



What is Scalping?

In short, scalping is the idea of taking quick trades (typically on smaller time frames) that only need to go a short distance before you cash out of the position and then to do this many times over. Whether you are talking about pennies, points, pips or ticks, the idea is the same:

Scalpers are not looking for a long term moves or to catch a sizable portion of the trend. We simply want to grab a small profit and move on to the next opportunity.

In this report, I will give you a step-by-step set of instructions for utilizing ***The Lazy River Scalping Strategy***--my favorite scalping method.

My goal is that you'll be able to utilize this strategy by the time you finish reading this report.

As always, I recommend testing it out and getting comfortable on a practice account or a very small account and making any edits or tweaks to the strategy so that it fits your style.

Step 1: Setting up the chart

I like to use a very simple setup for most of my strategies and this one is no different. As you'll note, it is just a few steps and VERY basic indicators.

1. Select the 5 minutes time frame
2. Use either a candlestick chart or a bar chart according to your preference
3. Plot 20 and 50-period exponential moving averages on the chart



That's it, the chart is set in three simple steps and we are ready to move ahead.

Step 2: Identifying the trend

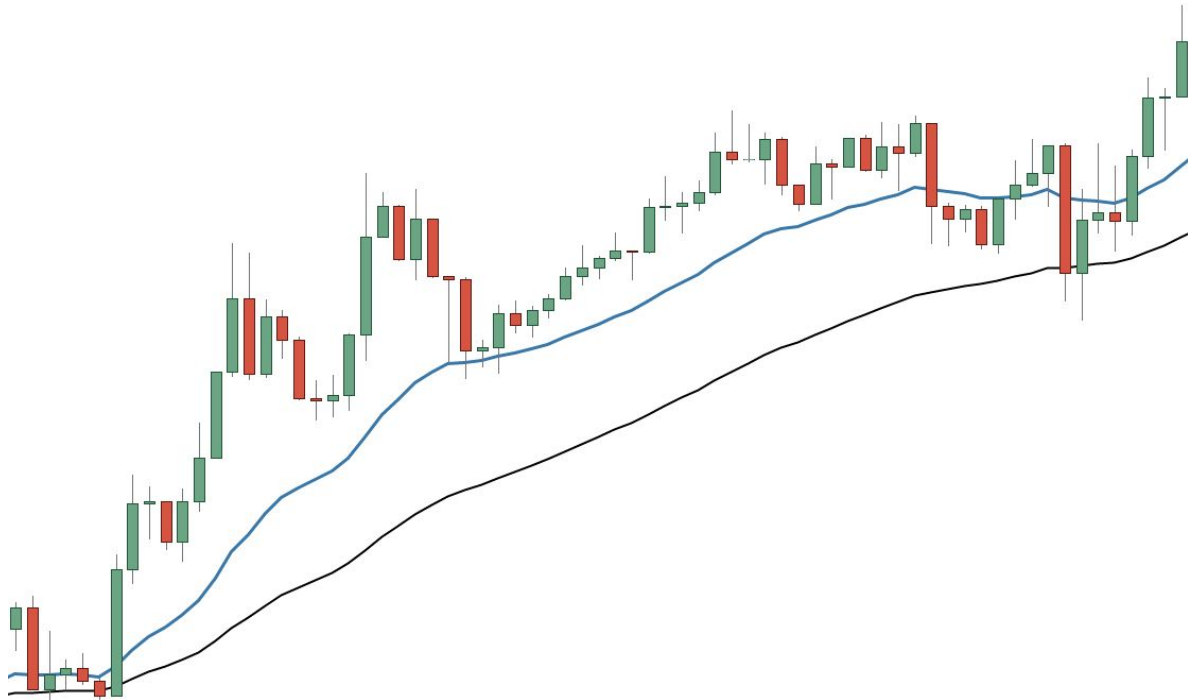
Every trader should learn that the 'Trend is your friend', early on.

Any time you can utilize this principle as an edge in your trading, you should. It's often easy to lose focus of something as simple as watching out for the trend, so in the Lazy River, we make sure we identify it before even thinking about making an entry.

Uptrend Criteria

1. Price should be above both the 20 and 50 EMA.
2. 20 EMA should be above 50 EMA
3. Both 20 and 50 EMA should be curving upwards
4. The moving averages should not crisscross each other frequently. 20 EMA should be comfortably above the 50 EMA.
5. If all the above conditions are fulfilled, it confirms that the pair is in an uptrend and we can look for opportunities to go long on the pair

Example of Bullish Trend:



Downtrend Criteria

1. Price should be below the 20 and 50 EMA
2. 20 EMA should be below the 50 EMA
3. Both the moving averages should be turning down.
4. The moving averages should not crisscross each other frequently. 20 EMA should be comfortably below the 50 EMA.
5. If the above conditions are fulfilled, the pair is in a downtrend, and we can look for opportunities to short the pair.

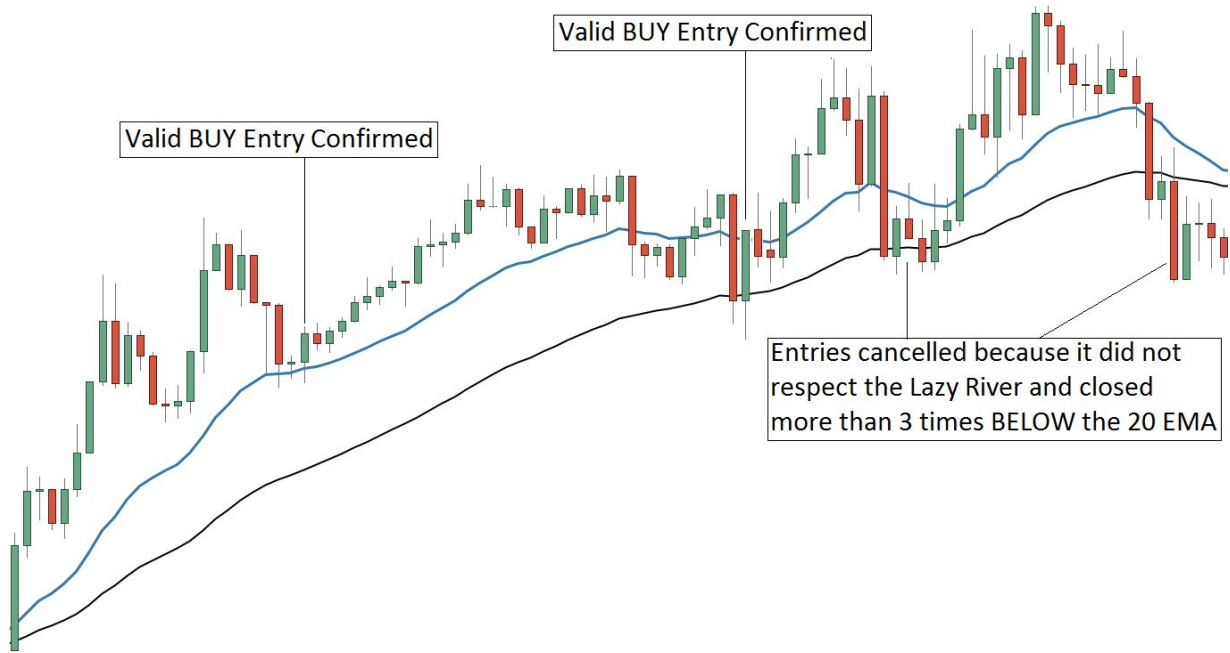
Example of Bearish Trend:



Conditions for entry

1. Bullish/Bearish Trend Established
2. Price Moves Back to Touch 20 or 50 EMA
3. The River Holds Price (meaning that we not have more than 3 consecutive 5min candles close above/below the 20 EMA)
4. A close on the opposite side of the 20 EMA occurs confirming continuation

Bullish Entry Example:



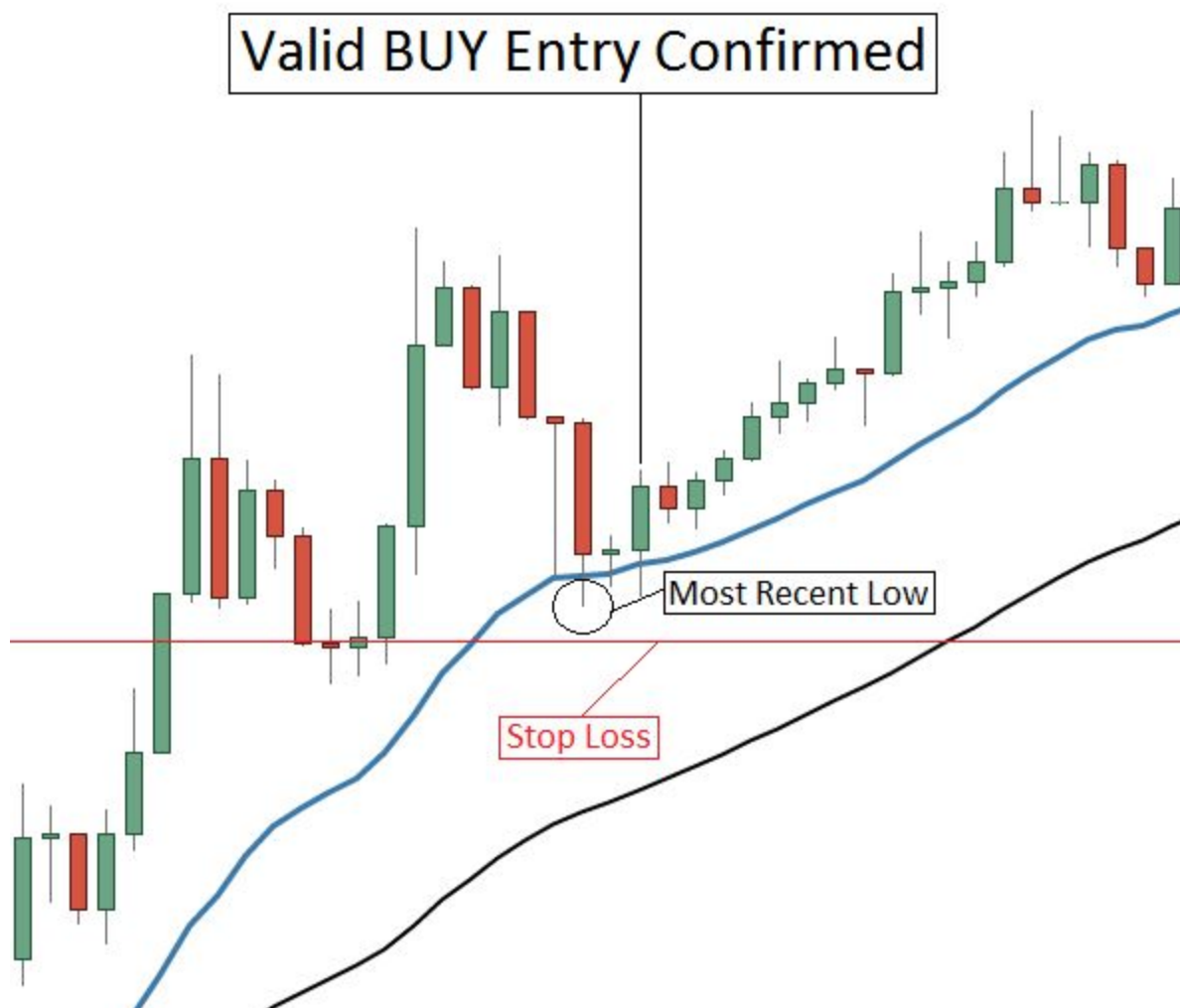
Bearish Entry Example:



Stop Loss Placement:

The Stop Loss placement is very simple: We simply use the most recent low (from the pullback into the Lazy River) and place our stop 2 - 5 pips below the low while avoiding placing it on prices that end in "0" as often these are magnets for the market to test. We definitely do NOT want our stop loss to be a magnet for price so we avoid using "0" levels.

Buy Entry Stop Example:



Sell Entry Stop Example:



Exits and Take Profits:

We have a two-part system for taking profits with the Lazy River strategy.

First, we set a take profit for half of the position at a 1:1 ratio of our stop loss. If the stop loss is 7 pips above the entry, the partial take profit should be 7 pips below the entry; if the stop loss is 17 pips below the entry, the partial take profit should be 17 pips above the entry.

The 1:1 is a simple rule that makes sure we've set a sensible take profit that is line with the recent market movement.

Here's a basic example of how to set your initial take profit:



In addition, we have a trailing rule for the Lazy River Strategy to give us an opportunity to maximize our profit potential. Remember that price, and rivers, follow the path of least resistance. Since we have an established trend, we know the least resistance will be a continuation.

****Note:** Once the first take profit is hit, we do NOT move the stop loss to breakeven. Once the TP is hit, we still want to give the market room to ebb and flow and potentially run for a significant distance to pay us off. Simply leave the stop loss at the initial placement until we are ready to lock in our first leg of profit.

Here's how we trail the stop:

If and every time a lower high is established, we place the stop 2-5 pips above the new high.

Here's an example of some highs that form during a continuation move to the downside:



Note that we are looking for a lower high meaning that the “high” candle has lower priced candles on each side of it AND the market makes a new low.

Once this occurs, we have a high probability that the trend is continuing for another 5 minute leg and we can move our stop above the high (or below the low in the case of an uptrend).

Of course, the second part of the position is where maximum profit potential comes into play but it takes discipline and steady monitoring of the charts.

Once you master the entry rules of the strategy--which shouldn't take you long--the real key to the **Lazy River Strategy** is managing the trades for optimal profits which only comes with time and experience.

Again, get comfortable on a practice account and make the strategy your own, and this will serve to be an excellent resource for you as a trader.

I hope this strategy report is valuable to you. If you have questions or feedback, I am available at JCrawford@learntotradeforprofit.com

Thanks for being a part of our community here,

-J