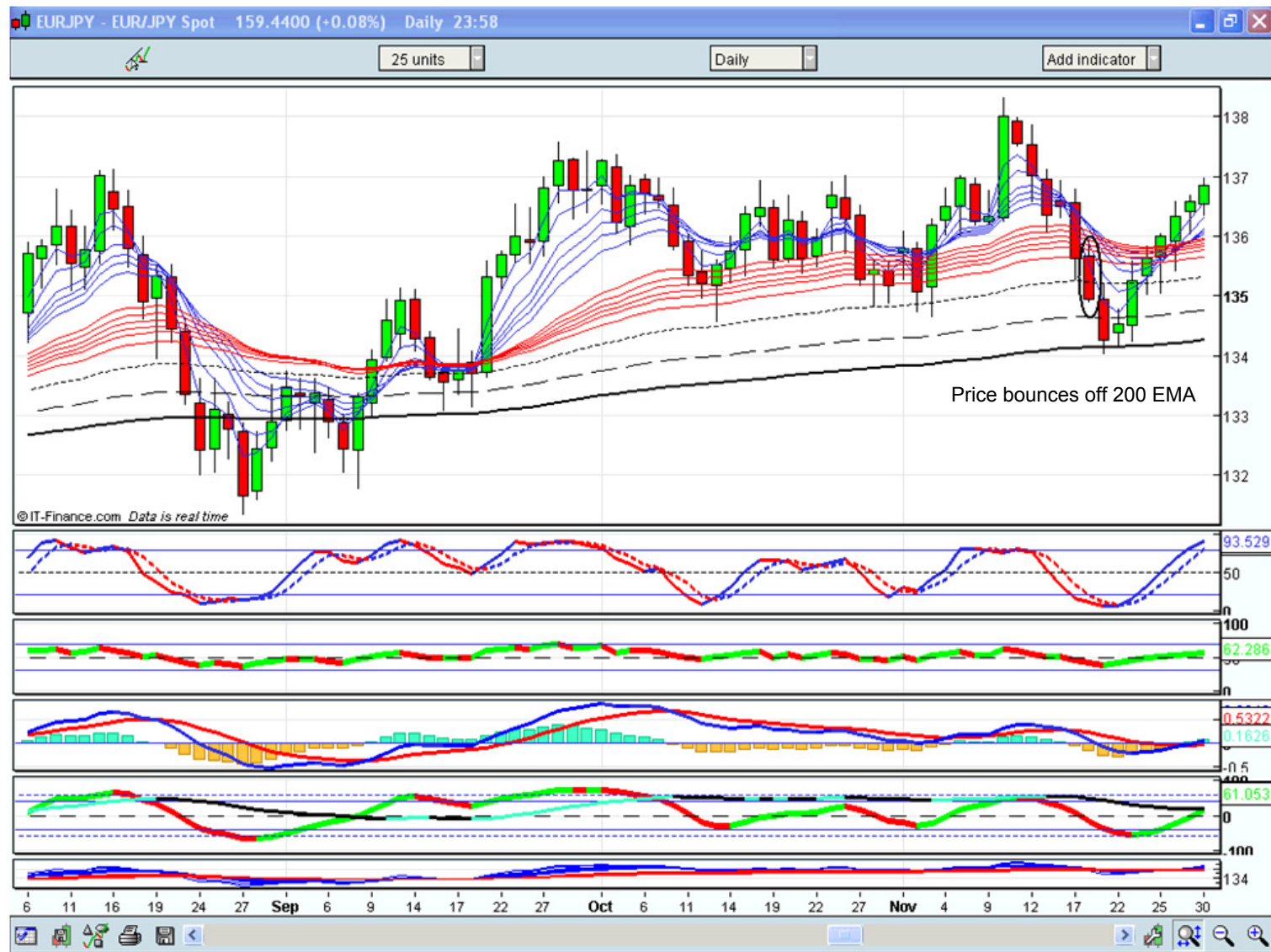
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Test Number 3





1. Red GMMA's. angle or separation. 2. Blue GMMA's. breaking into red. 3. Price moving toward EMA's. Non trending market. 4. SMI Daily and weekly, both are heading down. 5. Stochastic Indicator in red and heading down. No trade!

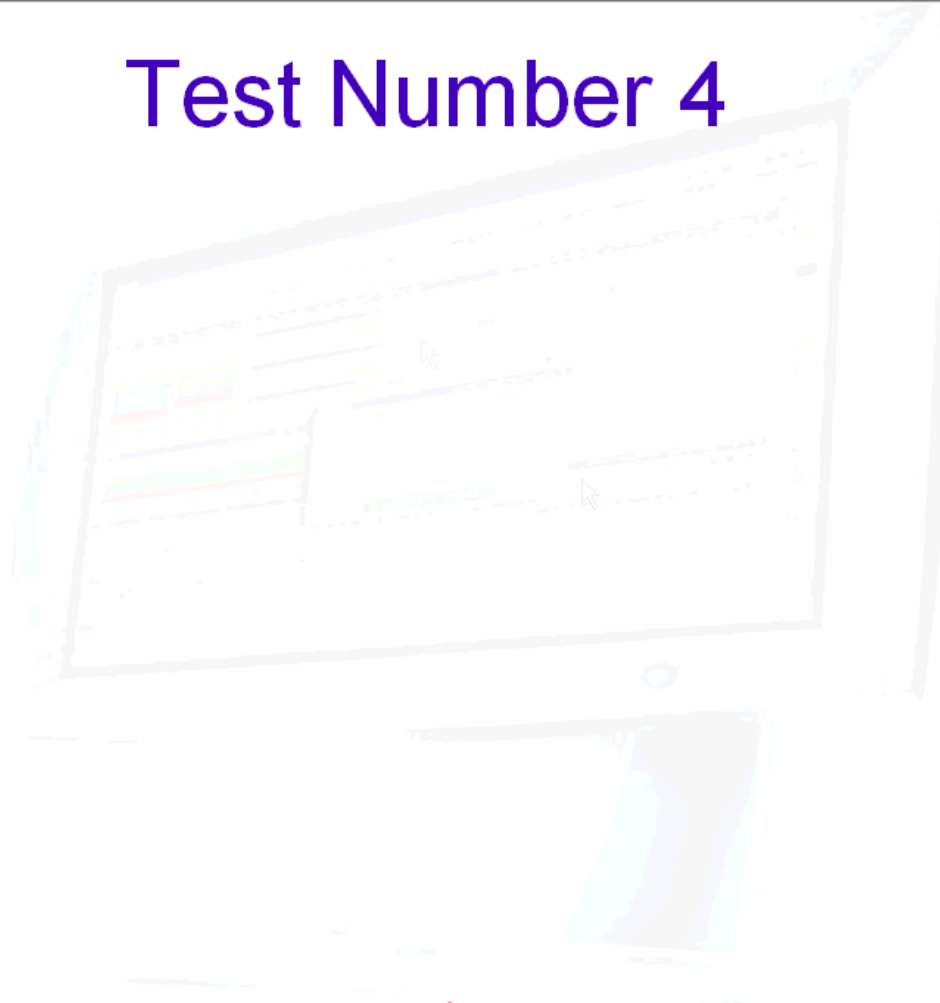




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Test Number 4

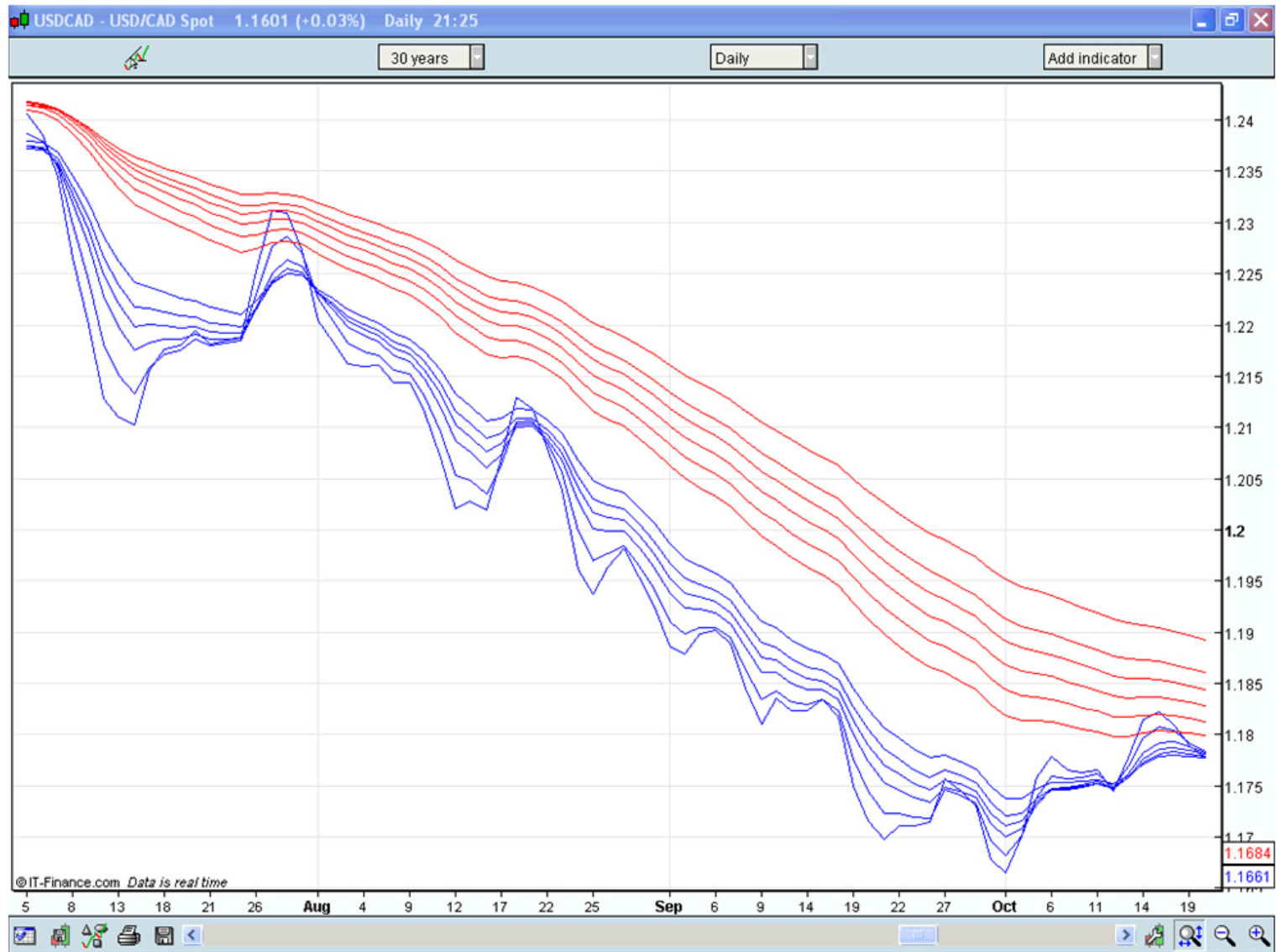
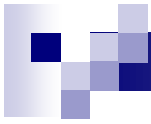


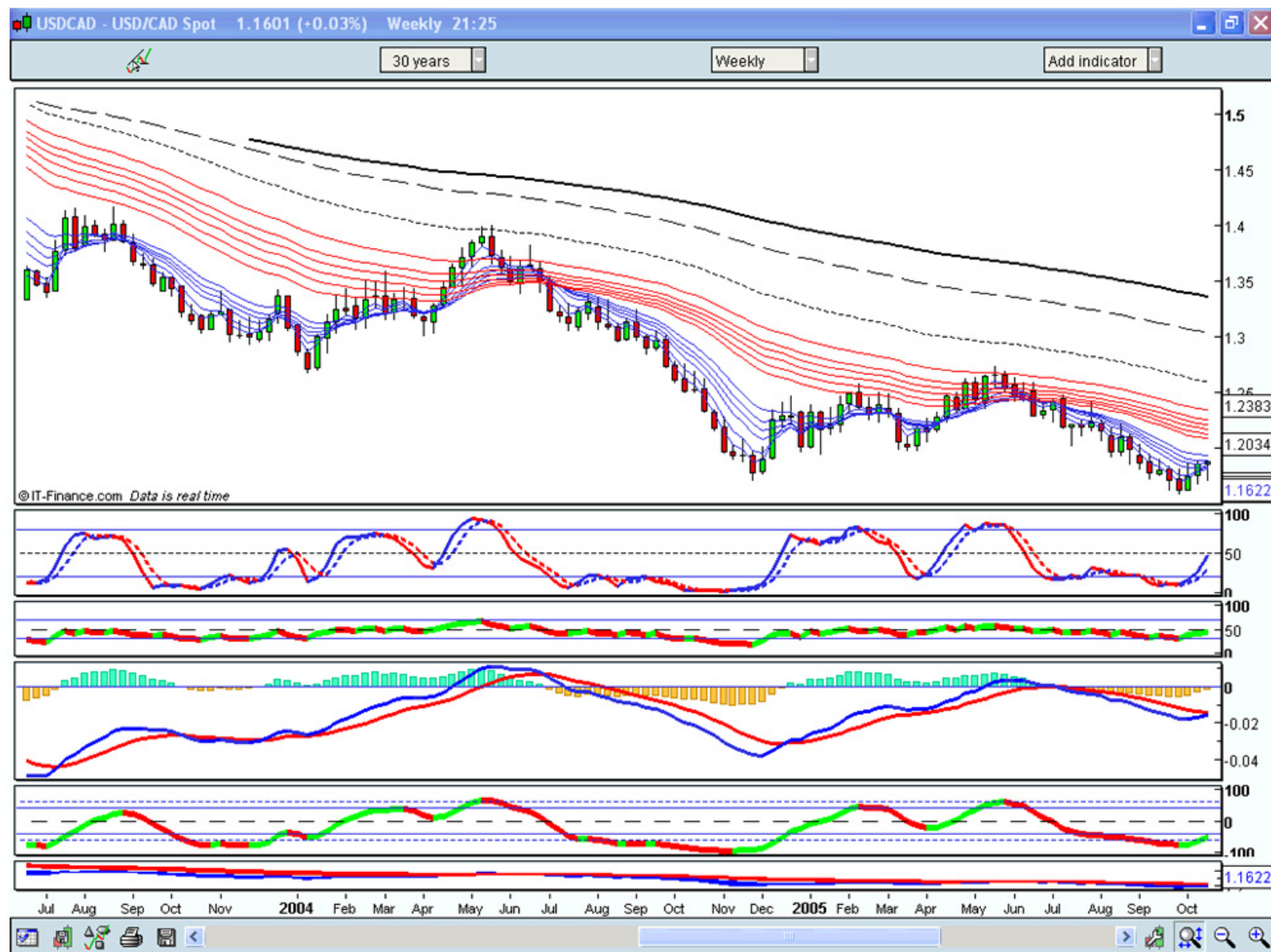


1. Red GMMA's. good angle or separation. 2. Blue GMMA's. heading down. 3. Price moving away from EMA's. In a trending market. 4. SMI heading down, weekly heading up. 5. Stochastic in the red and heading down



6. Confirming indicators – RSI below 50, MACD turning down. No trade





1. Red GMMA's. good angle or separation.
2. Blue GMMA's. heading down.
3. Price moving away from EMA's. In a trending market.
4. SMI heading up.
5. Stochastic in the blue and heading up

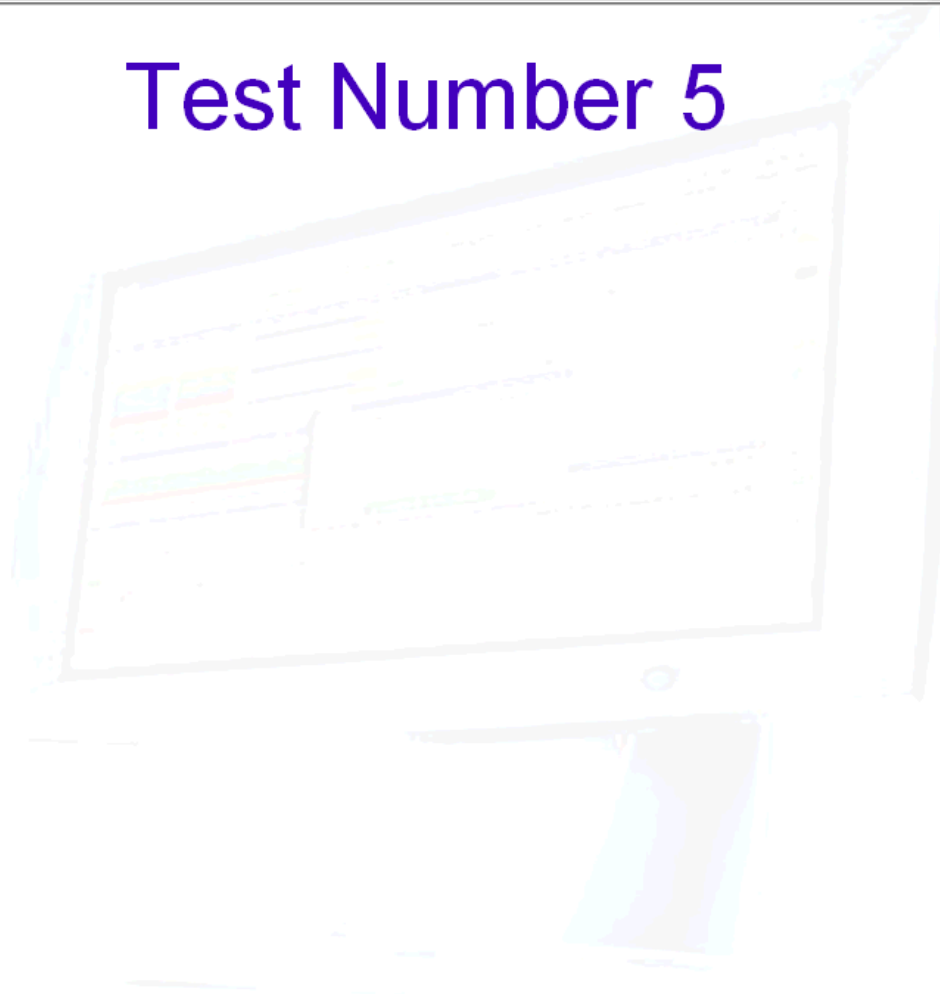




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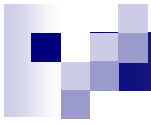
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Test Number 5



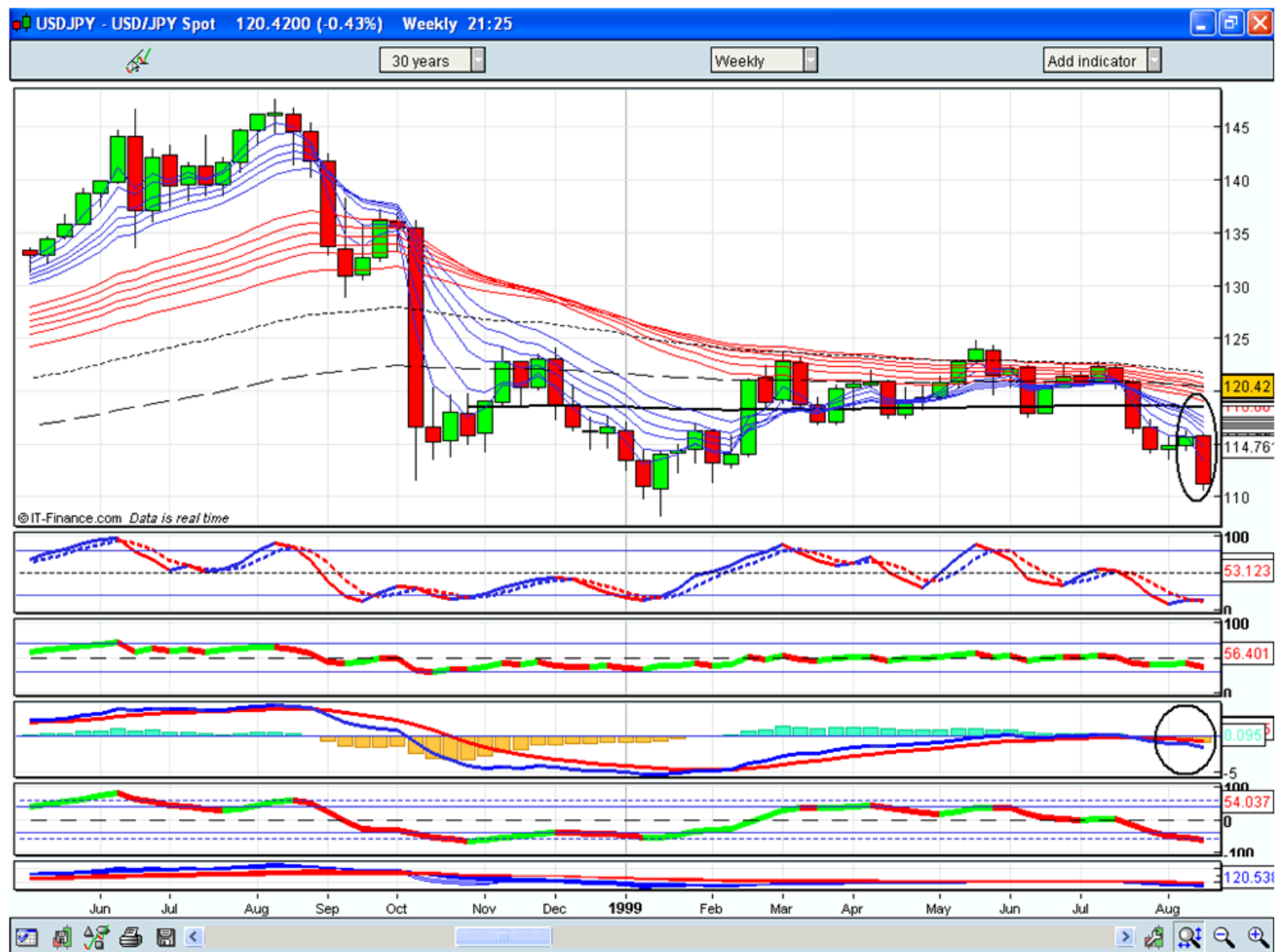


1. Red GMMA's. good angle or separation.
2. Blue GMMA's. good angle or separation.
3. Price moving away from EMA's. In a trending market.
4. SMI & weekly (teal and black line) heading down.
5. Stochastic in the red and heading down





6. Confirming indicators – RSI below 50, MACD turning down. Short trade signal



1. Red GMMA's. good angle or separation.
2. Blue GMMA's. good angle or separation.
3. Price moving away from EMA's. In a trending market.
4. SMI weekly heading down.
5. MACD heading down
6. RSI below 50





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with Alan Benefield & the Forexmentor Team

Final Word

Train your eyes to look for those fast blue GMMAs showing angle and separation, this will keep you out of bad trades. Don't just look at the indicators like SMI, look at price action and the GMMA.

If you don't see any good setups then don't do anything! **Patience!**

No trading system is right every time, it's up to you to make the best trading decisions.

Never stop learning!

Trust Your Charts.

I hope you find this program helpful in your trading.

All the best

Alan Benefield