TRADING IN THE GOLDILOCKS ZONE

By Michael Nurok

www.trendprofiteer.com
RISK DISCLOSURE STATEMENT / DISCLAIMER AGREEMENT

Trading any financial market involves risk. This report and all and any of its contents are neither a solicitation nor an offer to Buy/Sell any financial market.

The contents of this material are for general information and educational purposes only [contents shall also mean the website http://www.trendprofiteer.com or any website (“the sites”) the content is hosted on, and any email correspondence or newsletters or postings related to such website]. Every effort has been made to accurately represent this product and its potential. There is no guarantee that you will earn any money using the techniques, ideas and software in these materials. Examples in these materials are not to be interpreted as a promise or guarantee of earnings. Earning potential is entirely dependent on the person using the product, ideas and techniques. We do not purport this to be a “get rich scheme.”

Although every attempt has been made to assure accuracy, we do not give any express or implied warranty as to its accuracy. We do not accept any liability for error or omission. Examples are provided for illustrative purposes only and should not be construed as investment advice or strategy.

No representation is being made that any account or trader will or is likely to achieve profits or losses similar to those discussed in this report or on http://www.trendprofiteer.com or on the sites. Past performance is not indicative of future results.

By purchasing any content, subscribing to our mailing list or using the website or contents of the website or materials provided herewith, you will be deemed to have accepted these terms and conditions in full as appear also on our site, as do our full earnings disclaimer and privacy policy and CFTC disclaimer and rule 4.41 to be read here with. So too, all the materials contained within this course, including this manual, whether they appear on our domain(s) or are in physical form, are protected by copyright. "Warning: The unauthorized reproduction or distribution of this copyrighted work is illegal. Criminal copyright infringement, including infringement without monetary gain, is investigated by the authorities and is punishable with imprisonment and a fine." We reserve all our rights in this regard.

Homerun Creations Pty Ltd, in association with http://www.trendprofiteer.com, the sites, content, and its representatives do not and cannot give investment advice or invite customers or readers to engage in investments through this course or any part of it.

The information provided in this content is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject us to any registration requirement within such jurisdiction or country.

Hypothetical performance results have many inherent limitations, some of which are mentioned below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and actual results subsequently achieved by any particular trading program and method.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk and no hypothetical trading record can completely account for the impact of financial risk in actual trading.

For example, the ability to withstand losses or to adhere to a particular trading program or system in spite of the trading losses are material points that can also adversely affect trading results. There are numerous other factors related to the market in general or to the implementation of any specific trading program, which cannot be fully accounted for in the preparation of hypothetical performance results. All of which can adversely affect actual trading results.

We reserve the right to change the set terms and conditions without notice. You can check for updates to this disclaimer at anytime by visiting http://www.trendprofiteer.com.

Governing law: this policy and the use of this report / course / DVDs / eBook, provided in any form, and any content on the website are governed by the laws of the Republic of Australia. Further details on this are found under the Terms and Conditions on our site. Please ensure you read and agree with all Terms and Conditions as set out on our site before using any of the materials. Your use and reliance on the materials is based on your acceptance of such Terms and Conditions and policies as appear on the site.
INTRODUCTION

This special report will help with your use of the Trend Profiteer trading system.

Trading in the “Goldilocks Zone” enables a trader to optimize their results by fostering discerning decisions with Profiteer trades based on price and the overall conditions of the market setup, regardless of whether it is a trend trade, swing trade, conservative trade or aggressive trade.

The Goldilocks filtration of trade setups ensures that conditions are "just right" with the price being not too close and not too far away from the inception of the trend. Traders can benefit from a potentially higher probability of positive outcomes, as well as a trade that will likely move quicker and easier in the intended direction without unnecessary exposure to adversity.

My hope is that you take this information and apply it to your Trend Profiteer trading. Remember, the Trend Profiteer system is extremely robust and the strategy is very powerful, but it helps to have the discerning eye of an experienced trader to know which signals are in the ideal entry area. Using the Goldilocks Zone filter can make your trade decisions even easier by instantly knowing whether the entry price falls in this “sweet spot” for entries.

Please note that any examples provided can be mirrored for trade setup rules in the opposite direction.
TRADING IN THE GOLDILOCKS ZONE

When taking trades, you should do everything you can to ensure that conditions are as perfect as possible. Naturally, this is still no guarantee for the trade being a winner, but it does give you a better chance of the trade getting into positive territory quickly and easily so you can lock-in profits.

If you're taking a Trend Profiteer Buy Trend Trade, regardless of whether it's a conservative or aggressive type, you ideally want to see a trade setup with the following criteria to ensure you’re “trading in the Goldilocks Zone”;

- The price is a little above the 7-period Moving Average (Yellow Moving Average). If you're trading the 1 hour chart, you want to see price being ideally at least 2-3 pips above the 7MA on a buy trade.

- The price is not too far away from the Moving Average Crossover. On the 1 hour chart, you typically don't want to see price more than 20-30 pips above the Moving Average Crossover.

In summary, for a buy/long Trend Trade, you want to see the price above the Fast Moving Average, but not be more than a reasonable distance from the Moving Average Crossover. This is what I call, “The Goldilocks Zone” – the zone where entry price is not too close and not too far, but just right.

Note: The Goldilocks Zone is relative to different time frames and different pairs which may typically require more or less pips.
In other words, you want to enter trades in the area where price is showing momentum above the Moving Average Crossover but where it has not moved too far beyond the Moving Average Crossover that a trade entry becomes too risky due to a higher chance of experiencing price correction or stagnant consolidation, before any further moves in the intended direction.

History proves that price can react off Moving Averages, as it does off trend lines, support levels, and resistance levels. If price is “testing” the MA, in some cases, it can break through rather than reacting off it. That's why when we're trading the Goldilocks Zone, in a buy trade for example, we want to:

a) Ignore trades where price is not significantly above the Fast Moving Average as it suggests low momentum or possible retracement, and

b) Ignore trades that are too far above the Moving Average Crossover as it implies a higher risk with higher Stops required.

Here's an example of a Trend Profiteer Trend Trade buy setup where the price is below the 7-period Moving Average (Yellow Moving Average) and not showing momentum. We want to avoid these trades, because judging the setup on price action alone suggests that price is already showing a probability of failing without any momentum present to drive price higher.
Below is an example of a Trend Profiteer Sell Trend Trade where the price closed above the Fast Moving Average. Like the buy example above, this potential sell trade is not showing momentum with price indicating an unwillingness to fall.

Even though the price did fall a little after entry and could have generated some pips profit, the fall was very temporary and price then continued to move upwards soon after.

We want to avoid these trades, as on price action alone, the price is not showing the momentum it needs to offer us a better probability of price falling lower.

Note: Even if all other filters are valid, we want to be acutely aware of the “price action” and use this factor as a powerful non-lagging indication of the probable direction in price, in the very near future.

After a while, you will start to easily recognise these movements easier and quicker. I consider price action to be the market’s “body language” and you can learn and predict a lot from just this element of trading. In summary; if price looks like its struggling to move in the intended direction, or if price looks like the “horse has already bolted” (ie; a very large price move has already happened in the intended direction), it’s best that you proceed with caution.
The following shows an example of a Trend Profiteer Buy Trend Trade where the price is too far above and beyond the Moving Average Crossover.

In this case, the price of entry is disproportionately above the Moving Average Crossover which on any time frame represents a genuine risk of either:

1. a correction in price, or
2. a period of consolidation without further increase.

The higher the time frame, the more pips we can relatively accept as the Too Far distance of the price from the Moving Average Crossover. Naturally, price can continue in the direction we are trading, however pullbacks can cause bigger stops to fail and cause unnecessary stress so it's important to trade cautiously.

If you are taking a Trend Profiteer sell/short trade, regardless of whether it's a conservative or aggressive trade, you ideally want to see the following:

a) The price is a little below the 7-period Moving Average (Yellow Moving Average). This is relevant to the time frame, but say you're trading the 1 hour chart, you want price to be at least 1-2 pips below.

b) The price is not too far away from the Moving Average Crossover. On the 1 hour chart, you typically don't want to see price more than 20-30 pips below the Moving Average Crossover, depending on the pair.
In other words, you want the price to be at least 1-2 pips below the Moving Average Crossover but you also want the price to not be more than 20-30 pips below the Moving Average Crossover. Remember: The Goldilocks Zone is relative to the time frame and pair. For example, with Yen pairs and exotics like the EURAUD or GBPNZD, the Too Far level on a 4-hour trade setup may be 100 pips or higher and still seem reasonable based on the average movement of the pair on the time frame traded, as well as the stop used and the potential returns.

Here’s an example of a Trend Trade Sell where price has closed too low below the Moving Average Crossover for this short timeframe.

Remember, the area between; the minimum distance from the Fast MA, and the maximum distance from the MA Crossover, is the Goldilocks Zone.

Make sure you keep in mind of what all the 6 HTF Directional Indicators are showing. I would be more flexible, for example, if four or five of the HTF Directional Indicators are pointing in the same direction, but if this were an Aggressive trade type with only three of the HTF Directional Indicators pointing in the intended direction, I would be less willing to take the trade or I would take the trade with lower lot sizes and therefore, lower risk. It could be a “fake move” engineered by Market Makers to drive price down to buy back at a better price, or it could simply be the erratic gyrations of the market at the time.
Here’s an example of a Goldilocks Zone displayed on a Buy Trend Trade:

Here’s the settings of the Goldilocks Zone displayed on the above setup:
Here’s an example of a Goldilocks Zone displayed on a Buy Trend Trade:

![Goldilocks Zone on Buy Trend Trade](image)

Here’s the settings of the Goldilocks Zone displayed on the above setup:

![Goldilocks Zone Settings](image)
The Swing Trade also has a Goldilocks Zone, but with Swing Trades, they’re determined differently...

With these trades, we're focused with the following aspects of the trade setup:

1. The entry should not be too far from the most recent MA Crossover (the inception of the current trend).

2. The move of the swing should not be too big (the distance between close of bar and close of previous bar)

The concept of a Swing Within Trend trade is that the price will continue to move with the trend, after a pullback has occurred that is immediately followed with a swing that is in line with the trend. Therefore, on a 4-hour chart for example, which regularly experiences an overall trend move of 500-800 pips, the Too Far From MA Crossover amount could reasonably be 300-400 pips. In other words, you want to catch swings that are up to 400 pips away from the inception of the trend. Naturally, the further away the Swing Within Trend setup is from the inception of the trend (the MA Crossover), the more likely that the trend is about to end. Naturally, this Too Far amount should be based on the average trend move of the pair on the chosen time frame.

In addition to the above, ideally, (1) the MACD Histogram should be close to the Zero Line, (2) the shape that the MACD histogram makes preceding the signal bar should be gradual or parabolic in nature, and (3) the number of inverse MACD histogram bars preceding the signal bar should be significant.

In other words, we're ideally looking for a market setup where:

1. The swing within the trend occurs not too far from the inception of the trend (the most recent MA Crossover),

2. The size of the move signalling the swing is not too big,

3. The MACD histogram bar is close to the Zero Line,

4. The shape that the MACD histogram is either; (a) Very gradual, or (b) Like
a bell (or upside down bell for long trades). You could also refer to the shape as a parabolic curve, and finally,

5. There are at least 2 MACD histogram bars preceding the signal bar, but more inverse preceding bars are always a positive indicator for a change back in line with the intended direction after a long and slow correction

Here's an example of a **Buy Swing Trade** that I would not take based just on;

- The size of the swing is too big
- The swing occurred too far away from the inception of the trend move

These factors combined, made the trade quite risky. Although it may have succeeded, price correction or consolidation was probable and therefore, if I had taken the trade, I would have kept reduced my lot size traded and I would be inclined to move stops to break-even as soon as the trade got into reasonable profit, and then make sure I lock in profits as soon as possible just in case the trend is at the end or near the end of its move and is starting to bend.
Here's an example of a **Sell Swing Trade** that I would not have taken because:

- the size of the *swing is too big*
- the swing occurred *too far away* from the inception of the trend
- the signal was given when the MACD histogram bar was too far below the Zero Line

Just like the Buy Swing Trade, the combination of these factors made this sell swing trade too risky. Notice that the price consolidated sideways and did not fall any further. If I had taken the trade, I would have kept my stop loss tight, my lot sizes small, and I would make sure that stops are moved to break-even as soon as the trade got into profit. I may have ended up making a few pips but the risk was not worth the possible reward.

Note: Only Trend Trade Goldilocks Zones are displayed on the charts. Swing Within Trends do not display the Goldilocks Zone on the charts.
CONCLUSION

Many trades of the Trend Profiteer trading system will go well, regardless of whether the price is within the Goldilocks Zone, particularly if you give the trade room to breathe.

However, trading is all about optimizing your trade entries so you place yourself in a winning scenario most of the time. Minimizing your risk and maximizing your rewards also plays a vital role with the outcome of your capital’s bottom line.

Therefore, if you take a moment before entering a trade to confirm whether the price is in the Goldilocks Zone, I am confident that you will reap the rewards of a higher win rate and greater pips generated. Even though Trend Profiteer is an excellent and robust trading system, some entries just aren’t meant to be taken and it’s important to accept this fundamental fact of trading.

In closing, I urge you to use the Goldilocks Zone whenever you trade the system for optimal results.

Good trading & live well,

Michael Nurok