



The Lindencourt **MX** Method



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1. Introduction

The Lindencourt MX Method is a way of helping you identify forex trades that are likely to be more successful than most other trades. It is not a different trading system from the Lindencourt FX System, but is simply a different way of trading using the System. The “MX” simply refers to “moving average cross” as we focus on just two moving averages with this method.

The charts used are exactly the same, so no new indicators or templates are required and much of the trading method is the same too. What is different is the increased probability of a successful trade, the number of potential setups are far fewer, and fewer indicators are involved. As with the Lindencourt FX System, to trade with this method successfully, your patience and self discipline are absolutely key.

I want to stress that this method does NOT replace the Lindencourt FX System, but rather complements it. This method enables you to enter some trades earlier with a high probability of being successful. You will find that most Lindencourt **MX** method setups will occur at the same time as a Lindencourt FX System set up. When this happens there is a higher probability of a successful trade.

OK, so let's go through this alternative trading method and look at a number of trade examples.

2. The Lindencourt MX Method

I have found that there is a greater probability of a successful trade (ie, 0-50 pips profit) or a very successful trade (ie, 50+ pips profit) when both the blue and black moving averages cross at the same time as the CCI indicator line crosses the “0” line. Now, these setups do not occur very often – about once every few days on average on any currency pair if you are lucky. Take a little time and look at any 15M chart and notice when the blue and black MAs cross. Then look at the position of the CCI line at the point of each of these MA crosses. As with any trading system, results will vary from day to day and week to week. On some currency pairs there may be several weeks without a decent cross of the MAs and the CCI together, then you may find that there are several good crosses of the MAs and CCI together in the same week. At the time of writing, November 2009 has not been a particularly good month for Lindencourt MX method set ups on most currency pairs, but August, for example, was a very good month for these MX setups.

You will notice that for most occurrences when the MAs and CCI cross together, there is also a Lindencourt FX System entry signal too. This can be a strong indication that the trade will turn out to be a successful one. This method is therefore complimentary to the Lindencourt FX system as it helps to identify trades that are likely to be more successful than many others.

From my recent personal trading results I have found that over 83% of trades have been successful by entering a trade when the two trading conditions of the Lindencourt MX method have been met during the European session. In some of the examples shown in this short document I show that the Lindencourt MX method is valid for all trading sessions and not just during the European session.

My personal increased trading success has been achieved using 15M charts, but you can adapt this method to other time periods too. I have focused on my favourite currency pairs of GBPUSD, USDCAD, EURUSD, AUDUSD, EURJPY and USDCHF. I suggest you spend some time looking at the charts of your favourite pairs on your favourite time period to see how often setups occur.

BUY Trades

The following conditions need to be met on the 15M charts to enter a **BUY** trade. If any one of the conditions has not been met, there is simply NO TRADE using this method.

Condition 1

The **black** MA (“MA(7)”) needs to cross above the **blue** MA (ie, the “MA(21)”) indicating a change in the trend. It is important to wait until the end of the 15M candle forming the cross to confirm that a MA cross has in fact occurred.

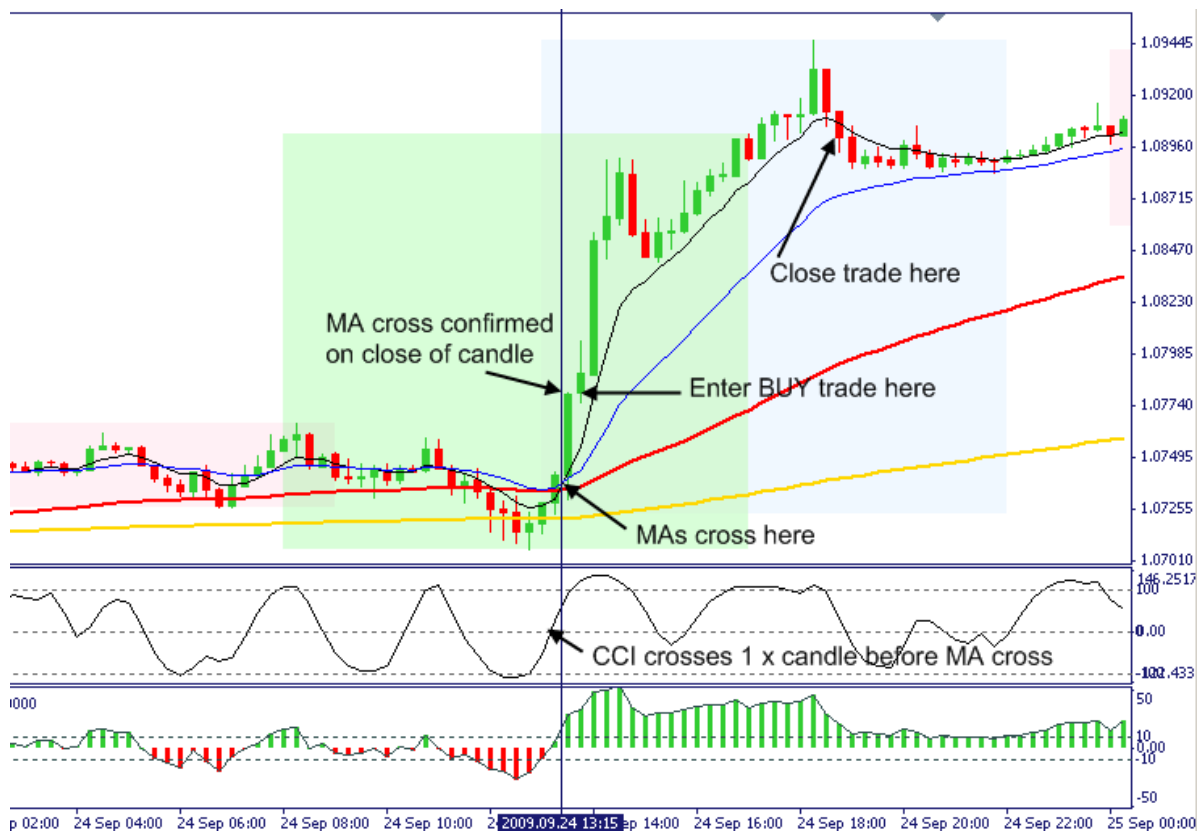
Condition 2

At the same time as the two MAs cross above, the CCI(5) also needs to cross above the “0” line at the start of the same 15M candle for there to be a valid BUY trade.

NB. We can allow ± 1 x candle for the two crosses to occur, eg, if the MAs cross on a candle @ 8.00hrs, the CCI cross of the "0" line must occur either on the same price candle at 8.00hrs, or on the 7.45hrs candle, or on the 8.15hrs candle. You would enter only when the two conditions have been met so for the latter it would be an 8.15 hrs entry. If the two crosses occur ± 2 candles apart, eg, one cross at 7.45hrs and the other cross at 8.15 hrs the setup is invalid and there is no trade using this method (however, there might be a potential setup forming using the Lindencourt FX system rules).

For this Lindencourt MX Method, we do not take account of the red MA or the RSI Histogram indicator to determine whether to place a trade or not.

Let's now put this all together and look at an example BUY trade on a 15M chart.



In the above example on the USDCAD the MAs crossed between 13.15 and 13.30 hrs GMT. The MA cross was confirmed when the subsequent candle closed, which was at 13.30 hrs. The trade was valid as the CCI line crossed the "0" line between 13.00 and 13.15 hrs. A BUY trade was entered at the start of the 13.45 hrs candle at 1.0780.

The trade was closed when a 15M candle finally closed below the black MA (7) trend line, as well as the CCI crossing back below the "0" level. In this case it was at 1.0900 for +120 pips profit.

Similar to the Lindencourt FX System, the stop loss was placed c.30 pips away from the entry price and was subsequently moved to break even (ie the entry price) as soon as practicable - when the trade was c.20-30 pips in profit.

Exiting with the Lindencourt MX Method

Unlike the Lindencourt FX System exit rules, I tend to exit a Lindencourt MX trade with just two partial exits, because of the increased probability of the trade being a successful trade – exit 50% of the trade when c.25-30 pips in profit (and move the stop loss to break even), and exit the remaining 50% when a candle closes below the MA(7) trend line.

You will notice that in the trade above, the entry point was also the same point for a Lindencourt FX System BUY trade. As I previously mentioned, this will happen on most MX trades.

SELL Trades

The following conditions need to be met on the 15M charts to enter a **SELL** trade. If any one of the conditions has not been met, there is simply NO TRADE using this method.

Condition 1

The **black** MA (“MA(7)”) needs to cross below the **blue** MA (ie, the “MA(21)”) indicating a change in the trend. It is important to wait until the end of the 15M candle forming the cross to confirm that a MA cross has in fact occurred.

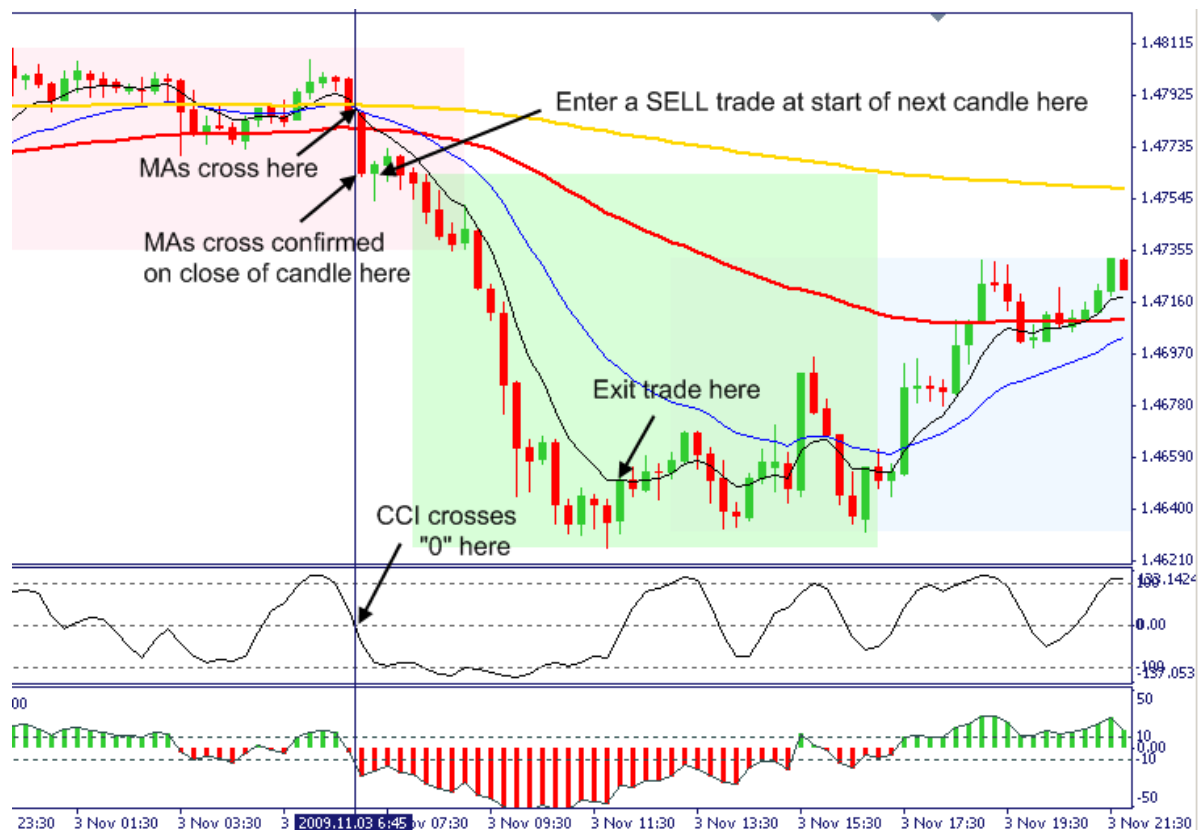
Condition 2

At the same time as the two MAs cross below, the CCI(5) also needs to cross below the “0” line at the start of the same 15M candle for there to be a valid SELL trade.

NB. We can allow ± 1 x candle for the two crosses to occur, eg, if the MAs cross on a candle @ 8.00hrs, the CCI cross of the “0” line must occur either on the same price candle at 8.00hrs, or on the 7.45hrs candle, or on the 8.15hrs candle. You would enter when the two conditions have been met, so for the latter it would be an 8.15 hrs entry. If the two crosses occur ± 2 candles apart, eg one cross at 7.45hrs and the other cross at 8.15 hrs, the setup is invalid and there is no trade using this method (however, there might be a potential setup forming using the Lindencourt FX system rules).

For this Lindencourt MX Method, we do not take account of the red MA or the RSI Histogram indicator to determine whether to place a trade or not.

Let’s now put this all together and look at an example SELL trade on a 15M chart.



In the above example on the EURUSD both the CCI and the MAs crossed between 6.30 and 6.45 hrs GMT. The MA cross was confirmed on the close of the 6.45hrs GMT candle, so a SELL trade would have been opened at the start of the 7.00 hrs GMT candle @ 1.4762.

The stop loss on this trade would have been placed c.30 pips away from where the trade was opened and would have been moved to the entry price (ie, break-even price) once the trade was c.30 pips in profit. It would be advisable to close 50% of the trade at this point too to lock in some profits. The remaining 50% of the trade would have been closed out at the point when a candle had crossed and closed over the black MA line and when the CCI line had also crossed over "0" again @ 1.4650 for a possible +112 pips profit.

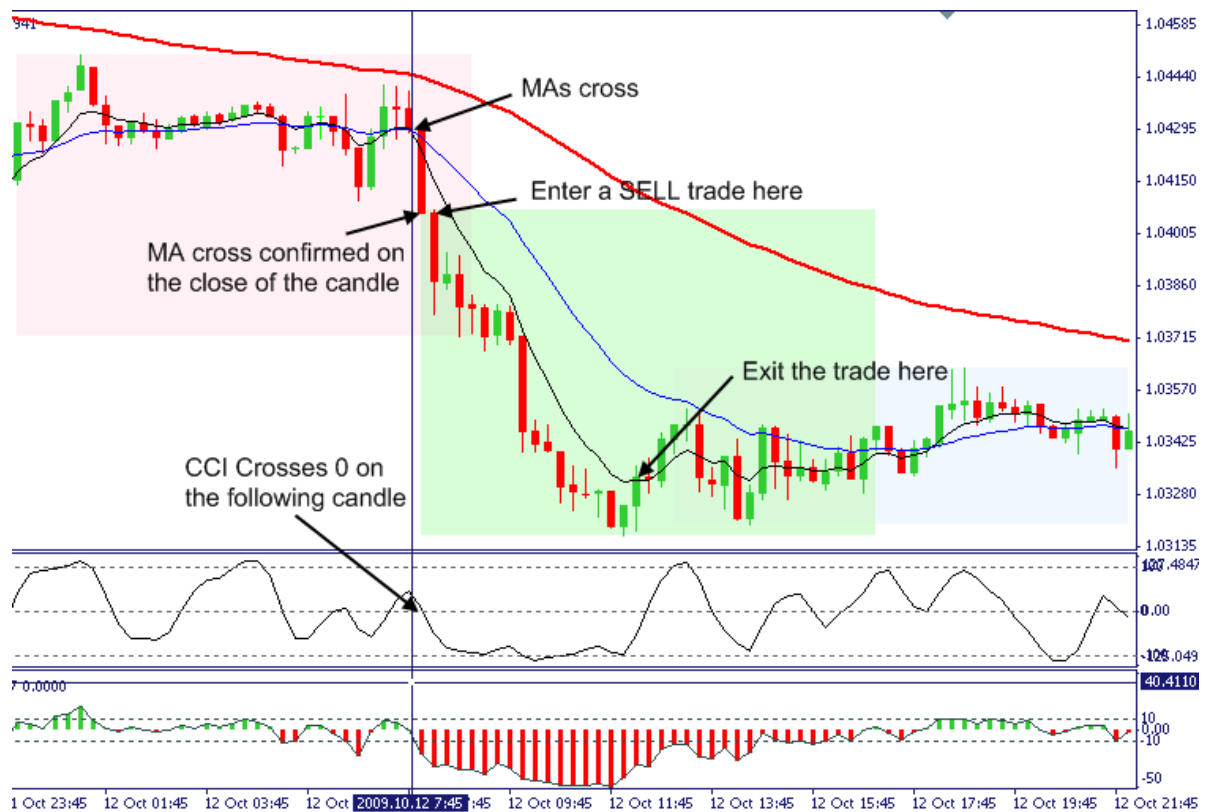
Again, you can see from the above chart that the trade entry point was also a standard Lindencourt FX System entry point for a SELL trade too. As the criteria for both of these two trading methods were met, we could expect the trade to have a high probability of being successful – which it was.

3. Other Trade Examples

The following are some other recent trade examples of Lindencourt MX Method.

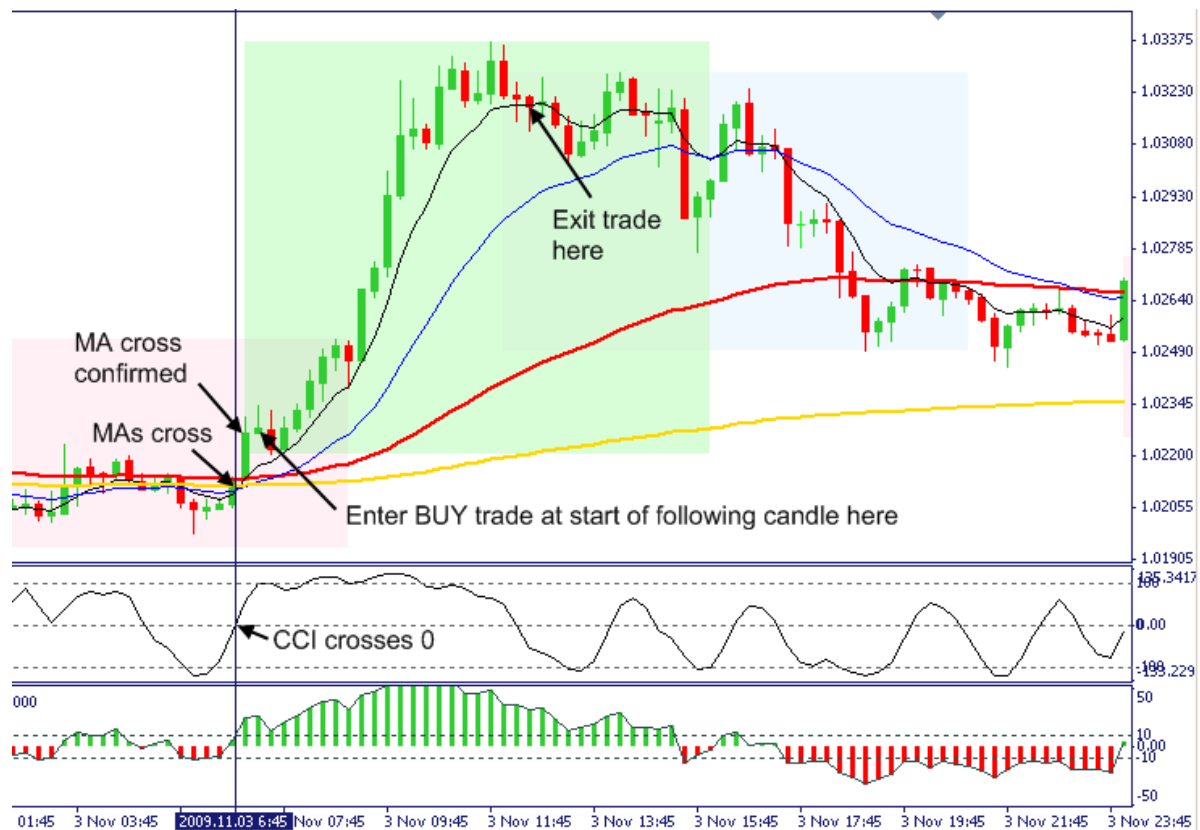


The above example shows a trade on the GBPUSD on 18 November 2009. The MAs crossed and the CCI crossed within ± 1 candle of each other, so it was a valid set up. Entry for this SELL trade was at 1.6796 at 13.30hrs GMT. The trade was closed at 1.6729 for +67 pips profit. A stop loss would have been placed c.30 pips away from the entry price and would have been moved to the entry price once the trade was c.30 pips in profit to ensure a risk free trade.



The above example shows a trade on the USDCAD on 12 October 2009. The MA cross occurred at 7.45 hrs GMT and the cross was confirmed on the close of the 8.00hrs GMT candle, when the CCI also crossed the "0" line. A SELL trade would have been opened at 8.15 hrs @ 1.0406 with an appropriate stop loss of c. 30 pips away. Once the trade was in profit by c. 30 pips 50% of the trade would have been closed and the stop loss would have been moved to the entry price to lock in profits and to ensure the remaining 50% of the trade was risk free. The remaining 50% would have been closed at 1.0333 for a potential profit of +73 pips.

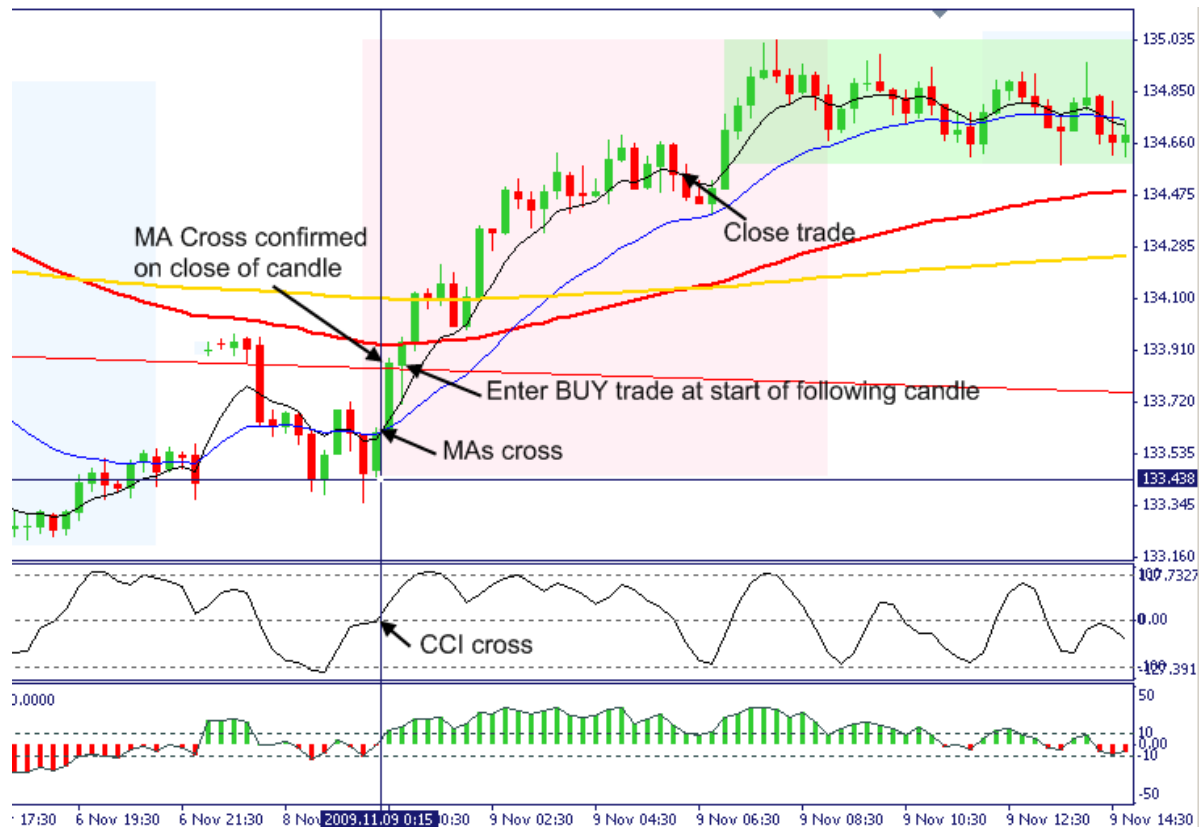
It can be seen from the chart that the actual entry point was the same as for a Lindencourt FX system setup, thus confirming that the trade had a high probability of turning in to a successful trade.



This BUY trade with the USDCHF currency pair on 3 November 2009 is another example of a dual Lindencourt FX – Lindencourt MX trade. The criteria for both trading methods were met at the same point and an entry for a BUY trade would have been made at 7.15 hrs GMT @ 1.0226. As there was a confluence of 4 MAs together at this time (ie the red, orange, black and blue, which is quite rare) this added to the probability that the trade would turn out to be a pretty successful one. The trade would have been completely closed out when the CCI fell back below 0 and when a candle closed below the black MA, which was at 1.0318 for a profit of +92 pips.



Here is a EURUSD trade example where there is not in fact a cross of the MAs. What we have here instead is a touching of the MAs before market momentum and downward price action causes the MAs to resume a downward trend. I have included it because these setups occur now and again and I have found that the probability of a successful trade is not really very different from a true MA cross. Early in the European session the crosses occurred and a SELL trade would have been opened @ 1.4949 at 8.15hrs GMT. The trade would have been closed @ 1.4896 for +53 pips profit.



Finally, here is an example of a EURJPY trade using the MX Method in the Asian session on 9 November 2009. The MAs and the CCI cross at the same time and a BUY trade would have been opened @ 133.85 at the start of the 00.45 hrs GMT candle. In this case, we can see that the entry point would have been a 15M candle earlier than if the standard Lindencourt FX system was applied. The trade would have been closed out @ 134.55 for a gain of +70 pips.

4. Help and Assistance

I hope this document is of use to help you identify trades with a higher probability of turning out to be successful trades.

Please contact me if you require further assistance or understanding with any part of this document either by emailing me directly at andrew@lindencourt.net or completing the feedback form on the www.lindencourt.net website.

I wish you great trading success.

Andrew Searle
November 2009