 **BREAKING:** BabyPips.com Launches MarketMilk™ – A Brand New Technical Analysis Tool That Provides Fresh Market Insights!

10\$ Free Bonus - World's Leading Exchange

Enjoy exclusive 10\$ newbie bonus to trade everywhere with the safest platform iokex.com

OPEN

New Forex System: Inside Bar Momentum Strategy



By Robopip

🕒 January 13, 2017 6:11 AM SAST in [TRADING SYSTEMS](#)

New year, new system! I spent a good part of the holidays cooking up a pure price action-based forex mechanical strategy and I think it's ready for tasting... I mean, testing!

As you've probably gleaned from its name, this trading system hunts for **inside bar formations**, which are dual candlestick patterns in which the second bar is completely contained by the high and low of the first bar. These typically reflect a period of consolidation within a trend before making another strong move in the same direction, but they can also indicate potential reversals off inflection points.

Advertisement

Without further ado (or technical indicators and settings), here are the entry and exit rules:



Partner Center
Find a Broker

Long position

The first candlestick must be bullish (green or white) and if the second candlestick is completely contained by the first, set a buy stop order at the first candle's high plus 10% of its range (high minus low).

Place the stop loss at the first candle's high minus 20% of its range and set the target at the first candle's high plus 80% of its range.

Short position

The first candlestick must be bearish (red or black) and if the second candlestick is completely contained by the first, set a sell stop order at the first candle's low minus 10% of its range (high minus low).

Place the stop loss at the first candle's low plus 20% of its range and set the target at the first candle's low minus 80% of its range.

Additional rules

If another inside bar pattern forms, the current position should be closed or the pending buy/sell order must be canceled and entry orders must be updated to the latest candles.

Sound confusing? Here are a few examples on USD/JPY's 4-hour time frame:

Advertisement

**FXCM AFRICA
TRADING CONTEST**

- ✓ \$1,000 in Cash Prizes
- ✓ Simple Rules
- ✓ Trade Bitcoin & Forex

JOIN NOW

Trading in FX/CFDs carries significant risk of loss. FSP No 46534. Terms and Conditions Apply.



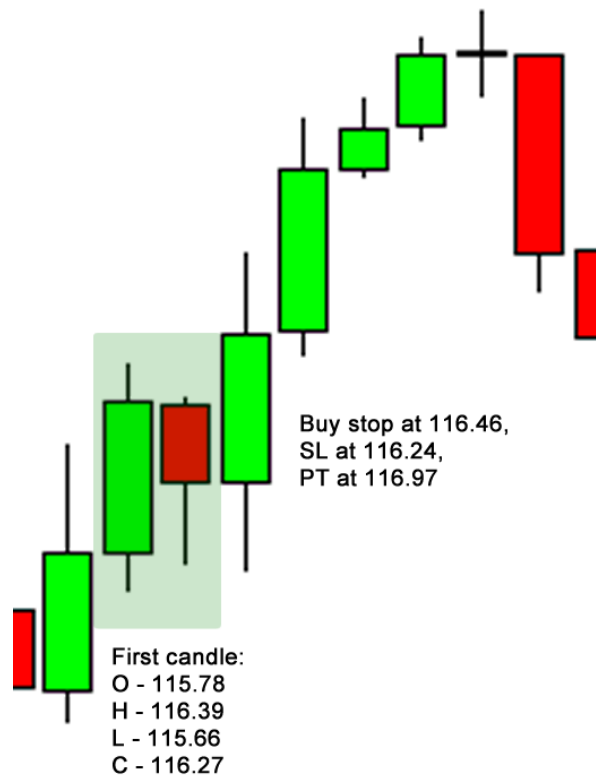
Advertisement



USD/JPY 4-hour Forex Chart

The empty red and green boxes highlight the inside bar formations whose sell or buy orders weren't triggered while the filled ones indicate the ones with long or short positions. It does take some time and a sharp eye to get used to spotting inside bar patterns and valid signals, but it can be a breeze once you get the hang of it!

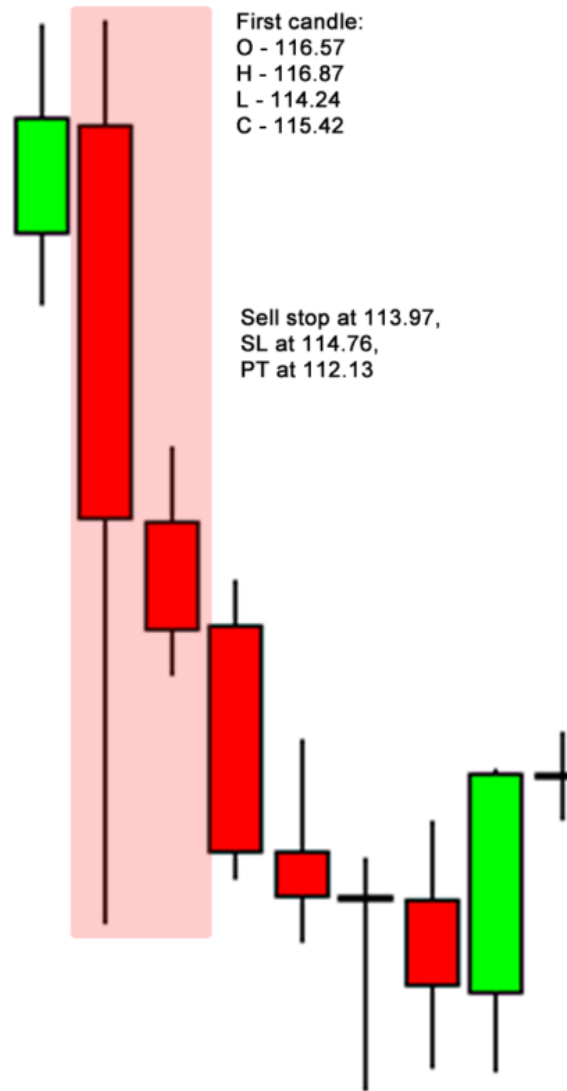
Now let's zoom in to the opened positions for the entry and exit levels:



Buy stop order = $116.39 + 0.10 \cdot (116.39 - 115.66)$

Stop loss = $116.39 - 0.20 \cdot (116.39 - 115.66)$

Profit target = $116.39 + 0.80 \cdot (116.39 - 115.66)$



Sell stop order = $114.24 - 0.10 \cdot (116.87 - 114.24)$

Stop loss = $114.24 + 0.20 \cdot (116.87 - 114.24)$

Profit target = $114.24 - 0.80 \cdot (116.87 - 114.24)$

I'm still ironing out some of the kinks of this system and might come up with more early exit rules in my next posts, but do share your initial thoughts in the comments section below! As practice, can you determine the entry and exit levels for the second valid long signal on January 11?

About Robopip



On my planet far, far away, it's all about the pips. And now that I'm joining the human race here on Earth, I've decided to impart my knowledge on currency trading systems with your world. Join me as I find, develop, backtest, and rate different mechanical, expert advisors (EA), and algorithmic forex trading systems.

[More from Robopip](#) >

86 Comments ▼

Turbulent Stock Market?

Trade Stock Indices with as little as \$50

Trading in FX/CFDs carries significant risk of loss. FSP No 46534

START TRADING



What to Read Next...

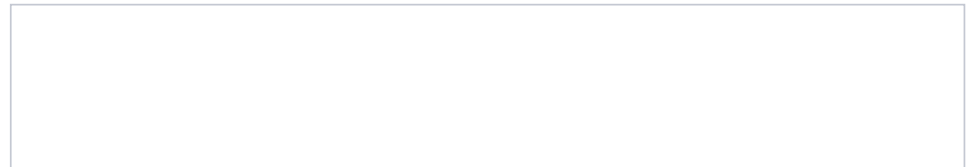
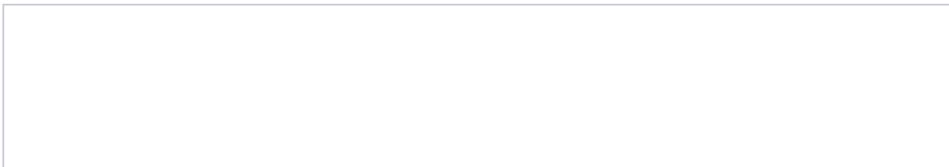
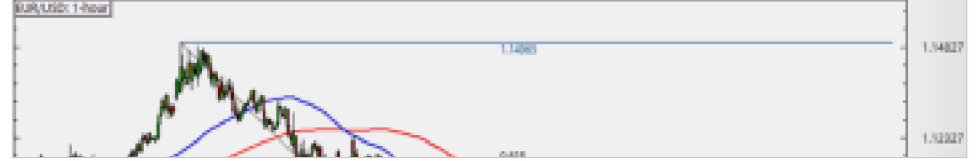




Chart Art: Short and Long-Term Trends on EUR/USD and AUD/CAD

🕒 3 hours ago



Daily London Session Watchlist: EUR/USD

🕒 8 hours ago



System Update: SMA Crossover Pullback (Mar. 24 – 31)

🕒 10 hours ago



Trade Idea: Short-term Support on GBP/CAD?

🕒 18 hours ago



3 Tips on Trading Outside Your Comfort Zone

🕒 19 hours ago



Daily U.S. Session Watchlist: AUD/JPY

🕒 a day ago

10\$ Free Bonus - World's Leading Exchange

Enjoy exclusive 10\$ newbie bonus to trade everywhere with the safest platform iokex.com

OPEN

“ With the new day comes new strength and new thoughts. ”

- Eleanor Roosevelt

LEARN FOREX

[Forex News](#)

[Forex Trading Course](#)

[Forex Quizzes](#)

[Forex Forums](#)

[Forex Glossary](#)

FOREX TOOLS

[MarketMilk™](#)

[Economic Calendar](#)

[Trader Personality Test](#)

[Position Size Calculator](#)

["Back to Breakeven" Calculator](#)

[Pip Value Calculator](#)

[Pivot Point Calculator](#)

COMPANY

[About](#)

[Contact](#)

[Advertise](#)

[Newsletter](#)

[Testimonials](#)

[FAQ](#)



babypips



BabyPips.com helps individual traders learn how to trade the forex market.

We introduce people to the world of currency trading, and provide educational content to help them learn how to become profitable traders. We're also a community of traders that support each other on our daily trading journey.

Copyright © 2020 BabyPips.com LLC. All rights reserved.

[Privacy Policy](#) [Risk Disclosure](#) [Terms of Use](#)