

## MCEL DAILY FOREX INSTRUCTIONS

The MCEL Daily Forex Program ("MDF") updates are researched, developed, and posted around 6:00 AM EST and at 5:00 PM EST. Anticipate signal transmission 30 minutes either side of the official posting time. The time indicated at the top of each transmission is for version reference purpose, and does not mean you have missed a trade. MDF is also written for commercial accounts that begin trading at 2:00 PM EST Sunday. If your Forex platform begins trading later than that on Sunday, it is recommended that you do not chase Sunday trades and stay with the price parameters given.

MDF is a global benchmark service. It is not an official track record. This service is issued only twice a day, morning and evening. The trader must use **ANTICIPATION** and **PATIENCE** in creating the trades, the stops, and the profit objectives. You will learn to follow the daily postings and once you learn to follow the postings the format does not change and the terminology does not change.

There are **THREE PARAMETERS FOR EVERY TRADE**. Even if you look at only the first two parameters of **TIMING** and **DIRECTION**, you should do very well with this service. The third parameter is **PRICE**. At times you will see trades that occurred when the updates were written but are not tradable from a price standpoint when they are received or when you read them at your leisure later than that. That problem could occur even if the updates are sent instantaneously throughout the day.

MDF typically trades two categories of trades: **THRUST PENETRATIONS** and **RETRACEMENTS**. We will define these categories later. You will notice that the postings view the market as a dynamic process not as a static process. Many trades may take several hours to setup around our prices. These trades require patience. For instance, on some trades you might notice that the entry price could have been executed anywhere from 10AM to 1PM that day. The half profit could have been liquidated from 21:00 to 01:00 and the other half turned out to be a breakeven stop, which had been entered for hours. In a 24 hour market this type of continuity is **REQUIRED FOR SUCCESS**.

MDF trades thrust penetrations and retracements for the most part. You are probably familiar with **THRUST PENETRATIONS** as "**Breakouts**." When we issue a stop above/below or "thrust" above/below a given level that indicates 2 to 5 pips away from that number. For instance, as you follow a **Developing trade (patience)** you will see references to the building momentum days before the trade is actually put on. Prior to the thrust being made (the breakout occurring) you will have been advised to watch for the breakout and to get into the trade at the level you are comfortable with, which is 2 to 5 pips above/below the Thrust level indicated.

Our methodology is complex and comprehensive. It specifies regular trades, aggressive trades, and less aggressive trades when appropriate. You will take trades matching your risk tolerance and account balance. Aggressive traders will want to take more risk in hopes of capturing more of the run up/down in a position. Less aggressive traders (more cautious) should keep tighter stops in place.

Many times, we will offer a second strategy for less aggressive traders going into the subsequent trading session with suggested stops and profit taking points. You will notice that we often suggest taking half profits on trades (if you are trading a 2 lot, take off one). You will be watching your charts and will be able to “see” the developing patterns and range of trading areas we suggest.

If, for example, we are seeking 30-50 pips in a trade, you should wait for the suggested trade price or near the price or miss that trade. If we are seeking 100-300 pips, you should be more aggressive and more creative about getting into the trade. Use our recommended stops or adjust them some. But, if the stops are adjusted, it must be for a smaller loss – never greater than we recommend. Stay with the McElhannon risk/reward ratio. Trade the big picture, go with the flow we present, and do not micro manage the signals. There will be 10 other trades for every one we miss. A three-pronged method is used to determine and adjust these trade levels.

We took 140 pips from a nine day old second half trade in the AUDUSD on January 12, 2005. The first half had booked 30 pips earlier in the trade. This falls on the outer edge of our trade time parameters, but exemplifies the multiple time frame capability McElhannon offers in its Forex research. During the January 11 and 12, 2005 period, McElhannon took substantial profit out of the Yen and Swiss. Both of these sets of trades offered a large block of time to prepare to trade them and to get into the trades. If subscribers made those trades and missed one or two others because the exact price was not available, they are deep in the black. It is important to understand the pip range we are looking for as the trades develop.

**FORMAT.** MDF offers **consistency** in its recommendation format.

\* The **lead paragraph at the top of each transmission** contains comments about the direction of the U.S. Dollar. Since the majority of MDF trades are U.S. Dollar versus G-7 currencies, this paragraph gives a brief U.S. Dollar benchmark.

If there are **special announcements** about MDF, they **will be contained in this lead paragraph**. So, it is important to scan what this lead paragraph contains.

\* Subsequently, there is a **paragraph devoted to each Forex cross traded**. The designator for the cross is in the upper left hand corner of its respective paragraph. That paragraph is divided into two parts.

\* The first part contains text and usually describes the Intermediate Term direction of the cross. Intermediate Term Forex moves contain the price appreciation/depreciation we are seeking in these trades. This text will also contain a description of the nature of the market respective to trade conditions we are seeking for new trades and existing trades.

In these first parts of the paragraph will appear the term **“range of significance”** and two numbers above and below the market at the time of the current update. This printed reference instructs the user to place a buy stop above the high end of the range and a sell stop below the low end of the range by 2 to 5 pips according to personal preference.

**Half profit Obj = 25 to 50 pips with equal risk**, or something similar, will be listed. This indicates the user, if filled from MDF instructions, should subsequently seek 25 to 50 pips profit. New traders should always take the lower end of the profit objective and let more experienced traders seek larger gains. **With equal risk** indicates if you are seeking 25 pip profit, your risk should be an equal number of about 25 pips.

**At half profit, stops to BkEven** is many times written but sometimes not written. This indicates the user after liquidating half profit in the trade should move the stop to Break Even (the trade entry price) on remaining positions. **THIS IS POWERFUL RISK MANAGEMENT THAT FOREX TRADERS SHOULD USE WHETHER WRITTEN OR NOT.**

\* **The second part of each cross specific paragraph** will appear below the text. It is written when trades are actually instated and liquidated. This becomes a cumulative trade summary during the month. Long at 103.75, 02/01 indicates we are officially long that cross at 103.75 on February first. Stops are given. If they are above/below a number, this indicates to use a stop 2 to 5 pips above/below the stop number. If Stops are a number, stop at that number. Profits are listed. and, if there is an Objective in addition to the first half profit number, it is listed here. Use it for guidance in taking second half profits.

**RETRACEMENTS** are usually given as a range.

\* For instance, early on Friday, January 21, 2005 the AUDUSD had rallied from an overnight low of about .7570 to .7668. In the **morning** update of 1/21 we stated: "Bulls. If a Friday downside correction is supported at .7635-.7610, upside Obj = .7665-.7705." This told MDF subscribers that if prices corrected from the early morning high and if that subsequent correction was supported at .7635-.7610 or above, to BUY this cross for an anticipated move higher to the .7665-.7705 range. The Obj (objective) is the **PROFIT OBJECTIVE**.

\* About 1.5 to 2 hours later there was a downside correction. It traded down into the anticipated McElhannon range and stopped at .7622. McElhannon officially purchased this cross at .7630 using intraday charts.

\* Later in the day Friday, 1/21 the AUDUSD rallied up to .7715 before the end of the week. Officially we were out of half of the position at .7665 to .7705, our original **profit objective**. Stops were moved to Break Even at .7630. **SEE THE ENCLOSED AUDUSD RETRACE CHART.**

In this scenario for **retracement** MDF users had to determine where to pull the trigger to enter the trade and where to place the initial stop, which should have been somewhere under the low end of our given support range. As this trade matured, users should have adjusted stops to just below .7610 and to Break Even as they took half profit. Smaller, one lot traders should have been flat with the first profit.

\* MDF users had to determine where in the profit range to book this trade based on their own intraday charts and trading experience. New, less aggressive traders can simply liquidate at the closest end of the profit range, which was .7665.

**PROFIT** is presented as a range generally. The abbreviation **Obj** means **PROFIT and/or PRICE OBJECTIVE**.

\* With McElhannon recommendations spanning up to twelve hours, this allows for better profitability possibilities.

\* As markets with momentum are traded, more than one range is offered as needed to aid traders in situations where correct McElhannon research picks market momentum and direction to come. **First half profits** are many times taken in the first profit range, **stops are then moved to breakeven**, and the second profit range is the target for the second half of the trade.

\* Aggressive traders and less aggressive traders can select their own exit points based on McElhannon profit range projections, intraday charts, and their own market sense. **New less**

**aggressive traders can simply liquidate at the closest end of the profit range.** Take profits to the bank. Forex markets are stingy about leaving profit with you too long.

**THRUST CHART EXAMPLES.**

Review the enclosed **CHFUSD Thrust trade** of February 02 through February 04, 2005.

Review the enclosed **GBPUSD Thrust trade** of March 02 through March 04, 2005.

As you use the recommendations and follow the comments you will develop your skills at determining your risk tolerance, ability to see developing patterns and trade entry and exit skills. Not only does the methodology provide Thrust (breakouts) and Retracement trade recommendations, it teaches you to work with your charts and to develop your own "feel" for the markets and confidence in your ability as a trader. Trading should be an educational process.

For those needing additional help or for those wanting to accelerate their learning curve under MDF, McElhannon Group, Inc. offers one hour phone seminars, pre-scheduled, fee based.

As always, past performance is not necessarily indicative of future results. Substantial risk is involved. Read our disclaimers.

Thanx.

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