

Forex Trading Signal - A Free Simple to Understand Equation Which Makes Big Profits

Here we are going to look at a free Forex trading signal that makes big gains and has done for over 25 years and is used by some of the world's top traders in their Forex trading strategies. Let's take a look at it.

The signal doesn't even need trading software to generate it, you can actually do it in your head. The signal is credited to famous trader Richard Donchain who is considered the grandfather of modern trend following and he called it the four week Rule and this is the rule

1. When prices move to a new 4 month high buy a currency and hold it.
2. Wait for a new 4 week low to occur, liquidate the long and take a short position.
3. Always maintain a position long or short in the market and simply reverse on each new 4 week high or low.

The above rule could not be simpler but it works and if you test it, you will see how much money it makes and the reason it works is because it works on two pieces of logic which will never go out of date and there the following:

1. Markets trend up or down for sustained periods of time.
2. All major trends start and continue from major breakouts

This system over the long term, will catch a good chunk of profit from every major trend but despite the fact it works most traders won't use it for the following reasons:

1. They prefer the get rich quick route and buy a cheap automated software package with no independent verification of gains instead, the above Forex trading signal is proven and has a real track record over a quarter of a century.
2. It takes discipline to follow as its long term and traders have a problem with holding long term trends, they think trading frequently means more profits and its clear this is not true.
3. Most traders simply pass it buy because they think a signal so simple cant work but of course all the best systems are simple because they are so robust.

The 4 Week Rule, as stood the test of time and any trader can use it to seek Forex trading success. In the next article in this series we will look at how to add filters to the above trading signal to make it even more effective and also look at some of Richard Donchian's other Forex trading tools.

About the Author

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