

Belts

Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work against you as well as for you. Before deciding to invest in foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money that you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor if you have any doubts.



“My Belt holds my pants up, but the belt loops hold my belt up. So which one’s the real hero?”

-Mitch Hedberg

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The belt trade setup is a great setup - much like a Kangaroo Tail setup, the Belt signals when the market has reached an extreme point and is likely to turn around.

The Belt setup will nearly always occur as the first bar of the new trading week. The belt requires the market to gap at the open of the next bar.

Notice how on the bar prior to the belt the market closed higher.

Then, the belt bar opens much lower.

The belt bar eventually closes much higher.



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This is a Bullish Belt bar because the belt bar opens lower, but closes much higher.



The belt bar is traded just as you would a Kangaroo Tail. The buy stop order is placed above the high of the belt bar, the stop loss is below the low of the belt bar.

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The belt bar will often occur at support/resistance zones in the market.



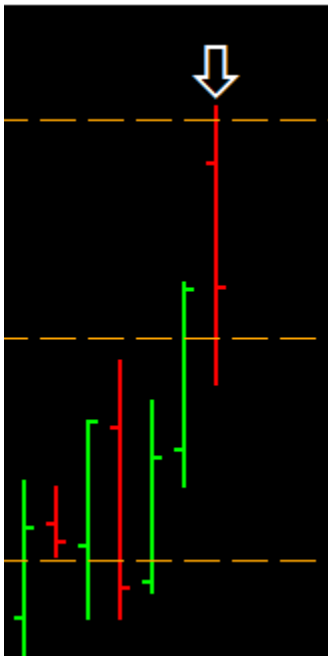
You may exit the trade at a nearby support/resistance zone, or use the three bar exit or chandelier exit, etc.

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Let us look at an example of a Bearish Belt bar setup now.

Here we see the belt bar has opened up much higher than the previous bar. The belt bar closes much lower.

The belt bar prints at an extreme level on a support/resistance zone.



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The sell order is placed below the low of the belt bar. The stop loss goes above the high of the belt bar.



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As with any other Kangaroo Tail, you may exit at a nearby support/resistance zone, or you may exit using the three bar exit, chandelier exit, etc.



Backtest the Belt in ForexTester to see how well it works for you.

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