

5 MINUTE SCALPING SYSTEM

This is a fairly simple method to squeeze money out of the market with short terms trades. With this one we trade the five minute charts, and we rarely hold a trade for longer than 20 minutes. This system requires a little discipline not to over trade it, but if you learn this one well it will consistently earn you profits.

I personally use this one on a daily basis, and I consistently squeeze 30 – 50 pips out of the market with it.

The beauty of this particular trading system is that it is so simple, and so profitable, that you will wonder why you haven't used it from the start of your Forex career. With that said, let's just dive right in.

System Overview and Chart Setup

To get started, simply fire up a 5-minute EUR/USD chart, and add some indicators:



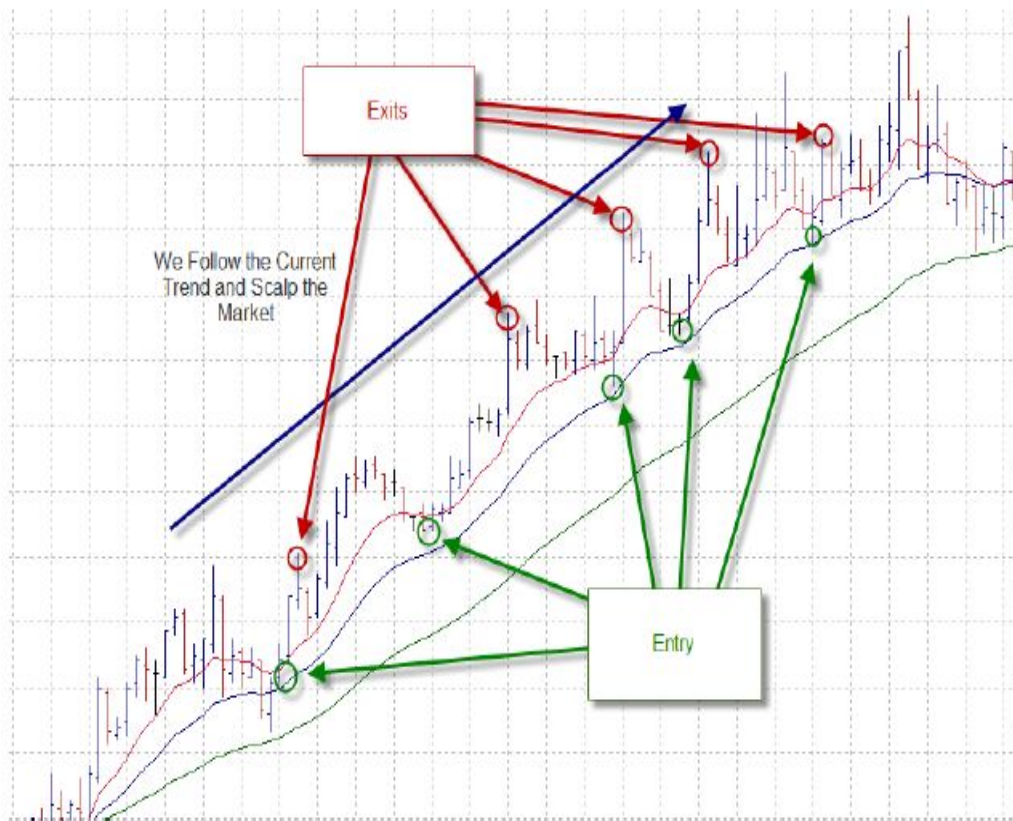
The indicators you want to use for this system include:

- Exponential Moving Average – 10 Period
- Exponential Moving Average – 21 Period
- Exponential Moving Average – 50 Period

The 50 EMA is our indicator to determine the short term trend, and the 10 and 21 period EMA's provide us with strong support and resistance levels which we will use for entry signals.

Timing is also everything with this system. The best times to trade this system are after the London market opens, or after the New York market opens. You should not trade this system when the Asian market is open, as you won't have as much success with it.

Our whole point here is to ride out the short term trends while the trend is making higher highs (and lower lows), and to constantly squeeze 10 -15 pips out of a trade while only risking five. If you follow our entry rules, this system does work well. The basic idea shown on a chart:

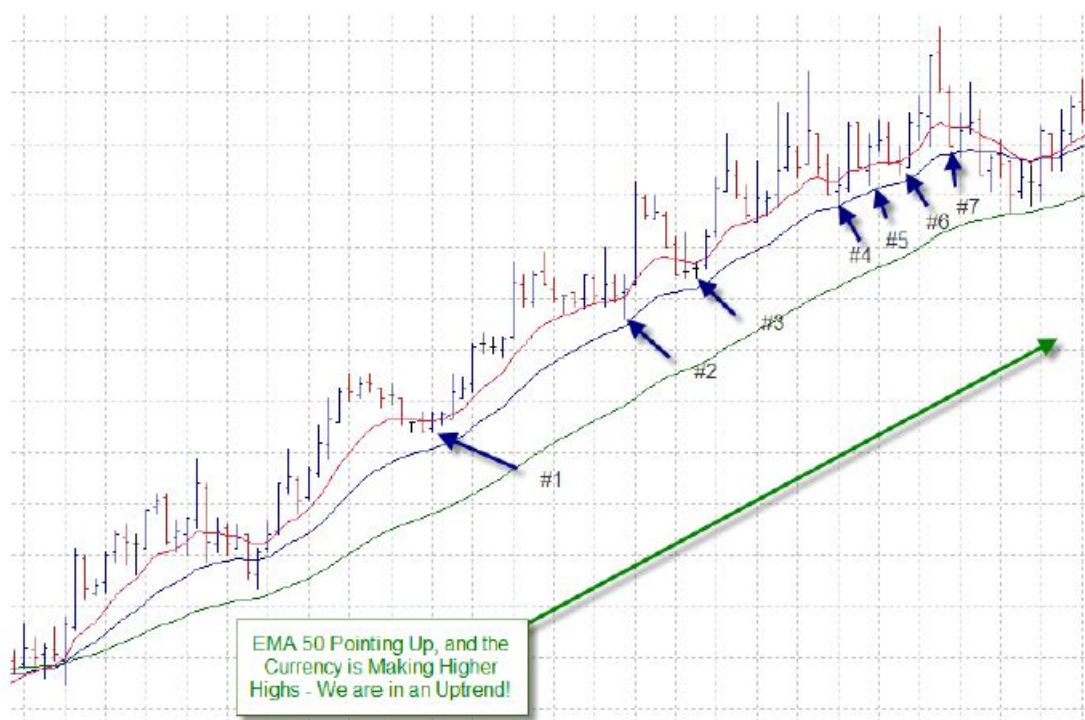


Trading Rules for the 5Minute System

The rules for this system are quite simple. To lay them out for you, we:

1. Look for a trend on the five-minute chart. This means that the currency will be making higher highs (in an uptrend), or lower lows (in a downtrend).
2. Look at the EMA 50 to determine trend direction and strength. The more it is slanting up or down, the stronger the trend is.
3. Wait for the currency to enter the halfway point between the EMA 21 and the EMA 10. If you are in an uptrend this is your buy signal. In a down trend it is your sell signal.
4. For a stop use 5 pips (plus the spread).
5. Set a take profit at 10 pips (plus the spread).
6. Continue scalping until the trend stops (50 EMA Turns Sideways)

Let's look at this on a chart to add some clarity:



Looking at the above chart, let's simply walk through the steps. I've listed 7 entry points. Of those seven, only 4 are valid, but we'll get to that. Let's walk through the steps we take to take advantage of the short term trend:

- **Trend Determination:** We have determined we are making higher highs, and the EMA 50 is pointing up. This tells us we are in an uptrend.
- **#1 Signal** – Price retraces to the midpoint between the EMA 10 and the EMA 21. We set a five pip stop and buy.
- **#2 Signal** – Price retraces to the midpoint between the EMA 10 and the EMA 21. We set a 5 pip stop and buy.
- **#3 Signal** – Price retraces to the midpoint between the EMA 10 and the EMA 21. We set a five pip stop and buy.
- **#4 Signal** – Price retraces to the midpoint between the EMA 10 and the EMA 21. We set a five pip stop and buy.
- **#5 Signal** – Price did not make a higher high -this could indicate the trend is changing. We don't take this trade.
- **#6 Signal** – Price did not make a higher high - again we don't take this trade.
- **#7 Signal** – Price did make a higher high, but the EMA 50 has turned sideways, we do not take this trade.

Let's look at this system whole system in reverse to have an example of short trades with the 5minute system. Looking at the chart below we first determine that we are in a downtrend, and then we have 5 entry signals on this chart.



In this case all of the entry signals are valid. The #3 trade would have stopped out, but we would have had four profitable trades by scalping 10 pips at a time from this trend.

This system is simple and if used the way we have laid it out it can be extremely profitable. We aren't quite done yet though, there are a way to add to the profitability of this system.

Going Further with the 5 Minute System

There are a couple of more things you can do with this system to add to its profitability.

First, instead of making multiple trades and taking ten pips at a time we can let our profits run. We can also use this system with other currencies. Let's take a moment to talk about both cases.

Letting Profits Run

I do suggest you trade the system as I laid it out in the previous section while you get used to it. But, as a variant, after you gain some experience you can let your profits run to earn more from the market.

Using this method, we won't be making multiple trades, instead we just take the first signal, set our stop to breakeven once we are 10 pips ahead, and then let it run. Using the same example from the previous section:

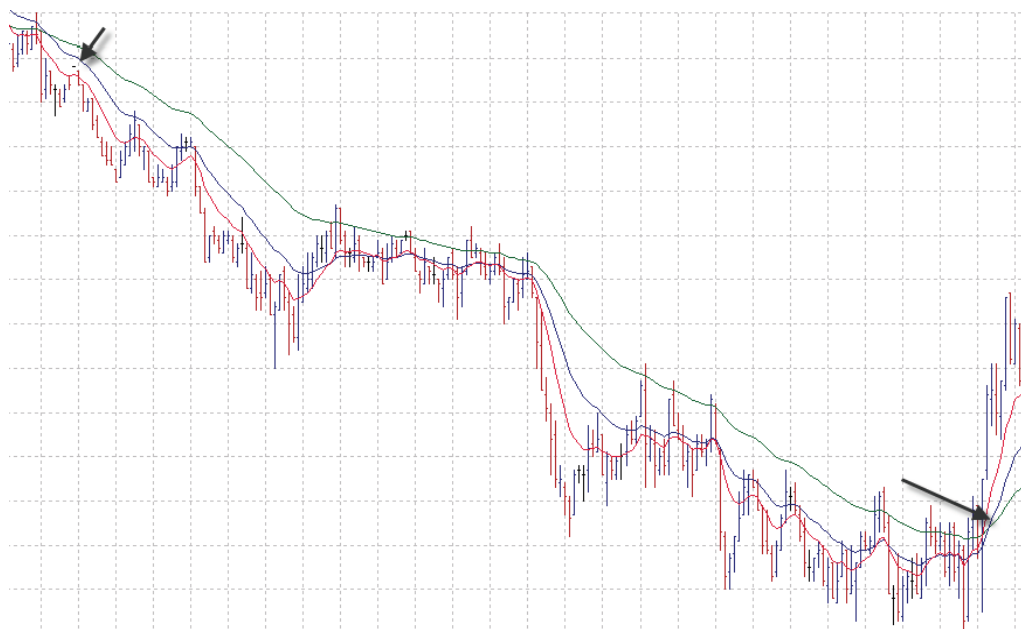


With this method we take the first entry signal once we've determined that we are in an uptrend/ downtrend. Looking at the chart above the bar hits the midway point between the EMA 10 and EMA 21. We enter the trade.

We still use our 5pip + spread stop, but this time we don't set a take profit. Instead we wait until the trade moves 10 pips in our favor and then set our stop to the breakeven point. From there just let the trade ride.

To exit the trade, there are two strategies that you can use.

1. Wait until the EMA 50 begins to flatten out as shown in the screenshot on the previous page. With this method we would have earned 50 pips compared to the 35 we would have earned from our previous example.
2. Wait until the EMA 50 actually turns up - with this particular trade we would have held it for most of the day and earned 100 pips.



Conservative traders should use the first exit strategy as it will ensure more consistent profits. Risk takers can try the second method as it sometimes is an easy way to make a big trade off the 5 minute charts.

Trading Other Currencies

Although I most often use this method with the EUR/USD pair, that isn't to say you can't scalp multiple currencies. Looking at the USD/CHF chart below, the system does work well with almost any currency.



If you do plan to use the system with a currency other than the EUR/USO, I do suggest that you take the time to back test it manually. Doing so will help to confirm in your own mind that it works with the currency pair. More importantly though it will help you determine the best times to use this method with that particular currency pair.

Pairs with large spreads will not be easy to use with this system.

Final Note

One last note before we move on: Although I do use this system on a daily basis, it isn't my main trading system, and it shouldn't be yours either.

Scalping the five minute charts is meant to be a method to squeeze extra pips out of the market when conditions allows, and not to be a huge income earner as some of the other systems I am teaching you will be.

Beer Time!

That's me – I'm done. I hope you enjoyed this little strategy from this ugly little eBook.

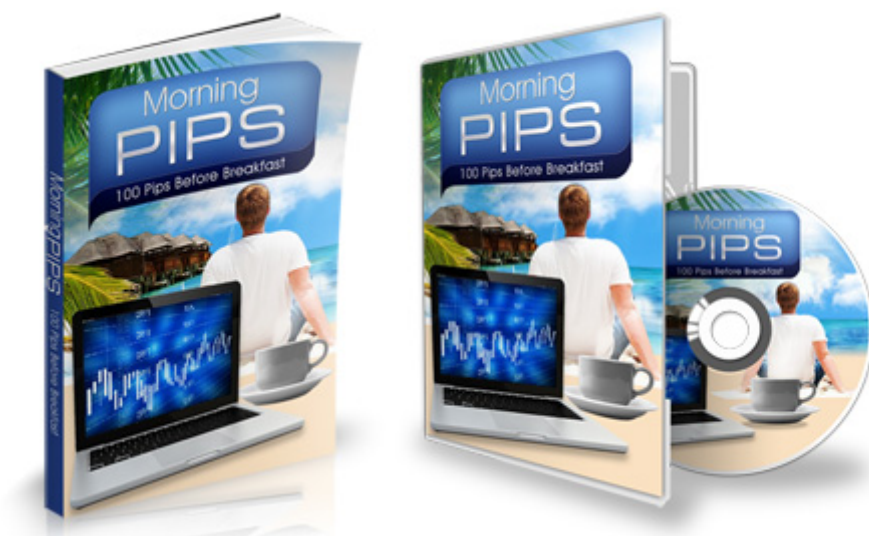
I can't say I enjoyed writing it that much (**shock horror!**) but the truth is – I'm not really big into writing – trading is more my thing to be honest.

But I see so much garbage out there in the trading world that I can't help but write something just to at least point people in the right direction and to help stop them getting side-tracked by internet marketers and other such people.

Anyway, time for a shameless plug... hey, I can do what I want, it's *my* book! Ha-haa. I'd like to offer you the chance to try **Morning Pips™** for no-risk... you heard right – **no-risk**...

Here's a pretty picture of the eBook (got it custom designed and everything – hope you like it!)...

Morning Pips™ is about one hundred times better written than this eBook, and if you can even imagine the strategy, is about a hundred times better as well – I joke you not!



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