

# **The secret meaning**

*of the*

# **hidden Stochastic**

By  
Vladimir Ribakov  
Creator of

Broker Nightmare ([www.Broker-Nightmare.com](http://www.Broker-Nightmare.com))

sRs Trend Rider ([www.sRsTrendRider.com](http://www.sRsTrendRider.com))

Pips Carrier ([www.PipsCarrier.com](http://www.PipsCarrier.com))



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**Hello dear trader,**

My name is Vladimir Ribakov, and I'm a Forex trader.

I love the Forex market. For me, it is the best financial market to be in. It provides non stoppable opportunities, and it's the biggest financial market, so there is a place for any one ☺

And another reason for my true big love to this market is that it is different from any other market. And, you may not know it, but even the technical analysis for this market is different from any other market. Even though these are the same prices chart.

And you must be asking yourself, why is this market different? And that's ok because here is my answer:

Take the stock market for example, a stock's price can be changed during the year at 40-50 or even more percent, right?

But, can any currency be strengthened against another currency in the same shift?

You all know the real answer: NO, it cannot!!!

Why? Because a stock's price is determined by the demand for that pill\software\product etc that the stock represents.

But in the currency market, one currency is always traded against another one, so there is no currency price by itself, right? There is no just EUR, or USD. But there is a pair, EUR|USD. One against other. And that's why one currency can never be strengthened against another in more than a tiny fraction in percent, 6,7,8 maybe even 12-15%, but that's all... no more change can be ☺

That's why the price action in this market is so different and the technical analyses are different as well.

Even the most famous indicators behave different in this market. And that's why you get this E-book, I want you to know the truth.

Knowing the truth that no-one has ever shared you with before gives you the keys to success.

The well kept secret truth I want to share with you is the secret behind the stochastic.

Well, in my years of trading I saw all... or almost all.

And I didn't actually understand why people think that such a beautiful indicator as the stochastic is used only for extreme points to point out the overbought and oversold areas.

I always was thinking... is that really possible that such a great indicator can be used for only that?

And then I've started to examine this indicator. I watched its behavior for every point on the market, and tried to understand what the stochastic is trying to point out to me, and I've found a very interesting idea.

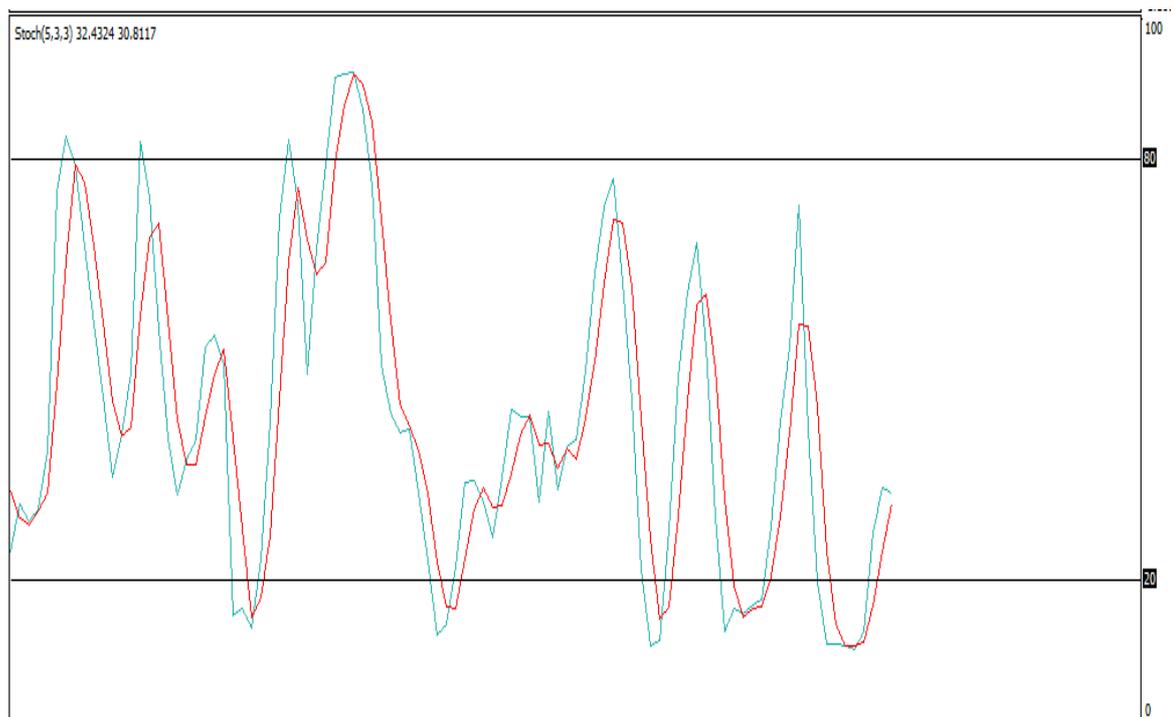
**THE STOCHASTIC IS POINTING THE STRENGTH OF THE TREND, NOT ONLY THE EXTREME POINTS!**

When I understood that, I was little shocked because this stuff changed my way to observe the market.

So after this brief preview, let me present you my discoveries:

(Next Page ==>)

Here is two important levels of the stochastic, as you might already know them : 80 , 20.



80 is the upper boundary, 20 is the lower boundary.

The original way to use these levels is: when the price is above the 80 level on the stochastic, and the stochastic MA cross down, go short, as above the 80 level means overbought area.

When the price is below the 20 level on the stochastic, and the stochastic MA cross up, go long, as below the 20 level means an oversold area.

BUT, can we make money only with that?

The answer is no! We can use this information to help us analyze the complete picture, but there is no way to use only that.

And, I personally find it not too useful, so I was thinking how such a great indicator can help me a little bit more?

And that's what I found:

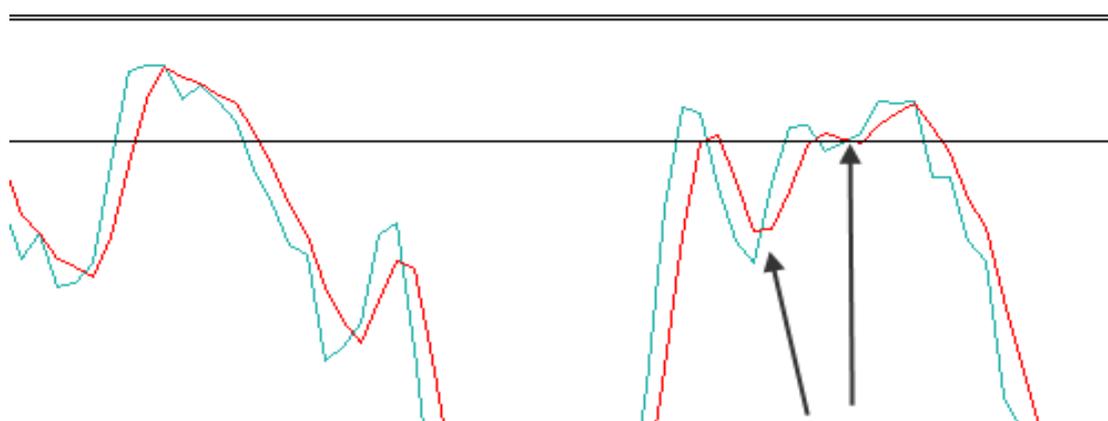
When the stochastic is around the 80 level, there is no overbought area yet! But the overbought area is only in the middle of its development!

So, instead of looking for a short trade in this area, it's better to look for a long position, because around these levels the market likes to make up moves because of the buyers inertia.

The opposite for short\sell area. When the market reaches the 20 level area, don't look to buy, instead look for sell trades as the price are going down because of the selling inertia.

So enough with the theory, let's look at some examples and then I'll explain every one of them to you.

The first few examples will show you how the market behaves around the high level of 80:



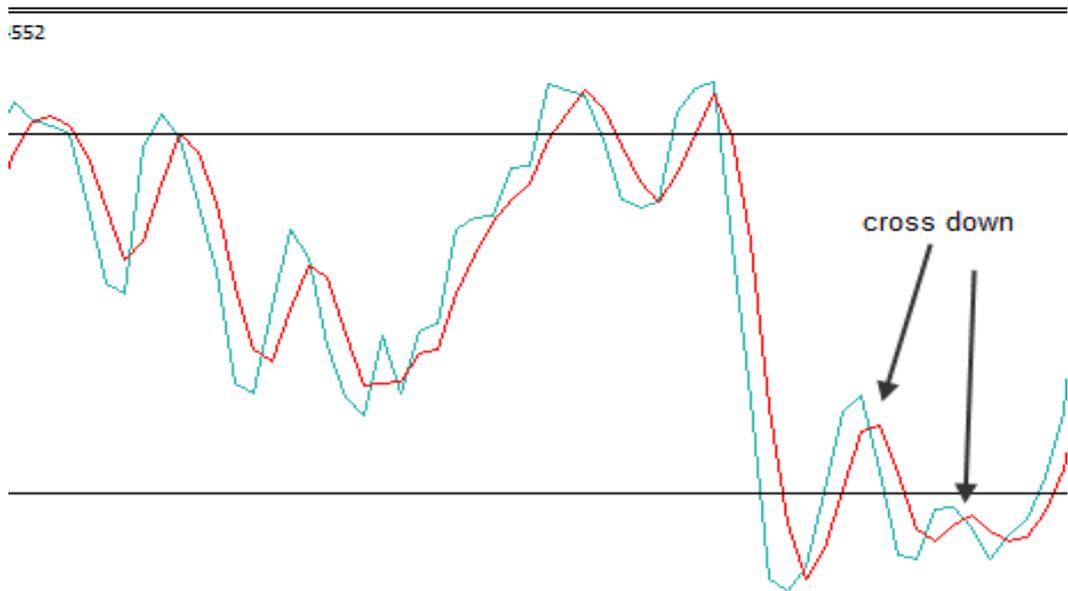
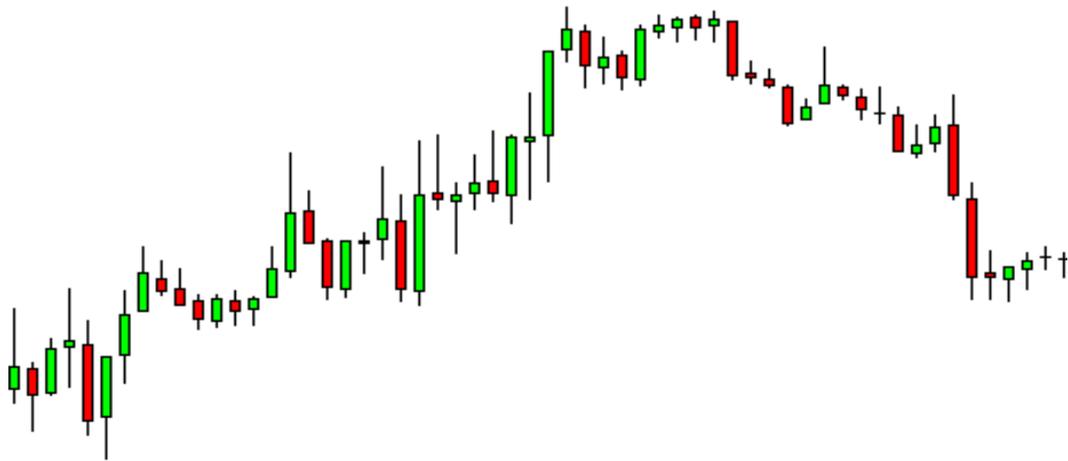
As you can see in this example, the stochastic crossed up two times around the high 80 level of the stochastic. And as you can see on the

chart, the market keeps rising up.



As you can see here, again, the stochastic crossed up around the 80 level... the level where originally we should look to sell, and the market kept rising.

On the next level, I will teach you how you can take advantage of that. Now let me show you some examples for sell position opportunities:



As you can see the stochastic crossed down, but the market keep falling.

Ok, so now it's time to set some rules for entry of the trades, and some rules to exit the trades.

For long positions:

Look at the chart to see that we are in uptrend. Set the last high on the chart, and then wait for the stochastic to cross up. When the stochastic crossed up, wait until the last high is broken as well. Then when the conditions are met, go long.

Examples:



As you can see in this example, the stochastic crossed up and the last high was marked (with striped line) and broken. This is our entry point to go long.

Here is another example:



Going Long:

And now, let's understand how to manage these entries.

Enter long when the rules are met and set your stop loss below the low of the candle that breaks up the last high. The stop loss is very small because we use the momentum of the break up that is followed by the stochastic.

The first target is equal the stop loss. For example, if your stop was 40 pips, then your first target should be 40 pips as well. At the first target I highly recommend to close 80% of your trade. The second target should be twice the stop loss, so in this example, if the stop was 40, the second target will be 80 pips. There you can close the remaining 20% of the trade.

Of course it is only my recommendations, if you are an experienced trader you can manage the trade as you wish.

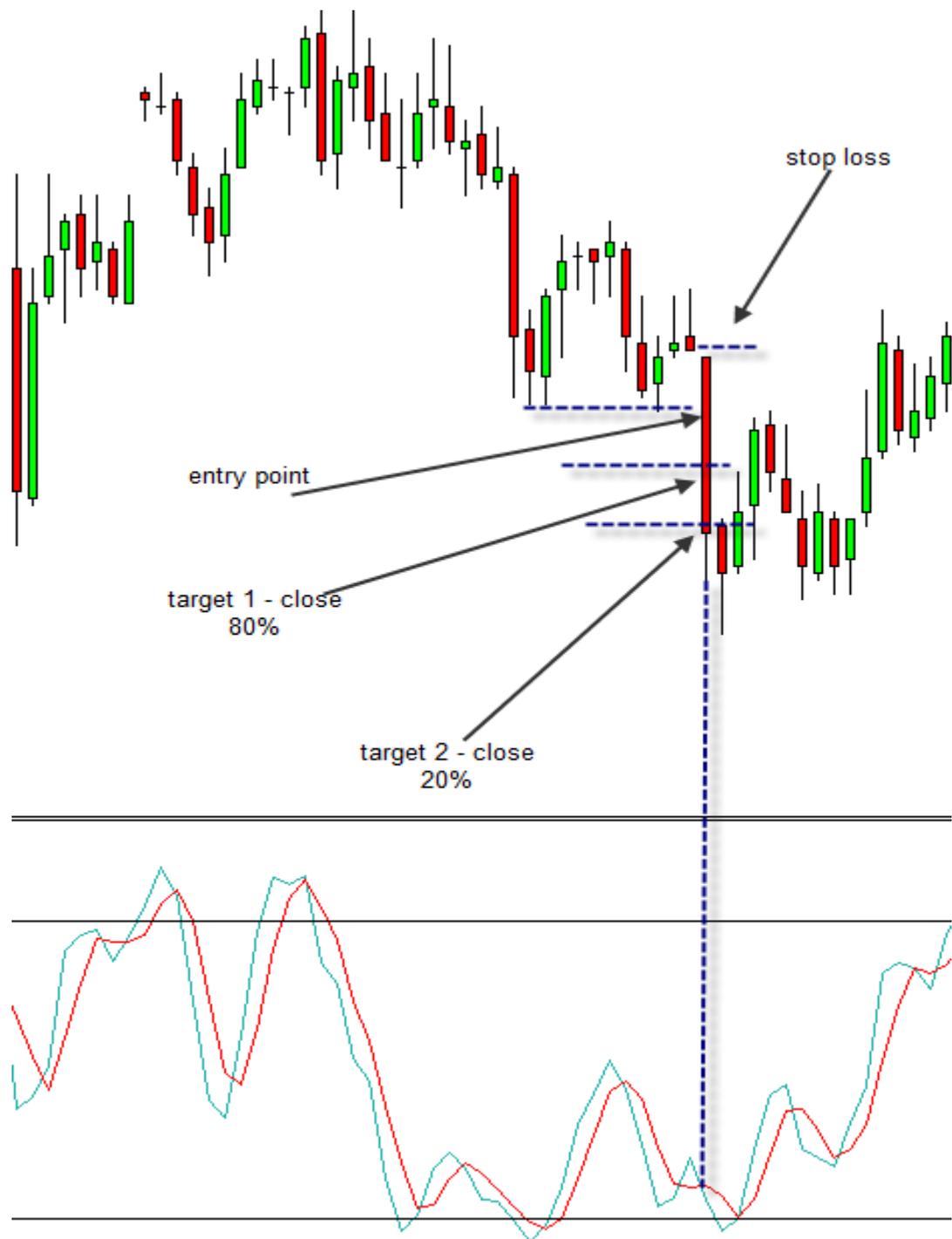
Going Short:

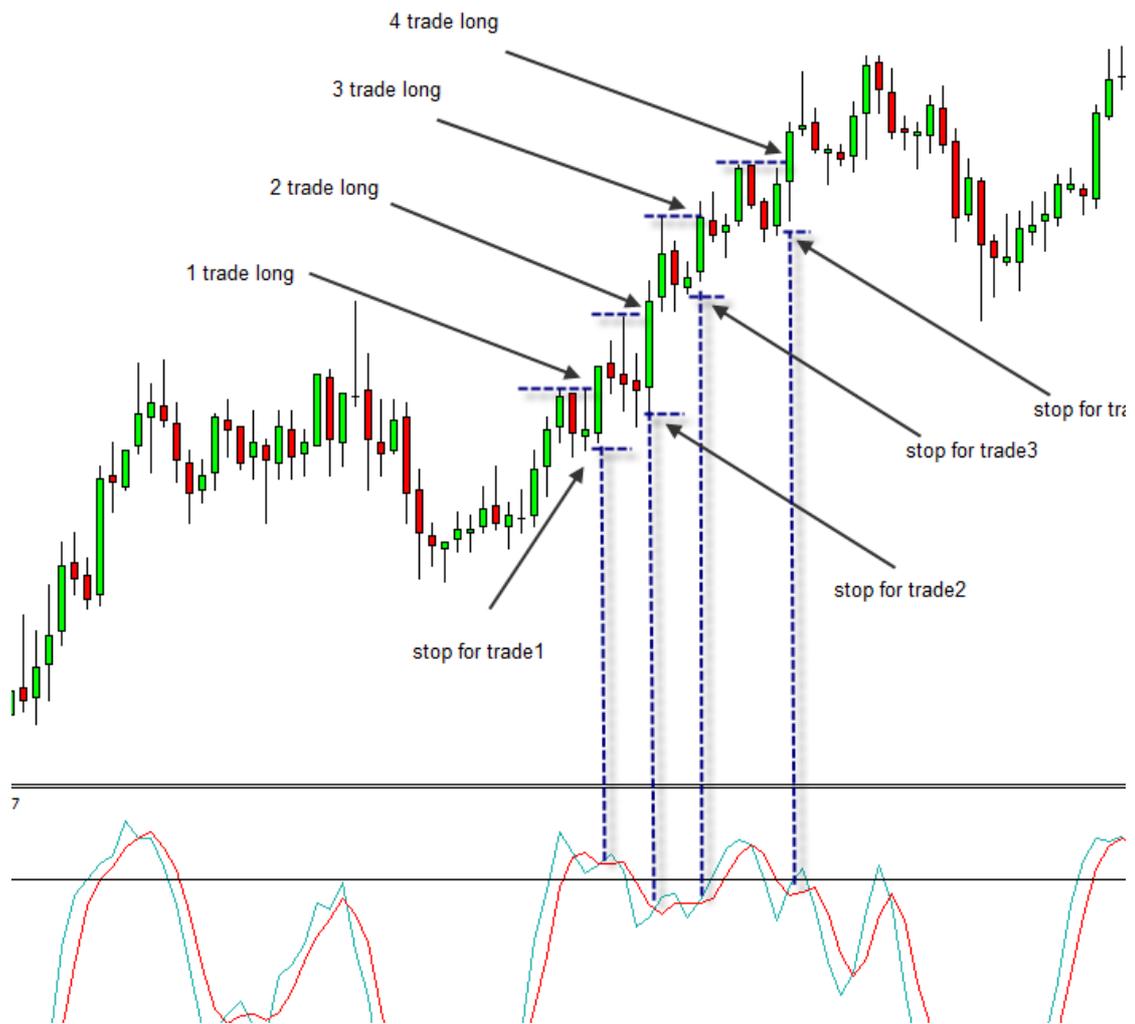
Enter long when the conditions are met, meaning that the stochastic crossed down around 20 level, and the last low on the chart was broken down. Set the stop loss above the high of the candle that breaks down the last low.

The first target will be the same as the stop loss, for example if your stop loss was 40 pips, the first target will be 40 pips as well, and you should close 80% of your trade at this target. The remaining 20% should be closed at the second target, which is twice as big as your stop loss, or like in our example... if the stop loss was 40 pips, the second target will be 80 pips.

That's all!!!

It's as simple as that... You'll see, in no time you'll be in love with this strategy and these ways to trade long and short. But before we finish, I want to give you some more examples and some bonus information that will help your trading with that strategy.



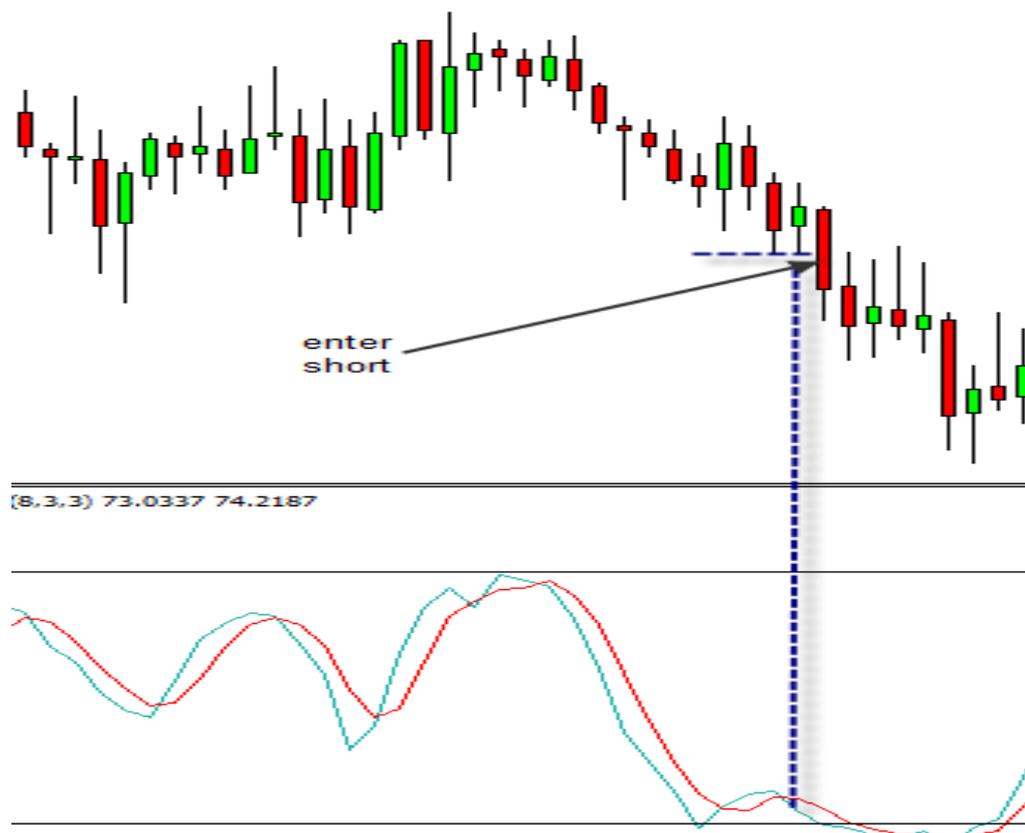


And now, as promised here are some bonuses. Here are some examples for trades that must not be overlooked!!!



3) 73.0337 74.2187

As you can see in this example, the last high was broken before the stochastic crossed! In such situations we will leave the trade and not trade it.



As you can see in this example which is opposite to the previous one, that the stochastic crossed one candle before the last low was broken. This is a good trade as long as the last low is broken MAXIMUM 1 candle after the stochastic crossed. Of course it is better to see the stochastic cross and the last low\high broken together, but we can enter with the last high\low broken in one candle MAXIMUM after the cross of the stochastic. And that's all for now guys!

You have all the instruments to use these REAL stochastic secrets. I know that no one will share this information with you, but I don't believe keeping these secrets to myself. If I can profit with them, you can, too!

To your success,

*Vladimir Ribakov*

